

August 21, 2025

Management Meet Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	228		217	
Sales (Rs. m)	45,003	50,030	43,682	48,076
% Chng.	3.0	4.1		
EBITDA (Rs. m)	5,423	6,504	5,080	6,154
% Chng.	6.7	5.7		
EPS (Rs.)	8.8	10.3	8.2	9.8
% Chng.	7.1	5.7		

Key Financials - Consolidated

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. m)	43,174	41,420	45,003	50,030
EBITDA (Rs. m)	5,849	4,758	5,423	6,504
Margin (%)	13.5	11.5	12.1	13.0
PAT (Rs. m)	4,736	4,841	5,442	6,386
EPS (Rs.)	7.7	7.8	8.8	10.3
Gr. (%)	102.0	2.2	12.4	17.3
DPS (Rs.)	3.3	3.6	5.0	5.9
Yield (%)	1.6	1.8	2.5	2.9
RoE (%)	9.0	8.3	8.8	10.0
RoCE (%)	8.2	6.0	6.8	8.2
EV/Sales (x)	2.5	2.5	2.3	2.0
EV/EBITDA (x)	18.8	22.1	19.3	15.7
PE (x)	26.5	25.9	23.1	19.7
P/BV (x)	2.2	2.1	2.0	1.9

Key Data

FINX.BO | FNXP IN

52-W High / Low	Rs.334 / Rs.144
Sensex / Nifty	81,858 / 25,051
Market Cap	Rs.126bn/ \$ 1,447m
Shares Outstanding	620m
3M Avg. Daily Value	Rs.369.47m

Shareholding Pattern (%)

Promoter's	52.47
Foreign	6.03
Domestic Institution	11.36
Public & Others	30.14
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(3.7)	7.5	(30.5)
Relative	(3.9)	(0.6)	(31.4)

Praveen Sahay

praveensahay@plindia.com | 91-22-66322369

Rahul Shah

rahulshah@plindia.com | 91-22-66322534

ADD on PVC resin to drive volume growth, margin improvement

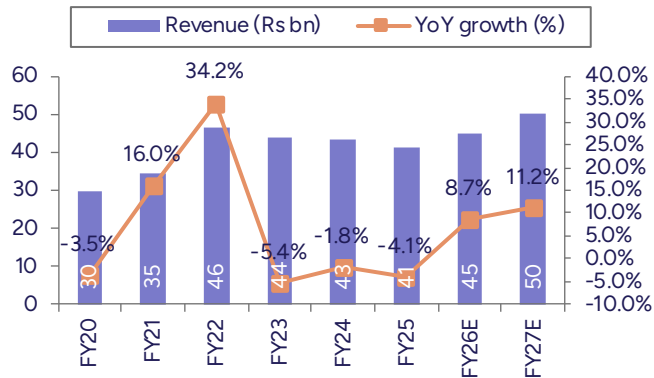
We upward revise our FY26E/FY27E earnings estimate by 7.1%/5.7% and maintain 'Accumulate' rating with revised TP of Rs228 (Rs217 earlier), based on 20x FY27E earnings plus valued stake in the group listed entity Finolex Cables at 50% discount to consensus target market value. We recently met the management of Finolex Industries (FNXP) to gauge volume growth outlook, market share dynamics, PVC resin availability, and price trends post DGTR's final findings on ADD on PVC resin. The company reiterated its 10% volume growth guidance in Pipes & Fittings (P&F) for FY26 and expects margin improvement ahead. We believe FNXP stands to benefit from 1) imposition of ADD on PVC resin given its backward integration, 2) GST rate revision on agri pipes, 3) expanding dealer/distribution network, and 4) gradual expansion in P&F capacity. We estimate revenue/EBITDA/PAT CAGR of 9.9%/16.9%/27.6% for FY25-27E with P&F volume CAGR of 9.2% and EBITDA margin of 13.0% by FY27E. Maintain 'Accumulate'.

Key Takeaways:

- **Industry growth and size:** The industry is expected to reach Rs1,000bn by 2030, attracting new entrants and fresh PVC resin capacities, with Adani likely to scale up significantly over the next 2–3 years. Recent imposition of ADD on PVC resin and the upcoming BIS implementation (Dec'25) should reduce trading volumes and weed out smaller, non-compliant players, who remain vulnerable to rising resin costs and regulatory requirements. While disruptive product technology is unlikely, the rise of organized players could meaningfully alter the distribution landscape.
- **FNXP's P&F volume growth:** The management reiterated its 10% P&F volume growth guidance for FY26. The industry is expected to benefit from the imposition of ADD on PVC resin, with inventory restocking likely to begin soon. This should ultimately support higher organized market share, as smaller P&F players struggle amid rising resin costs. After a subdued Q1FY26, performance improved sharply in Jul'25, aided by a low base and deferred sales from Jun'25. As a result, YTD growth stands in high single digits, and with ADD on PVC resin in place, the management is confident of meeting its guidance.
- **Levy of ADD on PVC resin:** PVC prices are likely to increase by Rs7–8/kg following ADD implementation, which is expected within 1–2 months (deferment unlikely). Players without value-chain integration will face margin pressure, while Chinese producers, lacking alternate large export markets, may attempt to offset ADD through lower production costs or government incentives. In the near term, smaller players' costs are expected to rise; over time, Reliance and Adani, with their large upcoming capacities, are likely to gain pricing power in PVC resin, impacting the P&F market. In the agri pipe segment, however, high price elasticity remains a concern, as higher PVC prices could curb demand, posing a risk for FNXP.

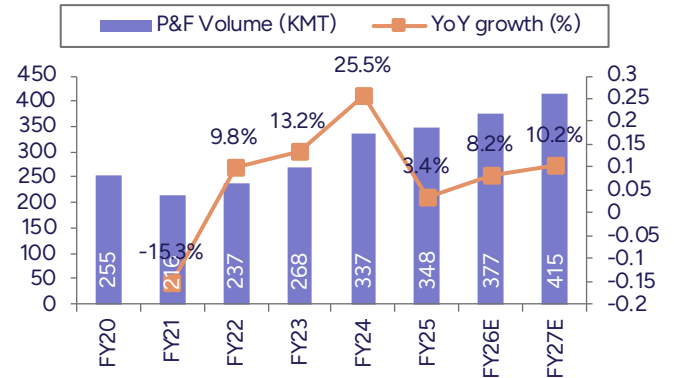
- **Proposed GST rate cut on P&F:** Currently, plastic P&F attract 18% GST. According to the management, introducing differential GST rates by usage (agri, infra, plumbing) is not feasible, as product substitution/swapping across segments is easy.
- **VCM supply concerns for FNXP:** The industry remains heavily dependent on the VCM–PVC route for PVC resin manufacturing, with limited alternatives available. FNXP produces 125k MT of its total 272k MT PVC resin capacity through this route. While the company may face supply issues from its existing vendor, it is exploring sourcing options from other geographies. The management indicated that supply continuity should not be a challenge, though logistics and related costs may increase.
- **Outsourcing constraints:** The company is unlikely to pursue outsourcing partnerships for expansion, given the fragmented market with numerous small manufacturers. Establishing a large facility also requires substantial land (~30 acres for a 100k MT plant), which is difficult to secure, making the availability of large outsourcing partners limited. FNXP operates with an outsourced capacity of 36k MT.
- **Capacity expansion plan:** FNXP has increased its capacity to 520k MT from 470k MT in Mar'25, with utilization expected at 70–75% and targeting ~10% growth in FY26. The company is also evaluating further capacity expansion opportunities; while no specifics were shared, the management indicated that a greenfield project could be considered in the future to drive growth.
- **CPVC business:** The business contributes to ~7% of revenue, with a target to reach 10% in the next 2 years. The business leverages the common distribution network (no separate channel) and is adopting a penetrative pricing strategy to drive market share gains.
- **Management oversight:** The leadership team, led by promoter Mr. Prakash Chhabria, remains actively engaged in the business through regular interactions from London, while his daughter is increasingly involved in operations. In addition, Mr. Udipt Agarwal has been appointed as Additional Director/Whole-time Director effective 5th Sep'25, and will take charge as the Managing Director from 1st Nov'25. He currently serves as the Chief Commercial Officer at Alkyl Amines Chemicals Ltd.

Exhibit 1: Revenue to grow at ~9.9% CAGR over FY25-27E



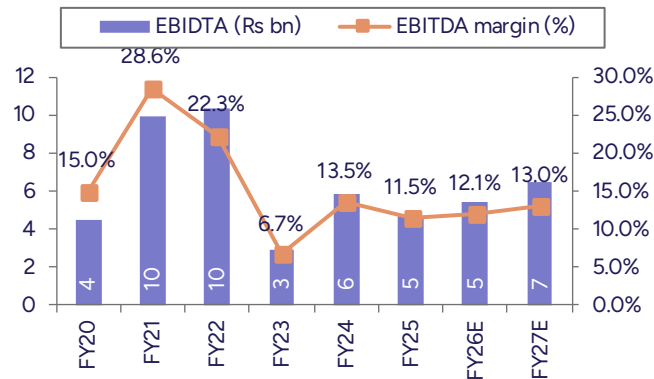
Source: Company, PL

Exhibit 2: P&F Volume to grow at 9.2% CAGR over FY25-27E



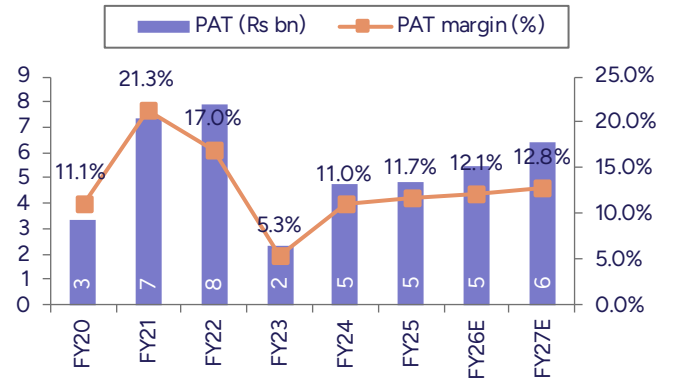
Source: Company, PL

Exhibit 3: EBITDAM to expand by ~150bps over FY25-27E



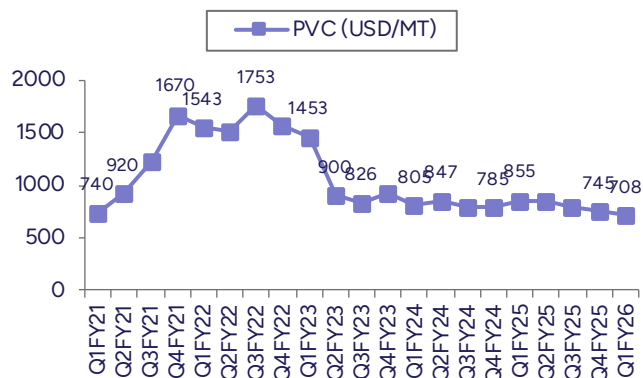
Source: Company, PL

Exhibit 4: PAT to clock a CAGR of 27.6% over FY25-27E



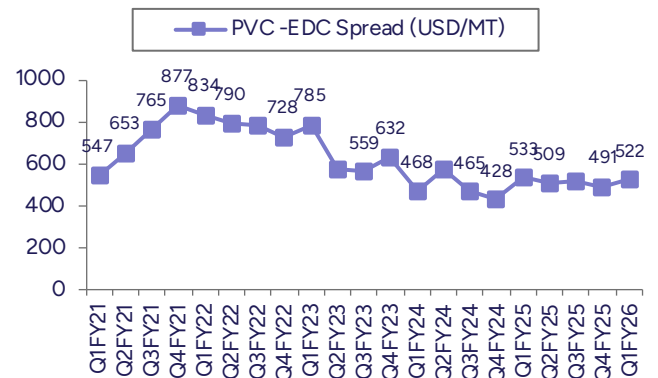
Source: Company, PL

Exhibit 5: PVC Price decline by 17% YoY in Q1FY26



Source: Company, PL

Exhibit 6: PVC-EDC spread contract by 2% YoY in Q1FY26



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Revenues	43,174	41,420	45,003	50,030
YoY gr. (%)	(1.8)	(4.1)	8.7	11.2
Cost of Goods Sold	27,369	26,761	28,712	31,919
Gross Profit	15,805	14,659	16,291	18,111
Margin (%)	36.6	35.4	36.2	36.2
Employee Cost	2,114	2,223	2,372	2,552
Other Expenses	3,430	7,678	3,555	3,502
EBITDA	5,849	4,758	5,423	6,504
YoY gr. (%)	99.5	(18.6)	14.0	19.9
Margin (%)	13.5	11.5	12.1	13.0
Depreciation and Amortization	1,160	1,067	1,065	1,085
EBIT	4,688	3,691	4,358	5,419
Margin (%)	10.9	8.9	9.7	10.8
Net Interest	365	296	217	217
Other Income	1,800	2,466	2,600	2,700
Profit Before Tax	6,123	10,031	6,741	7,902
Margin (%)	14.2	24.2	15.0	15.8
Total Tax	1,770	2,432	1,719	2,016
Effective tax rate (%)	28.9	24.2	25.5	25.5
Profit after tax	4,354	7,599	5,022	5,886
Minority interest	-	-	-	-
Share Profit from Associate	382	402	420	500
Adjusted PAT	4,736	4,841	5,442	6,386
YoY gr. (%)	102.0	2.2	12.4	17.3
Margin (%)	11.0	11.7	12.1	12.8
Extra Ord. Income / (Exp)	-	3,159	-	-
Reported PAT	4,736	8,000	5,442	6,386
YoY gr. (%)	102.0	68.9	(32.0)	17.3
Margin (%)	11.0	19.3	12.1	12.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,736	8,000	5,442	6,386
Equity Shares O/s (m)	618	618	618	618
EPS (Rs)	7.7	7.8	8.8	10.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Non-Current Assets				
Gross Block	26,848	27,375	28,394	28,921
Tangibles	26,848	27,375	28,394	28,921
Intangibles	-	-	-	-
Acc: Dep / Amortization	16,437	17,504	18,569	19,653
Tangibles	16,437	17,504	18,569	19,653
Intangibles	-	-	-	-
Net fixed assets	10,411	9,871	9,825	9,268
Tangibles	10,411	9,871	9,825	9,268
Intangibles	-	-	-	-
Capital Work In Progress	332	945	474	498
Goodwill	-	-	-	-
Non-Current Investments	27,204	27,928	27,928	27,928
Net Deferred tax assets	(2,120)	(2,341)	(2,341)	(2,341)
Other Non-Current Assets	394	266	266	266
Current Assets				
Investments	19,347	22,250	22,250	24,250
Inventories	7,280	7,824	7,788	8,308
Trade receivables	4,576	3,793	4,121	4,581
Cash & Bank Balance	22	444	1,136	1,355
Other Current Assets	-	-	-	-
Total Assets	70,579	73,819	74,326	77,045
Equity				
Equity Share Capital	1,237	1,237	1,237	1,237
Other Equity	55,106	59,732	61,451	63,463
Total Network	56,343	60,969	62,688	64,700
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	233	171	171	171
Other non current liabilities	536	410	410	410
Current Liabilities				
ST Debt / Current of LT Debt	3,820	2,211	2,211	2,211
Trade payables	2,886	4,442	2,961	3,292
Other current liabilities	4,329	3,124	3,384	3,747
Total Equity & Liabilities	70,579	73,819	74,326	77,045

Source: Company Data, PL Research


Cash Flow (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
PBT	6,506	10,432	7,161	8,402
Add. Depreciation	1,160	1,067	1,065	1,085
Add. Interest	365	296	217	217
Less Financial Other Income	1,800	2,466	2,600	2,700
Add. Other	(2,173)	(7,198)	(2,600)	(2,700)
Op. profit before WC changes	5,857	4,598	5,843	7,004
Net Changes-WC	(876)	1,216	(1,543)	(327)
Direct tax	(1,448)	(1,987)	(1,719)	(2,016)
Net cash from Op. activities	3,533	3,827	2,581	4,660
Capital expenditures	(864)	(1,155)	(549)	(551)
Interest / Dividend Income	707	201	2,600	2,700
Others	(673)	1,038	-	-
Net Cash from Invst. activities	(830)	83	2,051	2,149
Issue of share cap. / premium	-	-	-	-
Debt changes	(1,460)	(1,576)	-	-
Dividend paid	(928)	(1,546)	(3,723)	(4,373)
Interest paid	(345)	(298)	(217)	(217)
Others	(34)	(68)	-	-
Net cash from Fin. activities	(2,767)	(3,488)	(3,941)	(4,591)
Net change in cash	(64)	422	692	2,219
Free Cash Flow	2,670	2,672	2,033	4,109

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25	FY26E	FY27E
Per Share(Rs)				
EPS	7.7	7.8	8.8	10.3
CEPS	9.5	9.6	10.5	12.1
BVPS	91.1	98.6	101.4	104.6
FCF	4.3	4.3	3.3	6.6
DPS	3.3	3.6	5.0	5.9
Return Ratio(%)				
RoCE	8.2	6.0	6.8	8.2
ROIC	8.8	7.2	8.0	10.0
RoE	9.0	8.3	8.8	10.0
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.3)	(0.3)	(0.4)
Net Working Capital (Days)	76	63	73	70
Valuation(x)				
PER	26.5	25.9	23.1	19.7
P/B	2.2	2.1	2.0	1.9
P/CEPS	21.3	21.3	19.3	16.8
EV/EBITDA	18.8	22.1	19.3	15.7
EV/Sales	2.5	2.5	2.3	2.0
Dividend Yield (%)	1.6	1.8	2.5	2.9

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Net Revenue	8,284	10,012	11,718	10,432
YoY gr. (%)	(6.2)	(1.8)	(5.1)	(8.5)
Raw Material Expenses	5,811	6,585	7,679	7,028
Gross Profit	2,473	3,428	4,039	3,403
Margin (%)	29.9	34.2	34.5	32.6
EBITDA	106	834	1,713	936
YoY gr. (%)	(89.7)	(30.4)	(18.0)	(54.7)
Margin (%)	1.3	8.3	14.6	9.0
Depreciation / Depletion	264	273	269	266
EBIT	(159)	561	1,444	670
Margin (%)	(1.9)	5.6	12.3	6.4
Net Interest	68	100	62	55
Other Income	826	484	646	647
Profit before Tax	600	945	2,028	1,262
Margin (%)	7.2	9.4	17.3	12.1
Total Tax	213	178	586	328
Effective tax rate (%)	35.5	18.8	28.9	26.0
Profit after Tax	387	767	1,442	934
Minority interest	-	-	-	-
Share Profit from Associates	20	173	204	48
Adjusted PAT	407	940	1,646	982
YoY gr. (%)	(58.5)	(1.4)	(0.2)	(41.3)
Margin (%)	4.9	9.4	14.0	9.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	407	940	1,646	982
YoY gr. (%)	(58.5)	(1.4)	(0.2)	(41.3)
Margin (%)	4.9	9.4	14.0	9.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	407	940	1,646	982
Avg. Shares O/s (m)	618	618	618	618
EPS (Rs)	0.7	1.5	2.7	1.6

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Aug-25	Accumulate	217	197
2	02-Jul-25	Hold	222	217
3	27-May-25	Hold	213	224
4	08-Apr-25	Accumulate	202	176
5	10-Feb-25	Accumulate	229	195
6	08-Jan-25	Accumulate	270	233
7	28-Oct-24	Hold	302	284
8	08-Oct-24	Hold	288	290

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Astral Ltd.	BUY	1,503	1,269
2	Avalon Technologies	Accumulate	943	878
3	Bajaj Electricals	Accumulate	656	615
4	Cello World	BUY	678	563
5	Century Plyboard (I)	Hold	702	738
6	Cera Sanitaryware	Accumulate	7,178	6,244
7	Crompton Greaves Consumer Electricals	BUY	430	319
8	Cyient DLM	Accumulate	540	480
9	Finolex Industries	Accumulate	217	197
10	Greenpanel Industries	BUY	374	280
11	Havells India	Accumulate	1,645	1,532
12	Kajaria Ceramics	Hold	1,192	1,242
13	Kaynes Technology India	Hold	6,367	6,326
14	KEI Industries	BUY	4,527	3,970
15	Polycab India	BUY	8,091	6,926
16	R R Kabel	Accumulate	1,516	1,337
17	Supreme Industries	Hold	4,346	4,243
18	Syrma SGS Technology	Hold	705	706
19	Voltas	Hold	1,268	1,305

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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