

**RESEARCH****BIRLASOFT | TARGET: Rs 342 | -19% | SELL**

Weakest 4Q performer in our Tier-2 set

**BOB ECONOMICS RESEARCH | RBI ANNUAL REPORT**

Main takeaways from RBI Annual Report

**BAJAJ AUTO | TARGET: Rs 9,253 | +4% | HOLD**

Handling challenges well; maintain HOLD

**SUMMARY****BIRLASOFT**

- Revenue down 5.3% QoQ CC, lower than our estimate on furloughs, project ramp downs, insourcing, etc. Had 3 QoQ drops in FY25
- Poor exit and weak start to FY26 and weak TCV would mean a possibly flattish FY26 USD revenue. At 70%, discretionary exposure is high
- Cut EPS for FY26/FY27 by 13-15%. Lower rating to SELL from HOLD. Target multiple (retained) is 25% lower than that of TCS - benchmark

[Click here](#) for the full report.

**INDIA ECONOMICS: RBI ANNUAL REPORT**

RBI's balance sheet expanded by 8.2% to Rs 76 lakh crore in FY25 compared to Rs 70 lakh crore in FY24. On the assets side, RBI gold holding has contributed to a significant increase, as safe-haven demand rose in a volatile global policy environment. The remaining increase was seen in the domestic investment portfolio of RBI led by conduct of OMO purchase for liquidity management. The income and expenditure statement showed that the record high dividend transfer to the government was possible on account of higher gains from foreign currency assets (FCA).

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**BOBCAPS Research**  
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## BAJAJ AUTO

- BJAUT's Q4FY25 revenue growth was muted at 6% YoY (down 5% QoQ) to Rs 128bn on account of slow volume growth offset by realisations
- Contained raw materials cost aided gross margin gains by 40bps YoY to ~30.1% (130 bps QoQ), EBITDA margin flat at 20.2% YoY/QoQ
- We revise down FY26E/FY27E EPS by 6%/5%, valuing BJAUT at 24x 1YF earnings, revise TP at Rs 9,253 (Rs9,438). Maintain HOLD

[Click here](#) for the full report.

**SELL**

TP: Rs 342 | ▼ 19%

**BIRLASOFT**

| IT Services

| 30 May 2025

## Weakest 4Q performer in our Tier-2 set

- Revenue down 5.3% QoQ CC, lower than our estimate on furloughs, project ramp downs, insourcing, etc. Had 3 QoQ drops in FY25
- Poor exit and weak start to FY26 and weak TCV would mean a possibly flattish FY26 USD revenue. At 70%, discretionary exposure is high
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**Girish Pai**

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**Revenue impacted by broad-based weakness:** Revenue declined 5.3% QoQ CC terms (0% our estimate). Performance was impacted by broad based weakness across verticals and service lines. Extended furloughs, ramp downs and insourcing were indicated to be driving this. A larger chunk – 60%- (including Health care and life sciences where the business is largely from Med Tech) was manufacturing related which got impacted by tariff uncertainty

**FY26 revenue will likely be flat unless material deal wins happen:** FY25 TCV totaled US\$758mn (down 13%). Net new TCV for the year was US\$359mn, down 24%. The start to the year was indicated to be soft with growth likely picking up from 2QFY26. It was indicated that discretionary work (negatively impacted) constituted 70% of revenue with the effort to bring it down to 50%.

**EBIT margin was flat as some variable pay was cut/postponed.** 4QFY25 EBIT margin was broadly in line with 50bps benefit from currency and 150 bps from cut in variable pay to senior employees. Half of the variable pay cut will reverse in 1QFY26. It was also indicated some of the order wins in recent days have been at tight pricing which could lead to lower than corporate level margins on these orders in the initial few quarters.

**Cut estimates:** We have reduced both revenue and EBIT margin estimates for FY26 and FY27 leading to EPS reductions of 13-15%. We are now building in flat USD revenue in FY26 and a 5% growth in FY27. Even achieving this in our view will take some effort from the company's side.

**Downgrade back to SELL rating:** We had upgraded the stock to HOLD in our 12 March 2025 sector note. However, the EPS cuts while keeping Target PE multiple the same prompts us to downgrade back to a SELL. Target PE remains unchanged at a 25% discount to the target PE multiple of TCS- our sector benchmark. In our coverage universe in Tier-2 Birlasoft will likely be among the weakest performers both from a revenue and margin perspective.

## Key changes

Target	Rating
▼	▼

Ticker/Price	BSOFT IN/Rs 421
Market cap	US\$ 1.4bn
Free float	59%
3M ADV	US\$ 9.5mn
52wk high/low	Rs 760/Rs 331
Promoter/FPI/DII	41%/12%/25%

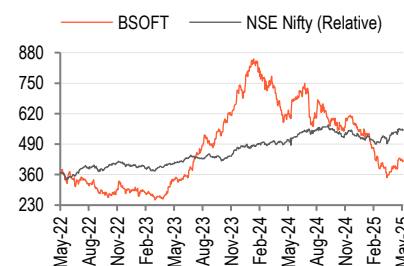
Source: NSE | Price as of 29 May 2025

## Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	53,752	55,972	60,120
EBITDA (Rs mn)	6,974	7,344	8,482
Adj. net profit (Rs mn)	5,168	5,161	6,028
Adj. EPS (Rs)	18.3	18.3	21.4
Adj. ROAE (%)	15.8	14.2	15.2
Adj. P/E (x)	23.0	22.9	19.6
EV/EBITDA (x)	15.8	15.4	13.2
Adj. EPS growth (%)	(19.0)	0.1	16.8

Source: Company, Bloomberg, BOBCAPS Research

## Stock performance



Source: NSE



**RBI ANNUAL REPORT**

29 May 2025

**Main takeaways from RBI Annual Report**

RBI's balance sheet expanded by 8.2% to Rs 76 lakh crore in FY25 compared to Rs 70 lakh crore in FY24. On the assets side, RBI gold holding has contributed to a significant increase, as safe-haven demand rose in a volatile global policy environment. The remaining increase was seen in the domestic investment portfolio of RBI led by conduct of OMO purchase for liquidity management. The income and expenditure statement showed that the record high dividend transfer to the government was possible on account of higher gains from foreign currency assets (FCA).

**Dipanwita Mazumdar | Jahnavi**  
Economist

The earnings from FCA as percent of average FCA rose to its decade high level. Going forward with normalization of domestic liquidity and notwithstanding any untoward pressure on DXY, we expect this stability on this front. Another interesting part of the RBI's balance sheet has been the higher ratio of Available Realized Equity as percentage of Balance sheet which went up to 7.5% in FY25 from 5.5% seen in FY21. This also is a buffer mechanism in line with the Bimal Jalan Committee recommendation to act in a prudent manner in a volatile financial landscape.

**Highlights of Macro economy:**

- The global economy is expected to grow at a much slower pace in 2025 on the back of growing policy uncertainty, global trade protectionism and lingering geopolitical tensions. Policymakers must use a balanced approach as they swiftly navigate between monetary and fiscal policy to support growth continuing to safeguard financial and macroeconomic stability.
- India's economy is expected to continue to grow at robust pace and retaining the title of fastest growing economy. This will be supported by pick-up in private consumption, easing financial conditions, healthy balance sheets of corporates and banks along with government's thrust on capex. Based on various factors, real GDP is projected to grow at 6.5% for 2025-26 with risks evenly balanced.
- Moreover, lower global commodity prices, easing of supply chain pressure and uptick in agriculture production supported by better monsoon bodes well for inflation outlook in 2025-26. On the other hand, there are some concerns that the financial market might showcase some erratic episodes of volatility amidst heightened uncertainty due to evolving trade policies.



**HOLD**

TP: Rs 9,253 | ▲ 4%

**BAJAJ AUTO**

| Automobiles

| 30 May 2025

## Handling challenges well; maintain HOLD

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**Milind Raginwar**

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**Volume growth muted, realization provide respite:** BJAUT's Q4FY25 revenue increased ~6% YoY (down 5% QoQ) to Rs 121bn checked by muted volume growth of 3% YoY to 1.10mn units (-10% QoQ). Domestic markets volume declined by ~7% YoY (2-W segment fell by 7% YoY) and exports markets grew by 19% in Q4FY25 (contributed equally by 2-W/3-W segment). Average realisation per vehicle gains was 3%/5% YoY/QoQ to Rs 110k following its focus on the premium/EV segment.

### RM cost well-checked, other expenses spike keep EBITDA margin listless:

Raw material as a percentage of sales fell to 69.9% vs ~71.3% QoQ (flat YoY) due to commodity cost softening. Effectively, the gross margin jumped by 40 bps/130 bps at ~30.1% YoY/QoQ. However, the EBITDA margin stayed listless at 20.2% flat YoY/QoQ, as other expenditure increased by 18%/21 YoY/QoQ (7.2% of sales) and staff cost QoQ softened. EBITDA in 4Q rose 6% YoY (down 5% QoQ) to Rs 24.5bn.

**Improving exports provide helping hand:** Export volumes surged ~20% YoY in Q4FY25, contributing ~50% of total volumes (up from 44% in Q3FY25), driven by strong demand in LATAM. Bajaj Brazil's plant operated at full capacity (30k units p.a.), with expansion to 50k units p.a. approved for commissioning by Q4FY26.

**Challenges underway at KTM, Bajaj Freedom steady:** BJAUT faced challenges at the KTM (global) unit and impacted global sales substantially (Details on page 4). Freedom 125 retailed 60k units only in FY25 due to limited CNG fuel infrastructure (refill pumps) that dampens demand, particularly in semi-urban and rural markets.

**Cut our earnings estimates, Maintain HOLD:** We lower our FY26/FY27 EPS estimates by 6%/5% to factor in BJAUT's 2W electric vehicle (EV) focus that will dilute earnings and slowing domestic market growth in the key motorcycle segment. Effectively, have reduced our volume estimates to factor in tepid growth in FY25. Factoring in the slow growth momentum in domestic markets, sluggish response to the CNG segment, challenges at the global subsidiary and earnings dilution from the EV segment, we value the stock at 24x P/E 1YF and arrive at a TP of Rs 9,253 (from Rs 9,438). We maintain HOLD.

## Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	BJAUT IN/Rs 8,875
Market cap	US\$ 30.0bn
Free float	46%
3M ADV	US\$ 42.1mn
52wk high/low	Rs 12,774/Rs 7,089
Promoter/FPI/DII	54%/10%/13%

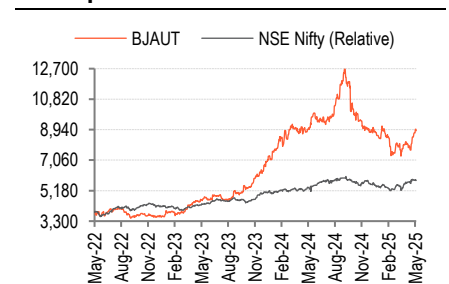
Source: NSE | Price as of 29 May 2025

## Key financials

Y/E 31 Mar	FY25P	FY26E	FY27E
Total revenue (Rs mn)	5,00,103	5,57,247	6,22,684
EBITDA (Rs mn)	1,00,988	1,14,991	1,33,623
Adj. net profit (Rs mn)	83,627	94,722	1,08,769
Adj. EPS (Rs)	307.1	339.3	389.6
Consensus EPS (Rs)	307.1	346.3	391.0
Adj. ROAE (%)	26.0	26.0	26.9
Adj. P/E (x)	28.9	26.2	22.8
EV/EBITDA (x)	25.1	22.3	19.4
Adj. EPS growth (%)	11.8	13.3	14.8

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

## Stock performance



Source: NSE



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**BUY** – Expected return >+15%

**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

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