FIRST LIGHT

21 August 2025

RESEARCH

[INITIATION] SENORES PHARMA | TARGET: Rs 850 | +19% | BUY

Earnings buoyancy to continue

BUILDING MATERIALS | Q1FY26 REVIEW

Another soft quarter on muted demand and intense competition

SUMMARY

[INITIATION] SENORES PHARMA

- Expect Revenue per ANDA to grow by 5% CAGR from FY25-28 to Rs 114 mn in FY28 vs Rs 99 mn in FY25
- To continue staying in a high growth trajectory, expect ROCE to improve from 13% in FY25 to 27% by FY28E
- Sales/PAT to grow at 29%/45%CAGR from FY25-28, initiate BUY. Ascribing 26x on June'27 to arrive at TP of Rs 850

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BUILDING MATERIALS: Q1FY26 REVIEW

- BM sector margin stays under pressure for the 6th straight quarter on heightened competitive intensity in weak demand environment
- Demand outlook remains weak in near future; margin to return to normal level with gradual recovery in demand over the next 2 years
- Cautious on most BM stock on rich valuations. Top picks: CRS in bathware and FNXP in pipes

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BUY
TP: Rs 850 | ↑ 19%

SENORES PHARMA | Pharmaceuticals | 20 August 2025

Earnings buoyancy to continue

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Healthy approval of own ANDAs to trigger new launches: SENORES has 24 own commercialised ANDAs. Currently, there are 70 approved ANDAs, out of which 37 products have competitive generic therapeutic (CGT) opportunity. We expect 49 commercialised ANDAs by FY28E. SENORES is present in the mid-small size molecules whose market size ranges from USD 7-200 mn. On a conservative basis, we expect revenue per own ANDA to increase from 50 mn in FY25 to Rs 60 mn by FY28E; hence, we expect sales to grow at 39% CAGR from FY25-28E.

Acquired ANDAs sales to commercialise from H2FY26: SENORES has utilised IPO funds to the outsourced ANDAs from other manufacturing companies. Currently, the company has sourced 14 ANDAs from Dr. Reddy's, 1 from Breckenridge and 1 from Wockhardt. Growth in the segment would pick up from 3QFY26, as Dr. Reddy's-acquired ANDAs get commercialised to the US government in tranches. We expect revenue per acquired ANDA to increase to Rs 53 mn by FY28E from the current Rs 49mn; thus, the resultant sales will likely grow at 9% CAGR from FY25-28E.

EM to double per unit realization: SENORES is shifting its strategy to distribution model from the earlier P2P model, to sell its manufactured products in the EMs. This shift in strategy would enable the company to tap a wider network of distributors and penetrate deeper into geographies, thereby doubling revenue per unit realisation. Hence, we expect the segment sales to grow at a 18% CAGR from FY25-28E.

Outlook & Valuation: We believe SENORES' high growth trajectory will likely sustain with 1) increasing new launches across segments 2) higher per-unit realisation 3) strong distribution partners in the EMs 4) increasing capacity in the API segment aiding to backward integration 5) immune to macro headwinds in the US due to a plant there 6) cost rationalisations. We model in sales/EBITDA/PAT CAGR of 29%/37%/45% respectively fromFY25-28E, thereby initiating with BUY. On June'27, we ascribe a PE of 26x on June'27 due to sustainability of its high growth trajectory to arrive at TP of Rs 850 per share.

Ticker/Price	SENORES IN/Rs 712
Market cap	US$ 80.2mn
Free float	31%
3M ADV	US$ 3.4mn
52wk high/low	Rs 719/Rs 435
Promoter/FPI/DII	66%/10%/15%

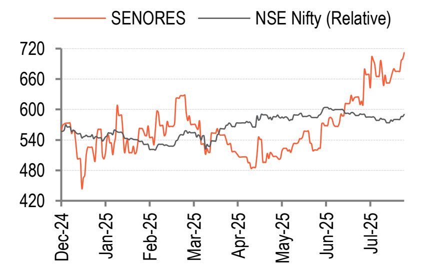
Source: NSE | Price as of 20 Aug 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	3,983	5,518	7,291
EBITDA (Rs mn)	897	1,380	1,896
Adj. net profit (Rs mn)	583	949	1,402
Adj. EPS (Rs)	19.1	31.1	46.0
Consensus EPS (Rs)	74.7	30.0	35.0
Adj. ROAE (%)	11.8	11.5	15.3
Adj. P/E (x)	37.2	22.9	15.5
EV/EBITDA (x)	9.0	5.0	2.1
Adj. EPS growth (%)	85.6	62.6	47.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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BUILDING MATERIALS | Q1FY26 Review | 20 August 2025

Another soft quarter on muted demand and intense competition

- **BM sector margin stays under pressure for the 6th straight quarter on heightened competitive intensity in weak demand environment**
- **Demand outlook remains weak in near future; margin to return to normal level with gradual recovery in demand over the next 2 years**
- **Cautious on most BM stock on rich valuations. Top picks: CRS in bathware and FNXP in pipes**

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Weak Q1FY26: Our building materials (BM) universe revenue grew at a muted pace (-0.2% YoY in Q1FY26) for the 10th consecutive quarter, due to tepid demand. EBITDA margin fell by 204bps YoY to 11.0% in Q1FY26, on account of margin pressure given the high discounts offered to dealers across segments in view of the rise in competitive intensity in a soft demand environment. Pipes sector performed the worst in our coverage in Q1FY26.

Pipes: Our pipe universe volume grew at a slow pace of 3.0% YoY in Q1FY26 (6Y CAGR: +6.1%) due to weak demand, impact of early monsoon and high base effect. EBITDA per unit contracted sharply in Q1FY26 (-26.1% YoY to Rs 15.4/kg) on weak resin prices but were still above the pre-Covid level (Rs 14.7/kg in Q1FY20).

Bathware: Our bathware universe revenue grew at a muted pace for the 9th consecutive quarter (+5.0% in Q1FY26). Segment EBITDA margin was down (-86bps YoY to 12.9%) in Q1FY26, due to higher B2B sales and increased discounts offered to dealers in view of the weak retail demand.

Tiles: Our tiles universe volume grew by 1.4% YoY in Q1FY26. Industry margin remains under pressure due to stiff competition from Morbi players in view of weak exports, but our universe EBITDA margin improved (+98bps YoY to 13.8%) due to benefit of cost rationalisation initiatives implemented by Kajaria.

Wood panels: Our wood panels universe EBITDA contracted (-4.8% YoY in Q1FY26) for the 12th straight quarter, because of muted demand and margin stress resulting from supply-side pressures and elevated timber prices.

Our view: We have become cautious on most BM stocks due to limited upside potential (even if we assume good recovery in demand with normalised margin over the next 1 year) on account of rich valuation (our universe trades at 41.2x on 1YF P/E vs pre-COVID avg of ~30.0x). We continue to prefer pipes and bathware over tiles & wood panel due to relatively better pricing discipline on high organised share and low global linkage. CRS and FNXP are our top picks.

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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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