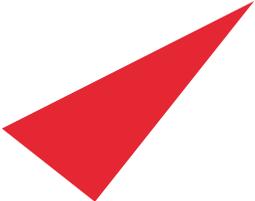


Pick of the Week



Bharti Hexacom Ltd.

October 27, 2025



Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Telecom	Rs 1787.60	Buy in Rs 1770-1805 band and add on dips in Rs 1615-1645 band	Rs 1955	Rs 2085	2-3 quarters

HDFC Scrip Code	BHAHEXEQNR
BSE Code	544162
NSE Code	BHARTIHEXA
Bloomberg	BHARTIHE IN
CMP Oct 24, 2025	1787.60
Equity Capital (Rs Cr)	250.0
Face Value (Rs)	5.0
Equity Share O/S (Cr)	50.0
Market Cap (Rs Cr)	89,380.0
Book Value (Rs)	119
Avg. 52 Wk Volumes	6,684,147
52 Week High	2052.9
52 Week Low	1234.0

Share holding Pattern % (Sept, 2025)	
Promoters	70.0
Institutions	14.2
Non Institutions	15.8
Total	100



* Refer at the end for explanation on Risk Ratings

Fundamental Research Analyst

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Our Take:

Bharti Hexacom Ltd. (BHL) is a communications solutions provider offering consumer mobile services, fixed-line telephone, and broadband services to customers in the Rajasthan and the North East circles, which comprises the states of Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, and Tripura. The company provides digital offerings to enhance customer engagement and offers differentiated, customised solutions. As a subsidiary of Bharti Airtel, the company leverages its robust digital infrastructure and collaborations to navigate the challenges of a highly competitive market. BHL provides mobile services in Rajasthan and the Northeast, and the company is the second-largest wireless mobile operator in these two circles, with a market share of 38.5% by subscribers in May 2025, as per TRAI.

BHL is focused on the premiumisation of its services, resulting in an augmented Average Revenue Per User (ARPU) from Rs 135 in FY21 to Rs 246 in Q1FY26. Its current ARPU is only 1.8% lower than Bharti's, indicating that its underlying returns are likely to remain superior. The company is set to increase its tariff in FY26E. The company's strategic focus on acquiring and retaining high-value customers through competitive pricing and superior services has propelled its growth. With an emphasis on digital infrastructure investments and collaborations with Airtel, BHL has consistently increased its ARPU and market share, outperforming competitors in its circles.

The company continuously invests in network expansion, technology advancement, and judicious spectrum investments, deriving significant synergies from its relationship with its promoter, Airtel, through the expansive digital infrastructure, digital experience, and the digital services it provides to its customers.

Valuation & Recommendation:

India's telecom market exhibits growth potential, driven by under-penetration, economic expansion, and the need for improved telecom tariffs in alignment with global peers. BHL, a subsidiary of Bharti Airtel, navigates the Indian telecom industry's dynamic landscape and has emerged as a resilient contender, showcasing substantial growth and strategic positioning. BHL currently operates in North East India and Rajasthan; the former is a market where Vodafone Idea had to deprioritise due to its capital constraints. Internet penetration is also low in these circles, compared to pan-India levels, which provides a long runway for growth.

The company plans to leverage its strengths to expand its customer base, enhance its service offerings, and drive revenue growth. Its parental support, strategic positioning, robust financials, and operational efficiency make us positive on the stock.

Investors can buy in the Rs 1770-1805 band and add on dips in the Rs 1615-1645 band (28x Sept'27E EPS & 13.5x Sept'27E EV/EBITDA). We believe the base case fair value of the stock is Rs 1955 (33.5x Sept'27E EPS & 16x Sept'27E EV/EBITDA) and the bull case fair value of the stock is Rs 2085 (35.75x Sept'27E EPS & 17x Sept'27E EV/EBITDA) over the next 2-3 quarters. At the LTP of Rs 1787.6, the stock is trading at 30.6x Sept'27E EPS & 14.8x Sept'27E EV/EBITDA.

Financial Summary:

Particulars (Rs cr)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	FY24	FY25	FY26E	FY27E	FY28E
Total Operating Income	2263	1911	18.4	2289	-1.1	7,089	8,548	9,802	11,282	12,710
EBITDA	1161	876	32.5	1168	-0.6	3,361	4,197	4,989	5,900	6,819
Depreciation	527	496	6.4	531	-0.7	1,739	2,095	2,107	2,202	2,209
Other Income	48	358	-86.7	48	-0.6	249	182	201	220	241
Interest Cost	154	162	-4.6	171	-10.0	644	688	591	508	458
Tax	135	66	106.1	45	201.8	419	315	629	861	1,109
Adjusted PAT	392	251	55.9	468	-16.4	504	1,494	1,863	2,550	3,284
Diluted EPS (Rs)	7.8	5.0	55.9	9.4	-16.4	10.1	29.9	37.3	51.0	65.7
RoE-%						11.4	28.3	28.5	31.9	33.2
P/E (x)						177.2	59.8	48.0	35.1	27.2
EV/EBITDA (x)						28.9	23.0	19.2	16.0	13.6

(Source: Company, HDFC sec)

Q1FY26 Result Update

- Bharti Hexacom's performance was below expectations in Q1FY26. Consolidated revenue grew by 18.4% YoY to Rs 2,263 crore in Q1FY26, driven by rapidly increasing demand for data and a rise in tariff. Mobile services revenues were up 17.8% YoY, Homes and Office business grew by 38%.
- EBITDA was up 32.5% YoY to Rs 1,161 crore, and EBITDA margin ramped up 51.3% in Q1FY26 vs. 45.8% in Q1FY25.
- Adj. net profit rose 55.9% YoY to Rs 392 crore in Q1FY26, and PAT margin stood at 17.3% in Q1FY26 vs. 13.1% in Q1FY25.
- Overall customer base stands at 28.65 mn in Q1FY26 vs. 28.58 mn in Q4FY25, 28.01 mn in Q3FY25 and 27.646 mn in Q4FY24. Homes and Office business customer net additions of 54 K were the highest in any quarter.
- Mobile Average revenue per user (ARPU) increased to Rs 246 in Q1FY26 vs. Rs 242 in Q4FY25, Rs 241 in Q3FY25 and Rs 204 in Q4FY24. Mobile data consumption up by 23.8% YoY, consumption per customer at 29.4 GB per month.

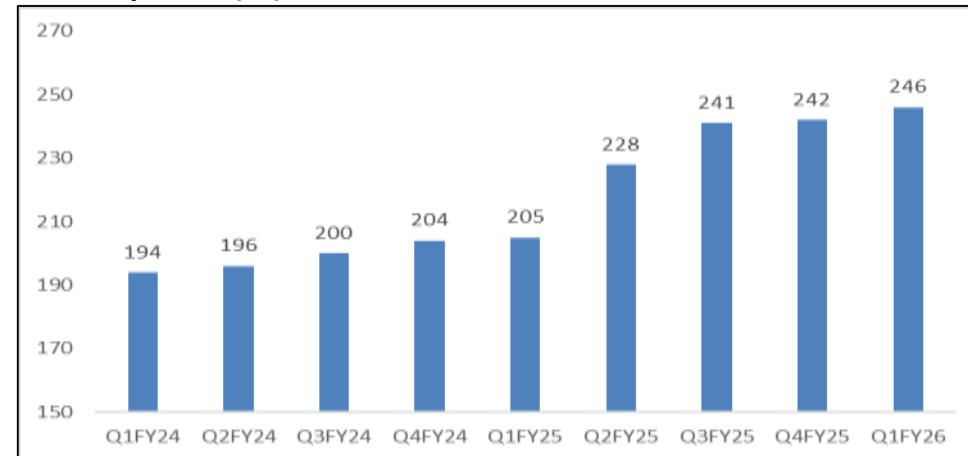
Recent Triggers

Expectations of tariff hike to add ARPU

BHL has positioned itself second on the ARPU front after its parent company, Bharti, with an ARPU that is only 2.4% lower. The company is focused on the premiumisation of its services, resulting in an augmented ARPU from Rs 135 in FY21 to Rs 246 in Q1FY26. Its distribution network spans ~620 distributors, 28.65 mn customer base and ~88,600 retail touchpoints, contributing to its leadership position, supported by increased tele density, higher internet penetration, and potential ARPU escalation.

The company's strategic focus on acquiring and retaining high-value customers through competitive pricing and superior services has propelled its growth. With an emphasis on digital infrastructure investments and collaborations with Airtel, BHL has consistently increased its Average Revenue Per User (ARPU) and market share, outperforming competitors in its circles.

Quarterly ARPU (Rs)



(Source: Company, HDFC sec)

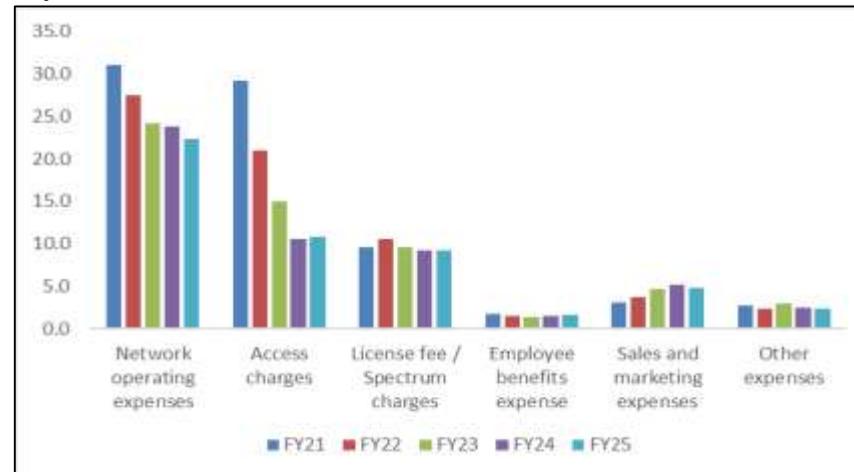
India's mobile ARPU is significantly lower than its global counterparts, despite having one of the highest data usage. Considering evolving customer needs and the continued need for investments in networks and technological advancements, tariff increase improves financial health and creates value for stakeholders. Thus, Indian telecom players could see multiple opportunity in term of new subscribers, tariff hike and transformation of new technologies. We expect more space to improve telecom industry ARPU going forward. However, consolidation of the overall subscriber base due to an increase in the tariffs and any consequent impact on revenue will remain monitorable.

Focused on cost efficiencies to improve margins

BHL's EBITDA margin ramped up 51.3% in Q1FY26 vs. 45.8% in Q1FY25 and PAT margin stood at 17.3% in Q1FY26 vs. 13.1% in Q1FY25. Its EBITDA margin was at 49.1% in FY25 vs. 47.4% in FY24, and a significant portion of its costs are fixed in nature. Variable costs are only license

fees, and Spectrum Usage Charges (SUC) are paid to the government as a percentage of revenue. Selling and distribution costs together, accounted for 13.9% of revenue in FY25 vs. 14.4% of revenue in FY24. Network operating expenses (excluding lease rent) are the largest cost line-item, which accounts for ~45% of total cost, and is 22.3% of revenue. Network operating expenses is largely a fixed cost, and has low inflation rate.

Expenses to sales-%



Margins-%



(Source: Company, HDFC sec)

Network operating expenses (excluding lease rent) have increased at 6% CAGR over the last four years and BHL has expanded its presence to provide deeper rural network coverage and 5G deployment. Due to the higher utilisation of the network, operating leverage could increase. We expect a gradual reduction in network cost as a percentage of revenue due to continued 5G deployment over the next two to three years.

BHL's access charges have been in a declining trend over the past four years due to termination charges being reduced to nil by TRAI with effect from January 2021, and a reduction in national long-distance NLD charges and network sharing costs, which it pays essentially to Bharti. We expect access charges to start to rise due to growing volumes of subscribers (increasing network sharing costs) and NLD costs. Considering the trend of overall expenses, we expect the company's EBITDA margin to rise to 50.9%, 52.3%, and 53.7% in FY26E, FY27E, and FY28E, respectively, and the net profit to increase by 19%, 22.6%, and 25.8% in the same periods, respectively.

No spectrum payout till FY30E, to support profitability

BHL's overall spectrum market share in the Rajasthan circle stood at 35% with a spectrum holding quantity of 161MHz, including all spectrum bands. RJio has a 44% market share in spectrum holding (including 5G), with a total spectrum of 200MHz. VIL owns spectrum bands of 96MHz with, holding a market share of 21%. BHL and RJio have similar spectrum market share in 4G in the Rajasthan circle. Once the 4G data network utilisation falls, BHL could re-farm a part of its 1800MHz spectrum for 5G, which may allow the company to deploy standalone 5G. BHL can utilise the 1800MHz band for 5G without compromising services for 4G subscribers. The spectrum prices in both of BHL's circles, Rajasthan and North eastern States, are reasonable compared to pan-India on the basis of the percentage of gross revenue. The average spectrum price for pan-India is 4.7%, while Rajasthan is at 3.3% and NE is at 1.3% on gross revenue.

BHL has renewed its spectrum expiring in 2024 and acquired additional spectrum in the auctions concluded in June 2024, further strengthening its mid-band spectrum. BHL's spectrum is due for renewal in the Rajasthan circle only in FY30E, and a large spectrum renewal payout is due only in FY35. We expect deployment of 6G could take more time as 5G is at a nascent stage; it may not be deployed in the next six–seven years. BHL is not expecting any spectrum payout until FY30E. The company can focus on S&GA for subscriber addition and technology adoption, with no payout anticipated until FY30E. The company can focus on S&GA for subscriber addition and technology adoption, with no payout anticipated until FY30E. The company can focus on S&GA to add subscribers and adopt new technologies forward in the future.

Strong fundamentals led by healthy debt protection metrics and liquidity

- BHL reported revenue CAGR at 17.1% over FY20 to FY25. Revenue rose by ~21% in FY25, with growth being broad-based and driven by strong performances in the enterprise and home broadband segments. We expect revenue growth at a CAGR of ~14% over the FY25-FY28E on continued improvement in the Indian wireless market, rise in ARPU, and strong growth in the Rajasthan and Northeast markets.
- The EBITDA margins continued to improve to 49.1% in FY25, owing to higher ARPU due to a rise in tariff hikes in the Indian mobility business during the year, and better operating efficiencies. We expect an EBITDA margin at 52.3% and 53.7% for FY27E and FY28E, respectively.
- BHL prepaid Rs 860 crore of spectrum dues to the 2024 auctions during Q4FY25; its net debt for the company, including the impact of leases, stands at Rs 7,353 as on March 31, 2025. Net Debt-EBITDA ratio (annualized) and including the impact of leases as on March 31, 2025 is at 2.3 times, and Debt to Equity stood at 1.2x in FY25. We expect Debt/EBITDA to decline to 1x and Debt/Equity to decline to ~0.6x in FY27E.
- Capex stood at Rs 30,270 crore in FY25 and Rs 425.4 crore in Q4FY25, it was 14% down YoY. BHL's capex to taper down further in FY26 as there is no major rural rollout planned in BHL's circles. We expect capex at Rs 2250 crore for both FY26E and FY27E, respectively.

- BHL had approved the transfer of ~3,400 towers to Indus Towers. However, the proposed tower sale has been put on hold, following a request from TCIL (15% stake).
- BHL had cash and equivalents of ~Rs 111 crore as of March 31, 2025. The company paid a dividend of Rs 10 per share in FY25. Due to these tariff increases and reduced capital expenditures, we expect the company to maintain a dividend payout of 33-34% going forward, driven by improving free cash flow. However, we expect a conservative approach in BHL's dividend policy in the future.

What could go wrong?

- The competition in the Indian telecommunications industry has remained elevated over the last few years, leading to pressure on realisations for all players.
- The telecom industry remains susceptible to regulatory and technological changes. New technology may necessitate fresh investments or an overhaul of existing networks. Furthermore, telecom is a highly regulated market.
- Investment in the Telecom industry is capital-intensive in nature. Airtel has invested in significant capex for acquiring spectrum, though with the advanced technology, incremental expenditure on network equipment is expected to be limited. Furthermore, an increase in capex could affect the business's cash flow, and higher interest costs resulting from debt funding for capex purposes could impact profitability.
- Network and non-network deployments may face delays due to a shortage of required materials, exacerbated by global disruptions, which may lead to cost inflation.
- New technology in the telecom sector could necessitate fresh investments or an overhaul of existing networks. For instance, with the launch of 5G services, BHL may need to make significant investments in laying networks, despite having incurred substantial capex for 4G networks just a few years prior.
- BHL majorly operates in seven states of India. Some of these regions (especially some northeastern states) are prone to political instability, civil unrest, and other social tensions. Such conditions tend to affect the overall business scenario. It has high dependence on Rajasthan (76.7% of revenues) and could be impacted by geopolitical and sociopolitical risks in that state.
- Higher-than-expected capex or a debt-funded merger or acquisition could lead to stressed liquidity.
- Any sharp rise in crude oil prices could increase its fuel cost, and profitability could see a hit in the near to medium term.
- Any stake sale by TCIL could bring pressure on BHL's stock price.
- Any sustained improvement in the financials of Vodafone Idea could result in heightened competitive intensity for BHL in its circles.

Company profile

Bharti Hexacom Ltd. (BHL) is a communications solutions provider offering consumer mobile services, fixed-line telephone, and broadband services to customers in the Rajasthan and the North East circles, which comprises the states of Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, and Tripura. BHL is the second-largest wireless mobile operator in these two circles. The company provides digital offerings to enhance customer engagement and differentiated customised offerings.

BHL provides mobile services in Rajasthan and the Northeast, and the company is the second-largest wireless mobile operator in these two circles, with a market share of 38.5% by subscribers in May 2025, as per TRAI. Together, Rajasthan and the Northeast contributed about 6-8% to BAL's total India mobility subscriber base and adjusted gross revenue for the Indian mobility business in FY25. The company continuously invests in network expansion, technology advancement, and judicious spectrum investments, deriving significant synergies from its relationship with Promoter, Airtel, through the expansive digital infrastructure, digital experience, and the digital services it provides to its customers.

BAL currently owns 70% equity stake in BHL. In contrast, the remaining 15% is held by Telecommunications Consultants India, an entity wholly owned by the government of India and the remaining 15% held by the public. BHL became listed on BSE Limited on 12 April 2024 with TCIL selling its 15% stake to the public. BAL continues to maintain its 70% stake in BHL.

Bharti Airtel, a parent company: BAL, is a global communications solutions provider with ~56 crore customers in 17 countries across South Asia and Africa as on March 31, 2024. The company ranks among the top three mobile operators globally, and its networks cover over two billion people. Airtel is the largest integrated communications solutions provider in India and the second-largest mobile operator in Africa. Airtel's retail portfolio includes high-speed 4G/5G mobile broadband, Airtel XstreamFiber with convergence across linear and on-demand entertainment, streaming services spanning music and video, digital payments, and financial services.

For enterprise customers, Airtel offers a gamut of solutions that include secure connectivity, cloud and data centre services, cyber security, internet of things (IoT), adtech and cloud-based communication. The company had 40.6 crore mobile subscribers in India and ~15 crore in Africa as of March 31, 2024.

Key Performance Indicators

Mobile Data

Particulars	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Subscribers (mn)	26.2	26.5	26.8	27.3	27.6	27.1	27.614	28.129	28.146
Net adds (mn)	0.4	0.32	0.24	0.56	0.26	-0.473	0.491	0.515	0.017
Blended churn (%)	2.4	2.6	2.5	2	2.5	2.28	2.41	2.42	2.4
ARPU (INR)	194	196	200	204	205	228	241	242	246
Minutes of Use (min/subs)	1,110	1,100	1,086	1,120	1,086	1098	1150	1139	1107

Data Services

Particulars	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Data subs (mn)	17.7	18.6	19.1	19.8	20.5	20.588	21.038	21.565	21.843
Net adds (mn)	0.34	0.92	0.55	0.63	0.69	0.088	0.45	0.527	0.278
As % of total subs	67.4	70.1	71.5	72.3	74.1	75.9	76.2	76.7	77.6
Data volume (mn MB)	1,183	1,232	1,304	1,430	1,545	1598	1633	1765	1912
Total GBs on the network (,000)	22.481	23.136	23.681	24.543	25.7	25.9	26.2	27.7	29.4

Home services

Particulars	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Home Subs ('000)	20	27.4	22.7	16.3	16.2	30	44	53	54
Net Add ('000)	558	540	537	522	514	509	499	490	485

Segment-wise Performance

Rs in Cr	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
REVENUES							
Mobile Services	1747.7	1823.2	1860.4	2043.3	2193.1	2224.9	2191.6
Homes and Office Services	54.3	54.7	56.8	59.9	64.5	70.9	78.4
Total	1802	1877.9	1917.2	2103.2	2257.6	2295.8	2270
REVENUE-%							
Mobile Services	97.0	97.1	97.0	97.2	97.1	96.9	96.5
Homes and Office Services	3.0	2.9	3.0	2.8	2.9	3.1	3.5
EBIT							
Mobile Services	420.9	445.3	410.3	504.4	659.6	687.7	688.5
Homes and Office Services	8.2	8.9	5.7	5.9	2.7	1.3	1.4
Profit/Loss Before Interest and Tax	429.1	454.2	416.0	510.3	662.3	689.0	689.9
CAPITAL EMPLOYED							
Mobile Services	10143.3	9005.4	8272	8949.8	8522.5	8501.4	8053.7
Homes and Office Services	133.7	162.1	269.3	414.5	474.2	226.5	217.3
Capital Employed in Segment	10277	9167.5	8541.3	9364.3	8996.7	8727.9	8271

(Source: Company, HDFC sec)

Financials

Income Statement

(Rs Cr)	FY24	FY25	FY26E	FY27E	FY28E
Net Revenues	7089	8548	9802	11282	12710
Growth (%)	7.7	20.6	14.7	15.1	12.7
Operating Expenses	3728	4351	4813	5381	5891
EBITDA	3361	4197	4989	5900	6819
Growth (%)	20.7	24.9	18.9	18.3	15.6
EBITDA Margin (%)	47.4	49.1	50.9	52.3	53.7
Depreciation	1739	2095	2107	2202	2209
Other Income	249	182	201	220	241
EBIT	1871	2285	3084	3919	4852
Interest expenses	644	688	591	508	458
PBT	1226	1596	2493	3411	4394
Tax	419	315	629	861	1109
RPAT	807	1281	1863	2550	3284
EOI	303	-213	0	0	0
APAT	504	1494	1863	2550	3284
Growth (%)	-8.2	196.1	24.8	36.8	28.8
EPS	10.1	29.9	37.3	51.0	65.7

Balance Sheet

As at March	FY24	FY25	FY26E	FY27E	FY28E
SOURCE OF FUNDS					
Share Capital	250	250	250	250	250
Reserves	4389	5682	6895	8570	10729
Shareholders' Funds	4639	5932	7145	8820	10979
Long Term Debt	5623	5721	5371	4971	4571
Net Deferred Taxes	0	0	0	0	0
Long Term Provisions & Others	705	756	772	789	805
Total Source of Funds	10966	12410	13289	14580	16356
APPLICATION OF FUNDS					
Net Block & Goodwill	13863	14733	14895	14969	14966
CWIP	197	297	296	295	294
Other Non-Current Assets	2061	2303	2284	2258	2303
Total Non Current Assets	16120	17333	17475	17522	17562
Trade Receivables	445	108	134	155	174
Cash & Equivalents	312	111	380	1029	2175
Other Current Assets	1641	1699	1869	2243	2691
Total Current Assets	2397	1918	2384	3426	5041
Short-Term Borrowings	2482	1632	1382	1182	982
Trade Payables	1485	1586	1746	1916	2159
Other Current Liab & Provisions	3585	3624	3443	3270	3107
Total Current Liabilities	7551	6841	6570	6368	6247
Net Current Assets	-5154	-4923	-4186	-2942	-1207
Total Application of Funds	10966	12410	13289	14580	16356

(Source: Company, HDFC sec)

Cash Flow Statement

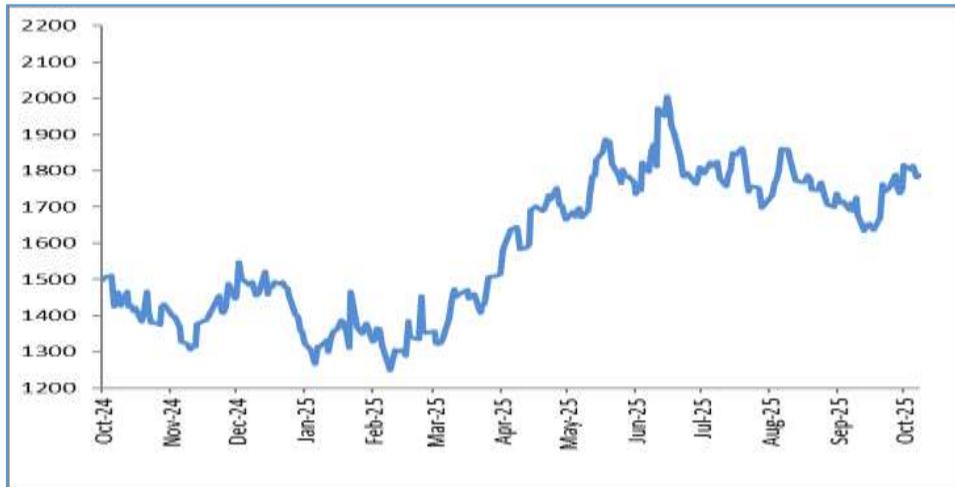
(Rs Cr)	FY24	FY25	FY26E	FY27E	FY28E
Reported PBT	923	1,809	2,493	3,411	4,394
Non-operating & EO items	265	-215	-201	-220	-241
Interest Expenses	567	683	591	508	458
Depreciation	1,739	2,095	2,107	2,202	2,209
Working Capital Change	70	886	-202	-379	-372
Tax Paid	-17	-675	-629	-861	-1,109
OPERATING CASH FLOW (a)	3,546	4,583	4,158	4,660	5,337
Capex	-2,048	-1,478	-2,249	-2,249	-2,249
Free Cash Flow	1,498	3,104	1,909	2,411	3,088
Investments	851	174	0	0	0
Non-operating income	42	-1,036	201	220	241
INVESTING CASH FLOW (b)	-1,155	-2,341	-2,048	-2,029	-2,008
Debt Issuance / (Repaid)	-2,086	-1,871	-600	-600	-600
Interest Expenses	-567	-683	-591	-508	-458
FCFE	-1,154	550	719	1,303	2,030
Share Capital Issuance	0	0	0	0	0
Dividend	-44	-57	-650	-875	-1,125
Others	293	346	0	0	0
FINANCING CASH FLOW (c)	-2,404	-2,265	-1,841	-1,983	-2,183
NET CASH FLOW (a+b+c)	-13	-23	270	648	1,147

Key Ratios

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Profitability Ratio (%)					
EBITDA Margin	47.4	49.1	50.9	52.3	53.7
EBIT Margin	26.4	26.7	31.5	34.7	38.2
APAT Margin	7.1	17.5	19.0	22.6	25.8
RoE	11.4	28.3	28.5	31.9	33.2
RoCE	5.4	12.4	14.9	19.5	24.1
Solvency Ratio (x)					
Net Debt/EBITDA	2.3	1.7	1.3	0.9	0.5
Net D/E	1.7	1.2	0.9	0.6	0.3
Per Share Data (Rs)					
EPS	10.1	29.9	37.3	51.0	65.7
CEPS	44.9	71.8	79.4	95.0	109.9
Dividend	4.0	10.0	13.0	17.5	22.5
BVPS	92.8	118.6	142.9	176.4	219.6
Turnover Ratios (days)					
Debtor days	23	5	5	5	5
Creditors days	76	68	65	62	62
Valuation (x)					
P/E	177.2	59.8	48.0	35.1	27.2
P/BV	19.3	15.1	12.5	10.1	8.1
EV/EBITDA	28.9	23.0	19.2	16.0	13.6
EV / Revenues	13.7	11.3	9.8	8.4	7.3
Dividend Yield (%)	0.2	0.6	0.7	1.0	1.3
Dividend Payout (%)	39.7	33.5	34.9	34.3	34.3

(Source: Company, HDFC sec)

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.

Rating Criteria

Buy - > 15%+ return potential

Add - +5% to +15% return potential

Reduce - -10% to +5% return potential

Sell - >10% downside return potential

Disclosure:

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