

India

**ADD** (no change)

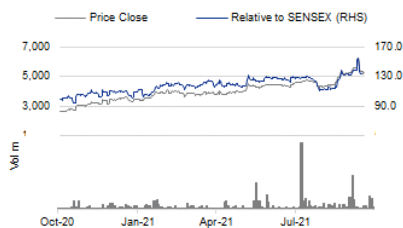
Consensus ratings\*: Buy 10 Hold 6 Sell 1

Current price:	Rs5,472
Target price:	Rs6,252 ▲
Previous target:	Rs5,140
Up/downside:	14.3%
InCred Research / Consensus:	31.6%
Reuters:	CERA.NS
Bloomberg:	CRS IN
Market cap:	US\$949m Rs71,167m
Average daily turnover:	US\$1.7m Rs129.7m
Current shares o/s:	13.0m
Free float:	45.5%

\*Source: Bloomberg

**Key changes in this note**

- Increase TP to Rs6,252 from Rs5,140 earlier.
- Roll out FY24F estimates.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	7.5	25.4	108.3
Relative (%)	4.9	7.6	36.0

Major shareholders	% held
Promoters	54.5
Nalanda India Equity Fund	10.0
Dsp Small Cap Fund	3.9

**Analyst(s)**



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# Cera Sanitaryware

## Organic demand tailwinds aid performance

- Lower imports impact competition product availability. Domestic bathroom manufacturers gain market share due to local manufacturing advantage.
- Demand drivers remain robust. Capacity utilisation near its peak in 2Q. Management indicated that sanitaryware capacity expansion is possible.
- Reiterate Add rating with a TP of Rs6,252 (20% premium to 5-year mean P/E).

### High import freight rates impact supplies to industry

Cera Sanitaryware's 2QFY22 revenue/EBITDA/PAT at Rs4bn/Rs616m/Rs430m registered a growth of 24%/50%/75% yoy, beating our estimates by 8%/15%/25%, respectively. We believe the unviability of importing sanitaryware (SW) products due to an exponential growth in container freight costs led to short supply, benefitting companies with domestic manufacturing. Cera has capitalized on this trend by making its products widely available and gained market share. Gross margin expanded ~400bp to 53.4%, led by improvement in sales mix in 2QFY22 (2QFY21 had a lower premium product revenue mix due to labour unrest in an owned factory). EBITDA margin expanded ~260bp to 15.3%.

### Fresh as well as replacement demand remains robust

Management highlighted demand pick-up for SW and faucetware (FW) products led by fresh demand due to cheaper home loan rates, pick-up in primary real estate sales, higher home loan disbursements and continued home improvement demand. We believe the demand will be more sustainable and organic, and not driven by pent-up demand. Cera experienced top-level attrition due to overall sector buoyancy and has announced replacements in its senior leadership team (Fig.1). In tile division, management is focusing to improve B2C mix, thereby increasing cash-and-carry sales and reducing overall debtors.

### Cera operates at peak capacity, outsourcing can meet peak demand

Robust demand and lower competition led Cera to operate SW plants at peak capacity (97%) in 2QFY22. Channel inventory remains dry, as per management. Management is exploring various options including (1) building vendor capability to outsource less complex premium products, and (2) adding in-house sanitaryware capacity to meet rising demand (FY23F and beyond). We remain optimistic on the business and marginally change our estimates. Net cash as at Sep 2021-end was Rs3.6bn. Working capital days stood at 47 (similar level as Sep 2020). H1FY22 capex/FCF stood at ~Rs110mn/Rs54m, respectively.

### Reiterate ADD rating

Demand recovery in the real estate sector, brand pricing power and working capital reduction strengthen our positive view on the stock. We reiterate our Add rating with a TP of Rs6,252 based on 40x FY24F EPS, (~20% premium to 5-year mean P/E). Downside risks: Heightened competition led by a fall in freight rates, Covid-19 led demand/supply disruption and treasury management.

### Financial Summary

	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue (Rsm)	12,114	12,177	14,469	16,567	18,680
Operating EBITDA (Rsm)	1,532	1,514	2,026	2,485	2,839
Net Profit (Rsm)	1,010	941	1,379	1,748	2,053
Core EPS (Rs)	77.6	72.4	106.1	134.4	157.9
Core EPS Growth	(6.0%)	(6.8%)	46.6%	26.7%	17.5%
FD Core P/E (x)	70.47	75.63	51.59	40.72	34.66
DPS (Rs)	13.0	13.0	16.0	20.0	24.0
Dividend Yield	0.29%	0.24%	0.29%	0.37%	0.44%
EV/EBITDA (x)	45.61	44.46	32.94	26.33	22.50
P/FCFE (x)	233.68	2,240.56	93.56	80.84	58.28
Net Gearing	(19.6%)	(46.3%)	(46.8%)	(51.4%)	(56.1%)
P/BV (x)	8.99	7.97	7.05	6.21	5.42
ROE	13.7%	11.5%	14.8%	16.4%	16.8%
% Change In Core EPS Estimates			(0.93%)	(0.66%)	
InCred Research/Consensus EPS (x)			0.98	0.95	0.87

SOURCES: INCRED RESEARCH, COMPANY REPORTS

## 2QFY22 earnings call takeaways

- **Competition:** Rise in container freight rates led to unviability of importing SW products, causing overall bathware supply shortage and benefiting domestic manufacturers. Management sees this situation prevailing for the next 24 months. Cera is the no.1 player in SW and no.2 player in FW business in India in terms of revenue share, as per management.
- **Revenues:** 2QFY22 revenue share → SW (54%), FW (34%), tiles (12%), and wellness (2%). 2QFY22 revenue growth yoy → SW (27.8%), FW (61.25), tiles (-25.9%), and wellness (-26.8%). Retail sales constituted 68% of total sales.
- **Price hikes:** SW and FW prices hiked by 4% and 10%, respectively, in 2QFY22 (Aug 2021). Further 8.5-9% price hike to be taken for SW (5-6% for FW) in Oct 2021. The company has announced 8-12% price hike for polymer SKUs from 15 Nov 2021.
- **New product developments:** The company has expanded its product range. SW stock-keeping units or SKUs increased to 466, while FW SKUs increased to 919. New products constituted ~20% of sales in 2QFY22.
- **Distribution:** The company said it is widening its distribution network to make products widely available. Dealer and retailer count is 4,000+ and 11,000+ as at Sep 2021-end. Management highlighted that distributor inventory is completely sold out. Distributor count (SW 2,747; FW 2,133; Tiles 1,549 as at Sep 2021-end) has increased for all divisions since Mar 2021.
- **Margin:** 95% of the sanitaryware RM basket (consisting of China clay, feldspar and POP) is stable. Cost inflation was observed in glazing recipe, domestic freight, packing material and natural gas. Gas cost increased by Rs3.5m per month. Natural gas cost is at a mere 1.9% of sales for Cera. Advertisement spending is budgeted at ~4% of sales for FY22F.
- **Working capital:** Management intends to stock more raw materials and finished goods to protect against any supply chain and production disruption and ensure product availability in the market. Working capital days may increase in this regard. The company is making efforts to reduce debtors by increasing the B2C sales mix in its tile division and reducing despatch sizes.
- **Capex:** Capacity utilization → SW (97%) and FW (90%). Management is working on debottlenecking the existing plants and is evaluating capacity expansion plans, given that it is operating SW division at peak capacity.

**Figure 1: New senior management team**

Name	Designation	Experience
Mr. Anupam Gupta	Executive Director (Technical)	Mr. Gupta joins from Grasim Industries. He has been with the Aditya Birla Group for over 18 years across India and international locations, of which the last eight years were at Halol, Gujarat.
Mr. Ajay Jain	Vice President - Faucetware Manufacturing	Mr. Jain comes from HSIL and has also worked with Kohler in the past.
Mr. V K Murthy	President (Marketing)	Mr. Murthy joins after an experience of 25 years with Hindustan Sanitaryware.
Mr. Mahesh Taparia	Deputy CFO	Mr. Taparia has 18 years of work experience at HDFC Bank.
Mr. Parthiv Dave	President (Sales & Strategic Affairs)	Mr. Dave was the managing director and CEO of SIAMP India Pvt. Ltd.

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 2: 2QFY22 results snapshot**

YE Mar (Rs mn)	2QFY22	2QFY21	yoy (%)	1QFY22	qoq (%)	H1FY22	H1FY21	yoy (%)
Revenue	4,033	3,241	24.4	2,282	76.7	6,315	4,701	34.3
EBITDA	616	410	50.2	208	195.6	824	448	84.0
EBITDA margin (%)	15.3	12.7	262 bp	9.1	615 bp	13.1	9.5	353 bp
Adj. PAT	430	246	74.9	122	252.4	553	251	120.4
Diluted EPS (Rs)	33.1	18.9		9.4		42.5	19.3	

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 3: 2QFY22 segmental results snapshot**

Revenues (Rs mn)	2QFY22	2QFY21	yoy (%)	1QFY22	qoq (%)
Sanitaryware	2,065	1,620	27.4	1,146	80.2
Faucets	1,359	843	61.3	716	89.8
Tiles	504	681	(25.9)	373	35.3
Others	81	97	(17.1)	48	68.3
<b>Sub-total</b>	<b>4,009</b>	<b>3,241</b>	<b>23.7</b>	<b>2,282</b>	<b>75.6</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 4: Actuals vs. our estimates**

Rs mn	2QFY22A	2QFY22F	Var (%)
Revenues	4,033	3,737	7.9
EBITDA	616	536	14.9
EBITDA margin (%)	15.3	14.3	93 bps
Adj. PAT	430	344	25.0

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

**Figure 5: Actuals vs. Bloomberg consensus**

Rs mn	2QFY22A	2QFY22C	Var (%)
Revenues	4,033	3,759	7.3
EBITDA	616	529	16.5
EBITDA margin (%)	15.3	14.1	120 bps
Adj. PAT	430	347	24.0

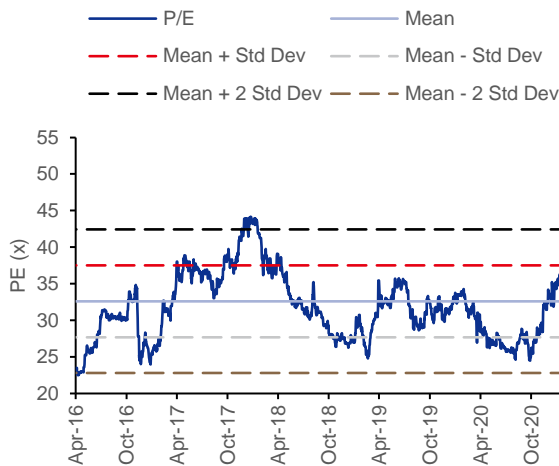
SOURCES: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

**Figure 6: Revision in our estimates**

	New estimates			Old estimates			Change (%)		
	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F
Revenues	14,469	16,567	18,680	14,640	16,763	NA	-1.2	-1.2	NA
EBITDA	2,026	2,485	2,839	2,050	2,514	NA	-1.2	-1.2	NA
<b>Adjusted consol. PAT</b>	<b>1,379</b>	<b>1,748</b>	<b>2,053</b>	<b>1,393</b>	<b>1,761</b>	NA	<b>-1.0</b>	<b>-0.8</b>	NA
EPS	106.1	134.4	157.9	107.1	135.4	NA	-1.0	-0.8	NA
<b>EBITDA margin (%)</b>	<b>14.0</b>	<b>15.0</b>	<b>15.2</b>	<b>14.0</b>	<b>15.0</b>	NA	<b>0 bp</b>	<b>0 bp</b>	NA

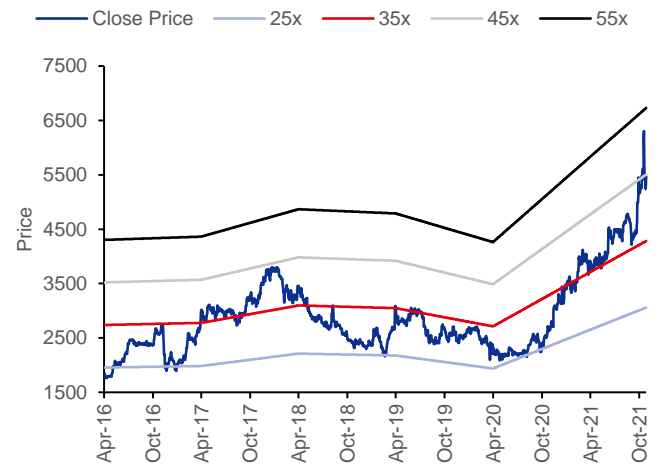
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

**Figure 7: P/E SD chart (5-year mean PE)**

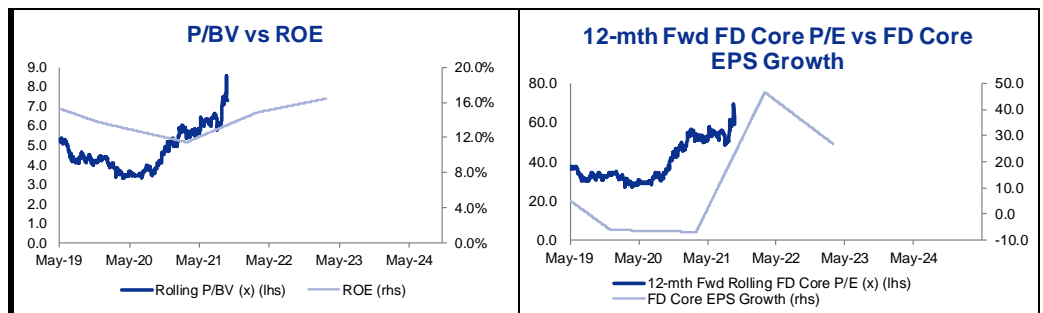


SOURCES: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

**Figure 8: P/E band chart**



SOURCES: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

**BY THE NUMBERS**

**Profit & Loss**

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>Total Net Revenues</b>	<b>12,114</b>	<b>12,177</b>	<b>14,469</b>	<b>16,567</b>	<b>18,680</b>
<b>Gross Profit</b>	<b>6,612</b>	<b>5,909</b>	<b>7,452</b>	<b>8,656</b>	<b>9,779</b>
<b>Operating EBITDA</b>	<b>1,532</b>	<b>1,514</b>	<b>2,026</b>	<b>2,485</b>	<b>2,839</b>
Depreciation And Amortisation	(388)	(396)	(414)	(436)	(460)
<b>Operating EBIT</b>	<b>1,144</b>	<b>1,118</b>	<b>1,612</b>	<b>2,049</b>	<b>2,379</b>
Financial Income/(Expense)	36	99	184	238	313
Pretax Income/(Loss) from Assoc.	1				
Non-Operating Income/(Expense)	46	55	50	53	55
<b>Profit Before Tax (pre-EI)</b>	<b>1,227</b>	<b>1,273</b>	<b>1,847</b>	<b>2,339</b>	<b>2,748</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>1,227</b>	<b>1,273</b>	<b>1,847</b>	<b>2,339</b>	<b>2,748</b>
Taxation	(243)	(340)	(462)	(586)	(689)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>983</b>	<b>933</b>	<b>1,384</b>	<b>1,753</b>	<b>2,059</b>
Minority Interests	27	8	(5)	(6)	(6)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>1,010</b>	<b>941</b>	<b>1,379</b>	<b>1,748</b>	<b>2,053</b>
Recurring Net Profit	1,010	941	1,379	1,748	2,053
<b>Fully Diluted Recurring Net Profit</b>	<b>1,010</b>	<b>941</b>	<b>1,379</b>	<b>1,748</b>	<b>2,053</b>

**Cash Flow**

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>EBITDA</b>	<b>1,532</b>	<b>1,514</b>	<b>2,026</b>	<b>2,485</b>	<b>2,839</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	47	1,316	(657)	(276)	(278)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	16	15	228	277	353
Net Interest (Paid)/Received	79	65	(184)	(238)	(313)
Tax Paid	(504)	(296)	(462)	(586)	(689)
<b>Cashflow From Operations</b>	<b>1,171</b>	<b>2,613</b>	<b>950</b>	<b>1,662</b>	<b>1,913</b>
Capex	(461)	(147)	(340)	(357)	(375)
Disposals Of FAs/subsidiaries	9	6			
Acq. Of Subsidiaries/investments	(351)	(2,313)		(500)	(500)
Other Investing Cashflow	3	30	250	290	351
<b>Cash Flow From Investing</b>	<b>(800)</b>	<b>(2,423)</b>	<b>(90)</b>	<b>(567)</b>	<b>(523)</b>
Debt Raised/(repaid)	(66)	(158)	(100)	(215)	(169)
Proceeds From Issue Of Shares		49			
Shares Repurchased					
Dividends Paid	(411)		(210)	(261)	(312)
Preferred Dividends					
Other Financing Cashflow	(75)	(79)	(66)	(52)	(38)
<b>Cash Flow From Financing</b>	<b>(552)</b>	<b>(188)</b>	<b>(376)</b>	<b>(528)</b>	<b>(519)</b>
Total Cash Generated	(181)	2	485	567	871
<b>Free Cashflow To Equity</b>	<b>305</b>	<b>32</b>	<b>761</b>	<b>880</b>	<b>1,221</b>
<b>Free Cashflow To Firm</b>	<b>270</b>	<b>93</b>	<b>795</b>	<b>1,043</b>	<b>1,352</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22F</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Total Cash And Equivalents	2,282	4,814	5,306	6,387	7,772
Total Debtors	2,228	2,095	2,378	2,723	3,071
Inventories	2,430	1,997	2,577	2,950	3,327
Total Other Current Assets	642	475	712	816	919
<b>Total Current Assets</b>	<b>7,582</b>	<b>9,380</b>	<b>10,973</b>	<b>12,876</b>	<b>15,089</b>
Fixed Assets	4,197	4,009	3,939	3,860	3,775
Total Investments	82	82	82	82	82
Intangible Assets	12	8	8	8	8
Total Other Non-Current Assets	392	358	354	354	354
<b>Total Non-current Assets</b>	<b>4,683</b>	<b>4,457</b>	<b>4,383</b>	<b>4,304</b>	<b>4,219</b>
Short-term Debt	410	303	254	206	158
Current Portion of Long-Term Debt					
Total Creditors	953	1,554	1,586	1,816	2,047
Other Current Liabilities	1,742	1,767	2,180	2,496	2,815
<b>Total Current Liabilities</b>	<b>3,105</b>	<b>3,623</b>	<b>4,020</b>	<b>4,518</b>	<b>5,020</b>
Total Long-term Debt	302	327	275	223	171
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	567	542	542	542	542
<b>Total Non-current Liabilities</b>	<b>868</b>	<b>869</b>	<b>817</b>	<b>765</b>	<b>713</b>
Total Provisions	299	303	303	303	303
<b>Total Liabilities</b>	<b>4,273</b>	<b>4,795</b>	<b>5,140</b>	<b>5,586</b>	<b>6,036</b>
Shareholders Equity	7,915	8,925	10,094	11,466	13,139
Minority Interests	77	117	122	128	134
<b>Total Equity</b>	<b>7,992</b>	<b>9,042</b>	<b>10,216</b>	<b>11,594</b>	<b>13,272</b>

<b>Key Ratios</b>					
	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22F</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Revenue Growth	(9.9%)	0.5%	18.8%	14.5%	12.8%
Operating EBITDA Growth	(19.6%)	(1.2%)	33.8%	22.7%	14.3%
Operating EBITDA Margin	12.6%	12.4%	14.0%	15.0%	15.2%
Net Cash Per Share (Rs)	120.70	321.79	367.25	458.05	572.30
BVPS (Rs)	608.58	686.23	776.13	881.62	1,010.20
Gross Interest Cover	11.39	11.49	24.45	39.45	62.71
Effective Tax Rate	19.8%	26.7%	25.0%	25.0%	25.1%
Net Dividend Payout Ratio	16.3%	13.2%	11.3%	11.1%	11.4%
Accounts Receivables Days	78.52	64.79	56.42	56.20	56.61
Inventory Days	152.15	128.88	118.94	127.51	128.70
Accounts Payables Days	68.41	72.99	81.64	78.46	79.20
ROIC (%)	16.8%	15.5%	28.7%	33.0%	37.2%
ROCE (%)	14.7%	13.9%	17.7%	20.0%	20.8%
Return On Average Assets	9.8%	9.0%	11.4%	12.9%	13.3%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

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**Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2020, Anti-Corruption 2020**

**ADVANC** – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BH** - Good, n/a, **BJC** – Very Good, n/a, **BLA** – Excellent, Certified, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Very Good, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Very Good, n/a, **DELTA** - Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, n/a, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** - Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – Excellent, Declared, **JMT** – Very Good, Declared, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – n/a, n/a, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – n/a, n/a, **OR** – n/a, n/a, **ORI** – Excellent, Certified, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RBF** – Good, n/a, **RS** – Excellent, n/a, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – n/a, n/a, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – n/a, n/a, **SHR** – Very Good, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Declared, **SPRC** – Excellent, Certified, **SSP** - Good, Declared, **STEC** – n/a, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, n/a, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, n/a, **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TMB** - Excellent, Certified, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2020 from Thai Institute of Directors Association (IOD)

- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of January 30, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

**Recommendation Framework**

**Stock Ratings**

Definition:

<b>Add</b>	The stock's total return is expected to exceed 10% over the next 12 months.
<b>Hold</b>	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
<b>Reduce</b>	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:

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

**Country Ratings**

Definition:

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