

# Solar Industries India (SOIL)

Capital Goods | 4QFY24 Result Update

**ACCUMULATE**

**CMP: Rs8,900 | Target Price (TP): Rs8,620 | Downside: 3%**

**May 17, 2024**

## Defense to attract orders and projects

### Key Points

- Revenue declined by 16.5% YoY to Rs16.1bn with gross margin improvement of 1,024bps YoY to 48.5%. EBITDA margin expanded by 342bps to 22%. Adj. PAT increased by 14% YoY to Rs2.4bn.
- Volume grew by 24% YoY to 1,66,899MT, while realization declined by 34% YoY to Rs44,072/MT. Order book stood at Rs51.3bn at the end of 4QFY24.
- The stock has run up ~30% [from our last published note \(8<sup>th</sup> Feb'24\)](#). While we remain positive on SOIL over the longer term – mainly on account of demand from defence contracts and infrastructure sectors, we believe that near term challenges such as inflationary pressures, and exchange rate effect may impact profitability. Furthermore, Ammonium nitrate (key raw material) prices have stabilised and come to a point where it is expected to remain stable for the near future. As a result, we maintain ACCUMULATE with a revised TP of Rs8,620 (vs Rs7,240 earlier), valuing it at 54x March'26E EPS.

**4QFY24 performance update:** Revenue declined by 16.5% YoY to Rs16.1bn (-24.5%/-16.9% vs NBIE Est./Consensus Est.) with gross margin improvement of 1024bps YoY to 48.5%. EBITDA margin expanded by 342bps to 22% (-182bps/-104bps vs NBIE Est./Consensus Est.). Adj. PAT grew by 14% YoY to Rs2.4bn (-27.4%/102.6% NBIE Est./Consensus Est.).

**4QFY24 segmental performance update:** Revenue to CIL/Institutional/Housing & Infra declined by 20%/30%/17% YoY to Rs2.4bn/Rs2.6/Rs3.1bn. Exports & Overseas revenue declined by 20% YoY, to Rs5.9bn. Defence revenue increased by 75% YoY, to Rs1.94bn.

**Volume up 24%; realization down 34%:** Explosives' volume grew by 24% YoY to 1,66,899MT whereas price realization declined by 34% YoY to Rs44,072/MT. The combined Order book at the end of 4QFY24 stood at Rs51.3bn, which is up from Rs48bn at the end of 3QFY24.

**Capex and Outlook:** The company has planned for a capex of Rs8bn in FY25 in the defense and explosives sector, Rs4bn in each. This will be directed towards expansion of its current capacities, capacity creation and development of new products in the defense segment. This is expected to grow defense revenue at 20% of the overall revenue as opposed to 9% in FY24.

**Order Book Growth:** The order book is expected to grow 3X current levels in FY25 on the back of exports, strong demand from the mining sector and infrastructure projects driven by the government of India, and the recent acquisition of Rajasthan Explosives and Chemicals Limited.

Est Change	Downward
TP Change	Downward
Rating Change	No change

### Company Data and Valuation Summary

Reuters:	SLIN.BO
Bloomberg:	SOIL IN Equity
Mkt Cap (Rsbn/US\$bn):	751.0 / 9.0
52 Wk H / L (Rs):	9,449 / 3,453
ADTV-3M (mn) (Rs/US\$):	1,678.7 / 20.2
Stock performance (%) 1M/6M/1yr:	(1.9) / 21.2 / 120.5
Nifty 50 performance (%) 1M/6M/1yr:	(1.5) / 2.6 / 23.2

Shareholding	2QFY24	3QFY24	4QFY24
Promoters	73.2	73.2	73.2
DILs	15.2	15.1	14.5
FILs	5.9	5.9	6.1
Others	5.7	5.9	6.2
Pro pledge	0.0	0.0	0.6

### Financial and Valuation Summary

Particulars (Rsmn)	FY23	FY24	FY25E	FY26E
Net Sales	69,225	60,695	79,365	92,876
Growth YoY (%)	75.4	(12.3)	30.8	17.0
Gross Margin (%)	37.3	47.3	48.5	49.3
EBITDA	12,889	13,692	18,968	23,544
EBITDA Margin (%)	18.6	22.6	23.9	25.4
Adj. PAT	7,575	8,356	11,825	14,447
Adj. PAT Margin (%)	10.9	13.8	14.9	15.6
Adj. PAT YoY Growth (%)	71.7	10.4	41.5	22.2
Adj. EPS (Rs)	83.7	92.4	130.7	159.6
ROCE (%)	29.4	26.8	33.9	34.0
ROCE (Post-Tax) (%)	21.6	20.2	25.4	25.4
ROE (%)	29.0	25.3	33.9	31.3
P/E	106.3	96.4	68.1	55.8
EV/EBITDA	63.2	59.4	43.1	34.5
P/B	30.9	24.4	23.1	17.4

Source: Bloomberg, Company, Nirmal Bang Institutional Equities Research

**Key Links – [4QFY24 Results](#) | [4QFY24 Investor PPT](#)**

*Please refer to the disclaimer towards the end of the document.*

**Exhibit 1: 4QFY24 Consolidated Performance**

Particulars (Rsmn)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	FY23	FY24
<b>Net Sales</b>	<b>16,156</b>	<b>15,666</b>	<b>18,118</b>	<b>19,285</b>	<b>16,822</b>	<b>13,475</b>	<b>14,291</b>	<b>16,107</b>	<b>69,225</b>	<b>60,695</b>
YoY Change (%)	95.8	98.9	78.0	46.5	4.1	(14.0)	(21.1)	(16.5)	75.4	(12.3)
<b>Gross Profit</b>	<b>5,487</b>	<b>6,333</b>	<b>6,603</b>	<b>7,379</b>	<b>7,199</b>	<b>6,947</b>	<b>6,775</b>	<b>7,813</b>	<b>25,802</b>	<b>28,734</b>
Margin (%)	34.0	40.4	36.4	38.3	42.8	51.6	47.4	48.5	37.3	47.3
<b>EBITDA</b>	<b>2,830</b>	<b>2,990</b>	<b>3,495</b>	<b>3,575</b>	<b>3,231</b>	<b>3,361</b>	<b>3,562</b>	<b>3,537</b>	<b>12,889</b>	<b>13,692</b>
YoY Change (%)	62.0	126.9	96.4	36.0	14.2	12.4	1.9	(1.1)	72.5	6.2
Margin (%)	17.5	19.1	19.3	18.5	19.2	24.9	24.9	22.0	18.6	22.6
Depreciation	305	304	320	353	341	337	386	370	1,282	1,434
Interest	143	194	255	312	247	249	283	315	904	1,094
Other income	86	44	72	113	82	77	109	177	315	445
Extraordinary Items	-	-	-	-	-	-	-	-	-	-
<b>PBT (bei)</b>	<b>2,467</b>	<b>2,536</b>	<b>2,993</b>	<b>3,023</b>	<b>2,725</b>	<b>2,853</b>	<b>3,003</b>	<b>3,028</b>	<b>11,019</b>	<b>11,609</b>
<b>PBT</b>	<b>2,467</b>	<b>2,536</b>	<b>2,993</b>	<b>3,023</b>	<b>2,725</b>	<b>2,853</b>	<b>3,003</b>	<b>3,028</b>	<b>11,019</b>	<b>11,609</b>
Tax	641	649	800	814	709	755	770	627	2,904	2,861
ETR (%)	26.0	25.6	26.7	26.9	26.0	26.5	25.6	20.7	26.4	24.6
Reported PAT	1,702	1,764	2,045	2,061	1,974	2,001	2,033	2,351	7,572	8,359
<b>Adj. PAT</b>	<b>1,702</b>	<b>1,764</b>	<b>2,045</b>	<b>2,061</b>	<b>1,974</b>	<b>2,001</b>	<b>2,033</b>	<b>2,351</b>	<b>7,572</b>	<b>8,359</b>
YoY Change (%)	74.6	139.1	100.3	22.8	16.0	13.4	(0.5)	14.0	71.6	10.4
<b>Adj. EPS</b>	<b>18.8</b>	<b>19.5</b>	<b>22.6</b>	<b>22.8</b>	<b>21.8</b>	<b>22.1</b>	<b>22.5</b>	<b>26.0</b>	<b>83.7</b>	<b>92.4</b>

Source: Company, Nirmal Bang Institutional Equities Research

## Key Concall Highlights:

### Domestic market

- Explosives volume in 4QFY24 increased by 24% YoY, reaching 1,66,899 MT from 1,35,007 MT.
- However, the realization per metric tonne decreased significantly. The realization per metric tonne dropped from Rs 66,913 to Rs 44,072.
- Revenue from domestic explosives amounted to Rs 7.36 bn in 4QFY24, compared to Rs 9.03bn in 4QFY23.
- Order book growth of ~37% was from Coal India in 4QFY24 as the order book stood at Rs25bn in 4QFY24 from 18.2bn in 4QFY23.
- The company's volume growth is supported by strong demand from the mining sector and infrastructure projects driven by the government of India.

### Exports

- The management expects expansion into new frontiers of Kazakhstan and Saudi Arabia to start generating revenue in FY25.
- The international market was affected due to the impact of foreign exchange rate translation risks and inflationary pressures, mainly in Turkey and Nigeria, with currencies depreciating ~62% and 100% respectively. The translation loss stood at ~900cr.

**Defence**

- Defence section contributed Rs 26 bn on orders.
- The company anticipates achieving a volume increase of over 10-15% for defence products in FY25.

**Guidance**

- The realizations for blended ammonium nitrate stood around Rs 44,072 and prices are expected to remain stable in coming quarters.
- Capex of ~Rs8 bn has been planned in FY25. This will comprise Rs4bn for defence and remaining Rs4bn for explosives.
- The capex in explosives will be mainly attributable to expansion of current plant in Nagpur, Greenfield Energy Project near Gujarat-Maharashtra border, and the acquisition of bulk explosives.
- The capex in defence sector will be mainly attributable to expanding facilities for the development of new products.
- Expected volume growth will be ~15% for explosives and 3X for defence in FY25; international market volumes to grow by ~10-15%.
- The topline is expected to grow by ~30% on the back of strong order book and increased margins in the defence sector.

**Exhibit 2: Change in Earnings Estimates**

Description (Rs mn)	FY25E			FY26E		
	Old	New	Change (%)	Old	New	Change (%)
Net Sales	82,366	79,365	(3.6)	99,038	92,876	(6.2)
EBITDA	19,191	18,968	(1.2)	23,472	23,544	0.3
<b>EBITDA Margin (%)</b>	<b>23.3</b>	<b>23.9</b>	<b>60 bps</b>	<b>23.7</b>	<b>25.4</b>	<b>165 bps</b>
Adj. PAT	12,184	11,825	(2.9)	15,341	14,447	(5.8)
Adj. EPS	134.6	130.7	(2.9)	169.5	159.6	(5.8)

Source: Nirmal Bang Institutional Equities Research

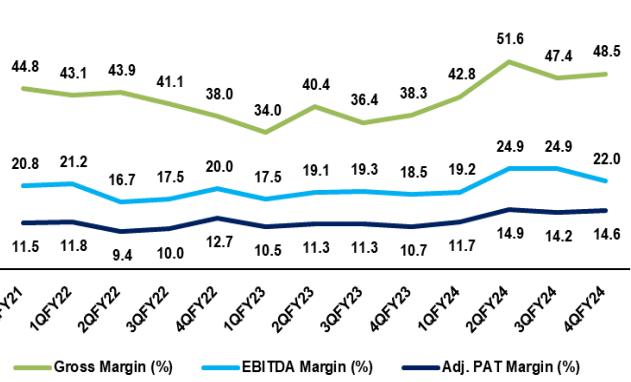
**Exhibit 3: Actual Performance v/s NBIE Estimates**

4QFY24 (Rs Mn)	Actuals	Our Estimate	Deviation (%)	BBG Estimates	Deviation (%)
Net Sales	16,107	21,325	(24.5)	20,661	(22.0)
EBITDA	3,537	5,071	(30.3)	4,981	(29.0)
<b>EBITDA Margin (%)</b>	<b>22.0</b>	<b>23.8</b>	<b>(182) bps</b>	<b>23.0</b>	<b>(104) bps</b>
Adj. PAT	2,351	3,237	(27.4)	3,214	(26.9)

Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research

**Exhibit 4: Revenue Trend**


Source: Bloomberg, Nirmal Bang Institutional Equities Research

**Exhibit 5: Margin Trend**


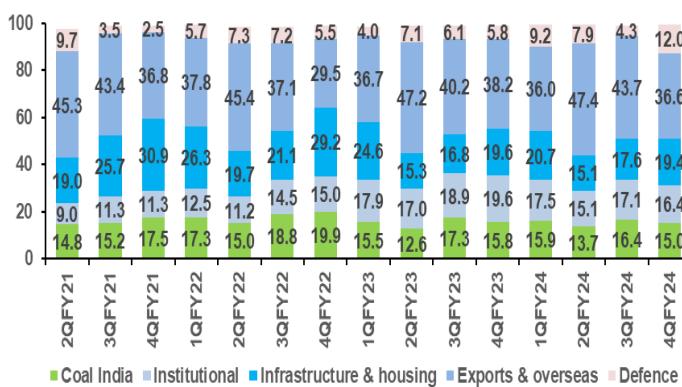
Source: Bloomberg, Nirmal Bang Institutional Equities Research

**Exhibit 6: Orderbook Trend**

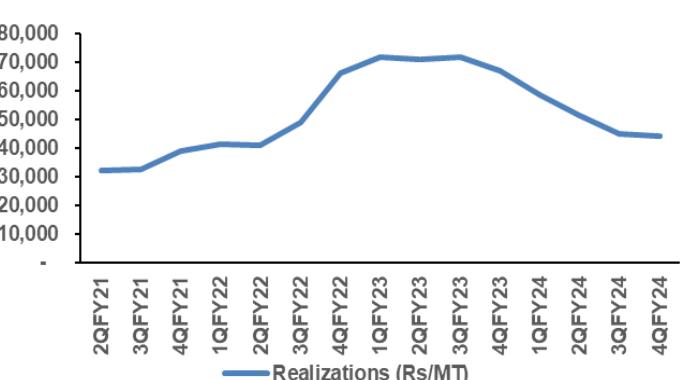

Source: Bloomberg, Nirmal Bang Institutional Equities Research

**Exhibit 7: Exports and Overseas Trend**

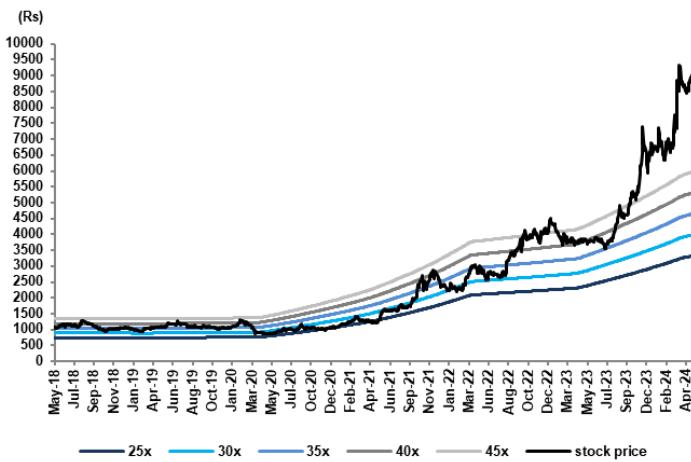

Source: Bloomberg, Nirmal Bang Institutional Equities Research

**Exhibit 8: Revenue Break-up Trend**


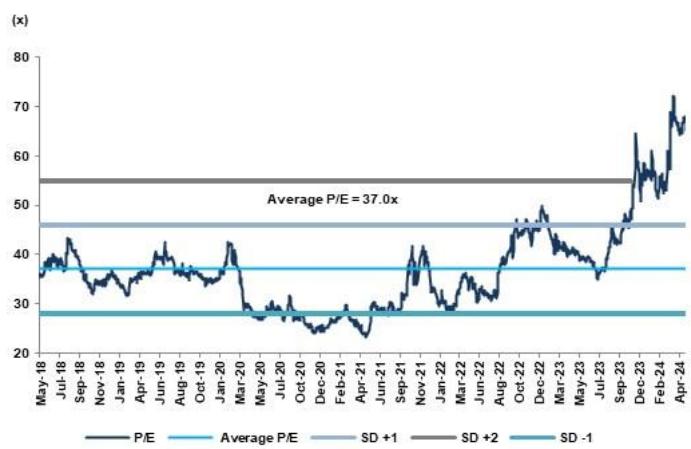
Source: Bloomberg, Nirmal Bang Institutional Equities Research

**Exhibit 9: Realizations Trend**


Source: Bloomberg, Nirmal Bang Institutional Equities Research

**Exhibit 10: 1-Year Forward PE Trend**


Source: Bloomberg, Nirmal Bang Institutional Equities Research



Source: Bloomberg, Nirmal Bang Institutional Equities Research

## Financials

### Exhibit 11: Income Statement

Y/E March (Rsmn)	FY22	FY23	FY24	FY25E	FY26E
<b>Net Sales</b>	<b>39,476</b>	<b>69,225</b>	<b>60,695</b>	<b>79,365</b>	<b>92,876</b>
% Growth	56.9	75.4	(12.3)	30.8	17.0
Rm Costs	23,273	43,424	31,962	40,873	47,088
Gross Profit	16,203	25,802	28,734	38,492	45,788
<b>Gross Margin (%)</b>	<b>41.0</b>	<b>37.3</b>	<b>47.3</b>	<b>48.5</b>	<b>49.3</b>
Staff Cost	2,896	3,527	4,335	4,762	5,108
Other Expenses	5,834	9,385	10,707	14,762	17,136
<b>EBITDA</b>	<b>7,473</b>	<b>12,889</b>	<b>13,692</b>	<b>18,968</b>	<b>23,544</b>
% Growth	45.2	72.5	6.2	38.5	24.1
<b>EBITDA Margin (%)</b>	<b>18.9</b>	<b>18.6</b>	<b>22.6</b>	<b>23.9</b>	<b>25.4</b>
Other Income	197	315	445	556	695
Interest	503	904	1,094	1,361	2,197
Depreciation	1,093	1,282	1,434	1,809	2,156
Profit Before Tax	6,074	11,019	11,609	16,355	19,886
Tax	1,520	2,904	2,861	4,116	5,005
Reported Net Profit	4,413	7,575	8,356	11,825	14,447
<b>Adj. Net Profit</b>	<b>4,413</b>	<b>7,575</b>	<b>8,356</b>	<b>11,825</b>	<b>14,447</b>
Adj. PAT Margin	11.2	10.9	13.8	14.9	15.6
<b>Adj. Eps (Rs)</b>	<b>48.8</b>	<b>83.7</b>	<b>92.4</b>	<b>130.7</b>	<b>159.6</b>

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 12: Cash Flow

Y/E March (Rsmn)	FY22	FY23	FY24	FY25E	FY26E
EBIT	6,380	11,607	12,258	17,159	21,388
(Inc./Dec. In Working Capital)	(5,274)	(5,286)	2,137	(808)	(3,628)
<b>Cash Flow from Operations</b>	<b>1,106</b>	<b>6,321</b>	<b>14,396</b>	<b>16,351</b>	<b>17,761</b>
Other Income	197	315	445	556	695
Depreciation	1,093	1,282	1,434	1,809	2,156
Tax Paid (-)	(1,558)	(3,013)	(2,799)	(4,116)	(5,005)
<b>CFO</b>	<b>695</b>	<b>4,366</b>	<b>13,083</b>	<b>14,187</b>	<b>15,173</b>
Capital Expenditure (-)	(2,484)	(3,877)	(6,646)	(8,500)	(5,500)
<b>Net Cash After Capex</b>	<b>(1,789)</b>	<b>490</b>	<b>6,437</b>	<b>5,687</b>	<b>9,673</b>
Interest Paid (-)	(503)	(904)	(1,094)	(1,361)	(2,197)
Dividends Paid (-)	(679)	(724)	(769)	(2,715)	(3,168)
Inc./Dec. In Total Borrowing	2,389	3,031	(643)	3,100	1,000
(Inc./Dec. In Investments)	(173)	(803)	(2,714)	2,199	-
<b>CFF</b>	<b>1,414</b>	<b>998</b>	<b>(5,407)</b>	<b>1,223</b>	<b>(4,365)</b>
Others	(414)	139	(634)	(7,288)	4
Opening Cash	1,812	988	2,601	2,873	2,495
Closing Cash	988	2,601	2,873	2,495	7,806
Change In Cash	(825)	1,613	272	(377)	5,311

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 13: Balance Sheet

Y/E March (Rsmn)	FY22	FY23	FY24	FY25E	FY26E
Share Capital	181	181	181	181	181
Reserves	18,962	25,922	32,875	34,698	45,981
Net Worth	19,143	26,103	33,056	34,879	46,162
Minority Interest	1,006	1,404	1,217	1,217	1,217
Total Loans	8,661	11,692	11,050	14,150	15,150
Deferred Tax Liability Net	423	314	376	376	376
<b>Liabilities</b>	<b>29,233</b>	<b>39,514</b>	<b>45,698</b>	<b>50,621</b>	<b>62,904</b>
Net Block	14,419	16,431	19,563	27,628	31,972
Capital Work-In-Progress	2,211	2,794	4,874	3,500	2,500
Intangible Assets Net Block	601	614	738	738	738
Investments	182	985	3,699	1,500	1,500
Inventories	7,189	10,980	8,468	8,958	10,321
Debtors	5,411	8,253	8,449	9,567	11,450
Cash	988	2,601	2,873	2,495	7,806
Other Current Assets	5,265	6,430	7,107	7,619	8,545
Total Current Assets	18,852	28,264	26,896	28,640	38,122
Creditors	4,649	4,885	5,527	6,831	7,095
Other Current Liabilities	2,412	4,689	4,546	4,554	4,833
Total Current Liabilities	7,061	9,574	10,072	11,385	11,928
Net Current Assets	11,791	18,690	16,824	17,255	26,194
<b>Total Assets</b>	<b>29,233</b>	<b>39,514</b>	<b>45,698</b>	<b>50,621</b>	<b>62,904</b>

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 14: Key Ratios

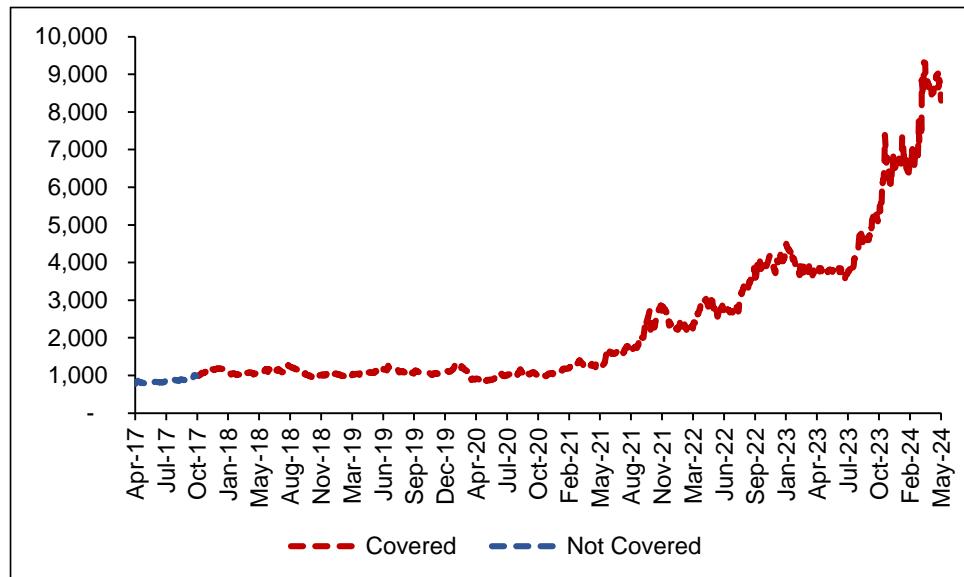
Y/E March	FY22	FY23	FY24	FY25E	FY26E
<b>Per Share (Rs)</b>					
Adjusted EPS	48.8	83.7	92.4	130.7	159.6
Book Value	211.5	288.4	365.3	385.4	510.1
<b>Valuation (X)</b>					
P/E	182.5	106.3	96.4	68.1	55.8
P/BV	42.1	30.9	24.4	23.1	17.4
EV/EBITDA	108.8	63.2	59.4	43.1	34.5
EV/Sales	20.6	11.8	13.4	10.3	8.8
<b>Return Ratio (%)</b>					
RoCE	21.8	29.4	26.8	33.9	34.0
RoCE (Post-Tax)	16.4	21.6	20.2	25.4	25.4
RoE	23.1	29.0	25.3	33.9	31.3
RoIC	22.7	32.3	31.3	36.8	39.9
<b>Profitability Ratio (%)</b>					
EBITDA Margin	18.9	18.6	22.6	23.9	25.4
EBIT Margin	16.2	16.8	20.2	21.6	23.0
PAT Margin	11.2	10.9	13.8	14.9	15.6
<b>Turnover Ratio</b>					
Fixed Asset Turnover Ratio (X)	2.3	3.4	2.5	2.5	2.3
Debtor Days	50	44	51	44	45
Inventory Days	113	92	97	80	80
Creditors Days	73	41	63	61	55
<b>Solvency Ratio (X)</b>					
Net Debt-Equity	0.4	0.3	0.2	0.3	0.2
Debt-Equity	0.5	0.4	0.3	0.4	0.3
Interest Coverage	12.7	12.8	11.2	12.6	9.7

Source: Company, Nirmal Bang Institutional Equities Research

## Rating Track

Date	Rating	Market price (Rs)	Target price (Rs)
18 October 2017	Buy	985	1,185
16 November 2017	Buy	1,129	1,315
9 January 2018	Buy	1,176	1,315
9 February 2018	Buy	1,030	1,300
6 April 2018	Buy	1,072	1,300
14 May 2018	Buy	1,070	1,355
10 July 2018	Buy	1,135	1,355
1 August 2018	Buy	1,180	1,355
9 October 2018	Buy	1,014	1,355
31 October 2018	Buy	975	1,275
9 January 2019	Buy	1,059	1,275
1 February 2019	Buy	1,004	1,285
9 April 2019	Buy	1,045	1,390
13 May 2019	Buy	1,064	1,380
9 July 2019	Buy	1,157	1,380
1 August 2019	Buy	1,092	1,380
23 September 2019	Buy	1,110	1,410
7 October 2019	Buy	1,084	1,410
11 November 2019	Buy	1,045	1,315
9 January 2020	Buy	1,114	1,315
13 February 2020	Accumulate	1,210	1,235
26 March 2020	Buy	905	1,095
9 April 2020	Buy	919	1,095
5 August 2020	Accumulate	977	1,030
18 September 2020	Buy	1,058	1,225
9 October 2020	Buy	1,089	1,225
12 November 2020	Buy	1,002	1,230
7 January 2021	Buy	1,125	1,375
31 January 2021	Buy	1,188	1,425
9 April 2021	Buy	1,286	1,425
29 May 2021	Buy	1,401	1,625
1 August 2021	Buy	1,704	1,975
26 September 2021	Buy	2,002	2,300
09 October 2021	Buy	2,418	2,900
30 October 2021	Buy	2,487	2,850
31 January 2022	Buy	2,309	2,900
21 February 2022	Buy	2,290	3,150
08 May 2022	Buy	2,984	3,460
26 July 2022	Buy	2,832	3,460
19 September 2022	Buy	3,560	4,250
6 November 2022	Buy	4,009	5,065
26 January 2023	Accumulate	4,067	4,400
22 March 2023	Accumulate	3,816	3,920
04 May 2023	Accumulate	3,848	4,000
06 August 2023	Buy	3,852	4,535
04 November 2023	Buy	5,594	6,450
30 November 2023	Buy	6,536	7,665
08 February 2024	Accumulate	6,910	7,240
16 May 2023	Accumulate	8,900	8,620

## Rating Track Graph



## DISCLOSURES

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### Stock Ratings Absolute Returns

BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

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