

RESEARCH
AUROBINDO PHARMA | TARGET: Rs 1,200 | +0% | HOLD

Strong quarter; OAI at Eugia-III an overhang

CENTURY PLYBOARDS | TARGET: Rs 700 | +7% | HOLD

In-line quarter; weak near-term outlook

SUMMARY
AUROBINDO PHARMA

- ARBP reported strong Q4 with EBITDA/Adj. PAT beat of 10%/23%. Exceptional expense of Rs 1.2bn reduced reported PAT beat to 8%
- Operating leverage and operational efficiencies improved gross /EBITDA margin by 500bps/660bps YoY to 59.6%/22.1%
- Given optimistic margin commentary we raise our FY25E-FY26E EBITDA by 6-7% and TP to Rs 1,200 (from Rs 1,100). Maintain HOLD

[Click here for the full report.](#)
CENTURY PLYBOARDS

- CPBI's Q4 broadly in line; EBITDA fell by 9.4% YoY in Q4 due to weak performance across segments
- Near-term pain to persist on soft demand and fierce competition, but medium-term outlook remains positive
- Maintain HOLD with unchanged TP of Rs 700 on tepid earnings growth profile and expensive valuations

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Daily macro indicators

Indicator	23-May	24-May	Chg (%)
US 10Y yield (%)	4.48	4.47	(1bps)
India 10Y yield (%)	7.04	7.05	1bps
USD/INR	83.28	83.10	0.2
Brent Crude (US\$/bbl)	81.4	82.1	0.9
Dow	39,065	39,070	0.0
Hang Seng	18,869	18,609	(1.4)
Sensex	75,418	75,410	0.0
India FII (US\$ mn)	17-May	21-May	Chg (\$ mn)
FII-D	86.9	25.0	(61.9)
FII-E	(225.2)	707.9	933.1

Source: Bank of Baroda Economics Research

BOBCAPS Research

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HOLD
 TP: Rs 1,200 | ▲ 0%

AUROBINDO PHARMA

Pharmaceuticals

27 May 2024

Strong quarter; OAI at Eugia-III an overhang

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US and growth markets drive revenue: ARBP delivered a revenue beat of 4% and reported strong growth of 17% YoY to Rs 75.8bn. Revenue growth was driven primarily by the US and growth markets, while Europe too reported healthy growth. Revenue growth seen across businesses was due to volume gains, new product launches, market expansion, and stable pricing.

FY25 to be muted growth year for global specialty & injectable business: Specialty & Injectables revenue in the US was ~US\$ 104mn in Q4, while Global Specialty & Injectables revenue on a proforma basis was ~US\$ 143mn. The company has indicated that in the absence of any blockbuster product launch in FY25, the Global Specialty business will maintain a quarterly run rate of US\$ 150mn unless there is a potential increase in the gRevlimid contribution depending on the volume-share agreement with the innovator.

Further room for margin improvement: Lower raw material prices, favourable product mix, and better capacity utilisation helped improve full-year EBITDA margins to 20.1% in FY24. The company expects to improve this further to 21-22% in FY25.

Eugia-III overhang after OAI; Vizag to act as backup facility: Official action indicated status received on Eugia-III will remain a major overhang as this is a critical facility for injectable products (~30 pending approvals). The company has indicated the use of Vizag as a backup facility to mitigate the impact and will go for dual filing, which is yet to start.

Maintain HOLD; increase TP to Rs 1,200: Despite raising FY25E-FY26E EBITDA by 6-7%, we remain cautious about the negative impact of Eugia-III (under OAI) with ~30 pending approvals. We maintain our valuation at 9x EV/EBITDA – in line with the 5Y average, resulting in a higher TP of Rs 1,200 (Rs 1,100 earlier). ARBP has growth levers like a strong generic pipeline, the Pen-G project, a growing injectables business, and biosimilars. However, we maintain a HOLD rating as current valuations of 10.5x/9.3x FY25E/FY26E EV/EBITDA offer low upside potential.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	ARBP IN/Rs 1,196
Market cap	US\$ 8.5bn
Free float	48%
3M ADV	US\$ 22.4mn
52wk high/low	Rs 1,246/Rs 585
Promoter/FPI/DII	52%/18%/23%

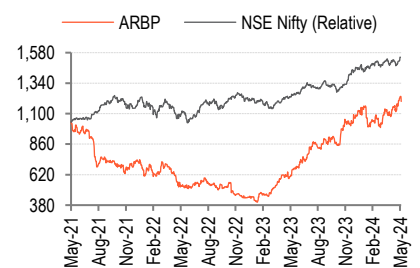
Source: NSE | Price as of 27 May 2024

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
Total revenue (Rs mn)	290,000	314,776	341,805
EBITDA (Rs mn)	58,411	66,245	74,103
Adj. net profit (Rs mn)	33,990	37,403	43,773
Adj. EPS (Rs)	58.0	63.8	74.7
Consensus EPS (Rs)	58.0	64.8	74.1
Adj. ROAE (%)	12.2	12.2	12.7
Adj. P/E (x)	20.6	18.7	16.0
EV/EBITDA (x)	11.8	10.5	9.3
Adj. EPS growth (%)	69.8	10.0	17.0

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

Stock performance



Source: NSE



HOLD
 TP: Rs 700 | ▲ 7%

CENTURY PLYBOARDS | Building Materials

27 May 2024

In-line quarter; weak near-term outlook

- CPBI’s Q4 broadly in line; EBITDA fell by 9.4% YoY in Q4 due to weak performance across segments
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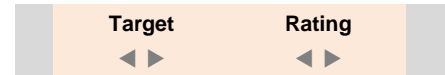
In-line quarter: CPBI Q4FY24 result came broadly in line with our estimate (Revenue/EBITDA: +1.0%), but missed our APAT estimate by 5.7% due to higher tax rate (+28.4% vs +25.2% estimated). Overall, CPBI revenue grew by 9.9%, but EBITDA/APAT de-grew by 9.4%/24.3% YoY in Q4FY24 due to weak performance across segments.

Key highlights: MDF segment EBITDA margin came under significant pressure over the past three quarters (from 26.7% in Q1FY24 to 14.0% in Q4FY24) and we believe it could remain under pressure in the near future in case of a slow ramp up of its recently commissioned greenfield AP unit (expected to breakeven by H2FY25). Net debt has gone up from Rs 0.35bn in Mar’23 to Rs 6.51bn in Mar’24 due to high capex outlay (Rs 9.7bn in FY24) and expected to increase further to Rs 8.9bn by Mar’25 due to committed capex outlay of Rs 6.3bn towards growth capex projects (i.e. plywood, particleboard and PVC board project) in FY25.

Muted outlook: Management believes the demand for wood products is likely to remain sluggish in CY24 and is expected to pick-up from CY25. The industry margin is expected to remain under pressure in the near future due to weak demand and rising raw material cost pressure. However, the company expects to register healthy growth from Q2FY25 due to the ramp up of new capacities (laminates, MDF). In FY25, CPBI target to grow its plywood volume at ~8% rate; laminate revenue at 20% rate; MDF volume at >40% rate.

Maintain HOLD with unchanged TP of Rs 700: We maintain our HOLD rating on the stock as (a) we expect the company EPS to grow at a nominal 7.8% CAGR over FY24-FY26 (over a weak base) due to supply-side pressure in MDF and particleboard; and (b) expensive valuations (trading at 45.8x 1Y forward P/E vs 5Y average of 29.6x). We have reduced our EPS estimates by 17.2%/18.8% for FY25/FY26, but have kept our TP unchanged at Rs 700 as we roll forward our valuation from Sep’25 to Mar’26. Our target P/E remains unchanged at 40x on Mar’26E EPS.

Key changes



Ticker/Price	CPBI IN/Rs 656
Market cap	US\$ 1.8bn
Free float	27%
3M ADV	US\$ 2.0mn
52wk high/low	Rs 850/Rs 552
Promoter/FPI/DII	73%/6%/14%

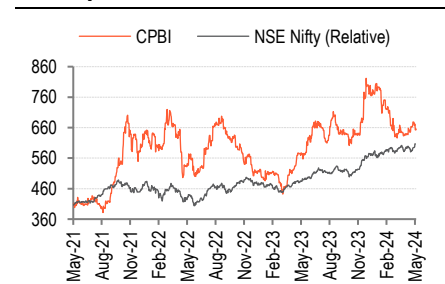
Source: NSE | Price as of 27 May 2024

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	38,860	42,104	50,230
EBITDA (Rs mn)	5,319	5,705	7,296
Adj. net profit (Rs mn)	3,350	3,044	3,893
Adj. EPS (Rs)	15.1	13.7	17.5
Consensus EPS (Rs)	15.1	19.4	25.3
Adj. ROAE (%)	16.3	13.0	14.6
Adj. P/E (x)	43.5	47.9	37.5
EV/EBITDA (x)	27.4	25.0	18.9
Adj. EPS growth (%)	(18.0)	(9.1)	27.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



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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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