



CRISIL
RESEARCH

CRISIL IPO grading

An
independent,
reliable **and**
consistent
assessment
of the
fundamentals
of IPOs

Facilitating informed investment decisions

Continuing its tradition of pioneering and developing innovative products and services to help its clients take better informed business decisions, CRISIL introduces its latest product offering — CRISIL IPO grading.

CRISIL, the originator of this concept, has been at the forefront of developing the IPO grading model into a usable form. The views and feedback of the regulator, market participants, investors and investor forums have been core inputs in the development of this product. Therefore, CRISIL has a uniquely evolved understanding of this globally revolutionary idea.

CRISIL believes that IPO grading provided by an independent agency would be free from bias and addstructure to the tools available at present for assessing the investment attractiveness of an equity security.

Issuer company benefits by benchmarking itself with its peers

The IPO grading will be based on CRISIL's proprietary framework that has been developed to help investors arrive at their own judgement on factors that drive equities as an asset class.

The debt market has benefited immensely from the availability of such an assessment in the form of credit rating - a representation of a relative assessment of the fundamentals of the debt security i.e., likelihood of timely repayment of interest and principal.

The IPO grading product of CRISIL, is a relative assessment of the fundamentals of the equity security.

Investment decisions for IPOs are at present based on voluminous and complex disclosure documents, which pose a challenge to investors to arrive at informed decisions. The focus, in these documents is meeting regulatory guidelines on disclosures.

Though seemingly there is a lot of information available on IPOs through free research on websites, media and other sources, investors often look for structured, consistent and unbiased analysis to aid their investment decisions.

Moreover, information available on new companies varies with the size of the issue, the market conditions and the industry that the issuing company belongs to. CRISIL IPO grading aims to bridge this gap and facilitate more informed investment decisions.

CRISIL IPO grading brings value to issuer, merchant banker and investors

- It provides an independent, unbiased assessment of the fundamentals of the company
- The grade enables easy comparison between companies, irrespective of the size or the industry they operate in
- It is a collaborative initiative to widen and deepen market participation
- Increasing participation from new and foreign investors necessitates greater 'awareness' about the company and its fundamentals
- It will help issuers to benchmark themselves and project their underlying strength better.

Contents of the CRISIL IPO grading report

The report for each CRISIL IPO grading will contain a summary and a detailed report.

- **Summary**- One-page report highlighting the key elements of analysis
- **Detailed report**- Comprehensive commentary on the assessment parameters.

This report will be a one-time assessment based on the information disclosed in the draft prospectus filed with Securities Exchange Board of India (SEBI); our understanding of the industry and company fundamentals; and interactions with the issuer management and other stakeholders.

The report will comprise our assessment on the following parameters:

- Management quality
- Business prospects: Industry and company
- Financial performance
- Corporate governance
- Project related factors
- Other factors:
 - Compliance track record
 - Litigation history
 - Capital history.

CRISIL IPO grading: Assessment scale

The assessment is an 'overall assessment of fundamentals' on a five-point scale. The companies assessed highest will be scored 5/5 and the lowest score will be 1/5. Gradings are assigned to various parameters and then aggregated.

CRISIL IPO grading is not to be construed to mean

- A valuation of the equity offering; present or future
- A comment on the issue price or the likely price on listing
- An assessment of the market risk associated with equity investments
- An audit or a recommendation to invest
- A forensic exercise that can detect fraud.

A comprehensive assessment that aids investment decisions of both - institutional and retail investors.

About CRISIL Research

CRISIL Research is India's largest independent, integrated research house. We leverage our unique, integrated research platform and capabilities spanning the entire economy-industry-company spectrum to deliver superior perspectives and insights to over 600 domestic and global clients, through a range of subscription products and customised solutions.

About CRISIL

CRISIL is India's leading Ratings, Research, Risk and Policy Advisory Company

CRISIL offers domestic and international customers a unique combination of local insights and global perspectives, delivering independent information, opinions and solutions that help them make better informed business and investment decisions, improve the efficiency of markets and market participants, and help shape infrastructure policy and projects. Its integrated range of capabilities includes credit ratings and risk assessment; research on India's economy, industries and companies; investment research outsourcing; fund services; risk management and infrastructure advisory services.

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Disclaimer:

A CRISIL IPO Grading is a one-time assessment and reflects CRISIL's current opinion on the fundamentals of the graded equity issue in relation to other listed equity securities in India. A CRISIL IPO Grading is neither an audit of the issuer by CRISIL nor is it a credit rating. Every CRISIL IPO Grading is based on the information provided by the issuer or obtained by CRISIL from sources it considers reliable. CRISIL does not guarantee the completeness or accuracy of the information on which the grading is based. A CRISIL IPO Grading is not a recommendation to buy/ sell or hold the graded instrument; it does not comment on the issue price, future market price or suitability for a particular investor.

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