

BUY Birla Corporation**Mukutban ramp-up drives volume growth**Cement ▶ Result Update ▶ **November 9, 2023****TARGET PRICE (Rs): 1,530**

Birla Corp's Q2FY24 consolidated EBITDA increased 3x YoY (down 3% QoQ) to Rs2.9bn, in-line with estimates. Blended EBITDA/ton improved by 2% QoQ to Rs691/ton (Q2FY23: Rs258). Volume growth was strong at 15% YoY to 4.2mt, aided by positive ramp-up in its Mukutban plant (achieved monthly run-rate of 1.5lakh ton; 45% utilization rate). Management has maintained its guidance of 15% YoY volume growth, with EBITDA/ton improvement of more than 75% YoY to Rs850 (incl. other income) in FY24. The board has approved the proposal for setting up 1.4mt of greenfield cement GU at Prayagraj, UP, at a capex of Rs4bn (USD34/ton) post which overall capacity will increase to 21.4mt by FY26E. We remain positive on the stock, given the gradual ramp-up of Mukutban plant. We broadly maintain our FY24E-26E estimates and BUY rating with a revised Sep-24E TP of Rs1,530 (based on 9x EV/E) post the quarterly roll-over.

Birla Corporation: Financial Snapshot (Consolidated)

Y/E March (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	74,612	86,823	98,268	1,04,381	1,10,938
EBITDA	11,100	7,720	13,745	16,183	17,747
Adj. PAT	4,300	338	3,777	5,401	6,422
Adj. EPS (Rs)	51.8	5.3	49.0	70.1	83.4
EBITDA margin (%)	14.9	8.9	14.0	15.5	16.0
EBITDA growth (%)	(17.0)	(30.5)	78.0	17.7	9.7
Adj. EPS growth (%)	(36.7)	(89.8)	832.0	43.1	18.9
RoE (%)	7.5	0.6	6.1	8.2	9.1
RoIC (%)	6.8	2.7	5.8	7.2	8.0
P/E (x)	23.3	295.6	26.5	18.5	15.6
EV/EBITDA (x)	12.1	17.7	9.9	8.3	7.4
P/B (x)	1.7	1.7	1.6	1.5	1.4
FCFF yield (%)	2.0	1.3	3.0	4.2	4.2

Source: Company, Emkay Research

Result Summary

Blended EBITDA/ton increased 2.7x YoY/2% QoQ to Rs691 (Emkay est.: Rs710), whereas the cement division's reported EBITDA/ton (including other income) increased ~3x YoY/3% QoQ to Rs683. Reported cement realizations declined 2% QoQ to Rs5062/ton due to a soft pricing situation in central markets. Volumes enhanced by 15% YoY (declined 5% QoQ) to 4.2mt with capacity utilization improving by 900bps YoY to 83%. Total cost/ton declined 9% YoY/ flat QoQ to Rs4,777. Variable cost (RM+P&F+Freight) declined by Rs90/ton QoQ in Q2FY24. The Mukutban plant has been progressing well and has reached 45% utilization rates in Sep-23. Consolidated FCF generation stood at Rs2bn post working capital release of Rs1bn and capex spend of Rs2.9bn in H1FY24.

What we liked: Ramp-up of the Mukutban plant.**What we did not like:** Flat pricing scenario in H2FY24.

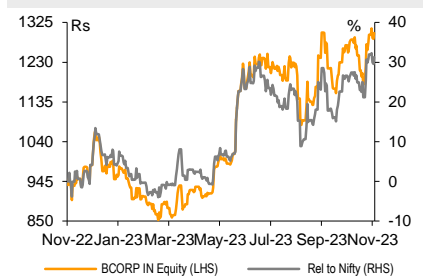
Key Concall Takeaways: 1) Prices are expected to remain stable in Q3FY24 and demand in key markets of Madhya Pradesh and Rajasthan may be impaired by state elections. 2) The share of premium products improved by 300bps YoY to 54%, while the blended cement ratio stood at 86%. 3) The Mukutban plant produced close to 1.5 lakh ton p.m. in Sep-23 and volumes have further gone up in Oct-23. Out of 1.5 lakh ton sold, more than 1 lakh ton was sold in Maharashtra. The company is targeting a monthly run rate of 2 lakh ton in Mukutban before Mar-24 end. 4) The company has achieved Rs50/ton savings through *Project Shikhar*. 5) Management expects a flat pricing scenario for H2FY24. There is some slackening in prices in Nov-23, and the company expects prices to improve post Diwali. 6) The new greenfield grinding unit at Prayagraj, UP, will cater to the core markets of eastern UP. The unit will be eligible for tax incentives along with savings in logistics and fly ash costs. 7) The jute business continued to face headwinds with poor overseas demand for VAP products.

Target Price – 12M	Sep-24
Change in TP (%)	5.5
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	17.7
CMP (09-Nov-23) (Rs)	1,299.3

Stock Data	Ticker
52-week High (Rs)	1,340
52-week Low (Rs)	843
Shares outstanding (mn)	77.0
Market-cap (Rs bn)	100
Market-cap (USD mn)	1,201
Net-debt, FY24E (Rs mn)	35,989
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	144.0
ADTV-3M (USD mn)	1.7
Free float (%)	0.4
Nifty-50	19,395
INR/USD	83.3
Shareholding, Sep-23	
Promoters (%)	62.9
FPIs/MFs (%)	6.6/16.0

Price Performance

(%)	1M	3M	12M
Absolute	3.7	6.4	36.5
Rel. to Nifty	4.3	7.7	27.8

1-Year share price trend (Rs)**Dharmesh Shah**dharmesh.shah@emkayglobal.com
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Quarterly Analysis

Exhibit 1: Actual vs. Estimates (Q2FY24)

(Rs mn)	Actual	Estimates		Variation (%)		Comment
		Emkay	Consensus	Emkay	Consensus	
Net sales	22,858	22,338	22,196	2.3	3.0	
EBITDA	2,889	2,870	2,914	0.6	(0.9)	In-line with estimates
PAT	586	478	629	22.7	(6.8)	
Volumes (mt)	4.2	4.0		3.5		
Cement realization (Rs/ton)	5,211	5,223		(0.2)		
EBITDA (Rs/ton)	691	710		(2.7)		

Source: Bloomberg, Emkay Research

Exhibit 2: Quarterly Table

(Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)	H1FY23	H1FY24	YoY (%)
Revenue	19,998	20,161	24,626	24,085	22,858	14.3	(5.1)	42,036	46,943	11.7
Expenditure	19,059	18,717	21,882	21,106	19,970	4.8	(5.4)	38,503	41,076	6.7
Total RM cost	2,154	2,208	4,358	4,223	3,835	78.0	(9.2)	4,375	8,058	84.2
Power and fuel cost	6,084	5,764	5,732	5,083	4,946	(18.7)	(2.7)	12,230	10,030	(18.0)
Freight cost	4,955	4,931	5,952	5,824	5,185	4.6	(11.0)	10,183	11,009	8.1
Staff cost	1,315	1,321	1,299	1,396	1,424	8.3	2.0	2,593	2,820	8.8
Other expenditure	4,551	4,494	4,542	4,580	4,580	0.6	0.0	9,122	9,160	0.4
EBITDA	940	1,444	2,743	2,978	2,889	207.4	(3.0)	3,533	5,867	66.1
Depreciation	1,254	1,299	1,401	1,403	1,435	14.4	2.3	2,399	2,838	18.3
EBIT	(314)	145	1,342	1,575	1,454	(562.4)	(7.7)	1,133	3,029	167.2
Other Income	418	79	491	162	274	(34.4)	69.4	561	436	(22.3)
Interest	928	869	887	974	954	2.8	(2.1)	1,631	1,928	18.2
PBT	(825)	(645)	946	763	774	(193.8)	1.5	63	1,536	2,334.7
Total Tax	(260)	(146)	280	166	188			(108)	353	
Adjusted PAT	(565)	(499)	667	597	586	(203.8)	(1.8)	171	1,183	591.5
Extraordinary items	-	-	183	-	(3)			(117)	(3)	
Reported PAT	(565)	(499)	850	597	584	(203.4)	(2.2)	55	1,181	2,062.3
Adjusted EPS (Rs)	(7.3)	(6.5)	8.7	7.8	7.6	(203.8)	(1.8)	2.2	15.4	591.5
(%)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY (bps)	QoQ (bps)	H1FY23	H1FY24	YoY (bps)
EBITDAM	4.7	7.2	11.1	12.4	12.6	169.0	2.2	8.4	12.5	409
EBITM	(1.6)	0.7	5.5	6.5	6.4	(504.5)	(2.8)	2.7	6.5	376
EBTM	(4.1)	(3.2)	3.8	3.2	3.4	(182.1)	6.9	0.2	3.3	312
PATM	(2.8)	(2.5)	2.7	2.5	2.6	(190.8)	3.5	0.4	2.5	211
Effective Tax Rate	31.5	22.6	29.6	21.7	24.2			(171.2)	23.0	

Source: Company, Emkay Research

Exhibit 3: Quarterly analysis on a per-ton basis

Rs/ton	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)	H1FY23	H1FY24	YoY (%)
Volumes (mt)	3.64	3.72	4.44	4.41	4.18	14.8	(5.2)	7.57	8.59	13.5
Cement Realization	5,151	5,177	5,279	5,229	5,211	1.2	(0.3)	5,251	5,221	(0.6)
Blended Realization	5,494	5,420	5,546	5,461	5,468	(0.5)	0.1	5,553	5,465	(1.6)
Raw-material cost	592	593	982	958	917	55.0	(4.2)	578	938	62.3
Power and fuel cost	1,671	1,549	1,291	1,153	1,183	(29.2)	2.7	1,616	1,168	(27.7)
Freight cost	1,361	1,325	1,340	1,321	1,240	(8.9)	(6.1)	1,345	1,282	(4.7)
Staff cost	361	355	293	317	341	(5.7)	7.6	343	328	(4.2)
Other expenditure	1,250	1,208	1,023	1,038	1,096	(12.4)	5.5	1,205	1,066	(11.5)
Operating cost	5,236	5,031	4,928	4,786	4,777	(8.8)	(0.2)	5,086	4,782	(6.0)
EBITDA/ton	258	388	618	675	691	167.7	2.3	467	683	46.3

Source: Company, Emkay Research

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Exhibit 4: We broadly maintain our EBITDA estimates for FY24-26E

(Rs mn)	FY24E			FY25E			FY26E		
	Old	New	Chg. (%)	Old	New	Chg. (%)	Old	New	Chg. (%)
Revenue	96,509	98,268	1.8	1,03,697	1,04,381	0.7	1,10,514	1,10,938	0.4
EBITDA	13,569	13,745	1.3	16,088	16,183	0.6	17,727	17,747	0.1
PAT	3,757	3,777	0.5	5,561	5,401	(2.9)	6,804	6,422	(5.6)

Source: Emkay Research

Exhibit 5: We maintain BUY on Birla Corp., with a TP of Rs1,530, based on Sep-25E EV/E of 9x

EV/E valuation	
Sep-25E EBITDA (Rs bn)	17
EV/E (x)	9
Enterprise Value (Rs bn)	153
Net debt (Sep-24E; Rs bn)	35
Equity value (Rs bn)	118
No. of shares (mn)	77
Sep-24E Target Price (Rs/share)	1,530

Source: Emkay Research

Exhibit 6: Annual analysis

Key Assumptions	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY18-23 CAGR (%)	FY23-26E CAGR (%)
Capacity (mt)	15.5	15.5	15.5	15.5	16.1	20.0	20.0	20.0	21.4	5.2	2.3
Volumes (mt)	12.4	13.8	13.8	13.5	14.2	15.7	17.9	18.6	19.4	4.9	7.2
Utilization (%) RHS	80	89	89	87	88	79	89	93	91		
Blended Realization (Rs/ton)	4,451	4,596	4,865	4,872	5,129	5,395	5,394	5,500	5,609	3.9	1.3
EBITDA/ton (Rs)	652	686	967	988	781	491	770	870	915		
P&L (Rs bn)											
Revenue	57	65	69	68	75	87	98	104	111	8.7	8.5
EBITDA	8	9	13	13	11	8	14	16	18		
Adj. Net Profit	2	3	5	7	4	0	4	5	6		
Balance Sheet (Rs bn)											
Equity	43	45	48	55	60	60	63	68	74		
Net Debt	35	33	35	34	35	37	36	34	32		
Net Debt:EBITDA (x)	4.3	3.5	2.6	2.5	3.1	4.8	2.6	2.1	1.8		
Net Debt:Equity (x)	0.1	0.1	0.1	0.0	0.1	0.1	0.0	0.0	0.0		
Cash Flow (Rs bn)											
OCF before NWC change	4	6	9	10	8	5	10	11	13		
Change in NWC	(2)	1	0	(0)	(0)	0	(0)	(0)	(1)		
Capex	(13)	(4)	(10)	(8)	(8)	(6)	(8)	(9)	(9)		
FCF	(11)	3	(0)	2	(1)	(2)	0	2	2		
Return ratios (%)											
RoE	4.4	5.8	10.9	13.4	7.5	0.6	6.1	8.2	9.1		
RoCE	5.8	5.6	7.7	8.7	5.3	2.9	5.3	6.4	6.9		
RoIC	6.7	6.7	9.5	11.1	6.8	2.7	5.8	7.2	8.0		
Valuations (x)											
P/E						NA	26.5	18.5	15.6		
EV/EBITDA						17.5	10.0	8.4	7.5		
EV/ton (USD)						82	83	83	76		

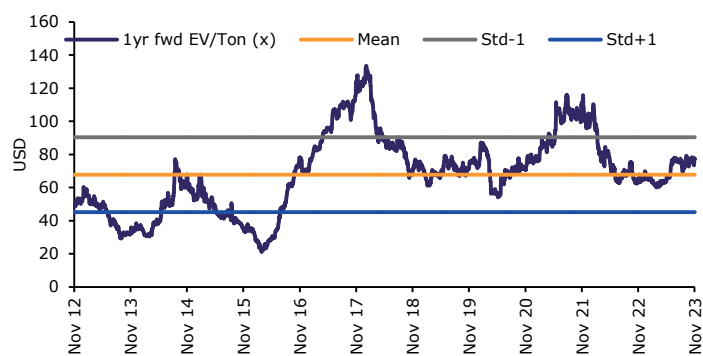
Source: Company, Emkay Research

Exhibit 7: Annual analysis on a per-ton basis

(Rs/ton)	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Blended realization	4,451	4,596	4,865	4,872	5,129	5,395	5,394	5,500	5,609
YoY (%)	6.9	3.3	5.8	0.1	5.3	5.2	(0.0)	2.0	2.0
Raw material cost	672	681	665	729	741	696	900	889	911
Power and fuel cost	1,051	1,073	999	894	1,143	1,508	1,167	1,182	1,200
Freight cost	1,164	1,195	1,176	1,151	1,231	1,339	1,290	1,294	1,300
Staff cost	288	268	295	294	315	331	318	327	335
Other expenses	796	831	902	954	1,038	1,154	1,060	1,050	1,060
Total Opex	3,971	4,047	4,037	4,022	4,470	5,029	4,735	4,742	4,806
YoY (%)	7.4	1.9	(0.2)	(0.4)	11.1	12.5	(5.8)	0.2	1.4
Other operating income	171	136	139	138	122	125	111	112	113
Blended EBITDA	652	686	967	988	781	491	770	870	915
YoY (%)	5.5	5.2	41.0	2.2	(20.9)	(37.2)	56.9	13.0	5.2

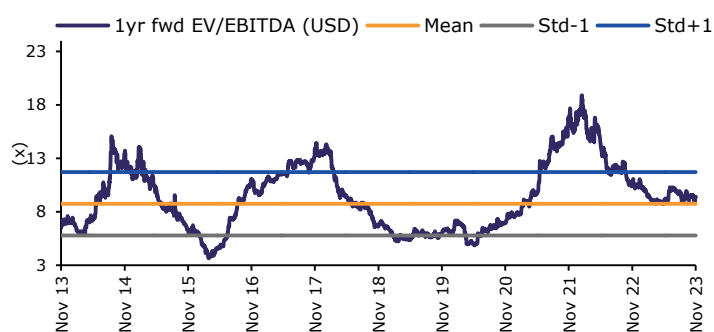
Source: Company, Emkay Research

Exhibit 8: One-year forward EV/ton



Source: Bloomberg, Emkay Research

Exhibit 9: One-year forward EV/EBITDA



Source: Bloomberg, Emkay Research

Birla Corporation: Consolidated Financials and Valuations

Profit and Loss					
Y/E March (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	74,612	86,823	98,268	1,04,381	1,10,938
Revenue growth (%)	10.0	16.4	13.2	6.2	6.3
EBITDA	11,100	7,720	13,745	16,183	17,747
EBITDA growth (%)	(17.0)	(30.5)	78.0	17.7	9.7
Depreciation & Amortization	3,969	5,099	5,745	5,942	6,207
EBIT	7,131	2,621	8,000	10,241	11,539
EBIT growth (%)	(26.2)	(63.2)	205.2	28.0	12.7
Other operating income	1,735	1,960	1,980	2,079	2,183
Other income	988	1,131	879	883	886
Financial expense	2,427	3,387	3,827	3,893	3,828
PBT	5,692	365	5,053	7,230	8,597
Extraordinary items	(314)	67	(3)	0	0
Taxes	1,392	26	1,276	1,829	2,175
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	3,986	405	3,775	5,401	6,422
PAT growth (%)	(36.7)	(89.8)	832.0	43.1	18.9
Adjusted PAT	4,300	338	3,777	5,401	6,422
Diluted EPS (Rs)	51.8	5.3	49.0	70.1	83.4
Diluted EPS growth (%)	(36.7)	(89.8)	832.0	43.1	18.9
DPS (Rs)	10.0	2.5	4.9	7.0	8.3
Dividend payout (%)	19.3	47.5	10.0	10.0	10.0
EBITDA margin (%)	14.9	8.9	14.0	15.5	16.0
EBIT margin (%)	9.6	3.0	8.1	9.8	10.4
Effective tax rate (%)	24.4	7.2	25.3	25.3	25.3
NOPLAT (pre-IndAS)	5,387	2,434	5,980	7,650	8,620
Shares outstanding (mn)	77.0	77.0	77.0	77.0	77.0

Source: Company, Emkay Research

Cash Flows					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	5,692	365	5,053	7,230	8,597
Others (non-cash items)	6,393	8,486	9,572	9,835	10,035
Taxes paid	(610)	(508)	(1,276)	(1,829)	(2,175)
Change in NWC	(2)	280	(387)	(102)	(405)
Operating cash flow	10,392	8,055	12,080	14,252	15,167
Capital expenditure	(7,762)	(6,263)	(8,000)	(8,500)	(9,500)
Acquisition of business	0	0	0	0	0
Interest & dividend income	122	71	879	883	886
Investing cash flow	(7,751)	(3,650)	(3,621)	(7,618)	(8,614)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	1,399	1,156	2,000	(1,500)	0
Payment of lease liabilities	(153)	0	0	0	0
Interest paid	(3,332)	(3,569)	(3,827)	(3,893)	(3,828)
Dividend paid (incl tax)	(770)	(770)	(378)	(540)	(642)
Others	(331)	(418)	2	0	0
Financing cash flow	(3,033)	(3,601)	(2,202)	(5,933)	(4,470)
Net chg in Cash	(393)	803	6,258	701	2,083
OCF	10,392	8,055	12,080	14,252	15,167
Adj. OCF (w/o NWC chg.)	10,393	7,774	12,467	14,354	15,571
FCFF	2,629	1,791	4,080	5,752	5,667
FCFE	4,029	2,947	6,080	4,252	5,667
OCF/EBITDA (%)	93.6	104.3	87.9	88.1	85.5
FCFE/PAT (%)	93.7	870.6	161.0	78.7	88.2
FCFF/NOPLAT (%)	48.8	73.6	68.2	75.2	65.7

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	770	770	770	770	770
Reserves & Surplus	59,718	59,038	62,437	67,298	73,078
Net worth	60,489	59,808	63,207	68,068	73,848
Minority interests	0	0	0	0	0
Deferred tax liability (net)	9,722	9,712	9,809	9,907	10,006
Total debt	42,080	43,497	45,497	43,997	43,997
Total liabilities & equity	1,12,291	1,13,017	1,18,513	1,21,972	1,27,851
Net tangible fixed assets	65,859	87,778	89,533	91,091	92,884
Net intangible assets	9,897	10,653	10,653	10,653	10,653
Net ROU assets	0	0	0	0	0
Capital WIP	25,493	3,573	4,073	5,074	6,573
Goodwill	0	0	0	0	0
Investments [JV/Associates]	4,073	4,105	4,105	4,105	4,105
Cash & equivalents	7,396	6,750	9,507	10,209	12,291
Current assets (ex-cash)	25,767	27,860	30,694	32,600	34,549
Current Liab. & Prov.	26,225	27,703	30,054	31,760	33,205
NWC (ex-cash)	(457)	157	640	840	1,344
Total assets	1,12,291	1,13,017	1,18,513	1,21,972	1,27,851
Net debt	34,684	36,747	35,989	33,788	31,705
Capital employed	1,12,291	1,13,017	1,18,513	1,21,972	1,27,851
Invested capital	75,329	98,588	1,00,827	1,02,585	1,04,881
BVPS (Rs)	785.5	776.7	820.8	883.9	959.0
Net Debt/Equity (x)	0.6	0.6	0.6	0.5	0.4
Net Debt/EBITDA (x)	3.1	4.8	2.6	2.1	1.8
Interest coverage (x)	3.3	1.1	2.3	2.9	3.2
RoCE (%)	7.5	3.3	7.7	9.3	9.9

Source: Company, Emkay Research

Valuations and Key Ratios					
Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	23.3	295.6	26.5	18.5	15.6
P/CE(x)	12.1	18.4	10.5	8.8	7.9
P/B (x)	1.7	1.7	1.6	1.5	1.4
EV/Sales (x)	1.8	1.6	1.4	1.3	1.2
EV/EBITDA (x)	12.1	17.7	9.9	8.3	7.4
EV/EBIT(x)	18.8	51.4	17.1	13.3	11.6
EV/IC (x)	1.8	1.4	1.4	1.3	1.3
FCFF yield (%)	2.0	1.3	3.0	4.2	4.2
FCFE yield (%)	3.0	2.2	4.4	3.1	4.2
Dividend yield (%)	0.8	0.2	0.4	0.5	0.6
DuPont-RoE split					
Net profit margin (%)	5.8	0.4	3.8	5.2	5.8
Total asset turnover (x)	0.7	0.8	0.8	0.9	0.9
Assets/Equity (x)	1.9	1.9	1.9	1.8	1.8
RoE (%)	7.5	0.6	6.1	8.2	9.1
DuPont-RoIC					
NOPLAT margin (%)	7.2	2.8	6.1	7.3	7.8
IC turnover (x)	1.0	1.0	1.0	1.0	1.1
RoIC (%)	6.8	2.7	5.8	7.2	8.0
Operating metrics					
Core NWC days	(2.2)	0.7	2.4	2.9	4.4
Total NWC days	(2.2)	0.7	2.4	2.9	4.4
Fixed asset turnover	0.8	0.8	0.8	0.8	0.8
Opex-to-revenue (%)	71.0	78.5	69.7	68.6	68.1

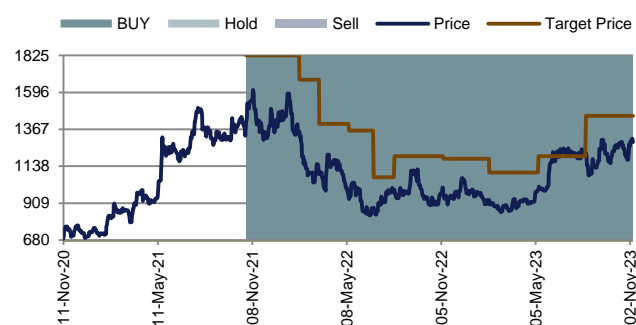
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
28-Sep-23	1,200	1,450	Buy	Dharmesh Shah
18-Sep-23	1,216	1,450	Buy	Dharmesh Shah
09-Aug-23	1,221	1,450	Buy	Dharmesh Shah
03-Jun-23	1,161	1,200	Buy	Dharmesh Shah
10-May-23	1,000	1,200	Buy	Dharmesh Shah
04-May-23	974	1,100	Buy	Dharmesh Shah
02-Mar-23	861	1,100	Buy	Dharmesh Shah
05-Feb-23	929	1,100	Buy	Dharmesh Shah
29-Dec-22	986	1,185	Buy	Dharmesh Shah
05-Dec-22	979	1,185	Buy	Dharmesh Shah
09-Nov-22	952	1,185	Buy	Dharmesh Shah
05-Nov-22	972	1,200	Buy	Dharmesh Shah
04-Oct-22	947	1,200	Buy	Dharmesh Shah
04-Sep-22	969	1,200	Buy	Dharmesh Shah
07-Aug-22	992	1,200	Buy	Dharmesh Shah
04-Jul-22	855	1,070	Buy	Dharmesh Shah
28-Jun-22	882	1,070	Buy	Dharmesh Shah
12-May-22	935	1,360	Buy	Dharmesh Shah
16-Mar-22	1,104	1,400	Buy	Dharmesh Shah
06-Feb-22	1,353	1,675	Buy	Dharmesh Shah
23-Jan-22	1,464	1,825	Buy	Dharmesh Shah
31-Dec-21	1,422	1,825	Buy	Dharmesh Shah
02-Dec-21	1,335	1,825	Buy	Dharmesh Shah
10-Nov-21	1,594	1,825	Buy	Dharmesh Shah
27-Oct-21	1,417	1,825	Buy	Dharmesh Shah

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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