Sharekhan by BNP PARIBAS

Powered by the Sharekhan 3R Research Philosophy

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 Mar 08, 2023				31.76
High Risk				
NEGL	LOW	MED	HIGH	SEVERE
0-10	10-20	20-30	30-40	40+

Source: Morningstar

Company details

Market cap:	Rs. 93,992 cr
52-week high/low:	Rs. 610 / 482
NSE volume: (No of shares)	19.5 lakh
BSE code:	500096
NSE code:	DABUR
Free float: (No of shares)	59.8 cr

Shareholding (%)

Promoters	66.2
FII	20.1
DII	8.4
Others	5.3

Price chart

Price performance

(%)	1m	3m	6m	12m
Absolute	-3.2	-0.6	-4.6	-1.4
Relative to Sensex	-6.7	-2.1	-6.1	-12.3

Sharekhan Research, Bloomberg

Dabur India

Weak Q4; rural recovery will drive growth ahead

Consumer Goods		Sharekhan code: DABUR	
Reco/View: Buy	↔	CMP: **Rs. 531**	Price Target: **Rs. 605** ↓

↑ Upgrade ↔ Maintain ↓ Downgrade

Summary

- Dabur's Q4FY2023 numbers were weak with muted revenue growth of 6.4% y-o-y to Rs. 2,677.8 crore, OPM fell by 271 bps y-o-y to 15.3%; operating profit decreased by 10% y-o-y and PAT decreased by 18% y-o-y (due to higher interest costs).
- With rural demand expected to recover and healthcare business' growth likely to improve, Dabur's revenue growth is expected to recover to double digits with high single-digit volume growth in FY2024. The management expects OPM to be around 19-20%.
- Revenue and PAT would clock a 14% and 22% CAGR during FY2023-25 backed by sustained market share gains in core categories and expansion of distribution network. Beverages to be Rs. 500 crore business over the next five years.
- Stock has corrected by 13% from its 52-week high and trades at 44x/37x its FY2024E/25E EPS. We maintain a Buy on the stock with a reduced price target of Rs. 605.

Dabur India's (Dabur's) Q4FY2023 operating performance was weak with mid single-digit revenue growth and a decline in margins. Consolidated revenues grew by 6.4% y-o-y to Rs. 2,678 crore. Volumes grew by just 1% impacted by downtrading to low pack sizes in the domestic market. Raw material inflation at 9.2% and an unfavourable mix impacted margins with gross margin declining by 163 bps y-o-y to 45.8%. This coupled with higher other expenses (up 21% y-o-y) led to a 271 bps y-o-y decline in OPM to 15.3%. Operating profit declined by 9.6% y-o-y to Rs. 410 crore. Despite higher interest expenses and depreciation charges, adjusted PAT stood flat y-o-y at Rs. 293 crore, aided by higher other income and a lower tax incidence. For FY2023, revenue grew by 5.9% y-o-y to Rs. 11,530 crore, OPM contracted by 193 bps y-o-y to 18.8% and adjusted PAT declined by 7% y-o-y to Rs. 1,701 crore. The board has recommended a dividend of Rs. 2.7 per share for FY2023.

Key positives

- *Odonil* and Odomos' gained market share by 140 bps and ~210 bps, respectively.
- Market share for hair oils improved by ~130 bps to touch highest ever mark of 17%.
- Foods portfolio (excluding *Badshah*) grew by 22% y-o-y in Q4FY2023.
- E-commerce grew by 30% y-o-y in FY2023 and contributes 9% to revenue.

Key negatives

- MENA region witnessed an 11.7% y-o-y decline in revenues due to restructuring in the distribution business.
- Consolidated gross margin/OPM decreased by 163/2171 bps y-o-y.

Management Commentary

- Management expects Central, East and West regions to continue to do well for the company, while the company is seeing some pressure in the South region. The management has also guided that green shoots are visible in rural markets towards Q4-end and expects revival in rural demand going ahead.
- In terms of business-wise performance, the management targets high single to low double digit growth in the healthcare and HPC business in the coming years, while foods and beverages business is expected to double in the next 4-5 years.
- E-Commerce grew by 30% y-o-y in FY2023 and now contributes ~9% of sales. Modern trade reported double-digit growth during FY2023.
- Going ahead, the management targets to improve margins to 19-19.5% in FY2024 and further to 20% in the medium term. However, management indicated that the company's first focus would be to increase media spends from current 5-6% to 7-8% of sales.
- Company targets to balance its portfolio mix with food business targeted at 20% contribution, healthcare at 30%, and HPC at 50%. The company aims to achieve growth in the coming years driven by focus on increasing volume, improving penetration, and focus on its eight core brands to make them larger.

Revision in estimates – We lowered our earnings estimates for FY2024/FY2025 to factor in lower revenue growth and lower OPM than earlier expected. The company's performance would revive with an improvement in the rural demand.

Our Call

View – Maintain Buy with a reduced price target of Rs. 605: Dabur's Q4FY2023 performance was subdued with mid-single digit revenue growth, decline in margins and PAT remaining flat y-o-y. The management expects recovery in performance in the coming quarters with recovery in demand and further aided by strategies in place to drive growth. 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 led by a moderation in raw material inflation and cost-saving initiatives. The stock currently trades at 44x/37x its FY2024E/25E EPS. We maintain a Buy rating on the stock with a reduced price target of Rs. 605.

Key Risks

Heightened competition in key categories or a 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	FY22	FY23	FY24E	FY25E
Revenues	10,889	11,530	13,143	14,964
OPM (%)	20.7	18.8	20.3	21.1
Adjusted PAT	1,829	1,703	2,137	2,558
% YoY growth	7.9	-6.9	25.5	19.7
Adjusted EPS (Rs.)	10.3	9.6	12.0	14.4
P/E (x)	51.3	55.2	44.0	36.8
P/B (x)	11.2	10.5	9.5	8.3
EV/EBIDTA (x)	41.5	43.6	35.0	29.4
RoNW (%)	22.8	19.6	22.6	24.2
RoCE (%)	26.3	22.1	25.3	28.2

Source: Company; Sharekhan estimates

Stock Update

Result Update

Weak Q4 – Revenue growth at 6% y-o-y, OPM declined by 271 bps y-o-y

Consolidated revenues grew by 6.4% y-o-y to Rs. 2,678 crore in-line with our expectation of Rs. 2,667 crore and below average street expectation of Rs. 2,719 crore. Dabur's food business registered a strong growth of 45% y-o-y, while consumer care business stood flat y-o-y during the quarter. As anticipated, raw material inflation at 9.2% in Q4 led to gross margin declining by 163 bps y-o-y to 45.8%. Contraction in gross margin and higher other expenses (up by 21% y-o-y) led to 271 bps y-o-y decline in OPM to 15.3%, marginally below our expectation of 16% and average street expectation of 18%. Operating profit declined by 9.6% y-o-y to Rs. 410 crore. Despite higher interest and depreciation charges, adjusted PAT stood flat y-o-y at Rs. 293 crore, aided by higher other income and lower incidence of tax. PAT came in lower than our expectation of Rs. 339 crore and average street expectations of Rs. 390 crore. For FY2023, revenue grew by 5.9% y-o-y to Rs. 11,530 crore, OPM contracted by 193 bps y-o-y to 18.8% and adjusted PAT declined by 7% y-o-y to Rs. 1,701 crore. The board has recommended a dividend of Rs. 2.7 per share for FY2023, taking the total dividend for FY2023 at Rs. 5.2 per share.

India business grew by 6%; international business grew by 11% (constant currency) in FY2023

- **Healthcare (HC):** The HC business (contributing 31.7% to domestic revenues in FY2023) registered revenue of Rs. 2,581 crore in FY2023, down by 7% y-o-y. On a three-year CAGR basis, the segment reported a 9% growth. The health supplements portfolio declined by 12.4% y-o-y in FY2023 and 3.3% y-o-y in Q4FY2023 due to high base. Market share gains continued in Chyawanprash and Honey categories. The digestives portfolio saw 10.4% y-o-y growth in FY2023 on base of 12.6% growth in FY2022 driven by Hajmola and Pudin-Hara franchises. Three-year CAGR stood at 8.3%. For Q4FY2023, the digestives portfolio grew by 5.6% y-o-y. OTC and ethicals portfolios' revenues declined by 4.2% y-o-y (with three-year CAGR at 12.3%) in FY2023 and marginally fell by 0.4% y-o-y in Q4FY2023. OTC business recorded flattish performance in FY2023 on account of high covid base - Honitus & Shilajit portfolios posted strong double-digit three-year CAGRs, while Ethicals portfolio registered double-digit three-year CAGR.

- **Home and personal care (HPC):** The HPC business (that contributed 47.2% to domestic revenue in FY2023) grew by 5% y-o-y, reporting a revenue of Rs. 3,846 crore in FY2023. On a three-year CAGR basis, the segment grew by 9%. Within the HPC business, homecare portfolio grew by 23% y-o-y (12% on 3-year CAGR basis) in FY2023 and by 10.3% y-o-y in Q4FY2023 driven by robust double-digit growth in Odonil, Odomos and Sanifresh brands. Odonil saw its market share improving by 140 bps in the air freshener category. Odomos' market share increased by ~210 bps. The oral care portfolio grew by 5% y-o-y (12% on a three-year CAGR basis) in FY2023 led by 5.7% y-o-y growth in the toothpaste category driven by Dabur Red. Dabur has now become the No. 2 player in the dentifrice segment with the company's value market share in the category now at the highest-ever mark of 15.8% (volume market share at 17%). The hair oils portfolio grew by 1% y-o-y in FY2023 despite category decline of ~3%. Three-year CAGR stood at 6%. Market share for hair oils improved by ~130 bps to touch highest ever mark of 17%. Shampoos reported growth of 8% y-o-y and 15% on a three-year CAGR basis in FY2023 on a high base of 22% growth in FY2022 with market share gains of ~30 bps. The skincare portfolio grew by 4% (ex-Sanitize) y-o-y (1% on a three-year CAGR basis) in FY2023 and is back to pre-COVID levels. Management expects to see pick up in this portfolio in the coming quarters. The company saw market share increase of 30 bps in bleach creams.

- **Foods & Beverages (F&B):** The foods & beverages (F&B) segment (contributing 21.1% to domestic revenue in FY2023) reported y-o-y and three-year CAGR growth of 30% and 22%, respectively, with revenues coming in at Rs. 1,724 crore in FY2023. Beverages portfolio reported y-o-y growth of 30% in FY2023 with thee-year CAGR at 22%. Fruit drinks under Real Koolerz continued to do well and exiting the year at Rs. 200 crore. The company reported market share gains in juices and fruit drinks in FY2023. The foods portfolio (excluding Badshah) grew by 28% y-o-y and 20% on a three-year CAGR basis. Including Badshah, growth came in at ~34% in FY2023. The Hommade brand continued to perform well driven by innovation and portfolio expansion. Addition of Badshah Masala to foods portfolio is expected to add to the growth momentum of the category.

- **International business:** International business' revenues (contributing 25% to total sales in FY2023) grew by 11% y-o-y on CC terms. Revenues grew by 2.2% in rupee terms. The MENA region witnessed 11.7% y-o-y decline in revenues due to restructuring of the distribution business while Namaste region's revenue declined by 3.7% y-o-y. Other key geographies such as Turkey, Egypt, SAARC and Sub-Saharan Africa registered a y-o-y growth of 90%, 28.4%, 10.7% and 9.5%, respectively, in FY2023.

Key conference call highlights

- **Gradual recovery in demand: A**s per the management, Dabur is a north-salient organisation. The company witnessed slowdown in UP & Bihar (Central India) in Q3, however the company posted recovery in this region in Q4. Management expects Central region to do better q-o-q going ahead. As indicated by the management, both the East and West continue to do well for the company, while the company is witnessing some pressure in the South and is in the process of correcting the same. The management has also guided that green shoots are visible in the rural markets towards Q4-end and expects revival in rural demand going ahead.
- **HPC growth expected in high-single to low-double digit:** According to the management, Dabur's growth of 5% in FY2023 is better than industry decline of 4%. Shampoo MS has improved from 3-4% to ~7% in a span of 2-3 years. Odonil MS is at 33%. In the oral care category, Dabur's penetration has gone up from 45% to 50% over the past 2-3 years and the company continues to gain share from market leader. The management indicated that the company is looking at extension of Dabur Red. Margins in oral care have gone up as the company has passed on the price increases to the customers. The management expects high-single to low-double digit growth in the HPC business in FY2024 with margin expansion. As per the management, penetration has gone up due to higher sale of Lower Unit Packs (LUPs).
- **Healthcare to grow in high-single to low-double digits:** Healthcare business is normalising on a high base of previous periods. In the health supplements vertical, company expects to see good growth going ahead as the Omicron base has passed. The company has announced a new vertical of Dabur Therapeutics division, which is a 440-member team where they will be reaching out to various doctors. The team will focus on reaching allopathic doctors and has been given a target of Rs. 200 crore in the key metros. Baby care will be one of the font-runner portfolios with an aim to increase revenue from Rs. 20 crore to Rs. 50 crore in FY2024. The management targets high-single to low double-digit growth in healthcare business in FY2024.
- **F&B portfolio size to double in next 4-5 years:** As per the management, foods portfolio is targeted to reach Rs. 500 in FY2024 and Rs. 1,000 crore in next 5 years. Beverages portfolio which is currently at Rs. 200 crore is expected to reach Rs. 500 crore in the next 5 years. The total F&B vertical in the next five years should be around Rs. 4,000-5,000 crore. For the Badshah portfolio, Dabur plans to focus on Gujarat, Maharashtra and AP before extending the band to pan-India. The management indicated that there is pressure on gross margins of Badshah business due to inflation in spices. However, the company has taken price increases and grammage reductions to mitigate the dame. The management expects 20% growth in Badshah in FY2024.
- **Direct distribution reach at 1.4 million outlets:** Direct reach at 1.4 mn outlets (15-20%) out of total reach of 7.7 mn outlets. The company is planning to create separate distribution for each category. Village coverage was further increased to 1 lakh villages during the year.
- **E-Commerce and Modern trade channels reported strong growth:** E-commerce grew by 30% y-o-y in FY2023 and now contributes ~9% of sales. Modern trade reported double-digit growth during FY2023.
- **International business performance hit due to MENA region:** MENA region reported decline in revenue due to changes in distribution. International margins also fell due to unfavourable mix.
- **Margins to improve in coming years:** As per the management, raw material inflation stood at 6-6.5% for the company and the company took an equal price increases. Thus, product level margins are maintained. In terms of OPM, the management has guided that unfavourable mix led to decline in the margins as contribution from healthcare, which is high margin business was lower but contribution from foods, which is low margin business is higher. Going ahead, management targets to improve margins to 19-19.5% in FY2024 and further to 20% in the medium term. However, management indicated that the company's first focus would be to increase media spends from current 5-6% to 7-8% of sales.

- **Other expenses higher in Q4 due to multiple reasons:** As per the management, other expenses were higher in Q4 due to Rs. 20-25 crore one-off in other expenses related to foreign exchange, Rs. 10 crore towards CSR and some costs related to distribution restructuring in international business (MENA market), etc. As indicated by the management, variable expenses are 50-60% of the total expenses and the management is planning to rationalise the fixed expenses going ahead which will help to improve the margins.
- **Growth drivers in place:** The company plans to focus on increasing volume, improving penetration, and focus on eight core brands to make them larger. The company targets to balance its portfolio mix with food business targeted at 20% contribution, healthcare at 30%, and HPC at 50%.

Results (Consolidated) Rs cr

Particulars	Q4FY23	Q4FY22	y-o-y (%)	Q3FY23	q-o-q (%)
Total Revenue	**2,677.8**	**2,517.8**	**6.4**	**3,043.2**	**-12.0**
Materials	1,451.0	1,323.3	9.7	1,658.2	-12.5
Employee cost	288.7	279.1	3.5	290.8	-0.7
Ad Promotions	151.6	150.3	0.9	179.6	-15.6
Other expenditure	376.6	311.6	20.9	304.7	23.6
Total Expenditure	2,268.0	2,064.2	9.9	2,433.3	-6.8
Operating Profit	**409.8**	**453.6**	**-9.6**	**609.9**	**-32.8**
Other Income	120.7	99.1	21.8	100.8	19.7
Interest Expenses	32.1	11.8	-	18.9	69.9
Depreciation	102.0	65.1	56.8	70.9	43.9
Profit Before Tax	396.4	475.9	-16.7	620.9	-36.2
Tax	103.5	117.5	-11.9	143.5	-27.9
Adjusted PAT	**293.0**	**358.4**	**-18.3**	**477.4**	**-38.6**
Extra-ordinary gain / loss	0.0	-62.9	-	0.0	-
Minority interest	0.2	1.2	-84.2	0.8	-75.0
Reported PAT	**292.8**	**294.3**	**-0.5**	**476.7**	**-38.6**
Adjusted EPS (Rs.)	1.7	2.0	-18.4	2.7	-38.6
			bps		**bps**
GPM (%)	45.8	47.4	-163	45.5	30
OPM (%)	15.3	18.0	-271	20.0	-474
NPM (%)	10.9	14.2	-330	15.7	-475
Tax rate (%)	26.1	24.7	142	23.1	299

Source: Company, Sharekhan Research

Segment-wise revenue Rs cr

Particulars	Q4FY23	Q4FY22	y-o-y (%)	Q3FY23	q-o-q (%)
Consumer care	2,096.7	2,095.2	0.1	2,618.0	-19.9
Foods	521.2	359.9	44.8	352.5	47.9
Retail	27.5	22.3	23.5	31.6	-13.1
Other segments	23.4	30.7	-23.8	31.4	-25.6
Unallocated other operating revenue	9.1	9.8	-7.2	9.6	-5.3
Total	**2,677.8**	**2,517.8**	**6.4**	**3,043.2**	**-12.0**

Source: Company, Sharekhan Research

Segment-wise EBIT margins in %

Particulars	Q4FY23	Q4FY22	y-o-y (bps)	Q3FY23	q-o-q (bps)
Consumer care	18.5	21.4	-291	23.3	-477
Foods	13.6	14.0	-38	14.0	-39
Retail	-4.2	0.9	-512	1.5	-568
Other segments	13.2	6.0	725	12.9	36

Source: Company, Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Rural recovery key for revival in volume growth

Rural demand recovery is key for consumer goods companies to post recovery in volume growth in the quarters ahead. A normal monsoon, well spread across the country, and government support (especially prior to elections) might help rural demand gradually pick up. In terms of categories, out-of-home, packaged foods, and edible oil categories are likely to maintain good momentum in the coming quarters. With mercury expected to rise in most parts of the country, demand for summer products is increasing as trade channels are building up the inventory prior to the season. On the margin front, stable raw-material prices after the recent correction in some of the key inputs (including crude oil and vegetable oils) will help margins consistently improve in the coming quarters. Low penetration in key categories (especially in rural India), lower per capita consumption compared with other countries, a large shift to branded products, and the emergence of new channels such as e-Commerce/D2C provide several opportunities for achieving sustainable growth in the medium to long run.

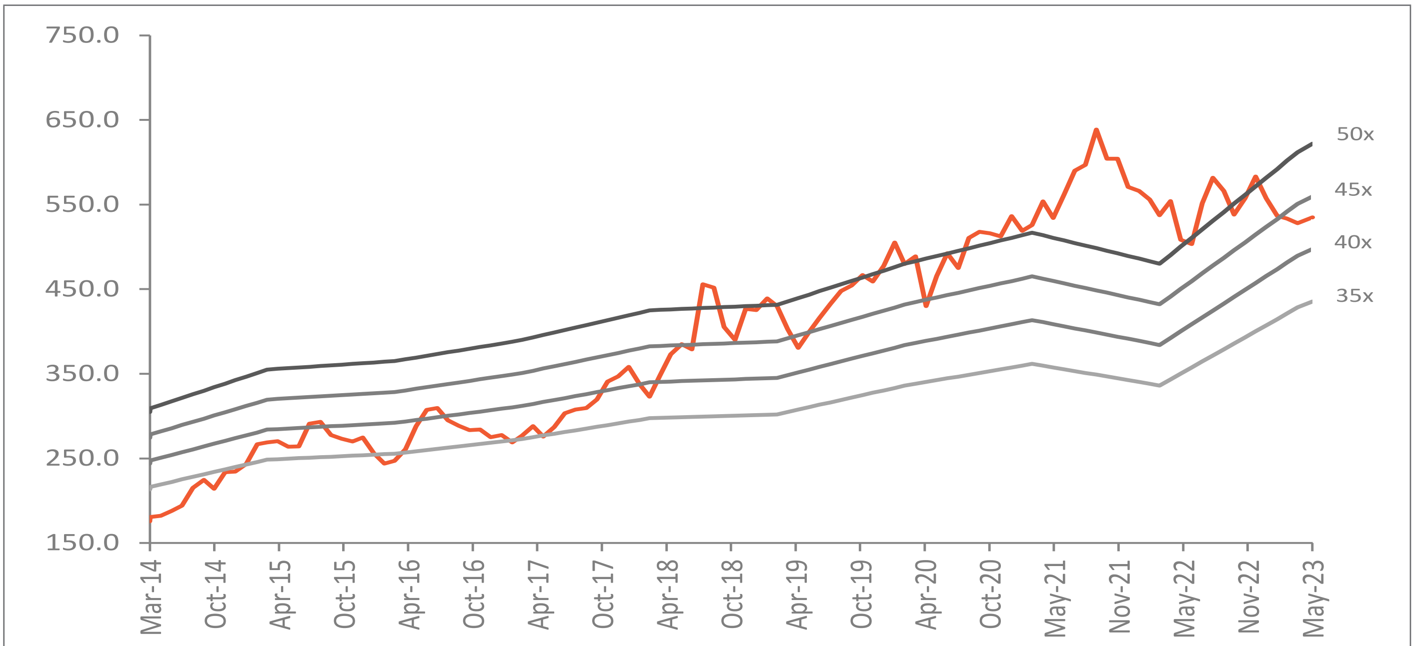
■ Company Outlook – Medium-term growth driven by product launches, distribution expansion

FY2023 performance was subdued as revenues growing in single digits by 6% y-o-y while adjusted PAT decreased by 7% y-o-y. We expect 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, healthcare and home and personal care are expected to achieve high single-digit to low double digit growth, and food and beverages business is expected double in the next 4-5 years. Revenue and PAT are expected to grow at 16% and 22% CAGR during FY2023-25E.

■ Valuation – Maintain Buy with reduced PT of Rs. 605

Dabur's Q4FY2023 performance was subdued with mid-single digit revenue growth, decline in margins and PAT remaining flat y-o-y. The management expects recovery in performance in the coming quarters with recovery in demand and further aided by strategies in place to drive growth. 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 led by a moderation in raw material inflation and cost-saving initiatives. The stock currently trades at 44x/37x its FY2024E/25E EPS. We maintain a Buy rating on the stock with a reduced price target of Rs. 605.

One-year forward P/E (x) band



Source: Sharekhan Research

Peer Comparison

Companies	P/E (x)			EV/EBITDA (x)			RoCE (%)		
	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
Marico	46.1	38.4	33.7	33.1	28.3	24.4	46.4	52.7	52.1
Hindustan Unilever	58.7	54.1	46.3	42.8	38.0	32.5	25.8	28.0	31.7
Dabur India	55.2	44.0	36.8	43.6	35.0	29.4	22.1	25.3	28.2

Source: Company; Sharekhan Research

About the company

Dabur is one of India's leading FMCG companies with revenue of over Rs. 11,500 crore (FY2023). 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

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

Source: Company

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	First States Investments ICVC	1.8
2	Life Insurance Corp India	1.6
3	Blackrock Inc	1.6
4	MB Finmart Pvt Ltd	1.5
5	Vanguard Group Inc	1.3
6	Capital Group Inc	1.1
7	Matthews International Capital Management	0.7
8	Alliance Bernstein LP	0.7
9	BNP Paribas SA	0.6
10	Mirae Asset Global Investments	0.6

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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by BNP PARIBAS

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Registration and Contact Details: Name of Research Analyst - Sharekhan Limited, Research Analyst Regn No.: INH000006183. (CIN): - U99999MH1995PLC087498. Registered Office: The Ruby, 18th Floor, 29 Senapati Bapat Marg, Dadar (West), Mumbai – 400 028, Maharashtra, INDIA. Tel: 022-6115000.

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