

ASTRAL LTD

RESULT UPDATE

KEY DATA

Rating	HOLD
Sector relative	Neutral
Price (INR)	1,269
12 month price target (INR)	1,403
52 Week High/Low	2,040/1,232
Market cap (INR bn/USD bn)	341/3.9
Free float (%)	4,574.0
Avg. daily value traded (INR mn)	1,265.3

SHAREHOLDING PATTERN

	Jun-25	Mar-25	Dec-24
Promoter	54.10%	54.10%	54.10%
FII	20.15%	20.17%	21.07%
DII	14.71%	14.60%	13.76%
Pledge	0%	0%	0%

FINANCIALS

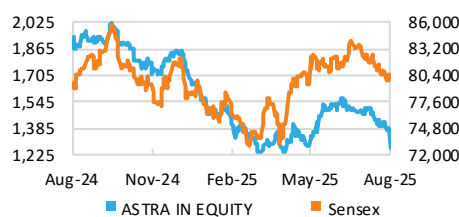
(INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	58,324	65,891	73,883	83,117
EBITDA	9,459	10,648	12,207	14,093
Adjusted profit	5,269	5,898	7,159	8,665
Diluted EPS (INR)	19.6	22.0	26.7	32.3
EPS growth (%)	(3.9)	11.9	21.4	21.0
RoAE (%)	15.5	15.2	16.0	16.7
P/E (x)	64.7	57.8	47.6	39.3
EV/EBITDA (x)	50.8	44.6	38.2	32.4
Dividend yield (%)	0.2	0.2	0.2	0.3

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	65,891	73,883	-4	-7
EBITDA	10,648	12,207	-5	-7
Adjusted profit	5,898	7,159	-9	-9
Diluted EPS (INR)	22	26.7	-9	-9

PRICE PERFORMANCE



Q1FY26 a miss; CPVC resin capacity key

Astral reported a weak set of Q1FY26 results with flat volumes YoY and pipes' EBITDA margin at 16.4% and EBITDA/kg at INR28 impacted by inventory loss to the tune of INR250mn. Management reaffirmed the double-digit volume growth guidance with 16–18% piping margins on the back of pre-Diwali demand pickup, PVC prices bottoming out and likely ADD implementation. Furthermore, management expects the recent foray into CPVC resin manufacturing to aid margin expansion and reduce inventory level.

The subdued results force us to cut FY26E, FY27E and FY28E EPS by 9% each. Retain 'HOLD' with a revised TP of INR1,403 as we roll forward 50x PE to Q1FY28E while awaiting meaningful demand recovery.

Plumbing – Weak demand hits volume, and inventory loss margins

Astral's pipes revenue fell 2% YoY to INR13.6bn held back by a 7% YoY fall (estimate: -2%) in realisation and flat YoY volume (estimate: +5%) hurt by demand slowdown, the early onset of monsoon and subdued government spending. After four straight quarters of stable EBITDA margins in the piping division, margins dropped 150bp YoY to 16.4% due to inventory losses of INR250mn impacted by lower PVC as well as CPVC resin prices. The Kanpur plant is expected to commence production in Q3FY26E with tanks and PVC products. The bathware division reported 27% YoY growth in revenue. July volumes jumped 30% YoY on a low base. Management said they are willing to sacrifice 100–200bp of margin to drive volumes once demand picks up.

Adhesive and paints business growth revival underway

Astral's adhesives and paint revenue grew 10% YoY (down 10% QoQ). Resinova/Seal IT revenue rose 10%/7% YoY to INR 2.63bn/964mn with Seal IT margin up 290bp YoY to 5.4% and Resinova margin down 200bp YoY to 14%. The paints division posted INR501mn in revenue (+19% YoY) with an EBITDA margin of 1.4%. A new head has been appointed for the UK business, which would revive growth, and management remains confident of 20%+ paint growth following the launch of 'Astral' Paints.

CPVC manufacturing foray — A bid to improve margins

Astral has forayed into CPVC resin manufacturing investing INR1.2bn in Nexelon Chem post three years of R&D to ensure lowest capex and lowest manufacturing cost per MT under their new technology. The investment is expected to be carried out in a phased manner over the next 12 months. The company plans to start commercial production of CPVC resins by Q2FY27E with capacity of 40,000MT. Astral envisages to expand margins as well as reduce inventory level of CPVC resins from 90 days to 15 days, saving INR1bn against a total investment of INR1.2bn.

Financials

Year to March	Q1FY26	Q1FY25	% Change	Q4FY25	% Change
Net Revenue	13,612	13,836	(1.6)	16,814	(19.0)
EBITDA	1,849	2,144	(13.8)	3,019	(38.8)
Adjusted Profit	792	1,195	(33.7)	1,780	(55.5)
Diluted EPS (INR)	0.0	0.0		0.0	

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	58,324	65,891	73,883	83,117
Gross profit	23,132	24,511	27,922	31,944
Employee costs	5,179	5,956	6,849	7,877
Other expenses	8,494	7,907	8,866	9,974
EBITDA	9,459	10,648	12,207	14,093
Depreciation	2,434	2,857	2,946	2,996
Less: Interest expense	333	297	252	252
Add: Other income	413	475	665	864
Profit before tax	7,105	7,970	9,674	11,710
Prov for tax	1,836	2,072	2,515	3,045
Less: Other adj	0	0	0	0
Reported profit	5,269	5,898	7,159	8,665
Less: Excp.item (net)	0	0	0	0
Adjusted profit	5,269	5,898	7,159	8,665
Diluted shares o/s	269	269	269	269
Adjusted diluted EPS	19.6	22.0	26.7	32.3
DPS (INR)	1.9	2.2	2.7	3.2
Tax rate (%)	25.8	26.0	26.0	26.0

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Pipes vol growth %	3.4	12.0	12.0	12.0
Pipes realisation gth. %	(4.6)	0	(1.0)	0
Adhesives value gth. %	9.1	14.1	13.6	12.1
EBITDA margin (%)	16.2	16.2	16.5	17.0
Net profit margin (%)	9.0	9.0	9.7	10.4
Revenue growth (% YoY)	3.4	13.0	12.1	12.5
EBITDA growth (% YoY)	3.0	12.6	14.6	15.5
Adj. profit growth (%)	(3.9)	11.9	21.4	21.0

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	6.0	6.0	7.0	7.0
Repo rate (%)	6.5	5.8	5.0	5.0
USD/INR (average)	84.4	86.5	85.0	85.0
Pipes value growth %	(1.4)	12.0	10.9	12.0
EBITDA margin	16.2	16.2	16.5	17.0
Pipes EBITDA/kg	34,893.7	32,963.7	33,040.5	34,036.6
EBITDA growth %	3.0	12.6	14.6	15.5
Adj profit growth %	0	0	0	0

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	64.7	57.8	47.6	39.3
Price/BV (x)	9.4	8.2	7.1	6.1
EV/EBITDA (x)	50.8	44.6	38.2	32.4
Dividend yield (%)	0.2	0.2	0.2	0.3

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	269	269	269	269
Reserves	35,901	41,209	47,652	55,450
Shareholders funds	36,170	41,478	47,921	55,719
Minority interest	757	757	757	757
Borrowings	1,439	839	839	839
Trade payables	8,589	9,440	8,375	7,984
Other liabs & prov	2,303	2,303	2,303	2,303
Total liabilities	50,560	56,119	61,497	68,904
Net block	21,421	21,564	20,118	17,622
Intangible assets	4,304	4,304	4,304	4,304
Capital WIP	1,160	1,160	1,160	1,160
Total fixed assets	26,885	27,028	25,582	23,086
Non current inv	0	0	0	0
Cash/cash equivalent	6,083	10,849	19,584	28,911
Sundry debtors	4,353	4,254	4,787	5,377
Loans & advances	0	0	0	0
Other assets	11,065	12,016	9,574	9,560
Total assets	50,560	56,119	61,497	68,904

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	5,269	5,898	7,159	8,665
Add: Depreciation	2,434	2,857	2,946	2,996
Interest (net of tax)	0	0	0	0
Others	(1,445)	0	0	0
Less: Changes in WC	(1,718)	1	846	(968)
Operating cash flow	2,839	8,756	10,951	10,694
Less: Capex	(5,448)	(3,000)	(1,500)	(500)
Free cash flow	(2,609)	5,756	9,451	10,194

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	15.5	15.2	16.0	16.7
RoCE (%)	20.7	20.3	21.4	22.4
Inventory days	100	93	78	61
Receivable days	25	24	22	22
Payable days	90	80	71	58
Working cap (% sales)	7.6	6.7	4.9	5.5
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(0.1)	(0.2)	(0.4)	(0.5)
Interest coverage (x)	21.1	26.3	36.8	44.1

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	(3.9)	11.9	21.4	21.0
RoE (%)	15.5	15.2	16.0	16.7
EBITDA growth (%)	3.0	12.6	14.6	15.5
Payout ratio (%)	9.8	10.0	10.0	10.0

Q1FY26 conference call highlights

Opening remarks

- Volumes remained flat due to subdued demand, early onset of monsoon and low government spending. Volumes are expected to improve, with the company maintaining the double-digit growth guidance.
- Both volume and value growth should benefit from the impending ADD implementation. The Kanpur plant will commence commercial production in Q3, starting with tank and PVC products.
- OPVC products have now stabilised with all approvals in place; the company expects healthy orders from this segment.
- The company is working on several high-tech systems for the future.
- The Hyderabad facility has stabilised, and good volumes are expected going forward.
- Bathware continues to see strong traction, with 27% growth in Q1FY26. The company is introducing new, high-quality products in the segment.
- **Adhesives:**
 - India business grew 9%, with July margins nearing 15–16%.
 - UK business grew 7%, with a 5% EBITDA margin. A new head has been appointed for the UK business.
- Paints have grown over 20% for the first time post-acquisition, driven by the launch of Astral Paints.
- The biggest reason for EBITDA margin erosion was inventory losses of INR250mn. Q1 is typically PVC-heavy for Astral due to higher agri sales. Excluding inventory losses, EBITDA margins have been stable.

Demand

- PAN-India demand recovery is still patchy, with some geographies yet to pick up.
- September is expected to be strong post-festivities; home décor activity typically starts 1–1.5 months before Diwali (mid-Oct).
- CPVC prices have fallen sharply; no uniform data exists as manufacturers quote varying rates, leading to a steep drop in realizations.

Nixelon Chem (CPVC)

- The company has been conducting R&D for three years.
- Plans to set up 40,000 tons of capacity at a cost of INR1.5bn with Astral contributing INR1.2bn.
- Astral has been compounding CPVC since 2016; this resin manufacturing is the next step in backward integration. The move to compounding earlier helped lift EBITDA margins from 12.68% in FY16 to 15.39% in FY18 and 16.46% in FY19.
- Management considers this a game-changing decision.
- The primary driver is quality control, as many suppliers have been delivering subpar raw material.

- A narrower price gap between CPVC and PVC encourages substitution, boosting CPVC demand. Astral should be a major beneficiary with its own CPVC resin plant.
- EBITDA margins for the plant are expected to be in the 20–25% range.
- Currently, Astral holds three months of CPVC resin inventory due to imports. Once the plant starts, working capital tied in inventory will be released as the resin plant will be near the piping facility.
- Margin expansion is possible, but the extent retained versus passed to customers shall depend on market conditions.
- While 40,000MT is not enough to meet full requirements, it is a good starting point; the balance will be sourced from the Japanese partner.
- R&D spends have been INR30–40mn to set up a pilot plant, which produced 100kg/day.

Raw material procurement

- The company is confident of using various PVC and chlorine grades, backed by three years of R&D.
- Liquid chlorine is currently in surplus and easily available in Gujarat.
- Presently sourcing from Sekisui and DCW; post-plant, the company will evaluate if 40,000 MT suffices for its piping capacity.
- CPVC plants take time to stabilise due to the process's volatility.
- A 20% technical partner (an Indian company) will invest its own capital.
- Project yield details are confidential and not being disclosed.

Financials

- Double-digit growth means anything above 10%.
- Key growth drivers include:
 - Pickup in government spending
 - Implementation of ADD
 - Recovery in building materials demand
- Capex of INR500mn incurred in Q1FY26; full-year target of INR3bn.
- INR1.2bn to be spent over the next 12 months.
- Employee costs are elevated as a % of sales due to stagnant realisations and hiring for new businesses; this should normalise as new businesses contribute meaningfully.
- Brands are being consolidated across categories to reduce brand spends.
- Adhesives have been under the 'bond tight' brand, paints and pipes are under the 'Astral' brand. As sales increase, spends should be controlled.

Piping

- Historically, volumes have been lower than Supreme's as Astral has limited exposure to JJM and does not manufacture HDPE pipes.
- July saw ~30% volume growth, though this may vary through the quarter. Despite the low base, July's growth looks strong.
- PVC capacity in India is set to increase substantially with additions from Adani and RIL.
- Hyderabad building is complete; machines will be added as needed.
- Potential to add 25,000 tons capacity in Kanpur.
- Targeting 16–18% margins in piping for FY26.
- Willing to sacrifice 1–2% margin for higher volumes if demand is strong, but the focus remains on volume growth rather than aggressive price cuts.
- Expecting minimum double-digit volume growth over the next five years.

Adhesives

- UK adhesives business has historically had 8–10% margins; expects to revert to normal levels this year.
- Margins were under pressure due to low revenue growth, but current gross profit margins are the highest in the last four years.
- Sandeep Engineer was absent from the call, as he was briefing the new UK adhesives head.
- INR15bn spent on capex in the last two years remains underutilized due to industry headwinds and PVC price volatility; with capex tapering, RoEs should improve.
- The company will be taking 100% control of the UK business.

Guidance

- Maintaining double-digit volume growth target.
- Piping margins expected at 16–18% for FY26.

Paints

- Backend work and strategy are now in place; confident of 20%+ growth following Astral Paints' introduction.
- One competitor's actions have created market issues, leading to margin pressure in the industry.
- The company has entered Gujarat, Rajasthan, Maharashtra and some parts of MP too.

Miscellaneous

- Al Aziz business caters to clean water, wastewater supply and gas pipes.
- Bathware is present in several thousand outlets across India; East India is yet to ramp up. Once North, West and South stabilize, manpower will be deployed in the East.

Exhibit 1: Financial snapshot (INR mn)

Year to March	Q1FY26	Q1FY25	% change	Q4FY25	% change
Revenues	13,612	13,836	(1.6)	16,814	(19.0)
Raw material	8,251	8,226	0.3	10,188	(19.0)
Staff costs	1,419	1,267	12.0	1,331	6.6
Others	2,093	2,199	(4.8)	2,276	(8.0)
Total expenditure	11,763	11,692	0.6	13,795	(14.7)
EBITDA	1,849	2,144	(13.8)	3,019	(38.8)
Depreciation	719	556	29.3	648	11.0
EBIT	1,130	1,588	(28.8)	2,371	(52.3)
Less: Interest Expense	79	77	2.6	81	(2.5)
Add: Other income	47	119	(60.5)	88	(46.6)
Profit Before Tax	1,098	1,630	(32.6)	2,378	(53.8)
Less: Provision for Tax	306	436	(29.8)	583	(47.5)
Add: Exceptional items	0	0		0	
Less: Minority Interest	-19	-9	NA	-12	58.3
Add: Share of profit from associates	0	0		-1	
Reported Profit	811	1,203	(32.6)	1,808	
Adjusted net profit	811	1,203	(32.6)	1,808	(55.1)
No. of Diluted shares outstanding (mn)	269	269		269	
Adjusted Diluted EPS	3.0	4.5	(32.6)	6.7	(55.1)
Tax rate (%)	28%	27%		25%	
As % of net revenues					
Raw material	60.6	59.5		60.6	
Staff expenses	10.4	9.2		7.9	
Other expenses	15.4	15.9		13.5	
EBITDA	13.6	15.5	(1.91)	18.0	(4.37)
Net profit	6.0	8.7		10.8	

Source: Company, Nuvama Research

Exhibit 2: Segmental snapshot

Year to March	Q1FY26	Q1FY25	% change	Q4FY25	% change
Plumping (Pipes, fittings, water tanks, faucets and sanitary ware)					
Revenues (INR Mn)	9,539.0	10,132.0	(5.9)	12,266.0	(22.2)
EBITDA (INR Mn)	1,565.0	1,817.0	(13.9)	2,504.0	(37.5)
EBITDA Margins (%)	16.4	17.9	(152.7)	20.4	(400.8)
Sales Volumes (MT)	56,074.0	55,810.0	0.5	67,692.0	(17.2)
Adhesives and paints (Resinova + Seal IT + Gem Paints)					
Revenues (INR Mn)	4,073.0	3,704.0	10.0	4,548.0	(10.4)
EBITDA (INR Mn)	507.1	488.0	3.9	633.1	(19.9)
EBITDA Margins (%)	12.5	13.2	(72.5)	13.9	(147.0)

Source: Company, Nuvama Research

Company Description

Astral, headquartered in Ahmedabad, is a prominent manufacturer and distributor of building materials, specialising in pipes, adhesives, bathware and paints. Established in 1996 by Mr Sandeep Engineer, the company initially focused on chlorinated polyvinyl chloride (CPVC) pipes, becoming the first in India to introduce industrial CPVC piping systems by licensing technology from Lubrizol. Over time, Astral diversified its product portfolio to include PVC and CPVC pipes for plumbing, drainage, agriculture, and industrial applications.

Astral operates multiple manufacturing facilities across India, including Gujarat, Tamil Nadu, Rajasthan, Maharashtra, Uttarakhand and Odisha, with a combined production capacity of over 512,582MTPA for pipes and water tanks as of March 2025. The company maintains an extensive distribution network, comprising over 3,303-plus distributors and 229,000-plus dealers, ensuring a robust market presence.

Investment Theme

Astral (APTL) is a leading player in fast-growing CPVC pipes category (20–21% CAGR over FY19–24). The company is youngest of the lot in the pipes industry and boasts a strong brand (highest brand spend among peers) and distribution. With growth as its key driving force, APTL has been able to identify categories wherein it can create new markets (such as CPVC pipes), gain market share in a well-penetrated industry such as adhesives, and foray into products such as DWC with huge growth potential. All in all, APTL, with in a PAT CAGR of 32% (FY16–21), has strong cash flow and a debt-free balance sheet. Strong growth defends its expensive valuation, and we believe that APTL will continue to command a premium valuation (presently ~40% above industry average).

Key Risks

Slowdown in real estate sector: Astral continues to be a prominent player interlinked to the real estate segment and exposed to the cyclicity of the real estate sector. With any slowdown in the housing segment, Astral shall face some aberration in its earnings.

High competitive intensity: With supply outpacing demand, there can be high competition among players. This shall threaten Astral's market share.

Polymer price volatility: Astral is a converter of the CPVC compound. As the polymer compound is a global commodity, it can be hurt by any disruption in supply or price fluctuation. With high levels of imports, the Government of India may resort to various strategies such as anti-dumping duty (ADD) to safeguard stakeholders. However, this shall disrupt prices of the commodity.

Market share loss: With high competitive intensity in the plastic pipes sector, Astral may be staring at a market share loss due to the nature of the market.

Slower-than-expected ramp-up of non-pipes business: Astral has been a leading player in the plastic pipes segment and continues to enjoy 9% market share; however, diversification into non-pipe segments such as bathware and adhesives does pose a risk to the ramp-up story in these untested markets.

Additional Data

Management

Chairman & MD	Sandeep Engineer
WTD & CFO	Hiranand Savlani
WTD	Kairav Engineer
WTD	Saumya Engineer
Auditor	S R B C & CO LLP

Holdings – Top 10*

	% Holding		% Holding
Black Rock	2.36	T Rowe Price Gr	0.81
UTI AMC	2.06	Morgan Stanley	0.60
Vanguard group	1.89	Nordea Bank Abp	0.57
Nippon Life	1.41	PGIM Asset Mgmt	0.50
Axis AMC	1.25	Kotak Mahindra	0.50

*Latest public data

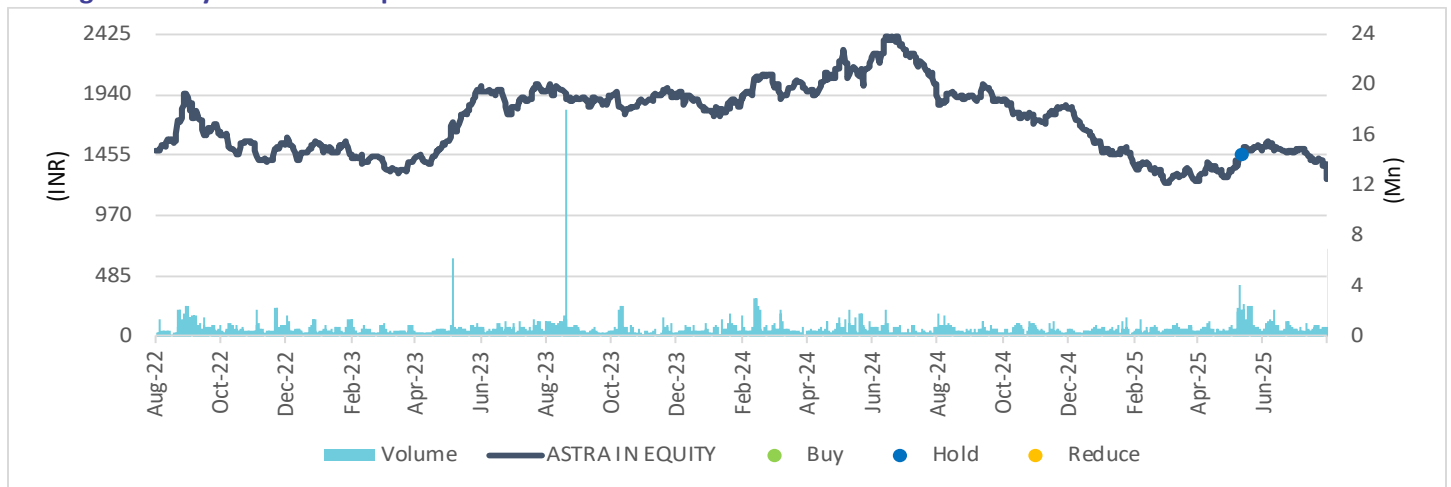
Recent Company Research

Date	Title	Price	Reco
23-May-25	Margins and volumes steady; <i>Result Update</i>	1,457	Hold

Recent Sector Research

Date	Name of Co./Sector	Title
11-Aug-25	Greenlam Industries	Cost surge axes earnings; <i>Result Update</i>
08-Aug-25	Century Plyboards	Volumes shine; margin uptick likely; <i>Result Update</i>
08-Aug-25	Century Plyboards	Volumes shine; uptick in margin likely; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	198
Hold	<15% and >-5%	70
Reduce	<-5%	36

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