



Titan Company Ltd

Mixed Q4; striving for consistent growth

Consumer Discretionary

Sharekhan code: TITAN

Reco/View: Buy



CMP: Rs. 2,654

Price Target: Rs. 2,950



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 **14.90**
Updated Mar 08, 2023

Low Risk

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

Source: Morningstar

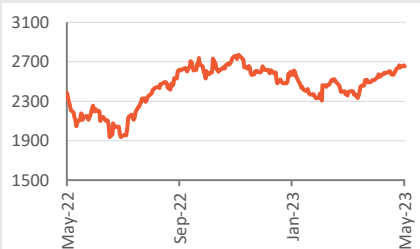
Company details

Market cap:	Rs. 2,35,650 cr
52-week high/low:	Rs. 2,790 / 1,827
NSE volume: (No of shares)	9.9 lakh
BSE code:	500114
NSE code:	TITAN
Free float: (No of shares)	41.8 cr

Shareholding (%)

Promoters	52.9
FII	18.4
DII	11.4
Others	17.3

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	4.6	15.0	-2.7	15.9
Relative to Sensex	1.1	12.9	-3.2	6.0

Sharekhan Research, Bloomberg

Summary

- Titan Company (Titan's) Q4FY2023 performance was broadly in line with expectation with consolidated revenues (excluding bullion sales) growing by 27% y-o-y and PAT growing by 30% y-o-y (EBIDTA margins stood at 10.5% lagging our as well as street's expectations).
- Jewellery demand picked in the second half of April (after soft March and early April) and remained good in May due to wedding season. With good traction during in the festive/wedding season, the management expects double-digit growth to sustain in FY2024.
- Jewellery business' margins to sustain at 12-13% while eyewear business margins to be at mid-teens, scale up in the emerging business to add to revenues and profitability.
- The stock trades at 60.3x/49.7x its FY2024E/25E EPS. We retain our Buy recommendation on the stock with an unchanged PT of Rs. 2,950. It remains one of preferred picks in the discretionary space.

Titan registered a mixed bag of numbers in Q4FY2023 with revenues growing by 27% y-o-y ahead of our as well as street expectation of 23-24% growth while EBIDTA margins at 10.5% were lower than our as well as street expectation of 11.0% and 12.1% respectively. Its consolidated revenues (excluding the bullion sales) grew by 27% y-o-y to Rs. 9,215 crore (including bullion sales grew by 33% y-o-y to Rs. 10,360 crore) in Q4FY2023 ahead of our expectation. This was driven by 24% y-o-y growth in standalone jewellery business, 40% y-o-y growth in watches and wearables and 23% y-o-y growth in the eye care business. Gross margins decreased by 100 bps y-o-y to 24.3%. EBIDTA margins marginally improved by 33 bps to 10.5%. Operating profit grew by 37.2% y-o-y to Rs. 1,089 crore. Reported PAT grew by 30% y-o-y to Rs. 736 crore. For FY2023, revenue grew by 41% y-o-y to Rs. 40,575 crore (excluding bullion sales, it grew by 38% y-o-y), EBIDTA margin improved by 40 bps y-o-y to 12.0% and PAT grew by 46% y-o-y to Rs. 3,274 crore. The management is confident of achieving strong growth across key business verticals and scale-up in the new ventures in the medium to long run.

Key positives

- Jewellery retail revenues grew by 25% driven by 19% same-store-sales growth in Q4.
- New buyers' contribution to jewellery business stands 50%; buyer base growth (including new & repeat) stood at 15% in Q4.
- Wearables segment (~20% of revenues) revenue grew by 170% under the watches business in Q4.
- Key subsidiaries such as Caratlane registered a strong revenue growth of 59%; studded contribution stood at 75%.

Key negatives

- Eyecare margins stood in low single digits in Q4FY23.
- TEAL (subsidiary of Titan) sales were down by 6.7% y-o-y to Rs. 174 crore.

Management Commentary

- Jewellery business:** High gold prices led to softening of demand in March and early April. Sales picked up prior to festive season. Akshay Tritiya boded well for the company. May is also witnessing good traction due to wedding season. Management expects jewellery demand to be good during festive and wedding season and hence expects double-digit revenue growth. EBIT margins to remain in the range of 12-13%.
- Watches business:** Wearables category (10% of revenues) continued to gain strong traction and will help watches business to drive double digit growth. EBIT would remain in low double digits to mid-teens as wearable constitutes lower margins compared to traditional watches segment. However, the same is expected to consistently improve with increase in volumes.
- Eyecare business:** Inventory correction at franchisee and distribution level was done in Q4 to change the product portfolio at store level. This stressed sales in Q4. However benefit of the same would start flowing from coming quarters. It will also aid in EBIT margins coming back to mid-teens going ahead.
- Dividend Policy:** Dividend payout ratio will remain in the range of 25-40% considering the investments required to improve the growth prospects of the business.

Revision in estimates – We have broadly maintained our earnings estimates for FY2024 and FY2025 with Q4 performance coming largely in line with estimates while the management is optimistic of achieving good growth in core jewellery business and improved growth in eyecare business in the coming years.

Our Call

View: Retain Buy with an unchanged PT of Rs. 2,950: Titan is aiming to generate a revenue CAGR of over 20% during FY2022-FY2027 on back of its ambitious growth plan in the medium term. This along with consistent margin improvement will help cash flows to improve strongly in the coming years. Strong growth outlook, industry tailwinds in the medium term, and strong balance sheet make it a best play in the discretionary space. The stock is currently trading at 60.3x and 49.7x its FY2024E and FY2025E earnings. We maintain our Buy recommendation on the stock with an unchanged PT of Rs. 2,950.

Key Risks

Sustained inflationary pressures or slowdown in key business verticals would act as a key risk to our earnings estimates.

Valuation (Consolidated)

Particulars	FY22	FY23	FY24E	FY25E
Revenue	28,799	40,575	46,065	53,279
OPM (%)	11.6	12.0	12.5	13.0
Adjusted PAT	2,238	3,272	3,908	4,744
Adjusted EPS (Rs.)	25.2	36.9	44.0	53.4
P/E (x)	105.3	72.0	60.3	49.7
P/B (x)	25.3	19.9	15.5	12.1
EV/EBIDTA (x)	70.7	49.0	40.9	33.7
RoNW (%)	26.6	30.9	28.9	27.4
RoCE (%)	30.5	33.7	31.3	31.8

Source: Company; Sharekhan estimates

Strong Q4 - Revenues grew by 27%; EBIDTA margins improved by 40 bps y-o-y

Consolidated revenues (excluding bullion sales) grew by 27% y-o-y to Rs. 9,215 crore (including bullion sales grew by 33% y-o-y to Rs. 10,360 crore) in Q4FY2023. This was driven by 24% y-o-y growth in jewellery business (standalone), 40% growth in watches and wearable and 23% growth in the eye care business. Company's subsidiaries - Caratlane grew 58.5% y-o-y, while TEAL reported 6.7% y-o-y decline in Q4FY2023. Gross margins declined by 100 bps y-o-y to 24.3%. EBIDTA margins slightly improved by 33 bps y-o-y to 10.5%. Operating profit grew by 37.2% y-o-y to Rs. 1,089 crore. Reported PAT grew by 29.8% to Rs. 736 crore. For FY2023, revenue grew by 41% y-o-y to Rs. 40,575 crore (excluding bullion sales grew by 38% y-o-y), EBIDTA margins improved by 40 bps y-o-y to 12% and PAT grew by 46% y-o-y to Rs. 3,274 crore. The company has added (net) 173 stores in Q4FY2023 and 532 stores FY2023.

Jewellery business grew 23.5% y-o-y; margin up 65 bps y-o-y

The jewellery division's revenues grew by 23.5% y-o-y to Rs. 7,576 crore (excluding bullion sales) over a partially disrupted base quarter of Q4FY2022. Domestic operations recorded a 21% y-o-y growth in Q4FY2023. Robust performance was majorly led by a ~15% y-o-y rise in the buyer base, both new and repeat, and an increase in ticket size by ~8% y-o-y. Contribution from new buyer and existing buyer stood at 50:50 during the quarter. Higher price bands continued to see better growth. Studded jewellery mix was also higher, sequentially, due to seasonal activation, and also higher y-o-y. Wedding segment growth recovered, inching marginally ahead of overall retail sales growth. Competitive intensity on gold rates remained high. Margins in the studded category normalized to pre-covid levels with consumption of older lower cost diamond inventory getting over in Q3FY2023. EBIT came at Rs. 997 crore clocking a margin of 13.2% (up by 65 bps y-o-y) in a studded activation led quarter. Zoya opened its landmark store in February at Taj Mahal Palace, Mumbai, while Mia by Tanishq saw the fastest store expansion adding 18 new stores in the quarter. Tanishq international presence now covers 7 stores spread across Dubai, Abu Dhabi and USA. The domestic new store expansion (net) for the quarter consisted of 12 new stores in Tanishq, 18 in Mia by Tanishq and 1 in Zoya, taking the jewellery business store count to 541.

Watches and wearables grew by 40% y-o-y; EBIT margins stood at 11.3%

Watches & wearables division registered a 41% y-o-y growth to Rs. 871 crore driven by strong 32% y-o-y growth in analog watches and 170% y-o-y growth in wearables. Both of this led to the business hitting a significant milestone of Rs. 5,000+ crore of sales value [Uniform Consumer Price (UCP)] for FY2023. The wearables segment too achieved a product sales milestone of over 1 million smart watches sold for FY2023. Premium brands continued to grow strongly with brand Titan and brands in Helios stores both achieving double-digit growths that were higher than the overall segment. The Fastrack brand, both analog and smartwatches combined, grew fastest in the portfolio of brands for the second successive quarter in a row. Among key channels, Helios chains, Large Format Stores (LFS) Channel and e-commerce saw significantly higher growth rates compared to others. EBIT came in at Rs. 98 crore clocking a margin of 11.3% (against a loss of Rs. 10 crore in Q4FY2022). Division achieved a landmark milestone by crossing the over 1,000 store presence (1,005 stores at FY2023-end) pan-India through the addition of 52 new stores in Q4FY2023 (fastest in its history) comprising of 21 new stores in Titan World, 16 new outlets in Helios and 15 new stores in Fastrack.

Eye care division grew by 23% y-o-y

Eye care division grew by 23% to Rs. 165 crore. House brands grew ~22% y-o-y whereas International brands grew faster at ~29% y-o-y. Among categories, revenues from sunglasses grew ~61% y-o-y whereas growth in lenses was ~20% y-o-y. Within key channels, Titan Eye+ grew ~20% y-o-y, whereas sales from trade channel grew much faster at ~33% y-o-y, while e-Commerce tripled on a small base of Q4FY2022. While overall growth was volume-led, the average selling price too saw a marginal improvement y-o-y (in low single digits). The division made a one-time payment of Rs. 8 crore to franchisee partners to recognize their extra-ordinary efforts. EBIT came in at Rs. 2 crore clocking a margin of 1.2% (against a loss of Rs. 8 crore in Q4FY2022). EyeCare continued to expand its nation-wide presence, adding 38 new stores in Titan Eye+ (net) in Q4FY2023, taking the store count for the EyeCare business to 901.

Emerging businesses continued to show strong momentum

Emerging businesses comprising of Fragrances and Fashion Accessories (F&FA), and Indian Dress Wear (Taneira) clocked a revenue growth of 83.9% y-o-y to Rs. 77 crore in Q4FY2023. Within this, F&FA clocked

~31% y-o-y growth whereas Taneira grew by ~200% y-o-y driven by new store openings and healthy like-to-like growth from existing stores. In F&FA, fragrances grew ~31% y-o-y and fashion accessories clocked growth of ~27% y-o-y. Amongst key offline channels, trade and Large Format Stores (LFS), both clocked growths exceeding 50% y-o-y. Taneira brand continued to expand its national presence by entering Siliguri, Coimbatore, Ahmedabad, Nagpur and Agartala by opening its first store in each of these cities. With these five new additions, the total store count stands at 41 at FY2023-end spread across 22 cities within India.

Subsidiaries' performance

- ◆ **Titan Engineering & Automation Limited (TEAL):** TEAL reported 6.7% y-o-y decline to Rs. 174 crore with Automation Solutions Division lower by ~23% y-o-y due to slower order deliveries and Manufacturing Services Division (earlier called Aerospace and Defence) clocking ~33% y-o-y growth. EBIT margins stood at 11.1% with EBIT coming at Rs. 19 crore.
- ◆ **CaratLane (72.3% owned):** Caratlane grew 58.5% y-o-y to Rs. 580 crore driven by gifting campaigns around Valentine's Day. Revenue from the key category of studded grew at ~57% y-o-y and it continued to contribute ~75% of the total business. EBIT came in at Rs. 40 crore with a margin of 6.8%. CaratLane created a record of adding 47 new stores (net) in Q4FY2023, taking the total store count to 222 stores at Q4FY2023-end spread across 88 cities pan-India.

Key conference call highlights

◆ Business environment for key verticals

- ◆ **Jewellery business:** High gold prices led to softening in demand in March and early April. Sales picked up prior to festive season. Akshay Tritiya was good for the company. May is also witnessing good traction due to wedding season. The management expects jewellery demand should be good during festive and wedding season. It expects H2FY2024 to be much better compared to H1FY2024. The company continues to gain market share in key markets. Overall the management maintained its guidance of achieving double-digit growth in the jewellery business. EBIT margins to remain in the range of 12-13%. In Q4FY2024, the company added 11 new stores and expanded retail space of 10 stores by 25-30%. Another 15-20 stores will see retail area expansion and new 40 stores will be added in FY2024.
- ◆ **Watches business:** Wearables category continued to gain strong traction and will help watches business to drive double digit growth. EBIT would remain at 12-15% as wearable constitutes lower margins compared to traditional watches segment. However the same is expected to consistently improve with increase in volumes.
- ◆ **Eyecare business:** Inventory correction at franchisee and distribution level was done in Q4 to change the product portfolio at store level. This led to sales compression in Q4. However benefit of same would start flowing from coming quarters. April was one of the strongest months for eyewear business and momentum is expected to sustain in the months ahead. It will also aid in EBIT margins coming back to mid-teens going ahead.
- ◆ **Mia brand growing strongly:** The Mia brand grew by 3x in last two years. Uniform consumer price revenues of brand stood at Rs. 675 crore and the same is expected to reach Rs. 1300-1400 crore over the next two years. The company is focusing on doubling the Mia stores from current 111 stores in FY2025.
- ◆ **Higher bullion sales:** Gold bullion sales in Q4FY2023 stood at Rs. 1,055 crore (vs. Rs. 375 crore in Q4FY2022) and same stood at Rs. 2,208 crore in FY2023 (vs. Rs. 1,045 crore). The company imported CEPA gold in large quantum under the agreement signed between UAE and India to get benefit of 1% duty cut. Higher bullion sales were done to manage the capital employed.
- ◆ **International jewellery business:** The company has ~7 jewellery stores in the international markets (6 in UAE & 1 in the US). It is planning to take the store count 25 stores by end of FY2025. All international stores are gaining good traction (especially from population from Indian origin).
- ◆ **Strong traction to gold exchange scheme:** The company witnessed strong traction to the gold exchange scheme in Q4FY2023. The contribution of same has gone-up to 40%.

Results (Consolidated)

					Rs cr	
Particulars	Q4FY23	Q4FY22	Y-o-Y %	Q3FY23	Q-o-Q %	
Net sales	9,215.0	7,267.0	26.8	11,167.0	-17.5	
Other operating revenues	1,145.0	529.0	116.4	442.0	159.0	
Total Revenue	10,360.0	7,796.0	32.9	11,609.0	-10.8	
Raw material cost	7,847.0	5,827.0	34.7	8,840.0	-11.2	
Employee cost	457.0	395.0	15.7	411.0	11.2	
Advertising	251.0	198.0	26.8	273.0	-8.1	
Other expenses	716.0	582.0	23.0	738.0	-3.0	
Total operating cost	9,271.0	7,002.0	32.4	10,262.0	-9.7	
Operating profit	1,089.0	794.0	37.2	1,347.0	-19.2	
Other income	114.0	76.0	50.0	89.0	28.1	
Interest & other financial cost	96.0	61.0	57.4	79.0	21.5	
Depreciation	119.0	102.0	16.7	113.0	5.3	
Profit Before Tax	988.0	707.0	39.7	1,244.0	-20.6	
Tax	252.0	140.0	79.9	332.0	-24.1	
Adjusted PAT before MI	736.0	567.0	29.8	912.0	-19.3	
Extraordinary item	0.0	0.0	-	40.0	-100.0	
Reported PAT	736.0	567.0	29.8	872.0	-15.6	
Adjusted EPS (Rs.)	8.3	6.4	29.8	10.3	-19.3	
			bps		bps	
GPM (%)	24.3	25.3	-100	23.9	40	
EBIDTA margins (%)	10.5	10.2	33	11.6	-109	
NPM (%)	7.1	6.8	34	7.9	-76	
Tax rate (%)	25.5	19.8	570	26.7	-118	

Source: Company; Sharekhan Research

Business-wise revenues

				Rs cr	
Particulars	Q4FY23	Q4FY22	Y-o-Y %		
Jewellery (excluding bullion sales)	7,576.0	6,132.0	23.5		
Watches	871.0	622.0	40.0		
Eyecare	165.0	134.0	23.1		
Emerging businesses	77.0	42.0	83.3		
Others/Corporate	64.0	47.0	36.2		
Standalone (without bullion sale)	8,753.0	6,977.0	25.5		
Bullion sales	1,055.0	375.0	-		
Standalone	9,808.0	7,352.0	33.4		
Caratlane	580.0	366.0	58.5		
TEAL	174.0	186.0	-6.5		
Others/Consol. Adj	-88.0	-32.0	-		
Consolidated	10,474.0	7,872.0	33.1		

Source: Company; Sharekhan Research

Business wise EBIT

Particulars	Rs cr		
	Q4FY23	Q4FY22	Y-o-Y %
Jewellery	997.0	780.0	27.8
Watches	98.0	16.0	-
Eyecare	2.0	-3.0	-
Emerging businesses	-33.0	-15.0	-
Others/Corporate	-11.0	-8.0	37.5
Standalone	1,053.0	770.0	36.8
Caratlane	40.0	16.0	-
TEAL	19.0	21.0	-9.5
Others/Consol. Adj	-28.0	-40.0	-30.0
Consolidated	1,084.0	767.0	41.3

Source: Company; Sharekhan Research

Business-wise EBIT margins

Particulars	bps (y-o-y)		
	Q4FY23 (%)	Q4FY22 (%)	bps (y-o-y)
Jewellery	13.2	12.7	44
Watches	11.3	2.6	868
Eyecare	1.2	-2.2	345
Emerging businesses	-42.9	-35.7	-
Standalone	12.0	11.0	99
Consolidated (excluding bullion sales)	11.5	10.2	128

Source: Company; Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Long term growth prospects intact

Branded retail and apparel companies posted strong performance in FY2023 led by low base of FY2022 impacted by covid led disruption. We expect growth to be muted in H1FY2024 but expect it to recover prior to festive season. Branded retail and apparel companies are likely to benefit from steady demand for premium products and better consumer sentiments in urban markets/metros in the quarters ahead. In the medium-long term, market share gains, higher traction on the e-Commerce platform, a strong retail space expansion strategy, and sustained expansion of product portfolio will help branded apparel and retail companies to post consistent growth. Better operating leverage and improved efficiencies would help branded apparel and retail companies to post higher margins in the coming years.

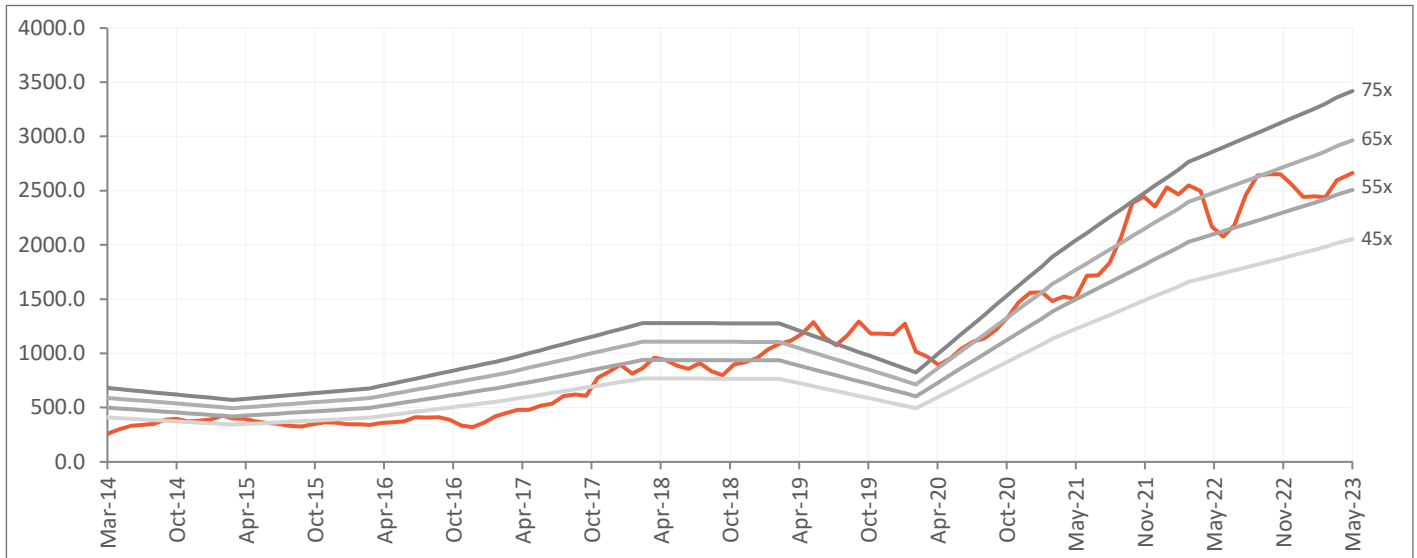
■ Company Outlook – Consistent growth in long run

Titan's FY2023 numbers were robust, with revenues growing by 41% y-o-y and PAT growing by 46% y-o-y with all business verticals registering strong growth during the same period. Despite near-term headwinds of high inflation, the company is confident of maintaining good growth momentum in the quarters ahead led by market share gains, network expansion, and shift to trusted brands. The company aims to achieve consistent double-digit revenue growth over the next five years by strengthening core businesses such as watches, jewellery, and eyecare through efficient capital allocation plans. Further, profitability is expected to consistently improve with consistent growth in the jewellery business and scale-up of new ventures.

■ Valuation – Retain Buy with an unchanged PT of Rs. 2,950

Titan is aiming to generate a revenue CAGR of over 20% during FY2022-FY2027 on back of its ambitious growth plan in the medium term. This along with consistent margin improvement will help cash flows to improve strongly in the coming years. Strong growth outlook, industry tailwinds in the medium term, and strong balance sheet make it a best play in the discretionary space. The stock is currently trading at 60.3x and 49.7x its FY2024E and FY2025E earnings. We maintain our Buy recommendation on the stock with an unchanged PT of Rs. 2,950.

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
Trent	89.1	61.9	44.7	32.3	25.6	20.9	14.5	18.4	21.4
Titan Company	72.0	60.3	49.7	49.0	40.9	33.7	33.7	31.3	31.8

Source: Company, Sharekhan estimates

About company

Titan is a joint venture between Tata Group and Tamil Nadu Industrial Development Corporation (TIDCO). The company is a leading organised jeweller in India with its trusted brand, Tanishq. The company started as a watch company under the brand, Titan, and is the fifth largest integrated own brand watch manufacturer in the world. The company's key watch brands are Titan, Fastrack, and Sonata. The company is present in the eye care segment with its brand, Titan Eye Plus, and in other segments such as perfumes. The company recently entered the saree market with its brand, Taneira. Titan has a retail chain of 2,710 stores across 404 towns with retail area crossing 3,5 million sq. ft. nationally for all its brands.

Investment theme

Titan is one of India's top retailers with a strong presence in discretionary product categories such as jewellery, watches, and eye care. The company is one of the top brands in the watches segment; while in the jewellery space, it is gaining good acceptance because of the shift from non-branded to the branded space and expansion in middle income towns. The company's jewellery business is expected to grow at CAGR 20%+ over FY022-27.

Key Risks

- ♦ **Rise in gold prices:** Any increase in gold prices would affect profitability of the jewellery segment and earnings growth of the company.
- ♦ **Slowdown in discretionary consumption:** Any slowdown in discretionary consumption would act as a key risk to demand of the jewellery and watches division.
- ♦ **Increased competition in highly penetrated categories:** Increased competition in the highly penetrated categories such as watches or jewellery would act as a threat to revenue growth.

Additional Data

Key management personnel

S. Krishnan	Chairman
C.K. Venkataraman	Managing Director
N.N. Tata	Vice Chairman
Ashok Kumar Sonthalia	Chief Financial Officer
Dinesh Shetty	General Counsel, Company Secretary and Compliance Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Jhunjhunwala Rekha Rakesh	5.29
2	Life Insurance Corp of India	2.09
3	Vanguard Group Inc	1.80
4	SBI Funds Management	1.55
5	Blackrock Inc	1.36
6	UTI AMC	0.89
7	Sands Capital Management	0.81
8	ICICI Prudential Life Insurance Co	0.63
9	Mirae Asset Global Investments	0.49
10	Aditya Birla Sun Life AMC	0.43

Source: Bloomberg

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a position in the companies mentioned in the article.

Understanding the Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Sharekhan Research

DISCLAIMER

This information/document has been prepared by Sharekhan Ltd. (SHAREKHAN) and is intended for use only by the person or entity to which it is addressed to. This Document may contain confidential and/or privileged material and is not for any type of circulation and any review, retransmission, or any other use is strictly prohibited. This information/ document is subject to changes without prior notice.

Recommendation in reports based on technical and derivatives analysis is based on studying charts of a stock's price movement, trading volume, outstanding positions, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals. However, this would only apply for information/document focused on technical and derivatives research and shall not apply to reports/documents/information focused on fundamental research.

This information/document does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same, not all customers may receive this report at the same time. SHAREKHAN will not treat recipients as customers by virtue of their receiving this information/report.

The information contained herein is obtained from publicly available data or other sources believed to be reliable and SHAREKHAN has not independently verified the accuracy and completeness of the said data and hence it should not be relied upon as such. While we would endeavour to update the information herein on reasonable basis, SHAREKHAN, its subsidiaries and associated companies, their directors and employees ("SHAREKHAN and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent SHAREKHAN and affiliates from doing so. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Recipients of this report should also be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved) and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. We do not undertake to advise you as to any change of our views. Affiliates of Sharekhan may have issued other recommendations/ reports that are inconsistent with and reach different conclusions from the information presented in this recommendations/report.

This information/recommendation/report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject SHAREKHAN and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

The analyst certifies that the analyst might have dealt or traded directly or indirectly in securities of the company and that all the views expressed in this document accurately reflect his or her personal views about the subject company or companies and its or their securities and do not necessarily reflect those of SHAREKHAN. The analyst and SHAREKHAN further certifies that either he or his relatives or Sharekhan associates might have direct or indirect financial interest or might have actual or beneficial ownership of 1% or more in the securities of the company at the end of the month immediately preceding the date of publication of the research report. The analyst and SHAREKHAN encourages independence in research report/material preparation and strives to minimize conflict in preparation of research report. The analyst and SHAREKHAN does not have any material conflict of interest or has not served as officer, director or employee or engaged in market making activity of the company. The analyst and SHAREKHAN has not been a part of the team which has managed or co-managed the public offerings of the company, and no part of the analyst's compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this document. Sharekhan Ltd or its associates or analysts have not received any compensation for investment banking, merchant banking, brokerage services or any compensation or other benefits from the subject company or from third party in the past twelve months in connection with the research report.

Either SHAREKHAN or its affiliates or its directors or employees / representatives / clients or their relatives may have position(s), make market, act as principal or engage in transactions of purchase or sell of securities, from time to time or may be materially interested in any of the securities or related securities referred to in this report and they may have used the information set forth herein before publication. SHAREKHAN may from time to time solicit from, or perform investment banking, or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall SHAREKHAN, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

Forward-looking statements (if any) are provided to allow potential investors the opportunity to understand management's beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment. These statements are not a guarantee of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or result expressed or implied by such forward-looking statements. Sharekhan/its affiliates undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader/investors are cautioned not to place undue reliance on forward-looking statements and use their independent judgement before taking any investment decision.

Investment in securities market are subject to market risks, read all the related documents carefully before investing. The securities quoted are for illustration only and are not recommendatory. Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on www.sharekhan.com

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited, Research Analyst Regn No.: INH000006183. (CIN): - U99999MH1995PLC087498. Registered Office: The Ruby, 18th Floor, 29 Senapati Bapat Marg, Dadar (West), Mumbai – 400 028, Maharashtra, INDIA. Tel: 022-6115000.

Other registrations of Sharekhan Ltd.: SEBI Regn. Nos.: BSE / NSE / MSEI (CASH / F&O / CD) / MCX - Commodity: INZ000171337; DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669.

Compliance Officer: Ms. Binkle Oza; Tel: 022-61169602; email id: complianceofficer@sharekhan.com

For any complaints/grievance, email us at igc@sharekhan.com or you may even call Customer Service desk on - 022- 41523200/022- 33054600