



Stock Update

One 97 Communications Ltd.

January 06, 2026



Industry	LTP	Recommendation	Fair Value	Time Horizon
Fintech	Rs 1334.40	Buy on dips in Rs 1215-1240 band	Rs 1480	2-3 quarters

HDFC Scrip Code	PAYTM
BSE Code	543396
NSE Code	PAYTM
Bloomberg	PAYTM IN
CMP Jan 05, 2026	1334.40
Equity Capital (Rs Cr)	63.95
Face Value (Rs)	1.0
Equity Share O/S (Cr)	63.95
Market Cap (Rs Cr)	84723.6
Book Value (Rs)	221.0
Avg. 52 Wk Volumes	4,263,439
52 Week High	1382.0
52 Week Low	652.0

Share holding Pattern % (Sept, 2025)	
Promoters	0.0
Institutions	71.7
Non Institutions	28.3
Total	100



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

Our Take:

One 97 Communications Ltd (Paytm) is India's leading digital ecosystem for consumers and merchants, offering payment services, commerce and cloud services, and financial services. Over the past 15 years, Paytm has built India's first AI-powered omni-channel payment platform and pioneered products to cater to all merchants. Its subscription merchants pay for devices and services, are at an all-time high at 1.30 crores as of Sept 30, 2025, supported by high quality devices and a superior service network.

Its two-sided (consumer and merchant) ecosystem enables commerce, and provides access to financial services, by leveraging technology to improve the lives of consumers and help merchants grow their businesses. Its consumer and merchant engagement and lifecycle is core to its business model and its unit economics.

Paytm is focused on rapidly scaling up its financial services business and the company will focus on consumers and merchants who have limited access to financial services products, and continue to work in close collaboration with its financial institution partners to create products and services addressing their requirements while leveraging its technology and insights. The company is expanding its financial services distribution through an increase in the number of lending partners, including banks, and adding new products such as Paytm Postpaid with a bank partner, and the continued enhancement of collection performance using AI.

The company is focused on steady progress toward sustainable profitability, supported by cost-control measures and improved operating leverage, which is translating into higher EBITDA margins, while GMV growth remains consistent. We expect that Paytm could report EBITDA margin at 5.4%/8.4%/10.5% in FY26E/FY27E/FY28E, respectively.

Valuation & Recommendation:

Paytm's Q2FY26 performance reflects a solid financial trajectory, meeting market expectations through a combination of robust revenue growth and tighter operating expenses. This balance allowed the company to post a significant adjusted profit. Paytm is prioritizing Artificial Intelligence to sharpen its competitive advantage. By integrating AI across its platform, the company is improving how it distributes services, identifies cross-selling leads, and helps merchants earn more efficiently. The Postpaid segment is viewed as a major growth engine.

Paytm is using its vast repository of consumer data and previous experience in credit underwriting to scale this business and increase user stickiness. The shift toward profitability was fueled by "disciplined cost management," suggesting that the company is successfully growing its top line without a proportional increase in overhead. The company's significant liquidity provides the strategic agility needed to invest in growth and scale internationally. These efforts are expected to become a primary driver of value within a two-to-three-year timeframe.

We believe that investors buy on dips in the Rs 1215-1240 band. Fair value of stock is Rs 1480 (7.5x FY28E EV/Sales). At the LTP of Rs 1334.40, the stock is trading at 6.6x FY28E EV/Sales.

Financial Summary:

Particulars (Rs Cr)	Q2FY26	Q2FY25	YoY-%	Q1FY26	QoQ-%	FY24	FY25	FY26E	FY27E	FY28E
Total Operating Income	2061	1659	24.2	1918	7.5	9,978	6,900	7,972	9,281	10,874
EBITDA	-50	-404	-87.6	55	-190.9	-255	-848	917	1,299	1,740
Depreciation	137	179	-23.5	166	-17.5	736	673	541	527	479
Other Income	222	1524	-85.4	241	-7.9	547	725	797	742	761
Interest Cost	5	3	66.7	4	25.0	24	16	18	17	16
Tax	9	8	12.5	3	200.0	32	18	33	97	141
RPAT	21	930	-97.7	123	-82.9	-1,422	-1,490	632	877	1,267
APAT	202	-409	-149.4	140	44.7	-1,411	-663	636	881	1,272
Diluted EPS (Rs)	3.2	-6.4	-149.4	2.2	44.7	-22.1	-10.4	9.9	13.8	19.9
RoE-%						-10.7	-4.7	4.5	6.4	8.6
P/E (x)						-	-	134.1	96.9	67.1
EV/EBITDA (x)						-	-	172.5	94.2	63.2
EV/Revenue (x)						7.9	10.7	9.2	7.9	6.6

(Source: Company, HDFC sec)

Q2FY26 Result Update

- Paytm numbers were marginally above expectations in Q2FY26 and profitability was lower than expectations. Its revenue was up by 24.2% YoY to Rs 2,061 crore in Q2FY26 led by healthy growth in payment services and distribution of financial services segments.
- Payment Services revenue (including other operating revenue) was up 25% YoY to Rs 1221 crore. Net payment revenue was up 28% YoY to Rs 594 crore, supported by improved processing margin, high-quality device additions and early onset of festive season.
- In Q2 FY 2026, distribution of financial services revenue grew 63% YoY to Rs 611 crore, driven by continued growth in merchant loan distribution and improved collection performance experience for its partners.
- The company reported negative EBITDA at Rs 50 crore in Q2FY26 vs. negative EBITDA at Rs 404 crore in Q2FY25. The company's adjusted net profit stood at Rs 202 crore in Q2FY26 vs. net loss of Rs 409 crore in Q2FY25.
- As of September 2025, merchant subscriptions were at 1.37 crore, an increase of 25 lakh YoY. Over the last few quarters, we have been actively acquiring devices from inactive merchants and redeploying them to new merchants after refurbishment, resulting in more active merchants and lower capex.

Investment Rationale

Established fintech company in wide addressable market with Trusted brand, scale and reach

Paytm has a wide addressable market in India across payment services, financial services and marketing. The market segments that it serves have a massive scale and growth, are significantly underpenetrated, and have the potential for technology to grow the industry. Its ecosystem enables it to address multiple large market opportunities at scale and offers multiple growth vectors.

PayTM brand stands for Trust, Convenience and Transparency, available across the country with “Paytm karo” evolving into a verb for hundreds of millions of Indian consumers, shopkeepers, merchants and small businesses. Trust in the brand indicates that Paytm has the highest top-of-mind recall compared to other digital payment platforms, which represents the strength of its brand. The "Paytm" brand is India's most valuable payments brand, with a brand value of US\$ 9.5 bn, and Paytm remains the easiest way to transact across multiple methods.

Its payments platform, with a wide selection of daily life use cases and payment instruments, provides it with large scale and reach. It had 4.7 crore registered merchants and over 6.5 lac registered financial services customers as of Sept 30, 2025. Its scale and reach could help Paytm distribute new products and services across all of its businesses faster and in a cost-efficient manner.

Diversified and innovative products and technology on its eco systems, developed by skilled professionals

Paytm has developed unparalleled insights into the way Indian consumers spend and save, and the way merchants operate their businesses. Each transaction on its ecosystem provides insights that help it improve personalisation for its consumers and merchants and create products and services addressing their needs. Its ecosystem makes it an attractive place for best-in-class leaders who bring domain expertise to redefine how Indians access payments, commerce, cloud, and financial services products.

Paytm’s headcount stood at 39,368 in FY25 and average number of sales employees stood at 44,154 as of Sept 30, 2025. Its technology stack is built ground up and integrated across all aspects of its ecosystem. Building technology and innovating at each layer of the technology stack, allows to ensure that Paytm is able to launch products and services quickly, build various features, offer integrated and synergistic products, ensure system stability, handle large scale and provide highest success rates. This significantly improves the experience of consumers and merchants on ecosystem.

The company is the only payments company in India that, together with its affiliates, owns each layer of the payment stack. This allows it to integrate its payments offering seamlessly with other offerings. Similarly, for financial services, its technology infrastructure is built on a stack that is owned, controlled and written by it, its respective subsidiaries or associates. Technology ownership and scope of Paytm’s ecosystem has allowed (or its associates, or financial institution partners) to offer services such as Paytm Wallet, Paytm QR, Paytm Soundbox,

Gold investments and Fixed Deposit, Paytm Postpaid, Merchant Cash Advance and FASTag. All of these products aims to improve the experience of consumers and merchants who use it on its ecosystem.

Rapidly scale up and expand its financial services through deep tech-led solutions.

Paytm is focused on rapidly scaling up its financial services business. It will focus on consumers and merchants who have limited access to financial services products, and continue to work in close collaboration with its financial institution partners to create products and services addressing their requirements while leveraging its technology and insights. The company is expanding its financial services distribution by increasing the number of lending partners, including banks, adding new products such as Paytm Postpaid with a bank partner, and continuing to enhance collection performance with AI.

A key strategic focus for it is to scale up its consumer and merchant lending businesses, including Paytm Postpaid (buy-now-pay-later), in collaboration with its financial partners, as well as wealth management offerings. It plans to continue leveraging its partnership with Paytm Payments Bank to expand its suite of banking solutions for consumers and merchants.

The company is also focused on expanding and enhancing Paytm App's offerings for consumers. Paytm endeavours to continue adding new use cases and payment instruments that deliver value to its consumers and drive monetisation. It could continue to focus on bringing together various pieces of ecosystem to build innovative products for its consumers, which could take the form of increasing seamlessness between (i) consumers and merchants, (ii) various use cases and, (iii) various payment instruments.

Besides, Paytm is driving AI-first, product-led innovation to enhance consumer experience and boost retention, supporting continued gains in consumer market share and evaluating select new markets for its technology and products. This initiative to start contributing meaningfully after 2-3 years.

Deepen merchants' partnerships and drive adoption of AI technology among the merchant base.

Paytm's merchants are integral to Paytm's ecosystem. It plans to continue to expand its merchant network across cities and towns in India while also deepening its partnerships with existing merchants. It will continue to expand its payment services' offerings for merchants and innovate to offer wider selection of commerce and cloud services. It also intends to continue making access to technology easy and affordable for its merchants by identifying merchant problems that can be solved using technology.

Paytm is committed to democratizing AI by extending sophisticated tools to small-scale merchants and micro-agents through a subscription-based model. Central to this strategy is the evolution of the Soundbox into a 'smart' terminal capable of delivering AI-driven merchant services. These technological advancements have already yielded substantial cost optimizations, prompting the company to scale its

infrastructure further. By leveraging its proven product and technology frameworks, Paytm intends to expand into new verticals, including integrating AI into its insurance stack and continuing to deploy automated solutions through Paytm Money.

By leveraging AI to unlock deeper operational insights, Paytm aims to optimise revenue streams and enhance profit margins through improved cost efficiencies. This AI-driven differentiation will serve as a catalyst for expanding its distribution network and maximizing cross-selling velocity. The company sees potential of over 10 crore merchants who will accept payments and over a period of time, 40-50% of these merchants will need subscription services for managing their business needs.

Expectation of stability in generating revenue and profitability

Paytm's postpaid opportunity is large, though it is currently at a developing stage and Paytm Postpaid product is back in operation. The company has resumed monetisation in its financial services vertical. It is also adding more banks as partners. The company expects strong growth as it expands consumer adoption and bank partnerships. Besides, market share in credit card-linked UPI has increased. The company expects subscription revenue eventually being overtaken by MDR-based revenue. Travel remains the largest contributor and continues to benefit from strong tailwinds, with Paytm seeing market-share gains in this segment.

Paytm's payment processing margin was above the guided range of 3bp and the company continues to see an improvement in payment processing margin amid the higher growth of credit cards on UPI and other offerings such as EMI. Net payment EBITDA grew by 28% YoY/12% QoQ and margin expanded by 10bps in Q2FY26 in Q1FY26. Paytm indirect expenses have declined and are expected to remain range-bound in 2HFY26, marketing and software expenses have improved. The company plans to invest selectively in sales personnel while optimising other cost areas.

The company highlighted AI as a key growth and efficiency lever, driving sharper cross-sell opportunities, cost optimisation, and deeper merchant engagement. AI-led automation across sales and risk functions is expected to structurally improve operating metrics over time. The company is focused on making steady progress toward sustainable profitability, aided by its cost control measures and improving operating leverage, translating into better EBITDA margins, while GMV growth remains consistent. We expect that the Paytm could report EBITDA margin at 5.4%/8.4%/10.5% in FY26E/FY27E/FY28E, respectively.

Strong financial profile with zero debt, and robust return ratio

- Paytm, on a consolidated basis, total sales grew at a CAGR of 16% over the last five years, and revenue is likely grow at a CAGR of ~16.5% over the FY25-28E.

- Paytm's margins have improved, and the trend is expected to sustain, with consistent improvement seen over the past few quarters. We expect that the Paytm could report EBITDA margin at 5.4%/8.4%/10.5% in FY26E/FY27E/FY28E, respectively and PAT margin at 7-11% over the next three years. The company could report growth in return ratios going forward.
- The company has maintained its zero debt status over the last decade; in the future, it could be the same. The company has cash balance of Rs 12,872 crore as of Sept 30, 2025, providing capital flexibility to expand merchant payments, distribution of financial services, and AI-led innovations. Free cash flow is likely to be positive in FY27E.
- Paytm's working capital looks attractive, payable's day stood at 30-40 days and receivable's day stood at 30-35 days over the last two years. We expect payable and receivable days at 30-35 days for next 3 years.

What could go wrong?

- Paytm has a history of net losses and has experienced negative cash flows in prior years. The company is now turning profitable. Payment processing charges payable to financial institutions and card networks increase significantly, and Paytm is not able to pass on these higher processing charges to its merchants or consumers.
- Any privacy or data security breach, cyber-attacks or internal misconduct could damage reputation and brand and substantially harm the business and any actual or perceived failure by it to comply with laws or regulations relating to privacy or the protection or transfer of data relating to individuals or any other contractual obligations
- A few major customer accounts account for a significant portion of One97's income. The loss of any of its major customers, or a decrease in the volume of business from these customers, may adversely affect its results of operations.
- Offer some of its services in partnership with Group Company, Paytm Payments Bank. Any failure by Paytm Payments Bank to support these services could adversely impact these services and could impact the overall business.
- PayTM derives a majority of revenue from payment services. Its efforts to expand service offerings and market reach may not succeed and may impact the revenue and growth.
- Failure to develop and introduce new products and solutions that achieve market acceptance could hurt One97's results of operations and financial condition.
- In Jan 2024, the RBI restricted all services of Paytm Payments Bank Ltd (PPBL), a 39% associate of the company, permitting only the withdrawal of the existing customer balances however in Oct 2024, NPCI approved the company to onboard new UPI users. In Oct 2023, RBI also imposed a monetary penalty of Rs 5.39 crore on PPBL.
- Usage of One97's applications and services may be difficult to predict and it may not be able to adequately expand capacity and upgrade its systems to meet increased demand, which may adversely affect its business, financial condition & results and operations.
- One97's contracts with telecom service provider customers contain revenue sharing terms with respect to consumer services that may cause its revenue under such agreements to decrease, which could adversely affect its results of operations and financial condition, and to fluctuate significantly from period to period.

- One97 is subject to risks in its acquisition of, and investments in, other companies, businesses and technologies, which could result in operating difficulties, dilution and other harmful consequences.
- There are pending litigations against the Company, Subsidiaries, and certain of its Directors. Any adverse decision in such proceedings may render Paytm liable to liabilities/penalties and may adversely affect the business.
- Regulatory, legislative or self-regulatory/standard developments regarding privacy and data security matters could adversely affect the ability to conduct the business.
- Certain statutory and regulatory licenses and approvals are required for conducting the business and any failure or omission to obtain, maintain or renew these licenses and approvals could adversely affect the business
- Acquisitions, strategic investments, entries into new businesses, and divestitures could disrupt Paytm's business, divert management's attention, result in additional dilution to its shareholders, and harm the business
- Relies on telecommunications and information technology systems, networks and infrastructure to operate its business and any interruption or breakdown in such systems, networks or infrastructure or technical systems could impair its ability to operate its platforms or provide products and services effectively

Company Profile

One 97 Communications Ltd (PAYTM) is India's leading digital ecosystem for consumers and merchants, offers payment services, commerce and cloud services, and financial services. Over the past 15 years, Paytm has built India's first AI powered omni-channel payment platform and pioneered products to cater to all merchants. Its subscription merchants pay for devices and services, are at an all-time high at 1.30 crores as of Sept 30, 2025. Its two-sided (consumer and merchant) ecosystem enables commerce, and provides access to financial services, by leveraging technology to improve the lives of consumers and helps merchants grow their businesses. Its consumer and merchant engagement and lifecycle is core to its business model and its unit economics.

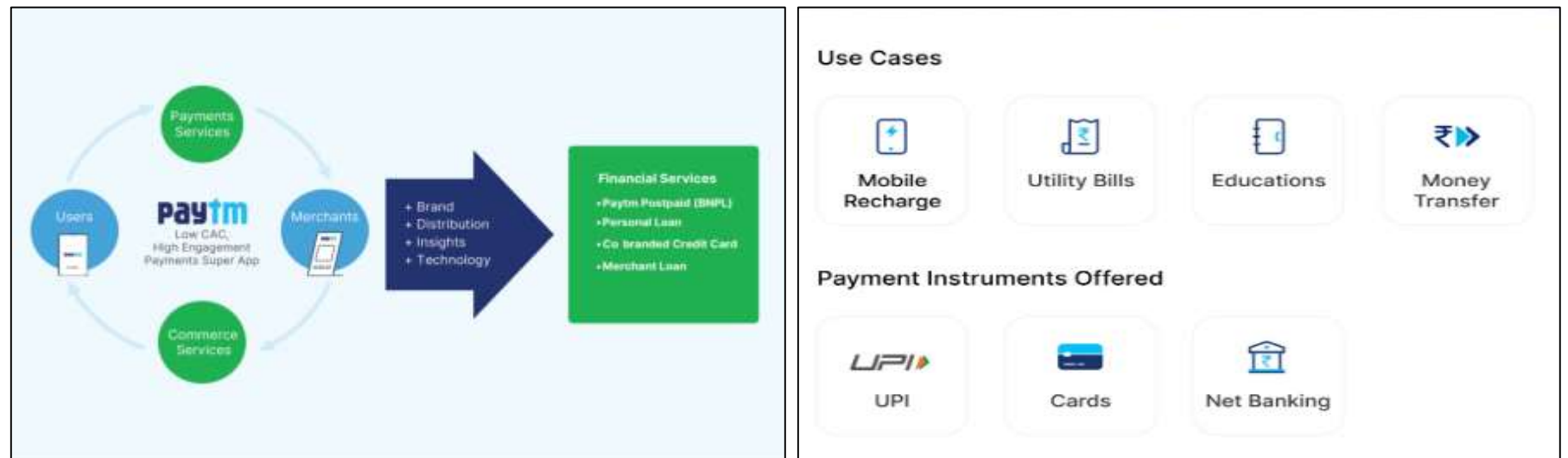
For consumers, certain payment categories like money transfer, in-store payments and bill payments are highly relevant, high frequency use cases that are efficient and pre-dominant means of consumer acquisition for the Company. Products such as Paytm Wallet, Paytm Postpaid, Paytm Bank savings account and FASTag help build consumer engagement and stickiness and help it to retain consumers. Products such as personal loans, credit cards and insurance allow to monetize users, at little or no incremental cost of acquisition, and at attractive economics.

Similarly, for merchants, certain payments offerings, such as QR (for in-store) and Payment Gateway (for online) are primary means to on-board new merchants. Products such as Soundbox and POS devices and Paytm Business Payments, increase their engagement and retention in ecosystem with attractive monetisation characteristics in many cases. Products such as merchant lending, advertising and cloud allow Paytm to monetize its merchants, at little or no incremental cost of acquisition, and at attractive economics. It segregates its revenue under two revenue lines, (i) Payment and Financial Services, (ii) Commerce and Cloud Services.

Business overview:

Payments Business

Paytm offers various payment solutions to consumers, as well as merchants. On the Paytm app, there are various use cases of payments for consumers, such as Mobile Recharge, Utility Bills, Education, and money transfers etc. Consumers can make payments using a wide selection of instruments, such as UPI, cards, net banking etc. The company monetises these payments by charging MDR from the merchants or by charging convenience fees from the users. On the merchant side, Paytm provides solutions to accept payments through a wide variety of instruments and by deploying devices that help with reconciliations (voice payment confirmation). Paytm offers a QR code to smaller merchants to accept digital payment using UPI.



(Source: Company, HDFC sec)

Financial Services:

The company offers mobile credit, insurance, and wealth management for consumers and merchants. It is also engaged in the loan distribution business, with capabilities across the entire loan lifecycle including origination, loan management, and collection.

Marketing Services

Paytm's marketing services enable merchants and financial institutions to market their services on its Apps. Marketing Services portfolio primarily includes advertising, marketing of financial services, sale of deals, gift vouchers and travel tickets. The company is focused on delivering higher ROI for advertisers by leveraging AI to sharpen customer cohorting and deepen relationships. The company has partnered with various financial institutions and offer various marketing services to them such as co-branded credit cards, advertising or selling their own products.

Key Metrics

Segments

Rs in Cr	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Payment Services	1,554	884	946	1,003	1,046	1044	1,146
Distribution of Financial Services	304	280	376	502	545	561	611
Marketing Services	395	321	302	267	267	247	228
Other Operating Revenue	14	16	36	56	52	67	77
Revenue from Operations	2,267	1,502	1,660	1,828	1,911	1,918	2,061
Payment processing charges	715	517	517.0	570	520	581	629
Promotional cashback & incentives	46	44	29.0	37	41	37	50
Other direct expenses	219	185	220	262	278	148	176
Total Direct Expenses	979	746	766	869	840	767	855
Contribution Profit	1,288	755	894	959	1,071	1,151	1,207
Contribution Margin %	57%	0	54%	52%	56%	60%	59%

(Source: Company, HDFC sec)

Financials

Income Statement

(Rs Cr)	FY24	FY25	FY26E	FY27E	FY28E
Net Revenues	9978	6900	7972	9281	10874
Growth (%)	24.9	-30.8	15.5	16.4	17.2
Operating Expenses	10233	7748	7055	7981	9134
EBITDA	-255	-848	917	1299	1740
Growth (%)	-28.4	28.0	-128.3	81.7	47.3
EBITDA Margin (%)	-11.8	-21.8	5.4	8.4	10.5
Depreciation	736	673	541	527	479
EBIT	-1913	-2180	-114	248	663
Other Income	547	725	797	742	761
Interest expenses	24	16	18	17	16
PBT	-1390	-1472	665	974	1408
Tax	32	18	33	97	141
RPAT	-1422	-1490	632	877	1267
APAT	-1411	-663	636	881	1272
Growth (%)	-20.5	-53.1	-196.0	38.4	44.4
EPS	-22.1	-10.4	9.9	13.8	19.9

Balance Sheet

As at March, Rs Cr	FY24	FY25	FY26E	FY27E	FY28E
SOURCE OF FUNDS					
Share Capital	64	64	64	64	64
Reserves	13263	14963	13237	14118	15390
Shareholders' Funds	13327	15027	13301	14182	15454
Long Term Debt	145	121	128	123	124
Net Deferred Taxes	-12	-11	-10	-10	-9
Long Term Provisions & Others	181	143	150	162	176
Minority Interest	-28	-30	-34	-39	-43
Total Source of Funds	13612	15250	13534	14419	15701
APPLICATION OF FUNDS					
Net Block & Goodwill	1251	901	865	909	875
CWIP	10	4	4	4	5
Other Non-Current Assets	3703	3447	3659	3892	4131
Total Non Current Assets	4964	4352	4528	4805	5010
Current Investments	2334	1591	1511	1436	1364
Trade Receivables	1651	1297	1420	1653	1936
Cash & Equivalents	6800	11557	11951	12497	13305
Other Current Assets	2933	2640	2132	2498	2138
Total Current Assets	13717	17085	17015	18084	18744
Short-Term Borrowings	32	39	49	44	39
Trade Payables	684	741	764	763	894
Other Current Liab & Provisions	4353	5407	7195	7663	7121
Total Current Liabilities	5069	6187	8008	8470	8054
Net Current Assets	8648	10898	9006	9614	10690
Total Application of Funds	13612	15250	13534	14419	15701

(Source: Company, HDFC sec)

Cash Flow Statement

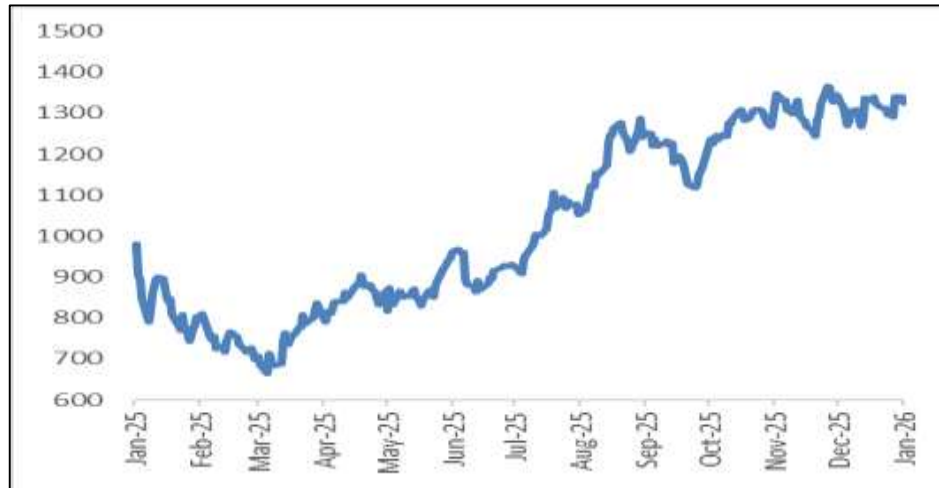
(Rs Cr)	FY24	FY25	FY26E	FY27E	FY28E
Reported PBT	-1,390	-645	665	974	1,408
Non-operating & EO items	1,866	496	-797	-742	-761
Interest Expenses	-438	-530	18	17	16
Depreciation	736	673	541	527	479
Working Capital Change	-15	-133	-99	-235	-153
Tax Paid	-109	18	-33	-97	-141
OPERATING CASH FLOW (a)	651	-121	294	443	848
Capex	-812	-317	-450	-400	-550
Free Cash Flow	-161	-438	-156	43	298
Investments	-1,877	1,635	-310	-289	-318
Non-operating income	3,007	-3,361	894	799	840
INVESTING CASH FLOW (b)	318	-2,043	135	110	-28
Debt Issuance / (Repaid)	-68	-64	-17	10	4
Interest Expenses	-18	-15	-18	-17	-16
FCFE	-247	-516	-191	36	286
Share Capital Issuance	1	2	0	0	0
Dividend	0	0	0	0	0
Other	62	24	0	0	0
FINANCING CASH FLOW (c)	-22	-53	-35	-7	-12
NET CASH FLOW (a+b+c)	946	-2,217	394	546	808

Key Ratios

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Profitability Ratio (%)					
EBITDA Margin	-11.8	-21.8	5.4	8.4	10.5
EBIT Margin	-19.2	-31.6	-1.4	2.7	6.1
APAT Margin	-14.1	-9.6	8.0	9.5	11.7
RoE	-10.7	-4.7	4.5	6.4	8.6
RoCE	-12.7	1.3	51.1	84.0	87.0
Solvency Ratio (x)					
Net Debt/EBITDA	35.1	15.3	-14.5	-10.6	-8.3
Net D/E	-0.7	-0.9	-1.0	-1.0	-0.9
PER SHARE DATA (Rs)					
EPS	-22.1	-10.4	9.9	13.8	19.9
CEPS	-10.6	0.2	18.4	22.0	27.4
BV	208.4	235.0	208.0	221.7	241.6
Turnover Ratios (days)					
Debtor days	60	69	65	65	65
Creditors days	25	39	35	30	30
VALUATION (x)					
P/E	-	-	134.1	96.9	67.1
P/BV	6.4	5.7	6.4	6.0	5.5
EV/EBITDA	-	-	172.5	94.2	63.2
EV / Revenues	7.9	10.7	9.2	7.9	6.6

(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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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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