FIRST LIGHT

31 January 2025

RESEARCH

DABUR INDIA | TARGET: Rs 578 | +8% | HOLD

Competition and inflation

ASTRAL | TARGET: Rs 1,700 | +16% | BUY

Broadly in-line Q3; upgrade to BUY on healthy stock correction

ECLERX SERVICES | TARGET: Rs 3,727 | +24% | BUY

Should be among the faster growing Tier-2 players

SHREE CEMENT | TARGET: Rs 25,755 | -4% | HOLD

Well placed for challenging times; retain HOLD

TATA CONSUMER PRODUCTS | TARGET: Rs 1,175 | +22% | BUY

Staying rational

VOLTAS | TARGET: Rs 1,400 | +10% | HOLD

Revenue in line with estimates, PAT sees lag

BLUE STAR | TARGET: Rs 2,200 | +22% | BUY

Strong quarter; bright outlook

AJANTA PHARMA | TARGET: Rs 2,288 | -15% | SELL

Entering newer therapies to result in higher costs

SUMMARY

DABUR INDIA

- Competitive intensity has increased in the domestic business and Dabur is doing retailer discounts to maintain market share
- Beverages business remains subdued. McKinsey is doing a strategic review of the business and M&A/divestiture is a possible outcome
- COGS inflation is not steep but competitive intensity is increasing in high margin portfolio while beverages remain weak. Downgrade to Hold

Click here **for the full report.**

BOBCAPS Research
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ASTRAL

- Miss PAT estimates by 2.2% on weak pipe volumes and continued subdued performance of SEAL IT & paints business
- Capex guidance for FY25 again revised up (from Rs 3.8bn to Rs 4.5bn) with no major change in capex plan
- Upgrade from HOLD to BUY on steep fall in stock price; TP cut by 15% to Rs 1,700 on earnings downgrade and cut in target P/E (70x to 60x)

Click here for the full report.

ECLERX SERVICES

- 3QFY25 broadly in line. A margin miss. Expect 4Q QoQ growth to be stronger. Expect low teen USD revenue growth in FY25-FY27.
- Expanding beyond the Top10 and selling to a wider set of verticals we think will sustain growth at the double digit levels.
- Upgrade to Buy due to stock price correction. Broadly maintain estimates. Marginal increase in TP. Target PE multiple maintained.

Click here for the full report.

SHREE CEMENT

- Revenue growth stays soft with a fall of 13% YoY as realisations stay weak. Healthy recovery of 13% QoQ backed by ~15% volume gains
- Cost savings of ~9% each YoY/QoQ boosts EBITDA margin to 22%, sharp recovery QoQ from ~16%; EBITDA falls 23% YoY to Rs 9.4bn
- Retain FY25E/FY26E/FY27E EBITDA, cut PAT estimates for higher depreciation provision. Maintain HOLD with TP of Rs 25,755 (Rs 24,140)

Click here for the full report.

TATA CONSUMER PRODUCTS

- Tea inflation recovery prospects have improved as higher pricing has come through earlier than expected
- NourishCo volumes have improved but margins are pressured. We estimate the drag on annualised EBITDA at ~1%
- Improvement in tea margin outlook is a positive while the company is rightly choosing to protect market share. Retain Buy

Click here for the full report.

VOLTAS

- Topline grew 18% YoY in Q3; EBITDA margin expanded 530bps YoY fueled by better cost efficiencies
- UCP revenue jumped 20% YoY in Q3 amid an unseasonal quarter; market share at 20.5% in Q3; EMP business stayed profitable
- Pare our FY25/FY26/FY27 EPS estimates by 8%/11%/14%. We value VOLT at P/E of 45x, on rollover to Dec'26 we cut TP to Rs 1,400. HOLD

Click here for the full report.

BLUE STAR

- Topline jumps 25% in Q3, with EBITDA margin expanding ~60bps on better product mix
- EMPS segment surges 32% in Q3; market share steady at 14%; UCP also registered strong 22% YoY growth. PEIS continues to decline
- Reflecting Q3 & our optimism for FY25, we continue to value BLSTR at P/E of 47x, roll forward valuations to Dec'26 & raise TP to Rs 2,200. BUY

Click here for the full report.

AJANTA PHARMA

- AJP reported in-line earnings, sales were 3.6% below estimates, while EBITDA/PAT reported 1%/3% above our estimates
- Africa Institution sales guided for 40% lower in FY25 due to uncertainty over global purchasers. Sales contributed 3%
- We maintain SELL and lower TP to Rs 2,288 due to AJP's concentrated portfolio approach leading to lower EBITDA margin than the industry

Click here for the full report.

HOLD

TP: Rs 578 | 8%

DABUR INDIA | Consumer Staples | 31 January 2025

Competition and inflation

- **Competitive intensity has increased in the domestic business and Dabur is doing retailer discounts to maintain market share**
- **Beverages business remains subdued. McKinsey is doing a strategic review of the business and M&A/divestiture is a possible outcome**
- **COGS inflation is not steep but competitive intensity is increasing in high margin portfolio while beverages remain weak. Downgrade to Hold**

Lokesh Gusain
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In line result: Compared to consensus, 3QFY25 sales were 1% higher (in line with our estimate) with EBITDA 1% higher (1% above our estimate).

Beverages remain challenging: Campa Cola promotions have continued. Dabur is now increasing retailer margin to regain shelf space. Consumer promotions will also continue. This implies additional margin pressure amidst 5% COGS Inflation.

Rising competitive intensity: Hair oils, home care, oral care are competitive. Dabur indicated strong volume growth but rising discounts and promotions to the retailer. Oral care, hair oil and home care account for 31% of domestic sales and 6% of group sales. However, we estimate personal care margins to be in the early to mid-50s vs group margins at 48.0%. We have reduced our sales forecasts for FY26 to account for increase competition and a weak beverages performance.

What is the agenda for external consultancy?: Dabur has hired McKinsey to do a strategic review of its businesses. The company is reducing its Strategic Vision cycle from 4Yrs to 3Yrs to better manage the volatility in the operating environment. A sale of loss-making businesses is also possible, subject to management review.

Our view and valuation: Beverages performance remains weak with an uncertain outlook, while competitive intensity is rising amidst inflation. We see near term challenges while some structural changes may also be underway vis the strategic review of the business. We value Dabur at 47x, in line with its 5Yr historical average P/E on 12m to December 2026 EPS. Our target price changes to Rs578 from Rs 697. Share price return of 7% – Downgrade to Hold.

Fig 1 – Dabur 3QFY25 result vs expectations

Dec-24	Consensus	Reported	Reported vs consensus (%)	BoB est	Reported vs BoB (%)
Sales	33,323	33,553	1	33,515	0
EBITDA	6,757	6,819	1	6,723	1
EBITDA margin (%)	20.3	20.3	5bps	20.1	26bps

Source: Company, Bloomberg, BOBCAPS Research

Key changes

Target	Rating
▼	▼

Ticker/Price	DABUR IN/Rs 534
Market cap	US$ 10.9bn
Free float	33%
3M ADV	US$ 14.4mn
52wk high/low	Rs 672/Rs 489
Promoter/FPI/DII	66%/17%/17%

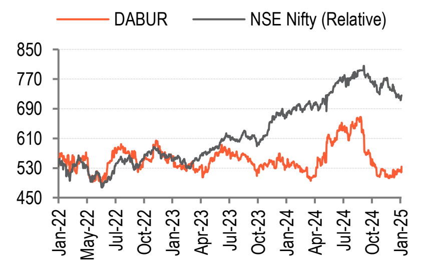
Source: NSE | Price as of 30 Jan 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	124,040	126,568	136,078
EBITDA (Rs mn)	24,002	23,865	26,439
Adj. net profit (Rs mn)	18,427	18,243	20,020
Adj. EPS (Rs)	10.4	10.3	11.3
Consensus EPS (Rs)	10.4	10.6	12.2
Adj. ROAE (%)	18.7	17.0	17.1
Adj. P/E (x)	51.3	51.8	47.2
EV/EBITDA (x)	39.7	40.0	36.1
Adj. EPS growth (%)	7.9	(1.0)	9.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BUY
TP: Rs 1,700 | ⮝ 16%

ASTRAL | Building Materials | 31 January 2025

Broadly in-line Q3; upgrade to BUY on healthy stock correction

- **Miss PAT estimates by 2.2% on weak pipe volumes and continued subdued performance of SEAL IT & paints business**
- **Capex guidance for FY25 again revised up (from Rs 3.8bn to Rs 4.5bn) with no major change in capex plan**
- **Upgrade from HOLD to BUY on steep fall in stock price; TP cut by 15% to Rs 1,700 on earnings downgrade and cut in target P/E (70x to 60x)**

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Broadly in line: ASTRA Q3FY25 result came slightly below our estimates (Revenue: -4.4%; EBITDA: -1.5%; APAT: -2.2%) due to lower-than-expected pipe volume (+0.2% YoY vs +7.0% estimated) and continued weak performance of overseas adhesives (i.e. SEAL IT) and the paints business. Overall, ASTRA's consolidated revenue/EBITDA/PAT grew by 2.0%/7.0%/3.5% YoY in Q3FY25.

Key highlights: ASTRA posted inferior pipe volume growth compared to SI (SI: +3.7%; ASTRA: +0.2%) for the past 12 consecutive quarters, but the company reported healthy pipe EBITDA margin (+214bps YoY to 18.1%) even in a highly competitive environment. Resinova's EBITDA grew by 15.3% YoY in Q3FY25 driven by higher revenue (+14.5%) along with flattish EBITDAM (+11bps YoY to 16.9%). SEAL IT and the paints division posted weak performance for the eighth consecutive quarter.

Capex guidance revised up: As per management, the demand environment remains weak due to tight liquidity position in the market and demand in the near term being dependent on the upcoming government budget and potential anti-dumping duty on PVC resin. The company expects its pipe margin to be 16-18%; Resinova margin at 14-16%; SEAL IT margin at 5-10% for FY26. Paints margin is expected to improve from H2FY26 onwards. The company has again revised up its capex guidance to Rs 4.5bn (Rs 3.8bn earlier) for FY25.

Upgrade to BUY; TP cut by 15% to Rs 1,700: We upgrade our rating on ASTRA from HOLD to BUY as we expect its EPS to grow at a healthy 14.3% CAGR over FY24-FY27E. ASTRA's valuation has also corrected sharply (trades at 60.1x on 1Y forward P/E vs 5Y average of 76.1x) post the steep fall in its stock price (-38% over the past seven months). We have cut our TP to Rs 1,700 (Rs 2,000 earlier) due to earnings downgrade (-6%/-4%/-4% for FY25E/FY26E/FY27E) based on the weak Q3FY25 result and cut in our target P/E multiple (from 70x to 60x) on Dec'26 estimates.

Key changes

Target	Rating
▼	▲

Ticker/Price	ASTRA IN/Rs 1,468
Market cap	US$ 4.6bn
Free float	46%
3M ADV	US$ 9.4mn
52wk high/low	Rs 2,454/Rs 1,426
Promoter/FPI/DII	54%/21%/14%

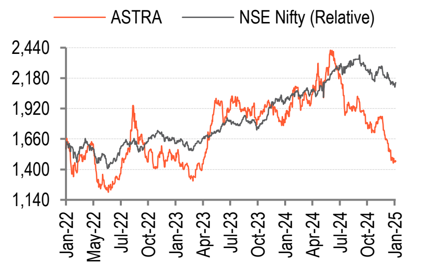
Source: NSE | Price as of 30 Jan 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	56,414	59,780	69,894
EBITDA (Rs mn)	9,247	9,759	11,609
Adj. net profit (Rs mn)	5,509	5,521	6,781
Adj. EPS (Rs)	20.5	20.5	25.2
Consensus EPS (Rs)	20.5	22.8	29.6
Adj. ROAE (%)	17.7	15.8	17.0
Adj. P/E (x)	71.7	71.5	58.2
EV/EBITDA (x)	43.3	41.0	34.5
Adj. EPS growth (%)	16.7	0.2	22.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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BUY
TP: Rs 3,727 | ▲ 24%

ECLERX SERVICES | IT Services | 31 January 2025

Should be among the faster growing Tier-2 players

- **3QFY25 broadly in line. A margin miss. Expect 4Q QoQ growth to be stronger. Expect low teen USD revenue growth in FY25-FY27.**
- **Expanding beyond the Top10 and selling to a wider set of verticals we think will sustain growth at the double digit levels.**
- **Upgrade to Buy due to stock price correction. Broadly maintain estimates. Marginal increase in TP. Target PE multiple maintained.**

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Revenue Growth in line with our estimate: It was up 2.2% QoQ in CC terms (our estimate 2.1%), driven by growth in digital and financial markets businesses. Analytics and MarTech services within digital grew, with creative services also showing growth, although from a lower base in 2Q. Growth in financial markets was primarily in the trade lifecycle segment.

Margins below expectation: EBIT Margin was at 20.0% (our estimate 21%), decreased by 200 bps QoQ. Sequential reduction in the margin was mainly due to one-offs in 2Q and lower utilization in 3Q compared to 2Q. Higher legal fees were incurred for setting up a new entity and tax consulting services. Seating capacity increased by 1,800 seats with new facilities in Mohali, Pune, and Mumbai going live, resulting in higher facility-related costs. Full impact of increased costs from new facilities will be felt in 4Q.

Deal wins: ACV stood at INR33mn, showing a sequential increase of 15.1%, driven by increased discretionary spending. The pipeline remains healthy, with wins across various service lines, including financial markets, digital, and customer operations.

Demand Outlook:

- **In financial markets**, opportunities remain in client lifecycle, compliance, onshore delivery, and technology services.
- **In the digital business**, fashion and luxury showed minor recovery in 3Q, with the industry expecting low single-digit demand for CY25. Hi-tech, retail, manufacturing, and distribution performed in line with industry growth in customer operations.
- **In customer operations**, momentum is building around new logo acquisition and early success is being seen in cross-selling care business into other verticals.

Rating: While our earnings estimates have largely remained constant, we have revised our rating from 'Hold' to 'Buy'. This change is primarily due to the recent decline in the stock price.

Key changes

Target	Rating
▲	▲

Ticker/Price	ECLX IN/Rs 3,004
Market cap	US$ 1.6bn
Free float	45%
3M ADV	US$ 5.3mn
52wk high/low	Rs 3,877/Rs 2,114
Promoter/FPI/DII	54%/10%/24%

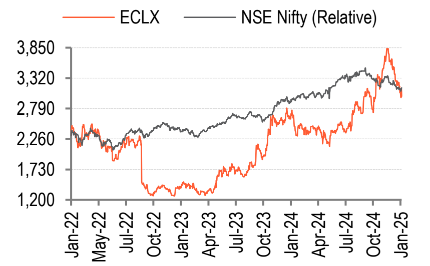
Source: NSE | Price as of 30 Jan 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	29,255	33,706	39,561
EBITDA (Rs mn)	7,750	8,175	9,899
Adj. net profit (Rs mn)	5,115	5,365	6,496
Adj. EPS (Rs)	104.0	111.8	135.3
Consensus EPS (Rs)	104.0	112.1	133.0
Adj. ROAE (%)	25.8	21.3	20.9
Adj. P/E (x)	28.9	26.9	22.2
EV/EBITDA (x)	17.6	16.6	13.3
Adj. EPS growth (%)	5.8	7.5	21.1

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

HOLD
TP: Rs 25,755 | ∀ 4%

SHREE CEMENT | Cement | 31 January 2025

Well placed for challenging times; retain HOLD

- **Revenue growth stays soft with a fall of 13% YoY as realisations stay weak. Healthy recovery of 13% QoQ backed by ~15% volume gains**
- **Cost savings of ~9% each YoY/QoQ boosts EBITDA margin to 22%, sharp recovery QoQ from ~16%; EBITDA falls 23% YoY to Rs 9.4bn**
- **Retain FY25E/FY26E/FY27E EBITDA, cut PAT estimates for higher depreciation provision. Maintain HOLD with TP of Rs 25,755 (Rs 24,140)**

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Dent in realisations drag revenue: SRCM's revenue fell steeply by ~13% YoY (+13.6% QoQ) to Rs 42.35bn in Q3FY25, driven by the fall in realisations. Blended realisations fell to Rs 4,830/t, down ~6%/2% YoY/QoQ. However, cement realisations rose 3% QoQ to Rs 4,574/t despite healthy double-digit volume gains QoQ. Cement volumes rose 15% QoQ from 7.6mnt to ~8.78mnt (slipped 2% YoY). Sales of premium products stood at 15.0% of trade sale volume, flat vs Q2FY25.

Cost savings efforts offer limited protection to margins: The overall operating cost fell by 9% each YoY/QoQ to Rs 3,750. Raw material-adjusted energy costs declined 12%/11% YoY/QoQ to Rs 1,658/t, owing to a 13% YoY reduction in fuel cost to Rs 1.55/kcal from Rs1.78/kcal (Rs 1.71/kcal in Q2FY25). Logistics cost fall of 4% QoQ to Rs 1,131/t was a key positive. Other expenditure was under control and down 22% YoY, with only 4% QoQ rise despite 15% volume gains to Rs 6.0bn. EBITDA margin rose to 22% after falling to ~16% QoQ (-300bps YoY). EBITDA/t fell 20% YoY, but reversed 38% QoQ to Rs 1,079/t in Q2FY25.

Capex plans: SRCM's ongoing expansion projects include Jatra in Rajasthan with 6mn tonnes, Karnataka and Uttar Pradesh ~3mn tonnes, and Baloda Bazar (Chhattisgarh) ~3.4mn tonnes. SRCM will spend roughly Rs 40bn every year for the next four years. SRCM's ongoing expansion projects in Jaitaran (Rajasthan), Kodla (Karnataka), Baloda Bazar (Chhattisgarh), Etah (Uttar Pradesh) are on track, and expected to be completed by Q1FY26.

Earnings estimates cut; maintain HOLD: We maintain our EBITDA estimates for FY25/FY26/FY27 but cut PAT estimates by ~28%/24%/22% owing to higher depreciation provisions. Strong leg of capacity addition by cement companies, including SRCM, leading to excess supply in FY26 may keep price hikes at bay. Our revenue/EBITDA CAGR estimates are 10%/11% over FY24-FY27E. We maintain a HOLD rating valuing SRCM at 15x (unchanged) 1-year forward EV/EBITDA as SRCM gains size (79mnt) without any meaningful dent in operating efficiencies and maintains margins. We revise our TP to Rs 25,755 (from Rs 24,140) while valuing the stock at 15x FY26E EV/EBITDA and Rs10.5bn/mnt replacement cost.

Key changes

Target	Rating
▲	◄ ►

Ticker/Price	SRCM IN/Rs 26,831
Market cap	US$ 11.2bn
Free float	37%
3M ADV	US$ 9.1mn
52wk high/low	Rs 30,738/Rs 23,500
Promoter/FPI/DII	63%/13%/12%

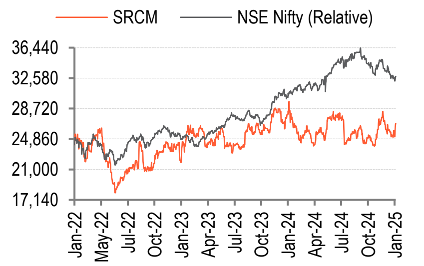
Source: NSE | Price as of 30 Jan 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	1,92,372	1,86,577	2,17,473
EBITDA (Rs mn)	39,859	35,144	45,329
Adj. net profit (Rs mn)	24,684	10,083	17,001
Adj. EPS (Rs)	684.2	279.5	471.2
Consensus EPS (Rs)	684.2	388.6	575.5
Adj. ROAE (%)	12.8	4.9	8.0
Adj. P/E (x)	39.2	96.0	56.9
EV/EBITDA (x)	21.9	24.8	23.5
Adj. EPS growth (%)	85.9	(59.2)	68.6

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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BUY
TP: Rs 1,175 | ⮝ 22%

TATA CONSUMER PRODUCTS

| Consumer Staples | 31 January 2025

Staying rational

- **Tea inflation recovery prospects have improved as higher pricing has come through earlier than expected**
- **NourishCo volumes have improved but margins are pressured. We estimate the drag on annualised EBITDA at ~1%**
- **Improvement in tea margin outlook is a positive while the company is rightly choosing to protect market share. Retain Buy**

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Sales in line, miss on EBITDA: Compared to consensus, 3QFY25 sales came in line (2% below our estimate) while EBITDA was 17% lower with margins 270bps lower (90bps above our estimate). Gross margin drag of 275bps was partly offset with A&P (down 50bps) as employee expenses increased 20bps.

Tea pricing getting through, but gradually: 40% of tea inflation is passed through. The exit rate is 10% net pricing inclusive of the negative mix impact from faster growth in the value segment. March 2025 quarter pricing should be 10+% given mix impact is lower as the mid-tier segment is growing in line with value tea. We forecast 10% pricing and 5% volume for 4QFY25.

What is the outlook on 4QFY25 margins?: Flat YoY tea margins in 3QFY25 would have resulted in 75-100bps EBITDA margins expansion at a group level. Given actual pricing run rate is better than ours, we reduce our estimate of consolidated gross margin deterioration by ~30bps to 300bps.

NourishCo volumes improving but profitability down: NourishCo volumes were +14% in 3QFY25 with December run rate at +39%. This recovery was driven by higher retailer margin and so segment losses have increased. We estimate NourishCo drag on annualized group EBITDA at 1%. We assume a 15ppt increase in retailer margin and do not expect any material improvement in profitability at over the next 12 months.

Our view and valuation: Earnings trajectory is improving faster vs our expectations on improved pricing in tea. TCPL's focus on market share and volumes despite inflation is a reasonable approach to maintain shelf share. NourishCo is a small drag on earnings but will be offset by growth in other parts of the business. TCPL has an above-average sales growth profile amongst peers. Strong focus on innovation, M&A and "growth businesses" are the key drivers. We value TCPL at 53x in line with its 5Yr historical average P/E on 12m to December 2026 EPS. Our target price changes to Rs1,175 from Rs 1,155. Share price return of 21% – Retain Buy.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	TATACONS IN/Rs 967
Market cap	US$ 10.6bn
Free float	64%
3M ADV	US$ 16.9mn
52wk high/low	Rs 1,269/Rs 883
Promoter/FPI/DII	34%/25%/41%

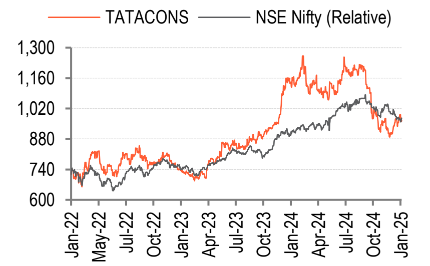
Source: NSE | Price as of 30 Jan 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	152,059	177,660	197,747
EBITDA (Rs mn)	22,841	25,692	28,243
Adj. net profit (Rs mn)	14,771	14,213	18,078
Adj. EPS (Rs)	15.5	14.6	18.3
Consensus EPS (Rs)	15.5	15.3	19.1
Adj. ROAE (%)	8.5	7.4	8.3
Adj. P/E (x)	62.4	66.1	52.9
EV/EBITDA (x)	40.1	35.9	32.7
Adj. EPS growth (%)	41.4	(3.8)	27.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

HOLD

TP: Rs 1,400 | ⮝ 10%

VOLTAS

| Consumer Durables | 31 January 2025

Revenue in line with estimates, PAT sees lag

- Topline grew 18% YoY in Q3; EBITDA margin expanded 530bps YoY fueled by better cost efficiencies
- UCP revenue jumped 20% YoY in Q3 amid an unseasonal quarter; market share at 20.5% in Q3; EMP business stayed profitable
- Pare our FY25/FY26/FY27 EPS estimates by 8%/11%/14%. We value VOLT at P/E of 45x, on rollover to Dec'26 we cut TP to Rs 1,400. HOLD

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Strong Q3 performance with margin expansion: VOLT delivered a strong Q3, with revenue up 18% YoY to Rs 31bn, in line with our estimate of Rs 30bn. Gross margin improved by 180bps YoY to 23.3%, while EBITDA grew ~6x YoY to Rs 1.9bn, due to an 11% reduction in other expenses, now constituting 9.5% of consolidated sales compared to 13% in the prior year. This cost efficiency drove an EBITDA margin increase of 530bps YoY to 6.4%, in line with our estimates of 6.3%. Key to this margin uplift was the continued positive turnaround in the EMP segment, marking its third consecutive quarter of profitability after losses from Q3FY23 to Q4FY24. PAT reached Rs 1.3bn below our estimates due to lower other income.

UCP leads; market share maintained: In what is traditionally an unseasonal quarter, the UCP segment delivered a standout performance, posting 20% topline growth – outpacing peers like Lloyd, which reported 13% YoY growth. UCP sales reached Rs 17.7bn, driven by strong volume expansion. As of Dec'24, VOLT retained its market-leading position with a 20.5% share, maintaining dominance in both split and window room air conditioners (RACs). Despite a 240bps YoY contraction in EBIT margins to 5.9%, the segment's robust growth underscores VOLT's resilience in a competitive market.

EMP posted strong quarter: EMP sales increased by 20% YoY to Rs 12bn, and remained EBIT positive for the third consecutive quarter with EBIT margins at 4.8%. This was due to timely project execution and focused initiatives in completion certifications. International growth, particularly in UAE and Saudi Arabia, added resilience to the performance. The Voltas Beko JV market share stood at 8.3% in washing machines and 5.1% in refrigerator and Beko became the second-largest player in SAWM with market share of 16.7%. Management aims to achieve breakeven in Voltas Beko by next year.

Maintain HOLD: Factoring in Q3, we pare our FY25/FY26/FY27 EPS estimates by 8%/11%/14% to factor in lower other income, and we wait for Voltas Beko to turn around. We now value VOLT at 45x P/E (previously 49x), and upon rollover to Dec'26 our new TP is Rs 1,400 (previously Rs 1,700).

Key changes

Target	Rating
▼	◄ ►

Ticker/Price	VOLT IN/Rs 1,269
Market cap	US$ 4.8bn
Free float	70%
3M ADV	US$ 33.9mn
52wk high/low	Rs 1,945/Rs 990
Promoter/FPI/DII	30%/21%/33%

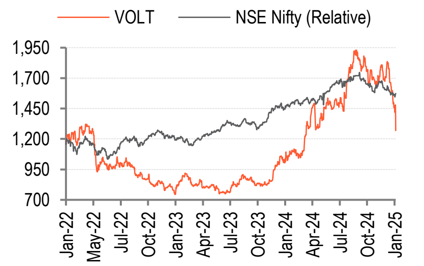
Source: NSE | Price as of 30 Jan 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	124,812	151,355	180,788
EBITDA (Rs mn)	4,746	10,647	13,743
Adj. net profit (Rs mn)	2,520	7,626	9,639
Adj. EPS (Rs)	7.6	23.0	29.1
Consensus EPS (Rs)	7.6	24.5	31.0
Adj. ROAE (%)	4.5	12.5	14.3
Adj. P/E (x)	166.7	55.1	43.6
EV/EBITDA (x)	88.5	39.4	30.6
Adj. EPS growth (%)	(33.5)	202.6	26.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

RESULT REVIEW

BOBCAPS
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BUY
TP: Rs 2,200 | ⮝ 22%

BLUE STAR | Consumer Durables | 30 January 2025

Strong quarter; bright outlook

- **Topline jumps 25% in Q3, with EBITDA margin expanding ~60bps on better product mix**
- **EMPS segment surges 32% in Q3; market share steady at 14%; UCP also registered strong 22% YoY growth. PEIS continues to decline**
- **Reflecting Q3 & our optimism for FY25, we continue to value BLSTR at P/E of 47x, roll forward valuations to Dec'26 & raise TP to Rs 2,200. BUY**

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Quarter gone by: BLSTR's Q3FY25 revenue increased 25% YoY to Rs 28bn, above our estimate of Rs 26bn. Gross margin expanded 20bps YoY to 24.5% on lower raw material prices, in our view. EBITDA margin also expanded 53bps YoY to 7.5% due to better product mix and cost saving initiatives. The electromechanical project (EMP) segment continued to perform well, fueling management's optimism for growth in Q4FY25. APAT surged to Rs 1.2mn, a ~20% YoY increase. The company's carry-forward order book as of Dec'24 grew ~13% to Rs 68bn.

EMPS drives growth; strong RAC demand in soft quarter: YoY revenue growth by segment showed EMP projects leading with a 32% increase, fueled by growth in manufacturing, data centres, and commercial real estate. UCP (Unitary Cooling Products) grew a robust 22% YoY, while PEIS (Professional Electronics And Industrial Systems) declined by 22%. EBIT margins improved by 100bps in UCP but dropped by 60bps in EMP and 700bps in PEIS. Within UCP, demand for room air conditioners (RAC) drove growth during a typically slower period. Commercial refrigeration faced setbacks due to new regulatory requirements and delays in ramping up deep freezer production.

Management guidance: Management guided for 19% revenue CAGR in the next five years and maintained its margin guidance of 7-7.5% for EMPS and 8-8.5% for UCP. The capex and product development budget is set at Rs 7.5bn-8bn over three years. BLSTR expects the PEIS business to recover in Q4FY25.

Maintain BUY: We expect BLSTR's earnings growth momentum to remain strong in Q4FY25, supported by robust performances in the EMP and UCP segments, ongoing cost optimisation efforts, and improved operating leverage. We model a 19% revenue CAGR for FY24-FY27E, with operating efficiencies driving ~30% earnings CAGR over the same period. The company's strong Q3 results and a positive outlook for FY25 reinforce our confidence in its growth trajectory. We continue to value the stock at 47x P/E, roll forward our valuation to Dec'26, and raise the TP to Rs 2,200 (from Rs 2,100). Given these factors, we remain optimistic about BLSTR's long-term prospects.

Key changes

Target	Rating
▲	◄ ►

Ticker/Price	BLSTR IN/Rs 1,798
Market cap	US$ 4.0bn
Free float	61%
3M ADV	US$ 10.2mn
52wk high/low	Rs 2,417/Rs 1,092
Promoter/FPI/DII	39%/11%/25%

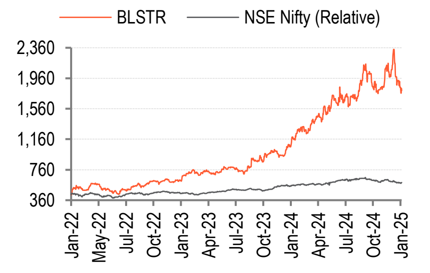
Source: NSE | Price as of 30 Jan 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	96,854	117,577	138,311
EBITDA (Rs mn)	6,649	9,242	11,345
Adj. net profit (Rs mn)	4,150	6,006	7,548
Adj. EPS (Rs)	21.5	31.2	39.2
Consensus EPS (Rs)	21.5	30.0	37.0
Adj. ROAE (%)	21.1	21.1	22.3
Adj. P/E (x)	83.5	57.7	45.9
EV/EBITDA (x)	52.1	37.5	30.5
Adj. EPS growth (%)	59.6	44.7	25.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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SELL
TP: Rs 2,288 | ∀ 15%

AJANTA PHARMA | Pharmaceuticals | 31 January 2025

Entering newer therapies to result in higher costs

- **AJP reported in-line earnings, sales were 3.6% below estimates, while EBITDA/PAT reported 1%/3% above our estimates**
- **Africa Institution sales guided for 40% lower in FY25 due to uncertainty over global purchasers. Sales contributed 3%**
- **We maintain SELL and lower TP to Rs 2,288 due to AJP's concentrated portfolio approach leading to lower EBITDA margin than the industry**

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In-line 3QFY25: AJP reported in-line earnings where sales grew by 3.7% YoY, EBITDA by 2.2% YoY and PAT by 10.9% YoY. Sales growth was driven by 12% India business, 8% growth in Asia business,12% growth in the Africa branded region and 4% growth in the US region, which were offset by 62% decline in the Africa Institution sales due to lower purchases by global funds. Overall, 10% sales growth in the Branded Generics business resulted in 77.5% gross margin followed by SG&A cost rationalisation resulting in EBITDA margin of 28%. PAT increased due to higher other income from forex gains.

Newer therapies to lead to higher expenses and lower sales in near term: AJP diversified into two new therapies, Nephrology and Gynecology, in the domestic region. The size of these therapies in the IPM is ~Rs 160bn as per IQVIA Dec'24. AJP has launched 12 new products and added 200 medical representatives (MR) in these therapies. However, both therapies have many established players and AJP is an incumbent, which would take 16-18 months to scale up. Hence, in the near term, sales from newer therapies would not be meaningful and require higher promotional spend.

South Africa Institution sales guided for 40% decline in FY25: Africa Institution sales declined by 62% YoY primarily due to lower purchases by global funds, higher reliance on procurement agencies schedules and funds availability. Due to high uncertainty, management guided for 40% decline in the South Africa Institution business. Hence, we expect Africa sales to decline by 3% in FY25E.

Pick up in US sales from FY26 may reduce gross margin: Gross margin was 77.5% in 3QFY25 and 77.4% as on 9MFY25. Higher margins can be attributed to higher branded generic sales and lower US sales. US sales is expected to increase in FY26 in double digits, which could lower gross margin, in our view.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	AJP IN/Rs 2,677
Market cap	US$ 3.9bn
Free float	31%
3M ADV	US$ 4.2mn
52wk high/low	Rs 3,485/Rs 1,998
Promoter/FPI/DII	66%/10%/15%

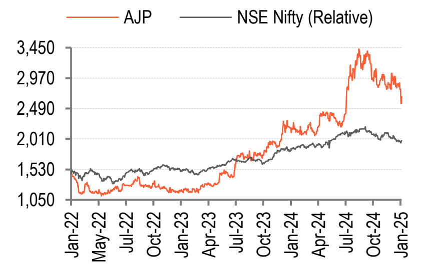
Source: NSE | Price as of 30 Jan 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	42,087	45,341	50,289
EBITDA (Rs mn)	11,719	12,074	13,643
Adj. net profit (Rs mn)	8,161	8,626	9,780
Adj. EPS (Rs)	64.6	68.3	77.4
Consensus EPS (Rs)	64.6	74.7	86.5
Adj. ROAE (%)	23.6	22.2	21.2
Adj. P/E (x)	41.4	39.2	34.6
EV/EBITDA (x)	28.7	27.8	24.6
Adj. EPS growth (%)	38.8	5.7	13.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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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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