Sharekhan by BNP PARIBAS

Powered by the Sharekhan 3R Research Philosophy

Stock Update

Company Update

Titan Company

Ambitious growth outlook

Consumer Discretionary	Sharekhan code: TITAN
Reco/View: Buy ↔	CMP: Rs. 2,091
	Price Target: Rs. 2,900 ↔

↑ Upgrade ↔ Maintain ↓ Downgrade

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 15.04

Updated Feb 08, 2022

Low Risk

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

Source: Morningstar

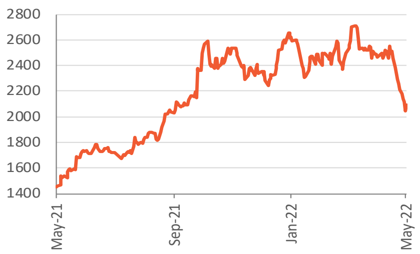
Company details

Market cap:	Rs. 1,85,641 cr
52-week high/low:	Rs. 2,768 / 1,433
NSE volume: (No of shares)	13.6 lakh
BSE code:	500114
NSE code:	TITAN
Free float: (No of shares)	41.8 cr

Shareholding (%)

Promoters	52.9
FII	19.2
DII	10.2
Others	17.7

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-15.0	-12.8	-17.6	43.7
Relative to Sensex	-5.5	-6.4	-4.6	35.3

Sharekhan Research, Bloomberg

Summary

- Titan's annual analyst conference outlined the company's ambitious growth outlook for the next five years with an aim to achieve strong double-digit growth driven by strengthening core businesses and scale-up in the new ventures with efficient capital allocation.
- Management aims at growing jewellery business by 2.5x by FY27, watches to reach Rs. 10,000 crore business by FY26, scale-up in eyecare business while some of new ventures such as ethnic wear, bags and international business to cross Rs. 1,000 crore of revenues by FY27.
- Jewellery business' margins will remain stable while a stark improvement is anticipated in margins of watches and eyecare businesses, which will consistently boost EBITDA margins. Scale-up in new ventures will also add-on to profitability.
- We retain a Buy rating on Titan with an unchanged price target of Rs. 2,900. The stock trades at 64.3x/50.3x its FY2023/24E earnings. It remains among our top picks in the consumer discretionary space.

Titan Company's (Titan's) management outlined ambitious growth outlook for the company in the next five years at its analyst conference held on May 13, 2022. It aims to achieve consistent double digit revenue growth over the next five years by strengthening core businesses such as watches, Jewellery and eyecare, while scaling-up recent ventures such as Taneira (woman ethnic wear), Fastrack bags and international business in the medium term. This will be done through efficient capital allocation policy wherein 70-75% of cash profits will be ploughed back into growing businesses while 25-30% of profits will be distributed amongst shareholders as dividends. Profitability will consistently improve with the jewellery business' margins remaining stable, and watches and eyecare expected to see an improvement in margins, while new ventures would add- to profitability in the coming years.

- **Focus on achieving consistent profitable growth over the next five years:** Titan is focusing on capability (investing in talent), partnerships (long term partnership with store owners/karagirs), expanding & diversifying portfolio, expanding international reach and growing deep into Indian markets (expanding presence into middle India) to drive consistent double-digit revenue growth and scale-up in the EBIT margins the over the next five years. Management targets jewellery business to grow by 2.5x by FY2027; Watches business to reach Rs. 10,000 crore by FY2026 and eyecare to grow in double digits in the coming years. Key drivers of EBIT margins would be improvement in the profitability of watches/eyewear, support from new ventures while Jewellery business margins to remain stable for the next 2-3 years and then gradually improve.
- **New ventures to grow faster with adequate investments:** Portfolio vibrancy and international significance are among the key drivers of consistent growth over the next five years. Its women ethnic wear business- Taneira is in nascent stage and the company has strong growth plans to make it Rs. 1,000 crore+ business by FY2027 (with 125 stores, selling 1.5 million pieces). It is venturing into women's bags under the Fastrack brand and focuses -on attaining market leadership with Rs. 1,000 crore+ revenues and sales of 3.5 million pieces by FY2027. Further, the company is focusing on catering consumers of Indian diaspora in West Asia and North America by becoming brand of choice having 30 stores and selling 1,25,000 volumes achieving revenues of Rs. 2,500 crore by FY2027. These new businesses will not only lead to incremental revenue growth but will add-on profitability in long run.
- **Efficient capital allocation policy to keep balance sheet strong:** The management indicated that one-third of cash reserves will be utilised for paying dividend to shareholders while two third cash will be invested back in business, which will drive up growth organically by 15-20%. Large investments will be done in the capital expenditure of new businesses while the core businesses will require lower capex investment. On the other hand, it will invest in the opex (higher brand investments, digital transformation, supply chain efficiencies) of the existing business. This will help the company to maintain healthy return profile with RoE and RoCE expected to improve to 28% and 36% by FY2024 from pre-COVID levels of 23.8% and 30.6% respectively.

Our Call

Valuation – Retain Buy with an unchanged PT of Rs. 2,900: Titan is aiming to grow its revenue at CAGR of over 20% over FY2022-27 on back of its ambitious growth plan in the medium term. This along with consistent improvement in margins will help cash flows to improve strongly in the coming years. FY2023 will be a strong year for the company on back of low base in the core businesses. Titan's stock has corrected by 16% in last one month, in-line with correction in the broader indices. The stock is currently trading at 64.3x and 50.3x its FY2023E and FY2024E EPS, respectively (EV/EBITDA of 42.8x/33.9x its FY2023/FY2024E EBITDA). It remains among our top picks in the consumer discretionary space. We maintain our Buy recommendation on the stock with an unchanged price target (PT) of Rs. 2,900.

Key Risks

Any disruption in the recovery of the jewellery business due to spike in COVID-19 cases followed by frequent lockdowns would act as a key risk to our earnings estimates.

Valuation (Consolidated) Rs cr

Particulars	FY21	FY22	FY23E	FY24E
Revenue	21,644	28,799	35,143	40,855
EBITDA margin (%)	8.0	11.6	12.4	13.4
Adjusted PAT	984	2,238	2,886	3,690
% Y-o-Y growth	-35.2	127.4	28.9	27.9
Adjusted EPS (Rs.)	11.0	25.2	32.5	41.6
P/E (x)	-	83.0	64.3	50.3
P/B (x)	24.8	20.0	15.9	12.5
EV/EBITDA (x)	-	55.8	42.8	33.9
RoNW (%)	13.8	26.6	27.5	27.9
RoCE (%)	17.2	30.5	33.1	35.5

Source: Company; Sharekhan estimates

Focus on achieving consistent revenue growth with expansion in margins over the next five years

Titan's revenues grew at CAGR of 15.8% over FY2017-22 largely driven by strong growth of 18% in jewellery business while watches and eyecare business grew in single digits. Consolidated EBIT margin expanded by 300 bps over the same period to 11.3% in FY2022. Revenue growth was supported by retail expansion with total store count growing at 9.1% CAGR to 2,178 stores (area increased by 9.2% to 2.8 mn sq.ft) over the same period. The contribution of digital channel sales to overall revenues increased to 15% of sales in FY2022. The digital channel's sales for jewellery sales increased to 12%, watches & wearables improved to 19%, Caratlane to 80%. The company is focusing on capability (investing in talent), partnerships (long-term partnership with store owners/karagirs), expanding portfolio, expanding international reach and growing deep into Indian markets (expanding presence into middle India) to drive consistent double digit revenue growth and scale-up in the EBIT margins the over the next five years. The management expects jewellery business to grow by 2.5x by FY2027; Watches business to reach Rs. 10,000 crore revenue by FY2026 and eyecare to grow in double digits in the coming years. Key drivers of EBIT margins would be improvement in profitability of watches/ eyewear, support from new ventures while Jewellery business margins to remain stable for next 2-3 years and then gradually improve.

Growth – Portfolio transformation in last 5 years

Source: Company Presentation

Report card: Last five-year performance

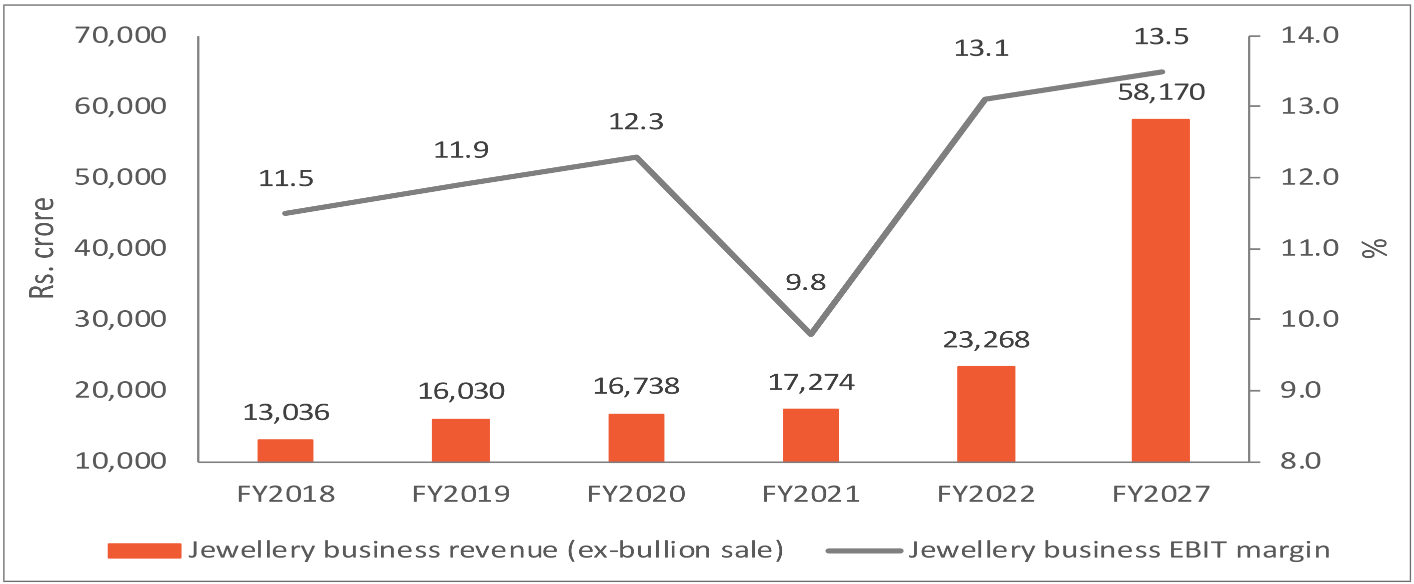
Growth	Top-line	15.8% CAGR
	Bottom-line	22.9% CAGR
Margin	EBIT margin	↑ 3% (8.3% to 11.3%)
Cash		Self sufficient
RoCE/RoE		Capital efficiency maintained

Source: Company; Sharekhan research

Jewellery business – Maximise growth in the medium term

Titan's jewellery business posted resilient performance (with two years of disruption affected by COVID-19) revenues (excluding bullion) clocking a CAGR of 18% over FY2017-22 and EBIT margins expanding by 160 bps to 13.1% over the same period. Market share gains from regional players, large shift happening to organised brands due to favourable reforms (such as implementation of GST and compulsory hallmarking), expanding reach into middle India/small towns and diversifying the portfolio aided the company to achieve strong growth over the past five years.

Trend in Jewellery business revenues and EBIT margins



Source: Company; Sharekhan Research

Titan has a 6% market share in Rs. 400 crore market. However, market share in categories such as Wedding/ Solitaires is lower and provides huge opportunity for the company to grow in the regional market in the near future. The company is focusing on differentiating the portfolio catering to various segments – Rivaah – targeting the wedding jewellery with differentiation based on regional preferences, Mia – focuses on fashion, style and targets young population and Zoya – India's luxury jewellery brand. Titan is also focusing on category leadership by introducing brands such as Polki (targeting diamond necklace), Dor (catering to mangalsutra category) and Kalai (catering to bangles). The company will support these relevant brand building and promotional activities by leveraging on influencers fame on digital platform, regional media activities and customer connect. With this the company targets brand contribution to increase substantially in 3-5 years. It expects Mia's revenues to cross Rs. 2,000 crore by FY2025 (with total sales points of 550 stores) from revenues of Rs. 290 crore in FY2022. Zoya's customer base is expected to increase by 4x over the next 3 years with boutiques increasing to 12-15 and galleries standing at 15-20.

Most growth engines expected to fare well

No	Growth Engine	FY20	FY21	FY22	FY23 & Beyond
1	Retail expansion (stores)	41	27	~ 36	40+
2	Wedding				Regionalization
3	High value studded				Formalization
4	Golden Harvest				
5	Gold Exchange				
6	**Many India's**		Redefined		Multiple markets
7	**Grow the Core**	New →	New →		Volume thrust
8	Leap ahead: Omni, Remote	New →	4X	3X	2X

Leading growth | Avg. growth | Below par

Source: Company Presentation

Further, Titan has low share in some of large regional markets. Over ~300+ towns are emerging catchments in Middle India providing huge opportunity to gain share. Going ahead, the company is focusing on maximising the growth by investing in differentiation, which will help it to achieve consistent growth in the near to medium term. Some of the company's stores were recently launched in small towns such as Ambul and Balleshwar are clocking revenues of Rs. 50 crore and Rs. 60 crore per annum respectively.

Caratlane has posted strong performance at CAGR of 47% over the last five years. The brand is catering to occasions and gift segment which is around 362 million volumes per month segment. Differentiated design, strong demand generation on digital platform, omni-channel conversion model (80% of revenues generated from digital platform) and superfast delivery aided the company to achieve strong growth in past few years. The company has identified 112 catchment areas, which can see 3x growth in revenues. It is focusing on enhancing customer experience on the digital platform and showcase sharper catalogues, which will it to generate strong sales. Titan is aiming Caratlane's revenues to reach close to Rs. 2,150 crore in FY2023 from Rs. 1,256 crore in FY2022 (growth of 70% y-o-y) with EBIT margins improving to 7% (up by 300 bps).

Caratlane story

Particulars	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023*
No of stores	16	34	54	92	118	137	227
NSV (Rs. crore)	179	290	416	621	716	1,256	2,146
Sales Growth (%)	18	62	44	49	15	75	71
Gross contribution (%)	17	19	29	29	29	32	34
Marketing expenses (%)	18	14	12	8	5	8	8
EBIT margin (%)	-44	-28	-9	-3	2	4	7

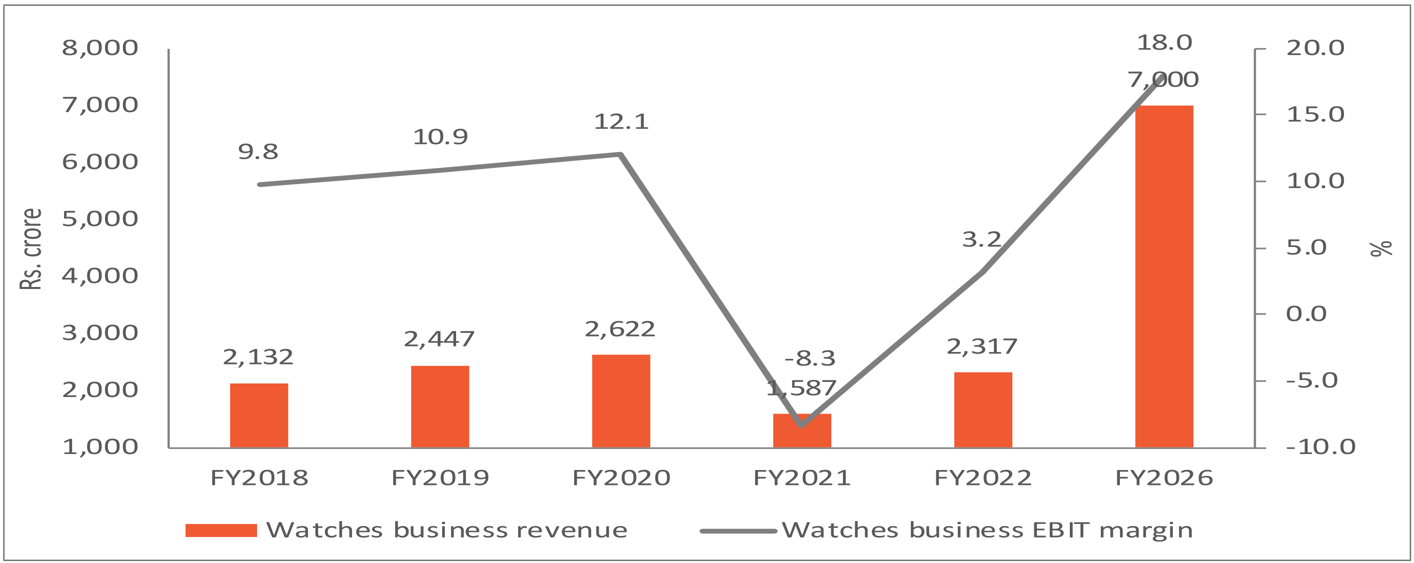
*Source: Company; Sharekhan Research, *Projected*

Titan targets jewellery business' revenues to grow at CAGR of 20% over the next five years with store count of 600+ stores in 300 towns. Retail expansion, an improved mix with increase in contribution from wedding jewellery/studded category, expanding presence in many India and scaling up on omni channel will help the company to achieve strong revenue growth over the next five years. Integrated manufacturing, improving revenue mix, design and quality leadership and higher operating leverage will help Jewellery business EBIT margins to improve in the long run. However, volatile gold prices and higher investment behind brands would result in margins remaining stable at ~12-13% over the next two years.

Watches business – Thrust on growing wearables

Titan's watches business' revenues grew by mere 2.4% over FY2017-22. The revenue growth was strong at 46% in last year despite it being hit by COVID-19. The company has strong portfolio of brands, strong presence in retail and online channel, robust manufacturing and supply chain systems and sustained innovation. Leveraging upon its key pillar of strength the company can drive strong double digit revenue growth focusing on premiumisation, scaling up the sales volumes, transformation of channel and built up the digital efficiencies over the four to five years. The company is aiming at achieving revenues of Rs. 10,000 crore and EBIT margins of 18% by FY2025-26 (contribution from wearable will be Rs. 3,000 crore).

Trend in watches and wearables business revenues and EBIT margins



Source: Company; Sharekhan Research

Titan is aiming to cater 70 million customers through premiumisation and volume focused strategy in the coming years. Further it is focusing on gaining market share on various channels such as retail (Titan World, Helios), Multi brand retail, LFS and e-commerce to drive strong growth in the coming years. Strong manufacturing and supply efficiencies will enable the company to grow faster in key markets. Online sales contribution to watches & wearable business revenues increased to 19%.

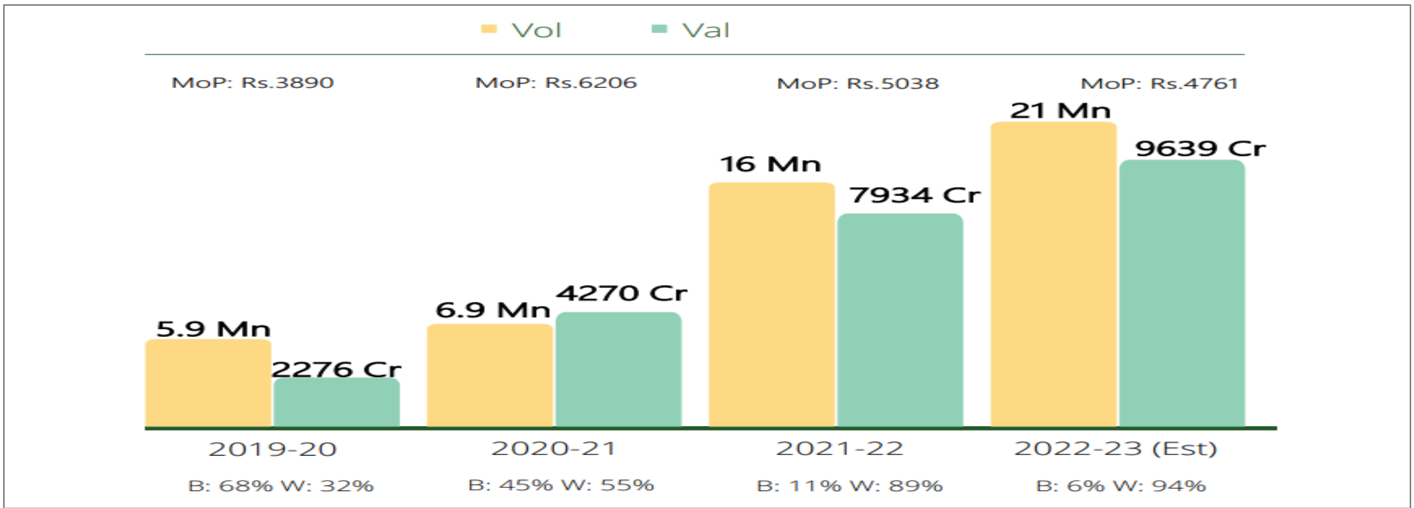
Focusing on key categories to drive growth

Categories	Channels	Brands	Strategy
Premium	Helios, Titan World, Premium MBRs.	Titan, Nebula, Xylys, International brands	Differentiated products through innovation and design excellence
Volume focus (low priced)	Multi-brand retail and large format stores	Sonata, Fastrack & Titan low end	Low cost product innovation, gain market share in multi brand retail outlets and expansion in mass LFS

Source: Company; Sharekhan Research

The company is seeing big opportunity in wearable category, which is scaling up fast in the domestic market. Wearable market in India has grown at CAGR of 57% in volumes and 70% in value in last three years. Titan currently has three products in the range of Rs. 3,000-8,000 per piece. Sensing the category is big opportunity, the company is planning to launch 14 new products in wearable space in FY2023.

Growth in wearables market

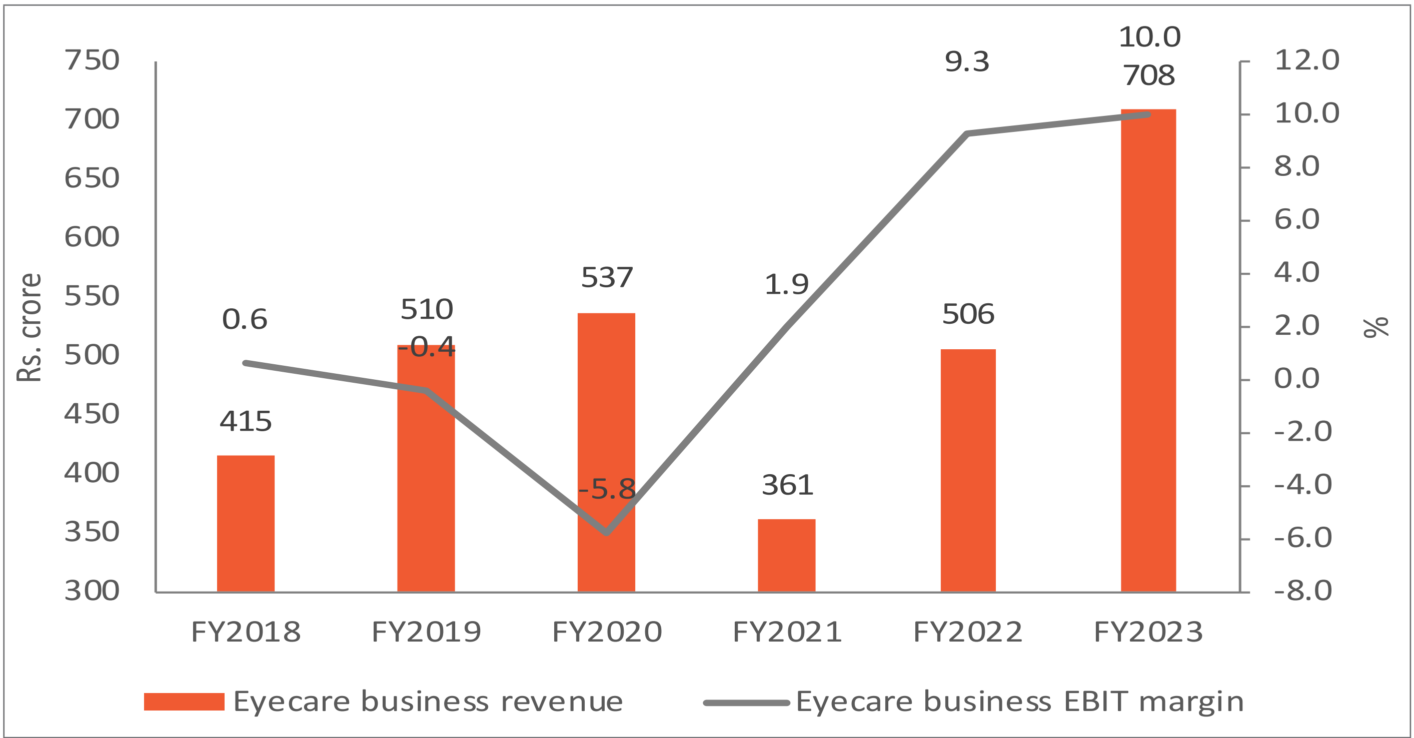


Source: Company Presentation

Eyecare business – Driving growth through innovation & retail expansion

Eyecare business registered muted performance with revenues growing by 4% over FY2017-22. In the last two years, the business focused on transforming itself from eyewear to eyecare segment. It focused on growing customer confidence through innovations focusing on needs. Improvement in the productivity, cost rationalisation, focus on small format retail stores and exit from LFS aided the business to improve its profitability in last three years with EBIT margins standing at 9% in FY2022 from negative 5% in FY2020. India is under-penetrated market for eyecare products with 60 crore out 140 crore population need eyecare products, while 20 crore are actually using the eyercare products. Titan is aiming at eyecare division revenues to grow by 40% and EBIT to grow by 50% in FY2023. The strong revenues and EBIT growth can be achieved through five pronged strategy of retail expansion, communication, India hub, product innovation and improving customer experience.

Eyecare business' revenues and margins



Source: Company; Sharekhan research

The company expects to have 1,000 Titan Eye+ stores in FY2023 from 608 stores in FY2021. Addition of stores will be done through franchisee route and company owned stores. The company entered into economy segment of eyecare products with the launch of Fastrack spectacles starting from Rs. 999. The launch is to compete with some of the low price entrants and standalone operators in the domestic market. The company is planning to add 25 Fastrack eyewear stores in FY2023. It has also enhanced its presence in 500 model stores in India.

Some of the recent innovative launches such as Titan EyeX smart Eyewear, Titan Clearsightz and Titan OfficePro will help the company to gain competitive advantage over other branded players in the market. To support strong innovation, the company is planning to augment the capacity by doing a capital expenditure of Rs. 30 crore. It will be ramping up the frames manufacturing capacity to 8 lakh pieces per annum in FY2023 from 1.3 lakh in FY2021 while it is planning to ramp up lens capacity to 16 lakh pieces per annum in FY2023 from 8.5 lakh pieces per annum in FY2021. Further the company will also increase frame source by 30% in the coming years.

Product innovation in eyecare

Source: Company Presentation

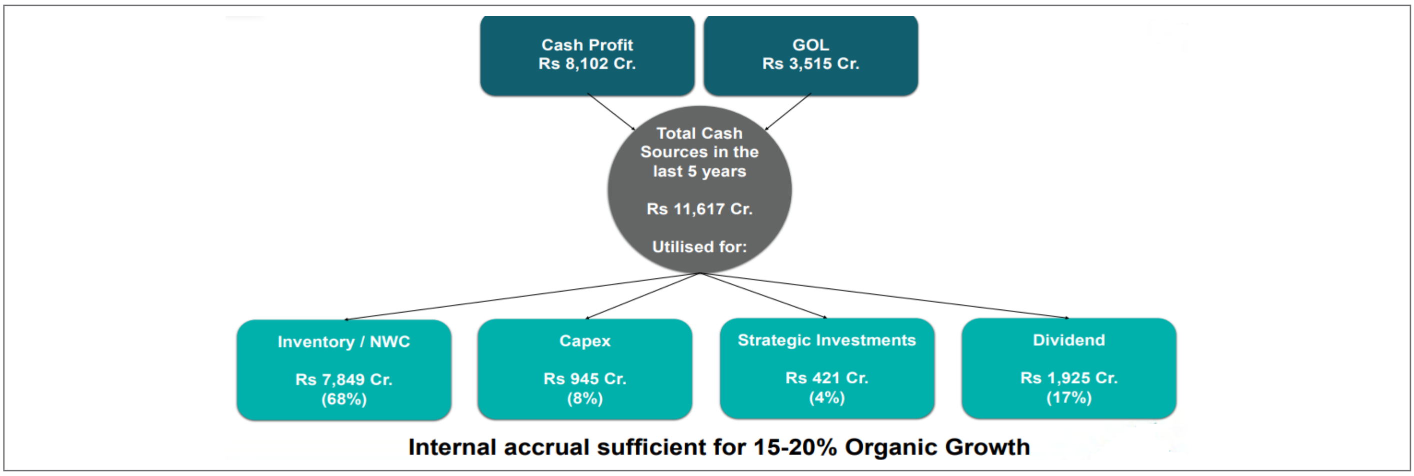
New ventures to grow faster with adequate investments

A vibrant portfolio and international significance are one of the key drivers of consistent growth over the next five years. Its women ethnic wear business - Taneira is in nascent stage and the company has strong growth plans to make it Rs. 1,000+ crore business by FY2027 (with 125 stores, selling 1.5 million pieces). It is venturing into women's bags under the Fastrack brand and focuses on attaining market leadership with Rs. 1,000crore+ revenues with sales of 3.5 million pieces by FY2027. Further, the company is focusing on catering consumers of Indian diaspora in West Asia and North America by becoming brand of choice having 30 stores and selling 1,25,000 pieces achieving revenues of Rs. 2,500 crore by FY2027. These new businesses will not only lead to incremental revenue growth but will add-on profitability in long run.

Efficient capital allocation policy to keep balance sheet strong

Titan has invested 75% of its cash in net working capital and capex of the core businesses in last five years. It invested ~4% of capital in strategic ventures. Further it allocated 17% of cash for rewarding shareholders with dividend. Going ahead management has indicated that one third cash will be utilised for paying dividend to shareholders while two-thirds of cash will be invested back in improving the growth prospects of the core and new businesses. The company will not enter any new category over the next two to three years. Large investments will be done in the capital expenditure of new businesses while the core businesses will require lower capex investment. On the other hand, it will invest in the opex (higher brand investments, digital transformation, supply chain efficiencies) of the existing businesses. Overall the company has indicated that internal accruals are sufficient of organic growth of 15-20%. This will help the company to maintain healthy return profile with RoE and RoCE is expected to improve to 28% and 36% by FY2024 from pre-COVID levels of 23.8% and 30.6% respectively.

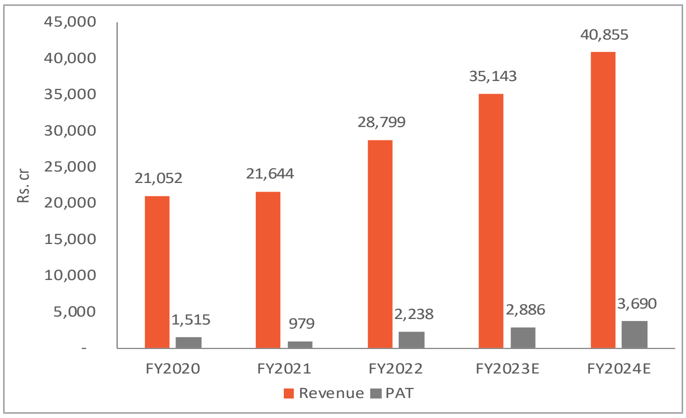
Efficient capital allocation



Source: Company presentation

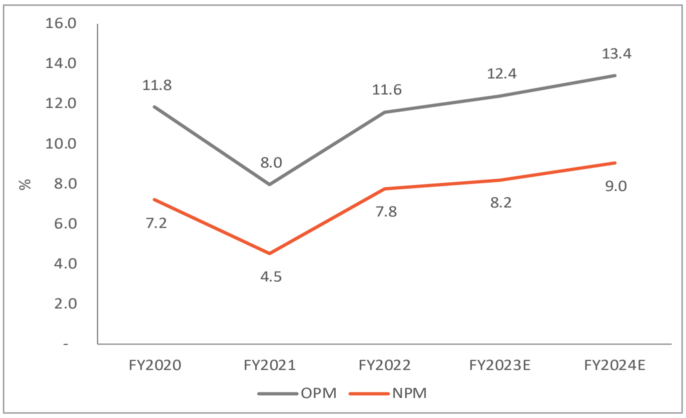
Financials in charts

Stable increase in revenue and PAT



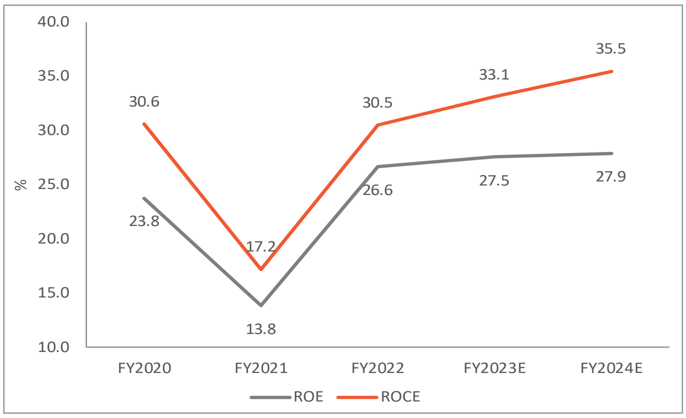
Source: Company, Sharekhan Research

Margins to improve significantly



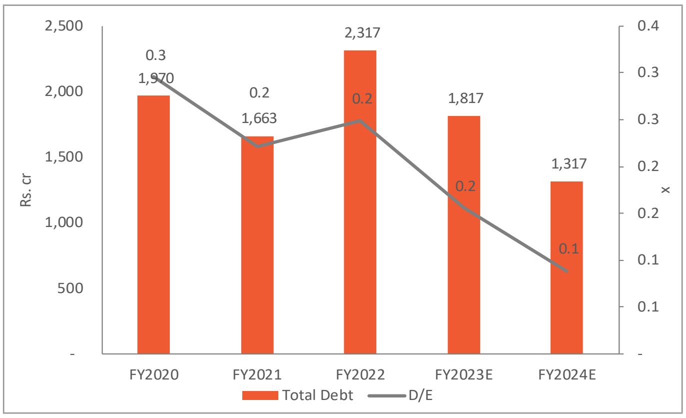
Source: Company, Sharekhan Research

Return ratios to rise sharply



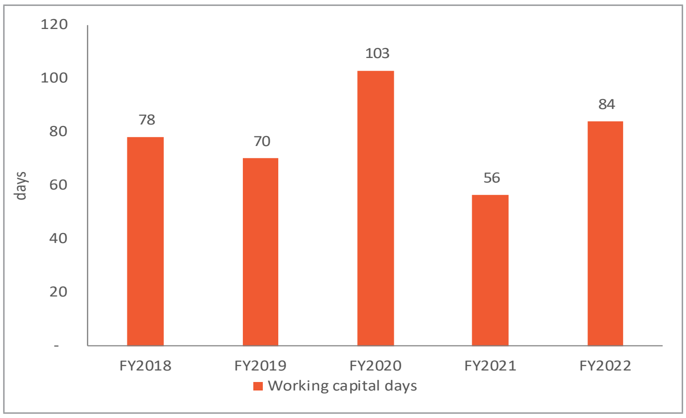
Source: Company, Sharekhan Research

Debt levels to reduce



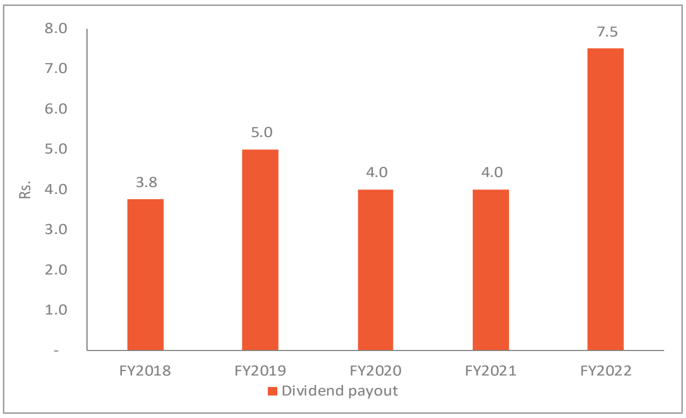
Source: Company, Sharekhan Research

Trend in working capital days



Source: Company, Sharekhan Research

Consistent dividend payout history



Source: Company, Sharekhan Research

Outlook and Valuation

■ Sector outlook – Short-term uncertainties persist; Medium-term growth prospects intact

Q4FY2022 was a volatile quarter, which got disrupted twice – first due to partial lockdowns caused by Omicron wave in January and again in March, in which consumer sentiments were affected adversely due to (a) sharp increase and volatility in gold prices and (b) uncertainty due to a fragile geopolitical situation. 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 costs 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 to long term structural story of the retail industry in India intact.

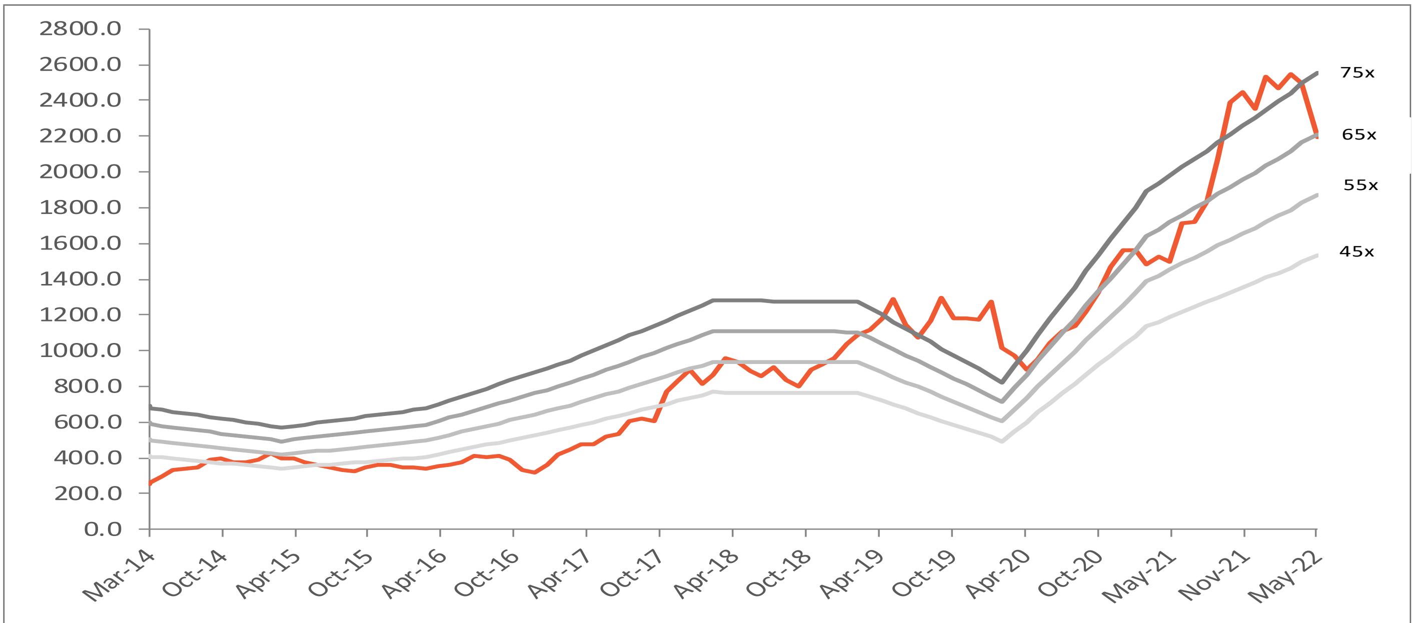
■ Company outlook – Growth momentum to sustain

Revenue and PAT grew by 33% and 2.3x in FY2022. Q2 and Q3 performance was led by strong festive demand and pent-up demand aiding the company to report strong revenue and profitability growth. Q4 performance was affected by multiple factors, including COVID-19 third wave and global uncertainties. The company continues to gain market share in its jewellery business in some of the key markets. Higher demand for wedding jewellery due to a delayed wedding season, market share from small jewellers, and addition of more stores in tier-2 and tier-3 towns would help the jewellery business to achieve double-digit growth in FY2023. The company has outlined strong growth strategies for its existing business and new ventures, which will help it to drive strong double digit revenue growth over the next five years. Strong recovery in revenue of all business verticals would help profitability to improve in the coming years. Efficient capital allocation will keep return profile healthy in the coming years.

■ Valuation – Retain Buy with an unchanged PT of Rs. 2,900

Titan is aiming to grow its revenue at CAGR of over 20% over FY2022-27 on back of its ambitious growth plan in the medium term. This along with consistent improvement in margins will help cash flows to improve strongly in the coming years. FY2023 will be a strong year for the company on back of low base in the core businesses. Titan's stock has corrected by 16% in last one month, in-line with correction in the broader indices. The stock is currently trading at 64.3x and 50.3x its FY2023E and FY2024E EPS, respectively (EV/EBITDA of 42.8x/33.9x its FY2023/FY2024E EBITDA). It remains among our top picks in the consumer discretionary space. We maintain our Buy recommendation on the stock with an unchanged price target (PT) of Rs. 2,900.

One-year forward P/E (x) band



Source: Sharekhan Research

Peer Comparison

Particulars	P/E (x)			EV/EBITDA (x)			RoCE (%)		
	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
Trent	-	-	59.6	40.2	28.2	22.2	9.6	12.1	15.9
Titan Company	83.0	64.3	50.3	55.8	42.8	33.9	30.5	33.1	35.5

Source: Company, Sharekhan estimates

About the company

Titan is a joint venture between Tata Group and Tamil Nadu Industrial Development Corporation (TIDCO). The company is a leading organised jeweller in India with its trusted brand, Tanishq. The company started as a watch company under the brand, Titan, and is the fifth largest integrated own brand watch manufacturer in the world. The company's key watch brands are Titan, Fastrack, and Sonata. The company is present in the eye care segment with its brand, TitanEyeplus, and in other segments such as perfumes. The company recently entered the saree market with its brand, Taneira. Titan has a retail chain of 2,178 stores across 337 towns with retail area crossing 2.8 million sq. ft. nationally for all its brands.

Investment theme

Titan is one of India's top retailers with a strong presence in discretionary product categories such as jewellery, watches, and eye care. The company is one of the top brands in the watches segment; while in the jewellery space, it is gaining good acceptance because of the shift from non-branded to the branded space and expansion in middle income towns. The company endeavours to grow jewellery business by 2.5x by FY2027; watches business to reach Rs. 10,000 crore by FY2026 and eyecare to grow in double digits in the coming years.

Key Risks

- **Rise in gold prices:** Any increase in gold prices would affect profitability of the jewellery segment and earnings growth of the company.
- **Slowdown in discretionary consumption:** Any slowdown in discretionary consumption would act as a key risk to demand of the jewellery and watches division.
- **Increased competition in highly penetrated categories:** Increased competition in the highly penetrated categories such as watches or jewellery would act as a threat to revenue growth.

Additional Data

Key management personnel

S. Krishnan	Chairman
C.K. Venkataraman	Managing Director
N.N. Tata	Vice Chairman
Ashok Kumar Sonthalia	Chief Financial Officer
Dinesh Shetty	Company Secretary

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Jhunjhunwala Rakesh	4.0
2	Life Insurance Corp of India	3.2
3	Blackrock Inc	1.6
4	Vanguard Group Inc	1.5
5	SBI Funds Management	1.4
6	ICICI Prudential Life Insurance Co.	1.1
7	Jhunjhunwala Rekha Rakesh	1.1
8	UTI Asset Management Co Ltd	0.8
9	Matthews International Capital Management	0.5
10	Axis Asset Management Co Ltd	0.5

Source: Bloomberg

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 detoriating 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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