Initiating Coverage (Detailed Report)

WABCO India Ltd. (WIL)

May 11, 2012 | **HOLD** | **MEDIUM RISK** | **PRICE Rs.1594** | **TARGET Rs.1762**

AUTO ANCILLARY

EARLIER RECO (Short Report)

Accumulate	
Price	**Rs.1,490**
Target	**Rs.1,762**
Date	**Mar. 30, 2012**

SHARE HOLDING (%)

Promoters	75.0
FII	1.1
FI / MF	10.9
Body Corporate	2.3
Public & Others	10.7

STOCK DATA

Reuters Code	**WABC.BO**
Bloomberg Code	**WIL IN**
BSE Code	**533023**
NSE Symbol	**WABCOINDIA**
Market Capitalization*	**Rs. 30,238 mn** **US$ 566 mn**
Shares Outstanding*	**19 mn**
52 Weeks (H/L)	**Rs.1,797/964**
Avg. Daily Volume (6m)	**3,951 Shares**

Price Performance (%)

1M	3M	6M
0	20	7

*On fully diluted equity shares

200 days EMA Rs.1377

Part of Sushil CLASSIC

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STRENGTH: Strong Technological Capabilities, Market leader, Strong Cash Flows & Robust Return Ratios **WEAKNESS:** Segment Concentration & Client Concentration **OPPORTUNITIES:** Technological Innovation, New Product Launches with Increase in Content Per Vehicle and Increased Safety Standards **THREAT:** High Input Costs & Forex Volatility.

Leader in Air Assist & Air Actuation Systems

Air Assist & Air Actuation Systems is the key segment for WIL accounting ~64% of its revenues. By virtue of its leadership in technology, and strong barriers to entry in a duopoly market, the company is well poised to ride the growth in the M&HCV segment. The company holds 85% share in the OEM market of the Indian M&HCV braking industry, out of which it derives close to 70% of its revenues from Ashok Leyland and Tata Motors. The Company has always outperformed the M&HCV growth and is a dominant player in the air braking industry.

Exports – Key to Company's Growth

WIL has reported an impressive export CAGR of 83% over FY08-11 accounting for 13.6% of revenues in FY11. Over the next 5 years, the company is looking for multi-fold jump in its export revenue from current levels of Rs.1,178 mn predominantly driven by global demand from its parent company (currently 90% of exports are made to WABCO Holdings Inc). In order to cater to the growing export demand, the company is expanding its SEZ unit at Mahindra World City, Chennai by incurring a capex of Rs.400 mn which is likely to commence operations in FY13. Thus, we expect the company's exports to grow at a CAGR of 38% over FY11-14E.

Technology to Bolster Growth Momentum

WIL continues to thrive for value added products and as a part of that it plans to leverage on high end products such as Automatic Slack Adjuster, Automated Manual Transmission and Electronically Controlled Air Suspension. Anti-Lock Braking System (ABS) is another niche product of the company which has good demand potential in the CV industry. To ensure road safety, the government introduced mandatory fitment of ABS for CVs carrying hazardous goods since October 2006 and for tractor-trailers and buses with national permits since October 2007. Presently ABS contributes 6.3% to the revenues which we expect to increase to 7.5% by FY14E driven by increased awareness towards safety standard of vehicles.

OUTLOOK & VALUATION

WIL is a technology driven product company. Despite of challenges enveloping the CV industry, the company has outperformed the industry by growing at a CAGR of 17.5% over FY08-11 as against domestic M&HCV growth of just 5.5%. WIL is consistently working on new technologies to introduce more value added products which will help maintain its market share in the industry. At the CMP of Rs.1,594, the stock is quoting at 15.3x and 11.8x its FY13E and FY14E EPS of Rs.104.2 and Rs.135 respectively. Hence, considering company's dominance in the market, higher expected growth (FY11-14E Revenue & PAT CAGR of 24.7% & 26.2%), net debt free Balance Sheet coupled with robust return ratios (FY11 ROE & ROCE of 38.8% & 55.2%) and strong cash flows, we have a positive outlook on the company. However, considering the recent run up in the stock price, we change our rating to 'HOLD' retaining our price target of Rs.1762.

KEY FINANCIALS

Y/E Mar.	Revenue (Rs mn)	PAT (Rs mn)	EPS (Rs)	EPS (% Ch.)	P/E (x)	ROCE (%)	ROE (%)	P/BV (x)
FY11	8911.3	1274.2	67.2	63.0	23.7	55.2	38.8	7.8
FY12E	**10581.2**	**1562.6**	**82.4**	**22.6**	**19.4**	**46.7**	**34.0**	**5.7**
FY13E	**13448.2**	**1976.1**	**104.2**	**26.5**	**15.3**	**44.3**	**31.7**	**4.2**
FY14E	**17294.5**	**2560.1**	**135.0**	**29.6**	**11.8**	**43.4**	**30.6**	**3.2**

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COMPANY OVERVIEW

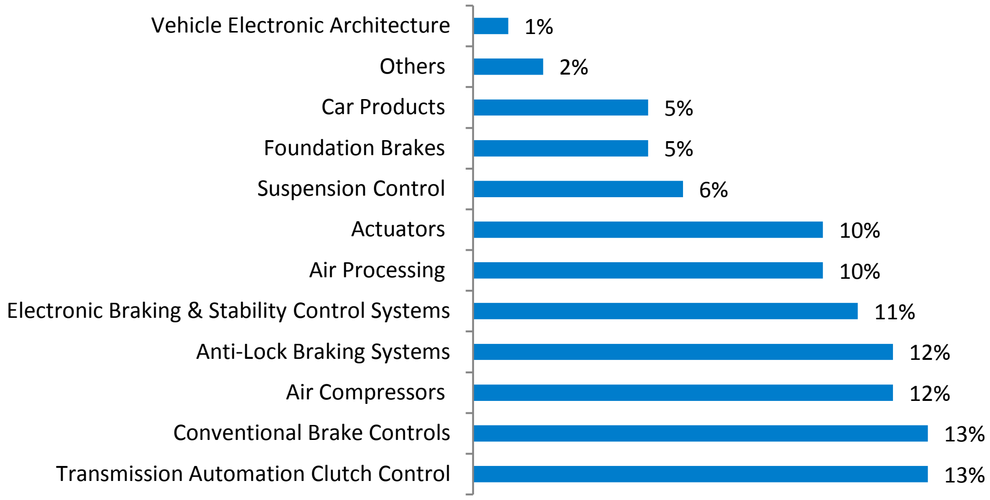
WIL is a majority owned subsidiary of Clayton Dewandre Holdings Ltd. which is indirectly a wholly owned subsidiary of WABCO Holdings Inc. The company is a pioneer in the manufacturing of air-assisted and air brake systems for commercial vehicles in India. It was formed as a result of the demerger of the braking division of Sundaram Clayton to WABCO TVS (India) Ltd. which was later changed to WABCO India Ltd. It also provides software development services to the group companies of WABCO.

The company has 3 plants one each in Jamshedpur, Ambattur (Chennai) and Mahindra World City (Chennai).

WABCO Holdings Inc. (WABCO) - The Parent Company

WABCO Holdings Inc. (listed on NYSE) is a global technology leader in braking and control systems for the safety and efficiency of commercial vehicles industry with sales of $2.8 bn in 2011. It has 18 manufacturing locations spread across 10 countries (out of which 3 are located in India) catering to varied product needs of Trucks, Trailers & Buses.

WABCO INC Product Portfolio (% of 2011 Sales)



Source: WABCO Holdings INC

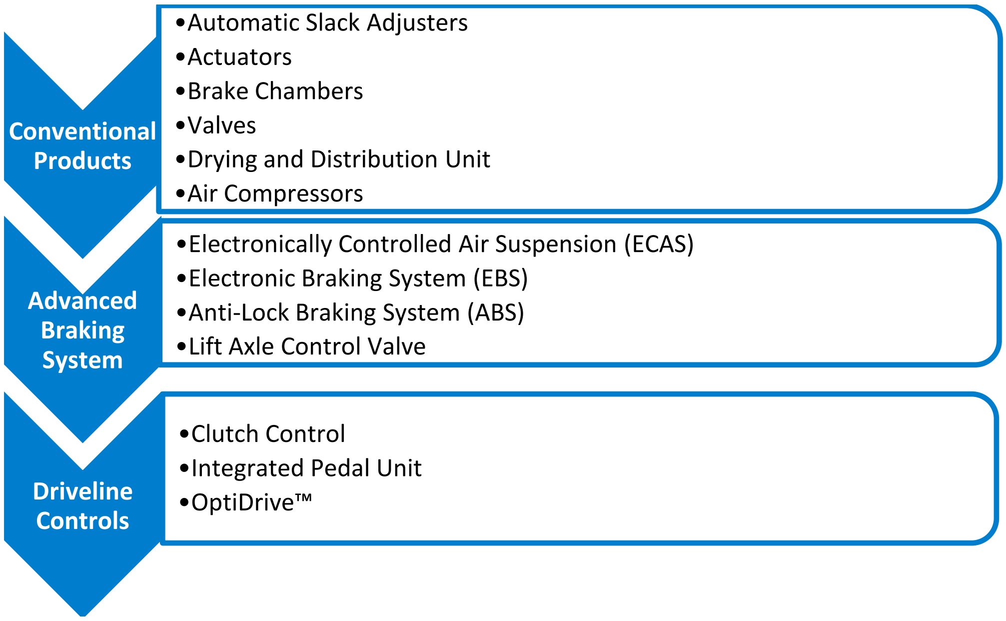
The heart of WABCO is technology leadership. WABCO's technology leadership is rooted in unique capabilities to pioneer industry's breakthroughs in safety and efficiency technologies and systems for trucks, buses and trailers with products such as Anti-lock Braking Systems (ABS), Automated Manual Transmission (AMT) systems (OptiDrive™), Electronic Braking Systems (EBS), Electronically Controlled Air Suspension (ECAS) and Electronic Stability Control (ESC). The company's breakthroughs also include the lightest and highest performing single piston air disc brakes for trucks; compressed air generation and management systems; as well as collision mitigation and advanced emergency braking systems.

WABCO INC. continues to pioneer in technologies, leading to increased adoption of WABCO content per vehicle in every region. The company continues to focus on emerging markets such as China, India and Brazil to enhance its global presence and add value to these markets by bringing the right technologies through specially developed and locally adapted systems and products as these countries now produce nearly 58% of the world's trucks and buses with India's production being ~12%. This is clearly demonstrated in increasing share of Asia and South America at 29% of WABCO's total sales in 2011 as against 15% five years ago.

INVESTMENT RATIONALE

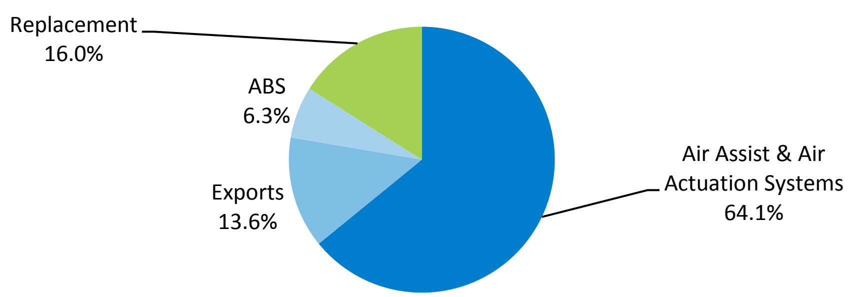
Strong Product Portfolio – 'Yet More to Come'

WIL has a strong product portfolio of air-assisted and air brake systems for commercial vehicles like Automatic slack adjusters, Actuators, Valves, Air compressors, Electronic Braking System (EBS), Anti-lock Braking System (ABS), Clutch Control etc. which comprises a very small portion of its parent product portfolio. With the increase in India's share in Global T&B Production (12% in 2011 vs. 11% in 2010) and WABCO's continued focus on emerging markets, we believe the company will keep on introducing new products in the Indian markets and thereby enhance its content per vehicle resulting in increased revenues from India.



As can be observed from the above chart, WABCO has not introduced all its technologically advanced products in India which provides enough headroom for further penetration of its products and thereby increase in its content per vehicle. Also, presently WIL's revenue is driven from sale of conventional products (as depicted in the chart below) with part contribution from Advanced Braking Systems. Driveline Control Products have not meaningfully started contributing towards revenues as these products were recently introduced in FY12. With increased inclination towards technologically advanced products providing high fuel efficiency and increased safety standards, we believe WIL's products (Advanced Braking Systems and Driveline Controls) will get larger acceptance in the market given that it is an established player worldwide and is known for its quality and perseverance. Also, **vehicle makers in emerging markets currently adopt only one tenth to one fifth of the technology presently utilized in Europe** providing ample opportunities to the company to grow organically.

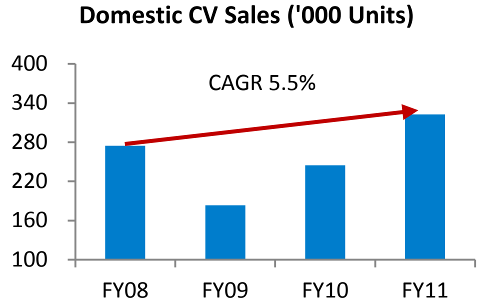
WIL Revenue Break-Up

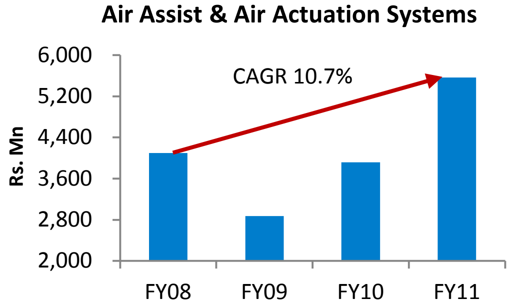


Source: Company

Leader in Air Assist & Air Actuation Systems

Air Assist & Air Actuation Systems, part of company's conventional products, is the key segment for WIL accounting ~64% of revenues. By virtue of its leadership in technology and strong barriers to entry in a duopoly market, the company is well poised to ride the growth in the M&HCV segment. The company holds 85% share in the OEM market of the Indian M&HCV braking industry with key clientele being Tata Motors, Ashok Leyland, Eicher Motors among others. Tata Motors & Ashok Leyland together contributes ~70% to the segment revenues.



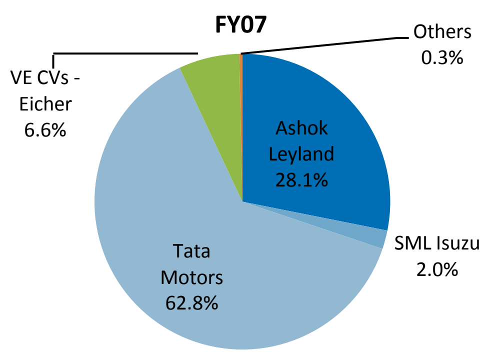


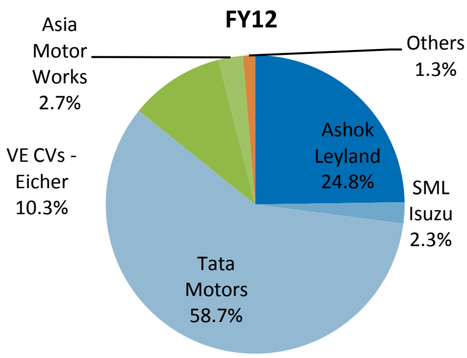
Source: SIAM & Company

As can be observed from the above chart, the company has outperformed the M&HCV industry growth. During FY08-11, when the domestic M&HCV industry reported a CAGR of 5.5%, WIL's Air Assist & Air Actuation systems sales have grown at a CAGR of 10.7% mainly due to an increase in the content per vehicle. We believe this outperformance will continue given low penetration of technologically advanced products in the Indian market. According to SIAM (Society of Indian Automobile Manufacturers), domestic CV industry is likely to grow at 9-11% in FY13 with M&HCV growth pegged at 5-7% and LCV growth at 14-16%.

With more and more players entering the Indian CV industry, it is likely to widen the scope of WIL's product reach.

Market Share





Source: SIAM
#Others include JCB, Volvo, Daimler & Force Motors

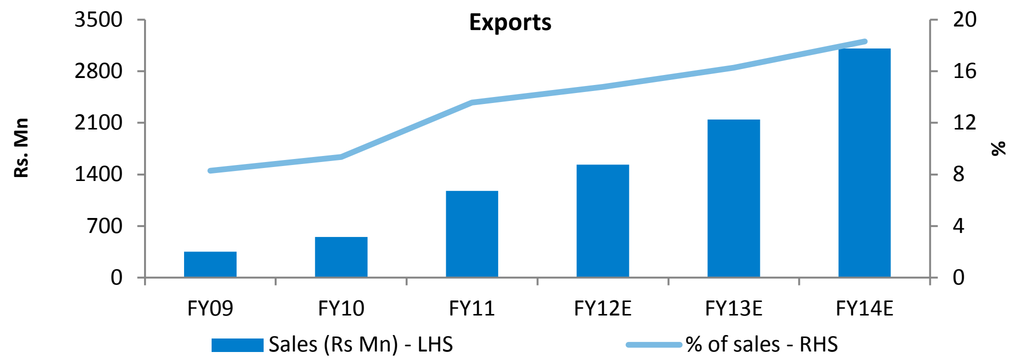
As can be observed from the above chart, the industry which was previously dominated by Tata Motors and Ashok Leyland is witnessing a marked shift with more and more foreign players like JCB, Volvo and Daimler entering the Indian market. The market share of Tata Motors and Ashok Leyland has been partly captured by Eicher Motors, the emerging player in the CV industry and by other players like Asia Motor Works, JCB, Volvo and Daimler.

For instance, Germany's Daimler India unit has recently commenced operations at its new plant in Chennai with an annual capacity of 36,000 units a year which can be ramped up to 70,000 units a year in the 7-49 ton category of CV's. The company expects to roll out BharatBenz heavy duty trucks by September 2012 with the 25-ton being the first product to be launched followed by 31-ton in the following month. BharatBenz will have a product portfolio of 17 trucks by 2014. Since WABCO is globally a preferred vendor for Daimler for supply of braking and control systems, we believe this expansion of Daimler in the Indian market is highly positive for WIL.

Apart from Tata Motors & Ashok Leyland, other clientele includes Mahindra Navistar, Volvo, TAFE, Tata Cummins (Engines), Force Motors, Eicher Motors, Bharat Earthmovers, Daimler, MAN, SML Isuzu and Caterpillar. Thus, any expansion by these players will be a positive for the company as it accounts for 85% of the OE market.

Exports – Key to Company's Growth

WIL has reported an impressive export CAGR of 83% over FY08-11 accounting for 13.6% of revenues in FY11. Over the next 5 years, the company is looking for multi-fold jump in its export revenue from current levels of Rs.1,178 mn predominantly driven by global demand from its parent company (currently 90% of exports are made to WABCO Holdings Inc).



Source: Company, Sushil Finance Research Estimates

WABCO has stated that **"WABCO India is a sourcing hub for our global operations by purchasing raw materials locally at best cost and it provides machining capabilities in our factory in Mahindra City to process the metals, castings and electrical motors that are used in our other factories in Europe, North America, Brazil and China to manufacture our products. WABCO India is also a center of mechanical and software engineering activity that provides a source of high skills at very competitive cost to develop software and mechanical systems to support WABCO globally. In particular, WABCO India has the expertise to develop products that completely satisfy emerging markets expectations and specificity".** *(Source: WABCO Annual Report 2011).* This shows parent's commitment towards its Indian subsidiary and highlights the importance of WIL in the global operations of WABCO.

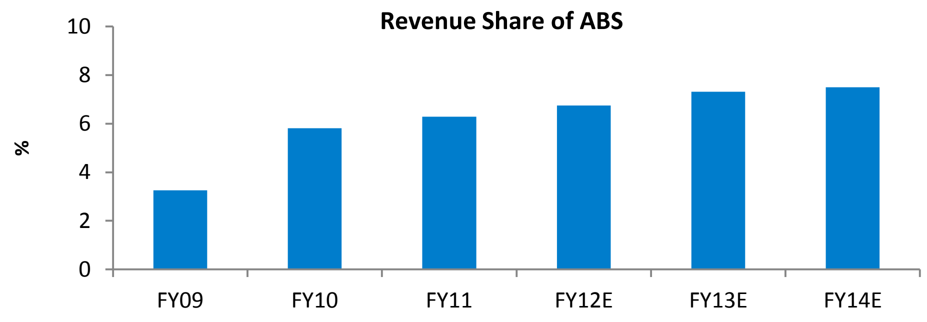
It also states that its engineers in India develop products – such as air compressors and brake valves - that cater to the requirements of South America and other emerging markets. **Two thirds of WABCO's manufacturing takes place in best cost countries, up from 10% a decade ago.**

Thus, In order to cater to the growing export demand from WABCO, WIL is expanding its SEZ unit at Mahindra World City, Chennai by incurring a capex of Rs.400 mn which is likely to commence operations in FY13. This new plant is 100% dedicated to WABCO's global requirements. The plant will cater to the needs of South American markets, certain parts of Europe and China. Hence considering the above factors, we expect the company's exports to grow at a CAGR of 38% over FY11-14E.

Technology to Bolster Growth Momentum

WIL continues to thrive for value added products and as a part of that it plans to leverage on high end products such as Automatic Slack Adjuster, Automated Manual Transmission (OptiDrive) and Electronically Controlled Air Suspension (ECAS). ABS is one such innovation of the company that is used to prevent locking of a vehicle's wheels as a result of excessive actuation of service braking system, especially on slippery roads.

ABS has good demand potential in the CV industry given its low penetration in the Indian market. To ensure road safety, the government introduced mandatory fitment of ABS for CVs carrying hazardous goods since October 2006 and for tractor-trailers and buses with national permits since October 2007. Presently ABS contributes 6.3% to the revenues which we expect to increase to 7.5% by FY14E driven by increased awareness towards safety standard of vehicles.



Source: Company, Sushil Finance Research Estimates

Another innovative product of WABCO which is already introduced in the Indian market is Automated Manual Transmission also known as **OptiDrive**. **OptiDrive** system is a breakthrough in transmission automation technology. It improves vehicle control and increases driver effectiveness by automating and optimizing gear shifting. **It improves vehicle control and boosts fuel economy up to 5%, thus delivering cost and environmental benefits over the vehicle's lifetime.**

Some of the other technologically advanced products in WABCO's kitty that can be introduced in the Indian market having high growth potential are as follows:

1. **OnGuardPLUS™**, the industry's first and most advanced emergency braking system. **In imminent collision situations it warns the driver, autonomously brakes, and can bring the vehicle to a complete stop.** It is already being adopted by major original equipment manufacturers in Asia and Europe.

2. WABCO's **TailGuardTM** technology – a breakthrough in vehicle and pedestrian safety – is the most advanced safety system for driving trailers in reverse. TailGuard is a rear blind-spot-detection system for trailers. **It significantly increases vehicle safety while driving and braking in reverse which is when one third of all trailer accidents occur.** Able to detect small, large, moving and static objects in the blind spot behind the trailer, it can automatically stop the trailer at a safe distance.

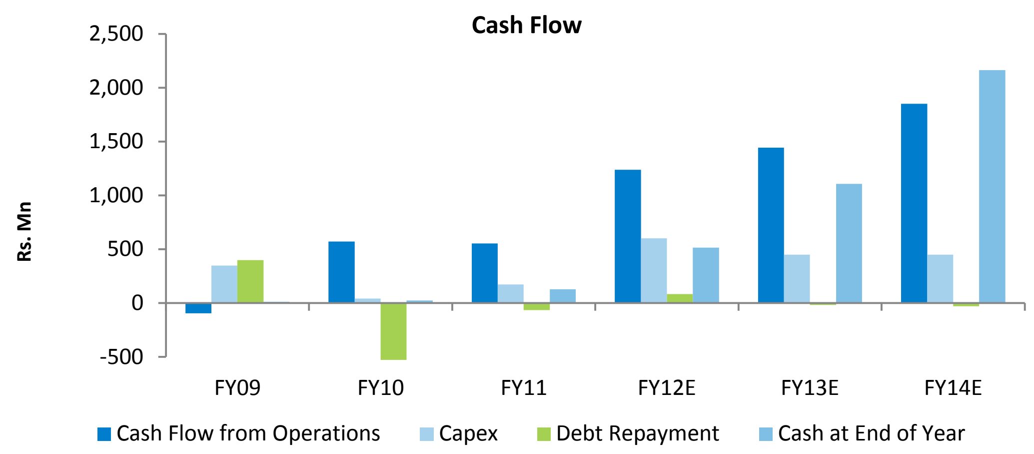
3. **ESCsmartTM** is industry's first technology that uses computational simulation to homologate electronic stability control (ESC) for trucks and buses, making it the most efficient method to do so. **ESCsmart frees vehicle manufacturers from physically testing all variants of vehicles, saving significant time and labor**.

4. WABCO's **c-comp™ clutchable air compression technology** is another breakthrough in vehicle efficiency. **It optimally disengages a truck or bus compressor from the engine when air pressure is not needed. As a result, it allows fuel savings up to 264 gallons (1,000 liters)** on long haul applications annually while reducing the vehicle's carbon dioxide emissions by as much as 5,700 pounds (2,600 kilograms).

Strong Distribution Network to Aid Aftermarket Growth

WIL has a strong presence in the replacement market with a market share of 75%. It has a strong distribution network of 300 authorized service centers and 250 certified workshops. It has established a touch point at every 100 km distance which depicts its commitment to provide quality and timely services to its customer. Thus considering management's commitment towards aftermarket and its strong presence, we expect revenues from this segment to maintain its healthy growth momentum (FY08-11 Replacement Revenue CAGR - 18.6%).

Robust Cash Generation to Further Strengthen Balance Sheet

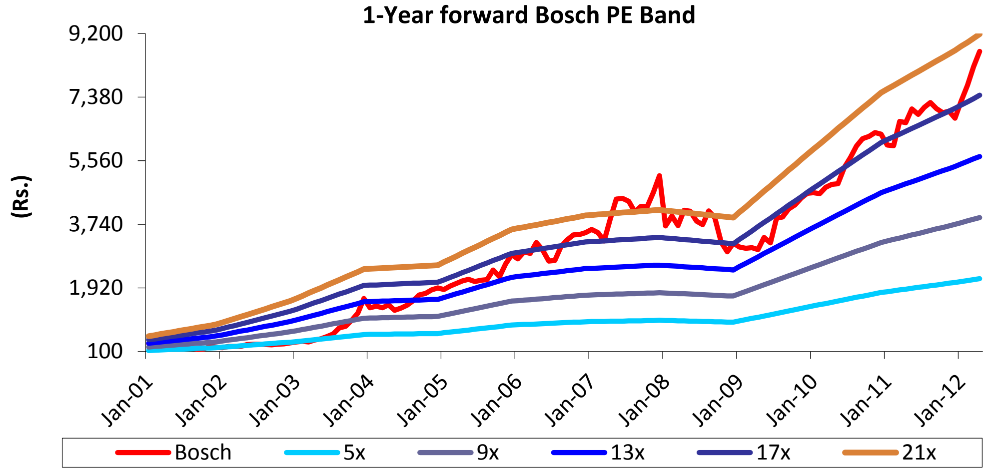


Source: Company, Sushil Finance Research Estimates

WIL has a strong balance sheet and is a net debt free company with high operating cash flows. As depicted, over the past 2 years the company has reported robust operational cash flows driven by higher profitability. However, strong operational cash flows did not translate into high cash balances led by high debt repayment. Currently, company has negligible debt in its books which can be easily paid off from its existing cash balance and has planned a capex of Rs.900 mn to be incurred over the next two years which is to be funded through internal accruals. Thus, we expect company's cash balance to increase fourfold by FY14 from its FY12E cash levels driven by strong operating cash flows (which in turn is driven by strong Revenue & PAT CAGR of 24.7% & 26.2% over FY11-14E) and low debt repayment.

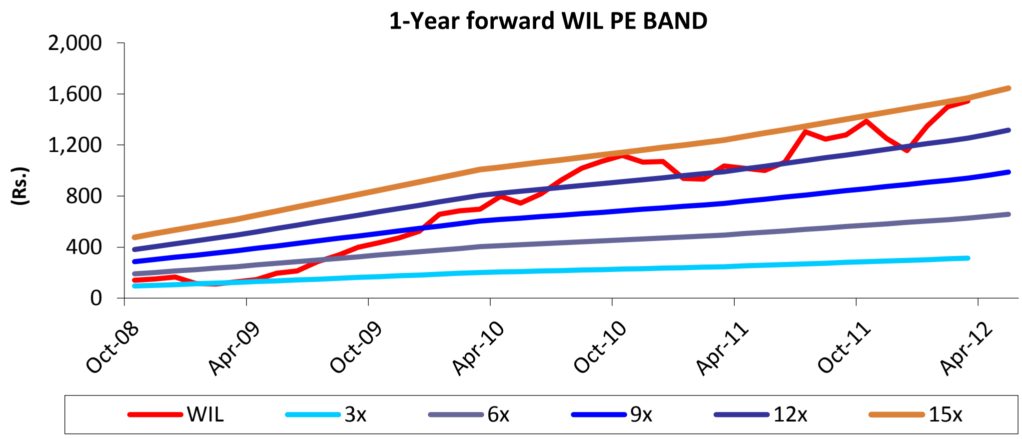
Change in Management Leadership – a Step in Right Direction

Since October 25, 2010 post the resignation of Mr. Venu Srinivasan, WIL is chaired by Mr. M. Lakshminarayan. Prior to joining WIL, Mr. Lakshminarayan served as a Joint MD of Bosch Ltd. during October 2000 to December 2008 which is characterized as a high growth phase and a period of re-rating in the history of Bosch. He joined Bosch in May 1987 as Deputy General Manager. He was on deputation to Robert Bosch GmbH, Germany for 2 years from 1997 to 1999, where he was responsible for manufacture of Inline Pumps at the Homburg Plant. At Bosch India, he was responsible for various key positions including heading a product group in German and was instrumental in tapping the Indian market for growth and market share. Prior to Bosch, he also served as a Divisional Manager (Machine Tools Division) with Tata Motors Ltd.



Source: Bloomberg & Capitaline

As can be observed from the above chart, Bosch was earlier trading at 4-5x its one year forward earnings. But since July 2003 its fortunes have changed and the stock got re-rated to 25x levels (peak of 2007) and is now trading at close to 19x its forward earnings. This was the time when Mr. Lakshminarayan was the joint MD of Bosch and the company delivered consistent 20%+ growth. We cannot rule out a similar performance to repeat in WIL given that both companies have strong foreign parentage catering to varied needs of automobile companies with their technologically advanced products having strong brand recognition. We have already seen part of the re-rating (from 3x in January 2009 to present 15x) in the case of WIL. However, a consistency in growth, net debt free balance sheet coupled with robust return ratios and high cash generation will be a key point to watch out for.



Source: Capitaline & Sushil Finance Research Estimates

Risk & Uncertainties

- Indian CV industry is cyclical in nature. Any slowdown in the M&HCV industry may have an impact on the company's financials. However, the company is striving for an increase in its content per vehicle which will help protect the downside.

- With the introduction of new products it is probable that the parent company may enter into royalty agreement with WIL. However we do not see it as a major risk as the royalty payment will be linked to sale of new products. Existing products are not likely to fall under the royalty purview.

OUTLOOK & VALUATION

WIL is a technology driven Product Company. Despite of challenges enveloping the CV industry, the company has outperformed the industry by growing at a CAGR of 17.5% over FY08-11 as against domestic M&HCV growth of just 5.5%. WIL is consistently working on new technologies to introduce more value added products which will help maintain its market share in the industry. At the CMP of Rs.1,594, the stock is quoting at 15.3x and 11.8x its FY13E and FY14E EPS of Rs.104.2 and Rs.135 respectively. Hence, considering company's dominance in the market, higher expected growth (FY11-14E Revenue & PAT CAGR of 24.7% & 26.2%), net debt free Balance Sheet coupled with robust return ratios (FY11 ROE & ROCE of 38.8% & 55.2%) and strong cash flows, we have a positive outlook on the company. However, considering the recent run up in the stock price, we change our rating to 'HOLD' retaining our price target of Rs.1762.

PROFIT & LOSS STATEMENT

(Rs.mn)

Y/E Mar.	FY11	FY12E	FY13E	FY14E
Revenues	**8,911.3**	**10,581.2**	**13,448.2**	**17,294.5**
Raw Materials	4,949.6	5,718.1	7,208.2	9,218.0
Personnel Cost	711.9	962.9	1,237.2	1,608.4
Other expenses	1,270.7	1,576.6	2,017.2	2,594.2
EBITDA	**1,979.1**	**2,323.6**	**2,985.5**	**3,874.0**
Depreciation	144.2	156.8	185.8	212.7
Interest charges	1.7	1.3	2.4	1.7
Other Income	80.8	105.8	134.5	172.9
EBT(as reported)	**1,913.6**	**2,271.3**	**2,931.9**	**3,832.5**
Tax	639.4	708.6	955.8	1,272.4
APAT	**1,274.2**	**1,562.6**	**1,976.1**	**2,560.1**

BALANCE SHEET STATEMENT

(Rs.mn)

As on 31st Mar.	FY11	FY12E	FY13E	FY14E
Equity Share Capital	94.8	94.8	94.8	94.8
Reserves	3,772.4	5,224.1	7,067.0	9,488.4
Net worth	**3,867.3**	**5,319.0**	**7,161.9**	**9,583.3**
Total loans	**5.7**	**90.6**	**72.5**	**43.5**
Deferred Tax Liab.	81.5	108.8	149.8	207.3
Capital Employed	**3,954.5**	**5,518.3**	**7,384.2**	**9,834.1**
Net block	**1,803.9**	**2,220.2**	**2,455.5**	**2,702.8**
CWIP	99.2	126.0	155.0	145.0
Investments	**122.0**	**347.0**	**597.0**	**772.0**
Inventories	798.6	966.3	1,273.3	1,630.8
Sundry debtors	1,711.8	2,058.3	2,616.0	3,364.1
Cash and bank	128.6	515.7	1,107.1	2,164.3
Loans and advances	421.0	538.6	688.5	888.8
Total Current assets	**3,060.5**	**4,079.2**	**5,685.4**	**8,048.5**
Current Liabilities	860.6	971.3	1,184.9	1,490.0
Provisions	270.5	282.9	323.8	344.2
T.Curr.Liab & Prov	**1,131.1**	**1,254.2**	**1,508.7**	**1,834.3**
Net Current assets	**1,929.4**	**2,825.1**	**4,176.7**	**6,214.3**
Capital Deployed	**3,954.5**	**5,518.3**	**7,384.2**	**9,834.1**

FINANCIAL RATIO STATEMENT

Y/E Mar.	FY11	FY12E	FY13E	FY14E
Growth (%)				
Total Sales	47.2	18.7	27.1	28.6
EBITDA	50.0	17.4	28.5	29.8
PAT	63.0	22.6	26.5	29.6
Profitability (%)				
EBITDA Margin	22.2	22.0	22.2	22.4
Net Profit Margin	14.3	14.8	14.7	14.8
ROCE	55.2	46.7	44.3	43.4
ROE	38.8	34.0	31.7	30.6
Per Share Data (Rs.)				
EPS	67.2	82.4	104.2	135.0
CEPS	77.4	92.1	116.1	149.2
BVPS	203.9	280.4	377.6	505.2
Valuations (x)				
PER (x)	23.7	19.4	15.3	11.8
PEG (x)	0.4	0.9	0.6	0.4
P/BV (x)	7.8	5.7	4.2	3.2
EV/EBITDA (x)	15.2	12.7	9.6	7.1
EV/Net Sales (x)	3.5	2.9	2.2	1.6
Turnover days				
Debtor Days	70	71	71	71
Creditor Days	64	62	60	59
Gearing Ratio				
D/E	0.0	0.0	0.0	0.0

CASH FLOW STATEMENT

(Rs.mn)

Y/E Mar.	FY11	FY12E	FY13E	FY14E
Profit After Tax Available to Shareholders	1,274.2	1,562.6	1,976.1	2,560.1
Depreciation	138.6	156.8	185.8	212.7
Chg. in Deferred Tax Liability	49.1	27.3	41.0	57.5
Chg. in Working Capital	(906.8)	(508.6)	(760.1)	(980.4)
Cash Flow from Operations	**555.0**	**1,238.1**	**1,442.7**	**1,849.9**
Chg. in Gross PP&E	(140.9)	(573.2)	(421.0)	(460.0)
Chg. in Work in Prog.	(33.0)	(26.8)	(29.0)	10.0
Chg. in Investments	(100.0)	(225.0)	(250.0)	(175.0)
Cash Flow from Investing	**(273.9)**	**(825.0)**	**(700.0)**	**(625.0)**
Change in Debt	(66.2)	84.9	(18.1)	(29.0)
Dividend	(110.2)	(111.0)	(133.2)	(138.7)
Cash Flow from Financing	**(176.3)**	**(26.1)**	**(151.3)**	**(167.7)**
Cash at the End of the Year	**128.6**	**515.7**	**1,107.1**	**2,164.3**

Source: Company, Sushil Finance Research Estimates

Rating Scale

This is a guide to the rating system used by our Institutional Research Team. Our rating system comprises of six rating categories, with a corresponding risk rating.

Risk Rating

Risk Description	Predictability of Earnings / Dividends; Price Volatility
Low Risk	**High predictability / Low volatility**
Medium Risk	**Moderate predictability / volatility**
High Risk	**Low predictability / High volatility**

Total Expected Return Matrix

Rating	Low Risk	Medium Risk	High Risk
Buy	**Over 15 %**	**Over 20%**	**Over 25%**
Accumulate	**10 % to 15 %**	**15% to 20%**	**20% to 25%**
Hold	**0% to 10 %**	**0% to 15%**	**0% to 20%**
Sell	Negative Returns	Negative Returns	Negative Returns
Neutral	Not Applicable	Not Applicable	Not Applicable
Not Rated	Not Applicable	Not Applicable	Not Applicable

Please Note

- Recommendations with "Neutral" Rating imply reversal of our earlier opinion (i.e. Book Profits / Losses).
- ** Indicates that the stock is illiquid With a view to combat the higher acquisition cost for illiquid stocks, we have enhanced our return criteria for such stocks by five percentage points.
- **Stock Review Reports:** These are Soft coverage's on companies where Management access is difficult or Market capitalization is below Rs. 2000 mn. Views and recommendation on such companies may not necessarily be based on management meeting but may be based on the publicly available information and/or attending Company AGMs. Hence Stock Reviews may be just one-time coverage's with an occasional Update, wherever possible.