FIRST LIGHT

07 August 2025

RESEARCH

BOB ECONOMICS RESEARCH | MONTHLY ECONOMIC BUFFET

Economic Round-up: July 2025

BOB ECONOMICS RESEARCH | RBI MONETARY POLICY

RBI signals a hawkish pause

BAJAJ AUTO | TARGET: Rs 9,142 | +12% | HOLD

Exports a respite on supply-chain impact in medium term

DIVI'S LABS | TARGET: Rs 6,851 | +12% | HOLD

Long-term supply agreements to offset macro headwinds

BRITANNIA INDUSTRIES | TARGET: Rs 5,742 | +6% | HOLD

Distribution gains driving volume growth

LUPIN | TARGET: Rs 2,626 | +42% | BUY

Healthy product pipeline post Tolvaptan's exclusivity

SUMMARY

INDIA ECONOMICS: MONTHLY ECONOMIC BUFFET

There remains high degree of uncertainty around the tariffs announced by the US on its trading partners. Ahead of 1 Aug deadline, President Donald Trump announced new tariff rates for major economies. Countries which had struck a deal with the US before that date noted reduction in rates (UK, Japan, Indonesia, Vietnam, EU and S. Korea). For others (including India) rates were broadly similar/slightly lower than what were announced on the 'Liberation day' (2 Apr). These new tariffs rates are expected to come into effect after the 7th Aug deadline. In addition, to deal with war between Russia and Ukraine, US has also intended to penalise buyers of Russian oil.

Click here **for the full report.**

BOBCAPS Research
research@bobcaps.in

INDIA ECONOMICS: RBI MONETARY POLICY

The MPC unanimously decided to keep the repo rate unchanged at 5.5%, after frontloading rate cuts in its previous policy meet and the impact of the same is still unfolding. The stance was also kept unchanged at 'neutral' signalling that there remains limited room for future rate cuts in near run. GDP projection has been retained, as RBI noted that the domestic growth has been holding up in line with its assessment. However, RBI has lowered its there could be low probability of further reduction in rates and there is limited room for the same given the inflation is projected to be higher and above the 4% mark both in Q4F26 and Q1FY27. However, if conditions change, we at most expect one rate cut of 25 bps in Q3FY26 as RBI will remain data dependent and closely track the evolving developments especially on external front.

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BAJAJ AUTO

- Aggregate domestic market volumes fell by ~9% YoY (2-W fell 9% too), offset by robust export market growth of ~14% YoY in Q1FY26
- Better product mix guard gross margins despite raw materials cost inflation, EBITDA margin softened to 19.7% vs 20.2% YoY/QoQ
- We revise FY26E/FY27E EPS down by 2%/3%, introduce FY28 earnings, value BJAUT at 24x 1YF earnings, new TP at Rs 9,142; maintain HOLD

Click here for the full report.

DIVI'S LABS

- Earnings below estimates, largely on price erosion pressure in generics offsetting the impact of Kakinada unit 3 on margins
- Nature of the 3 long-term supply agreements to be sticky and driven by volume, mitigating macro headwinds of tariff and innovator price cut
- We maintain HOLD and continue to ascribe a PE of 56x on June'27 roll forward basis to arrive at TP of Rs 6,851

Click here for the full report.

BRITANNIA INDUSTRIES

- Compared with Bloomberg consensus, sales were in line but EBITDA 7% lower on lower than expected cut in operating cost
- Focus states, adjacencies and innovations helped drive distribution led volume growth of 1.6%. Core markets likely remained soft
- Soft volume trends over the next 2-3 quarters unless consumer demand rebounds meaningfully, not "marginally" as was in the 1Q. HOLD

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LUPIN

- Earnings above our estimates on all fronts. US sales in cc terms were at 282mn vs our estimate of USD264 mn
- 25% EBITDA margin post Tolvaptan's exclusivity due to the rise in R&D cost to 8.5% (70% spend is towards complex gx and specialty)
- As new product launches are on track, we continue to ascribe 26x on June'27 roll forward to arrive at TP of Rs 2,626; Maintain BUY

Click here for the full report.

MONTHLY ECONOMIC BUFFET

06 August 2025

Economic Round-up: July 2025

Sonal Badhan
Economist

There remains high degree of uncertainty around the tariffs announced by the US on its trading partners. Ahead of 1 Aug deadline, President Donald Trump announced new tariff rates for major economies. Countries which had struck a deal with the US before that date noted reduction in rates (UK, Japan, Indonesia, Vietnam, EU and S. Korea). For others (including India) rates were broadly similar/slightly lower than what were announced on the 'Liberation day' (2 Apr). These new tariffs rates are expected to come into effect after the 7th Aug deadline. In addition, to deal with war between Russia and Ukraine, US has also intended to penalise buyers of Russian oil.

This poses direct threat to India and China, which are amongst the largest consumers of Russian oil. Further, Trump administration also plans to announce tariffs on its pharmaceutical imports which could be small to begin with, but may reach 250% by the end of a year and a half. Since a significant portion of India's exports to the US constitute as pharma products, this could be a probable cause of concern. US macro data is showing that tariffs are already impacting the economy, with inflation surprising on the upside and labour market, manufacturing and real estate sector reeling under pressure. Elsewhere, growth in Q2CY25 remained weak in China and German economy also contracted. Domestically, fundamentals remain strong. Good monsoon is expected to support agriculture growth and rural demand. Service sector indicators are also showing growth momentum.

Global Central Banks: In Jul/Aug'25, in line with market expectations, RBI, US Fed, ECB and BoJ held rates stead. BoE is expected to lower the rates by 25bps tomorrow, despite inflation remaining temporarily elevated. Growth outlook is likely to be prioritised while taking this decision. In case of the US, weakness in the labour market is expected to add pressure on the central to reduce rates by 25bps in its Sep'25 meeting. Analysts are pricing in 3 back to back cuts this year by Fed. RBI on the other hand signalled a hawkish pause in its latest meeting, indicating that growth fundamentals continue to hold ground so far and the front-loading of its 100bps rate cut should be given more time to show its impact before continuing on rate cut cycle again. Prospects of elevated inflation in Q4FY26 and Q1FY27 also curtails RBI's room to lower rates any further.

Key macro data releases: Headline CPI softened further to 2.1% in Jun'25. Moderation in food inflation continues to drive the downward trajectory of CPI. Within food, prices of vegetables and pulses declined sharply, even as cereals and meat prices also decelerated. **Core inflation** has remained sticky at ~4% mark. However, tariff driven commodity price shocks can tend to lead to some upward bias in core.

RBI MONETARY POLICY

06 August 2025

RBI signals a hawkish pause

Jahnavi Prabhakar
Economist

The MPC unanimously decided to keep the repo rate unchanged at 5.5%, after frontloading rate cuts in its previous policy meet and the impact of the same is still unfolding. The stance was also kept unchanged at 'neutral' signalling that there remains limited room for future rate cuts in near run. GDP projection has been retained, as RBI noted that the domestic growth has been holding up in line with its assessment. However, RBI has lowered its there could be low probability of further reduction in rates and there is limited room for the same given the inflation is projected to be higher and above the 4% mark both in Q4F26 and Q1FY27. However, if conditions change, we at most expect one rate cut of 25 bps in Q3FY26 as RBI will remain data dependent and closely track the evolving developments especially on external front.

Status quo: The monetary policy committee decided to keep repo rate unchanged in line with our expectations with repo rate at 5.5% with a unanimous vote. Consequently, the SDF rate continues at 5.25% and MSF at 5.75%. This is the first time RBI has maintained status quo on rates, since it began the easing cycle in Feb'25. Stance of the monetary policy was also been retained at 'neutral'.

Main takeaways from policy

- RBI has retained growth projections for FY26 at 6.5%. The quarterly forecast were also maintained with growth in Q1 at: 6.5%; Q2: 6.7; Q3: 6.6%; and Q4: 6.3%. RBI has suggested Q1FY27 growth at 6.6%. Risks are evenly balanced for these projections.

- The central bank noted that gradual the monsoon has been progressing well and is supporting Kharif sowing.

- Services activity has also been growing at a steady pace and the same has been evident with higher services PMI and other high frequency indicators.

- In contrast, industrial activity has been growing at a laggard pace as has been reflected in IIP growth along with uneven recovery, especially for electricity and mining.

- Furthermore, there is risk to external demand largely owing to the uncertain environment due to ongoing trade negotiations and tariff announcements.

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HOLD
TP: Rs 9,142 | ⮝ 12%

BAJAJ AUTO | Automobiles | 07 August 2025

Exports a respite on supply-chain impact in medium term

- **Aggregate domestic market volumes fell by ~9% YoY (2-W fell 9% too), offset by robust export market growth of ~14% YoY in Q1FY26**
- **Better product mix guard gross margins despite raw materials cost inflation, EBITDA margin softened to 19.7% vs 20.2% YoY/QoQ**
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Milind Raginwar
research@bobcaps.in

Volume growth muted, realisation a respite on better product mix: BJAUT's revenue rose ~6%/4% YoY/QoQ to Rs125.8bn, helped by double-digit exports gains, better commercial vehicle sales, superior product mix and Chetak drive . Domestic market volumes fell by ~9% YoY (2-W fell 9% too), offset by robust export volume growth of ~14% YoY. Average realisation/vehicle was up ~5%/3% YoY/QoQ to ~Rs113k, as higher share of premium motorcycles sales helped.

EBITDA margin listless as other expenses spike: Raw material costs, as a percentage of sales, rose by 40 bps YoY to 70.4% (vs 69.9% QoQ), despite a 7% YoY cost inflation abated by better a product mix. EBITDA margins softened to 19.7% vs 20.2% YoY/QoQ, due to lower dollar realisation while other expenditure spiked 16% YoY to Rs8.5bn (6.8% of sales), driven by continued brand investments.

Improving exports provide helping hand: Export volumes surged ~14% YoY in Q1FY26, contributing ~43% of total volumes, driven by broad-based double-digit growth in Africa, LATAM, and Asia, with a revival of KTM exports post-restructuring.

Thrust on EVs and scooterisation helps: EVs contributed >20% to domestic revenue, with Chetak market share jumping by 1000bps, driven by 35 series platform, offering superior performance and unit economics. CVs achieved >100k sales with electric 3W leadership in the L5 category, ~3x YoY volume growth and a 36% market share, albeit on a lower base.

Cut our earnings estimates, maintain HOLD: We lower our FY26/FY27 EPS estimates by 2%/3% to factor in BJAUT's 2W EV focus that will dilute earnings, and slowing domestic market growth in the key motorcycle segment. Effectively, we reduce our volume estimates to factor in supply chain issues on rare-earth magnet shortage. We introduce FY28 earnings penciling EBITDA/PAT 3Y CAGR at 12%/11%. Factoring in the slow growth momentum in domestic markets, lower-than-estimated response to CNG segment and earnings dilution from EV segment, we continue to value the stock at 24x P/E 1YF and arrive at TP of Rs 9,142 (from Rs 9,253). We maintain HOLD.

Key changes

Target	Rating
▼	◄►

Ticker/Price	BJAUT IN/Rs 8,179
Market cap	US$ 27.0bn
Free float	46%
3M ADV	US$ 36.2mn
52wk high/low	Rs 12,774/Rs 7,089
Promoter/FPI/DII	54%/10%/13%

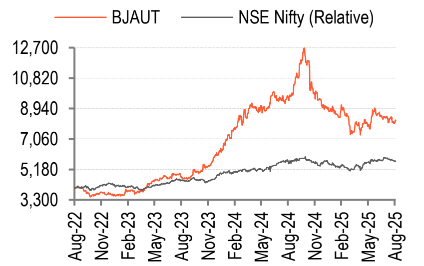
Source: NSE | Price as of 6 Aug 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	5,00,103	5,41,078	6,04,920
EBITDA (Rs mn)	1,00,988	1,12,269	1,29,049
Adj. net profit (Rs mn)	83,627	92,991	1,06,064
Adj. EPS (Rs)	307.1	333.1	379.9
Consensus EPS (Rs)	307.1	337.5	381.0
Adj. ROAE (%)	26.0	25.6	26.5
Adj. P/E (x)	26.6	24.6	21.5
EV/EBITDA (x)	23.1	21.0	18.5
Adj. EPS growth (%)	11.8	11.2	14.1

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

Stock performance



Source: NSE

HOLD

TP: Rs 6,851 | ⮝ 12%

DIVI'S LABS | Pharmaceuticals | 06 August 2025

Long-term supply agreements to offset macro headwinds

- **Earnings below estimates, largely on price erosion pressure in generics offsetting the impact of Kakinada unit 3 on margins**
- **Nature of the 3 long-term supply agreements to be sticky and driven by volume, mitigating macro headwinds of tariff and innovator price cut**
- **We maintain HOLD and continue to ascribe a PE of 56x on June'27 roll forward basis to arrive at TP of Rs 6,851**

Foram Parekh
research@bobcaps.in

Earnings below estimates: Sales grew by 14% YoY and declined by 7% QoQ driven by 53% contribution from custom synthesis (54% in 4QFY25) and 47% contribution from the generics (49% contribution in 4QFY25). Due to the lowering of custom synthesis contribution and higher RM cost led by logistics and the Red sea issue, EBITDA declined by 17.6% QoQ but was up by 17% YoY. Margin declined by 400 bps QoQ to 30.3%.

Long-term agreements to drive custom synthesis growth: During the quarter, contribution from custom synthesis segment was 53% of sales. However, its key product Entresto has undergone LOE, which indicates that custom synthesis' contribution will likely decline. Management endeavours to achieve 50-50 contribution from generics to custom synthesis. Contribution from this segment might also be impacted, if tariffs are introduced. However, as the company has received 3 long-term supply agreements from the innovators, we expect sales to grow at a CAGR of 16% from FY25-28.

Generic contribution to rise to 50%: Contribution from the generics segment was 47% vs 49% in 4QFY25, primarily due to price erosion pressure. The company has many ~10 new products like Tridax etc., in the pipeline that are in various stages of development and expected to get commercialized in the next 12 months. We expect easing of price erosion and new product launches to enable growth at 9% CAGR from FY25-28.

Increasing traction in Nutraceuticals: This segment grew by 40% YoY to Rs 2.5bn vs Rs 1.78bn in 1QFY26, driven by steady growth across products post the dip in several multivitamin and other businesses. We expect this segment to grow at a CAGR of 6% from FY25-28.

Valuation: Introducing FY28 estimates, we arrive at sales/EBITDA/PAT CAGR of 12%/19%/18% respectively. Owing to near-term headwinds in the key product of custom synthesis, we maintain HOLD and continue to ascribe a PE of 56x on June'27 roll forward basis to arrive at TP of Rs 6,851.

Key changes

Target	Rating
▼	◄ ►

Ticker/Price	DIVI IN/Rs 6,134
Market cap	US$ 18.6bn
Free float	48%
3M ADV	US$ 32.4mn
52wk high/low	Rs 7,072/Rs 4,616
Promoter/FPI/DII	52%/15%/22%

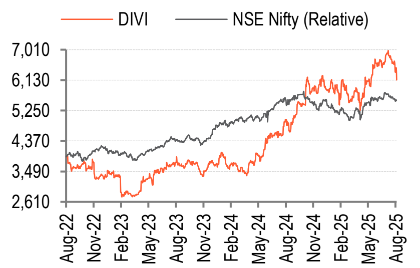
Source: NSE | Price as of 6 Aug 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	93,600	100,271	115,061
EBITDA (Rs mn)	29,680	34,355	43,450
Adj. net profit (Rs mn)	21,910	24,932	31,310
Adj. EPS (Rs)	82.5	93.9	117.9
Consensus EPS (Rs)	75.9	102.4	126.4
Adj. ROAE (%)	15.4	16.2	18.7
Adj. P/E (x)	74.3	65.3	52.0
EV/EBITDA (x)	53.4	46.3	36.7
Adj. EPS growth (%)	39.6	13.8	25.6

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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HOLD

TP: Rs 5,742 | ⮝ 6%

BRITANNIA INDUSTRIES | Consumer Staples | 07 August 2025

Distribution gains driving volume growth

- **Compared with Bloomberg consensus, sales were in line but EBITDA 7% lower on lower than expected cut in operating cost**
- **Focus states, adjacencies and innovations helped drive distribution led volume growth of 1.6%. Core markets likely remained soft**
- **Soft volume trends over the next 2-3 quarters unless consumer demand rebounds meaningfully, not "marginally" as was in the 1Q. HOLD**

Lokesh Gusain
research@bobcaps.in

1QFY26 result summary: Sales of Rs46bn, +9% YoY with flat EBITDA as margins contracted 135bps to 16.4%. The 1Q deterioration in gross margins at 310bps YoY was lower vs 4Q at 480bps. Sales were in line with consensus and our estimates. EBITDA was 7% below consensus and 8% below our estimates. Gross margin was 90bps lower vs consensus but in line with our estimates.

Inflation, pricing, and market share: While 1QFY26 cost inflation was similar to 4QFY25, gross margin deterioration slowed sequentially. The company has now put though "almost" all pricing required to offset inflation and expects to sustain a 6%-8% pricing run rate over the next two to three quarters. With the softening of commodity prices though the 1QFY26 and reduction in palm oil import tariffs in May 2025, gross margins will improve sequentially. Britannia noted that historically branded players have gained market share during a stable cost environment.

FY26 outlook: With high pricing, we expect increased volume elasticity and adjust our sales forecasts accordingly to result in a slight downgrade on sales but upgrade on margins. Innovations, adjacencies and continued push on the Hindi belt will help distribution gains driven volumes, but we expect slower growth in the core markets. We forecast sales growth of 9.0% on 2.3% volume growth with EBITDA +8.6%.

Our view: While inflation is being offset with pricing, efficiencies and fiscal incentives, we expect volume growth to remain soft unless consumer spending picks up meaningfully to reduce the impact of elasticity. We continue to value BRIT in line with its 5Yr historical average P/E of 48x on 12m to Jun 2027 EPS. Our target price increases from Rs5,715 to Rs5,742. Hold with a +6% return.

(Rs mn)	Actual			Reported vs (%)	
	1Q25	1Q26	YoY	BoB	Cons.
Sales	42,503	46,222	8.8	0.1	0.2
EBITDA	7,537	7,571	0.4	(8.0)	(7.1)
EBITDA margin (%)	17.7	16.4	(135bps)	(144bps)	(129bps)

Source: Company, Bloomberg, BOBCAPS Research

Key changes

Target	Rating
▲	◄ ►

Ticker/Price	BRIT IN/Rs 5,403
Market cap	US$ 14.8bn
Free float	49%
3M ADV	US$ 17.5mn
52wk high/low	Rs 6,470/Rs 4,506
Promoter/FPI/DII	51%/19%/30%

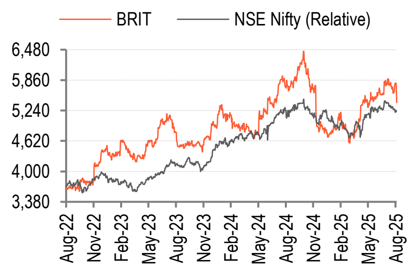
Source: NSE | Price as of 6 Aug 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	179,427	195,660	215,674
EBITDA (Rs mn)	31,872	34,602	39,524
Adj. net profit (Rs mn)	22,035	24,326	28,695
Adj. EPS (Rs)	91.5	101.0	119.1
Consensus EPS (Rs)	91.5	103.7	117.3
Adj. ROAE (%)	52.8	51.8	50.2
Adj. P/E (x)	59.1	53.5	45.4
EV/EBITDA (x)	41.5	38.0	33.1
Adj. EPS growth (%)	2.8	10.4	18.0

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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BUY
TP: Rs 2,626 | ⮝ 42%

LUPIN | Pharmaceuticals | 07 August 2025

Healthy product pipeline post Tolvaptan's exclusivity

- **Earnings above our estimates on all fronts. US sales in cc terms were at 282mn vs our estimate of USD264 mn**
- **25% EBITDA margin post Tolvaptan's exclusivity due to the rise in R&D cost to 8.5% (70% spend is towards complex gx and specialty)**
- **As new product launches are on track, we continue to ascribe 26x on June'27 roll forward to arrive at TP of Rs 2,626; Maintain BUY**

Foram Parekh
research@bobcaps.in

Results above expectations: LPC reported earnings above our estimates on all fronts where sales/EBITDA/PAT grew by 11.9%/27.6%/41%. US sales in the cc terms for the quarter were reported the highest-ever at USD282 mn, primarily driven by the Tolvapton launch. In INR terms, all geographies contributed to the growth; domestic sales grew by 7.8%, while that in North America increased by 24%. Other developed market grew by 17.4% and emerging market (EM) rose by 5.2%. Healthy product mix led to the gross margin being at 71.73% and EBITDA margin at 26.2%. PAT grew by 41% YoY, driven by healthy operations.

US sales to grow in late single digit post Tolvaptan's exclusivity: During the quarter, US sales growth was driven by Tolvapton, which is under a 180-day exclusivity. Post the completion of exclusivity, growth in H2FY26 would be driven by injectable products like Glucagon, Victoza and complex injectable like Rispederal Consta launch in FY27, and launch of biosimilars (higher margin than complex generics) like Pegfilgrastim and Ranibizumab.

Domestic sales growth to be driven by Rx portfolio: During the quarter, domestic sales grew by 7.8% where the Rx business grew in line with Rx sales at 8.6% from 8200 MRs. The decline in domestic sales was due to the tender business that is lumpy by nature. However, the contribution of in-license portfolio has lowered to 6% from its peak of 12%. The company intends to participate in the Semaglutide launch in the first wave through partner and participate in oral solids through own development in FY28.

Valuation: Overall, we remain positive on the new product launches in the US market. We do not factor major headwinds on the tariff front (10-15% manageable) and have introduced FY28 estimates to arrive at a sales/EBITDA/PAT CAGR of 10%/14%/14%. We maintain our BUY recommendation on the stock and continue to ascribe a similar PE multiple of 26x on June'27 EPS, as the launches are on track to arrive at a TP of Rs 2,626.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	LPC IN/Rs 1,852
Market cap	US$ 9.6bn
Free float	53%
3M ADV	US$ 24.0mn
52wk high/low	Rs 2,403/Rs 1,795
Promoter/FPI/DII	46%/14%/29%

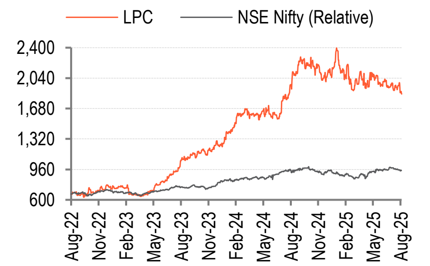
Source: NSE | Price as of 6 Aug 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	227,079	256,002	279,398
EBITDA (Rs mn)	52,775	62,511	71,192
Adj. net profit (Rs mn)	32,816	37,845	44,200
Adj. EPS (Rs)	72.5	83.6	97.7
Consensus EPS (Rs)	72.5	88.0	88.6
Adj. ROAE (%)	20.7	21.0	21.9
Adj. P/E (x)	25.5	22.1	19.0
EV/EBITDA (x)	16.2	13.5	11.6
Adj. EPS growth (%)	71.4	15.3	16.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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Name of the Research Entity: **BOB Capital Markets Limited**
Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**
SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**
Brand Name: **BOBCAPS**
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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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