Stock Note

Kirloskar Ferrous Ltd.

January 30, 2024

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Kirloskar Ferrous Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Steel- Pig iron	Rs 599.05	Buy in Rs.590-608 band & add on dips in Rs.519-534 band	Rs.656	Rs.716	2-3 quarters

HDFC Scrip Code	KIRFEREQNR
BSE Code	500245
NSE Code	KIRLFER
Bloomberg	KKIL
CMP Dec 29, 2023	599.05
Equity Capital (Rs cr)	69
Face Value (Rs)	5
Equity Share O/S (cr)	13.93
Market Cap (Rs cr)	8344
Book Value (Rs)	159
Avg. 52 Wk Volumes	41500
52 Week High (Rs)	602
52 Week Low (Rs)	348

Share holding Pattern % (Sep, 2023)	
Promoters	56.50
Institutions	13.7
Non Institutions	29.8
Total	100

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

Fundamental Research Analyst

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Our Take:

Kirloskar Ferrous Industries Ltd (KFIL), incorporated in 1991, is a part of the Pune-based Kirloskar Group. KFIL manufactures pig iron and ferrous castings such as cylinder blocks, cylinder heads, transmission parts and different types of housings required by automobile, tractor and diesel engine industries. KFIL is a market leader in India for manufacturing critical and intricate iron castings and quality pig iron. It is the only company in Asia with an integrated business model of mines to machined castings. KFIL has the largest market share for manufacturing critical castings through foundry business. The company is one of the top 3 players in India to make Euro VI cylindrical blocks and heads and is the 1st company in India to do so. Steady demand outlook across end user's segments has set the company on course to increase its pig iron (foundry grade) capacity from ~540 ktpa in FY22 to 700 ktpa, and castings capacity from 150 ktpa to 200ktpa. KFIL has also increased the share of value-added product in its product mix, and also forward integrate iron ore to seamless tubes, through the acquisition of Indian Seamless Metal Tubes (ISMT), which is India's largest integrated specialist seamless tube producer. KFIL can also leverage its network in the automotive and industrial space to further enhance relations with its clients by offering a new product line of steel tubes and pipes.

The company has two iron ore mines, which were bagged in the year 2018 at a competitive premium of 36.7% and 55.5%, respectively. Once the mines become operational, this will reduce the landed cost of iron ore by at least 40%, leading to a further improvement in KFIL's cost structure. The company has got forest clearance from the center and other approvals and clearances are in process and the management is optimistic that it should be able to start the mine as early as possible. Cost savings from these projects to support the operating profitability in the medium-to-long term.

Volatility in iron ore prices, delay in commencement of mining operations, cyclicality in key end user segment are some of the key risks to watch out for.

Valuation & Recommendation:

KFIL has undertaken various cost-saving projects over the last few years, which has resulted in sustained improvement in margins. Further, upcoming projects will likely further expand margins. The company has planned capex to save cost through backward integration by setting up coke ovens (to reduce dependency on imported coke), installing Bell-less top for blast furnaces (to reduce coke consumption per ton) and introducing pulverised coal injection. The company has also received initial forest clearances for iron ore mines of Bharat Mines and

Minerals (estimated ore reserves of 7.6 MT) and Sri. M Channakesava Reddy mine (estimated ore reserves of 3.2 MT), which would further boost margins, post clearance of final stage forest clearances. Revival of the auto sector post pandemic and general infrastructure spending would continue to drive demand. Improvement in margins in ISMT could contribute to improving the consolidate margins. Softening of coking coal and coke prices would come in with lag, aiding to reduction of costs in subsequent quarters.

We feel investor can buy the stock in the Rs.590-608 band and add more on dips to Rs.519-534 band(13.25x FY26E EPS and 8.14xFY26E EV/EBITDA) for the base target of Rs.656.25 (16.5xFY26E EPS and 10.06xFY26E EV/EBITDA) and bull case target of Rs.716 (18xFY26E EPS and 10.95xFY26E EV/EBITDA) over the next 2-3 quarters. The stock is currently trading at 15.06x FY26E EPS.

Financial Summary (Consolidated)

Particulars (Rs cr)	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Operating Income	1560	1758	-11%	1502	4%	2,038	3,748	6,417	6,680	7,589	8,348
EBITDA	257	220	17%	212	21%	462	643	836	808	971	1,102
APAT	82	111	-26%	93	-12%	302	300	437	444	545	651
Diluted EPS (Rs)	5.9	8.0	-26%	6.7	-12%	21.8	21.6	31.5	27.1	33.3	39.8
RoE-%						35.1	21.7	22.7	16.2	15.1	15.9
P/E (x)						27.4	27.7	19.0	22.1	18.0	15.1
EV/EBITDA						21.9	16.5	12.8	13.3	11.1	9.2

(Source: Company, HDFC sec)

Q2FY24 Result Update

Casting demand from tractors remained sluggish which led to a decline in volumes affecting the sales. The MBF1 was shut for the installation of bell less top which led to reduction in pig iron available for sale. This along with the increase in coking coal prices and reduction in pig iron prices cumulatively led to a decline in pig iron sales. ISMT reported 5% yoy; 13% QoQ growth in revenues at Rs740 cr.

Financial Performance (Consolidated):

Revenue during the quarter stood at Rs 1560 crores, -11%/+4%, YoY/QoQ, EBITDA stood at Rs 257 crores, +17%/+21%, YoY/QoQ. PAT stood at Rs 82 crores, -26%/-12%, YoY/QoQ. Revenue from pig iron stood at Rs 455 crores, -30%/-11%, YoY/QoQ. Revenue from castings stood at Rs 397 crores, -13%/+1%, YoY/QoQ.

Operational performance:

Particulars	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)	6MFY24	6MFY23	YoY (%)
Sales Volume (MT)								
Pig Iron	101644	128969	-21	111438	-9	213082	216261	-7.9
Castings	31491	34720	-9	31205	1	62696	66219	14.7
Realisations								
Pig Iron/MT	44770	50429	-11.2	45663	-11	45237	54133	-16.4%
Castings/kg	126.09	131.13	-4	126.47	-4	126	130	-3.0%

Turnaround plan-ISMT Ltd:

Savings in Interest expense	• Present interest cost is high on account of high debt in the books • With proposed settlement of debts, the present debt will become zero in the books • With improved financial position, expect better credit rating, resulting into competitive cost of finance
Capacity Utilization	• Target for improved Capacity Utilization • Focus on increasing the Net Sales Realization • Reduction of Raw material and Finished Goods Inventory • With positive net worth, better market reach

Reduction in Operational costs	• Present power and fuel to sale ratio is at 19%
	• Opportunity for
	  • Power cost reduction with renewable energy
	  • Optimization of Energy Consumption and Energy Cost through energy audits
	  • Optimization of Fuel and Gas Consumption with increased capacity utilization

Source-Company,HDFC Sec

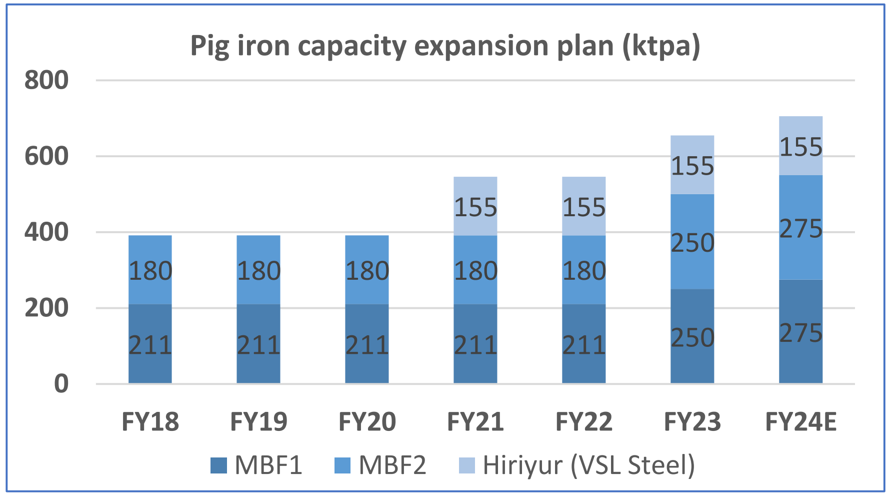
Cost savings:

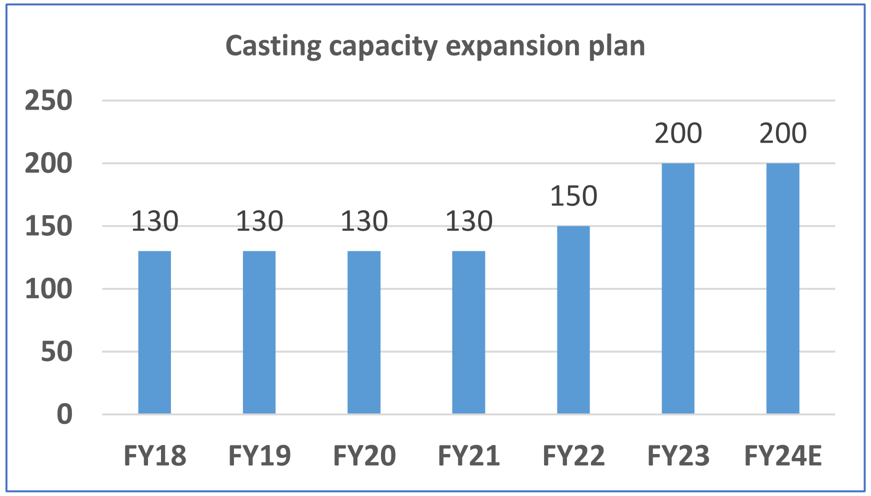
KFIL has undertaken several projects over the years to ensure cost optimization. The 2,00,000 MTPA coke oven plant was commissioned in FY20 and the 20-MW captive power plant was commissioned in FY21. The coke oven plant reduced its dependence on external coke purchase by ~50% of its total requirement. Besides, captive power generated from the waste heat coming out of the coke oven plant and benefit from coke oven resulted in cost savings of around Rs 80 to Rs 100 crores in FY21. The company’s railway siding project was commissioned in FY20 at the Koppal plant, facilitating inward movement or raw materials and outward movement of pig iron, which has resulted in lower transportation cost and handling losses. Its 10MW solar power plant at Solapur (commissioned in FY19), meets ~45% of the Solapur unit's power requirement which has helped to reduce power costs of Solapur plant.

Based on the success of the historical cost-saving initiatives, the company announced a fresh set of cost-saving measures to further reduce costs and improve margins. The company completed the setting up an additional 2,00,000-MTPA coke oven plant along with a 20-MW power plant at Koppal, which will make it self-sufficient in coke and power requirement. It has recently commissioned a sinter plant at Hiriyur, which will reduce its dependence on high-cost lump ore. It has also undertaken a Pulverized coal injection plant is expected to be completed by Q4FY24. This project will improve the productivity of its blast furnace and also reduce coke consumption. Further, this project will enhance the MBF capacity by around ~10%. KFIL has completed the upgradation of its mini blast furnace (MBF1 &MBF2) and installation of the Bell-less top. This will ensure enhancement in capacity along with reduction in coal/coke consumption as well as better productivity. Company has successfully finished the construction and operationalization of Coke Oven Phase II and Power Plant Phase II. This should increase the production capacity and increased energy efficiency.

In the near term, management is planning to add an additional foundry and for this it will come up with another solar power plant project of 70 MW resulting in a savings of 70 cr in ISMT. Also 100 Cr debottlenecking project by June 2024 is to be undertaken to increase the revenue run rate of ISMT.

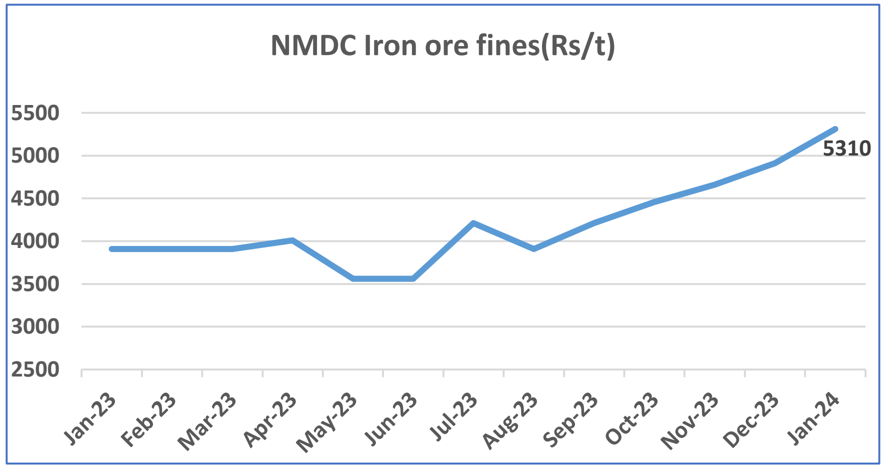
Capacity Expansion



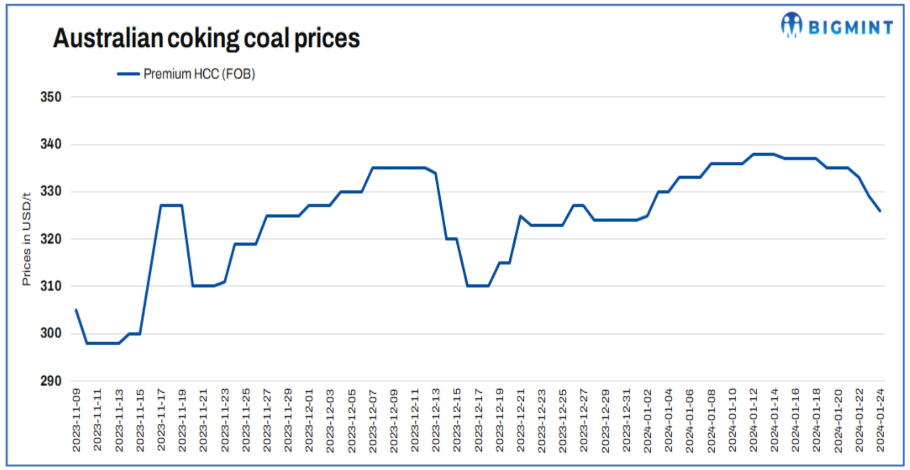


Source:Websites, broker reports

Raw Material Price Trends



Source – NMDC,HDFC sec



Source – (HDFC Sec, CoalMint)

End user profile

Caters to requirements of wide range of industries

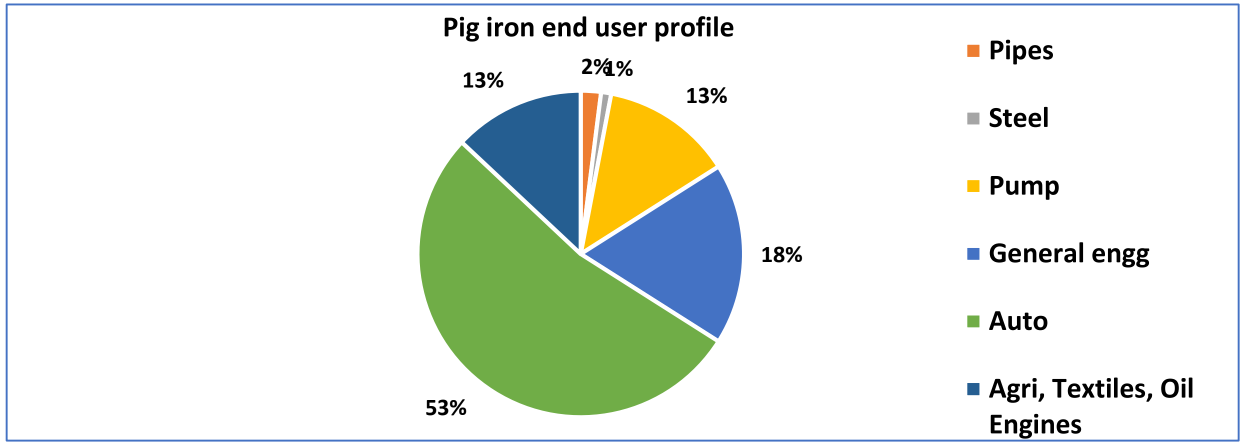
Automotive Engineering: Engine is the heart of any vehicle. To make these engines, it needs Cylinder Block and Head castings. KFIL supplies these castings to some of the biggest players in the Global and Indian automotive industry. Its pig iron is used in making cast iron which is the perfect input material for durable engines and other transmission parts. Cast iron is also used in making a plethora of spare parts that further service the automobile sector.

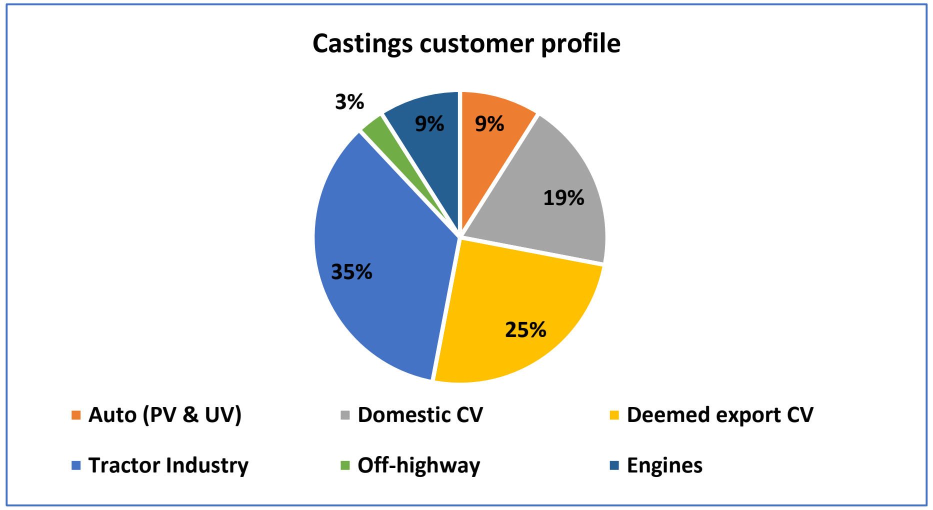
Infrastructure & Construction: The company's Cylinder Blocks, Cylinder Heads and Housings are used by the largest makers of construction equipment. It supplies pig iron, which is a key ingredient in making cast iron vital to the making of large windmill castings help create clean energy. KFIL also supplies pig iron to pipe manufacturers who make pipes that go into all manner of public utilities and private industries.

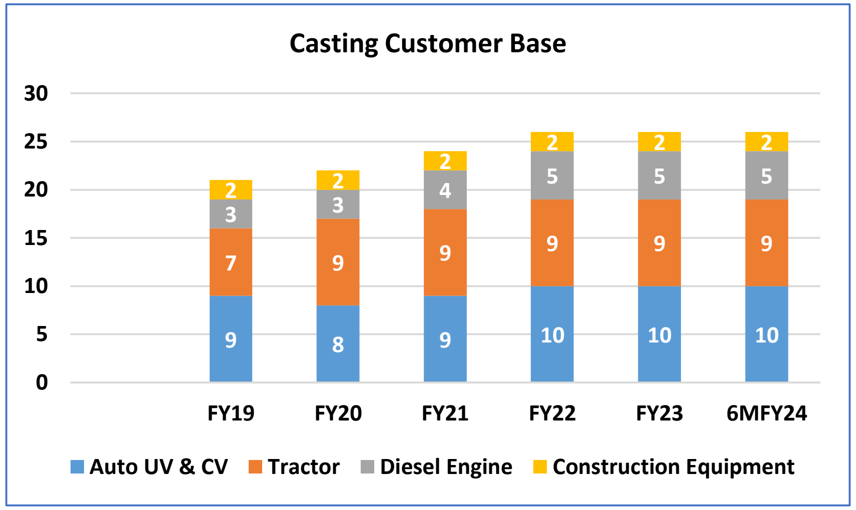
Agriculture: KFIL manufactures tractor castings like axle housings, clutch housings, gear box housings, cylinder blocks and heads. It also supplies pig iron that goes into making robust diesel pumps and motors that entire generations of farmers have depended upon for all their irrigation needs.

Manufacturing: The company has range of tools at its disposal. Long lasting machine tools are made of cast iron as it's very resistant to deformation and wear and tear. It supplies high quality pig iron to the manufacturers of these vital tools.

Steel: KFIL supplies iron to a whole host of steel product manufacturing companies.







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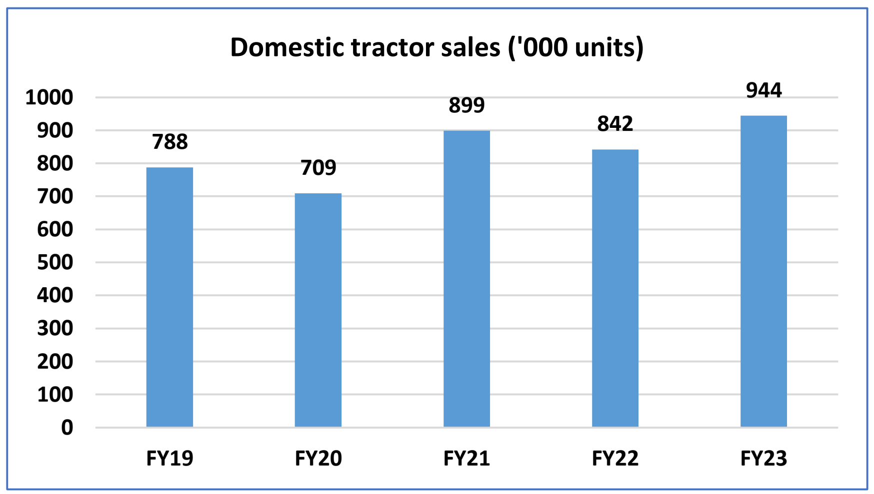
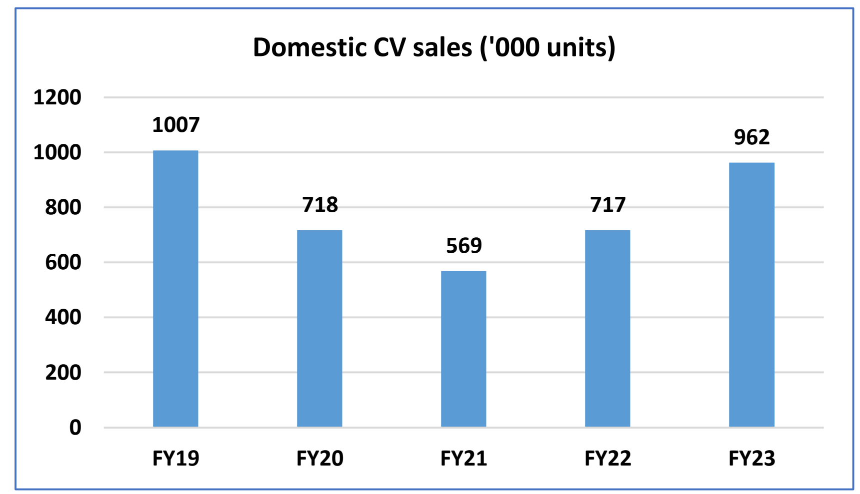
Favorable demand outlook of automotive sector

KFIL is one of the market leaders in the commercial vehicle casting space with primary products focused on engine blocks, cylinder heads and engine housings. KFIL is also likely to benefit from steady demand across end users. In the CV segment, M&HCV volumes remained steady as fleet operators' sentiment continues to improve based on pick-up in infrastructure activities and correction in fuel prices. Further, tractor manufacturers remain hopeful and expect strong demand in the near term. Improvement in the semiconductor situation is likely to benefit the passenger vehicle segment, which is showing positive trends riding on the green shoots of pent-up demand and customer desire towards personal mobility. The company has maintained a robust outlook for FY24 with management maintaining a guidance of 3-4% growth in case of castings and volume of ~550 ktpa in case of pig iron despite maintenance shutdowns.

The long term picture for the passenger vehicles remains healthy, given the current low vehicle penetration levels. IHS Global expects the Indian light vehicles to grow at a CAGR of 5.2% over the period 2021-26. CRISIL expects tractors market to grow by 4%-6% in FY24. Increased rural infrastructure spending would also contribute to additional growth. The company has been consistently striving to increase the portion of castings in machined condition and also plans to expand the casting business beyond simple grey iron casting, by catering to areas such as off-highway vehicle engines and direct exports.

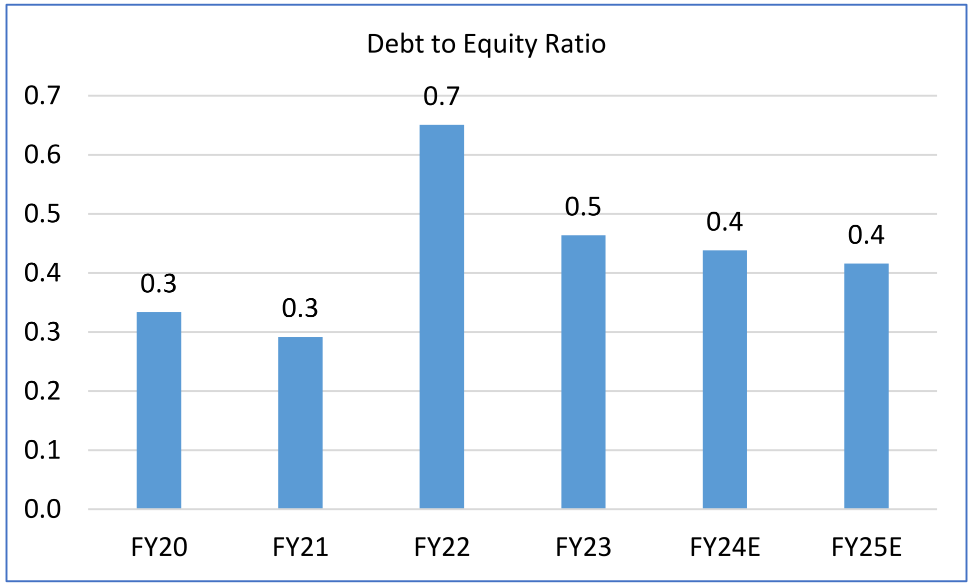
Demand:





Debt Equity Trend

Despite the huge capex plans and elevated debt levels, ICRA expects robust capital structure and comfortable credit metrics to sustain in FY2024 on the back of stable performance in the castings division, focus on value-added/high margin products, debottlenecking activities and various cost and efficiency optimisation measures to be undertaken by the company (including setting up a solar power plant to reduce power cost at ISMT). Improving operating and financial parameters of ISMT would drive the performance of KFIL at the consolidated level.



We expect the revenue to increase in H2 this year as the shut furnaces are up and running. Short term gains in volumes are expected with increased casting demand and with slight reduction in cost due to different projects taken up like pulverized coal injection and power plant. Furthermore, as company aligns with its longer vision of $2Bn, several projects like ISMT debottlenecking, Solapur 2-part foundry, iron ore in Karnataka, Oliver project and going green with solar plants, we see a big upside in the company's revenue and PAT margins.

After the reduction in Pig iron volumes due to the shutdown of furnaces, there is an expectation of increase in Pig Iron available for sales with upgraded Blast Furnace 1 with bell less top and technology enhancement. With Increased coking coal and Iron ore prices, margins are under pressure due to this. Expectations of pig iron volumes to rise to 5.5 lakhT by the year end.

Demand for Casting remains strong after some volume drops with tractor industry demand being soft. Volumes dropped by 5 % in the quarter owing to poor monsoon and sluggishness in tractor industry. However, the demand forecasting for commercial auto is strong and demand for casting for infrastructure earthmoving equipment is good. We expect the volumes to rise by 10% by year end with positive response to the demand.

Contribution by ISMT continues to be positive, owing to significant demand for seamless tubes contributing to an EBITDA level of 16%.

Company has successfully finished the construction and operationalization of Coke Oven Phase II and Power Plant Phase II. This should increase the production capacity and increased energy efficiency. It also expects to complete the pulverized coal injection project by year end which will add to cost reduction. For ISMT, commissioning of Solar power plant will benefit to cost reduction by almost 70 cr. Later next year, the company expects to start the oxygen plant after obtaining the environmental clearance which is not a major concern. Power plant by the end of the financial year and a 100 Cr debottlenecking project by June 2024 is to be undertaken to increase the revenue run rate of ISMT. This will expand the production to 1.5lakh tonnes per annum (1.25Ltpa) at Baramati and 50ktonnes per annum (from 40ktpa) at Ahmednagar by June 2024.

Key Project Updates

Sr. No	Project	Key Objective	Projected timeline for completion
1	Coke oven 2 Lac TPA & 20 MW Power Plant Phase II	Coke Oven: Reduction in imported coke dependency. Power Plant: Power cost reduction & self sufficiency	Completed
2	Mini Blast Furnace 2 Upgradation with Bell less top	Capacity enhancement, reduction in coal/coke consumption	Completed in Jul'22
3	Mini Blast Furnace 1 Upgradation with bell less top	Capacity enhancement, reduction in coal/coke consumption	Completed in Q2
3	Machining capacity enhancement	Ramping up machine shop capacity	End of FY23
4	Oliver Engineering	Capacity enhancement	Took ownership. Completed in Q1FY24E
5	Pulverized Coal Injection	Reduction in coke consumption	Q4FY24E
6	Expansion of Fettling & Finishing capacity	Capacity Enhancement	Phase 1 Completed in Q4FY22 and Phase II by end of FY23
7	Second Foundry Line at Solapur	Capacity Enhancement	Phase 1 completed. Phase 2 by 14-15 months

KFIL's captive mines come at a discount to IBM prices:

Mines	Reserves (mn tons)	Bid share to govt (%)	Annual mining plan	Royalty (%)	Forest Clearance
Bharat mines & minerals	7.6	55.5	0.15	15	Received
M Channakesava Reddy	3.2	36.7	0.15	15	Received

Risks & Concerns

Volatility in raw material prices: Raw materials account for a major part of the operational cost for pig iron players, including KFIL, and are thus important determinants of profitability. As the pig iron business is cyclical in nature, it is exposed to margin risks arising from the temporary mismatches in the prices of raw materials and of pig iron, causing volatility in profitability and cash flows. Nonetheless, backward integration through coke and iron ore would mitigate the risk to some extent. KFIL's profitability remains exposed to foreign currency movements as it imports significant quantity of coking coal. The company, however, adopts conservative hedging strategies to minimize the impact of forex volatility.

Cyclicality in key end-user segments: KFIL's casting division derives around ~90% of its sales from CV and tractor segments both of which are exposed to the inherent demand cyclicality. Any sustained demand weakness from its key end-user segments, as witnessed in the past, could adversely impact its revenues and earnings profiles.

Delay in commencement of mining operations: Any delay in commencement of mining operations on the back of delayed receipt of final forest clearance will likely impact margin performance. Final Stage forest clearances for its iron ore mines- Bharat Mines and Minerals and Sri. M Channakesava Reddy mine, is still pending.

Cyclicality in steel sector: Demand and pricing in the metal industry (for both raw materials and finished products) are volatile and are sensitive to the cyclical nature of the industries it serves. Volatility in the steel prices may have a material adverse effect on KFIL's operations, prospects and financial performance.

Company Background:

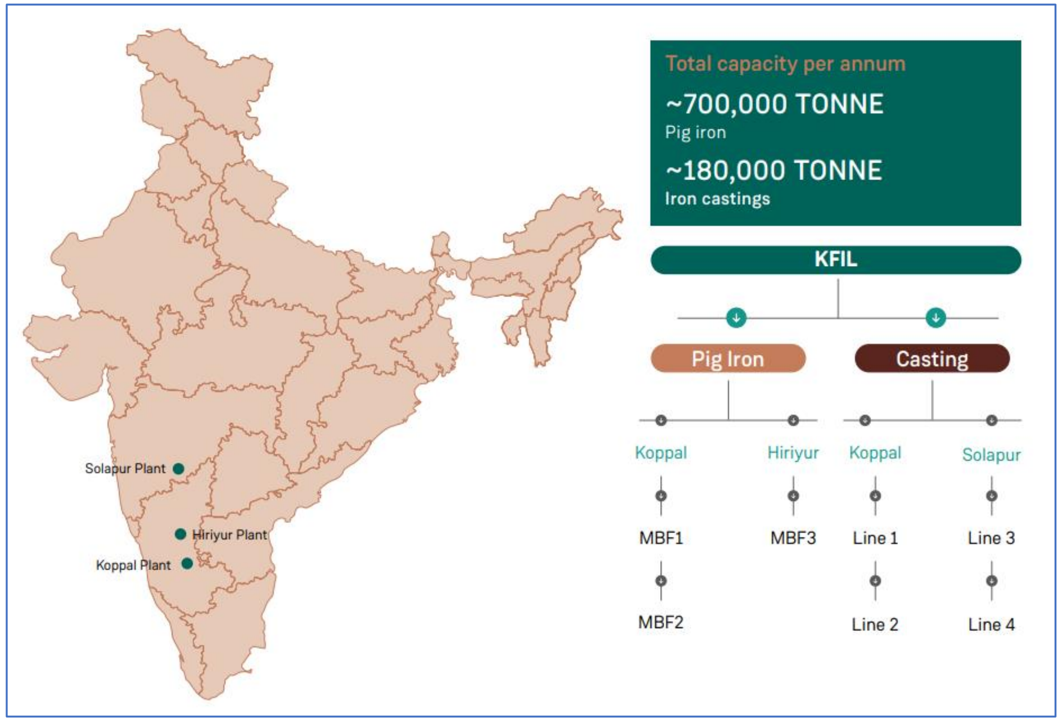
KFIL, incorporated in 1991, is a part of the Pune-based Kirloskar Group. KFIL manufactures pig iron and ferrous castings such as cylinder blocks, cylinder heads, transmission parts and different types of housings required by automobile, tractor, and diesel engine industries. KFIL's plants in Koppal (Karnataka), Solapur (Maharashtra) and Hiriyur (Karnataka) have a combined casting capacity of 1,70,000 MTPA and a combined pig iron capacity of ~6,09,000 MTPA. In March 2022, KFIL acquired a 51.25% stake in ISMT to facilitate forward integration into seamless tubes. In September 2023, KFIL acquired a 100% stake in Oliver Engineering Private Limited to increase its presence in the castings segment in North India.

Group Structure

Name of Entity	Relationship
Kirloskar Ferrous Industries Limited	Holding
ISMT Limited	Subsidiary
ISMT Enterprises S.A Luxembourg	Step-down Subsidiary
Indian Seamless Inc. USA.	Step-down Subsidiary

Structo Hydraulics AB Sweden	Step-down Subsidiary
Tridem Port and Power Company Private Limited	Step-down Subsidiary
ISMT Europe AB Sweden	Step-down Subsidiary
Nagapattinam Energy Private Limited	Step-down Subsidiary
Best Exim Private Limited	Step-down Subsidiary
Success Power and Infraprojects Private Limited	Step-down Subsidiary
Marshal Microware Infrastructure Development Company Private Limited	Step-down Subsidiary
PT ISMT Resources- Indonesia, Indian Seamless Inc. USA	Step-down Subsidiary
Adicca Energy Solutions Private Limited	Step-down Subsidiary

(Source: HDFC sec, ICRA)



Source - Company

Financials

Income Statement

Particulats (Rs cr)	FY22	FY23	FY24E	FY25E	FY26E
Net Revenues	**3748**	**6417**	**6680**	**7589**	**8348**
Growth (%)	***83.9***	***71.2***	***4.1***	***13.6***	***10.0***
Operating Expenses	3105	5582	5872	6618	7246
EBITDA	**643**	**836**	**808**	**971**	**1102**
Growth (%)	***39.3***	***30.0***	***-3.3***	***20.2***	***13.4***
EBITDA Margin (%)	***17.2***	***13.0***	***12.1***	***12.8***	***13.2***
Depreciation	92	173	186	219	235
Other Income	12	49	67	76	83
EBIT	**563**	**712**	**690**	**829**	**951**
Interest expenses	30	95	105	100	80
PBT	**533**	**617**	**584**	**729**	**871**
Tax	233	180	140	184	219
PAT	**300**	**437**	**444**	**545**	**651**
Share of Asso./Minority Int.	0	0	0	0	0
Adj. PAT	**300**	**437**	**444**	**545**	**651**
Growth (%)	***-0.8***	***45.9***	***1.5***	***22.9***	***19.4***
EPS	21.6	31.5	27.1	33.3	39.8

Balance Sheet

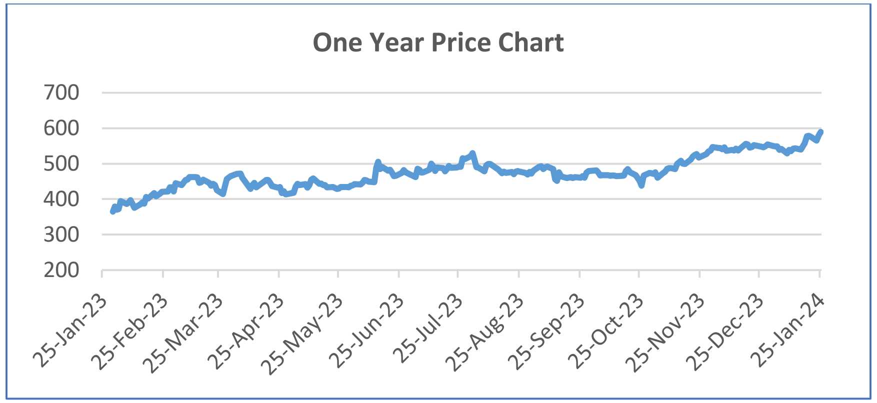
Particulars (Rs cr)- As at March	FY22	FY23	FY24E	FY25E	FY26E
SOURCE OF FUNDS					
Share Capital	69	69	82	82	82
Reserves	1696	2025	3292	3746	4307
Shareholders' Funds	**1765**	**2094**	**3374**	**3828**	**4389**
Minority Interest	870	914	0	0	0
Total Debt	1148	971	981	951	581
Net Deferred Taxes	190	207	207	207	207
Other Non-curr. Liab.	0	0	7	8	9
Total Sources of Funds	**3974**	**4186**	**4569**	**4994**	**5186**
APPLICATION OF FUNDS					
Net Block & Goodwill	2754	3102	3689	3921	3786
CWIP	203	170	0	0	0
Investments	4	1	1	1	1
Other Non-Curr. Assets	135	102	100	113	125
Total Non Current Assets	**3096**	**3375**	**3790**	**4035**	**3912**
Inventories	992	1078	1116	1310	1441
Debtors	747	818	860	1040	1144
Cash & Equivalents	327	63	8	-0.2	241
Other Current Assets	90	147	153	174	191
Total Current Assets	**2157**	**2106**	**2137**	**2523**	**3017**
Creditors	1057	1032	1080	1248	1395
Other Current Liab & Provisions	222	263	278	316	348
Total Current Liabilities	**1278**	**1295**	**1358**	**1564**	**1743**
Net Current Assets	878	811	779	959	1274
Total Application of Funds	**3974**	**4186**	**4569**	**4995**	**5186**

Cash Flow Statement

Particulars (Rs cr)	FY22	FY23	FY24E	FY25E	FY26E
Reported PBT	533	617	584	729	871
Non-operating & EO items	9	18	-15	-6	-5
Interest Expenses	28	95	105	100	80
Depreciation	92	173	186	219	235
Working Capital Change	-180	60	-33	-188	-73
Tax Paid	-117	-165	-140	-184	-219
OPERATING CASH FLOW (a)	**365**	**798**	**687**	**669**	**888**
Capex	-424	-416	-550	-450	-100
Free Cash Flow	-59	382	137	219	788
Investments	-491	-3	0	0	0
Non-operating income	2	19	0	0	0
INVESTING CASH FLOW (b)	**-913**	**-399**	**-550**	**-450**	**-100**
Debt Issuance / (Repaid)	-2	-242	10	-30	-370
Interest Expenses	-24	-104	-105	-100	-80
FCFE	-574	53	42	90	338
Share Capital Issuance	2	1	0	0	0
Dividend	-76	-76	-91	-91	-91
Others	0	-2	-6	-7	-6
FINANCING CASH FLOW (c)	**-101**	**-421**	**-187**	**-221**	**-541**
NET CASH FLOW (a+b+c)	**-649**	**-22**	**-49**	**-1**	**247**

Key Ratios

Particulars	FY22	FY23	FY24E	FY25E
Profitability Ratios (%)				
EBITDA Margin	17.2	13.0	12.1	12.8
EBIT Margin	15.0	11.1	10.3	10.9
APAT Margin	8.0	6.8	6.6	7.2
RoE	21.7	22.7	16.2	15.1
RoCE	26.8	23.8	18.6	18.1
Solvency Ratio (x)				
Net Debt/EBITDA	1.3	1.1	1.2	1.0
Net D/E	0.5	0.4	0.3	0.2
PER SHARE DATA (Rs)				
EPS	21.6	31.5	27.1	33.3
CEPS	28.2	43.9	38.4	46.6
BV	127.3	150.7	206.0	233.7
Dividend	5.6	5.6	5.6	5.6
Turnover Ratios (days)				
Debtor days	54	44	46	46
Inventory days	62	59	60	58
Creditors days	69	59	58	56
VALUATION (x)				
P/E	27.7	19.0	22.1	18.0
P/BV	4.7	4.0	2.9	2.6
EV/EBITDA	16.5	12.8	13.3	11.1
EV / Revenues	2.8	1.7	1.6	1.4
Dividend Yield (%)	0.9	0.9	0.9	0.9
Dividend Payout (%)	25.7	17.7	20.5	16.7



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 cyclicality 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.

RISHAB A JAIN

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