

# 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

## Annexure to the Directors' Report

# Management Discussion and Analysis Report

## BUSINESS AND INDUSTRY OVERVIEW

CRISIL is India's leading Ratings, Research, Risk and Policy Advisory Company. CRISIL's majority shareholder is Standard & Poor's, a subsidiary of The McGraw-Hill Companies. CRISIL aims to be the most preferred provider of independent, credible and reliable ratings, high-end investment research outsourcing services, research products and services and risk and infrastructure advisory solutions thereby, facilitating more informed decision-making by Indian and global entities in the Indian and other emerging markets that CRISIL seeks to expand into.

The already volatile and uncertain business environment is expected to remain challenging in 2009 with several companies initiating cost cutting measures and the investment environment turning bearish. With the announcement of the Government of India stimulus package, we expect a revival in the domestic bond market in 2009 for funding needs of corporates. While the structured finance market came to a virtual standstill in 2008, as interest rates soften, we expect to see a revival in asset-backed and collateralised debt in the second half of 2009. With the imminent deadline for Basel II in 2010, bank loan ratings will continue to see robust growth. While the current business environment is likely to impact CRISIL's research business, our focus on new products and new client acquisitions will help

offset the impact of the slowdown. In addition, the need for close monitoring of the risk profile of investments and portfolios by banks and financial institutions will result in a renewed interest in CRISIL's research and risk solutions businesses. While Irevna is expected to witness a slowdown in growth in 2009, over the medium to long term, the need for high-quality, cost-effective research will result in a strong demand for Irevna's offshoring services. Although the current environment has resulted in a deceleration in infrastructure projects, the necessity and urgency for improved infrastructure in emerging markets will drive future growth of the infrastructure advisory business. On an overall basis, despite the challenging environment, the diversity in revenue streams and geographies across which CRISIL operates, will stand it in good stead for good performance in 2009.

## ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The accompanying financial statements have been prepared in accordance with the requirements of the Companies Act, 1956, and Generally Accepted Accounting Principles and accounting standards prevailing in India. CRISIL's management accepts responsibility for the integrity and objectivity of these financial statements as well as for the various estimates and judgments used therein.

### A. FINANCIAL CONDITION

#### 1) FIXED ASSETS

At the end of the year, the Company's investment in fixed assets was as under:

	Dec. 31, 2008 Amt. (Rs. Lakhs)	Dec. 31, 2007 Amt. (Rs. Lakhs)	Growth %
Gross Block	11,502.59	9,509.57	21%
Less : Accumulated Depreciation	6,037.55	5,254.44	15%
Net Block	5,465.04	4,255.13	28%
Add : Capital Work in Progress	403.72	803.85	
Net Fixed Assets	5,868.76	5,058.98	16%
Depreciation as a % of Total Income	2.93%	4.92%	
Accumulated Depreciation as % of Gross Block	52.49%	55.25%	

During the year, the Company purchased assets worth Rs. 2447.10 lakhs and sold assets worth Rs. 454.07 lakhs. The assets acquired were mainly equipments, computers and leasehold improvements to support expansion of business and to provide for replacement of existing assets. The assets sold were mainly computers and furniture which were replaced. The Capital work-in-progress at the end of the year represents advances paid to operationalise new offices. Depreciation as a percentage of revenue was lower at 2.93% as against 4.92% in the previous year and accumulated depreciation as a percentage of the gross block also reduced from 55.25% to 52.49%. The Company estimates that it will be able to fund its investments in fixed assets and infrastructure from its internal accruals and liquid assets. It may, however, take recourse to borrowings to fund such capital expenditure, if considered necessary.

## 2) INVESTMENTS

During the year, the Company made investment of Rs. 105.02 lakhs in its subsidiary CRISIL Irevna Argentina SA, its Latin America delivery centre for research services provided to overseas clients. The Company

The break-up of debtors relating to various services is as under:

	As on Dec 31, 2008		As on Dec 31, 2007		Change
	Rs. Lakhs	%	Rs. Lakhs	%	
Rating Services	2,382.23	29.66%	1,684.12	24.83%	41%
Research Services	5,649.49	70.34%	5,098.29	75.17%	11%
Total	8,031.72	100.00%	6,782.41	100.00%	18%

The company considers that the outstanding debtors are recoverable. The Company has adequate provision for bad debts.

Loans and advances comprise loans to staff, advances recoverable in cash or kind and sundry deposits. Advances recoverable in cash or kind or for value to be received are mainly towards amounts paid in advance for value and services to be received in future. Sundry deposits represent deposits for premises taken on lease, telephone, electricity and others.

also divested 90 per cent of the equity in its UK subsidiary, Gas Strategies Group Limited to the management team of the company following strategic review of the Infrastructure Advisory business and decision to focus on opportunities in India and other emerging markets aligned with the flow of investments in the infrastructure sector. A provision of Rs. 136.43 lakhs was made for diminution in the value of investment in Caribbean Information and Credit Rating Agency Limited. The Company's short-term surplus funds were invested in money market mutual funds, fixed maturity plans and fixed deposits with banks.

## 3) CURRENT ASSETS, LOANS AND ADVANCES

Cash and cash equivalents were 5.52% of total assets as at December 31, 2008, as against 6.19% as at December 31, 2007. Sundry debtors were Rs. 8031.72 lakhs as at December 31, 2008, as against Rs. 6782.41 lakhs as at December 31, 2007. Debtors, as a percentage of the total operating revenue, improved from 27% (representing an outstanding of 97 days of operating revenue) to 21% (representing an outstanding of 77 days of operating revenue) during the year, mainly on account of improved collection efforts.

## 4) CURRENT LIABILITIES & PROVISIONS

Sundry creditors include amounts payable to vendors for supply of goods and services, provision for bonus payable to the staff and commission payable to the Directors. Advances received from clients include fees received for which services have not yet been rendered and unearned revenue at the year-end, which pertain to services to be rendered in the next financial year for which related costs were not yet incurred.

Provision for leave encashment and gratuity represents the Company's liability for leave encashment and gratuity valued on an actuarial basis as per AS 15. The valuation is made as per Projected Unit Credit Method taking into account qualifying salary projected

upto the assumed date of cessation of employment by whatever reason. Proposed dividend represents the dividend recommended to the shareholders by the Board of Directors, which would be paid after the Annual General Meeting upon approval by the shareholders.

## B. RESULTS OF OPERATIONS

The summary of the operating performance for the year is given below.

### Results of Operations

Rs. Lakhs

Particulars	12 Months Ended		12 Months Ended		Growth %
	Dec-08	%	Dec-07	%	
Income from Operations	37,835.37	93.68%	25,532.28	94.26%	48%
Other Income	2,553.66	6.32%	1,555.73	5.74%	64%
Total Income	40,389.03	100.00%	27,088.01	100.00%	49%
<b>Expenses</b>					
Staff Expenses	13,268.23	32.85%	10,104.59	37.30%	31%
Establishment Expenses	4,228.36	10.47%	2,778.11	10.26%	52%
Other Expenses	4,195.73	10.39%	3,724.08	13.75%	13%
Depreciation	1,184.38	2.93%	1,333.87	4.92%	-11%
Operating Expenses	22,876.70	56.64%	17,940.65	66.23%	28%
Profit before Tax	17,512.33	43.36%	9,147.36	33.77%	91%
Provision for Taxation	3,774.52	9.35%	2,080.28	7.68%	81%
Profit after Tax	13,737.81	34.01%	7,067.08	26.09%	94%

During the year, operating income grew by 48% and operating expenses by 28% over the previous year. The net profit grew by 94% and profit margins also improved from 26% to 34%. The composition and growth of income from various businesses was as under:

Rs. Lakhs

Particulars	12 Months Ended		12 Months Ended		Growth %
	Dec-08	%	Dec-07	%	
Rating Services	18,877.53	49.89%	13,007.84	50.95%	45%
Advisory Services	-	0.00%	876.88	3.43%	-
Research Services	18,957.84	50.11%	11,647.56	45.62%	63%
Income from Operations	37,835.37	100.00%	25,532.28	100.00%	48%

During the year, rating income grew by 45% mainly driven by growth in bank loan and corporate ratings. As at December 31, 2008, CRISIL had bank loan ratings outstanding on 860 entities as compared to 15 entities as at December 31, 2007. The advisory business was transferred to the wholly-owned subsidiary of the Company, in the previous year. The research income grew by 63% on account of

growth in Irevna Research and CRISIL Research divisions and due to the fact that previous year numbers include Irevna Research income only for 9 months because of merger of Irevna Research Services Limited with the Company.

The composition and growth of expenses during the year is as under:

Rs. Lakhs

Particulars	12 Months Ended		12 Months Ended		Growth %
	Dec-08	%	Dec-07	%	
Staff Expenses	13,268.23	32.85%	10,104.59	37.30%	31%
Establishment Expenses	4,228.36	10.47%	2,778.11	10.26%	52%
Other Expenses	4,195.73	10.39%	3,724.08	13.75%	13%
Depreciation	1,184.38	2.93%	1,333.87	4.92%	-11%
Total Expenses	22,876.70	56.64%	17,940.65	66.23%	28%
Revenues	40,389.03	100.00%	27,088.01	100.00%	49%

During the year, staff expenses increased by 31% due to increase in salaries and net addition of 212 employees. Establishment expenses were higher due to operationalisation of new offices during the year. The revenue and profit per employee were higher at Rs. 23.31 lakhs and Rs. 7.93 lakhs respectively. The Company would continue its efforts to improve upon this through business process re-engineering

and effective use of technology. The key challenge for the Company is to retain and re-skill people in line with fast-changing organisational goals in the context of globalisation and competition. The Company constantly strives to make its salary structure competitive in the market to attract and retain talent. Revenues and profits per employee for the last five years are as under:

Year ended	Dec-08	Dec-07	Dec-06	Dec-05	Mar-05
				9 Months	
Number of Employees	1733	1521	814	546	389
Revenue per employee (Rs. Lakhs)	23.31	17.81	19.25	15.57	23.58
Net Profit per Employee (Rs. Lakhs)	7.93	4.65	4.59	3.21	5.70

## INTEREST

The Company continued to be debt-free during the year and therefore, did not incur any interest expense.

## C. RISK MANAGEMENT

CRISIL faces the following types of risks in its business operations:

### 1) BUSINESS RISKS

Over the years, to mitigate the risk arising out of high dependence on ratings business, the Company has adopted a strategy of launching new products/services, globalising its operations and diversifying into non-ratings businesses. The strategy has yielded good results and non-ratings businesses have been making steady

progress with the result that the Company currently has well diversified stream of revenues. To address the risk of dependence on a few large clients and a few sectors in the business segments, the Company actively attempts to diversify its client base and industry segments. The Company continuously strives to add value to its clients by providing superior quality service and maintaining strong franchise with investors and end-users of its services, to mitigate the risk arising from price competition. High repeat business from large clients, however, contributes significantly to the Company's revenues. CRISIL's Centres of Excellence and the product quality assurance wings assist in designing and refining methodologies and facilitate knowledge accumulation and dissemination. This is aimed at improving the predictive capability of CRISIL's ratings, opinions and advice to guard its credibility in the market place. Competition in the talent market challenges the Company's ability to retain and re-skill people in line with fast-changing and highly competitive business environment and globalisation. To address this risk, the Company continues its efforts to provide its staff regular training and challenging job opportunities within the group and to make its salary structure merit based and competitive in the market to attract and retain talent. The risk of disruption to its business operations is also minimised through business process re-engineering and effective use of technology. With increased proportion of revenues now being in foreign currencies, the risk of variation in the currency rates for exported services is now increasing. The Company proposes to address this through appropriate hedging mechanisms on need basis.

## 2) FINANCIAL RISKS

CRISIL has been a debt-free Company since its date of incorporation. The Company has followed the strategy of funding all its expansion, diversification and infrastructure-related expenditure through internal accruals.

## 3) LEGAL & STATUTORY RISKS

The Company has no material litigation in relation to contractual

obligations pending against it in any court in India or abroad. The Company Secretary functions as a Compliance Officer to advise the Company on compliance issues with various laws in the country and ensures that the Company does not violate the same. The Compliance Officer reports on the compliance or otherwise of the laws of various jurisdictions at every Board meeting. The Company also seeks independent legal advice wherever needed.

## 4) TECHNOLOGY-RELATED RISKS

The Company uses information technology extensively for its business. All technology services are provided through laid-down policies and processes. These processes allow information access to personnel within the company based on identified roles. A systems audit is carried out regularly to ensure that the policies and processes are satisfactory and in line with internationally-accepted practices. The Company's business processes are automated through a customised business application which captures and maintains information regarding business processes thus protecting its knowledge base. The technology used throughout the Company at all locations provides for redundancy. There is also a disaster recovery solution in place. The Company also possesses intellectual property rights for all the business critical software in use. The technology department keeps continuously abreast of the technology changes and suitably undertakes projects for technology upgradation to keep the technology infrastructure current.

## 5) AUDIT AND INTERNAL CONTROLS

CRISIL has well-established processes and clearly defined roles and responsibilities for people at various levels. This, coupled with adequate internal information systems embedded in business automation software, ensures proper information flow for the decision-making process. Adherence to these processes is ensured through frequent internal audits. The Executive Committee monitors business operations through regular reviews of performance vis-à-vis budgets. An extensive programme of internal audit conducted by an independent firm, reviews by the Audit Committee and requisite

guidelines and procedures augment the internal controls. The internal control system is designed to ensure that financial and other records are reliable for preparing financial statements and other information. These procedures ensure that all transactions are properly reported and classified in the financial records.

#### 6) POLICY RISKS

Significant portion of the Company's revenues come from rating services, which depend on several factors including regulatory policy. The Reserve Bank of India has mandated the usage of ratings from approved rating agencies by Indian banks for calculating their capital requirements under the standardised approach for Basel II. At present, ratings are mandatory for all public offerings of debentures except where the conversion or redemption is within 18 months. Ratings are also mandatory for all commercial paper issuances. The present Government policy is directed towards meeting investment requirements through resource mobilisation from the capital markets. However, to mitigate the risk of dependence on mandated business, the Company has continued to pursue its strategy of diversification,

globalising its operations and building a strong franchise with investors by holding investor meets and seminars for improving transparency around ratings/rating methodologies and showcasing the utility and benefits of ratings.

*The above discussion contains forward-looking statements, which may be identified by their use of words like plans, expects, will, anticipates, intends, all statements that address expectation and projection about the future including but not limited to statements about the Company's strategy for growth, product development, market development, market position, expenditure and financial results. These forward-looking statements are based on certain assumptions and expectation of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realised. The Company's actual result or performance or achievements could thus differ materially from those projected in any such forward-looking statements. The Company assumes no responsibility to publicly amend any forward-looking statements, on the basis of any subsequent developments, information or events.*

# Auditors' Certificate

## For Corporate Governance

To the Members of CRISIL LIMITED

We have examined the compliance of conditions of Corporate Governance by CRISIL LIMITED for the year ended 31st December, 2008, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For S. R. Batliboi & Co.,  
Chartered Accountants

per Shrawan Jalan  
Partner

Membership No.: 102102

MUMBAI, February 23, 2009

## CHIEF EXECUTIVE OFFICER'S DECLARATION

To the Members of CRISIL Limited

I hereby confirm that all the members of the Board and Senior Management have affirmed compliance with the Code of Conduct.

For CRISIL Limited

Roopa Kudva  
Managing Director & Chief Executive Officer

February 23, 2009

## Report of the Directors on

# Corporate Governance

CRISIL has been practicing the principles of good corporate governance over the years. The Company has adopted best practices for corporate governance, disclosure standards and enhancing shareholder value while protecting the interests of other stakeholders, clients, suppliers and its employees.

The Directors present below the Company's policies and practices on corporate governance.

### BOARD OF DIRECTORS:

#### SIZE AND COMPOSITION OF THE BOARD:

The Board of Directors has eight members. The Board comprises of four independent Directors. As per the Articles of Association of the Company, the Board can have up to 15 members. The Company has one alternate Director. The Company does not have any nominee Director. The Chairman is a non-executive Director. Mr. B. V. Bhargava, Mr. H. N. Sinor, Ms. Rama Bijapurkar and Dr. Nachiket Mor are the Independent Directors on the Board of the Company.

#### MEMBERSHIP TERM:

As per the Articles of Association of the Company, at least two-thirds of the Board of Directors should be retiring Directors. One-third of these Directors are required to retire every year and if eligible, the retiring Directors qualify for re-appointment. The Board has adopted the following guidelines regarding the appointment and tenure of a non-whole time Director on the Board.

1. No Director should generally hold directorships in more than 10 Indian public limited companies.
2. Every Director is expected to attend at least 60% of the Board meetings held in a year. While re-appointing Directors on the Board and Committees of the Board, the contribution and attendance record of the concerned Director should be considered.
3. Any Director, who has been on CRISIL's Board for more than 10

years, should not normally continue to hold office as a Director of CRISIL. The change of Directors on the Board of CRISIL, if carried, would be so accomplished that at no point of time, the average term of the members on the Board is reduced unreasonably.

Whole-time Directors are appointed by the shareholders for a maximum period of five years but can be re-appointed on completion of their term, if eligible.

#### CRITERIA FOR BOARD MEMBERSHIP:

The members of the Board of Directors of the Company are eminent persons of proven competence and integrity. The Board comprises of individuals with personal characteristics and core competencies such as the recognition of the importance of the Board's tasks, integrity, sense of accountability and track record of achievements. Besides having financial literacy, experience, leadership qualities and the ability to think strategically, the Directors have a significant degree of commitment to the Company and devote adequate time for the meetings, preparation and attendance. Board members possess the education, expertise, skills and experience in various sectors and industries required to manage and guide the Company.

None of the Directors is a relative of a whole-time Director or of an independent Director and is expected not to serve any independent or executive position in any Company that is a direct competitor. None of the non whole-time Directors of the Company have any pecuniary relationships or transactions with the Company. Whole-time Directors are excluded from serving on the Board of any other entity unless the said entity is an entity whose interests are germane to the business of the Company.

#### SUCCESSION POLICY:

The Board constantly evaluates the contribution of its members and recommends to shareholders their re-appointment periodically as per the statute. Whole-time Directors are appointed by the shareholders for a maximum period of five years at one time but are eligible for re-appointment upon completion of their term. Non whole-time Directors do not have any term but retire by rotation as per the law.

The Board has adopted a retirement policy for its members. Under this policy, any Director, who has been on CRISIL's Board for more than 10 years, should not normally continue to hold the office as a Director of CRISIL subject to balancing the need for continuity. The maximum age of retirement of whole-time Directors is 58 years, which is the age of superannuation for the employees of the Company.

#### MEMBERSHIPS OF OTHER BOARDS:

Independent Directors are not expected to serve on the Boards of competing Companies. No Director of the Company is a member of more than ten committees or act as Chairman of more than five committees across all Indian public limited companies in which he/she is a Director. Furthermore, every Director informs the Company about the committee positions he/she occupies in other companies and notifies the changes as and when they take place. The details of other directorships held by the Company's Directors in public limited companies and their shareholdings are given below:

Name of the Director	Memberships on other Boards	Committee Memberships
B. V. Bhargava	Excel Crop Care Limited	Chairman, Audit Committee and Member, Remuneration Committee
	Grasim Industries Limited	Chairman, Audit Committee and Member, Finance Committee
	ICICI Lombard General Insurance Co. Limited	–
	J. K. Lakshmi Cement Limited	Chairman, Audit Committee
	National Commodity & Derivatives Exchange Limited	Member, Audit Committee and Nomination Committee
	Raymonds Limited	Member, Audit Committee and Remuneration Committee
	SI Group – India Limited	Member, Audit Committee and Shareholders Grievance Committee
	Supreme Industries Limited	Member, Remuneration Committee
	L&T Infrastructure Finance Company Limited	Chairman, Investment and Credit Committee
	Grasim Bhiwani Textiles Limited	Chairman, Audit Committee
H. N. Sinor	3i Infotech Limited	Chairman, Board Governance Committee and Shareholder's Grievances Committee
	ICICI Venture Funds Management Co. Limited	Member, Audit Committee and Remuneration Committee
	ICICI Prudential Asset Management Co. Limited	–
	ICICI Lombard General Insurance Co. Limited	Member, Audit Committee and Remuneration Committee
	Tata Investment Corporation Limited	Member, Audit Committee
	Tata Motors Finance Limited	Chairman, Remuneration Committee
	Themis Medicare Limited	Chairman, Audit Committee and Remuneration Committee
	Tata Capital Limited	Member, Audit Committee and Chairman, Remuneration Committee
	Sahara India Financial Corporation Limited	Member, Audit Committee
	Zoroastrian Co-operative Bank Limited	Chairman, Audit Committee
	India Strategic Assets Fund Limited, Guernsey	–

Rama Bijapurkar	Infosys Technologies Limited	Chairperson, Investor Grievance Committee and Member, Risk Identification and Mitigation Committee
	Godrej Consumer Products Limited	Member, Compensation Committee and Chairperson, Nominations and Human Resources Committee
	Axis Bank Limited	Member, Remuneration and Nomination Committee
	Mahindra Holidays Et Resorts India Limited	Chairperson, Remuneration Committee and Member, Audit Committee
	Mahindra Et Mahindra Financial Services Limited	Member, Audit Committee and Risk Management Committee
	ICICI Prudential Life Insurance Company Limited	Chairperson, Board Nomination & Compensation Committee
	Bharat Petroleum Corporation Limited	–
	CRISIL Risk and Infrastructure Solutions Limited	–
Nachiket Mor	IndiaMart InterMESH Limited	–
	RUDI Multi Trading Company Limited	–
	Financial Information Network and Operations Limited	–
Thomas Schiller	CRISIL Risk and Infrastructure Solutions Limited	–
David Pearce	–	–
R. Ravimohan	CRISIL Credit Information Services Limited	–
	CRISIL Risk and Infrastructure Solutions Limited	–
	India Index Services Et Products Limited	–
	Irevna Limited (UK)	–
	Irevna LLC (US)	–
	National Commodity Et Derivatives Exchange Limited	–
	Whistling Woods Intl. Foundation	–
Ravinder Singhania (Alternate Director)	Assets Care Enterprise Limited	Member, Audit Committee
	Unitech Limited	Member, Audit Committee
Roopa Kudva	CRISIL Credit Information Services Limited	–
	Irevna Limited (UK)	–
	Irevna LLC (US)	–
	India Index Services Et Products Limited	–
	CRISIL Irevna Poland Sp.Z.o.o	–

#### DETAILS OF SHAREHOLDINGS OF DIRECTORS AS ON DECEMBER 31, 2008

Name of the Director	No. of shares held
B. V. Bhargava	-
H. N. Sinor	-
Rama Bijapurkar	-
Nachiket Mor	-
Thomas Schiller	-
David Pearce	-
R. Ravimohan	30000
Ravinder Singhanian, Alternate Director	-
Roopa Kudva, MD & CEO	24000

#### RESPONSIBILITIES:

The Board looks at strategic planning and policy formulation. The Board meets at least once in every three months to review the Company's operations and the maximum time gap between any two meetings is

not more than four months. During the year ended December 31, 2008, the Board met four times on 18.02.2008, 23.04.2008, 24.07.2008 and 24.10.2008. Most Board meetings were well-attended as shown below. The agenda of Board meeting is sent to all the Directors well in advance and contains all the relevant information. The Company has an Executive Committee comprising of the Managing Director and a team of senior management personnel with proper demarcation of responsibilities and authority. The Managing Director is responsible for corporate strategy, planning, external contacts and Board matters. The senior management personnel heading respective divisions are responsible for all day-to-day operations-related issues, profitability, productivity, recruitment and employee retention for their divisions. Mr. Hemant Joshi heads the infrastructure advisory and risk solutions business which is carried on by the wholly owned subsidiary. Mr. Raman Uberoi heads domestic ratings business, Mr. G. V. Mani heads the offshoring business, Mr. S. Venkataraman heads the research business and Mr. Arun Panicker oversees operations.

Name of the Directors	No. of Board meetings held	No. of Board meetings attended	Last Annual General Meeting attendance
B. V. Bhargava	4	4	Yes
H. N. Sinor	4	4	Yes
Rama Bijapurkar	4	4	Yes
Nachiket Mor*	4	2	NA
Thomas Schiller	4	4	Yes
Deven Sharma**(alternate Ravinder Singhanian)	4	2	No
Vickie Tillman**(alternate Michael Petit)	4	2	Yes
David Pearce	4	4	Yes
R. Ravimohan	4	4	Yes
Roopa Kudva	4	4	Yes

\* appointed as a Director with effect from 24.07.2008

\*\* ceased to be a Director with effect from 24.07.2008

There were no personal transactions by the Directors involving a conflict of interest with the Company. The Company has a Code of Ethics and Personal Trading Policy for Directors and employees. The Code of Ethics contains policies on confidentiality, gifts and favours and false and misleading information or disclosures. The Personal Trading Policy contains regulations, policies, procedures and restrictions relating to personal investments by the Directors and employees. The policy also prohibits trading in securities of any foreign and Indian listed company on the basis of unpublished price-sensitive information.

#### REMUNERATION POLICY:

##### 1) REMUNERATION TO NON WHOLE-TIME DIRECTORS:

Non whole-time Directors are paid sitting fees for each meeting of the Board or its Committee attended by them and are also eligible for commission. The commission payable to each of the non whole-time Directors is limited to a fixed sum per year as determined by the Board and is revised from time to time, depending on individual contribution, the Company's performance and the prevailing norms. The members of the Company at the meeting held on April 27, 2007 had authorised payment of commission to the non whole-time Directors upto 3% of the net profits of the Company determined in accordance with the provisions of the section 198, 349 and 350 of the Companies Act, 1956 subject to the approval of the Central Government. The Company has received the approval of the Central Government to pay remuneration not exceeding 3% of the net profits to the non whole-time Directors for a period of five years with effect from January 01, 2008.

##### 2) WHOLE-TIME DIRECTORS AND OTHER EMPLOYEES OF THE COMPANY:

The remuneration and reward structure for the whole-time Directors and employees comprises two broad components – short-term remuneration and long-term rewards. The Compensation Committee, comprising of two independent Directors, determines the

remuneration of the whole-time directors and determines guidelines for remuneration payable to the employees. These guidelines are as under:

##### A) ANNUAL REMUNERATION:

Annual remuneration refers to the annual compensation payable to whole-time directors and employees of the Company. This comprises of two parts, a fixed component, and a performance-linked variable component based on the extent of achievement of the individual's objectives. Every employee signs a performance contract, which clearly articulates the key performance measures for that particular defined role. The performance linked variable pay is directly linked to the performance on individual components of the performance contract. An employee's variable pay is, therefore, directly dependent on key performance measures that represent the best interests of the shareholders.

Total remuneration is set at levels to attract, motivate and retain high calibre and high potential personnel within a competitive global market. Total remuneration level is reset annually based on a comparison with the relevant peer group in the Indian market established through an independent compensation survey. In addition to the above, business unit performance linked incentives are payable in the event of the business unit performing better than budgeted levels. The remuneration levels and the performance contracts are finalised under the overall supervision, guidance and approval of the Compensation Committee.

##### B) LONG-TERM REWARDS:

Long-term rewards primarily comprise of a Long Term Incentive Plan, under which incentives are granted to eligible key employees based on their contribution to the profitability of the company, relative position in the organisation, length of service etc. The Plan is supervised by the Compensation Committee. Non whole-time Directors are not eligible for participating in the Plan.

## SITTING FEES AND COMMISSION PAID TO NON WHOLE-TIME DIRECTORS (IN RUPEES)

Name of the Director	Sitting Fees	Commission	Total
B. V. Bhargava	280,000	1,728,000	2,008,000
H. N. Sinor	160,000	1,584,000	1,744,000
Rama Bijapurkar	100,000	1,584,000	1,684,000
Nachiket Mor*	60,000	660,000	720,000
Deven Sharma (alternate Ravinder Singhania)**	40,000	504,000	544,000
Vickie Tillman (alternate Michael Petit)**	40,000	504,000	544,000
Thomas Schiller	200,000	864,000	1,064,000
David Pearce	160,000	864,000	1,024,000
R. Ravimohan	120,000	1,728,000	1,848,000
Total	1,160,000	10,020,000	11,180,000

\* appointed as a Director with effect from 24.07.2008

\*\* ceased to be a Director with effect from 24.07.2008

## REMUNERATION PAID TO WHOLE-TIME DIRECTOR FOR THE YEAR ENDED DECEMBER 31, 2008

(Rs. Lakhs)

Name	Roopa Kudva
Salary	96.05
Perquisites	3.97
Commission	95.90
Provident Fund & Gratuity	3.33
Appointment valid till	July 27, 2012
Notice period	3 months

## DIVIDEND POLICY:

CRISIL believes in maintaining a fair balance between cash retention and dividend distribution. Cash retention is required to finance acquisitions and future growth and also as a means to meet any unforeseen contingency. CRISIL is also conscious of maintaining stability in its dividend payout over the years. From the current year,

CRISIL has commenced the practice of paying out dividend on a quarterly basis.

## BOARD COMMITTEES

The Board has constituted committees consisting of whole-time and non whole-time Directors to focus on the critical functions of the Company.

## RATING COMMITTEE:

The Rating Committee comprises of one non whole-time Director—Mr. B. V. Bhargava (Chairman) and one whole-time Director Ms. Roopa Kudva and other senior personnel of the Ratings Division. The Committee takes decisions on new ratings and existing rating reviews, approves new products, criteria and parameters. The Committee meets regularly.

## AUDIT COMMITTEE:

Audit Committee comprises of four non-executive Directors who are well-versed with corporate laws. Mr. H. N. Sinor is the Chairman

of the Audit Committee. Mr. B. V. Bhargava, Dr. Nachiket Mor and Mr. David Pearce are the other members of the audit committee. Dr. Nachiket Mor was appointed as member on the audit committee with effect from 24.07.2008. The Chairman of the Audit Committee remains present at the Annual General Meeting. The external and internal auditors of the Company are invited to attend the Audit Committee meetings to brief members. The Company Secretary is the secretary of the committee. The Audit Committee met four times during the year on 18.02.2008, 23.04.2008, 24.07.2008 and 24.10.2008.

Director	No. of committee meetings held	No. of committee meetings attended
H. N. Sinor	4	4
B. V. Bhargava	4	4
Dr. Nachiket Mor*	4	1
David Pearce	4	4

\* appointed as member with effect from 24.07.2008

The terms of reference for the Audit Committee are as follows–

1. Overseeing the financial reporting process to ensure fairness, sufficiency and credibility of financial statements.
2. Recommendation of the appointment and removal of statutory auditors and fixation of their remuneration and approving their payment for any other services rendered by them.
3. Reviewing of the quarterly and annual financial statements before submission to the Board.
4. Reviewing the adequacy of the internal control systems.
5. Reviewing the adequacy of the internal audit functions, discussing any significant findings and follow thereon.
6. Discussing on the nature and scope of audit with the statutory auditors.
7. Reviewing the financial and risk management policies.

8. Examination of reasons for substantial defaults, if any, in payment to stakeholders.
9. Providing direction to the internal audit functions and monitors the quality of internal and statutory audit.
10. Review the functioning of the Whistle Blower mechanism.

The composition, procedures, role, powers and the terms of reference of the Audit Committee are as stipulated in section 292A of the Companies Act, 1956 and clause 49 of the listing agreement.

#### INVESTMENT COMMITTEE:

The Investment Committee comprises of three non-executive Directors – Mr. R. Ravimohan (Chairman), Mr. B. V. Bhargava, Mr. Thomas Schiller and one executive Director, Ms. Roopa Kudva. Mr. R. Ravimohan was appointed as Chairman with effect from 24.07.2008. The Investment Committee lays down policy guidelines and procedures for investing the Company's funds and reviews this activity at regular intervals. The Investment Committee met once during the year on 24.10.2008

Director	No. of committee meetings held	No. of committee meetings attended
R. Ravimohan*	1	1
B. V. Bhargava	1	1
Thomas Schiller	1	1
Roopa Kudva	1	1

\* appointed as a member with effect from 24.07.2008

#### INVESTORS GRIEVANCE COMMITTEE:

The Investors Grievance Committee comprises of two non-executive Directors, Mr. B. V. Bhargava (Chairman), Mr. Thomas Schiller and one executive Director, Ms. Roopa Kudva. The committee periodically reviews the status of investor grievances and redressal of the same. The Committee met four times during the year on 18.02.2008, 23.04.2008, 24.07.2008 and 24.10.2008.

Director	No. of committee meetings held	No. of committee meetings attended
B. V. Bhargava	4	4
Thomas Schiller	4	4
Roopa Kudva	4	4

#### COMPENSATION COMMITTEE:

The Compensation Committee comprises of four non-executive Directors, Mr. B. V. Bhargava (Chairman), Ms. Rama Bijapurkar, Mr. Thomas Schiller, and Mr. R. Ravimohan. The Chairman of the Compensation Committee was present at the Annual General Meeting held on April 23, 2008. The Committee ensures that a proper system of compensation exists to provide performance-based compensation to all employees of the Company. The Committee considers and approves salary, commission and other emoluments payable to the whole-time Directors and employees of the Company. The annual compensation of the whole-time Directors is determined by the Compensation Committee within the limits set by the shareholders at the general meeting. It also recommends to the Board, the remuneration payable to non whole-time Directors within the limits laid down by the shareholders at the general meeting and in accordance with other applicable laws. The Committee met once during the year on 18.02.2008.

Director	No. of committee meetings held	No. of committee meetings attended
B. V. Bhargava	1	1
Rama Bijapurkar	1	1
Thomas Schiller	1	1
R. Ravimohan	1	1
Deven Sharma*	1	-

\* ceased to be a Director with effect from 24.07.2008

#### ALLOTMENT COMMITTEE:

The Allotment Committee has been formed to complete the formalities prescribed under the Companies Act, 1956 relating to allotment of shares and to authorise officials of the Company to file forms

and returns with regulatory authorities. The Allotment Committee comprises of two non-executive Directors, Dr. Nachiket Mor, as its Chairman, Ms. Rama Bijapurkar and one executive Director, Ms. Roopa Kudva. Dr. Nachiket Mor was appointed as a chairman of the Allotment Committee with effect from 24.07.2008 in place of Mr. B.V. Bhargava. No allotment committee meeting was held during the year as no shares were allotted during the year.

## SHAREHOLDERS

#### MEANS OF COMMUNICATION

1. Half-Yearly Newsletter: The Company sends a half-yearly newsletter giving details of the Company's financial performance including a summary of significant events in the last six months to the shareholders.
2. Quarter and Annual financial results are published in the leading national and regional newspapers and displayed on the Company's website.
3. Quarter and Annual Results, Shareholding Pattern and Annual Report are posted on SEBI's EDIFAR website.
4. News Releases, Press Releases and presentations made to investors and analysts are displayed on the Company's website.
5. Annual Report is circulated to all the members and is also available on the Company's website.

The Management Discussion and Analysis Report form a part of the Annual Report.

In case of appointment or re-appointment of a Director, members are provided a brief resume of the Director, the nature of his/her expertise in specific functional areas, the names of the Companies in which he/she holds directorship and membership of Committees of the Board.

#### GRIEVANCE REDRESSAL

The Board has formed an Investor Grievance Committee to review and redress the complaints received from shareholders. The Committee

meets periodically to consider the status of the investor grievances received and redressed along with the ageing schedules of pending complaints. The Board has authorised Mr. Rajesh Patel, Director–Finance & Compliance and Mr. Shrikant Dev, Company Secretary, to approve the transfer and transmission of shares.

A secretarial audit is conducted by an independent practising company secretary on quarterly basis to confirm reconciliation of the issued and listed capital, dematerialised capital and status of the

register of members.

The Auditors' Certificate of Corporate Governance is annexed with the Directors' Report and will be sent to the stock exchange at the time of filing the annual returns of the Company.

#### GENERAL BODY MEETINGS:

The location, time and venue of the last three Annual General Meetings were as under:

Nature of Meeting	Date and Time	Venue
Nineteenth Annual General Meeting	April 12, 2006 at 3.30 p.m.	Convention Hall, Yashwantrao Chavan Pratishthan, Gen. Jagannath Bhosale Marg, Mumbai – 400 021.
Twentieth Annual General Meeting	April 27, 2007 at 3.30 p.m	Babasaheb Dahanukar Hall, Maharashtra Chamber of Commerce, Industry & Agriculture, Oricon House, Fort, Mumbai – 400001.
Twenty First Annual General Meeting	April 23, 2008 at 3.30 p.m	Babasaheb Dahanukar Hall, Maharashtra Chamber of Commerce, Industry & Agriculture, Oricon House, Fort, Mumbai – 400001.

Special Resolutions passed at the last three general body meetings were as under:

#### AT THE NINETEENTH ANNUAL GENERAL MEETING HELD ON APRIL 12, 2006

- Nil

#### AT THE TWENTIETH ANNUAL GENERAL MEETING HELD ON APRIL 27, 2007

- Payment of remuneration by way of commission not exceeding three per cent per annum of the net profits to be paid to all Non Whole–time Directors for a period of five years from January 01, 2008

#### AT THE TWENTY FIRST ANNUAL GENERAL MEETING HELD ON APRIL 23, 2008

- Nil

#### POSTAL BALLOT SYSTEM:

The Central Government has notified the Companies (Passing of Resolution by Postal Ballot) Rules 2001, which lays down the businesses required to be passed by postal ballot. There was no business during the year which was required to be passed by postal ballot.

#### DISCLOSURES

During the year, there were no material related–party transactions i.e. transactions of the Company of a material nature with its promoters, the Directors or the management, their subsidiaries or relatives etc. that may have a potential conflict with the interests of the Company at large. Other related–party transactions are mentioned in the notes to the accounts.

There was no non-compliance by the Company and no penalties or strictures were imposed on the Company by the Stock Exchange or SEBI or any statutory authority on any matter related to the capital markets during the last three years.

The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement. The Company has also complied with the non-mandatory requirements relating publication of half yearly results, having unqualified financial statements, having a Whistle Blower Policy and also has a mechanism for evaluating non-executive Board members.

#### CRISIL-CODE OF CONDUCT FOR DIRECTORS AND SENIOR MANAGEMENT:

The Board of Directors of CRISIL has adopted the Code of Conduct for Senior Management and the same is available on the website of the Company.

#### WHISTLE BLOWER POLICY:

The Company has a Whistle Blower Policy. All the employees of the Company are free to report violations of laws, rules, regulations or unethical conduct to Audit Committee under this policy. There has been no instance of any employees acting under this policy.

## CRISIL Group Ten Year Highlights

Rs. Lakhs

Year ended	Dec-08	Dec-07	Dec-06	Dec-05 9 Months	Mar-05	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Revenues	53,618.47	41,349.28	29,403.05	14,258.57	12,205.96	8,968.15	7,624.82	7,105.63	5,163.99	4,033.06
PBDT	20,068.77	12,632.78	8,730.81	4,100.91	3,738.13	3,473.83	3,446.25	3,500.87	1,723.40	2,216.47
EPS (Rs.)	194.57	117.79	87.78	35.45	31.34	30.88	26.80	18.69	14.43	20.83
Market Capitalisation	177,338	266,314	152,123	100,835	43,785	31,153	15,834	19,639	7,440	24,800
Number of employees	1,956	1,750	1,484	1,081	638	496	394	370	368	202
Net Worth	35,751.28	27,644.39	18,890.49	13,187.09	10,498.44	9,208.85	7,854.24	6,838.17	6,467.08	5,938.91
Net worth per share (Rs.)	494.83	382.62	279.63	200.32	164.93	146.32	125.80	110.29	104.31	95.79
Dividend %	700	250	150	100	125	100	100	65	55	55
PBT	18,704.54	11,063.54	8,022.17	3,554.15	3,136.53	2,805.31	2,680.86	2,720.77	1,274.66	1,922.63
Revenue per Employee	27.41	23.63	19.81	13.19	19.13	18.08	19.35	19.20	14.03	19.97
Gross profit per employee	9.56	6.32	5.41	3.29	4.92	5.66	6.80	7.35	3.46	9.52

# General Information

## for Members

1. Annual General Meeting :
  - Date and Time : April 28, 2009 at 3.30 p.m.
  - Venue : Rangaswar Hall, 4th floor, Yashwantrao Chavan Pratishthan, Gen. Jagannath Bhosale Marg, Next to Sachivalaya Gymkhana, Mumbai – 400021
  
2. Calendar for Financial Reporting for the :
  - First Quarter ending March 31, 2009 : Tuesday, April 28, 2009
  - Second Quarter ending June 30, 2009 : Friday, July 24, 2009
  - Third Quarter ending September 30, 2009 : Thursday, October 29, 2009
  - Year Ending December 31, 2009 : End of February, 2010
  - Newspaper where the results are published : Business Standard and Sakal
  - Site where the financial results, shareholding pattern, annual report etc. are uploaded : [www.crisil.com](http://www.crisil.com) and [www.sebi.gov.in](http://www.sebi.gov.in)
  
3. Proposed Dividend : Rs. 35 per share having nominal value of Rs. 10 each
  
4. Dates of Book Closure : Tuesday, March 24, 2009 to Wednesday, March 25, 2009 (both days inclusive)
  
5. Dividend Payment Date : Before May 27, 2009 (if dividend payment is approved at the Annual General Meeting).
  
6. Listing Details : The shares of the Company are listed on:
  - National Stock Exchange of India Limited (NSE)  
Exchange Plaza, 5th Floor,  
Plot No. C/1, G Block,  
Bandra-Kurla Complex,  
Bandra (E), Mumbai – 400 051.
  - Bombay Stock Exchange Limited (BSE) Jeejeebhoy Towers,  
Dalal Street, Fort, Mumbai – 400 001.

The Company has paid listing fees at both the exchanges and has complied with the listing requirements.
  
7. Stock Code : National Stock Exchange of India Limited (NSE) – CRISIL  
Bombay Stock Exchange Limited (BSE) – 500092.  
ISIN Number: INE007A01017

8. Registrars and Share Transfer Agents : Karvy Computershare Private Limited  
Karvy House, 21, Avenue – 4, Plot No.17 to 24, Near Image Hospital,  
Vittalrao Nagar, Madhapur, Hyderabad-500 081.  
Phone No. 040-23420818-828  
Fax. No. 040-23420814
9. Compliance Officer : Mr. Shrikant Dev,  
Company Secretary  
CRISIL House,  
121/122, Andheri Kurla Road, Andheri (East), Mumbai – 400 093.  
Phone: 022-66913001-09  
Fax: 022-66913228
10. Depository System : Currently, 99.53% of the Company's Share Capital is held in dematerialised form. For any assistance in converting physical shares in electronic form, investors may approach Karvy Computershare Private Limited or Mr. Shrikant Dev, Compliance Officer, at the addresses given above.
11. Electronic Clearing Service (ECS) : The Company has extended the ECS facility to shareholders to enable them to receive dividend through electronic mode in their bank account. The Company encourages members to avail of this facility as ECS provides adequate protection against fraudulent interception and encashment of dividend warrants, apart from eliminating loss/damage of dividend warrants in transit and correspondence with the Company on revalidation/issuance of duplicate dividend warrants.
12. Bank Details for Electronic Shareholding : Members are requested to notify their Depository Participant (DP) about the changes in the bank details. Members are requested to furnish complete details of their bank accounts including the MICR codes of their banks to their DPs.
13. Furnish Copies of Permanent Account Number (PAN) : The members are requested to furnish their PAN which will help us to strengthen compliance with KYC norms and provisions of Prevention of Money Laundering Act, 2002.
14. Investor Complaints to be addressed to : Registrars and Share Transfer Agents or to Mr. Shrikant Dev, Compliance Officer, at the above mentioned address.
15. Email ID of Grievance Redressal Division : investors@crisil.com

## SHAREHOLDING PATTERN AS ON DECEMBER 31, 2008

Sr. No	Category	No. of shares held	% Holding
1	Group Holding of the The McGraw–Hill Companies		
	a) Standard & Poor's International LLC, USA	600,000	8.30
	b) S&P India LLC, USA	3,120,948	43.20
2	Individuals	1,423,503	19.70
3	FII's	713,186	9.87
4	Banks and Insurance Companies	695,886	9.63
5	Mutual Funds/UTI	502,291	6.95
6	Bodies Corporate	146,644	2.03
7	NRIs	22,542	0.32
	Total	7,225,000	100.00

## MEMBERS HOLDING MORE THAN 1% OF THE PAID-UP SHARE CAPITAL AS ON DECEMBER 31, 2008

Sr. No	Name of the Shareholder	No. of shares held	% Holding
1	Group Holding of the The McGraw–Hill Companies		
	a) Standard & Poor's International Ratings LLC, USA	600,000	8.30
	b) S&P India LLC, USA	3,120,948	43.20
2	Jhunjhunwala Rakesh & Rekha	550,000	7.61
3	Acacia Partners, LP/Acacia Institutional Partners, LP	412,817	5.71
4	General Insurance Corporation of India	303,039	4.19
5	Unit Trust of India	253,641	3.51
6	State Bank of India	200,390	2.77
7	CLSA Merchant Bankers Limited A/c Calyon	152,336	2.11
8	Life Insurance Corporation of India	171,413	2.37
9	Bright Star Investments Pvt Limited	94,238	1.30

## STATUS REPORT ON NUMBER OF SHAREHOLDER REQUESTS/COMPLAINTS RECEIVED AND RESOLVED BY THE COMPANY DURING THE YEAR ENDED DECEMBER 31, 2008

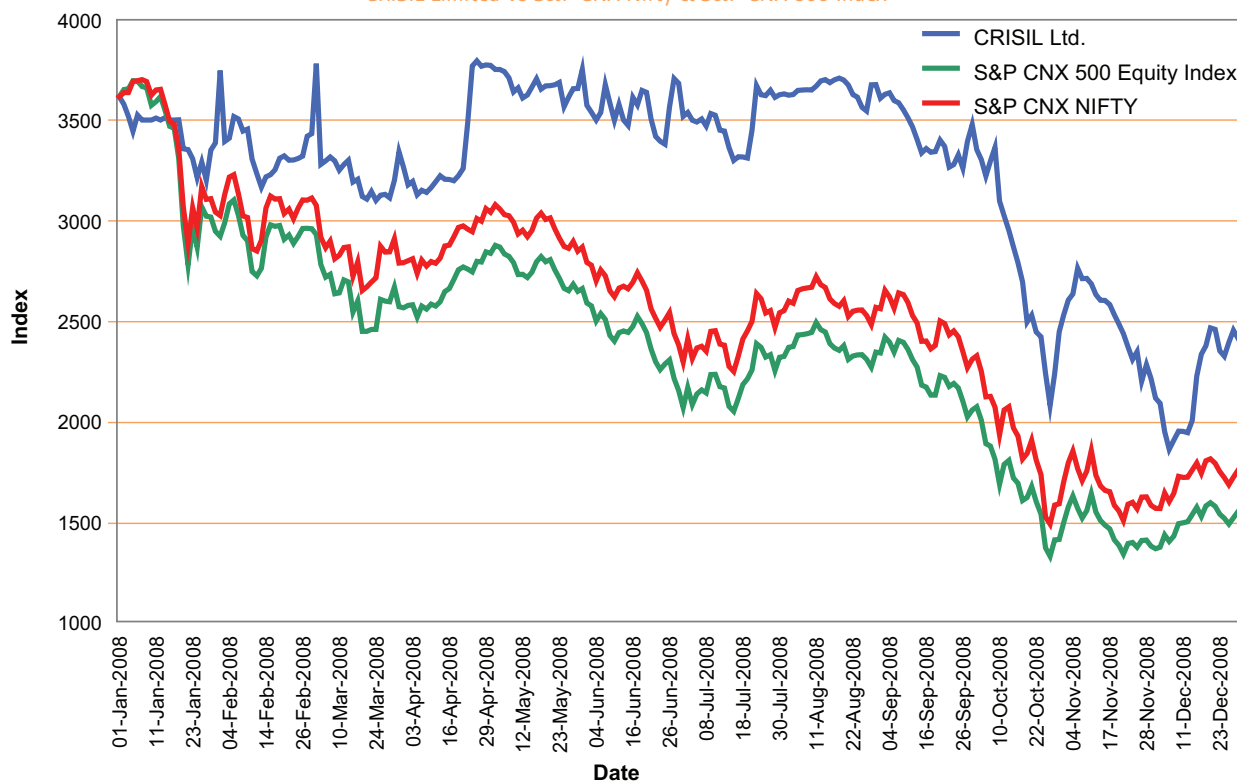
Nature of Correspondence	Received	Resolved	Pending
Transfer/Transposition/Transmission	1	1	–
Dematerialisation/Remat/ECS/other Request	0	0	–
Registration of Power of Attorney	0	0	–
Issue of duplicate share certificate/correction/process queries	4	4	–
Non-receipt of dividend warrant	22	22	–
Issue of duplicate drafts in lieu of warrants/revalidation of warrants	26	26	–
Incorporation of change of address	7	7	–
Incorporation of bank mandate	4	4	–
TOTAL	64	64	–

PRICE MOVEMENTS OF THE COMPANY'S SHARES ON NATIONAL STOCK EXCHANGE OF INDIA LIMITED AND BOMBAY STOCK EXCHANGE LIMITED FOR THE PERIOD FROM JANUARY 2008 TO DECEMBER 2008.

Month	NSE	
	High (Rs.)	Low (Rs.)
January	4000.00	2687.00
February	4045.40	3100.00
March	3500.00	3050.00
April	3850.00	3085.00
May	3945.00	3531.20
June	3900.00	3303.10
July	3800.00	3245.00
August	3790.00	3490.00
September	3700.00	2888.85
October	3460.05	2050.00
November	2800.00	2151.00
December	2500.00	1842.00

Month	BSE	
	High (Rs.)	Low (Rs.)
January	3700.00	2651.00
February	3660.00	3067.00
March	3598.00	3050.00
April	3885.00	2962.00
May	3774.65	3374.25
June	3700.00	3240.00
July	3790.00	3235.05
August	3798.95	3410.00
September	3698.95	3095.00
October	3421.00	2000.00
November	2809.00	2180.00
December	2540.00	1848.15

CRISIL Limited Vs S&P CNX Nifty & S&P CNX 500 Index



### SHAREHOLDERS RIGHTS:

A shareholder in a Company enjoys certain rights, which are as follows:

- To receive share certificates, on allotment or transfer as the case may be, in due time.
- To receive copies of the Annual Report, Balance Sheet and Profit and Loss Account and the Auditor's Report.
- To participate and vote in General Meetings either personally or through proxies.
- To receive dividends in due time once approved in General Meetings.
- To receive corporate benefits like rights, bonus etc. once approved.
- To apply to the Company Law Board to call or direct the Annual General Meeting.
- To inspect the minute books of the General Meetings and to receive copies thereof.
- To proceed against the Company by way of civil or criminal proceedings.
- To apply for the winding-up of the Company.
- To receive the residual proceeds.
- Other rights are as specified in the Memorandum and Articles of Association available on the website, [www.crisil.com](http://www.crisil.com).

Apart from the above rights, an individual shareholder also enjoys the following rights as a group:

- To appoint the Directors and Auditors of the Company.
- To requisition an Extraordinary General Meeting.
- To demand a poll on any resolution.
- To apply to the Company Law Board to investigate the affairs of the Company.
- To apply to the Company Law Board for relief in cases of oppression and/or mismanagement.

The above-mentioned rights may not necessarily be absolute.

# Auditors' Report

To the Members of CRISIL Limited

1. We have audited the attached Balance Sheet of CRISIL Limited ('the Company') as at December 31, 2008 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ['the Order'] issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose, in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - iii. The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - v. On the basis of the written representations received from the directors, as on December 31, 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on December 31, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2008;
    - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For S. R. BATLIBOI & Co.  
Chartered Accountants  
per Shrawan Jalan  
Partner  
Membership No.: 102102

Place: Mumbai

Date: February 23, 2009

Annexure referred to in paragraph 3 of our report of even date

Re: CRISIL Limited

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets were physically verified by the management in the previous year in accordance with a planned programme of verifying them once in three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) The Company is engaged in the business of providing rating and research services and therefore the provisions of clause (ii) of paragraph 4 of the said Order are not applicable to the Company and hence not commented upon.
- (iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (b) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (c) The Company has not granted/taken any loan to/from parties covered under section 301 of the Companies Act, 1956 and therefore the provisions of clause iii (c) to iii (g) are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for the sale of services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- The Company is providing rating and research services and do not have inventory. Hence adequacy of internal control pertaining to purchase and sale of inventory are not commented upon.
- (v) According to the information and explanations provided by the management, we are of the opinion that there are no contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301. Accordingly, the provisions of clause (v) (b) of paragraph 4 of the said Order are not applicable to the Company and hence not commented upon.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, or employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess have generally been regularly deposited with the appropriate authorities. The provisions relating to custom duty and excise duty are not applicable to the Company.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax,

service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, the dues outstanding of income-tax on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax demands raised against the Company	14,569,068	A.Y. 2001 – 02	ITAT
		15,627,741	A.Y. 2002 – 03	ITAT
		7,503,039	A.Y. 2003 – 04	ITAT
		3,196,382	A.Y. 2004 – 05	ITAT
		7,206,611	A.Y. 2005 – 06	CIT (Appeals)

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) The Company has not taken any loans from financial institution, bank or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the said Order are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company has not issued any debentures during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S.R. BATLIBOI & Co.  
Chartered Accountants  
per Shrawan Jalan  
Partner  
Membership No.: 102102

Place: Mumbai  
Date: February 23, 2009

# Auditors' Report

The Board of Directors of

CRISIL Limited

1. We have audited the attached Consolidated Balance Sheet of CRISIL Group ('Group'), as at December 31, 2008, and also the Consolidated Profit and Loss account and the Consolidated Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Group's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs. 1,174,908,570 as at December 31, 2008, the total revenue of Rs. 1,612,044,160 and cash flows amounting to Rs. 127,490,336 for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.
4. As stated in Note 12 of the Notes to the Consolidated Financial Statements, the audited financial statements are not available in respect of two subsidiary companies (of which Gas Strategies Group Limited was subsidiary till December 10, 2008) and one joint venture company, which in aggregate represents, total assets of Rs. 90,353,064 as at December 31, 2008, total revenue of

Rs. 577,152,644 and net cash outflow of Rs. 6,640,107 for the year then ended. Consequently the unaudited financial statements for the year ended December 31, 2008 as certified by Group's management has been used for consolidation and we have relied upon the same.

5. We report that the consolidated financial statements have been prepared by the Group's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements, Accounting Standard (AS) 27, Financial Reporting of Interests in Joint Ventures issued by the Institute of Chartered Accountants of India.
6. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components and based on unaudited financial statements for the year ended December 31, 2008 of a subsidiary company and a joint venture company, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, read with the matter stated in paragraph 4 above and Note 12 of the Consolidated Financial Statements of the Group:
  - (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st December 2008;
  - (ii) in the case of the Consolidated Profit and Loss account, of the profit for the year ended on that date; and
  - (iii) in the case of the Consolidated Cash Flow statement, of the cash flows for the year ended on that date.

For S. R. BATLIBOI & Co.

Chartered Accountants

per Shrawan Jalan

Partner

Membership No.: 102102

Place: Mumbai

Date: February 23, 2009