

Finolex Industries Ltd.

No. of shares (m)	620.47
Mkt cap (Rs crs/\$m)	9407/980.2
Current price (Rs/\$)	152/1.6
Price target (Rs/\$)	191/2.0
52 W H/L (Rs.)	209/148
Book Value (Rs/\$)	109/1.1
Beta	0.8
Daily volume NSE (avg. monthly)	412007
P/BV (FY27e/28e)	1.2/1.2
EV/EBITDA (FY27e/28e)	8.5/7.1
P/E (FY27e/28e)	19.3/15.9
EPS growth (FY26/27e/28e)	30.5/-16.4/21.8
OPM (FY26/27e/28e)	16.5/13.6/14.5
ROE (FY26/27e/28e)	10.0/7.1/7.5
ROCE (FY26/27e/28e)	9.7/7.0/7.4
D/E ratio (FY26/27e/28e)	0.1/0.1/0.1
BSE Code	500940
NSE Code	FINPIPE
Bloomberg	FNXP IN
Reuters	FINX.NS

Shareholding pattern	%
Promoters	52.5
MFs / Banks / FIs/Others	11.5
FPIs	5.9
Govt. Holding	0.0
Public & Others	30.0
Total	100.0

As on June 30, 2026

Recommendation

BUY

Analyst

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Company Brief

Headquartered in Pune, Finolex Industries is a leading manufacturer of PVC -U pipes & fittings, CPVC pipes and PVC resin. The Company has manufacturing facilities in the states of Maharashtra and Gujarat.

Quarterly Highlights

- Multitude of factors played spoilsport in Q1 for Finolex Industries reported sharp drop in pvc pipes & fittings volumes last quarter not least due to sharp volatility in PVC prices which triggered channel destocking. Given Finolex's no small reliance on agri pipes, the impact on overall volumes was greater. But helped by firm realizations, revenues plunged by less severe 15.3% to Rs 883.58 crs when compared with Rs 1043.15 crs in the same period a year ago.
- Propelled by high prices of finished products, OPM expanded discernibly to 12% (Vs 9% in Q1 of FY26), resulting in 13.9% rise in operating profit to Rs 106.57 crs. Boosted by other income, post-tax earnings advanced by 10.8% to Rs 107.41 crs when compared with Rs 96.93 crs.
- By some measure, PVC prices have been on a roll as they averaged \$873 / ton in Q1 when compared with \$793 / ton in Q4 and \$641/ ton in Q3. Yet firm PVC prices barely had a rub off on PVC/EDC delta for it stood at \$503/ton as against \$521/ton in Q4 and Q1 of previous fiscal. Better cost optimization measured by lower ratio of raw material to sales and fall in employee expenses probably helped in expansion of margins last quarter.
- The stock currently trades at 19.3x FY27e EPS of Rs 7.84 and 15.9x FY28e EPS of Rs 9.56. Earnings for the current fiscal has been sharply cut on the back of lower revenues, not least due to lower-than-expected dispatches of PVC pipes & fittings. Yet the current fall in stock price may now adequately compensate for the underlying business risk, though return on capital may barely turn favorable. By upping its focus on non-agri pipes, Finolex prepares to leverage GOI's enhanced investments in housing infrastructure. Weighing odds, we assign buy rating on the stock with revised target of Rs 191 (previous target: Rs 253) based on 20x FY28e earnings over a period of 9-12 months.

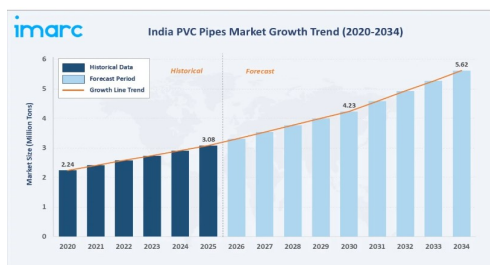
Standalone (Rs crs)	FY24	FY25	FY26	FY27e	FY28e
Income from operations	4317.43	4141.97	4113.43	4082.00	4662.90
Other Income	181.11	665.24	213.21	242.63	268.81
EBITDA (other income included)	765.96	1141.04	892.07	796.98	944.93
Net Profit after EO	455.69	444.61	580.34	485.05	590.88
EPS (Rs)	7.37	7.19	9.39	7.84	9.56
EPS growth (%)	92.6	-2.4	30.5	-16.4	21.8

Industry Outlook

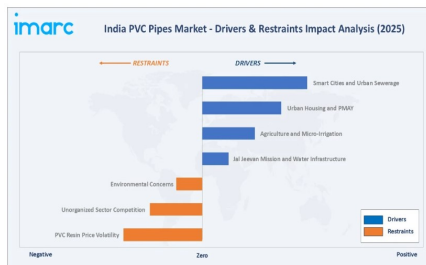
As per a report by Custom Market Insights, the Indian PVC pipes market is estimated to grow at a CAGR of 14.2% during 2024 and 2033. Much of this growth would accrue from steady infrastructure development, expansion of agriculture sector initiatives, increasing technological improvements in PVC pipes manufacturing and processes and expansion of industrial applications of PVC pipes.

Most notably, the report states, that GOI initiatives which are aimed at improving sanitation infrastructure such as Swachh Bharat Mission and AMRUT has been propelling demand for PVC pipes in sewage and drainage systems. Further, agriculture focused schemes like Pradhan Mantri Krishi Sinchayee Yojana (PMKSY) has enhanced adoption of PVC pipes in irrigation systems, thus supporting agricultural productivity and market demand. Water conservation projects have also done their bit in creating demand for PVC pipes & fittings.

A report by IMARC group reckons that Indian PVC pipes market is undergoing a structural transformation driven by mission-mode water infrastructure programs, agricultural modernization, and the rapid pace of residential construction. At this pace of transformation, the report posits that PVC volumes would grow at a CAGR of 6.59% during 2025 and 2034. Volume growth, it states, will also be supported by tap-water connection targets under the Jal Jeevan Mission, which had reached over 78% of rural households by 2025. Technological advancements are noteworthy too: Indian manufacturers are transitioning from lead-based stabilizers to calcium-zinc and organic-tin systems, in line with global REACH and EU norms. Sensor-embedded pipe systems for water utilities are at an early adoption stage.



Source: IMARC



Source: IMARC

According to industry report, PVC piping industry has been suffering from sharp fluctuations in raw material prices, particularly of chlorine and ethylene. But it posits that market growth for this industry is fueled by rapid transition from traditional piping materials to PVC driven by cost-effectiveness, durability, and ease of installation. Its user friendly properties – noncorrosive; leak resistance – have helped create its demand for water conservation and management.

As per a recent report by Modor Intelligence, by August 2026, India had completed and delivered more than 1 crore (10 million) houses to beneficiaries under the Pradhan Mantri Awas Yojana – Urban (PMAY-U) and PMAY-U 2.0. The Atal Mission for Rejuvenation and Urban Transformation 2.0 program also supports water and sewerage works in urban areas. All these developments have helped strengthen demand for UPVC and CPVC products through residential and public sanitation projects, while distribution networks also require repeat purchases of connectors and drainage components as neighborhoods transition from individual systems to coordinated service networks.



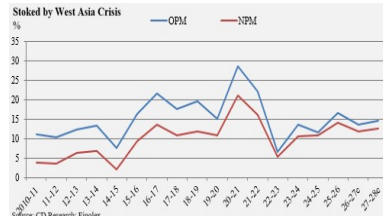
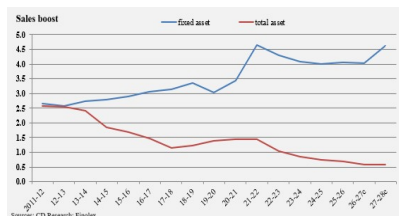
Source: Modor Intelligence

Financials & Valuation

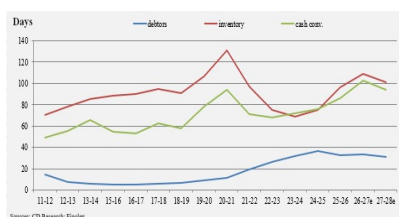
Finolex banks on industry tailwinds to drive scaling of its PVC pipes & fittings business for the government of India ups spending on social projects. Demand for non-agri pipes (read: PVC; UPVC; CPVC pipes) has seen traction not least due to upcoming new housing projects and increasing renovation activities. Rapid urbanization and expansion of cities and urban areas have done its bit to propel demand for water distribution, drainage and sanitation. Market for PVC pipes have also seen demand expansion due to its growing use in industrial applications such as chemical processing, oil & gas transportation and infrastructure development. For agri pipes, plants are kept busy thanks to growing focus on efficient water management and strengthening irrigation infrastructure.

Demand seems to be shifting towards organized players as builders and property developers increasingly grow on focus on quality materials. Firms with established brands and distribution networks are being increasingly preferred over "minnows". Established players also appear to be better positioned to handle growing demand for premium products - high-quality fittings; CPVC pipes etc - not least due to greater sophistication and technological wherewithal. But for Finolex, agri pipes continue to be the mainstay business and because of that it has set eyes on GOI scheme such as Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY), the Remote Village Electrification Programme, and Village Energy Security Programme.

Finolex felt growth pangs in its PVC pipes & fittings last fiscal for its volumes de-grew by 4.4% to 3.32 lakh tons at a time when Supreme Industries posted 14.4% growth in volumes in its plastic piping systems business. With nerve-wracking drop volumes in Q1 (reasons already explained), volume recovery would be all but arduous, prompting us to estimate 5.6% drop in volumes in the current fiscal. Given challenges in sourcing VCM and weakish operating leverage, margin expansion may face headwinds during the current fiscal.



The stock currently trades at 19.3x FY27e EPS of Rs 7.84 and 15.9x FY28e EPS of Rs 9.56. Post tax earnings are estimated to decline by over 16% in the current fiscal before rising by some 22% in the next fiscal as volumes recover and margins expand. Despite vertical integration in resins, Finolex needs to boost volume share of both CPVc's (just 7% in Q1) and non-agri pipes (29% in Q1) for it to regain pricing power. Ongoing volatility in PVC prices has laid threadbare Finolex's dispatches of agri pipes in Q1. Weighing odds, we assign buy rating on the stock with revised target of Rs 191 (previous target: Rs 253) based on 20x FY28e earnings over a period of 9-12 months. For more info refer to our July 2025 report.



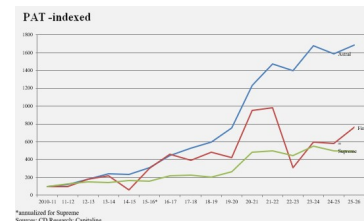
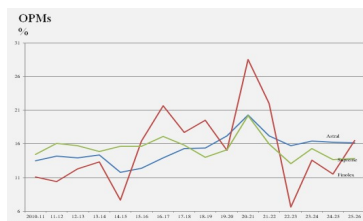
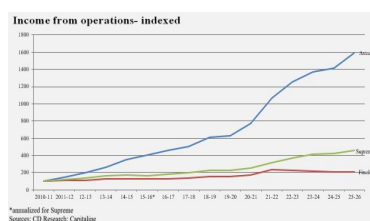
Cross Sectional Analysis

Company	Equity*	CMP	Mcap*	Sales*	Profit*	OPM (%)	NPM (%)	Int. Cov.	ROE (%)	DER	Mcap / sales	P/BV	P/E
Supreme Inds	13	3500	44457	11326	1031	14.4	7.8	39.8	17.7	0.0	3.9	7.3	43.1
Finolex Ind.	124	152	9407	3954	591	17.5	14.9	36.8	9.3	0.1	2.4	1.4	15.9
Astral	27	1371	36819	6785	592	16.3	8.7	14.9	16.6	0.1	5.4	9.7	62.2

*figures in crores; calculations on ttm basis; standalone or consolidated data as available

Undeterred by growing geo-political risks and slowdown in rural spending, Supreme is going full hog in piling up capacities by spending some Rs 1000 crs this fiscal. On the anvil are greenfield projects for plastic piping systems at Patna, Jammu and Gadegaon (Maharashtra). Although enhanced pricing power would follow increased capacity, much of the demand for Supreme's plastic piping systems would continue to rely on stability in raw material prices - Q1 saw extraordinary volatility in polymer prices which triggered inventory correction across the value chain. Supreme's initiative to enhance its competitive advantage such as roll out of more value-added products; introduction of SKUs (629 new products were introduced last fiscal); inorganic growth (Wavin case in point); technological collaborations (like Poloplast GmbH of Austria for PP silent pipe system) may somewhat help ward off volatility in crude oil prices.

Stress in plastic piping industry was all but prevalent in Q1 as Astral's plumbing business volumes flatlined: 56146 tons Vs 56074 tons - even though its EBITDA margins expanded by nearly 250 bps to 18.9%. Higher realizations though help prop up revenues and it is widely believed that PVC prices would inch up further in Q2. Increased momentum was witnessed in setting up capacities of CPVC resin (40000 mtpa) which may see trial runs by fourth quarter of current fiscal. Given higher margin profile of CVPC pipes, overall margins may see uptick from next fiscal onwards.



Financials

Quarterly Results

Figures in Rs crs

	Q1FY27	Q1FY26	% chg.	FY26	FY25	% chg.
Income from operations	883.58	1043.15	-15.3	4113.43	4141.97	-0.7
Other Income	75.33	64.68	16.5	213.21	665.24	-67.9
Total Income	958.91	1107.83	-13.4	4326.64	4807.21	-10.0
Total Expenditure	777.01	949.56	-18.2	3434.57	3666.17	-6.3
EBIDTA (other income incl.)	181.90	158.27	14.9	892.07	1141.04	-21.8
Interest	6.87	5.51	24.7	20.58	29.64	-30.6
Depreciation	27.47	26.61	3.2	106.75	106.71	0.0
PBT	147.56	126.15	17.0	764.74	1004.69	-23.9
Tax	40.15	29.22	37.4	184.40	226.83	-18.7
Net Profit	107.41	96.93	10.8	580.34	777.86	-25.4
Extraordinary Item	-	-	-	0.00	333.25	-
Adjusted Net Profit	107.41	96.93	10.8	580.34	444.61	30.5
EPS	1.74	1.57	10.8	9.39	7.19	30.5

Income Statement

Figures in Rs crs

	FY24	FY25	FY26	FY27e	FY28e
Income from operations	4317.43	4141.97	4113.43	4082.00	4662.90
<i>Growth (%)</i>	-1.8	-4.1	-0.7	-0.8	14.2
Other Income	181.11	665.24	213.21	242.63	268.81
Total Income	4498.54	4807.21	4326.64	4324.63	4931.71
Total Expenditure	3732.58	3666.17	3434.57	3527.65	3986.78
EBIDTA (other income incl.)	765.96	1141.04	892.07	796.98	944.93
Interest	36.45	29.64	20.58	29.31	29.75
EBDT	729.51	1111.40	871.49	767.67	915.18
Depreciation	116.02	106.71	106.75	112.20	116.70
Tax	158.19	226.83	184.40	170.42	207.61
Net Profit	455.30	777.86	580.34	485.05	590.88
EO	-0.39	333.25	-	-	-
Adjusted Net Profit	455.69	444.61	580.34	485.05	590.88
EPS (Rs)	7.37	7.19	9.39	7.84	9.56

Balance Sheet

Figures in Rs crs

	FY24	FY25	FY26	FY27e	FY28e
SOURCES OF FUNDS					
Share Capital	123.67	123.67	123.67	123.67	123.67
Reserves	5414.17	5854.69	5953.69	7873.93	8057.42
Total Shareholders Funds	5537.85	5978.36	6077.37	7997.60	8181.10
Long term debt	-	-	-	-	-
Total Liabilities	5537.85	5978.36	6077.37	7997.60	8181.10
APPLICATION OF FUNDS					
Gross Block	2,708.99	2766.80	2873.79	2973.79	3098.79
Less: Accumulated Depreciation	1,653.62	1758.40	1856.40	1968.60	2085.30
Net Block	1055.37	1008.40	1017.39	1005.19	1013.49
Capital Work in Progress	18.87	73.17	27.85	25.00	30.00
Investments	4455.81	4751.03	4781.56	6632.46	6860.66
Current Assets, Loans & Advances					
Inventory	728.03	782.42	1025.96	1077.26	1131.12
Sundry Debtors	457.63	379.25	362.31	380.43	418.47
Cash and Bank	31.65	125.36	60.30	118.94	126.68
Loans and Advances	79.81	44.75	87.25	86.60	97.60
Total CA & LA	1297.12	1331.78	1535.82	1663.23	1773.87
Current Liabilities	1099.06	967.80	1096.60	1130.10	1278.78
Provisions	4.47	9.86	23.02	25.00	28.00
Total Current Liabilities	1103.53	977.66	1119.62	1155.10	1306.78
Net Current Assets	193.59	354.12	416.20	508.13	467.09
Net Deferred Tax	-199.71	-199.03	-161.60	-166.60	-171.60
Other Assets (Net Of Liabilities)	13.91	-9.33	-4.04	-6.58	-18.55
Total Assets	5537.85	5978.36	6077.37	7997.60	8181.10

Key Financial Ratios

	FY24	FY25	FY26	FY27e	FY28e
Growth Ratios (%)					
Revenue	-1.8	-4.1	-0.7	-0.8	14.2
EBIDTA (other income included)	85.2	-5.5	23.1	-10.7	18.6
Net Profit	92.6	-2.4	30.5	-16.4	21.8
EPS	92.6	-2.4	30.5	-16.4	21.8
Margins (%)					
Operating Profit Margin	13.6	11.5	16.5	13.6	14.5
Gross Profit Margin	16.9	16.8	21.2	18.8	19.6
Net Profit Margin	10.6	10.7	14.1	11.9	12.7
Return (%)					
ROCE	8.8	7.9	9.7	7.0	7.4
ROE	9.0	8.0	10.0	7.1	7.5
Valuations					
Market Cap / Sales	3.5	2.7	2.3	2.3	2.0
EV/EBIDTA	17.6	12.4	7.8	8.5	7.1
P/E	33.4	25.0	16.0	19.3	15.9
P/BV	2.8	1.9	1.6	1.2	1.2
Other Ratios					
Interest Coverage	17.8	20.8	38.2	23.4	27.8
Debt-Equity Ratio	0.1	0.0	0.1	0.1	0.1
Current Ratio ^a	2.5	2.9	3.1	3.2	3.2
Turnover Ratios					
Fixed Asset Turnover	4.1	4.0	4.1	4.0	4.6
Total Asset Turnover	0.9	0.7	0.7	0.6	0.6
Debtors Turnover	11.4	9.9	11.1	11.0	11.7
Inventory Turnover	5.3	4.9	3.8	3.4	3.6
Creditors Turnover	12.9	10.0	8.5	9.2	9.4
WC Ratios					
Debtor days	31.9	36.9	32.9	33.2	31.3
Inventory days	68.5	75.2	96.1	108.8	101.1
Creditor days	28.3	36.5	43.1	39.8	38.7
Cash conversion cycle	72.2	75.6	85.9	102.2	93.6

Cumulative Financial Data

Figures in Rs crs	FY20-22	FY23-25	FY26-28e
Income from operations	11094	12856	12858
Operating profit	2463	1354	1909
EBIT	2414	1593	2298
PBT	2382	1500	2219
PAT	1807	1137	1656
Dividends	646	470	572
PVC pipe sales (lakh tons)	7.04	9.88	9.92
OPM (%)	22.2	10.5	14.8
NPM (%)	16.3	8.8	12.9
Interest coverage	74.0	17.1	28.9
ROE (%)	20.1	8.1	8.0
ROCE (%)	19.0	8.0	7.9
Fixed asset turnover	3.8	4.3	4.2
Debtors turnover	18.1	12.0	10.7
Inventory turnover	3.5	4.3	3.8
Creditors turnover	7.7	8.5	8.2
Debtors days	20.2	30.4	34.0
Inventory days	103.8	85.6	95.7
Creditor days	47.4	43.2	44.4
Cash conversion cycle	76.6	72.8	85.3
Dividend payout ratio (%)	30.7	32.0	34.5

FY20-22 implies three year period ending fiscal 22

*as on terminal year

Surge in margins (14.8% in FY26-28 Vs 10.5% in the preceding three-year period) would help support growth in cumulative post tax earnings for cumulative revenues would largely flatline during FY26-28 period (see table). Growing stock of liquid assets would all but galvanize other income - though not without "pinching" effect on return on capital. Despite nearly 46% growth in cumulative post tax earnings during FY26-28 period, volumes of pvc pipes & fittings (cumulative) would barely wear a "cheery look" (see table), thus casting doubt on strength of underlying demand for pipes.

Despite Finolex's backward integration into resin - a much-talked competitive advantage - the company has struggled to admirably scale its pvc pipes & fittings business. Given its reliance on agri pipes, value addition has largely been found wanting - ROE is estimated to flatline to 8% during FY26-28 period. Expansion in margins would fail to "pull up" not least due to ongoing volatility in PVC prices - its effect was all but visible in Q1. With better management of inventory, cash conversion cycle may improve during the ensuing period (see table).

Financial Summary- US Dollar denominated

million \$	FY24	FY25	FY26	FY27e	FY28e
Equity capital	14.8	14.5	13.1	12.9	12.9
Equity shareholders' funds	645.7	672.5	624.1	814.0	829.9
Total debt	45.8	25.8	46.2	41.7	46.9
Net fixed assets (incl CWIP)	128.8	126.4	110.4	107.3	108.7
Investments	534.4	555.1	505.2	691.1	714.9
Net current assets	4.7	15.4	26.0	33.6	26.1
Total assets	645.7	672.5	624.1	814.0	829.9
Revenues	521.5	489.8	465.8	425.3	485.9
EBITDA	92.6	85.7	101.0	83.0	98.5
EBDT	88.2	82.2	98.7	80.0	95.4
PBT	74.2	69.5	86.6	68.3	83.2
PAT	55.0	52.6	65.7	50.5	61.6
EPS(\$)	0.09	0.09	0.11	0.08	0.10
Book value (\$)	1.04	1.09	1.01	1.32	1.34

Income statement figures translated at average rates; balance sheet at year end rates; projections at current rates (Rs 95.9681/\$).
All dollar denominated figures are adjusted for extraordinary items.

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buy: >20% accumulate: >10% to ≤20% hold: ≥-10% to ≤10% reduce: ≥-20% to <-10% sell: <-20%

Rs/\$	FY22	FY23	FY24	FY25	FY26
Average	74.51	80.39	82.79	84.57	88.31
Year end	75.81	82.22	83.37	85.58	94.65

All \$ values mentioned in the write-up translated at the average rate of the respective quarter/ year as applicable. Projections converted at current exchange rate.