To,

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<th>The National Stock Exchange India Ltd.</th>
<th>The General Manager</th>
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<tr>
<td>Listing Department</td>
<td>The Corporate Relation Department</td>
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<tr>
<td>Exchange Plaza</td>
<td>BSE Limited</td>
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<tr>
<td>Bandra Kurla Complex</td>
<td>Phiroza Jeejeebhoi Towers</td>
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<tr>
<td>Bandra (East)</td>
<td>14th Floor, Dalal Street</td>
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<tr>
<td>Mumbai 400 051</td>
<td>Mumbai 400 001</td>
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<td>Scrip Code: CARERATING</td>
<td>Scrip Code: 534804</td>
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Sub: Notice to Stock Exchange

The Board of CARE Ratings Ltd. in its meeting today has considered the report of the forensic audit and it has decided to terminate the employment of Mr. Rajesh Mokashi as MD & CEO of CARE Ratings Ltd, with effect from the date he was placed on leave i.e. 16th July 2019.

The Board, as advised by SEBI, vide its letter dated 12th February 2020 (received today), has decided to institute an inquiry in the matter of interference by officials of CARE including the erstwhile Chairman and the erstwhile MD & CEO in the rating process in the last 3 years. The copy of the letter is enclosed.

The Board has already initiated the process of appointing MD & CEO of CARE Ratings Ltd.

Kindly take the above on record.

Thanking you,

Yours faithfully,

For CARE Ratings Limited

Navin Kumar Jain
Company Secretary & Compliance Officer

Encl: Letter received from SEBI dated February 12, 2020.
Sub: Forensic Audit Report in respect of the whistleblower letter

1. SEBI received various whistle blower complaints alleging inter-alia undue interference in the rating process by the Non-Executive Chairman Mr. S. B. Mainak (Chairman) and erstwhile Managing Director Mr. Rajesh Mokashi (erstwhile MD) of CARE Ratings Limited (CARE).

2. Considering the nature of allegations, SEBI vide letter dated July 12, 2019, directed the Audit Committee of CARE to appoint an independent Law/Audit Firm to conduct the forensic audit to look into the irregularities highlighted in the whistle blower complaints. SEBI also directed that the auditor should submit its report to the Audit Committee and SEBI. Subsequently, vide email dated July 26, 2019, CARE informed that CARE had initiated discussions with M/s Ernst & Young (E&Y) to carry out the forensic audit/ investigation.

3. The forensic auditor, E&Y, had submitted the forensic audit report to CARE and vide email dated February 11, 2020, has submitted a copy of the same to SEBI.

4. The forensic audit report has focussed primarily on the allegations made in the whistle-blower complaints. However, there could be many more instances of similar nature.

5. The report brings out prima facie findings of interference by the erstwhile MD in influencing the rating process, hence, a stringent action is required against the erstwhile MD.
6. As regard to involvement of the Chairman of the CARE in the rating process, though several observations have been made in the audit report, those have been denied by the Chairman. There are evidences in the nature of phone call conversations, WhatsApp messages and statements of employees, based on which auditor has not been able to substantiate the charges of interference in the rating process against the Chairman. The instances of conversations between the Chairman and erstwhile MD regarding certain issuers/clients have been clearly brought out in the forensic report. The Chairman has stated that these were for the purpose of Business Development, yet the conversations between Chairman and erstwhile MD just before the issuance of rating does not rule out the possibility of the Chairman having influenced the rating. As a matter of fact, the auditor has brought out the acquaintance of Chairman with the rated entities.

7. Considering the seriousness of the alleged violations and the observations made in the forensic audit report, the Board is directed to institute a full-fledged inquiry in the matter of interference by the Officials of CARE including Chairman and erstwhile MD & CEO in the rating process in the last 3 years. The Board shall constitute a Committee of independent directors to oversee the enquiry proceedings.

8. It has been informed that the Chairman has resigned from the post pursuant to the findings of the audit report citing personal reasons, however, based on the findings of the enquiry by the Board, consequential actions shall be initiated by the Board of CARE/SEBI.

9. The observations of the Board of CARE on the findings of the forensic audit report shall also be submitted to SEBI on an urgent basis for further necessary action.

Yours faithfully,

Deepak Trivedi

CC: The Board of Directors:
1. Mr. V. Chandrasekaran
2. Ms. Sonal Desai
3. Mr. Najib Shah
4. Dr. M. Mathisekaran
5. Mr. Ananth Narayan