

August 05, 2025

**RESULT REPORT Q1 FY26** | Sector: Building Materials

# Finolex Industries Ltd

**Subdued performance continues, change in MD again; maintain our NEGATIVE stance!**

## Key take aways from Q1FY26 Earnings:

**Revenue (in-line with our estimates) – Subdued demand & lower pricing weighs on topline growth:** Sales for the quarter stood at Rs10.43Bn, a decline of 8.5%YoY owing to muted volume growth. Pipe volumes came in at 92,129Te, a growth of mere 2%YoY. Though April-May'25 there was a decent traction in volume growth, June was impacted meaningfully due to early onset of monsoons. Moreover, uncertainty around resin prices discouraged dealers to commence re-stocking. ASP remained at ~Rs113/Kg, which was lower Vs Rs114/Kg in previous quarter. Company continues to maintain double digit volume growth target for this fiscal.

**Margins (below expectations) – Low volume off take and higher competitive intensity kept margins under pressure:** Operating margins came in at 9% which was considerably lower than our estimates and as against 18.1%/14.6% in Q1FY25/Q4FY25 respectively. Low volume off-take resulted in operating de-leverage. Furthermore, elevated competition and volume-push also dented overall profitability. Consequently, EBITDA stood at Rs934Mn, a degrowth of 55%YoY. Management is confident of achieving a double digit margin for FY26, if resin prices remain steady.

**Change in management:** Mr. Saurabh Dhanorkar, the current Managing Director of the company has tendered his resignation and **company has appointed Mr. Udipt Agarwal as an Additional Director cum Whole-time Director and Managing Director.** Mr. Dhanorkar was appointed as MD in Dec'24 post the exit of Mr. Ajit Venkataraman; Mr. Dhanorkar was an interim MD (as mentioned on call).

## Snapshot Overview

Parameter	Q1 FY26	QoQ (%)	YoY (%)*	vs Est	vs Bloom
Revenue	10,430	-11.0%	-8.5%	In-line	Miss
EBITDA	934	-45.4%	-54.8%	Miss	Miss
EBITDA Margin (%)	9.0%	-566	-916	Miss	Miss
PAT	980	-40.4%	-80.4%	Miss	Miss
EPS	1.6	-41.4%	-80.7%	Miss	Miss

Source: Company, YES Sec

\*Q1FY25 includes exceptional gain of Rs4.17Bn

## Key Data points

Particulars	Q1 FY26	QoQ (%)	YoY (%)	vs Est
Pipe Revenue (Rs Mn)	10,430	-11%	-7%	In-line
Pipe Volume (Te)	92,129	-10%	2%	In-line
ASP (Rs/Te)	113	-1%	-9%	In-line

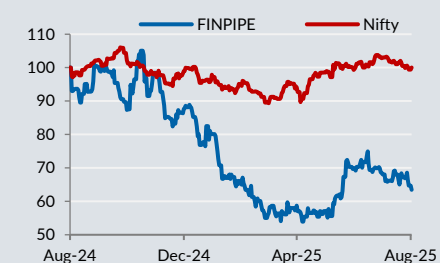
Source: Company, YES Sec

Reco	: <b>NEUTRAL</b>
CMP	: Rs 197
Target Price	: Rs 198
Potential Return	: +1%

## Stock data (as on Aug 05, 2025)

Nifty	24,650
52 Week h/l (Rs)	334 / 154
Market cap (Rs/USD mn)	122,420 / 1,394
Outstanding Shares (mn)	618
6m Avg t/o (Rs mn):	311
Div yield (%):	1.7
Bloomberg code:	FNXP IN
NSE code:	FINPIPE

## Stock performance



	1M	3M	1Y
Absolute return	-6.7%	11.0%	-31.8%

## Shareholding pattern (As of Jun'25 end)

Promoter	52.5%
FII+DII	17.4%
Others	30.1%

## Δ in stance

(1-Yr)	New	Old
Rating	NEUTRAL	SELL
Target Price	198	198

## Δ in earnings estimates

	FY26E	FY27E
EPS (New)	8.2	9.9
EPS (Old)	9.3	9.9
% change	-12%	0%

## Financial Summary

(Rs mn)	FY25	FY26E	FY27E
Net Revenue	41,420	45,095	49,962
YoY Growth	(4.1)	8.9	10.8
EBITDA	4,719	5,411	6,245
EBITDA (%)	11.4	12.0	12.5
PAT	8,000	5,083	6,138
YoY Growth	68.9	(36.5)	20.7
ROE	13.6	7.9	8.6
EPS	12.9	8.2	9.9
P/E	13.9	24.0	19.8
BV/Share	98.6	109.3	121.7
P/BV	1.8	1.8	1.6

## UDIT GAJIWALA

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SHALIN DAMANI, Associate

## ANALYST VIEW & INVESTMENT THESIS

### 1-year View:

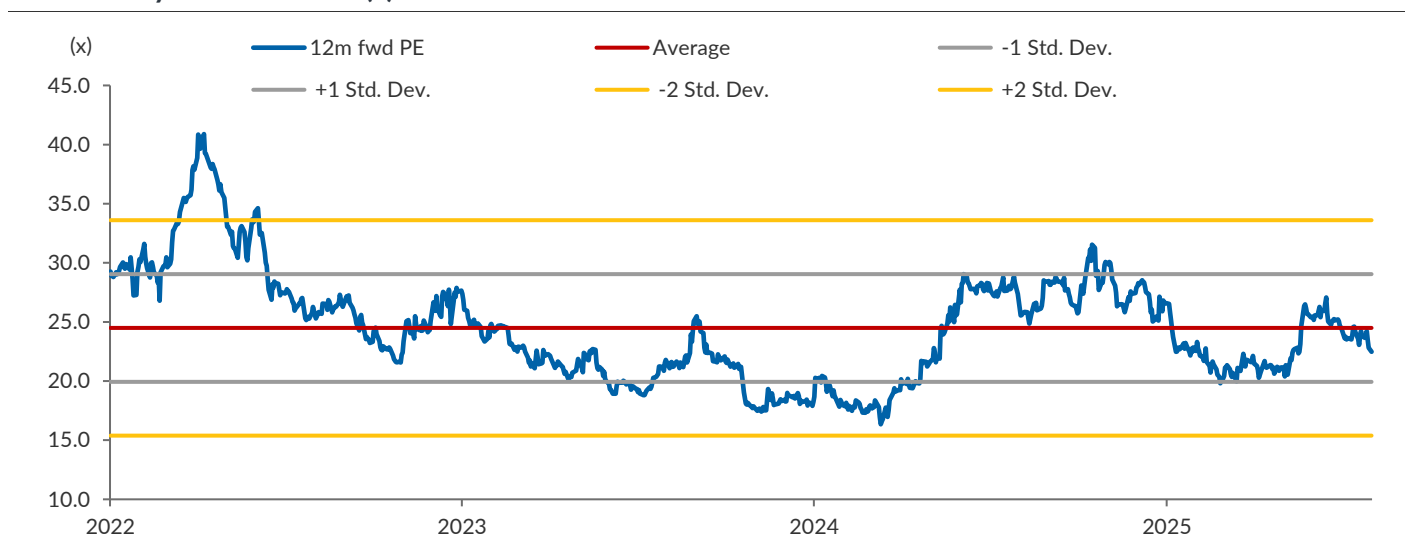
We believe FY26 will be a difficult year for Finolex Industries owing to tepid demand environment and uncertainty around PVC resin prices. We continue to factor-in a 10% volume growth for FY26, but pricing and margins could remain under pressure. The pricing is likely to improve only post implementation of ADD (expected by Oct-Nov'25), and we do not foresee any major improvement for full year. Hence, we have revised our EPS estimate downwards by 12% for FY26 to Rs8.2.

### 3-years View:

Plastic pipe demand should improve FY26 onwards with higher agri and plumbing demand along with likely pick-up in infra activities. We believe Finolex's volumes to grow by 9%CAGR over coming years which will be below the expected growth of other listed peers. Hence, we reckon Finolex's market share to contract. Margins for the company should expand gradually with higher share of Non-Agri products; however, we believe the transition will take time and hence, we have not factored-in any major improvement for FY27E. Notably, the cash on books stands at Rs25.33Bn (~Rs39/share) and despite up-coming annual capex commitments, we reckon the cash will continue to pile on books till the time management does not decide on disbursement of the same- return ratios will be suppressed.

We maintain our **NEGATIVE** stance on the company and believe other Plastic Pipes companies to outperform. Moreover, constant change in top-level management has led to constant change in strategies resulting into tepid growth. We continue to value the company at P/E(x) of 20x on FY27E EPS of Rs9.9 (unchanged) with a target price of Rs198 and assign a **NEUTRAL** rating on the stock.

**Exhibit 1: 1-year forward P/E (x) chart**



Source: Company, YES Sec

## CONCALL SUMMARY

- Management maintained their annual guidance of double digit growth and double digit margins if prices remain stable for FY26.
- Volume growth remained muted due to early onset of monsoons. June witnessed material decline on YoY basis. In July'25 company witnessed high single digit growth.
- Agri & Non-agri both segments grew by 2%YoY.
- Agri/Non:agri mix stood at 70%/30%; management aims to improve non-agri mix to 50% in coming years.
- CPVC constituted 6% of overall sales. Though CPVC resin prices declined, margins remained steady. CPVC grew by 10%YoY in Q1FY26.
- Anti-dumping duty should be recommended by this month and management expects FMs decision by Oct'25, post which prices are likely to firm-up.
- PVC-EDC/PVC-VCM spreads stood at \$522/\$151 respectively.
- There were no inventory losses during the quarter.
- Pipes capacity stood at 470,000Te in FY24 which is now expanded to 520,000Te. Upcoming greenfield capex will most likely be carried out on existing locations; however, there is no decision from board as yet.
- Capex for FY26 should be ~Rs1.25-1.5Bn.
- Current cash on books is ~Rs25Bn & management has not yet decided on utilization of the same.

### Estimate Revisions

Metric (Rs Mn)	Old Est (FY27E)	New Est	% Change	Reason
Revenue	53,798	49,962	-7%	Lower volume uptick
EBITDA	6,236	6,245	0%	Margin to improve
EPS	10	10	0%	

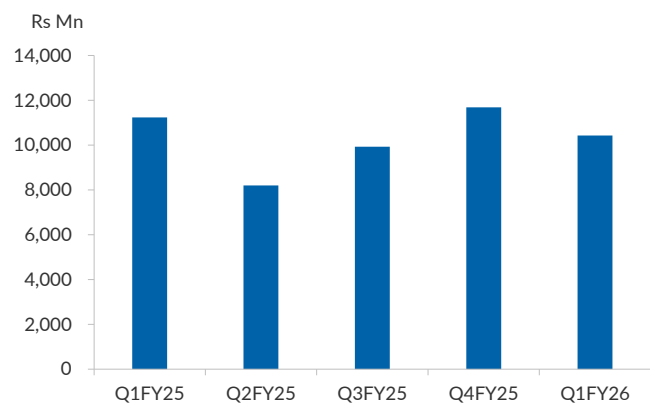
Source: Company, YES Sec

### Valuation Snapshot

Valuation Metric	FY25	FY26E	FY27E
P/E (x)	38.0	26.5	18.0
EV/EBITDA (x)	17.0	14.6	11.5
ROCE (%)	16.6	21.5	23.7

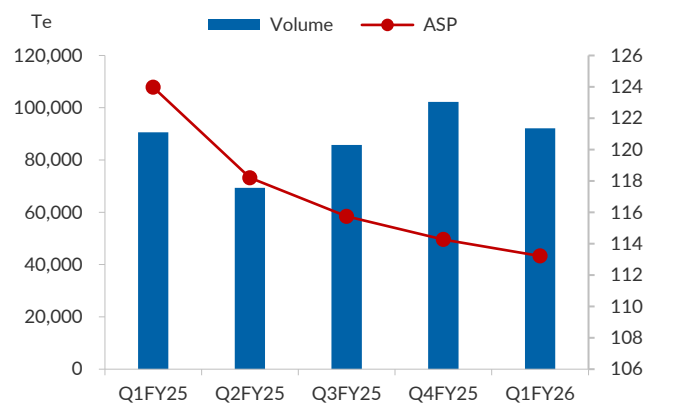
Source: Company, YES Sec

**Exhibit 2: Pipe revenue**



Source: Company, YES Sec

**Exhibit 3: Pipe volumes & ASP**



Source: Company, YES Sec

## FINANCIALS

**Exhibit 4: Quarterly snapshot**

Particulars (Rs Mn)	Q1FY25	Q4FY25	Q1FY26	YoY (%)	QoQ (%)
Net Sales	11,405	11,718	10,430	(8.5)	(11.0)
COGS	6,686	7,679	7,028	5.1	(8.5)
% of sales	58.6	65.5	67.4	876.4	185.6
Gross margin %	41.4	34.5	32.6	(876.4)	(185.6)
Employee costs	576	513	584	1.3	13.9
% of sales	5.0	4.4	5.6	54.6	122.1
Other expenses	2,077	1,814	1,884	(9.3)	3.8
% of sales	18.2	15.5	18.1	(14.9)	258.0
EBITDA	2,067	1,713	934	(54.8)	(45.4)
EBITDA margin %	18.1	14.6	9.0	(916.1)	(565.7)
Depreciation	261	269	266	2.0	(1.0)
EBIT	1,806	1,444	668	(63.0)	(53.7)
EBIT margin %	15.8	12.3	6.4	(942.5)	(591.4)
Interest expense	67	62	55	(17.1)	(10.8)
Other income	549	646	647	17.8	0.2
Share of P/L from Assc & JV	5	204	48	862.0	(76.5)
Exceptional	4,170	0	0	(100.0)	#DIV/0!
PBT	6,463	2,232	1,308	(79.8)	(41.4)
Tax	1,456	586	328	(77.5)	(44.0)
Effective tax rate %	22.5	26.3	25.1	255.0	(118.9)
Adj.PAT after Share of Assc & JV	5,007	1,646	980	(80.4)	(40.4)
PAT margin %	43.9	14.0	9.4	(3,450.8)	(464.8)

Source: Company, YES Sec

## Exhibit 5: Income statement

Particulars (Rs Mn)	FY23	FY24	FY25	FY26E	FY27E
Sales	43,966	43,174	41,420	45,095	49,962
COGS	30,721	27,372	26,761	28,749	31,689
COGS %sales	69.9%	63.4%	64.6%	63.8%	63.4%
GP	13,246	15,803	14,659	16,345	18,272
GP%	30.1%	36.6%	35.4%	36.2%	36.6%
EBITDA	2,924	5,843	4,719	5,411	6,245
EBITDA%	6.7%	13.5%	11.4%	12.0%	12.5%
Depreciation	892	1,160	1,067	1,106	1,165
Finance Cost	272	365	296	217	217
Other Income	1,209	1,805	2,505	2,542	3,141
PBT	3,212	6,506	10,432	6,629	8,004
Tax	706	1,770	2,432	1,546	1,866
PAT	2,506	4,736	8,000	5,083	6,138
PAT%	5.7%	11.0%	19.3%	11.3%	12.3%

Source: Company, YES Sec

\*Q1FY25 includes exceptional gain of Rs4.17Bn

## Exhibit 6: Balance sheet

Particulars (Rs Mn)	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	1,237	1,237	1,237	1,237	1,237
Reserves	47,794	55,106	59,732	66,361	74,045
Total Shareholders' Funds	49,031	56,343	60,969	67,598	75,282
Non-current liabilities	2,460	3,201	3,074	3,074	3,074
Trade payables	2,893	2,886	4,442	4,772	5,260
Provisions	45	45	99	99	99
Other current liabilities	3,137	4,260	2,964	2,964	2,964
<b>Total equity and liabilities</b>	<b>62,851</b>	<b>70,579</b>	<b>73,819</b>	<b>80,779</b>	<b>88,950</b>
Gross block	26,005	27,200	27,727	29,227	30,727
Acc dep	15,629	16,789	17,856	18,963	20,127
Net block	10,376	10,411	9,871	10,265	10,600
CWIP	438	189	732	732	732
Other non-current assets	21,834	26,437	26,584	26,584	26,584
Inventories	6,732	7,280	7,824	8,406	9,265
Trade receivables	2,975	4,576	3,793	4,129	4,575
Cash and cash equivalents	606	317	1,252	6,900	13,431
Loans	228	168	133	133	133
Other current assets	712	601	317	317	317
<b>Total assets</b>	<b>62,851</b>	<b>70,579</b>	<b>73,819</b>	<b>80,779</b>	<b>88,950</b>

Source: Company, YES Sec

## Exhibit 7: Cash flow statement

Particulars (Rs Mn)	FY23	FY24	FY25	FY26E	FY27E
PBT	3,213	6,506	10,432	6,629	8,004
Add: Depreciation	892	1,160	1,067	1,106	1,165
Add: Interest	272	365	296	217	217
Less: WC changes	804	(876)	1,216	(588)	(817)
Less: taxes paid	(679)	(1,448)	(1,987)	(1,546)	(1,866)
<b>Cash flow from operations</b>	<b>3,017</b>	<b>3,533</b>	<b>3,827</b>	<b>5,819</b>	<b>6,703</b>
Capital expenditure	(1,687)	(864)	(1,155)	(1,500)	(1,500)
<b>Cash flow from investing activities</b>	<b>(2,877)</b>	<b>(830)</b>	<b>83</b>	<b>(1,500)</b>	<b>(1,500)</b>
Movement in borrowings	2,477	(1,460)	(1,576)	-	-
Interest paid	(252)	(345)	(298)	(217)	(217)
<b>Cash from financing activities</b>	<b>(289)</b>	<b>(2,767)</b>	<b>(3,488)</b>	<b>1,329</b>	<b>1,329</b>
Change in cash balance	(150)	(64)	422	5,648	6,531
Opening cash balance	236	86	22	1,252	6,900
Closing cash balance	86	22	444	6,900	13,431

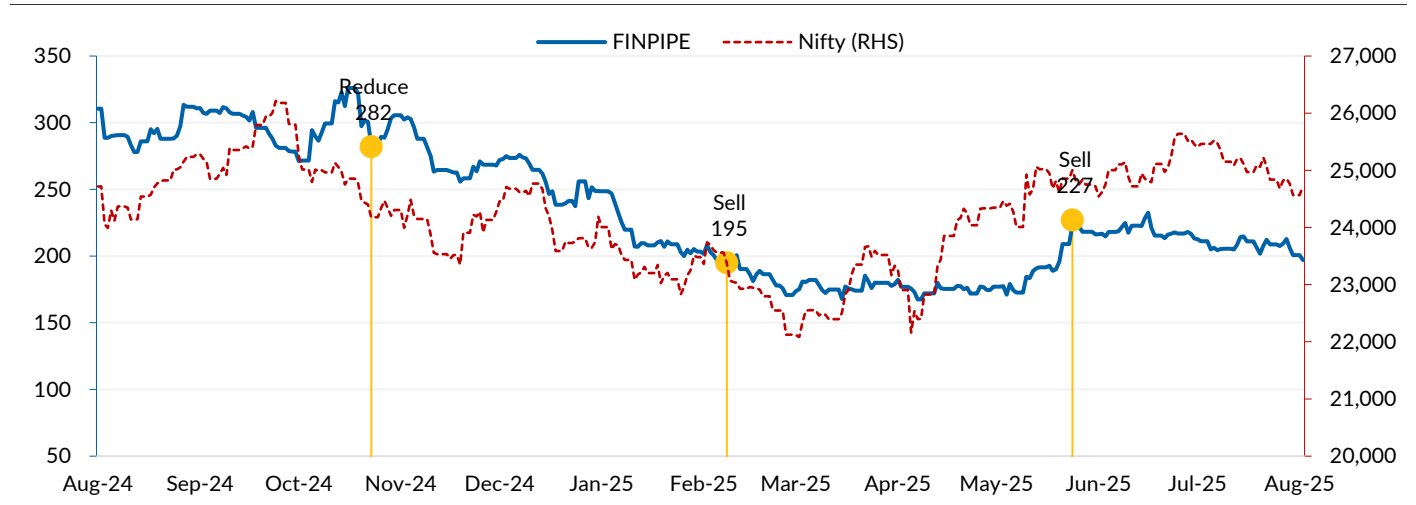
Source: Company, YES sec

## Exhibit 8: Ratio analysis

Particulars	FY23	FY24	FY25	FY26E	FY27E
<b>Growth (%)</b>					
Total Sales	-5.4%	-1.8%	-4.1%	8.9%	10.8%
EBITDA	-71.4%	99.8%	-19.2%	14.7%	15.4%
EBIT	-68.3%	100.2%	-5.1%	11.2%	20.1%
PAT	-76.2%	89.0%	68.9%	-36.5%	20.7%
<b>Profitability (%)</b>					
EBITDA Margins	6.7%	13.5%	11.4%	12.0%	12.5%
EBIT Margins	7.4%	15.0%	14.9%	15.2%	16.5%
PAT Margins	5.7%	11.0%	19.3%	11.3%	12.3%
ROCE	6.3%	10.9%	9.6%	9.8%	10.7%
ROE	5.7%	9.0%	13.6%	7.9%	8.6%
<b>Per Share Data (Rs)</b>					
EPS	4.0	7.7	12.9	8.2	9.9
CEPS	5.5	9.5	14.7	10.0	11.8
BVPS	79.3	91.1	98.6	109.3	121.7
<b>Valuations (x)</b>					
P/E (x)	42.5	32.2	13.9	24.0	19.8
P/CEPS (x)	31.0	25.8	12.3	19.7	16.7
P/BV (x)	2.2	2.7	1.8	1.8	1.6
EV/EBITDA	37.7	26.7	23.8	21.6	17.7
<b>Gearing Ratios</b>					
Debt/Equity	0.1	0.1	0.0	0.0	0.0
Net Debt/Equity	0.1	0.1	0.0	(0.1)	(0.1)
Net Debt/EBITDA	1.6	0.6	0.2	(0.9)	(1.8)
Int Coverage	11.9	17.8	20.8	31.5	37.8
<b>WCC Days</b>					
Debtors	25	39	33	33	33
Inventory	80	97	107	107	107
Creditors	34	38	61	61	61

Source: Company, YES sec

## Recommendation Tracker



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- (d) Soliciting and effecting transactions with or for registered broker-dealers, banks<sup>3</sup> acting in a broker or dealer capacity, certain international organizations, foreign persons temporarily present in the U.S., U.S. citizens resident abroad, and foreign branches and agencies of U.S. persons.

In adopting Rule 15a-6, the SEC sought "to facilitate access to foreign markets by U.S. institutional investors through foreign broker-dealers and the research that they provide, consistent with maintaining the safeguards afforded by broker-dealer registration." [Rule 15a-6 Adopting Release at 54 FR 30013; see also Registration Requirements for Foreign Broker-Dealers, Exchange Act Release No. 25801 (June 14, 1988), 53 FR 23645 (June 23, 1988)].

## DISCLOSURE OF INTEREST

Name of the Research Analyst : Udit Gajiwala, Shalin Damani

The analyst hereby certifies that opinion expressed in this research report accurately reflect his or her personal opinion about the subject securities and no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendation and opinion expressed in this research report.

Sr. No.	Particulars	Yes/No
1	Research Analyst or his/her relative's or YSIL's financial interest in the subject company(ies)	No
2	Research Analyst or his/her relative or YSIL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the research report	No
3	Research Analyst or his/her relative or YSIL has any other material conflict of interest at the time of publication of the research report	No
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Analysts assign ratings to the stocks according to the expected upside/downside relative to the current market price and the estimated target price. Depending on the expected returns, the recommendations are categorized as mentioned below. The performance horizon is 12 to 18 months unless specified and the target price is defined as the analysts' valuation for a stock. No benchmark is applicable to the ratings mentioned in this report.

**BUY:** Upside greater than 20% over 12 months

**ADD:** Upside between 10% to 20% over 12 months

**NEUTRAL:** Upside between 0% to 10% over 12 months

**REDUCE:** Downside between 0% to -10% over 12 months

**SELL:** Downside greater than -10% over 12 months

**NOT RATED / UNDER REVIEW**

Analyst signature

Analyst signature

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