FIRST LIGHT

10 February 2025

RESEARCH

BRITANNIA INDUSTRIES | TARGET: Rs 4,395 | -10% | SELL

Sell: Inflation too high to offset with planned actions

ALKEM LABS | TARGET: Rs 4,527 | -12% | SELL

Slower growth in a seasonally strong quarter

FIRSTSOURCE SOLUTIONS | TARGET: Rs 411 | +16% | BUY

Posed to deliver industry leading growth in FY25

GREENPLY INDUSTRIES | TARGET: Rs 360 | +21% | BUY

Resilient performance; upgrade to BUY

BOB ECONOMICS RESEARCH | MPC

RBI delivers a rate cut

LIC | TARGET: Rs 1,071 | +31% | BUY

VNB margins continue to expand sequentially

MAHINDRA & MAHINDRA | TARGET: Rs 3,689 | +15% | BUY

All the segments delivering healthy performance; Maintain BUY

HERO MOTOCORP | TARGET: Rs 4,892 | +14% | HOLD

Steady drive to continue; maintain HOLD

THE RAMCO CEMENTS | TARGET: Rs 722 | -19% | SELL

Challenges galore, early respite unlikely; maintain SELL

JK LAKSHMI CEMENT | TARGET: Rs 694 | -18% | SELL

Challenges galore leading to a weak show; maintain SELL

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SUMMARY

BRITANNIA INDUSTRIES

- Compared to consensus, there was a beat on sales at 1% and on EBITDA at 6%. EBITDA beat on lower SG&A as a % of sales
- 3QFY25 pricing was insufficient to offset inflation and, on our estimates, will remain so in 4QFY25 and FY26
- Delayed and insufficient pricing keeps us cautious on BRIT's ability to offset inflation with pricing in 4QFY25 and FY26. Downgrade to Sell

Click here **for the full report.**

ALKEM LABS

- Domestic sales were 6% below our estimates mainly due to slower recovery in the acute therapies and no price hike in NLEM portfolio
- ALKEM guides for EBITDA margin of 19% for FY25 despite reporting 21.6% in 9MFY25. It implies Q4FY25E EBITDA margin of 17-18%
- ALKEM to remain acute focus despite GLP launches, we ascribe acute centric P/E of 22x (from 29x) to arrive at a TP of Rs 4,527 (from Rs 7225)

Click here **for the full report.**

FIRSTSOURCE SOLUTIONS

- 3QFY25 broadly in line. Estimate organic growth in FY25 is likely at ~16% CC terms. Possibly second best in the Tierr-2 set
- Likely to be among the earnings growth leaders in the Tier-2 set in the medium term as EBIT margin moves up from 11% to 14-15%
- Upgrade to Buy due to stock price correction. Broadly maintain estimates. Marginal increase in TP. Target PE multiple maintained

Click here **for the full report.**

GREENPLY INDUSTRIES

- Broadly in-line operating performance; sharp beat in APAT by 53% in Q3 due to lower interest expense on account of forex gain
- Management guided for positive outlook across segments; plans to put up a greenfield plywood plant in Odisha by Q4FY26
- Upgrade to BUY on strong earnings growth prospects with healthy ROE and reasonable valuations; TP cut by 5% to Rs 360 per share

Click here **for the full report.**

INDIA ECONOMICS: MPC

The MPC unanimously lowered the repo rate by 25bps from 6.5% to 6.25%. Stance was kept at neutral to allow the MPC flexibility on future path of policy action. RBI Governor noted the need for "less restrictive" monetary policy to support growth as inflation remains within RBI's targeted band (4-6%). The central bank expects growth to improve in FY26 to 6.7% from 6.4% in FY25. Inflation is projected to come down to 4.2% next fiscal year from 4.8% in FY25. CPI will remain broadly sticky in Q4FY25 (4.4%) and Q1FY26 (4.5%). These projections also take into account rupee volatility.

Click here **for the full report.**

LIC

- APE and net premium income declined 24% YoY and 11% YoY; renewal premium rose 4% YoY in Q3FY25
- VNB margin improved 60bps YoY to 17.1% in 9MFY25, expect VNB margins to be in the range of 18-19% in FY25E-FY27E
- Assume coverage on LICI with a BUY and revise our TP to Rs 1,071 (from Rs 1,260), assigning a multiple of 0.8x its Dec'26 EV

Click here **for the full report.**

MAHINDRA & MAHINDRA

- Automotive and tractor segment volume grew in double digits by ~16% /20% YoY; reflects strong show in festive/post-festive season
- Auto EBIT margin gained ~140bps YoY to 9.7% despite discount. FES segment at 18.1%, gained another healthy 140bps
- We revise upwards our earnings estimate and maintain BUY rating. We value MM at 24x 1Y forward P/E and raise TP to Rs 3,689 (from Rs 3,279)

Click here **for the full report.**

HERO MOTOCORP

- Q3 revenue grew by ~5% YoY to Rs 102bn, driven by realisation gains as volume growth stayed muted owing to fierce competition
- EBITDAM added ~50bps YoY/QoQ to 14.5% (our estimate was 14.0%) contributed by better price gains and raw material cost rationalisation
- We cut our earnings estimates for FY25E/FY26E/FY27E by 6%/10%/10% to factor in growth, assign 18x P/E, lower TP to Rs 4,892 (from Rs 5,262)

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THE RAMCO CEMENTS

- Q3 revenue declined ~6%/3% YoY/QoQ as pricing pressures impacted realisations and profitability severely (down by 10%/5% YoY/QoQ)
- Lower cost structure, led by power and fuel, partially offset the dent in realisation, though EBITDA margin slipped below ~15%
- We lower our FY25/FY26/FY27 EBITDA estimates by 17%/6%/2%, apply 10x (no change) target multiple and cut our TP to Rs 722. Maintain SELL

Click here for the full report.

JK LAKSHMI CEMENT

- Double-digit revenue decline YoY by 13% dragged by lower volume growth, down 5%, and weak realisations that fell by 10%
- Operating cost fell ~4%/5% YoY/QoQ aided by lower energy cost which provided little respite as EBITDA/t slipped by 38% YoY to Rs634/t
- We value JKLC at 9x EV/EBITDA 1-year forward earnings with a new TP of Rs 694 (vs Rs 661) as earnings retained. Maintain SELL

Click here for the full report.

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

SELL

TP: Rs 4,395 | ∀ 10%

BRITANNIA INDUSTRIES | Consumer Staples | 08 February 2025

Sell: Inflation too high to offset with planned actions

- **Compared to consensus, there was a beat on sales at 1% and on EBITDA at 6%. EBITDA beat on lower SG&A as a % of sales**
- **3QFY25 pricing was insufficient to offset inflation and, on our estimates, will remain so in 4QFY25 and FY26**
- **Delayed and insufficient pricing keeps us cautious on BRIT's ability to offset inflation with pricing in 4QFY25 and FY26. Downgrade to Sell**

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Low quality EBITDA beat in 3QFY25: Britannia sales were 1% above consensus (4% above BoB) with EBITDA 6% above consensus. COGS inflation of 11% was in line with our estimates and so was gross profit. Our January 2025 analysis on Britannia COGS and gross profit estimates can be found here **Is it FY22 again? Impact of inflation on FY25 and FY26 earnings**. See key charts detailing inflation and our FY25 and FY26 assumptions on pricing on page 2.

Efficiencies and pricing are insufficient to offset Inflation: Britannia is taking pricing and improving efficiencies to offset inflation. The schedule for pricing is; 4.5% by March 2025 and 6.0% by June 2025 quarter; on efficiencies; 4.0% of sales in the March 2025 quarter and 2.5% of sales in FY26. On our estimates, inflation will sequentially increase from 11%-12% in the December 2024 quarter to 17%-18% in the March 2025 quarter to ultimately ~15% in FY26. Pricing and efficiencies that are due will not be a full offset and so gross profit per unit will decline.

Earnings downgrades: Ingredient costs remain elevated. Our FY25 earnings are revised upwards due to larger than expected cuts in the expenses below the gross profit line. Pricing is however more moderate than inflation and so our FY26 and FY27 forecasts are revised down. To restore FY27 gross margins to FY24 levels, Britannia needs to take 15% pricing.

Valuation and our view: Delayed and lower than expected pricing amidst continued inflation has resulted in EBITDA downgrades of 2% in FY26 and 15% in FY27. We value BRIT in line with its 5Yr historical average P/E of 48x on 12m to December 2026 EPS. Our target price has come down from Rs5,131 to Rs4,395 due to lower earnings. Downgrade to Sell with a -10% return.

(Rs mn)	Actual			Reported vs (%)	
	3Q24	3Q25	YoY (%)	BoB	Cons.
Sales	42,563	45,926	7.9	4.2	1.0
Gross profit	18,673	17,784	(4.8)	(0.4)	(7.1)
EBITDA	8,211	8,449	2.9	23.0	5.5
EBITDA margin (%)	19.3	18.4	(89bps)	281bps	79bps

Source: Company, Bloomberg, BOBCAPS Research

Key changes

Target	Rating
▼	▼

Ticker/Price	BRIT IN/Rs 4,871
Market cap	US$ 13.4bn
Free float	49%
3M ADV	US$ 25.2mn
52wk high/low	Rs 6,470/Rs 4,641
Promoter/FPI/DII	51%/19%/30%

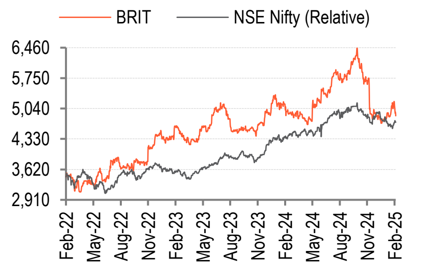
Source: NSE | Price as of 7 Feb 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	167,693	179,091	196,825
EBITDA (Rs mn)	31,698	30,805	27,178
Adj. net profit (Rs mn)	21,427	20,926	18,557
Adj. EPS (Rs)	88.9	86.9	77.0
Consensus EPS (Rs)	88.9	89.9	103.7
Adj. ROAE (%)	56.9	50.7	42.2
Adj. P/E (x)	54.8	56.1	63.2
EV/EBITDA (x)	37.8	38.8	43.8
Adj. EPS growth (%)	10.1	(2.3)	(11.3)

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

SELL

TP: Rs 4,527 | ⩔ 12%

ALKEM LABS

| Pharmaceuticals | 08 February 2025

Slower growth in a seasonally strong quarter

- **Domestic sales were 6% below our estimates mainly due to slower recovery in the acute therapies and no price hike in NLEM portfolio**
- **ALKEM guides for EBITDA margin of 19% for FY25 despite reporting 21.6% in 9MFY25. It implies Q4FY25E EBITDA margin of 17-18%**
- **ALKEM to remain acute focus despite GLP launches, we ascribe acute centric P/E of 22x (from 29x) to arrive at a TP of Rs 4,527 (from Rs 7225)**

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Mixed set of earnings in Q3: ALKEM reported in-line earnings growth, where revenue grew by 1.5% (-1.2% below our estimate) due to lower international sales which offset 5.7% growth in the domestic branded market. Healthy growth in domestic branded business resulted in 64% gross margin and 22.5% EBITDA margin, resulting in 5.2% EBITDA growth (4.2% above our estimate). Lower other income due to forex loss and higher interest cost resulted in 2.7% YoY growth in PAT (6% below our estimate).

Unlikely to surpass IPM growth in FY25E: ALKEM reported 5.9% YoY growth in the branded generic segment vs IPM growth of 7.2% primarily due to no price hikes in its NLEM portfolio which is 30% of sales. Though key brands like PAN-D recorded the highest growth rate of 15.5% in Q3FY25 and the PAN brand saw a ~1.9% increase in market share, rising from 38.5% to 40.4% YoY, the entire domestic region growth for FY25 is guided to grow in line with the IPM of 7%.

To be an acute focused despite GLP launch - Though ALKEM is on track to participate in the first wave of Semaglutide in India and expects to grow from a one-player market of Rs 5bn. Despite the launch of GLP products, ALKEM's chronic segment contribution is expected to remain ~20%. Due to Acute heavy portfolio, the company expects a mediocre growth rate of above 10% in FY26E.

Are med tech device companies valued so steeply? ALKEM acquired Bombay Ortho for Rs 1.47bn, with Rs 55mn of sales in FY24, implying EV/Sales of ~26x. Earlier, ALKEM had acquired US-based company Exactech for Rs 1.3bn. Overall, the focus of the company is not to spend more than Rs 20bn on med tech as it prefers core Rx businesses over medical devices.

Valuation outlook: ALKEM continues to guide for 19% EBITDA margin guidance in FY25, implying 17-18% margin in 4QFY25. Hence, we lower our EPS by 8%/7%/6% for FY25E/FY26E/FY27E. We downgrade the stock to SELL from BUY ascribing a P/E of 22x (earlier 29x) in-line with acute focused companies on Dec'26 rollover to arrive at a TP of Rs 4,527 (from Rs 7,225).

Key changes

Target	Rating
▼	▼

Ticker/Price	ALKEM IN/Rs 5,151
Market cap	US$ 7.0bn
Free float	41%
3M ADV	US$ 15.2mn
52wk high/low	Rs 6,440/Rs 4,407
Promoter/FPI/DII	57%/6%/16%

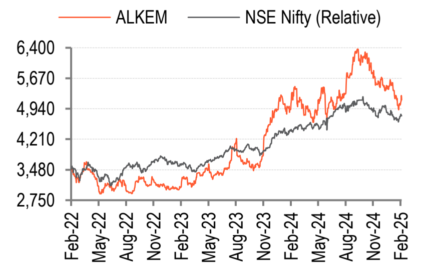
Source: NSE | Price as of 7 Feb 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	126,677	135,164	147,973
EBITDA (Rs mn)	22,456	27,016	30,408
Adj. net profit (Rs mn)	19,174	20,434	23,400
Adj. EPS (Rs)	160.4	170.9	195.7
Consensus EPS (Rs)	160.4	181.0	210.0
Adj. ROAE (%)	23.2	21.5	21.1
Adj. P/E (x)	32.1	30.1	26.3
EV/EBITDA (x)	27.1	22.5	20.1
Adj. EPS growth (%)	76.4	6.6	14.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BUY
TP: Rs 411 | ⮝ 16%

FIRSTSOURCE SOLUTIONS | IT Services | 08 February 2025

Posed to deliver industry leading growth in FY25

- **3QFY25 broadly in line. Estimate organic growth in FY25 is likely at ~16% CC terms. Possibly second best in the Tierr-2 set**
- **Likely to be among the earnings growth leaders in the Tier-2 set in the medium term as EBIT margin moves up from 11% to 14-15%**
- **Upgrade to Buy due to stock price correction. Broadly maintain estimates. Marginal increase in TP. Target PE multiple maintained**

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Revenue growth in-line with our estimate, guidance upped: It grew 8.4% QoQ in USD terms (our estimate 8.0%) and 29.9% YoY. In CC terms, revenue grew 27.7% YoY, the highest in the last 14 quarters. For FY25, revenue growth has been revised upwards to 21.8% to 22.3% in CC terms. Earlier the guided range was 19.5-20.5%. if we assume 600bps from M&A then organic growth is likely at 15.8% to 16.3%- among the highest within Tier-2 peers.

Margins within the guided band: EBIT margin was at 11.1% (our estimate:11.4%). The EBIT margin for FY25, excluding one-time charges related to acquisitions, is expected to be in the 11%- 11.5% range. FSOL indicated its target of improvement in EBIT margin by 50-75bps every year until it hits 14-15%.

Deal wins: 3 large deals were signed, each with an ACV over US$5mn, marking the third consecutive quarter of at least three large deal wins. 3Q exit deal pipeline is among the highest ever. During the quarter, 13 new logos were added, including five strategic logos, defined as those with potential of annual revenue of at least US$5 mn.

The primary levers for margin improvement include optimizing the revenue mix (increasing offshore/near-shore revenue), enhancing staffing models with technology and automation, and continuously modernizing the service offerings. These combined efforts are expected to deliver steady profitability growth in the coming quarters.

Rating raised to BUY: While our earnings estimates have largely remained constant, we have revised our rating from 'Hold' to 'Buy'. This change is primarily due to the recent decline in the stock price.

Key changes

Target	Rating
▲	▲

Ticker/Price	FSOL IN/Rs 355
Market cap	US$ 2.8bn
Free float	45%
3M ADV	US$ 16.9mn
52wk high/low	Rs 422/Rs 176
Promoter/FPI/DII	54%/11%/21%

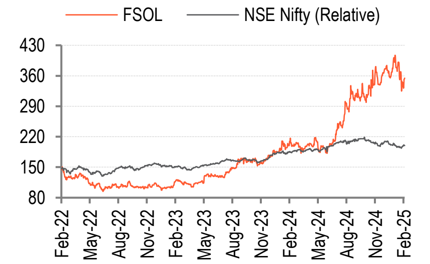
Source: NSE | Price as of 7 Feb 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	63,363	80,245	97,140
EBITDA (Rs mn)	9,566	12,503	16,810
Adj. net profit (Rs mn)	5,147	6,335	8,612
Adj. EPS (Rs)	7.3	9.2	12.5
Adj. ROAE (%)	14.6	15.6	18.5
Adj. P/E (x)	48.3	38.6	28.3
EV/EBITDA (x)	25.6	19.4	14.5
Adj. EPS growth (%)	0.3	25.1	36.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BUY
TP: Rs 360 | 21%

GREENPLY INDUSTRIES | Building Materials | 08 February 2025

Resilient performance; upgrade to BUY

- **Broadly in-line operating performance; sharp beat in APAT by 53% in Q3 due to lower interest expense on account of forex gain**
- **Management guided for positive outlook across segments; plans to put up a greenfield plywood plant in Odisha by Q4FY26**
- **Upgrade to BUY on strong earnings growth prospects with healthy ROE and reasonable valuations; TP cut by 5% to Rs 360 per share**

Utkarsh Nopany
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In-line Q3: MTLM's Q3FY25 result came broadly in line with our estimate (Revenue: -1.3%; EBITDA: -0.5%), but there was a sharp beat at the APAT level by 53% due to lower interest expense (-65% QoQ on account of forex gain of Rs 46mn). Overall, MTLM's Revenue/EBITDA/APAT grew by 5.6%/7.2%/2.4% YoY in Q3FY25.

Key highlights: Plywood EBITDA grew by 12.2% YoY in Q3FY25 driven by higher volumes (+2.2%) and improved margin (+149bps YoY to 8.4% on a low base). MDF EBITDA was down 18.1% YoY in Q3FY25 due to relatively flat volume (+0.8%) and sharp margin compression (-306bps YoY to 10.4%) on account of a plant shutdown and higher timber prices. Share of loss from furniture fittings stood at Rs 47mn in Q3FY25 due to initial start-up cost.

Guidance: MTLM expects its plywood volume to grow at 7%+ along with improvement in margin to 10% in Q4FY25 due to benefit of proposed price hike of 1.5% from Feb'25 onwards and operating leverage benefits. The company expects MDF segment revenue to be substantially better along with improvement in margin of about 16% in Q4FY25. The company believes timber prices are near the peak level and expects correction in timber prices over the next six to nine months in anticipation of sharp increase in its supply. Furniture fittings division revenue is expected to be Rs 0.8bn-1.0bn in FY26. The company plans to put up a 13.5mn sqf greenfield plywood plant in Odisha at a cost of Rs 1.34bn by Q4FY26.

Upgrade to BUY; TP cut by 5% to Rs 360: We upgrade our rating to BUY from HOLD as we see strong earnings growth prospects (EPS to grow at a healthy 36% CAGR over FY24-FY27E) along with sharp improvement in ROE profile (from 10.7% in FY24 to 17.0% in FY27E) and reasonable valuations (trades at 26.8x on 1Y forward P/E vs 5Y average of 24.0x). We have cut our TP to Rs 360 (Rs 380 earlier) due to the downward revision of our EPS estimates (-11.5%/-19.3%/-16.1% for FY25E/FY26E/FY27E) based on moderation in the demand scenario in H2FY25. Our target P/E remains unchanged at 25x on Dec'26 (Sep'26 earlier).

Key changes

Target	Rating
▼	▲

Ticker/Price	MTLM IN/Rs 298
Market cap	US$ 422.0mn
Free float	48%
3M ADV	US$ 0.5mn
52wk high/low	Rs 412/Rs 211
Promoter/FPI/DII	52%/6%/31%

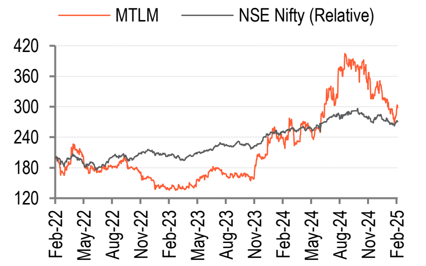
Source: NSE | Price as of 7 Feb 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	21,799	25,135	28,022
EBITDA (Rs mn)	1,875	2,432	2,925
Adj. net profit (Rs mn)	757	1,062	1,408
Adj. EPS (Rs)	6.1	8.6	11.4
Consensus EPS (Rs)	6.1	9.9	13.8
Adj. ROAE (%)	11.2	14.0	16.0
Adj. P/E (x)	48.8	34.8	26.2
EV/EBITDA (x)	17.5	12.9	11.0
Adj. EPS growth (%)	(26.7)	40.2	32.6

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

MPC

07 February 2025

RBI delivers a rate cut

The MPC unanimously lowered the repo rate by 25bps from 6.5% to 6.25%. Stance was kept at neutral to allow the MPC flexibility on future path of policy action. RBI Governor noted the need for "less restrictive" monetary policy to support growth as inflation remains within RBI's targeted band (4-6%). The central bank expects growth to improve in FY26 to 6.7% from 6.4% in FY25. Inflation is projected to come down to 4.2% next fiscal year from 4.8% in FY25. CPI will remain broadly sticky in Q4FY25 (4.4%) and Q1FY26 (4.5%). These projections also take into account rupee volatility.

Sonal Badhan
Economist

From Q2 onwards, inflationary pressures are expected to ease significantly, giving room to RBI to lower rates further. We expect up to 75bps (cumulative) reduction in rates in this calendar year. At the time of next rate cut, we also expect change in stance from neutral to accommodative.

1st rate cut in 5 years: In line with our expectations, the monetary policy committee unanimously decided to cut repo rate by 25bps to 6.25% from 6.5%. Consequently, the SDF rate now stands at 6% and MSF at 6.5%. This is the first rate cut since Covid-19 period. Stance of the monetary policy was retained at neutral, also by a unanimous vote. On liquidity, the central bank has urged banks to lend in the un-collateralised call market, instead of parking that money with RBI.

GDP growth: Following 6.4% growth in FY25 (as per NSO's advanced estimates), RBI has projected 6.7% growth in FY26. Quarterly projections for Q1 and Q2 have been revised lower compared to the previous policy estimates. Growth in Q1 is now expected at 6.7% versus 6.9% in Dec'24 and in Q2 it will be at 7% versus 7.3% projected earlier. In Q3 and Q4 both, GDP is expected to expand by 6.5%. The central bank noted that healthy agriculture growth, lower inflation, boost to consumption through tax relief measures, and higher services exports will push growth higher in the next fiscal year. However, Governor in his statement also cautioned that only mild recovery is seen in corporate results of the manufacturing sector so far. Limited support will also be provided by government consumption expenditure, as centre's revenue spending (net of interest payments and subsidies) is expected to increase by 5% in FY26 (BE) versus 7.9% in FY25 (RE). Certain high frequency indicators in the services sector are also giving mixed signals regarding growth. Downside risks may emerge due to global headwinds.

Inflation projections retained: For FY25, RBI has held its inflation projection at 4.8% but sees significantly lower inflation in FY26 at 4.2%. In Q4FY25, inflation is estimated to come in slightly lower at 4.4% versus 4.5% expected earlier.

RESULT REVIEW

BUY
TP: Rs 1,071 | ⮝ 31%

LIC | Insurance | 08 February 2025

VNB margins continue to expand sequentially

- **APE and net premium income declined 24% YoY and 11% YoY; renewal premium rose 4% YoY in Q3FY25**
- **VNB margin improved 60bps YoY to 17.1% in 9MFY25, expect VNB margins to be in the range of 18-19% in FY25E-FY27E**
- **Assume coverage on LICI with a BUY and revise our TP to Rs 1,071 (from Rs 1,260), assigning a multiple of 0.8x its Dec'26 EV**

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Non-par continues to decline: LICI continued its strategy to focus on the non-par business which resulted in the increase in non-par share to 27.7% vs. 14% in 9MFY25 vs. 26.3% in H1FY25. This was primarily on account of the company introducing non-par products only. However, management indicated that it will also add more par products going forward. The company has relaunched its entire suite of products – 38 products, comprising 24 individual products, eight group, five individual riders and one group rider post the implementation of new surrender regulations in Oct'24.

APE growth: APE de-grew 24% YoY in Q3FY25 and increased 6% YoY in 9MFY25. Non-par grew 18% YoY in Q3FY25 and 107% in 9MFY25 with share in the product mix increasing to 20.5% in Q3FY25. While par de-grew by 38% YoY and 12% YoY in 9MFY25, its share stood at 44.4% in the product mix. ULIP continued to gain momentum too and the mix increased to 8.1% vs. 6.3% in Q2FY25 vs. 2% in Q3FY24.

VNB margin: VNB declined 27% YoY to Rs 19.3bn in Q3FY25 and was up 9% YoY in 9MFY25 to Rs 64.8bn. Net VNB margin increased to 17.1% in 9MFY25 vs. 16.6% in 9MFY24. For Q3FY25, the VNB margin was at 19.4% vs. 17.9% in Q2FY25 vs. 20% in Q3FY24. This was primarily on account of favourable product mix change towards high yielding non-par products, revision in the premium rates and change in commission structures. Non-par net VNB margin stood at 45.5% vs. 45.8% in Q2FY25. For participating and group business net margin was in the range of 12-13% in Q3FY25. We expect VNB margins to be in the range of 18-19% in FY25E-FY27E.

Assume coverage on LICI with a BUY: The stock is currently trading at 0.6x Dec'26 EV and we value LICI at 0.8x multiple with a BUY, arriving at a TP of Rs 1,071 (earlier Rs 1,260). The company's focus on the higher yielding non-par products is expected to aid the VNB margin going forward. We continue to remain positive on LICI given its entrenched brand equity and market leadership.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	LICI IN/Rs 816
Market cap	US$ 59.0bn
Free float	0%
3M ADV	US$ 13.5mn
52wk high/low	Rs 1,222/Rs 805
Promoter/FPI/DII	97%/0%/1%

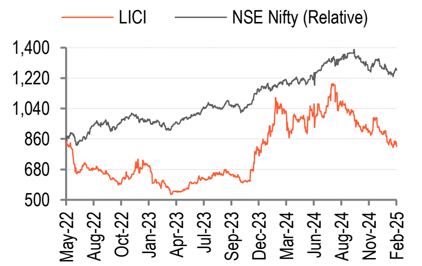
Source: NSE | Price as of 7 Feb 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
NBP (Rs mn)	22,26,714	24,69,029	27,15,932
APE (Rs mn)	5,69,700	6,51,187	7,19,384
VNB (Rs mn)	95,710	1,18,516	1,33,086
Embedded Value (Rs mn)	72,73,440	80,19,094	88,18,601
VNB margin (%)	16.8	18.2	18.5
EVPS (Rs)	105.9	123.9	132.4
EPS (Rs)	64.3	79.5	101.5
Consensus EPS (Rs)	0.0	0.0	0.0
P/EV (x)	7.7	6.6	6.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BUY
TP: Rs 3,689 | ⮝ 15%

MAHINDRA & MAHINDRA | Automobiles | 08 February 2025

All the segments delivering healthy performance; Maintain BUY

- **Automotive and tractor segment volume grew in double digits by ~16% /20% YoY; reflects strong show in festive/post-festive season**
- **Auto EBIT margin gained ~140bps YoY to 9.7% despite discount. FES segment at 18.1%, gained another healthy 140bps**
- **We revise upwards our earnings estimate and maintain BUY rating. We value MM at 24x 1Y forward P/E and raise TP to Rs 3,689 (from Rs 3,279)**

Milind Raginwar
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Volume aid double-digit topline growth: MM's Q3FY25 revenue grew at a healthy 20%/11% YoY/QoQ to Rs 305.4bn, driven by healthy volume growth of 16%/20% YoY/QoQ and was supported by healthy product mix that offset soft prices and discounts. The blended realisations grew by ~3% indicating favorable product mix. Tractor segment grew by strong ~32% QoQ.

Uptick in FES margin; automotive margin stays put despite discount: The Farm Equipment segment (FES) EBIT margin gained 140bps to 18.1%, backed by overall buoyancy in the segment after a lull. The Automotive segment stayed put at 9.7% compared to 8.3% in Q3FY24 despite discounts aided by a better product mix that also helped offset cost inflation. The cost structure was well under check.

FES gaining pace: MM's Automotive business continued to dominate revenue with at 72% contribution in Q3FY25 (flat Q3FY24). FES revenue saw a healthy uptick of 21% YoY and contributed 26% to the revenue stream. The tractor volume gained by 32%/QoQ and revenue grew 26% in Q3FY25.

Product pipeline remains strong: Recently launched Thar Roxx has a volume capacity of 9000 units. MM is all set to open bookings on 14th Feb'25 across 250 dealers for the all-new EV BE 6 and XEV with production of 5k units per month in its initial phase. MM has plans for a strong launch pipeline, including nine ICE SUVs (six new launches), seven LCVs (five ICE + two EVs) and seven EVs (BEV) spread over the next six years in two tranches (till FY27, and beyond till FY30).

Overall healthy performance continues; maintain BUY: We revise our earnings estimates for FY25e/FY26e/FY27e 2%/7%9% factoring in the healthy outlook from the Automotive and FES segment following healthy monsoons and 9M performance. We pencil in a 3Y EBITDA/PAT CAGR of 20%/17%. We continue to value MM's core business at 24x 1-year P/E, a 10% premium to its long-term average (22x) resulting in a revised SOTP-based TP of Rs 3,689 (from Rs 3,344 earlier). This includes Rs 362/share as the value of subsidiaries. We maintain our BUY rating (upside of 15%) and upward bias to our earnings estimates.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	MM IN/Rs 3,198
Market cap	US$ 45.7bn
Free float	81%
3M ADV	US$ 100.0mn
52wk high/low	Rs 3,271/Rs 1,623
Promoter/FPI/DII	19%/37%/29%

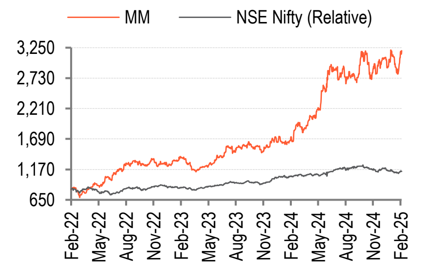
Source: NSE | Price as of 7 Feb 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	9,87,634	11,36,914	13,06,400
EBITDA (Rs mn)	1,26,662	1,59,013	1,93,888
Adj. net profit (Rs mn)	1,07,178	1,22,118	1,52,335
Adj. EPS (Rs)	89.5	101.9	127.1
Consensus EPS (Rs)	89.5	102.4	116.8
Adj. ROAE (%)	22.4	21.4	22.3
Adj. P/E (x)	35.8	31.4	25.2
EV/EBITDA (x)	31.3	24.8	20.5
Adj. EPS growth (%)	63.7	13.9	24.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

HOLD
TP: Rs 4,892 | ⮝ 14%

HERO MOTOCORP | Automobiles | 08 February 2025

Steady drive to continue; maintain HOLD

- **Q3 revenue grew by ~5% YoY to Rs 102bn, driven by realisation gains as volume growth stayed muted owing to fierce competition**
- **EBITDAM added ~50bps YoY/QoQ to 14.5% (our estimate was 14.0%) contributed by better price gains and raw material cost rationalisation**
- **We cut our earnings estimates for FY25E/FY26E/FY27E by 6%/10%/10% to factor in growth, assign 18x P/E, lower TP to Rs 4,892 (from Rs 5,262)**

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Realisation-driven growth: HMCL reported Q3FY25 revenue of Rs 102.1bn, up by ~5% YoY (fell 2.4% QoQ) driven by realisation gains as volumes stayed subdued. Volumes were flat YoY at 1.46mn units in Q3FY25 (-4% QoQ). Though volume growth was muted it was offset by realisation (per vehicle) gains of ~5%/1% YoY/QoQ at ~Rs 69.8k. HMCL reported its highest quarterly revenue from spares & merchandising at Rs 15.5bn (Rs 14.6bn Q2FY25).

Operating leverage and pricing drive margin expansion: The raw material cost (adjusted for inventory) rose by ~3% YoY (-4% QoQ), however raw materials as a percentage of sales fell to ~65.8% vs 67.3% in Q3FY24 (66.7% in Q2FY25). Gross margin was ~34.2% vs 32.7%, up 150bps YoY (ahead of our estimate of ~33.2%). Other expenditure shot up by ~12% YoY (~3% QoQ) to ~Rs 13.6bn and as % of sales it increased to 13.3% vs 12.5% in Q3FY24 attributed to promotional and Electric Vehicle (EV) segment expenses. Consequently, the EBITDA jumped by ~8% YoY (~-3% QoQ) to ~Rs 14.8bn and EBITDA margin added ~50bps YoY/QoQ to 14.5% (ahead of our estimate of 14.0%) contributed by better price gains and RM cost rationalisation.

Portfolio expansion: HMCL launched affordable EV with VIDA V2 series (sub Rs 100k segment). HMCL has upcoming scooter launches to the likes of Destini 125 metal body, Xoom 125 and is growing its premium portfolio with Xtreme 250R and X-Pulse 210/200. In the next 6-12 months it will have a robust range of EV scooters across ranges, and has three ICE scooter models coming in by Mar'25.

Maintain HOLD: Factoring in 9MFY25 performance we have lowered our volume estimates leading to earnings revision too. We have cut our FY26 and FY27 EBITDA/PAT estimates for HMCL given the challenges from the competitive space and investments in EV. Our three-year Revenue/EBITDA/PAT CAGR is 14%/18%/18%. We assign 18x target P/E to core operations, in line with the 10-year average 1-year forward earnings, and revise the SOTP-based TP to Rs 4,892 (Rs 5,262), which includes Rs 130/sh as the value of other businesses. We retain our HOLD rating.

Key changes

Target	Rating
▼	◄ ►

Ticker/Price	HMCL IN/Rs 4,275
Market cap	US$ 9.8bn
Free float	65%
3M ADV	US$ 32.3mn
52wk high/low	Rs 6,246/Rs 4,000
Promoter/FPI/DII	35%/30%/24%

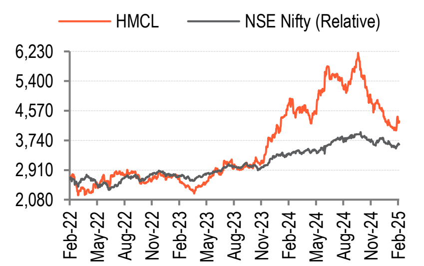
Source: NSE | Price as of 7 Feb 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	3,74,557	4,32,053	4,98,417
EBITDA (Rs mn)	52,557	60,096	66,293
Adj. net profit (Rs mn)	38,079	44,515	48,377
Adj. EPS (Rs)	190.7	222.9	242.3
Consensus EPS (Rs)	190.7	233.0	255.3
Adj. ROAE (%)	21.2	22.4	22.0
Adj. P/E (x)	22.4	19.2	17.6
EV/EBITDA (x)	16.2	14.1	12.8
Adj. EPS growth (%)	30.8	16.9	8.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

SELL
TP: Rs 722 | ⩔ 19%

THE RAMCO CEMENTS | Cement | 08 February 2025

Challenges galore, early respite unlikely; maintain SELL

- **Q3 revenue declined ~6%/3% YoY/QoQ as pricing pressures impacted realisations and profitability severely (down by 10%/5% YoY/QoQ)**
- **Lower cost structure, led by power and fuel, partially offset the dent in realisation, though EBITDA margin slipped below ~15%**
- **We lower our FY25/FY26/FY27 EBITDA estimates by 17%/6%/2%, apply 10x (no change) target multiple and cut our TP to Rs 722. Maintain SELL**

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Weak demand impacts growth: TRCL's revenue fell by ~6%/3% YoY/QoQ to ~Rs 19.8bn in Q3FY25. This was driven by realisations falling steeply by ~14% YoY (flat QoQ) that offset volume gain of 9% YoY. Volumes for the southern and eastern India markets were at 79:21 (vs. 76:24 YoY) Premium products share was 26%/23% (fell/rose YoY) for the South/East India regions.

Cost savings driven by energy cost: The cost/tonne fell 9% YoY (+1% QoQ) to ~Rs 3,884/t, driven by lower energy cost (raw material-adjusted) that fell by 10% YoY. Fly-ash and gypsum cost inflation continue to put pressure on raw material prices. The logistics cost of flat/5% YoY/QoQ inflation was due to increased lead distance QoQ by 15km to 259km to chase higher volume in the eastern region as South India is traditionally weak due to the monsoon impact in Q3. The energy cost softened to Rs 1.45/kcal vs. Rs 1.64/kcal YoY and Rs 1.49/kcal QoQ due to a sharp decline in pet coke cost. EBITDA fell 30%/10% YoY/QoQ to ~Rs 2.8bn and EBITDA margin fell to 14.1% from 18.8%/15.3% YoY/QoQ due to weak realisations and limited cost savings. EBITDA/t fell to Rs 617 from Rs 963/Rs673 YoY/QoQ.

Expansion plans: TRCL remains on track to achieve 30mtpa of cement capacity by FY26 by commissioning the second line in Kolimigundla with some de-bottlenecking initiatives. Line-2 in Kolimigundla consists of a 3.15mtpa clinker and 1.5mtpa cement grinding unit with a 15MW waste heat recovery system which is expected to be commissioned by FY26.

EBITDA revised downwards; maintain SELL: We lower our FY25/FY26/FY27 EBITDA estimates by 17%/6%/2%, leading us to cut our EPS estimates to Rs 7.1/Rs 18.0/Rs 27.9 (by -57%/-17%/-4%). The aggressive capex drive has elevated TRCL's net debt to EBITDA to ~3x in FY25/FY26 and is likely to stay elevated in the medium term. TRCL's cost savings measures are commendable and offer respite to EBITDA margins. However, TRCL's current valuation of 11.0x FY27E EV/EBITDA is at a premium. We continue to apply an unchanged 10x target multiple and revise our TP to Rs 722 (previously Rs 726) implying a replacement cost of Rs 8.1bn/mnt – a 10% premium to the industry mean. Maintain SELL rating.

Key changes

Target	Rating
▼	◄ ►

Ticker/Price	TRCL IN/Rs 895
Market cap	US$ 2.4bn
Free float	58%
3M ADV	US$ 7.5mn
52wk high/low	Rs 1,060/Rs 700
Promoter/FPI/DII	42%/7%/32%

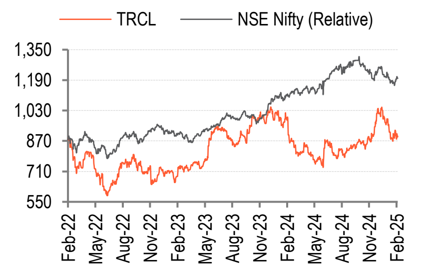
Source: NSE | Price as of 7 Feb 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	93,223	97,470	1,16,021
EBITDA (Rs mn)	15,250	13,986	18,760
Adj. net profit (Rs mn)	3,950	1,680	4,264
Adj. EPS (Rs)	16.7	7.1	18.0
Consensus EPS (Rs)	16.7	15.6	25.6
Adj. ROAE (%)	5.7	2.3	5.7
Adj. P/E (x)	53.5	125.8	49.6
EV/EBITDA (x)	16.7	18.5	13.9
Adj. EPS growth (%)	26.6	(57.5)	153.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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SELL
TP: Rs 694 | ∀ 18%

JK LAKSHMI CEMENT | Cement | 09 February 2025

Challenges galore leading to a weak show; maintain SELL

- **Double-digit revenue decline YoY by 13% dragged by lower volume growth, down 5%, and weak realisations that fell by 10%**
- **Operating cost fell ~4%/5% YoY/QoQ aided by lower energy cost which provided little respite as EBITDA/t slipped by 38% YoY to Rs634/t**
- **We value JKLC at 9x EV/EBITDA 1-year forward earnings with a new TP of Rs 694 (vs Rs 661) as earnings retained. Maintain SELL**

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Volumes impacted; realisations stayed weak: JKLC reported ~13% YoY decline in revenue growth (+~20% QoQ) at ~Rs13.7bn in Q3FY25. Volumes fell by 4.5% YoY (+20.47% QoQ) at 2.24 mnt (excluding clinker sales) and cement realization fell by ~10% YoY (flat QoQ) at Rs5,815/tn indicating Q3FY25 was impacted by weak realizations in primary target markets. Intense competitive pressure in a weak quarter was the key reason for the overall weakness in the topline.

Operating performance stays rangebound: The overall cost fell by 4%5% YoY/QoQ at Rs5,475/tn. Fuel cost (raw material adjusted cost) fell 8%/5% YoY/QoQ. The RM cost inflation was offset by lower external purchases (-9 % YoY) indicating higher clinker utilisation. Additionally, logistic cost fell by ~5% YoY (flat QoQ) and other expenditure also rose by ~3%/8% YoY/QoQ. Effectively, EBITDA fell steeply by 41% YoY to ~Rs1.42bn and EBITDA margin slipped from 15.3% to 10.4% YoY (recovered from 5.4% in Q2FY25). EBITDA/t fell to Rs634/t from Rs1,028/tn YoY(+~93%QoQ).

Capacity expansion on track: JKLC is adding additional 1.35mnt grinding unit in Surat by FY25-end/FY26 start. It is expanding its clinker capacity by 2.3mnt at its Durg plant, backed by four cement grinding units aggregating 4.6mnt. It will add three split location CGUs in Bihar, Jharkhand and UP. Its Northeast India expansion plans await clearances.

Merger with subsidiaries: JKLC has proposed bringing its cement assets under single umbrella by merging Udaipur Cement Work, Hansdeep Industries and Trading Company Ltd and Hidrive Developers & Industries Limited with itself.

Estimates lowered; maintain SELL: We maintain our earnings estimates. JKLC faces challenges from the changing dynamics of its operating areas following intense supply pressure from large cement companies. We pencil in a weak three-year EBITDA/PAT CAGR of 7%, factoring in pricing weakness that may be partially offset by a better cost structure. We value JKLC at 9x EV/EBITDA 1-year forward earnings (unchanged) and revise TP to Rs 694 (from Rs 661). Maintain SELL.

Key changes

Target	Rating
▲	◄ ►

Ticker/Price	JKLC IN/Rs 844
Market cap	US$ 1.1bn
Free float	54%
3M ADV	US$ 1.4mn
52wk high/low	Rs 1,000/Rs 685
Promoter/FPI/DII	46%/14%/26%

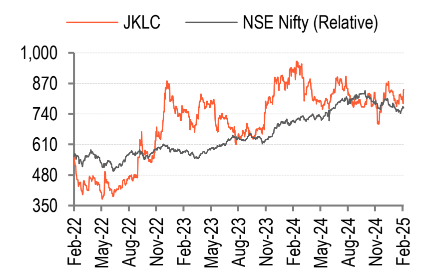
Source: NSE | Price as of 7 Feb 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	63,198	61,271	68,200
EBITDA (Rs mn)	8,637	6,115	8,586
Adj. net profit (Rs mn)	4,243	2,567	4,075
Adj. EPS (Rs)	36.1	21.8	34.6
Consensus EPS (Rs)	36.1	24.0	41.0
Adj. ROAE (%)	14.0	7.8	11.9
Adj. P/E (x)	23.4	38.7	24.4
EV/EBITDA (x)	11.6	17.9	10.9
Adj. EPS growth (%)	28.3	(39.5)	58.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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SELL – Expected return <-6%

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