

Stock Update

Infosys Ltd.

February 03, 2023





Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
IT Consulting & Software	Rs. 1583.30	Buy in the Rs. 1567-1599 band & add more on dips to Rs. 1429-1459 band	Rs. 1703	Rs. 1813	2 quarters

HDFC Scrip Code	INFTEC
BSE Code	500209
NSE Code	INFY
Bloomberg	INFO IN
CMP Feb 02, 2023	1583.3
Equity Capital (Rs Cr)	2098.0
Face Value (Rs)	5.0
Equity Share O/S (Cr)	419.6
Market Cap (Rs Cr)	666,265
Book Value (Rs)	275.9
Avg. 52 Wk Volumes	11043065
52 Week High	1924.0
52 Week Low	1355.5

Share holding Pattern % (Dec, 2022)	
Promoters	15.1
Institutions	69.0
Non Institutions	15.9
Total	100.0



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:

Infosys is the second-largest Indian IT company after TCS by revenue numbers and offers wide range of digital and traditional IT services. Digital services include revenue from emerging segments such as artificial intelligence (AI)-based analytics and big data, engineering digital products and Internet of Things (IoT), application program interface (API), and micro services, modernisation of legacy technology systems, migration to cloud applications, and implementation of advanced cyber security systems. As on December 31, 2022, Infosys had 1,850 active clients and a presence in 50 countries.

Infosys' large deal Total Contract Value (TCV) stood at US\$ 3.3bn in Q3FY23 and US\$ 7.7bn in 9MFY23 vs. US\$ 7.2 in 9MFY22; Q3FY23 was best quarter in signing new deals in the quarter amid macro uncertainty; it was the highest in the last eight quarters with 36% net new. The company has a strong pipeline and expects better performance in coming quarters. We expect, its robust deal pipeline and positive demand environment could bring better earnings visibility going forward.

Infosys has raised FY23E constant currency revenue growth forecast to 16-16.5% from 15-16% earlier. The operating margin guidance was retained at 21-22% for FY23E. Clients' spending on new edge technologies could bring revenue generation opportunities in the near term. However, in the longer term, we expect favourable opportunities as enterprises accelerate their digital transformation initiatives and on account of long term potential in BFSI. Investments made by Infosys in digital transformation, analytics, cloud, cyber security and AI will help the company to serve emerging demands of clients in these areas going forward. Infosys is also actively looking for acquisitions, especially in digital areas like cloud and data science in new geographies.

Valuation & Recommendation:

With established position across verticals and service lines, Infosys offers a range of digital and traditional IT services to industry verticals such as financial services, retail, communication, manufacturing, hi-tech, life sciences, energy, utilities, resources & services.

Its strong deal wins, robust financials as well as liquidity and expectation of inorganic growth could bring better earnings visibility in medium to long term. However, economic challenges in US and Europe could impact client's IT spending in the near term and a few clients have shown cautious approach on their IT spending. Thus, Infosys could be cautious on FY24's revenue guidance. The company will be at the forefront of digital transformation opportunities. Besides, the company's profitability remains among the best in the industry, supported by its superior revenue mix, cost optimisation measures, and delivery effectiveness.



Its growth leadership comes on the back of investments in multiple dimensions of business including digital competencies, large deal advisory channel, sales & marketing, localization, digital capabilities and enhancing presence in BPO.

We believe the base case fair value of the stock is Rs 1703 (23x Dec 24E EPS) and the bull case fair value of the stock is Rs 1813 (24.5x Dec 24E EPS) over the next two quarters. Investors can buy in the Rs 1567-1599 band and add further on dips in the Rs 1429-1459 band (19.5x Dec 24E EPS). At the LTP of Rs 1583.3, the stock is trading at 21.4x Dec 24E EPS.

Financial Summary (Consolidated)

Particulars (Rs Cr)	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	FY21	FY22	FY23E	FY24E	FY25E
Total Operating Income	38318	31867	20.2	36538	4.9	1,00,473	1,21,641	1,48,406	1,68,033	1,87,530
EBITDA	9367	8383	11.7	8902	5.2	27,890	31,284	36,192	40,715	45,599
Depreciation	1125	899	25.1	1029	9.3	3,268	3,269	4,112	4,656	5,196
Other Income	769	512	50.2	584	31.7	2,201	2,295	2,395	3,234	3,646
Interest Cost	80	53	50.9	66	21.2	195	200	282	320	320
Tax	2345	2121	10.6	2365	-0.8	7,205	7,964	9,450	10,523	11,807
RPAT	6586	5822	13.1	6026	9.3	19,423	22,146	24,743	28,451	31,922
APAT	6586	5809	13.4	6021	9.4	19,351	22,111	24,736	28,451	31,922
Diluted EPS (Rs)	15.7	13.8	13.4	14.3	9.4	46.1	52.6	58.9	67.8	76.1
RoE-%						27.3	29.2	32.2	34.8	35.9
P/E (x)						34.3	30.0	26.9	23.4	20.8
EV/EBITDA (x)						23.3	20.6	17.7	15.7	13.9

(Source: Company, HDFC sec)

Q3FY23 Result Update

- Infosys delivered another strong quarter in Q3FY23, driven by broad-based growth across verticals and geographies. Large deal wins in the quarter was robust, and strongest in the last 8 quarters at \$3.3 bn. The company also raised the FY23 revenue guidance to 16-16.5% from 15-16% earlier. The operating margin guidance retained at 21-22% for FY23E.
- Consolidated revenue grew by 4.9% QoQ and 20.2% YoY to Rs 38,318 crore in Rupee terms, driven by broad-based growth in segments and geographies. Revenue in USD term was up by 2.3% QoQ and 9.6% YoY to US\$ 4,659 mn. The revenue growth in constant currency was at 2.4% QoQ and 13.7% YoY.
- EBIT increased 14.9% QoQ and 20.8% YoY to Rs 9042 crore and EBIT margin surged by 210bps QoQ and inched up by 10bps YoY to 23.5% in Q3FY23. Net Profit grew by 9.4% QoQ and 13.1% YoY to Rs 6,586 crore supported by strong demand-led revenue growth and net profit margin increased by 70bps QoQ and it was down by 110bps YoY to 17.2% in Q3FY23.



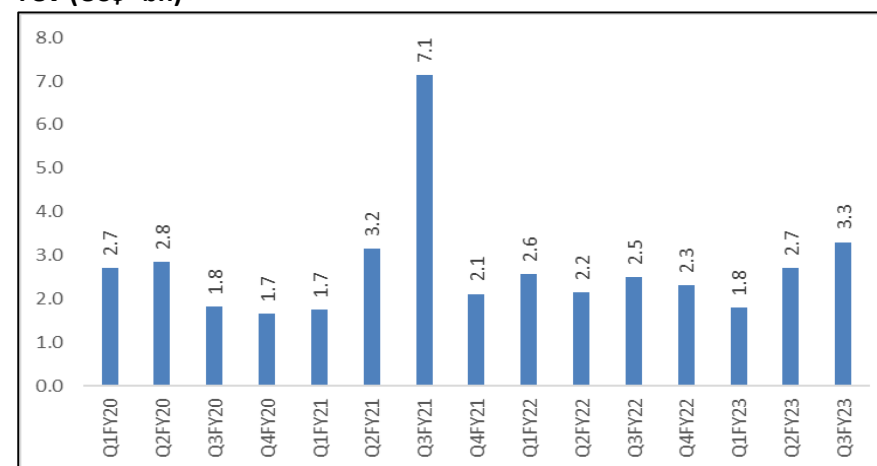
- On geography mix, North America contributed 62%, Europe contributed 25.8%, Rest of World 9.8% and India contributed 2.4% in Q3FY23 while, North America contributed 62.5%, Europe contributed 24.7%, Rest of World 9.9% and India contributed 2.9% in Q2FY23.
- On business segment, financial services contributed 29.3%, Retail 14.3%, Communication 12.3%, Energy & Utilities 13%, Manufacturing 13.3%, Hi Tech 8.1%, Life Science 7% and others contributed 2.7% in Q3FY23. While, financial services contributed 30.5%, Retail 14.2%, Communication 12.3%, Energy & Utilities 12.3%, Manufacturing 12.8%, Hi Tech 8.2%, Life Science 6.7% and others contributed 3% in Q2FY23.
- Digital revenue increased to 62.9% in Q3FY23 vs. 61.8% in Q2FY23, and 61% in Q1FY23 and Core revenue stood at 37.1% in Q3FY23 vs. 38.2% in Q2FY23, 39% in Q1FY23.
- Infosys has 346,845 employees as of Dec 31, 2022 vs. 345,218 employees as of Sept 30, 2022. Trailing 12 month's attrition stood at 24.3% in Q3FY23 vs. 27.1% in Q2FY23, 28.4% in Q1FY23, 27.7% in Q4FY22, 25.5% in Q3FY22, 20.1% in Q2FY22 and 13.9% in Q1FY22. Staff utilisation excluding trainees was at 81.6% in the quarter, impacted by furlough vs. 83.6% in the previous quarter.

Key Updates

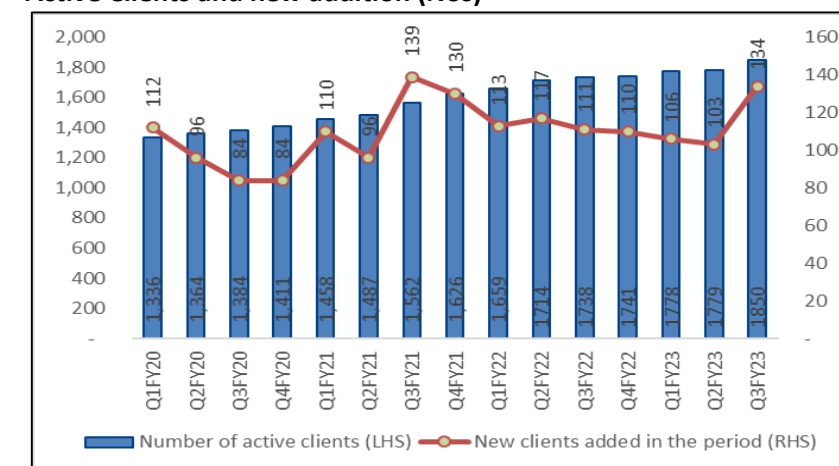
Strong deal momentum and clients acquisition to drive growth

- Infosys added two new clients in the US\$50-mn+ category, 13 in US\$10-mn+ category, 17 in the \$1-mn+ category while it lost one client in the US\$100-mn+ category. The total active clients stood at 1850 as on Dec 31, 2022 vs. 1779 as on Sept 30, 2022, added 134 clients in the quarter, vs. 103 clients in Q2FY23. Top 5 clients, top 10 clients and top 25 clients contributed 13.1%, 20.5% and 35.3% in Q3FY23 vs. 12.6%, 20.2%, and 35.3% in Q2FY23.

TCV (US\$ -bn)



Active Clients and new addition (Nos)





- The company signed 32 large deals to the tune of US\$ 3.3bn in the quarter, which complements the healthy order book and pipeline in digital transformation space for the company. TCV in previous quarter was at US\$ 2.7bn. 7 large deals were in Retail, 6 each in Financial Services and Communications, 5 each in Energy & Utilities and Manufacturing, 2 in Life Sciences and 1 in Hi-Tech. Region-wise, this was split by 25 in the Americas, 5 in Europe and 2 in the rest of the world.
- Infosys continues to see caution around budget and spending for consumers in the Hi-tech segment, especially around discretionary spend areas. However, Infosys focus on accelerating digital and cloud transformation could grow more going forward and it could help to continue client acquisition going forward.

Broad based growth across all verticals to remain continue going forward

- Infosys reported a broad based growth across all verticals and geographies over the recent past, and Company's growth over the last 1-3 years has exceeded industry average due to strong performance in digital areas, analytics, automation and Cobalt Cloud.
- Digital business in Q3FY23 grew by 22% YoY on CC (Constant Currency) basis and constitutes 62.9% of total revenue. The company reported strong revenue growth of 8.1%, 6.9% and 6.3% on QoQ basis in Energy/Utilities, Life sciences and Manufacturing segments, respectively. Growth in Hitech moderated to 1% QoQ, whereas financial services and others declined by 1.7% QoQ and 7.9% QoQ respectively. Digital revenues grew 21.7% y-o-y in CC terms and now.
- The company expressed weakness in Mortgage, Investment banking, Telco, Hi-tech and Retail verticals and clients are looking at cost optimization rather than digital transformation programs.
- With continued large deal wins, Energy &Utility (E&U) growth ramped up. The company expects strong traction in areas of Engineering, IoT supply chain, and Cloud migration.

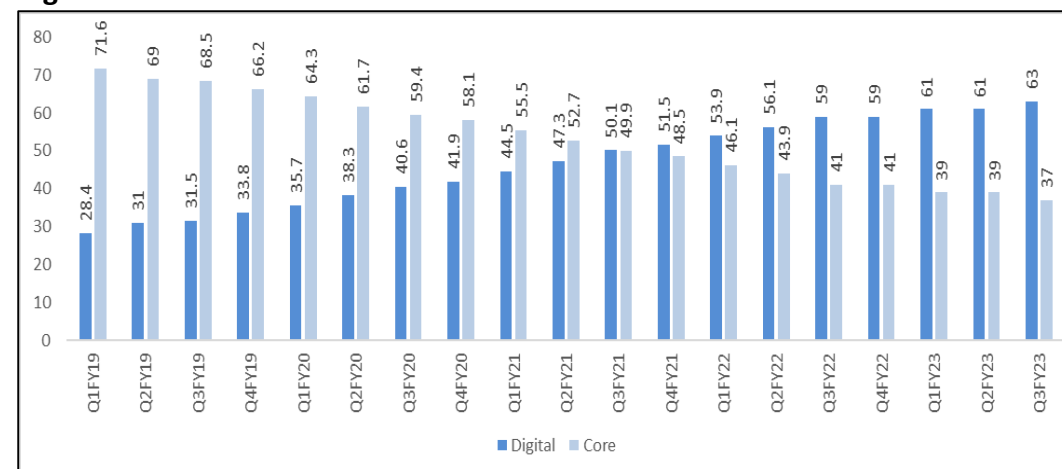
Digital acceleration and technology up gradation in the industry to bring order inflows

Post pandemic, clients have been looking to revamp the overhaul infrastructure including front end, back end, cloud, digital adoption and transformation. Clients are investing in new gen technology and infrastructure development to build up strong platform. We expect that the increased demand in data and analytics, cloud, security, legacy modernisation, and IoT could continue to drive growth in the digital space.

Infosys is well-placed to capture opportunities from increasing spends on multi-year core modernisation, higher adoption of digital transformation initiatives (including cloud migration, application modernisation, and data modernisation), and increasing outsourcing to drive efficiency and greater productivity. In the recent past, Infosys has aggressively invested in digital technologies to capture a large portion of upcoming digital spends. With strong relationships with clients and robust execution capabilities, Infosys is well-positioned to quantify the opportunities of transformation by clients.



Digital and Core business contribution-%



Margins stability as well as expansion led by operational efficiencies

Infosys EBIT margin surged by 210bps QoQ and inched up by 10bps YoY to 23.5% in Q3FY23 supported by strong demand-led revenue growth and net profit margin increased by 70bps QoQ though it was down by 110bps YoY to 17.2% in Q3FY23. The company has given margin guidance at 21-22% for FY23E. The company is confident of achieving operating margin guidance despite wage hikes, higher attrition and more hiring.

Taking into consideration many levers like cost rationalisation, offshoring, pyramid rationalisation, rupee depreciation, pricing and automation, the company could achieve the margin target of 21-22% in FY23E. However, we expect margin headwinds in next one or two quarters led by higher travel cost, large deal transition cost, and supply side expenses. Hence, we expect EBIT margins of 21.6%/21.5%/21.5% for FY23E/FY24E/FY25E, respectively.

Strong fundamentals supported by healthy liquidity, zero debt and high dividend payout

- Infosys' financial profile has been robust led by debt free balance sheet and healthy cash generating ability over the past. Financial flexibility is strong, supported by robust liquidity.
- The company raised FY23E constant currency revenue growth forecast to 16-16.5% from 15-16% earlier and operating margin for FY23E to be in the range of 21-22%. We expect revenue CAGR of 15.5% and PAT CAGR of 13% over the FY22-FY25E.
- Stable margins could help to maintain its attractive return ratios going forward.



- The company has started share buyback program through open market route from December 7, 2022 and till date (Feb 02, 2023), has bought back 5.484 crore shares worth Rs 8,651 crore of total authorization of Rs 9,300 crore at an average price of approx. Rs 1,577.49 per share (compared to maximum Buyback Price of Rs 1,850 per share). Its cash and cash equivalent stood at Rs 32,800 crore as on Sept 30, 2021, free cash conversion was strong at 109.5% of net profit.
- Infosys is also expected to invest in niche acquisitions to strengthen its domain expertise in the medium term. These will be largely funded from its cash surplus and healthy accruals.
- Infosys has always been generous in declaring dividends and engaging share buybacks. The company has declared an interim dividend of Rs. 16.5/share for FY23E and we expect dividend Rs 25/50/60 per share to shareholders in FY23E/FY24E/FY25E, respectively.

What could go wrong?

- Indian rupee appreciation against the USD, pricing pressure, retention of the skilled headcount, strict immigration norms and rise in visa costs are key concerns.
- Higher inflation and rising interest in US region and most countries in European region which are facing economic slowdown, could compel clients to cut IT spending going forward.
- The whole industry is facing talent constraint, this has led to higher use of subcontractors and unsustainable increase in utilization rates. All this has a cost which may be reflected in EBIT margin decline for Infosys and its peers.
- Infosys attrition (on LTM basis) is higher compared to its peers (TCS and HCL Tech) stood at 24.3% in Q3FY23 vs. 13.9% in Q1FY21 and 12.2% in Q2FY21. However, management has announced two rounds of compensation hikes, a higher number of promotions, and increased employee engagement through career development initiatives to control attrition.

Operating Metrics

Geographic contribution

Revenue Mix-%	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
North America	61.5	60.7	61.6	61.6	61.7	61.9	61.8	61.4	61.8	62.5	62.0
Europe	24.0	24.3	24.0	24.4	24.2	24.8	24.9	25.2	25.0	24.7	25.8
India	2.9	3.0	2.6	3.0	2.9	2.6	3.0	3.2	2.6	2.9	2.4
Rest of the World	11.6	12.0	11.8	11.0	11.2	10.7	10.3	10.2	10.6	9.9	9.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0



Onsite-offshore contribution

Revenue Mix-%	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Onsite revenue	55.4	52.2	50.9	49.3	47.7	47.2	47.6	48.0	48.1	48.3	48.5
Offshore revenue	44.6	47.8	49.1	50.7	52.3	52.8	52.4	52.0	51.9	51.7	51.5

Revenue Mix by Vertical

(% of revenue)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Financial services	31.5	32.0	33.1	33.0	33.0	32.3	31.5	31.3	30.6	30.5	29.3
Retail	14.3	14.9	14.7	14.8	15.0	14.6	14.5	14.3	14.5	14.2	14.3
Communication	13.4	12.6	12.4	12.0	12.2	12.4	12.5	12.8	13.0	12.3	12.3
Energy, Util, Resource& Serv	12.8	12.3	12.5	12.3	12.1	11.8	11.7	12.0	12.4	12.3	13.0
Manufacturing	9.5	9.1	9.3	9.6	9.7	10.9	11.3	11.8	12.1	12.8	13.3
Hi Tech	8.7	9.1	8.2	8.1	8.3	8.5	8.1	8.2	8.2	8.2	8.1
Life Sciences	6.7	6.8	7.1	6.8	6.8	7.1	7.5	6.6	6.5	6.7	7.0
Others	3.1	3.2	2.7	3.4	2.9	2.4	2.9	3.0	2.7	3.0	2.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Headcount, attrition and utilisation

(Nos.)	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Total headcount	2,40,208	2,49,312	2,59,619	2,67,953	2,79,617	2,92,067	3,14,015	3,35,186	3,45,218	3,46,845
Net additions	975	9,104	10,307	8,334	11,664	12,450	21,948	21,171	10,032	1,627
Voluntary Attrition % (TTM)	12.8	11.0	10.9	13.9	20.1	25.5	27.7	28.4	27.1	24.3
Utilisation including trainees (%)	80.6	82.3	82.2	83.3	84.1	82.7	80.0	77.6	76.6	77.1
Utilisation excluding trainees (%)	83.6	86.3	87.7	88.5	89.2	88.5	87.0	84.7	83.6	81.7

(Source: Company, HDFC sec)

Peer Comparison

Company, Rs in Cr	Mkt Cap, Cr	Sales			EBIT			PAT			ROE-%			P/E (x)		
		FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
TCS	1266361	225400	249839	271626	54550	62369	67801	41795	48499	52223	45.5	48.9	48.3	30.3	26.1	24.3
Infosys	666265	148406	168033	187530	32080	36060	40403	24736	28451	31922	32.2	34.8	35.9	26.9	23.4	20.8
Wipro	224478	90920	101766	112402	13478	16234	18272	11222	13289	14817	16.5	18.2	18.9	20.0	16.9	15.2
HCL Tech	311977	101689	112435	121851	18416	20233	21988	14446	15728	17095	22.9	24.1	25.3	21.6	19.8	18.2

(Source: Company, HDFC sec)



Financials (Consolidated)

Income Statement

(Rs Cr)	FY21	FY22	FY23E	FY24E	FY25E
Net Revenues	100473	121641	148406	168033	187530
Growth (%)	6.1	21.1	22.0	13.2	11.6
Operating Expenses	72583	90357	112214	127317	141931
EBITDA	27890	31284	36192	40715	45599
Growth (%)	25.2	12.2	15.7	12.5	12.0
EBITDA Margin (%)	27.8	25.7	24.4	24.2	24.3
Depreciation	3268	3269	4112	4656	5196
EBIT	24622	28015	32080	36060	40403
Other Income	2201	2295	2395	3234	3646
Interest expenses	195	200	282	320	320
PBT	26628	30110	34193	38974	43728
Tax	7205	7964	9450	10523	11807
RPAT	19423	22146	24743	28451	31922
APAT	19351	22111	24736	28451	31922
Growth (%)	18.0	14.3	11.9	15.0	12.2
EPS	46.1	52.6	58.9	67.8	76.1

Balance Sheet

As at March	FY21	FY22	FY23E	FY24E	FY25E
SOURCE OF FUNDS					
Share Capital	2124	2098	2068	2068	2068
Reserves	74227	73252	76054	83526	90272
Shareholders' Funds	76351	75350	78122	85594	92340
Long Term Debt	0	0	0	0	0
Net Deferred Taxes	-223	-56	-56	-56	-56
Long Term Provisions & Others	6864	7390	7390	7390	7390
Minority Interest	431	386	386	386	386
Total Source of Funds	83423	83070	85842	93314	100060
APPLICATION OF FUNDS					
Net Block & Goodwill	25505	25800	28065	29686	31852
CWIP	922	416	416	416	416
Other Non-Current Assets	8683	10246	10301	10341	10380
Total Non Current Assets	35110	36462	38782	40442	42648
Current Investments	0	0	0	0	0
Inventories	0	0	0	0	0
Trade Receivables	19294	22698	27692	31355	34993
Cash & Equivalents	38660	37419	35875	40146	43156
Other Current Assets	14224	20094	23724	26463	29183
Total Current Assets	72178	80211	87291	97963	107332
Short-Term Borrowings	0	0	0	0	0
Trade Payables	2645	4134	5044	5711	6373
Other Current Liab & Provisions	21220	29469	35188	39381	43547
Total Current Liabilities	23865	33603	40231	45092	49920
Net Current Assets	48313	46608	47060	52871	57412
Total Application of Funds	83423	83070	85842	93314	100060

(Source: Company, HDFC sec)



Cash Flow Statement

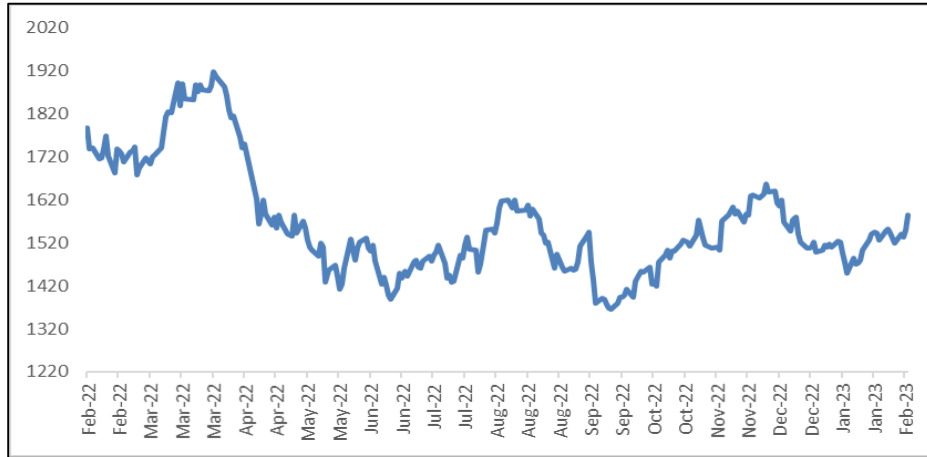
(Rs Cr)	FY21	FY22	FY23E	FY24E	FY25E
Reported PBT	26,628	30,110	34,193	38,974	43,728
Non-operating & EO items	-1,050	-665	-1,733	-2,361	-3,646
Interest Expenses	195	200	282	320	320
Depreciation	3,268	3,269	4,112	4,656	5,196
Working Capital Change	768	-1,424	-1,996	-1,540	-1,530
Tax Paid	-6,389	-7,612	-9,450	-10,523	-11,807
OPERATING CASH FLOW (a)	23,420	23,878	25,407	29,525	32,262
Capex	-3,486	-2,214	-6,377	-6,276	-7,362
Free Cash Flow	19,934	21,664	19,030	23,249	24,900
Investments	-94	-118	0	0	0
Non-operating income	1,050	665	1,672	2,321	3,606
INVESTING CASH FLOW (b)	-2,530	-1,667	-4,706	-3,955	-3,756
Debt Issuance / (Repaid)	-698	-915	0	0	0
Interest Expenses	-195	-200	-282	-320	-320
FCFE	19,041	20,549	18,748	22,929	24,580
Share Capital Issuance	15	21	0	0	0
Dividend/Buyback	-9,137	-23,746	-21,934	-20,980	-25,176
Others	0	0	0	0	0
FINANCING CASH FLOW (c)	-10,015	-24,840	-22,216	-21,300	-25,496
NET CASH FLOW (a+b+c)	10,875	-2,629	-1,514	4,271	3,010

Key Ratios

Particulars	FY21	FY22	FY23E	FY24E	FY25E
Profitability Ratio (%)					
EBITDA Margin	27.8	25.7	24.4	24.2	24.3
EBIT Margin	24.5	23.0	21.6	21.5	21.5
APAT Margin	19.3	18.2	16.7	16.9	17.0
RoE	27.3	29.2	32.2	34.8	35.9
RoCE	25.2	26.6	29.3	31.8	33.0
Solvency Ratio (x)					
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0
Net D/E	0.0	0.0	0.0	0.0	0.0
Per Share Data (Rs)					
EPS	46.1	52.7	59.0	67.8	76.1
CEPS	53.9	60.5	68.8	78.9	88.5
Dividend	27.0	29.0	25.0	50.0	60.0
BVPS	180.8	247.0	285.6	303.2	319.1
Turnover Ratios (days)					
Debtor days	70	68	68	68	68
Inventory days	0	0	0	0	0
Creditors days	10	12	12	12	12
Valuation (x)					
P/E	34.3	30.0	26.9	23.4	20.8
P/BV	8.8	6.4	5.5	5.2	5.0
EV/EBITDA	23.3	20.6	17.7	15.7	13.9
EV / Revenues	6.5	5.3	4.3	3.8	3.4
Dividend Yield (%)	1.7	1.8	1.6	3.2	3.8
Dividend Payout (%)	58.5	55.0	42.4	73.7	78.9



One Year Price Chart



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.

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