

India

HOLD (no change)

Consensus ratings*: Buy 4 Hold 6 Sell 18

Current price: Rs5,357
 Target price: ▲ Rs5,619
 Previous target: Rs5,361
 Up/downside: 4.9%
 InCred Research / Consensus: 13.8%

Reuters: LTEH.NS
 Bloomberg: LTTS IN
 Market cap: US\$6,750m
 Rs566,961m
 Average daily turnover: US\$12.1m
 Rs1016.3m
 Current shares o/s: 106.0m
 Free float: 26.3%

*Source: Bloomberg

Key changes in this note

- Expect 10.3% revenue CAGR over FY25F-27F.
- Expect 17.2% EBIT CAGR over FY25F-27F.
- Expect 15.8% PAT CAGR over FY25F-27F.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(5.4)	10.1	16.1
Relative (%)	(3.6)	9.0	(5.4)

Major shareholders	% held
LIC	6.8
FPI	4.5
MF	3.6

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L&T Technology Services Ltd

Execution continues to be soft

- 2QFY25 EBIT margin miss material while the aspirational guidance has risks.
- Deal pipeline commentary encouraging but execution continues to be soft.
- 1HFY25 FCF/NI conversion at 52% vs. 96% in FY24.

2QFY25 results summary

L&T Technology Services or LTTS' 2QFY25 revenue was in line but the EBIT margin miss, at 86bp, was material. Revenue growth was driven by mobility & sustainability partly offset by technology, while the EBIT margin miss was led by increased S&M/capability investments (gross margin was flat). Although LTTS retained its 8-10% constant currency (CC) revenue growth guidance & 16% EBITM aspiration, the ask rate for revenue (~4.5%-7% CQGR) & an average 16.6% margin in 2HFY25F in the current uncertain macroeconomic environment look steep. Finally, management commentary of 'pivoting on growth' largely echoes our underlying thesis ('Margin is king') that the participation of vendors in deals is limited by their ability to sacrifice margins in the first year of transition.

Encouraging deal wins despite a few getting pushed out

LTTS has signed six large deals (vs. seven in 1QFY25) with two US\$20m+ deals, four US\$10m+ each and two empanelments in sustainability while a few deal signings were pushed out due to the upcoming US presidential elections and macroeconomic-related headwinds. Management commentary suggests the pipeline build-up is healthy, with a number of deals in the US\$25-100m range and the company expects sizeable conversion in 2HFY25F. Across segments, LTTS 1) expects a few transformational deals (network management and vendor consolidation) in the communication & media vertical to close in 3QFY25F, 2) is seeing a good build-up of deals in industrial within sustainability, and 3) two deals (one device and the other platform engineering) with hyperscaler accounts to drive growth in semiconductor and independent software vendor (ISV)..

Margin miss raises the ask rate

2QFY25 EBIT margin at 15.1% (down 50bp qoq and 206bp yoy) was 86bp below our estimate, driven by higher SG&A expenses/capability investments (11.2% of revenue vs. 10.8% in 1Q). Although management retained its 16% EBIT aspiration (average 15.3% in 1HFY25) led by growth leverage, SG&A cost normalization, pyramid optimization & offshoring, wage hike impact (100-125bp spread over 3Q/4QFY25F with 80% in 3Q) and potential deal transition costs are key headwinds.

Retain HOLD rating with a higher TP of Rs5,619 vs. Rs5,361 earlier

We model an ~10% US\$ revenue CAGR over FY25F-27F and ~16% PAT (Rs) CAGR over FY25F-27F and increase our target PE/G multiple to 2.1x (from 1.8x) to factor in the increase in the benchmark multiple of Tata Consultancy Services (TCS). This, coupled with a shift to FY27F estimates, increases our target price. Portfolio challenges & weak EBIT margin execution are downside risks while the strong order conversion is an upside risk.

Financial Summary	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	88,155	96,472	104,433	116,697	131,834
Operating EBITDA (Rsm)	17,609	19,189	19,808	23,468	26,551
Net Profit (Rsm)	12,122	13,035	13,689	16,129	18,355
Core EPS (Rs)	114.0	122.5	129.1	152.0	173.0
Core EPS Growth	25.9%	7.4%	5.4%	17.7%	13.8%
FD Core P/E (x)	46.98	43.74	41.49	35.24	30.96
DPS (Rs)	45.0	50.0	54.0	65.4	74.4
Dividend Yield	0.85%	0.93%	1.01%	1.22%	1.39%
EV/EBITDA (x)	30.97	28.60	27.31	22.71	19.73
P/FCFE (x)	59.73	52.69	62.18	43.67	38.97
Net Gearing	(54.5%)	(40.5%)	(44.4%)	(50.3%)	(55.0%)
P/BV (x)	12.91	10.66	9.28	8.07	7.03
ROE	28.2%	26.7%	23.9%	24.5%	24.3%
% Change In Core EPS Estimates			(10.97%)	(10.73%)	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly performance

Y/E Mar (Rs m)	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	2QFY25F	Var. (%)
Revenue (US\$ m)	306.7	288	6.5	295	3.9	305.9	0.2
Net sales (Rs m)	25,729	23,865	7.8	24,619	4.5	25,630	0.4
USD-INR realization	83.9	82.8	1.3	83.4	0.6	83.8	0.1
EBITDA	4,660	4,756	(2.0)	4,562	2.1	4,818	(3.3)
EBITDA margin (%)	18.1	19.9	(182 bp)	18.5	(42 bp)	18.8	(69 bp)
EBIT	3,877	4,075	(4.9)	3,836	1.1	4,083	(5.0)
EBIT margin (%)	15.1	17.1	(201bp)	15.6	(51bp)	15.9	(86bp)
Depreciation	783	681	15.0	726	7.9	736	6.4
Net other income	531	286	85.7	491	8.1	512	3.6
PBT	4,408	4,361	1.1	4,327	1.9	4,595	(4.1)
Provision for tax	1,208	1,202	0.5	1,188	1.7	1,264	(4.4)
% tax rate	27.4	27.6	(16bp)	27.5	(5bp)	27.5	(10bp)
Net profit	3,196	3,154	1.3	3,136	1.9	3,328	(4.0)
EPS (Rs)	30.1	29.8	1.2	29.6	1.9	31.4	(4.0)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Key conference-call highlights

- **Guidance:** Retains CC revenue guidance of 8-10% for FY25F and 16% EBIT margin aspiration. LTTS expects 2H to be better than 1H. The medium-term revenue outlook remains at US\$2bn with 17-18% EBIT margin.
 - The guidance is based on the ramp-up of deals that are already won, coupled with deal closures likely in 3QFY25F, along with SWC seasonality
- **Vertical commentary**
 - **Mobility (+4.8% qoq):**
 - Growth driven by large deal ramp-up in the automobile sub-segment, primarily in SDV and hybridization. Shift in revenue share from Tier-1 to OEMs driven by advanced automotive solutions around ADAS, SDV, digital twin, virtualization and AI, commercial vehicles aided by EV engagements.
 - The company is seeing more deals in rail than aerospace. Mobility deal pipeline remains robust. 3Q is seasonally soft and LTTS expects a rebound in 4QFY25F.
 - **Sustainability (+6.5% qoq):**
 - Growth driven by industrial and plant engineering sub-segments. The industrial sub-segment is seeing a turnaround, given better spending visibility in the areas of automation, digital platforms, manufacturing and supply chain optimization.
 - Witnessing demand for project engineering and plant modernization in the plant engineering sub-segment.
 - CPG sub-segment benefitting from the China+1 strategy, driven by an uptick in project engineering from global clients.
 - Management seeing good deal pipeline in industrial and process segments and expects the growth momentum to continue in 3QFY25F.
 - **Hi-tech (+0.8% qoq):**
 - Good growth in semiconductor and ISV sub-segments.
 - The communication and media sub-segment was soft but LTTS expects a recovery in 3QFY25F led by network management and vendor consolidation-related deals.
 - Medtech growth aided by strategic collaborations with leading AI players.
 - Management expects hi-tech to grow in 3QFY25F led by deal ramp-up in semiconductor, medtech, communications and the momentum in cyber-security deal.
- **GenAI:** AI-driven deal discussions increasing while the portfolio of AI/GenAI solutions and accelerators is assisting in securing deals in targeted areas.
- Absolute value of deal TCv is higher in 2Q vs 1Q. LTTS has several US\$50m, US\$100m and US\$25 deals in the pipeline that are expected to close in 3QFY25F.
- Targeted programs with strategic clients could aid growth in top accounts.

- Wage hikes to impact EBIT margin by ~100-125bp in 3Q/4QFY25F but could be offset by growth leverage, normalization of SG&A expenses, pyramid optimization, and offshoring. Management expects the margin trajectory to improve in 2HFY25F.
- LTTS expects to hire 2,000 freshers in FY25F vs. 1,500 in FY24F.

Figure 2: Change in our earnings estimates

Y/E, Mar (Rs m)	FY25F			FY26F			FY27F
	New	Old	% change	New	Old	% change	New
US\$ revenue	1,247	1,301	-4.2	1,365	1,462	-6.7	1,515
Revenue	1,04,433	1,09,325	-4.5	1,16,697	1,25,741	-7.2	1,31,834
EBIT	16,690	19,274	-13.4	20,084	22,508	-10.8	22,926
EBIT Margin (%)	16.0	17.6	(165)bp	17.2	17.9	(69)bp	17.4
Net PAT	13,689	15,366	-10.9	16,129	18,044	-10.6	18,355
EPS (Rs)	129.0	145.0	-10.9	152.0	170.3	-10.6	173.0

SOURCE: INCRED RESEARCH, COMPANY REPORTS

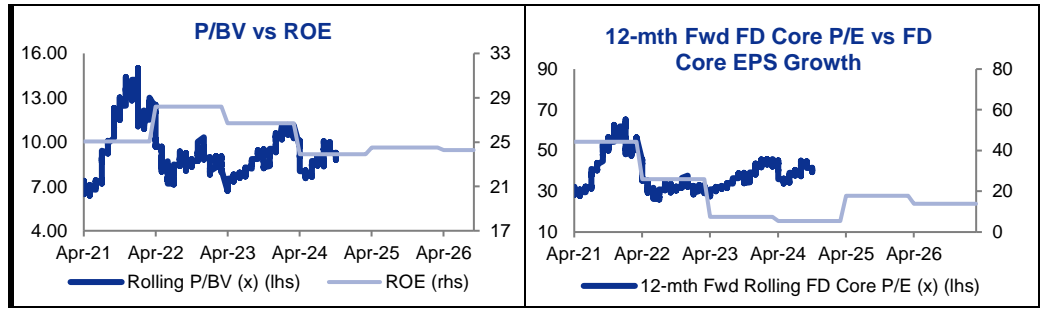
Figure 3: Operating metric trend

Operating trends	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Revenue (US\$m)	257	283	261	288	280	288	291	305	295	307
Growth yoy (%)	24.8	30.2	16.0	24.3	9.1	1.8	11.3	5.8	5.4	6.5
Growth qoq (%)	10.6	10.2	-7.7	10.4	-2.9	2.9	0.9	5.0	-3.2	3.9
CC Growth yoy (%)	19.9	18.1	13.5	12.1	10.0	1.4	11.0	6.3	6.1	6.3
CC Growth qoq (%)	4.7	4.5	0.0	2.2	-2.9	3.2	0.9	5.1	-3.1	3.4
Revenue (Rsm)	20,062	22,817	21,570	23,706	23,014	23,865	24,218	25,375	24,619	25,729
Growth yoy (%)	32.1	41.9	27.8	35.0	14.7	4.6	12.3	7.0	7.0	7.8
Growth qoq (%)	14.2	13.7	-5.5	9.9	-2.9	3.7	1.5	4.8	-3.0	4.5
EBIT Margin (%)	17.4	16.6	17.5	17.9	17.2	17.1	17.2	16.9	15.6	15.1
US\$-Rs realized rate	78.2	80.6	82.6	82.2	82.2	82.8	83.3	83.2	83.4	83.9
Headcount	22,131	22,265	22,501	23,074	23,392	23,880	23,298	23,812	23,577	23,698
LTM attrition (%)	23.2	24.1	23.3	22.2	18.9	16.7	15.8	14.8	14.8	14.3
Geography (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
North America	58.7	55.3	59.5	53.2	56.5	55.3	54.6	53.7	52.9	52.5
Europe	15.4	13.9	15.3	14.5	15.4	15.8	16.6	15.8	18.1	18.4
India	19	23.9	17.9	25.0	20.7	21.6	21.5	23.7	22	21.9
ROW	6.9	6.9	7.3	7.3	7.4	7.3	7.3	6.8	7	7.2
Geography (US\$m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
North America	150.7	156.5	155.4	153.4	158.2	159.3	158.7	163.8	156.2	161.0
Europe	39.5	39.3	40.0	41.8	43.1	45.5	48.3	48.2	53.4	56.4
India	48.8	67.6	46.8	72.1	58.0	62.2	62.5	72.3	64.9	67.2
ROW	17.7	19.5	19.1	21.1	20.7	21.0	21.2	20.7	20.7	22.1
Geography YoY (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
North America	17.6	14.4	10.5	6.2	5.0	1.8	2.1	6.8	-1.3	1.1
Europe	14.4	8.3	7.6	12.0	9.1	15.7	20.8	15.3	23.9	24.0
India	83.8	139.3	51.6	114.3	18.8	-8.0	33.7	0.3	12.0	7.9
ROW	7.6	21.4	14.5	29.6	17.0	7.7	11.3	-1.5	-0.3	5.0
Geography QoQ (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
North America	4.3	3.9	-0.7	-1.3	3.1	0.7	-0.4	3.2	-4.7	3.1
Europe	5.8	-0.5	1.6	4.6	3.1	5.6	6.0	-0.1	10.8	5.6
India	45.0	38.7	-30.9	54.2	-19.6	7.4	0.4	15.7	-10.2	3.4
ROW	9.1	10.2	-2.4	10.4	-1.6	1.5	0.9	-2.2	-0.4	6.9
Incremental revenue (US\$m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
North America	6.1	5.8	-1.1	-2.0	4.8	1.1	-0.6	5.1	-7.7	4.9
Europe	2.2	-0.2	0.6	1.9	1.3	2.4	2.7	-0.1	5.2	3.0
India	15.1	18.9	-20.9	25.3	-14.1	4.3	0.3	9.8	-7.4	2.2
ROW	1.5	1.8	-0.5	2.0	-0.3	0.3	0.2	-0.5	-0.1	1.4
Client (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Top 5	18.5	17.7	16.6	14.6	14.7	14.9	15.7	15.4	15.0	15.0
Top 6-10	10.3	10.1	10.3	11	11.2	11.2	10.9	11	11.3	11.5
Top 11-20	14.6	14.3	14.6	15.2	15.5	15.6	15.1	14.2	15	15
Non-top 20	56.6	57.9	58.5	59.2	58.6	58.3	58.3	59.4	58.7	58.5
Client (US\$m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Top 5	47.5	50.1	43.4	42.1	41.2	42.9	45.6	47.0	44.3	46.0
Top 6-10	26.4	28.6	26.9	31.7	31.4	32.3	31.7	33.6	33.4	35.3
Top 11-20	37.5	40.5	38.1	43.8	43.4	44.9	43.9	43.3	44.3	46.0
Non-top 20	145.3	163.9	152.8	170.7	164.1	168.0	169.5	181.2	173.3	179.4
Client YoY (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Top 5	40.8	35.5	11.3	5.5	-13.3	-14.3	5.3	11.6	7.6	7.2
Top 6-10	16.9	17.4	6.7	23.2	18.6	12.9	17.8	5.8	6.4	9.3
Top 11-20	10.4	17.1	10.7	24.3	15.8	11.1	15.1	-1.2	2.0	2.4
Non-top 20	25.9	34.8	20.8	30.3	12.9	2.5	10.9	6.1	5.6	6.8
Client QoQ (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Top 5	19.0	5.5	-13.4	-2.9	-2.2	4.3	6.3	2.9	-5.8	3.9

Top 6-10	2.7	8.1	-5.9	17.9	-1.1	2.9	-1.8	5.9	-0.6	5.7
Top 11-20	6.3	8.0	-5.8	15.0	-1.0	3.6	-2.3	-1.3	2.2	3.9
Non-top 20	10.8	12.8	-6.7	11.7	-3.9	2.4	0.9	6.9	-4.4	3.5
Incremental revenue (US\$m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Top 5	7.6	2.6	-6.7	-1.3	-0.9	1.8	2.7	1.3	-2.7	1.7
Top 6-10	0.7	2.1	-1.7	4.8	-0.4	0.9	-0.6	1.9	-0.2	1.9
Top 11-20	2.2	3.0	-2.3	5.7	-0.4	1.5	-1.0	-0.6	1.0	1.7
Non-top 20	14.2	18.6	-11.1	17.9	-6.7	3.9	1.5	11.8	-7.9	6.1
Client metrics	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
No of active clients	350	358	356	356	357	362	364	381	378	373
Revenue per active client	2.7	2.8	2.9	3.1	3.1	3.1	3.2	3.1	3.1	3.2
US\$ 30m+	3	4	3	1	3	4	4	5	6	7
US\$ 20m+	8	9	9	11	12	12	14	12	12	13
US\$ 10m+	27	29	28	28	32	31	31	35	31	33
US\$ 5m+	56	55	56	57	56	55	56	58	60	60
US\$ 1m+	153	162	168	178	181	177	175	180	177	176
Per employee analysis	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Revenue (US\$m) - TTM	931	997	1,033	1,089	1,113	1,118	1,147	1,164	1,179	1198
Employees (average TTM)	19,007	19,995	20,513	21,023	21,345	21,730	21,940	22,145	22,191	22,146
Revenue per employee (TTM)	48,994	49,852	50,354	51,816	52,124	51,437	52,289	52,559	53,134	54,082

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	88,155	96,472	104,433	116,697	131,834
Gross Profit	41,847	47,174	49,160	55,431	62,621
Operating EBITDA	17,609	19,189	19,808	23,468	26,551
Depreciation And Amortisation	(2,338)	(2,716)	(3,118)	(3,384)	(3,625)
Operating EBIT	15,271	16,473	16,690	20,084	22,926
Financial Income/(Expense)	1,589	1,564	2,203	2,184	2,412
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	16,860	18,037	18,894	22,268	25,338
Exceptional Items					
Pre-tax Profit	16,860	18,037	18,894	22,268	25,338
Taxation	(4,696)	(4,975)	(5,190)	(6,124)	(6,968)
Exceptional Income - post-tax					
Profit After Tax	12,164	13,062	13,704	16,144	18,370
Minority Interests	(42)	(27)	(15)	(15)	(15)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	12,122	13,035	13,689	16,129	18,355
Recurring Net Profit	12,122	13,035	13,689	16,129	18,355
Fully Diluted Recurring Net Profit	12,122	13,035	13,689	16,129	18,355

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	17,609	19,189	19,808	23,468	26,551
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(1,551)	(557)	(2,969)	(1,814)	(2,485)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(42)	(27)	(15)	(15)	(15)
Other Operating Cashflow					
Net Interest (Paid)/Received					
Tax Paid	(4,667)	(5,256)	(5,190)	(6,124)	(6,968)
Cashflow From Operations	11,349	13,349	11,635	15,515	17,083
Capex	(1,815)	(2,528)	(2,500)	(2,500)	(2,500)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(3,964)	195	2,691	2,672	2,900
Cash Flow From Investing	(5,779)	(2,333)	191	172	400
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(3,167)	(4,967)	(5,715)	(6,936)	(7,893)
Preferred Dividends					
Other Financing Cashflow	(1,286)	(1,612)	(488)	(488)	(488)
Cash Flow From Financing	(4,453)	(6,579)	(6,203)	(7,424)	(8,381)
Total Cash Generated	1,117	4,437	5,623	8,264	9,103
Free Cashflow To Equity	9,534	10,821	9,135	13,015	14,583
Free Cashflow To Firm	5,570	11,016	11,826	15,687	17,484

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	27,987	26,841	32,452	40,704	49,795
Total Debtors	32,749	32,557	36,552	40,144	44,692
Inventories					
Total Other Current Assets	3,033	2,905	2,905	2,905	2,905
Total Current Assets	63,769	62,303	71,909	83,753	97,392
Fixed Assets	6,692	10,009	9,391	8,507	7,382
Total Investments	2,799	3,691	3,691	3,691	3,691
Intangible Assets	6,403	6,248	6,248	6,248	6,248
Total Other Non-Current Assets	2,313	2,634	2,634	2,634	2,634
Total Non-current Assets	18,207	22,582	21,964	21,080	19,955
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	12,369	14,117	15,143	16,921	18,984
Other Current Liabilities	20,732	11,254	11,254	11,254	11,254
Total Current Liabilities	33,101	25,371	26,397	28,175	30,238
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	4,346	6,036	6,036	6,036	6,036
Total Non-current Liabilities	4,346	6,036	6,036	6,036	6,036
Total Provisions					
Total Liabilities	37,447	31,407	32,433	34,211	36,274
Shareholders Equity	44,349	53,271	61,233	70,415	80,866
Minority Interests	180	207	207	207	207
Total Equity	44,529	53,478	61,440	70,622	81,073

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	34.2%	9.4%	8.3%	11.7%	13.0%
Operating EBITDA Growth	24.5%	9.0%	3.2%	18.5%	13.1%
Operating EBITDA Margin	20.0%	19.9%	19.0%	20.1%	20.1%
Net Cash Per Share (Rs)	226.89	204.29	256.91	334.69	420.38
BVPS (Rs)	414.83	502.76	577.16	663.70	762.20
Gross Interest Cover	34.39	32.36	34.20	41.15	46.98
Effective Tax Rate	27.9%	27.6%	27.5%	27.5%	27.5%
Net Dividend Payout Ratio	40.0%	40.5%	41.7%	43.0%	43.0%
Accounts Receivables Days	108.31	123.54	120.77	119.94	117.44
Inventory Days					
Accounts Payables Days	55.52	98.05	96.61	95.51	94.67
ROIC (%)	47.4%	65.9%	41.8%	46.5%	51.5%
ROCE (%)	23.4%	22.3%	19.3%	20.4%	20.5%
Return On Average Assets	15.4%	14.3%	13.5%	14.7%	15.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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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.