

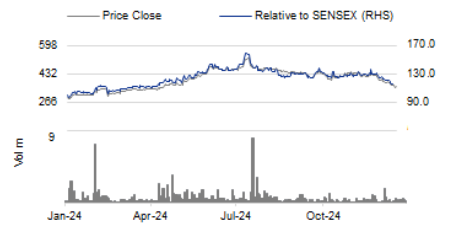
India

ADD (no change)

Consensus ratings*: Buy 15 Hold 5 Sell 3	
Current price:	Rs357
Target price: ▲	Rs548
Previous target:	Rs500
Up/downside:	53.5%
InCred Research / Consensus:	16.3%
Reuters:	VGUA.NS
Bloomberg:	VGRD IN
Market cap:	US\$1,797m Rs155,560m
Average daily turnover:	US\$2.9m Rs248.5m
Current shares o/s:	434.4m
Free float:	11.5%
*Source: Bloomberg	

Key changes in this note

► For FY25F, we lower our revenue/PAT estimates by 1%/5%, respectively, factoring in the subdued 3QFY25 performance, while maintaining them for FY26F/27F.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(14.4)	(16.3)	22.8
Relative (%)	(12.4)	(12.6)	14.2

Major shareholders	% held
Sbi Small Cap Fund	7.5
Kotak Emerging Equity Scheme	5.9
Nalanda India Equity	3.6

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

V-Guard Industries

Subdued 3Q performance

- 3QFY25 EBITDA grew by 3% YoY to Rs1.04bn, 17% below our estimate & 12% below Bloomberg consensus. The EBITDA margin fell 50bp YoY to 8.1%.
- V-Guard aims to increase in-house production from 65% to 75% over the next 3-4 years, improving the margin. The company targets 10%+ EBITDA margin.
- For FY25F, we cut revenue/PAT estimates by 1%/5%, respectively, while retaining them for FY26F/27F. Maintain ADD rating with a higher TP of Rs548.

Healthy growth continues in electronics segment

V-Guard Industries (V-Guard) reported muted revenue of Rs12.7bn in 3QFY25, up 9% YoY (-2% QoQ), 3% below our estimate and 1% below the Bloomberg or BB consensus estimate. The revenue was driven by the electronics segment (+28% YoY) while electricals (+1% YoY), consumer durables (+8% YoY) and Sunflame (+4% YoY) reported muted revenue growth. The demand for wires was impacted by commodity price fluctuations. Non-southern regions continued to perform well, with topline growing by ~16% in 3QFY25.

Higher A&P and employee costs hit profitability

Gross margin expanded by 228bp YoY to 36.2% led by a higher share of in-house manufacturing, cost-saving initiatives and a gradual shift towards a premium portfolio. EBITDA grew 3% YoY to Rs1.04bn (17% below our estimate and 12% below the BB consensus estimate). The EBITDA margin fell by 50bp YoY to 8.1%, mainly due to higher A&P expenses, especially for Sunflame and higher employee costs. PAT grew by 3.4% YoY to Rs602m (-5% QoQ), 19% below our estimate and 15% below the BB consensus estimate. The EBIT margin of the electronics segment expanded by 680bp YoY to 19.6%, while that of the consumer durables segment rose by 118bp to 4.2%. The electrical segment's margin fell 10bp to 9% while Sunflame's EBIT margin fell 800bp YoY to 2.8%.

Double-digit margin is on the cards with higher insourcing

Management expects healthy growth across segments, with improved profitability in the coming quarters led by strategic actions and also emphasized the ongoing efforts in functional integration and sales acceleration. The electronics segment benefited from weather-driven demand, while electrical products saw consistent growth supported by price hike. V-Guard aims to increase in-house production from 65% to 75% over the next three-to-four years, improving the margin. The company targets a 10%+ EBITDA margin.

Outlook and valuation; maintain ADD rating on the stock

For 9MFY25, revenue/PAT grew by 15%/23%, respectively, while the margin rose by 66bp to 9.2%. For FY25F, we have cut revenue/PAT estimates by 1%/5%, respectively, factoring in the subdued 3QFY25 results, while maintaining them for FY26/27F. We retain our ADD rating on the stock with a higher target price of Rs548 (Rs500 earlier), as we roll forward our valuation to FY27F (from Sep 2026F), valuing it at 50x. Downside risk: Volatility in the prices of raw materials like copper & aluminium, lower demand and further weakness in Sunflame.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	41,260	48,567	55,608	62,795	71,533
Operating EBITDA (Rsm)	3,199	4,267	5,357	6,334	7,398
Net Profit (Rsm)	1,890	2,576	3,270	3,911	4,752
Core EPS (Rs)	4.4	5.9	7.5	9.0	11.0
Core EPS Growth	(16.4%)	36.3%	26.7%	19.6%	21.5%
FD Core P/E (x)	81.86	60.05	47.39	39.62	32.60
DPS (Rs)	1.3	1.3	1.5	1.8	2.3
Dividend Yield	0.36%	0.36%	0.43%	0.50%	0.64%
EV/EBITDA (x)	49.46	36.73	29.17	24.42	20.47
P/FCFE (x)	315.14	163.54	56.89	46.70	45.32
Net Gearing	21.9%	11.2%	6.1%	(1.1%)	(12.7%)
P/BV (x)	9.62	8.53	7.47	6.49	5.61
ROE	12.5%	15.1%	16.8%	17.5%	18.5%
% Change In Core EPS Estimates			(5.11%)	(0.04%)	(0.12%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

3QFY25 conference-call highlights

- **Overview:** V-Guard reported ~9% YoY growth in 3QFY25 revenue. The company witnessed moderate overall consumer demand, with segment-wise variations in performance. The demand for wires in South India was impacted due to commodity price fluctuations. However, copper price rise in Jan 2025 triggered some upstocking, which may support 4QFY25F performance. The company has focused on increasing its in-house manufacturing, cost-saving initiatives, and a shift towards premium products.
- **Guidance:** V-Guard aims to increase in-house production from 65% to 75% over the next three-to-four years, improving the margin. The company targets a 10%+ EBITDA margin, although external factors like inflation and demand will influence the timeline.
- **Electronics segment:** The segment grew by 28% YoY, maintaining its strong momentum from the previous quarters. Growth was broad-based across categories, with voltage stabilizers, batteries, and solar rooftop solutions contributing significantly. The Hyderabad plant has significantly improved the margin. The solar rooftop business, though small, is growing rapidly.
- **Electricals segment:** The segment registered a mere ~1% YoY growth, primarily due to price volatility in wires, which form a major part of this category. Commodity price fluctuations impacted demand and stocking pattern in the market. Management attributes the kitchen appliance business slowdown to post-Covid demand normalization and likely financial stress in the lower-income segment. Replacement cycles have lengthened, and new category adoption has slowed.
- **Consumer durables segment:** The segment grew by 8.1% YoY, but the demand for kitchen appliances remained sluggish for the third consecutive year. Water heaters underperformed due to the late onset of winter, affecting seasonal sales.
- **Sunflame:** It was under slight pressure during the quarter, posting a 4% YoY growth in 3QFY25. Management expects a recovery as industry-wide problems ease. Higher advertising and promotion (A&P) expenses, particularly for Sunflame, led to an EBITDA margin of 8.2%, down from 8.7% YoY. Sunflame's higher operational costs, due to increased staffing and consulting expenses, are affecting its margin. The company is investing in long-term brand-building, expecting improvement as demand revives.
- **Geographical performance:** The non-southern market grew 15.8% YoY, contributing 48.4% to total revenue. The southern market grew at a slower pace of 3.1%, mainly due to weakness in the wire business, which has a higher contribution from the region.
- **Working capital and debt reduction:** The company's working capital remained steady, ensuring strong cash flow generation. The repayment of the Sunflame acquisition-related long-term debt is on track, with full repayment expected by the end of FY25F.
- **Expansion plan:** V-Guard's board approved a Rs1bn investment for a new Hyderabad facility, which will manufacture table, pedestal, wall (TPW), and ceiling fans. The investment will be phased over a period of three years and funded through internal accruals.

Figure 1: Result snapshot

Y/E Mar (Rs m)	3QFY25	3QFY24	YoY (%)	2QFY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Total income	12,687	11,654	8.9%	12,940	-2.0%	40,397	35,139	15.0%
Net raw material costs	8,100	7,706	5.1%	8,302	-2.4%	25,810	23,414	10.2%
Staff costs	1,300	826	57.4%	1,293	0.6%	3,819	2,927	30.5%
Other expenditure	2,245	2,106	6.6%	2,242	0.1%	7,067	5,809	21.6%
Total expenditure	11,645	10,638	9.5%	11,837	-1.6%	36,696	32,150	14.1%
EBITDA	1,041	1,016	2.5%	1,103	-5.6%	3,702	2,989	23.9%
EBITDA margin (%)	8.2%	8.7%	-51bp	8.5%	-31bp	9.2%	8.5%	66bp
Depreciation	250	191	30.8%	221	13.3%	689	587	17.3%
EBIT	791	825	-4.1%	881	-10.3%	3,013	2,402	25.5%
Interest expenses	58	94	-38.5%	76	-23.6%	220	296	-25.8%
Other income	54	32	70.2%	41	34.1%	164	291	-43.8%
PBT	787	763	3.3%	846	-7.0%	2,957	2,397	23.4%
Tax - Current	187	204	-8.3%	211	-11.3%	723	589	22.7%
Tax - Deferred	-2	-24	-92.5%	1	-228.6%	8	-7	-226.2%
Reported consolidated PAT	602	582	3.4%	634	-5.0%	2,226	1,814	22.7%
Adjusted PAT	602	582	3.4%	634	-5.0%	2,226	1,814	22.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Margin and cost analysis

Margins	3QFY25	3QFY24	YoY (%)	2QFY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Gross margin	36.2%	33.9%	228bp	35.8%	31bp	36.1%	33.4%	274bp
EBITDA	8.2%	8.7%	-51bp	8.5%	-31bp	9.2%	8.5%	66bp
EBIT	6.2%	7.1%	-84bp	6.8%	-58bp	7.5%	6.8%	62bp
Adjusted PATAMI	4.7%	5.0%	-25bp	4.9%	-15bp	5.5%	5.2%	35bp

Cost Analysis	3QFY25	3QFY24	YoY	2QFY25	QoQ	9MFY25	9MFY24	YoY
Net raw material costs	63.8%	66.1%	-228bp	64.2%	-31bp	63.9%	66.6%	-274bp
Staff costs	10.3%	7.1%	316bp	10.0%	26bp	9.5%	8.3%	112bp
Other expenditure	17.7%	18.1%	-37bp	17.3%	37bp	17.5%	16.5%	96bp
Total	91.8%	91.3%	51bp	91.5%	31bp	90.8%	91.5%	-66bp

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Segment-wise results

YE Mar (Rs m)	3QFY25	3QFY24	YoY (%)	2QFY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Revenue								
Electronics	2,860	2,236	27.9%	3,030	-5.6%	11,021	8,424	30.8%
Electricals	4,786	4,727	1.2%	5,376	-11.0%	15,039	13,917	8.1%
Consumer Durables	4,248	3,928	8.1%	3,923	8.3%	12,347	10,786	14.5%
Sunflame	794	763	4.0%	611	30.0%	1,991	2,011	-1.0%
Total	12,687	11,654	8.9%	12,940	-2.0%	40,397	35,139	15.0%
EBIT								
Electronics	562	287	95.5%	595	-5.5%	2,192	1,250	75.3%
Electricals	429	429	0.1%	491	-12.6%	1,412	1,102	28.2%
Consumer Durables	177	117	51.2%	161	9.8%	555	116	NA
Sunflame	22	82	-73.2%	9	155.8%	58	178	-67.4%
Total	1,190	833	42.8%	1,255	-5.2%	4,216	2,646	59.4%
EBIT margin (%)								
Electronics	19.6%	12.9%	680bp	19.6%	3bp	19.9%	14.8%	505bp
Electricals	9.0%	9.1%	-10bp	9.1%	-16bp	9.4%	7.9%	147bp
Consumer Durables	4.2%	3.0%	118bp	4.1%	6bp	4.5%	1.1%	341bp
Sunflame	2.8%	10.8%	-799bp	1.4%	136bp	2.9%	8.8%	-592bp
Total	9.4%	7.1%	223bp	9.7%	-32bp	10.4%	7.5%	291bp

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Actuals versus estimates

(Rs m)	3QFY25	3QFY25F	Var. (%)
Revenue	12,687	13,098	-3.1%
EBITDA	1,041	1,256	-17.1%
EBITDA margin (%)	8.2%	9.6%	-138bp
Adj. PAT	602	744	-19.0%
Actuals Vs. consensus estimates			
(Rs m)	3QFY25	3QFY25C	Var. (%)
Revenue	12,687	12,830	-1.1%
EBITDA	1,041	1,178	-11.6%
EBITDA margin (%)	8.2%	9.2%	-97bp
Adj. PAT	602	704	-14.5%

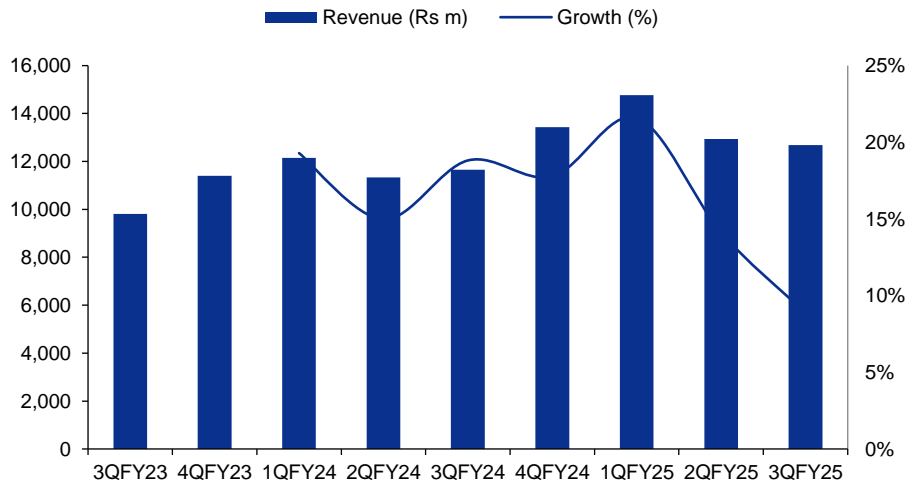
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Ex-Sunflame financials

Ex-Sunflame (Rs m)	3QFY25	3QFY24	YoY (%)	2QFY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Total income	11,893	10,891	9.2%	12,329	-3.5%	38,407	33,128	15.9%
COGS	7,588	7,223	5.0%	7,915	-4.1%	24,553	22,123	11.0%
Staff costs	1,248	795	56.9%	1,231	1.4%	3,646	2,816	29.5%
Other expenditure	2,041	1,938	5.3%	2,090	-2.3%	6,567	5,410	21.4%
Total expenditure	10,877	9,957	9.2%	11,236	-3.2%	34,766	30,349	14.6%
EBITDA	1,016	935	8.7%	1,094	-7.1%	3,641	2,779	31.0%
EBITDA margin (%)	8.5%	8.6%	-4bp	8.9%	-33bp	9.5%	8.4%	109bp
Depreciation	233	183	26.8%	203	14.3%	636	536	18.7%
EBIT	784	751	4.3%	890	-12.0%	3,005	2,243	34.0%
Interest expenses	58	94	-38.3%	75	-23.3%	219	294	-25.6%
Other income	54	24	130.6%	38	44.1%	157	272	-42.2%
Extraordinary income/(expenses)	0	0	N/A	0	N/A	0	0	N/A
Share from associate cos.	0	0	N/A	0	N/A	0	0	N/A
Minority interest	0	0	N/A	0	N/A	0	0	N/A
PBT	780	681	14.6%	852	-8.5%	2,944	2,221	32.5%
Tax	182	162	12.1%	215	-15.2%	726	541	34.3%
Reported consolidated PAT	598	519	15.3%	638	-6.2%	2,218	1,681	31.9%
Adjusted PAT	598	519	15.3%	638	-6.2%	2,218	1,681	31.9%

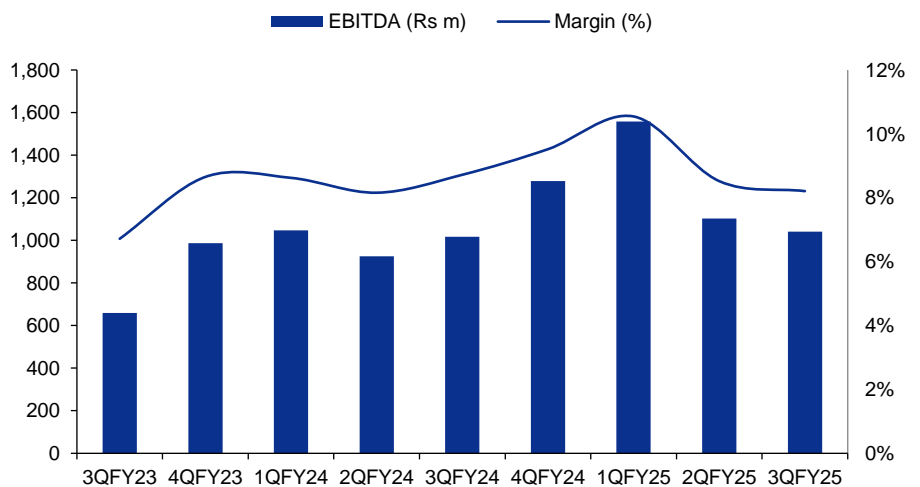
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Quarterly revenue trend



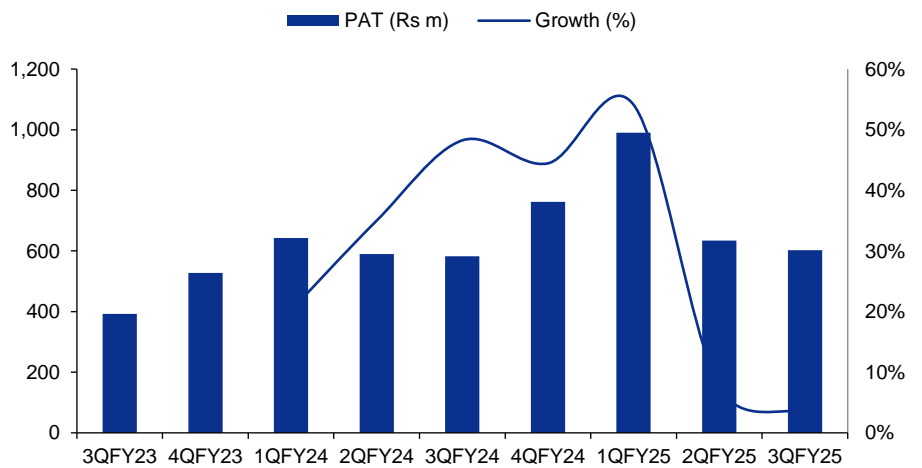
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Quarterly EBITDA trend



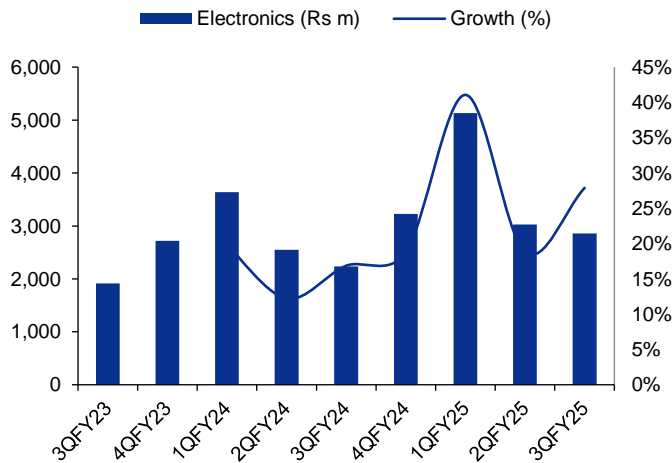
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Quarterly PAT trend



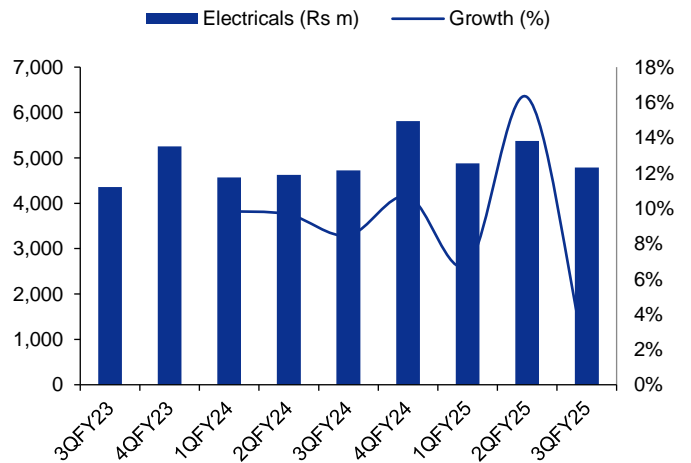
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: Electronics segment revenue



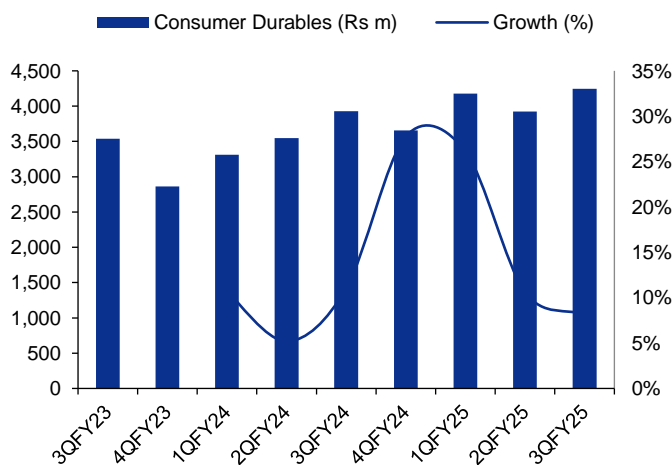
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: Electricals segment revenue



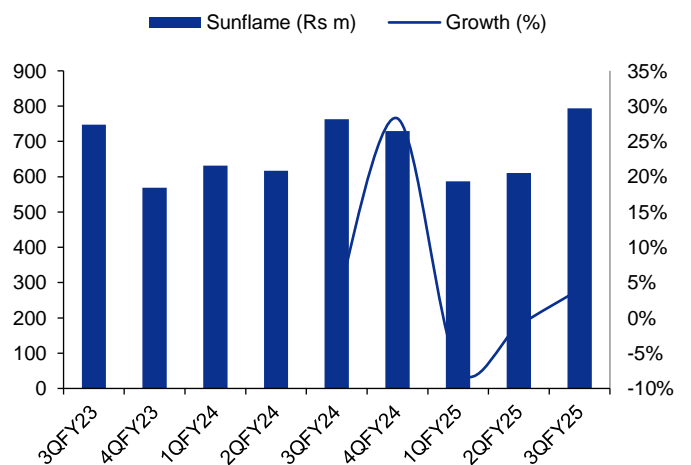
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 11: Consumer durables segment revenue



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 12: Sunflame business revenue



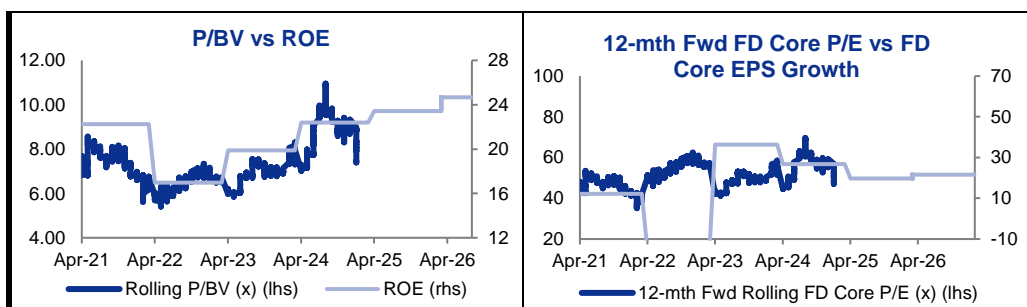
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 13: Earnings revision summary

	New Estimates			Old Estimates			Change (%)		
	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Revenue	55,608	62,795	71,533	56,247	62,821	71,558	-1.1%	0.0%	0.0%
EBITDA	5,357	6,334	7,398	5,625	6,328	7,391	-4.8%	0.1%	0.1%
Adjusted consol. PAT	3,270	3,911	4,752	3,446	3,912	4,758	-5.1%	0.0%	-0.1%

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	41,260	48,567	55,608	62,795	71,533
Gross Profit	12,416	16,326	19,607	21,777	25,165
Operating EBITDA	3,199	4,267	5,357	6,334	7,398
Depreciation And Amortisation	(644)	(809)	(944)	(940)	(1,003)
Operating EBIT	2,555	3,458	4,412	5,394	6,396
Financial Income/(Expense)	(88)	(368)	(198)	(310)	(192)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	90	313	138	144	150
Profit Before Tax (pre-EI)	2,557	3,403	4,353	5,228	6,354
Exceptional Items					
Pre-tax Profit	2,557	3,403	4,353	5,228	6,354
Taxation	(667)	(827)	(1,083)	(1,318)	(1,601)
Exceptional Income - post-tax					
Profit After Tax	1,891	2,576	3,270	3,911	4,752
Minority Interests	(1)				
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	1,890	2,576	3,270	3,911	4,752
Recurring Net Profit	1,890	2,576	3,270	3,911	4,752
Fully Diluted Recurring Net Profit	1,890	2,576	3,270	3,911	4,752

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	3,199	4,267	5,357	6,334	7,398
Cash Flow from Invt. & Assoc.					
Change In Working Capital	1,414	308	(712)	(827)	(1,190)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(24)	(183)	(59)	(166)	(42)
Net Interest (Paid)/Received	138	368	198	310	192
Tax Paid	(488)	(833)	(1,083)	(1,318)	(1,601)
Cashflow From Operations	4,238	3,927	3,699	4,334	4,756
Capex	(1,012)	(1,274)	(859)	(885)	(911)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	(6,721)	(281)			(500)
Other Investing Cashflow	21	29	81	69	174
Cash Flow From Investing	(7,712)	(1,526)	(778)	(815)	(1,237)
Debt Raised/(repaid)	3,964	(1,455)	(200)	(200)	(100)
Proceeds From Issue Of Shares	20	61			
Shares Repurchased					
Dividends Paid	(561)	(563)	(671)	(780)	(997)
Preferred Dividends					
Other Financing Cashflow	(162)	(365)	(279)	(379)	(366)
Cash Flow From Financing	3,261	(2,322)	(1,150)	(1,359)	(1,463)
Total Cash Generated	(212)	79	1,771	2,159	2,056
Free Cashflow To Equity	490	946	2,721	3,318	3,419
Free Cashflow To Firm	(3,635)	2,006	2,643	3,139	3,153

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	670	875	1,435	2,775	5,919
Total Debtors	5,687	5,958	6,822	7,704	8,776
Inventories	7,674	8,118	8,991	9,981	11,369
Total Other Current Assets	1,021	1,423	1,629	1,839	2,095
Total Current Assets	15,052	16,375	18,877	22,299	28,159
Fixed Assets	8,851	9,465	9,477	9,422	9,331
Total Investments	352	722	722	722	722
Intangible Assets	2,528	2,528	2,528	2,528	2,528
Total Other Non-Current Assets	2,205	2,426	2,328	2,328	2,328
Total Non-current Assets	13,936	15,141	15,055	15,001	14,910
Short-term Debt	1,467	1,538	1,432	1,326	1,274
Current Portion of Long-Term Debt					
Total Creditors	4,885	5,500	6,298	7,112	8,101
Other Current Liabilities	1,815	2,983	3,416	3,857	4,394
Total Current Liabilities	8,168	10,021	11,146	12,295	13,769
Total Long-term Debt	2,729	1,373	1,278	1,184	1,137
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1,065	1,061	1,061	1,061	1,061
Total Non-current Liabilities	3,794	2,433	2,339	2,245	2,197
Total Provisions	951	919	919	919	919
Total Liabilities	12,912	13,374	14,404	15,459	16,885
Shareholders Equity	16,076	18,142	20,741	23,872	27,628
Minority Interests					
Total Equity	16,076	18,142	20,741	23,872	27,628

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	17.9%	17.7%	14.5%	12.9%	13.9%
Operating EBITDA Growth	(5.4%)	33.4%	25.5%	18.2%	16.8%
Operating EBITDA Margin	7.8%	8.8%	9.6%	10.1%	10.3%
Net Cash Per Share (Rs)	(8.14)	(4.70)	(2.94)	0.61	8.09
BVPS (Rs)	37.13	41.91	47.83	55.05	63.71
Gross Interest Cover	15.78	8.75	15.83	14.22	17.49
Effective Tax Rate	26.1%	24.3%	24.9%	25.2%	25.2%
Net Dividend Payout Ratio	21.9%	16.5%	15.4%	14.9%	15.7%
Accounts Receivables Days	46.57	43.76	41.94	42.22	42.04
Inventory Days	102.94	89.40	86.73	84.41	84.03
Accounts Payables Days	61.79	58.79	59.81	59.66	59.88
ROIC (%)	18.3%	16.3%	20.6%	24.5%	28.0%
ROCE (%)	14.8%	16.1%	19.4%	21.1%	22.6%
Return On Average Assets	10.6%	12.5%	13.9%	15.6%	16.3%

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

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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.