Sharekhan
by BNP PARIBAS

Market Outlook 2024

WISHING YOU A VERY

HAPPY NEW YEAR

Year 2024: Time to be cautious not fearful

Year 2023 – All's well that ends well: Year 2023 began well. The market did hit some hurdles like bankruptcy by some of the regional banks in the US, flare up of geopolitical risks and high interest rates globally. However, markets did not stay down for a long time and the corrections was rather shallow.

Indian market outshines once again: Supported by strong domestic inflows and encouraging economic data, Indian equities stood out with close to 19% returns and outperformed most other large equity markets globally. Sentiments are also boosted by the recent hike of GDP forecast by RBI to 7% (up from 6.5%) for FY2024 and the clean sweep in state elections by the BJP allays in fears of change in political leadership.

Year 2024 – Looks promising, but valuation not cheap anymore: New Year 2024 appears promising with the markets hitting a new high and economic growth is healthy especially in the context of a slowdown globally. Valuations look stretched in certain pockets, as reflected in the micro-cap rally and the euphoria in primary issues including the SME segment. The Nifty trades at 23.4x the trailing 12-month price-earning (PE), which is not cheap but isn't expensive either, especially given the expected earnings growth of 12-14% CAGR over the next two years.

Portfolio Strategy – Time to readjust the portfolio: We prefer increasing exposure to large-caps (over small-cap/micro-caps) and Value Stocks at reasonable prices away from Growth Stocks trading at steep valuations. In terms of sectors, we see better times for pharma, two-wheeler auto and IT Services spaces in addition to our core multi-year investment themes of **Capex** (Engineering/Infra/real estate), **Capital** (Banks/Financial Services) and **Consumer** .

Portfolio Strategy: Time to readjust allocations

- As part of the portfolio readjustment for year 2024, it would be better to tactically take home some profits in the broader market (read small/micro-caps) and increase exposure to large-cap stocks.

- Also, there is a strong case to increase exposure to ‘Value Stocks’ available at reasonable price as against chasing ‘Growth stocks’ trading at steep valuations.

- Some of the sectors that could see better times in Year 2024 could be pharma, two-wheeler auto OEM and IT Services.

- Apart from this, we stick to our core multi-year investment themes of **Capex** (Engineering/Infra/real estate), **Capital** (Banks/Financial Services) and **Consumer** (discretionary spending) to ride the multi-year upcycle in the Indian economy.

- Accordingly, we have short listed our high conviction investment ideas for investors. Also, we have identified few dark horses that have potential re-rating triggers that could play out in 2024.

Investment Portfolio

(Buy & Hold Stocks)

High Conviction Investment Ideas

Companies	CMP (Rs.)	Rating	PT (Rs.)	PE (x)			P/BV (x)			RoE (%)		
				FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
DLF Ltd	728	Positive	787	77.4	70.0	63.9	4.5	4.3	4.0	6.0	6.3	6.6
HDFC Bank Ltd	1709	Buy	1900	16.7	14.2	12.7	2.5	2.2	1.9	14.8	16.0	15.3
IndusInd Bank Ltd	1610	Buy	1850	13.6	12.2	9.9	2.0	1.7	1.4	15.5	15.0	15.8
Larsen & Toubro	3518	Buy	UR	38.5	31.4	26.6	4.9	4.2	3.7	16.1	17.3	17.7
Hero Motocorp Ltd	4174	Buy	4579	22.7	19.9	17.3	4.5	4.1	3.7	20.0	20.7	21.2
Lupin Ltd	1339	BUY	1500	41.3	29.8	22.3	4.5	4.0	3.5	11.3	14.1	16.7
Artemis Medicare Services Ltd	176	BUY	222	38.2	29.4	18.4	5.1	4.3	3.5	13.3	14.7	19.0
Bank of India	113	Buy	120	7.1	5.5	5.2	0.8	0.7	0.6	11.0	12.4	11.6
Kirloskar Oil Engines Ltd	661	Positive	694	29.0	22.7	18.8	4.6	4.3	3.8	16.0	18.8	20.7
Radico Khaitan Ltd	1,652	Buy	1965	70.8	48.1	39.5	8.9	7.6	6.5	12.6	15.9	16.5
Subros Ltd	551	Positive	586	35.5	24.7	20.4	3.7	3.3	2.9	10.5	13.3	14.0
Wonderla Holidays Ltd	835	Buy	1137	29.3	22.5	16.3	4.3	3.7	3.0	15.9	17.7	20.3

Note: Please note that the target price of each individual company would be reviewed along with every quarterly result update or any corporate action or sector-related macro development.

CMP as on December 28, 2023

Source: Sharekhan Research

Dark Horses

(Relatively attractive valuations with potential re-rating triggers in place)

High Conviction Investment Ideas

Companies	CMP (Rs.)	Rating	PT (Rs.)	PE (x)			P/BV (x)			RoE (%)		
				FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
CESC Ltd	130	Buy	150	18.2	16.1	15.5	1.5	1.5	1.4	8.9	9.4	9.1
Hindware Home Innovation Ltd	497	Positive	623	28.1	19.7	15.0	5.2	4.3	3.3	20.4	24.0	25.2
Sterling Tools Ltd	343	Positive	437	21.4	14.7	12.5	2.7	2.3	2.0	13.5	17.0	17.0
Strides Pharma Science Ltd	642	Buy	UR	29.8	18.1	14.9	2.7	2.6	2.4	3.2	8.6	10.9
Gujarat Fluorochemicals Ltd	3640	Positive	UR	52.4	33.5	28.4	6.2	5.3	4.5	12.6	17.1	17.0

Note: UR – Under Review. Please note that the target price of each individual company would be reviewed along with every quarterly result update or any corporate action or sector-related macro development.

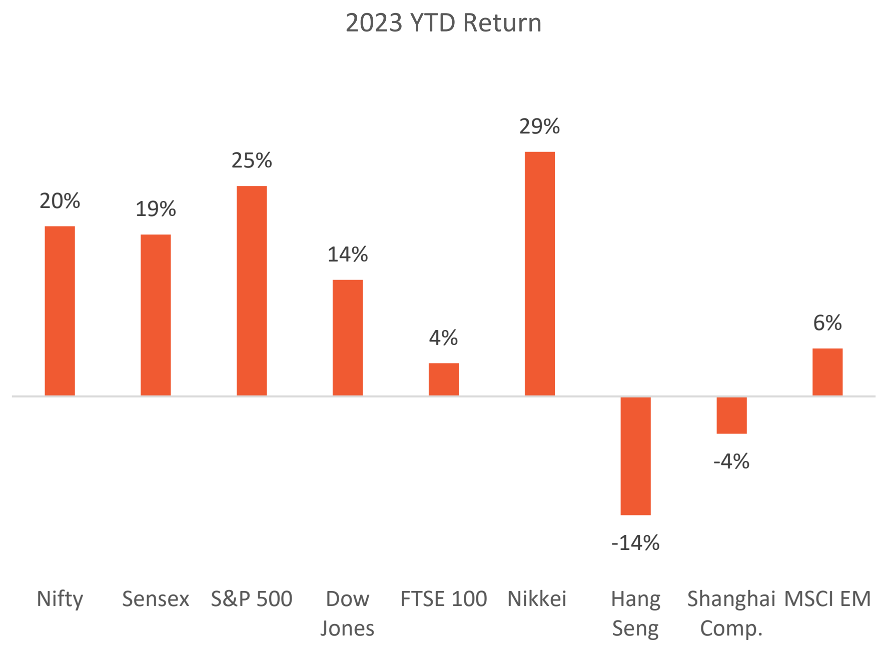
CMP as on December 28, 2023

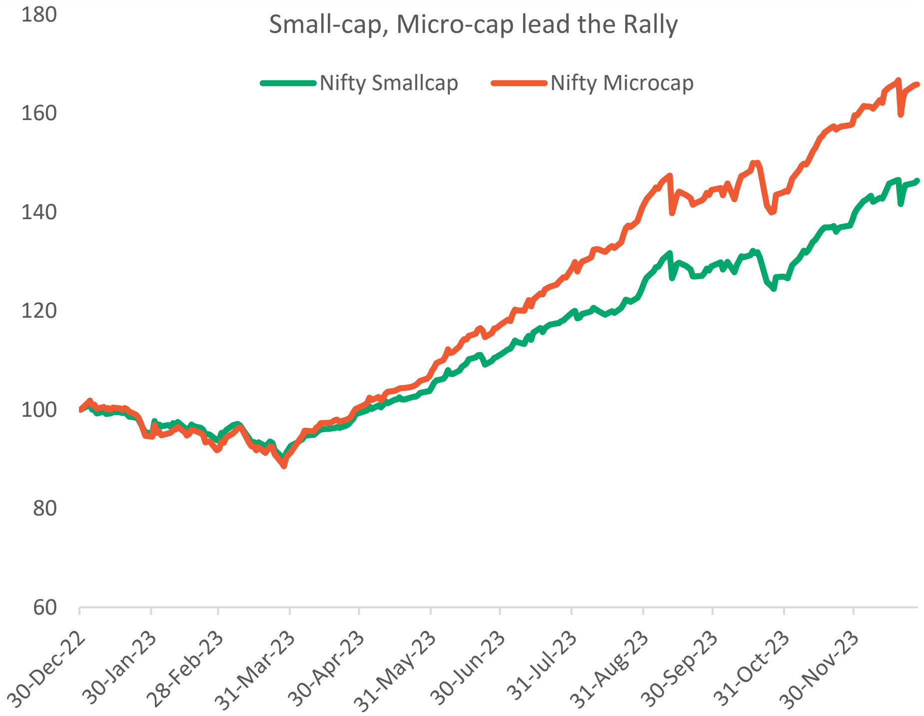
Source: Sharekhan Research

Story in Charts

Year 2023: India shining in a tough year

- Sustained corporate earnings visibility led India's sharp outperformance vis-à-vis many peers and the MSCI Emerging Markets Index. Further, strong flow from investors across the board also aided a sharp uptick in small-cap and micro-cap stocks.

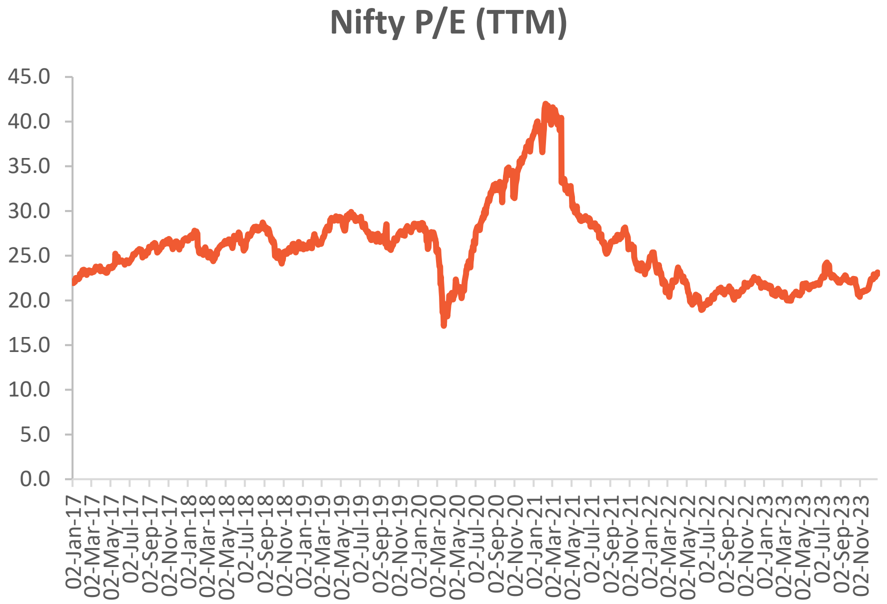


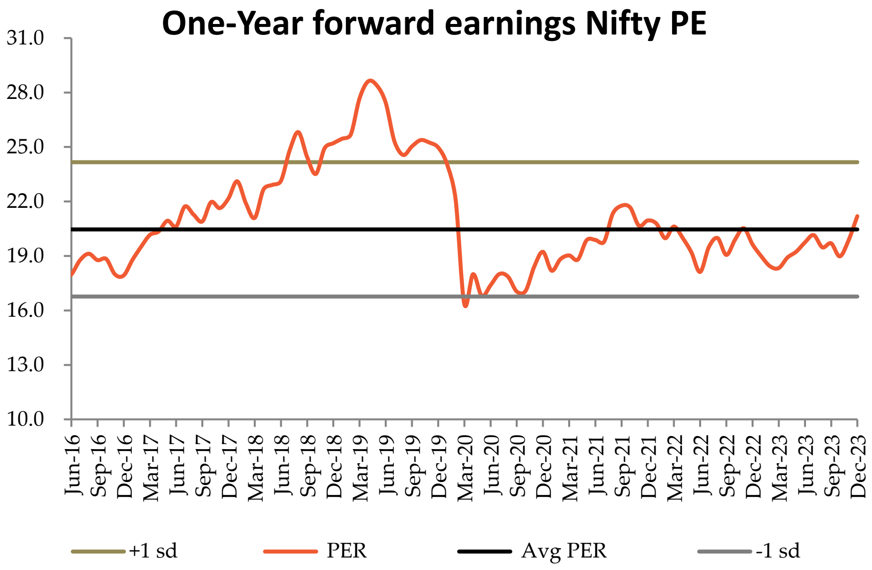


Source: NSE, Sharekhan Research

Valuation: Not cheap anymore

While Nifty TTM valuation at 23.1x continues to offer comfort, one-year forward valuation also trades almost at par with the historical average.





Source: Sharekhan Research , NSE

Investors need not worry as India's multi-year growth story is intact!

REAL ESTATE

(Solid recovery after slumber)

- Revival in property cycle to sustain, driven by a time correction in prices, better affordability, reasonable interest rates and need to have bigger houses
- This has a positive impact on many industries (such as steel, cement, building materials & other related sectors) and generates employment across income strata.

INFRASTRUCTURE

(Infra spendings remain a key booster)

- Budgetary allocation for capex has been going up substantially for last couple of years and supporting various industries
- The government looked at innovative ways like Nation Asset Monetisation Plan to support its ambitious target Rs. 111 lakh-crore investment under National Infrastructure Pipeline (NIP).

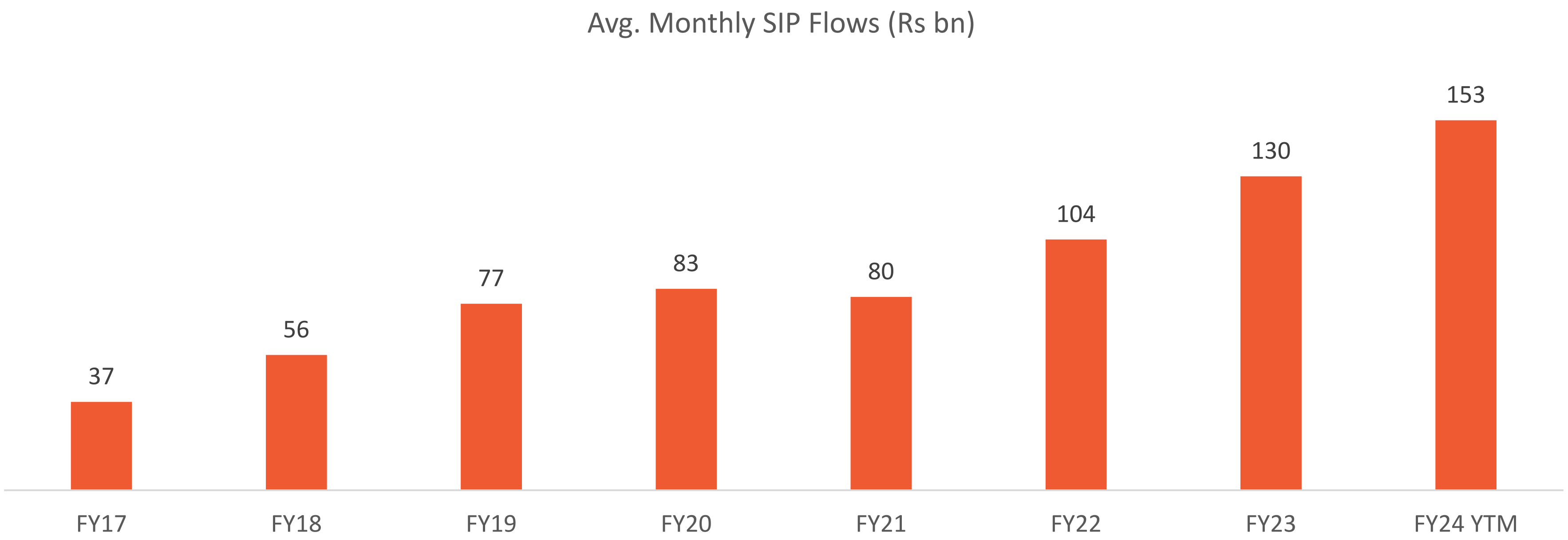
CORPORATE CAPEX

(Set for an expansion spree)

- Many large corporates have set out a capacity expansion (including core sectors). Banks in better health now and capitalised to support credit growth in the economy
- Private sector deleveraging and improved asset quality of banks to support expansion plans
- Intensity of corporate capex doubled in the range of Rs 24-26 tn vis-à-vis five years back

Strong domestic flows to support against global volatility

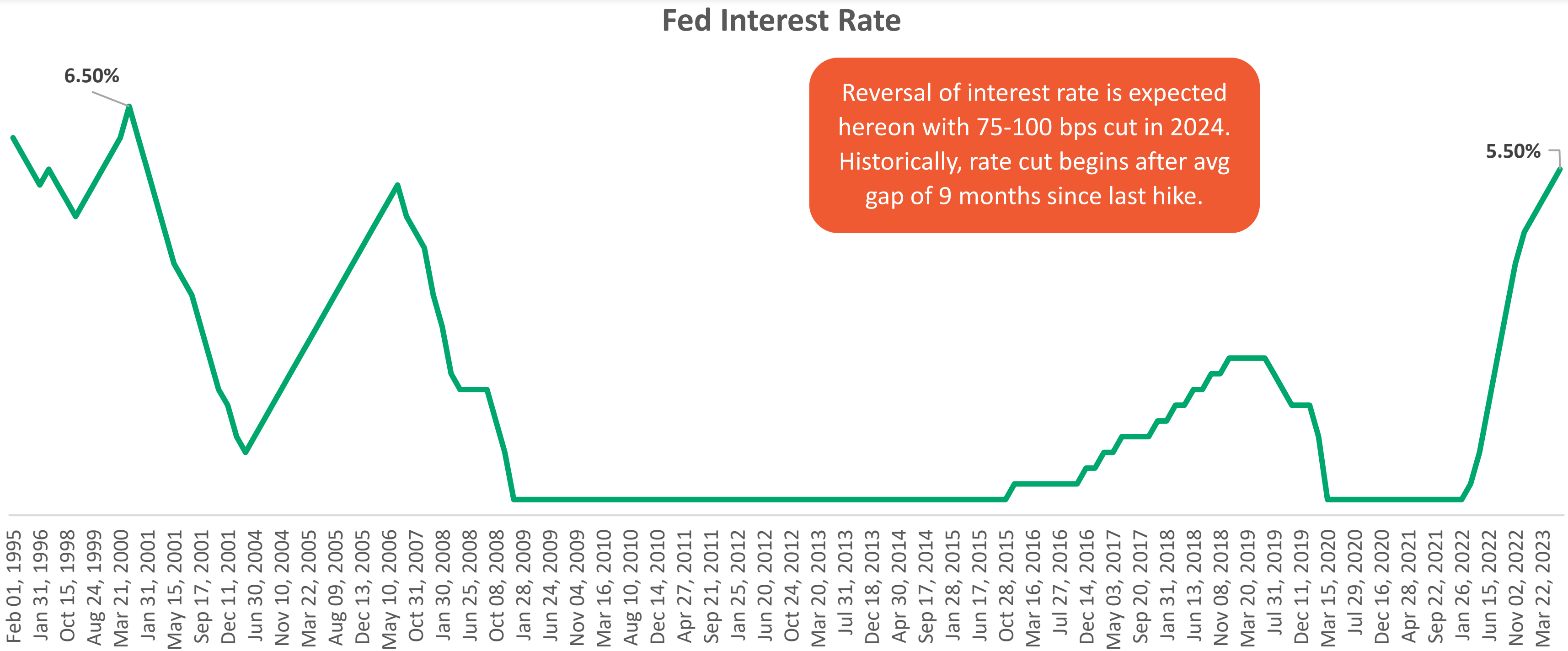
Given the current monthly average SIP flows till date in FY24, it can potentially rise to Rs. 1.8-2 lakh crore annually and the figure will only grow. Hence, DII flows are expected to continue providing resilience to Indian markets against FII flows (if it happens) in 2024 and beyond as well.



Source: Sharekhan Research , AMFI

Global macros could also turn favourable for equities

- Given the recent commentary from the US Federal Reserve, a likely reversal of interest rate is expected to aid emerging markets including India in 2024



Source: Sharekhan Research , Industry Reports

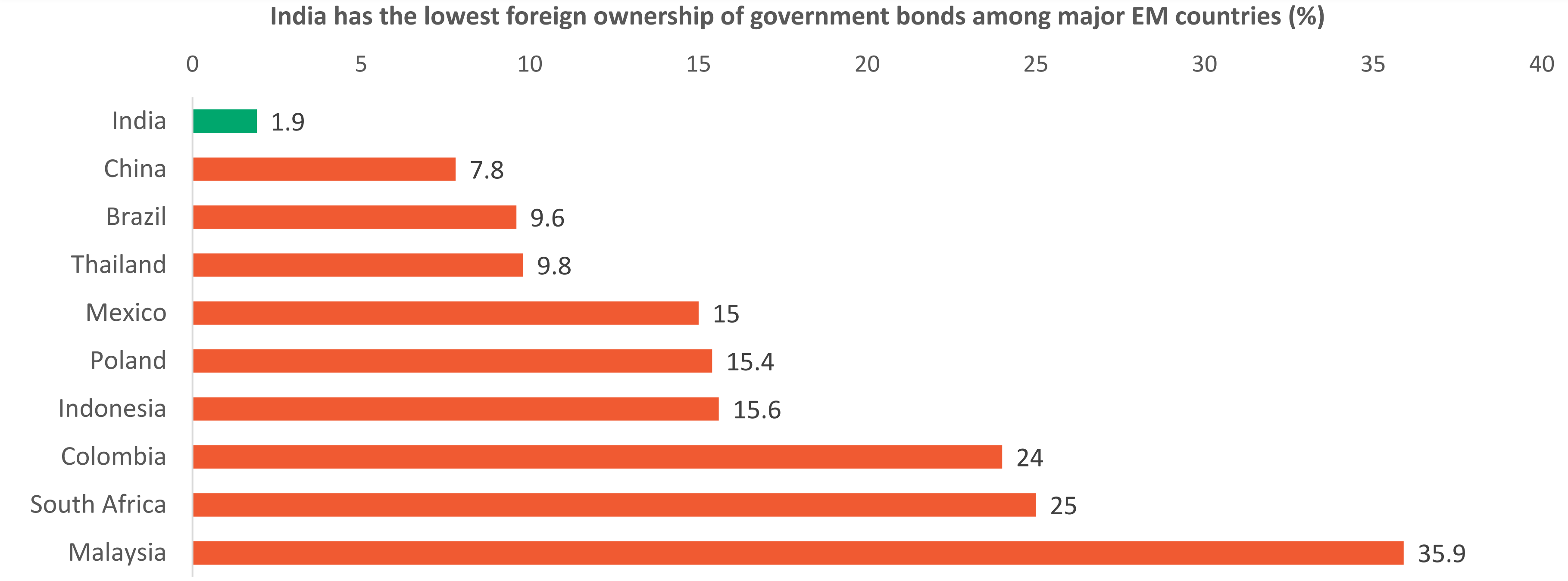
India's high GDP growth to attract fair share of global flows

(Real GDP, annual % change)	2022	2023	2024
World Output	**3.5**	**3.0**	**2.9**
Advanced Economies	***2.6***	***1.5***	***1.4***
United States	2.1	2.1	1.5
Euro Area	3.3	0.7	1.2
Germany	1.8	-0.5	0.9
France	2.5	1.0	1.3
Italy	3.7	0.7	0.7
Emerging Market and Developing Economies	***4.1***	***4.0***	***4.0***
Emerging and Developing Asia	4.5	5.2	4.8
China	3.0	5.0	4.2
India	**7.2**	**6.3**	**6.3**
Emerging and Developing Europe	0.8	2.4	2.2
Russia	-2.1	2.2	1.1
Latin America and the Caribbean	4.1	2.3	2.3
Brazil	2.9	3.1	1.5
Mexico	3.9	3.2	2.1
Middle East and Central Asia	5.6	2.0	3.4
Morocco	1.3	2.4	3.6
Saudi Arabia	8.7	0.8	4.0

Source: IMF

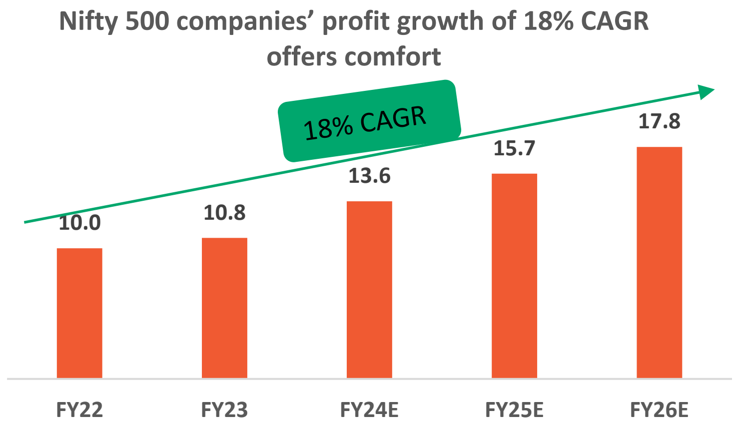
India: Inclusion of sovereign debt in JPM GBI from 2024 bodes well

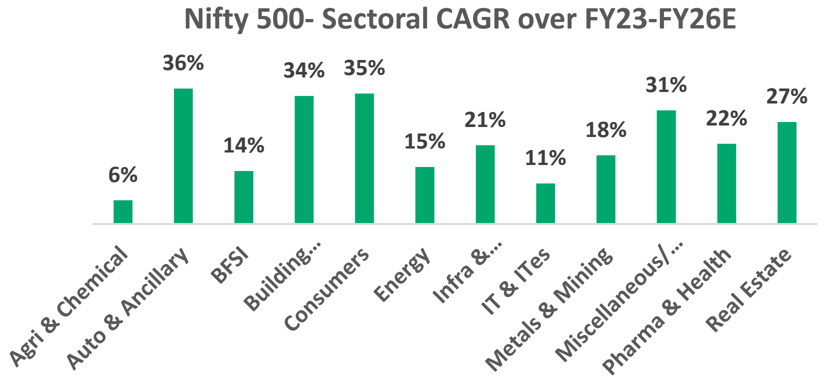
- This is likely to ensure India would see foreign inflows (into debt) of around $25 billion. This will result in a stable INR and low cost of fundings for India and therefore, strong corporate earnings

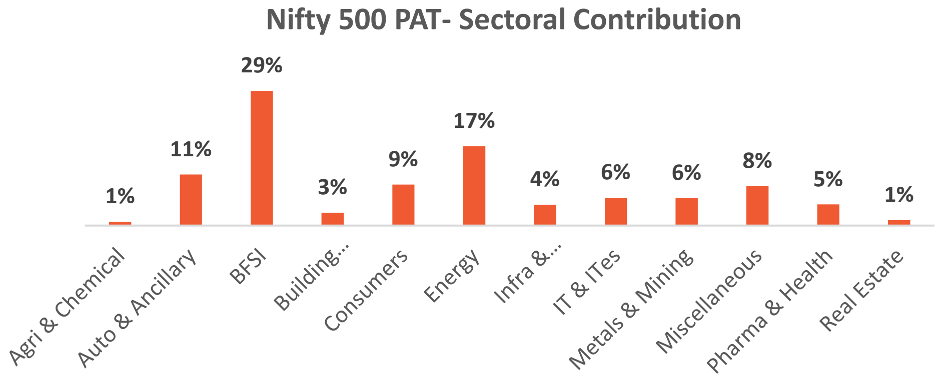


Source: Sharekhan Research , Industry Reports

Nifty 500 earnings trend continues to offer comfort





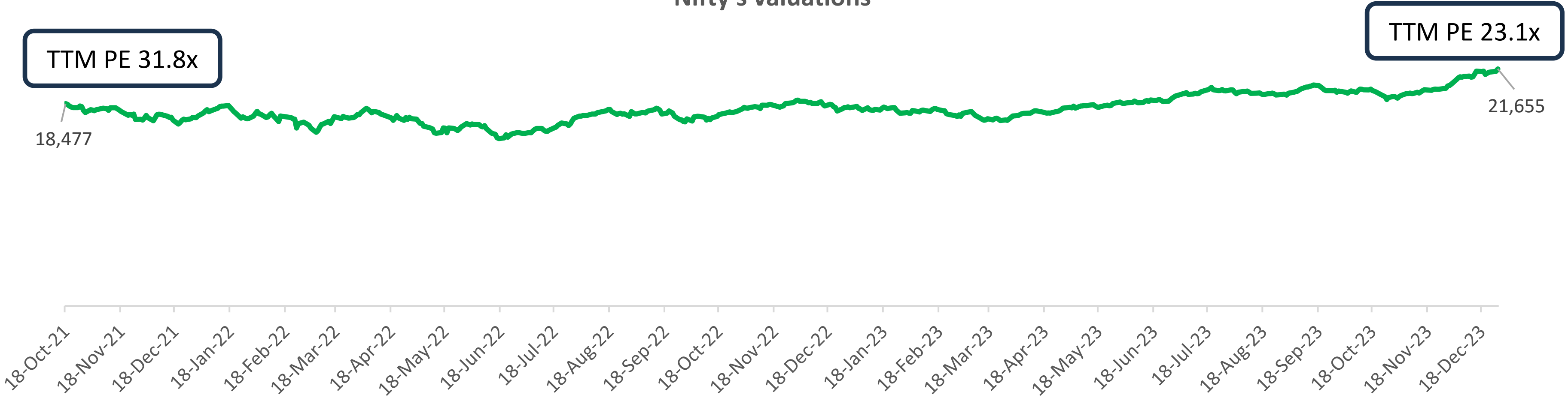


Source: Sharekhan Research , Industry Reports

Nifty: Trailing PE down in 2 years driven by strong earnings

Apparently, the Nifty saw a sharp over 20% upmove in FY24 YTD aided by sustained DII flows and a revival of FII flow on a healthy growth outlook. However, the Nifty's current TTM valuation at 23.1x, is still at a ~30% discount as compared to last all time high made by Nifty during October 2021. While the market has gained over 13% during the last peak in 2021 to 2024 peak levels, Nifty earnings have actually risen by over 50% during the period. Further, within this timeframe, other economic indicators such as GST collections (improved from Rs 1.3 trillion monthly collection to Rs 1.7 trillion), credit growth (from 6% to over 15%), manufacturing and services PMI and among others.

Nifty's valuations



Source: Sharekhan Research , NSE

Investment Picks - 2024

DLF

Industry: Real Estate
CMP: Rs. 728

- DLF has a track record of over seven decades and has developed more than 158 real estate projects and developed an area in excess of 340 msf. The DLF Group has 215 msf of development potential across residential and commercial segment. The group has an annuity portfolio of over 42 msf.
- DLF is expected to report healthy sales bookings led by a strong launch pipeline for the next two years, which is expected to sustain, given healthy demand momentum with a possible peaking out of interest rates.
- Its rental portfolio is gradually witnessing higher physical occupancies while focusing on doubling its retail portfolio over the next 4-5 years.
- Robust absorption of ultra-luxury residential projects and limited inventory has led to sharp price uptick in prices which is expected to benefit DLF which has more than 50% exposure in its available inventory (Rs. 4,244 crore) and planned projects (Rs. 19,710 crore). DLF is expected to benefit from strong residential demand in its key NCR market especially in the ultra-luxury segment with price appreciation tailwinds.

Key risks: A slowdown in real estate demand, especially in the Delhi-NCR region, is a key risk to our call. Unfavourable macro indicators, such as a rise in interest rates, can dampen demand.

3R MATRIX

	+	=	-
RS	✓		
RQ	✓		
RV	✓		

Stock data

Market Cap (Rs. cr)	1,80,314
52-wk High-Low (Rs.)	730/337
NSE Volumes	40.6 lakh
BSE code:	532868
NSE code:	DLF
Promoter's share (%)	74.0

Stock Performance

(%)	6M	12M
Absolute	50	96
Relative to Sensex	37	77

Valuation summary

Rs. crore

Particulars	FY23	FY24E	FY25E	FY26E
Revenue	5694.8	6234.3	6939.8	7729.4
EBITDA margin (%)	30.3	30.9	31.5	31.6
Adjusted PAT	2035.8	2328.4	2571.5	2827.1
Adjusted EPS (Rs.)	8.2	9.4	10.4	11.4
P/E (x)	88.8	77.4	70.0	63.9
P/B (x)	4.7	4.5	4.3	4.0
EV/EBIDTA (x)	92.0	82.4	72.7	64.9
RoNW (%)	5.5	6	6.3	6.6
RoCE (%)	6	6.1	6.4	6.7

Source: Sharekhan Estimates

HDFC Bank

Industry: Banking
CMP: Rs. 1,709

- The macroeconomic outlook is positive, which should support asset quality and in turn lower credit costs in the near to medium term, offsetting higher upfront expansion costs and merger-related integration costs.
- We believe that structural drivers are in place with strong execution capabilities. The bank is confident of keeping long-term profitability metrics (1.9-2.1% ROA) with high teen growth.
- The bank is on track on the retail deposit mobilisation front and we believe NIMs have bottomed out. Margins should improve gradually as high-cost wholesale funding gets replaced with retail funding (CASA & retail deposits) and improving loan mix towards other retail high yielding segments.
- Valuations are reasonable and have priced in all the barring factors that could weigh down the earnings trajectory of the merged entity. The probability of further de rating is very bleak. The stock trades at 2.2x/1.9x its FY2026E/FY2025E core BV estimates. We maintain Buy rating with an PT of Rs. 1,900.
- **Key risks**: Slower deposit mobilisation; economic slowdown; tech outages.

3R MATRIX

	+	=	-
RS	✓		
RQ	✓		
RV	✓		

Stock data

Market Cap (Rs. cr)	12,95,391
52-wk High-Low (Rs.)	1,758/1,460
NSE Volumes	193.7 lakh
BSE code:	500180
NSE code:	HDFCBANK
Promoter's share (%)	-

Stock Performance

(%)	6M	12M
Absolute	1.8	4.7
Relative to Sensex	-11.5	-14.2

Valuation summary Rs. crore

Particulars	FY23	FY24E	FY25E	FY26E
Net Interest Income	1,06,090	1,18,841	1,51,457	1,76,124
Net Profit	60,348	64,205	78,751	88,086
EPS (Rs)	85.9	91.4	107.5	120.3
RoE (%)	18.5	14.8	16.0	15.3
RoA (%)	2.3	1.9	2.0	2.0
P/E (x)	17.7	16.7	14.2	12.7
P/BV (x)	2.8	2.5	2.2	1.9

Source: Sharekhan Estimates

IndusInd Bank

Industry: Banking
CMP: Rs. 1,610

- The stock has re-rated itself closer to frontline banks and we expect further re-rating to occur given sustained earnings progression and strengthening of liability franchise.
- The bank is likely to outpace the sector in terms of earnings growth, led by stable margins, strong loan growth visibility and further improvement in credit costs. This should keep RoEs at ~15% in the near to medium term.
- Key focus is on strengthening franchise and delivering sustained healthy RoA/RoE trajectory with lower RWA growth..
- We have a buy rating with a TP of Rs. 1,850. The stock trades at 1.7x/1.4x its BV estimates for FY2025E/FY2026E vs. avg RoA trajectory expected at ~2.0% over the next two years.

Key risks: The economic slowdown that can lead to slower loan growth, higher-than-anticipated credit costs, slow growth in the retail liability franchise.

Valuation summary Rs. crore

Particulars	FY23	FY24E	FY25E	FY26E
Net Interest Income	17,592	20,887	24,428	28,974
Net Profit	7,390	9,183	10,336	12,721
EPS (Rs)	95.2	118.2	132.7	163.1
RoE (%)	14.4	15.5	15.0	15.8
RoA (%)	1.7	1.9	1.9	2.0
P/E (x)	16.9	13.6	12.2	9.9
P/BV (x)	2.3	2.0	1.7	1.4

Source: Sharekhan Estimates

3R MATRIX

	+	=	-
RS	✓		
RQ		✓	
RV	✓		

Stock data

Market Cap (Rs. cr)	1,25,343
52-wk High-Low (Rs.)	1,612/990
NSE Volumes	33.2 lakh
BSE code:	532187
NSE code:	INDUSINDBK
Promoter's share (%)	16.5

Stock Performance

(%)	6M	12M
Absolute	22.6	34.8
Relative to Sensex	7.6	15.2

Larsen & Toubro (L&T)

Industry: Capital Goods
CMP: Rs. 3,518

- L&T is an Indian multinational company engaged in technology, engineering, construction, manufacturing, and financial services and is one of the largest engineering conglomerates in India's private sector. The company operates in over 30 countries worldwide.
- Order book stood at Rs. 4.5 lakh crore, up 22% y-o-y and 2.4x TTM consolidated revenues as of Q2FY24. The strong order inflows and lifetime higher order book provide healthy revenue visibility over the next two years. Order prospects in domestic and international markets remain strong at Rs. 8.8 lakh crore in the near term. The management retained order inflow and revenue growth guidance of 10-12% y-o-y and 12-15% y-o-y for FY2024, while being reasonably confident of surpassing it on the back of strong H1
- The company sees ample opportunities in the middle east region in hydrocarbon and renewables. The capex is large in this region and therefore, all players would get a fair share of the pie. The company expects 19,000-20,000 crore of orders to be awarded in the defence segment in the near to medium term.
- L&T remains at the forefront to reap benefits from the *AtmaNirbhar Bharat* scheme with its diversified businesses across sectors such as defence, infrastructure, heavy engineering and IT and is the best proxy for domestic capex

Key risks: A slowdown in domestic macro-economic environment and geo-political conflicts on the international front can adversely impact its order prospects.

Valuation summary — Rs. crore

Particulars	FY23	FY24E	FY25E	FY26E
Revenue	183,341	211,287	239,811	269,787
EBITDA margin (%)	11.3	11.8	12.2	12.3
Adjusted PAT	10,335	12,847	15,679	18,540
Adjusted EPS (Rs.)	73.5	91.4	111.9	132.3
P/E (x)	47.9	38.5	31.4	26.6
P/B (x)	5.5	4.9	4.2	3.7
EV/EBIDTA (x)	23.4	19.1	15.7	13.2
RoNW (%)	14.6	16.1	17.3	17.7
RoCE (%)	8.5	10.3	11.8	13

Source: Sharekhan Estimates

3R MATRIX

	+	=	-
RS	✓		
RQ	✓		
RV	✓		

Stock data

Market Cap (Rs. cr)	4,94,567
52-wk High-Low (Rs.)	3560/2058
NSE Volumes	18.3 lakh
BSE code:	500510
NSE code:	LT
Promoter's share (%)	0.0

Stock Performance

(%)	6M	12M
Absolute	45	66
Relative to Sensex	32	47

Hero MotoCorp

Industry: Automobiles
CMP: Rs. 4174

- While HMCL has been a strong mass-market player it has been gradually strengthening its presence in premium motorcycle segment also. Its efforts have started paying dividend as it enjoys an order book of over 25,000 units for Harley Davidson X 440 (HD X 440) and over 14000 units for Karizma.
- With a recovery in EBITDA margins, we believe that HMCL gets headroom to stimulate demand in its key markets for entry-level products as after premium category, 125-cc segment has already recovered, given rural demand has also partially recovered during festive season. Management continues to target a 14-16% EBITDA margin.
- HMCL is benefiting by expansion of product portfolio. New products are getting a healthy response in the market and attractive financing schemes are attracting entry-level customers as well. After the success of *Harley Davidson X 440*, HMCL is expected to launch a new product from the 440 platform in the coming quarters.
- We believe that a healthy recovery in EBITDA margins, strong response to *HD X 440*, continuous focus on premiumisation, expansion of its EV market and a likely revival in rural sales augurs well for HMCL. Further a listing of Ola Electric would unlock the value of its investment in Ather Energy, given that the firm enjoys 12% market share in electric two-wheeler market.
- **Key risks**: As HMCL is looking for aggressive product launch plans and hence exposed to product failure risk. Rise in RM cost and rise in competition along with delay in recovery in rural market would stem its growth prospects.

Valuation summary — Rs. crore

Particulars	FY23	FY24E	FY25E	FY26E
Revenue	33,806	37,825	41,450	45,196
EBITDA margin (%)	11.8	13.0	13.5	14.2
Adjusted PAT	2,911	3,680	4,198	4,812
Adjusted EPS (Rs.)	146	184	210	241
P/E (x)	28.6	22.7	19.9	17.3
P/B (x)	5.0	4.5	4.1	3.7
EV/EBIDTA (x)	18.2	14.7	12.8	11.1
RoNW (%)	17.4	20.0	20.7	21.2
RoCE (%)	17.0	19.5	20.2	20.8

Source: Sharekhan Estimates

3R MATRIX

RS	✓		
RQ	✓		
RV	✓		

Stock data

Market Cap (Rs. cr)	83,383
52-wk High-Low (Rs.)	Rs 4192/ 2,246
NSE Volumes	6.1 lakh
BSE code:	500182
NSE code:	HEROMOTOCO
Promoter's share (%)	34.8

Stock Performance

(%)	6M	12M
Absolute	50.0	50.5
Relative to Sensex	35.4	33.2

Lupin

Industry: Pharmaceuticals
CMP: Rs. 1339

- Lupin received an Establishment Inspection Report (EIR) for the Pithampur Unit-2 in July 2023, post which it intends to launch 4-5 ophthalmic products from that unit. Recently, Lupin received approval from the USFDA for loteprednol Etabonate Ophthalmic Suspension, 0.2% where it doesn't face competition.
- Its wholly-owned subsidiary Lupin Atlantis Holdings recently acquired Sanofi's products like *AARANE* and *NALCROM* for European and Canadian markets, respectively to focus on its respiratory portfolio.
- Lupin recently launched gSpiriva which is gaining momentum. Though USFDA has not given an exclusivity right, we believe Lupin will not face competition until FY26E as only 2 players have filed for the product.
- We factor in gSpiriva's sales of $100 million in FY26E, which brings Lupin's US FY26 sales to $1 billion, EBITDA margin to a five-year high of 21% and raises EPS by 11% to Rs 60 per share. At CMP, the stock trades at ~29x/~22x its FY2025E/FY2026E revised earnings. As the company's margin profile is expected to increase in-line with its peers, we upgrade to BUY with a revised PT of Rs. 1,500.
- **Key risks:** Regulatory compliance risks, including delay in product approvals; 2) Currency risk; and 3) Delay in resolution of USFDA observations for the Mandideep and Tarapur units.

Valuation summary

Rs. crore

Particulars	FY23	FY24E	FY25E	FY26E
Revenue	16,270	18,761	20,847	23,682
EBITDA M (%)	10.6	16.1	19.6	21.3
PAT	448	1,497	2,072	2,767
EPS	7.7	32.4	44.9	60.0
RoCE (%)	5.2	12.1	15.4	18.6
RoE (%)	2.9	11.3	14.1	16.7
Core P/E (x)	172.8	41.3	29.8	22.3

Source: Sharekhan Estimates

3R MATRIX

	+	=	-
RS	✓		
RQ	✓		
RV	✓		

Stock data

Market Cap (Rs. cr)	60,981
52-wk High-Low (Rs.)	1,343/628
NSE Volumes	35.17 lakh
BSE code:	50057
NSE code:	LUPIN
Promoter's share (%)	47.06

Stock Performance

(%)	6M	12M
Absolute	50.6	82.8
Relative to Sensex	37.3	64.0

Artemis Medicare Services Ltd

Industry: Hospitals
CMP: Rs. 176

- Artemis Medicare enjoys leadership positioning in the hospitals segment in Gurgaon, where it enjoys a sustainable business model. The company is on a capacity expansion spree; aiming to almost treble its current capacity of 713 beds in multi-speciality hospitals to ~2000 beds in 3-5 years.
- Artemis has plans to expand its bed capacity across its hospital facilities. Tower-2 of its flagship facility in Gurgaon recently started operations in tranches with 541 beds. As Tower 2 gets fully operational along with a third tower, the Gurgaon facility aims to have 1100 operational beds by FY26E
- The company also plans to set up another 100-bed asset-light children's facility in Haryana and Delhi NCR that would be operational by FY25E. As Artemis Lite and Artemis Daffodils are asset-light brands, capital requirement is minimum at Rs. ~5 crore per hospital, which aids good ROCEs in 2.5-3 years
- We believe that Artemis' blended EBITDA margin to increase to 17.5% in FY26 from 13% in FY23 driven by multiple factors like 1) A 4% rise in ARPOB for flagship Gurgaon facility and a 3% rise for ARPOB of asset-light hospitals, 2) Increasing total bed count to ~1600 beds by FY26E with operational bed count at 1365 by FY26E that would lead to a healthy product mix and slash fixed costs by 1.5-2% over a period of 2-3 years to result in EBITDA margin expansion
- **Key risk:** Any delay in operating 3rd tower in Gurgaon hospital would impact our earnings estimates, Increase in competition from top players would act as a key risk to our earnings estimates and profitability.

Valuation summary — Rs. crore

Particulars	FY23	FY24E	FY25E	FY26E
Revenue	737	984	1369	1845
EBITDA margin (%)	12.7%	14.0%	15.0%	17.5%
Adjusted PAT	38	62	80	128
Adjusted EPS (Rs.)	2.8	4.6	6.0	9.6
P/E (x)	62.1	38.2	29.4	18.4
P/B (x)	5.9	5.1	4.3	3.5
EV/EBIDTA (x)	27.6	19.0	12.9	8.3
RoNW (%)	9%	13%	15%	19%
RoCE (%)	9%	10%	13%	15%

Source: Sharekhan Estimates

3R MATRIX

	+	=	-
RS	✓		
RQ	✓		
RV	✓		

Stock data

Market Cap (Rs. cr)	52391
52-wk High-Low (Rs.)	186/60
NSE Volumes	2.2 lakh
BSE code:	542919
NSE code:	ARTEMISMED
Promoter's share (%)	68.03

Stock Performance

(%)	6M	12M
Absolute	48.4	134.5
Relative to Sensex	35.2	115.6

Bank of India

Industry: Banking
CMP: Rs. 113

- Stock continues to outperform, given a strong asset quality outlook which should boost RoA closer to ~ 1%. RoA in H2FY2024 is expected to reach ~1.0% and sustain going ahead in near to medium term.
- Strong sector tailwinds are supporting the overall performance. Loan growth momentum is also expected to be healthy led by resurgence in MSMEs and corporate credit growth going ahead, while the retail segment continues to perform well.
- The bank has been guiding that quality of loans sanctioned/disbursed in post-COVID times is far superior with very low delinquency. Thus, lower slippages trends is likely to sustain and narrow the perceived gap in underwriting with respect to peers.
- We believe valuations are expected to inch higher as the return ratio improves in the coming quarters on the back of healthy loan growth, stable margins and lower credit cost. At CMP, the stock trades at 0.7x/0.6x its FY25E/26E BV estimates. We have a buy rating with a TP of Rs. 120.

Key risks: Economic slowdown, which could result in slower loan growth, higher-than-anticipated credit cost and lower-than-expected margins.

Valuation summary Rs. crore

Particulars	FY23	FY24E	FY25E	FY26E
Net Interest Income	20,275	23,787	25,562	27,787
Net Profit	4,023	7,150	9,321	9,809
EPS (Rs)	9.8	15.7	20.5	21.5
RoE (%)	7.1	11.0	12.4	11.6
RoA (%)	0.5	0.8	1.0	1.0
P/E (x)	11.4	7.1	5.5	5.2
P/BV (x)	0.9	0.8	0.7	0.6

Source: Sharekhan Estimates

3R MATRIX

	+	=	-
RS	✓		
RQ		✓	
RV	✓		

Stock data

Market Cap (Rs. cr)	50,739
52-wk High-Low (Rs.)	121/66
NSE Volumes	176.9 lakh
BSE code:	532149
NSE code:	BANKINDIA
Promoter's share (%)	73.4

Stock Performance

(%)	6M	12M
Absolute	28.7	55.6
Relative to Sensex	15.5	36.7

Kirloskar Oil Engines Ltd (KOEL)

Industry: Capital Goods
CMP: Rs. 661

- KOEL the flagship company of the Kirloskar Group, is one of the world's largest generating set manufacturers, specialising in both air-cooled and water-cooled engines (2.5 HP to 740 HP), and diesel generating sets across a wide range of power output from 5 kVA to 3,000 kVA
- The company has expanded its fuel agnostic CPCB IV+ compliant '**Optiprime**' gensets range and is aiming to increase market share in data center and infrastructure segments. We believe the company is well poised to benefit from sector tailwinds such as PLI schemes, infrastructure spending by the government, and power deficit.
- KOEL is seeing strong demand for retrofit dual fuel kits and emission-control devices in CPCB – II gensets (post deadline extension for the implementation of CPCB IV+ norms to July 2024). Moreover, demand for CPCB-IV plus gensets is expected to pace up in H2FY2024.
- The company is a leading player in the back-up power market and has a healthy balance sheet and a lean working capital cycle. We build in a Revenue/PAT CAGR of 9%/18% (FY2023-FY2025E).
- **Key risks:** A slowdown in the domestic and overseas macro-environment can negatively affect the business outlook and earnings growth.

Valuation summary Rs. crore

Particulars	FY23	FY24E	FY25E	FY26E
Revenue	4,116	4,482	5,252	6,056
EBITDA margin (%)	10.4	11.3	11.9	12.3
Adjusted PAT	270	330	421	508
Adjusted EPS (Rs.)	18.7	22.8	29.1	35.1
P/E (x)	35.3	29.0	22.7	18.8
P/B (x)	5.0	4.6	4.3	3.8
EV/EBIDTA (x)	21.2	18.0	14.5	11.9
RoNW (%)	14.2	16.0	18.8	20.7
RoCE (%)	18.9	21.0	24.7	27.3

Source: Sharekhan Estimates

3R MATRIX

	+	=	-
RS	✓		
RQ	✓		
RV	✓		

Stock data

Market Cap (Rs. cr)	9,576
52-wk High-Low (Rs.)	679/288
NSE Volumes	4.7 lakh
BSE code:	533293
NSE code:	KIRLOSENG
Promoter's share (%)	41.2

Stock Performance

(%)	6M	12M
Absolute	69	110
Relative to Sensex	57	92

Radico Khaitan Ltd (RKL)

Industry: Breweries & Distilleries
CMP: Rs. 1,652

- RKL has transformed itself into a leading IMFL player from just a distillery player with premiumisation driving growth. RKL's Premium & Above (P&A) segment reported a 13% volume CAGR over FY2018-23. P&A volume contribution has gone up to 33% in FY23 (versus 26% in FY18), with seven brands crossing one million cases volume. RKL expects strong growth trajectory in premium brands to continue. Further, RKL is focusing on launching products in the brown and white spirits, targeting the premium/luxury segment to consistently gain share in key markets and outpace the industry.
- Commissioning of the Sitapur facility, price hikes and premiumization will help in consistent margin improvement in the coming quarters. It targets EBIDTA margins to reach 14-15% by FY2024-end and expects margins to improve by 300-350 bps to high teens over the next three years.
- This along with improved cash flows led by better working capital management will help to reduce debt in the coming years. Return profile is expected to improve with RoE/RoCE likely to improve to 17%/20% in FY2026E from 9%/10% in FY2023.
- Growth led by premiumsation and focus on leaner balance sheet makes it a strong play in domestic liquor space. Stock trades at 48x/40x its FY2025E/26E EPS.
- **Key Risks**: Slow expansion in EBIDTA margins due to change in liquor policies in key states/sustained increase in excise rate on liquor or volatile increase in the raw material prices would act as a key risk to our earnings estimates in the near to medium term.

Valuation summary

Rs. crore

Particulars	FY23	FY24E	FY25E	FY26E
Revenue	3,143	3,828	4,438	5,111
OPM (%)	11.4	14.0	16.6	16.9
Adjusted PAT	204	311	458	559
Adjusted EPS (Rs.)	16.5	23.3	34.3	41.8
P/E (x)	-	70.8	48.1	39.5
P/B (x)	10.0	8.9	7.6	6.5
EV/EBITDA (x)	63.0	41.5	29.9	25.2
RoNW (%)	9.3	12.6	15.9	16.5
RoCE (%)	9.8	14.0	18.7	20.0

Source: Sharekhan Estimates

3R MATRIX

	+	=	-
RS	✓		
RQ	✓		
RV		✓	

Stock data

Market Cap (Rs. cr)	22,085
52-wk High-Low (Rs.)	1,882 / 971
NSE Volumes	3.3 lakh
BSE code:	532497
NSE code:	RADICO
Promoter's share (%)	40.3

Stock Performance

(%)	6M	12M
Absolute	36.1	67.5
Relative to Sensex	22.8	48.6

Subros Ltd

Industry: Automobiles
CMP: Rs. 551

- Subros has a 42% market share in the passenger vehicle (PV) ACs segment and a rise in PV volumes and SUV penetration augurs well for topline growth. Further, Mandatory installation of ACs in commercial vehicle (CV) cabins from January 2025 would expand its addressable market. Subros is aspiring for a market share of 45% in the PV AC segment and 55% in the CV AC segment in the long term.
- Subros mirrors MSIL's performance as the latter's EBITDA margins bottomed out in FY22 and as a revival has been seen from FY23, we expect Subros' EBITDA margins could have bottomed out in FY23 and a revival would be seen from FY24 onwards. Subros' margins have started recovering from Q2FY24 and the management is looking for a further recovery on cost efficiencies, fall in logistics cost and continued localization. Management targets EBITDA margin of 10% in the near term and 12% in the long term.
- Company has been gaining wallet share with M&M on orders for its new models as it already enjoys a 75% wallet share with MSIL. Along with that it has been receiving healthy orders from railway segment.
- We believe that a revival in margin trajectory demands a re-rating for the stock. An upcycle in the PV segment, addition of new programs with enriched product mix and its focus on increasing revenue from non-PV segment along with continued efforts for localization augurs well for the company. With the expectation of higher bottom-line growth in comparison to topline growth on EBITDA margin revival and reduction in tax rate in the next two years, we maintain remain positive on the stock.
- **Key risks**: Correction in the PV growth cycle, sharp rise in raw-material cost, delay in execution of projects at client's end, and inability to sustain recovery in EBITDA margin.

Valuation summary — Rs. crore

Particulars	FY23	FY24E	FY25E	FY26E
Revenue	2806	3100	3298	3672
EBITDA margin (%)	6.0	8.5	9.6	10.0
Adjusted PAT	48.1	101.2	145.6	176.0
Adjusted EPS (Rs.)	7.4	15.5	22.3	27.0
P/E (x)	74.7	35.5	24.7	20.4
P/B (x)	4.1	3.7	3.3	2.9
EV/EBIDTA (x)	20.9	13.2	11.0	9.5
RoNW (%)	5.5	10.5	13.3	14.0
RoCE (%)	6.0	10.9	13.6	14.2

Source: Sharekhan Estimates

3R MATRIX

	+	=	-
RS	✓		
RQ	✓		
RV	✓		

Stock data

Market Cap (Rs. cr)	3,594
52-wk High-Low (Rs.)	Rs 578/272
NSE Volumes	1.6 lakh
BSE code:	500493
NSE code:	SUBROS
Promoter's share (%)	36.8

Stock Performance

(%)	6M	12M
Absolute	52.7	72.8
Relative to Sensex	38.1	51.8

Wonderla Holidays (WHL)

Industry: Consumer Discretionary
CMP: Rs. 835

- WHL **is one of the top entertainment companies in India, with three amusement parks in Kochi, Bengaluru, and Hyderabad and owns a resort near its Bengaluru Park**. The company is setting up new parks in Odisha and Chennai with a capex of ~Rs. 400 crore (largely funded through internal accruals).
- Change in focus to attract more walk-in visitors through marketing activities, arranging of special events twice a month and addition of new attractions have aided in a sharp rise in footfalls (improved to 33 lakh in FY23 vs. 24-25lakh footfalls in FY15-19). New parks will incrementally add footfalls from FY2025-26.
- WHL is focusing on an asset-light model to enter new markets by signing lease-land agreement with various state governments. This will help WHL to generate high cash flows, which will be utilised to add attractions in new and existing parks. WHL is in talks with states such as Punjab, Gujarat, Madhya Pradesh and Uttar Pradesh to set-up new parks.
- Attractive valuations of 14x/10x its FY25E/FY26E EV/EBIDTA, a sturdy balance sheet despite a huge capex and double-digit earnings visibility makes WHL a comfortable play in discretionary space.

Key risks: Any slowdown in footfalls in existing parks due to unavoidable delays in events, erratic weather or a delay in commencement of new parks would act as key risk to our earnings estimates.

Valuation summary Rs. crore

Particulars	FY23	FY24E	FY25E	FY26E
Revenue	429	513	653	867
EBITDA margin (%)	49.3	46.9	47.9	49.3
Adjusted PAT	149	162	211	291
Adjusted EPS (Rs.)	26.3	28.7	37.4	51.4
P/E (x)	31.9	29.3	22.5	16.3
P/B (x)	5.0	4.3	3.7	3.0
EV/EBITDA (x)	21.3	18.7	14.2	9.9
RoNW (%)	17.0	15.9	17.7	20.3
RoCE (%)	21.0	19.8	22.3	25.9

Source: Sharekhan Estimates

3R MATRIX

	+	=	-
RS	✓		
RQ	✓		
RV	✓		

Stock data

Market Cap (Rs. cr)	4,722
52-wk High-Low (Rs.)	996 / 326
NSE Volumes	1.7 lakh
BSE code:	538268
NSE code:	WONDERLA
Promoter's share (%)	69.7

Stock Performance

(%)	6M	12M
Absolute	43.9	149.3
Relative to Sensex	30.6	130.5

CESC Ltd

Industry: Power
CMP: Rs. 130

- CESC had indicated its plan to set up up to 3GW of renewable power generation capacity over next 4-5 years and the same would significantly improve the share of power generation portfolio going forward. We believe that RE capacity addition plan comes on the backdrop of the Power Ministry mandate to meet RE purchase obligation of its power distribution business.
- A shift towards renewable energy (RE) assets is the right step as apart from fueling growth it would also help alleviate ESG concern and could act as a key re-rating catalyst for CESC.
- Potential turnaround of distribution business of Rajasthan (expected in FY24), Malegaon, and Chandigarh (yet to become operational) would create long-term value for investors.
- Noida Power has strong financials with an EBITDA of Rs. 250 crore, RoE much higher than the regulated return of 15%, and cash of Rs. 800 crore. CESC is also witnessing strong growth of 12-15% and, thus, we see better value for Noida Power.

Key risk: Sustained losses in distribution franchisees for an extended period and lower utilisation at the Chandrapur plant.

Valuation summary Rs. crore

Particulars	FY23	FY24E	FY25E	FY26E
Revenue	8,087	8,684	9,120	9,434
EBITDA margin (%)	17.0	17.5	18.5	18.5
Adjusted PAT	811	959	1,082	1,122
Adjusted EPS (Rs.)	6.1	7.2	8.2	8.5
P/E (x)	21.5	18.2	16.1	15.5
P/B (x)	1.6	1.5	1.5	1.4
EV/EBIDTA (x)	16.6	14.6	12.7	11.8
RoNW (%)	7.9	8.9	9.4	9.1
RoCE (%)	6.7	7.8	8.3	8.2

Source: Sharekhan Estimates

3R MATRIX

	+	=	-
RS	✓		
RQ	✓		
RV	✓		

Stock data

Market Cap (Rs. cr)	17211
52-wk High-Low (Rs.)	133/62
NSE Volumes	72.3 lakh
BSE code:	500084
NSE code:	CESC
Promoter's share (%)	52.11

Stock Performance

(%)	6M	12M
Absolute	79.7	68.0
Relative to Sensex	67.8	49.6

Hindware Home Innovation Ltd (HHIL)

Industry: Building Materials
CMP: Rs. 497

- HHIL manufacturers branded building products and consumer appliances and commands a leading position in sanitaryware, faucets, plastic pipes, fittings, and premium tiles under the brand name of 'Hindware' Moonbow, TRUFLO and furniture retail business under the name of 'Evoke'.
- HHIL is on a robust long-term growth trajectory, led by its dominant position in bathwater, a high-growing piping business, and innovation-led new product introductions in consumer appliances businesses.
- The management retained its guidance of 1.25-1.5x of the market growth rate for revenues. The management expects OPM to improve by 200 bps over the next 2-4 quarters.
- A strong brand recall, distinctive distribution channels across business segments, innovation-led solid product basket, and strategic partnerships with trade allies and suppliers provide the requisite competitive advantage to drive sustainable growth.

Key risks:. Slowdown in domestic housing demand and commercial projects. Increased key raw-material prices and inability to pass it on to end-consumers.

Valuation summary Rs. crore

Particulars	FY23	FY24E	FY25E	FY26E
Revenue	2873.3	3144.5	3556.7	3986.7
EBITDA margin (%)	8.6	11.4	12.2	12.6
Adjusted PAT	66	128	182.5	239.1
Adjusted EPS (Rs.)	9.1	17.7	25.2	33.1
P/E (x)	54.6	28.1	19.7	15.0
P/B (x)	6.1	5.2	4.3	3.3
EV/EBIDTA (x)	17.5	12.0	10.0	8.6
RoNW (%)	12	20.4	24	25.2
RoCE (%)	12	15.1	17.7	19.7

Source: Sharekhan Estimates

3R MATRIX

	+	=	-
RS	✓		
RQ	✓		
RV	✓		

Stock data

Market Cap (Rs. cr)	3,592
52-wk High-Low (Rs.)	664/325
NSE Volumes	1.37 lakh
BSE code:	542905
NSE code:	HINDWAREAP
Promoter's share (%)	51.3

Stock Performance

(%)	6M	12M
Absolute	-11.	21
Relative to Sensex	-25	2

Sterling Tools

Industry: Automobiles
CMP: Rs. 343

- The company is strategically focusing on rising content per vehicle, product development and customer acquisition to enhance its future growth potential. It is aiming to expand product portfolio in EV business.
- With overall 16 contracts in hand in the EV space, the company has been in discussion with over 40 customers for a business. Further, its ongoing capex of double the MCU capacity is on track. A significant E LCV launches in FY25 would offer it an opportunity to increase content per vehicle.
- Given its strong market positioning, STL is expected to maintain traction in the traditional fasteners business driven by its strong association with its clients and systematic product development.
- We stay positive on Sterling Tools in expectation of rise in content per vehicle in EV business on beginning of supply to LCVs, better blended EBITDA margin, continued traction in electric two-wheeler space and its dominant position in fastener business.
- **Key risks** : Delay in launch of LCVs by its customers and continued pressure on electric two-wheeler segment due to cut down in subsides. Besides, the performance of fastener business is dependent on traction in CV and tractor segment.

Valuation summary Rs. crore

Particulars	FY23	FY24E	FY25E	FY26E
Revenue	772	912	1,129	1,302
EBITDA margin (%)	12.6	12.8	13.7	13.7
Adjusted PAT	44.4	57.8	84.2	98.8
Adjusted EPS (Rs.)	12.3	16.1	23.4	27.4
P/E (x)	27.8	21.4	14.7	12.5
P/B (x)	3.1	2.7	2.3	2.0
EV/EBIDTA (x)	13.3	10.1	7.7	6.7
RoNW (%)	11.8	13.5	17.0	17.0
RoCE (%)	10.2	11.5	14.5	14.8

Source: Sharekhan Estimates

3R MATRIX

	+	=	-
RS	✓		
RQ	✓		
RV	✓		

Stock data

Market Cap (Rs. cr)	1,236
52-wk High-Low (Rs.)	Rs457 /244
NSE Volumes	1.8 lakh
BSE code:	530759
NSE code:	SterTools
Promoter's share (%)	65.8

Stock Performance

(%)	6M	12M
Absolute	-5.2	27.2
Relative to Sensex	-19.9	9.8

Strides Pharma

Industry: Pharmaceuticals
CMP: Rs. 642

- Strides Pharma (Strides) board has approved to demerge soft gelatin CDMO business from Strides Pharma into Onesource with a swap ratio of 1:2 where Strides' shareholders to receive 1 share of OneSource for every 2 shares of Strides.
- Shareholders of Strides Pharma are expected to benefit as CDMO business is a high entry barrier business with strong growth prospects while standalone business is on the verge of turnaround with gradual recovery in profitability driven by better product mix
- Company's net debt/EBITDA as of FY2023 stood at 5.3x. As of H1FY2024, it improved to 3.3x. After divesting its CDMO business, the company expects EBITDA for FY2024E to be at Rs. 700 crore and Rs. 900 crore in FY2025E, which will aid in bringing net debt/EBITDA to less than 3x in FY2024.
- Stock is currently trading at an attractive valuation of 18x its FY2025 EPS of Rs. 35.4 and 14.9x FY2026E EPS of Rs. 43.2 on adjusted basis vs. its peers, which are trading at ~14.7x/12x its FY2024E/FY2025E EPS, indicating attractive valuation levels for the stock.
- **Key risk:** Any change in the regulatory landscape and adverse forex movements can affect earnings prospects. Any contagion effect of the banking crisis, macro headwinds and a possible recession in the US are likely to moderate the pace of technology spending.

Valuation summary — Rs. crore

Particulars	FY23	FY24E	FY25E	FY26E
Revenue	3688.4	4260.6	4905.9	5487.3
OPM (%)	11.7	17.3	18.6	18.7
Adjusted PAT	81.1	202.8	333.0	406.3
Adjusted EPS (Rs.)	8.6	21.6	35.4	43.2
P/E (x)	74.4	29.8	18.1	14.9
P/B (x)	2.7	2.7	2.6	2.7
EV/EBIDTA (x)	20.2	11.5	9.4	8.3
RoNW (%)	-9.2	3.2	8.6	10.9

Source: Sharekhan Estimates

3R MATRIX

	+	=	-
RS	✓		
RQ	✓		
RV	✓		

Stock data

Market Cap (Rs. cr)	5889
52-wk High-Low (Rs.)	665/268
NSE Volumes	5.82 lakh
BSE code:	532531
NSE code:	STAR
Promoter's share (%)	27.78

Stock Performance

(%)	6M	12M
Absolute	49.5	81.4
Relative to Sensex	36.3	62.5

Gujarat Fluorochemicals Ltd

Industry: Chemicals
CMP: Rs. 3640

- The fluoropolymers space is growing rapidly, while global capacity addition are limited given strict regulations by western countries and thus, we believe that fluoropolymer space would outperform overall growth in the specialty chemicals sector along strong pricing environment for key products (PTFE, FKM, PVDF, etc).
- Management expects fluoropolymers volumes to improve mainly due to phasing out of destocking, pickup in the demand in US and positive impact of exit of legacy players.
- New fluoropolymer capacity of 1400-1500 tonnes to be ramped in phased manner and will be utilised over the next year which bode well for the company's long-term growth. Launch of new fluoropolymers and optimisation of product portfolio are expected to boost its blended realisations.
- Integrated LiPF6 and electrolyte plants are in advanced stages of commissioning and company expect to start sending sampling shipment to customers soon.

Key risks: Delay in commissioning/execution of new fluoropolymers projects. Weakness in demand/price of new fluoropolymers, Fluorospeciality, PTFE and ref-gas.

Valuation summary Rs. crore

Particulars	FY23	FY24E	FY25E	FY26E
Revenue	5,685	4,958	6,141	7,068
OPM (%)	34.6	25.9	30.2	30.7
Adjusted PAT	1,329	742	1,162	1,369
% YoY growth	69.0	(44.1)	56.5	17.8
Adjusted EPS (Rs.)	121.0	67.6	105.8	124.6
P/E (x)	29.3	52.4	33.5	28.4
P/B (x)	7.0	6.2	5.3	4.5
EV/EBIDTA (x)	20.5	31.2	21.6	17.3
RoNW (%)	27.2	12.6	17.1	17.0

Source: Sharekhan Estimates

3R MATRIX

	+	=	-
RS	✓		
RQ	✓		
RV	✓		

Stock data

Market Cap (Rs. cr)	39,982
52-wk High-Low (Rs.)	3693/2534
NSE Volumes	2.9 lakh
BSE code:	542812
NSE code:	FLUOROCHEM
Promoter's share (%)	64

Stock Performance

(%)	6M	12M
Absolute	25	16
Relative to Sensex	13	-2

The 3R Research Philosophy

Understanding the Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiples.

Disclaimer

This information/document has been prepared by Sharekhan Ltd. (SHAREKHAN) and is intended for use only by the person or entity to which it is addressed to. This Document may contain confidential and/or privileged material and is not for any type of circulation and any review, retransmission, or any other use is strictly prohibited. This information/ document is subject to changes without prior notice.

Recommendation in reports based on technical and derivatives analysis is based on studying charts of a stock's price movement, trading volume, outstanding positions, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals. However, this would only apply for information/document focused on technical and derivatives research and shall not apply to reports/documents/information focused on fundamental research.

This information/document does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same, not all customers may receive this report at the same time. SHAREKHAN will not treat recipients as customers by virtue of their receiving this information/report.

The information contained herein is obtained from publicly available data or other sources believed to be reliable and SHAREKHAN has not independently verified the accuracy and completeness of the said data and hence it should not be relied upon as such. While we would endeavour to update the information herein on reasonable basis, SHAREKHAN, its subsidiaries and associated companies, their directors and employees ("SHAREKHAN and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent SHAREKHAN and affiliates from doing so. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Recipients of this report should also be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved) and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. We do not undertake to advise you as to any change of our views. Affiliates of Sharekhan may have issued other recommendations/ reports that are inconsistent with and reach different conclusions from the information presented in this recommendations/report.

This information/recommendation/report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject SHAREKHAN and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

The analyst certifies that the analyst might have dealt or traded directly or indirectly in securities of the company and that all the views expressed in this document accurately reflect his or her personal views about the subject company or companies and its or their securities and do not necessarily reflect those of SHAREKHAN. The analyst and SHAREKHAN further certifies that either he or his relatives or Sharekhan associates might have direct or indirect financial interest or might have actual or beneficial ownership of 1% or more in the securities of the company at the end of the month immediately preceding the date of publication of the research report. The analyst and SHAREKHAN encourages independence in research report/ material preparation and strives to minimize conflict in preparation of research report. The analyst and SHAREKHAN does not have any material conflict of interest or has not served as officer, director or employee or engaged in market making activity of the company. The analyst and SHAREKHAN has not been a part of the team which has managed or co-managed the public offerings of the company, and no part of the analyst's compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this document. Sharekhan Ltd or its associates or analysts have not received any compensation for investment banking, merchant banking, brokerage services or any compensation or other benefits from the subject company or from third party in the past twelve months in connection with the research report.

Either SHAREKHAN or its affiliates or its directors or employees / representatives / clients or their relatives may have position(s), make market, act as principal or engage in transactions of purchase or sell of securities, from time to time or may be materially interested in any of the securities or related securities referred to in this report and they may have used the information set forth herein before publication. SHAREKHAN may from time to time solicit from, or perform investment banking, or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall SHAREKHAN, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

Forward-looking statements (if any) are provided to allow potential investors the opportunity to understand management's beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment. These statements are not a guarantee of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or result expressed or implied by such forward-looking statements. Sharekhan/its affiliates undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader/investors are cautioned not to place undue reliance on forward-looking statements and use their independent judgement before taking any investment decision.

Investment in securities market are subject to market risks, read all the related documents carefully before investing. The securities quoted are for illustration only and are not recommendatory. Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on www.sharekhan.com

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited, Research Analyst Regn No.: INH000006183. CIN): - U99999MH1995PLC087498; **Registered Office:** The Ruby, 18th Floor, 29 Senapati Bapat Marg, Dadar (West), Mumbai – 400 028, Maharashtra, INDIA. Tel: 022-6115000.; **Correspondence/Administrative Office:** Gigaplex IT Park, Unit No 1001, 10th Floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai – 400 708. Tel: 022 61169000 / 61150000, Fax No. 61169699; **Other registrations of Sharekhan Ltd.:** SEBI Regn. Nos.: BSE / NSE / MSEI (CASH / F&O / CD) / MCX - Commodity: INZ000171337; DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669; **Compliance Officer:** Ms. Binkle Oza; Tel: 022-62263303; email id: complianceofficer@sharekhan.com; For any complaints/grievance, email us at igc@sharekhan.com or you may even call Customer Service desk on - 022- 41523200/022 - 69920600; **Disclaimer:** Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on www.sharekhan.com; Investment in securities market are subject to market risks, read all the related documents carefully before investing.