

February 10, 2025

Q3FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

| | Current | | Previous | |
|---------------------|------------|--------|------------|--------|
| | FY26E | FY27E | FY26E | FY27E |
| Rating | ACCUMULATE | | ACCUMULATE | |
| Target Price | 229 | | 270 | |
| Sales (Rs. m) | 46,891 | 51,616 | 50,241 | 57,772 |
| % Chng. | (6.7) | (10.7) | | |
| EBITDA (Rs. m) | 6,049 | 7,123 | 6,783 | 7,857 |
| % Chng. | (10.8) | (9.3) | | |
| EPS (Rs.) | 9.1 | 10.4 | 9.5 | 11.0 |
| % Chng. | (4.8) | (4.9) | | |

Key Financials - Consolidated

| Y/e Mar | FY24 | FY25E | FY26E | FY27E |
|----------------|--------|--------|--------|--------|
| Sales (Rs. m) | 43,174 | 42,613 | 46,891 | 51,616 |
| EBITDA (Rs. m) | 5,849 | 4,547 | 6,049 | 7,123 |
| Margin (%) | 13.5 | 10.7 | 12.9 | 13.8 |
| PAT (Rs. m) | 4,733 | 4,262 | 5,604 | 6,461 |
| EPS (Rs.) | 7.7 | 6.9 | 9.1 | 10.4 |
| Gr. (%) | 101.8 | (9.9) | 31.5 | 15.3 |
| DPS (Rs.) | 3.3 | 2.4 | 3.8 | 4.4 |
| Yield (%) | 1.7 | 1.2 | 2.0 | 2.3 |
| RoE (%) | 9.0 | 7.2 | 8.8 | 9.7 |
| RoCE (%) | 8.2 | 5.5 | 7.3 | 8.5 |
| EV/Sales (x) | 2.4 | 2.3 | 2.1 | 1.8 |
| EV/EBITDA (x) | 18.0 | 21.8 | 16.0 | 13.3 |
| PE (x) | 25.5 | 28.3 | 21.5 | 18.7 |
| P/BV (x) | 2.1 | 1.9 | 1.9 | 1.8 |

Key Data

FINX.BO | FNXP IN

| | |
|---------------------|----------------------|
| 52-W High / Low | Rs.356 / Rs.193 |
| Sensex / Nifty | 77,312 / 23,382 |
| Market Cap | Rs.121bn / \$ 1,383m |
| Shares Outstanding | 620m |
| 3M Avg. Daily Value | Rs.346.04m |

Shareholding Pattern (%)

| | |
|-------------------------|-------|
| Promoter's | 52.47 |
| Foreign | 6.64 |
| Domestic Institution | 12.05 |
| Public & Others | 28.47 |
| Promoter Pledge (Rs bn) | - |

Stock Performance (%)

| | 1M | 6M | 12M |
|----------|--------|--------|--------|
| Absolute | (11.2) | (32.9) | (10.8) |
| Relative | (11.2) | (30.8) | (17.4) |

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Margin contracted, modest volume growth

Quick Pointers:

- Volume increased by 5.5% YoY in P&F segment in a seasonally weak quarter.
- P&F EBIT margin contracted by ~430bps to 3.2%.

P&F reported modest volume increase of 5.5% YoY due to weak season for agri business and delays in ADD on PVC resin prices. The company has guided single digit volume growth for FY25, which leads to high single digit volume growth in Q4FY25. The management indicated double digit volume growth for FY26, with improvement in margins as competitive prices will improve with demand and normalization in channel inventory. EBIT/kg for the P&F segment moderated at Rs3.7 with lower PVC-EDC spread at USD 517/MT and 5.1% YoY lower realization. The correction in realization was mainly due to discounts and correction in RM prices. We estimate revenue/EBITDA/adj PAT CAGR of 6.1%/6.8%/10.9% for FY24-27E with P&F volume CAGR of 7.6% and EBITDA margin of 13.8% by FY27E. We have downward revised our earnings estimates for FY26E/FY27E by 4.8%/4.9% and maintain 'Accumulate' rating with revised TP of Rs229 (Rs270 earlier), based on 20x FY27E earnings (earlier 22x) plus valued stake in the group listed entity Finolex Cables at 50% discount to consensus target market value.

Revenue declines 1.8% YoY, P&F vol increases 5.5% YoY: FNXP revenue came in at Rs 10.0bn (down 1.8% YoY, PLe: Rs 9.9bn). P&F revenue stood at Rs 9.9bn (remained flat YoY) with increase in volume by 5.5% YoY. Realizations stood at ~Rs116/kg, down by 5.1% YoY (PLe: Rs119/kg). PVC resin segment posted revenue of Rs4.1bn (up 28.7% YoY), and volume increased by +29.9% YoY to 56,830MT. External sales volume was down by 66.7% YoY and external realization was down 6.4% YoY. Gross margin contracted by 180bps YoY to 34.2% (PLe: 35.0%). EBITDA declined by 30.4% to Rs 834 (PLe: Rs1.0bn) with EBITDA margin of 8.3% (PLe: 10.1%), which contracted by ~340bps YoY due to correction in the realizations. P&F reported EBIT of Rs 321mn with EBIT margin of 3.2%. PVC resin EBIT stood at Rs392mn with EBIT margin of 9.5%. Reported PAT at Rs904mn was down by 1.4% YoY (PLe: Rs870mn).

Con call highlights: **1)** Management has revised volume growth guidance in P&F segment from 10-12% to single digit for FY25, but expects double-digit growth in FY26, driven by Jal Jeevan Mission and the Dhan Dhanya Krishi Scheme. **2)** PVC pipes volume grew by 5% YoY and CPVC by 3-4% YoY in Q3FY25. **3)** The Agri:non-agri mix for P&F stood at 67:33 in volume terms which will improve to 50:50 in next 3-4 years. The growth in the non-agri segment is driven by a stronger focus on the project business, with deeper engagement with builders and MEV consultants. **4)** The project segment currently contributes 10-15% in non-agri and is expected to grow further, while the retail segment continues to grow through network development, marketing initiatives, and retailer collaborations. **5)** In Q3, realizations were impacted by discounts offered under various quarter-end schemes. However, the company expects improved realizations in Q4. **6)** There was no inventory loss in Q3FY25 and company is not expecting in Q4FY25 as well.

7) FNXP has a capex plan of Rs1,000 mn for FY25, aimed at expanding capacity by 25,000 MT, which is expected to be operational by Q4FY25 and 25,000 MT by Q1FY26. 8) Management indicated that volumes in January remained flat, but February has shown a pickup, mainly in the agri segment and in non-agri segment company has bagged new projects.

Exhibit 1: Q3FY25 Result Overview: Sales decline 1.8% YoY, EBITDA margin at 8.3%

| Y/e March (Rs mn) | Q3FY25 | Q3FY24 | YoY gr. (%) | Q2FY25 | QoQ gr. (%) | 9MFY25 | 9MFY24 | YoY gr. (%) |
|------------------------------------|---------------|---------------|--------------|--------------|---------------|---------------|---------------|---------------|
| Net Sales | 10,012 | 10,197 | -1.8 | 8,284 | 20.9 | 29,702 | 30,820 | (3.6) |
| Expenditure | | | 100 | | | | | |
| Operating & Manufacturing Expenses | 6,585 | 6,522 | 1.0 | 5,811 | 13.3 | 19,082 | 19,630 | (2.8) |
| % of Net Sales | 65.8 | 64.0 | | 70.1 | | 64.2 | 63.7 | |
| Gross Profit | 3,428 | 3,675 | -6.7 | 2,473 | 38.6 | 10,620 | 11,190 | (5.1) |
| % of Net Sales | 34.2 | 36.0 | - | 29.9 | | 35.8 | 36.3 | |
| Personnel Cost | 570 | 526 | 8.4 | 565 | 1.0 | 1,710 | 1,547 | 10.5 |
| % of Net Sales | 5.7 | 5.2 | | 6.8 | | 5.8 | 5.0 | |
| Other Expenses | 2,023 | 1,950 | 3.8 | 1,803 | 12.2 | 5,903 | 5,889 | 0.2 |
| % of Net Sales | 20.2 | 19.1 | | 21.8 | | 19.9 | 19.1 | |
| Total Expenditure | 9,178 | 8,998 | 2.0 | 8,179 | 12.2 | 7,613 | 7,437 | 2.4 |
| EBITDA | 834 | 1,199 | -30.4 | 106 | 689.3 | 3,007 | 3,754 | (19.9) |
| Margin (%) | 8.3 | 11.8 | - | 1.3 | | 10.1 | 12.2 | |
| Other income | 484 | 351 | 37.9 | 826 | -41.4 | 1,859 | 1,367 | 36.0 |
| Depreciation | 273 | 276 | -0.9 | 264 | 3.3 | 798 | 893 | (10.7) |
| EBIT | 561 | 923 | -39.2 | (159) | -453.8 | 2,208 | 2,860 | (22.8) |
| Interest | 100 | 77 | 30.7 | 68 | 47.2 | 235 | 291 | (19.5) |
| PBT | 945 | 1,198 | -21.1 | 600 | 57.7 | 8,003 | 3,936 | 103.3 |
| Total Taxes | 178 | 361 | -50.7 | 213 | -16.4 | 1,846 | 1,131 | 63.3 |
| ETR (%) | 18.8 | 30.1 | | 35.5 | | 23.1 | 28.7 | |
| Adj. PAT | 940 | 954 | -1.4 | 407 | 131.2 | 6,157 | 2,806 | 119.5 |
| Exceptional Items | - | - | | - | | (3,336) | - | |
| Reported PAT | 940 | 954 | (1.4) | 407 | 131.2 | 3,018 | 3,087 | (2.2) |

Source: Company, PL

Exhibit 2: Segmental Breakup: P&F revenue remained flat YoY, while EBIT margin contracts by ~420bps YoY

| Y/e March (Rs mn) | Q3FY25 | Q3FY24 | YoY gr. (%) | Q2FY25 | QoQ gr. (%) | 9MFY25 | 9MFY24 | YoY gr. (%) |
|---------------------|--------|--------|-------------|--------|-------------|--------|--------|-------------|
| Revenues | | | | | | | | |
| PVC | 4,133 | 3,211 | 28.7 | 3,085 | 34.0 | 12,700 | 9,783 | 29.8 |
| PVC Pipe & Fittings | 9,927 | 9,916 | 0.1 | 8,196 | 21.1 | 29,357 | 23,324 | 25.9 |
| EBIT | | | | | | | | |
| PVC | 392 | 309 | 26.8 | 359 | 9 | 1,442 | 544 | 165.0 |
| EBIT margin (%) | 9.5 | 9.6 | | 11.6 | | 11.4 | 5.6 | |
| PVC Pipe & Fittings | 321 | 742 | (56.7) | (385) | (183) | 1,280 | 2,683 | (52.3) |
| EBIT margin (%) | 3.2 | 7.5 | (4.25) | (4.7) | | 4.4 | 11.5 | |

Source: Company, PL

Financials

Income Statement (Rs m)

| Y/e Mar | FY24 | FY25E | FY26E | FY27E |
|-------------------------------|---------------|---------------|---------------|---------------|
| Net Revenues | 43,174 | 42,613 | 46,891 | 51,616 |
| YoY gr. (%) | (1.8) | (1.3) | 10.0 | 10.1 |
| Cost of Goods Sold | 27,369 | 27,272 | 29,541 | 32,518 |
| Gross Profit | 15,805 | 15,341 | 17,350 | 19,098 |
| Margin (%) | 36.6 | 36.0 | 37.0 | 37.0 |
| Employee Cost | 2,114 | 2,314 | 2,438 | 2,632 |
| Other Expenses | 3,430 | 3,409 | 3,657 | 3,613 |
| EBITDA | 5,849 | 4,547 | 6,049 | 7,123 |
| YoY gr. (%) | 99.5 | (22.3) | 33.0 | 17.8 |
| Margin (%) | 13.5 | 10.7 | 12.9 | 13.8 |
| Depreciation and Amortization | 1,160 | 1,091 | 1,138 | 1,184 |
| EBIT | 4,688 | 3,455 | 4,911 | 5,939 |
| Margin (%) | 10.9 | 8.1 | 10.5 | 11.5 |
| Net Interest | 365 | 325 | 325 | 325 |
| Other Income | 1,800 | 2,359 | 2,450 | 2,550 |
| Profit Before Tax | 6,123 | 9,660 | 7,036 | 8,164 |
| Margin (%) | 14.2 | 22.7 | 15.0 | 15.8 |
| Total Tax | 1,773 | 2,399 | 1,770 | 2,040 |
| Effective tax rate (%) | 29.0 | 24.8 | 25.2 | 25.0 |
| Profit after tax | 4,351 | 7,261 | 5,267 | 6,124 |
| Minority interest | - | - | - | - |
| Share Profit from Associate | 382 | 337 | 337 | 337 |
| Adjusted PAT | 4,733 | 4,262 | 5,604 | 6,461 |
| YoY gr. (%) | 101.8 | (9.9) | 31.5 | 15.3 |
| Margin (%) | 11.0 | 10.0 | 12.0 | 12.5 |
| Extra Ord. Income / (Exp) | - | 3,336 | - | - |
| Reported PAT | 4,733 | 7,598 | 5,604 | 6,461 |
| YoY gr. (%) | 101.8 | 60.5 | (26.2) | 15.3 |
| Margin (%) | 11.0 | 17.8 | 12.0 | 12.5 |
| Other Comprehensive Income | - | - | - | - |
| Total Comprehensive Income | 4,733 | 7,598 | 5,604 | 6,461 |
| Equity Shares O/s (m) | 618 | 618 | 618 | 618 |
| EPS (Rs) | 7.7 | 6.9 | 9.1 | 10.4 |

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

| Y/e Mar | FY24 | FY25E | FY26E | FY27E |
|---------------------------------------|---------------|---------------|---------------|---------------|
| Non-Current Assets | | | | |
| Gross Block | 26,848 | 27,986 | 29,176 | 30,366 |
| Tangibles | 26,848 | 27,986 | 29,176 | 30,366 |
| Intangibles | - | - | - | - |
| Acc: Dep / Amortization | 16,437 | 17,528 | 18,666 | 19,851 |
| Tangibles | 16,437 | 17,528 | 18,666 | 19,851 |
| Intangibles | - | - | - | - |
| Net fixed assets | 10,411 | 10,458 | 10,510 | 10,516 |
| Tangibles | 10,411 | 10,458 | 10,510 | 10,516 |
| Intangibles | - | - | - | - |
| Capital Work In Progress | 332 | 397 | 413 | 430 |
| Goodwill | - | - | - | - |
| Non-Current Investments | 27,204 | 27,204 | 27,204 | 27,204 |
| Net Deferred tax assets | (2,120) | (2,120) | (2,120) | (2,120) |
| Other Non-Current Assets | 394 | 394 | 394 | 394 |
| Current Assets | | | | |
| Investments | 19,347 | 18,000 | 18,000 | 18,000 |
| Inventories | 7,280 | 7,040 | 7,689 | 8,464 |
| Trade receivables | 4,576 | 4,517 | 4,970 | 5,471 |
| Cash & Bank Balance | 22 | 7,206 | 9,399 | 11,972 |
| Other Current Assets | - | - | - | - |
| Total Assets | 70,579 | 76,219 | 79,661 | 83,620 |
| Equity | | | | |
| Equity Share Capital | 1,237 | 1,237 | 1,237 | 1,237 |
| Other Equity | 55,106 | 60,885 | 63,620 | 66,797 |
| Total Networkth | 56,343 | 62,122 | 64,856 | 68,034 |
| Non-Current Liabilities | | | | |
| Long Term borrowings | - | - | - | - |
| Provisions | 233 | 233 | 233 | 233 |
| Other non current liabilities | 536 | 536 | 536 | 536 |
| Current Liabilities | | | | |
| ST Debt / Current of LT Debt | 3,820 | 3,820 | 3,820 | 3,820 |
| Trade payables | 2,886 | 2,804 | 3,085 | 3,396 |
| Other current liabilities | 4,329 | 4,275 | 4,691 | 5,151 |
| Total Equity & Liabilities | 70,579 | 76,219 | 79,661 | 83,620 |

Source: Company Data, PL Research

Cash Flow (Rs m)

| Y/e Mar | FY24 | FY25E | FY26E | FY27E |
|--------------------------------------|----------------|----------------|----------------|----------------|
| PBT | 6,506 | 9,997 | 7,374 | 8,501 |
| Add. Depreciation | 1,160 | 1,091 | 1,138 | 1,184 |
| Add. Interest | 365 | 325 | 325 | 325 |
| Less Financial Other Income | 1,800 | 2,359 | 2,450 | 2,550 |
| Add. Other | (2,173) | (6,529) | (2,450) | (2,550) |
| Op. profit before WC changes | 5,857 | 4,884 | 6,386 | 7,460 |
| Net Changes-WC | (876) | 172 | (474) | (581) |
| Direct tax | (1,448) | (2,399) | (1,770) | (2,040) |
| Net cash from Op. activities | 3,533 | 2,657 | 4,143 | 4,839 |
| Capital expenditures | (799) | (1,204) | (1,206) | (1,207) |
| Interest / Dividend Income | 707 | 2,359 | 2,450 | 2,550 |
| Others | (677) | - | - | - |
| Net Cash from Inv. activities | (769) | 1,155 | 1,244 | 1,343 |
| Issue of share cap. / premium | - | - | - | - |
| Debt changes | (1,460) | - | - | - |
| Dividend paid | (928) | (1,819) | (2,870) | (3,284) |
| Interest paid | (345) | (325) | (325) | (325) |
| Others | - | - | - | - |
| Net cash from Fin. activities | (2,733) | (2,143) | (3,194) | (3,608) |
| Net change in cash | 31 | 1,668 | 2,193 | 2,573 |
| Free Cash Flow | 2,734 | 1,452 | 2,937 | 3,631 |

Source: Company Data, PL Research

Key Financial Metrics

| Y/e Mar | FY24 | FY25E | FY26E | FY27E |
|----------------------------|-------|-------|-------|-------|
| Per Share(Rs) | | | | |
| EPS | 7.7 | 6.9 | 9.1 | 10.4 |
| CEPS | 9.5 | 8.7 | 10.9 | 12.4 |
| BVPS | 91.1 | 100.5 | 104.9 | 110.0 |
| FCF | 4.4 | 2.3 | 4.7 | 5.9 |
| DPS | 3.3 | 2.4 | 3.8 | 4.4 |
| Return Ratio(%) | | | | |
| RoCE | 8.2 | 5.5 | 7.3 | 8.5 |
| ROIC | 8.8 | 6.9 | 9.2 | 11.1 |
| RoE | 9.0 | 7.2 | 8.8 | 9.7 |
| Balance Sheet | | | | |
| Net Debt : Equity (x) | (0.3) | (0.3) | (0.4) | (0.4) |
| Net Working Capital (Days) | 76 | 75 | 75 | 75 |
| Valuation(x) | | | | |
| PER | 25.5 | 28.3 | 21.5 | 18.7 |
| P/B | 2.1 | 1.9 | 1.9 | 1.8 |
| P/CEPS | 20.5 | 22.5 | 17.9 | 15.8 |
| EV/EBITDA | 18.0 | 21.8 | 16.0 | 13.3 |
| EV/Sales | 2.4 | 2.3 | 2.1 | 1.8 |
| Dividend Yield (%) | 1.7 | 1.2 | 2.0 | 2.3 |

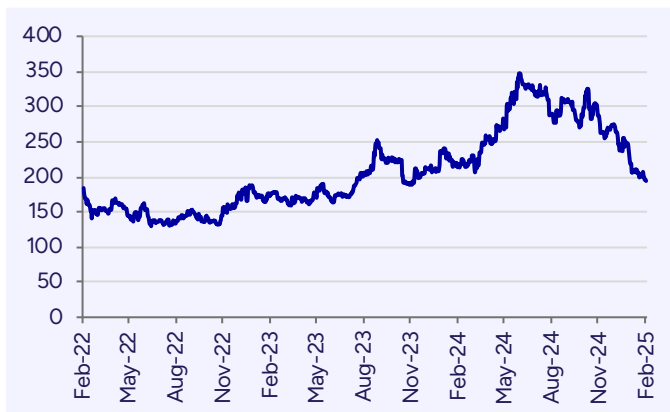
Source: Company Data, PL Research

Quarterly Financials (Rs m)

| Y/e Mar | Q4FY24 | Q1FY25 | Q2FY25 | Q3FY25 |
|-----------------------------------|---------------|---------------|--------------|---------------|
| Net Revenue | 12,354 | 11,405 | 8,284 | 10,012 |
| YoY gr. (%) | 8.3 | (3.3) | (6.2) | (1.8) |
| Raw Material Expenses | 7,739 | 6,686 | 5,811 | 6,585 |
| Gross Profit | 4,615 | 4,719 | 2,473 | 3,428 |
| Margin (%) | 37.4 | 41.4 | 29.9 | 34.2 |
| EBITDA | 2,089 | 2,067 | 106 | 834 |
| YoY gr. (%) | (3.9) | 35.5 | (89.7) | (30.4) |
| Margin (%) | 16.9 | 18.1 | 1.3 | 8.3 |
| Depreciation / Depletion | 267 | 261 | 264 | 273 |
| EBIT | 1,823 | 1,806 | (159) | 561 |
| Margin (%) | 14.8 | 15.8 | (1.9) | 5.6 |
| Net Interest | 73 | 67 | 68 | 100 |
| Other Income | 438 | 549 | 826 | 484 |
| Profit before Tax | 2,187 | 6,458 | 600 | 945 |
| Margin (%) | 17.7 | 56.6 | 7.2 | 9.4 |
| Total Tax | 639 | 1,456 | 213 | 178 |
| Effective tax rate (%) | 29.2 | 22.5 | 35.5 | 18.8 |
| Profit after Tax | 1,548 | 5,002 | 387 | 767 |
| Minority interest | - | - | - | - |
| Share Profit from Associates | 101 | 5 | 20 | 173 |
| Adjusted PAT | 1,649 | 1,671 | 407 | 940 |
| YoY gr. (%) | (1.0) | 44.9 | (58.5) | (1.4) |
| Margin (%) | 13.3 | 14.7 | 4.9 | 9.4 |
| Extra Ord. Income / (Exp) | - | - | - | - |
| Reported PAT | 1,649 | 1,671 | 407 | 940 |
| YoY gr. (%) | (1.0) | 44.9 | (58.5) | (1.4) |
| Margin (%) | 13.3 | 14.7 | 4.9 | 9.4 |
| Other Comprehensive Income | - | - | - | - |
| Total Comprehensive Income | 1,649 | 1,671 | 407 | 940 |
| Avg. Shares O/s (m) | 618 | 618 | 618 | 618 |
| EPS (Rs) | 2.7 | 2.7 | 0.7 | 1.5 |

Source: Company Data, PL Research

Price Chart



Recommendation History

| No. | Date | Rating | TP (Rs.) | Share Price (Rs.) |
|-----|-----------|------------|----------|-------------------|
| 1 | 08-Jan-25 | Accumulate | 270 | 233 |
| 2 | 28-Oct-24 | Hold | 302 | 284 |
| 3 | 08-Oct-24 | Hold | 288 | 290 |
| 4 | 29-Jul-24 | Hold | 321 | 328 |
| 5 | 07-Jul-24 | Hold | 312 | 323 |
| 6 | 13-May-24 | Hold | 270 | 271 |
| 7 | 11-Apr-24 | Hold | 251 | 259 |

Analyst Coverage Universe

| Sr. No. | Company Name | Rating | TP (Rs) | Share Price (Rs) |
|---------|---------------------------------------|------------|---------|------------------|
| 1 | Astral Ltd. | BUY | 1,808 | 1,470 |
| 2 | Avalon Technologies | BUY | 900 | 733 |
| 3 | Bajaj Electricals | Reduce | 647 | 733 |
| 4 | Century Plyboard (I) | Hold | 811 | 823 |
| 5 | Cera Sanitaryware | Hold | 7,712 | 7,188 |
| 6 | Crompton Greaves Consumer Electricals | BUY | 536 | 368 |
| 7 | Cyient DLM | BUY | 692 | 515 |
| 8 | Finolex Industries | Accumulate | 270 | 233 |
| 9 | Greenpanel Industries | Hold | 373 | 352 |
| 10 | Havells India | BUY | 1,890 | 1,578 |
| 11 | Kajaria Ceramics | BUY | 1,224 | 960 |
| 12 | Kaynes Technology India | BUY | 5,528 | 4,661 |
| 13 | KEI Industries | BUY | 5,041 | 4,128 |
| 14 | Polycab India | BUY | 8,233 | 6,251 |
| 15 | R R Kabel | BUY | 1,812 | 1,245 |
| 16 | Supreme Industries | BUY | 5,040 | 4,022 |
| 17 | Syrma SGS Technology | BUY | 629 | 505 |
| 18 | Voltas | BUY | 1,593 | 1,261 |

^a **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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