Solar Industries (SOLIN)

CMP: ₹ 19400 | Target ₹ 23200 (20%) | Target Period: 12 months | BUY

November 4, 2026

Defence scaling up; growth broadens across business...

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.

Investment Rationale:

- **Defence scaling up as a key growth engine, with a strong pipeline of indigenous and export programmes:** Solar's defence business continues to scale, with H1FY27 contributing 27% (₹1935 crore) to the revenue. Management expects FY27 defence revenue to exceed its ₹4,500 crore guidance, supported by execution of the existing order book of ₹17,568 crore. The Pinaka family offers further visibility, with the existing order of ~₹6,000 crore and Guided Pinaka order opportunity of ~₹3,000 crore, taking the combined opportunity to ~₹9,000 crore. Solar is also expanding its participation across 155mm ammunition, counter-drone systems, missile integration and other indigenous defence programmes. Bhargavastra trials are expected to progress during CY2026, while new missile programmes could start translating into orders over the next two years. With a strong international defence order book and supplies to 90+ countries, the company is well positioned to benefit from rising demand for indigenous ammunition and advanced defence systems
- **Global explosives opportunity and capacity expansion support sustained growth across domestic and international markets:** Beyond defence, Solar continues to benefit from healthy demand across domestic and international explosives markets. International explosives business remains a key growth driver, supported by deeper customer relationships, expanding market presence and a favourable global demand-supply environment. Domestically, the company is targeting volume growth of 10-15% against industry growth of 6-7%, supported by capacity additions and rising demand from coal mining and infrastructure. The proposed acquisition of Omnia Holdings for US$1.35 billion is expected to further strengthen Solar's global explosives platform by adding established operations across Africa and other markets, improving its distribution reach and enhancing raw-material integration through ammonium nitrate and nitric acid capabilities. While the acquisition remains subject to requisite approvals, the combined platform is expected to expand Solar's manufacturing presence from 11 to 25+ countries and distribution reach to ~110 countries.

Rating and Target Price:

- We have not factored in the Omnia's acquisition in our financials for FY27E and FY28E, as we wait for its completion post all the required approvals. We estimate revenue & PAT to grow at ~32% & ~34% CAGR respectively over FY26-28E
- We maintain BUY on Solar Industries with target price of ₹ 23,200 (based on 70x P/E on FY28E EPS)

SOLAR INDUSTRIES INDIA LIMITED

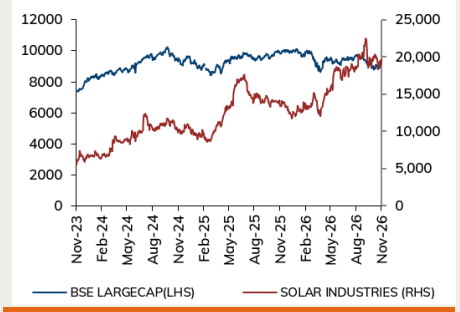
Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	1,75,551
FY26 Gross Debt (₹ Crore)	1,468
FY26 Cash (₹ Crore)	595
EV (₹ Crore)	1,76,423
52 Week H/L (₹)	22700/ 11641
Equity Capital	18
Face Value	2

Shareholding pattern

	Dec-25	Mar-26	Jun-26	Sep-26
Promoter	73.2	73.2	73.2	73.2
FII	6.7	6.6	6.4	6.1
DII	12.9	12.9	13.4	13.6
Others	7.2	7.4	7.1	7.2

Price Chart



Key risks

i. Dependent on govt. contracts
ii. High working capital requirements
iii. Availability of key raw materials

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Result Update

ICICI Securities – Retail Equity Researc

Key Financial Summary

Key Financials (₹ Crore)	FY23	FY24	FY25	FY26	3-year CAGR (FY23-26)	FY27E	FY28E	2-year CAGR (FY26-28E)
Revenues	6,922.5	6,069.5	7,540.2	9,837.7	12.4	14,038.4	17,037.6	31.6
EBITDA	1,288.9	1,369.2	1,960.3	2,621.8	26.7	3,835.5	4,663.4	33.4
EBITDA margin (%)	18.6	22.6	26.0	26.7		27.3	27.4	
Net Profit	757.5	835.6	1,209.4	1,677.6	30.3	2,445.2	3,007.4	33.9
EPS (Rs)	83.7	92.3	133.7	185.4		270.2	332.3	
P/E (x)	236.9	214.8	148.4	107.0		73.4	59.7	
EV/EBITDA (x)	139.9	131.5	91.4	68.8		47.2	38.6	
RoCE (%)	29.1	26.7	27.6	27.4		32.7	33.1	
RoE (%)	29.0	25.3	27.4	25.6		30.3	27.4	

Source: Company, ICICI Direct Research

Q2FY27 Result Summary

- Revenue stood at ₹ 3,519 crore (+69% YoY, -4.1% QoQ), with driven by broad-based growth across its explosives and defence businesses
- EBITDA increased 82% YoY (-1% QoQ) to ₹1,006 crore, with EBITDA margin expanding by 203 bps YoY (+91 bps QoQ) to 28.6%, supported by a favourable mix. PAT increased 79.8% YoY (-2.4% QoQ) to ₹650 crore
- For H1FY27, revenue grew 69.6% YoY to ₹7,187 crore, EBITDA increased 85.8% to ₹2,021 crore, with margins expanding 245 bps to 28.1%, while PAT grew 84.4% to ₹1,316 crore

Q2FY27 highlights

- Management expects to surpass FY27 guidance against its initial consolidated revenue guidance of ₹14,000 crore supported by strong H1 performance and improving domestic demand in H2. The company also expects to exceed its ₹4,500 crore defence revenue guidance
- Domestic explosives segment delivered healthy performance during Q2 despite the monsoon period, supported by relatively lower-than-average rainfall across most mining markets. Management expects growth momentum to improve in H2FY27, supported by rising demand from coal mining and infrastructure activities
- International explosives performance was supported by deeper customer relationships, improved market penetration and sustained demand across key geographies. Solar continues to focus on scaling its international operations through acquisitions and greenfield expansions, with its products currently supplied to 90+ countries.
- Defence order book stands at ₹17,568 crore (6.7x FY26 defence revenue) as of Q2FY27, forming a significant portion of the total order book of ₹20,178 crore (1.6x TTM revenue). Management indicated that most of the defence order book is from international markets, with enquiries and opportunities coming from various countries where exports are permitted under Government of India regulations.
- Company has an existing order of ~₹6,000 crore for Pinaka rockets, while the Guided Pinaka order is in the final stages of negotiation. Management has submitted its best price and estimates the order value at ~₹3,000 crore, taking the combined opportunity from the Pinaka family to ~₹9,000 crore. The company expects the Guided Pinaka order to be concluded before the end of FY27.
- Solar has already commenced supplies of Pinaka rockets to international customers and expects further opportunities from overseas markets, supported by the Government's push to increase exports of indigenous defence products. Management believes that expanding its product portfolio and international reach will help it secure additional orders for Pinaka and other defence products.
- Solar has established manufacturing facilities for 155mm ammunition and is working towards strengthening its presence in this product category. Management expects to secure further orders from international markets. The existing defence order book also includes 155mm products.
- Management expects to complete internal trials and conduct field trials for Bhargavastra during CY2026. Commercialisation is expected to begin after successful completion of trials. However, management highlighted that the defence procurement cycle from trials to commercial orders can take several years, and it is too early to quantify the opportunity or order timelines.
- Company is working towards establishing its counter-drone systems in the domestic market, which management believes could help the company secure international orders. The company sees opportunities to expand its

presence in this segment as demand for counter-drone solutions increases globally.

- Management believes the recent opening up of missile technologies to private companies is aligned with Solar's existing capabilities across energetic materials, propellants, warheads and rocket integration. The company is already participating in critical missile development programmes and expects to expand its participation beyond the Pinaka programme.
- Management indicated that new missile programmes could start generating orders over the next two years. For programmes where trials are completed over the next 6-12 months, the subsequent RFP and contract finalisation process could take another 1-1.5 years.
- Solar is developing its MALE UAV platform indigenously and has also participated in the ongoing procurement programme. Management clarified that the company is pursuing its own development timeline and is not dependent on the current procurement process for its long-term participation in this segment.
- Management expects the domestic explosives industry to grow by around 6-7%, while Solar is targeting annual volume growth of 10-15%, supported by capacity additions, an expanded manufacturing footprint and stronger customer engagement.
- The company continues to focus on developing new programmes in collaboration with DRDO as well as through its own efforts, with capability enhancement remaining an ongoing process.

Exhibit 1: Q2FY27 consolidated result overview (₹ crore)

Particulars	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Comments	H1FY27	H1FY26	YoY (%)
Operating Income	3,518.9	2,082.2	69.0	3,668.2	-4.1	Execution remained healthy for all segments	7,187.1	4,236.7	69.6
Raw materials costs	1,676.2	987.9		1,857.2			3,533.4	2,082.3	
Employees Cost	266.2	194.7		255.6			521.8	6,318.9	
Other Expenses	570.8	346.9		540.2			1,111.0	688.3	
Total Expenditure	2,513.1	1,529.4		2,653.0			5,166.2	3,149.0	
EBITDA	1,005.8	552.8	81.9	1,015.2	-0.9		2,021.0	1,087.6	85.8
EBITDA margins (%)	28.6	26.5	203 bps	27.7	91 bps		28.1	25.7	245 bps
Depreciation	88.0	60.6		79.7			167.7	116.6	
EBIT	917.8	492.2		935.4		Margins improved through favourable mix	1,853.3	971.0	
Interest	55.4	30.9		41.3			96.6	58.3	
Other Income	15.4	29.2		8.5			23.9	58.4	
Extra-Ordinary Item	-0.4	0.9		8.8			8.4	0.9	
PBT	877.5	489.5		911.4			1,788.9	970.3	
Total Tax	227.5	128.1		245.1			472.5	256.2	
PAT	650.0	361.5	79.8	666.4			1,316.4	714.1	84.4

Source: Company, ICICI Direct Research

Financial summary

Exhibit 2: Profit and loss statement ₹ crore

(₹Crore)	FY25	FY26	FY27E	FY28E
Revenue	7,540	9,838	14,038	17,038
Growth YoY (%)	24.2	30.5	42.7	21.4
Raw Material Expenses	3,907	4,894	7,075	8,519
COGS	51.8	49.7	50.4	50.0
Employee Expenses	600	845	1,082	1,298
Other Expenses	1,073	1,477	2,046	2,557
Total Operating Expenditure	5,580	7,216	10,203	12,374
Operating Profit (EBITDA)	1,960	2,622	3,836	4,663
Growth YoY (%)	43.2	33.7	46.3	21.6
Interest	117	134	162	144
Other Income	71	128	79	99
PBDT	1,915	2,616	3,753	4,619
Depreciation	182	251	340	440
PBT after Exceptional Items	1,739	2,365	3,413	4,179
Total Tax	451	629	908	1,112
PAT before MI	1,288	1,737	2,505	3,067
Minority Interest	78	59	60	60
PAT	1,209	1,678	2,445	3,007
Growth YoY (%)	44.7	38.7	45.8	23.0
EPS	134	185	270	332

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement ₹ crore

(₹Crore)	FY25	FY26	FY27E	FY28E
Profit after Tax	1,209	1,678	2,445	3,007
Add: Depreciation	182	251	340	440
Add: Interest Paid	117	134	162	144
Cash Flow before WC changes	1,507	2,062	2,947	3,591
(Inc.)/Decrease in inventory	(193)	(702)	(489)	(337)
(Inc.)/Decrease in debtors	(394)	(619)	(642)	(487)
(Inc.)/Decrease Loan & Advances	1	(2)	-	-
(Inc.)/Decrease in CA	(135)	(263)	(133)	(40)
Net Increase in Current Ass.	(720)	(1,585)	(1,264)	(864)
Net Increase in Current Liab.	588	233	870	387
Net CF from op. activities	1,375	710	2,553	3,115
(Pur.)/Sale of Fixed Ass.	(948)	(1,485)	(2,000)	(2,000)
Inc / (Dec) in Df. Tax Liability	21	53	-	-
Net CF from Investing Act.	(526)	(1,731)	(2,050)	(2,147)
Proc./(Repay) Secured Loan	(166)	529	300	(800)
Proc./(Repay) Unsec. Loan	-	-	-	-
(Payment) of Dividend	(90)	(100)	-	-
Interest Paid	(117)	(134)	(162)	(144)
Net CF from Financing Act.	(405)	884	(809)	(1,019)
Net Cash flow	444	(136)	(306)	(51)
Cash and Cash Eq. (beg.)	287	731	595	289
Cash and Cash Eq. (end)	731	595	289	238

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet ₹ crore

(₹ Crore)	FY25	FY26	FY27E	FY28E
Equity Capital	18.1	18.1	18.1	18.1
Reserve and Surplus	4,375	6,542	8,040	10,973
Total Sh. funds	4,393	6,560	8,058	10,991
Secured Loan	939	1,468	1,768	968
Unsecured Loan	-	-	-	`
Total Debt	939	1,468	1,768	968
Deferred Tax Liability	219	272	272	272
Total Liabilites	6,699	9,128	10,942	13,077
Gross Block	3,327	4,824	6,516	8,516
Acc. 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	2,231	2,567
Debtors	1,239	1,858	2,500	2,987
Loans and Advances	2	4	4	4
Other Current Assets	587	850	983	1,022
Cash	731	595	289	238
Total Current Assets	3,599	5,048	6,006	6,819
Creditors	887	917	1,346	1,634
Provisions	24	40	40	40
Total Cur. Liabilities	1,568	1,801	2,671	3,058
Net Current Assets	2,031	3,247	3,335	3,761
Total Assets	6,699	9,128	10,942	13,077

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Per Share Data				
Reported EPS	133.7	185.4	270.2	332.3
Cash EPS	153.7	213.1	307.8	381.0
BV per share	485.4	724.9	890.5	1,214.6
Dividend per share	10.0	11.0	16.0	18.0
Cash Per Share	94.7	122.5	160.0	208.7
Operating Ratios (%)				
EBITDA Margin	26.0	26.7	27.3	27.4
EBIT / Net Sales	23.6	24.1	24.9	24.8
PAT / Net Sales	16.0	17.0	17.4	17.7
Inventory days	50.3	64.6	58.0	55.0
Debtor days	60.0	68.9	65.0	64.0
Creditor days	42.9	34.0	35.0	35.0
Return Ratios (%)				
RoE	27.4	25.6	30.3	27.4
RoCE	27.6	27.4	32.7	33.1
RoIC	39.3	32.2	36.6	36.1
Valuation Ratios (x)				
P/E	145.2	104.6	71.8	58.4
EV / EBITDA	89.4	67.3	46.2	37.8
EV / Net Sales	23.2	17.9	12.6	10.3
Market Cap / Sales	23.3	17.8	12.5	10.3
Price to Book Value	40.0	26.8	21.8	16.0
Solvency Ratios				
Debt / EBITDA	0.5	0.6	0.5	0.2
Debt / Equity	0.2	0.2	0.2	0.1
Current Ratio	3.0	4.6	4.1	3.9
Quick Ratio	1.9	2.8	2.5	2.4

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%

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