HOLD
TP: Rs 180 | ⮝ 9%

FINOLEX INDUSTRIES | Building Materials | 10 August 2026

Volume weakness weighs on earnings

- **Revenue declined 15% YoY as volumes fell 27%; stronger spreads supported margins**
- **Demand recovered after Apr'26; management retains ~15% EBITDA margin guidance; capex plans remain on track**
- **Cut estimates, ascribing unchanged multiple of 20x June'28E and arrive at TP of Rs 180. Downgrade to HOLD**

Vineet Shanker
Research Analyst
Harshit Mundra
Research Associate
research@bobcaps.in

Volume weakness continues; EBITDA misses estimates: Finolex Industries (FNXP) reported a weak operational quarter, with revenue declining 15% YoY (25% below our est.) as volumes fell 27% YoY, reflecting severe channel destocking amid PVC price corrections. However, realisations increased 15% YoY. EBITDA increased 14% YoY (28% below our est.), while EBITDA margin expanded 309bps YoY to 12.1%, supported by stronger spreads (blended EBITDA/kg: Rs 15.7 vs Rs 10.2 in Q1FY26) and improved gross margins. Consequently, adjusted PAT grew 23% YoY, aided by higher other income.

Destocking disrupted Q1; policy measures support recovery: Management attributed the sharp volume decline primarily to Apr'26 channel destocking following the rapid correction in PVC prices, despite the seasonally strong pre-monsoon period. Demand recovered through May'26 and Jun'26, with Jul'26 witnessing a further pickup following the implementation of the Minimum Import Price (MIP) and withdrawal of the customs duty exemption on PVC resin. The company believes these measures should stabilise polymer prices, normalise channel inventories and support volume recovery over the coming quarters.

Outlook & KTAs: Management retained its ~15% EBITDA margin guidance for FY27, subject to stable polymer prices, while continuing to focus on strengthening its market position through distribution expansion and deeper penetration in underrepresented geographies. The company reiterated its FY27 capex plan of Rs 1.5-2.0bn towards debottlenecking and incremental capacity additions, with the existing 520kt installed capacity providing sufficient headroom to support medium-term growth. Net cash stood at Rs 26.4bn at the end of Q1FY27.

Cut estimates, downgrade to HOLD: We cut our FY27-29E revenue estimates by 10% and EBITDA estimates by 9-10% to factor in sustained volume weakness. We retain our unchanged 20x P/E multiple on June-28EPS to arrive at TP of Rs 180. Downgrade to HOLD.

Key changes

Target	Rating
▼	▼

Ticker/Price	FNXP IN/Rs 164
Market cap	US$ 1.1bn
Free float	48%
3M ADV	US$ 2.4mn
52wk high/low	Rs 223/Rs 148
Promoter/FPI/DII	52%/6%/12%

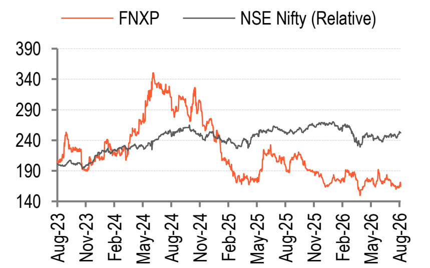
Source: NSE | Price as of 7 Aug 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	41,134	43,837	50,622
EBITDA (Rs mn)	6,789	5,356	6,063
Adj. net profit (Rs mn)	5,969	4,679	5,372
Adj. EPS (Rs)	9.7	7.6	8.7
Consensus EPS (Rs)	9.7	9.2	10.4
Adj. ROAE (%)	9.7	7.4	8.2
Adj. P/E (x)	17.0	21.7	18.9
EV/EBITDA (x)	12.0	15.0	13.1
Adj. EPS growth (%)	24.3	(21.6)	14.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Quarterly performance - Consolidated

Particulars	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	BOBCAPS Q1FY27E	Variance (%)
Revenue	8,836	10,432	(15.3)	13,139	(32.8)	11,710	(24.5)
RM	5,396	7,028	(23.2)	6,863	(21.4)	7,201	(25.1)
Gross Profit	3,440	3,403	1.1	6,276	(45.2)	4,508	(23.7)
Employee	551	584	(5.5)	620	(11.1)	624	(11.7)
Others	1,823	1,884	(3.2)	2,336	(22.0)	2,410	(24.3)
EBITDA	1,066	936	13.9	3,320	(67.9)	1,474	(27.7)
D&A	275	266	3.2	262	4.8	272	1.0
EBIT	791	670	18.1	3,058	(74.1)	1,202	(34.2)
Interest cost	69	55	24.7	78	(11.4)	68	1.8
Int. & other income	756	695	8.7	530	42.7	697	8.5
PBT	1,478	1,310	12.9	3,510	(57.9)	1,831	(19.3)
Tax	333	328	1.5	898	(62.9)	461	(27.8)
PAT	1,145	982	16.7	2,613	(56.2)	1,370	(16.4)
Adj. PAT	1,145	931	23.1	2,620	(56.3)	1,370	(16.4)
As % of net revenues			**chg (bps)**		**chg (bps)**		
Gross margin	38.9	32.6	631	47.8	(884)	38.5	43
Employee	6.2	5.6	64	4.7	152	5.3	91
Others	20.6	18.1	257	17.8	285	20.6	5
EBITDA margin	12.1	9.0	309	25.3	(1,321)	12.6	112.9
Tax rate	22.5	25.0	(253)	25.6	(306)	25.2	(265)
APAT margin	13.0	8.9	404	19.9	(698)	11.7	126

Source: Company, BOBCAPS Research

Fig 2 – Key operating metrics

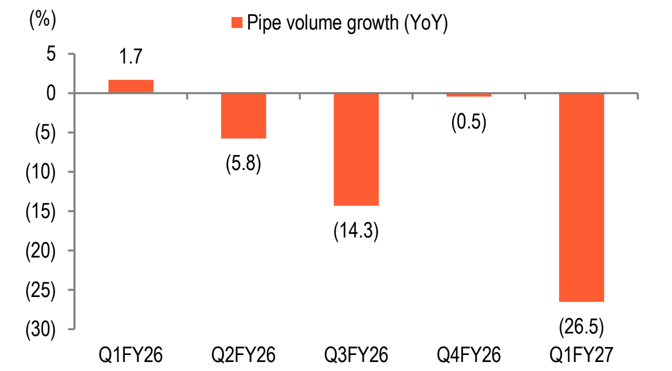
Particulars	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)
Pipe sales volume (kt)	68	92	(26.5)	102	(33.5)
Pipe sales realisation (Rs/kg)	131	113	15.3	129	1.1
Blended EBITDA per unit (Rs/kg)	15.7	10.2	55.0	32.6	(51.7)

Source: Company, BOBCAPS Research

Earnings Call Highlights

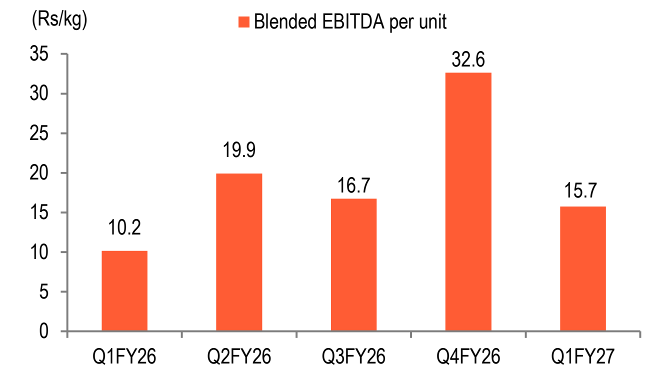
- **Industry Scenario**: Management indicated PVC prices corrected sharply during Apr'26, triggering channel destocking despite the seasonally strong pre-monsoon period. The withdrawal of the customs duty exemption and the introduction of MIP in Jul'26 should stabilise PVC prices, improve channel inventories and support demand recovery over the coming quarters.
- **PVC resin:** Average PVC prices during Q1FY27 were USD 875/t, compared with USD 707/t in Q1FY26. However, sharp intra-quarter corrections led to destocking across the channel. Management expects polymer prices to remain more stable following the recent policy interventions.
- **Market share & distribution:** FNXP acknowledged weaker volumes versus peers but maintained that its FY26 market share remained 22% among major listed PVC pipe manufacturers. The company continues to focus on improving penetration in underrepresented geographies and expanding its distribution network rather than diversifying into adjacent product categories.
- **Guidance:** Management retained its earlier guidance despite the weak first quarter, expecting ~15% EBITDA margins for FY27, subject to stable PVC prices. The company expects business momentum to improve over the coming quarters as channel inventories normalise and polymer price volatility subsides.
- **Pipe & Fittings:** Pipe & fittings volumes declined 27% YoY to 68kt, with both agri (-27%) and non-agri (-24%) segments witnessing similar declines. The product mix remained largely unchanged (agri ~69%, non-agri ~25%, fittings ~11%, CPVC ~7%). Management indicated Apr’26 was the weakest month, while May’26 returned to growth, Jun’26 normalised and Jul’26 recorded a meaningful pickup following the MIP announcement.
- **Capex:** Management reiterated that long-term expansion plans remain unchanged despite near-term demand volatility. The company continues to pursue debottlenecking and incremental capacity additions, with annual capex of Rs 1.5-2.0bn, while highlighting that the existing 520kt installed capacity (vs 333kt utilisation in FY26) provides sufficient headroom to support 10-12% annual volume growth over the next 12-18 months.
- **Net cash:** balance has risen from Rs 25.6bn in Mar’26 to Rs 26.4bn in Jun’26.

Fig 3 – FNXP pipe volume de-grew by 27% YoY in Q1FY27



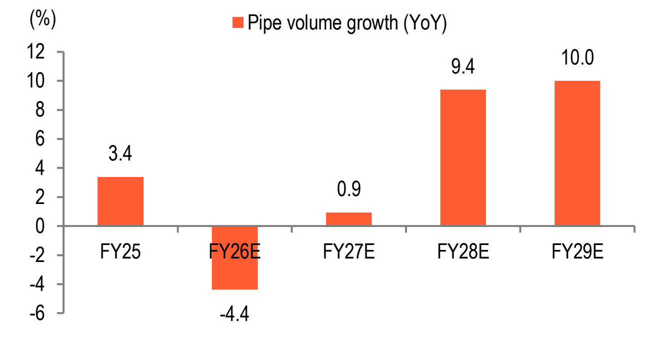
Source: Company, BOBCAPS Research

Fig 4 – FNXP blended EBITDA per unit improved on YoY basis in Q1FY27



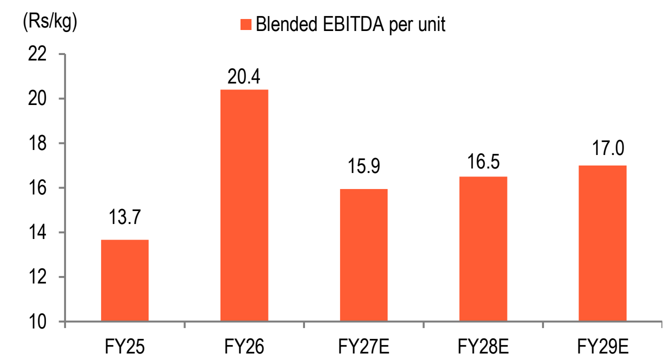
Source: Company, BOBCAPS Research

Fig 5 – FNXP pipe volume is projected to grow at 31% CAGR over FY25-FY29E



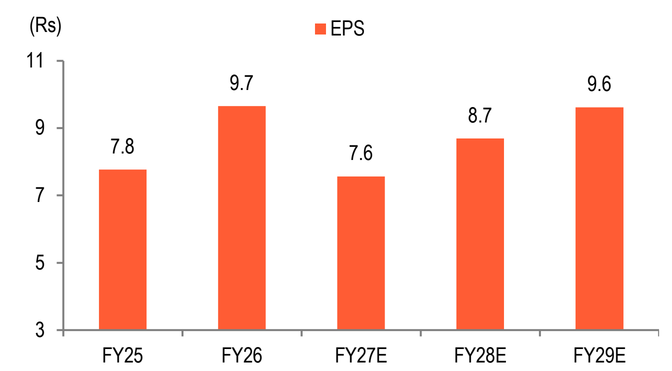
Source: Company, BOBCAPS Research

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



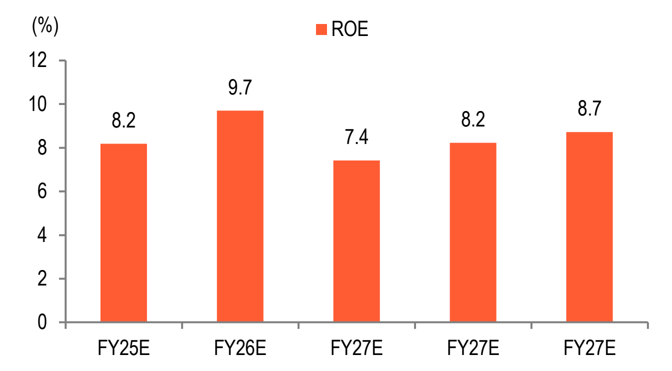
Source: Company, BOBCAPS Research

Fig 7 – EPS to grow at a 5.5% CAGR over FY25-FY29E



Source: Company, BOBCAPS Research

Fig 8 – FNXP return ratio profile to remain weak over FY27E-FY29E, on poor capital allocation



Source: Company, BOBCAPS Research

Valuation Methodology

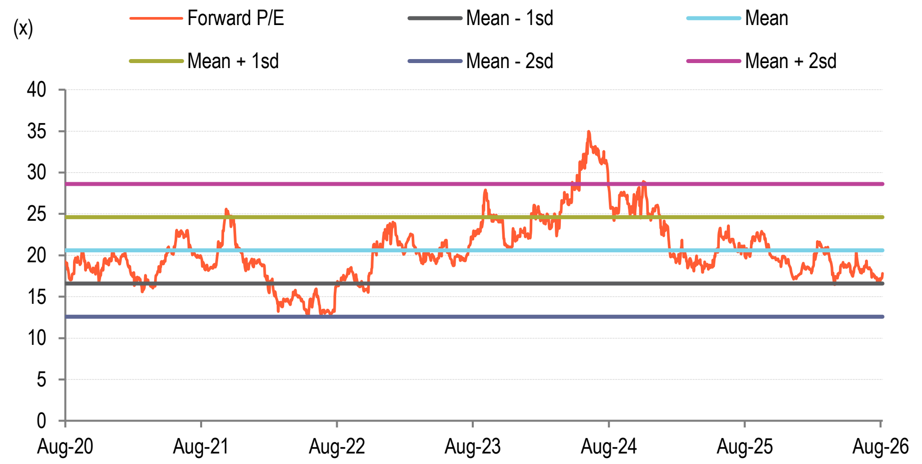
We cut our FY27-29E revenue estimates by 10% and EBITDA estimates by 9-10% to factor in sustained volume weakness. We retain our unchanged 20x P/E multiple on June-28EPS to arrive at TP of Rs 180. Downgrade to HOLD.

Fig 9 – Revised estimates

Consolidated (Rs bn)	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	43.8	50.6	60.3	48.6	56.0	66.8	(9.8)	(9.6)	(9.8)
EBITDA	5.4	6.1	6.9	5.9	6.7	7.6	(9.2)	(9.5)	(9.6)
EBITDA margin	12.2	12.0	11.4	12.1	12.0	11.4	8	1	2
Adjusted PAT	4.7	5.4	5.9	5.1	5.9	6.6	(8.2)	(9.0)	(9.9)
Adjusted EPS	7.6	8.7	9.6	8.2	9.5	10.7	(8.2)	(9.0)	(9.9)

Source: BOBCAPS Research

Fig 10 – FNXP 1YF P/E band chart



Source: Bloomberg, BOBCAPS Research

Fig 11 – Key assumptions

Particulars (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Pipes volume growth	3.4	(4.4)	0.9	9.4	10.0
Pipe realisation growth	(5.2)	4.8	5.6	5.6	8.2
Blended EBITDA per unit (Rs/kg)	13.7	20.4	15.9	16.5	17.0

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**41,420**	**41,134**	**43,837**	**50,622**	**60,274**
EBITDA	4,758	6,789	5,356	6,063	6,871
Depreciation	1,067	1,068	1,111	1,149	1,187
EBIT	3,691	5,721	4,246	4,914	5,685
Net interest inc./(exp.)	(296)	(206)	(275)	(275)	(275)
Other inc./(exp.)	2,466	2,114	2,220	2,530	2,530
Exceptional items	0	0	0	0	0
EBT	5,861	7,629	6,191	7,169	7,939
Income taxes	2,432	2,060	1,522	1,807	2,001
Extraordinary items	(4,170)	0	0	0	0
Min. int./Inc. from assoc.	402	422	10	10	10
Reported net profit	**8,000**	**5,991**	**4,679**	**5,372**	**5,948**
Adjustments	(3,198)	(22)	0	0	0
Adjusted net profit	**4,802**	**5,969**	**4,679**	**5,372**	**5,948**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	4,442	3,664	3,905	4,509	5,369
Other current liabilities	3,026	2,929	2,929	2,929	2,929
Provisions	99	230	245	283	337
Debt funds	2,211	4,373	4,373	3,873	2,873
Other liabilities	3,074	2,612	2,612	2,612	2,612
Equity capital	1,237	1,237	1,237	1,237	1,237
Reserves & surplus	59,732	60,910	62,807	65,396	68,562
Shareholders' fund	60,969	62,147	64,044	66,633	69,799
Total liab. and equities	**73,819**	**75,956**	**78,108**	**80,840**	**83,920**
Cash and cash eq.	22,694	24,931	26,214	26,213	25,243
Accounts receivables	3,793	3,623	3,861	4,459	5,309
Inventories	7,824	10,260	10,944	13,083	16,265
Other current assets	448	873	930	1,074	1,278
Investments	27,656	25,367	25,367	25,367	25,367
Net fixed assets	9,871	10,062	9,951	9,802	9,616
CWIP	732	279	279	279	279
Intangible assets	213	112	112	112	112
Deferred tax assets, net	51	108	108	108	108
Other assets	539	343	343	343	343
Total assets	**73,819**	**75,956**	**78,108**	**80,840**	**83,920**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**10,580**	**3,438**	**3,121**	**2,027**	**1,557**
Capital expenditures	(1,151)	(587)	(1,000)	(1,000)	(1,000)
Change in investments	545	(1,530)	0	0	0
Other investing cash flows	690	561	2,220	2,530	2,530
Cash flow from investing	**83**	**(1,557)**	**1,220**	**1,530**	**1,530**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(1,576)	2,007	0	(500)	(1,000)
Interest expenses	(1,546)	(2,226)	(2,783)	(2,783)	(2,783)
Dividends paid	(398)	(189)	(275)	(275)	(275)
Other financing cash flows	32	(83)	0	0	0
Cash flow from financing	**(3,488)**	**(491)**	**(3,057)**	**(3,557)**	**(4,057)**
Chg in cash & cash eq.	**7,175**	**1,390**	**1,284**	**(1)**	**(970)**
Closing cash & cash eq.	**29,641**	**31,031**	**32,314**	**32,314**	**31,343**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	12.9	9.7	7.6	8.7	9.6
Adjusted EPS	7.8	9.7	7.6	8.7	9.6
Dividend per share	3.6	2.8	4.5	4.5	4.5
Book value per share	98.6	100.5	103.6	107.8	112.9

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	2.0	2.0	1.8	1.6	1.3
EV/EBITDA	17.3	12.0	15.0	13.1	11.5
Adjusted P/E	21.2	17.0	21.7	18.9	17.1
P/BV	1.7	1.6	1.6	1.5	1.5

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	81.9	78.2	75.6	74.9	74.9
Interest burden (PBT/EBIT)	158.8	133.3	145.8	145.9	139.7
EBIT margin (EBIT/Revenue)	8.9	13.9	9.7	9.7	9.4
Asset turnover (Rev./Avg TA)	56.1	54.2	56.1	62.6	71.8
Leverage (Avg TA/Avg Equity)	1.3	1.2	1.2	1.2	1.2
Adjusted ROAE	8.2	9.7	7.4	8.2	8.7

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	(4.1)	(0.7)	6.6	15.5	19.1
EBITDA	(19.1)	42.7	(21.1)	13.2	13.3
Adjusted EPS	1.0	24.3	(21.6)	14.8	10.7
Profitability & Return ratios (%)					
EBITDA margin	11.5	16.5	12.2	12.0	11.4
EBIT margin	8.9	13.9	9.7	9.7	9.4
Adjusted profit margin	11.6	14.5	10.7	10.6	9.9
Adjusted ROAE	8.2	9.7	7.4	8.2	8.7
ROCE	9.7	11.8	9.5	10.6	11.3
Working capital days (days)					
Receivables	33	32	32	32	32
Inventory	69	91	91	94	98
Payables	39	33	33	33	33
Ratios (x)					
Gross asset turnover	1.5	1.5	1.5	1.7	1.9
Current ratio	3.6	3.5	3.7	3.9	4.2
Net interest coverage ratio	12.5	27.8	15.5	17.9	20.7
Adjusted debt/equity	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)

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

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Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**
SEBI Research Analyst Registration No: **INH000000040 (Perpetual)**
SEBI Stock Broker Registration No: **INZ000159332**
SEBI Depository Participant Registration No: **IN-DP-728-2022**
SEBI Merchant Banker Registration No: **INM000009926**
Phone: +91-22-61389300
Name of the Compliance Officer: Mr. Sameer Khobrekar
Email ID: Compliance@bobcaps.in; Phone no.: +91-22-61389358
For any queries or grievances, you may contact the Grievance Officer.
Name of the Grievance Officer: Mr. Nilesh Mehta
Email ID: head-customercare@bobcaps.in; Phone no: 92288 60945

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Note: Recommendation structure changed with effect from 21 June 2021

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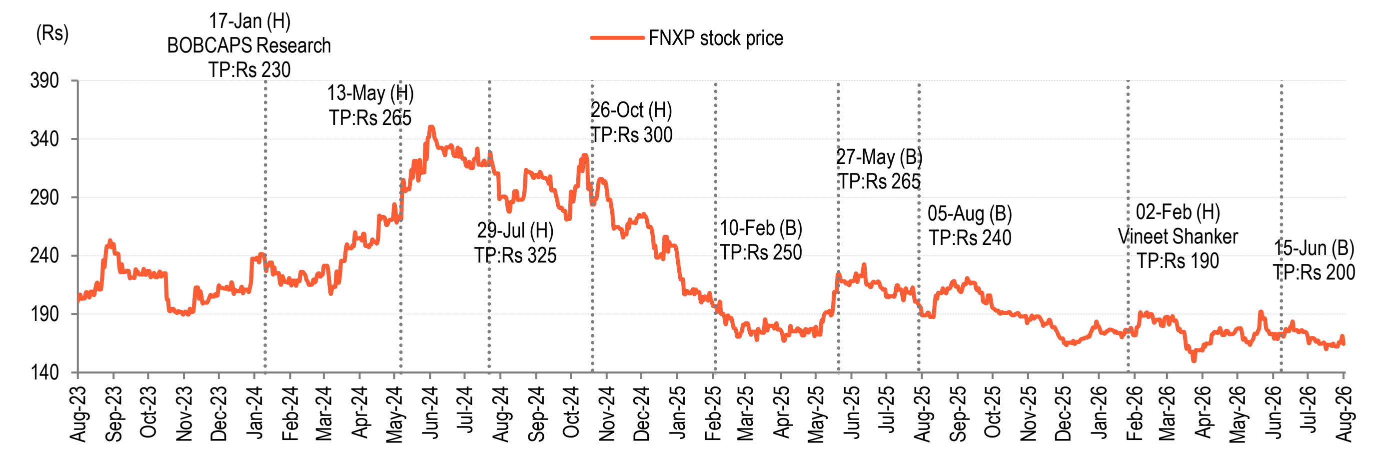
Ratings and Target Price (3-year history): FINOLEX INDUSTRIES (FNXP IN)



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