FIRST LIGHT

31 July 2025

RESEARCH

INDIA STRATEGY | INVESTOR CONFERENCE TAKEWAYS

Significant interest in India among ASEAN funds

AMBER ENTERPRISES | TARGET: Rs 7,740 | -4% | HOLD

Strong Q1; Electronics set to grow through inorganic expansion

FIRSTSOURCE SOLUTIONS | TARGET: Rs 407 | +22% | BUY

Top decile growth in FY26 likely. FY25-FY28 EPS growth leader

MAHINDRA & MAHINDRA | TARGET: Rs 3,693 | +15% | BUY

Healthy show in a challenging environment; maintain BUY

V-GUARD INDUSTRIES | TARGET: Rs 390 | +0% | HOLD

Weak Q1; forays into Consumer Lighting

ZYDUS WELLNESS | TARGET: Rs 2,149 | +5% | HOLD

Underlying business is showing improvement

GREENPLY INDUSTRIES | TARGET: Rs 345 | +4% | HOLD

Mixed Q1; MDF margin surprise offsets plywood weakness

SUMMARY

INDIA STRATEGY: INVESTOR CONFERENCE TAKEWAYS

- We attended the Maybank** investor conference in KL in July 2025. +vely surprised by level of interest in India among ASEAN funds
- We understand that many of them have a mandate to look at India and expect to invest directly/indirectly over the next 12-24 months
- The meetings threw up a wide range of questions (see inside). We conveyed our positive view both on India and on domestic themes

Click here **for the full report.**

BOBCAPS Research
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AMBER ENTERPRISES

- Q1 revenue and EBITDA were 34% and 30% ahead of estimates, driven by strong growth in electronics (+97% YoY) & CD (+33% YoY)
- EBITDA margin contracted 70bps YoY/40bps QoQ on commodity inflation and product mix
- Revise estimates, introduce FY28E; roll forward to June-27 EPS, TP at Rs 7,740 (42x multiple), downgrade to HOLD

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FIRSTSOURCE SOLUTIONS

- Retains its industry leading revenue growth outlook for FY26. Ups the lower end of the band. Strong order inflow and new logo addition helps
- Strong top line growth combined with headroom for significant margin expansion leads to 31% EPS CAGR over FY25-FY28
- Tweak up revenue and EPS estimate. Maintain target PE multiple. Recent stock correction helps raise rating to Buy. Only Buy. Top pick

Click here for the full report.

MAHINDRA & MAHINDRA

- Automotive and tractors volumes grew in double digits by ~17%/11% YoY; blended realisations gains ~10% YoY, mild fall QoQ
- Auto EBIT margin fell marginally to 8.9% vs 9.5% YoY (EV impact). FES market share at 45.2% (+50 bps YoY); margins at 20.7% up 100bps YoY
- Maintain FY26E/FY27E EBITDA estimate and BUY rating; continue to value MM's core business at 24x 1YF P/E with revised TP of Rs 3,693

Click here for the full report.

V-GUARD INDUSTRIES

- Revenue/EBITDA was 2%/17% below estimates. Q1 revenue declined 1% YoY while EBITDA/PAT lowered 21%/25% YoY
- 1% YoY revenue decline, driven by 16% drop in CD, partly offset by 8%/5% growth in Electricals/Electronics
- Revise estimates downwards, introduce FY28E, roll forward to June-27EPS and ascribe 40x to arrive at TP of Rs 390; maintain HOLD

Click here for the full report.

ZYDUS WELLNESS

- Compared to cons., sales were 1% lower, while EBITDA was 5% lower. Unseasonal rains and a shorter summer impacted sales and margins
- Naturelle is growing faster than expected with 25+% sales growth while the unseasonal business is also holding up better than expected
- We need to see evidence of operating leverage. Our margin forecasts of 15-16% are below the ~18% guidance over the medium term

Click here for the full report.

GREENPLY INDUSTRIES

- Market conditions remain challenging in Q1FY26, as indicated from the weak plywood sales volume and steep rise in working capital cycle
- Guidance broadly intact for FY26 – which looks a bit difficult to be achieved based on a weak Q1 show
- Maintain HOLD as strong earnings prospects are quite well baked in the current valuation; TP remains unchanged at Rs 345 per share

Click here for the full report.

INVESTOR CONFERENCE TAKEWAYS

30 July 2025

Significant interest in India among ASEAN funds

- **We attended the Maybank** investor conference in KL in July 2025. +vely surprised by level of interest in India among ASEAN funds**
- **We understand that many of them have a mandate to look at India and expect to invest directly/indirectly over the next 12-24 months**
- **The meetings threw up a wide range of questions (see inside). We conveyed our positive view both on India and on domestic themes**

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BOB Capital Markets took part in Maybank's Investor conference in Kuala Lumpur, Malaysia in the first half of July 2025. We presented our outlook on Indian macro, equity markets and top picks.

We were pleasantly surprised by the number of funds who were interested in India. We met about 30 funds in 12 back-to-back meetings over 2 days. Many funds were from Malaysia and the ASEAN region. We also met several Malaysian arms of Global funds.

We met funds (1) who have been investing in India for a while now, (2) who are actively evaluating investing in India and had some understanding of it (3) who were completely new to the India story but were looking to enter in the medium term.

Many of them were focused on investing in ASEAN countries and now have an expanded mandate to invest in India. Interestingly some of them who were not active investors in India had already attended investor conferences on India in the not-too-distant past with some of our Global broking peers.

We could make out that India Equities as an asset class had become too big for these entities to ignore. Besides, MSCI India had outperformed MSCI EM and the MSCI ASEAN indices in USD terms not only in the last 10 years but for even longer periods (Fig 1)

We pitched the top-down India investment story, explaining shorter term macro and market related events, and giving sector and stock picks (they are in the presentation that follows). Most of the interest was in the top large cap names and select midcaps especially in the EMS space.

Many were interested in the upcoming IPOs of the NSE, Reliance Jio, LG Electronics, etc. And among the listed space there was interest in Banks, Autos, consumer and EMS stocks.

** BOBCAPS has a research distribution and marketing tie up with Maybank

RESULT REVIEW

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

HOLD
TP: Rs 7,740 | ∨ 4%

AMBER ENTERPRISES | Consumer Durables | 30 July 2025

Strong Q1; Electronics set to grow through inorganic expansion

- **Q1 revenue and EBITDA were 34% and 30% ahead of estimates, driven by strong growth in electronics (+97% YoY) & CD (+33% YoY)**
- **EBITDA margin contracted 70bps YoY/40bps QoQ on commodity inflation and product mix**
- **Revise estimates, introduce FY28E; roll forward to June-27 EPS, TP at Rs 7,740 (42x multiple), downgrade to HOLD**

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Robust growth across segments; margins see minor pressure: AMBER Q1 revenue grew 44% YoY (-8% QoQ), led by 33% YoY growth in the consumer durables (CD) segment, a robust 97% YoY growth in electronics and 29% YoY growth in railways. Gross margin contraction of 210bps YoY (-90bps QoQ) on account of commodity inflation and product mix was contained by lower other expenses and employee costs, limiting to 70bps YoY (-40bps QoQ) contraction in EBITDA margin. Adjusted PAT grew 44% YoY (-11% QoQ) to Rs 1bn.

CD growth led by commercial AC and client additions: CD revenue grew 33% YoY, despite a weak demand environment and an industry-wide sales decline of 15–20% YoY. Growth was primarily driven by a strong 40% YoY growth in the commercial AC segment, supported by traction in cassette ACs, new client additions, and momentum in the AC components business. Electronics division reported a robust 97% YoY growth, led by higher contribution from inverter PCBs, favourable impact of anti-dumping duties on PCBs, and new order wins in the defense and renewable sectors. During the quarter, the product mix in electronics segment stood at 87% PCBA and 13% bare PCB. This mix is expected to shift in favour of bare PCBs, following commercialisation of the Ascent facility and the Korean Circuit JV.

Electronics to gain from ECMS and inorganic acquisitions: AMBER has submitted two applications for the PCB category under MeitY's Electronic Component Manufacturing (ECM) scheme and will undertake a capex of Rs 40bn over the next 5 years under two phases. First, Rs 10bn capex through Ascent Circuit, ILJIN subsidiary, of which Rs 650bn to be spent in phase 1, while the remaining after 3 years. The 1st phase will likely get commercialised by Q1FY27. Second, Rs 32bn through Korea Circuit JV, of which Rs 12bn will be spent in phase 1, expected to get commercialised by Q1FY28. Besides this, the company has also signed definitive agreements to acquire controlling stakes in two companies – Unitronics and Power One.

Key changes

Target	Rating
▲	▼

Ticker/Price	AMBER IN/Rs 8,041
Market cap	US$ 3.1bn
Free float	60%
3M ADV	US$ 28.3mn
52wk high/low	Rs 8,177/Rs 3,964
Promoter/FPI/DII	40%/24%/14%

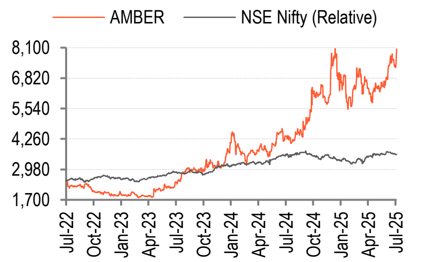
Source: NSE | Price as of 30 Jul 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	99,730	1,14,980	1,49,635
EBITDA (Rs mn)	7,634	9,349	13,064
Adj. net profit (Rs mn)	2,436	3,521	5,816
Adj. EPS (Rs)	72.3	104.5	172.6
Consensus EPS (Rs)	74.0	140.0	186.0
Adj. ROAE (%)	11.2	14.3	19.9
Adj. P/E (x)	111.2	76.9	46.6
EV/EBITDA (x)	35.5	29.0	20.7
Adj. EPS growth (%)	83.3	44.6	65.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 407 | 22%

FIRSTSOURCE SOLUTIONS | IT Services | 31 July 2025

Top decile growth in FY26 likely. FY25-FY28 EPS growth leader

- **Retains its industry leading revenue growth outlook for FY26. Ups the lower end of the band. Strong order inflow and new logo addition helps**
- **Strong top line growth combined with headroom for significant margin expansion leads to 31% EPS CAGR over FY25-FY28**
- **Tweak up revenue and EPS estimate. Maintain target PE multiple. Recent stock correction helps raise rating to Buy. Only Buy. Top pick**

Girish Pai
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FirstSource strong performance is because it is taking a different approach with its UnBPO model — using AI, automation, and outcome-based pricing to rethink how services are delivered. The company believes its smaller size gives it an edge in agility and customization, making it more relevant in today's demand environment.

The 13 to 15% constant currency revenue growth guidance for FY26 (increased by 100bps at the lower end since the last 3 months) is quite robust in the context of recent cautious commentary from most of its peers in the Indian IT/ITES industry. This guidance includes 300bps from M&A. The last part will see an uptick as an acquisition has been announced but yet to be closed.

Ritesh Idnani – CEO for 2 years in FSOL now – has ensured better execution and led FSOL to deliver on its US$1bn revenue run rate goal 4 quarters in advance. FirstSource CEO has beefed up sales, tech and delivery capabilities both organically and inorganically over the last seven quarters for him to deliver these numbers.

BPM is not a discretionary service which gets typically cut during macro stress points and infusion of Technology and AI strengthens its business case.

Annual wage hike for FY26 will be implemented in two phases: junior employees effective July 1, 2025; middle and senior management effective October 1, 2025. The spreading-out of wage hikes (unlike in FY25) appears to be a more cautious strategy under the current demand conditions.

Considering the strong order inflow we have raised our estimates for both USD revenue and EPS estimate. We maintain our Target PE multiple at 25.6x on June '27 EPS. This Target PE multiple is at a 20% premium to the target PE multiple we have accorded to our benchmark TCS. The PE premium of 20% accounts for the likely stronger revenue performance in a weaker macro set up that we are witnessing today. The correction of 40% from the 52-week high leads us to raise the rating to 'BUY' from 'HOLD'. It is our only BUY under our coverage universe and our top pick in the Tier-2 space.

Key changes

Target	Rating
▲	▲

Ticker/Price	FSOL IN/Rs 334
Market cap	US$ 2.6bn
Free float	45%
3M ADV	US$ 6.6mn
52wk high/low	Rs 422/Rs 269
Promoter/FPI/DII	54%/10%/24%

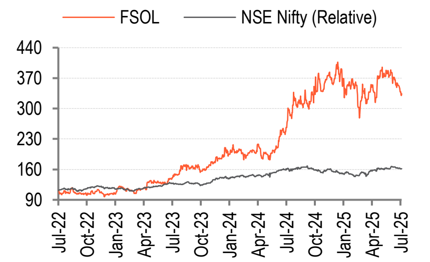
Source: NSE | Price as of 30 Jul 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	79,803	94,095	112,166
EBITDA (Rs mn)	12,077	15,544	18,493
Adj. net profit (Rs mn)	5,857	8,176	10,530
Adj. EPS (Rs)	8.4	11.6	14.9
Consensus EPS (Rs)	8.4	11.3	14.1
Adj. ROAE (%)	15.0	19.2	22.6
Adj. P/E (x)	39.6	28.8	22.4
EV/EBITDA (x)	19.0	14.8	12.5
Adj. EPS growth (%)	14.9	37.5	28.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BUY
TP: Rs 3,693 | ⮝ 15%

MAHINDRA & MAHINDRA | Automobiles | 31 July 2025

Healthy show in a challenging environment; maintain BUY

- **Automotive and tractors volumes grew in double digits by ~17%/11% YoY; blended realisations gains ~10% YoY, mild fall QoQ**
- **Auto EBIT margin fell marginally to 8.9% vs 9.5% YoY (EV impact). FES market share at 45.2% (+50 bps YoY); margins at 20.7% up 100bps YoY**
- **Maintain FY26E/FY27E EBITDA estimate and BUY rating; continue to value MM's core business at 24x 1YF P/E with revised TP of Rs 3,693**

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Topline growth remains healthy in difficult business environment: MM's strong momentum continued in Q1FY26 with revenue growth of ~26%/9% YoY/QoQ, to Rs 340.8bn. The key driver was blended volume growth of ~15%/12% YoY/QoQ to 381k vehicles. Net blended realisation, too, surged by ~10% YoY (down ~3% QoQ) to Rs 893.8k per vehicle, as product mix stayed favourable.

BEV penetration impressive, margins mildly impacted: Auto business revenue share rose to 73% (~70% In Q1FY25), maintaining a dominant position. EBIT margin fell to 8.9% vs 9.5% in Q1FY25; however, ex-BEV business, it was at 10%. SUV revenue market share surged by 570bps to 27.3% while E-SUV volume market share rose to 31.8%, driven by a strong response to Thar Roxx and 2 new EVs. The LCV segment had muted gains of 4% YoY amid a struggling market environment.

FES gaining pace: Tractor segment market share was the highest ever at 45.2% up by 50 bps YoY, as volumes grew by 10% YoY to 133k units. FES PBIT growth was at 6% YoY, impacted by the Sampo write-off, excluding which, the growth would have been ~18%. Further, core tractor PBIT improved to 20.7 vs 19.7% in Q1FY25.

Product pipeline not altered: MM has reiterated product launch outline for CY26, but has kept flexibility to align it with the prevailing economic condition at that time. The new "Vision" platform will be launched on 15th August, 2025 and 2 new EV launches are planned for January 2026.

Overall healthy performance continues; maintain BUY: We retain our EBITDA estimates for FY26e/FY27e (EPS is revised due to depreciation revision), factoring in the healthy outlook from Automotive and FES segments. This follows healthy monsoons and a prudent launch pipeline. We introduce FY28 earnings penciling in a 3Y PAT/EBITDA/PAT CAGR of 12%/14%14%. We value MM's core business at 24x 1-year P/E, a 10% premium to its long-term average (22x), resulting in a revised SOTP-based TP of Rs 3,693 (Rs3,689). This includes a subsidiary value of Rs347. Maintain BUY (+15%) and upward bias to our earnings estimates.

Key changes

Target	Rating
▲	◄►

Ticker/Price	MM IN/Rs 3,209
Market cap	US$ 45.9bn
Free float	81%
3M ADV	US$ 87.2mn
52wk high/low	Rs 3,303/Rs 2,425
Promoter/FPI/DII	19%/37%/29%

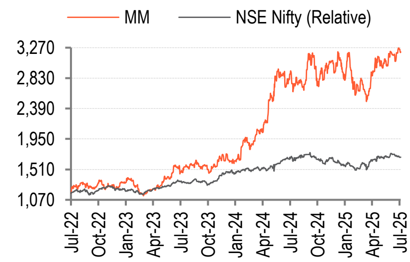
Source: NSE | Price as of 30 Jul 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	11,64,837	13,06,433	14,91,076
EBITDA (Rs mn)	1,62,745	1,93,896	2,22,533
Adj. net profit (Rs mn)	1,18,548	1,46,069	1,62,516
Adj. EPS (Rs)	98.9	121.9	135.6
Consensus EPS (Rs)	98.9	116.8	129.9
Adj. ROAE (%)	20.8	21.6	20.2
Adj. P/E (x)	32.4	26.3	23.7
EV/EBITDA (x)	24.3	20.1	17.7
Adj. EPS growth (%)	10.6	23.2	11.3

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

HOLD

TP: Rs 390 | 0%

V-GUARD INDUSTRIES | Consumer Durables | 31 July 2025

Weak Q1; forays into Consumer Lighting

- **Revenue/EBITDA was 2%/17% below estimates. Q1 revenue declined 1% YoY while EBITDA/PAT lowered 21%/25% YoY**
- **1% YoY revenue decline, driven by 16% drop in CD, partly offset by 8%/5% growth in Electricals/Electronics**
- **Revise estimates downwards, introduce FY28E, roll forward to June-27EPS and ascribe 40x to arrive at TP of Rs 390; maintain HOLD**

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EBITDA significantly below estimates on margin miss: Q1 revenue declined 1% YoY (2% below our estimates). The decline was led by a sharp fall (-16% YoY) in consumer durables on a weak summer season. Electrical and electronics segments stood firm, as revenue grew 8%/5% YoY respectively, while Sunflame revenue decreased 5% YoY. Improvement in gross margin (+60bps YoY) was offset by higher other expenses (+140bps YoY) and employee costs (+130bps YoY), leading to EBITDA margin contraction 210bps YoY. Absolute EBITDA declined 21% YoY/17% QoQ, adjusted PAT declined 25% YoY/19% QoQ.

Steep decline in CD on weak summer; moderate growth in Electricals: Consumer Durables revenue declined 16% YoY, impacted by muted summer demand and elevated channel inventory, particularly in fans and air coolers. Fans saw a sharper fall, especially in the table, pedestal, and wall (TPW) fan categories where V-Guard has relatively higher exposure. Electricals posted modest growth, aided by favourable commodity trends and industry tailwinds. Electronics segment growth was muted at 5% YoY, as stabiliser demand remained subdued amid weak RAC sales. Regionally, South markets declined 3% YoY, while non-South markets grew 2% YoY.

Sunflame weakness continues in CSD; announces to foray into Consumer Lighting: Sunflame revenue declined 5% YoY (flat QoQ) to Rs 555mn, primarily due to continued challenges in the CSD channel, which contributes 35–40% of its total sales. To diversify portfolio and leverage strong electricals distribution network (which has ~95% overlap with consumer lighting), the company has announced its entry into the consumer lighting segment. It will adopt an asset-light, outsourcing-led model initially, with a focus on the Southern and Eastern markets.

Revise estimates, maintain HOLD: We cut our FY26-27estimates by 6%/2% respectively to factor in weakness in the summer-led demand and roll forward our valuation on June-27 EPS; ascribe 40x multiple (unchanged) to arrive at TP of Rs 390; maintain HOLD.

Key changes

Target	Rating
▼	◄►

Ticker/Price	VGRD IN/Rs 389
Market cap	US$ 1.9bn
Free float	44%
3M ADV	US$ 1.6mn
52wk high/low	Rs 577/Rs 300
Promoter/FPI/DII	56%/13%/19%

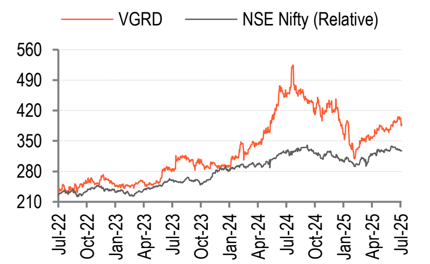
Source: NSE | Price as of 30 Jul 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	55,778	59,986	68,593
EBITDA (Rs mn)	5,132	5,546	6,777
Adj. net profit (Rs mn)	3,137	3,301	4,086
Adj. EPS (Rs)	7.3	7.6	9.5
Consensus EPS (Rs)	9.0	11.0	13.4
Adj. ROAE (%)	16.0	14.9	16.3
Adj. P/E (x)	53.6	50.9	41.2
EV/EBITDA (x)	32.8	30.3	24.8
Adj. EPS growth (%)	21.8	5.2	23.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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TRUST | INNOVATION | EXCELLENCE

HOLD
TP: Rs 2,149 | ⮝ 5%

ZYDUS WELLNESS | Consumer Staples | 31 July 2025

Underlying business is showing improvement

- **Compared to cons., sales were 1% lower, while EBITDA was 5% lower. Unseasonal rains and a shorter summer impacted sales and margins**
- **Naturelle is growing faster than expected with 25+% sales growth while the unseasonal business is also holding up better than expected**
- **We need to see evidence of operating leverage. Our margin forecasts of 15-16% are below the ~18% guidance over the medium term**

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1QFY26 result summary: Zydus Wellness reported 1QFY26 sales of Rs8.6bn, +2% YoY, with flat EBITDA as margins contracted 40bps to 18.1%. Sales came in 1% below consensus, while EBITDA was 5% lower.

Sales and cost trends: Adverse sales impact form unseasonal rains and shorter summer was offset by double digit growth in the non-seasonal portfolio. Food & Nutrition sales +2%, Personal Care +4%. MAT to June market share of Complan was -30bps while Glucon D was -80bps. In *everyuth,* facial cleansing +120bps, scrub +250bps while peel off was -100bps. Naturelle grew faster than expected with 25+% sales growth run rate. Cost pressures continued on edible oils and Dextrose while Sucralose and Stevia remained favourable with Milk remaining flat. Pricing, strategic hedges and efficiencies helped offset inflation.

Need more evidence on operating leverage: Zydus reiterated its target of improving EBITDA margins to 18%. Operating leverage, efficiencies and mix are the key drivers. We are yet to see evidence of operating leverage on employee expenses or A&P. Commodity costs remain volatile and lack of visibility on operating leverage keeps us cautious. We forecast 15-16% margins in FY27-FY28.

Our view: Zydus Wellness expects to grow sales in double digits with margins reaching 18% over the medium term. We forecast 10% sales CAGR over FY25-FY28 driven by improving performance in the non-seasonal business and high growth in the Naturell business. However, our margin forecasts are lower vs guidance as we are yet to see sustained evidence of operating leverage in the business. While Naturell is faster growth vs average, it is margin dilutive. We value Zydus at 29x, in line with its 5Y historical average P/E on 12M to Jun'27 EPS. Our TP changes to Rs2,149 from Rs 2,023. Share price return of 5% – HOLD

(Rs mn)	Actual			Reported vs (%)	
	1Q25	1Q26	YoY (%)	BoB	Cons.
Sales	8,410	8,609	2.4	(3.2)	(1.2)
EBITDA	1,553	1,556	0.2	(3.0)	(5.4)
EBITDA margin (%)	18.5	18.1	(39bps)	3bps	(80bps)

Source: Company, Bloomberg, BOBCAPS Research

Key changes

Target	Rating
▲	◄►

Ticker/Price	ZYWL IN/Rs 2,055
Market cap	US$ 1.5bn
Free float	21%
3M ADV	US$ 2.1mn
52wk high/low	Rs 2,425/Rs 1,493
Promoter/FPI/DII	69%/3%/28%

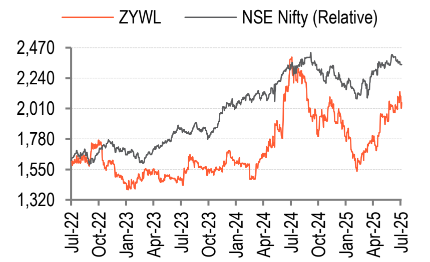
Source: NSE | Price as of 30 Jul 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	27,089	29,651	33,210
EBITDA (Rs mn)	3,797	4,264	5,122
Adj. net profit (Rs mn)	3,410	3,854	4,670
Adj. EPS (Rs)	53.6	61.1	75.2
Consensus EPS (Rs)	53.6	68.8	79.0
Adj. ROAE (%)	6.2	6.6	7.5
Adj. P/E (x)	38.3	33.6	27.3
EV/EBITDA (x)	35.1	31.1	25.2
Adj. EPS growth (%)	21.3	13.0	21.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

HOLD
TP: Rs 345 | ⮝ 4%

GREENPLY INDUSTRIES | Building Materials | 30 July 2025

Mixed Q1; MDF margin surprise offsets plywood weakness

- **Market conditions remain challenging in Q1FY26, as indicated from the weak plywood sales volume and steep rise in working capital cycle**
- **Guidance broadly intact for FY26 – which looks a bit difficult to be achieved based on a weak Q1 show**
- **Maintain HOLD as strong earnings prospects are quite well baked in the current valuation; TP remains unchanged at Rs 345 per share**

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Mixed Q1: MTLM Q1FY26 top-line came 4.3% below our estimate, due to lower-than-expected plywood sales volume (-3.4% YoY vs +4.5% estimated), but beats our EBITDA estimate by 4.3% on sharp sequential improvement in MDF segment margin (+269bps QoQ to 17.7% vs 14.0% estimated). Overall, MTLM Revenue/EBITDA/APAT grew by 2.9%/6.4%/22.5% YoY in Q1FY26.

Highlights: Market conditions remained quite challenging in Q1FY26, as MTLM posted muted plywood sales volume (-3.4%), along with sharp increase in working capital cycle (from 38 days in Q1FY25 to 58 days in Q1FY26). Plywood segment's EBITDA marginally grew by 1.4% YoY in Q1FY26 driven by improved realisation (+4.1%). MDF EBITDA was up 18.2% YoY in Q1FY26 driven by higher volumes (+8.5%) and improved margin (+100bps YoY to 17.7%). The share of loss from furniture JV business has gone down to Rs 54mn in Q1FY26. Interest cost has risen sharply by 78% YoY in Q1FY26 on higher working capital (WC) borrowings.

Guidance: MTLM faced difficult market conditions, along with higher collection period for plywood segment in Jun'25. Management guided a cautiously optimistic outlook and targets plywood revenue to grow at a double-digit rate in FY26 and EBITDA margin to improve to ~10% rate by Q4FY26. MDF volume is aimed to grow at a double-digit rate with EBITDA margin of 16%+ for FY26. Timber price for MDF has come down by 2-3% QoQ in Q1FY26 and expected to decline further in H2FY26. The share of loss from furniture fittings JV business is estimated to be Rs 150-200mn in FY26. Capex guidance revised up to Rs 1.0-1.4bn (vs Rs 0.60-0.65bn earlier), as it has undertaken Odisha plywood project and WPC/PVC board project.

Maintain HOLD with unchanged TP of Rs 345: We maintain our HOLD rating on as we believe the good earnings prospect (EPS projected to grow at 26.9% CAGR over FY25-FY28E) is quite well factored in the current valuation (the stock trades at 31.7x on 1YF P/E vs 5Y avg of 26.9x). We have cut our EPS estimates (-7.6%/-9.5% for FY26E/FY27E) but have kept our TP unchanged at Rs 345 per share due to roll forward of our valuation from Mar'27 to Jun'27. Our target P/E remains unchanged at 25x on Jun'27 (vs Mar'27 earlier).

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	MTLM IN/Rs 331
Market cap	US$ 472.4mn
Free float	48%
3M ADV	US$ 0.6mn
52wk high/low	Rs 412/Rs 245
Promoter/FPI/DII	52%/5%/32%

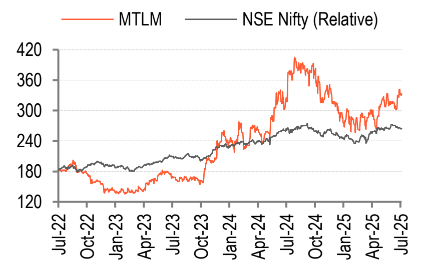
Source: NSE | Price as of 30 Jul 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	24,876	26,713	29,219
EBITDA (Rs mn)	2,377	2,767	3,253
Adj. net profit (Rs mn)	916	1,173	1,592
Adj. EPS (Rs)	7.3	9.4	12.8
Consensus EPS (Rs)	7.3	12.0	16.4
Adj. ROAE (%)	12.1	13.6	16.0
Adj. P/E (x)	45.1	35.2	25.9
EV/EBITDA (x)	15.0	13.2	11.2
Adj. EPS growth (%)	19.9	28.1	35.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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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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