

Defence segment to lead growth ahead...

About the stock: Solar Industries is one of the largest domestic manufacturers of bulk and cartridge explosives, detonators, detonating cords and components which find applications in the mining, infrastructure, construction industries

- Product range includes packaged explosives, initiating systems, UAS drones, ammunitions, military explosives, rocket integration, space motors, bombs and warheads
- In FY25, ~39% of revenue was from industrial explosives (bulk and cartridge), ~36% from export and overseas, ~20% from defence and remaining ~5% from initiating systems & others

Investment Rationale:

- Strong growth expected in defence segment:** Defence remains the fastest growing segment for the company (revenue CAGR 68% over FY21-25), led by strong order inflows, healthy execution and focus on continuously expanding portfolio. With an order backlog of ~Rs 15200 crore (11.2x FY25 defence revenue) along with robust pipeline, we believe that there is strong growth visibility in this segment. Company anticipates huge opportunity for its defence products across global markets and expect defence revenue at Rs 8000 crore in next 4-5 years (40%+ CAGR). Company has planned a capex of Rs 2500 crore for FY26 with focus on further expansion of product portfolio. The company had also entered into an MoU with the Government of Maharashtra to initiate the Anchor Mega Defence & Aerospace Project in Nagpur with an investment of around Rs 12,700 crores (over the next 10 years), aimed at enhancing defence products like Drones, UAVs, Counter Drone systems, energetic materials, New Generation Explosives, and new Military transport Aircraft. We estimate defence segment revenue share to increase substantially to 31% by FY27E (from 18% in FY25)
- Well poised to see significant recovery in explosives & exports/overseas segment:** With market leading share of ~25% in domestic industrial explosives market, we believe that company is well poised to grow steadily led by healthy demand prospects from segments like mining, housing and infrastructure. Company witnessed some recovery in explosives segment during FY25, led by 7% volume growth with improvement in realisation. With an order backlog of Rs 1800+ crore in explosives and stable raw material prices, we expect ~15% revenue CAGR in this segment over FY25-27E. In exports/overseas segment also, we expect a further recovery over FY26-27E, led by rising exports inflows with further sizable opportunities

Rating and Target Price

- We believe Solar Industries is well positioned to witness healthy growth in the coming period, led by strong sector tailwinds. We estimate revenue & PAT to grow at ~26% & ~31% CAGR respectively over FY25-27E.
- We recommend BUY on SIL with target price of ₹ 16310 (based on 72x P/E on FY27E EPS)

Key Financial Summary

(Year-end March)	FY22	FY23	FY24	FY25	3 Year CAGR (FY22-FY25)	FY26E	FY27E	2 Year CAGR (FY25-FY27E)
Revenue	3,947.6	6,922.5	6,069.5	7,540.2	24.1	9,979.2	12,009.9	26.2
EBITDA	747.3	1,288.9	1,369.2	1,960.3	37.9	2,670.3	3,372.3	31.2
EBITDA margin (%)	18.9	18.6	22.6	26.0		26.8	28.1	
Net Profit	441.3	757.5	835.6	1,203.9	39.7	1,631.3	2,049.8	30.5
EPS (₹)	48.8	83.7	92.3	133.0		180.3	226.5	
P/E (x)	290.4	169.2	153.4	106.5		78.6	62.5	
EV/EBITDA (x)	172.5	100.1	94.0	65.2		48.4	38.1	
RoCE (%)	21.7	29.1	26.7	27.6		29.6	30.0	
RoE (%)	23.1	29.0	25.3	27.4		28.5	26.6	

Source: Company, ICICI Direct Research

**Particulars**

Particular (Rs crore)	Amount
Market Capitalization	1,28,161
Total Debt (FY25)	939
Cash (FY25)	725
EV (FY25)	1,28,375
52 week H/L	14340 / 7888
Equity capital	18
Face value	2

Shareholding pattern

	Jun-24	Sep-24	Dec-24	Mar-25
Promoter	73%	73%	73%	73%
FII	8%	8%	7%	6%
DII	13%	13%	13%	14%
Others	7%	7%	7%	7%

Price Chart**Key risks**

- Delay in orders from govt
- Volatility in ammonium nitrate prices
- Availability of raw materials

Research Analyst

Chirag Shah
shah.chirag@icicisecurities.com

Vijay Goel
vijay.goel@icicisecurities.com

Kush Bhandari
kush.bhandari@icicisecurities.com

Q4 and FY25 Result Summary

- Operational performance during the quarter remains healthy on YoY basis, led by exports and defence revenue. Revenue increased by 34.5% YoY (+9.8% QoQ) to Rs 2166.6 crore
- Exports revenue (36% of total) increased by 30% YoY (flattish on QoQ basis) to Rs 764 crore Defence segment revenue (20% of total) increased significantly by 122% YoY (+5% QoQ) to Rs 420 crore. Explosives segment revenue (39% of total) was up 14% YoY (+20% QoQ) to Rs 839 crore
- EBITDA margin also improved substantially by 295 bps YoY (-178 bps QoQ) to 24.9%, led by execution of higher margin products
- Subsequently, absolute EBITDA grew by 52.6% YoY (+2.5% QoQ) to Rs 539.7 crore. PAT was up 42.6% YoY (+2.6% QoQ) to Rs 346.1 crore
- For FY25, revenue is up 24.2% YoY at Rs 7540.2 crore with EBITDA margin standing at 26% (vs 22.6% in FY24). The EBITDA for the year stood at Rs 1960.3 (+43% YoY) while the PAT stood at Rs 1287.9 crore (+47.2% YoY)

Q4 and FY25 Earnings call highlights

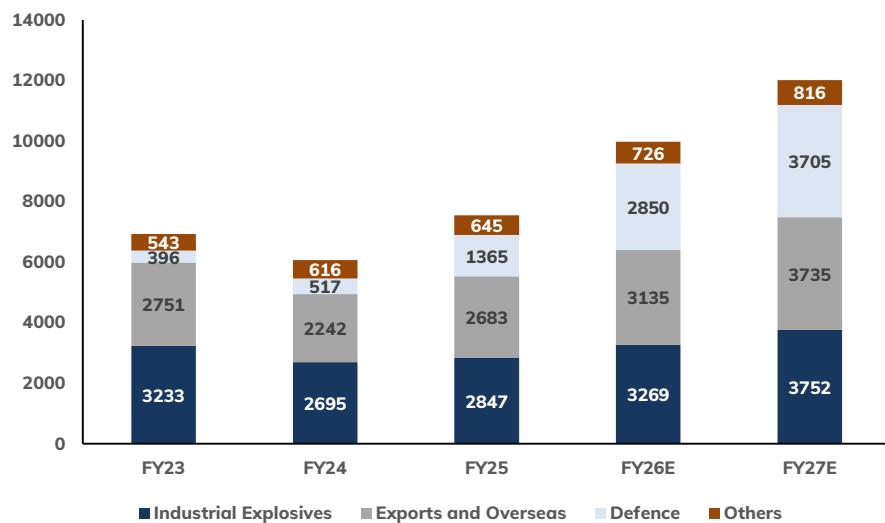
- Order backlog stands at ~Rs 17000 crore as of March'25 end (~Rs 15200 crore defence and ~Rs 1800 crore industrial). Order inflows during the FY25 stands at ~Rs 19411 crore
- The order book now comprises of orders from defence (~Rs 8500 crore international orders and ~Rs 6700 crore domestic orders) and industrial domestic orders
- The company has projected its revenue guidance to be approximately ~Rs 10,000 crore for the FY26E and anticipates an enhancement in EBITDA margin due to high-margin export and defence orders.
- The revenue from defence is expected to be ~Rs 3000 crore for the year, with Rs 500-600 crore expected to be generated from Pinaka orders (amounting to Rs 6000 crore), thereby fulfilling the contract over a period of 10 years. On the explosives side, the management sees a ~15-20% growth
- Regarding the capital expenditure for the year, the company plans a Rs 2500 crore outlook which would be mostly internally accrued and used for investments into new technologies, automation, ammunition range extension and land acquisitions
- The company had also entered into an MoU with the Government of Maharashtra to initiate the Anchor Mega Defence and Aerospace Project in Nagpur with an investment of around Rs. 12,700 Crores, aimed at enhancing defence products like Drones, UAVs, Counter Drone systems, energetic materials, New Generation Explosives, and new Military transport Aircraft.
- Management expects repeat and new orders for Nagastra 1, (loitering munition) while Nagastra 2 and 3 are in development stages. Bhargavastra (anti-drone missile) has completed two trial stages and is set to enter production by 2025.
- Management anticipates significant revenue growth from the defence sector, predicting it will reach Rs 8000 crore in the next 4-5 years. Furthermore, a total revenue of ~Rs 20000 crore is achievable in the 4 years

Exhibit 1: Q4FY25 and FY25 result snapshot (₹ crore)

	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	Comments	FY25	FY24	YoY(%)
Operating Income	2,166.6	1,610.7	34.5	1,973.1	9.8	Strong YoY growth was mainly led by exports, defence segments	7,540.2	6,069.5	24.2
Raw materials costs	1,165.5	829.5		1,028.7			3,907.3	3,196.2	
Employees Cost	173.6	118.5		150.7			11,447.5	9,265.7	
Other Expenses	287.8	309.0		267.2			1,072.5	1,070.7	
Total Expenditure	1,626.9	1,257.0		1,446.5			5,579.9	4,700.3	
EBITDA	539.7	353.7	52.6	526.5	2.5		1,960.3	1,369.2	
EBITDA margins (%)	24.9	22.0	295 bps	26.7	-178 bps	EBITDA Margin improved led by rise in share of defence and exports	26.0	22.6	15.2
Depreciation	50.5	37.0		47.4			181.5	143.4	
EBIT	489.2	316.7	54.5	479.1	2.1		1,778.8	1,225.8	45.1
Interest	28.8	31.5		30.5			116.5	109.4	
Other Income	6.6	17.7		9.5			70.8	44.5	
Extra Ordinary Item	2.6	-2.6		-1.0			-5.6	-0.4	
PBT	464.4	305.4		459.1			1,738.7	1,161.3	
Total Tax	118.3	62.7		121.6			450.8	286.1	
PAT	346.1	242.7	42.6	337.5	2.6		1,287.9	875.2	47.2

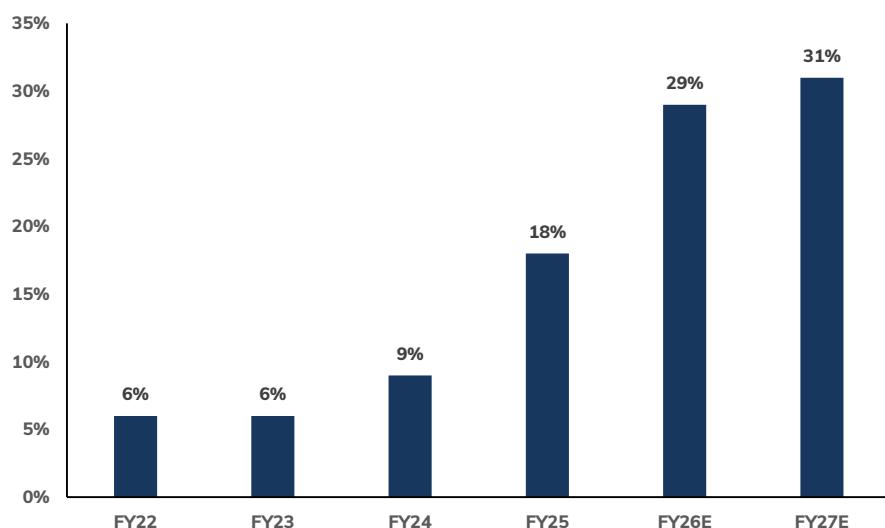
Source: Company, ICICI Direct Research

Exhibit 2: Segment wise revenue break-up (₹ crore)



Source: Company, ICICI Direct Research

Exhibit 3: Share of defence segment revenue to increase substantially



Source: Company, ICICI Direct Research

Financial Summary

Exhibit 4: Profit and loss statement		₹ crore		
(Year-end March)	FY24	FY25	FY26E	FY27E
Revenue	6,070	7,540	9,979	12,010
Growth YoY (%)	(12.3)	24.2	32.3	20.3
Raw Material Expenses	3,196	3,907	5,089	5,945
COGS	52.7	51.8	51.0	49.5
Employee Expenses	433	600	750	900
Other Expenses	1,071	1,073	1,469	1,793
Total Operating Expenditure	4,700	5,580	7,309	8,638
Operating Profit (EBITDA)	1369	1960	2670	3372
Growth YoY (%)	6.2	43.2	36.2	26.3
Interest	109	117	134	161
Other Income	44	71	79	89
PBTD	1,304	1,915	2,616	3,300
Depreciation	143	182	268	350
PBT after Exceptional Items	1,161	1,733	2,348	2,950
Total Tax	286	451	610	767
PAT before MI	875	1,282	1,737	2,183
Minority Interest	39	78	106	133
PAT	836	1204	1631	2050
Growth YoY (%)	10.3	44.1	35.5	25.7
EPS	92	133	180	227

Source: Company, ICICI Direct Research

Exhibit 5: Cash Flow Statement				
(Year-end March)	FY24	FY25	FY26E	FY27E
Profit after Tax	836	1,204	1,631	2,050
Add: Depreciation	143	182	268	350
Add: Interest Paid	109	117	134	161
Cash Flow before WC changes	1,088	1,502	2,033	2,561
(Increase)/Decrease in inventory	251	(193)	(327)	(278)
(Increase)/Decrease in debtors	(20)	(394)	(265)	(306)
(Increase)/Decrease Loan & Advances	9	1	-	-
(Increase)/Decrease in CA	(167)	(135)	(190)	(158)
Net Increase in Current Assets	74	(720)	(782)	(742)
Net Increase in Current Liabilities	44	588	356	376
Net CF from operating activities	1,206	1,370	1,607	2,194
(Purchase)/Sale of Fixed Assets	(656)	(948)	(2,500)	(1,200)
Inc / (Dec) in Deferred Tax Liability	39	21	-	-
Net CF from Investing Activities	(865)	(526)	(2,081)	(1,291)
Proceeds/(Repay) Secured Loan	(64)	(166)	350	-
Proceeds/(Repay) Unsecured Loan	-	-	-	-
(Payment) of Dividend	(77)	(90)	-	-
Interest Paid	(109)	(117)	(134)	(161)
Net CF from Financing Activities	(314)	(406)	(68)	(239)
Net Cash flow	27	438	(543)	664
Cash and Cash Eq. (beginning)	260	287	725	182
Cash and Cash Equivalent (end)	287	725	182	846

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet		₹ crore		
(Year-end March)	FY24	FY25	FY26E	FY27E
Equity Capital	18.1	18.1	18.1	18.1
Reserve and Surplus	3,287	4,368	5,715	7,687
Total Shareholders funds	3,306	4,386	5,733	7,705
Secured Loan	1,105	939	1,289	1,289
Unsecured Loan	-	-	-	-
Total Debt	1,105	939	1,289	1,289
Deferred Tax Liability	198	219	219	219
Minority Interest	122	150	154	169
Total Liabilities	4,757	6,693	8,393	10,380
Gross Block	2,595	3,327	5,030	6,730
Accumulated Depreciation	676	857	1,126	1,476
Net Block	1,919	2,470	3,905	5,255
Capital WIP	487	703	1,500	1,000
Total Fixed Assets	2,407	3,173	5,405	6,255
Inventory	847	1,040	1,367	1,645
Debtors	845	1,239	1,504	1,810
Loans and Advances	3	2	2	2
Other Current Assets	453	587	777	936
Cash	287	725	182	846
Total Current Assets	2,435	3,593	3,833	5,239
Creditors	553	887	1,148	1,382
Provisions	15	24	24	24
Total Current Liabilities	980	1,568	1,924	2,300
Net Current Assets	1,455	2,025	1,909	2,940
Total Assets	4757	6693	8393	10380

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios				
(Year-end March)	FY24	FY25	FY26E	FY27E
Per Share Data				
Reported EPS	92.3	133.0	180.3	226.5
Cash EPS	108.2	153.1	209.9	265.2
BV per share	365.3	484.7	633.5	851.4
Dividend per share	8.5	10.0	14.0	16.0
Cash Per Share	74.7	94.7	124.4	163.1
Operating Ratios (%)				
EBITDA Margin	22.6	26.0	26.8	28.1
EBIT / Net Sales	20.2	23.6	24.1	25.2
PAT / Net Sales	13.8	16.0	16.3	17.1
Inventory days	50.9	50.3	50.0	50.0
Debtor days	50.8	60.0	55.0	55.0
Creditor days	33.2	42.9	42.0	42.0
Return Ratios (%)				
RoE	25.3	27.4	28.5	26.6
RoCE	26.7	27.6	29.6	30.0
RoIC	33.7	39.3	37.1	36.3
Valuation Ratios (x)				
P/E	153.4	106.5	78.6	62.5
EV / EBITDA	94.0	65.2	48.4	38.1
EV / Net Sales	21.2	17.0	12.9	10.7
Market Cap / Sales	21.1	17.0	12.8	10.7
Price to Book Value	38.8	29.2	22.4	16.6
Solvency Ratios				
Debt / EBITDA	0.8	0.5	0.5	0.4
Debt / Equity	0.3	0.2	0.2	0.2
Current Ratio	3.7	3.0	3.0	3.0
Quick Ratio	2.2	1.9	1.9	1.9

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Chirag Shah, PGDBM, Vijay Goel, PGDBM, Kush Bhandari, MBA, Research Analysts, 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. 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. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. 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. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. 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.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

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. Bhavesh Soni Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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 Retail 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 Institutional 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 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.

ICICI Securities Limited has not used any Artificial Intelligence tools for preparation of this Research Report