

**CMP: INR 158**

**Rating: BUY**

**Target Price: INR 313**

**Stock Info**

BSE	500940
NSE	FINPIPE
Bloomberg	FNXP:IN.
Reuters	FINX.NS.
Sector	Plastic Products – Industrial
Face Value (INR)	2
Mkt Cap (INR Mn)	98,220
52w H/L (INR)	238/144
Avg yearly Vol (in 000')	1,081

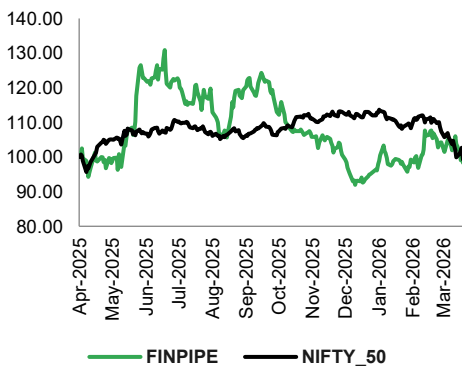
**Shareholding Pattern %**

(As on Dec, 2025)

Promoters	52.47%
Public & Others	47.53%

Stock Performance (%)	1m	6m	12m
Finpipe	-11.7	-20.2	-10.4
Nifty 50	-8.8	-8.7	-2.1

**Finpipe Vs Nifty 50**



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Finolex Industries Limited, incorporated in 1981, is one of India’s largest and most integrated manufacturers of PVC pipes, fittings, and PVC resin. The company has a PVC resin manufacturing capacity of ~272 KTPA at its Ratnagiri facility in Maharashtra, along with a pipes and fittings capacity exceeding 400,000 MTPA at its Urse plant near Pune. This backward integration enables Finolex to meet ~65–70% of its resin requirements internally, providing a structural cost advantage and better margin control across cycles. The company primarily caters to agriculture, plumbing, and infrastructure segments, with a strong presence in rural and semi-urban markets supported by an extensive distribution network and established brand equity. A significant portion of demand is linked to agri activity, making performance partly dependent on monsoon trends, though increasing contribution from non-agri segments is aiding diversification.

**Demand Recovery and Seasonality Should Aid Volume Growth:**

Q3 volumes remained subdued primarily due to the extended monsoon impact, with standalone volumes declining ~14% YoY, reflecting weak agri demand and delayed project execution. However, recent channel checks, along with commentary from industry peers, indicate that January witnessed a meaningful pickup in demand momentum, particularly in rural and semi-urban markets. Additionally, Q4 is seasonally the strongest quarter for pipe demand, driven by post-monsoon agri activity and higher construction intensity. The company’s guidance of flattish to slightly positive volume growth for the full year implicitly suggests a strong rebound in Q4, reinforcing the view that the worst of the demand slowdown is behind. Importantly, a synchronized recovery in both agri and non-agri segments provides a broader base for growth. This improving demand backdrop is critical, as pricing upcycles tend to translate more effectively into earnings when supported by volume expansion, enabling both realizations and dispatches to move in tandem.

**PVC Price Rebound Is Resetting Realisations and Near-Term Margins:**

The sharp rebound in PVC resin prices from ~INR 60/kg to ~INR 109/kg over the last three months marks a clear inflection point in the earnings trajectory, transitioning the narrative from downside protection to cyclical recovery. Management had already indicated that PVC prices likely bottomed out in December, with early signs of recovery (~8–9% off the lows) visible toward the end of the quarter. This price momentum has since accelerated, which is significant for Finolex as it directly drives pipe realizations. The first-order impact is a direct increase in selling prices, while the second-order impact stems from inventory gains on lower-cost stock held during the downturn. Given the company’s scale and operating leverage, even a moderate increase in PVC prices can result in a disproportionately higher improvement in EBITDA margins. Moreover, a rising price environment typically improves dealer sentiment and channel inventory restocking, further supporting volume traction and pricing discipline.

**Backward Integration and Strong Liquidity Make the Upside More Capturable:**

Finolex’s backward integration meeting ~65–70% of its PVC resin requirements internally remains a key structural advantage in a volatile raw

material environment. Unlike peers who are fully dependent on market-linked resin procurement, Finolex benefits from cost stability as well as the ability to capture spreads across the value chain. In a rising PVC cycle, this integration allows the company to benefit both from higher realizations in pipes and improved economics in its resin operations, effectively enhancing overall margin capture. Additionally, the company's strong balance sheet, with a net cash surplus of ~INR 24,300 Mn, provides significant financial flexibility to navigate cyclical, invest in brand building, expand distribution reach, and potentially gain market share during recovery phases. Notably, despite weak revenue performance in Q3, EBITDA improved to INR 1,230 Mn from INR 830 Mn, indicating early signs of margin recovery. This underscores that profitability is already responding to improving pricing dynamics, positioning Finolex as a high-quality proxy to play the PVC upcycle

#### Operating Leverage to Play Out Sharply in Recovery Phase:

Finolex operates with a cost structure that has a meaningful fixed cost component, including employee expenses, branding spends, and plant overheads, which creates inherent operating leverage. During the downturn, this structure weighed on margins as realizations declined, but the same dynamic is now expected to work positively as the cycle turns. With PVC prices rebounding and volumes expected to recover, incremental revenue should flow through at a higher margin, leading to disproportionate EBITDA expansion. The Q3 performance already demonstrated early signs of this effect, where profitability improved despite lower revenues, indicating that cost efficiencies and pricing recovery are beginning to reflect in the P&L. As capacity utilization improves in Q4 and into the next fiscal year, the company is well-positioned to benefit from strong operating leverage, which could accelerate earnings growth significantly ahead of revenue growth. This makes the current phase particularly attractive from a margin expansion standpoint.

**Outlook:** Finolex Industries appears to be entering a cyclical upturn, supported by a recovery in demand and a sharp rebound in PVC prices, which together should drive both realizations and volumes in the near term. The strong Q4 seasonality, coupled with improving rural and construction activity, provides confidence that the recent weakness was transient and volumes are set to normalize. Backward integration and a net cash balance position the company to capture the upcycle more effectively than peers, while also providing downside resilience. Additionally, operating leverage is expected to meaningfully amplify earnings growth as utilization improves. Overall, the risk-reward appears favourable with margin expansion and earnings recovery likely to play out over the next few quarters. We have a "BUY" rating and valued the stock at DCF Model and arrived at a price objective of INR 313, an upside of 98.2%.

Valuation Summary :						
Year-end March (INR Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	43,971	43,174	41,420	41,004	47,144	54,984
EBITDA	2,925	5,849	4,758	5,289	6,694	9,347
PAT	2,507	4,736	8,000	5,201	6,482	8,601
EPS (INR)	4.1	7.7	12.9	8.4	10.5	13.9
EBITDA Margin (%)	6.7%	13.5%	11.5%	12.9%	14.2%	17.0%
EV/EBITDA	35.0	17.3	20.7	18.3	14.2	9.8
P/E (x)	39.0	20.6	12.2	18.8	15.1	11.4
ROE %	5.1%	8.4%	13.1%	8.4%	9.4%	11.1%
Debt/Equity (x)	0.11	0.07	0.04	0.00	0.00	0.00

## Consolidated Financials

## Income statement (INR mn)

Income statement (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E	FY28E
Gross Sales	43,971	43,174	41,420	41,004	47,144	54,984
<b>Net Sales</b>	<b>43,971</b>	<b>43,174</b>	<b>41,420</b>	<b>41,004</b>	<b>47,144</b>	<b>54,984</b>
YoY (%)	-5.39%	-1.81%	-4.06%	-1.00%	14.98%	16.63%
<b>Adjusted COGS</b>	<b>30,721</b>	<b>27,369</b>	<b>26,761</b>	<b>25,217</b>	<b>29,229</b>	<b>32,990</b>
YoY (%)	7.83%	-10.91%	-2.22%	-5.77%	15.91%	12.87%
<b>Personnel/ Employee benefit expenses</b>	<b>1,897</b>	<b>2,114</b>	<b>2,223</b>	<b>2,501</b>	<b>2,734</b>	<b>3,024</b>
YoY (%)	-0.61%	11.45%	5.15%	12.53%	9.32%	10.60%
<i>Manufacturing &amp; Other Expenses</i>	<i>8,428</i>	<i>7,843</i>	<i>7,678</i>	<i>7,996</i>	<i>8,486</i>	<i>9,622</i>
YoY (%)	44.39%	-6.94%	-2.10%	4.13%	6.13%	13.39%
<b>Total Expenditure</b>	<b>41,045</b>	<b>37,326</b>	<b>36,662</b>	<b>35,714</b>	<b>40,449</b>	<b>45,637</b>
YoY (%)	-71.42%	99.92%	-18.65%	11.17%	26.56%	39.63%
<b>EBITDA</b>	<b>2,925</b>	<b>5,849</b>	<b>4,758</b>	<b>5,289</b>	<b>6,694</b>	<b>9,347</b>
YoY (%)	-71.42%	99.92%	-18.65%	11.17%	26.56%	39.63%
<b>EBITDA Margin (%)</b>	<b>6.65%</b>	<b>13.55%</b>	<b>11.49%</b>	<b>12.90%</b>	<b>14.20%</b>	<b>17.00%</b>
Depreciation	892	1,160	1,067	1,120	1,233	1,356
% of Gross Block	7.47%	9.22%	9.45%	8.82%	8.59%	8.36%
<b>EBIT</b>	<b>2,033</b>	<b>4,688</b>	<b>3,691</b>	<b>4,169</b>	<b>5,462</b>	<b>7,992</b>
EBIT Margin (%)	4.62%	10.86%	8.91%	10.17%	11.59%	14.53%
Interest Expenses	272	365	296	160	12	9
Non-operating/ Other income	1,209	1,800	2,466	2,417	2,659	2,925
<b>PBT</b>	<b>3,213</b>	<b>6,506</b>	<b>10,432</b>	<b>6,808</b>	<b>8,509</b>	<b>11,328</b>
Tax-Total	706	1,770	2,432	1,607	2,027	2,727
<b>Adj. Net Profit</b>	<b>2,507</b>	<b>4,736</b>	<b>8,000</b>	<b>5,201</b>	<b>6,482</b>	<b>8,601</b>
<b>Reported Profit</b>	<b>2,507</b>	<b>4,736</b>	<b>8,000</b>	<b>5,201</b>	<b>6,482</b>	<b>8,601</b>
PAT Margin	5.70%	10.97%	19.32%	12.69%	13.75%	15.64%
Shares o/s/ paid up equity sh capital	618.35	618.35	618.35	618.35	618.35	618.35
Adj EPS	4.05	7.66	12.94	8.41	10.48	13.91
Dividend payment	0.00	0.00	0.00	0.00	0.00	0.00
Dividend payout (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Retained earnings</b>	<b>2,507</b>	<b>4,736</b>	<b>8,000</b>	<b>5,201</b>	<b>6,482</b>	<b>8,601</b>

**Balance sheet**

<b>Balance sheet (INR Mn)</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY28E</b>
<b>Sources of Funds</b>						
Equity Share Capital	1,236.70	1,236.70	1,236.70	1,236.70	1,236.70	1,236.70
Reserves & Surplus/ Other Equity	47,794.00	55,106.00	59,732.00	60,883.47	67,365.73	75,966.82
<b>Networth</b>	<b>49,030.70</b>	<b>56,342.70</b>	<b>60,968.70</b>	<b>62,120.17</b>	<b>68,602.43</b>	<b>77,203.52</b>
Unsecured Loans/ Borrowings/ Lease Liabilities	3,038.10	3,008.40	4,605.00	5,011.43	5,508.29	6,054.94
Other Liabilities	4,796.10	6,303.60	6,046.30	5,471.64	5,270.37	5,083.29
<b>Total Liabilities</b>	<b>13,820.00</b>	<b>14,235.80</b>	<b>12,850.60</b>	<b>10,922.73</b>	<b>11,563.65</b>	<b>12,289.04</b>
<b>Total Funds Employed</b>	<b>62,850.70</b>	<b>70,578.50</b>	<b>73,819.30</b>	<b>73,042.90</b>	<b>80,166.08</b>	<b>89,492.57</b>
<b>Application of Funds</b>						
<b>Net Fixed Assets</b>	<b>10,551.70</b>	<b>10,553.70</b>	<b>10,084.00</b>	<b>10,534.95</b>	<b>11,586.33</b>	<b>12,742.73</b>
Capital WIP	438.20	188.70	731.70	548.78	658.53	658.53
Investments/ Notes/ Fair value measurement	20,694.80	25,431.60	25,994.30	24,954.53	26,202.25	27,512.37
<b>Current assets</b>	<b>28,923.70</b>	<b>31,993.90</b>	<b>34,758.30</b>	<b>34,548.00</b>	<b>38,942.59</b>	<b>45,437.10</b>
Inventory	6,731.50	7,280.30	7,824.20	7,980.68	8,379.72	8,798.70
<b>Days</b>	<b>100.31</b>	<b>44.89</b>	<b>103.01</b>	<b>103.01</b>	<b>165.91</b>	<b>165.91</b>
Debtors	2,975.40	4,576.30	3,792.50	3,489.10	3,663.56	3,846.73
Other Current Assets	619.10	584.00	307.90	1,077.65	1,293.18	1,551.82
Cash and Cash equivalent	606.00	316.50	1,253.60	1,088.05	2,596.41	5,922.28
<b>Current Liabilities/Provisions</b>	<b>11,359.90</b>	<b>11,035.30</b>	<b>9,776.60</b>	<b>8,153.38</b>	<b>8,892.26</b>	<b>9,708.13</b>
Creditors / Trade Payables	2,893.00	2,886.40	4,441.60	4,885.76	5,374.34	5,911.77
<b>Days</b>	<b>36.50</b>	<b>27.85</b>	<b>35.95</b>	<b>59.84</b>	<b>59.84</b>	<b>62.00</b>
Liabilities	12,044.00	11,902.70	10,201.30	8,807.43	9,578.38	10,430.57
<b>Net Current Assets</b>	<b>17,563.80</b>	<b>20,958.60</b>	<b>24,981.70</b>	<b>26,394.62</b>	<b>30,050.34</b>	<b>35,728.98</b>
<b>Total Asset</b>	<b>62,850.70</b>	<b>70,578.50</b>	<b>73,819.30</b>	<b>73,042.90</b>	<b>80,166.08</b>	<b>89,492.57</b>
<b>Total Capital Employed</b>	<b>45,286.90</b>	<b>49,619.90</b>	<b>48,837.60</b>	<b>46,648.28</b>	<b>50,115.74</b>	<b>53,763.59</b>

Key Ratios	FY23	FY24	FY25E	FY26E	FY27E	FY28E
<b>Solvency Ratios</b>						
Debt / Equity	0.11	0.07	0.04	0.00	0.00	0.00
Net Debt / Equity	0.10	0.06	0.02	-0.02	-0.04	-0.08
Debt / EBITDA	1.80	0.65	0.46	0.02	0.01	0.01
Current Ratio	2.09	2.25	3.56	4.24	4.38	4.68
<b>DuPont Analysis</b>						
Sales/Assets	0.70	0.61	0.56	0.56	0.59	0.61
Assets/Equity	1.28	1.25	1.21	1.18	1.17	1.16
RoE	5.11%	8.41%	13.12%	8.37%	9.45%	11.14%
<b>Per share ratios</b>						
Reported EPS	4.05	7.66	12.94	8.41	10.48	13.91
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00
BV per share	79.29	91.12	98.60	100.46	110.94	124.85
Cash per Share	0.14	0.03	0.72	0.85	3.29	8.67
Revenue per Share	71.11	69.82	66.98	66.31	76.24	88.92
<b>Profitability ratios</b>						
Net Profit Margin (PAT/Net sales)	5.70%	10.97%	19.32%	12.69%	13.75%	15.64%
EBITDA / Net Sales	6.65%	13.55%	11.49%	12.90%	14.20%	17.00%
EBIT / Net Sales	4.62%	10.86%	8.91%	10.17%	11.59%	14.53%
ROCE (%)	4.15%	8.32%	5.76%	6.42%	7.66%	10.02%
<b>Activity ratios</b>						
Inventory Days	100.31	44.89	103.01	103.01	165.91	165.91
Debtor Days	26.23	31.92	36.87	36.87	36.87	36.87
Creditor Days	36.50	27.85	35.95	59.84	59.84	62.00
<b>Leverage ratios</b>						
Interest coverage	7.47	12.86	12.45	26.14	460.69	898.73
Debt / Asset	0.00	0.00	0.00	0.00	0.00	0.00
<b>Valuation ratios</b>						
EV / EBITDA	34.99	17.30	20.73	18.29	14.22	9.83
PE (x)	38.97	20.63	12.21	18.78	15.07	11.36

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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