FIRST LIGHT

12 February 2025

RESEARCH

CENTURY PLYBOARDS | TARGET: Rs 800 | -0% | HOLD

Strong performance in a challenging environment

ALEMBIC PHARMA | TARGET: Rs 1,032 | +19% | BUY

Earnings recovery on normalised Azithromycin base

BIRLASOFT | TARGET: Rs 466 | -8% | SELL

Misses expectations: Company struggles within Tier 2 set

VST TILLERS TRACTORS | TARGET: Rs 3,267 | -15% | SELL

Listless show, limited near-term respite; maintain SELL

SUMMARY

CENTURY PLYBOARDS

- CPBI beats our estimate on strong plywood sales volume and sharp sequential improvement in MDF margin
- Near-term pain to persist on high raw material cost and supply-side pressure, but medium-term outlook remains positive
- Maintain HOLD on near-term earnings risk and expensive valuations; TP raised by 10% to Rs 800

Click here **for the full report.**

ALEMBIC PHARMA

- US and ROW sales grew above our estimates of 5% and 13% respectively, reporting growth of 10% each
- EBITDA margin for Q3FY25 was 15.4% and we expect EBITDA margin to grow to 18.4% by FY27
- We maintain BUY and value the stock at 28x Dec'26 EPS due to healthy sales on normalised Azithromycin base for TP of Rs 1,032

Click here **for the full report.**

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BIRLASOFT

- 3QFY25 performance impacted by higher-than-expected furloughs and decline in ERP Biz. Revenue declined by 1.1% QoQ in CC terms
- Extended furloughs and project ramp downs set to impact 4QFY25 performance too. Margin recovery likely gradual
- Predictable execution has been a challenge. Unlike many peers, it faces challenging demand outlook. Target Price cut by 8%

Click here **for the full report.**

VST TILLERS TRACTORS

- Q3 revenue grew 29% YoY (-23% MoM) to ~Rs 2.2bn, driven by volume gain of ~34%, dragged by 4% lower realisations of Rs 0.27mn (YoY)
- EBITDA doubled on very weak base YoY to Rs 196mn, margin failed to recover meaningfully staying at ~9% (down 440bps QoQ)
- We lower our FY25/FY26/FY27 earnings and TP to Rs 3,267 (from Rs 3,420), valuing VSTT at 20x P/E 1Y forward earnings. Maintain SELL

Click here **for the full report.**

HOLD
TP: Rs 800 | ⮟ 0%

CENTURY PLYBOARDS | Building Materials | 11 February 2025

Strong performance in a challenging environment

- **CPBI beats our estimate on strong plywood sales volume and sharp sequential improvement in MDF margin**
- **Near-term pain to persist on high raw material cost and supply-side pressure, but medium-term outlook remains positive**
- **Maintain HOLD on near-term earnings risk and expensive valuations; TP raised by 10% to Rs 800**

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Beats estimate: CPBI beats our estimate for Q3FY25 (Revenue: +7.3%; EBITDA: +10.6%; APAT: +6.7%) mainly due to strong plywood sales volume (+15.6% vs 10% estimated) and sharp improvement in MDF margin (+1362bps QoQ to 15.9% vs 7.0% estimated). Overall, CPBI revenue/EBITDA grew by 21.7%/22.1% YoY, but APAT de-grew by 6.1% YoY in Q3.

Key highlights: CPBI delivered strong volume growth for its plywood (+15.6% YoY) and MDF (+77.2% YoY) segment in Q3FY25. We are quite surprised by the sharp sequential improvement in MDF segment margin in Q3FY25 (even though realisation fell by 1.9% QoQ in a rising timber price environment). The company again reported weak performance for its laminate and particleboard segments in Q3. CPBI has reported YoY contraction in its APAT for the past six consecutive quarters due to margin pressure on YoY basis across segments (except plywood).

Guidance broadly intact: CPBI aims to grow its revenue for plywood/laminate/ MDF/particleboard at +12%/+10%/+40%/flat for Q4FY25. It expects its standalone operating margin for plywood to be 12-14%/ laminate +10-12%/ MDF 15%/ particleboard single digit for Q4FY25. The new greenfield MDF plant became EBITDA positive in Q3FY25 and the new laminate plant is expected to reach breakeven point by Q2FY26. The company plans to spend Rs 5.8bn in FY25 and Rs 1.0bn in FY26 mainly for plywood capacity expansion.

Maintain HOLD; TP raised by 10% to Rs 800: We maintain our HOLD rating on the stock as we expect its EPS to grow at a moderate rate of 13.3% CAGR over FY24-FY27E and expensive valuations (trades at 53.9x on 1Y forward P/E vs 5Y average of 38.2x). We have reduced our EPS estimates (-27.1%/-12.1%/-8.5% for FY25E/FY26E/FY27E) as we see margin pressure to persist in the near future due to raw material cost inflation pressure in an oversupplied market, but we have increased our TP to Rs 800 (Rs 725 earlier) due to roll forward of our valuation from Sep'26 to Dec'26. Our target P/E remains unchanged at 40x.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	CPBI IN/Rs 804
Market cap	US$ 2.1bn
Free float	27%
3M ADV	US$ 3.4mn
52wk high/low	Rs 935/Rs 622
Promoter/FPI/DII	73%/5%/17%

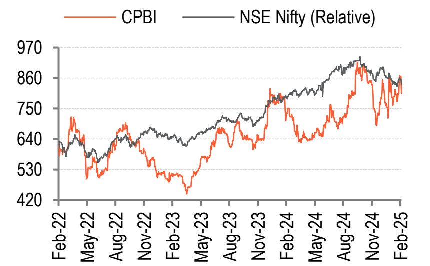
Source: NSE | Price as of 11 Feb 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	38,860	45,284	51,437
EBITDA (Rs mn)	5,320	5,074	6,894
Adj. net profit (Rs mn)	3,351	2,217	3,418
Adj. EPS (Rs)	15.1	10.0	15.4
Consensus EPS (Rs)	15.1	12.7	20.0
Adj. ROAE (%)	16.3	9.6	13.3
Adj. P/E (x)	53.4	80.7	52.3
EV/EBITDA (x)	33.6	34.6	24.7
Adj. EPS growth (%)	(18.0)	(33.8)	54.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BUY
TP: Rs 1,032 | ⮝ 19%

ALEMBIC PHARMA | Pharmaceuticals | 12 February 2025

Earnings recovery on normalised Azithromycin base

- **US and ROW sales grew above our estimates of 5% and 13% respectively, reporting growth of 10% each**
- **EBITDA margin for Q3FY25 was 15.4% and we expect EBITDA margin to grow to 18.4% by FY27**
- **We maintain BUY and value the stock at 28x Dec'26 EPS due to healthy sales on normalised Azithromycin base for TP of Rs 1,032**

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Results below expectations due to decline in API sales: ALPM sales grew by 3.8% YoY (1.5% below our estimate), while EBITDA declined by 2.3% (8% below our estimate) and PAT by 24% (21% below our estimate) primarily due to higher tax rate. The decline in earnings was due to (1) lower API sales of 10% (23% lower than our estimate) due to price erosion, and (2) lower domestic sales of 3% (-1.5% below our estimate) due to higher Azithromycin base which offset 10% YoY growth in US and ROW markets.

Domestic sales to grow on normalised Azithromycin sales: India region sales was affected by higher base of Azithromycin sales reported during the Covid period and slower-than-expected recovery in the Cold and Cough segment resulting in 11% decline in the Acute therapy, offsetting 6% YoY and 22% YoY growth in the Specialty and Animal Health segments respectively. We expect the India region to grow by ~9% driven by (1) normalised base of Azithromycin in FY26E in the acute segment, (2) higher medical representative productivity, (3) uptick in well-diversified specialty and (4) continuous traction in the Animal Health segment.

US growth to continue driven by new product launches: During Q3, US grew by 10% YoY driven by easing price erosion pressure. During the period, ALPM launched two new products and expects to launch five new ones in Q4FY25. The company is focusing on injectables, peptides and complex therapies like Oncology and Ophthalmology within the new product segment. The company is shifting its products to F4 from F1 and expects new facility products to drive growth in coming quarters.

Valuations: As earnings were 20% lower than we estimated for Q3FY25, we cut our EPS estimates for FY25 by 17% to Rs 28.3, for FY26 by 20% to Rs 34.1 and for FY27 by 18% to Rs 45. However, due to normalized base of Azithromycin, healthy traction in the Animal Health and Specialised businesses, and strong non-oral solid portfolio in the US region we maintain our BUY rating and value the stock at 28x Dec'26 EPS to yield a TP of Rs 1,032 (Rs 1,412 earlier).

Key changes

Target	Rating
▼	◄►

Ticker/Price	ALPM IN/Rs 868
Market cap	US$ 2.0bn
Free float	31%
3M ADV	US$ 1.7mn
52wk high/low	Rs 1,304/Rs 823
Promoter/FPI/DII	70%/5%/13%

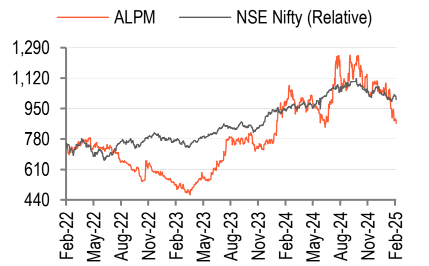
Source: NSE | Price as of 11 Feb 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	62,290	65,616	72,954
EBITDA (Rs mn)	9,337	9,867	11,825
Adj. net profit (Rs mn)	6,172	5,565	6,698
Adj. EPS (Rs)	31.4	28.3	34.1
Consensus EPS (Rs)	31.4	36.7	44.6
Adj. ROAE (%)	13.9	11.5	12.8
Adj. P/E (x)	27.7	30.7	25.5
EV/EBITDA (x)	19.0	17.8	14.6
Adj. EPS growth (%)	80.2	(9.7)	20.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

RESULT REVIEW

SELL

TP: Rs 466 | ▽ 8%

BIRLASOFT | IT Services | 12 February 2025

Misses expectations: Company struggles within Tier 2 set

- **3QFY25 performance impacted by higher-than-expected furloughs and decline in ERP Biz. Revenue declined by 1.1% QoQ in CC terms**
- **Extended furloughs and project ramp downs set to impact 4QFY25 performance too. Margin recovery likely gradual**
- **Predictable execution has been a challenge. Unlike many peers, it faces challenging demand outlook. Target Price cut by 8%**

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Revenue and EBIT Margin below expectation: Revenue declined 1.5% QoQ in USD terms (our estimate +0.6%) and declined 0.3% YoY. In CC terms, revenue showed degrowth of 1.1% QoQ (our estimate 1% growth) . Performance was impacted by higher-than-usual furloughs, especially in the Life Sciences and Manufacturing verticals. These furloughs arrived later in the quarter and impacted even verticals that had not previously experienced them. The company estimates that furloughs reduced QoQ growth by ~150 bps. EBIT was 10.4% (our estimate 10.8%). Company-wide wage increase was implemented in October, which negatively impacted margins, but this was partially offset by exchange rate benefits from a strong dollar and operational savings.

Weak 4QFY25 Outlook: Softness in 4Q revenue expected. Two key headwinds identified: 1. The continuation of furloughs, particularly in the healthcare vertical, which spilled into January 2. Project ramp downs in both healthcare and manufacturing, although these are not expected to be large in scale.

Demand environment remains challenging for it, unlike for many of its peers
The company stated that the demand environment has remained largely unchanged compared to previous quarters. Although there are early signs of improvement in certain sectors, such as BFSI, these areas contribute modestly to the overall business. Clients are still taking a cautious approach, especially in verticals like Life Sciences, which may face additional challenges due to potential policy shifts under the new US administration. The company also had project ramp-downs in the quarter, which could have short-term revenue impacts. Conversations with clients suggest that demand is expected to gradually improve as the calendar year progresses, but it will take a couple of quarters for this to translate into meaningful deal inflows and revenue growth.

Main SELL, Target Price cut by 8% to 466: Negative quarter, weak demand outlook has led us to reduce the revenue estimate. Target PE remains unchanged at a 25% discount to the target PE multiple of TCS- our sector benchmark.

Key changes

Target	Rating
▼	◄ ►

Ticker/Price	BSOFT IN/Rs 504
Market cap	US$ 1.6bn
Free float	59%
3M ADV	US$ 9.2mn
52wk high/low	Rs 856/Rs 503
Promoter/FPI/DII	41%/11%/25%

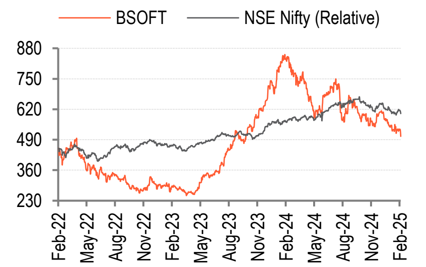
Source: NSE | Price as of 11 Feb 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	52,781	54,412	59,729
EBITDA (Rs mn)	8,362	6,958	8,662
Adj. net profit (Rs mn)	6,238	5,191	6,314
Adj. EPS (Rs)	22.6	18.4	22.4
Adj. ROAE (%)	22.7	16.3	17.8
Adj. P/E (x)	22.3	27.4	22.5
EV/EBITDA (x)	15.6	19.2	15.7
Adj. EPS growth (%)	88.3	(18.7)	21.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

SELL
TP: Rs 3,267 | ⩔ 15%

VST TILLERS TRACTORS | Automobiles | 11 February 2025

Listless show, limited near-term respite; maintain SELL

- **Q3 revenue grew 29% YoY (-23% MoM) to ~Rs 2.2bn, driven by volume gain of ~34%, dragged by 4% lower realisations of Rs 0.27mn (YoY)**
- **EBITDA doubled on very weak base YoY to Rs 196mn, margin failed to recover meaningfully staying at ~9% (down 440bps QoQ)**
- **We lower our FY25/FY26/FY27 earnings and TP to Rs 3,267 (from Rs 3,420), valuing VSTT at 20x P/E 1Y forward earnings. Maintain SELL**

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Weak realisations drag revenue growth: VSTT's revenue increased by 29% YoY (down 23% QoQ due to low volumes) to ~Rs 2.2bn as volume grew 34% YoY to ~8.1k units in Q3FY25. The realisation per vehicle fell ~4% YoY impacting growth. Sequentially the volume fell by 23% leading to QoQ fall in revenue by 23%. Volumes grew by 32%/43%/69%/35% YoY for Power Tiller/Tractors/Power Weeder & Reaper to 6.6k/1.4k/1.65k/1.6k respectively. In Q3FY25, revenue from the SFM (Specialised Farm Machinery) segment was Rs 1.24bn, Tractor segment Rs 0.64bn and Distribution and others Rs 0.26bn.

EBITDA gains from a low base: Raw material (RM) as a percentage of sales jumped by 20bps/120bps YoY/QoQ to 69.3% in Q3FY25 and the RM cost (adjusted for inventory) spiked by 29% YoY to ~Rs 1.7bn. Gross margin fell by 20bps YoY to 30.7% fully attributed to lower realisation. Staff expenses shot up by 24% YoY (flat QoQ) to ~Rs 254mn while other expenses were flat YoY at Rs 223mn (down 18% QoQ) owing to operating leverage. EBITDA rose YoY on a lower base to Rs 196mn. EBITDA margin stayed in single digits at 9% (down 440bps QoQ).

Focus on higher HP and compact segment: VSTT continues its focus on the high-end segment with expected launches in the near term. Zetor volume was ~100 tractors for seed sale. Further, the dealer network is expanding with newer regions. 26/35 new dealers were added for Tractor segment/SFM business. Eight to ten dealers each were added in Q3FY25 in Rajasthan, Uttar Pradesh and Madhya Pradesh, and one dealer each in Punjab and Bihar.

Maintain SELL: We lower our FY25/FY26/FY27 EPS estimates by 9%/9%/8% factoring in competitive challenges, growth concerns and cost inflation. We model in revenue/EBITDA/PAT CAGR of 8%/7%/6% over FY24-FY27E. We continue to value VSTT at 20x P/E 1-year forward earnings and arrive at a new TP of Rs 3,267 (from Rs 3,420) rolling forward. We believe the valuations are steep and remain decoupled from earnings and, hence, are unjustified. VSTT's performance has disappointed despite its focus on the high-end farm equipment business, sizeable contribution from non-farm business and regional diversification. Hence, we maintain a SELL rating on VSTT.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	VSTT IN/Rs 3,836
Market cap	US$ 384.4mn
Free float	45%
3M ADV	US$ 0.4mn
52wk high/low	Rs 5,430/Rs 3,001
Promoter/FPI/DII	55%/5%/15%

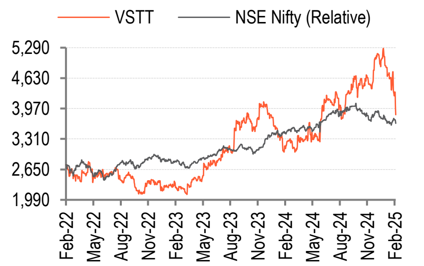
Source: NSE | Price as of 11 Feb 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	9,681	9,668	10,924
EBITDA (Rs mn)	1,242	1,137	1,309
Adj. net profit (Rs mn)	1,215	1,072	1,252
Adj. EPS (Rs)	140.6	124.0	144.9
Consensus EPS (Rs)	140.6	137.4	165.6
Adj. ROAE (%)	13.1	10.5	11.1
Adj. P/E (x)	27.3	30.9	26.5
EV/EBITDA (x)	26.7	29.0	25.1
Adj. EPS growth (%)	31.6	(11.8)	16.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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