

# Stock Update Ahluwalia Contracts (India) Ltd.

March 11, 2024





Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Realty - Civil Construction	Rs. 1136	Buy in the Rs. 1124-1148 band & add more on dips to Rs. 1013- 1033 band	Rs. 1254	Rs. 1353	2-3 quarters

HDFC Scrip Code	AHLCON
BSE Code	532811
NSE Code	AHLUCONT
Bloomberg	AHLU IN
CMP Mar 07, 2024	1136
Equity Capital (Rs Cr)	13.4
Face Value (Re)	2
Equity Share O/S (Cr)	6.7
Market Cap (Rs Cr)	7609.8
Book Value (Rs)	199.0
Avg. 52 Wk Volumes	926839
52 Week High	1250.0
52 Week Low	448.6

Share holding Pattern % (Dec, 2023)	
Promoters	55.3
Institutions	39.1
Non Institutions	5.6
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:

Ahluwalia Contracts (India) Limited (ACIL), is one of the leading infrastructure companies. ACIL is engaged in civil construction and execution of turnkey projects. It is actively engaged in construction of institutional & industrial buildings, corporate office complexes, multi-storied housing complexes, township development projects, hospitals, medical colleges, hotels, educational & technical institutes, schools, and gymnasiums and sports complexes. Mr. Bikramjit Ahluwalia is a key promoter in the company being experienced in the Indian construction industry with more than five decades of experience.

ACIL's net order inflow during the 9MFY24 was at Rs. 5833.9 crore and net order book stood at Rs 11,246.83 crores to be executed in the next 24 to 30 months. The company's order inflow in FY23 was at Rs 5057 crore vs. guidance of Rs 3500-4000 crore. The company targeted order inflow for FY25E is around Rs. 5000 crores, with the majority expected in the second half of the year. Looking at the government's initiatives on infra structure sector, we expect that company could see large order inflow opportunities consistently going forward. We expect that the momentum of order inflow could continue till the code-of-conduct comes into force and later order flow from private parties can continue.

We expect that the company could report revenue growth of 19% and 20% in FY25E and FY26E, respectively. The company expects a revenue of about Rs 1100 crore in the Q4FY24E. The high-priority healthcare sector comprises one third of ACIL's backlog and is likely to be a key driver of both fresh inflows and execution in FY25E/26E. ACIL operates an asset-light business, with consistent FCF generation since FY15.

On Oct 16, 2023, we had issued Stock Update report ([Link](#)) on Ahluwalia Contracts (India) Ltd and recommended to buy in the Rs 690-704 band and add further on dips to Rs 615-629 band for base case target of Rs 771 and bull case target of Rs 821. The stock achieved its both targets before expiry of the call. Given healthy growth outlook, encouraging results in 9MFY24 and expectation of strong set of numbers going forward, we have now revised earnings and increased target price for the stock.

### Valuation & Recommendation:

The government's increasing focus on the construction industry is expected to generate better order flows going forward for ACIL. The spending on these projects will keep assisting the growth of the overall construction industry in India over the next three to four years. ACIL develops and executes technically complex, high-value projects in civil engineering that span across diverse segments such as transportation, Building Projects, irrigation and water supply, special buildings and industrial plants.



ACIL continues to see robust order flow prospects in healthcare, data centres, industrial structures apart from government buildings. Competitive intensity remains elevated but ACIL remains very selective in bidding for projects. Despite near term headwinds of high input costs, margin is expected to improve from FY24E with softening of commodity prices, a narrower gap of indices with input prices, slightly lesser competitive intensity and new projects bid at elevated input price assumption. The promoter family remains closely involved in the business with well-defined responsibilities and clear understanding of future roles. ACIL's robust and diversified order book, strong bidding pipeline, timely execution could help to bring more orders going forward.

**Investors can buy the stock in the Rs. 1124-1148 band and add more on dips to Rs. 1013-1033 (15.5x FY26E EPS). We feel the Base case fair value of the stock is Rs. 1254 (19x FY26E EPS) and the Bull case fair value is Rs. 1353 (20.5x FY26E EPS) over the next two to three quarters. At the CMP of Rs 1136 the stock trades at 17.2x FY26E EPS.**

### Financial Summary (Standalone)

Particulars (Rs cr)	Q3FY24	Q3FY23	YoY (%)	Q2FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Total Operating Income	1026	743	38.1	902	13.9	2,692	2,838	3,795	4,516	5,419
EBITDA	112	71	56.5	90	24.6	257	304	404	528	672
Depreciation	14	11	22.4	13	8.0	34	39	52	55	59
Other Income	9	7	31.9	8	6.7	29	30	33	37	40
Interest Cost	12	7	74.4	11	6.8	44	33	50	58	62
Tax	24	15	60.6	19	29.0	53	68	84	114	149
APAT	71	45	57.0	55	27.8	155	194	251	338	442
Diluted EPS (Rs)	10.5	6.7	57.0	8.3	27.8	23.2	29.0	37.5	50.4	66.0
RoE-%						16.2	17.1	18.7	20.9	22.1
P/E (x)						49.0	39.2	30.3	22.5	17.2
EV/EBITDA (x)						27.9	23.2	17.6	13.3	10.3

(Source: Company, HDFC sec)

### Q3FY24 Result Update

- ACIL numbers in Q3FY24 were above expectations. Its consolidated revenue stood at Rs 1026 crore in Q3FY24, reported revenue growth was at 38.1% YoY.
- The company's EBITDA stood at Rs 112 crore, reported EBITDA growth was at 56.5% YoY, supported by higher revenue growth as EBITDA margin was at 10.9% in Q3FY24 vs. 9.6% in Q3FY23.
- The company's net profit grew by 57% YoY basis to Rs 71 crore in Q3FY24. Net profit margin stood at 6.9% in Q3FY24 vs. 6.1% in Q3FY23.



## Key Update

### **Healthy and diversified order book position to provide medium to long term revenue visibility**

- ACIL's last eight to nine quarters have been strong in terms of order intake and execution. Net order book of the company stood at Rs 11,246.8 crore as on Dec 31, 2023 to be executed in the next 2 to 2.5 years, with revenue assurance of a 4.1x TTM sales.
- During the current financial year, order inflow stood at Rs 5833.9 crore. However, total order inflow in FY23 was Rs 5057 crore. During Q3FY24, the company held the L1 position in two projects valued at Rs 3230 crore.
- The company is engaged in bidding for airport projects like Varanasi and Darbhanga with an aggregate value of around Rs 2000 crore.
- Segment-wise, the company's order book is comprised of commercial, infrastructure, institutional, residential, hospital, and hotel projects, with ~71% from the government sector and ~29% from the private sector, as on Dec 31, 2023.
- Region-wise, the western region has the highest share at ~39%, followed by the north region at ~33%, east at 23%, south at ~2%, and overseas at ~4%, as on Dec 31, 2023.

### **Order intake during FY24 so far**

- On April 05, 2023, ACIL has secured an order for Construction of Dharavi Wastewater Treatment facility under Mumbai Sewage Disposal Project at Mumbai awarded from Welspun Enterprises Ltd at Mumbai worth of ~Rs 557 crore.
- On April 29, 2023, ACIL has secured an order for Re-Development of Chhatrapati Shivaji Maharaj Terminus (CSMT) at Mumbai awarded by Rail Land Development Authority worth of Rs 2450 crore. The CSMT Station redevelopment project entails construction 2mn sq.ft. of new buildings, redevelopment of 6-7lakh sq.ft of old buildings and station, platform development with availability of various amenities such as retail stores, cafeterias and recreational facilities. With the completion of designing work and shift to execution in next 3-4months, monthly revenue of Rs 100 crore would be billed.
- On May 03, 2023, ACIL has secured an order for Construction of Civil Structure & waterproofing works including Rough finishing works for North Parcel of "The Arbour Project" located at Sec-63, Gurugram (HR) worth of Rs 745 crore from DLF Home Developers Ltd.
- On June 06, 2023, ACIL has secured an order for Construction of Civil, Structure and External Development work for Retail Block at plot no. LP-1B-02 at DIAL II, Aerocity, New Delhi worth of Rs 427 crore.
- On July 12, 2023, ACIL has secured an order for Civil Structural, Facade and Related External Development Works for Enterprise Computing and Cybersecurity Training Institute at Bhubaneswar, Orrisa from Indian Financial Technology and Allied Services, project worth of Rs. 199.58 crore.
- On Sept 23, 2023, ACIL has secured orders for Construction of Expansion of Max Super Specialty Hospital at SAS Nagar, Mohali (Punjab) on EPC Basis for Rs 215.5 crore and Construction of Max Super Specialty Hospital at Sector-56, Gurugram, Haryana on EPC Basis for Rs 616.9 crore.
- On Dec 02, 2023, ACIL has secured construction order on an EPC (Engineering, Procurement, and Construction) basis. The project involves construction of Max Super Specialty Hospital in Sector-56, Gurugram, Haryana with an estimated value Rs 616.9 crore.



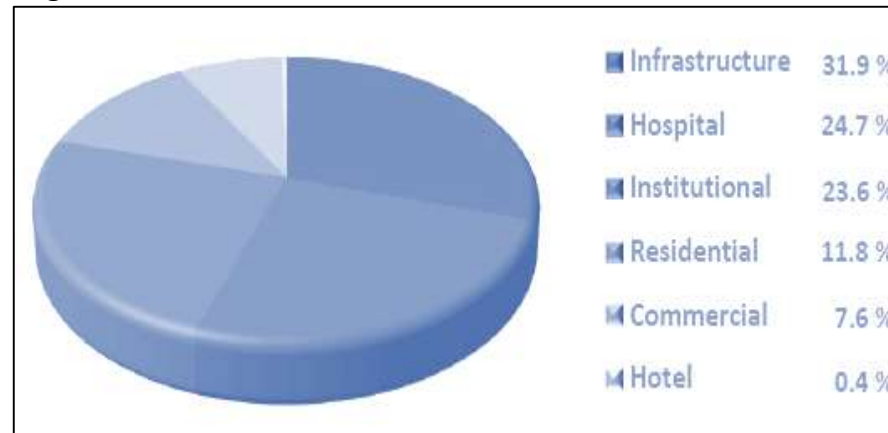
- On Jan 25, 2024, the company has secured an order for Expansion of Max Smart Super Specialty Hospital (A Unit of Gujarmal Modi Hospital and Research Center for Medical Sciences) at Saket New Delhi on item rate contracts basis of Rs. 180 crore.
- On Feb 05, 2024, ACIL has secured an order from Emaar India Ltd. for construction of Residential Tower & Club House Works at Gurgaon, Haryana at a total contract value of Rs 394.4 crore.
- On March 07, 2024, ACIL has bagged three new order aggregating Rs 338.95 crore. These include 1. Construction of Amity University, Phase-2, (AU) Ranchi Campus, Jharkhand 2. Construction of Bird Hotel, Noida International Airport, Jewer up 3. Sub-Contract Work from CINDA Engineering & Construction Bangalore for Civil Work - For Foxconn Elephant Project.

The order inflow during the current FY24E stands at ~Rs 6174 crore till date, vs. order inflow of Rs 5057 crore in whole of FY23 and expects Rs 5000 crore order inflow for FY25E with the majority expected in the second half of the year. However, the Q1FY25E could see slower order inflow due to the Lok Sabha Election and state assembly election in few states. These order inflows provide revenue visibility over medium to long term. Order execution is expected to gain traction going forward. ACIL is not currently prioritizing the station redevelopment project as of now, despite having a strong tender pipeline. Currently, the company has presence across 14 states, one overseas with 50+ ongoing projects. ACIL targets a turnover of about Rs 1100 crores in the Q4FY24.

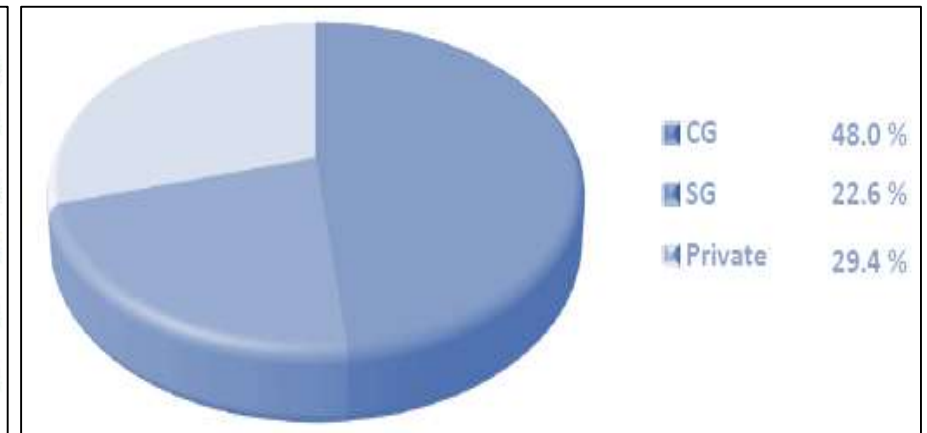
### Diversified order book across the geographies

ACIL's government contracts constitute around ~71% of the order book as on Dec 31, 2023 vs. 82.5% as on Dec 31, 2022. Government orders comprises of 48% central government and 22.6% state government orders. Besides, the company's 50 ongoing projects position is diversified across the geographies in 14 Indian states and Nepal, and the company has executed projects across various states, such as Bihar, Jammu and Kashmir, West Bengal, Delhi, Maharashtra, Uttar Pradesh and Uttarakhand.

### Segment wise order book



### Sector Wise Unexecuted Order Book





Furthermore, the exposure towards residential/real estate segment from private players stood at 11.8%. Total private sector order has contributed 29.4% in Q3FY24. ACIL is looking to increase private sector share from 30% to 50%, with a focus on residential projects.

### Expectation to regain its margins to 11-12% going forward

ACIL's operating profit margin has been impacted over FY20 and FY21 due to higher input cost. However, the company has been performing better over the past seven quarters. The company reported EBITDA margin was at 10.9% in Q3FY24 vs. 9.6% in Q3FY23. Still, margin is lower than the company's earlier guidance of 12%. Further scope of margin improvement exists due to a higher proportion of Government orders, better operating efficiencies along with better utilisation of capital equipment. EBITDA margin is expected to improve in the coming quarters.

Besides, ACIL has increased focus on executing high margin orders in the current order book, departing from the low margin orders, as in the past. The company's EBITDA margin is expected to go up from 11% to closer to 12% in the next year vs. about 10.7% in FY23. We expect EBITDA margin at 11.7% and 12.4% in FY25E and FY26E, respectively.

### Margins (%)



### Sound fundamentals led by Comfortable capital structure and strong debt coverage indicators

- ACIL reported revenue growth at 12% CAGR over the last seven years and the company has seen healthy growth in profitability at 13% CAGR over the same period. We expect revenue growth at a ~24% CAGR over the FY23 to FY26E and PAT is expected to grow by ~32% CAGR over the FY23 to FY26E.



- Its EBITDA margin was at six-year low at 7.8% in FY21 and it increased to 9.5% in FY22 and 10.7% in FY23. Net profit margin was at 6.8% in FY23 vs. 5.8% in FY22. We think, there is a strong case for sustaining EBITDA margin at double-digits, going forward. We expect the EBITDA margin at 11.5-12.5% band for FY25E and FY26E.
- ACIL's capital structure stands comfortable with strong net-worth base which stood at Rs 1331 crore as against the zero debt position (excluding lease liability) as on Sept 30, 2023. Debt equity ratio is very negligible.
- ACIL believes in enhancing value of its networth rather than paying dividend to its shareholders. The company recommended dividend per share at Rs 0.30 per share to the shareholders in FY23, dividend yield stood at less than ~0.1%.
- Higher profitability growth could help to improve its return ratios going forward, RoE could rise to 20.9% and 22.1% in FY25E and FY26E, respectively.
- Inventory turnover ratio as on March 31, 2023 has dipped as compared to March 31, 2022, which is within the recommended range for the industry indicating a good balance between having enough inventory on hand and not having to reorder too frequently.
- Inventory days stood at 31 days as on March 31, 2023 from 33 days as on March 31, 2022. Debtor's days declined to 60 days as on March 31, 2023 from 69 days as on March 31, 2022.

### What could go wrong?

- Economic slowdown and changes in regulatory environment may impact the construction industry and/or real estate market. This could adversely affect the company's operations and execution time periods. Rising competition may impact its order wins going ahead and may result in margin dilution.
- Contractual obligations for quality, timeliness, protection of confidential information and other specific terms and conditions are crucial for EPC orders.
- The company has seen payments issue only in Chapra and Nalanda projects in Bihar with o/s receivables at Rs 175 crore which is likely to reduce in coming quarters. Animal husbandry project in Bihar is receiving timely payments. Besides, it is also facing payment issues in states of West Bengal and Bihar and expecting alleviation post general elections.
- ACIL is engaged in business with large industrial houses, corporates, institutions and Government authorities. These clientele demand strict adherence to timely delivery, quality and costs. If their expectations are not met with, it may damage the company's brand and prevent repeat orders.
- ACIL has a track record of not paying dividend frequently to its shareholders, the company recommended dividend @ Rs 0.30 per share in FY23 to the shareholders.
- The company largely depends on Government orders, any delay in receiving payment could impact its operations. Also slowdown in Govt spend could impact its order inflow and revenues.



### Top 10 Ongoing Projects (As on Dec 31, 2023)

Rs in Crore	Order Value	Unexecuted Value
Re-development of Chhatrapati Shivaji Maharaj Terminus (CSMT) at Mumbai	2,450	2,448
AllMS Jammu	1,254	121
Bihar Animal Science University, Patna, Bihar	890	750
The Arbour Project DLF, Gurugram	745	658
Tata Memorial Centre, Parel, Mumbai	723	705
Max Super Speciality, Gurugram	617	617
Mandale Depot, Mumbai	598	158
Dharavi Wastewater Treatment facility, Mumbai	557	525
Medical College, Koriyawas, Haryana	536	61
LTMG Hospital Sion, Mumbai	534	425

### Other ongoing projects

STATE	LOCATION	STATE	LOCATION
JAMMU & KASHMIR	Jammu (1)	BIHAR	Bodh Gaya (1)
UTTARAKHAND	Dehradun (1)		Chappra (1)
HIMACHAL PRADESH	Chamba (1)		Nalanda (1)
	Hamirpur (1)		Patna (4)
	Shimla (1)	ASSAM	Bongaigaon (1)
Dharamshala (1)	Jorhat (1)		
PUNJAB	Mohali (1)		Guwahati (1)
CHANDIGARH	Chandigarh (1)	WEST BENGAL	Kolkata (5)
DELHI NCR	Delhi (9)	ODISHA	Bhubaneswar (3)
HARYANA	Gurgaon (3)	KARNATAKA	Bengaluru (1)
	Rewari (1)	TELANGANA	Hyderabad (1)
UTTAR PRADESH	Greater Noida (1)	MAHARASHTRA	Mumbai (6)
	Noida (1)	NEPAL	Kavre (1)

### Peer Comparison

Company, Rs in Cr	Mkt Cap, Cr	Sales			EBITDA			PAT			RoE-%			P/E (x)		
		FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
PSP Projects	2,396	2,550	2,933	3372.4	294	343	400	154	189	229.2	17.9	18.9	19.6	15.6	12.7	10.5
Ahluwalia Contracts	7,610	3,795	4,516	5,419	404	528	672	251	338	442	18.7	20.9	22.1	30.3	22.5	17.2





## Financials (Standalone)

### Income Statement

(Rs Cr)	FY22	FY23	FY24E	FY25E	FY26E
<b>Net Revenues</b>	<b>2692</b>	<b>2838</b>	<b>3795</b>	<b>4516</b>	<b>5419</b>
<b>Growth (%)</b>	<b>35.8</b>	<b>5.4</b>	<b>33.7</b>	<b>19.0</b>	<b>20.0</b>
Operating Expenses	2436	2534	3391	3988	4747
<b>EBITDA</b>	<b>257</b>	<b>304</b>	<b>404</b>	<b>528</b>	<b>672</b>
<b>Growth (%)</b>	<b>66.4</b>	<b>18.5</b>	<b>32.9</b>	<b>30.7</b>	<b>27.2</b>
<b>EBITDA Margin (%)</b>	<b>9.5</b>	<b>10.7</b>	<b>10.7</b>	<b>11.7</b>	<b>12.4</b>
Depreciation	34	39	52	55	59
<b>EBIT</b>	<b>223</b>	<b>265</b>	<b>352</b>	<b>473</b>	<b>613</b>
Other Income	29	30	33	37	40
Interest expenses	44	33	50	58	62
<b>PBT</b>	<b>208</b>	<b>262</b>	<b>335</b>	<b>452</b>	<b>591</b>
Tax	53	68	84	114	149
<b>RPAT</b>	<b>155</b>	<b>194</b>	<b>251</b>	<b>338</b>	<b>442</b>
APAT	155	194	251	338	442
<b>Growth (%)</b>	<b>101.0</b>	<b>25.1</b>	<b>29.3</b>	<b>34.6</b>	<b>30.9</b>
EPS	23.2	29.0	37.5	50.4	66.0

### Balance Sheet

As at March	FY22	FY23	FY24E	FY25E	FY26E
<b>SOURCE OF FUNDS</b>					
Share Capital	13	13	13	13	13
Reserves	1023	1216	1438	1771	2208
<b>Shareholders' Funds</b>	<b>1036</b>	<b>1230</b>	<b>1451</b>	<b>1784</b>	<b>2222</b>
Long Term Debt	0	0	0	0	0
Net Deferred Taxes	-26	-27	-30	-30	-30
Long Term Provisions & Others	129	149	150	172	189
<b>Minority Interest</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Source of Funds</b>	<b>1139</b>	<b>1352</b>	<b>1571</b>	<b>1927</b>	<b>2381</b>
<b>APPLICATION OF FUNDS</b>					
Net Block & Goodwill	223	288	216	220	220
CWIP	0	1	0	0	0
Other Non-Current Assets	240	175	349	443	565
<b>Total Non Current Assets</b>	<b>463</b>	<b>463</b>	<b>565</b>	<b>663</b>	<b>785</b>
Inventories	242	244	499	594	713
Trade Receivables	443	606	832	990	1188
Cash & Equivalents	433	588	347	462	605
Other Current Assets	440	566	529	608	699
<b>Total Current Assets</b>	<b>1558</b>	<b>2004</b>	<b>2207</b>	<b>2654</b>	<b>3204</b>
Short Term Debt	1	3	25	30	36
Trade Payables	619	672	780	917	1092
Other Current Liab & Provisions	261	441	396	443	481
<b>Total Current Liabilities</b>	<b>881</b>	<b>1116</b>	<b>1202</b>	<b>1390</b>	<b>1608</b>
Net Current Assets	677	888	1006	1264	1596
<b>Total Application of Funds</b>	<b>1139</b>	<b>1352</b>	<b>1571</b>	<b>1927</b>	<b>2381</b>

(Source: Company, HDFC sec)



## Cash Flow Statement

(Rs Cr)	FY22	FY23	FY24E	FY25E	FY26E
Reported PBT	208	262	335	452	591
Non-operating & EO items	-8	-38	-33	-37	-40
Interest Expenses	32	33	50	58	62
Depreciation	34	39	52	55	59
Working Capital Change	-141	55	-556	-219	-300
Tax Paid	-59	-49	-84	-114	-149
<b>OPERATING CASH FLOW ( a )</b>	<b>66</b>	<b>301</b>	<b>-237</b>	<b>195</b>	<b>223</b>
Capex	-27	-103	20	-59	-59
Free Cash Flow	39	198	-216	136	164
Investments & Int Income	-74	-62	33	37	40
<b>INVESTING CASH FLOW ( b )</b>	<b>-101</b>	<b>-166</b>	<b>54</b>	<b>-22</b>	<b>-19</b>
Debt Issuance / (Repaid)	-16	2	23	4	6
Interest Expenses	-29	-16	-50	-58	-62
FCFE	-5	184	-244	83	108
Share Capital Issuance	0	0	0	0	0
Dividend	0	-2	-5	-5	-5
Others	0	0	0	0	0
<b>FINANCING CASH FLOW ( c )</b>	<b>-44</b>	<b>-16</b>	<b>-32</b>	<b>-58</b>	<b>-62</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>-79</b>	<b>120</b>	<b>-215</b>	<b>115</b>	<b>143</b>

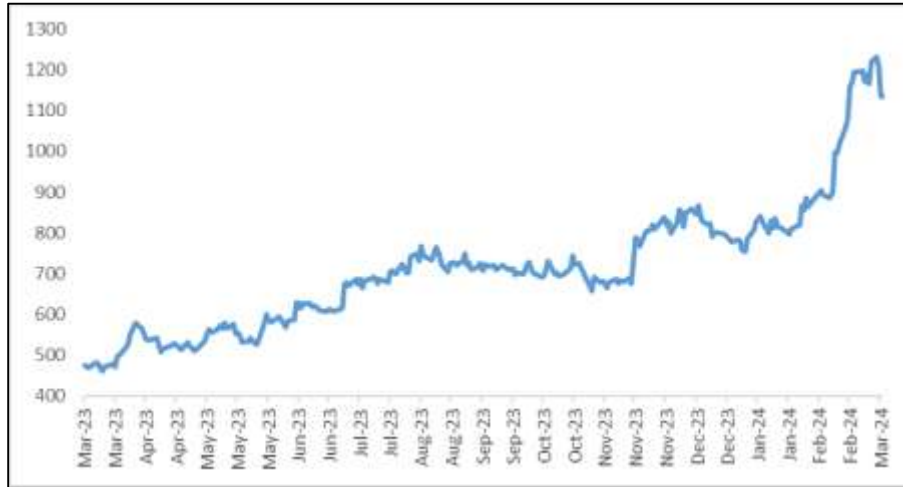
## Key Ratios

Particulars	FY22	FY23	FY24E	FY25E	FY26E
<b>Profitability Ratio (%)</b>					
EBITDA Margin	9.5	10.7	10.7	11.7	12.4
EBIT Margin	8.3	9.4	9.3	10.5	11.3
APAT Margin	5.8	6.8	6.6	7.5	8.2
RoE	16.2	17.1	18.7	20.9	22.1
RoCE	15.0	15.8	17.9	19.9	21.0
<b>Solvency Ratio (x)</b>					
Net Debt/EBITDA	-1.7	-1.9	-0.9	-0.9	-0.9
Net D/E	-0.4	-0.5	-0.2	-0.3	-0.3
<b>PER SHARE DATA (Rs)</b>					
EPS	23.2	29.0	37.5	50.4	66.0
CEPS	28.2	34.8	45.2	58.7	74.8
Dividend	0.0	0.3	0.7	0.7	0.7
BVPS	154.7	183.6	216.6	266.4	331.6
<b>Turnover Ratios (days)</b>					
Debtor days	60	78	80	80	80
Inventory days	33	31	48	48	48
Creditors days	84	86	75	74	74
<b>VALUATION (x)</b>					
P/E	49.0	39.2	30.3	22.5	17.2
P/BV	7.3	6.2	5.2	4.3	3.4
EV/EBITDA	27.9	23.2	17.6	13.3	10.3
EV / Revenues	2.7	2.5	1.9	1.6	1.3
Dividend Yield (%)	0.0	0.0	0.1	0.1	0.1
Dividend Payout (%)	0.0	1.0	1.9	1.4	1.1



# Ahluwalia Contracts (India) Ltd.

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 cyclical 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:**

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