

Walker Chandlok & Co LLP

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Independent Auditor's Report on Special Purpose Financial Statements

To the Board of Directors of CRISIL Ratings Limited

1. We have audited the accompanying special purpose financial statements of **CRISIL Ratings Limited** ('the Company'), which comprise the Balance Sheet as at 31 December 2019, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity, the Statement of Cash Flows for the period from 3 June 2019 to 31 December 2019, and a summary of significant accounting policies and other explanatory information (together hereinafter referred to as 'special purpose financial statements') which has been prepared by the management in accordance with the basis of accounting specified in note 2.1 to the special purpose financial statements.

Management's Responsibility for the Special Purpose Financial Statements

2. The Management is responsible for the preparation of these special purpose financial statements that give a true and fair view of the financial position, financial performance, cash flows and changes in equity of the Company in accordance with the basis of accounting specified in note 2.1 to the special purpose financial statements including preparation and maintenance of all accounting and other relevant supporting records and documents. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the special purpose financial statements in accordance with basis of accounting specified in aforementioned note 2.1 that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these special purpose financial statements based on our audit.
4. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the management's preparation of the financial statements, in all material respects, in accordance with the applicable basis of accounting, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the management has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.



CRISIL Ratings Limited
Independent Auditor's Report on Special Purpose Financial Statements

6. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on these special purpose financial statements.

Opinion

7. In our opinion and to the best of our information and according to the explanations given to us, the accompanying special purpose financial statements gives a true and fair view of the:
- the Balance Sheet, of the state of the affairs of the Company as at 31 December 2019;
 - the Statement of Profit and Loss (including Other Comprehensive Income), of the profit / loss of the Company for the period 3 June 2019 to 31 December 2019;
 - the Cash Flow Statement, of the cash flows of the Company for the period 3 June 2019 to 31 December 2019;
 - the Statement of Changes in Equity, of the changes in equity of the Company for the period 3 June 2019 to 31 December 2019 and;
 - summary of significant accounting policies and other explanatory information

in accordance with the basis of accounting as described in note 2.1 to these special purpose financial statements.

Basis of accounting and restriction on distribution or use

8. We draw attention to note 2.1 to the special purpose financial statements, which describes the basis of accounting for the aforesaid special purpose financial statements. These special purpose financial statements have been prepared by the management, solely to enable CRISIL Limited to prepare its consolidated financial statements for the year ended 31 December 2019, and therefore, these special purpose financial statements may not be suitable for another purpose. This report is issued solely for the aforementioned purpose and accordingly, should not be used, referred to or distributed for any other purpose or to any other party without our prior written consent. Further, we do not accept or assume any liability or any duty of care for any other purpose for which or to any other person to whom this report is shown or into whose hands it may come without our prior consent in writing.

For **Walker Chandiook & Co LLP**
Chartered Accountants
Firm Registration No.: 001076N/N500013



Manish Gujral
Partner

Membership No.: 105117

UDIN: 20105117AAAAAP1481

Place: Mumbai

Date: 11 February 2020

CRISIL Ratings Limited
Balance Sheet as at December 31, 2019

Particulars	Notes	As at December 31, 2019 (Rupees)
ASSETS		
Current assets		
Financial assets		
Cash and cash equivalents	3	1,000,000
TOTAL ASSETS		1,000,000
EQUITY AND LIABILITIES		
Equity		
Equity share capital	4	1,000,000
Other equity		-
Liabilities		-
TOTAL EQUITY AND LIABILITIES		1,000,000
Summary of significant accounting policies	2	

The accompanying notes are an integral part of the special purpose financial statements.

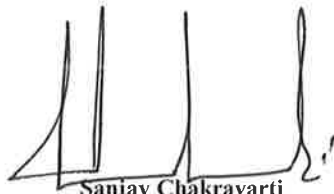
This is the Balance Sheet referred to in our audit report of even date.

For Walker Chandiook & Co LLP
Chartered Accountants
Firm Registration No.: 001076N/N500013



Manish Gujral
Partner
Membership No.: 105117

For and on behalf of CRISIL Ratings Limited



Sanjay Chakravarti
Director
[DIN: 05246624]

Date: February 11, 2020
Place: Mumbai

Date: February 11, 2020
Place: Mumbai





CRISIL Ratings Limited
Statement of Profit and Loss for the period from June 3, 2019 to December 31, 2019

Particulars	Notes	Period from June 3, 2019 to December 31, 2019 (Rupees)
Income		
Revenue from operations		-
Total income		-
Expenses		
Total expenses		-
Profit before tax		-
Tax expense		
Current tax		-
Deferred tax		-
Total tax expense		-
Profit / loss after tax for the period		-
Other comprehensive income (OCI)		-
Total comprehensive income / loss for the period		-
Earnings per share : Nominal value of Rupee 1 per share		-
Summary of significant accounting policies	2	

The accompanying notes are an integral part of the special purpose financial statements.

This is the Statement of Profit and Loss referred to in our audit report of even date.

For Walker Chandiook & Co LLP
Chartered Accountants
Firm Registration No.: 001076N/N500013



Manish Gujral
Partner
Membership No.: 105117

For and on behalf of CRISIL Ratings Limited



Sanjay Chakravarti
Director
[DIN: 05246624]

Date: February 11, 2020
Place: Mumbai

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CRISIL Ratings Limited

Cash Flow Statement for the period from June 3, 2019 to December 31, 2019

Particulars		Period from June 3, 2019 to December 31, 2019 (Rupees)
A.	Cash flow from operating activities:	
	Profit before tax	-
	Net cash generated from operating activities - (A)	-
B.	Cash flow from investing activities :	
	Net cash generated from investing activities - (B)	-
C.	Cash flow from financing activities:	
	Receipts from issuance of share capital	1,000,000
	Net cash generated from financing activities - (C)	1,000,000
	Net increase in cash and cash equivalents (A+B+C)	1,000,000
	Cash and cash equivalents - Opening balance	-
	Cash and cash equivalents - Closing balance	1,000,000
	Net increase in cash and cash equivalents	1,000,000
	Components of cash and cash equivalents	
	Balances with banks on current account	1,000,000
	Total	1,000,000

The accompanying notes are an integral part of the special purpose financial statements.

This is the Cash Flow Statement referred to in our audit report of even date.

For Walker ChandioK & Co LLP

Chartered Accountants

Firm Registration No.: 001076N/N500013



Manish Gujral

Partner

Membership No.: 105117

Date: February 11, 2020

Place: Mumbai

For and on behalf of CRISIL Ratings Limited



Sanjay Chakravarti

Director

[DIN: 05246624]

Date: February 11, 2020

Place: Mumbai





CRISIL Ratings Limited

Statement of Changes in Equity for the period from June 3, 2019 to December 31, 2019

Equity share capital

Balance as at June 3, 2019 (Rupees)	Changes in equity share capital during the period (Rupees) (Refer Note 4)	Balance as at December 31, 2019 (Rupees)
-	1,000,000	1,000,000

Other equity

Particulars	Retained earnings	Total
Balance as at June 3, 2019	-	-
Profit for the year	-	-
Other Comprehensive Income	-	-
Balance as at December 31, 2019	-	-

The accompanying notes are an integral part of the special purpose financial statements.

This is the Statement of Changes in Equity referred to in our audit report of even date.

For Walker Chandiook & Co LLP

Chartered Accountants

Firm Registration No.: 001076N/N500013



Manish Gujral

Partner

Membership No.: 105117

For and on behalf of CRISIL Ratings Limited



Sanjay Chakravarti

Director

[DIN: 05246624]

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1 **Corporate information**

CRISIL Ratings Limited ("the Company") [CIN : U67100MH2019PLC326247] will provide ratings services. CRISIL Ratings Limited will deliver analysis, opinions, and solutions that make markets function better.

CRISIL Ratings Limited is a public limited Company, domiciled in India. The registered office of the Company is located at CRISIL House, Central Avenue, Hiranandani Business Park, Powai, Mumbai - 400076.

CRISIL Limited, the holding Company, directly owns 100 % as on December 31, 2019 of the Company's equity share capital (Refer Note 4).

2 **Summary of significant accounting policies**

2.1 **Basis of preparation**

These financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 read with Section 133 of Companies Act, 2013, (the 'Act') and other relevant provisions of the Act. Though the Company has complied with the recognition, measurement and key disclosure requirements of the standards, it cannot be considered to be Ind AS compliant accounts. The Company has prepared these financial statements to comply in all material respects with the mandatory accounting standards notified under section 133 of the Companies Act, 2013. These financial statements are special purpose financial statements and have been prepared solely to assist CRISIL Limited for preparation of its consolidated financial statements as at 31 December 2019 and hence do not have certain disclosures required as per Ind AS and the Act. Accordingly, these financial statements should not be used for any other purpose. The financial statements have been prepared under the historical cost convention on an accrual basis.

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in Schedule III to the Companies Act, 2013. Based on the nature of products and time between the acquisition of assets for processing and their realization in cash or cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of current / non-current classification of assets and liabilities. These financial statements are presented in Indian rupees, which is the functional currency of the Company. All financial information is presented in Indian rupees.

Functional and presentation currency

These financial statements are presented in Indian rupees, which is the functional currency of the Company. All financial information is presented in Indian rupees.

2.2 **Impairment of financial assets**

In accordance with IND AS 109, the Company applies Expected Credit Loss model for the measurement and recognition of impairment loss on the financials assets that are measured at amortised cost eg: bank balance.

2.3 **Share capital**

Ordinary shares are classified as equity, incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

2.4 **Fair value of financial instruments**

In determining the fair value of the financial instruments the Company uses variety of methods and assumptions that are based on market conditions and risk existing at each reporting date. The method used to determine the fair value includes discounted cash flow analysis, available quoted market prices and dealer quotes. All method of accessing fair value results in general approximation of value and such value may never actually be realized. For all other financial instruments the carrying amounts approximates fair value due to short term maturity of those instruments.

2.5 **Financial instruments**

Initial recognition

The Company recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are recognized at fair value on initial recognition.

Subsequent measurement

(i) Financial assets carried at amortized cost

A financial asset is subsequently measured at amortized cost if it is held with in a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



(ii) Financial assets at fair value through other comprehensive income (FVTOCI)

A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

(iii) Financial assets at fair value through profit or loss (FVTPL)

A financial asset which is not classified in any of the above categories are subsequently fair valued through profit or loss.

Derecognition of financial instruments

The Company derecognise a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition under Ind AS 109.

2.6 Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand.

2.7 Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events such as buy back, Employee Stock Option Scheme (ESOS), etc. that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the Company has adopted treasury stock method to compute the new shares that can possibly be created by un-exercised stock options. The net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

2.8 Cash flow statement

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments and item of income or expenses associated with investing or financing cash flows. Cash flow from operating, investing and financing activities are segregated.



CRISIL Ratings Limited

Summary of significant accounting policies and other explanatory information to the special purpose financial statements for the period from June 3, 2019 to December 31, 2019

3	Cash and cash equivalents	As at December 31, 2019 (Rupees)
	Current	
	Balances with banks:	
	On current accounts	1,000,000
	Total	1,000,000

4	Equity share capital	As at December 31, 2019 (Rupees)
	Authorised share capital:	
	300,000,000 equity shares of Rupee 1 each	300,000,000
	Issued, subscribed and paid up:	
	1,000,000 equity shares of Rupee 1 each	1,000,000
	Total	1,000,000

(a) Reconciliation of shares outstanding at the beginning and at the end of the period

Equity shares

Particulars	As at December 31, 2019 (Rupees)	
	Amount in rupees	No. of shares
At the beginning of the period (face value of Rupee 1 per share)	-	-
Add : Issued during the period	1,000,000	1,000,000
Outstanding at the end of the period	1,000,000	1,000,000

(b) Terms / rights attached to equity shares

The Company has only one class of equity shares having par value of Rupee 1 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Shares held by holding Company

Out of equity shares issued by the Company, shares held by its holding Company are as below:

Particulars	As at December 31, 2019 (Rupees)
CRISIL Limited	1,000,000
Total	1,000,000

(d) Details of shareholders holding more than 5% shares

Name of the shareholder	As at December 31, 2019 (Rupees)	
	Nos.	% holding
Equity shares of Rupee 1 each fully paid CRISIL Limited	1,000,000	100.00%

As per records of the Company, including its register of shareholders/ members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

(e) The Company, being its first year of incorporation, has not issued any bonus shares, issued any shares for consideration other than cash and nor has there been any buy back of shares during the period since incorporation.

(f) Capital management

The Company is predominantly equity financed and continues to maintain adequate amount of liquidity to meet strategic and growth objectives. The Company manages its capital to ensure that it will be able to continue as going concern while maximising the return to its stakeholders. The Company has ensured a balance between earning adequate returns on treasury asset and need to cover financial and business risk.



CRISIL Ratings Limited

Summary of significant accounting policies and other explanatory information to the special purpose financial statements for the period from June 3, 2019 to December 31, 2019

5 Financial Instruments

The carrying value and fair value of financial instruments by categories as at December 31, 2019 are as follows:

Particulars	Amortized cost (Rupees)	Financial assets/liabilities at FVTPL (Rupees)	Financial assets/liabilities at FVTOCI (Rupees)	Derivative instruments in hedging relationship (Rupees)	Total carrying value (Rupees)	Total fair value (Rupees)
Assets						
Cash and cash equivalents	1,000,000	-	-	-	1,000,000	1,000,000
Total	1,000,000	-	-	-	1,000,000	1,000,000

6 Related Party disclosures

a) List of related parties (to the extent where transaction have taken place)

Name of the party	Nature of relationship
Related parties where control exists	
CRISIL Limited	Holding Company
Key Managerial Personnel	
Anupam Kaura	Director
Sanjay Chakravarti	Director

b) Transactions with related parties

Name of the related party	Nature of transaction / outstanding balances	As at December 31, 2019 (Rupees)
CRISIL Limited	Share capital issued	1,000,000

- 7 Securities and Exchange Board of India (SEBI) notifications dated May 30, 2018 and September 19, 2018, under the SEBI (Credit Rating Agencies) Regulations, 1999, have mandated segregation of Ratings and Non-Ratings businesses of Credit Rating Agencies. Pursuant to, and in order to comply with these notifications, CRISIL Ratings Limited was incorporated on June 3, 2019, being 100% subsidiary of CRISIL Limited and the Board of Directors of CRISIL Ratings Limited approved transfer of the Ratings business from CRISIL Limited to CRISIL Ratings Limited. CRISIL Ratings Limited would undertake transfer of rating business through a 'Scheme of arrangement in terms of Section 230 to 232 of the Companies Act, 2013 and seek requisite clearance from National Company Law Tribunal.
- 8 The Company has been incorporated in the current year and the management is in the process of implementing the proposed business plan and taking adequate steps to ensure a sustained business momentum. Accordingly, the financial statements have been prepared on a going concern basis.
- 9 This being the first year incorporation of the Company, no comparative for the previous year has been given in the financial statements.

This is the summary of significant accounting policies and other explanatory information referred to in our report of even date,

For Walker Chandio & Co LLP
Chartered Accountants
Firm Registration No.: 001076N/N500013



Manish Gujral
Partner
Membership No.: 105117

For and on behalf of CRISIL Ratings Limited



Sanjay Chakravarti
Director
[DIN: 05246624]

Date: February 11, 2020
Place: Mumbai

Date: February 11, 2020
Place: Mumbai

