

# Directors' Report

To Our Members,

Your Directors present the 22nd Annual Report of the Company with the Audited Accounts for the year ended December 31, 2008

## PERFORMANCE

A summary of your Company's financial performance is given below:

	Year ended December 31, 2008 (Rs. Lakhs)	Year ended December 31, 2007 (Rs. Lakhs)
Total Income for the year was	40,389.03	27,088.01
Profit before depreciation and taxes was	18,696.71	10,481.23
Deducting there from depreciation of	1,184.38	1,333.87
Profit before tax was	17,512.33	9,147.36
Deducting there from taxes of	3,774.52	2,080.28
Profit after tax was	13,737.81	7,067.08
The proposed appropriations are:		
Dividend	5,057.50	1,806.25
Corporate Dividend Tax	859.52	337.07
General Reserve	1,373.78	706.71
Balance carried forward	17,663.64	8,775.36

## DIVIDEND

The Directors recommend, for approval of the members at the Annual General Meeting to be held on April 28, 2009, payment of final dividend of 350 per cent (Rs. 35 per share) for the year under review. During the year, the Company paid first and second interim dividend of 100 per cent and 250 per cent respectively. The total dividend for the year works out to 700 per cent (Rs. 70 per share) as against 250 per cent (Rs. 25 per share) in the previous year.

## REVIEW OF OPERATIONS

### A. RATINGS

#### HIGHLIGHTS

CRISIL Ratings maintained its market leadership, driven by strong growth in Bank Loan Ratings (BLRs). Over the last one year, CRISIL

Ratings through BLR played a key role in providing banks with an independent view on the credit worthiness of their borrowers. New bank loan ratings for 845 companies were announced in 2008 as against 15 in the previous year. A strong performance by SME Ratings also contributed to revenue growth in 2008.

Financial sector and structured finance ratings, which were major revenue drivers in 2007, slowed during the last quarter of 2008. After a three-year hiatus, the corporate bond market showed some recovery in the last quarter with a few large borrowers issuing bonds. For 2009, the expected slowdown in overseas funding, and limited opportunities for raising equity, augur well for the bond market. CRISIL Ratings expects more corporates to return to the bond market in 2009.

High profile rating assignments executed during the year included

the first-ever rating for a clearing corporation in India, the rating of the largest securitisation transaction in India so far (originated by ICICI Bank), and a mandate from Bureau of Energy Efficiency under the Ministry of Power, Government of India, for carrying out accreditation of 19 Energy Service Companies.

CRISIL, ICICI Foundation for Inclusive Growth and IFMR Trust, signed a Memorandum of Understanding aimed at developing viable commercial enterprises that have a focus on helping low-income households, enabling such households to meaningfully augment their incomes and create assets. Under the agreement, CRISIL will develop evaluation frameworks for microfinance institutions, urban local bodies and vocational training institutes, enabling better analysis and a deeper understanding of these entities.

The Global Analytical Centre (GAC) completed five years of operations in October 2008, and continued to contribute substantially to S&P's Global Resource Management (GRM) initiative.

## BUSINESS ENVIRONMENT

The impact of the global financial crisis began to influence India's financial markets in the last quarter of 2008. Debt issuances from the financial sector stopped and the structured finance market came to a standstill in the last quarter. The domestic bond market is expected to revive in 2009 as other funding avenues for corporates have dried up. The Government of India's stimulus package for the economy's revival is likely to lower the cost of borrowing, thereby promoting debt issuances. The securitisation market for asset-backed and collateralised debt could also see a revival in the second half of 2009 as interest rates ease.

Business from bank loan ratings is expected to remain robust in 2009 as corporates get their bank loans rated, and banks strive to become Basel II-compliant, by March 2010.

The outlook for GAC's business remains intrinsically linked to S&P's business environment and priorities. S&P's focus on providing deeper, sharper and faster analysis is expected to result in an increased need for analytical resources and timely and accurate data. GAC

is well positioned to deliver on and benefit from these additional requirements.

## OPERATIONS

CRISIL Ratings maintained its market leadership in the rating business. Revenue growth was driven by a strong trend in Bank Loan Ratings. It was also supported by the growth in SME Ratings. Revenues from structured finance and financial sector issuances were buoyant in the first nine months of 2008, but dipped in the last quarter. However this was compensated by corporate sector bond issuances in the quarter.

The business development and delivery processes were strengthened significantly during the year to keep pace with the sharp increase in volumes of BLR execution. BLRs for 845 new companies were announced during the year, as against 15 in 2007. Strong quality control measures have been put in place including a focused process driven approach, usage of quality checklists and training to ensure quality levels that the market expects of CRISIL.

Growth in SME Ratings continued through the year with a total of 3800 ratings assigned so far. Operations are aided by robust technology practices that have ensured high-quality output with reduced turnaround time. The CRISIL SME Ratings team won appreciation for its work and was awarded The McGraw-Hill Companies' Corporate Excellence Award.

The Executive Training team conducted around 120 programmes in 2008, training around 2000 professionals. The proportion of customised programmes is increasing and feedback has been positive. Training programmes were also conducted outside India.

CRISIL Ratings received mandates from a few banks for rating their Tier II and perpetual bond issuances; this is a trend that is picking up. Corporate credit ratings of 16 Urban Local Bodies were also executed under a mandate from the Ministry of Urban Development, Government of India, under the Jawaharlal Nehru National Urban Renewal Mission.

The GAC team enhanced engagements with S&P teams and supported

a diverse range of data and high-end analytical activities. The data operations set up in 2007 grew significantly in 2008, and GAC now provides a wide range of data management support services to S&P. The group also actively supports S&P's new product launches.

GAC continues to attract the best talent in the industry and the business continues to invest in people development and enhancing internal competencies. A total of 12000 person-hours were spent in training programs during the year.

CRISIL Ratings reached out to investors and market participants through discussion forums, and through one-on-one presentations. Franchise was significantly enhanced through the participation of key analysts at industry events such as the FICCI Banking Summit, India Financial Inclusion Summit, Domestic Credit Rating Agencies Best Practices held at Bangkok by Asian Development Bank and ACRAA, and a FICCI – Ministry of Finance (MoF) event on Urban Local Bodies. In addition, there was extensive media coverage of commentaries on retail asset quality, state finances, liquidity pressures on realty, and credit quality and concentration risk in mutual funds. Commentaries on the outlook for corporate India and non-banking finance companies found mention in domestic and international media. The CRISIL~CNBC Emerging India Awards were held at an event in London attended by Lakshmi Mittal, Chairman, Mittal Steel; Shri Kamal Nath, Minister of Industry and Commerce, Government of India, and senior S&P leaders. More than 300,000 SMEs were evaluated by CRISIL for the event. The CRISIL~CNBC Awaaz Real Estate Awards – a much-awaited event in the real estate space – were also presented this year, with CRISIL evaluating more than 150 nominations.

## B. RESEARCH

### B.1. CRISIL RESEARCH

#### HIGHLIGHTS

CRISIL Research continued its strong growth in 2008 in all its traditional businesses, despite challenging market conditions, especially during the latter half of 2008. The relatively new business of IPO grading was particularly affected by depressed equity market conditions.

Momentum on other new products was however maintained, and the new research offerings in areas such as infrastructure, real estate, retail finance, and SMEs elicited excellent market response.

All non-ratings-related activities for mutual funds – namely funds research and fixed income research – were separated from the Ratings division effective January 1, 2008 and consolidated within the ambit of CRISIL Research. This transfer was completed in keeping with CRISIL's effort to take advantage of business synergies in the mutual fund space, and to strengthen the firewall between ratings and non-ratings activities. CRISIL FundServices registered good growth in 2008, supported by a focus on high-value and customised assignments.

#### BUSINESS ENVIRONMENT

The global meltdown and downturn in the financial markets created a challenging business environment for CRISIL Research during 2008. Despite this, all segments within CRISIL Research, with the exception of IPO grading, achieved strong growth over 2007. IPO grading was directly impacted by the unprecedented collapse of the Indian equity markets, and the consequent decline in the number of companies seeking to target the primary market.

The business environment is expected to remain challenging in 2009 with several companies cutting costs, and the investment environment turning bearish. Continued focus on new products and new client acquisition will help counter the impact of the slowdown. The current environment may also see renewed focus by banks and financial institutions on risk management and portfolio monitoring. CRISIL Research is well positioned to support these needs through standard and customised products.

#### OPERATIONS

CRISIL Research continued to build on its unique value proposition of macro-micro integrated research, and strengthened its leadership position as an independent research provider. In 2008, CRISIL Research introduced product enhancements to improve customer experience, extended coverage to trending and emerging sectors, and launched special reports of topical interest. The flagship product – Industry

Information Service – continued to do well with fresh subscriptions and renewals from existing customers. In December 2008, a special report was released on the likely impact of the global meltdown on the Indian economy and industries; this report was well received.

An important event in 2008 was the launch of [www.crisilresearch.com](http://www.crisilresearch.com), an initiative that offers clients access to CRISIL Research reports and updates over the internet, rather than through traditional media such as physical reports or computer discs. This is expected to enhance CRISIL Research's ability to reach out to more clients in both, domestic and the international markets.

Customised research picked up momentum, with mandates from a number of private and public sector clients. Research inputs to support investment decisions and evaluate strategic initiatives were provided to a range of private equity, banking and corporate clients, in diverse areas such as IT/ITES, SEZs, transport infrastructure and alternative fuels.

CRISIL FundServices executed a prestigious assignment for the Employees' Provident Fund Organisation (EPFO), India's largest provident fund to assist in the selection of multiple fund managers. Another key assignment executed was for India's pension regulator – the Pension Fund Regulatory and Development Authority (PFRDA). CRISIL FundServices provided technical assistance and training for a credit rating agency in Southeast Asia for establishing mutual fund evaluation services, and the development of a customised bond valuation tool for The Caribbean Information and Credit Rating Services Limited (CariCRIS). A number of corporate treasuries have also begun sourcing mutual fund research from CRISIL FundServices.

Several new products were launched by extending coverage to more industries and focusing on emerging trends and emerging sectors. These included the real estate outlook report, CityReal(i)ty, for eight cities, the report on growth potential across retail finance products, and a report on risk and opportunities in infrastructure investments. In order to address the under-researched mid-size and growing segments, the Mid-Size and Emerging Segments and Company Research (MESCOR) service was introduced. MESCOR reports provide

a comprehensive overview, in terms of size, composition, structure, growth and potential, of emerging sectors that have historically not enjoyed detailed research coverage.

CRISIL Research continued its outreach initiatives for corporates, banks and other financial sector entities, through a combination of knowledge-sharing tele-investor meets, one-on-one meetings and presentations at industry forums. The focus on enhancing franchise for CRISIL Research and CRISIL FundServices also continued during the year, through commentaries and interviews in media and speaker opportunities at prominent seminars and conferences.

CRISIL FundServices worked closely with Securities and Exchange Board of India (SEBI) and Association of Mutual Funds in India (AMFI) in several initiatives such as refining the approach for valuing fixed income securities, and initiating a new methodology for valuing floating-rate bonds.

Two flagship events – the CNBC TV18~CRISIL Mutual Fund Awards and the annual Post-Budget India Outlook 2008 seminar – continue to attract attention and coverage. The former has now grown to be the premier mutual fund awards in Asia.

## B.2. IREVNA

### HIGHLIGHTS

Irevna registered strong growth in 2008 despite the turmoil in global financial markets. The addition of several strategic and high-potential clients and the substantial enhancement of business engagement with clients in existing and new verticals contributed to this growth. Irevna also expanded its business development and delivery footprints, consolidating its position in the equity research, derivatives, and credit research verticals, and successfully entering the quantitative research and commodities verticals.

### BUSINESS ENVIRONMENT

The turmoil in the global financial markets has resulted in significant changes in the structure and strategies of all financial market participants, the principal client base for Irevna. Most financial

services firms have announced workforce reductions and cost reduction measures. This has slowed Irevna's growth in the last few months of 2008. These conditions are likely to persist over the next few months, with some impact on Irevna's business in the short term. Over the medium to long term, however, the increasing need for deeper, sharper and faster analytics, within reducing budgets, will lead to strong demand for offshoring services.

## OPERATIONS

Irevna's operations continued to grow well across all verticals. The recently launched quantitative research vertical also saw good demand from clients and is expected to contribute well to future revenues. A key highlight for 2008 was the addition of several strategic and high-potential clients. Major existing client accounts continued to perform well, with a few growing substantially in existing verticals and others expanding their engagement in new verticals.

Irevna proposes to extend its delivery footprint by setting up a centre in Wroclaw, Poland. The Mumbai SEZ (Special Economic Zone)-based operations have begun serving several key clients. During 2008, Irevna established its business development presence in Asia, and further strengthened it in the UK and USA. Irevna's Japanese-language delivery capabilities are now firmly established, and have received excellent feedback from clients. Irevna's first delivery centre outside India at Buenos Aires continues to progress well.

Irevna continues to attract the best talent in the industry. Being part of the CRISIL group, Irevna is perhaps the only outsourcing partner in the industry that offers content and market-facing career paths for its people through the possibility of internal transfers. This unique proposition enhances its ability to attract and retain talent. Irevna significantly increased its efforts at professional training and development, and invested more than 22000 person-hours across diverse training programmes in 2008.

## C. ADVISORY

In 2007, CRISIL's advisory services were transferred to a subsidiary,

CRISIL Risk and Infrastructure Solutions Limited (CRIS) in line with the best practice of fire-walling these operations from Ratings and Research. CRIS houses CRISIL Infrastructure Advisory and CRISIL Risk Solutions. Though these businesses are carried out in a separate subsidiary, a business review is being provided below to present a consolidated view of all of CRISIL businesses.

### C.1. CRISIL INFRASTRUCTURE ADVISORY

#### HIGHLIGHTS

The performance of CRISIL Infrastructure Advisory in 2008 in terms of business developed, billings, and profitability, was much better than in 2007, and in line with plans for 2008. Market conditions in 2009 are likely to be challenging, but a reasonably good order book, dialogues in progress with clients, and the ability to straddle both domestic and international markets, positions CRISIL Infrastructure Advisory well to satisfactorily meet these challenges.

The business executed in 2008 was qualitatively different from the previous years on many counts. International business comprised a much larger percentage – 26 per cent against less than 10 per cent of revenues in 2007, with major assignments from Mauritius, Indonesia, Vietnam, Tanzania and the Kingdom of Saudi Arabia. In 2008, 45 per cent of the business developed was of unit size greater than Rs. 1 crore against less than 5 per cent in 2007.

In the Indian market, the business was increasingly aligned to the flow of investments in the infrastructure space. Engagements involved providing strategic advice and analytical support for investment decisions into infrastructure projects. A strong franchise was created with select developers and private equity funds.

Many of our engagements were on important initiatives for the respective country that they were executed in. Some of these included the development of the largest Public Private Partnership (PPP) project in Mauritius, setting up of an Infrastructure Financing Facility in Southeast Asia, transforming an investment bank into a development finance institution in Africa.

## BUSINESS ENVIRONMENT

The global financial meltdown has affected the infrastructure sector with most ongoing projects getting delayed due to difficulties in attaining financial closure, and constrained flows of funds. Infrastructure players have become risk-averse and have adopted a wait-and-watch strategy, until the business environment stabilises. New projects on the drawing board are likely to face challenges in funding. Governments which are a big driver of infrastructure development are likely to slow down projects while the election season gets underway in much of 2009 in India.

The underlying need for creation of better infrastructure in the emerging world, however, remains strong. Reports estimate that aggregate infrastructure sector investments in emerging markets globally till 2020 could be as high as USD 21.7 trillion. Investment flows on this scale would generate numerous opportunities for CRISIL Infrastructure Advisory. Strong franchise developed with overseas clients will help mitigate partly the challenges in the domestic market.

## OPERATIONS

During 2008, CRISIL Infrastructure Advisory was reorganised with the separation of business development and delivery functions. The reorganisation has already begun to yield benefits in terms of greater operating efficiency.

During the year, a large number of international engagements were successfully completed. Multilateral work in Indonesia and Vietnam, and with the Asian Development Bank in India, has been well appreciated. There is growing recognition of the value added by CRISIL Infrastructure Advisory on assignments in the emerging markets.

Numerous outreach activities were undertaken in the year including participation in multilateral events. Initiatives included knowledge partnerships and paper presentations at the following seminars: India Electricity 2008, City Gas Distribution and Developing India's Municipal Bond Market. Outreach also included speaking opportunities

in a number of forums to establish the group's thought leadership. Water sector experience was shared at forums in Bangladesh and Egypt, and with the African Development Bank in Tunisia. CRISIL Infrastructure Advisory partnered with Confederation of Indian Industry (CII) in numerous workshops on PPP in urban infrastructure, and was the knowledge partner of CII Southern Region and CNBC for their Power Sector initiative, 'Southern Leap in Power'. These helped to strengthen franchise with target clients.

2009 is expected to be a challenging year. The uncertainty due to the financial sector meltdown and the drying up of funding for infrastructure projects is compounded by impending elections, both at the Centre and in a number of states in India. CRISIL Infrastructure is well equipped to take on these challenges, both, in the domestic and international markets.

## C.2. CRISIL RISK SOLUTIONS

### HIGHLIGHTS

The performance of CRISIL Risk Solutions (CRS) during 2008 was substantially better than in the previous year. CRS maintained its position as India's leading risk solutions provider - this was also reaffirmed by a recent survey by Indian Banks' Association wherein CRS was listed as the number one risk solutions supplier among six solutions providers (including many global players).

The year also saw CRISIL Risk Solutions undertake many diverse and challenging assignments in both, the consulting and solutions space, and deliver them successfully.

CRS completed the 25th implementation of its flagship product - Risk Assessment Model (RAM) software - in 2008. CRS continues to be the preferred solution provider for Basel II capital computation in India, with the highest number of installations.

## BUSINESS ENVIRONMENT

As in 2008, the growth driver in the Indian market for 2009 will be the impending deadline for Indian banks to comply with the Reserve

Bank of India's new capital adequacy norms and related guidelines. CRS also expects to achieve significant sales of product and service offerings in South Asia and Southeast Asia in the year ahead.

### OPERATIONS

Significant wins for CRS in 2008 included implementation of CRISIL's suite of proprietary software products – Basel II Capital Assessment Model (CAM), RAM, and CRISIL Operational Risk Evaluator (CORE) – at a renowned bank in Mauritius. Other key wins included implementation of CAM for the Indian operations of an international bank, and implementation of RAM for a mid-sized public sector bank in southern India.

In the consulting space, CRS executed a prestigious mandate to set up an enterprise risk framework for a very large infrastructure finance company in the public sector. CRS also worked closely with Standard & Poor's in jointly delivering risk-related assignments in the Asia-Pacific region.

During the year, the CAM software was redesigned for speedy computation, making it one of the fastest solutions available in the Basel II space, capable of efficiently handling capital computation of banks with large number of transactions or assets.

The endeavour to ensure quality of services and products to maximise client satisfaction was strengthened by obtaining ISO 9001:2000 certification.

#### C.3. GAS STRATEGIES GROUP

During the year, CRISIL reviewed its strategy in the infrastructure advisory business, and decided to focus on opportunities in India and other emerging markets in line with the flow of investments in the infrastructure sector. In keeping with this philosophy, CRISIL divested 90 per cent of its equity in its UK subsidiary, Gas Strategies Group Ltd (GSG), to the GSG management team. CRISIL now has a 10 per cent shareholding in the company. GSG operates predominantly in the UK and Europe.

A combination of general economic uncertainty and the credit crunch

resulted in a decline in the business performance of the consulting business of GSG. The training, information and subscription business have, however, performed in line with plans.

#### D. COLLABORATION WITH STANDARD & POOR'S

During the year, there was a significant step-up in activities aimed at closer integration with S&P. GAC continued to contribute substantially to S&P's Global Research Management (GRM) initiative. GAC currently supports over 50 practices and groups that are part of S&P's Credit Market Services (CMS) team across the US, Europe and Asia-Pacific. During 2008, GAC also commenced operations for non-CMS groups within S&P. There was significant interaction with S&P, with almost 10 per cent of the GAC team visiting various S&P offices for training and closer interaction.

All of CRISIL's businesses also increased collaboration with S&P in 2008. CRISIL partnered S&P in a few global assignments, including an International Finance Corporation (IFC) sponsored project – the S&P ESG India Index – as part of a consortium consisting of CRISIL, S&P and KLD Research and Analytics. CRISIL's role in this project was to assist in developing an index of Indian companies based on environmental, social and governance parameters. The efforts culminated into the launch of the S&P ESG India Index in Mumbai on January 29, 2008, generating extensive media coverage and investor interest. CRISIL Research is collaborating on new business initiatives with McGraw-Hill Construction.

CRISIL's market development and communications team supported Standard & Poor's South and Southeast Asia operations during the year, involving communications and stakeholder outreach and market development for S&P's products and services in the region. CRISIL's HR team also provided support to the newly set-up S&P South Asia operations.

#### E. THE CENTRE FOR ECONOMIC RESEARCH, CRISIL (C-CER)

The activities of the Centre for Economic Research, CRISIL (C-CER), organised around three broad themes – India Macroeconomics, S&P Asia-Pacific Macroeconomics, and Projects – were received with much

appreciation both externally and within the organisation. Through the year, CRISIL was positioned actively in Indian and international media as the expert on the Indian economy.

Key projects in 2008 included IFC-funded projects, GEMLOC-I and GEMLOC-II, that involved the scoring and ranking of emerging economies on 'investability' of their local currency bond markets. Domestic mandates included an assignment from a state government to prepare its memorandum for the XIII Finance Commission. C-CER also participated in CRISIL Infrastructure Advisory's mandate from another state government to develop its vision document, providing macroeconomic forecasts for the state and benchmarking it with a set of countries on several economic and social development indicators. Apart from the initiatives for social responsibility at CRISIL, C-CER was engaged in a CII initiative to assess companies on Corporate Social Responsibility (CSR) sustainability performance as a prelude to an awards presentation.

#### F. HUMAN RESOURCES

CRISIL continued with an active talent acquisition programme through 2008 despite the market conditions. 754 employees were hired during the year as against 741 in 2007. On a consolidated basis, the total headcount across the CRISIL group of companies increased to 1956 as on December 31, 2008, as against a headcount of 1750 a year before, registering a growth of 12 per cent.

Employer branding was achieved through a host of initiatives. These included media interactions, business school and college interactions, and innovative programmes such as the CRISIL Certified Analyst Programme and the much-sought CRISIL Young Thought Leader competition that promotes thought leadership among young and upcoming leaders. The CRISIL Young Thought Leader competition received responses from 177 students across 61 business schools and 5 graduate colleges.

The CRISIL Certified Analyst Programme (CCAP) completed its first year and was one of the winners of The McGraw-Hill 2008 Corporate Achievement Award. The second CCAP batch (2008-10), with 32

interns, has been inducted into CRISIL.

#### EMPLOYEE ENGAGEMENT AGENDA

Based on feedback received through the Employee Engagement Survey, three priority areas were identified to maximise employee engagement.

- **Communication:** The survey highlighted a need for better information on organisational developments and opportunities for growth. A comprehensive programme has been implemented to further this agenda.
- **Rewards and Recognition:** A wider and more comprehensive rewards and recognition programme has been launched.
- **Training & Development:** A structured training calendar based on identified key competencies has been launched.

During the year, 62 employees received remuneration of Rs. 2.4 million or more per annum. In accordance with the provisions of Section 217(2A) of the Companies Act, 1956 and the rules framed thereunder, the names and other particulars of employees are set out in the annexure to the Director's Report. In terms of the provisions of Section 219(1) (b) (iv) of the Companies Act, 1956, the Directors' Report is being sent to the shareholders excluding this annexure. Any shareholder interested in obtaining a copy of the annexure may write to the Company Secretary at CRISIL's registered office.

#### G. MARKET DEVELOPMENT & COMMUNICATIONS

The Market Development and Communications (MDC) team supported CRISIL's franchise and outreach efforts by drawing up and implementing a comprehensive strategy for branding and outreach. This entailed fostering and maximising visibility with key stakeholders through a focus on media outreach, stakeholder engagement, collateral and messaging, events, and seminar participation and knowledge partnerships, spanning traditional and online media.

#### H. INFORMATION TECHNOLOGY

Through 2008, CRISIL's Information Technology (IT) department

continued to implement new solutions and upgrade existing solutions as businesses' needs evolved. Noteworthy efforts included:

- Implementation of solutions that helped the SME Ratings and BLR businesses scale their operations up rapidly
- Launch of a new and dynamic website [www.crisilresearch.com](http://www.crisilresearch.com), enabling the business to disseminate products to clients online
- Working closely with the operations teams at CRISIL FundServices and CRISIL Risk Solutions to deliver superior IT-assisted solutions of a critical, high-visibility nature

On the security front, a secure access solution was delivered to the SME Ratings, CRISIL Research and CRISIL Infrastructure Advisory businesses. Various information security audits conducted by customers and other compliance requirements were also supported.

#### I. SUBSIDIARIES

The Company has been granted an exemption by the Ministry of Corporate Affairs from attaching to its Annual Report the individual annual reports of its subsidiary companies. A statement containing brief financial details of these companies is included in the annual report. The annual accounts of the subsidiary companies and related information will be made available to the members seeking such information.

#### J. JOINT VENTURE

##### INDIA INDEX SERVICES AND PRODUCTS LIMITED

India Index Services and Products Limited (IISL), CRISIL's 49:51 joint venture with National Stock Exchange of India Limited (NSEIL), provides a variety of indices and index-related services and products to the capital markets. IISL has a marketing and licensing agreement with S&P, the world's leading provider of investible equity indices.

In 2008, IISL issued licenses to various clients for issuing debentures based on S&P CNX Nifty Index within India. Further, IISL continued to create customised indices for its clients to meet specific requirements.

IISL also issued licenses to insurance companies in India for issuing products based on S&P CNX Nifty Index.

During 2008, IISL launched S&P CNX Nifty Shariah Index and S&P CNX 500 Shariah Index. IISL is also the index calculating agent for S&P ESG India Index that was launched in early 2008.

NSEIL introduced derivative contracts based on S&P CNX Defty Index during the year 2008.

In 2009, IISL will continue to develop and promote its indices. It is strengthening its client base, understanding clients' changing requirements, and gearing up to develop new global index products.

#### K. STRATEGIC INVESTMENTS

##### THE CARIBBEAN INFORMATION AND CREDIT RATING SERVICES LIMITED (CariCRIS)

2008 was another challenging year for CariCRIS, despite the company's continued efforts at ratings concept marketing, franchise building, and diversifying revenues.

Nevertheless, 2008 was a significant year in many respects. The number of ratings in public domain increased to 16 as of December 31 2008, from 7 a year before, reflecting enhanced market acceptance. A key development was the announcement of the first regional-scale rating in the insurance sector and the release of the agency's first public rating in Jamaica, for the largest bank in the country.

The Jamaican capital markets regulator, the Financial Services Commission of Jamaica, formally recognised CariCRIS as a regional credit rating agency, on the basis of a code of conduct for operation of rating agencies established by the regulator.

#### L. DIRECTORS

The Board of the Company was reconstituted on July 24, 2008.

Mr. R. Ravimohan was appointed Chairman of the Board of CRISIL succeeding Mr. B. V. Bhargava, who continues to serve on the Board.

The Board of Directors appointed Dr. Nachiket Mor, as an Additional Director and he holds the office up to the date of the ensuing Annual General Meeting.

Mr. Deven Sharma and Ms. Vickie Tillman resigned as Directors of the Company with effect from July 24, 2008.

Mr. Michael Petit, alternate to Ms. Vickie Tillman, Mr. Ravinder Singhania, alternate to Mr. Deven Sharma and Mr. Richard Gallagher, alternate to Mr. David Pearce, ceased to hold office as alternate directors on July 24, 2008.

Mr. Ravinder Singhania was appointed alternate director to Mr. Thomas Schiller and Mr. David Pearce.

Your Directors would like to extend their thanks to Mr. B. V. Bhargava for his wise counsel and strong leadership as Chairman of CRISIL since 1999. Your Directors wish to place on record their sincere appreciation of the valuable contribution made by Mr. Deven Sharma, Ms. Vickie Tillman, Mr. Michael Petit and Mr. Richard Gallagher to CRISIL.

In accordance with the Articles of Association of the Company and the provisions of the Companies Act, 1957 Mr. David Pearce and Mr. Thomas Schiller retire by rotation and being eligible, offer themselves for reappointment.

#### M. AUDITORS

The Statutory Auditors, M/s. S. R. Batliboi & Co., Chartered Accountants, will retire at the ensuing Annual General Meeting. You are requested to consider their reappointment.

#### Particulars regarding Conservation of Energy, Technology absorption and Foreign Exchange Earnings and Expenditure

The particulars regarding foreign exchange earnings and expenditure appear at item no. 10 and 11 in the Notes to the Accounts. Since the Company does not own any manufacturing facility, the other particulars relating to conservation of energy and technology absorption stipulated in the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are not applicable.

#### Directors' Responsibility Statement as required under the provisions contained in Section 217(2AA) of the Companies Act, 1956

Your Directors hereby confirm that:

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed.
- (ii) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
- (iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) The Directors have prepared the annual accounts on a going concern basis.

#### ACKNOWLEDGEMENTS

The Board of Directors wish to thank the employees of CRISIL for the exemplary dedication and excellence displayed in conducting the operations of CRISIL. They also wish to place on record their sincere appreciation of the faith reposed in the professional integrity of CRISIL by investors and issuers who patronised their services. They acknowledge the splendid support provided by market intermediaries. The affiliation with Standard & Poor's has been a source of redoubtable strength. The Board of Directors also wish to place on record their appreciation of the faith reposed in CRISIL by the Securities and Exchange Board of India, the Reserve Bank of India, the Government of India, and various state governments. The role played by the media in highlighting the good work done by CRISIL is deeply appreciated.

On behalf of the Board of Directors

R. Ravimohan

Chairman

Mumbai, February 23, 2009