

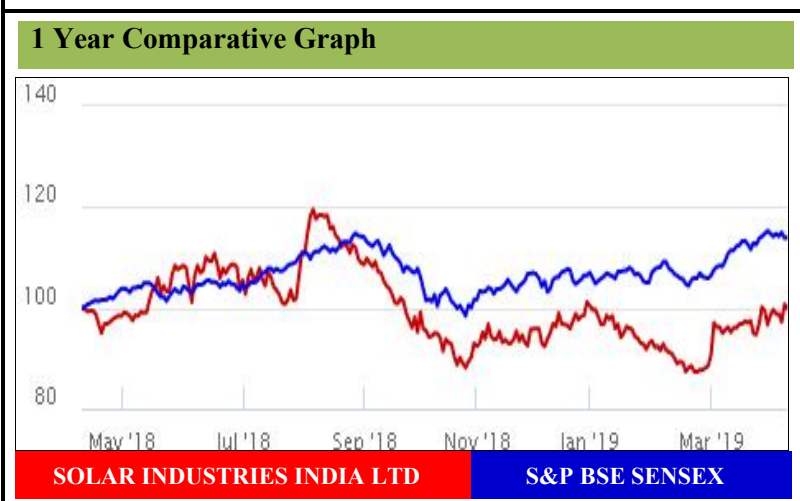
<b>SOLAR INDUSTRIES INDIA LTD</b> Result Update (Consolidated BASIS): Q3 FY19	<b>CMP: 1065.00</b>	<b>APRIL 15<sup>th</sup>, 2019</b>
	<b>Overweight</b>	<b>ISIN: INE343H01029</b>

**Index Details**

Stock Data	
<b>Sector</b>	Specialty Chemicals
<b>BSE Code</b>	532725
<b>Face Value</b>	2.00
<b>52wk. High / Low (Rs.)</b>	1320.00/923.60
<b>Volume (2wk. Avg.)</b>	749
<b>Market Cap (Rs. in mn.)</b>	96382.50

Annual Estimated Results(A*: Actual / E*: Estimated)			
Years (Rs. in mn)	FY18A	FY19E	FY20E
<b>Net Sales</b>	19514.70	24677.82	28626.27
<b>EBITDA</b>	4236.50	5112.74	5913.29
<b>Net Profit</b>	2205.50	2610.73	3080.53
<b>EPS</b>	24.37	28.85	34.04
<b>P/E</b>	43.70	36.92	31.29

Shareholding Pattern (%)		
	As on Mar 19	As on Dec 18
<b>Promoter</b>	73.15	73.15
<b>Public</b>	26.85	26.85
<b>Others</b>	--	--



**SYNOPSIS**

- ☉ Solar Industries India Ltd (SIIL) is World's largest packaged explosives manufacturing facility at a single location in Nagpur, India.
- ☉ For the quarter ended Q3 FY2018-19, revenue stood at Rs. 6530.40 mn as against Rs. 4656.80 mn in Q3 FY2017-18, recording a growth of 40.23% on YOY basis.
- ☉ During the quarter, EBITDA stood at Rs. 1248.40 mn as against Rs. 1069.30 mn in the corresponding period of the previous year, an increase of 16.75%.
- ☉ During the quarter, PBT up by 15.33% to Rs. 952.40 mn from Rs. 825.80 mn in the corresponding quarter ending of previous year.
- ☉ During the quarter, net profit jumps to Rs. 685.50 mn from Rs. 541.50 mn in the corresponding quarter ending of previous year, grew by 26.59%.
- ☉ EPS of the company stood at Rs. 7.57 a share during the quarter, as against Rs. 5.98 per share over previous year period.
- ☉ Defence sales of Rs.410 mn in Q3FY19 as compared to Rs. 100 mn in Q3FY18. Defence order book at Rs. 4300 mn.
- ☉ Defence sales of Rs.1130 mn in 9MFY19 as compared to Rs.180 mn in 9MFY18.
- ☉ Nine months ended 31<sup>st</sup> Dec, 2018, Net sales of the company were Rs. 17886.20 mn as against Rs. 13761.30 mn in the Nine months ended 31<sup>st</sup> Dec, 2017, up by 29.97%.
- ☉ In 9M FY19, Net Profit stood at Rs. 1900.60 mn as against Rs. 1546.70 mn in 9M FY18.
- ☉ Net Sales and PAT of the company are expected to grow at a CAGR of 17% and 16% over 2017 to 2020E, respectively.

PEER GROUPS	CMP	MARKET CAP	EPS(TTM)	P/E (X)(TTM)	P/BV(X)	DIVIDEND
Company	(Rs.)	Rs. in mn.	(Rs.)	Ratio	Ratio	(%)
Solar Industries India Ltd	1065.00	96382.50	28.28	37.12	8.89	300.00
Premier Explosives Ltd	237.50	2553.70	10.57	22.47	1.30	25.00
Keltech Energies Ltd	764.35	764.40	47.77	16.00	1.45	25.00

## QUARTERLY HIGHLIGHTS (CONSOLIDATED BASIS)

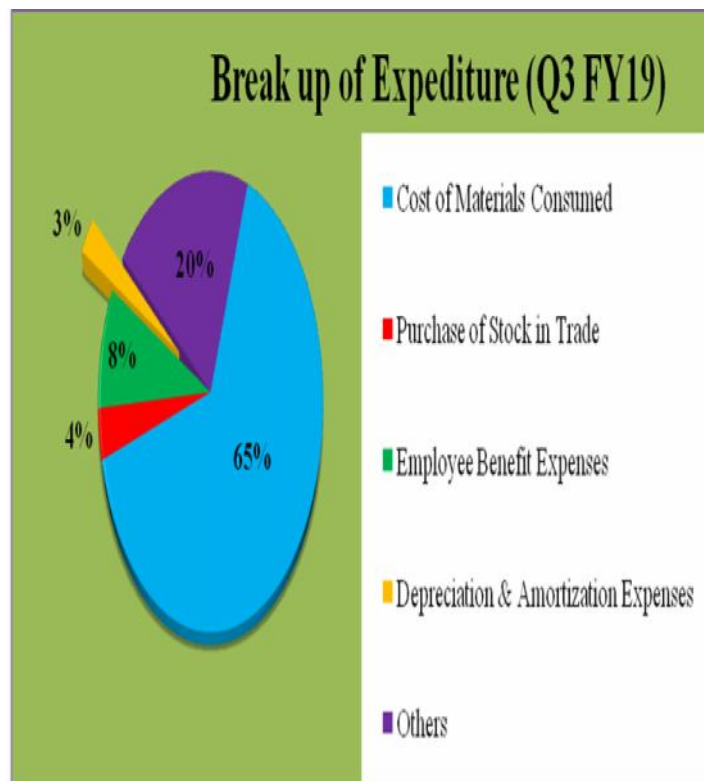
### Results updates- Q3 FY19,

Rs. in Million	Dec-18	Dec-17	% Change
<b>Revenue</b>	6530.40	4656.80	40.23%
<b>Net Profit</b>	685.50	541.50	26.59%
<b>EPS</b>	7.57	5.98	26.59%
<b>EBIDTA</b>	1248.40	1069.30	16.75%

For the quarter ended Q3 FY2018-19, revenue stood at Rs. 6530.40 million as against Rs. 4656.80 million in Q3 FY2017-18, recording a growth of 40.23% on YOY basis. During the quarter, EBITDA stood at Rs. 1248.40 million as against Rs. 1069.30 million in the corresponding period of the previous year, an increase of 16.75%. During the quarter, net profit jumps to Rs. 685.50 million from Rs. 541.50 million in the corresponding quarter ending of previous year, grew by 26.59%. EPS of the company stood at Rs. 7.57 a share during the quarter, as against Rs. 5.98 per share over previous year period.

### Break up of Expenditure

Break up of Expenditure	Value in Rs. Million		
	Q3 FY19	Q3 FY18	% Change
Cost of Materials Consumed	3509.20	2500.00	40%
Purchase of Stock in Trade	196.10	53.70	265%
Employee Benefit Expenses	466.10	383.20	22%
Depreciation & Amortization	149.60	137.10	9%
Other	1101.20	673.50	64%



## Updates

- Defence sales of Rs.410 mn in Q3FY19 as compared to Rs. 100 mn in Q3FY18. Defence order book at Rs. 4300 mn.
- Defence sales of Rs.1130 mn in 9MFY19 as compared to Rs.180 mn in 9MFY18.

## Order Book

**Coal India's Order Book:** Approx Rs. 6100 mn

**SCCL's Order Book:** Bulk + Accessories valuing approx Rs. 2900 mn

**Defence Order Book:** As-on-date stands at Rs. 4300 mn.

## COMPANY PROFILE

- World's largest packaged explosives manufacturing facility at a single location in Nagpur, India.
- Pan India presence with 25 manufacturing facilities.
- Global footprint in more than 51 nations with manufacturing facilities in 5 countries.
- India's first domestic private supplier of HMX & HMX compound products to the Defence sector.
- First private company in India to setup an integrated facility for Defence to produce High Energy Material, Propellants, Warheads & Rockets.
- Secured Transfer of Technology (TOT) agreement from Government of India for manufacturing propellant booster for Brahmas missile and Pinaka Rocket.

Solar Industries India Limited, headquartered at Nagpur, was founded in 1995 by its founder Chairman Shri Satyanarayan Nandlal Nuwal to produce packaged explosives. The company has grown to become one of the leading global manufacturer & exporter.

Solar is driven to meet its customer expectations by providing blasting solutions that align with each customers requirements. Solar supports major mining & infrastructure companies such as Coal India Limited, the Singareni Collieries Company Limited, Vedanta, etc.

The blend of a visionary Management and a strong team who laid a strong foundation by creating world class assets, stringent safety and quality systems, operational excellence, financial discipline and the commitment to a high-performance culture which will help the company to create value for the stakeholders.

**FINANCIAL HIGHLIGHT (CONSOLIDATED BASIS)**

(A\* - Actual, E\* - Estimations &amp; Rs. In Millions)

**Balance Sheet as of March 31, 2017 -2020E**

	FY17A	FY18A	FY19E	FY20E
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
a) Property, Plant and Equipment	7617.30	8936.70	9741.00	10520.28
b) Capital Work in Progress	909.30	968.40	1355.76	1599.80
c) Goodwill	81.40	81.40	91.98	100.26
d) Intangible Assets	69.00	214.70	234.02	245.72
e) Intangible Assets Under Development	0.00	105.60	168.96	195.99
<b>f) Financial Assets</b>				
i) Investments	35.00	30.40	28.58	30.00
ii) Loans	763.00	798.00	726.18	755.23
iii) Other Financial Assets	259.50	305.10	314.25	323.68
iv) Deferred Tax Assets (Net)	55.70	71.40	210.40	233.54
g) Other Non – Current Assets	141.70	211.00	354.48	425.38
h) Non Current Tax Assets (net)	22.00	39.70	44.46	48.91
<b>1. Sub Total - Non- Current Assets</b>	<b>9953.90</b>	<b>11762.40</b>	<b>13270.08</b>	<b>14478.80</b>
<b>Current Assets</b>				
a) Inventories	1810.70	2324.20	2812.28	3177.88
<b>b) Financial Assets</b>				
i) Investments	497.50	140.10	1.25	1.33
ii) Trade Receivables	3190.60	3635.80	4108.45	4560.38
iii) Cash and Cash Equivalents	259.30	524.90	440.92	476.19
iv) Other Bank Balances	134.60	169.70	273.22	333.32
v) Loans	257.60	117.00	147.42	171.01
vi) Other Current Financial Assets	585.00	534.40	614.56	694.45
c) Other Current Assets	584.00	726.60	741.13	770.78
<b>2. Sub Total – Current Assets</b>	<b>7319.30</b>	<b>8172.70</b>	<b>9139.23</b>	<b>10185.34</b>
<b>3. Non- current assets classified as held for sale</b>	<b>0.00</b>	<b>16.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Total Assets (1+2+3)</b>	<b>17273.20</b>	<b>19951.10</b>	<b>22409.31</b>	<b>24664.14</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
a) Equity Share Capital	181.00	181.00	181.00	181.00
b) Other Equity	9104.90	10657.60	12789.12	15091.16
c) Share Application Money pending allotment	402.60	473.80	402.73	378.57
<b>1. Total Equity</b>	<b>9688.50</b>	<b>11312.40</b>	<b>13372.85</b>	<b>15650.73</b>
<b>Liabilities</b>				
<b>Non Current Liabilities</b>				
<b>a) Financial Liabilities</b>				
i) Borrowings	1479.60	1632.70	1355.14	1165.42
ii) Other Financial Liabilities	0.00	328.30	334.87	341.56
b) Provisions	0.00	1.80	2.07	2.32
c) Deferred tax liabilities (Net)	840.10	1010.70	1091.56	1167.96
d) Other Non Current liabilities	0.00	5.40	5.94	6.53
<b>2. Sub Total - Non - Current Liabilities</b>	<b>2319.70</b>	<b>2978.90</b>	<b>2789.57</b>	<b>2683.80</b>
<b>Current Liabilities</b>				
<b>a) Financial Liabilities</b>				
i) Borrowings	2609.90	2245.80	2661.27	2794.34
ii) Trade Payables	893.20	1271.60	1454.47	1541.74
iii) Other Financial Liabilities	1233.90	1330.60	1410.44	1236.66
b) Other Current Liabilities	14.00	16.20	17.82	19.25
c) Provisions	486.50	752.40	662.11	695.22
d) Current Tax Liabilities (Net)	27.50	43.20	40.78	42.41
<b>3. Sub Total - Current Liabilities</b>	<b>5265.00</b>	<b>5659.80</b>	<b>6246.89</b>	<b>6329.61</b>
<b>Total Equity and Liabilities (1+2+3)</b>	<b>17273.20</b>	<b>19951.10</b>	<b>22409.31</b>	<b>24664.14</b>

**Annual Profit & Loss Statement for the period of 2017 to 2020E**

Value(Rs.in.mn)	FY17A	FY18A	FY19E	FY20E
Description	12m	12m	12m	12m
<b>Net Sales</b>	<b>17112.80</b>	<b>19514.70</b>	<b>24677.82</b>	<b>28626.27</b>
Other income	132.10	121.00	184.71	199.49
Total Income	17244.90	19635.70	24862.53	28825.76
Expenditure	-13873.90	-15399.20	-19749.79	-22912.46
<b>Operating Profit</b>	<b>3371.00</b>	<b>4236.50</b>	<b>5112.74</b>	<b>5913.29</b>
Interest	-268.90	-327.20	-530.02	-604.22
Gross profit	3102.10	3909.30	4582.72	5309.07
Depreciation	-387.40	-512.90	-602.27	-680.56
Profit Before Tax	2714.70	3396.40	3980.45	4628.51
Tax	-767.40	-1060.50	-1206.49	-1397.81
<b>Profit After Tax</b>	<b>1947.30</b>	<b>2335.90</b>	<b>2773.96</b>	<b>3230.70</b>
Minority Interest	-81.90	-130.40	-163.23	-150.17
<b>Net Profit</b>	<b>1865.40</b>	<b>2205.50</b>	<b>2610.73</b>	<b>3080.53</b>
Equity capital	181.00	181.00	181.00	181.00
Reserves	9104.90	10657.60	12789.12	15091.16
Face value	2.00	2.00	2.00	2.00
<b>EPS</b>	<b>20.61</b>	<b>24.37</b>	<b>28.85</b>	<b>34.04</b>

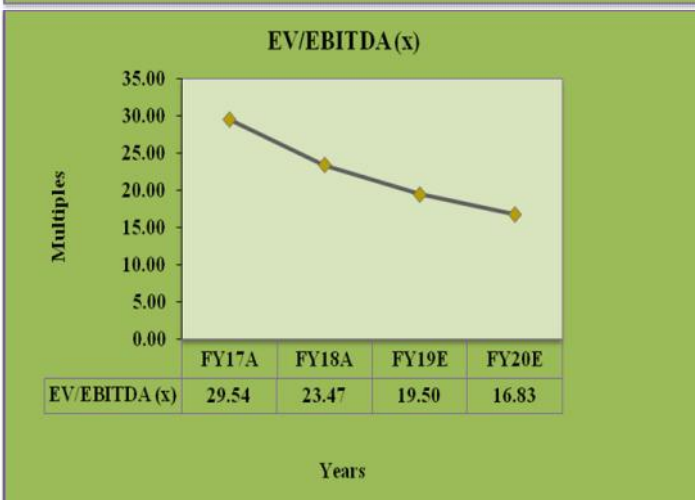
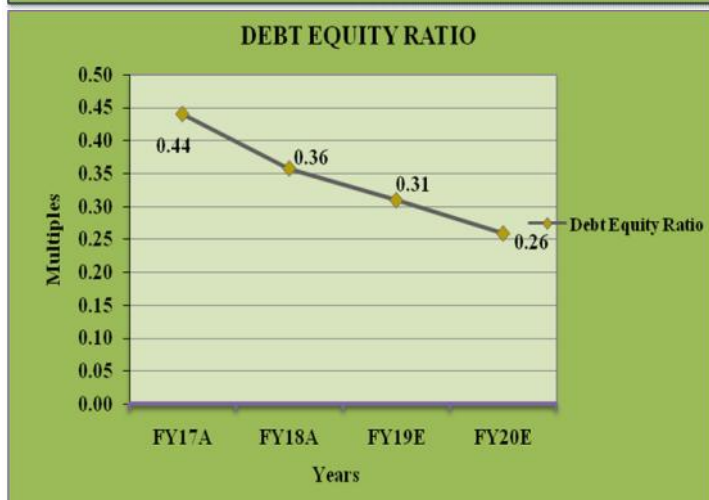
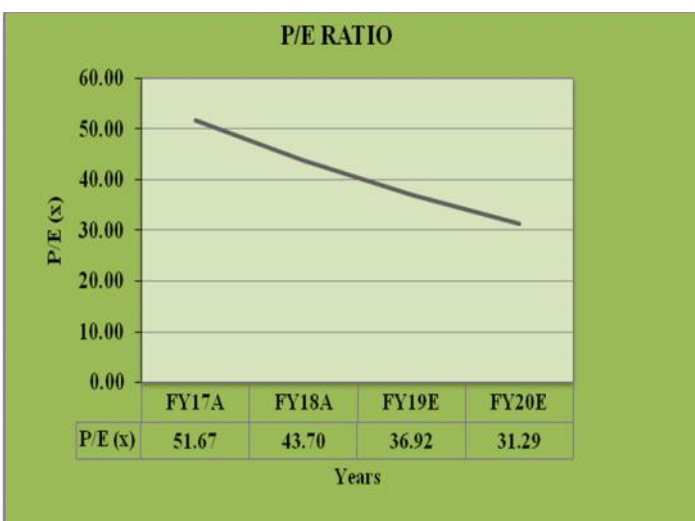
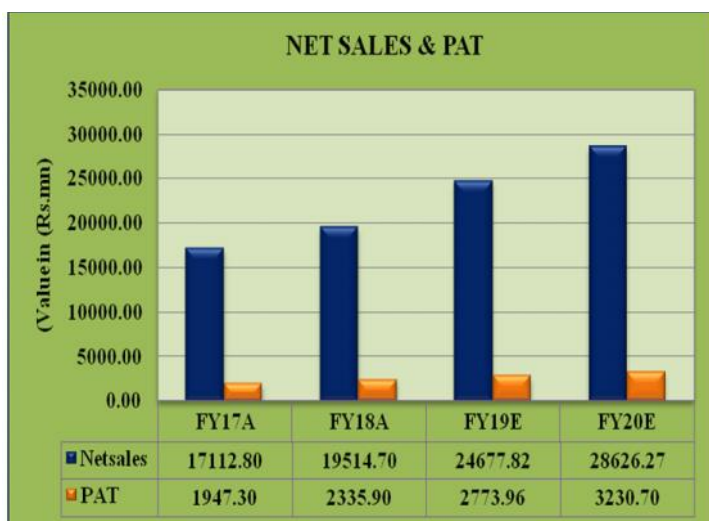
**Quarterly Profit & Loss Statement for the period of 30<sup>th</sup> Jun, 2018 to 31<sup>st</sup> Mar, 2019E**

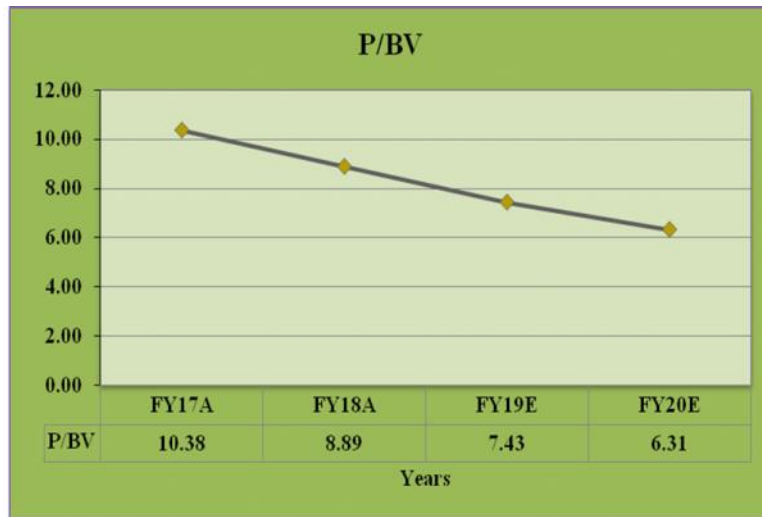
Value(Rs.in.mn)	30-Jun-18	30-Sep-18	31-Dec-18	31-Mar-19E
Description	3m	3m	3m	3m
<b>Net sales</b>	<b>6147.20</b>	<b>5208.60</b>	<b>6530.40</b>	<b>6791.62</b>
Other income	76.60	37.60	33.90	36.61
Total Income	6223.80	5246.20	6564.30	6828.23
Expenditure	-4865.00	-4135.60	-5315.90	-5433.29
<b>Operating profit</b>	<b>1358.80</b>	<b>1110.60</b>	<b>1248.40</b>	<b>1394.94</b>
Interest	-119.20	-126.80	-146.40	-137.62
Gross profit	1239.60	983.80	1102.00	1257.32
Depreciation	-139.70	-151.40	-149.60	-161.57
Profit Before Tax	1099.90	832.40	952.40	1095.75
Tax	-370.70	-282.60	-215.70	-337.49
<b>Profit After Tax</b>	<b>729.20</b>	<b>549.80</b>	<b>736.70</b>	<b>758.26</b>
Minority Interest	-33.50	-30.40	-51.20	-48.13
<b>Net Profit</b>	<b>695.70</b>	<b>519.40</b>	<b>685.50</b>	<b>710.13</b>
Equity capital	181.00	181.00	181.00	181.00
Face value	2.00	2.00	2.00	2.00
<b>EPS</b>	<b>7.69</b>	<b>5.74</b>	<b>7.57</b>	<b>7.85</b>

## Ratio Analysis

Particulars	FY17A	FY18A	FY19E	FY20E
EPS (Rs.)	20.61	24.37	28.85	34.04
EBITDA Margin (%)	19.70%	21.71%	20.72%	20.66%
PBT Margin (%)	15.86%	17.40%	16.13%	16.17%
PAT Margin (%)	11.38%	11.97%	11.24%	11.29%
P/E Ratio (x)	51.67	43.70	36.92	31.29
ROE (%)	20.97%	21.55%	21.39%	21.15%
ROCE (%)	22.31%	25.30%	26.55%	27.21%
Debt Equity Ratio	0.44	0.36	0.31	0.26
EV/EBITDA (x)	29.54	23.47	19.50	16.83
Book Value (Rs.)	102.61	119.76	143.32	168.75
P/BV	10.38	8.89	7.43	6.31

## Charts





## OUTLOOK AND CONCLUSION

- At the current market price of **Rs. 1065.00** the stock P/E ratio is at 36.92 x FY19E and 31.29 x FY20E respectively.
- Earning per share (EPS) of the company for the earnings for FY19E and FY20E is seen at Rs. 28.85 and Rs. 34.04 respectively.
- Net Sales and PAT of the company are expected to grow at a CAGR of 17% and 16% over 2017 to 2020E, respectively.
- On the basis of EV/EBITDA, the stock trades at 19.50 x for FY19E and 16.83 x for FY20E.
- Price to Book Value of the stock is expected to be at 7.43 x and 6.31 x for FY19E and FY20E respectively.
- Hence, we say that, we are **Overweight** in this particular scrip for Medium to Long term investment.

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B. Anil Kumar	M.B.A	Auto, IT & FMCG	No Interest/ Exposure
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*E-mail: [info@firstobjectindia.com](mailto:info@firstobjectindia.com)  
[info@firstcallresearch.com](mailto:info@firstcallresearch.com)  
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