FIRST LIGHT

03 June 2026

RESEARCH

BOB ECONOMICS RESEARCH | MONETARY POLICY EXPECTATIONS

Status quo but building up cases for future rate hikes

BOB ECONOMICS RESEARCH | Q4FY26 GDP PREVIEW

Q4 GDP may get tweaked

LTM | TARGET: Rs 4,367 | +1% | HOLD

5-year Organic revenue CAGR of 13% seems ambitious

AUTOMOBILES

Momentum continues in May; weakness may crip in Q2

CONSUMER STAPLES | Q4FY26 REVIEW

Demand Recovery Strengthens

SUMMARY

INDIA ECONOMICS: MONETARY POLICY EXPECTATIONS

A lot has changed since the last monetary policy meeting of RBI. There have reports of a 60-day extension of ceasefire albeit constant uncertainty surrounding the same. International crude prices have shown some correction following the news. However, volatility in crude prices cannot be ruled out, going forward, unless a formal peace deal arrived. The most notable change since the last policy has been the hike in petrol and diesel prices which was much anticipated. RBI's inflation projection is likely to incorporate the same. We expect the RBI's CPI projection for FY27 to be revised upward. Another important development has been the volatility in INR.

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INDIA ECONOMICS: Q4FY26 GDP PREVIEW

Later in the week, Mospi is expected to announce provisional numbers of growth in Q4FY26 and revised numbers for FY26 growth. As per the implied growth calculations, it is clear that real GDP in Q4FY26 is expected to come in at 7.3%, up from 7.1% in Q4FY25. This will be helped by pickup in growth in utilities and services segments. Agriculture, mining, manufacturing and construction sectors are projected to report slower growth in Q4FY26 vis-à-vis Q4FY25. However, given the updated informational available, we believe, both headline and sub-segment numbers will get revised.

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LTM

- Like some of its peers, LTM seems to be banking on expansion of TAM especially into enterprise operations, to drive growth
- Revenue growth target is ambitious whereas margin target seems more realistic – relatively
- Our current estimates (maintained) do not factor in the Randstad numbers, yet. Maintain HOLD call

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AUTOMOBILES

- Momentum across segments continues as double-digit growth sustains with little impact of geopolitical tensions; repercussion likely in future
- Favourable farm sentiment and healthy cash flows aid tractor demand; higher base effect to play in 2H. Export recovery drives 2W/3W growth
- CV volume remains divergent with LCV gains, MHCV segment for TMCV grows healthy, AL disappoints; 3Ws growth unabated

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MONETARY POLICY EXPECTATIONS

02 June 2026

Status quo but building up cases for future rate hikes

Dipanwita Mazumdar
Economist

A lot has changed since the last monetary policy meeting of RBI. There have reports of a 60-day extension of ceasefire albeit constant uncertainty surrounding the same. International crude prices have shown some correction following the news. However, volatility in crude prices cannot be ruled out, going forward, unless a formal peace deal arrived. The most notable change since the last policy has been the hike in petrol and diesel prices which was much anticipated. RBI's inflation projection is likely to incorporate the same. We expect the RBI's CPI projection for FY27 to be revised upward. Another important development has been the volatility in INR.

This does not fall under the ambit of monetary policy. We may expect status quo on rates as the impact on growth due to the crisis is still difficult to ascertain and on inflation front, an increasing trend is imminent. On stance we expect RBI to maintain it at neutral since it has the flexibility of responding to incoming data, as highlighted by RBI in its previous policies.

What has changed since last policy?

Major change since the last policy has been:

1. Reports of possible 60-day extension of ceasefire between US and Iran albeit constant back and forth of military strikes. Market variables have responded accordingly with rebalancing of risk sentiments. Since the last policy (8 Apr 2026), international crude prices have remained at the same level. Any disruption in the ceasefire and visible signs of escalation, might again upend the process.

2. On domestic front, the major development is the hike in petrol, diesel and CNG prices. On a cumulative basis, petrol and diesel prices in Delhi have increased by Rs 7.35 and Rs 7.50/lt, respectively, since 15 May in four phases. The pass-through to inflation print is yet to show its impact in the coming print. Given the higher weightage of petrol diesel of ~ 4.81% in the current series compared to 2.33% in the previous series, this will be an interesting thing to watch. CPI has shown slight momentum since the last policy yet remaining below the 4% mark. The impact of West Asia crisis is yet to show its impact on the print.

3. The volatility in INR continued. Since the last policy it has depreciated by 2.5%. This is despite a softer dollar. In Apr'26, net FPI outflow was US$ 7.6bn and in May'26, the net outflow was at a softer pace of US$ 3.1bn.

Q4FY26 GDP PREVIEW

02 June 2026

Q4 GDP may get tweaked

Sonal Badhan
Economist

Later in the week, Mospi is expected to announce provisional numbers of growth in Q4FY26 and revised numbers for FY26 growth. As per the implied growth calculations, it is clear that real GDP in Q4FY26 is expected to come in at 7.3%, up from 7.1% in Q4FY25. This will be helped by pickup in growth in utilities and services segments. Agriculture, mining, manufacturing and construction sectors are projected to report slower growth in Q4FY26 vis-à-vis Q4FY25. However, given the updated informational available, we believe, both headline and sub-segment numbers will get revised.

The updated information is on the impact of US-Iran war on prices, corporate results and other high frequency indicators (air fares, bank credit and deposit growth). For Q4FY26, the economy is projected to grow at 7.2-7.3%. Agriculture, mining, manufacturing and trade, hotels, transport sectors may note some downward revisions, while utilities and construction sector are expected to lift up growth. Going ahead for FY27, growth will be slightly lower at 6.5-6.8%, as bulk of the impact of the US-Iran war will be felt in Q1FY27.

Q4FY26 GDP Estimates

The Q4FY26 numbers, due to be released later in the week by Mospi are important for 2 reasons: first, the numbers will incorporate central government fiscal account data for Mar'26 and even the corporate results for a majority of the companies, to give more accurate number of growth in the last quarter. Secondly, since the beginning of the US-Iran war in Mar'26, we will now have some quantifiable impact of it on growth, even if the impact is expected to be only marginal. On the domestic consumption and production front, numbers will continue to reflect resilience in activity.

As per the last release by Mospi, we have provisional numbers for FY26 GDP. We also have GDP data for first three quarters of FY26. Using these datasets, we know what the implied growth in Q4FY26 would be. India's real GDP is expected to moderate to 7.3% in Q4FY26 from 7.8% in Q3FY26. However, compared with same period last year (Q4FY25), growth will be higher from 7%. We expect Q4FY26 growth to range between 7.2-7.3%, the rationale for which is explained below.

Our rationale is against the backdrop that given the crisis in West Asia, in early Mar'26 alone, price of commercial LPG had increased by Rs 142.5/cylinder. Also, domestic LPG cylinder cost rose by Rs 60. In addition, price of bulk diesel (sold for industrial use) rose by Rs 22/lt, and gas cuts were announced for almost all companies (manufacturing: ~20% cut; fertilizers: ~30% cut; refineries: ~35-40% cut).

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HOLD
TP: Rs 4,367 | ⮝ 1%

LTM | IT Services | 03 June 2026

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We attended the analsyt day of LTM on 2 June 2026. Expansion of TAM drives industry's positive view: Based on analyst days and management commentary that that we have heard in recent days from Capgemini, Cognizant, LTM, Mphasis and Zensar, the industry seeks to allay market concerns around medium term growth saying that it is addressing a market beyond IT spend towards the total spend of the customer (incrementally a lot of it has to do with operational spends). Thereby it is projecting that organic revenue growth in the medium term will be faster than what we have seen in the last three years going by the aspirational goals set by Capgemini and LTM for the next 3 years and next 5 years respectively. Higher competitive intensity market view is being countered by the view that if TAM expands then 'there is enough and more for everybody'.

AI labs services arms threat downplayed: The potential threat from the recently services arms of AI labs like Anthropic and OpenAI are portrayed is low as these arms are unlikely to scale up and these moves are a validation of the view that context, integration of new technologies with the existing enterprise tech investments, change management, etc are far more important than just technology

SLMs are more important than LLMs. Small language models (SLMs) are far more important for an enterprise than the large language models as SLMs are (1) tailored to the company context (2) less expensive (3) tends to keep company level advantages and IP ring fenced

Revenue growth target is ambitious From LTM perspective its ambition to double revenue by FY31 (next 5 years) implies an organic CAGR of 13% which according to it would be evenly spread out rather than backended. This does not sit well with its view on industry revenue deflation and expansion of TAM which we believe is more back ended.

Margin expansion goal seems more realistic: We think its goal of expanding 200bps in EBIT terms over the next 5 years seems more realistic relative to its revenue goal and likely factors in the heightened competitive intensity on the traditional business side, likely investments to be made on its employee base and on sales and marketing.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	LTM IN/Rs 4,342
Market cap	US$ 13.4bn
Free float	31%
3M ADV	US$ 17.9mn
52wk high/low	Rs 6,430/Rs 3,901
Promoter/FPI/DII	69%/7%/17%

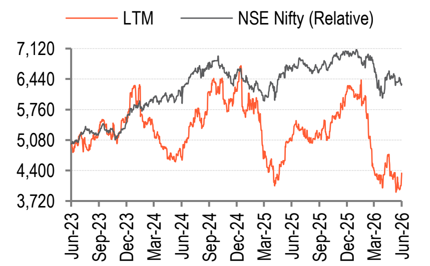
Source: NSE | Price as of 2 Jun 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	423,076	478,719	518,581
EBITDA (Rs mn)	75,552	89,751	96,271
Adj. net profit (Rs mn)	52,434	66,191	73,178
Adj. EPS (Rs)	169.2	223.9	247.6
Consensus EPS (Rs)	169.2	211.8	239.6
Adj. ROAE (%)	22.4	25.5	24.4
Adj. P/E (x)	25.7	19.4	17.5
EV/EBITDA (x)	17.0	14.6	14.1
Adj. EPS growth (%)	10.3	32.4	10.6

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

AUTOMOBILES

02 June 2026

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PV growth stay put: PV momentum remained strong in May, as volumes grew ~26% YoY across our coverage universe. MSIL delivered ~35% YoY growth, benefiting from the continued strength in small cars segment and UVs, while Kia India grew ~24% YoY. MM maintained healthy SUV-led ~11% YoY growth however, HMIL posted a moderate ~9% domestic growth. TMPV led the pack with a robust ~42% YoY growth on the back of EV strength and new SUV launch (Sierra).

Export-driven 2W growth: 2W strong momentum continued, driven by resilient domestic demand and robust exports. TVSL (~31% YoY) was the top gainer, while BJAUT/HMCL (~20%/~12 YoY) benefited from exports gaining strength. EIM (~15% YoY) sustained its steady mid-sized motorcycle growth but cut +350cc segment sharply.

Overall 3W growth continues unabated: 3W segment continued a robust growth, driven by the rising last-mile mobility demand, e-commerce business drive and healthy traction in exports. MM (~89% YoY) and TVSL (~55% YoY) posted strong gains, led by passenger carriers and export demand, while BJAUT (~30% YoY) sustained momentum with steady domestic growth and a strong jump in exports (~65% YoY).

Tractor demand healthy though trends mixed: The segment sustained its growth momentum, amid healthy rural cash flows as well as the timely Rabi harvesting. MM (~22% YoY) and ESCORTS (~19% YoY) reported strong domestic performance. VSTT (~28% YoY) outperformed, led by power tiller demand, though tractor growth was modest. However, the evolving monsoon outlook remains key near-term monitorable.

CV demand steady amid mixed MHCV trends: CV performance remained resilient, supported by LCV demand and infrastructure activity. TMCV (~19% YoY) stayed steady on strong LCV demand, while VECV (~8% YoY) gains were well balanced led by SCV/LMD trucks. AL (~4% YoY declined) fell on account of MHCV weakness and a softer demand in the bus segment, even as LCV momentum remained healthy.

Key ratings: Retain BUY on MSIL and MM; assign HOLD rating to the 2Ws pack (TVSL, EIM, BJAUT, HMCL) on fair valuations. SELL on VSTT.

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CONSUMER STAPLES | Q4FY26 Review | 02 June 2026

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Volume Recovery Strengthens; Premiumisation Remains a Key Growth Lever: The FMCG industry witnessed a broad-based demand recovery in Q4FY26, supported by an easing inflation, improving rural consumption as well as the GST-led affordability benefits. Out of the coverage, topline was better for Nestlé/Marico/Tata Consumer Products that reported revenue growth of 23%/22%/18% YoY, respectively. Marico/TCPL/HUL/GCPL delivered volume growth of 9%/16%/6%/8%, respectively. The growth largely came on the back of Foods, Beverages, Dairy, Hair Oils and Premium Personal Care categories — with premium portfolios, digital-first brands and quick commerce channels continuing to outpace category growth. Notably, companies indicated that pricing is expected to become a larger contributor to FY27E growth as the recent price hikes across key FMCG categories begin to offset the rising input costs; partly reversing the GST-led affordability benefits witnessed in FY26.

Margins, Geopolitical Disruptions & Outlook: Despite the healthy demand trends, profitability remained mixed amid the rising palm oil, copra and crude-linked input costs — including packaging, freight and energy. On the profitability front, Nestlé/ITC/HUL reported robust EBITDA margins of 26.3%/29.6%/23.5%, respectively; supported by operating leverage, premiumisation, cost savings and a favourable product mix. However, companies such as HUL, GCPL, Marico and UBL highlighted inflationary pressures in crude derivatives and packaging materials following the West Asia conflict, while ITC's Agri exports and Marico's MENA business witnessed temporary disruptions. Most of the management teams indicated that calibrated price hikes, premiumisation and productivity initiatives should partly offset the cost pressures, though commodity volatility, crude oil inflation and geopolitical developments remain key monitorables for FY27.

Outlook: We prefer Nestlé and Britannia, considering their strong brand portfolios, category leadership and consistent execution. Both the companies are well-placed to benefit from premiumisation, the improving consumption trends as well as the innovation-led growth; while maintaining the industry-leading profitability and earnings visibility.

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SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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