BUY (Maintained)

CMP: **INR 13,407** Target Price: **INR 17,200** ▲ 28%

ICICI Securities Limited is the author and distributor of this report

12 November 2025 India | Equity Research | Results Update

Solar Industries

Defence

Strong performance in difficult quarter; defence execution to pick up pace

Solar Industries India Limited (SOIL)'s Q2FY26 EBITDA of INR 5.5bn rose 24%/3% YoY/QoQ; though, slightly lower than consensus estimate of INR 5.7bn. SOIL's defence revenue crossed the INR 5bn mark for the first time and management sounds confident of achieving its INR 30bn revenue guidance for FY26 (H2 to be stronger as Pinaka deliveries begin). Order book (OB) improved to INR 171bn, including defence's OB of >INR 155bn (export OB of >INR 80bn). Management maintains its revenue (INR 100bn) and EBITDA margin (26% or above) guidance for FY26, while some capex may be deferred to next year. However, overall capex of INR 125bn over the next five years remains intact, as SOIL is working on multiple defence projects. We maintain **BUY** and our target price of INR 17,200, based on 55x FY28E EPS.

Best-ever performance despite challenging time

SOIL's EBITDA of INR 5.5bn was slightly below consensus estimate of INR 5.7bn. Key points: 1) EBITDA margin improved sequentially to 26.5% (24.8% in Q1FY26), mainly on account of higher defence contribution and improvement in international business performance. 2) Defence revenue surged by 57% YoY while the international business grew by 21% YoY; other revenue (ex-defence and international) was mainly impacted by the prolonged monsoon season. 3) Defence OB increased to INR 155bn+ including the export book of >INR 80bn+. 4) SOIL incurred capex of INR 7.6bn in H1FY26, as against its annual guidance of INR 25bn. The company expects some deferment in its capex plans for FY26. 5) CFO stands at INR 958mn, it was impacted by higher working capital requirements. 6) Net cash position, as of end-Q2FY26, stands at INR 2bn. Management maintains its guidance of: 1) revenue at INR 100bn, with defence revenue at INR 30bn; and 2) improvement in EBITDA margin (vs. FY25 levels).

Defence revenue to pick up from Q3 as Pinaka execution starts

SOIL has booked defence revenue of INR 9.2bn in H1FY26 and management sounds confident of achieving its stated revenue target of INR 30bn for FY26, as Pinaka execution starts picking up from Q3, along with the execution of other international defence orders. We believe, H2 is likely to remain strong for SOIL, as this segment has better profitability. Further, we expect more defence orders to flow in from H2FY26 from both international and domestic market.

Financial Summary

Y/E March (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	75,403	98,574	122,833	153,236
EBITDA	19,604	25,591	32,441	41,294
EBITDA Margin (%)	26.0	26.0	26.4	26.9
Net Profit	12,824	17,061	21,910	28,305
EPS (INR)	141.7	188.5	242.1	312.8
EPS % Chg YoY	46.6	33.0	28.4	29.2
P/E (x)	94.6	71.1	55.4	42.9
EV/EBITDA (x)	52.0	40.2	31.8	24.9
RoCE (%)	32.3	33.0	34.0	34.1
RoE (%)	33.3	32.6	30.5	29.2

Vikash Singh
singh.vikash@icicisecurities.com
+91 22 6807 7289
Mohit Lohia
mohit.lohia@icicisecurities.com
Pritish Urumkar
Pritish.urumkar@icicisecurities.com

Market Data

Market Cap (INR)	1,213bn
Market Cap (USD)	13,675mn
Bloomberg Code	SOIL IN
Reuters Code	SLIN.BO
52-week Range (INR)	17,820 /8,479
Free Float (%)	27.0
ADTV-3M (mn) (USD)	17.5

Price Performance (%)	3m	6m	12m
Absolute	(7.3)	(0.6)	32.1
Relative to Sensex	(11.9)	(5.7)	27.0

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

Previous Reports

10-08-2025: Re-initiating Coverage

22-05-2025: Q4FY25 results review

Outlook: Defence to lead margin expansion; H2 shall be better

SOIL's strategy to focus on its defence and international businesses has started to bear fruit, helping the company to improve its OB sharply to over INR 171bn (including defence order of INR 155bn+). Though, H1FY26 was tough for domestic explosive business due to a prolonged monsoon season impacting mining and infrastructure, we remain positive on the overall growth prospects (Indian Government auctioned over 400 mines in the past 4–5 years and many of them are expected to get operationalised in the next 2–3 years). Further inroads in new geographies and ramp-up in existing plant should further boost international business. SOIL has already transformed into one of the strongest players in the defence segment and continues to invest heavily in new projects, which will likely further open the doors to aggressive growth. Further, we believe, several macro tailwinds – ReArm Europe (Readiness 2030), emergency procurement, replenishment market for high energy materials in the international geographies and traction in new platforms – could aid defence earnings.

We maintain our **BUY** rating as well as target price of INR 17,200 (55x FY28E EPS).

Key risks

- Delay/deferring in defence spending and ordering
- Slow traction in construction and infrastructure segments.

Q2FY26 conference call: Takeaways

- In Q2FY26 – 1) due to a prolonged monsoon season, there was a considerable drop in the coal-mining activity, which impacted demand of explosives; and 2) depreciation has increased QoQ due to increased capex.
- **Guidance:** 1) Management maintain its FY26 guidance of INR 100bn and is optimistic of achieving it. 2) SOIL expects commercial sale of PINAKA to commence from Q3FY26. 3) Management expects annualized growth of 15% for the international business.
- **Capex:** In H1FY26, capex of INR 7.6bn, which was lower due to the impact of a heavy and prolonged monsoon season. Management expects capex for FY26 to be lower than earlier guidance of INR 25bn
- **International Business:** The rise in contribution in Q2FY26, is due to the continuous efforts over the last three years in ramping up facilities in other countries. Management is also setting up operations in Australia, Kazakhstan, Saudi Arabia etc. with expectation of commissioning in next 6-12months.
- **Counter-drone projects:** 1) Nagastra – has received repeat orders; and 2) Bhargavastra and Rudrastra are under development phase.
- **Key updates:** 1) Started trail production of 155mm shells; management expects commercial production to begin by Q4FY26. 2) Bhargavastra (counter-drone) field trials are ongoing and it is expected to be completed in Mar'26. 3) Y-55 production shall commence in the next two quarters, after technical qualification.
- **Upcoming orders:** 1) PINAKA guided rockets – SOIL has participated and management expects the order to come through in 1-2 quarters. 2) It has also participated in RFIs of medium calibre ammunition (20/30/40mm) and other products like – i) loitering ammunition; ii) counter-drone systems; and iii) missile program (KUSHA).
- **Working capital:** WC was impacted by the dip in mining activities at CIL; but management guides it to be in the level of ~90 days by Mar'26.

Exhibit 1: SOIL Q2FY26 performance review

(INR mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H2FY26	H2FY25	YoY (%)
Net Sales	20,822	17,158	21.4	21,545	(3.4)	42,367	34,106	24.2
EBITDA	5,528	4,448	24.3	5,349	3.4	10,877	8,942	21.6
EBITDA Margin (%)	26.5	25.9		24.8		25.7	26.2	
Depreciation	606	436	39.0	560	8.3	1,166	836	39.5
Other Income	292	305	(4.2)	293	(0.3)	584	547	6.8
Interest	309	297	3.9	274	12.6	583	572	1.9
PBT	4,905	4,019	22.0	4,807	2.0	9,712	8,081	20.2
Tax	1,281	1,032	24.1	1,281	(0.1)	2,562	2,109	21.5
Adj PAT	3,615	3,038	19.0	3,526	2.5	7,141	6,043	18.2
Adj PAT margin (%)	17.4	17.7		16.4		16.9	17.7	
EPS (INR)	39.9	33.6	19.0	39.0	2.5	78.9	66.8	18.2

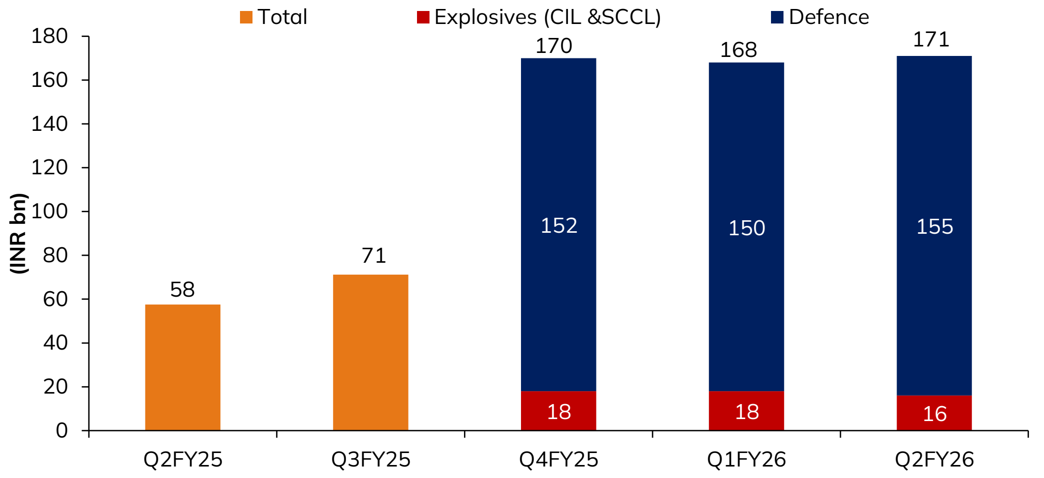
Source: I-Sec research, Company data

Exhibit 2: SOIL quarterly revenue breakdown

(INR mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)
Sales breakdown					
CIL	156	169	(7.7)	238	(34.5)
Institutional	271	224	21.0	348	(22.1)
Housing & infra	171	191	(10.5)	312	(45.2)
Exports & overseas	963	799	20.5	826	16.6
Defence	506	322	57.1	418	21.1
Others	15	11	36.4	12	25.0

Source: Company data, I-Sec research

Exhibit 3: SOIL Orderbook



Source: I-Sec research, Company data

Exhibit 4: Shareholding pattern

%	Mar'25	Jun'25	Sep'25
Promoters	73.2	73.2	73.2
Institutional investors	19.9	20.4	19.9
MFs and others	12.9	12.2	11.7
FIs/Banks	0.9	1.1	1.0
FIIs	6.1	7.1	7.1
Others	6.9	6.4	6.9

Source: Bloomberg, I-Sec research

Exhibit 5: Price chart

Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 6: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Net Sales	**75,403**	**98,574**	**122,833**	**153,236**
Operating Expenses	16,726	21,317	25,912	31,589
EBITDA	**19,604**	**25,591**	**32,441**	**41,294**
EBITDA Margin (%)	26.0	26.0	26.4	26.9
Depreciation & Amortization	1,815	2,269	2,723	3,267
EBIT	17,789	23,323	29,719	38,027
Interest expenditure	-	-	-	-
Other Non-operating Income	708	921	1,197	1,556
Recurring PBT	**17,332**	**23,055**	**29,609**	**38,250**
Profit / (Loss) from Associates	**-**	**-**	**-**	**-**
Less: Taxes	4,508	5,994	7,698	9,945
PAT	12,824	17,061	21,910	28,305
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	**12,824**	**17,061**	**21,910**	**28,305**
Net Income (Adjusted)	**12,824**	**17,061**	**21,910**	**28,305**

Source Company data, I-Sec research

Exhibit 7: Balance sheet

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Total Current Assets	35,975	30,081	34,297	46,652
of which cash & cash eqv.	7,255	(6,187)	(9,850)	(7,370)
Total Current Liabilities & Provisions	15,682	19,656	24,456	30,466
Net Current Assets	**20,294**	**10,425**	**9,841**	**16,186**
Investments	8,530	8,530	8,530	8,530
Net Fixed Assets	24,698	31,463	53,741	75,474
ROU Assets	-	-	-	-
Capital Work-in-Progress	7,034	23,000	23,000	23,000
Total Intangible Assets	1,837	1,837	1,837	1,837
Other assets	422	422	422	422
Deferred Tax Assets	-	-	-	-
Total Assets	**66,932**	**80,000**	**101,910**	**130,215**
Liabilities				
Borrowings	**9,396**	**5,457**	**5,457**	**5,457**
Deferred Tax Liability	**2,190**	**2,190**	**2,190**	**2,190**
provisions	53	53	53	53
other Liabilities	9,926	9,926	9,926	9,926
Equity Share Capital	181	181	181	181
Reserves & Surplus	43,682	60,689	82,600	110,905
Total Net Worth	**43,863**	**60,870**	**82,781**	**111,086**
Minority Interest	1,503	1,503	1,503	1,503
Total Liabilities	**66,932**	**80,000**	**101,910**	**130,215**

Source Company data, I-Sec research

Exhibit 8: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Operating Cashflow	**12,533**	**15,819**	**21,446**	**27,257**
Working Capital Changes	(2,774)	(3,778)	(3,297)	(4,092)
Capital Commitments	(9,773)	(25,000)	(25,000)	(25,000)
Free Cashflow	**2,761**	**(9,181)**	**(3,554)**	**2,257**
Other investing cashflow	**(2,711)**	**921**	**1,197**	**1,556**
Cashflow from Investing Activities	(12,483)	(24,079)	(23,803)	(23,444)
Issue of Share Capital	-	-	-	-
Interest Cost	(1,165)	(1,188)	(1,307)	(1,333)
Inc (Dec) in Borrowings	8,035	(3,939)	-	-
Dividend paid	(679)	(679)	(679)	(679)
Others	(1,859)	625	679	679
Cash flow from Financing Activities	4,332	(5,181)	(1,307)	(1,333)
Chg. in Cash & Bank balance	**4,382**	**(13,441)**	**(3,664)**	**2,480**
Closing cash & balance	7,255	(6,187)	(9,850)	(7,370)

Source Company data, I-Sec research

Exhibit 9: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
Per Share Data (INR)				
Reported EPS	141.7	188.5	242.1	312.8
Adjusted EPS (Diluted)	141.7	188.5	242.1	312.8
Cash EPS	161.8	213.6	272.2	348.9
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	484.7	672.7	914.8	1,227.6
Dividend Payout (%)	-	-	-	-
Growth (%)				
Net Sales	24.2	30.7	24.6	24.8
EBITDA	43.2	30.5	26.8	27.3
EPS (INR)	46.6	33.0	28.4	29.2
Valuation Ratios (x)				
P/E	94.6	71.1	55.4	42.9
P/CEPS	82.9	62.8	49.3	38.4
P/BV	27.7	19.9	14.7	10.9
EV / EBITDA	52.0	40.2	31.8	24.9
P / Sales	17.4	13.3	10.7	8.5
Dividend Yield (%)	-	-	-	-
Operating Ratios				
Gross Profit Margins (%)	48.2	47.6	47.5	47.6
EBITDA Margins (%)	26.0	26.0	26.4	26.9
Effective Tax Rate (%)	26.0	26.0	26.0	26.0
Net Profit Margins (%)	17.0	17.3	17.8	18.5
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	(0.1)	0.0	0.1	0.0
Net Debt / EBITDA (x)	(0.3)	0.1	0.2	0.1
Profitability Ratios				
RoCE (%)	32.3	33.0	34.0	34.1
RoE (%)	33.3	32.6	30.5	29.2
RoIC (%)	30.7	28.3	25.6	25.5
Fixed Asset Turnover (x)	-	-	-	-
Inventory Turnover Days	55	63	63	62
Receivables Days	66	76	74	74
Payables Days	47	50	50	49

Source Company data, I-Sec research

This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #40-92 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet_babbar@icicisecuritiesinc.com, Rishi_agrawal@icicisecuritiesinc.com and Kadambari_balachandran@icicisecuritiesinc.com.

"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."

New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)
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

ANALYST CERTIFICATION
I/We, Vikash Singh, MBA; Mohit Lohia, CA; Pritish Urumkar, MBATech (Finance); authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:
ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager, Research Analyst and Alternative Investment Fund. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities AIF Trust's SEBI Registration number is IN/AIF3/23-24/1292 ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Institutional Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Retail Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, **E-mail Address** : complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jawrani Email address: headservicequality@icicidirect.com Contact Number: 18601231122