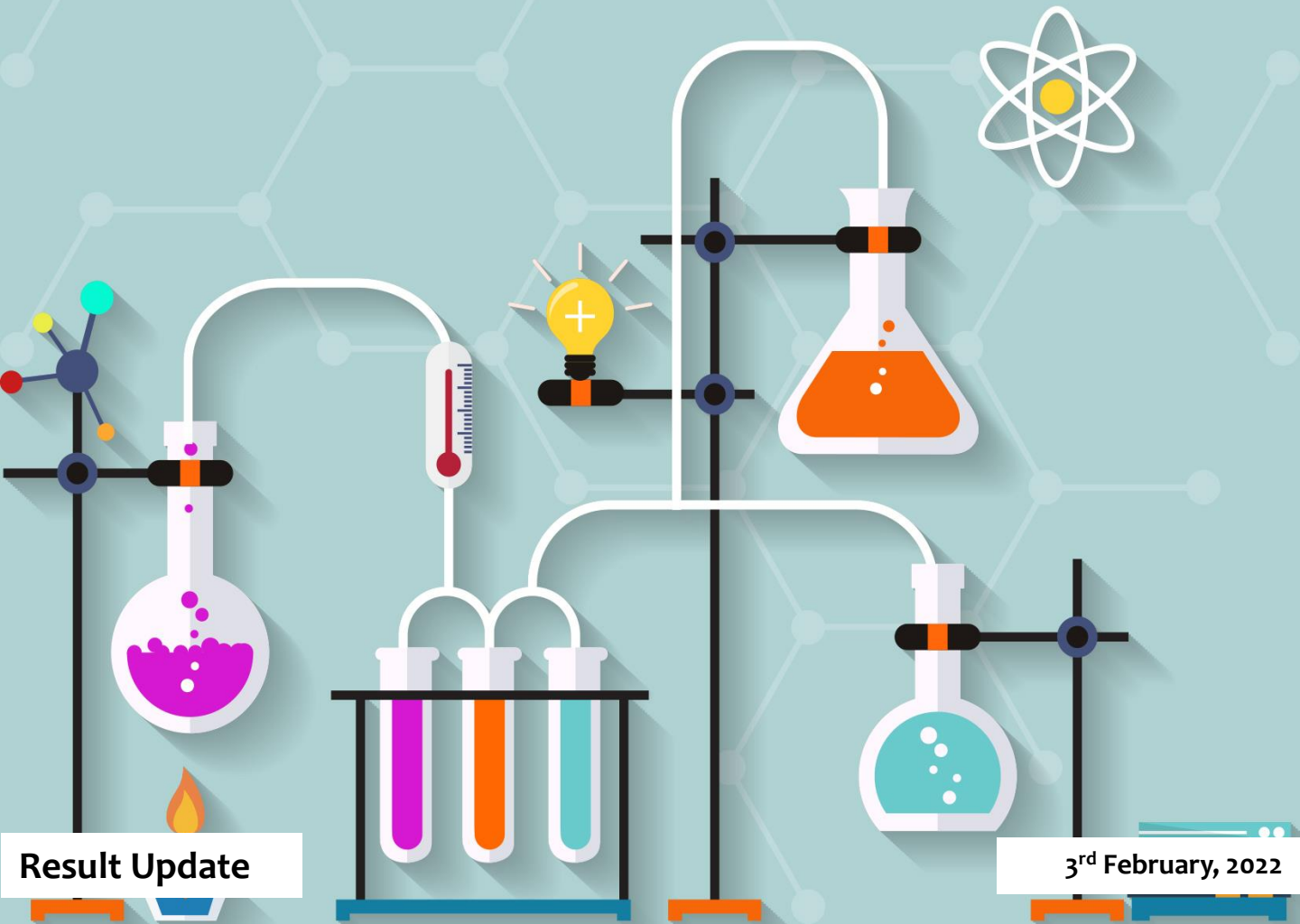


Solar Industries India Ltd.



Result Update

3rd February, 2022

Solar Industries India Ltd.

Highest ever quarterly revenues; growth to remain strong

CMP INR 2,332	Target INR 2,551	Potential Upside 9.4%	Market Cap (INR Mn) INR 2,19,569	Recommendation ACCUMULATE	Sector Industrials
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Result Highlights of Q3FY22:

- Solar Industries reported good numbers for Q3FY22. For the quarter, the revenue from operations grew by 57.6% YoY/29.2% QoQ to INR 10,179 mn, beating our estimates by 14.8%.
- EBITDA for the quarter grew by 34.6% YoY/35.1% QoQ to INR 1,780 mn beating our estimates by 12.1%. The EBITDA margins expanded by 76 bps QoQ and contracted by 299 bps YoY to 17.5% in Q3FY22.
- PAT saw a growth of 29.0% YoY/40.5% QoQ to INR 1,050 mn beating our estimates by 3.2%. The PAT margins expanded by 66 bps QoQ and saw a contraction of 205 bps YoY to 10.0% in Q3FY22.
- The total domestic order book stood at INR 27.3 bn at the end of the quarter.
- The explosives quantity grew by 21% to 1,04,717 MT during the quarter with rates increasing by 52% to INR 49,004 in Q3FY22.

MARKET DATA

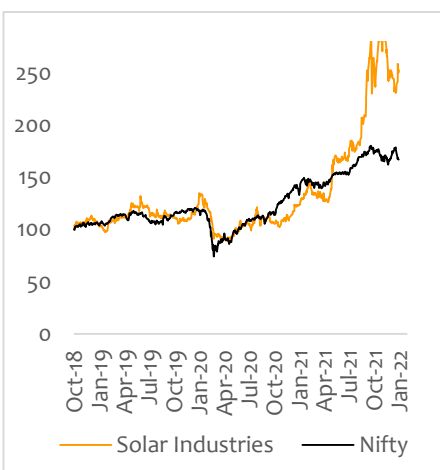
Shares outs (Mn)	90.4
Mkt Cap (INR Mn)	2,19,569
52 Wk H/L (INR)	2,938/1,123
Volume Avg (3m; K)	90
Face Value (INR)	2
Bloomberg Code	SOIL IN

KEY FINANCIALS

INR Mn	FY20	FY21	FY22E	FY23E	FY24E
Revenue	22,373	25,156	34,130	40,920	49,520
EBITDA	4,340	5,150	7,130	8,430	10,200
Adj. PAT	2,674	2,764	3,930	4,690	5,770
Adj. EPS (INR)	29.6	30.5	43.4	51.8	63.8
EBITDA Margin	19.4%	20.5%	20.9%	20.6%	20.6%
NPM	12.0%	11.0%	11.5%	11.5%	11.7%

Source: Company, KRChoksey Research

SHARE PRICE PERFORMANCE



Highest ever quarterly revenues due to growth in volumes

SOIL reported highest ever Q3 revenue at INR 10,179 mn, up by 58% YoY, beating our estimates by 14.8%. Revenue was higher mainly due to better realization and volume growth in the explosive segment. Revenue from Coal India (CIL) increased 96.0% YoY constituting 19.0% of revenue, while non-CIL & institution segment was up 102.0% YoY, constituting 14.0% of revenue. Housing and Infra revenue contribution in Q3FY22 grew by 29% YoY constituting 21.0% of revenues. Revenue from Export & overseas business was robust, growing at 35.0% YoY to INR 3773 mn, contributing 37% to total revenue. Further, defense revenue saw robust growth of 218% on YoY basis, contributing 7% to total revenue. Revenue from other segments grew by 157% YoY to INR 140 mn with contribution to revenue at 1%.

Higher commodity prices denting margins

Gross Profit margin (GPM) for the quarter saw a decline of 448 bps YoY, on account of higher raw material cost (58.9% of revenue in Q3FY22 vs 54.5% of revenue in Q3FY21). In line with GPM decline, EBITDA margin recorded a drop of 299 bps YoY/ grew by 76 bps QoQ to 17.5%. EBITDA for the quarter grew 34.6% YoY/35.1% QoQ to INR 1,780 mn. Consequently, Adj. Net Profit saw a jump of 30.8% YoY to INR 1,020 mn, while Adj. PAT margin saw a contraction of 205 bps YoY/ growth of 66 bps QoQ to 10.0%. The total domestic order book of the company stands at INR 27.3 bn during the quarter. There had been a loss of INR 370 mn due to currency fluctuations which have been included in the "Other Expenses". This was mainly due to global scenarios like Turkey situation. The company has guided for capex to be in the range of INR 2.5-3 bn of which INR 2.14 bn has already been spent in 9MFY22. The total debt of the company stands at INR 9.3 bn while net debt is INR 8.2 bn.

MARKET INFO

SENSEX	59,558
NIFTY	17,780

SHARE HOLDING PATTERN (%)

Particulars	Dec-21 (%)	Sept-21 (%)	Jun-21 (%)
Promoters	73.2	73.2	73.2
FIIIs	6.4	5.8	5.5
DIIIs	15.4	16.2	16.7
Others	5.0	4.8	4.6
Total	100	100	100

25.3%

Revenue CAGR between FY21 and FY24E

25.6%

PAT CAGR between FY21 and FY24E

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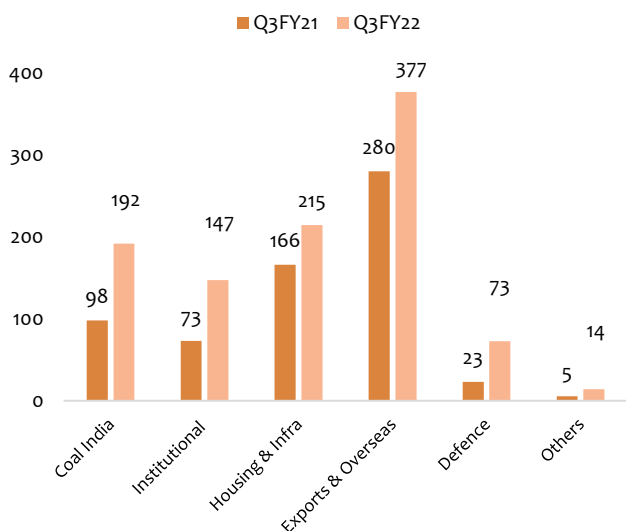
Solar Industries India Ltd.

Key Concall Highlights: (1) The company crossed the INR 10 bn topline in any quarter for the first time. The company expects healthy performance going ahead. (2) The management has guided for 19%-20% EBITDA margins for the year despite very high commodity pressures. (3) There had been unprecedented pressure due to commodity prices, however they expect the prices to rationalise in the quarters to come. (4) There has been growth in customers across categories. CIL witnessed 96% growth YoY, Housing 26%, Non CIL & Institutional 11%, Defence 4% and Exports and Overseas 43%. (5) There had been a loss of INR 370 mn due to currency fluctuations which have been included in the “Other Expenses”. This was mainly due to global scenarios like Turkey situation. (6) The company has guided for capex to be in the range of INR 2.5-3 bn of which INR 2.14 bn has already been spent in 9MFY22. (7) The total debt of the company stands at INR 9.3 bn while the net debt is INR 8.21 bn. (8) The total domestic order book of the company stands at INR 27.3 bn at the end of the quarter.

Valuation and view

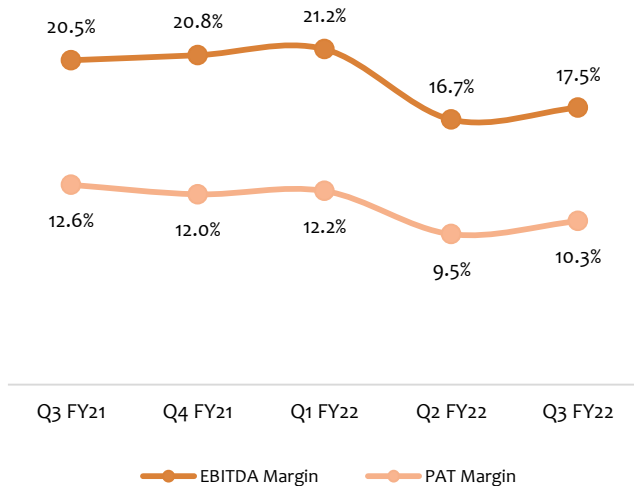
Solar Industries reported strong set of earnings in Q3FY22, crossing the INR 10 bn topline in any quarter for the first time, driven by recovery in all business verticals. The company’s entry into new geographies along with market share gains in existing business is likely to drive earnings growth in the coming quarters. The management remains optimistic, and expects commodity prices to stabilize in coming quarters. **At CMP of INR 2332, Solar Industries is trading at a P/E of 53.8x/45x/36.6x of its FY22E/23E/24E EPS respectively. We are applying a target P/E multiple of 40x (unchanged) to the FY24E EPS of 63.8/share (unchanged), implying a target price of 2,551 per share (unchanged), yielding an upside potential of 9.4% from the CMP. Accordingly, we upgrade our rating to “ACCUMULATE” from “HOLD”.**

Revenue Mix in Cr (Q3FY22 vs Q3FY21)



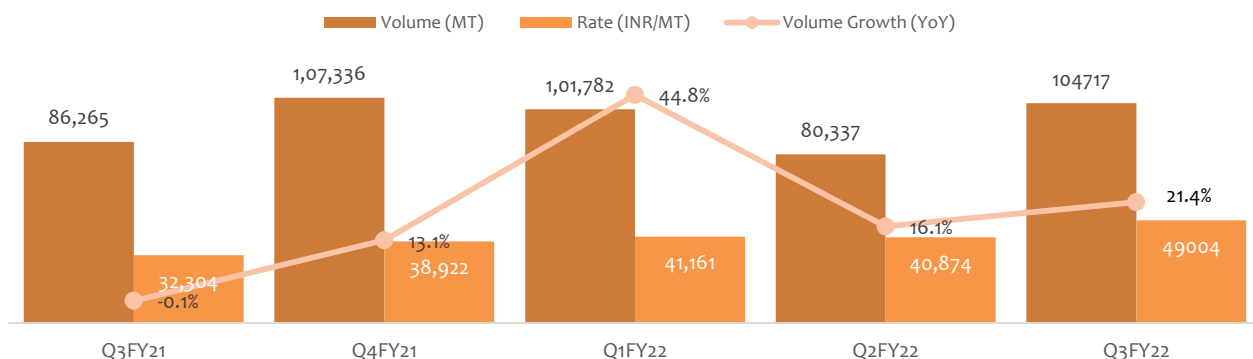
Source: Company, KRChoksey Research

Quarterly Trend of EBITDA & PAT Margin



Source: Company, KRChoksey Research

Volume trend of explosives & realized rate



Source: Company, KRChoksey Research

Solar Industries India Ltd.

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement (Consolidated)

INR Mn	FY20	FY21	FY22E	FY23E	FY24E
Revenues	22,373	25,156	34,130	40,920	49,520
COGS	12,150	13,470	18,800	22,390	26,840
Gross profit	10,220	11,690	15,320	18,540	22,680
Employee cost	2,070	2,310	2,730	3,150	3,810
Other expenses	3,810	4,240	5,460	6,960	8,670
EBITDA	4,340	5,150	7,130	8,430	10,200
<i>EBITDA Margin</i>	19.4%	20.5%	20.9%	20.6%	20.6%
Depreciation & amortization	850	940	1,100	1,140	1,128
EBIT	3,500	4,210	6,040	7,290	8,920
Interest expense	550	450	420	610	690
Other income	410	210	80	160	190
Exceptional items loss (profit)	0	0	0	0	0
PBT	3,360	3,970	5,700	6,840	8,420
Tax	570	1,090	1,560	1,880	2,310
Minority Interest	110	120	210	270	340
PAT	2,674	2,764	3,930	4,690	5,770
Adj. PAT	2,674	2,764	3,930	4,690	5,770
EPS (INR)	29.6	30.5	43.4	51.8	63.8
Adj. EPS (INR)	29.6	30.5	43.4	51.8	63.8

Source: Company, KRChoksey Research

Exhibit 2: Cash Flow Statement (Consolidated)

INR Mn	FY20	FY21	FY22E	FY23E	FY24E
Net Cash Generated From Operations	3,250	4,800	4,760	4,340	6,500
Net Cash Flow from/(used in) Investing Activities	(2,140)	(5,870)	(3,360)	(2,720)	(4,030)
Net Cash Flow from Financing Activities	(314)	1,830	(2,060)	(1,710)	(1,270)
Net Inc/(Dec) in cash equivalents	320	770	(680)	(110)	810
Opening Balance	610	930	1,700	1,020	910
Cash and cash equivalents at the end of the period	926	1,699	1,020	910	1,720

Source: Company, KRChoksey Research

Exhibit 3: Ratios (Consolidated)

Key Ratio	FY20	FY21	FY22E	FY23E	FY24E
EBITDA Margin (%)	19.4%	20.5%	20.9%	20.6%	20.6%
Net Profit Margin (%)	12.0%	11.0%	11.5%	11.5%	11.7%
RoE (%)	20.4%	18.7%	22.7%	22.8%	23.6%
RoCE (%)	20.8%	21.0%	26.9%	29.5%	30.6%
Current Ratio (x)	1.3X	1.5X	1.2X	1.4X	1.4X
Adj. EPS (INR)	29.6	30.5	43.4	51.8	63.8

Source: Company, KRChoksey Research

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Solar Industries India Ltd.

Exhibit 4: Balance Sheet (Consolidated)

INR Mn	FY20	FY21	FY22E	FY23E	FY24E
Current assets					
Inventories	3,309	4,405	5,150	6,130	7,350
Investments	0	0	0	0	0
Trade Receivables	3,703	4555	5,610	6730	8,140
Cash and Cash Equivalents	926	1699	1,020	910	1,720
Other bank balances	279	113	110	110	110
Loans	57	42	40	40	40
Other financial assets	867	624	620	1,640	1,980
Other assets	698	818	820	1,430	1,730
Total current assets	9830	12,260	13,380	17,000	21,080
Non-current assets					
Property, plant and equipment	11,474	12,165	15,350	16,850	19,700
Capital work in progress	1,522	2,823	2,820	2,820	2,820
Goodwill	987	95	100	100	100
Other intangible assets	344	365	460	530	600
Intangible assets under development	127	105	110	110	110
Investments	23	10	10	10	10
Loan	211	207	210	210	210
Other financial assets	235	849	340	410	500
Deferred tax assets	515	703	140	160	200
Current tax assets	300	217	220	220	220
Other non-current assets	468	251	380	450	540
Right of use assets	169	250	250	250	250
Non-current assets held for sale	0	0	0	0	0
Total non-current assets	15,490	18,040	20,370	22,110	25,250
TOTAL ASSETS	25,320	30,300	33,750	39,100	46,330
EQUITY AND LIABILITIES					
Current liabilities					
Borrowings	3,574	1,940	3,790	3,940	4,480
Trade Payables	1,544	2,861	3,610	4,290	5,150
Other financial liabilities	1,536	2,169	2,560	3,070	3,710
Current tax liabilities	32	178	180	180	180
Other current liabilities	550	937	680	820	990
Provisions	85	108	140	160	200
Total current liabilities	7,320	8,190	10,950	12,470	14,710
Non-current liabilities					
Borrowings	2,528	4,332	2,040	2,120	2,410
Deferred tax liabilities	1048	1,164	1,160	1,160	1,160
Lease liability	0	0	0	0	0
Total non-current liabilities	3,690	5,740	3,210	3,290	3,580
Equity					
Share capital	181	181	181	181	181
Other equity	13,619	15,613	18,580	22,120	26,480
Minority interest	515	627	830	1,110	1,440
Total Equity	14,320	16,420	19,590	23,410	28,100
Total liabilities and equity	25,320	30,300	33,750	39,100	46,330

Source: Company, KRChoksey Research

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Solar Industries India Ltd.

Solar Industries India Ltd.				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
03-Feb-22	2,332	2,551	ACCUMULATE	Buy	More than 15%
01-Nov-21	2,487	2,551	HOLD		
30-Jul-21	1,705	1,832	ACCUMULATE	Accumulate	5% – 15%
30-Jun-21	1,587	1,693	ACCUMULATE		
29-May-21	1,405	1,602	ACCUMULATE	Hold	0 – 5%
17-Mar-21	1,322	1,350	HOLD		
15-Dec-20	1,035	1,071	HOLD	Reduce	-5% – 0
24-Sep-20	1,036	1,071	HOLD		
05-Aug-20	957	998	HOLD	Sell	Less than – 5%

ANALYST CERTIFICATION:

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