



## ICRA Limited

### Notes to the financial statements for the year ended March 31, 2020

(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)

#### 1 Corporate information

ICRA Limited (formerly Investment Information and Credit Rating Agency of India Limited) ('the Company') was set up in 1991 by leading financial/ investment institutions, commercial banks and financial services companies as an independent and professional Investment Information and Credit Rating Agency. ICRA is a public limited Company incorporated and domiciled in India, with its registered office in New Delhi. It is listed on BSE Limited and the National Stock Exchange of India Limited. It has various subsidiaries involved in rating, management consulting and outsourcing and information services etc.

#### 2 Basis of preparation

The financial statements have been prepared in accordance with Indian Accounting Standards (referred to as "Ind AS") as prescribed under Section 133 of the Companies Act, 2013 ('Act') read with Companies (Indian Accounting Standards) Rules 2015 and other relevant provisions of the Act.

These financial statements have been prepared on the historical cost basis and on an accrual basis, except for certain financial instruments which are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

In estimating the fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purpose in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of Ind AS 102 Share-based Payments and measurements that have some similarities to fair value but are not fair value, such as 'value in use', in Ind AS 36 Impairment of assets.

These financial statements are presented in Indian Rupees (Rs) which is also the Company's functional currency. All amounts have been rounded-off to the nearest lakh and upto two decimal places, unless otherwise stated.

The financial statements were authorised for issue by the Company's Board of Directors on July 14, 2020.

#### 2.1 Use of estimates, judgements and assumptions

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of income, expenses, assets and liabilities, Actual results may differ from these estimates and assumptions.

Estimate and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised prospectively.

The Company has identified the following areas where significant judgements, estimates and assumptions are required. Further information on each of these areas and how they impact the various accounting policies are described below and in the relevant notes to the financial statements. Changes in estimates are accounted for prospectively.

##### *Judgements*

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements.

#### a) Provisions and contingent liabilities

The Company estimates the provisions that have present obligations as a result of past events and it is probable that outflow of resources will be required to settle the obligations. These provisions are reviewed at the end of each reporting period and are adjusted to reflect the current best estimates.

## ICRA Limited

### Notes to the financial statements for the year ended March 31, 2020

(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)

Contingent liabilities may arise from the ordinary course of business in relation to claims against the Company, including legal, contractual and other claims. By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgements and the use of estimates regarding the outcome of future events.

#### b) Revenue recognition

In case of initial rating a portion of the fee is allocated towards first year surveillance based on management's estimate. Surveillance fees from second year onwards is recognised when there is reasonable certainty of collection. The assessment of reasonable certainty involves exercise of significant judgements on client co-operation for surveillance which includes receipt of information for performing surveillance rating and realisation of fees.

#### c) Leases

The Company evaluates if an arrangement qualifies to be a lease as per the requirements of Ind AS 116. Identification of a lease requires significant judgment. The Company uses significant judgement in assessing the lease term (including anticipated renewals) and the applicable discount rate.

The Company determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. In assessing whether the Company is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, it considers all relevant facts and circumstances that create an economic incentive for the Company to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Company revises the lease term if there is a change in the non-cancellable period of a lease.

The discount rate is generally based on the incremental borrowing rate specific to the lease being evaluated or for a portfolio of leases with similar characteristics.

#### **Assumptions and estimation uncertainties**

The key assumptions concerning the future uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

#### i) Impairment of non-financial assets and investment in subsidiaries

Non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For impairment testing, assets that do not generate independent cash inflows are grouped together into cash-generating units (CGUs). Each CGU represents the smallest group of assets that generates cash inflows that are largely independent of cash inflows of other assets or CGU's.

Investment in subsidiaries are tested for impairment at least annually or when events occur or changes in circumstances indicate that the recoverable amount of the asset or CGU's to which these pertain is less than its carrying value.

The recoverable amount of a CGU or an asset is the higher of its fair value less costs of disposal and its value in use. Value in use is based on the estimated future cash flows, discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU or asset.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples and other available fair value indicators.



## ICRA Limited

### Notes to the financial statements for the year ended March 31, 2020

(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)

#### ii) Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgements in making these assumptions and selecting the inputs to the impairment calculation, based on Company's history, existing market conditions as well as forward looking estimates at the end of each reporting period.

#### iii) Defined benefit plans

The cost of the defined benefit plan and other post-employment benefits and the present value of such obligation are determined using actuarial valuations. An actuarial valuation involves various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, withdrawal rate and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

#### iv) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

#### v) Recognition of deferred tax assets

Deferred tax assets are recognised for temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which they can be used. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

## 2.2 Fair value measurement

The Company measures both its financial and non-financial assets and liabilities such as investments, security deposits, loan to staff, trade payables, payable to employees etc. at fair value at each balance sheet date using valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

## ICRA Limited

### Notes to the financial statements for the year ended March 31, 2020

(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### 3 Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 3.1 Current versus non-current classification

All 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 the Division II of Schedule III to the Act.

Based on the nature of activities of the Company, the Company has determined its operating cycle as twelve months for the purpose of classification of its assets and liabilities as current and non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities respectively.

#### 3.2 Revenue recognition

The Company earns revenue primarily from the rating, grading, surveillance and other services.

The first year rating and grading fees includes free surveillance for first twelve months or the period of instrument, whichever is shorter, from the date of rating and grading. A portion of the fee is allocated towards first year free surveillance based on management's estimate. The revenue related to initial rating and grading is recognised upon issuance of press release or disclosure of unaccepted ratings on the Company's website. Surveillance fee, to the extent of reasonable certainty of collection, is recognised over the surveillance period (ignoring fractions of months).

For other services, revenue is recognized upon transfer of control of promised services to the customers.

Unearned revenue represents advance billing for which services have not been rendered.

Unbilled revenue represents services rendered for which invoices are yet to be raised.

Out of pocket expenses which are recoverable from customers, are recognised both as expenditure and revenue.

#### 3.3 Other income

Dividend income is recognised when the unconditional right to receive the income is established, which is generally when shareholders approve the dividend.

Interest income on bank deposits is recognised using effective interest rate, on time proportionate basis.

For accounting policy on income from other financial instruments refer para 3.4.



## ICRA Limited

### Notes to the financial statements for the year ended March 31, 2020

(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)

#### 3.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### **Initial recognition and measurement**

Trade receivable and debt securities are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company became party to the contractual provision of the instrument.

A financial asset or financial liability is initially recognised at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable its acquisition or issue.

##### **Classification and subsequent measurement**

###### **Financial assets**

On initial recognition, financial asset is classified as measured at:

- Amortised cost
- Fair value through other comprehensive income (FVTOCI) – debt investments
- FVTOCI – equity investments or
- FVTPL

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for mapping of financial assets.

A financial asset is measured at the amortised cost if both of the following conditions are met and is not designated as at FVTPL

- the asset is held within a business model whose objective is to hold assets and 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.

A 'debt investment' is measured at FVTOCI if both of the following conditions are met and is not designated as at FVTPL:

- the assets is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual term of the financial asset give rise on specified dates to cashflows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investments that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in Other comprehensive income (OCI) (designated as FVTOCI – equity investment). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL.

**ICRA Limited****Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)*Subsequent measurement and gains and losses

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit and loss. Any gain or loss on derecognition is recognised in profit and loss.
Debt investments at FVTOCI	These assets are subsequently measured at fair value. Interest income under effective interest method and impairment are recognised in profit and loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI reclassified to profit and loss.
Equity investments at FVTOCI	These assets are subsequently measured at fair value. Dividend are recognised as income in profit and loss unless the dividend clearly represents recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to profit and loss.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income are recognised in profit and loss.

**Financial liabilities:**

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, or it is designated as such on initial recognition. Financial liabilities are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are measured at amortised cost using effective interest method. Interest expense and foreign exchange gains or losses (if any) are recognised in profit and loss. Any gain or loss on derecognition is also recognised in profit and loss.

**Derecognition****Financial assets**

The Company derecognises a financial asset when:

- the rights to receive cash flows from the asset have expired, or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

**Financial liabilities**

The Company derecognises a financial liability when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

**ICRA Limited****Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)***Offsetting**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**3.5 Property, plant and equipment****Recognition and measurement**

Property, plant and equipment and capital work in progress are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost of an item of property, plant and equipment comprise of its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use and estimated costs of dismantling and removing the item and restoring the site on which it is located.

The cost of self-constructed item of property, plant and equipment comprises the cost of materials, direct labour and any other cost directly attributable to bring the item to working condition for its intended use, and estimated costs of dismantling and removing the item and restoring the site on which it is located.

If significant parts of an item of property, plant and equipment have different useful life, then they are accounted for as separate item of property, plant and equipment.

An item of property, plant and equipment or any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit and Loss when the asset is derecognised.

**Subsequent expenditure**

Subsequent expenditure is capitalised only if it is probable that the future economic benefit of associated with the expenditure will flow to the Company. All other expenditure is recognised in the Statement of Profit and Loss.

**Depreciation**

Depreciation is calculated on cost of item of property, plant and equipment less their estimated residual value over their estimate useful lives using written down value method and is recognised in the Statement of Profit and Loss. Assets acquired under leasehold improvements are depreciated using straight line method over the primary period of the lease or useful life of the assets whichever is shorter. The primary lease period for this purpose includes any lease period extendable at the discretion of the lessee.

The estimated useful lives of items of property, plant and equipment are as follows:

Asset	Useful life as per schedule II (in years)
Buildings	60
Computers and data processing units (including Servers, Network)	3-6
Furniture and fittings	10
Office equipment	5
Electrical installation and equipment	10
Vehicles	8

**ICRA Limited****Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)*

Depreciation method, useful lives and residual value are reviewed at each financial year-end and adjusted if appropriate. Management believes that its estimates of useful lives as given above, represents the period over which management expects to use these assets.

Depreciation on addition/ disposal is provided on a pro-rata basis i.e. from (upto) the date on which asset is ready to use (disposed of).

Assets individually costing up to Rs. 5,000 are fully depreciated in the year of purchase.

**3.6 Intangible assets*****Recognition and measurement***

Intangible assets acquired separately are initial measured at cost. Such intangible assets are subsequently measured at cost less accumulated amortization and accumulated impairment losses (if any).

***Subsequent expenditure***

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the Statement of Profit and Loss.

***Amortisation***

Amortisation is calculated to write off the cost of the intangible assets over their estimated useful lives using the written down value method, and is included in depreciation and amortisation in the Statement of Profit and Loss.

The estimated useful lives of items of intangible assets is as follows:

Asset	Useful life (in years)
Computer softwares	10

Amortisation method, rate and residual value are reviewed at each financial year-end and adjusted if appropriate. Management believes that its estimates of useful lives as given above, represents the period over which management expects to use these assets.

Amortisation on addition/ disposal is provided on a pro-rata basis i.e. from (upto) the date on which asset is ready to use (disposed of).

***Intangible assets under development***

Identifiable intangible assets under development are recognised when the Company controls the asset, it is probable that future economic benefits attributed to the asset will flow to the Company and the cost of the asset can be reliably measured. Intangible assets under development is measured at historical cost and not amortised. These assets are tested for impairment on annual basis.

**3.7 Leases**

Effective 1 April 2019, the Company has applied Ind AS 116, 'Leases'. Ind AS 116 replaces Ind AS 17 – Leases and related interpretation and guidance. The standard sets out principles for recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Company has applied Ind AS 116 using the modified retrospective approach. As a result, the comparative information has not been restated.



## ICRA Limited

### Notes to the financial statements for the year ended March 31, 2020

(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)

The Company's significant lease arrangements are primarily in respect of office premises. The Company, at the inception of a contract, assesses whether the contract is a lease or not lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a time in exchange for a consideration. This policy has been applied to contracts existing and entered into on or after 1 April 2019.

#### Company as a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense over the lease term.

The Company has applied the practical expedient to grandfather the definition of a lease on transition. This means that it has applied Ind AS 116 to all the contracts entered into before 1 April 2019 and identified as leases in accordance with Ind AS 17.

In the comparative period, operating lease payments are recognised as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

#### Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other income in the statement of profit or loss due to its operating nature.

Rental income arising from sub-leasing of office premises is accounted for on a straight-line basis over the lease terms and is included in other income in the statement of profit and loss.

### 3.8 Investment in subsidiaries

Investment in subsidiaries is carried at cost less impairment as per Ind AS 27 Consolidated and Separate Financial Statements. On disposal of investment in subsidiaries, the difference between net disposal proceeds and the carrying amounts are recognised in the Statement of Profit and Loss.

## ICRA Limited

### Notes to the financial statements for the year ended March 31, 2020

(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)

#### 3.9 Impairment

##### *Impairment of financial instruments*

The Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on financial assets that are debt instruments and are measured at amortised cost, e.g., loans, debt securities, deposits, trade receivables and bank balance.

The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables and recognises impairment loss allowance based on lifetime ECL at each reporting date, right from its initial recognition.

For other financial assets, ECL are measured at an amount equal to the 12 month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL. The amount of ECL (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised as expense or income in the Statement of Profit and Loss.

##### *Impairment of non-financial assets and investment in subsidiaries*

Non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets that do not generate independent cash inflows are grouped together into cash-generating units (CGUs). Each CGU represents the smallest group of assets that generates cash inflows that are largely independent of cash inflows of other assets or CGU's.

Investment in subsidiaries are tested for impairment at least annually or when events occur or changes in circumstances indicate that the recoverable amount of the asset or CGU's to which these pertain is less than its carrying value.

The recoverable amount of a CGU or an asset is the higher of its fair value less costs of disposal and its value in use. Value in use is based on the estimated future cash flows, discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU or asset.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment loss is recognised in the Statement of Profit and Loss.

An impairment loss in respect of assets, which has been recognised in prior years, the Company reviews at each reporting date whether there is any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Such a reversal is made only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment has been recognised.

#### 3.10 Non-current assets held for sale

Non-current assets retired from active use and held for disposal are stated at the lower of their net book value and net realisable value. Any resultant loss on a disposal group is allocated first goodwill (if any), and then to remaining assets and liabilities on pro-rata basis, except that no loss is allocated to financial assets, deferred tax assets and employee benefit assets which continue to be measured in accordance with the Company's other accounting policy. Assets and liabilities classified as held for sale are presented separately in the balance sheet. Losses on initial classification as held for sale and subsequent gains and losses on re-measurement are recognised in the Statement of Profit and Loss.

Once classified as held for sale, property, plant and equipment and intangible assets are no longer depreciated or amortised.



## ICRA Limited

### Notes to the financial statements for the year ended March 31, 2020

(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)

If the criteria for classifying assets in to held for sale are no longer met, the Company cease to classify the assets as held for sale.

The Company measure a non-current asset that ceases to be classified as held for sale at the lower of:

- its carrying amount before the assets were classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the assets not been classified as held for sale, and
- its recoverable amount at the date of the subsequent decision not to sell.

#### 3.11 Projects work in progress

Projects work-in-progress represent direct cost incurred against rating and grading cases wherein work has been initiated but rating and grading is yet to be concluded and amount is expected to be recovered.

#### 3.12 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, balances with bank, Short-term deposits and investments with original maturities of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cashflows, cash and cash equivalent consists of cash on hand, balances with bank, short-term deposits and investments as stated above, net of outstanding bank overdrafts (if any).

#### 3.13 Foreign currencies

The Company's financial statements are presented in Indian rupee, which is also its functional currency.

Transactions in foreign currencies are translated into the functional currency at the exchange rate at the date of the transaction or an average rate if the average rate approximate the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Exchange differences arising on settlement or translation of monetary items are recognised in profit or loss.

#### 3.14 Employee benefits

##### *Short term employee benefit*

All employee benefits which are expected to be settled wholly before twelve months after the end of annual reporting period in which the employees render the related service are short term employee benefits. Short term employee benefit obligations are measured on an undiscounted basis and expensed as the related service is provided. A liability is recognised for the amount expected to be paid as a result of past service provided by the employee, and the amount of obligation can be estimated reliably.

##### *Defined contribution plan*

Provident Fund is a defined contribution plan. The Company makes specified monthly contributions towards government administered Provident Fund scheme and Employees' State Insurance. Obligation for contributions to defined contribution plan is recognised as an employee benefit expense in profit and loss in the period during which the related services are rendered by employees. The Company has no obligation, other than the contribution payable in the scheme.

## ICRA Limited

### Notes to the financial statements for the year ended March 31, 2020

(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)

#### **Defined benefit plan**

The Company's gratuity benefit plan is a defined benefit plan. The gratuity liability for employees of the Company is funded through gratuity fund established as a Gratuity Trust. The Company's net obligation in respect of the defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value of economic benefits and the fair value of any plan assets is deducted.

The calculation of defined benefit obligation is performed as at the Balance Sheet date and determined based on actuarial valuation using the Projected Unit Credit Method by a qualified actuary. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan ('the asset ceiling'). In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirement.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan, are based on the market yields on government securities as at the Balance Sheet date.

Remeasurements of the net defined liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised in OCI. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of annual period to the then-net defined benefit liability (asset), taking in to account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the Statement of Profit and Loss.

#### **Other long-term employee benefits**

Long term individual payout ('LTIP') plan and compensated absences are other long-term benefits provided by the Company.

The Company's net obligation in respect of LTIP is the amount of benefit that employees have earned in return for their services in the current and prior periods and discounted to determine its present value. From the financial year 2018-19, the LTIP is funded by the ICRA Employees Welfare Trust. Hence, the Company has charged such employees' expense in the Statement of Profit and Loss with a corresponding credit to Capital Reserve.

The Company has a policy on compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation performed by a qualified actuary as at the Balance Sheet date using Projected Unit Credit method on the additional amount expected to be paid/ availed as a result of the unused entitlement that has accumulated at the balance sheet date. Expense for non-accumulated compensated absences is recognised in the period in which absences occur.

#### **3.15 Share based payments**

The Company recognise compensation expense relating to share-based payments using fair value in accordance with Ind AS 102 'Share based payments'. The estimated fair value of awards is charged to income on a straight line basis over the service period for each separating vesting portion of the award as if the award was in-substance, multiple awards with a corresponding increase to share options outstanding account.

#### **3.16 Provisions**

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.



## ICRA Limited

### Notes to the financial statements for the year ended March 31, 2020

(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)

Provisions are determined by discounting the expected future cashflows (representing the best estimate of the expenditure require to settle the present obligation at the balance sheet date) at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost. Expected future losses are not provided for.

#### 3.17 Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

#### 3.18 Income tax

Income tax comprises current and deferred tax. It is recognised in profit and loss except to the extent that it relates to an item recognised directly in equity or other comprehensive income.

##### **Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable in respect of previous year. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates enacted or substantially enacted by the reporting date.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intention to realize the asset and settle the liability on a net basis, or simultaneously.

##### **Deferred tax**

Deferred tax is recognised for all temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statement. Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that future taxable profit will be available against which they can be used. Deferred tax assets and liabilities are measured using tax rate and tax laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. The effect of change in tax rate on deferred tax assets and liabilities is recognised as income or expense in the period that includes the enactment or the substantive enactment date. A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**ICRA Limited****Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)***3.19 Earnings per share**

The basic earnings per share are calculated by dividing the net profit attributable to equity by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit attributable to equity during the year and the weighted average number of shares outstanding during the year are adjusted for the effect of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the year unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Anti dilutive effect of any potential equity shares are ignored in the calculation of diluted earnings per share.

**3.20 Corporate social responsibility (CSR) expenditure**

The Company charges its CSR expenditure during the year to the Statement of Profit and Loss.

**3.21 Recent accounting pronouncements**

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from April 1, 2020.

Particulars	As at March 31, 2020	As at March 31, 2019
<b>4 Property, plant and equipment</b>		
<b>a) The details of property, plant and equipment (net) is as follows:</b>		
Buildings	632.02	667.29
Computers and data processing units	62.53	81.31
Furniture and fittings	73.15	96.23
Office equipment	25.44	32.02
Electrical installation and equipment	29.90	38.04
Vehicles	12.85	29.53
Leasehold improvements	87.26	120.58
Right-of-use assets - buildings	1,956.09	-
<b>Total property, plant and equipment</b>	<b>2,879.24</b>	1,065.00

Notes to the financial statements for the year ended March 31, 2020

(All amounts in Rupees lakh, except share data and where otherwise stated)

Particulars	Note No.	Buildings	Computers and data processing units	Furniture and fittings	Office equipment	Electrical installation and equipment	Vehicles	Leasehold improvements	Right-of-use assets - buildings	Total
<b>b) Disclosures regarding gross block of property, plant and equipment, depreciation and net block are as given below:</b>										
<b>Gross carrying value</b>										
As at April 1, 2018		805.37	157.05	206.27	71.67	92.80	114.69	257.71	-	1,705.56
Additions		-	88.80	20.57	24.13	5.88	-	1.16	-	140.54
Reclassification to assets held for sale		(20.00)	-	(16.05)	(0.31)	(11.56)	-	-	-	(47.92)
Disposals/adjustments		-	(2.87)	(6.31)	(4.62)	(2.26)	(19.24)	(15.49)	-	(50.79)
As at March 31, 2019		785.37	242.98	204.48	90.87	84.86	95.45	243.38	-	1,747.39
Transition impact on account of adoption of Ind AS 116	45	-	-	-	-	-	-	-	2,126.05	2,126.05
Additions		-	64.20	2.51	10.71	2.85	-	-	149.78	230.05
Disposals/adjustments		-	(6.43)	-	(1.94)	(0.18)	(31.94)	-	(1.12)	(41.61)
<b>As at March 31, 2020</b>		<b>785.37</b>	<b>300.75</b>	<b>206.99</b>	<b>99.64</b>	<b>87.53</b>	<b>63.51</b>	<b>243.38</b>	<b>2,274.71</b>	<b>4,061.88</b>
<b>Depreciation</b>										
As at April 1, 2018		82.90	94.60	88.31	38.00	40.21	61.85	90.12	-	495.99
For the year		38.16	67.73	33.85	24.24	15.21	16.54	41.14	-	236.87
Reclassification to assets held for sale		(2.98)	-	(9.84)	(0.26)	(7.10)	-	-	-	(20.18)
Disposals/adjustments		-	(0.66)	(4.07)	(3.13)	(1.50)	(12.47)	(8.46)	-	(30.29)
As at March 31, 2019		118.08	161.67	108.25	58.85	46.82	65.92	122.80	-	682.39
For the year		35.27	81.82	25.59	16.97	10.94	7.94	33.32	319.33	531.18
Disposals/adjustments		-	(5.27)	-	(1.62)	(0.13)	(23.20)	-	(0.71)	(30.93)
<b>As at March 31, 2020</b>		<b>153.35</b>	<b>238.22</b>	<b>133.84</b>	<b>74.20</b>	<b>57.63</b>	<b>50.66</b>	<b>156.12</b>	<b>318.62</b>	<b>1,182.64</b>
<b>Net block</b>										
<b>As at March 31, 2020</b>		<b>632.02</b>	<b>62.53</b>	<b>73.15</b>	<b>25.44</b>	<b>29.90</b>	<b>12.85</b>	<b>87.26</b>	<b>1,956.09</b>	<b>2,879.24</b>
As at March 31, 2019		667.29	81.31	96.23	32.02	38.04	29.53	120.58	-	1,065.00



**ICRA Limited****Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)*

Particulars	Note No.	As at March 31, 2020	As at March 31, 2019
<b>5 Intangible assets</b>			
<b>a) The details of intangible assets (net) are as follows:</b>			
Computer software		2.52	3.48
<b>Total intangible assets</b>		<b>2.52</b>	<b>3.48</b>
<b>b) The details of intangible assets under development are as follows:</b>			
Intangible assets under development		188.18	126.73
<b>Total</b>		<b>188.18</b>	<b>126.73</b>

Particulars	Note No.	Computer software
<b>c) Disclosures regarding gross block of intangible assets, amortisation and net block are as given below:</b>		
<b>Gross carrying value</b>		
As at April 1, 2018		30.92
Additions		5.96
As at March 31, 2019		36.88
Additions		5.50
<b>As at March 31, 2020</b>		<b>42.38</b>
<b>Amortisation</b>		
As at April 1, 2018		26.85
For the year		6.55
As at March 31, 2019		33.40
For the year		6.46
As at March 31, 2020		<b>39.86</b>
<b>Net block</b>		
<b>As at March 31, 2020</b>		<b>2.52</b>
As at March 31, 2019		3.48

**ICRA Limited****Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)*

Particulars	Note No.	As at March 31, 2020	As at March 31, 2019
<b>6 Investments</b>			
<b>6.1 Non-current investments</b>			
<b>I. Unquoted</b>			
<b>Investments carried at cost</b>			
<b>a) Investment in equity shares of subsidiaries (fully paid up)</b>			
ICRA Analytics Limited (formerly known as ICRA Online Limited) 9951458 equity shares [previous year 8951458] of Rupees 10 each	43	<b>2,371.76</b>	871.76
ICRA Management Consulting Services Limited Nil equity shares [previous year 15000000] of Rupees 10 each	43	-	1,500.00
PT ICRA Indonesia 2833125 equity shares [previous year 2833125] of IDR 10000 each		<b>1,497.47</b>	1,497.47
ICRA Lanka Limited 5948900 equity shares [previous year 5948900] of LKR 10 each		<b>256.58</b>	256.58
ICRA Nepal Limited 102000 equity shares [previous year 102000] of NPR 100 each		<b>63.75</b>	63.75
		<b>4,189.56</b>	4,189.56
Impairment in value of investments	46	<b>(1,497.47)</b>	(1,497.47)
<b>Total (I)</b>		<b>2,692.09</b>	2,692.09
Note:- IDR denotes Indonesian Rupiah, LKR denotes Sri Lankan Rupee and NPR denotes Nepalese Rupee			
<b>II. Quoted</b>			
<b>Investments carried at fair value through profit or loss</b>			
<b>a) Investment in equity instruments (other than subsidiaries) (fully paid up)</b>			
CRISIL Limited 3000 equity shares [previous year 3000] of Re. 1 each		<b>37.63</b>	43.84
<b>Total (II) (a)</b>		<b>37.63</b>	43.84
<b>b) Investment in mutual funds</b>			
Axis Liquid Fund - Direct Growth 108373.86 units [previous year 248397.851] of Rupees 1000 each		<b>2,388.92</b>	5,150.59
Kotak Money Market Scheme - Direct Plan - Growth Nil units [previous year 168725.122] of Rupees 1000 each		-	5,207.80
<b>Total (II) (b)</b>		<b>2,388.92</b>	10,358.39
<b>Total (II)</b>		<b>2,426.55</b>	10,402.23
<b>Total non-current investments (I + II)</b>		<b>5,118.64</b>	13,094.32

**ICRA Limited****Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)*

Particulars	Note No.	As at March 31, 2020	As at March 31, 2019
<b>6.2 Current investments</b>			
<b>I. Unquoted</b>			
<b>Investments carried at amortised cost</b>			
<b>a) Investment in corporate deposits</b>			
Housing Development Finance Corporation Limited		<b>7,969.99</b>	7,747.76
<b>Total current investments</b>		<b>7,969.99</b>	7,747.76
<b>Total investments</b>		<b>13,088.63</b>	20,842.08
<b>Summary of investments (Non-current + Current)</b>			
Aggregate value of unquoted investments		<b>12,159.55</b>	11,937.32
Aggregate value of quoted investments		<b>2,426.55</b>	10,402.23
Aggregate value of impairment in the value of investments		<b>(1,497.47)</b>	(1,497.47)
Investments carried at cost		<b>4,189.56</b>	4,189.56
Investments carried at amortised cost		<b>7,969.99</b>	7,747.76
Investments carried at fair value through profit or loss		<b>2,426.55</b>	10,402.23
Aggregate value of impairment in the value of investments		<b>(1,497.47)</b>	(1,497.47)
<b>7 Loans</b>			
<b>7.1 Non-current</b>			
<b>Secured, considered good</b>			
<b>Loans to staff</b>			
To related parties	37	-	8.34
To parties other than related parties		<b>18.95</b>	35.69
<b>Unsecured, considered good</b>			
Security deposits		<b>360.22</b>	326.18
<b>Total non-current loans</b>		<b>379.17</b>	370.21
<b>7.2 Current</b>			
<b>Secured, considered good</b>			
<b>Loans to staff</b>			
To related parties	37	-	1.81
To parties other than related parties		<b>17.39</b>	8.74
<b>Unsecured, considered good</b>			
Security deposits		<b>4.54</b>	18.88
<b>Total current loans</b>		<b>21.93</b>	29.43
<b>Total loans</b>		<b>401.10</b>	399.64

**ICRA Limited****Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)*

Particulars	Note No.	As at March 31, 2020	As at March 31, 2019
<b>8 Other financial assets</b>			
<b>8.1 Non-current</b>			
<b>Unsecured, considered good</b>			
Bank deposits with maturity for more than twelve months from the reporting date		<b>769.01</b>	2,475.00
Interest accrued on fixed deposits		<b>5.44</b>	14.72
Earnest money deposit		<b>0.90</b>	0.85
<b>Total non-current other financial assets</b>		<b>775.35</b>	2,490.57
<b>8.2 Current</b>			
<b>Unsecured, considered good</b>			
Unbilled revenue		<b>197.64</b>	57.18
Interest accrued on fixed deposits		<b>1,850.40</b>	1,697.96
Interest accrued on investments		<b>94.46</b>	108.40
Advance paid to gratuity trust	33, 37	-	7.51
Earnest money deposits		<b>4.08</b>	5.68
<b>Advances recoverable</b>			
From parties other than related parties		<b>5.85</b>	10.13
<b>Others</b>			
Recoverable from related parties	37	<b>26.03</b>	31.30
Recoverable from other than related parties		<b>8.29</b>	15.63
<b>Unsecured, considered doubtful</b>			
Recoverable from other than related parties - credit impaired		<b>5.75</b>	5.08
		<b>2,192.50</b>	1,938.87
Allowance for doubtful other financial assets		<b>(5.75)</b>	(5.08)
<b>Total current other financial assets</b>		<b>2,186.75</b>	1,933.79
<b>Total other financial assets</b>		<b>2,962.10</b>	4,424.36

**ICRA Limited****Notes to the financial statements for the year ended March 31, 2020**

(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)

Particulars	Note No.	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>9 Income tax</b>			
The major components of income tax expense for the years ended March 31, 2020 and March 31, 2019 are:			
<b>9.1 Income tax recognised in Statement of profit or loss</b>			
Current tax			
Income tax for current year		<b>2,608.95</b>	3,479.00
Income tax for earlier year		<b>97.62</b>	(7.23)
		<b>2,706.57</b>	3,471.77
<b>Deferred tax</b>			
Attributable to-			
Origination and reversal of temporary differences		<b>(53.60)</b>	37.60
Reduction in tax rate #		<b>54.25</b>	-
		<b>0.65</b>	37.60
<b>Total tax expense recognised in the Statement of Profit or Loss</b>		<b>2,707.22</b>	3,509.37
<b>9.2 Income tax recognised in other comprehensive income</b>			
Net loss/(gain) on remeasurements of defined benefit liability/ asset		<b>(18.11)</b>	(9.50)
<b>Income tax charged to other comprehensive income</b>		<b>(18.11)</b>	(9.50)

Particulars	Note No.	As at March 31, 2020	As at March 31, 2019
<b>9.3 Aggregate current and deferred tax charge relating to items that are charged or credited directly to equity</b>		-	-

Particulars	Note No.	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>9.4 Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate.</b>			
Accounting profit before tax		<b>9,205.20</b>	13,106.67
Tax using the Company's domestic tax rate 25.168% (previous year 29.12%)		<b>2,316.76</b>	3,816.66
<b>Effect of:</b>			
Reduction in tax rate #		<b>54.25</b>	-
Non-deductible expenses		<b>72.75</b>	137.14
Income tax for earlier year		<b>97.62</b>	(7.23)
Exempt income		<b>(0.23)</b>	(152.95)
Effect of utilisation of carried forward capital losses		<b>(35.68)</b>	(220.87)
Tax impact on sale of mutual funds *		<b>203.47</b>	(61.81)
Effect of lower tax rate on certain income		<b>(1.72)</b>	(1.57)
<b>Total tax expense</b>		<b>2,707.22</b>	3,509.37

#As per Taxation Laws (Amendment) Act, 2019, rate of tax is 22% plus applicable surcharge and cess for the financial year 2019-20. Therefore, for the financial year 2019-20, effective tax rate for the Company is 25.168% (previous year 29.12%) and same is considered while calculating deferred tax assets/ liabilities as at March 31, 2020.

\* Represents mutual funds which were classified as long-term in earlier years but have been disposed off as short-term in the current year resulting in additional tax impact.

**ICRA Limited****Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)*

<b>Particulars</b>	<b>Note No.</b>	<b>As at March 31, 2020</b>	<b>As at March 31, 2019</b>
<b>9.5 Deferred tax assets (net)</b>			
<b>Deferred tax assets</b>			
Lease liability		<b>443.66</b>	-
Provision for employees benefits		<b>248.42</b>	222.92
Provision for doubtful receivables		<b>92.18</b>	128.18
Property, plant and equipment (including intangible assets)		-	47.16
Provision for doubtful financial assets		<b>1.45</b>	1.48
Tax losses carried forward		<b>50.13</b>	172.05
<b>Total</b>		<b>835.84</b>	571.79
<b>Deferred tax liabilities</b>			
Property, plant and equipment (including intangible assets)		<b>368.51</b>	-
Investments at fair value through profit or loss		<b>50.13</b>	172.05
<b>Total</b>		<b>418.64</b>	172.05
<b>Total deferred tax assets (net)</b>		<b>417.20</b>	399.74

<b>Particulars</b>	<b>Note No.</b>	<b>For the year ended March 31, 2020</b>	<b>For the year ended March 31, 2019</b>
<b>9.6 Reconciliation of deferred tax assets/ (liabilities)</b>			
<b>Opening balance</b>		<b>399.74</b>	385.05
Adjustment on adoption of Ind AS 115		-	42.79
<b>Opening balance after adjustments</b>		<b>399.74</b>	427.84
Tax (expense)/ income during the period recognised in statement of profit and loss		<b>(0.65)</b>	(37.60)
Tax (expense)/ income during the period recognised in other comprehensive income		<b>18.11</b>	9.50
<b>Closing balance</b>		<b>417.20</b>	399.74

<b>Particulars</b>	<b>Note No.</b>	<b>As at March 31, 2020</b>	<b>As at March 31, 2019</b>
<b>9.7 Unrecognised deferred tax assets</b>			
Deferred tax assets have not been recognised in respect of following items, because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom.			
Capital losses		<b>1,806.67</b>	1,506.34
Impairment loss on investments *		<b>1,497.47</b>	1,497.47
<b>Total</b>		<b>3,304.14</b>	3,003.81
Unrecognised tax effect		<b>755.99</b>	699.77

\*The deductible temporary difference do not expire under current tax legislation

**9.8 Expiry period of unutilised tax losses**

Financial Year 2024-25		<b>1,806.67</b>	1,506.34
<b>Total</b>		<b>1,806.67</b>	1,506.34

**ICRA Limited****Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)*

<b>Particulars</b>	<b>Note No.</b>	<b>As at March 31, 2020</b>	<b>As at March 31, 2019</b>
<b>10 Non-current tax asset</b>			
Advance income tax (Net of provision of Rs. 30,319.93 lakh [previous year Rs. 26,743.30 lakh])	28 (b)	<b>742.01</b>	722.45
<b>Total</b>		<b>742.01</b>	722.45
<b>11 Other assets</b>			
<b>11.1 Non-current</b>			
<b>Unsecured, considered good</b>			
Prepayments	45	<b>11.58</b>	302.23
<b>Total non-current other assets</b>		<b>11.58</b>	302.23
<b>11.2 Current</b>			
Prepayments	45	<b>623.33</b>	350.66
Balance with government authorities		<b>2.05</b>	16.98
Projects work in progress		<b>179.90</b>	172.21
<b>Total current other assets</b>		<b>805.28</b>	539.85
<b>Total other assets</b>		<b>816.86</b>	842.08
<b>12 Trade receivables</b>			
Trade receivables considered good - Unsecured @		<b>3,339.31</b>	1,942.56
Trade receivables - credit impaired		<b>366.24</b>	440.17
		<b>3,705.55</b>	2,382.73
Allowance for doubtful trade receivables		<b>(366.24)</b>	(440.17)
<b>Total trade receivables</b>		<b>3,339.31</b>	1,942.56
@ Includes dues from related parties	37		
<b>13 Cash and cash equivalents</b>			
Cash on hand		<b>2.38</b>	1.81
<b>Balances with banks</b>			
In current accounts		<b>145.69</b>	1,264.37
<b>Total cash and cash equivalents</b>		<b>148.07</b>	1,266.18

**ICRA Limited****Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)*

Particulars	Note No.	As at	As at
		March 31, 2020	March 31, 2019
<b>14 Other bank balances</b>			
<b>Balances with banks</b>			
In deposit accounts with original maturity for more than three months but less than twelve months from the reporting date		<b>43,346.67</b>	32,501.33
<b>Earmarked balances with banks</b>			
In unpaid dividend account		<b>11.50</b>	6.66
Deposits with maturity for more than three months and less than twelve months from the reporting date earmarked against bank guarantees		<b>18.18</b>	120.14
<b>Total</b>		<b>43,376.35</b>	32,628.13
<b>15 Equity share capital</b>			
<b>Authorised</b>			
15000000 (previous year 15000000) equity shares of Rupees 10/- each		<b>1,500.00</b>	1,500.00
		<b>1,500.00</b>	1,500.00
<b>Issued, subscribed and fully paid up</b>			
9651231 (previous year 9651231 equity shares) of Rupees 10/- each fully paid up		<b>965.12</b>	965.12
		<b>965.12</b>	965.12

Particulars	Note No.	As at March 31, 2020	
		Number of shares	Amount

**15.1 Reconciliation of the shares outstanding at the beginning and at the end of the reporting period****Equity shares**

At the commencement and at the end of the year		<b>96,51,231</b>	965.12
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Particulars	Note No.	As at March 31, 2019	
		Number of shares	Amount
At the commencement of the year		99,03,280	990.33
Less: Buy back of equity shares	41	(2,52,049)	(25.21)
At the end of the year		<b>96,51,231</b>	965.12

**15.2 Terms/ rights attached to equity shares**

The Company has one class of equity shares having a par value of Rs. 10 each. Each shareholder is eligible for one vote per share held. The dividend, if any, recommended by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

**ICRA Limited****Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)*

Particulars	Note No.	As at March 31, 2020	As at March 31, 2019
<b>15.3 Shares held by subsidiaries of the ultimate holding company</b>			
<b>(Equity shares of Rs. 10 each fully paid-up)</b>			
<b>Moody's Investment Company India Private Limited</b>			
Number of shares		<b>3,055,900</b>	3,055,900
% of total shares		<b>31.66%</b>	31.66%
<b>Moody's Singapore Pte Limited</b>			
Number of shares		<b>1,949,722</b>	1,949,722
% of total shares		<b>20.20%</b>	20.20%
<b>15.4 Details of shareholders holding more than 5% shares in the Company</b>			
<b>(Equity shares of Rs. 10 each fully paid-up)</b>			
<b>Moody's Investment Company India Private Limited</b>			
Number of shares		<b>3,055,900</b>	3,055,900
% of total shares		<b>31.66%</b>	31.66%
<b>Moody's Singapore Pte Limited</b>			
Number of shares		<b>1,949,722</b>	1,949,722
% of total shares		<b>20.20%</b>	20.20%
<b>Aditya Birla Sun Life Trustee Private Limited A/c Aditya Birla Sun Life MNC Fund</b>			
Number of shares		<b>9,54,754</b>	9,54,754
% of total shares		<b>9.89%</b>	9.89%
<b>Life Insurance Corporation of India</b>			
Number of shares		<b>7,15,355</b>	8,96,174
% of total shares		<b>7.41%</b>	9.29%
<b>Pari Washington India Master Fund, Ltd.</b>			
Number of shares		<b>7,02,840</b>	6,31,141
% of total shares		<b>7.28%</b>	6.54%
<b>General Insurance Corporation of India</b>			
Number of shares		<b>4,77,418</b>	5,22,999
% of total shares		<b>4.95%</b>	5.42%
<b>16 Other equity</b>			
Capital reserve	34	<b>754.78</b>	279.95
Capital redemption reserve		<b>34.88</b>	34.88
General reserve		<b>7,802.44</b>	7,802.44
Other comprehensive income		<b>(146.88)</b>	(93.04)
Retained earnings		<b>48,842.70</b>	45,835.24
<b>Total other equity</b>		<b>57,287.92</b>	53,859.47

**ICRA Limited****Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)***Nature of reserves****a) Capital reserve**

Capital reserves represents amount of LTIP plan funded by ICRA Employees Welfare Trust ("ESOP Trust") to the employees of the Company. (Refer note 34)

**b) Capital redemption reserve**

The Company has bought back equity shares and as per the provisions of the Companies Act, 2013, is required to create capital redemption reserve.

**c) General reserve**

The General reserve is used from time to time to transfer profits from retained earnings for appropriation purposes. As the General reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the General reserve will not be reclassified subsequently to the Statement of Profit and Loss.

Particulars	Note No.	As at March 31, 2020	As at March 31, 2019
<b>17 Other financial liabilities</b>			
<b>17.1 Non-current</b>			
Deposits for vehicles		-	20.45
Payable to employees		-	128.36
Lease liabilities		<b>1,588.55</b>	-
<b>Total non-current other financial liabilities</b>		<b>1,588.55</b>	148.81
<b>17.2 Current</b>			
Unpaid dividends		<b>11.50</b>	6.66
Creditors for capital supplies and services		<b>1.01</b>	0.01
Due to related parties	37	<b>36.14</b>	31.97
Payable to employees		<b>389.86</b>	1,318.15
Deposits for vehicles		<b>28.10</b>	17.66
Lease liabilities		<b>174.26</b>	-
Other liabilities		<b>46.87</b>	67.91
<b>Total current other financial liabilities</b>		<b>687.74</b>	1,442.36
<b>Total other financial liabilities</b>		<b>2,276.29</b>	1,591.17
<b>18 Provisions</b>			
<b>18.1 Non-current</b>			
<b>Provision for employee benefits</b>			
Provision for compensated absence		<b>152.57</b>	139.29
<b>Total non-current provisions</b>		<b>152.57</b>	139.29

**ICRA Limited****Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)*

<b>Particulars</b>	<b>Note No.</b>	<b>As at March 31, 2020</b>	<b>As at March 31, 2019</b>
<b>18.2 Current</b>			
<b>Provision for employee benefits</b>			
Provisions for gratuity	33	<b>24.53</b>	-
Provision for compensated absence		<b>148.19</b>	139.74
Other employee benefits		<b>1,284.36</b>	1,799.52
<b>Others</b>			
Provision for pending litigations	29, 47	<b>75.00</b>	100.00
Provision for service tax	47	<b>15.91</b>	15.91
<b>Total current provisions</b>		<b>1,547.99</b>	2,055.17
<b>Total provisions</b>		<b>1,700.56</b>	2,194.46
<b>19 Other liabilities</b>			
<b>19.1 Non-current</b>			
Deferred finance income		-	0.27
<b>Total non-current other liabilities</b>		-	0.27
<b>19.2 Current</b>			
Unearned revenue	44	<b>3,182.19</b>	3,724.62
Advance from customers		<b>1,212.90</b>	1,179.84
Statutory dues		<b>718.31</b>	555.59
Deferred finance income		-	2.51
<b>Total current other liabilities</b>		<b>5,113.40</b>	5,462.56
<b>Total other liabilities</b>		<b>5,113.40</b>	5,462.83
<b>20 Trade payables</b>			
(A) Total outstanding dues of micro and small enterprises: and		<b>10.37</b>	1.53
(B) Total outstanding dues other than micro and small enterprises		<b>928.18</b>	475.63
<b>Total trade payables</b>		<b>938.55</b>	477.16
<b>20.1</b> Based on the information available with the Company, some suppliers have been identified who are registered under Micro, Small & Medium Enterprises Development Act, 2006 (MSMED), to whom the Company owes dues, but the same are not outstanding for more than 45 days as at reporting date. The information has been determined to the extent such parties have been identified on the basis of information available with the Company.			
The principal amount payable to suppliers at the year end		<b>10.23</b>	1.37
The amount of interest due on the remaining unpaid amount to the suppliers as at the year end		-	-
The amount of interest paid by the buyer in terms of section 16 of the MSMED, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year		-	-

**ICRA Limited****Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)*

<b>Particulars</b>	<b>Note No.</b>	<b>As at March 31, 2020</b>	<b>As at March 31, 2019</b>
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED		<b>0.07</b>	0.08
The amount of interest accrued and remaining unpaid at the end of each accounting year		<b>0.07</b>	0.08
The amount of further interest remaining due and payable in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of MSMED		-	-
<b>21 Current tax liabilities (net)</b>			
Provision for income tax (Net of advance tax of Rs. 2,561.36 lakh [previous year Rs. 3,339.05 lakh])		<b>107.47</b>	139.96
<b>Total</b>		<b>107.47</b>	139.96

<b>Particulars</b>	<b>Note No.</b>	<b>For the year ended March 31, 2020</b>	<b>For the year ended March 31, 2019</b>
<b>22 Revenue from operations</b>			
<b>Sale of services</b>			
Rating, research and other services fees	44	<b>20,540.20</b>	22,764.89
<b>Total sale of services</b>		<b>20,540.20</b>	22,764.89
<b>Other operating revenue</b>			
Advances received from customers written back		<b>178.91</b>	195.97
Royalty	37	<b>37.09</b>	22.46
Others		<b>22.06</b>	30.51
<b>Total other operating revenue</b>		<b>238.06</b>	248.94
<b>Total revenue from operations</b>		<b>20,778.26</b>	23,013.83

<b>23 Other income</b>			
Interest income on fixed deposits		<b>3,013.67</b>	2,224.80
Interest income on investments		<b>639.27</b>	428.65
Other interest income		<b>37.49</b>	39.30
Dividend from subsidiary companies	37	<b>21.47</b>	550.51
Gain on financial assets carried at FVTPL (net)		<b>314.52</b>	1,116.82
Rental income	37	<b>28.19</b>	24.25
Profit on sale of property, plant and equipment (net)		-	63.96
Miscellaneous income		<b>2.79</b>	4.50
<b>Total other income</b>		<b>4,057.40</b>	4,452.79

**ICRA Limited****Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)*

<b>Particulars</b>	<b>Note No.</b>	<b>For the year ended March 31, 2020</b>	<b>For the year ended March 31, 2019</b>
<b>24 Employee benefit expenses</b>			
Salaries, wages and bonus		<b>9,837.67</b>	10,061.26
Contribution to provident fund	33	<b>403.06</b>	375.88
Staff welfare expense		<b>270.00</b>	305.35
<b>Total employee benefits expense</b>		<b>10,510.73</b>	10,742.49
<b>25 Finance costs</b>			
Interest on lease liabilities	45	<b>164.75</b>	-
Other interest costs		<b>1.47</b>	3.32
<b>Total finance costs</b>		<b>166.22</b>	3.32
<b>26 Depreciation and amortisation expense</b>			
Depreciation of property, plant and equipment	4	<b>531.18</b>	236.87
Amortisation of intangible assets	5	<b>6.46</b>	6.55
<b>Total depreciation and amortisation expense</b>		<b>537.64</b>	243.42
<b>27 Other expenses</b>			
Electricity and water		<b>76.86</b>	82.81
Rent	45	<b>25.95</b>	373.12
Repairs and maintenance		<b>671.42</b>	546.31
Insurance		<b>5.24</b>	2.53
Rates and taxes		<b>31.04</b>	88.87
Communication		<b>130.87</b>	140.20
Printing and stationery		<b>49.54</b>	55.34
Books and periodicals		<b>92.16</b>	85.35
Travelling and conveyance		<b>346.44</b>	353.26
Directors' sitting fees		<b>39.80</b>	24.60
Legal and professional charges		<b>1,884.99</b>	874.68
Conference and meeting		<b>36.60</b>	58.30
Advertisement		<b>2.61</b>	5.52
Auditor's remuneration and expenses	36	<b>251.87</b>	54.01
Technical services		<b>22.54</b>	22.12
Bad debts/ advances written off (net of provisions)		<b>213.71</b>	136.96
Corporate social responsibility	30	<b>310.13</b>	224.25
Fees and subscription		<b>12.41</b>	11.77
Remuneration to non executive directors		<b>65.00</b>	56.00
Recruitment		<b>119.49</b>	36.75
Loss on sale/ write off of property, plant and equipment (net)		<b>0.43</b>	-
Miscellaneous		<b>26.77</b>	137.97
<b>Total other expenses</b>		<b>4,415.87</b>	3,370.72

**ICRA Limited****Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)*

Particulars	As at March 31, 2020	As at March 31, 2019
<b>28 Commitments and contingencies</b>		
<b>a) Capital commitments</b>		
Estimated amount of contract remaining to be executed on capital account and not provided for (net of capital advances)	<b>99.50</b>	55.54
<b>b) Contingent liabilities</b>		
(to the extent not provided)		
Income tax *, #	<b>977.23</b>	1,039.43
Others	<b>12.09</b>	24.89
Total	<b>989.32</b>	1,064.32

\* The Company had deposited nil (previous year Rs. 11.00 lakh) under protest against the above claims.

# The Company is contesting the demand and the management including its tax advisors believe that its position will likely be upheld in the appellate process. The management believes that the ultimate outcome of these proceedings will not have a material adverse effect on the Company's financial position and results of operations.

The Supreme Court on February 28, 2019 had provided its judgement regarding inclusion of other allowances such as travel allowances, special allowances, etc within the expression 'basic wages' for the purpose of computation of contribution of provident fund under the Employees' Provident Fund and Miscellaneous Provisions Act, 1952. There are interpretive challenges on the application of the Supreme Court Judgement including the period from which judgment would apply, consequential implications on resigned employees etc. Further, various stakeholders have also filed representations with Provident fund authorities. All these factors raises significant uncertainty regarding the implementation of the Supreme Court Judgement. Owing to the aforesaid uncertainty and pending clarification from regulatory authorities in this regard, the Company has not recognised provision for the provident fund contribution on the basis above mentioned order w.e.f. order date till March 31, 2019 as the impact was immaterial. However, from April 1, 2019, the Company has started inclusion of such allowances within the expression of 'basic wages' for the purpose of computation of provident fund.

**29** The Company is in the process of addressing certain ongoing matters.

First, in respect of an adjudication proceeding ("Adjudication Proceeding") initiated by the Securities and Exchange Board of India ("SEBI") in relation to the credit ratings assigned to one of the Company's customers and the customer's subsidiaries, SEBI issued an order imposing a penalty of Rupees 25 lakh under section 15HB of the SEBI Act, 1992 on the Company. Further, SEBI issued a Show Cause Notice ("SCN") for enhancement of penalty amount. The Company has filed an appeal challenging the adjudication order before the Securities Appellate Tribunal (the "SAT") and deposited the penalty amount of Rupees 25 lakh without prejudice to such appeal. The said appeal is pending before the SAT. The Company has made adequate provision in this regard. The Company has also been cooperating with government agencies and responding to their queries in relation to this matter.

Second, the Board of Directors ("Board") had appointed external experts to examine and report on anonymous representations making certain allegations against two former officials which were forwarded to the Company by SEBI ("Representations"). During the examination of the aforesaid Representations, certain counter allegations were made by one of the two former officials, for which the Board appointed a second set of external experts, to examine such allegations.

**ICRA Limited****Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)*

The external experts examining the Representations have concluded their examination and the findings indicate that the conduct of the aforesaid officials was not in conformity with certain applicable regulations and Company policies relating to credit rating activities. The aforesaid officials are no longer in the employment of the Company.

The external experts have expressed that no evidence was found suggesting ex-facie that the ratings examined as part of the examination were inflated (i.e. were unsupported by ratings analysis). Further, as per external experts, this is subject to the limitation that the determination of whether or not any ratings are supported by ratings analysis, is a qualitative technical matter that was beyond the scope of the examination as the examination was not aimed at reviewing the appropriateness of rating opinions on merits.

The findings of the second set of external experts do not indicate any material deficiencies with applicable regulations and Company policies.

The findings of the external experts have been presented to the Board members. The Board is in the process of taking appropriate steps in the best interest of the Company and its various stakeholders with regard to the outcome of the examination.

Third, the Company directly received another anonymous representation during the year ended March 31, 2020 against certain of its existing officials and the examination thereof is in progress.

Fourth, the Company had received a letter from SEBI seeking comments on observations made in the interim report dated July 15, 2019 prepared by Grant Thornton India LLP, which was commissioned by the IL&FS group. The Company had submitted its responses to SEBI on such observations dated 14 August 2019. There has been no further development in this matter.

While the Company has made a provision for penalty on a best estimate basis with regards to the Adjudication Proceeding, the impact of uncertainties arising from the above matters is currently unascertainable. However, based on the legal opinions given by the reputed external counsels, the Company does not foresee an action from the regulator(s) that could adversely affect the functioning of the Company.

**30 Corporate social responsibility expenditure**

As per Section 135 of the Act, a company, meeting the applicability threshold, is required to spend at least 2% of its average net profit for the immediately preceding three financial years on corporate social responsibility activities. The expenditure has been incurred on activities which are specified in Schedule VII to the Act.

- a) Gross amount required to be spent by the Company during the year ended March 31, 2020 was Rs. 238.87 lakh (previous year Rs. 224.25 lakh).
- b) Amount spent during the year ended:

Particulars	March 31, 2020		Total
	In cash	Yet to be paid cash	
(i) Construction/ acquisition of any asset	-	-	-
(ii) On purposes other than (i) above *	<b>310.13</b>	-	<b>310.13</b>

\* Pursuant to appeal letter no. 05/1/2020-CSR-MCA dated March 30, 2020 received from Ministry of Corporate Affairs, the Company has contributed Rs. 100.00 lakh to PM Cares Fund which resulted in to Rs. 71.26 lakh excess spent over current year obligation and will be offset with next years' obligation.

**ICRA Limited****Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)*

Particulars	March 31, 2019		Total
	In cash	Yet to be paid cash	
(i) Construction/ acquisition of any asset	-	-	-
(ii) On purposes other than (i) above	224.25	-	224.25

**31 Earnings per share****a) Basic earnings per share**

Basic earnings per share amounts are calculated by dividing the profit for the year attributable to equity holders by the weighted average number of equity shares outstanding. The calculations of profit attributable to equity holders, weighted average number of equity shares outstanding during the year and basic earnings per share are as follows:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>(i) Profit attributable to the equity holders</b>		
Profit for the year, attributable to the equity holders	<b>6,497.98</b>	9,597.30
<b>(ii) Weighted average number of equity shares</b>		
Opening balance	<b>96,51,231</b>	99,03,280
Shares held by ESOP Trust	<b>(31,950)</b>	(40,683)
Effect of buy back of shares	-	(1,09,545)
Effect of stock options exercised	-	4,214
<b>Weighted average number of equity shares for the year</b>	<b>96,19,281</b>	97,57,266
<b>(iii) Basic earnings per share (face value Rupees 10 per share)</b>	<b>67.55</b>	98.36
<b>[ (i) / (ii) ]</b>		

**b) Diluted earnings per share**

Diluted earnings per share amounts are calculated by dividing the profit attributable to equity holders after adjustment for expense related to dilutive potential equity shares (if any) by the weighted average number of equity shares outstanding during the year after adjustment for the effect of all the dilutive potential equity shares into equity shares. The calculations of profit attributable to equity holders, equity shares outstanding during the year after adjustment for the effect of all the dilutive potential equity shares into equity shares and diluted earnings per share are as follows:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>(i) Profit attributable to the equity holders (diluted)</b>		
Profit for the year, attributable to the equity holders (diluted)	<b>6,497.98</b>	9,597.30
<b>(ii) Weighted average number of equity shares (diluted)</b>		
Weighted average number of equity shares (basic)	<b>96,19,281</b>	97,57,266
Effect of dilution of share options	-	4,014
<b>Weighted average number of equity shares (diluted)</b>	<b>96,19,281</b>	97,61,280
<b>(iii) Diluted earnings per share (face value Rupees 10 per share) [ (i) / (ii) ]</b>	<b>67.55</b>	98.32

**ICRA Limited****Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)***32 Dividend on equity shares**

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>Dividend on equity shares declared and paid during the year</b>		
Final dividend of Rs. 30 per share for financial year 2018-19 (Rs. 30 per share for financial year 2017-18)	<b>2,895.37</b>	2,970.99
Dividend distribution tax (net) *	<b>595.15</b>	500.29
<b>Total</b>	<b>3,490.52</b>	3,471.28
<b>Proposed dividend on equity shares not recognised as liability</b>		
Final dividend of Rs. 27 per share for financial year 2019-20 (Rs. 30 per share for financial year 2018-19)	<b>2,605.83</b>	2,895.37
Dividend distribution tax (net) *, #	<b>-</b>	595.15
<b>Total</b>	<b>2,605.83</b>	3,490.52

\* Dividend distribution tax (net), comprises the dividend distribution tax on proposed dividend and the credit in respect of dividend distribution tax under Section 115-O of the Income-tax Act, 1961 on dividend proposed/ paid by the domestic subsidiary company.

# Dividend distribution tax has been abolished with effect from April 1, 2020.

**33 Employee benefits****a) Defined contribution plans**

The Company makes contributions, determined as a specified percentage of employee salaries, in respect of qualifying employees towards Provident Fund and Employees' State Insurance which are the defined contribution plans. The Company has no obligations other than to make the specified contributions. The contributions are charged to the Statement of Profit and Loss as they accrue. The amount recognised as an expense towards contribution to these funds aggregating to Rs. 403.06 lakh for year ended March 31, 2020 (previous year Rs. 375.88 lakh) and is included in "Employee benefits expense".

**b) Defined benefit plans**

The Company has a defined benefit gratuity plan, governed by the Payment of Gratuity Act, 1972. Plan entitles an employee, who has rendered at least five years of services, to gratuity at the rate of fifteen days salary for every completed year of service or part thereof in excess of six months, based on the rate of salary last drawn by the employee concern.

The defined benefit plan for gratuity is administered by a single gratuity fund trust that is legally separate from the Company. The trustees of the gratuity fund comprises four employees. The trustees of the gratuity fund is required to act in the best interests of the members and/or their beneficiaries in accordance with the provisions of trust deed. This defined benefit plan expose the Company to actuarial risks, such as interest rate risk and market (investment) risk.

**ICRA Limited****Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)***(i) Reconciliation of the net defined benefit liability/ (asset)**

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>Changes in the present value of the defined benefit obligations</b>		
Defined benefit obligations at the beginning of the year	<b>988.33</b>	834.28
Current service cost	<b>102.65</b>	92.24
Interest expense/ (income)	<b>64.79</b>	58.87
Benefits directly paid by the Company	<b>(98.64)</b>	(25.23)
Benefits paid from plan assets	-	(7.97)
Actuarial (gain)/ loss recognised in other comprehensive income		
- changes in financial assumptions	<b>53.58</b>	19.34
- experience adjustments	<b>26.98</b>	15.31
Liability transferred from group company	-	1.49
Defined benefit obligations at the end of the year	<b>1,137.69</b>	988.33
<b>Changes in the fair value of plan assets</b>		
Fair value of plan assets at the beginning of the year	<b>995.84</b>	747.07
Contribution paid to the plan assets	<b>40.00</b>	200.00
Benefits paid	-	(7.97)
Interest income on plan assets	<b>68.71</b>	54.70
Actuarial gain/(loss) on plan assets	<b>8.61</b>	2.04
Fair value of plan assets at the end of the year	<b>1,113.16</b>	995.84
<b>Net defined benefit liability/ (asset)</b>	<b>24.53</b>	(7.51)
<b>Provisions for gratuity</b>		
Non-current	-	-
Current	<b>24.53</b>	-
<b>Total</b>	<b>24.53</b>	-
<b>Advance paid to gratuity trust</b>		
Non-current	-	-
Current	-	7.51
<b>Total</b>	-	7.51
<b>Net defined benefit liability/ (asset)</b>	<b>24.53</b>	(7.51)

**ICRA Limited****Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)***(ii) Expense recognised in the Statement of Profit and Loss:**

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>Expense recognised in profit and loss account</b>		
Current service cost	<b>102.65</b>	92.24
Net interest expense/ (income)	<b>(3.92)</b>	4.17
	<b>98.73</b>	96.41
<b>Remeasurements recognised in other comprehensive income:</b>		
Actuarial (gain)/ loss on defined benefit obligations	<b>80.56</b>	34.65
Return on plan assets excluding interest income	<b>(8.61)</b>	(2.04)
	<b>71.95</b>	32.61

**(iii) Plan assets comprise of the following:**

Particulars	As at March 31, 2020	As at March 31, 2019
Kotak Group Floating Rate Fund	<b>375.29</b>	349.48
Kotak Group Short Term Bond Fund	<b>380.93</b>	351.88
Kotak Secure Return Employee Benefit Plan	<b>356.94</b>	294.48
<b>Total</b>	<b>1,113.16</b>	995.84

**(iv) Actuarial assumptions**

Principal actuarial assumptions at the reporting date are as under:

Particulars	As at March 31, 2020	As at March 31, 2019
Discount rate	<b>5.90%</b>	6.90%
Future salary escalation rate		
- For first five years	<b>10.00%</b>	10.00%
- Thereafter	<b>7.00%</b>	7.00%
Withdrawal rate	<b>20.00%</b>	20.00%
Retirement age	<b>60</b>	60
Mortality rate	<b>Indian Assured Lives Mortality (2006-08) (modified) Ult.</b>	Indian Assured Lives Mortality (2006-08) (modified) Ult.

The estimates of future salary escalation rate, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market. Assumptions regarding future mortality are based on the published statistics and mortality tables. The calculation of the defined benefit obligation is sensitive to the mortality assumptions.

As at March 31, 2020, the weighted-average duration of the defined benefit obligation was 5 years (March 31, 2019: 5 years).

**ICRA Limited****Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)***(v) Sensitivity analysis**

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumption constant, would have affected the defined obligation by the amounts shown below:

Particulars	Sensitivity level		Impact on Defined benefit obligation	
	As at March 31, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019
<b>Assumptions</b>				
Discount rate	<b>0.5% Increase</b>	0.5% Increase	<b>(23.18)</b>	(19.38)
	<b>0.5% Decrease</b>	0.5% Decrease	<b>24.18</b>	20.20
Future salary escalation rate	<b>0.5% Increase</b>	0.5% Increase	<b>18.79</b>	16.64
	<b>0.5% Decrease</b>	0.5% Decrease	<b>(18.42)</b>	(16.04)
Withdrawal rate	<b>5% Increase</b>	5% Increase	<b>(15.01)</b>	(6.78)
	<b>5% Decrease</b>	5% Decrease	<b>13.22</b>	2.11

The sensitivity results above determine their individual impact on defined benefit obligation at the end of year. In reality, the plan is subject to multiple external experience items which may move the defined benefit obligation in similar or opposite directions, while the plan's sensitivity to such changes can vary over time.

**The following payments are expected in future years:**

Particulars	As at March 31, 2020
March 31, 2021	<b>218.55</b>
March 31, 2022	<b>206.60</b>
March 31, 2023	<b>201.14</b>
March 31, 2024	<b>199.43</b>
March 31, 2025	<b>198.47</b>
March 31, 2026 to March 31, 2030	<b>742.10</b>

- 34** From the financial year 2018-19, the ESOP Trust introduced LTIP Plan as an incentive to reward a cash amount to the eligible employees of the Company. Based on the estimation, expense of Rs. 474.83 lakh (previous year Rs. 279.95 lakh) has been recognized and correspondingly, accounted as capital reserve in the Company.

**35 Share based payment****A. Description of share based payment arrangement**

The Company's Employee Stock Option Schemes ("ESOSs") provide for the grant of stock options to eligible employees and whole time directors of the Company and its subsidiaries. The ESOSs are administered through ESOP Trust. The Trust transfers shares to the eligible employees upon exercise of the options by such employees.

The Company has two stock option schemes in place namely ESOS 2006 and ESOS 2018. The ESOS 2006 came in to force on June 27, 2006 and after completion of 10 years, expired on June 27, 2016 with a right to exercise the options by November 8, 2018.

During financial year 2018-19, the Company had introduced a new stock option scheme namely "ESOS 2018" effective from June 28, 2018. The grant price shall be as decided by the Nomination and Remuneration Committee ('N&RC') of the Company. The number of options and terms could vary at the discretion of the N&RC. Till March 31, 2020, the Company has not granted any option under ESOS 2018.

**ICRA Limited****Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)***Summary of ESOS 2006 grants:**

<b>Type of arrangement</b>	<b>Tranche 1</b>	<b>Tranche 2</b>
Date of grant	March 24, 2007	November 9, 2010
Number granted	6,15,763	2,72,500
Fair value of option	138	1,153
Exercise price per share	330	330
Contractual life from the date of vesting	5	5
Method used for valuation	Intrinsic value method	
Method of settlement	Equity shares	

Under ESOS 2006 scheme, each option, upon vesting, entitles the holder to acquire one equity share of Rs. 10 each

**Summary of vesting provisions under ESOS 2006 :**

<b>Vesting dates</b>	<b>% of options vested</b>	<b>Lock-in period</b>
1 year from grant date	40	Nil
2 years from grant date	30	Nil
3 years from grant date	30	Nil

**B. Reconciliation of outstanding share options****ESOS 2006**

All the vested options against tranche-1 were exercised/ expired/ lapsed before April 1, 2016. Reconciliation of outstanding share options against tranche-2 is as under:

<b>Particulars</b>	<b>As at March 31, 2020</b>		<b>As at March 31, 2019</b>	
	<b>Number of options</b>	<b>Weighted Average Exercise Price (Rs)</b>	<b>Number of options</b>	<b>Weighted Average Exercise Price (Rs)</b>
Options outstanding at the beginning of the year	-	-	8,951	330
Exercised during the year	-	-	(8,733)	330
Options expired during the year	-	-	(218)	330
Options outstanding at the end of the year	-	-	-	-
Options exercisable at the end of the year	-	-	-	-

The unissued shares lying as at March 31, 2020 is 31,950 (previous year 31,950).

<b>Particulars</b>	<b>For the year ended March 31, 2020</b>	<b>For the year ended March 31, 2019</b>
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**36 Remuneration to Auditor (excluding goods and service tax)**

Audit fees	<b>21.32</b>	20.66
Additional audit fees *	<b>201.96</b>	-
Limited review fees	<b>17.79</b>	17.35
Tax audit fees	<b>6.74</b>	6.56
Other certification services fees	<b>1.15</b>	6.20
Reimbursement of expenses	<b>2.91</b>	3.24
<b>Total</b>	<b>251.87</b>	54.01

\* Approved by the Board of Directors, based on the claim received from auditors towards incremental efforts incurred by them on the ongoing regulatory matters.



## ICRA Limited

### Notes to the financial statements for the year ended March 31, 2020

(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)

#### 37 Related party transactions

##### A. List of related parties

###### a) Related parties and nature of related party relationships where control exists

###### Ultimate holding company

Moody's Corporation

###### Companies having substantial interest

Moody's Investment Company India Private Limited

Moody's Singapore Pte Limited

###### b) Related parties and nature of related party relationships with whom transactions have taken place during the year

###### i) Subsidiaries including step-down subsidiaries

ICRA Management Consulting Services Limited (Merged with ICRA Analytics Limited w.e.f. November 15, 2019. Refer note no. 43)

ICRA Analytics Limited

ICRA Nepal Limited

ICRA Lanka Limited

Pragati Development Consulting Services Limited

###### ii) Trusts

ICRA Employees Welfare Trust

ICRA Limited Employees Group Gratuity Scheme

###### iii) Fellow subsidiaries

Moody's Investors Service India Private Limited

Moody's Investors Service Inc.

MIS Quality Management Corp.

Moody's Investors Service Singapore Pte Limited

Moody's Investors Service Hong Kong Limited

Moody's Analytics Inc

Moody's Investors Service Pty Limited

Moody's Asia Pacific Limited

MA Knowledge Services Research (India) Private Limited (Till November 8, 2019)

###### c) Key management personnel

Mr. Naresh Takkar (Till September 28, 2019)

Mr. Vipul Agarwal

Mr. Amit Kumar Gupta

Mr. S. Shakeb Rahman

###### Independent directors

Mr. Arun Duggal

Ms. Ranjana Agarwal

Ms. Radhika Vijay Haribhakti

**ICRA Limited****Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)***B. Transactions and balances with related parties**

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019	As at March 31, 2020	As at March 31, 2019
<b>a) Related parties where control exists:</b>				
<i>Ultimate Holding Company</i>				
<b>1 Moody's Corporation</b>				
Technical services received	14.02	12.90	-	-
Other financial liabilities - Due to related parties	-	-	5.57	0.53
<i>Companies having substantial interest</i>				
<b>2 Moody's Investment Company India Private Limited</b>				
Dividend paid	916.77	855.27	-	-
<b>3 Moody's Singapore Pte Limited</b>				
Dividend paid	584.92	646.42	-	-
<b>b (i) Subsidiaries including step-down subsidiaries</b>				
<b>1 ICRA Management Consulting Services Limited</b>				
Professional services received	62.28	98.52	-	-
Rental income	4.82	4.91	-	-
Reimbursement of expenses received/receivable	1.68	15.04	-	-
Other financial liabilities - due to related parties	-	-	-	23.56
<b>2 ICRA Analytics Limited (formerly known as ICRA Online Limited)</b>				
Dividend income	-	537.09	-	-
Professional services received	76.11	38.44	-	-
Intangible assets under development	10.98	4.37	-	-
Rental income	1.75	-	-	-
Royalty income	0.83	-	-	-
Reimbursement of expenses received/receivable	5.37	12.64	-	-
Reimbursement of expenses paid/ payable	-	0.69	-	-
Amount received on behalf of related party	4.17	-	-	-
Prepayments - current	1.00	-	-	-
Other financial assets - other recoverables	-	-	-	11.83
Other financial liabilities - due to related parties	-	-	25.78	-

**ICRA Limited****Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)*

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019	As at March 31, 2020	As at March 31, 2019
<b>3 ICRA Nepal Limited</b>				
Royalty income	28.79	15.64	-	-
Dividend income	21.47	13.42	-	-
Other operating revenue - others	0.44	0.26	-	-
Reimbursement of expenses received/ receivable	0.01	0.02	-	-
Trade receivables	-	-	13.56	5.62
Other financial assets - other recoverables	-	-	20.40	12.98
<b>4 ICRA Lanka Limited</b>				
Royalty income	7.47	6.82	-	-
Trade receivables	-	-	7.57	6.83
<b>5 Pragati Development Consulting Services Limited</b>				
Rental income	0.49	-	-	-
Reimbursement of expenses received/ receivable	0.32	-	-	-
Other financial assets - other recoverables	-	-	0.81	-
<b>b (ii) Trusts</b>				
<b>1 ICRA Employees Welfare Trust</b>				
Dividend paid	9.59	12.00	-	-
Salaries, wages and bonus - LTIP	474.83	279.95	-	-
Capital reserve	-	-	754.78	279.95
<b>2 ICRA Limited Employees Group Gratuity Scheme</b>				
Amount contributed during the year	40.00	200.00	-	-
Amount settled by trust on behalf of the Company	-	7.97	-	-
Other financial assets - Advance paid to gratuity trust	-	-	-	7.51
<b>b (iii) Fellow subsidiaries</b>				
<b>1 Moody's Investors Service India Private Limited</b>				
Rental income	21.13	19.34	-	-
Reimbursement of expenses received/ receivable	4.47	3.53	-	-
Reimbursement of expenses paid/ payable	-	0.23	-	-
Other financial assets - Other recoverables	-	-	4.82	6.49
<b>2 Moody's Investors Service Inc.</b>				
Other financial liabilities - Due to related parties	-	-	0.63	0.62

**ICRA Limited****Notes to the financial statements for the year ended March 31, 2020**

(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)

Particulars	For the year	For the year	As at	As at
	ended March 31, 2020	ended March 31, 2019	March 31, 2020	March 31, 2019
<b>3 MIS Quality Management Corp.</b>				
Trademark license fees	7.34	7.05	-	-
Other financial liabilities - Due to related parties	-	-	3.90	6.90
<b>4 Moody's Investors Service Singapore Pte Limited</b>				
Conference and meeting expense	-	3.35	-	-
<b>5 Moody's Investors Service Hong Kong Limited</b>				
Technical services received	1.18	2.91	-	-
Other financial liabilities - Due to related parties	-	-	0.26	0.25
<b>6 Moody's Analytics Inc</b>				
Professional services used	-	0.12	-	-
Other financial liabilities - Due to related parties	-	-	-	0.11
<b>7 Moody's Asia Pacific Ltd</b>				
Conference and meeting expenses	-	4.34	-	-
<b>8 MA Knowledge Services Research (India) Private Limited</b>				
Professional services used	-	2.83	-	-
<b>c) Key management personnel</b>				
<b>1 Mr. Naresh Takkar</b>				
Managerial remuneration *	209.98	439.65	-	-
Interest received by the Company	0.18	0.51	-	-
Reimbursement of expenses paid	0.02	0.08	-	-
Dividend paid by the Company	12.60	12.60	-	-
Loan outstanding	-	-	-	10.15
Provisions - other employee benefits	-	-	147.48	128.14
Other financial liabilities - payable to employees	-	-	151.88	113.55
<b>2 Mr. Vipul Agarwal</b>				
Remuneration *	219.88	192.16	-	-
Reimbursement of expenses paid	0.01	0.34	-	-
Provisions - other employee benefits	-	-	-	35.54
Other financial liabilities - payable to employees	-	-	7.00	30.56
Trade payable	-	-	-	0.03

\* As the liabilities for gratuity and compensated absences are provided on an actuarial basis for the Company as a whole, the amounts pertaining to the key management personnel is not included above.

**ICRA Limited****Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)*

<b>Particulars</b>	<b>For the year ended March 31, 2020</b>	<b>For the year ended March 31, 2019</b>	<b>As at March 31, 2020</b>	<b>As at March 31, 2019</b>
<b>3 Mr. Amit Kumar Gupta</b>				
Remuneration *	98.83	75.11	-	-
Reimbursement of expenses paid	0.04	0.44	-	-
Provisions - other employee benefits	-	-	-	9.00
Other financial liabilities - payable to employees	-	-	2.50	12.27
Trade payable	-	-	-	0.03
<b>4 Mr. S. Shakeb Rahman</b>				
Remuneration *	38.67	24.81	-	-
Reimbursement of expenses paid	-	0.03	-	-
Dividend paid by the Company	0.09	0.06	-	-
Provisions - other employee benefits	-	-	-	4.03
Other financial liabilities - payable to employees	-	-	2.33	7.52
<b>5 Mr. Arun Duggal</b>				
Remuneration to non executive directors	25.00	22.00	-	-
Sitting fees paid	11.20	6.20	-	-
Reimbursement of expenses paid	4.72	-	-	-
Trade payable	-	-	22.50	19.80
<b>6 Ms. Ranjana Agarwal</b>				
Remuneration to non executive directors	20.00	17.00	-	-
Sitting fees paid	15.20	11.00	-	-
Trade payable	-	-	18.00	15.30
<b>7 Ms. Radhika Vijay Haribhakti</b>				
Remuneration to non executive directors	20.00	17.00	-	-
Sitting fees paid	13.40	7.40	-	-
Reimbursement of expenses paid	0.04	-	-	-
Trade payable	-	-	18.00	15.30

\* As the liabilities for gratuity and compensated absences are provided on an actuarial basis for the Company as a whole, the amounts pertaining to the key management personnel is not included above.

**38 Segment information**

The Company has presented segment information in the consolidated financial statements. Accordingly, in terms of Paragraph 3 of Ind AS 108 'Operating Segments', no disclosures related to segments are presented in these standalone financial statements.

**ICRA Limited****Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)***39 Financial instruments****39.1 Financial instruments by category**

The following tables presents the carrying value and fair value of each category of financial assets and liabilities as at March 31, 2020 and March 31, 2019:

**a) Fair value of financial assets**

Particulars	Carrying values		Fair values	
	As at	As at	As at	As at
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
<b>Financial assets measured at fair value through profit or loss</b>				
Investment in equity shares	<b>37.63</b>	43.84	<b>37.63</b>	43.84
Investment in mutual funds	<b>2,388.92</b>	10,358.39	<b>2,388.92</b>	10,358.39
<b>Total (A)</b>	<b>2,426.55</b>	10,402.23	<b>2,426.55</b>	10,402.23
<b>Financial assets measured at amortised cost</b>				
Investment in corporate deposits	<b>7,969.99</b>	7,747.76	<b>7,969.99</b>	7,747.76
Loans	<b>401.10</b>	399.64	<b>401.10</b>	399.64
Trade receivables	<b>3,339.31</b>	1,942.56	<b>3,339.31</b>	1,942.56
Cash and cash equivalents	<b>148.07</b>	1,266.18	<b>148.07</b>	1,266.18
Other bank balances	<b>43,376.35</b>	32,628.13	<b>43,376.35</b>	32,628.13
Others	<b>2,962.10</b>	4,424.36	<b>2,962.10</b>	4,424.36
<b>Total (B)</b>	<b>58,196.92</b>	48,408.63	<b>58,196.92</b>	48,408.63
<b>Financial assets measured at cost</b>				
Investment in subsidiaries	<b>2,692.09</b>	2,692.09	<b>2,692.09</b>	2,692.09
<b>Total (C)</b>	<b>2,692.09</b>	2,692.09	<b>2,692.09</b>	2,692.09
<b>Total (A+B+C)</b>	<b>63,315.56</b>	61,502.95	<b>63,315.56</b>	61,502.95

**b) Fair value of financial liabilities**

Particulars	Carrying values		Fair values	
	As at	As at	As at	As at
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
<b>Financial liabilities measured at amortised cost</b>				
Trade payables	<b>938.55</b>	477.16	<b>938.55</b>	477.16
Others financial liabilities	<b>2,276.29</b>	1,591.17	<b>2,276.29</b>	1,591.17
<b>Total</b>	<b>3,214.84</b>	2,068.33	<b>3,214.84</b>	2,068.33

**ICRA Limited****Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)*

The fair value of the financial assets and liabilities represents the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- The fair values of the quoted investments in equity shares and mutual funds are based on market price and net asset value (NAV) at the reporting date.
- For other financial assets and liabilities that are measured at fair value, the carrying amounts are equal to the fair values.

Management has assessed that fair value of trade receivables, cash and cash equivalents, other bank balances, investments, trade payables, other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

**39.2 Fair value hierarchy**

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

Level 1: Quoted prices for identical instruments in active markets.

Level 2: Valuation techniques for which the lowest level input which has a significant effect on the fair value measurement are observable, either directly or indirectly.

Level 3: Valuation techniques for which the lowest level input which has a significant effect on the fair value measurement is not based on observable market data.

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities:

**Quantitative disclosures fair value measurement hierarchy for financial assets and liabilities as at March 31, 2020**

Particulars	Level 1	Level 2	Level 3	Total
<b><u>Financial assets:</u></b>				
<b>Financial assets measured at fair value through profit or loss</b>				
Investment in equity shares	37.63	-	-	37.63
Investment in mutual funds	2,388.92	-	-	2,388.92
<b>Total</b>	<b>2,426.55</b>	<b>-</b>	<b>-</b>	<b>2,426.55</b>

There have been no transfers between Level 1 and Level 2 during the period.

**Quantitative disclosures fair value measurement hierarchy for financial assets and liabilities as at March 31, 2019**

Particulars	Level 1	Level 2	Level 3	Total
<b><u>Financial assets:</u></b>				
<b>Financial assets measured at fair value through profit or loss</b>				
Investment in equity shares	43.84	-	-	43.84
Investment in mutual funds	10,358.39	-	-	10,358.39
<b>Total</b>	<b>10,402.23</b>	<b>-</b>	<b>-</b>	<b>10,402.23</b>

**ICRA Limited****Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)***39.3 Financial risk management objectives and policies****Risk management framework**

The Board has overall responsibility for establishing and governing the Company's risk management framework. The Board has delegated monitoring and reviewing of the risk management plan to the Risk Management Committee. The Company has constituted a Executive Risk Committee, a Risk management team and functional sub-committees which are responsible for identify, analyse, mitigate and monitor risks as per risk management framework. The primary risks and mitigation actions are also placed before Risk Management Committee and Board.

The Company is exposed to various risks in relation to financial instruments. The Company financial assets and liabilities are summarised in note 39.1. The main types of financial risks are market risk (price risk), credit risk and liquidity risk.

**a) Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Such changes may result from changes in foreign currency rate, interest rate, price and other market changes. The Company's exposure to market risk is mainly due to price risk.

Price risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because changes in the market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company has adopted disciplined practices including position sizing, diversification, valuation, loss prevention, due diligence and exit strategies in order to mitigate losses as defined in Board approved investment policy.

The Company is exposed to price risk arising mainly from investment in equity shares and investment in mutual funds recognised at fair value through profit or loss. The detail of such investments are given in note 39.1. If the prices had been higher/ lower by 1% from the market prices existing as at the reporting date, profit would have been increased/ decreased by Rupees 24.27 lakh and Rupees 104.02 lakh for the year ended March 31, 2020 and March 31, 2019 respectively.

**b) Credit risk**

Credit risk is the risk of financial loss to the Company if customer or counterparty to financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customer and investment in mutual funds and deposits with banks.

To manage credit risk, the Company periodically review its receivables from customer for any non-recoverability of the dues, taking in to account the inputs from business development team and ageing of trade receivables. The management establishes an allowance for impairment that represents its expected credit losses in respect of trade and other financial assets. The management uses a simplified approach for the purpose of computation of expected credit loss. While computing expected credit loss, the management consider historical credit loss experience adjusted with forward looking information.

Movement in the expected credit loss allowance is as follows:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Loss allowance at the commencement of the year	<b>445.25</b>	415.81
Changes in loss allowance, net	<b>(73.26)</b>	29.44
Loss allowance at the end of the year	<b>371.99</b>	445.25

**ICRA Limited****Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)*

The Company invests its surplus funds as per the investment policy of the Company, which has been approved by the Board of Directors. Deposits are held with only high rated banks.

**c) Liquidity risk**

Liquidity risk is the risk that the Company's will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. For the Company, liquidity risk arises from obligations on account of financial liabilities - Trade payable and other financial liabilities.

**Liquidity risk management**

The Company continues to maintain adequate amount of liquidity to meet strategic and growth objectives. The Company's finance department is responsible for liquidity and fund management. In addition, processes and policies related to such risks are overseen by senior management. Management monitors the Company's liquidity position through forecasts on the basis of expected cash flows.

The table below summarises the maturity profile of the Company's undiscounted financial liabilities:

<b>As at March 31, 2020</b>	<b>&lt; 1 year</b>	<b>1 to 3 years</b>	<b>&gt; 3 years</b>	<b>Total</b>
Trade payables	<b>938.55</b>	-	-	<b>938.55</b>
Other financial liabilities	<b>920.08</b>	<b>752.50</b>	<b>1,345.09</b>	<b>3,017.67</b>
<b>Total</b>	<b>1,858.63</b>	<b>752.50</b>	<b>1,345.09</b>	<b>3,956.22</b>

<b>As at March 31, 2019</b>	<b>&lt; 1 year</b>	<b>1 to 3 years</b>	<b>&gt; 3 years</b>	<b>Total</b>
Trade payables	477.16	-	-	477.16
Other financial liabilities	1,638.97	307.82	-	1,946.79
<b>Total</b>	<b>2,116.13</b>	<b>307.82</b>	-	<b>2,423.95</b>

**39.4 Capital Management**

The primary objective of the Company's capital management is to maximise the shareholder value. For the purpose of Company's capital management, capital includes issued equity capital, share premium and all other reserves and surplus attributable to the equity share holders of the Company. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issues new shares and raises money through borrowings.

No changes were made in the objectives, policies or processes for managing capital during the years ended March 31, 2020 and March 31, 2019.

**39.5 Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cashflows often exposure will fluctuate because of change in foreign exchange rates. The Company's exposure to foreign currency changes is not material.

**40 Transfer pricing**

The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under sections 92-92F of the Income-tax Act, 1961. Since the law requires existence of such information and documentation to be contemporaneous in nature, the Company has maintained adequate documentation for the international transactions entered into with the associated enterprises during the financial year and expect such records to be in existence in accordance with the requirements of the law. The management is of the opinion that its international transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

**ICRA Limited****Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)***41 Buy back of shares**

The Board of Directors of the Company in its meeting held on August 9, 2018 approved a proposal to buyback equity shares of the Company, for an aggregate amount not exceeding Rs 8,540 lakh (referred to as the "Maximum Buyback Size") from shareholders of the Company under the open market route in accordance with the provisions contained in the Securities and Exchange Board of India (Buy Back of Securities) Regulations, 2018 and the Companies Act, 2013 and rules made thereunder. The buyback process commenced on October 1, 2018 and closed on December 12, 2018. The Company utilised 99.9986% of Maximum Buyback Size authorised for buyback and bought back 252,049 equity shares resulted in total cash outflow of Rupees 8,539.88 lakh. In line with the requirement of the Companies Act 2013, an amount of Rs 5,173.82 lakh was utilized from the securities premium and an amount of Rupees 3,340.85 lakh was utilized from General Reserve for the buyback. Further, capital redemption reserve of Rs 25.21 lakh (representing the nominal value of the shares bought back) was created as an apportionment from the general reserve.

**42 Other comprehensive income**

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>Items that will not be reclassified to profit or (loss)</b>		
Remeasurements of defined benefit liability/ (asset)	<b>(71.95)</b>	(32.61)
Income tax relating to items that will not be reclassified to profit or (loss)	<b>18.11</b>	9.50
<b>Other comprehensive income, net of income tax</b>	<b>(53.84)</b>	(23.11)

**43 Merger of wholly-owned Subsidiaries**

The Scheme of Amalgamation ('Scheme') of ICRA Management Consulting Services Limited with ICRA Online Limited (both wholly owned subsidiaries of the Company) approved by the Board of Directors of the Company on August 9, 2018, was filed with the National Company Law Tribunal ('NCLT'), New Delhi and Kolkata. NCLT, New Delhi and Kolkata sanctioned the said Scheme and the orders were filed with the Registrar of Companies ("ROC"), Delhi and Kolkata on June 19, 2019 and November 15, 2019 respectively. Upon filing the order with the ROC, Kolkata, the scheme has become effective.

Further, in terms of the Scheme, during the year, 10,00,000 Ordinary (Equity) shares of Rs in balance sheet 10 each of ICRA Online Limited has been issued and allotted as fully paid up to ICRA Limited (including shares issued to nominee shareholders) against 1,50,00,000 Ordinary (Equity) shares of Rs in balance sheet 10 each held in ICRA Management Consulting Services Limited. W.e.f. February 7, 2020, the merged entity has been renamed as "ICRA Analytics Limited".

**44 Revenue disclosures****a) Revenue recognised in the current year**

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>Sale of services</b>		
Rating and grading fees	<b>5,697.39</b>	7,942.24
Surveillance fees	<b>14,265.63</b>	14,207.27
Research services fees	<b>577.18</b>	615.38
<b>Total sale of services</b>	<b>20,540.20</b>	22,764.89

**ICRA Limited****Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)***b) Revenue recognised from last years' unearned revenue**

<b>Particulars</b>	<b>For the year ended March 31, 2020</b>	<b>For the year ended March 31, 2019</b>
Rating and grading fees	<b>776.99</b>	1,027.45
Surveillance fees	<b>2,637.62</b>	2,382.97
Research services fees	<b>308.44</b>	268.28
Other services fees	<b>-</b>	2.23
<b>Total</b>	<b>3,723.05</b>	3,680.93

**c) Unearned revenue**

<b>Particulars</b>	<b>As at March 31, 2020</b>	<b>As at March 31, 2019</b>
Revenue to be recognised in:		
FY 2019-20	<b>-</b>	3,723.05
FY 2020-21	<b>3,180.96</b>	1.57
FY 2021-22	<b>1.23</b>	-
<b>Total</b>	<b>3,182.19</b>	3,724.62

**45 Leases****A As a lessee**

- a)** The Company has adopted Ind AS 116 'Leases' with the date of initial application being 1 April 2019. Ind AS 116 replaces Ind AS 17 – Leases and related interpretation and guidance. The Company has applied Ind AS 116 using the modified retrospective approach. As a result, the comparative information has not been restated. In adopting Ind AS 116, the Company has applied the below practical expedients:

The Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics

The Company has treated the leases with remaining lease term of less than 12 months as if they were "short term leases"

The Company has not applied the requirements of Ind AS 116 for leases of low value assets

The Company has applied the practical expedient to grandfather the definition of a lease on transition. This means that it will apply Ind AS 116 to all contracts entered into before 1 April 2019 and identified as leases in accordance with Ind AS 17.

- b)** The Company's significant lease arrangements are in respect of office premises. The lease term for these leases ranges between 11 months and 9 years which includes a lock-in period and in certain cases are renewable by mutual consent on mutually agreeable terms. These options are negotiated by management and aligned with the Company's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.
- c)** The Company has discounted lease payments using the applicable incremental borrowing rate as at 1 April 2019, which is 10% for measuring the lease liability.

**ICRA Limited****Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)***d) The effect of adoption of Ind AS 116 as at April 1 2019 (increase/(decrease)) is as follows:**

<b>Particulars</b>	<b>Amount</b>
<b>Assets</b>	
Right-of-use assets (included in property, plant and equipment)	<b>2,126.05</b>
Other assets - Prepayments	<b>(338.97)</b>
<b>Total assets</b>	<b>1,787.08</b>
<b>Liabilities</b>	
Financial liabilities - Lease liabilities (included in other financial liabilities)	<b>1,787.08</b>
<b>Total liabilities</b>	<b>1,787.08</b>

**e) The effect of adoption of Ind AS 116 on the Statement of Profit and Loss for the year ended March 31, 2020 is as follows:**

<b>Particulars</b>	<b>As reported</b>	<b>Impact of Ind AS 116*</b>	<b>Comparable Amount</b>
<b>Revenue from operations</b>	<b>20,778.26</b>	<b>-</b>	<b>20,778.26</b>
Other income	<b>4,057.40</b>	<b>-</b>	<b>4,057.40</b>
<b>Total income</b>	<b>24,835.66</b>	<b>-</b>	<b>24,835.66</b>
Employee benefit expenses	<b>10,510.73</b>	<b>-</b>	<b>10,510.73</b>
Finance costs	<b>166.22</b>	<b>164.75</b>	<b>1.47</b>
Depreciation and amortisation expense	<b>537.64</b>	<b>319.33</b>	<b>218.31</b>
Other expenses	<b>4,415.87</b>	<b>(338.81)</b>	<b>4,754.68</b>
<b>Total expenses</b>	<b>15,630.46</b>	<b>145.27</b>	<b>15,485.19</b>
<b>Profit before tax</b>	<b>9,205.20</b>	<b>(145.27)</b>	<b>9,350.47</b>
Tax expense	<b>2,707.22</b>	<b>(36.56)</b>	<b>2,743.78</b>
<b>Profit after tax</b>	<b>6,497.98</b>	<b>(108.71)</b>	<b>6,606.69</b>
<b>Total comprehensive income for the year</b>	<b>6,444.14</b>	<b>(108.71)</b>	<b>6,552.85</b>
<b>Earnings per share (Rupees)</b>			
1) Basic	<b>67.55</b>	<b>(1.13)</b>	<b>68.68</b>
2) Diluted	<b>67.55</b>	<b>(1.13)</b>	<b>68.68</b>

\* Positive amount represents increase and negative amount represents decrease.

**f) Amount recognised in the statement of cash flows**

<b>Particulars</b>	<b>As at March 31, 2020</b>
Payment of lease liabilities	<b>(174.04)</b>
Interest paid on lease liabilities	<b>(164.75)</b>
Payment of short term leases	<b>(18.44)</b>
<b>Impact on the statement of cash flows for the year</b>	<b>(357.23)</b>

**ICRA Limited****Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)***g) The lease liabilities as at April 1, 2019 can be reconciled to the operating lease commitments as of March 31 2019 is as follows:**

Particulars	Amount
<b>Operating lease commitments as at March 31, 2019</b>	<b>708.46</b>
Less: Commitments relating contracts which don't contain a lease	<b>37.04</b>
<b>Operating lease commitments related to contracts which qualify as lease assets</b>	<b>671.42</b>
Weighted average incremental borrowing rate as at April 1, 2019	<b>10.00%</b>
<b>Discounted operating lease commitments as at April 1, 2019</b>	<b>579.83</b>
Add: Lease payments relating to renewal periods not included in operating lease commitments as at March 31, 2019	<b>1,207.25</b>
<b>Lease liabilities as at April 1, 2019</b>	<b>1,787.08</b>

**h) The contractual maturity of lease liabilities as on March 31, 2020 on an undiscounted basis is as follows:**

Particulars	As at March 31, 2020
Not later than one year	<b>342.11</b>
Later than one year but not later than five years	<b>752.50</b>
Later than five years	<b>1,345.09</b>

**i)** The Company does not foresee significant down-sizing of its employee base rendering the physical infrastructure redundant. The leases that the Company has entered with lessors towards properties used as offices are long term in nature and no changes in terms of those leases are expected due to the COVID-19.

**j) Lease disclosure for the year ended/ as at March 31, 2019:**

The lease rental charged to Statement of Profit and Loss:

Particulars	For the year ended March 31, 2019
Rent *	398.17

Future minimum lease payable under non-cancellable operating lease are as follows:

Particulars	As at March 31, 2019
Not later than one year	267.24
Later than one year but not later than five years	441.22

\* Includes rental for parking space, guest house, office premises etc. which has been accounted in the respective heads.

**B As a lessor**

The Company has given a part of its premises under cancellable operating lease arrangement. Lease rentals amounting to Rupees 28.19 lakh (previous year Rupees 24.25 lakh) have been recognised in the Statement of Profit and Loss. As only a portion of these premises has been let out, the gross carrying amount, depreciation for the year and the accumulated depreciation of leased premises/ assets is not separately identifiable.

**ICRA Limited****Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rupees lakh, except share data, per share data and where otherwise stated)*

**46** The Company's Management assesses the operations of the subsidiaries, including the future projections, to identify indications of diminution, other than temporary, in the value of the investments recorded in the financial statements and accordingly, no additional provision is required to be made, other than the amounts provided for in the books of account.

**47 The movement of provisions are as under:**

Particulars	Provision for pending litigations		Provision for service tax	
	As at	As at	As at	As at
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Opening balance	<b>100.00</b>	-	<b>15.91</b>	15.91
Additions during the year	-	100.00	-	-
Utilised during the year	<b>(25.00)</b>	-	-	-
Closing balance	<b>75.00</b>	100.00	<b>15.91</b>	15.91

**48 Covid-19 impact**

The lockdown imposed by the Central and most of the State Governments to contain the spread of COVID-19 has led to a steep decline in activity levels in the economy across sectors – manufacturing as well as service – that is expected to result in a sharp contraction in GDP of about 5%, as per ICRA's estimates, in financial year 2021. Fresh issuances from corporates, including finance companies, have been restricted to few entities which has impacted the fresh ratings business. This impact, however, has been mitigated to some extent by the spurt in rating opportunities due to issuances that got funded by the Reserve Bank of India's [RBI] Targeted Long-Term Repo Operations [TLTRO] which was a key step towards providing liquidity to corporates, and the refinancing opportunities that arose because of easing in monetary policy leading to fall in yields. Rating opportunities in the near term are going to depend, inter alia, on revival in economic activity, trajectory of interest rates and Government spending to revive manpower intensive sectors that in turn would spur consumption. Investment by private sector companies would additionally, depend on access to funding, as lenders as well as investors have turned risk averse.

In terms of operations, the Company is well geared to serve its clients and market participants without any disruption in the service levels. To mitigate any risk to Company's employees, the Company extended remote work for all employees across all locations and demonstrated its ability to provide seamless delivery of high-quality and timely services to its clients even during the lock-down.

In view of the pandemic relating to COVID-19, the Company has considered internal and external information and has performed an analysis based on current estimates on the Company's capital and financial resources, profitability, liquidity position, assets, internal financial reporting and control, and demand for the Company's services. The Company is of the view that based on its present assessment, this situation does not materially impact the Company's capital and financial resources. However, the actual impact of COVID-19 may differ from that estimated due to unforeseen circumstances and the Company will continue to closely monitor any material changes to future economic conditions and consequential impact on its financial statements.

**49** The previous year's figures have been regrouped/ reclassified wherever considered necessary to make them comparable with those of the current year's classification.

As per our report of even date attached

For **B S R & Co. LLP**

Chartered Accountants

ICAI Firm Registration No.: 101248W/W-100022

**Shashank Agarwal**

Partner

Membership No.: 095109

Place: Gurugram

Dated: July 14, 2020

For and on behalf of the Board of Directors of **ICRA Limited****Amit Kumar Gupta**

Whole-time Director &amp;

General Counsel

(DIN: 00352927)

**Vipul Agarwal**

Interim Chief Operating Officer &amp;

Group Chief Financial Officer

**Arun Duggal**

Chairman

(DIN: 00024262)

**S. Shakeb Rahman**

Company Secretary