

## Tariff, Growth, and Valuation Concerns: Underperformance Inevitable for India?

Amidst slow progress on the U.S.-India trade deal, U.S. President Donald Trump said on Wednesday the United States will impose a 25% tariff on goods imported from India starting on August 1st. While the expected impact of the tariffs would be negative for India's growth, especially in the absence of a confirmed trade deal, we take this opportunity to look at India through the EVA lens to see how equities in the country look at this stage and what has historically worked over the short- to long-term. We also look at the following major BRICS economies together: Brazil, India, China, and South Africa ("BICS"), to see how the grouping has fared in the past from an EVA perspective. Finally, we run two screens to see which firms look attractive in the PRVit framework within the BICS group of countries.

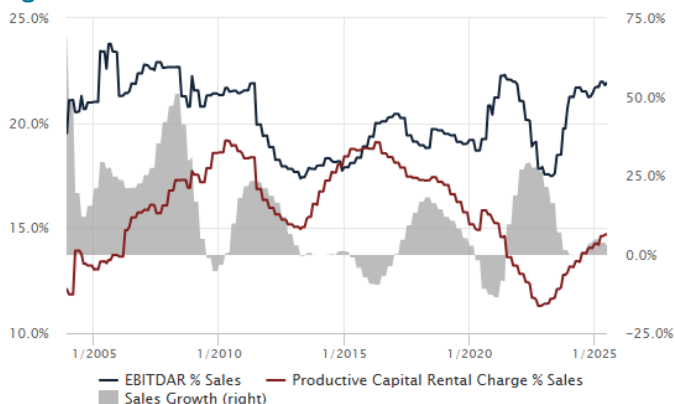
In **Figure 1** below, we have some headline EVA metrics for Brazil, India, China, South Africa, and the Rest of the Emerging Markets. India currently has strong Quality (P-R), supported by a comparatively high aggregate EVA Margin of 5.6%; however, the country also has the highest Valuations of the cohort, dragging on the PRVit Score. Indian firms, on a market cap-weighted basis, have underperformed the other regions on a YTD basis. China looks the most attractive amongst the group, given its relatively cheap Valuation levels, which are somewhat offset by unfavorable Quality (Risk-Adjusted Profitability). Brazil has favorable Valuations but moderate Quality, while South Africa has demonstrated strong Quality (P-R), which is offset by moderate Valuation levels.

**Figure 1: EVA Metrics – BICS and Rest of EM**

| Country             | Brazil | India | China | South Africa | Rest of EM |
|---------------------|--------|-------|-------|--------------|------------|
| PRVit Score         | 42     | 52    | 75    | 48           | 59         |
| Quality (P-R)       | 52     | 65    | 44    | 65           | 51         |
| Valuation Score (V) | 36     | 64    | 31    | 48           | 35         |
| EVA Margin (%)      | 3.2%   | 5.6%  | -0.6% | 4.9%         | 3.5%       |
| EVA Momentum (%)    | -1.4%  | 0.1%  | -0.5% | -0.7%        | 0.5%       |
| TSR YTD (%)         | 14.5%  | 5.2%  | 21.9% | 30.1%        | 15.1%      |

Incremental EVA creation in India has faced some pressure over the last few quarters as top-line growth, shown in **Figure 2** below, has started to decelerate through 2025 after peaking out in late 2024. Asset efficiency, as measured by the Productive Capital Charge (higher is less favorable), has also continued to deteriorate over the last three years. EBITDAR Margin, however, has continued to expand and is currently near the upper end of the historical range.

**Figure 2: EVA Drivers – India**



### Key Summary

- Amidst slow progress on the trade deal and the recently announced 25% tariff by U.S. President Trump on Indian good imports, we look at India through the EVA lens to see how equities in the country look at this stage and what has historically worked over the short- to long-term. We also look at some of the major BRICS economies to see how the grouping has fared in the past from an EVA perspective.
- We cover two screens: Screen 1 for Indian firms that are rated favorably in the PRVit framework with strong EVA Margin, positive EVA Momentum and favorable P2 Profitability Trend and Valuation scores.
- For Screen 2, we look for Brazilian, Chinese, and South African firms that look attractive in PRVit with strong EVA Margin, positive EVA Momentum and favorable P2, Risk, and Valuation Scores.

### EVA Primer

1. EVA measures the true economic profit of a business after compensating shareholders for use of their capital and is therefore superior to standard accounting measures.
2. The value of a company is the capital invested plus the present value of future EVA generation. The math is like a DCF:  
Market Value = Capital + PV(EVA).
3. Therefore, more Economic Value Added (EVA) is better.

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### About ISS EVA

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**EVA Trends for Indian Large Cap Firms (Q1/Q2 2025): RELIANCE IN, TCS IN, DMART IN, IH IN, DIXON IN**

Below, we look at recent EVA trends of some large-cap Indian firms (Mcap \$10B+) to get a bottom-up view on some industries by analyzing the regional market leaders of the country.

**RELIANCE IN:** EVA Momentum (growth) saw an upward inflection in the quarter ending March after four negative quarters, driven by acceleration in top-line growth and an improvement in asset efficiency, positively offsetting a sustained deterioration in EBITDAR Margin through the last four quarters. Future Growth Reliance (FGR) has come down slightly from 2024 highs but remains elevated compared to the long-term range.

**TCS IN:** An 'Expensive but Worth It' name that has seen EVA Momentum remain in positive territory since Q2 2018, though it has seen a deceleration from early 2024 through H1 2025 and currently sits at 0.2%. Top-line growth has decelerated to the lowest levels since 2020, while EBITDAR Margin also trades near record lows at this stage. Future Growth Reliance (FGR) has come off trading near the upper-end of the long-term range to around 5-year lows, but Valuations remain very high relative to the market.

**DMART IN:** Amidst intense competition from Quick Commerce (10-minute delivery) firms, the Indian supermarket chain has seen economic profitability erode significantly since Q2 2022. EVA Momentum (growth) turned negative in the quarter ending March 2025 on a sustained contraction in EBITDAR Margin and deteriorating asset efficiency, as increased investments in store expansions have resulted in an elevated PP&E Charge. Valuations continue to remain very high.

**IH IN:** The 'Overly Expensive Quality' name looks unfavorable in the PRVit framework due to very high Valuation levels, but the firm also has very strong Quality (Risk-Adjusted Profitability). EVA Momentum has accelerated as of Q2 on strong sales growth, and EBITDAR Margin remains near record high levels despite a small contraction in the latest quarter. **IH IN's** EVA Margin has also reached a record high of 7.7% as of the June quarter.

**DIXON IN:** Another 'Expensive but Worth It' name, **DIXON IN** has seen EVA Momentum accelerate to record highs as of the quarter ending March, as very strong top-line growth was coupled with an expansion in EBITDAR Margin and a record-low Productive Capital Charge (lower is better). The company has very strong Quality (Risk-Adjusted Profitability), but expensive Valuations pull the PRVit rating down to 'Overweight.'

**Figure 3: EVA Metrics – RELIANCE IN, TCS IN, DMART IN, IH IN, DIXON IN**

| Ticker      | Industry                      | Mkt Cap (\$mm) | EVA Margin (%) | EVA Momentum (%) | PRVit Score | Quality (P-R) | Valuation Score (V) | YTD TSR (%) | 5Yr TSR (%) |
|-------------|-------------------------------|----------------|----------------|------------------|-------------|---------------|---------------------|-------------|-------------|
| RELIANCE IN | Oil, Gas & Consumable Fuels   | 217,728        | -0.6%          | -0.3%            | 46          | 59            | 65                  | 14.5%       | 31.3%       |
| TCS IN      | IT Services                   | 131,165        | 16.5%          | 0.2%             | 82          | 97            | 90                  | -20.6%      | 63.9%       |
| DMART IN    | Staples Distribution & Retail | 30,070         | 2.0%           | -0.2%            | 21          | 71            | 95                  | 12.2%       | 96.8%       |
| IH IN       | Hotels, Restaurants & Leisure | 12,279         | 7.7%           | 5.0%             | 42          | 83            | 96                  | -14.7%      | 879.7%      |
| DIXON IN    | Household Durables            | 11,681         | 1.5%           | 2.4%             | 64          | 95            | 86                  | -6.9%       | 987.0%      |
| Average     |                               | 80,584         | 5.4%           | 1.4%             | 51          | 81            | 87                  | -3.1%       | 411.7%      |

**PRVit Performance for India and BICS on the next page.**

### PRVit Performance by Factor

The top-bottom spread ("spread") is the difference between the average return of the top 20% and the bottom 20% of stocks ranked by a factor. The information coefficient ("IC") is the cross-sectional correlation between the factor ranks and future returns. In other words, the top quintile should outperform the 2nd quintile, the 2nd quintile should outperform the 3rd quintile, etc. An IC around 5% indicates a very monotonic result.

For the Indian universe (**Figure 4**), all subfactors have worked over the very long term (since Dec '07), with Quality (P-R) being the strongest, averaging +72bps/month of alpha. Valuation (V) has worked across all time horizons as cheap (Low V) companies have outperformed expensive (High V) companies over the short-, mid-, and long-term. PRVit has seen an alpha of +48bps/month over the 3M timeframe, mostly hurt by our Risk factor underperforming as High-Risk companies significantly outperformed Low-Risk companies. Profitability has worked over all time horizons, except seeing a small underperformance over the 1Y timeframe, with a modest outperformance ranging between +24bps/month over 5Y to +66bps/month since December 2007.

**Figure 4: PRVit Performance by Factor – India**

| India                         | 3M    |        | YTD    |                    | 1Y     |                    | 3Y     |                    | 5Y     |                    | 10Y    |                    | Since Dec'07 |                    |
|-------------------------------|-------|--------|--------|--------------------|--------|--------------------|--------|--------------------|--------|--------------------|--------|--------------------|--------------|--------------------|
| Industry Scores               | IC    | Spread | Avg IC | Avg Monthly Spread | Avg IC | Avg Monthly Spread | Avg IC | Avg Monthly Spread | Avg IC | Avg Monthly Spread | Avg IC | Avg Monthly Spread | Avg IC       | Avg Monthly Spread |
| Profitability (High P)        | 0.2%  | 0.44%  | 0.9%   | 0.45%              | 0.3%   | -0.07%             | 1.3%   | 0.41%              | 0.8%   | 0.24%              | 1.8%   | 0.31%              | 4.5%         | 0.66%              |
| Profitability Level (High P1) | 0.5%  | -0.39% | 1.7%   | 0.49%              | -0.2%  | -0.17%             | 0.7%   | -0.03%             | 0.2%   | -0.26%             | 1.5%   | 0.12%              | 4.1%         | 0.51%              |
| Profitability Trend (High P2) | 1.8%  | 0.28%  | 0.1%   | -0.16%             | 0.4%   | -0.06%             | 1.8%   | 0.89%              | 1.1%   | 0.68%              | 1.3%   | 0.36%              | 3.5%         | 0.62%              |
| Risk (Low R)                  | -1.2% | -1.21% | 0.4%   | -0.10%             | 1.5%   | 0.04%              | -1.6%  | -0.80%             | -1.3%  | -1.01%             | 2.1%   | -0.06%             | 4.0%         | 0.36%              |
| Volatility (Low R1)           | -5.1% | -0.81% | -1.3%  | 0.00%              | 2.7%   | 0.72%              | -2.9%  | -1.34%             | -1.6%  | -1.06%             | 2.4%   | 0.11%              | 5.1%         | 0.69%              |
| Vulnerability (Low R2)        | 3.6%  | 0.62%  | 2.3%   | 0.29%              | -0.9%  | -0.68%             | 0.3%   | 0.04%              | -0.4%  | -0.33%             | 0.5%   | 0.01%              | 0.9%         | 0.02%              |
| Quality (High P - R)          | -1.1% | -0.18% | 0.6%   | 0.33%              | 0.8%   | 0.02%              | 0.0%   | -0.29%             | 0.2%   | -0.39%             | 2.6%   | 0.14%              | 5.3%         | 0.72%              |
| Valuation (Low V)             | 4.7%  | 0.99%  | 4.4%   | 1.03%              | 3.8%   | 1.01%              | 6.6%   | 1.70%              | 5.1%   | 1.58%              | 1.0%   | 0.72%              | -0.7%        | 0.47%              |
| Valuation Ratios (Low V1)     | 4.9%  | 1.51%  | 4.2%   | 1.31%              | 4.2%   | 1.17%              | 6.4%   | 1.68%              | 4.9%   | 1.59%              | 0.8%   | 0.66%              | -0.8%        | 0.41%              |
| Valuation Multiples (Low V2)  | 4.0%  | 0.50%  | 5.2%   | 1.14%              | 3.5%   | 0.72%              | 6.8%   | 1.71%              | 5.2%   | 1.43%              | 1.8%   | 0.69%              | 0.1%         | 0.50%              |
| PRVit                         | 2.5%  | 0.48%  | 3.6%   | 0.99%              | 3.4%   | 0.97%              | 4.1%   | 0.89%              | 3.1%   | 0.71%              | 3.2%   | 0.71%              | 4.7%         | 1.04%              |
| PRVit Prime                   | 2.8%  | 0.89%  | 3.9%   | 1.10%              | 3.3%   | 0.87%              | 4.1%   | 0.86%              | 3.2%   | 0.73%              | 3.3%   | 0.74%              | 4.8%         | 1.11%              |

At the BICS level (**Figure 5**), PRVit has generated very strong alpha over the long-term, both 10Y and Since Dec '07, averaging +113bps/month and +102bps/month respectively. This was driven by a strong performance in Quality (P-R), which was in turn supported by both High P and Low R working favorably. Quality (P-R), Profitability (P), and Profitability Trend (P2) saw their strongest outperformance over the last 3M period, while Valuation (V) recorded underperformance over the same time horizon as investors favored companies with higher Quality, supported by a favorable Profitability Trend (growth in value creation), even at the cost of High Valuations.

**Figure 5: PRVit Performance by Factor – BICS**

| BICS                          | 3M    |        | YTD    |                    | 1Y     |                    | 3Y     |                    | 5Y     |                    | 10Y    |                    | Since Dec'07 |                    |
|-------------------------------|-------|--------|--------|--------------------|--------|--------------------|--------|--------------------|--------|--------------------|--------|--------------------|--------------|--------------------|
| Industry Scores               | IC    | Spread | Avg IC | Avg Monthly Spread | Avg IC | Avg Monthly Spread | Avg IC | Avg Monthly Spread | Avg IC | Avg Monthly Spread | Avg IC | Avg Monthly Spread | Avg IC       | Avg Monthly Spread |
| Profitability (High P)        | 4.2%  | 0.97%  | 2.2%   | -0.14%             | -1.1%  | -1.34%             | 3.0%   | 0.32%              | 2.4%   | 0.29%              | 4.2%   | 0.68%              | 4.3%         | 0.71%              |
| Profitability Level (High P1) | 3.5%  | 0.78%  | 2.1%   | -0.07%             | -0.8%  | -1.26%             | 3.2%   | 0.33%              | 2.7%   | 0.31%              | 4.5%   | 0.73%              | 4.0%         | 0.52%              |
| Profitability Trend (High P2) | 4.0%  | 1.36%  | 1.7%   | -0.14%             | -1.2%  | -0.91%             | 1.8%   | 0.45%              | 1.2%   | 0.30%              | 2.6%   | 0.54%              | 3.5%         | 0.78%              |
| Risk (Low R)                  | 3.0%  | -0.06% | 1.4%   | -0.92%             | 1.3%   | -1.03%             | 6.1%   | 0.97%              | 5.1%   | 0.77%              | 4.8%   | 0.66%              | 4.0%         | 0.49%              |
| Volatility (Low R1)           | 3.6%  | 0.30%  | 0.5%   | -1.14%             | 1.1%   | -1.36%             | 7.1%   | 0.86%              | 5.9%   | 0.65%              | 5.2%   | 0.48%              | 4.6%         | 0.46%              |
| Vulnerability (Low R2)        | 1.1%  | 0.12%  | 1.8%   | 0.38%              | 1.1%   | 0.38%              | 2.6%   | 0.78%              | 2.0%   | 0.49%              | 2.1%   | 0.40%              | 1.6%         | 0.28%              |
| Quality (High P - R)          | 4.3%  | 0.86%  | 2.1%   | -0.51%             | -0.5%  | -1.59%             | 4.8%   | 0.74%              | 3.9%   | 0.55%              | 5.3%   | 0.85%              | 5.1%         | 0.84%              |
| Valuation (Low V)             | -0.6% | -0.86% | 4.4%   | 1.08%              | 6.1%   | 1.98%              | 2.7%   | 0.79%              | 2.5%   | 0.58%              | 1.4%   | 0.39%              | 0.6%         | 0.30%              |
| Valuation Ratios (Low V1)     | -0.8% | -0.99% | 4.0%   | 0.98%              | 6.2%   | 2.09%              | 2.3%   | 0.71%              | 2.1%   | 0.56%              | 1.0%   | 0.35%              | 0.4%         | 0.27%              |
| Valuation Multiples (Low V2)  | -0.7% | -1.04% | 4.9%   | 0.94%              | 5.0%   | 1.29%              | 3.5%   | 0.78%              | 3.2%   | 0.71%              | 2.3%   | 0.44%              | 1.2%         | 0.30%              |
| PRVit                         | 3.3%  | 0.43%  | 4.5%   | 0.41%              | 3.5%   | -0.07%             | 6.4%   | 1.23%              | 5.3%   | 0.99%              | 5.9%   | 1.13%              | 5.0%         | 1.02%              |
| PRVit Prime                   | 0.5%  | -0.42% | 3.0%   | -0.14%             | 3.2%   | -0.16%             | 5.0%   | 0.84%              | 4.3%   | 0.71%              | 5.2%   | 0.96%              | 4.4%         | 0.84%              |

The screens are shown in the following pages.

## Screen 1: Attractive Firms in India

In this screen, we look at attractive PRVIt firms ( $\geq 60$ ) within the Indian Markets (MCap  $\geq$  \$2B) with strong Profitability Trend (P2  $\geq 60$ ). We select firms with positive EVA Momentum (growth) and EVA Margin  $\geq 3\%$ . We also filter out firms in the top quintile (i.e., very high) of our Valuation factor.

### Screen Criteria

- Market Cap  $\geq$  \$2B
- EVA Margin  $\geq 3\%$
- EVA Momentum  $\geq 0\%$
- PRVIt  $\geq 60$
- P2 Profitability Trend  $\geq 60$
- Valuation  $\leq 80$

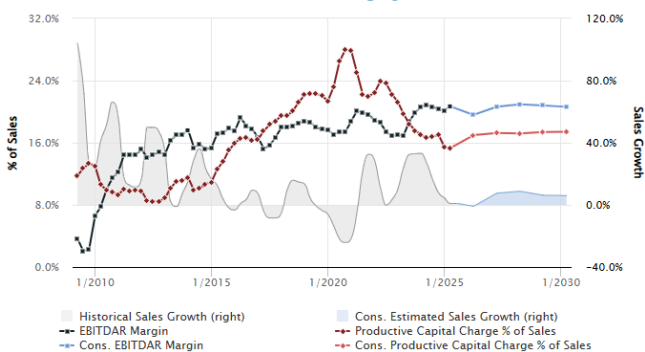
| Name                        | Ticker      | Industry                    | Mkt Cap (\$mm) | EVA Margin (%) | EVA Momentum (%) | PRVIt Score | Quality (P-R) | P2 Profitability Trend | Risk Score (R) | Valuation Score (V) | Returns YTD (%) | ESG Perf Score |
|-----------------------------|-------------|-----------------------------|----------------|----------------|------------------|-------------|---------------|------------------------|----------------|---------------------|-----------------|----------------|
| STATE BANK OF INDIA         | SBIN IN     | Banks                       | 86,070         | 19.2%          | 3.5%             | 63          | 88            | 94                     | 57             | 65                  | 3.5%            | 35.51          |
| LARSEN & TOUBRO LTD         | LT IN       | Construction & Engineering  | 54,743         | 5.0%           | 0.5%             | 74          | 91            | 75                     | 22             | 77                  | -3.6%           | 46.41          |
| WIPRO LTD -ADR              | WIT         | IT Services                 | 31,418         | 10.5%          | 1.6%             | 90          | 95            | 78                     | 15             | 74                  | -12.1%          | 63.71          |
| POWERGRID CORP OF INDIA     | PWGR IN     | Electric Utilities          | 31,408         | 21.9%          | 0.6%             | 61          | 79            | 66                     | 41             | 76                  | -4.3%           | 53.64          |
| TATA MOTORS LTD             | TTMT IN     | Automobiles                 | 29,258         | 3.1%           | 1.0%             | 96          | 87            | 88                     | 29             | 21                  | -6.3%           | 44.87          |
| HINDALCO INDUSTRIES LTD     | HNDL IN     | Metals & Mining             | 18,016         | 3.5%           | 3.4%             | 92          | 65            | 82                     | 73             | 29                  | 15.1%           | 47.52          |
| PUNJAB NATIONAL BANK        | PNB IN      | Banks                       | 14,404         | 21.3%          | 0.2%             | 67          | 75            | 72                     | 74             | 44                  | 8.3%            | 26.97          |
| CIPLA LTD                   | CIPLA IN    | Pharmaceuticals             | 14,311         | 12.9%          | 1.1%             | 93          | 97            | 82                     | 7              | 78                  | 1.3%            | 60.25          |
| SHRIRAM FINANCE LIMITED     | SHFL IN     | Consumer Finance            | 13,391         | 31.9%          | 3.9%             | 87          | 92            | 89                     | 38             | 63                  | 7.5%            | 35.45          |
| REC LTD                     | RECL IN     | Financial Services          | 12,200         | 43.8%          | 13.2%            | 95          | 97            | 85                     | 19             | 56                  | -18.4%          | 55.96          |
| UNION BANK OF INDIA         | UNBK IN     | Banks                       | 12,022         | 26.1%          | 0.1%             | 89          | 86            | 69                     | 44             | 33                  | 17.1%           | 30.74          |
| CANARA BANK                 | CBK IN      | Banks                       | 11,615         | 29.8%          | 0.8%             | 77          | 91            | 86                     | 44             | 57                  | 14.6%           | 31.66          |
| ZYDUS LIFESCIENCES LIMITED  | ZYDUSLIF IN | Pharmaceuticals             | 11,358         | 13.5%          | 4.3%             | 94          | 98            | 92                     | 11             | 75                  | 1.9%            | 49.91          |
| INDIAN BANK                 | INBK IN     | Banks                       | 9,928          | 30.4%          | 2.1%             | 84          | 93            | 90                     | 39             | 52                  | 23.4%           |                |
| AUROBINDO PHARMA LTD        | ARBP IN     | Pharmaceuticals             | 7,539          | 5.0%           | 0.9%             | 96          | 80            | 69                     | 32             | 39                  | -15.9%          | 51.27          |
| INDUSIND BANK(INDIA)        | IIB IN      | Banks                       | 7,419          | 31.1%          | 2.6%             | 94          | 97            | 86                     | 19             | 42                  | -14.2%          | 45.10          |
| AU SMALL FINANCE B          | AUBANK IN   | Banks                       | 6,320          | 18.3%          | 13.6%            | 71          | 99            | 96                     | 10             | 79                  | 31.4%           | 38.96          |
| IDFC FIRST BANK LTD         | IDFCFB IN   | Banks                       | 5,995          | 10.7%          | 1.9%             | 76          | 82            | 85                     | 53             | 45                  | 12.4%           | 40.61          |
| BANK OF INDIA               | BOI IN      | Banks                       | 5,955          | 26.5%          | 2.3%             | 88          | 80            | 91                     | 75             | 26                  | 15.0%           |                |
| L&T FINANCE LIMITED         | LTF IN      | Financial Services          | 5,917          | 22.1%          | 8.5%             | 87          | 95            | 92                     | 25             | 67                  | 53.1%           | 46.41          |
| MPHASIS BFL LTD             | MPHL IN     | IT Services                 | 5,774          | 7.6%           | 0.8%             | 85          | 93            | 63                     | 9              | 78                  | -5.8%           | 61.02          |
| PETRONET LNG LTD            | PLNG IN     | Oil, Gas & Consumable Fuels | 5,233          | 5.1%           | 0.2%             | 93          | 95            | 69                     | 4              | 60                  | -12.0%          | 35.60          |
| HOUSING URBAN DEV           | HUDCO IN    | Financial Services          | 5,060          | 26.9%          | 16.5%            | 69          | 90            | 89                     | 35             | 79                  | -5.5%           |                |
| UCO BANK                    | UCO IN      | Banks                       | 4,401          | 28.1%          | 7.4%             | 65          | 96            | 96                     | 30             | 78                  | -29.9%          |                |
| CHOLAMANDALAM FIN HLDGS LTD | CHOLAHL IN  | Consumer Finance            | 4,331          | 13.2%          | 5.5%             | 93          | 98            | 97                     | 18             | 65                  | 42.6%           |                |
| NATIONAL ALUMINIUM CO LTD   | NACL IN     | Metals & Mining             | 4,112          | 24.5%          | 26.6%            | 96          | 90            | 97                     | 51             | 45                  | -6.6%           | 28.11          |
| MAHINDRA & MAHINDRA FIN SRV | MMFS IN     | Consumer Finance            | 4,072          | 21.4%          | 2.4%             | 97          | 97            | 73                     | 5              | 50                  | 0.8%            | 44.58          |
| LIC HOUSING FINANCE LTD     | LICF IN     | Financial Services          | 3,859          | 38.1%          | 11.5%            | 95          | 93            | 86                     | 33             | 48                  | 1.5%            | 27.83          |
| CENTRAL BANK OF INDIA       | CBOI IN     | Banks                       | 3,858          | 19.3%          | 2.8%             | 78          | 75            | 88                     | 82             | 34                  | -30.1%          |                |
| IRB INFRASTRUCTURE DEV LTD  | IRB IN      | Construction & Engineering  | 3,246          | 24.2%          | 29.6%            | 82          | 64            | 93                     | 96             | 37                  | -18.6%          |                |
| WELSPUN CORP LTD            | WLCO IN     | Metals & Mining             | 2,699          | 5.6%           | 1.6%             | 76          | 78            | 91                     | 60             | 64                  | 9.6%            |                |
| CESC LTD                    | CESC IN     | Electric Utilities          | 2,653          | 8.1%           | 2.7%             | 73          | 71            | 75                     | 58             | 57                  | -4.5%           |                |
| KARUR VYSYA BANK LTD        | KVB IN      | Banks                       | 2,411          | 26.7%          | 2.8%             | 77          | 96            | 95                     | 29             | 67                  | 20.0%           |                |
| NATCO PHARMA LTD            | NTCPH IN    | Pharmaceuticals             | 2,004          | 29.8%          | 18.1%            | 99          | 92            | 98                     | 45             | 40                  | -30.1%          |                |
| NAVA LIMITED                | NAVA IN     | Industrial Conglomerates    | 2,003          | 15.8%          | 9.2%             | 69          | 79            | 90                     | 65             | 66                  | 23.9%           |                |
| Average                     |             |                             | 12,714         | 19.5%          | 5.8%             | 84          | 88            | 85                     | 38             | 56                  | 2.4%            | 43.57          |

### Summary Firm-Level Commentary:

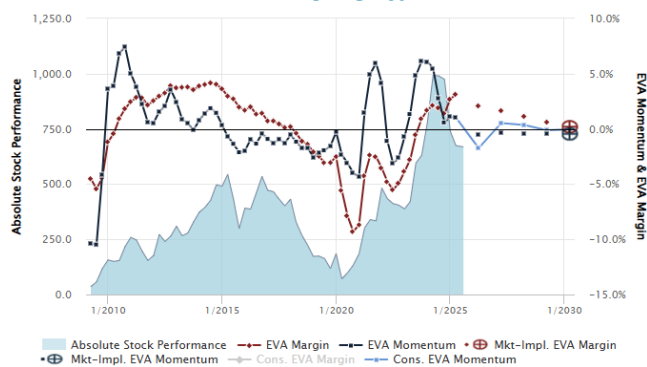
- **TTMT IN**, rated 'Buy': The 'High Quality and Cheap' name has seen EVA Momentum (growth) rebound from the lows of Q3 2024 and was at 1% as of the quarter ending March, supported by expanding EBITDAR Margin and improving asset efficiency. EVA Margin has seen a significant expansion since bottoming out at -5.5% in Q2 2022, currently being at 3.1%, the highest level in 10 years. Embedded expectations for growth (Future Value Added, FVA) have dropped to historically low levels at a time when Current Value Added (CVA) has expanded to record highs, as investors expect economic profitability to deteriorate going forward.

**EVA Charts for TTMT IN on the next page.**

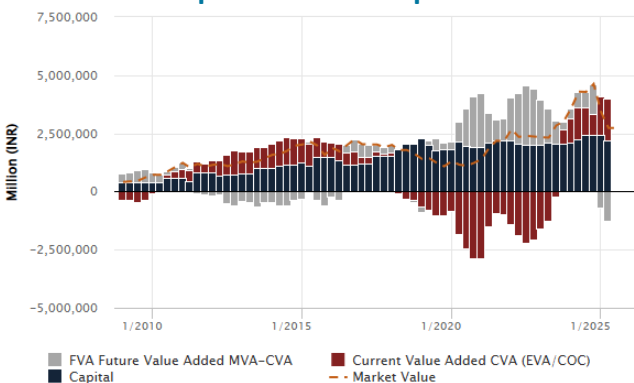
### EVA Drivers



### EVA Momentum



### Enterprise Value Components



### Future Growth Reliance (FGR)



Screen 2 on the next page.



## Screen 2: Attractive Firms in Brazil, China, and South Africa

In this screen, we look at attractive PRVit firms ( $\geq 60$ ) within the Brazilian, Chinese, and South African Markets (MCap  $\geq$  \$2B), with strong Profitability Trend (P2  $\geq 60$ ). We select firms with a Risk Score  $\leq 60$  and filter out firms in the top two quintiles (i.e., high or very high) of our Valuation factor.

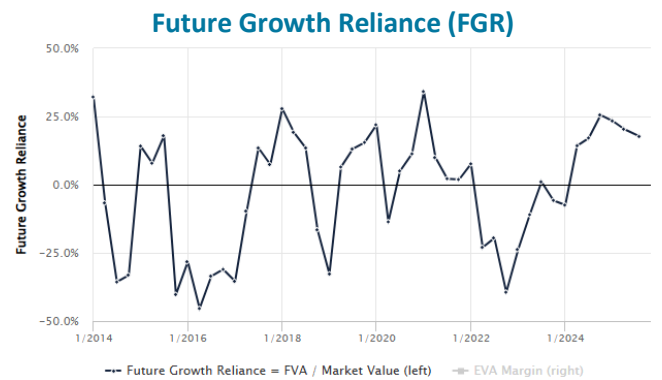
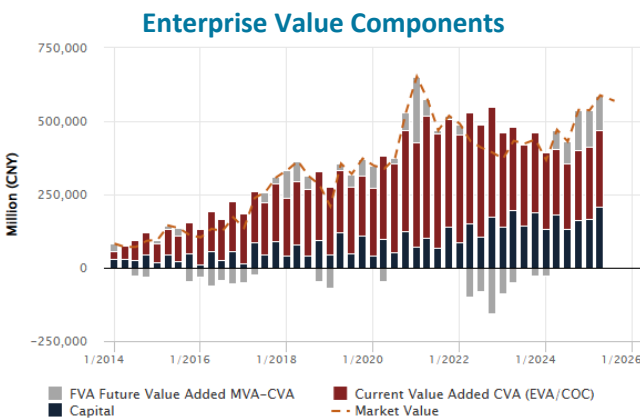
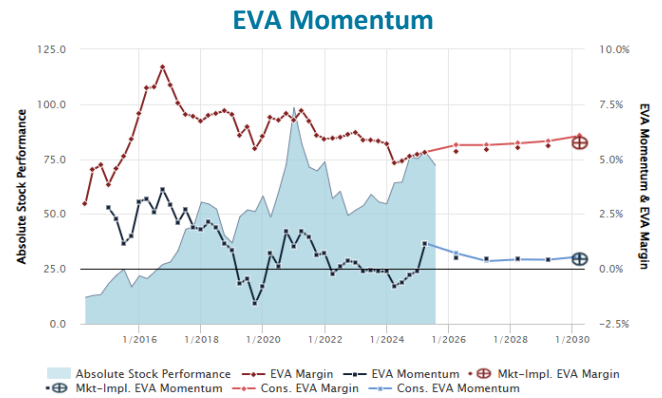
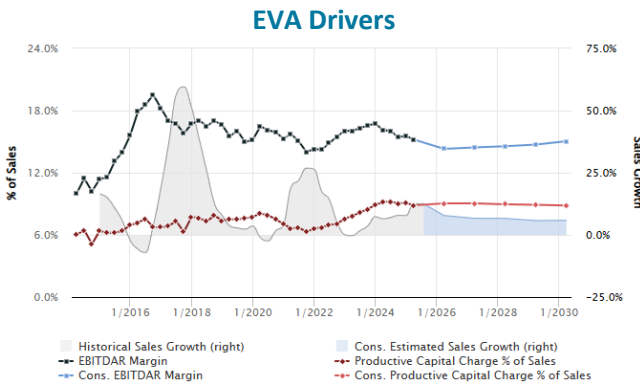
### Screen Criteria

- Market Cap  $\geq$  \$2B
- EVA Margin  $\geq 5\%$
- PRVit  $\geq 60$
- P2 Profitability Trend  $\geq 60$
- Risk  $\leq 60$
- Valuation  $\leq 60$

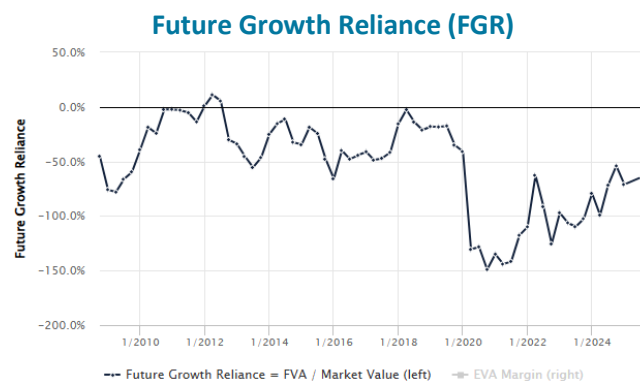
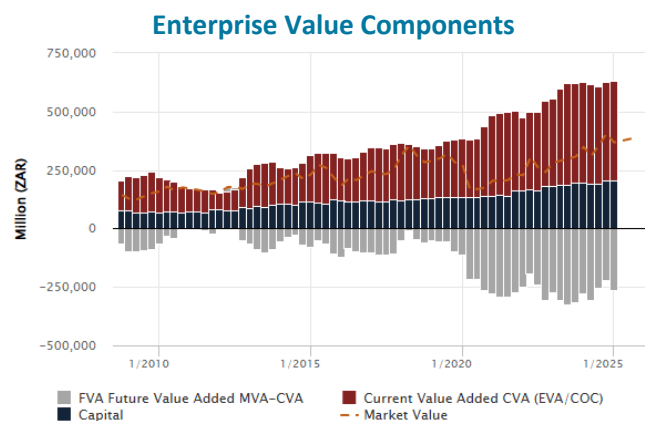
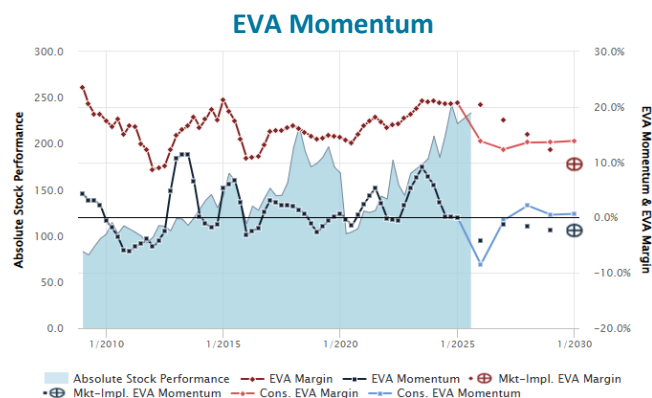
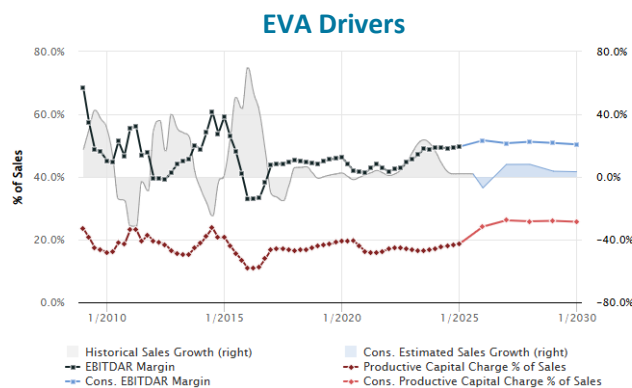
| Name                            | Ticker    | Industry                         | Country      | Mkt Cap (\$mm) | EVA Margin (%) | EVA Momentum (%) | PRVit Score | Quality (P-R) | P2 Profitability Trend | Risk Score (R) | Valuation Score (V) | Returns YTD (%) | ESG Perf Score |
|---------------------------------|-----------|----------------------------------|--------------|----------------|----------------|------------------|-------------|---------------|------------------------|----------------|---------------------|-----------------|----------------|
| MIDEA GROUP CO LTD              | 300 HK    | Household Durables               | China        | 77,788         | 5.3%           | 1.2%             | 96          | 93            | 76                     | 16             | 55                  | 1.4%            | 53.75          |
| CMOC GROUP LIMITED              | 603993 CH | Metals & Mining                  | China        | 27,101         | 5.7%           | 4.2%             | 99          | 87            | 94                     | 50             | 44                  | 42.3%           | 46.86          |
| STANDARD BANK GROUP LTD         | SBK SJ    | Banks                            | South Africa | 21,135         | 20.7%          | 0.0%             | 68          | 96            | 84                     | 23             | 53                  | 6.5%            | 55.75          |
| ZTO EXPRESS CAYMAN INC -ADR     | ZTO       | Air Freight & Logistics          | China        | 16,323         | 8.1%           | 1.0%             | 93          | 79            | 72                     | 47             | 47                  | 3.7%            | 33.34          |
| COMPANHIA DE SANEAMENTO -ADR    | SBS       | Water Utilities                  | Brazil       | 13,233         | 14.7%          | 14.9%            | 84          | 93            | 86                     | 27             | 51                  | 25.6%           | 63.66          |
| SANLAM-STH AFR NAT LIFE ASSR    | SLM SJ    | Insurance                        | South Africa | 10,215         | 9.1%           | 5.3%             | 80          | 94            | 92                     | 27             | 49                  | 3.9%            | 47.22          |
| ANHUI GUJIENG DISTILLERY CO     | 200596 CH | Beverages                        | China        | 9,803          | 18.9%          | 0.8%             | 98          | 99            | 92                     | 8              | 58                  | 0.8%            | 16.07          |
| ZHEJIANG NHU COMPANY LTD        | 002001 CH | Chemicals                        | China        | 9,639          | 15.4%          | 20.0%            | 98          | 90            | 89                     | 38             | 55                  | 5.5%            | 20.59          |
| HARMONY GOLD MINING CO LTD -ADR | HMY       | Metals & Mining                  | South Africa | 8,843          | 9.7%           | 1.9%             | 71          | 80            | 94                     | 60             | 50                  | 66.0%           | 39.73          |
| SINOTRUK (HONG KONG) LTD        | 3808 HK   | Machinery                        | China        | 8,635          | 5.3%           | 0.6%             | 99          | 84            | 80                     | 48             | 33                  | 7.0%            | 34.87          |
| INVESTEC GROUP                  | INL SJ    | Capital Markets                  | South Africa | 7,046          | 18.9%          | 0.4%             | 78          | 93            | 75                     | 26             | 54                  | 5.5%            | 49.42          |
| BOSIDENG INTERNATIONAL HLDG     | 3998 HK   | Textiles, Apparel & Luxury Goods | China        | 6,615          | 11.8%          | 1.2%             | 99          | 98            | 90                     | 11             | 52                  | 12.5%           | 34.88          |
| CIA ENERGETICA DE MINAS -ADR    | CIG       | Electric Utilities               | Brazil       | 6,176          | 12.1%          | 2.3%             | 91          | 96            | 88                     | 20             | 46                  | 11.6%           | 53.20          |
| QIFU TECHNOLOGY INC -ADR        | QFIN      | Consumer Finance                 | China        | 5,236          | 26.8%          | 10.4%            | 99          | 82            | 66                     | 56             | 34                  | -6.5%           | 38.61          |
| TRAVELSKY TECHNOLOGY LTD        | 696 HK    | Hotels, Restaurants & Leisure    | China        | 4,824          | 8.5%           | 3.0%             | 96          | 86            | 90                     | 44             | 55                  | 23.4%           | 23.83          |
| MEIHUA HOLDINGS GROUP CO LTD    | 600873 CH | Chemicals                        | China        | 4,494          | 6.2%           | 0.6%             | 99          | 91            | 67                     | 11             | 48                  | 16.8%           | 29.67          |
| HENGDIAN GROUP DMEGC MAGNETI    | 002056 CH | Elec Equipment                   | China        | 3,690          | 6.8%           | 1.2%             | 99          | 91            | 89                     | 36             | 49                  | 29.0%           |                |
| JIANGSU CHANGSHU RURAL COM      | 601128 CH | Banks                            | China        | 3,507          | 25.9%          | -0.5%            | 98          | 92            | 64                     | 20             | 30                  | 13.5%           |                |
| GUANGDONG PROVINCIAL EXPRESS    | 200429 CH | Transportation Infrastructure    | China        | 3,499          | 13.2%          | 8.1%             | 82          | 74            | 88                     | 58             | 58                  | -9.4%           |                |
| CHINA SOUTH PUBLISHING & MED    | 601098 CH | Media                            | China        | 3,305          | 10.6%          | 1.5%             | 99          | 99            | 88                     | 4              | 57                  | -9.1%           |                |
| ISA ENERGIA BRASIL S A          | ISAE4 BZ  | Electric Utilities               | Brazil       | 3,022          | 15.1%          | 12.4%            | 89          | 89            | 73                     | 21             | 38                  | 7.5%            |                |
| CHINA RESOURCES DOUBLE-CRANE    | 600062 CH | Pharmaceuticals                  | China        | 2,825          | 6.4%           | 1.5%             | 100         | 94            | 81                     | 11             | 34                  | 0.3%            |                |
| MOMENTUM GROUP LIMITED          | MTM SJ    | Insurance                        | South Africa | 2,587          | 11.9%          | -1.4%            | 85          | 74            | 72                     | 54             | 15                  | 14.8%           | 46.40          |
| BANK OF XI'AN CO LTD            | 600928 CH | Banks                            | China        | 2,431          | 28.4%          | 8.3%             | 100         | 94            | 76                     | 20             | 12                  | 11.4%           |                |
| JIAYOU INTERNATION              | 603871 CH | Air Freight & Logistics          | China        | 2,197          | 7.6%           | -0.4%            | 93          | 88            | 66                     | 28             | 59                  | -14.7%          |                |
| XIAN SHAANGU POWER CO           | 601369 CH | Electrical Equipment             | China        | 2,164          | 7.4%           | 3.5%             | 99          | 94            | 79                     | 17             | 40                  | 6.6%            |                |
| SHANDONG PHARMACEUTICAL GL      | 600529 CH | Health Care Equipment & Supplies | China        | 2,162          | 5.4%           | 1.5%             | 98          | 91            | 78                     | 12             | 49                  | -8.2%           |                |
| Average                         |           |                                  |              | 9,944          | 12.4%          | 3.8%             | 92          | 90            | 81                     | 29             | 45                  | 9.9%            | 40.46          |

Summary Firm-Level Commentary on the following pages.

- **300 HK**, rated 'Buy': EVA Momentum (growth) has seen a strong positive inflection in the March quarter after three sequential quarters of improvement, driven by accelerating top-line growth and moderating asset efficiency. This was negatively impacted by EBITDAR Margin, which has seen a downtrend over the last five quarters due to higher adjusted COGS. EVA Margin has expanded over the last four quarters and has recovered closer to the levels seen in Q4 2023. FGR rolled over in September 2024 and has remained on a downward trend since, as investors anticipate a slowdown in incremental EVA creation going forward.

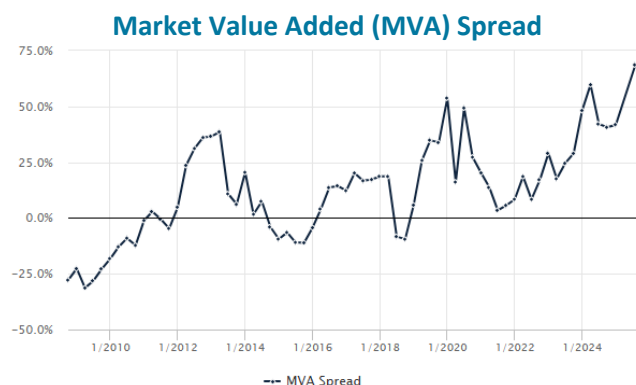
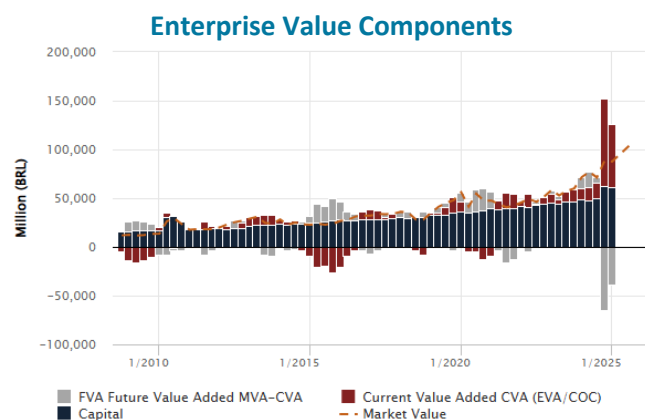
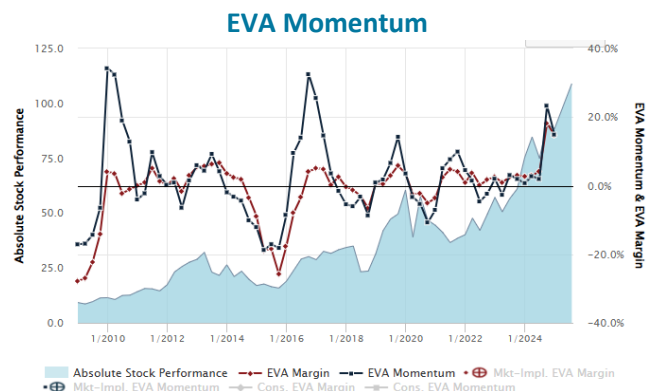
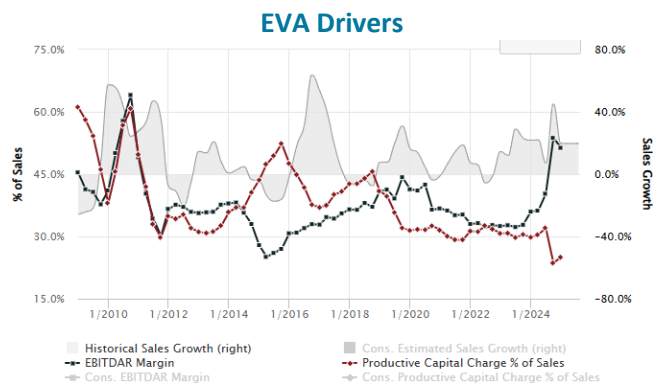


- SBK SJ, rated 'Overweight':** EVA Momentum has trended around 0% over the last three quarters but has remained positive per the latest data as top-line growth has remained positive, while EBITDAR Margin has seen a small expansion within the last two quarters. The Productive Capital Charge (higher is less favorable) has continued to trend higher since bottoming out in Q1 2023, negatively impacting growth. EVA Margin has plateaued since Q2 2023 but is at historically strong levels of 20.7%. Embedded growth expectations (FVA) have remained bearish for the most part of the company's history but had turned further negative since 2020. FGR bottomed out in Q3 2020, subsequently moving higher as investor expectations for deterioration in economic profitability have turned less bearish.





- **SBS, rated 'Buy':** EVA Fundamentals for **SBS** saw a sudden rise in the quarter ending September 2024, as all three EVA drivers saw a strong improvement. Embedded expectations for growth (FVA) have turned very negative at a time when Current Value Added (CVA) saw a significant increase over the last two reported quarters. Future Growth Reliance (FGR) bottomed in September 2024 as investor expectations have turned less bearish on the firm's outlook for incremental EVA creation going forward.



## About ISS EVA

We are an independent equity research provider offering investing insights through the use of our proprietary Economic Value Added (EVA) framework. EVA converts accounting profits into economic profits and charges businesses for the use of Invested Capital. EVA is superior to traditional measures of profit because it is comparable across companies, industries, and countries, links to a consistent, transparent valuation framework, and provides a unique, unbiased view of Quality, Value, and Growth.

Our experienced team of analysts offers both fundamental and quantitative company analysis through written research, bespoke research, a stock selection model, an online analytical tool offering +29,000 companies as viewed through the EVA framework, custom screening, and portfolio analysis.

## Key EVA Concepts

**The value of a firm = Capital + PV of EVA**

If EVA is increasing then the intrinsic value of the firm is too, suggesting that market value should follow (and vice versa).

**EVA = NOPAT - Capital Charge**

EVA is profit after all costs, including the cost of giving shareholders a decent return.

**EVA Margin = EVA / Sales**

A true economic profit margin covering income and asset efficiency. Our EVA Income Statement examines EVA's line item drivers and offers key insights into business profitability.

**EVA Momentum =  $\Delta$  EVA / Sales**

An incremental EVA growth rate indicator and key valuation signal and screening measure. The more positive the Momentum, the greater the growth in EVA, and upward pressure on shareholder returns. Inflections in EVA Momentum are an early and more reliable indicator of stock price inflections.

**EVA Shock =  $\Delta$  EVA Momentum**

Changes in EVA Momentum is a powerful signal within our framework, with significant relationship with stock price performance.

**Market Implied Momentum (MIM)**

The annual EVA improvement required for 10 years to justify the prevailing market enterprise value, expressed as a percent of sales; represents a market implied, long-range EVA margin improvement target.

**Future Growth Reliance (FGR) = (Market implied value of future EVA growth) / EV**

Measures the % of a company's total enterprise value represented by expectations for future growth in EVA. FGR is key to understanding embedded expectations today and versus history. A low FGR versus history coupled with improving EVA trends indicates that the market is not pricing in the improving business model.

## Additional Resources

evaExpress.com ([link](#)): Our online offering provides a comprehensive suite of fundamental and quantitative tools utilizing the EVA framework

EVA for Investors ([link](#)): A full introduction to the key EVA concepts and metrics

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Global Director of Quantitative Research