Sharekhan by BNP PARIBAS

Powered by the Sharekhan 3R Research Philosophy

Infosys

Robust Q2; digital engine to drive growth

IT & ITES	Sharekhan code: INFY	Result Update

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	Change
Reco: **Buy**	↔
CMP: **Rs. 1,709**	
Price Target: **Rs. 2,050**	↑

↑ Upgrade ↔ Maintain ↓ Downgrade

Company details

Market cap:	Rs. 724,829 cr
52-week high/low:	Rs. 1787 / 1051
NSE volume: (No of shares)	61.9 lakh
BSE code:	500209
NSE code:	INFY
Free float: (No of shares)	370.7 cr

Shareholding (%)

Promoters	13.0
FII	51.4
DII	22.9
Others	12.7

Price chart

Price performance

(%)	1m	3m	6m	12m
Absolute	1.0	8.4	22.2	47.6
Relative to Sensex	-3.3	-6.4	-2.9	-1.9

Sharekhan Research, Bloomberg

Summary

- We maintain Buy on Infosys with a revised PT of Rs. 2,050, given strong earnings growth potential, a robust deal pipeline, and strong demand.
- Beat our estimates across financial parameters; Large deal TCVs declined 16% q-o-q, but management indicated that the deal pipeline remains strong; net headcount addition, client additions, and utilisation remained strong.
- Management has increased FY2022 CC revenue growth guidance to 16.5-17.5% from 14-16% earlier, broadly in-line with our expectations. EBIT margin guidance was maintained at 22-24%, as expected.
- Infosys is well placed to deliver industry-leading organic growth among large peers in the medium term, given broad-based demand, strong deal pipeline, and market share gains. Net profit to report a 15% CAGR over FY22-FY24E.

Infosys reported strong quarterly performance across financial parameters, along with a strong deal pipeline, robust net hiring, higher utilisation, and healthy client additions. The company continued to report strong constant currency (CC) revenue growth (6.3% q-o-q and 19.4% y-o-y), led by contribution from Daimler deal, strong growth in financial services vertical, and North America. Reported US Dollar revenue grew by 5.7% q-o-q (and up 20.7% y-o-y) to $3,998 million, ahead of our expectations. The sequential margin decline was lower than our expectations, led by operating leverage, SG&A benefits, and currency tailwinds. Cash conversion in terms of free cash flow (FCF) to net profit and FCF to EBITDA remained healthy at 97% and 76%, respectively.

Key positives

- All verticals reported double-digit y-o-y CC growth
- Digital business CC revenue growth remained strong at 42.4% y-o-y.

Key negatives

- Attrition inched up to 20.1% from 13.9% in Q1FY2022
- Deal TCVs declined 16%/32% on a q-o-q/y-o-y basis

Management commentary

- Raised FY2022E revenue growth guidance to 16.5-17.5% from 14-16% earlier
- Maintained EBIT margin guidance at 22-24% for FY2022
- Highlighted market share gains in financial services and higher participation in client's digital transformation journey

Revision in estimates - We have raised FY2023E/FY2024E EPS estimates by 1-2%, while we have broadly maintained our EPS estimates for FY2022.

Our Call

Valuation – Maintain Buy with a revised PT of Rs. 2,050: We have broadly maintained our earnings estimates for FY2022 despite Infosys' higher guidance and strong beat in Q2FY2022 as we had already assumed higher revenue growth for Infosys. Management remains optimistic that its earlier investments in capability building would help the company to remain at the forefront of digital transformation opportunities. We believe Infosys is well placed to deliver industry-leading organic growth among large peers in the medium term, given strong demand across industries, strong deal pipeline, and market share gains. We assume Infosys to report USD revenue and earnings growth of 12% and 15%, respectively, over FY2022-FY2024E. At the CMP, the stock trades at 27x/24x its FY2023E/FY2024E earnings, which is justified given strong earnings growth potential, strong execution, and robust deal pipelines. We continue to prefer Infosys, given its strong digital competencies, healthy balance sheet, and a strong capital allocation policy. Hence, we maintain a Buy rating on the stock with a revised price target (PT) of Rs. 2,050.

Key Risks

Rupee appreciation and/or adverse cross-currency movements, slackening pace in deal closures, and/or constraints in local talent supply in the US would affect earnings.

Valuation Rs cr

Particulars	FY21	FY22E	FY23E	FY24E
Revenue	1,00,473.0	1,19,444.7	1,37,761.1	1,54,374.4
OPM (%)	27.8	26.7	26.4	26.3
Adjusted PAT	19,423.0	22,374.9	26,302.0	29,724.3
% YoY growth	*17.0*	*15.2*	*17.6*	*13.0*
Adjusted EPS (Rs.)	45.6	53.2	62.8	70.9
P/E (x)	37.5	32.1	27.2	24.1
P/B (x)	5.1	4.8	4.5	4.0
EV/EBITDA (x)	25.3	22.1	19.3	17.1
RoNW (%)	25.3	27.6	30.2	30.7
RoCE (%)	31.9	33.1	35.6	36.6

Source: Company; Sharekhan estimates

Ahead of estimates

Infosys beat consensus estimates across all financial parameters during Q2FY2022. The company continued to report strong CC revenue growth led by contribution from Daimler deal, higher spend on digital transformation, and broad-based demand, while operating margin performance (OPM) remained ahead of our expectations despite wage revision, higher attrition, and rising subcontractor expenses. The company's CC revenue grew by 6.3% q-o-q and 19.4% y-o-y (which is highest in the past 11 years). Revenue growth was driven by strong growth in verticals, including financial services, retail, manufacturing, and lifesciences and in markets including North America and Europe. CC digital revenue growth accelerated to 42.4% y-o-y. Reported US Dollar revenue grew by 5.7% q-o-q (and up 20.7% y-o-y) to $3,998 million, ahead of our expectations. EBIT margin contracted by 10 bps q-o-q to 23.6% owing to salary revision (-110 bps), higher subcontractor expenses (-50 bps), and higher attrition. The sequential decline in margin was lower than our expectations, led by operating leverage (+80 bps), SG&A benefits (+50bps), and currency tailwinds (+30 bps). Net profit of Rs. 5,421 crore (up 4.4% q-o-q and 11.9% y-o-y) was ahead of our estimates, led by beat in revenue and EBIT margin.

Further revised guidance upward; Well-equipped to report industry-leading organic growth

Infosys raised its FY2022 revenue growth guidance for the second consecutive quarter to 16.5-17.5% on CC basis from 14-16% guidance in Q1FY2022 and 12-14% at the beginning of FY2022, which is broadly in-line with our expectations. Management believes strong revenue growth would be driven by higher spend on cloud and digital-transformation initiatives, healthy deal wins, strong deal pipeline, and broad-based demand. During Q2FY2022, six out of seven verticals grew at 15%+ y-o-y CC growth. Further, Infosys signed good large deal TCVs of $2.2 billion, of which net new deal TCVs' share remained at 37% versus 30% in Q1FY2022. Though deal TCVs declined 16%/32% q-o-q/y-o-y, management indicated that the deal pipeline remains strong. The company's largest vertical, financial services, has been reporting industry-leading growth for last several quarters because of strong demand in sub-verticals such as banking, mortgages, wealth, and retirement services in the US. Management sees strong traction around cloud, data and analytics, and cyber securities. Hence, it remains optimistic that its earlier investment in digital and cloud capabilities would position the company to partner in clients' growth and transformation initiatives and cost take-out initiatives as well. We believe Infosys is well equipped to capture opportunities from increasing spends on multi-year core modernisation, higher adoption of digital-transformation initiatives (including cloud migration, application modernisation, and data modernisation), and rising outsourcing to drive efficiency and greater productivity. We assume 18.3% y-o-y revenue growth in FY2022 and a 12% revenue CAGR over FY2022-FY2024E.

Maintained margin guidance at 22-24%

Infosys reported better-than-expected margin performance despite wage revision, higher costs related to recruitments, and increased sub-contracting expenses, aided by strong revenue growth and currency tailwinds. Attrition rate increased by 620 bps q-o-q to 20.1% in Q2FY2022. Though management indicated that margins would remain under pressure due to supply-side challenges, roll-out of skill-based compensation for senior employees in Q3FY2022, lower billing days and furloughs, we believe scaling up digital services, higher automation, offshore revenue mix, structural pricing improvement, and pyramid rationalisation would help Infosys to keep its OPM at above pre-COVID level. Management maintained its EBIT margin guidance at 22-24%, in-line with our expectations.

Key conference call highlights

- **Strong performance continued in Q2:** Infosys reported revenue growth of 19.4% y-o-y on CC basis, which is the fastest in the past 11 years. Growth was driven by broad-based demand across verticals, market share gain, strong execution, and the company's higher participation in the digital and cloud transformation journeys of large enterprises. CC revenue growth of the digital business accelerated to 42.4% y-o-y. On a y-o-y basis, revenue of most verticals remained around 15%. Cash conversion in terms of FCF to net profit and FCF to EBITDA remained healthy at 97% and 76%, respectively.

- **Demand outlook across key markets and verticals:** Management indicated that the company's strong growth in North America indicates market share gains and participation of clients' transformation journey. The company' investments in building strong sub-vertical and platform capabilities in regional banking, retirement services, mortgages, asset management, and payments help the company to win many large bids and digital-transformation programmes. Growth in retail is expected to remain strong as clients continue to make investments in new digital capabilities in commerce, marketing, and supply chain areas. Management sees strong traction around digital consumer analytics, digital promotions, customer resection, and cybersecurity among others. With increasing capex for 5G deployment across regions, management hopes growth in the communication vertical would remain strong in the coming quarters. The manufacturing vertical's growth is likely to remain strong due to strong demand across industrial, automotive, and aerospace industries and robust pipeline.

- **Raised revenue growth guidance, maintained margin guidance:** Management has increased its FY2022 CC revenue growth guidance to 16.5-17.5% from 14-16%earlier, while it maintained its earlier EBIT margin guidance of 22-24%. Management indicated that growth would be driven by a strong demand environment, healthy deal wins, strong deal pipeline, and higher spending on cloud migration and cloud-related technologies. We believe increasing digital revenue, higher offshore revenue mix, structural pricing improvement, and pyramid rationalisation would help Infosys to partially offset margin headwinds such as supply-side challenges, roll-out of skill-based compensation, and furloughs.
- **Strong growth across verticals:** The company reported double-digit growth across the verticals. BFSI, retail, manufacturing, and lifesciences verticals continued to report strong double-digit CC growth on a y-o-y basis, while communication and energy, utilities and resourced (EUR) verticals' revenue growth accelerated during the quarter. Financial services (up 20.5% CC y-o-y versus 22.6% in Q1FY2022), retail (17.2% CC y-o-y versus 22.2% in Q1FY2022), lifesciences (up 26.1% CC y-o-y versus 21.2% in Q1FY2022), manufacturing (42.5% CC y-o-y versus 18.5% in Q1FY2022), hi-tech (up 12.2% CC y-o-y versus 14.8% in Q1FY2022), and communication (16.6% CC y-o-y versus 4.9% in Q1FY2022) helped the company to report strong revenue growth.
- **Digital engine stays strong:** CC revenue of the digital business grew by 42.4% y-o-y as against 42.1% y-o-y growth in Q1FY2022. Revenue contributed 56.1% to total revenue versus 53.9% in Q1FY2022. Increased demand in data and analytics, cloud, cybersecurity, cost efficiency, and IoT would continue to drive growth in the digital space. Management highlighted acceleration of spends in digital transformation (especially cloud migration and deployment and cloud applications) would continue to drive growth. Core business declined by 1% y-o-y on CC terms versus -3% in Q1FY2022.
- **Improving client metrics and strong growth in top accounts:** Infosys added 117 new clients (versus 113 clients in Q1FY2022). The number of $100 million clients increased by one on a q-o-q basis to 35, while $50 million clients increased by 3 on a q-o-q basis to 62. The number of clients in the $10 million bracket increased by 6 on a q-o-q basis to 270. Revenue from the top five clients accelerated to 6.6% q-o-q. Revenue from the top 10 and top 25 clients accelerated to 9.1% and 8.8%, respectively, on a q-o-q basis.
- **Large deal TCVs moderated, but deal pipeline remains strong:** Infosys signed 22 large deals in Q2FY2022, with TCVs of $2,152 million (versus $2,570 million/$3,145 million inQ1FY2022/Q2FY2021). The book-to-bill ratio remained at 0.5x in Q2FY2022 versus 0.7x in Q1FY2022. The share of new deals was 37% of total deal TCVs in Q2FY2021, higher compared to 30% in Q1FY2022. Management indicated that the company has been working with clients on SaaS transformation and cloud-native developments. Out of 22 large deals, the company won five deals each in financial services and EURS, three deals each in retail and manufacturing, two deals in communication and hi-tech, and one each in lifesciences and other verticals. Geography wise, the company signed 15 deals in North America, six deals in Europe, and one deal from the Rest of World geographies. Management indicated that the deal pipeline remains strong given robust demand across verticals and service lines.
- **Attrition rate inched up meaningfully:** Attrition rate rose to 20.1% in Q2FY2022 versus 13.9% in Q1FY2022. Increased attrition rate was due to higher demand for talent across the industry. Management expects attrition rate to rise for the next couple of quarters amid a strong demand environment. However, management remains confident to support its clients in their digital transformation journey despite ongoing supply-side concerns.
- **Headcount:** Headcount remained at 2,79,617, adding net 11,664 employees (record high in a quarter in its history). The company on-boarded 25,000+ freshers during 1HFY2022 and plans to hire 45,000+ freshers in FY2022. Sub-contracting costs increased by 150 bps q-o-q to 10.3% during Q2FY2022 owing to strong demand and higher utilisation.
- **Higher utilisation and higher offshore mix:** Utilisation increased sequentially during the quarter to 89.2% in Q2FY2022 from 88.5% in Q1FY2022. This is the highest in the past several quarters and it looks unsustainable in the coming quarters. The onsite effort mix was the lowest ever at 23.6%.
- **Strong balance sheet and cash flows:** Infosys had cash balance of $4.4 billion with no debt versus $5.1 billion in Q1FY2022. The decline in cash balance was due to its buyback programme. FCF during the quarter stood at $712 million versus $863 million in Q1FY2022. FCF grew by 6% y-o-y. FCF conversion remained strong at 97% of net profit. The Board has also announced an internal dividend of Rs. 15 per share.

Results Rs cr

Particulars	Q2FY22	Q2FY21	Q1FY22	y-o-y (%)	q-o-q (%)
Revenue ($ mn)	**3,998.0**	**3,312.0**	**3,782.0**	**20.7**	**5.7**
Net sales	**29,602.0**	**24,570.0**	**27,896.0**	**20.5**	**6.1**
Direct costs	18,948.0	14,916.0	17,677.0	27.0	7.2
Gross profit	**10,654.0**	**9,654.0**	**10,219.0**	**10.4**	**4.3**
SG&A	2,824.0	2,571.0	2,787.0	9.8	1.3
EBITDA	**7,830.0**	**7,083.0**	**7,432.0**	**10.5**	**5.4**
Depreciation and amortisation	858.0	855.0	829.0	0.4	3.5
EBIT	**6,972.0**	**6,228.0**	**6,603.0**	**11.9**	**5.6**
Other income	476.0	522.0	573.0	-8.8	-16.9
PBT	**7,448.0**	**6,750.0**	**7,176.0**	**10.3**	**3.8**
Tax provision	2,020.0	1,892.0	1,975.0	6.8	2.3
Reported net profit	**5,421.0**	**4,858.0**	**5,195.0**	**11.6**	**4.4**
EPS (Rs.)	**12.9**	**11.4**	**12.2**	**13.3**	**5.7**
Margin (%)				**bps**	**bps**
EBITDA	26.5	28.8	26.6	-238	-19
EBIT	23.6	25.3	23.7	-180	-12
NPM	18.3	19.8	18.6	-146	-31
Tax rate (%)	27.1	28.0	27.5	-91	-40

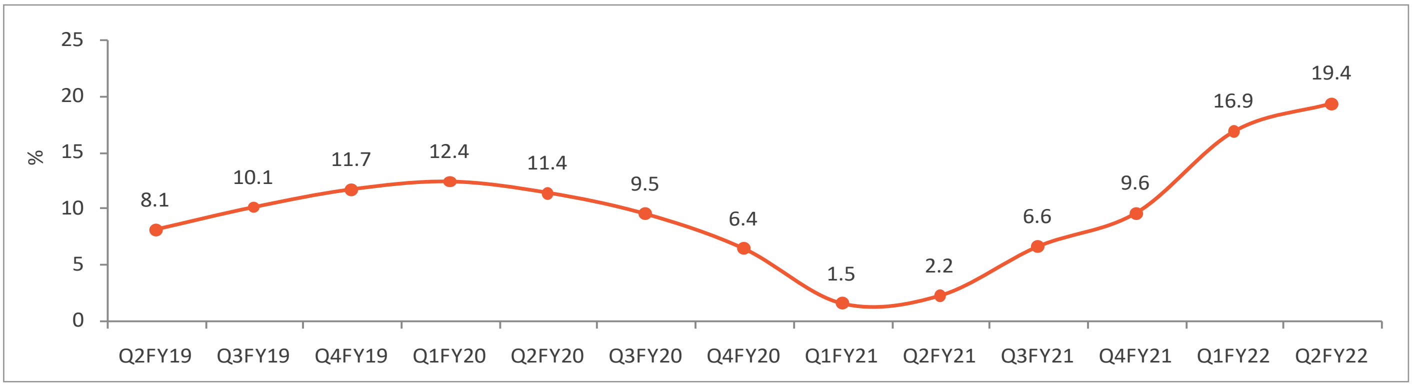
Source: Company; Sharekhan Research

Revenue mix: Geographies, industry verticals, and other operating metrics

Particulars	Revenues	Contribution	$ Growth (%)		CC growth (%)
	($ mn)	(%)	q-o-q	y-o-y	y-o-y
Revenue ($ mn)	3,998	100	5.7	20.7	19.4
Geographic mix					
North America	2,475	61.9	6.1	23.1	23.1
Europe	992	24.8	8.3	23.2	19.6
India	104	2.6	-5.2	4.6	4.2
Rest of world	428	10.7	1.0	7.6	4.7
Industry verticals					
Financial services	1,291	32.3	3.5	21.8	20.5
Retail	584	14.6	2.9	18.3	17.2
Communication	496	12.4	7.4	18.8	16.6
Energy, utilities, resources and services	472	11.8	3.1	15.8	14.6
Manufacturing	436	10.9	18.8	44.6	42.5
Hi tech	340	8.5	8.3	12.8	12.2
Life sciences	284	7.1	10.4	26.0	26.1
Others	96	2.4	-12.5	-9.5	-9.6
Service line					
Digital	2,243	56.1	10.0	43.0	42.4
Core	1,755	43.9	0.7	0.6	-1.0
Clients Contribution					
Top client	456	11.4	6.6	21.8	-
Top 10 clients	776	19.4	9.1	25.2	-
Top 25 clients	1,415	35.4	8.8	24.9	-
Revenue per employee					
Revenue per FTE ($ K)	57.3	-	1.2	7.1	-
Deal wins ($ mn)					
TCV	2,152	-	-16.3	-31.6	-

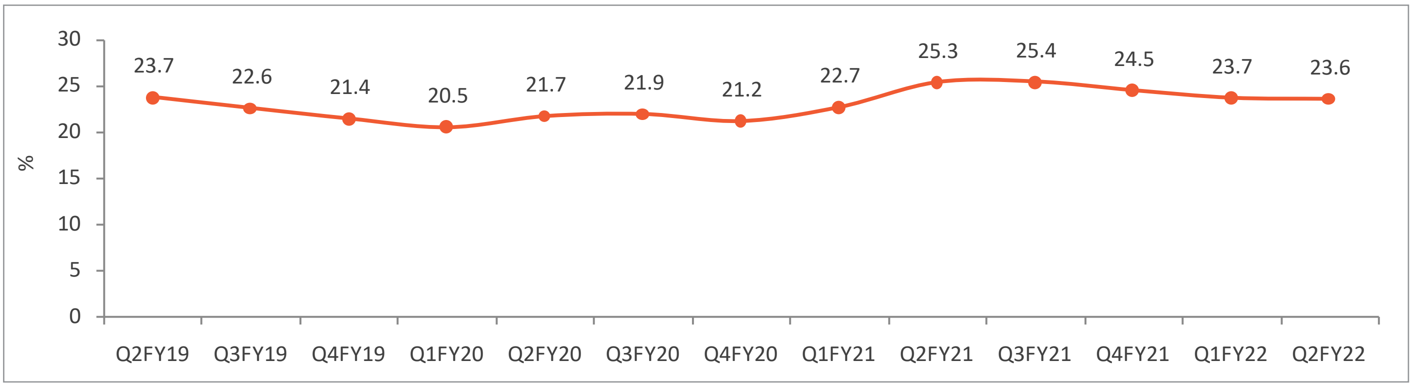
Source: Company; Sharekhan Research

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



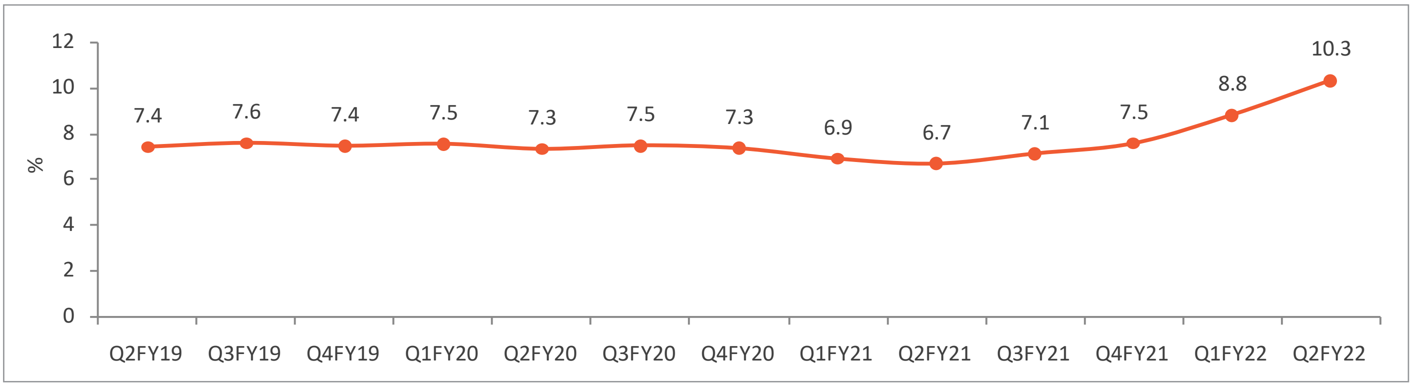
Source: Company, Sharekhan Research

EBIT margin trend (%)



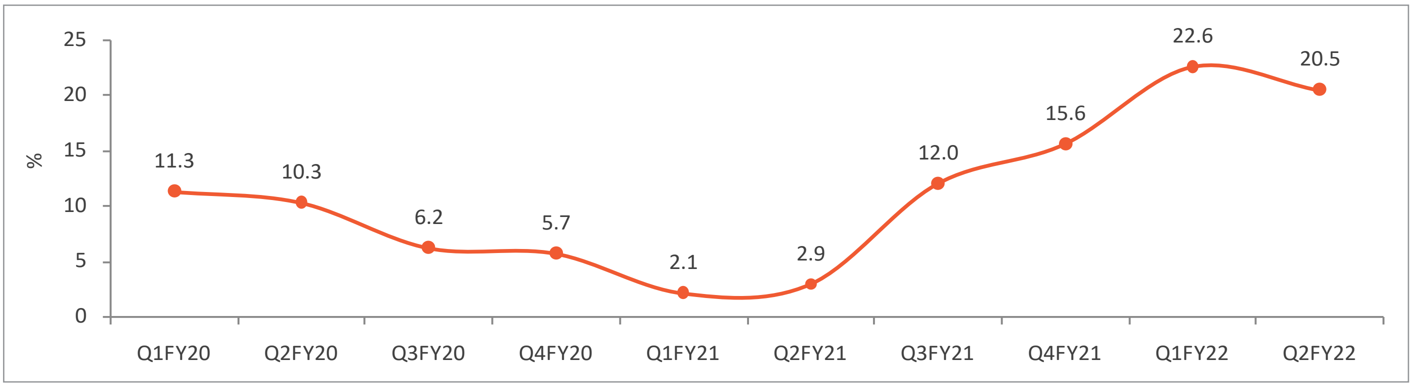
Source: Company, Sharekhan Research

Subcontracting costs as a % of revenue



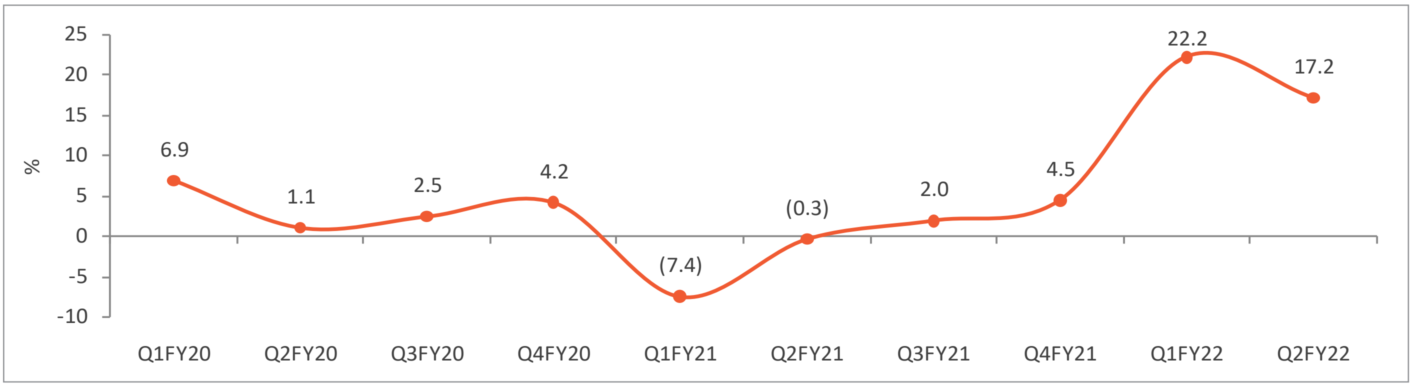
Source: Company, Sharekhan Research

BFSI revenue growth trends (y-o-y CC)



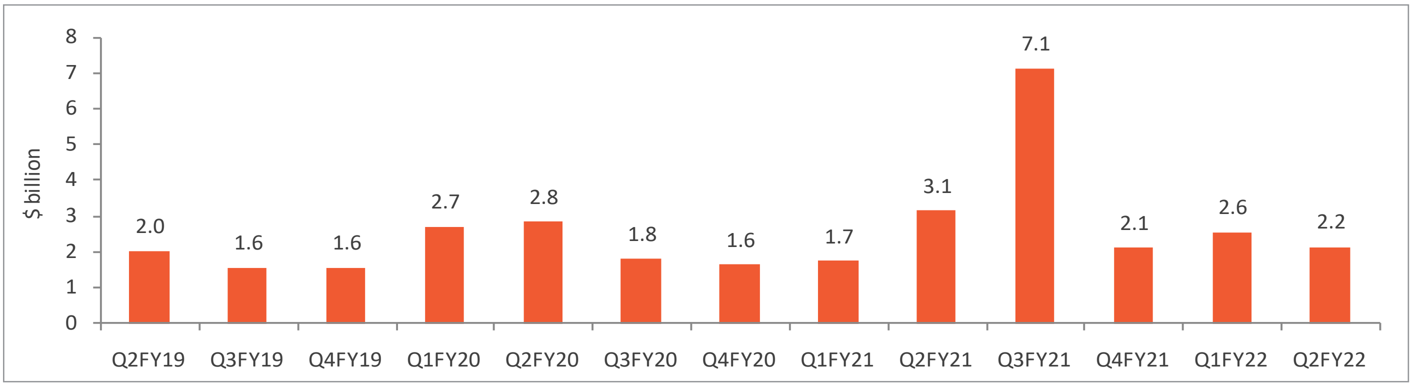
Source: Company, Sharekhan Research

Retail revenue growth trends(y-o-y CC)



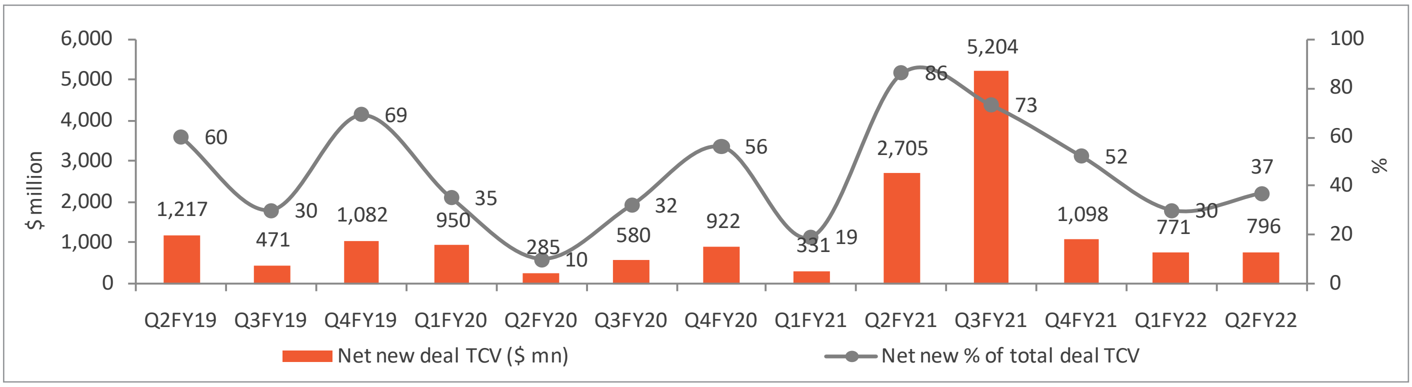
Source: Company, Sharekhan Research

TCV of deal wins ($ bn)



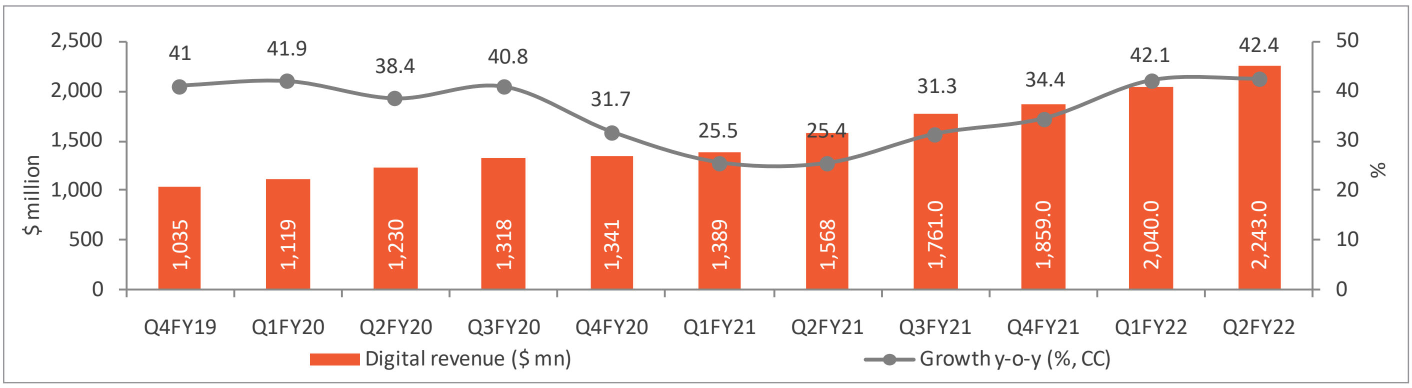
Source: Company, Sharekhan Research

Net new deal TCV ($ mn) and % of total deal TCV



Source: Company, Sharekhan Research

Digital revenue ($ mn) and growth (%)



Source: Company, Sharekhan Research

Outlook and Valuation

■ Sector view - Technology spending to accelerate going forward

The COVID-19 pandemic is estimated to drag the world output by 3.3% in CY2020, as advanced economies see GDP shrink by 4.7%. As a result, global technology spend is estimated to have declined 3.2% to $1.4 trillion in 2020. Within that, IT services spending is likely to have declined 3.9%, while business process management spends fell by 2.4%. After the initial dislocations led to contractions, the need for business continuity, operational resilience, and the switch to digital transactions 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.

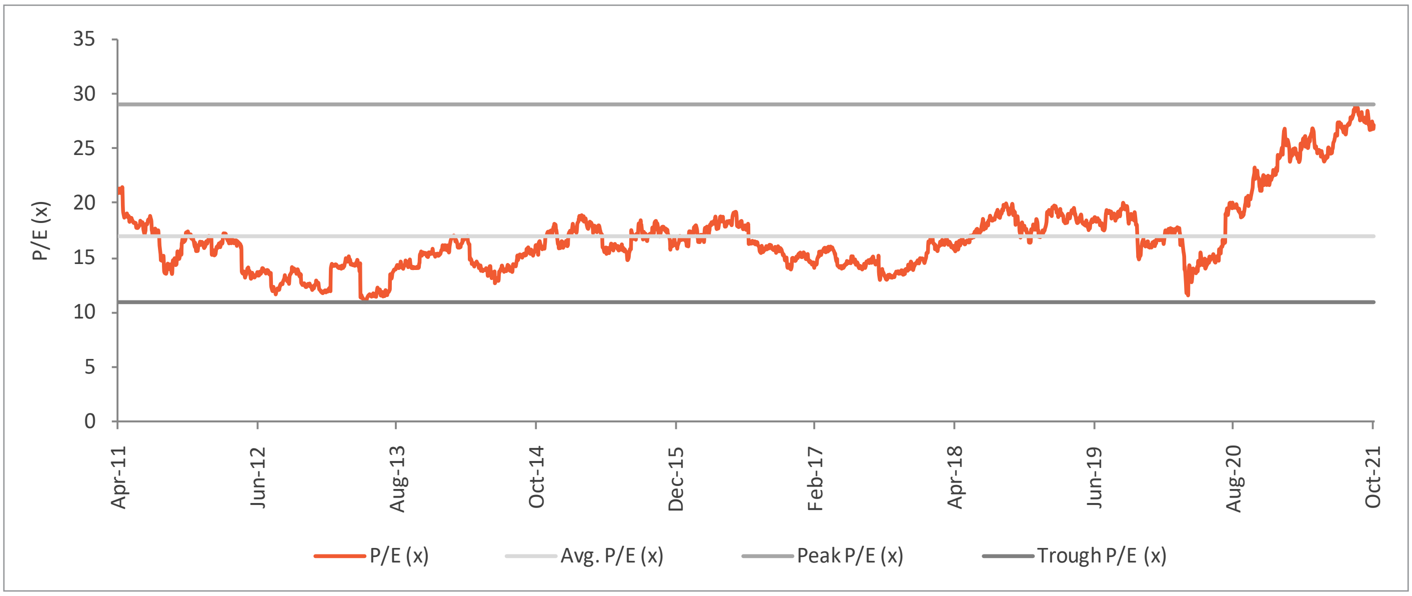
■ Company outlook - Well positioned to capture opportunities

Infosys services a large number of Fortune 500/Global 500 clients who have a strong balance sheet and are able to hold on better amid the economic downturn. Further, Infosys has aggressively invested in digital technologies in the past couple of years to capture a large portion of upcoming digital spends. Given strong relationships with clients and robust execution capabilities, Infosys is well positioned to capitalise on opportunities from clients' transformation journeys.

■ Valuation - Maintain Buy

We have broadly maintained our earnings estimates for FY2022 despite Infosys' higher guidance and strong beat in Q2FY2022, as we had already assumed higher revenue growth for Infosys. Management remains optimistic that its earlier investments in capability building would help the company to remain at the forefront of digital transformation opportunities. We believe Infosys is well placed to deliver industry-leading organic growth among large peers in the medium term, given strong demand across industries, strong deal pipeline, and market share gains. We assume Infosys to report USD revenue and earnings growth of 12% and 15%, respectively, over FY2022-FY2024E. At the CMP, the stock trades at 27x/24x its FY2023E/FY2024E earnings, which is justified given strong earnings growth potential, strong execution, and robust deal pipelines. We continue to prefer Infosys, given its strong digital competencies, healthy balance sheet, and a strong capital allocation policy. Hence, we maintain a Buy rating on the stock with a revised PT of Rs. 2,050.

One-year forward P/E (x) band



Source: Sharekhan Research

Peer comparison

Company	CMP (Rs / Share)	O/S Shares (Cr)	MCAP (Rs Cr)	P/E (x)		EV/EBIDTA (x)		P/BV (x)		RoE (%)	
				FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
TCS	3,656	370	13,52,392	34.5	30.1	24.5	21.4	15.2	14.8	44.5	49.9
Wipro	673	548	3,68,613	30.5	26.8	20.5	17.8	6.5	5.7	19.0	20.4
Infosys	1,709	424	7,24,829	37.5	32.1	25.3	22.1	5.1	4.8	25.3	27.6

Source: Company; Sharekhan Research

About company

Founded in 1981, Infosys is the second largest ($13,562 million in FY2021) IT services company in India in terms of export revenue with headcount of 2.7 lakh employees. BFSI accounts for the largest chunk of revenue (~32% of total revenue), followed by retail, energy and utilities, and communication. Region wise, North America and Europe continue to be the mainstay. Digital revenue continued to have a strong growth momentum in the past few quarters and now contributes 56.1% to total revenue.

Investment theme

Infosys has accelerated deal wins momentum through engagement with deal advisors, consulting firms, and private equity players. Effectively, the strong large deal trajectory provides better revenue growth visibility. Further, revitalisation of sales and investment in digital competencies have certainly helped the company to drive its digital business. Sharp focus on execution and augmentation of digital capabilities through investments can bring Infosys back on its high-growth trajectory. Given strong deal wins, strengthening relationships with large clients, and continued digital momentum, we believe Infosys is well positioned to catch up with leaders on revenue growth in the coming years.

Key Risks

1) Regulatory visa norms could have an impact on employee expenses; 2) any instability in leadership; additional exits at senior management level; 3) Rupee appreciation and/or adverse cross-currency movements; and 4) increasing attrition rate.

Additional Data

Key management personnel

Nandan M. Nilekani	Co-founder and Non-Executive Chairman
Salil Parekh	Chief Executive Officer
U.B. Pravin Rao	Chief Operating Officer (COO)
Nilanjan Roy	Chief Financial Officer
Ravi Kumar S	President, Deputy COO
Mohit Joshi	President, Head – BFSI and HCLS

Source: Company

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Deutsche Bank Trust Co Americas	17.35
2	Life Insurance Corp of India	5.50
3	BlackRock Inc	4.55
4	SBI Funds Management Pvt Ltd	2.79
5	Vanguard Group Inc/The	2.64
6	Republic of Singapore	1.68
7	ICICI Prudential Asset Management	1.25
8	UTI Asset Management Co Limited	1.19
9	Government Pension Fund – Global	1.13
10	HDFC Asset Management Co Ltd	1.11

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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