Sharekhan by BNP PARIBAS

Powered by the Sharekhan 3R Research Philosophy

Stock Update

Result Update

Dabur India Ltd

Soft quarter; market share gain continues

Consumer Goods	Sharekhan code: DABUR		
Reco/View: Buy ↔	CMP: Rs. 529	Price Target: Rs. 645 ↓	

↑ Upgrade ↔ Maintain ↓ Downgrade

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 31.67

Updated Feb 08, 2022

High Risk

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

Source: Morningstar

Company details

Market cap:	Rs. 93,555 cr
52-week high/low:	Rs. 659 / 502
NSE volume: (No of shares)	17.9 lakh
BSE code:	500096
NSE code:	DABUR
Free float: (No of shares)	57.7 cr

Shareholding (%)

Promoters	67.4
FII	20.8
DII	3.8
Others	8.0

Price chart

Price performance

(%)	1m	3m	6m	12m
Absolute	-3.6	-7.0	-13.6	-2.2
Relative to Sensex	3.8	-2.0	-6.3	-16.6

Sharekhan Research, Bloomberg

Summary

- Dabur India reported y-o-y revenue growth of 7.7% (with muted volume growth of 2%) in Q4FY2022 on a high base of Q4FY2021 (25% growth); two-year CAGR stood at 16%.
- Input cost inflation dragged down OPM by 92 bps to 18% and it would continue to put pressure on margins. Management will focus on cost efficiencies and stringently manage advertisement spends to maintain OPM y-o-y.
- Sustained market share gains, expansion of distribution network (especially in rural market), investments on power brands and new launches would help company to achieve double-digit revenue growth in the medium to long term.
- The stock trades at 43.9x/35.9x its FY023/24E EPS. We maintain a Buy on the stock with a revised price target of Rs. 645.

Dabur India (Dabur) clocked muted numbers in Q4FY2022, largely in line with expectations, affected by a rural demand slowdown and high raw material inflation. Consolidated revenues grew by 7.7% to Rs. 2,517.4 crore on high base of 25% revenue growth in Q4FY2021 (domestic volume growth stood at 2%), while two year CAGR growth stood at 16%. Domestic volume growth of 2% was better than industry volume decline of 5%. As anticipated, raw material inflation hit gross margins, which declined by 130bps y-o-y to 47.4% and OPM decreased by 92BPS to 18.0%. India FMCG business grew by 7.6% y-o-y, while the international business clocked a CC y-o-y growth was reported at 10.7%. Adjusted PAT decreased by ~5% affected by higher tax incidence. For FY2022, the company's consolidated revenues and PAT grew by 14% (domestic volume growth of 10%) and the adjusted PAT grew by 8%. The company paid dividend of Rs. 5.2 per share in FY2022 (dividend payout ~50%).

Key positives

- Domestic business revenue growth sequentially sustained ~8% despite sequential drop in industry growth rates.
- Dabur gained market share across 99% product portfolio with Juices & Nectars market share up by 610 bps, *Chyawanprash* share rising by 250 bps and honey gaining share of 300 bps.
- Foods & Beverages business registered strong growth of 33.5% led by 35% growth in juices & beverages segment.

Key negatives

- Consolidated gross margins decreased by 130 bps due to higher raw material inflation.

Management Commentary

- Dabur registered a muted volume growth of 2% for past two quarters affected by demand slowdown in the rural market. Sustained high inflation will continue to put pressure on volumes in the near term. However higher rabi crop production, expected better monsoon and high agri product prices should help rural economy to recover faster and provide boost to consumer demand in the quarters ahead (especially in H2FY2023).
- Consumer-centric innovation, investments on power brands, network expansion (especially in the rural market) and sustained market share gains in key categories would help the company to achieve double digit growth in the medium to long term.
- Input cost inflation stood at 12% in FY2022 (and at 17% in Q4FY2022). The company has undertaken price increase of 5.6% to partially mitigate the impact. The management expects additional inflation of 7-8% in Q1FY2023 and margins would remain under stress in H1. However, it expects inflation to cool off in H2FY2023. Thus overall inflation should be around high single-to low double digit in FY2023.
- Despite high raw material inflation, the management targets to maintain the OPM for FY2023, by curtailing the advertisement spends and deriving cost efficiencies through various measures.

Revision in earnings estimates – We have reduced our earnings estimates for FY2023 and FY2024 by 7.5% and 6% respectively to factor lower than expected OPM, which impacted by inflated raw material prices.

Our Call

View – Maintain Buy with a revised price target of Rs. 645: Dabur's Q4 operating performance was largely in-line with expectation. The diversified portfolio of brands, sustained market share gains in key categories, good traction to new launches and distribution expansion would help Dabur achieve double-digit revenue and earnings growth in the medium term (with stable OPM). We expect Dabur's revenues and PAT to grow by 15% and 19% over FY2022-24. The stock is currently trading at 43.9x/35.8x its FY2023E/24E EPS. We maintain our Buy on the stock with a revised price target of Rs. 645.

Key Risks

Heightened competition in key categories or supply disruptions caused by unavoidable events or slowdown in the demand environment would act as a key risk to our earnings estimates in the near to medium term.

Valuation (Consolidated) Rs cr

Particulars	FY21	FY22	FY23E	FY24E
Revenues	9,562	10,889	12,444	14,487
OPM (%)	20.9	20.7	20.5	21.5
Adjusted PAT	1,696	1,829	2,126	2,603
% YoY growth	*11.0*	*7.9*	*16.2*	*22.5*
Adjusted EPS (Rs.)	9.6	10.3	12.0	14.7
P/E (x)	55.0	51.0	43.9	35.8
P/B (x)	12.2	11.1	10.0	8.7
EV/EBIDTA (x)	44.4	41.3	36.3	29.5
RoNW (%)	23.8	22.8	24.0	26.0
RoCE (%)	26.4	26.3	27.8	31.3

Source: Company; Sharekhan estimates

Revenues up 7.7% y-o-y, while volumes grow 2%; OPM declined to 18%

Dabur India's consolidated revenues grew by 7.7% y-o-y in Q4FY2022 to Rs. 2,517.8 crore on a high base of 25% growth in Q4FY2021. 2-year revenue CAGR came in at 16.2%. Volume growth in the domestic business stood at 2% in-line with our as well as street expectation. India business growth stood at 7.6% y-o-y while international business grew by 10.7% (constant currency) y-o-y in Q4. Food & Beverage (F&B) business registered a strong growth of 33.5%, while Home & Personal Care (HPC) business grew by 1.9% y-o-y and Health Care (HC) business grew by 7.4% y-o-y. F&B, HPC and HC businesses registered two-year CAGR of 30.5%, 16.9% and 14.9%, respectively in Q4FY2022. In the international business, y-o-y growth was seen across all regions in Q4FY2022 led by Hobby (47.2%), SSA consolidated (24.8%), Egypt (12%), Namaste (11.2%) and SAARC (5.4%). Dabur gained market share across 99% of its product portfolio during Q4FY2022. As anticipated raw material inflation impacted gross margins which declined by 130 bps y-o-y to 47.4% and OPM decreased by 92 bps y-o-y to 18.0%. Operating profit grew by 2.5% y-o-y to Rs. 453.6 crore. Higher incidence of tax led to adjusted PAT declining by 5.1% y-o-y to Rs. 358.4 crore in-line with our expectation of Rs.362 crore and marginal miss on street expectation of Rs. 391 crore. Reported PAT decreased by 21.8% y-o-y to Rs. 295.5 crore. Exceptional item includes an impairment of goodwill in respect of Hobi Kozmetic, Turkey, amounting to Rs. 85 crore provided due to steep devaluation in Turkish currency over the past one year. For the whole of FY2022, consolidated revenues grew by 13.9% y-o-y to Rs. 10,889 crore led by 13.8% growth in the India business and 15.8% constant currency growth in the international business. FMCG volume growth stood at 10.1% in FY2022. The F&B business registered a strong growth of 47.7%, while HPC business grew by 12.7% y-o-y and the healthcare business grew by 5.2% y-o-y in FY2022. F&B, HPC and HC businesses registered two-year CAGR of 18%, 11.1% and 17.8%, respectively in FY2022. In the international business, double-digit y-o-y growth was seen across all regions in FY2022 led by SSA consolidated (22.2%), Namaste (21.4%), Egypt (18.7%), Hobby (17.6%), and SAARC (14.7%).

India business growth at 7.6%; international business grew by 10.7% (constant currency) in Q4

- **Healthcare (HC):** The HC segment (contributing 33.6% to domestic revenues in Q4FY2022) registered revenue of Rs. 581 crore, up 7.4% y-o-y. On a two-year CAGR basis, HC reported growth of 14.9%. The health supplements portfolio grew by 9.7% y-o-y with two-year CAGR at 13.6% led by double digit growth in Dabur Honey and Glucose-D. Market share in the Chyawanprash and honey categories increased by ~250 bps and ~300 bps during the quarter. The digestives portfolio saw 1.2% y-o-y muted growth on account of the localized lockdowns due to Omicron Covid wave in Q4FY2022. Two-year CAGR stood at 10.2%. Limcola variant of Hajmola continued to see traction. Dabur launched Hajmola Amla Candy in chatpata flavour in the tasty digestives space during the quarter. The OTC and ethicals portfolio reported a growth of 7.5% y-o-y and 21.3% on two-year CAGR basis driven by strong growth in Honitus and Health Juices. Covid contextual and immunity led products saw increased traction in Q4FY2022, though not at the levels seen in Q4FY2021. Sudarshan Ghanvati, which is useful for body ache and indigestion, launched in Ethicals category. For full year FY2022, the HC segment registered revenue of Rs. 2,783 crore, up by 5.2% y-o-y and 17.8% on two-year CAGR basis.
- **Home and personal care (HPC):** The segment (that contributes 47.8% to domestic revenue in Q4FY2022) grew by 1.9% y-o-y, reporting revenue of Rs. 828 crore in Q4FY2022. On a two-year CAGR basis, the segment reported a growth of 16.9%. The oral care portfolio grew by 1.1% y-o-y and 19.9% on a 2-year CAGR basis driven by 2.1% y-o-y growth in the toothpaste category driven by good growth in Meswak, Dabur Red and Dabur Herb'l. Toothpaste market share improved by ~20 bps. The hair oils portfolio reported 2.6% y-o-y growth and 13.1% 2-year CAGR growth with market share gains of ~70 bps. Both perfumed oils and coconut oils registered improvement in market shares. While the hair oil category is seeing volume declines of ~7%, Dabur's hair oil portfolio recorded 2.6% growth on a high base of 24.6%. Shampoo portfolio reported growth of 5.6% y-o-y and 18.7% on two-year CAGR basis with market share gains of ~40 bps. The 11% y-o-y growth (2-year CAGR growth of 17.4%) in the homecare portfolio was supported by robust double-digit growth in both Odomos and Sanifresh. Odonil saw its market share improve by ~40 bps while Odomos' market share increased by ~220 bps. Performance of skin and salon

portfolio was impacted by lower consumption due to Covid related lockdowns in January and February 2022, leading to a decline of 10.6% y-o-y. On a two-year CAGR basis, skin and Salon portfolio registered 11% growth. Oxy reported high single digit growth during Q4FY2022. Market share in the bleach creams segment increased by ~230 bps. For full year FY2022, the HPC segment registered revenue of Rs. 3,657 crore, registering a growth of 12.7% y-o-y and 11.1% on two-year CAGR basis.

- **Foods & Beverages (F&B):** The F&B segment (contributing 18.6% to domestic revenue in Q4FY2022) reported robust y-o-y and two-year CAGR growth of 33.5% and 30.5%, respectively with revenue coming in at Rs. 322 crore. The beverages portfolio reported robust y-o-y growth of 35% and 2-year CAGR growth of 31% led by strong momentum across both in-home and out-of-home categories. The Real brand gained ~610 bps in market share. Dabur added drinks and milkshakes category to the total addressable market expansion, which are seeing good traction. The foods portfolio grew by 12.5% y-o-y and 23.7% on a two-year CAGR basis. Hommade brand continued to perform well driven by innovation and portfolio expansion. The Foods portfolio crossed Rs. 100 crore in gross sales in FY2022. The edible oil portfolio was expanded by adding Cold Pressed Groundnut and Virgin coconut oils. For the whole of FY2022, the F&B segment's revenue stood at Rs. 1,312 crore, registering a robust y-o-y growth of 47.7% two-year CAGR of 18%.
- **International business:** The international business' revenues (contributing 27.5% to total sales in Q4FY2022) grew by 10.7% y-o-y on CC terms in Q4FY2022 (5.5% growth in rupee terms). Hobby region grew by 47.2%, followed by SSA consolidated growing by 24.8%, Egypt by 12%, Namaste by 11.2% and SAARC by 5.4% in Q4FY2022. For FY2022, the international business' revenues registered a growth of 15.8% y-o-y on CC terms (11.8% growth in rupee terms). SSA consolidated reported a growth of 22.2%, followed by Namaste, up by 21.4%, Egypt grew by 18.7%, Hobby by 17.6%, and SAARC by 14.7% in FY2022.

Key conference call highlights

- **Demand remains muted in short term; optimistic for medium term growth:** Dabur registered muted volume growth of 2% for past two quarters affected by demand slowdown in the rural market. Sustained high inflation will continue to put pressure on volumes in the near term. However higher Rabi crop production, expected better monsoon and high agri-product prices should help rural economy to recover faster and provide boost to consumer demand in the coming quarters. Consumer-centric innovation, investments behind the power brands, network expansion (especially in the rural market) and sustained market share gains in key categories would help the company to maintain the good growth momentum in the medium term.
- **Focus on efficiencies and cost management to safeguard margins:** Input cost inflation in FY2022 stood at 12% (it stood at 17% in Q4FY2022). The company has undertaken price increase of 5.6% to partially mitigate the impact. Management expects additional inflation of 7-8% in Q1FY2023 and margins would remain under stress in H1. However, the management expect inflation to cool off in H2FY2023. Thus overall inflation should be around high single-to low double digit in FY2023. Despite high raw material inflation, the management targets to maintain the OPM for FY2023, by curtailing the advertisement spends and deriving cost efficiencies through various measures.
- **Toothpaste portfolio grew by 2% ahead of category growth:** Dabur's toothpaste portfolio grew by 2.0% (with 20BPS market share gain), which was much better than category sales decline of 5%. Downtrading in the rural market has affected the category growth during the quarter. For FY2022, Dabur's toothpaste category grew by 16% with herbal segment (30% of toothpaste sales) growing higher than the category growth. Management is confident of sustained improvement in market share.
- **Healthcare segment contribution to stabilise at 30%:** HC segment contribution increased to 35-40% in last two years due to high demand for immunity boosting products such as Chyawanprash and Honey. With penetration of levels of honey and Chyawanprash is expected to improve in the coming years, health supplement business is expected to post steady growth in the coming years (revenues stood flat in FY2022). However with other segments such as F&B and HPC expected to post strong growth, the contribution of HC segment is expected to stabilise at 30% in the medium term.

- **Juices & nectars registered strong growth with market share gains:** Beverages (including juices & nectars) registered a strong growth of 35% in Q4 with in-home and out-of-home categories delivering strong growth. The growth was ahead of category growth of 9% during the quarter. The company gained market share of 610 bps in Q4. With aggressive summer in 2022, the segment is expected to maintain strong growth momentum in the medium term.
- **Distribution expansion continues:** Dabur's direct reach has expanded to 1.3 million outlets across India. It has invested in expanding its rural coverage, which currently stands at 90,000 villages (added 30,000 villages in FY2022).
- **E-commerce contribution to increase substantially:** Revenue contribution from e-commerce channel currently stands at 6.5%. Launch of new products (contribution stands at 12% on e-commerce platform vs 5% on overall basis) and higher advertisement and promotional spends on digital platforms (ad-spends stands at over 20% of revenues) will help the contribution from e-commerce channel to increase in the coming years. The company targets e-commerce channel to contribute close to 20% of revenues over the next four years.
- **International business to grow in double digits:** Dabur's international business revenues grew by ~12% in rupee terms (16% on constant currency term) with regions such as MENA, Egypt and Sub-Saharan Africa registering 13.4%, 18.7% and 22% growth respectively. Barring currency headwinds in Turkey, the management is confident of sustenance of double digit growth in other key regions. Thus overall international business is expected to grow in double digit is the coming years.
- **Capex of Rs. 400 crore for FY2023:** The company is setting up a green field facility in Indore, Madhya Pradesh. This along with maintenance expenditures for existing facilities would result in overall capital expenditure of Rs. 400crore for FY2023.
- **Tax rate to remain at 22-23%:** Tax rate in FY2023 will be around 22-23%.
- **Cash kitty of Rs. 6000 crore will be invested to fuel future growth:** Dabur has cash & cash equivalents of Rs. 6000 crore on its books. Large part of cash will be utilised for inorganic initiatives to expand its portfolio in general trade and online platform.

Results (Consolidated) Rs cr

Particulars	Q4FY22	Q4FY21	Y-o-Y %	Q3FY22	Q-o-Q %
Total Revenue	**2,517.8**	**2,336.8**	**7.7**	**2,941.8**	**-14.4**
Materials	1,323.3	1,197.8	10.5	1,519.6	-12.9
Employee cost	279.1	268.4	4.0	273.0	2.2
Ad Promotions	150.3	154.2	-2.5	237.1	-36.6
Other expenditure	311.6	274.0	13.7	284.6	9.5
Total Expenditure	2,064.2	1,894.3	9.0	2,314.3	-10.8
Operating Profit	**453.6**	**442.5**	**2.5**	**627.5**	**-27.7**
Other Income	99.1	85.0	16.7	96.7	2.5
Interest Expenses	11.8	8.6	36.2	11.1	6.0
Depreciation	65.1	66.6	-2.3	63.2	2.9
Profit Before Tax	475.9	452.2	5.2	650.0	-26.8
Tax	117.5	74.4	58.0	145.5	-19.3
Adjusted PAT	**358.4**	**377.9**	**-5.1**	**504.5**	**-28.9**
Extra-ordinary gain / loss	-62.9	0.0	-	0.0	-
Reported PAT	**295.5**	**377.9**	**-21.8**	**504.5**	**-41.4**
Adjusted EPS (Rs.)	2.0	2.1	-5.2	2.9	-28.9
			bps		**bps**
GPM (%)	47.4	48.7	-130	48.3	-90
OPM (%)	18.0	18.9	-92	21.3	-332
NPM (%)	14.2	16.2	-193	17.1	-291
Tax rate (%)	24.7	16.4	824	22.4	230

Source: Company; Sharekhan Research

Segment-wise revenue Rs cr

Particulars	Q4FY22	Q4FY21	Y-o-Y %	Q3FY22	Q-o-Q %
Consumer care	2,095.2	2,009.6	4.3	2,543.2	-17.6
Foods	359.9	274.1	31.3	329.0	9.4
Retail	22.3	23.1	-3.8	27.5	-19.0
Other segments	30.7	24.0	28.0	32.7	-6.2
Unallocated other operating revenue	9.8	5.9	65.7	9.4	5.1
Total	**2,517.8**	**2,336.8**	**7.7**	**2,941.8**	**-14.4**

Source: Company; Sharekhan Research

Segment-wise EBIT margins (%)

Particulars	Q4FY22	Q4FY21	Y-o-Y (bps)	Q3FY22	Q-o-Q (bps)
Consumer care	21.4	22.3	-84	24.7	-330
Foods	14.0	13.8	21	15.2	-123
Retail	0.9	-4.1	496	0.1	79
Other segments	6.0	4.0	196	7.8	-187
EBIT margins	**19.9**	**20.8**	**-86**	**23.2**	**-325**

Source: Company; Sharekhan Research

Outlook and Valuation

■ Sector outlook – Despite near-term weakness; long-term growth prospects intact

A slowdown in rural demand, consumer inflation and weakness in overall consumer sentiments will continue to impact overall consumption in the coming quarters. Intense summer season might push demand for summer products during the quarter. However, overall demand is expected to remain subdued. Revenue growth will largely be driven by price increases undertaken in the respective portfolio to mitigate input cost inflation for the next 2-3 quarters. Global uncertainties will lead to volatile commodity prices. Commodity inflation is expected to settle in the next 6-8 months. Thus, margin pressure is likely to sustain in the near term. Better monsoon will play a major role in regaining momentum in rural demand and help in cooling off agri-commodity inflation. Though near-term headwinds will have a toll on the performance of consumer goods companies, long-term growth prospects remain intact. Low penetration in key categories (especially in rural India), lower per capita consumption compared to other countries, a large shift to branded products, and emergence of new channels such as e-Commerce/D2C provide a number of opportunities for achieving sustainable growth in the medium to long term.

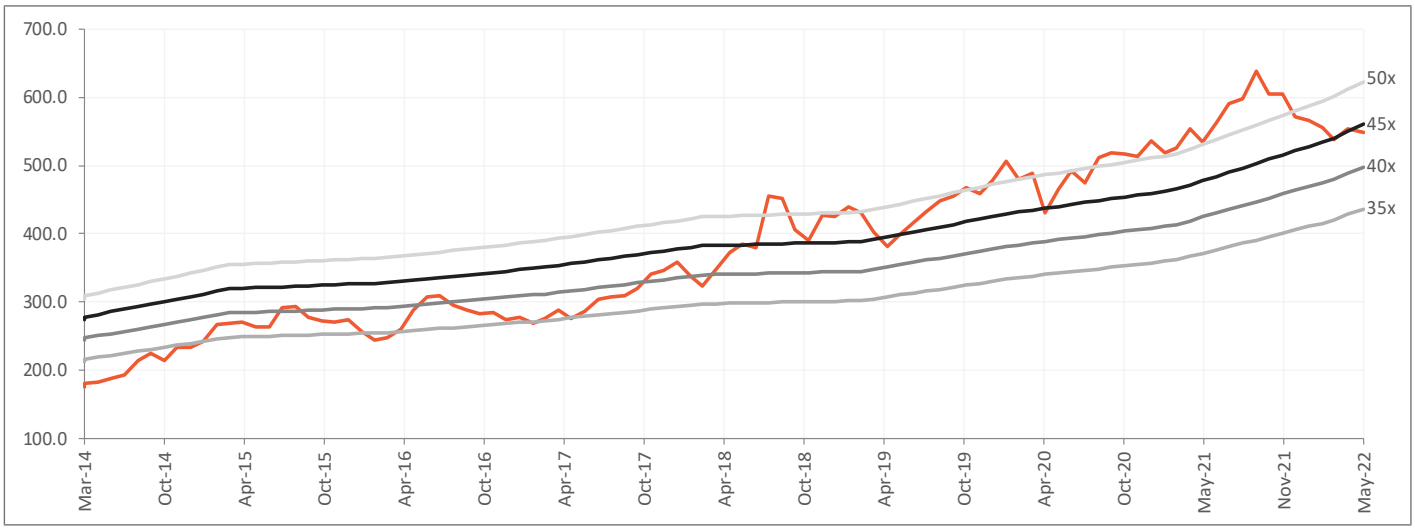
■ Company outlook – Mid-teens revenue growth; Margins likely to remain stable

Consolidated revenues grew by ~14% (with 10% volume growth in the domestic business) while PAT grew moderately by 8% due reduction in the OPM led by higher input costs. A slowdown in rural markets and higher raw material inflation might have taken a toll on near-term performance of the company. We are confident of volume growth trajectory to improve in the domestic business driven by market share gains in key categories, improving category penetration, strong traction in product launches and expansion in distribution reach in medium to long run. On the category front, the health supplement category is expected to achieve mid-high single-digit growth, home and personal care is likely to achieve mid-teens growth, and food and beverages business is expected to achieve high double-digit growth (due to a low base). The company has undertaken price hike of mid-single digit and is opting for levers such reduction in trade margins and supply efficiencies to reduce pressure on gross margins in the coming quarters.

■ Valuation – Maintain Buy with a revised price target of Rs. 645

Dabur's Q4 operating performance was largely in-line with expectation. The diversified portfolio of brands, sustained market share gains in key categories, good traction to new launches and distribution expansion would help Dabur achieve double-digit revenue and earnings growth in the medium term (with stable OPM). We expect Dabur's revenues and PAT to grow by 15% and 19% over FY2022-24. The stock is currently trading at 43.9x/35.8x its FY2023E/24E EPS. We maintain our Buy on the stock with a revised price target of Rs. 645.

One-year forward P/E (x) band



Source: Sharekhan Research

Peer Comparison

Particulars	P/E (x)			EV/EBIDTA (x)			RoCE (%)		
	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
Marico	53.5	42.6	36.2	39.2	31.3	27.0	41.4	51.5	55.2
Hindustan Unilever	57.6	52.6	43.8	40.2	36.9	30.7	23.8	26.2	30.8
Dabur India	51.0	43.9	35.8	41.3	36.3	29.5	26.3	27.8	31.3

Source: Company, Sharekhan estimates

About company

Dabur is one of India's leading FMCG companies with revenue of over Rs. 10,000 crore. The company operates in key consumer product categories such as hair care, oral care, healthcare, and skin care based on Ayurveda. Dabur India's FMCG portfolio today includes eight distinct Power Brands: Dabur Chyawanprash, Dabur Honey, Dabur Honitus, Dabur PudinHara and Dabur Lal Tail in the Healthcare space; DaburAmla and Dabur Red Paste in the Personal care category; and Real in the Foods & Beverages category. The company has a large presence in rural India (especially in northern and eastern parts of India). Further, the company has a substantial international presence (in regions such as the Middle East, North America, and SAARC), contributing ~25% to total revenue.

Investment theme

Dabur's positioning as an Ayurvedic products company with a focus on herbal and natural products in the healthcare and personal care segments and a strong presence in the juices segment make it a formidable play in the domestic market. Further, the company's international presence de-risks its business model when demand slows down in the domestic market. The company continues to leverage its urban and rural presence by enhancing its distribution network and product launches. Higher contribution from its healthcare range augurs well for the company in this pandemic situation. Focus on health/hygiene portfolio, continuous innovation, investment behind brands, leveraging power brands, and consumer-connect initiatives are some of the key growth drivers for Dabur in the near to medium term.

Key Risks

- **Slowdown in rural demand:** Any slowdown in the rural demand would affect volume growth.
- **Increased input prices:** Any significant increase in prices of key raw materials would affect profitability and earnings growth.
- **Increased competition in highly penetrated categories:** Increased competition in the highly penetrated categories such as hair care and oral care would act as a threat to revenue growth.

Additional Data

Key management personnel

Amit Burman	Chairman
Mohit Malhotra	Chief Executive Officer
Ankush Jain	Chief Financial Officer
A K Jain	Vice President (Finance) and Company Secretary

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Blackrock Inc	1.52
2	MB finmart Pvt Ltd	1.50
5	Matthews International Capital Management	1.46
4	First states invesments ICVC	1.37
6	Capital Group Companies	1.08
7	Vanguard Group Inc	1.06
8	ICICI Prudential Life Insurance Co.	0.66
3	Mitsubishi UFJ Financial Group Inc	0.64
9	Bnp Paribas SA	0.60
10	Federated Hermes Inc	0.53

Source: Bloomberg

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 detoriating 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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