

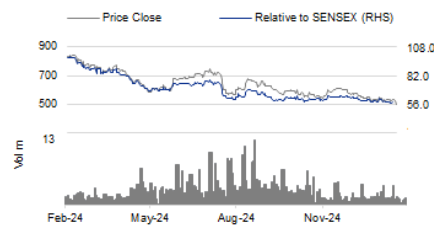
India

HOLD (no change)

Consensus ratings*:	Buy 8	Hold 6	Sell 2
Current price:	Rs504		
Target price:	Rs509		
Previous target:	Rs570		
Up/downside:	1.0%		
InCred Research / Consensus:	-19.4%		
Reuters:	BIRS.NS		
Bloomberg:	BSOFT IN		
Market cap:	US\$1,612m		
	Rs139,936m		
Average daily turnover:	US\$18.1m		
	Rs1575.0m		
Current shares o/s:	281.8m		
Free float:	59.1%		
*Source: Bloomberg			

Key changes in this note

- Expect 7% yoy revenue growth in FY27F.
- Expect 15.3% yoy EBIT growth in FY27F.
- Expect 16% yoy PAT growth in FY27F.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(8.5)	(11.5)	(39.5)
Relative (%)	(7.2)	(8.7)	(43.6)

Major shareholders	% held
Kotak Emerging Equity Scheme	8.1
HDFC Flexi Cap Fund	3.7
Kotak Funds - India Midcap Fund	2.2

Research Analyst(s)



Abhishek SHINDADKAR
 T (91) 22 4161 1543
 E abhishek.shindadkr@incredresearch.com



Vikas SWAMI
 T (91) 22 4161 1544
 E vikas.swami@incredresearch.com

Birlasoft

Estimate revision drives target price lower

- 3QFY25 revenue below expectations but the EBIT margin is ahead.
- Client-specific issues drive a cut in 4QFY25F, FY26F and FY27F estimates.
- Subdued demand environment commentary, client-specific challenges and weak new deal TCV suggests FY26F growth could be in high single digit.

3QFY25 earnings summary

Birlasoft's (BSOFT IN) 3QFY25 revenue was below our estimate while the EBIT margin was better. Seasonality and higher furloughs impacted 3Q revenue while operational savings (the technical employee count declined by 417 qoq) and Indian rupee (INR) depreciation helped the EBIT margin beat. That said, extension of furloughs to Jan 2025, coupled with project run-downs in healthcare and manufacturing verticals, could impact 4QFY25F revenue and exit momentum. This drives a sharp cut in our earnings estimates. Although a potential new logo win in Europe could help offset some of 4QFY25F challenges and drive growth from 1QFY26F, the ramp-up could pressure margin in the interim.

Demand environment commentary is subdued

Management commentary suggests the demand environment has not changed materially (albeit with some green shoots in the FSI vertical and discretionary spending) and may take a couple of quarters to reflect in deal inflow and revenue. Across verticals, energy & utilities and FSI may drive growth over the next one year while manufacturing recovery could be gradual (new logo in Europe could aid acceleration) and client budgets in healthcare and life sciences are awaiting policy changes by the new administration in the US. Finally, although the renewal component within total deal TCV was better, new deal wins continue to be soft. Put together, FY26F revenue growth could be 6-8% yoy.

EBIT margin better but deal transition may impact it in 1QFY26F

The 3QFY25 EBIT margin beat was driven by employee rationalization and INR depreciation, and despite a ~100-125bp of headwind from wage hikes. We estimate the 4QFY25F margin to improve by ~50-70bp, given the partial reversal of 3Q headwinds and offset by revenue headwinds from customer-specific challenges. Though a potential margin expansion thesis could be built from 1QFY26F, we believe the deal transition cost of potential new logo win in Europe could offset some of the tailwinds.

Retain HOLD rating with a lower target price of Rs509

We now model in a 4.3% US\$ revenue CAGR over FY24-27F and an average 16% PAT (Rs) over FY26F-27F. Although we retain our HOLD rating, trimming of estimates and target PE/G multiple drives our target price lower. We now apply a target PE/G of 1.27x on average FY26F-27F earnings growth to arrive at our target P/E multiple and discount FY27F EPS to set a lower target price of Rs509 (Rs570 earlier). Growth moderation driven by client-specific challenges, weak order booking & margin execution are downside risks while the better-than-expected growth led by M&A activity is an upside risk,

Financial Summary	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	47,948	52,781	54,203	58,491	63,309
Operating EBITDA (Rsm)	6,715	8,362	6,941	7,896	9,022
Net Profit (Rsm)	4,826	6,238	5,233	6,070	7,050
Core EPS (Rs)	17.1	22.2	18.6	21.5	25.0
Core EPS Growth	4.6%	29.8%	(16.5%)	16.0%	16.1%
FD Core P/E (x)	29.45	22.69	27.18	23.43	20.17
DPS (Rs)	3.5	6.5	7.5	9.5	11.0
Dividend Yield	0.69%	1.29%	1.49%	1.88%	2.18%
EV/EBITDA (x)	19.71	15.25	17.90	15.31	12.97
P/FCFE (x)	35.51	25.50	27.67	28.60	25.29
Net Gearing	(39.9%)	(46.0%)	(53.5%)	(57.8%)	(61.6%)
P/BV (x)	5.80	4.65	4.24	3.85	3.48
ROE	19.2%	22.7%	16.4%	17.2%	18.1%
% Change In Core EPS Estimates			(26.38%)	(29.21%)	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly performance

Y/E Mar (Rs m)	3QFY25	3QFY24	YoY (%)	2QFY25	QoQ (%)	3QFY25F	Var. (%)
Revenue (US\$m)	160.8	161.3	(0.3)	163.3	(1.5)	164.1	(2.0)
Revenue (Rsm)	13,627	13,430	1.5	13,682	(0.4)	13,861	(1.7)
USD-INR realization	84.7	83.3	1.8	83.8	1.1	84.5	0.3
EBITDA	1,634	2,143	(23.7)	1,653	(1.2)	1,566	4.3
EBITDA margin (%)	12.0	16.0	(396 bp)	12.1	(9 bp)	11.3	69 bp
EBIT	1,422	1,932	(26.4)	1,431	(0.7)	1,341	6.0
EBIT margin (%)	10.4	14.4	(396 bp)	10.5	(3 bp)	9.7	76 bp
Depreciation	213	211	1.0	222	(4.4)	225	(5.6)
Net other income	138	222	(37.8)	266	(48.0)	279	(50.4)
PBT	1,560	2,154	(27.6)	1,697	(8.1)	1,620	(3.7)
Provision for tax	390	544	(28.2)	422	(7.4)	405	(3.6)
% tax rate	25.0	25.2	(21 bp)	24.9	17 bp	25.0	3 bp
Net profit	1,169	1,611	(27.4)	1,274	(8.2)	1,215	(3.7)
EPS (Rs)	4.2	5.7	(27.4)	4.5	(8.2)	4.3	(3.6)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Operating metrics trend

Operating trends	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
Revenue (US\$m)	148.6	148.8	148.4	149.1	153.6	158.3	161.3	163.9	159.1	163.3	160.8
Growth yoy (%)	15.7	8.7	3.5	1.8	3.4	6.4	8.7	9.9	3.6	3.2	-0.3
Growth qoq (%)	1.5	0.1	-0.3	0.5	3.0	3.1	1.9	1.6	-2.9	2.6	-1.5
Revenue (Rsm)	11,544	11,921	12,219	12,264	12,628	13,099	13,430	13,625	13,274	13,682	13,627
Growth yoy (%)	22.1	17.8	14.0	11.3	9.4	9.9	9.9	11.1	5.1	4.5	1.5
Growth qoq (%)	4.8	3.3	2.5	0.4	3.0	3.7	2.5	1.5	-2.6	3.1	-0.4
EBIT margin (%)	13.0	13.1	11.2	11.9	13.6	14.2	14.4	14.7	13.1	10.5	10.4
US\$-INR realized rate	77.7	80.1	82.3	82.3	82.2	82.7	83.3	83.1	83.4	83.8	84.7
Headcount	12,565	12,758	12,530	12,193	12,235	12,322	12,356	12,595	12,865	12,578	12,125
Utilization (%)	82.5	82.4	84.0	84.8	84.9	86.5	87.1	86.3	81.7	82.0	81.8
LTM attrition (%)	27.9	27.4	25.5	22.1	18.8	15.0	12.6	12.4	11.6	11.8	12.7
Vertical (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
BFSI	17.8	19.1	20.1	20.5	20.7	21.1	20.6	21.2	23.6	23.3	24.1
Energy & Utilities	14.3	14.1	13.9	14.9	14.3	13.7	14.5	14.8	15.8	16.1	15.7
Lifesciences	26.5	25.0	26.0	24.5	24.4	24.0	23.9	22.1	21.4	20.6	20.0
Manufacturing	41.4	41.8	40.0	40.1	40.7	41.1	41.1	41.9	39.2	40.0	40.1
Vertical (US\$m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
BFSI	26.5	28.4	29.8	30.6	31.8	33.4	33.2	34.7	37.5	38.0	38.8
Energy & Utilities	21.2	21.0	20.6	22.2	22.0	21.7	23.4	24.3	25.1	26.3	25.2
Lifesciences	39.4	37.2	38.6	36.5	37.5	38.0	38.6	36.2	34.0	33.6	32.2
Manufacturing	61.5	62.2	59.4	59.8	62.5	65.1	66.3	68.7	62.4	65.3	64.5
Vertical yoy (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
BFSI	17.7	14.7	17.5	21.4	20.2	17.5	11.4	13.7	18.1	13.9	16.6
Energy & Utilities	11.1	7.2	-2.8	0.5	3.4	3.4	13.4	9.2	14.4	21.2	7.9
Lifesciences	31.1	12.3	20.7	15.5	-4.8	2.1	-0.1	-0.8	-9.2	-11.5	-16.6
Manufacturing	8.4	4.7	-8.4	-11.4	1.6	4.6	11.7	14.9	-0.2	0.4	-2.7
Vertical qoq (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
BFSI	5.0	7.4	5.0	2.5	4.0	5.1	-0.5	4.6	8.1	1.3	1.8
Energy & Utilities	-3.9	-1.3	-1.7	7.7	-1.1	-1.3	7.8	3.7	3.6	4.6	-4.0
Lifesciences	24.5	-5.5	3.7	-5.3	2.6	1.4	1.5	-6.0	-6.0	-1.2	-4.4
Manufacturing	-8.8	1.1	-4.6	0.7	4.6	4.1	1.9	3.6	-9.2	4.7	-1.3
Incremental revenue (US\$m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
BFSI	1.3	2.0	1.4	0.7	1.2	1.6	-0.2	1.5	2.8	0.5	0.7
Energy & Utilities	-0.9	-0.3	-0.4	1.6	-0.3	-0.3	1.7	0.9	0.9	1.2	-1.0
Lifesciences	7.8	-2.2	1.4	-2.1	0.9	0.5	0.6	-2.3	-2.2	-0.4	-1.5
Manufacturing	-6.0	0.7	-2.8	0.4	2.7	2.5	1.2	2.4	-6.3	3.0	-0.8
New deal wins (US\$m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
Order intake	112	138	102	114	80	167	94	107	94	89	64
qoq (%)	-10.4	23.2	-26.1	11.8	-29.8	108.8	-43.7	13.8	-12.1	-5.3	-28.1
yoy (%)	19.1	32.7	-15.7	-8.8	-28.6	21.0	-7.8	-6.1	17.5	-46.7	-31.9
TTM order intake	462	496	477	466	434	463	455	448	462	384	354
Clients (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
Top 5	30.7	31.1	31.7	32.8	33.3	33.6	34.5	35.4	36.2	36.7	37.0
Top 6-10	16.3	16.1	16.2	15.9	16.3	17.4	17.5	16.7	16.4	15.8	15.2
Top 11-20	16.1	16.5	16.2	15.2	14.3	12.9	12.7	12.7	12.5	12.4	12.8
Non-top 20	36.9	36.3	35.9	36.1	36.1	36.1	35.3	35.2	34.9	35.1	35.0
Clients (US\$m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
Top 5	45.6	46.3	47.0	48.9	51.1	53.2	55.6	58.0	57.6	59.9	59.5
Top 6-10	24.2	24.0	24.0	23.7	25.0	27.5	28.2	27.4	26.1	25.8	24.4
Top 11-20	23.9	24.6	24.0	22.7	22.0	20.4	20.5	20.8	19.9	20.2	20.6
Non-top 20	54.8	54.0	53.3	53.8	55.4	57.1	56.9	57.7	55.5	57.3	56.3
Clients yoy (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
Top 5	16.5	13.8	12.0	11.7	12.1	14.9	18.3	18.6	12.6	12.7	6.9
Top 6-10	35.7	12.9	3.5	2.5	3.4	15.0	17.4	15.5	4.2	-6.3	-13.4
Top 11-20	16.5	12.1	7.5	-0.8	-8.2	-16.8	-14.8	-8.2	-9.5	-0.8	0.5
Non-top 20	7.8	1.7	-4.5	-5.0	1.1	5.8	6.9	7.2	0.1	0.3	-1.2
Clients qoq (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
Top 5	4.2	1.4	1.7	4.0	4.6	4.0	4.6	4.3	-0.7	4.1	-0.7
Top 6-10	4.7	-1.1	0.4	-1.4	5.6	10.0	2.5	-3.0	-4.7	-1.1	-5.3
Top 11-20	4.8	2.6	-2.1	-5.7	-3.1	-7.0	0.3	1.6	-4.5	1.8	1.6
Non-top 20	-3.2	-1.5	-1.4	1.0	3.0	3.1	-0.4	1.3	-3.8	3.2	-1.8

Incremental revenue (US\$m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
Top 5	1.8	0.7	0.8	1.9	2.2	2.0	2.5	2.4	-0.4	2.3	-0.4
Top 6-10	1.1	-0.3	0.1	-0.3	1.3	2.5	0.7	-0.9	-1.3	-0.3	-1.4
Top 11-20	1.1	0.6	-0.5	-1.4	-0.7	-1.5	0.1	0.3	-0.9	0.4	0.3
Non-top 20	-1.8	-0.8	-0.7	0.5	1.6	1.7	-0.2	0.8	-2.2	1.8	-1.0
Client metrics	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
Active clients	300	301	299	288	285	278	272	259	258	261	265
Revenue per active client	1.9	2.0	2.0	2.1	2.1	2.2	2.3	2.5	2.5	2.5	2.4
US\$1m+	82	76	83	83	86	85	83	87	88	89	85
US\$5m+	25	27	24	26	27	27	26	26	23	24	27
US\$10m+	13	14	13	13	13	11	11	12	12	12	12
Per employee analysis	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
Revenue (US\$ m) - TTM	575	587	592	595	600	609	622	637	643	648	647
Employees (average TTM)	12,195	12,368	12,514	12,512	12,429	12,320	12,277	12,377	12,535	12,599	12,541
Revenue per employee (TTM)	47,176	47,477	47,322	47,548	48,266	49,464	50,690	51,475	51,267	51,403	51,600

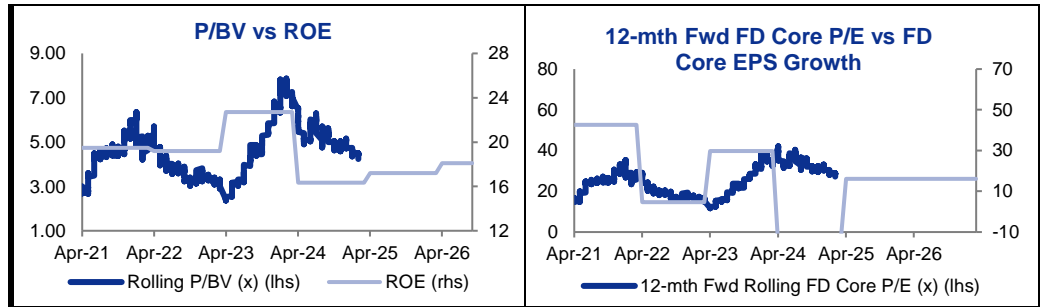
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Change in InCred estimates

Y/E Mar (Rs m)	FY25F			FY26F			FY27F		
	New	Old	% change	New	Old	% change	New	Old	% change
US\$ revenue	644	658	-2.1	676	717	-5.7	724	782	-7.5
Revenue	54,203	55,078	-1.6	58,491	61,541	-5.0	63,309	68,018	-6.9
EBIT	6,088	6,026	1.0	7,019	7,693	-8.8	8,091	9,883	-18.1
EBIT margin (%)	11.2	10.9	29bp	12.0	12.5	(50)bp	12.8	14.5	(175)bp
Net PAT	5,233	5,270	-0.7	6,070	6,698	-9.4	7,050	8,557	-17.6
EPS (Rs)	18.6	18.8	-1.2	21.5	23.9	-9.8	25.0	30.5	-18.0

SOURCE: COMPANY REPORTS, INCRED RESEARCH

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	47,948	52,781	54,203	58,491	63,309
Gross Profit	19,817	22,298	21,777	23,397	25,482
Operating EBITDA	6,715	8,362	6,941	7,896	9,022
Depreciation And Amortisation	(823)	(850)	(853)	(877)	(931)
Operating EBIT	5,892	7,512	6,088	7,019	8,091
Financial Income/(Expense)	42	836	938	1,097	1,334
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	5,934	8,348	7,025	8,115	9,425
Exceptional Items					
Pre-tax Profit	5,934	8,348	7,025	8,115	9,425
Taxation	(1,108)	(2,110)	(1,792)	(2,045)	(2,375)
Exceptional Income - post-tax					
Profit After Tax	4,826	6,238	5,233	6,070	7,050
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	4,826	6,238	5,233	6,070	7,050
Recurring Net Profit	4,826	6,238	5,233	6,070	7,050
Fully Diluted Recurring Net Profit	4,826	6,238	5,233	6,070	7,050

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	6,715	8,362	6,941	7,896	9,022
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(800)	(730)	358	(410)	(454)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received					
Tax Paid	(1,315)	(1,807)	(1,792)	(2,045)	(2,375)
Cashflow From Operations	4,600	5,825	5,507	5,442	6,193
Capex	(577)	(262)	(379)	(468)	(570)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	3,094	(6,007)	1,186	1,345	1,583
Cash Flow From Investing	2,517	(6,269)	807	877	1,013
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(5,994)	(1,240)	(2,115)	(2,679)	(3,102)
Preferred Dividends					
Other Financing Cashflow	(368)	(438)	(249)	(249)	(249)
Cash Flow From Financing	(6,362)	(1,678)	(2,364)	(2,928)	(3,351)
Total Cash Generated	755	(2,123)	3,950	3,391	3,855
Free Cashflow To Equity	4,022	5,562	5,127	4,974	5,623
Free Cashflow To Firm	7,117	(445)	6,313	6,319	7,206

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	10,425	14,586	18,535	21,926	25,781
Total Debtors	9,071	10,365	9,950	10,577	11,274
Inventories					
Total Other Current Assets	2,201	2,723	2,723	2,723	2,723
Total Current Assets	21,698	27,674	31,208	35,226	39,779
Fixed Assets	2,390	2,036	1,562	1,152	791
Total Investments	1,014	3,023	3,023	3,023	3,023
Intangible Assets	5,034	5,052	5,052	5,052	5,052
Total Other Non-Current Assets	1,737	1,472	1,472	1,472	1,472
Total Non-current Assets	10,175	11,582	11,109	10,699	10,338
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	2,313	2,805	2,747	2,965	3,209
Other Current Liabilities	3,927	4,653	4,653	4,653	4,653
Total Current Liabilities	6,240	7,458	7,400	7,617	7,862
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1,150	1,357	1,357	1,357	1,357
Total Non-current Liabilities	1,150	1,357	1,357	1,357	1,357
Total Provisions					
Total Liabilities	7,390	8,815	8,757	8,975	9,219
Shareholders Equity	24,483	30,441	33,559	36,951	40,899
Minority Interests					
Total Equity	24,483	30,441	33,559	36,951	40,899

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	16.1%	10.1%	2.7%	7.9%	8.2%
Operating EBITDA Growth	4.9%	24.5%	(17.0%)	13.8%	14.3%
Operating EBITDA Margin	14.0%	15.8%	12.8%	13.5%	14.2%
Net Cash Per Share (Rs)	34.65	49.92	63.68	75.70	89.37
BVPS (Rs)	86.89	108.47	119.00	131.03	145.03
Gross Interest Cover	31.70	37.67	24.47	28.22	32.53
Effective Tax Rate	18.7%	25.3%	25.5%	25.2%	25.2%
Net Dividend Payout Ratio	20.4%	29.2%	40.4%	44.1%	44.0%
Accounts Receivables Days	66.83	67.20	68.40	64.04	62.99
Inventory Days					
Accounts Payables Days	28.60	30.64	31.25	29.70	29.78
ROIC (%)	32.3%	39.5%	32.0%	39.3%	45.3%
ROCE (%)	18.5%	20.0%	13.9%	14.7%	15.3%
Return On Average Assets	14.6%	15.8%	11.1%	11.9%	12.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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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.