FIRST LIGHT

29 May 2025

RESEARCH

AUROBINDO PHARMA | TARGET: Rs 1,451 | +26% | BUY

Growth triggers intact

JK LAKSHMI CEMENT | TARGET: Rs 728 | -14% | SELL

No respite from challenges; maintain SELL

COHANCE LIFESCIENCES | TARGET: Rs 1,328 | +20% | BUY

To remain on a high growth trajectory

BOB ECONOMICS RESEARCH | IIP

IIP growth softens to 8-month low

SUMMARY

AUROBINDO PHARMA

- Sales were 0.8% above our estimates; EBITDA/PAT -0.2%/5% below estimates. ETR reported at 31.6% vs estimated 28% for 4QFY25
- gRevlimid sales for FY26 to be lower than FY25, so expect FY26 to be muted. FY27 to be better than FY26E, led by new launches
- At CMP, ARBP trades at 16.3x FY26 and 14.3x FY27E. We continue to ascribe a PE of 18x on FY27E EPS to arrive at TP of Rs 1,451

Click here for the full report.

JK LAKSHMI CEMENT

- Modest revenue growth YoY at 6% dragged by tepid volume growth; flat YoY as JKLC chases higher realisations that gained ~5%
- Operating cost shot up ~8%/6% to Rs 5,823/t, aided by higher logistics cost that provides little respite to EBITDA margins at 13.9%
- We value JKLC at 9x EV/EBITDA 1YF earnings with a new TP of Rs 728 (vs Rs 694) as earnings revised. Maintain SELL

Click here for the full report.

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COHANCE LIFESCIENCES

- 4QFY25 consolidated proforma sales were 11.4% above our estimates; EBITDA/APAT was -0.4% and -5.9% below estimates
- EBITDA margin to be transient for FY26 and FY27 at 32.5% and 35% respectively. Long-term sales target intact of USD1bn by FY30
- Factoring in lower other income and higher amortisation, we cut EPS by 15% and 3% in FY26/FY27. Retain BUY with same PE of 55x in FY27

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INDIA ECONOMICS: IIP

IIP growth was lower at 2.7% in Apr'25 from 5.2% in Apr'24 and 3.9% in Mar'25. Compared with previous year (Apr'24), slower growth was noted across the board. Manufacturing and electricity output slowed most notably, while mining sector output contracted. Within manufacturing, certain subsectors registered negative growth in Apr'25 compared with last year. For use-based industries, capital intermediate and FMCG goods registered improvement in Apr'25, while other industries registered slower growth. For the near term, there are downside risk emerging from volatility due to trade tariffs. However, tailwinds from lower inflation, commodity prices and easing monetary cycle will provide much needed support to industrial sector.

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RESULT REVIEW

BOBCAPS
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BUY
TP: Rs 1,451 | ⮝ 26%

AUROBINDO PHARMA | Pharmaceuticals | 28 May 2025

Growth triggers intact

- **Sales were 0.8% above our estimates; EBITDA/PAT -0.2%/5% below estimates. ETR reported at 31.6% vs estimated 28% for 4QFY25**
- **gRevlimid sales for FY26 to be lower than FY25, so expect FY26 to be muted. FY27 to be better than FY26E, led by new launches**
- **At CMP, ARBP trades at 16.3x FY26 and 14.3x FY27E. We continue to ascribe a PE of 18x on FY27E EPS to arrive at TP of Rs 1,451**

Foram Parekh
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In-line earnings – ARBP reported in-line set of earnings where sales grew by 10.6% YoY and EBITDA grew by 7%, but PAT declined by 12.4%. Sales were driven by 13.5% growth in the US, 7.2% growth in Europe, 29% growth in ARV and 4/9% growth in API. Healthy product mix and benign RM cost resulted in 59.1% gross margin. Subsequently, EBITDA margin came in 69 bps lower at 21.4% amidst loss of Rs 300mn from PLI facility. Interest cost rose by 28.6%, Other income decreased by 0.6% and Tax increased by 34%, as ETR for 4QFY25 was 31.6% vs 23.6% in 4QFY24; resulting in a reported PAT by 12% to Rs 9 bn. During 4QFY24, there was a one-time loss of Rs 1.2bn. Adjusting against one-time loss, PAT was marginally lower by 0.6%.

US growth driven by all segments – US segment grew 17% in 4QFY25, driven by gRevlimid, increase in volume growth, stabilisation of price erosion pressure in the base portfolio and new product launches. Sequentially, US sales have grown by 10%, largely due to uptick in injectable sales. Going forward, gRevlimid sales contribution to be lower in FY26 vs FY25, though FY27 to witness new product launches in Oncology therapy and respiratory launches through Dayton unit in the US. Hence, we expect US sales to grow by 7% CAGR from FY25-27E.

Europe to continue witnessing growth momentum - During 4QFY25, Europe region grew by 17.2%, driven by new product launches. We expect the growth momentum to sustain, driven by new product launches, including Biosimilars and increased supply in Oral Solids through China plant (2bn units to commercialise in FY26). Hence, we expect Europe to grow at 10% CAGR from FY25-27E.

Valuations – Although FY26 is expected to be muted, there are various growth triggers in FY27E, led by new launches through LOE opportunity and settlement in Oncology therapy. Overall, we expect Sales/ EBITDA/PAT CAGR to grow at 9%/11% and16.4% from FY25-27E. Hence, we maintain BUY. At CMP, the stock is trading at 16.3x FY26 and 14.3x FY27E. Due to growth triggers intact, we continue to ascribe a PE of 18x on FY27E EPS to arrive at TP of Rs 1,451.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	ARBP IN/Rs 1,148
Market cap	US$ 7.9bn
Free float	48%
3M ADV	US$ 15.4mn
52wk high/low	Rs 1,592/Rs 1,010
Promoter/FPI/DII	52%/18%/23%

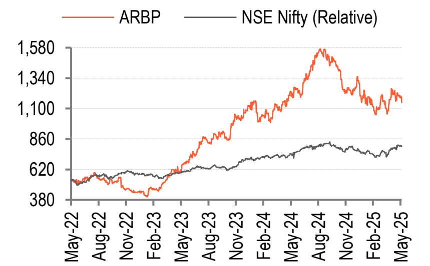
Source: NSE | Price as of 28 May 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	317,250	345,488	374,903
EBITDA (Rs mn)	66,067	72,482	81,011
Adj. net profit (Rs mn)	34,825	41,568	47,350
Adj. EPS (Rs)	59.4	70.9	80.8
Consensus EPS (Rs)	59.4	76.9	80.5
Adj. ROAE (%)	11.5	12.4	12.5
Adj. P/E (x)	19.3	16.2	14.2
EV/EBITDA (x)	10.1	9.3	8.2
Adj. EPS growth (%)	3.6	19.4	13.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

SELL
TP: Rs 728 | ∀ 14%

JK LAKSHMI CEMENT | Cement | 29 May 2025

No respite from challenges; maintain SELL

- **Modest revenue growth YoY at 6% dragged by tepid volume growth; flat YoY as JKLC chases higher realisations that gained ~5%**
- **Operating cost shot up ~8%/6% to Rs 5,823/t, aided by higher logistics cost that provides little respite to EBITDA margins at 13.9%**
- **We value JKLC at 9x EV/EBITDA 1YF earnings with a new TP of Rs 728 (vs Rs 694) as earnings revised. Maintain SELL**

Milind Raginwar
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Realisations improve as volume growth gets hit: In Q4FY25, revenue inched up by ~6% YoY (+~27% QoQ) to ~Rs17.4bn. JKLC chased realisations that grew (ex-RMC sales) by 4.7% YoY to Rs6,766/tn. However, volumes came in flat YoY (+14.3% QoQ) at 2.57 mnt (excluding clinker sales), indicating heightened competitive intensity that offset demand recovery benefits.

Weak operating performance: Subsequently, overall cost was inflated by 8%6% YoY/QoQ at Rs5,823/tn. Adjusted for fuel cost, raw material cost rose by 5%/2% YoY/QoQ; despite green energy contribution increasing to 50% from 48% QoQ. Furthermore, logistics cost spiked by ~12%/11% YoY/QoQ and other expenditure also rose by ~11%/22% YoY/QoQ. Effectively, EBITDA fell by 12% YoY (+70% QoQ) to ~Rs2.42bn and EBITDA margin declined from 16.7% to 13.9% YoY (10.4% in Q3FY25). EBITDA/t fell to Rs973/t from Rs1,080/tn YoY(+~49%QoQ).

Capacity expansion on track: Grinding capacity expansion at Surat (first phase 0.7mnt) is in the trial phase and expected to be commissioned by June'25 remaining to be operational by Sept'25. Durg expansion (2.3mnt clinker, 1.2mnt cement) is on track for Q3FY27. Three split location CGU with 3.4mnt capacity at Prayagraj, Madhubani and Patratu are in process (environmental approvals awaited).

Merger with subsidiaries: Amalgamation with Udaipur Cement Works, Hansdeep Industries and Trading Company Ltd and d Hidrive Developers & Industries Limited is expected to be finalised by Dec'25 once the approval by NCLT comes in.

Estimates lowered; maintain SELL: We revise FY26e/FY27e estimates upwards to give cost-saving benefits. However, JKLC faces challenges from the changing dynamics of its operating areas, following intense pressure from major players. We pencil in a weak 3Y EBITDA/PAT CAGR of 8%10%, factoring in pricing weakness that may be partially offset by a better cost structure. We value JKLC at 9x EV/EBITDA 1YF earnings (unchanged) and revise TP to Rs 728 (from Rs 694). Maintain SELL.

Key changes

Target	Rating
▲	◄ ►

Ticker/Price	JKLC IN/Rs 849
Market cap	US$ 1.2bn
Free float	54%
3M ADV	US$ 1.7mn
52wk high/low	Rs 935/Rs 661
Promoter/FPI/DII	46%/14%/26%

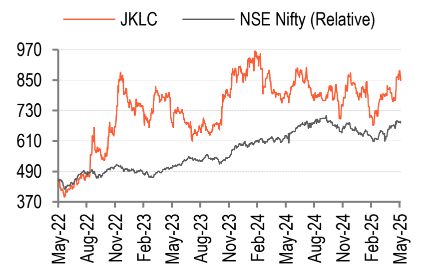
Source: NSE | Price as of 28 May 2025

Key financials

Y/E 31 Mar	FY25P	FY26E	FY27E
Total revenue (Rs mn)	56,980	68,200	73,977
EBITDA (Rs mn)	6,308	8,901	10,961
Adj. net profit (Rs mn)	2,814	4,222	4,963
Adj. EPS (Rs)	23.9	35.9	42.2
Consensus EPS (Rs)	23.9	38.3	43.9
Adj. ROAE (%)	9.4	11.8	12.4
Adj. P/E (x)	35.5	23.7	20.1
EV/EBITDA (x)	16.7	10.9	8.4
Adj. EPS growth (%)	(33.7)	50.0	17.5

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

Stock performance



Source: NSE

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BUY
TP: Rs 1,328 | ⅄ 20%

COHANCE LIFESCIENCES | Pharmaceuticals | 29 May 2025

To remain on a high growth trajectory

- **4QFY25 consolidated proforma sales were 11.4% above our estimates; EBITDA/APAT was -0.4% and -5.9% below estimates**
- **EBITDA margin to be transient for FY26 and FY27 at 32.5% and 35% respectively. Long-term sales target intact of USD1bn by FY30**
- **Factoring in lower other income and higher amortisation, we cut EPS by 15% and 3% in FY26/FY27. Retain BUY with same PE of 55x in FY27**

Foram Parekh
research@bobcaps.in

In-line earnings – COHANCE has reported in-line set of earnings on a combined entity basis where sales/EBITDA/PAT grew 20%/5%/-16% respectively. Sales were driven by 18% growth in Pharma CDMO and 10% in API++, offset by 16% decline in Spec Chem. During FY25, employee costs and manufacturing costs rose by 43% and 36% resp., following the successful closure of all acquired businesses' merger — NJ Bio, Sapala, Cohance Life and Suven Pharma. Hence, EBITDA margin came in at 27.3% in 4QFY25. Other Income also declined by 50% YoY. Depreciation and amortisation expenses were up by 70%. There was a one-time expense of Rs 497 mn, adjusting against it, PAT declined by 16.3% to Rs 1.4bn.

Guidance of clocking USD1bn sales by FY30 intact – In FY25, COHANCE reported USD 335 mn and aims to clock USD 1bn by FY30, by anticipating growth across segments like Pharma CDMO, Spec Chem and API++. However, management expects Pharma CDMO contribution to inch up to 80% by FY30 from the current 48%.

Pharma CDMO to be primarily driven by ADC growth – Pharma CDMO segment growth is expected to be driven by ADC sales, currently ~20% of Pharma CDMO. Due to the approvals for various indications for ADC drugs and positive data reading in phase 3 for its first line of treatment, COHANCE's volume increases, being a sole player for supplying CPT-based payloads on MMAE platform. We expect ADC sales contribution to go up to ~35% of Pharma CDMO by FY27E, driven by backward integration of the NJ Bio unit.

Valuations - We factor in higher lower other income due to decline in cash (Rs 2.9bn in FY25 vs Rs 9.4bn in FY25) and higher amortisation. Hence, we reduce EPS by 14% in FY26 and 3% in FY27 but expect the company to stay on a high growth trajectory and report sales/EBITDA/PAT CAGR of 24%/33%/31% respectively. At CMP, the stock is trading at a PE of 67x FY26 EPS of Rs 16.5 and 45x FY27E EPS of Rs 24.1. We continue to ascribe a P/E of 55x on FY27 EPS to arrive at TP of Rs 1,328 (earlier Rs 1,405).

Key changes

Target	Rating
▼	◄ ►

Ticker/Price	COHANCE IN/Rs 1,109
Market cap	US$ 5.1bn
Free float	50%
3M ADV	US$ 3.7mn
52wk high/low	Rs 1,360/Rs 598
Promoter/FPI/DII	50%/11%/17%

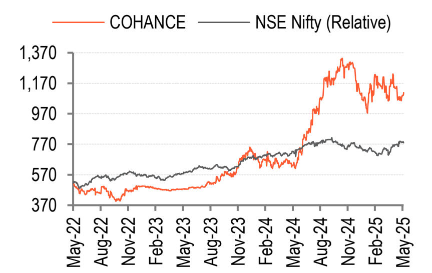
Source: NSE | Price as of 28 May 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	26,103	32,107	40,133
EBITDA (Rs mn)	7,996	10,435	14,047
Adj. net profit (Rs mn)	5,464	6,444	9,442
Adj. EPS (Rs)	14.3	16.5	24.1
Consensus EPS (Rs)	14.3	18.4	23.9
Adj. ROAE (%)	14.9	18.8	26.3
Adj. P/E (x)	77.3	67.3	45.9
EV/EBITDA (x)	54.2	41.5	30.9
Adj. EPS growth (%)	(4.8)	14.9	46.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

IIP

28 May 2025

IIP growth softens to 8-month low

Jahnavi Prabhakar
Economist

IIP growth was lower at 2.7% in Apr'25 from 5.2% in Apr'24 and 3.9% in Mar'25. Compared with previous year (Apr'24), slower growth was noted across the board. Manufacturing and electricity output slowed most notably, while mining sector output contracted. Within manufacturing, certain subsectors registered negative growth in Apr'25 compared with last year. For use-based industries, capital intermediate and FMCG goods registered improvement in Apr'25, while other industries registered slower growth. For the near term, there are downside risk emerging from volatility due to trade tariffs. However, tailwinds from lower inflation, commodity prices and easing monetary cycle will provide much needed support to industrial sector.

IIP growth moderates: IIP growth eases to 2.7% in Apr'25 from 5.2% in Apr'24 and 3.9% in Mar'25. This was a positive surprise as it was surpassed our estimate of 0.8% increase. The moderation was broad-based with contraction noted in mining sector growth at (-) 0.2% in Apr'25 against an increase of 6.8% in Apr'25. Both manufacturing and electricity growth slowed down to 3.4% (4.2%) and 1.1% (10.2% in Apr'24) respectively in the same period. Within manufacturing, out of 23 sub-sectors, 9 of them reported slower growth compared with Apr'24. These included, manufacture of furniture, other transport equipment, pharma, refined petroleum product, basic metals, wearing apparel and others. On the other hand, following sectors registered stronger growth including manufacture of wood products, machinery equipment, and electrical equipment, amongst others.

Lower growth in primary goods: Within use-based classification, output of primary good declined to 8-month low to (-) 0.4% in Apr'25 compared with an increase of 7.0% in Apr'24. Infrastructure and construction goods output softened to 4% in Apr'25 against 8.5% increase in Apr'24. Slower growth was also noted for consumer durable output at 6.4% versus 10.5% growth in Apr'24.However, capital goods output registered double digit growth climbing to 18-month high with growth of 20.3% (2.8% in Apr'24). Some improvement was also seen with output of intermediate goods as it registered a growth of 4.1% from 3.8% for the same period last year. Additionally, slower pace of contraction was registered for FMCG goods at (-) 1.7% in Apr'25 after declining by (-) 2.5% in Apr'24.

Way forward: Sectoral headwinds on account of escalated global trade tensions and uncertainty on tariff front, resulted in slower growth in Industrial output in Apr'25. However, any negotiations and a possibility of a new bilateral trade agreement between India and US bodes well for manufacturing growth.

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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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