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FIRST LIGHT

06 May 2025

RESEARCH

BOB ECONOMICS RESEARCH | MONTHLY ECONOMIC BUFFET

Economic Round-up: April 2025

COFORGE | TARGET: Rs 6,202 | -17% | SELL

Robust growth likely in FY26. But pricey at 37x

MAHINDRA & MAHINDRA | TARGET: Rs 3,689 | +22% | BUY

Healthy performance all around; maintain BUY

SUMMARY

INDIA ECONOMICS: MONTHLY ECONOMIC BUFFET

Global growth and inflation outlook continues to be impacted by rapidly changing US tariff policies. This month, the US government signalled a softer stance on tariffs. The Liberation Day tariffs were paused for 90-days, even though the additional 10% tariff was still applicable. Reprieve was also provided to US auto manufacturers. US officials also hinted at substantial progress in trade talks with major trading partners. Further, while there were signs of an escalation in US-China trade war for the most part of the month, both the countries have expressed willingness to start trade negotiations. This is a welcome sign as the impact of tariff driven uncertainty can already be seen in early macro data points.

Click here **for the full report.**

COFORGE

- 4QFY25 CC growth a tad below estimate but EBIT margin surprise +ve. FY25 organic rev. growth is likely in mid teen. FY26 hinted to be better.
- Order inflow bolstered by the Sabre mega deal (US$1.56bn). Says risks associated with the deal covered. Ex-Sabre TCV down 4%.
- Raise FY26/FY27 USD revenue and EPS estimates a bit. While it will be among the growth leaders believe that is in the price at 37x FY26EPS.

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MAHINDRA & MAHINDRA

- Automotive and tractor segment volume grew in double digits by ~16%/19% YoY; blended realisations gains ~7%/11% YoY/QoQ
- Auto EBIT margin up to 9.2% vs 8.8% YoY. FES market share at 41.2% (up 180 bps YoY), margins at 19.4% up from 16% YoY
- Maintain our earnings estimate and BUY rating, continue to value MM's core business at 24x 1YF P/E with unchanged TP of Rs 3,689

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MONTHLY ECONOMIC BUFFET

05 May 2025

Economic Round-up: April 2025

Aditi Gupta
Economist

Global growth and inflation outlook continues to be impacted by rapidly changing US tariff policies. This month, the US government signalled a softer stance on tariffs. The Liberation Day tariffs were paused for 90-days, even though the additional 10% tariff was still applicable. Reprieve was also provided to US auto manufacturers. US officials also hinted at substantial progress in trade talks with major trading partners. Further, while there were signs of an escalation in US-China trade war for the most part of the month, both the countries have expressed willingness to start trade negotiations. This is a welcome sign as the impact of tariff driven uncertainty can already be seen in early macro data points.

Global central banks are also adopting a cautious approach awaiting more clarity on US tariffs and its impact on growth and inflation. In India, economic activity continues to recover at a steady pace. India remains well-insulated from tariff related shocks as the economy is largely domestic driven. There are indications that a trade deal with the US is likely before the end of the year. RBI reduced policy rates by 25bps in Apr'25 while also revising its growth and inflation projections downwards. Stance was also changed to accommodative signalling status quo or lower policy rates. Ample liquidity support has also been provided to improve transmission. We believe that the RBI is likely to reduce policy rate by another 50bps.

Global growth prospects: Global growth is expected to moderate to 2.8% in 2025 and 3% in 2026 as per the IMF's World Economic Outlook Report released in Apr'25. This is lower compared with an estimated 3.3% growth in 2024, and even lower than IMF's earlier estimates in Jan'25. Tariffs and policy uncertainty are likely to act as major drag on global economic activity. Growth in Advanced Economies (AEs) is expected at 1.4% in 2025 and 1.5% in 2026, marking a downward revision of 50bps and 30bps respectively from Jan'25. In the US, GDP growth is expected at 1.8% in 2025, with a sharp downward revision of 90bps. EMDEs are also expected to register lower growth of 3.7% versus 4.2% estimated earlier, led by sharp downward revisions in growth forecasts for China and Mexico. Global inflation is expected to moderate gradually to 4.2% in 2025 and 3.6% in 2026. Growth in world trade volumes is expected to fall to 1.7% in 2025 from 3.8% in 2026, due to the tariff uncertainty.

Key macro data releases: By a unanimous vote, **RBI's monetary policy committee** decided to reduce policy rates further by 25bps to 6%, marking the second consecutive rate cut. Stance was also changed to accommodative signalling either a pause or more rate cuts. Both growth and inflation projections for FY26 were revised lower to 6.5% and 4% respectively.

SELL
TP: Rs 6,202 | ∨ 17%

COFORGE | IT Services | 06 May 2025

Robust growth likely in FY26. But pricey at 37x

- **4QFY25 CC growth a tad below estimate but EBIT margin surprise +ve. FY25 organic rev. growth is likely in mid teen. FY26 hinted to be better.**
- **Order inflow bolstered by the Sabre mega deal (US$1.56bn). Says risks associated with the deal covered. Ex-Sabre TCV down 4%.**
- **Raise FY26/FY27 USD revenue and EPS estimates a bit. While it will be among the growth leaders believe that is in the price at 37x FY26EPS.**

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Execution and proactive solutions the secret sauce: It noted that its 8-year track record of good revenue performance has been largely due to execution excellence, being close to the customer and delivering proactive solutions. It indicated that in current times of macro driven slowdown, it depends on wallet share gains rather than an increase in budgets to drive growth.

4QFY25 was strong: Unlike for many of its peers, revenue grew 3.4% QoQ in CC terms. This is against our estimate of 4% growth. EBIT margin stood at 13.2%, 140bps higher than our estimate of 11.8%. A large portion of this has come from a better gross margin than we expected. Some of it has come from lower-than-expected SGA and ESOP costs.

Order inflow bolstered by the Sabre deal: The highlight of the year was the extremely strong order inflow which was bolstered by the 13-year US$1.56bn Sabre (travel tech player) deal. Its full year TCV was US$3.5bn (up 75%) with US$2.1bn booked in 4Q alone. Without the Sabre deal the order inflow would have been down 4% for FY25. The 12-month executable order book at US$1.5bn was also up 47% - part of it contributed by the Cigniti acquisition.

Regarding Sabre risk (as it has weak financial position): Coforge indicated that it is working closely with the company. It also stated that Sabre delevered to some extent recently through the sale of one of its units. It also stated that Coforge has taken credit insurance on the deal. Our concern in the current situation is not so much on the receivables part, but loss of revenue and profits and possible downgrade to consensus estimates and PE derating because of that.

GCC seems to be an outsized element: It was indicated that GCC business constituted 10% of the revenue of the Coforge. While all Indian companies recently have been touting their GCC credentials no one has put out a number on exposure. What we are concerned about on the GCC side is the potential for revenue discontinuity when there is insourcing at some point in time in the future. We are also concerned that some of this is possibly staff augmentation type of work.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	COFORGE IN/Rs 7,497
Market cap	US$ 6.0bn
Free float	99%
3M ADV	US$ 62.9mn
52wk high/low	Rs 10,027/Rs 4,287
Promoter/FPI/DII	0%/40%/50%

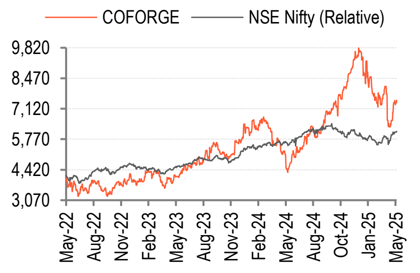
Source: NSE | Price as of 5 May 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	121,912	152,747	180,796
EBITDA (Rs mn)	18,332	26,499	31,874
Adj. net profit (Rs mn)	8,107	14,219	17,547
Adj. EPS (Rs)	122.3	205.2	253.2
Consensus EPS (Rs)	141.7	211.1	258.6
Adj. ROAE (%)	16.2	21.4	24.2
Adj. P/E (x)	61.3	36.5	29.6
EV/EBITDA (x)	27.3	18.9	15.5
Adj. EPS growth (%)	(6.9)	67.8	23.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BUY
TP: Rs 3,689 | ⮝ 22%

MAHINDRA & MAHINDRA | Automobiles | 06 May 2025

Healthy performance all around; maintain BUY

- **Automotive and tractor segment volume grew in double digits by ~16%/19% YoY; blended realisations gains ~7%/11% YoY/QoQ**
- **Auto EBIT margin up to 9.2% vs 8.8% YoY. FES market share at 41.2% (up 180 bps YoY), margins at 19.4% up from 16% YoY**
- **Maintain our earnings estimate and BUY rating, continue to value MM's core business at 24x 1YF P/E with unchanged TP of Rs 3,689**

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Volume aids double-digit top-line growth: In Q4 FY25, MM reported strong (SA) revenue growth of ~25%/3% YoY/QoQ, Rs 313.5 bn. This was driven by a blended volume growth of ~17% YoY to 341k vehicles, (7% QoQ decline). Net blended realisation per vehicle (NRPV) rose impressively by ~7% YoY and 11% QoQ to Rs 919.3k per vehicle, reflecting favourable product mix and pricing power.

Automotive segment continues healthy delivery: MM's Automotive business dominates revenue with 78.9% contribution in Q4FY25 (78.2% in Q4FY24). EBIT margin improved to 9.2% vs 8.8% YoY. The healthy contribution of the ICE segment, strong response to new launches like Thar Roxx, the 2 new EV launches and the LMM segment all contributed to the gains. The EV impact was ~1% on margins (overall EBITM excluding EV was ~10%).

FES gaining pace: At 41%, the tractor segment market share was up 180 bps YoY as volumes grew strongly by 20% YoY to 88k units. FES revenue share was stable at 20% YoY, with tractor margins at 19.4% up from 16% YoY. MM solidified leadership in tractors, with market share of 43.3% (+170 bps YoY) in FY25.

Product pipeline remains strong: For CY26, MM has outlined product launch to strengthen its position in the SUV, BEV, and LCV segments. Plans to introduce three SUVs, (two mid-cycle enhancements and one new model), with two BEVs and two LCVs (one ICE and one EV). The revised pipeline includes: 7 ICE SUVs, (5 new launches and 2 mid-cycle enhancements), 5 BEVs, reflecting a focused approach to EVs. MM plans 5 LCVs, (3 ICE models and 2 EVs), to cater to the CV demand.

Overall healthy performance continues; maintain BUY: We retain our earnings estimates for FY26e/FY27e, factoring in the healthy outlook from Automotive and FES segments, following healthy monsoons and a strong launch pipeline. We pencil in a 3Y EBITDA/PAT CAGR of 20%/17%. We value MM's core business at 24x 1-year P/E, a 10% premium to its long-term average (22x) resulting in an unchanged SOTP-based TP of Rs 3,689. This includes the value of subsidiaries of Rs347. We maintain our BUY rating (upside of 22%) and upward bias to our earnings estimates.

Key changes

Target	Rating
◄ ►	◄ ►

Ticker/Price	MM IN/Rs 3,022
Market cap	US$ 44.9bn
Free float	81%
3M ADV	US$ 115.4mn
52wk high/low	Rs 3,271/Rs 2,160
Promoter/FPI/DII	19%/37%/29%

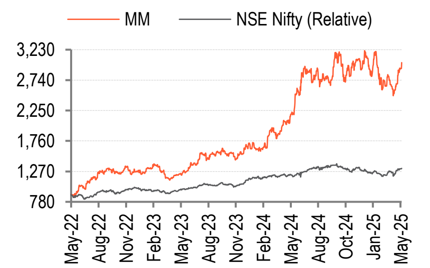
Source: NSE | Price as of 5 May 2025

Key financials

Y/E 31 Mar	FY25P	FY26E	FY27E
Total revenue (Rs mn)	11,64,837	13,06,400	14,91,038
EBITDA (Rs mn)	1,62,747	1,93,888	2,22,525
Adj. net profit (Rs mn)	1,18,550	1,52,573	1,70,307
Adj. EPS (Rs)	98.9	127.3	142.1
Consensus EPS (Rs)	98.9	116.8	131.3
Adj. ROAE (%)	20.8	22.5	20.9
Adj. P/E (x)	30.5	23.7	21.3
EV/EBITDA (x)	22.8	18.9	16.7
Adj. EPS growth (%)	10.6	28.7	11.6

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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