

Price: 11,261

Recommendation: Buy

Industry: Explosives

Sector: Commodities

Report Date: 03-Apr-2025

Solar Industries India Limited has demonstrated strong performance with a 38% revenue increase, reaching Rs. 1,973 crores. This growth is driven by strategic initiatives in explosives and defense, with the defense sector achieving a 578% rise. The company plans a Rs. 12,700 crore investment in Maharashtra to enhance defense capabilities. Despite domestic challenges, it aims for 20% revenue growth, supported by a robust order book and new product developments.

Sales		Profit & Loss		Profitability Matrix	
Current Year	4159 Cr	Operating Profit(Year)	1029 Cr	Operating Profit Margin	24.7 %
Previous Year	4160 Cr	Operating Profit(Quarter)	290 Cr	EBITDA Margin	21.45 %
Current Quarter	1207 Cr	PAT (Year)	595 Cr	Net Profit Margin	16.0 %
Previous Quarter	905 Cr	PAT (Quarter)	204 Cr	EPS	83.5
Revenue (QYoY)	902 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	135	Sales Growth	4.78 %	Sales Growth	33.37 %
PEG Ratio	5.40	PAT Growth	33.71 %	Sales Growth QYoY	33.81 %
EV/EBITDA	91.9	EPS Growth	26.71 %	PAT Growth	15.25 %
P/B	38.4	Dividend Yield	0.08	PAT Growth QYoY	47.83 %
Capital Allocation		Holdings		Leverage	
RoE	28.9 %	Promoter	73.1 %	Debt/Equity	0.14
RoA	19.8 %	FII	7.23 %	Debt	359 Cr
RoCE	34.1 %	DII	12.8 %	Market Cap	101869 Cr
RoIC	39.7 %	Public	6.82 %	Enterprise value	102182 Cr
		No of Shares	9.05 Cr	Cash Equivalents	45.9 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

Solar Industries India Limited has reported a robust performance in its latest quarter, with a 38% increase in revenue, reaching Rs. 1,973 crores from Rs. 1,429 crores year-on-year. This growth is largely attributed to strategic initiatives in the explosives and defense sectors. The international business also showed a strong performance with a 21% year-on-year growth, achieving Rs. 758 crores in revenue. The defense sector, in particular, saw a remarkable 578% growth, marking the highest quarterly defense revenue in the company's history at Rs. 409 crores. Despite subdued domestic demand due to elections and heavy monsoons affecting the mining sector, the company remains optimistic about its long-term growth trajectory, driven by strategic diversifications and government initiatives like Atmanirbhar Bharat.

The company has embarked on several new initiatives, including a significant investment in Maharashtra. An MOU with the Government of Maharashtra outlines a Rs. 12,700 crore investment over the next decade to establish a mega project in the state. This project is expected to enhance the company's defense capabilities and secure its position in the Indian defense sector. The Cabinet Committee on Security has approved a procurement deal for supplying Pinaka enhanced rockets and area denial rockets, which is anticipated to drive revenue growth and open new opportunities. The company is also expanding its international presence, with new territories contributing to its growth.

Looking ahead, Solar Industries is confident in its ability to deliver sustained value to stakeholders. The company anticipates maintaining a 20% plus revenue growth over the next 3 to 5 years, supported by its strong order book and strategic investments. The defense sector, in particular, is expected to be a significant growth driver, with a current order book of Rs. 4,971 crores, which is set to increase with the addition of Pinaka orders. The company is also exploring new product developments, such as loitering ammunition and anti-drone systems, which are expected to be commercialized in the coming years.

While the company's performance is commendable, there are areas for improvement. The domestic market has shown slower growth, and the company has adjusted its domestic volume growth guidance from 15% to 8-10%. Additionally, while the EBITDA margin is strong at 27%, maintaining or improving this margin amidst changing business dynamics will be crucial. The company is also facing challenges in the explosive segment due to subdued demand, but expects a pickup in demand from January 2025. Overall, Solar Industries is well-positioned for future growth, with a clear strategy and strong foundation to capitalize on emerging opportunities in the defense and international markets.

SOLARINDS Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Solar Industries	101868.55	134.84	28.94%	33.32%	33.80%	15.19%	47.79%

Aspect	Commentary
Revenue	The company shows stable revenue with a slight decrease from the previous year but a significant quarterly increase, indicating potential seasonal or strategic factors influencing sales.
Profit & Loss	Operating profit and PAT show strong performance, with quarterly figures indicating efficient cost management and profitability despite revenue fluctuations.
Profitability Matrix	High operating and net profit margins reflect strong cost control and pricing strategies, while EPS suggests solid earnings performance.
Valuation Matrix	High P/E and PEG ratios suggest market optimism but also potential overvaluation, while EV/EBITDA and P/B ratios indicate strong market confidence.
Growth (YoY)	Year-on-year growth in sales and PAT highlights effective strategic initiatives, with EPS growth reinforcing strong earnings performance.
Growth (QoQ)	Quarterly growth figures show robust sales and PAT increases, suggesting effective short-term strategies and market responsiveness.
Capital Allocation	Strong RoE, RoA, and RoCE indicate efficient capital use, while high RoIC suggests effective investment strategies and value creation.
Holdings	Promoter holding is high, indicating strong control and confidence, while FII and DII holdings suggest institutional interest and stability.
Leverage	Low debt/equity ratio and manageable debt levels indicate strong financial health, with high market cap reflecting investor confidence.

Analyst viewpoint: Solar Industries India Limited has shown impressive growth, especially in the recent quarter, with robust QoQ metrics highlighted by substantial sales and PAT increases. The company's strong position in the defense sector, underpinned by strategic investments such as a significant Rs. 12,700 crore project in Maharashtra, reinforces its growth trajectory. Additionally, the defense segment has experienced an astounding 578% growth, aligning with the company's initiatives like the Pinaka rocket procurement deal. These factors, alongside its prudent capital allocation and superior ROCE and RoIC, indicate a solid foundation for short to mid-term growth. Holding a confident forward outlook, Solar Industries anticipates a 20% revenue growth backed by a strong order book and innovative product developments in defense and explosives.

While the company's prospects are favorable in the short to mid-term, it is crucial to monitor its domestic market performance. There has been a revision in domestic volume growth expectations to 8-10%, reflecting challenges in maintaining the same momentum due to external factors. Despite this, the overall strategic initiatives and international expansion efforts position Solar Industries as a formidable player in its sector, driving optimism in its future performance.

Please read detailed disclosure on next page.

Explanation of Investment Rating*	
Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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