

22 May 2025

India | Equity Research | Results Update

## Solar Industries

Defence

### Robust performance; stellar guidance

Solar Industries' (SOIL) Q4FY25 EPS was 5% and 13% ahead of our estimates and consensus, respectively. Key points: 1) EBITDA rose 53% YoY to INR 5.4bn. 2) Defence revenue rose 2.2x YoY to INR 4.3bn. 3) Explosives volume and realisation rose YoY by 6% and 7%, respectively. 4) Working capital days for FY25 declined to 74 compared to 84 a year back. Going ahead, we believe that defence and exports, and overseas segments are likely to be key drivers of growth. Management has guided for FY26 overall and defence revenues at INR 100bn and INR 30bn, respectively, and capex to more than double to INR 25bn. Taking cognizance of the same, we raise our FY26E/FY27E EPS by 1%/3%. Our revised TP works out to INR 16,500 (earlier INR 16,000) based on 70x FY27E EPS. Maintain **BUY**.

### Solid performance; defence segment in the limelight

SOIL's Q4FY25 EBITDA of INR 5.4bn (up 53% YoY) was 3% and 8% ahead of ours and consensus estimates, respectively. Key points: 1) EBITDA margin rose 290bps YoY at 24.9%. FY25 EBITDA margin was solid 26%. 2) Sales volume rose 6% YoY to 177.2kte, while blended realisation was up 7.4% YoY at INR 47,340/te. 3) Defence revenue rose 122% YoY to INR 4.3bn. For FY25, defence revenue rose 162% YoY to INR 1.36bn. 4) Order book (OB): Defence at INR 152bn; industrial at INR 18bn. 5) Working capital days were at 74 compared to 84 in FY25. 6) Net cash position of INR 2.8bn compared to net debt of INR 6.4bn, mainly due to advance received for Pinaka. Management guides for: 1) Revenue at INR 100bn with defence revenue at INR 30bn; 2) EBITDA margin at similar or higher level vs. FY25; and 3) capex at INR 25bn for FY26.

### Defence prospects matched by capacity/capability building

Management is pressing the capex pedal – INR 25bn capex likely in FY26. In our view, over the next five years, we might see consolidated capex of INR 150bn. Furthermore, the company has executed a MoU with the Government of Maharashtra for augmenting capacities in various defence verticals, entailing spend of INR 127bn over the next 10 years. We believe that defence revenue will likely be aided by emergency procurement, a solid OB in the near term and shall be augmented by capacities in high energy material, drones, conter-drones and ammunition in the medium term.

### Financial Summary

Y/E March (INR mn)	FY24A	FY25A	FY26E	FY27E
Net Revenue	60,695	75,403	99,343	1,19,129
EBITDA	13,692	19,604	26,309	32,149
EBITDA Margin (%)	22.6	26.0	26.5	27.0
Net Profit	8,356	12,039	17,649	21,323
EPS (INR)	92.3	133.0	195.0	235.6
EPS % Chg YoY	7.8	46.6	40.7	21.7
P/E (x)	146.8	100.1	71.2	58.5
EV/EBITDA (x)	94.2	65.4	48.9	40.5
RoCE (%)	23.8	27.5	31.7	30.7
RoE (%)	30.6	33.7	37.2	33.3

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#### Market Data

Market Cap (INR)	1,284bn
Market Cap (USD)	15,009mn
Bloomberg Code	SOIL IN
Reuters Code	SLIN.BO
52-week Range (INR)	14,340 / 7,888
Free Float (%)	27.0
ADTV-3M (mn) (USD)	16.2

Price Performance (%)	3m	6m	12m
Absolute	60.4	42.3	50.2
Relative to Sensex	52.0	36.5	39.9

ESG Score	2023	2024	Change
ESG score	59.4	60.3	0.9
Environment	34.7	43.0	8.3
Social	69.8	68.1	(1.7)
Governance	69.6	70.8	1.2

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
Revenue	5.7	6.7
EBITDA	1.0	3.3
EPS	1.3	3.1

#### Previous Reports

22-04-2025: [Company Update](#)

01-03-2025: [Company Update](#)

### Outlook: Defence gets its due

In case of SOIL, we have maintained that it should be seen more as a defence company and one needs to look beyond Pinaka. We believe several macro tailwinds – ReArm Europe, possibility of emergency procurement, replenishment market for high energy materials and traction in new platforms – shall aid defence earnings. Management expects defence to constitute 30% of overall revenue in FY26 and revenue from this stream is expected to expand further.

Taking cognizance of strong management's guidance, we raise our FY26E/FY27E EPS by 1%/3%. Our revised TP works out to INR 16,500 (earlier INR 16,000) based on 70x FY27E EPS. Maintain **BUY**. SOIL is our top pick in the defence space.

### Exhibit 1: Earnings revision

(INR mn)	FY26E			FY27E		
	New	Old	% Chg	New	Old	% Chg
Sales	99,343	93,945	5.7	1,19,129	1,11,611	6.7
EBITDA	26,309	26,039	1.0	32,149	31,116	3.3
PAT	17,649	17,426	1.3	21,323	20,692	3.1

Source: I-Sec research

### Key risks

- Delay in defence ordering
- Fall in ammonium nitrate price leading to negative price-cost spread.
- Slow traction in construction and infrastructure segments.

### Q4FY25 conference call: Takeaways

- FY26 guidance: Revenue of INR 100bn; defence revenue at INR 30bn and EBITDA margin at a similar level as FY25.
- Medium-term guidance (4-5 years): Consolidated revenue at INR 200bn; and defence revenue at INR 80bn.
- Capex of INR 25bn in FY26 will likely unlock new opportunities in aerospace solutions and related products.
- MoU with Maharashtra's government is likely to augment capabilities and capacities in defense.
- Expect 15-20% YoY growth from explosives sector in FY26. Subdued demand of explosives in FY25.
- Capex shall be funded through a combination of internal accruals and debt from banks.
- EBITDA margin: Maintain or improve margins from the current level of 27%.
- Expect defence procurement to be fast tracked. Expect annualised revenue of INR 5-6bn from Pinaka.
- Management mentioned that SOIL is a part of the air defence missile system, Brahmos, Akash and Pinaka. The company is expected to benefit from any incremental ordering in these platforms.
- Developed and supplied Nagastra-I. Expects repeat orders in due course. Developed Nagastra-2 and 3.

- Bharagavastra: Two trials have been conducted at different levels. Expect the product to be ready in FY26.
- International defence OB of INR 85bn to be executed in 3-4 years. Pinaka execution is for a ten-year period.
- Not concerned in NWC. As defence products stabilise, NWC is likely to stabilise. In FY25, NWC declined despite increase in defence revenue.
- International operations are ramping up well. Management mentioned that they have almost finished the plant in Kazakhstan and shall commence operations in the next 4 months. In Tanzania, Ghana and Nigeria, the company is expanding. Also, operations at Indonesia are ramping up well. Operations in Saudi Arabia and Thailand are yet to commence.

## Exhibit 2: SOIL Q4FY25 standalone performance review

(INR mn)	Q4FY25	Q4FY24	Chg YoY (%)	Q3FY25	Chg QoQ (%)	FY25	FY24	Chg YoY (%)
Net Sales	12,993	10,017	29.7	12,072	7.6	44,566	37,175	19.9
<b>Total Income</b>	<b>12,993</b>	<b>10,017</b>	<b>29.7</b>	<b>12,072</b>	<b>7.6</b>	<b>44,566</b>	<b>37,175</b>	<b>19.9</b>
<b>Expenditure</b>								
Change in Stock	(57)	186		187		(58)	202	
Consumption of Material	7,000	5,371	30.3	6,128	14.2	23,545	20,486	14.9
Purchase of traded goods	424	245	73.2	753	(43.7)	2,312	2,326	(0.6)
Employee Costs	703	522	34.6	564	24.7	2,323	1,855	25.2
Other Expenditure	1,740	1,191	46.1	1,544	12.7	5,474	3,959	38.3
<b>Total Expenditure</b>	<b>9,810</b>	<b>7,514</b>	<b>30.6</b>	<b>9,177</b>	<b>6.9</b>	<b>33,595</b>	<b>28,829</b>	<b>16.5</b>
<b>EBITDA</b>	<b>3,183</b>	<b>2,502</b>	<b>27.2</b>	<b>2,896</b>	<b>9.9</b>	<b>10,971</b>	<b>8,347</b>	<b>31.4</b>
EBITDA Margin	24.5	25.0		24.0		24.6	22.5	
Other Income	145	132	10.2	118	23.1	838	583	43.6
Depreciation	208	162	28.1	191	8.6	746	634	17.8
Interest and Finance Costs	81	79	2.5	79	2.5	289	296	(2.2)
Exceptional Items	-	-		-		-	-	
<b>PLT</b>	<b>3,040</b>	<b>2,393</b>	<b>27.0</b>	<b>2,744</b>	<b>10.8</b>	<b>10,773</b>	<b>8,001</b>	<b>34.7</b>
Tax Expense	770	600	28.4	700		2,715	2,038	33.2
MI	-	-		-		-	-	
<b>PAT</b>	<b>2,270</b>	<b>1,794</b>	<b>26.6</b>	<b>2,044</b>	<b>11.1</b>	<b>8,058</b>	<b>5,963</b>	<b>35.1</b>
OCI	(151)	553		-		(57)	551	
TCI	2,120	2,347		2,044		8,001	6,514	

Source: I-Sec research, Company data

**Exhibit 3: SOIL Q4FY25 consolidated performance review**

(INR mn)	Q4FY25	Q4FY24	Chg YoY (%)	Q3FY25	Chg QoQ (%)	FY25	FY24	Chg YoY (%)
<b>Net Sales</b>	<b>21,666</b>	<b>16,107</b>	<b>34.5</b>	<b>19,731</b>	<b>9.8</b>	<b>75,502</b>	<b>60,695</b>	<b>24.4</b>
Other Operating Income	-	-		-		-	-	
Total Income	21,666	16,107	34.5	19,731	9.8	75,502	60,695	24.4
<b>Expenditure</b>								
Change in Stock	525	357		132		(255)	836	
Consumption of Material	9,271	7,448	24.5	8,851	4.7	33,077	27,100	22.1
Purchase of traded goods	1,859	489	280.1	1,304	42.5	6,251	4,026	55.3
Employee Costs	1,736	1,185	46.4	1,507	15.2	6,001	4,335	38.4
Other Expenditure	2,878	3,090	(6.9)	2,672	7.7	10,825	10,707	1.1
Total Expenditure	16,269	12,570	29.4	14,465	12.5	55,899	47,003	18.9
<b>EBITDA</b>	<b>5,397</b>	<b>3,537</b>	<b>52.6</b>	<b>5,265</b>	<b>2.5</b>	<b>19,604</b>	<b>13,692</b>	<b>43.2</b>
EBITDA Margin (%)	24.9	22.0		26.7		26.0	22.6	
<b>Adjusted EBITDA</b>	<b>5,578</b>	<b>4,255</b>	<b>31.1</b>	<b>5,352</b>	<b>4.2</b>			
Other Income	66	177	(62.9)	95	(31.3)	708	445	59.3
Depreciation	505	370	36.4	474	6.5	1,815	1,434	26.6
Interest and Finance Costs	288	315	(8.7)	305	(5.7)	1,165	1,094	6.5
Exceptional Items	-	-		-		-	-	
PLT	4,670	3,028	54.2	4,582	1.9	17,332	11,609	49.3
Tax Expense	1,183	(63)	(1,977.1)	1,216	(2.8)	4,508	1,327	239.6
-Current Tax	1,003	-		1,178	(14.9)	4,281	1,540	
-Deferred Tax	180	(63)		38		228	(212)	
-Prior Period Taxes	-	-		-		-	-	
PAT Before MI	3,487	2,339		3,365	3.6	12,824	10,282	
MI	(26)	77		10	(368.8)	56	297	
<b>PAT</b>	<b>3,461</b>	<b>2,262</b>	<b>53.0</b>	<b>3,375</b>	<b>2.6</b>	<b>12,768</b>	<b>9,985</b>	<b>27.9</b>
OCI	(277)	226		(341)		(650)	(1,445)	
TCI	3,184	2,565		3,034		12,118	8,541	

Source: Company data, I-Sec research

**Exhibit 4: SOIL operational performance review**

Explosive (INR mn)	Q4FY25	Q4FY24	Chg YoY (%)	Q3FY25	%Chg QoQ
Quantity (te)	<b>1,77,216</b>	<b>1,66,899</b>	<b>6.2</b>	<b>1,55,222</b>	<b>14.2</b>
Blended Realisation/te	47,340	44,072	7.4	44,754	5.8
Blended Gross Margin/te	31,750	25,260	25.7	32,236	(1.5)
Blended EBITDA/te	17,960	14,993	19.8	18,655	(3.7)

Source: I-Sec research, Company data

**Exhibit 5: SOIL quarterly revenue breakdown**

(INR mn)	Q4FY25	Q4FY24	Chg YoY (%)	Q3FY25	%Chg QoQ
<b>Sales breakdown</b>	<b>21,670</b>	<b>16,110</b>	<b>34.5</b>	<b>19,730</b>	<b>9.8</b>
CIL	2,860	2420	18.2	2,590	10.4
Institutional	3,120	2640	18.2	2,780	12.2
Housing & infra	3,570	3130	14.1	2,570	38.9
Exports & overseas	7,640	5890	29.7	7,580	0.8
Defence	4,300	1940	121.6	4,090	5.1
Others	180	90	100.0	120	50.0

Source: Company data, I-Sec research

**Exhibit 6: Shareholding pattern**

%	Sep'24	Dec'24	Mar'25
Promoters	73.2	73.2	73.2
Institutional investors	20.2	20.0	19.9
MFs and others	11.7	11.7	12.9
FIs/Banks	0.7	1.0	1.2
FIIIs	7.8	7.2	5.8
Others	6.6	6.8	6.9

Source: Bloomberg

**Exhibit 7: Price chart**


Source: Bloomberg

## Financial Summary

### Exhibit 8: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
<b>Net Sales</b>	<b>60,695</b>	<b>75,403</b>	<b>99,343</b>	<b>1,19,129</b>
Operating Expenses	15,041	16,726	18,372	20,145
<b>EBITDA</b>	<b>13,692</b>	<b>19,604</b>	<b>26,309</b>	<b>32,149</b>
EBITDA Margin (%)	22.6	26.0	26.5	27.0
Depreciation & Amortization	1,434	1,815	2,115	2,719
EBIT	12,258	17,789	24,195	29,430
Interest expenditure	1,094	1,165	1,133	1,165
Other Non-operating Income	445	708	812	823
<b>Recurring PBT</b>	<b>11,609</b>	<b>17,332</b>	<b>23,874</b>	<b>29,089</b>
<b>Profit / (Loss) from Associates</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Less: Taxes	2,861	4,508	5,829	7,128
PAT	8,749	12,824	18,044	21,961
Less: Minority Interest	393	785	395	637
Extraordinaries (Net)	-	-	-	-
<b>Net Income (Reported)</b>	<b>8,749</b>	<b>12,824</b>	<b>18,044</b>	<b>21,961</b>
<b>Net Income (Adjusted)</b>	<b>8,356</b>	<b>12,039</b>	<b>17,649</b>	<b>21,323</b>

Source Company data, I-Sec research

### Exhibit 9: Balance sheet

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Total Current Assets	24,349	35,936	28,676	19,356
of which cash & cash eqv.	2,873	7,255	(1,543)	(16,846)
Total Current Liabilities & Provisions	7,546	18,104	20,856	22,652
<b>Net Current Assets</b>	<b>16,803</b>	<b>17,832</b>	<b>7,820</b>	<b>(3,295)</b>
Investments	3,699	6,763	6,763	6,763
Net Fixed Assets	19,607	25,393	43,278	57,559
ROU Assets	-	-	-	-
Capital Work-in-Progress	2,874	7,034	12,034	30,034
Total Intangible Assets	298	1,106	1,106	1,106
Other assets	3,819	8,957	8,957	8,957
Deferred Tax Assets	1,602	1,558	1,558	1,558
<b>Total Assets</b>	<b>48,702</b>	<b>68,642</b>	<b>81,515</b>	<b>1,02,681</b>
<b>Liabilities</b>				
<b>Borrowings</b>	<b>12,452</b>	<b>11,397</b>	<b>6,949</b>	<b>6,949</b>
<b>Deferred Tax Liability</b>	<b>1,978</b>	<b>2,190</b>	<b>2,190</b>	<b>2,190</b>
provisions	-	-	-	-
other Liabilities	-	9,689	9,689	9,689
Equity Share Capital	181	181	181	181
Reserves & Surplus	32,875	43,682	60,609	81,137
<b>Total Net Worth</b>	<b>33,056</b>	<b>43,863</b>	<b>60,790</b>	<b>81,318</b>
Minority Interest	1,217	1,503	1,898	2,535
<b>Total Liabilities</b>	<b>48,702</b>	<b>68,642</b>	<b>81,515</b>	<b>1,02,681</b>

Source Company data, I-Sec research

### Exhibit 10: Quarterly trend

(INR mn, year ending March)

	Jun-24	Sep-24	Dec-24	Mar-25
Net Sales	16,948	17,158	19,731	21,666
% growth (YOY)	(72.1)	1.2	15.0	9.8
EBITDA	4,494	4,448	5,265	5,397
Margin %	26.5	25.9	26.7	24.9
Other Income	243	305	95	66
Extraordinaries	-	-	-	-
Adjusted Net Profit	3,005	3,038	3,375	3,461

Source Company data, I-Sec research

### Exhibit 11: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
<b>Operating Cashflow</b>	<b>14,060</b>	<b>24,676</b>	<b>21,695</b>	<b>20,833</b>
Working Capital Changes	1,804	8,144	1,215	(4,188)
Capital Commitments	(7,468)	(11,820)	(25,000)	(35,000)
<b>Free Cashflow</b>	<b>6,592</b>	<b>12,856</b>	<b>(3,305)</b>	<b>(14,167)</b>
<b>Other investing cashflow</b>	<b>203</b>	<b>(4,112)</b>	<b>812</b>	<b>823</b>
Cashflow from Investing Activities	(7,265)	(15,932)	(24,188)	(34,177)
Issue of Share Capital	-	-	-	-
Interest Cost	(1,307)	(1,182)	(1,133)	(1,165)
Inc (Dec) in Borrowings	(1,556)	(2,392)	(4,448)	-
Dividend paid	-	-	-	-
Others	(840)	(151)	(723)	(795)
Cash flow from Financing Activities	(3,703)	(3,725)	(6,304)	(1,960)
<b>Chg. in Cash &amp; Bank balance</b>	<b>3,093</b>	<b>5,018</b>	<b>(8,797)</b>	<b>(15,303)</b>
Closing cash & balance	5,694	7,891	(1,543)	(16,846)

Source Company data, I-Sec research

### Exhibit 12: Key ratios

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
<b>Per Share Data (INR)</b>				
Reported EPS	96.7	141.7	199.4	242.7
Adjusted EPS (Diluted)	92.3	133.0	195.0	235.6
Cash EPS	108.2	153.1	218.4	265.7
Dividend per share (DPS)	7.5	7.5	8.0	8.8
Book Value per share (BV)	365.3	484.7	671.8	898.6
Dividend Payout (%)	7.8	5.3	4.0	3.6
<b>Growth (%)</b>				
Net Sales	(12.3)	24.2	31.7	19.9
EBITDA	6.2	43.2	34.2	22.2
EPS (INR)	7.8	46.6	40.7	21.7
<b>Valuation Ratios (x)</b>				
P/E	146.8	100.1	71.2	58.5
P/CEPS	131.2	92.7	65.0	53.4
P/BV	38.9	29.3	21.1	15.8
EV / EBITDA	94.2	65.4	48.9	40.5
P / Sales	21.2	17.0	12.9	10.8
Dividend Yield (%)	0.0	0.0	0.0	0.0
<b>Operating Ratios</b>				
Gross Profit Margins (%)	47.3	48.2	45.0	43.9
EBITDA Margins (%)	22.6	26.0	26.5	27.0
Effective Tax Rate (%)	24.6	26.0	24.4	24.5
Net Profit Margins (%)	14.4	17.0	18.2	18.4
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	0.2	(0.1)	0.0	0.2
Net Debt / EBITDA (x)	0.4	(0.1)	0.1	0.5
<b>Profitability Ratios</b>				
RoCE (%)	23.8	27.5	31.7	30.7
RoE (%)	30.6	33.7	37.2	33.3
RoIC (%)	26.4	33.1	37.2	32.0
Fixed Asset Turnover (x)	2.5	2.6	2.5	2.2
Inventory Turnover Days	55	55	43	41
Receivables Days	55	66	73	69
Payables Days	-	-	-	-

Source Company data, I-Sec research



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**BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return**

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