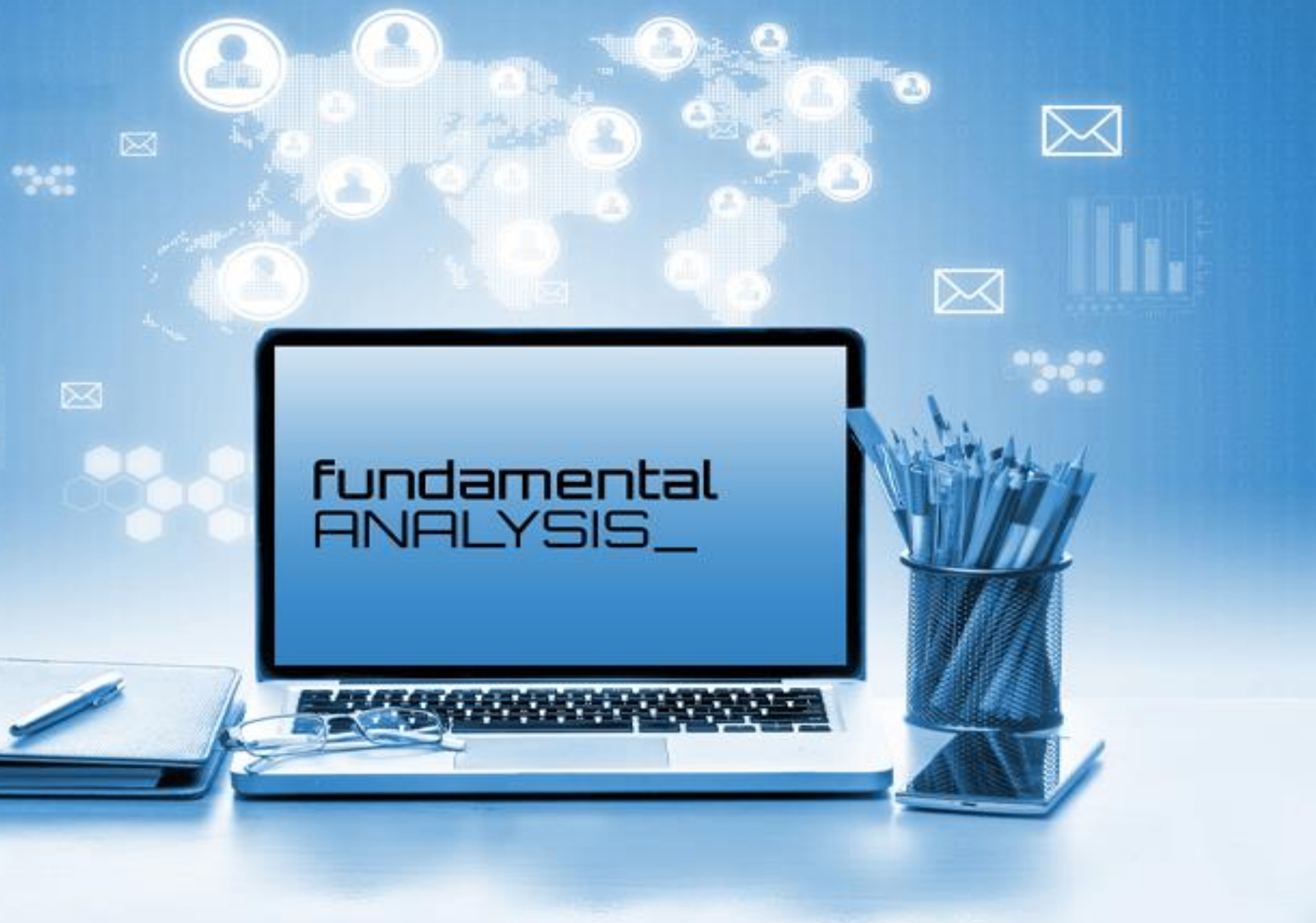
Stock Note

Allsec Technologies Ltd.

Nov 06, 2023



RETAILRESEARCH

Allsec Technologies Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
IT Services- BPO/KPO	Rs. 682	Buy in the Rs 675-689 band & add more on dips to Rs. 606-618 band	Rs. 745	Rs. 829	2-3 quarters

HDFC Scrip Code	ALLTEC
BSE Code	532633
NSE Code	ALLSEC
Bloomberg	ALLT IN
CMP Nov 03, 2023	682.0
Equity Capital (Rs Cr)	15.2
Face Value (Rs)	10.0
Equity Share O/S (Cr)	1.5
Market Cap (Rs Cr)	1039.3
Book Value (Rs)	157.2
Avg. 52 Wk Volumes	29,895
52 Week High	687.0
52 Week Low	420.0

Share holding Pattern % (Sept, 2023)	
Promoters	73.4
Institutions	1.1
Non Institutions	25.5
Total	100.0

* Refer at the end for explanation on Risk Ratings

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Our Take:

Allsec Technologies Ltd. (ATL) is one of the leading providers of outsourced solutions in customer engagement, human resource operations, sales and retention and quality assurance for businesses with vast expertise in providing business process solutions across various industry verticals. The company operates two segments globally i.e. Employee Experience Management (EXM) covering HRMS, payroll services, time and attendance management and Customer Experience Management (CXM) which encompasses lead generation, customer retention and relationship management comprising both voice and non-voice processes. Both EXM and CXM business supports domestic and international customers. Besides, the company also provides anti-money laundering and compliance services, with banks as its target segment.

ATL has added additional seat capacity in Manila, nearly doubling it and plans to focus on international EXM sales for the remainder of the financial year and into FY25E. The company does not see any significant risk in the competitive landscape and will continue to balance between getting extra revenue from smaller logos and keeping overall margins in perspective.

ATL has been one of the fastest growing BPO companies registering a revenue growth CAGR of ~13% over the last eight years. The company added over 1.3 lakh new employee records in H1 and now processes 1.3 million employee records. The growth momentum is expected to continue and company has diversified its service portfolio across the sector. It expects favourable demand outlook in the industry. Opportunity for cross selling remains robust within other established relationships and the new clients and new service platforms are expected to start contributing materially soon. We expect that company could report revenue growth of 17.1% and 14.2% for FY24E and FY25E, respectively.

Valuation & Recommendation:

With near two decades of experience, the company has expanded with acquisitions across geographies and has extended its expertise to a wide gamut of processes that augment and support businesses. The company is a highly customer-centric, flexible and transparent service provider. The company believes in enhancing its clients' business experience by taking process responsibility, improving cost efficiencies and adding value through continuous process improvements and quality assurances. We believe that expected acceleration in revenue growth momentum, stability in margins, strong consistent execution, delivery on guidance and strong cash generation would support valuations.

Investors can buy in the Rs 675-689 band and add on dips in the Rs 606-618 band (12.5x FY25E EPS). We believe the base case fair value of the stock is Rs 745 (15.25x FY25E EPS) and the bull case fair value of the stock is Rs 829 (17x FY25E EPS) over the next 2-3 quarters. At the LTP of Rs 682, the stock is trading at 14x FY25E EPS.

Financial Summary (Consolidated)

Particulars (Rs Cr)	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)	FY21	FY22	FY23	FY24E	FY25E
Total Operating Income	112.4	94.2	19.3	107.5	4.5	277	317	390	457	522
EBITDA	25.4	21.6	17.4	24.5	3.5	66	80	88	105	121
Depreciation	7.6	6.5	15.9	7.0	8.9	23	23	28	28	31
Other Income	2.5	4.4	-43.8	2.1	19.5	4	6	8	9	9
Interest Cost	0.8	0.9	-17.2	0.9	-10.5	2	2	4	3	3
Tax	3.3	2.7	22.9	3.0	9.0	9	26	16	17	22
APAT	16.2	15.9	2.3	15.8	3.0	35	36	49	66	74
Diluted EPS (Rs)	10.7	10.4	2.4	10.4	3.0	23.1	23.4	32.1	43.0	48.8
RoE-%						14.2	15.0	22.3	27.4	28.4
P/E (x)						29.6	29.2	21.3	15.9	14.0
EV/EBITDA (x)						13.1	11.9	10.7	9.1	7.8

(Source: Company, HDFC sec)

Q2FY24 Result Update

- ATL reported robust performance in Q2FY24; the company has been maintaining 15%+ YoY plus revenue growth over the last eight consecutive quarters.
- Revenue grew by 4.5% QoQ and 19.3% YoY to Rs 112.4 crore in Q2FY24. EBIT grew by 1.4% QoQ and 18.1% YoY to Rs 17.8 crore and PAT rose 3% QoQ and 2.3% YoY to Rs 16.2 crore.
- EBIT/PAT margin was at 15.9%/14.5% vs. 16.4% /14.7% in Q1FY24 and 16% /16.8% in Q2FY23, respectively.
- Two customers of ATL have filed for insolvency and ATL has made provision of Rs.2.09 cr towards outstanding receivables in the quarter. This has impacted the margins and ongoing revenues.
- ATL has added additional seat capacity in Manila nearly doubling it.
- Its staff attrition has been maintained at 8.1% for quarter 2, which continues to be near best-in-class in the domestic outsourcing industry.

Recent Triggers

New products and offerings for end to end EXM/HRO services to generate revenue and profitability ahead

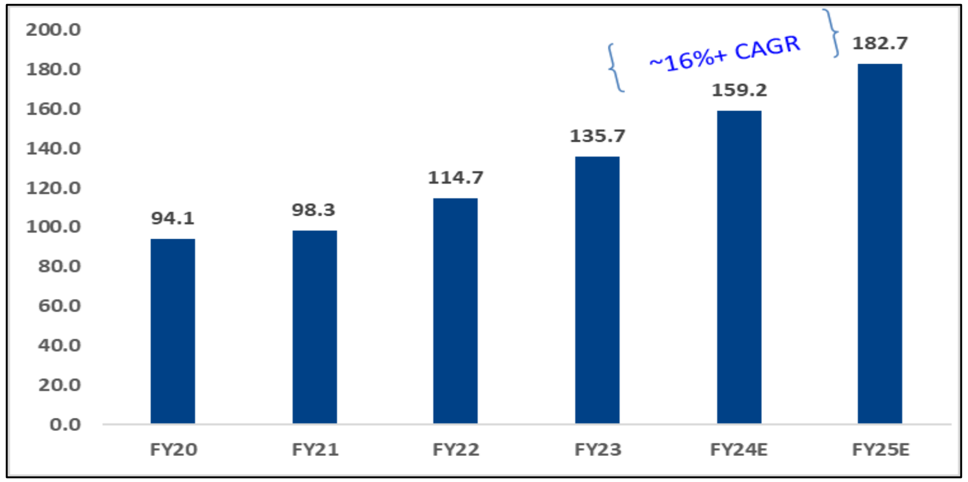
ATL has started as an integrated contact centre for businesses intending to outsource their support processes. With near two decades of experience, the company has expanded with acquisitions across geographies and has extended its expertise to a wide of range of processes that augment and support businesses. The company is engaged in providing of human resource outsourced (HRO) solutions in customer engagement, human resource operations, sales and retention and quality assurance for businesses across varied industries. On an average or predominant number of contracts are anywhere between 2 to 3 years. HRO business has two segments, the BU processing and the HRMS business, it is per FP per month rate. HRO business which is the compliance business, largely a fixed fee per month, an outcome based in terms of linked to the number of locations. ATL is engaged in a small percentage of contracts which are outcome.

ATL is moving forefront of HRO transformation as a premier payroll service provider in India and processes over ~ 15 million employee records annually. ATL offers a comprehensive system that is highly streamlined and configurable. Its HRMS solutions also seamlessly integrate payroll, employee benefits and other essential functions. By utilizing the latest technology and placing utmost significance on information security, ATL has made progress in increasing the ticket size of new EXM sales and shortening transition timelines. The company has achieved sales with ACV of Rs 17 crores in H1FY24, up 40% compared to the previous H2FY23.

ATL is building two tech projects, SmartPay version 4 and a new HR management system. The company is already running two customers in a parallel mode for SmartPay version 4 and the initial results have been encouraging. The new HRMS Tool 2 is in the final stages of user acceptance testing with client migrations and parallel runs is likely to follow soon. The company plans to approach the market in H2 to pilot sales of the HRMS platform on a SaaS basis.

ATL has continued to make relevant investments in people and technology to maintain and improve growth going forward. On margin front, HRO business contributes more margins and the company is focussed to improve operational efficiencies led by higher utilisation. However, the company could incur expenses in near to medium term for the new platforms. We expect, the company could report marginal growth in margins in medium term. We expect the company could report ~16% revenue CAGR in EXM/HRO business over the FY23-FY25E.

EXM/HRO Business revenue over the period



Expectation to add more contracts going forward

ATL has signed sales with annual contract values of approximately Rs 45 crores in FY23 which is about a third higher compared to FY22, this is across EXM/HRO and CXM/DBS. The company has added marquee logos including targeted conversion of math competitor logos. With these acquisitions, the company could enter hitherto untapped vertical segments. For example, pharma for the domestic HRO business and healthcare for the international DBS business. ATL has achieved sales with ACV of Rs 17 crores in H1 FY24, up 40% compared to the previous H2FY23. However, the company had added 121 new logos in the HRO domain and added ACV value of close to Rs 27 crore in Q1FY24, which is about 25% of the total revenue for the HRO segment.

ATL could continue to look at new domestic geographies, western India particularly, cross sell across the payroll, compliance and domestic CXM customers and the company could enhance efforts on inside sales and digital marketing for international CXM. The company does not see any significant risk in the competitive landscape and will continue to balance between getting extra revenue from smaller logos and keeping overall margins in perspective.

ATL has continued to provide value added and digital services to the customers including but not limited to point automations, bundling PA in solutions etc. The company is well positioned to capitalize on market opportunities and could continue to make the right investments to further accelerate their growth strategy and expects to continue its incremental sales focus, operational efficiencies, and operational service excellence.

Long term Triggers

Established track record in the business process outsourcing segment for over two decades with strong parental support

ATL has an operational track record in the business process outsourcing industry with an experienced promoter team. Its extensive presence in the business and long-term association with its key customers, has enabled revenue stability for ATL. Besides, the company has also been able to expand its business at a steady pace across geographies in India as well as in the exports market, which has enabled it to further scale up of operations.

ATL could benefit from operational synergy and financial support from CBSL, given the strategic importance of ATL to Quess Corp Ltd. (QCL). CBSL acquired majority stake in ATL, 73.0% as of now.

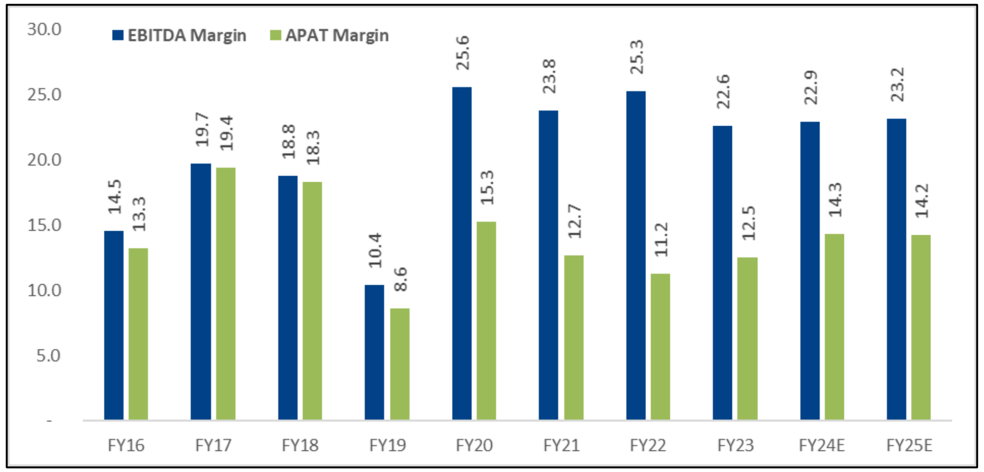
Quess Corp is engaged in the business of providing services in Workforce management, Operating asset management and Tech services. Quess is in top 50 of Global staffing company in the world and amongst top 3 domestic BPO players in India. Quess is No.1 in Indian general staffing market and IT Staffing segment, No.1 in Singapore IT staffing space, and Top 3 facility management services provider in India. The long presence of CBSL and its parent QCL in the business process outsourcing segment and its strong financial profile is likely to result in improved operational and financial flexibility for ATL going forward.

Margins could ramp up led by cost rationalisation efforts and operational efficiencies

ATL is leveraging advanced tools and platforms including Intelligent Automation (IA) in a highly-regulated environment, and strengthen relationships with their customers, while clients are able to achieve a low-cost operating model. The company has been adopting Digital Technologies which can benefit its businesses to improve user experience, and improve operational efficiency in a cost effective manner. The company is providing cutting edge digital business services offerings across the sector like Customer Experience Management (CEM), Credit Risk Management, Transaction Processing, Compliance, Insurance, and Healthcare.

ATL took various measures to rationalise costs like lower discretionary spend and other cost efficiencies. Going forward, we expect a lot of cost pressures of the past to be offset and absorbed by digital transformation which will enable consistently higher and sustainable profitability. Taking the traction in outcome based revenues, high focus on higher margins vertical HRO and higher offshoring, revenue growth is expected to offset the headwinds. Consequently, we expect EBITDA Margin at 22.5-23.5% band and PAT margin at 14-14.5% band over FY24E-25E.

Margins



Strong fundamentals led by healthy debt protection metrics and liquidity

- ATL has sustained healthy operating performance in the competitive BPO industry with steady increase in operating income over the years. The company reported revenue and PAT CAGR at ~11% and 21% over the last four years. We expect consolidated revenue to grow at a ~16% CAGR and net profit to grow at a ~23% over FY23-FY25E.
- The company's EBITDA margin has been volatile, in the 22.5-26% band and PAT margin at 11-15.5% over the last four years. We expect EBITDA margin at 22.5-23.5% and PAT margin at 14-14.5% in next two to three years, supported by cost rationalisation efforts.

- The company has continued to improve its financials aided by healthy cash accruals on the back of stable operating profitability and reduction in total debt. The company remains healthy supported by its comfortable capital structure on the back of minimal reliance on external borrowings along with its strong networth position.
- ATL's coverage indicators remain healthy on the back of adequate operational cash flows. ATL has cash and cash equivalents of Rs 151 crore as on Sept 30, 2023 which provides additional liquidity back-up.
- ATL has attractive return ratios as its Return on Equity stood at 22.3% in FY23. Because of cost rationalization efforts, the company could see growth in profitability as well as better return ratios in the future.
- ATL has recommended a dividend of Rs 20 per equity share (F.V of Rs 10 per equity share) for FY23, dividend payout stood at 62.5% and dividend yield stood at 2.9% at current market price. It has declared interim dividend of Rs 30 for FY24. The net receivable's days decreased to 55 days in FY23 vs. 66 days in FY22.

What could go wrong?

- The market for BPM services has become highly competitive over the years. Pressure from clients to cut costs through automation hurts revenue and entry of large IT players into BPO has further intensified competition as more clients look for integrated IT-BPO deals. Apart from this, most of large Companies are operating captive BPO centres.
- Indian BPO industry is facing stiff competition from low cost destinations like China, Philippines, Mexico, Brazil and Canada due to increasing domestic cost. Further rising attrition rate is impacting operating efficiency, productivity and profitability. Besides, pricing pressure and stricter information security and data protection regulations in US and UK could hit its business.
- For most of the Indian IT Services companies providing outsourced services, scale plays a critical role in withstanding pricing pressures. Being a relatively medium-scale player, ATL faces intense competition that limits its pricing flexibility and hence exposes the company to fluctuations in operating margins.
- Given the moderate customer concentration and the relatively high competitive intensity, any loss in major customer contract could impact the company's revenues and profitability significantly.
- ATL has a global presence with around 30% of its standalone revenues derived from exports and the same exposes it to margin fluctuations due to volatility in foreign exchange rates.
- Due to relatively short-term nature of contracts which spans around two to three years, the ability of the company to renew its contracts in profitable terms remains key in ensuring stability in revenues and profitability.
- Any steep decline in its operating margins below 10% on sustained basis and/or any moderation in its capital structure owing to any sizeable debt-funded acquisition made by the company for inorganic growth could impact its profitability.
- Any imbalance in pricing on account of lower share of value add high profitable contracts against rising cost pressures can be a matter of concern and can impact earnings of ATL.

- Large enterprises have been historically dominated by ERP and HCM solutions, therefore, ATL could see pricing pressure going forward. However, the company also targets to service the enterprise-SaaS market by leveraging the decades of experience, accrued in Payroll and Compliance.
- ATL's unbilled revenue increased in FY23 to 7.2% of total operating revenue from 4.5% in FY22, further rise in unbilled revenue could impact its working capital.
- ATL has a high exposure to the BFSI segment in the US. Any deterioration in the outlook for this segment could adversely impact the revenue and margin outlook for the company.

Industry Overview

- Technology emerges as the source of competitive differentiation and over 90% of the G2000 enterprises are expected to increase IT budgets by over 10% (weighted average) over the next 12 months. Client expectations from Business Process Management (BPM) services are evolving rapidly. Nearly half of enterprises (49%) strongly view their BPM relationship shifting from transactional relationship to one of strategic business partner.
- Technology and data capabilities emerge as the most important value creation levers to drive BPM for growth, supported by bigger than cost reduction and efficiency. Business Process Management (BPM) is building specialised capabilities in data monetization leveraging cloud- based AI & analytics, growth in platform based services and automation. Over 60% of the enterprises are focused on driving functional digital transformation.
- The growth areas of technology segments could continue to focus on digital CX, digitization, cloudification, building SaaS enabled products, cybersecurity and platformization.

HRO Industry:

- The Human Resources Outsourcing (HRO) market in India is transitioning to a more data-driven and digital approach. Providers are using digital technologies to deliver greater value to their clients by providing real-time data analytics, automated HR processes and improved compliance management. The increasing adoption of cloud-based HR solutions and mobile HR apps is also expected to fuel growth in the HRO market in India.
- Furthermore, the growth of the HRO industry in India will be driven by the advancement of technologies such as AI, machine learning, and robotic process automation. These technologies have the potential to revolutionize HR processes, enhance efficiencies and substantially reduce costs.
- The HRO industry in India has been rapidly expanding in recent years and is projected to continue doing so in the foreseeable future. The HRMS market is experiencing remarkable growth with a substantial CAGR of 12% and by 2030, the value of this segment is expected to reach US$ 33.6 billion, mainly due to the increasing adoption of digital technologies such as automation, analytics, and Artificial Intelligence (AI).

- Payroll outsourcing is the most frequently outsourced HR function in the global market, representing the biggest share of the HRO market. The demand for payroll outsourcing is driven by a variety of factors such as compliance requirements, cost savings, and the desire to concentrate on core business functions. This market in India is expected to grow at a CAGR of 9.6% until 2028.

Company Profile

Allsec Technologies Ltd. (ATL) is one of the leading providers of business outsource services with vast expertise in providing business process solutions across various industry verticals. ATL operates two segments globally viz (a) Employee Experience Management (EXM) or Human Resources Operation (HRO) covering HRMS, payroll services, time and attendance management and (2) Customer Experience Management (CXM) or Digital Business Services (DBS) which encompasses lead generation, customer retention and relationship management comprising both voice and non-voice processes. Both EXM and CXM business supports domestic and international customers.

Allsec serves a client base of ~600 including clients from fortune 100 companies. It supports clients across 42 countries and operates from 5 locations in India and overseas. ATL is a subsidiary of Quess Corp, holding 73% stake in ATL as on Sept 30, 2023 and ATL owns two wholly owned subsidiaries, Allsectech Inc., USA and Allsectech Manila Inc., Philippines.

Business Overview

Leading and fast-growing provider of end-to-end EXM services

(Source: Company, HDFC sec)

CXM: Cutting edge Digital Business Services offerings

(Source: Company, HDFC sec)

Operating Metrics

Revenue Mix

Rs in Cr	FY20	FY21	FY22	FY23
EXM				
International	18.7	21.1	24.8	29.2
Domestic	75.5	77.2	89.9	106.5
Total	94.1	98.3	114.7	135.7
CXM				
International	128.3	118.7	137.4	175.1
Domestic	72.0	59.7	65.1	79.7
Total	200.3	178.4	202.5	254.8
Total	294.4	276.7	317.2	390.5
Revenue-%				
EXM				
International	6.3	7.6	7.8	7.5
Domestic	25.6	27.9	28.3	27.3
Total	**32**	**35.5**	**36.2**	**34.8**

CXM				
International	43.6	42.9	43.3	44.8
Domestic	24.4	21.6	20.5	20.4
Total	**68**	**64.5**	**63.8**	**65.2**

CXM

Particulars	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Revenue by Geography							
Domestic	15.8	16.9	18.9	22.2	21.6	20.6	21.1
International	38.0	39.5	43.8	44.5	47.3	50.8	53.1
Total	**53.8**	**56.4**	**62.7**	**66.7**	**68.9**	**71.4**	**74.2**
Headcounts- DBS							
Domestic	2,285	2,227	2,589	2,745	2,804	2,816	2,741
International	1,190	1,253	1,371	1,387	1,272	1,361	1,553
Total	**3475**	**3480**	**3960**	**4132**	**4076**	**4177**	**4294**

EXM

Particulars	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Revenue by Geography							
Compliance	6.9	8.1	7.0	7.8	10.0	8.5	8.2
HRO	24.7	23.6	24.5	25.5	29.1	27.6	30.0
Total	**31.6**	**31.7**	**31.5**	**33.3**	**39.1**	**36.1**	**38.2**
No in Lacs							
Payslips Processed	32.3	33.0	34.0	34.5	35.9	37.1	38.4

Headcounts-EXM

Particulars	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Compliance	235	253	261	275	282	281
HRO	503	520	516	527	612	614
Total	**738**	**773**	**777**	**802**	**894**	**895**

Financials (Consolidated)

Income Statement

(Rs Cr)	FY21	FY22	FY23	FY24E	FY25E
Net Revenues	**277**	**317**	**390**	**457**	**522**
Growth (%)	-6.0	14.6	23.1	17.1	14.2
Operating Expenses	211	237	302	352	401
EBITDA	**66**	**80**	**88**	**105**	**121**
Growth (%)	**-12.4**	**21.7**	**10.2**	**18.4**	**15.7**
EBITDA Margin (%)	**23.8**	**25.3**	**22.6**	**22.9**	**23.2**
Depreciation	23	23	28	28	31
EBIT	**43**	**57**	**60**	**77**	**90**
Other Income	4	6	8	9	9
Interest expenses	2	2	4	3	3
PBT	**44**	**61**	**65**	**82**	**96**
Tax	9	26	16	17	22
RPAT	**35**	**36**	**49**	**66**	**74**
APAT	**35**	**36**	**49**	**66**	**74**
Growth (%)	-21.8	1.5	37.1	34.1	13.5
EPS	23.1	23.4	32.1	43.0	48.8

Balance Sheet

As at March, Rs in Cr	FY21	FY22	FY23	FY24E	FY25E
SOURCE OF FUNDS					
Share Capital	15	15	15	15	15
Reserves	250	194	214	234	259
Shareholders' Funds	**265**	**209**	**230**	**249**	**274**
Long Term Debt	6	27	25	30	27
Net Deferred Taxes	-10	-7	-7	-8	-8
Long Term Provisions & Others	6	7	8	8	9
Minority Interest	**0**	**0**	**0**	**0**	**0**
Total Source of Funds	**268**	**237**	**256**	**280**	**302**
APPLICATION OF FUNDS					
Net Block & Goodwill	33	64	72	88	97
CWIP	0	0	0	0	0
Other Non-Current Assets	15	18	20	24	27
Total Non Current Assets	**49**	**81**	**92**	**112**	**124**
Trade Receivables	42	57	59	71	82
Cash & Equivalents	200	129	137	136	138
Other Current Assets	20	20	38	34	31
Total Current Assets	**261**	**206**	**235**	**242**	**251**
Short-Term Borrowings	15	16	19	19	14
Trade Payables	20	25	38	40	44
Other Current Liab & Provisions	7	10	14	15	15
Total Current Liabilities	**42**	**50**	**71**	**74**	**73**
Net Current Assets	220	156	164	168	177
Total Application of Funds	**268**	**237**	**256**	**280**	**302**

(Source: Company, HDFC sec)

Cash Flow Statement

(Rs Cr)	FY21	FY22	FY23	FY24E	FY25E
Reported PBT	44	61	65	82	96
Non-operating & EO items	4	-4	-7	-9	-9
Interest Expenses	1	1	3	3	3
Depreciation	23	23	28	28	31
Working Capital Change	-4	-8	-6	-17	-10
Tax Paid	1	-11	-12	-17	-22
OPERATING CASH FLOW (a)	**70**	**64**	**71**	**71**	**89**
Capex	-7	-13	-15	-37	-35
Free Cash Flow	63	50	56	34	54
Investments	-14	6	3	0	0
Non-operating income	-4	-11	2	9	9
INVESTING CASH FLOW (b)	**-26**	**-19**	**-11**	**-28**	**-26**
Debt Issuance / (Repaid)	-17	-19	-17	5	-8
Interest Expenses	-2	-2	-4	-3	-3
FCFE	43	29	35	36	43
Share Capital Issuance	0	0	0	0	0
Dividend	0	-91	-30	-46	-50
FINANCING CASH FLOW (c)	**-19**	**-112**	**-52**	**-44**	**-61**
NET CASH FLOW (a+b+c)	**24**	**-67**	**9**	**-1**	**2**

Key Ratios

Particulars	FY21	FY22	FY23	FY24E	FY25E
Profitability Ratio (%)					
EBITDA Margin	23.8	25.3	22.6	22.9	23.2
EBIT Margin	15.4	17.9	15.4	16.8	17.3
APAT Margin	12.7	11.2	12.5	14.3	14.2
RoE	14.2	15.0	22.3	27.4	28.4
RoCE	13.3	15.2	19.5	23.7	24.9
Solvency Ratio (x)					
Net Debt/EBITDA	-2.7	-1.1	-1.1	-0.8	-0.8
Net D/E	-0.7	-0.4	-0.4	-0.3	-0.4
Per Share Data (Rs)					
EPS	23.0	23.4	32.1	43.0	48.8
CEPS	38.4	38.8	50.6	61.4	69.0
BV	174.0	137.4	150.7	163.7	180.1
Dividend	15.0	60.0	20.0	30.0	32.5
Turnover Ratios (days)					
Debtor days	55.4	65.8	55.4	57.0	57.0
Inventory days	0.0	0.0	0.0	0.0	0.0
Creditors days	25.8	28.7	35.6	32.0	31.0
Valuation (x)					
P/E	29.6	29.2	21.3	15.9	14.0
P/BV	3.9	5.0	4.5	4.2	3.8
EV/EBITDA	13.1	11.9	10.7	9.1	7.8
EV / Revenues	3.1	3.0	2.4	2.1	1.8
Dividend Yield (%)	2.2	8.8	2.9	4.4	4.8
Dividend Payout(%)	65.1	256.5	62.4	69.8	66.6

(Source: Company, HDFC sec)

One Year 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 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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