# Dun & Bradstreet India Data Updates

## Dun & Bradstreet Now Has Information on 7.8M Inactive Indian Businesses in the Data Cloud

Dun & Bradstreet clients can now leverage the expanded coverage of inactive Indian companies to identify hidden linkages within existing active businesses, and determine potential risks before transacting with such business entities

**Out of Business (OOB)**
800K closed businesses

**Inactive**
7.2M with no / limited signal data on business activity

**Total**
7.8M businesses

### Identified Linkage to active business with common principal

- **350K+ Active businesses** are linked to the identified Out of Business or inactive business Universe
- **200K+ Directors** have been identified as being associated with these inactive businesses

### Identified linkage to active companies operating at same location can be used to determine associated failure risk

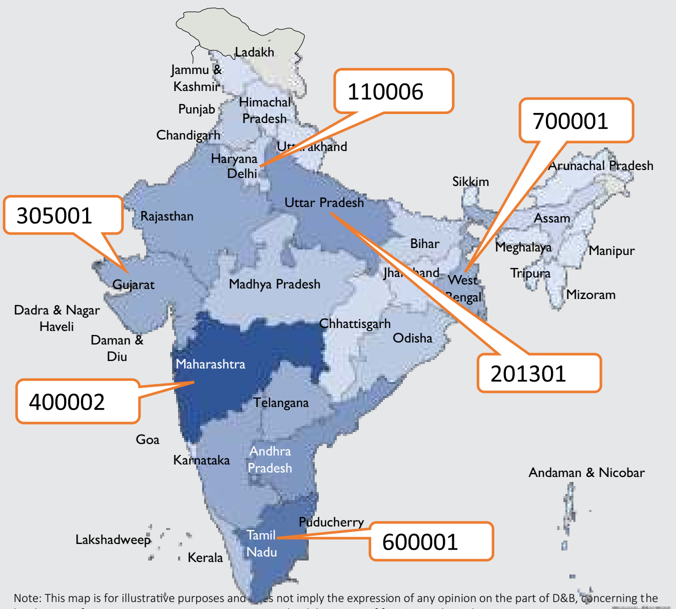
- **722K companies** located at 31,454 address
- **493 companies** located at a single location & all are OOB/INACTIVE

| Addresses | Companies at each location | Total companies | OOB / Inactive |
|---|---|---|---|
| 540 | Addresses Identified with 100+ companies at each location | Total 98K companies | 73K are OOB / Inactive |
| 1,532 | Addresses Identified with 51-100 companies at each location | Total 104K companies | 69K are OOB / Inactive |
| 4,775 | Addresses Identified with 26-50 companies at each location | Total 164K companies | 99K are OOB / Inactive |
| 24,607 | Addresses Identified with 10-25 companies at each location | Total 356K companies | 202K are OOB / Inactive |

Companies operating from common address enables user to understand number of companies forming part of same group

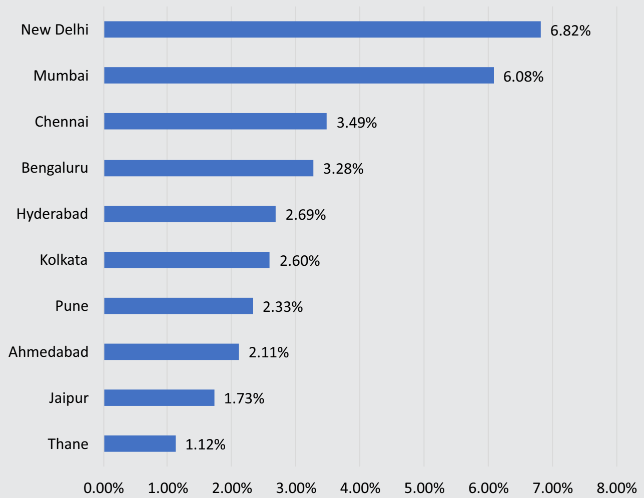
Higher number of companies at a given location is a Red Flag

## Pin Codes with Highest Number of Inactive Businesses




Note: This map is for illustrative purposes and does not imply the expression of any opinion on the part of D&B, concerning the legal status of any country or territory or concerning the delimitation of frontiers or boundaries

### Top 10 cities with highest OOB and inactive businesses




dun & bradstreet

Season's Greetings

We will be back in January with the next edition of **D&B Pulse**

**D&B Pulse** will be a monthly newsletter going forward

# PAYDEX®: A Red Flag for Business Failure

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

Business failure is a critical concern for firms and financial institutions. Business failures of debtors could translate to an increase in the non-performing assets of financial institutions and necessitate restoration of Capital Adequacy Ratio (CAR). In simple terms, CAR is the ratio of a bank's capital to its risk weighted assets. By mandating banks to maintain a certain level of CAR, financial regulators ensure that banks can absorb a reasonable amount of loss and still stay afloat during difficult times. To restore mandated CAR levels, banks can either raise fresh capital or shrink their asset base. When a bank shrinks its asset base, perhaps by credit rationing, other banks can step in to meet the credit supply gap. However, if a large fraction of banks decides to shrink the asset base then the situation could quickly escalate into a deep credit crunch and a liquidity crisis for firms. At a micro level, firms can be directly impacted by business failures of their customers and suppliers. The impact could be devastating, especially for small businesses. These implications have garnered the attention of many businesses, researchers and regulators, among others, to develop early warning signals or models to predict business failure and distress.

In the recent years, many machine learning techniques are being applied to detect business distress. But these require large datasets for model development and domain expertise which are outside the purview of many small and medium businesses. While traditional models that use financial statements do aid in detecting business distress, the paucity of publicly available and reliable data is an obstacle. Hence alternate data such as the PAYDEX® can serve as a red flag for business distress. There is a very high negative correlation between the PAYDEX® score and credit defaults & business failures i.e. a deterioration in the PAYDEX® score increases the likelihood of a firm defaulting or becoming bankrupt. We analysed a sample of around 700 companies which were classified as willful defaulters in 2019. 82% of the sample companies have payment practices that fall under the serious late payment category (90 days beyond due date). In one of the previous editions of this bulletin, we saw that the lifespan of businesses has become more fleeting in India. Around 50% of the companies incorporated in 1981 closed down their business in 37 years. That number reduced to 16 years for companies incorporated in 2001. Similarly, 40% of companies that were incorporated in 2011 shut down their business in just 7 years. Given the complex impact of the ongoing pandemic on businesses, risk of payment defaults and business failures remains elevated. Hence financial institutions and businesses need to enhance their monitoring mechanisms, now more than ever to mitigate credit and supply chain risks.