

May 16, 2026

Scaling capabilities; expanding markets to drive growth ahead...

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, bombs etc...
- In FY26, ~33% of revenue was from international business, ~33% from defence, ~34% from industrial explosives (bulk and cartridge) and others

Investment Rationale:

- FY27 outlook implies strong ~42% revenue growth as defence business enters accelerated growth phase:** Solar Industries continues to witness strong momentum in defence business driven by robust execution, product commercialisation and expanding manufacturing capabilities. With defence order backlog remaining strong at ~₹18,000 crore and FY26 defence revenue growing ~94% YoY to ~₹2,634 crore, management expects the segment to scale further to ~₹4,500 crore in FY27. Key growth drivers include increasing execution in Pinaka ammunition, guided systems, 155mm artillery ammunition, loitering munitions and counter-drone systems. The company is also strengthening its defence ecosystem through continued capex, forward integration and expansion of dedicated facilities, positioning itself as a key beneficiary of rising domestic and global ammunition demand. We believe the defence segment is likely to remain the primary growth engine for overall revenues over the medium term.
- International expansion and domestic recovery to support diversified growth:** The company's international business continues to scale strongly with FY26 revenue growth of ~32% YoY, supported by robust traction across Africa, Turkey and South-East Asia. Management expects ~30% growth in international business during FY27 aided by commissioning of new global facilities and expansion into newer geographies. On the domestic explosives side, management expects recovery in demand during FY27 led by improving mining activity, infrastructure spending and housing demand after a relatively muted FY26 impacted by monsoons and lower coal overburden removal. With strong market positioning in industrial explosives, expanding global footprint and focus on high-value products, Solar Industries remains well placed to deliver healthy revenue growth while sustaining EBITDA margins at ~27-28% levels.

Rating and Target Price

- We have increased our earnings estimates significantly, for FY27-28E to factor in strong guidance and execution backed by strong order backlog as indicated by the management. Outlook remains positive led by recovery in explosives and healthy growth in defence and exports. We estimate revenue & PAT to grow at 30% & ~32% CAGR respectively over FY26-28E.
- We maintain BUY on SIL with target price of ₹ 20,200 (based on 70x P/E on FY28E EPS)

Key Financial Summary

(Year-end March)	FY22	FY23	FY24	FY25	FY26	3 Year CAGR (FY23-FY26)	FY27E	FY28E	2 Year CAGR (FY26-FY28E)
Revenue	3,947.6	6,922.5	6,069.5	7,540.2	9,837.7	12.4	13,275.8	16,635.9	30.0
EBITDA	747.3	1,288.9	1,369.2	1,960.3	2,621.8	26.7	3,625.3	4,594.9	32.4
EBITDA margin (%)	18.9	18.6	22.6	26.0	26.7		27.3	27.6	
Net Profit	441.3	757.5	835.6	1,209.4	1,677.6	30.3	2,288.7	2,899.8	31.5
EPS	48.8	83.7	92.3	133.7	185.4		252.9	288.6	
P/E (x)	355.8	207.3	187.9	129.8	93.6		68.6	60.1	
EV/EBITDA (x)	211.2	122.5	115.1	79.9	60.2		43.7	34.4	
RoCE (%)	21.7	29.1	26.7	27.6	27.4		31.8	31.7	
RoE (%)	23.1	29.0	25.3	27.4	25.6		29.0	27.1	

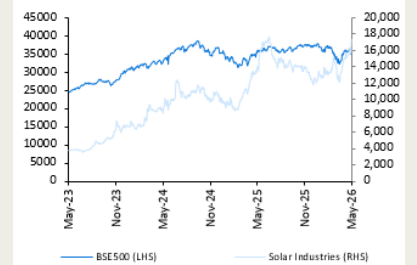
Source: Company, ICICI Direct Research

**Particulars**

Particular (Rs crore)	Amount
Market Capitalization	1,57,018
Total Debt (FY26)	1,468
Cash (FY26)	584
EV (FY26)	1,57,902
52 week H/L	17820 / 11641
Equity capital	18
Face value	2

Shareholding pattern

	Jun-25	Sep-25	Dec-25	Mar-26
Promoter	73.2	73.2	73.2	73.2
FII	6.8	7.1	6.7	6.6
DII	13.6	12.9	12.9	12.9
Others	6.5	6.8	7.2	7.4

Price Chart**Key risks**

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

Research Analyst

Vijay Goel
vijay.goel@icicisecurities.com

Kush Bhandari
kush.bhandari@icicisecurities.com

Q4 and FY26 Result Summary

- Operational performance during the quarter remains healthy on YoY basis, led by exports and defence revenue. Revenue increased by ~41% YoY (~20% QoQ) at ₹ 3,053 crore
- Export segment revenue (33% of total) increased by 32% YoY (-1.4% QoQ) to ₹ 1006 crore. Defence segment revenue (33% of total) increased by 134% YoY (+43.5% QoQ) to ₹ 1,008 crore while the explosives segment revenue (34% of total) increased by 6.7% YoY (~26% QoQ) to ₹ 1039 crore
- EBITDA margin expanding (+215 bps YoY, -73 bps QoQ) to 27.1%, led by favourable mix (defence & exports) and operating leverage while EBITDA increased by 53.1% YoY (+16.6% QoQ) to ₹ 826 crore. PAT for the quarter rose by 60.7% YoY (+19.2% QoQ) to ₹556 crore
- For FY26, revenue stood at ₹9,837.7 crore (+30.5% YoY) with EBITDA of ₹2,621.8 crore (+33.7% YoY) and PAT of ₹1,736 crore (+34.8% YoY).

Q4FY26 Earnings call highlights

- Order backlog stands healthy at ~₹21,300 crore as of Mar-26 (2.2x FY26 revenue), of which ~₹18,000 crore is from defence and ~₹3,000 crore from non-defence businesses, providing strong multi-year revenue visibility.
- Management reiterated confidence in achieving ₹14,000 crore revenue target in FY27 while sustaining EBITDA margins at current levels of ~27–28%.
- Defence business continues to emerge as a key growth driver with FY26 defence revenue reaching ~₹2,634 crore (+94% YoY), while Q4FY26 defence revenue stood at ~₹1,008 crore (+134% YoY).
- Management expects defence revenue to scale further to ~₹4,500 crore in FY27 supported by strong execution, repeat orders and increasing product commercialisation.
- Key defence programs continue to progress well across Pinaka ammunition, guided systems, 155mm artillery ammunition, loitering munitions, counter-drone systems and medium-calibre ammunition. Raw material supplies for 155mm shells have commenced while complete round qualification and commercial supplies are expected over the next few months. Bhargavastra counter-drone system remains under advanced development and trial stages.
- International business delivered another strong year with ~32% YoY growth in FY26, supported by healthy traction across Africa, Turkey and South-East Asian markets. Management continues to expand global presence through facilities and operational hubs in South Africa, Nigeria, Kazakhstan, Thailand, Indonesia and Australia, while new operations have commenced in Zimbabwe and Ghana. Management expects ~30% growth in international business during FY27.
- Domestic explosives business remained relatively subdued during FY26 due to weaker coal overburden removal and extended monsoon impact; however, management expects recovery in FY27 driven by improving mining activity, infrastructure spending and housing demand. The company expects domestic business growth of ~35% in FY27 aided by improving demand environment and geographic expansion across key mining regions.
- The company continues to focus on forward integration into advanced energetic materials, defence products and high-value explosives solutions while strengthening global manufacturing footprint and customer proximity. Strategic inventory build-up during Q4 was undertaken to mitigate geopolitical risks and commodity supply disruptions.
- Capacity expansion remains a key focus area with FY27 capex guidance of ~₹2,050 crore, largely funded through internal accruals. Over the last two years, the company has invested ~₹2,700 crore towards scaling

defence manufacturing, explosives capacities and international operations.

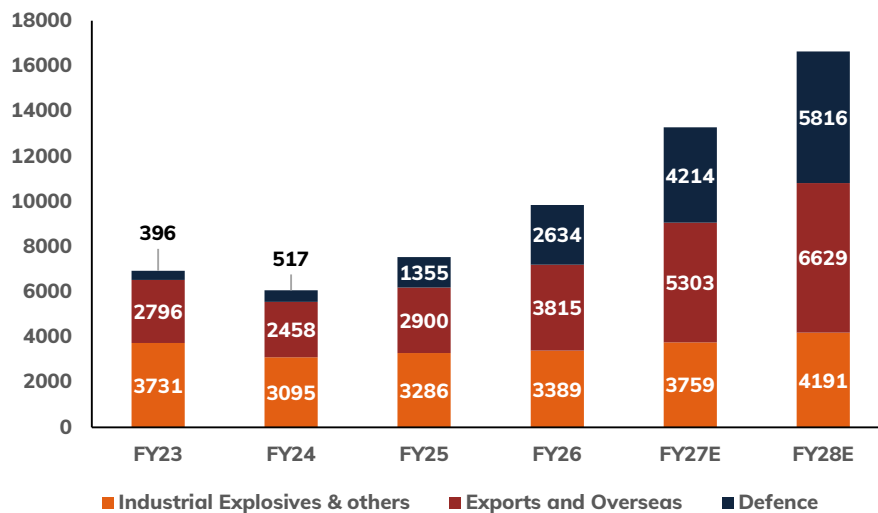
- Management remains confident of sustaining 20%+ long-term CAGR driven by defence indigenisation, increasing global ammunition demand, expanding international footprint and commercialisation of next-generation products across drones, advanced ammunition and defence technologies

Exhibit 1: Q4 and FY26 result snapshot (₹ crore)

	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Comments	FY26	FY25	YoY(%)
Operating Income	3,052.8	2,166.6	40.9	2,548.3	19.8	Strong execution from defence and export segments	9,837.7	7,540.2	30.5
Raw materials costs	1,521.5	1,165.5		1,241.3			4,893.7	3,907.3	
Employees Cost	252.6	173.6		213.9			14,731.5	11,447.5	
Other Expenses	452.7	287.8		384.9			1,477.2	1,072.5	
Total Expenditure	2,226.8	1,626.9		1,840.1			7,215.9	5,579.9	
EBITDA	826.0	539.7	53.1	708.2	16.6		2,621.8	1,960.3	33.7
EBITDA margins (%)	27.1	24.9	215 bps	27.8	-73 bps	Supported by favourable mix (defence & exports)	26.7	26.0	65 bps
Depreciation	71.4	50.5		62.9			250.9	181.5	
EBIT	754.6	489.2		645.4			2,370.9	1,778.8	33.3
Interest	41.3	28.8		34.4			134.0	116.5	
Other Income	44.5	6.6		25.1			128.0	70.8	
Extra Ordinary Item	1.3	2.6		0.1			0.3	-5.6	
PBT	759.0	464.4		635.9			2,365.2	1,738.7	
Total Tax	203.0	118.3		169.4			628.6	450.8	
PAT	556.0	346.1	60.7	466.5	19.2		1,736.6	1,287.9	34.8

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	FY26	FY27E	FY28E
Revenue	7,540	9,838	13,276	16,636
Growth YoY (%)	24.2	30.5	34.9	25.3
Raw Material Expenses	3,907	4,894	6,638	8,318
COGS	51.8	49.7	50.0	50.0
Employee Expenses	600	845	1,166	1,528
Other Expenses	1,073	1,477	1,847	2,196
Total Operating Expenditure	5,580	7,216	9,650	12,041
Operating Profit (EBITDA)	1,960	2,622	3,625	4,595
Growth YoY (%)	43.2	33.7	38.3	26.7
Interest	117	134	178	194
Other Income	71	128	141	155
PBDT	1,915	2,616	3,588	4,555
Depreciation	182	251	340	440
PBT after Exceptional Items	1,739	2,365	3,248	4,115
Total Tax	451	629	864	1,095
PAT before MI	1,288	1,737	2,384	3,021
Minority Interest	78	59	95	121
PAT	1,209	1,678	2,289	2,900
Growth YoY (%)	44.7	38.7	36.4	26.7
EPS	134	185	253	289

Source: Company, ICICI Direct Research

Exhibit 4: Cash Flow Statement

(Year-end March)	FY25	FY26	FY27E	FY28E
Profit after Tax	1,209	1,678	2,289	2,900
Add: Depreciation	182	251	340	440
Add: Interest Paid	117	134	178	194
Cash Flow before WC changes	1,507	2,062	2,807	3,534
(Increase)/Decrease in inventory	(193)	(702)	(368)	(534)
(Increase)/Decrease in debtors	(394)	(619)	(506)	(598)
(Increase)/Decrease Loan & Advances	1	(2)	-	-
(Increase)/Decrease in CA	(135)	(263)	(79)	(235)
Net Increase in Current Assets	(720)	(1,585)	(953)	(1,368)
Net Increase in Current Liabilities	588	233	728	458
Net CF from operating activities	1,375	710	2,581	2,625
(Purchase)/Sale of Fixed Assets	(948)	(1,485)	(2,000)	(2,000)
Inc / (Dec) in Deferred Tax Liability	21	53	-	-
Net CF from Investing Activities	(526)	(1,731)	(2,012)	(2,165)
Proceeds/(Repay) Secured Loan	(166)	529	300	-
Proceeds/(Repay) Unsecured Loan	-	-	-	-
(Payment) of Dividend	(90)	(111)	-	-
Interest Paid	(117)	(134)	(178)	(194)
Net CF from Financing Activities	(405)	873	(825)	(269)
Net Cash flow	444	(147)	(256)	190
Cash and Cash Eq. (beginning)	287	731	584	329
Cash and Cash Equivalent (end)	731	584	329	519

Source: Company, ICICI Direct Research

Exhibit 5: Balance Sheet ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Equity Capital	18.1	18.1	18.1	18.1
Reserve and Surplus	4,375	6,531	7,873	10,698
Total Shareholders funds	4,393	6,549	7,891	10,716
Secured Loan	939	1,468	1,768	1,768
Unsecured Loan	-	-	-	-
Total Debt	939	1,468	1,768	1,768
Deferred Tax Liability	219	272	272	272
Total Liabilities	6,699	9,117	10,774	13,602
Gross Block	3,327	4,824	6,516	8,516
Accumulated Depreciation	857	1,108	1,448	1,888
Net Block	2,470	3,716	5,068	6,628
Capital WIP	703	692	1,000	1,000
Total Fixed Assets	3,173	4,408	6,068	7,628
Inventory	1,040	1,742	2,110	2,644
Debtors	1,239	1,858	2,364	2,963
Loans and Advances	2	4	4	4
Other Current Assets	587	850	929	1,165
Cash	731	584	329	519
Total Current Assets	3,599	5,037	5,735	7,293
Creditors	887	917	1,273	1,595
Provisions	24	40	40	40
Total Current Liabilities	1,568	1,801	2,529	2,987
Net Current Assets	2,031	3,236	3,206	4,306
Total Assets	6,699	9,117	10,774	13,602

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Per Share Data				
Reported EPS	133.7	185.4	252.9	288.6
Cash EPS	153.7	213.1	290.5	332.3
BV per share	485.4	723.7	872.0	1,066.3
Dividend per share	10.0	11.0	16.0	18.0
Cash Per Share	94.7	122.5	160.0	187.9
Operating Ratios (%)				
EBITDA Margin	26.0	26.7	27.3	27.6
EBIT / Net Sales	23.6	24.1	24.7	25.0
PAT / Net Sales	16.0	17.0	17.2	17.4
Inventory days	50.3	64.6	58.0	58.0
Debtor days	60.0	68.9	65.0	65.0
Creditor days	42.9	34.0	35.0	35.0
Return Ratios (%)				
RoE	27.4	25.6	29.0	27.1
RoCE	27.6	27.4	31.8	31.7
RoIC	39.3	32.2	35.2	34.8
Valuation Ratios (x)				
P/E	129.8	93.6	68.6	60.1
EV / EBITDA	79.9	60.2	43.7	34.4
EV / Net Sales	20.8	16.1	11.9	9.5
Market Cap / Sales	20.8	16.0	11.8	9.4
Price to Book Value	35.7	24.0	19.9	16.3
Solvency Ratios				
Debt / EBITDA	0.5	0.6	0.5	0.4
Debt / Equity	0.2	0.2	0.2	0.2
Current Ratio	3.0	4.6	4.1	4.1
Quick Ratio	1.9	2.8	2.5	2.5

Source: Company, ICICI Direct Research

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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**

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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. Jeetu Jawrani Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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