Sharekhan by BNP PARIBAS

Powered by the Sharekhan 3R Research Philosophy

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 36.83

Updated Dec 08, 2022

High Risk

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

Source: Morningstar

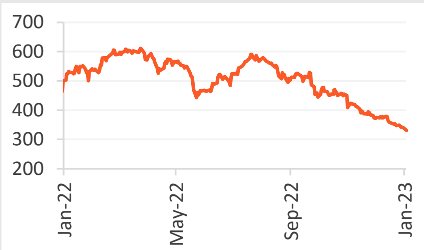
Company details

Market cap:	Rs. 17,781 cr
52-week high/low:	Rs. 626/324
NSE volume: (No of shares)	32.2 lakh
BSE code:	540222
NSE code:	LAURUSLABS
Free float: (No of shares)	39.1 cr

Shareholding (%)

Promoters	27.2
FII	21.9
DII	9.5
Others	41.4

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	21.3	-5.1	-16.7	-13.6
Relative to Sensex	23.1	-2.9	-18.9	-14.8

Sharekhan Research, Bloomberg

Laurus Labs Ltd

Downgrade to HOLD as prospects weaken

Pharmaceuticals	Sharekhan code: LAURUSLABS

Reco/View: Hold	↔	CMP: **Rs. 331**	Price Target: **Rs. 368**	↓

↑ Upgrade ↔ Maintain ↓ Downgrade

Summary

- Q3FY2023 operating and net profitability was far below estimates. We attribute the deviation from estimates to an unfavorable product mix.
- Synthesis (CDMO) business is expected to slow down due to a high base effect.
- Laurus has lowered its EBITDA margin guidance to ~28% vs. guidance of ~ 30% given earlier for FY2023. We estimate that margins will be under pressure over the short-medium term.
- The stock has corrected by ~37% over the past one year. The stock trades at an expensive valuation of 22.7x/17.9x its revised FY2024E/FY2025E EPS estimates. We downgrade it to Hold from Buy with a revised PT of Rs. 368.

Laurus Labs Limited (Laurus) fared far below on the profitability front, as it continued to lag behind expectations at an accelerated rate, now that the Anti-Retroviral (ARV) API has been recovering since Q2FY2023 y-o-y basis and generic FDF business has been posting a decline over the past two quarters, ending Q3FY2023. The ARV TLD tender prices have fallen by 40% that has led to fall in profitability. This unfavorable products mix has led to a sharp 535 bps y-o-y (-168 bps q-o-q) decline in gross margins to 53.4%, 161 bps y-o-y (-236 bps q-o-q) decline in EBITDA margin to 26.1%, and 192 bps y-o-y (-169 bps q-o-q) decline in net margins for Q3FY2023. The company posted a strong 50.2% y-o-y (-2.0% q-o-q) rise in revenue to Rs. 1,544.8 crore though. However, gross profit increased at a slower pace of 36.5% y-o-y (-5% q-o-q) to Rs. 825.4 crore due to 69.7% y-o-y (+1.7% q-o-q) rise in raw-material costs to Rs. 719.4 crore. Similarly, EBITDA grew at a slower rate than revenue growth, at 41.5% y-o-y (-10.1% q-o-q) to Rs. 403.6 crore, while net profit increased at an even slower pace of 30.7% y-o-y (-13.2% q-o-q) to Rs. 202.5 crore in Q3FY2023. Although management has guided for stable margins going forward, we believe the new capacity coming on stream, likely slowdown in the CDMO synthesis business revenue, due to high base effect, with likely un-favorable product mix, will continue to pressurize profitability, going forward, over the short-medium term.

Key positives

- Laurus has bagged a supply contract from Global Fund for ARV drugs to be supplied over CY2023-CY2025 from Q1FY2024.

Key negatives

- FDF revenue declined at a high rate of 46.2% y-o-y for 9MFY2023 due to less procurement from global agencies and adverse pricing impact.
- A likely slowdown in the CDMO (synthesis) business revenue, due to high base effect, with likely un-favorable product mix, will continue to pressurize profitability, going forward, over the short-medium term.

Management Commentary

- Inflationary headwinds and geopolitical concerns have led to a dip in margins.
- Animal and human health CDMO has similar return ratios; but for the agro CDMO business, the asset turnover will be higher but return ratios could be lower. Animal health is a small business. Crop protection will have meaningful revenue from FY2026 only.
- Revenue growth was also aided by a much-anticipated recovery in the ARV business.
- EBITDA margin remained under pressure in Q3FY2023 due to commissioning of new capacity, so far. In FY2023 EBITDA margin will be close to 28% levels.

Revision in estimates – We have reduced our earnings and sales estimates for FY2024/FY2025. We reduced earnings estimates from 20.4% CAGR to 5.7% CAGR due to likely pressurised margins over the short-medium term due to new capacity coming onstream and adverse products mix; but, we also lower its sales CAGR to 12.4% from 19.3% CAGR (earlier) due to a expected loss of a base business in terms of Paxlovid opportunity and slower growth in CDMO business due to high base effect, over short-medium term FY2022-FY2025E.

Our Call

View – Downgrade to Hold with a revised PT of Rs. 368: Laurus is expected to have slower sales and earnings growth due to expected loss of a base business in terms of Paxlovid opportunity and slower growth in CDMO business due to a high base effect, over short-medium term over FY2022-FY2025E. We also believe that with the new capacity being commissioned and adverse products mix towards ARV FDF and API businesses, with pricing pressure, margins will continue to remain under pressure until economies of scale-driven operating leverage kicks in due to product ramp-ups over the long term. The stock has corrected by 37% over the last year. The stock trades at an expensive valuation of 22.7x/17.9x its FY2024E/FY2025E revised earnings estimates. We downgrade the Buy recommendation to Hold on Laurus with a revised price target (PT) of Rs. 368, as we value it at 20x (vs. 22x before) its revised FY2025 EPS. This indicates an 11% upside from its CMP.

Key Risks

Any delay in product approvals or any negative outcome of facility inspection by the USFDA can affect earnings prospects.

Valuation (Consolidated) Rs cr

Particulars	FY21	FY22	FY23E	FY24E	FY25E
Sales	4813.5	4935.6	6251.3	6620.9	7014.7
OPM (%)	32.2	28.8	27.0	24.5	27.0
PAT	983.9	832.2	874.0	774.6	982.1
EPS (Rs.)	18.5	15.6	16.4	14.6	18.5
P/E	17.9	21.2	20.1	22.7	17.9
EV/EBIDTA	16.4	18.2	15.4	16.3	13.8
ROE (%)	37.9	24.8	20.7	15.5	16.4
ROCE (%)	32.2	21.6	21.1	16.7	18.9

Source: Company; Sharekhan estimates

Stock Update

Result Update

Mixed bag Q3 – Revenue grew 50.2% y-o-y in line with expectations

Consolidated revenue grew by 50.2% y-o-y (-2.0% q-o-q) to Rs. 1,544.8 crore (vs. internal estimate of Rs. 1,500 crore) in Q3FY2023 due to a strong 210.1% y-o-y (-10.8% q-o-q) rise in CDMO synthesis revenue (42% of total revenue), 35.1% YoY (-18.3% q-o-q) rise in other API revenue (12% of revenue), and an 83.2% y-o-y (-8.6% q-o-q) rise in ARV API revenue (24% of total revenue). It was partially offset by a 33.2% y-o-y (+67.1% q-o-q) decline in generic finished dosage formulation (FDF) revenue (16% of revenue), a 10.6% y-o-y (+59.3% q-o-q) decline in oncology API revenue (5% of revenue), and a 12% y-o-y (-18.5% q-o-q) dip in bio-business' revenue (1% of revenue) in Q3FY2023.

9MFY2023 sales performance: For 9MFY2023, the company's revenue increased 32.7% y-o-y to Rs. 4,660 crore. This was driven by a 248.1% y-o-y rise in CDMO business' revenue (42% of revenue), 26.3% y-o-y growth in API revenue (41%), and a 21.5% y-o-y increase in bio-business revenue (2%). It was partially offset by a 46.2% y-o-y decline in FDF revenue (16.0%) to Rs. 747 crore for 9MFY2023.

New contract to drive growth in FDF but, pricing pressure pose a concern on sales and profitability's growth: FDF segment's revenue decline in both Q3FY2023 and 9MFY2023 was due to less procurement from Global agencies and adverse pricing impact. However, sales are expected to improve with y-o-y improvement witnessed in the ARV API business since Q2FY2023. The company has bagged a supply contract from Global Fund for ARV drugs to be supplied over CY2023-CY2025 from Q1FY2024. However, it can be noted that the pricing pressure (to the extent of 40% fall) in the TLD (Tenofovir/ Lamivudine/ Dolutegravir) ARV drugs and loss of Paxlovid FDF opportunity may lead to weaker growth in FDF going forward. This can also mean continued unfavorable products mix over short-medium term.

API growth driven by other API and ARV API: API revenue (41% of revenue) grew at 49.1% y-o-y (-7.0% q-o-q) to Rs. 632 crore for Q3FY2023. Growth was driven by rise in other API and ARV API at 35.1% y-o-y (-18.3% q-o-q) and 83.2% y-o-y (-8.6% q-o-q), respectively, partially offset by a 10.6% y-o-y (+59.3% q-o-q) decline in oncology API in Q3FY2023. ARV API witnessed normalised sales and grew at 22% y-o-y in 9MFY2023. Overall, API increase was driven by higher sales of oncology, non-ARV, and contract manufacturing for 9MFY2023.

CDMO – Synthesis rose with improved commercial supplies and project executions: Strong growth in the CDMO business at 210.1% y-o-y (-10.8% q-o-q) in Q3FY2023 and 248.0% y-o-y growth in 9MFY2023 was driven by commercial supplies and execution of new projects. In addition, the company is into cropsciences CDMO, whose products are likely to commercialise from FY2026 only. The company is entering in the animal health segment also with the first product likely to commercialize by the end of FY2024. The project pipeline is healthy with 60 active projects. The company expects the new research and development (R&D) centre and manufacturing units to come on stream in FY2024-FY2025 to aid further growth in the segment. However, the segment sales is expected to slow down due to high base effect.

Bio business: Sales increased due to key portfolio products such as AOF proteins and growth factors. The segment is underway expanding its service offerings and manufacturing capacity.

Higher-than-expected decline in profitability poses a concern: Q3FY2023 gross profit increased at a slower pace of 36.5% y-o-y (-5.0% q-o-q) to Rs. 825.4 crore, as raw-material cost increased at a high pace of 69.7% y-o-y (+1.7% q-o-q) to Rs. 719.4 crore. As a result, gross profit margin (GPM) contracted by 535 bps y-o-y (-168 bps q-o-q) to 53.4% in Q3FY2023. However, with an equally strong rise in other operating expenses but slower rise at 32.1% q-o-q in it, EBITDA increased by 41.5% y-o-y (-10.1% q-o-q) to Rs. 403.6 crore (versus estimate of Rs. 441.6 crore) and EBITDA margin contracted by 161 bps y-o-y (-236 bps q-o-q) to 26.1% (versus estimate of 29.4%) in Q3FY2023. As a result, PAT rose at a slower pace of 30.7% YoY (-13.2% q-o-q) to Rs. 202.5 crore (versus estimate of Rs. 241.2 crore) for Q3FY2023. This was also due to an 84.9% y-o-y (+6.5% q-o-q) rise in interest costs and 73.2% y-o-y (+28.8% q-o-q) decline in other income for the quarter. Management expects EBITDA margins of 28% for FY2023. Although management has guided for stable margins going forward, we believe new capacity coming on board with likely unfavorable product mix will continue to pressurize profitability going forward.

Conference call highlights:

- Business continued to perform well both during Q3FY2023 and 9MFY2023, reflecting sustained momentum across its key growth drivers such as CDMO and other APIs, which position it to close the year with strong double-digit growth in revenue with stable margins.
- Strategic priorities are to diversify and deliver long-term value to its partners, customers, and stakeholders.
- Laurus continues to invest in mechanisation, automation, and digital initiatives to boost operational efficiencies.
- The company has been selected as a panel supplier by the Global Fund for ARV drugs' procurement and the contract will run for three years, which will be supplied to over 150 countries through Global Fund from Q1FY2024.
- During Q3FY2023, unit 5 received EIR from the USFDA.
- Revenue growth is driven by non-exceptional or recovery in revenue growth in its non-ARV business, especially in CDMO and other API. Growth was also aided by the much-anticipated recovery in the ARV business, which is expected to continue further.
- Inflationary headwinds and geopolitical concerns have led to a dip in margins.
- Formulations (FDF) have recovered on a q-o-q basis and are expected to normalise over the next few quarters.

- Oncology API revenue is expected to normalise over the next few quarters.
- ARV business has seen price erosion, but the company expects it to normalize going forward.
- During 9MFY2023, the company launched two products, Lopinavir and Ritonavir, and with the launch of few more products, the segment's revenue should stabilize going forward.
- For the quarter, the company filed two ANDAs in the U.S., taking the total filings to five ANDAs for 9MFY2023. In total, the company has 37 ANDAs, of which 14 are final approvals and 12 are tentative approvals. In Canada, the company received two approvals in Q3FY2023, taking the total approvals to 13, of which the company has launched eight products. The company intends to launch one product in each quarter over the next few quarters.
- In EU markets, the company has validated three products as part of the CDMO partnership. The company expects a significant upside from these products in the coming quarters. The company has 11 products approved, of which the company has launched six and will be launching few products shortly.
- The company continues to invest in the non-ARV pipeline of products with total commissioned capacity of 10 billion units. These brownfield capacities are expected to start ramping up in the course of the next year, driven by clarity on demand in the ARV business, scale-up in partnered products, and key product approvals.
- The company filed its first NDA for an HIV pediatric product in Q3FY2023. It should complement the existing offerings.
- Sterile R&D laboratories – Started working on priority products. The company is expected to complete development of three products over the next few quarters.
- Overall R&D spend to sales was at 3.2% in Q3FY2023.
- The company has 64 products in the pipeline having addressable market of over USD40-45 billion. The company has filed 37 ANDAs so far, EU has filed 12 products, 19 are filed in Canada, 5 dossiers in South Africa, 20 dossiers in India and 22 products filed across other parts of the world as of Q3FY2023. Out of the total 37 US filings, 16 are Para IV and 11 are FTF filings. The filing pace is expected to pick up in the coming quarters.
- ARV APIs – Pricing and volumes are expected to stabilize in the coming quarters.
- Oncology API – Improved q-o-q, expanding capacity in unit 4 to cater to demand.
- Other APIs that include cardio, diabetes, and asthma products – saw steady ramp-up, driven by new contracts.
- During Q3FY2023, the company filed three DMFs, all in the non-ARV category. The total number of DMFs filed is 77 as of Q3FY2023.
- Laurus started validation of a few APIs whose potential growth is likely to be realised over the next few years.
- Also, working on CMO opportunities with a few global generic companies and some of them are in the advanced stages of approval.
- Synthesis business continues to sustain strong growth, driven by new and base business and the company's ability to execute those opportunities. The company remains hopeful of strong growth with commercial supplies and expansion of products in the clinical development stages.
- The number of active projects in the synthesis business will grow in line with the client's clinical research activities. Currently, over 60 active projects are at different stages in Phase I, II, and III and CMO.
- The company has enhanced its capacity to handle steroids, hormones, and high-potent molecules apart from large-volume products.
- The company expects its Animal Health unit to qualify by mid-2023. Animal and human health CDMO have similar return ratios; but for the agro space, the asset turnover will be higher but return ratios could be lower. Animal health is a small business. Crop protection will have meaningful revenue from FY2026 only.
- Construction work is in progress for a dedicated R&D centre by FY2024 and three manufacturing units by FY2024 and FY2025. All of it is dedicated to CDMO activities.
- Strong show of other APIs is driven by ramp-up in contract supplies.
- In the bio business, new capacity is being ramped up.
- A rich R&D pipeline of products with an addressable market size of USD40-45 billion with nearly 60% of those opportunities falling in the non-ARV space.
- **Guidance:**
  - Performance during Q3FY2023 and 9FY2023 reflect sustaining momentum across its key growth drivers such as CDMO and other API, which position it to close the year with strong double-digit revenue growth.
  - Margins are not expected to fall any further in the coming quarters with ramp-up in new capacity utilisation. EBITDA margins remained under pressure due to commissioning of new capacity, so far. In FY2023 EBITDA margins will be close to 28% levels. Management is not expecting any further price erosion and expects improved product mix. As CDMO projects are not one-off, they are likely to enhance margins with a ramp-up in their execution.

Results (Consolidated) Rs cr

Particulars	Q3FY23	Q3FY22	YoY %	Q2FY23	QoQ %
Total Sales	1,544.8	1,028.8	50.2	1,575.9	-2.0
Expenditure	1,141.3	743.47	53.5	1,127.0	1.3
EBITDA	**403.6**	**285.3**	**41.5**	**448.9**	**-10.1**
Depreciation	84.4	64.0	31.9	81.8	3.2
EBIT	**319.1**	**221.3**	**44.2**	**367.1**	**-13.1**
Interest	42.7	23.1	84.9	40.1	6.5
Other income	1.4	5.3	-73.2	1.1	28.8
PBT	**277.9**	**203.5**	**36.5**	**328.1**	**-15.3**
Taxes	74.8	48.5	54.1	94.3	-20.7
PAT before share of associates	**203.1**	**155.0**	**31.0**	**233.8**	**-13.1**
Share of associates	**-0.52**	**-0.02**	**NM**	**-0.41**	**NM**
Reported PAT	**202.5**	**155.0**	**30.7**	**233.4**	**-13.2**
EPS (Rs.)	**3.8**	**2.9**	**31.9**	**4.3**	**-13.0**
Margins			**BPS**		**BPS**
GPM %	53.4	58.8	-535	55.1	-168
EBITDA %	26.1	27.7	-161	28.5	-236
NPM %	13.1	15.1	-192	14.8	-169
ETR %	26.9	23.8	307	28.7	-182

Source: Company, Sharekhan Research

Segment-wise performance

Particulars	Q3FY23	Q3FY22	YoY %	Q2FY23	QoQ %
ARV-API	373	204	83.2	408	-8.6
Oncology-API	76	85	-10.6	48	59.3
Other API	183	136	35.1	224	-18.3
Synthesis	642	207	210.1	720	-10.8
Generic FDF	249	373	-33.2	149	67.1
Laurus Bio	22	25	-12.0	27	-18.5
Total	1,545	1,029	50.1	1,576	-2.0

Source: Company, Sharekhan Research

Outlook and Valuation

■ Sector view - Multiple growth engines ahead

The Indian Pharmaceutical Market (IPM) is growing with increased consumer spend and awareness. Additionally, Indian pharmaceutical players with a large market share in IPM and a strong pipeline of speciality products will help them gain market share in the US and thereby partially offset any impact of competitive pricing pressure in the US. Moreover, other factors such as faster product approvals and resolutions by the USFDA regards to plant observations and strong growth prospects in domestic markets and emerging opportunities in the API space would be key growth drivers. This would be complemented by strong capabilities developed by Indian companies (leading to a shift towards complex molecules, biosimilars, and injectables) and commissioning of expanded capacities by select players over the medium term. Collectively, this indicates a strong growth potential going ahead for Indian pharma companies.

■ Company outlook - To witness pressure on margins

Growth prospects across the synthesis and FDF businesses are strong and are well backed by improving demand and capacity expansion plans in the medium to long term. The company is enhancing its current portfolio, stepping up R&D activity, and strengthening and expanding manufacturing capabilities. Further, Laurus has doubled its formulations capacities so as to cater to surging demand. Management is confident of sustaining the strong growth momentum. Further, over the long term, Laurus is in the process to diversify into non-ARV-APIs of cardiology and diabetology segments and is in the process to reduce dependence on the ARV segment. In addition, the synthesis business is expected to grow strongly in the next two years with sustained new client additions, growth in the existing business, likely commercialisation of new products, and capacity expansions. The management is quite optimistic about the performance of the synthesis division and sees this as one of the key growth drivers. Laurus Bio is also expected to grow substantially and would make the company a fully integrated player in the pharmaceutical space. However, input cost pressures with adverse product mix could act as transient issues.

■ Valuation - Downgrade to Hold with a revised PT of Rs. 368:

Laurus is expected to have slower sales and earnings growth due to expected loss of a base business in terms of Paxlovid opportunity and slower growth in CDMO business due to a high base effect, over short-medium term over FY2022-FY2025E. We also believe that with the new capacity being commissioned and adverse products mix towards ARV FDF and API businesses, with pricing pressure, margins will continue to remain under pressure until economies of scale-driven operating leverage kicks in due to product ramp-ups over the long term. The stock has corrected by 37% over the last year. The stock trades at an expensive valuation of 22.7x/17.9x its FY2024E/FY2025E revised earnings estimates. We downgrade the Buy recommendation to Hold on Laurus with a revised price target (PT) of Rs. 368, as we value it at 20x (vs. 22x before) its revised FY2025 EPS. This indicates an 11% upside from its CMP.

Peer valuation

Companies	CMP (Rs / Share)	O/S Shares (Cr)	MCAP (Rs Cr)	P/E (x)			EV/EBITDA (x)			RoE (%)		
				FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Laurus Labs	330.9	53.7	17,781.2	20.1	22.7	17.9	15.4	16.3	13.8	20.7	15.5	16.4
Divis Labs	3,315.3	26.5	88,010.8	37.0	30.9	27.7	25.2	20.8	18.2	17.6	18.1	17.4

Source: Company, Sharekhan estimates

About company

Laurus is a leading research-driven pharmaceutical company, working with nine of the world's top 10 generic pharmaceutical companies in the world. Laurus sells APIs in 56 countries. The company's major focus areas include anti-retroviral, Hepatitis C, and oncology drugs. Oncology is one of its core competencies, where it offers a comprehensive range of APIs in this segment. Laurus is continuously extending its portfolio by focusing on molecules in diabetes, ophthalmology, and cardiovascular therapy areas. Laurus has four distinct business units, namely: Generics API, Generics FDF, Ingredients, and Synthesis.

Investment theme

Built on strong capabilities in chemical development and manufacturing, Laurus has developed a wide range of in-house APIs and intermediates. The company is one of the world's leading suppliers of anti-retroviral APIs and intermediates. The company has been grappling with loss of base of business in terms of Paxlovid opportunity and resumption of low margin ARV API business while high margin FDF business is declining. Moreover, the company is doubling its capacity to support growth in the formulations business, which will dilute margins in short – medium term, till operating leverage benefits realize with full capacity ramp, up over long term.

Key Risks

1. Slower-than-expected ramp-up in formulations, API, or custom synthesis businesses.

2. Reforms in the healthcare industry and uncertainty associated with pharmaceutical pricing could affect growth prospects.

Additional Data

Key management personnel

Dr. Satyanarayana Chava	Founder and CEO
Mr. V Ravi Kumar	Executive Director and CFO
Dr. Lakshmana Rao C V	ED and Head, Quality
G. Venkateswar Reddy	Company Secretary and Compliance Officer

Source: Company

Top shareholders

Sr. No.	Holder Name	Holding (%)
1	New World Fund	5.29
2	Amansa Holdings Pvt Ltd.	3.80
3	Small Cap World Fund Inc.	3.43
4	Life Insurance Corporation	2.70

Source: BSE

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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