

India

**ADD** (no change)

Consensus ratings*: Buy 13 Hold 7 Sell 4	
Current price:	Rs813
Target price:	Rs1,122
Previous target:	Rs1,125
Up/downside:	38.0%
InCred Research / Consensus:	8.5%
Reuters:	KECL.NS
Bloomberg:	KECI IN
Market cap:	US\$2,980m
	Rs216,394m
Average daily turnover:	US\$17.0m
	Rs1231.1m
Current shares o/s:	267.1m
Free float:	49.9%
*Source: Bloomberg	

**Key changes in this note**

- Cut revenue estimates by ~1-3% and PAT estimates by 7-25% for FY25F-27F. Retain our ADD rating on the stock with a new target price of Rs1,122 or 25x FY27F EPS.




Source: Bloomberg

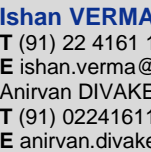
<b>Price performance</b>	1M	3M	12M
Absolute (%)	(33.6)	(16.1)	22.0
Relative (%)	(33.0)	(15.9)	11.9

<b>Major shareholders</b>	% held
Promoters	50.1
HDFC Mutual Fund	7.4
DSP MF	2.3

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# KEC International Ltd

## Execution miss; margin expansion on track

- 3Q EBITDA grew 21% YoY to Rs3.7bn (+17% QoQ), 11% below our estimate & 6% below Bloomberg consensus. The EBITDA margin rose 85bp YoY to 7%.
- Management gave revenue growth guidance of 12-14% (vs. previous guidance of 15%) for FY25F & 15%+ for FY26F, led by recovery in T&D, civil businesses.
- We cut FY25F-27F revenue by ~1-3% & PAT estimates by 7-25%. Retain our ADD rating with a new TP of Rs1,122 or 25x FY27F EPS (Sep 2026F earlier).

### Muted order execution

KEC International posted weaker-than-expected 3QFY25 results due to lower execution in railway and oil & gas segments. Revenue was up 6.8% YoY (+4.6% QoQ) at Rs53.4bn, 7% below our estimate and 5% below Bloomberg or BB consensus estimate. The revenue of T&D segment grew by 17% YoY to Rs31.7bn, while non-T&D businesses declined 8% YoY driven by railways (down 30% YoY) and oil & gas (down 58% YoY) segments. EBITDA grew by 21% YoY to Rs3.7bn (+17% QoQ), 11% below our estimate and 6% below BB consensus estimate. The EBITDA margin rose 85bp YoY to 7%. PAT jumped 33% YoY & 52% QoQ to Rs1.3bn, ~19% below our estimate and 20% below BB consensus estimate.

### Maintains lower revenue guidance with EBITDA margin of ~7%

Management gave revenue growth guidance of 12-14% (vs. previous guidance of 15%) for FY25F. For FY26F, management has given guidance of ~15% growth, driven by T&D business expansion and civil business recovery. Margin is expected to reach 9-10% as the business mix shifts towards higher-margin T&D projects. KEC International is looking to increase its capacity at the Jabalpur plant by 48,000mtpa to touch 468,000mtpa, enabling better service across India and the Middle East.

### Healthy order inflow

The YTD order inflow grew by 70% YoY to Rs Rs220bn, 70% from the T&D business, with FY25F inflow guidance of Rs50bn. The order book stands at Rs374bn, with an additional L1 pipeline of Rs40bn, (from T&D) totaling over Rs410bn.

### Outlook & valuation

The T&D business received significant healthy orders from the government & private developers. The company is also expanding its tower supply business internationally, notably in Australia. It is focusing on expanding capabilities in energy transition areas, including wind and green hydrogen, to capitalize on the global shift towards renewable energy. We expect the company to report healthy revenue growth on the back of its robust order book and a healthy tender pipeline. Factoring in lower revenue in railway and oil & gas sectors, we cut revenue estimates by ~1-3% & PAT estimates by 7-25% for FY25F-27F. We maintain an ADD rating on the stock with a slightly lower target price of Rs1,122 (Rs1,125 earlier), valuing it at 25x FY27F (from Sep 2026F) EPS. Downside risks: Slower-than-expected recovery in the standalone entity's business margin & higher working capital requirement.

### Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	172,817	199,142	216,328	242,402	280,135
Operating EBITDA (Rsm)	8,297	12,145	14,901	18,743	22,920
Net Profit (Rsm)	1,760	3,468	5,661	9,297	11,992
Core EPS (Rs)	6.8	13.5	21.8	35.6	45.6
Core EPS Growth	(52.2%)	97.0%	62.0%	63.0%	28.0%
FD Core P/E (x)	118.73	60.27	37.20	22.83	17.83
DPS (Rs)	4.0	3.0	4.7	7.7	9.9
Dividend Yield	0.49%	0.37%	0.58%	0.94%	1.22%
EV/EBITDA (x)	28.62	20.12	15.98	12.87	10.76
P/FCFE (x)	28.32	30.03	(1,079.39)	27.64	24.81
Net Gearing	75.6%	86.4%	50.8%	47.2%	46.3%
P/BV (x)	5.54	5.10	4.02	3.54	3.07
ROE	4.8%	8.8%	11.9%	16.1%	18.2%
% Change In Core EPS Estimates			(27.06%)	(8.40%)	(11.09%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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## 3QFY25 conference-call highlights

- **Overview:** KEC International reported a modest growth of 7% YoY in 3QFY25 and 9% in 9MFY25. EBITDA grew by 22% YoY in 3Q, with margin improving by 80bp to 7%. This is the highest quarterly EBITDA margin in three years. Revenue and margin were impacted by execution moderation in water projects due to delayed payments, labour shortage, depreciation of the Brazilian real, and extended monsoon season in India. However, government initiatives, such as the extended Jal Jeevan Mission with a Rs670bn outlay, should boost execution in water projects.
- **Guidance:** Management expects FY25F revenue growth in the range of 12-14% (vs. the previous guidance of 15%). For FY26F, management has given guidance of ~15% growth, driven by T&D business expansion and civil business recovery. Margin is expected to reach 9-10% as the business mix shifts towards higher-margin T&D projects.
- **KEC Asian Cables:** KEC International has successfully transferred its cables business to KEC Asian Cables, its subsidiary, effective 1 Jan 2025. This strategic move aims to unlock the growth potential and long-term value. Additionally, the company is expanding its product portfolio by commissioning the first phase of its aluminum conductor plant at Vadodara and investing in an e-beam and elastomeric cable facility, which is set to commence production in 4QFY26F.
- **Capacity expansion in T&D segment:** To meet growing demand, KEC International is enhancing tower manufacturing capacity. Following the successful expansion of its Dubai and Jaipur plants, the company is increasing the capacity at the Jabalpur plant. Once completed, its total manufacturing capacity will increase from 422,000mt to 468,000mt annually, enabling better service across India and the Middle East.
- **Order inflow & order book:** KEC International has secured orders worth Rs220bn YTD (70% from T&D business), up 70%. The company expects to top its full-year guidance of Rs250bn. The order book stands at Rs374bn, with an additional L1 pipeline of Rs40bn, totaling over Rs410bn.
- **Civil business:** The business was impacted by labour shortage and delayed water project payments. Despite challenges, the segment secured orders worth Rs21bn YTD from industrial, residential, and defence sectors. Management expects a 15% revenue growth in FY26F.
- **Transportation business:** The company has renamed its railway division as transportation business to align with the global trend and expand its focus on infrastructure solutions. Revenue declined by 30% to Rs4560m in 3Q due to slower execution of railway projects. However, the business secured over Rs21bn of orders, including technology-driven railway safety projects like Kavach. The company remains cautious in bidding due to margin and working capital concerns.
- **Cable business:** Revenue grew 6% YoY, impacted by an unfavourable metal mix skewed towards aluminium. Order booking remains strong across T&D, railway, solar, and data centre segments.
- **Renewables & oil & gas:** Renewables revenue surged by 50% YoY. The company has commissioned 200MW of solar capacity in Karnataka and started work on a 500MW solar project in Rajasthan. Oil & gas revenue stood at Rs760m, with new orders expanding KEC International's presence in the sector.
- **Industry & government tailwinds:** The Union Budget for 2025-26 has allocated Rs11.21tr for infrastructure spending, a 10% increase YoY. With additional capex by public sector enterprises and state grants, the total investment will reach Rs19tr, benefiting KEC International's core segments like power, T&D, renewables, and urban infrastructure.

Figure 1: Results snapshot

Y/E Mar (Rs m)	3QFY25	3QFY24	YoY (%)	2QFY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
<b>Total Revenue</b>	<b>53,494</b>	<b>50,067</b>	<b>6.8%</b>	<b>51,133</b>	<b>4.6%</b>	<b>1,49,746</b>	<b>1,37,493</b>	<b>8.9%</b>
Net Raw Material Costs	41,310	39,724	4.0%	39,500	4.6%	1,15,188	1,06,203	8.5%
Other Expenses	4,640	3,640	27.5%	4,387	5.8%	13,369	12,062	10.8%
Personnel Costs	3,800	3,624	4.8%	4,044	(6.0%)	11,539	10,964	5.2%
<b>Total Expenditure</b>	<b>49,749</b>	<b>46,988</b>	<b>5.9%</b>	<b>47,931</b>	<b>3.8%</b>	<b>1,40,095</b>	<b>1,29,228</b>	<b>8.4%</b>
<b>EBIDTA</b>	<b>3,745</b>	<b>3,079</b>	<b>21.6%</b>	<b>3,202</b>	<b>16.9%</b>	<b>9,651</b>	<b>8,265</b>	<b>16.8%</b>
Depreciation	453	488	(7.1%)	453	0.0%	1,372	1,371	0.0%
<b>EBIT</b>	<b>3,291</b>	<b>2,591</b>	<b>27.0%</b>	<b>2,749</b>	<b>19.7%</b>	<b>8,279</b>	<b>6,894</b>	<b>20.1%</b>
Interest	1,702	1,644	3.6%	1,681	1.3%	4,933	5,009	(1.5%)
Other Income	9	260	(96.5%)	66	(86.3%)	507	446	13.5%
<b>PBT</b>	<b>1,598</b>	<b>1,207</b>	<b>32.4%</b>	<b>1,135</b>	<b>40.9%</b>	<b>3,853</b>	<b>2,332</b>	<b>65.3%</b>
<b>PBT Excl. EOI</b>	<b>1,598</b>	<b>1,207</b>	<b>32.4%</b>	<b>1,135</b>	<b>40.9%</b>	<b>3,853</b>	<b>2,332</b>	<b>65.3%</b>
Less: Total Tax	303	239	26.9%	281	7.9%	828	382	116.9%
<b>PAT</b>	<b>1,296</b>	<b>969</b>	<b>33.7%</b>	<b>854</b>	<b>51.7%</b>	<b>3,025</b>	<b>1,950</b>	<b>55.2%</b>
<b>PAT Excl. EOI</b>	<b>1,296</b>	<b>969</b>	<b>33.7%</b>	<b>854</b>	<b>51.7%</b>	<b>2,846</b>	<b>1,950</b>	<b>45.9%</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Margin and cost analysis

Margin Analysis	3QFY25	3QFY24	YoY bp chg	2QFY25	QoQ bp chg	9MFY25	9MFY24	YoY bp chg
Raw Material	77.2%	79.3%	-212	77.2%	-3	76.9%	77.2%	-32
Other Expenses	8.7%	7.3%	140	8.6%	9	8.9%	8.8%	15
Personnel Costs	7.1%	7.2%	-14	7.9%	-81	7.7%	8.0%	-27
<b>EBITDA Margin</b>	<b>7.0%</b>	<b>6.1%</b>	<b>85</b>	<b>6.3%</b>	<b>73.7</b>	<b>6.4%</b>	<b>6.0%</b>	<b>43</b>
EBIT Margin	6.2%	5.2%	98	5.4%	78	5.5%	5.0%	51
PBT Margin (%)	3.0%	2.4%	58	2.2%	77	2.6%	1.7%	88
NPM	2.4%	1.9%	49	1.7%	75	1.9%	1.4%	48
Effective Tax Rate (%)	18.9%	19.8%	-82	24.7%	-579	21.5%	16.4%	511
Gross Margin	22.8%	20.7%	212	22.8%	3	23.1%	22.8%	32

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Segment-wise revenue

Revenue (Rs m)	3QFY25	3QFY24	YoY (%)	2QFY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
<b>Total T&amp;D</b>	<b>31,750</b>	<b>27,230</b>	<b>16.6%</b>	<b>28,310</b>	<b>12.2%</b>	<b>85,050</b>	<b>70,720</b>	<b>20.3%</b>
T&D (Domestic)	28,660	23,830	20.3%	25,140	14.0%	75,330	60,900	23.7%
SAE Towers	3,090	3,400	(9.1%)	3,170	(2.5%)	9,720	9,820	(1.0%)
Railways	4,560	6,530	(30.2%)	5,030	(9.3%)	14,300	21,930	(34.8%)
Civil	11,020	10,990	0.3%	11,520	(4.3%)	33,130	31,080	6.6%
Cables	4,060	3,830	6.0%	4,410	(7.9%)	12,100	11,850	2.1%
Oil & Gas Pipelines	760	1,820	(58.2%)	920	(17.4%)	2,940	4,130	(28.8%)
Others	2,380	1,570	51.6%	1,810	31.5%	4,920	2,810	75.1%
<b>Total</b>	<b>54,530</b>	<b>50,050</b>	<b>9.0%</b>	<b>51,130</b>	<b>6.6%</b>	<b>1,49,740</b>	<b>1,37,490</b>	<b>8.9%</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Order inflow and backlog

(Rs m)	3QFY25	3QFY24	YoY (%)	2QFY25	QoQ (%)	9MFY25	9MFY24	YoY bps chg
Order inflow	86,080	38,500	124%	58,180	48%	2,20,900	1,28,500	71.9%
Order backlog	3,74,400	3,01,610	24%	3,40,880	10%	3,74,400	3,01,610	24.1%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Actuals versus estimates

InCred	3QFY25	3QFY25F	Diff
Revenue	53,494	57,544	-7.0%
EBITDA	3,745	4,213	-11.1%
Margin (%)	7.0%	7.3%	-32
PAT	1,296	1,589	-18.5%

InCred	3QFY25	3QFY25C	Diff
Revenue	53,494	56,152	-4.7%
EBITDA	3,745	3,992	-6.2%
Margin (%)	7.0%	7.1%	-11
PAT	1,296	1,621	-20.1%

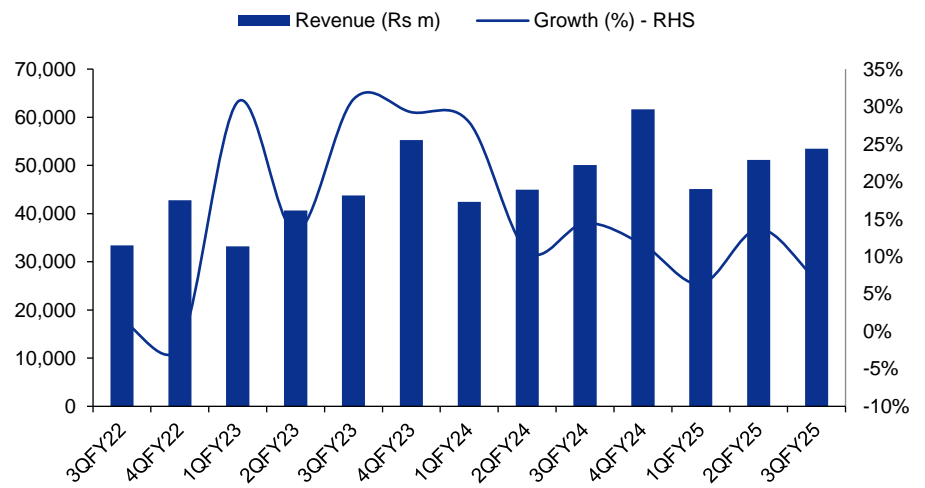
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Earnings revision summary

(Rs m)	New Estimates			Old Estimates			Change (%)		
	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Revenue	2,16,328	2,42,402	2,80,135	2,18,788	2,49,636	2,82,386	-1.1%	-2.9%	-0.8%
EBITDA	14,901	18,743	22,920	15,946	19,144	23,080	-6.6%	-2.1%	-0.7%
PAT	5,661	9,297	11,992	7,575	9,993	13,172	-25.3%	-7.0%	-9.0%

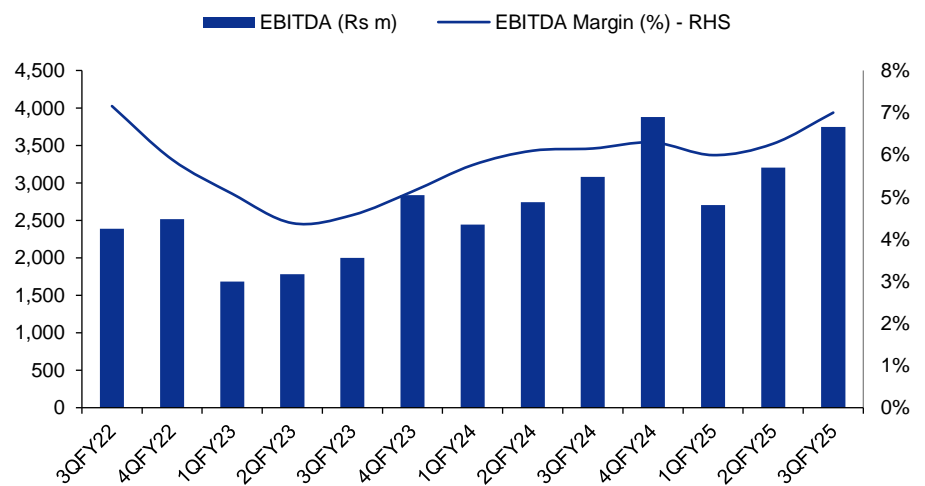
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 7: Quarterly revenue trend



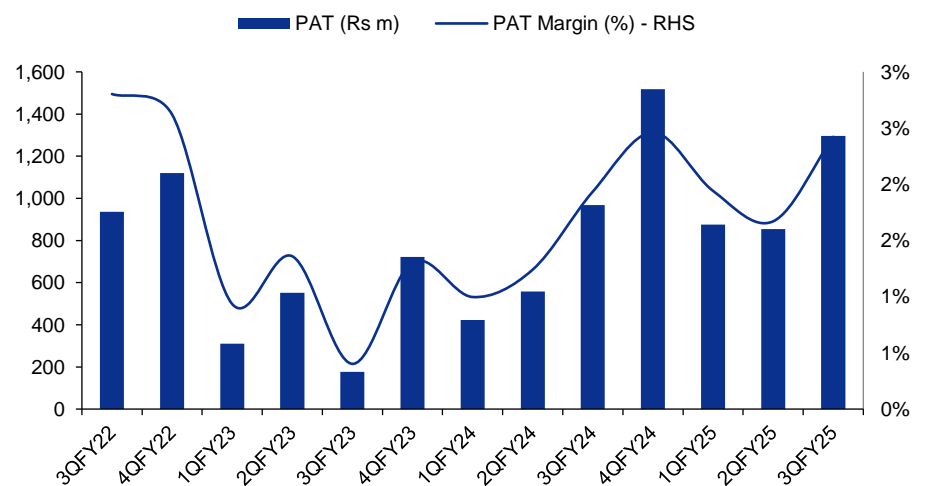
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Quarterly EBITDA trend



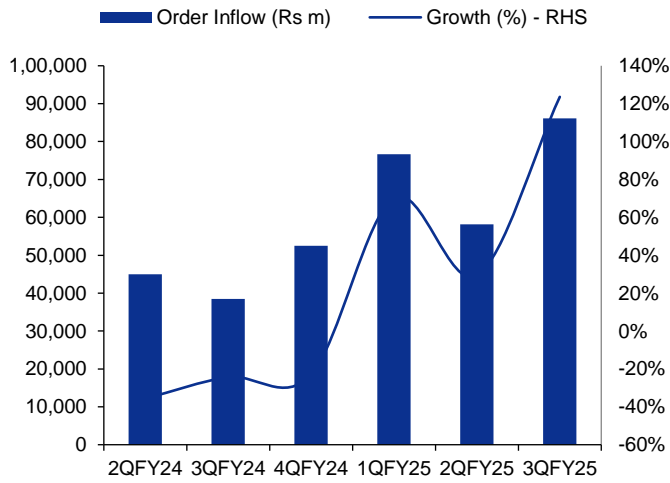
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: Quarterly PAT trend



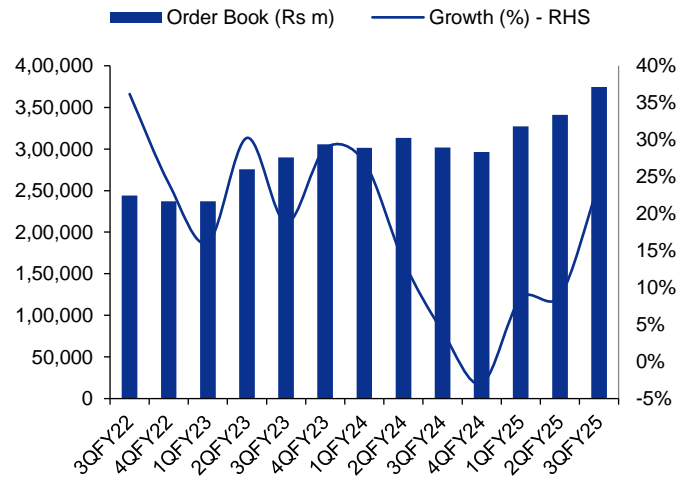
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: Order inflow trend



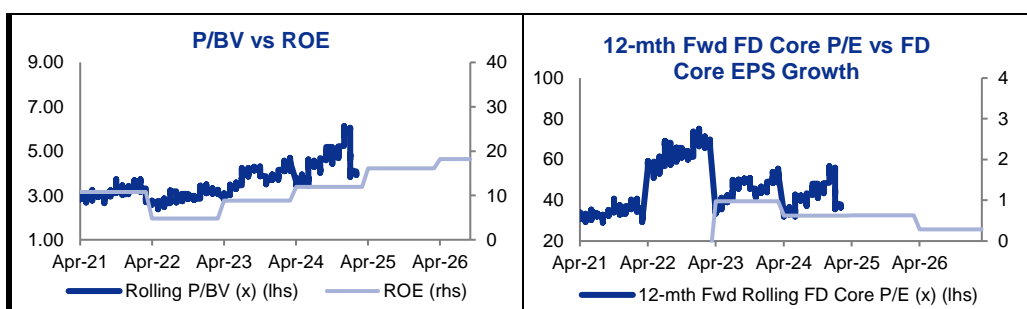
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 11: Order book position



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
<b>Total Net Revenues</b>	172,817	199,142	216,328	242,402	280,135
<b>Gross Profit</b>	36,609	43,294	49,010	55,752	64,431
<b>Operating EBITDA</b>	8,297	12,145	14,901	18,743	22,920
Depreciation And Amortisation	(1,615)	(1,854)	(1,825)	(2,231)	(2,402)
<b>Operating EBIT</b>	6,683	10,292	13,076	16,512	20,518
Financial Income/(Expense)	(5,386)	(6,551)	(6,652)	(6,018)	(6,415)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	313	524	567	1,274	1,077
<b>Profit Before Tax (pre-EI)</b>	1,610	4,265	6,991	11,768	15,180
Exceptional Items					
<b>Pre-tax Profit</b>	1,610	4,265	6,991	11,768	15,180
Taxation	151	(797)	(1,330)	(2,471)	(3,188)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	1,760	3,468	5,661	9,297	11,992
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	1,760	3,468	5,661	9,297	11,992
Recurring Net Profit	1,760	3,468	5,661	9,297	11,992
<b>Fully Diluted Recurring Net Profit</b>	1,760	3,468	5,661	9,297	11,992

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
<b>EBITDA</b>	8,297	12,145	14,901	18,743	22,920
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(255)	(7,902)	(13,810)	(6,300)	(9,090)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
<b>Other Operating Cashflow</b>	240	1,389	456	364	280
Net Interest (Paid)/Received					
Tax Paid	(2,215)	(2,521)	(1,330)	(2,471)	(3,188)
<b>Cashflow From Operations</b>	6,067	3,111	217	10,335	10,923
Capex	(1,626)	(2,336)	(2,517)	(2,613)	(2,613)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	274	105	193	(1,868)	(1,660)
<b>Cash Flow From Investing</b>	(1,352)	(2,231)	(2,324)	(4,481)	(4,273)
Debt Raised/(repaid)	2,666	6,080	1,906	2,001	2,102
Proceeds From Issue Of Shares			8,711		
Shares Repurchased					
Dividends Paid	(1,029)	(772)	(1,260)	(2,045)	(2,638)
Preferred Dividends					
Other Financing Cashflow	(5,617)	(6,949)	(6,652)	(5,810)	(6,113)
<b>Cash Flow From Financing</b>	(3,980)	(1,641)	2,705	(5,854)	(6,650)
Total Cash Generated	735	(761)	598		
<b>Free Cashflow To Equity</b>	7,381	6,960	(201)	7,855	8,752
<b>Free Cashflow To Firm</b>	4,715	881	(2,107)	5,854	6,650

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>	<b>Mar-27F</b>
Total Cash And Equivalents	3,442	2,733	12,545	13,080	11,434
Total Debtors	68,961	41,366	44,451	50,473	58,329
Inventories	11,372	12,133	13,039	15,275	17,652
Total Other Current Assets	74,482	105,346	112,016	123,525	144,289
<b>Total Current Assets</b>	<b>158,256</b>	<b>161,579</b>	<b>182,051</b>	<b>202,353</b>	<b>231,705</b>
Fixed Assets	13,258	13,701	14,202	14,584	14,795
Total Investments			22	24	28
Intangible Assets					
Total Other Non-Current Assets	12,487	12,314	12,980	15,756	18,209
<b>Total Non-current Assets</b>	<b>28,430</b>	<b>28,736</b>	<b>29,925</b>	<b>33,086</b>	<b>35,753</b>
Short-term Debt	27,013	35,595	37,374	39,243	41,205
Current Portion of Long-Term Debt					
Total Creditors	83,883	92,070	94,236	105,594	122,031
Other Current Liabilities	30,250	16,482	20,744	23,244	26,862
<b>Total Current Liabilities</b>	<b>141,146</b>	<b>144,146</b>	<b>152,354</b>	<b>168,081</b>	<b>190,099</b>
Total Long-term Debt	4,932	2,529	2,655	2,788	2,927
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1,877	1,731	1,731	1,939	2,241
<b>Total Non-current Liabilities</b>	<b>6,809</b>	<b>4,260</b>	<b>4,386</b>	<b>4,727</b>	<b>5,168</b>
Total Provisions					
<b>Total Liabilities</b>	<b>147,955</b>	<b>148,406</b>	<b>156,740</b>	<b>172,808</b>	<b>195,267</b>
Shareholders Equity	37,714	40,957	54,051	61,302	70,656
Minority Interests					
<b>Total Equity</b>	<b>37,714</b>	<b>40,957</b>	<b>54,051</b>	<b>61,302</b>	<b>70,656</b>

<b>Key Ratios</b>					
	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>	<b>Mar-27F</b>
Revenue Growth	25.8%	15.2%	8.6%	12.1%	15.6%
Operating EBITDA Growth	(8.2%)	46.4%	22.7%	25.8%	22.3%
Operating EBITDA Margin	4.8%	6.1%	6.9%	7.7%	8.2%
Net Cash Per Share (Rs)	(110.86)	(137.65)	(102.90)	(108.39)	(122.42)
BVPS (Rs)	146.69	159.30	202.36	229.51	264.53
Gross Interest Cover	1.24	1.57	1.97	2.74	3.20
Effective Tax Rate		18.7%	19.0%	21.0%	21.0%
Net Dividend Payout Ratio	58.4%	22.3%	22.3%	22.0%	22.0%
Accounts Receivables Days	126.75	101.11	72.40	71.47	70.88
Inventory Days	29.53	27.52	27.46	27.68	27.86
Accounts Payables Days	204.14	206.04	203.21	195.39	192.59
ROIC (%)	8.6%	11.7%	12.2%	14.2%	15.6%
ROCE (%)	9.9%	13.8%	15.1%	16.7%	18.8%
Return On Average Assets	3.6%	4.7%	5.3%	6.1%	6.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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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.