

Dun & Bradstreet India Data Updates

Business Credit Scores - Understanding the financial health of a company

As per Dun & Bradstreet's business credit scores, 71% of Indian businesses now fall under the "Slightly Greater Than Average Risk" category. This is due to inconsistent growth trends, reported losses, liquidity issues, working capital challenges, and has been fueled further by COVID-19.

Dun & Bradstreet's business credit scores are used by lenders, suppliers and other stakeholders to better understand the financial health of a prospective business partner.

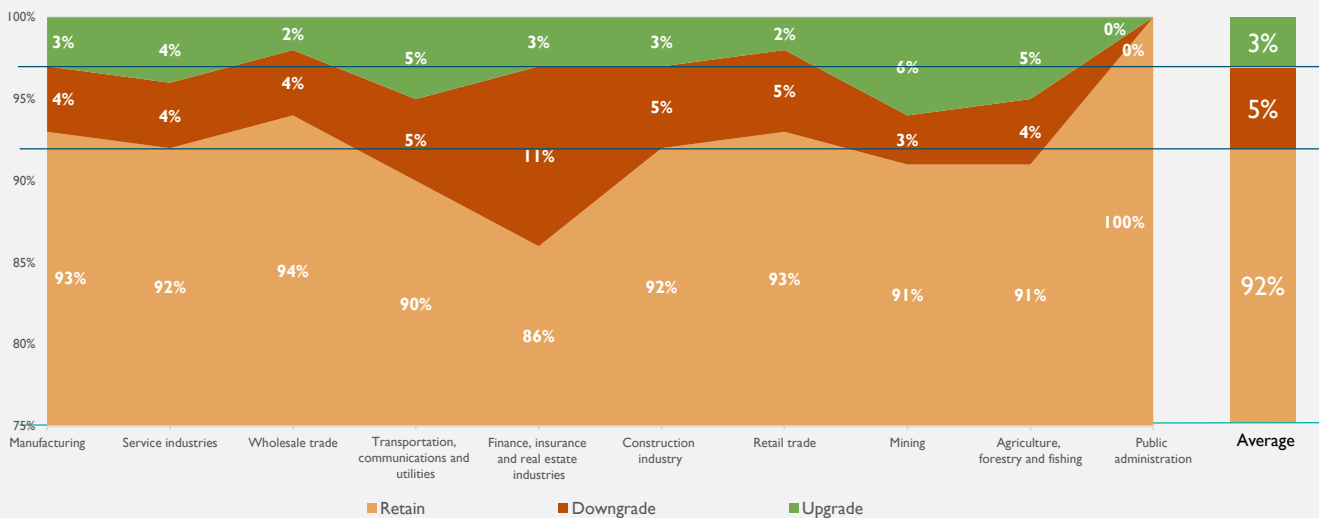
Dun & Bradstreet risk categorization as per 2019 financial performance matrix*				
D&B Risk Indicator	Strong (1)	Good (2)	Fair (3)	Limited (4)
D&B Interpretation	Minimal Trading Risk	Low Risk	Slightly Greater Than Average Risk	Significant Trading Risk
Risk Spread	10%		71%	19%
Indicative KPIs of businesses falling under each risk category	<ul style="list-style-type: none"> Top industry player Part of large conglomerate having strong internal control and corporate governance High-growth companies and businesses with consistent improved KPIs Timely compliance to regulatory & statutory requirements 		<ul style="list-style-type: none"> Inconsistent growth trend Companies having stress on working capital Loss making business Limited instance of non-compliance 	<ul style="list-style-type: none"> Significant working capital stressed business Loan default & business having Insolvency and Bankruptcy Code (IBC) filing Business with negative Tangible Network Multiple instances of non-compliance
Impact of COVID-19	Minimal		High	Very High

*Note:

- Records where rating has been reviewed in 2019 as well as 2018
- Records are part of most inquired universe

Top 3 industries where we have observed a downgrade in 2019 as compared to 2018

- Finance, insurance and real estate industries
- Transportation, communications and utilities
- Construction industry



The most comprehensive cloud based database of Indian Companies

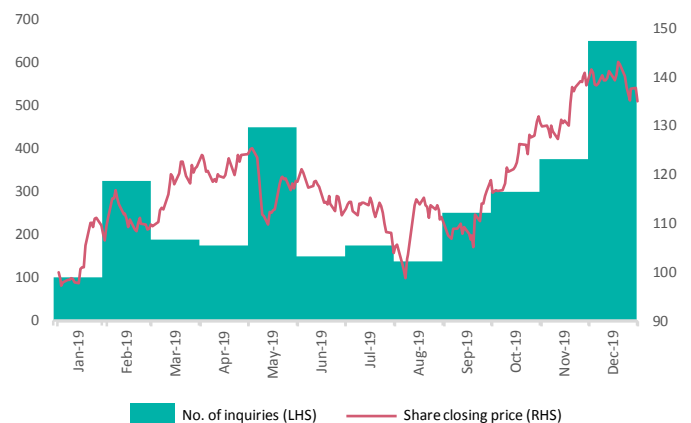
Company details
 Management information
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Alternative Data in Alpha Generation

By Dr. Arun Singh, Chief Economist, Dun & Bradstreet

Data is at the core of investment management. Fund managers make decisions based on economic and financial data obtained from traditional sources such as financial statements, press releases, company websites, government websites, etc. Since the advantages that fund managers had in the past, such as speed of information gathering, are now available to everyone, generating alpha has become more difficult. In simple terms, alpha is the excess return of an investment relative to the return of the broad marketplace. Hence fund managers are increasingly tapping into alternative data (non-traditional data that goes beyond traditional financial information but can be useful in making investment decision) to generate consistently better returns than their peers. There are several ways in which alternative data can be used to gain meaningful insights. For example, satellite data can be used to analyse the number of cars parked outside big-box stores or containers at seaports to gauge the level of consumer demand in a market; natural language processing can be used to determine new product perception to estimate the future earnings of a company, etc. We find that Dun & Bradstreet’s data assets can also be used to generate differentiated returns. As discussed in the previous edition of this bulletin, business inquiries are a rich source of alternative data. Deciphering the different types of inquiries received by a business can indicate its growth or decline.

In the case of an Indian multinational conglomerate, an increase in valuation followed a consistently increasing trend of business inquiries from other countries. This shows the positive correlation between business inquiries, ultimate valuation and subsequent stock performance.



Note: Both the share price and the no. of inquiries data are indexed (Jan19 = 100) to maintain anonymity of the company

Source: BSE, D&B Analysis

We have also identified an 80% correlation (after adjusting for aberrations) between the Dun & Bradstreet CFO Optimism Index and the S&P BSE Sensex Index. For the fund manager seeking valuable and differentiated data points to contribute to sophisticated investing models, this kind of alternative data can mean the difference between adding a few basis points to that model’s investment returns. By combining Dun & Bradstreet’s unique data assets with advanced analytics, finance professionals can seek predictive signals and actionable information utilizing their own investing models.

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