Stock Update

Result Update

Sharekhan by BNP PARIBAS

Powered by the Sharekhan 3R Research Philosophy

Triveni Engineering & Industries Ltd

Margins miss mark in Q1; outlook strong for next season

Miscellaneous	Sharekhan code: TRIVENI

Reco/View: Buy	↔	CMP: **Rs. 237**	Price Target: **Rs. 285**	↓

↑ 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	40.15

Severe Risk

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

Source: Morningstar

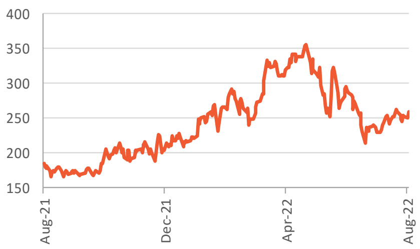
Company details

Market cap:	Rs. 5,730 cr
52-week high/low:	Rs. 374 / 163
NSE volume: (No of shares)	10.6 lakh
BSE code:	532356
NSE code:	TRIVENI
Free float: (No of shares)	7.6 cr

Shareholding (%)

Promoters	68.4
FII	7.4
DII	4.9
Others	19.3

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	3.1	-20.0	-15.5	31.5
Relative to Sensex	-6.6	-26.3	-14.7	24.3

Sharekhan Research, Bloomberg

Summary

- Triveni Engineering & Industries' (TEIL's) operating performance in Q1FY2023 was affected by nil exports during the quarter. Revenues grew by 23% while the EBIDTA margins decreased by 509 bps to 8.4%. Excluding export subsidies in base quarter, margins would be lower by 100 bps y-o-y.
- India's sugar production is expected to grow by 3-4% in the next sugar season. Debottlenecking of facilities, better surveillance and good rainfall in TEIL's cane production area will help in generating higher yields for the company in next sugar season.
- Ethanol capacity to expand to 1,110 KLPD by FY2024 from 660 KLPD currently. Steady sugar sales led by higher realisation, higher revenues from the distillery business, and recovery in the engineering business (order book of Rs. 1,889 crore) would drive earnings in the near term.
- Stock has corrected by ~23% in past three months and trades at 16.3x and 13.2x its FY2023E and FY2024E earnings, respectively. We maintain a Buy with a revised PT of Rs. 285.

Triveni Engineering & Industries Ltd's (TEIL's) revenues grew by 22.5% y-o-y to Rs. 1,361.5 crore on back of 67% y-o-y growth in distillery segment's revenues to Rs. 379.3 crore, a 17% y-o-y growth in the core sugar business to Rs. 1,051.9 crore and a 33% y-o-y increase in the engineering business revenues to Rs. 95.7 crore. Gross margins and EBITDA margins decreased by 653 bps and 509 bps y-o-y, respectively to 22.0% and 8.4%. Excluding export subsidy of Rs. 45 crore in the base quarter, the EBITDA margin decline would be of around 100 bps. EBIT of Sugar division was down by 43.8% due to higher cane prices, higher transfer prices and lower recovery. Distillery business EBIT grew by 44.2% y-o-y. This along with higher interest expenses led to 33% y-o-y decline in the adjusted PAT to Rs. 66.4 crore. The company has commissioned new grain-based distillery of 60 KLPD in Muzaffnagar and an increase in the capacity of the existing distilleries at Muzaffarnagar and Milak Narayanpur by 40 KLPD each (from 160 KLPD to 200 KLPD), thereby increasing the company's overall distillation capacity to 660 KLPD. Further, the company has proposed new dual feedstock facility of 450 KLPD at Rani Nangal and Sabitgarh, UP with an investment of Rs. 460 crore. Its distillation capacity will stand augmented at 1,110 KLPD by Q3FY2024.

Key positives

- Distillery business net revenues grew 59% y-o-y, driven by a 42% y-o-y rise in sales volumes.
- Engineering business' revenues grew by 32% y-o-y; order book strong at Rs. 1,889 crore for the year ahead.
- TEIL is expanding its distillery capacity from current 660 KLPD to 1,110 KLPD by FY2024.
- There are no outstanding cane dues to be paid to farmers vs. ~Rs. 243 crore in Q4FY2022.

Key negatives

- Lower sugar recovery, increase in SAP and export subsidy of Rs. 45 crore in base quarter led to a sharp decline of 552 bps in EBIT margins of sugar division to 5.1%.

Management Commentary

- De-bottlenecking and modernization plans at three of its sugar units are progressing well and it expects this activity to be completed by October 2022. For the upcoming sugar season, with increase in cane area by 3% this year, better crop health, more focused crop surveillance plan and a good forecast of monsoon, the management expects increase in yield and production and hence cane availability and consequently higher crush for the company.
- The management has indicated that post these capacity additions/enhancement, the distillery production is expected to come in at 18 crore litres for FY2023 (up from ~11 crore litres in FY2022) while for FY2024, the production is expected to rise up to 30-32 crore litres.
- For power transmission business, the outstanding order book as on June 30, 2022 stood at Rs. 243.4 crore, including long duration orders of Rs. 110 crore executable over a couple of years. On the other hand, the outstanding order book for water as on June 30, 2022 stood at Rs. 1,645.5 crore, which includes Rs. 950 crore towards O&M contracts for a longer period. Thus with strong order booking engineering business is expected to post strong performance in the coming years.
- Funds raised through monetisation of stake sale in Triveni Turbines will be utilised for funding future capex programme and reward shareholders with higher dividend payout.

Revision in estimates – We have reduced our earnings estimates for FY2023 and FY2024 to factor in lower than earlier expected EBITDA margins.

Our Call

View: Maintain Buy with a revised PT of Rs. 285 – With higher capacity utilisation in the expanded distillery facility and improved order book in engineering, TEIL is well poised to achieve strong double-digit earnings growth over FY2022-FY2025. Further, the company is focusing on enhancing shareholders' value by unlocking value in the non-core investments. Stock trades at 16.3x/13.2x its FY2023E/FY2024E EPS (12.6x/10.1x its FY2023E/FY2024E EV/EBITDA). Structural change in sugar industry, strong growth prospects of distillery business, and lean balance sheet will help maintain strong growth momentum in the medium to long term. We maintain our Buy recommendation on the stock with a revised price target (PT) of Rs. 285.

Key Risks

Any significant decrease in sugar production or slow recovery in the engineering business would act as a key risk to our earnings estimates.

Valuation (Consolidated) Rs cr

Particulars	FY21	FY22	FY23E	FY24E
Revenue	4,703	4,694	5,036	5,613
OPM (%)	11.9	13.5	12.6	13.7
Adjusted PAT	293	372	364	449
Adjusted EPS (Rs.)	12.2	17.8	15.4	19.0
P/E (x)	20.7	14.1	16.3	13.2
P/B (x)	3.9	3.2	2.7	2.3
EV/EBITDA (x)	12.7	12.2	12.6	10.1
RoNW (%)	20.3	24.8	18.1	19.1
RoCE (%)	17.7	17.9	14.3	15.7

Source: Company; Sharekhan estimates

Revenues grew in double digits; EBIDTA margins witnessed a dip

Revenues grew by 22.5% y-o-y to Rs. 1,361.5 crore on back of 67% y-o-y growth in the distillery revenues to Rs. 379.3 crore, 17% y-o-y growth in the core sugar business to Rs. 1,051.9 crore and 33% y-o-y increase in engineering business' revenues to Rs. 95.7 crore. Revenues were ahead of our and average street expectation of Rs. 1,090-1,092 core. Gross margins and EBITA margins decreased by 653 bps and 509 bps, y-o-y respectively to 22.0% and 8.4% lower than our as well as street expectation of 12.4% and 14.0% during the quarter. EBIT of sugar division was down by 43.8% due to higher cane prices, higher transfer prices and lower recovery. Distillery business EBIT grew by 44.2% y-o-y. This along with higher interest expenses led to 33% y-o-y decline in the adjusted PAT to Rs. 66.4 crore.

Sugar business: excluding export in the base performance was better

In Q1FY2023, sugar business' revenues grew by 17.2% y-o-y to Rs. 1,051.7 crore, with sales volume growing 11.9% y-o-y. Excluding sugar exports in the base quarter, sales volumes grew by 36.1%. Domestic realisation increased by 5.7% y-o-y to Rs. 35.3/kg. Segment PBIT was reported at Rs. 53.3 crore, lower by 43.9% y-o-y and the PBIT margins declined by 552 bps to 5.1%. Excluding the export subsidy of Rs. 45.3 crore pertaining to export made in FY2021, the PBIT grew by 7% y-o-y and margins stood flat on y-o-y basis. Sugar inventory as on June 30, 2022 was 46.80 lakh quintals, which is valued at around Rs. 32.2/kg. Sugar inventory at the same point last year stood at 45.12 lakh quintals. Co-generation operations (including incidental co-generation) achieved external sales of Rs. 16.91 crore during Q1FY2023 as against Rs. 14.23 crore in Q1 FY2022, an increase of 19%.

Debottlenecking and modernization plans at three of its sugar units are progressing well and it expect this activity to be completed by October 2022. For the upcoming sugar season, with an increase in cane area by 3% this year, better crop health, more focused crop surveillance plan and a good monsoon forecast, the management expects increase in yield and production and hence cane availability and consequently a higher crush for the company.

Sugar division's performance

Particulars	Q1FY23	Q1FY22	y-o-y %
Sugarcane Crush (Mn Tonnes)	1.8	1.6	9.8
Gross recovery (%)	12.1	12.6	
Net recovery (%)	10.5	11.4	
Sugar Production (Tonnes)	1,88,885	1,86,593	1.2
Sugar dispatches (tonnes)			
Domestic	2,39,540	1,75,952	36.1
Exports	-	38,066	-
Total	**239540**	**214018**	**11.9**
Domestic realisation (Rs. /Kg)	35.3	33.4	5.7
Export realisation (Rs. /Kg)		25.8	-100.0
Gross Revenue (Rs. crore)	**1051.7**	**897.2**	**17.2**
PBIT (Rs. crore)	53.3	95.0	-43.9
PBIT margins (%)	**5.1**	**10.6**	**-552**

Source: Company; Sharekhan Research

Distillery business – Capacity addition aided in strong growth

Distillery business's net revenues grew by 59.2% y-o-y to Rs. 243.4 crore in Q1FY2023, driven by sales volume growth of 42.4% y-o-y, while realisations grew by 7% y-o-y to Rs. 57.8/litre. During the quarter, additional capacity of 200 KLPD was commissioned - a new 160-KLPD dual feed distillery at Milak Narayanpur and enhancement of capacity of the existing distillery at Sabitgarh from 160 KLPD to 200 KLPD. Ethanol produced from B-heavy molasses constitutes 90% of the sales volume in the current quarter as against 81% in the corresponding period of the previous year. Increase in capacity drove up production and higher sales volume during the quarter. Distillery realisation was higher due to product mix and an increase in prices. The business' PBIT margins decreased by 212 bps y-o-y to 20.5%. Sales volume of IMIL was 6.56 lakh cases in Q1FY2023.

The company's overall capacity enhanced to 660 KLPD. Unit-wise capacities are as follows: Milak Narayanpur distillery 200 KLPD, Sabitgarh distillery 200 KLPD and Muzaffarnagar facility comprising 200 KLPD on molasses and 60 KLPD on grain aggregating to 260 KLPD. The board has approved the expansion programme to set up two new dual feedstock (sugarcane derived and grain) distilleries with an aggregate capacity of 450 KLPD at Rani Nangal and Sabitgarh, U.P., subject to receipt of necessary statutory clearances, raising total distillation capacity to 1,110 KLPD at an aggregate cost of about Rs. 460 crore. These distilleries are expected to commence commercial production in Q3FY2024. The management has indicated that post these capacity additions/enhancement, the distillery production is expected to come in at 18 crore litres for FY2023 (up from ~11 crore litres in FY2022) while for FY2024, the production is expected to rise up to 30-32 crore litres.

Distillery business' performance

Particulars	Q1FY23	Q1FY22	y-o-y %
Operational details			
Production (KL)	42273	26814.0	57.7
Sales (KL)	38902	27315	42.4
Avg. Realisation (Rs. /ltr)	57.8	53.98	7.1
Financial details			
Net revenues (Rs. crore)	243.4	152.9	59.2
PBIT (Rs. crore)	49.8	34.5	44.3
PBIT margins (%)	20.5	22.6	-212

Source: Company; Sharekhan Research

Power transmission revenues rise 7.6% y-o-y; Margin stood flat

Revenues increased by 7.6% y-o-y in Q4FY2022 to Rs. 30.4 crore. The segment's EBIT margin stood flat at 28.8%. Order booking in Q1FY2023 reported an impressive growth of 41.5% over the corresponding period last year. This growth trend is expected to continue and support strong revenue growth in FY2023 and FY2024. The outstanding order book as on June 2022 stood at Rs. 243.4 crore, including long duration orders of Rs. 1,100 crore executable over a couple of years.

The business is focused on increasing the global market share and global footprint across various industrial segments through domestic and overseas OEMs. Sectors such as power, cement, fertilizer, petrochemicals, steel, paper, sugar and ethanol, etc. are potential segments where the segment expects growth in the immediate future. The defence business is also poised to grow, expanding its current portfolio in tandem with the government's ambitious plans to spend on the country's defence, especially in the naval segment.

Water business – Growth momentum continued

The water business's revenue grew by 49.2% y-o-y to Rs. 65.6 crore in Q1FY2023. based on consolidated results including wholly owned SPV executing Mathura Project awarded by National Mission of Clean Ganga (NMCG) under the Namami Gange Program and PALI ZLD Pvt. Ltd. WBG has completed construction of various facilities of company's Mathura Hybrid Annuity Model (HAM) project for NMCG/Uttar Pradesh Jal Nigam (UPJN). Part of these facilities have already passed through performance guarantee (PG) tests successfully and balance ones are undergoing the same. During the quarter, the Company has secured its second international project, in Bangladesh. This project is an EPC order and under a joint-venture arrangement with a Bangladeshi company. Water business PBIT decreased by 56% y-o-y to Rs. 2.55 crore.

TEIL is expecting robust order booking in the coming quarters and is well placed in certain bids being evaluated and has visibility of bids of substantial value, which are expected to be floated during the year. The outstanding order book as on June 30, 2022 stood at Rs. 1,645.5 crore, which includes Rs. 950 crore towards O&M contracts for a longer time period.

Engineering business' performance

Segmental Revenue (Rs. crore)	Q1FY23	Q1FY22	Y-o-Y (%)
Engineering Business			
Power Transmission	30.43	28.27	7.6
Water	65.26	43.74	49.2
Total	95.69	72.01	32.9
Segmental Results (Rs. crore)	**Q1FY23**	**Q1FY22**	**Y-o-Y (%)**
Engineering Business			
Power Transmission	8.77	8.24	6.4
Water	2.55	5.87	-56.6
Total	**11.32**	**14.11**	**-19.8**
EBIT margin (%)	**Q1FY23**	**Q1FY22**	**Y-o-Y (bps)**
Power Transmission	28.8	29.1	-33
Water	3.9	13.4	-951

Source: Company; Sharekhan Research

Debt stays high, expected to decline in near term

TEIL's total debt on a standalone level as at Q1FY2023-end stood at Rs. 1,541.5 crore vs. Rs. 1,503.7 crore at FY2022-end. It comprises term loans of Rs. 386.1 crore, almost all such loans are with interest subvention or at subsidized interest rate. Higher debt is owing to faster sugarcane price payment. There are no outstanding cane dues as on June 30, 2022 vs Rs. 213.5 crore as on March 31, 2022 and Rs. 272.7 crore as on June 30, 2021. On a consolidated basis, total debt is at Rs. 1,617.7 crore in Q1FY2023 as against Rs. 1,568 crore as on March 31, 2022. It comprises term loans of Rs. 462.24 crore.

Divestment of shareholding in Triveni Turbine

On May 9, 2022, the board has decided to divest the company's entire shareholding in Triveni Turbine Ltd (TTL), aggregating to 21.85% of equity share capital of TTL to unlock value for stakeholders, timely monetisation of non-core-assets, unbundling of businesses, and enabling the long-term succession planning and facilitation of focused management for the company. The floor price for the transaction is fixed at Rs. 171 per share and accordingly the company will receive ~Rs. 1,210 crore from the transaction. Proceeds from the divestment of equity shares of TTL are intended to be utilised for growth and expansion for business as well as for rewarding shareholders. As indicated by the management, the promoters might sell some shares of TEIL to buy stake in TTL.

Results (Consolidated) Rs cr

Particulars	Q1FY23	Q1FY22	Y-o-Y %	Q4FY22	Q-o-Q %
Revenues	**1,361.5**	**1,111.5**	**22.5**	**1,192.1**	**14.2**
Raw materials	1,062.0	794.4	33.7	761.1	39.5
Employee costs	78.0	67.8	15.1	93.7	-16.7
Other expenditure	107.6	99.7	7.9	162.6	-33.8
Total expenditure	1,247.6	961.9	29.7	1,017.4	22.6
Operating profit	**113.9**	**149.6**	**-23.9**	**174.7**	**-34.8**
Other income	9.9	3.6	171.6	3.0	233.1
Interest expenses	21.7	15.6	38.4	14.6	48.2
Depreciation	21.8	19.8	10.3	20.3	7.6
Profit Before Tax	80.3	117.8	-31.8	142.8	-43.8
Tax	22.2	31.6	-29.6	34.2	-35.1
Adjusted PAT (before associates)	**58.1**	**86.2**	**-32.7**	**108.6**	**-46.5**
Share of profit from associates	8.4	6.1	38.1	7.3	14.2
Adjusted PAT	66.4	92.3	-28.0	115.9	-42.7
Extra-ordinary items	0.0	0.0	-	-6.7	-
Reported PAT	**66.4**	**92.3**	**-28.0**	**122.6**	**-45.8**
EPS (Rs.)	2.7	3.8	-28.0	4.5	-39.1
			bps		**bps**
GPM (%)	22.0	28.5	-653	36.2	-1415
OPM (%)	8.4	13.5	-509	14.7	-629
NPM (%)	4.3	7.8	-349	9.1	-484
Tax rate (%)	27.7	26.8		24.0	

Source: Company; Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Rise in supply for ethanol manufacturing to drive growth

As per the ISMA's latest estimates for SY2022-SY2023, total sugarcane production is estimated at 35.5 million tonne (net of diversion to ethanol). Diversion to ethanol will be ~4.5 million tonnes. With consumption expected at 27 million tonne, surplus sugar in the next season is expected at 6-7 million tonnes. Average blending percentage in India stands at 9.82% till April 24, 2022, which is expected to improve in the next sugar season. Sugar realisations are expected to be stable with government expected to take care of surplus inventory by allowing exports of sugar or higher diversion for ethanol production. Industry supplied 445.2 crore litres till July 17, 2022 and in the next year 2022-23, it is estimated that 545 crore litres of ethanol would be required and supplied since the target of 12%. The government is targeting to achieve 20% blending of ethanol by 2024-2025 (10% ethanol blending by marketing year 2021-2022), which would largely solve the problem of excess sugar over the medium term.

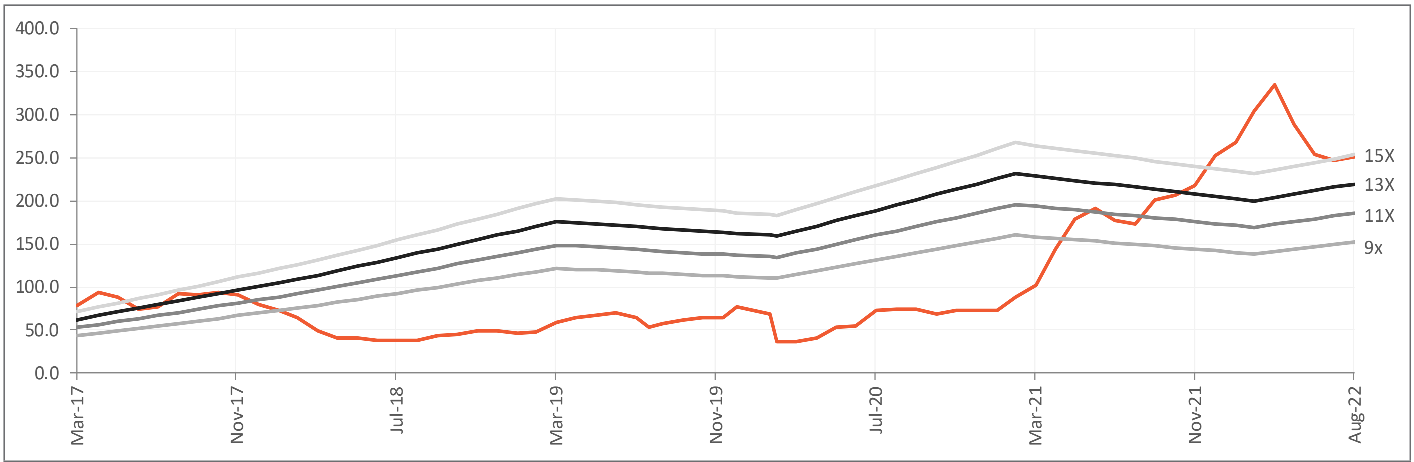
■ Company Outlook – Capacity expansion in distillery business improves growth outlook

The management expects a higher sugarcane availability and crush (with increased sugarcane output) in the coming season, which is expected to be aided by a normal monsoon as forecasted. Realisations are expected to stay high y-o-y. With capacity expansions, distillery production is expected to increase to 18 crore litres in FY2023 and 22 crore litres in FY2024 (30-32 crore litre by FY2025). Engineering business has strong order book of close to Rs. 1,900 crore. Profitability is expected to improve on the back of cost-control measures and better operating efficiencies. Thus, the company is well poised to report steady revenue growth with sustained improvement in EBITDA margin in the coming years.

■ Valuation – Maintain Buy with a revised PT of Rs. 285

With higher capacity utilisation in the expanded distillery facility and improved order book in engineering, TEIL is well poised to achieve strong double-digit earnings growth over FY2022-FY2025. Further, the company is focusing on enhancing shareholders' value by unlocking value in the non-core investments. Stock trades at 16.3x/13.2x its FY2023E/FY2024E EPS (12.6x/10.1x its FY2023E/FY2024E EV/EBITDA). Structural change in sugar industry, strong growth prospects of distillery business, and lean balance sheet will help maintain strong growth momentum in the medium to long term. We maintain our Buy recommendation on the stock with a revised price target (PT) of Rs. 285.

One-year forward P/E (x) band



Source: Company, Sharekhan Research

Peer Comparison

Particulars	P/E (x)			EV/EBITDA (x)			RoCE (%)		
	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
Balrampur Chini	16.0	13.8	11.2	16.8	17.7	19.4	16.8	17.7	19.4
Dhampur Sugar	10.4	9.6	7.3	8.1	8.2	6.6	11.2	13.8	16.4
Triveni Engineering	20.7	14.1	16.3	12.7	12.2	12.6	17.7	17.9	14.3

Source: Company, Sharekhan estimates

About company

TEIL is the largest integrated sugar manufacturer in India and the market leader in its engineering businesses comprising high-speed gears, gearboxes, and water and wastewater treatment solutions. TEIL currently has seven sugar mills in operation at Khatauli, Deoband, Sabitgarh (in western Uttar Pradesh), Chandanpur, Rani Nangal, and Milak Narayanpur (in central Uttar Pradesh) and Ramkola (eastern Uttar Pradesh). While the company's gears manufacturing facility is located at Mysuru, the water and wastewater treatment business is located at Noida. The company currently operates six co-generation power plants located across five sugar units and two molasses-based distilleries in UP, located at Muzaffarnagar and Sabitgarh. The company has a multi-feed distillery at Milak Narayanpur. TEIL manufactures Indian Made Indian Liquor (IMIL) at its Muzaffarnagar distillery.

Investment theme

TEIL will be one of the key beneficiaries of improving fundamentals of the sugar industry in India with the government focusing on reducing the cyclicality in the industry to achieve stable realisation and better profitability in the coming years. Expansion in distillery capacity will drive the strong growth for distillery business will add on to overall profitability. Further, increased MSPs and higher international sugar prices will keep sugar realisation stable despite higher sugar production. This will help EBITDA margin to improve from ~13% in FY2022 to ~15% in FY2024. Higher profitability along with stable working capital management will help cash flows to improve in the coming years. Thus, the balance sheet is expected to strengthen further in the coming years. Return ratios are expected to consistently improve and stand close to 19-20% in FY2024.

Key Risks

- Any significant increase in global sugar production would impact the export realisation.
- Any change in sugar export or ethanol blending policies would affect business fundamentals.

Additional Data

Key management personnel

Dhruv Sawhney	Executive Director-Chairperson-MD
Sureja Taneja	Group CFO
Tarun Sawhney	Executive Director
Geeta Bhalla	Company Secretary & Compliance Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	DSP investment managers Pvt Ltd	3.26
2	Goel Anil Kumar	2.69
3	Nippon Life India Asset Management Company	1.33
4	Devabhaktuni Manohar	1.05
5	Dimensional Fund Advisors LP	0.74
6	Capital Securities Investment Trust	0.21
7	Blackrock Inc	0.13
8	Goldman Sachs Group Inc	0.09
9	Nationwide Fund Advisors	0.06
10	Teachers Insurance and Annuity Association of America	0.05

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

Sharekhan

by BNP PARIBAS

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