Sharekhan by BNP PARIBAS

Powered by the Sharekhan 3R Research Philosophy

Sun Pharmaceutical Industries Ltd

Strong Q4; Global specialty revenue growth is key

Pharmaceuticals	Sharekhan code: SUNPHARMA
Reco/View: Buy ↔	CMP: **Rs. 968**
	Price Target: **Rs. 1,123** ↓

↑ 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	31.6
Updated Apr 13, 2023	
High Risk	

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

Source: Morningstar

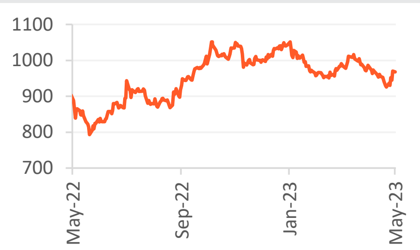
Company details

Market cap:	Rs. 2,30,552 cr
52-week high/low:	Rs. 1,072 / 790
NSE volume: (No of shares)	11.7 lakh
BSE code:	524715
NSE code:	SUNPHARMA
Free float: (No of shares)	109.2 cr

Shareholding (%)

Promoters	54.5
FII	16.9
DII	19.2
Others	9.4

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-2.9	-0.7	-8.4	7.9
Relative to Sensex	-5.7	-7.3	-7.9	-4.4

Sharekhan Research, Bloomberg

Summary

- Sun Pharmaceutical's (Sun Pharma)'s gross margins improved for the fourth consecutive quarter y-o-y in Q4FY2023 due to a strong product mix.
- It is to acquire Taro Pharma, by acquiring the remaining ~21.5% stake, which will enable Sun Pharma to get access to the total cash of USD 1.3 billion on its books.
- R&D spending stood at ~6% of sales; management expects it to increase to ~7-8% of revenue.
- The stock trades at ~24.9x/22.7x its FY2024E/FY2025E EPS. We believe superior profitability enables it to trade at a premium to peers. We maintain Buy with a revised price target of Rs. 1,123.

Sun Pharmaceutical Industries Limited (Sun Pharma) posted a strong beat on its adjusted net income in Q4. Net income on an adjusted basis stood at Rs. 2,155.9 crore, up ~30.0% y-o-y (vs. consensus estimate of Rs. 1,992 crore and our estimate of Rs. 1,967 crore). Reported PAT increased to Rs. 1,984.5 crore for Q4FY2023 vs. net loss of Rs. 2,277.3 crore reported in Q4FY2022. This was driven by a ~228.6% y-o-y rise in other income to Rs. 373.3 crore, ~83.1% y-o-y decline in forex losses to Rs. 27.2 crore, partially offset by a ~148.4% y-o-y rise in finance costs to Rs. 92.7 crore in Q4FY2023, while adjusted operating profit rose by ~30% y-o-y to Rs. 2,829.3 crore (vs. internal estimate of Rs. 2,801 crore and consensus estimate of Rs. 2,847 crore), as operating margins improved by ~281 bps y-o-y to ~25.9% in Q4 (vs. consensus and our estimate of ~26%). The rise in operating margin was lower despite a healthy ~630 bps y-o-y rise in gross profits margins (GPM) to ~79.4% in Q4, as employee costs and other operating expenses including R&D costs increased. R&D cost stood at Rs. 646 crore, up ~25% y-o-y (or ~6% of revenue) for Q4FY2023. Sun Pharma posted a ~15.7% y-o-y rise in operating revenue to Rs. 10,930.7 crore (vs. consensus estimate of Rs. 10,969 crore and our estimate of Rs. 10,769 crore) in Q4. Growth was driven by strong growth in the U.S., India, Emerging Market, and increase in Rest of the World's (RoW) segments. Operating revenue growth was also driven by a strong ~28.2% y-o-y rise in global specialty revenue to ~USD 237.2 million (excluding USD 6.8 million of milestone payment) or Rs. 1,951 crore (~18.2% of revenue). Global specialty revenue has been growing at an average 25%-26% rate over the past six quarters.

Key positives

- Global specialty sales grew by ~28.2% y-o-y to USD 237.2 million in Q4FY2023.
- Emerging and RoW markets grew at ~17.6% y-o-y and ~17.4% y-o-y, respectively in Q4FY2023.

Key negatives

- Regulatory actions at its Halol and Mohali plants, as they affect revenue guidance for FY2024E..

Management Commentary

- The R&D spend is likely to increase for both specialty and generic businesses.
- The company expects high single-digit consolidated revenue growth for FY2024, as while all the businesses are positioned for growth, the ramp-up in its global specialty revenue is expected to continue. The company is expected to be partially offset by challenges at Halol and Mohali sites being under regulatory actions.
- The R&D spending will be 7-8% of revenue for FY2024 and will be driven by the Concert's pipeline and specialty molecule's accelerated clinical trial-related expenses.
- Growth in global specialty will be driven by Illumya, Winlevi, and Cequa, while Illumya is expected to be the largest contributor of the specialty revenue segment. The other products in the specialty segment are in the pipeline and will drive growth over the medium term.
- The company intends to grow in line or report marginally higher than IPM growth in India for FY2024.

Revision in estimates: We expect the company's revenue and earnings to report a ~9.4% and ~8.1% CAGR, respectively, over FY2023-FY2025E. Although the company outperformed our EBITDA and PAT estimates by ~4.4% and ~7.1%, respectively, in FY23, we do not envisage strong earnings growth over FY2023-FY2025E due to regulatory challenges at Halol and Mohali plants and expected increased R&D spending.

Our Call

View: Maintain Buy with a revised PT of Rs. 1,123 – Sun Pharma is witnessing strong traction in its gross profitability on account of strong traction in its global specialty and other key products. However, the growth outlook is partially offset by challenges at Halol and Mohali plants, besides the expected rise in R&D spend on generic and specialty portfolio of products that are in the pipeline. Nevertheless, we believe Sun Pharma can drive its earnings higher from its pipeline of specialty products such as Deuruxolitinib and Illumya for Psoriatic Arthritis over the medium term besides new generic product launches and volume gains in the U.S. and its focus to grow in line with the IPM growth rate in India. The stock trades at ~24.9x/22.7x its FY2024E/FY2025E EPS. We believe superior profitability enables it to trade at a premium to peers. We maintain our Buy rating on the stock with a revised price target (PT) of Rs. 1,123.

Key Risks

1) Regulatory compliance risks including delay in product approvals; 2) Currency risk; and 3) Delay in resolution of USFDA observations at the Halol plant.

Valuation (Consolidated) Rs cr

Particulars	FY2021	FY2022	FY2023E	FY2024E	FY2025E
Net sales	33498.1	38654.5	43885.7	47581.2	52545.2
Operating profit	8467.7	10243.8	11772.9	12854.0	14712.6
EBITDA Margin (%)	25.3	26.5	26.8	27.0	28.0
Adj. PAT	7210.0	7685.6	8771.1	9314.0	10256.1
EPS (Rs)	30.1	32.0	36.6	38.8	42.7
PER (x)	32.2	30.2	26.5	24.9	22.7
EV/EBIDTA (x)	28.0	23.1	20.1	18.4	16.1
ROCE (%)	13.7	17.3	14.9	15.0	14.9
RONW (%)	14.6	15.1	14.8	14.1	14.0

Source: Company; Sharekhan estimates

Strong Q4 outperformed on an adjusted net income basis

Sun Pharma posted a strong beat on adjusted net income front in Q4FY2023. Net income on an adjusted basis (adjusted for exceptional items such as impairment of loans and advances worth Rs. 164.4 crore made to an associate, acquisition-related expenses towards Concert of Rs. 64.4 crore and income of Rs. 57.5 crore related to claims, while acquiring a subsidiary company) stood at Rs. 2,155.9 crore, up ~30% y-o-y (vs. our estimate of Rs. 1,967 crore and consensus estimate of Rs. 1,992 crore.) Reported PAT increased to Rs. 1,984.5 crore for Q4FY2023 vs. net loss of Rs. 2,277.3 crore reported in Q4FY2022. This was driven by a ~228.6% y-o-y rise in other income to Rs. 373.3 crore, ~83.1% y-o-y decline in forex losses to Rs. 27.2 crore, partially offset by a ~148.4% y-o-y rise in finance costs to Rs. 92.7 crore in Q4FY2023, while adjusted operating profit rose by ~29.8% y-o-y to Rs. 2,829.3 crore (vs. internal estimate of Rs. 2,801 crore and consensus estimate of Rs. 2,847 crore), as operating margins improved by ~281 bps y-o-y to ~25.9% in Q4 (vs. consensus and our estimate of ~26%). This was despite a healthy ~630 bps y-o-y rise in GPM to ~79.4% in Q4 as employee costs and other operating expenses, including R&D cost increased at ~15.6% and ~29.2% y-o-y, respectively, for Q4FY2023. R&D cost stood at Rs. 646 crore, up ~25% y-o-y (or ~6% of revenue) for Q4FY2023. \

Sun Pharma posted a ~15.7% y-o-y rise in its operating revenue to Rs. 10,930.7 crore (vs. our estimate of Rs. 10,769 crore and consensus estimate of Rs. 10,969 crore) in Q4. Growth was driven by a ~20.8% y-o-y rise in the U.S. revenue to Rs. 3,534 crore (~33.0% of revenue), ~8.7% y-o-y increase in India revenue to Rs. 3,364 crore (~31.4% of revenue), ~17.6% y-o-y rise in emerging market revenue to Rs. 1,820 crore (~17% of revenue), and a ~17.4% y-o-y increase in RoW revenue to Rs. 1,574 crore (~14.7% of revenue). This was offset by a ~6.9% y-o-y decline in API revenue to Rs. 385 crore (~3.6% of revenue) and others revenue declining by ~26.4% y-o-y to Rs. 47.1 crore (~0.3% of revenue). Operating revenue growth was also driven by a strong ~28.2% y-o-y rise in global specialty revenue to USD237.2 million (excluding ~USD6.8 million of milestone payment) or Rs. 1,951 crore (~18.2% of revenue). Global specialty revenue has been growing at an average 25%-26% rate over the past six quarters.

Sun Pharma acquiring Taro entirely to be the facilitator of value creation at Sun Pharma: Sun Pharma intends to acquire the remaining ~21.5% stake or ~81 lakh shares in Taro in an all-cash deal at USD38/share. It represents a ~31.2% premium over Taro's closing price on May 25, 2023. It would amount to a total consideration of ~USD307 million in cash, post which Taro will become the wholly owned subsidiary of the company. Taro has been witnessing a 70-75% y-o-y decline in net profit over the last two quarters. Its contribution to total U.S. sales for Sun Pharma has reduced to ~34% in Q4FY2023 vs. ~37% in Q4FY2022. Additionally, management envisages increased competition in the therapy area that Taro operates in (Dermatology) can lead to additional pressure on Taro's profitability. The only saving grace of the deal is that it will give Sun Pharma access to cash and cash equivalents of USD1.3 billion that Taro has on its books. This can be used by Sun Pharma to strengthen its R&D pipeline and its ability to drive any inorganic growth initiatives. This can also lead to Sun Pharma likely to remove the inefficiency at Taro, as it will be 100% controlled by Sun Pharma's board.

Q4FY2023 Conference Call Highlights:

- **Outlook:** Materials cost as a percentage of sales should normalise going forward. R&D pipeline is being built for generic and specialty revenue segments. The generic pipeline includes ~97 ANDAs and ~13 NDAs awaiting approvals from the USFDA, and the specialty segment has five molecules undergoing clinical trials. The R&D spend is likely to increase for both specialty and generic businesses. The company expects high single-digit consolidated revenue growth for FY2024, as while all the businesses are positioned for growth, the ramp-up in its global specialty revenue is expected to continue. It is expected to be partially offset by challenges at Halol and Mohali sites being under regulatory actions. The R&D spending will be 7-8% of revenue for FY2024 and will be driven by Concert's pipeline and specialty molecule's accelerated clinical trial-related expenses. Growth in global specialty will be driven by Illumya, Winlevi, and Cequa, while Illumya is likely to be the largest contributor of the specialty revenue segment. The other products in the specialty segment are in the pipeline and will drive growth over the medium term. The company is planning to file Deuruxolitinib in the U.S. in Q2FY2024, which is the focused product and is looking to have it for multiple indications. Illumya for Psoriatic Arthritis' clinical research may not be over in FY2024. The company intends to grow in line or marginally higher than IPM growth in India for FY2024. In the U.S. generic market, price degradation and volume increase are more common than price stabilization. Derma products have the highest entrants in the U.S., where Taro operates; and hence, it will continue to pressurise profitability.

- **Dividend:** Final dividend of Rs. 4/share along with interim dividend of Rs. 7.5/share has been declared for FY2023 vs. Rs. 10/share for FY2022.
- **Growth drivers for FY2023:** Growth was driven by strong performance across segments, led by the U.S., India, Emerging Markets, and RoW markets – all recording double-digit growth in FY2023.
- **Global specialty:** The company witnessed strong ramp-up in its global specialty business revenue in FY2023, up ~29% y-o-y to USD871 million; in Q4FY2023, revenue stood at USD244 million, up ~31.7% y-o-y, including milestone payment of USD6.8 million received during the quarter. Excluding the milestone payment, specialty revenue contributed ~18.2% to operating revenue for the quarter. Specialty R&D accounted for ~31.7% of the total R&D spend for the quarter. On January 23, 2023, the company announced the launch of Sezaby specialty product in the U.S. for the treatment of neonatal seizures.
- **FY2023 financials:** Sales stood at Rs. 43,279 crore, up ~12.6% y-o-y. Excluding COVID-19 product sales in FY2022, overall sales grew by ~13.9% y-o-y. Material cost stood at ~24.6% of sales, which is lower y-o-y due to better product mix and higher specialty products revenue. Staff costs as a percentage of sales are marginally higher y-o-y due to annual increment and consolidation of the Alchemee business and expansion of the sales force. Other expenses were higher on account of increased selling and distribution expenses and higher R&D spend in the consolidation of Alchemee business. Reported PAT was at Rs. 8,474 crore in FY2023. As of March 31, 2023, net cash was at USD1.5 billion at consolidated levels and USD196 million, excluding Taro.
- **Q4FY2023 Financials:** Sales stood at Rs. 10,726 crore, up ~14.3% y-o-y. Material cost as a percentage of sales stood at ~21%, significantly lower y-o-y due to better product mix, including higher specialty revenue. Increased other expenses can be attributed to continued normalisation of sales and distribution expenses over the last few quarters. Reported PAT stood at Rs. 1,985 crore.
- **Taro's performance:** Taro posted revenue of USD147 million in revenue up ~2.3% y-o-y and net profit of USD6.9 million, down ~74.7% y-o-y, in Q4FY2023. Results include the acquisition of Alchemee for both FY2023 and Q4FY2023.
- **India performance:** Sun Pharma holds ~8.33% market share in IPM as of March 2023 as per AIOCD AWACS MAT report vs. ~8.31% y-o-y. It is ranked 1st by prescription with 12 therapy specialist categories of physicians. For Q4FY2023, the company launched 24 new products in India. Volume growth in India registered by Sun stood at ~6%, which is one of the best among peers and is indicative of the fact that it is able to generate Rx in the market. The company is already present in the diabetes segment, where it is competitive and seeing volume growth and is the number 1 player in the Sitagliptin market in terms of volumes. The field force is around 10,000.
- **U.S. business:** Growth was largely driven by the strong performance of its specialty revenue, driven by Illumya, Winlevi, Cequa, and Levulan. Growth in the U.S. generics business has been driven by new product launches and the gain of market share in its key products. However, it was partially impacted by the full quarter impact of the import alert at Halol plant. The company launched gRevlimid in Q4FY2023. The company also launched four other generic products in the U.S. on an ex-Taro basis. gRevlimid was a significant contributor in revenue growth in Q4FY2023.

Results (Consolidated) Rs cr

Particulars	Q4FY23	Q4FY22	YoY %	Q3FY23	QoQ %
Total sales	10,930.7	9,446.8	15.7	11,241.0	-2.8
Expenditure	8,101.4	7,267.4	11.5	8,234.1	-1.6
EBITDA	2,829.3	2,179.4	29.8	3,006.9	-5.9
Depreciation	671.5	556.5	20.7	660.0	1.8
EBIT	2,157.8	1,622.9	33.0	2,346.9	-8.1
Interest	92.7	37.3	148.4	46.2	100.8
Other Income	373.3	113.6	228.6	173.9	114.7
PBT	2,438.3	1,699.1	43.5	2,474.6	-1.5
Taxes	222.9	146.8	51.9	283.4	-21.4
PAT Before MI and JV from associates	2,215.4	1,552.4	42.7	2,191.2	1.1
MI and JV Income or losses	32.3	54.9	-41.1	22.0	46.7
Forex Losses	27.2	-161.0	NM	3.1	768.1
Adjusted PAT	2,155.9	1,658.5	30.0	2,166.0	-0.5
Exceptional Items	171.5	3,935.8	-95.6	0.0	NM
Reported PAT	1,984.5	-2,277.3	NM	2,166.0	-8.4
EPS (Rs.)	8.3	NA	NM	9.0	-8.4
Margins			**BPS**		**BPS**
GPM (%)	79.4	73.1	630	75.1	436
EBIDTA (%)	25.9	23.1	281	26.7	-86
Adj. PATM (%)	20.3	16.4	383	19.5	78
Tax rate (%)	9.1	8.6	50	11.5	-231

Source: Company, Sharekhan Research

Revenue Mix Rs cr

Particulars	Q4FY23	Q4FY22	YoY %	Q3FY23	QoQ %
Formulations	**10,293**	**8,908**	**15.5**	**10,530**	**-2.2**
India	3,364	3,096	8.7	3,392	-0.8
U.S.	3,534	2,925	20.8	3,466	2.0
Emerging Market	1,820	1,547	17.6	2,116	-14.0
ROW	1,574	1,341	17.4	1,556	1.2
API	385	414	-6.9	515	-25.3
Others	47	64	-26.4	55	-14.0
Total	**10,726**	**9,386**	**14.3**	**11,100**	**-3.4**
Other Operating Income	205	61	238.0	141	45.6
Total Sales	**10,931**	**9,447**	**15.7**	**11,241**	**-2.8**

Source: Company, Sharekhan Research

Outlook and Valuation

■ Sector view - Regulatory concerns and pricing erosion prove a hurdle over the short-medium term

Over the years, Indian pharmaceutical companies have established themselves as a dependable source for global pharma companies. The confluence of other factors, including focus on specialty/complex products in addition to emerging opportunities in the API space, would be key growth drivers over the long term. However, ongoing USFDA plant inspections and a few companies being issued Form 483 with observations point to apparent regulatory concerns. We believe in the near term, based on the headwinds that may drag the performance, especially in the API and CDMO space and for large pharma players seeing USFDA OAI or WL status on their facilities, we have a Neutral view on the sector.

■ Company outlook - Strong growth prospects

Sun Pharma, a global pharmaceutical company, is present across a broad spectrum of chronic and acute therapies, which include generics, branded generics, and complex drugs. India and the U.S. are key markets for the company and constitute around 60% of the total topline. Sun Pharma's U.S. business is on the path to improvement, largely backed by a marked improvement in the specialty portfolio due to growth in existing geographies as well as tapping new geographies and product portfolio expansion/launches. This coupled with a strong product pipeline, which would unfold going ahead, would be the key growth driver for the U.S. business. Domestic formulations are on a strong footing as the chronic portfolio has reported healthy growth. The acute therapies portfolio has also gathered traction and is expected to sustain strong growth traction. Management expects the domestic formulations business to continue its strong growth on account of new launches, growth in the existing business, and field force productivity improvement, and aims to outpace the industry's growth. Therefore, improved outlook across both key geographies, India and U.S., and increasing penetration in other geographies would drive growth for Sun Pharma.

■ Valuation - Maintain Buy with a revised PT of Rs. 1,123

Sun Pharma is witnessing strong traction in its gross profitability on account of strong traction in its global specialty and other key products. However, the growth outlook is partially offset by challenges at Halol and Mohali plants, besides the expected rise in R&D spend on generic and specialty portfolio of products that are in the pipeline. Nevertheless, we believe Sun Pharma can drive its earnings higher from its pipeline of specialty products such as Deuruxolitinib and Illumya for Psoriatic Arthritis over the medium term besides new generic product launches and volume gains in the U.S. and its focus to grow in line with the IPM growth rate in India. The stock trades at ~24.9x/22.7x its FY2024E/FY2025E EPS. We believe superior profitability enables it to trade at a premium to peers. We maintain our Buy rating on the stock with a revised PT of Rs. 1,123.

Peer Comparison

Companies	CMP (Rs / Share)	O/S Shares (Crs)	Mcap (Rs Cr)	P/E (x)			EV / EBITDA (x)			RoE (%)		
				FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
Sun Pharma	968.0	239.9	2,32,255.6	26.5	24.9	22.7	20.1	18.4	16.1	14.8	14.1	14.0
Torrent Pharma	1706.0	33.8	57,737.1	47.1	34.4	26.9	22.6	18.2	15.2	19.4	23.4	25.2
Cipla	956.3	80.7	77,169.5	25.8	22.6	19.5	15.2	13.8	12.3	12.6	12.8	13.2

Source: Company; Sharekhan Research

About company

Sun Pharma is the fourth largest specialty generic pharmaceutical company in the world. Founded in 1983, Sun Pharma has grown to become India's largest pharmaceutical company with global revenue of over $4 billion. The company manufactures and markets a large basket of pharmaceutical formulations, covering a broad spectrum of chronic and acute therapies, which include generics, branded generics, complex or difficult-to-make technology-intensive products, over-the-counter (OTC) products, anti-retroviral (ARVs), APIs, and intermediates. The company's global presence is supported by over 40 manufacturing facilities. India and the U.S. are predominant markets, accounting for nearly 65% of revenue.

Investment theme

Sun Pharma is a leading pharmaceutical company present across a broad spectrum of chronic and acute therapies, which include generics, branded generics, and complex drugs. India and U.S. are the key markets for the company and constitute around 60% of the total topline. Outlook for the U.S. business has improved on account of a likely revival in the U.S. specialty business coupled with a strong product pipeline, which would unfold going ahead and would be the key growth driver for the U.S. business. Moreover, price erosion is largely stable in the U.S. generic business. Domestic formulations are on a strong footing as the chronic portfolio (50% of India sales) has reported healthy growth. The acute portion of the portfolio was impacted, but it now has revived. Management sees the domestic formulations business to sustain the strong growth momentum and outpace the industry's growth. While driven by the specialty segment's sales, the U.S. business also has healthy growth prospects.

Key Risks

1) Regulatory compliance risk; 2) Delay in product approvals; 3) Currency risk; 4) Worsening of corporate governance issues; and 5) Negative outcome of ongoing litigations in the U.S. with regards to price collusion.

Additional Data

Key management personnel

Israel Makotv	Chairman
Dilip S. Shanghvi	Managing Director
Abhay Gandhi	CEO, North America
Kirti Ganorkar	CEO, India
C. S. Muralidharan	Chief Financial Officer
Anoop Deshpande	Company Secretary and Compliance Officer

Source: BSE; Company Website

Top shareholders

Sr. No.	Holder Name	Holding (%)
1	Life Insurance Corp India	3.64
2	Government of Pension Fund	1.14
3	Government of Singapore	1.02

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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by BNP PARIBAS

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