



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	■	↔	■

ESG Disclosure Score NEW

ESG RISK RATING
Updated Feb 08, 2022 13.61

Low Risk

NEGL	LOW	MED	HIGH	SEVERE
0-10	10-20	20-30	30-40	40+

Source: Morningstar

Company details

Market cap:	Rs. 25,006 cr
52-week high/low:	Rs. 322 / 182
NSE volume: (No of shares)	31.0 lakh
BSE code:	535755
NSE code:	ABFRL
Free float: (No of shares)	41.2 cr

Shareholding (%)

Promoters	56.1
FII	13.6
DII	19.5
Others	10.8

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-4.6	-1.7	-4.3	38.2
Relative to Sensex	-0.1	3.9	3.5	31.4

Sharekhan Research, Bloomberg

Aditya Birla Fashion & Retail Ltd
Strong performance in tough environment

Consumer Discretionary

Sharekhan code: **ABFRL**

Reco/View: **Buy**

CMP: **Rs. 265**

Price Target: **Rs. 370**

↑ Upgrade ↔ Maintain ↓ Downgrade

Summary

- Aditya Birla Fashion & Retail Limited (ABFRL) registered a strong growth of 22% and 45% y-o-y in standalone revenue and EBITDA despite the impact of the third wave of the pandemic in January.
- Lifestyle brands and Pantaloons registered a y-o-y growth of 34% and 13%, respectively. Ethnic brands' revenue grew by 2.7x y-o-y.
- The board of the company approved raising of up to Rs. 2,195 crore (Rs. 295 crore through preferential allotment and Rs. 1,900 crore through warrant issue) to an affiliate of GIC, Singapore's sovereign wealth fund, which will largely be utilised for future growth prospects.
- ABFRL is focusing on achieving strong earnings growth aided by category extensions, channel expansion, and enhanced digital capabilities. The stock has corrected by 18% from its recent high and currently trades at 19.1x/14.8x its FY2023E/24E EV/EBITDA. We maintain Buy with an unchanged PT of Rs. 370.

Aditya Birla Fashion & Retail Limited (ABFRL) posted a strong performance in Q4FY2022 with standalone revenue growing by 22% y-o-y to Rs. 2,181 crore. EBITDA margin improved by 263 bps y-o-y to 17%. Madura Fashion (including lifestyle brand) revenue grew by 28% y-o-y to Rs. 1,559 crore while Pantaloons revenue grew by 13% y-o-y to Rs. 675 crore. The business reported strong growth in Q4FY2022 despite the impact of the third wave of the pandemic in January. Strong operating performance aided the company to post a PAT of Rs. 49.7 crore in Q4FY2022 as against a loss of Rs. 66.4 crore in Q4FY2021. For the full year FY2022, revenue grew by 51% y-o-y to Rs. 7,824.2 crore. The company reported a loss of Rs. 80.7 crore in FY2022 against a loss of Rs. 580.9 crore in FY2021. ABFRL plans to use funds raised of Rs.2,150 crore through preferential allotment and warrant issue to accelerate its growth engine built around the strength of its current businesses along with a rapidly evolving play in emerging high-growth business models.

Key positives

- Lifestyle brands and Pantaloons revenue grew by 34% and 13% y-o-y, respectively, despite the loss of business in January 2022.
- Gross margins improved by 128 bps y-o-y to 54.6% and EBITDA margin improved by 263 bps y-o-y to 17.0%.
- E-commerce revenue grew by 18% y-o-y in Q4FY22 and by 52% y-o-y in FY2022 and revenue from e-commerce currently stands at Rs. ~1,000 crore.

Key negatives

- Other businesses reported flat growth y-o-y to Rs. 217 crore.
- EBITDA margin of Pantaloons declined from 14.5% in Q4FY2021 to 12.1% in Q4FY2022.

Management Commentary

- Sales were impacted in January/February due to the third wave of COVID. However, the recovery was quick with March registering 50% y-o-y growth. Strong growth in Q4 was aided by a strong wedding season, an increase in demand for formal wear with opening up of offices and higher demand for sportswear & casual wear. Management expects the demand momentum to continue in the coming quarters.
- ABFRL added 49 new Pantaloons stores in FY22 (18 in Q4FY22). The company plans to open 65-70 Pantaloons stores per year. Management expects FY23 performance to be better as compared to FY22 and expects business to get back to the pre-pandemic level. In the ethnic business, the company plans to add 70 stores in FY23 including one Sabyasachi store in New York. On a consolidated level, ABFRL plans to add 400 stores per year for the next few years.
- The management has indicated that advertisement expense is expected to go back to the pre-pandemic level in the coming years and certain cost benefits that were available in the pandemic period will no longer be available leading to higher operating costs. However, with the increase in the scale of operations, the EBITDA margins are expected to be better on a y-o-y basis.
- The funds raised through preferential allotment and warrant issue would be used to grow the digital platforms, grow Pantaloons business and to grow the Ethnic business with focus on current categories rather than expanding into newer categories. Funds were raised with an aim to get into a long term partnership and would be used for strengthening the balance sheet.

Revision in estimates – We have broadly maintained our earnings estimates for FY2023 and FY2024 to factor in better-than-expected performance and the strong recovery outlook given by the management.

Our Call

View: Retain Buy with an unchanged PT of Rs. 370: ABFRL is focusing on achieving strong earnings growth aided by category extensions, channel expansion, and enhanced digital capabilities. The company is confident of achieving its target of Rs. 21,000 crore revenue with EBITDA of over Rs. 2,350 crore by FY2026. Further, entering into niche businesses will add on to revenue in the long run. This, along with a sustained focus on strengthening its balance sheet, augurs well from a long-term perspective. The stock is trading at 19.1x/14.8x its FY2023E/24E EV/EBITDA. We maintain our Buy recommendation on the stock with an unchanged price target (PT) of Rs. 370.

Key Risks

Any sustained slowdown in recovery due to localised lockdowns in the coming quarters would act as a risk to our estimates in the near term.

Valuation (Standalone)

Particulars	FY21	FY22	FY23E	FY24E
Revenue	5,181	7,824	10,411	12,059
EBITDA Margin (%)	11.5	13.8	14.1	15.0
Adjusted PAT	-581	-81	87	333
Adjusted EPS (Rs.)	-6.3	-0.9	0.9	3.6
P/E (x)	-	-	-	75.1
P/B (x)	9.1	8.7	8.4	7.6
EV/EBITDA (x)	47.6	26.5	19.1	14.8
RoNW (%)	-	-	3.0	10.6
RoCE (%)	-	3.2	4.6	9.3

Source: Company; Sharekhan estimates

Robust performance led by 22% and 45% y-o-y growth in revenue and EBITDA, respectively

ABFRL's standalone revenue grew by 22.0% y-o-y to Rs. 2,181.4 crore, led by a rapid revival in demand across categories despite the impact of the third wave of the pandemic. Consolidated revenues including ethnic business grew by 25.0% to Rs. 2,283.0 crore. Madura fashion (including lifestyle brand) revenue grew by 28% y-o-y to Rs. 1,559 crore while Pantaloons revenue grew by 13% y-o-y to Rs. 675 crore. Ecommerce revenue grew by 18% y-o-y with its own websites growing by more than 27% y-o-y. Gross margins improved by 128 bps y-o-y to 54.6%. EBITDA margin improved by 263 bps y-o-y to 17.0%. There was a rent concession of Rs. 22.7 crore, which led to lower rental costs during the quarter. EBITDA grew by 45% y-o-y to Rs. 371.3 crore. Interest expenses decreased by 29% y-o-y due to repayment of a loan. Adjusted PAT stood at Rs. 49.7 crore as against loss of Rs. 66.4 crore in Q4FY2021. The company had a net debt of Rs. 504 crore at Q4FY2022-end. For full year FY2022, ABFRL's standalone revenue grew by 51% y-o-y to Rs. 7,824.2 crore aided by strong 58% y-o-y growth in the Madura segment and 41% y-o-y growth in the Pantaloons segment. Ecommerce business grew by 52% y-o-y and revenue from e-commerce currently stands at Rs. ~1,000 crore. EBITDA margin increased by 233 bps y-o-y to 13.8% aided by better operating efficiencies. EBITDA grew by 81.6% y-o-y to Rs. 1,079.5 crore. The company reported a loss of Rs. 80.7 crore in FY2022 against a loss of Rs. 580.9 crore in FY2021.

Strong growth across all business verticals

- ◆ **Madhura Fashion & Lifestyle brands (MFL)** - Business grew by 22% over pre-COVID level: MFL business (branded business of ABFRL) grew by 27% over Q4FY2020 (pre-COVID level) with sale at Rs. 1,559 crore (grew by 28% y-o-y). The EBITDA margin of MFL improved to 19.8% from 9.9% in Q4FY2020 and 15.5% in Q4FY2021. EBITDA for the quarter stood at Rs. 308 crore. For full year FY2022, MFL business grew by 58% y-o-y to Rs. 5,381 crore. EBITDA margin increased to 14.9% from 10.7% in FY2021. EBITDA for FY2022 came in at Rs. 804 crore.
- **Lifestyle business grew by 34% y-o-y:** Lifestyle business' revenue grew by 34% y-o-y to Rs. 1,342 crore aided by market share gains. The business was impacted by COVID third wave in the earlier part of quarter, but recovery was quick with March witnessing highest growth. EBITDA for the segment was reported at Rs. 312 crore. EBITDA margin improved to 23.3% from 17.5% in Q4FY2021. Wholesale sales grew by 71% y-o-y to Rs. 419 crore while the retail business grew by 25% y-o-y to Rs. 616 crore with like-to-like growth at 13%. For the full year FY2022, revenue grew by 64% y-o-y to Rs. 4,522 crore. EBITDA margin was reported higher at 17.4% against 12.3% in FY2021. EBITDA for FY2022 came in at 788 crore. The ecommerce business grew by 61% y-o-y. Own brand.com had the highest growth of 112% y-o-y led by significant improvement in operational metrics. Wholesale sales more than doubled to Rs. 1,117 crore from Rs. 497 crore in FY2021 while the retail business grew by 54% y-o-y to Rs. 2,149 crore. ABFRL's retail network expanded to 2,522 stores from 2,379 stores in Q4FY2021. The growth of Lifestyle brand is expected to be driven by category extensions and channel expansion with higher traction from smaller towns in India which provide a big growth market opportunity.
- **Other businesses continue growth momentum:** Other businesses posted flat y-o-y growth to Rs. 217 crores in Q4FY2022, driven by strong performance across segments. The segment reported a loss of Rs. 4 crore in Q4FY2022 against a profit of R. 12 crore in Q4FY2021. For full year FY2022, other businesses reported a y-o-y growth of 31% to Rs. 859 crore on the back of network expansion, brand strengthening and launch of new categories. Active Athleisure Innerwear segment reported y-o-y revenue growth of 33%. Ecommerce continued its strong growth momentum, registering y-o-y revenue growth of 44%. Active Athleisure Innerwear segment continued its aggressive network expansion and is now selling at ~27,000 MBOs and also building a strong retail network. The youth western wear segment, comprising Forever 21 and American Eagle, registered strong double-digit growth in FY2022.

Forever 21 registered revenue growth of 13% y-o-y and the brand successfully expanded its partnered model with the launch of 3 stores. ABFRL plans to build on the model going forward. American Eagle's revenue for FY22 grew by 79% y-o-y as the brand strengthened its position as a favourite denim brand and is gradually building a strong departmental-store network. ABFRL reported highest ever annual business for its super premium brands - The Collective & Mono Brands, with The collective.in growing by over 60% y-o-y. ABFRL continued retail expansion of the super-premium brands and opened 6 new stores in FY2022. Going ahead, innerwear is expected to pivot aggressively on its own retail mode, super premium brands are expected to scale up the profitable model while youth fashion is expected to accelerate expansion.

Madhura Fashion and Lifestyle brands

Rs cr

Particulars	Q4FY22	Q4FY21	y-o-y (%)
Lifestyle brands (a)	1,342	1,003	34
Other businesses (b)	217	214	1
Revenue (a+b)	1,559	1,217	28
EBITDA	308	188	63
EBITDA Margin (%)	19.8	15.5	430

Source: Company, Sharekhan Research

Channel-wise revenue

Rs cr

Particulars	Q4FY22	Q4FY21	y-o-y %
Wholesale	419	245	71
Retail	616	494	25
Others	307	264	16
Total	1,342	1,003	34

Source: Company, Sharekhan Research

- ♦ **Pantaloons – Revenue growth at 13% y-o-y:** Pantaloons recorded sales of Rs. 675 crore, up from Rs. 597 crore in Q4FY2021, registering 13% y-o-y growth despite higher impact of COVID on Large Format retailers/shopping malls. COVID's third wave impacted January and February, however, March bounced back with ~50% growth y-o-y. EBITDA for the Pantaloons business came in at Rs. 82 crore versus Rs. 86 crore in Q4FY2021. EBITDA margin declined from 14.5% in Q4FY2021 to 12.1% in Q4FY2022. For the full year FY2022, revenue grew by 41% y-o-y to Rs. 2,626 crore. EBITDA grew by 33% y-o-y to Rs. 368 crore, with EBITDA margin declining marginally from 14.8% in Q4FY21 to 14% in Q4FY22. E-commerce revenue grew by 81% y-o-y. ABFRL launched Pantaloons app in March 2022. Improved cataloguing led to ~39% growth in traffic y-o-y, while innovative marketing campaigns led to 53% growth in new customers. Pantaloons continued its aggressive network expansion by opening 18 stores in Q4FY2022 (377 stores at the end of Q4FY2022). ABFRL plans to aggressively expand Pantaloons retail network by running a comprehensive Omni channel play and strongly grow Pantaloons.com (new website) and Pantaloons app.

Pantaloons' performance

Rs cr

Particulars	Q4FY22	Q4FY21	y-o-y (%)
Revenue	675	597	13
EBITDA	82	86	-6
EBITDA Margin (%)	12.1	14.5	-240

Source: Company, Sharekhan Research

- ♦ **Ethnic wear business – Strong growth momentum (part of the consolidated business):** The business registered strong growth with revenue at Rs. 101 crores, up from Rs. 38 crore in Q4FY2021 aided by both network expansion and category extensions. The segment reported EBITDA of Rs. 5 crore, with EBITDA margin of 4.6% against a loss in Q4FY2021. For full year FY2022, revenue came in at Rs. 312 crore, 4.5x higher than Rs. 58 crore in FY2021. EBITDA stood at Rs. 29 crore (EBITDA margin at 9.4%) against a loss reported in FY2021. Jaypore's FY22 revenue grew by 40% y-o-y led by strong retail expansion and growth in Ecommerce business. Jaypore expanded its network to 10 stores (added 7 stores during the year). New segments gaining traction with Home & Accessories growing ~27% y-o-y and men's apparel business growing by 4x. Shantanu & Nikhil achieved the highest ever quarterly revenue in Q4 with 93% growth y-o-y. For full year FY22, revenue grew by 141% y-o-y. Two new Shantanu & Nikhil stores were opened during FY2022, and 5 more are expected to open in H1FY2023. Sabyasachi witnessed strong growth of over 100% y-o-y. The brand continues to hold a leadership position in celebrity weddings. ABFRL plans to expand its international footprint in the Sabyasachi brand. resurgence in business on account of wedding and festive season. Tasva is registering a high store conversion rate. ABFRL opened 4 Tasva stores in Q4FY2022 and plans to end FY2023 with over 50 stores. ABFRL aims for an ambitious distribution expansion strategy for its portfolio of 7 ethnic brands in the coming period.

Fund raising through preferential allotment & warrants at Rs. 288.75 per share

The board of the company approved the raising of up to Rs. 2,195 crores by way of preferential issuance of equity and warrants to an affiliate of GIC, Singapore's sovereign wealth fund. The company would be raising Rs. 295 crore through preferential allotment and Rs. 1,900 crore through warrant issue. The funds will be raised at price of Rs. 288.75 per share (6% premium to current market price). Fund raising will lead to equity dilution of ~8% with issuance of 7.6 crore equity in the form of preferential allotment and warrants. GIC will invest Rs. 770 crore now towards subscription of equity and warrants, followed by up to Rs. 1,425 crore in one or more tranches within 18 months upon exercise of warrants. Post the entire investment, GIC will own a ~7.5% equity stake in ABFRL. Aditya Birla Group will hold a ~51.9% stake in the company post the completion of this transaction. ABFRL plans to use this capital to accelerate its growth engine built around the strength of its current businesses along with a rapidly evolving play in emerging high-growth business models.

Results (Standalone)

Particulars	Rs cr				
	Q4FY22	Q4FY21	y-o-y (%)	Q3FY22	q-o-q (%)
Total revenue	2,181.4	1,783.2	22.3	2,872.8	-24.1
Cost of goods sold	990.5	832.6	19.0	1,328.8	-25.5
Employee cost	267.3	220.4	21.3	288.1	-7.2
Rent Expenses	138.2	86.9	59.1	201.4	-31.4
Other expenditure	414.1	386.7	7.1	499.1	-17.0
Total expenditure	1,810.1	1,526.6	18.6	2,317.4	-21.9
EBITDA	371.3	256.6	44.7	555.3	-33.1
Other income	24.9	20.2	23.2	22.9	8.8
Interest & other financial cost	84.9	119.6	-29.0	85.5	-0.7
Depreciation	250.5	247.0	1.4	237.8	5.3
PBT	60.8	-89.7	-	255.0	-76.2
Tax	11.1	-23.3	-	64.2	-82.7
Adjusted PAT	49.7	-66.4	-	190.8	-74.0
Extraordinary items	0.0	68.8	-	0.0	-
Reported PAT	49.7	2.4	-	190.8	-74.0
EPS (Rs)	0.5	-0.7	-	2.0	-74.0
			bps		bps
GPM (%)	54.6	53.3	128	53.7	85
EBITDA margin (%)	17.0	14.4	263	19.3	-231
NPM (%)	2.3	-3.7	600	6.6	-436
Tax rate (%)	18.3	26.0	-771	25.2	-691

Source: Company, Sharekhan Research

Outlook and Valuation

■ Sector View – Medium-long term growth intact

After a strong Q3FY2022, retail companies were hoping for momentum to sustain in Q4. However, the emergence of the third COVID-19 wave had affected retail companies' performance due to lower footfalls and restrictions imposed on store operations in various states. Nevertheless, the third wave was short lived and companies started witnessing recovery from mid-February 2022. High inflation and global uncertainties will play on consumer sentiments in the near term despite receding pandemic risk. Drivers such as improved footfalls, postponement of the wedding season, and corporates/institutions operating at full capacity will help demand for discretionary products to remain high in the coming quarters. Store-level efficiencies, stringent cost control, and negotiation with landlords would help operational cost to remain under control. We believe changing aspirations, higher sales through the e-commerce platform and expansion in retail footprints in tier-3 and tier-4 towns would help keep the medium-long term structural story of the retail industry in India intact.

■ Company Outlook – Revenue to cross Rs. 10,000 crore in FY2023

ABFRL reported strong 51% y-o-y growth in FY2022. The onset of the third wave had an impact in January/February. However, the business witnessed strong rebound, with March 2022 sales growing by 50% y-o-y. The momentum is expected to continue in the coming quarters aided by strong wedding season, higher demand for formal wear and pickup in demand for casual and sportswear. The company remains focused on leveraging its strong brand portfolio, evolving its product profile in line with changing consumer preferences, and expanding its reach (especially in smaller towns and cities). It is focusing on strengthening its online platforms to provide comfortable buying option to the customer. Overall, we expect ABFRL's revenue and EBITDA to report CAGR of 24% and 29%, respectively, over FY2022-FY2024.

■ Valuation – Retain Buy with an unchanged PT of Rs. 370

ABFRL is focusing on achieving strong earnings growth aided by category extensions, channel expansion, and enhanced digital capabilities. The company is confident of achieving its target of Rs. 21,000 crore revenue with EBITDA of over Rs. 2,350 crore by FY2026. Further, entering into niche businesses will add on to revenue in the long run. This, along with a sustained focus on strengthening its balance sheet, augurs well from a long-term perspective. The stock is trading at 19.1x/14.8x its FY2023E/24E EV/EBITDA. We maintain our Buy recommendation on the stock with an unchanged price target (PT) of Rs. 370.

Peer Comparison

Company	P/E (x)			EV/EBITDA (x)			RoCE (%)		
	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
Trent	-	-	62.1	41.9	29.4	23.1	9.6	12.1	15.9
Shoppers Stop	-	92.6	31.6	16.4	9.2	7.2	2.4	8.8	13.4
ABFRL	-	-	74.5	26.3	18.9	14.7	3.2	4.6	9.3

Source: Company, Sharekhan estimates

About company

ABFRL is India's largest pure-play fashion and retail entity with an elegant bouquet of leading fashion brands and retail formats supported by a pan-India distribution network with a combined retail footprint of 8.9 million square feet across more than 750 cities, which includes 3,397 stores across approximately 26,744 multi-brand outlets with 6,750+ point of sales in department stores across India. It has leading brands under its umbrella such as Louis Philippe, Van Heusen, Allen Solly, Peter England, and Pantaloons. ABFRL holds exclusive online and offline rights to the India network of California-based fast fashion brand Forever 21. The international brands portfolio includes – *The Collective*, *Simon Carter*, and select mono brands such as American Eagle, Ralph Lauren, Hackett London, Ted Baker, and Fred Perry. ABFRL's foray into the branded ethnic wear business includes Jaypore and strategic partnerships with *Designers Shantanu & Nikhil*, *Tarun Tahiliani*, and *Sabyasachi*.

Investment theme

ABFRL is one of the largest players in the branded apparel and retail space. The company has built an agile supply chain model to deliver continuous fresh fashion throughout the year with its 12-season model, which will aid in reducing working capital in the coming years. The company has entered into strategic partnerships with Designers like Shantanu & Nikhil, Tarun Tahiliani, Sabyasachi and House of Masaba, to tap the ethnic and wedding segment, which has a large unorganised presence. Going ahead, the company's growth would be driven by capex across brands, marketing expenses incurred on brands, IT and digital enhancement and strengthening the overall digital play through organic & inorganic routes. The company is confident of achieving its target of Rs. 21,000 crore revenue with EBITDA of over Rs. 2,350 crore by FY2026.

Key Risks

- ◆ Any slowdown in the discretionary demand environment would impact same store sales growth (SSSG), affecting revenue growth.
- ◆ Heightened competition, especially in the form of private labels by other branded players, would act as a threat to revenue growth.

Additional Data

Key management personnel

Kumar Mangalam Birla	Chairman
Ashish Dikshit	Managing Director
Himanshu Kapania	Vice-Chairman
Sangeeta Pendurkar	Chief Executive Officer – Pantaloons
Jagdish Bajaj	Chief Financial Officer
Geetika Anand	Company Secretary

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Flipkart Inv Pvt Ltd	7.80
2	Nippon Life India Asset Management Company	3.26
3	UTI Asset Management Co Ltd	2.12
4	ICICI Prudential Life Insurance Co.	1.98
5	Franklin Resources Inc	1.85
6	SBI Life Insurance Co Ltd	1.64
7	Vanguard Group Inc	1.27
8	Canara Robeco AMC	1.09
9	Axis AMC	1.05
10	Griffin Growth Fund VCC	1.04

Source: Bloomberg

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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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