

Initiating Coverage

Angel One Ltd.

January 27, 2022





Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Broking	Rs.1417.4	Buy between Rs.1410-1420 & add more on dips of Rs.1230	Rs.1655	Rs.1750	2 quarters

HDFC Scrip Code	ANGELONEEQ
BSE Code	543235
NSE Code	ANGELONE
Bloomberg	ANGELONE IN
CMP Jan 25, 2022	1417.4
Equity Capital (Rs bn)	0.82
Face Value (Rs)	10
Equity Share O/S (mn)	82.8
Market Cap (Rs bn)	117.3
Book Value (Rs)	137.2
Avg. 52 Wk Volumes (mn)	0.8
52 Week High	1,689.3
52 Week Low	282.1

Share holding Pattern % (Dec, 2021)	
Promoters	43.7
Institutions	14.0
Non Institutions	42.3
Total	100.0



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:

Angel One has been in the broking business since past three decades. Recently, the company has done rebranding itself from 'Angel Broking' to 'Angel One' and now has become a technology-led financial services company providing broking and advisory services, margin funding, loans against shares and distribution of third-party financial products to its clients. This new 'Angel One' company offers trading through mobile applications, use of e-KYC and a flat-fee based pricing model. For diversification of revenue, the company has started focusing on distribution of third-party financial products and has also applied with SEBI for in-principal approval as a Sponsor to set up an AMC.

Digital capabilities are the key strength of the company. It has been constantly investing in building digital platforms (spent Rs.1 bn on tech spends during 9MFY22) and in past one year it has hired many top to mid-level employees with new-age consumer-tech background. Angel One is currently working on launching (expected to be fully functional within the next 8-10 months) a next-gen app to enable personalised financial journey powered by the new tech platform. Management believes that the launch of its refined super-app will further help in understanding customer behaviour and hence, improving their activity levels. Post the adoption of new flat fee structure the company has witnessed strong traction in customer acquisition. The market share in NSE active client base has improved to 9.7% compared with 4.9% in December 2020. We believe that the key attributor to this astonishing growth of Angle One is the customer acquisition strategy of the company. We believe that a fast-paced, high-quality customer acquisition run rate will be the key to Angel One's success.

We believe that the Indian broking industry is still in nascent stages of development and there is huge growth potential ahead, given low penetration of equity investments in India, favourable demographics, increased financial awareness, and technological development. The recent increased retail participation is encouraging and has led to rerating for the entire broking industry. Another noteworthy trend here is the rise of discount brokers like Angel One. Since past many quarters it has been observed that approximately 75% of incremental active clients were added by top five digital players of this industry. The use of technology helps them reach to highly underpenetrated tier 2-3 cities of India and this also reduces the cost to companies. With financial savings rising and lower interest rates, equity as an asset class will continue to remain attractive.

Cut throat competition and inherent risk of volatility in the capital market are two major risks for the company.



Valuation & Recommendation:

We have envisaged 34% CAGR for revenue with pure broking revenue dominating the mix and 38% CAGR for Adjusted Net Profit over FY21-24E. EBITDA margins are estimated to improve to 50.9% by FY24E compared to 49.4% in FY21 as operating leverage derives further gains. The business could deliver RoEs in the north of 35% over FY22-24E. The company is trading at a decent valuation of 16.8x / 14.5x FY23E / FY24E adjusted earnings. Going forward, the company should have healthy dividend pay-out ratio.

We feel investors can buy Angel One between Rs.1410-1420 (15x Dec-23E EPS) & add more on dips of Rs.1230 (13x Dec-23E EPS) for the base case fair value of Rs.1655 (17.5x Dec-23E EPS) and for the bull case fair value of Rs.1750 (18.5x Dec-23E EPS) over the next two quarters.

Financial Summary (Rs.mn)

	Q3FY22	Q3FY21	YoY (%)	Q2FY22	QoQ (%)	FY21	FY22E	FY23E	FY24E
Adj. revenues	4,450	2,222	100.3	3,882	14.6	8,978	16,252	18,816	21,697
EBITDA	2,259	1,096	106.2	1,842	22.6	4,431	8,071	9,507	11,034
EBITDA Margin (%)	50.8	49.3	145bps	47.4	332bps	49.4	49.7	50.5	50.9
APAT	1,646	732	124.8	1,343	22.6	3,073	5,878	6,912	8,012
AEPS	20	9	121.9	16	24.0	37.6	71.8	84.5	97.9
P/BV (x)						10.3	7.7	6.0	4.7
P/E (x)						37.7	19.7	16.8	14.5
ROE (%)						35.7	44.5	39.8	36.0

(Source: Company, HDFC sec)

Q3FY22 Result Update

The company has reported stellar all round performance in Q3FY22. The revenue doubled YoY at Rs.4450 mn and it rose by 15% QoQ. Net broking revenue at Rs.2.75bn was up +19% QoQ due to higher average orders per customer at 22.6 and in this segment the derivative revenue was very much impressive. Net Interest Income was at Rs.803 mn, up 12% QoQ. Q3FY22 EBITDA margin stood at 50.8% - a six-quarter high; on the back of this the net profit was up 23%/ 125% QoQ/YoY. Customer acquisition run-rate continues to remain elevated at 0.46mn/month and the company had witnessed strong gross addition in client base by 1.34 mn clients in Q3FY22 as compared to 1.28 mn clients in Q2FY22. Further, the management has informed that 80% of the clients acquired in Q3FY22 are new to market. The number of orders also increased to 180mn in Q3FY22 compared to 152m in Q2FY22. As of Dec-21, the company has 9.7% market share in India's demat accounts. Total Overall Equity's Average Daily Turnover (ADTO) was up 20% QoQ at Rs.6,946 bn and Overall Equity Market Share in



terms of Retail ADTO deteriorated slightly at 20.9% compared to 21.2% in last quarter. Commodity market share (Retail) for the quarter has risen impressively; up 870 bps QoQ at 36.4%. The Board of Directors have recommended third interim dividend of Rs. 7.0/- per equity share of Rs. 10/- each, equivalent to 35% of consolidated profit after tax for the quarter. Angel One in Q4FY21 had stated that it is confident of generating cash flows and since it is an asset light business models, company plans to give 35% of the profit each year as dividend spread over 4 quarters as a reward to shareholders.

Long-term triggers

Indian broking industry a long term structural story

Indian stock exchange has witnessed exponential growth in the past decade. However, it is still underpenetrated compared to the rest of the world. As of 31 December 2021, only 81 mn (NSDL+ CDSL) Indians have demat accounts, which is around 5.8% of the country's population. In comparison, over 32% of Americans (in 2018) own stocks. Even in China, 13.5% of the population are equity investors (Nov-21). This indicates there is plenty of room for the stock market to penetrate further. With increase in financial literacy, mobile penetration, growing awareness and opening up of Jan Dhan bank accounts, demand for financial products are expected to rise especially in the tier 2-3 cities.

In fact the change is visible in past 2-3 years with rising demat accounts. In FY20 total demat accounts were 41mn which grew to 55 mn in FY21 and further to 81 mn till 9MFY22. The pandemic led lockdown was blessing for the industry as work from home culture, attractive equity market return, record number of IPOs and lower interest rates attracted a large number of new investors to stock market. The average daily turnover (ADTO) shot up to unprecedented levels especially in the F&O segments; robust client addition and market volatility are the key factors for surging volumes in the derivative segment.

Another important change that happened is rise of discount brokers who uses technology at the core for business developments and uses flat fee structure. The use of technology helps them reach to highly underpenetrated tier 2-3 cities of India and this also reduces the cost to companies. New margin rules (implemented from Dec-20) paved the way for discount brokers as the margin need for cash stocks was increased and so people moved to F&O segment. Also the leverage that these traditional brokers used to offer was gone for a toss. So this led to investors moving away from traditional brokers to flat fee-based brokers. Strong technology edge (internet-based trading platforms) and wide bouquet of services & product offerings have helped the top Digital Brokers gain higher market share. Top 5 digital brokers constitute 56% in cumulative NSE active client base.

Improving Market share....

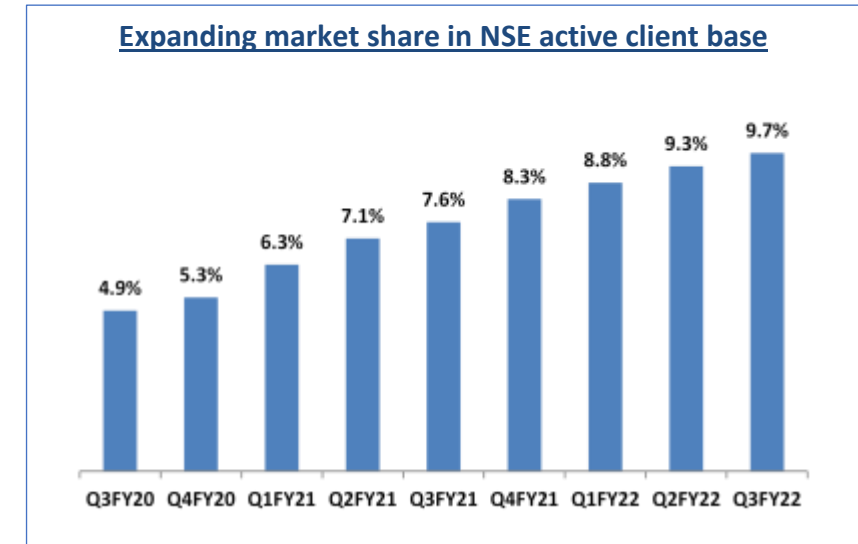
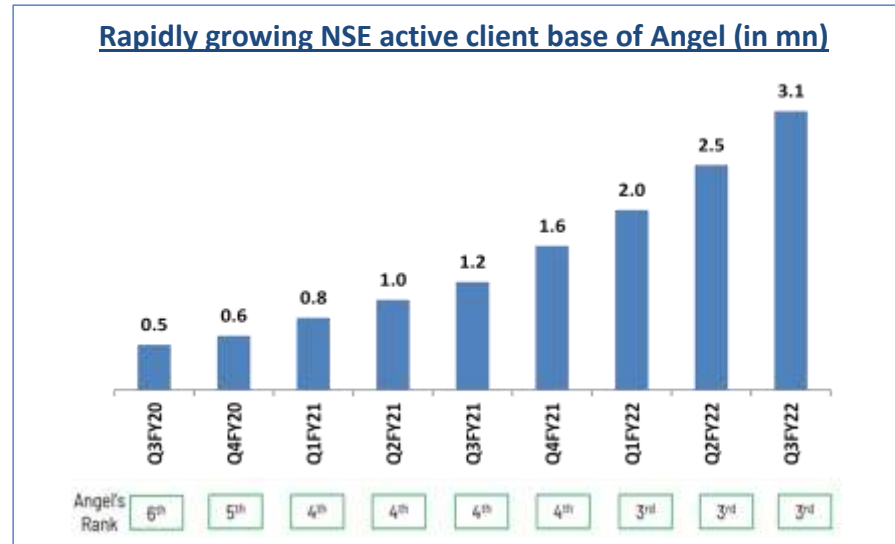
Post the adoption of new flat fee structure the company has witnessed strong traction in customer acquisition. The F&O market where it charges flat Rs.20 per trade executed the market share has grown at a tremendous pace. From mere 5.6% in Q3FY20 it went up till 20.9%



in Q3FY22, while the cash market share has remained stable at around 14%. This has improved overall market share in equity market. As on December 31, 2021, the company had 3.1 mn active customers on NSE, a sharp 5 times jump from ~0.5 mn active customers in December 2020. The market share in NSE active client base has also improved to 9.7% compared with 4.9% in December 2020. 39.3% of the total client base of Angel one are active clients. We believe that a fast-paced, high-quality customer acquisition run rate will be the key to Angel One's success.

Retail ADTO market share across segments

Market Share%	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22
Overall Equity Market	5.9	6.9	8.2	12.3	16.1	20.8	22.7	21.2	20.9
F&O Market	5.6	6.7	7.8	12.1	16.1	20.9	22.9	21.3	20.9
Cash Market	14.3	14.0	17.3	18.3	17.6	16.3	13.8	14.0	14.2
Commodity Market	9.1	20.9	24.6	28.4	26.8	25.5	25.8	27.7	36.4

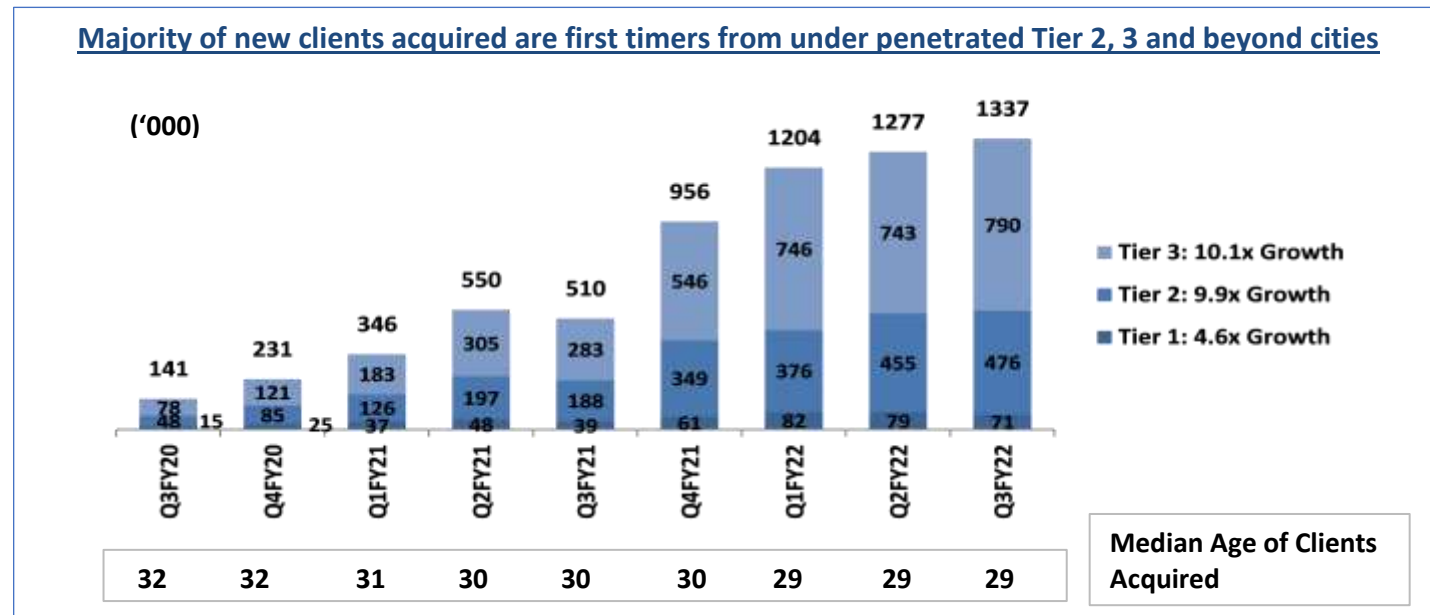


...and customer acquisition strategy is the key differentiator.

We believe that the key attributor to this astonishing growth of Angle One is the customer acquisition strategy of the company. The company has adopted a targeted approach across channels like



1) Performance marketing: This is a major hit for the company and the most prominent channel for client additions, as it garners more than 50% of gross client additions. Angel One has adopted targeted marketing approach, where in it focuses on the target audiences which are millennial residing in tier 2 or 3 towns. Below is the chart which shows that over past 10 quarters the new client addition growth in tier 2 or 3 towns is nearly 10 times and median age of these clients has also been reduced to 29 years compared to 32 years in Q3FY20. Angel One has mastered the art of generating a considerable number of high-intent leads using performance marketing techniques such as Search Engine Optimization (on Google, YouTube and social media platforms), whereas peers lag behind.



2) Referral programs: The share of referral in channel mix is also rising which shows that the existing customers are not only happy with the services of the company but they are also referring it to friends and acquaintances.

3) Digital Referral Associates or Digital Influencers: The company is using social media influencers (who are considerably more cost-effective) to spread the word.

Digital capabilities



Digital players are at the forefront of addressing the large potential market of Indian broking industry. Since past many quarters it has been observed that approximately 75% of incremental active clients were added by top five digital players of this industry. As a result, the share of these top five digital players in the NSE active clients has grown approximately 2.5 times over the last nine quarters to 54%. Angel One has been amongst the forerunners of this space, playing a significant role in diversifying India's equity culture. Over time, the company has built a robust digital platform to tap this young techsavvy population. Angel One considers itself a Fintech company. There has been a whole host of processes set up via digitisation in the company. It ranges from client acquisition, client advisory and engagement. Angel One extensively uses Artificial Intelligence and Machine Learning to create a superior digital experience. It is currently following a multi-app strategy (like that of Google and Facebook) which is generally followed to cater different cohort of customers. The company has built a host of digital properties like Angel One Mobile App, Angel BEE Mobile App, 'ARQ Prime' a rule-based investment engine, 'SmartAPI' a free-to-integrate API platform, 'Smart Money' an investor education platform, 'SmartStore' a marketplace for fintech products, learning platform and social forums for 7+ million clients.

With a new team focused on improving customers' digital experience, Angel One is currently working on launching a next-gen app to enable personalised financial journey powered by the new tech platform. In the Q3FY22 result call the management has guided the time line for the launch. They informed that the app will be rolled out in four phases and first version (broking services) will be out in Q1FY23; the super-app will be fully functional within the next 8-10 months. The company expensed Rs.1 bn on tech spends during 9MFY22 and believes that the launch of its refined super-app will further help in understanding customer behaviour and hence, improving their activity levels.

The company has created a plug and play or open architecture that allows its clients to utilise services offered by 3rd party service providers. The company has integrated services of smallcase, sensibull, streak, market mojo and Vested onto its platform. These products expand the company's digital offering to their clients, for investing not only in India market but also in international market.

Strong digital team

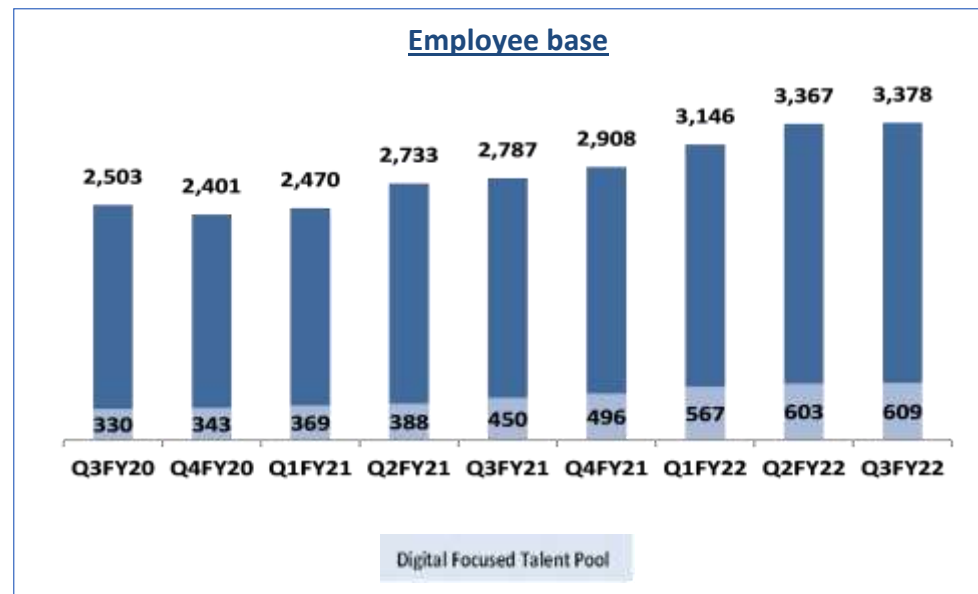
In past two year the company has hired a lot of digital employees (especially from the consumer-tech backgrounds) in the leadership roles to enhance the digital and technical capabilities. In April-21, CEO, Mr. Narayan Gangadhar was hired, who has prior experience with tech giants like Uber, Google, Microsoft & Amazon. In Q2FY22, Mr. Jyotiswarup Raiturkar was hired as Chief Technology Officer. He has 20+ years of experience and has worked with global tech leaders like Walmart, Microsoft, Samsung, Goibibo, and Intuit. Furthermore, 11 such mid-level employees were also hired. Out of 3378 total employee base, 609 or 18% of the talent pool is digital focused only. In past 9 quarters there has been 85% growth in this- reflecting the key focus are for the company. The company's strategy of hiring generalist leaders is in line with another primary strength for the Angel One franchise: the fail-fast philosophy - meaning the ability to innovate, iterate, dump (what is not working), improve, rinse and repeat a virtuous cycle of continually perfecting go-to-market strategies. Just to



note here, hiring employees on the tech side implies rising staff costs in the near term but improving business efficiency and growth in the medium to long term.

Leadership team dominated by new-age consumer-tech background

Name	Designation	Prior experience
Narayan Gangadhar	CEO	Uber, Google, Microsoft & Amazon
Jyotishwarup Raiturkar	Chief Technology Officer	Walmart Labs, Microsoft, Golbibo, Intuit, Samsung
Ankit Rastogi	Chief Product Officer	MakeMyTrip, Golbibo, ClearTrip
Nitesh Jain	Principal Architect	Walmart Global, JP Morgan, BankAm
Nishant Chandra	SVP of Engineering	Walmart Global, Microsoft & Yahoo
Prabhakar Tiwari	Chief Growth Officer	PayU, Marico, CEAT and Danone





Diversification of revenue is imminent

In FY21, distribution income comprised merely 2% of the company's total income. It has long term strategy of expanding into underpenetrated businesses in order to serve retail clients through the entire investment lifecycle. This strategy will create a granular revenue stream and help the company in hedging against the risk of cyclical and volatility in capital markets.

Angel One undertakes distribution of third-party financial products such as mutual funds, and health and life insurance products, according to clients' requirements. Such distribution is undertaken through both offline channels and its digital platforms, 'Angel Broking' and 'Angel BEE'.

It has a corporate agency license and partners with ABSLI, IPRU, and HDFCLIFE on life insurance, as well as HDFC ERGO and Manipal Cigna HI on the health insurance side. It also distributes general insurance products in collaboration with HDFC ERGO GI and BAGIC. In the long term, the company plans to obtain insurance broking license so that it can cross-sell products from a host of insurers.

The company has also applied with SEBI for in-principal approval as a Sponsor to set up an AMC. However, this could take a good 3-4 quarters to set up the business and another 2-3 quarters to launch schemes. Management expects to start the AMC business by FY24E. ETF/ passive segment will be the key focus area here as ARQ technology is already with the company.

Through its subsidiary, AFPL, which is registered as an NBFC, the company also provides loans against shares to retail clients.

Risks & Concerns

- Capital market has inherent risk of volatility. Market volatility (especially downward) has high correlation with volumes growth for the broking business. So any prolonged period of negative returns from equity market can hurt company's revenues hard.
- Any adverse change of regulation might impact the business growth of the company.
- The level of competition in the broking industry has increased drastically since past couple of years especially after discount brokers coming into picture. The company not only faces high competition from the other discount brokers but now the other established traditional brokers are also moving into discount broking. This intense competition could impact the yield and current growth rate.
- The company's operations significantly depends on IT systems. So any disruptive new development in the field or system failure could impact the business in a grater way. Also any data leakage or security breach of data of customers might be costly for the company.



Company Background:

Angel One Limited, (formerly known as Angel Broking Limited), is the largest listed retail stock broking house in India, in terms of active clients on NSE. Angel One is a technology-led financial services company providing broking and advisory services, margin funding, loans against shares and distribution of third-party financial products to its clients. The broking and allied services are offered through (i) online and digital platforms and (ii) network of Authorized Persons. As of Q3FY22, the company has 7.8 mn total client base with ~3.1 mn NSE Active client base. Angel One has the industry’s largest sub-broker network (15k+), accounting for ~24% of net broking revenues. It has presence across 98% of pin-codes across India.

Angel Broking Is Now Angel One

Angel Broking has been operating for three decades and is led by Mr Dinesh Thakkar (MD and Chairman), a veteran of the capital market. Recently, the company has done rebranding itself from 'Angel Broking' to 'Angel One'. The earlier single product company is now a one-stop solution for wealth creation throughout lifespan. It has now transformed from a traditional broking company to a digital new-edge broker (in-line with the changing environment within broking industry). This new 'Angel One' company offers trading through mobile applications, use of e-KYC and a flat-fee based pricing model.



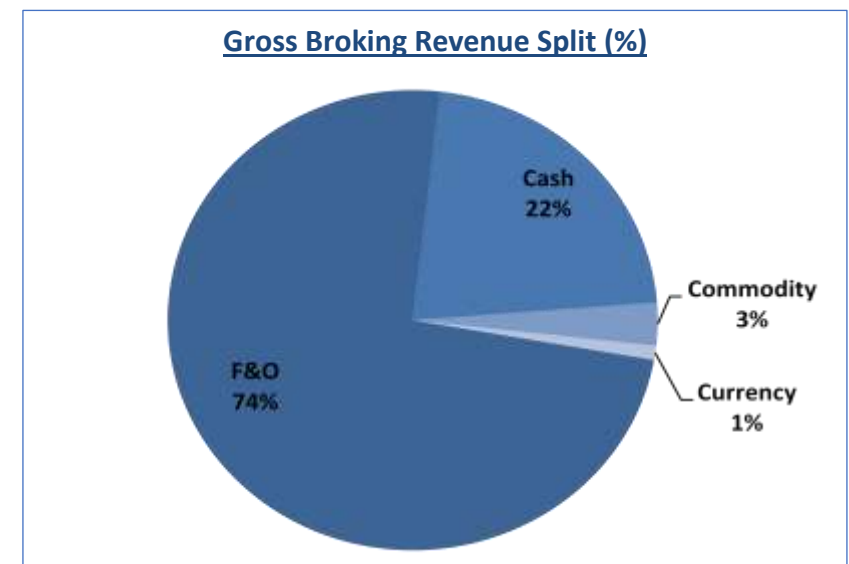
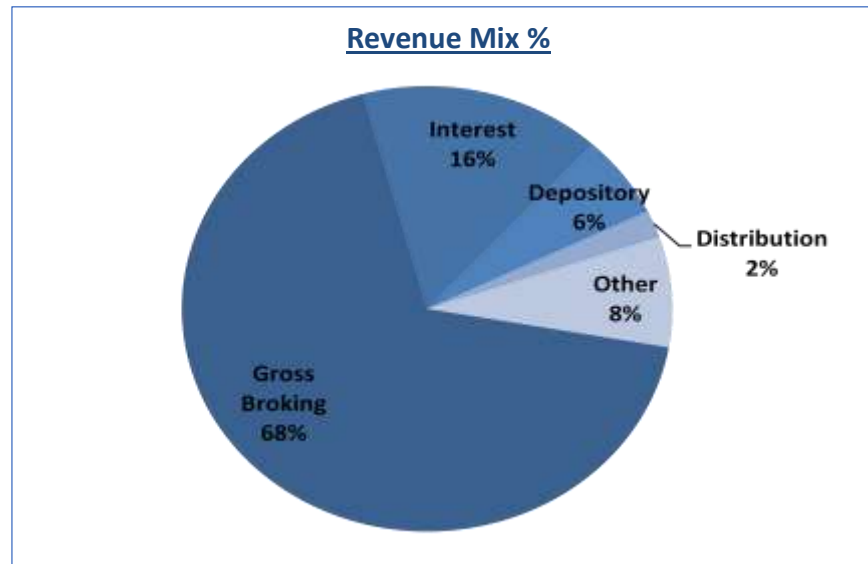


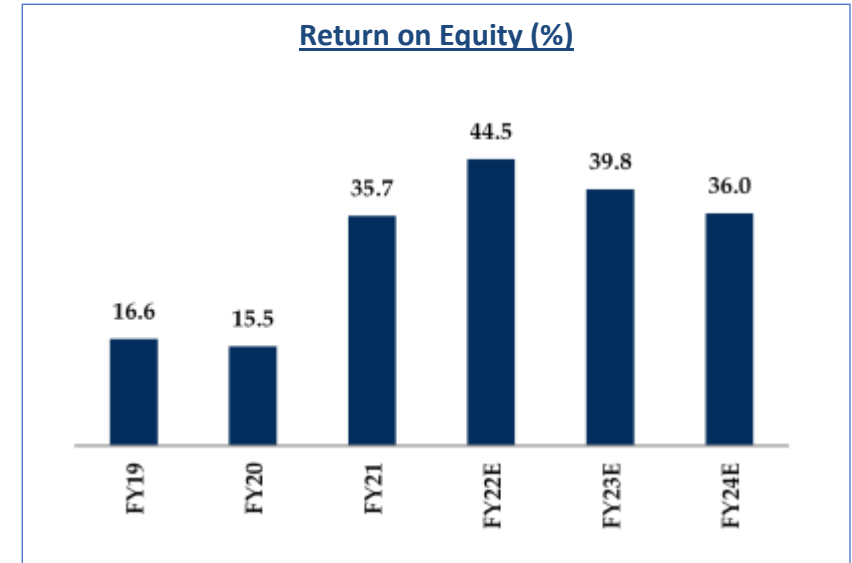
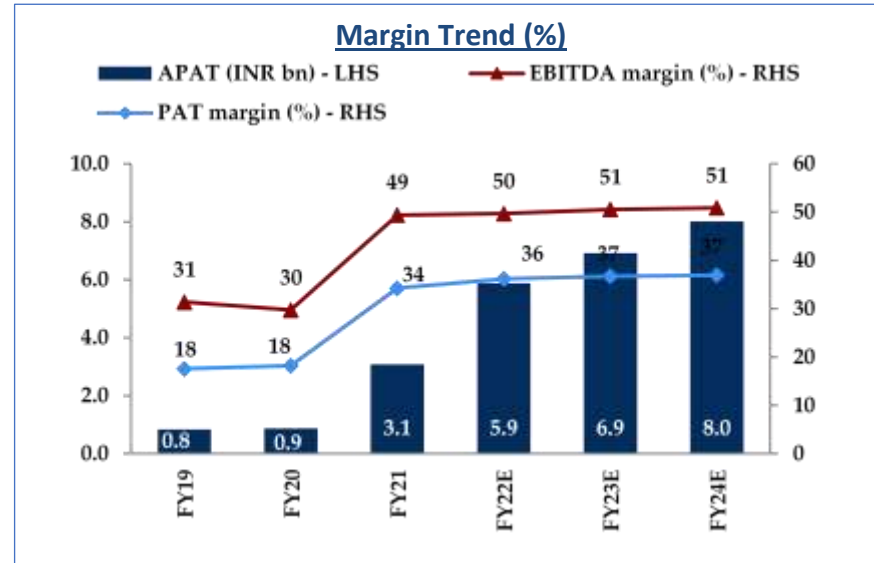
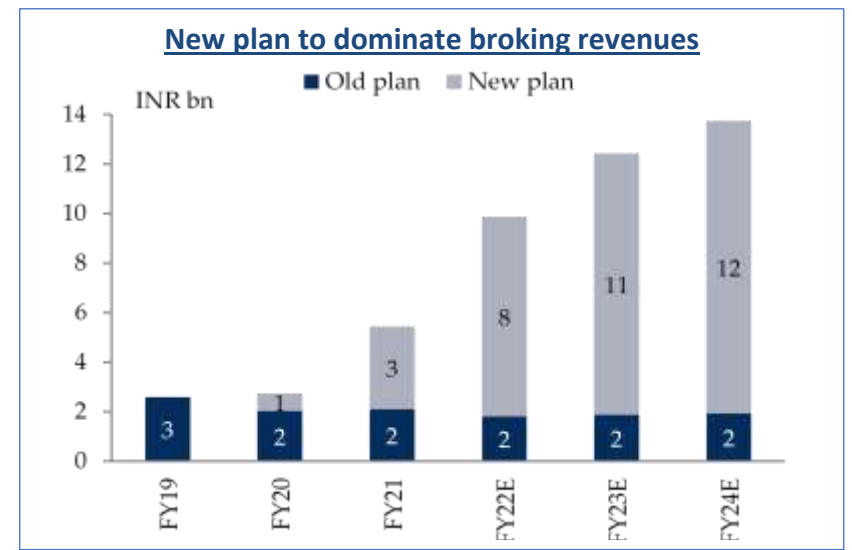
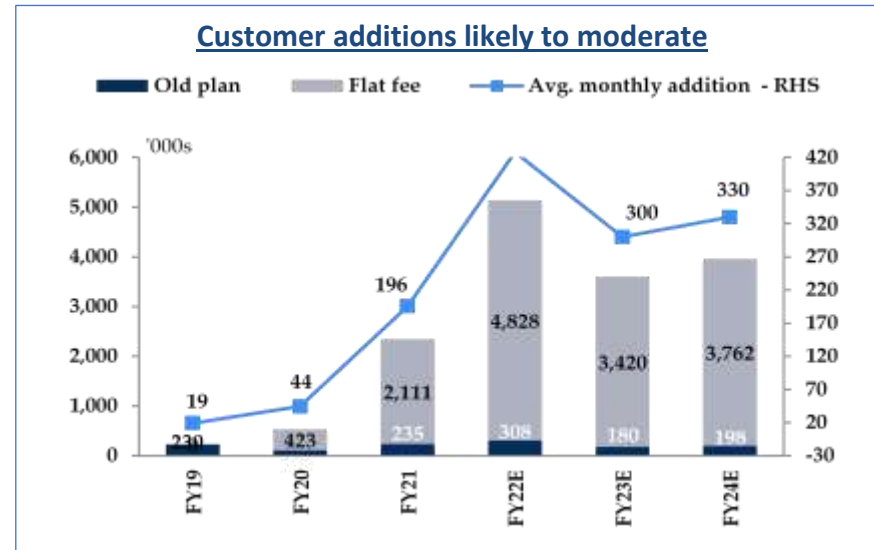
Revenue Model

Angel One, being a full-service turned discount broker, derives ~61% of its adjusted revenues from pure broking segment in FY21. While the new client acquisitions via direct route can only be done under the flat fee plan, additions under Authorised person (AP) network are taking place using both the pricing models.

For intraday and derivative trades, pricing under the flat fee plan is Rs.20/executed order, whereas price under ad valorem model varies from sub-broker to sub-broker (~30% retained by Angel One). The company charges 18% p.a. on client funding book, translating into a net yield of ~8-9%, forming ~18% of its adjusted revenue (in FY21). Distribution business (2% of the adjusted revenue) is still at a nascent stage of development. Angel One doesn't charge broking fees on delivery trades; however it charges Rs.20 per sell transaction per scrip on delivery trades (DP charges on per debit trade).

As of Q3FY22, 74% of the gross broking revenue comes from Futures and Option segment and 22% comes from the cash market while remaining 3% and 1% comes from Commodity and Currency segment respectively.







Financials

Income Statement

(Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Net Revenues	4,762	8,978	16,252	18,816	21,697
Growth (%)	0	89	81	16	15
Employee benefits expenses	1,598	1,718	2,818	3,100	3,503
Operating expenses	1,749	2,829	5,363	6,209	7,160
EBITDA	1,414	4,431	8,071	9,507	11,034
EBITDA Margin (%)	30	49	50	51	51
EBITDA Growth (%)	-5	213	82	18	16
Depreciation	209	184	198	245	295
EBIT	1,205	4,247	7,872	9,262	10,739
Interest & Financial Charges	18	8	14	21	28
PBT	1,187	4,240	7,858	9,241	10,712
Tax	320	1,166	1,980	2,329	2,699
APAT	868	3,073	5,878	6,912	8,012
RPAT	823	2,968	5,878	6,912	8,012
RPAT Growth (%)	3	261	98	18	16
AEPS (diluted)	12	38	72	84	98

Balance Sheet

(Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
SOURCES OF FUNDS					
Share Capital	720	818	818	818	818
Reserves	5,194	10,492	14,312	18,805	24,013
Total Shareholders Funds	5,914	11,310	15,131	19,623	24,831
Total Debt	157	59	121	178	232
Other Financial Liabilities & Provisions	67	91	109	136	171
Net Deferred Tax Liability	(49)	(47)	(47)	(47)	(47)
TOTAL SOURCES OF FUNDS	6,089	11,413	15,314	19,891	25,187
APPLICATION OF FUNDS					
PPE (inc. IP and intangible assets)	1,108	1,095	1,264	1,460	1,686
Right of use assets	153	55	127	194	259
Other Non Current Assets	2,673	14,287	8,572	9,430	11,127
Total Non-current Assets	3,935	15,438	9,963	11,084	13,072
Liened FDs (ST + LT)	8,003	12,897	16,766	17,604	18,484
Investments	353	55	61	67	74
Debtors	390	2,277	1,728	3,843	4,440
Cash & Equivalents	6,132	5,878	32,936	51,589	56,717
Loans & Advances	2,957	11,398	14,818	16,300	17,930
Other Current Assets	82	149	54	59	74
Total Current Assets	17,918	32,654	66,363	89,461	97,718
Creditors	9,395	22,764	41,475	58,607	61,046
Other Current Liabilities	6,368	13,914	19,538	22,047	24,557
Total Current Liabilities	15,763	36,679	61,012	80,654	85,603
Net Current Assets	2,155	(4,025)	5,351	8,807	12,115
TOTAL APPLICATION OF FUNDS	6,089	11,413	15,314	19,891	25,187

(Source: Company, HDFC sec)



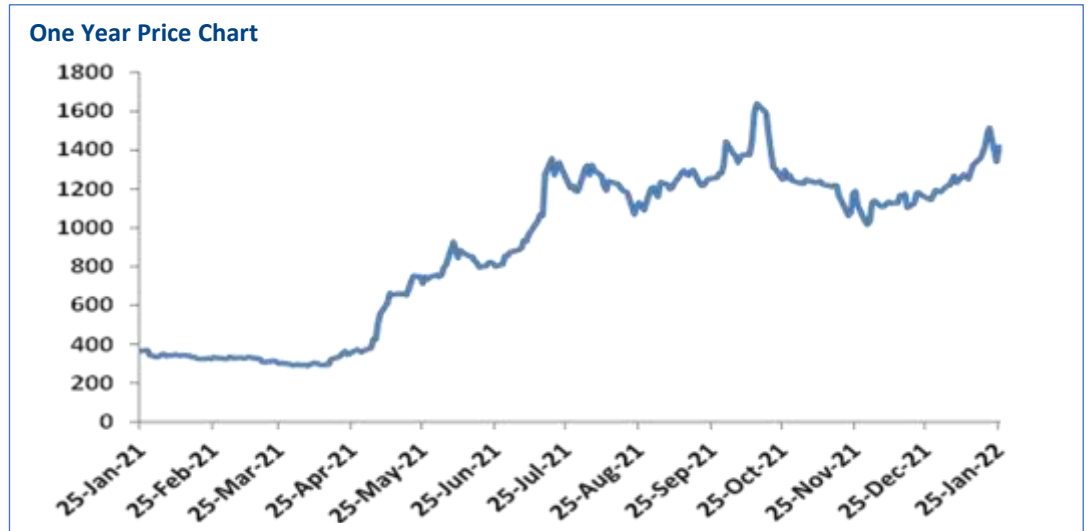
Cash Flow Statement

(Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Reported PBT	1,187	4,240	7,858	9,241	10,712
Non-operating & EO Items	298	117	-	-	-
Interest Expenses	436	355	14	21	28
Depreciation	221	189	198	245	295
Working Capital Change	818	(6,431)	23,422	14,372	165
Tax Paid	(293)	(972)	(1,980)	(2,329)	(2,699)
OPERATING CASH FLOW (a)	2,669	(2,503)	29,512	21,550	8,499
Net Capex	(125)	(140)	(439)	(508)	(586)
Free Cash Flow (FCF)	2,544	(2,643)	29,073	21,042	7,913
Investments	(179)	386	(6)	(6)	(7)
Non-operating Income	22	2	-	-	-
INVESTING CASH FLOW (b)	(281)	248	(444)	(514)	(593)
Debt Issuance/(Repaid)	(55)	(80)	63	57	54
Interest Expenses	(436)	(347)	(14)	(21)	(28)
FCFE	2,053	(3,070)	29,122	21,077	7,940
(Buyback)/Proceeds From Issue of Share Capital	-	2,854	-	-	-
Dividend paid	(234)	(427)	(2,057)	(2,419)	(2,804)
FINANCING CASH FLOW (c)	(725)	2,001	(2,009)	(2,383)	(2,778)
NET CASH FLOW (a+b+c)	1,663	(255)	27,059	18,652	5,129
Opening Cash & Equivalents	4,470	6,132	5,878	32,937	51,589
Closing Cash & Equivalents	6,132	5,878	32,936	51,589	56,717

Key Ratio

	FY20	FY21	FY22E	FY23E	FY24E
PROFITABILITY (%)					
EBITDA Margin	29.7	49.4	49.7	50.5	50.9
EBIT Margin	25.3	47.3	48.4	49.2	49.5
APAT Margin	18.2	34.2	36.2	36.7	36.9
RoE	15.5	35.7	44.5	39.8	36.0
EFFICIENCY					
Tax Rate (%)	26.9	27.5	25.2	25.2	25.2
Asset Turnover (x)	0.5	0.7	0.9	0.8	0.9
Debtors (days)	30	121	50	80	80
Other Current Assets (days)	1,344	1,235	1,452	1,661	1,569
Payables (days)	720	925	931	1,137	1,027
Other Current Liab & Prov (days)	488	566	439	428	413
Working Capital (days)	165	-135	131	176	209
Debt/EBITDA (x)	0.1	0.0	0.0	0.0	0.0
Net D/E	(1.0)	(0.5)	(2.2)	(2.6)	(2.3)
PER SHARE DATA					
AEPS (Rs/sh)	12.1	37.6	71.8	84.5	97.9
DPS (Rs/sh)	3.3	13.1	25.1	29.6	34.3
BV (Rs/sh)	81.5	137.2	183.5	238.0	301.2
VALUATION					
P/E (x)	117.1	37.7	19.7	16.8	14.5
P/BV (x)	17.4	10.3	7.7	6.0	4.7
Dividend Yield (%)	0.2	0.9	1.8	2.1	2.4

(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:**

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