



S O L A R

7th September, 2023



India's Best Performing and Most Customer Centric PMS

Since its inception in 1987, Solar Industries India Ltd (SIL) has soared to the forefront of the global explosives and defense industry. This Indian powerhouse boasts a rich legacy marked by unceasing dedication to innovation, excellence, and security. SIL has strategically diversified its operations to become a world leader in manufacturing bulk explosives, packaged explosives, and initiating systems with an indomitable spirit, SIL expanded its horizons in 2010, venturing into the defense realm. Here, it excels in the production of propellants, warheads, and rockets. This strategic move not only underscores its adaptability but also positions SIL as a comprehensive solutions provider in the dynamic landscape of explosives and defense. SIL's journey epitomizes relentless growth and forward-thinking, making it a global force to reckon with in these pivotal industries.

Business Segments and Market Dominance: SIL operates three core segments. The Industrial Explosives segment, contributing 76% to revenue, serves diverse sectors across 51+ countries. With a substantial 24% market share in explosives manufacturing, SIL's Nagpur facility is the world's largest single-location cartridge plant. In the defense sector (9% of revenue), SIL pioneers the production of RDX, HMX, and TNT, essential for propellants, warheads, and rockets. The Initiating Systems division (15% of revenue) offers a range of explosive devices.

Revenue Bifurcation and Manufacturing Prowess: Solar Industries' revenue is well-diversified, with major contributors including Coal India Ltd, institutional customers, housing, and infrastructure sectors, exports, defense, and others. Such diversity ensures a robust revenue stream and a resilient business model.

The Nagpur facility stands as the world's largest single-location cartridge plant, exemplifying the company's commitment to scale and quality.

Strategic Ventures and Research Pioneering :Strategic collaborations with ISRO and Skyroot have propelled SIL into space propulsion systems. Its INR 70 Crore investment in research and development underscores its commitment to innovation.

Pioneering Achievement: A defining moment in SIL's illustrious journey occurred when the Indian Army successfully test-fired 6 Pinaka Rockets manufactured by the company. This marked the first time an Indian private organization's rocketry technology was employed by the Army, a testament to the indomitable spirit of innovation and excellence embodied by Solar Industries India Ltd..

Future-Proofing and Strong Order Book: SIL's robust order book, valued at INR 3389 Crores as of December 2022, is supported by stalwarts like Coal India, SSCL, and the Defense sector.

Stock Data	
CMP	4549
52 Week High/Low	4999/3413
Face Value	2
Market Cap (In Crs)	41173
Enterprise Value (In Crs)	43,933
NSE	SOLARINDS
BSE	532725
Bloomberg	SOIL:IN
Sector	Explosives

Shareholding Pattern (in %)		
	JUN 23	MAR 23
Promoter	73.15	73.15
FII	5.79	6.63
DII	15.01	14.32
Public	6.04	5.91
Others	0	0

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	1.08%	11.38%	11.73%
Solar Industries	17.06%	20.64%	31.58%

Key Ratios	
P/E	52.5
P/S	5.89
P/B	15.75
Debt To Equity	0.46
ROE	33.4%
ROCE	36%
Dividend Yield	0.17%

Q1 FY 24 Result Update

Q1 FY24 Result Comparison (In Rs Cr)					
	Q1 FY24	Q4 FY23	Q1 FY23	QOQ	YOY
Sales	1682	1928	1615	-12.7%	4.2%
EBITDA	331	368.3	291.55	-10.1%	13.5%
EBIT	297.21	332.69	261	-10.6%	13.8%
Net Profit	201.59	220.58	182.63	-8.6%	10.3%
EPS	21.82	22.78	18.81	-3.8%	16%

Result Highlights

Solar Industries India Ltd (SIL) reported its Q1 FY 2023-24 results, demonstrating a mixed performance. Total sales saw a 12.7% dip compared to the previous quarter, but they grew by 4.2% in a year-over-year context. This indicates that SIL has managed to maintain a consistent revenue trajectory despite market fluctuations. The strong point was the defense segment, contributing significantly to both revenue and profitability, with a record-breaking defense revenue and a substantial order book.

SIL's Q1 FY 2023-24 results suggest resilience and the ability to navigate market challenges effectively. The company's strategic emphasis on defense, efficient cost management, debt reduction, and global expansion positions it well for future growth and profitability. Continued execution of capex plans and successful management of raw material prices will play pivotal roles in shaping SIL's financial performance in the quarters ahead.

Defense Segment Dominance: SIL's remarkable growth in the defense sector is a key highlight. With a substantial order book and record-breaking defense revenue, SIL has demonstrated its strong foothold in this segment. This underscores its capabilities in producing critical defense products and its potential to further contribute to the company's growth.

Global Expansion Strategy: SIL's plan to expand its manufacturing presence from 8 to 12 countries signifies its commitment to global growth. This expansion strategy not only increases market reach but also positions the company as a prominent player in the international arena.

Resilience to Challenges: Despite facing challenges such as currency fluctuations and falling raw material prices, SIL managed to maintain higher revenue and margins. This resilience underscores its ability to adapt to market dynamics and mitigate adverse impacts effectively.

Market Demand Momentum: SIL acknowledges strong demand momentum in the housing and infrastructure sector, particularly in the second half of the fiscal year. This indicates a positive outlook for the company as it anticipates increased demand for its products.

Debt Reduction: The company's commitment to reducing debt levels is evident. With a focus on using cash generated from operations to manage capex programs, SIL aims to strengthen its financial position, which is a positive signal for investors.

Government Relations: SIL mentions its expectations of receiving support from government bodies regarding resolutions that were not passed at the Annual General Meeting. This demonstrates the company's proactive approach to addressing regulatory challenges.

Concall Highlights

- **Export Revenues in Defense:** SIL confirmed that the current revenue of INR 155 crores includes exports of defense products, indicating the company's successful penetration into international defense markets. However, specific details regarding the export revenue for the current quarter were not disclosed, possibly due to confidentiality agreements or competitive considerations.
- **Defense Export Orders:** SIL emphasized its success in securing orders from the export market for its defense products. The company's defense order book currently stands at an impressive INR 1,054 crores, highlighting its growing presence and competitiveness in the global defense sector. This substantial order book provides revenue visibility and underscores the company's commitment to expanding its defense business.
- **Domestic Capacity Expansion:** SIL revealed plans to expand its manufacturing capacity in two new locations, with an estimated completion timeframe of approximately 2 years. The phased expansion approach is a strategic move to cater to growing demand and enhance production capabilities. This expansion signifies SIL's commitment to meeting domestic market needs efficiently.
- **Performance of Nigeria and Turkey Operations:** While SIL experienced robust growth in Nigeria and Turkish markets during the previous fiscal year, the first quarter of the current year saw challenges. These challenges included currency fluctuations, political events (such as elections), and an earthquake in Turkey. However, SIL remains optimistic about these markets stabilizing in the coming quarters, with improvements anticipated from Q3 onwards. This outlook reflects the company's ability to adapt to external factors impacting its international operations.
- **South Africa and Australia Operations:** SIL expressed confidence that its South Africa and Australia operations will become profitable in FY '24. This expectation suggests that the company has strategic plans in place to turn these international operations into significant contributors to its overall profitability.
- **Housing and Infrastructure Sector:** Despite facing challenges such as weak execution in the previous year and unseasonal rains in the first quarter of the current year, SIL remains positive about the housing and infrastructure sector's growth prospects. The company sees strong demand momentum in this sector in the second half of the year, driven by infrastructure development projects.
- **Capex Plans:** SIL outlined its capex plans for FY '24, totaling INR 750 crores. The company expects more aggressive execution of these plans in Q3 and Q4, which aligns with typical seasonal patterns and construction schedules. This capital expenditure is aimed at expanding capacity and supporting future growth initiatives.
- **Debt Levels:** SIL reported its current net debt as of June 30, amounting to approximately INR 697 crores. The company expressed confidence that cash generation from operations would be sufficient to manage the proposed capex programs. The reduction in debt levels indicates improved financial stability.
- **Growth Outlook:** Over a 3- to 5-year horizon, SIL expects defense, coal India, institutional sectors, and international markets to outperform, with an overall growth rate of around 20%. This bullish outlook is supported by strong demand, global expansion efforts, and the company's diverse product portfolio.
- **AGM Resolutions:** SIL highlighted that certain resolutions related to increasing the borrowing limit and alterations in the articles of association were not passed at the Annual General Meeting. However, the company is actively working on strategies to manage these challenges and expects support from government bodies to address regulatory constraints. These resolutions are essential for the company's operational flexibility and financing options.
- **First Right of Refusal:** The detailed document between the promoters outlines a mechanism for the first right of refusal when either party decides to sell their stake. The document includes a specific price formula that will be followed, ensuring transparency and fairness in any potential share transactions.

Company Highlights



Financial Capital

Generating returns for stakeholders through effective mobilisation and utilisation of financial resources



Human Capital

Building a talented and committed workforce, encouraging innovative ideas with customer focus



Social & Relationship Capital

Nurturing relationship with the community



Manufacturing Capital

World-class manufacturing facilities



Natural Capital

Using natural resources efficiently

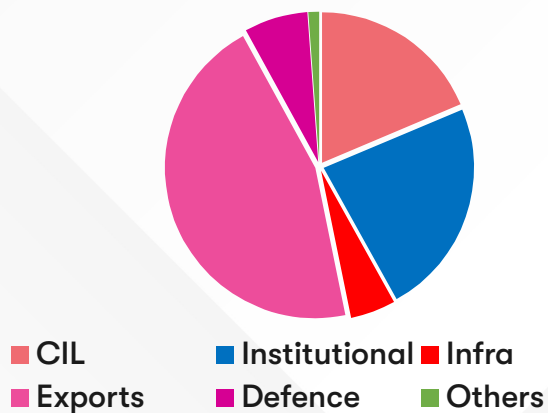


Intellectual Capital

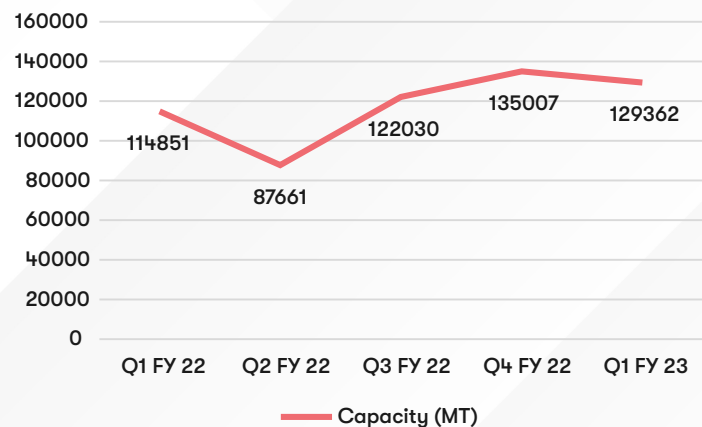
Strengthening research capabilities

Story Through Charts

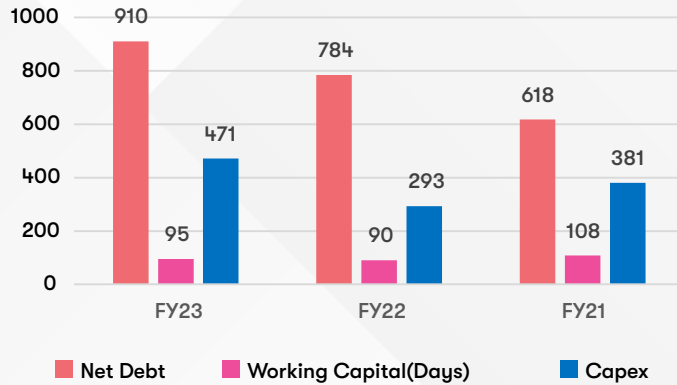
Quarterly Customers (In Crs)



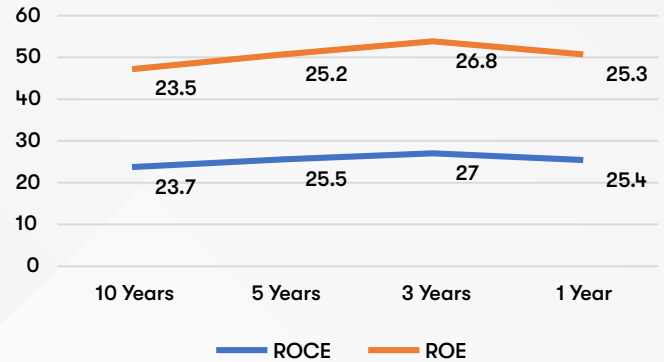
Capacity (MT)



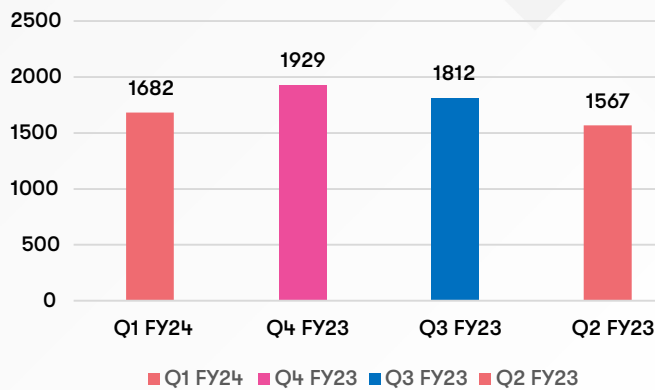
Borrowing & Capex



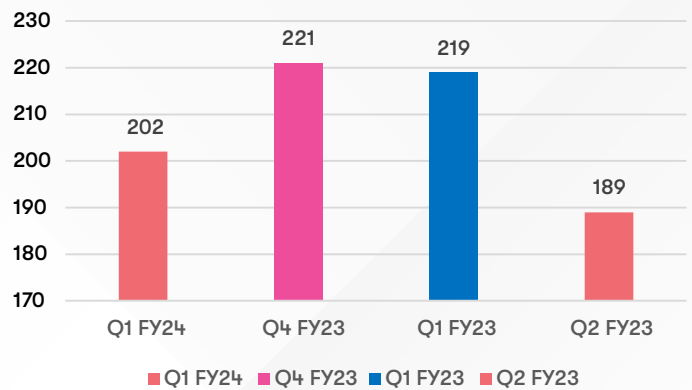
Return margins



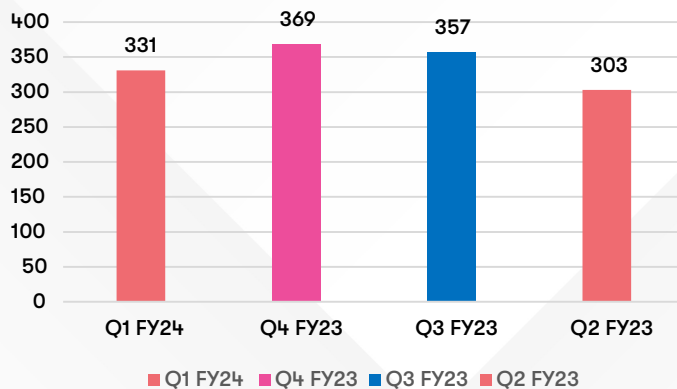
Revenue (In Cr)



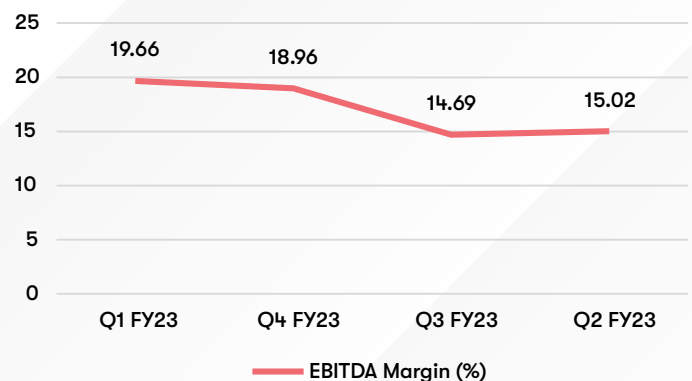
PAT (In Cr)



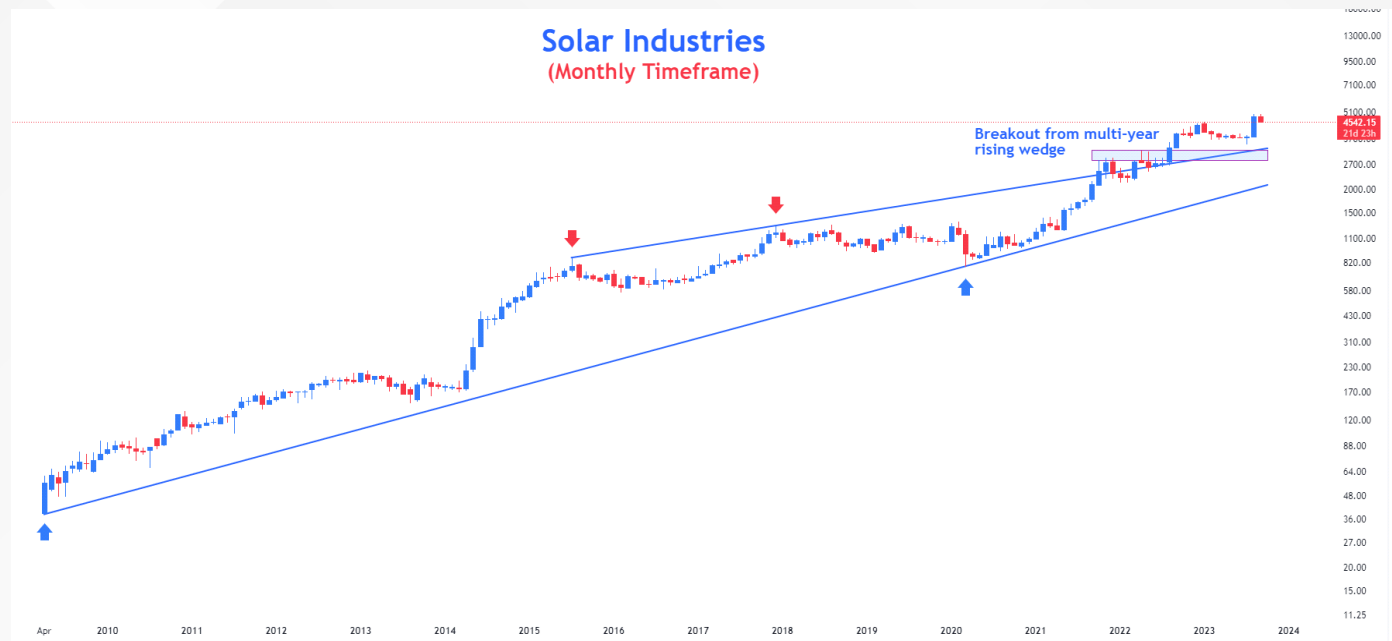
EBITDA (In Cr)



EBITDA Margin (In %)



Technical Outlook



Solar Industries recently experienced a breakout from a rising wedge pattern following nine months of consolidation. The persistence of higher lows and higher highs within this pattern suggests a bullish sentiment in the stock. With strong momentum fueled by improved fundamentals and consistently making new highs, the outlook for Solar Industries remains optimistic.

Daily RSI is trading above 50 and Weekly RSI is trading above 60 indicating strength in the buying.

20 Days Moving Average > 50 Days Moving Average > 100 Days Moving Average, indicates a strong sustainable buying in this counter.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	4708.9	4679.8
10	4733.2	4652.4
20	4484.1	4496.9
50	4043.2	4199.9
100	3924.8	4032.6
200	3952.1	3863.3

Pivot Levels : FIBONACCI			Relative Strength Index (RSI)	Daily	Weekly
R1 4671.39	Pivot 4625.57	S1 4579.75		58.55	68.13
R2 4699.70		S2 4551.44			
R3 4745.52		S3 4505.62			

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