FIRST LIGHT

29 July 2025

RESEARCH

INDUSIND BANK | TARGET: Rs 747 | -7% | SELL

Structural overhaul in progress, key metrics still weak

IDFC FIRST BANK | TARGET: Rs 83 | +17% | BUY

Return ratios set to improve

AJANTA PHARMA | TARGET: Rs 2,783 | +1% | HOLD

Double-digit growth to continue; EBITDA margin constant

JK PAPER | TARGET: Rs 500 | +41% | BUY

Margin surprise; expansion in folding carton via inorganic route

SUMMARY

INDUSIND BANK

- Focus areas to rebuild investors' confidence; leadership transition underway
- Profitability metrics improving but remained below its historical performance; asset quality deteriorated
- Maintain SELL with revised TP of Rs 747 (Rs 694 earlier), set at 0.7x Jun'27E ABV

Click here **for the full report.**

IDFC FIRST BANK

- PAT beat estimates, mainly aided by higher non-interest income. Asset quality moderated marginally
- Return ratio expected to improve, backed by operating leverage and early signs of asset quality improvement
- Maintain BUY with revised TP of Rs 83 (Rs 79 earlier), set at 1.4x Jun'27E ABV

Click here **for the full report.**

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AJANTA PHARMA

- Earnings were in line with our estimates with sales /EBITDA/PAT reported 1%/-2.7%/3% above estimates
- All regions expected to report healthy grow resulting in sustaining 78%gross margin and 27% EBITDA margin, amidst higher SG&A cost
- Sustainable growth across geographies and healthy return ratios; we increase our ascribed PE to 33x on June'27 (earlier 30x); maintain HOLD

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JK PAPER

- Beats EBITDA estimate (+17%) on improved gross margin; EBITDA margin improved for the second consecutive quarter
- Plans to acquire 72% stake in Borkar Packaging (6.9x EV/EBITDA on FY24) to become a leading player in folding carton box in India
- Maintain BUY; raise TP by 11% to Rs 500 per share on earnings upgrade post a strong Q1 result

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SELL
TP: Rs 747 | ∀ 7%

INDUSIND BANK | Banking | 29 July 2025

Structural overhaul in progress, key metrics still weak

- **Focus areas to rebuild investors' confidence; leadership transition underway**
- **Profitability metrics improving but remained below its historical performance; asset quality deteriorated**
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Key focus areas to improve performance and gain investor-confidence: Management highlighted five key focus areas to improve performance:
a) profitability first approach – involves measures like cut in savings account rates, calibrate growth in lower return segments, etc., to improve profitability b) stringent cost management – contain opex to single-digit YoY growth in future vs 20%+ CAGR in the last 3 years c) focus on recoveries – increase collection efforts to recover dues from slippages d) building the one IndusInd Bank franchise – generate synergies among its diverse businesses, resulting in a better risk-adjusted growth e) effective engagement with stakeholders – to rebuild trust in the bank. In addition, the recommendation for the appointment of CEO was submitted within the prescribed timelines for RBI's approval.

Profitability metrics improving but remained below its historical performance: IIB reported positive PPoP and PAT of Rs 25.7bn and Rs 6.0bn, respectively in Q1FY26 vs negative PPoP and net loss of Rs 4.9bn and Rs 23.3bn, respectively in Q4FY25. The bank's cost-to-income ratio remains elevated at 62.2% due to muted revenue, owing to the excess average surplus liquidity of Rs 527bn in Q1FY26. Hence, net advances reported de-growth of 4.1% YoY to Rs 3.3trn. Management expects to resume asset growth, coupled with strict cost control to result in a reduction in cost to income ratio. Return ratios stay muted with RoA and RoE of 0.45% and 3.7%, respectively in Q1FY26 vs 1.6% and 13.1%, respectively in Q1FY25.

Asset quality deteriorated: GNPA ratio was up 3.64% in Q1FY26 vs 3.13% in Q4FY25. IIB's ability to write-off GNPA remains limited as their PPoP remains muted. Slippage remains elevated at Rs 25.7bn or slippage ratio of 3.0% vs Rs 15.4bn or 1.8% in Q1FY25. Around 90% of the slippage was from consumer segment. Management expects slippages to stabilise by Q3 or Q4 of FY26.

Maintain SELL: We expect muted loan growth at 9% CAGR in FY25-28E with lower return metrics vs previous performance. We maintain SELL and roll over valuation to 0.7x Jun'27E ABV with revised TP of Rs 747 (earlier Rs 694).

Key changes

Target	Rating
▲	◄►

Ticker/Price	IIB IN/Rs 802
Market cap	US$ 7.2bn
Free float	84%
3M ADV	US$ 71.5mn
52wk high/low	Rs 1,498/Rs 606
Promoter/FPI/DII	16%/34%/33%

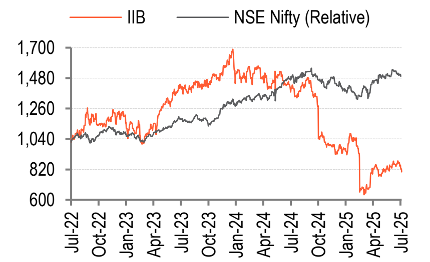
Source: NSE | Price as of 28 Jul 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
NII (Rs mn)	1,90,313	2,18,086	2,51,337
NII growth (%)	(7.7)	14.6	15.2
Adj. net profit (Rs mn)	25,754	66,572	81,259
EPS (Rs)	33.1	85.5	104.3
Consensus EPS (Rs)	33.1	69.6	91.8
P/E (x)	24.3	9.4	7.7
P/BV (x)	1.0	0.9	0.8
ROA (%)	0.5	1.2	1.3
ROE (%)	4.0	9.8	10.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 83 | ▲ 17%

IDFC FIRST BANK | Banking | 28 April 2025

Return ratios set to improve

- **PAT beat estimates, mainly aided by higher non-interest income. Asset quality moderated marginally**
- **Return ratio expected to improve, backed by operating leverage and early signs of asset quality improvement**
- **Maintain BUY with revised TP of Rs 83 (Rs 79 earlier), set at 1.4x Jun'27E ABV**

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PAT beat estimates, mainly aided by higher non-interest income: IDFCBK beat our PAT estimates by 71% to Rs 4.6bn in Q1FY26, mainly driven by 20% higher non-interest income vs estimates. The significant rise in non-interest income was mainly driven by trading gains of Rs 5bn (Q1FY26) vs Rs 1.9bn (Q4FY25), due to decline in the overall system yields. This also led to the C/I ratio improving 68.7% (-464bps QoQ). Further, management expects C/I ratio to improve to 65% by FY27 (71.8% in FY25) via cost control.

Return ratio expected to improve: IDFCBK saw NIMs declining to 5.7% (-24bps QoQ) in Q1FY26, mainly on account of: a) pass through of repo rate cuts b) fall in high-yielding MFI portfolio mix to 3.3% (Jun'25) of gross loans vs 6.3% (Jun'24) c) rising share of wholesale mix d) moderation in investment yields. Management expects NIMs to be ~5.8% by Q4FY26, mainly supported by the lag impact of deposit repricing. Also, the bank expects credit costs to be ~2.0–2.05% in FY26 (2.6% in FY25). With portfolio growth expected at a healthy CAGR of ~19% in FY25-28E, cost efficiency likely to kick in and credit cost to decline, return ratio will improve.

Asset quality moderated marginally: GNPA ratio deteriorated marginally to 1.97% in Q1FY26 vs 1.87% in Q4FY25, mainly because slippages rose to Rs 24.9bn or 4.3% slippage ratio vs Rs 21.8bn (3.9%) in Q4FY25. The rise was impacted by slippage of ATM service provider company of Rs 1.1bn, seasonality, and MFI stress; though slippage in MFI book fell to Rs 5.1bn (Q1FY26) vs Rs 5.7bn (Q4FY25). Further, SMA1+2 pool in MFI book improved to 2.6% (Jun'25) from 5.1% (Mar'25). The bank holds a contingency provision of Rs 3.2bn on SMA book, as of Jun'25. The MFI's SMA pool falling and CE improving (99.0% in Q1FY26 vs 98.1% in Q4 FY25) indicates receding stress in MFI book.

Maintain BUY: We expect credit growth at a CAGR of ~19% in FY25-FY28E, supported by expected capital infusion. Focus on operating efficiencies and early signs of AQ improvement would be the key to improving RoA to 0.7-1.2% in FY26-FY28E. We maintain BUY and and roll over valuation to 1.4x Jun'27E ABV with revised TP of Rs 83 (Rs 79 earlier).

Key changes

Target	Rating
▲	◄ ►

Ticker/Price	IDFCBK IN/Rs 71
Market cap	US$ 7.0bn
Free float	100%
3M ADV	US$ 24.5mn
52wk high/low	Rs 78/Rs 52
Promoter/FPI/DII	0%/24%/23%

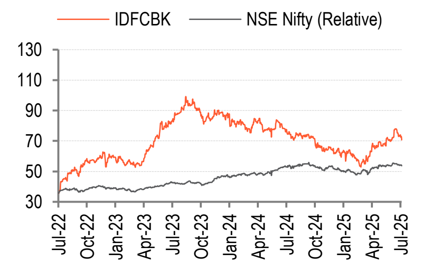
Source: NSE | Price as of 25 Jul 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
NII (Rs mn)	1,92,920	2,12,831	2,67,082
NII growth (%)	17.3	10.3	25.5
Adj. net profit (Rs mn)	15,248	26,031	45,547
EPS (Rs)	2.1	3.3	5.3
Consensus EPS (Rs)	2.1	3.6	5.8
P/E (x)	33.4	21.6	13.3
P/BV (x)	1.4	1.3	1.2
ROA (%)	0.5	0.7	1.0
ROE (%)	4.3	6.1	9.1

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

HOLD

TP: Rs 2,783 | ▲ 1%

AJANTA PHARMA | Pharmaceuticals | 29 July 2025

Double-digit growth to continue; EBITDA margin constant

- **Earnings were in line with our estimates with sales /EBITDA/PAT reported 1%/-2.7%/3% above estimates**
- **All regions expected to report healthy grow resulting in sustaining 78%gross margin and 27% EBITDA margin, amidst higher SG&A cost**
- **Sustainable growth across geographies and healthy return ratios; we increase our ascribed PE to 33x on June'27 (earlier 30x); maintain HOLD**

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In-line result: AJP reported in-line set of earnings, where sales grew by 13.8%/ EBITDA grew by 6.4% and PAT grew by 3.9%. Product mix was healthy given 9% growth in the branded generics segment (74% of sales) and favourable API prices, resulting in 79% gross margin. Other expenses grew by 49% YoY, mainly due to higher SG&A cost towards newer therapies, resulting in 188 bps decline in EBITDA margin to 27%. Overall, healthy operations resulted in PAT growth of 3%. During the quarter, there was a one-time forex loss of Rs 250 mn; excluding that, EBITDA margin was reported at 29%.

Domestic sales grew double than IPM growth: Sales from the domestic region grew by 16% vs IPM growth 8%. The growth was driven by 2.5% volume growth vs 1.5% IPM, 4.4% price hike vs 4.2% IPM and 3.3% new launches vs 2.3% IPM. Key brands are also gaining higher traction, with MetXL including all variants being worth Rs 2.5bn; Cinod is Rs 1.2bn, Atorfit is nearing Rs 1bn, and Feburic has Rs 1bn sales. Going forward, the newer therapies like Nephrology and Gynecology are expected to scale up and the Cardiology segment is also expected to outgrow the IPM. Hence, we expect sales to grow at 11% CAGR from FY26-28.

US region to continue growth momentum – US sales grew by 36%, largely driven by 5 new products launched in H2FY25 and 1 in 1QFY26. Overall, the company remains on track to file 10-12 ANDAs and 2-3 new launches in the remaining 9MFY26. We believe the US region can grow at a CAGR of 11% from FY26-28E.

Current margins sustainable: A healthy product mix from the new launches in the Chronic segment, in Asia and the domestic region, continues to outperform the IPM. Hence, the current EBITDA margin of 27% will likely be sustainable.

Valuation: We maintain our FY26 and FY27 EPS of Rs 80.2 and 92.7 per share respectively, as earnings were in line with estimates. We expect growth across geographies to continue, followed by healthy return ratios. Thus, we ascribe PE of 33x on June'27 roll forward basis (earlier 30x) to arrive at TP of Rs 2,783 (earlier Rs 2,795), thus maintaining HOLD on the stock.

Key changes

Target	Rating
▼	◄ ►

Ticker/Price	AJP IN/Rs 2,767
Market cap	US$ 4.0bn
Free float	31%
3M ADV	US$ 4.1mn
52wk high/low	Rs 3,485/Rs 2,327
Promoter/FPI/DII	66%/10%/15%

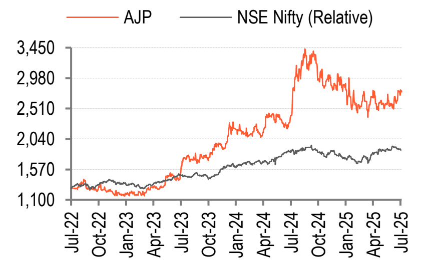
Source: NSE | Price as of 28 Jul 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	46,481	51,892	57,744
EBITDA (Rs mn)	12,595	14,267	16,477
Adj. net profit (Rs mn)	9,204	10,135	11,707
Adj. EPS (Rs)	72.8	80.2	92.7
Consensus EPS (Rs)	72.8	83.5	98.1
Adj. ROAE (%)	25.4	24.6	23.4
Adj. P/E (x)	38.0	34.5	29.9
EV/EBITDA (x)	27.6	24.4	21.1
Adj. EPS growth (%)	12.8	10.1	15.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 500 | ⮝ 41%

JK PAPER | Paper | 28 July 2025

Margin surprise; expansion in folding carton via inorganic route

- **Beats EBITDA estimate (+17%) on improved gross margin; EBITDA margin improved for the second consecutive quarter**
- **Plans to acquire 72% stake in Borkar Packaging (6.9x EV/EBITDA on FY24) to become a leading player in folding carton box in India**
- **Maintain BUY; raise TP by 11% to Rs 500 per share on earnings upgrade post a strong Q1 result**

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Beats estimate: JKPAPER Q1FY26 top line came 2.0% below our estimate, but sharply beats our EBITDA estimate by 17.3% due to better-than-expected EBITDA margin (+193bps QoQ to 14.8% vs 12.3% estimate), on improved gross margin (+324bps QoQ – which we believe is due to better realisation for the paperboard business as well as lower raw-material cost) and operating efficiencies.

Highlights: Revenue was down 2.3% YoY in Q1FY26. EBITDA de-grew by 11.9% YoY in Q1FY26 due to weak realisations and higher wood costs. However, on a sequential basis, EBITDA margin improved for the second quarter in a row (10.3% in Q4FY25 to 12.8% in Q1FY26 and 14.8% in Q1FY26). Interest cost rose sharply by 89% YoY and PAT was down 42% YoY in Q1FY26.

Acquisition: JKPAPER has announced plans to acquire 72% stake in Borkar Packaging Pvt Ltd (BPPL) for Rs 2.35bn and expects to acquire the remaining 28% stake over the next 4 years. The deal appears to be attractive as we believe it is valued at an EV/EBITDA of 6.9x on FY24 financials. This deal will strengthen the company's leadership position in the corrugated packaging business and make it amongst the top 3 players in the folding cartons space (TCPL Packaging, Parksons Packaging) in India. BPPL operates 7 plants in India with a revenue of Rs 3.9bn and operating margin of around 12% in FY24.

Maintain BUY; raise TP by 11% to Rs 500 per share: We maintain BUY rating on the stock. We have raised our TP to Rs 500 per share (Rs 450 earlier) due to increase in our EBITDA estimates (+10.6%/+5.2%/+4.2% for FY26E/FY27E/ FY28E) post a strong Q1FY26 result. We project JKPAPER's EPS to grow at 35.4% CAGR over FY25-FY28E, given a gradual improvement in EBITDA margin (15.4%/ 19.8%/23.1% in FY26E/FY27E/FY28E) to near to 10Y avg of 23% in the anticipation of a better pricing environment and moderation in wood cost. Our target EV/EBITDA multiple remains unchanged at 6.0x on Jun'27 estimates (Mar'27 earlier). At CMP, the stock trades at 6.1x on 1Y forward EV/EBITDA vs 5Y avg of 5.7x.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	JKPAPER IN/Rs 354
Market cap	US$ 69.3mn
Free float	50%
3M ADV	US$ 2.2mn
52wk high/low	Rs 531/Rs 276
Promoter/FPI/DII	50%/12%/5%

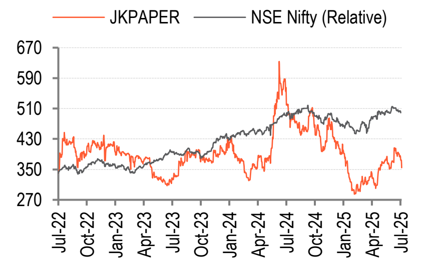
Source: NSE | Price as of 28 Jul 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	67,181	69,185	73,278
EBITDA (Rs mn)	9,281	10,640	14,493
Adj. net profit (Rs mn)	4,143	4,618	7,612
Adj. EPS (Rs)	24.5	27.3	44.9
Consensus EPS (Rs)	24.5	27.3	44.9
Adj. ROAE (%)	7.9	8.3	12.6
Adj. P/E (x)	14.5	13.0	7.9
EV/EBITDA (x)	(0.9)	(0.5)	(0.5)
Adj. EPS growth (%)	(45.1)	10.3	40.3

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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BUY – Expected return >+15%

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SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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