



India

HOLD (previously ADD)

Consensus ratings*: Buy 10 Hold 8 Sell 11

Current price: Rs1,162
 Target price: ▼ Rs1,209
 Previous target: Rs1,363
 Up/downside: 4.0%
 InCred Research / Consensus: 5.9%

Reuters: BFRG.NS
 Bloomberg: BHFC IN
 Market cap: US\$6,332m
 Rs555,348m
 Average daily turnover: US\$18.5m
 Rs1626.9m
 Current shares o/s: 478.1m
 Free float: 54.8%

*Source: Bloomberg

Key changes in this note

- FY26F-28F sales cut by 5-6%.
- FY26F-28F EPS cut by 8-10%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(11.1)	1.8	(25.4)
Relative (%)	(7.7)	1.5	(27.0)

Major shareholders	% held
Kalyani Family	45.3
Kotak Mutual Fund	5.6
Dsp Midcap Fund	2.1

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Bharat Forge

Challenging business environment

- 1Q consol. EPS fell by 13% yoy to Rs5.9 on a 5% yoy dip in net sales. The 10% dip in standalone sales compensated by the US aluminium unit's growth.
- Management gave guidance of 2Q bottoming out & sales revival in 2H driven by defence orders & American Axle acquisition benefits. We cut EPS by 8-10%.
- Tightening global environment & slowing India business to hit short-term profits. Downgrade to HOLD, but the valuation below the mean caps downside.

Standalone EPS contraction accelerates in 1QFY26

1QFY26 standalone EBITDA of Bharat Forge fell by 12% yoy & 7% qoq to Rs5.7bn, which was 6% below our/Bloomberg or BB consensus estimates. The 8% miss in sales was due to a sharp 12% yoy dip in domestic sales, while exports dipped 8% yoy. The only segments that displayed growth during the quarter were India car parts and industrial exports (Fig. 10). The EBITDA margin remained healthy at 27.2%. PAT dipped by 18% yoy and 8% qoq to Rs3.4bn. The consolidated entity's PAT fell by 13% yoy to Rs2.8bn on a sales dip of 5% yoy. The growth in aluminium forgings plant in the US, JS Auto and Kalyani Powertrain helped in compensating for the relative weakness in the consolidated entity's performance.

Management conference-call highlights

Management gave guidance that 2QFY26F performance will be weak because of lower US exports and seasonality. Management remains optimistic that 2HFY26F will be better than 1H, driven by the defence equipment order book execution and new opportunities. Commercial vehicle (CV) parts exports to Europe saw some revival, after the lows witnessed last year, while North American commercial vehicle or CV parts revenue saw a decline due to a pause to the emission norm changes and the ongoing trade policy flux. Management indicated that it is discussing with its US clients (15% of standalone sales) for an amicable solution to the tariff barrier, as the US faces machining capacity shortage.

We cut FY26F-28F consolidated EPS by a sharp 8-10%

The ongoing tariff imbroglio, along with challenges in the US class-8 truck market (rising inventory and order cancellation) is a cause of concern (Figs. 7 & 8), leading to a cut in our FY26F-28F sales estimates by 8-10% for the standalone entity & 5-6% for the consolidated entity. The Indian rupee or INR depreciation benefit and improving profitability in smaller entities limit the consolidated entity's EPS cut to 8-10% for FY26F-28F.

Downgrade our rating to HOLD as the downside is limited

Considering the uncharted territory of tariff wars, which can impact global GDP growth, we turn cautious and downgrade Bharat Forge's rating to HOLD (ADD earlier). Management's efforts to win new business in the defence space provide hope of a recovery in FY27F. With the valuation below the 10-year mean level on P/E and P/BV (Figs. 16 & 17) valuations, we feel the stock price downside is limited. Key upside risk is quick resolution of trade tensions. Key downside risk is global recession prolonging profitability challenges.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	156,821	151,228	156,215	175,459	199,489
Operating EBITDA (Rsm)	25,579	26,939	28,119	31,934	36,507
Net Profit (Rsm)	9,101	9,133	12,153	14,954	18,001
Core EPS (Rs)	19.2	21.2	25.4	31.3	37.6
Core EPS Growth	87.0%	10.2%	20.1%	23.0%	20.4%
FD Core P/E (x)	61.03	60.81	45.70	37.14	30.85
DPS (Rs)	10.0	11.0	10.0	11.0	12.0
Dividend Yield	0.84%	0.95%	0.86%	0.95%	1.03%
EV/EBITDA (x)	23.27	21.69	19.72	17.36	15.17
P/FCFE (x)	48.20	450.50	34.49	(167.42)	(77.11)
Net Gearing	81.4%	54.2%	23.7%	27.1%	29.1%
P/BV (x)	7.75	6.00	4.40	4.00	3.61
ROE	13.2%	12.3%	11.1%	11.3%	12.3%
% Change In Core EPS Estimates			(8.07%)	(9.16%)	(9.90%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Challenging business environment

Management conference-call highlights ►

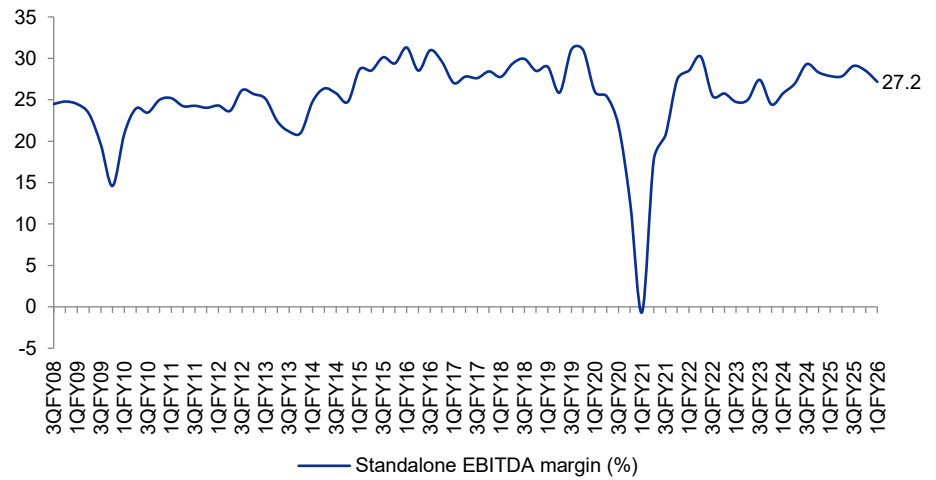
- **Outlook:** 2QFY26F is expected to be weak, driven by lower US exports and seasonality, but is likely to be at the bottom of the cycle. Management remains optimistic that 2HFY26F will be better than 1H, with a pivot toward domestic growth and emerging opportunities.
- **Standalone entity's performance:** Revenue was down 2.7% yoy, impacted by tariff uncertainty and the delay in emission norms. The EBITDA decline of 6.5% was due to lower utilization and an unfavourable product mix. Tariff-related costs amounting to Rs140m were absorbed during the quarter.
- **Domestic market:** The CV parts business movement was attributed largely to market softness & seasonality seen at the beginning of the financial year. Passenger car parts business saw a robust performance. The buoyancy was due to a combination of new business wins and higher volume at some key OEM customers. Domestic industrial business had a strong quarter, driven by better execution in the defence equipment segment and small one-time orders for machine tools.
- **Overseas operations:** Reported stable operations at its European aluminum plant, with a capacity utilization level of around 70% and an EBITDA of Rs330m, while the US aluminum forgings business saw an improved performance driven by operational efficiency and better utilization, at ~70% of Phase-1 capacity. Meanwhile, the company is evaluating the restructuring option for its European steel business, with steel forgings continuing to support growth across sectors.
- **Export business:** CV part exports to Europe saw some revival, after the lows seen last year, while North American CV parts revenue saw a decline due to a pause to the emission norms change and the ongoing trade policy flux in the US. Passenger car parts exports had a benign performance, mainly because of diversification efforts beyond North America. The industrial segment saw a weak performance because of slower growth in HHP engines, construction and mining sectors and seasonality impact in the aerospace business.
- **US market:** One-third of Bharat Forge's exports were to the US in 1QFY26, where the renewable energy sector faced a significant pullback, and due to the 25% tariff impact, customers are actively collaborating with the company to find viable solutions.
- **Order book:** During the quarter, the company secured new orders worth Rs.8.47bn, including Rs2.69bn in the defence equipment segment. As of 1QFY26-end, the defence equipment order book stood at Rs94.63bn. Likely to receive another Rs14bn worth of orders (domestic).
- **Electronics:** It's a part of the defence equipment and electric vehicle or EV parts businesses, and this segment sees opportunities in manufacturing electronic components, sub-systems, and end products for the Indian market, with revenue already being generated and an application submitted for the PLI (Production-Linked Incentive) scheme benefits.
- **American Axle:** The acquisition will enhance India operations by adding value-added axle products, providing engineering know-how and approved designs, and is expected to contribute Rs10bn to the consolidated entity's top line in FY26F, with expanded access to the light commercial vehicle (LCV) and SUV parts segments.
- **Aerospace:** This business witnessed a 20% growth, and this growth is likely to continue for the full year as well.
- **KSSL:** New defence equipment orders will be on account of its subsidiary KSSL.

Figure 1: Standalone results comparison

Y/E Mar 2024 (Rs m)	1QFY26	1QFY25	yoy % chg	4QFY25	qoq % chg	Comments for the quarter
Revenue	21,047	23,381	(10.0)	21,630	(2.7)	8% below our estimate.
Raw material costs	8,156	9,777	(16.6)	8,576	(4.9)	
RM costs as a % of revenue	38.8	41.8	(307)	39.6	(89.5)	
EBITDA	5,718	6,515	(12.2)	6,167	(7.3)	6% below our estimate.
EBITDA margin %	27.2	27.9	(70)	28.5	(134)	67bp above our estimate.
Depreciation & amortization	1,125	1,094	2.8	1,122	0.2	2% above our estimate.
EBIT	4,593	5,420	(15.3)	5,045	(8.9)	
Interest expenses	522	702	(25.6)	588	(11.2)	4% above our estimate.
Other income	422	446	(5.4)	481	(12.2)	11% below our estimate.
Pre-tax profit	4,493	5,164	(13.0)	4,937	(9.0)	
Tax	1,108	1,014	9.3	1,278	(13.4)	
Tax rate (%)	24.7	19.6	503	26	(124)	65bp above our estimate.
Normalized net profit	3,385	4,151	(18.4)	3,659	(7.5)	10% below our estimate
Extraordinary income/expenses	-	(1,457)	nm	(203)	nm	
Reported net profit	3,385	2,694	25.6	3,456	(2.1)	
Normalized EPS (Rs)	-	8.9	(100.0)	7.9	(100.0)	

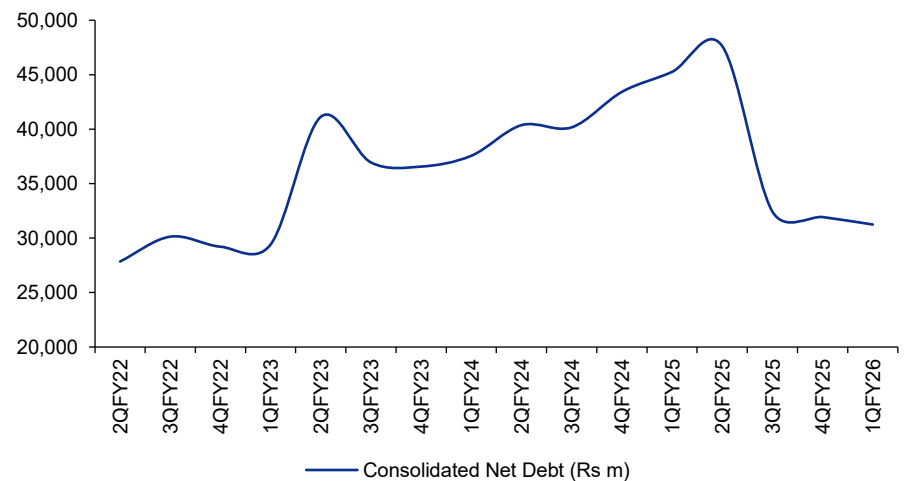
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Standalone EBITDA witnesses a sequential decline



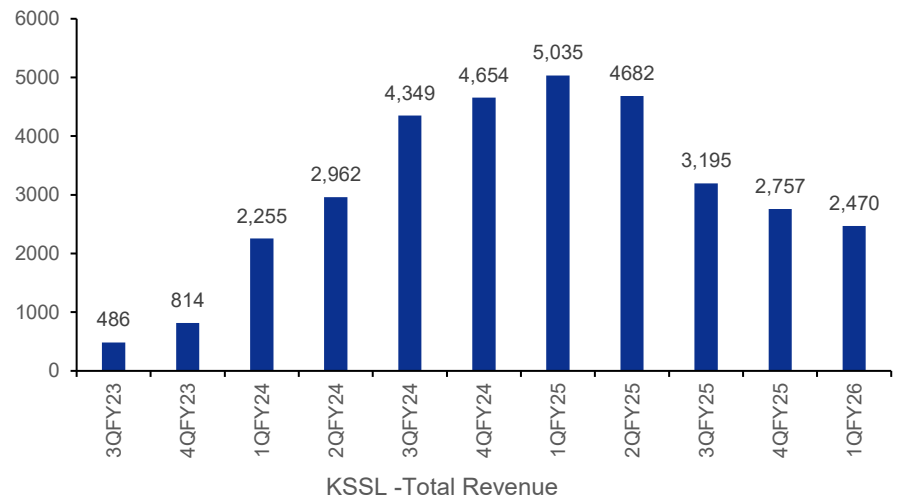
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Sharp net debt reduction post raising of funds via the QIP route



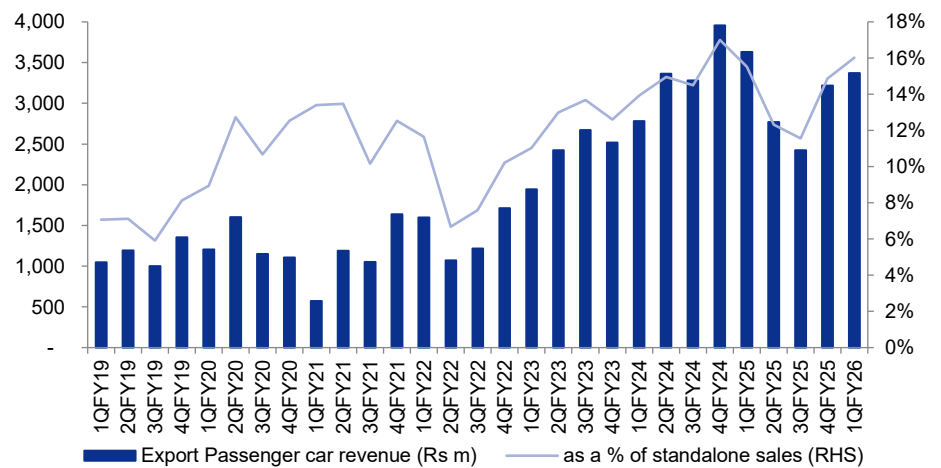
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Defence subsidiary KSSL's revenue declines on lumpy execution (Rs m)



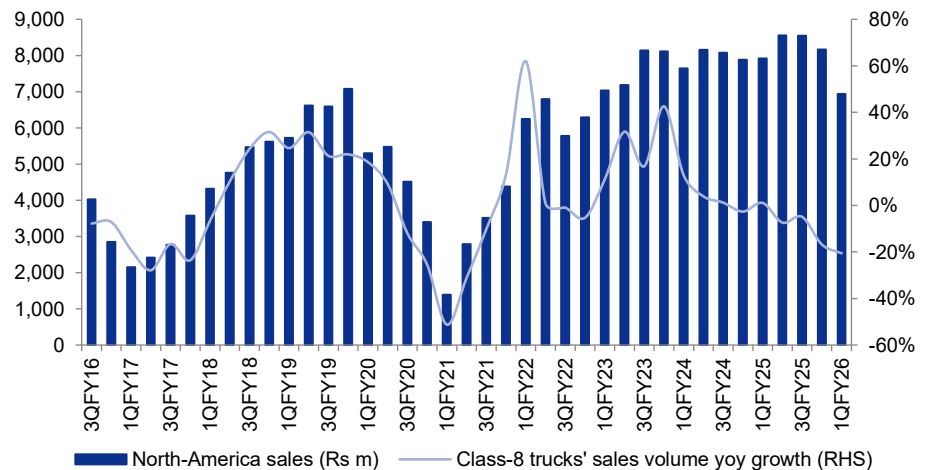
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Passenger car component exports stage a recovery



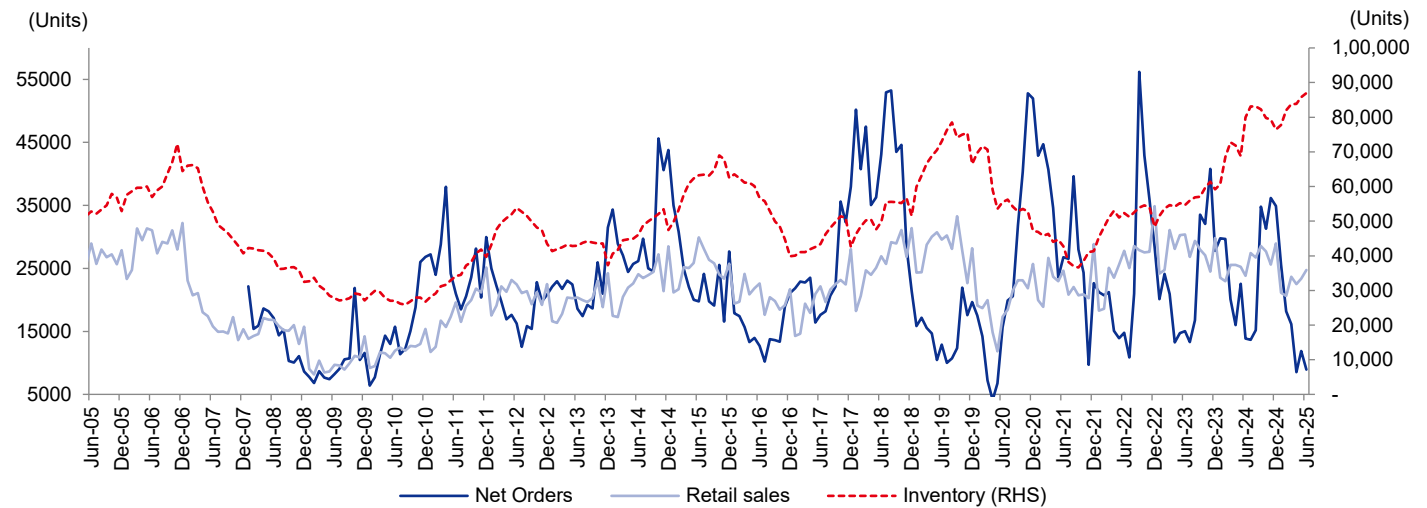
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: North America's revenue correlation to Class-8 trucks' volume growth



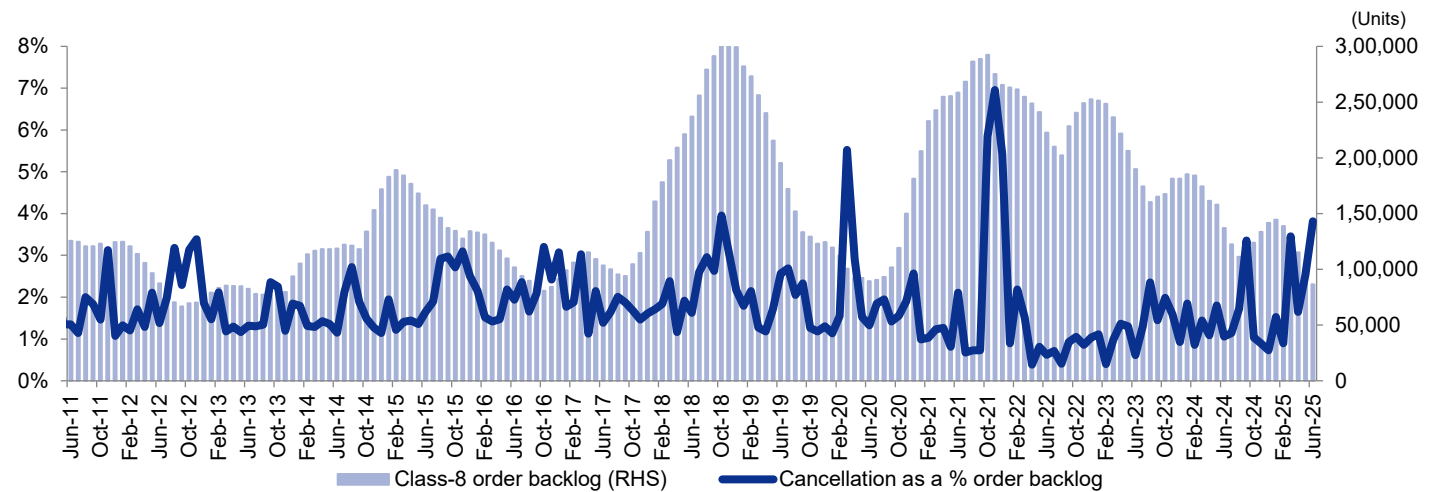
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: North America Class-8 truck net orders declined during the quarter, leading to inventory build-up



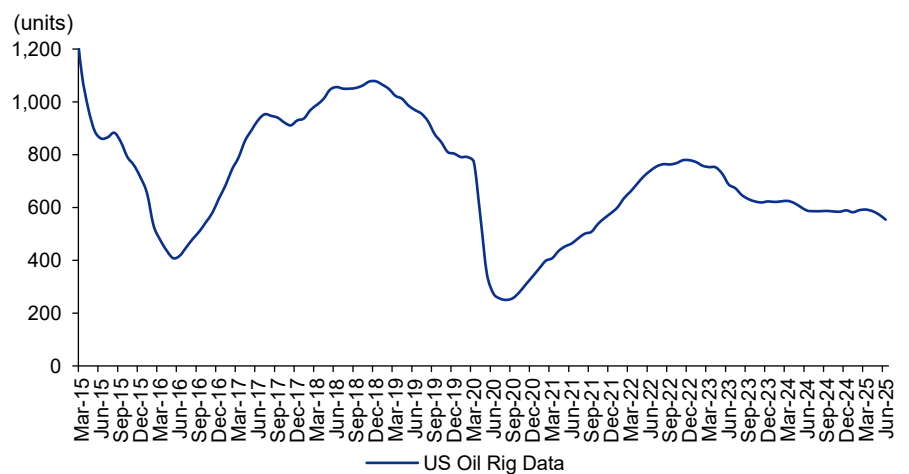
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: North America Class-8 truck order backlog situation improves due to cancellation



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: US oil rig count flattens



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: Revenue by segment (Rs m) – growth took place only in domestic car parts and industrial exports

	1QFY26	1QFY25	% yoy	4QFY25	% qoq
India Revenue	10,294	11,679	-11.9%	9,309	10.6%
Commercial vehicle parts	2,447	2,489	-1.7%	2,659	-8.0%
Industrial	6,874	8,374	-17.9%	5,749	19.6%
Passenger car parts	973	816	19.2%	901	8.0%
International Revenue	10,753	11,701	-8.1%	13,122	-18.1%
Commercial vehicle parts	4,499	5,318	-15.4%	4,641	-3.1%
Industrial	2,882	2,752	4.7%	5,264	-45.3%
Passenger car parts	3,372	3,631	-7.1%	3,217	4.8%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 11: Revenue and business mix by location

(Rs m)	1QFY26	1QFY25	% yoy	4QFY25	% qoq
India	10,294	11,679	-11.9%	9,309	10.6%
US	6,933	7,912	-12.4%	8,161	-15.0%
Europe	2,937	3,175	-7.5%	3,204	-8.3%
Asia	884	615	43.7%	956	-7.5%
Total	21,048	23,381	-10.0%	21,630	-2.7%
Sales Mix					
India	49%	50%	(104)	43%	587
US	33%	34%	(90)	38%	(479)
Europe	14%	14%	37	15%	(86)
Asia	4%	3%	157	4%	(22)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 12: Key assumptions

Rs m	FY23A	FY24A	FY25A	FY26F	FY27F	FY28F
International Sales	97,982	1,16,417	1,10,072	1,15,059	1,29,775	1,46,496
Change (%)	24.4%	18.8%	-5.5%	4.5%	12.8%	12.9%
India domestic sales	31,121	40,403	41,156	41,156	45,683	52,993
Change (%)	20.4%	29.8%	1.9%	0.0%	11.0%	16.0%
Net Sales	1,29,103	1,56,821	1,51,228	1,56,215	1,75,459	1,99,489
Net Raw material	59,614	73,413	65,943	68,735	76,851	87,177
as % of net sales	46.2%	46.8%	43.6%	44.0%	43.8%	43.7%
Personnel Cost	15,631	18,600	18,699	19,839	22,108	25,136
as % of net sales	12.1%	11.9%	12.4%	12.7%	12.6%	12.6%
Mfgr. Expenses	21,947	21,955	22,684	23,120	26,319	29,923
as % of net sales	17.0%	14.0%	15.0%	14.8%	15.0%	15.0%
Other Expenses	14,235	17,274	16,962	16,403	18,248	20,747
as % of net sales	11.0%	11.0%	11.2%	10.5%	10.4%	10.4%
Total Expenditure	1,11,427	1,31,242	1,24,289	1,28,097	1,43,525	1,62,983
EBITDA	17,675	25,579	26,939	28,119	31,934	36,507
EBITDA margin(%)	13.7	16.3	17.8	18.0	18.2	18.3

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 13: Consolidated entity's earnings revision summary

	FY26F		FY27F		FY28F	
	Old	New	Old	New	Old	New
Net sales (Rs m)	1,64,370	1,56,215	1,86,729	1,75,459	2,12,311	1,99,489
Change (%)		-5.0%		-6.0%	0.0%	-6.0%
EBITDA (Rs m)	29,587	28,119	33,985	31,934	39,278	36,507
Change (%)		-5.0%		-6.0%	0.0%	-7.1%
Normalized PAT (Rs m)	13,220	12,153	16,462	14,954	19,978	18,001
Change (%)		-8.1%		-9.2%	0.0%	-9.9%
Normalized EPS(Rs)	28.4	26.1	35.4	32.1	42.9	38.7
Change (%)		-8.1%		-9.2%	0.0%	-9.9%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 14: Standalone entity's EPS revision summary

	FY26F		FY27F		FY28F	
	Old	New	Old	New	New	New
Net sales (Rs m)	93,087	85,600	1,03,708	93,239	1,17,673	1,05,779
Change (%)		-8.0%		-10.1%		-10.1%
EBITDA (Rs m)	26,623	23,626	29,453	25,454	33,184	29,195
Change (%)		-11.3%		-13.6%		-12.0%
Normalized PAT (Rs m)	16,372	13,999	18,706	15,515	21,545	18,377
Change (%)		-14.5%		-17.1%		-14.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 15: Discounted cash flow or DCF-based valuation

Economic Profit Valuation			Discounted Cash Flow Valuation		
	Rs m	%		Rs m	%
Adjusted Opening Invested Capital	1,38,589	22.8	Value of Phase 1: Explicit (2025 to 2027)	7,501	1.2
NPV of Economic Profit During Explicit Period	9,150	1.5	Value of Phase 2: Value Driver (2028 to 2038)	2,70,830	44.6
NPV of Econ Profit of Remaining Business (1, 2)	12,763	2.1	Value of Phase 3: Fade (2039 to 2049)	2,52,824	41.6
NPV of Econ Profit of Net Inv (Grth Business) (1, 3)	4,46,994	73.6	Terminal Value	76,313	12.6
Enterprise Value	6,07,495	100.0	Enterprise Value	6,07,468	100.0
Plus: Other Assets	0	0.0	FCF Grth Rate at end of Phs 1 implied by DCF Valuation	0	10.0
Less: Minorities	36	0.0	FCF Grth Rate at end of Phs 1 implied by Current Price	0	10.0
Less: Net Debt (as at 07 Aug 2025)	29,343	4.8			
Equity Value	5,78,116	95.2			
No. Shares (millions)	478				
Per Share Equity Value	Rs. 1,209				

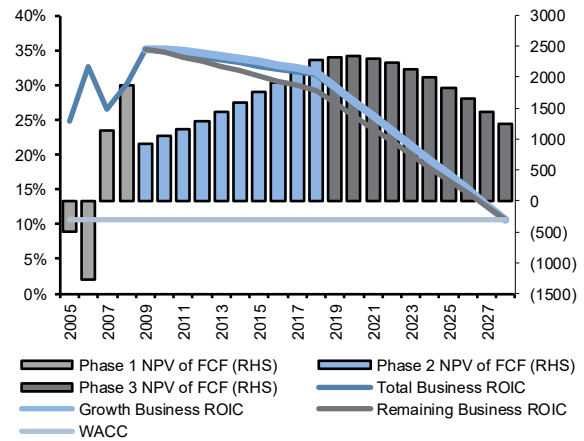
Sensitivity Table		No of Years in Fade Period				
		6	9	11	13	16
WACC	9.1%	1236	1420	1545	1673	1867
	10.1%	1108	1262	1365	1469	1625
	11.1%	995	1124	1209	1294	1420
	12.1%	895	1003	1073	1143	1244
	13.1%	807	897	955	1012	1094

Performance Summary		Phase 2 Avg			
		2025	2026	2027	(2028 - 2038)
Invested Capital Growth (%)		5.2	10.5	11.0	10.0
Operating Margin (%)		13.8	14.3	14.8	12.5
Capital Turnover (x)		1.3	1.4	1.4	1.3

Note:

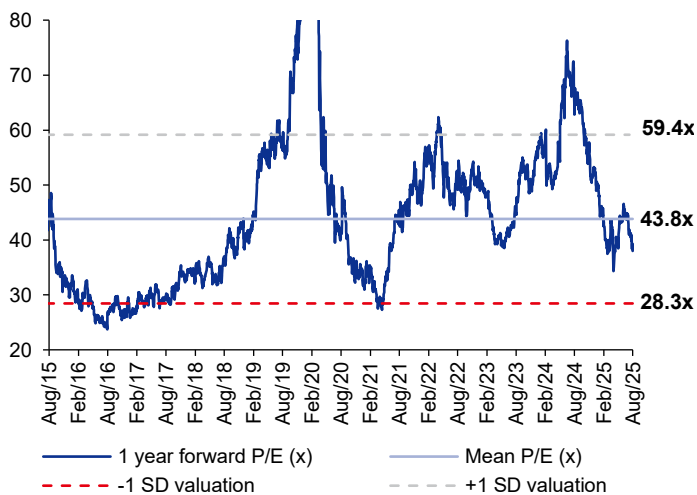
1. In periods following the Explicit Period i.e. Phase 2 and Phase 3
2. Remaining Business is defined as Capital as at the end of Phase 1 and capex = depreciation thereafter
3. Net Investment is defined as capex over and above depreciation after Phase 1

Returns, WACC and NPV of Free Cash Flow



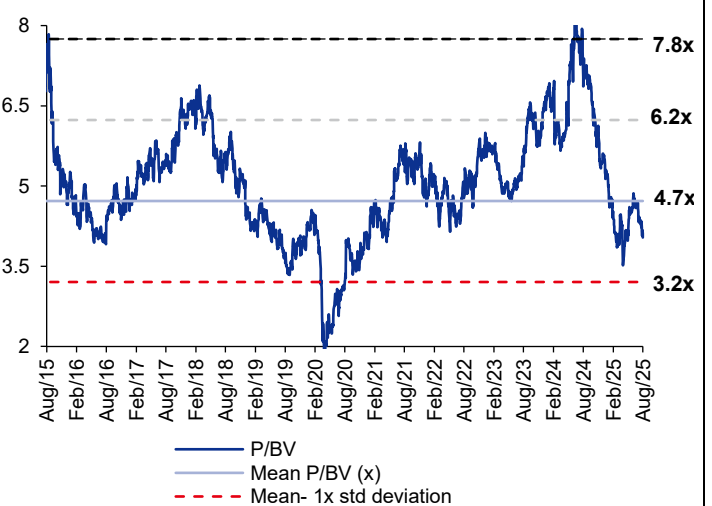
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 16: Forward P/E valuation eases below the 10-year mean level



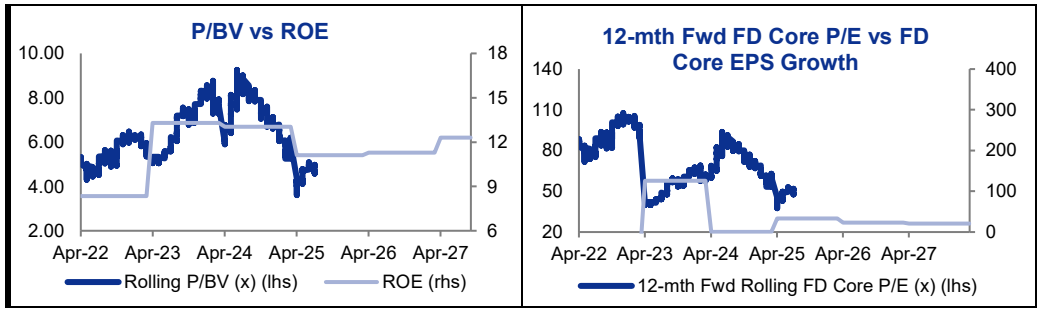
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 17: Forward P/BV valuation eases below the 10-year mean 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	156,821	151,228	156,215	175,459	199,489
Gross Profit	42,853	43,901	44,521	50,181	57,253
Operating EBITDA	25,579	26,939	28,119	31,934	36,507
Depreciation And Amortisation	(8,482)	(8,736)	(9,002)	(9,434)	(9,828)
Operating EBIT	17,097	18,203	19,116	22,500	26,678
Financial Income/(Expense)	(4,912)	(4,175)	(3,199)	(2,599)	(2,429)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	2,274	2,138	2,445	2,642	2,842
Profit Before Tax (pre-EI)	14,460	16,166	18,363	22,544	27,091
Exceptional Items	(123)	(1,571)			
Pre-tax Profit	14,336	14,595	18,363	22,544	27,091
Taxation	(5,288)	(5,426)	(6,060)	(7,439)	(8,940)
Exceptional Income - post-tax					
Profit After Tax	9,048	9,170	12,303	15,104	18,151
Minority Interests	53	(37)	(150)	(150)	(150)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	9,101	9,133	12,153	14,954	18,001
Recurring Net Profit	9,179	10,120	12,153	14,954	18,001
Fully Diluted Recurring Net Profit	9,179	10,120	12,153	14,954	18,001

Cash Flow

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
EBITDA	25,579	26,939	28,119	31,934	36,507
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(572)	(165)	(1,753)	(2,441)	(6,801)
(Incr)/Decr in Total Provisions	(6,052)	(479)	5,387	(1,300)	(400)
Other Non-Cash (Income)/Expense	(619)	1,159	2,624	952	1,075
Other Operating Cashflow	(123)	(1,571)			
Net Interest (Paid)/Received	(2,637)	(2,037)	(753)	44	413
Tax Paid	(5,691)	(5,849)	(3,673)	(4,509)	(5,418)
Cashflow From Operations	9,884	17,999	29,951	24,680	25,375
Capex	(12,862)	(19,648)	(18,970)	(19,200)	(18,250)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	7,803	15,219	13,940	(8,047)	(8,578)
Cash Flow From Investing	(5,060)	(4,429)	(5,030)	(27,247)	(26,828)
Debt Raised/(repaid)	6,697	(12,337)	(8,817)	(750)	(5,750)
Proceeds From Issue Of Shares	(356)	(291)			
Shares Repurchased					
Dividends Paid	(4,656)	(5,259)	(4,781)	(5,259)	(5,738)
Preferred Dividends					
Other Financing Cashflow	(5)				
Cash Flow From Financing	1,680	(17,887)	(13,598)	(6,009)	(11,488)
Total Cash Generated	6,504	(4,317)	11,322	(8,577)	(12,940)
Free Cashflow To Equity	11,522	1,233	16,104	(3,317)	(7,203)
Free Cashflow To Firm	9,736	17,745	28,119	31	976

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	16,899	12,914	24,236	15,659	2,719
Total Debtors	31,769	29,132	32,099	35,092	38,805
Inventories	32,161	35,784	35,951	39,418	43,724
Total Other Current Assets	19,514	18,840	18,500	21,000	22,500
Total Current Assets	100,344	96,670	110,786	111,169	107,747
Fixed Assets	70,046	80,959	90,926	100,692	109,114
Total Investments	18,490	20,627	30,627	38,627	46,627
Intangible Assets	2,960	2,628	2,628	2,628	2,628
Total Other Non-Current Assets					
Total Non-current Assets	91,496	104,213	124,181	141,947	158,369
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	22,621	23,442	24,823	28,843	30,060
Other Current Liabilities	18,999	17,015	22,000	23,000	24,000
Total Current Liabilities	41,620	40,457	46,823	51,843	54,060
Total Long-term Debt	75,221	62,884	54,067	53,317	47,567
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	75,221	62,884	54,067	53,317	47,567
Total Provisions	3,346	5,336	8,022	9,174	10,349
Total Liabilities	120,186	108,677	108,912	114,333	111,975
Shareholders Equity	71,702	92,533	126,232	138,810	154,018
Minority Interests	(49)	(328)	(178)	(28)	122
Total Equity	71,653	92,206	126,055	138,783	154,141

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	21.5%	(3.6%)	3.3%	12.3%	13.7%
Operating EBITDA Growth	44.7%	5.3%	4.4%	13.6%	14.3%
Operating EBITDA Margin	16.3%	17.8%	18.0%	18.2%	18.3%
Net Cash Per Share (Rs)	(121.98)	(104.51)	(62.39)	(78.76)	(93.80)
BVPS (Rs)	149.96	193.53	264.01	290.32	322.12
Gross Interest Cover	3.48	4.36	5.98	8.66	10.98
Effective Tax Rate	36.9%	37.2%	33.0%	33.0%	33.0%
Net Dividend Payout Ratio	50.5%	49.1%	39.3%	35.2%	31.9%
Accounts Receivables Days	73.03	73.49	71.53	69.89	67.60
Inventory Days	101.56	115.54	117.21	109.80	106.68
Accounts Payables Days	70.67	78.33	78.86	78.18	75.58
ROIC (%)	11.1%	10.6%	10.1%	11.3%	12.2%
ROCE (%)	12.1%	12.0%	11.2%	11.8%	13.2%
Return On Average Assets	6.7%	6.9%	6.6%	6.9%	7.6%

Key Drivers

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
ASP (% chg, main prod./serv.)	7.1%	(1.5%)	(17.9%)	8.9%	13.4%
Unit sales grth (% , main prod./serv.)	10.6%	0.1%	17.9%	N/A	N/A

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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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.