



3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✓	✓	✗

+ Positive = Neutral - Negative

What has changed in 3R MATRIX

	Old		New
RS	✗	↔	✓
RQ	✗	↔	✓
RV	✗	↔	✗

Reco/View

Reco: Buy	↔
CMP: Rs. 2,804	
Price Target: Rs. 3,145	↑

↑ Upgrade ↔ Maintain ↓ Downgrade

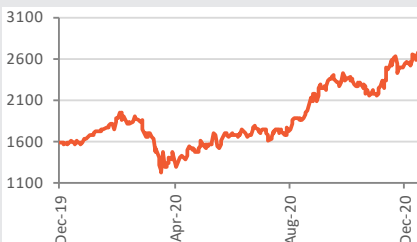
Company details

Market cap:	Rs. 36,991 cr
52-week high/low:	Rs. 2,973 / 1,142
NSE volume: (No of shares)	9.3 lakh
BSE code:	533155
NSE code:	JUBLFOOD
Free float: (No of shares)	7.7 cr

Shareholding (%)

Promoters	41.9
FII	37.9
DII	14.8
Others	5.4

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	11.1	16.4	68.9	74.9
Relative to Sensex	4.5	-3.9	29.8	61.5

Sharekhan Research, Bloomberg

Jubilant FoodWorks Limited

Ek Dum-daar move!

Consumer Discretionary

Sharekhan code: JUBLFOOD

Company Update

Summary

- Jubilant Foodworks (JFL) has expanded its platter by foraying into the Biryani segment under the brand name -Ek dum! by opening three restaurants in Gurgaon.
- This is inline with its strategy expand its portfolio to include products that Indian consumers prefer. The expected rise in QSR sector, shift to trusted brands post COVID-19 and higher ordering through online platforms will be the key growth drivers for such ventures in the near term.
- Core business recovered m-o-m (in October, business bounced back to 96%). With stores operating at optimal levels and the on-going festive/cricket season, online orders will get a boost in the near term.
- JFL is an established player with 1264 Domino's Pizzastores, wide portfolio and efficient delivery model will maintain stock's premium valuations. We maintain a Buy on the stock with a revised price target of Rs. 3145.

Jubilant Foodworks (JFL) has forayed into one of India's oft-ordered and loved food segments – Biryani, under the brand - Ek dum. The company has expanded its portfolio from pizzas to Chinese cuisines and branded gravies/sauces in the recent times. Ek dum offers 20 different types of vegetarian & non-vegetarian biryanis at reasonable prices starting at Rs. 99 (double serves are priced at Rs. 249-649), which makes it a formidable player among chain Biryani brands available in India. Industry reports suggests that India's organised biryani delivery market is worth Rs. 2,500-3000 crore (unorganised market is around Rs. 25,000 crore). Biryani is among the most ordered food items on digital platforms in the recent years (44.3 lakh orders were placed on Zomato while 5.5 lakh orders were placed on Swiggy during the COVID-19 lockdowns). Moreover, with the rising trend of social gatherings / parties happening at homes, we believe traction in large (family/party) packs will be higher considering Biryani as one of the preferred/convenient options in the foods menu. QSR industry in India is expected to clock a CAGR of 19% over CY2020-25 driven by a shift to trust brands, increase in penetration in tier 2-3 towns, rising orders through delivery platforms and improving demographics. Entry into the Biryani space provides JFL a large opportunity to gain a large pie for the QSR market especially from unorganised or standalone players (~48% of QSR domestic QSR market) in the medium to long term. If JFL manages to open 50 Ek dum stores in the next 3-4 years, the brand can generate revenues of Rs. 40-50 crore for the company (considering Rs. 0.7-1 crore of revenue per store of some of Biryani brands of India). On the core business front, business recovered to 96% in October. With the on-going festive season/cricket season (with work from home phenomena) and inter-city mobility improving, we expect the business to cross pre-COVID levels by end of Q3FY2021. We expect the company to add 100-120 stores in FY2022. This along with people shifting to trusted brands and a rise in online ordering would help JFL clock strong performance in FY2022. Introduction of delivery charges of Rs. 30 per order, lower wastage, shifting to a variable manpower model and benign input prices would help margins to remain high in the near term.

Our Call

View - Retain Buy with revised price target of Rs. 3,145: We have fine-tuned our earnings estimates to factor in better than earlier performance in the coming quarters. The launch is inline with JFL's strategy to expand its portfolio (pizzas, Chinese cuisine and now Biryani along with gravies/sauces) and would help the company gain market share from standalone players. It can leverage its delivery and store expertise in new ventures such as Chinese cuisines (Hong's Kitchen) and Indian ethnic food (Ek dum Biryani) to capture a large pie of the domestic restaurant space in the coming years. The stock is currently trading at 51.6x its FY2023E EPS. JFL is an established player in the QSR space with 1264 Domino's pizza store, expansion of portfolio and efficient delivery model that would help maintain premium valuations. We maintain our Buy recommendation on the stock with a revised price target of Rs. 3,145.

Key Risks

Any significant decline in delivery/takeaway sales due to high competition or localise lockdown due to increase in cases in the coming quarters would act as a key risk to earnings estimates in the near to medium term.

Valuations (standalone)

Particulars	FY19	FY20	FY21E	FY22E	FY23E
Revenue	3,531	3,886	3,309	4,442	5,225
OPM (%)	17.2	22.6	23.8	25.9	27.0
Adjusted PAT	331	331	259	524	717
Adjusted EPS (Rs.)	25.0	25.1	19.6	39.7	54.3
P/E (x)	111.9	111.8	142.8	70.6	51.6
P/B (x)	28.0	31.3	31.3	22.8	16.3
EV/EBIDTA (x)	59.6	43.3	47.9	32.3	25.7
RoNW (%)	27.9	26.4	21.9	37.4	36.9
RoCE (%)	40.6	28.9	18.2	29.6	33.2

Source: Company; Sharekhan estimates

Indian ethnic food segment under QSR registered strong growth over FY15-20

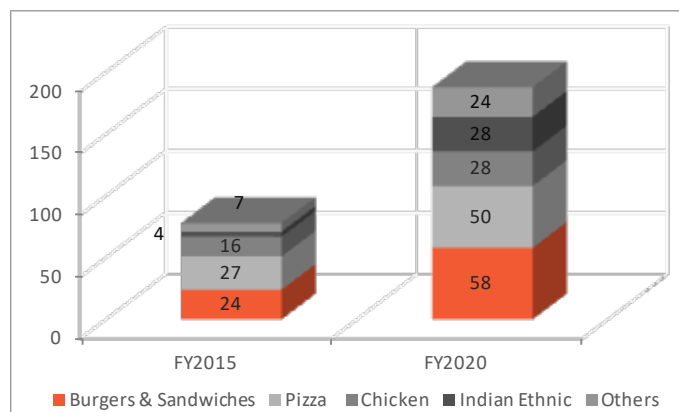
India's chain QSR market has grown at CAGR of 19% over FY2015-20 from Rs. 78 billion to Rs. 188 billion. Though burgers and pizzashave a high share in the QSR pie, the Indian ethnic food segment (including Biryanis, Kebabs, Chaat items and South Indian Food) has registered strong growth of 48% over FY2015-20. This, we believe is mainly on account of higher tendency of people ordering from restaurants or outlets in recent years.

Biryani most loved and ordered dish in India

Industry reports suggests that India's organised biryani delivery market is around Rs. 2,500-3,000 crore (unorganised market is worth ~Rs. 25,000 crore). It is apparent that Biryani has been the most-ordered food on digital platforms (44.3 lakh orders on Zomato and 5.5 lakh orders on Swiggy during the COVID-19 lockdown). Swiggy's annual report 2019 on India's food ordering habits revealed that Indians ordered an average of 95 biryanis per minute, or 1.6 biryanis per second, in 2019.

JFL starts cooking Biryani with 'Ek dum'

JFL has forayed into the Biryani segment under the brand - Ek dum. The company has expanded its portfolio from pizzas to Chinese cuisines and branded gravies/sauces in the recent times. The brand offer 20 different types vegetarian and non-vegetarian Biryani at reasonable prices starting from Rs. 99 (double serves are priced at from Rs. 249-649, which makes it formidable players among India's Biryani brands. Ek dum's range of biryanis include among others - Hyderabad Nizami Biryani, Lucknowi Nawabi Biryani, Dindigul Biryani, Kolkata Biryani, Butter Chicken Biryani, Egg Biryani, Paneer Makhni Biryani, and Tawa Chicken Biryani. Ek dum! has opened three restaurants in Gurgaon for Delivery, Takeaway and Dine-In, with more restaurants being planned in NCR over the next few months. To drive convenience and ease of ordering, Ek dum! offers an easy-to-use App, mobile and desktop websites.



Source: Sharekhan Research; Burger King India RHP



Ek dum! – A comparison with other chain Biryani brands

Brand	Biryani by Kilo	Behrouz Biryani	Biryani Blues	Ek dum!
Types of Biryani's Veg/Non-veg	8	11		20
Price range (Serves 2)	Rs325-705	Rs360-495	Rs. 345-699	Rs299-649
Side options - Kebabs/Gravy/Desserts & Breads	(4/3/3)	(7/1/4)	(5/-/4)	(10/9/12)
No of stores	44	300+	33	3
City/state of presence	20+ cities	35 cities	5 states	1 city
Revenues (Rs crore)	48	200	NA	NA
Revenue per store (Rs cr)	1.1	0.7	NA	-
Single serve value pack	N	Y	Y	Y
Combo pack (serve 2-3 people)	799-1010-1160	-	-	499-599

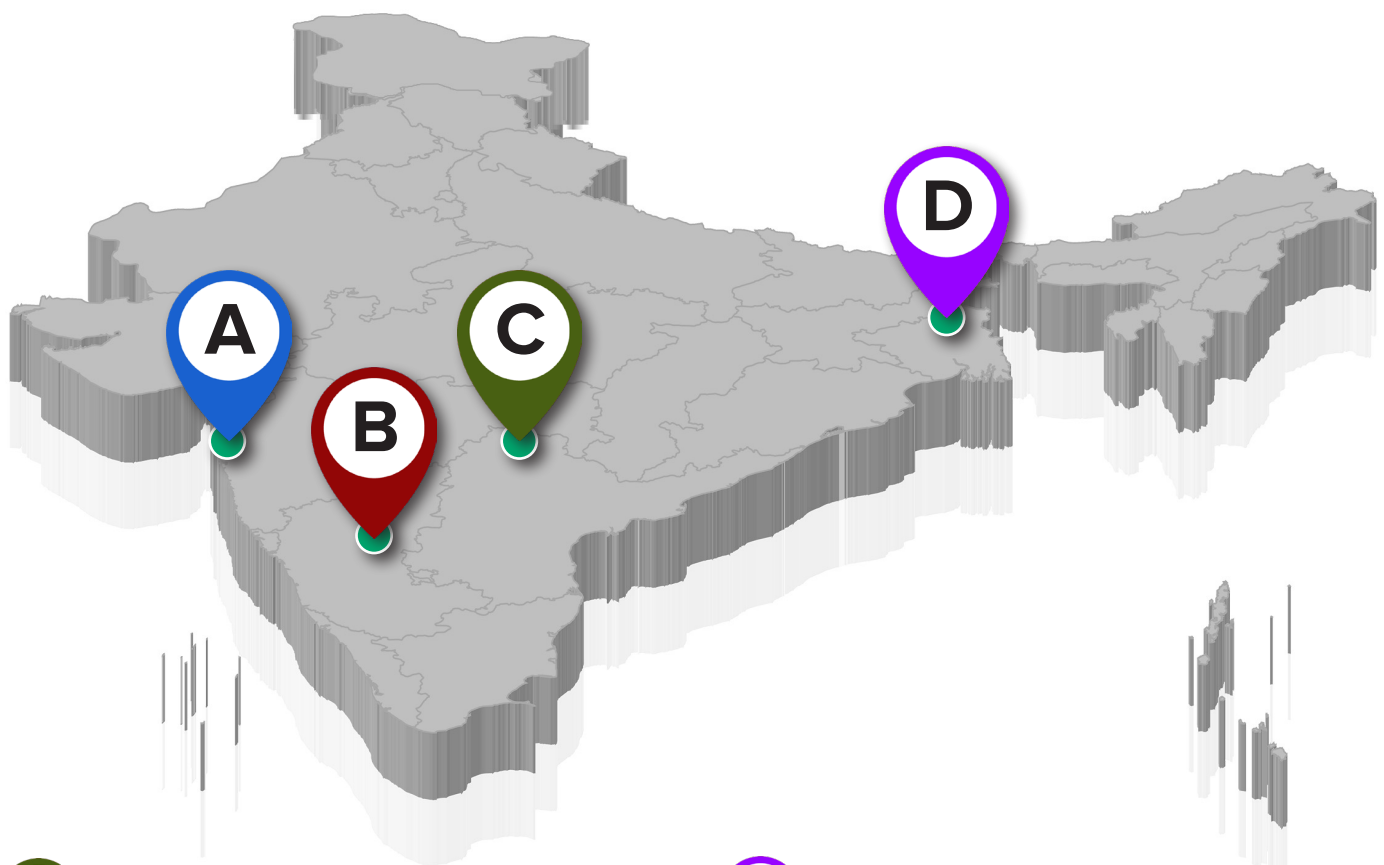
Source: Company, Sharekhan Research

Can Ekdum! compete with legendary Biryani outlets in India?

Biryani is one of the top preferred ethnic dishes in the India in the dine-out/dine-in space in India. In India, there are eight different types of Biryani depending on region and taste. There are legendary outlets in India, which are famous for Biryani of their region. JFL has launched Biryani of four different regions - Lucknowi, Hyderabadi, Dindigul and Kolkata styles. The key question is whether Ekdum can compete with legendary Biryani brands in the coming years? We believe it can compete with the legendary outlets on the basis of value offerings, combo packs, convenience and an efficient delivery model. These four factors will play major role for JFL to gain some share in India's biryani market.

A	Mumbai	Jaffer bhai's Delhi darbar	Persian Darbar
Single serve price range (veg/Non-veg)		269-359	180-310
Number of outlets in & around City		6	7
Delivery rating		4.0	3.6

B	Bangalore	Dindigul Thalappakatti	Mani's Dum Biryani
Single serve price range (veg/Non-veg)		Rs 270-305	Rs 279-299
Number of outlets in & around City		15	14
Delivery rating		3.6	4.1



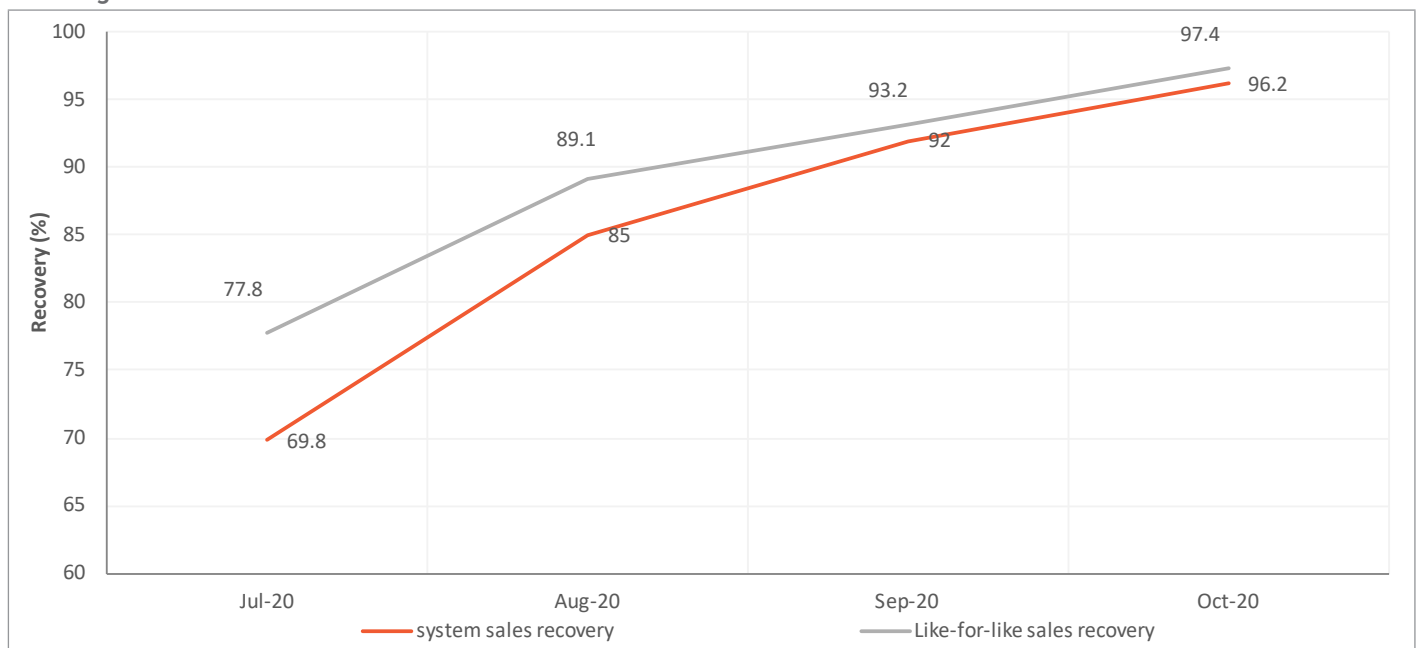
C	Hyderabad	Paradise
Single serve price range (veg/Non-veg)		Rs 209-279
Number of outlets in & around City		17
Delivery rating		4.1-4.4

D	Kolkata	Arsalan	Aminia
Single serve price range (veg/Non-veg)		Rs 195-386	Rs 180-375
Number of outlets in & around City		8	8
Delivery rating		4.1	4.2

Core pizza business recovering month on month

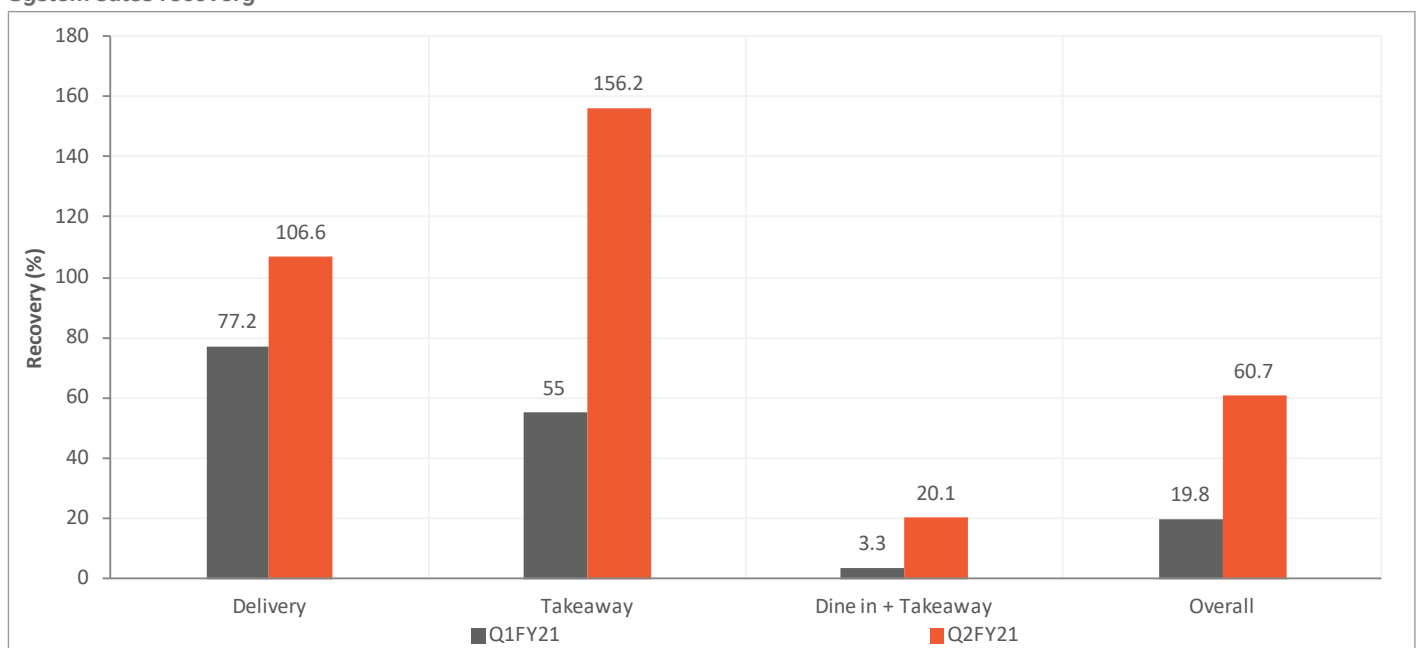
Revenues decreased by ~19% to Rs. 805.5 crore in Q2FY2021. The delivery and takeaway channel registered a growth of 5.8% and ~56%, respectively. Like-for-like same stores sales declined (excluding restaurants temporarily closed due to Covid-19) by 13% as compared to 47% decline in Q1FY2021. However India business recovered to ~96% in October with a 64% growth in takeaway and 15% growth in the delivery business. Our recent channel checks suggest that some stores in Mumbai have gradually increased operational hours till 11.00-11.30PM. Demand during the festive season was much better than that in October. Further the order during the cricketing season (as most of the population continues to work from home) was higher. So performance in Q3FY2021 is expected to be much better than Q2FY2021. The efficiencies at store and cost-saving initiatives will provide great support to profitability.

Recovery in core business in few months



Source: Company, Sharekhan Research


System sales recovery



Source: Company, Sharekhan Research

Menu Card of Ekdum

COMBOS



EVERYDAY BIRYANI COMBOS

- REGULAR VEG BIRYANI (ANY 1) + PEPSI 209
- REGULAR CHICKEN BIRYANI (ANY 1) + PEPSI 259
- REGULAR CHICKEN B/L BIRYANI (ANY 1) + PEPSI 309

BIRYANI PLATTER * SERVES 2-3

- VEG BIRYANI PLATTER 499
Biryani (Any 1) + Masala Chicken Kofta +
Dum Dal Makhani + Malabar Parantha - 2
- CHICKEN BIRYANI PLATTER 549
Biryani (Any 1) + Masala Chicken Kofta +
Punjabi Butter Chicken + Malabar Parantha - 2
- CHICKEN BIRYANI BONELESS PLATTER 599
Biryani (Any 1) + Masala Chicken Kofta +
Punjabi Butter Chicken + Malabar Parantha - 2

CHOOSE FROM OUR RANGE OF REGULAR BIRYANIS

HYDERABADI NIZAMI BIRYANI • DINDIGUL BIRYANI
LUCKNOWI NAWABI BIRYANI • KOLKATA BIRYANI

MEALS

- AMRITSARI PINDI CHOLE +
JEERA RICE/ MALABAR PARANTHA 149
- DUM DAL MAKHANI +
JEERA RICE/ MALABAR PARANTHA 149
- CHICKEN KOFTA CURRY +
JEERA RICE/ MALABAR PARANTHA 179
- RAILWAY CHICKEN KHEEMA +
JEERA RICE/ MALABAR PARANTHA 179

BREADS & SIDES

BREADS

- FLAKY PARANTHA 69
- MALABAR PARANTHA 49
- ATTA PARANTHA 49

RAITA & SALAN

- SALAN + MINT CUCUMBER RAITA 59
- JEERA RAITA + ONION TADKA RAITA

CHUTNEYS

- MINT CHUTNEY + KASUNDI CHUTNEY 29
- DATES CHUTNEY + MANGO CHUTNEY

DESSERTS & BEVERAGES

DESSERTS


- CHOCOLATE MOUSSE 59
- MANGO MOUSSE 59
- GULAB JAMUN 99
- CHOCOBOMB CRISP 129

BEVERAGES

- KALA JAMUN 99
- DILLI AAM PANNA 79
- CHOWPATI KALA KHATTA 79
- PEPSI MRP

EKDUM!

BIRYANI. KEBABS. MORE



A NEW BIRYANI EVERYDAY

EKDUM! is here to offer you access to biryanis handpicked by chefs from across state lines and a range of curated dishes with big, bold flavours all in one place! While you're at it, dig into delicious kebabs, curries and some delicious desi fare. Whether you like it spicy or sweet, packed with flavours or punchy aromas, we serve it all!

Download our App to order |
Order online at onlineorder.ekdum.co.in
Also available on

*All prices are in INR, taxes extra. Total amount is rounded off to the nearest rupee. Carry bag would be charged extra. Other mentioned above can be ordered separately but cannot be stacked with any other offer. All prices/fees are subject to change without prior notice. All our products contain preservatives or other food additives. Feedback, comments/suggestions about delivery of order is subject to your address. In case the delivery location is not listed in the restaurant's menu, delivery of order cannot be guaranteed. However you may choose to place a gap.

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BIRYANIS CURATED FOR YOU



HYDERABADI NIZAMI BIRYANI

SOLO BOX

STARTING AT **₹99 ONLY!**

CHOOSE FROM OUR RANGE OF RAITAS AND SALANS TO ADD ON TO YOUR BIRYANI

CHOOSE YOUR BIRYANI

ALL BIRYANIS WILL BE SERVED WITH SALAN AND JEERA RAITA

HYDERABADI NIZAMI BIRYANI

Boasting of richness and aroma that can light up any room, this biryani packs a spicy punch. Enjoy a combination of yellow and white rice tempered with spices, coriander and mint.

MAKE YOUR CHOICE	REG (S)	LARGE	XLARGE
Veg	169	299	599
Chicken with Bone	219	399	749
Chicken Boneless	269	499	859
Mutton with Bone	319	649	1249

LUCKNOWI NAWABI BIRYANI

A delicately flavoured biryani adorned with dry fruits, kewra and aromatic spices on a bed of red, yellow and white rice. This biryani is mild yet balanced and slow cooked to perfection.

MAKE YOUR CHOICE	REG (S)	LARGE	XLARGE
Veg	169	299	599
Chicken with Bone	219	399	749
Chicken Boneless	269	499	859
Mutton with Bone	319	649	1249

KOLKATA BIRYANI

A delightful combination of ingredients simmered in rosewater and saffron. Spices and potatoes blended with yellow and white rice give this biryani its distinctly mild yet sweet flavour.

MAKE YOUR CHOICE	REG (S)	LARGE	XLARGE
Veg	169	299	599
Chicken with Bone	219	399	749
Chicken Boneless	269	499	859
Mutton with Bone	319	649	1249

DINDIGUL BIRYANI

A traditional and ethnic biryani from Tamil Nadu that uses a grinder spice mix which is prepared separately – a combination of pepper, chillies, curry leaves and black stone flower that elevate this biryani like no other.

MAKE YOUR CHOICE	REG (S)	LARGE	XLARGE
Veg	169	299	599
Chicken with Bone	219	399	749
Chicken Boneless	269	499	859
Mutton with Bone	319	649	1249

EKDUM! SPECIAL BIRYANIS

Your all-time favourite Paneer Makhani and classic Butter chicken cooked in its signature Delhi style makhani gravy. Also in the lineup we have the spicy Tawa Chicken Biryani along with the hearty Egg Biryani made with the chef's favourite ingredients! These handpicked Biryani are a must try!

MAKE YOUR CHOICE	REG (S)	LARGE	XLARGE
PANEER MAKHANI BIRYANI	219	399	749
TAWA CHICKEN BIRYANI	269	499	859
BUTTER CHICKEN BIRYANI	269	499	859
EGG BIRYANI	239	439	789

KEBABS & CURRIES



STARTERS

- CHATPATTA ALOO 129
- MASALA CHICKEN KOFTA 149

KEBABS

- KARARA HARA BHARA 199
- CHOLE KEBAB 229
- EKDUM CLASSIC PANEER TIKKA 299
- ACHARI PANEER TIKKA 299
- EKDUM CHICKEN TIKKA 299
- NIZAMI CHICKEN SEEKH 299
- ANDHRA PEPPER CHICKEN 349
- PUNJABI LATPATTA CHICKEN KOFTA 349

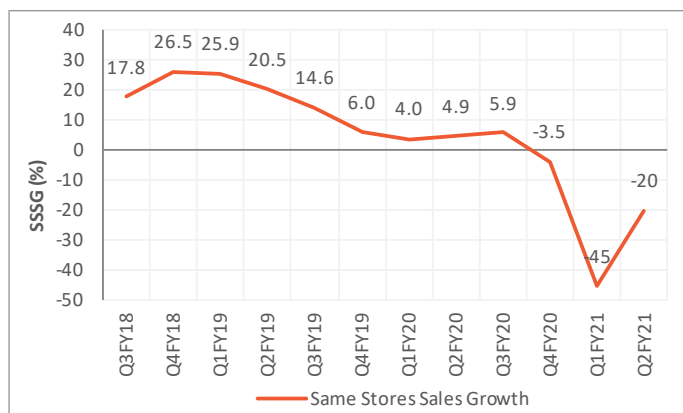
CURRIES

- DUM DAL MAKHANI (REG)129 (LAR)249
- AMRITSARI PINDI CHOLE 249
- MALABAR COASTAL CURRY 279
- PUNJABI PANEER MAKHANI (REG)149 (LAR)299
- KADHAI PANEER 299
- PUNJABI BUTTER CHICKEN (REG)149 (LAR)329
- RAILWAY CHICKEN KEEMA 329
- KADHAI CHICKEN (REG)149 (LAR)329
- RARA CHICKEN 329

EKDUM! BIRYANI EKDUM! BIRYANI EKDUM! BIRYANI EKDUM! BIRYANI EKDUM! KEBABS EKDUM! CURRIES

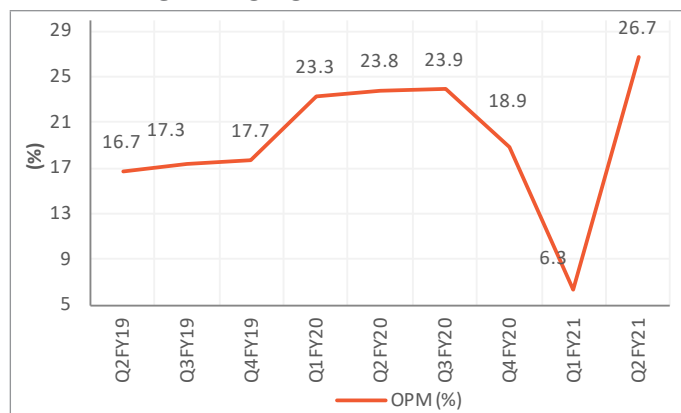
Financials in charts

Same store sales recovered in Q2



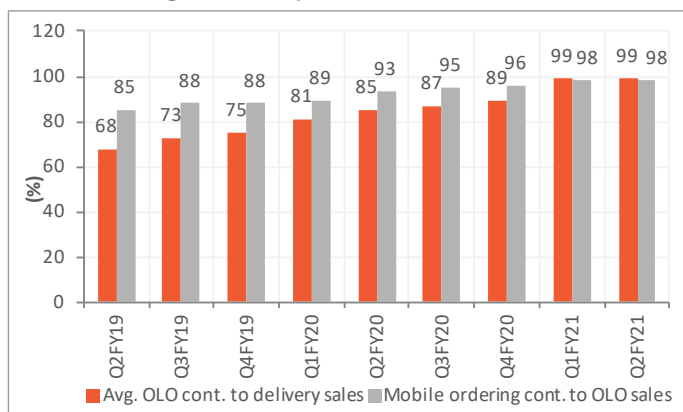
Source: Company, Sharekhan Research

OPM stood higher on y-o-y basis in Q2



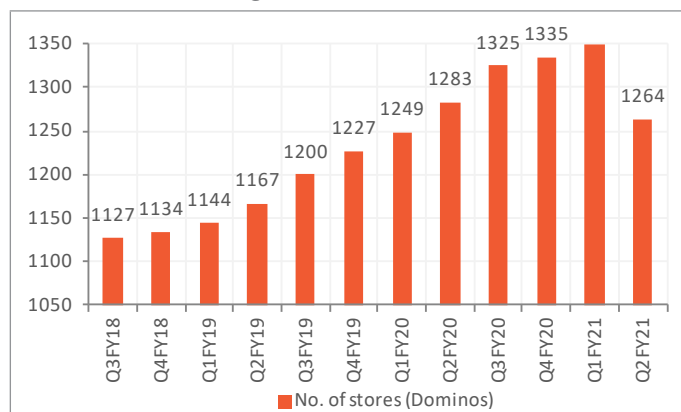
Source: Company, Sharekhan Research

Online ordering reach the pick in Q2



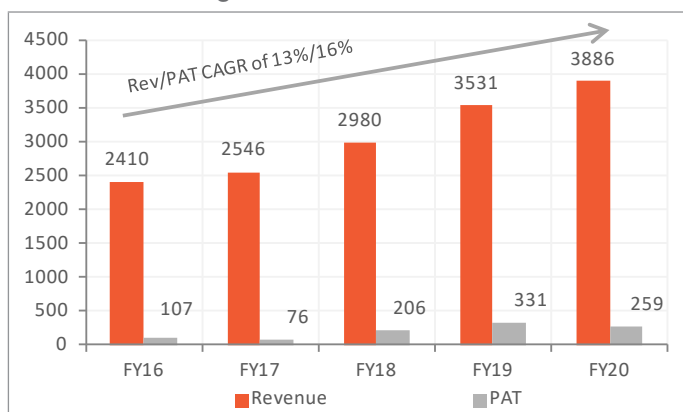
Source: Company, Sharekhan Research

JFL closed loss making stores in Q2FY21



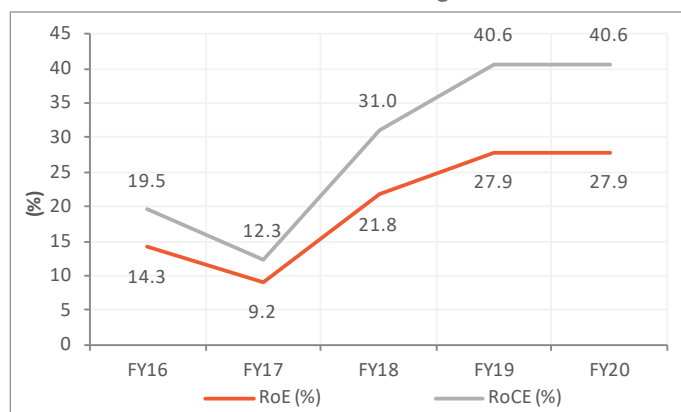
Source: Company, Sharekhan Research

Revenues and PAT grew at CAGR of 13% & 16% over FY15-20



Source: Company, Sharekhan Research

Return ratios continues to remain strong



Source: Company, Sharekhan Research

Outlook and Valuation

■ Sector Outlook - QSR market will be boosted by higher delivery/takeaway sales

The food services market in India has grown consistently since FY2014 and is estimated at Rs. 4,096 billion in FY2019. The organised food services market in India (chain and standalone outlets, excluding restaurants in hotels) was estimated at Rs. 1,600 billion as of FY2020. The QSR segment stands at Rs. 348 billion (CAGR of 17% over FY2015-FY2019). Some of the key near-term growth levers are improving demographics (rising young population and growing urbanisation), increasing trend of eating out, rising trend of online orders and higher traction for value meals. The rise of digital technology, with higher penetration of internet and smartphones, is driving major changes in the online delivery market in India, allowing online food delivery platforms to capture the market by offering a wide range of food products. This has helped QSR companies increase their reach and has had a positive impact on their sales. Organised QSR market in India is expected to grow by 19-20% over FY2015-20 (with strong recovery expected in FY2022 after disrupted FY2021).

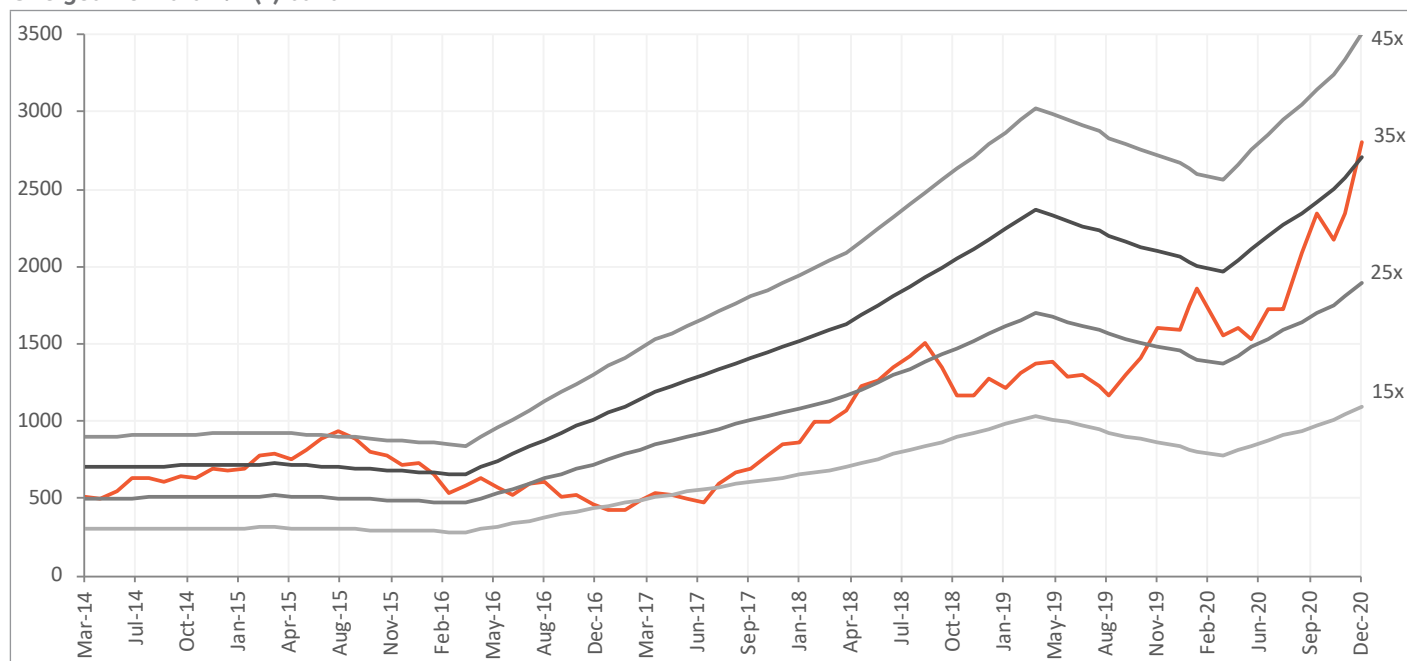
■ Company outlook - Quick recovery from low in Q1

After a subdued Q1 FY2021 (affected by stores closure during lockdown), JFL posted strong recovery in Q2 with recovered to pre-covid level with delivery and takeaway model gaining strong traction. With fear of the virus receding, we expect the company to better performance in the quarter ahead on the back of higher digital order and large shift to trusted brands. Thus the increased trend of digital ordering, shift to top brands and new store additions remains key revenue drivers in the near to medium term. Introduction of delivery charges of Rs. 30 per order, lower wastage, shifting to a variable manpower model and benign input prices would help margins to remain high in the near term.

■ Valuation - recommend Buy with revised PT of Rs. 3,145

Retain Buy with revised price target of Rs. 3,145: We have fine-tuned our earnings estimates to factor in better than earlier performance in the coming quarters. The launch is in line with JFL's strategy to expand its portfolio (pizzas, Chinese cuisine and now Biryani along with gravies/sauces) and would help the company gain market share from standalone players. It can leverage its delivery and store expertise in new ventures such as Chinese cuisines (Hong's Kitchen) and Indian ethnic food to capture a large pie of the domestic restaurant space in the coming years. The stock is currently trading at 51.6x its FY2023E EPS. JFL is an established player in the QSR space with 1264 Domino's pizza store, expansion of portfolio and efficient delivery model that would help maintain premium valuations. We maintain our Buy recommendation on the stock with a revised price target of Rs. 3,145.

One-year forward P/E (x) band



Source: Sharekhan Research

Peer Comparison

Particulars	P/E (x)			EV/EBITDA (x)			RoCE (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Westlife Development	-	177.3	88.1	120.4	31.6	24.9	-	6.8	11.0
Jubilant Foodworks	111.8	142.8	70.6	43.3	47.9	32.3	28.9	18.2	29.6

Source: Company, Sharekhan estimates

About company

JFL is one of India's largest food service companies. The company is part of the Jubilant Bhartia Group, India's most respected conglomerate operating in diverse business areas with a strong global presence. JFL currently operates Domino's Pizza and Dunkin Donuts brands in India. The company also operates Domino's Pizza through its subsidiary in Sri Lanka, Nepal, and Bangladesh. Domino's Pizza is the largest pizza chain in India in terms of restaurant numbers, as well as the world's largest franchisee outside the US for Domino's Pizza brand. Dunkin Donuts is the world's leading baked goods and coffee chain. JFL's network comprised 1,354 Domino's Pizza restaurants, spanning across 288 cities, and 30 Dunkin Donuts restaurants across 10 cities. The company has entered into the Chinese cuisine segment with its first owned restaurant brand, 'Hong's Kitchen' and has four Hong's Kitchen restaurants across two cities in India. The company has also forayed into the ready-to-cook segment with a range of sauces, gravies, and pastes under the newly launched brand, 'Chef Boss'.

Investment theme

JFL has four strategic pillars: product and innovation, value for money, customer experience, and digital and technology to drive growth, efficiency, and productivity. The company has introduced the Every Day Value (EDV) offer to enhance its value-for-money proposition. With a revamped mobile app and website, the company has been increasing its online ordering (OLO) share, which is in line with its strategy of technology-driven growth. JFL has also entered into the Chinese cuisine market by launching its first-owned restaurant brand Hong's Kitchen recently. Expansion strategies along with robust SSSG, increasing number of stores, cost optimisation, and customer-satisfaction initiatives would be key growth drivers for JFL.

Key Risks

- ◆ Slowdown in demand: Any slowdown in the demand environment would impact revenue growth.
- ◆ Increased raw-material costs: A significant increase in key raw-material prices would impact profitability.
- ◆ Increased competition: Increased competition in the QSR category would act as a threat to revenue growth.

Additional Data

Key management personnel

Shyam S Bhartia	Chairman and Managing Director
Hari S Bhartia	Co-chairman
Pratik Pota	CEO & Whole Time Director
Prakash C Bisht	Chief Financial Officer
Mona Aggarwal	Company Secretary

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Sands Capital Management	5.0
2	UTI Asset Management Co Ltd	2.6
3	JPMorgan Group	2.5
4	Kotak Mahindra Asset Management Co	2.3
5	Motilal Oswal Asset Management Co	2.2
6	Vanguard Group Inc	1.9
7	Arisaig Global Emerging MK	1.7
8	Hillhouse Capital Advisors Ltd	1.6
9	Dimensional Fund Advisors LP	1.4
10	Tata Asset Management Ltd	1.3

Source: Bloomberg

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a position in the companies mentioned in the article.

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 multiple.

Source: Sharekhan Research

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