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CHRYSEUM ADVISORS LLP

## Chryseum Score

A Scoring Methodology for Evaluating Unlisted Companies

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## Introduction - Scoring Scale for Unlisted Companies

Chryseum Advisors LLP have curated a Scoring Scale for Unlisted Companies to gauge their performance and their attractiveness, by comparing important metrics that are applicable in their respective sectors. At our organization, we understand the importance of employing rigorous methodologies that prioritize data-driven insights and mitigate subjective influences. Therefore, we are proud to announce that a significant **90%** of our Scoring process is based on actual quantitative metrics, ensuring a robust foundation for our evaluations.

The analysis is based on information obtained from the company Annual report, website, filings on MCA, Venture Intelligence Database and independent articles relating to the company and its sector.

## Scoring Metrics

The metrics considered for evaluating and scoring the companies are dependent on the sectors they operate in. Based on the sector we have come up with applicable scoring parameters which provide a more precise evaluation and comparison.

1. Valuation Score
2. Growth Score
3. Industry Specific Metric Score
4. Management Quality Score

## Scoring Methodology

- Companies are assigned a score out of 10.
- This score is then distributed across four different parameters as mentioned above.
- The distribution across parameters is achieved through a weighted distribution, which is illustrated in the tables below:

Parameters	Weights	Max Score out of 10
1. Valuation	35%	3.5
2. Growth	35%	3.5
3. Industry Specific Metrics	15%	1.5
4. Management Quality	15%	1.5
<b>Total</b>	<b>100%</b>	<b>10</b>

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## Understanding the Scoring Metrics:

The Chryseum Scoring System takes into consideration the following metrics and parameters based on the sector/industry the company operates in:

Metric	Non NBFC / Banks	NBFC/Banks	Insurance
Valuation	P/E with Listed Peers	P/B With Listed Peers and Industry Avg	Market Cap/ GDP with Listed Peers
Growth	PAT, Sales, ROE on a 3 Year CAGR	PAT, Sales, BVPS on a 3 Year CAGR	PAT, Sales, ROE on a 3 Year CAGR
Industry Specific Metrics	Debt-to-Equity	ROA, Net NPA, Capital Adequacy	Solvency and Combined Ratio
Management Quality	Board Structure, Related Party Transactions, Timely Disclosures	Board Structure, Related Party Transactions, Timely Disclosures	Board Structure, Related Party Transactions, Timely Disclosures

### 1. Valuation Score

Sector	Unlisted Company	Comparison With Listed Peer	Comparison With Industry Average	Max Score
Non -NBFC / Banks	Available at least 25% discount	3	NA	3
	Available at a 0-25% discount	2	NA	
	Available at a 0-25% Premium	1	NA	
	Available at a 25% premium or higher	0	NA	
NBFC/Banks	Available at least 25% discount	1.5	1.5	3
	Available at a 0-25% discount	1	1	
	Available at a 0-25% Premium	0.5	0.5	
	Available at a 25% premium or higher	0	0	
Insurance	Available at least 25% discount	3	NA	3
	Available at a 0-25% discount	2	NA	
	Available at a 0-25% Premium	1	NA	
	Available at a 25% premium or higher	0	NA	

- Score for Comparison with industry average for Non NBFC/Banks and Insurance companies is not applicable due to skewed data and unavailability of industry data.
- Unlisted Companies where there is no Sector P/E, Price-to-Book, or no listed peer available, we have given a score of 0/1/2, based on the company's valuation & profitability.

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## 2. Growth Score

- The growth scoring metric consists of 3 parameters, mainly - PAT growth, Sales growth, and ROE/BVPS growth (BVPS for NBFC/Banks) on a 3-Year CAGR basis.

Metric	Unlisted Company	Score
Sales Growth	$\geq 15\%$	3
	$\geq 10\%$	2
	$\geq (-15\%)$	1
	$< (-15\%)$	0
PAT Growth	$\geq 20\%$	3
	$\geq 10\%$	2
	$\geq (-15\%)$	1
	$< (-15\%)$	0
ROE / BVPS Growth	$\geq 15\%$	3
	$\geq 10\%$	2
	$\geq (-15\%)$	1
	$< (-15\%)$	0

## 3. Industry Specific Metrics:

- For Non-NBFC/Banking Companies:

Metric	Unlisted Company	Score
Debt / Equity vs Peers	Lesser than 25%	3
	Between 0-25%	2
	Higher by 0-25%	1
	Higher than 25%	0

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➤ For NBFC/Banking Companies:

Metric	Unlisted Company	Score
ROA vs Peers	Greater than Industry	3
	Lesser by 0-20%	2
	Lesser by more than 20%	1
Net NPA vs Peers	Lesser than 25%	3
	Between 0-25%	2
	Higher by 0-25%	1
	Higher than 25%	0
Capital Adequacy	CAR $\geq$ 30%	3
	CAR $\geq$ 15%	2
	CAR < 15%	1

➤ For Insurance Companies:

Metric	Unlisted Company	Score
Solvency Ratio	Greater than 125% of 1.5	3
	Between 100-125% of 1.5	2
	Lesser than 1.5	1
Combined Ratio vs Peers	Lesser than Peer	3
	Greater than peer by 20%	2
	Greater than Peer by more than 20%	1

#### 4. Management Quality Score

Management Quality assessment considers three components: Board Structure and Composition, Related Party Transactions, and Disclosures. Each component receives a score out of 1, with a maximum total score of 3 for the company.

This assessment involves a subjective evaluation based on analysis of available company documents, credit ratings, and MCA filings.

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## Annexures - Definitions

### For Non-NBFC / Banks:

1. **Price to Earnings (P/E)** - The price-to-earnings (P/E) ratio measures a company's share price relative to its earnings per share (EPS). It helps to determine whether a stock is overvalued or undervalued.
2. **Debt to Equity (D/E)** - The D/E ratio measures how much debt a company has compared to its assets. Lower the ratio the better it is.
3. **Return on Equity (ROE)** - It is a measure of profitability of a business in relation to its equity.
4. **Sales & PAT Growth (Applicable to all)** - This accounts for growth in Sales & PAT on a 3-year CAGR basis

### For NBFC / Banks

1. **Price to Book (P/B)** - The price-to-book (P/B) measures the market valuation of a company relative to its book value. It helps to determine whether a stock is overvalued or undervalued.
2. **Book Value Per Share (BVPS)** - BVPS is the ratio of equity available to shareholders divided by number of shares outstanding. BVPS growth is taken into consideration on a 3-year CAGR basis.
3. **Return on Asset (ROA)** - It measures how efficient a company's management is in generating profit from their total assets on their balance sheet.
4. **Capital Adequacy Ratio (CAR)** - It is the ratio of a bank's capital in relation to its risk weighted assets and current liabilities. The minimum ratio for any Bank/NBFC should be 15%.
5. **Net Non-Performing Assets (NNPAs)** - It is a measure of the actual losses that a bank has incurred on its NPAs. NNPA subtracts the provisions made by the bank from the gross NPA. Therefore, net NPA gives you the exact value of non-performing assets after the bank has made specific provisions.

### For Insurance

1. **Gross Direct Premium (GDP)** - GDP is the sum of both direct premiums written and assumed premiums written, before deducting ceded reinsurance and commissions.
2. **M Cap / Gross Direct Premium** - M Cap/GDP measures the market capitalisation of the company relative to its gross direct premium. It is an important measure for comparing insurance companies.
3. **Solvency Ratio** - It is a measure of capital adequacy and provides a clear picture of an insurance company's overall financial health. As per the IRDAI's mandate, the minimum solvency ratio insurance companies must maintain is 1.50.  
$$\text{Solvency Ratio} = (\text{Net Income} + \text{Depreciation}) / \text{Total liabilities}$$
4. **Combined Ratio** - It is a measure of the profitability of the insurer and is the sum of incurred losses & operating expenses measured as a percentage of earned premium. Lower the combined ratio the better it is.

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