

August 13, 2025

Recovery in explosives segment to strengthen 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 Q1FY26, ~42% of revenue was from industrial explosives (bulk and cartridge), ~38% from export and overseas, ~19% 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 ~Rs 15000 crore (11.2x 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 Rs 8000 crore in next 4-5 years (40%+ CAGR). Company has planned a capex of Rs 2500 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 Rudrastra 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 soon. 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 Rs 1800+ 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 HOLD on SIL with target price of ₹ 16700 (based on 70x P/E on FY27E 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	9,970.8	12,024.4	14,532.6	24.4
EBITDA	747.3	1,288.9	1,369.2	1,960.3	37.9	2,635.6	3,199.9	3,921.8	26.0
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	1,653.9	1,956.1	2,397.0	25.8
EPS	48.8	83.7	92.3	133.0		182.8	216.2	238.5	
P/E (x)	306.5	178.5	161.8	112.3		81.8	69.1	62.7	
EV/EBITDA (x)	182.0	105.6	99.2	68.8		51.7	42.6	34.6	
RoCE (%)	21.7	29.1	26.7	27.6		30.0	28.7	29.5	
RoE (%)	23.1	29.0	25.3	27.4		29.5	26.1	24.4	

Source: Company, ICICI Direct Research



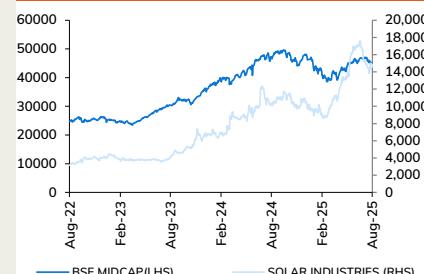
Particulars

Particular (Rs crore)	Amount
Market Capitalization	1,35,237
Total Debt (FY25)	939
Cash (FY25)	725
EV (FY25)	1,35,452
52 week H/L	17820 / 8479
Equity capital	18
Face value	2

Shareholding pattern

	Sep-24	Dec-24	Mar-25	Jun-25
Promoter	73.2	73.2	73.2	73.2
FII	7.5	7.2	5.8	6.8
DII	12.7	12.8	14.1	13.6
Others	6.6	6.8	6.9	6.5

Price Chart



Key risks

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

Research Analyst

Vijay Goel
vijay.goel@icicisecurities.com

Kush Bhandari
kush.bhandari@icicisecurities.com

Q1FY26 Result Summary

- Operational performance during the quarter remains healthy on YoY basis, led by exports and defence revenue. Revenue increased by 27.9% YoY (flattish on QoQ basis) to Rs 2154.5 crore
- Exports revenue (38% of total) increased by 43% YoY (flattish on QoQ basis) to Rs 826 crore. Defence segment revenue (19% of total) increased significantly by 115% YoY (flattish on QoQ basis) to Rs 418 crore. While the explosives segment revenue (42% of total) was flattish on YoY and QoQ basis to Rs 898 crore
- EBITDA margin declined by 185 bps YoY (-8 bps QoQ) to 24.8. Subsequently, EBITDA was up 19% YoY (flattish QoQ) to Rs 534.9 crore
- PAT was up 17.3% YoY (+1.9% QoQ) to Rs 352.6 crore.

Q1FY26 Earnings call highlights

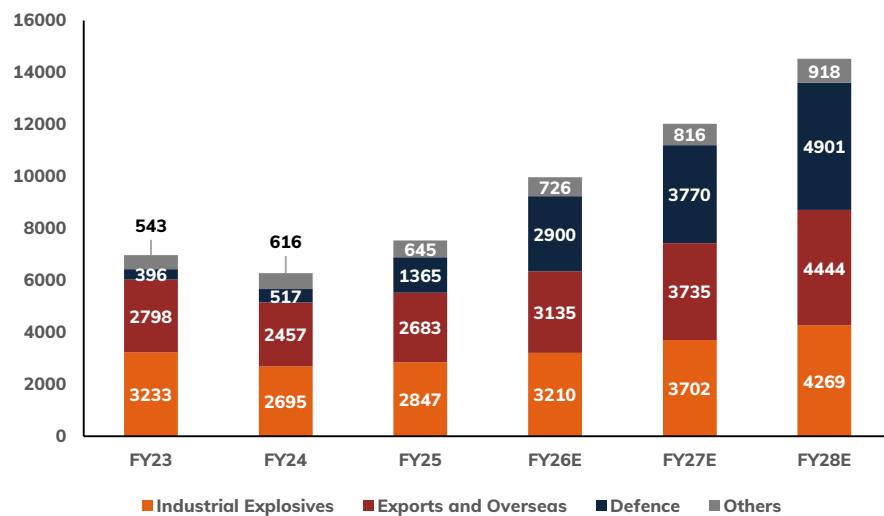
- Order backlog stands at ~Rs 16800+ crore as of March'25 end (~Rs 15000+ crore defence and ~Rs 1800+ crore in explosives)
- The defence order book now comprises of ~Rs 8000 crore worth of international orders
- The company has projected its revenue guidance to be approximately ~Rs 10,000 crore for the FY26E (~Rs 3000 crore from defence and rest from non-defence) and anticipates a volume growth in explosives to rebound post-monsoon. While EBITDA margin at ~27% is said to be sustainable
- During the quarter, currency fluctuations and hyperinflationary accounting in Turkey impacted margins by ~1.5% while the defence commercialization timelines were affected by extended qualification processes
- Regarding the capital expenditure for the year, the company reiterates its plan of ~Rs 2500 crore capex in FY26E, which would be funded by mostly internally accrued. This capex will be used for investments into new technologies, automation, ammunition range extension and land acquisitions
- The company cites early monsoon and mild heatwaves for a flattish revenue in explosives but expects it to recover post-monsoon bringing in a ~15% growth
- Management expects commercialization of Pinaka orders during the year and states that the company has also completed successful trials of Rudrastra along with Bhargavastra which are now undergoing qualifications with commerciality of these products expected in a few quarters
- The management also expects repeat orders for UAVs and multi-mode hand grenades and will be participating in ~Rs 2,000 crore UAV MALE drone orders. Regarding the 155mm shell products, the facility for the same is in place with commercial production to take place soon
- Following Nagastra-I (Loitering Munition), the company is well-prepared for Nagastra-II and III, which are currently in the process of trials and product qualification
- Regarding the international markets, the company sees a strong performance in South Africa while the Kazakhstan plant is expected to commence operations by October which would reel in 37-38% of current revenue guidance for the year (~Rs 3500-4000 crore)
- The company is optimistic about growth in mining, housing, and infrastructure and is also trying towards creating a global supply chain for defence
- Going forward, the defence segment is targeted to contribute ~Rs 8000 crore in a period of 4-5 years

Exhibit 1: Q1FY26 result snapshot (₹ crore)

	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Operating Income	2,154.5	1,684.8	27.9	2,166.6	-0.6
Raw materials costs	1,094.4	870.2		1,165.5	
Employees Cost	183.8	131.1		173.6	
Other Expenses	341.4	234.1		287.8	
Total Expenditure	1,619.6	1,235.4		1,626.9	
EBITDA	534.9	449.4	19.0	539.7	-0.9
EBITDA margins (%)	24.8	26.7	-185 bps	24.9	-8 bps
Depreciation	56.0	40.0		50.5	
EBIT	478.9	409.4	17.0	489.2	-2.1
Interest	27.4	27.5		28.8	
Other Income	29.3	24.3		6.6	
Extra Ordinary Item	-0.1	-2.1		2.6	
PBT	480.8	408.3		464.4	
Total Tax	128.1	107.8		118.3	
PAT	352.6	300.5	17.3	346.1	1.9

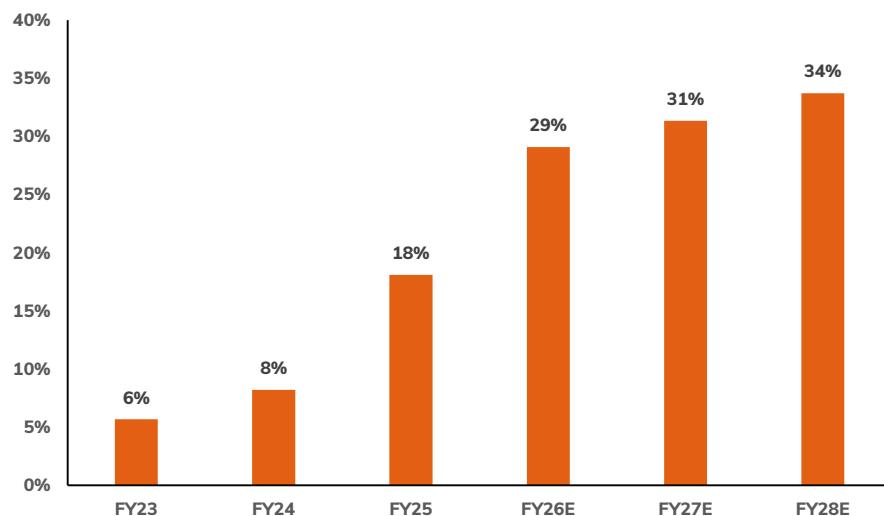
Source: Company, ICICI Direct Research

Exhibit 2: Segment wise revenue break-up (₹ crore)



Source: Company, ICICI Direct Research

Exhibit 3: Share of defence segment revenue to increase substantially



Source: Company, ICICI Direct Research

Financial Summary

Exhibit 4: Profit and loss statement

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	6,070	7,540	9,971	12,024	14,533
Growth YoY (%)	(12.3)	24.2	32.2	20.6	20.9
Raw Material Expenses	3,196	3,907	5,105	6,132	7,412
COGS	52.7	51.8	51.2	51.0	51.0
Employee Expenses	433	600	750	975	1,268
Other Expenses	1,071	1,073	1,480	1,717	1,932
Total Operating Expenditure	4,700	5,580	7,335	8,824	10,611
Operating Profit (EBITDA)	1,369	1,960	2,636	3,200	3,922
Growth YoY (%)	6.2	43.2	34.4	21.4	22.6
Interest	109	117	120	146	133
Other Income	44	71	99	111	128
PBTD	1,304	1,915	2,615	3,165	3,917
Depreciation	143	182	235	350	430
PBT after Exceptional Items	1,161	1,733	2,380	2,815	3,487
Total Tax	286	451	619	732	907
PAT before MI	875	1,282	1,761	2,083	2,580
Minority Interest	39	78	107	127	183
PAT	836	1,204	1,654	1,956	2,397
Growth YoY (%)	10.3	44.1	37.4	18.3	22.5
EPS	92	133	183	216	239

Source: Company, ICICI Direct Research

₹ crore

Exhibit 5: Cash Flow Statement

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Profit after Tax	836	1,204	1,654	1,956	2,397
Add: Depreciation	143	182	235	350	430
Add: Interest Paid	109	117	120	146	133
Cash Flow before WC changes	1,088	1,502	2,008	2,452	2,960
(Increase)/Decrease in inventory	251	(193)	(326)	(281)	(344)
(Increase)/Decrease in debtors	(20)	(394)	(264)	(309)	(378)
(Increase)/Decrease Loan & Advances	9	1	-	-	-
(Increase)/Decrease in CA	(167)	(135)	(61)	(133)	(163)
Net Increase in Current Assets	74	(720)	(650)	(724)	(885)
Net Increase in Current Liabilities	44	588	354	380	900
Net CF from operating activities	1,206	1,370	1,712	2,108	2,975
(Purchase)/Sale of Fixed Assets	(656)	(948)	(2,500)	(2,000)	(2,000)
Inc / (Dec) in Deferred Tax Liability	39	21	-	-	-
Net CF from Investing Activities	(865)	(526)	(1,980)	(2,092)	(2,138)
Proceeds/(Repay) Secured Loan	(64)	(166)	400	100	(350)
Proceeds/(Repay) Unsecured Loan	-	-	-	-	-
(Payment) of Dividend	(77)	(90)	(141)	-	-
Interest Paid	(109)	(117)	(120)	(146)	(133)
Net CF from Financing Activities	(314)	(406)	(145)	(124)	(562)
Net Cash flow	27	438	(413)	(108)	276
Cash and Cash Eq. (beginning)	260	287	725	311	203
Cash and Cash Equivalent (end)	287	725	311	203	479

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Equity Capital	18.1	18.1	18.1	18.1	18.1
Reserve and Surplus	3,287	4,368	5,597	7,475	9,793
Total Shareholders funds	3,306	4,386	5,615	7,493	9,811
Secured Loan	1,105	939	1,339	1,439	1,089
Unsecured Loan	-	-	-	-	-
Total Debt	1,105	939	1,339	1,439	1,089
Deferred Tax Liability	198	219	219	219	219
Minority Interest	122	150	154	169	172
Total Liabilities	4,757	6,693	8,325	10,318	12,289
Gross Block	2,595	3,327	4,530	6,930	8,930
Accumulated Depreciation	676	857	1,092	1,442	1,872
Net Block	1,919	2,470	3,438	5,488	7,058
Capital WIP	487	703	2,000	1,600	1,600
Total Fixed Assets	2,407	3,173	5,438	7,088	8,658
Inventory	847	1,040	1,366	1,647	1,991
Debtors	845	1,239	1,502	1,812	2,190
Loans and Advances	3	2	2	2	2
Other Current Assets	453	587	648	782	945
Cash	287	725	311	203	479
Total Current Assets	2,435	3,593	3,830	4,446	5,606
Creditors	553	887	1,147	1,384	1,672
Provisions	15	24	24	24	24
Total Current Liabilities	980	1,568	1,922	2,302	3,202
Net Current Assets	1,455	2,025	1,908	2,144	2,404
Total Assets	4,757	6,693	8,325	10,318	12,289

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Per Share Data					
Reported EPS	92.3	133.0	182.8	216.2	238.5
Cash EPS	108.2	153.1	208.7	254.8	281.3
BV per share	365.3	484.7	620.5	828.0	976.3
Dividend per share	8.5	10.0	14.0	16.0	18.0
Cash Per Share	74.7	94.7	120.7	159.4	186.3
Operating Ratios (%)					
EBITDA Margin	22.6	26.0	26.4	26.6	27.0
EBIT / Net Sales	20.2	23.6	24.1	23.7	24.0
PAT / Net Sales	13.8	16.0	16.6	16.3	16.5
Inventory days	50.9	50.3	50.0	50.0	50.0
Debtor days	50.8	60.0	55.0	55.0	55.0
Creditor days	33.2	42.9	42.0	42.0	42.0
Return Ratios (%)					
RoE	25.3	27.4	29.5	26.1	24.4
RoCE	26.7	27.6	30.0	28.7	29.5
RoIC	33.7	39.3	40.8	33.9	33.0
Valuation Ratios (x)					
P/E	161.8	112.3	81.8	69.1	62.7
EV / EBITDA	99.2	68.8	51.7	42.6	34.6
EV / Net Sales	22.4	17.9	13.7	11.3	9.3
Market Cap / Sales	22.3	17.9	13.6	11.2	9.3
Price to Book Value	40.9	30.8	24.1	18.0	15.3
Solvency Ratios					
Debt / EBITDA	0.8	0.5	0.5	0.4	0.3
Debt / Equity	0.3	0.2	0.2	0.2	0.1
Current Ratio	3.7	3.0	2.9	2.9	2.9
Quick Ratio	2.2	1.9	1.8	1.8	1.8

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Vijay Goel, PGDBM, Kush Bhandari, MBA, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number - INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance Officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Bhavesh Soni Email address: headservicequality@icicidirect.com Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

ICICI Securities Limited has not used any Artificial Intelligence tools for preparation of this Research Report