



# What is EQUIGRADE?

EQUIGRADE is a flagship product under equity research, grading & valuation services offered by CARE.

The assessment entails grading of listed companies by CARE on two parameters i.e. fundamentals and valuations.

This answers two key questions of the investor:

- 1) How sound is the company fundamentally?
- 2) Is this the correct price?

# What EQUIGRADE does not comment on?

1. **Suitability** – whether the investment is right for the investor. This depends on factors unique to an investor such as, age, income level, dependents, responsibilities, risk appetite, investment allocation, etc.
2. **Timing** – whether the timing is right to invest. This depends on macro factors like economic growth, credit policies, systemic liquidity, flows from domestic and foreign institutional investors, market sentiment, etc.

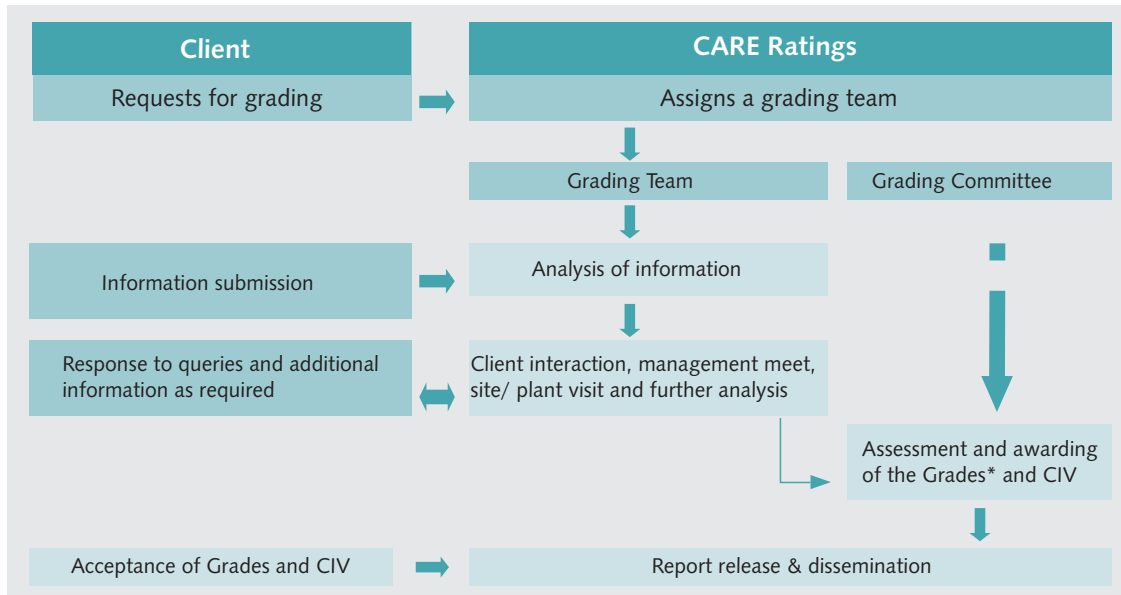
# What edge does EQUIGRADE provide?

- **Enhances Company's Credibility** – Assessment of the fundamentals of company and the valuation of its equity shares by CARE (an independent agency bound by the regulations of SEBI) helps in enhancing the company's credibility.
- **Helps Improve Company's Visibility and Liquidity for its Equity Shares in the Market** – Dissemination of research report to the investor community including mutual funds, merchant bankers, banks, FIs, corporate, etc. both through mailers and through tie ups with various widely used channels including information service providers such as Reuters, Dow Jones, ISI Emerging Markets, etc. and financial newspapers such as Business Standard helps improve visibility for the company, which in turn also improves the liquidity for its equity shares in the market.
- **Helps Promote an Investor Friendly Image** – While most companies do undertake some or other investor information related activity, a research, grading & valuation of a company's equity by CARE brings the edge of independence that investors' look for, thereby furthering an investor friendly image of the company.
- **Ease Fund Raising Activity** – The improved liquidity and enhanced credibility, eases the fund raising activity for the company. CARE can also be called to make presentation to prospective investors as an independent expert on the company.
- **Provides Key Inputs in Strategic Decision Making** – Our assessment of the company also acts as a key input for the top management of a company in making strategic internal and business decisions. Our analysis can be used as a third party viewpoint, while sharing information with strategic partners and shareholders.

# How does EQUIGRADE assessment work?

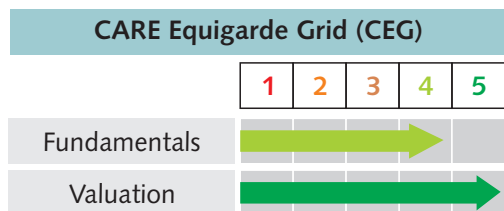
1. **Mandate** – The Company mandates CARE to undertake the EQUIGRADE assessment of, itself.
2. **Information Requirement** – Standard information requirement for an EQUIGRADE assignment includes annual reports for the last 3 years, 5 year consolidated financial projections and information/projection for key business segments/projects of the company.
3. **Management Meet & Plant/Site Visit** – Post the receipt of the information, the team would undertake a plant/site visit and require meeting and interaction with the management for a thorough understanding of its business.
4. **Grading and Acceptance** – The assessment is deliberated upon by the grading committee, who then validates the Current Intrinsic Value (CIV) and assigns the grading to the company. Post this, a communication is sent to the company informing about the CIV and grading assigned by the committee along with a draft research report for acceptance.
5. **Timelines** – Overall assessment, including analysis of the information, plant/site visit, management meeting, assigning of the grading and presenting of a draft research report to the company for its acceptance would take around four weeks (approx.) from the date of the receipt of the complete information.
6. **Dissemination** – The grading and analysis would be presented in a report format and disseminated from our end through various channels i.e. press, websites, e-mailers, etc
7. **Validity of the assignment** – CARE provides EQUIGRADE coverage on the company for a period of one year, which includes an initiation report and at least three quarterly result updates.

# Process Flow



\*: Client may request for a review of the grading assigned and furnish additional information for the purpose. CIV: Current Intrinsic Value

## CARE EQUIGRADE Grid



### Fundamental Grade:

Evaluation of companies on various parameters such as business, competitive position, financial position, management, industry outlook & corporate governance.

### Valuation Grade:

CIV of the stock would be arrived by using the most appropriate valuation technique. CIV would then be compared with Current Market Price (CMP) to arrive at a valuation grading.

## GRADING SCALE

### Fundamental Grade Scale:

SCALE	EVALUATION
F -5	Strong Fundamentals
F -4	Very Good Fundamentals
F -3	Good Fundamentals
F -2	Modest Fundamentals
F -1	Weak Fundamentals

### Valuation Grade Scale:

SCALE	EVALUATION
V -5	Considerable Upside Potential (+ > 25% from CMP)
V -4	Moderate Upside Potential (+10-25% from CMP)
V -3	Fairly Priced (+/- 10% from CMP)
V -2	Moderate Downside Potential (- 10-25% from CMP)
V -1	Considerable Downside Potential (- >25% from CMP)

## How will investors know about it?

EQUIGRADE reports are disseminated by CARE through various channels listed below:

### Information Service Providers

CARE has tie-ups with various widely used information service providers enlisted below, who host the reports on their websites

- Dow Jones Factiva
- ISI Emerging Market
- ET Intelligence
- Thomson Reuters
- Moneycontrol.com
- Research Bytes



### Media

The reports are available on websites of leading financial newspaper & analysis is printed in investor sections of financial newspaper such as, Business Standard on a regular basis.



### Website

Reports are uploaded on CARE's websites & can be uploaded by the company mandating for such exercise on their website



### Investor Interaction

CARE's team can also be called upon to make presentations during road shows, investor meets as an independent expert on the company



### E-Mailers

CARE has a rich database of email-id's which is used to send the emails to a targeted set of investors from amongst mutual funds, merchant bankers, banks & FIs, corporate, etc



## Disclaimer:

CARE will take utmost care to ensure accuracy and objectivity while developing these reports, based on information available in public domain or from sources considered reliable. However, neither the accuracy nor completeness of information contained in these reports would be guaranteed. Opinions expressed therein would be current opinions as on the date of the respective reports.

CARE's valuation of the security is mainly based on company specific fundamental factors. Equity prices are affected by both fundamental factors as well as market factors such as – liquidity, sentiment, broad market direction etc. The impact of market factors can distort the price of the security thereby deviating from the intrinsic value for extended period of time. EQUIGRADE reports should not be construed as recommendation to buy, sell or hold a security or any advice or any solicitation, whatsoever. It is also not a comment on the suitability of the investment to the reader.

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## About CARE Ratings:

CARE is one of the leading credit rating agencies in India (incorporated in April, 1993); registered with Securities & Exchange Board of India (SEBI). We are also recognized by Reserve Bank of India (RBI) as External Credit Assessment Institution (ECAI). We follow best practices as per International Organization of Securities Commission (IOSCO) and Association of Credit Rating Agencies in Asia (ACRAA) code of conduct. CARE is also approved by statutory authorities like Government of India (GOI) & National Housing Bank. CARE has a unique advantage in the form eminent and experienced external professionals being members of CARE's rating and grading committees. We have a pan India network of analysts, with offices across eleven locations in India, including Mumbai, Delhi, Kolkata, Chennai, Ahmedabad, Bangalore, Hyderabad, Pune, Jaipur, Coimbatore and Chandigarh. We also have international presence in Maldives. We provide ratings for entire spectrum of debt instruments including Commercial Papers, Fixed Deposits, Bonds, Debentures, Hybrid Instruments, Preference Shares, Loans, Structured Obligations, Asset Backed Securities, Residential Mortgage Backed Securities etc. & for all segments including Corporate, Banks, Sub-Sovereign, etc. We also provide research and grading services which includes, Industry Risk Metrics, Customised Industry & Company Research Assignments, Private Company Equity Valuation Assignments, Investment Appraisal Assignments, Valuation of Structured Products, IPO Grading, EQUIGRADE (equity research & grading for listed companies), Real Estate Star Rating (project-based rating of real estate projects), EDUGRADE (grading of educational institutions), etc.

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