

**Price:** 11,244

**Recommendation:** Buy

**Industry:** Explosives

**Sector:** Commodities

**Report Date:** 31-Mar-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 sectors. The company signed an MOU with Maharashtra to invest Rs. 12,700 crores, enhancing its defense market position. Despite domestic challenges, it remains optimistic about growth, focusing on defense capabilities and international expansion, with 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          | 91.8    | 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              | 101747 Cr |
| RoIC               | 39.7 %  | Public                    | 6.82 %  | Enterprise value        | 102060 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 the latest quarter, with a 38% increase in revenue, reaching Rs. 1,973 crores from Rs. 1,429 crores year-on-year. This growth is 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 monsoon, the company remains optimistic about its long-term growth trajectory, driven by strategic diversifications and government initiatives like Atmanirbhar Bharat.

The company has signed a Memorandum of Understanding (MOU) with the Government of Maharashtra to invest Rs. 12,700 crores over the next decade to establish a mega project in the state. This initiative is expected to drive revenue growth and solidify Solar Industries' position in the Indian defense sector. The company has also secured a procurement deal to supply Pinaka enhanced rockets and area denial rockets to the armed forces, which will further enhance its prominence in the defense market. The company is also making strides in the global defense market, with export orders for Pinaka rockets and other defense products.

Looking ahead, Solar Industries is confident in its ability to deliver enduring value to stakeholders, with a focus on expanding its defense capabilities and international presence. The company anticipates continued growth in its international business, driven by better business in existing territories and entry into new markets. The defense order book is expected to grow significantly, with a total order book of Rs. 11,000 crores once the Pinaka orders are finalized. The company is also developing new products, such as loitering ammunition and anti-drone systems, which are expected to be commercialized in the next two years.

While the company's performance has been strong, there are areas for improvement. The domestic market has been challenging, with a reduction in volume growth impacting revenue. However, the company expects demand to pick up from January onwards, which should help improve volumes. The company is also focused on maintaining its EBITDA margin of around 27% and is optimistic about sustaining this level in the coming periods. Overall, Solar Industries is well-positioned for future growth, with a clear vision and strong foundation to capitalize on 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 | 101747.02         | 134.68 | 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 or overvaluation, while EV/EBITDA and P/B ratios indicate potential growth expectations.   |
| Growth (YoY)         | Year-over-year growth in sales and PAT highlights effective strategic initiatives, with EPS growth reinforcing strong earnings performance.  |
| Growth (QoQ)         | Quarter-over-quarter growth in sales and PAT suggests effective short-term strategies, with significant QYoY growth indicating strong market positioning.                                  |
| Capital Allocation   | High RoE, RoA, and RoCE indicate efficient capital use, while RoIC suggests strong investment returns, supporting sustainable growth.  |
| Holdings             | Promoter holding is strong, indicating confidence, while FII and DII holdings suggest institutional interest, with public holding providing liquidity.                                     |
| Leverage             | Low debt/equity ratio indicates conservative leverage, supporting financial stability, while market cap and enterprise value reflect strong market presence.                               |

**Analyst viewpoint:** Solar Industries India Limited has shown exceptional performance in recent quarters, underpinned by strategic expansion in its explosives and defense sectors, signaling robust potential for growth. The company reported a remarkable quarterly sales growth of 33.37%, coupled with a PAT increase of 15.25% QoQ, demonstrating strong execution of its strategic initiatives. Its recent Memorandum of Understanding with the Government of Maharashtra to invest Rs. 12,700 crores signifies a long-term commitment to enhance its competitive edge in the defense sector. The focus on expanding international markets, especially with the impressive 578% growth in defense revenue, marks a significant leap in market positioning. Valuation metrics, including a high S&P; P/E ratio, reflect the market's optimism about Solar Industries' strategic trajectory and future growth prospects.

However, the company is not without challenges. While maintaining a robust order book and international footprint, domestic markets have faced some volume growth issues. This presents an area of caution as local demand has been subdued, though improvements are expected post-monsoon. Nevertheless, Solar Industries' strong capital allocation, with a Return on Equity of 28.9%, and a low debt/equity ratio of 0.14, ensures financial stability and resilience. This positions the company well for sustained growth, making it an attractive opportunity for short to mid-term investments, while the mild domestic market challenges noted warrant attention.

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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