

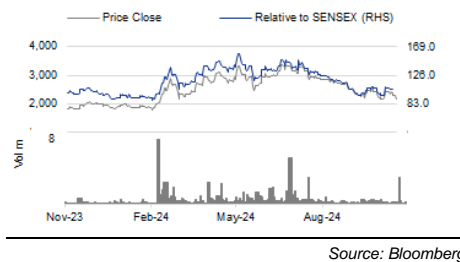
India

ADD (no change)

Consensus ratings*:	Buy 5	Hold 2	Sell 2
Current price:	Rs2,182		
Target price:	Rs2,800		
Previous target:	Rs3,000		
Up/downside:	28.3%		
InCred Research / Consensus:	21.5%		
Reuters:	DATP.NS		
Bloomberg:	DATAPATT IN		
Market cap:	US\$1,682m		
	Rs122,171m		
Average daily turnover:	US\$20.5m		
	Rs1488.9m		
Current shares o/s:	56.0m		
Free float:	57.6%		
<small>*Source: Bloomberg</small>			

Key changes in this note


- We lower our revenue/earnings estimates by 32%/23% and 33%/28% for FY25F and FY26F. We introduce our FY27F EPS of Rs63.5.



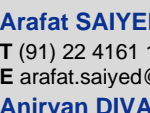
Price performance	1M	3M	12M
Absolute (%)	(11.8)	(26.3)	19.1
Relative (%)	(9.7)	(26.1)	(2.8)

Major shareholders	% held
Promoter group	42.4
Axis Mutual Fund	2.4
Tata AIA Life Insurance	2.3

Research Analyst(s)



Arafat SAIYED
T (91) 22 4161 1542
E arafat.saiyed@incredresearch.com



Anirvan DIVAKERA
T (91) 02241611548
E anirvan.divakera@incredresearch.com

Data Patterns (India) Ltd

Weak performance; outlook on track

- 2Q EBITDA stood at Rs343m, down ~16% YoY, 26-27% below our/Bloomberg consensus estimates. The EBITDA margin was flat YoY at 37.7%.
- Management expects a 20-25% revenue growth in FY25F and the order inflow at Rs7-8bn in FY25F and Rs20bn in FY26F.
- We lower our earnings estimates by 23%/28% for FY25F/26F and introduce FY27F EPS of Rs63.5. Retain our ADD rating with a lower TP of Rs2,800.

Execution delay impacts 2QFY25 earnings

Data Patterns (India) reported a disappointing 2QFY25, with revenue at Rs910m, down 16% YoY, ~29% below our/Bloomberg or BB consensus estimates, mainly due to the delay in execution of projects worth Rs270m. EBITDA stood at Rs343m, down ~16% YoY, 26-27% below our/BB consensus estimates, while the EBITDA margin remained flat YoY at 37.7%. Despite revenue challenges, the company achieved EBITDA margin of 38%, with management targeting 35-40% EBITDA margin in FY25F. Radar and avionics remained key contributors, making up 48% and 19% of 2Q revenue, respectively. PAT came in at Rs303m, down 10% YoY, 23-25% below our/BB consensus estimates.

Revenue growth guidance of 20-25% for FY25F

Despite the sluggish quarter, management expects a 20-25% revenue growth in FY25F and order inflow of Rs7-8bn. The company is exploring the possibility of faster growth in the coming years, depending on the order mix and delivery timeline. The order book stood at Rs9.7bn at the end of 1HFY25, and including orders currently under negotiations, the total order book is at Rs12.8bn. Order inflow in 1HFY25 stood at RsRs835m while another Rs827m of orders were secured in Oct 2024. The company has a healthy bidding pipeline, targeting Rs20-30bn of orders over the next 18-24 months.

Capex and geographical expansion on track

The company is looking to spend Rs1.5bn over the next two years to develop new products, expand infrastructure, and prepare for anticipated growth. Data Patterns (India) is expanding into Europe and East Asia, competing effectively with foreign OEMs. In-house design and product capabilities enable the company to provide cost-competitive solutions.

Maintain ADD rating with a lower target price of Rs2,800

Data Patterns (India) reported a weaker-than-expected performance in 2Q due to delay in execution, which is likely to be compensated in the coming quarters. Factoring in a weak 1H, we cut revenue/earnings estimates by 32%/23% and 33%/28% for FY25F and FY26F, respectively. We introduce FY27F EPS of Rs63.5 with a revenue of Rs10.9bn. We maintain our ADD rating on the stock with a lower target price of Rs2,800 (Rs3,000 earlier), valuing it at 50x Sep 2026F (from Sep 2025F) EPS, implying 28% upside from the CMP. Downside risks: Lower-than-expected new order wins and margins, & any budgetary cut or delay by the government.

Financial Summary	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	4,535	5,198	6,226	8,110	10,934
Operating EBITDA (Rsm)	1,718	2,216	2,708	3,405	4,521
Net Profit (Rsm)	1,240	1,817	2,224	2,717	3,555
Core EPS (Rs)	22.1	32.4	39.7	48.5	63.5
Core EPS Growth	22.3%	46.5%	22.4%	22.2%	30.8%
FD Core P/E (x)	98.56	67.26	54.95	44.98	34.37
DPS (Rs)	3.2	4.5	5.6	6.9	9.0
Dividend Yield	0.15%	0.21%	0.26%	0.32%	0.41%
EV/EBITDA (x)	67.94	53.37	43.47	34.28	25.35
P/FCFE (x)	(28.97)	(143.38)	378.00	386.61	118.83
Net Gearing	(46.9%)	(29.7%)	(29.8%)	(31.4%)	(36.9%)
P/BV (x)	10.47	9.23	8.07	6.99	5.95
ROE	14.2%	14.6%	15.7%	16.7%	18.7%
% Change In Core EPS Estimates			(41.36%)		
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

2QFY25 conference-call highlights

- **Overview:** Data Patterns (India) reported a weaker-than-expected 2QFY25 revenue due to delayed Rs270m worth of orders. Despite revenue challenges, the company achieved EBITDA margin of 38%, with management targeting 35-40% EBITDA margin for FY25F. Radar and avionics remained key contributors, making up 48% and 19% of 2Q revenue, respectively. This diversification reflects the company's strategy to develop a balanced revenue stream across multiple product verticals.
- **Guidance:** Despite a sluggish quarter, management expects 20-25% revenue growth in FY25F and order inflow of Rs7-8bn. The company is exploring the possibility of faster growth in the coming years, depending on the order mix and delivery timeline. Management aims to update growth guidance based on additional orders expected by the year-end.
- **Orders:** As of 2QFY25-end, the order book stood at Rs9.7bn and including orders currently under negotiations, the total order book is at Rs12.8bn. Most of the revenue came from the production segment, emphasizing a robust, diversified order book. Order inflow in 1HFY25 stood at RsRs835m while another Rs827m of orders were secured in Oct 2024. The delay in orders impacted 2Q but are now expected in 2HFY25F.
- **Pipeline:** The company has a healthy bidding pipeline, targeting Rs20-30bn in orders over the next 18-24 months. Management is particularly optimistic about opportunities in radar and electronic warfare, expecting repeat orders in these areas and continued momentum from products in development.
- **R&D investment:** Leveraging QIP funds, Data Patterns (India) is prioritizing R&D to fuel new product development, particularly in radar, electronic warfare, and avionics. A substantial portion of the capex will also support infrastructure expansion, helping to ensure that the company can fulfill future large-scale orders.
- **Capex:** The company is looking to spend Rs1.5bn over the next two years to develop new products, expand infrastructure, and prepare for anticipated growth. This includes building facilities and test equipment required for complex systems.
- **Geographical expansion:** Data Patterns (India) is expanding into Europe and East Asia, competing effectively with foreign OEMs. The company's in-house design and product capabilities enable it to provide cost-competitive solutions.
- **Product and infrastructure development:** Data Patterns (India) is working on several large-scale products, anticipating initial development contracts after demonstrations with India's armed forces. The company also has land reserved for infrastructure expansion, which will accommodate the upcoming orders.

Figure 1: Results snapshot

(Rs m)	2QFY25	2QFY24	YoY	1QFY25	QoQ	1HFY25	1HFY24	YoY
Revenue	910	1,083	-16.0%	1,041	-12.5%	1,951	1,980	-1.5%
Net raw material costs	219	336	-34.8%	288	-24.1%	507	674	-24.8%
Employee expenses	266	257	3.5%	288	-7.5%	554	476	16.3%
Other expenses	82	83	-0.5%	93	-11.5%	176	144	22.0%
Total costs	567	676	-16.0%	669	-15.2%	1,236	1,294	-4.5%
EBITDA	343	408	-15.8%	372	-7.7%	715	686	4.2%
Depreciation	35	31	13.4%	31	12.6%	66	59	11.2%
EBIT	308	377	-18.2%	341	-9.6%	649	627	3.6%
Interest costs	28	23	25.2%	30	-4.1%	58	40	45.2%
Other Inc.	120	108	11.1%	123	-2.2%	244	225	8.5%
PBT	400	463	-13.5%	435	-7.9%	835	812	2.9%
Tax	98	125	-21.9%	107	-8.5%	204	215	-5.2%
Exp. items	-	-	N/A	-	N/A	-	-	N/A
Reported PAT	303	338	-10.4%	328	-7.7%	631	596	5.8%
Adj. PAT	303	338	-10.4%	328	-7.7%	631	596	5.8%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Margin and cost analysis

(% of sales)	2QFY25	2QFY24	YoY	1QFY25	QoQ	1HFY25	1HFY24	YoY
Net raw material costs	24.0%	31.0%	-696bp	27.7%	-367bp	26.0%	34.1%	-806bp
Employee expenses	29.2%	23.7%	550bp	27.6%	160bp	28.4%	24.0%	433bp
Other expenses	9.1%	7.6%	141bp	8.9%	11bp	9.0%	7.3%	173bp
Gross margin	76.0%	69.0%	696bp	72.3%	367bp	74.0%	65.9%	806bp
EBITDA margin	37.7%	37.6%	5bp	35.7%	196bp	36.6%	34.6%	200bp
Tax rate	24.4%	27.0%	-262bp	24.5%	-18bp	24.4%	26.5%	-208bp
NPM	33.3%	31.2%	207bp	31.5%	176bp	32.3%	30.1%	222bp

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Order details

(Rs m)	2QFY25	2QFY24	YoY	1QFY25	QoQ	1HFY25	1HFY24	YoY
Order inflow	454	1,445	-68.6%	381	19.2%	835	2,772	-69.9%
Order book	9,714	10,033	-3.2%	10,171	-4.5%	9,714	10,033	-3.2%

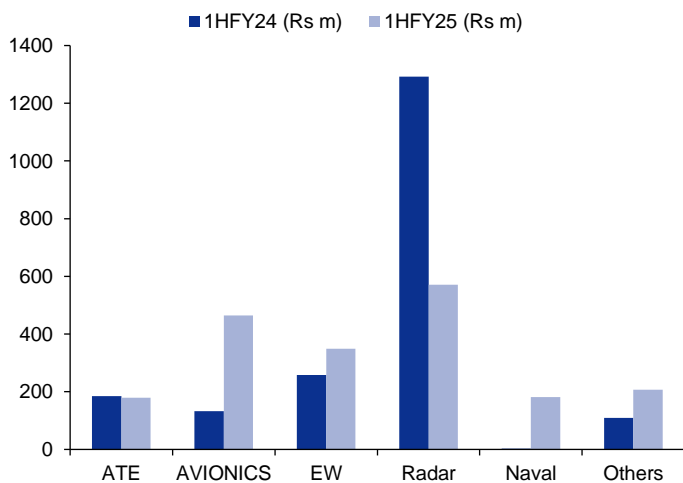
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Actuals vs estimates

vs. InCred	2QFY25	2QFY25F	Diff
Revenue	910	1,280	-28.9%
EBITDA	343	470	-27.0%
Margin	37.7%	36.7%	98bp
PAT	303	404	-25.0%
vs. Consensus			
Revenue	910	1,268	-28.2%
EBITDA	343	466	-26.3%
Margin	37.7%	36.7%	97bp
PAT	303	392	-22.8%

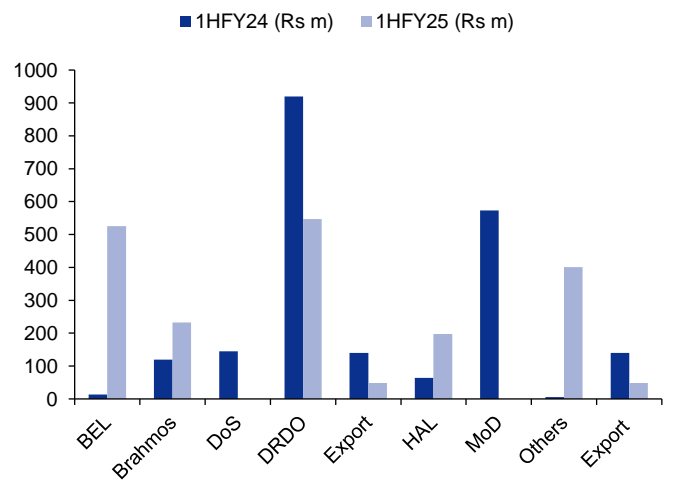
SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Avionics revenue was strong growth in 1HFY25



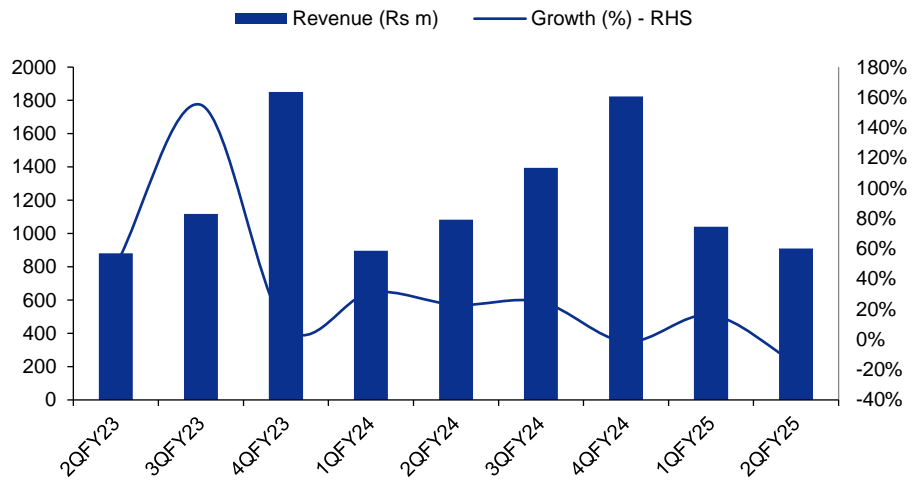
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 6: BEL and DRDO are the top clients in 1HFY25



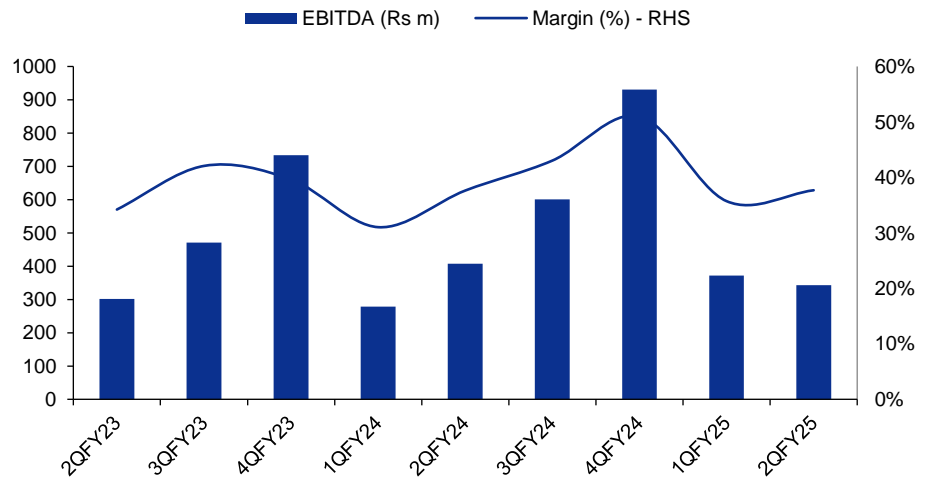
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 7: Quarterly revenue trend



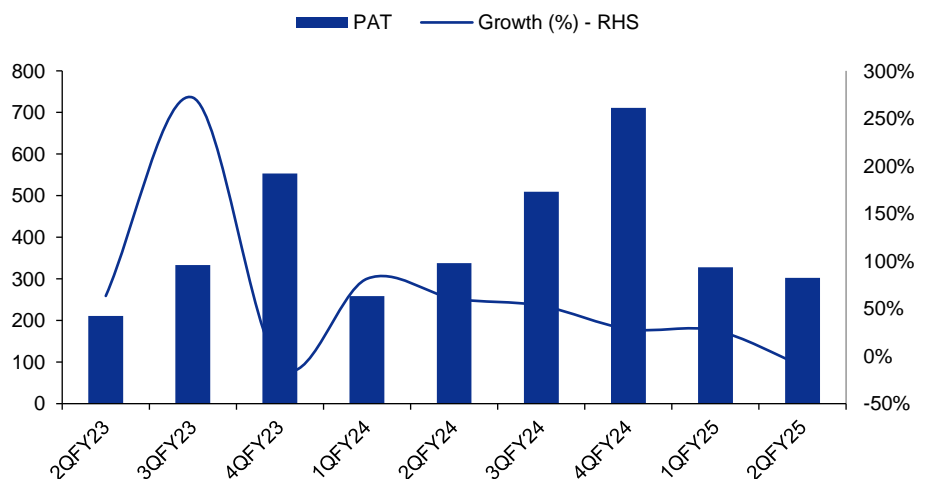
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Quarterly EBITDA trend



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: Quarterly PAT trend



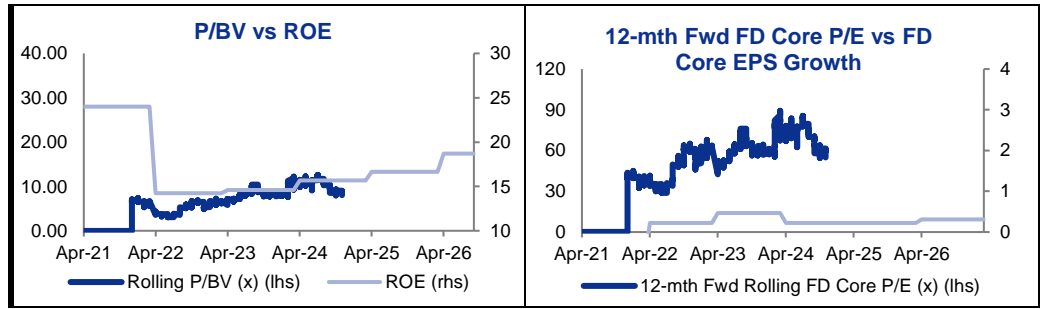
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: Earnings revision summary

(Rs m)	New Estimates		Old Estimates		Change (%)		Introduced FY27F
	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F	
Revenue	6,226	8,110	9,094	12,039	-31.5%	-32.6%	10,934
EBITDA	2,708	3,405	3,837	5,085	-29.4%	-33.0%	4,521
Adj. PAT	2,224	2,717	2,871	3,793	-22.5%	-28.4%	3,555

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	4,535	5,198	6,226	8,110	10,934
Gross Profit	2,825	3,547	4,350	5,515	7,370
Operating EBITDA	1,718	2,216	2,708	3,405	4,521
Depreciation And Amortisation	(85)	(161)	(144)	(212)	(251)
Operating EBIT	1,634	2,055	2,564	3,193	4,270
Financial Income/(Expense)	(77)	(93)	(119)	(138)	(186)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	92	460	514	568	656
Profit Before Tax (pre-EI)	1,648	2,422	2,959	3,623	4,740
Exceptional Items					
Pre-tax Profit	1,648	2,422	2,959	3,623	4,740
Taxation	(408)	(605)	(735)	(906)	(1,185)
Exceptional Income - post-tax					
Profit After Tax	1,240	1,817	2,224	2,717	3,555
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	1,240	1,817	2,224	2,717	3,555
Recurring Net Profit	1,240	1,817	2,224	2,717	3,555
Fully Diluted Recurring Net Profit	1,240	1,817	2,224	2,717	3,555

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	1,718	2,216	2,708	3,405	4,521
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(1,412)	(213)	(521)	239	141
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	8	164			
Other Operating Cashflow	48	(143)			
Net Interest (Paid)/Received					
Tax Paid	(534)	(631)	(735)	(906)	(1,185)
Cashflow From Operations	(172)	1,394	1,451	2,738	3,477
Capex	(395)	(872)	(900)	(769)	(414)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(3,437)	(1,367)	(228)	(1,653)	(2,035)
Cash Flow From Investing	(3,832)	(2,239)	(1,128)	(2,422)	(2,449)
Debt Raised/(repaid)	(60)	(7)			
Proceeds From Issue Of Shares	4,878				
Shares Repurchased					
Dividends Paid	(182)	(252)	(316)	(386)	(505)
Preferred Dividends					
Other Financing Cashflow	(251)	(162)	(113)	(91)	(115)
Cash Flow From Financing	4,385	(421)	(429)	(477)	(620)
Total Cash Generated	381	(1,266)	(106)	(160)	408
Free Cashflow To Equity	(4,064)	(852)	323	316	1,028
Free Cashflow To Firm	(4,004)	(845)	323	316	1,028

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	5,478	3,927	4,511	5,481	7,584
Total Debtors	3,825	3,988	4,605	5,333	6,590
Inventories	1,930	2,668	2,900	3,333	4,194
Total Other Current Assets	526	804	921	1,111	1,198
Total Current Assets	11,758	11,387	12,937	15,258	19,566
Fixed Assets	1,134	1,983	2,725	3,282	3,446
Total Investments	557	2,622	2,490	3,244	4,374
Intangible Assets					
Total Other Non-Current Assets	901	926	1,109	1,445	1,312
Total Non-current Assets	2,591	5,531	6,324	7,971	9,131
Short-term Debt	5				
Current Portion of Long-Term Debt					
Total Creditors	446	501	600	800	1,198
Other Current Liabilities	781	2,956	3,292	4,666	6,590
Total Current Liabilities	1,231	3,457	3,892	5,466	7,789
Total Long-term Debt	3				
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1,414	150	156	203	273
Total Non-current Liabilities	1,416	150	156	203	273
Total Provisions	31	69	77	94	118
Total Liabilities	2,679	3,676	4,125	5,763	8,181
Shareholders Equity	11,671	13,242	15,150	17,482	20,532
Minority Interests					
Total Equity	11,671	13,242	15,150	17,482	20,532

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	45.9%	14.6%	19.8%	30.3%	34.8%
Operating EBITDA Growth	21.8%	29.0%	22.2%	25.7%	32.8%
Operating EBITDA Margin	37.9%	42.6%	43.5%	42.0%	41.3%
Net Cash Per Share (Rs)	97.69	70.12	80.55	97.88	135.42
BVPS (Rs)	208.41	236.47	270.54	312.17	366.64
Gross Interest Cover	21.10	22.02	21.60	23.16	22.97
Effective Tax Rate	24.8%	25.0%	24.8%	25.0%	25.0%
Net Dividend Payout Ratio	14.6%	13.9%	14.2%	14.2%	14.2%
Accounts Receivables Days	233.75	274.30	251.90	223.63	199.01
Inventory Days	333.93	508.14	541.89	438.27	385.37
Accounts Payables Days	88.32	104.63	107.19	98.45	102.31
ROIC (%)	37.7%	29.0%	37.1%	38.2%	47.2%
ROCE (%)	18.7%	16.5%	18.0%	19.5%	22.4%
Return On Average Assets	12.3%	12.2%	13.0%	13.4%	14.4%

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.

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.