FIRST LIGHT

29 April 2025

RESEARCH

BOB ECONOMICS RESEARCH | IIP

IIP growth eases in FY25

ULTRATECH CEMENT | TARGET: Rs 13,919 | +15% | BUY

Well-oiled for challenges; maintain BUY

TVS MOTOR | TARGET: Rs 2,738 | -2% | HOLD

Steady show in a challenging environment; maintain HOLD

FIRSTSOURCE SOLUTIONS | TARGET: Rs 379 | +7% | HOLD

FY26 growth guidance strongest among peers, thus far- Top pick in Tier-2.

SUMMARY

INDIA ECONOMICS: IIP

IIP growth eased to 3% in Mar'25 from 5.5% in Mar'24 but inched up from 2.7% in Feb'25. Compared with previous year (Mar'24), moderation was noted across the board. Manufacturing and electricity output slowed most notably, while mining sector output softened at a much slower pace. On an annual basis, IIP growth decelerated down to 4% from 5.9% in FY24, with growth in all the other sectors dipping in FY25. Within manufacturing, majority of the subsectors registered negative growth in FY25 compared with last year.

Click here **for the full report.**

ULTRATECH CEMENT

- Healthy 10% YoY volume growth aids flat top line despite 10% dent in realisations in a challenging Q4; capacity utilisation spikes at ~90%
- Operating cost per tonne fell 5%6% YoY/QoQ, partially offsetting weak realisations. EBITDA/t rebound to ~Rs 1,259 in weak demand scenario
- Revise FY26/FY27 EBITDA estimates upwards, value UTCEM at 17x EV/EBITDA and revise TP to Rs 13,919 (vs 13,137), retain BUY rating

Click here **for the full report.**

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TVS MOTOR

- Q4 revenue grew in double digits at 17%/5% YoY/QoQ) to Rs 95.5bn, backed by volume growth of 16% YoY (flat QoQ) to ~1.22mn units
- EBITDA margin at 12.5 despite operating leverage lacking, on high Other expenses; soft RM cost helped raise gross margin to 30.1% (210bps YoY/flat QoQ)
- Revise estimates for FY26/FY27 and continue to value TVS at 30x core business. Raise TP to Rs to Rs2,738 vs Rs2503 earlier; retain HOLD

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FIRSTSOURCE SOLUTIONS

- 4QFY25 came in at the upper end of guidance. 15.6% YoY CC revenue organic growth in FY25 – top quadrant performance
- Guides for 9-12% CC organic revenue growth in FY26 - among the strongest thus far in its peer group. Based on current visibility
- Broadly maintain estimates. Raise target PE multiple to account for likely industry leading growth. Maintain HOLD on valuations

Click here for the full report.

IIP

28 April 2025

IIP growth eases in FY25

Jahnavi Prabhakar
Economist

IIP growth eased to 3% in Mar'25 from 5.5% in Mar'24 but inched up from 2.7% in Feb'25. Compared with previous year (Mar'24), moderation was noted across the board. Manufacturing and electricity output slowed most notably, while mining sector output softened at a much slower pace. On an annual basis, IIP growth decelerated down to 4% from 5.9% in FY24, with growth in all the other sectors dipping in FY25. Within manufacturing, majority of the subsectors registered negative growth in FY25 compared with last year.

For use-based industries, with the exception of consumer durables, all the other industries registered slower growth in FY25. For FY26, we expect production to improve as has been reflected by the high frequency indicators such as manufacturing PMI, GST collection, e-way bill. However, there are headwinds to global growth and growing volatility specially pertaining to global trade which requires careful monitoring and this might impinge on growth.

IIP growth softens: IIP growth moderated to 3% in Mar'25 from 5.5% in Mar'24. This was tad lower than our estimate of 3.5% increase. The moderation was broad-based with mining sector growth slowing to 0.4% in Mar'25 (1.3% in Mar'24), manufacturing sector to 3% (5.9%) and electricity output to 6.3% (8.6% in Mar'24). Within manufacturing, out of 23 sub-sectors, 10 of them reported slower growth compared in Mar'24. These included, manufacture of furniture, other transport equipment, fabricated metal, pharma, rubber and plastic products, wearing apparel. On the other hand, following sectors registered stronger growth including manufacture of computer, electrical equipment, machinery equipment, amongst others.

On a yearly basis, IIP growth has eased to 4% (5.9% growth last year) and registered much slower growth across the board. Mining activity growth was down to 2.9% (7.5% in FY24), while manufacturing sector output rose by 3.9% (from 5.5% in FY24). Even electricity growth turned out to be slower at 5.1% against 7.1% growth noted last year. Within the manufacturing, over 12 out of 23 subsectors registered negative growth, these included manufacture of motor vehicles, basic metals, pharma and leather products. Notably, manufacturing of wearing apparel (6% from -14% in FY24) moved in to expansionary zone after contracting in FY24.

Infra and construction output strengthens: Within use-based classification, infrastructure and construction goods output registered a higher growth of 8.8% versus 7.4% in Mar'24. Output of primary goods registered steady growth of 3.1% in Mar'25 against 3% in Mar'24. For other categories, growth slowed down.

BUY
TP: Rs 13,919 | ⮝ 15%

ULTRATECH CEMENT | Cement | 29 April 2025

Well-oiled for challenges; maintain BUY

- **Healthy 10% YoY volume growth aids flat top line despite 10% dent in realisations in a challenging Q4; capacity utilisation spikes at ~90%**
- **Operating cost per tonne fell 5%6% YoY/QoQ, partially offsetting weak realisations. EBITDA/t rebound to ~Rs 1,259 in weak demand scenario**
- **Revise FY26/FY27 EBITDA estimates upwards, value UTCEM at 17x EV/EBITDA and revise TP to Rs 13,919 (vs 13,137), retain BUY rating**

Milind Raginwar
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Healthy volume growth ahead of industry: UTCEM reported 7%/29% YoY/QoQ revenue growth at ~Rs 211.3bn in Q4FY25, backed by healthy volume. Volumes (ex. white cement segment of 0.51mn tonnes) were at ~36.6mn tonnes, a double-digit ~10.0% YoY aided by pan-India presence outpacing the industry's ~4% growth, boosted by Kesoram volumes. Organic growth (ex. acquisitions) was ~5-6%. Kesoram contributed 1.53 mt in Q4 and 6.87 mt for FY25. India Cements volume contributed 2.64mnt with revenues of ~Rs1.2bn (treated separately). However, grey cement realisations fell ~10%/5% YoY/QoQ at Rs 4,719/t (adjusted for incentives). UTCEM's capacity utilisation was ~90% in the busy Q4FY25, but remained 79% in FY25.

Cost savings leave scope for improvement: Operating cost/tonne fell 5%/6% YoY/QoQ in Q4 to Rs 4,514/t, partially offsetting the impact of decline in realisations. Energy cost (RM cost-adjusted) was well controlled, falling by 6%/3% YoY/QoQ at Rs2,319/tn due to pet coke softening lead to fuel rate fall to Rs.1.73 k/cal vs Rs2.03 k/cal YoY and higher green energy leading to power cost savings. Logistics cost fell 3%/flat YoY/QoQ as lead distance fell by 16kms to 384kms YoY. Other expenses rose to 6% to Rs23.3bn checked due to operating leverage. EBITDA/t came at Rs1,259 dipping slightly to Rs1,238 (including KSI).

Expansion on course: UTCEM's expansion projects are on track and it aims to reach capacity of 209mt by FY27 (major contribution from inorganic expansion in South India). Financials of Kesoram Cement are consolidated with UTCEM in FY25. ICEM's consolidation will likely take ~4-6 quarters.

Valuation outlook: We revise our FY26/FY27 EBITDA upwards with minor changes. Consequently, EPS changes follow, but are sharper due to change in depreciation and interest expenses. Our FY24-FY27E EBITDA/PAT CAGR is baked in at 13%/25%. UTCEM is well geared for challenges, though recovery in FY27 to be handy. Given effective cost management, healthy organic and inorganic growth and a strong balance sheet, we continue to value UTCEM at 17x 1YF EV/EBITDA to arrive at a TP of Rs 13,919 (from Rs 13,137) and maintain our BUY rating on the stock.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	UTCEM IN/Rs 12,114
Market cap	US$ 41.1bn
Free float	40%
3M ADV	US$ 50.0mn
52wk high/low	Rs 12,339/Rs 9,408
Promoter/FPI/DII	60%/15%/17%

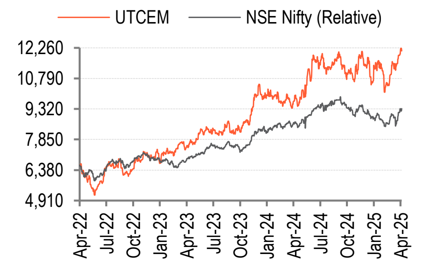
Source: NSE | Price as of 28 Apr 2025

Key financials

Y/E 31 Mar	FY25P	FY26E	FY27E
Total revenue (Rs mn)	7,18,950	8,51,131	9,69,109
EBITDA (Rs mn)	1,20,959	1,84,444	2,26,349
Adj. net profit (Rs mn)	62,267	92,020	1,17,715
Adj. EPS (Rs)	215.7	318.8	407.8
Consensus EPS (Rs)	215.7	306.0	389.0
Adj. ROAE (%)	9.7	12.6	14.5
Adj. P/E (x)	56.2	38.0	29.7
EV/EBITDA (x)	28.5	18.4	15.2
Adj. EPS growth (%)	(1.4)	47.8	27.9

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

Stock performance



Source: NSE

HOLD
TP: Rs 2,738 | ∀ 2%

TVS MOTOR | Automobiles | 29 April 2025

Steady show in a challenging environment; maintain HOLD

- **Q4 revenue grew in double digits at 17%/5% YoY/QoQ) to Rs 95.5bn, backed by volume growth of 16% YoY (flat QoQ) to ~1.22mn units**
- **EBITDA margin at 12.5 despite operating leverage lacking, on high Other expenses; soft RM cost helped raise gross margin to 30.1%**
- **Revise estimates for FY26/FY27 and continue to value TVS at 30x core business. Raise TP to Rs to Rs2,738 vs Rs2503 earlier; retain HOLD**

Milind Raginwar
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Top-line gains aided by volume growth: TVSL's Q4FY25 revenue grew in double digits at 17% YoY (5% QoQ) to Rs 95.5bn, backed by volume growth of 16% YoY (flat QoQ) to ~1.22mn units. Net realisation per vehicle (NRPV) was flat at Rs 77.7k YoY. Exports revenue for Q4FY25 was Rs 23.91 bn vs 20.1bn QoQ. Revenue included 0.5% contribution from PLI incentive benefits.

Operating leverage concern continues; soft RM cost helps: Raw material cost increased 12%/2% YoY/QoQ to Rs 68.9bn, softening to ~69.3% of sales from 72.8%/71.6% YoY/QoQ). However, EBITDA rise was healthy YoY/QoQ to Rs 13.3bn and margins ~improved to 14% YoY vs 11.3% YoY. This included PLI benefits. Excluding the same, margins hovered ~12.5% driven by robust revenue growth, better product mix, and sustained cost reduction. Other expenditure increased ~20%/5% YoY/QoQ) to Rs 10.5bn, owing to technology-related expenses and other digital and innovation-related expenses.

Product development: The Scooter category share was healthy at 38%, driven by EV. TVSL plans product launch every quarter in FY26. The recently launched Raider is expected to pick up pace and products from Norton will be launched by year-end.

Revise estimates: Factoring FY25 performance into challenging business conditions, we have revised TVSL's earnings. The revision comes after steady revival in the 2W/3W business, distinctly rural demand recovery and prudent handling of raw material costs inflation with eye on exports. Factoring the same, we revise our FY26/FY27 estimates, baking in a 3Y EBITDA/PAT CAGR of 16%/25%.

Revise TP; maintain HOLD: We believe the focus on premiumisation will continue to balance the motorcycle portfolio across segments with improving presence in 125cc alongside buoyant growth in the EV scooter segment. We maintain our target P/E for the core business at 30x, and arrive at a new TP of Rs 2,738 (from Rs 2,503) following roll-forward to, with the core business valued at Rs 2,605 and Rs 133/sh for TVS Credit Services. Maintain HOLD as current valuations factor in the positives.

Key changes

Target	Rating
▲	◄►

Ticker/Price	TVSL IN/Rs 2,793
Market cap	US$ 15.6bn
Free float	48%
3M ADV	US$ 24.4mn
52wk high/low	Rs 2,958/Rs 1,919
Promoter/FPI/DII	52%/13%/25%

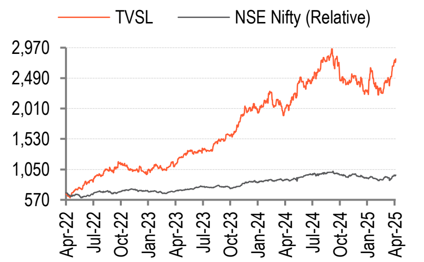
Source: NSE | Price as of 28 Apr 2025

Key financials

Y/E 31 Mar	FY25P	FY26E	FY27E
Total revenue (Rs mn)	3,62,513	4,40,436	5,05,509
EBITDA (Rs mn)	44,540	52,869	61,202
Adj. net profit (Rs mn)	27,105	34,486	40,659
Adj. EPS (Rs)	57.1	72.6	85.6
Consensus EPS (Rs)	57.1	68.2	81.2
Adj. ROAE (%)	27.3	26.7	24.9
Adj. P/E (x)	49.0	38.5	32.6
EV/EBITDA (x)	29.8	25.0	21.7
Adj. EPS growth (%)	30.1	27.2	17.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

RESULT REVIEW

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

HOLD
TP: Rs 379 | ▲ 7%

FIRSTSOURCE SOLUTIONS

| IT Services | 29 April 2025

FY26 growth guidance strongest among peers, thus far- Top pick in Tier-2.

- **4QFY25 came in at the upper end of guidance. 15.6% YoY CC revenue organic growth in FY25 – top quadrant performance**
- **Guides for 9-12% CC organic revenue growth in FY26 - among the strongest thus far in its peer group. Based on current visibility**
- **Broadly maintain estimates. Raise target PE multiple to account for likely industry leading growth. Maintain HOLD on valuations**

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4QFY25 revenue growth at 2.1% CC terms came in a tad weaker than what we anticipated (3%). However, unlike in the case of many of its peers where 4QFY25 revenue was impacted by postponement of demand or ramp downs by clients the revenue for FirstSource came in at the upper end of the guidance that it had given.

By delivering a revenue of US$250mn in 4QFY25 FSOL delivered on its aspiration of US$1bn of revenue run rate four quarters in advance.

The 12 to 15% constant currency revenue growth guidance for FY26 was quite robust in the context of cautious commentary from most of its peers in the Indian IT/ITES industry post 4QFY25. This guidance includes 300bps from M&A.

The guidance range indicates a CQGR of 2.7% to 3.75% at both ends of the range, respectively. This does appear ambitious in the current macroeconomic context, but it should also be understood that BPM is non- discretionary and Ritesh Idnani, the current FirstSource CEO had beefed up sales, tech and delivery capabilities both organically and inorganically over the last six quarters. FirstSource said that this guidance was based entirely on the visibility that it has currently and does not include either an improvement or deterioration of macro from current levels.

FirstSource delivered 14 large deals in FY25 of which five came in 4Q and three each came in the first 3 quarters. A large deal in the context of Firstsource is a deal having an ACV greater than US$5 million. It says it has been winning these large deals on the back of deep domain expertise and automation & AI skills. The guidance that it has given is also based on a growth in ACV for FY25 by 60% and the deal pipeline at the end of 4QFY25 being 30% higher than it was 12 months back.

The company reiterated its EBIT margin guidance of 50 to 75 basis points improvement YoY from here on until it reaches the 14 to 15% number that most of its peers are at within the BPM segment.

Key changes

Target	Rating
▲	◄ ►

Ticker/Price	FSOL IN/Rs 355
Market cap	US$ 2.9bn
Free float	45%
3M ADV	US$ 13.3mn
52wk high/low	Rs 422/Rs 176
Promoter/FPI/DII	54%/11%/21%

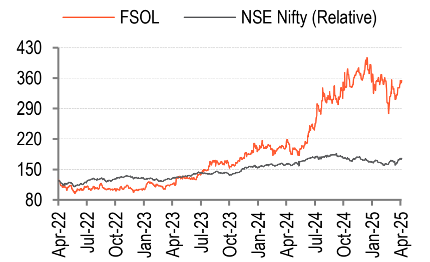
Source: NSE | Price as of 28 Apr 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	79,803	93,299	111,175
EBITDA (Rs mn)	12,077	16,415	20,876
Adj. net profit (Rs mn)	5,857	7,904	10,232
Adj. EPS (Rs)	8.4	11.5	14.8
Consensus EPS (Rs)	8.4	11.5	14.8
Adj. ROAE (%)	15.0	18.4	21.4
Adj. P/E (x)	42.1	30.9	23.9
EV/EBITDA (x)	20.2	14.9	11.8
Adj. EPS growth (%)	14.9	36.0	29.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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BUY – Expected return >+15%

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Note: Recommendation structure changed with effect from 21 June 2021

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