Sharekhan by BNP PARIBAS

Powered by the Sharekhan 3R Research Philosophy

Stock Update

Result Update

Asian Paints Ltd

Strong Q4; growth prospects intact

Consumer Goods	Sharekhan code: ASIANPAINT
Reco/View: Buy ↔	CMP: Rs. 3,139 / Price Target: Rs. 3,510 ↑

↑ Upgrade ↔ Maintain ↓ Downgrade

Summary

- Asian Paints Limited's (APL's) Q4FY23 performance beat ours as well as the street's expectations with decorative paint volume growth at 16%, above street expectations of 10-12%. OPM came at 21.2% vs. street estimates of 19-20%.
- Paints industry to clock CAGR of 10-12% in the next five years to a Rs. 1 lakh crore market. Management is confident of maintaining double-digit volume growth in domestic decorative paints business with key drivers in place.
- Lighting, furnishing and window panel categories under home décor business would grow at upwards of 50%. Home décor business to reach 8-10% from current 4.5% in next five years.
- Stock trades at 59x/50x its FY2024E/25E EPS. We maintain Buy with revised PT of Rs. 3,510.

APL's Q4FY23 numbers were strong after a lacklustre performance in Q3FY2023 that was hit by one-off events such unseasonal rainfall and a high base of Q3FY2022. The highlight of Q4FY23 was the domestic decorative paints business volumes rising 16% and OPM coming at high 21% due to lower input prices. Overall, revenues grew by 11% y-o-y to Rs. 8,787.3 crore. Volume growth in the domestic decorative paint business stood at 16% recovered from single digit growth in Q3FY2023. Gross margin improved by 379 bps y-o-y to 42.5% driven by deflation in some of the raw material prices. Consolidated OPM improved by 293 bps y-o-y to 21.2% due to gross margin expansion coupled with better operating efficiencies (beating ours as well as street's expectation of 19-20%). Operating profit and the adjusted PAT grew by 29.2% and 33% y-o-y to Rs. 1864.8 crore and Rs. 1276.7 crore, respectively. For FY2023, APL's revenues grew by 18.5% y-o-y with volume growth standing at 14%; OPM improved by 164 bps to 18.2% and PAT grew by 31.8% y-o-y to Rs. 4137.6 crore. Total dividend for FY2023 stood at Rs. 26.65 per share (dividend payout of 58%), grew by 34% y-o-y compare with FY2022.

Key positives

- Volumes rose 16%, versus our expectation of ~12% and the street's expectation of ~8-10%.
- White Teak (offering decorative and design lights) and Weatherseal (offering uPVC windows and doors) delivered 89% and 94% growth in FY2023.
- Non-auto industrial business (AP-PPG) crossed Rs. 1,000 crore revenue mark in FY2023.]
- Gross margins/ OPM expanded by 379 bps and 293 bps to 42.5% and 21.1% respectively.

Key negatives

- Kitchen business and bath business revenue declined by 21% and 10% y-o-y, respectively due slow retail demand.
- Globally, Asia saw a 21% y-o-y fall in revenues impacted by weakness in Nepal, Sri Lanka and Bangladesh.

Management Commentary

- As per management, the market size of paints industry is currently Rs. 70,000-75,000 crore. Management expects paints industry to clock at 10-12% CAGR and grow to Rs. 1 lakh crore in the next five years.
- APL delivered a 16% volume growth across rural and urban markets in Q4. Revenue mix during the quarter was led by economy and waterproofing range, while premium and luxury range growth picked up in Q4 as compared to the previous two quarters. Management expects double digit volume growth to maintain in the coming quarters.
- Raw material prices appear stable in the near term and the company has maintained its OPM guidance of 18-20%. The management also indicated that as the company has undertaken steep price hikes in the past few quarters, it many undertake price correction if there is downtrading.
- Contribution from home décor business is currently at 4-4.5% and the company aims to increase the contribution to 8-10% of India Decorative business by FY26 driven by higher chain of stores and growth in new categories.
- The company added 15,000-20,000 dealer points in the past 1-2 years. The company is presently catering to almost 1.5 lakh retail touchpoints and plans to add another 10,000-15,000 retail points in FY2024 with focus on small cities and suburbs of larger cities.
- The management has indicated that the brownfield expansion is expected to be operational in FY24, while the balance expansion would likely come up in FY25. For FY2024, the company has planned a capex of Rs. 2,000-2,300 crore.

Revision in earnings estimates – We broadly maintain our earnings estimates for FY2024E/FY2025E. We shall keenly monitor the volume growth momentum and OPM trajectory in the coming quarters to make any substantial revision in the earnings estimates.

Our Call

View: Maintain Buy with a revised PT of Rs. 3,510: The management is confident of delivering double-digit volume growth in the coming quarters with key drivers in place. It does not see any impact of some of the large cement/infrastructure product players coming into the paint category and expects to maintain the leadership position in the near to medium term. The company's focus on becoming a complete home décor player and maintaining its dominant position in the core decorative paints business by expanding capacity/backward integration provides a visibility of consistent earnings growth in long run. However, any impact of heightened competition on the profitability from new entrants will be keenly monitored in the coming years. APL's stock price is currently trading at 59x/50x its FY2024E/25E earnings. We maintain our Buy recommendation on the stock with a revised PT of Rs. 3,510.

Key Risks

Sustained high inflationary pressure putting stress on sales volume in Tier 2/4 markets and volatile input prices would act as key risks to our earnings estimates.

Valuation (Consolidated) Rs cr

Particulars	FY22	FY23	FY24E	FY25E
Revenue	29,101	34,489	37,036	41,946
OPM (%)	16.5	18.2	19.4	20.0
Adjusted PAT	3,170	4,231	5,078	6,006
% YoY growth	-1.2	33.5	20.0	18.3
Adjusted EPS (Rs.)	33.1	44.1	52.9	62.6
P/E (x)	95.0	71.2	59.3	50.1
P/B (x)	21.8	18.8	16.5	14.4
EV/EBIDTA (x)	57.8	45.1	39.2	33.6
RoNW (%)	23.8	28.4	29.7	30.8
RoCE (%)	19.5	22.5	24.1	25.5

Source: Company; Sharekhan estimates

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 25.58

Updated Mar 08, 2023

Medium Risk

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

Source: Morningstar

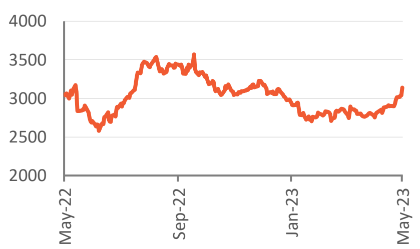
Company details

Market cap:	Rs. 3,01,054 cr
52-week high/low:	Rs. 3,590 / 2,560
NSE volume: (No of shares)	10.0 lakh
BSE code:	500820
NSE code:	ASIANPAINT
Free float: (No of shares)	45.4 cr

Shareholding (%)

Promoters	52.6
FII	18.3
DII	10.0
Others	19.1

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	14.0	11.5	3.1	2.8
Relative to Sensex	11.1	9.7	0.9	-11.7

Sharekhan Research, Bloomberg

Strong Q4 – Volume-led revenue growth of 11% y-o-y; OPM improved by 293 bps y-o-y

Asian Paints Ltd's (APL's) consolidated revenues grew by 11.3% y-o-y to Rs. 8,787 crore ahead of our expectation of Rs. 8,625 crore and average consensus estimates of Rs. 8,728 crore driven by double digit volume and value growth in decorative and non-automotive industrial businesses and double-digit constant currency growth in the International Business. APL reported volume growth of 16% in Q4, versus our expectation of ~12% and the street's expectation of ~8-10% volume growth. In Home décor, new categories of fabrics, decorative lighting, UPVC doors and windows did well, while kitchen and bath segments were sluggish. Gross margins increased by 379 bps y-o-y to 42.5% and OPM improved by 293 bps y-o-y to 21.2% as raw material prices softened, sourcing & formulation efficiencies, calibrated price actions and favourable mix. OPM beat ours as well as the street's average expectation of 19.6% - 19.9%. Operating profit grew by 29.2% y-o-y to Rs. 1,865 crore. In line with the growth in operating profit, adjusted PAT before exceptional items increased by 33% y-o-y to Rs. 1,277 crore ahead of our and average consensus estimates of Rs. 1,137 - 1,141 crore. Exceptional item represents impairment loss of Rs. 24.7 crore on 'Goodwill on Consolidation', recognized on acquisition of Causeway Paints, Lanka. Reported PAT came in at Rs. 1,258 crore. For FY2023, revenue grew by 18.5% y-o-y to 34,489 crore and PAT grew by 36% y-o-y to Rs. 4,195 crore, while OPM expanded by 164 bps y-o-y to 18.2%. The board has recommended a final dividend of Rs. 21.25 per share for FY2023, taking the total dividend for the year to Rs. 25.65 per share.

Standalone business registered strong double-digit revenue and PAT growth

Standalone revenues rose 12.8% y-o-y to Rs. 7,626 crore aided by double-digit volume and value growth in the India decorative business. Gross margins expanded by 352 bps y-o-y to 43.2% due to correction in prices of key raw materials, sourcing & formulation efficiencies, calibrated price actions and favourable mix, while OPM increased by 276 bps y-o-y to 22.9%. Operating profit grew by 28.2% y-o-y to Rs. 1,748 crore and reported PAT grew by 37% y-o-y to Rs. 1,233.7 crore.

Key quarterly highlights

- **Volume-led revenue growth:** APL registered double-digit volume-led growth in Q4 with benefit of price increases wearing off. Volumes rose 16% with three-year volume CAGR at 22.8%. Value growth during the quarter stood at 13%. For the full year FY2023, the company reported double-digit volume growth of 14% (three-year volume CAGR of 19%) despite flattish Q3. Value growth for FY2023 stood at 20%.
- **Q4FY23 performance highlights:** APL delivered double-digit volume growth across rural and urban markets in Q4 with slight edge in T1/T2 cities. The company reported similar range of double-digit 3 yr CAGR across rural and urban centers. Revenue mix during the quarter was led by economy and waterproofing range. Management has guided that in the waterproofing segment, the newer areas of admixtures and B2B flooring have grown well. Further, premium and luxury range growth picked up in Q4 compared to previous two quarters and the company gained inroads in Premium Wood Finish segment.
- **Growth in home décor business aided by new categories:** In Home décor business, new categories of fabrics, decorative lighting, UPVC doors and windows did well in Q4FY2023, while Kitchen and bath were sluggish. Kitchen business' revenue decreased by 21.1% y-o-y in Q4FY23 to Rs. 97.9 crore impacted by slow retail demand. PBDIT loss stood at Rs. 7.4 crores in Q4FY23 as against a loss of Rs. 1 crore in Q4FY22. APL is focusing on expanding reach of the kitchen business and driving premiumisation and is also working towards building scale to enable profitable growth. Revenue of bath fittings business decreased by 9.7% y-o-y in Q4FY23 to Rs. 96.4 crore due to subdued retail demand, while the company continued to see positive traction in projects segment. PBDIT was registered at Rs. 1.1 crore in Q4FY23 as against Rs. 0.3 crore in Q4FY22 on back of softening raw material prices. The White Teak business reported revenue of Rs. 35.8 crore in Q4FY2023 with full year sales registering growth of 89% to Rs. 108.5 crore. The strong growth is on the back of increasing retail footprint and synergies with Beautiful Homes. Weatherseal business reported revenue of Rs. 9.6 crore in Q4FY2023, with full year sales registering a growth of 94% to Rs. 24.6 crore. The company plans to grow the business by driving synergies with APL network, expanding presence beyond the existing Southern India footprint.
- **10% y-o-y CC growth in the international business; strong improvement in profitability:** International business reported decline of 2.7% in rupee terms, however, CC growth came in at ~10% led by strong growth in Africa and Middle East, while challenging business conditions persisted in Asia. In Asia, Sri Lanka

was impacted due to an ongoing economic crisis, while liquidity and political uncertainty impacted Nepal and forex issues hurt Bangladesh. For FY2023, international business reported 6.8% growth in rupee terms and 18% growth in constant currency terms. International business reported strong improvement in profitability aided by price increases, softening inflation on materials & cost efficiencies. Q4FY23 PBT came in at Rs. 39 crore versus Rs. 15 crore in Q4FY22, while the company registered PBT of Rs. 158 crore in FY23 versus break-even in FY22.

- **Strong revenue and PBT growth in industrial paints business:** PPG-AP business delivered 8% and 27% y-o-y growth in Q4FY23 and FY23 to Rs. 428 crore and Rs. 1,826 crore, respectively. The business continues to benefit from growth in Auto segment. Improving price realisations led to improvement in margins with PBT margin at 12.9% for FY23 vs. 6% in FY22. AP-PPG business crossed Rs. 1,000 crore milestone in FY23 in revenue, doubling the business in 2 years. The business grew by 17% and 28% y-o-y in Q4FY23 and FY23 to Rs. 290 crore and Rs. 1,018 crore, respectively. Both protective and powder segments are growing well. Improved sales mix coupled with softening raw material prices led to improved margins, with PBT margin at 8.3% for FY23 vs. 5.2% in FY22.

Key conference call highlights

- **Paints industry to clock 10-12% CAGR to Rs. 1 lakh crore:** As per the management, market size of paints industry is currently Rs. 70,000-75,000 crore, with the unorganised market share standing at ~30% of the market. Management expects the paints industry to clock at 10-12% CAGR and grow to Rs. 1 lakh crore in the next five years and expects share of unorganised sector to go up to 35%.
- **OPM guidance maintained at 18-20%:** Management indicated that a sharp expansion in margins in Q4FY2023 can be attributed to softening of raw material prices (4% material deflation in Q4), lower material prices driven by formulation and sourcing efficiencies, calibrated pricing actions and favourable mix. As per the management, raw material prices appear stable in the near term and the company has maintained its OPM guidance of 18-20%. The management also indicated that since the company has undertaken steep price hikes in the past few quarters, it many undertake price correction if there is downtrading.
- **Strong scale-up in the waterproofing segment:** The company has witnessed strong scale up in the waterproofing segment since its launch and the segment now has double-digit contribution to sales aided by support from higher distribution network. As per the management, APL is the No. 1 player in retail waterproofing in India.
- **Integrated home décor player:** The company has offerings in a wide range of categories including Kitchen, Kitchen Hardware & Components, Bath & Sanitary, Designer Wall Paper, Furniture, Wardrobes and Vanities, Fabric and Furnishing, Rugs, Designer and General Tiles, Lighting Solutions and uPVC Windows and Doors making it an integrated Home Decor player. Contribution from Home Décor business is currently at 4-4.5% and the company aims to increase the contribution to 8-10% of India Decorative business by FY26 driven by higher chain of stores and growth in new categories.
- **Differentiated offering through Beautiful home service:** APL currently has 42 Beautiful Home Stores functional and its Beautiful Homes Services are presently available in 11 cities. As indicated by the management, the service is doing extremely well and is now the No. 3 service on a pan-India level. The company plans to increase its presence from 50 stores in 30 cities currently to ~100 stores in 50-60 cities in the next 2-3 years.
- **Improving distribution reach and supply chain:** The company added 15,000-20,000 dealer points in the past 1-2 years. The company is presently catering to almost 1.5 lakh retail touchpoints and plans to add another 10,000-15,000 retail points in FY2024 with focus on small cities and suburbs of larger cities. APL has added 40 warehouses in past 3 years, with the warehouse size double versus the earlier years. APL is planning to hire aggressively and has guided that it will be hiring ~1,000 individuals across functions in FY2024.
- **Capacity expansion and backward integration initiatives progressing well:** The management has indicated that the brownfield expansion is expected to be operational in FY24, while the balance expansion would likely come up in FY25. For FY2024, the company has planned a capex of Rs. 2,000-2,300 crore.

Results (Consolidated) Rs cr

Particulars	Q4FY23	Q4FY22	y-o-y (%)	Q3FY23	q-o-q (%)
Total Revenue	**8,787.3**	**7,892.7**	**11.3**	**8,636.7**	**1.7**
Raw Material Cost	5,053.2	4,838.1	4.4	5,305.8	-4.8
Employee Cost	522.0	457.4	14.1	503.8	3.6
Other Expenses	1,347.3	1,154.0	16.8	1,215.8	10.8
Total Operating Cost	6,922.6	6,449.4	7.3	7,025.3	-1.5
Operating Profit	**1,864.8**	**1,443.3**	**29.2**	**1,611.4**	**15.7**
Other Income	105.5	80.4	31.2	86.6	21.9
Interest & Other Financial Cost	38.9	22.6	72.0	41.4	-6.0
Depreciation	220.2	205.1	7.3	214.1	2.9
Profit Before Tax	**1,711.2**	**1,296.0**	**32.0**	**1,442.6**	**18.6**
Tax Expense	457.9	345.2	32.6	381.1	20.1
Adjusted PAT	1,253.3	950.7	31.8	1,061.4	18.1
Share of profit from associates	23.4	8.9	-	35.7	-34.5
Adjusted PAT after MI	**1,276.7**	**959.7**	**33.0**	**1,097.1**	**16.4**
Exceptional Items	18.2	85.6	-	0.0	-
Reported PAT	1258.4	874.0	44.0	1097.1	14.7
Adj. EPS (Rs.)	13.3	10.0	33.0	11.4	16.4
			bps		**bps**
GPM (%)	42.5	38.7	379	38.6	393
OPM (%)	21.2	18.3	293	18.7	256
NPM (%)	14.3	11.1	325	12.7	162
Tax rate (%)	26.8	26.6	12	26.4	34

Source: Company; Sharekhan Research

Results (Standalone) Rs cr

Particulars	Q4FY23	Q4FY22	y-o-y (%)	Q3FY23	q-o-q (%)
Total Revenue	**7,626.0**	**6,759.6**	**12.8**	**7,521.8**	**1.4**
Raw Material Cost	4,329.6	4,075.6	6.2	4,594.3	-5.8
Employee Cost	385.5	333.3	15.6	379.2	1.7
Other Expenses	1,163.4	988.0	17.8	1,053.6	10.4
Total Operating Cost	5,878.4	5,396.9	8.9	6,027.1	-2.5
Operating Profit	**1,747.6**	**1,362.7**	**28.2**	**1,494.8**	**16.9**
Other Income	125.0	89.1	40.2	162.1	-22.9
Interest & Other Financial Cost	24.9	14.3	74.6	24.7	0.7
Depreciation	193.7	181.3	6.8	189.1	2.4
Profit Before Tax	**1,654.0**	**1,256.3**	**31.7**	**1,443.0**	**14.6**
Tax Expense	420.3	316.5	32.8	357.1	17.7
Adjusted PAT before MI	**1,233.7**	**939.7**	**31.3**	**1,085.9**	**13.6**
Exceptional Items	0.0	39.8	-	0.0	-
Reported PAT	1,233.7	900.0	37.1	1,085.9	13.6
Adj. EPS (Rs.)	12.9	9.8	31.3	11.3	13.6
			bps		bps
GPM (%)	43.2	39.7	352	38.9	431
OPM (%)	22.9	20.2	276	19.9	304

Source: Company; Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Structural growth of the paint industry is intact

In Q4FY2023, paint companies witnessed good recovery in performance sequential recovery in the volume growth. The decorative paints industry is expected to clock a 12% CAGR over FY2023-FY2027 to Rs. 1,00,000 crore, led by a reduction in the repainting cycle to 4-5 years (from 8-10 years earlier), increase construction activities of new real estate projects acceptance of better paint products in smaller towns, and upgradation of premium brands in cities and large towns. A better product mix and efficiencies would help paint companies post higher margins in the long run.

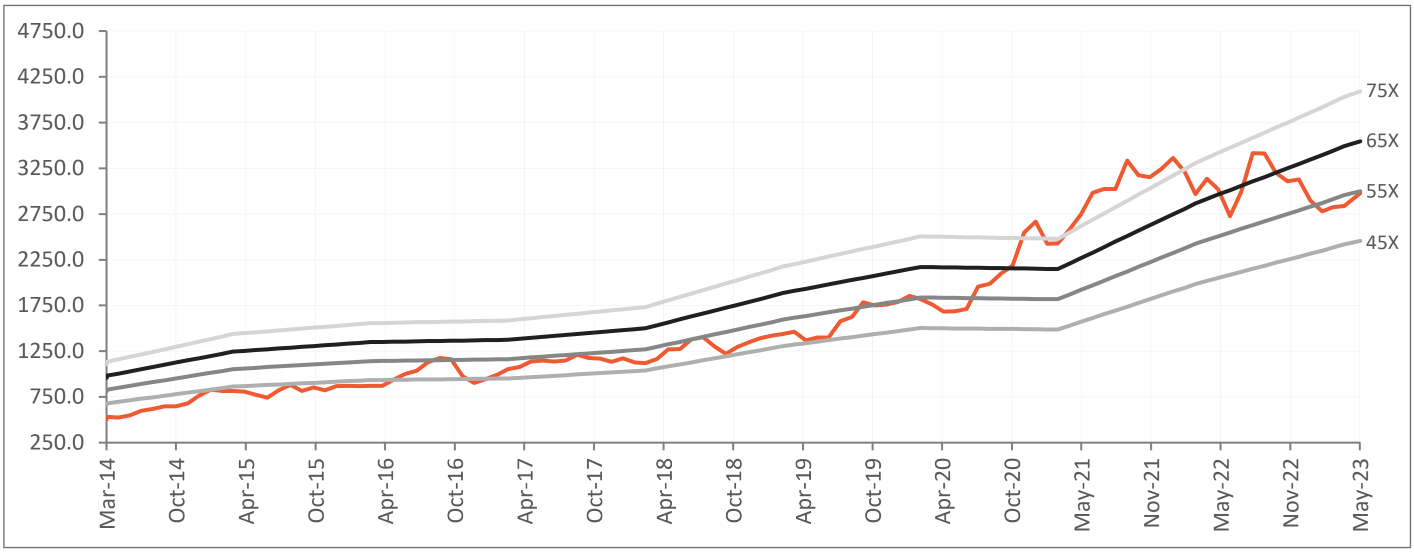
■ Company Outlook – Margin expansion to sustain in quarters ahead; sales volume to improve

APL maintained its double-digit volume growth of 15-20% (on a three-year CAGR basis) for the last six quarters. This was on account of sustained high demand in Tier-1 and Tier-2 markets. Waterproofing products, construction chemicals, and the project business will continue to see strong traction from the real estate sector, government projects and housing society projects in the medium term. With expect recovery in the rural demand, the management is confident of achieving high single to low double digit volume growth in the medium term. Raw material correction will help margins to remain high in FY2024. Gross margin is expected to be at 38-40%. The company is banking on planned initiatives (of differentiated formulations and cost efficiencies) along with a better mix to achieve margins of 18-20% in the medium term.

■ Valuation – Maintain Buy with revised PT of Rs. 3,510

The management is confident of delivering double-digit volume growth in the coming quarters with key drivers in place. It does not see any impact of some of the large cement/infrastructure product players coming into the paint category and expects to maintain the leadership position in the near to medium term. The company's focus on becoming a complete home décor player and maintaining its dominant position in the core decorative paints business by expanding capacity /backward integration provides a visibility of consistent earnings growth in long run. However, any impact of heightened competition on the profitability from new entrants will be keenly monitored in the coming years. APL's stock price is currently trading at 59x/50x its FY2024E/25E earnings. We maintain our Buy recommendation on the stock with a revised PT of Rs. 3,510.

One-year forward P/E (x) band



Source: Sharekhan Research

Peer Comparison

Particulars	P/E (x)			EV/EBITDA (x)			RoCE (%)		
	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
Indigo Paints	54.6	36.8	27.8	34.0	22.8	17.5	22.5	32.3	38.7
Asian Paints	71.1	59.3	50.1	45.1	39.2	33.6	22.5	24.1	25.5

Source: Company, Sharekhan estimates

About company

APL is the largest paint company in India with market leadership of over 50 years and stands among the top 10 paint companies in the world. The company has 27 paint manufacturing plants and operates in 15 countries, serving customers in over 60 countries globally. Deco India, including decorative paints, waterproofing, wall coverings, and adhesives, constitutes almost 84% of the company's total revenue, whereas the industrial coatings space, including automotive and non-automotive, constitutes only 2%, through two 50:50 JVs with PPG Industries Inc., USA (AP-PPG). The international business contributes ~12% to the total revenue mainly dominated by Nepal, Sri Lanka, and Bahrain. A small portion is contributed by kitchen and bath fittings through its subsidiary, Sleek International Pvt. Ltd. (Sleek Kitchens) and Ess Ess Bath Fittings. The company has forayed into the home décor space as it transitions its outlook from 'share of surface' to 'share of space'.

Investment theme

The rising middle-income group, fast urbanisation, shift from the unorganised to organised space, and improving penetration in rural markets are some of the key revenue drivers for paint companies in the near to medium term. APL, with a leadership position in the decorative paint business and strong brand portfolio, will continue to deliver good earnings growth in the near term. APL is expected to benefit from its recent capacity expansion, vast distribution network, product innovation, and growth in its premium products.

Key Risks

- Increased raw-material prices: Any significant increase in crude prices and other input costs will affect the company's profitability.
- Slowdown in economic growth: Any slowdown in economic growth will affect repainting demand, which constitutes almost 70% of the total paint demand.
- Slowdown in the auto industry: Any sluggishness in demand in the auto industry or slowdown in infrastructure development will affect the industrial coatings segment.

Additional Data

Key management personnel

Deepak Satwalekar	Chairman
Amit Syngle	Managing Director and CEO
R J Jeyamurugan	CFO and Company Secretary

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Teesta Retail Pvt Ltd	4.90
2	Life Insurance Corp of India	2.77
3	Vanguard Group Inc	1.87
4	Blackrock Inc	1.71
5	SBI Funds Management	1.56
6	Capital Group Companies	0.89
7	UTI Asset Management Co Ltd	0.71
8	Axis AMC	0.52
9	JP Morgan and Chase	0.47
10	Sands Capital Management	0.40

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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