



3R MATRIX

	+	=	-
Right Sector (RS)	✓	■	■
Right Quality (RQ)	✓	■	■
Right Valuation (RV)	■	✓	■

+ Positive = Neutral - Negative

What has changed in 3R MATRIX

	Old		New
RS	■	↔	■
RQ	■	↔	■
RV	■	↔	■

Reco/View

Reco: Buy	↔
CMP: Rs. 3,095	
Price Target: 3,500	↑

↑ Upgrade ↔ Maintain ↓ Downgrade

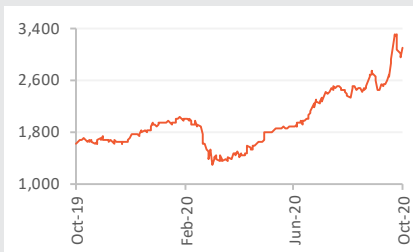
Company details

Market cap:	Rs. 54,016 cr
52-week high/low:	Rs. 3,515 / 1,207
NSE volume: (No of shares)	2.4 lakh
BSE code:	540005
NSE code:	LTI
Free float: (No of shares)	4.4 cr

Shareholding (%)

Promoters	74.4
FII	12.6
DII	6.6
Others	6.5

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	16.8	32.8	118.3	92.3
Relative to Sensex	9.8	25.3	88.6	87.8

Sharekhan Research, Bloomberg

Summary

- We stick to our Buy rating on L&T Infotech (LTI) with a PT of Rs. 3,500, on expectation of industry-leading growth momentum post COVID-19.
- Q2 numbers beat expectations on all fronts, along with a robust deal pipeline and strong OCF generation; margin improvement remained impressive. Both the digital and core business grew 18.4% and 6.3% y-o-y
- Management indicated that Q3FY2021 revenue would surpass revenue seen in Q4FY2020; we believe that the company would comfortably beat guidance given prudent client mining, continued growth in top account and superior execution
- Consistency in deal wins, must-have logos and prudent client mining would help company outperform peers over the next few years. We expect LTI's USD revenue/earnings to clock a CAGR of 15%/18% over FY2020-FY23E.

L&T Infotech (LTI) delivered strong performance across all parameters, beating estimates in terms of revenue, EBIT margin and net profit. Further, the company's strong operating cash flow (OCF) generation despite payment of annual incentives and a strong deal pipeline (up 22% y-o-y) impressed us. Constant currency (CC) revenue grew 2.3% q-o-q and by 10.5% y-o-y, ahead of our estimates, led by a strong growth in BFS and manufacturing verticals. On a reported basis, US Dollar revenue grew by 3.6% q-o-q and 11.2% y-o-y to \$404.5 million. EBIT margin improved by 244 bps q-o-q to 19.9% despite rupee appreciation, exceeding our estimates, led by operational efficiencies and better offshoring revenue. EBIT margin of the BFS, manufacturing and energy & utilities verticals improved by 351 bps, 351 bps and 734 bps, sequentially. Net profit came at Rs. 456.8 crore (up by 9.7% q-o-q and 26.7% y-o-y) and was 10.1% above our estimates. The management indicated that Q3FY2021 revenue would surpass revenue (\$409.9 million) of Q4FY2020, translating a minimum q-o-q growth of 1.3%. However, we believe that company would comfortably beat this guidance given continued new account opening (including a must-have logo of F-500), prudent client mining and a higher adoption of digital technology. Though net-new deal TCVs remained a bit soft (down 58% y-o-y) in H1FY2021 due to longer decision cycle for approval of large deals, deal pipeline during the quarter remained robust. Consistency in deal wins, addition of million-dollar clients, strong client relationship, superior digital competencies and prudent client mining would help to position the company in the top quadrant of the industry in terms of revenue growth in FY2021 and beyond. The management resumed its net profit margin guidance of 14-15%. We expect the contribution of its offshoring revenue would improve gradually in the medium term, given higher acceptance of offshoring by large global enterprises.

Key positives

- BFS and manufacturing verticals' revenue grew 21.2% y-o-y and 9.2% y-o-y, respectively in CC terms
- EBIT margin at 19.9%, exceeded our estimates
- Operating cash flow to net profit ratio stood at 98%

Key negatives

- Net-new deal TCVs remained weak in H1FY2021 on y-o-y basis

Our Call

Valuation – Retain Buy rating on superior execution capabilities with PT of Rs. 3,500: We have revised our earnings estimates upward for FY2021E/FY2022E/FY2023E, factoring in strong execution in Q2FY2021, strong demand across its strategic themes, health deal pipeline and a sharp focus on building capabilities to capture technology spends around digital transformation by clients. We believe that LTI would outperform mid-tier peers in coming quarters, considering a strong recovery in BFSI and manufacturing verticals. Further, management expects hi-tech, media and entertainment vertical would return to growth trajectory in the coming quarters. We expect the company's growth would be in the leader quadrant in the next few years, given consistency in deal wins in every quarter, addition of million-dollar clients, strong client relationships and strong execution. We assume that LTI would deliver industry-leading USD revenue/EPS CAGR of 15%/18% over FY2020-FY2023E. At CMP, the stock is trading at 25x/21x its FY2022E/FY2023E earnings, which although is expensive, but it is justified given anticipation of its industry-leading growth momentum in the coming years. We prefer that LTI, considering the strength in its business model, prudent client-mining strategies, sharp focus on superior execution, strong digital competencies, continued investments in S&M, and a dynamic leadership team. Hence, we maintain our Buy rating on LTI with a price target of Rs.3,500.

Key risk

Rupee appreciation or/and adverse cross-currency movements and macro pressures would affect earnings.

Valuation

Particulars	FY19	FY20	FY21E	FY22E	FY23E
Revenue	9,445.8	10,878.6	12,407.2	14,428.4	16,446.9
OPM (%)	19.9	18.7	21.2	20.7	20.5
Adjusted PAT	1,515.5	1,520.5	1,792.0	2,141.0	2,493.7
% YoY growth	36.2	0.3	17.9	19.5	16.5
Adjusted EPS (Rs.)	86.4	86.6	101.8	121.6	141.7
P/E (x)	35.8	35.7	30.4	25.4	21.8
P/B (x)	11.1	10.1	7.6	5.8	4.6
EV/EBITDA (x)	28.3	26.3	20.3	17.8	15.8
RoNW (%)	34.6	29.5	29.8	29.1	30.9
RoCE (%)	36.2	35.1	36.9	35.3	36.6

Source: Company; Sharekhan estimates

* We now convert L&T Infotech (LTI) into a Stock Update; it was earlier a 'Viewpoint' under our coverage

Superior execution capabilities

LTI reported strong quarterly performance beating in revenue, operating profitability and net profit, along with large deal wins, healthy deal pipeline and strong free cash flow (FCF) generation. Constant currency (CC) revenue grew 2.3% q-o-q and up 10.5% y-o-y, ahead of our estimates, led by strong growth in BFS (up 9.5% q-o-q CC), manufacturing (up 5.4% q-o-q CC) and others (up 6.7% q-o-q) verticals. On a reported basis, USD revenue grew by 3.6% q-o-q and 11.2% y-o-y to \$404.5 million. Digital business (42.9% of total revenue) reported growth momentum of 18.4% y-o-y. EBIT margin improved 244bps q-o-q to 19.9%, despite a strong rupee. It exceeded our estimates, led by revenue growth, higher working days, operational efficiencies and higher offshoring revenue. EBIT margin for BFSI, manufacturing and energy & utilities verticals improved 351 bps, 351 bps and 734 bps, sequentially. Net profit came in at Rs. 456.8 crore (up 9.7% q-o-q and 26.7% y-o-y) and was 10.1% above our estimates aided by higher EBIT margin, partially offset by higher forex loss and lower other income.

Revenue growth likely to be in the top quadrant of the industry in FY2021 and beyond

The company reported industry leading revenue growth of 10.3% y-o-y in H1FY2021, implies strong execution during the tough COVID-19 phase. The management indicated that Q3FY2021 revenue would surpass the revenue (\$409.9 million) of Q4FY2020, translating into a minimum q-o-q growth of 1.3%. However, we believe that company would comfortably beat this guidance given new logo additions, improving demand environment across verticals, prudent client mining, robust deal pipeline and higher technology spends by customers. Further, the company added 26 new logos across verticals during the quarter and won a large deal (with a TCV of over \$40 million) in the analytics space. Though net-new deal TCVs remained a bit soft (down 58% y-o-y) in 1HFY2021 due to a longer decision cycle for approval of large deals, we believe the company would be able to maintain its growth momentum from mining its existing accounts, opening of new accounts and increasing adoption of digital transformation. Further, the deal pipeline during the quarter remained robust, up 22% y-o-y. The company also added a Fortune-500 (F-500) logo during Q2FY2021, taking total F-500 customers to 67. Consistency in deal wins, addition of million-dollar clients, strong client relationship, must-have logos (F-500 clients), superior digital competencies, and prudent client mining would help the company to outperform and help to position it in the top quadrant of the industry in terms of revenue growth in FY2021 and beyond.

Expect margins to stay in a narrow range in Q3FY2021

The company positively surprised us with significant sequential improvement of operating profitability, led by operational efficiency, recovery in revenue growth and higher operational efficiencies. We believe work-from-home (WFH) efficiencies, continued lower travel and administration expenses and higher offshoring revenue are expected to help the company to maintain the margin in a narrow band in the near-to-medium terms. We believe the WFH model would be the tailwinds for its margins going ahead, however investments in new technology areas would partially offset the current margin benefits to some extents. In addition, the company would roll out of wage hikes, effective from January 1, 2021. The management resumed its net profit margin guidance of 14-15% given a strong performance in 1HFY2021 (net profit margin was at 14.7%) and improved business profitability in the remaining quarters of FY2021. We expect the contribution of its offshoring revenue would improve gradually in the medium term, given higher acceptance of offshoring by large global enterprises.

Key Conference call takeaways

- ♦ **Strong deal pipeline, but net-new deal TCVs remained soft:** Though deal wins have been consistent across quarters, net new deal TCVs remained weak during the quarter. The company closed a large deal with net new TCV of over \$40 million in analytics in Q2FY2021 as against new deals of TCVs \$20 million in the BFS vertical (wealth management sub-segment) in UK in Q1FY2021. However, the net-new deal wins in H1FY2021 was down 58% y-o-y as compared to H1FY2020. Management highlighted that the deal pipeline remained strong, up 22% y-o-y. Large deal pipeline remained stronger on a q-o-q basis. Closure of large deals is taking longer than normal.
- ♦ **Q3FY2021 outlook and resumed net profit margin guidance:** LTI remains in focus on its 3x3 strategy (1) customer first thinking, (2) resilience in operations and (3) protecting its P&L to deal with the impact from the COVID-19 pandemic. With a healthy deal pipeline and sustained client mining strategies, the

company would surpass its Q4FY2020 revenues in Q3FY2021. The management remains confident that LTI would remain top quadrant of the industry in terms of revenue growth in FY2021. The company plans to roll out annual wage hike from January 1, 2020. Base on the strong performance in 1HFY2021 and enhanced visibility for the rest of FY2021, the company reinstated net profit margin guidance for FY2021 to be at 14-15% despite a salary hike in January 2021.

- ◆ **Vertical performance:** During Q2FY2021, there was strong recovery in BFS (+9.5% q-o-q CC in Q2FY2021 vs. -4.1% in Q1FY2021), manufacturing (+5.4% q-o-q vs. -16.4% in Q1FY2021) and energy & utilities (up 0.6% q-o-q versus a decline of 10.5% in Q1FY2021). Revenue from insurance, CPG, retail & pharma, and hi-tech, media & entertainment vertical was down 4.1% q-o-q, 2.8% q-o-q and 5.3% q-o-q respectively in CC terms, while other verticals reported a revenue growth of 6.7% q-o-q in CC terms.
- ◆ **Service offering performance:** Revenue from infrastructure management services, enterprise solutions and ADM & testing reported a strong sequential CC growth of 7.9%, 5.7% and 3.4%, respectively. Revenue from analytics, AI and cognitive service offering declined 12.9% in CC terms.
- ◆ **Geography-wise performance:** Europe and rest-of-the-world RoW reported sharp recovery, registering CC revenue growth of 9.3% q-o-q (versus -9.8% q-o-q in Q1FY2021) and 5.9% q-o-q (versus -8.0% q-o-q in Q1FY2021). Revenue growth in North America remained flattish (0.4% q-o-q in CC), while India reported CC revenue growth of 2.0% q-o-q.
- ◆ **Strong demand across its strategic themes:** Management highlighted that tech spends have been accelerating as enterprises are reimagining their operating models and embracing digital transformation to stay relevant among customers. For instance, banks need to on-board customers remotely, while insurers need remote channels for distribution. Similarly, retailers need to have online to offline capabilities. Digital transformation has become a necessity for all companies worldwide. Business has accelerated digitalisation in every aspect of operation – from core functions to customer-facing capabilities to workplaces. LTI's management indicated that it witnesses strong demand among clients across its strategic themes – (1) digitising the core, (2) data-driven organisation, (3) experience transformation; and (4) operate to transform, in the journey to their new operating models.
- ◆ **Setting up a unit to drive its cloud and data product businesses:** The management highlighted that two areas have emerged as new opportunity areas based on the conversion of market trends and its capabilities in new-age technologies. These areas are (1) cloud business – work along with the hyperscalers (AWS, Azure and GCP) and (2) data product business with marketing platform (Mosaic and Lymbyc). LTI is working with some of the largest company of the world. The company is setting up a unit to drive businesses in these above areas. This would be a key investment area for the company in terms of sales, marketing, alliance and capabilities. As most of the enterprises have started adopting transformation technologies, management believes that this unit would drive its growth by helping clients in their transformational journey.
- ◆ **Launched a platform for remote and hybrid workforce:** LTI launched Canvas PolarSled, an automated cloud migration and modernisation framework, to help enterprises accelerate their data move to cloud data platform (Snowflake).
- ◆ **Strong growth in BFS vertical, while insurance vertical remained soft:** The BFS vertical's revenue grew by 9.5% q-o-q and 21.2% y-o-y in CC terms, while the insurance vertical's revenue declined by 4.1% q-o-q and 5.1% y-o-y. Top clients continued to grow during the quarter. The insurance vertical continues to struggle as impact created by COVID-19.
- ◆ **The energy and utilities vertical:** The vertical's revenue growth remained flat (up 0.6% q-o-q in CC terms versus a decline of 10.5% q-o-q in Q1FY2021), while revenue growth declined 3.6% y-o-y in CC terms. The management highlighted that budgets of clients in this space have remained much lower compared to pre-COVID levels.
- ◆ **Manufacturing vertical:** The manufacturing vertical reported a sharp recovery of 5.4% q-o-q in revenue growth in CC terms as against a decline of 16.4% q-o-q in Q1FY2021. On a y-o-y basis, manufacturing revenue growth further decelerated to 9.2% on CC in Q2FY2021 versus 14.5% y-o-y in Q1FY2021.

- ◆ **CPG, Retail and Pharma:** CPG, retail and pharma vertical's revenue declined by 2.8% q-o-q in CC terms and increased by 4.7% y-o-y during the quarter. Company added F-500 client in this vertical.
- ◆ **Hi-tech, media and entertainment:** Revenue declined 5.3% q-o-q in CC terms and increased by 9.6% y-o-y in CC during the quarter. The decline in revenue in this vertical was due to re-prioritisation of work due to COVID-19. The management expects this vertical would return to growth trajectory in coming quarters.
- ◆ **Strong growth in digital business:** Revenue of the digital business accelerated to 5.8% q-o-q and 18.4% y-o-y and revenue contribution of this segment to overall revenue improved to 42.9% as against 42% in Q1FY2021. The core business increased by 2.0% q-o-q and 6.3% y-o-y during the quarter.
- ◆ **Revenue recovered in top accounts:** Revenue from the top five accounts recovered by 1.9% q-o-q (versus a decline of 6.9% q-o-q in Q1FY2021). Similarly, revenue from the top 10/20 accounts grew by 2.4%/2.9% on a q-o-q basis (versus a decline of 9.8%/7.3% q-o-q in Q1FY2021).
- ◆ **Stable client metrics in large categories:** LTI added 26 new clients (versus 16 new clients in Q1FY2021) across all verticals in Q2FY2021. The company added a new F-500 logo during the quarter, taking total F-500 logos to 68. The number of clients under the \$100 million, \$50 million, and \$20 million client buckets remained flat q-o-q (and had been flat in Q1FY2021), while the number of clients under the \$10 million and \$5 million category increased by 2 each on a q-o-q basis, respectively. On y-o-y basis, the number of clients under the \$20 million client buckets declined by 2, while the number of clients under the \$10 million and \$5 million category grew by 5 and 13.
- ◆ **Operating cash flow to net profit:** Operating cash flow stood at Rs. 446.4 crore (down 30% q-o-q and up 134% y-o-y). Despite annual incentives paid during the quarter, operating cash flow to net profit remained at 98% versus 152% in Q1FY2021. Cash and liquid investment stood at Rs. 3,547.2 crore as of Q2FY2021 versus Rs. 3,425.6 crore as of Q1FY2021.
- ◆ **DSO:** Billed DSO improved significantly by 8 days to 62 days versus 70 days in Q1FY2021. DSO including unbilled revenues stood at 94 days, an improvement of 5 days sequentially.
- ◆ **Dividend:** The board has declared the first interim dividend of Rs. 15 per share for FY2021.

Results	Rs cr				
Particulars	Q2FY21	Q2FY20	Q1FY21	y-o-y (%)	q-o-q (%)
Revenue (\$ mn)	404.5	363.8	390.3	11.2	3.6
Revenue in INR (cr)	2,998.4	2,570.7	2,949.2	16.6	1.7
Direct costs	1,953.7	1,752.5	1,991.6	11.5	-1.9
SG&A	359.1	352.4	365.6	1.9	-1.8
EBITDA	685.6	465.8	592.0	47.2	15.8
Depreciation	89.9	66.4	78.1	35.4	15.1
EBIT	595.7	399.4	513.9	49.1	15.9
Other income (including FX)	17.4	74.0	45.0	-76.5	-61.3
PBT	613.1	473.4	558.9	29.5	9.7
Tax provision	156.3	113.0	142.5	38.3	9.7
Net profit	456.8	360.4	416.4	26.7	9.7
EPS (Rs.)	26.0	20.5	23.7	26.5	9.3
Margin (%)				Bps	bps
EBITDA	22.9	18.1	20.1	475	279
EBIT	19.9	15.5	17.4	433	244
NPM	15.2	14.0	14.1	122	112

Source: Company; Sharekhan Research

Operating metrics

Particulars	Revenues	Contribution	\$ Growth (%)		CC growth (%)	
	(\$ mn)	(%)	q-o-q	y-o-y	q-o-q	y-o-y
Revenue (\$ mn)	405	100	3.6	11.2	2.3	10.5
Geographic mix						
North America	278	68.7	0.6	11.2	0.4	11.2
Europe	65	16.1	15.9	9.2	9.3	2.9
ROW	33	8.2	7.6	2.4	5.9	3.1
India	28	6.9	3.6	27.9	2.0	33.8
Industry verticals						
BFS	121	29.9	11.9	22.7	9.5	21.2
Insurance	65	16.0	-3.6	-4.9	-4.1	-5.1
Manufacturing	66	16.2	6.3	9.8	5.4	9.2
Energy & Utilities	43	10.6	1.7	-2.6	0.6	-3.6
CPG, Retail & Pharma	44	11.0	-0.9	6.4	-2.8	4.7
High-Tech, Media & Entertainment	43	10.6	-5.3	9.1	-5.3	9.6
Others	23	5.7	9.4	81.1	6.7	87.9
Service offerings						
ADM & Testing	146	36.0	4.8	10.9	3.4	10.0
Enterprise Solutions	125	30.8	7.5	16.1	5.7	4.2
Infrastructure Management Services	58	14.4	9.7	44.2	7.9	43.3
Analytics, AI & Cognitive	43	10.6	-12.1	4.3	-12.9	3.6
Enterprise Integration & Mobility	34	8.3	0.0	2.5	-1.2	3.0
Digital business						
Digital	174	42.9	5.8	18.4	NA	NA
Core	231	57.1	2.0	6.3	NA	NA

Source: Company; Sharekhan Research

Outlook and Valuation

■ Sector View – Expect acceleration in technology spending going forward

Industry analysts such as Gartner estimates IT services spending would grow by 5-8% over CY2021-CY2024E, as compared to an average of 4.2% achieved in CY2010-CY2019. Forecasts indicate higher demand for cloud infrastructure services, potential increase in specialised software, potential investments in transformation projects by clients, and increased online adoption across verticals. Implications of the COVID-19 outbreak have accelerated digital activities among large global enterprises, leading to increased spending on workplace transformation and collaboration tools, cyber security, and higher cloud migration.

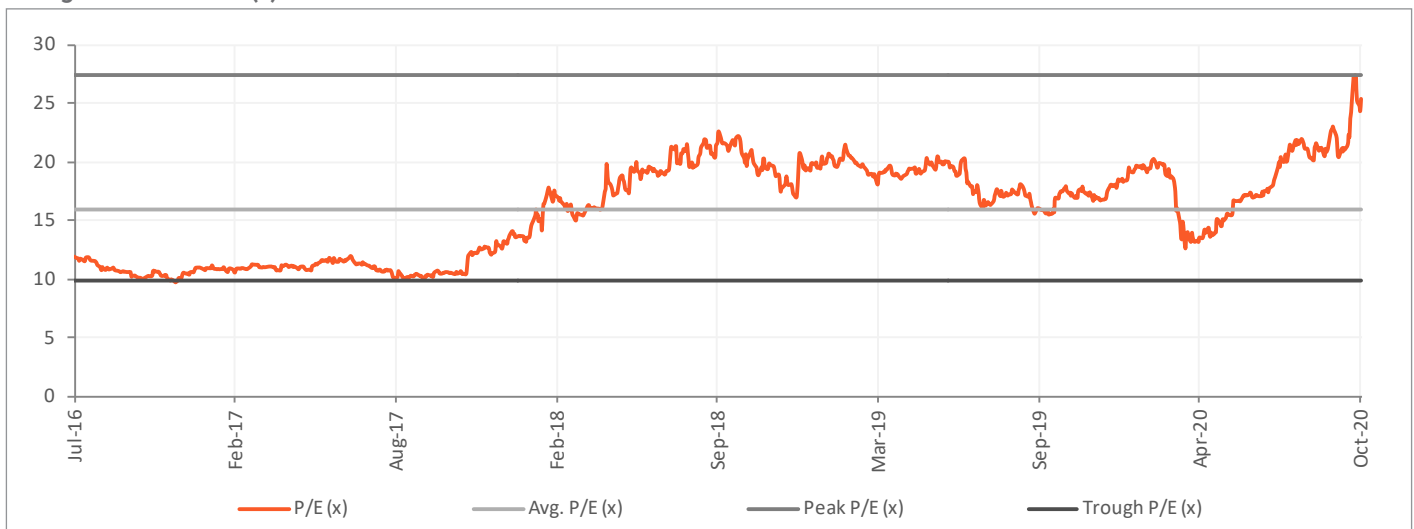
■ Company Outlook – Superior execution likely to drive outperformance

We believe LTI's prudent strategies along with an efficient sales force would lead to market share gains in large accounts and new deal wins. Hence, we expect LTI to deliver industry-leading revenue growth in the long term on account of consistency in large deal wins and pipeline, a higher digital mix, prudent account mining strategies, and a marquee client base. Further, LTI's sharp focus on bringing new-age disruptive technologies along with leveraging platforms (in-house as well as external) would help company transform the core business of enterprises on a large scale.

■ Valuation – Superior execution justifies premium valuation

We have revised our earnings estimates upward for FY2021E/FY2022E/FY2023E, factoring in strong execution in Q2FY2021, strong demand across its strategic themes, health deal pipeline and a sharp focus on building capabilities to capture technology spends around digital transformation by clients. We believe that LTI would outperform mid-tier peers in coming quarters, considering a strong recovery in BFSI and manufacturing verticals. Further, management expects hi-tech, media and entertainment vertical would return to growth trajectory in the coming quarters. We expect the company's growth would be in the leader quadrant in the next few years, given consistency in deal wins in every quarter, addition of million-dollar clients, strong client relationships and strong execution. We assume that LTI would deliver industry-leading USD revenue/EPS CAGR of 15%/18% over FY2020-FY2023E. At CMP, the stock is trading at 25x/21x its FY2022E/FY2023E earnings, which although is expensive, but it is justified given anticipation of its industry-leading growth momentum in the coming years. We prefer that LTI, considering the strength in its business model, prudent client-mining strategies, sharp focus on superior execution, strong digital competencies, continued investments in S&M, and a dynamic leadership team. Hence, we maintain our Buy rating on LTI with a price target of Rs.3,500.

One-year forward P/E (x) band



Source: Sharekhan Research

Peer valuation

Particulars	CMP (Rs / Share)	O/S Shares (Cr)	MCAP (Rs Cr)	P/E (x)		EV/EBIDTA (x)		P/BV (x)		RoE (%)	
				FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
HCL Tech	871	271	236,279	19.2	17.6	12.2	11.4	4.1	3.7	22.7	22.1
Persistent	1206	8	9,216	23.7	20.6	14.7	12.6	3.6	3.3	15.6	16.5
TCS	2,675	375	1,003,932	30.5	27.0	22.2	20.0	11.4	10.5	38.0	40.4
LTI	3,095	17	54,016	30.4	25.4	20.3	17.8	7.6	5.8	29.8	29.1

Source: Company, Sharekhan estimates

About company

Promoted by Larsen & Toubro (L&T) in 1996, Larsen & Toubro Infotech (LTI) is the sixth largest (\$1,525 million in FY2020) IT services company in India in terms of export revenue and is among the top-20 IT service providers globally. With operations in 27 countries, LTI provides technology consulting and digital solutions to around 289 clients across the globe. LTI provides services to 68 of the Fortune Global 500 companies. The company has 23 delivery centres and 43 sales offices, with employee strength of over 23,000. LTI's vertical focus is heavily towards banking and financial services, insurance, and energy and utilities, which together contribute ~56% of total revenue.

Investment theme

A multitude of factors such as strong execution capabilities, a dynamic sales team, accelerating revenue contribution from its digital business, leverage of domain experience, solid top account mining and healthy deal wins have been helping LTI to outpace the average industry growth rate. Further, the gradual increase in digital deal sizes along with high volume digital deals and migration of the legacy business has helped the company grow at a rapid pace compared to its peers. We believe the sharpened focus on large account mining and new client additions augur well for LTI to deliver above-industry average revenue growth.

Key Risks

1) Rupee appreciation or/and adverse cross-currency movements; 2) any hostile regulatory visa norms could affect employee expenses; and 3) macro pressure would hit growth in key verticals.

Additional Data

Key management personnel

A. M. Naik	Founder Chairman
S. N. Subrahmanyam	Non-Executive Vice Chairman
Sanjay Jalona	CEO & MD
Sudhir Chaturvedi	President sales
Ashok Kumar Sonthalia	Chief Financial Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	UTI Asset Management Co Ltd	1.96
2	St James's Place PLC	1.04
3	Auburn Limited	1.01
4	HDFC Asset Management Co Ltd	0.88
5	Wasatch advisors Inc	0.71
6	Invesco limited	0.69
7	Goldman Sachs Group Inc	0.58
8	Aditya Birla Sun life Asset management	0.56
9	Vanguard Group	0.55
10	ICICI Prudential Asset Management	0.44

Source: Bloomberg

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a position in the companies mentioned in the article.

Understanding the Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Sharekhan Research

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Compliance Officer: Mr. Joby John Meledan; Tel: 022-61150000; email id: compliance@sharekhan.com;

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