Astral | ADD

Strengthening core, expanding horizons

Dharmesh Shah
dharmesh.shah@jmfl.com | Tel: (91 22) 66303541
Shouvik Chakraborty
shouvik.chakraborty@jmfl.com | Tel: (91 22) 66301692

Astral Ltd (Astral) has established itself as a leading building materials company, anchored by its CPVC leadership in pipes (~70–75% of revenue) and complemented by adjacencies businesses. The company continues to strengthen its CPVC franchise through backward integration into resin (40ktpa by 2QFY27), which should enhance supply security, support margins, and competitiveness. Beyond pipes, adhesives (22–23% of revenue) deliver healthy growth in India, while corrective measures are underway in the UK operations. Lower utilisation in bathware and intense competition in paints remain a challenge in the near term. With 18% EPS CAGR over FY25-28E and limited capex commitments, Astral is poised to generate ~INR 19bn FCF in FY25–28E (2x prior 4 years), enabling net cash to rise ~4x to INR 21bn by FY28E. Accordingly, it provides scope for incremental growth investments or higher shareholder returns. We initiate coverage with an ADD rating and a TP of INR 1,600 (55x Sep'27E EPS, ~10% below the 5-year average owing to higher competitive intensity). Key risks: Rising CPVC competition and execution challenges in resin manufacturing.

- **Strengthening position in CPVC segment with backward integration:** Astral has consistently stayed ahead in CPVC by proactively addressing supply risks and protecting margins. After pioneering CPVC pipes in India via its Lubrizol JV, it shifted to in-house compounding in FY16, lifting pipe segment margins from ~12-13% to a sustainable 16–18%. With competition rising, the company is now backward integrating into CPVC resin (40ktpa capacity, targeted for 2QFY27) at a capex of INR 1.5bn, which should secure supply, lower working capital, and create margin headroom.

- **One-stop building materials play:** Astral has evolved into a diversified building materials platform across pipes, bathware & sanitaryware, adhesives, and paints. Plumbing remains the core growth driver (~70-75% of revenue), underpinned by CPVC leadership, while bathware is targeted to scale to INR 5bn in revenue in the medium term. Adhesives (22-23% of revenue) continue to deliver healthy growth in India (with ~17% margin), though UK operations remain a drag, with corrective steps underway. In paints (~3% of revenue), competitive intensity weighs on margins. Leveraging strong brand equity and distribution, Astral is expanding its growth canvas through targeted adjacencies.

- **FCF generation to continue; net cash position to strengthen:** With minimal capex planned over the next 2–3 years, Astral is poised to generate strong FCF of ~INR 19bn in FY25–28E—nearly 2x the prior 4 years. Having already invested ~INR 19bn in FY21–25 and guiding only ~INR 3bn in FY26, net cash is set to rise ~4x to ~INR 21bn by FY28E. Return ratios should expand 250–300bps to ~17% by FY28E. The company has gradually increased dividend payout (~20% in FY25 vs. 10% in FY20). Improving liquidity position provides scope for incremental growth investments or higher shareholder returns.

- **Initiate with ADD and a target price of INR 1,600:** We value Astral at 55x Sep'27E EPS (~10% below 5-year average) and initiate with ADD with a TP of INR 1,600, supported by 13%/ 18% revenue/ PAT CAGR over FY25-28E.

Recommendation and Price Target	
Current Reco.	ADD
Previous Reco.	NA
Current Price Target (12M)	1,600
Upside/(Downside)	13.8%
Previous Price Target	NA
Change	NA

Key Data – ASTRA IN	
Current Market Price	INR1,406
Market cap (bn)	INR377.7/US$4.3
Free Float	46%
Shares in issue (mn)	268.6
Diluted share (mn)	268.6
3-mon avg daily val (mn)	INR1,198.2/US$13.5
52-week range	2,040/1,232
Sensex/Nifty	81,160/24,891
INR/US$	88.7

Price Performance

%	1M	6M	12M
Absolute	-0.6	9.1	-30.6
Relative*	-1.1	3.9	-26.6

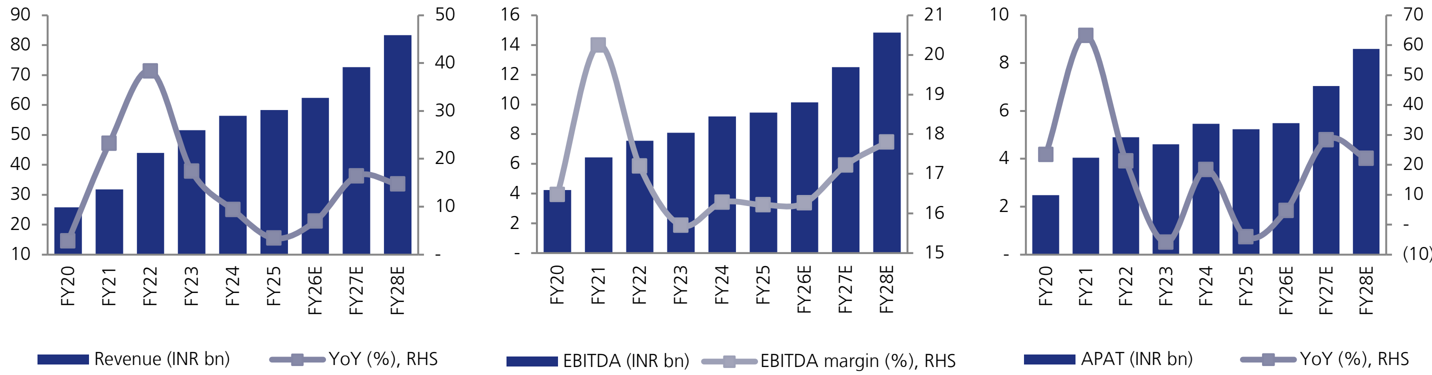
* To the BSE Sensex

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	56,414	58,324	62,386	72,620	83,285
Sales Growth (%)	9.4	3.4	7.0	16.4	14.7
EBITDA	9,183	9,459	10,147	12,506	14,823
EBITDA Margin (%)	16.3	16.2	16.3	17.2	17.8
Adjusted Net Profit	5,461	5,238	5,485	7,036	8,592
Diluted EPS (INR)	20.3	19.5	20.4	26.2	32.0
Diluted EPS Growth (%)	22.6	-4.1	4.7	28.3	22.1
ROIC (%)	21.0	17.3	16.3	20.3	24.6
ROE (%)	18.5	15.4	14.3	16.1	17.1
P/E (x)	69.2	72.1	68.9	53.7	44.0
P/B (x)	11.8	10.4	9.3	8.1	7.0
EV/EBITDA (x)	40.7	39.6	36.6	29.3	24.2
Dividend Yield (%)	0.3	0.3	0.3	0.3	0.3

Source: Company data, JM Financial. Note: Valuations as of 25/Sep/2025

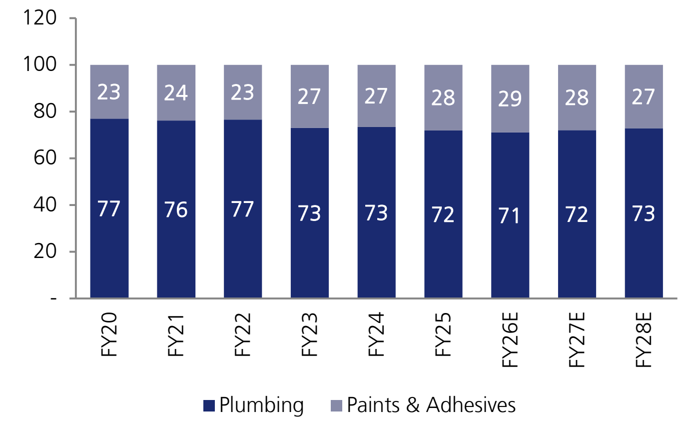
Story in Charts

Exhibit 1. We estimate Revenue/ EBITDA/ Adj. PAT to grow at 13%/ 16%/ 18% over FY25-28E



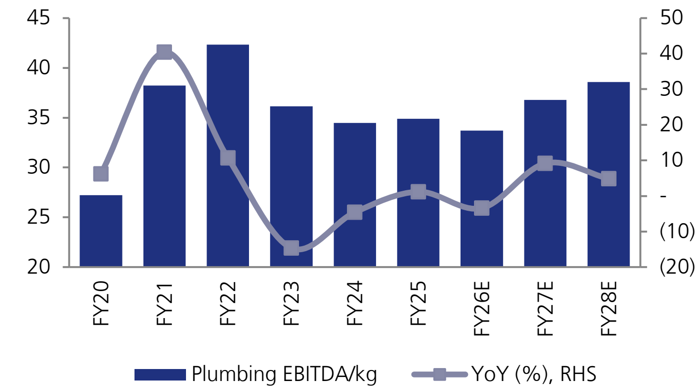
Source: Company, JM Financial

Exhibit 2. Revenue mix – Plumbing to remain the major contributor



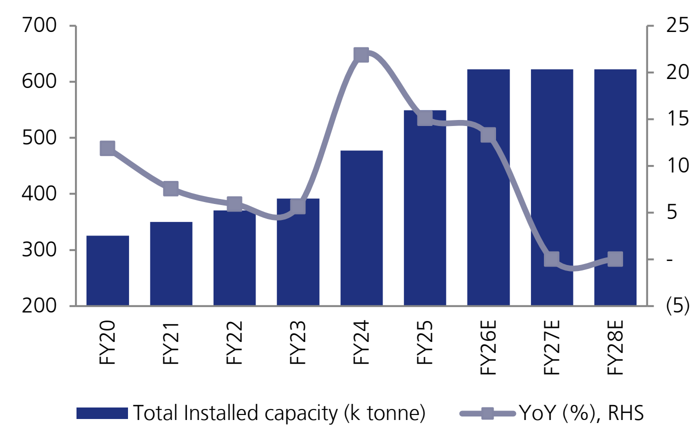
Source: Company, JM Financial

Exhibit 3. Plumbing EBITDA/kg to grow at ~3% CAGR over FY25-28E



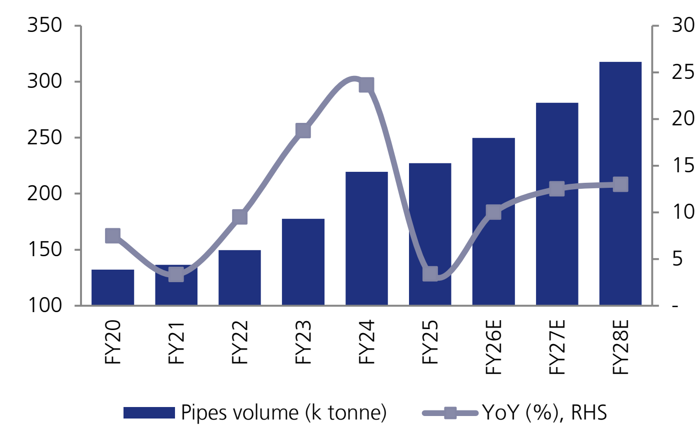
Source: Company, JM Financial

Exhibit 4. Total installed capacity to rise at ~4% CAGR over FY25-28E…



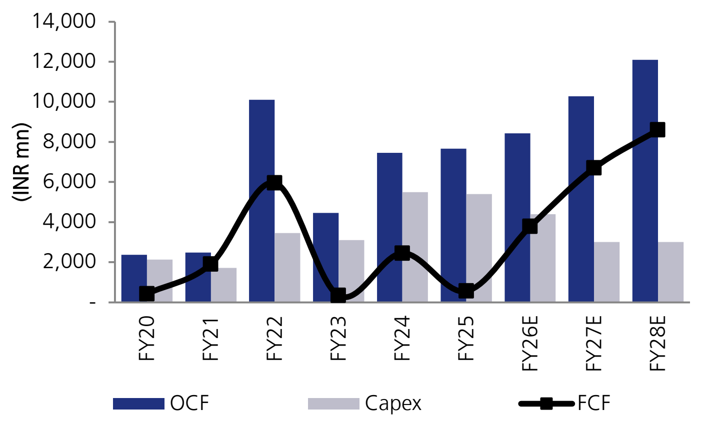
Source: Company, JM Financial

Exhibit 5. …while pipes volume is likely to grow at 12% CAGR over FY25-28E



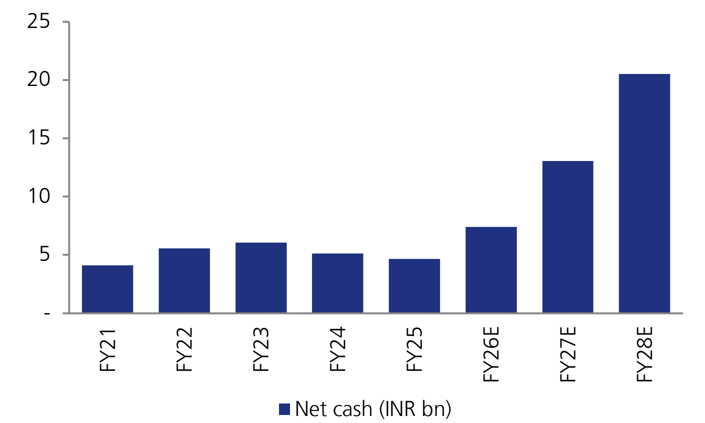
Source: Company, JM Financial

Exhibit 6. FCF generation to remain strong with limited capex



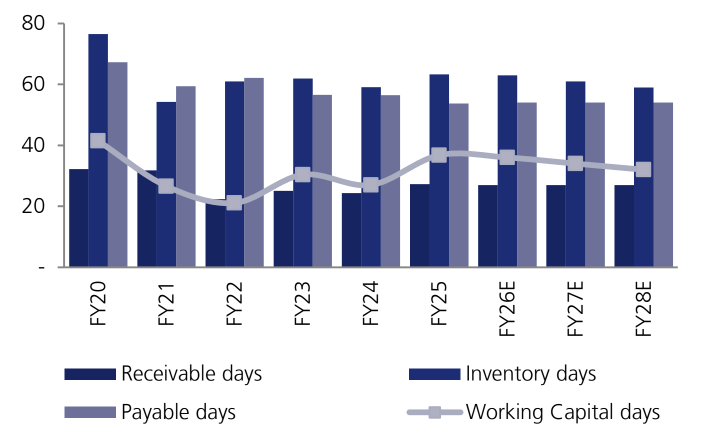
Source: Company, JM Financial

Exhibit 7. Net cash position to improve sharply by FY28E



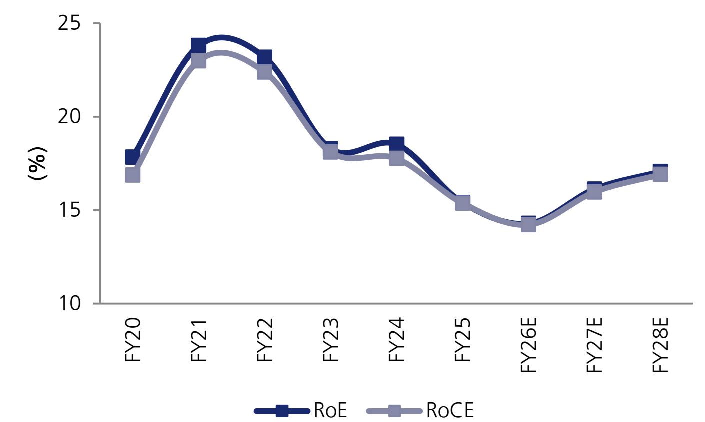
Source: Company, JM Financial

Exhibit 8. Working capital likely to be stable



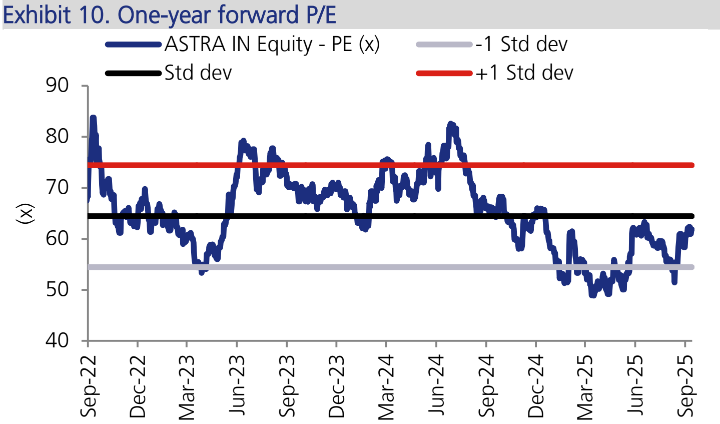
Source: Company, JM Financial

Exhibit 9. Return ratios to improve by 250-300bps over FY25-28E



Source: Company, JM Financial

Exhibit 10. One-year forward P/E



Source: Bloomberg, JM Financial

Exhibit 11. Initiate with ADD with TP of INR 1,600 on 55x Sep'27 P/E

P/E Method	
Sep'27E EPS (INR)	29
P/E multiple (x)	55
Target Price (INR)	**1,600**
CMP (INR)	1,406
Upside (%)	13.8

Source: JM Financial

Investment thesis

- **Strengthening position in CPVC segment with backward integration:** Astral has consistently stayed ahead in CPVC by proactively addressing supply risks and protecting margins. After pioneering CPVC pipes in India via its Lubrizol JV, it shifted to in-house compounding in FY16, lifting pipe segment margins from ~12-13% to a sustainable 16–18%. With competition rising, the company is now backward integrating into CPVC resin (40ktpa capacity, targeted for 2QFY27) at a capex of INR 1.5bn, which should secure supply, lower working capital, and create margin headroom.
- **One-stop building materials play:** Astral has evolved into a diversified building materials platform across pipes, bathware & sanitaryware, adhesives, and paints. Plumbing remains the core growth driver (~70-75% of revenue), underpinned by CPVC leadership, while bathware is targeted to scale to INR 5bn in revenue in the medium term. Adhesives (22-23% of revenue) continue to deliver healthy growth in India (with ~17% margin), though UK operations remain a drag, with corrective steps underway. In paints (~3% of revenue), competitive intensity weighs on margins. Leveraging strong brand equity and distribution, Astral is expanding its growth canvas through targeted adjacencies.
- **FCF generation to continue; net cash position to strengthen:** With minimal capex planned over the next 2–3 years, Astral is poised to generate strong FCF of ~INR 19bn in FY25–28E—nearly 2x the prior 4 years. Having already invested ~INR 19bn in FY21–25 and guiding only ~INR 3bn in FY26, net cash is set to rise ~4x to ~INR 21bn by FY28E. Return ratios should expand 250–300bps to ~17% by FY28E. The company has gradually increased dividend payout (~20% in FY25 vs. 10% in FY20). Improving liquidity position provides scope for incremental growth investments or higher shareholder returns.
- **Key risks:**

  - Rising competitive intensity in CPVC pipes: Heightened competition could drive pricing pressure, margin compression, or market share loss. However, Astral's backward integration into CPVC compounding and its established pricing premium provide some cushion, in our view.

  - Execution risk in CPVC resin manufacturing: Any delay in commissioning the upcoming CPVC resin facility could result in cost overruns and defer expected integration benefits.

  - Slower ramp-up in adjacencies: Incremental capital allocation towards non-pipes business (especially paints and sanitaryware) — segments that are currently margin/ RoCE dilutive — poses a risk if scale-up is slower than anticipated.
- **Initiate with ADD and a target price of INR 1,600**: We value Astral at 55x Sep'27E EPS (~10% below 5-year average) and initiate with ADD with a TP of INR 1,600, supported by 13%/ 18% revenue/ PAT CAGR over FY25-28E

Exhibit 12. Initiate with ADD with TP of INR 1,600 on 55x Sep'27 P/E

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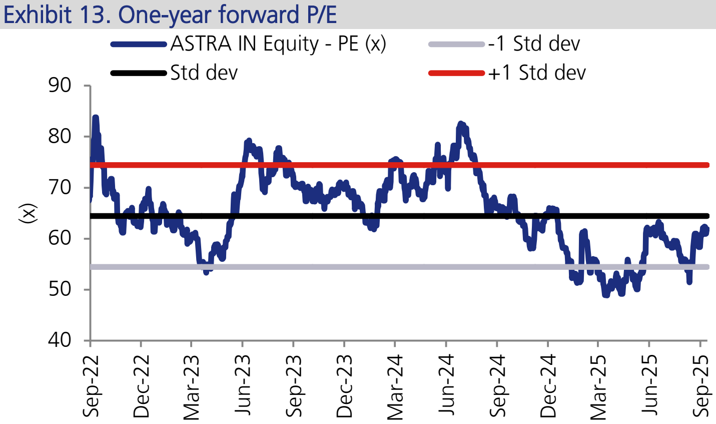
Upside (%)	13.8

Source: JM Financial

Exhibit 13. One-year forward P/E



Source: Bloomberg, JM Financial

Exhibit 14. Key assumptions

									CAGR (%)	
Key Assumptions	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	FY20-25	FY25-28E
Operational Metrics											
Total											
Capacity (kt)	326	350	371	392	477	549	622	622	622	11.0	4.2
Realisation (INR/kg)	195	233	294	290	257	257	250	258	262	5.7	0.7
EBITDA/kg (INR/kg)	**32**	**47**	**50**	**46**	**42**	**42**	**41**	**45**	**47**	**5.3**	**3.9**
Plumbing											
Capacity (kt)	239	258	275	290	334	382	455	455	455	9.9	6.0
Volume (kt)	132	137	150	178	220	227	250	281	318	11.4	11.8
Utilisation (%)	55	53	54	61	66	59	55	62	70		
Realisation (INR/kg)	150	177	225	212	189	185	177	186	191	4.3	1.1
EBITDA/kg (INR/kg)	**27**	**38**	**42**	**36**	**34**	**35**	**34**	**37**	**39**	**5.1**	**3.4**
P&L (INR bn)											
Revenue	26	32	44	52	56	58	62	73	83	17.7	12.6
EBITDA	4	6	8	8	9	9	10	13	15	17.4	16.2
Adj. PAT	**2**	**4**	**5**	**4**	**5**	**5**	**5**	**7**	**9**	**16.1**	**17.9**
Balance Sheet (INR bn)											
Equity	15	19	23	27	32	36	41	47	54		
Net Cash	**0**	**4**	**6**	**6**	**5**	**5**	**7**	**13**	**21**		
Cash Flow (INR bn)											
OCF before NWC change	2	2	10	4	7	8	8	10	12		
Change in NWC	0	1	(1)	(1)	1	(2)	(0)	(1)	(1)		
Capex	(2)	(2)	(3)	(3)	(6)	(5)	(4)	(3)	(3)		
FCF	**0**	**2**	**6**	**0**	**2**	**1**	**4**	**7**	**9**		
Return Ratios (%)											
RoE	17.8	23.8	22.9	17.6	18.5	15.4	14.3	16.1	17.1		
RoCE	16.9	23.0	22.4	18.1	17.8	15.4	14.2	16.0	16.9		
RoIC	**17.3**	**25.9**	**27.7**	**22.5**	**20.6**	**17.1**	**16.0**	**19.9**	**24.1**		
Valuations (x)											
P/E							**68.9**	**53.7**	**44.0**		
EV/EBITDA							36.5	29.2	24.1		

Source: JM Financial

Strengthening position in CPVC segment with backward integration

Astral has consistently demonstrated its ability to stay ahead in CPVC by proactively addressing supply risks and protecting profitability. Having pioneered CPVC pipes in India through its Lubrizol JV, the company de-risked operations by shifting to in-house compounding in FY16, which lifted pipe segment margins from ~12% to a sustainable 16–18%. With competition intensifying in the segment, Astral is now undertaking backward integration into CPVC resin (40ktpa capacity initially, commercialisation by 2QFY27), aimed at securing supply, reducing working capital, and creating margin headroom. We believe this strategic move further strengthens Astral's supply chain control, cost competitiveness, and market leadership in CPVC pipes.

From dependency to self-reliance in CPVC

Competition in the CPVC segment has intensified with global suppliers partnering multiple pipe manufacturers and domestic resin capacity currently under development. In response, Astral has, over the past 2–3 years, been working on in-house manufacturing of CPVC resin — a critical raw material for its core pipes business. This move is aimed at securing supply, enhancing cost control, and protecting margins amid rising competitive intensity.

In Aug'25, Astral announced a plan to manufacture CPVC resin through Nexelon Chem Pvt Ltd, where it will hold 80% equity stake alongside a domestic technical partner (20% stake). The project entails 40ktpa capacity initially with an investment outlay of INR 1.5bn, of which Astral will contribute INR 1.2bn. Commercial production is targeted for 2QFY27, with full benefits expected from FY28 onwards. Importantly, the initial capacity will be used entirely for captive consumption, ensuring flexibility compounding grades and reducing raw material inventory (currently ~90 days, equivalent to INR 1.2bn–1.3bn).

Besides supply assurance, backward integration offers meaningful financial levers. With existing CPVC resin manufacturers generating 20–25% EBITDA margin, Astral stands to create margin headroom to offset any deflationary pressure from higher competition. Additionally, this initiative should unlock working capital efficiency and improve delivery timelines, thereby aiding market share gains.

Overall, we view Astral's backward integration into CPVC resin as a structurally positive step that strengthens supply chain security, enhances cost competitiveness, and underpins a sustained margin improvement trajectory.

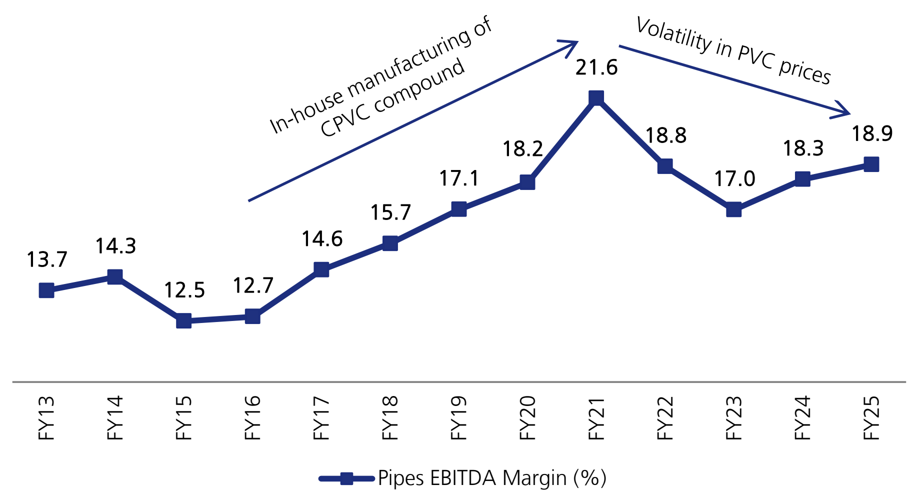
Proven track record - execution still a monitorable

Astral has been the pioneer of CPVC pipes in India, with its early-2000s joint venture with Lubrizol providing access to FlowGuard and BlazeMaster plumbing portfolios as well as Lubrizol's CPVC compound. While this partnership ensured consistent product quality, Astral's complete reliance on Lubrizol for compound procurement created vendor dependency and exposed it to potential supply disruptions and input cost pressure.

To mitigate these risks, Astral terminated its agreement with Lubrizol in FY16 and transitioned to in-house CPVC compounding. This strategic shift enhanced control over production processes, secured supply chain stability, and materially improved cost efficiency. As a result, Astral's pipes segment EBITDA margin expanded from ~12-13% historically to a sustainable 16–18%, while reinforcing its volume leadership.

Notably, Lubrizol's subsequent alliances with other players have failed to replicate Astral's success, underscoring its first-mover advantage, superior execution, and entrenched market position in CPVC pipes.

Exhibit 15. Margin expansion was driven by in-house manufacturing of CPVC compound



Source: Company, JM Financial

Exhibit 16. Proven execution to introduce a variety of products/innovations

Year	Product / Innovations	Significance
1998	First CPVC piping system in India	Pioneered hot & cold water CPVC pipes in India.
2004	Lead-free uPVC piping system (for cold potable water)	First in India; safer water by avoiding lead contamination
2007	NSF approval for CPVC piping system	International quality certification; enhanced credibility
2012	Lead-free uPVC Column Pipes	For submersible pumps; ensured purity in water supply
2015	Astral Silencio (low-noise drainage piping system)	Noise-reducing drainage solution for modern plumbing
2016	CPVC PRO (with Astral's own CPVC compound)	Better quality control, durability, and performance
2020	Anti-viral water tanks with copper shield	Innovation for safer, hygienic water storage
2021	Water Tanks, Underground SWR, Industrial Ball Valves	Expansion into multiple new piping and valve categories
2022-2024	Astral Paints, PTMT range, Bathware & Sanitaryware expansion	Diversification beyond pipes into paints, bathware, sanitaryware; widened footprint.

Source: Company, JM Financial

One-stop building materials play

Astral has evolved into a diversified building materials platform spanning pipes, bathware and sanitaryware, adhesives & sealants, and paints. Its plumbing business remains the core growth driver, backed by CPVC leadership and rising penetration. The first goal is to achieve revenue of INR 5bn in the bathware and sanitaryware segment in the medium term. Adhesives continue to perform well in India (14% growth, ~ 17% margins in FY25), though UK operations (~5–6% of revenue) remain a drag; corrective steps and new leadership aim to restore operations. In paints, intense competition will keep pressurising margins. With targeted adjacencies, Astral is expanding its growth canvas leveraging its brand equity and distribution strength.

Diversification into adjacencies expands growth canvas

Astral pioneered CPVC piping systems in India, being the first to secure a licence in 1998 and subsequently introducing CPVC fittings in 2001 — moves that entrenched its brand as synonymous with CPVC. Over the years, the company has strategically diversified beyond its core pipes business to expand its addressable market and today operates across five key segments: pipes, water tanks, adhesives & sealants, bathware, and paints.

The company has adopted a dual approach of acquisitions and internal development to build this portfolio. In FY14, Astral strengthened its adhesives business through the acquisitions of Seal IT (UK) and Resinova Chemie (India), broadening its product range and gaining access to international markets. In Apr'22, it entered the paints segment with the acquisition of Gem Paints, followed by the launch of Astral Paints in 2024. The company has also expanded into water tanks and bathware, further diversifying its offerings within building materials. Most recently, Astral acquired Al-Aziz Plastics Pvt Ltd, a manufacturer of electrofusion fittings for water, gas, and fuel applications — a niche value-added category where Astral previously lacked presence.

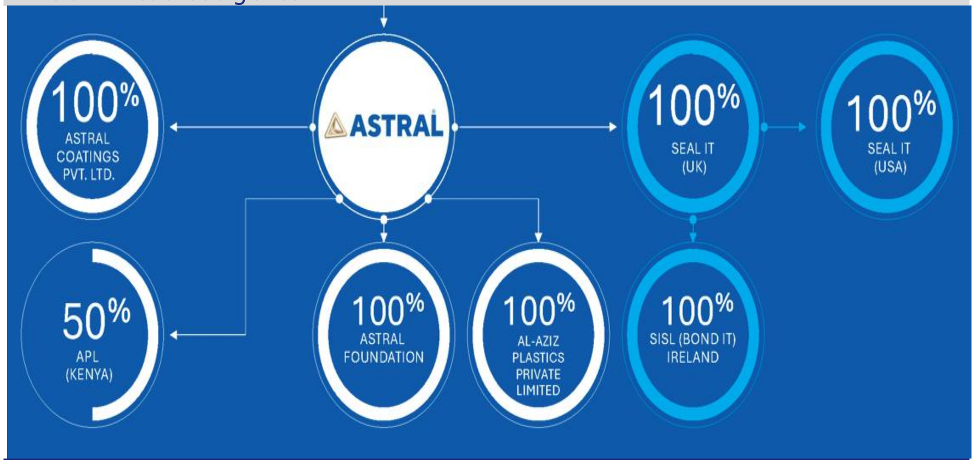
Through this systematic expansion, Astral has evolved from a piping specialist into a diversified building materials platform, positioning it to capture growth opportunities across multiple adjacencies.

Exhibit 17. Segment diversification through key M&As

Year	Segment	Acquired company	Cost (INR mn)	Description
2014-25	Sealants, Adhesives	Seal IT UK	968	2014: Acquired 80% equity stake for INR 440mn 2022: Acquired 15% stake for INR 480mn 2025: Acquired remaining 5% stake for INR 47.5mn
2014	Adhesives	Resinova Chemie	2,870	Acquired 76% equity stake for INR 2,128mn in FY15 and remaining 24% for INR 700mn in FY16
2016	Silicon tapes	Rowe Industries, US	220	Seal IT UK (100% subsidiary) acquired Silicon tape business of Rowe Industries, US for USD 3.5mn
2018	Pipes	Rex Polyextrusion	1,475	Acquired for USD 21.4mn; 51% stake via cash (INR 752mn) with the balance through share-swap deal
2020	Water tanks	Shree Prabhu Petrochemicals	510	Acquisition of SPPL's brand 'SARITA', marking company's big-bang entry into plastic storage water tanks
2022-25	Paints	Gem Paints	3,523	2022: Acquired 51% stake in Gem Paints for INR 1.94bn 2023: Completed acquisition up to 80% stake 2025: Acquired remaining 20% stake for INR 750mn
2025	Pipes	Al-Aziz	330	Acquired Al-Aziz with cash consideration of INR 330mn expanding its product range, particularly into polyethylene and polypropylene products
2025	CPVC resin	Nexelon Chem	1,200	Acquired 80% equity stake in Nexelon Chem having capacity of 40kt for INR 1.2bn, marking its entry into CPVC resin manufacturing

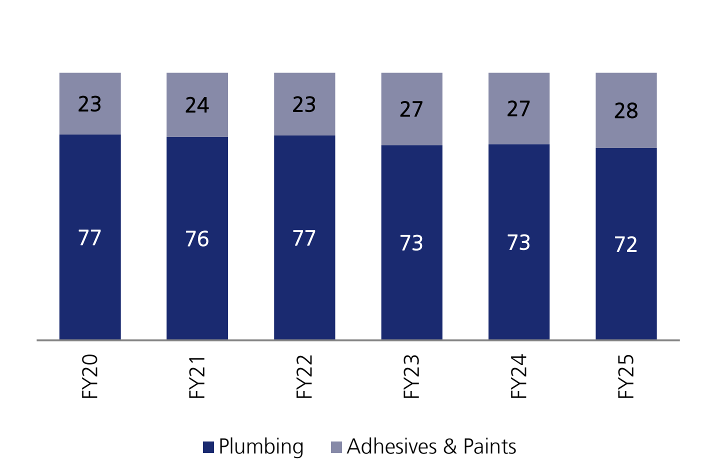
Source: Company, JM Financial

Exhibit 18. Astral at a glance



Source: Company, JM Financial

Exhibit 19. Revenue mix (%) – Diversification into other adjacencies



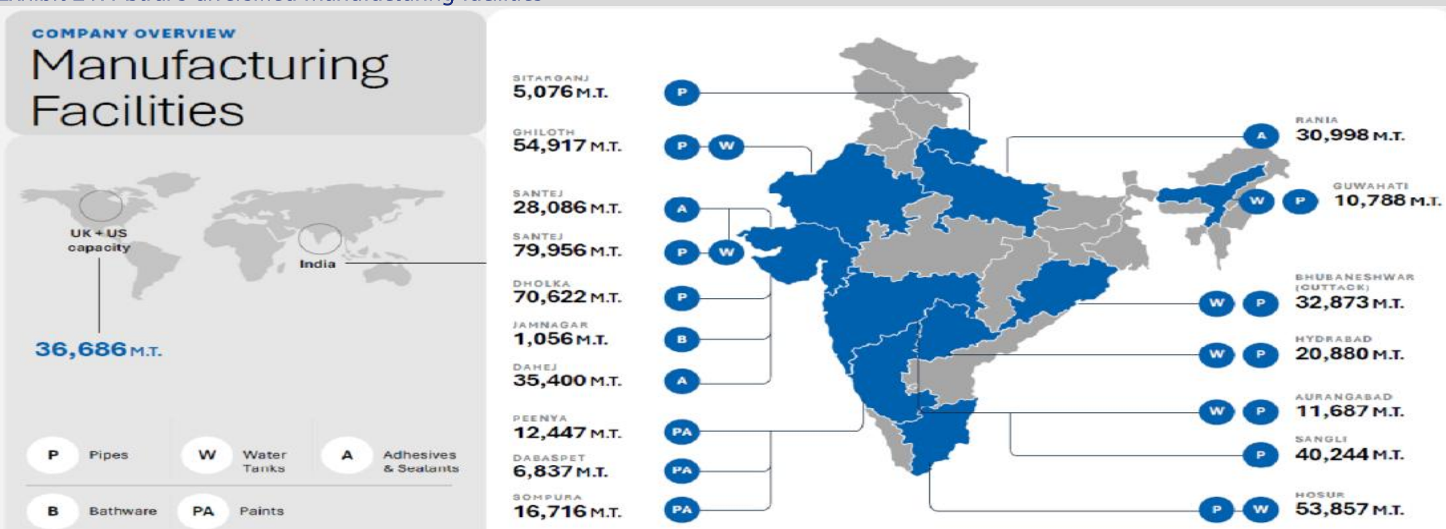
Source: Company, JM Financial

Exhibit 20. Astral operating in nine high-growth categories

Source: Company, JM Financial

Astral operates a robust manufacturing platform comprising 26 facilities across three countries, including 10 plants dedicated to pipes, 7 for water tanks, 1 for faucets, 5 for adhesives, and 3 for paints. The company's total installed capacity stands at ~549kt, reflecting the largest addressable market among its peers.

Exhibit 21. Astral's diversified manufacturing facilities



Source: Company, JM Financial

Plumbing business - Pipes & fittings, sanitaryware and bathware

Astral pioneered CPVC piping systems in India, becoming the first company to secure a licence in 1998 and subsequently launching CPVC fittings in 2001. This early-mover advantage has firmly established Astral as the reference brand for CPVC in the domestic market. Over the past decade, CPVC adoption in India has grown at nearly ~2x the pace of PVC, enabling Astral to not only reinforce its leadership in CPVC but also expand its presence in the broader plastic pipes segment. Concurrently, the company has been widening its plumbing portfolio by foraying into adjacent categories, thereby strengthening its competitive positioning. According to the company, the plastic pipes industry in India crossed INR 500bn in size in FY25.

- **Pipes & fittings – CPVC leadership and brand strength**

  The gains for Astral have been aided by robust demand for its CPVC pipes – a faster-growing plastic pipes category, strong distribution reach, and geographical diversification and product portfolio expansion. Effective advertising has also encouraged conversion of pipes from a commodity into a brand.

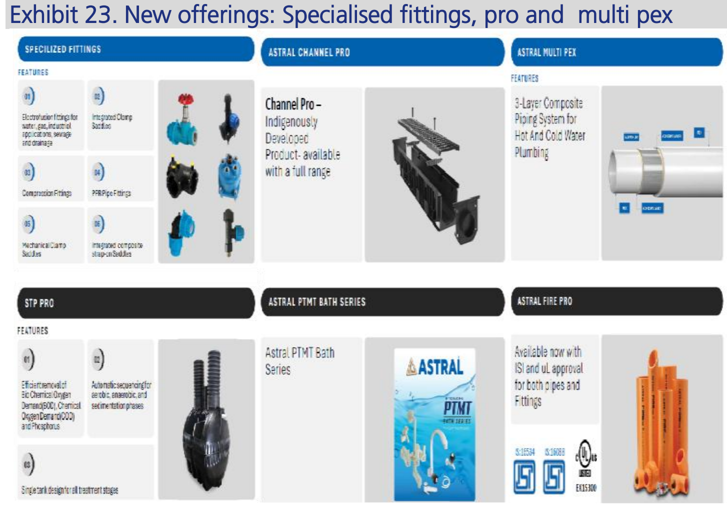
Commentary of management in 1QFY26 concall

We are confident of a double-digit growth this year as per our initial guidance.

Exhibit 22. Product offerings: Pipes, specialised valves and water tanks

Source: Company, JM Financial

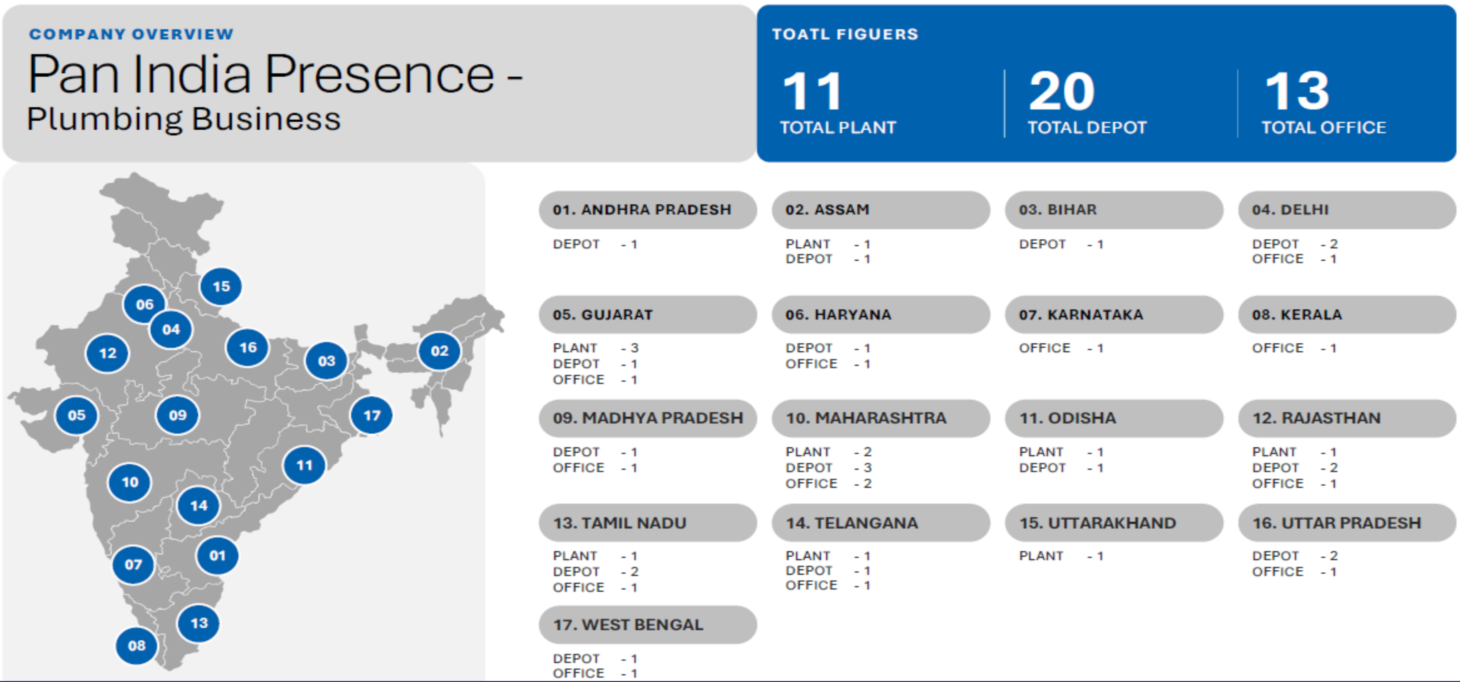
Exhibit 23. New offerings: Specialised fittings, pro and multi pex



Source: Company, JM Financial

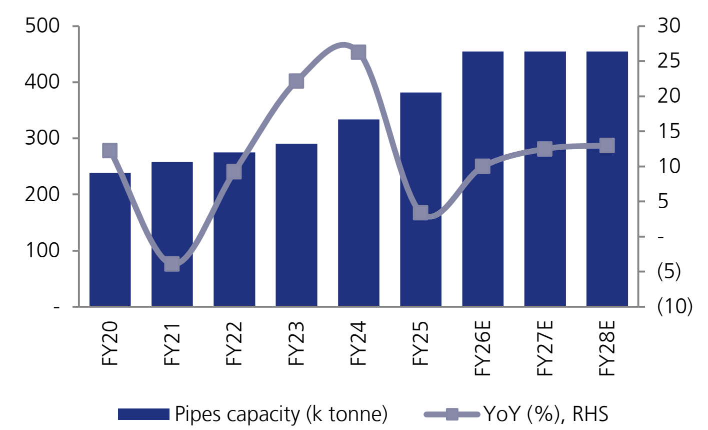
Astral operates 11 manufacturing facilities across India, supported by a strong nationwide depot network that ensures broad distribution reach. The company is expanding its capacity by 60kt in Kanpur, which is to be fully operational in 4QFY26. It consistently outperformed the industry on volume growth up to FY22, translating into steady market share gains over time. However, its performance over the past 2–3 years was impacted by i) limited presence in HDPE pipes, which has seen strong traction under the JJM, and ii) the management's deliberate strategy of prioritising margins over volume, even as peers adopted more aggressive pricing to capture share.

Exhibit 24. Decentralising manufacturing and distribution leads to significant increase in geographical reach



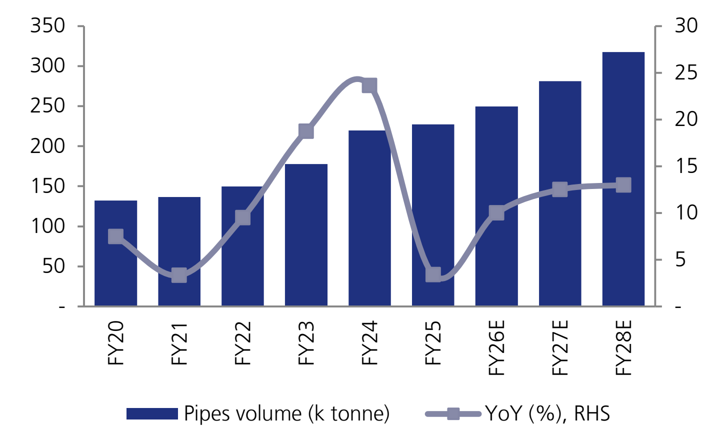
Source: Company, JM Financial

Exhibit 25. Installed pipes capacity to grow at ~6% CAGR over FY25-28E…



Source: Company, JM Financial

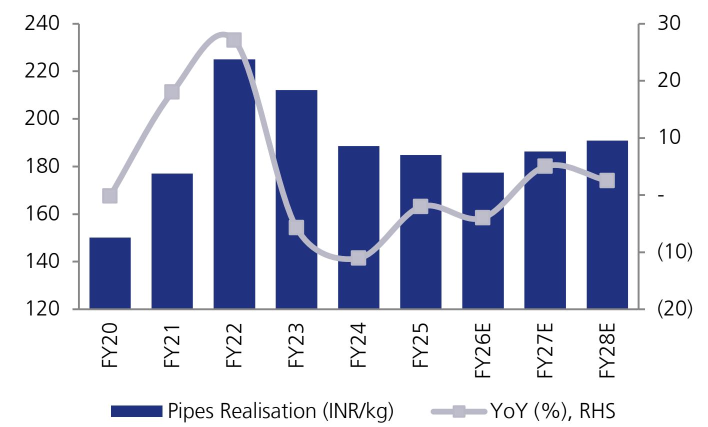
Exhibit 26. …while pipes volume likely to rise at double rate over the same period



Source: Company, JM Financial

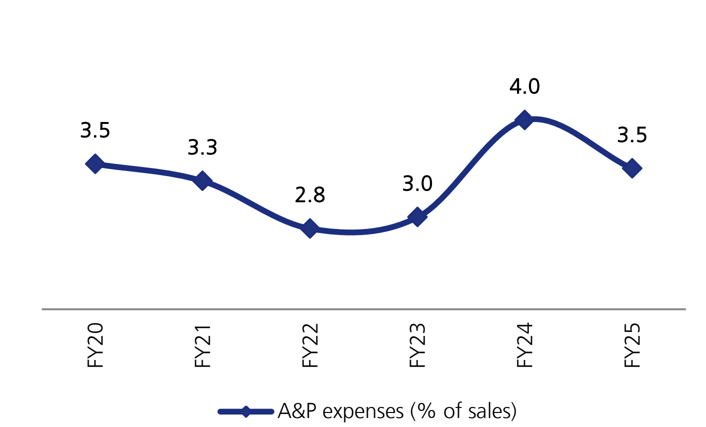
Astral's product mix remains skewed toward higher-value categories, with minimal exposure to low-realisation/ margin agri pipes. This, combined with its superior product quality and strong brand equity has enabled the company to command a pricing premium over peers. Reinforcing its brand-led strategy, Astral has consistently scaled its absolute advertising spend, maintaining it at 3–4% of revenue—above industry norms. While this entails higher upfront cost, it has translated into strong brand visibility and recall, supporting sustained premium positioning. Notably, despite elevated ad spends, Astral has consistently delivered industry-leading margins. Further, the company's ongoing expansion of its distribution footprint highlights its deepening penetration across India.

Exhibit 27. Pipes realisation to grow ~1% CAGR over FY25-28E



Source: Company, JM Financial

Exhibit 28. Maintaining A&P spend at 3-4% of revenue



Source: Company, JM Financial

- Sanitaryware and Bathware - first goal is to achieve INR 5bn in revenue in coming years

Astral's most adjacent diversification has been into the bathware and sanitaryware segment, a market supported by long-term tailwinds including rapid urbanisation, infrastructure upgrades, shifting consumer preferences, and rising emphasis on hygiene and water efficiency. Over the medium term, the segment is expected to grow at a CAGR of ~6–8%, aided by housing demand and premiumization. In this segment, Astral is pursuing an institutional-first strategy, focusing on projects to build initial scale and brand visibility, with plans to subsequently deepen penetration into retail. The segment reported >25% revenue growth in 1QFY26, and the management expects to sustain a similar run rate in the near term. Astral is targeting revenue of INR 5bn as its first goal in the next few years (vs. INR 1.2bn in FY25).

Commentary of management in 1QFY26 concall

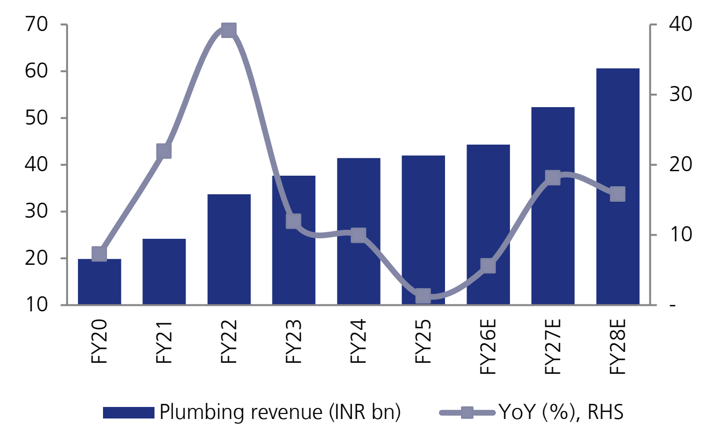
We achieved 27% growth in bathware in quarter one and we'll try to maintain a similar growth momentum in the coming quarters as well. We are launching some very good and high-quality products in our bathware business. They will not only aid in growth, but also in the terms of brand premiumisation.

We have to look at the Indian market, because in Indian market, there are hardly a handful of companies that have more than INR 500 crore top line in the bathware business. Bathware business, it takes time and lot of end-user conviction to reach that scale of INR 500 crore, INR 600 crore top-line players. So, our first goal is to cross the INR 500 crore top line in the bathware business in the coming years and to enter that club of being a manufacturer that does INR 500 crore to INR 600 crore of annual bathware sales. Post that we will look to ramp up in a more aggressive manner.

Exhibit 29. Product offerings: Sanitaryware and bathware

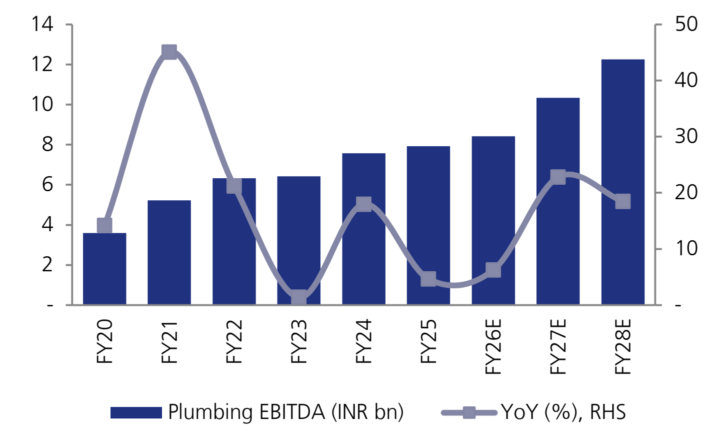
Source: Company, JM Financial

Exhibit 30. Plumbing revenue to grow at 13% CAGR over FY25-28E



Source: Company, JM Financial

Exhibit 31. Plumbing EBITDA to grow at ~16% CAGR over FY25-28E



Source: Company, JM Financial

- **Adhesives and sealants: Scale-up in India commendable; UK operations a drag**

  Astral entered the adhesives and sealants segment in 2014 through the acquisitions of Seal IT Services (UK) and Resinova Chemie (India). Over the past decade, the segment has delivered a robust revenue CAGR of >10% with steady EBITDA margin of 12–13%, supported by portfolio expansion and wider distribution reach. The business is currently served by five manufacturing facilities, including one each in the UK and the US.

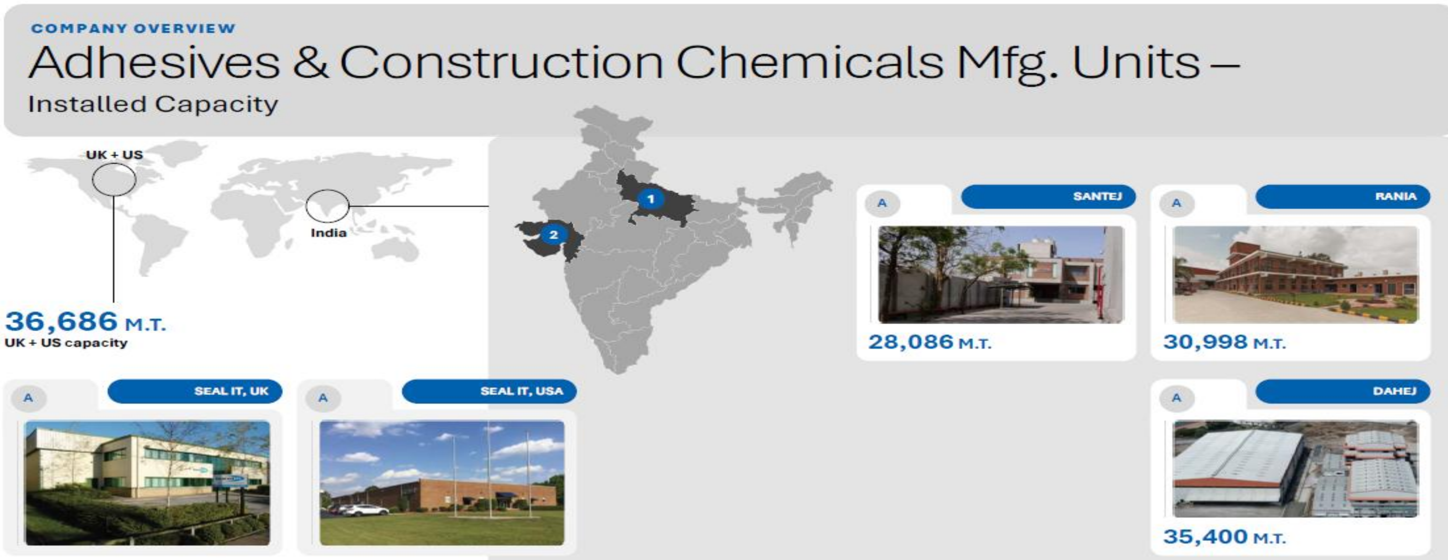
  While the India adhesives business has remained resilient, the UK operations (~5–6% of segment revenue) have faced cost headwinds over the past 2 years, leading to margin pressure. In FY25, India adhesives revenue grew 14% with a healthy EBITDA margin of ~17%, while overall adhesives revenue expanded 10% with ~13% margin, implying drag from the UK business.

  The management has taken corrective steps to revive UK operations, and early signs of stability emerged in 1QFY26, with revenue growing 7% YoY and EBITDA margin at 5% (vs. historical 8–10%). Further, Astral has strengthened the leadership team by appointing a senior industry professional with >25 years of experience to head the UK operations. In Sep'25, the company also acquired the balance 5% stake in Seal IT Services for INR 48mn, making it a wholly owned subsidiary.

Commentary of management in 1QFY26 concall

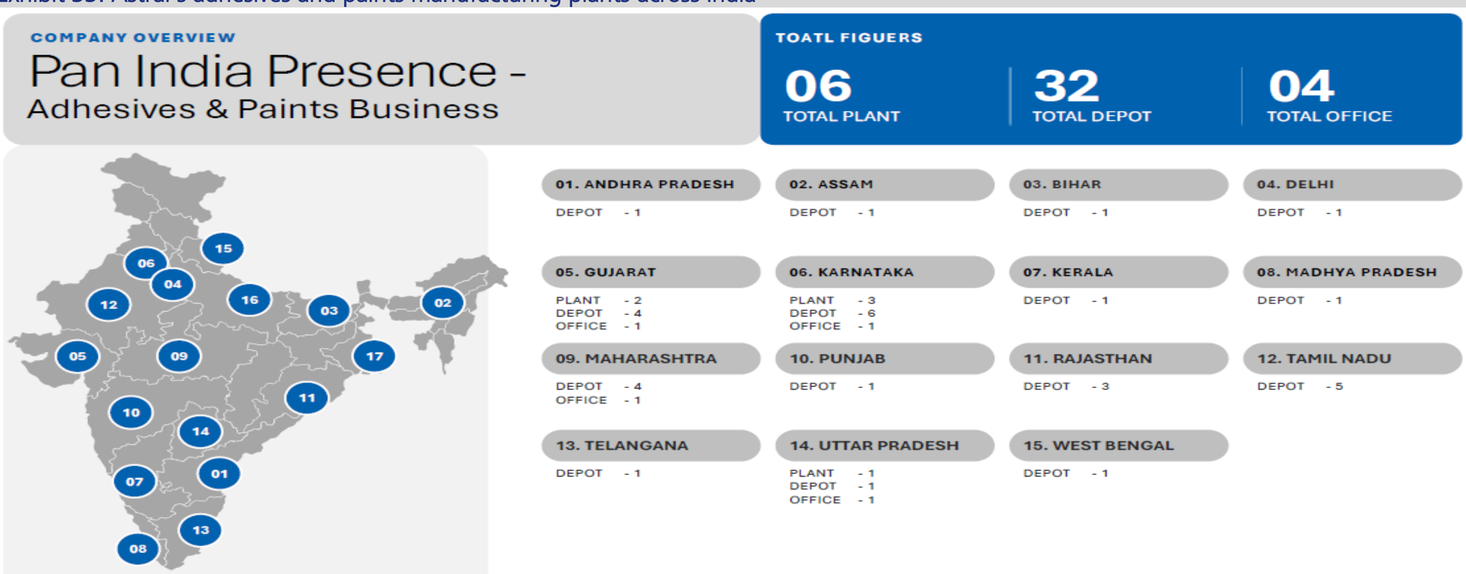
We have appointed a new person to lead the UK business, and he comes with a very rich industry experience. You will see a good turnaround in the UK business in the coming quarters.

Exhibit 32. Adhesives and construction chemicals installed capacities spread across India, UK and US



Source: Company, JM Financial

Exhibit 33. Astral's adhesives and paints manufacturing plants across India



Source: Company, JM Financial

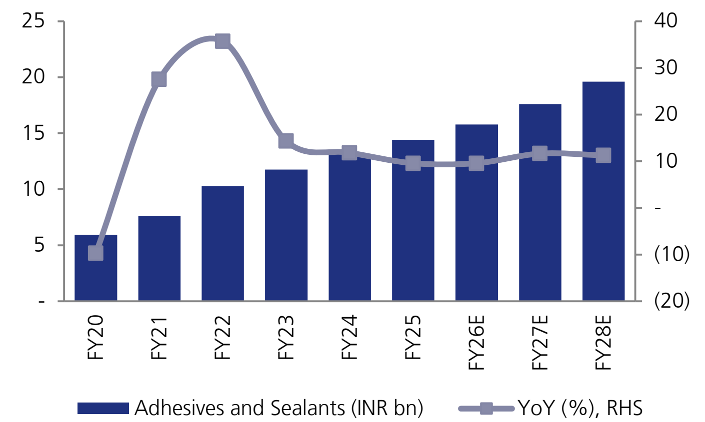
Exhibit 34. Product offerings: Adhesives, tapes and sealants…

Source: Company, JM Financial

Exhibit 35. …under construction chemicals

Source: Company, JM Financial

Exhibit 36. Adhesives and sealants business to grow at ~11% CAGR over FY25-28E



Source: Company, JM Financial

- Paints: Headwinds owing to higher competitive intensity

Astral entered the paints industry through the acquisition of a majority stake in Gem Paints (India) in 2022, followed by the launch of its own brand, Astral Paints, in 2024. In Sep'25, the company acquired the balance 20% stake for INR 750mn, making the business a wholly owned subsidiary. Astral currently operates three manufacturing facilities, all located in Karnataka. The timing of Astral's foray coincided with higher competitive intensity in the paints industry. In FY25, while segment revenue grew ~6% YoY, EBITDA margin contracted sharply to ~6% (vs. ~15% in FY24) as the company undertook corrective measures to realign operations. However, the business has started showing traction, with 1QFY26 registering ~20% revenue growth — the first meaningful uptick post-acquisition — aided by the rollout of Astral Paints across select territories in India. The management has guided for at least 20% revenue growth in FY26. The Indian paints industry, valued at INR 700bn, has expanded at 10–12% CAGR over the past decade.

Commentary of management in 1QFY26 concall

For the first time after acquisition, we have delivered a 20% growth in the paint business, and this is mainly due to the Astral brand paint launches in certain territories across India. We will aim for a similar growth trajectory even in the paint business in the coming quarters.

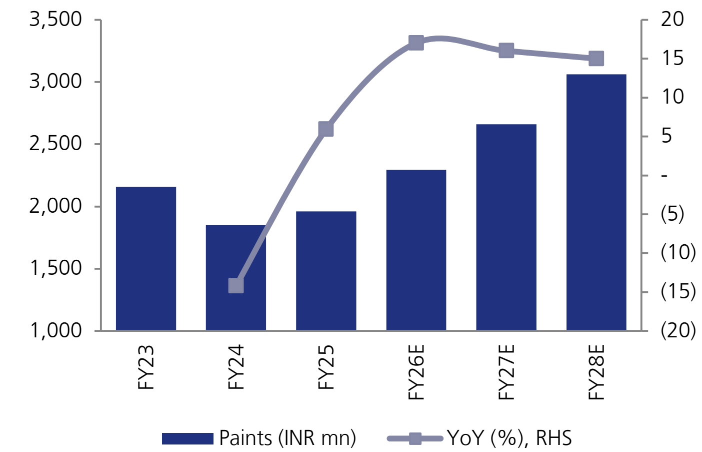
Exhibit 37. Paints installed capacity in Karnataka

Source: Company, JM Financial

Exhibit 38. Product offerings: Gem and Astral paints

Source: Company, JM Financial

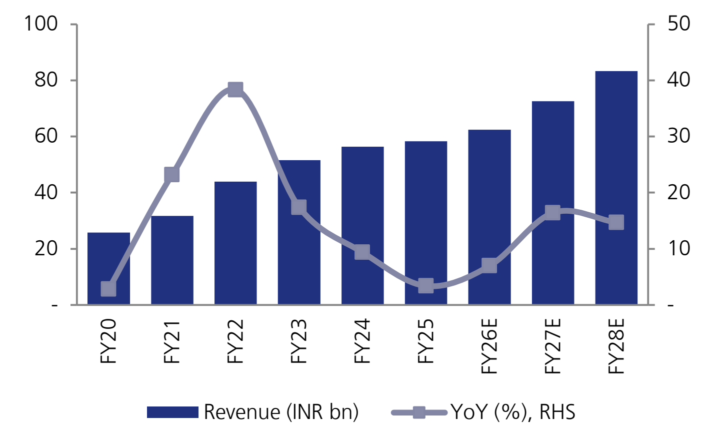
Exhibit 39. Paints revenue to grow at 16% CAGR over FY25-28E



Source: Company, JM Financial

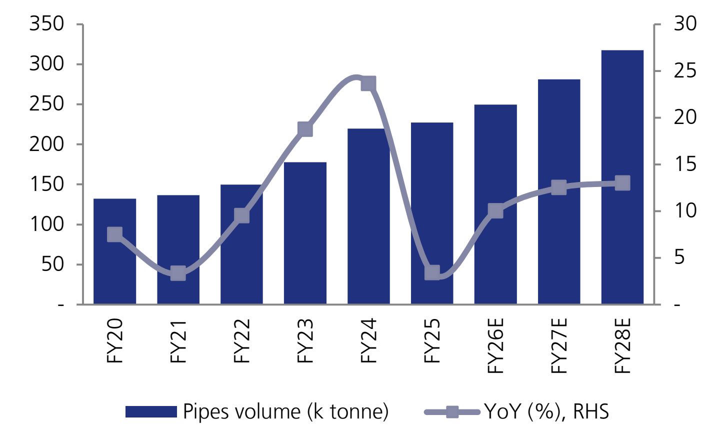
Astral reported a strong ~18% revenue CAGR over FY20–25, driven by healthy volume growth and improved realisation. However, growth moderated to ~3% YoY in FY25, as realisation declined, led by correction in PVC prices. Looking ahead, we forecast revenue to grow at ~13% CAGR over FY25–28E, supported by sustained volume growth, normalisation in pricing, and favourable structural demand drivers.

Exhibit 40. We expect revenue to grow at 13% CAGR over FY25-28E…



Source: Company, JM Financial

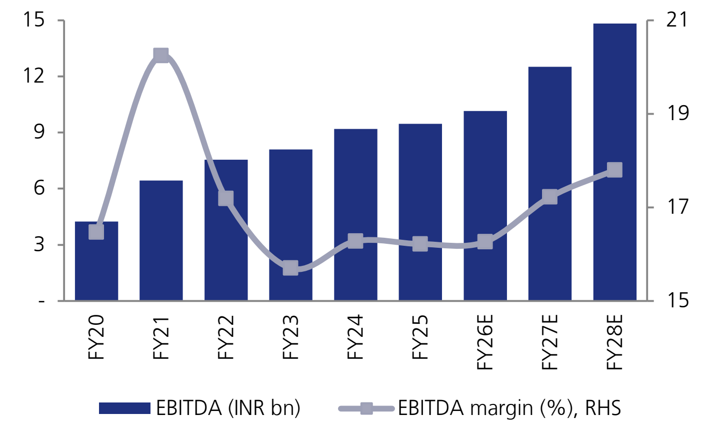
Exhibit 41. …while pipes volume is likely to rise by ~12% CAGR over FY25-28E



Source: Company, JM Financial

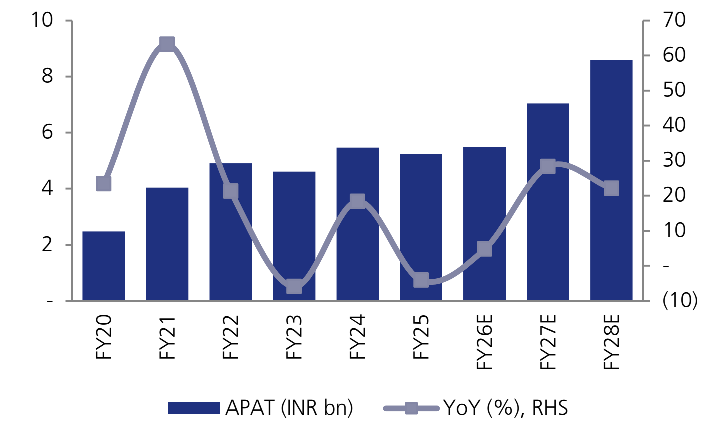
Astral has sustained a healthy long-term EBITDA margin of ~17% over the past 5 years, despite volatility. We project margin of ~19–20% in the piping division and ~12–14% in adhesives and paints over FY25–28E. Importantly, piping EBITDA/kg, which has declined for the past 3 years, is expected to improve from ~INR 34/kg in FY26E to ~INR 39/kg by FY28E. We estimate PAT to deliver a robust ~18% CAGR over FY25–28E, led by margin expansion and strong operating performance.

Exhibit 42. EBITDA to rise by ~16% CAGR over FY25-28E



Source: Company, JM Financial

Exhibit 43. Adj. PAT likely to grow at ~18% CAGR over FY25-28E



Source: Company, JM Financial

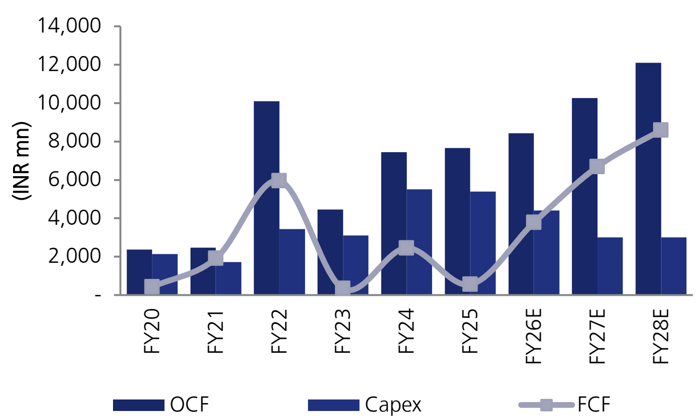
FCF generation to remain strong; net cash position to strengthen

With limited capacity additions planned over the next 2–3 years, Astral is poised for strong cash generation, with cumulative FCF of ~INR 19bn during FY25–28E—nearly double the prior 4 years. Having already incurred ~INR 19bn capex in FY21–25 and guided for only ~INR 3bn in FY26, Astral has no large expansion commitments, enabling net cash to rise ~4x to ~INR 21bn by FY28E. Return ratios is set expand by 250-300bps to ~17% by FY28E. Improved working capital efficiency (net WC days down to 37 in FY25 vs. 50 in FY19) and rising dividend payout (~10% in FY20 to ~20% in FY25) further underpin balance sheet strength. Accordingly, we see scope for incremental growth investments or higher shareholder returns.

Capex intensity to recede; net cash to increase sharply

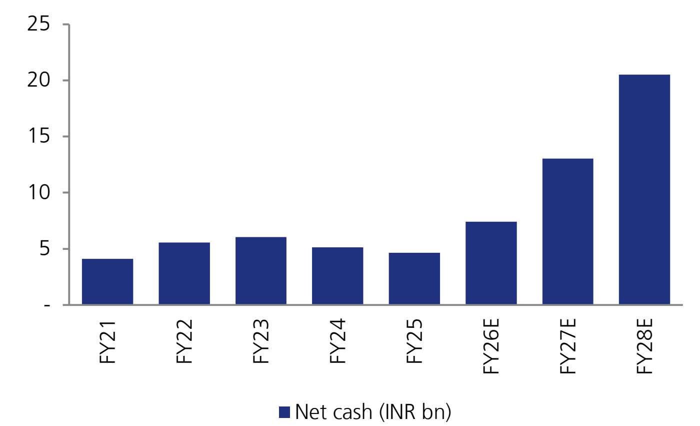
With no major capacity additions lined up over the next 2–3 years, we forecast Astral to generate cumulative FCF of ~INR 19bn during FY25–28E—almost 2x the levels delivered over the prior 4 years. For FY26, the management has guided for capex of ~INR 3bn, with the Kanpur facility expected to be fully operational by 4QFY26. Having already incurred sizeable capex of ~INR 19bn over FY21–25, Astral has no large expansion commitments in the near term, which should translate into robust cash generation and balance sheet strengthening. As a result, we project net cash to expand nearly 4x to ~INR 21bn by FY28E. The company has steadily raised its dividend payout from ~10% in FY20 to ~20% in FY25. With improving liquidity, we believe the management could evaluate incremental growth options or consider higher shareholder returns.

Exhibit 44. FCF generation to remain strong with limited capex



Source: Company, JM Financial

Exhibit 45. Net cash position to improve sharply by FY28E

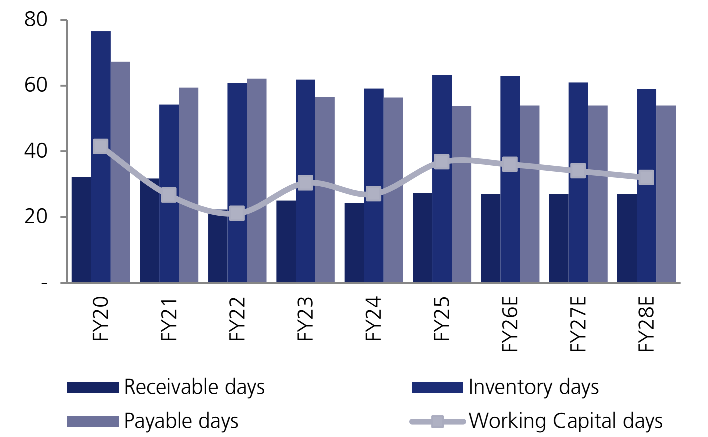


Source: Company, JM Financial

Working capital cycle to be stable; return ratios to improve

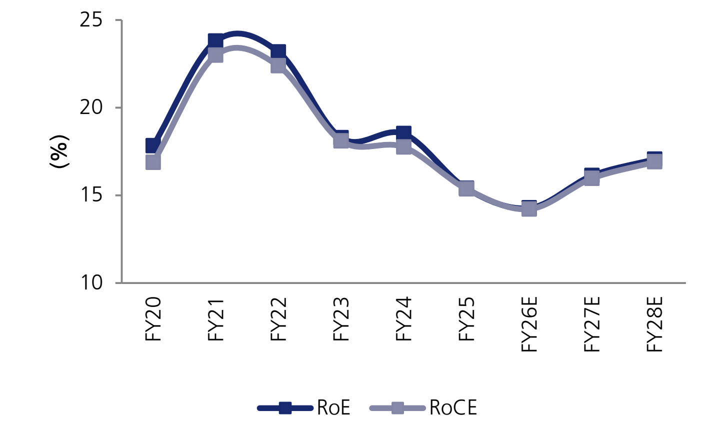
Astral has meaningfully improved its working capital efficiency over the years, with net working capital days reducing to 37 in FY25 from 50 in FY19, led primarily by a sharp decline in debtor days on the back of stronger collections and tighter credit discipline. We expect working capital to be broadly stable (backward integration in CPVC may provide upside risk), supporting healthy cash flows. Return ratios are projected to expand by 250–300bps over FY25–28E, reaching ~17% by FY28E.

Exhibit 46. Working capital days likely to be stable



Source: Company, JM Financial

Exhibit 47. Return ratios to improve by 250-300bps over FY25-28E



Source: Company, JM Financial

Key assumptions and forecasts

Exhibit 48. Key assumptions

Key Assumptions	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	CAGR (%) FY20-25	CAGR (%) FY25-28E
Operational Metrics											
Total											
Capacity (kt)	326	350	371	392	477	549	622	622	622	11.0	4.2
Realisation (INR/kg)	195	233	294	290	257	257	250	258	262	5.7	0.7
EBITDA/kg (INR/kg)	**32**	**47**	**50**	**46**	**42**	**42**	**41**	**45**	**47**	**5.3**	**3.9**
Plumbing											
Capacity (kt)	239	258	275	290	334	382	455	455	455	9.9	6.0
Volume (kt)	132	137	150	178	220	227	250	281	318	11.4	11.8
Utilisation (%)	55	53	54	61	66	59	55	62	70		
Realisation (INR/kg)	150	177	225	212	189	185	177	186	191	4.3	1.1
EBITDA/kg (INR/kg)	**27**	**38**	**42**	**36**	**34**	**35**	**34**	**37**	**39**	**5.1**	**3.4**
P&L (INR bn)											
Revenue	26	32	44	52	56	58	62	73	83	17.7	12.6
EBITDA	4	6	8	8	9	9	10	13	15	17.4	16.2
Adj. PAT	**2**	**4**	**5**	**4**	**5**	**5**	**5**	**7**	**9**	**16.1**	**17.9**
Balance Sheet (INR bn)											
Equity	15	19	23	27	32	36	41	47	54		
Net Cash	**0**	**4**	**6**	**6**	**5**	**5**	**7**	**13**	**21**		
Cash Flow (INR bn)											
OCF before NWC change	2	2	10	4	7	8	8	10	12		
Change in NWC	0	1	(1)	(1)	1	(2)	(0)	(1)	(1)		
Capex	(2)	(2)	(3)	(3)	(6)	(5)	(4)	(3)	(3)		
FCF	**0**	**2**	**6**	**0**	**2**	**1**	**4**	**7**	**9**		
Return Ratios (%)											
RoE	17.8	23.8	22.9	17.6	18.5	15.4	14.3	16.1	17.1		
RoCE	16.9	23.0	22.4	18.1	17.8	15.4	14.2	16.0	16.9		
RoIC	**17.3**	**25.9**	**27.7**	**22.5**	**20.6**	**17.1**	**16.0**	**19.9**	**24.1**		
Valuations (x)											
P/E							**68.9**	**53.7**	**44.0**		
EV/EBITDA							36.5	29.2	24.1		

Source: JM Financial

Initiate with ADD, TP of INR 1,600

Astral has established itself as a leading building materials company, anchored by its CPVC leadership in pipes (~70–75% of revenue) and complemented by adjacencies businesses. The company continues to strengthen its CPVC franchise through backward integration into resin (40ktpa by 2QFY27), which should enhance supply security, support margins, and competitiveness. Beyond pipes, adhesives (22–23% of revenue) deliver healthy growth in India, while corrective measures are underway in the UK operations. Lower utilisation in bathware and intense competition in paints remain a challenge in the near term. With 18% EPS CAGR over FY25-28E and limited capex commitments, Astral is poised to generate ~INR 19bn FCF in FY25–28E (2x prior 4 years), enabling net cash to rise ~4x to INR 21bn by FY28E. Accordingly, it provides scope for incremental growth investments or higher shareholder returns

We value the stock on a P/E basis, assigning 55x Sep'27 EPS (~10% below 5-year average owing to higher competitive intensity) led by superior margin in pipes business, potential for margin improvement with backward integration, robust scale-up in the adhesives business, and strong balance sheet with return ratios well above cost of capital. We expect FY25- FY28 revenue/EBITDA/EPS CAGR of 13%/16%/18%, and value Astral at 55x Sep'27 EPS, driving our TP of INR 1,600, and ADD rating.

Exhibit 49. Our EPS estimates are ~2-3% lower vs. consensus

	JM			Consensus			% variance		
INR bn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	62	73	83	64	74	86	(2.8)	(1.9)	(2.8)
EBITDA	10	13	15	10	12	15	(1.5)	0.4	(0.0)
Adj. PAT	**5**	**7**	**9**	**6**	**7**	**9**	**(2.9)**	**(2.3)**	**(3.5)**

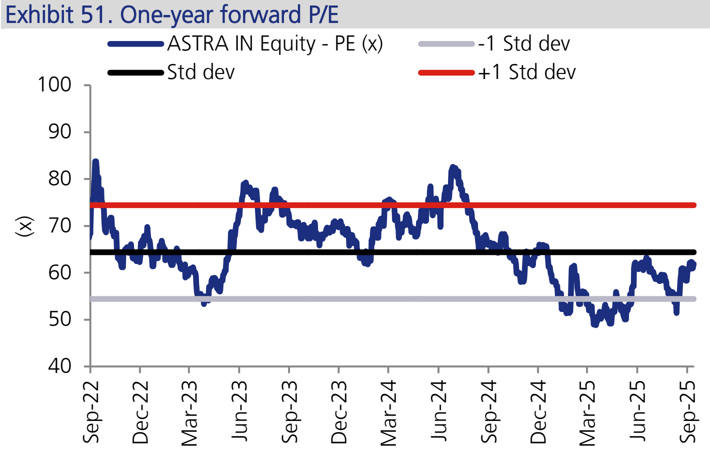
Source: JM Financial

Exhibit 50. Initiate with ADD with TP of INR 1,600 on 55x Sep'27 P/E

P/E Method	
Sep'27E EPS (INR)	29
P/E multiple (x)	55
Target Price (INR)	**1,600**
CMP (INR)	1,406
Upside (%)	13.8

Source: JM Financial

Exhibit 51. One-year forward P/E



Source: Bloomberg, JM Financial

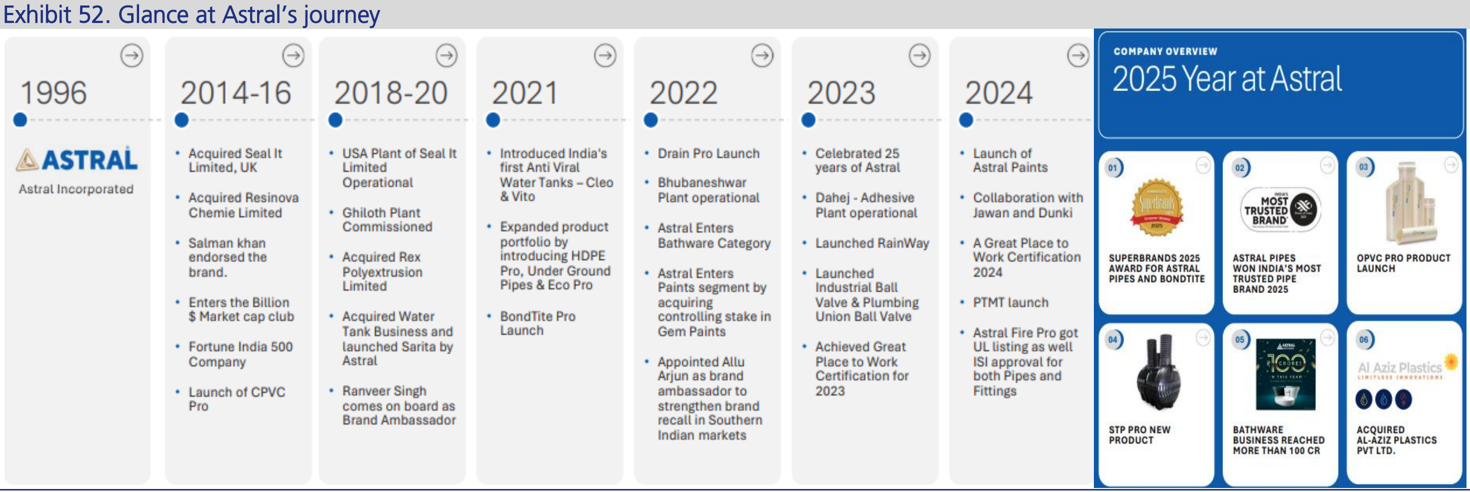
Key Risks

- **Rising competitive intensity in CPVC pipes:** Heightened competition could drive pricing pressure, margin compression, or market share loss. However, Astral's backward integration into CPVC compounding and its established pricing premium provide some cushion, in our view.
- **Execution risk in CPVC resin manufacturing:** Any delay in commissioning the upcoming CPVC resin facility could result in cost overruns and defer expected integration benefits.
- **Slower ramp-up in adjacencies:** Incremental capital allocation towards non-pipes business (especially paints and sanitaryware) — segments that are currently margin/ RoCE dilutive — poses a risk if scale-up is slower than anticipated.

Company Overview

Astral Limited is an Indian manufacturer and distributor of building materials, primarily known for its pipes and adhesives. Founded in 1996, Astral has a diverse product portfolio including CPVC and PVC pipes, water tanks, adhesives, sealants, construction chemicals, and paints, under brands like Astral Pipes and Astral Adhesives. With a focus on innovation and quality, Astral serves residential, commercial, and industrial sectors with operations and manufacturing facilities in India, the UK, and the US.

Exhibit 52. Glance at Astral's journey



Source: Company, JM Financial

Exhibit 53. Management background

Personnel	Designation	Brief profile
Mr. Sandeep Pravinbhai Engineer	Chairman & Managing Director	He is the Founder, Chairman, and Managing Director of Astral. In 1996, he established Astral Poly Technik and introduced CPVC piping to India in 1998. Under his leadership, Astral has diversified into adhesives, sealants, water tanks, and paints. He is a chemical engineer and has completed a senior executives program at Harvard Business School.
Mrs. Jagruti S. Engineer	Whole-time Director	She holds a Bachelor of Arts degree. She is promoter director of the company. Since incorporation, she has been managing Administration, Human Resource and Corporate Social Responsibility departments of Astral and has contributed significantly to growth of the company.
Mr. Kairav Engineer	Whole-time Director	He holds a Bachelor of Science degree in Industrial Engineering and Management from Georgia Tech, Atlanta-USA. He joined Astral in 2011. Under his leadership, Astral has diversified into new segments like bathware, adhesives, and paints. He was recognized among the Top 40 Under 40 Asian Leaders by Asia One and as one of the Tycoons of Tomorrow by Forbes India.
Mr. Saumya Engineer	CEO - Astral Adhesives & Paints	He holds a Bachelor of Science degree in Management from Arizona State University's W.P. Carey School of Business. Joining Astral in 2014, he initially worked in business development, gaining industry insights. He successfully led the integration of Resinova Chemie with Astral Group.
Mr. Hiranand Savlani	Whole-time Director & CFO	He is a chartered accountant. Before joining Astral, he gained extensive experience in finance and accounting through various positions in other companies. He joined Astral in Jul'23 as a whole-time director & CFO.

Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	56,414	58,324	62,386	72,620	83,285
Sales Growth	9.4%	3.4%	7.0%	16.4%	14.7%
Other Operating Income	0	0	0	0	0
Total Revenue	**56,414**	**58,324**	**62,386**	**72,620**	**83,285**
Cost of Goods Sold/Op. Exp	34,590	35,192	37,431	43,572	49,971
Personnel Cost	4,384	5,179	5,956	6,849	7,877
Other Expenses	8,257	8,494	8,851	9,693	10,614
EBITDA	**9,183**	**9,459**	**10,147**	**12,506**	**14,823**
EBITDA Margin	16.3%	16.2%	16.3%	17.2%	17.8%
EBITDA Growth	13.4%	3.0%	7.3%	23.2%	18.5%
Depn. & Amort.	1,976	2,434	2,918	3,235	3,506
EBIT	7,207	7,025	7,229	9,271	11,317
Other Income	421	413	463	509	560
Finance Cost	291	413	375	360	374
PBT before Excep. & Forex	7,337	7,025	7,317	9,420	11,502
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	7,337	7,025	7,317	9,420	11,502
Taxes	1,880	1,836	1,851	2,383	2,910
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	-6	-49	-19	0	0
Reported Net Profit	5,461	5,238	5,485	7,036	8,592
Adjusted Net Profit	**5,461**	**5,238**	**5,485**	**7,036**	**8,592**
Net Margin	9.7%	9.0%	8.8%	9.7%	10.3%
Diluted Share Cap. (mn)	268.6	268.6	268.6	268.6	268.6
Diluted EPS (INR)	**20.3**	**19.5**	**20.4**	**26.2**	**32.0**
Diluted EPS Growth	22.6%	-4.1%	4.7%	28.3%	22.1%
Total Dividend + Tax	1,007	1,007	1,007	1,061	1,115
Dividend Per Share (INR)	3.8	3.8	3.8	4.0	4.2

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	31,881	36,170	40,647	46,623	54,100
Share Capital	269	269	269	269	269
Reserves & Surplus	31,612	35,901	40,379	46,354	53,831
Preference Share Capital	0	0	0	0	0
Minority Interest	804	757	776	776	776
Total Loans	964	1,439	1,439	1,439	1,439
Def. Tax Liab. / Assets (-)	439	469	469	469	469
Total - Equity & Liab.	**34,088**	**38,835**	**43,331**	**49,307**	**56,784**
Net Fixed Assets	23,800	26,885	28,367	28,132	27,626
Gross Fixed Assets	26,721	32,930	37,330	40,330	43,330
Intangible Assets	4,648	4,304	4,304	4,304	4,304
Less: Depn. & Amort.	9,075	11,509	14,427	17,662	21,168
Capital WIP	1,506	1,160	1,160	1,160	1,160
Investments	0	0	0	0	0
Current Assets	21,158	23,593	27,230	35,108	44,829
Inventories	9,134	10,111	10,768	12,137	13,462
Sundry Debtors	3,758	4,353	4,615	5,372	6,161
Cash & Bank Balances	6,096	6,083	8,849	14,479	21,957
Loans & Advances	6	13	13	13	13
Other Current Assets	2,164	3,033	2,985	3,107	3,235
Current Liab. & Prov.	10,870	11,643	12,265	13,933	15,671
Current Liabilities	8,853	9,254	9,895	11,409	12,987
Provisions & Others	2,017	2,389	2,371	2,524	2,684
Net Current Assets	10,288	11,950	14,964	21,175	29,158
Total – Assets	**34,088**	**38,835**	**43,331**	**49,307**	**56,784**

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	7,337	7,025	7,317	9,420	11,502
Depn. & Amort.	1,976	2,434	2,918	3,235	3,506
Net Interest Exp. / Inc. (-)	-42	-50	0	0	0
Inc (-) / Dec in WCap.	500	-1,718	-248	-581	-505
Others	235	306	369	360	374
Taxes Paid	-1,772	-1,701	-1,851	-2,383	-2,910
Operating Cash Flow	**8,234**	**6,296**	**8,505**	**10,050**	**11,967**
Capex	-5,502	-5,394	-4,400	-3,000	-3,000
Free Cash Flow	2,732	902	4,105	7,050	8,967
Inc (-) / Dec in Investments	-1,698	221	0	0	0
Others	1,790	47	0	0	0
Investing Cash Flow	**-5,410**	**-5,126**	**-4,400**	**-3,000**	**-3,000**
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	-1,007	-1,007	-1,007	-1,061	-1,115
Inc / Dec (-) in Loans	191	440	0	0	0
Others	-1,209	-616	-331	-360	-374
Financing Cash Flow	**-2,025**	**-1,183**	**-1,338**	**-1,421**	**-1,489**
Inc / Dec (-) in Cash	**799**	**-13**	**2,766**	**5,630**	**7,478**
Opening Cash Balance	5,297	6,096	6,083	8,849	14,479
Closing Cash Balance	6,096	6,083	8,849	14,479	21,957

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	9.7%	9.0%	8.8%	9.7%	10.3%
Asset Turnover (x)	1.7	1.6	1.5	1.5	1.5
Leverage Factor (x)	1.1	1.1	1.1	1.1	1.1
RoE	18.5%	15.4%	14.3%	16.1%	17.1%

Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	118.7	134.6	151.3	173.6	201.4
ROIC	21.0%	17.3%	16.3%	20.3%	24.6%
ROE	18.5%	15.4%	14.3%	16.1%	17.1%
Net Debt/Equity (x)	-0.2	-0.1	-0.2	-0.3	-0.4
P/E (x)	69.2	72.1	68.9	53.7	44.0
P/B (x)	11.8	10.4	9.3	8.1	7.0
EV/EBITDA (x)	40.7	39.6	36.6	29.3	24.2
EV/Sales (x)	6.6	6.4	6.0	5.0	4.3
Debtor days	24	27	27	27	27
Inventory days	59	63	63	61	59
Creditor days	67	64	64	65	66

Source: Company, JM Financial

APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081
Member of BSE Ltd. and National Stock Exchange of India Ltd.
SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610
Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.
Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com
Compliance Officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1743 | Email: sahil.salastekar@jmfl.com
Grievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1743 | Email: instcompliance@jmfl.com

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return >= 15% over the next twelve months.
ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -10% and < 5% over the next twelve months.
SELL	Expected return < -10% over the next twelve months.

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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