



**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** **14.9**  
Updated July 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. 2,15,998 cr
52-week high/low:	Rs. 2,768 / 1,764
NSE volume: (No of shares)	15.6 lakh
BSE code:	500114
NSE code:	TITAN
Free float: (No of shares)	41.8 cr

**Shareholding (%)**

Promoters	52.9
FII	17.6
DII	11.3
Others	18.3

**Price chart**



**Price performance**

(%)	1m	3m	6m	12m
Absolute	20.8	10.2	-1.5	35.2
Relative to Sensex	12.2	3.7	-1.1	28.1

Sharekhan Research, Bloomberg

**Titan Company**

**Strong Q1; growth momentum to sustain**

<b>Consumer Discretionary</b>	<b>Sharekhan code: TITAN</b>		
<b>Reco/View: Buy</b>	↔	<b>CMP: Rs. 2,433</b>	<b>Price Target: Rs. 2,900</b> ↔
↑ Upgrade	↔ Maintain	↓ Downgrade	

**Summary**

- Titan delivered strong performance in Q1FY2023 with consolidated revenues growing by 2.7x driven by pent-up demand and strong sales on auspicious days; EBITDA margins stood at 12.7% and PAT came at Rs. 790 crore versus Rs. 18 crore in corresponding quarter last year.
- Strong performance was driven by strong 3x sales growth in the jewellery business, 2.6x growth in the watches business and 2.8x growth in the eyecare business. Higher operating leverage sharply drove up margins across businesses.
- Jewellery business revenues to grow at 20% with higher ticket-size sales, expansion in stores and market share gains; EBIT margins of jewellery business to sustain at 12-13%. Eyecare business would maintain the profitable growth while watches business would maintain strong growth in the near term.
- Stock currently trades at 67.9x/53.7x its FY2023E/FY2024E EPS. We maintain Buy with an unchanged PT of Rs. 2,900.

Titan Company (Titan) began FY2023 on strong note with revenues (excluding bullion sales) growing by 3.0x to Rs. 8,975 crore (including bullion 2.7x to Rs. 9,443 crore). On a 3-year CAGR basis revenues grew by 20% y-o-y with jewellery sales growing by 23% CAGR in the same period. Revenue of the jewellery business grew by 3.0% y-o-y to Rs. 2,600 crore (ex-bullion), while revenues of the watches & eyewear business grew by 2.7x each to Rs. 785 crore and Rs. 183 crore respectively. Titan's subsidiary, CaratLane registered strong performance by posting revenue of Rs. 482 crore and profit of Rs. 27 crore. TEAL reported revenues of Rs. 88 crore and loss of Rs. 6 crore (before taxes) during the quarter. Consolidated gross margins and EBITDA margin improved by 307bps and 872bps y-o-y to 25.5% and 12.7%, respectively led by better operating leverage and improved mix. EBITDA grew by 8.7x y-o-y to Rs.1,196 crore. Reported PAT stood at Rs. 790 crore versus Rs. 18 crore in Q1FY2022. The Company has added (net) 125 stores during the year. The company's retail chain (including CaratLane) had 2,303 stores across 366 towns with an area exceeding 2.9 million sq. ft. as on June 2022.

**Key positives**

- New buyers' contribution has increased to 46% in Q1FY2023 from 44% earlier.
- Jewellery business market share improved to 6-7% (market worth Rs. 4.2 lakh crore) from 4-5% (market stands Rs. 3.5 crore)
- FastTrack watches grew 120% over last year on back of strong traction.

**Key negatives**

- TEAL (a subsidiary) registered an EBIT loss of Rs. 5 crore due to high freight cost.

**Management Commentary**

- In Q1, jewellery business was driven by strong rebound sales on auspicious day of Akshaya Tritiya after a gap of 3 years. Gold and studded jewellery both grew by ~260% y-o-y; wedding segment registered strong growth of 178% y-o-y.
- Company witnessed strong growth in buyers and higher ticket size purchases in Q1FY2023. There is no impact of increase in the custom duty on the jewellery purchases as good prices remained stable. However, some weakness was seen at entry level (small ticket size) purchases. Management expects strong growth during the festive season and recovery in small ticket size purchases. Overall, the company is expected 20% growth to sustain in the quarters ahead.
- Management targets jewellery business's margins at 12-13% on back better revenue mix, higher ticket size purchases and increase in diamond prices. EBITDA margin of the eye care business will improve with scale-up in business revenue, while margins of the watches business will improve with better mix and good sales growth. CaratLane's EBIT margins stood at 6.9% in Q1FY2023, which is expected to improve to double digits in the next five years.
- The company added 6 Tanishq stores in Q1FY2023 and planning to add 38-40 stores in FY2023.

**Revision in estimates** – We have broadly maintained our earnings estimates for FY2023 and FY2024 with Q1FY2023 performance was largely in line with expectations.

**Our Call**

**View: 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 improve strongly in the coming years. FY2023 will be a strong year for the company on back of low base in the core businesses. Stock is currently trading at 67.9x and 53.7x its FY2023E and FY2024E earnings. The company's strong growth outlook, industry tailwinds in the medium term and strong balance sheet makes it a best play in the retail space. Hence we maintain our Buy recommendation on the stock with an unchanged price target of Rs. 2900.

**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	38,375	44,193
OPM (%)	8.0	11.6	12.4	13.4
Adjusted PAT	984	2,238	3,183	4,023
% Y-o-Y growth	-35.2	-	42.2	26.4
Adjusted EPS (Rs.)	11.0	25.2	35.9	45.3
P/E (x)	-	96.5	67.9	53.7
P/B (x)	28.8	23.2	18.1	14.0
EV/EBIDTA (x)	-	64.9	45.7	36.5
RoNW (%)	13.8	26.6	30.0	29.4
RoCE (%)	17.2	30.5	35.9	37.3

Source: Company; Sharekhan estimates

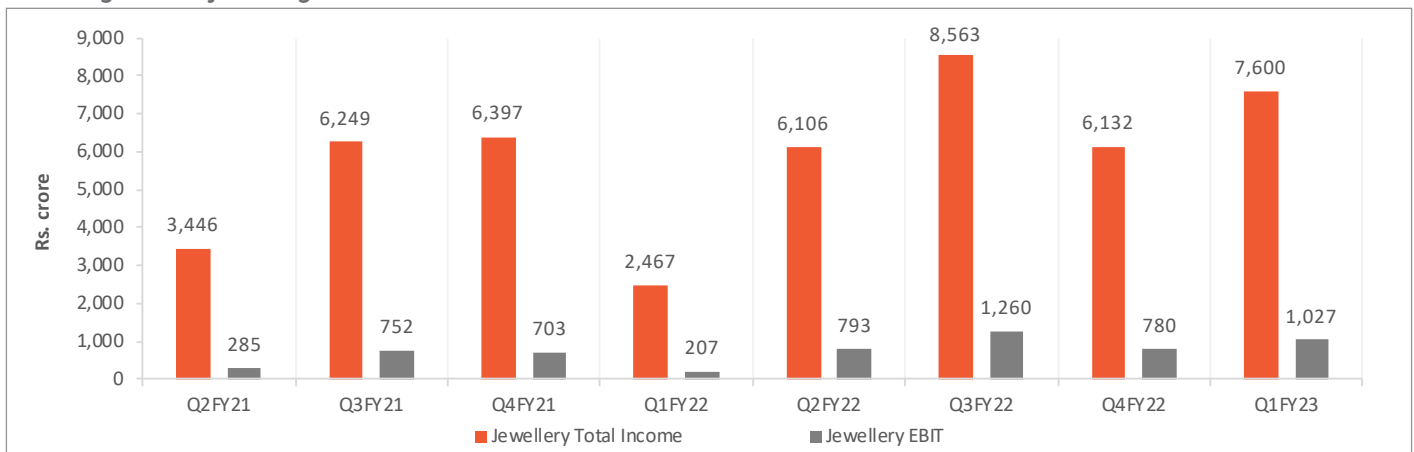
## Stellar Q1 - Revenue growth at 2.7x y-o-y; aggressive store additions

Titan's consolidated revenue grew by 2.7x y-o-y to Rs. 9,443 crore driven by 3.1x y-o-y growth in jewellery business revenues to Rs. 7,600 crore (ex-bullion), while revenue of the watches and eyewear business grew by 2.7x each to Rs. 785 crore and Rs. 183 crore respectively. Excluding bullion sales, revenue grew by 2.98x y-o-y to Rs. 8,975 crore. The 3-year CAGR came in at ~20.1%. Titan's subsidiary, CaratLane registered strong performance by posting revenue of Rs. 482 crore and profit of Rs. 27 crore. TEAL reported revenues of Rs. 88 crore and loss of Rs. 6 crore (before taxes). All the key divisions recorded healthy margins aided by better realizations across product categories. Jewellery business reported an EBIT of Rs. 1,027 crore in Q1 FY2023 compared to Rs. 207 crore in Q1FY2022. Watches & Wearables business reported an of EBIT Rs. 103 crore in Q1FY2023 compared to a loss of Rs. 56 crores in Q1FY2022. Eyewear business reported an EBIT of Rs. 36 crore in the quarter compared to a loss of Rs. 13 crores in Q1FY2022. Consolidated gross margin and EBITDA margin improved by 307 bps and 872 bps y-o-y to 25.5% and 12.7%, respectively, aided by strong revenue growth. EBITDA grew by 8.7x y-o-y to Rs. 1,196 crore. Reported PAT stood at Rs.790 crore. The company has added a net 125 stores during the year. The company's retail chain (including Caratlane) has 2,303 stores across 366 towns with an area exceeding 2.9 million sq. ft. as on June 2022.

### Jewellery business shines in Q1

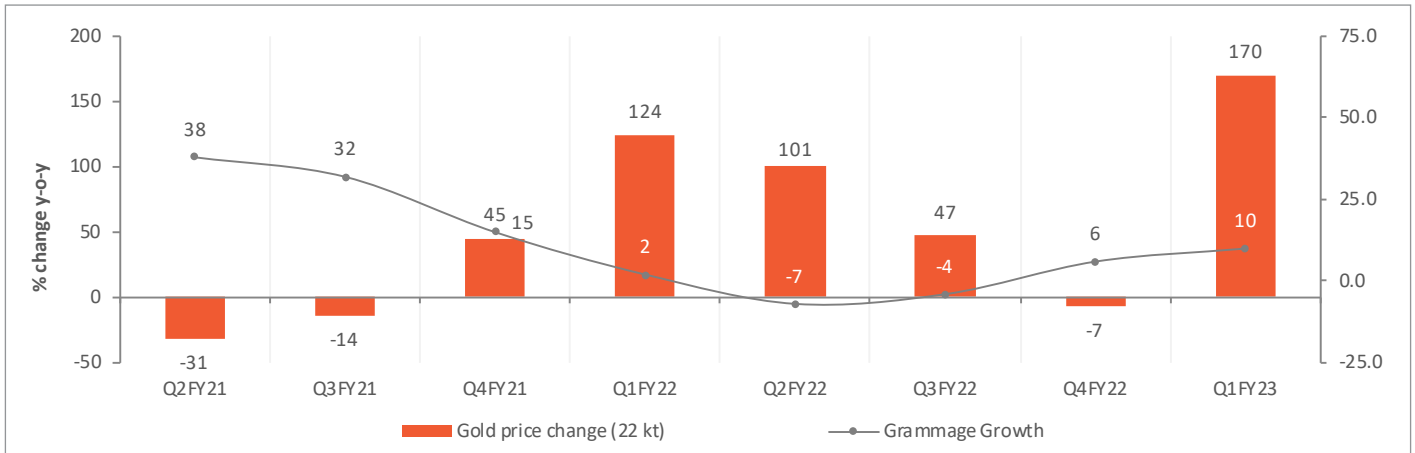
Titan's jewellery business (excluding bullion sales), contributing 88% to total revenue, registered a strong growth of 3.1x y-o-y in Q1FY2023 to Rs. 7,600 crore. The 3-year CAGR came in at 23.4%. Gold and studded jewellery both grew by ~260% y-o-y. Jewellery business had a good start to FY2023 with robust sales on the auspicious occasion of Akshaya Tritiya in May 2022, after a three-year gap. Sales growth was driven by both higher number of buyers and increased ticket sizes, with new buyers' contribution continuing to be robust at 46%. Whilst wedding segment recorded a healthy growth of 178% y-o-y, its contribution to the overall sales was marginally lower. Studded jewellery sales ratio at 26% was moderately better than pre-pandemic levels of 25% in Q1FY2020, indicating a full recovery. Store expansion (net) continued, with the commissioning of 19 stores during the quarter including six Tanishq stores and 13 Mia stores. Jewellery business reported an EBIT of Rs. 1,027 crore in Q1FY2023, up from Rs. 207 crore in Q1FY2022. EBIT margin of the jewellery business expanded by 510 bps y-o-y to 13.5% led by better operating leverage, favourable product mix and improved studded margins.

### Quarterly trend in jewellery business



Source: Company; Sharekhan Research

**Jewellery: Gold price change (22 kt) and Grammage Growth**

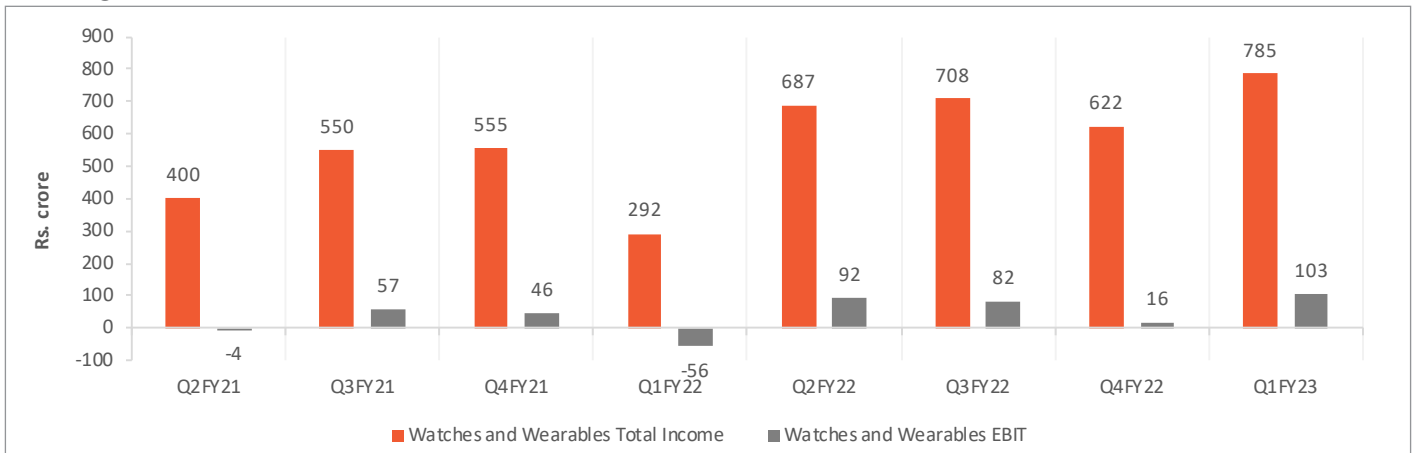


Source: Company; Sharekhan Research

**Strong revenue and profitability growth in watches and wearables business**

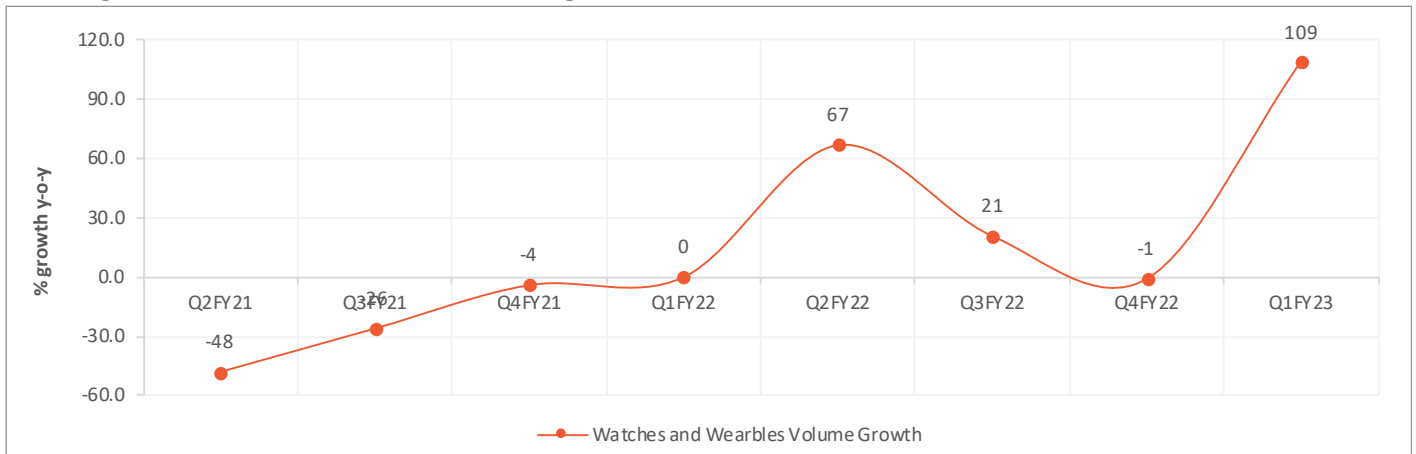
The watches & wearables business, which contributes 9% to total revenue, registered 2.7x y-o-y growth on a low base of Q1FY2022 to Rs. 785 crore driven by healthy growth across channels and brands. Key channels of multi-brand retail (MBR), Titan World and large format stores (LFS) continued their growth trajectory from FY2022. The wedding season worked really well for all brands and channels, especially in April and May. Wearables growth nearly quintupled on a low y-o-y base while maintaining the momentum seen in H2FY2022. The business ramped up its advertising spends across brands and categories to ~Rs. 67 crore. Store expansions (net) continued with 26 new stores opened of Titan World and 15 of Helios. The transformation of Titan World, Helios, and FastTrack stores to newer formats offering a wider choice of premium brands continued with 28 store renovations undertaken in Q1FY2023. Titan launched several new products in this quarter – including Raga Ceramics and a new range of Titan Mechanicals. Titan Solar was launched to commemorate World Environment Day. Sonata launched Utsav, a wedding collection at value price points. The wearables segment also saw a series of launches by both Titan and FastTrack. The watches and wearables business reported EBIT of Rs. 103 crore in Q1FY2023 as compared to a loss of Rs. 56 crore in Q1FY2022. Despite higher investments in brands and people, EBIT margins of watches and wearables business came in at 13.1%.

**Quarterly trend in the watches business**



Source: Company; Sharekhan Research

### Quarterly trend in watches and wearables volume growth

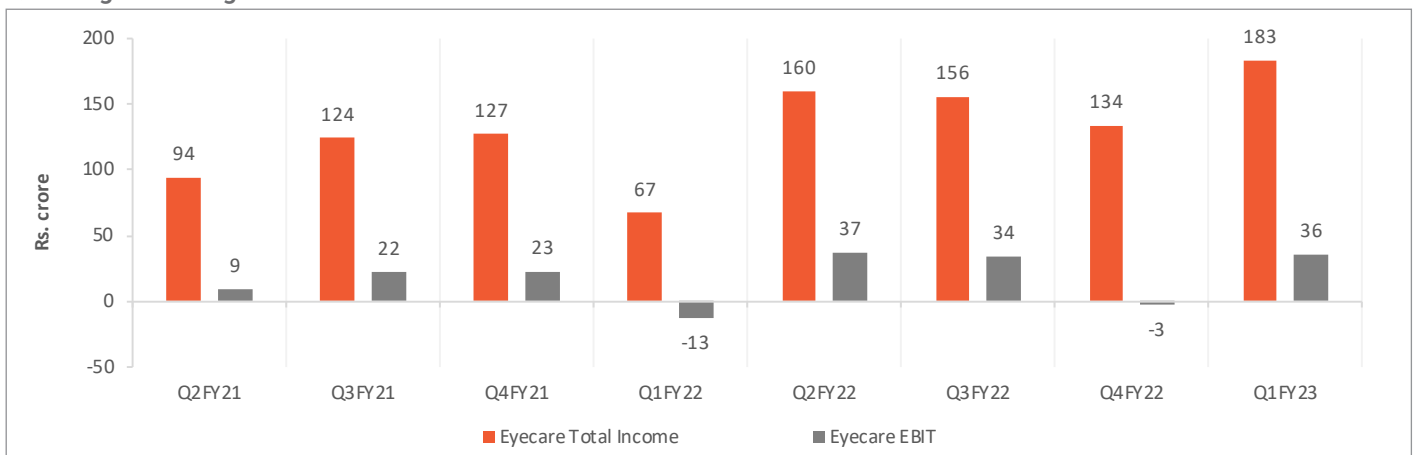


Source: Company; Sharekhan Research

### Eye care revenue growth backed by store additions

The eye care business grew by 2.7x y-o-y during the quarter to Rs. 183 crore driven by growth in all its major categories. The company added 56 new stores during Q1FY2023 across cities of Bengaluru, Kolkata, and Chennai, accelerating the journey to reach 1,000 Titan Eye Plus outlets pan-India by the end of FY2023. Prescription eyewear retail by FasTrack, a new initiative by Titan EyeCare, expanded the reach with addition of 2 new brand stores in Bengaluru. The division entered the Guinness World Records by conducting 0.13 million eye tests on a single day on April 21, 2022. The advertising spends of Rs. 12 crore for the quarter helped in strengthening the brand's TV presence. Eye care business reported EBIT of Rs. 36 crore in Q1FY2023 as compared to a loss of Rs. 13 crore in Q1FY2022, registering EBIT margin of 19.8%.

### Quarterly trend in eyecare business



Source: Company; Sharekhan Research

### Robust Q1 for other businesses - Fragrances and Fashion Accessories, Taneira

Other businesses grew by 4x y-o-y to Rs. 56 crore. Fragrances and Fashion Accessories (F&FA) segment grew by 275% y-o-y driven by healthy growth in Trade, LFS and e-Commerce channels. In Fragrances, the Brand SKINN tapped into the premium segment with the launch of 'SKINN Nox' in both Homme & Femme variants. In Fashion Accessories, FastTrack launched the 'Spring Summer' collection and ran the 'Wear it your way' campaign for commuter bags and small totes. 'Taneira's sales grew by 608% y-o-y on a low

base. Brand continued to expand its national presence adding 6 stores in Q1FY2023 and is now present in 11 cities including all 4 metros. The advertising spends accelerated to Rs. 5 crore. 'Summer Sorbet' - a unique collection of handcrafted sarees and ready-to-wear kurta sets was launched in Q1FY2023. Other businesses reported a loss of Rs. 10 crore (before exceptional items) as compared to loss of Rs. 16 crore in Q1FY2022.

### Subsidiaries' performance

- ♦ **Titan Engineering and Automation Limited (TEAL):** Strong revenue growth of 29% y-o-y to Rs. 89 crore with both divisions - Automation Solutions (AS) and Aerospace and Defence (AD), performing equally well. Orders in the AD business grew 140% y-o-y indicating a strong recovery. AS business, however, had a low double digit decline in order inflows during the quarter as compared to last year. Single aisle orders in the AD business continued to exhibit good growth prospects. Successful exports in the AS business included an E-bike program, Motor Drive Unit (MDU) and Gear Shifter Shaft (GSS) assembly lines. The business reported loss of Rs. 5 crore during the quarter mainly due to high freight costs.
- ♦ **CaratLane (72.3% owned subsidiary):** Business revenue grew by 204% y-o-y to Rs. 483 crore in Q1FY2023 led by strong demand around Akshaya Tiritiya (AT). Along with AT activations, growth was driven by the 'Borla Hero' collection and 200 new design launches across price points and business segments for occasion wear, studs and neckwear. Caratlane added 5 new stores for the quarter, taking the total store network to 143 stores spread across 53 cities across India. The business reported profit of Rs. 34 crore and EBIT margin of 6.9% in Q1FY2023.

### Results (Consolidated)

	Rs cr				
Particulars	Q1FY23	Q1FY22	y-o-y (%)	Q4FY22	q-o-q (%)
<b>Net sales</b>	<b>8,975.0</b>	<b>3,004.0</b>	-	<b>7,267.0</b>	<b>23.5</b>
Other operating revenues	468.0	469.0	-0.2	529.0	-11.5
<b>Total Revenue</b>	<b>9,443.0</b>	<b>3,473.0</b>	-	<b>7,796.0</b>	<b>21.1</b>
Raw material cost	7,038.0	2,695.0	-	5,827.0	20.8
Employee cost	387.0	313.0	23.6	395.0	-2.0
Advertising	218.0	49.0	-	198.0	10.1
Other expenses	604.0	279.0	-	582.0	3.8
Total operating cost	8,247.0	3,336.0	-	7,002.0	17.8
<b>Operating profit</b>	<b>1,196.0</b>	<b>137.0</b>	-	<b>794.0</b>	<b>50.6</b>
Other income	44.0	46.0	-4.3	76.0	-42.1
Interest & other financial cost	65.0	49.0	32.7	61.0	6.6
Depreciation	103.0	95.0	8.4	102.0	1.0
<b>Profit Before Tax</b>	<b>1,072.0</b>	<b>39.0</b>	-	<b>707.0</b>	<b>51.6</b>
Tax	282.0	21.0	-	140.0	-
<b>Adjusted PAT before MI</b>	<b>790.0</b>	<b>18.0</b>	-	<b>567.0</b>	<b>39.3</b>
Extraordinary item	0.0	0.0	-	40.0	-
<b>Reported PAT</b>	<b>790.0</b>	<b>18.0</b>	-	<b>527.0</b>	<b>49.9</b>
Adjusted EPS (Rs.)	8.9	0.2	-	6.4	39.3
			<b>Bps</b>		<b>Bps</b>
GPM (%)	25.5	22.4	307	25.3	21
EBIDTA margins (%)	12.7	3.9	872	10.2	248
NPM (%)	8.4	0.5	785	6.8	161
Tax rate (%)	26.3	53.8	-	19.8	650

Source: Company, Sharekhan Research

### Segment-wise revenue

Particulars	Rs cr				
	Q1FY23	Q1FY22	y-o-y (%)	Q4FY22	q-o-q (%)
Watches	785.0	292.0	-	622.0	26.2
Jewellery (excluding bullion sales)	7,600.0	2,467.0	-	6,132.0	23.9
Eyewear	183.0	67.0	-	134.0	36.6
Others/Corporate	81.0	64.0	26.6	89.0	-9.0
Bullion sales	356.0	424.0	-16.0	375.0	-5.1
<b>Standalone</b>	<b>9,005.0</b>	<b>3,314.0</b>	<b>-</b>	<b>7,352.0</b>	<b>22.5</b>
Caratlane	483.0	159.0	-	365.0	32.3
TEAL	89.0	69.0	29.0	179.0	-50.3
Others/Consol. Adj	-90.0	-23.0	-	-24.0	-
<b>Consolidated</b>	<b>9,487.0</b>	<b>3,519.0</b>	<b>-</b>	<b>7,872.0</b>	<b>20.5</b>

Source: Company, Sharekhan Research

### Segment-wise EBIT

Particulars	Rs cr				
	Q1FY23	Q1FY22	y-o-y (%)	Q4FY22	q-o-q (%)
Watches	103.0	-56.0	-	16.0	-
Jewellery	1,027.0	207.0	-	780.0	31.7
Eyewear	36.0	-13.0	-	-3.0	-
Others/Corporate	-45.0	-12.0	-	-23.0	95.7
<b>Standalone</b>	<b>1,121.0</b>	<b>126.0</b>	<b>-</b>	<b>770.0</b>	<b>-</b>
Caratlane	34.0	-4.0	-	17.0	-
TEAL	-5.0	-1.0	-	21.0	-
Others/Consol. Adj	-12.0	-33.0	-63.6	-40.0	-70.0
<b>Consolidated</b>	<b>1,138.0</b>	<b>88.0</b>	<b>-</b>	<b>768.0</b>	<b>48.2</b>

Source: Company, Sharekhan Research

### Retail network

Brand	Net Additions (in Q1FY2023)		As on June 30, 2022		
	Stores	Sq. Ft.	Stores	Towns	Sq. Ft.
Tanishq	6	25K	395	237	1.53mn
Zoya	-	-	5	4	19K
CaratLane	5	7K	143	53	139K
Mia	13	7.7K	63	24	28K
WOT	26	13K	570	272	429K
FastTrack (watches)	(2)	(0.4K)	161	77	78K
Helios	15	10K	151	60	117K
Titan Eye+	54	27K	786	317	481K
FastTrack (eyecare)	2	1.8K	3	1	2.5K
Taneira	6	16K	26	11	75K
<b>Total</b>	<b>125</b>	<b>107K</b>	<b>2,303</b>	<b>366</b>	<b>2.9mn</b>

Source: Company, Sharekhan Research

### Retail growth

Brand	Q1FY2023	
	Sales value growth (%)	Like-to-Like growth (%)
Tanishq	202	195
CaratLane	370	306
World of Titan	241	227
FastTrack	230	231
Helios	278	227
LFS (for Watches)	358	338
Titan Eye+	180	185

Source: Company, Sharekhan Research

## Outlook and Valuation

### ■ Sector View – FY2023 to be strong year for retail & other discretionary companies

During the pandemic, out-of-home/discretionary consumer goods & services were severely affected due to restriction on mobility, cut on discretionary spends to buy more of essentials and restriction put by government authorities affecting the retail store operations. Footwear, branded apparels, restaurants/fine-dine, beverages & confectionaries, multiplexes, hotels and amusement parks companies' registered muted performance in FY2021 and FY2022. However, with receding scare of pandemic, performance of these companies is expected to see strong revival in FY2023. Better operating leverage and improved efficiencies would help branded apparel and retail companies to post higher margins in the coming years. Market share gains, higher traction on e-commerce platform, strong retail space expansion strategy and sustained expansion of product portfolio will help them to post consistent growth in the medium term.

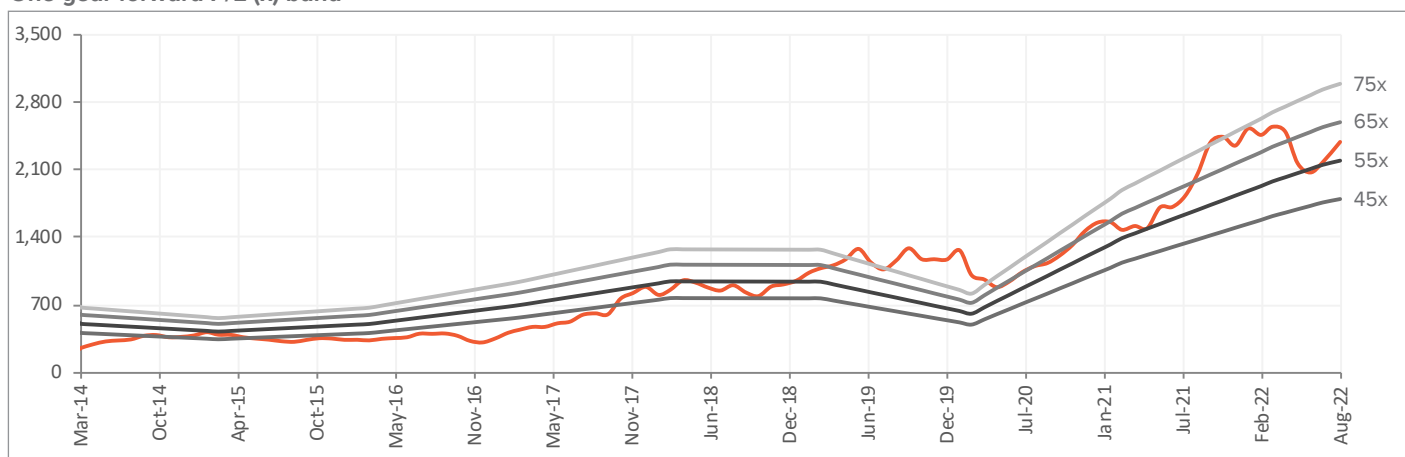
### ■ Company Outlook – Eyeing strong growth over the next five years

Titan 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 Central India) to drive consistent double digit revenue growth and scale-up in the EBIT margins the over the next five. Management targets jewellery business to grow by 2.5x by FY2027; Watches business to reach by Rs. 10,000 crore by FY2026 and eyecare to grow in double digits in the coming years. Key drivers of EBIT margins would be an improvement in improvement in the profitability of watches/eyewear, support from new ventures while jewellery business margins to remain stable for next 2-3 years and gradually improve.

### ■ 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 improve strongly in the coming years. FY2023 will be a strong year for the company on back of low base in the core businesses. Stock is currently trading at 67.9x and 53.7x its FY2023E and FY024E earnings. The company's strong growth outlook, industry tailwinds in the medium term and strong balance sheet makes it a best play in the retail space. Hence we maintain our Buy recommendation on the stock with an unchanged price target 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	-	-	64.4	51.3	33.0	26.0	9.6	13.6	17.5
Titan Company	96.5	67.9	53.7	64.9	45.7	36.5	30.5	35.9	37.3

Source: Company, Sharekhan estimates



## About 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 by 2.5x by FY2023 in its jewellery business.

## 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
Ashok Kumar Sonthalia	Chief Financial Officer
Dinesh Shetty	Company Secretary

Source: Company Website

### Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Jhunjhunwala Rakesh	3.98
2	Life Insurance Corp of India	3.26
3	Vanguard Group Inc	1.75
4	SBI Funds Management	1.48
5	Blackrock Inc	1.35
6	Jhunjhunwala Rekha Rakesh	1.07
7	ICICI Prudential Life Insurance Co.	1.03
8	Sands Capital Management	0.89
9	UTI AMC	0.87
10	ICICI Prudential AMC	0.45

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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