

BUY**TP: Rs 240 | ▲ 22%****FINOLEX INDUSTRIES**

Building Materials

05 August 2025

Early monsoon dampens Q1; channel refill, ADD to aid H2FY26

- Sharp EBITDA miss in Q1 on weak demand and sharp margin pressure due to volatile PVC resin prices
- Target pipe volume to grow at high single to low double-digit rate in FY26; expect ADD on PVC resin to be levied by Oct'25
- Maintain BUY on strong earnings growth prospects with improving margin profile; TP cut by 10% to Rs 240 per share

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Weak Q1: FNXP sharply missed our EBITDA estimate (-38%) on account of lower-than-expected pipe volume (+1.7% vs +5.0% estimated) as early monsoon impacted demand in June 2025 and severe margin pressure (-915bps YoY to 9.0% vs 14.3% estimated) on account of volatile PVC resin prices. Overall, FNXP revenue/EBITDA/APAT de-grew by 9%/55%/44% YoY in Q1FY26.

Highlights: FNXP appears to have again lost market share as it reported lower pipe volume growth compared to SI (FNXP: +1.7% YoY; SI: +6.1% YoY) in Q1FY26. CPVC pipe volume grew by 10% YoY in Q1FY26 (accounting for 6% pipe volume share). The company has withdrawn some of the discount schemes to improve its margin profile in Q1FY26. However, blended EBITDA per unit was down sharply by 55% YoY to Rs10.2/kg in Q1FY26 due to volatile resin prices. The share of non-agri pipe sales was flat at 30% in Q1FY26. Net cash balance has remained relatively stable on QoQ basis at Rs2,533 crore in Jun'25.

Outlook: The company has observed weak pipe demand in Jun'25, due to early monsoon, but witnessed recovery in demand in Jul'25 (as its pipe volume grew at high single digit rate in Jul'25). Management expects anti-dumping duty (ADD) on PVC resin to be levied by Oct'25. Channel inventory is low at the moment and refilling is expected to happen in Sep'25. FNXP targets to grow its pipe volume at high single to low double digit rate in FY26. EBITDA margin is also expected to improve to double digit level in FY26. Capex is estimated to be Rs 1.5bn in FY26 and Rs 2-3bn in FY27. No greenfield capex is planned in the near future.

Maintain BUY; cut TP by 10% to Rs 240: We maintain BUY as we expect: a) healthy earnings growth prospects over a weak base (EPS to grow at 15.7% CAGR over FY25-FY28E) b) structural improvement in margin profile on rising share of non-agri pipe sales c) reasonable valuation (trades at 20.2x on 1YF P/E vs 5Y average of 24.8x). We have cut our TP to Rs 240 per share (Rs 265 earlier) due to downward revision of our earnings estimates (-9.7%/-11.7% for FY26E/FY27E) based on weak Q1 result. Our target P/E multiple remains unchanged at 22x on Jun'27 (vs Mar'27 earlier).

Key changes

Target	Rating
▼	◀ ▶

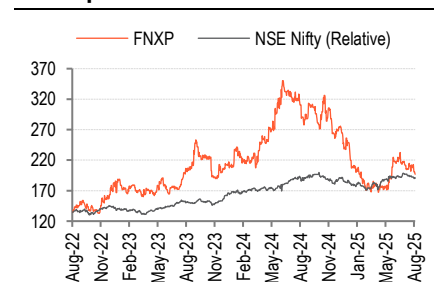
Ticker/Price	FNXP IN/Rs 197
Market cap	US\$ 1.4bn
Free float	48%
3M ADV	US\$ 4.2mn
52wk high/low	Rs 334/Rs 154
Promoter/FPI/DII	52%/6%/11%

Source: NSE | Price as of 5 Aug 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	41,420	42,568	48,527
EBITDA (Rs mn)	4,758	5,479	7,407
Adj. net profit (Rs mn)	4,802	5,619	6,612
Adj. EPS (Rs)	7.8	9.1	10.7
Consensus EPS (Rs)	12.9	9.3	11.3
Adj. ROAE (%)	8.2	9.0	10.0
Adj. P/E (x)	25.4	21.7	18.4
EV/EBITDA (x)	29.2	25.8	19.4
Adj. EPS growth (%)	1.0	17.0	17.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance

Source: NSE



Fig 1 – Quarterly performance - Consolidated

Particulars	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Revenue	10,432	11,405	(8.5)	11,718	(11.0)
RM	7,028	6,686	5.1	7,679	(8.5)
Gross Profit	3,403	4,719	(27.9)	4,039	(15.7)
Employee	584	576	1.3	513	13.9
Others	1,884	2,077	(9.3)	1,814	3.8
EBITDA	936	2,067	(54.7)	1,713	(45.4)
D&A	266	261	2.0	269	(1.0)
EBIT	670	1,806	(62.9)	1,444	(53.6)
Interest cost	55	67	(17.1)	62	(10.8)
Int. & other income	695	4,724	(85.3)	850	(18.2)
PBT	1,310	6,463	(79.7)	2,232	(41.3)
Tax	328	1,456	(77.5)	586	(44.0)
PAT	982	5,007	(80.4)	1,646	(40.4)
Adj. PAT	931	1,671	(44.3)	1,659	(43.9)
As % of net revenues			(bps)		(bps)
Gross margin	32.6	41.4	(875)	34.5	(185)
Employee	5.6	5.0	54	4.4	122
Others	18.1	18.2	(15)	15.5	258
EBITDA margin	9.0	18.1	(915)	14.6	(564)
Tax rate	25.0	22.5	252	26.3	(122)
APAT margin	8.9	14.7	(573)	14.2	(524)

Source: Company, BOBCAPS Research

Fig 2 – Key operating metrics

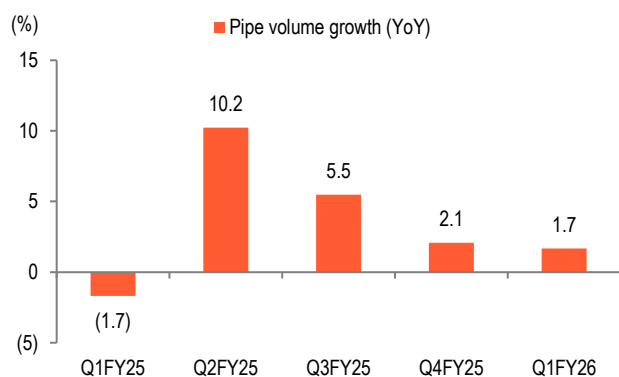
Particulars	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Pipe sales volume (kt)	92	91	1.7	102	(9.9)
Pipe sales realisation (Rs/kg)	113	124	(8.7)	114	(0.9)
Blended EBITDA per unit (Rs/kg)	10.2	22.8	(55.5)	16.7	(39.4)

Source: Company, BOBCAPS Research

Earnings Call Highlights

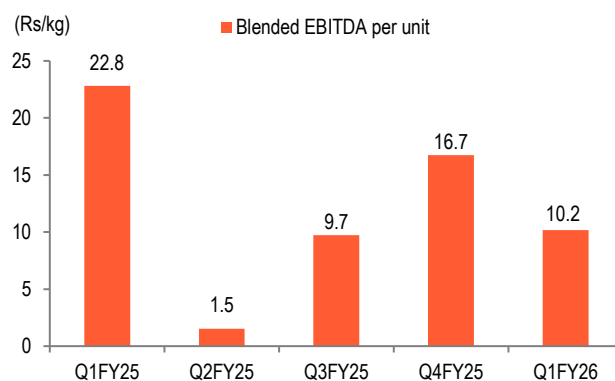
- **Demand scenario:** The company has observed weak pipe demand in Jun'25 due to early monsoon but witnessed recovery in demand in Jul'25 (as its pipe volume grew at high single digit rate in Jul'25).
- **PVC resin price outlook:** PVC resin prices in the international market remain weak due to tariffs issues, but management expects PVC resin prices in the domestic market to improve from Oct'25 onwards in anticipation of implementation of anti-dumping duty.
- **Guidance:** FNXP targets to grow its pipe volume at high single to low double digit rate in FY26. EBITDA margin is also expected to improve to double digit level in FY26.
- **Pipe:** Sales volume grew by 1.7% YoY in Q1FY26 over a weak base. CPVC pipe volume grew by 10% YoY in Q1FY26 (accounting for 6% pipe volume share). The company has withdrawn some of the discount schemes to improve its margin profile in Q1FY26.
- **Pipe volume mix:** Non-agri pipe volume share was flat on YoY basis at 30% rate in Q1FY26. The company aims to ramp up share to 50% over long term to boost margin, as non-agri typically offers higher margin.
- **PVC resin:** FNXP has stopped reporting PVC resin segment data as it is now almost entirely consumed for a captive purpose.
- **Channel inventory:** remains low, particularly due to weak pricing and monsoon season. Channel refilling is expected to happen in the month of Sep 2025.
- **Capex:** The company plans to pipe capacity in future through the brownfield route only. The company expects a total capex outlay of Rs 1.5bn in FY26 and Rs 2-3bn in FY27.
- **Net cash** has remained relatively stable on QoQ at Rs 25.3bn in Jun'25.
- **Management change:** Mr. Udipt Agarwal has been appointed as WTD (w.e.f Sep 5, 2025 till Oct 31, 2025) and MD & CEO (w.e.f Nov 1, 2025) for a tenure of 5 years (till Sep 4, 2030). He is currently serving as Chief Commercial Officer at Alkyl Amines Chemicals Ltd. Previously, he has held leadership roles with Cargill Bio Industrial and BASF. He holds a B.Tech. in Chemical Technology from H.B. Technological Institute, Kanpur, and has completed executive education in Strategic Business Leadership from INSEAD. Current MD & CEO has resigned and will relinquish from his position w.e.f Oct 25, 2025 in view of attaining the age of 70 years.

Fig 3 – FNXP pipe volume grew at a meagre 1.7% YoY in Q1FY26 over a weak base



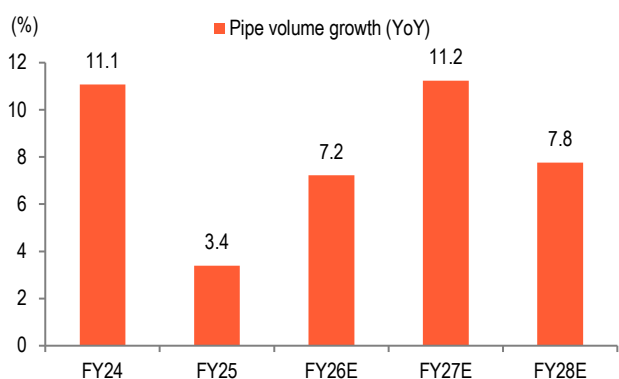
Source: Company, BOBCAPS Research

Fig 4 – FNXP blended EBITDA per unit was down sharply by 55% YoY to Rs 10.2/kg in Q1FY26



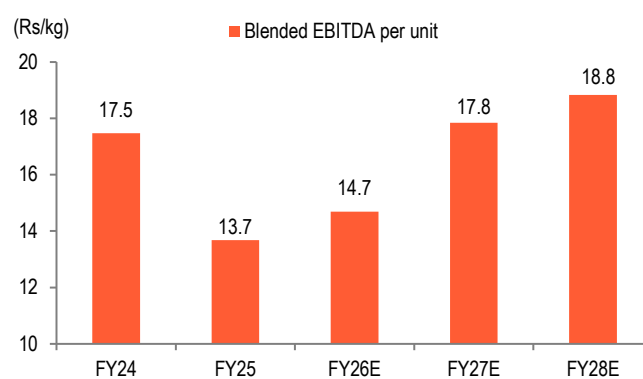
Source: Company, BOBCAPS Research

Fig 5 – FNXP pipe volume is projected to grow at 8.7% CAGR over FY25-FY28E



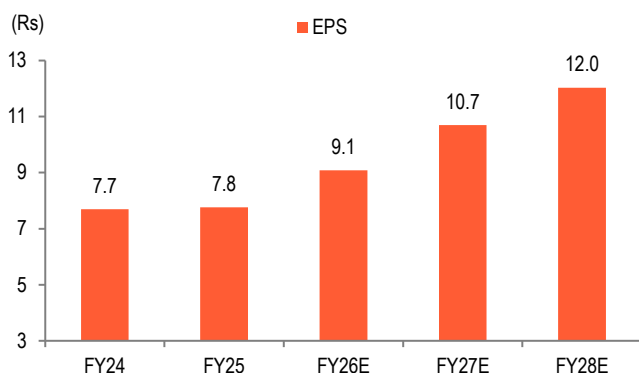
Source: Company, BOBCAPS Research

Fig 6 – FNXP Pipe EBITDA per unit to structurally improve on higher non-agri pipe sales



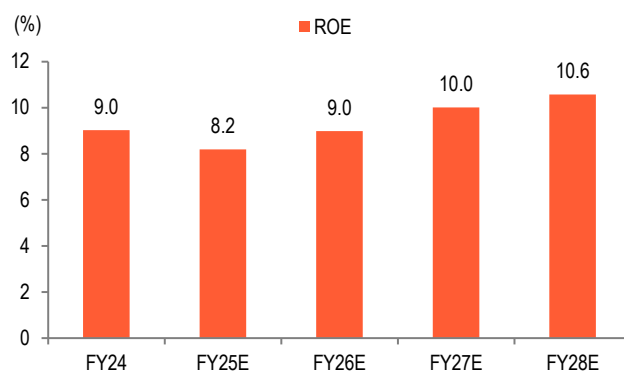
Source: Company, BOBCAPS Research

Fig 7 – EPS to grow at a healthy 15.7% CAGR over FY25-FY28E over a weak base



Source: Company, BOBCAPS Research

Fig 8 – FNXP return ratio profile to remain weak over FY26E-FY28E on poor capital allocation



Source: Company, BOBCAPS Research

Valuation Methodology

We maintain BUY as we expect: a) healthy earnings growth prospects over a weak base (EPS to grow at 15.7% CAGR over FY25-FY28E) b) structural improvement in margin profile on rising share of non-agri pipe sales c) reasonable valuation (trades at 20.2x on 1YF P/E vs 5Y average of 24.8x).

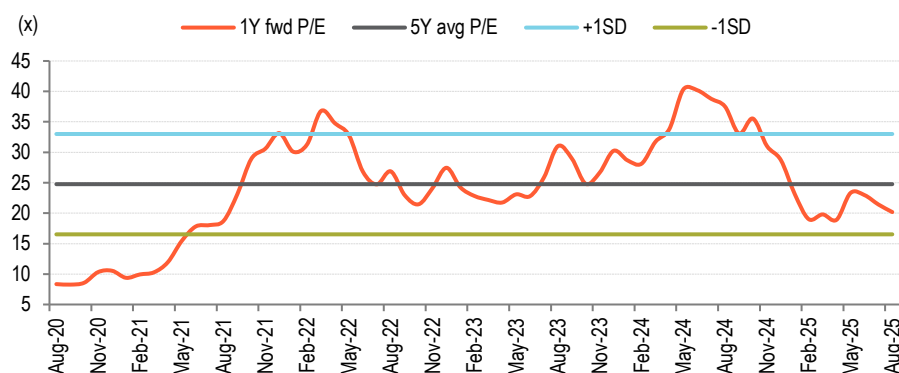
We have cut our TP to Rs 240 per share (Rs 265 earlier) due to downward revision of our earnings estimates (-9.7%/-11.7% for FY26E/FY27E), based on weak Q1 result. Our target P/E multiple remains unchanged at 22x on Jun'27 (vs Mar'27 earlier).

Fig 9 – Revised estimates

Particulars Consolidated (Rs bn)	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	42.6	48.5	43.6	49.7	(2.5)	(2.3)
EBITDA	5.5	7.4	6.7	8.5	(18.3)	(12.5)
EBITDA margin	12.9	15.3	15.4	17.1	(248bps)	(179bps)
Adjusted PAT	5.6	6.6	6.2	7.5	(9.7)	(11.7)
Adjusted EPS	9.1	10.7	10.1	12.1	(9.7)	(11.7)

Source: BOBCAPS Research

Fig 10 – Trading at 20.2x 1YF P/E vs. 5Y average of 24.8x



Source: Bloomberg, BOBCAPS Research

Fig 11 – Key assumptions

Particulars (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Pipes volume growth	11.1	3.4	7.2	11.2	7.8
Pipe realisation growth	(8.4)	(5.2)	(3.3)	2.5	3.0
Blended EBITDA per unit (Rs/kg)	17.5	13.7	14.7	17.8	18.8

Source: Company, BOBCAPS Research

Key Risks

Key downside risks to our estimates:

- Steep decline in PVC resin prices
- Weak demand for agricultural pipe
- Market share loss in the plumbing pipe

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	43,174	41,420	42,568	48,527	53,856
EBITDA	5,882	4,758	5,479	7,407	8,424
Depreciation	1,160	1,067	1,050	1,124	1,198
EBIT	4,721	3,691	4,429	6,283	7,226
Net interest inc./(exp.)	(365)	(296)	(220)	(220)	(220)
Other inc./(exp.)	1,800	2,466	2,773	2,573	2,734
Exceptional items	33	0	0	0	0
EBT	6,123	5,861	6,982	8,636	9,740
Income taxes	1,770	2,432	1,888	2,224	2,502
Extraordinary items	0	(4,170)	0	0	0
Min. int./Inc. from assoc.	382	402	525	200	200
Reported net profit	4,736	8,000	5,619	6,612	7,438
Adjustments	21	(3,198)	0	0	0
Adjusted net profit	4,757	4,802	5,619	6,612	7,438

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	2,886	4,442	4,565	5,204	5,775
Other current liabilities	4,285	3,026	3,026	3,026	3,026
Provisions	45	99	101	116	128
Debt funds	3,820	2,211	2,211	2,211	2,211
Other liabilities	3,201	3,074	3,074	3,074	3,074
Equity capital	1,237	1,237	1,237	1,237	1,237
Reserves & surplus	55,106	59,732	62,878	66,707	71,363
Shareholders' fund	56,343	60,969	64,114	67,944	72,599
Total liab. and equities	70,579	73,819	77,091	81,573	86,813
Cash and cash eq.	22,465	22,694	25,090	27,057	29,835
Accounts receivables	4,576	3,793	3,898	4,443	4,931
Inventories	7,280	7,824	7,632	8,661	9,776
Other current assets	798	448	460	524	582
Investments	23,711	27,656	27,656	27,656	27,656
Net fixed assets	10,411	9,871	10,821	11,697	12,499
CWIP	189	732	732	732	732
Intangible assets	143	213	213	213	213
Deferred tax assets, net	215	51	51	51	51
Other assets	791	539	539	539	539
Total assets	70,579	73,819	77,091	81,573	86,813

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	4,385	3,958	4,317	4,398	5,046
Capital expenditures	(817)	(1,140)	(2,000)	(2,000)	(2,000)
Change in investments	(4,454)	(3,945)	0	0	0
Other investing cash flows	1,767	6,636	2,773	2,573	2,734
Cash flow from investing	(3,505)	1,551	773	573	734
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(1,445)	(1,609)	0	0	0
Interest expenses	(1,546)	(2,226)	(2,473)	(2,783)	(2,783)
Dividends paid	(365)	(296)	(220)	(220)	(220)
Other financing cash flows	4,122	(1,148)	0	0	0
Cash flow from financing	767	(5,279)	(2,694)	(3,003)	(3,003)
Chg in cash & cash eq.	1,647	229	2,396	1,967	2,778
Closing cash & cash eq.	22,465	22,694	25,090	27,057	29,835

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	7.7	12.9	9.1	10.7	12.0
Adjusted EPS	7.7	7.8	9.1	10.7	12.0
Dividend per share	2.5	3.6	4.0	4.5	4.5
Book value per share	91.1	98.6	103.7	109.9	117.4

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	3.2	3.4	3.3	3.0	2.7
EV/EBITDA	23.4	29.2	25.8	19.4	17.3
Adjusted P/E	25.6	25.4	21.7	18.4	16.4
P/BV	2.2	2.0	1.9	1.8	1.7

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	77.7	81.9	80.5	76.6	76.4
Interest burden (PBT/EBIT)	129.7	158.8	157.6	137.4	134.8
EBIT margin (EBIT/Revenue)	10.9	8.9	10.4	12.9	13.4
Asset turnover (Rev./Avg TA)	61.2	56.1	55.2	59.5	62.0
Leverage (Avg TA/Avg Equity)	1.3	1.3	1.2	1.2	1.2
Adjusted ROAE	9.0	8.2	9.0	10.0	10.6

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	(1.8)	(4.1)	2.8	14.0	11.0
EBITDA	80.9	(19.1)	15.2	35.2	13.7
Adjusted EPS	83.0	1.0	17.0	17.7	12.5

Profitability & Return ratios (%)

EBITDA margin	13.6	11.5	12.9	15.3	15.6
EBIT margin	10.9	8.9	10.4	12.9	13.4
Adjusted profit margin	11.0	11.6	13.2	13.6	13.8
Adjusted ROAE	9.0	8.2	9.0	10.0	10.6
ROCE	10.8	9.7	10.9	12.6	13.3

Working capital days (days)

Receivables	39	33	33	33	33
Inventory	62	69	65	65	66
Payables	24	39	39	39	39

Ratios (x)

Gross asset turnover	1.6	1.5	1.5	1.6	1.7
Current ratio	3.2	3.6	3.7	3.9	4.1
Net interest coverage ratio	13.0	12.5	20.1	28.5	32.8
Adjusted debt/equity	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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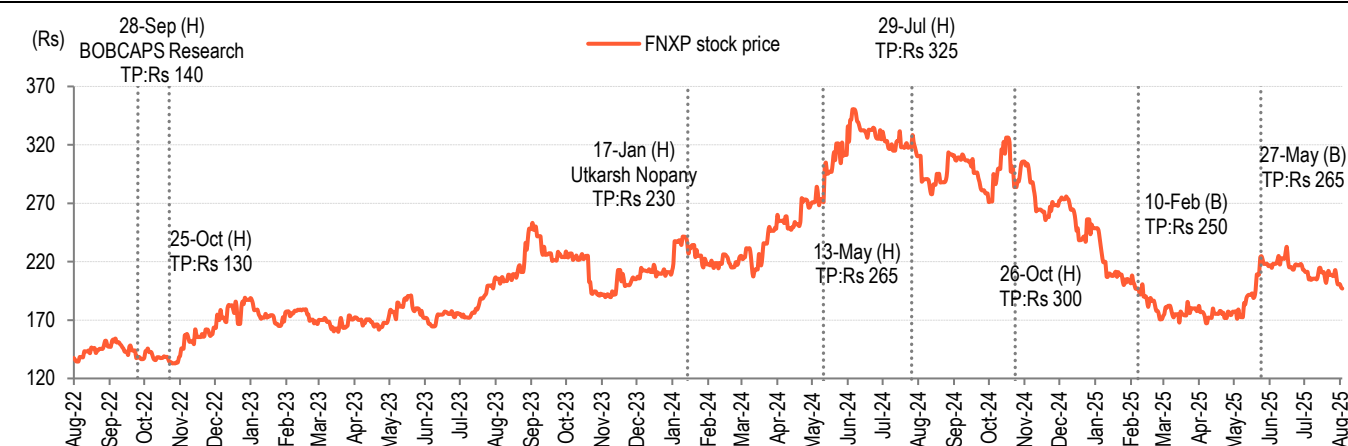
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): FINOLEX INDUSTRIES (FNXP IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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