

February 5, 2026

Commercialization of new products to support growth 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 Q3FY26, ~40% of revenue was from international business, ~31% from industrial explosives (bulk and cartridge), ~29% 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 ~₹ 21200 crore (2.6x TTM 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 with segment revenue at ₹ 8000 crore in next 4-5 years (40%+ CAGR). Defence segment expects a new growth phase from Q4FY26E as Pinaka enters commercialisation and 155mm shells nearing qualification. Management sees significant opportunities in domestic and export markets, aided by optimisation of domestic (Dhule and Dhulpur facilities) and international capacities at along with international and a planned ₹2,000+ crore FY26E capex. Overall, defence revenues are expected to scale sharply over the next 4-5 years, driving a meaningful increase in overall revenues.
- Well poised to see significant recovery in explosives & exports/overseas segment:** The company, with a market-leading ~25% share in the domestic industrial explosives market, is well positioned to benefit from a cyclical recovery in demand. While explosives volumes remained muted during the year due to heavy monsoons and subdued coal demand, management expects a rebound led by improving activity in mining, power, housing and infrastructure, translating into ~10-12% volume growth and ~15%+ revenue growth for the segment. With an explosives order backlog of ~₹3,200+ crore and relatively stable raw-material prices, the segment offers steady earnings visibility. The international/overseas business continues to scale up, having crossed ₹1,000+ crore in revenues, driven by strong demand across Africa, South-East Asia and Turkey. Management expects capacity optimisation at new and global facilities, ~15%+ annualised growth in exports over the medium term.

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 maintain 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)	278.5	162.2	147.1			73.7	61.6	56.9	
EV/EBITDA (x)	165.5	96.0	90.2	62.5		46.9	38.6	31.8	
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	

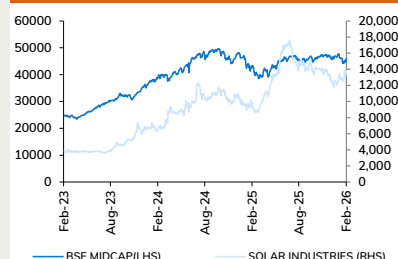
Source: Company, ICICI Direct Research

**Particulars**

Particular (Rs crore)	Amount
Market Capitalization	1,22,876
Total Debt (FY25)	939
Cash (FY25)	725
EV (FY25)	1,23,091
52 week H/L	7820 / 8479
Equity capital	18
Face value	2

Shareholding pattern

	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	73.2	73.2	73.2	73.2
FII	5.8	6.8	7.1	6.7
DII	14.1	13.6	12.9	12.9
Others	6.9	6.5	6.8	7.2

Price Chart**Key risks**

- (i) Delay in orders from govt
- (ii) Volatility in ammonium nitrate prices
- (iii) Availability of raw materials

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Q3 and 9MFY26 Result Summary

- Operational performance during the quarter remains healthy on YoY basis, led by exports and defence revenue. Revenue increased by 29.2% YoY (+22.4% QoQ) at ₹ 2,548 crore
- Export segment revenue (40% of total) increased by 35% YoY (+6% QoQ) to ₹ 1020 crore. Defence segment revenue (28% of total) increased by 72% YoY (+39% QoQ) to ₹ 702 crore while the explosives segment revenue (31% of total) was flattish YoY (+36.3% QoQ) to ₹ 815 crore
- EBITDA margin expanding by 110 bps YoY to 27.8%, led by favourable mix (defence & exports) and operating leverage while EBITDA increased by 34.5% YoY (+28.1% QoQ) to ₹ 708 crore. PAT for the quarter rose by 38.2% YoY (+29.1% QoQ) to ₹ 467 crore
- For 9MFY26, revenue stood at ₹ 6,785 crore (+26.3% YoY) with EBITDA of ₹ 1,796 crore (+26.4% YoY) and PAT of ₹ 1,181 crore (+25.4% YoY).

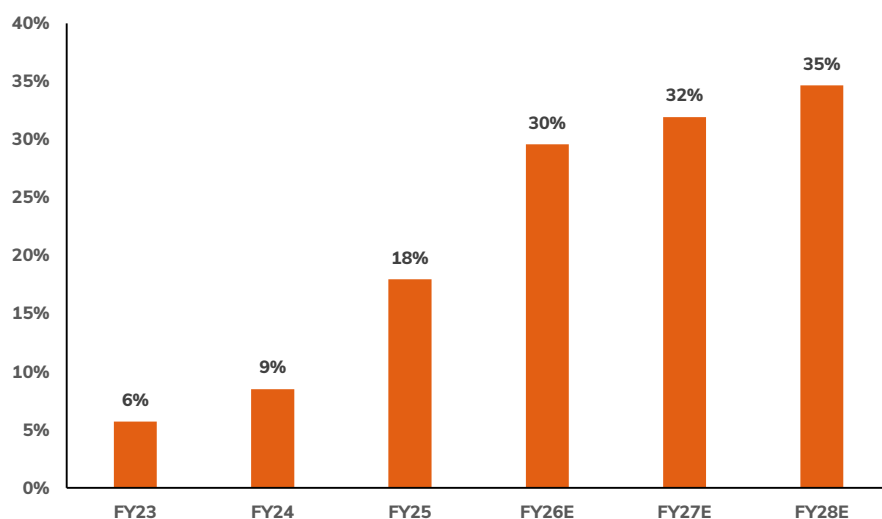
Q3FY26 Earnings call highlights

- Order backlog stands at ~₹ 21200+ crore as of Dec'25 end of which ~₹ 18000+ crore is from defence (~₹ 11,000 crore in international orders) and ~₹ 3200+ 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 Q4FY26E. While EBITDA margin at ~27-28% is said to be sustainable
- The defence segment has recorded ₹ 702 crore in revenue for the quarter while for 9MFY26 the revenue for the segment stands at ₹ 1626 crore. Going ahead the management expects a new phase of growth in the segment as products such as Pinaka, Guided Pinaka have completed qualifications and would enter commercialisation in Q4FY26E
- The consistent growth in defence and international businesses have continued to drive growth, going ahead new facilities at Dhule (Maharashtra), and Dholpur (Rajasthan) have started to optimise along with global capacities
- International business has achieved a ₹1000+ crore revenue driven by gold, copper, and industrial metal demand with strong traction from Africa, South-east Asia, Turkey. Going ahead management expects a ~15%+ annualised growth
- The management cites slower growth in explosives due to heavy monsoon and muted coal demand throughout the year, however expect ~6-7% demand growth in electricity & mining, translating to ~10-12% volume growth which would in turn fuel a growth of ~15%+ for the segment
- 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.
- Company has also initiated production for 155mm shells and are in the final stages of qualifications for the same. While R&D is ongoing for Medium-Altitude Long Endurance (MALE) drones and Humanoids and commercialization for the same is expected in longer term
- Management is confident of 20%+ CAGR in overall business over the next 3-5 years, led by defence and international segments. Focus areas for the company include ramping up of defence execution across domestic and international along with expanding into new technologies such as drones, advanced ammunition and robotics

Exhibit 1: Q3 and 9MFY26 result snapshot (₹ crore)

	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comments	9MFY26	9MFY25	YoY(%)
Operating Income	2,548.3	1,973.1	29.2	2,082.2	22.4	Strong execution from defence and export segments	6,785.0	5,373.7	26.3
Raw materials costs	1,241.3	1,028.7		987.9			3,323.6	2,741.8	
Employees Cost	213.9	150.7		194.7			10,108.6	8,115.5	
Other Expenses	384.9	267.2		346.9			1,073.2	784.7	
Total Expenditure	1,840.1	1,446.5		1,529.4			4,989.2	3,953.0	
EBITDA	708.2	526.5	34.5	552.8	28.1		1,795.8	1,420.7	26.4
EBITDA margins (%)	27.8	26.7	110 bps	26.5	124 bps	Supported by favourable mix (defence & exports)	26.5%	26.4%	0 bps
Depreciation	62.9	47.4		60.6			179.5	131.0	
EBIT	645.4	479.1		492.2			0.0	0.0	8.5
Interest	34.4	30.5		30.9			92.7	87.7	
Other Income	25.1	9.5		29.2			83.5	64.3	
Extra Ordinary Item	0.1	-1.0		0.9			1.0	-8.1	
PBT	635.9	459.1		489.5			1,606.2	1,274.4	
Total Tax	169.4	121.6		128.1			425.6	332.6	
PAT	466.5	337.5	38.2	361.5	29.1		1,180.6	941.8	25.4

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	102.1	73.7	61.6	56.9
EV / EBITDA	62.5	46.9	38.6	31.8
EV / Net Sales	16.3	12.4	10.3	8.6
Market Cap / Sales	16.3	12.3	10.2	8.5
Price to Book Value	28.0	21.8	16.3	13.8
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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