

India

ADD (no change)

Consensus ratings*: Buy 8 Hold 2 Sell 1

Current price:	Rs4,624
Target price:	Rs5,265
Previous target:	Rs5,784
Up/downside:	13.9%
InCred Research / Consensus:	11.6%
Reuters:	SKFB.NS
Bloomberg:	SKF IN
Market cap:	US\$2,677m
	Rs228,616m
Average daily turnover:	US\$2.3m
	Rs200.2m
Current shares o/s:	49.4m
Free float:	47.4%

*Source: Bloomberg

Key changes in this note

- FY26F-27F sales reduced by 6-7%.
- FY26F-27F EBITDA reduced by 9%.
- FY26F-27F EPS reduced by 9%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	18.4	22.5	(25.0)
Relative (%)	13.4	13.0	(32.4)

Major shareholders

	% held
Promoter	52.6
HDFC Mutual Fund	8.0
Mirae Mutual Fund	6.2

SKF India Ltd**Demerger to unleash sales growth**

- 4Q EPS growth of 16% yoy to Rs41.1 was aided by one-time transfer pricing benefit for purchased goods, boosting the gross margin.
- Capacity limitation and slow sales momentum led to our FY26F-27F EPS cut of 9%. The new industrial division plant to boost medium-term growth potential.
- With stock price correction helping ease the forward P/E valuation to close to the 10-year mean level, we maintain our ADD rating on the stock.

One-time transfer pricing adjustment leads to elevated EBITDA

SKF India's 4QFY25 EBITDA rose by 33% yoy and 135% qoq to Rs2.9bn, which was 72% above the Bloomberg or BB consensus estimate, due to a 15% yoy decline in the purchase of traded goods. Slow sales growth (1% yoy) resulted in missing the BB consensus estimate by 7%. The EBITDA margin stood at 23.5%, (+572bp yoy and +1,380bp qoq). Other income declined by 64% qoq and interest costs fell by 42% yoy, which led to EPS growth of 16% yoy to Rs41.1, beating the BB consensus estimate by 36%.

Management conference-call highlights

The company incurred a capex of Rs1.3bn in FY25, with plans to double it on a per annum basis for the next three years, and major investments in the industrial division, such as setting up a plant in Pune as a part of its demerger plan. Shortage of capacity, leading to inventory build-up ahead of the automotive demand, led to working capital spike, which management believes will ease gradually after the demerger. The one-time transfer pricing adjustments made in 4Q led to lower purchases of traded goods and boosted the EBITDA margin, which, management feels, is a one-off.

FY26F-27F EPS cut by 9%

Capacity constraints in the automotive division and muted guidance for the industrial division led to our sales cut of 6-7% for FY26F-27F. Volatility in purchased goods and product mix impacting the EBITDA margin led us to cut EBITDA estimates by 9% for FY26F-27F. The strong momentum in other income helped in limiting the EPS cut to 9% for same period.

Valuation eases to close to 10-year mean level; potential demerger

The sharp correction in the stock price recently from its historic peak helped the one-year forward P/E and P/BV valuations to ease close to the 10-year mean level. We roll forward our P/E-based target price to Rs5,265 (Rs5,784 earlier) at 32x (near the 10-year mean) and maintain our ADD rating on the stock, as the sales momentum can improve post commissioning of the Pune plant. Key downside risk: Prolonged slow sales momentum.

Research Analyst(s)**Pramod AMTHE**

T (91) 22 4161 1541

E pramod.amthe@incredresearch.com

Ravi GUPTA

T (91) 22 4161 1552

E ravi.gupta@incredresearch.com

Financial Summary

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	44,877	49,199	54,744	61,919	70,000
Operating EBITDA (Rsm)	7,176	7,233	8,928	10,226	11,563
Net Profit (Rsm)	5,518	5,658	7,074	8,005	8,974
Core EPS (Rs)	111.6	114.4	143.1	161.9	181.5
Core EPS Growth	5.1%	2.5%	25.0%	13.2%	12.1%
FD Core P/E (x)	41.43	40.41	32.32	28.56	25.48
DPS (Rs)	130.0	14.6	25.0	30.0	40.0
Dividend Yield	2.81%	0.31%	0.54%	0.65%	0.86%
EV/EBITDA (x)	30.17	30.62	24.40	21.00	18.34
P/FCFE (x)	38.75	141.63	47.55	49.74	48.64
Net Gearing	(45.1%)	(27.4%)	(33.8%)	(36.2%)	(36.7%)
P/BV (x)	8.52	8.80	7.19	5.96	5.04
ROE	20.6%	21.8%	22.2%	20.9%	19.8%

% Change In Core EPS Estimates

InCred Research/Consensus EPS (x)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Demerger to unleash sales growth

Management conference-call highlights ➤

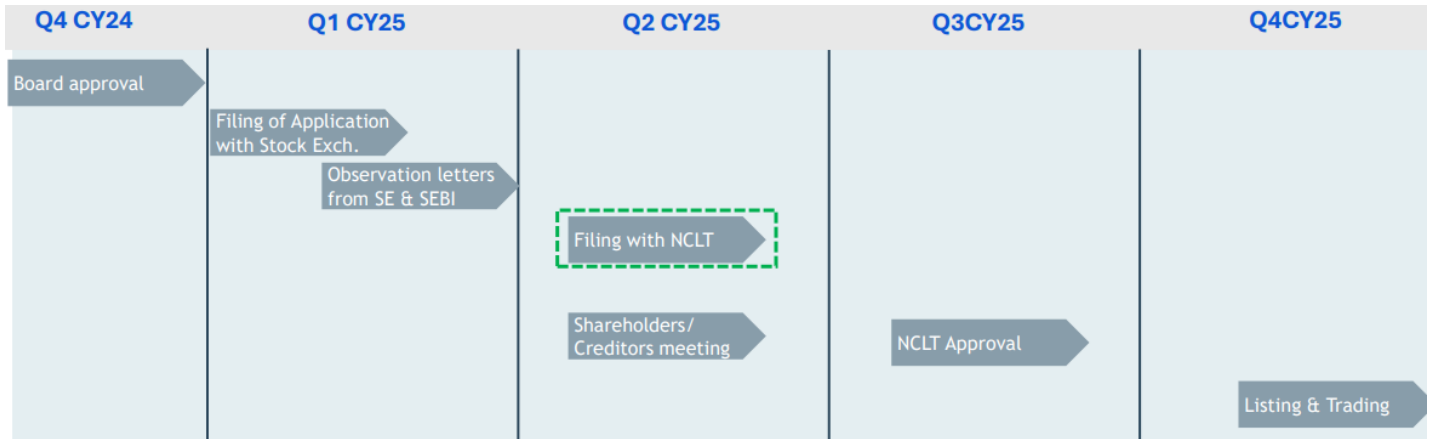
- **Outlook:** In the automotive sector, management is witnessing strong growth in light commercial vehicles due to the quick-delivery sector, growth in tractors supported by a favourable monsoon, sports utility vehicle or SUV sales driven by premiumization trend, and electric vehicle or EV sales boosted by new launches. In the industrial segment, management expects flat-to-slightly positive growth. Wind mill and railway sectors are likely to grow, supported by visibility from government orders.
- **Financial performance:** The EBITDA margin for the quarter was 23.5% vs. 17.7% in 4QFY24, mainly due to the seasonal impact and a 15% yoy decline in the purchase of traded goods. The automotive segment's margin stood at 18%, and the industrial division's at 17%. Management aims to maintain margins in the 16–19% range going ahead.
- **Purchase of goods & transfer pricing:** Transfer pricing adjustments were made in 4Q, following international guidelines. This impact is reflected in the 'purchase of traded goods' line item. Management is working to minimize the quarterly volatility.
- **FY25 revenue mix:** Two-wheelers: 13%, cars: 5%, power transmission: 5%, distribution: 23%, railways: 7%, general machinery: 9%, and automotive aftermarket: 10%.
- **Capex & upcoming plant:** In FY25, management incurred a capex of Rs1.3bn, with plans to double it over the next two-to-three years. Major investments will be directed towards the industrial division.
- **Localization:** Achieved 30% localization in the industrial division and 50% in the automotive division. The goal is to reach 70% in the medium term.
- **Inventory level:** The company has built up inventory in the automotive division due to high demand, which is expected to normalize within the next two quarters. Inventory in the railway division was also built up due to strong demand expectations.
- **New business lines:** Over the past one-to-two years, the company has entered the industrial bearing services business, including remote monitoring, remanufacturing, uptime-based services, and predictive failure analytics. It is also developing new, more efficient, and competitive bearings for the metal processing industry.
- **SKF Engineering:** The company produces different types of bearings and supplies globally. There are no plans currently to merge with SKF Engineering.
- **Wind division:** FY24 was a weak year for the wind mill division, but management expects its performance to improve in the coming years.

Figure 1: Quarterly results comparison

Y/E Mar (Rs m)	4QFY25	4QFY24	yoy % chg	3QFY24	qoq % chg	FY25	FY24	yoy % chg
Total Revenue	12,134	12,034	0.8%	12,561	-3.4%	49,199	45,705	7.6%
Net Raw Materials Consumed	6,190	7,071	-12.5%	8,375	-26.1%	30,166	28,011	7.7%
Other Expenses	2,094	1,938	8.0%	2,096	-0.1%	8,203	7,159	14.6%
Personnel Costs	1,005	891	12.7%	877	14.5%	3,598	3,434	4.8%
Total Expenditure	9,288	9,900	-6.2%	11,349	-18.2%	41,967	38,603	8.7%
EBITDA	2,845	2,134	33.4%	1,212	134.7%	7,233	7,102	1.8%
Less: Depreciation	218	189	15.6%	214	2.1%	831	746	11.4%
EBIT	2,627	1,945	35.1%	999	163.1%	6,402	6,356	0.7%
Less: Interest Paid	1	2	-41.7%	2	-6.7%	7	13	(44.4%)
Non-operating Income	125	349	-64.2%	475	-73.7%	1,235	1,014	21.8%
Profit Before Tax	2,751	2,292	20.0%	1,472	86.9%	7,630	7,358	3.7%
Profit Before Tax Excl. Extraordinary Items	2,751	2,292	20.0%	1,472	86.9%	7,630	7,358	3.7%
Less: Total Tax	724	544	33.1%	376	92.7%	1,973	1,840	7.2%
Normalized PAT	2,033	1,752	16.0%	1,095	85.6%	5,657	5,517	2.5%
Normalized EPS (Rs.)	41	35	16.0%	22.1	85.6%	114.4	111.6	2.5%

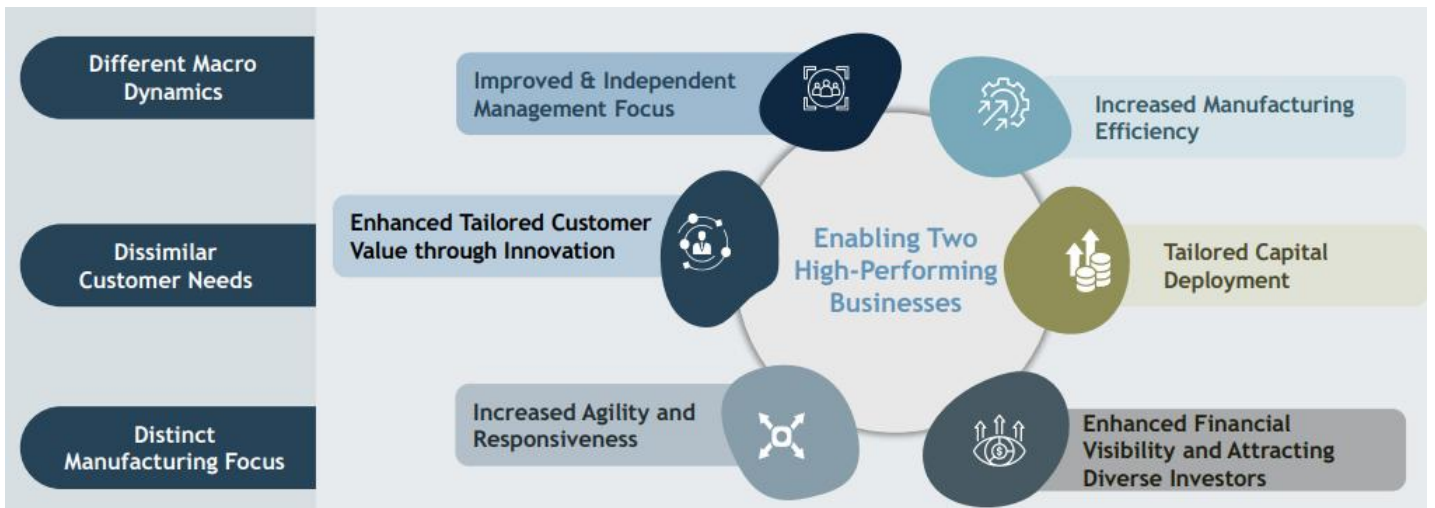
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Demerger status and timeline



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Key drivers of demerger



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: EPS revision summary

	FY26F		FY27F	
	Old	New	Old	New
Revenue	58195	54,744	66,411	61,919
Change (%)		-6%		-7%
EBITDA	9856	8,928	11,294	10,226
Change (%)		-9%		-9%
EBITDA Margin	16.9%	16.3%	17.0%	16.5%
Change (bp)		(63)		(49)
PAT	7,747	7,074	8,833	8,005
Change (%)		-9%		-9%
EPS	157	143	179	162
Change (%)		-9%		-9%

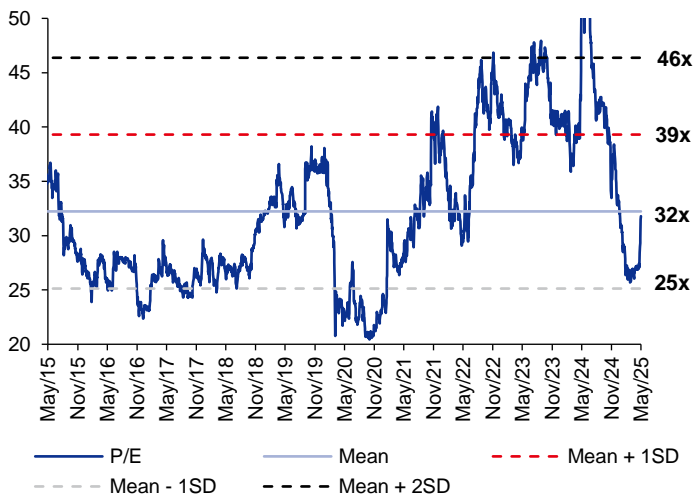
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Valuation table

	1-year forward
EPS (Rs.)	164.5
P/E(x)	32.0
Target price (Rs)	5,265

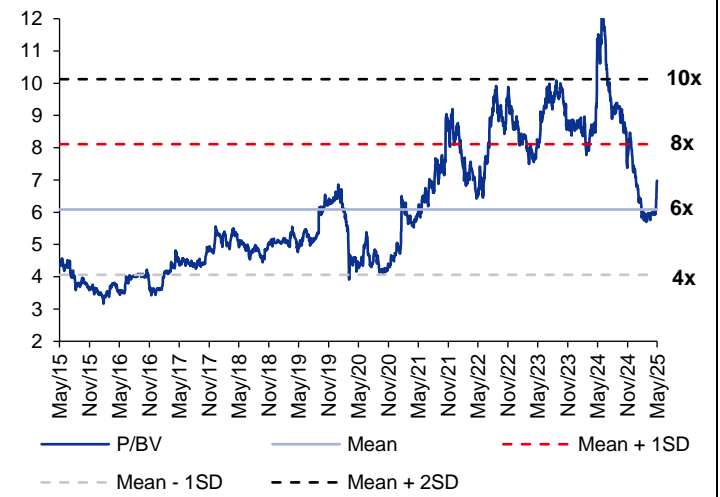
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: One-year forward P/E below the 10-year mean level



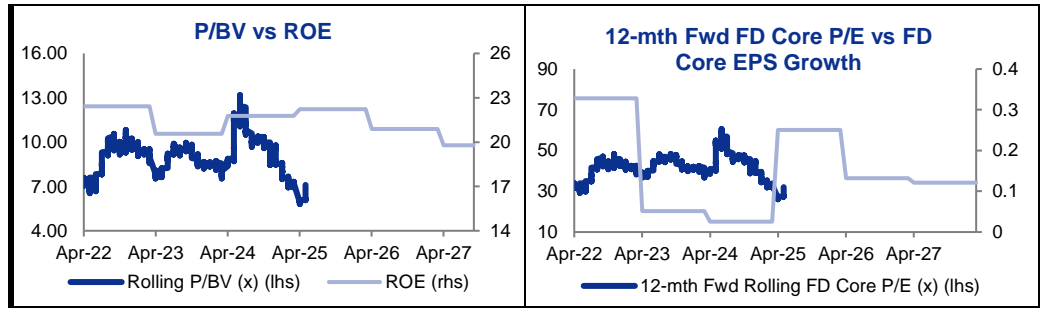
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: One-year forward P/BV below the +1SD level



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Net Revenues	45,701	49,199	54,744	61,919	70,000
Gross Profit	17,918	19,034	21,350	24,334	27,650
Operating EBITDA	7,176	7,233	8,928	10,226	11,563
Depreciation And Amortisation	(746)	(831)	(949)	(1,173)	(1,409)
Operating EBIT	6,430	6,403	7,978	9,053	10,154
Financial Income/(Expense)	(12)	(7)	(7)	(7)	(7)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	940	1,235	1,536	1,713	1,916
Profit Before Tax (pre-EI)	7,358	7,631	9,508	10,759	12,062
Exceptional Items					
Pre-tax Profit	7,358	7,631	9,508	10,759	12,062
Taxation	(1,840)	(1,973)	(2,434)	(2,754)	(3,088)
Exceptional Income - post-tax					
Profit After Tax	5,518	5,658	7,074	8,005	8,974
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	5,518	5,658	7,074	8,005	8,974
Recurring Net Profit	5,518	5,658	7,074	8,005	8,974
Fully Diluted Recurring Net Profit	5,518	5,658	7,074	8,005	8,974

Cash Flow

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
EBITDA	7,176	7,233	8,928	10,226	11,563
Cash Flow from Invt. & Assoc.	182	398	580	533	499
Change In Working Capital	1,059	(3,904)	(438)	(1,674)	(2,676)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	746	831	949	1,173	1,409
Other Operating Cashflow	(940)	(1,235)	(1,536)	(1,713)	(1,916)
Net Interest (Paid)/Received	(12)	(7)	(7)	(7)	(7)
Tax Paid	(1,840)	(1,973)	(2,434)	(2,754)	(3,088)
Cashflow From Operations	6,371	1,342	6,041	5,783	5,785
Capex	(1,384)	(915)	(2,700)	(2,900)	(3,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	940	1,235	1,536	1,713	1,916
Cash Flow From Investing	(444)	320	(1,164)	(1,187)	(1,084)
Debt Raised/(repaid)	(27)	(48)	(69)		
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(6,427)	(720)	(1,236)	(1,483)	(1,978)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	(6,454)	(768)	(1,305)	(1,483)	(1,978)
Total Cash Generated	(527)	894	3,572	3,113	2,723
Free Cashflow To Equity	5,900	1,614	4,808	4,597	4,701
Free Cashflow To Firm	5,939	1,670	4,885	4,604	4,708

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Cash And Equivalents	12,221	7,188	10,768	13,888	16,618
Total Debtors	7,513	8,486	9,299	10,687	12,466
Inventories	6,839	8,733	9,299	10,518	12,082
Total Other Current Assets	4,041	4,842	5,067	5,669	6,370
Total Current Assets	30,614	29,249	34,432	40,762	47,536
Fixed Assets	5,611	5,762	7,513	9,240	10,831
Total Investments	90	90	90	90	90
Intangible Assets					
Total Other Non-Current Assets	311	391			
Total Non-current Assets	6,012	6,243	7,603	9,330	10,921
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	7,131	6,630	7,499	8,652	9,589
Other Current Liabilities	2,438	2,623	2,919	3,301	3,732
Total Current Liabilities	9,569	9,253	10,418	11,953	13,321
Total Long-term Debt	118	69			
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	118	69			
Total Provisions					
Total Liabilities	9,687	9,322	10,418	11,953	13,321
Shareholders Equity	26,828	25,980	31,817	38,339	45,336
Minority Interests					
Total Equity	26,828	25,980	31,817	38,339	45,336

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	6.0%	9.6%	11.3%	13.1%	13.1%
Operating EBITDA Growth	(4.2%)	0.8%	23.4%	14.5%	13.1%
Operating EBITDA Margin	16.0%	14.7%	16.3%	16.5%	16.5%
Net Cash Per Share (Rs)	244.81	143.99	217.79	280.91	336.13
BVPS (Rs)	542.65	525.48	643.56	775.46	916.98
Gross Interest Cover	531.40	914.66	1,139.78	1,293.25	1,450.52
Effective Tax Rate	25.0%	25.9%	25.6%	25.6%	25.6%
Net Dividend Payout Ratio	116.5%	12.7%	17.5%	18.5%	22.0%
Accounts Receivables Days	57.10	59.35	59.29	58.91	60.36
Inventory Days	89.99	94.21	98.55	96.22	97.39
Accounts Payables Days	(86.78)	(83.25)	(77.22)	(78.42)	(78.61)
ROIC (%)	43.6%	33.8%	38.4%	37.5%	35.7%
ROCE (%)	23.9%	24.6%	25.1%	23.6%	22.4%
Return On Average Assets	15.1%	16.0%	16.8%	16.0%	15.4%

Key Drivers

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Auto OEM	14.4%	11.4%	N/A	N/A	N/A
Auto aftermarket	(22.5%)	(2.1%)	N/A	N/A	N/A
Exports (largely Auto)	(4.6%)	(4.3%)	N/A	N/A	N/A
Total auto	0.1%	5.5%	N/A	N/A	N/A
Industrial OEM	(0.6%)	22.4%	N/A	N/A	N/A
Industrial after market	28.3%	(2.9%)	N/A	N/A	N/A
Total Industrials	(0.6%)	22.4%	N/A	N/A	N/A
Total sales	12.0%	9.8%	N/A	N/A	N/A

SOURCE: INCRED RESEARCH, COMPANY REPORTS

DISCLAIMER

This report (including the views and opinions expressed therein, and the information comprised therein) has been prepared by Incred Research Services Private Ltd. (formerly known as Earnest Innovation Partners Private Limited) (hereinafter referred to as "IRSPL"). IRSPL is registered with SEBI as a Research Analyst vide Registration No. INH000011024. Pursuant to a trademark agreement, IRSPL has adopted "Incred Equities" as its trademark for use in this report.

The term "IRSPL" shall, unless the context otherwise requires, mean IRSPL and its affiliates, subsidiaries and related companies. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject IRSPL and its affiliates/group companies to registration or licensing requirements within such jurisdictions.

This report is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means; or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of IRSPL.

The information contained in this report is prepared from data believed to be correct and reliable at the time of issue of this report.

IRSPL is not required to issue regular reports on the subject matter of this report at any frequency and it may cease to do so or change the periodicity of reports at any time. IRSPL is not under any obligation to update this report in the event of a material change to the information contained in this report. IRSPL has not any and will not accept any, obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant; (ii) ensure that the content of this report constitutes all the information a prospective investor may require; (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and information, and accordingly, IRSPL and its affiliates/group companies (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

Unless otherwise specified, this report is based upon reasonable sources. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research. While every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of IRSPL and its affiliates/group companies to any person to buy or sell any investments.

The opinions expressed are based on information which is believed to be accurate and complete and obtained through reliable public or other non-confidential sources at the time made (information barriers and other arrangements may be established, where necessary, to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations. In reviewing this report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request. The report is not a "prospectus" as defined under Indian Law, including the Companies Act, 2013, and is not, and shall not be, approved by, or filed or registered with, any Indian regulator, including any Registrar of Companies in India, SEBI, any Indian stock exchange, or the Reserve Bank of India. No offer, or invitation to offer, or solicitation of subscription with respect to any such securities listed or proposed to be listed in India is being made, or intended to be made, to the public, or to any member or section of the public in India, through or pursuant to this report.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

IRSPL may have issued other reports (based on technical analysis, event specific, short-term views, etc.) that are inconsistent with and reach a different conclusion from the information presented in this report.

Holding of Analysts/Relatives of Analysts, IRSPL and Associates of IRSPL in the covered securities, as on the date of publishing of this report

Research Analyst or his/her relative(s) or InCred Research Services Private Limited or our associate may have any financial interest in the subject company.

Research Analyst or his/her relatives or InCred Research Services Limited or our associates may have actual or beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report.

Research Analyst or his/her relative or InCred Research Services Private Limited or our associate entities may have any other material conflict of interest at the time of publication of the Research Report.

In the past 12 months, IRSPL or any of its associates may have:

- a) Received any compensation/other benefits from the subject company,
- b) Managed or co-managed public offering of securities for the subject company,
- c) Received compensation for investment banking or merchant banking or brokerage services from the subject company,
- d) Received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company

We or our associates may have received compensation or other benefits from the subject company(ies) or third party in connection with the research report.

Research Analyst may have served as director, officer, or employee in the subject company.

We or our research analyst may engage in market-making activity of the subject company.

Analyst declaration

- The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously in an unbiased manner.
- No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report or based on any specific investment banking transaction.
- The analyst(s) has(have) not had any serious disciplinary action taken against him/her(them).
- The analyst, strategist, or economist does not have any material conflict of interest at the time of publication of this report.
- The analyst(s) has(have) received compensation based upon various factors, including quality, accuracy and value of research, overall firm performance, client feedback and competitive factors.

IRSPL and/or its affiliates and/or its Directors/employees may own or have positions in securities of the company(ies) covered in this report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities.

IRSPL and/or its affiliates and/or its Directors/employees may do and seek to do business with the company(ies) covered in this research report and may from time to time (a) buy/sell the securities covered in this report, from time to time and/or (b) act as market maker or have assumed an underwriting commitment in securities of such company(ies), and/or (c) may sell them to or buy them from customers on a principal basis and/or (d) may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) and/or (e) solicit such investment, advisory or other services from any entity mentioned in this report and/or (f) act as a lender/borrower to such company and may earn brokerage or other compensation. However, Analysts are forbidden to acquire, on their own account or hold securities (physical or uncertificated, including derivatives) of companies in respect of which they are compiling and producing financial recommendations or in the result of which they play a key part.

Registration granted by SEBI, membership of a SEBI recognized supervisory body (if any) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

InCred Research Services Private Limited

Research Analyst SEBI Registration Number: INH000011024

Registered Office: Unit No 1203, 12th Floor, B Wing, The Capital, C-70, G Block, BKC, Bandra (E), Mumbai – 400051

Phone: +91-22-6844-6100

Corporate Office: 05th floor, Laxmi Towers, Plot No. C-25, G Block, Bandra – Kurla Complex, Bandra (East), Mumbai – 400051

Phone: +91-22-4161-1500

Name of the Compliance Officer: Mr. Yogesh Kadam

Email ID: compliance@incredresearch.com, Phone No: +91-22-41611539

For any queries or grievances, you may contact the Grievance Officer.

Name of the Grievance Officer: Mr. Rajarshi Maitra

Phone no. +91-022-41611546

Email ID: rajarshi.maitra@incredresearch.com

CIN: U74999MH2016PTC287535

Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.