

India

InCred Sector rating

Overweight	Neutral	Underweight
Aluminium	Automobile	Agribusiness
Cement	Auto Ancillary	Aviation
Financial Services	Consumer staples	Building Materials
Oil and Gas	Infrastructure	Chemicals
Pharmaceuticals	Information Technology	Metals & Mining
		Ports & Logistics

India Strategy

Macro hopes yet to reflect in earnings

- High frequency data points may be bottoming out soon as policy actions, tailwinds of good monsoon & easing crude oil prices provide benefits.
- The recent results season highlighted easing EPS growth for Bloomberg consensus Nifty-50 companies, leading to sustained FY26F EPS cuts.
- A quick capture of macro variable changes in the Nifty-50 index's moves in recent months led P/E valuation rise to the mean. Outlook remains cautious.

Bold policy actions provide hope for improvement in macro factors

While high frequency macroeconomic data points provide a mixed trend on economic activity in both domestic and export markets, the government's bold policy actions lead to hope of a recovery in these parameters in the coming months. Improving consumer sentiment, driven by better-than-expected monsoon rains, for rural consumers, and a higher repo rate cut by the Reserve Bank of India (RBI) and easing fuel prices benefiting urban consumers, provide comfort.

Easing EPS growth trend continues in 4QFY25

For the Mar 2025 quarter, India Nifty-50 companies reported PAT growth of just 5% yoy and a miss of 1% vs. Bloomberg (BB) consensus estimate. This was in sharp contrast to developed markets witnessing healthy earnings beat, especially in the US. EBITDA growth, ex-BFSI sector, was healthy at 20% yoy, driven by retail, telecom and capital goods sectors, while the declining trend continued for the cement sector. The Nifty-50 Bloomberg consensus FY26F EPS witnessed a 2% cut driven by the downgrade in IT, consumer discretionary, industrial and BFSI sectors, while the upgrades were limited to FMCG, utilities, and commodity sectors.

Raise our bull-case scenario possibility but with a limited upside

With India's macroeconomic scenario (above-normal monsoon, higher repo rate cut, easing oil prices) improving in the short term, we raise our bull-case probability to 35% (from 25% earlier) at the cost of bear-case probability, which raises our blended Nifty-50 target marginally to 25,142 (from 24,280 earlier), an upside of 1% by the end of Mar 2026F. The sustained rise in Nifty-50 index in the last three months has lifted forward P/E valuation to a 10-year mean level, which captures macro variable hopes quickly, while the short-term outlook from management commentaries & consensus EPS cut is a cause of concern.

Nifty valuation rises but short-term upside capped

Considering the widespread stock participation in the market rally in recent months, we turn selective in stock additions to our monthly high-conviction list while exits are in a higher proportion. The spike in Nifty small-cap-100 forward P/E valuation to near mid-caps and at a premium to Nifty-50 is an area of concern (Fig. 70). We introduce Camline Fine Sciences with an ADD rating, while booking profits in Adani Ports and Special Economic Zone, and Cipla. We initiate coverage on mid-size banks with an Overweight rating as they benefit from improved liquidity, thereby aiding in lowering their cost of borrowing.

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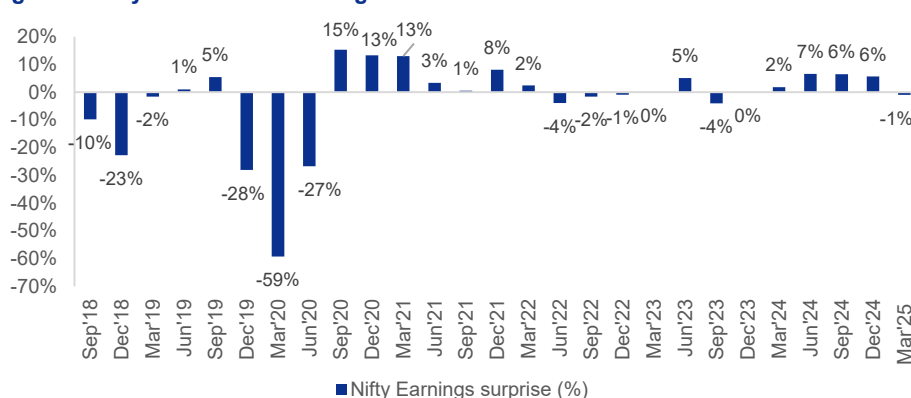
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Figure 1: Nifty-50 index Bloomberg consensus EPS beat and miss trend



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our high-conviction stock ideas valuation matrix

Company	BLOOMBERG TICKER	Reco.	Market Cap.	Market Cap.	CMP	Target Price	Up/ down	EPS		2-year EPS CAGR (FY25A- FY27F)	P/E (x)		P/BV (x)		EV/ EBITDA (x)	Dividend Yield (%)	RoE %
			(Rsbn)	(US\$bn)	(Rs)	(Rs)	(%)	FY26F	FY27F		FY26F	FY27F	FY26F	FY27F	FY26F	FY26F	FY26F
Ajanta Pharma	AJP IN	ADD	333	4.0	2,730	3,100	14%	88.0	104.2	19.1%	31.0	26.2	8.2	7.0	22.5	1.8%	27.6
Axis Bank	AXSB IN	ADD	3,669	43.9	1,213	1,430	18%	44.0	53.2	11.8%	27.6	22.8	3.6	3.1	3.6	0.2%	14.1
Bajaj Auto	BJAUT IN	ADD	2,334	27.9	8,567	10,400	21%	345.5	394.5	16.3%	24.8	21.7	6.8	6.2	17.5	2.8%	28.7
Bajaj Finance	BAF IN	ADD	5,680	68.0	9,369	10,800	15%	347.4	462.8	30.9%	27.0	20.2	5.1	4.2	5.1	0.6%	20.4
Birla Corporation	BCORP IN	ADD	103	1.2	1,364	1,530	12%	60.4	80.4	36.2%	22.6	17.0	1.4	1.3	9.1	1.0%	6.5
Camlin Fine Sciences	CFIN IN	ADD	55	0.7	300	428	43%	12.6	17.1	276.3%	NA	NA	NA	NA	NA	NA	22.0
Clean Science and Technology	CLEAN IN	REDUCE	151	1.8	1460	683	-53%	27.1	29.8	10.8%	53.9	49.0	8.9	7.5	36.2	0.0%	17.9
Container Corporation of India	CCRI IN	ADD	459	5.5	773	970	26%	25.5	32.4	26.7%	30.2	23.9	3.5	3.2	18.5	1.0%	12.1
Deepak Fertilisers & Petrochemicals Corporation	DFPC IN	ADD	192	2.3	1,563	2,051	31%	92.6	138.6	31.5%	16.9	11.3	2.8	2.3	10.6	0.0%	17.7
Ethos	ETHOSLTD IN	ADD	69	0.8	2,894	3,400	18%	49.4	67.9	34.7%	58.6	42.6	6.5	5.6	26.6	0.0%	15.8
Globus Spirits	GBSL IN	ADD	28	0.3	984	1,646	67%	73.6	109.8	279.6%	13.4	9.0	2.4	1.9	7.2	0.3%	19.3
HDFC Bank	HDFCB IN	ADD	14,526	173.9	1,943	2,200	13%	94.1	109.7	11.6%	20.7	17.7	2.7	2.4	2.7	1.3%	13.6
InterGlobe Aviation	INDIGO IN	REDUCE	2,065	24.7	5,477	3,030	-45%	83.0	87.5	-15.0%	66.0	62.6	19.0	14.6	14.4	0.0%	44.9
Lupin	LPC IN	ADD	901	10.8	2,023	2,400	19%	87.8	86.3	7.1%	23.0	23.4	4.4	3.8	14.6	0.4%	21.0
Maruti Suzuki	MSIL IN	ADD	3,801	45.5	12,390	13,621	10%	541.0	599.5	12.9%	22.9	20.7	3.7	3.3	15.4	1.5%	17.1
Petronet LNG	PLNG IN	ADD	444	5.3	304	519	71%	40.5	45.0	25.1%	7.5	6.7	2.0	1.6	6.0	3.6%	29.4
Skipper	SKIPPER IN	ADD	57	0.7	509	612	20%	16.9	21.9	28.6%	30.0	23.2	4.2	3.5	12.4	0.0%	14.8
Shriram Finance	SHFL IN	ADD	1,226	14.7	668	830	24%	54.0	64.4	22.6%	12.4	10.4	1.9	1.6	1.9	2.2%	16.7
Tata Steel	TATA IN	REDUCE	1,862	22.3	153	82	-46%	5.4	NA	NA	28.3	NA	1.6	NA	9.4	1.3%	5.8
TCPL Packaging	TCPL IN	ADD	33	0.4	3,750	4,530	21%	158.1	198.1	12.3%	23.7	18.9	4.4	3.7	12.1	0.6%	20.4
Tata Consultancy Services	TCS IN	ADD	12,123	145.1	3,434	3,589	5%	142.0	155.0	7.5%	24.2	22.2	12.6	11.9	16.8	3.7%	53.3
Thyrocare Technologies	THYROCAR IN	ADD	51	0.6	985	1,010	3%	24.3	28.7	20.7%	45.9	35.7	9.5	9.0	20.8	2.1%	34.6
UltraTech Cement	UTCEM IN	ADD	3,255	39.0	11,323	13,550	20%	292.0	402.0	37.8%	38.8	28.2	4.3	3.9	20.5	0.6%	11.4
UPL	UPLL IN	ADD	501	6.0	632	1,289	104%	41.5	64.5	70.1%	15.3	9.8	1.4	1.2	7.3	1.7%	10.3

SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

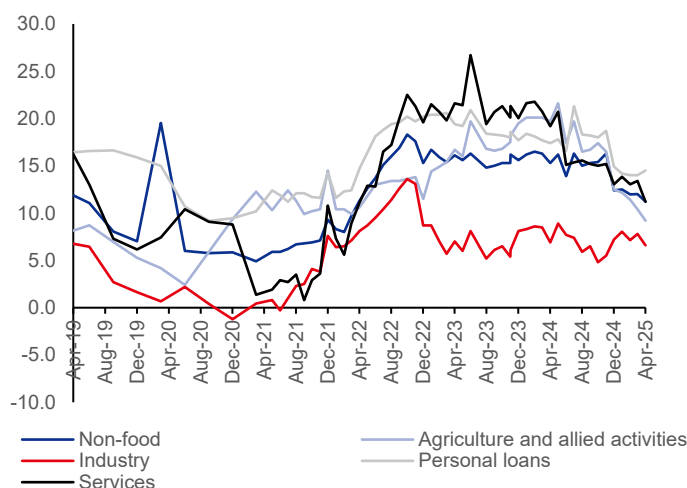
Macro hopes yet to reflect in earnings

Improvement in policy action to aid economic recovery ➤

The domestic economic activity high-frequency data continues to be mixed, as the strength in tax buoyancy and easing inflation was overruled by easing credit growth, feeble Index of Industrial Production or IIP growth trend and weakness in new home and automobile sales volume. Successfully overcoming the terrorism challenge through military action on Pakistan eases volatility and improves confidence in the ruling Bharatiya Janata Party-led government.

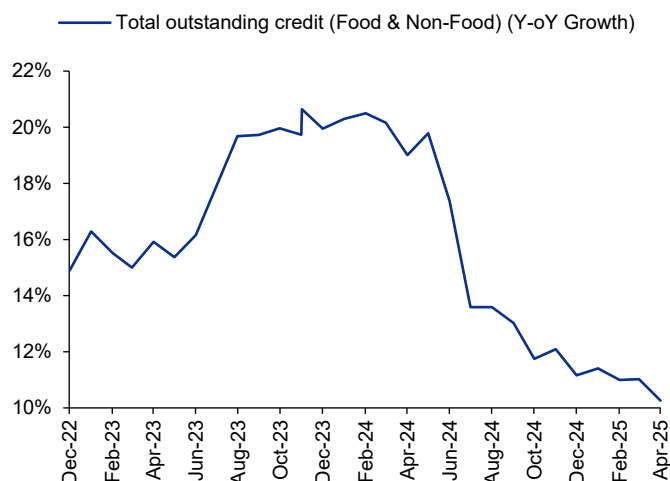
Consumer sentiment received a boost from the above-normal monsoon rain projection by the India Meteorological Department or IMD and higher repo rate cut by the central bank. We feel these actions will yield benefits in the coming months to revive consumption. Key risks to watch out for are global oil price volatility and geopolitical tensions impacting the market sentiment.

Figure 3: Loan growth weakens from its May 2024 peak level



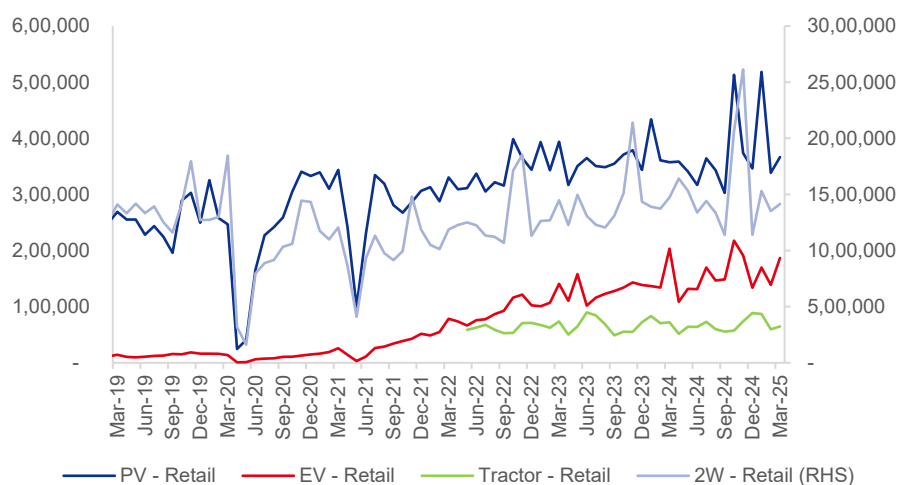
SOURCE: RBI, INCRED RESEARCH

Figure 4: Credit growth eases to the early-teen level



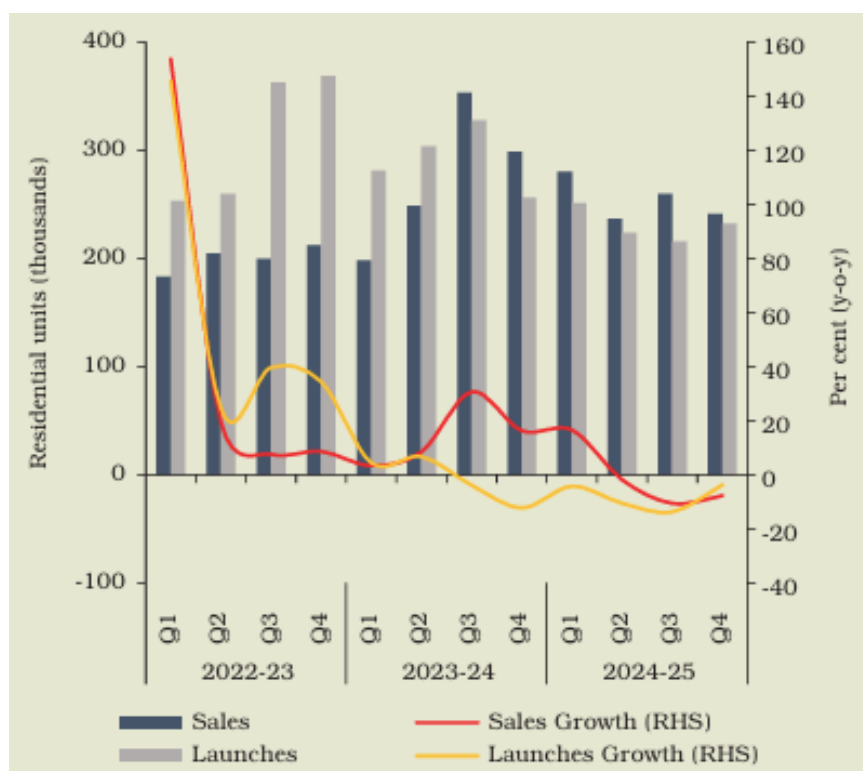
SOURCE: RBI, INCRED RESEARCH

Figure 5: Automobile sales registrations improve gradually



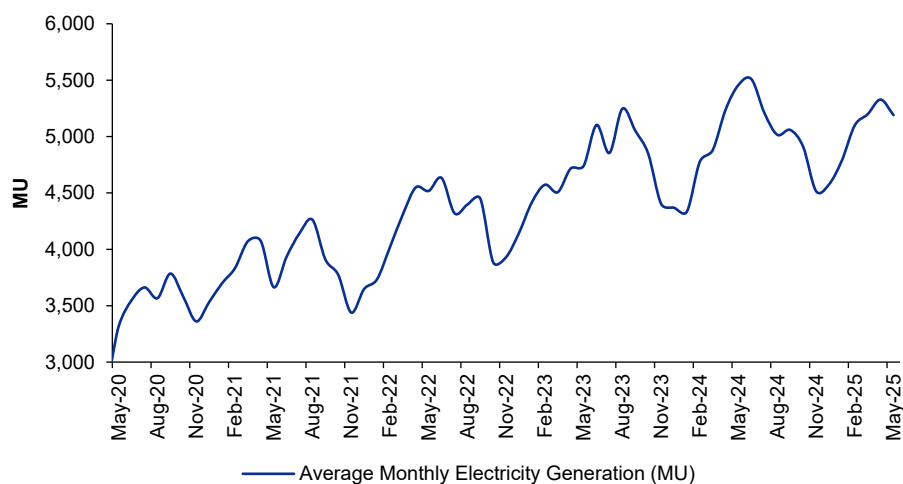
SOURCE: VAHAN.COM, INCRED RESEARCH, COMPANY REPORTS

Figure 6: Housing sales (units) declining for the last three successive quarters is an area of concern



SOURCE: PROPTIGER, INCRED RESEARCH

Figure 7: Electricity generation improves from its recent lows

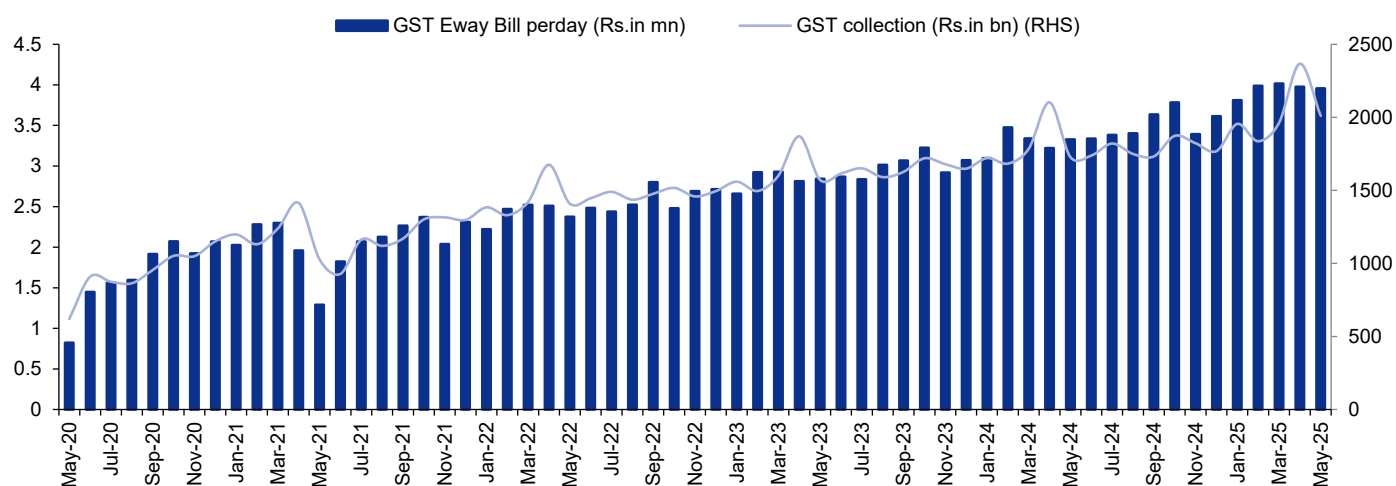


SOURCE: POWER SYSTEM OPERATION CORPORATION, INCRED RESEARCH

Capital expenses of the central government stood at Rs10.5tr in FY25. This was higher than the revised estimate (RE) of Rs10.2tr. This translates to a 10.8% rise, as against the expected 7.3%. In the better half of the fiscal, capital expenditure of the central government remained lacklustre, leading to muted capex expectations from various agencies. However, in Dec 2024 and Mar 2025, an exceptionally high amount was spent on capital formation by the central government.

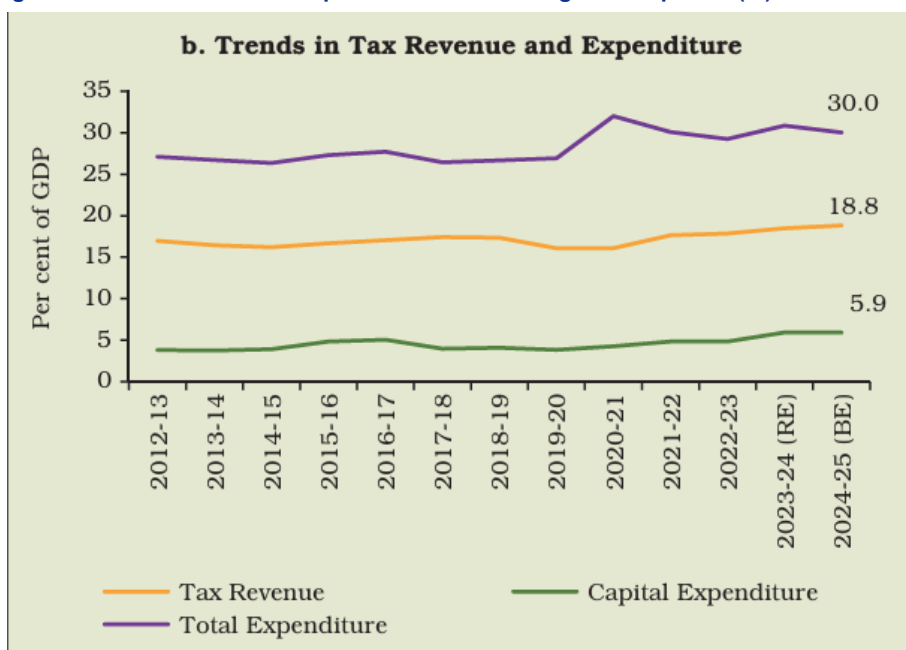
India's industrial output is anticipated to grow at a sluggish pace in the quarter ending Jun 2025F. The Centre for Monitoring Indian Economy or CMIE expects the Index of Industrial Production or IIP to grow year-on-year by only 2.5% in the Jun 2025F quarter vs. its earlier 4% expectation. During the quarter, manufacturing activity is expected to drive growth while mining & quarrying, and electricity generation are projected to decline yoy.

Figure 8: GST collections and E-way bills continue to scale a new high



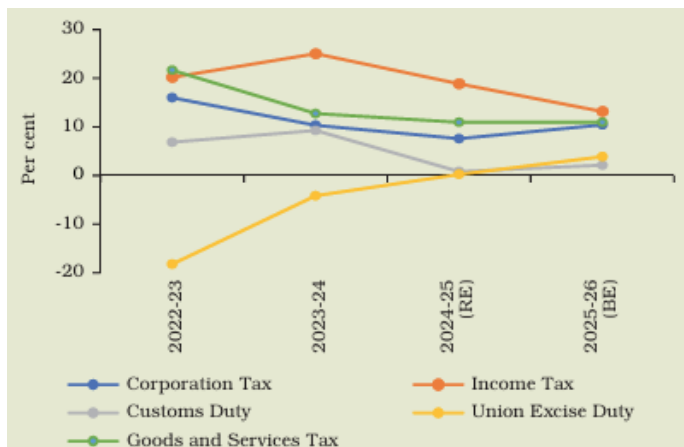
SOURCE: GOODS AND SERVICES TAX NETWORK (GSTN), INCRED RESEARCH

Figure 9: Tax collection and capex incurred are on a gradual uptrend (%)



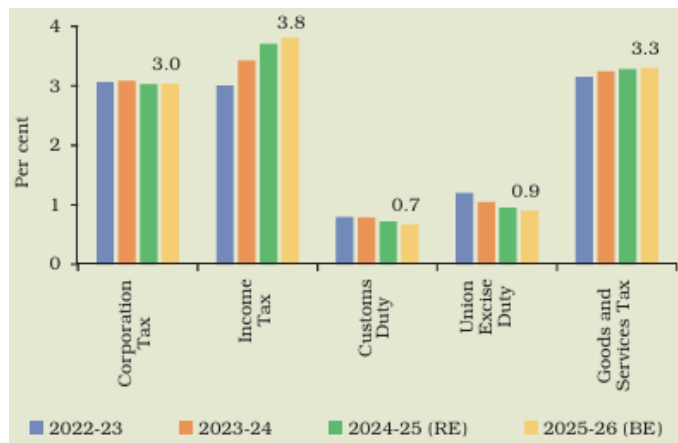
SOURCE: RBI, INCRED RESEARCH

Figure 10: The growth trend in major taxes



SOURCE: UNION BUDGET DOCUMENTS, INCRED RESEARCH

Figure 11: Tax growth trend as a proportion of GDP



SOURCE: UNION BUDGET DOCUMENTS, INCRED RESEARCH

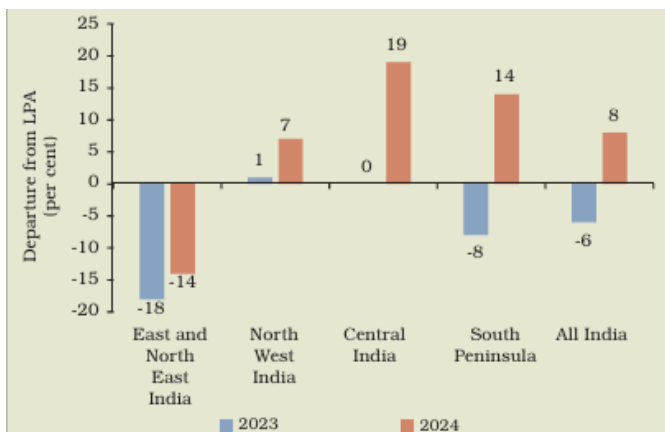
Spike in rural consumer sentiment ➤

The India Meteorological Department (IMD) has projected above-normal southwest monsoon rainfall in 2025. IMD expects all-India rainfall during the south-west monsoon season to be 106% of the long-period average. The probability of occurrence of above-normal rainfall through the season is 32%. Above-normal rainfall is expected over most parts of the country during Jun-Sep. Regions likely to see above normal rainfall include Maharashtra, Telangana, Odisha, Chhattisgarh, and Madhya Pradesh.

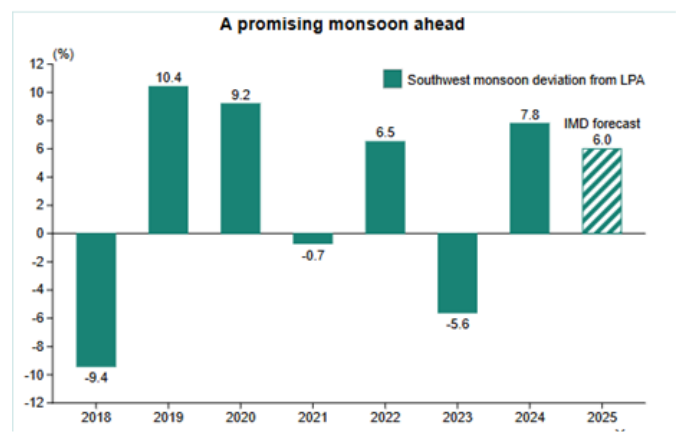
The southwest monsoon is anticipated to stall until 10 Jun 2025, according to the IMD. This follows its onset over Kerala on 24 May 2025 - the earliest monsoon onset recorded in the last 16 years. For now, IMD anticipates the southwest monsoon to revive after 10 Jun 2025. A strong and consistent revival would allow the monsoon to maintain its pace and align its progress with the usual climatological schedule. If the revival holds, the monsoon may still meet the IMD's expectation of rainfall being 108% of the long-period average or LPA in Jun 2025, despite the current early-season pause.

Consumer sentiment in rural India rebounded sharply in May 2025. The rural Index of Consumer Sentiment (ICS) rose by 3.3%. This recovery was driven primarily by a sharp increase in the perception of current economic conditions alongside a slight improvement in future expectations. Rural folks had much to cheer about in May 2025 - agricultural activity yielded healthy returns in the rabi and summer seasons, the southwest monsoon arrived ahead of schedule and the IMD's forecast pointing towards above-normal monsoon showers, raising hopes of a strong kharif season.

Figure 12: Southwest monsoon saw spatial distribution in the last few years **Figure 13: A promising monsoon season lies ahead**

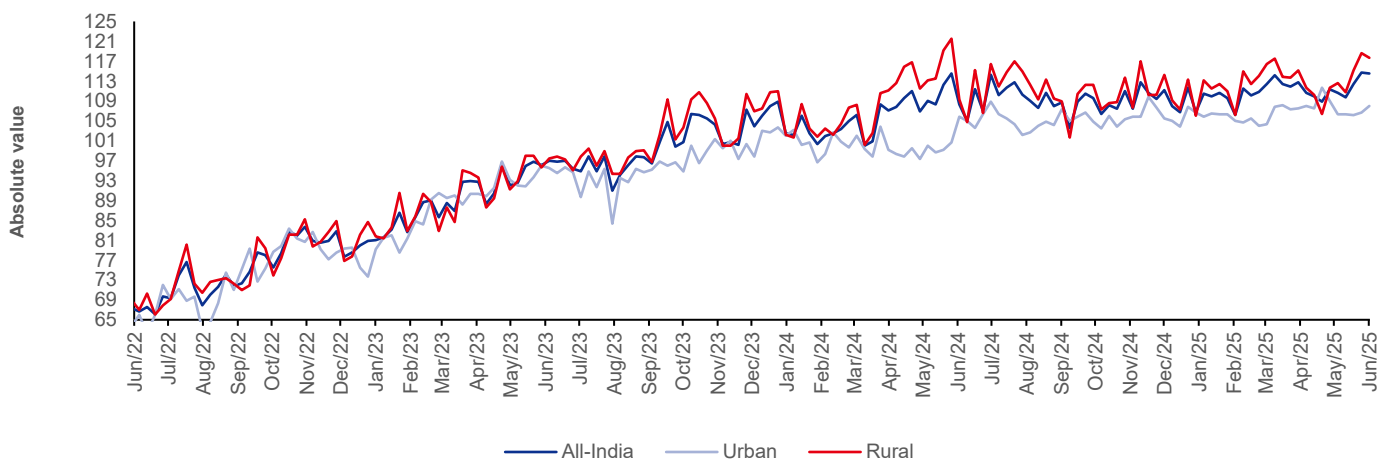


SOURCE: INDIA METEOROLOGICAL DEPARTMENT (IMD), INCRED RESEARCH



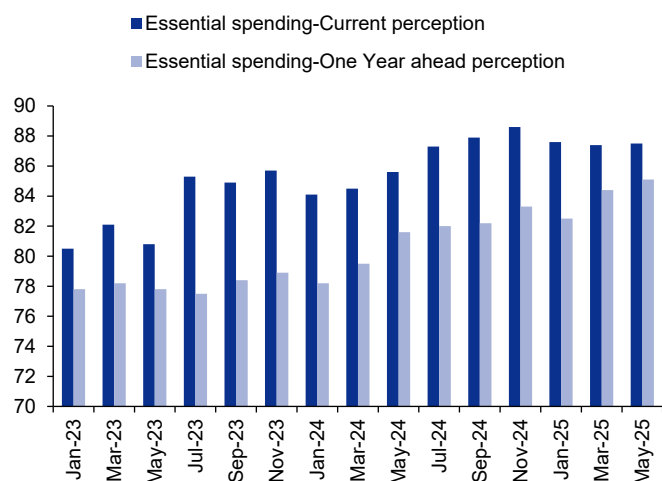
SOURCE: IMD, INCRED RESEARCH

Figure 14: The Consumer Sentiment Index improves (nos)



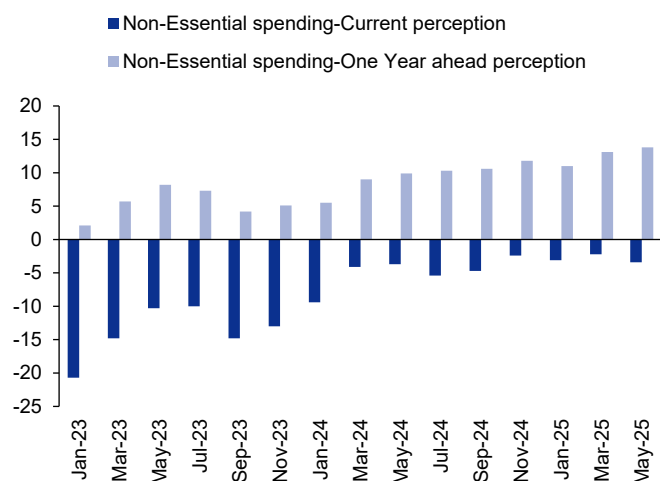
SOURCE: RESERVE BANK OF INDIA (RBI), INCRED RESEARCH

Figure 15: Consumer perception on essential spending improves



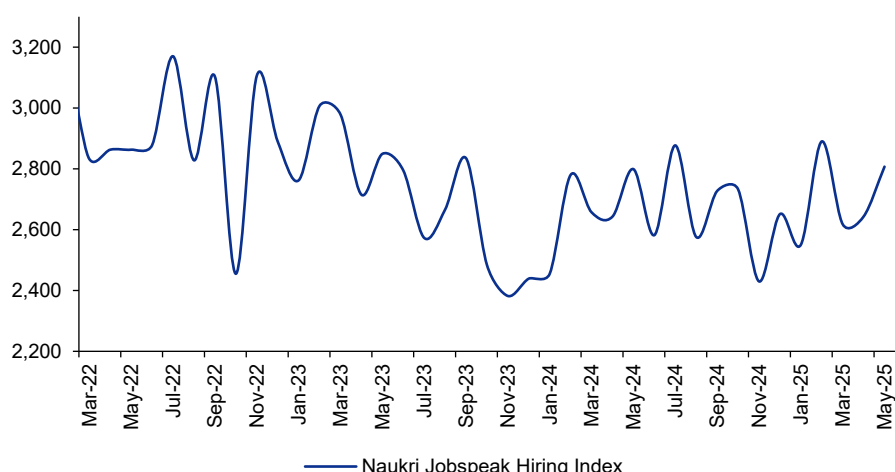
SOURCE: CMIE, INCRED RESEARCH, RBI.

Figure 16: Consumer perception on non-essential spending also improves



SOURCE: CMIE, INCRED RESEARCH, RBI.

Figure 17: Naukri jobs data trend improves



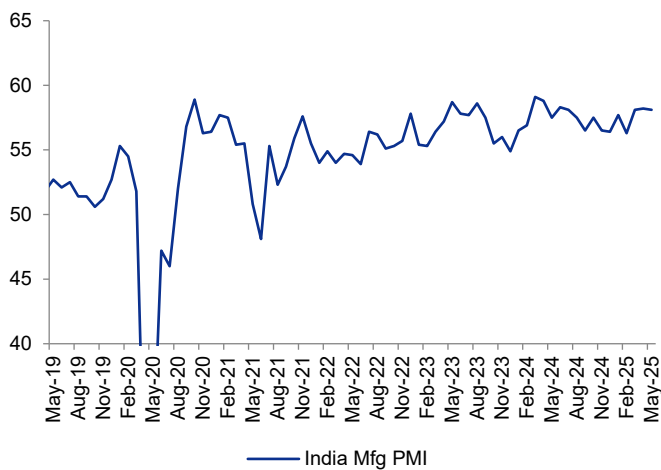
SOURCE: INCRED RESEARCH, NAUKARI.COM

India GDP growth recovery to be stable around 6+% ➤

On the growth front, the RBI expects real gross domestic product (GDP) to grow at 6.5% in FY26F, the same as in FY25. The annual forecast remained unchanged from its previous Monetary Policy Committee (MPC) meeting. The growth remains below aspiration amid global challenges and uncertainty. The MPC noted strong agricultural activity, a gradual pick-up in industrial activity, and a resilient services sector. On the demand side, fast-frequency indicators displayed a revival in investment activity and robust merchandise as well as services exports. Private consumption was steady, with rising discretionary spending, resilient rural demand, and improving urban demand.

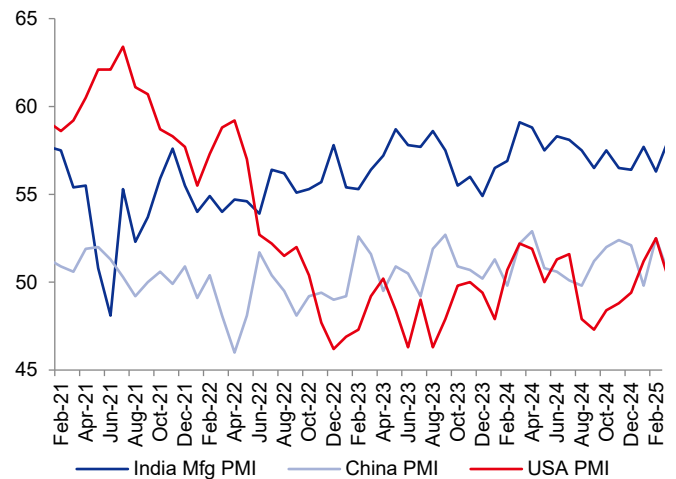
The Bloomberg consensus estimate on GDP growth witnessed a 20bp cut in Apr-May 2025 to 6.3% for FY26F due to geopolitical tensions.

Figure 18: Index of Industrial Production growth improves marginally



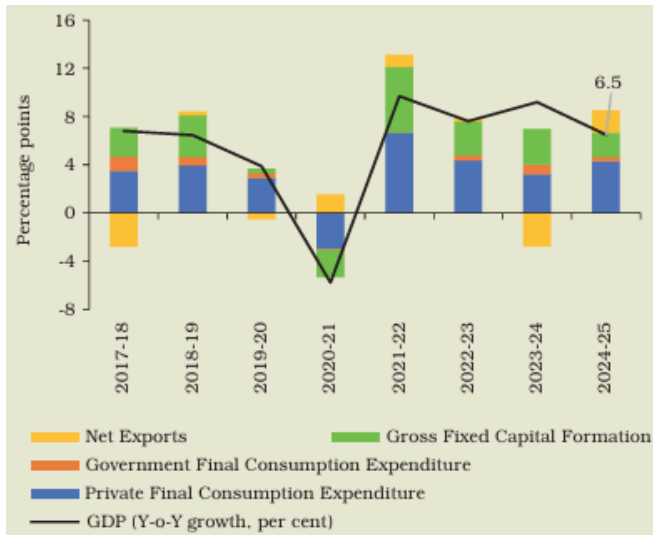
SOURCE: NATIONAL STATISTICS OFFICE (NSO),
INDEX OF INDUSTRIAL PRODUCTION (IIP), INCRED RESEARCH.

Figure 19: India PMI trend is healthy



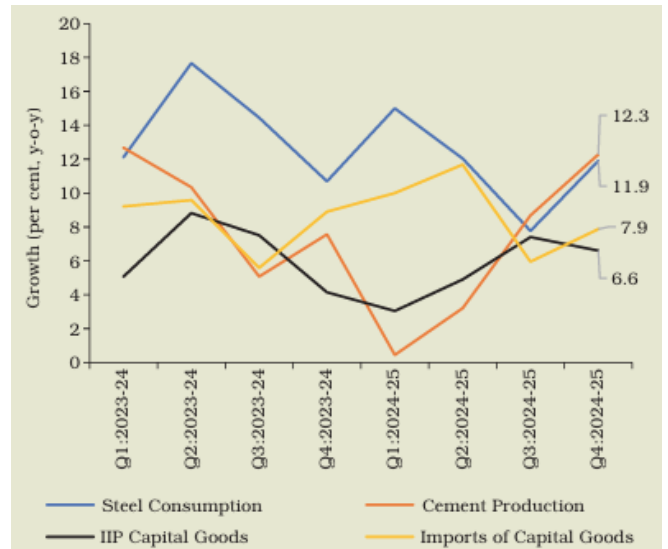
SOURCE: IHS MARKIT,
PURCHASING MANAGERS' INDEX (PMI), INCRED RESEARCH

Figure 20: Weighted contribution to GDP growth



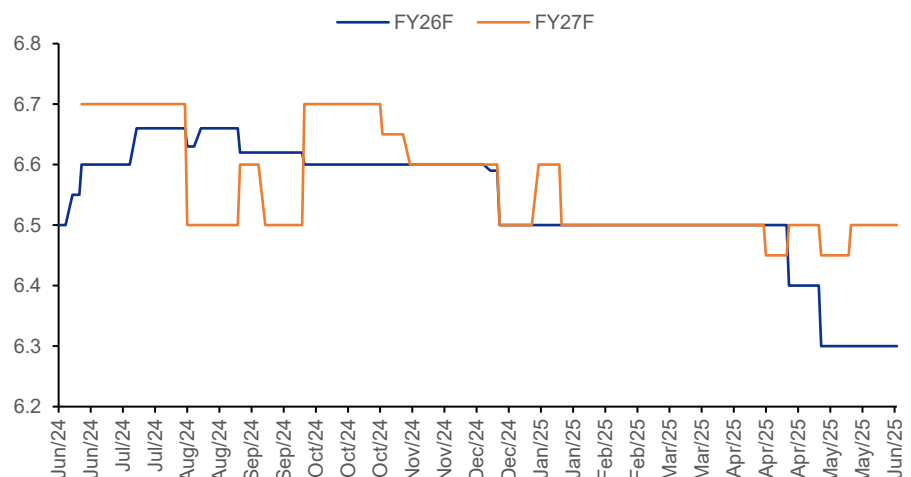
SOURCE: NATIONAL STATISTICS OFFICE (NSO), INCRED RESEARCH.

Figure 21: Indicators of investment demand improve



SOURCE: NATIONAL STATISTICS OFFICE (NSO), INCRED RESEARCH

Figure 22: Bloomberg's India GDP growth consensus estimates ease from their peak (%)



SOURCE: BLOOMBERG, INCRED RESEARCH

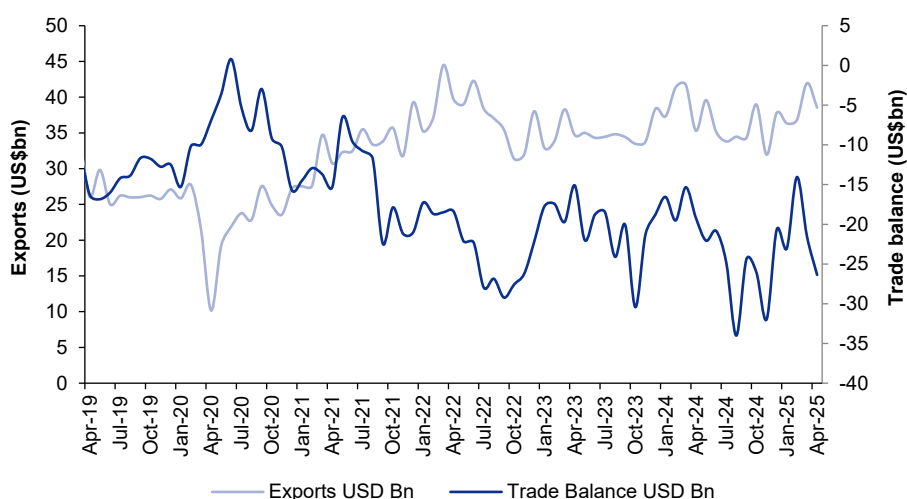
INR's stable performance vs. Asian peers provides comfort ➤

India's total trade deficit went up to US\$8.7bn in Apr 2025, compared to US\$5.8bn a year ago. This rise was because of merchandise imports growing by 19.1% to US\$64.9bn, while exports increased only by 9%. This resulted in the merchandise trade deficit rising to a five-month high.

In May 2025, the Indian rupee (INR) continued to appreciate against the US dollar (USD) for the third consecutive month and touched Rs85.2 per USD. It was a 0.4% appreciation from the previous month. This was largely due to foreign portfolio investor or FPI inflow in the domestic capital market. Though the INR appreciated, it recorded heightened volatility during May 2025.

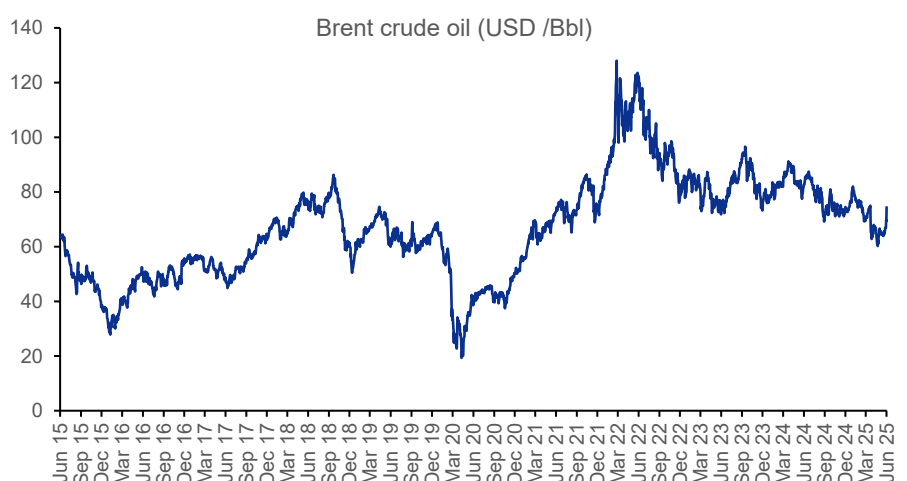
In FY25, the GFD of the central government moderated to 7.6% of GDP from 8.8% in FY24. Central government debt was stable at 81.9% of GDP. External liabilities of the central government remained low at 2.5% of GDP. As per the International Monetary Fund (IMF) projections for the period 2025 to 2030, India's general government debt will be on a declining trend in contrast to its peers.

Figure 23: India's trade deficit eases a bit



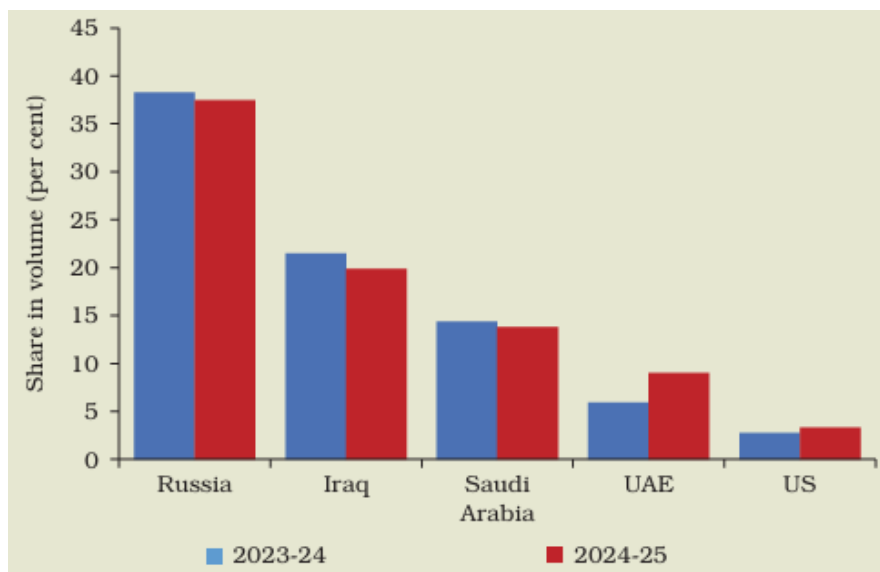
SOURCE: MINISTRY OF COMMERCE AND INDUSTRY, INCRED RESEARCH

Figure 24: Global oil price trend has been favourable for India



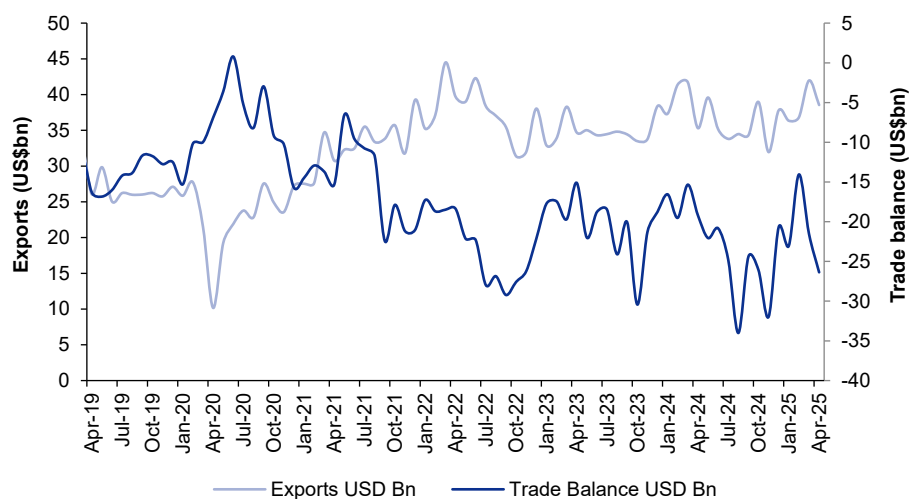
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 25: India's crude oil imports may not be majorly impacted by the Israel-Iran war



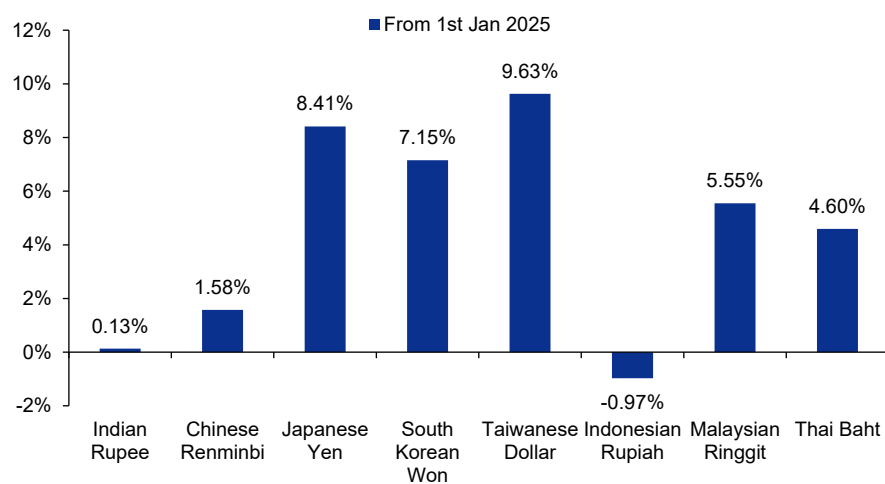
SOURCE: DIRECTORATE GENERAL OF COMMERCIAL INTELLIGENCE AND STATISTICS, INCRED RESEARCH

Figure 26: India's trade deficit eases a bit



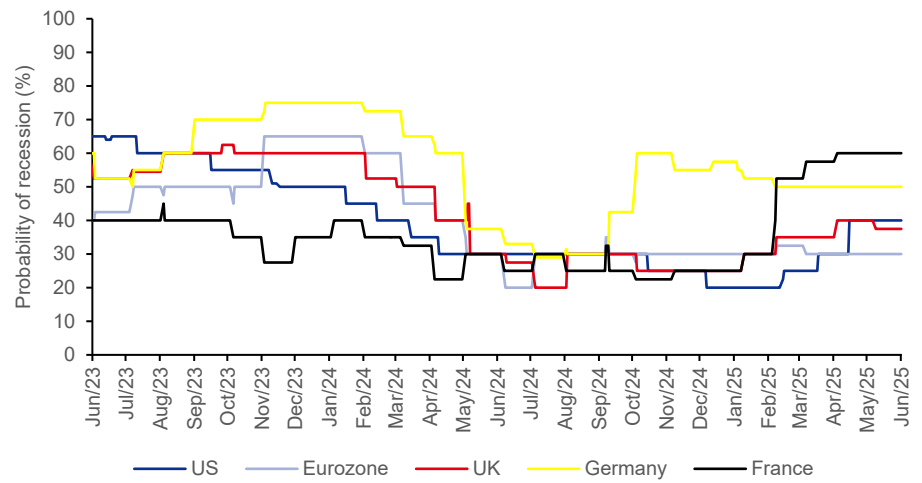
SOURCE: MINISTRY OF COMMERCE AND INDUSTRY, INCRED RESEARCH

Figure 27: USD-INR's stable performance vs. Asian peers



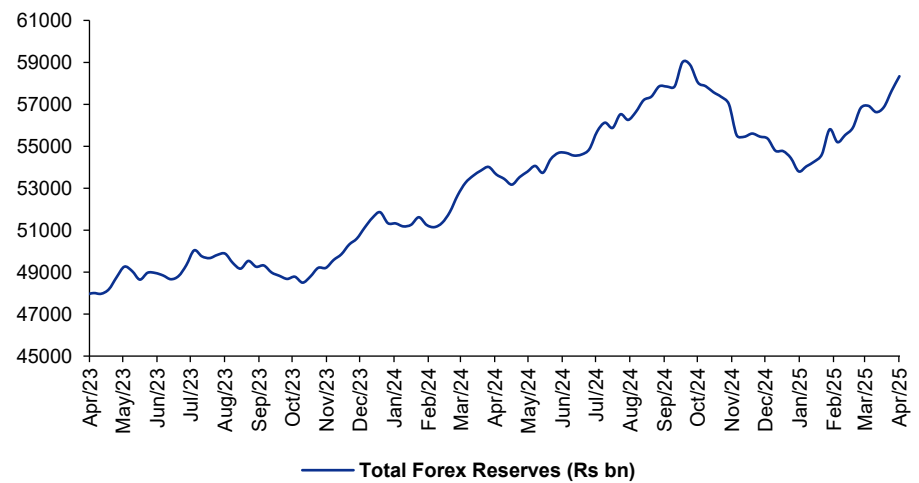
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 28: Recession probability in developed countries rises of late due to tariff tantrums



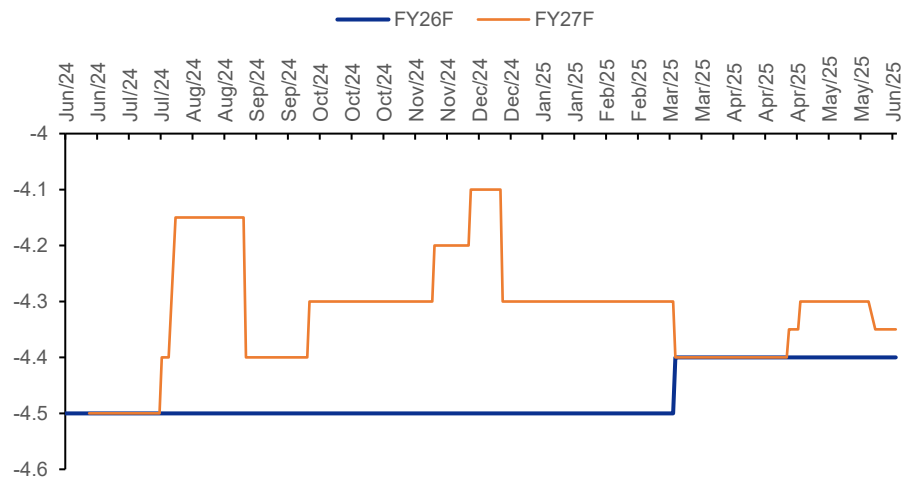
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 29: India's forex reserves rise from their recent low



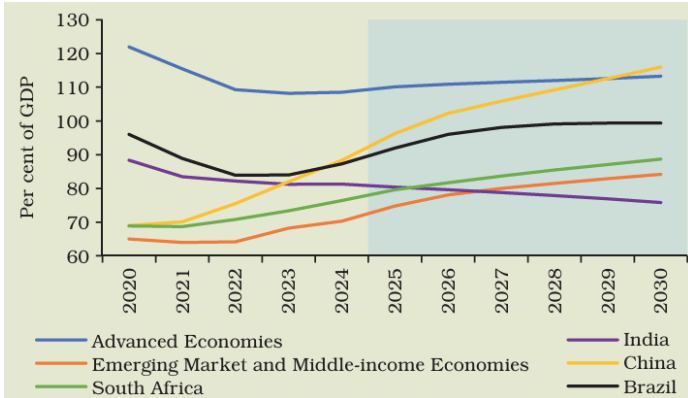
SOURCE: RBI, INCRED RESEARCH

Figure 30: Bloomberg consensus estimates on Gol's fiscal deficit (as a % of GDP)



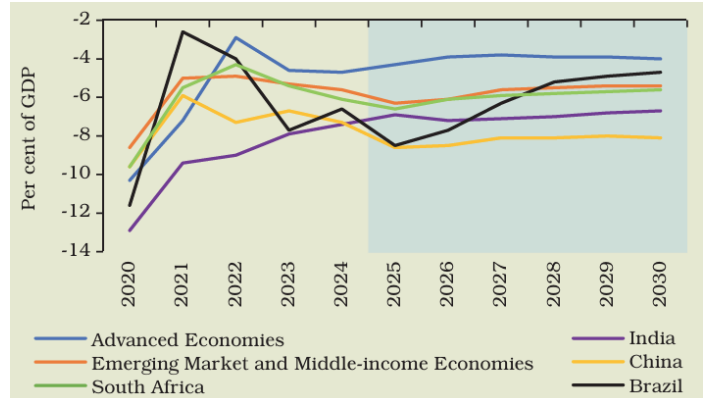
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 31: India government debt will be on a declining trend...



SOURCE: IMF, RBI, INCRED RESEARCH,

Figure 32: ...but fiscal deficit consolidation will be gradual



SOURCE: IMF, RBI, INCRED RESEARCH

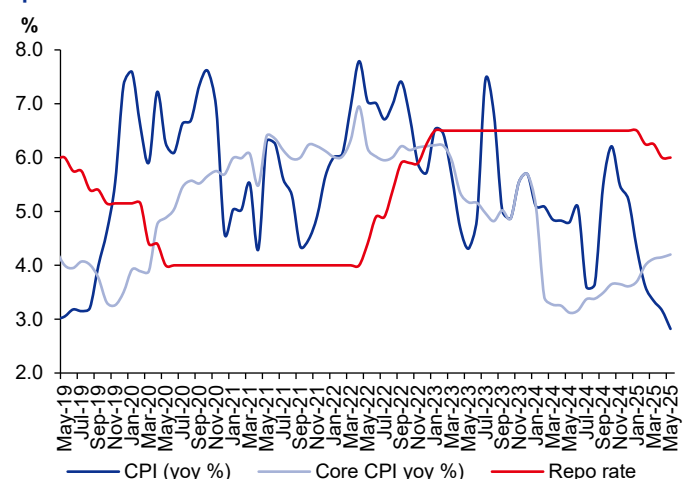
Mega repo rate cut by RBI impresses markets ➤

In a surprise move, the Reserve Bank of India's (RBI) Monetary Policy Committee (MPC) recently cut the repo rate by 50bp - twice the expected 25bp - in a bid to boost domestic consumption as well as private capex. Additionally, the central bank changed its monetary policy position from 'accommodative' to 'neutral', suggesting greater confidence in the economy. With price stability appearing more durable and macroeconomic fundamentals strong, the RBI saw room for a larger-than-expected rate cut. This was the sharpest cut since the 75bp cut due to the C0vid-19 pandemic in Mar 2020.

Further, liquidity conditions have eased, aiding the transmission of the previous two rate cuts, especially to short-term rates. The weighted average call rate (WACR), traded 16bp below the repo rate during Apr-Jun 2025. This was in contrast to 6bp above the repo rate in Feb-Mar 2025.

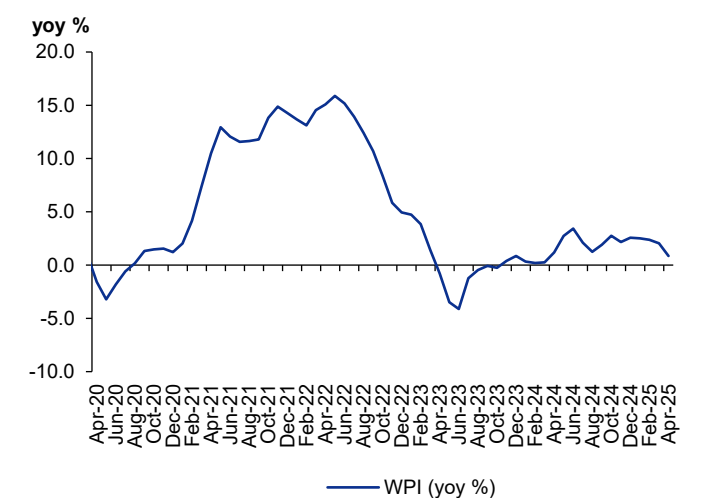
To supplement the transmission, the MPC also announced a 100bp cut in the cash reserve ratio (CRR) to 3% of banks' net demand and time liabilities. The cut will be implemented in four equal tranches of 25bp each starting 6 Sep 2025. By the year-end, this is expected to inject around Rs2.5tr in primary liquidity into the banking system. This move also reinforced the RBI's commitment to maintaining system liquidity.

Figure 33: Core Consumer Price Index or CPI is on a gradual uptick



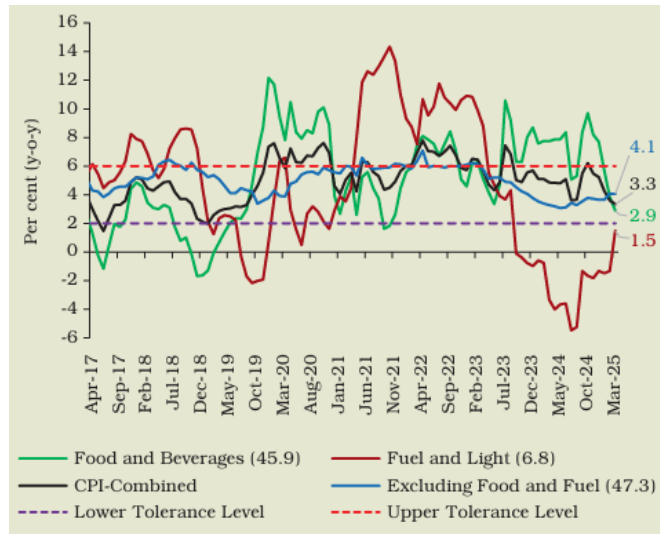
CONSUMER PRICE INDEX (CPI)
SOURCE: RBI, CENTRAL STATISTICS OFFICE, INCRED RESEARCH

Figure 34: Wholesale Price Index or WPI inflation remains stable



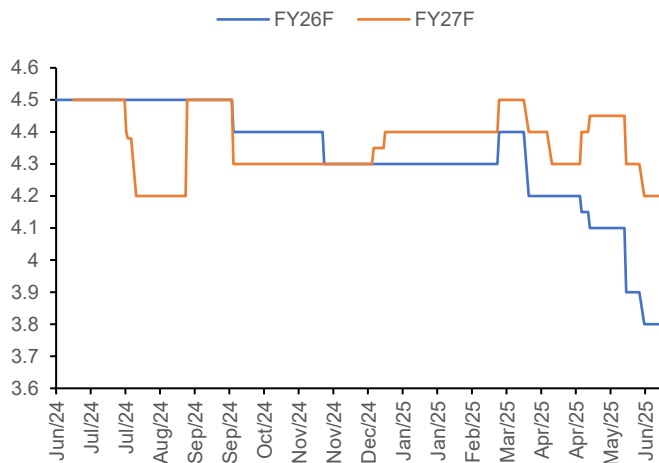
SOURCE: RBI, INCRED RESEARCH

Figure 35: Inflation trend across major components



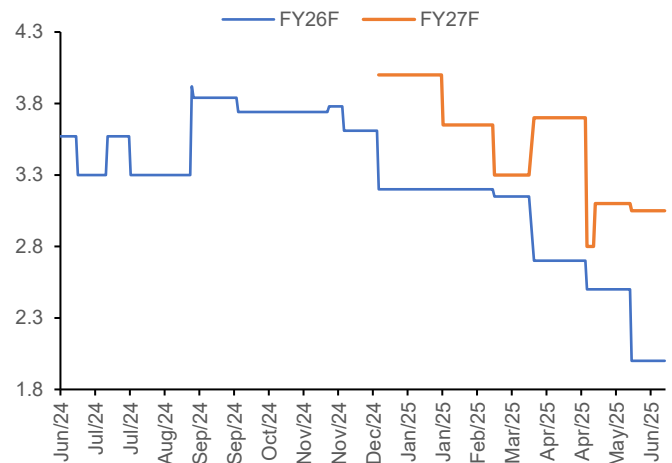
SOURCE: NSO, RBI, INCRED RESEARCH

Figure 36: Bloomberg CPI inflation consensus estimate trend



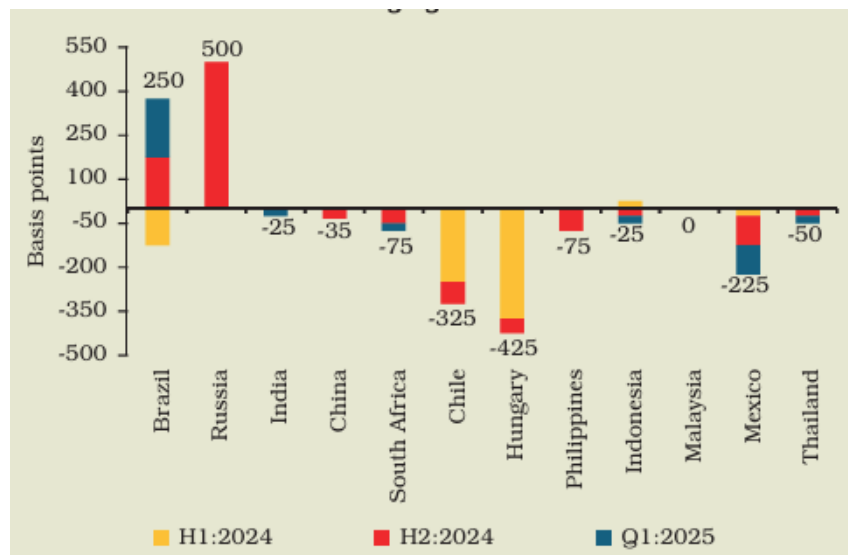
NOTE: CPI IS CONSUMER PRICE INDEX
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 37: Bloomberg consensus estimates on WPI inflation



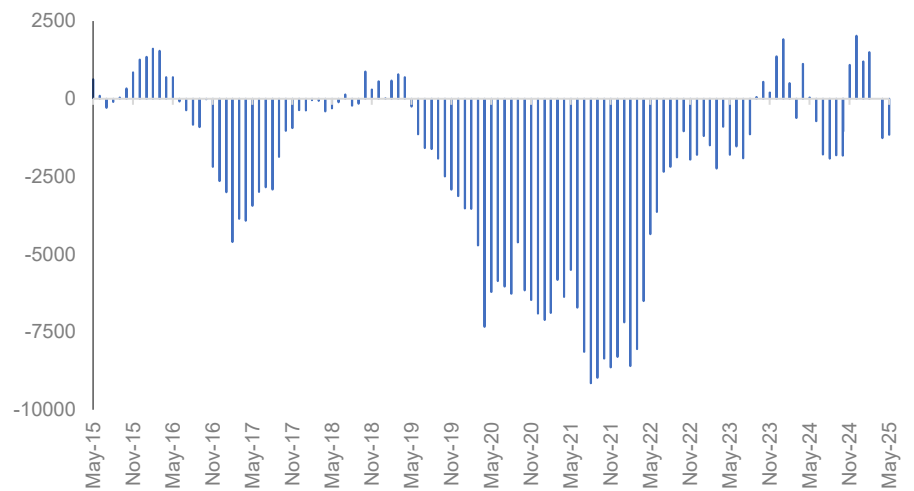
NOTE: WPI IS WHOLESALE PRICE INDEX
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 38: Emerging markets' central bank's policy rate cuts have been ahead of India



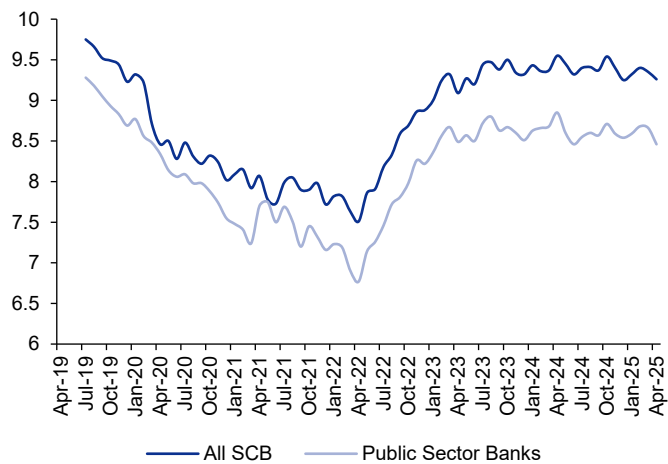
SOURCE: RBI, BLOOMBERG, INCRED RESEARCH

Figure 39: System liquidity improvement trend to sustain in the coming months (Rs bn)



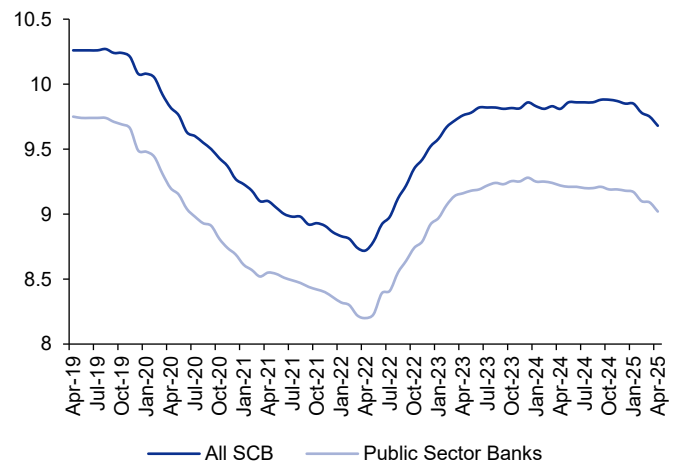
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 40: Weighted average lending rate of banks begins to ease from their peak (fresh INR loans)



SOURCE: RBI, INCRED RESEARCH

Figure 41: Weighted average lending rate of banks (outstanding rupee loans)



SOURCE: RBI, INCRED RESEARCH

Investment themes

Considering the widespread stock participation in the market rally in recent months, we turn selective in stock additions while exits are in a higher proportion in our high-conviction list.

Our high-conviction stocks' performance and recent changes

Recent performance (since the start of the series in Sep 2022):

- Big outperformers to Nifty: Thyrocare Technologies (ADD), Birla Corporation (ADD), and Shriram Finance (ADD).
- Underperformers to Nifty: Tata Consultancy Services (ADD), Bajaj Auto (ADD), and Lupin (ADD).

Addition to the list:

- **Camlin Life Sciences** - Stabilization of its vanillin plant and the imposition of antidumping duties (ADD) on vanillin in the US to transform profit outlook.

Deletion from the list:

- **Adani Ports & Special Economic Zone** - We book profit as its market price is now close to our target price.
- **Cipla** - Removed from our high-conviction list because of near-term margin pressure stemming from its product mix.

Technical trend favourable ideas - UPL, Skipper, and Petronet LNG

Figure 42: High-conviction stocks' price performance since their introduction on 10 Sep 2022

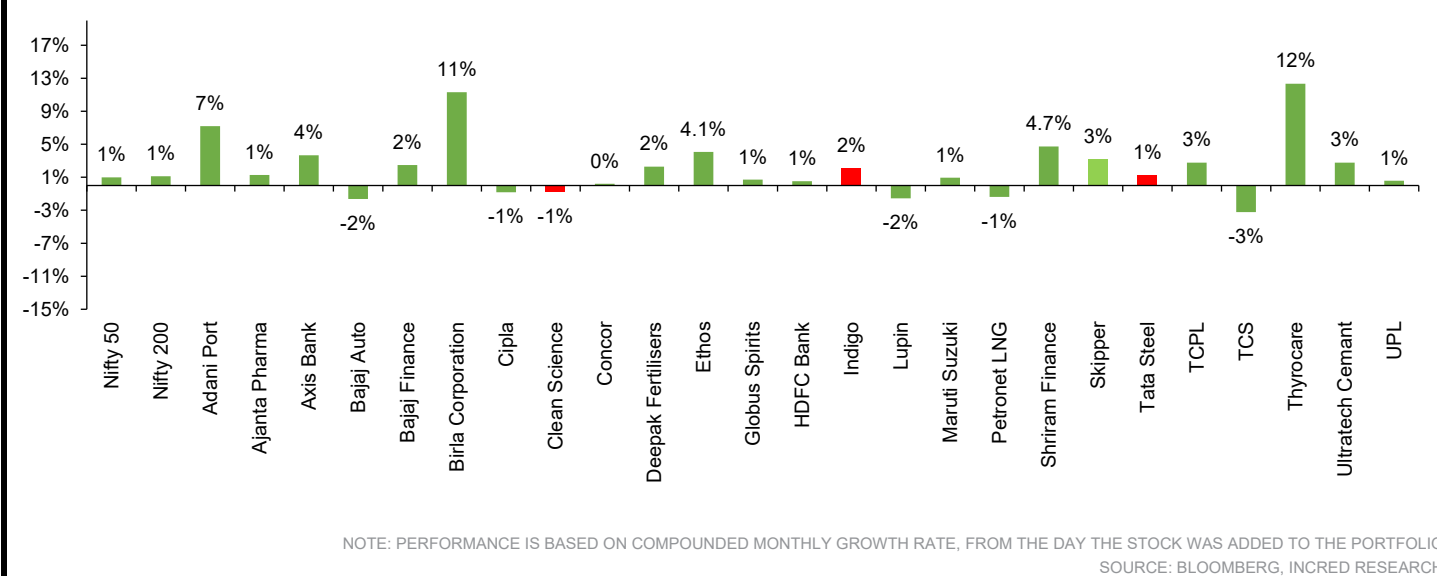
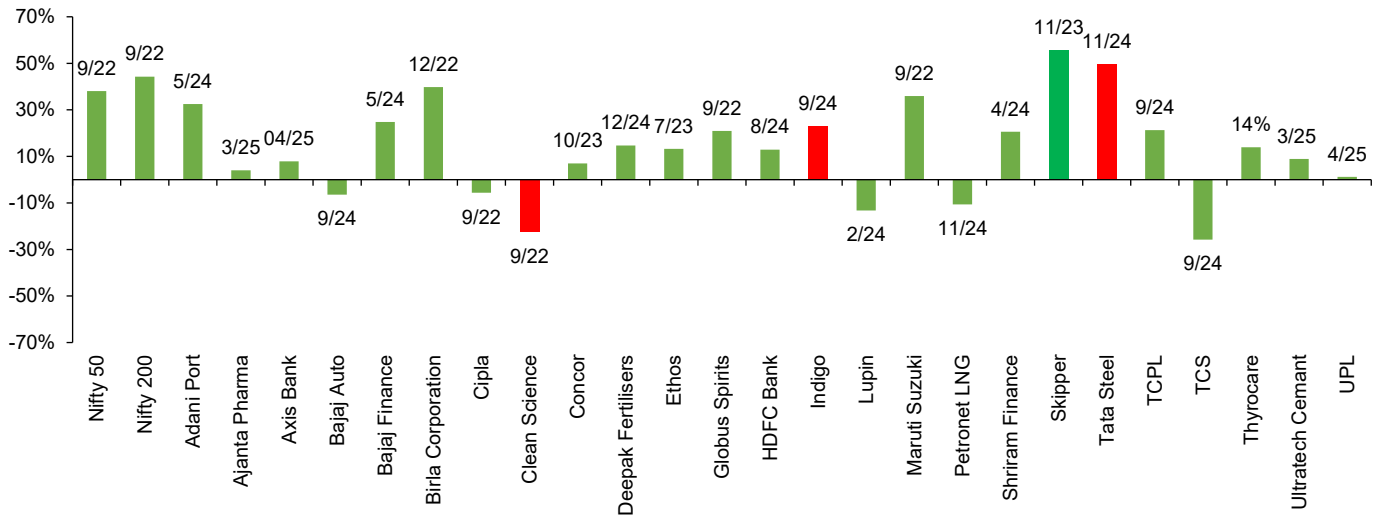
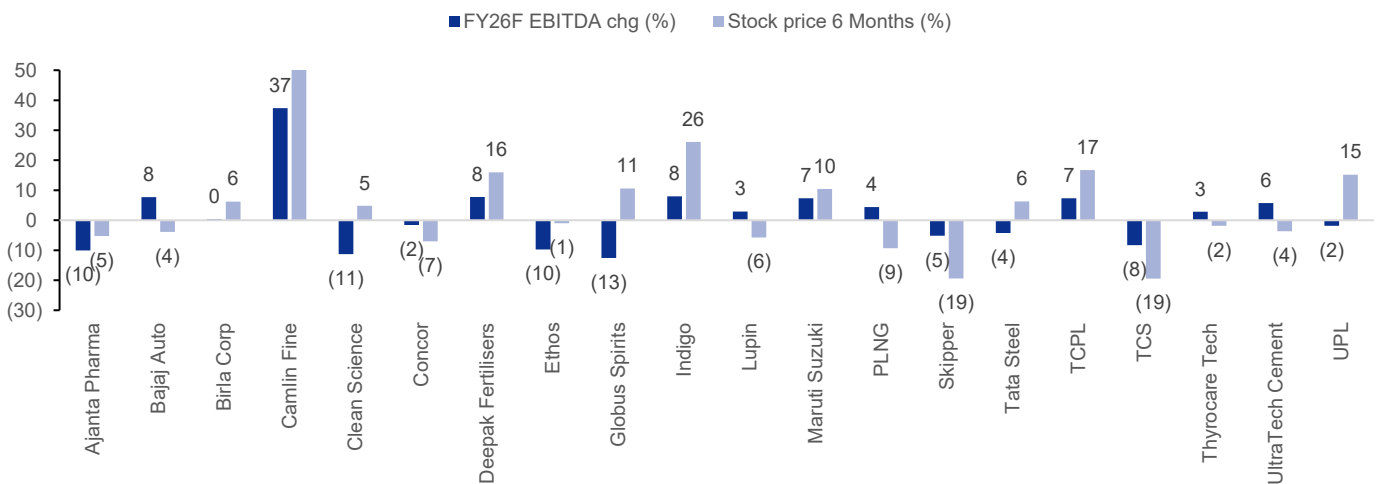


Figure 43: High-conviction stocks' price absolute performance since their introduction on 10 Sep 2022



NOTE: (INTRODUCTION MONTH MARKED ON THE BAR OF THE STOCK)
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 44: Last six months' EBITDA consensus change for FY26F vs. six months' stock price performance



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Nifty's easing EPS growth trend persists

EPS growth tapering continues ➤

For the Mar 2025 quarter, Nifty-50 companies reported PAT growth which was healthy at 7% qoq due to seasonality, while yoy growth eased to 5% and a miss of 1% vs. the Bloomberg consensus estimate. This was in contrast to developed markets which witnessed earnings beat, especially in the US. Around 78% of S&P 500 companies beat earnings estimates — above the 10-year average of 75%. Key outperformers included healthcare and technology sectors. Initially, analysts were expecting a 7% yoy EPS growth for the quarter. That figure has since been revised to 14%. Europe also surprised on the upside, although to a lesser extent. Around 62% of companies in the Stoxx Europe 600 beat expectations, well above the long-term average of 56%. European companies' earnings are now running at roughly +3% year-on-year, compared to earlier expectations of a 2% decline.

The Nifty-50 EBITDA growth, ex- BFSI sector, was healthy at 20% yoy, driven by retail, telecom and capital goods sectors. The EBITDA decline yoy continued for the cement sector, while it was in low single digit for automobile, FMCG, IT and power sectors.

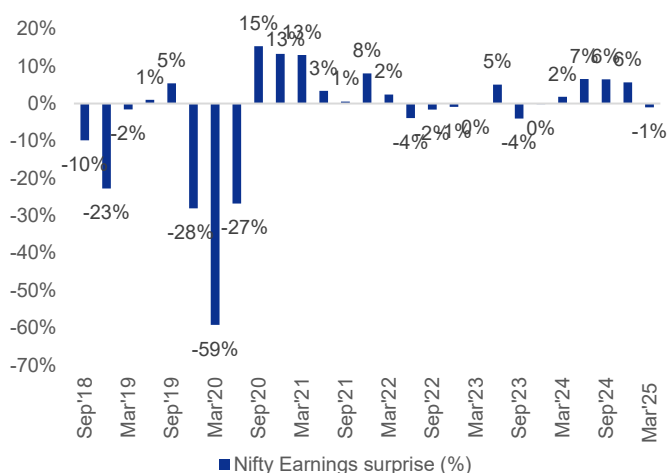
The proportion of companies providing a beat on the EPS front continues to improve qoq from the low of the Jun 2024 quarter, as 57% of Nifty-50 companies beat consensus estimates.

In the larger universe NSE-500 index, PAT and sales growth was dismal at 7% yoy. EBITDA, ex-BFSI sector, saw a growth of 17% yoy, driven by sectors like consumer durables, electrical, telecom, alcohol, aviation and hospitality. The sectors that were laggards, with an EBITDA dip yoy, were textile, plastic products, and realty.

The downgrade in FY25F-26F Bloomberg EPS estimates after the recent results season, to the extent of 2-3%, continued, where the broader index, Nifty-200, took a minor brunt. Major sector EPS upgrades were from telecom, FMCG, utilities and commodity sectors, while the downgrades were seen in IT, consumer discretionary, industrials and BFSI sectors. Major double-digit EPS upgrades in the Nifty-200 universe were in SAIL, Power Finance Corporation, InterGlobe Aviation (Indigo), Mahindra & Mahindra, and Bharat Petroleum Corporation.

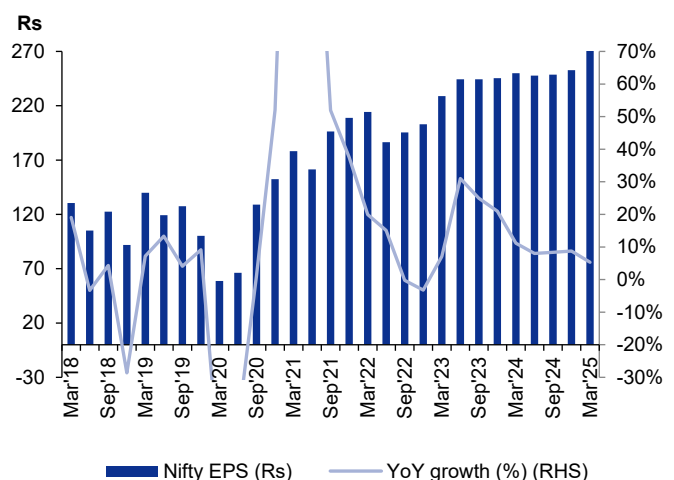
The FY25-26F Bloomberg EPS CAGR for Nifty-50 companies is expected to be 13%, driven by telecom, FMCG and pharmaceutical sectors.

Figure 45: Nifty-50 companies' quarterly EPS beat/miss trend



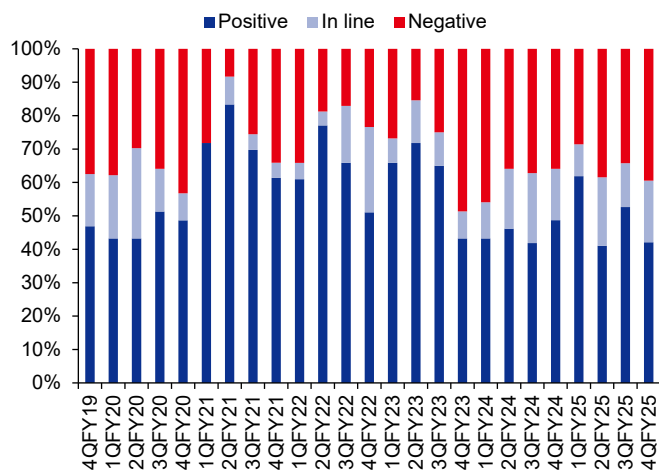
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 46: Nifty-50 companies reported stable EPS growth

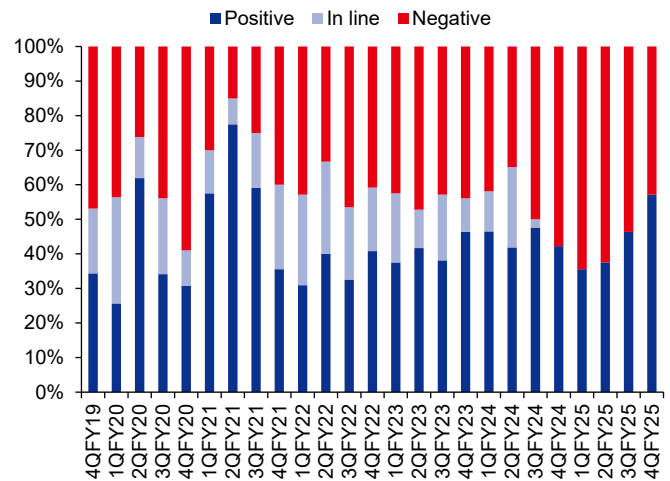


SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 47: Nifty-50 companies' revenue beat/miss proportion mix **Figure 48: Nifty-50 companies' EPS beat/miss proportion mix**

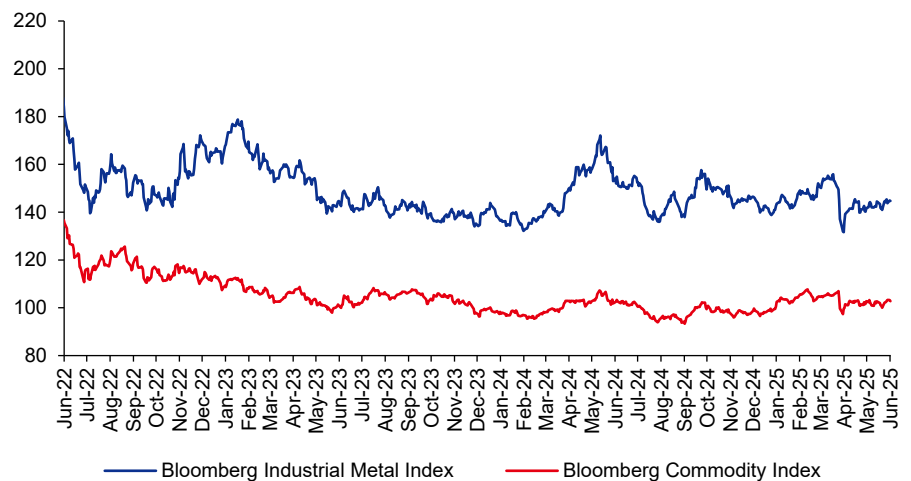


SOURCE: BLOOMBERG, INCRED RESEARCH



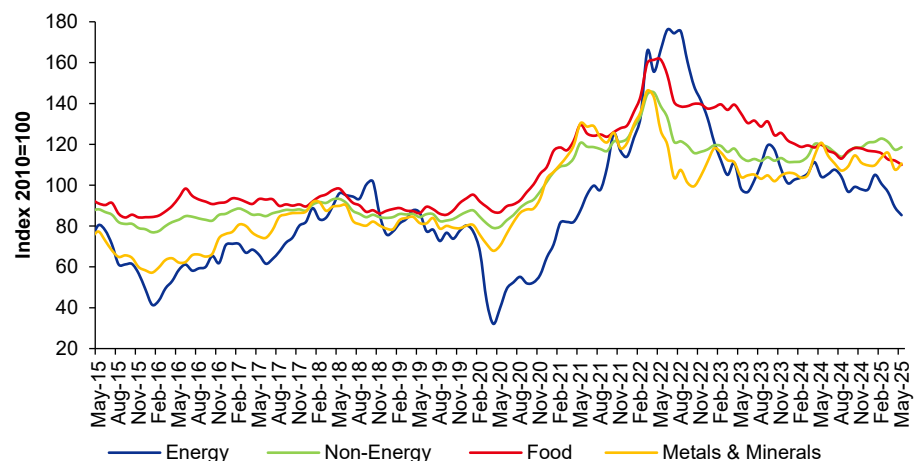
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 49: Bloomberg Industrial Metal Index is on an uptick



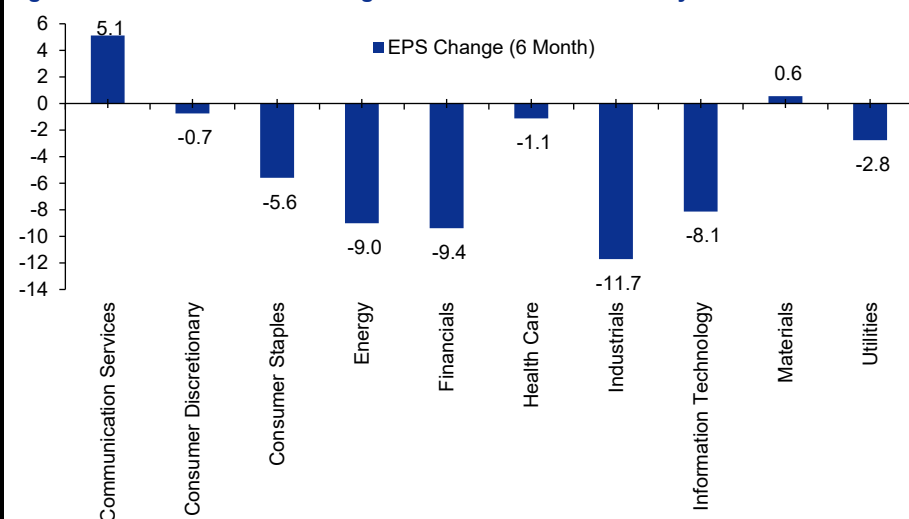
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 50: Global Commodity Index trend is stable, except for energy



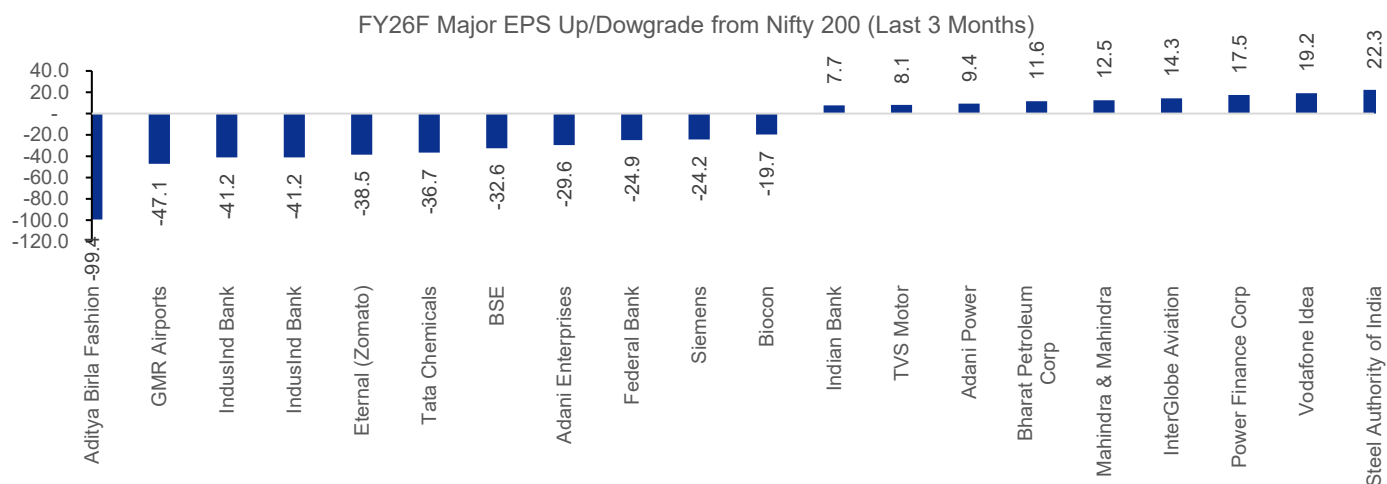
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 51: Sector-wise EPS changes in last six months for Nifty-50 index



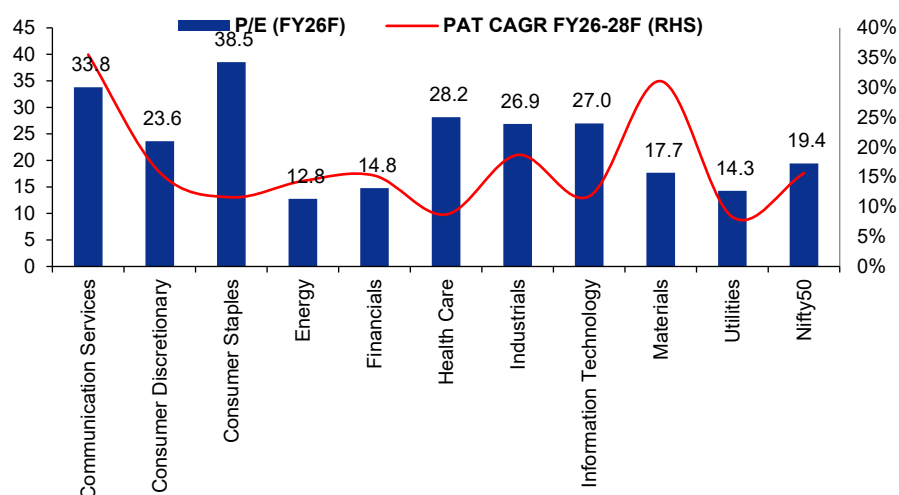
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 52: Major Nifty-200 stocks recording BB consensus FY26F EPS changes in the last six months



SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 53: Earnings outlook vs. P/E valuations of Nifty-50 sectors



NOTE: EPS IS OF BLOOMBERG CONSENSUS
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 54: Bloomberg consensus EPS cut trend prevails for Nifty-50 and Nifty-200 constituents

Nifty -EPS			Nifty-200 EPS		
	FY26F	FY27F		FY26F	FY27F
15 days	-0.42%	0.23%	15 days	0.78%	1.15%
30 days	-0.47%	1.03%	30 days	-0.19%	2.82%
60 days	-2.87%	4.48%	60 days	-1.42%	16.12%

NOTE: EPS IS OF BLOOMBERG CONSENSUS
SOURCE: BLOOMBERG, INCRED RESEARCH

Nifty valuation and outlook

Index valuation improves to mean level ➤

The sustained rise in the Nifty-50 index in the last three months has lifted forward P/E valuation to a 10-year mean level of 20x. However, the index constituent companies' EPS growth to ease and a cut in Bloomberg consensus estimate prevails in FY26F.

High volatility in the index, we believe, will continue due to global policy actions and India's rich valuations comparative to Asia (+1SD above the 10-year mean). Government policy action is improving consistently in CY25F, both within India (income-tax rate cut, fiscal discipline and policy rate cut) and on the external front (to attract FDI and impress on Pakistan border tensions), which is getting factored quickly in valuations, while earnings benefit may be delayed.

With the India macroeconomic scenario improving (above-normal monsoon, mega repo rate cut, easing crude oil prices) in the short term, we raise our bull-case probability to 35% (from 25% earlier) at the cost of bear-case probability, which raises our blended Nifty-50 target marginally to 25,142, an upside of 1%, by the end of Mar 2026F. In a bear-case scenario, we expect a 12.4% downside from current levels and in a bull-case scenario, we expect a 9.5% upside.

Figure 55: Nifty-50 companies' forward P/E valuation is below the 10-year mean level



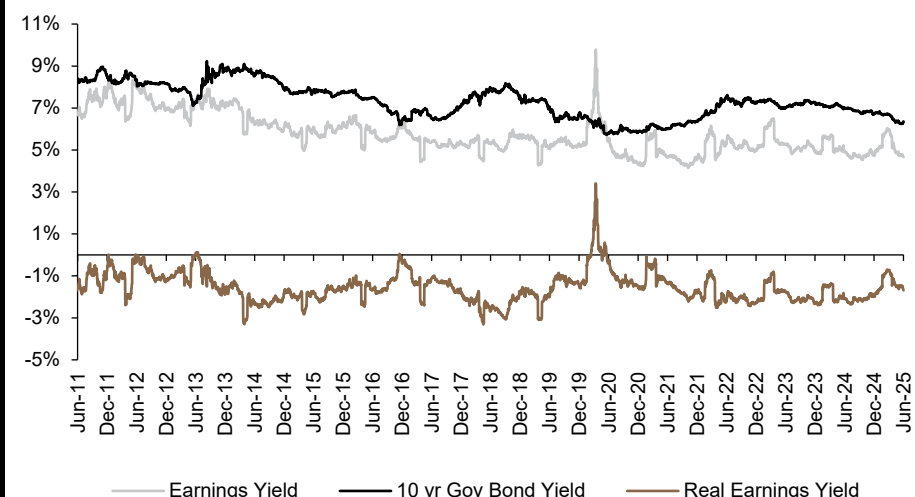
SOURCE: INCRED RESEARCH, BLOOMBERG, COMPANY REPORTS

Figure 56: Nifty-50 companies' forward P/E valuation is close to the 15-year mean level



SOURCE: INCRED RESEARCH, BLOOMBERG, COMPANY REPORTS

Figure 57: Real earnings yield for Nifty-50 companies eases



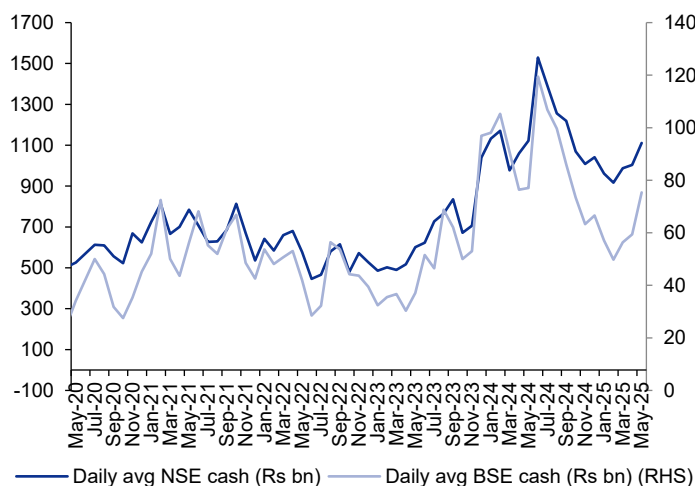
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 58: Nifty Index target and Bull-case, Base-case and Bear-case scenarios

	Bull Case	Base case	Bear Case
Economic variables FY26F	GDP growth >7%, stable coalition government, Brent crude oil price <US\$75/bbl, inflation <4%, repo rate drops >100bp, above-normal monsoon, & INR at Rs85/US\$	GDP growth >6.5%, Brent crude oil price <US\$90/bbl, inflation <5%, repo rate drops >50bp, normal monsoon, and INR at Rs86/US\$	GDP growth <6%, wobbly coalition government, rise in geopolitical tensions, Brent crude oil price >US\$100/bbl, inflation >6%, repo rate drops <50bp, poor distribution of rainfall, tariff barriers for exports, and INR at Rs89/US\$
Probability of event	35%	50%	15%
One-year forward EPS (Rs.)	1,348.2	1,348.2	1,348.2
Target P/E (x)	20.0	18.5	16.0
Target index	26,963	24,941	21,570
Nifty-50 now	24,621	24,621	24,621
Up/downside	9.5%	1.3%	-12.4%
Blended index target		25,142	

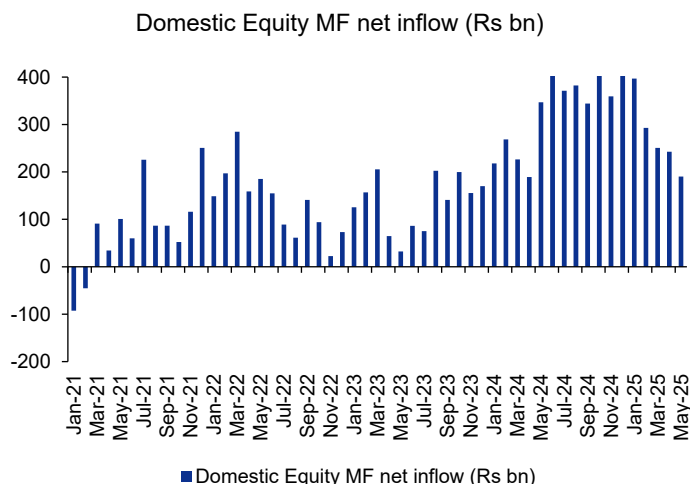
SOURCE: BLOOMBERG CONSENSU EPS, INCRED RESEARCH

Figure 59: Stock market volume improves from its recent low



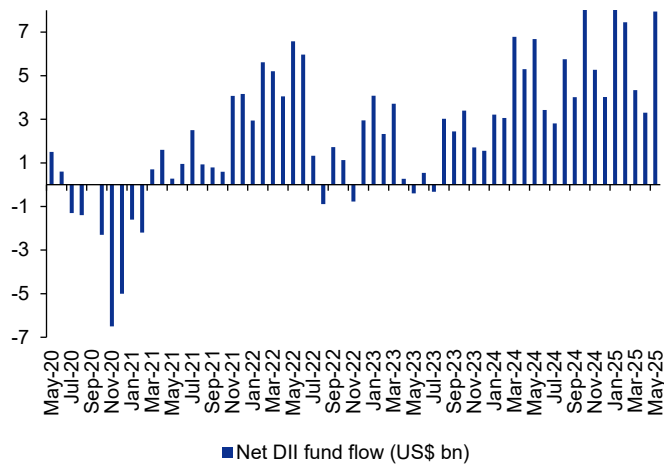
SOURCE: INCRED RESEARCH, BLOOMBERG

Figure 60: Domestic equity mutual funds' net mobilization eases



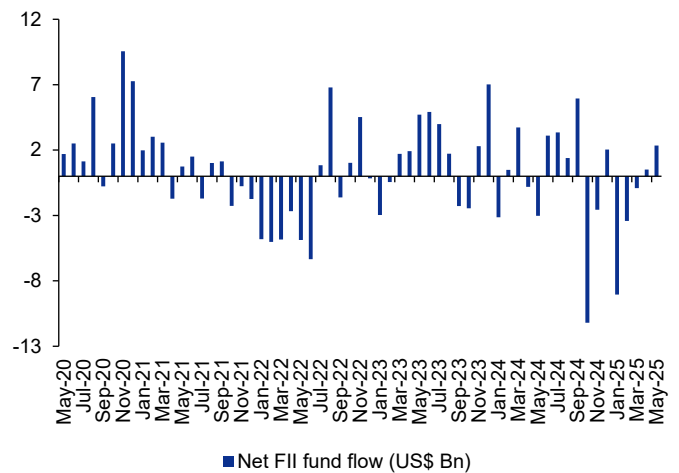
SOURCE: INCRED RESEARCH, BLOOMBERG

Figure 61: Domestic funds' investment continues to be strong



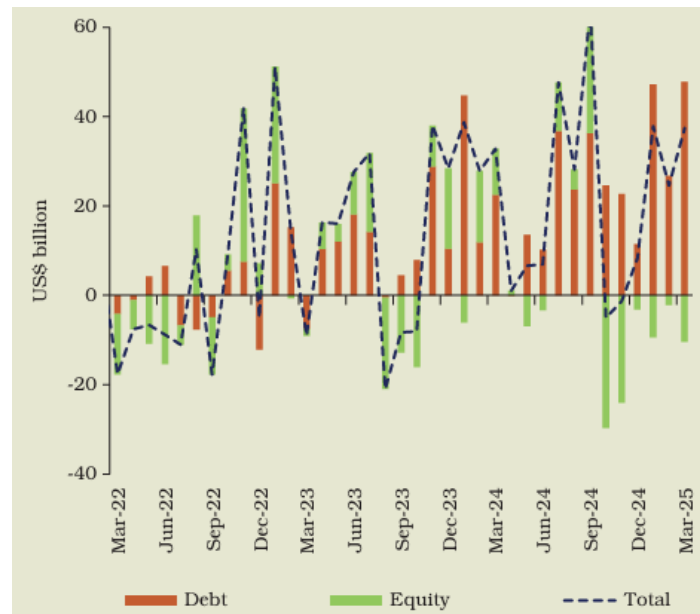
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 62: FIIs' sustained buying in recent months helps



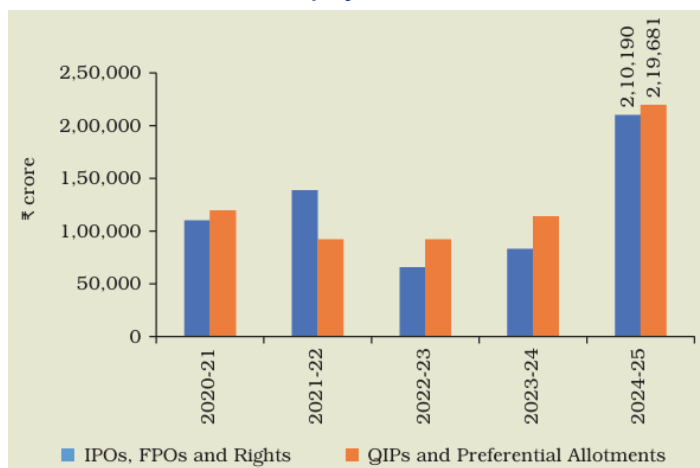
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 63: Portfolio equity inflows to emerging markets remain weak



SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 64: Resource mobilization in equity markets



SOURCE: SEBI, AMFI, INCRED RESEARCH

Sector-wise ratings and stock ideas ➤

The Nifty index recorded positive returns of 1.7% cent in May 2025, making it the third consecutive month to record positive returns. The returns in May 2025, however, were subdued as the index had risen by 3.5% in the previous month and 6.3% in Mar 2025. Both NSE Nifty 50 and BSE Sensex fell during three out of four weeks in May 2025. This was largely because of persistent volatility due to uncertainty in the global trade scenario. The gain in these indices was largely supported by continuous FPI inflow into the Indian equity market.

Mid-caps and small-caps outperformed large-caps in May 2025. During this month, Nifty Midcap 100 rose in two out of four weeks while the Nifty Smallcap-100 index was in the green in three out of four weeks. Nifty Midcap-100 index rose by 6.1% while Nifty Smallcap-100 rose by 8.7%.

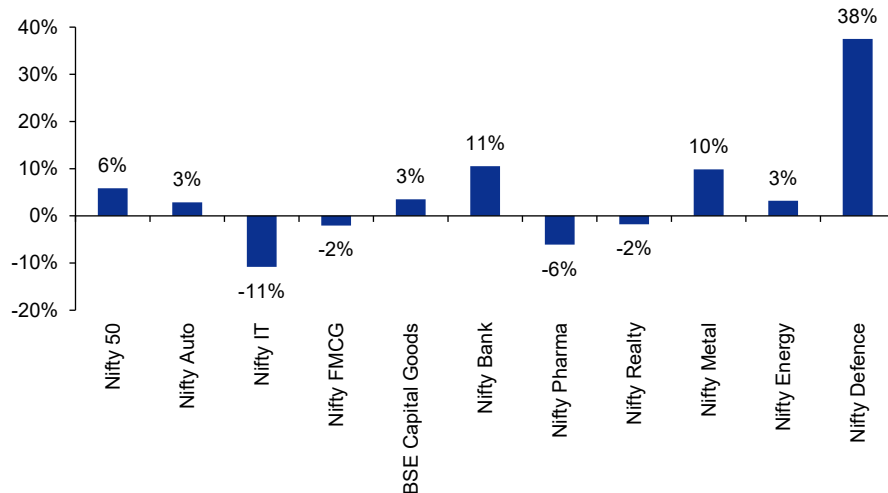
The rally in Indian equity market was led by the defence sector, followed by metals, financial services and automobiles. The laggard sectors were IT, pharma, oil and gas, FMCG, and realty.

Foreign portfolio investment (FPI) recorded an inflow of US\$2.3bn in the equity market in May 2025, making it the second consecutive month to record inflows. These were the strongest inflows in eight months. Domestic institutional investors (DIIs) were also net investors in the equity market in May 2025. DIIs invested US\$7.9bn in the domestic equity market, which was the largest in the last four months.

Comparing Bloomberg consensus FY26F EPS change vs. sector returns for the last six months, we feel the valuation rerating has been excess for sectors like BFSI, capital goods, FMCG, and telecom.

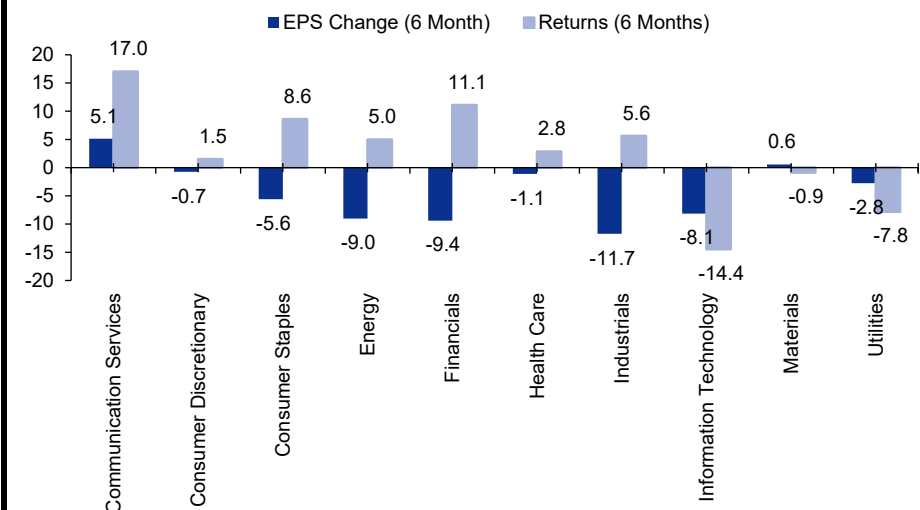
In recent weeks, we initiated coverage on Adani Power and Special Economic Zone and mid-size banks (Kotak Mahindra Bank, RBL Bank, AU Small Finance Bank) with ADD ratings. We have upgraded Coforge. However, the rating downgrade was in Balkrishna Industries, The Ramco Cements, Alkem Laboratories, Zydus Lifesciences, JSW Steel, Dabur India, and Dr Lal Pathlabs.

Figure 65: Sectoral index performance vs. Nifty-50 (YTDFY25)



SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 66: The last six months' correlation between EPS change and sectoral returns



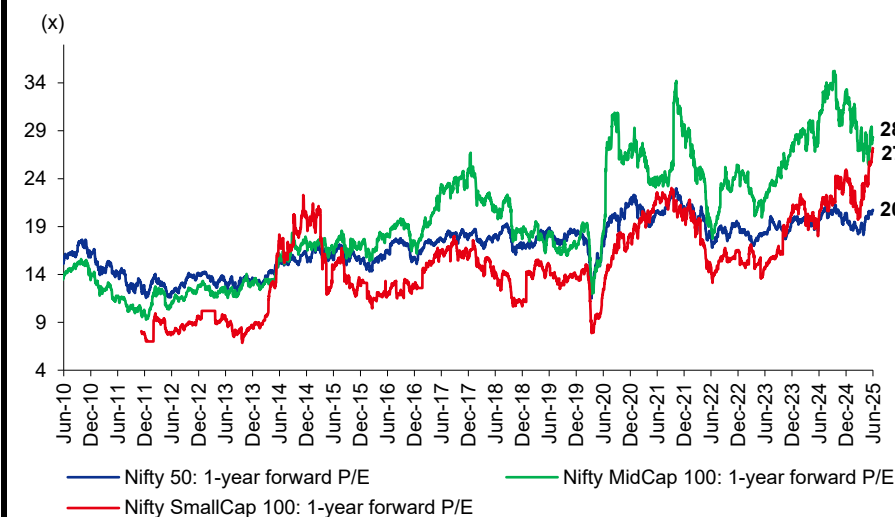
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 67: Our sector-wise ratings

Overweight	Neutral	Underweight
Aluminium	Automobile	Agribusiness
Cement	Auto Ancillary	Aviation
Financial Services	Consumer staples	Building Materials
Oil and Gas	Infrastructure	Chemicals
Pharmaceuticals	Information Technology	Metals & Mining
		Ports & Logistics

SOURCE: INCRED RESEARCH

Figure 68: Nifty small-cap valuations spiking to near mid-caps' forward P/E valuations lead to discomfort



SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 69: Non-consensus stocks with a REDUCE rating in our coverage universe

Company Name	Bloomberg Ticker	Rating	CMP	Target Price	Market Cap.	Market Cap.	EPS (Rs)		P/E (x)		P/BV (x)		EV/EBITDA (x)	Dividend Yield (%)	Upside/Downside	ROE (%)
			Rs	Rs	(Rs bn)	(US\$ bn)	FY26F	FY27F	FY26F	FY27F	FY26F	FY27F	FY26F	FY26F	(%)	FY26F
Apollo Tyres	APTY IN	REDUCE	457	378	289	3	23.0	28.8	19.9	15.9	2.5	2.2	7.3	1.5	-17%	13.1
Astral	ASTRA IN	REDUCE	1,499	1,200	401	5	20.4	23.4	73.5	64.2	9.9	8.8	38.5	-	-20%	14.3
Balrampur Chini Mills	BRCM IN	REDUCE	614	521	124	1	20.4	19.5	30.2	31.5	3.0	2.7	19.5	0.2	-15%	14.1
Clean Science & Tech.	CLEAN IN	REDUCE	1,460	683	155	2	27.1	29.8	53.9	49.0	8.9	7.5	36.2	-	-53%	17.9
Coal India	COAL IN	REDUCE	393	209	2,412	28	24.9	NA	15.8	NA	2.8	NA	8.1	3.2	-47%	18.4
Divi's Laboratories	DIVI IN	ADD	6,725	7,100	1,780	21	102.7	120.0	65.5	56.0	10.6	9.3	47.0	-	6%	17.1
FSN Ecommerce	NYKAA IN	REDUCE	194	103	554	6	0.2	0.2	851.7	1,000.6	39.8	38.3	104.1	-	-47%	4.8
Gujarat Gas	GUJGA IN	ADD	477	642	327	4	34.9	37.9	13.7	12.6	3.0	2.5	8.2	1.3	35%	24.5
Hyundai Motor India	HYUNDAI IN	REDUCE	1,956	1,612	1,585	19	71.6	75.2	27.3	26.0	7.9	6.7	16.4	1.3	-18%	32.0
InterGlobe Aviation	INDIGO IN	REDUCE	5,477	3,030	2,110	25	83.0	87.5	66.0	62.6	19.0	14.6	14.4	-	-45%	44.9
JSW Steel	JSTL IN	REDUCE	996	766	2,427	28	25.9	25.9	49.5	35.9	3.6	3.3	14.3	0.7	-23%	7.4
Kaveri Seed Company	KSCL IN	ADD	1,359	639	70	1	NA	NA	NA	NA	NA	NA	NA	NA	-53%	NA
Kansai Nerolac Paints	KNPL IN	REDUCE	250	235	201	2	9.1	9.7	27.6	25.8	3.6	3.7	17.3	4.7	-6%	13.3
Tata Motors	TTMT IN	REDUCE	715	642	2,625	31	70.3	84.5	10.2	8.5	1.9	1.6	3.8	1.2	-10%	20.3
Tata Steel	TATA IN	REDUCE	153	82	1,903	22	5.4	NA	28.3	NA	1.6	NA	9.4	1.3	-46%	5.8
TVS Motor Company	TVSL IN	REDUCE	2,739	2,154	1,297	15	57.7	63.7	47.4	43.0	10.7	8.9	28.0	0.4	-21%	24.8

SOURCE: INCRED RESEARCH ESTIMATES, BLOOMBERG,

NOTE: PRICES AS ON 12 JUN 2025

Figure 70: Our key mid-cap and small-cap stock recommendations

Company Name	Bloomberg Ticker	Rating	CMP	Target Price	Market Cap.	Market Cap.	EPS (Rs)		P/E (x)		P/BV (x)		EV/EBITDA	Dividend Yield (%)	Upside/Downside	ROE (%)
			Rs	Rs	(Rs bn)	(US\$ bn)	FY26F	FY27F	FY26F	FY27F	FY26F	FY27F	FY26F	FY26F	(%)	FY26F
Amber Enterprises	AMBER IN	ADD	6,525	8,055	220	3	140	179	46.7	36.5	7.7	6.4	23.2	-	23%	18.0
Atul	ATLP IN	ADD	7,074	6,727	208	2	203	224	34.9	31.5	3.5	3.2	17.8	0.3	-5%	10.4
AU Small Finance Bank	AUBANK IN	ADD	779	820	578	7	3	4	250.5	180.5	27.2	23.7	27.2	0.2	5%	12.4
Balkrishna Industries	BIL IN	REDUCE	2,469	2,400	476	6	86	98	28.6	25.3	4.1	3.6	18.1	0.7	-3%	15.1
FSN Ecommerce	NYKAA IN	REDUCE	194	103	554	6	0	0	851.7	1,001	39.8	38.3	104.1	-	-47%	4.8
Endurance Technologies	ENDU IN	ADD	2,448	2,529	343	4	77	89	31.7	27.4	5.2	4.5	17.6	0.6	3%	17.7
Ethos	ETHOSLTD IN	ADD	2,894	3,400	71	1	49	68	58.6	42.6	6.5	5.6	26.6	-	18%	15.8
Globus Spirits	GBSL IN	ADD	984	1,646	28	0	74	110	13.4	9.0	2.4	1.9	7.2	0.3	67%	19.3
Ipca Laboratories	IPCA IN	ADD	1,383	1,720	350	4	43	53	32.4	26.2	4.5	3.9	18.2	0.4	24%	14.6
Jyothy Labs	JYL IN	ADD	344	390	126	1	10	11	32.8	30.2	5.5	4.8	24.5	1.0	13%	17.6
Kalpataru Projects Intl.	KPIL IN	ADD	1,166	1,461	199	2	61	71	19.1	16.4	2.6	2.3	11.0	0.7	25%	14.7
KEI Industries	KEII IN	ADD	3,677	4,855	350	4	89	108	41.3	34.1	5.3	4.6	27.3	0.1	32%	18.3
Lloyds Metals & Energy	LLOYDSME IN	ADD	1,496	1,476	780	9	119	149	12.5	10.1	5.2	3.4	9.5	-	-1%	56.5
Metropolis Healthcare	METROHL IN	ADD	1,746	2,250	90	1	39	47	44.5	36.9	6.0	5.2	21.8	0.2	29%	18.8
Navin Fluorine Intl.	NFIL IN	ADD	4,531	4,080	224	3	82	NA	55.5	NA	7.2	NA	31.0	-	-10%	13.9
NCC	NJCC IN	HOLD	232	223	145	2	16	18	14.6	13.1	1.7	1.5	9.6	0.4	-4%	16.9
PI Industries	PI IN	REDUCE	3,948	3,067	597	7	121	NA	32.6	NA	4.9	NA	21.7	0.1	-22%	16.1
RBL Bank	RBK IN	ADD	223	260	135	2	2	3	110.0	64.4	8.1	7.3	8.1	0.9	17%	7.6
Skipper	SKIPPER IN	ADD	509	612	58	1	17	22	30.0	23.2	4.2	3.5	12.4	0.0	20%	14.8
Sonata Software	SSOF IN	ADD	415	399	116	1	19	22	21.7	19.0	6.0	5.2	13.8	2.6	-4%	29.2
TCPL Packaging	TCPL IN	ADD	3,750	4,530	34	0	158	198	23.7	18.9	4.4	3.7	12.1	0.6	21%	20.4
UPL	UPLL IN	ADD	632	1,289	512	6	41	64	15.3	9.8	1.4	1.2	7.3	1.7	104%	10.3
VRL Logistics	VRLL IN	ADD	567	650	49	1	19	20	29.2	27.8	4.3	3.9	9.7	1.2	15%	15.4

SOURCE: INCRED RESEARCH ESTIMATES, BLOOMBERG,

NOTE: PRICES AS ON 12 JUN 2025

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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.