

Eicher Motors

BSE SENSEX 73,583 S&P CNX 22,820



Bloomberg	EIM IN
Equity Shares (m)	274
M.Cap.(INRb)/(USDb)	1868.5 / 19.7
52-Week Range (INR)	8233 / 5000
1, 6, 12 Rel. Per (%)	-6/4/31
12M Avg Val (INR M)	3353

Financials & Valuations (INR b)

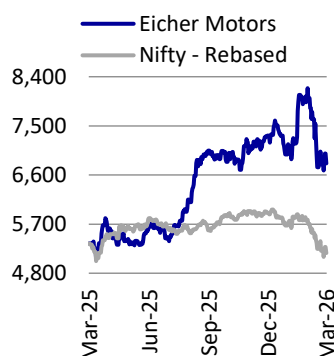
INR b	FY26E	FY27E	FY28E
Sales	233.0	268.3	306.0
EBITDA (%)	57.4	66.3	75.8
Adj. PAT	55.2	62.6	71.7
EPS (INR)	201.2	228.5	261.5
EPS Growth (%)	16.5	13.6	14.5
BV/Share (INR)	906	1,054	1,226
Ratio			
RoE (%)	23.9	23.3	22.9
RoCE (%)	23.3	22.8	22.5
Payout (%)	35.8	35.0	34.4
Valuations			
P/E (x)	33.8	29.8	26.0
P/BV (x)	7.5	6.5	5.6
Div. Yield (%)	1.1	1.2	1.3
FCF Yield (%)	2.3	2.7	3.1

Shareholding pattern (%)

As of	Dec-25	Sep-25	Dec-24
Promoter	49.1	49.1	49.1
DII	14.7	14.7	16.1
FII	27.0	27.0	25.5
Others	9.2	9.2	9.3

FII includes depository receipts

Stock Performance (one-year)



CMP: INR6,812 TP: INR6,960 (+2%) Upgrade to Neutral Domestic demand sustains; export outlook uncertain

We met with Eicher Motors (EIM)'s management to gain insight into the business outlook amid the challenging global macroeconomic environment. Domestic demand momentum remains healthy, especially in the 350cc segment, where demand currently outstrips supply. Conversely, demand in the 350cc+ segment weakened following the GST increase for this category, but is now gradually recovering due to multiple product interventions by RE. However, the export outlook remains a mixed bag as the outlook for regions such as Europe, the US, and Thailand – which account for half of EIM's exports – remains challenging, while the outlook for the other half remains positive. The immediate risk posed by the ongoing geopolitical conflict is a potential gas supply shortage, which could disrupt production in the near term if the situation persists. Management emphasized its continued focus on profitable volume growth rather than margins. Owing to the global uncertainties, the stock has corrected about 17% from its peak and now appears fairly valued at 29.8x FY27E and at 26.0x FY28E. We upgrade the stock to Neutral with a revised TP of INR6,960. We value RE at 28x Dec'27E EPS and VECV at 12x EV EBITDA.

Domestic demand remains upbeat in the 350cc segment

The GST rate cuts have helped RE sustain its demand momentum, especially in the 350cc segment, where demand currently exceeds supply and booking growth continues to outpace wholesale growth. In the 350cc+ segment, demand is relatively weak due to the rise in GST rates. However, given the supply constraints – especially for the 350cc models – RE is in the midst of a capacity expansion that will gradually increase its capacity from the current 1.2m units to 2m units p.a. by FY28, with an investment of about INR9.6b. While the two-wheeler industry growth outlook is expected to be in the high single digits for FY27E, RE aims to outperform the industry growth.

Modest export outlook

About 50% of RE's export regions are facing demand headwinds, including Europe (due to the macro slowdown), North America (because of high tariffs), and Thailand. Conversely, other regions continue to demonstrate healthy growth, which include Brazil (a key growth driver), other LATAM regions such as Argentina and Colombia, as well as APAC regions such as Japan, Australia, NZ, and South Korea. In the near term, RE will focus on these growth regions while aiming to maintain volumes in the regions facing challenges.

Valuation and view

We project EIM to achieve a CAGR of 18%/17%/15% in revenue/EBITDA/PAT over FY25-28E. Amid global uncertainties, the stock has corrected about 17% from its peak and now appears fairly valued at 29.8x FY27E and 26.0x FY28E.

We upgrade the stock to Neutral with a revised TP of INR6,960. We value RE at 28x Dec'27E EPS and VECV at 12x EV EBITDA.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Key takeaways from the management meeting

Update on the domestic business

- The 350cc segment continues to experience healthy demand even in 4Q, with demand outpacing supply. Apart from the GST rate cuts, continued product interventions and focused brand campaigns have helped sustain excitement in the segment. Management did highlight that RE had been growing at about 26% even before the GST rate cuts.
- Following the GST rate cuts, growth has improved to 29%, but it has been capped by weaker offtake in the 350cc+ segment, where GST rates have increased to 40% from 29%.
- The recent product interventions in the 350cc+ segment, like the Classic 650, the new Bullet 650, and the Himalayan 450 Mana Black, have helped improve demand in this category over the last few months.
- Overall, while the 350cc segment is working at peak utilization, the 350cc+ segment is working at ~70% utilization.
- Overall, for RE, booking figures are stronger than wholesale growth, and retail growth is expected to be broadly in line with wholesale growth.
- While some of its larger states might have been saturated and hence are slowing down, growth is being driven by increased penetration in smaller towns, which are seeing stronger growth. For instance, in India, the top 60-70 districts that contribute to ~35% of RE's volumes are growing at 20-25%, while the other districts are growing much faster at ~40%. Thus, RE continues to have huge headroom to sustain healthy growth in the long run. The company is targeting smaller regions for growth by deploying demo vans and establishing festive outlets.
- Given the strong demand momentum, RE has just 7-10 days of inventory across its product portfolio.
- While the two-wheeler industry outlook stands at high single-digit growth for FY27E, RE would look to outperform the same.

Update on the new launches

- At the EICMA, RE presented several motorcycles, including the special edition of Classic 650, the new Bullet 650, the Himalayan 450 Mana Black, the Shotgun with the Rough Crafts collaboration, a limited edition, and the Flying Flea S6 – its electric platform.
- RE has unveiled two products under the Flying Flea EV brand; one is known as C6, which is a classic-style one, and the other is an S6, which is a Scrambler version. C6 is almost ready for production and is likely to be launched by Q1FY27. The S6 is likely to be launched later in FY27. Management acknowledges that they will need to build this category from scratch, and hence, they will look to build the same slowly and steadily in the coming years. Its use case will only be for the within-city commute. They will not scale up capacity here unless they see healthy demand sustained in the future.
- They are evaluating hybrid options as well at the moment.
- There have been media reports that suggest RE is working on a smaller 250cc motorcycle. Management has clarified that they continue to work within the 250-750cc category. They highlighted that there is a huge funnel for customers who like the RE, visit the website, but find it either “out of reach” or “too bulky”. They gave the example of the Hunter launch, which was a lighter RE and helped

them attract non-RE customers to their fold. Overall, a relatively lower-end product is likely to help attract more first-time buyers to RE's fold.

Update on capacity expansion

- While the 350cc bikes are operating at peak utilization, the 350cc+ models are operating at 70% utilization levels. Its capacities are fungible for models within the 350, 450, 500, and 650cc segments. Of the current capacity, 90% capacity is for the 350cc models.
- Given the peak utilization in the 350cc segment, RE had already announced capacity expansion. It had announced a small capex of INR1b for debottlenecking, which would take its capacity from the current 1.2m units p.a. (4,300 units per day) to 1.45m by 1QFY27.
- It has also announced brownfield capex at its Cheyyar facility, which will take its total capacity to 2m units over two years at an investment of INR9.6b. This capacity will be added in modules over two years, but it will be mapped to the estimated peak requirement for the company.
- Beyond this, RE would need a greenfield investment for further ramp-up in capacity.

Update on the exports business

- RE has about 8-9% in the middle-weight category in some of its key markets.
- Brazil has moved on to become the largest market for RE, contributing close to 25% of volumes, and RE continues to see healthy growth. Growth is largely driven by the Guerilla 450 and the Himalayan 450. In fact, the Himalayan 450 has made a significant impact in Brazil, winning the prestigious Moto de Ouro 2025 award in the "Trail" category. RE would continue to ramp up presence in this all-important growth region.
- The rest of Latin America (key markets such as Argentina, Colombia, Mexico, etc.) contributes about a 10% of exports. However, demand in Mexico has moderated due to the recently imposed tariffs on India.
- North America's contribution is about 3-4% in RE exports. However, given the high tariffs, demand in this market is also weak.
- Given that Mexico is a high-potential market for RE, they are considering setting up a CKD in Mexico, which may work for the US as well. However, there is still a lack of clarity regarding the tariff situation between these two regions.
- Europe and the UK form another 20-25% of RE's export mix. Even Europe is experiencing weak demand due to the slowing economy. The motorcycle industry in Europe continues to dip, and there is a lot of unsold inventory from competing brands. This has also led to disruption at the dealer level in the region.
- The balance of exports comes from the Asia Pacific. Demand is healthy in most of the APAC regions, barring Thailand.
- Demand in regions such as Japan and South Korea is picking up well. In fact, in Japan, the Bullet was the gold award winner for design. Such recognition in Japan is also expected to have a positive influence on regions like Indonesia.
- In Bangladesh, while the RE brand pull is very strong, its demand is subdued due to macroeconomic uncertainties.
- It is also ramping up its presence in Nepal, where demand is healthy given the hilly terrain.

- RE currently has seven CKD facilities: two in Brazil and one each in Colombia, Argentina, Nepal, Bangladesh, and Thailand.
- Overall, in 50% of its export markets (Europe, the US, and parts of Asia Pac), where demand is weak, RE would look to sustain its volumes. Its balance markets are expected to help drive exports growth for RE in the coming quarters.

Update on geopolitical uncertainty

- Due to the ongoing global uncertainty in the Middle East, a shortage of gas is emerging as a key risk for production disruption. Management indicated that they have less than a week's assured gas supply as of now to sustain uninterrupted production.
- Further, while freight rates are rising, they are still manageable on their routes. Most of the freight from the Middle East comes to Gujarat/Maharashtra ports, which are facing significant container shortage/congestion, and this, in turn, drives high rates. However, there is not as much congestion at the Chennai port, and hence, the situation is manageable at the moment, as per management.

Update on the RM basket

- Input costs are certainly rising, with raw materials such as steel, Cu, Al, and rubber all experiencing a QoQ increase in prices.
- The saving grace has been that precious metals have seen some cooling off in March. Even Al and Steel have been cooling off recently.
- Given the rising input cost pressure, RE has taken a 50bp price hike in Jan'26.

Other highlights

- To improve ease of purchase, RE has announced a partnership with Amazon India, enabling customers to buy RE motorcycles online. However, more than sales enhancement, this tie-up enables much better visibility of the brand pan-India.
- The non-motorcycle business (accessory sales and others) contributes to about 15% of consolidated revenues, up from 12% earlier. Accessory sales have reached about INR 8-8.5k per vehicle with a huge potential to grow in the coming years. RE has recently expanded its lifestyle/apparel offering with Royal Enfield Vallon and Moto Aviators collaborations in a new lifestyle eyewear range, which is a premium add-on for riders. However, management has clarified that they would not look to push accessory sales to customers.
- As a testament to its improving quality standards, RE has been rated as India's most reliable two-wheeler brand in terms of quality in the JD Power Survey 2025.

Valuation and view

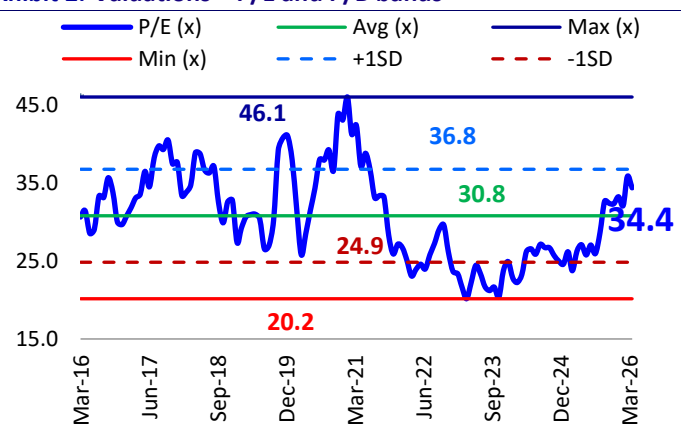
- **Domestic demand continues to be healthy:** The GST rate cuts have helped RE sustain its demand momentum, especially in the 350cc segment, where demand currently exceeds supply and booking growth continues to outpace wholesale growth. In the 350cc+ segment, demand is relatively weak due to the rise in GST rates. However, given the supply constraints – especially for the 350cc models – RE is in the midst of a capacity expansion that will gradually increase its capacity from the current 1.2m units to 2m units p.a. by FY28, with an investment of about INR9.6b. While the two-wheeler industry growth outlook is expected to be in high single digits for FY27E, RE aims to outperform the industry growth.
- **Export outlook remains uncertain:** RE has seen a slowdown in exports over the last few months, largely due to the ongoing geopolitical escalations in key regions. Demand in both the US and Mexico has slowed down due to the uncertainty on tariffs. Further, demand from some of its other key export markets, like Europe, also remains weak due to the adverse macroeconomic conditions in the region. However, demand in regions like Brazil, Argentina, Australia, Japan, etc. continues to remain healthy. RE would focus on these growth regions in the near term and look to sustain volumes in the former.
- **Focus will remain on growth over margins:** Over the last couple of years, RE management has started to focus on driving volume growth, even if it comes at the cost of margins. This was visible with the launch of recent RE upgrades, which came at minimal incremental cost increase while offering much higher features. Further, they have now started advertisements across brands to help drive growth. While these initiatives have helped drive demand, it has come at the cost of margins, which have now declined to an average of 25% from a peak of 27% in FY24 (barring 3Q, which was a festive quarter). We expect RE to continue to focus on driving demand, which is likely to keep margins under pressure going forward.
- **Valuation and view:** We project RE to achieve a 13% volume CAGR over FY26-28E, led by a 13.5% CAGR in domestic demand and a slower 11% CAGR in exports. Overall, we model RE to post a CAGR of 17%/16%/15% in revenue/EBITDA/PAT over FY25-28E. Amid global uncertainties, the stock has corrected about 17% from its peak and now appears fairly valued at 29.8x FY27E and 26.0x FY28E. **We upgrade the stock to Neutral with a revised TP of INR6,960. We value RE at 28x Dec'27E EPS and VECV at 12x EV EBITDA.**

Exhibit 1: Our SoTP-based valuation – INR6,960 (Dec'27-based)

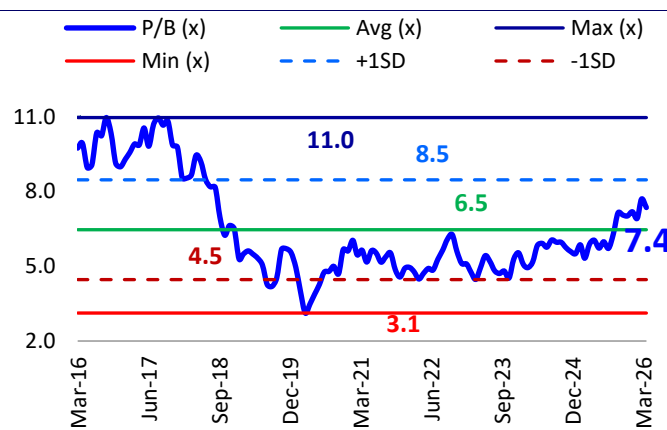
INR m		FY26E	FY27E	FY28E
Royal Enfield	P/E (x)	28	28	28
PAT		47,383	53,895	61,949
Equity Value	P/E @ 28x	13,26,728	15,09,064	17,34,567
VECV (@ 54.4% Economic interest)		12	12	12
EBITDA		13,965	15,227	16,628
EV	@ 12x EV/EBITDA	1,67,583	1,82,719	1,99,532
Net Debt		-22,681	-29,181	-36,694
Equity Value		1,90,264	2,11,901	2,36,226
Total Equity Value		15,16,992	17,20,964	19,70,793
Target Price (INR/Sh)		5,532	6,276	7,187

Source: Company, MOFSL

Exhibit 2: Valuations – P/E and P/B bands



Source: MOFSL



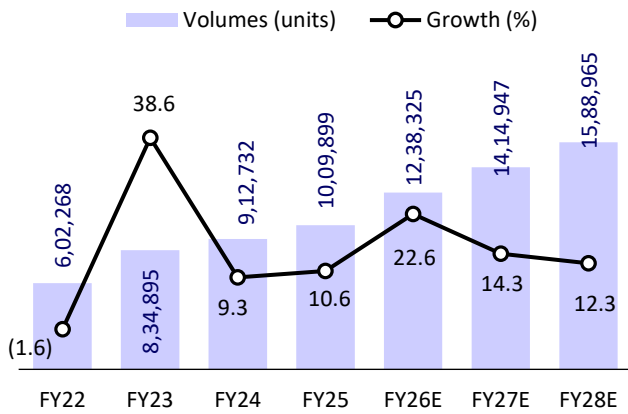
Source: MOFSL

Snapshot of the revenue model

000 units	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
ROYAL ENFIELD (S/A)							
Total 2W (units)	602	835	913	1,010	1,238	1,415	1,589
Growth (%)	-1.6	38.6	9.3	10.6	22.6	14.3	12.3
Net realn (INR'000/unit)	166	166	173	180	179	181	184
Growth (%)	18.4	0.3	4.3	3.6	-0.2	1.1	1.5
RE Revenues (INR b)	101	141	161	185	226	260	297
Growth (%)	17.4	39.0	14.3	14.8	22.5	15.1	14.1
VECV							
Dom - LMD	36	54	58	61	68	74	79
Growth (%)	33.0	47.6	7.4	4.6	12.7	8.5	7.1
Dom - HCV	11	19	22	22	25	27	28
Growth (%)	41.3	74.0	13.5	2.4	12.9	7.0	6.0
Total Dom.	47	73	79	83	93	101	107
Growth (%)	34.8	53.6	9.0	4.0	12.8	8.1	6.8
% of CV Vols	84.9	93.7	95.5	94.1	92.7	92.5	92.3
Exports	8	5	4	5	7	8	9
Growth (%)	67.7	-41.5	-24.6	39.2	42.2	10.7	10.3
Total CV vols	56	78	83	88	100	109	116
Growth (%)	38.9	39.3	6.9	5.6	14.5	8.3	7.0
Net realn (INR'000/unit)	2,229	2,380	2,556	2,612	2,649	2,688	2,730
Growth (%)	6	7	7	2	1	1	2
VECV revenue (INR b)	127	190	219	235	273	300	327
Growth (%)	46.7	48.9	15.4	7.7	15.8	10.1	8.9
Net consol. sales (INR b)	103	144	165	189	233	268	306
Growth (%)	18.1	40.2	14.5	14.1	23.5	15.1	14.1

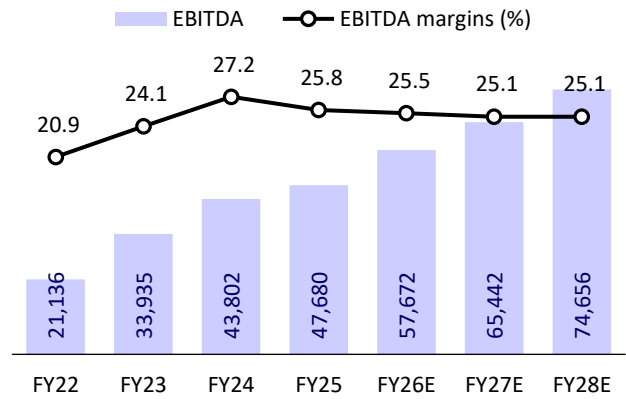
Story in charts

Exhibit 3: Volume and growth trends for RE



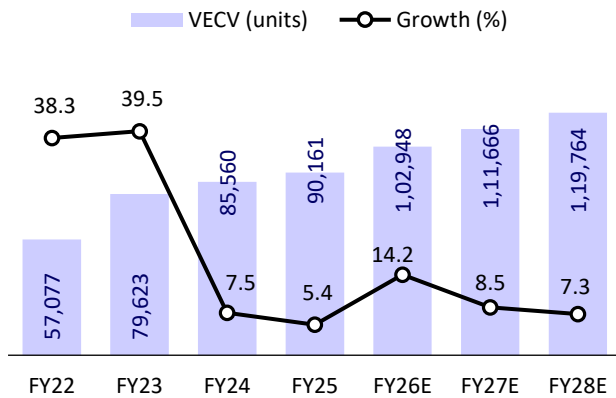
Source: Company, MOFSL

Exhibit 4: EBITDA and EBITDA margin trends for RE



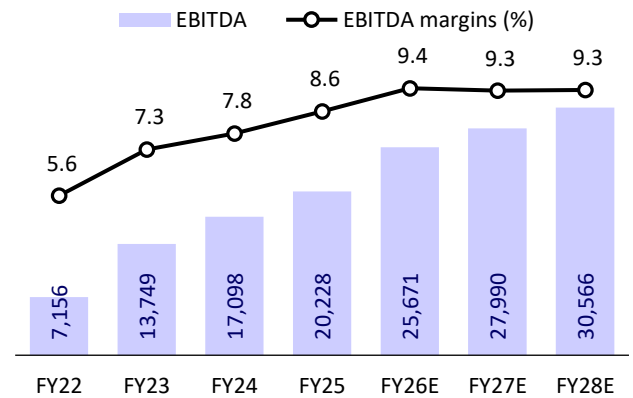
Source: Company, MOFSL

Exhibit 5: Volume growth trajectory for VECV



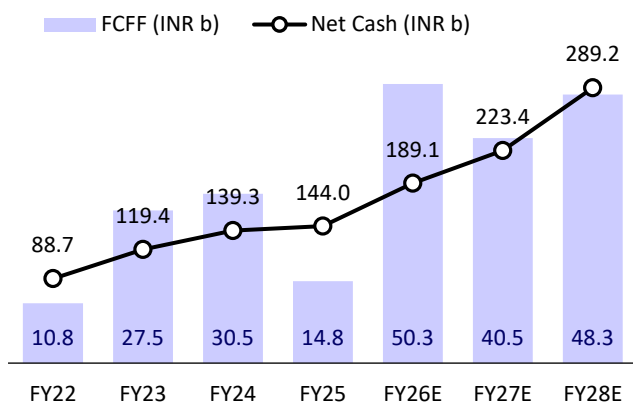
Source: Company, MOFSL

Exhibit 6: EBITDA and EBITDA margin trajectories for VECV



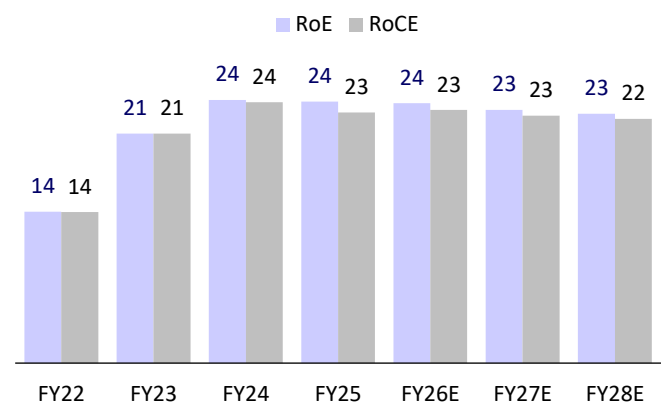
Source: Company, MOFSL

Exhibit 7: Strong FCF generation and liquidity (pro-rata)



Source: Company, MOFSL

Exhibit 8: Return ratios to stabilize



Source: Company, MOFSL

Financials and valuations

Income Statement (Consolidated)							(INR m)
Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Op. Income	1,02,978	1,44,422	1,65,358	1,88,704	2,32,993	2,68,288	3,06,003
Change (%)	18.1	40.2	14.5	14.1	23.5	15.1	14.1
EBITDA	21,723	34,436	43,269	47,120	57,384	66,326	75,760
EBITDA Margin (%)	21.4	23.8	26.2	25.0	24.6	24.7	24.8
Depreciation	4,519	5,262	5,976	7,293	8,381	8,673	9,292
EBIT	17,203	29,174	37,293	39,827	49,003	57,652	66,468
Interest cost	188	280	509	543	700	610	520
Other Income	4,408	5,951	10,759	13,049	14,875	15,300	17,205
PBT	21,424	34,845	47,543	52,333	63,178	72,342	83,153
Tax	5,259	8,857	12,010	11,986	15,794	18,447	21,204
Effective Rate (%)	24.5	25.4	25.3	22.9	25.0	25.5	25.5
PAT	16,165	25,988	35,533	40,346	47,383	53,895	61,949
Change (%)	18.5	60.8	36.7	13.5	17.4	13.7	14.9
Add VECV share	602	3,152	4,477	6,998	7,773	8,750	9,760
Adj. PAT	16,766	29,139	40,010	47,344	55,156	62,645	71,709
Change (%)	21.2	73.8	37.3	18.3	16.5	13.6	14.5

Balance Sheet (Consolidated)							(INR m)
Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Share Capital	273	274	274	274	274	274	274
Reserves	1,25,807	1,49,629	1,80,182	2,12,691	2,48,105	2,88,813	3,35,844
Net Worth	1,26,080	1,49,903	1,80,455	2,12,965	2,48,379	2,89,088	3,36,118
Deferred Tax	2,201	2,913	4,483	4,930	4,930	4,930	4,930
Loans	588	1,957	4,194	4,581	4,123	3,711	3,340
Capital Employed	1,28,869	1,54,773	1,89,132	2,22,476	2,57,431	2,97,728	3,44,387
Application of Funds							
Gross Fixed Assets	44,234	51,415	56,868	69,752	81,752	93,752	1,05,752
Less: Depreciation	19,991	24,516	27,724	35,017	43,399	52,072	61,364
Net Fixed Assets	24,243	26,899	29,144	34,735	38,353	41,680	44,388
Capital WIP	5,048	4,721	5,551	4,915	4,915	4,915	4,915
- of which Goodwill	0	0	0	0	0	0	0
Investments	77,206	1,23,207	1,53,831	1,68,613	1,91,113	2,26,113	2,68,113
Curr.Assets, L & Adv.	55,514	37,149	42,626	63,482	84,295	95,542	1,07,408
Inventory	11,324	12,784	14,096	15,638	19,308	22,232	25,358
Sundry Debtors	3,020	3,689	3,738	5,496	6,786	7,814	8,913
Cash & Bank Balances	505	888	1,072	2,190	8,618	8,401	8,016
Loans & Advances	33,487	13,573	5,160	4,900	6,050	6,967	7,946
Others	7,177	6,215	18,560	35,258	43,533	50,128	57,175
Current Liab. & Prov.	33,141	37,204	42,019	49,268	61,245	70,522	80,436
Sundry Creditors	17,881	18,104	20,901	25,298	31,235	35,967	41,023
Other Liabilities	13,362	16,520	18,372	20,794	25,674	29,563	33,719
Provisions	1,898	2,579	2,746	3,177	4,336	4,992	5,694
Net Current Assets	22,373	-54	607	14,213	23,050	25,020	26,972
Application of Funds	1,28,869	1,54,772	1,89,133	2,22,476	2,57,431	2,97,728	3,44,387

E: MOFSL Estimates

Financials and valuations

Ratios (Consolidated)

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)							
EPS	61.3	106.5	146.3	172.7	201.2	228.5	261.5
EPS Growth (%)	21.1	73.7	37.3	18.0	16.5	13.6	14.5
Book Value per Share	461	548	660	777	906	1,054	1,226
DPS	21.0	37.0	51.0	70.0	72.0	80.0	90.0
Payout (Incl. Div. Tax) %	34.2	34.7	34.9	40.5	35.8	35.0	34.4
Valuation (x)							
P/E	111.4	64.1	46.7	39.6	33.8	29.8	26.0
EV/EBITDA	71.1	42.2	32.6	29.5	23.4	20.4	17.3
EV/Sales	10.4	7.2	6.2	5.5	4.5	3.9	3.3
Price to Book Value	14.8	12.5	10.4	8.8	7.5	6.5	5.6
Dividend Yield (%)	0.3	0.5	0.7	1.0	1.1	1.2	1.3
Profitability Ratios (%)							
RoE	13.9	21.1	24.2	24.1	23.9	23.3	22.9
RoCE	13.9	21.1	24.0	23.1	23.3	22.8	22.5
RoIC	22.2	66.9	114.3	95.7	85.6	89.1	93.4
Turnover Ratios							
Debtors (Days)	11	9	8	11	11	11	11
Inventory (Days)	40	32	31	30	30	30	30
Creditors (Days)	63	46	46	49	49	49	49
Working Capital (Days)	-13	-4	-7	-8	-8	-8	-8
Asset Turnover (x)	0.8	0.9	0.9	0.8	0.9	0.9	0.9
Leverage Ratio							
Net Debt/Equity (x)	-0.5	-0.7	-0.7	-0.7	-0.8	-0.8	-0.8

Cash Flow Statement (Consolidated)

(INR m)

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Profit before Tax	22,025	37,996	52,020	59,331	70,951	81,092	92,913
Depreciation	4,519	5,262	5,976	7,293	8,381	8,673	9,292
Direct Taxes Paid	-5,136	-7,703	-10,678	-10,802	-15,794	-18,447	-21,204
(Inc)/Dec in Working Capital	-1,503	657	3,880	2,110	977	779	832
Interest/Div. Received	-2,440	-1,765	-2,037	-3,173	-6,075	-7,200	-9,000
Other Items	-2,195	-6,221	-11,924	-14,960	-2,686	-2,355	-2,648
CF from Oper. Activity	15,270	28,227	37,237	39,799	55,754	62,541	70,184
(Inc)/Dec in FA+CWIP	-6,387	-6,737	-8,144	-10,285	-12,000	-12,000	-12,000
Free Cash Flow	8,883	21,490	29,094	29,515	43,754	50,541	58,184
(Pur)/Sale of Invest.	-3,446	-17,231	-20,196	-14,322	-16,425	-27,800	-33,000
CF from Inv. Activity	-9,833	-23,968	-28,339	-24,607	-28,425	-39,800	-45,000
Issue of Shares	65	112	466	869	0	0	0
Inc/(Dec) in Debt	-1,046	440	64	-50	-458	-412	-371
Interest Paid	-142	-134	-250	-245	-700	-610	-520
Dividends Paid	-4,647	-5,742	-10,129	-13,975	-19,742	-21,936	-24,678
CF from Fin. Activity	-5,934	-4,174	-8,444	-13,987	-20,901	-22,958	-25,569
Inc/(Dec) in Cash	-496	84	454	1,206	6,428	-217	-385
Add: Beginning Balance	941	445	530	984	2,190	8,618	8,401
Closing Balance	445	530	984	2,190	8,618	8,401	8,016

E: MOFSL Estimates

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NOTES

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BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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