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FIRST LIGHT

07 February 2025

RESEARCH

STATE BANK OF INDIA | TARGET: Rs 972 | +29% | BUY

Higher CoF and lower other income; RoA broadly resilient

ITC | TARGET: Rs 551 | +25% | BUY

Managing inflation

GREENPANEL INDUSTRIES | TARGET: Rs 360 | -4% | HOLD

Dismal Q3 on MDF supply overhang and rising timber prices

SOMANY CERAMICS | TARGET: Rs 650 | +29% | BUY

Good show in a difficult environment

STAR CEMENT | TARGET: Rs 248 | +16% | BUY

Challenges behind, geared for next leap; maintain BUY

SUMMARY

STATE BANK OF INDIA

- PAT declined sequentially with lower NII and other income, RoA of 1.09% in 9MFY25
- NIM contracted by 6bps QoQ, asset quality continued to improve; reiterated credit growth of 14-16% over FY25
- Assume coverage with BUY foreseeing healthy credit growth, stable NIM and asset quality. Cut TP to Rs 972 set at 1.3x Dec'26 ABV

Click here **for the full report.**

ITC

- Sales were 3% higher vs consensus likely reflecting strong cigarette volumes. EBITDA was 5% below expectations due to inflation
- ITC is using a combination of calibrated pricing, savings and mix improvement by driving premiumisation
- While FY25 and part of FY26 is inflationary, the prospects of cigarette volume gains from illicit trade and FMCG scale up remain intact. BUY

Click here **for the full report.**

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GREENPANEL INDUSTRIES

- Sharp contraction in GREENP EBITDA (-71% YoY) for ninth straight quarter on supply overhang in MDF industry and high timber prices
- GREENP MDF EBITDA margin has fallen well below the level seen in the previous bear cycle (5.1% in Q3FY25 vs 14.5% in FY19)
- Maintain HOLD in anticipation of gradual recovery in MDF sector margin; TP cut by 10% to Rs 360

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SOMANY CERAMICS

- Operating profit broadly in line in Q3; SOMC EBITDA margin was relatively stable in Q3 due to high GVT sales and Max plant ramp-up
- SOMC expects its volume to grow at high single- to low double-digit rate with 100-150bps improvement in margin for FY26
- Maintain BUY on reasonable valuations; TP cut by 24% to Rs 650 on slow improvement in margin profile

Click here **for the full report.**

STAR CEMENT

- Revenues rose ~10%/12% YoY/QoQ in Q3FY25 backed by volume gains though realisations stayed flat
- EBITDA margin maintained at ~14.5% QoQ despite challenges and non-recurring expenses, fell sharply from 22.8% YoY
- EBITDA estimates and earnings retained for FY25E/FY26E/FY27E. Value at 10x 1-year EV/EBITDA with unchanged TP of Rs 248

Click here **for the full report.**

BUY
TP: Rs 972 | ⮝ 29%

STATE BANK OF INDIA | Banking | 07 February 2025

Higher CoF and lower other income; RoA broadly resilient

- **PAT declined sequentially with lower NII and other income, RoA of 1.09% in 9MFY25**
- **NIM contracted by 6bps QoQ, asset quality continued to improve; reiterated credit growth of 14-16% over FY25**
- **Assume coverage with BUY foreseeing healthy credit growth, stable NIM and asset quality. Cut TP to Rs 972 set at 1.3x Dec'26 ABV**

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Lower earnings growth sequentially: SBIN's PAT declined 8% QoQ (up 84% YoY) led by lower PPoP. On a yearly basis, PAT growth jumped sharply on a lower base due to one off in Q3FY24. During the quarter, PPoP was impacted by lower NII and other income. CoF increased by 6bps QoQ (14bps YoY) while yield on investments was stable at 7.2% sequentially. Other income declined 28% QoQ (down 4% YoY), leading to MTM loses. This impacted PPoP growth during the quarter. For Q3FY25, PAT came in at Rs 169bn vs. our estimate of Rs 149bn. This was primarily due to lower provisions reported by the bank vs. our estimates.

NII growth moderate: NII saw modest growth of 4% YoY (down 0.4% QoQ). NIMs came in at 3.12%, down by 6bps QoQ and 10bps YoY. Management guided for NIMs of more than 3% going ahead. This would be aided primarily through higher yields from the SME portfolio and other segments as well. ~28% of the book is EBLR linked which can be repriced and more than 40% of the book is linked to MCLR which has space for 35bps of increase. However, with expectations of the RBI cutting the repo rate by 25bps, MCLR rate increase is not possible.

Balance sheet growth: Management reiterated its credit growth guidance of 14-16% going ahead. Corporate credit has strong visibility with pipeline of Rs 4.83tn and sanctions of Rs 2.22tn vs. Rs 6tn in Q2FY25. These are largely with respect to capital expenditure and for working capital limits with 50: 50 mix. The bank expects its corporate book to grow by 10-12% YoY. It expects deposits growth to be lower at 10% from the previous guidance of 10-11% going forward.

Assume coverage on SBIN with BUY: While the system credit growth is moderating, we believe SBIN could deliver healthy credit growth coupled with strong liability franchise going forward. It has demonstrated stable performance with healthy credit and deposit growth through business cycles. We expect stable NIM at 3% and ROA/ROE of 1.1-1.2%/15-16% by FY25-27E. We assume coverage on SBIN with a BUY and revise our SOTP-based TP to Rs 972 (from Rs 1,044), assigning P/ABV of 1.3x (Dec'26).

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	SBIN IN/Rs 752
Market cap	US$ 76.7bn
Free float	42%
3M ADV	US$ 109.5mn
52wk high/low	Rs 912/Rs 655
Promoter/FPI/DII	58%/11%/24%

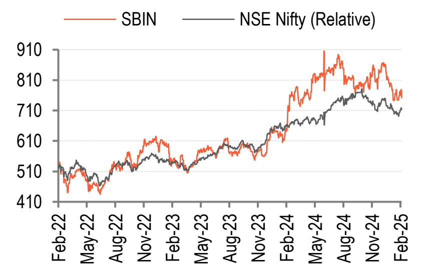
Source: NSE | Price as of 6 Feb 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
NII (Rs mn)	15,98,758	17,08,802	19,41,492
NII growth (%)	10.4	6.9	13.6
Adj. net profit (Rs mn)	6,10,766	7,38,883	8,16,065
EPS (Rs)	68.4	82.8	91.4
Consensus EPS (Rs)	86.9	76.0	87.0
P/E (x)	11.0	9.1	8.2
P/BV (x)	1.8	1.5	1.3
ROA (%)	1.0	1.1	1.1
ROE (%)	17.3	18.0	17.1

Source: Company, Bloomberg, BOBCAPS Research |

Stock performance



Source: NSE

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BUY
TP: Rs 551 | ⮝ 25%

ITC | Consumer Staples | 07 February 2025

Managing inflation

- **Sales were 3% higher vs consensus likely reflecting strong cigarette volumes. EBITDA was 5% below expectations due to inflation**
- **ITC is using a combination of calibrated pricing, savings and mix improvement by driving premiumisation**
- **While FY25 and part of FY26 is inflationary, the prospects of cigarette volume gains from illicit trade and FMCG scale up remain intact. BUY**

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Sales trends: FMCG Cigarette segment sales increased 8% with volume +6% to 7% on share gains from illicit trade. FMCG Others segment sales were up 4% driven by food and personal care products partly offset by weakness in notebooks as lower paper prices led to discounting in the category. Agri Business Segment sales grew 10% on leaf tobacco, spices and coffee. Paper revenues rose only 3% with continued competition from lower-priced Chinese supplies as demand conditions remained weak.

Broad based cost pressures: Cigarette margins deteriorated 190bps as leaf tobacco inflation was only partially offset by mix, savings & pricing. FMCG margins were down 240bps due to inflation in edible oil, wheat, flour etc. Paperboards, Paper & Packaging segment margins deteriorated 500bps due to increase in wood costs on inventory shortage due to excessive rains. Agribusiness margins improved 210bps with the rise in commodity costs.

Valuation and our view: The current trend is inflationary, and calibrated pricing is gradually offsetting inflation. We incorporate the Hotels business as discontinued and so now have a slightly lower sales and margin profile across the forecast years. Given reasonable earnings visibility in the cigarette (share gains from illicit trade) and FMCG businesses, we maintain BUY on ITC. Our SOTP-based TP stands revised from Rs 556 to Rs 551.

Fig 1 – ITC 3QFY25 result summary

(Rs mn)	Reported			Actual vs (%)	
	Q3FY24	Q3FY25	YoY (%)	BoB	Consensus
Sales	180,194	187,902	4	(5)	3
EBITDA	65,038	63,619	(2)	(9)	(5)
EBITDA margin (%)	36.1	33.9	(224bps)	(152bps)	(274bps)

Source: Company, Bloomberg, BOBCAPS Research

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	ITC IN/Rs 441
Market cap	US$ 62.8bn
Free float	71%
3M ADV	US$ 75.6mn
52wk high/low	Rs 529/Rs 399
Promoter/FPI/DII	0%/43%/57%

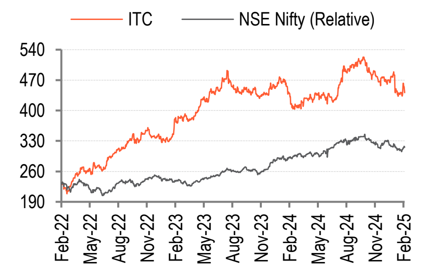
Source: NSE | Price as of 6 Feb 2025

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
Total revenue (Rs mn)	708,810	754,803	833,080
EBITDA (Rs mn)	262,544	266,562	296,645
Adj. net profit (Rs mn)	204,663	200,743	223,408
Adj. EPS (Rs)	16.4	16.3	17.9
Consensus EPS (Rs)	15.8	17.8	18.8
Adj. ROAE (%)	27.7	26.1	27.7
Adj. P/E (x)	26.8	27.0	24.7
EV/EBITDA (x)	21.0	20.6	18.6
Adj. EPS growth (%)	6.5	(0.6)	9.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

RESULT REVIEW

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HOLD
TP: Rs 360 | ∀ 4%

GREENPANEL INDUSTRIES

| Building Materials | 06 February 2025

Dismal Q3 on MDF supply overhang and rising timber prices

- **Sharp contraction in GREENP EBITDA (-71% YoY) for ninth straight quarter on supply overhang in MDF industry and high timber prices**
- **GREENP MDF EBITDA margin has fallen well below the level seen in the previous bear cycle (5.1% in Q3FY25 vs 14.5% in FY19)**
- **Maintain HOLD in anticipation of gradual recovery in MDF sector margin; TP cut by 10% to Rs 360**

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Dismal Q3FY25: GREENP Q3FY25 result came below our estimates (Revenue: -8%; EBITDA: -47%; APAT: -29%) due to weak MDF sales volume (-1.9% YoY vs +2.5% estimated) and sharp contraction in MDF segment margin (-473bps QoQ to 5.1% vs 9.0% estimated). Overall, GREENP Revenue/EBITDA/APAT fell by 7%/71%/75% YoY in Q3FY25.

Key highlights: GREENP reported sharp YoY contraction in EBITDA for the ninth straight quarter due to supply overhang in the MDF industry. MDF segment EBITDA de-grew by 73% YoY in Q3FY25 driven by lower volumes and sharp margin contraction on account of higher discounts offered to dealers, steep rise in timber prices (+17% QoQ), and higher fuel costs. Plywood volume fell for the tenth consecutive quarter (-17% YoY) due to internal restructuring.

Guidance: The company expects its MDF sales volume to be flat in FY25 over FY24 (which implies an asking growth rate of 13% YoY for Q4FY25). Going ahead, the company expects its MDF volume to grow at 8-10% for existing capacity and the new capacity (which is expected to commence operation by Mar'25) to operate at 40-50% rate in FY26. The company expects timber prices may increase slightly over the next couple of quarters and then it should correct from Q2FY26.

MDF industry dynamics: Management believes the domestic MDF capacity is expected to be 4.5mn CBM as against demand of 2.7mn-2.8mn CBM in FY25. Management expects the excess capacity to get absorbed over the next few years.

Maintain HOLD; TP cut by 10% to Rs 360: We maintain our HOLD rating on the GREENP stock in anticipation of gradual recovery in margin as its MDF margin has already fallen well below the level seen in the previous bear cycle (5.1% in Q3FY25 vs 14.5% in FY19). We cut our TP to Rs 360 (Rs 400 earlier) due to earnings downgrade (-31%/-35%/-14% for FY25E/FY26E/FY27E) based on weak Q3FY25 result. Our target P/E remains unchanged at 22x on Dec'26 estimate. At CMP, the stock trades at 44.7x on 1Y forward P/E vs. the 5Y average of 31.4x.

Key changes

Target	Rating
▼	◄ ►

Ticker/Price	GREENP IN/Rs 377
Market cap	US$ 527.2mn
Free float	47%
3M ADV	US$ 0.6mn
52wk high/low	Rs 427/Rs 268
Promoter/FPI/DII	53%/3%/28%

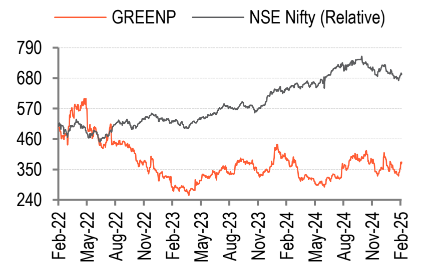
Source: NSE | Price as of 6 Feb 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	15,673	15,102	18,948
EBITDA (Rs mn)	2,465	1,151	2,243
Adj. net profit (Rs mn)	1,428	572	1,075
Adj. EPS (Rs)	11.6	4.7	8.8
Consensus EPS (Rs)	11.6	6.9	13.2
Adj. ROAE (%)	11.4	4.3	7.7
Adj. P/E (x)	32.3	80.7	43.0
EV/EBITDA (x)	19.0	40.8	20.2
Adj. EPS growth (%)	(43.4)	(59.9)	87.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BUY
TP: Rs 650 | ⮝ 29%

SOMANY CERAMICS | Building Materials | 06 February 2025

Good show in a difficult environment

- **Operating profit broadly in line in Q3; SOMC EBITDA margin was relatively stable in Q3 due to high GVT sales and Max plant ramp-up**
- **SOMC expects its volume to grow at high single- to low double-digit rate with 100-150bps improvement in margin for FY26**
- **Maintain BUY on reasonable valuations; TP cut by 24% to Rs 650 on slow improvement in margin profile**

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In-line Q3: SOMC's tiles sales volume came broadly in line with our estimate (vs +5.0% estimated) for Q3FY25. EBITDA margin was also relatively stable (-11bps QoQ to 8.3% vs 8.5% estimated) in a difficult environment. However, it missed our APAT estimate by 34% due to one-offs (accelerated depreciation on old equipment of Rs 40mn; and higher tax rate of 43.7%). Overall, SOMC's revenue grew by 5.3% YoY, but EBITDA/APAT fell by 9.4%/51.1% YoY in Q3FY25.

Key highlights: SOMC's EBITDA margin contracted by 135bps YoY to 8.3% in Q3FY25 driven by gross margin contraction (-74bps YoY to 54.7%) on account of weak retail demand. However, the pace of margin contraction for SOMC (-17bps to 8.3%) is lower compared to Kajaria (KJC; -222bps to 12.8%) over Q1FY25-Q3FY25 due to the rising share of GVT volumes (+200bps) and ramp-up of Max plant (from 36% in Q1FY25 to 51% in Q3FY25). Net debt has gone down slightly from Rs 2.7bn in Sep'24 to Rs 2.5bn in Dec'24.

Guidance: The company expects tiles industry demand to pick up in the near future as many residential/commercial buildings are reaching the near-to-completion stage. Hence, the company expects its volume to grow at high single- to low double-digit rate in FY26. The company expects a slight improvement in its EBITDA margin in Q4FY25 due to the benefit of operating leverage and expects an improvement of 100-150bps in FY26 due to the rising share of value-added products, better utilisation of Max plant (which is expected to become profitable from Q2FY26) and divestment of loss-making subsidiaries. The retail share is expected to go down from 78-79% at present to 74-75% due to weak demand.

Maintain BUY; TP cut by 24% to Rs 650: SOMC's EPS is projected to grow at a moderate pace of 7.9% CAGR over FY24-FY27E. However, we maintain our BUY rating on the stock due to reasonable valuations (trades at 23.8x on 1Y forward P/E vs. 5Y average of 29.9x). We cut our TP to Rs 650 (Rs 850 earlier) due to the downward revision of our EPS estimates (-37%/-35%/-25% for FY25E/FY26E/FY27E) on account of slower-than-expected improvement in margin profile. Our target P/E remains unchanged at 25x on Dec'26 estimate (Sep'26 earlier).

Key changes

Target	Rating
▼	◄►

Ticker/Price	SOMC IN/Rs 505
Market cap	US$ 236.6mn
Free float	45%
3M ADV	US$ 0.1mn
52wk high/low	Rs 873/Rs 472
Promoter/FPI/DII	55%/2%/24%

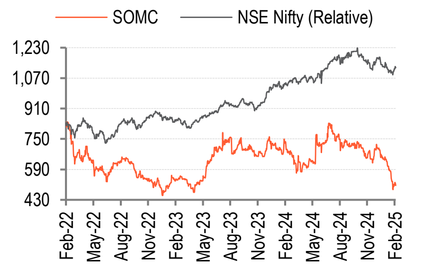
Source: NSE | Price as of 6 Feb 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	25,914	26,226	28,486
EBITDA (Rs mn)	2,544	2,143	2,510
Adj. net profit (Rs mn)	991	553	898
Adj. EPS (Rs)	24.2	13.5	21.9
Consensus EPS (Rs)	24.2	24.1	34.1
Adj. ROAE (%)	11.5	6.5	9.8
Adj. P/E (x)	20.9	37.5	23.1
EV/EBITDA (x)	7.0	8.4	7.4
Adj. EPS growth (%)	38.1	(44.2)	62.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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BUY
TP: Rs 248 | ⮝ 16%

STAR CEMENT | Cement | 07 February 2025

Challenges behind, geared for next leap; maintain BUY

- **Revenues rose ~10%/12% YoY/QoQ in Q3FY25 backed by volume gains though realisations stayed flat**
- **EBITDA margin maintained at ~14.5% QoQ despite challenges and non-recurring expenses, fell sharply from 22.8% YoY**
- **EBITDA estimates and earnings retained for FY25E/FY26E/FY27E. Value at 10x 1-year EV/EBITDA with unchanged TP of Rs 248**

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Revenue jumps 10% driven by volume in a challenging quarter: STRCEM's revenue rose ~10%/12% YoY/QoQ to Rs 7.2bn in Q3FY25. The volume was higher by ~9%/8% YoY/QoQ at 1.06mn tonnes. Despite this the realisations stayed flat YoY (up 1.5% QoQ) at Rs 6,736/t and was commendable. Northeast India volume was 78% (74% in Q1FY25) and eastern India's volume contributed 22%.

Fall in EBITDA as operating cost spikes: Overall cost shot up by ~9%/1% YoY/QoQ to Rs 5,759/t which was a negative surprise. This was driven by clinker purchases of Rs 300mn included in raw material cost that shot up by ~40% YoY to Rs 1,804/t. This is likely to be non-recurring expenses and normalise over a period gradually. Energy cost adjusted to raw material expenses increased by 8%/3% YoY/QoQ to Rs 2,880/t partially offset by the softening fuel cost. The logistic cost at Rs 1,144/t is flat YoY (impacted following in-house clinker movement leading to higher inter-unit logistic cost to feed units in Assam). EBITDA fell by ~30% YoY to ~Rs 1.04bn and EBITDA margin fell sharply to 14.5% from 22.8% YoY (flat QoQ). Despite the challenges and non-recurring expenses, EBITDA/t stayed at ~ Rs 977 vs 1,534 YoY (flat QoQ).

Capex guidance revised downwards: STRCEM plans to add a 2mnt grinding unit (GU) at Silchar (Assam) in Q3FY26 and 2mnt in Jorhat beyond FY27. Capex guidance for FY26 was Rs 4.5bn towards the Silchar GU and new clinker plant WHRS. STRCMT has reduced its capex guidance to ~Rs 6.4bn for FY25 from Rs 8.35bn planned earlier.

Growth prospects intact: We maintain our FY25/FY26/FY27 EBITDA estimates for FY25. The government's focus on infrastructure in core Northeast India markets will boost volumes for STRCEM. Our EBITDA/PAT 3-year CAGR is now at 21%/11%. We continue to assign a 10x 1-year EV/EBITDA to the stock, and retain TP of Rs 248 to factor in healthy growth and earnings visibility. Our TP implies replacement cost valuation is in line with the industry average of Rs 7.5bn/mnt.

Key changes

Target	Rating
◄►	◄►

Ticker/Price	STRCEM IN/Rs 214
Market cap	US$ 1.0bn
Free float	33%
3M ADV	US$ 5.4mn
52wk high/low	Rs 256/Rs 172
Promoter/FPI/DII	67%/1%/6%

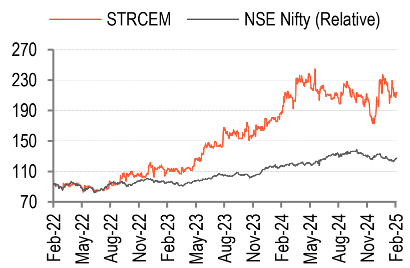
Source: NSE | Price as of 6 Feb 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	28,882	32,494	38,826
EBITDA (Rs mn)	5,552	5,173	8,449
Adj. net profit (Rs mn)	2,940	1,866	3,555
Adj. EPS (Rs)	7.0	4.5	8.5
Consensus EPS (Rs)	7.0	4.8	8.3
Adj. ROAE (%)	11.5	6.7	11.8
Adj. P/E (x)	30.5	48.0	25.2
EV/EBITDA (x)	16.2	17.7	10.5
Adj. EPS growth (%)	18.7	(36.5)	90.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

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