Pick of the Week

Ajmera Realty & Infra India Limited

November 11, 2024

RETAILRESEARCH

Ajmera Realty & Infra India Limited

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Real Estate	Rs 948	Buy in Rs 920-950 band and add on dips in Rs 840-860 band	Rs 1039	Rs 1130	2-3 quarters

HDFC Scrip Code	AJMERAEQNR
BSE Code	513349
NSE Code	AJMERA
Bloomberg	AREAL:IN
CMP Nov 08, 2024	948
Equity Capital (Rs Cr)	35.5
Face Value (Rs)	10.0
Equity Share O/S (Cr)	3.5
Market Cap (Rs Cr)	3416
Book Value (Rs)	254.0
Avg. 52 Wk Volumes	189486
52 Week High	1,000
52 Week Low	370

Share holding Pattern % (Sep, 2024)	
Promoters	74.2
Institutions	2.3
Non Institutions	23.5
Total	100.0

HDFCsec Retail research stock rating meter

for details about the ratings, refer at the end of the report

* Refer at the end for explanation on Risk Ratings

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Our Take:

Ajmera Realty and Infra India Ltd (Ajmera) is the flagship company of the Ajmera Group. With a legacy of more than 55 years in the real estate sector in India, Ajmera has created a well-known brand name for itself with presence in MMR, Bengaluru, Pune and Ahmedabad. Ajmera has delivered over 20.3 million square feet of projects and built more than 46,000 homes so far.

The Company has been a pioneer in township development, shaping communities in key regions like Mira Road, Andheri, Borivali, and Wadala in Mumbai and some key projects in Bengaluru. It also has a substantial land bank of 11.1 msf in Wadala and Kanjurmarg in Mumbai. The company operates through various models such as greenfield and brownfield developments (59% contribution to FY24 revenue), society redevelopment, regulatory redevelopment and JV/JD/stressed asset acquisitions.

Ajmera has come a long way since its initial township development of more than 17,000 units in Mira Road's Shanti Nagar. It owns a total portfolio of ~14.0 msf (1.0 msf ongoing, 1.9 msf potential launches and 11.1 msf future development potential) as of FY24. The company aims to seize opportunities in its key micro markets of MMR and Bengaluru through both organic as well as inorganic expansion is aims to actively bolster its bolster its portfolio, optimize its sales inventory and broaden its geographical presence for future growth. The company is also on an active look out for inorganic growth through the asset-light JV/JD model.

In Q2FY25, Ajmera completed Rs 225 cr preferential allotment to marquee investors and aims to invest in accelerating project launches and repay its existing debt. Ajmera has also successfully reduced its corporate debt from Rs 566 cr as of September 2022 to Rs 283 cr as of September 2024 and has a comfortable cash position with its debt to equity ratio down to 0.85x as of September 2024 from 1.11x as of September 2022. The company also secured its maiden private equity deal with India Realty Excellence Fund VI (Motilal Oswal) for development of a residential project in Vikhroli.

Valuation & Recommendation:

Ajmera has delivered 31.6% CAGR of pre-sales between FY22-24. The company has lined up 7 launches in H2FY25 with a GDV of Rs 4270 cr. Further its current projects (OC received and ongoing) have a revenue potential of Rs 1779 cr. A combined potential of Rs 6049 cr over the next 3 to 4 years provides revenue visibility. Moreover, the company also plans to unlock potential from its 11.1 msf land banks in Wadala and Kanjurmarg by launching a mix of township development and commercial projects in a phased manner. The company has 100% ownership of its land bank and expects to accrue all of the potential revenue on its own books. With a net cash flow expectation (post-debt and costs) of Rs 111 cr from ongoing projects and Rs 648 cr, the company's balance sheet and cash position remains healthy. The management has re-iterated its sales guidance of Rs 1350 cr in FY25 (Rs 560 cr in H1FY25) and we believe it is on track to achieve its target on the back of traction in ongoing projects and potential from line-up of new launches.

We believe investors can buy the stock in Rs 920-950 band (7.1x FY27E EV/Embedded EBITDA) and add on dips in Rs 840 - 860 (6.5x FY27E EV/ Embedded EBITDA) band for a base case fair value of Rs 1039 (7.7x FY27E EV/ Embedded EBITDA) and bull case fair value of Rs 1130 (8.2x FY27E EV/ Embedded EBITDA) over the next 2-3 quarters.

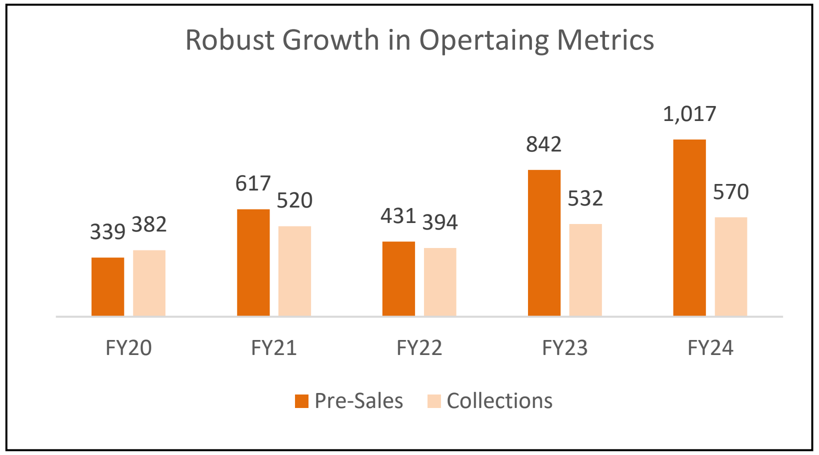
Financial Summary:

Particulars (Rs cr)	Q2FY25	Q2FY24	YoY-%	Q1FY25	QoQ-%	FY22	FY23	FY24	FY25E	FY26E	FY27E
Operating Income	200	145	38%	194	3%	483	431	700	765	935	1075
EBITDA	60	38	60%	64	-6%	116	124	201	222	273	317
APAT	35	23	57%	31	12%	45	71	103	112	154	187
Diluted EPS (Rs)	9.8	6.3	56%	8.7	13%	12.8	20.1	29.0	31.6	43.4	52.6
RoE-%						6.6	9.6	12.5	12.3	15.0	15.9
P/E (x)						74.1	47.0	32.7	30.0	21.9	18.0
EV/EBITDA (x)						36.1	33.4	20.3	18.4	15.2	13.2

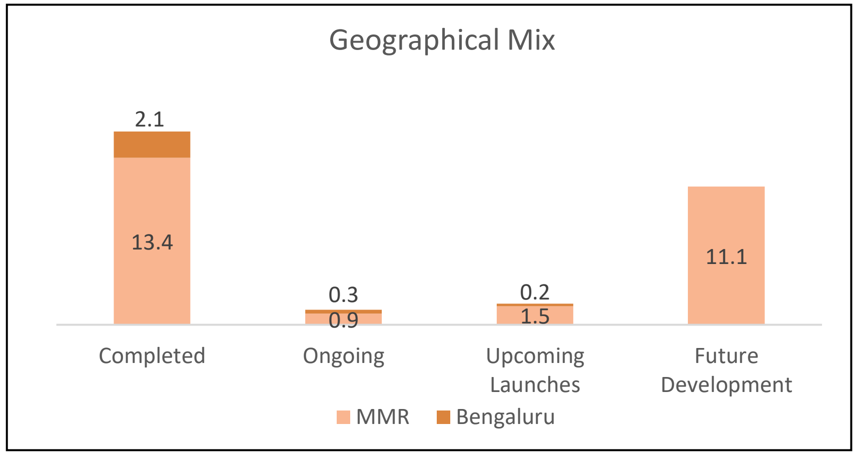
(Source: Company, HDFC sec)

Charts in Focus

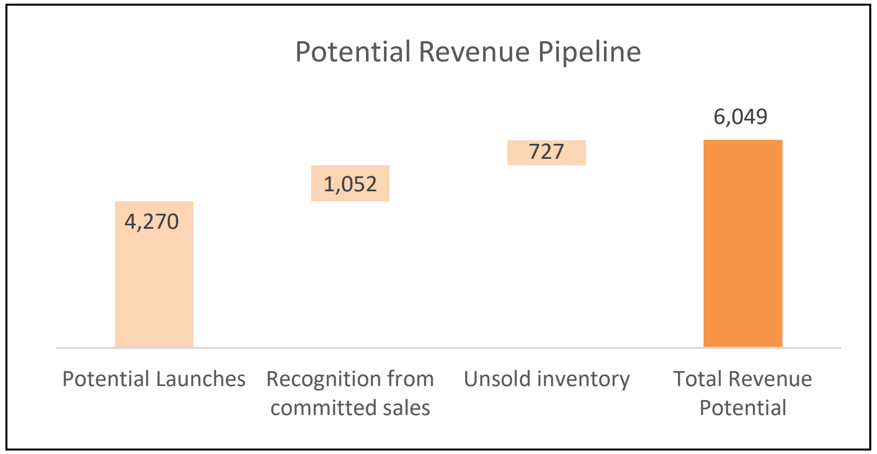
Pre-Sales/Collections have grown at a healthy clip of 31.6%/10.5% CAGR between FY20-24



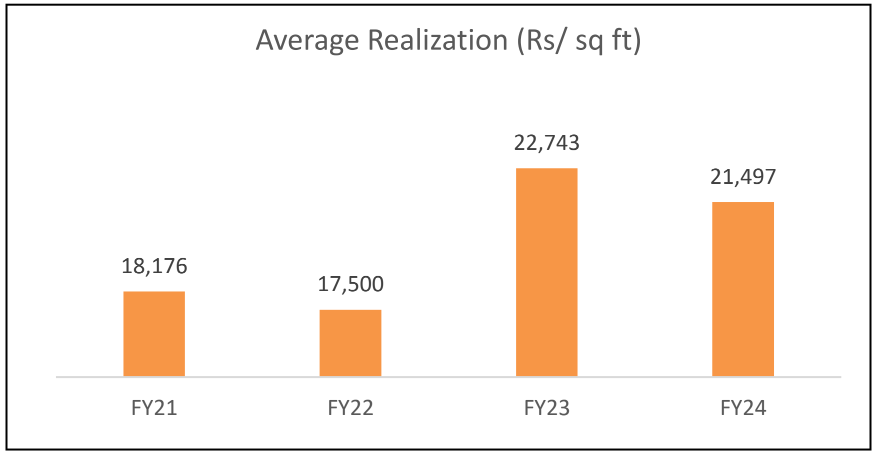
MMR constitutes majority of the company's development portfolio



Revenue visibility from ongoing and upcoming projects



Average realizations have improved in recent years



(Source: Company, HDFC sec)

Q2FY25 Result Update

Ajmera reported pre-sales worth Rs 254 cr, up by 0.8% YoY, whereas sales volume declined by 5.6% YoY to 114,046 square feet (sf). Collections however, improved by 19.8% YoY to Rs 133 cr. The company sold 166 units during the quarter as against 155 units in Q2FY24 and 219 units in Q1FY25. Average realization per sq. ft. improved by 6.8% YoY to Rs 22,272 (-4.8% QoQ). In terms of recognized Profit and Loss, the company's revenue grew by 37.6% YoY (+3.2% QoQ), EBITDA grew by 60.1% YoY (-6.1% QoQ) to Rs 60.4 cr and APAT improved by 56.9% YoY (+12.5% QoQ) to Rs 35.4 cr. Ajmera's debt to equity ratio improved to 0.85x as of Q2FY25 as against 0.97x as of Q2FY24.

The company currently has 7 ongoing projects in Mumbai and Bangalore with a total area of 1.1 msf. Further, Ajmera has lined up 7 projects launches combined in Mumbai and Bangalore with a total area of 1.7 msf. Amongst its marquee projects, Ajmera Manhattan has sold c.85% of its inventory, whereas Ajmera Prive and Ajmera Eden have sold c.69% of their respective inventories as of Q2FY25. Further the company has sold 59% of inventory in Ajmera Greenfinity and 91% in Ajmera Lugaano & Florenza. Its newly launched project Ajmera Vihara in Bhandup also received good traction, achieved inventory sales c.49% since its launch. Overall, the company has Rs 670 cr of estimated sales value potential from its ongoing projects. Ajmera has a strong pipeline of launches encompassing 1.7 msf with a GDV of Rs 4,270 cr in H2FY25.

During the quarter, the company raised Rs 225 cr by issuing 31.64 lakhs equity shares at Rs 711 per share. The company plans to use it for accelerating the momentum of its project launches, debt repayment and general corporate purposes. The company also secured its maiden private equity deal with India Realty Excellence Fund VI (Motilal Oswal) for development of a residential project in Vikhroli. The management has re-iterated its sales guidance of Rs 1350 cr in FY25 (Rs 560 cr in H1FY25) and we believe it is on track to achieve its target on the back of traction in ongoing projects and potential from line-up of new launches.

Key Drivers

A well-known player with over 5 decades of experience in the Indian Real Estate sector

With a legacy spanning more than 55 years, Ajmera is a well-known real estate player with a presence in the western market of India. Ajmera operates primarily in the Mumbai and Bengaluru micro-markets and it has so far completed 13.4 msf of projects in MMR and 2.1 msf of Bengaluru in the residential segment. The company has delivered over 20.3 msf of projects to more than 46,000 customers so far. The Company has been a pioneer in township development, shaping communities in key regions like Mira Road, Andheri, Borivali, and Wadala in Mumbai and some key projects in Bengaluru. Further, it owns a substantial land bank of 11.1 msf in up and coming areas of Wadala and Kanjurmarg in Mumbai. Due to its established presence in the real estate industry in Mumbai and track record of timely delivery of projects, it has established a strong brand in the market. Ajmera operates through diverse business models such as greenfield and brownfield project acquisitions, society redevelopment, regulatory redevelopment and JV/JDA/DM Stressed Acquisition, which has helped it identify positive IRR projects at key locations and this coupled with its execution has led to further strengthening brand recall among its customers, in these micro-markets.

Robust revenue visibility from ongoing and upcoming projects

Ajmera currently has received OC for 3 of its projects with estimate sale value of ~Rs 57 cr, whereas it has 6 ongoing projects with a revenue potential from unsold stock of ~Rs 670 cr. Total revenue recognition from ongoing projects (committed sales + unsold inventory) is estimated to be ~Rs 1721 cr over the next 2 to 3 years. The company's ongoing projects like Ajmera Manhattan (Wadala), Ajmera Prive (Juhu), Ajmera Eden (Ghatkopar) etc. are located at prime locations in Mumbai and have received strong bookings already since their launch. Ajmera has already sold 85% of the inventory in its flagship Ajmera Manhattan project in Wadala and the company further estimates Rs 256 cr worth of sales from the remaining inventory. Its recent launch in Bhandup –

Ajmera Vihara has also witnessed robust traction, contributing 23% of bookings in Q2FY25, with 49% of its inventory already sold out. The project has a total revenue potential of close to Rs 275 cr. Overall the company has ongoing projects of ~1.2 msf, which will be delivered over the next 2 to 3 years, providing revenue visibility in the near term.

OC Received Projects

Projects	Ownership	Completion as on 30 Sep 2024	Revenue Recognized (Rs Cr)	Balance Recognition (Rs Cr)	Total Area (Sq. ft.)	Area Sold (Sq. ft.)	% sold	Unsold Carpet Area (Sq. ft.)	Estimated Sale Value (Rs Cr)	Average Expected Realization (Rs/sq ft)
Nucleus C	70%	99%	90	1	103,149	102,163	99%	986	1	10,142
Greenfinity CD	100%	100%	182	0	69,652	69,292	99%	360	1	27,778
Nucleus Commercial	70%	100%	39	0	101,780	46,744	46%	55036	55	9,993

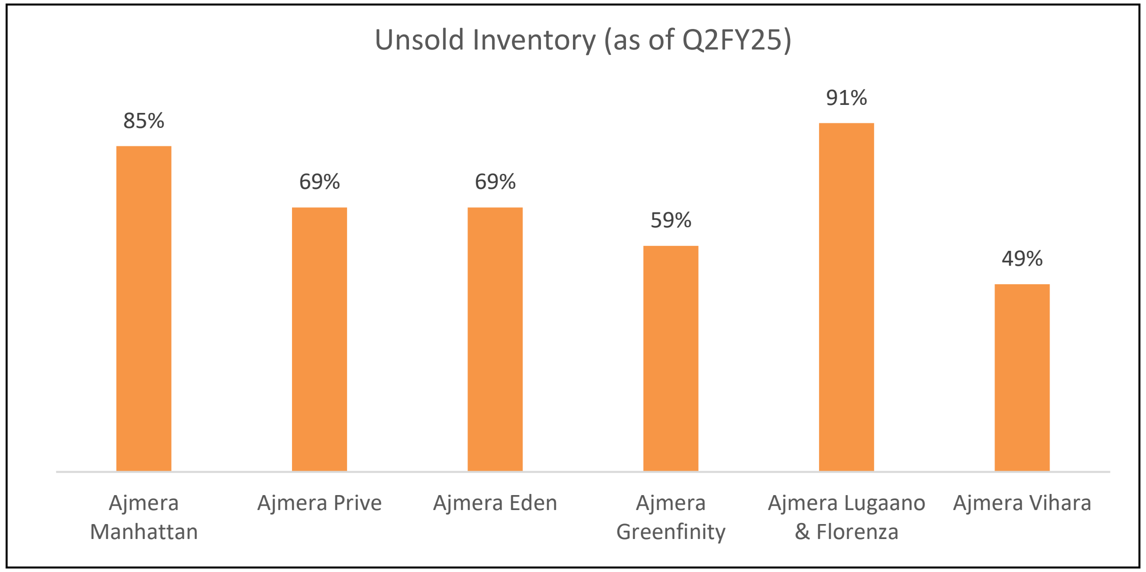
(Source: Company, HDFC sec)

Ongoing Projects

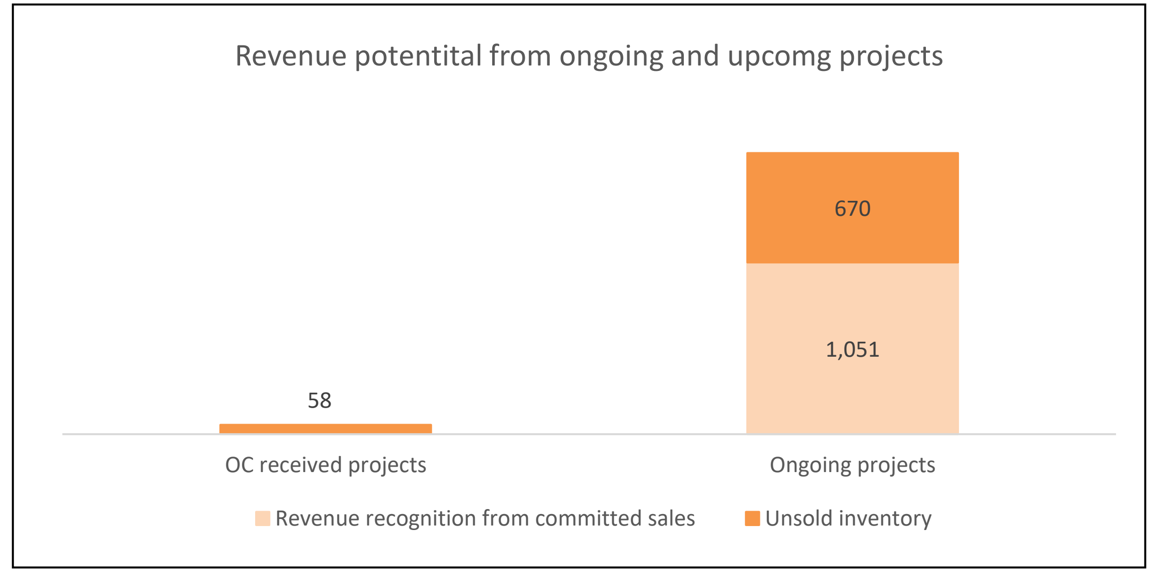
Projects	Ownership	Completion as on 30 Sep 2024	Revenue Recognised (Rs Cr)	Balance Recognition (Rs Cr)	Total Area (Sq. ft.)	Area Sold (Sq. ft.)	% sold	Unsold Area (Sq. ft.)	Estimated Sale Value (Rs Cr)	Average Expected Realization (Rs/sq ft)	Estimated Project Completion (RERA)
Manhattan	100%	61%	701	595	498,096	423,295	85%	74,801	256	34,224	Jun-27
Prive	100%	80%	75	37	30,602	21,250	69%	9,352	56	59,880	Jun-26
Eden	100%	86%	114	58	95,708	66,309	69%	29,399	83	28,232	Jun-27
Lugaano & Florenza	70%	69%	134	82	260,288	236,954	91%	23,334	30	12,857	Aug-27
Greenfinity AB	100%	14%	0	148	92,020	54,570	59%	37,450	101	26,969	Sep-26
Bhandup	85%	13%	0	131	154,804	75,632	49%	79,172	144	18,188	Feb-29

(Source: Company, HDFC sec)

Strong traction in ongoing projects with large part of inventory already sold



Robust revenue visibility from existing projects over the next few years



(Source: Company, HDFC sec)

Potential for GDV from a strong launch pipeline and monetization of land bank

Ajmera has a robust pipeline of upcoming launches in H2FY25 encompassing 1.7 msf, with a GDV of Rs 4,270 cr. Of this one project is based in Bengaluru of 0.24 msf, whereas the remaining are in Mumbai. Its Wadala project expected to be launched in Feb 2025 is the largest one with 0.5 msf of development area and GDV of Rs 1,550 cr. These upcoming launches along with ongoing projects combined make up revenue potential of ~Rs 6,049 cr over the next few years.

The company also has vast owned land banks of 3.15 msf in Wadala, of which 1.85 is commercial and the remaining is residential and 7.9 msf in Kanjurmarg, of which 6.1 msf is residential and the remaining is for mix use. Ajmera plans to launch projects on these land banks in a phased manner over the next 5-6 years. Thus the company plans to continue to strengthen its portfolio and is exploring strategic opportunities through both organic as well as inorganic routes. It also plans to unlock untapped potential from its existing land bank and drive expansion through phase-wise development plan.

Robust pipeline of new launches in H2FY25

Project	Location	Ownership (%)	Estimated Launch (Month, Year)	Estimated Completion (Month, Year)	Estimated GDV (INR Cr)	Estimated CarpetArea (Sq.ft.)
Ajmera Iris	Bangalore	70%	Oct'24	Dec'27	150	2,35,000
Codename Vikhroli	Mumbai	100%	Jan'25	Mar'28	700	3,25,000
Codename Central Mumbai 1	Mumbai	100%	Mar'25	Aug'28	800	4,05,000
Codename Versova	Mumbai	100%	Feb'25	Mar'28	360	90,700
Codename Yogi Nagar	Mumbai	100%	Feb'25	Jun'28	330	1,15,000
Codename Bandra**	Mumbai	50%	Mar'25	Jun'28	380	65,000
Codename Wadala	Mumbai	100%	Feb'25	Feb'29	1,550	5,00,000
TOTAL ESTIMATED GDV (INR Cr)					4,270	17,35,700

Unlocking potential through its land banks in Wadala and Kanjurmarg

Location	Type of Development	Estimated Carpet Area (in lakh Sq.ft.)	ARIIL Stake	Development Plan
Wadala	Residential	13	100%	Phase-wise launch within 4-6 years
	Commercial	18.5	100%	Expected to be a lease model
Kanjurmarg	Residential	61	100%	Township development within 7-8 years
	Mix Use	18	100%	Phase-wise launch within 5-6 years
	TOTAL	111		

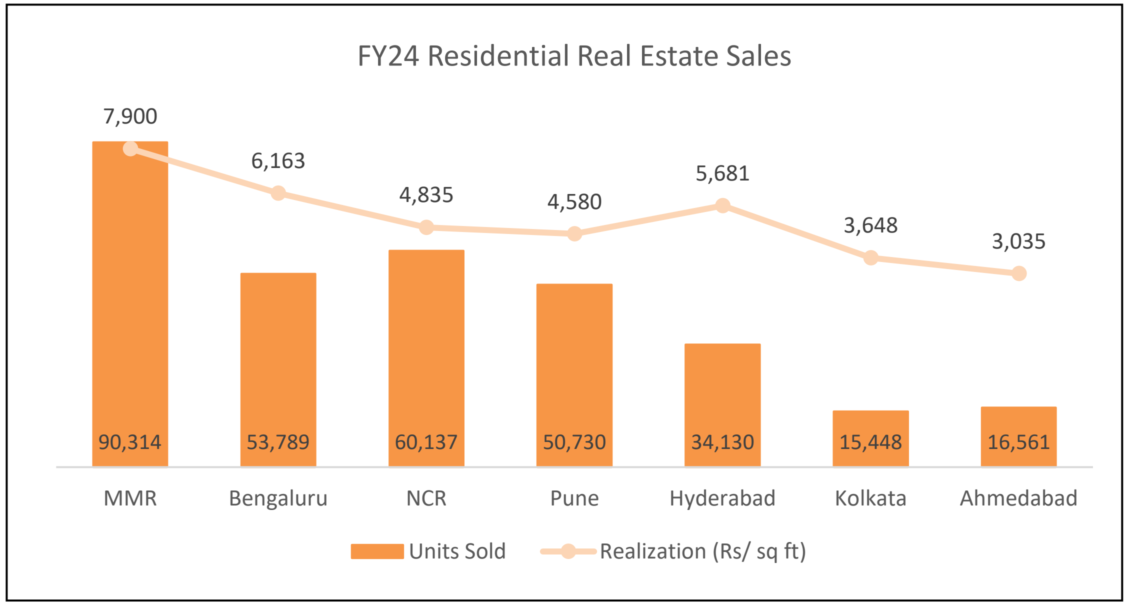
(Source: Company, HDFC sec)

MMR – one of the prime regions in the Indian real estate market

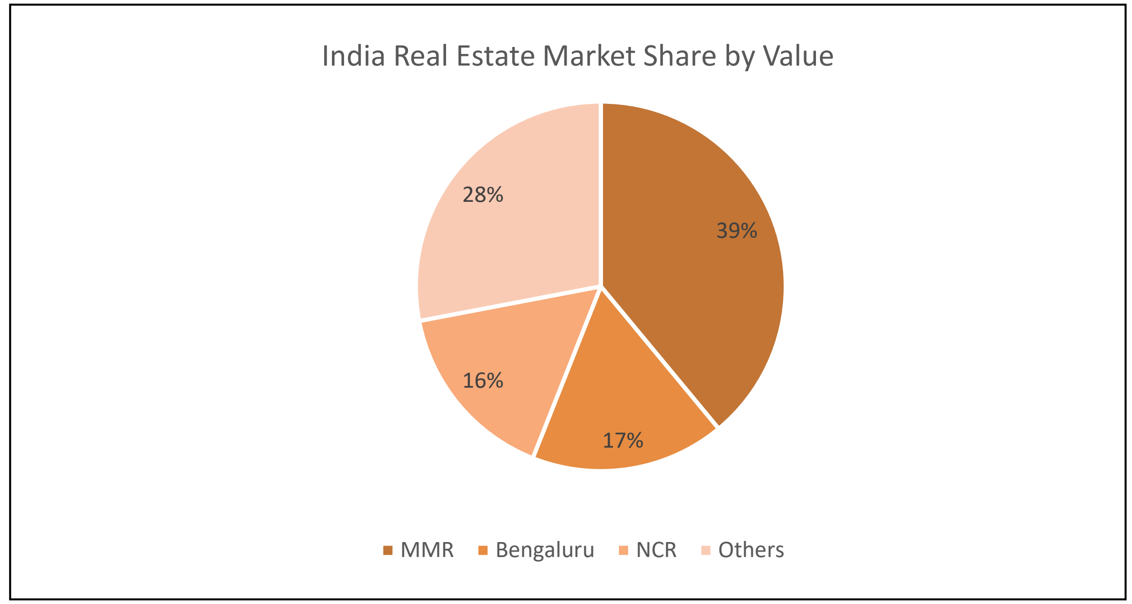
In the calendar year 2023 Mumbai city has recorded registrations of over 1.27 Lakhs real estate properties, making it the best year for property sales across primary and secondary market, exceeding last year's peak by 4%. Total revenue collected through stamp duty rose 22% in the calendar year 2023 to over Rs 10,850 cr, showed data from the inspector general of registration, Maharashtra. Demand has been driven by rising income levels, better affordability and a positive homeownership outlook. In FY23-24, Mumbai's luxury real estate sector experienced a notable surge, characterized by a doubling in sales of luxury flats priced above Rs 5 cr, with more than 3000 units sold. The surge in luxury Real Estate sales can be attributed to several key trends such as increased demand from High Net-Worth Individuals (HNIs), Rise in luxury developments and shift towards integrated communities.

With a steady increase in supply and a more sustainable pace of demand growth, coupled with continued customer confidence in under-construction properties, the market is poised for long-term growth and stability. Strategic investments, regulatory support, and innovations in housing finance are expected to further bolster the sector, making it a pivotal component of India's economic landscape in the years to come. MMRDA and NITI Aayog are jointly working towards raising Mumbai's gross domestic product from USD 140 bn to USD 300 bn by 2030.

MMR registered highest sales in units despite the highest realization across major cities



MMR is the largest real estate market in India by value



(Source: Company, HDFC sec)

Risks & Concerns:

Risks and cyclicality inherent in the real estate sector

Risk and cyclicality in the real estate sector could impact the company's segments – residential, commercial and retail. Scalability and realisation could impact residential business given the cyclical nature of the sector. Slowdown in personal incomes growth could affect the demand for residential homes. In its commercial segment, total leasing of area depends on the local demand, state government policies for promoting business growth and industrial activity.

Delay in ongoing and planned projects

The company's current and forthcoming projects may be subject to changes in terms of timelines, realisations, completions as a result of factors outside its control. There are considerable procedural delays with respect to approvals related to acquisition and use of land, environment approval, etc. Defects or challenges to land titles, failure or delay in obtaining consent from current occupants, non-renewal or pre-mature termination of leases, failure or delay in securing necessary regulatory approvals and permits to develop some of its projects could impact its topline and operational performance. The company could take longer than expected time to launch and monetise its large land banks.

Inflationary pressures

Significant increases in prices or shortages of, or delay or disruption in supply of labour and key building materials could impact its profitability.

Policy and Regulatory Risks

The real estate industry is often affected by changes in government policies and regulations. Unfavourable changes in the government policies, environmental related regulations and others may adversely impact the performance of the company.

Operational Risks

There are a number of operational risks associated with real estate business – inability to complete and deliver projects according to the timelines leading to incremental costs, difficulties in the appointment and retention of quality contractors, shortage of manpower, non-compliances with laws and regulations leading to fines and penalties, delay in approvals and lengthy litigations.

Company Background

Ajmera Realty & Infra India Limited (Ajmera) is one of the trusted names in the Indian Real Estate sector with more than 55 years of legacy. Ajmera has delivered over 20.3 million square feet of projects and built more than 46,000 homes across MMR, Bengaluru, Pune and Ahmedabad. The company also owns a substantial land bank of 11.1 million square feet.

Peer Comparison

Company	Mcap (Rs cr)	Revenue				EBITDA Margin				APAT				RoE			
		FY23	FY24	FY25E	FY26E	FY23	FY24	FY25E	FY26E	FY23	FY24	FY25E	FY26E	FY23	FY24	FY25E	FY26E
Ajmera	3416	431	700	765	935	28.9	28.7	29.0	29.3	71	103	112	154	9.6	12.5	12.3	15.0
Oberoi Realty	72360	4192	4496	5149	5645	50.4	53.6	53.4	53.6	1881	1927	2064	2210	16.8	14.7	14.9	14.7
Keystone Realtors (Rustomjee)	9198	686	2222	2104	2433	29.9	7.9	12.3	16.4	84	110	248	362	6.3	6.5	11.6	7.2

(Source: Company, HDFC sec)

Financials

Income Statement

Particulars (in Rs Cr)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Revenues	**483**	**431**	**700**	**765**	**935**	**1075**
Growth (%)	***39.2***	***-10.7***	***62.4***	***9.3***	***22.2***	***15.0***
Operating Expenses	367	307	499	543	662	758
EBITDA	**116**	**124**	**201**	**222**	**273**	**317**
Growth (%)	***21.7***	***7.1***	***61.7***	***10.3***	***23.3***	***16.0***
EBITDA Margin (%)	***24.1***	***28.9***	***28.7***	***29.0***	***29.3***	***29.5***
Depreciation	2	2	2	2	2	2
Other Income	6	10	8	9	11	12
EBIT	**121**	**132**	**207**	**229**	**282**	**327**
Interest expenses	59	36	69	78	75	77
PBT	**62**	**96**	**139**	**151**	**207**	**250**
Tax	15	25	35	38	52	63
PAT	**46**	**72**	**104**	**113**	**155**	**187**
Share of Asso./Minority Int.	-1	0	-1	-1	-1	-1
Adj. PAT	**45**	**71**	**103**	**112**	**154**	**187**
Growth (%)	***50.4***	***57.5***	***43.8***	***9.1***	***37.1***	***21.3***
EPS	12.8	20.1	29.0	31.6	43.4	52.6

Balance Sheet

Particulars (in Rs Cr) - As at March	FY22	FY23	FY24	FY25E	FY26E	FY27E
SOURCE OF FUNDS						
Share Capital	35	35	35	35	35	35
Reserves	674	738	830	926	1060	1222
Shareholders' Funds	**710**	**774**	**866**	**961**	**1095**	**1257**
Minority Interest	101	119	128	129	130	130
Total Debt	868	826	808	828	843	858
Other Non-Curr. Liab	130	50	46	50	61	71
Net Deferred Taxes	0	0	0	0	0	0
Total Sources of Funds	**1809**	**1769**	**1847**	**1968**	**2129**	**2316**
APPLICATION OF FUNDS						
Net Block & Goodwill	66	69	71	75	83	90
CWIP	0	0	0	0	0	0
Investments	25	66	110	110	110	110
Other Non-Curr. Assets	507	323	168	184	224	258
Total Non-Current Assets	**598**	**458**	**349**	**368**	**417**	**458**
Inventories	999	1175	1157	1226	1345	1473
Debtors	264	135	215	235	287	330
Cash & Equivalents	23	27	78	101	52	38
Other Current Assets	134	124	165	165	165	165
Total Current Assets	**1421**	**1462**	**1614**	**1727**	**1849**	**2005**
Creditors	42	38	37	46	51	59
Other Current Liab & Provisions	168	112	79	81	85	89
Total Current Liabilities	**210**	**151**	**116**	**127**	**137**	**148**
Net Current Assets	1211	1311	1498	1600	1712	1858
Total Application of Funds	**1809**	**1769**	**1847**	**1968**	**2129**	**2316**

Ajmera Realty & Infra India Limited

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Cash Flow Statement

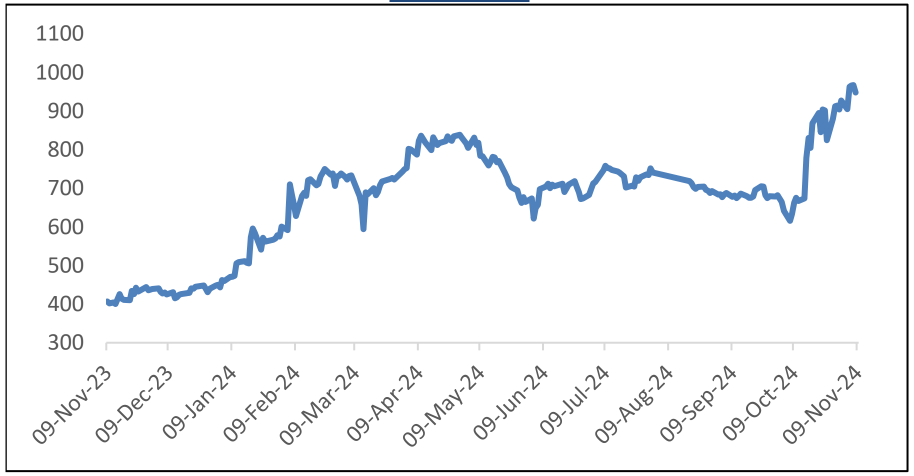
Particulars (in Rs Cr)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Reported PBT	62	96	139	151	207	250
Non-operating & EO items	0	-2	0	-12	-31	-26
Interest Expenses	59	36	69	78	75	77
Depreciation	2	2	2	2	2	2
Working Capital Change	-171	28	46	-78	-160	-159
Tax Paid	-15	-25	-35	-38	-52	-63
OPERATING CASH FLOW (a)	**-64**	**135**	**220**	**102**	**41**	**82**
Capex	-2	-4	-3	-5	-10	-10
Free Cash Flow	-66	131	217	97	31	72
Investments	31	-43	-69	0	0	0
Non-operating income	0	2	0	0	0	0
INVESTING CASH FLOW (b)	**29**	**-45**	**-72**	**-5**	**-10**	**-10**
Debt Issuance / (Repaid)	92	-42	-18	20	15	15
Interest Expenses	-59	-36	-69	-78	-75	-77
FCFE	-2	12	61	40	-29	10
Share Capital Issuance	0	0	0	0	0	0
Dividend	0	-8	-11	-17	-20	-25
Others	0	0	0	0	0	0
FINANCING CASH FLOW (c)	**33**	**-86**	**-97**	**-75**	**-80**	**-86**
NET CASH FLOW (a+b+c)	**-2**	**4**	**51**	**23**	**-49**	**-14**

Key Ratios

Particulars	FY22	FY23	FY24	FY25E	FY26E	FY27E
Profitability Ratios (%)						
EBITDA Margin	24.1	28.9	28.7	29.0	29.3	29.5
EBIT Margin	25.1	30.7	29.6	29.9	30.2	30.4
APAT Margin	9.4	16.6	14.7	14.7	16.5	17.4
RoE	6.6	9.6	12.5	12.3	15.0	15.9
RoCE	8.0	8.3	12.7	13.2	15.1	16.1
Solvency Ratio (x)						
Net Debt/EBITDA	7.3	6.4	3.6	3.3	2.9	2.6
Net D/E	1.2	1.0	0.8	0.8	0.7	0.7
PER SHARE DATA (Rs)						
EPS	12.8	20.1	29.0	31.6	43.4	52.6
CEPS	13.3	20.6	29.5	32.1	43.9	53.2
BV	200.1	218.0	244.0	270.8	308.7	354.3
Dividend	2.3	3.0	4.0	4.8	5.5	7.0
Turnover Ratios (days)						
Debtor days	168	169	91	107	102	105
Inventory days	734	921	608	568	502	478
Creditors days	27	34	20	20	19	19
Valuation (X)						
P/E	74.1	47.0	32.7	30.0	21.9	18.0
P/BV	4.7	4.3	3.9	3.5	3.1	2.7
EV/EBITDA	36.1	33.4	20.3	18.4	15.2	13.2
EV / Revenues	8.7	9.6	5.8	5.3	4.4	3.9
Dividend Yield (%)	0.2	0.3	0.4	0.5	0.6	0.7
Dividend Payout (%)	17.6	14.9	13.8	15.0	12.7	13.3

(Source: Company, HDFC sec)

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.

Disclosure:

I, Darshil Shah **(CA, MBA)**, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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