

India

**Neutral** (no change)

# Consumer Staples - Overall

## 3QFY25 results preview

- Our FMCG pack is expected to remain under pressure due to the sharp rise in input costs necessitating price hikes amidst subdued urban demand.
- Paint companies are grappling with weak demand at an industry level, accentuated by the aggressive dealer network expansion by Birla Opus.
- Strong festive demand is expected to drive growth for Ethos and Titan. TCPL Packaging to outperform in 3Q; remains our high-conviction ADD-rated stock.

### Sluggishness in urban markets remains; rural markets still outpace

The overall demand environment remained sluggish in 3QFY25, with expectations of lower volume growth on account of a sharp rise in input costs, especially edible oils, copra, tea, etc. We expect our staples pack (aggregate) to post 4.4% yoy sales growth in 3QFY25F, led by price hikes. The EBITDA margin is likely to contract yoy for most players as they have not passed on the full impact of input cost inflation to customers in 3Q and are expected to maintain aggressive A&P spending. Rural markets are likely to continue outpacing urban markets, which remain subdued. Top picks: Britannia Industries (TP: Rs5,610), Godrej Consumer Products (TP: Rs1,440) & Dabur India (TP: Rs610).

### Subdued demand at industry level continues to weigh on growth

Our channel check points towards a subdued demand environment impacting the paint industry's growth (especially weak in Oct & Nov 2024), accentuated by aggressive dealer addition by Birla Opus, across urban and semi-urban markets. We expect our paint pack (ex-PIDI) to post a sales decline of 1.4% yoy. As per our estimates, APNT continues to remain under pressure and is expected to post a 2.9% yoy sales decline while BRGR is likely to register 2% sales growth. We reckon Birla Opus has topped the c.Rs10bn+ mark in 9MFY25, implying c.Rs6bn+ worth of sales in 3Q. Margin pressure is expected to remain for all paint players vs. PIDI, which is likely to end 3Q at the upper end of its EBITDA margin guidance of 20-24%. We retain our high-conviction ADD rating on PIDI (TP: Rs3,470).

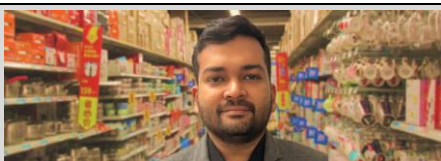
### Retail players to see healthy growth backed by festive demand

Jewellery and luxury retailers are expected to fare well in 3QFY25F, aided by festive & wedding demand. Titan Company (Titan) is likely to post 24% yoy growth in the jewellery business (Kalyan Jewellers/Senco Gold/PN Gadgil Jewellers posted 39%/22%/24% yoy sales growth, respectively). Ethos is expected to grow 24.4% yoy led by strong demand in luxury and high luxury segments, aided by festive demand (40%+ growth in Oct 2024). We reiterate our ADD ratings on Titan (TP: Rs3,600) & Ethos (TP: Rs3,400).

### TCPL Packaging is expected to clock exponential growth in exports

TCPL Packaging is expected to post 15% yoy sales growth, led by a 50% yoy growth in exports. We expect its EBITDA margin to improve by c.109bp yoy to 16.1%, led by improving export salience (better realization vs. domestic folding cartons). TCPL Packaging remains our high-conviction ADD-rated stock (TP: Rs4,250) due to sustained growth in exports, gradually improving domestic FMCG demand & a gradual improvement in sales contribution from Creative Offset Packaging & TCPL Innofilms.

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**Figure 1: 3QFY25F earnings preview of our staples coverage universe**

Company	Revenue (Rs m)	% chg. (yoy)	EBITDA (Rs m)	% chg. (yoy)	Net Profit (Rs m)	% chg. (yoy)
Britannia Industries	45,563	7.0%	7,980	-2.8%	5,530	-1.1%
Colgate-Palmolive (India)	14,945	7.1%	4,812	2.7%	3,487	5.6%
Dabur India	33,302	2.3%	6,656	-0.3%	5,124	-0.4%
Emami	10,531	5.7%	3,319	5.4%	2,800	5.9%
Godrej Consumer Products	37,335	2.0%	7,696	-8.5%	5,513	-6.2%
Hindustan Unilever	1,55,668	2.5%	36,582	3.3%	26,553	4.2%
Jyothy Labs	7,127	5.2%	1,247	5.1%	941	3.5%
Marico	27,766	14.6%	5,330	3.9%	4,036	5.4%
Nestle India	48,023	4.8%	11,521	7.5%	7,697	0.9%
<b>Total</b>	<b>3,80,262</b>	<b>4.4%</b>	<b>85,144</b>	<b>1.9%</b>	<b>61,680</b>	<b>2.1%</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

# 3QFY25 results preview

## Quarterly results summary

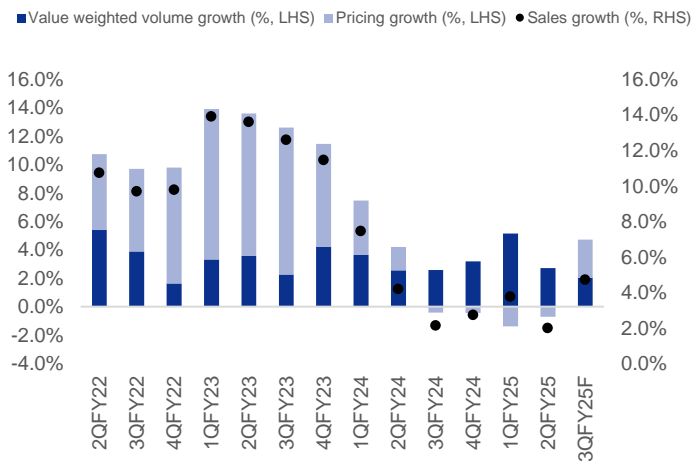
Figure 2: 3QFY25 results preview of our coverage universe

Company	Revenue (Rs m)	% chg (yoy)	EBITDA (Rs m)	% chg (yoy)	Net Profit (Rs m)	% chg (yoy)
<b>Consumer staples</b>						
Britannia Industries	45,563	7.0%	7,980	-2.8%	5,530	-1.1%
Colgate-Palmolive (India)	14,945	7.1%	4,812	2.7%	3,487	5.6%
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Jyothy Labs	7,127	5.2%	1,247	5.1%	941	3.5%
Marico	27,766	14.6%	5,330	3.9%	4,036	5.4%
Nestle India	48,023	4.8%	11,521	7.5%	7,697	0.9%
<b>Aggregate (staples)</b>	<b>3,80,262</b>	<b>4.4%</b>	<b>85,144</b>	<b>1.9%</b>	<b>61,680</b>	<b>2.1%</b>
<b>Consumer Discretionary</b>						
Asian Paints	88,392	-2.9%	16,655	-19.0%	11,872	-18.0%
Berger Paints	29,395	2.0%	4,674	-2.6%	2,873	-4.1%
Kansai Nerolac Paints	19,244	0.3%	2,110	-13.5%	1,316	-14.7%
Pidilite Industries	33,715	7.7%	8,096	9.0%	5,501	7.8%
<b>Aggregate (discretionary)</b>	<b>1,70,746</b>	<b>0.2%</b>	<b>31,535</b>	<b>-10.5%</b>	<b>21,562</b>	<b>-10.6%</b>
Titan Company	1,75,304	23.8%	17,530	12.0%	11,119	5.6%
Ethos	3,498	24.4%	525	17.8%	279	9.2%
TCPL Packaging	4,185	15.1%	674	23.5%	278	41.4%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

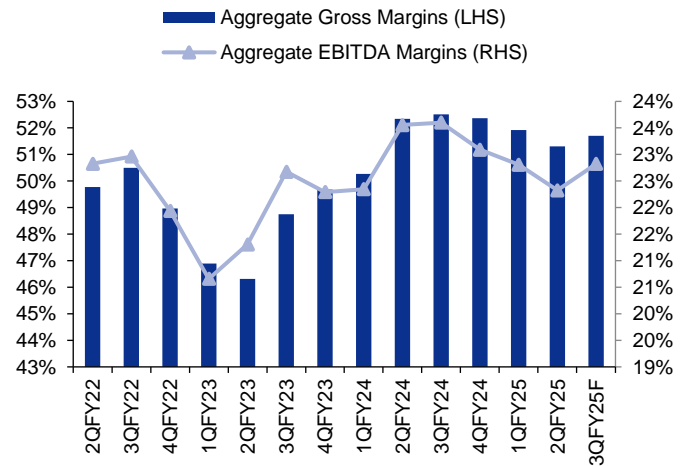
## Consumer staples (standalone aggregate) - expectations ➔

Figure 3: Growth in 3QFY25F is expected to be led by price hikes



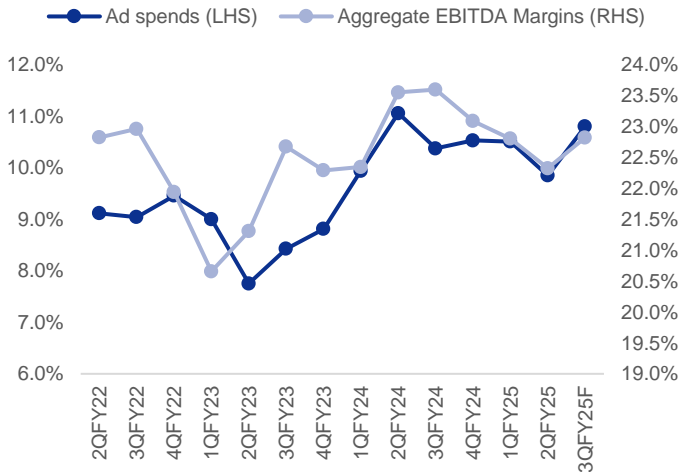
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Gross margin is expected to moderate due to partial absorption of raw material inflation in 3QFY25F amidst weak demand



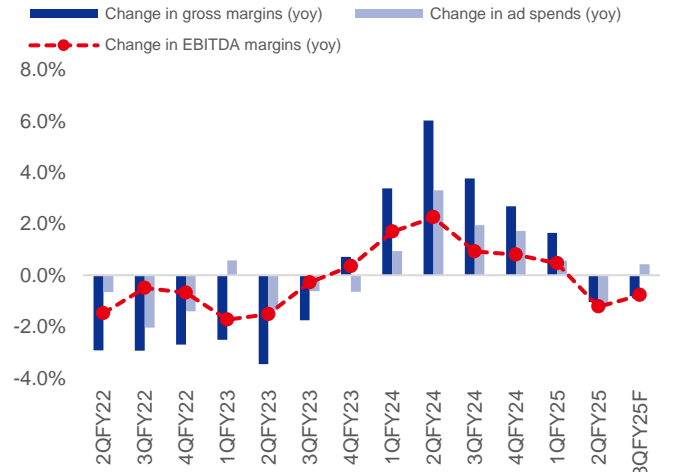
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 5: Advertising expenses are expected to remain elevated as companies continue to invest in brand building...**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

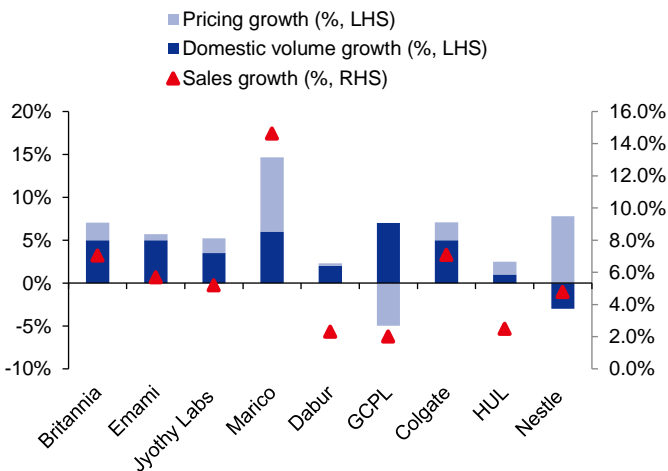
**Figure 6: ...keeping their EBITDA margin in check**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

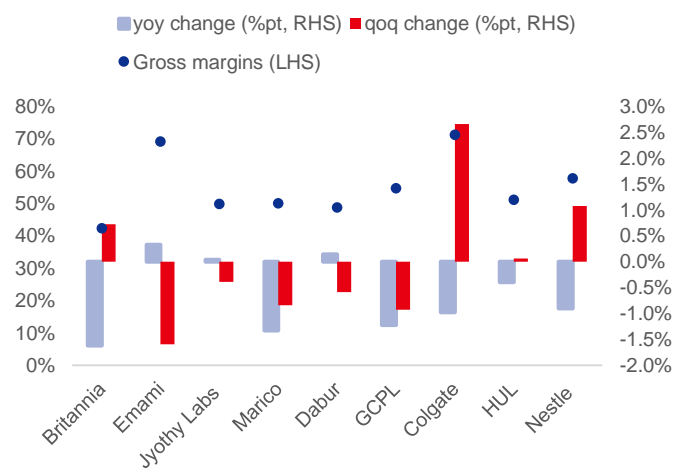
**3QFY25F – The story in charts ➤**

**Figure 7: Marico, Nestle India & Britannia Industries are expected to post their highest yoy sales growth in 3QFY25F**



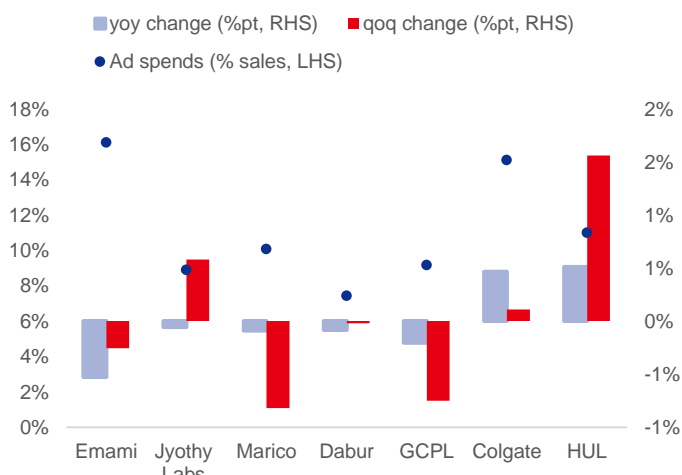
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 8: Colgate-Palmolive (India) is expected to post its highest qoq improvement in gross margin in 3QFY25F**



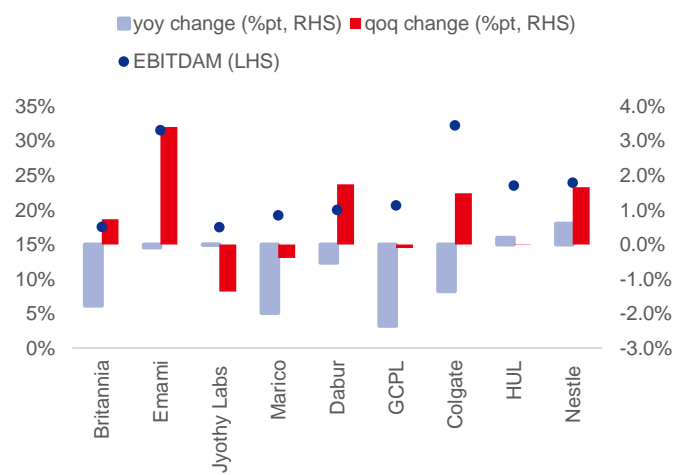
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 9: All players are expected to maintain high levels of A&P spending in 3QFY25F**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

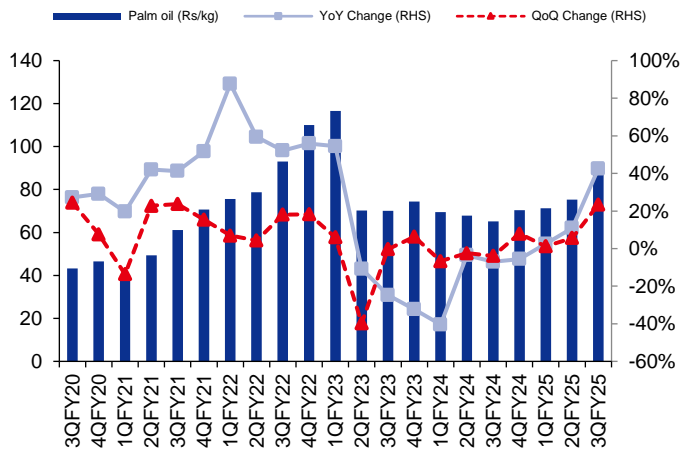
**Figure 10: The EBITDA margin of most players is expected to moderate on a yoy basis**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

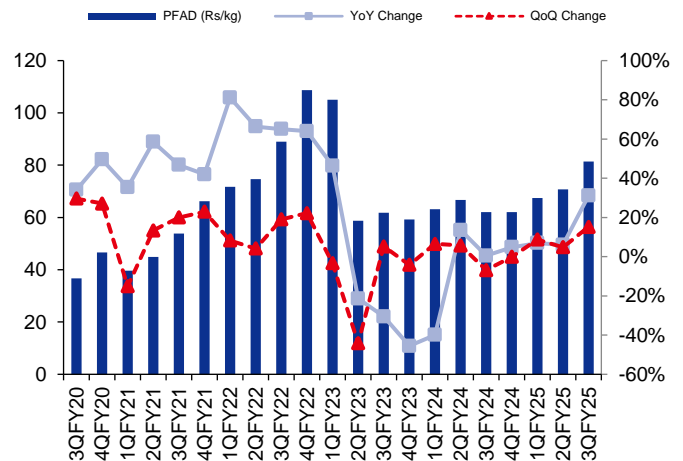
Price movement of key raw materials ➤

Figure 11: Palm oil prices were up 42.5% yoy in 3QFY25



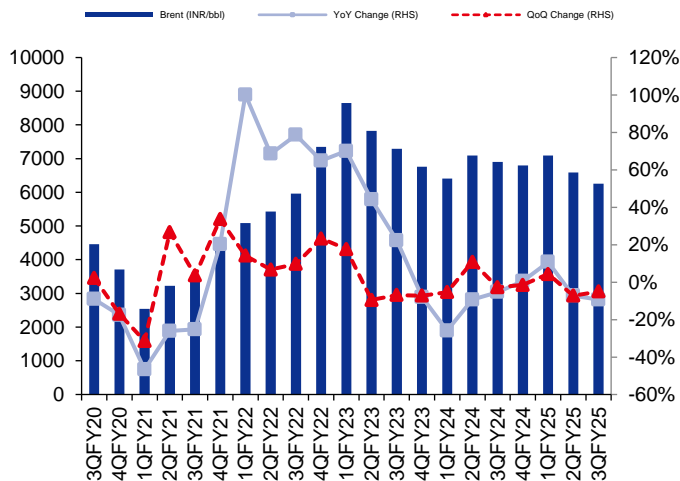
SOURCE: INCRED RESEARCH, BLOOMBERG

Figure 12: PFAD prices were up 31% yoy in 3QFY25



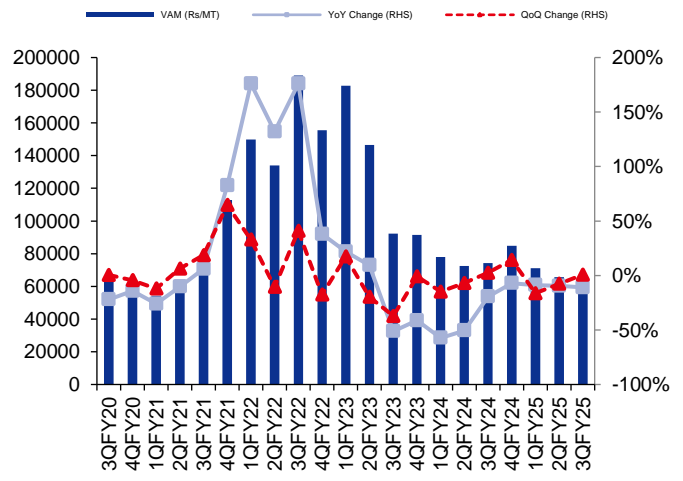
SOURCE: INCRED RESEARCH, BLOOMBERG

Figure 13: Brent crude oil prices were down 9% yoy in 3QFY25



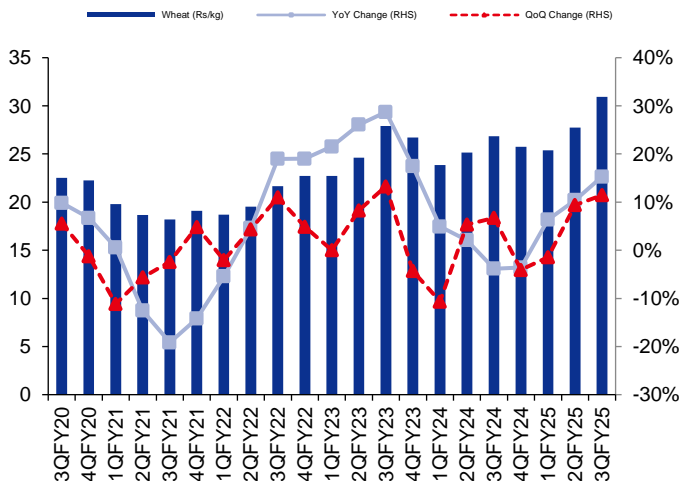
SOURCE: INCRED RESEARCH, BLOOMBERG

Figure 14: VAM prices were down 11% yoy in 3QFY25



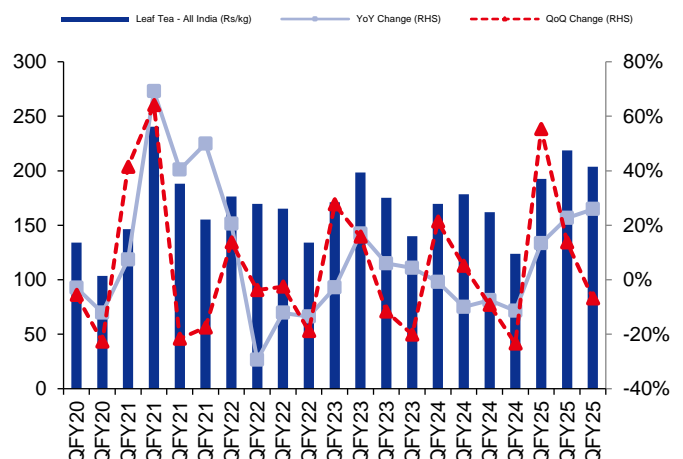
SOURCE: INCRED RESEARCH, BLOOMBERG

Figure 15: Wheat prices were up 15% yoy in 3QFY25



SOURCE: INCRED RESEARCH, BLOOMBERG

Figure 16: Leaf tea (All India) prices were up 26% yoy in 3QFY25



SOURCE: INCRED RESEARCH, BLOOMBERG

Figure 17: Price movement (YoY) of key raw materials

% YoY Change	Companies impacted	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
Groundnut (Rs/kg)	Marico	14.3%	17.4%	2.8%	13.2%	0.2%	-9.9%	-11.1%	-18.0%	-6.6%
PFAD (Rs/kg)	HUL, GCPL, Jyothy Labs	-30.5%	-45.5%	-39.9%	13.6%	0.5%	4.8%	7.0%	6.1%	31.1%
Sunflower oil (Rs/kg)	Marico	6.7%	-25.0%	-49.4%	-39.6%	-35.5%	-18.8%	1.1%	11.1%	50.7%
Mentha oil (Rs/kg)	Emami	5.4%	5.8%	-6.4%	-3.9%	-6.5%	-14.4%	-10.8%	-8.5%	-6.8%
Palm oil (Rs/kg)	HUL, GCPL, Jyothy Labs, BRIT	-24.7%	-32.3%	-40.4%	-3.5%	-7.0%	-5.6%	2.5%	11.0%	42.5%
Refined Palm Oil Index		-29.3%	-37.9%	-45.5%	-14.3%	-11.8%	-7.8%	-1.6%	8.4%	37.2%
LABSA (US\$/mt)		-16.7%	-10.1%	-7.4%	-4.7%	-3.3%	-5.2%	-3.3%	5.3%	-0.5%
<b>Tlo2, solvents &amp; other paint-related items</b>										
Titanium dioxide (Du Pont) (Rs /kg)	Asian Paints, Berger and Kansai	-10.1%	-10.6%	-12.0%	-6.5%	-6.8%	-13.4%	-13.0%	-8.6%	-3.4%
Acetic acid glacial price (Rs/kg)	Asian Paints, Berger and Kansai	-54.8%	-38.6%	-26.6%	-13.9%	14.7%	-4.0%	1.6%	-2.5%	-17.7%
Brent crude oil (INR/bbl)	All companies	22.3%	-8.0%	-25.9%	-9.3%	-5.3%	0.6%	10.8%	-7.2%	-9.3%
VAM (US\$/mt)	Pidilite Industries	-55.5%	-46.3%	-59.9%	-52.2%	-20.4%	-8.0%	-10.1%	-10.7%	-12.3%
VAM (Rs/mt)	Pidilite Industries	-51.2%	-41.3%	-57.3%	-50.5%	-19.4%	-7.1%	-8.8%	-9.5%	-11.1%
China titanium dioxide (Rs/kg)	Asian Paints, Berger and Kansai	-31.8%	-30.2%	-28.2%	-23.6%	-6.2%	2.5%	0.4%	3.1%	6.6%
<b>Foods-related (milk, tea, coffee, etc)</b>										
Barley (Rs/kg)	HUL, Nestle India	33.5%	8.4%	-35.0%	-37.2%	-32.5%	-25.1%	-0.1%	15.0%	13.3%
Wheat (Rs/kg)	Britannia Industries	28.7%	17.5%	4.9%	2.1%	-3.8%	-3.6%	6.3%	10.4%	15.3%
Sugar (Rs/kg)	HUL, Nestle India, Britannia Ind.	0.5%	0.2%	4.1%	6.0%	10.9%	10.7%	7.9%	3.8%	-2.5%
Milk powder prices (Rs/L)	Nestle, Britannia Industries	28.5%	17.3%	1.2%	-3.9%	-13.7%	-19.9%	-1.2%	-3.0%	11.1%
Leaf Tea - North India (Rs/kg)	HUL, Tata Consumer Products	4.7%	3.0%	-6.1%	-10.8%	-3.6%	-11.6%	16.1%	28.4%	20.8%
Leaf Tea - South India (Rs/kg)	HUL, Tata Consumer Products	20.6%	14.7%	10.1%	-3.1%	-11.1%	-14.1%	4.1%	27.1%	36.3%
Leaf Tea - All India (Rs/kg)	HUL, Tata Consumer Products	6.0%	4.3%	-0.8%	-10.0%	-7.6%	-11.4%	13.4%	22.6%	25.9%
Coffee Index	HUL, Nestle India	27.9%	9.7%	-1.2%	-1.2%	-5.4%	3.6%	29.8%	31.0%	36.6%

SOURCE: INCRED RESEARCH, BLOOMBERG

Figure 18: Price movement (MoM) of key raw materials

% MoM Change (sequential)	Companies impacted	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25
Groundnut (Rs/kg)	Marico	-0.8%	-0.8%	5.5%	-2.4%	0.4%	-1.4%	-0.3%	-2.9%	-1.6%
PFAD (Rs/kg)	HUL, GCPL, Jyothy Labs	1.2%	2.5%	1.5%	1.3%	1.0%	7.3%	6.9%	4.6%	-2.7%
Sunflower oil (Rs/kg)	Marico	-1.1%	5.5%	-0.1%	-0.6%	15.8%	16.2%	9.0%	-3.8%	-1.5%
Mentha oil (Rs/kg)	Emami	-0.8%	-4.8%	1.1%	3.2%	-1.0%	-1.8%	0.3%	1.3%	1.0%
Palm oil (Rs/kg)	HUL, GCPL, Jyothy Labs, BRIT	-8.0%	2.0%	2.5%	3.8%	6.1%	9.6%	10.4%	0.4%	-6.1%
Refined Palm Oil Index		-7.5%	2.4%	2.1%	4.2%	4.6%	2.2%	19.1%	0.9%	-5.6%
<b>Tlo2, solvents &amp; other paint-related items</b>										
Titanium dioxide (Du Pont) (Rs /kg)	Asian Paints, Berger and Kansai	1.9%	-0.3%	-0.4%	-0.5%	2.2%	0.8%	-2.0%	-1.2%	0.4%
Acetic acid glacial price (Rs/kg)	Asian Paints, Berger and Kansai	-1.4%	-2.3%	-3.0%	0.4%	-5.3%	2.2%	2.8%	2.9%	1.8%
Brent crude oil (INR/bbl)	All companies	-6.9%	0.2%	1.3%	-5.7%	-7.7%	4.1%	-2.7%	0.5%	5.1%
VAM (US\$/mt)	Pidilite Industries	-7.3%	-6.4%	0.2%	-0.3%	-4.3%	2.8%	-0.2%	1.1%	-1.1%
VAM (Rs/mt)	Pidilite Industries	-7.3%	-6.3%	0.4%	0.1%	-4.4%	3.1%	0.2%	1.8%	-0.2%
China titanium dioxide (Rs/kg)	Asian Paints, Berger and Kansai	0.4%	-0.8%	0.6%	-0.2%	5.5%	-1.4%	-1.2%	0.3%	1.8%
<b>Foods-related items (milk, tea, coffee, etc)</b>										
Barley (Rs/kg)	HUL, Nestle India	6.6%	1.9%	0.2%	3.2%	5.4%	2.5%	1.2%	-0.2%	0.5%
Wheat (Rs/kg)	Britannia Industries	2.1%	5.6%	1.1%	3.4%	4.0%	5.9%	2.8%	-1.1%	3.7%
Sugar (Rs/kg)	HUL, Nestle India, Britannia Ind.	1.8%	-1.4%	-1.5%	2.3%	-1.5%	2.5%	-2.7%	-2.8%	3.5%
Leaf Tea - North India (Rs/kg)	HUL, Tata Consumer Products	3.6%	9.6%	3.5%	-0.9%	2.6%	-3.0%	-8.4%	-18.1%	NA
Leaf Tea - South India (Rs/kg)	HUL, Tata Consumer Products	1.7%	8.3%	-7.2%	6.7%	19.2%	6.4%	-11.1%	-3.2%	NA
Leaf Tea - All India (Rs/kg)	HUL, Tata Consumer Products	22.2%	10.2%	-11.7%	18.0%	6.9%	-9.9%	-1.6%	-15.1%	NA

SOURCE: INCRED RESEARCH, BLOOMBERG

## Quarterly estimates

**Figure 19: 3QFY25F earnings of our coverage universe (1/3)**

	3QFY24	2QFY25	3QFY25F	yoy % chg.	qoq % chg.
<b>Britannia Industries - Consolidated</b>					
Net Sales (Rs m)	42,563	46,676	45,563	7.0%	-2.4%
EBITDA (Rs m)	8,211	7,834	7,980	-2.8%	1.9%
EBITDA Margin (%)	19.3%	16.8%	17.5%	-178bp	73bp
Core Net Profit (Rs m)	5,593	5,316	5,530	-1.1%	4.0%
<b>Colgate-Palmolive (India) - Standalone</b>					
Net Sales (Rs m)	13,957	16,191	14,945	7.1%	-7.7%
EBITDA (Rs m)	4,684	4,974	4,812	2.7%	-3.2%
EBITDA Margin (%)	33.6%	30.7%	32.2%	-136bp	148bp
Core Net Profit (Rs m)	3,301	3,951	3,487	5.6%	-11.7%
<b>Dabur India - Consolidated</b>					
Net Sales (Rs m)	32,551	30,286	33,302	2.3%	10.0%
EBITDA (Rs m)	6,678	5,526	6,656	-0.3%	20.5%
EBITDA Margin (%)	20.5%	18.2%	20.0%	-53bp	174bp
Core Net Profit (Rs m)	5,142	4,250	5,124	-0.4%	20.6%
<b>Emami - Consolidated</b>					
Net Sales (Rs m)	9,963	8,905	10,531	5.7%	18.3%
EBITDA (Rs m)	3,149	2,504	3,319	5.4%	32.6%
EBITDA Margin (%)	31.6%	28.1%	31.5%	-9bp	340bp
Core Net Profit (Rs m)	2,643	2,126	2,800	5.9%	31.7%
<b>Godrej Consumer Products - Consolidated</b>					
Net Sales (Rs m)	36,596	36,663	37,335	2.0%	1.8%
EBITDA (Rs m)	8,407	7,596	7,696	-8.5%	1.3%
EBITDA Margin (%)	23.0%	20.7%	20.6%	-236bp	-11bp
Core Net Profit (Rs m)	5,880	4,971	5,513	-6.2%	10.9%
<b>Hindustan Unilever - Standalone</b>					
Net Sales (Rs m)	1,51,880	1,55,080	1,55,668	2.5%	0.4%
EBITDA (Rs m)	35,400	36,470	36,582	3.3%	0.3%
EBITDA Margin (%)	23.3%	23.5%	23.5%	19bp	-2bp
Core Net Profit (Rs m)	25,490	26,280	26,553	4.2%	1.0%
<b>Jyothy Labs - Standalone</b>					
Net Sales (Rs m)	6,775	7,338	7,127	5.2%	-2.9%
EBITDA (Rs m)	1,186	1,385	1,247	5.1%	-9.9%
EBITDA Margin (%)	17.5%	18.9%	17.5%	-1bp	-137bp
Core Net Profit (Rs m)	909	1,050	941	3.5%	-10.4%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 20: 3QFY25F earnings of our coverage universe (2/3)**

	3QFY24	2QFY25	3QFY25F	yoy % chg	qoq % chg
<b>Marico - Consolidated</b>					
Net Sales (Rs m)	24,220	26,640	27,766	14.6%	4.2%
EBITDA (Rs m)	5,130	5,220	5,330	3.9%	2.1%
EBITDA Margin (%)	21.2%	19.6%	19.2%	-198bp	-40bp
Core Net Profit (Rs m)	3,830	4,230	4,036	5.4%	-4.6%
<b>Nestle India - Standalone</b>					
Net Sales (Rs m)	45,836	50,748	48,023	4.8%	-5.4%
EBITDA (Rs m)	10,722	11,355	11,521	7.5%	1.5%
EBITDA Margin (%)	23.4%	22.4%	24.0%	60bp	161bp
Core Net Profit (Rs m)	7,629	6,955	7,697	0.9%	10.7%
<b>Titan Company - Consolidated</b>					
Net Sales (Rs m)	1,41,640	1,45,340	1,75,304	23.8%	20.6%
EBITDA (Rs m)	15,650	12,360	17,530	12.0%	41.8%
EBITDA Margin (%)	11.0%	8.5%	10.0%	-105bp	150bp
Core Net Profit (Rs m)	10,530	7,040	11,119	5.6%	57.9%
<b>Ethos-Consolidated</b>					
Net Sales (Rs m)	2,812	2,971	3,498	24.4%	17.7%
EBITDA (Rs m)	445	422	525	17.8%	24.4%
EBITDA Margin (%)	15.8%	14.2%	15.0%	-84bp	81bp
Core Net Profit (Rs m)	255	212	279	9.2%	31.2%
<b>TCPL Packaging-Consolidated</b>					
Net Sales (Rs m)	3,636	4,626	4,515	24.2%	-2.4%
EBITDA (Rs m)	546	769	727	33.2%	-5.5%
EBITDA Margin (%)	15.0%	16.6%	16.1%	109bp	-53bp
Core Net Profit (Rs m)	197	355	340	73.0%	-4.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 21: 3QFY25F earnings of our coverage universe (3/3)**

	3QFY24	2QFY25	3QFY25F	yoy % chg.	qoq % chg.
<b>Asian Paints - Consolidated</b>					
Net Sales (Rs m)	91,031	80,275	88,392	-2.9%	10.1%
EBITDA (Rs m)	20,561	12,394	16,655	-19.0%	34.4%
EBITDA Margin (%)	22.6%	15.4%	18.8%	-374bp	340bp
Core Net Profit (Rs m)	14,477	8,747	11,872	-18.0%	35.7%
<b>Berger Paints - Consolidated</b>					
Net Sales (Rs m)	28,818	27,746	29,395	2.0%	5.9%
EBITDA (Rs m)	4,800	4,342	4,674	-2.6%	7.6%
EBITDA Margin (%)	16.7%	15.6%	15.9%	-76bp	25bp
Core Net Profit (Rs m)	2,997	2,697	2,873	-4.1%	6.5%
<b>Kansai Nerolac Paints - Consolidated</b>					
Net Sales (Rs m)	19,187	19,514	19,244	0.3%	-1.4%
EBITDA (Rs m)	2,440	2,119	2,110	-13.5%	-0.4%
EBITDA Margin (%)	13%	11%	11%	-175bp	10bp
Core Net Profit (Rs m)	1,543	1,228	1,316	-14.7%	7.2%
<b>Pidilite Industries - Consolidated</b>					
Net Sales (Rs m)	31,300	32,349	33,715	8%	4.2%
EBITDA (Rs m)	7,425	7,688	8,096	9%	5.3%
EBITDA Margin (%)	23.7%	23.8%	24.0%	29bp	25bp
Core Net Profit (Rs m)	5,105	5,346	5,501	7.8%	2.9%

SOURCE: INCRED RESEARCH, COMPANY REPORTS



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Add	The stock's total return is expected to exceed 10% over the next 12 months.
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<i>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.</i>	
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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.
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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.