

HOLD

TP: Rs 190 | ▲ 9%

FINOLEX INDUSTRIES

| Building Materials

| 02 February 2026

Margins hold up on mix improvement and spread lag

- **FNXP trails peers on muted demand for agri pipes; rev declined ~10% YoY led by vol decline of ~14% YoY while realisations grew 5% YoY**
- **EBITDA margins (5.7pp above our estimates) a positive surprise. Margins expanded 8.4pp YoY, on an improving mix**
- **Cut FY27-28 estimates, roll forward to Dec'26 TP of Rs 190 (ascribing unchanged multiple of 22x) and limited upside. Downgrade to HOLD**

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Mixed Q3: FNXP's Q3FY26 topline was a miss, with revenues declining 10% YoY and volumes falling 14% YoY — materially below our expectations, reflecting the continued weakness in agri demand in Q3FY26. However, gross margin improved by 8.4pps to 42.6%, which led to significant growth in EBITDA (+ 48% YoY, beating our estimate by ~34%), on account of a favourable product mix (higher mix of non-agri pipes) and structural cost advantages (70-75% of resin consumption is backwardly integrated). APAT went up 24.7% YoY to Rs 1.16bn.

Underperformance vs peers indicate continued market share loss: FNXP continued to underperform peers on volume growth in Q3FY26 (SI: +16.2%; APOLP: -5.9%; FNXP: -14.3%), indicating the ongoing market share loss, largely led by agri pipes. However, profitability improved meaningfully, with blended EBITDA per unit rising to Rs 16.7/kg in Q3FY26 (vs Rs 9.7/kg in Q3FY25), supported by higher non-agri contribution (38% of volumes), improved pricing discipline and benefits of backward integration. Net cash position improved sequentially to Rs 24.3bn, as of Dec'25, while channel inventory remained below normal levels, with the early signs of restocking visible in Jan'26.

PVC resin prices bottoming out: Management believes that PVC prices have bottomed out and guided for a flattish-to-marginal volume growth in FY26, while maintaining EBITDA margins in the 10-12% range. Capex is estimated to be Rs 1-1.5bn in FY26.

Revise estimates, downgrade to HOLD: We downgrade the stock to HOLD on a limited upside and restricted re-rating potential. We align our Q4 volume assumptions with management's flattish growth guidance, while upgrading FY26E EBITDA on an improving gross margin profile that is driven by product mix. We trim FY27-28E assumptions to reflect a continued market share loss in the core business. Rolling forward to Dec'27E EPS and valuing at an unchanged 22x, we arrive at a TP of Rs 190.

Key changes

Target	Rating
▼	▼

Ticker/Price	FNXP IN/Rs 175
Market cap	US\$ 1.2bn
Free float	48%
3M ADV	US\$ 1.1mn
52wk high/low	Rs 238/Rs 154
Promoter/FPI/DII	52%/6%/12%

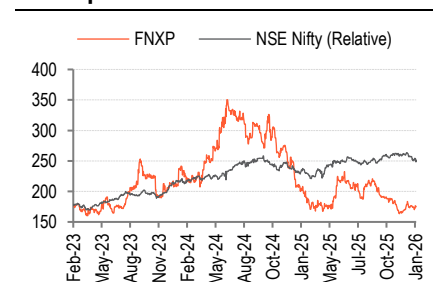
Source: NSE | Price as of 2 Feb 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	41,420	40,688	47,533
EBITDA (Rs mn)	4,758	5,104	5,687
Adj. net profit (Rs mn)	4,802	5,033	5,116
Adj. EPS (Rs)	7.8	8.1	8.3
Consensus EPS (Rs)	7.8	8.1	9.8
Adj. ROAE (%)	8.2	8.1	7.9
Adj. P/E (x)	22.5	21.5	21.1
EV/EBITDA (x)	18.6	17.0	15.1
Adj. EPS growth (%)	1.0	4.8	1.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly performance - Consolidated

Particulars	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	9MFY26	9MFY25	YoY (%)	BOBCAPS Q3FY26E	Q3FY26
Revenue	8,977	10,012	(10.3)	8,587	4.5	27,996	29,702	(5.7)	11,459	8,977
RM	5,149	6,585	(21.8)	4,922	4.6	17,100	19,082	(10.4)		5,149
Gross Profit	3,827	3,428	11.7	3,665	4.4	10,896	10,620	2.6		3,827
Employee	703	570	23.3	520	35.1	1,806	1,710	5.6		703
Others	1,894	2,023	(6.4)	1,843	2.7	5,621	5,903	(4.8)		1,894
EBITDA	1,231	834	47.5	1,302	(5.4)	3,468	3,007	15.4	918	1,231
D&A	265	273	(3.0)	274	(3.5)	805	798	0.9		265
EBIT	966	561	72.1	1,027	(6.0)	2,663	2,208	20.6		966
Interest cost	30	100	(69.8)	43	(29.8)	128	235	(45.3)		30
Int. & other income	634	657	(3.5)	677	(6.3)	2,006	2,057	(2.5)		634
PBT	1,570	1,118	40.4	1,661	(5.5)	4,540	4,031	12.6		1,570
Tax	409	178	130.0	425	(3.9)	1,162	1,846	(37.0)		409
PAT	1,161	940	23.5	1,236	(6.1)	3,378	2,184	54.6		1,161
Adj. PAT	1,161	931	24.7	1,236	(6.1)	3,327	3,009	10.6	941	1,161
As % of net revenues			chg (bps)		chg (bps)			chg (bps)		
Gross margin	42.6	34.2	840	42.7	(4)	38.9	35.8	316		
Employee	7.8	5.7	214	6.1	177	6.5	5.8	69		
Others	21.1	20.2	89	21.5	(37)	20.1	19.9	20		
EBITDA margin	13.7	8.3	538	15.2	(145)	12.4	10.1	227		
Tax rate	26.0	15.9	1,015	25.6	44	25.6	45.8	(2,021)		
APAT margin	12.9	9.3	363	14.4	(146)	11.9	10.1	175		

Source: Company, BOBCAPS Research

Fig 2 – Key operating metrics

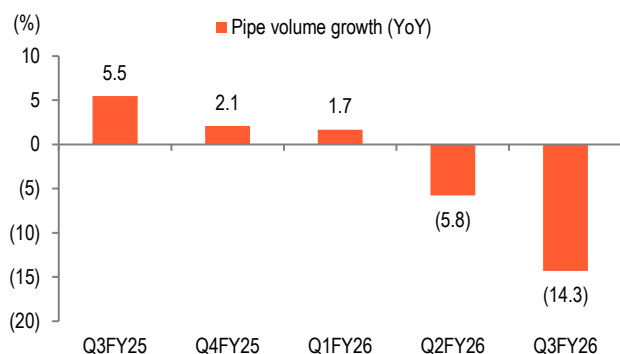
Particulars	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	9MFY26	9MFY25	YoY (%)
Pipe sales volume (kt)	74	86	(14.3)	65	12.5	231	246	(6.0)
Pipe sales realisation (Rs/kg)	122	116	5.5	131	(7.1)	121	121	0.3
Blended EBITDA per unit (Rs/kg)	16.7	9.7	72.1	19.9	(15.9)	15.0	12.2	22.7

Source: Company, BOBCAPS Research

Earnings Call Highlights

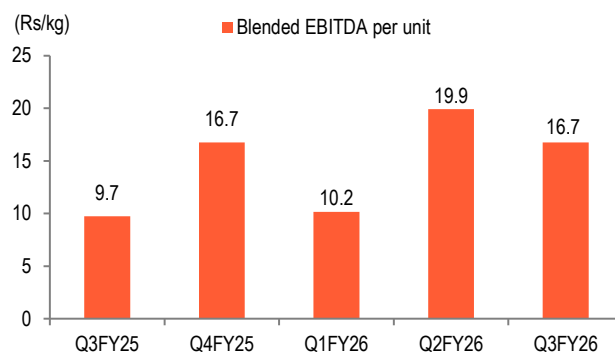
- **Demand Scenario:** Q3FY26 saw muted demand due to extended monsoons. Management noted that Q4 historically witnesses a seasonal pickup across the industry and expects the trend to continue. Jan'26 showed a good traction with improving sentiment post the price increases.
- **PVC resin price outlook:** PVC prices have hit low levels of ~USD 600-620/MT in Q3FY26 amid a volatile geopolitical scenario, but improved 8-9% by Dec'25-end to USD 650-660/MT with a positive outlook for Q4 stabilization or slight uptick. Management believes PVC has bottomed, citing global capacity rationalisation (western plant shutdowns, similar trends emerging in China) and China's recent changes to export incentive structures. Outlook is cautiously positive for price stabilisation.
- **Guidance:** For FY26, management guided for flattish-to-marginal volume growth YoY, with Q4 expected to be stronger sequentially. On margins, management aims to broadly maintain current EBITDA margin levels at 10-12% over near-to-medium term.
- **Pipe:** Sales volume declined by 14.3% YoY in Q3FY26, with weakness largely attributable to agri demand and weather-related disruptions. CPVC share accounted for 8% of the total sales volume in Q3FY26. Non-agri products accounted for a higher share vs that in previous quarter, supporting better realisations. Agri vs non-agri mix stood at 62:38 in Q3FY26, with management reiterating its strategic intent to gradually increase non-agri contribution over time.
- **Fittings:** Stood at 12% of the total sales volume in Q3FY26.
- **Margins:** EBITDA margin expanded by 538 bps to 13.7% in Q3FY26, driven by a combination of improved net realisations (+5.5%YoY in Q3FY26) and structural cost advantages from backward integration. Management explained that despite a decline in PVC-EDC spreads, the lag in raw material pricing, in-house resin sourcing (65-80% of requirement), and pricing discipline — enabled margin expansion.
- **Capex:** FY26 capex planned at Rs 1-1.5bn, consistent with historical Rs 1-2bn annual run-rate. FNXP recently added 50ktpa and discussions are underway for further 50-80ktpa addition by FY27; contingent on demand visibility.
- **Net cash:** balance has risen from Rs23.6bn in Sep'25 to Rs24.3bn in Sep'25. Management indicated that Board discussions are ongoing for utilisation, potentially for dividends/buybacks.
- **Channel Inventory:** Channel inventory remained below normal through most of Q3FY26. However, management observed gradual inventory rebuilding in Jan'26, following PVC price increases and improved sentiment, though inventory levels are still not back to optimal levels.

Fig 3 – FNXP pipe volume de-grew by 14.3% YoY in Q3FY26, due to extended monsoon



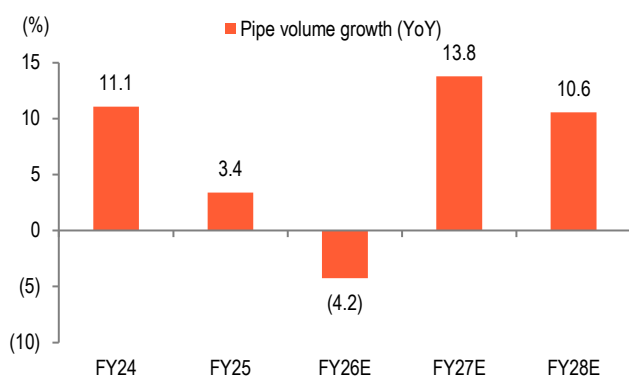
Source: Company, BOBCAPS Research

Fig 4 – FNXP blended EBITDA per unit improved sharply in Q3FY26, due to high share of plumbing pipe revenue



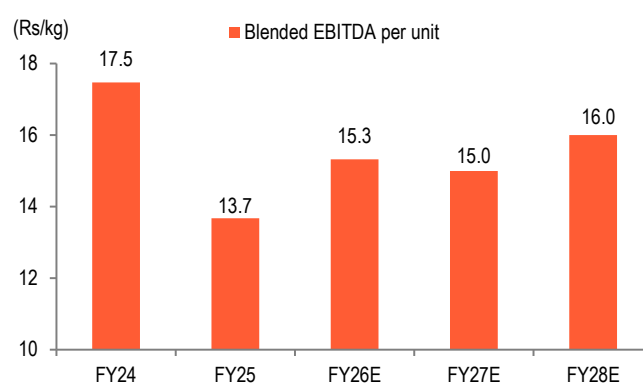
Source: Company, BOBCAPS Research

Fig 5 – FNXP pipe volume is projected to grow at 6.4% CAGR over FY25-FY28E



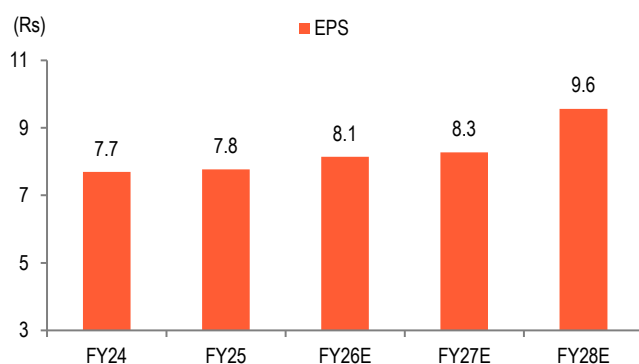
Source: Company, BOBCAPS Research

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



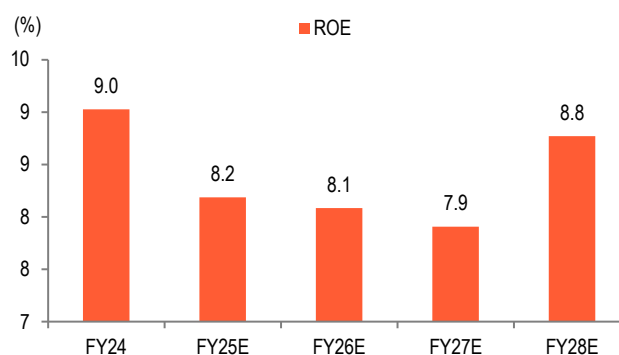
Source: Company, BOBCAPS Research

Fig 7 – EPS to grow at a healthy 7.2% CAGR over FY25-FY28E over a weak base



Source: Company, BOBCAPS Research

Fig 8 – FNXP return ratio profile to remain weak over FY26E-FY28E, on poor capital allocation



Source: Company, BOBCAPS Research

Valuation Methodology

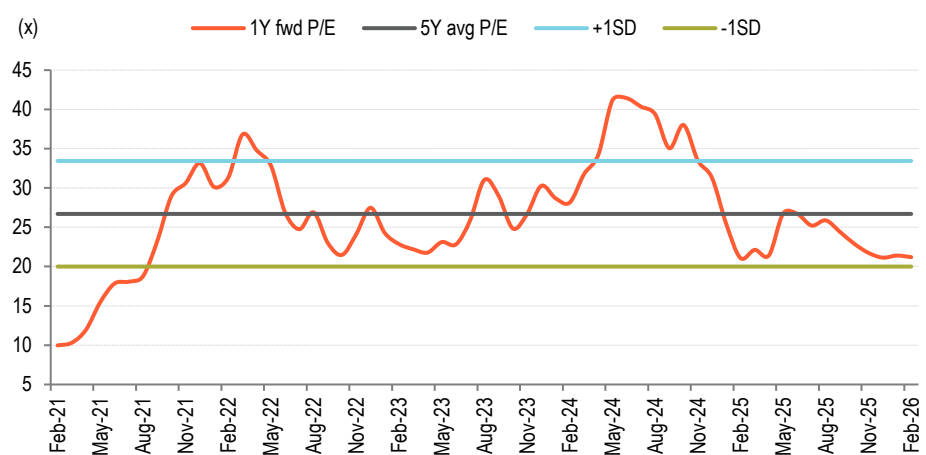
We downgrade the stock to HOLD on limited upside and restricted re-rating potential. We align our Q4 volume assumptions with management's flatish growth guidance, while upgrading FY26E EBITDA on an improving gross margin profile, driven by product mix. We trim FY27–28E assumptions to reflect continued market share loss in the core business. Rolling forward to Dec-27E EPS and valuing at an unchanged 22x, we arrive at a TP of Rs 190.

Fig 9 – Revised estimates

Consolidated (Rs bn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	40.7	47.5	53.6	44.5	51.4	57.0	(8.6)	(7.5)	(6.0)
EBITDA	5.1	5.7	6.7	4.8	6.3	7.8	5.4	(9.6)	(14.1)
EBITDA margin	12.5	12.0	12.5	10.9	12.3	13.7	167	(29)	(118)
Adjusted PAT	5.0	5.1	5.9	4.8	5.5	6.7	3.8	(7.0)	(11.7)
Adjusted EPS	8.1	8.3	9.6	7.8	8.9	10.8	3.8	(7.0)	(11.7)

Source: BOBCAPS Research

Fig 10 – Trading at 21.2x 1YF P/E vs 5Y average of 25.0x



Source: Bloomberg, BOBCAPS Research

Fig 11 – Key assumptions

Particulars (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Pipes volume growth	11.1	3.4	(4.2)	13.8	10.6
Pipe realisation growth	(8.4)	(5.2)	3.5	2.7	2.0
Blended EBITDA per unit (Rs/kg)	17.5	13.7	15.3	15.0	16.0

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	43,174	41,420	40,688	47,533	53,600
EBITDA	5,882	4,758	5,104	5,687	6,706
Depreciation	1,160	1,067	1,050	1,124	1,198
EBIT	4,721	3,691	4,055	4,563	5,508
Net interest inc./(exp.)	(365)	(296)	(159)	(121)	(121)
Other inc./(exp.)	1,800	2,466	2,395	2,195	2,316
Exceptional items	33	0	0	0	0
EBT	6,123	5,861	6,291	6,637	7,703
Income taxes	1,770	2,432	1,719	1,721	1,989
Extraordinary items	0	(4,170)	0	0	0
Min. int./Inc. from assoc.	382	402	461	200	200
Reported net profit	4,736	8,000	5,033	5,116	5,914
Adjustments	21	(3,198)	0	0	0
Adjusted net profit	4,757	4,802	5,033	5,116	5,914

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	2,886	4,442	4,363	5,097	5,748
Other current liabilities	4,285	3,026	3,026	3,026	3,026
Provisions	45	99	97	113	128
Debt funds	3,820	2,211	2,211	2,211	2,211
Other liabilities	3,201	3,074	3,074	3,074	3,074
Equity capital	1,237	1,237	1,237	1,237	1,237
Reserves & surplus	55,106	59,732	62,291	64,625	67,757
Shareholders' fund	56,343	60,969	63,528	65,862	68,993
Total liab. and equities	70,579	73,819	76,298	79,382	83,179
Cash and cash eq.	22,465	22,694	24,837	24,653	25,699
Accounts receivables	4,576	3,793	3,726	4,352	4,908
Inventories	7,280	7,824	7,285	8,977	10,304
Other current assets	798	448	440	514	579
Investments	23,711	27,656	27,656	27,656	27,656
Net fixed assets	10,411	9,871	10,821	11,697	12,499
CWIP	189	732	732	732	732
Intangible assets	143	213	213	213	213
Deferred tax assets, net	215	51	51	51	51
Other assets	791	539	539	539	539
Total assets	70,579	73,819	76,298	79,382	83,179

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	4,385	3,958	4,380	2,524	3,634
Capital expenditures	(817)	(1,140)	(2,000)	(2,000)	(2,000)
Change in investments	(4,454)	(3,945)	0	0	0
Other investing cash flows	1,767	6,636	2,395	2,195	2,316
Cash flow from investing	(3,505)	1,551	395	195	316
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(1,445)	(1,609)	0	0	0
Interest expenses	(1,546)	(2,226)	(2,473)	(2,783)	(2,783)
Dividends paid	(365)	(296)	(159)	(121)	(121)
Other financing cash flows	4,122	(1,148)	0	0	0
Cash flow from financing	767	(5,279)	(2,632)	(2,903)	(2,903)
Chg in cash & cash eq.	1,647	229	2,143	(185)	1,046
Closing cash & cash eq.	22,465	22,694	24,837	24,653	25,699

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	7.7	12.9	8.1	8.3	9.6
Adjusted EPS	7.7	7.8	8.1	8.3	9.6
Dividend per share	2.5	3.6	4.0	4.5	4.5
Book value per share	91.1	98.6	102.7	106.5	111.6

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	2.1	2.1	2.1	1.8	1.6
EV/EBITDA	15.5	18.6	17.0	15.1	12.7
Adjusted P/E	22.7	22.5	21.5	21.1	18.3
P/BV	1.9	1.8	1.7	1.6	1.6

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	77.7	81.9	80.0	77.1	76.8
Interest burden (PBT/EBIT)	129.7	158.8	155.2	145.5	139.8
EBIT margin (EBIT/Revenue)	10.9	8.9	10.0	9.6	10.3
Asset turnover (Rev./Avg TA)	61.2	56.1	53.3	59.9	64.4
Leverage (Avg TA/Avg Equity)	1.3	1.3	1.2	1.2	1.2
Adjusted ROAE	9.0	8.2	8.1	7.9	8.8

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	(1.8)	(4.1)	(1.8)	16.8	12.8
EBITDA	80.9	(19.1)	7.3	11.4	17.9
Adjusted EPS	83.0	1.0	4.8	1.7	15.6

Profitability & Return ratios (%)

EBITDA margin	13.6	11.5	12.5	12.0	12.5
EBIT margin	10.9	8.9	10.0	9.6	10.3
Adjusted profit margin	11.0	11.6	12.4	10.8	11.0
Adjusted ROAE	9.0	8.2	8.1	7.9	8.8
ROCE	10.8	9.7	9.8	9.9	11.0

Working capital days (days)

Receivables	39	33	33	33	33
Inventory	62	69	65	69	70
Payables	24	39	39	39	39

Ratios (x)

Gross asset turnover	1.6	1.5	1.4	1.6	1.7
Current ratio	3.2	3.6	3.7	3.7	3.7
Net interest coverage ratio	13.0	12.5	25.6	37.8	45.6
Adjusted debt/equity	(0.3)	(0.3)	(0.4)	(0.3)	(0.3)

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

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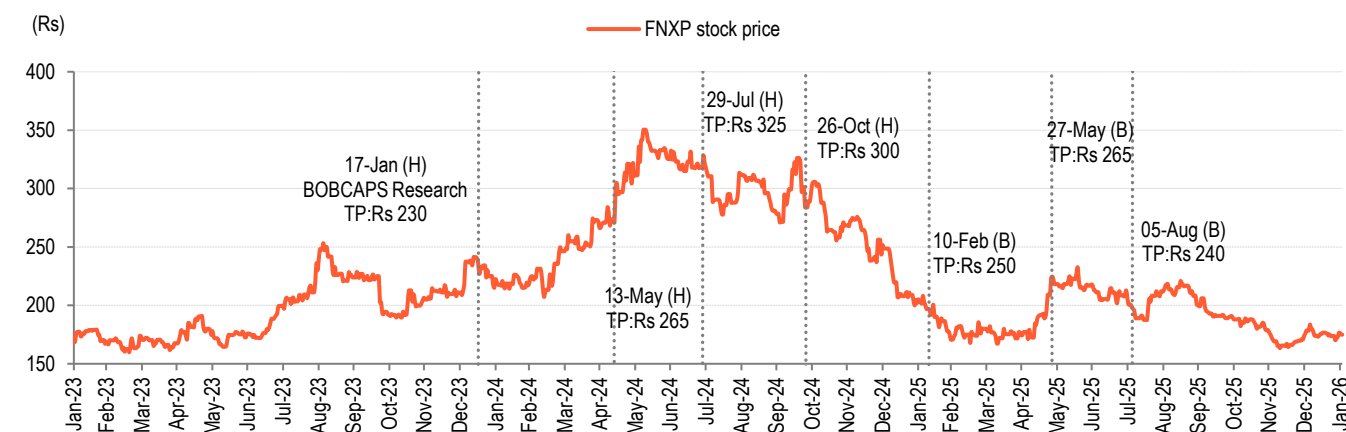
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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



B - Buy, H - Hold, S - Sell, A - Add, R - Reduce

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