FIRST LIGHT

15 May 2025

RESEARCH

SYRMA SGS | TARGET: Rs 610 | +16% | BUY

EBITDA beat; FY26 to be led by Non-consumer vertical

BOB ECONOMICS RESEARCH | WPI

WPI inflation eases

CIPLA | TARGET: Rs 1,760 | +16% | BUY

Healthy new product launches from H2FY26

HERO MOTOCORP | TARGET: Rs 4,642 | +14% | HOLD

Fighting challenges; maintain HOLD

VST TILLERS TRACTORS | TARGET: Rs 3,340 | -11% | SELL

Steady show, limited near-term respite; maintain SELL

SUMMARY

SYRMA SGS

- Revenue miss of 31% offset by 410bps EBITDA margin beat vs estimates
- Q4 revenue declined 18% YoY on decline in revenue from the consumer vertical (- 64% YoY); margins expand on improving mix
- Guidance for revenue growth of 30-35% YoY in FY26; ascribe 30x FY27E EPS to arrive at Mar-26TP of Rs 610

Click here for the full report.

INDIA ECONOMICS: WPI

WPI inflation eased to a 14-month low of 0.9% in Apr'25 compared with 1.2% in Apr'24. Food inflation moderated to 2.5% compared with 6.1% in Apr'24, led by a broad-based deceleration. Notably, sharp correction was seen in prices of vegetables, especially tomato, onion and potato, as well as pulses categories. Cereals inflation also moderated, led by lower rice prices. Fuel and power inflation eased, as cured oil prices remained downbeat. Within manufactured segment, incipient price pressure was visible for food products, reflecting higher edible oil prices. Further, despite lower global metal prices, domestic prices noted a marginal pickup when compared with last year. Going ahead, food inflation is likely to get support from a favourable monsoon and prospects of higher production.

Click here for the full report.

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CIPLA

- Revenue/PAT surpassed our Q4 estimates by 2.5%12.8%, while EBITDA was 2.4% below estimates. Higher PAT due to lower tax rate of 18.6%
- Healthy respiratory pipeline launches of Advair, Symbicort, QVAR, followed by peptides to mitigate the downfall in Revlimid sales
- Retain BUY and continue to ascribe 28x due to healthy cash (~USD1bn) to be utilised towards inorganic activity; to arrive at a TP of Rs 1,760

Click here for the full report.

HERO MOTOCORP

- Q4 revenue grew by ~4% YoY to Rs 99bn, continued to be driven by realisation gains as volume growth muted on fierce competition
- EBITDAM flat YoY to 14.2% contributed by better price gains; EV penetration hit by 2% as ICE EBITDA margins at 16.1%
- We cut our earnings estimates for FY26E/FY27E by 1%/5% to factor in growth challenges, assign 18x P/E, lower TP to Rs 4,642 (from Rs 4,892)

Click here for the full report.

VST TILLERS TRACTORS

- Q4 revenue grew 10% YoY to ~Rs 3.0bn, driven by flat volume gains, realisation gains of 9% despite entering new regions like East India
- Double-digit EBITDA gains YoY to Rs 452mn, margin gains YoY, driven by other expenses savings in a traditionally strong quarter
- We lower our FY26/FY27 earnings by 6%/1%, revise TP to Rs3,340 (vs Rs 3,267), valuing VSTT at 20x P/E 1YF earnings Maintain SELL

Click here for the full report.

BUY
TP: Rs 610 | ⮝ 16%

SYRMA SGS | Consumer Durables | 15 May 2025

EBITDA beat; FY26 to be led by Non-consumer vertical

- **Revenue miss of 31% offset by 410bps EBITDA margin beat vs estimates**
- **Q4 revenue declined 18% YoY on decline in revenue from the consumer vertical (- 64% YoY); margins expand on improving mix**
- **Guidance for revenue growth of 30-35% YoY in FY26; ascribe 30x FY27E EPS to arrive at Mar-26TP of Rs 610**

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Revenue miss, margin surprise drive EBITDA/PAT beat: Q4FY25 revenue declined 18% YoY to Rs 9.2bn, coming in 31% below our and consensus estimates. However, EBITDA margin surprised positively at 11.6% (vs our estimate of 7%), aided by a 1,000bps YoY expansion in gross margin to 27.2% — the highest since listing. This led to a 9% EBITDA beat, with absolute EBITDA rising 46% YoY to Rs 1.1bn. Lower interest costs and higher other income supported a 58% YoY growth in adjusted PAT to Rs 715mn. For FY25, revenue/EBITDA/PAT grew 20%/63%/48% YoY, respectively.

Consumer contribution falls to 21% in Q4: Revenue declined 18% YoY in Q4FY25, primarily driven by a steep drop in the consumer vertical (-64% YoY) and a modest decline in IT (-6% YoY). This was partially offset by strong growth in the industrial (+44% YoY) and automotive (+19% YoY) segments. Contribution of the consumer vertical declined significantly from 46% in Q4FY24 and 31% in Q3FY25 to 21% in Q4FY25; reflecting the company's strategic shift away from this lower-margin vertical in favour of higher-margin verticals such as industrial, healthcare, and automotive. This shift contributed to a sharp 510bps YoY expansion in EBITDA margin to 11.6%. For FY25, the consumer vertical accounted for 36% of revenue, and going forward, the company aims to further reduce this to 30%.

WC improves, CFO turns positive after 3 years: Net working capital (WC) days improved to 70 in FY25 (vs 82 in FY24 and 89 in FY23), driven by a sharp reduction in inventory days from 116 to 79. This led to a positive operating cash flow of Rs 1.8bn — the first in three years. Management aims to sustain working capital at 65–70 days and remains optimistic on maintaining positive cash flows.

Healthy order book; PAT CAGR of 45% over FY25-27E: As of FY25, the order book stood at Rs 50–52bn with the management guiding for 30–35% YoY revenue growth in FY26, led by high-margin verticals. Despite this, EBITDA margin is expected to moderate to 8% (vs 8.6% in FY25). We expect PAT to clock a 45% CAGR over FY25–27E and assign a 30x multiple to FY27E EPS to arrive at Mar'26 TP of Rs 610. Initiate with BUY

Key changes

Target	Rating
▲	▲

Ticker/Price	SYRMA IN/Rs 526
Market cap	US$ 1.1bn
Free float	53%
3M ADV	US$ 6.7mn
52wk high/low	Rs 647/Rs 370
Promoter/FPI/DII	47%/5%/9%

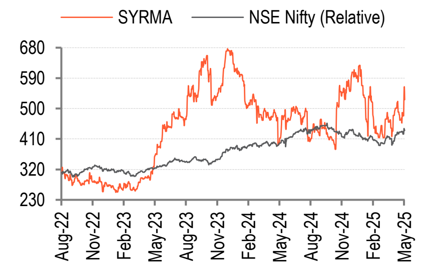
Source: NSE | Price as of 14 May 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	37,867	50,376	67,453
EBITDA (Rs mn)	3,233	4,020	5,631
Adj. net profit (Rs mn)	1,720	2,320	3,576
Adj. EPS (Rs)	9.7	13.1	20.2
Consensus EPS (Rs)	11.0	15.0	20.0
Adj. ROAE (%)	10.2	12.5	16.9
Adj. P/E (x)	54.1	40.1	26.0
EV/EBITDA (x)	28.8	23.1	16.5
Adj. EPS growth (%)	57.9	34.9	54.1

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

WPI

14 May 2025

WPI inflation eases

Aditi Gupta
Economist

WPI inflation eased to a 14-month low of 0.9% in Apr'25 compared with 1.2% in Apr'24. Food inflation moderated to 2.5% compared with 6.1% in Apr'24, led by a broad-based deceleration. Notably, sharp correction was seen in prices of vegetables, especially tomato, onion and potato, as well as pulses categories. Cereals inflation also moderated, led by lower rice prices. Fuel and power inflation eased, as cured oil prices remained downbeat. Within manufactured segment, incipient price pressure was visible for food products, reflecting higher edible oil prices. Further, despite lower global metal prices, domestic prices noted a marginal pickup when compared with last year. Going ahead, food inflation is likely to get support from a favourable monsoon and prospects of higher production.

On the other hand, global commodity prices are likely to remain contained despite a softer stance by the US on tariffs, amidst China's continued economic challenges. Global growth prospects too, appear to be in a jeopardy amidst uncertainty over US tariffs. The above backdrop suggests that WPI inflation is likely to remain benign in FY26 as well.

Food inflation broadly steady:

WPI inflation eased to 0.9% in Apr'25 (BoB est.: 1.8%) versus 1.2% in Mar'24 and 2.0% in Mar'25. Food inflation moderated sharply to 2.5% in Apr'25 compared with 6.1% in Apr'24. Within food barring fruits, other categories have witnessed a moderation vis-à-vis Apr'24. Most significantly, vegetable inflation dropped steeply by 18.3% in Apr'25 compared with an increase of 23.6% in the same period last year. This in turn was led by a sharp correction in prices of key vegetables such as tomato, onion and potato. In fact, while tomato and potato prices declined by 38.6% (+40.6% in Apr'24) and 24.3% (+72% in Apr'24) respectively in Apr'25, onion prices also moderated significantly and rose at a sombre pace of 0.2% in Apr'25 (+59.2% in Apr'24). Base effect and robust mandi arrivals can explain the decline in vegetable prices seen lately. Pulses inflation declined by 5.6% in Apr'25 to its lowest since Oct'18, as supply conditions have improved significantly amidst robust kharif production. Softening momentum was also seen in cereals, with cereal inflation dropping to a 43-month low of 3.8% in Apr'25, led largely by a decline in prices of paddy (1.9% in Apr'25 versus 12% in Apr'24). Incidentally, even at a global level, rice prices have declined by 31% in Apr'25 versus an increase of 19.5% in the same period last year (World Bank's pink sheet).

BUY
TP: Rs 1,760 | ⮝ 16%

CIPLA | Pharmaceuticals | 14 May 2025

Healthy new product launches from H2FY26

- **Revenue/PAT surpassed our Q4 estimates by 2.5%12.8%, while EBITDA was 2.4% below estimates. Higher PAT due to lower tax rate of 18.6%**
- **Healthy respiratory pipeline launches of Advair, Symbicort, QVAR, followed by peptides to mitigate the downfall in Revlimid sales**
- **Retain BUY and continue to ascribe 28x due to healthy cash (~USD1bn) to be utilised towards inorganic activity; to arrive at a TP of Rs 1,760**

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Healthy 4Q: CIPLA reported a mixed set of numbers where sales grew by 9% YoY, driven by strong growth across geographies. Domestic region grew by 8.5%, North America region by 2.3%; SAGA saw a growth of 7.5% and the international market witnessed that of 20.6%. Better product mix resulted in 67.5% gross margin being offset by higher employee costs, resulting in EBITDA margin at 22.8%. Healthy operations, higher other income and lower tax rate of 18.6% led to 30% YoY growth in PAT.

Domestic growth to surpass IPM growth - Cipla domestic market grew by 8.5%, driven by growth across branded generics, trade generics and consumer health. The growth was primarily led by chronic portfolio, which forms ~61.5% of sales. Respiratory therapy continues to be the largest contributing therapy, where Foracort has become the no.1 brand of IPM, clocking sales of Rs 9bn as on MAT Mar'25. Going forward, all three segments are expected to sustain the growth momentum, followed by strategic alliances including inorganic activities, in-licensing deal and launching innovative products. Therefore, we expect the India region sales to grow at 10% CAGR from FY25-27E.

US growth to decline marginally as gRevlimid loses patent - Cipla's North America region clocked sales growth of 2.3% in INR terms. In cc terms, sales declined by 1.9% to USD 221 mn. Sales in cc terms were lower as Lanreotide sales did not reach its peak capacity and lower market share of for Albuterol in a seasonally weak quarter, which was offset by higher volume growth in gRevlimid. However, the company remains optimistic about its US pipeline, and expects Lanreotide supplies like peak level soon, followed by Advair launch (market size of USD1,084mn) in FY26, 2-3 peptide launches, complex respiratory launches (global respiratory filing 30% of sales) like gSymbicort (market size of USD 2.4bn) and QVAR launch in FY27. However, as gRevlimid loses patent in Jan'26, we expect sales to start lowering from FY26 as competition intensifies (expect USD 70mn in FY26 and 10mn in FY27E). Hence, we expect the overall US region to grow at -3% CAGR from FY25-27E.

Key changes

Target	Rating
▼	◄ ►

Ticker/Price	CIPLA IN/Rs 1,520
Market cap	US$ 14.4bn
Free float	65%
3M ADV	US$ 26.3mn
52wk high/low	Rs 1,702/Rs 1,335
Promoter/FPI/DII	33%/26%/24%

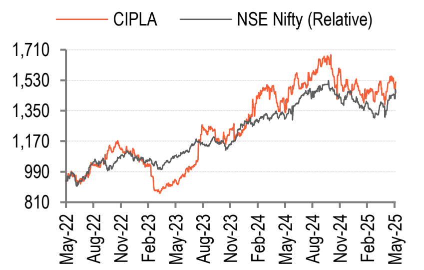
Source: NSE | Price as of 13 May 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	275,480	291,185	305,464
EBITDA (Rs mn)	71,283	70,479	73,570
Adj. net profit (Rs mn)	52,720	53,105	50,988
Adj. EPS (Rs)	65.4	65.9	63.3
Consensus EPS (Rs)	65.4	64.1	66.3
Adj. ROAE (%)	18.5	16.1	13.5
Adj. P/E (x)	23.2	23.1	24.0
EV/EBITDA (x)	16.6	16.5	15.5
Adj. EPS growth (%)	22.1	0.7	(4.0)

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

HOLD
TP: Rs 4,642 | ⮝ 14%

HERO MOTOCORP | Automobiles | 15 May 2025

Fighting challenges; maintain HOLD

- **Q4 revenue grew by ~4% YoY to Rs 99bn, continued to be driven by realisation gains as volume growth muted on fierce competition**
- **EBITDAM flat YoY to 14.2% contributed by better price gains; EV penetration hit by 2% as ICE EBITDA margins at 16.1%**
- **We cut our earnings estimates for FY26E/FY27E by 1%/5% to factor in growth challenges, assign 18x P/E, lower TP to Rs 4,642 (from Rs 4,892)**

Milind Raginwar
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Steady revenue growth aided by realisation gains: Hero Motocorp (HMCL) reported a steady 4QFY25 with revenue at Rs 99.4bn up ~4.4% YoY (-2.7% QoQ) driven by realisation gains at 5%/3% YoY/QoQ, as volume growth remained muted. Healthy product mix driven by the launches of premium motorcycles, scooters and EVs along with growth in parts, accessories, and merchandise (PAM) aided realisation gains. Average selling price in Q4FY25 was up 4% YoY, contributed by 2/3 product mix and 1/3 by price hikes, with a minimal OBD2 impact.

Commodity cost relief helps gross margins; EBITDA margins range-bound: Volumes were flat at 1.38mn units, however, gross margins improved to 34.5% up by 90bps YoY (30bps QoQ). Raw materials cost was up by ~3% YoY but fell as a percentage of sales to 65.5% vs 66.4% in Q4FY24 (65.8% in Q3FY25); aiding gross margin expansion. ICE EBITDA margin was flat at 16.1% vs 16% in Q3FY25, aggregate EBITDAM came at 14.2% (flat YoY, -30 bps QoQ) due to Rs 1.43 bn EV investment and 13% YoY rise in promotional expenses (13.5% of sales). PAT stood at Rs 10.8bn, up 6.4% YoY, (-10% QoQ) on lower other income.

Launch programme focused on 125cc segment: To better address the premium scooter market Xoom 125, Xoom 160 and Destini 125 models were launched. Premium motorcycle segment saw launch of Xtreme 250R, limited edition Maverick 440 Thunderwheels and Xpulse 200 4V Dakar edition to commemorate their rally victory. Hero also made a strategic investment of Rs 5.1bn in Euler Motors. Focus remained on regaining market share in the 125cc segment.

Maintain HOLD: Factoring in FY25 performance, we have lowered our volume estimates, leading to earnings revision too. This leads to EBITDA estimates cut by 2.5%/3.6% and effectively, PAT estimates by 1%/5% in FY26/FY27 to factor in the challenges from the competitive space and investments in EV. Our 3-year Revenue/EBITDA/PAT CAGR is 12%/17%/18%. We continue to assign 18x target P/E to core operations, in line with the 10-year average 1YF earnings, and revise the SOTP-based TP to Rs 4,642 (earlier Rs 4,892), 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 4,067
Market cap	US$ 9.5bn
Free float	65%
3M ADV	US$ 30.5mn
52wk high/low	Rs 6,246/Rs 3,344
Promoter/FPI/DII	35%/30%/24%

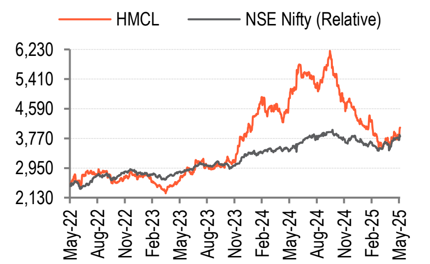
Source: NSE | Price as of 14 May 2025

Key financials

Y/E 31 Mar	FY25P	FY26E	FY27E
Total revenue (Rs mn)	4,07,564	4,80,616	5,27,116
EBITDA (Rs mn)	58,677	64,615	72,101
Adj. net profit (Rs mn)	46,100	47,959	51,459
Adj. EPS (Rs)	230.9	240.2	257.7
Consensus EPS (Rs)	230.9	251.1	273.5
Adj. ROAE (%)	23.3	21.7	21.2
Adj. P/E (x)	17.6	16.9	15.8
EV/EBITDA (x)	13.7	12.5	11.2
Adj. EPS growth (%)	21.1	4.0	7.3

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

Stock performance



Source: NSE

SELL
TP: Rs 3,340 | ∀ 11%

VST TILLERS TRACTORS | Automobiles | 15 May 2025

Steady show, limited near-term respite; maintain SELL

- **Q4 revenue grew 10% YoY to ~Rs 3.0bn, driven by flat volume gains, realisation gains of 9% despite entering new regions like East India**
- **Double-digit EBITDA gains YoY to Rs 452mn, margin gains YoY, driven by other expenses savings in a traditionally strong quarter**
- **We lower our FY26/FY27 earnings by 6%/1%, revise TP to Rs3,340 (vs Rs 3,267), valuing VSTT at 20x P/E 1YF earnings Maintain SELL**

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Steady revenue growth: VSTT's revenue increased by 10% YoY (QoQ performance is skewed due to seasonality and hence, not compared) to ~Rs3.0bn as volume growth was flat YoY to ~13.2k units (based on our estimates assumed from monthly sales data) in Q4FY25. Realisation per vehicle jumped ~9% YoY driving the growth. Sequentially, volume jumped by 64%, leading to QoQ increase in revenue by 38%. Volumes grew by ~15%/67%/37% YoY for Power Tiller/ Power Weeder & Reaper to 13.2k/2.3k/1.6k respectively. Tractor volumes fell by 13% YoY to 12.9K and came as a surprise.

EBITDA gains driven by cost savings: Raw material (RM) as a percentage of sales jumped by 190bps/flat YoY/QoQ to 69.3% in Q4FY25. RM cost (adjusted for inventory) jumped by 13% YoY to ~Rs 1.7bn. Gross margin fell by 190bps YoY to 30.7%, fully attributed to cost inflation and focus on the low-price eastern markets. To address regional pricing disparities, VSTT implemented pricing corrections in Q1FY26. Staff expenses shot up by 16% YoY (down 3% QoQ) to ~Rs 246mn, while other expenses were down 19% YoY at Rs 228mn. Effectively, EBITDA increased 14% YoY to Rs452mn and EBITDA margin came at ~15% vs 14.6% YoY (at weak 9% YoY).

Focus on the higher HP segment continues: VSTT keeps focus on the 40-50HP segment with expected launches in the near term. Export business to continue growing, particularly in the 30–35 HP tractor segment. VSTT is also expanding footprint in new markets, including the Nordic and Eastern European regions.

Maintain SELL: We lower our FY26/FY27 EPS estimates by 6%/1%, factoring in competitive challenges, growth concerns and cost inflation. We model in revenue/EBITDA/PAT CAGR of 9%/8%/6% over FY24-FY27E. We continue to value VSTT at 20x P/E 1YF earnings and arrive at a new TP of Rs 3,340 (from Rs 3,267) rolling forward. We believe valuations are steep, remain decoupled from earnings and hence, are unjustified. VSTT's performance has disappointed despite its focus on the high-end farm equipment business, sizeable contribution from non-farm business and regional diversification. Hence, we maintain SELL.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	VSTT IN/Rs 3,744
Market cap	US$ 382.0mn
Free float	45%
3M ADV	US$ 0.4mn
52wk high/low	Rs 5,430/Rs 3,082
Promoter/FPI/DII	55%/5%/15%

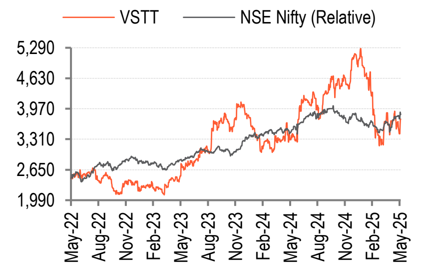
Source: NSE | Price as of 14 May 2025

Key financials

Y/E 31 Mar	FY25P	FY26E	FY27E
Total revenue (Rs mn)	9,946	11,033	12,660
EBITDA (Rs mn)	1,111	1,269	1,564
Adj. net profit (Rs mn)	945	1,177	1,443
Adj. EPS (Rs)	109.3	136.2	167.0
Consensus EPS (Rs)	109.3	141.6	169.1
Adj. ROAE (%)	9.4	10.6	11.7
Adj. P/E (x)	34.2	27.5	22.4
EV/EBITDA (x)	29.0	25.0	20.4
Adj. EPS growth (%)	(22.3)	24.6	22.6

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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