

Stock Note

Birla Corporation Ltd.

February 27, 2024





Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Cements	Rs 1742.80	Buy in Rs 1725-1760 band & add on dips in Rs 1556-1588 band	Rs 1891	Rs 1996	2-3 quarters

HDFC Scrip Code	BIRCOREQNR
BSE Code	500335
NSE Code	BIRLACORPN
Bloomberg	BCORP IN
CMP Feb 26, 2024	1742.80
Equity Capital (Rs cr)	77.01
Face Value (Rs)	10
Equity Share O/S (cr)	7.70
Market Cap (Rs cr)	13421
Book Value (Rs)	817
Avg. 52 Wk Volumes	157604
52 Week High (Rs)	1770
52 Week Low (Rs)	843.05

Share holding Pattern % (Dec, 2023)	
Promoters	62.90
Institutions	22.64
Non Institutions	14.46
Total	100.00



HDFCsec Retail research
stock rating meter

for details about the ratings, refer at the end of the report

* Refer at the end for explanation on Risk Ratings

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Our Take:

Birla Corporation Limited (BCL) is primarily engaged in the manufacturing of cement as its core business activity. It has a presence in the jute goods industry as well. BCL currently manufactures cement at eight locations through 11 manufacturing units with a combined capacity of 20 million tons per annum. Its strong market position is amplified by the company's significant penetration in Central, followed by Eastern and Northern India regions. The company has established a healthy brand recall of its cement products which is supported on ground by its distribution network leading to higher retail trade mix. The Mukutban plant of RCCPL Private Limited (formerly Reliance Cement Company Private Limited), now a wholly owned subsidiary of Birla Corporation Limited is one of the most advanced cement factories in India, in terms of technology and efficiency parameters. With this acquisition, BCL has strengthened its position in the western region.

We believe various cost saving initiatives taken by the company (such as waste heat recovery-based and solar power plants to replace high-cost grid power), increase in clinker capacity and coal extraction from captive mines would aid revenue and margin growth. Ramp-up of its newly commissioned greenfield integrated plant at Mukutban, with access to captive limestone and coal mines would further lead to improvement in operational efficiencies in the near term. The progress at Mukutban plant is as per initial plans, and the ramp-up is happening every month. Capacity utilization of this plant was 60% in Q3FY24 and expected to be increase by end of FY24. There has been a huge reduction in variable costs since the plant started its operations and the company has now become one of the most efficient and lowest cost producers of cement in the industry.

Valuation & Recommendation:

Healthy pricing in north and central regions, increased capacity utilization at Mukutban plant and unitary EBITDA/T rebounding to a 10-quarter high of Rs.903/MT augurs well for BCL. The ongoing capex on the greenfield Standalone Grinding Unit (SGU) of 1.4mn MT in Prayagraj, UP, is expected to be commissioned by FY25 end and Maihar line-2 clinker expansion is expected to be commissioned by FY27. We believe along with the higher sales volume, combined with the lowest cost of production, this will have positive effect on the bottom-line growth and profitability. Also once the additional capacity is commissioned then the company will replace current supplies from Satna and Maihar in existing markets where the Company already has a strong presence; this will lead to lower logistics cost.

We believe investors can buy the stock in the range of Rs 1725-1760 band and add on dips to Rs 1556-1588 band (7.7x FY26E EV/EBITDA, \$80 EV/MT), for base case fair value of Rs 1891 (9x FY26E EV/EBITDA, \$93.5 EV/MT) and bull case fair value of Rs 1996 (9.4x FY26E EV/EBITDA, \$98 EV/MT).



Financial Summary

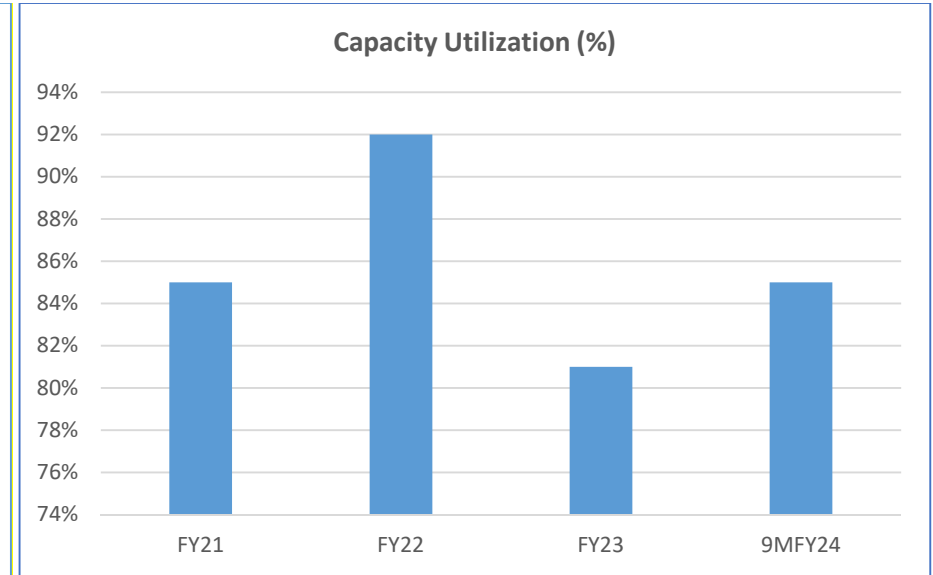
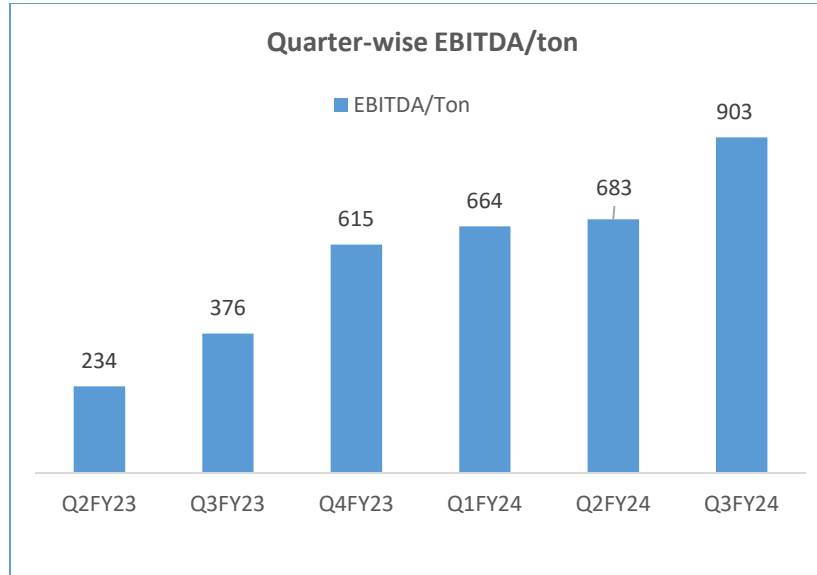
Particulars (Rs Millions)	Q3FY24	Q3FY23	YoY (%)	Q2FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Operating Income	23,120	20,161	15	22,858	1	74,612	86,823	97,331	1,04,590	1,10,863
EBITDA	3,785	1,444	162	2,889	31	11,100	7,720	14,828	16,987	18,889
APAT	1,091	-499	-	584	87	3,986	405	4,511	6,678	8,088
Diluted EPS (Rs)	14	-6	-	8	86.2	55.8	4.4	58.6	86.7	105.0
RoE-%						8.0	0.6	7.3	10.0	11.1
P/E (x)						31.2	396.5	29.7	20.1	16.6
EV/EBITDA						14.1	22.0	11.3	9.7	8.4

(Source: Company, HDFC sec)

Q3FY24 Result Update

Consolidated revenue from operations during the quarter stood at Rs 23,120 millions , up by ~15% YoY, as the company managed to ramp up capacity utilization. Realization/t stood at Rs 5,278, up by ~2.4%, YoY and ~0.3% QoQ. EBITDA during the quarter stood at Rs 3785 million, up ~162% YoY; the division's profitability for the December quarter expressed as EBITDA per ton is at Rs 903, compared to Rs 376 in Q3FY23. Adjusted PAT during the quarter stood at Rs 1091 million, as compared to net loss of Rs 499.1 million in Q3FY23.

The company is seeing steady progress in its Mukutban plant operations, with the capacity utilization of the plant reaching ~60% by end of Q3FY24. Demand in January remained subdued, although the management expects the volumes to pick up in the coming days for Q4FY24. Capacity utilization is likely to reach ~65-70% by the end of FY24. Variable costs have reduced by ~50% at this plant since its commencement of operations. With several internal cost optimization measures, Birla Corporation is now among one of the most efficient cement manufacturers in the country in terms of production cost.



(Source: Company, HDFC sec)

Key Triggers

Concall Summary and outlook:

Management has lowered its volume growth expectation for FY24 from 15% to 13%. Mukutban plant utilization is increased to 60% in Q3FY24 and expected to increase further in future. BCL maintained its earlier guidance of Rs.850/MT EBITDA for FY24. Fuel costs are expected to remain stable QoQ in Q4. The Kundanganj SGU’s incentive will expire by Mar 2024 (~Rs.80/MT at the consolidated level). Mukutban’s incentive will start accruing from Q4FY24 onwards. BCL expects that a capex of less than Rs. 7bn will be incurred in FY24. The greenfield SGU of 1.4mn MT in Prayagraj, UP, is expected to be commissioned by FY25-end. Maihar line-2 clinker expansion work will start next year (3mn MT capacity) and it is expected to be commissioned by FY27. This line will cater to SGUs in Bihar and UP and possibly one in the west, totalling ~5mn MT capacity. The company is also working to scale up the usage of alternative fuel, captive coal, and green power, which will further aid margin recovery.

Capacity expansion plans

Newly commissioned Mukutban plant:

Commercial production at Mukutban started on April 30th, 2022. The plant will receive certain incentives, which will start to accrue in Q4FY24. The management highlighted the incentives include 100% of the SGST reimbursement, electricity duty and royalty on limestone paid by the unit. Incentives on account of SGST reimbursement will accrue only after the exhaustion of input tax credit on capex from FY23-24. This integrated plant has added capacity of 3.9 MT of cement annually, which increased BCL’s total production capacity to 20 million



tons. This plant is equipped with a 40 MW captive power plant and 10.6 MW waste heat recovery system. It marks the largest investment in the history of the company. The company aggressively plans to reach grinding capacity of 30 MTPA by FY30.

Greenfield Grinding Unit at Prayagraj:

The Board of the RCCL has approved a plan to set up a 1.4 mt greenfield grinding unit at Prayagraj in Uttar Pradesh. This will improve the Company's servicing capabilities to its core markets of "Purvanchal" (Eastern Uttar Pradesh). The estimated cost of the project is around Rs 400 crore. The Company is in possession of requisite land for the project. As per current management's projections the unit will be commissioned by end of FY25. The Unit will be eligible for tax incentives of the UP Government, which will positively affect profitability of the company.

Cost savings and other initiatives

Project Shikhar:

The company has started "Project Shikhar" for attaining manufacturing excellence, which has started gathering momentum. It delivered savings to the tune of Rs 55 per ton during the Q3FY24 through process improvements in the areas of power and fuel consumption, fly ash absorption, limestone costs and plant overheads. Phase 2 of this project will start now and benefits are expected to accrue after end of FY24.

The company is continuously trying to reduce cost pressure; the company has optimized its fuel consumption mix. In addition, the decline in fuel prices, increasing contribution from WHRS and AFRs, higher sales of blended and premium products from the Mukutban unit, and other cost savings from internal efficiencies are expected to drive the company's EBITDA/tonne.

Project Unnati:

The company has launched "Project Unnati" with a view to increasing the efficiency of the Company's "Go-to-Market" operations, focusing on sales, logistics and marketing Domains. The company aims to enlarge market footprint and increase intensity of coverage in core geographies by improving reach and penetration in the market.

The impact of the project is already visible in the Company gaining market share in almost all key markets, except Bihar, and sales of premium products has been expanded in the key market.

Adequate limestone and coal resources and captive power plants

BCL has 2 operational captive limestone mines (Sagmania & Birhulli) at Satna, Madhya Pradesh & and operational captive limestone mines (Nagri mines Jai, and Surjana) at Chanderia, Rajasthan. The company also has captive coal-based power plants (CPP), WHRS plants having



capacity of 44.85 MW and 41.2 MW AC solar plants at Satna, Maihar, Mukutban, Chanderia, Kundanganj and Raebareli ensuring continuous supply of power at competitive rates. This reduces the company's dependence on expensive source of power from the grid.

BCL has captive coal mines at Sial Ghogri, Madhya Pradesh. The block has 15.56 million tons of mineable reserve and 5.69 million tons of recoverable reserves. BCL has been allotted two new coal mines in Madhya Pradesh (Bikram and Brahmapuri blocks) in the auction in Dec'19 and company has also received Marki Barka coal block in Jan 23, through auction process. The coal mines are expected to be operational at full capacity by FY26 onwards. Currently Sial Ghoghri coal mine is operational and Bikram coal mine is expected to start in Q2FY25. As per the reports, the production from both coal mines will be able to fulfil 60% of the total coal requirement for BCL through captive sources.

Strong locational advantage:

BCL and RCCPL have cement operating units spread across Madhya Pradesh, Uttar Pradesh, West Bengal, Maharashtra and Rajasthan. The entities are operating grinding facilities near the user markets to save upon the cost of logistics. The integrated plants at Satna and Chanderia enjoy very good central location to service markets as well as other grinding units. Major Clinker requirement for Raebareli and Durgapur are met from Satna, Chanderia and Maihar, whereas limestone requirements of individual plants are met out of a mix of captive limestone near the plants and purchase of high-grade limestone from open markets. Furthermore, apart from limestone which constitutes basic raw material, other raw materials are also located in close proximity to the project sites which in turn enables the entity to optimize its cost.

RCCPL has its operational units spread across Maihar in MP, Kundanganj (300 kms from Maihar) in UP and Butibori (461 kms from Maihar) in Maharashtra. Out of the three units, only the unit at Maihar is an integrated facility, whereas in other two places, the company is operating grinding facilities near the user markets to save upon the cost of logistics. Limestone requirements of the unit at Maihar are met through Sadhera and Salaiya mines which is around 10 kms from the site and clinker requirements of two grinding units are met from the Maihar site. The unit at Maihar is well equipped with railway sidings which provide smooth and cost-effective transportation.

Once the new greenfield grinding unit at Prayagraj is commissioned it will replace current supplies from Satna and Maihar in existing markets where the Company already has a strong presence, this will lead to reduce operational and logistics cost.

Strong distribution network

BCL & RCCPL has a strong sales network of more than 10,000 dealers and more than 20,000 retailers. The company has a significant multi-region presence in Madhya Pradesh, Maharashtra, Uttar Pradesh & Rajasthan. In Q3FY24, around ~69% of revenue was generated through trade channels and around ~31% from non-trade channels.



The Company had adopted cross-branding since 2016 to serve its primary market seamlessly from multiple plants. The addition of Mukutban has enabled the Company to address primary markets in central India with a 360-degree surround strategy. With southern Madhya Pradesh and southern Gujarat areas coming within the reach of Mukutban, capacity at Chanderia and Maihar could be freed up and redirected to profitable proximate geographies in eastern Uttar Pradesh, Rajasthan, western Madhya Pradesh and Bihar.

Industry Structure & Developments:

Cement Division:

Demand for cement is mainly driven by housing sector which is estimated to account for nearly 65% of the total demand. As per Crisil's estimates, India's cement demand will grow 10-12% on-year to ~440 million tonne in FY24, driven by strong offtake from the infrastructure segment.

According to the estimate of the National Council for Cement and Building Materials (NCCBM), India's cement industry is expected to add ~80 million tonne capacity by 2025. India, with 298 million tonne (FY 2022) is the second biggest producer of cement in the world after China. It has 8 per cent of the global installed capacity in cement production.

Demand remained subdued through January and the spurt usually seen in the fourth quarter was largely missing, due to extreme winter and fog across North India. As a result, prices have remained soft and dipped a bit in the last few days. Although volumes are expected to pick up in the coming days, the announcement of general elections and the imposition of the Model Code of Conduct may impact demand. Therefore, the Companies are taking a cautious view of the fourth quarter. Though fuel prices have remained stable, it is feared that the escalating conflict in West Asia and Red Sea could lead to increase in pet coke prices due to higher freight cost.

Jute Division:

Industry is mostly concentrated in the eastern part of India, particularly in West Bengal. It plays a vital role in the economy of the state. Jute Industry supports over 300,000 workers and over four million farm families. Jute Industry is principally dependent on the orders from the government food grains procuring agencies and over the previous few years, dependence on the government orders is increasing and now it accounts for about 70% of its installed capacity.

With increasing concern and awareness about the adverse effect of synthetic packaging material to the environment, the demand of jute goods is expected to strengthen going forward. Increase in use of jute shopping bag, floor covering, jute geotextile products provide opportunity to boost demand of jute goods. With the increased demand of jute products due to increased acceptability of environmentally friendly and sustainable products, it is expected that jute industry will be able to sustain its upward trajectory in long run.



Jute had a difficult quarter due to poor demand for value added goods, both in the domestic and overseas markets. However, the demand and pricing scenario are improving and it is expected that performance in the March quarter is going to be significantly better. However, due to elections demand have been impaired, it is likely that to demand for jute and jute products remain subdued in short run.

Risks & Concerns

Volatility in input costs:

The company is exposed to commodity price risk arising out of fluctuation in prices of raw materials (gypsum, fly ash and iron slag) and fuel (coal and pet coke). Limestone along with power and fuel cost (including petcoke) are the major cost components for the cement industry. Furthermore, the industry being high power and freight intensive, the operating dynamics are significantly driven by the prices/regulations of coal/pet coke and crude oil. Elevated input costs, coupled with high freight and fuel expense, have aggravated the cost pressure, which in turn has impacted the profitability of cement companies. Higher coal prices also mean the company's power from captive thermal capacity turned more expensive than electricity from grid and accordingly company substituted captive thermal power to grid electricity. The freight cost also increased in FY23 on the back of increase in crude oil prices.

Court case on ownership fight

Birla Corp was a part of the MP Birla group. The current promoter of the company is RS Lodha group who are having an ownership fight with Birlas for the past 20 years. The case is currently lodged in the Calcutta High Court. In 2012, the court had appointed an APL Committee (committee of Administrators Pendente Lite of the estate of Priyamvada Birla), which has been overseeing the corporate decisions.

Earlier, probate court ruled that Lodha, Chairman of the group's flagship firm Birla Corporation, should be removed as chairman of Birla Corporation and as a director on the boards of other MP Birla companies. However, in December 2023 A division bench of the Calcutta High Court on Thursday unanimously ruled in favour of Harsh Vardhan Lodha continuing as chairman of the Rs 16,000 crore MP Birla Group, reversing a three-year-old judgment of a single judge of the court. As per the news, Birlas are likely to challenge the verdict in the Supreme Court.

Cyclicality in cement sector:

BCL remains exposed to demand and pricing dynamics in the cement industry, which are influenced by the cyclical economic trends and capacity additions by the players in the respective regions during such periods. When the capacity additions exceed the incremental demand, the prices and consequently, the profitability of the players get impacted. There is also a high degree of correlation between the GDP growth and the growth in cement consumption.



Large debt-funded capex plans:

RCCPL has set up a greenfield integrated cement plant at Mukutban, in Maharashtra, with a capacity of 3.9 million MTPA at a cost of around Rs 2,744 crores. The project is being funded through a debt-equity mix of 2:1 and it has commenced commercial production from April 2022, after a delay from the earlier expectations owing to operational challenges amid the Covid-19 pandemic. The low clinker and cement capacity utilization along with late operationalization of WHRS and captive limestone in Persoda mine significantly impacted the operating margins in FY23 apart from the surge in input costs. However, by the end of March 2023, the Mukutban unit turned EBITDA positive. These operations rationalization and continued increase in cement volumes from Mukutban supported revival of company's profitability in H1FY24 and also GST refund incentive is expected to be accrued from Q4FY24.

Highly Capital Intensive Jute Business:

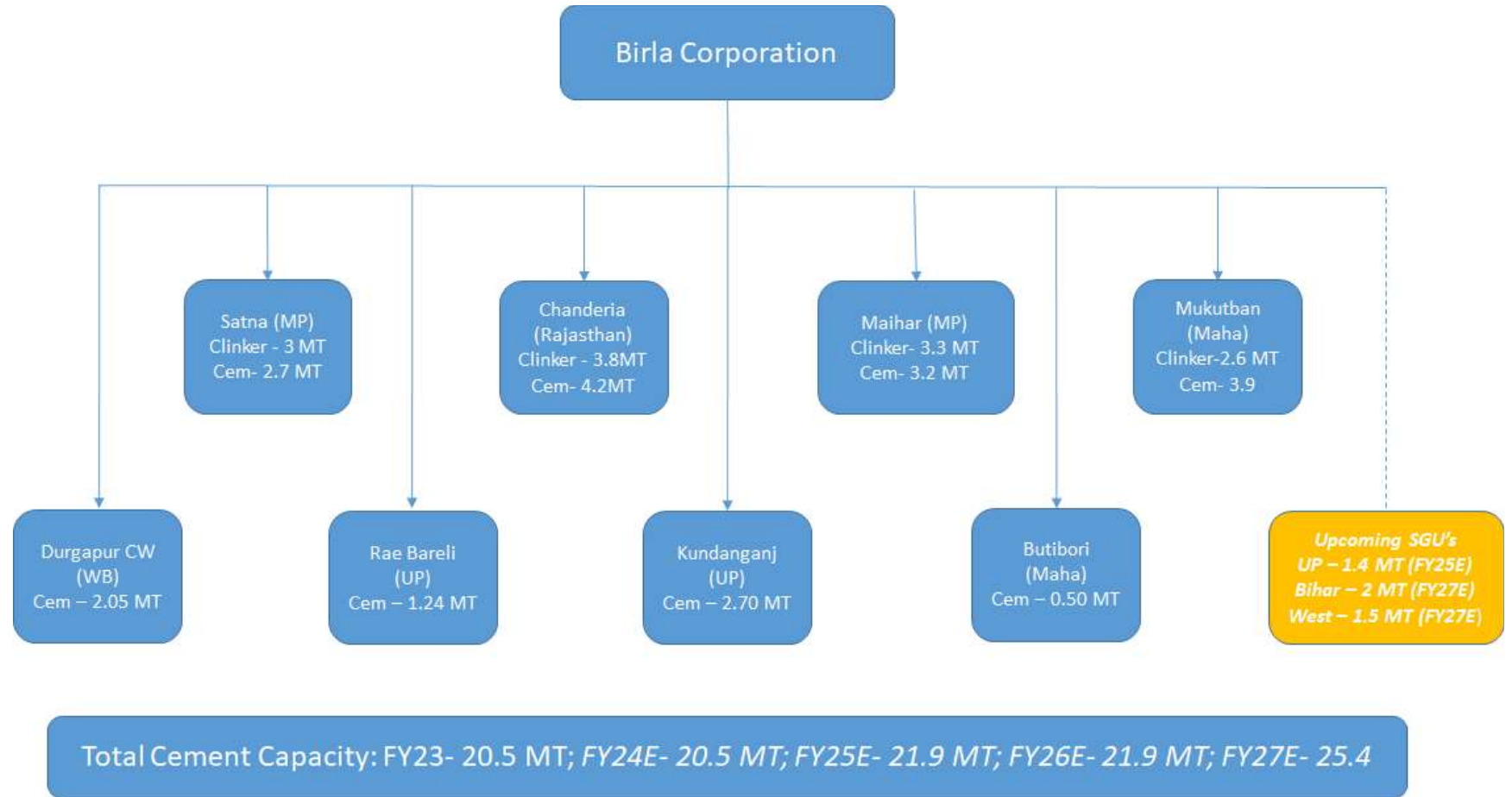
As on end of Q3FY24, the total assets employed in Jute business were ~Rs 11198 Million, which is almost 7.88% of the total assets of the company. However, the EBIT earned during the first 9 months of FY24 from the jute segment is just Rs 83.9 Million, which was below 1% on the total assets employed in the business.

Company Background:

Birla Corporation Limited is the flagship Company of the MP Birla Group incorporated as Birla Jute Manufacturing Company Limited in 1919. It was given shape by Mr. MP Birla. The Company has interest in cement and jute goods. Its Birla Jute Mills is the first jute mill started by an Indian entrepreneur. The Company and its subsidiary, RCCPL Pvt Ltd, have 11 cement plants spread in eight locations across the country, with an annual installed capacity of almost 20 million tons. The Company produces an array of cement products under the MP Birla Cement brand suited to different climatic conditions as well as consumer segments. It also sells construction chemicals and wall putty.

In August 2016, BCL successfully acquired 100% equity stake in RCCPL Private Limited (RCCPL) (erstwhile Reliance Cement Company Private Limited) at an enterprise value of Rs 4,800 crores (including a debt of Rs 2,400 crore) to expand its cement business.

Cement Division: The Cement Division of Birla Corporation Limited has 11 plants at eight locations, Satna & Maihar (Madhya Pradesh), Raebareli & Kundanganj (Uttar Pradesh), Chanderia (Rajasthan), Mukutban & Butibori (Maharashtra) and Durgapur (West Bengal). It manufactures varieties of cement like Ordinary Portland Cement (OPC), 43 & 53 grades, Portland Pozzolana Cement (PPC), fly ash-based PPC, Low Alkali Portland Cement, Portland Slag Cement (PSC), Low Heat Cement and Sulphate Resistant Cement. The cement is marketed under the brand names of MP Birla Cement PERFECT PLUS, RAKSHAK, SAMRAT ADVANCED, ULTIMATE ULTRA, UNIQUE, SAMRAT, ULTIMATE, CHETAK, PSC, MULTICEM & CONCRECEM, bringing the product under the common brand of M P Birla Cement.



(Source: Company, HDFC sec)



Financials

Income Statement

Particulars (Rs Millions)	FY22	FY23	FY24E	FY25E	FY26E
Net Revenues	74612	86823	97331	104590	110863
Growth (%)	10	16	12	7	6
Operating Expenses	63512	79103	82503	87603	91973
EBITDA	11100	7720	14828	16987	18889
Growth (%)	-19	-30	92	15	11
EBITDA Margin (%)	14.9	8.9	15.2	16.2	17.0
Depreciation	3969	5099	5724	5872	6264
Other Income (Including EO Items)	673	1197	829	801	710
EBIT	7804	3818	9933	11916	13335
Interest expenses	2427	3387	3795	2831	2331
PBT	5378	431	6138	9085	11004
Tax	1392	26	1627	2408	2916
PAT	3986	405	4511	6678	8088
Share of Asso./Minority Int./JV/ Extra Ordinary Item	-314	67	0	0	0
Adj. PAT	4300	339	4511	6678	8088
Growth (%)	-38	-92	1233	48	21
EPS	55.8	4.4	58.6	86.7	105.0

Balance Sheet

As at March (Rs Millions)	FY22	FY23	FY24E	FY25E	FY26E
SOURCE OF FUNDS					
Share Capital	770	770	770	770	770
Reserves	59718	59038	62873	68549	75423
Shareholders' Funds	60488	59808	63643	69319	76193
Minority Interest	0	0	0	0	0
Total Debt	43259	44623	42623	41497	39497
Net Deferred Taxes	9722	9712	9712	10712	11712
Other Non-curr. Liab.	0	0	0	0	0
Total Sources of Funds	113470	114143	115978	121528	127402
APPLICATION OF FUNDS					
Net Block & Goodwill	75786	98432	96708	99335	96071
CWIP	25493	3573	6573	10573	19573
Investments	4073	4105	4105	4105	4105
Other Non-Curr. Assets	0	0	0	0	0
Total Non Current Assets	105353	106111	107386	114014	119750
Inventories	8200	10616	11193	11505	12195
Debtors	3028	3233	3601	3661	3880
Cash & Equivalents	8096	6910	6678	5918	5449
Other Current Assets	13839	13850	14988	16178	17084
Total Current Assets	33163	34609	36460	37262	38609
Creditors	7620	9197	10025	10773	11419
Other Current Liab & Provisions	17426	17380	17844	18976	19537
Total Current Liabilities	25046	26577	27869	29748	30956
Net Current Assets	8117	8032	8592	7514	7653
Total Application of Funds	113470	114143	115978	121528	127402



Cash Flow Statement

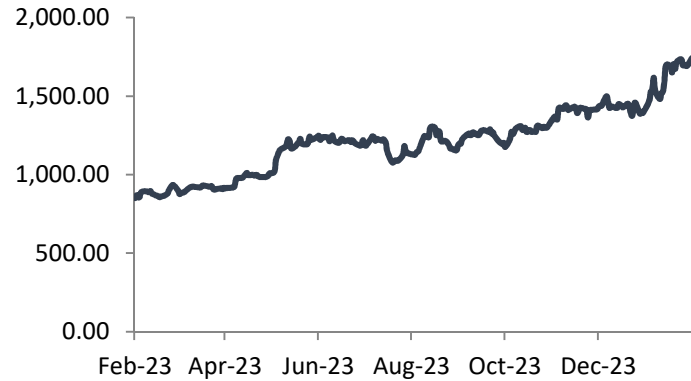
Particulars (Rs Millions)	FY22	FY23	FY24E	FY25E	FY26E
Reported PBT	5,378	431	6,138	9,085	11,004
Non-operating & EO items	-770	-634	-829	-801	-710
Interest Expenses	2,427	3,387	3,795	2,831	2,331
Depreciation	3,969	5,099	5,724	5,872	6,264
Working Capital Change	-2	280	-791	318	-608
Tax Paid	-610	-508	-1,627	-1,408	-1,916
OPERATING CASH FLOW (a)	10,391	8,055	12,411	15,898	16,365
Capex	-7,762	-6,263	-7,000	-12,500	-12,000
Free Cash Flow	2,629	1,791	5,411	3,398	4,365
Investments	-110	2,542	0	0	0
Non-operating income	122	71	829	801	710
INVESTING CASH FLOW (b)	-7,751	-3,650	-6,171	-11,699	-11,290
Debt Issuance / (Repaid)	1,246	980	-2,000	-1,126	-2,000
Interest Expenses	-3,179	-3,393	-3,795	-2,831	-2,331
FCFE	708	1,991	445	242	744
Share Capital Issuance	0	0	0	0	0
Dividend	-770	-770	-677	-1,002	-1,213
Others	0	0	0	0	0
FINANCING CASH FLOW (c)	-2,703	-3,183	-6,472	-4,959	-5,544
NET CASH FLOW (a+b+c)	-62	1,221	-232	-760	-469

Key Ratios

Particulars	FY22	FY23	FY24E	FY25E	FY26E
Profitability Ratios (%)					
EBITDA Margin	14.9	8.9	15.2	16.2	17.0
EBIT Margin	9.6	3.0	9.4	10.6	11.4
APAT Margin	5.8	0.4	4.6	6.4	7.3
RoE	8.0	0.6	7.3	10.0	11.1
RoCE	7.3	3.2	8.4	9.8	10.5
Solvency Ratio (x)					
Net Debt/EBITDA	3.2	4.9	2.4	2.1	1.8
Net D/E	0.7	0.7	0.7	0.6	0.5
PER SHARE DATA (Rs)					
EPS	55.8	4.4	58.6	86.7	105.0
CEPS	107.4	70.6	132.9	163.0	186.4
BV	785.5	776.6	826.4	900.1	989.4
Dividend	10.0	2.5	8.8	13.0	15.8
Turnover Ratios (days)					
Debtor days	15	14	14	13	13
Inventory days	40	45	42	40	40
Creditors days	37	39	38	38	38
VALUATION					
P/E	31.2	396.5	29.7	20.1	16.6
P/BV	2.2	2.2	2.1	1.9	1.8
EV/EBITDA	14.1	22.0	11.3	9.7	8.4
EV / Revenues	2.1	2.0	1.7	1.6	1.4
Dividend Yield (%)	0.6	0.1	0.5	0.7	0.9
Dividend Payout (%)	20%	60%	20%	20%	20%



Price chart



(Source: Company, HDFC sec)

HDFC Sec Retail Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicity of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

Disclosure:

I, **Shrinivas Sarda**, Research Analyst, (ACA), authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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