



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	✓	↔	✓

ESG Disclosure Score

NEW

ESG RISK RATING

Updated Apr 08, 2022

21.77

Medium Risk

NEGL	LOW	MED	HIGH	SEVERE
0-10	10-20	20-30	30-40	40+

Source: Morningstar

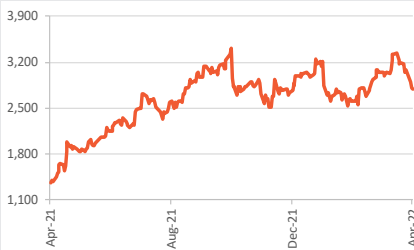
Company details

Market cap:	Rs. 8,387 cr
52-week high/low:	Rs. 3,666 / 1,232
NSE volume: (No of shares)	1.1 lakh
BSE code:	523704
NSE code:	MASTEK
Free float: (No of shares)	1.9 cr

Shareholding (%)

Promoters	37.3
FII	8.4
DII	8.7
Others	45.6

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-8.0	-13.2	-18.1	105.3
Relative to Sensex	-7.6	-6.2	-10.6	85.8

Sharekhan Research, Bloomberg

Mastek Ltd

Good Q4; making right strategic bets

IT & ITES

Sharekhan code: MASTEK

Reco/View: Buy



Upgrade



Maintain

CMP: Rs. 2,794

Price Target: Rs. 3,840



Downgrade

Summary

- Q4FY22 revenue growth improved to 5.3% q-o-q on CC terms after two successive quarters of soft performance, but EBIT margin missed the mark. Q4 saw strong addition of clients (including two Fortune-1000 clients) and strong order intake.
- Mastek aspires to clock \$1 billion in annual revenue in the early part of the second half of the decade (3x growth from current level) by focusing on its three strategic priorities – 1) Growth markets and verticals; 2) Digital and Cloud services and partnerships and 3) Digital talent, outcome-based delivery and M&A opportunities.
- Mastek is well placed to deliver strong revenue growth in FY2023/FY2024, backed by continued growth in UK public sector and Oracle Cloud, solid order booking, scaling up of growth in private sector and US business and strategic partnerships.
- We maintain a Buy on Mastek with an unchanged PT of Rs. 3,840 given strong revenue growth visibility, consistency in Fortune 1000 logo addition, and M&A opportunities that would enhance capability.

Mastek Limited's (Mastek's) revenue growth accelerated to 5.3% q-o-q in constant currency (CC) terms after two consecutive quarters of soft revenue growth performance, led strong growth in UK public sector business and rapid revenue growth of North America business. Reported USD revenue grew by 5% q-o-q and 17.2% y-o-y to \$77.2 million. EBIT margins lagged estimates, owing to higher employee expenses (grew by 6.6% q-o-q) and increasing travel expenses. Order bookings remained strong at \$194 million (up by 15.6% q-o-q & 30.0% y-o-y), aided by strong deal intake in the UK government business. We attended Mastek's Investor Day 2022, wherein the management highlighted that the company gearing up to deliver a strong, sustainable revenue growth momentum in the next 3-4 years by focusing on its three strategic priorities such as (a) growth markets (especially US) and verticals (healthcare), (b) digital and cloud services, and partnerships, and (3) inorganic initiatives. Further, the company indicated its aspiration to clock \$1 billion in annual revenue in the early part of the second half of the decade, implies 3.4x revenue growth in the next 4-5 years.

Key positives

- Signed large deal TCVs of over \$65+ million for a duration of three years
- Added two Fortune-1000 clients during the quarter
- Order backlog grew by 30% y-o-y in Q4, provides strong growth

Key negatives

- Healthcare & life sciences vertical declined by 0.7% q-o-q
- FCF to net profit ratio declined to 71% in FY2022 from 110% in FY2021

Management Commentary

- Aspires to reach \$1 billion annual revenue in the early part of the second half of the decade
- Leverage its healthcare and life-sciences capabilities to capture huge opportunity in North Americas
- Focus on outcome based delivery model to increase the stickiness with the customer
- Expect US and private sector to grow higher than company's average in next 3-4 years

Revision in estimates – We tweaked our earnings estimates for FY23E/FY24E factoring in Q4FY2022 results and investments in building capabilities.

Our Call

Valuation – Strong growth outlook intact: We believe Mastek is well placed to deliver strong revenue growth over the next three years, backed by continued growth in UK public sector and Oracle Cloud, cross-selling/co-sell opportunities, solid order booking, acquisition of F-1000 clients, scaling up of growth in private sector and US business and strategic partnerships. We expect the US Dollar revenues and earnings to post CAGRs of 19% and 22%, respectively, over FY2022-FY2024E. Management is actively scouting for an M&A acquisition to fill gaps in next-generation capabilities. At CMP, the stock trades at a valuation of 24x/20x its FY2023E/FY2024E EPS, looks attractive given strong earnings growth potential and improving return ratios. We maintain a Buy on Mastek with an unchanged price target of Rs. 3,840.

Key Risks

- Integration issue from inorganic initiatives; 2) intense competition; and 3) currency risks.

Valuation (Consolidated)

Particulars	FY22	FY23E	FY24E	FY25E
Revenue	2,183.8	2,681.9	3,207.6	3,710.0
OPM (%)	21.2	20.7	21.0	21.3
Adjusted PAT	295.1	355.2	436.5	527.8
% y-o-y growth	41.0	20.4	22.9	20.9
Adjusted EPS (Rs.)	103.4	114.9	139.8	169.1
P/E (x)	27.0	24.3	20.0	16.5
P/B (x)	7.4	6.5	5.2	4.2
EV/EBITDA (x)	17.1	13.6	10.7	8.5
RoNW (%)	30.6	29.5	29.0	28.3
RoCE (%)	27.5	28.9	30.0	30.2




Source: Company; Sharekhan estimates

On its Investor Day 2022, Mastek's senior management highlighted on three strategic bets (growth markets and verticals, digital and Cloud services, and partnerships, and inorganic initiatives), building differentiated capabilities in service lines, new alliances and partnerships, assetisation of certain existing products by bridging certain process gaps, greater hiring of freshers (plan to add 900 fresher in FY2023 versus around 600 in FY2022), focus on value-based deliveries and M&A opportunity. The integration of Evosys business helped the company to differentiate itself in Oracle Cloud space. Further, the company indicated its aspiration to reach \$1 billion annual revenue in the early part of the second half of the decade, implies a 3.4x revenue growth in the next 4-5 years. The strong growth momentum would be led by leveraging its strong healthcare and life-sciences capabilities to capture massive untapped opportunity in North Americas, continued growth in UK public sector and Oracle Cloud, differentiated talent and an outcome-based delivery model and enhancing strategic partners (Microsoft, Salesforce, Pega, ServiceNow and UIPath).

Three strategic 'growth' priorities

Mastek is gearing up to deliver sustainable strong revenue growth momentum in next 3-4 years by focusing on its three strategic priorities. To achieve its \$1 billion revenue aspiration in next few years and differentiate itself from the competition, the company focuses on three strategic priorities such as (1) **Growth markets and verticals** - leveraging its strong healthcare and life-sciences capabilities in the USA. Healthcare industry is a \$10 trillion market size globally, of which USA contributes \$4.5 trillion. The spend on healthcare in the USA is expected to reach \$6 trillion in coming years. Mastek and Evosys has also strong competencies in healthcare segment. Given strong massive opportunity in IoT and medical device space, the company is expected to double down its focus on healthcare and lifesciences segment in North America and globally; (2) **Digital and cloud services and partnerships** - higher focus on building capability around data, analytics, Cloud and automation. As Oracle cloud continues to be a key focus area for the company, it has recently realigned the organization structure to capture the opportunities in cloud space through cloud enhancement services; Further, and (3) **Digital talent, outcome based delivery and M&A opportunity** - the company's focus on digital talents and outcome-based delivery model would help to drive its growth going ahead. The company is also scouting for M&A opportunity in automation, data Cloud and customer experience (CX) area. Further, its alliances and partnerships with Hyperscalers and technology companies to aid its growth momentum going ahead.

The Big Bets

Strategic Big Bets for FY 23		
 <p>1 GROWTH MARKETS & VERTICALS</p> <p><u>Hyper Growth in Americas</u> Double Down on Health & Life Sciences in NA</p> <p><u>Scale Top 5 Accounts in UK Public Sector</u> (Home Office, HMRC, NHS, MOD & DWP)</p>	 <p>2 DIGITAL & CLOUD SERVICES + PARTNERSHIPS</p> <p><u>Dominance in Oracle Cloud</u> Fastest Cloud Growth Partner Globally</p> <p><u>Cloud Enhancement Services (CES)</u> Managed Services & Multi-tower Large Deals</p>	 <p>3 TALENT & DELIVERY M&A</p> <p><u>Differentiated Talent</u> powered by Mastek 4.0 <u>Value Based Delivery</u> Business Outcomes</p> <p><u>M&A Focus</u> Automation/CX Data Cloud Azure/AWS</p>
<p>Innovation Lab as a Service and Non-Linear Platforms</p>		

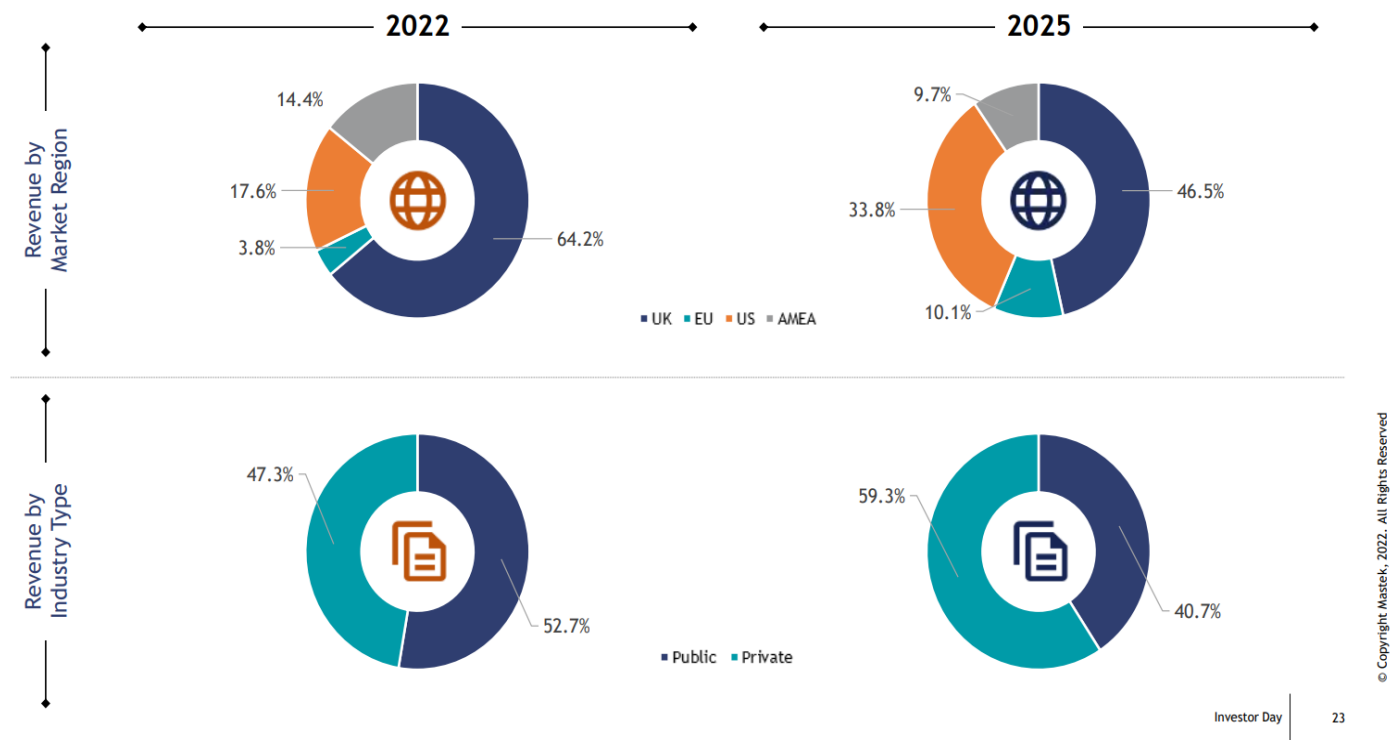
Investor Day | 7

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Source: company

Expect US and private sector to grow higher than company's average in next 3-4 years

Revenue Mix - Well Diversified Portfolio



Source: company

Expect strong growth momentum to sustain in UK public sector

The UK's public sector contributes the lion's share of Mastek's revenues (around 52% in FY2022). The company has a strong footing in the UK public sector with deepening relationship with UK government departments such as the NHS (for over 20 years), Home Office (for 6 years), defence and among others. We believe the strong growth momentum in UK public sector would continue, led by (1) **Huge addressable market** – UK public sector software and IT services market (SITS) in 2022 is expected at GBP 13.6 billion, which is growing at around 2%. However, spending on digital program is growing at a 13% CAGR. As Mastek provides services to 4 of the 5 major spenders, we believe the strong growth momentum would continue given strong spending on digital services; (2) **Potential to increase wallet share** – Mastek has a wallet share of 15-20% (30% in some clients) in its existing clients in UK public sector apart from education, provides significant headroom to increase wallet share; (3) **Strong solutions and offering (SaaS)** – the market size of the operation is GBP 6.8 billion. As Mastek has already started addressing this market, the company is well poised to drive growth given its strong capabilities, deep relationships in various departments of UK government and better insights in this region. This is evident from the increasing deal size from GBP 20-25 million deal to GBP 50 million deal from the existing customers in last one year in this region and (4) **differentiated capability in Oracle business** – 50% of Oracle's business in the UK is in public sector. The company would drive its growth given its strong capability in both Oracle cloud and digital business. Further, the company's deal win opportunity improves because of its presence in all major procurement frameworks of UK government.

Huge room for growth in UK public sector

UK Public Sector Potential

Presence in All major procurement Frameworks

RM6263 Digital Specialists and Programmes
• 50 suppliers only
• £4B budget

2 years

G-Cloud Frameworks
• 1000's suppliers
• £ 2.76B spend in FY 21-22
• **Mastek in Top 20**

2 years

Digital Outcome and Specialists (DOS)
• 1000's suppliers
• £ 900M spend in FY21-22
• **Mastek in Top 5**

2 years

Technology Services 3
• 243 suppliers
• Approx. budget £ 3B

4 years

Digital Capability for Health
• 13 suppliers
• £ 800Mn

4 years

RM6200 Artificial Intelligence (AI) Dynamic Purchasing System
• 127 suppliers

2.5 years

Recognized as Top 10 fastest growing solutions providers to the UK market
(TechMarket View MRI 2022)

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Investor Day

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Source: company

Scaling up of growth in private sector

Mastek's investments in building niche capabilities (including Fraud Analytics, Identity Management, etc), focus on specialized area and could enhanced services capability would help it drive growth in the private sector. Further, the company has been investing sales and marketing capabilities to achieve this objective. Further, management remains confident to expand its European business in coming years with strong Oracle Cloud and digital capabilities. We expect good deal pipeline and strong demand traction in its focused sub-verticals in UK private sector will help the company to accelerate the growth of its UK private sector in FY2023E.

US business set to outpace the company's growth rate going ahead

Unlike other IT services companies, the company's revenue contribution from US market remains on the lower side (18.4% of total revenue in Q4FY2022). The company intends to expand its revenue contribution from the US market with its integrated digital solutions. Mastek aims to deliver integrated business solutions to customers in the US region through (1) Glide 4.0 - combines oracle cloud expertise of Evosys and digital service offerings of Mastek together. Further, the company will focus on certain vertical layers such as – healthcare and lifesciences, manufacturing, Industrial and Retail; (2) providing full stack CX as 25% Oracle business comes from CX, (3) Cloud Enhancement Services - delivering maximum Rols on cloud investments of clients; (4) vertical cloud capabilities - next wave would be vertical cloud; (5) data and automation - aims to acquire firms in this segment to fill the gaps in capabilities. Mastek has also undertaken strategic account mining for 30 top accounts, which would enable Mastek to achieve 5-25 million in annual repeatable revenue from these existing clients.

Q4FY2022: Good quarter

Mastek reported CC revenue growth of 5.3% q-o-q, largely in-line with our estimates. The revenue growth was led by broad-based growth across verticals (except health and lifesciences which declined 0.7% q-o-q), robust growth in UK and Europe, and strong client mining (revenue from top 5 grew by 10.9% q-o-q). Reported USD revenue grew by 5% q-o-q and 17.2% y-o-y to \$77.2 million. EBIT margin declined 50bps q-o-q to 18.7%, lagging our estimates, owing to higher employee expenses (grew by 6.6% q-o-q) and increasing travel expense. Net profit came at Rs. 79.9 crore (up 8.5% q-o-q) and was 7% ahead of our estimates despite miss in operating margin, led by higher other income. Free cash flow conversion remained at 59% of net profit compared to 44% in Q3FY2022.

Key results highlights

- ♦ **Brief round-up of FY2022 performance:** Mastek has reported revenue growth CAGR of 31% over FY2017-FY2022, including the incremental revenue from Evosys acquisition. The company's constant currency revenue grew by 22.5% in FY2022, led by strong growth in UK public sector and strong pick up in US business. Revenue from data, analytics & AI service line grew by around 2x y-o-y in FY2022, while service lines such as cloud and enterprise apps, and digital commerce and experience grew by over 20% y-o-y. The company added 159 new logos in FY2022, while the number of Fortune 1000 clients increased by 13 to 19 clients. EBITDA margin remained flat on y-o-y at 21.2% despite wage revision (-200 bps), high costs to backfill attrition and supply-side challenges. Net profit grew by 41% y-o-y to Rs. 295.1 crore. Free cash flows (FCF) declined by 14% y-o-y to Rs. 236.7 crore. FCF to net profit during FY2022 stood at 71% as compared to 110% in FY2021. The company declared the final dividend of Rs. 12 per share, taking total dividend of Rs. 19 per share in FY2022 versus Rs 14.5 per share in FY2021.
- ♦ **Growth momentum improved in Q4FY2022:** Post two consecutive quarters of soft revenue growth performance, Mastek's revenue growth accelerated to 5.0% q-o-q led by strong growth in UK public sector business and acceleration in revenue growth of North Americas business. Cloud and enterprise apps, data, analytics and AI service and digital commerce and experience service lines grew strongly 8.4% q-o-q, 19.3% q-o-q and 3.2% q-o-q during Q4FY2022. Net headcount addition was at 192 during the quarter. Attrition rate (LTM basis) remained flat sequentially at 28.0%. Total client addition increased to 49 from 25 in Q3FY2022, while Fortune-100 client additions remained at 2 (versus 6 in Q3FY2022) on a sequential basis.
- ♦ **Order backlog:** Mastek's 12-month order backlog stood at Rs. 1,469 crore (\$194 million) in Q4FY2022 as compared to Rs. 1,271 crore (\$171 million) in Q3FY2022, up by 15.6% q-o-q in rupee terms. Order pipeline remains healthy. The company won deals in the US and UK across verticals including government, healthcare & lifesciences, technology, education and retail.
- ♦ **Deal signing momentum stays strong:** The company won large deal TCVs of over \$65 million in the UK Home Office segment, which will be executed over the next three years. The company signed a \$60+ million deal in last quarter. The management cited that the average deal size in the US has improved to \$5 million from \$500,000, while the company is chasing higher deal TCVs of around \$25 million+ from average deal TCVs of \$10-15 million.
- ♦ **Higher fixed-price contracts:** Revenue from fixed-price contracts contracted to 48.2% from 49.5% in Q3FY2022. The company intends to increase the share of fixed price contract in coming quarters.
- ♦ **US business strategy showing results:** Over last four consecutive quarters, US business revenue has been growing at a double-digit of above 20% y-o-y. Sequential revenue growth in the US business accelerated (up 4.4% q-o-q) given strong traction for its digital commerce business (up 3.2% q-o-q).
- ♦ **Client concentration moderated post-acquisition, strong performance in top accounts:** Revenue contribution from the top-5/top-10 clients stood at 30.1% /43.1%, respectively, in Q4FY2022 versus 34.5% /48.1% in Q1FY2021. Revenue from the top 5 clients grew by 10.9% q-o-q, while revenue from and top 10 clients increased by 1.9% sequentially.

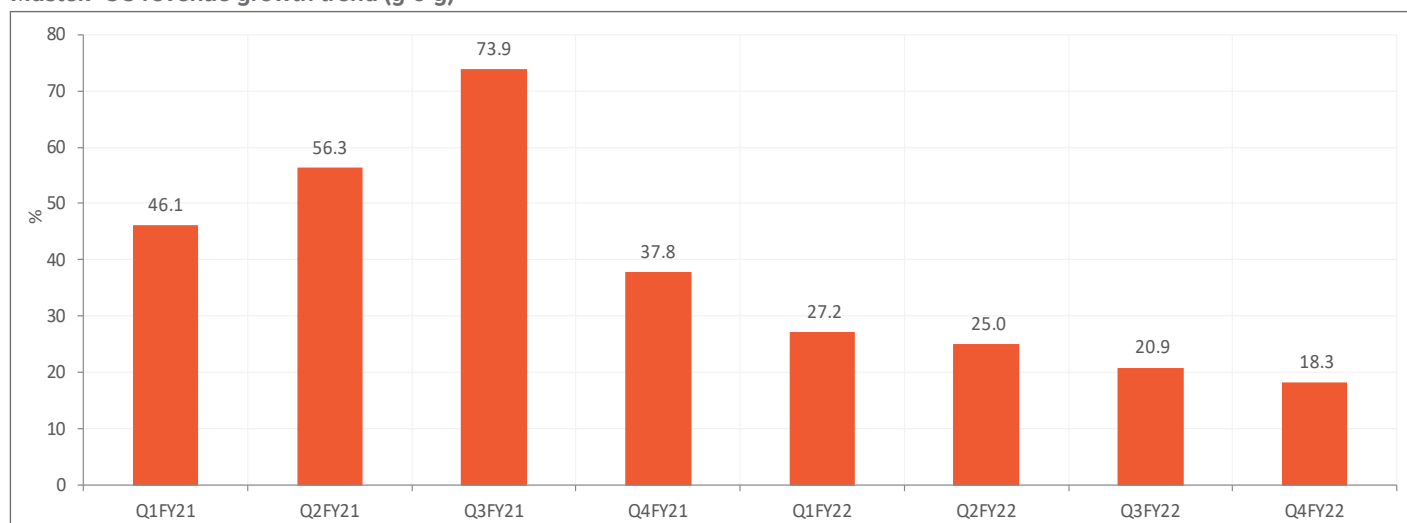
- ♦ **Cash balance & improving FCF:** Cash & cash equivalents stood at Rs. 794 crore in Q4FY2022 as compared to Rs. 932.3 crore in Q3FY2022, down 14.8% q-o-q. This is after discharging part purchase consideration to CCPS holders of Trans American Information Systems Private Limited debt repayment and payment of interim dividend for FY22. Net cash balance (after adjusting debt) stood at Rs. 603.3 crore in Q4FY2022 versus Rs. 715.4 crore in Q3FY2022. The company's free-cash-flow (FCF) stood at Rs. 47.4 crore that translates to a ratio of 59% to net profit versus 44% in Q3FY2022.
- ♦ **Rise in headcount, attrition stays stable:** Total employee count stood at 4,977 in Q4FY2022 versus 4,785 employees in Q3FY2022. Of this, 3,682 employees were based in offshore, while the rest were at various onsite locations. Mastek's net headcount addition was 192 in Q4FY2022 to meet growing demand. Attrition rate (in the last twelve months) remained stable on q-o-q at 28%.
- ♦ **Logo addition remained healthy:** Mastek added 49 new clients in Q4FY2022 (versus 25 clients in Q3FY2022), taking total client count to 632. The company added 2 Fortune-1000 clients compared to 6 clients in Q3FY2022.

Results (consolidated)

Particulars	Rs cr				
	Q4FY22	Q4FY21	Q3FY22	Y-o-Y %	Q-o-Q %
Revenue (Rs.)	581.5	483.2	551.9	20.3	5.4
Employee benefits expense	291.2	243.1	273.2	19.8	6.6
Other expenses	169.6	134.2	162.5	26.4	4.4
EBITDA	120.7	105.9	116.2	13.9	3.8
Depreciation and amortization	12.2	10.2	10.6	19.1	15.3
EBIT	108.5	95.7	105.7	13.4	2.7
Other Income	17.9	3.2	5.7	453.4	212.4
Finance costs	2.5	1.8	1.6	43.2	57.5
PBT	123.9	97.2	109.8	27.5	12.9
Tax Provision	35.7	21.5	26.4	66.1	35.4
Adjusted net profit	79.9	60.6	73.6	32.0	8.5
EPS (Rs.)	26.1	23.3	24.2	12.1	8.0
Margin (%)				bps	bps
EBITDA	20.8	21.9	21.1	-117	-31
EBIT	18.7	19.8	19.1	-115	-49
NPM	13.7	12.5	13.3	121	40
Tax rate	28.8	22.1	24.0	670	480

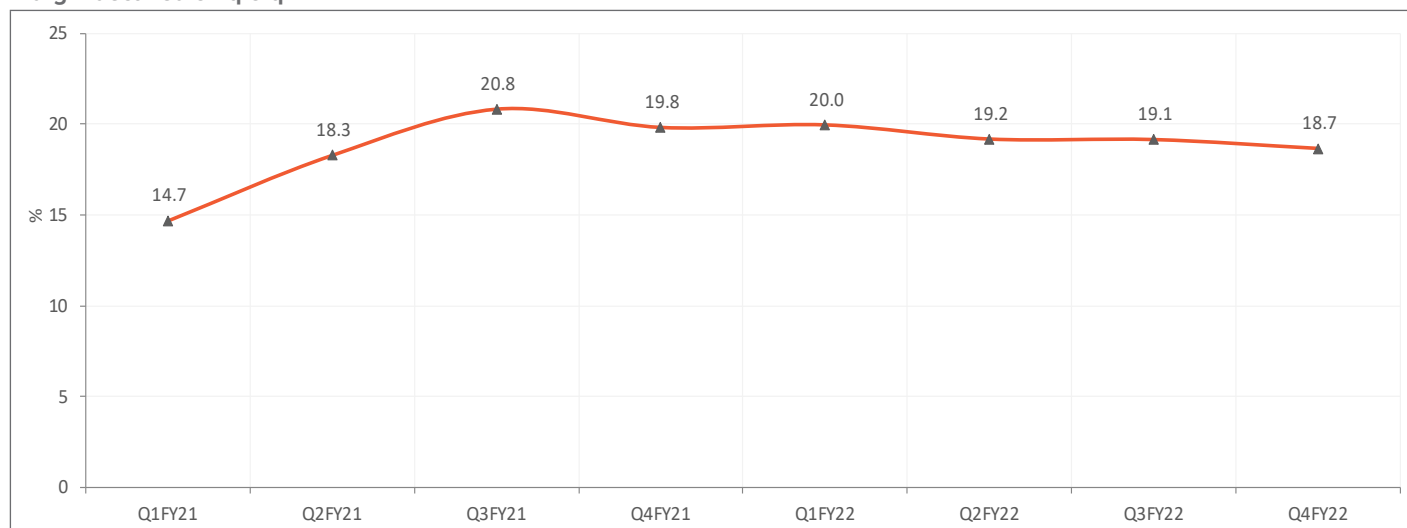
Source: Company; Sharekhan Research

Mastek' CC revenue growth trend (y-o-y)



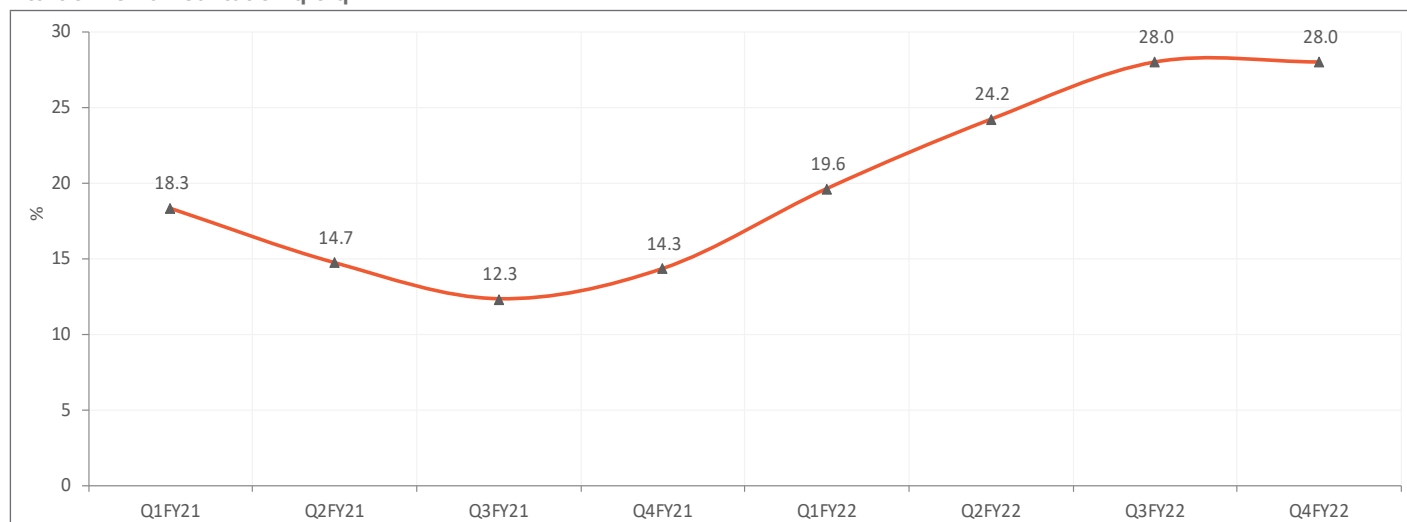
Source: Company; Sharekhan Research

Margin declined on q-o-q



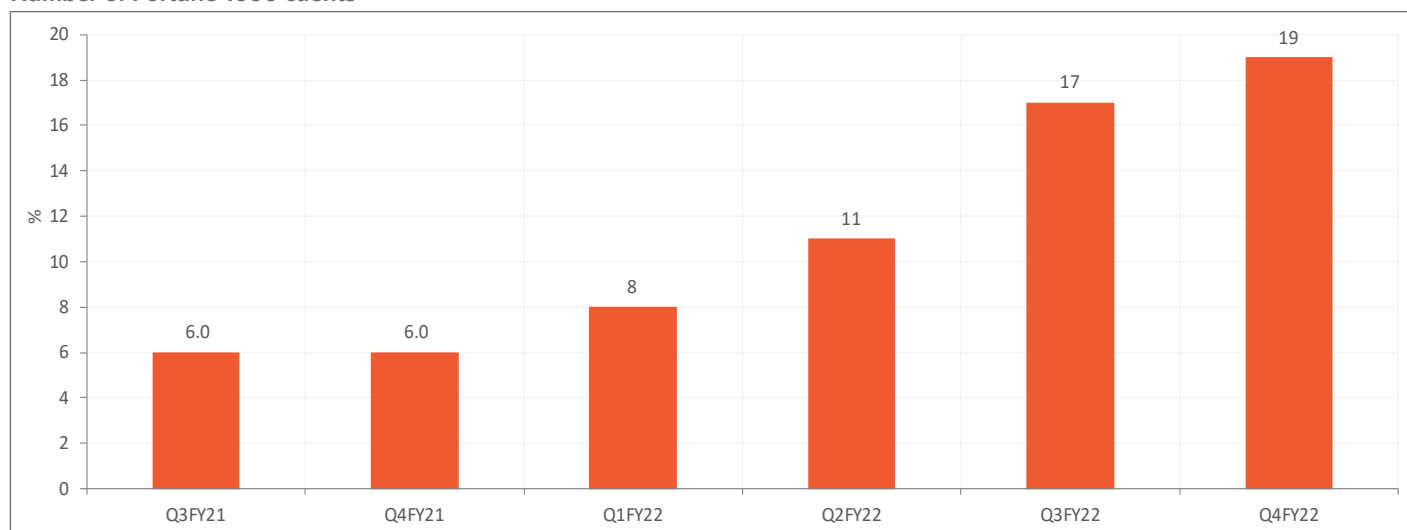
Source: Company; Sharekhan Research

Attrition remained flat on q-o-q



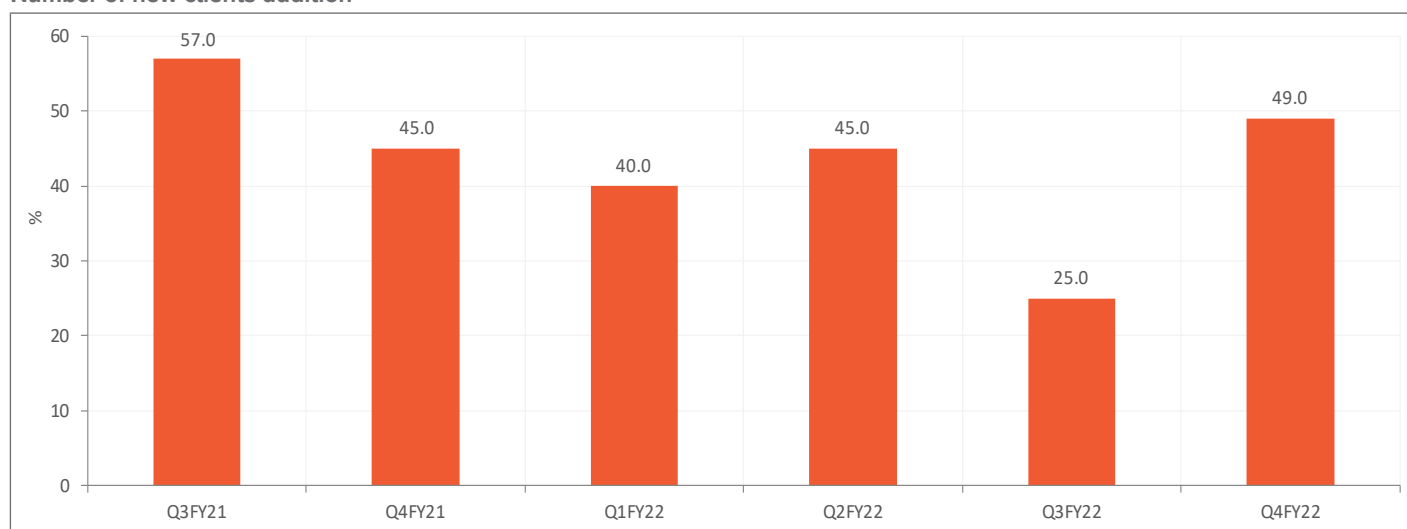
Source: Company; Sharekhan Research

Number of Fortune 1000 clients



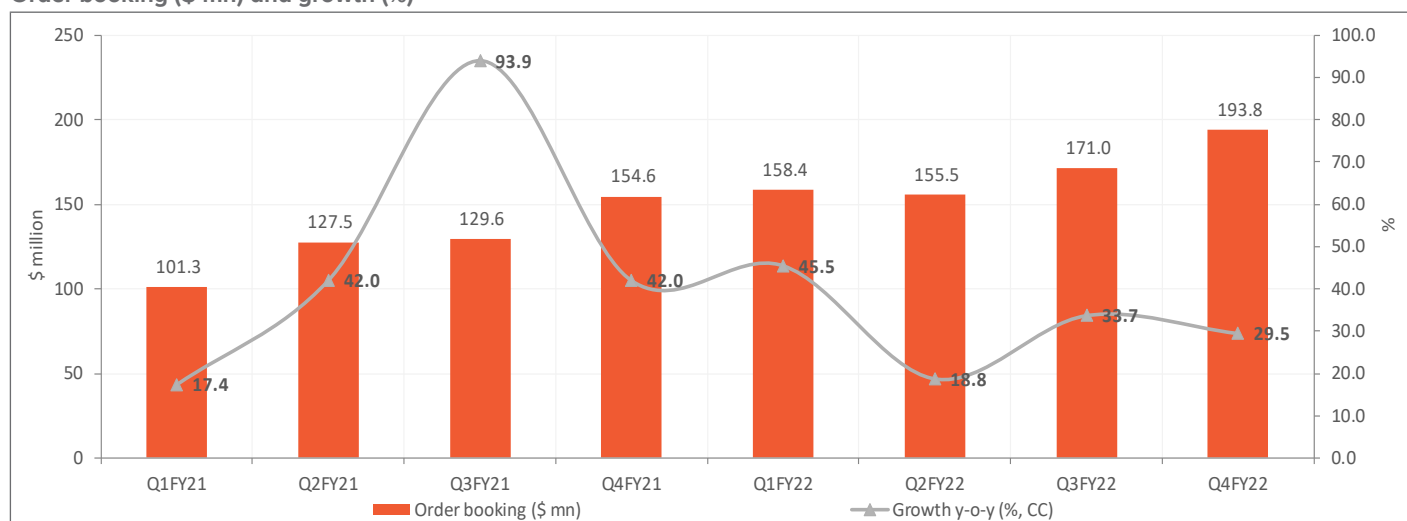
Source: Company; Sharekhan Research

Number of new clients addition



Source: Company; Sharekhan Research

Order booking (\$ mn) and growth (%)



Source: Company; Sharekhan Research

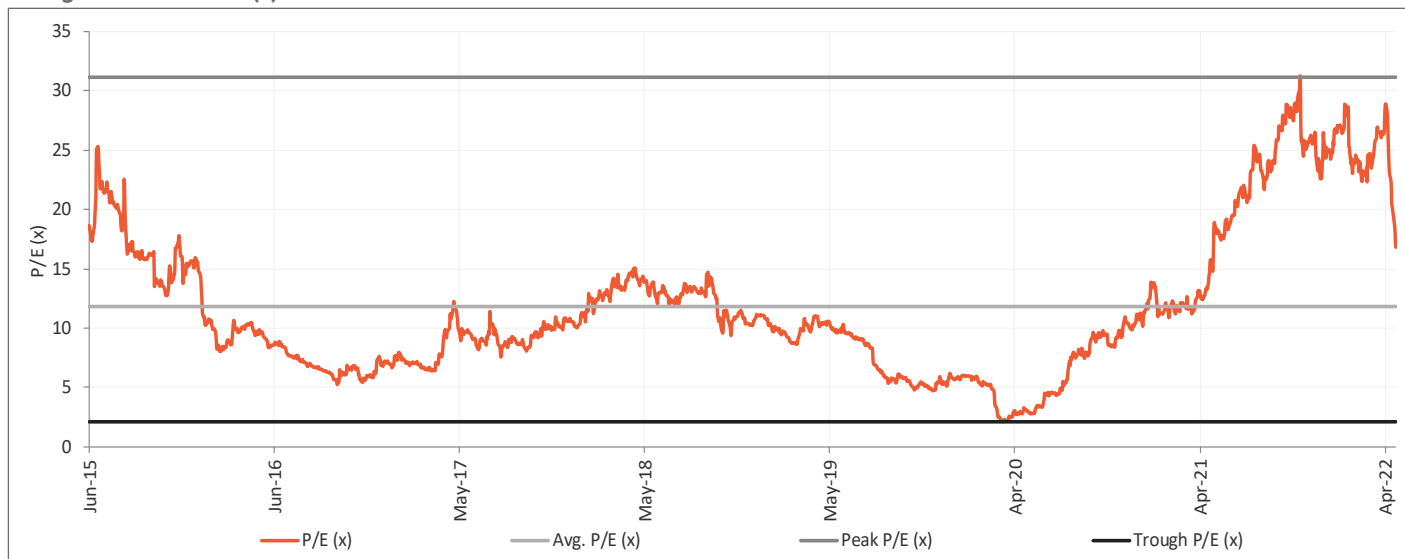
Outlook and Valuation

■ **Sector View – Expect acceleration in technology spending going forward:** After initial disruptions amid the COVID-19 pandemic, the need for business continuity, operational resilience and the switch to digital transactions has led to strong demand for IT services. Industry analysts such as Gartner estimate that IT services spending would grow by 7-9% over CY2021-CY2024E as compared to the average of 3.6% achieved over CY2010-CY2020. Forecasts indicate higher demand for cloud infrastructure services, a potential increase in specialised software, potential investments in transformation projects by clients, and increased online adoption across verticals. The UK's software and IT Services (SITS) spend (public and private) is ~GBP 47 billion, of which the UK public sector's spend is around GBP 14 billion. Hence, we believe there is a huge headroom for Mastek to grow in the UK, as it currently gets less than 10% of total spends of Home Office and NHS Digital.

■ **Company Outlook – Focus on improving annuity type deals:** Mastek has created a consistent and predictable revenue stream from the UK's public sector over the past few years, thanks to the introduction of Digital Outcomes and Specialists (DoS) framework by the UK government (replacement of Digital Services-2 framework in 2016). The management indicated that revenue growth momentum in the UK public sector would continue in coming quarters on account of higher spends by the UK government sector and addition of logos. Further, the growth momentum in the US business to accelerate because of strong demand for its integrated digital commerce solutions, increasing deal size and new client additions.

■ **Valuation – Strong Growth Outlook:** We believe Mastek is well placed to deliver strong revenue growth over the next three years, backed by continued growth in UK public sector and Oracle Cloud, cross-selling/co-sell opportunities, solid order booking, acquisition of F-1000 clients, scaling up of growth in private sector and US business and strategic partnerships. We expect the US Dollar revenues and earnings to post CAGRs of 19% and 22%, respectively, over FY2022-FY2024E. Management is actively scouting for an M&A acquisition to fill gaps in next-generation capabilities. At CMP, the stock trades at a valuation of 24x/20x its FY2023E/FY2024E EPS, looks attractive given strong earnings growth potential and improving return ratios. We maintain a Buy on Mastek with an unchanged price target of Rs. 3,840.

One-year forward P/E (x) band



Source: Company; 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 (%)	
				FY23E	FY24E	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Birlasoft	420	28	11,735	21.6	17.9	14.8	12.3	4.7	4.0	20.9	21.8
L&T Infotech	5,169	18	90,602	32.5	27.7	24.7	19.8	9.0	7.0	31.7	37.2
Mastek	2,794	3	8,387	24.3	20.0	13.6	10.7	6.5	5.2	29.5	29.0

Source: Company, Sharekhan estimates

About company

Established in 1982, Mastek provides IT services to five verticals – government (mostly caters to the UK government), retail, health, financial, and others. Mastek continues to be ranked among the top three vendors in delivering agile development services to the UK government on digital, G-Cloud, and GDS frameworks. The company primarily provides digital solutions to its retail and financial clients while it helps the government to reduce cost and time in delivery in the UK. On the region front, the company is positioned largely in the UK& Europe, as 66.3% of its revenue comes from this region, followed by the US/ME/RoW with contribution to total revenue of 18.4%/8.2%/4.9%, respectively. During February 2020, the company acquired Evolutionary Systems (Evosys) through its subsidiaries, which provided access to new geographies as well as fast-growing segments.

Investment theme

Mastek has a long-standing relationship with the UK government as it was working as a subcontractor to large IT companies for execution of UK government's projects earlier. This long-term relationship and excellent execution capabilities make Mastek a prime beneficiary of UK government's digital spends. We expect strong order pipeline along with significant headroom for growth with the UK public sector (spend is ~GBP 12 billion), higher client mining of top accounts, and cross/up-sell opportunities to drive strong growth for Mastek going forward. Further, Mastek has been largely participating for digital contracts of UK public and private sector, where UK digital spending is growing at 30%. Mastek focuses on accelerating its revenue momentum in the US.

Key Risks

1)High dependence on the UK market;2) headwinds in cross-currency (especially GBP/INR) fluctuations; and 3) intense competition may adversely impact our estimates.

Additional Data

Key management personnel

Hiral Chandrana	Global CEO
Abhishek Singh	President UK & Europe
Umang Nahata	President Americas & AMEA
Narasimha Murthy	Group Chief Delivery Officer
Arun Agarwal	Group CFO

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	ABAKKUS GROWTH FUND	2.31
2	KACHOLIA ASHISH	2.00
3	ABAKKUS Emerging opportunity fund	1.88
4	IDFC Mutual Fund/India	0.72
5	Dimensional Fund Advisors LP	0.65
6	Tata Asset Management Limited	0.33
7	Edelweiss Asset Management Ltd	0.24
8	BlackRock Inc	0.19
9	ICICI Prudential Asset Management	0.15
10	HSBC Asset Management	0.13

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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