

November 11, 2025

## Growth to strengthen further...

**About the stock:** Solar Industries (SIL) 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 Q2FY26, ~46% of revenue was from international business, ~29% from industrial explosives (bulk and cartridge), ~25% from defence and 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 ~₹ 15500 crore (11.3x 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 ₹ 8000 crore in next 4-5 years (40%+ CAGR). Company has planned a capex of ₹ 2000+ crore for FY26E with focus on further expansion of product portfolio. The company had also signed a MoU with the Maharashtra Government to launch the Anchor Mega Defence & Aerospace Project in Nagpur, with an investment of about Rs 12,700 crores over the next decade. Bhargavastra and 155mm shells have been tested and are in the qualification phase. Company also plans to participate in upcoming MALE UAV tender worth ~Rs 20,000 crores while commercial production of 155mm shell facility is also expected to start in Q4FY26. We estimate defence segment revenue share to increase substantially to 34% by FY28E (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. Though domestic explosives segment remained muted during the quarter, we expect recovery going ahead led by healthy demand from housing, infra and mining sectors. With an order backlog of ₹1600+ crore in explosives and stable raw material prices, we expect ~14% revenue CAGR in this segment over FY25-28E. In exports/overseas segment also, we expect a further recovery over FY26E-28E, led by rising exports inflows with further sizable opportunities

## Rating and Target Price

- Outlook remains positive led by recovery in explosives and healthy growth in defence and exports. We estimate revenue & PAT to grow at 24% & ~26% CAGR respectively over FY25-28E.
- We recommend BUY on SIL with target price of ₹ 16700 (based on 70x P/E on FY28E EPS)

## Key Financial Summary

(Year-end March)	FY22	FY23	FY24	FY25	3 Year CAGR (FY22-FY25)	FY26E	FY27E	FY28E	3 Year CAGR (FY25-FY28E)
Revenue	3,947.6	6,922.5	6,069.5	7,540.2	24.1	9,969.8	12,009.6	14,378.9	24.0
EBITDA	747.3	1,288.9	1,369.2	1,960.3	37.9	2,635.0	3,200.1	3,880.4	25.6
EBITDA margin (%)	18.9	18.6	22.6	26.0		26.4	26.6	27.0	
Net Profit	441.3	757.5	835.6	1,203.9	39.7	1,666.6	1,995.1	2,398.1	25.8
EPS	48.8	83.7	92.3	133.0		184.2	220.5	238.6	
P/E (x)	306.5	178.5	161.8	112.3		81.1	67.8	62.6	
EV/EBITDA (x)	182.0	105.6	99.2	68.8		51.6	42.5	34.9	
RoCE (%)	21.7	29.1	26.7	27.6		31.8	30.3	29.3	
RoE (%)	23.1	29.0	25.3	27.4		29.6	26.4	24.3	

Source: Company, ICICI Direct Research



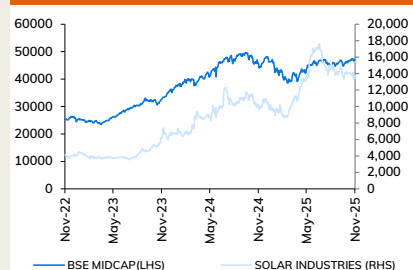
## Particulars

Particular (Rs crore)	Amount
Market Capitalization	1,24,704
Total Debt (FY25)	939
Cash (FY25)	725
EV (FY25)	1,24,918
52 week H/L	17820 / 8479
Equity capital	18
Face value	2

## Shareholding pattern

	Dec-24	Mar-25	Jun-25	Sep-25
Promoter	73.2	73.2	73.2	73.2
FII	7.2	5.8	6.8	7.1
DII	12.8	14.1	13.6	12.9
Others	6.8	6.9	6.5	6.8

## Price Chart



## Key risks

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

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## Q2FY26 Result Summary

- Operational performance during the quarter remains healthy on YoY basis, led by exports and defence revenue. Revenue increased by 21.4% YoY (-3.4% QoQ) at ₹ 2082.2 crore
- Export segment revenue (46% of total) increased by 21% YoY (+17% QoQ) to ₹ 963 crore. Defence segment revenue (24% of total) increased by 57% YoY (+21% QoQ) to ₹ 506 crore while the explosives segment revenue (29% of total) was flattish YoY (-33% QoQ) to ₹ 598 crore
- EBITDA margin increased by 63 bps YoY (+172 bps QoQ) to 26.5%. Subsequently, EBITDA was up 24.3% YoY (+3.4% QoQ) to ₹ 552.8 crore PAT was up 19% YoY (+2.5% QoQ) to ₹ 361.5 crore
- For H1FY26, revenue is up 24.6% YoY at ₹ 4236.7 crore with EBITDA margin standing at 25.7% (vs 26.3% in H1FY25) and PAT at ₹ 274 (+48.1% YoY).

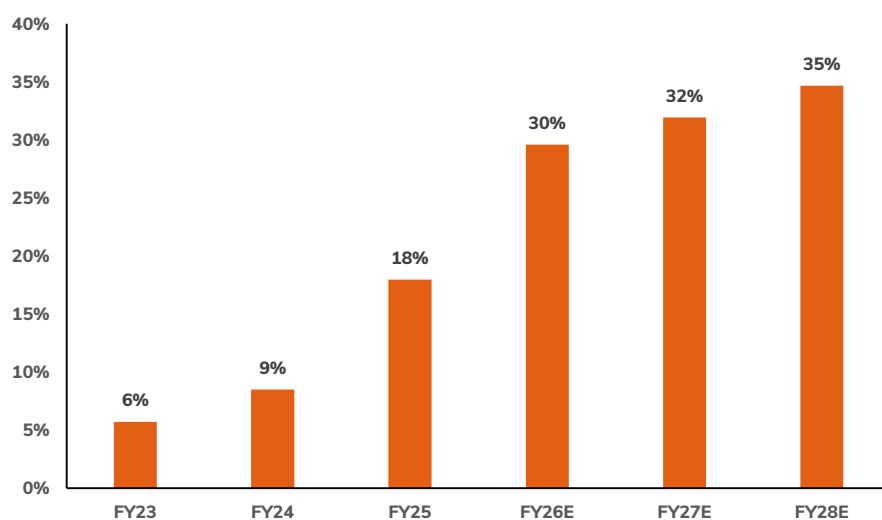
## Q2FY26 Earnings call highlights

- Order backlog stands at ~₹ 17100+ crore as of Sep'25 end of which ~₹ 15500+ crore is from defence (~₹ 8000 crore in international orders) and ~₹ 1600+ crore in explosives
- The company has maintained its revenue guidance at ~₹ 10,000 crore for FY26E (~₹ 3000 crore from defence and rest from non-defence) and anticipates a volume growth in explosives to rebound in H2FY26. While EBITDA margin at ~27% is said to be sustainable
- The defence segment has recorded ₹ 504 crore in revenue for the quarter while for H1FY26 the revenue for the segment stands at ₹ 924 crore. Going ahead the management expects a new phase of growth in the segment as orders such as Pinaka, Guided Pinaka would enter commercialisation in H2FY26
- The management cites early monsoon and mild heatwaves in Q1FY26 and heavy rainfall in Q2FY26 for demand impacted in explosives which led to a flattish revenue for the segment but going forward they expect it to recover post-monsoon
- The company is optimistic about growth in housing, and infrastructure with demand from power and mining rising in H2FY26E
- Under emergency procurement the company has received some orders, while has also participated in RFPs for ammunition (23mm, 30mm, 40mm), counter drones and loitering munitions. Company also stated that they have contribution in Project Kusha (indigenous S-400)
- Regarding the capital expenditure for the year, the company reiterates its plan of ~₹ 2000+ crore capex in FY26E, which would be funded by mostly internally accrued.
- The company is in ongoing trials for 155mm shells which are set to be commercialised in Q4FY26. While Bhargavastra is expected to complete its qualification by Mar-26 with commercialisation to follow soon.
- Regarding loitering munitions, currently, the management is focused on developing hard kill drones but has plans for venturing into soft kill variants. Repeat orders of Nagastra is also expected
- In international markets, the company is ramping up its production as it is witnessing strong performance in South Africa, Turkey, Ghana, Nigeria, Tanzania, which are expected to turn net positive. While the Kazakhstan and Australia operations are about to commence. The management is also trying to get into Saudi Arabia to tap into further markets

**Exhibit 1: Q2FY26 result snapshot (₹ crore)**

	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Comments	H1FY26	H1FY25	YoY (%)
Operating Income	2,082.2	1,715.8	21.4	2,154.5	-3.4	Strong YoY growth was mainly led by defence and international business segment	4,236.7	3,400.6	24.6
Raw materials costs	987.9	843.0		1,094.4			2,082.3	1,713.1	
Employees Cost	194.7	144.7		183.8			378.5	5,113.8	
Other Expenses	346.9	283.4		341.4			688.3	517.5	
Total Expenditure	1,529.4	1,271.1		1,619.6			3,149.0	2,506.5	
EBITDA	552.8	444.8	24.3	534.9	3.4		1,087.6	894.1	21.6
EBITDA margins (%)	26.5	25.9	63 bps	24.8	172 bps	EBITDA margin remained steady for the quarter	25.7	26.3	-62 bps
Depreciation	60.6	43.6		56.0			116.6	83.6	
EBIT	492.2	401.2		478.9			971.0	810.5	
Interest	30.9	29.7		27.4			58.3	57.2	
Other Income	29.2	30.5		29.3			58.4	54.7	
Extra Ordinary Item	0.9	-5.1		-0.1			0.9	-7.2	
PBT	489.5	407.0		480.8			970.3	815.2	
Total Tax	128.1	103.2		128.1			256.2	210.9	
PAT	361.5	303.8	19.0	352.6	2.5		714.1	604.3	18.2

Source: Company, ICICI Direct Research

**Exhibit 2: Share of defence segment revenue to increase substantially**


Source: Company, ICICI Direct Research

## Financial Summary

## Exhibit 3: Profit and loss statement

₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Revenue	7,540	9,970	12,010	14,379
Growth YoY (%)	24.2	32.2	20.5	19.7
Raw Material Expenses	3,907	5,105	6,125	7,333
COGS	51.8	51.2	51.0	51.0
Employee Expenses	600	750	975	1,268
Other Expenses	1,073	1,480	1,710	1,898
Total Operating Expenditure	5,580	7,335	8,810	10,498
Operating Profit (EBITDA)	1,960	2,635	3,200	3,880
Growth YoY (%)	43.2	34.4	21.4	21.3
Interest	117	117	117	117
Other Income	71	117	129	138
PBDT	1,915	2,635	3,211	3,901
Depreciation	182	236	340	450
PBT after Exceptional Items	1,733	2,399	2,871	3,451
Total Tax	451	624	747	897
PAT before MI	1,282	1,775	2,125	2,554
Minority Interest	78	108	130	156
PAT	1,204	1,667	1,995	2,398
Growth YoY (%)	44.1	38.4	19.7	20.2
EPS	133	184	220	239

Source: Company, ICICI Direct Research

## Exhibit 4: Cash Flow Statement

(Year-end March)	FY25	FY26E	FY27E	FY28E
Profit after Tax	1,204	1,667	1,995	2,398
Add: Depreciation	182	236	340	450
Add: Interest Paid	117	117	117	117
Cash Flow before WC changes	1,502	2,020	2,453	2,966
(Increase)/Decrease in inventory	(193)	(326)	(279)	(325)
(Increase)/Decrease in debtors	(394)	(168)	(271)	(331)
(Increase)/Decrease Loan & Advances	1	-	-	-
(Increase)/Decrease in CA	(135)	(260)	(113)	(118)
Net Increase in Current Assets	(720)	(754)	(664)	(773)
Net Increase in Current Liabilities	588	276	537	455
Net CF from operating activities	1,370	1,543	2,325	2,647
(Purchase)/Sale of Fixed Assets	(948)	(2,000)	(2,000)	(2,000)
Inc / (Dec) in Deferred Tax Liability	21	31	-	-
Net CF from Investing Activities	(526)	(1,593)	(2,092)	(2,332)
Proceeds/(Repay) Secured Loan	(166)	-	-	-
Proceeds/(Repay) Unsecured Loan	-	-	-	-
(Payment) of Dividend	(90)	(141)	-	-
Interest Paid	(117)	(117)	(117)	(117)
Net CF from Financing Activities	(406)	(543)	(195)	(196)
Net Cash flow	438	(593)	38	119
Cash and Cash Eq. (beginning)	287	725	132	170
Cash and Cash Equivalent (end)	725	132	170	289

Source: Company, ICICI Direct Research

## Exhibit 5: Balance Sheet

₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Equity Capital	18.1	18.1	18.1	18.1
Reserve and Surplus	4,368	5,609	7,527	9,846
Total Shareholders funds	4,386	5,628	7,545	9,864
Secured Loan	939	939	939	939
Unsecured Loan	-	-	-	-
Total Debt	939	939	939	939
Deferred Tax Liability	219	250	250	250
Minority Interest	150	154	169	172
Total Liabilities	6,693	7,918	9,850	12,172
Gross Block	3,327	4,430	6,430	8,430
Accumulated Depreciation	857	1,093	1,433	1,883
Net Block	2,470	3,337	4,997	6,547
Capital WIP	703	1,600	1,600	1,600
Total Fixed Assets	3,173	4,937	6,597	8,147
Inventory	1,040	1,366	1,645	1,970
Debtors	1,239	1,407	1,678	2,009
Loans and Advances	2	2	2	2
Other Current Assets	587	847	961	1,078
Cash	725	132	170	289
Total Current Assets	3,593	3,754	4,456	5,348
Creditors	887	970	1,283	1,536
Provisions	24	29	29	29
Total Current Liabilities	1,568	1,845	2,381	2,836
Net Current Assets	2,025	1,909	2,075	2,512
Total Assets	6,693	7,918	9,850	12,172

Source: Company, ICICI Direct Research

## Exhibit 6: Key ratios

(Year-end March)	FY25	FY26E	FY27E	FY28E
Per Share Data				
Reported EPS	133.0	184.2	220.5	238.6
Cash EPS	153.1	210.3	258.1	283.4
BV per share	484.7	621.9	833.8	981.6
Dividend per share	10.0	14.0	16.0	18.0
Cash Per Share	94.7	120.8	158.4	187.4
Operating Ratios (%)				
EBITDA Margin	26.0	26.4	26.6	27.0
EBIT / Net Sales	23.6	24.1	23.8	23.9
PAT / Net Sales	16.0	16.7	16.6	16.7
Inventory days	50.3	50.0	50.0	50.0
Debtor days	60.0	51.5	51.0	51.0
Creditor days	42.9	35.5	39.0	39.0
Return Ratios (%)				
RoE	27.4	29.6	26.4	24.3
RoCE	27.6	31.8	30.3	29.3
RoIC	39.3	39.6	35.4	33.8
Valuation Ratios (x)				
P/E	112.3	81.1	67.8	62.6
EV / EBITDA	68.8	51.6	42.5	34.9
EV / Net Sales	17.9	13.6	11.3	9.4
Market Cap / Sales	17.9	13.6	11.3	9.4
Price to Book Value	30.8	24.0	17.9	15.2
Solvency Ratios				
Debt / EBITDA	0.5	0.4	0.3	0.2
Debt / Equity	0.2	0.2	0.1	0.1
Current Ratio	3.0	3.5	3.2	3.1
Quick Ratio	1.9	2.2	1.9	1.9

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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