

## Result Update

### Stock Details

|                            |   |          |
|----------------------------|---|----------|
| Market cap (Rs cr)         | : | 11563    |
| 52-wk Hi/Lo (Rs)           | : | 290/ 144 |
| Face Value (Rs)            | : | 2        |
| 3M Avg. daily volume (nos) | : | 6,92,355 |
| Shares o/s (cr)            | : | 62       |

Source: Capitaline, BSE

### Financial Summary

| Y/E Mar (Rs cr)     | FY26E | FY27E | FY28E |
|---------------------|-------|-------|-------|
| Revenue             | 4,268 | 4,660 | 5,062 |
| Growth (%)          | 3.0   | 9.2   | 8.6   |
| EBITDA              | 497   | 552   | 603   |
| EBITDA margin (%)   | 11.6  | 11.8  | 11.9  |
| Adj PAT             | 470   | 519   | 566   |
| Adj EPS             | 7.6   | 8.4   | 9.2   |
| EPS Growth (%)      | -39.6 | 10.6  | 9.0   |
| BV (Rs/share)       | 101   | 105   | 111   |
| Dividend/share (Rs) | 3.6   | 3.6   | 3.6   |
| ROE (%)             | 7.7   | 8.1   | 8.5   |
| ROCE (%)            | 6.1   | 6.5   | 6.8   |
| P/E (x)             | 24.6  | 22.3  | 20.4  |
| EV/EBITDA (x)       | 23.6  | 21.2  | 19.2  |
| P/BV (x)            | 1.9   | 1.8   | 1.7   |

Source: Capitaline, Kotak Securities - PCG, Company

### Shareholding Pattern (%)

| (%)       | Sep-25 | Jun-25 | Mar-25 |
|-----------|--------|--------|--------|
| Promoters | 52.8   | 52.5   | 52.5   |
| FII       | 5.9    | 6.0    | 6.6    |
| DII       | 12.1   | 11.4   | 11.7   |
| Others    | 29.1   | 29.8   | 29.3   |

Source: Moneycontrol, BSE

### Price Performance (%)

| (%)                | 1M   | 3M   | 6M  |
|--------------------|------|------|-----|
| Finolex Industries | -2.8 | -0.9 | 8.7 |
| Nifty              | 1.6  | 4.5  | 7.0 |

Source: Moneycontrol, BSE

### Price chart (Rs)



Source: Moneycontrol, BSE

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## FINOLEX INDUSTRIES LTD (FIL)

**PRICE Rs.188**

**TARGET Rs.205**

**ADD**

Finolex Industries Ltd (FIL) reported mixed performance in Q2FY26 as Pipes & Fittings (P&F) volumes were below our estimates while margin was better than estimates aided by favorable mix. The company reported a 6% yoy decline in volumes, as demand for agri pipes was adversely affected by the prolonged monsoon. The company reported 3.7%/131.7% yoy growth in standalone revenue/PAT, respectively. EBITDA margin at 15.2% was better than our estimates of 7.1% due to higher contribution from high margin non-agri pipes at 44% in Q2FY26 vs 39% in Q2FY25, boosting realization. FIL continues to focus on improving its business mix led by growing non-agri pipes and reiterated its long-term goal of achieving a 50:50 agri to non-agri mix to reduce seasonality. For FY26, the company expects mid-single-digit volume growth, based on volume recovery in H2 as agri demand normalizes, and double-digit growth from FY27 onward supported by infrastructure and housing momentum. The company continues to invest in capacity expansion to align with long-term market demand. Industry conditions remain favorable with PVC-EDC spreads steady at average ~US\$535 in Q2FY26. The anticipated anti-dumping duty (ADD) on PVC imports, expected to increase resin prices by Rs3-6/kg, should normalize market pricing and support domestic producers. The company remains confident in India's long-term PVC demand outlook, driven by urbanization, infrastructure development, and steady housing construction. We have factored in the impact of below expected volumes and higher margins in our estimates, resulting in +5%/-3% revision in earnings estimates for FY26/FY27. We maintain ADD on the stock with revised sum of the parts based fair value of Rs205 (Vs Rs210 earlier).

### Key Highlights

- FIL reported 3.7% yoy growth in standalone net sales at Rs859 cr (Vs estimates of Rs839 cr, +2% above our estimates). The company reported 6% yoy decline in P&F volume (vs our estimates of 8% yoy growth) which was offset by 11% yoy growth in net realization.
- Sales volumes declined 6% yoy to 65,336 tonnes, while H1FY26 volumes were down 2% to 1.58 lakh tonnes. The weakness was largely confined to the agri segment due to delayed farm activities, while the non-agri segment delivered 7% yoy growth, aided by robust demand from housing, real estate, and infrastructure projects. Consequently, the sales mix improved to 56% agri and 44% non-agri (from 61:39 yoy), boosting average realizations by 11%/16% yoy/qoq.
- EBITDA rose sharply to Rs130 cr (vs. Rs11 cr last year), aided by higher realizations, improved operating efficiency, and better product mix. As a result, PAT increased to Rs119 cr (vs. Rs51 cr last year) and was better than our estimates of Rs65cr. Strong growth in profits was due to higher gross margin which improved to 42.7% in Q2FY26 (vs. 30% yoy). As a result the company reported 15.2% EBITDA margin. Management expects to maintain EBITDA margin of 10-12% for FY26 as Q2 margins (of 15.2%) may cool off as agri demand picks up.
- After a decline in volumes in H1, the company expects volume growth to pickup and expects mid-single digit volume growth in FY26. The company expects FY27 to mark an acceleration in both volume and earnings growth, supported by infrastructure investments, rural recovery, and housing demand. Margins are expected to remain in the 11-13% range, backed by stable raw material spreads and an improved product mix.

**Standalone Quarterly Table**

| Particulars Rs Cr           | Q2FY26     | Q2FY25     | YoY (%)        | Q1FY26       | QoQ (%)       |
|-----------------------------|------------|------------|----------------|--------------|---------------|
| <b>Net Sales</b>            | <b>859</b> | <b>828</b> | <b>3.7%</b>    | <b>1,043</b> | <b>-17.7%</b> |
| Expenditure                 | 729        | 818        | -10.9%         | 950          | -23.3%        |
| RM Cost                     | 492        | 581        | -15.3%         | 703          | -30.0%        |
| Employee Cost               | 52         | 56         | -7.9%          | 58           | -10.9%        |
| Other Expenditure           | 184        | 180        | 2.2%           | 188          | -2.1%         |
| <b>EBITDA</b>               | <b>130</b> | <b>11</b>  | <b>1131.5%</b> | <b>94</b>    | <b>39.1%</b>  |
| EBITDAM%                    | 15.2%      | 1.3%       |                | 9.0%         |               |
| Other Income                | 60         | 84         | -29.2%         | 65           | -7.9%         |
| <b>PBIDT</b>                | <b>190</b> | <b>95</b>  | <b>100.2%</b>  | <b>158</b>   | <b>19.9%</b>  |
| Depreciation                | 27         | 26         | 3.9%           | 27           | 3.1%          |
| Interest                    | 4          | 7          | -36.8%         | 6            | -22.0%        |
| <b>PBT</b>                  | <b>158</b> | <b>62</b>  | <b>156.6%</b>  | <b>126</b>   | <b>25.3%</b>  |
| Exceptional Items           | -          | -          |                | -            |               |
| PBT(post exceptional items) | 158        | 62         | 156.6%         | 126          |               |
| Tax                         | 39         | 10         | 282.9%         | 29           | 32.9%         |
| <b>PAT</b>                  | <b>119</b> | <b>51</b>  | <b>131.7%</b>  | <b>97</b>    | <b>23.0%</b>  |
| PATM%                       | 13.9%      | 6.2%       |                | 9.3%         |               |
| Equity Capital              | 124        | 124        | 0.0%           | 124          | 0.0%          |
| <b>EPS</b>                  | <b>1.9</b> | <b>0.8</b> | <b>131.7%</b>  | <b>1.6</b>   | <b>23.0%</b>  |

Source: Company, Kotak Securities - Private Client Group

**Outlook and valuation**

We believe FIL is well-positioned to benefit from both rural and urban demand, given its presence across the agri and housing segments. The company remains optimistic about a gradual recovery in pipe volumes and sustaining healthy margins over the long term. In our view, FIL should also focus on broadening its product portfolio and introducing new segments to better compete with peers that are aggressively expanding their offerings. Incorporating the impact of lower volumes but higher realizations and margins reported in Q2FY26, we have revised our earnings estimates by +5% for FY26 and -3% for FY27. Additionally, we introduce our estimates for FY28E.

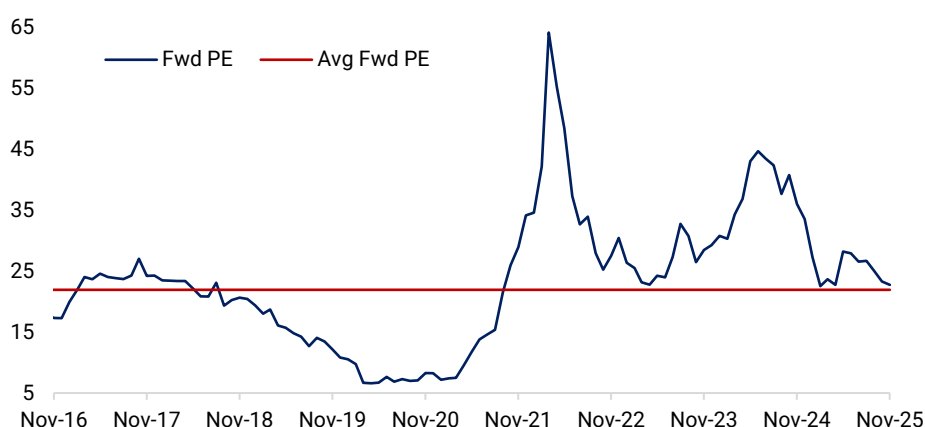
The stock is presently trading at PE of 24.6x/22.3x/20.4 on FY26E/FY27E/FY8E adj. revised EPS of Rs 7.6/8.4/9.2 (vs Rs 7.2/8.6 earlier), respectively. The stock is available at a discount to its peers due to lower volume growth and earnings volatility caused by commoditized resin business. We retain ADD on the stock with revised sum of the parts based on fair value of Rs205 (Vs Rs210 earlier) as we roll forward to FY28E. We have valued integrated pipes business at ~15x FY28E EV/EBITDA (Vs 16x FY27E EV/EBITDA) and another ~30% of the fair value comes from cash and market value of investment post holdco discount. Key risk to our estimates is, sharp movement in input and finished goods prices, any slowdown in the real estate and agriculture sector, etc.

**Other highlights**

- The company continues to invest in capacity expansion to align with long-term market demand. Installed capacity now stands at 5.2 lakh tonnes, including 25k tonnes added in Q1FY26, with utilization around ~70% in H1FY26 and expected to rise to ~75% by FY27. Annual capex of Rs100-200 cr will primarily fund capacity expansion, targeting incremental additions of 50-80k tonne per year depending on market growth.
- FIL remains focused on its core pipes and fittings business and does not intend to further add PVC resin capacity, citing high capital intensity and rising domestic resin availability.
- Agri pipes business is expected to recover in H2FY26 as rainfall subsides, aided by irrigation projects and rural spending. The non-agri segment continues to show strong structural growth, supported by housing and infrastructure investments.

- CPVC pipes business, contributing 8% of volumes, is growing in double digits, with resin sourced from Reliance and global suppliers; import dependence will reduce as new domestic capacities from Reliance, Lubrizol, and others come online.
- Industry conditions remain favorable with PVC-EDC spreads steady at ~US\$535 in Q2FY26 and PVC-VCM spreads at ~US\$151. The anticipated anti-dumping duty (ADD) on PVC imports, expected to increase resin prices by Rs3-6/kg, should normalize market pricing and support domestic producers.
- The company had net cash surplus of Rs2,360 cr as of September 2025. Management aims to deploy cash for organic growth and capacity expansion, with potential shareholder returns if surplus funds remain.

#### Forward PE (x)



Source: Capitaline, Kotak Securities - Private Client Group

### Company Background

Finolex Industries Ltd (formerly Finolex Pipes Ltd), was incorporated in 1981, and is a strong brand in Indian PVC pipes and fittings market. The company manufactures and sells PVC pipes, fittings and PVC resin. The company began its journey as a PVC pipes player and further diversified in manufacturing of PVC resin in 1994 as part of its backward integration strategy. Further, it commissioned 43 MW thermal power plant at Ratnagiri in 2009-10 to reduce its dependency on the grid for its power requirements. Presently, FIL is a strong player in terms of market share in agriculture pipes segment and has notable foothold in PVC resin business in India. FIL has three pipes manufacturing plants located in Pune (Maharashtra), Ratnagiri (Maharashtra) and Masar (near Vadodara, Gujarat) with installed capacity of 520,000 tonne per annum of pipes and fittings. FIL has strong distribution network with 800+ dealers and 24,000+ retail touch points across country. (Source: Company)

## Financials: Standalone

### Profit and Loss Statement (Rs cr)

| (Year-end Mar)           | FY25         | FY26E        | FY27E        | FY28E        |
|--------------------------|--------------|--------------|--------------|--------------|
| <b>Revenues</b>          | <b>4,142</b> | <b>4,268</b> | <b>4,660</b> | <b>5,062</b> |
| % change yoy             | -4.1         | 3.0          | 9.2          | 8.6          |
| Direct Cost              | 2,676        | 2,749        | 3,025        | 3,311        |
| Employee Cost            | 222          | 231          | 245          | 260          |
| Other Expenses           | 768          | 791          | 838          | 889          |
| Total Expenses           | 3,666        | 3,771        | 4,108        | 4,459        |
| <b>EBITDA</b>            | <b>476</b>   | <b>497</b>   | <b>552</b>   | <b>603</b>   |
| % change yoy             | -18.6        | 4.5          | 11.0         | 9.2          |
| Depreciation             | 107          | 115          | 125          | 137          |
| <b>EBIT</b>              | <b>369</b>   | <b>382</b>   | <b>427</b>   | <b>466</b>   |
| Other Income             | 248          | 266          | 284          | 304          |
| Interest                 | 30           | 22           | 18           | 15           |
| Exceptional              | 417          | 0            | 0            | 0            |
| <b>Profit Before Tax</b> | <b>1,005</b> | <b>626</b>   | <b>693</b>   | <b>755</b>   |
| % change yoy             | 63.8         | -37.7        | 10.6         | 9.0          |
| Tax                      | 227          | 157          | 173          | 189          |
| as % of EBT              | 22.6         | 25.0         | 25.0         | 25.0         |
| Adj PAT                  | 444          | 470          | 519          | 566          |
| % change yoy             | -2.4         | 5.7          | 10.6         | 9.0          |
| Shares outstanding (cr)  | 62           | 62           | 62           | 62           |
| <b>Adj EPS (Rs)</b>      | <b>7.2</b>   | <b>7.6</b>   | <b>8.4</b>   | <b>9.2</b>   |
| DPS (Rs)                 | 3.6          | 3.6          | 3.6          | 3.6          |
| CEPS(Rs)                 | 14.3         | 9.5          | 10.4         | 11.4         |
| BVPS(Rs)                 | 96.7         | 100.7        | 105.5        | 111.0        |

Source: Company, Kotak Securities – Private Client Group

### Cash flow Statement (Rs cr)

| (Year-end Mar)                    | FY25         | FY26E        | FY27E        | FY28E        |
|-----------------------------------|--------------|--------------|--------------|--------------|
| Pre-Tax Profit (incl exceptional) | 588          | 626          | 693          | 755          |
| Depreciation & Others             | 107          | 115          | 125          | 137          |
| Change in WC                      | 53           | 68           | (34)         | (34)         |
| Other operating activities        | (197)        | (135)        | (155)        | (174)        |
| <b>Operating Cash Flow</b>        | <b>550</b>   | <b>674</b>   | <b>629</b>   | <b>684</b>   |
| Capex                             | (114)        | (150)        | (200)        | (200)        |
| Free Cash Flow                    | 436          | 524          | 429          | 484          |
| Change in Investments             | 16           | (250)        | (150)        | (150)        |
| <b>Investment cash flow</b>       | <b>(98)</b>  | <b>(400)</b> | <b>(350)</b> | <b>(350)</b> |
| Equity Raised                     | -            | -            | -            | -            |
| Debt Raised/Repaid                | (157)        | (30)         | (30)         | (30)         |
| Dividend                          | (223)        | (223)        | (223)        | (223)        |
| Other financing activity          | (30)         | (22)         | (18)         | (15)         |
| <b>CF from Financing</b>          | <b>(410)</b> | <b>(274)</b> | <b>(271)</b> | <b>(268)</b> |
| Change in Cash                    | 42           | (0)          | 8            | 66           |
| Opening Cash                      | 2            | 44           | 44           | 53           |
| <b>Closing Cash</b>               | <b>44</b>    | <b>44</b>    | <b>53</b>    | <b>119</b>   |

Source: Company, Kotak Securities – Private Client Group

### Balance sheet (Rs cr)

| (Year-end Mar)              | FY25         | FY26E        | FY27E        | FY28E        |
|-----------------------------|--------------|--------------|--------------|--------------|
| Paid - Up Equity Capital    | 124          | 124          | 124          | 124          |
| Reserves                    | 5,855        | 6,102        | 6,399        | 6,742        |
| Net worth                   | 5,978        | 6,225        | 6,522        | 6,866        |
| Borrowings                  | 227          | 197          | 167          | 137          |
| Net Deferred tax & others   | 231          | 231          | 231          | 231          |
| <b>Total Liabilities</b>    | <b>6,437</b> | <b>6,654</b> | <b>6,921</b> | <b>7,234</b> |
| Gross Block                 | 1,844        | 1,994        | 2,194        | 2,394        |
| Accumulated Depreciation    | 778          | 893          | 1,018        | 1,155        |
| Net block                   | 1,066        | 1,101        | 1,176        | 1,239        |
| Capital work in progress    | 16           | 16           | 16           | 16           |
| Investments                 | 4,778        | 5,028        | 5,178        | 5,328        |
| Inventories                 | 782          | 725          | 792          | 860          |
| Sundry debtors              | 379          | 391          | 427          | 464          |
| Cash and equivalents        | 44           | 44           | 53           | 119          |
| Loans and advances & Others | 13           | 13           | 13           | 13           |
| Total current assets        | 1,332        | 1,286        | 1,397        | 1,568        |
| Sundry creditors and others | 444          | 458          | 500          | 543          |
| Provisions                  | 27           | 27           | 27           | 27           |
| Total CL & provisions       | 755          | 777          | 846          | 917          |
| Net current assets          | 577          | 509          | 551          | 651          |
| <b>Total Assets</b>         | <b>6,437</b> | <b>6,654</b> | <b>6,921</b> | <b>7,234</b> |

Source: Company, Kotak Securities – Private Client Group

### Ratio Analysis

| (Year-end Mar)               | FY25 | FY26E  | FY27E | FY28E |
|------------------------------|------|--------|-------|-------|
| EBITDA margin (%)            | 11.5 | 11.6   | 11.8  | 11.9  |
| EBIT margin (%)              | 8.9  | 9.0    | 9.2   | 9.2   |
| Net profit margin (%)        | 18.8 | 11.0   | 11.1  | 11.2  |
| EPS growth (%)               | 70.8 | (39.6) | 10.6  | 9.0   |
| Receivables (days)           | 33   | 33     | 33    | 33    |
| Inventory (days)             | 69   | 62     | 62    | 62    |
| Payable (days)               | 64   | 64     | 64    | 64    |
| Cash Conversion Cycle (days) | 47   | 40     | 39    | 38    |
| Asset Turnover (x)           | 0.7  | 0.7    | 0.7   | 0.7   |
| Net Debt/ Equity (x)         | 0.0  | 0.0    | 0.0   | 0.0   |
| RoCE (%)                     | 6.1  | 6.1    | 6.5   | 6.8   |
| RoE (%)                      | 13.5 | 7.7    | 8.1   | 8.5   |
| P/E (x)                      | 26.0 | 24.6   | 22.3  | 20.4  |
| P/BV (x)                     | 1.9  | 1.9    | 1.8   | 1.7   |
| EV/EBITDA (x)                | 24.7 | 23.6   | 21.2  | 19.2  |
| EV/Sales (x)                 | 2.8  | 2.7    | 2.5   | 2.3   |

Source: Company, Kotak Securities – Private Client Group

## RATING SCALE (PRIVATE CLIENT GROUP)

### Definitions of ratings

|                  |   |   |
|------------------|---|---|
| <b>BUY</b>       | – | We expect the stock to deliver more than 15% returns over the next 12 months  |
| <b>ADD</b>       | – | We expect the stock to deliver 5% - 15% returns over the next 12 months   |
| <b>REDUCE</b>    | – | We expect the stock to deliver -5% - +5% returns over the next 12 months  |
| <b>SELL</b>      | – | We expect the stock to deliver < -5% returns over the next 12 months  |
| <b>NR</b>        | – | <b>Not Rated.</b> Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.  |
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| <b>NA</b>        | – | <b>Not Available or Not Applicable.</b> The information is not available for display or is not applicable   |
| <b>NM</b>        | – | <b>Not Meaningful.</b> The information is not meaningful and is therefore excluded.   |
| <b>NOTE</b>      | – | Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.   |

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