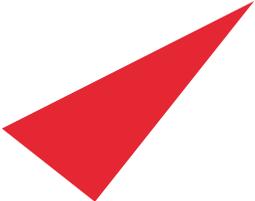


Pick of the Week



Oil India Ltd.

June 23, 2025



Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Exploration & Production	Rs 464.90	Buy in Rs 455-475 band and add on dips in Rs 418-426 band	Rs 509	Rs 553	2-3 quarters

HDFC Scrip Code	OILIND
BSE Code	533106
NSE Code	OIL
Bloomberg	OINL IN
CMP June 20, 2025	464.90
Equity Capital (Rs Cr)	1626.6
Face Value (Rs)	10
Equity Share O/S (Cr)	162.7
Market Cap (Rs Cr)	75,621.2
Book Value (Rs)	306.0
Avg. 52 Wk Volumes	6662978
52 Week High	767.3
52 Week Low	322.2

Share holding Pattern % (March, 2025)	
Promoters	56.7
Institutions	26.8
Non Institutions	16.5
Total	100



Fundamental Research Analyst
Abdul Karim
abdul.karim@hdfcsec.com

Our Take:

Oil India Ltd (OIL) is one of the leading oil and gas companies in India, and is engaged in exploration, development and production of crude oil and natural gas, transportation of crude oil and production of LPG. OIL also has a participating interest in NELP exploration blocks in Mahanadi Offshore, Mumbai Deepwater, Krishna–Godavari Deepwater, etc. It has various overseas projects in Libya, Gabon, the USA, Nigeria and Sudan. It has also ventured into the City Gas Distribution (CGD) projects to diversify into the non-E&P energy value chain. On March 25, 2021, OIL acquired a majority stake in Numaligarh Refinery Ltd (NRL), having a state-of-the-art 3 Million Metric Ton Per Annum (MMTPA) refinery in Assam, resulting in OIL becoming the promoter and the holding company of NRL.

OIL's significant market position and long track record in the domestic exploration and production (E&P) industry could provide strength from its strong operational performance, backed by robust E&P infrastructure and proven technical capabilities. Its oil and gas production stood at 8.8 mmtoe (domestic and international) in FY25, and the company aims to increase the production to 10-12 mmtoe by FY30E, of which 2-3 mmtoe contribution will be from additional discoveries.

Its subsidiary NRL, with 3 MMTPA capacity and a Nelson complexity index of 9.61, reported gross refining margins of USD 5.14 /bbl in FY25, and USD 9.28/bbl in Q4FY25 vs. USD 13.17/bbl in FY24, USD 19.86/bbl in FY23 and USD 14.33/bbl in FY22. Expectations of rise in GRM could help to increase NRL's profitability. NRL has become a part of an integrated energy company, and OIL and NRL together can create an immense synergy that will help both entities to consolidate their business plans and achieve sustainable growth. NRL has a 15-year supply agreement with BPCL, so after the expansion, there will be a certain guaranteed volume offtake.

OIL's 2030 vision is supported by three engines that drive the scaling up towards integrated oil and gas. On the upstream side, plans to scale up to an expected 10 to 12 MMTPA through expansion via strategic bidding in OALP and DSF blocks and selective equity partnerships in high-potential clusters. On the downstream side, the company aims to expand capacity to 9 MMTPA with the commissioning of Numaligarh Refinery's expanded capacity, a 360 KTPA polypropylene Petchem and 500-plus CNG stations across the country. On the midstream, OIL targets scaling up to 18 million metric tons per annum (MMTPA) of crude oil pipelines, 2.6 MMTPA of gas transportation pipelines, and 5.5 MMTPA of product pipeline capacity.

Valuation & Recommendation:

OIL initially started as an E&P company, it has gradually diversified its presence across the entire hydrocarbon value chain. Oil has a direct or indirect presence in refining, petrochemicals, oil and gas transportation, city gas distribution, renewable energy, and green energy initiatives through various subsidiaries, associates, and joint ventures. Besides, the earnings outlook for the core oil & gas E&P business has improved considerably with a sharp recovery in oil & gas prices.

OIL will benefit from sharp recovery in crude oil prices. Oil and Gas prices have also risen and are expected to rise even further. OIL is also enjoying from its low-cost structure. We thus expect OIL's gas realisation to improve going forward.

OIL has a long track record of operations of more than six decades, providing it an advantage over newer players in the industry. The company has been able to develop a robust infrastructure and an in-house expertise. Oil price and gas price realisations remain extremely strong compared to historical levels, leading to strong free cash flow generation.

Investors can buy in the Rs 455-475 band and add on dips in the Rs 418-426 band (Core business at 5.25x FY27E EPS+ total Value of investment at Rs 194/share). We believe the base case fair value of the stock is Rs 509 (Core business at 7.25x FY27E EPS+ total Value of investment at Rs 194/share), and the bull case fair value of the stock is Rs 553 (Core business at 8.25x FY27E EPS+ total Value of investment at Rs 194/share) over the next 2-3 quarters. At the LTP of Rs 464.90, the stock is trading at 7.9x FY27E EPS.

Financial Summary:

Particulars (Rs Cr)	Standalone						Consolidated			
	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY23	FY24	FY25	FY26E	FY27E
Total Operating Income	5518	5527	-0.2	5240	5.3	41039	36304	36164	39989	47999
EBITDA	1983	2336	-15.1	2133	-7.0	15268	12504	11216	12418	15419
Depreciation	432	455	-5.0	527	-17.9	1947	2129	2318	2588	2963
Other Income	664	833	-20.3	189	251.9	719	1343	1666	2541	2958
Interest Cost	195	189	3.1	244	-20.1	901	964	1069	1355	1519
Tax	429	496	-13.5	328	30.5	3289	1865	2397	2533	3474
APAT	1591	2029	-21.6	1222	30.2	8729	8290	6551	7578	9584
Diluted EPS (Rs)	9.8	12.5	-21.6	7.5	30.2	53.7	51.0	40.3	46.6	58.9
RoE-%						25.3	19.1	13.4	11.3	10.5
P/E (x)						8.7	9.1	11.5	10.0	7.9
EV/EBITDA (x)						6.0	7.5	8.8	6.9	5.0

(Source: Company, HDFC sec)

Q4FY25 Result Update

- Oil India numbers were above expectations in Q4FY25. Standalone revenue was marginally down by 0.2% YoY to Rs 5,518 crore.
- EBITDA was at Rs 1,983 crore in Q4FY25 vs. Rs 2336 crore in Q4FY24. Oil India's net profit stood at Rs 1591 crore in Q4FY25.
- Gas production of 0.81 bcm (+0.1% YoY, -2.8% QoQ) was recorded in the quarter. Oil sales volume was at 0.85mmt up by 1.0% YoY, and 2.8% QoQ, while gas sales volume was at 0.67bcm, up by 2.3% YoY, and down 2.5% QoQ. Oil realization was USD74.9/bbl.

Recent updates

Expectations of an impressive production outlook with the higher realisation

- OIL has guided the development of an impressive crude oil production of 4 MTPA and gas production volumes of 5 BCM in the next two to three years.
- The company's drilling plans include 75-80 wells for the current year vs. Drilled/spotted 70 wells in FY25 (completed 62 wells and 10 in progress), indicating a steady increase in exploration activities.
- The company has a success rate for development wells is nearly 100%, while exploratory wells maintain a success rate of 50% to 60%.
- The company guided to increase the exploratory success rate to around 80% to 90%. Current exploration efforts are focused on the Northeast region and other blocks, including Rajasthan and Andaman.
- The company remains optimistic about achieving production targets with ongoing projects and infrastructure improvements. However, the company faced challenges in gas production due to non-performance by gas offtakers.
- The company is targeting 10–12 MMTPA oil & oil equivalent (from 6.7 MMTOE in FY25) via OALP/DSF blocks, strategic partnerships, and technology.

Robust infrastructure and efficient technical capabilities provide an advantage.

- OIL is an E&P company and has expanded its presence in refining and petrochemicals, thereby making its presence across the hydrocarbon value chain. In the downstream operations, the company has 69.63% stake in NRL, which operates a 3 MMTPA refinery, which is being expanded to 9 MMTPA, in Numaligarh (Assam). According to the Q3FY25 earnings call, the NRL refinery capacity expansion project, which aims to increase capacity from 3 MMTPA to 9 MMTPA, has achieved a physical completion rate of ~73%.
- In the transportation segment, OIL has a 1,247 km long crude transportation pipeline of 6 MMTPA and a 654 km long multiproduct pipeline of 1.72 MMTPA, which is being enhanced to 5.50 MMTPA. As a part of its refinery expansion plan, it is building a 1,640 km long crude oil pipeline of 6 MMTPA from Paradip, Odisha to Numaligarh, Assam, and a crude oil import terminal at Paradip, Odisha.
- OIL has strategic investments across the value chain in various entities engaged in petrochemicals, natural gas pipeline and city gas distribution network through associates and joint ventures (JVs).
- Total capex projected at Rs 6,000 crores to Rs 7,000 crores over the next three years, with 75% directed towards upstream initiatives, and the capex of ~1000 crores has been incurred for the petchem project of NRL. The project is expected to be completed by December 2028 with a total estimated capex outlay of Rs 7200 crore.
- Ongoing projects include significant investments in drilling and development across various regions, including Assam, Rajasthan, and offshore Andaman.
- OIL also holds a 5.16% equity stake in Indian Oil Corporation Ltd as on March 31, 2025. It operates renewable energy with an installed capacity of 188 MW (174 MW in wind power and 14 MW in solar power) as on March 31, 2025. The company has also established a 100 KW green hydrogen pilot plant in Assam.

- OIL has developed significant onshore and offshore production facilities, subsea and land pipelines, gas processing, drilling and work-over rigs, storage facilities and other infrastructure located throughout the principal oil and gas-producing regions of India.
- The company spotted 70 wells, 62 completed in FY25, a shortfall due to monsoon and extended testing protocols vs. drilling 61 wells (17 exploratory wells and 44 development) in FY24, which was the highest since inception. The company plans to ramp up to 75–80 wells in FY26.
- TotalEnergies and Oil India Ltd signed a Cooperation Agreement to carry out methane emissions detection and measurement campaigns using TotalEnergies' pioneer AUSEA technology at OIL sites in India.
- Apart from standalone and NRL pipeline assets, the company has two more pipeline assets. (1) IGGL: Phase 1 (Guwahati to Numaligarh) of IGGL is expected to be completed on July 25. Both Phase 2 and Phase 3 would require an additional 2-3 years for completion. The company is optimistic about future production increases with the commissioning of the IGGL pipeline, expected to enhance gas evacuation capabilities. (2) DNPL: The addition of capacity from 1 MMSCMD to 2.5 MMSCMD, and DNPL pipeline phases are scheduled for completion by October 2025. This is required due to increasing gas production. However, the timeline of completion could be extended for a few months.

Post expansion, NRL to generate volume and revenue growth going forward

- OIL has been engaged in exploration, development of drilling, capital equipment, survey, and Research & development activities over the past.
- OIL's average capital expenditure per annum on a standalone basis has been in the range of ~Rs 5,000- 6000 crore over the past four to five years. We expect the same trend to continue going forward distributed between expenditure on development drilling, exploration drilling, capital equipment, overseas projects, surveys, and R&D. Its capex stood Rs 8,600 crore on a standalone basis and Group Capex (incl. NRL) ~Rs 15,000-16,000 crore in FY25.
- NRL expansion project cost revised to approximately Rs 33,000 crores. Rs 15,000-16,000 crore of capex is expected to be incurred in FY26, including NRL capex of Rs 9,130 crore (Rs 5,650 crore and Rs 3,230 crore toward the refinery/petchem plant).
- The company expects gas sales volumes to ramp up as new gas sale agreements are established. Increased gas demand from NREP (Numaligarh Refinery Expansion Project) and other local consumers, and expected gas consumption from NRL post-expansion is around 2 MMSCMD.
- The nine mmtpa Paradip-Numaligarh Crude Pipeline and the 2.5 mmscmd Duliajan - Numaligarh Gas Pipeline are expected to be commissioned in Oct '25.
- The company is planning the construction of a 9 MMTPA crude oil pipeline (1,640 km) for the transportation of imported crude oil from Paradip to Numaligarh refinery. NRL plans to accomplish the commissioning of Paradip Numaligarh Crude Oil Pipeline (PNCPL) by October 25.

Expanding overseas diversification

- OIL has 10 international projects spanning Russia, Africa (Mozambique, Gabon, Libya, and Nigeria), Venezuela, and Bangladesh, comprising four exploration blocks, two development blocks, and four production blocks. OIL had crude oil and natural gas overseas reserves (2P) of 69 MMTOE and 121 MMBOE, respectively, as of March 31, 2025.
- OIL entered into international upstream business in 2006 by acquiring a stake in projects in Nigeria and Gabon. Currently, it has stake in 10 blocks across 7 countries. OIL would not pursue international upstream deals aggressively now as most of past blocks (License-61 and OML 142) turned unprofitable as well as lower opportunities in global market after the Russia-Ukraine war.
- OIL's Mozambique project is expected to be operational in July 2025, the company has 10% stake in the project. OIL's strong foundation and execution capabilities could help to report strong performance from its overseas operations going forward.

Sound financial profile with decent dividend yield and return ratio.

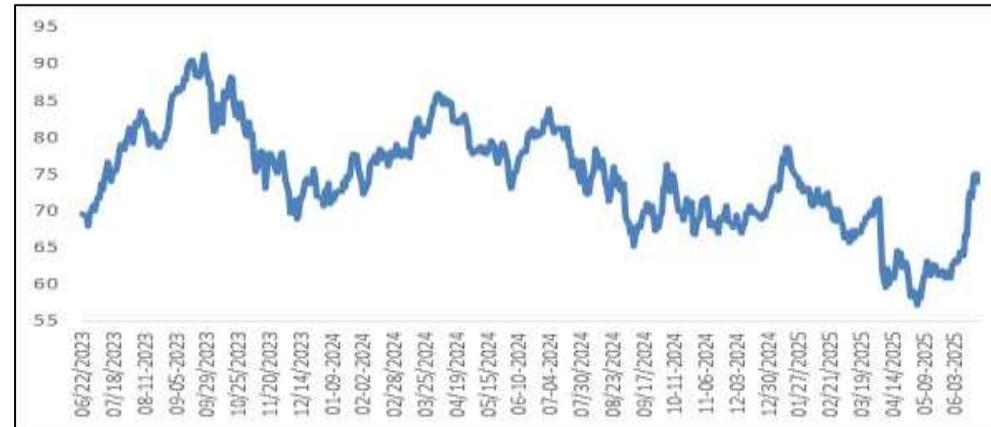
- OIL, on a consolidated basis, revenue grew at a CAGR of ~18% over the last eight years and revenue declined by 0.4% in FY25 to Rs 36,164 crore due to the lower realization of crude oil, natural gas, and petroleum products. An increase in volume sales of crude oil and natural gas partially offset the decline in revenue. EBITDA and PAT margins stood at 31% and 18% in FY25, respectively.
- The company could report revenue CAGR at ~15% over the FY25 to FY27E, factoring in the slower volume growth. We expect EBITDA margin at 31.1%/32.1% and PAT margin at 19%/20% for FY26E/FY27E, respectively.
- OIL reported a comfortable overall gearing ratio of 0.5x as on March 31, 2025, as against 0.4x as on March 31, 2024. In FY21, on account of the additional debt taken for acquiring an additional 54.16% ownership interest in Numaligarh Refinery Ltd (NRL) in March 2021 for a total cash consideration of Rs 8,676 crore. Debt for acquisition of additional share in NRL has been fully repaid.
- Solid free cash flow enabled the board to recommend a final dividend, while still funding the largest capital program of Oil India Limited during this period. OIL has recommended a final dividend of Rs 11.50/share in FY25, with a dividend yield of 2.7%. We expect dividend payments of Rs 12.4 and Rs 14.2 per share to shareholders in FY26E and FY27E, respectively.

Crude Oil prices are expected to remain elevated amid the tight supply OPEC Strategy and inventory fall

Recently, crude oil prices have risen from US\$ 58.29/bbl on April 27, 2025, to US\$ 74.31/bbl on June 19, 2025, following Israel's airstrikes on Iran, a move that jolted global markets amid fears of a broader regional conflict.

There is an upside risk to crude price if Iran is able to disrupt crude supply through the key Strait of Hormuz, via which ~20% of global oil & LNG shipments take place. The probability of this though, is low; the Strait of Hormuz has never been blocked during earlier wars in the region, and its blocking is extremely unlikely this time as well, as US and Western countries are likely to take strong measures against any such disruptions given the huge risk it can pose to global oil and gas prices. Crude oil prices may remain elevated in the near term, amid heightened geopolitical tensions.

WTI (Fut) Crude Oil Price-US\$/bbl.



(Source: Investing.com, HDFC sec)

What could go wrong?

- Economic slowdown, volatility in oil and gas prices, and regulatory changes in the Oil and Gas industry could impact its growth story in the future. The changing macroeconomic scenario could hit the growth of the company.
- E&P business is a highly capital-intensive activity and has a long gestation period with high uncertainty concerning the estimation of reserves. The success of E&P activities depends on the quality of the available data engineering, geographies, geologies, and geopolitical interpretation. Adverse outcomes or failure on an E&P project could bring a cost burden and impact its profitability.
- Given the volatility in Crude oil and petroleum product prices, inventory gains/losses in each quarter can be large affecting the estimates. Any decrease in the price of the crude oil may hamper the profitability of the company. Prices of crude oil depend on various factors including policies by major producers of crude oil, global as well as regional demand variations, geopolitical situations and market sentiment.
- OIL has been hit with multi-crore losses due to delayed projects, as per the recent audit report by Comptroller and Auditor General (CAG). Further delay could bring the cost burden.
- For the international investments undertaken, profitability is also susceptible to significant geo-political risks, as some of the overseas blocks are in countries that have political instability.

Company Profile

OIL India is a fully integrated E&P company, a state-owned enterprise under the administrative control of the Ministry of Petroleum and Natural Gas, which holds an approximately 57% equity stake. The company and its various subsidiaries, joint ventures, and associates have diversified its presence across the entire value chain in the hydrocarbon sector.

OIL is operating in 58 blocks in India and also has a participating Interest (PI) in 5 blocks. The company owns and operates a 1,247 km long crude oil pipeline in the Northeast for the transportation of crude oil to feed the Numaligarh, Guwahati, Bongaigaon, and Barauni refineries, as well as a 35 km branch line to feed the Digboi refinery. Besides, OIL operates a 654 km product pipeline from Numaligarh Refinery to Siliguri. OIL has 49% and 40% stakes in Duliajan Numaligarh Pipeline Limited (DNPL) and Indradhanush Gas Grid Limited (IGGL), respectively.

OIL acquired a 10% equity stake in Numaligarh Refinery Ltd (NRL) in 2000 and increased its stake to 69.6% by 2021, expanding its footprint in refining operations. It diversified into petrochemicals in 1971 by acquiring a 49% stake in Assam Petro-Chemicals Limited (APL) and a 20% stake in Brahmaputra Cracker and Polymer Limited (BCPL) in 2007. It has also ventured into City Gas Distribution (CGD) projects and has authorisation for 9 geographical areas along with its JV partners.

Major Projects:

Paradip–Numaligarh crude pipeline (9 MMTPA): Commissioning scheduled for October 2025.

Numaligarh–Siliguri product pipeline (NSPL): Augmentation to 5.5 MMTPA by July 2025.

Duliajan–Numaligarh gas pipeline: Upgradation to 2.5 MMSCMD by Oct 2025.

Indradhanush Gas Grid (IGGL): 4.5 MMSCMD, Phase-3 to complete by Mar 2027.

Duliajan Feeder Line: Rerouted for cost and time efficiency; expected to eliminate evacuation constraints and enable a 5 BCM gas target by 2027.

OIL Valuation

FY27E	Unit	Add on Dips	Base Case	Bull Case
Value of core business				
EPS	Rs/share	48.4	48.4	48.4
Less: Dividend income	Rs/share	4.9	4.9	4.9
Net earnings	Rs/share	43.5	43.5	43.5
PE multiple	(X)	5.3	7.25	8.25
Value of core business	Rs/share	228.3	315.2	358.7
Value of investments				
IOCL @25% discount	Rs/share	48.4	48.4	48.4
NRL	Rs/share	106.7	106.7	106.7
Other investment	Rs/share	39.1	39.1	39.1
Total value of investments	Rs/share	194.2	194.2	194.2
PER based target price (approx.)	Rs/share	422	509	553

(Source: Company, HDFC sec)

Financials

Income Statement

(Rs Cr)	FY23	FY24	FY25	FY26E	FY27E
Net Revenues	41039	36304	36164	39989	47999
Growth (%)	36.7	-11.5	-0.4	10.6	20.0
Operating Expenses	25771	23799	24947	27571	32580
EBITDA	15268	12504	11216	12418	15419
Growth (%)	45.4	-18.1	-10.3	10.7	24.2
EBITDA Margin (%)	37.2	34.4	31.0	31.1	32.1
Depreciation	1947	2129	2318	2588	2963
EBIT	13321	10375	8898	9830	12456
Other Income	719	1343	1666	2541	2958
Interest expenses	901	964	1069	1355	1519
PBT	13140	10754	9495	11015	13894
Tax	3289	1865	2397	2533	3474
RPAT	9850	8889	7098	8482	10421
APAT	8729	8290	6551	7578	9584
Growth (%)	55.3	-5.0	-21.0	15.7	26.5
EPS	53.7	51.0	40.3	46.6	58.9

Balance Sheet

As at March	FY23	FY24	FY25	FY26E	FY27E
SOURCE OF FUNDS					
Share Capital	1084	1084	1627	1627	1627
Reserves	37397	47255	48141	56564	66926
Shareholders' Funds	38481	48339	49768	58191	68553
Long Term Debt	18389	19495	28033	21999	22531
Net Deferred Taxes	3318	3200	3167	3055	3197
Long Term Provisions & Others	1370	1360	1631	1460	1570
Minority Interest	3371	4287	4938	5783	6561
Total Source of Funds	64930	76680	87536	90489	102412
APPLICATION OF FUNDS					
Net Block & Goodwill	17047	19206	21166	23016	25471
CWIP	13004	21341	32009	30861	30561
Other Non-Current Assets	29537	34866	32560	32092	33207
Total Non-Current Assets	59588	75414	85736	85969	89239
Inventories	5114	4486	5044	2257	2572
Trade Receivables	2400	3333	3282	2569	2897
Cash & Equivalents	3459	5937	7197	13306	22544
Other Current Assets	3321	2983	3186	3425	3994
Total Current Assets	14295	16739	18709	21557	32007
Short-Term Borrowings	303	4356	2052	1821	2246
Trade Payables	1858	1817	2462	583	718
Other Current Liab & Provisions	6792	9299	12394	14633	15870
Total Current Liabilities	8953	15473	16908	17037	18834
Net Current Assets	5342	1266	1801	4520	13173
Total Application of Funds	64930	76680	87536	90489	102412

(Source: Company, HDFC sec)

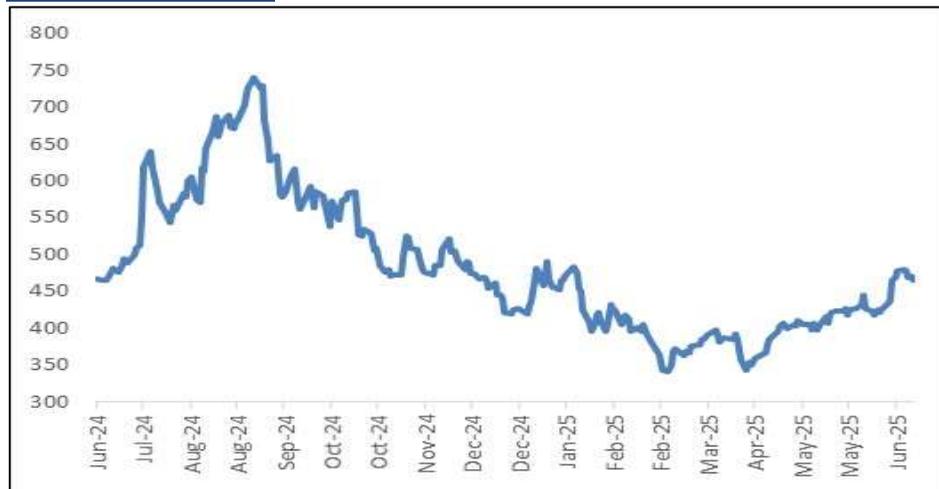
Cash Flow Statement

(Rs Cr)	FY23	FY24	FY25	FY26E	FY27E
Reported PBT	13,140	10,754	9,495	11,015	13,894
Non-operating & EO items	-715	-3,251	-1,725	-2,599	-3,017
Interest Expenses	901	964	1,069	1,355	1,519
Depreciation	1,947	2,129	2,318	2,588	2,963
Working Capital Change	-476	2,500	3,030	3,620	160
Tax Paid	-3,117	-1,983	-2,429	-2,646	-3,332
OPERATING CASH FLOW (a)	11,680	11,113	11,758	13,333	12,189
Capex	-9,293	-12,625	-14,947	-3,289	-5,119
Free Cash Flow	2,387	-1,513	-3,188	10,044	7,070
Investments	-790	-5,995	2,509	283	-704
Non-operating income	719	1,343	1,666	2,541	2,958
INVESTING CASH FLOW (b)	-9,364	-17,277	-10,771	-465	-2,865
Debt Issuance / (Repaid)	2,141	5,159	6,233	-6,264	957
Interest Expenses	-901	-964	-1,069	-1,355	-1,519
FCFE	3,627	2,683	1,976	2,425	6,508
Share Capital Issuance	0	0	542	0	0
Dividend	-3,253	-2,562	-1,871	-2,016	-2,305
FINANCING CASH FLOW (c)	-2,013	1,633	3,836	-9,635	-2,868
NET CASH FLOW (a+b+c)	1,909	2,478	1,260	6,108	9,238

Key Ratios

Particulars	FY23	FY24	FY25	FY26E	FY27E
Profitability Ratio (%)					
EBITDA Margin	37.2	34.4	31.0	31.1	32.1
EBIT Margin	32.5	28.6	24.6	24.6	25.9
APAT Margin	21.3	22.8	18.1	19.0	20.0
RoE	25.3	19.1	13.4	11.3	10.5
RoCE	15.8	12.4	8.6	7.8	7.8
Solvency Ratio (x)					
Net Debt/EBITDA	1.0	1.4	2.0	0.8	0.1
Net D/E	0.4	0.4	0.5	0.2	0.0
Per Share Data (Rs)					
EPS	53.7	51.0	40.3	46.6	58.9
CEPS	65.6	64.1	54.5	62.5	77.1
BV	236.6	297.2	306.0	357.7	421.4
Dividend	20.0	15.8	11.5	12.4	14.2
Turnover Ratios (days)					
Debtor days	21.3	33.5	33.1	23.4	22.0
Inventory days	45.5	45.1	50.9	20.6	19.6
Creditors days	16.5	18.3	24.9	5.3	5.5
Valuation (x)					
P/E	8.7	9.1	11.5	10.0	7.9
P/BV	2.0	1.6	1.5	1.3	1.1
EV/EBITDA	6.0	7.5	8.8	6.9	5.0
EV / Revenues	2.2	2.6	2.7	2.2	1.6
Dividend Yield (%)	4.3	3.4	2.5	2.7	3.0
Dividend Payout(%)	37.3	30.9	28.6	26.6	24.1

One Year Price chart



(Source: Company, HDFC sec)

HDFC Sec Prime 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. These 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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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

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