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FIRST LIGHT

12 August 2025

RESEARCH

GREENLAM INDUSTRIES | TARGET: Rs 250 | +10% | HOLD

Dismal Q1; recovery underway but valuations stretched

VST TILLERS TRACTORS | TARGET: Rs 3,422 | -29% | SELL

Strong one-off show, sustainability is the key; maintain SELL

PHARMACEUTICALS

Monthly IPM dose

SUMMARY

GREENLAM INDUSTRIES

- Dismal Q1 on weak performance across segments and heavy forex loss due to a strong euro
- Maintains revenue growth guidance at 18-20% for FY26; along with improvement in laminate margin (13.2% in Q1FY26 to 15% in FY26)
- Maintain HOLD with unchanged TP of Rs 250 on a weak return ratio profile of particleboard project and expensive valuations

Click here **for the full report.**

VST TILLERS TRACTORS

- Q1FY26 revenue grew by 48% YoY (on a lower base) to Rs2.8bn, driven by volume gains of ~76% to ~13k units (general elections in Q1FY25)
- Gross margins range-bound, EBITDA margin gains steeply given the strong revenue recovery, sustainability is the key
- Revise FY26/FY27 EBITDA estimates upward by 6%/1%, introduce FY28E, revise TP to Rs3,422 (Rs 3,340), value VSTT at 20x P/E 1YF. Retain SELL

Click here **for the full report.**

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PHARMACEUTICALS

- IPM for July'25 grew by 7.9% in value and 0.4% in unit. On a MAT basis, growth stood at 7.4% in value and 0.4% in unit
- Cardiac led therapy growth with 14% in value and 6.2% in volume; Gastro reported the lowest growth at 4% value and -4.1% volume
- IPM expected to continue growing at a similar range of 7-9%. Our preferred picks from the domestic space are SUN and BOOT

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HOLD
TP: Rs 250 | ⮝ 10%

GREENLAM INDUSTRIES | Building Materials | 11 August 2025

Dismal Q1; recovery underway but valuations stretched

- **Dismal Q1 on weak performance across segments and heavy forex loss due to a strong euro**
- **Maintains revenue growth guidance at 18-20% for FY26; along with improvement in laminate margin (13.2% in Q1FY26 to 15% in FY26)**
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Dismal Q1: GRLM reported a dismal performance yet again as it sharply misses our estimates (Revenue/EBITDA/APAT: -2%/-16%/-52%) for Q1FY26 due to weak performance across segments. The company has booked a forex loss of Rs 188mn in Q1FY26 due to a strong euro (considered as non-operating expense for our analysis purpose). Overall, revenue grew by 11% YoY, but EBITDA/APAT was down 15%/76% YoY in Q1FY26.

Highlights: Laminates segment EBITDA was flat (+0.3% YoY) in Q1FY26 as the impact of higher volumes (+5.8%) was offset by margin contraction (-47bps YoY to 13.2%). Plywood segment reported operating loss for the 9th consecutive quarter given the slow ramp-up of the plant (operated at 30% in Q1FY26). Particleboard segment reported operating loss for the 2nd consecutive quarter due to low operating rate (at 29% in Q1FY26). Interest coverage ratio has fallen sharply from 2.7x in Q1FY25 to 1.1x in Q1FY26, owing to weak operating profit and higher debt.

Outlook: GRLM maintained its revenue growth guidance at 18-20% YoY for FY26. Laminate segment EBITDA margin is targeted to be 15% in near future. The company expects plywood and particleboard segments to reach EBITDA breakeven in FY26. Net debt is projected to be ~Rs 10.0bn in Mar’26 (vs Rs 10.4bn in Jun’25). Capex guidance has been revised upward to Rs 1.5bn (Rs 1.0bn earlier).

Maintain HOLD with unchanged TP of Rs 250: We forecast GRLM’s EPS to grow at a strong 45.8% CAGR over FY25-FY28E over a weak base. However, we maintain HOLD due to the weak return ratio profile of its newly commissioned particleboard project (likely to generate high-single-digit ROCE even if we assume ramp-up of the plant capacity to full level with 20% EBITDA margin on account of significantly higher capex cost incurred vs industry benchmark) and expensive valuations (the stock trades at a P/E of 67.6x/34.9x/25.6x on FY26E/FY27E/FY28E vs pre-COVID average of ~26x). We have cut our EPS estimates by 8.2%/8.4% for FY26E/FY27E, based on weak Q1 results, but we have kept our TP unchanged at Rs 250 per share due to roll forward of our valuation to Jun’27E (Mar’27 earlier). Our target P/E remains unchanged at 35x.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	GRLM IN/Rs 228
Market cap	US$ 663.4mn
Free float	49%
3M ADV	US$ 0.2mn
52wk high/low	Rs 601/Rs 197
Promoter/FPI/DII	51%/2%/15%

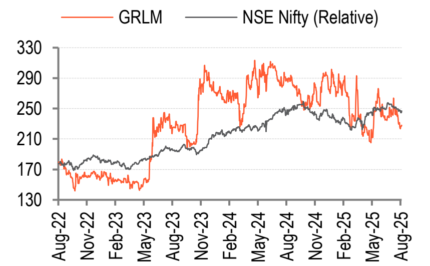
Source: NSE | Price as of 11 Aug 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	25,693	30,726	36,003
EBITDA (Rs mn)	2,746	3,122	4,202
Adj. net profit (Rs mn)	732	860	1,667
Adj. EPS (Rs)	2.9	3.4	6.5
Consensus EPS (Rs)	2.9	6.5	10.1
Adj. ROAE (%)	6.6	7.4	13.1
Adj. P/E (x)	79.5	67.6	34.9
EV/EBITDA (x)	19.1	15.8	11.5
Adj. EPS growth (%)	(47.1)	17.5	93.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

SELL
TP: Rs 3,422 | ⩔ 29%

VST TILLERS TRACTORS | Automobiles | 12 August 2025

Strong one-off show, sustainability is the key; maintain SELL

- **Q1FY26 revenue grew by 48% YoY (on a lower base) to Rs2.8bn, driven by volume gains of ~76% to ~13k units (general elections in Q1FY25)**
- **Gross margins range-bound, EBITDA margin gains steeply given the strong revenue recovery, sustainability is the key**
- **Revise FY26/FY27 EBITDA estimates upward by 6%/1%, introduce FY28E, revise TP to Rs3,422 (Rs 3,340), value VSTT at 20x P/E 1YF. Retain SELL**

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Revenue growth YoY on a very weak base: In Q1FY26, revenue grew by 48% YoY (on a lower base YoY) to Rs2.8bn, driven by robust volume gains of ~76% to ~13k units on a lower base, due to general elections in Q1FY25. However, average realisation per vehicle fell steeply by ~16% YoY, pressuring growth. Volume was down by 2.4% QoQ, leading to a fall in revenue by 6.3%. Exports dipped by 20% on logistics and economic challenges in key markets like Europe. Sales momentum has been strong in Q2 but may taper off in September.

Healthy EBITDA/EBITDA margin gain, gross margins range-bound: Raw material, as a percentage of sales, improved by 50bps/173bps YoY/QoQ to 67.6% in Q1FY26; while RM cost (adjusted for inventory) rose by 47% YoY to ~Rs 2bn. Gross margin held steady, up 50bps YoY to 32.4%, driven by the newly launched high-priced products and price hikes in Q1FY26. EBITDA grew ~180% YoY to ~Rs375mn and EBITDA margin rose to 13.3% vs 7% YoY. PAT grew ~95% to Rs446mn (including exceptional treasury gains). APAT fell 9%/45% YoY/QoQ to Rs208mn.

Focus on Compact continues: VSTT intensified focus in the 18.5-29hp segment it is developing higher HP models (FENTM Plus, Zetor revamp for Diwali) and global platforms for India, Europe, and the US (planned for FY27). Exports faced challenges in Europe (20% YoY tractor volume decline) due to logistics issues, but VSTT plans to open a European operations base by FY26-end to address the same.

Maintain SELL: We revise our FY26/FY27 EBITDA EPS estimates upward by 6%/1%, factoring in the Q1FY26 performance on a lower base. We also introduce FY28 earnings and model in revenue/EBITDA/PAT CAGR of 13%/17%/20% over FY25-FY28E. We continue to value VSTT at 20x P/E 1YF earnings and arrive at a new TP of Rs 3,422 (from Rs 3,360) rolling forward. We believe the valuations run-up on a one-off show is knee jerk and steep and remain decoupled from earnings; hence unjustified. VSTT's performance is below mark on gross margins and exports despite its focus on the high-end farm equipment business, healthy contribution from non-farm business and regional diversification. Hence, we maintain a SELL rating on VSTT expecting normalcy in earning to return in the medium term.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	VSTT IN/Rs 4,806
Market cap	US$ 477.0mn
Free float	45%
3M ADV	US$ 1.2mn
52wk high/low	Rs 5,430/Rs 3,082
Promoter/FPI/DII	55%/5%/15%

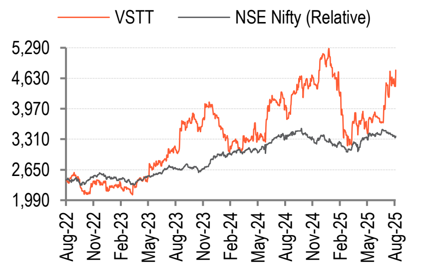
Source: NSE | Price as of 11 Aug 2025

Key financials

Y/E 31 Mar	FY25P	FY26E	FY27E
Total revenue (Rs mn)	9,946	11,400	12,749
EBITDA (Rs mn)	1,111	1,344	1,582
Adj. net profit (Rs mn)	945	1,175	1,446
Adj. EPS (Rs)	109.3	136.0	167.4
Consensus EPS (Rs)	109.3	138.0	168.0
Adj. ROAE (%)	9.4	10.6	11.7
Adj. P/E (x)	44.0	35.3	28.7
EV/EBITDA (x)	37.3	30.5	26.0
Adj. EPS growth (%)	(22.3)	24.4	23.1

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

Stock performance



Source: NSE

PHARMACEUTICALS

12 August 2025

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- **Cardiac led therapy growth with 14% in value and 6.2% in volume; Gastro reported the lowest growth at 4% value and -4.1% volume**
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IPM reported strong growth: IPM for July'25 grew by 7.9% in value and 0.4% in volume.to Rs 205bn. IPM growth on MAT basis growth stood at 7.4% in value and 0.4%unit growth to Rs 2,308 bn. IPM growth of 7.9% on MTH basis was driven by 5.6% value growth, 2.5% new product launches and -0.2% volume growth. This is the 7th consecutive month in CY25 where IPM growth is driven by price hike and new product launches and volume growth have been negligible.

Acute therapies reported lower value growth over Chronic therapies: On MTH basis, acute therapies like Anti-Infectives reported 6% value growth and -2.3% volume growth, Respiratory reported 9.2% value growth and 5.7% volume growth, while Pain grew 5.8% (value) and -3.1% (volume). Amongst Chronic therapies, Cardiac reported 14.1% value growth and 6.2% volume growth, Derma grew 6.6% in value and -2.9% in volume and growth for CNS stood at 8.3% (value) and -1.3% (volume).

Large-sized companies' performance steady over mid/small size: On MTH basis, large-sized companies like SUN continue to report 13% value growth and 4% volume growth; for Abbott (including subsidiaries), growth came at 8% (value) and 2% (volume), and Mankind grew 9% in value and 4% in volume. Amongst mid-sized companies, GSK reported 7% value growth and 0% volume growth, Emcure 5% and 9% in value and volume, and Glenmark reported 13% value growth and -2% volume growth. Amongst the small sized, Alembic reported -4% value growth and -10% volume growth, Eris reported 7% value growth and 1% volume growth, Ajanta reported 14% value growth and 8% volume growth.

Steady IPM growth to continue at current rate IPM is expected to grow 7–9% in CY2025, driven by price hike of 1.74% for NLEM products, 5–7% hikes on non-NLEM products, and new launches which is increasing as molecules like Empagliflozin went LOE and is expected to rise further as GLP-1 molecule Semaglutide nears expiry. **Preferred picks** are Sun due to leading position in the IPM with 8.5% market share driven by leadership across 13 categories and BOOT due to focus on top 20 products contributing ~80% of the core sales.

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

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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