



## 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	✓	↔	✓

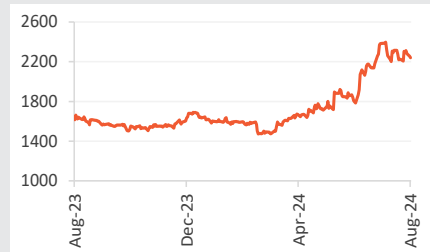
## Company details

Market cap:	Rs. 14,411 cr
52-week high/low:	Rs. 2,484 / 1,442
NSE volume: (No of shares)	0.5 lakh
BSE code:	531335
NSE code:	ZYDUSWELL
Free float: (No of shares)	1.9 cr

## Shareholding (%)

Promoters	69.6
FII	3.9
DII	19.4
Others	7.1

## Price chart



## Price performance

(%)	1m	3m	6m	12m
Absolute	-6.0	28.6	40.7	38.8
Relative to Sensex	-6.4	20.3	28.9	12.9

Sharekhan Research, Bloomberg

## Zydus Wellness Ltd

## Focused strategies to drive double-digit growth

## Consumer Goods

## Sharekhan code: ZYDUSWELL

## Reco/View: Buy



Upgrade



Maintain

CMP: Rs. 2,265

Price Target: Rs. 3,000



Downgrade

## Summary

- We maintain a Buy on Zydus Wellness Limited (ZWL) with an unchanged PT of Rs. 3,000. Stock has run up by 32% since our upgrade to Buy on May 14, 2024 and currently trades at 37x/29x its FY2025E/FY2026E EPS, respectively.
- Subdued demand, seasonal vagaries, and category-specific issues led to muted revenue growth in FY2024. However, ZWL maintained its leadership position in most categories it operates in. Strong summers led to a stellar performance in Q1FY2025.
- Cash flow generation stayed strong, with FCF at Rs. 218 crore (FCF/EBITDA of 71%); Return ratios have bottomed out at ~5% and are expected to see improvement going ahead.
- We expect ZWL to deliver a revenue/PAT CAGR of 14%/34%, respectively over FY2024-FY2026E driven by distribution expansion, innovation, effective media and promotion and cost efficiencies.

Zydus Wellness Limited (ZWL) in its FY2024 annual report re-iterated the company's focus on three key pillars of growing core brands, building international presence and initiatives on growing scale and improving profitability. FY2024 performance was muted as demand slowdown, unseasonal vagaries and category-specific issues hit revenue growth (revenue grew by 3.2% y-o-y). OPM declined by ~180 bps y-o-y to 13.2%, despite a 190 bps y-o-y expansion in gross margin, due to higher other expenses and higher advertisement spends. Further, muted revenue growth, OPM contraction and higher interest costs led to a 13% y-o-y decline in PAT. However, despite challenging conditions, most of ZWL's brands retained leadership position in FY2024. Cash flow generation was healthy with FCF at Rs. 218 crore (FCF/EBITDA at 71%), while return ratios fell y-o-y due to subdued performance. Going ahead, ZWL plans to continue its focus on distribution expansion and growing organised channels in domestic markets, building international presence, launching innovative consumer-centric products and promoting brands through to effective media channels to achieve growth across brands and categories.

- Multiple initiatives helped navigate a challenging FY2024:** ZWL's flagship brands retained leadership position in respective categories, with market share gains in a few categories in a challenging FY2024 driven by the company's efforts towards – 1) distribution expansion: total/direct reach improved to ~2.8 million/~6 lakh versus ~2.5 million/~5 lakh in FY2024/FY2021-end, respectively 2) organised channel: Contribution rose to 20.5% from 19.6% in FY2023 3) innovation: launched Glucon-D Activors (RTD format), l'mlite (50% less calories than regular sugar) and Sugar Free D'Lite product extensions in select international markets, and 4) promotional activities: launched innovative media campaigns and celebrity engagements to support brands.
- Aiming for double-digit earnings growth:** Amid a tough demand scenario and high commodity inflation, ZWL's revenue and PAT reported 10-11% growth on a four-year CAGR basis. The company continues to focus on consumer-centric innovations, widening domestic reach, building international presence and effective use of media channels to achieve strong growth in the coming years. Recovery in consumer demand, consistent market share gains across categories and stability in raw-material prices would help the company deliver double-digit revenue and PAT growth in the medium-long term. Revenue and PAT are expected to post a 14% and 34% CAGR, respectively, over FY2024-26E.
- Healthy cash flow generation; return ratios to improve going ahead:** For FY2024, ZWL's working capital cycle stood stable at 49 days. Cash from operations rose to Rs. 2,491 crore in FY2024 versus Rs. 930 crore in FY2023. FCF stood at Rs. 218 crore in FY2024 against Rs. 39 crore in FY2023; FCF to EBITDA improved to 71% versus 11% in FY2023. Dividend payout ratio improved to 11.5% as against 9.9% in FY2023. RoE and RoCE fell to 5.3% and 5.4% in FY2024 from 6.4% and 6%, respectively in FY2023. Going ahead, we expect ZWL to generate FCF of ~Rs. 1,000 over FY2025E-FY2026E, while RoE and RoCE are expected to rise to over 8% each in FY2026E.

## Our Call

**View – Maintain Buy with an unchanged PT of Rs. 3,000:** FY2024 was hit by multiple headwinds leading to muted performance. Management is confident of double-digit revenue growth and good margin expansion over the next 2-3 years. In the medium term, a large focus is on achieving consistent double-digit revenue growth through distribution expansion, doing consumer-centric innovations, and higher marketing campaigns. Margin expansion will be supported by stabilising raw material prices, cost efficiencies and operating leverage. The stock has run up by 32% since our upgrade to Buy on May 14, 2024 and currently trades at 37x/29x its FY2025E/FY2026E EPS, respectively. We maintain a Buy rating on the stock with an unchanged price target (PT) of Rs. 3,000.

## Key Risks

Slowdown in sales of key categories or disruption caused by the weakening of consumer sentiments or any seasonal vagaries remains key risk to our earnings estimates.

## Valuation (Consolidated)

Particulars	FY23	FY24	FY25E	FY26E
Revenue	2,255	2,328	2,662	3,030
OPM (%)	15.0	13.2	15.5	16.6
Adjusted PAT	320	277	391	496
% YoY growth	3.7	-13.4	41.0	26.9
Adjusted EPS (Rs.)	50.4	43.6	61.5	78.0
P/E (x)	45.0	51.9	36.8	29.0
P/B (x)	2.8	2.7	2.5	2.3
EV/EBITDA (x)	42.4	46.2	34.2	28.1
RoNW (%)	6.4	5.3	7.1	8.4
RoCE (%)	6.0	5.4	7.0	8.3

Source: Company; Sharekhan estimates

## Chairman's message (Dr. Sharvil P. Patel)

- ♦ **Muted revenue growth in FY2024:** Revenue growth was muted at 3.2% y-o-y in FY2024 as consumption growth was slow for both urban and rural leading to demand pressure for the FMCG sector. The expected buoyancy in rural demand was more lagging during major part of FY2024 due to erratic monsoon and low growth in agriculture sector.
- ♦ **Sugar-free issues addressed proactively:** ZWL proactively addressed concerns raised by global regulatory body over the impact of consumption of non-nutritive sweeteners by taking various measures like releasing videos in regional languages assuring safety of consumption of Sugar Free, organising conferences with veteran doctors and key opinion leaders.
- ♦ **Consumer-centric approach:** In a year of subdued demand, ZWL continued its focus on catering to evolving consumer demand based on the current global wellness trends. As a leading wellness company, ZWL aims is to support people in their quest for good health and well-being. In pursuit of this, ZWL's researchers are working on bringing new ideas and concepts to enable access to products, which can make a difference in the consumers' lives.
- ♦ **Brands maintained category leadership:** During the year, ZWL's flagship brands continued to maintain their leadership positions in respective categories driven by strong distribution, category expansion and investments in product innovations, media campaigns, sales promotions, and digital initiatives.
- ♦ **Innovation:** Driven by its sustained focus on innovation, the company is looking at new concepts and approaches to offer consumers multiple choices and new experiences. During FY2024, ZWL launched Glucon-D Activors Electrolyte Energy drink, a ready to drink format, and l'mlite, a unique formulation of sugar blended with stevia, with 50% less calories than regular sugar.
- ♦ **Digital marketing:** ZWL plans to focus on digital marketing to stay ahead of the curve by leveraging the growing power of online media.

## Differentiated strategies across categories helped in maintaining leadership position

Personal care segment, represented by Everyuth and Nycil brands witnessed a very strong double-digit growth in FY2024, while the food and nutrition segment reported a flattish growth. ZWL continued to be the leader in five out of the seven categories it operates in and continues to strengthen the competitive positioning and market share across brands. ZWL adopted differentiated strategies across categories which helped in brand's performance such as:

- ♦ **Glucon-D:** Delivered resilient performance despite seasonal challenges. New campaign launched to drive relevance, 'Thakaan Gone, Energy On'.
- ♦ **Complan:** Volume offtake of Complan progressively improved q-o-q. It revamped the brand pack price architecture with launch of sachets and pouches nationally. Supported the brand with new campaign emphasizing nutritional differentiation of the brand by onboarding popular celebrities Madhuri Dixit and Sneha Prasanna.
- ♦ **Everyuth:** Everyuth posted double-digit growth in FY2024 and on a four-year CAGR basis. Core portfolio (face wash, scrubs, peel off and body lotions) growth supported by TV and digital campaigns.
- ♦ **Nutralite:** Volume growth for Nutralite brand was driven by the dairy and spreads portfolio. Digital media, e-commerce channel activations and various customer engagement activities like Chef Meets and participation in food exhibitions supported the brand. Celebrity engagements with Shilpa Shetty and Chef Sanjeev Kapoor to drive growth.

## Brands retained leadership position

Brand	Category	Market rank					Market share (%)				
		FY20	FY21	FY22	FY23	FY24	FY20	FY21	FY22	FY23	FY24
Glucon-D	Glucose powder	1	1	1	1	1	59.0	58.4	58.5	60.1	59.5
Complan	MFD		4	4	5	5	5.4	5.5	5.0	4.5	4.3
Sugar Free	Sugar Substitute	1	1	1	1	1		93.0	95.7	96.0	95.9
Nycil	Prickly heat powder	1	1	1	1	1	34.4	35.8	33.7	35.4	35.0
Everyuth	Facial cleansing		5	5	5	5		6.1	6.5	6.2	6.5
	Scrub	1	1	1	1	1	32.5	35.8	39.0	41.9	45.6
	Peel-off	1	1	1	1	1	77.9	77.9	76.2	78.4	80.2

Source: Company, Sharekhan Research

## Multiple initiatives to grow scale and improve profitability

ZWL has taken various initiatives to increase consumer base and improve profitability.

### ♦ Strong focus on innovation:

- o In FY2024, ZWL launched Glucon-D Activors Electrolyte Energy drink a ready to drink format to further expand the brand presence in domestic market, l'mlite, a unique formulation of sugar blended with stevia, with 50% less calories than regular sugar and Sugar Free D'lite product extensions like Granola bars, Granola, instant coffee and hot chocolate premix, chocolate minis, butter cookies and Complian Young champs in select international markets.
- o ZWL's prime focus is to innovate in new products and extensions that fit into the consumers evolving preferences and bring novel solutions for category expansion.
- o With a strong R&D team and new state of the art R&D facility at Ahmedabad, ZWL has a strong new product pipeline in place, which could be launched at an appropriate time, based on the market requirements and consumer needs.

### Innovation timeline

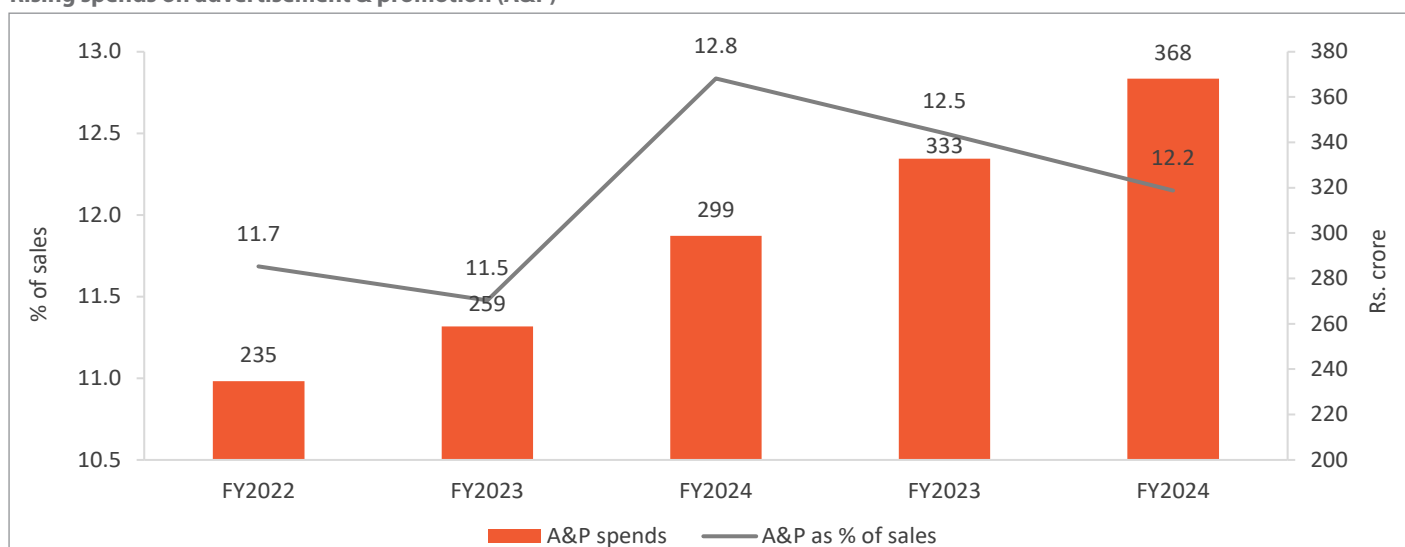
Year	Product launched
2017	Sugar Free Green with Stevia
2018	Everyuth Tan Removal Range, Nutralite Mayonnaise & Sugarlite
2020	9 new products launched
2021	Relaunched Complian with enhanced proposition and improved taste Nutralite Doodhshakti Professional range, Butter and Ghee & Everyuth Body Lotion
2022	New variant 'Mango blast' in Glucon-D
2024	Ready-to-drink product, Glucon-D Activors

Source: Annual report; Sharekhan Research

### ♦ Market penetration driven by effective media exposure:

- o ZWL's iconic brands continue to grow through re-imagined narratives and exploring fresh approaches to media exposure for brands to achieve consumer connection with greater precision.
- o The company has been able to increase overall penetration of its key brands. According to Kantar World Panel Report as on MAT February 2024, Complian, Glucon-D and Nycil's household penetration grew by 9.7%, 10.4%, and 24.7%.
- o This reflects ZWL's innovative market practices and on ground execution capabilities to drive the penetration.
- o Going ahead, ZWL plans to focus on digital marketing to stay ahead of the curve by leveraging the growing power of online media.

### Rising spends on advertisement & promotion (A&P)



Source: Company, Sharekhan Research

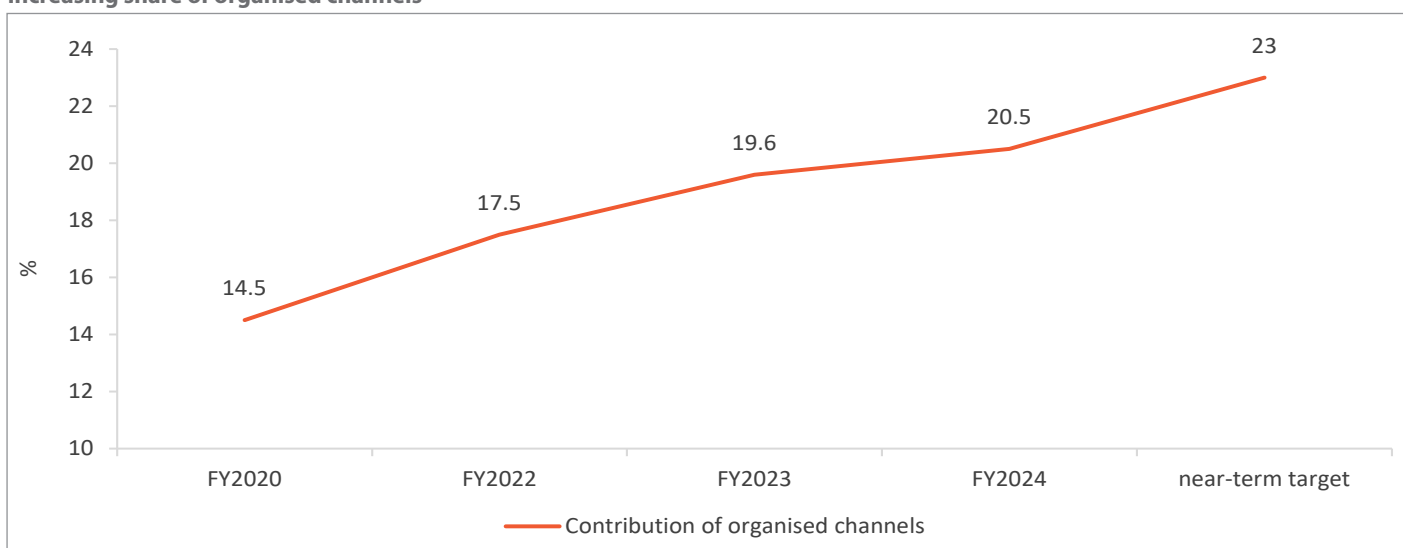
#### ◆ Plan to widen distribution reach:

- o Availability of ZWL's products (total reach) crossed 2.8 million stores in FY2024 (versus 2.5 million in FY2023) with almost equal split between urban and rural distribution. ZWL's direct reach currently stand at ~6 lakh outlets (against ~5 lakhs at FY2021-end).
- o It plans to increase the reach to 3.5 million (total) and ~7 lakh (direct) in the coming quarters.
- o ZWL's network comprises over 1,700 distributors, which are serviced by the company's team of ~2,500 feet on street representatives.

#### ◆ Increasing contribution from the organised channel:

- o Over the past two years, ZWL completely switched from distribution led model to doing direct business with all modern trade and e-Commerce chains. This disintermediation helped the company improve its lead time and availability and also resulted in saving of margins.
- o Moreover, ZWL transitioned towards increasing the share of organized trade over last few years with channel specific offerings to build greater relevance with new age consumers.
- o Within the organised channel, contribution of e-commerce rose to 8% in FY2024, from 6.7% in FY2023 (3.6% in FY2021), driven by channel-specific innovative marketing initiatives and exclusive packs and promotions.
- o Overall, organised trade's contribution rose to 20.5% in FY2024 from 17.5% in FY2022 (19.6% in FY2023).
- o The focus is on increasing the share of the organised channel's contribution by 200-300 bps to 23% in the coming years. This will be done by launching relevant SKUs under key brands to improve the offtake on the organised channels.

#### Increasing share of organised channels



Source: Company, Sharekhan Research

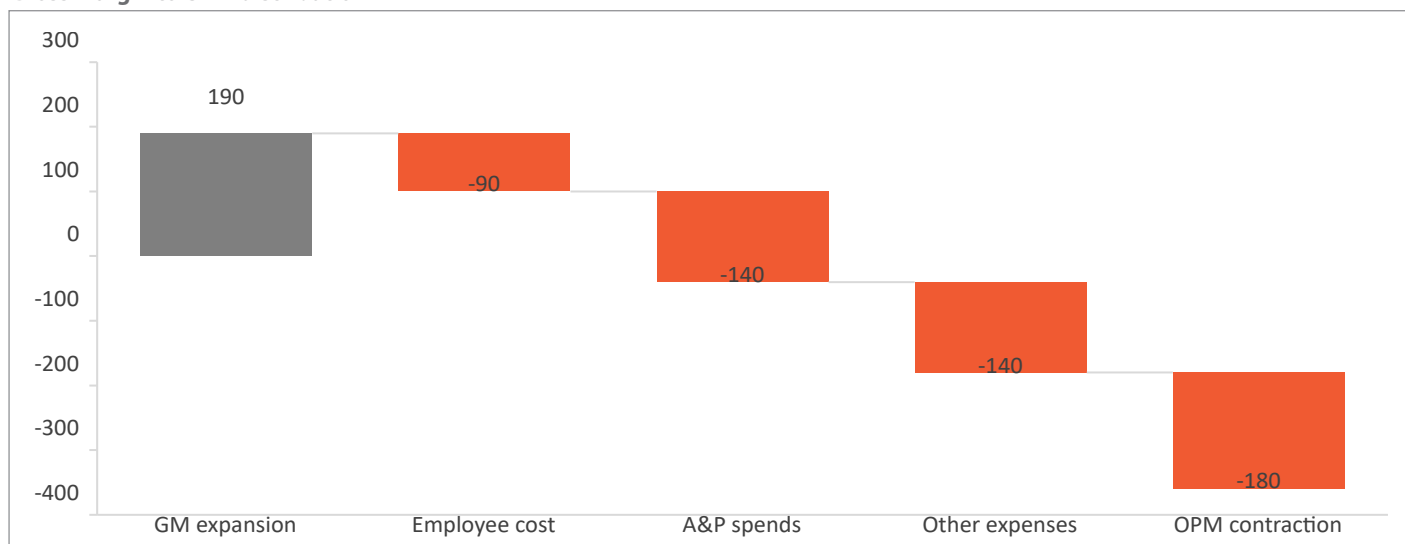
#### Building international presence

- ◆ In FY2024, ZWL continued to build strong foundation across markets, registering double-digit growth, led by South Asia and GCC markets.
- ◆ Complan and Sugar Free franchise are leading brands in the international market contributing ~ 80% of the overall international business.
- ◆ During FY2024, ZWL launched new products extensions i.e. Granola bars, Granola, instant coffee and hot chocolate premix, chocolate minis, butter cookies and Complan Young champs in Nigeria for kids aged 5 years to 15 years.
- ◆ ZWL currently has presence in more than 25 countries. ZWL aims to build scale in international business by focusing on key regions like SAARC, MEA, SEA and ISC, entering new geographies and introducing innovations and extensions catering to the needs of international markets.
- ◆ ZWL is targeting an 8-10% contribution from international business in next 4 to 5 years.

### Gross margin savings reinvested in advertisement spends

With stabilisation of inflation across commodities during FY204, the company saw a gradual reduction of rates for its key input materials like milk and refined palm oil. With calibrated price increases taken earlier across portfolio and efficient hedging strategy for key inputs, ZWL has registered a good recovery of gross margin on y-o-y basis consistently over the last three quarters of FY2024. This led to a ~190 bps y-o-y expansion in gross margin to 51.5% in FY2024. However, ZWL ploughed back some of the gross margin expansion into brand building leading to 15.5% y-o-y increase in advertisement expenses. This coupled with higher employee and other expenses led to ~180 bps y-o-y decline in OPM to 13.2% in FY2024.

### Gross margin to OPM distribution



Source: Company, Sharekhan Research

### FY2024 – Muted revenue growth and decline in OPM led to double-digit decline in PAT

- ◆ Revenue grew by 3.2% y-o-y to Rs. 2,328 crore in FY2024, impacted by 1) subdued demand in both rural and urban markets, 2) unfavourable seasonal vagaries (unseasonal rains in Q1, delayed/uneven rains in Q2 and extended winters in Q4), and 3) category-specific issues (concerns around Sugarfree and slowdown in HFD category) leading to muted revenue growth.
- ◆ The personal care segment delivered strong double-digit growth in FY2024, while the food and nutrition segment reported a flattish growth.
- ◆ On a four-year CAGR basis, revenue growth came in at 10%.
- ◆ Going ahead, management has guided for double-digit revenue growth with the personal care segment expected to grow in strong double-digits and steady recovery in the foods and nutrition segment.
- ◆ Softening of raw material prices aided 190 bps y-o-y expansion in gross margin to 51.5%.
- ◆ Higher employee cost (up by 15.6%, higher by 90 bps y-o-y), increased advertisement expenses (up by 15.5%, higher by 140 bps y-o-y) and rise in other expenses (up by 12.6%, higher by 140 bps y-o-y) led to a ~170 bps y-o-y contraction in OPM to 13.2%.
- ◆ Consolidated OPM bottomed out at 13.3% in FY2024. Management expects OPM to improve to 17-18% over the next two years on account of stable raw-material prices, cost efficiencies, and better operating leverage.
- ◆ Operating profit fell by 8.6% y-o-y to Rs. 308 crore. This coupled with higher interest cost led to a 13.4% y-o-y decline in adjusted PAT to Rs. 277 crore.
- ◆ On a four-year CAGR basis, PAT growth came in at 11%.

### Balance sheet – Operating cash flows and FCF better y-o-y; return ratios decline

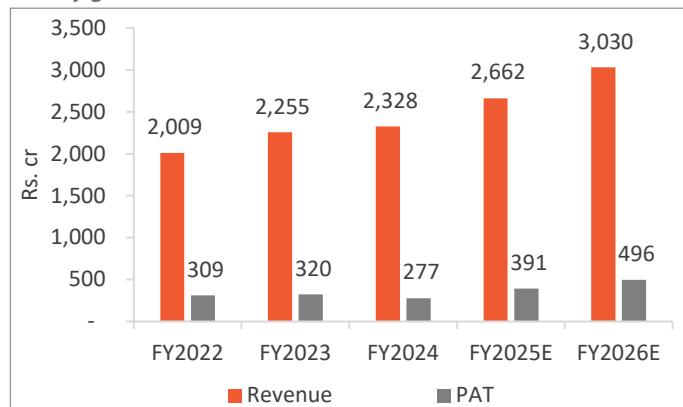
- ◆ Cash from operations improved to Rs. 2,491 crore in FY2024 versus Rs. 930 crore in FY2023.
- ◆ FCF stood at Rs. 218 crore in FY2024 against Rs. 39 crore in FY2023; FCF to EBITDA ratio improved to 71% versus 11% in FY2023.
- ◆ Working capital cycle remained stable at 49 days versus 48 days in FY2023.
- ◆ The company paid a dividend of Rs. 5 per share in FY2024 (dividend payout ratio stood at 11.5%) similar to Rs. 5 per share in FY2023 (dividend payout stood at 9.9%).
- ◆ RoE and RoCE declined to 5.3% and 5.4% in FY2024, versus 6.4% and 6% in FY2023, respectively due to muted performance during the year. Going ahead, with improvement in profitability, we expect RoE/RoCE to rise to ~8% each by FY2026.

### Key takeaways of AGM

- ◆ **Margins to remain better in the near term:** In FY2024, inflation in the raw material prices (In H1FY24) and lower operating leverage dented OPM. However better sourcing and decline in the raw material prices aided the gross margins to rise by 304 bps y-o-y to 55.6% and OPM to improve by 187 bps y-o-y to 18.5% in Q1FY2025. The company expects OPM to remain high in the coming quarters.
- ◆ **I'm lite portfolio performing well:** I'm lite is a healthier version of sugar which is completely natural with 50% less calories than regular sugar. The launch is gaining strong response. The company is focusing on scaling up the portfolio with new products in the coming years.
- ◆ **Complan expected to see good growth ahead:** Complan is operating in nutritional beverages space, which had a subdued performance in FY2024. The company is witnessing increase in the buyers of Complan due to increased penetration. The brand's household penetration increased by 9.7% in FY2024. Going ahead, the company is looking at couple of more spaces where it will be launching new products along with strengthening presence in the existing portfolio. Further, Complan is also helping in expanding international footprint. It is increasing its presence in Africa, Middle East and some parts of South East Asia.
- ◆ **Capacity utilisation at 60-80%:** Capacity utilisation for the seasonal brand is about 80% during the season time and then it depletes as the season comes to an end. Utilisation rate for a non-seasonal brand ranges from 60% to 80%.
- ◆ **Distribution reach widens:** ZWL's products are available in more than 2.9 million stores with an almost equal split between urban and rural distribution, reaching 50 million households in India.

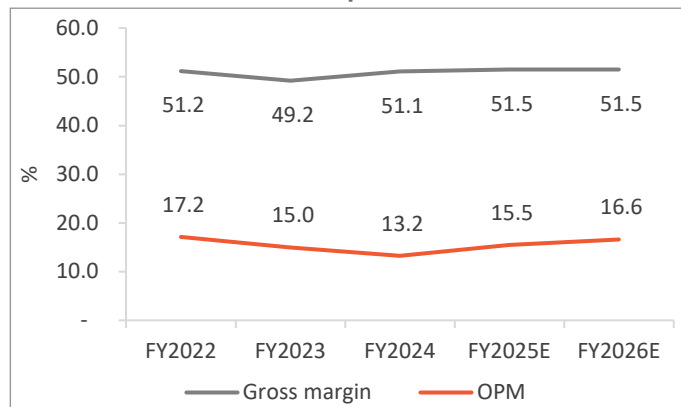
## Financials in charts

### Steady growth in revenue and PAT



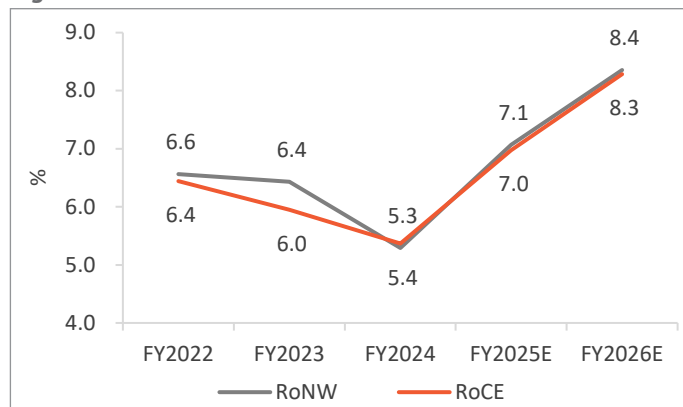
Source: Company, Sharekhan Research

### GM to remain stable; OPM to improve



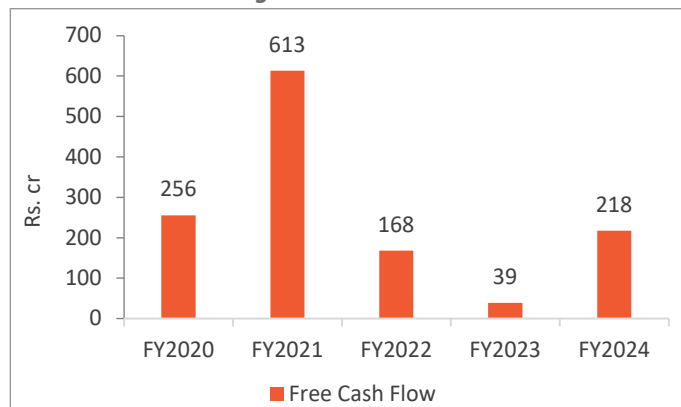
Source: Company, Sharekhan Research

### Significant rise in return ratios



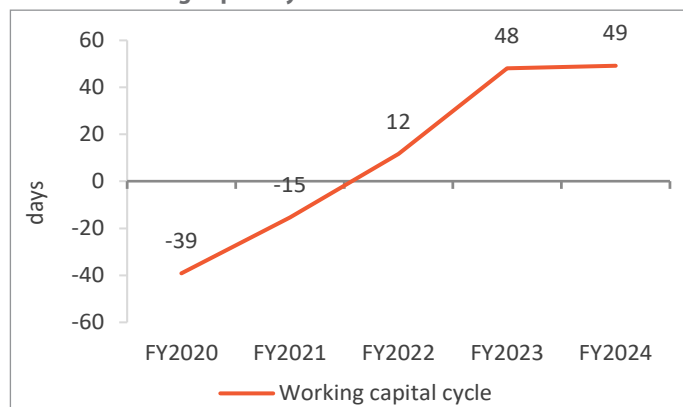
Source: Company, Sharekhan Research

### Trend in free cash flow generation



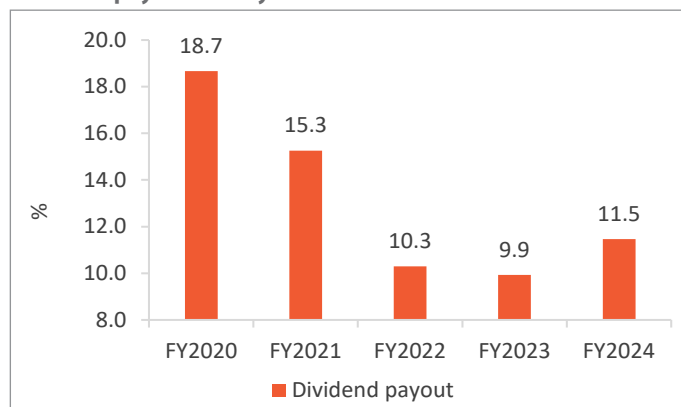
Source: Company, Sharekhan Research

### Trend in working capital cycle



Source: Company, Sharekhan Research

### Dividend payout history



Source: Company, Sharekhan Research



## Outlook and Valuation

### ■ Sector view - H2FY2025 to be better versus H1

Rural market growth is gradually picking up with a modest improvement in demand. Expectations of a better monsoon will further boost recovery in the coming quarters. Though the monsoons started with a delay, the spread of the monsoon is good and we expect rainfall to pick-up in the coming months. The government has already increased its focus on rural markets by incentivising through welfare schemes and increasing MSPs of various crops. We expect volume growth to be much better in H2FY2025, which will provide consumer goods companies with decent earnings growth. If the commodity/key input prices move up from the current level, then consumer goods companies will opt for price hikes in the coming quarters. Increased commodity prices will reduce competition from small/regional players in various markets. Thus, overall growth trends remain positive for most companies under our coverage.

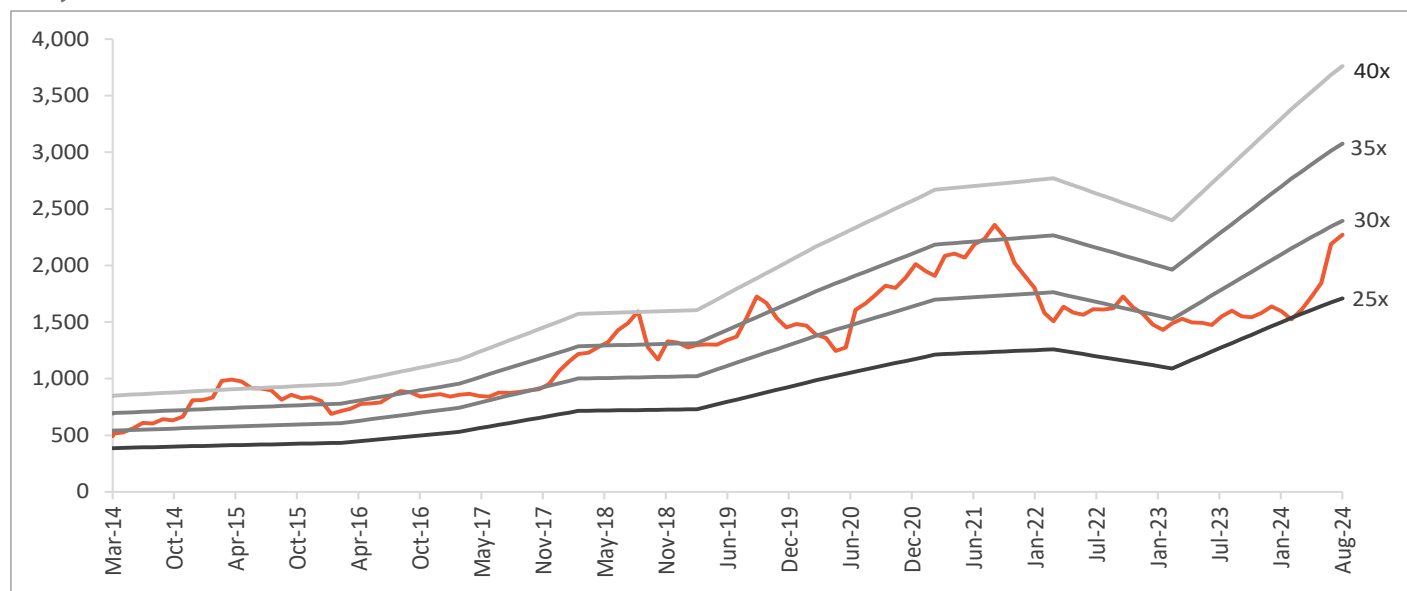
### ■ Company outlook - Strong growth ahead driven by multiple levers

In FY2024, revenues grew by 3.2% y-o-y and OPM fell by 167 bps y-o-y to 13.3%, leading to a 12.6% y-o-y decline in adjusted PAT. Muted performance in FY2024 can be attributed to brand-specific issues, which dragged overall performance. However, strong summers led to a stellar performance in Q1FY2025. In the medium term, ZWL banks on three pillars – accelerating growth of core brands, building international presence, and significantly growing scale – to drive growth. Scale-up of the international business and some of the new launches reaching maturity will improve growth prospects in the long run. Key brands of the company continue to maintain their strong leadership position and gain market share consistently. Margins are expected to improve with the correction in prices of key input materials.

### ■ Valuation - Maintain Buy with an unchanged PT of Rs. 3,000

FY2024 was hit by multiple headwinds leading to muted performance. ZWL is confident of double-digit revenue growth and good margin expansion over the next 2-3 years. In the medium term, a large focus is on achieving consistent double-digit revenue growth through distribution expansion, doing consumer-centric innovations, and higher marketing campaigns. Margin expansion will be supported by stabilising raw material prices, cost efficiencies and operating leverage. The stock has run up by 32% since our upgrade to Buy on May 14, 2024 and currently trades at 37x/29x its FY2025E/FY2026E EPS, respectively. We maintain Buy rating on the stock with an unchanged price target (PT) of Rs. 3,000.

## One-year forward PE band



Source: Sharekhan Research

## Peer Comparison

Companies	P/E (x)			EV/EBIDTA (x)			RoCE (%)		
	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
Dabur India	62.8	53.6	45.4	47.8	41.6	35.7	21.5	23.1	25.0
Zydus Wellness	51.9	36.8	29.0	46.2	34.2	28.1	5.4	7.0	8.3

Source: Company; Sharekhan Research



## About company

ZWL is the listed entity of Zydus Group and one of the leading companies in the fast-growing Indian consumer wellness market. With the launch of India's first zero calorie replacement of sugar, called Sugar Free, in 1988, ZWL began its journey as is India's leading consumer wellness company. Since then, the company has grown into a larger business, spanning the entire wellness spectrum with seven power brands - Complian, Sugar Free, I'm lite, Glucon-D, Everyuth, Nycil and Nutralite. The company is the market leader in most of its product categories.

## Investment theme

Zydus has a strong brand portfolio that leads its respective categories. Sugarfree brand has a ~96% market share in the artificial sweetener category, while Glucon-D has a ~60% market share. Over the past three years, despite losing sales due to COVID-19, the company has consolidated and grown its market share across categories, launched multiple innovations, doubled its direct distribution reach, made significant strides in growing business ahead of the category in both online and offline organised trade, reduced cost, and simplified the organisation, leading to synergy benefits. We expect the company's revenue and PAT to report a CAGR of 13% and 32%, respectively, during FY2024-FY2026E.

## Key Risks

- ♦ **Macroeconomic slowdown:** ZWL is largely present in niche categories, which are discretionary in nature. Any slowdown in the macro environment would affect growth of these categories.
- ♦ **Increased competition:** ZWL is facing stiff competition in skin care products such as face wash and scrubs from multinationals, which has affected revenue growth of these categories.

## Additional Data

### Key management personnel

Sharvil Pankaj Patel	Chairman
Tarun Gian Arora	Chief Executive Officer
Umesh Parikh	Chief Financial Officer
Nandish P. Joshi	Company Secretary & Compliance Officer

Source: Company

### Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Threpsi Care LLP	7.45
2	Nippon Life India Asset Management Ltd	3.97
3	SBI Funds Management Ltd	2.20
4	ICICI Prudential AMC Ltd	1.45
5	Vanguard Group Inc	1.36
6	Quant Money Managers Ltd	0.88
7	Norges Bank	0.72
8	Tata Asset Management Pvt Ltd	0.27
9	Dimensional Fund Advisors LP	0.25
10	Blackrock Inc	0.12

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	
<b>Positive</b>	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
<b>Neutral</b>	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
<b>Negative</b>	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	
<b>Positive</b>	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
<b>Neutral</b>	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
<b>Negative</b>	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	
<b>Positive</b>	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.
<b>Neutral</b>	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
<b>Negative</b>	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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