



TM

## Finolex Industries

11 February 2025

## RESULT UPDATE

Sector: Plastic Pipes

Rating: HOLD

CMP: Rs 192

Target Price: Rs 214

## Stock Info

Sensex/Nifty	76,924/23,256
Bloomberg	FNXP IN
Equity shares (mn)	618.4
52-wk High/Low	350/195
Face value	Rs 2
M-Cap	Rs 119bn/ USD 1.3bn
3-m Avg turnover	USD 3.7mn

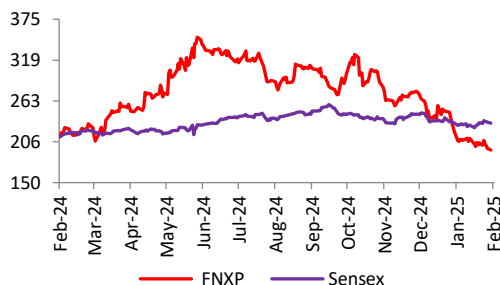
## Financial Snapshot (Rs mn)

Y/E Mar	FY25E	FY26E	FY27E
Net sales	43,236	47,358	53,942
EBITDA	4,941	6,661	7,749
OPM (%)	11.4	14.1	14.4
PAT (adj.)	7,964	5,385	6,276
EPS (adj.) (Rs)	12.9	8.7	10.1
PE (x)	14.9	22.0	18.9
P/B (x)	1.9	1.8	1.7
EV/EBITDA (x)	20.0	14.5	12.2
RoE (%)	12.9	8.2	9.0
RoCE (%)	9.5	10.3	11.4
Net-D/E (x)	(0.3)	(0.3)	(0.3)

## Shareholding Pattern (%)

	Dec'24	Sep'24	Jun'24
Promoter	52.5	52.5	52.5
- Pledged			
FII	6.6	6.4	6.9
DII	11.9	12.1	12.0
Others	29.0	29.0	28.7

## Stock Performance (1-year)



## Intense competition amid continued soft demand hurt 3QFY25

Finolex Industries's (FNXP) 3QFY25 (revenue/EBITDA/PBT down 2%/30%/21% YoY) was impacted due to continued soft demand and intense competition. Pipe volume/revenue grew 5%/0% YoY while EBIT contracted 57% YoY (Rs 3.7/kg, 3.2% margin). Demand remained soft in 3Q and has stayed so in 4Q so far. Intense competition led to higher discounts and impacted on realization and margins. PVC resin volume/revenue grew 30%/34% YoY; EBIT remained low (Rs 6.9/kg, 9.1% margin). Cash flows remained healthy with net cash of Rs 23bn. After a low pipe volume growth in FY25, management sees double digit growth in FY26 on the back of several government schemes. Focus remains on increasing mix of non-agri products to 50% in few years (from 33% in 3Q). Annual capex of Rs 1-1.5bn for 2 years will be to enhance capacity (50kt addition by 1H'26 to reach 520kt). Location for the new greenfield plant is not finalized yet. After a weak operating result in 3Q, we cut our EBITDA estimates by ~4% on lower margins expectations while keeping earnings estimates unchanged on higher other income. We now expect 10%/8%/10%/10% CAGR in pipes-volume/revenue/ EBITDA/PAT over FY24-27E (FY19-24: 10% /7%/-1%/5%). Given its low RoCE (~11%) and RoIC (16%) profiles in FY27E, we assign a lower target multiple (22x Pipes FY27E P/E vs. 35x+ for larger peers) and maintain HOLD rating with a revised TP of Rs 214.

## 3QFY25 Conference Call Key Highlights

## Soft demand and intense competition hurt operational performance

- Revenue declined 2% YoY (inline) whereas EBITDA/PBT fell 30%/21% YoY
- PAT came flattish YoY due to lower tax and higher JV share of profit.
- Pipe: Volume/revenue up 5%/0% YoY, EBIT (down 57% YoY, Rs 3.7/kg, 3.2% margin)
- PVC resin: Volume/revenue up 30%/34% YoY, EBIT (up 27% YoY, Rs 6.9/kg, 9.1% margin)
- CPVC pipe: volume grew ~5%; ~4% revenue mix
- Non Agri mix: 33% in 3Q'25, 32% in 3Q'24, 34% in 9M'25
- No inventory loss in 3Q
- Spreads in 3Q (\$/t): PVC-EDC 517 (currently 482); PVC-VCM 187 (currently 165)
- Cash flows remained healthy with net cash of Rs 23bn

## Business development &amp; Outlook

- Demand remained soft in 3Q and stayed so in 4Q so far
- Intense competition led to higher discounts and impacted realization and margins
- Sees double digit pipe volume growth in FY26 on the back of several government schemes
- BIS implementation is now postponed to June'25
- Capex: Rs 1-1.5bn annually for 2 years; aims 50kt capacity addition by 1H'26 to reach 520kt; location for the new greenfield plant is not finalized yet
- Land bank: 10 acre left out of 70 acre; realized Rs 9bn gain so far
- Focus to increase channel financing to improve liquidity

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## Exhibit 1: FNXP – quarterly performance (Consolidated)

(Rs mn)	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	YoY (%)	QoQ (%)	9MFY25	9MFY24	YoY (%)
<b>Revenue</b>	<b>10,197</b>	<b>12,354</b>	<b>11,405</b>	<b>8,284</b>	<b>10,012</b>	<b>(2)</b>	<b>21</b>	<b>29,702</b>	<b>30,820</b>	<b>(4)</b>
Raw material costs	6,522	7,739	6,686	5,811	6,585	1	13	19,082	19,630	(3)
Employee costs	526	567	576	565	570	8	1	1,710	1,547	11
Other expenses	1,950	1,959	2,077	1,803	2,023	4	12	5,903	5,889	0
<b>EBITDA</b>	<b>1,199</b>	<b>2,089</b>	<b>2,067</b>	<b>106</b>	<b>834</b>	<b>(30)</b>	<b>689</b>	<b>3,006</b>	<b>3,754</b>	<b>(20)</b>
Depreciation	276	267	261	264	273	(1)	3	798	893	(11)
Finance costs	77	73	67	68	100	31	47	235	291	(19)
Other income	351	438	549	826	484	38	(41)	1,859	1,367	36
PBT	1,198	2,187	2,288	600	945	(21)	58	8,003	3,936	103
<b>Exceptional (loss)/gain</b>	<b>-</b>	<b>-</b>	<b>4,170</b>	<b>-</b>	<b>-</b>			<b>4,170</b>	<b>-</b>	<b>-</b>
Tax	361	639	1,456	213	178	(51)	(16)	1,846	1,131	63
<b>PAT (after JV/ Assoc.)</b>	<b>954</b>	<b>1,649</b>	<b>5,007</b>	<b>407</b>	<b>940</b>	<b>(1)</b>	<b>131</b>	<b>6,354</b>	<b>3,087</b>	<b>106</b>
EPS (Rs)	1.5	2.7	8.1	0.7	1.5			10.3	5.0	
<b>As % Revenue</b>						<b>YoY (bps)</b>	<b>QoQ (bps)</b>			<b>YoY (bps)</b>
<b>Gross margin</b>	<b>36.0</b>	<b>37.4</b>	<b>41.4</b>	<b>29.9</b>	<b>34.2</b>	<b>(181)</b>	<b>438</b>	<b>35.8</b>	<b>36.3</b>	<b>(55)</b>
Employee costs	5.2	4.6	5.0	6.8	5.7	54	(112)	5.8	5.0	74
Other expenses	19.1	15.9	18.2	21.8	20.2	108	(156)	19.9	19.1	77
<b>EBITDA margin</b>	<b>11.8</b>	<b>16.9</b>	<b>18.1</b>	<b>1.3</b>	<b>8.3</b>	<b>(343)</b>	<b>706</b>	<b>10.1</b>	<b>12.2</b>	<b>(206)</b>
Depreciation	2.7	2.2	2.3	3.2	2.7	2	(46)	2.7	2.9	(21)
Finance costs	0.8	0.6	0.6	0.8	1.0	25	18	0.8	0.9	(16)
Other income	3.4	3.5	4.8	10.0	4.8	139	(514)	6.3	4.4	182
<b>PBT margin</b>	<b>11.7</b>	<b>17.7</b>	<b>56.6</b>	<b>7.2</b>	<b>9.4</b>	<b>(231)</b>	<b>220</b>	<b>26.9</b>	<b>12.8</b>	<b>1,417</b>
Effective tax rate	30.1	29.2	22.5	35.5	18.8	(1,133)	(1,665)	23.1	28.7	(565)
<b>PAT margin</b>	<b>9.4</b>	<b>13.3</b>	<b>43.9</b>	<b>4.9</b>	<b>9.4</b>	<b>3</b>	<b>448</b>	<b>21.4</b>	<b>10.0</b>	<b>1,138</b>
<b>Pipes &amp; Fittings</b>						<b>YoY (%)</b>	<b>QoQ (%)</b>			<b>YoY (%)</b>
<b>Volume (t)</b>	<b>81,312</b>	<b>1,00,171</b>	<b>90,620</b>	<b>69,341</b>	<b>85,767</b>	<b>5</b>	<b>24</b>	<b>2,45,728</b>	<b>2,36,407</b>	<b>4</b>
<i>Realisation (Rs/kg)</i>	<i>122</i>	<i>118</i>	<i>124</i>	<i>118</i>	<i>116</i>	<i>(5)</i>	<i>(2)</i>	<i>119</i>	<i>127</i>	<i>(6)</i>
<b>Revenue (Rs mn)</b>	<b>9,916</b>	<b>11,822</b>	<b>11,234</b>	<b>8,196</b>	<b>9,927</b>	<b>0</b>	<b>21</b>	<b>29,357</b>	<b>30,030</b>	<b>(2)</b>
EBIT (Rs mn)	742	1,328	1,344	(385)	321	(57)	(183)	1,280	2,683	(52)
<i>EBIT margin (%)</i>	<i>7.5</i>	<i>11.2</i>	<i>12.0</i>	<i>(4.7)</i>	<i>3.2</i>			<i>4.4</i>	<i>8.9</i>	
<b>EBIT/kg (Rs)</b>	<b>9.1</b>	<b>13.3</b>	<b>14.8</b>	<b>(5.6)</b>	<b>3.7</b>	<b>(59)</b>	<b>(167)</b>	<b>5.2</b>	<b>11.3</b>	<b>(54)</b>
<b>PVC Resin</b>						<b>YoY (%)</b>	<b>QoQ (%)</b>			<b>YoY (%)</b>
<b>Volume (t)</b>	<b>43,738</b>	<b>69,216</b>	<b>69,625</b>	<b>40,236</b>	<b>56,830</b>	<b>30</b>	<b>41</b>	<b>1,66,691</b>	<b>1,27,328</b>	<b>31</b>
<i>Realisation (Rs/kg)</i>	<i>73</i>	<i>73</i>	<i>79</i>	<i>77</i>	<i>76</i>	<i>3</i>	<i>(1)</i>	<i>77</i>	<i>77</i>	<i>1</i>
<b>Revenue (Rs mn)</b>	<b>3,211</b>	<b>5,075</b>	<b>5,482</b>	<b>3,085</b>	<b>4,313</b>	<b>34</b>	<b>40</b>	<b>12,880</b>	<b>9,783</b>	<b>32</b>
EBIT (Rs mn)	309	656	691	359	392	27	9	1,442	544	165
<i>EBIT margin (%)</i>	<i>9.6</i>	<i>12.9</i>	<i>12.6</i>	<i>11.6</i>	<i>9.1</i>			<i>11.2</i>	<i>5.6</i>	
<b>EBIT/kg (Rs)</b>	<b>7.1</b>	<b>9.5</b>	<b>9.9</b>	<b>8.9</b>	<b>6.9</b>	<b>(2)</b>	<b>(23)</b>	<b>8.6</b>	<b>4.3</b>	<b>102</b>
Un-allocated exp (as % rev)	(2.2)	(2.2)	(2.8)	(8.4)	(3.3)			(4.5)	(3.2)	

Source: Company, Systematix Institutional Research

Exhibit 2: EBIT mix – quarterly trend

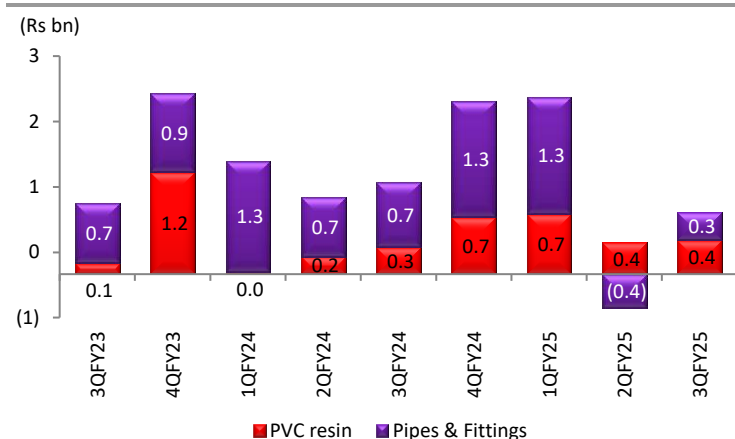


Exhibit 3: Volumes – quarterly trend

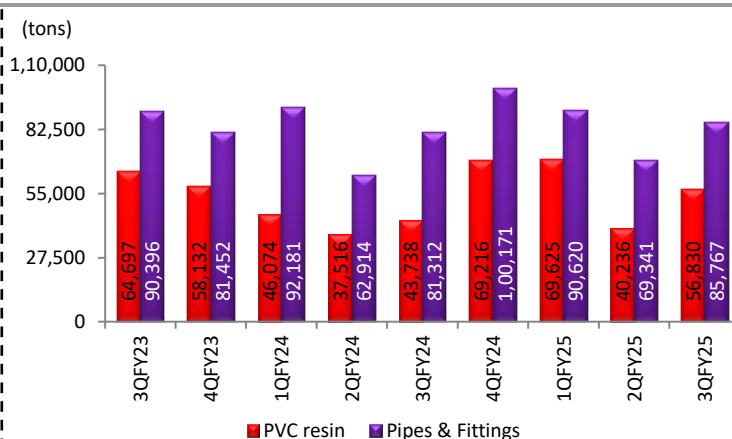


Exhibit 4: PVC resin – Revenue, EBIT quarterly trend (%)

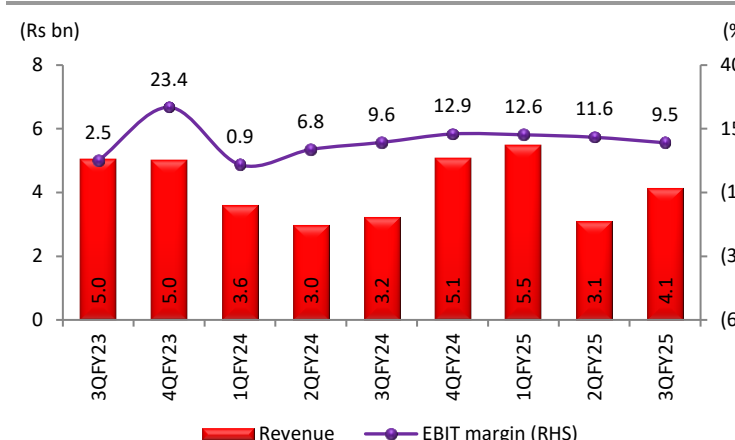


Exhibit 5: Pipes &amp; fittings – Revenue, EBIT quarterly trend (%)

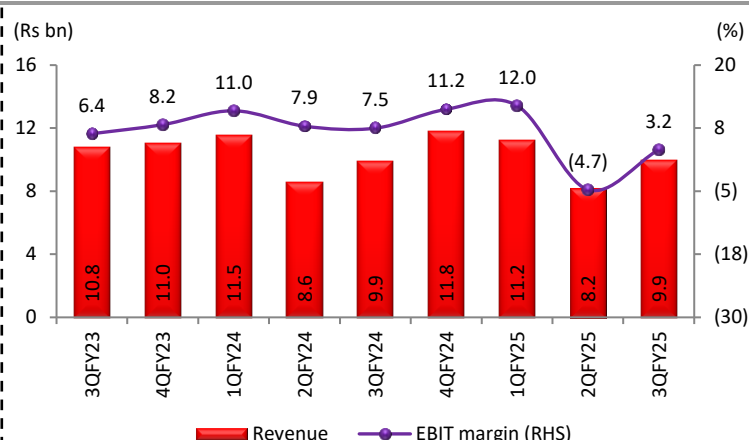


Exhibit 6: Revenue – quarterly trend

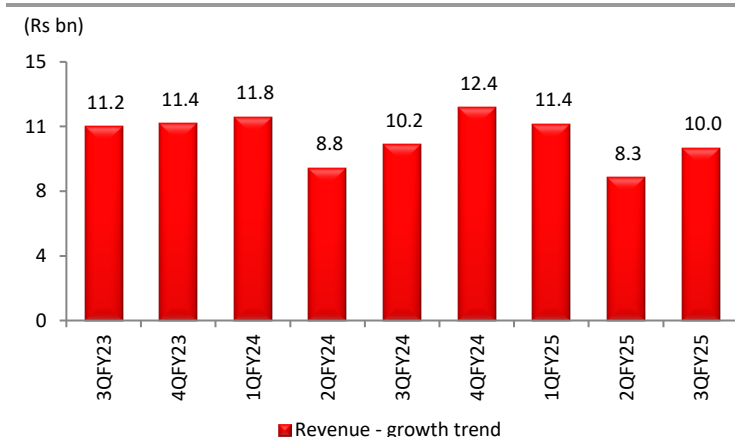
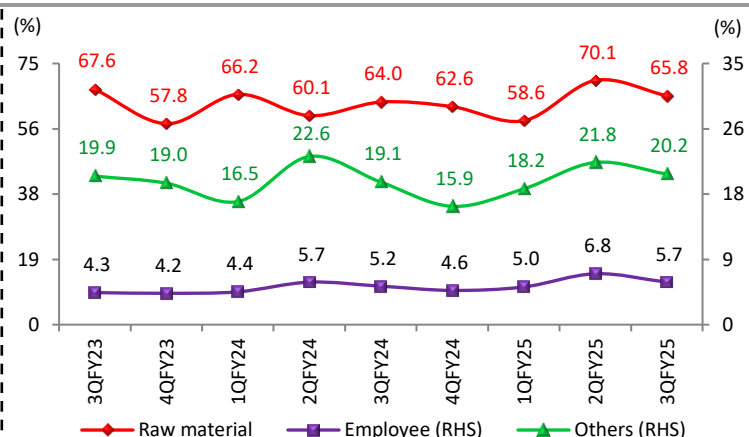


Exhibit 7: Expenses as a percentage of revenue – quarterly trend



Source: Company, Systematix Institutional Research

Exhibit 8: EBITDA and margin – quarterly trend

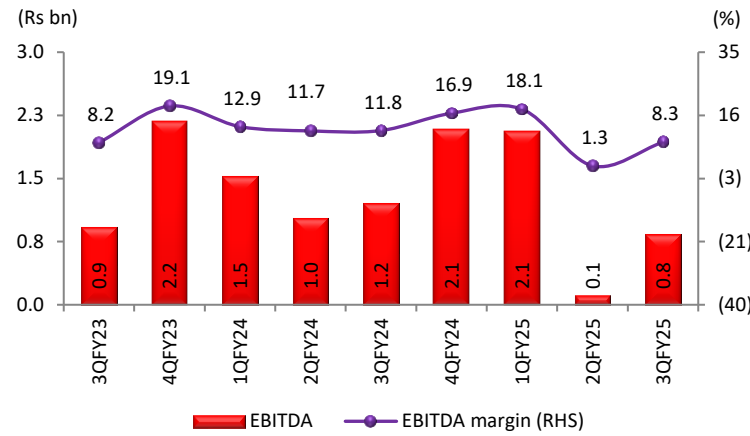


Exhibit 9: Earnings – quarterly trend

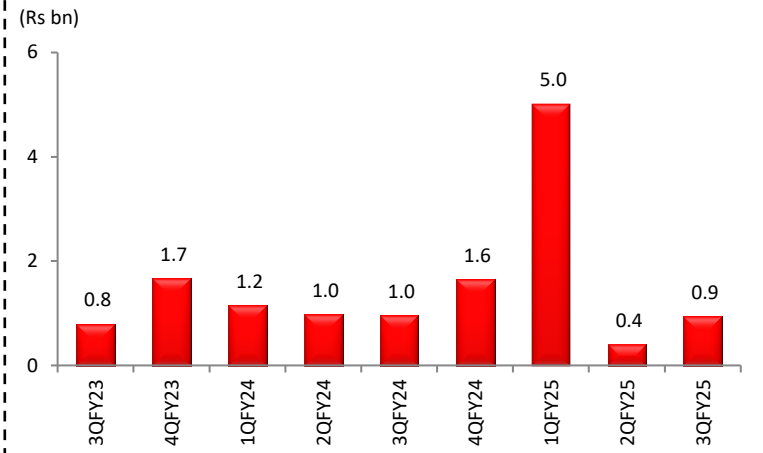


Exhibit 10: Revenue – Annual growth trend

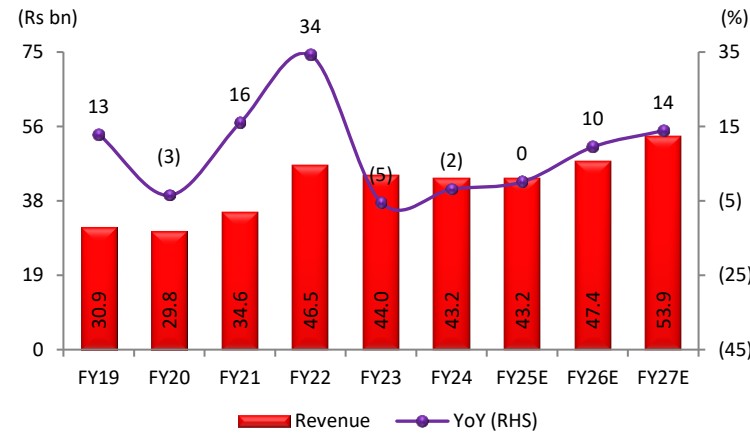


Exhibit 11: EBITDA, PAT – Annual growth, margin trends

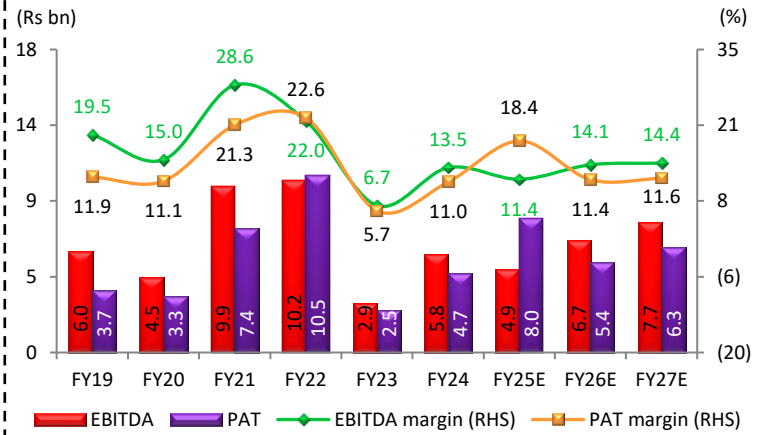


Exhibit 12: EBIT mix – Annual trend

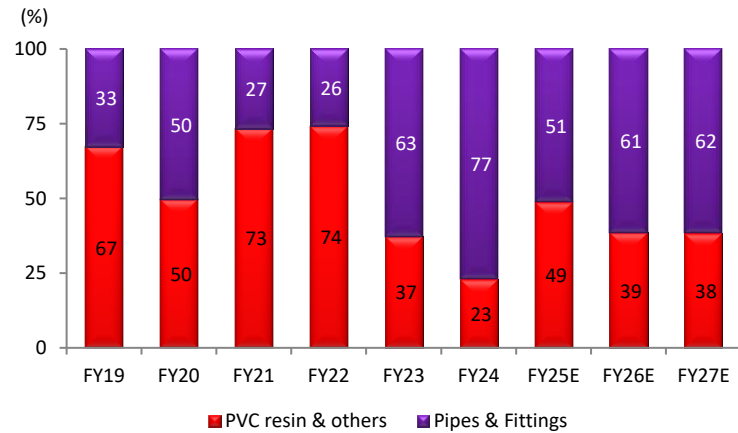
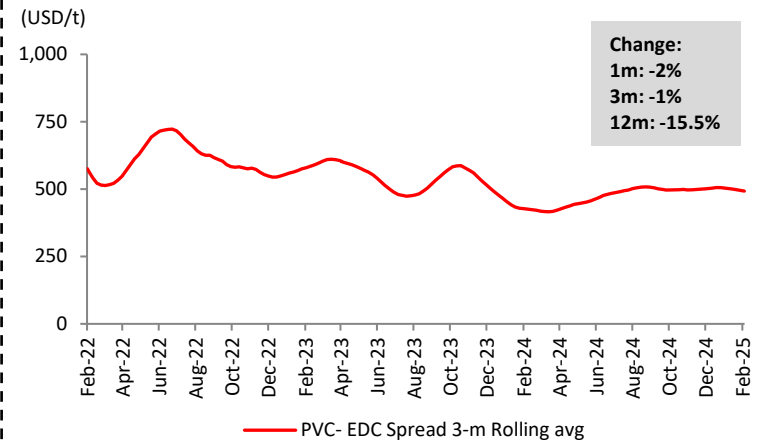


Exhibit 13: PVC/EDC spread



Source: Company

Source: Company, Systematix Institutional Research

## Valuation and View

FNXP is the leader in agri pipes. Its healthy FCF, greater focus on portfolio (CPVC/SWR pipes) and network (north, east) expansion are positives. Much of its sales in the agri-pipes segment is based on cash and carry (unlike peers), which reflects its strong market position and brand equity. However, we remain concerned on volatility in PVC resin margins. Additionally, high cash investments (low yield) have suppressed its return ratios.

PVC-resin is a commodity business with no pricing power, hence the volatility in margins. The current low spreads (PVC-EDC USD 490/t, PVC-VCM 130/t) suggest low PVC resin margins (< 15%) in near future.

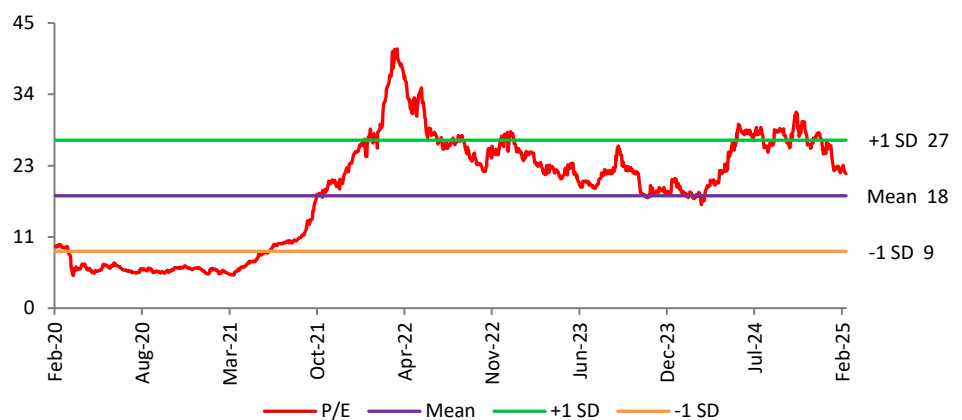
After a weak operating result in 3Q, we cut our EBITDA estimates by ~4% on lower margins expectations while keeping earnings estimates unchanged on higher other income. We now expect 10%/8%/10%/10% CAGR in pipes-volume/revenue/EBITDA/PAT over FY24-27E (FY19-24: 10% /7%/-1%/5%). Given its low RoCE (~11%) and RoIC (16%) profiles in FY27E, we assign a lower target multiple (22x Pipes FY27E P/E vs. 35x+ for larger peers) and maintain HOLD rating with a revised TP of Rs 214.

**Exhibit 14: Change in estimates**

(Rs mn)	Old estimates			New estimates			% Var		
	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27
Revenue	43,442	48,084	54,696	43,236	47,358	53,942	(0)	(2)	(1)
EBITDA	5,216	6,942	8,060	4,941	6,661	7,749	(5)	(4)	(4)
EBITDA margin (%)	12.0	14.4	14.7	11.4	14.1	14.4			
PAT	7,817	5,365	6,267	7,964	5,385	6,276	2	0	0
EPS	12.6	8.7	10.1	12.9	8.7	10.1	2	0	0

Source: Systematix Institutional Research

**Exhibit 15: P/E band – 1-year-forward and standard deviation**



Source: BSE, Systematix Institutional Research

## Risks

- Volatile PVC pipe and resin prices may impact demand and our earnings estimates.
- Keener competition from industry leader and regional companies may impact volume and margin.

## FINANCIALS (CONSOLIDATED)

### Profit & Loss Statement

YE: Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Net revenues (Rs mn)</b>	<b>43,971</b>	<b>43,174</b>	<b>43,236</b>	<b>47,358</b>	<b>53,942</b>
<i>Growth (%)</i>	(5)	(2)	0	10	14
RM costs	30,727	27,369	27,947	29,362	33,282
<i>Gross margin (%)</i>	30.1	36.6	35.4	38.0	38.3
SG&A	10,318	9,957	10,349	11,335	12,911
<b>EBITDA</b>	<b>2,925</b>	<b>5,849</b>	<b>4,941</b>	<b>6,661</b>	<b>7,749</b>
<i>EBITDA margins (%)</i>	6.7	13.5	11.4	14.1	14.4
- Depreciation	892	1,160	1,076	1,253	1,353
Other income	1,209	1,800	2,309	1,705	1,888
Interest Exp	272	365	315	284	258
PBT	2,970	6,123	10,029	6,829	8,025
<i>Effective tax rate (%)</i>	23.8	28.9	23.6	25.5	25.5
+ Associates/(Minorities)	-	-	-	-	-
<b>Net Income</b>	<b>2,507</b>	<b>4,736</b>	<b>7,964</b>	<b>5,385</b>	<b>6,276</b>
Adjusted income	2,507	4,736	7,964	5,385	6,276
WANS	618	618	618	618	618
FDEPS (Rs /share)	4.1	7.7	12.9	8.7	10.1
<i>FDEPS growth (%)</i>	(76)	89	68	(32)	17

### Balance Sheet

YE: Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	1,237	1,237	1,237	1,237	1,237
Net worth	49,031	56,343	61,833	65,672	70,093
Total debt	5,264	3,820	3,330	2,840	2,350
Minority interest	-	-	-	-	-
DT Liability/(Asset)	1,493	2,334	2,384	2,434	2,484
<b>Capital Employed</b>	<b>55,788</b>	<b>62,496</b>	<b>67,547</b>	<b>70,945</b>	<b>74,927</b>
Net tangible assets	10,544	10,543	11,966	13,213	14,360
Net Intangible assets	8	11	11	11	11
Goodwill	-	-	-	-	-
CWIP	438	189	189	189	189
Investments (Strategic)	-	-	-	-	-
Investments (Financial)	39,523	45,859	46,859	48,859	50,859
Current Assets	11,724	13,660	13,647	14,749	16,527
Cash	613	317	3,140	2,646	2,323
Current Liabilities	7,063	8,082	8,266	8,722	9,342
Working capital	4,661	5,578	5,381	6,027	7,185
<b>Capital Deployed</b>	<b>55,788</b>	<b>62,496</b>	<b>67,546</b>	<b>70,945</b>	<b>74,927</b>
Contingent Liabilities	765	770	-	-	-

### Cash Flow

YE: Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
EBIT (before OI)	2,000	4,697	8,338	5,712	6,701
+ Non-cash items	892	1,160	1,076	1,253	1,353
OCF before WC changes	2,892	5,857	9,415	6,965	8,054
- Incr./.(decr.) in WC	(864)	876	(177)	666	1,178
Others including taxes	679	1,448	2,300	1,678	1,983
Operating cash-flow	3,077	3,533	7,292	4,621	4,893
- Capex	1,677	860	2,500	2,500	2,500
Free cash-flow	1,400	2,673	4,792	2,121	2,393
Acquisitions	-	-	-	-	-
- Dividend	2,482	928	2,473	1,546	1,855
+ Equity raised	-	-	-	-	-
+ Debt raised	2,445	(1,495)	(490)	(490)	(490)
- Fin Investments	1,680	451	1,000	2,000	2,000
- Misc. Items (CFI + CFF)	(167)	(136)	(1,995)	(1,421)	(1,630)
Net cash-flow	(150)	(64)	2,824	(494)	(323)

### Ratios @ Rs 192

YE: Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	47.4	25.1	14.9	22.0	18.9
EV/EBITDA (x)	36.1	17.6	20.0	14.5	12.2
EV/sales (x)	2.4	2.4	2.3	2.0	1.8
P/B (x)	2.4	2.1	1.9	1.8	1.7
RoE (%)	5.1	8.4	12.9	8.2	9.0
RoCE (%)	6.5	11.0	9.5	10.3	11.4
RoIC	9.0	15.3	12.8	14.3	16.0
DPS (Rs per share)	1.5	2.5	4.0	2.5	3.0
Dividend yield (%)	0.8	1.3	2.1	1.3	1.6
Dividend payout (%)	37	33	31	29	30
Net debt/equity (x)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Receivables (days)	25	39	39	39	39
Inventory (days)	56	62	62	62	62
Payables (days)	24	24	24	24	24
CFO:PAT (%)	123	75	92	86	78

Source: Company, Systematix Institutional Research

## DISCLOSURES/APPENDIX

## I. ANALYST CERTIFICATION

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