Mahindra & Mahindra Ltd

Growth momentum continues; growth forecast bright

Automobiles	Sharekhan code: M&M
Reco/View: Buy ↔	CMP: **Rs. 1,236**
	Price Target: **Rs. 1,450** ↑

↑ 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 Updated Jul 08, 2022				28.08
Medium Risk				
NEGL	LOW	MED	HIGH	SEVERE
0-10	10-20	20-30	30-40	40+

Source: Morningstar

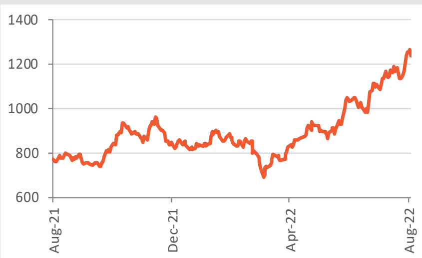
Company details

Market cap:	Rs. 1,53,659 cr
52-week high/low:	Rs. 1,279 / 671
NSE volume: (No of shares)	43.6 lakh
BSE code:	500520
NSE code:	M&M
Free float: (No of shares)	100.8 cr

Shareholding (%)

Promoters	18.9
FII	36.8
DII	28.2
Others	16.1

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	11.9	38.1	42.1	60.5
Relative to Sensex	3.3	30.9	40.1	52.0

Sharekhan Research, Bloomberg

Summary

- M&M continued to deliver strong numbers in Q1FY23, with revenue, EBITDA and PAT growing by 14.5% q-o-q, 20.3% q-o-q and 10.7% q-o-q, respectively.
- We firmly believe that M&M is on track with its growth roadmap. In addition to aggressive plans for farm equipment and ICE passenger car segments, the company is taking a leap towards creating a strong product portfolio for passenger electric vehicles (EVs).
- EVs would be the next growth driver, driven by investments in product development, new launches and focus on technical partnerships.
- We retain a Buy on M&M with a revised PT of Rs. 1,450, factoring robust outlook for core businesses and improving performance of key subsidiaries. stock trades a P/E multiple of 18.2x and EV/EBITDA multiple of 11.5x its FY24E estimates.

Mahindra and Mahindra Ltd (M&M) delivered another strong quarter in Q1FY23 with revenues, EBITDA and PAT growing by 66.7% y-o-y (14.5% q-o-q), 43.5% y-o-y (20.3% q-o-q) and 67.2% y-o-y (10.7% q-o-q) respectively, fuelled by strong sales and margin expansion. However, the company missed PAT expectations by 5.4%. EBITDA margin expanded 60 bps q-o-q to 11.9% in Q1FY23, led by favourable product mix and positive operating leverage, despite firm input costs. We firmly believe that M&M is on track with its growth roadmap. Besides its aggressive plans for the farm equipment and ICE passenger car segments, the company is taking leap towards making strong product portfolio for passenger electric vehicles. We expect Scorpio-N to further consolidate its share in the SUV market. Successful new launches will continue to help M&M to increase its market share in the SUV and LCV segments. M&M has guided for strengthening of the SUV segment through product launches of 13 new products by FY2027E, including EV launches. Further, the management continues to focus on the farm equipment segment and maintained its guidance to achieve a 10x revenue growth by FY2027E. M&M has maintained its FY25E guidance to deliver an 18% RoE and 15-20% EPS growth. We maintain our Buy rating on the stock with a revised PT of Rs. 1,450.

Key positives

- M&M's market shares in the SUV and tractor segments continued to improve, led by new launches and brand-building exercises. Also, the company reported highest export volumes in Q1.
- New launches have seen a strong response with booking of 1 lakh Scorpio-N in the first 30 minutes. The current open booking in excess of 140,000 vehicles (excluding Scorpio-N), including 79k+ booking for XUV 700.
- Turnaround in international farm and auto subsidiaries continues to improve M&M's consolidated performance.
- EBITDA margin expanded 60bps q-o-q to 11.9% in Q1FY23, led by favourable product mix and positive operating leverage, despite firm input costs.

Key negatives

- Chips shortage continues to affect production and increasing waiting period of new vehicle deliveries.

Management Commentary

- In the automotive segment, the management's priorities are to maintain its strong brand value, develop platform and EV strategy. The company will continue de-risk its supply chain and optimise costs
- In the farm equipment segment, the management will focus on aggressive growth plan in farm machinery and global expansion.
- The company is on track with its commitment of 15-20% revenue growth and ROE of 18% by 2025.

Revision in estimates – We have revised estimates to build in the impact of new launches, especially Scorpio-N in our estimates. We expect M&M's earnings to grow at robust pace of 25.8% during FY22-24E, led by 21.1% revenue CAGR and a 160 bps improvement in EBITDA margin to 13.9% in FY24E from 12.3% in FY22.

Our Call

Valuation – Maintain Buy with a revised PT of Rs. 1,450: We expect M&M to benefit from its leadership status in the tractor segment, strengthening position in the LCV segment and regaining its market share in the highly competitive SUV segment. M&M is on track with its growth roadmap. The company plans its farm business to grow 10x by FY2027E, while strengthen its SUV segment by adding 13 new products by FY2027E, including EV launches. The investment commitment of US$ 250 million by impact investor, British International Investment (BII), in M&M's passenger electric vehicle arm is a positive development and would help M&M in attracting additional sources of private capital into EVCo venture. Further, M&M continues to benefit from the turnaround of loss-making subsidiaries, scaling up of digital platforms and strong performance of its listed entities, which would improve the company's free cash flows (FCF) going forward. We expect standalone earnings to post a 22.5% CAGR during FY22-FY24E, driven by a 16.7% revenue CAGR and 190 bps rise in EBITDA margins. We reiterate Buy rating on the stock with a revised PT of Rs. 1,450. The stock trades at a P/E multiple of 18.2x and EV/EBITDA multiple of 11.5x its FY24E estimates.

Key Risks

Uneven distribution of monsoon can affect our volume estimates for M&M's farm equipment segment.

Valuation (Standalone) Rs cr

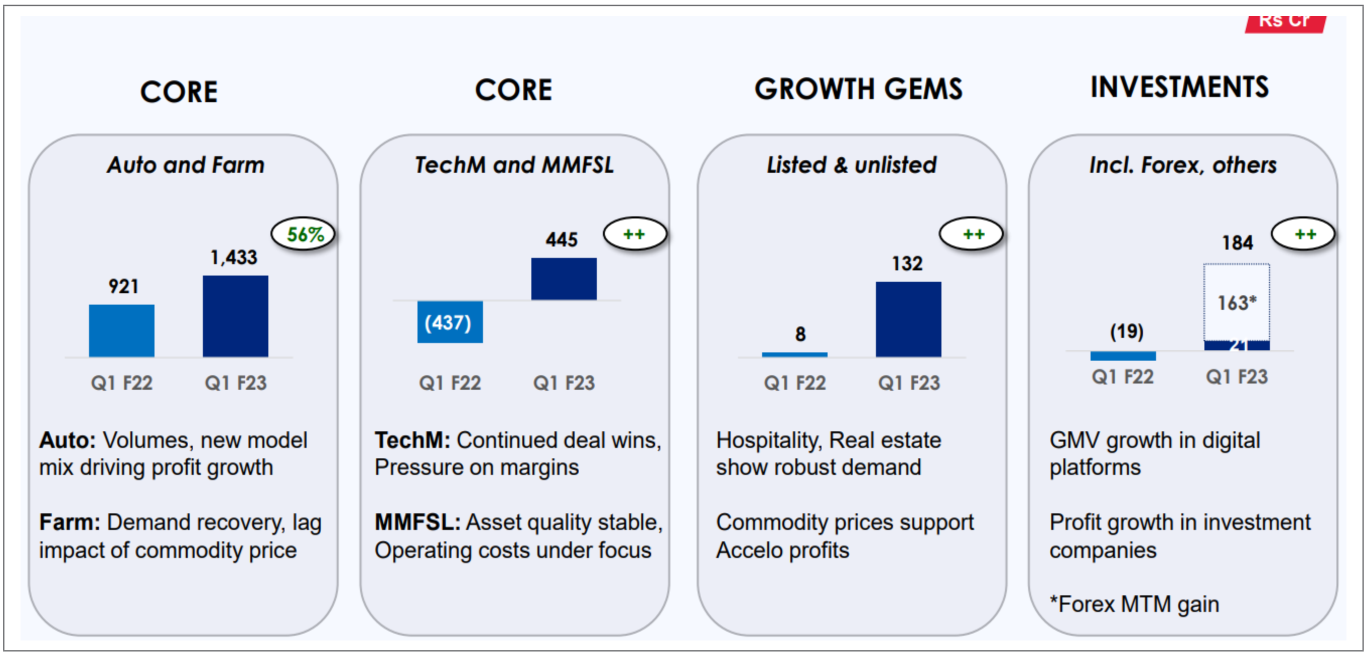
Particulars	FY21	FY22	FY23E	FY24E
Revenue	44,574	57,446	72,257	84,279
Growth (%)	(0.6)	28.9	25.8	16.6
EBITDA	6,977	7,042	9,278	11,681
EBITDA margin (%)	15.7	12.3	12.8	13.9
PAT (Rs cr)	4,097	5,144	6,301	8,137
Growth (%)	15.4	25.5	22.5	29.1
FD EPS	33.0	43.0	52.7	68.0
P/E (x)	37.5	28.8	23.5	18.2
P/B (x)	4.1	3.8	3.4	3.1
EV/EBIDTA (x)	21.2	20.7	15.1	11.5
ROE (%)	11.0	12.6	14.1	16.2
ROCE (%)	13.8	14.6	17.1	19.8

Source: Company; Sharekhan estimates

Key Highlights of Conference Call

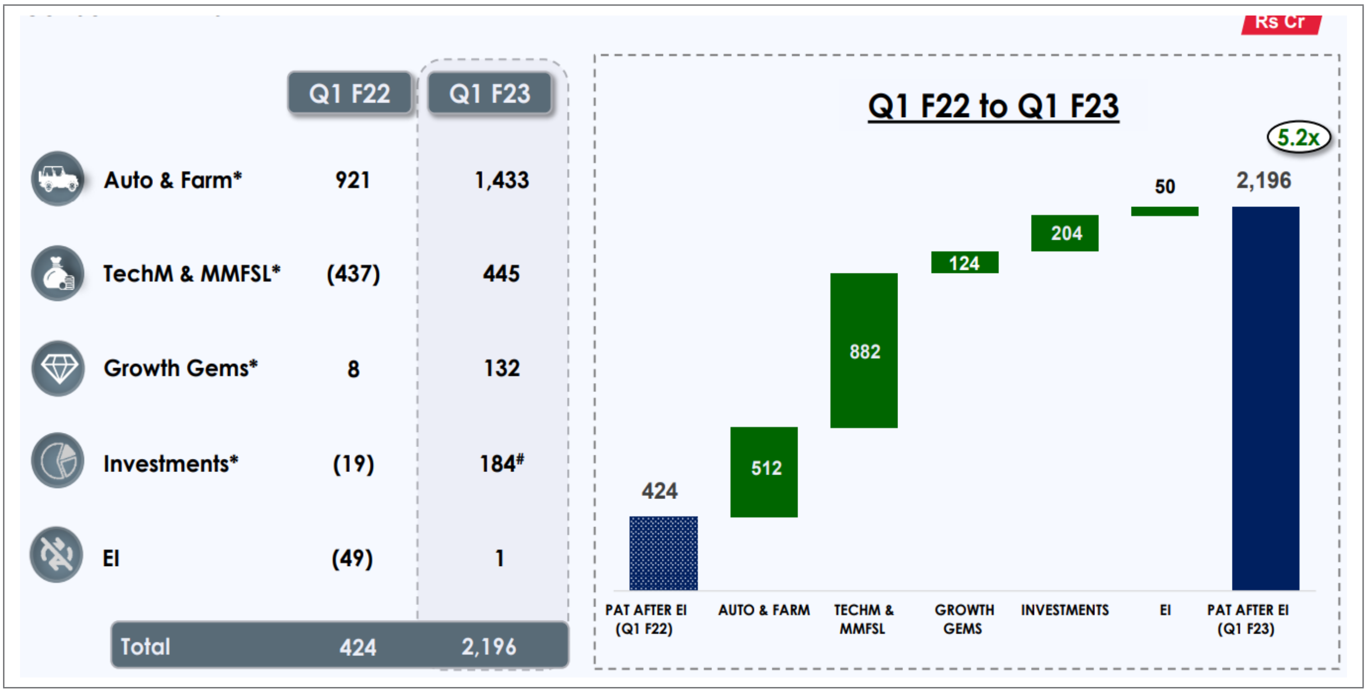
- **Growth momentum continued in Q1:** Mahindra and Mahindra Ltd (M&M) delivered another strong performance in Q1FY23 with revenue, EBITDA and PAT growing by 66.7% y-o-y (14.5% q-o-q), 43.5% y-o-y (20.3% q-o-q) and 67.2% y-o-y (10.7% q-o-q) respectively, fuelled by strong sales and margin expansion. Net revenues were up 14.5% q-o-q to Rs. 19,613 crore, driven by product mix, price hikes and volume growth. Sequential growth was led by 18.9% growth in cumulative volumes and 3.6% improvement in automotive realisation and 20% improvement in tractor realisation. The automotive business flourished very well during the quarter, led by new launches and exciting products. The company has a strong order book for all its focused brands. The recently launched Scorpio-N received strong response from customers by booking of more than one lakh Scorpio-N with 30 minutes of booking window. The chips shortage impacted volume during Q1, while the overall situation has improved sequentially. M&M continues to improve its market share in both tractor and automotive sectors. EBITDA margins expanded 60bps q-o-q to 11.9% in Q1FY23, led by favourable product mix and positive operating leverage, despite firm input costs. The automotive business witnessed a 10 bps rise in EBIT margins to 5.7% q-o-q led by improved product mix, while the farm equipment segment saw EBIT margin expansion of 30bps q-o-q to 16% in Q1FY23. As a result, EBITDA and PAT improved 20.3% q-o-q and 10.7% q-o-q to Rs. 2,341 crore and Rs. 1,430 crore respectively. Consolidated PBT was up 43% y-o-y to Rs. 1,815 crore in Q1FY23E, led by strong performance across group companies.

Strong performance of group companies



Source: Company Presentation; Sharekhan Research

Segmental performance (consolidated) in Q1FY23



	Q1 F22	Q1 F23
Auto & Farm*	921	1,433
TechM & MMFSL*	(437)	445
Growth Gems*	8	132
Investments*	(19)	184#
EI	(49)	1
Total	424	2,196

Source: Company Presentation; Sharekhan Research

- **Overall performance:** M&M's key businesses continued to grow strongly in Q1FY23. The automotive and farm equipment businesses are witnessing strong and healthy demand, though the supply environment remains volatile. The semiconductor chip shortage situation has improved from the previous quarter. Tech Mahindra's performance improves on order wins and increase in utilisation. MMFSL witnessed sharp decline in GNPA with focus on transformation. The growth GEMs and digital platform businesses has shown significant improvement in profits in FY22.

- **Automotive business:** The automotive business flourishes very well during the quarter, led by new launches and exciting products. M&M launched five SUVs and expects EV launches to regain its lost market share during the last few years. New launches have seen a strong response with booking of 1 lakh Scorpio-N units in the first 30 minutes. The current open booking in excess of 140k vehicles (excluding Scorpio-N), including over 79,000 bookings for XUV 700. M&M continues to hold No.1 position in SUV, in terms of revenue market share in Q1FY23, with 17.1%. M&M maintains its leadership position in LCV<3.5T. In the e-3W space, the company dominates with 73.4% market share in FY22. The company has ramped up its e-3W capacity to ~12,000 billings.

- **EV business:** During the Q1FY23, M&M and British International Investment (BII) executed a binding agreement to invest Rs. 1,925 crore (US$ 250 million) each into M&M's wholly-owned subsidiary that will be incorporated soon to spin its passenger electric vehicle (EVCo) business. BII is a development finance institution of the UK government and a leading impact investor with a focus on climate change and ESG. BII is expected to acquire a 2.75-4.76% stake in M&M's subsidiary EVCo at a valuation of $5.1-8.8 billion (Rs. 40,441-70,070 crore). Promoters, along with investors to infuse ~Rs. 10,000 crore in the new EVCo between FY22-FY27, to launch five EV models. BII and M&M will invest in two tranches, the first tranche of up to Rs. 1,200 crore each and it is expected to complete before June 30, 2023. The second tranche of investment would be up to Rs. 725 crore each from M&M and BII, which is expected to made post completion of certain milestone in FY24. The total capital infusion is expected to be ~Rs. 8,000 crore (US$ 1 billion) between FY24 and FY27. EVCo will focus on four-wheeler passenger electric vehicles. Both BII and M&M will bring other like-minded investors in the EVCo to match funding requirements in phases.

- **New EVCo to remain asset light:** The EVCo business will include development, manufacturing and selling of 4 Wheel Passenger Electric Vehicles. The EVCo will be asset light and leverage M&M's ecosystem of suppliers, dealers and financers. M&M will provide manufacturing support, design, product development, technology and sourcing services on arm's length. Existing ICE brands will be licensed to EVCo for EVs, while the new EV brands will be owned by EVCo. The company targets its Electric SUV penetration to be 20-30% of its overall SUV portfolio by FY2027 and expects EV volumes at ~200,000 per annum in best case scenario. The company would lay down its detailed EV plans on August 15, 2022. The company to launch its first electric vehicle, XUV400, in September'22. The company has lined up eight launches by FY27E in EV segment, of which five would be 'born electric'. The born electric models would tap Volkswagen's (VW) MEB platform, subject to successful discussions between M&M and VW.
- **Farm equipment business:** The tractor business is expected to remain at healthy levels, driven by higher reservoir levels and positive monsoon this year. M&M gained 0.9 percentage points y-o-y market share in FES segment to 42.7% in Q1FY23. Tractor segment look strong, significant improvement in overall sales. The FES international subsidiaries continues to improve on performance, with eight consecutive quarters of PBIT positive.
- **Capex:** As BII has committed to invest up to Rs. 1,925 crore in EVCo, M&M has reduced its capex requirement to that extent to Rs. 15,075 crore from previous guidance of Rs. 17,000 crore for FY22-FY24E. The capex for EVCo would be ~Rs. 10,000 crore over FY22-FY27.
- **Management maintains focus on SUVs and farm equipments:** With a renewed commitment, we expect M&M to further strengthen its position in the SUV and farm equipment segment. The company is looking for partners in the electrical vehicle space to improve the ecosystem. We remain positive on the company's growth plans. We firmly believe that M&M is on track with its growth roadmap for the automotive and farm equipment divisions. Moreover, M&M is expected to benefit from the turnaround of its loss-making subsidiaries and generate strong cash flows going forward and attain a target of an 18% ROE and 15%-20% EPS growth. We have revised our estimates to build in the impact of new launches, especially Scorpio-N in our estimates. We expect M&M's earnings to grow at robust pace of 25.8% during FY22-24E, led by 21.1% revenue CAGR and a 160bps improvement in EBITDA margin to 13.9% in FY24E from 12.3% in FY22.

Change in Estimates Rs cr

Particulars	Revised		Earlier		% Change	
Particulars	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Volumes - Automotives (units)	5,91,639	7,09,967	5,37,573	6,18,208	10.1	14.8
Volumes - Tractors (Units)	3,79,527	4,02,298	3,75,550	4,01,838	1.1	0.1
Total Volumes (Units)	9,71,166	11,12,265	9,13,122	10,20,047	6.4	9.0
Revenue	72,257	84,279	68,403	78,286	5.6	7.7
EBITDA	9,278	11,681	9,246	11,126	0.3	5.0
EBITDA margin (%)	12.8	13.9	13.5	14.2	(70 bps)	(30 bps)
PAT	6,301	8,137	6,277	7,718	0.4	5.4
EPS	52.7	68.0	52.5	64.5	0.4	5.4

Source: Company; Sharekhan Research

Results (Standalone) Rs cr

Particulars	Q1FY23	Q1FY22	Y-o-Y %	Q4FY22	Q-o-Q %
Revenue	19,613	11,763	66.7	17,124	14.5
Total Expenses	17,272	10,131	70.5	15,178	13.8
EBITDA	2,341	1,632	43.5	1,946	20.3
Depreciation	681	559	21.8	680	0.0
Interest	70	71	(2.3)	56	25.0
Other income	239	205	16.3	239	(0.1)
PBT	1,829	1,207	51.6	1,448	26.3
Tax	358	273	31.3	281	27.5
Reported PAT	1,471	934	57.5	1,167	26.0
Adjusted PAT	1,430	856	67.2	1,292	10.7
Adjusted EPS	12.0	6.9	73.7	10.8	10.7

Source: Company; Sharekhan Research

Key ratios (Standalone) Rs cr

Particulars	Q1FY23	Q1FY22	Y-o-Y (bps)	Q4FY22	Q-o-Q (bps)
Gross margin (%)	23.4	30.4	(700)	23.6	(20)
EBIDTA margin (%)	11.9	13.9	(190)	11.4	60
EBIT margin (%)	8.5	9.1	(70)	7.4	110
Net profit margin (%)	7.3	7.3	-	7.5	(30)
Effective tax rate (%)	19.6	22.6	(300)	19.4	20

Source: Company; Sharekhan Research

Segmental Results (Standalone) Rs cr

Particulars	Q1FY23	Q1FY22	Y-o-Y %	Q4FY22	Q-o-Q %
Volume (Units)	**2,71,971**	**1,83,388**	**48.3**	**2,28,784**	**18.9**
- Automotive	1,53,462	83,459	83.9	1,55,902	(1.6)
- Tractors	1,18,509	99,929	18.6	72,882	62.6
Segmental revenue	**19,613**	**11,763**	**66.7**	**17,124**	**14.5**
- Automotive	12,306	6,050	103.4	12,072	1.9
- Tractors	6,689	5,319	25.8	4,327	54.6
Segmental realisation (Rs. /Unit)	**7,21,130**	**6,41,415**	**12.4**	**7,48,478**	**(3.7)**
- Automotive	8,01,913	7,24,936	10.6	7,74,312	3.6
- Tractors	5,64,399	5,32,235	6.0	5,93,735	(4.9)
Segmental EBIT	**1,819**	**1,197**	**51.9**	**1,399**	**30.0**
- Automotive	704	103	586.3	675	4.3
- Tractors	1,074	1,081	(0.7)	678	58.4
	Q1FY23	**Q1FY22**	**YoY (bps)**	**Q4FY22**	**QoQ (bps)**
Product mix (%)					
- Automotive	56.4	45.5	1,090	68.1	(1,170)
- Tractors	43.6	54.5	(1,090)	31.9	1,170
Segmental EBIT Margin (%)	**9.3**	**10.2**	**(90)**	**8.2**	**110**
- Automotive	5.7	1.7	400	5.6	10
- Tractors	16.0	20.3	(430)	15.7	40
Annualised segmental ROCE (%)	**49.0**	**27.5**	**2,150**	**37.9**	**1,110**
- Automotive	26.6	3.1	2,360	26.5	10
- Tractors	107.2	123.4	(1,620)	62.7	4,450

Source: Company; Sharekhan Research

Outlook and Valuation

Sector Outlook – Demand likely to pick up in automotive and farm equipment

We stay positive on structural demand for automobiles in the medium term and expect a recovery across segments post the -normalisation of economic activities, led by pent-up demand from rural, semi-urban, and urban demand and a favourable macro-outlook. The passenger vehicle (PV) segment is expected to remain strong amid COVID-19, as preference for personal transport increases. Rural demand is expected to recover on back of positive sentiments, driven by prediction of normal monsoon, robust Rabi production, higher agriculture prices (above MSP in moist cases) and government subsidies. Positive rural sentiments would also augur well for passenger vehicles (PVs) and tractors. M&HCVs sales are expected to continue growing strongly, driven by intensifying economic and infrastructure activities. LCVs is expected to do well on back of surge in e-commerce and better last-mile connectivity. Buses and three-wheelers are also expected to see recovery be driven by the gradual reopening of schools and offices, and easing of mobility restrictions.

Company Outlook – Strong earnings growth

M&M is the market leader in tractors with a 40% market share. The company is working on light-weight compact global tractor project (named K2), which would see the launch of four new platforms. K2 would witness launch of 38 models and would further strengthen the company's position in the tractor space. M&M has one of the highest exposures to rural markets (~65% of volumes), which are expected to be less impacted by the ongoing impact of COVID-19. M&M also leads in the LCV space with an over 45% market share and a greater than 65% share in the 2-3.5T LCV category. We expect M&M to further consolidate market share in the overall LCV segment. LCV sales are likely to be driven by higher demand for last-mile movement of goods. The company has laid down a strong roadmap for its automotive segment through investments in technology and launching new products regularly to re-gain its market share in the segment. M&M's focus continues to drive bookings in key brands – Thar, XUV-300, Scorpio, and Bolero, despite long waiting periods. The automotive business' roadmap is focused on brand strengthening and aggressive plans for new launches. The company is expected to benefit from turnaround of its loss-making subsidiaries and generate strong cash flows going forward and attain its target of 18% RoE and a 15-20% EPS growth.

Valuation – Maintain Buy with a revised PT of Rs. 1,450

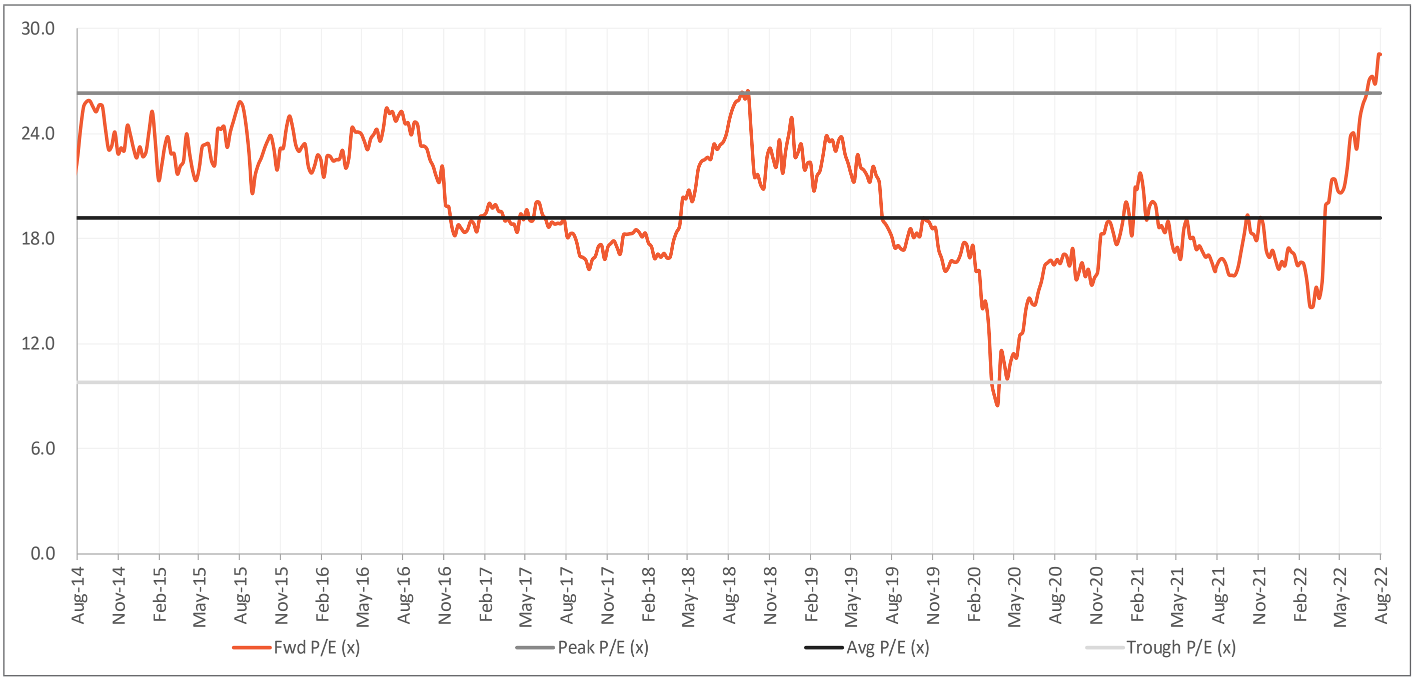
We expect M&M to benefit from its leadership status in the tractor segment, strengthening position in the LCV segment and regaining its market share in the highly competitive SUV segment. M&M is on track with its growth roadmap. The company plans its farm business to grow 10x by FY2027E, while strengthen its SUV segment by adding 13 new products by FY2027E, including EV launches. The investment commitment of US$ 250 million by impact investor, British International Investment (BII), in M&M's passenger electric vehicle arm is a positive development and would help M&M in attracting additional sources of private capital into EVCo venture. Further, M&M continues to benefit from the turnaround of loss-making subsidiaries, scaling up of digital platforms and strong performance of its listed entities, which would improve the company's free cash flows (FCF) going forward. We expect standalone earnings to post a 22.5% CAGR during FY22-FY24E, driven by a 16.7% revenue CAGR and 190 bps rise in EBITDA margins. We reiterate Buy rating on the stock with a revised PT of Rs. 1,450. The stock trades at a P/E multiple of 18.2x and EV/EBITDA multiple of 11.5x its FY24E estimates.

SOTP value of Rs. 1,450 Rs cr

Business	Valuation rationale	M&M's stake (%)	Value of M&M's stake (Rs. crore)	Value per share (Rs.)
Core (MM+MMVL) business excl. dividend earnings from subsidiaries & associates	16x FY24E EPS	100.0	1,24,323	1,039
EV business	Discount to Transaction price	95.24-97.25	15,778	132
Value of listed subsidiaries & associates				
Tech Mahindra	Market Capitalisation	26.0	26,812	224
M&M Financial Services	Market Capitalisation	51.2	12,361	103
Mahindra Lifespaces	Market Capitalisation	51.5	3,362	28
Mahindra Holiday and Resorts	Market Capitalisation	67.3	3,195	27
Mahindra Logistics	Market Capitalisation	58.5	1,993	17
Swaraj Engines	Market Capitalisation	34.8	665	6
Mahindra CIE	Market Capitalisation	11.4	1,178	10
Value of listed subsidiaries & associates			47,723	399
Fair value of subsidiary cos @30% discount	Holding co. discount		33,406	279
Fair Vaue of M&M entity			**1,73,507**	**1,450**
Potential Upside/(downside) - %				17

Source: Company; Sharekhan Research

One-year forward P/E (x) band



Source: Company, Sharekhan Research

About company

M&M is the flagship company of Mahindra Group. M&M's core business houses the automotive and tractor segments. M&M is the only automotive company that is virtually present across all segments. The company is the market leader in LCVs and is a leading UV and three-wheeler 3W player. M&M also manufactures medium and heavy commercial vehicles (MHCV) and is present in the two-wheeler (2W) space through its investment in Jawa. Apart from being a strong player in the automotive space, M&M is the market leader in the tractor segment, having a market share of about 40%. Apart from the core business, M&M is also the promoter/ holds controlling interest in companies that are engaged in diverse businesses under the Mahindra brand (IT services, NBFC, logistics, hospitality, real estate, and auto ancillary business).

Investment theme

With strong farm sentiments on account of higher rainfall, expected increase in kharif output, and increased government spending, M&M expects the tractor industry's growth to remain buoyant. Higher ground water reservoir levels coupled with robust farmer cash flows would mean tractor demand would remain buoyant in FY2022 as well. Automotive volumes are also improving. With the success of new launches (Thar with strong bookings) and inventory filling (automotive inventory is lower than normal), automotive demand is expected to improve further. Going ahead, M&M's strategy revolves around tighter capital allocation, exit from loss-making subsidiaries, and focusing on core UV business and emerging EV businesses. The company has started to take concrete steps to achieve an 18% RoE from all its businesses, which makes a strong case for re-rating of the stock. This would further substantially reduce losses in overseas subsidiaries and act as key re-rating trigger for M&M. We maintain our Buy call on the stock.

Key Risks

- Uneven distribution of monsoon can affect our volume estimates for M&M's farm equipment segment.
- Unsuccessful or delay in launches may affect the growth prospects of the company

Additional Data

Key management personnel

Anand G Mahindra	Chairman
Anish Shah	Managing Director and CEO
Rajesh Jejurikar	Executive Director (Auto and Farm Sectors)
Manoj Bhat	Group Chief Financial Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	PRUDENTIAL MANAGEMENT & SERVICES	11.7
2	M&M BENEFIT TRUST	7.0
3	LIFE INSURANCE CORPORATION OF INDIA	7.5
4	First Sentier Investors Icvc	4.5
5	Icici Prudential Value Discovery Fund	4.1
6	Sbi-etf Nifty 50	3.2
7	Government Pension Fund Global	1.5
8	Nps Trust	1.3
9	Icici Prudential Life Insurance Company	1.2
10	Kuwait Investment Authority Fund	1.2

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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Compliance Officer: Ms. Priya Sonavane; Tel: 022–61150000; email id: compliance@sharekhan.com;

For any queries or grievances kindly email igc@sharekhan.com or contact: myaccount@sharekhan.com

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Registered Office: Sharekhan Limited, The Ruby, 18th Floor, 29 Senapati Bapat Marg, Dadar (West), Mumbai–400028, Maharashtra, INDIA, Tel: 022–67502000 / Fax: 022–24327343. 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; Research Analyst: INH000006183.