



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

26.88

Medium Risk

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

Source: Morningstar

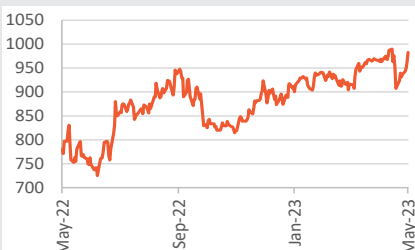
Company details

Market cap:	Rs. 1,00,485 cr
52-week high/low:	Rs. 994 / 709
NSE volume: (No of shares)	11.0 lakh
BSE code:	532424
NSE code:	GODREJCP
Free float: (No of shares)	37.6 cr

Shareholding (%)

Promoters	63.2
FII	24.1
DII	7.1
Others	5.6

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	1.9	4.5	19.8	25.8
Relative to Sensex	-1.0	2.5	17.7	11.4

Sharekhan Research, Bloomberg

Godrej Consumer Products Ltd

Strong Q4; good earnings visibility for FY2024

Consumer Goods

Sharekhan code: GODREJCP

Reco/View: Buy



Upgrade



Maintain



Downgrade

CMP: Rs. 983

Price Target: Rs. 1,150



Summary

- Godrej Consumer Products Limited's (GCPL) Q4FY2023 performance was ahead of our expectations on account of better-than-expected OPM. Consolidated revenue grew by ~10% y-o-y (driven by 6% volume growth); OPM improved by 284 bps y-o-y to 20.8% (vs. street's estimates of ~19%); adjusted PAT grew by 29% y-o-y.
- The domestic HI category's volumes recovered to double digits, with 14% growth; good recovery was seen in Indonesia business, with 8% growth and OPM at 20%; Africa business saw one-off quarter.
- GCPL's strategy is to invest high in India business and simplify the international business. FY2024 revenue growth will be in double digits, driven by high single-digit volume growth, while EBITDA is likely to grow in high teens (on a conservative basis).
- We retain our Buy rating on the stock with a revised PT of Rs. 1,150. The stock is currently trading at 44x/38x its FY24E/25E EPS, making it a good pick in the consumer goods space.

GCPL's Q4FY2023 performance was ahead of our as well as street's expectation on account of higher-than-expected OPM, which came at 20.8% vs. street's expectation of ~19%. Key highlight of Q4 performance was strong recovery in the domestic household insecticides (HI) business, with the homecare business registering 14% value growth (led by 12% volume growth) and Indonesia business registering 8% growth after several quarters of lull performance. The company's consolidated revenue grew by 10% y-o-y to Rs. 3,200.8 crore, with volume growth at 6% (India business volume growth was 11% y-o-y). India, Africa, and Indonesia businesses grew by 12%, 6%, and 8% y-o-y, respectively, while Latin America business decreased by 3% y-o-y. Correction in palm oil prices and reduction in packaging cost led to a 343-bps and 284-bps y-o-y improvement in gross margin and OPM to 52.9% and 20.8%, respectively. Adjusted PAT grew by 28.7% y-o-y to Rs. 468.5 crore. For FY2023, consolidated revenue grew by 8% to Rs. 13,316 crore, OPM decreased by 120 bps y-o-y to 18.3%, and adjusted PAT declined by 3% y-o-y to Rs. 1,702.5 crore. FY2024 is expected to be much better with double-digit revenue growth, driven by high single-digit volume growth and OPM at ~20%, aiding PAT to grow in double digits.

Key positives

- Domestic volume growth stood at 11% and consolidated volume growth came in at 6%.
- Gross margin/OPM improved by 343 bps/284 bps y-o-y, aided by correction in input costs.
- HI continued its growth trajectory, registering growth in teens.
- Improvement in Indonesia business with 8% y-o-y growth (ex-hygiene growth at 11%).
- Cash flow from operations was strong in FY2023 at Rs. 2,150 crore.

Key negatives

- Double-digit sales growth momentum in AUM region impacted by Nigeria.
- Latin America and SAARC business revenue declined by 3% y-o-y and EBITDA margin was down 260 bps y-o-y to 8.4%.

Management Commentary

- Management has highlighted that the company is planning to make investments in India business for category development and simplify the international business.
- GCPL has laid down various tools to drive category development, including 1). Driving relevance, 2). Investing in brands, 3). Creating access, 4). Improving distribution, and 5). Sampling and wall paintings.
- For the simplification of the international business, the company has moved to a two-tier distribution structure from the earlier three-tier structure in Indonesia, plans to shift to a distributor model, has partnered with a national distributor in Nigeria for AUM region, and plans to consolidate manufacturing in Nigeria for a part of the US business.
- Aided by the various initiatives undertaken, the company made savings of 150-bps in controllable costs in FY2023. Management has stated that a large part of the savings is sustainable in the coming quarters.
- The company plans to focus on premiumisation in the HI category. Management has guided that HI is expected to deliver better performance in FY2024 vs. FY2023.
- The company aims to continue its volume-led growth momentum and targets high single-digit volume growth and high teens EBITDA growth in FY2024. The company also plans to scale up HI in India and expects a recovery in Indonesia business in FY2024. GCPL expects gross margins to return to normative levels in FY2024. The company aims to be net cash positive by September 2023 and give back a certain share of profits to shareholders in the latter part of FY2024.

Revision in estimates – We have fine-tuned our earnings estimates for FY2024/FY2025 to factor in better-than-expected operating margins in Q4FY2023. Indonesia business and the domestic HI business continue to witness sequential improvement in performance, which augurs well for the company in the coming years.

Our Call

View – Maintain Buy with a revised PT of Rs. 1,150: GCPL registered good all-round recovery in performance in Q4FY2023, with key businesses such as the domestic HI and Indonesia business registering sequential improvement in their performance. With strategies in place, management is confident of posting a gradual recovery in sales in the coming quarters and targets to achieve double-digit growth over the next two to three years (largely driven by improved sales volume). The company targets consistent improvement in OPM through premiumisation and operating efficiencies in the medium to long run. The stock is currently trading at attractive valuations of 44.1x/37.7x its FY2024E/FY2025E earnings. We maintain our Buy recommendation on the stock with a revised price target (PT) of Rs. 1,150.

Key Risks

Sustained demand slowdown in key markets or inflation in raw-material prices would act as a key risk to our earnings estimates in the medium to long term.

Valuation (Consolidated)

Particulars	FY21	FY22	FY23	FY24E	FY25E
Revenue	11,029	12,277	13,316	15,088	16,944
OPM (%)	22.2	20.3	19.1	20.1	20.8
Adjusted PAT	1,765	1,793	1,743	2,275	2,663
Adjusted EPS (Rs.)	17.3	17.5	17.0	22.2	26.0
P/E (x)	56.9	56.0	57.6	44.1	37.7
P/B (x)	10.6	8.7	7.3	6.6	5.9
EV/EBITDA (x)	41.8	40.9	39.1	33.0	28.0
RoNW (%)	20.4	17.1	13.7	15.7	16.5
RoCE (%)	18.3	17.3	15.2	17.0	18.2

Source: Company; Sharekhan estimates

Strong Q4 – Volume-led revenue growth at 10% y-o-y; OPM expanded by 284 bps y-o-y

GCPL's consolidated revenue grew by 10% y-o-y to Rs. 3,200 crore against our expectation of Rs. 3,263 crore and street's average expectation of Rs. 3,210 crore. Volumes grew by 6% y-o-y (India business volume growth was 11% y-o-y). India, Africa, and Indonesia businesses grew by 12%, 6%, and 8% y-o-y, respectively, while Latin America business declined by 3% y-o-y. In India business, the home care segment grew by 14% y-o-y, while the personal care segment grew by 17% y-o-y, largely led by double-digit volume growth. Correction in palm oil prices and reduction in packaging cost led to a 343bps and 284bps y-o-y improvement in gross margins and OPM to 52.9% and 20.8%, respectively. OPM was better than our and average street's expectation of 19.1-19.3%. OPM of India business improved by 300 bps y-o-y and Indonesia business stood flat. Operating profit increased by 27.2% y-o-y to Rs. 664.8 crore. Adjusted PAT grew by 28.7% y-o-y to Rs. 468.5 crore, ahead of our and average street expectation of Rs. 421-413 crore. For FY2023, revenue grew by 8.4% y-o-y to Rs. 13,316 crore, while adjusted PAT declined by 2.8% y-o-y to Rs. 1,743 crore. Reported PAT stood at Rs. 1,703 crore. OPM declined by 123 bps y-o-y to 19.1%.

India business delivered double-digit revenue growth with a sharp improvement in margin

India business reported volume growth of 11% y-o-y and price-led growth of 1% y-o-y in Q4FY2023, resulting in revenue growth of 12% y-o-y to Rs. 1,789 crore. Growth was broad-based with double-digit growth in both home care and personal care categories. EBITDA margin improved by 300 bps y-o-y to 26.6%, aided by gross margin expansion of 550 bps y-o-y, which was partially mitigated by a 51% y-o-y rise in working media investment. India business's adjusted net profit grew by 17% y-o-y in Q4FY2023. Management has indicated that with easing commodity pressures, GCPL expects to build on the current momentum and deliver volume-led growth, driven by upfront marketing investments and improvement in profitability.

Personal care growth at 17% y-o-y

The personal care segment grew by 17% y-o-y to Rs. 872 crore, driven by double-digit growth in personal wash and hair colour. Personal wash delivered double-digit growth in Q4FY2023, led by healthy volume growth coupled with market share gains. Magic Handwash delivered double-digit volume growth in Q4FY2023. Hair Colour continued to consistently deliver strong double-digit growth, led by robust performance across formats. GCPL launched an access pack of Godrej Selfie Shampoo Hair Colour at Rs. 15, predominantly in the South market.

Home care grew by 14% y-o-y

The home care segment's revenue grew by 14% y-o-y to Rs. 826 crore, driven by double-digit growth in both HI and air fresheners. HI continued to improve its growth trajectory, registering growth in teens. Performance was broad-based, with both the mosquito and non-mosquito portfolios growing in double digits. GCPL is scaling up the distribution of access packs of Goodknight Liquid Vaporizer and HIT No-gas Spray. The company continues to drive category adoption and penetration for long-term sustainable growth. Air Fresheners continued to consistently deliver strong double-digit growth, led by robust growth in both Aer Pocket and Aer Matic. Aer continues to gain share and enjoy market leadership. GCPL continued to drive category development and relevance-building initiatives during the quarter.

India business performance

Category	Sales (Rs. crore)	y-o-y growth
Homecare	826	14%
Personal Care	872	17%
Unbranded and Exports	91	-33%
Total Net Sales	1,789	12%
Branded Volume Growth	-	11%

Source: Company, Sharekhan Research

Mixed bag show across regions:

Indonesia business reported improved performance, registering 5% y-o-y CC growth

Indonesia business reported improvement in core business performance in Q4FY2023, with y-o-y CC revenue growth of 5% (8% y-o-y growth in rupee terms) to Rs. 434 crore. Sales, excluding hygiene (Saniter), registered an 11% y-o-y CC growth. Indonesia business's EBITDA margins came in at 21.5% and remained flat y-o-y. The company completed the transition to a distributor model during FY2023.

Africa, US, and Middle East (AUM) businesses grew by 8% y-o-y (CC terms)

AUM business delivered 8% CC y-o-y growth (6% y-o-y growth in rupee terms) to Rs. 770 crore. GCPL's double-digit sales growth momentum in AUM business was impacted by elections and demonetisation in Nigeria. However, management has indicated that the business recovered in March 2023. The company continued to deliver double-digit sales growth in the FMCG category. EBITDA margins for the AUM business expanded by 860 bps y-o-y to 10% due to a lower base.

Latin America and SAARC y-o-y revenue growth at 64% (CC terms)

Latin America and SAARC regions posted 64% y-o-y CC revenue growth to Rs. 203 crore, while revenue declined by 3% y-o-y in rupee terms due to adverse currency movement. EBITDA margin for the region declined by 260 bps y-o-y to 8.4% in Q4FY2023.

International business performance

Particulars	Q4FY23	Q4FY22	y-o-y (%)	Q3FY23	q-o-q (%)
Revenue (Rs. crore)					
Indonesia	434	401	8.2	433	0.2
AUM	770	723	6.5	1006	-23.5
Latin America and SAARC	203	210	-3.3	181	12.2
EBITDA Margins (%)			bps		bps
Indonesia	21.5	21.6	-6	20.1	144
AUM	10.4	1.8	860	13.0	-260
Latin America and SAARC	8.4	11.1	-270	5.0	340

Source: Company, Sharekhan Research

GCPL's acquisition of Raymond Consumer Care Limited (RCCL) business

GCPL acquired Raymond Consumer Care Limited's (RCCL's) FMCG business along with the trademarks of Park Avenue (for the FMCG category), KS, KamaSutra and Premium, through slump sale. The acquisition will help GCPL to expand its product portfolio in the under-penetrated categories such as male grooming and sexual wellness, which are expected to achieve strong growth in the coming years. RCCL's revenue posted a 23% CAGR over FY2021-FY2023 to Rs. 622 crore. GCPL acquired RCCL's FMCG business at Rs. 2,825 crore (including Rs. 100 crore cash on books of RCCL), valuing it at 4.5x its FY2023 revenue. GCPL will be funding the acquisition through short-term borrowings. The company expects the acquisition to be earnings dilutive in FY2024 (to be around low single digit) and it will be earnings neutral by FY2025 with improved profitability.

Analyst meet key highlights

- ♦ **Focus on investing in India business and simplifying the international business:** Management has highlighted that the company is planning to make investments in India business and simplify the international business. The company has laid down a strategy for category development in its existing portfolio, funded by simplification of the international business with people and planet alongside profit to achieve double-digit growth in the coming years.
 - **Category development initiatives for growing the existing portfolio:** GCPL has laid down various tools to drive category development, including 1. Driving relevance (as a result, the air care category has witnessed a sharp improvement in market share), 2. Investing in brands (the company's share of voice (SOV) has increased by 1,400 bps during FY2021-FY2023), 3. Creating access (the company has come out with innovations in HI such as low-priced liquid vaporiser and anti-mosquito spray solution, which will help to improve penetration), 4. Improving distribution (improved FMCG direct coverage in Africa in FY2023, with 1.8x y-o-y increase in Nigeria and 2x y-o-y increase in Kenya), and 5. Sampling and wall paintings (GCPL conducted sampling across 3 million households in India in FY2023. In FY24, the company plans to sample 3 million households in Indonesia and 6 million households in India). In terms of capabilities for market development, the company is planning to centralise certain functions such as R&D and is setting up Godrej International, which would be a dedicated team to scale up global exports.
 - **Simplification of the international business:** The company is working towards simplification of the international business on various fronts – it plans to simplify the distribution and supply chain in various countries and is working on cost reduction and reducing SKUs in the international market. In order to simplify sales and distribution in the Indonesia business, the company has moved to a two-tier distribution structure from the earlier three-tier structure in four months. In the AUM region, the company plans to shift to its distributor model and has partnered with a national distributor in Nigeria. Management believes this will aid in growth and is expected to be margin accretive in a year's time. Further, the company plans to consolidate manufacturing in Nigeria for a part of its US business, which will help in lowering manufacturing cost and aid in higher USD availability in Nigeria due to reduced forex expenses.
 - **People and planet alongside profit:** Management believes if the company is working on the right input metrics, it can achieve the desired output. Accordingly, the company has three input metrics in place including – achieving volume growth, which will help in achieving overall sales growth, improving EBITDA + media, which will help in EBITDA growth, and reduction in working capital, which will help in improving cash flow from operations.
- ♦ **Aims to reduce controllable cost:** Management has indicated that controllable costs (selling and distribution cost, employee cost, and general and administration cost) constitute ~33% of turnover. GCPL is constantly working towards reducing the controllable costs through various initiatives undertaken by the company, including simplification of

supply chain, simplification of sales and distribution, reduction in non-working ATL, and overheads. As a result, the company made savings of 150 bps in controllable costs in FY2023. Management has stated that a large part of the savings is sustainable in the coming quarters.

- ♦ **Domestic HI business to perform better in FY2024:** Management has indicated that the HI category's growth in Q4 can be partly attributed to favourable seasonality vs, last year, small impact of LUPs introduced in Q3, and as media and sampling investments have paid off. The company plans to focus on premiumisation in the HI category. In the non-mosquito portfolio, the company is working on cockroaches by undertaking market development through creating awareness about gastrointestinal diseases caused by cockroaches. Management has guided that HI is expected to deliver better performance in FY2024 vs. FY2023.
- ♦ **Strategies in place to grow the Indonesia business:** Management has stated that after India business, the company's next focus is Indonesia business and it expects to see good growth in the Indonesia business. The company is planning to build distributor capabilities and market-development capabilities in Indonesia. Further, GCPL's increase in direct reach and coverage and the company's go-to-market strategy are likely to give multiplier growth in the region
- ♦ **Latin America business margins to improve:** As per management, margins of the LatAm business were impacted by commodity tailwinds. However, with simplification initiatives in place, the company expects to benefit from synergies and reduction in controllable costs, which will help to improve margins in the quarters ahead.
- ♦ **National distributor to drive growth in Africa business:** The company plans to leverage the national distributor's reach and grow outlets by ~2x. Further, increased warehouse footprint will help the company to reduce the lead times by ~4x. Moreover, a larger presence of the national distributor would help in better working capital management.
- ♦ **Strategies in place for FY2024 and beyond:** The company aims to continue its volume-led growth momentum and targets high single-digit volume growth and high teens EBITDA growth in FY2024. Management has indicated that it expects to see a price decline in India business, while in international growth, there is a possibility of price growth. The company would continue its momentum of growing FMCG in Africa and air fresheners and hair colours in India. The company also plans to scale up HI in India and expects recovery in Indonesia business in FY2024. GCPL expects gross margins to return to normative levels in FY2024. The company targets CFO growth higher than EBITDA growth and aims to be net cash positive by September 2023 and give back a certain share of profits to shareholders in the latter part of FY2024. Management also indicated that the company is not looking for any more acquisitions in FY2024 and would focus on growing the RCCL's business and targets 20%+ overall growth in that business.

Results (Consolidated)

	Rs cr				
Particular	Q4FY23	Q4FY22	y-o-y (%)	Q3FY23	q-o-q (%)
Total revenue	3,200.2	2,915.8	9.8	3,598.9	-11.1
Raw material cost	1,507.4	1,473.4	2.3	1,758.1	-14.3
Employee cost	300.8	273.3	10.1	291.7	3.1
Advertisement & Publicity	224.5	185.1	21.3	275.8	-18.6
Other expenses	502.7	461.3	9.0	505.8	-0.6
Total operating expenses	2,535.4	2,393.0	5.9	2,831.4	-10.5
Operating profit	664.8	522.8	27.2	767.5	-13.4
Other income	57.9	23.8	-	43.2	34.2
Forex gain / (loss)	-23.9	-34.9	-31.3	-40.9	-41.4
Interest expense	52.5	32.8	60.0	39.9	31.5
Depreciation	68.6	54.0	27.0	57.3	19.7
Profit before tax	577.7	424.9	36.0	672.5	-14.1
Tax	109.1	60.9	79.2	119.6	-8.7
Adjusted PAT (before MI)	468.5	364.0	28.7	553.0	-15.3
Minority interest (MI)	-0.4	0.1	-	-0.3	60.0
Extraordinary item	-16.4	-0.8	-	-6.5	-
Reported PAT	451.7	363.3	24.3	546.2	-17.3
EPS (Rs.)	4.6	3.6	28.8	5.4	-15.2
			bps		bps
GPM (%)	52.9	49.5	343	51.1	175
OPM (%)	20.8	17.9	284	21.3	-55
NPM (%)	14.6	12.5	216	15.4	-72
Tax rate (%)	18.9	14.3	456	17.8	111

Source: Company, Sharekhan Research

Outlook and Valuation

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

India's FMCG industry has registered value growth of 10.2% in Q4FY2023, driven by 3.1% volume growth. Volume growth recovered to a positive trajectory after six quarters of negative growth. Sustained improvement in rural demand 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 to gradually pick up. On the margin front, stable raw-material prices post the recent correction in some of the key inputs (including crude oil and vegetable oils) will help margins consistently improve in the coming quarters. Reduced 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.

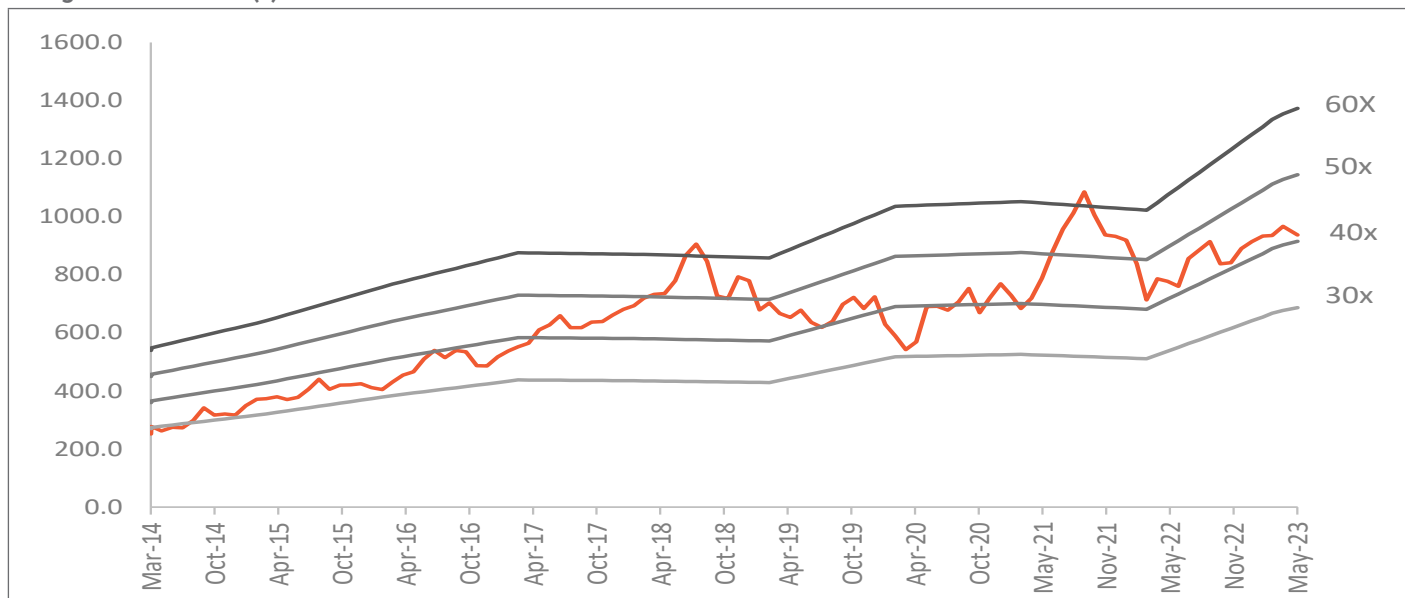
■ Company Outlook – Change in leadership likely to drive consistent growth in the long run

GCPL posted muted performance in FY2023, with consolidated revenue growing by 8%, while OPM declined by 110 bps y-o-y to 19.1%. Under the new leadership of Sudhir Sitapati, the company will focus on achieving consistent double-digit revenue growth in the medium term. Improved penetration of HI in rural markets, sustained double-digit growth in Africa business, and recovery in Indonesia business are key medium-term revenue growth drivers for the company. Management expects double-digit growth in FY2024, largely driven by volume-led growth. The decline in key input prices (including palm oil and packaging material) would help in margin improvement in Q4. The company will pass on some benefits to consumers to improve sales volume. Management expects to maintain OPM on a y-o-y basis at around 20%. Management targets OPM to remain at 20-22% in the medium term.

■ Valuation – Maintain Buy with a revised PT of Rs. 1,150

GCPL registered good all-round recovery in performance in Q4FY2023, with key businesses such as the domestic HI and Indonesia business registering sequential improvement in their performance. With strategies in place, management is confident of posting a gradual recovery in sales in the coming quarters and targets to achieve double-digit growth over the next two to three years (largely driven by improved sales volume). The company targets consistent improvement in OPM through premiumisation and operating efficiencies in the medium to long run. The stock is currently trading at attractive valuations of 44.1x/37.7x its FY2024E/FY2025E earnings. We maintain our Buy recommendation on the stock with a revised PT of Rs. 1,150.

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
Hindustan Unilever	60.8	55.9	47.9	44.3	39.3	33.6	25.8	28.0	31.7
Dabur India	54.2	43.2	36.1	42.8	34.4	28.9	22.1	25.3	28.2
Godrej Consumer Products	57.6	44.1	37.7	39.1	33.0	28.0	15.2	17.0	18.2

Source: Company; Sharekhan Research

About the company

GCPL is a leading emerging market company with a turnover of more than Rs. 13,000 crore. The group enjoys the patronage of 1.15 billion consumers globally across businesses. GCPL is present in key product categories such as soaps, hair colour, and HI. The company's power brands include Godrej No. 1 soap, Godrej expert range of hair colours, and Good Knight. GCPL operates internationally in Indonesia, Latin America, and AUM (Africa, US, and Middle East) regions.

Investment theme

GCPL has a '3 by 3' approach to international expansion by building its presence in '3' emerging markets (Asia, Africa, and Latin America) across '3' categories (home care, personal wash, and hair care products). The company has a leadership position in most categories in the domestic and international markets. Under the new leadership, the immediate focus of the company is to fill the gaps to achieve sustainable double-digit revenue growth in the medium term. Increased penetration, cross-pollination, simplifying business in key markets, and increased distribution are some of the key growth drivers in the medium term. Premiumisation, better revenue mix, and operating efficiencies would drive margins in the long run.

Key Risks

- ◆ Currency fluctuation in key international markets, including Africa and Indonesia, will affect earnings performance.
- ◆ Increased prices of key raw materials such as palm oil would affect profitability and earnings growth.
- ◆ Increased competition in highly penetrated categories such as soaps would threaten revenue growth or any competition from illegal entrants in the HI category would affect its performance.

Additional Data

Key management personnel

Adi Godrej	Chairman, Godrej Group
Nisaba Godrej	Chairperson
Sudhir Sitapati	Managing Director and CEO
Sameer Shah	Chief Financial Officer
Rahul Botadara	Company Secretary and Compliance Officer

Source: Company

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	First State Investments ICVC	2.9
2	BlackRock Inc.	1.8
3	Vanguard Group Inc.	1.4
4	Temasek Holdings Pte Ltd.	1.3
5	Republic of Singapore	1.1
6	Capital Group Cos	1.1
7	EuroPacific Growth Fund	1.0
8	Mitsubishi UFJ Financial Group Inc.	0.8
9	Norges Bank	0.7
10	Kotak Mahindra AMC	0.7

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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