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FIRST LIGHT

05 August 2025

RESEARCH

SHREE CEMENT | TARGET: Rs 28,874 | -6% | HOLD

Operationally healthy, valuations moderate; upgrade to HOLD

BOB ECONOMICS RESEARCH | MONETARY POLICY EXPECTATIONS

RBI to maintain status quo

MARICO | TARGET: Rs 795 | +10% | HOLD

Copra woes: Margin recovery in 2HFY26

ESCORTS KUBOTA | TARGET: Rs 2,670 | -21% | SELL

Awaiting fresh triggers to mitigate challenges; maintain SELL

JK LAKSHMI CEMENT | TARGET: Rs 731 | -23% | SELL

Consolidation benefits watched keenly; maintain SELL

AUTOMOBILES

3-W segment hogs the limelight; 2-W stays in sweet spot

SUMMARY

SHREE CEMENT

- Revenue growth stays soft in a healthy quarter as volume remain weak. Realisation gains offset volume weakness
- Realisation gains offset marginal cost inflation, boosts EBITDA margin to 24.8%, pedalling volume growth in the medium term
- Revise upwards FY26E/FY27E EBITDA/PAT estimates, introduce FY28e. Upgrade to HOLD; TP revised to Rs 28,874 (Rs 26,974) on rollover

Click here for the full report.

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INDIA ECONOMICS: MONETARY POLICY EXPECTATIONS

After resorting to accelerate pace of rate cuts (100bps) in quick succession, the Monetary Policy committee is expected to keep the repo rate unchanged at 5.5% in the upcoming policy meet. Since inflation continues to remains within the targeted range which is the mandate of MPC, we do not see the scope of rate cut at the current juncture. We do not anticipate any change in the neutral stance too, with inflation and growth projection expected to remain unchanged. Our forecast for GDP also remains unchanged at 6.4-6.6% for FY26.

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MARICO

- Sales +1% above consensus and our est., EBITDA +2% vs cons. and 1% above our est
- 60% cumulative pricing pass-through in Parachute in 1Q but copra spot coming off Jul peak. 2H margin recovery contingent on copra pricing
- MRCO expects group margins to recover in 2H but DD EBITDA growth is “difficult”. Forecast FY26e EBITDA ~10%. Revised TP Rs 795. Hold

Click here for the full report.

ESCORTS KUBOTA

- Q1 tractor volumes grew marginally by 0.7% YoY (~15% QoQ), but domestic volumes were down ~2%. Margins soften sharply by 12% YoY
- Raw material cost stays muted and only respite to guard margins gross and EBITDA margins stay flat ~13%, gross margins gain 100 bps YoY
- Revise FY26/FY27 EBITDA/EPS estimates down, introduce FY28E, retain 20x P/E multiple, revise TP to Rs 2,670 (Rs 2,658). Maintain SELL

Click here for the full report.

JK LAKSHMI CEMENT

- Revenue grew by 11.3% YoY to ~Rs17.4bn, helped by volume gains of 10% YoY driven by new markets of eastern and central India region
- Overall cost improved by 3% YoY (flat QoQ) at Rs4,299/tn, helping EBITDA margin improve from 14.3% to 17.9% YoY
- We value JKLC at 9x EV/EBITDA 1YF earnings with a new TP of Rs 731 (vs Rs 728), as earnings revised. Maintain SELL

Click here for the full report.

AUTOMOBILES

- PV overall volumes stayed tepid with 1% marginal decline in volume in a seasonally weak month. Base segment revival encouraging
- The 3W segment surged 30% YoY, driven by last-mile mobility and electrification, 11% gains MoM
- 2Ws continue a healthy pace adding 18.0% YoY (down 4% MoM) despite the continued relative drag by Bajaj Auto.

Click here for the full report.

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HOLD
TP: Rs 28,874 | ∀ 6%

SHREE CEMENT | Cement | 05 August 2025

Operationally healthy, valuations moderate; upgrade to HOLD

- **Revenue growth stays soft in a healthy quarter as volume remain weak. Realisation gains offset volume weakness**
- **Realisation gains offset marginal cost inflation, boosts EBITDA margin to 24.8%, pedalling volume growth in the medium term**
- **Revise upwards FY26E/FY27E EBITDA/PAT estimates, introduce FY28e. Upgrade to HOLD; TP revised to Rs 28,874 (Rs 26,974) on rollover**

Milind Raginwar
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Revenue stays listless as volume growth lacks pace: SRCM reported revenue growth subdued at 2.3% YoY (-5.6% QoQ), as volumes declined by 7.2%/9% YoY/QoQ. The check in volume growth helped realisation gain by 10.2%/3.8% YoY/QoQ, supported by an improvement in the premium product to 17.7% vs 15.6% in Q4FY25.

Cost-saving efforts offer limited margin guard: Operating costs inflated by 2.2%/6.1% YoY/QoQ to Rs 4,155/t as the raw material cost shot up by 48.3%10% YoY/QoQ. However, fuel costs were lower by 12.1% YoY (9.3% QoQ) to Rs 1,281/t as the green power share jumped further to 65.7% from 54% YoY (capacity at 586 MW at Q1FY26 end). Logistic cost inflated by 4.7%/3.1% YoY/QoQ. EBITDA rose by 34.1% YoY (-11.4% QoQ) at Rs 12.3bn, as EBITDA margin improved markedly by 590bps to 24.8% YoY (vs 26.5% QoQ). Adj. PAT surged 94.7%/10.2% YoY/QoQ on significant increase in other income of 49.4%/33.9% YoY/QoQ.

Capex plans: The ongoing plans of SRCM in Jaitaran, Rajasthan (3 mt) and Kodla, Karnatak (3 mt) are on track and set to increase total cement capacity to 68.8 mt upon commissioning. RMC business network increased to 21 plants with plans to increase it to 50 plants by FY26 end. The company aims to reach to reach capacity of 80 mt by FY28 with Rs 30bn earmarked for capex in FY26.

Earnings upgraded; upgrade to HOLD from SELL earlier: We revise our EBITDA/PAT estimates upwards for FY26/FY27. We introduce FY28 earnings with 13%/11% YoY EBITDA/PAT growth. Our revenue/EBITDA CAGR estimates are 17%/19% over FY25-FY28E. SRCM delivers better opex but at lower capacity utilisation (hovering ~ mid 60-65%) remains a concern, offset by better earrings. We upgrade SRCM to HOLD (SELL earlier), valuing SRCM at 15x (unchanged) 1YF EV/EBITDA, as we feel SRCM gaining size (79mnt) without any meaningful dent in operating efficiencies and margins will continue. However, we feel this still lacks trigger to multiple revision. We revise our TP at to Rs28,874 (earlier Rs 26,974) for roll forward to June 2027 while valuing the stock at 15x FY27E EV/EBITDA and Rs10.5bn/mnt replacement cost.

Key changes

Target	Rating
▲	▲

Ticker/Price	SRCM IN/Rs 30,645
Market cap	US$ 12.6bn
Free float	37%
3M ADV	US$ 14.1mn
52wk high/low	Rs 32,490/Rs 23,500
Promoter/FPI/DII	63%/13%/12%

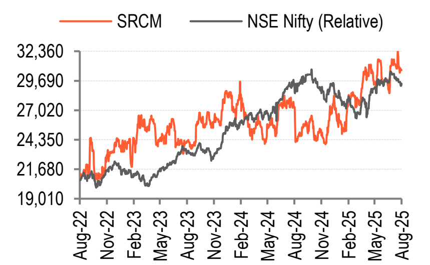
Source: NSE | Price as of 4 Aug 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	1,80,373	2,17,473	2,52,901
EBITDA (Rs mn)	38,368	47,104	57,300
Adj. net profit (Rs mn)	11,962	18,422	24,021
Adj. EPS (Rs)	331.5	510.6	665.8
Consensus EPS (Rs)	331.5	518.3	663.0
Adj. ROAE (%)	5.8	8.5	10.4
Adj. P/E (x)	92.4	60.0	46.0
EV/EBITDA (x)	26.0	25.7	21.2
Adj. EPS growth (%)	(51.5)	54.0	30.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

MONETARY POLICY EXPECTATIONS

04 August 2025

RBI to maintain status quo

Jahnavi Prabhakar
Economist

After resorting to accelerate pace of rate cuts (100bps) in quick succession, the Monetary Policy committee is expected to keep the repo rate unchanged at 5.5% in the upcoming policy meet. Since inflation continues to remains within the targeted range which is the mandate of MPC, we do not see the scope of rate cut at the current juncture. We do not anticipate any change in the neutral stance too, with inflation and growth projection expected to remain unchanged. Our forecast for GDP also remains unchanged at 6.4-6.6% for FY26.

Solid progress of South west monsoon along with higher kharif acreage will lend further support to food inflation. The liquidity continues to remain in the comfortable position and incase any pressure is seen, RBI can use various tools to manage the same. However, tariff related uncertainty could play an adverse impact on inflation and growth and hence remains a key watchable. We maintain our inflation forecast of ~3.8-3.9% for FY26. Given such conditions, we anticipate the next rate cut only in Oct'25.

What has changed since the last policy?: Since the last policy, RBI will be evaluating performance of economic activity, inflation trend, progress of monsoon, tariff related developments, movement of domestic high frequency indicators, and developments regarding global growth scenario. The next meeting which is the 3rd bi-monthly policy meet for FY26 is already ongoing and is expected to conclude by 6th of August with the next set of decisions. These decisions will be pertinent since it comes at the background of tariff related developments. US has imposed 25% tariffs on India from 26% stated earlier during the liberation day. The new tariffs are effective from 7th of Aug 2025.

Expectations on rate: We expect no change in repo rate from the upcoming policy. Since, RBI in the last policy meet has already frontloaded rate cuts as it slashed down repo rate by 50bps much higher than anticipated, thereby bringing the repo rate to 5.5%. After delivering the jumbo rate cut, RBI Governor noted that given the current situation, there is 'very limited space' for monetary policy to support growth. Furthermore, conditions for growth continues to remain unchanged at there is till expectations of 6.5% growth in FY26 and is currently not much of a concern.

On price front, it has been noted that the actual headline inflation at 2.7% in Q1FY26 is in line with the MPC projection of 2.9% and continues to remain within the RBI radar of 4% with the tolerance level of +-2%.

HOLD

TP: Rs 795 | ▲ 10%

MARICO | Consumer Staples | 05 August 2025

Copra woes: Margin recovery in 2HFY26

- **Sales +1% above consensus and our est., EBITDA +2% vs cons. and 1% above our est**
- **60% cumulative pricing pass-through in Parachute in 1Q but copra spot coming off Jul peak. 2H margin recovery contingent on copra pricing**
- **MRCO expects group margins to recover in 2H but DD EBITDA growth is "difficult". Forecast FY26e EBITDA ~10%. Revised TP Rs 795. Hold**

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1QFY26 result in line – On a YoY basis, sales +23%, vol. +9% while EBITDA was +5%, margins -360bps. Sales were +2% higher vs cons, +1% vs our est. EBITDA +1% vs cons as margins came in 10bps lower. Marico had preannounced broad 1QFY26 numbers on sales and EBIT basis on 3rd July 2025.

Sales trends – (1) Domestic – Inflationary pricing was the key driver as additional pricing was passed through mainly in coconut oil to offset copra inflation. Volumes +9%, pricing +14% as inflation driven price hikes implemented in Parachute and carryover pricing remained in vegetable oil and food. Saffola edible oil volume growth improved sequentially from LSD in 4QFY25 to MSD in 1QFY26. Parachute volumes -1% on grammage but +1% on units despite 60% cumulative pricing. VAHO value sales accelerated from +1% in 4QFY25 to +13% in 1QFY26 YoY driven by mid and premium segments. Food was +20% YoY, while Premium Personal Care +32% with combined ARR of Rs10.5bn. **(2) International CC** – Bangladesh +17%; S Africa +1%, while MENA +42%.

FY26 earnings outlook – Marico is targeting sales +DD with continued pricing-driven growth in 1H and volume recovery as the year progresses. We forecast 17% sales growth driven by distribution gains in Food and Premium Personal Care, and pricing in Saffola and Parachute along with easier comps further helping recovery in VAHO. While gross margins will recover in 3Q we expect overall EBITDA margins down 115bps YoY. We forecast 10% EBITDA growth YoY.

Our view – Marico has multiple growth levers in place such as improving margins via changes in sales and mix, reducing commoditized portfolio exposure, and increasing presence in the high growth digital space. We expect volumes to gather pace in 2HFY26 as competitors follow pricing. High growth Food and Premium Personal Care portfolios will continue the improving sales and profitability trajectory. We value Marico in line with its 5Y historical average P/E of 45x on 12m to June 2027 EPS. TP of Rs 795, share price return of 10% – Hold.

Key changes

Target	Rating
▼	◄ ►

Ticker/Price	MRCO IN/Rs 723
Market cap	US$ 10.6bn
Free float	40%
3M ADV	US$ 18.4mn
52wk high/low	Rs 745/Rs 578
Promoter/FPI/DII	59%/25%/16%

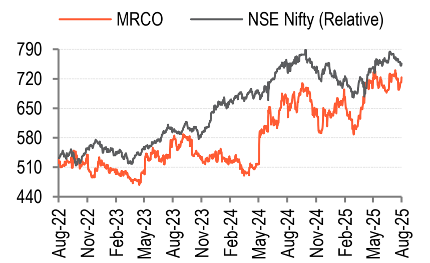
Source: NSE | Price as of 4 Aug 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	108,310	126,826	139,933
EBITDA (Rs mn)	21,390	23,588	28,161
Adj. net profit (Rs mn)	16,290	18,196	21,912
Adj. EPS (Rs)	12.6	14.1	17.0
Consensus EPS (Rs)	12.6	14.0	15.8
Adj. ROAE (%)	38.6	45.9	56.3
Adj. P/E (x)	57.3	51.3	42.6
EV/EBITDA (x)	43.7	39.6	33.3
Adj. EPS growth (%)	10.0	11.7	20.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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SELL
TP: Rs 2,670 | ⩔ 21%

ESCORTS KUBOTA | Automobiles | 05 August 2025

Awaiting fresh triggers to mitigate challenges; maintain SELL

- **Q1 tractor volumes grew marginally by 0.7% YoY (~15% QoQ), but domestic volumes were down ~2%. Margins soften sharply by 12% YoY**
- **Raw material cost stays muted and only respite to guard margins gross and EBITDA margins stay flat ~13%, gross margins gain 100 bps YoY**
- **Revise FY26/FY27 EBITDA/EPS estimates down, introduce FY28E, retain 20x P/E multiple, revise TP to Rs 2,670 (Rs 2,658). Maintain SELL**

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Volume weakness persists, below industry growth losing market share: ESCORTS reported revenue at Rs 25bn, down 11.3% YoY (+2.3). Tractor volumes grew marginally by 0.7% YoY (~15% QoQ), but domestic volumes were down ~2%. Net realisations were down significantly by 12%/11% YoY/QoQ as regional disparities weigh on prices.

CE delivery below par, AM delivered growth: The Agri Machinery (AM) segment saw flattish revenue growth of 0.4% YoY, as the overall tractor volume growth was subdued, only exports surged 80.3%. AM EBIT margin improved to 12.6% from 11.7% YoY, boosted by soft commodity prices and operational efficiencies. Construction Equipment (CE) revenue declined 20.8% YoY, while EBIT margin fell sharply to 5.8% from 10.3% YoY. However, margins were hit by the clearance of non-emission-compliant inventory. The RED business, divested to Sona BLW, earned Rs 1.3bn/Rs0.3bn in income/PBT (discontinued operations).

Soft cost structure helps guard margins: Raw material cost (inventory adjusted) declined significantly by 12.6% YoY (+2% QoQ) at ~Rs 18bn (down 100 bps to 69.1 as % of sales). EBITDA margin was largely flat at 12.9% vs 13% YoY (11.8% QoQ) as softer commodities prices aid, but Kubota import costs continued to drag. Synergies benefits likely in 2-3 years with localisation efforts. Management is cautious about pressures raising metal prices Q2FY26 onwards.

Divestment helps improve balance sheet health: The RED divestment to Sona BLW strengthens the balance sheet with ~Rs10bn in proceeds, supporting capex plans of Rs 3.5–4bn for FY26 and Rs 4–4.5bn for UP greenfield land acquisition.

Maintain SELL: Intense competition and unfavourable regional mix keep tractor realisation under pressure YoY. ESCORTS has also lost domestic market share to the competition. The amalgamation impact on margins due to higher cost structure will stay. We revise our EBITDA/EPS for FY26E/FY27E downwards and introduce FY28 earnings. We maintain SELL with new TP of Rs 2,670 (Rs 2,658). 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 3,394
Market cap	US$ 5.1bn
Free float	63%
3M ADV	US$ 6.6mn
52wk high/low	Rs 4,420/Rs 2,776
Promoter/FPI/DII	37%/22%/8%

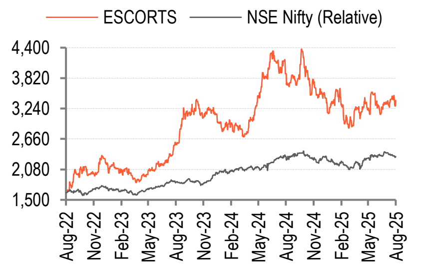
Source: NSE | Price as of 4 Aug 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	1,02,439	1,14,140	1,31,812
EBITDA (Rs mn)	11,653	13,450	16,205
Adj. net profit (Rs mn)	11,268	12,127	14,281
Adj. EPS (Rs)	100.7	108.4	127.6
Consensus EPS (Rs)	100.7	109.4	129.0
Adj. ROAE (%)	10.9	10.4	11.0
Adj. P/E (x)	33.7	31.3	26.6
EV/EBITDA (x)	37.4	32.2	26.5
Adj. EPS growth (%)	6.1	7.6	17.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

RESULT REVIEW

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SELL
TP: Rs 731 | ∀ 23%

JK LAKSHMI CEMENT | Cement | 05 August 2025

Consolidation benefits watched keenly; maintain SELL

- **Revenue grew by 11.3% YoY to ~Rs17.4bn, helped by volume gains of 10% YoY driven by new markets of eastern and central India region**
- **Overall cost improved by 3% YoY (flat QoQ) at Rs4,299/tn, helping EBITDA margin improve from 14.3% to 17.9% YoY**
- **We value JKLC at 9x EV/EBITDA 1YF earnings with a new TP of Rs 731 (vs Rs 728), as earnings revised. Maintain SELL**

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Healthy volume gains drive revenue: JKLC grew by 11.3% YoY (-8.3% QoQ) to ~Rs17.4bn, driven by volume gains of 10% YoY (-7.6% QoQ) aided by new markets of eastern and Central India in Q1FY26. Realisations were flat at 1.2% YoY (-0.8% QoQ) as the North and West regions pricing was listless, while South and East had hikes in the 6-9% range. Share of premium products fell to 23% from 27% YoY.

Operating performance improvement: Overall cost per ton improved by 3% YoY (flat QoQ) at Rs4,299/tn. Raw material cost adjusted for fuel cost fell by 5.4% YoY (+1.2% QoQ) as fuel costs were down to Rs1.5/kcal from Rs1.65/kcal YoY. Logistic cost spiked by 8.6% YoY (-2.3% QoQ) as lead distance increased to 399 km from 372 km YoY with new markets chased and is likely to stay elevated in the medium term. Effectively, EBITDA rose by 39% YoY (-11.3% QoQ) to ~Rs3.1bn and EBITDA margin improved from 14.3% to 17.9% YoY (18.5% in Q4FY25). EBITDA/t rose to Rs936/t from Rs740/tn YoY(-4%QoQ).

Capacity expansion on track: The Durg expansion equipment orders will be placed in Q2FY26 and the work at the three split location Cement Grinding Units with 3.4 mnt capacity at Prayagraj, Madhubani, and Patratu is as per schedule, with Madhubani will be commissioned earlier followed by Prayagraj in 1HFY28 and Patratu is slated for Q4FY28.

Merger with subsidiaries: During Q1YF26, the merger of Udaipur Cement Works with JKLC was completed.

Estimates revise; maintain SELL: We revise our FY26e/FY27e estimates upwards to give cost savings benefits to JKLC and the merger completion. However, besides challenges from the changing dynamics following intense supply pressure from large cement companies impacting pricing, net debt will also peak due to expansion. We introduce FY28 earnings with EBITDA margin of ~16% and earnings growth of 25% YoY. We value JKLC at 9x EV/EBITDA 1-year forward earnings (revised) with a new TP to Rs 731 (from Rs 728). Maintain SELL.

Key changes

Target	Rating
▲	◄►

Ticker/Price	JKLC IN/Rs 951
Market cap	US$ 1.3bn
Free float	54%
3M ADV	US$ 3.0mn
52wk high/low	Rs 1,021/Rs 661
Promoter/FPI/DII	46%/14%/26%

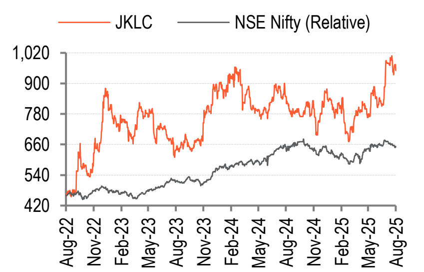
Source: NSE | Price as of 4 Aug 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	56,980	70,984	78,975
EBITDA (Rs mn)	6,308	9,900	11,858
Adj. net profit (Rs mn)	2,814	4,034	4,726
Adj. EPS (Rs)	23.9	34.3	40.2
Consensus EPS (Rs)	23.9	39.3	48.2
Adj. ROAE (%)	9.4	11.4	11.9
Adj. P/E (x)	39.8	27.7	23.7
EV/EBITDA (x)	18.7	11.0	8.1
Adj. EPS growth (%)	(33.7)	43.3	17.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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AUTOMOBILES

04 August 2025

3-W segment hogs the limelight; 2-W stays in sweet spot

- **PV overall volumes stayed tepid with 1% marginal decline in volume in a seasonally weak month. Base segment revival encouraging.**
- **The 3W segment surged 30% YoY, driven by last-mile mobility and electrification, 11% gains MoM**
- **2Ws continue a healthy pace adding 18.0% YoY (down 4% MoM) despite the continued relative drag by Bajaj Auto.**

Milind Raginwar
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Base segment revival encouraging though overall sales tepid: Domestic PV segment saw subdued demand declining by ~1% YoY to 0.32mn units. MSIL reported total sales of 180k units, driven by the compact segment. MM continues to outperform the industry growing ~20% YoY, driven by new models especially EVs. TTMT declined 12% YoY however recorded strong EV growth of 42%. Hyundai reported a 7% YoY decline while Kia grew ~8% YoY. Geopolitical uncertainties and high inventory levels (~60 days) remain concern, but new launches by companies in the 2HFY26 is expected to drive up demand.

Exports in fast lane for 2Ws: The 2W sales grew ~18% YoY to 1.2 mn units, but declined 4% MoM, as seasonal slowdown impacted sales. TVS (+29% YoY), HMCL (+22%) and EIM (+31% YoY) had significant performance led by their strong premium portfolio and an increasing demand for higher capacity Scooters. HMCL and TVSL reported strong growth for EV scooters supported by new launches though rare earth shortages pose risks.

3Ws key driver of the month: Three-wheeler (3W) sales surged 30% YoY driven by last-mile mobility and electrification. MM led with a strong 164% YoY growth. TVSL grew 21% YoY with domestic sales up 117% YoY and exports up 3% YoY.

Tractors segment steady: Tractor sales were up 5% YoY driven by healthy monsoon and higher kharif sowing. MM grew by ~6% YoY in the domestic markets and continued to dominate the market. ESCORTS showed a slowdown in momentum growing ~3% YoY but exports remained strong, growing 25%.

CVs stay slow in domestic segment: CV segment performance was benign growing ~9%. Domestic sales were slow at ~5% YoY impacted by monsoon induced slowdown and high vehicle prices while exports were strong at 63% YoY. Growth in mining and infrastructure is expected to drive recovery post-monsoon, supported by government spending.

Key ratings: BUY rating on MSIL, MM and AL, and SELL on ESCORTS and VSTT.

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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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