

SOLAR INDUSTRIES

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	13,828
12 month price target (INR)	18,000
52 Week High/Low	17,820/8,479
Market cap (INR bn/USD bn)	1,251/14.1
Free float (%)	26.9
Avg. daily value traded (INR mn)	1,537.7

SHAREHOLDING PATTERN

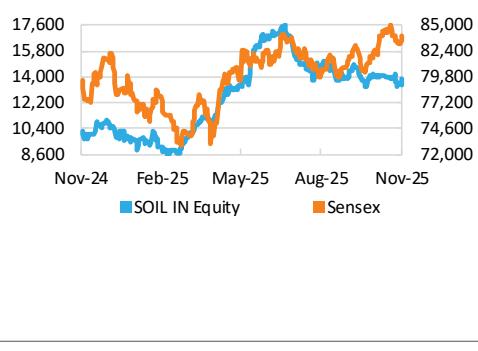
	Sep-25	Jun-25	Mar-25
Promoter	73.15%	73.15%	73.15%
FII	7.11%	6.79%	5.82%
DII	12.90%	13.59%	14.10%
Pledge	0.55%	0.55%	0.55%

FINANCIALS (INR mn)				
Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	75,403	96,442	1,26,923	1,61,068
EBITDA	19,604	25,520	34,253	43,490
Adjusted profit	12,094	16,351	21,034	27,187
Diluted EPS (INR)	133.7	180.7	232.4	300.4
EPS growth (%)	44.7	35.2	28.6	29.3
RoAE (%)	31.4	31.6	30.2	29.4
P/E (x)	103.2	76.3	59.3	45.9
EV/EBITDA (x)	63.8	49.3	36.8	28.9
Dividend yield (%)	0.1	0.1	0.1	0.2

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	96,442	1,26,923	(0.2%)	(1.4%)
EBITDA	25,520	34,253	(0.5%)	(2.6%)
Adjusted profit	16,351	21,034	0.0%	(6.9%)
Diluted EPS (INR)	180.7	232.4	0.0%	(6.9%)

PRICE PERFORMANCE



Defence, exports propelling growth

Solar Industries (SOIL) delivered 21% YoY execution growth in Q2FY26 with OPM at 26.5%, driven by strong gains in Defence (+57% YoY) and International (+21% YoY), which offset weakness in domestic explosives amid a prolonged monsoon. Defence backlog of INR155bn provides visibility for two–three years while anticipated Pinaka orders (estimated INR40–60bn) would fortify prospects beyond FY27–28E.

Retain 'BUY' as Defence and Overseas remain key high-growth and margin-accretive drivers. Adopting a more conservative stance on OB/revenue, we are cutting FY27E/28E EPS by 7%/10%. This along with a rollover to Mar-28E EPS at 60x—from 70x, given need for fresh orders for visibility post-FY27–28E—yields a TP of INR18,000 (earlier INR17,500).

Growth anchored by strong execution; Defence, Overseas key pillars

Revenue rose 21.4% YoY to INR20.8bn led by strong international and defence traction. H1FY26 revenue grew 24.2% to INR42.4bn. GM stood at 52.6% versus 50.9% in Q2FY25, reflecting higher international and defence mix; for H1FY26, GM improved 110bp YoY to 50.9%. EBITDA margin came in at 26.5%, *ahead of Street's expectations of 25.5%*, while H1FY26 OPM stood at 25.7% vs 26.2% in H1FY25. Adjusted PAT up 20.7% YoY to INR3.5bn; margins steady at 16.6% (16.7% in Q2FY25).

The Defence segment delivered a strong performance with revenue crossing INR5bn this quarter and INR9bn in H1FY26, growing 57% YoY and 79% YoY, respectively. The **Defence order book remains robust at INR155bn-plus with the total backlog exceeding INR171bn**. The commencement of Pinaka rocket sales in Q3 further boosts management's confidence in meeting its annual targets. The international business too kept up the solid momentum, growing 21% YoY to INR9.6bn in Q2FY26.

Key conference call highlights: Management reiterated FY26 revenue guidance of INR100bn (30% defence mix) and OPM at 27%+. Commercial production of PINAKA rockets to begin from Q3FY26, supporting the overall defence segment growth. INR25bn capex planned for FY26E to see deferment led by an extended monsoon in H1FY26 (capex spend at INR7.6bn). [Click here](#) to read detailed KTA.

Key variables to watch out for over 12–24 months

Execution of INR155bn-plus defence backlog (particularly PINAKA and 155mm Shell), scale-up in new international geographies such as Australia and Kazakhstan, and sustained OPMs at 26–27% remain key. Additionally, normalisation in industrial explosives demand and timely capex deployment shall be crucial for maintaining growth momentum and cash flow discipline.

Financials

Year to March	Q2FY26	Q2FY25	% Change	Q1FY26	% Change
Net Revenue	20,822	17,158	21.4	21,545	(3.4)
EBITDA	5,528	4,448	24.3	5,349	3.4
Adjusted Profit	3,459	2,808	23.2	3,387	1.8
Diluted EPS (INR)	38.2	31.6	23.2	37.4	1.8

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Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	75,403	96,442	1,26,923	1,61,068
Gross profit	36,330	46,930	62,683	80,375
Employee costs	(6,001)	(7,715)	(10,027)	(12,724)
Other expenses	(10,725)	(13,695)	(18,404)	(24,160)
EBITDA	19,604	25,520	34,253	43,490
Depreciation	(1,815)	(2,776)	(4,550)	(5,738)
Less: Interest expense	(1,165)	(1,252)	(1,861)	(1,971)
Add: Other income	708	976	870	1,134
Profit before tax	17,332	22,468	28,712	36,916
Prov for tax	(4,508)	(5,617)	(7,178)	(9,229)
Less: Other adj	56	0	0	0
Reported profit	12,094	16,351	21,034	27,187
Less: Excp.item (net)	0	0	0	0
Adjusted profit	12,094	16,351	21,034	27,187
Diluted shares o/s	90	90	90	90
Adjusted diluted EPS	133.7	180.7	232.4	300.4
DPS (INR)	10.0	12.6	16.3	21.0
Tax rate (%)	26.0	25.0	25.0	25.0

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
COGS (% of rev)	(51.8)	(51.3)	(50.6)	(50.1)
Employee cost (% of rev)	(8.0)	(8.0)	(7.9)	(7.9)
Other exp (% of rev)	(14.2)	(14.2)	(14.5)	(15.0)
EBITDA margin (%)	26.0	26.5	27.0	27.0
Net profit margin (%)	16.0	17.0	16.6	16.9
Revenue growth (% YoY)	24.2	27.9	31.6	26.9
EBITDA growth (% YoY)	43.2	30.2	34.2	27.0
Adj. profit growth (%)	44.7	35.2	28.6	29.3

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	6.3	6.3	6.3	6.3
Repo rate (%)	5.3	5.3	5.3	5.3
USD/INR (average)	82.0	82.0	82.0	82.0
Domestic rev gwth (%)	24.2	27.9	31.6	26.9
Exports rev gwth (%)	0	0	0	0
Gross margin (%)	48.2	48.7	49.4	49.9
EBITDA margin (%)	26.0	26.5	27.0	27.0
Tax rate (%)	(26.0)	(25.0)	(25.0)	(25.0)
Capex (INR mn)	(10,059.5)	(25,000.0)	(20,000.0)	(20,000.0)

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	103.2	76.3	59.3	45.9
Price/BV (x)	28.4	20.9	15.7	11.8
EV/EBITDA (x)	63.8	49.3	36.8	28.9
Dividend yield (%)	0.1	0.1	0.1	0.2

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	181	181	181	181
Reserves	43,682	59,389	79,451	1,05,234
Shareholders funds	43,863	59,570	79,632	1,05,415
Minority interest	1,503	1,503	1,503	1,503
Borrowings	9,396	21,896	21,896	21,896
Trade payables	4,925	5,426	7,040	8,843
Other liabs & prov	22,926	22,926	22,926	22,926
Total liabilities	82,613	1,11,320	1,32,996	1,60,583
Net block	26,920	49,144	64,594	78,856
Intangible assets	0	0	0	0
Capital WIP	7,070	7,070	7,070	7,070
Total fixed assets	33,990	56,214	71,664	85,926
Non current inv	1,473	1,473	1,473	1,473
Cash/cash equivalent	7,255	11,104	9,523	14,113
Sundry debtors	12,386	13,211	17,387	22,064
Loans & advances	5,311	5,311	5,311	5,311
Other assets	21,874	23,682	27,314	31,371
Total assets	82,613	1,11,320	1,32,996	1,60,583

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	13,301	16,851	21,534	27,687
Add: Depreciation	1,815	2,776	4,550	5,738
Interest (net of tax)	909	276	991	836
Others	0	0	0	0
Less: Changes in WC	8,144	(2,133)	(6,193)	(6,931)
Operating cash flow	24,169	17,770	20,882	27,330
Less: Capex	10,060	25,000	20,000	20,000
Free cash flow	14,109	(7,230)	882	7,330

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	31.4	31.6	30.2	29.4
RoCE (%)	37.0	34.4	32.9	33.5
Inventory days	(88)	(83)	(80)	(81)
Receivable days	50	48	44	45
Payable days	(38)	(38)	(35)	(36)
Working cap (% sales)	16.4	15.0	16.3	17.1
Gross debt/equity (x)	0.2	0.4	0.3	0.2
Net debt/equity (x)	0	0.2	0.2	0.1
Interest coverage (x)	15.3	18.2	16.0	19.2

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	44.7	35.2	28.6	29.3
RoE (%)	31.4	31.6	30.2	29.4
EBITDA growth (%)	43.2	30.2	34.2	27.0
Payout ratio (%)	7.5	7.0	7.0	7.0

Q2FY26 conference call highlights

Opening highlights

- Defence revenues: Crossed INR5bn in Q2FY26; INR9bn in H1FY26.
- Defence order book: INR155bn+, providing multi-year visibility.
- International business: Highest quarterly sales at INR9.6bn (+21% YoY).
- Industrial segment: Prolonged monsoons softened explosives demand in mining and infra sectors.

Defence segment – Growth drivers and outlook

- **Order book composition**
 - **Total:** INR155bn; of which ~INR80bn international.
 - **Execution horizon:** 3–4 years.
- **Key programs and products**
 - **Pinaka rocket systems:** Ramp-up continues; commercial sales to begin Q3FY26.
 - **155 mm shells:** Trial production initiated; commercial output from Q4FY26.
 - **Loitering munitions:** Repeat orders received; Bhargavastra (anti-drone) trials successful—further trials/approvals by Mar'26.
 - **Missile/energetics portfolio:** Development ongoing for KUSHA, medium-calibre ammunition, and energetic materials.
- **Guidance:** Defence revenue target of ~INR30bn in FY26 remains on track.
- **Collaboration:** Primarily indigenous—products developed in-house or with DRDO, minimal foreign tie-ups.

Anti-Drone Systems (ADS)

- Currently developing hard-kill system (kinetic interception).
- Plan to upgrade into integrated soft + hard kill solution later.
- Bhargavastra serves as the lead platform for this technology domain.

International business

- **Q2FY26 revenue:** INR 9.6 bn (+21% YoY)—record high.
- **Turnaround performance**
 - African and Eurasian operations (Turkey, Ghana, Nigeria, Tanzania) moved from losses to profitability.
 - New operations being set up in Australia and Kazakhstan; entry into Saudi Arabia next.
- **Growth guidance:** Targeting ~15% annualized growth, supported by wider geographic diversification and product mix.
- **Global ammunition shortage:** SOIL qualified for multiple export categories—positioned for incremental orders.

Capex and expansion

- **MoU with Maharashtra government:** INR127bn investment plan; current INR25bn capex forms part of this commitment.
- **H1FY26 capex:** INR7.6bn (lower due to monsoons). FY26 capex plan of INR25bn to see deferment.
- **Scale-up cycle:** New geographies typically take 3–4 years to reach breakeven.

Industrial explosives & domestic business

- **Q2FY26:** Mining slowdown and heavy rainfall hurt explosives demand. Defence production ramp-up increased working capital requirements.
- **Outlook:** Normalization expected in Q3–Q4; working capital days to stabilize around 90.
- **Housing & Infra:** Temporary dullness in Q2; management expects demand rebound in H2FY26.

Financial and margin guidance

- **Revenue guidance:** INR100 bn for FY26 reiterated.
- **EBITDA margins:** Maintained at 27%+ for FY26.
- **Working capital:** Temporarily higher from defence scaling but expected to normalize.

Guidance

- Defence vertical entering a multi-year growth phase—Pinaka, artillery ammunition, and drones to drive momentum.
- International business turnaround and export diversification to offset domestic cyclicalities.
- H2FY26 expected to be stronger across all segments (defence, explosives, housing).
- **FY26 guidance reaffirmed:** Revenue INR100bn, EBITDA 27%+, Defence revenue ~INR30bn.

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Key management comments (summary)

Topic	Key Takeaways
Defence growth	New growth phase starting FY26; strong ammunition demand globally; multiple product qualifications for export.
International turnaround	Loss-making units in Africa/Turkey now profitable; expanding to Australia, Kazakhstan, Saudi Arabia.
Order pipeline	Several large orders expected in coming months; Pinaka and ammunition to lead execution.
Capex	Deferred due to rain; INR25bn capex plan for FY26 to see deferral.
Debt / liquidity	Working capital elevated but manageable; WC cycle to revert near 90 days.
OCF trend	Temporarily lower due to defence ramp-up, expected to recover H2FY26.
Margins	27%+ guided maintained—supported by defence scale-up and international profitability.

Strategic snapshot

Segment	FY26 revenue outlook	Key focus areas
Defence	INR 30 bn	Pinaka, 155mm shells, loitering munitions, Bhargavastra, KUSHA
Industrial Explosives	Moderate growth rebound in H2	Mining, infra, housing
International	+15% YoY	New markets (Australia, Kazakhstan, Saudi), profitability turnaround
Capex	INR25bn	Expansion in energetics & defence manufacturing

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Exhibit 1: Financial snapshot (INR mn)

Year to March	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	FY25A	FY26E	FY27E
Total revenues (net)	20,822	17,158	21.4	21,545	(3.4)	75,403	96,442	1,26,923
Direct cost	9,879	8,430	17.2	10,944	(9.7)	39,073	49,512	64,239
Staff cost	1,947	1,447	34.6	1,838	5.9	6,001	7,715	10,027
Other operating expenses	3,469	2,834	22.4	3,414	1.6	10,725	13,695	18,404
Total expenditure	15,294	12,711	20.3	16,196	(5.6)	55,799	70,922	92,670
EBITDA	5,528	4,448	24.3	5,349	3.4	19,604	25,520	34,253
Depreciation	606	436	39.0	560	8.3	1,815	3,032	4,530
EBIT	4,922	4,012	22.7	4,789	2.8	17,789	22,488	29,723
Interest	309	297	3.9	274	12.6	1,165	1,330	1,861
Other income	292	305	(4.2)	293	(0.3)	708	977	871
Exceptional items	0	0		0		0	0	0
PBT	4,905	4,019	22.0	4,807	2.0	17,332	22,135	28,733
Tax	1,281	1,032	24.1	1,281	(0.1)	4,508	5,534	7,183
Non-controlling interests	165	179	(7.9)	139	18.4	785	500	500
Reported Profit	3,459	2,808	23.2	3,387	2.1	12,039	16,101	21,050
Adjusted Profit	3,450	2,859	20.7	3,387	1.8	12,094	16,101	21,050
Equity capital(FV:INR1)	181	181		181		181	181	181
No. of Diluted shares outstanding (mn)	91	91		91		90	90	90
Adjusted Dil. EPS	38.1	31.6		37.4		133.7	177.9	232.6
as % of net revenues								
Direct cost	47.4	49.1		50.8		51.8	51.3	50.6
Staff cost	9.4	8.4		8.5		8.0	8.0	7.9
Other operating expenses	16.7	16.5		15.8		14.2	14.2	14.5
EBITDA	26.5	25.9		24.8		26.0	26.5	27.0
Adjusted profit	16.6	16.7		15.7		16.0	16.7	16.6
Tax rate	26.1	25.7		26.7		26.0	25.0	25.0

Source: Company, Nuvama Research

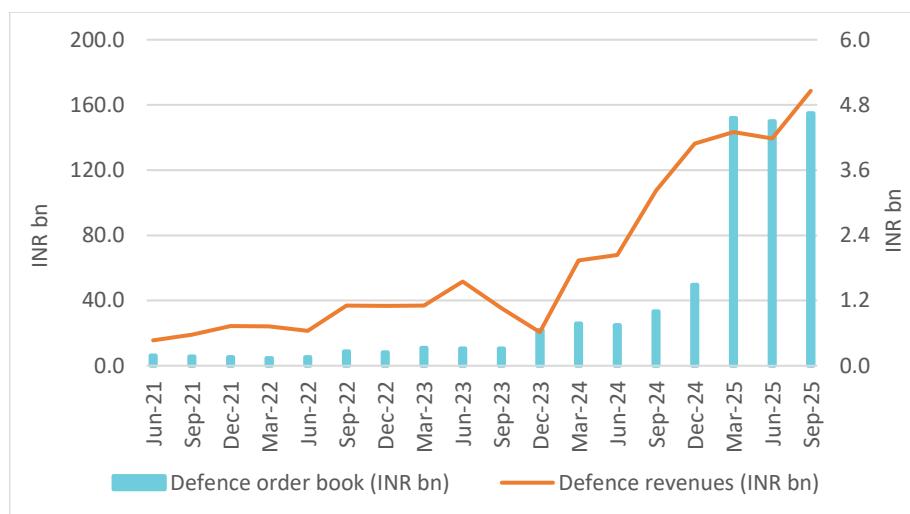
Exhibit 2: Segmental information

Customer wise revenues	Q2FY26	Q2FY25	% change	Q1FY26	% change
Coal India	1,560	1,690	(7.7)	2,380	(34.5)
Institutional	2,710	2,240	21.0	3,480	(22.1)
Housing & Infra	1,710	1,910	(10.5)	3,120	(45.2)
Exports & overseas	9,630	7,990	20.5	8,260	16.6
Defence	5,060	3,220	57.1	4,180	21.1
Others	150	110	36.4	120	25.0
Total	20,820	17,160	21.3	21,540	(3.3)
Customer wise revenues (%)	Q1FY26	Q1FY25	% change	Q1FY26	% change
Coal India	7.5	9.8	(2.4)	11.0	(3.6)
Institutional	13.0	13.1	(0.0)	16.2	(3.1)
Housing & Infra	8.2	11.1	(2.9)	14.5	(6.3)
Exports & overseas	46.3	46.6	(0.3)	38.3	7.9
Defence	24.3	18.8	5.5	19.4	4.9
Others	0.7	0.6	0.1	0.6	0.2

Source: Company, Nuvama Research

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Exhibit 3: Defence execution picking up versus backlog



Source: Company, Nuvama Research

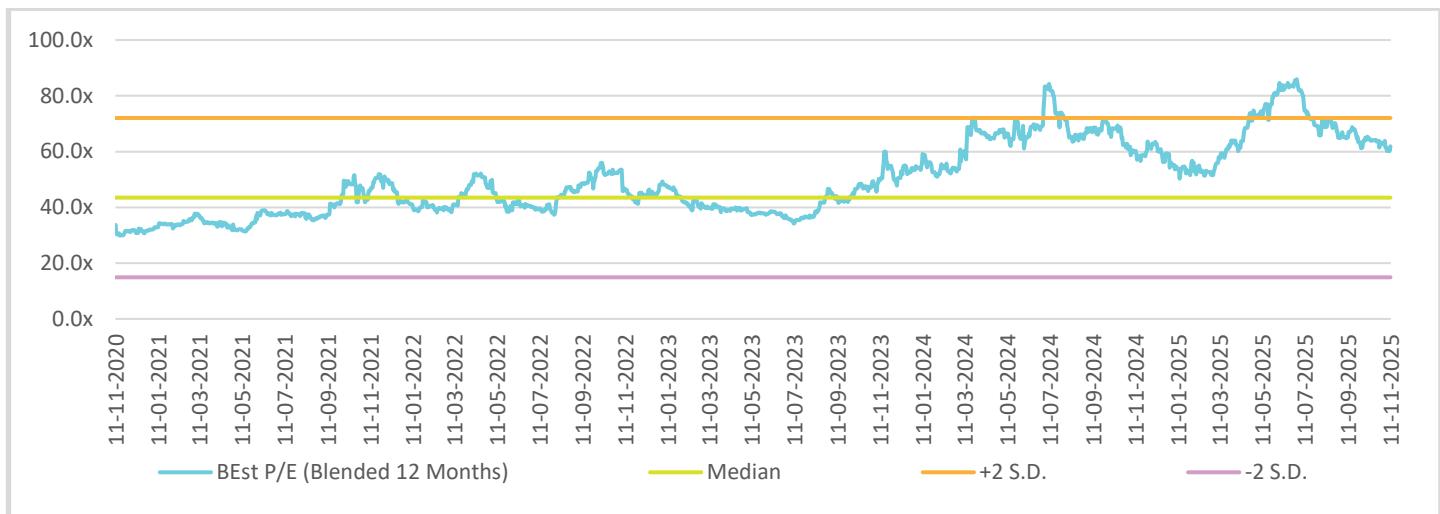
Exhibit 4: Product portfolio; defence mix at 24% in Q2FY26 (versus 18% in FY25)



Source: Company, Nuvama Research

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Exhibit 5: One-year forward consensus PE



Source: Bloomberg, Nuvama Research

Exhibit 6: Peer comparison

Equities	Nuvama target multiple (x)	Current PE on FY28E	EPS CAGR (FY25-28E)	Median ROE (FY26E-28E)	Book to bill (FY25)
Bharat Dynamics	45.0x	21.5x	68.2%	32.1%	7.8x
Bharat Electronics	45.0x	36.8x	17.1%	27.3%	0.0x
Data Patterns	60.0x	35.8x	24.8%	18.6%	2.0x
Hindustan Aeronautics	40.0x	28.7x	10.9%	21.9%	7.1x
Solar Industries India	60.0x	46.0x	31.0%	29.7%	-
Zen Technologies	30.0x	29.8x	11.7%	16.0%	1.7x

Source: Company, Nuvama Research

Company Description

Founded in 1984, SOIL (erstwhile Solar Explosives) is the largest manufacturer of industrial explosives and explosive initiating systems in India. With a licensed explosives capacity of over 250,000 MT/annum, the company has ~27% market share in India. It is the largest supplier of explosives to Coal India and exports to over 20 countries in Middle-East, Africa and South East Asia, with ~65% market share in exports from India. SIIL has manufacturing facilities spread across 16 locations and eight states in India. Economic Explosives, its 100% subsidiary, manufactures detonators.

Investment Theme

Solar Industries is a market leader in the high entry barrier Indian industrial explosives market. India, a potential market for industrial explosives and its accessories, has witnessed a radical shift from complete import dependence in the past decades to self-sufficiency with an exportable surplus presently and SOIL on back of its excellent project execution track record and a strong brand name in industrial explosives. SOIL has also successfully forayed into various offshore markets including Nigeria, Zambia, Turkey and South Africa and have already ventured in to Australia and Ghana. These global markets offer strong growth potential for the company with revenue contribution of ~25% from offshore regions. SOIL in past three-four years has aggressively invested in defence (approx INR3.5bn) in creating capacities and taking various approvals. Today SOIL can offer entire basket of products including bombs, warheads and has integrated up to providing rockets and missiles.

Key Risks

- Slowdown in mining and infrastructure sectors Regulatory risk - Explosives industry is heavily regulated by the government. Any adverse change in these regulations may impact the company's operations.
- Volatility of raw material prices may impact the company's profitability.
- High dependence on limited number of buyers - Over the years, while SIIL has been widening its customer base, even currently the top three customers contribute over 30% to the company's revenue.

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Additional Data

Management

MD & CEO	Manish Nuwal
Joint CFO	Moneesh Agrawal
Joint CFO	Shalinee Mandhana
CIO: IT	Shailendra Tiwari
Auditor	

Holdings – Top 10*

	% Holding		% Holding
SBI Funds Manag	3.38	HDFC AMC Ltd	0.87
Kotak Mahindra	3.03	Motilal Oswal A	0.49
Vanguard Group	1.14	UTI AMC	0.46
Axis AMC Ltd/In	1.11	Edelweiss AM Lt	0.43
Blackrock Inc	1.02	PGIM India AM P	0.42

*Latest public data

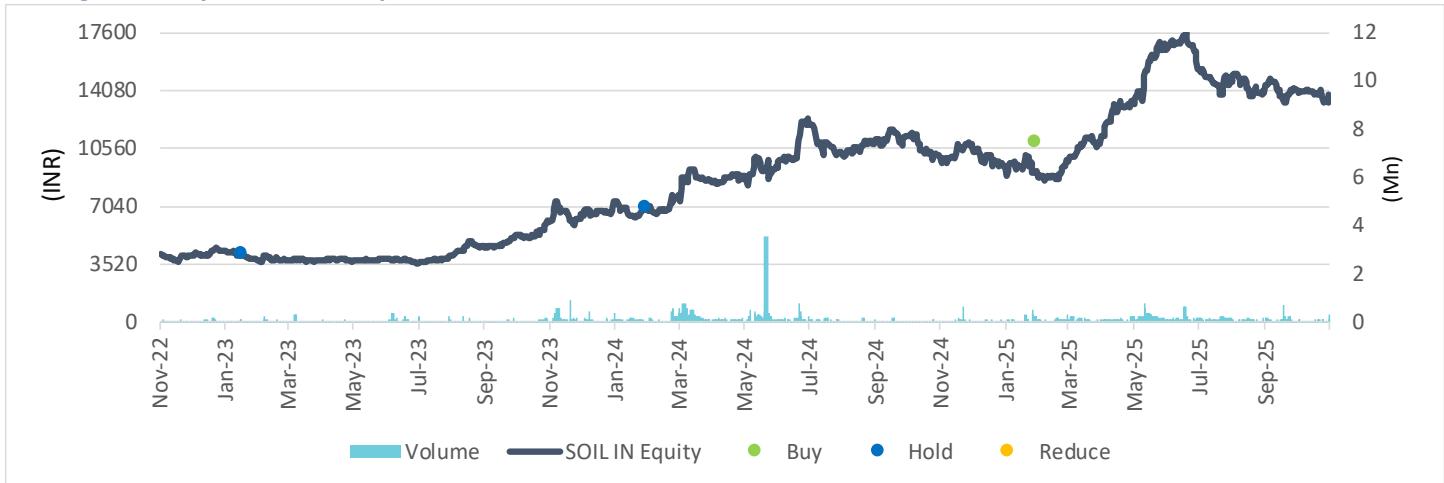
Recent Company Research

Date	Title	Price	Reco
08-Aug-25	Fast-paced growth to sustain; <i>Result Update</i>	14,462	Buy
21-May-25	Catalysts skewed towards upside; <i>Result Update</i>	14,192	Buy
07-Feb-25	Positioning for future growth; <i>Result Update</i>	9,115	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
31-Oct-25	Bharat Electronics	Resilient momentum fuels optimism; <i>Result Update</i>
28-Oct-25	Zen Technologies	Biding time: Waiting for tide to rise; <i>Result Update</i>
10-Oct-25	Defence	Selective momentum amid seasonality; <i>Sector Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	205
Hold	<15% and >-5%	68
Reduce	<-5%	37

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