



Powered by the Sharekhan 3R Research Philosophy

### 3R MATRIX

	+	=	-
Right Sector (RS)	Green	Grey	Red
Right Quality (RQ)	Green	Grey	Red
Right Valuation (RV)	Green	Grey	Red
	+ Positive	= Neutral	- Negative

### What has changed in 3R MATRIX

	Old		New
RS	Grey	↔	Grey
RQ	Green	↔	Green
RV	Green	↔	Green

### ESG Disclosure Score **NEW**

<b>ESG RISK RATING</b>	<b>31.17</b>			
Updated Jul 08, 2022				
<b>High Risk</b>				
NEGL	LOW	MED	<b>HIGH</b>	SEVERE
0-10	10-20	20-30	30-40	40+

Source: Morningstar

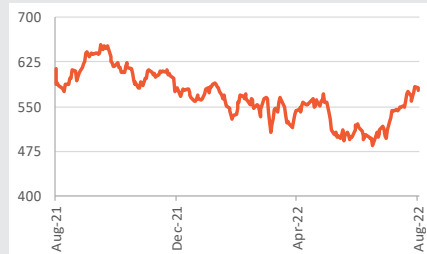
### Company details

Market cap:	Rs. 1,01,697 cr
52-week high/low:	Rs. 659 / 482
NSE volume: (No of shares)	19.6
BSE code:	500096
NSE code:	DABUR
Free float: (No of shares)	58.0 cr

### Shareholding (%)

Promoters	67.2
FII	20.6
DII	4.0
Others	8.2

### Price chart



### Price performance

(%)	1m	3m	6m	12m
Absolute	8.2	12.4	3.2	-2.4
Relative to Sensex	-1.6	6.1	4.0	-9.6

Sharekhan Research, Bloomberg

# Dabur India Ltd

## Decent Q1; innovation, distribution expansion to drive growth

<b>Consumer Goods</b>	<b>Sharekhan code: DABUR</b>		
<b>Reco/View: Buy</b>	↔	<b>CMP: Rs. 574</b>	<b>Price Target: Rs. 675</b>
↑ Upgrade	↔ Maintain	↓ Downgrade	

### Summary

- Revenue grew by 8.1% (volume growth of 5%) on a high base of 32% growth in Q1FY2022; three-year CAGR came in at 10.2%. PAT stood flat at Rs. 441.1 crore.
- Gross margins and OPM were hit by sustained input cost inflation and fell by 224 bps and 188 bps y-o-y, respectively. The management aims to maintain OPM on y-o-y basis through cost efficiencies and efficient management of advertisement spends along with softening of input cost inflation.
- Revenue and PAT are expected to grow at 14% and 19% CAGR during FY2022-24 backed by sustained market share gains, expansion of distribution network, investments on power brands, new launches and cost-saving initiatives.
- Stock trades at 48.9x/39.1x its FY2023E/24E EPS. We maintain a Buy on the stock with a revised price target of Rs. 675.

Dabur India's (Dabur's) Q1FY2023 operating performance was ahead of our expectations with better than expected OPM. Consolidated revenue grew by 8.1% to Rs. 2,822.4 crore on a high base of 32% revenue growth in Q1FY2022 (domestic volume growth stood at 5%), while three-year CAGR stood at 10.3%. The India business grew by ~10% y-o-y, while international business grew by 8% (CC) y-o-y. Food & Beverage (F&B) business registered a strong y-o-y growth of 50%, while the home & personal care (HPC) business grew by 16% y-o-y and Health Care (HC) business declined by 21% y-o-y on a high base of Q1FY2022. In the international business, Hobby (Turkey) grew by 88.3%, Sub Saharan Africa (SSA) grew by 35.4%, Egypt grew by 17.5% and SAARC grew by 17.3%. As anticipated, raw material inflation hit gross margins, which declined by 224 bps y-o-y to 45.9% and OPM decreased by 188 bps y-o-y to 19.3%. Adjusted PAT stood flat at Rs. 441 crore.

### Key positives

- Domestic volume growth stood at mid-single digits, yet better compared with close peers.
- Dabur gained market share across 98% of its product portfolio with Real juices market share up by ~330 bps, Chyawanprash share rising by ~240 bps and honey gaining share of ~190 bps.
- The Foods & Beverages business registered strong growth of 50% led by 50.7% growth in juices & beverages segment.

### Key negatives

- Consolidated gross margins/OPM decreased by 224/188 bps due to higher raw material inflation.

### Management Commentary

- Volumes grew by 5% led by steady growth in both rural and urban markets. The company expects the rural growth to be higher going ahead backed by initiatives undertaken by Dabur including infrastructure development in rural markets, technology intervention and addition of sub-stockists for villages.
- Consumer-centric innovation (NPD contribution to revenue at 4.4%), investments on power brands, network expansion (target to cover 100,000 villages by FY23-end) and sustained market share gains (market share across 98% of product portfolio in Q1) in key categories would help the company to achieve double digit growth in the medium to long term.
- The management indicated that the company witnessed inflation of 9-10%. The company undertook an absolute price hike of ~5% and grammage reduction effect of ~1%, which was much lower than the aggregate input cost inflation. Q2FY2023 is expected to see more inflation and hence margins would decline q-o-q. Margin improvement is expected to be seen from H2FY2023. For full year FY2023, margins are expected to be maintained on y-o-y basis.
- Dabur will focus on its eight power brands to achieve sustainable growth. The power brands are - Amla, Dabur Red, Real, Chyawanprash, Honey, Pudim Hara, Laal Tel and Honitus. Dabur aims to strengthen and scale up these brands by investing funds, augmenting capacity and increasing distribution.

**Revision in estimates** – We broadly maintain our earnings estimates for FY2023, while we have increased our estimates for FY2024 to factor in little higher revenue growth than earlier anticipated.

### Our Call

**View – Maintain Buy with a revised price target of Rs. 675:** Q1 operating performance was ahead of our expectation with better than expected OPM. The company continued to gain market share in its key brands, launched consumer-centric products and improved distribution network during the quarter. Revenue growth in the medium term will be driven by market share gains, distribution network expansion, investments on power brands and new launches, while profitability is expected to improve on the back of cost saving initiatives. We expect Dabur's revenues and PAT to grow by 14% and 19% over FY2022-24. The stock currently trades at 48.9x/39.1x its FY2023E/24E EPS. We maintain a Buy rating on the stock with a revised price target of Rs. 675.

### 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)

Particulars	FY21	FY22	FY23E	FY24E
Revenues	9,562	10,889	12,039	14,036
OPM (%)	20.9	20.7	20.6	22.0
Adjusted PAT	1,696	1,829	2,078	2,600
% YoY growth	11.0	7.9	13.6	25.1
Adjusted EPS (Rs.)	9.6	10.3	11.7	14.7
P/E (x)	59.9	55.5	48.9	39.1
P/B (x)	13.2	12.1	11.0	9.5
EV/EBIDTA (x)	48.6	45.0	40.5	32.6
RoNW (%)	23.8	22.8	23.6	26.1
RoCE (%)	26.4	26.3	27.3	31.4

Source: Company; Sharekhan estimates

## Revenues up 8.1% y-o-y, volumes growth at 5%; OPM declined to 19%

Consolidated revenues grew by 8.1% y-o-y to Rs. 2,822.4 crore on a high base of 32% growth in Q1FY2022. Three-year revenue CAGR came in at 10.2%. Volume growth in the domestic business stood at 5% on a high base of 34%. India business growth stood at ~10% y-o-y while international business grew by 8% (constant currency) y-o-y. Food & Beverage (F&B) business registered a strong y-o-y growth of 50%, while Home & Personal Care (HPC) business grew by 16% y-o-y, while the Healthcare (HC) business declined by 21% y-o-y on a high base of Q1FY2022. All three businesses registered a three-year CAGR of 20%, 7.7% and 10.7%, respectively in Q1FY2023. In the international business, Turkey (Hobby) region grew by 88.3%, SSA grew by 35.4%, Egypt by 17.5% and SAARC by 17.3%. Dabur gained market share across 98% of its product portfolio during Q1FY2023. As anticipated, raw material inflation impacted gross margins, which declined by 224 bps y-o-y to 45.9% and OPM decreased by 188 bps y-o-y to 19.3%. Operating profit declined by 1.5% y-o-y to Rs. 543.7 crore. Decline in operating profit was set-off by higher other income which led to marginal growth of 0.7% y-o-y in adjusted PAT to Rs. 441.1 crore.

## India business growth at ~10%; international business grew by 8% (constant currency) in Q1

- ♦ **Healthcare (HC):** The HC segment (contributing 25.7% to domestic revenues in Q1FY2023) registered revenue of Rs. 539 crore, down 21% y-o-y on a high base of Q1FY2022. On a three-year CAGR basis, the segment reported growth of 10.7%. The health supplements portfolio declined by 35.5% y-o-y with three-year CAGR at 9% on account of high bases of Chyawanprash and Honey in Q1FY22 and Q1FY21. Dabur Glucose registered strong double-digit growth on the back of robust execution and intense summer season. Market share in the Chyawanprash and honey categories increased by ~240 bps and ~190 bps. Dabur Vedic Green Tea Detox Kahwa was launched in Q1FY23. The digestives portfolio saw 30.5% y-o-y growth on account of robust double-digit growth in both Hajmola and Pudina Hara. Three-year CAGR stood at 9.6%. The OTC and ethicals portfolio witnessed a decline of 15.4% y-o-y with three-year CAGR at 13.9% impacted by high base of COVID-19 contextual products in Q1FY22 and Q1FY21.
- ♦ **Home and personal care (HPC):** The segment (that contributed 47.6% to domestic revenue in Q1FY2023) grew by 16% y-o-y, reporting revenue of Rs. 997 crore in Q1FY2023. On a three-year CAGR basis, the segment grew by 7.7%. The oral care portfolio grew by 12.5% y-o-y and 11.3% on a 3-year CAGR basis driven by 13.7% y-o-y growth in the toothpaste category driven by good growth in Meswak, Dabur Red and Dabur Herbal. Market share in the toothpastes category improved by ~20 bps. The hair oils portfolio reported 8.1% y-o-y growth and 3.6% 3-year CAGR growth on a high base of 38.4% growth in Q1FY2022 with market share gains of ~30 bps. Shampoo portfolio reported growth of 17% y-o-y and 14.4% on a three-year CAGR basis on a high base of 41.3% growth in Q1FY2022 with market share gains of ~50 bps. The 51.9% y-o-y growth (3-year CAGR growth of 11.3%) in the homecare portfolio was supported by robust double-digit growth in Odonil, Odomos and Sanifresh. Odonil saw its market share improve in all sub-segments of the air fresheners category. Odomos' market share increased by ~190 bps. Skin and salon portfolio grew by 11.4% y-o-y (flat growth on a three-year CAGR basis). Ex-Sanitize, the skin care portfolio registered 35% y-o-y growth. Dabur's key brands Fem, Oxy and Gulabari registered strong growth during the quarter.
- ♦ **Foods & Beverages (F&B):** The F&B segment (contributing 26.7% to domestic revenue in Q1FY2023) reported robust y-o-y and two-year CAGR growth of 50% and 20%, respectively with revenue coming in at Rs. 559 crore. The beverages portfolio reported robust y-o-y growth of 50.7% and 3-year CAGR of 20.2% led by strong momentum across both in-home and out-of-home categories. The Real brand gained ~330 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 35.7% y-o-y and 15.7% on a three-year CAGR basis. Hommade brand continued to perform well driven by innovation and portfolio expansion.
- ♦ **International business:** International business' revenues (contributing 23.5% to total sales in Q1FY2023) grew by 8% y-o-y on CC terms in Q1FY2023. The Hobby region grew by 88.3%, followed by SSA consolidated growing by 35.4%, Egypt by 17.5% and SAARC grew by 17.3% in Q1FY2023. The Namaste region witnessed a decline of 10.3%.

## Key conference call highlights

- ◆ **Growth driven by both rural & urban:** As per the management, both rural and urban demand growth have been at par for Dabur. Normal monsoon, MSP hikes, infrastructure improvement and government interventions will drive rural growth and lead to faster recovery, whereas urban growth is expected to be driven by growth of modern trade, cash & carry & e-commerce. For Dabur, both rural and urban grew by 8.3-8.4%. The company expects the rural growth to be higher backed by infrastructure development in rural markets, technology intervention and addition of sub-stockists.
- ◆ **Price hikes inadequate to beat inflation:** The management indicated that the company witnessed inflation of 9-10%. All the input materials including packing material, honey, herbs & spices and edible oil reported high inflation. The company undertook absolute price hike of ~5% and grammage reduction effect of ~1%, which was much lower than the aggregate input cost inflation. The company took price hikes in categories where Dabur is the market share leaders such as homecare, skin care, while in other categories such as oral care, shampoo and hair care, the company followed market leader.
- ◆ **Margins to be maintained in FY2023:** The management has indicated that Q2FY2023 is expected to see more inflation and hence margins would decline q-o-q. Margin improvement is expected to be seen from H2FY2023. For the whole of FY2023, margins are expected to be maintained on y-o-y basis.
- ◆ **Strengthen & scale-up power brands:** The company has identified eight power brands and plans to focus on these brands to achieve sustainable growth. The power brands are - Amla, Dabur Red, Real, Chyavanprash, Honey, Pudina Hara, Laal Tel and Honitus. Dabur aims to strengthen and scale up these brands by investing funds, augmenting capacity and increasing distribution.
- ◆ **Distribution network expanding:** The company targets to cover 100,000 villages by FY23-end. Dabur has appointed 10,000 Yodhas (sales representatives) to increase rural penetration. These Yodhas contributed Rs. 20 crore business during the quarter. For its distribution, the company targets to cover 1.4 million outlets from current 1.35 million outlets. Dabur added 6,000 chemist outlets in Q1. In terms of distribution of beverages, juices are now available in 2-2.5 lakh outlets, while drinks are available in 230,000- 240,000 outlets. A different distribution strategy is applied for drinks portfolio wherein the company puts up exclusive distribution infrastructure for drinks. The company has appointed 131 exclusive super-stockists for drinks who generated Rs. 12 crore business. 20 rural sales promoters and 530 dealers have also been appointed. The company has identified 45 new highway routes to expand drink distribution network.
- ◆ **Nepal gaining traction:** In Nepal, juices form 60-70% of turnover with market leadership of No. 1 position. The company plans to add capacity for launching juices in pet bottles in 4-5 years. The Rs. 20 price point juices are doing well. In the healthcare & personal care category, the company is identifying gaps and aiming to achieve good growth.
- ◆ **Focus on new products continued:** New product launch contribution to revenue stood at 4.4% in Q1. Real drinks with turnover of Rs. 100 crore in FY22 is expected to scale-up to Rs. 200 crore in FY2023. Health juices have done well and generated Rs. 30 crore in revenue during the quarter (down by 60-70% from COVID period). Ayurvedic shampoos are doing well and gaining market share. The company undertook national launch of herbal toothpaste as it gained good traction. The Hajmola extensions now contribute more than 10% of Hajmola revenue. Dabur Amla is doing well and has generated Rs. 20-30 crore revenue. Real milkshakes are also performing well and now have 1.1% market share. Homemade, spices & condiments which were recently introduced are also scaling up well. The company plans to launch green tea in Q2FY2023. Also Dabur will be launching Chyavanprash in granules (powder) format in Q2FY2023. The management has guided that ~5% of annual turnover should come from NPD.
- ◆ **Hair oil to see market share gains:** Dabur's hair oil market share currently stands at 15-16%. Dabur Anmol which is currently generating Rs. 200 crore revenue is expected to scale-up to Rs. 500 crore in the next 2-3 years. In the hair oil category, the company will focus on market share gains as stated by the management.
- ◆ **Increase salience from bottles for shampoos:** Currently Dabur's salience from bottles is at 16-18% for shampoos. The company is working on ramping up contribution from bottles as the margin is higher at 55% as compared to 20-25% from sachet. The company expects modern trade, e-Commerce and cash & carry to drive growth of bottles.

- ◆ **Region-wise strategy for oral care:** Dabur red is doing well in South & East and the company expects the momentum to continue. The Rs. 10 price point has done well in North. Dabur is No 2 brand in South. The company has recently appointed Mr. Amitabh Bachchan to promote Dabur Red in North.
- ◆ **Capacity addition in drinks portfolio:** Dabur faced capacity limitation in its drinks portfolio and the company's supply was not able to keep up pace. The company has to increase outsourcing to match the consumer demand. Thus, the company is in the process of setting up additional capacities and has recently received approval from the board to set up additional line in Indore and also at other places.

#### Results (Consolidated)

Particulars	Rs cr				
	Q1FY23	Q1FY22	Y-o-Y %	Q4FY22	Q-o-Q %
<b>Total Revenue</b>	<b>2,822.4</b>	<b>2,611.5</b>	<b>8.1</b>	<b>2,517.8</b>	<b>12.1</b>
Materials	1,528.1	1,355.4	12.7	1,323.3	15.5
Employee cost	269.9	258.2	4.5	279.1	-3.3
Ad Promotions	157.2	188.4	-16.5	150.3	4.6
Other expenditure	323.6	257.6	25.6	311.6	3.8
Total Expenditure	2,278.8	2,059.5	10.6	2,064.2	10.4
<b>Operating Profit</b>	<b>543.7</b>	<b>552.0</b>	<b>-1.5</b>	<b>453.6</b>	<b>19.9</b>
Other Income	100.6	84.8	18.5	99.1	1.4
Interest Expenses	12.2	7.5	62.0	11.8	3.4
Depreciation	67.6	61.3	10.3	65.1	3.9
Profit Before Tax	564.5	568.1	-0.6	475.9	18.6
Tax	123.1	129.7	-5.1	117.5	4.8
<b>Adjusted PAT</b>	<b>441.4</b>	<b>438.4</b>	<b>0.7</b>	<b>358.4</b>	<b>23.1</b>
Extra-ordinary gain / loss	0.0	0.0	-	-62.9	-
Minority interest	0.3	0.0	-	-0.2	-
<b>Reported PAT</b>	<b>441.1</b>	<b>438.4</b>	<b>0.6</b>	<b>295.7</b>	<b>49.1</b>
Adjusted EPS (Rs.)	2.5	2.5	0.4	2.0	22.9
			<b>bps</b>		<b>bps</b>
GPM (%)	45.9	48.1	-224	47.4	-159
OPM (%)	19.3	21.1	-188	18.0	125
NPM (%)	15.6	16.8	-115	14.2	140
Tax rate (%)	21.8	22.8	-103	24.7	-288

Source: Company; Sharekhan Research

#### Segment-wise revenue

Particulars	Rs cr				
	Q1FY23	Q1FY22	Y-o-Y %	Q4FY22	Q-o-Q %
Consumer care	2,135.9	2,167.9	-1.5	2,095.2	1.9
Foods	608.8	402.5	51.3	359.9	69.2
Retail	25.7	9.2	-	22.3	15.3
Other segments	42.0	25.5	64.4	30.7	36.9
Unallocated other operating revenue	10.1	6.4	57.1	9.8	2.6
<b>Total</b>	<b>2,822.4</b>	<b>2,611.5</b>	<b>8.1</b>	<b>2,517.8</b>	<b>12.1</b>

Source: Company; Sharekhan Research

#### Segment-wise EBIT margins

Particulars	%				
	Q1FY23	Q1FY22	Y-o-Y %	Q4FY22	Q-o-Q %
Consumer care	22.4	24.8	-237	21.4	100
Foods	16.4	14.9	143	14.0	236
Retail	-0.4	-33.2	-	0.9	-
Other segments	10.9	8.2	268	6.0	489

Source: Company; Sharekhan Research

## Outlook and Valuation

### ■ Sector Outlook – Deflating commodity prices augurs well; good monsoon key for rural demand

High consumer inflation and slowdown in the rural demand will keep pressure on the sales volume in the near term. However, a normal monsoon, cool-off in the commodity prices and improved consumer sentiments will help volume growth to recover in H2FY2023. Consumer good companies' margins are expected to be lower y-o-y in Q1FY2023 with raw material prices remaining high during most of the quarter. However, the scenario has changed in the past 15-20 days with commodity prices cooling from its high providing some breather for consumer goods companies. Companies are expected to see expansion in margins from H2FY2023. Overall, we expect H2FY2023 to be much better compared to H1FY2023 with expected recovery in the volume growth and likely expansion in the margins in Q3/Q4 FY2023. Low penetration levels 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 run.

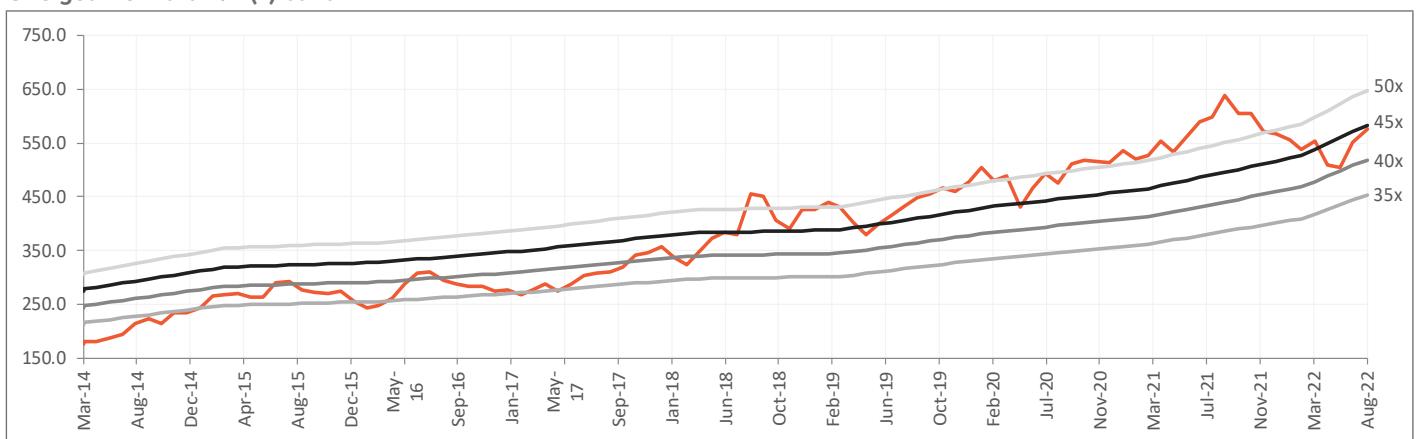
### ■ Company Outlook – Medium-term growth driven by product launches, distribution expansion

Q1 revenue grew by 8% (with 5% volume growth in the domestic business) while PAT stood flat at Rs. 441 crore even as OPM declined by 224 bps due to input cost inflation. We expect volume growth momentum in the domestic business to recover in the coming quarters, driven by market share gains in key categories, improving category penetration, strong traction in product launches, and expansion in distribution reach. Category-wise, 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. The company has undertaken price hike of mid-single digit and is focusing on cost saving measures to reduce pressure on margins in the coming quarters.

### ■ Valuation – Maintain Buy with a revised price target of Rs. 675

Q1 operating performance was largely in-line with expectations. The company continued to gain market share in its key brands, launched consumer-centric products and improved distribution network during the quarter. Revenue growth in the medium term will be driven by market share gains, distribution network expansion, investments on power brands and new launches, while profitability is expected to improve on the back of cost saving initiatives. We expect Dabur's revenues and PAT to grow by 14% and 19% over FY2022-24. The stock currently trades at 48.9x/39.1x its FY2023E/24E EPS. We maintain a Buy rating on the stock with a revised price target of Rs. 675.

#### One-year forward P/E (x) band



Source: Company, Sharekhan Research

#### Peer Comparison

Particulars	P/E (x)			EV/EBITDA (x)			RoCE (%)		
	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
Marico	54.7	43.6	37.3	40.1	31.9	27.8	41.4	51.5	54.8
Hindustan Unilever	69.8	61.3	50.9	48.9	42.9	35.8	24.1	27.1	31.8
Dabur India	55.5	48.9	39.1	45.0	40.5	32.6	26.3	27.3	31.4

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	First states Investments ICVC	1.72
2	Matthews International Capital Management	1.53
3	MB Finmart Pvt Ltd	1.50
4	Blackrock Inc	1.43
5	Vanguard Group Inc	1.24
6	Capital Group Inc	1.02
7	BNP Paribas SA	0.65
8	Mitsubishi UFJ Financial Group Inc	0.58
9	UTI AMC	0.51
10	ICICI Prudential Life Insurance Co.	0.51

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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