FIRST LIGHT

09 May 2025

RESEARCH

UNITED BREWERIES | TARGET: Rs 2,204 | +2% | HOLD

Premium needs to accelerate

CANARA BANK | TARGET: Rs 125 | +31% | BUY

Asset quality continues to improve with healthy return profile

ESCORTS KUBOTA | TARGET: Rs 2,658 | -17% | SELL

Weakness persists despite signs of industry revival; SELL

VOLTAS | TARGET: Rs 1,460 | +19% | BUY

Market share held, but fragile; Q1 key to watch

BLUE STAR | TARGET: Rs 1,850 | +15% | BUY

Mixed bag; muted start to Q1

SUMMARY

UNITED BREWERIES

- Sales and EBITDA were above consensus and our est. Higher NSR/case & lower volume elasticity drove 26% YoY rise in EBITDA/case
- UB noted the required premium volume growth at 35%-40% to increase its share of sales to 20-25% over the medium term
- Current premium volume growth remains well below the required run rate and there is less clarity on the pace of Amstel rollout. HOLD

Click here **for the full report.**

CANARA BANK

- PAT aided by govt-guaranteed SRs and recovery in w/off accounts. CBK guided for advances growth of 10-11% in FY26E
- Asset quality improved largely, aided by higher w/offs, targets credit cost of 90bps in FY26E
- Maintain BUY with revised TP of Rs 125 (Rs 115 earlier), assigning 0.9x FY27E ABV

Click here **for the full report.**

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ESCORTS KUBOTA

- Q4 tractors' volume rose by 8% YoY (combined volume from JV partners), aided by industry growth, realisation stays flat with 1% fall
- Raw material cost escalation and flat realisation continue to keep pressure on margins, gross and EBITDA margins slip YoY
- We maintain our FY26/FY27 EBITDA estimates, revise EPS retain 20x P/E multiple and revise TP to Rs 2,658 (from Rs 2,533). Maintain SELL

Click here for the full report.

VOLTAS

- Q4 revenue in line, EBITDA below estimates. Revenue grew 13% YoY led by 17% YoY growth in UCP segment, other segments growth muted
- Market share held at 19% on YTD basis, a possibility of market share loss in Q4. UCP margin surprises positively on favourable product mix
- Ascribe 45x to FY27E EPS to arrive at Mar'26TP of Rs 1,460. Assume coverage with BUY

Click here for the full report.

BLUE STAR

- Q4 revenue was 7% above estimates; 80bps margin miss drives 4% EBITDA miss.
- Revenue grew 21% YoY, led by 31% YoY growth in EMP and 15% YoY growth in Unitary products.
- Ascribe 47x to FY27EPS to arrive at Mar'26 TP of Rs 1,850; assume coverage with BUY

Click here for the full report.

HOLD

TP: Rs 2,204 | ⮝ 2%

UNITED BREWERIES | Consumer Staples | 09 May 2025

Premium needs to accelerate

- **Sales and EBITDA were above consensus and our est. Higher NSR/case & lower volume elasticity drove 26% YoY rise in EBITDA/case**
- **UB noted the required premium volume growth at 35%-40% to increase its share of sales to 20-25% over the medium term**
- **Current premium volume growth remains well below the required run rate and there is less clarity on the pace of Amstel rollout. HOLD**

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4QFY25 result summary: United Breweries reported 4QFY25 sales of Rs21.3bn, +9% YoY. EBITDA came in at Rs1.9bn, +31% YoY, with margins expanding 134bps to 8.0%. The strong result was mainly due to higher price realisation and low-elasticity-driven 26% improvement in EBITDA/case.

Sales trends: Group volumes were +5% YoY with premium volumes rising 24%. We estimate non-premium volumes were +4%. NSR/case increased 4% YoY.

- **Volume drivers:** Volume growth was driven by Andhra Pradesh, UP, Maharashtra & Assam partly offset by elasticity in Telangana & Karnataka.
- **Pricing drivers:** We estimate non-premium was +4%, due to higher price realisation in Telangana, Orissa & Rajasthan. Mix benefit also helped pricing due to rising share of premium portfolio.

Slow growth in premium: Premium volume growth slowed from 33% in 3Q to 24% in 4Q. FY25 growth was 32%. We estimate premium as a percentage of sales increased 1.7ppt YoY to 10.1%. The company needs to grow premium at 35%-40% run rate to achieve its targets of (1) doubling premium contribution to beer sales over two to three years and (2) getting premium to contribute 20%-25% of beer sales over the medium term. We forecast premium volume growth of 27% in FY26 and 18% in FY27. This brings premium contribution to group FY27 beer sales to 13% i.e. 1.5x vs FY24. See our initiating coverage note for more insights on UB and the broader beer industry - **Positive outlook, but premium targets are stretched**.

Our view: The 4QFY25 beat was driven by price hikes in multiple states. From a regulatory perspective, while price hikes are positive, there are also negative aspects of increases in excise. There is also downside risk if volume elasticity worsens. UB's strategy of increasing share of premium to create a buffer for its earnings is the right approach to improve control over business and reduce volatility. However, targets are stretched with premium volume growth lagging the required run rate. We value the company in line with its 5Y historical average P/E of 64x on 12m to March 2027 EPS. Our TP is Rs 2,204 with an implied return of 2%. HOLD.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	UBBL IN/Rs 2,169
Market cap	US$ 6.7bn
Free float	29%
3M ADV	US$ 6.1mn
52wk high/low	Rs 2,300/Rs 1,810
Promoter/FPI/DII	71%/6%/18%

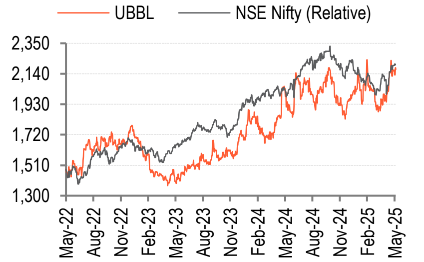
Source: NSE | Price as of 8 May 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	81,227	89,151	100,966
EBITDA (Rs mn)	6,962	8,408	12,217
Adj. net profit (Rs mn)	4,100	4,674	7,650
Adj. EPS (Rs)	15.5	17.7	28.9
Consensus EPS (Rs)	15.5	17.7	28.2
Adj. ROAE (%)	10.1	10.9	16.6
Adj. P/E (x)	139.9	122.7	75.0
EV/EBITDA (x)	81.5	68.0	47.0
Adj. EPS growth (%)	21.6	14.0	63.6

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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BUY
TP: Rs 125 | ▲ 31%

CANARA BANK | Banking | 09 May 2025

Asset quality continues to improve with healthy return profile

- **PAT aided by govt-guaranteed SRs and recovery in w/off accounts. CBK guided for advances growth of 10-11% in FY26E**
- **Asset quality improved largely, aided by higher w/offs, targets credit cost of 90bps in FY26E**
- **Maintain BUY with revised TP of Rs 125 (Rs 115 earlier), assigning 0.9x FY27E ABV**

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PAT mainly aided by govt-guaranteed SRs and recovery in w/off accounts: CBK reported PAT of Rs 50bn (+33% YoY; +22% QoQ) in Q4FY25, largely aided by reversal of excess provision of Rs 17.2bn related to RBI's new guidelines on govt-guaranteed SRs. In addition, the recoveries in w/off accounts of Rs 24.7bn (+30% YoY) in Q4FY25 also aided PAT. Management stated that it has a w/off pool of ~Rs 700bn and expects to recover Rs 40-50bn every year vs recovery of Rs 68.3bn (+14.5 YoY) in FY25. NIMs were stable at 2.73% (+2bps QoQ). However, the bank reported NIMs of 2.8% vs its guidance of 2.9% for FY25. The bank has guided for NIMs of 2.75-2.8% for FY26. CBK reported RoA/RoE of 1.09%/21.28% in FY25 vs. its guidance of 1.0%/18.0% and guided for 1.05%/18.5% in FY26.

Business growth largely in line with system: Gross advances grew 11.7% YoY vs its guidance of 10% and was largely in line with system growth of ~11.0% YoY. Retail, agri and MSME (RAM) grew 13.2% YoY (+2.9% QoQ) while corporate book was up 9.8% YoY (+1.5% QoQ). Retail credit grew 42.8% YoY. Management stated that the retail book (home, vehicle, etc.) largely grew at an avg. of 14-15%, however, retail gold loans grew significantly to Rs 480bn (Mar'25) from ~Rs 10-20bn (Mar'24), due to bank shifting its focus to retail gold loans from agri gold loans that also has relatively higher yields by ~30-40bps to 9.1-9.15%. Deposits grew by 11% YoY, largely aided by TDs (+13% YoY). While CASA deposits grew at a low pace of 6% YoY, with CASA ratio of 28.5% (-141bps YoY; +94bps QoQ).

Asset quality improved, largely aided by higher w/offs: GNPA ratio improved to 2.94% (-40bps QoQ) aided by higher w/offs of Rs 50.2bn (+29% QoQ) in Q4FY25. SMA book declined to Rs 103bn (-14% QoQ) or 0.96% (-18bps QoQ), which consists of 3 chunky accounts of ~Rs. 70bn. CBK guided GNPA/NNPA of 2.5%/0.6% for FY26.

Maintain BUY: Considering bank's performance vs its guidance, along with improving AQ, we believe the bank has levers to perform well. We expect bank to report RoA/RoE of 1.0/16.8% by FY27E. We maintain BUY rating and value the bank at 0.9x FY27E ABV with revised TP of Rs 125 (from Rs 115).

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	CBK IN/Rs 95
Market cap	US$ 10.1bn
Free float	42%
3M ADV	US$ 27.3mn
52wk high/low	Rs 129/Rs 79
Promoter/FPI/DII	63%/11%/12%

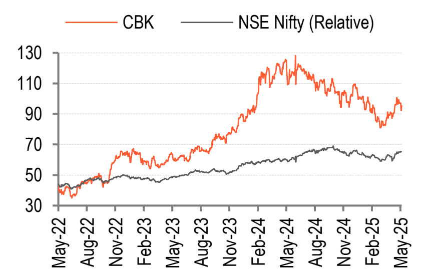
Source: NSE | Price as of 8 May 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
NII (Rs mn)	3,70,720	4,03,262	4,54,094
NII growth (%)	1.4	8.8	12.6
Adj. net profit (Rs mn)	1,70,267	1,76,677	2,03,217
EPS (Rs)	18.8	19.5	22.4
Consensus EPS (Rs)	17.7	18.0	19.0
P/E (x)	5.1	4.9	4.3
P/BV (x)	0.9	0.8	0.7
ROA (%)	1.1	1.0	1.0
ROE (%)	18.2	16.6	16.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

SELL
TP: Rs 2,658 | ⩔ 17%

ESCORTS KUBOTA | Automobiles | 09 May 2025

Weakness persists despite signs of industry revival; SELL

- **Q4 tractors' volume rose by 8% YoY (combined volume from JV partners), aided by industry growth, realisation stays flat with 1% fall**
- **Raw material cost escalation and flat realisation continue to keep pressure on margins, gross and EBITDA margins slip YoY**
- **We maintain our FY26/FY27 EBITDA estimates, revise EPS retain 20x P/E multiple and revise TP to Rs 2,658 (from Rs 2,533). Maintain SELL**

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Volume weakness persists: ESCORTS amalgamated Escorts Kubota India and Kubota Agricultural Machinery India with Escorts Kubota. The performance has been adjusted since FY24 to reflect the performance of the amalgamated entity. Q4FY25 revenue from operations grew 6.3% YoY (-17% QoQ) to Rs 24.4bn, as tractor volumes grew by ~8% YoY (-18% QoQ) to ~26.6k units (-18% QoQ). Net realisation/vehicle was down 1% YoY (+1% QoQ) to Rs 0.91mn.

Only AM delivered growth, CE declined: Agri Machinery (AM) segment revenue grew by 11.1% YoY in Q4FY25 as tractors' volume grew by 7.6%; while EBIT margin was flattish at 11.2% vs 11.3% in Q4FY24. Construction Equipment (CE) continued to drag down, falling 10.3%/12% YoY/QoQ. Volumes dropped by 12.2% YoY while EBIT margin down to 9.1% vs 11% in Q4FY24. Railway equipment (RE) segment was discontinued (revenue/PBIT +20.2%/76.1% YoY).

Margin contracts on elevated cost structure: Raw material cost (inventory adjusted) inflated by 7% YoY (-21% QoQ) at Rs 17bn (up 60 bps to 69.4 as % of sales). Gross margin was weak at ~30.6% vs 31.2% YoY, due to the elevated cost of JV companies. EBITDA margin was at 11.8% in Q3FY25, declining YoY from 12.4% (improved QoQ), following the impairment impact and Kubota's import costs that were impacted by currency depreciation.

Amalgamation approved by NCLT: The amalgamation of Escorts Kubota India and Kubota Agricultural Machinery India has been approved by the National Company Law Tribunal (NCLT) and was filed with ROC on 1 September 2024.

Maintain SELL: ESCORTS's tractor realisation continues to be under pressure YoY, due to intense competition and unfavourable regional mix. ESCORTS has also lost domestic market share to the competition. The amalgamation impact on margins due to higher cost structure will stay. We maintain our EBITDA for FY26E/FY27E, but revise our EPS marginally higher to factor in lower tax impact and Other income benefits. We retain our SELL rating with revised TP of Rs 2,658 (from Rs 2,533). Our target P/E stays at 20x – a marginal premium to the stock's LT mean.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	ESCORTS IN/Rs 3,195
Market cap	US$ 4.9bn
Free float	63%
3M ADV	US$ 5.7mn
52wk high/low	Rs 4,420/Rs 2,825
Promoter/FPI/DII	37%/22%/8%

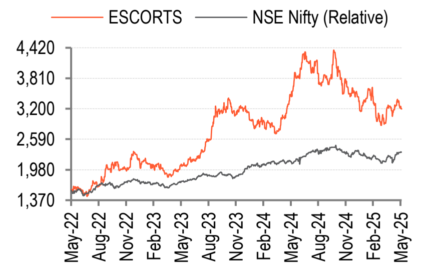
Source: NSE | Price as of 8 May 2025

Key financials

Y/E 31 Mar	FY25P	FY26E	FY27E
Total revenue (Rs mn)	1,01,870	1,14,140	1,33,584
EBITDA (Rs mn)	11,778	13,632	16,555
Adj. net profit (Rs mn)	11,371	12,265	14,547
Adj. EPS (Rs)	101.6	109.6	130.0
Consensus EPS (Rs)	101.6	110.0	131.0
Adj. ROAE (%)	11.0	10.6	11.2
Adj. P/E (x)	31.4	29.1	24.6
EV/EBITDA (x)	34.7	29.9	24.2
Adj. EPS growth (%)	7.1	7.9	18.6

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

Stock performance



Source: NSE

BUY
TP: Rs 1,460 | ⮝ 19%

VOLTAS | Consumer Durables | 09 May 2025

Market share held, but fragile; Q1 key to watch

- **Q4 revenue in line, EBITDA below estimates. Revenue grew 13% YoY led by 17% YoY growth in UCP segment, other segments growth muted**
- **Market share held at 19% on YTD basis, a possibility of market share loss in Q4. UCP margin surprises positively on favourable product mix**
- **Ascribe 45x to FY27E EPS to arrive at Mar'26TP of Rs 1,460. Assume coverage with BUY**

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Revenue in line; miss on EBITDA: VOLT Q4 revenue was in line with our estimates, however, a 45bps miss on EBITDA margin led to 5% miss in EBITDA. Q4 revenue grew 13% YoY, led by strong growth in the UCP business (+17% YoY) while EMP business reported muted growth of 4% YoY/-4% QoQ. Gross margin expanded 160bps YoY to 21.4% on improved mix of premium products. EBITDA margin expanded 240bps YoY to 7.0%, aided by operating leverage. Adjusted PAT came in at Rs 2.3bn vs Rs 1.1bn in Q4FY24. For FY25, revenue/EBITDA/ PAT grew 23%/107%/234% YoY on account of strong summer-led RAC sales and improved margin profile.

UCP revenue growth in line; margin surprises positively: UCP segment revenue grew 17%, in line with our estimates on account of strong RAC sales on a high base of Q4FY24 (UCP was up 44% YoY, RAC sales grew 70% YoY last year). Commercial refrigerators saw 19-20% YoY growth led by QCO-led stock liquidation. Air coolers also saw significant growth. EBIT margin in UCP surprised positively with 80bps YoY expansion largely; this was after 8 quarters where we saw such margin. This was largely led by improved product mix towards premium category products such as higher energy-efficient RACs and commercial ACs. FY25YTD, the company maintained its leadership with ~19 market share.

Muted growth in EMP, loss on account of provisions: EMP segment revenue grew 4% YoY to Rs 11.4bn, supported by steady project execution across geographies. Overseas growth was driven by projects in the UAE and Saudi Arabia. EBIT loss narrowed to Rs 17mn. Excluding a Rs 40mn ECL provision on international projects, the segment would have posted a Rs 23mn profit.

Assume coverage with BUY: We estimate BLSTR to deliver revenue/EBITDA/PAT CAGR of 14%/15%/13% over FY25–27E, driven by: a) sustained leadership enabling above-industry growth b) capacity expansion in southern markets to improve share and margins c) a selective order book strategy supporting profitable, sticky growth. We assign a 45x FY27E EPS multiple to arrive at a Mar'26 target price of Rs 1,460 and assume coverage with a BUY rating.

Key changes

Target	Rating
▲	▲

Ticker/Price	VOLT IN/Rs 1,223
Market cap	US$ 4.7bn
Free float	70%
3M ADV	US$ 32.8mn
52wk high/low	Rs 1,945/Rs 1,135
Promoter/FPI/DII	30%/21%/33%

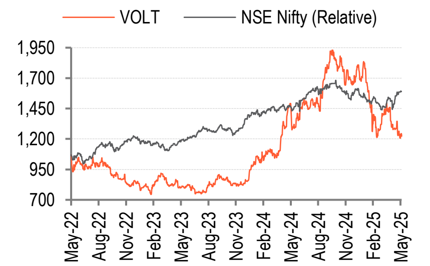
Source: NSE | Price as of 8 May 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	1,54,128	1,73,806	2,01,406
EBITDA (Rs mn)	11,162	11,989	14,667
Adj. net profit (Rs mn)	8,414	8,781	10,708
Adj. EPS (Rs)	25.4	26.5	32.4
Consensus EPS (Rs)	24.5	31.0	39.0
Adj. ROAE (%)	13.6	12.8	14.1
Adj. P/E (x)	48.1	46.1	37.8
EV/EBITDA (x)	36.3	33.8	27.6
Adj. EPS growth (%)	233.9	4.4	21.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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BUY
TP: Rs 1,850 | ⮝ 15%

BLUE STAR | Consumer Durables | 09 May 2025

Mixed bag; muted start to Q1

- **Q4 revenue was 7% above estimates; 80bps margin miss drives 4% EBITDA miss.**
- **Revenue grew 21% YoY, led by 31% YoY growth in EMP and 15% YoY growth in Unitary products.**
- **Ascribe 47x to FY27EPS to arrive at Mar'26 TP of Rs 1,850; assume coverage with BUY**

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Mixed performance; revenue beat, EBITDA miss: Blue Star reported a mixed Q4FY25 performance, with revenue beating estimates by 7% but EBITDA missed by 4%. Revenue rose 21% YoY to Rs 40bn, driven by strong 31% YoY growth in the electro-mechanical projects segment and 15% YoY growth in unitary products (Rs 19.6bn). Gross margin contracted 60bps YoY to 23.1%, partly cushioned by a 30bps decline in employee costs (as % of sales), limiting EBITDA margin contraction to 30bps YoY at 7.0%. Adjusted PAT at Rs 1.9bn (+21% YoY, +62% QoQ) came in 4% ahead of estimates, aided by higher other income. For FY25, revenue/EBITDA/PAT grew 24%/32%/39% YoY, led by strong Unitary Products performance (+22% YoY), supported by a robust summer demand.

Strong momentum in EMP & commercial AC continues: The segment reported revenue growth of 31% YoY (ahead of our estimates) as both projects as well as commercial Acs reported robust growth, on order finalisations from factories and data centre market segments. EBIT margin saw a slight improvement of 10bps YoY to 7.6%.

Unitary products growth disappoints; muted start to Q1: Unitary Products revenue grew 15% YoY in Q4, below our ~24% estimate, as flat commercial refrigeration offset strong RAC growth that was driven by channel stocking ahead of supply disruptions and a hot summer. EBIT margin rose 10bps YoY to 8.4%. Management noted that a normalised commercial segment could have added ~500bps to revenue growth and 50bps to margins. FY25 RAC volumes stood at 1.53mn units. In April, RAC sales grew 5% YoY for BLSTR, outperforming the 15% YoY industry decline on a high base.

Assume coverage with BUY: We estimate BLSTR to deliver revenue/EBITDA/PAT CAGR of 15%/14%/13% over FY25–27E, driven by: a) market share gains in RAC through expanded distribution and brand strength b) recovery in commercial refrigeration and improved end-user demand c) sustained momentum in the EMP segment. We assign a 47x FY27E EPS multiple to arrive at a Mar'26 TP of Rs 1,850 and assume coverage with a BUY rating.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	BLSTR IN/Rs 1,608
Market cap	US$ 3.6bn
Free float	61%
3M ADV	US$ 23.0mn
52wk high/low	Rs 2,417/Rs 1,376
Promoter/FPI/DII	39%/11%/25%

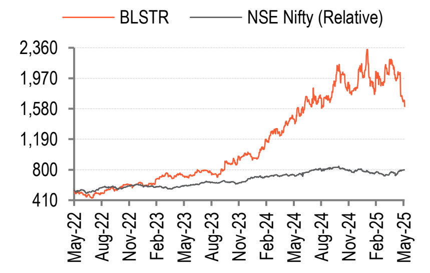
Source: NSE | Price as of 8 May 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	1,19,677	1,35,379	1,57,053
EBITDA (Rs mn)	8,759	9,075	11,342
Adj. net profit (Rs mn)	5,787	5,933	7,602
Adj. EPS (Rs)	30.0	30.8	39.5
Consensus EPS (Rs)	30.0	37.0	46.0
Adj. ROAE (%)	20.4	18.1	20.1
Adj. P/E (x)	53.5	52.2	40.8
EV/EBITDA (x)	35.4	34.1	27.3
Adj. EPS growth (%)	39.5	2.5	28.1

Source: Company, Bloomberg, BOBCAPS Research

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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