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FIRST LIGHT

03 June 2025

RESEARCH

GREENLAM INDUSTRIES | TARGET: Rs 250 | -2% | HOLD

Dismal Q4; recovery underway but stretched valuations

BOB ECONOMICS RESEARCH | BOND VERSUS BANK FINANCE

Current cycle favoring corporate bond yields

BOB ECONOMICS RESEARCH | CORPORATE PERFORMANCE

Corporate Performance Q4-FY25

BOB ECONOMICS RESEARCH | FISCAL UPDATE

Fiscal deficit for FY25 meets target

ADANI PORTS | TARGET: Rs 1,720 | +20% | BUY

Logistics investor day: key insights

CENTURY PLYBOARDS | TARGET: Rs 750 | -4% | HOLD

Mixed Q4; margin recovery to be slow on muted demand

SUMMARY

GREENLAM INDUSTRIES

- Dismal Q4 on weak performance of core laminate segment and slow ramp-up of plywood & particleboard plant
- Revenue projected to grow at 18-20% in FY26; along with slight improvement in laminate margin (13.8% in FY25 to 14-15% in FY26)
- Upgrade from SELL to HOLD with unchanged TP of Rs 250 as positive earnings growth prospects quite well baked in current valuations

Click here **for the full report.**

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INDIA ECONOMICS: BOND VERSUS BANK FINANCE

The current easing cycle has been conducive for corporate bond market. There has been considerable softening across yields of major rated paper, with higher rated paper showing a steep fall in yields. Interestingly, transmission has occurred in lower rated papers too. This speaks highly of the increasing depth of the corporate bond market under the evolving financial landscape. This was further reinforced by liquidity inducing measures adopted by the RBI which supported lower yields. Measures such as giving market clear signaling about the quantum of liquidity surplus to float around 1% of NDTL, announcing OMO calendar, have also led to better pricing and transmission of rate cuts to parallel market segments.

Click here for the full report.

INDIA ECONOMICS: CORPORATE PERFORMANCE

In Q4 FY25, aggregate net sales of a sample of 1,893 companies was recorded at 5.4%, while net profits rose by 7.6%. Expenditure and interest costs remained muted leading to an improvement in debt serviceability of companies. Some moderation in sales is observed in a few large sectors, such as oil and gas, textiles and iron and steel, which weighed on the aggregate sample. However, this appears to be a one-off phenomenon and not a structural issue. Similarly, the BFSI segment witnessed some slowdown after a strong run last year and can be associated with slowdown in growth in credit.

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INDIA ECONOMICS: FISCAL UPDATE

Centre’s fiscal deficit was at 4.8% in FY25, in line with government’s revised projections for FY25. Better than expected growth in nominal GDP (9.8% as per provisional estimate versus 7.6% as per FY25RE), and some trimming in expenditure helped government achieve this target. Revenue growth noted some moderation, mainly led by revenue receipts. Within revenue receipts, income tax and GST collections registered some shortfall. Corporate tax collections and non-tax revenue growth outperformed FY25RE targets. On the spending front, while capital expenditure surpassed its revised budgetary FY25 target, revenue expenditure witnessed some shortfall.

Click here for the full report.

ADANI PORTS

- Logistics business to deliver robust revenue/EBITDA CAGR of 48%/ 53% over FY25-29E led by PUSH + PULL strategy
- Incremental investments in logistics business to be ROCE accretive from the existing 6% to the target threshold ROCE of 10% by FY29E
- We ascribe higher multiple (16x vs 14x earlier) and arrive at revised Mar-26TP of Rs 1720, maintain BUY

Click here for the full report.

CENTURY PLYBOARDS

- Misses EBITDA estimate by 7.7% on sharp sequential margin contraction across segments (except plywood)
- Near-term pain to persist on intense competition in a weak demand environment, but medium-term outlook remains positive
- Maintain HOLD on near-term earnings risk and expensive valuations; TP cut by 6% to Rs 750 per share

Click here for the full report.

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HOLD
TP: Rs 250 | 2%

GREENLAM INDUSTRIES | Building Materials | 02 June 2025

Dismal Q4; recovery underway but stretched valuations

- **Dismal Q4 on weak performance of core laminate segment and slow ramp-up of plywood & particleboard plant**
- **Revenue projected to grow at 18-20% in FY26; along with slight improvement in laminate margin (13.8% in FY25 to 14-15% in FY26)**
- **Upgrade from SELL to HOLD with unchanged TP of Rs 250 as positive earnings growth prospects quite well baked in current valuations**

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Dismal Q4: GRLM again reported a dismal performance as it sharply misses our estimates (Revenue/EBITDA/APAT: -8%/-23%/-92%) for Q4FY25 due to weak performance across segments. Overall, GRLM revenue grew by 9% YoY, but EBITDA/APAT was down 23%/95% YoY in Q4FY25.

Key highlights: Laminates segment EBITDA de-grew by 11.4% YoY in Q4FY25 due to weak volumes (-5.4%) and margin pressure (-289bps to 13.7%). Plywood segment reported operating loss for the eight consecutive quarter due to the slow ramp-up of the plant (operated at 31% in Q4FY25). Veneer segment EBITDA fell sharply by 35.0% YoY in Q4FY25. Particleboard segment reported operating loss of Rs 118mn in Q4FY25. Net debt/EBITDA ratio has gone up from 1.3x in FY23 to 3.6x in FY25. ROE has also fallen sharply from 15.2% in FY23 to 6.6% in FY25.

Outlook: GRLM targets its revenue to grow at 18-20% YoY in FY26. The company aims to achieve revenue of Rs 45bn over the next three to four years based on existing capacity. The management expects healthy demand for its laminate segment from both domestic as well as export markets with EBITDA margin of 14-15% in FY26. The company expects plywood segment operating profit to reach close to breakeven level in FY26. Particleboard segment is expected to operate at 35-40% rate in FY26 (breakeven point is 50%). Net debt has peaked out at Rs 9.8bn in FY25 and it is projected to come down to around Rs 9.5bn in FY26.

Upgrade from SELL to HOLD with unchanged TP of Rs 250: We expect GRLM's EPS to grow at 57.7% CAGR over FY25-FY27E due to a low base. We upgrade our rating on the stock from SELL to HOLD as we believe its positive earnings growth prospects (over a weak base) is quite well baked in the current valuation. At CMP, the stock trades at a P/E of 69.4x/35.7x on FY26E/FY27E vs 5Y avg of 47.4x. We have cut our EPS estimates by 21.5%/11.5% for FY26E/FY27E based on weak Q4FY25 results, but we have kept our TP unchanged at Rs 250 per share due to roll forward of our valuation from Dec'26E to Mar'27E. Our target P/E remains unchanged at 35x on Mar'27 EPS.

Key changes

Target	Rating
◄►	▲

Ticker/Price	GRLM IN/Rs 255
Market cap	US$ 761.5mn
Free float	49%
3M ADV	US$ 0.2mn
52wk high/low	Rs 560/Rs 197
Promoter/FPI/DII	51%/2%/16%

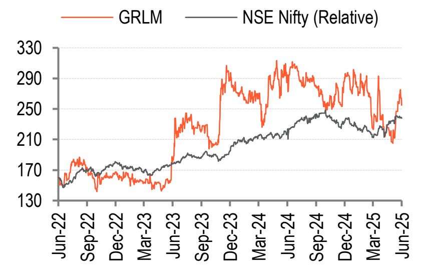
Source: NSE | Price as of 2 Jun 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	25,693	31,426	36,355
EBITDA (Rs mn)	2,746	3,314	4,564
Adj. net profit (Rs mn)	732	937	1,819
Adj. EPS (Rs)	2.9	3.7	7.1
Consensus EPS (Rs)	2.9	6.5	10.1
Adj. ROAE (%)	6.6	8.0	14.2
Adj. P/E (x)	88.8	69.4	35.7
EV/EBITDA (x)	21.6	16.9	12.1
Adj. EPS growth (%)	(47.1)	28.0	94.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BOND VERSUS BANK FINANCE

02 June 2025

Current cycle favoring corporate bond yields

Dipanwita Mazumdar
Economist

The current easing cycle has been conducive for corporate bond market. There has been considerable softening across yields of major rated paper, with higher rated paper showing a steep fall in yields. Interestingly, transmission has occurred in lower rated papers too. This speaks highly of the increasing depth of the corporate bond market under the evolving financial landscape. This was further reinforced by liquidity inducing measures adopted by the RBI which supported lower yields. Measures such as giving market clear signaling about the quantum of liquidity surplus to float around 1% of NDTL, announcing OMO calendar, have also led to better pricing and transmission of rate cuts to parallel market segments.

Ceteris Paribus, a one-on-one comparison of yields under the current environment, reflects that for higher rated corporates, resorting to corporate bonds is cheaper compared to bank loans. For papers A and below, bank credit may be the preferred mode of finance. However, there are limitations to this analysis:

1) It is a yield-based comparison, reflective of premium/discount,

2) MCLR of similar tenor loans are not available, hence benchmarking could get skewed.

Therefore, the results should be interpreted with care.

Banks versus Corporate bonds:

Bank versus bond finance is always a contentious issue when depth of corporate bond market is increasing with evolving regulation in place focusing on increasing participation, enhancing transparency and lessening compliance burdens. The complementarity of both sources of financing is essential to fuel the ambitious target of US$ 30tn economy by 2047. FY25 saw a remarkable improvement in terms of corporate bond issuances. This was supported by improving financial metrics of corporates and better debt servicing ability as reflected in their interest coverage ratio which has remained comfortably above historical standards. Most importantly, regulatory developments in place such as reduction in face value, removal of HTM cap and launching of centralized database portal, amongst others, have put corporate bond market an accessible source of finance for a wide set of investors.

Fig 1. Shows some degree of substitutability between two major modes of financing-Bank and bond finance.

CORPORATE PERFORMANCE

02 June 2025

Corporate Performance Q4-FY25

Aditi Gupta
Economist

In Q4 FY25, aggregate net sales of a sample of 1,893 companies was recorded at 5.4%, while net profits rose by 7.6%. Expenditure and interest costs remained muted leading to an improvement in debt serviceability of companies. Some moderation in sales is observed in a few large sectors, such as oil and gas, textiles and iron and steel, which weighed on the aggregate sample. However, this appears to be a one-off phenomenon and not a structural issue. Similarly, the BFSI segment witnessed some slowdown after a strong run last year and can be associated with slowdown in growth in credit.

Net sales of India Inc. increased by 5.4% in Q4 FY25, compared with 8.6% in the same period last year. In the context of a tumultuous global trading environment as well as considering the high base of last year, the performance seems quite stable. In terms of costs, both expenditure and interest costs have declined in comparison to last year. Further, profitability indicators continue to post strong growth rates. In fact, operating and net profits rose by 8.2% and 7.6% respectively in Q4 FY25, on a high base of 20.7% and 14.3% last year. It is interesting to note that, net sales in the BFSI segment rose by 9.3% in Q4 FY25 compared with 24% in the same period last year. This had a bearing on the top line growth numbers.

Table 1: Summary Performance of companies for Q4 FY25 (1,893 companies)

Indicator	Amount in Rs. crore			% YoY	
	Q4 FY23	Q4 FY24	Q4 FY25	Q4 FY24	Q4 FY25
Net sales	26,45,131	28,73,836	30,30,214	8.6	5.4
Expenditure	20,03,562	21,45,289	22,15,861	7.1	3.3
Interest	3,03,568	3,96,748	4,39,695	30.7	10.8
PBDIT	6,50,541	7,84,888	8,49,413	20.7	8.2
PAT	2,88,252	3,29,345	3,54,410	14.3	7.6

Source: AceEquity, Bank of Baroda Research

Sector wise picture

Growth in net sales and PAT in Q4 FY25 has been presented in Table below on a disaggregated sectoral level. A total of 39 sectors have been identified, with the sectors been sorted based on the net sales in Q4 FY25. Some key observations are:

- A total of 24 sectors have noted a higher growth rate in net sales than the comparative net sales for the aggregate sample i.e. 5.4%.
- For PAT, 16 sectors have witnessed higher growth than the sample average (7.6%).

FISCAL UPDATE

31 May 2025

Fiscal deficit for FY25 meets target

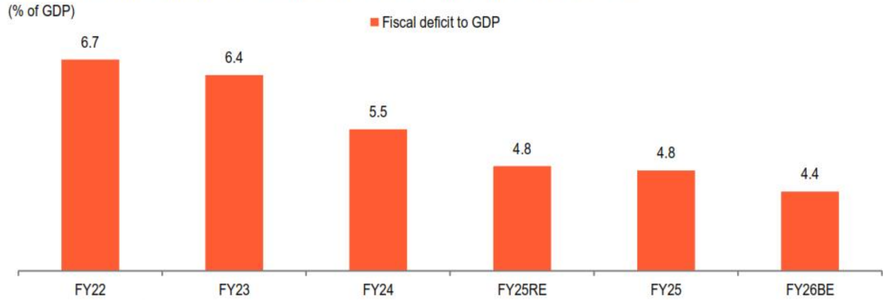
Sonal Badhan
Economist

Centre's fiscal deficit was at 4.8% in FY25, in line with government's revised projections for FY25. Better than expected growth in nominal GDP (9.8% as per provisional estimate versus 7.6% as per FY25RE), and some trimming in expenditure helped government achieve this target. Revenue growth noted some moderation, mainly led by revenue receipts. Within revenue receipts, income tax and GST collections registered some shortfall. Corporate tax collections and non-tax revenue growth outperformed FY25RE targets. On the spending front, while capital expenditure surpassed its revised budgetary FY25 target, revenue expenditure witnessed some shortfall.

This was not on account of subsidies, as both food and fertilizer subsidies fell in line with budgeted projections. Major ministries which registered higher than budgeted spending included: consumer and food affair, road & transport, rural development, home affairs and renewable energy. For FY26, given that both revenue collection and capital expenditure, is off to a good start (Apr'25 data), we believe that government is likely to meet is revenue, expenditure and fiscal deficit (4.4%) targets this year.

Fiscal Deficit at 4.8% in FY25: Centre's fiscal deficit came in line with the revised estimates at 4.8% of GDP in FY25. In absolute terms, fiscal deficit was broadly stable compared to last year at Rs 15.8 lakh crore (Rs 15.7 lakh crore in FY24). Despite slight moderation in total receipts, the fiscal deficit ratio got support from higher than expected nominal GDP growth and trimmed expenses. Nominal GDP rose by 9.8% in FY25, versus projected 7.6%, giving headroom of ~Rs 6.6 lakh crore over the revised estimate. Centre's total receipts came in at Rs 30.8 lakh versus RE of Rs 31.5 lakh crore, and total expenditure was lower by a similar amount (Rs 46.6 lakh crore versus RE of Rs 47.2 lakh crore).

Figure 1: Fiscal deficit meets target in FY25; remains on track for FY26



Source: CEIC, Bank of Baroda Research

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BUY
TP: Rs 1,720 | ⮝ 20%

ADANI PORTS | Logistics | 02 June 2025

Logistics investor day: key insights

- **Logistics business to deliver robust revenue/EBITDA CAGR of 48%/ 53% over FY25-29E led by PUSH + PULL strategy**
- **Incremental investments in logistics business to be ROCE accretive from the existing 6% to the target threshold ROCE of 10% by FY29E**
- **We ascribe higher multiple (16x vs 14x earlier) and arrive at revised Mar-26TP of Rs 1720, maintain BUY**

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Logistics industry - a large market opportunity with fragmented structure: We attended ADSEZ's Investor Day, which focused on its logistics business (contributing 9% to FY25 revenue). The discussions centered on the company's increasing focus on the logistics sector — a large opportunity with a market size of Rs 21.6 trillion in FY24, growing at an 11% CAGR. However, the market remains highly fragmented — both across service offerings (rail, road, warehousing) and within each segment, where numerous players operate. ADSEZ has, over time, added various logistics services to its portfolio, with its strategy anchored on specific criteria such as a strong B2B presence, port adjacency, and leveraging opportunities in rail and trucking. Besides outlining its strategy to capture future growth in industry, the management also showcased a live demonstration of AI adoption in the trucking segment, highlighting solutions that have already been implemented on its technology platform

ADSEZ will be investing Rs 150-200bn in expanding logistics business over FY25-29E: Over time, ADSEZ has developed logistics assets across India to offer integrated solutions. As of FY25, the company operated 132 rakes, 12 multi-modal logistics parks (MMLPs), 3.1 million sq. ft. of warehousing space, and owned a fleet of 937 trucks. Management has guided for a significant scale-up, targeting 300 rakes, 20 MMLPs, 20 million sq. ft. of warehousing space, and a fleet of over 5,000 trucks. To achieve this, ADSEZ plans to invest Rs 150–200 billion, excluding an additional Rs 70 billion earmarked for land acquisition.

Asset utilization led by a push-pull strategy to fuel 48%/53% revenue/EBITDA CAGR over FY25-29E: The Rs 150–200bn capex will build logistics assets like rakes, MMLPs, and warehouses, targeting ~Rs 110bn in incremental revenue. Asset turns improve gradually as initial utilization is low, given fragmented networks and empty return loads. As demand decentralizes and logistics penetration deepens, cargo flows diversify, driving utilization and revenue growth. Management aims to accelerate this ramp-up through a focused push-pull strategy across assets, which will result in revenue/ EBITDA CAGR of 48%/53% over FY25-29E.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	ADSEZ IN/Rs 1,433
Market cap	US$ 36.2bn
Free float	34%
3M ADV	US$ 42.5mn
52wk high/low	Rs 1,621/Rs 996
Promoter/FPI/DII	66%/14%/14%

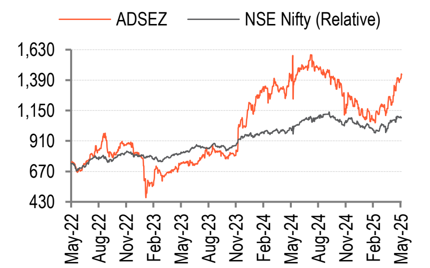
Source: NSE | Price as of 30 May 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	3,10,786	3,70,523	4,24,580
EBITDA (Rs mn)	1,87,438	2,16,474	2,51,025
Adj. net profit (Rs mn)	1,19,437	1,29,177	1,52,175
Adj. EPS (Rs)	55.3	59.8	70.4
Consensus EPS (Rs)	0.0	0.0	0.0
Adj. ROAE (%)	20.7	19.1	19.3
Adj. P/E (x)	25.9	24.0	20.3
EV/EBITDA (x)	19.0	16.3	13.9
Adj. EPS growth (%)	34.7	8.2	17.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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HOLD
TP: Rs 750 | ▼ 4%

CENTURY PLYBOARDS | Building Materials | 02 June 2025

Mixed Q4; margin recovery to be slow on muted demand

- **Misses EBITDA estimate by 7.7% on sharp sequential margin contraction across segments (except plywood)**
- **Near-term pain to persist on intense competition in a weak demand environment, but medium-term outlook remains positive**
- **Maintain HOLD on near-term earnings risk and expensive valuations; TP cut by 6% to Rs 750 per share**

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Mixed Q4: CPBI slightly beats our topline estimate by 2.1% for Q4FY25, but missed our EBITDA/APAT estimates by 7.7%/15.8% due to sharp sequential contraction in EBITDA margin across segments (except plywood). Overall, CPBI revenue grew by 13.0% YoY, but EBITDA/APAT de-grew by 9.3%/31.2% YoY in Q4FY25.

Key highlights: CPBI has again delivered strong performance for its plywood segment (volume grew by +7.1% YoY with improvement in EBITDA margin by 94bps YoY to 14.4%) in Q4FY25. However, the company has posted weak performance for its laminate segment [EBITDA was down 89% YoY due to muted volumes (0.5% YoY) and sharp margin pressure (-1,372bps YoY to 1.7%)] and particleboard segment [EBITDA was down 94% YoY due to weak volumes (-28%) and margin contraction (-1642bps YoY to 1.4%)] in Q4FY25. Despite higher realization (+4.2% QoQ), MDF EBITDA margin fell sharply by 480bp QoQ to 11.1% in Q4FY25. Net debt/EBITDA ratio has gone up from 1.2x in FY24 to 2.9x in FY25 due to debt availed for large capex program and weak operating performance. ROE has also fallen sharply from 23.6% in FY23 to 7.6% in FY25.

Outlook: CPBI aims to grow its plywood revenue at +10% with EBITDA margin of 12-14% in FY26. Laminate revenue is projected to grow at 20% rate in FY26 with high-single-digit EBITDA margin by Q4FY26. MDF revenue is targeted to grow at 20% rate with EBITDA margin of 15% in FY26. Particleboard revenue is projected to grow at 40% rate with low-single-digit EBIDTA margin in FY26. Timber prices is expected to come down by 5-10% in Q1FY26. The company has revised up its budgeted capex to Rs 3.7bn (Rs 1.0bn earlier) for FY26. Net debt is expected to come down sharply over the next two years.

Maintain HOLD; TP cut by 6% to Rs 750: We maintain our HOLD rating on the stock due to expensive valuations (trades at 55.4x on 1Y forward P/E vs 5Y average of 44.1x). We have cut our TP to Rs 750 (Rs 800 earlier) due to downward revision of our EPS estimates (-14.4%/-14.4% for FY26E/FY27E) based on weak Q4FY25 result. Our target P/E remains unchanged at 40x on Mar'27E (earlier Dec'26E).

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	CPBI IN/Rs 781
Market cap	US$ 2.0bn
Free float	27%
3M ADV	US$ 1.2mn
52wk high/low	Rs 935/Rs 622
Promoter/FPI/DII	73%/5%/18%

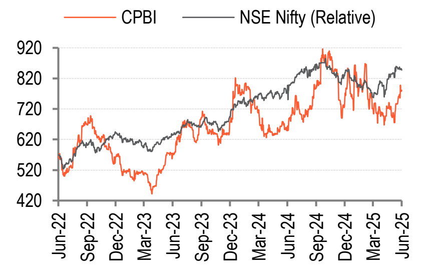
Source: NSE | Price as of 2 Jun 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	45,278	49,282	55,409
EBITDA (Rs mn)	4,866	6,392	8,182
Adj. net profit (Rs mn)	1,731	2,927	4,171
Adj. EPS (Rs)	7.8	13.2	18.7
Consensus EPS (Rs)	8.3	18.4	26.5
Adj. ROAE (%)	7.6	11.7	14.8
Adj. P/E (x)	100.4	59.4	41.7
EV/EBITDA (x)	35.0	25.6	19.6
Adj. EPS growth (%)	(48.3)	69.1	42.5

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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