

India

REDUCE (no change)

Consensus ratings*: Buy 2 Hold 1 Sell 11

Current price: Rs4,901
 Target price: ▼ Rs4,641
 Previous target: Rs6,064
 Up/downside: -5.3%
 InCred Research / Consensus: -5.3%

Reuters:
 Bloomberg: TELX IN
 Market cap: US\$3,575m
 Rs305,223m
 Average daily turnover: US\$12.7m
 Rs1081.3m
 Current shares o/s: 62.3m
 Free float: 56.1%

*Source: Bloomberg

Key changes in this note

- Expect 6.7% revenue CAGR over FY25-27F.
- Expect 15% EBIT CAGR over FY25-27F.
- Expect 11.3% PAT CAGR over FY25-27F.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(7.0)	(21.1)	(34.6)
Relative (%)	(9.0)	(23.8)	(39.2)

Major shareholders	% held
LIC	3.3
GIC	1.2
SBI Magnum Midcap Fund	1.1

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Tata Elxsi Ltd

Micro better but structural challenges persist

- Better FY26F growth outlook led by large deal wins in automotive, media and communications verticals and exit momentum in healthcare & life sciences.
- That said, management highlighted that structural challenges persist.
- Maintain REDUCE rating with a lower TP of Rs4,641 vs. Rs6,064 earlier.

Earnings summary

Tata Elxsi's 4QFY25 revenue declined by 5.3% qoq and 2.9% yoy in constant currency or CC terms as all verticals, except healthcare and life sciences, declined in high single digits. The commentary was encouraging led by large deal wins leading to higher growth confidence in transportation and healthcare while the media & communications vertical could benefit from the landmark US\$100m three-year deal (25-30% net new). Improvement in growth trajectory availability of bench and <70% utilization implies operating leverage could aid the EBIT margin too. That said, company management highlighted that structural challenges (for European OEMs due to Chinese EVs, shift to EVs) continue while tariffs have created an additional layer of uncertainty.

Vertical growth cadence

FY26F growth commentary assumes 1) better performance yoy on the back of deal wins, 2) traction in the healthcare & life sciences vertical due to expanded capabilities and platforms, and 3) geography expansion (to emerging markets including India, Japan, Middle East, Africa, Latam and Southeast Asia) beyond the US and Europe through investments and relationship building. We now model FY25-27F US\$ revenue CAGR of 6.7%, vs. 13.2% over FY25F-27F earlier, led by structural challenges in the industry.

Operating leverage could aid EBIT margin

The reported EBIT margin at 20.1% (down 335bp qoq and 565bp yoy) was impacted due to revenue weakness. That said, the company articulated that growth recovery could help improve the EBIT margin given 1) no change in the revenue mix (onsite to offsite; fixed price to time & material), 2) good availability of bench, and 3) <70% utilization. Consequently, we build in an average EBIT margin of 25.4% over FY26F-27F vs. 23.3% in FY25 and an average 27.4% during the FY21-24 period.

Maintain REDUCE rating with a lower target price of Rs4,641

We now expect US\$ revenue/PAT (Rsm) CAGR of 6.7%/11.3%, respectively, over FY25-27F and trim our discounted cash flow or DCF-based target price to Rs4,641 vs. Rs6,064 earlier, implying a target P/E of 30x FY27F EPS, a 10% premium to the peer group (LTTS, Tata Technologies, and KPIT Technologies) average of ~27.5x FY27F consensus EPS, considering the superior margin profile and return ratios. Changing dynamics in the automotive sector, rising competitive intensity, and moderation in spending intensity led by the focus on profitability supports our thesis. Upside risks: Growth acceleration led by new large deals in transportation & media verticals, healthy margin, and cash conversion.

Financial Summary	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	31,447	35,521	37,290	39,244	44,170
Operating EBITDA (Rsm)	9,612	10,464	9,729	10,800	12,635
Net Profit (Rsm)	7,552	7,922	7,850	8,283	9,718
Core EPS (Rs)	121.3	127.2	126.0	133.0	156.0
Core EPS Growth	37.4%	4.9%	(0.9%)	5.5%	17.3%
FD Core P/E (x)	40.41	38.52	38.88	36.85	31.41
DPS (Rs)	42.5	70.0	75.0	95.0	115.0
Dividend Yield	0.87%	1.43%	1.53%	1.94%	2.35%
EV/EBITDA (x)	30.46	27.81	29.69	26.53	22.49
P/FCFE (x)	72.13	49.37	41.64	42.26	36.72
Net Gearing	(59.4%)	(56.4%)	(57.2%)	(60.5%)	(63.0%)
P/BV (x)	14.63	12.18	10.67	9.86	9.11
ROE	41.0%	34.5%	29.3%	27.8%	30.1%
% Change In Core EPS Estimates			(0.09%)	(0.18%)	(0.18%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly performance

Y/E Mar (Rs m)	4QFY25	4QFY24	YoY (%)	3QFY25	QoQ (%)	4QFY25F	Var. (%)
Revenue (US\$ m)	104.9	109.1	(3.9)	111.2	(5.7)	105.9	(0.9)
Revenue (Rs m)	9,083	9,059	0.3	9,392	(3.3)	9,170	(0.9)
USD-Rs realization	2,077	2,613	(20.5)	2,466	(15.8)	2,357	(11.9)
EBITDA	22.9	28.8	(598 bp)	26.3	(340 bp)	25.7	(284 bp)
EBITDA margin (%)	1,830	2,337	(21.7)	2,206	(17.1)	2,103	(13.0)
EBIT	20.1	25.8	(565 bp)	23.5	(335 bp)	22.9	(279 bp)
EBIT margin (%)	385	287	34.0	352	9.3	274	40.2
Depreciation	2,214	2,624	(15.6)	2,558	(13.4)	2,378	(6.9)
Net other income	490	655	(25.1)	568	(13.7)	528	(7.2)
PBT	22.1	25.0	(281 bp)	22.2	(7 bp)	22.2	(7 bp)
Provision for tax	1,724	1,969	(12.4)	1,990	(13.4)	1,850	(6.8)
% tax rate	27.7	31.6	(12.4)	32.0	(13.4)	29.7	(6.8)
Net profit	104.9	109.1	(3.9)	111.2	(5.7)	105.9	(0.9)
EPS (Rs)	9,083	9,059	0.3	9,392	(3.3)	9,170	(0.9)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Key conference-call takeaways

- **Guidance:** Tata Elxsi expects to deliver a better performance yoy in FY26F led by deal wins. It expects the full impact of deal ramp-up from 2QFY26F.
- **Vertical commentary:**
 - **Transportation:** The automotive sector is witnessing challenges as OEMs and suppliers paused programs due to geopolitical and market uncertainties to preserve cash. Expanding in aerospace and defence verticals to address emerging opportunities in space, unmanned aerial vehicles, software defined systems and indigenization.
 - **Media & communication:** Customer-specific issues due to M&As and business restructuring impacted growth while the overall industry continues to exercise caution in R&D spending and innovation. Signed a multi-year product engineering consolidation deal of over US\$100m with a marquee operator. Also won a strategic US\$10m consolidation deal with a global broadcaster for their streaming video platform engineering.
 - **Healthcare & life sciences:** Expanded capabilities and platforms in new growth areas such as sustainability and artificial intelligence or AI-powered diagnostics and therapies
- Signed strategic partnerships with NAL and Garuda Aerospace. Also, empaneled with two global aerospace majors and a new-age eVTOL company.
- Over 70% of talent is now AI-ready and the company has built a pool of over 500 specialists across domains and application areas.
- In discussions to offer design-related services to companies that are planning to set up semiconductor fabrication and assembly plants.

Figure 2: Operating metric trend

Operating Trends	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Revenue (US\$ m)	94.0	95.6	99.5	101.8	103.4	106.6	109.8	109.1	111.1	114.0	111.2	104.9
Growth YoY (%)	24.1	19.0	17.1	12.3	10.0	11.5	10.4	7.2	7.4	6.9	1.2	-3.9
Growth QoQ (%)	3.7	1.7	4.0	2.3	1.6	3.1	3.0	-0.7	1.8	2.7	-2.5	-5.7
Revenue (Rs. m)	7,259	7,632	8,177	8,379	8,503	8,817	9,142	9,059	9,265	9,551	9,392	9,083
Growth YoY (%)	30.0	28.2	28.7	22.9	17.1	15.5	11.8	8.1	9.0	8.3	2.7	0.3
Growth QoQ (%)	6.5	5.1	7.2	2.5	1.5	3.7	3.7	-0.9	2.3	3.1	-1.7	-3.3
EBIT margin (%)	32.8	29.7	30.2	29.8	29.6	29.9	29.5	28.8	27.2	27.9	26.3	22.9
Headcount	10,147	11,679	11,607	11,864	12,286	12,871	13,221	13,399	13,142	12,793	12,878	12,414
Attrition (%)	19.0	18.7	18.4	17.3	15.6	13.7	12.9	12.4	12.3	12.5	12.4	12.4
Segments (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
System Integration & support services	2.1	2.6	2.6	2.7	2.7	2.5	2.7	2.9	2.9	2.9	2.2	3.4
Software development & services	97.9	97.4	97.4	97.3	97.3	97.5	97.3	97.1	97.1	97.1	97.8	96.6
Segments (US\$ m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
System Integration & support services	1.9	2.5	2.6	2.8	2.8	2.7	3.0	3.1	3.2	3.3	2.4	3.6
Software development & services	92.1	93.2	96.9	99.0	100.7	103.9	106.8	106.0	107.9	110.7	108.8	101.3
Segments YoY (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
System Integration & support services	27.6	34.5	49.6	78.0	42.5	8.6	15.9	12.9	14.3	24.8	-19.4	14.2
Software development & services	24.0	18.7	16.4	11.2	9.3	11.6	10.3	7.0	7.2	6.5	1.8	-4.4
Segments QoQ (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
System Integration & support services	25.4	26.3	5.7	6.4	0.4	-3.7	12.7	3.7	1.6	5.1	-27.2	46.9
Software development & services	3.3	1.2	4.0	2.2	1.6	3.3	2.8	-0.8	1.8	2.6	-1.7	-6.9
Incremental revenue (US\$m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
System Integration & support services	0.4	0.5	0.1	0.2	0.0	-0.1	0.3	0.1	0.1	0.2	-0.9	1.1
Software development & services	3.0	1.1	3.7	2.2	1.6	3.3	2.9	-0.9	1.9	2.8	-1.9	-7.5
Geography (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25

Europe	32.9	34.1	34.7	35.5	37.4	40.0	40.5	40.3	42.2	42.7	40.4	37.9
USA	42.8	43.2	42.8	41.4	40.2	39.6	37.4	36.0	33.7	30.3	30.9	30.6
India	18.0	16.6	16.2	17.3	17.0	15.5	16.4	17.3	17.6	18.8	19.4	22.4
RoW	6.3	6.1	6.3	5.8	5.3	4.9	5.7	6.3	6.5	8.3	9.3	9.1
Geography (US\$ m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Europe	30.9	32.6	34.5	36.1	38.7	42.6	44.5	44.0	46.9	48.7	44.9	39.7
USA	40.2	41.3	42.6	42.2	41.6	42.2	41.1	39.3	37.4	34.5	34.4	32.1
India	16.9	15.9	16.1	17.6	17.6	16.5	18.0	18.9	19.5	21.4	21.6	23.5
RoW	5.9	5.8	6.3	5.9	5.5	5.2	6.3	6.9	7.2	9.5	10.3	9.5
Geography YoY (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Europe	22.3	21.5	23.9	17.3	25.1	30.8	28.9	21.6	21.1	14.2	1.0	-9.6
USA	21.6	23.6	18.5	12.9	3.3	2.2	-3.5	-6.8	-10.0	-18.2	-16.4	-18.3
India	60.7	20.5	13.6	17.8	3.9	4.1	11.8	7.2	11.2	29.7	19.8	24.5
RoW	-13.1	-16.5	-10.0	-21.5	-7.5	-10.5	-0.1	16.4	31.7	81.1	65.2	38.9
Geography QoQ (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Europe	0.4	5.4	5.9	4.7	7.0	10.2	4.3	-1.2	6.6	3.9	-7.7	-11.5
USA	7.7	2.7	3.1	-1.0	-1.3	1.5	-2.7	-4.4	-4.7	-7.7	-0.5	-6.6
India	13.1	-6.2	1.5	9.3	-0.2	-6.0	9.0	4.8	3.6	9.7	0.6	8.9
RoW	-21.3	-1.5	7.4	-5.8	-7.2	-4.7	19.9	9.8	5.0	31.1	9.3	-7.7
Incremental revenue (US\$m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Europe	0.1	1.7	1.9	1.6	2.5	4.0	1.8	-0.5	2.9	1.8	-3.8	-5.2
USA	2.9	1.1	1.3	-0.4	-0.6	0.6	-1.1	-1.8	-1.9	-2.9	-0.2	-2.3
India	2.0	-1.0	0.2	1.5	-0.0	-1.1	1.5	0.9	0.7	1.9	0.1	1.9
RoW	-1.6	-0.1	0.4	-0.4	-0.4	-0.3	1.0	0.6	0.3	2.2	0.9	-0.8
Clients (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Top 5 clients	40.0	39.9	38.4	39.8	42.0	44.5	43.8	46.2	47.2	45.1	44.8	45.6
Top 6-10 clients	8.3	8.2	9.6	9.6	9.9	8.7	8.7	9.7	10.8	10.5	9.4	8.9
Non-Top 10 clients	51.7	51.9	52.0	50.6	48.1	46.8	47.5	44.1	42.0	44.4	45.8	45.5
Clients (US\$ m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Top 5 clients	37.6	38.2	38.2	40.5	43.4	47.4	48.1	50.4	52.4	51.4	49.8	47.8
Top 6-10 clients	7.8	7.8	9.6	9.8	10.2	9.3	9.6	10.6	12.0	12.0	10.5	9.3
Non-top 10 clients	48.6	49.6	51.7	51.5	49.8	49.9	52.2	48.1	46.6	50.6	50.9	47.7
Clients YoY (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Top 5 clients	24.7	29.8	18.3	16.7	15.5	24.3	25.9	24.4	20.7	8.4	3.5	-5.1
Top 6-10 clients	-7.2	-14.4	29.2	36.5	31.2	18.3	0.1	8.3	17.1	29.1	9.4	-11.8
Non-top 10 clients	30.7	18.8	14.3	5.6	2.4	0.5	0.9	-6.6	-6.3	1.5	-2.4	-0.8
Clients QoQ (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Top 5 clients	8.3	1.5	0.1	6.1	7.2	9.2	1.4	4.8	4.0	-1.9	-3.1	-4.0
Top 6-10 clients	9.0	0.5	21.8	2.3	4.8	-9.4	3.0	10.7	13.3	-0.2	-12.7	-10.7
Non-top 10 clients	-0.3	2.1	4.2	-0.4	-3.4	0.3	4.6	-7.8	-3.1	8.5	0.6	-6.3
Incremental revenue	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Top 5 clients	2.9	0.5	0.0	2.3	2.9	4.0	0.7	2.3	2.0	-1.0	-1.6	-2.0
Top 6-10 clients	0.6	0.0	1.7	0.2	0.5	-1.0	0.3	1.0	1.4	-0.0	-1.5	-1.1
Non-top 10 clients	-0.2	1.0	2.1	-0.2	-1.8	0.1	2.3	-4.1	-1.5	4.0	0.3	-3.2
Per employee analysis	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Revenue (US\$ m) - TTM	350	365	380	391	400	411	422	429	437	444	445	441
Employees (average TTM)	9,294	10,059	10,702	11,324	11,859	12,157	12,561	12,944	13,158	13,139	13,053	12,807
Revenue per employee (TTM)	37,656	36,313	35,488	34,524	33,761	33,836	33,574	33,142	33,182	33,794	34,120	34,446

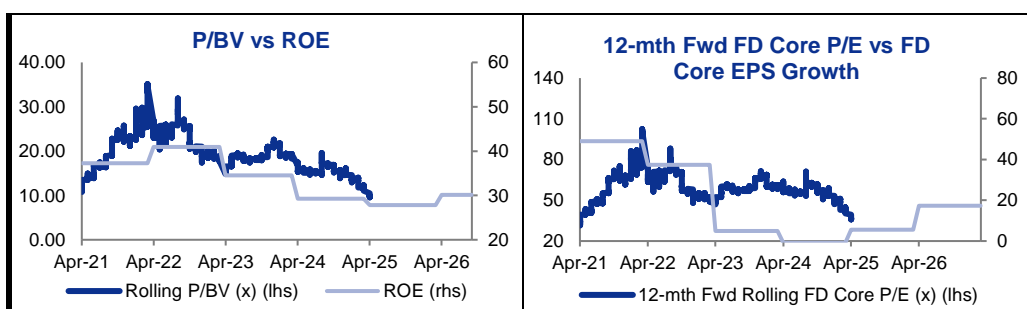
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Change in InCred estimates

Y/E Mar (Rs m)	FY26F		FY27F	
	New	Old	%Change	New
Revenue	39,244	45,576	-13.9	44,170
EBIT	10,800	13,752	-21.5	12,635
EBIT margin (%)	24.8	27.5	-2.7	26.0
Net PAT	8,283	10,097	-18.0	9,718
EPS (Rs)	133.0	162.1	-18.0	156.0

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Total Net Revenues	31,447	35,521	37,290	39,244	44,170
Gross Profit	13,606	14,492	14,429	15,501	17,724
Operating EBITDA	9,612	10,464	9,729	10,800	12,635
Depreciation And Amortisation	(814)	(994)	(1,049)	(1,060)	(1,148)
Operating EBIT	8,799	9,470	8,681	9,740	11,487
Financial Income/(Expense)	576	1,017	1,603	1,087	1,217
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	9,375	10,487	10,284	10,828	12,703
Exceptional Items					
Pre-tax Profit	9,375	10,487	10,284	10,828	12,703
Taxation	(1,823)	(2,564)	(2,434)	(2,544)	(2,985)
Exceptional Income - post-tax					
Profit After Tax	7,552	7,922	7,850	8,283	9,718
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	7,552	7,922	7,850	8,283	9,718
Recurring Net Profit	7,552	7,922	7,850	8,283	9,718
Fully Diluted Recurring Net Profit	7,552	7,922	7,850	8,283	9,718

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	9,612	10,464	9,729	10,800	12,635
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(3,097)	(1,351)	(242)	(869)	(1,174)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(5)	193	244		
Other Operating Cashflow	(163)	(445)			
Net Interest (Paid)/Received	370	731			
Tax Paid	(1,848)	(2,580)	(2,239)	(2,544)	(2,985)
Cashflow From Operations	4,868	7,012	7,492	7,387	8,476
Capex	(637)	(830)	(162)	(163)	(163)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(1,382)	(1,871)	(2,921)	1,275	1,405
Cash Flow From Investing	(2,019)	(2,701)	(3,083)	1,112	1,241
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(2,647)	(3,774)	(4,359)	(5,918)	(7,163)
Preferred Dividends					
Other Financing Cashflow	(384)	(504)	(627)	(188)	(188)
Cash Flow From Financing	(3,031)	(4,278)	(4,986)	(6,106)	(7,351)
Total Cash Generated	(182)	32	(577)	2,393	2,365
Free Cashflow To Equity	4,231	6,182	7,330	7,223	8,312
Free Cashflow To Firm	3,011	4,513	4,409	8,499	9,717

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	12,390	14,139	16,345	18,737	21,103
Total Debtors	9,764	9,716	9,715	10,644	11,980
Inventories	4	11			
Total Other Current Assets	977	1,502	1,915	1,915	1,915
Total Current Assets	23,135	25,367	27,975	31,297	34,998
Fixed Assets	3,244	3,847	3,108	2,212	1,227
Total Investments	685	1,943	3,964	3,964	3,964
Intangible Assets	162	134	88	88	88
Total Other Non-Current Assets	410	578	722	722	722
Total Non-current Assets	4,500	6,503	7,882	6,986	6,001
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	1,032	856	1,230	1,290	1,452
Other Current Liabilities	3,754	3,603	4,067	4,067	4,067
Total Current Liabilities	4,786	4,459	5,297	5,357	5,519
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1,537	1,812	1,393	1,393	1,393
Total Non-current Liabilities	1,537	1,812	1,393	1,393	1,393
Total Provisions	455	542	568	568	568
Total Liabilities	6,777	6,813	7,257	7,318	7,480
Shareholders Equity	20,858	25,057	28,600	30,965	33,520
Minority Interests					
Total Equity	20,858	25,057	28,600	30,965	33,520

Key Ratios

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	27.3%	13.0%	5.0%	5.2%	12.6%
Operating EBITDA Growth	25.5%	8.9%	(7.0%)	11.0%	17.0%
Operating EBITDA Margin	30.6%	29.5%	26.1%	27.5%	28.6%
Net Cash Per Share (Rs)	198.95	227.03	262.42	300.84	338.82
BVPS (Rs)	334.92	402.34	459.18	497.16	538.18
Gross Interest Cover	54.36	46.75	45.73	51.81	61.10
Effective Tax Rate	19.4%	24.5%	23.7%	23.5%	23.5%
Net Dividend Payout Ratio	35.0%	55.0%	59.5%	71.4%	73.7%
Accounts Receivables Days	95.71	100.08	95.10	94.68	93.48
Inventory Days	0.10	0.13	0.09		
Accounts Payables Days	19.18	16.39	16.66	19.37	18.92
ROIC (%)	110.7%	73.2%	58.5%	72.7%	85.9%
ROCE (%)	38.5%	31.2%	24.7%	25.0%	27.3%
Return On Average Assets	28.7%	24.0%	19.6%	20.1%	22.2%

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.