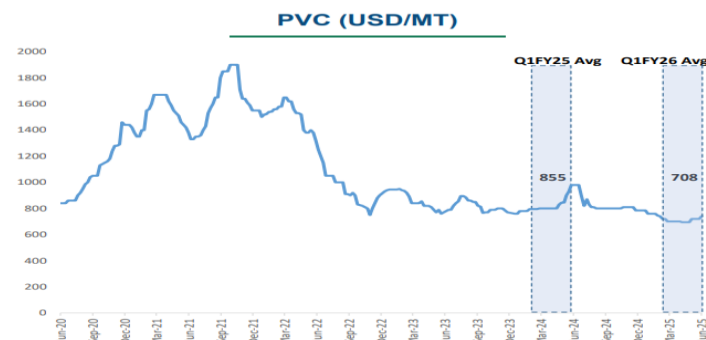
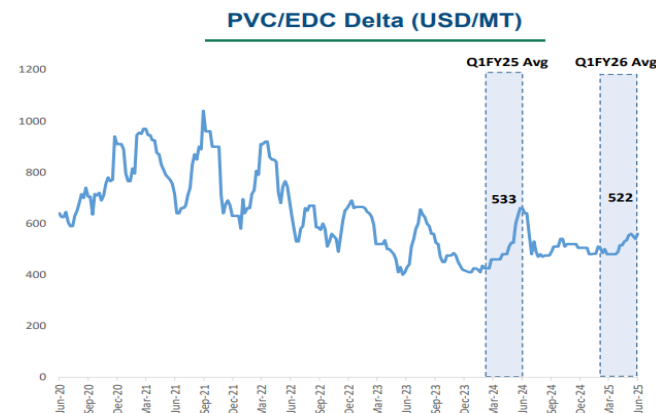


Incorporated in 1981, Finolex Industries Limited (FIL) is a strong brand in Indian PVC pipes and fittings market with a strong market share in agriculture pipes segment. FIL has three pipes manufacturing plants located in Pune and Ratnagiri (Maharashtra) and Masar (near Vadodara, Gujarat) with installed capacity of 520,000 tonne per annum of pipes and fittings. Co's range covers PVC, CPVC, speciality pipes, and a wide variety of fittings, serving critical applications across agriculture, plumbing, sanitation, and infrastructure projects nationwide. FIL has strong distribution network with 800+ dealers and 24,000+ retail touch points across country.

A. Improving PVC Prices to see inventory re-stocking by channel partners - PVC Prices have declined significantly in the past 2-3 years resulting in lower demand and inventory de-stocking. Directorate General of Trade Remedies (DGTR) has recommended imposing of **anti-dumping duty (ADD)** on imports of PVC resin (raw material) for five years. The same is positive for plastic pipe players like FIL as the imposition would lead to stabilisation in PVC resin's prices, which will then lead to normalisation of channel inventory and demand pick up.



B. PVC/EDC Delta Turning favourable - With demand environment stabilising and ADD on PVC Resins and No ADD on EDC, we believe PVC/EDC delta would widen and FIL being a fully backward integrated player is uniquely placed to benefit.



C. Ongoing Expansion and improvements in product mix to aid growth - FIL has recently added 50k tonnes of pipes capacity through brownfield expansion, which took the total capacity to 5.2 lakh tonne per annum. Company will continue to invest to increase pipes and fittings capacity. Moreover, Company also continues to focus on improving its business mix by growing the non-agricultural segment, which currently contributes 30% of volumes. Co aims to shift its mix to 50:50 between agri and non-agri segments over time to achieve a more stable and higher-margin business.

D. Improving Financials - In Q1FY26, Co has reported 8.5%/54.7%/81.5% yoy decline in Revenue/EBITDA/PAT, respectively. EBITDA margin at 9% was subdued due to 8.7% yoy decline in realization as a reason of volatility in PVC prices. Company has closed the June quarter on a weak note, weighed down by muted demand, adverse macro conditions, and fluctuations in raw material prices. However Management has indicated that current trends reflect high single-digit growth, with the potential to achieve double-digit volume growth as the year progresses.

Valuation and Recommendation

FIL would be a key beneficiary from both rural and urban demand as it caters to agri and housing sectors. We believe, its ongoing efforts directed towards expanding capacity, improving product mix, and enhancing margins through disciplined pricing and operational efficiency would reap benefits in future. There is significant cash on the books at ~ Rs 2533 crore plus investments (including stake in Finolex Cables) of ~ Rs.2200 crore; ex of which ROCE stands at 27% in FY25 and would see improving with business revival. The stock is presently trading at PE of 30.9/25.3 on FY26E/FY27E Adj. EPS is at a discount to its peers due to lower volume growth and earnings volatility. We recommend to Buy the Stock for a price target of Rs 278.

Particulars (Rs. Cr)	Revenues	Growth	EBITDA	Margin	ADJ PAT	Margin	EPS	PE	EV/EBITDA	ROCE (ex-Cash)
FY24	4317	-1.8%	584.3	13.5%	344.8	8.0%	5.6	38.0	23.0	33%
FY25	4142	-4.1%	475.8	11.5%	293.7	7.1%	4.8	44.6	27.8	27%
FY26E	4418	6.7%	521.3	11.8%	424.2	9.6%	6.9	30.9	25.3	29%
FY27E	4914	11.2%	609.3	12.4%	536.7	10.9%	8.7	24.4	21.6	31%

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