Stock Update

Coromandel International Ltd.

May 23, 2022

RETAILRESEARCH

Coromandel International Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Agriculture Products	Rs 931.35	Buy in the band of Rs 926-938 & add more on dips at Rs 839	Rs 1032	Rs 1096	2-3 quarters

HDFC Scrip Code	CORINTEQNR
BSE Code	506395
NSE Code	COROMANDEL
Bloomberg	CRIN IN
CMP May 20, 2022	931.35
Equity Capital (Rs cr)	29.4
Face Value (Rs)	1
Equity Share O/S (cr)	29.4
Market Cap (Rs cr)	27335
Book Value (Rs)	217
Avg. 52 Wk Volumes	869338
52 Week High	1002.5
52 Week Low	710

Share holding Pattern % (Mar, 2022)	
Promoters	57.5
Institutions	28.3
Non Institutions	14.2
Total	100.0

* Refer at the end for explanation on Risk Ratings

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Our Take:

Coromandel International is the largest private sector phosphatic fertiliser manufacturer in India. Company is one of the biggest beneficiary in the complex fertiliser space in India with the implementation of the nutrient based subsidy (NBS) scheme. NBS will benefit the company in the long term by means reduction in working capital and lesser volatility in earnings, on the back of its raw material linkages, scale of operations and operational efficiencies. The strategic partnerships of Coromandel with leading companies across the globe for raw materials, coupled with its high efficiency plants, have enabled it to be a cost leader in domestic complex fertilisers. Company is the second-largest player in the phosphatic fertiliser space with a market share of 17.9% in India as on FY22 (15.3% in FY21) and the largest single super phosphate (SSP) player with a market share of 14%.

Crop Protection business witnessed margin pressure due to the rise in raw material costs and a lag in price increase. The business has received six new registrations in FY22, registering the highest number in any year. Crop protection business to benefit from new registrations. Crop Protection plants operated at 70% capacity in FY22 vs. 63% in FY21. Company guides for high teens growth in Crop Protection business over the next two years.

Subsidy outstanding has reduced significantly to Rs 290cr as of Mar-2022 vs. Rs 590cr in Mar-2021. Volume growth outlook is uncertain, given higher NPK prices (leading to demand destruction) and input constraints. Raw material price volatility continues to be a concern. Management has guided for capex of Rs 700-800cr for FY23.

While input cost headwinds are likely to persist in the medium term, we believe the company should benefit from debottlenecking of the phosphoric acid plant as well as from an increased share of newly-launched, high margin, crop-protection products in FY23. Recently, the government has increased subsidy rates on NPK fertilisers with additional allocation of Rs 400bn to compensate for rising input cost. On April 27, 2022, the Centre said the nutrient-based subsidy (NBS) rates for phosphatic and potassic (P&K) fertilisers for the kharif season (April-September, 2022) will be Rs 60,939 crore, as against Rs 57,150 crore for the whole of last year. To insulate farmers from the sharp increases in the prices, the Centre on May 20 announced a doubling of fertiliser subsidy to Rs 2.15 trillion from the budgeted level for FY23. The move was necessitated by a sharp spike in global prices of urea, DAP and MoP in the last one year. This would help protect margin and help keep up fertiliser demand (since no price increase for farmers). Coromandel continues to focus on backward integration of phosphoric acid and sulphuric acid, which would help maintain profitability in the coming quarters. In Crop Protection, four new products in the domestic market and three new molecule launches in technicals would drive growth. Timely payout of subsidies by the government has significantly reduced working capital and boosted free cash flows along with significant reduction in debtors for the company.

We had re-initiated coverage on Sep 14, 2020 on Coromandel at Rs 748 for base case target of Rs 812 and bull case target of Rs 886. The stock had achieved our base case target of Rs 812. Company registered strong numbers along with improvement in B/S in FY22. We have introduced FY23 and FY24 estimates. Given healthy growth outlook in the coming quarters, and better earning visibility, we issue stock update note on Coromandel International.

Valuation & Recommendation:

We expect 9% revenue CAGR led by 7% growth from Nutrient and allied products and 13% growth from Crop Protection segment over FY22-24E. We estimate 40bps expansion in OPM to 11.7% in FY24E. Healthy sales growth and EBITDA margin could drive 11.5% PAT CAGR over the same period. The key drivers include increasing penetration in existing markets, debottlenecking to raise capacity, launch of new molecules in Crop protection business, and efforts to establish an alternative sourcing destination. Company has net cash B/S with cash & equivalents of Rs 2000cr as on Mar-2022. At CMP, the stock trades at 14.5x FY24E earnings. We feel that Investors can buy the stock in the band of Rs 926-938 and add further on dips to Rs.839 (13x FY24E EPS) for base case target of Rs 1032 (16x FY24E EPS) and bull case target of Rs 1096 (17x FY24E EPS) over the next 2 quarters.

Financial Summary (Consolidated)

Particulars (Rs cr)	Q4FY22	Q4FY21	YoY (%)	Q3FY22	QoQ (%)	FY19	FY20	FY21	FY22P	FY23E	FY24E
Total Revenues	4227	2825	49.6	5073	-16.7	13,225	13,137	14,214	19,111	24,428	22,595
EBITDA	380	230	65.3	544	-30.2	1443	1731	2016	2150	2491	2648
Depreciation	45	47	-2.8	43	5.6	114	158	173	173	201	235
Other Income	77	47	63.4	27	184.4	37	40	44	144	134	160
Interest Cost	21	16	30.5	18	18.9	251	235	106	76	63	45
Tax	99	58	72.5	130	-23.7	372	314	457	521	612	648
PAT	290	156	85.8	382	-24.0	721	1065	1329	1528	1754	1892
EPS (Rs)						24.6	36.4	45.3	52.1	59.8	64.5
RoE (%)						23.0	27.8	28.1	26.6	25.0	22.7
P/E (x)						37.8	25.6	20.6	17.9	15.6	14.5
EV/EBITDA (x)						17.3	14.4	12.4	11.6	10.0	9.4

(Source: Company, HDFC sec)

Q4 FY22 result update

Revenue grew 50% YoY at Rs 4227cr. Nutrient & Allied business grew 57.8% YoY at Rs 3683cr. Crop Protection revenue grew 8% YoY at Rs 557cr, with utilizations higher at 70% vs. 63% YoY and better growth in exports and B2C. Gross Margin slipped 490bps YoY at 25.7%. EBITDA margin improved 90bps YoY at 9% on lower other expenditure and employee costs. Net profit surged 86% YoY at Rs 289.8cr. Other Income increased 64% YoY at Rs 77cr.

EBIT margin in Nutrient and Other Allied/Crop Protection business expanded by 30bps/70bps YoY to 8.8%/13.2%. The share of unique grade stood at 31% in 4QFY22 (v/s 52% in 4QFY21).

Revenue/EBIDTA/PAT grew 34.5%/7%/15% YoY at Rs 19111cr/Rs 2150cr and Rs 1528.5cr respectively in FY22.

Board recommended final dividend of Rs 6 per share for the year. Earlier, the company had paid interim dividend of Rs 6 per share.

Q4 FY22 Concall Highlights

- Company remains confident of protecting margins in the wake of additional subsidy. This along with favourable industry dynamics shall drive healthy growth in volumes.
- Coromandel reported better than expected operating performance despite rising input costs, on the back of backward integration, control on fixed costs, price increases, better outsourcing of raw material, and better capacity utilization. Raw material prices and volume growth in fertilizers remain a key monitorable going forward.
- Management remain positive about buoyant scenario globally mainly driven by favourable agri commodity prices globally. With expectation of normal monsoon, management is confident about healthy growth for agri input industry.
- Subsidy and Non subsidy revenue share was at 82:18 for Q4FY22 and 81:19 For FY22. EBITDA subsidy and non-subsidy share was at 59:41 for Q4FY22 and 70:30 for FY22. Subsidy outstanding as of Mar-2022 was at Rs 290cr vs. Rs 590cr. Phosphoric acid import was around 3.5-4 lakh tonnes. Strategy is to reduce the import through increasing the production. Nutrient and allied business witnessed strong growth mainly in liquid fertiliser and bio fertiliser.
- Crop protection business could benefit from new registrations. Crop Protection business witnessed margin pressure due to the rise in raw material costs and a lag in price increase. The business also received six new registrations in FY22, registering the highest number in any year. Crop Protection plants operated at 70% capacity in FY22 vs. 63% in FY21.
- 4 new products to be introduced in formulations and 3 new molecules launched. New product launches have got good traction. Company is setting up new plant for herbicide production, waiting for approval from authority. Domestic formulation continue to remain on solid growth. Company is open for inorganic growth opportunities in domestic as well as global market.
- In the Crop Protection business, the company is witnessing higher raw material prices. However, new products in domestic formulations have helped it garner better margin. There are four new products coming up in captive generics, which will be introduced in Jun-2022.
- Government has recently announced revised rates of subsidy on phosphatic fertiliser to compensate for higher input cost. With recent increase in fertiliser subsidy and fertiliser prices to farmers being maintained, management is confident about improved availability of fertiliser and solid demand environment.

- Ongoing capex of ~Rs 400cr on sulphuric acid is likely to be completed by the end of FY23. Further its brownfield expansion of phosphoric acid to increase capacity from 1100 tpd to ~1300 tpd is likely to be achieved during H1FY23 and will further reduce its dependency on imported phosphoric acid (40-45% now). Company has also been able to use various kinds of rock phosphate which has further improved its efficiency. With phosphoric acid prices remaining at elevated level, the company expects to enjoy strong margin in fertiliser business.
- Management maintained healthy outlook on growth in FY23 and is confident about maintaining fertiliser EBITDA margins at Rs 4,000-4,500/mt. Focus on backward integration with sulphuric acid plant and phosphoric acid debottlenecking to further boost cost efficiencies. Capex of Rs 800cr in FY23 primarily includes sulphuric acid plant at Rs 400cr along with debottlenecking at phosphoric acid plant. Company achieved significant reduction in working capital days with lower debtor days and inventory days.
- DAP and complex fertilizer plants operated at 73%/83% capacity in Q4FY22/FY22.The sales volume of DAP and complex fertilizer stood at 0.6mn MT in Q4FY22 vs. 0.59mn MT in Q4FY21.
- For DAP and complex fertilizers, the company has a market share of 22.1% in the quarter vs. 15.3% in Q4FY21 and 17.9% in FY22 vs. 15.3% in FY21.
- SSP sales declined by 12% YoY to 0.16mn MT (vs. 0.18mn MT in Q4FY21). To further enhance its SSP plant, the company upgraded its Udaipur facility and has taken a new facility at Ennore on lease for manufacturing of SSP.
- In the Nutrients and Allied business, the company has launched two products in FY22 and both products registered good growth.

Business Outlook

With around 3.5 million ton installed capacity, Coromandel International is the largest private sector marketer and manufacturer of phosphatic fertilisers (DAP, NPK) in India. Its manufacturing units located at Vizag, Kakinada and Ennore, have the flexibility to operate with multiple rock and acid combinations and can produce 13 products. Company enjoys a considerable market presence in Southern, Eastern and Western regions in India. Further, its seven Single Super Phosphate (SSP) plants spread across the country strengthen its product offering and provides diversified market access.

Coromandel has successfully pioneered the rural retail model in India and operates a network of around 750+ outlets across Andhra Pradesh, Telangana, Karnataka, and Maharashtra which are supported by about 2,000 member strong field team.

Coromandel International is a complete farm solutions provider with presence across fertilisers, specialty nutrients, bio-pesticides; water-soluble fertilisers, and crop protection chemicals (CPC), which it manages by its strong retail presence with over 750 Gromor-branded retail stores across India.

Crop Protection Segment

Coromandel is one of the largest Crop Protection players in India with about Rs 2500cr segment revenue in FY22. Exports business increased 35% YoY at Rs 926cr while domestic revenue grew 14% YoY at Rs 1562cr. Company derived ~41% of revenue from international markets in FY22. It has presence across 80 countries globally. Coromandel is the third largest Mancozeb (fungicide) manufacturer globally. Company has presence across 10,000 dealers and about 60 brands in the business. Crop Protection business witnessed margin pressure due to the rise in raw material costs and a lag in price increase in FY22. The business received six new registrations in FY22, registering the highest number in any year. Crop protection business is expected to benefit from new registrations in the coming quarters. Crop Protection plants operated at 70% capacity in FY22 vs. 63% in FY21.

Upward revision in NBS rates to augur well for Industry

Recently, the Central Government raised Nutrient based subsidy rates (NBS) for H1FY23 (applicable till Sep-22), wherein subsidy/kg of each nutrients i.e Nitrogen (N), Potash (P), Phosphorous (K) and Sulphur(S) have been revised upwards from Rs 18.8/45.3/10.1/2.4/kg to Rs 92/72.7/25.3/6.9/kg in H1FY23. Increase in subsidy rates will largely help the industry to mitigate inflated RM cost without materially increasing MRP in NPK grades. Subsidy rates have been revised upwards due to i) sharp increase in RM prices (like Phosphoric Acid and Ammonia) and ii) having a check on farm-gate prices and reducing additional burden on farmers. This announcement largely removes overhang on margin profile and addresses price hike and volume growth concerns.

Phosphoric Acid

High degree of backward integration resulted into protecting its margins even in the face of rising input costs. Company manufactures ~400,000 MT per annum at Vizag and another ~60,000-70,000 MT at Ennore. Currently, it imports ~400,000-500,000 MT per annum. Coromandel is in the process of debottlenecking its Vizag plant which is expected to increase Vizag capacities by ~80,000MT. Capital expenditure on this debottlenecking is expected to be minimal. Management stated that rock phosphate is more freely available compared with phosphoric acid; based on this the large value gap that Coromandel enjoys by converting rock phosphate to phosphoric acid is likely to remain in the near term, till new phosphoric acid capacities are set up globally.

Coromandel to buy 45% stake in Senegal’s Baobab Mining and Chemicals Corporation for Rs 225cr

Coromandel International announced that it will acquire 45% equity stake in Baobab Mining and Chemicals Corporation (BMCC), a rock phosphate mining company based in Senegal, Africa, at an outlay of US$ 19.6 million (Rs 150 crore), besides a loan infusion of a further US$ 9.7 million (Rs 75 crore) into BMCC. The acquisition is through its wholly-owned subsidiary, Parry Chemicals, and the transaction is expected to be completed by Q2FY23.

Company said that given the high dependence on rock phosphate imports, which is a key raw material for manufacturing phosphoric acid, the proposed investment will be a step towards achieving long-term sustainability and supply security goals for fertiliser needs. The investment in Senegal is in line with the company's long-term strategic objective of strengthening its sourcing capabilities.
BMCC is in the business of mining, production, and sale of Rock Phosphate. BMCC has since stabilized its operations and commenced active production from 2021. This investment will help in strengthening Coromandel's backward integration and will ensure long term supply security of the key raw material. At full capacity, BMCC can meet upto one-third of the company's rock phosphate requirement.
Coromandel has strategic tie-up with leading integrated players like Tifert (Tunisia) and Foskor (South Africa) for meeting its phosphoric acid requirements. Further, it has been augmenting its captive phosphoric acid production at Vizag plant and is sourcing rock from various countries. As part of its strategy to strengthen the value chain, the company has been evaluating opportunities in the phosphate mining to secure its rock phosphate needs.

Crop Protection business outlook

Crop segment received 6 registrations in FY22, and management claimed that the product pipeline is healthy, with 4 new products planned for FY23 (to be launched in June). The new products entail a higher margin and, thus, overall margins are likely to inch up as the share of these products increases. The new products are both, combination products and generics. While rising input costs have not been fully passed on, management is currently working on addressing this lag. Management expects the segment to witness high-teen growth in the medium term and highlighted that there is ample opportunity to grow in key markets in India. Exports too present a good opportunity, with the company having a balanced presence across geographies such as South America, Asia and Africa. While Mancozeb is the only key export molecule, the company has identified a few more molecules that it plans to register internationally over the next few years. Management also highlighted that it is looking at inorganic opportunities for acquisitions too and hopes to make an acquisition in FY23. It emphasized that the acquisition will have to be synergistic and complementary to Coromandel's business model.

Proposed ban on few Pesticides/Molecules

The Ministry of Agriculture and Farmers' Welfare issued a draft order in May 2020 proposing to ban the manufacture and sale of 27 pesticides, including three molecules manufactured by Coromandel. The products form a sizeable share of Crop segment's revenues and profitability. The industry, through its technical task force formed by Crop Care Federation of India, has been representing to the GoI on the draft notification. Company continues to work on introducing newer products/molecules in the CPC (Crop Protection Chemicals) segment.

RM availability from international markets could be a challenge

Russia, Ukraine and Belarus account for a significant share in global supply for Potash and Ammonia. Limited supplies from them coupled with restricted exports from China may tighten the global demand-supply dynamics, resulting in lower fertilizer availability for imports as India is a net importer of Urea, DAP and complex fertilizers. Company has negligible exposure to Russia/Ukraine for its RM supplies. Adequate RM supplies, continued benefits from backward integration of Phosphoric Acid using Rock Phosphate and healthy share from unique fertilizer grades (margin accretive) should limit significant impact on fertilizer margin.

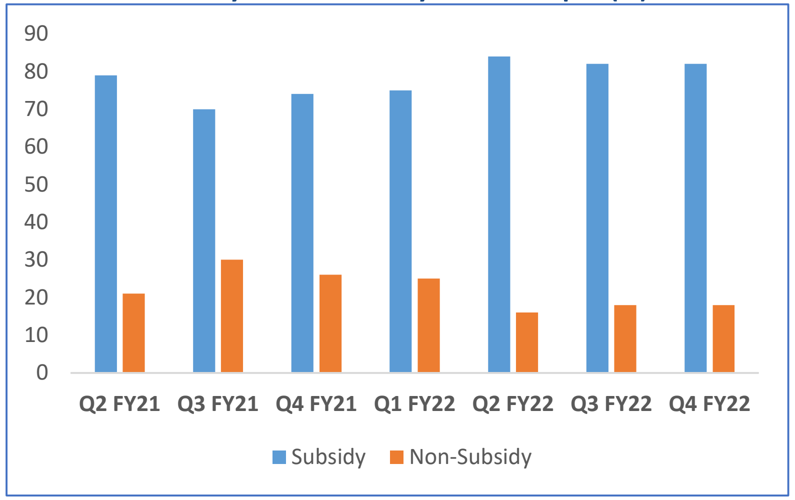
Key risks

- Sharp increase in RM inflation (Phosphoric Acid, Ammonia, Potash etc.) and inability to take price hikes may impact manufacturing fertilizer margin.
- Cut in subsidy allocation by the Govt could impact the offtake of NPK fertilisers in the era of rising RM prices.
- Delays in RM inflation pass through in Crop Protection Business to weigh on margin.
- Slower than expected ramp-up in Crop Protection business despite new product launches.
- Adverse monsoon/agri-input off-take may impact overall growth.
- Adverse forex fluctuations could hurt the margins of the company given its large import bill (though partly offset by exports).

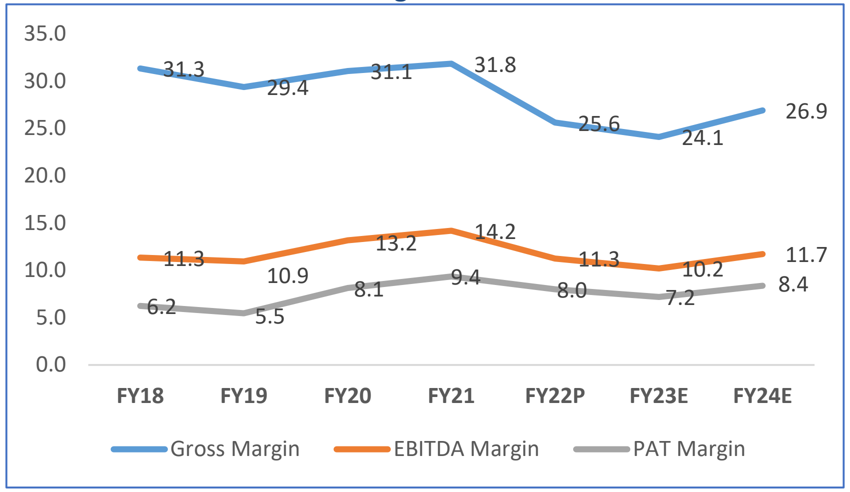
Company Background

Coromandel International, incorporated in 1961, is owned by the Murugappa Chettiar Group. The company manufactures and markets fertilisers and pesticides. It is the second largest phosphatic fertiliser player in India (after IFFCO). Its fertilisers are sold under brand names - Gromor, Paramfos, Parry Gold, Parry Super and Godavari. In Crop Protection, Coromandel produces insecticides, fungicides, herbicides, and markets them in India and abroad. It has also ventured into the retail business, with 750 rural retail centers. Coromandel markets its products all over India through a network of 20,000 dealers besides exporting pesticides to 80 countries across the globe. Coromandel's fertiliser plants are located at Visakhapatnam (Vizag) and Kakinada in Andhra Pradesh, and Ennore and Ranipet in Tamil Nadu with a combined production capacity of 3.5 mn MT of fertilisers.

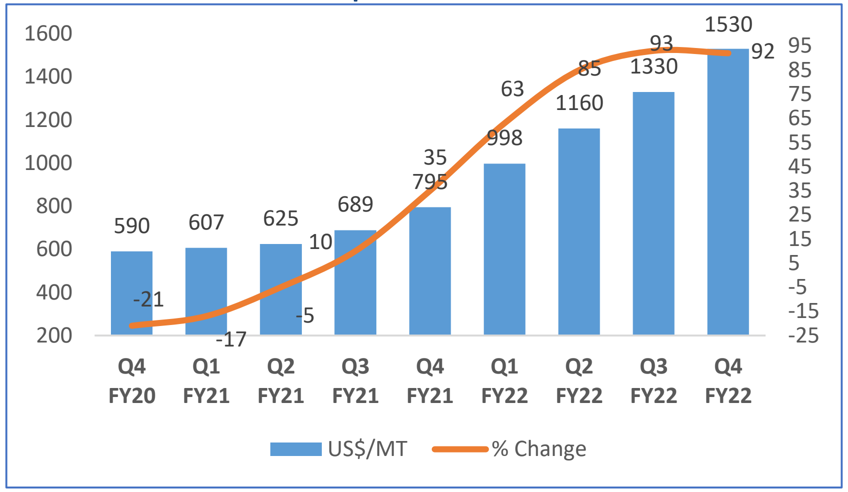
Subsidy & Non-Subsidy Business Split (%)



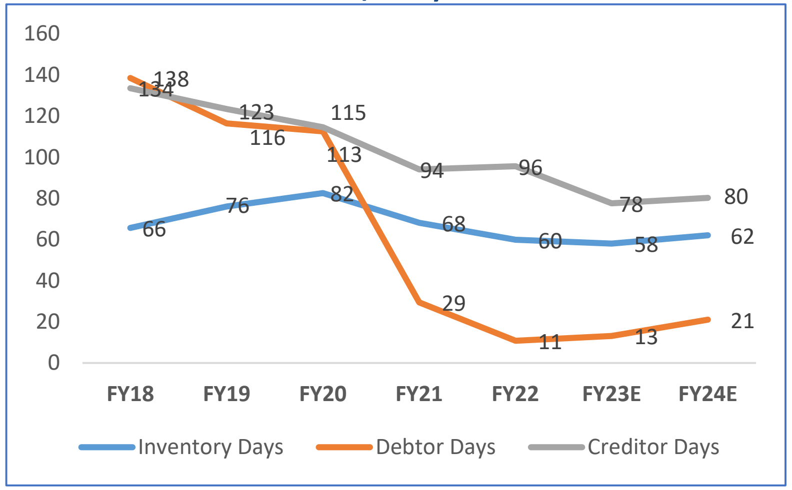
Margin Trend



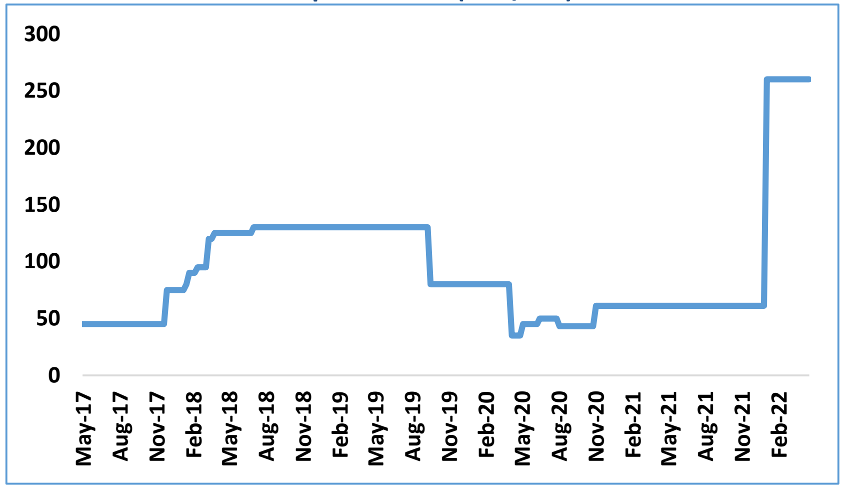
Phosphoric Acid Price



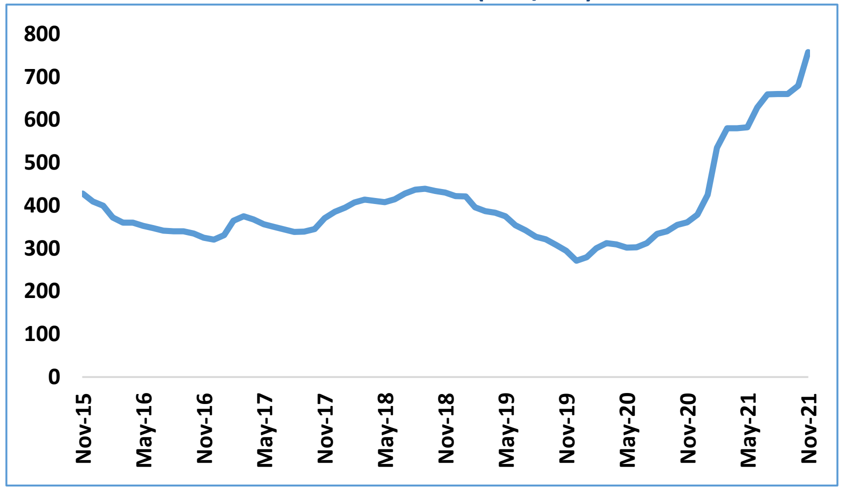
W/C Days



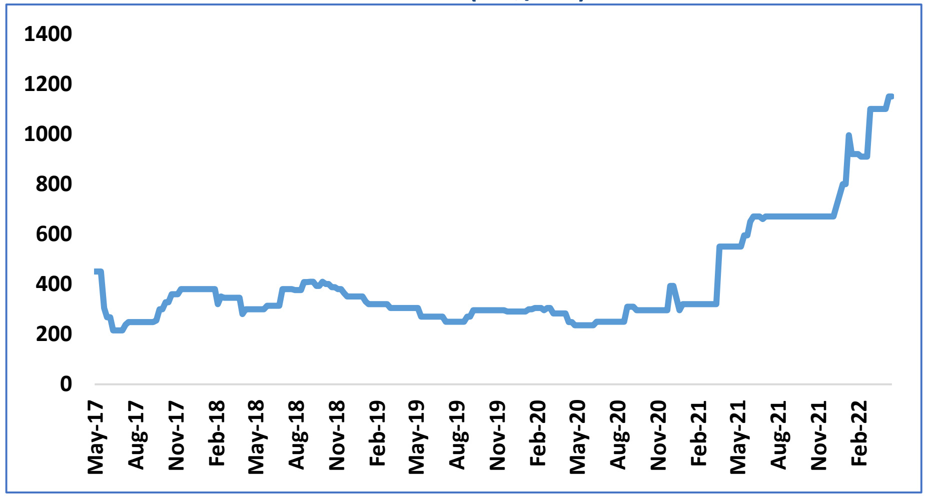
Sulphuric Acid (US$/MT)



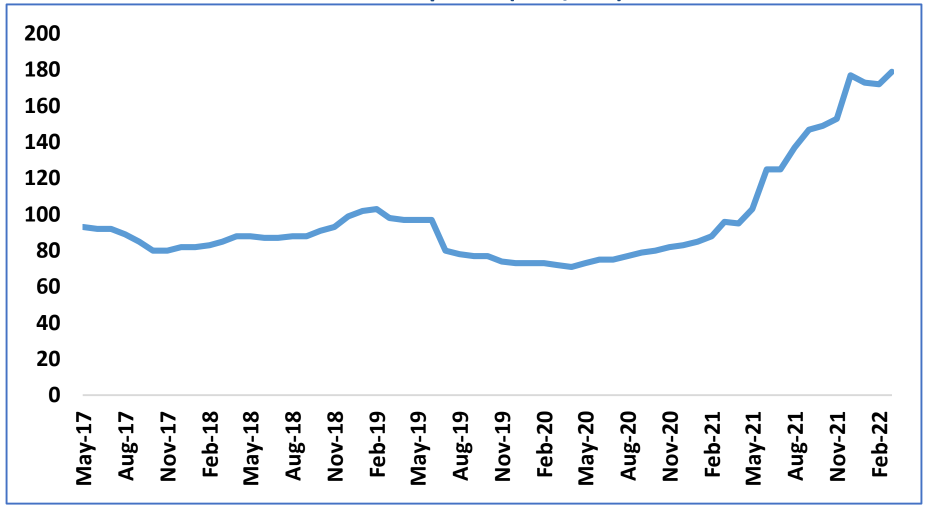
International DAP (US$/MT)



Ammonia (US$/MT)



Rock Phosphate (US$/MT)



Coromandel International Ltd.

Income Statement

(Rs Cr)	FY19	FY20	FY21	FY22P	FY23E	FY24E
Net Revenue	**13225**	**13137**	**14214**	**19111**	**24428**	**22595**
Growth (%)	19.3	-0.7	8.2	34.5	27.8	-7.5
Operating Expenses	11781	11406	12198	16961	21937	19947
EBITDA	**1443**	**1731**	**2016**	**2150**	**2491**	**2648**
Growth (%)	14.9	19.9	16.4	6.7	15.8	6.3
EBITDA Margin (%)	10.9	13.2	14.2	11.3	10.2	11.7
Depreciation	114	158	173	173	201	235
EBIT	1330	1573	1843	1977	2289	2413
Other Income	37	40	44	144	134	160
Interest expenses	251	235	106	76	63	45
PBT	1093	1379	1786	2050	2366	2540
Tax	372	314	457	521	612	648
RPAT	**721**	**1065**	**1329**	**1528**	**1754**	**1892**
Growth (%)	4.3	47.8	24.8	15	14.8	7.9
EPS	24.6	36.4	45.3	52.1	59.8	64.5

Balance Sheet

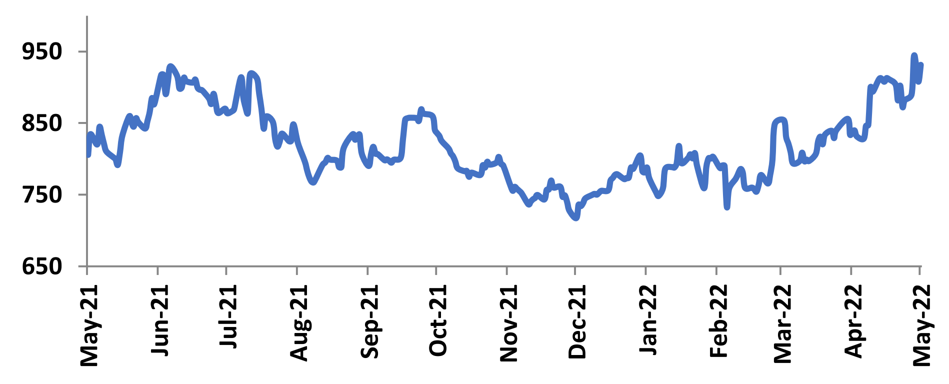
As at March	FY19	FY20	FY21	FY22P	FY23E	FY24E
SOURCE OF FUNDS						
Share Capital	29.3	29.3	29.3	29.4	29.4	29.4
Reserves	3329	4288	5121	6329	7642	9005
Shareholders' Funds	**3358**	**4318**	**5151**	**6358**	**7672**	**9034**
Long Term Debt	0	0	0	0	0	0
Net Deferred Taxes	112	57	57	65	69	76
Long Term Provisions & Others	25	407	386	395	420	441
Total Source of Funds	**3495**	**4782**	**5593**	**6818**	**8161**	**9552**
APPLICATION OF FUNDS						
Net Block	1477	2075	2082	2204	2683	2898
Intangible Assets	24	23	23	30	30	30
Non-Current Investments	201	211	214	244	263	286
Long Term Loans & Advances	120	46	54	464	558	663
Total Non-Current Assets	**1821**	**2354**	**2374**	**2942**	**3534**	**3876**
Inventories	3241	2697	2601	3663	3882	3838
Trade Receivables	4218	4050	1144	559	870	1300
Short term Loans & Advances	427	429	1514	1541	1652	1701
Cash & Equivalents	159	78	722	1754	2377	2670
Other Current Assets	707	540	540	824	868	937
Total Current Assets	**8752**	**7794**	**6521**	**8341**	**9649**	**10446**
Short-Term Borrowings	2954	1625	2	0	0	0
Trade Payables	3762	3348	2922	3914	4416	4115
Other Current Liab & Provisions	344	379	356	532	581	626
Short-Term Provisions	18	15	22	19	25	30
Total Current Liabilities	**7078**	**5367**	**3302**	**4465**	**5022**	**4771**
Net Current Assets	1674	2428	3219	3876	4627	5676
Total Application of Funds	**3495**	**4782**	**5593**	**6818**	**8161**	**9552**

Coromandel International Ltd.

Cash Flow Statement

(Rs Cr)	FY19	FY20	FY21	FY22P	FY23E	FY24E
Reported PBT	1,093	1,379	1,786	2,050	2,366	2,540
Non-operating & EO items	-37	-40	-44	-144	-134	-160
Interest Expenses	251	235	106	76	63	45
Depreciation	114	158	173	173	201	235
Working Capital Change	-523	494	2,597	409	-127	-756
Tax Paid	-371	-364	-467	-484	-612	-648
OPERATING CASH FLOW (a)	**526**	**1,862**	**4,150**	**2,079**	**1,757**	**1,256**
Capex	-273	-259	-205	-277	-680	-450
Free Cash Flow	253	1,603	3,946	1,802	1,077	806
Investments	-361	-3	-1,096	-1,489	-113	-127
Non-operating income	37	40	44	144	134	160
INVESTING CASH FLOW (b)	**-597**	**-222**	**-1,257**	**-1,622**	**-659**	**-418**
Debt Issuance / (Repaid)	236	-1,364	-1,630	-16	30	28
Interest Expenses	-251	-235	-106	-76	-63	-45
FCFE	238	4	2,210	1,710	1,044	789
Share Capital	0	0	0	0	0	0
Dividend/Buyback	-229	-124	-528	-352	-441	-529
FINANCING CASH FLOW (c)	**-244**	**-1,723**	**-2,264**	**-443**	**-474**	**-546**
NET CASH FLOW (a+b+c)	**-315**	**-83**	**630**	**14**	**624**	**292**

One Year Price Chart



Key Ratios

	FY19	FY20	FY21	FY22P	FY23E	FY24E
Profitability (%)						
Gross Margin	29.4	31.1	31.8	25.6	24.1	26.9
EBITDA Margin	10.9	13.2	14.2	11.3	10.2	11.7
EBIT Margin	10.1	12	13	10.3	9.4	10.7
APAT Margin	5.5	8.1	9.4	8	7.2	8.4
RoE	23	27.8	28.1	26.6	25	22.7
RoCE	38	32.9	32.9	29	28	25.3
Solvency Ratio						
Net Debt/EBITDA (x)	1.9	0.9	-0.4	-0.8	-1	-1
D/E	0.9	0.4	0	0	0	0
Net D/E	0.8	0.4	-0.1	-0.3	-0.3	-0.3
PER SHARE DATA						
EPS	24.6	36.4	45.3	52.1	59.8	64.5
CEPS	28.5	41.7	51.2	58	66.6	72.5
BV	115	147	176	217	261	308
Dividend	6.5	12	12	12	15	18
Turnover Ratios (days)						
Debtor days	116	113	29	11	13	21
Inventory days	76	82	68	60	58	62
Creditors days	123	115	94	96	78	80
VALUATION						
P/E	37.8	25.6	20.6	17.9	15.6	14.5
P/BV	8.1	6.3	5.3	4.3	3.6	3
EV/EBITDA	17.3	14.4	12.4	11.6	10	9.4
EV / Revenues	1.8	1.8	1.7	1.3	1	1.1
Dividend Yield (%)	0.7	1.3	1.3	1.3	1.7	2
Dividend Payout	26.4	33	26.5	23	25.1	27.9

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.

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