

DIRECTORS' REPORT

Dear Members,

The Directors are pleased to present the 24th Annual Report of CRISIL Limited, along with the audited accounts for the year ended December 31, 2010.

PERFORMANCE

A summary of the Company's financial performance in 2010 is given below:

	(Rupees Lakh)	
	Year ended December 31, 2010	Year ended December 31, 2009
Total Income for the year was	60,233.44	46,445.36
Profit before depreciation and taxes was	26,918.21	20,422.09
Deducting depreciation of	2,020.85	1,387.93
Profit before tax was	24,897.36	19,034.16
Deducting taxes of	5,321.90	4,000.44
Profit after tax was	19,575.46	15,033.72
The proposed appropriations are:		
Dividend	14,417.96	7,225.00
Corporate Dividend Tax	2,387.67	1,227.89
General Reserve	1,957.54	1,503.37
Balance carried forward is	23,553.37	22,741.09

DIVIDEND

The Directors recommend, for approval of the members at the Annual General Meeting to be held on April 15, 2011, payment of final dividend of Rs. 25 per share for the year under review. During the year, the Company paid first, second and third interim dividends of Rs. 25 per share each. The Company also paid a special dividend of Rs. 100 per share. The total dividend for the year works out to Rs. 200 per share as against Rs.100 per share in 2009.

BUYBACK OF EQUITY SHARES

The Board of Directors, at its meeting held on September 9, 2010, approved the buyback of equity shares of the Company for a total consideration not exceeding Rs. 80 crore and at a price not exceeding Rs. 6500 per equity share of Rs.10 each from the open market through the stock exchanges. The Company received shareholders' approval through postal ballot for the buyback on October 18, 2010 and issued a public announcement on October 20, 2010.

The buyback commenced on November 3, 2010 and closed on November 10, 2010. The Company bought back 128,156 equity shares at an average price of Rs. 6199.87 per equity share.

The paid-up equity share capital of the Company (pre and post buyback of shares) is as follows:-

Share Capital of the Company (Pre and Post Buyback)

Sr No.	Particulars	No. of shares	Share Capital (Rupees)
1.	Paid up Equity Share Capital (Pre Buyback)	72,25,000	7,22,50,000
2.	Total Equity Shares bought back	1,28,156	12,81,560
3.	Paid up Equity Share Capital (Post Buyback)	70,96,844	7,09,68,440



Strong credibility, a track record of being first to market with new products and processes, and a large customer base have geared CRISIL for the next level.

REVIEW OF OPERATIONS

A. RATINGS

Highlights

- Over 5500 bank loan ratings (BLR) outstanding, the largest number of BLR in India; 2434 new ratings assigned during the year
- Crossed milestone of 17,500 small and medium enterprises (SME) ratings; 7800 new SME ratings assigned in 2010
- Launched CRISIL Real Estate Star (CREST) Rating, a first-of-its-kind service for retail investors in the real estate sector
- Expanded operations at Global Analytical Centre (GAC) to support Standard & Poor's (S&P)

Business Environment

The business environment remained steady for Ratings for the better part of 2010, except for the last quarter of the year, when liquidity constraints led to a sharp increase in interest rates and impacted fresh debt issuances. India's corporate bond market was active during the year, with interest rates at the short and long-term ends remaining attractive, and the investment climate turning positive. Issuances of commercial paper (CP) gathered momentum, with volumes growing by 50 per cent over the previous year. There were also bond issuances from entities rated 'A' and 'BBB' by CRISIL, a positive trend for India's corporate bond market. Bank loan ratings maintained steady growth. The number of SME Ratings continued to grow rapidly, backed by increasing acceptance by banks.

S&P's demand for support from GAC continued to grow steadily in line with S&P's focus on deeper analysis, and quicker response to market, and on improving data accuracy and enhancing support for its products.



The bond markets are expected to remain subdued in the initial period of 2011 as liquidity conditions are expected to remain tight with the monetary policy focusing on controlling inflationary pressures. However, the long term prospects remain strong with substantial demand for funds from infrastructure companies and the need for the financial sector to tap the bond market for funding the Indian economy's growth. CP issuances are also expected to increase, driven by the introduction of base rates in the banking sector. The BLR market is likely to remain steady in 2011, as banks become increasingly compliant with Basel II requirements. The demand for SME ratings is expected to remain robust in 2011.

GAC's operations are expected to maintain their growth momentum in 2011, fuelled by recovery in the global credit markets and S&P's continuing focus on extending its leadership in the global financial information, data and, analytics businesses.

Operations

CRISIL Ratings maintained its market leadership in 2010, backed by a steady performance in BLRs and strong growth in SME ratings. During the year, CRISIL assigned 2434 new BLRs and 7800 SME ratings. To manage the increasing volume of business, processes and work flows were upgraded to maintain quality of output and timeliness of delivery. Analytical teams received additional training to keep them abreast of global and local developments. These measures have ensured that CRISIL is current on all its ratings and rating publications, despite significantly increased volumes.

In 2010, CRISIL Ratings assigned India's first-ever ratings for securitisation of toll-road receivables, and multiple-asset securitisation of microfinance institution (MFI) loans. These set the trend for a number of similar transactions.

CRISIL Real Estate Star (CREST) Ratings, a first-of-its-kind service for India's fast-growing real estate sector, provides a city-specific all-round assessment of real estate projects, and helps buyers benchmark and identify quality projects within a city. The product has received an encouraging response from all stakeholders—developers, buyers, investors, and bankers. CRISIL has already evaluated 29 projects across 10 cities.

CRISIL continued to conduct regular outreach programmes for the benefit of investors and market participants. Around 150 seminars, including the CRISIL Leadership Series for BLR customers, and MSME CEO conferences for SMEs, were conducted across the country; these seminars helped extend CRISIL's reach to more than 8500 companies and bankers across the country.

CRISIL also published India's first-ever comprehensive report on the performance of all outstanding structured finance transactions. CRISIL Ratings' commentaries, including those on the introduction of base rate, floating savings rate, capital provision for real estate assets, capital infusion by Government of India (GoI) in public sector banks, impact of 3G license on telecom companies, and GoI's fertiliser policy changes, received extensive media coverage.

GAC continued to be an active partner in S&P's initiatives to adapt to the evolving regulatory environment, and penetrated the commercial fixed income data and analytics segment. With the revival of the global economy, the demand for S&P's ratings and McGraw-Hill Financial's data/information services is expected to grow. This will translate into increasing requirements for GAC support. GAC is well positioned to strengthen its relationship with S&P, and maintain its growth trajectory.

B. RESEARCH

B.1. GLOBAL RESEARCH & ANALYTICS

B.1.a. IREVNA

Highlights

- Expanded geographic presence with sales office in Sydney and research centre in China
- Ranked # 1 firm in the world in financial services research, risk management and actuarial services, corporate finance support and financial services analytics by the Black Book of Outsourcing – a Datamonitor company.

Business Environment

The slowdown in the global financial markets in 2008-09 had a positive impact on the global analytics and research industry, with customers looking increasingly to research providers such as Irevna as a strategic means of restructuring their businesses. Demand for Irevna's services remained buoyant through 2010, driving robust growth in business volumes. Investments in new services such as actuarial and risk analytics, and in expanding Irevna's global footprint, have yielded positive results.

The demand for knowledge services is expected to remain buoyant, as global players look for ways to grow their revenues and become more efficient. The Irevna-Pipal Research combine is the leader in this market, and has a proven track record of helping clients increase their revenues, provide deeper and faster analysis to the market, and improve returns on investment (ROI). This will help us benefit from the growing demand for our services.

Operations

Irevna continued to lead the global knowledge services industry, adding 22 new clients in 2010, significantly growing all client accounts, and firmly establishing actuarial and risk analytics as growth verticals. Irevna's international research centres in Buenos Aires (Argentina) and Wroclaw (Poland), together with those in Mumbai and Chennai, facilitate round-the-clock servicing of client requirements, bridging talent gaps, and providing multi-lingual capabilities. Irevna's new research centre in China will help enhance these capabilities, particularly in the Mandarin language, and extend the reach of its services further.

B.2. INDIA RESEARCH

Highlights

- Released 65 CRISIL Independent Equity Research (IER) reports during 2010, providing investors with high-quality research on listed Indian companies. Received a mandate from the National Stock Exchange to provide company reports on entities listed on the exchange
- Received a prestigious mandate from Employees Provident Fund Organisation (EPFO) to assist in selecting, and monitoring the performance of fund managers
- Launched the new, enhanced website, www.crisilresearch.com, to deliver near-real-time industry research to customers

Business Environment

The favourable domestic economic environment and increasing investments in 2010 revived demand for CRISIL Research's offerings. A number of companies that were raising funds approached CRISIL Research for valuation reports and sector studies to aid in their decision-making. Opportunities in the wealth management space also increased because of a shift in the industry's business model, from products to value-based advice.

Operations

CRISIL Research continued to build on its powerful value proposition of providing macro and micro integrated research. It also intensified efforts to reach out to the corporate sector with industry studies and customised research offerings. The revamped website www.crisilresearch.com gives customers near-real-time access to research. The website enables clients to track and forecast the performance of 50 industries, using CRISIL Research data and analysis, and the clients' own assumptions about key variables.

Market participants, including listed companies, drove strong demand for CRISIL's Independent Equity Research (IER): On a cumulative basis 81 reports have been published, including 20 sponsored by the National Stock Exchange Investor Protection Fund Trust (NSE IPFT). CRISIL also received a mandate from NSE IPFT to provide company reports on the entities listed on the exchange. Investors can access the equity research and company reports sponsored by NSE IPFT at www.crisil.com and www.nse-india.com.

CRISIL FundServices has been re-appointed by EPFO, to assist in selecting fund managers and monitoring their performance, for a three-year period. CRISIL FundServices also worked closely with the Indian mutual fund industry to help it transition to revised valuation norms for money market instruments.

C. ADVISORY

CRISIL carries out its infrastructure advisory and risk solutions businesses through its subsidiary, CRISIL Risk and Infrastructure Solutions Limited (CRIS).

C.1. CRISIL INFRASTRUCTURE ADVISORY BUSINESS

Highlights

- Assisted the Ministry of Rural Development, Government of India (GoI), in a unique and innovative public-private-partnership project to provide urban services in rural areas (PURA); the pilot project promises to be the first of many such endeavours
- Helped the Ministry of Non-Conventional Energy, GoI, design the framework for exchange of renewable energy purchase obligations, and a platform for trading in renewable energy certificates
- Received a renewed mandate from the World Bank to conduct training programmes in enhancing the regulatory reform capabilities of member regulators of the East Asia Pacific Infrastructure Regulators' Forum (EAPIRF)

Business Environment

Activity levels in the urban and energy sector—the two key areas for CRIS's advisory business showed contrasting trends in 2010. The energy sector saw significant investments in conventional energy projects by the public and private sectors, strong policy and regulatory initiatives in the renewable energy sector, and downstream activity to deploy natural gas available in the country. The urban sector, however, witnessed a slowdown in investments and activity in 2010, particularly in the second half, as the first phase of Jawaharlal Nehru National Urban Renewal Mission (JNNURM) reached maturity.

The outlook for 2011 suggests continued activity in the energy sector, and a revival of deferred projects in the urban sector. State governments are also expected to undertake infrastructure development projects.

Operations

Revenues in the infrastructure advisory business were constrained by the slowdown in urban sector projects investments, although an investment revival in the energy sector mitigated the impact of the

slowdown. To broad-base revenue, CRIS's advisory business has set up a team to exclusively pursue opportunities in the transport and logistics sector. The business will also focus on growing its presence in the mineral and social infrastructure sectors.

The strong domain expertise that CRIS brings to the table is likely to help it benefit from the renewed developer and private equity interest in conventional energy projects. CRIS's growing credentials in renewable energy, transportation and logistics, and oil, gas, and minerals will add to our range of operations in the private sector.

CRIS's international operations remain strongly focused on Africa, backed by a slew of assignments in Namibia, Mozambique and South Africa. The World Bank's renewal of the mandate to CRIS to assist the East Asia Pacific Infrastructure Regulators' Forum (EAPIRF) to enhance the regulatory reform capabilities of member regulators, is a strong testimonial to CRIS's credentials as an enabler of regulatory efficiency.

CRIS made significant progress in 2010 in streamlining operations with respect to staffing, and improving the quality of its deliverables and collection processes. CRIS expects to carry this momentum forward into 2011, and benefit from improvements in knowledge management to better harness our capabilities and experience.

C.2. CRISIL RISK SOLUTIONS (CRS)

Highlights

- Won key accounts in the public and private banking sector - portfolio of customers now includes 9 of India's top 10 banks
- Entered the global arena, winning two prestigious mandates including a reputed multilateral development institution in South East Asia
- Developed a loan origination system to enable automation of a bank's credit appraisal process as an important module in its internal rating platform

Business Environment

Over the past five years, most banks have invested considerable resources in their processes, especially those pertaining to credit risk, as part of their initiative to comply with Basel II. Most banks and financial institutions have now developed strong practices with regard to credit risk, and the Standardised Approaches of Basel II, and have, therefore, begun to shift their focus to strengthening other processes, such as those that relate to Advanced Approaches.

CRS believes that banks and financial institutions will, over the medium term, continue to invest in systems and processes, and move from a compliance-based approach in risk management to a best-practices-based approach. CRS's services are, therefore, likely to be in increasing demand.

Operations

CRS remained focused on both consulting and software solutions, and concluded multiple assignments in both.

CRS added vital enhancements to all its products such as Risk Assessment Model (RAM), Capital Assessment Model (CAM), CRISIL Operational Risk Evaluator (CORE) and Credit Capital (CC). CRS aims to expand its product coverage and increase its product usability. Various enhancements have helped strengthen the product positioning as a comprehensive end-to-end solution encompassing both risk measurement as well as associated process management.

Intensified business development initiatives in countries such as Mauritius, Sri Lanka and Bangladesh, have also begun to yield results. The business successfully renewed its ISO9001:2008 certification.

D. COLLABORATION WITH S&P

The various business verticals of CRISIL and S&P collaborated extensively.

Key initiatives included a joint seminar by CRISIL Ratings and S&P on 'The New Normal: The changing face of Financial Markets'. More than 100 invitees, including media and investors, attended the event.

CRISIL and S&P jointly released the Standard & Poor's Indices Vs Active (SPIVA) report for India's mutual funds industry. This report, a bi-annual publication, compares the performance of indices and active funds.

CRISIL Infrastructure Advisory collaborated with S&P to co-sponsor the 'World Bank-Singapore-Infrastructure Finance Summit'. This summit was organised by the World Bank, the Singapore Ministry of Finance and the Monetary Authority of Singapore in association with the Financial Times and the World Bank-ASEAN Infrastructure Finance Network.

Additionally, CRISIL Risk Solutions worked closely with S&P to market its products and services in several geographies, including the Middle East and Asia Pacific.

As part of the collaborative efforts, C-CER published 11 reports/articles on Asia-Pacific economies for S&P.

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

C-CER continued to focus on research on macro economics in India and the Asia Pacific, consistently building CRISIL's franchise in the Indian media and positioning the Company as the foremost analytics-based voice on the economy in the region.

C-CER published two special reports during the year—'Skilling India: The Billion People Challenge', and 'India: Raising the Growth Bar'. It also introduced two new products—CRISIL EcoMonitor and South Asia Economic Outlook. C-CER continues to work with the Egyptian Institute of Directors (EIoD), and Hawakmah, the Institute for Corporate Governance (a subsidiary of the Dubai International Financial Centre) for creation of an Environmental, Social & Governance (ESG) Index in their respective regions.

F. HUMAN RESOURCES

CRISIL's Human Resources team continued to focus on attracting, retaining, and growing talent. In 2010, 1083 employees were hired, up from 579 hired in 2009. The total headcount in CRISIL increased to 2805 as on December 31, 2010 from 2164 a year previously.

Highlights of CRISIL's Talent Attraction Initiatives

- Strengthened the senior management team
- Maintained strong presence on campuses—42 business schools were visited during the year and job offers were extended to 186 students
- Increased the number of seats on offer at the CRISIL Certified Analyst Programme (CCAP), which entered its fourth year, with 47 interns from the programme joining during the year.
- Inducted all 17 interns from the first batch of the Irevna Certified Analyst Programme (ICAP)

Retaining Talent

CRISIL followed a structured approach towards people development, by understanding the functional and behavioural competencies required for each role, and then devising a comprehensive training plan to address gaps in skill sets.

More than 1100 training sessions were conducted organisation-wide, during the year, aggregating 77,752 man-hours of training. These trainings ranged from technical subjects to functional and behavioural skill-building programmes.

To increase employee engagement, the Rewards and Recognition programme, 'CRISIL AWARDS - Celebrating Winning Performances' was revamped, expanding the scope of the awards, increasing the transparency of the process, and providing greater visibility to award winners.

CRISIL's brand-building and thought leadership initiative, the CRISIL Young Thought Leader (CYTL) competition, received 153 responses from students of 62 business colleges and graduate schools.

During the year, 93 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 without this annexure. Shareholders interested in obtaining a copy of the annexure may write to the Company Secretary at CRISIL's registered office.

G. SUBSIDIARIES

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

H. ACQUISITION OF PIPAL RESEARCH

CRISIL signed agreements on September 22, 2010 for the acquisition of the assets of Pipal Research Corporation (PRC) including 100% of the share capital of Pipal Research Analytics and Information Services India Private Limited. After completion of all conditions precedent, the transaction was completed with effect from December 3, 2010.

I. 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 (NSE), provides a variety of indices and index-related services and products to the capital markets. IISL has a licensing and marketing agreement with S&P, the world's leading provider of investible equity indices.

IISL issued licenses to various clients such as Insurance Companies, Asset Management Companies, etc. within India for facilitating the launch of Index Funds, Exchange Traded Funds and issuance of debentures that carry returns linked to the S&P CNX Nifty Index. IISL also concluded licensing agreements for issuance of structured products linked to the S&P CNX Nifty Index outside India.

J. DIRECTORS

In accordance with the articles of association of the Company and the provisions of the Companies Act, 1957, Mr. BV Bhargava and Dr. Nachiket Mor retire by rotation and being eligible, offer themselves for reappointment.

K. AUDITORS

The Statutory Auditors, M/s. SR Batliboi & Co, Chartered Accountants, hold office up to the ensuing Annual General Meeting and the Board recommends their reappointment.

L. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, is presented in a separate section forming part of the Annual Report.

M. CORPORATE GOVERNANCE

The Company is committed to maintain the highest standards of corporate governance and adhere to the corporate governance requirements set out by SEBI.

The report on corporate governance as stipulated under Clause 49 of the Listing Agreement forms part of the Annual Report.

The certificate from the auditors of the Company confirming compliance with the conditions of corporate governance as stipulated under Clause 49, is attached to this report.

N. OTHERS

N.1 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. 8 and 9 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.

N.2. 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.

Employees Stock Option Scheme

The shareholders of the Company by postal ballot on February 4, 2011 approved the Employees Stock Option Scheme for employees and Whole-time Directors of CRISIL and its subsidiaries.

Acknowledgements

The Board of Directors wishes to thank the employees of CRISIL for their exemplary dedication and the excellence they have displayed in conducting the operations of CRISIL. The Board also wishes to place on record its sincere appreciation of the faith reposed in the professional integrity of CRISIL by customers and investors who have patronised its services. The Board acknowledges the splendid support provided by market intermediaries. The affiliation with Standard and Poor's has been a source of great strength. The Board of Directors also wishes to place on record its gratitude for the faith reposed in CRISIL by the Securities and Exchange Board of India, the Reserve Bank of India, the Government of India, and the 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,

Mumbai, February 14, 2011

Deven Sharma
Chairman