



# ASTRAL Ltd

**Foundations for the Future**

Build with the Best



## ACCUMUATE

## Astral Limited

### Company Background

**Astral Ltd.** (ASTRAL) was incorporated in 1996, with the aim to manufacture pro-India plumbing and drainage systems in the country. It is amongst the fastest-growing and leading companies in the category of building materials with presence across pipes and adhesives, and is now foraying into paints, faucets & sanitary ware and valves and Infrastructure. It is a prestigious manufacturer of Chlorinated Poly Vinyl Chloride (CPVC) and Poly Vinyl Chloride (PVC) plumbing systems catering to both residential and industrial use. With a commanding market share in the domestic CPVC and PVC pipe industry, the Company has achieved widespread recognition as a leader in the piping segment. It operates several manufacturing facilities across India, including Santej, Dholka (Gujarat), Hosur (Tamil Nadu), Ghiloth (Rajasthan), Sangli (Maharashtra), Sitarganj (Uttarakhand), Aurangabad (Maharashtra), and Bhubaneswar (Odisha), which are capable of producing a range of products such as plumbing systems, drainage systems, agricultural pipes, industrial pipes, fire protection pipes, electrical conduit pipes, and infrastructure products.

### Outlook and Valuation

Astral has established its market position with significant market share along with healthy demand prospects. Demand from building materials like pipe, paint, sanitary ware, faucets, ceramic, plywood are linked to various sectors like construction, real-estate, infrastructure etc, which is expected to grow forward. Management is also confident to attain overall growth in range of 15%-20% along with government initiatives such as the Pradhan Mantri Krishi Sinchayee Yojana (PMKS), the "Nal se Jal" scheme under Jal Jivan Mission, and the Pradhan Mantri Awas Yojana (PMAY) are also expected to drive the demand for plastic pipes. We find Astral attractive for its consistent focus on profitability and growth, driven by innovative product launches, vigorous brand building and successful product diversification. After establishing a leading position in plumbing pipes, it has now entered into new segments as Adhesives, Paints and the Bathware. Its foray into adjacent segments (organically or inorganically) to lever its brand and distribution network, has enabled it to effectively capture growth opportunities. **We estimate revenue CAGR of 17% from FY23 to FY26E, with recommendation to "Accumulate" with a target price of Rs 2,627, reflecting a potential upside of 26%, based on a PE multiple of 84x to FY26E EPS of Rs 31.28.**

### Financial Snapshot

Particulars (in Mn.)	FY23	FY24E	FY25E	FY26E	CAGR % (FY23 - FY26E)
Revenue	51,585.00	61,076.25	70,587.69	83,450.84	17%
EBITDA	8,099.00	9,161.44	10,941.09	13,352.13	18%
EBITDA %	15.70%	15.00%	15.5%	16.0%	
PAT	4,566.00	5,370.83	6,702.65	8,401.91	23%
EPS (Rs)	17.00	19.99	24.95	31.28	23%

Source: Company, ACMIIL Retail Research

### Company at glance

- Offers a complete range of diversified building materials portfolio.
- Leadership position in the piping industry and getting strong foothold in new segments.
- Expanding into Paints: Acquiring Majority Stake in Gem Paints to Enhance Building Material portfolio.
- Boosting Capacity in Pipes and Adhesives for Future Growth.



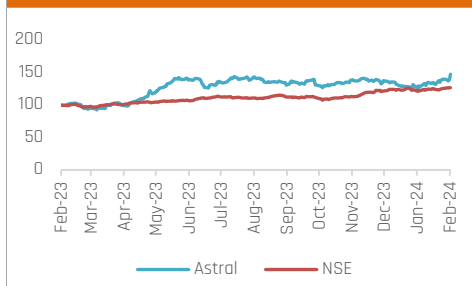
### Key Data

DATE	23-02-2024
Reco Price	2,080-2,100
Target	2,627
Sector	Industrial Products-Building Materials
BSE Code	532830
NSE Code	ASTRAL
Face Value (Rs.)	1
Market Cap (Mn)	5,64,116.72
52-week High/Low (Rs)	2,095/1,298

### Shareholding pattern (Dec 2023)

	%
Promoters	54.10
DII's	13.66
FII's	19.79
Public	12.44
<b>Total</b>	<b>100.00</b>

### Price Performance



### Retail research

E: retailresearch@acm.co.in

D: +91 22 2858 3208

## End user category



## Cienteles

Hospitals	Government	Construction houses	Industries
<ul style="list-style-type: none"> <li>Tata Memorial Cancer Hospital</li> <li>Unity Hospital - Baroda</li> <li>JMC Hospital Project</li> <li>Wockhardt Hospital</li> <li>Kailash Cancer Hospital (Muni Seva Ashram) - Baroda</li> <li>Wockhardt Hospital - Bangalore</li> </ul>	<ul style="list-style-type: none"> <li>Police Avas Nigam</li> <li>Central University Rajasthan</li> <li>American Embassy - New Delhi</li> </ul>	<ul style="list-style-type: none"> <li>Aashiana Housing (Rangoli) - Bhiwadi</li> <li>Kukreja Construction Company - Chembur</li> <li>G. L. Raheja Group - Bandra</li> <li>NCC - Maytas (JV) - Hyderabad</li> <li>Hiranandani Construction Pvt. Ltd. - Thane</li> <li>Tata Housing Limited - Thane</li> </ul>	<ul style="list-style-type: none"> <li>Tisco Ltd. - Jamshedpur</li> <li>Essar Steel Ltd. - Surat</li> <li>Grasim Industries Ltd.</li> <li>Reliance Industries Ltd. - Ahmedabad</li> <li>Grasim Industries Ltd. - Nagda (MP)</li> <li>Hindustan Zinc Ltd. - Vizag./Udaipur</li> </ul>
Resort and parks	Residential project	Film city	Technology parks
<ul style="list-style-type: none"> <li>Akj Resort Ltd</li> <li>Gupta Resort Pvt Ltd</li> <li>Eagle Berg Resorts</li> <li>Hans Paradise</li> </ul>	<ul style="list-style-type: none"> <li>Ongc Town Ship</li> <li>Sankalpa By West Bengal Housing Board &amp; Hdfc</li> <li>Reliance Town Ship</li> <li>Tata Town Ship</li> <li>Tata Court</li> </ul>	<ul style="list-style-type: none"> <li>Pearl Film City</li> <li>Prayag Film City</li> </ul> <div data-bbox="813 1283 1188 1356" style="background-color: #e67e22; color: white; padding: 5px;">  Stadium           </div> <ul style="list-style-type: none"> <li>Eden Garden</li> <li>Geetanjali Stadium</li> </ul>	<ul style="list-style-type: none"> <li>Eco Space</li> <li>RMZ Ecospace Software Park - Bangalore</li> <li>Info City - Gandhinagar</li> <li>Silicon County - Hyderabad</li> <li>Millenium City</li> <li>TCS</li> </ul>

Source: Company, ACMIIL Retail Research

## Product Portfolio

Astral's range of products in the adhesive sector encompasses a diverse selection of sealants and adhesives for various uses, including domestic, construction, furniture, engineering, automotive, and insulation applications, among others. Over recent years, Astral has significantly broadened its offerings in both the piping and adhesive domains, incorporating advanced plumbing systems for both hot and cold water, a quiet drainage and sewage piping system, cyanoacrylate, a surface drainage system, solvent cement, and rescue tape. The company is poised to gain from its extensive product line up moving forward.

Faucets and Sanitaryware



Paints



Specialized Valves



Water Tanks



Adhesives and Sealants



Pipes and Fittings



Source: Company, ACMIIL Retail Research

## Pipes

<b>PLUMBING SYSTEM</b> 	<b>DRAINAGE SYSTEM</b> 	<b>PLUMBING SYSTEM (CONTD.)</b> 	<b>FIRE PROTECTION SYSTEM</b> 	<b>CABLE PROTECTION SYSTEM</b> 
<b>INDUSTRIAL PIPING SYSTEM</b> 	<b>AGRICULTURE SYSTEM</b> 	<b>AGRICULTURE SYSTEM (CONTD.)</b> 	<b>SOLVENT CEMENTS</b> 	<b>SPECIALIZED FITTINGS</b> 
<b>ANCILLARY</b> 				

Source: Company, ACMIIL Retail Research

## Water tanks products

--	--	--

Source: Company, ACMIIL Retail Research

## Adhesives & Sealants Products

<b>EPOXY ADHESIVES &amp; PUTTY</b> 	<b>SILICONE SEALANTS</b> 	<b>INSTANT ADHESIVES</b> 	<b>CONSTRUCTION CHEMICALS</b> 	<b>MEMBRANE &amp; COATING</b> 
<b>WATERPROOFING</b> 	<b>TILE &amp; GROUT ADHESIVES</b> 	<b>PVA ADHESIVES</b> 	<b>RUBBER ADHESIVES</b> 	<b>TAPES</b> 
<b>ANAEROBIC ADHESIVES</b> 	<b>ANAEROBIC ADHESIVES</b> 	<b>SOLVENT CEMENTS</b> 	<b>INDUSTRIAL</b> 	

Source: Company, ACMIIL Retail Research

## Investment Rationale

### Offers a complete range of diversified building materials portfolio

Astral has established itself among leading player in the domestic CPVC pipes and fittings niche market. Transitioning from a growth-oriented company, it has effectively broadened its scope from manufacturing pipes and fittings to becoming a key player in the home building products sector. Through successful acquisitions, such as those in the adhesive businesses, Astral has risen to become the second-largest entity in the adhesives and construction chemicals market in India. Additionally, it has expanded into new segments like water tanks, sanitary ware, faucets, and the paint industry (via the acquisition of Gems paint). Astral's commitment to innovation, its proven track record, and its ability to execute effectively have not only solidified its position in the domestic market but also allowed it to expand into new markets successfully.

### Robust distribution network

The company has a robust distribution network with a large number of distributors (2778+) and dealers (193000+). This enables Astral to reach a wide customer base efficiently and effectively. The company has effectively served with vast network of partners, with in house marketing team dedicated to deliver exceptional service. Many dealers and distributors have been long-standing partners, contributing to market dominance over three years. Originally starting in the western region of India, the company has methodically extended its reach to cover all four geographical zones of the country. In line with their strategy of decentralization, Astral has set up additional manufacturing facilities in the southern, northern, and eastern regions. This deliberate geographical expansion serves to improve service quality for their distributors and to efficiently tackle the significant logistics expenses tied to the transportation of pipes and fittings.

### Leadership position in the piping industry and getting strong foothold in new segments

As one of India's premier providers of piping solutions, the needs of the real estate, infrastructure, and agricultural sectors have been met with a comprehensive array of products. The state-of-the-art manufacturing facilities have been carefully designed to foster operational efficiencies and cater to the dynamic needs of customers. A robust emphasis on capitalizing on distribution prowess, scalability, and the invaluable insights acquired from the piping business has led to remarkable growth in the Adhesive and Sealant Business. Encouraged by this progress, a strong dedication to swiftly extend operations into new product categories has been maintained. The aim is to deploy specialized knowledge and cutting-edge manufacturing capabilities towards exploring new product lines, thus widening scope and enhancing reach across various sectors.

### Expanding into Paints: Acquiring Majority Stake in Gem Paints to Enhance Building Material portfolio

The company has entered into definitive agreement to acquire a controlling 51% equity stake in the operating business of Gem Paints Private Limited as part of strategic decision to expand product portfolio under building material segment and strengthened its brand ASTRAL and levergae its Dealers' and Distributors Network. Gem Paints has been involved in manufacturing high performance Industrial and Decorative coatings in South India. The Company enjoys its competitive edge derived from its resin manufacturing capabilities and in-house R&D division. On Oct,23, Astral further acquired up to 80% equity of Gem Paints Private Limited (51% against redemption of Optionally Convertible Debentures amounting to Rs. 1940 mn towards First Tranche Acquisition and 29% equity shares of Gem Paints Private Limited towards Second Tranche Acquisition). The balance 20% equity stake will be acquired by Astral Limited over a period of 5 years, as per the Share Purchase Agreement entered between the Parties.

### Strong existing brand with focus on advertisement

Astral has been actively promoting its brand by getting involved with Bollywood movies and sponsoring cricket teams in the Indian Premier League. These efforts have made Astral a well-known name in the plastic pipes market, helping it attract more customers, especially as people prefer buying from well-organized companies. The company also hired Allu Arjun and Ranveer Singh as brand ambassadors, popular actors with lots of fans, to help promote its products in Southern India and across the country, aiming to increase sales.

### Embracing Sustainability: Renewable Energy and Eco-Friendly Initiatives at the Forefront

The company is dedicated to embracing low-carbon technologies and eco-friendly manufacturing practices to reduce environmental footprint. With a focus on improving both environmental and social impacts of their products, they are channeling investments into renewable energy sources and enhancing waste recycling efforts. A notable initiative includes generating biomass fuel from renewable resources like rice husk for manufacturing operations, thereby decreasing dependence on non-renewable fossil fuels. The company is also actively engaged in implementing water conservation and energy efficiency strategies. Furthermore, they have established a 'green building' in Dholka, Gujarat, designed with sustainability in mind, aiming to foster sustainable practices and create a positive impact on the social and economic well-being of the workplace.

## Strategic Expansion: Boosting Capacity in Pipes and Adhesives for Future Growth

Astral is aggressively expanding its capacity in the pipe business, with three new plants in Guwahati, Hyderabad, and Kanpur. Throughout the first nine months of FY24, the company has successfully increased its production capacity by 30,000 metric tonnes, from 2.9 lakh metric tonnes to 3.29 lakh metric tonnes.

Guwahati plant (Pipes): The Company has initiated production at a Guwahati plant with a capacity of 22,000 metric tonnes on water tank production in the second quarter of FY24. From January, the plant has commenced the production of pipes, and expectation of sales contributions is from Q4FY24.

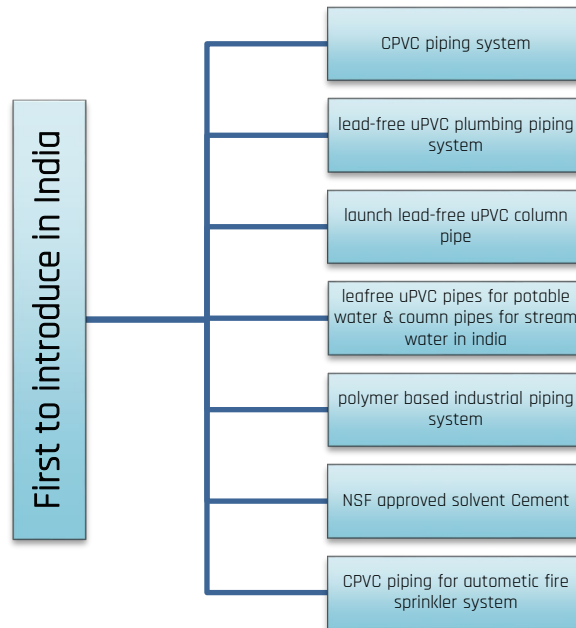
Hyderabad and Kanpur (Pipes): Expansion efforts are underway at the company's Hyderabad and Kanpur facilities. The Hyderabad plant, with a future capacity of 70,000 metric tonnes, is nearing the completion of its first construction phase, expected by March,25. The installation of machinery is planned for the first quarter of FY25, with commercial production slated to begin by the end of the second quarter of FY25. Meanwhile, the Kanpur plant, which will have a 60,000 metric tonne capacity, is currently in the layout phase, with construction activities to commence shortly.

Dahej (Adhesives): This plant is in operation and providing good results as per expectations like energy saving, cost reductions. It is going to reflect in terms of numbers in coming quarters when plant will get fully operational (Q1FY25).

These facilities will commence operation gradually over FY24-FY25. The company plans to spend annual capex of around Rs. 3000-3500 mn each in FY24-FY26 which is planned to be funded through internal accruals. Company is confident that it will be able to grow not only in its existing product portfolio, but also, projects additional revenues of Rs 15000 Mn in next 4-5 years from its new product and categories.

## Innovation-Driven Growth and Product Differentiation in the Pipe and Adhesive Sectors

The company's strategic emphasis on innovation has been a pivotal factor in distinguishing its products in the market, offering consumers unique value. This commitment to innovation, coupled with a focus on enhancing customer engagement, has led to consistent investments across several key domains: manufacturing, research and development (R&D), information technology (IT), and sustainability efforts. These investments are thoughtfully directed to align with the company's growth strategies, ensuring that they not only foster business expansion but also deliver substantial returns to shareholders. By prioritizing innovation, the company has been at the forefront of launching new and exciting products and services, all while maintaining a keen focus on sustainability. This approach ensures the company's leadership position within the industry. As a direct outcome of this innovation-led strategy, the company has been able to introduce a variety of groundbreaking products, marking their debut in our country's pipe and adhesive sectors. These initiatives underline the company's dedication to innovation as a core component of its business philosophy, driving both market differentiation and sustainable growth.



Source: Company, ACMIIL Retail Research

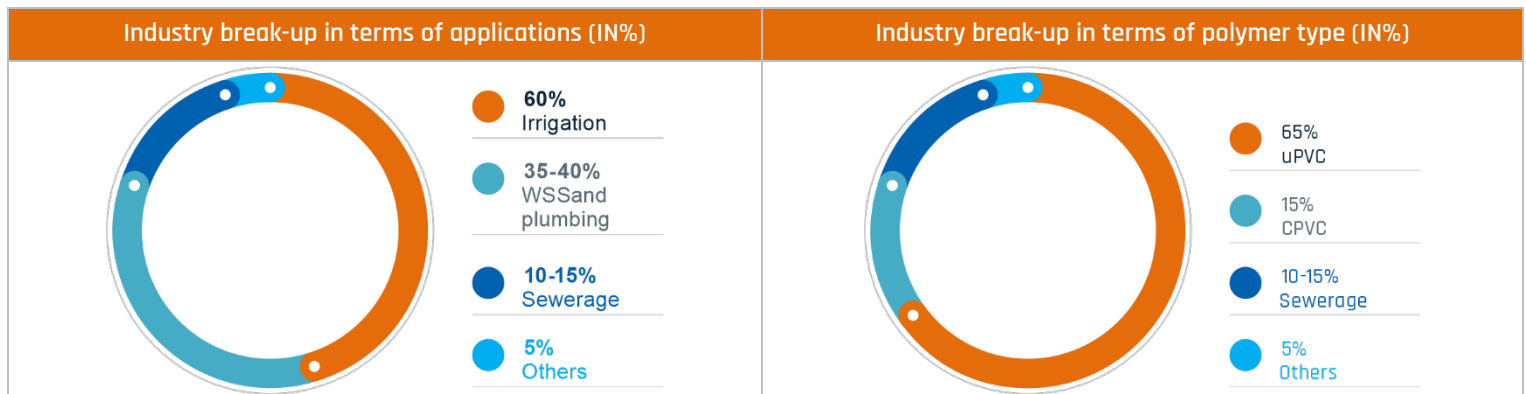
## Industry Synopsis with growth drivers

The expansion of India's infrastructure and construction sectors is catalyzing the growth of the market for plastic pipes. The surge in infrastructure projects, including the construction of roads, bridges, and buildings, is generating significant demand for plastic pipes for uses such as water supply, drainage, and irrigation. India is projected to ascend to the position of the third-largest construction market globally within the forthcoming two to three years. Interim budget laid emphasis on key areas like fiscal consolidation, infrastructure, agriculture, green growth, and railways. It was vote-on-account budget which significantly emphasis on revival of rural growth & demand, overall infrastructure developments and higher capital investments. The capital expenditure outlay for the next year is being increased by 11.1 per cent to Rs 11,11,111 crore, which would be 3.4 per cent of the GDP. Direct policies, such as the Jal Jeevan Mission and Har Ghar Jal Yojna, have created new demand avenues for the industry, while indirect policies have amplified its development. The Jal Jeevan Mission (JJM) initiative is a game changer for the industry. With a target of providing tap water connections to all rural households by 2024, it has created a massive opportunity for plastic pipe manufacturers to cater to the increasing demand for potable water supply

### Indian Plastic Pipe Market Overview



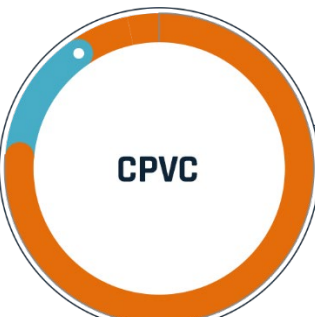

The Indian plastic pipe market is on a trajectory of substantial growth, fueled by increasing demands across various sectors such as potable water supply, wastewater management, electrical and telecommunication cable protection, agriculture, chemicals, and oil and gas. With a projected expansion rate of 10.3% from 2022 to 2027, the market is anticipated to reach a valuation of \$10.9 billion. This growth is driven by factors such as government infrastructure investments, rising construction activities, industrial advancements, irrigation sector demands, and the need for replacing old pipes.

Growth Drivers	Details
Impact of Government Initiatives	Government-led initiatives have played a pivotal role in propelling the demand for polymer pipes. The government launched the National Infrastructure Pipeline (NIP) with a forward-looking approach and with a projected infrastructure investment of around Rs 111 lakh crore during FY20-25 to provide high quality infrastructure across the country, has opened vast opportunities for the plastic pipe industry. The expansion of critical infrastructure sectors like railways, airports, roadways, agriculture, and affordable housing further stimulates the demand for polymer pipes.
Shift in Material Preference	The shift from metal to polymer pipes has become increasingly evident, particularly within the construction industry for plumbing and piping applications. The pandemic has not deterred the momentum of the polymer pipes sector, which continues to shine in India's evolving landscape. CPVC pipes, in particular, have seen a surge in demand within the hot- and cold-water plumbing sectors, showcasing the industry's adaptability and growth potential.



Source: Company, ACMIIL Retail Research

Plastic pipes are made of different types of polymers. The four key types are:

Types of Polymer	Details
 <p><b>uPVC</b></p> <p><b>72-76%</b></p> <p>Unplasticised Polyvinyl Chloride (u PVC) Which represents 72-76% of industry demand</p>	<p>UPVC pipes have witnessed robust demand growth due to their resistance to corrosion, abrasion, and chemicals. Their versatility makes them suitable for a wide range of applications, including water treatment and the oil and gas industry. As the market continues to expand, UPVC pipes are expected to play an increasingly critical role in India's infrastructure development, particularly in water resource management.</p>
 <p><b>HDPE</b></p> <p><b>06-08%</b></p> <p>High Density Polyethylene (HDPE) Representing 06-08% of the industry demand</p>	<p>HDPE pipes are highly sought after for applications in irrigation, drainage, city gas distribution, and the chemical processing sectors. They account for a substantial share of the plastic pipes industry, preferred for their superior build and quality over traditional materials. The cost savings and reduced maintenance requirements they offer make HDPE pipes a valuable component of India's infrastructure development.</p>
 <p><b>CPVC</b></p> <p><b>13-15%</b></p> <p>Chlorinated Polyvinyl Chloride (CPVC) Which represents 13-15% of the industry demand</p>	<p>CPVC pipes have carved out a significant niche in the plumbing segment for hot and cold potable water distribution systems, thanks to their exceptional durability, fire and corrosion resistance, and capacity to withstand extreme temperatures. Their remarkable rise in the market underscores their importance and the shifting preferences towards more durable and efficient piping solutions.</p>
 <p><b>PPR</b></p> <p><b>03-05%</b></p> <p>Polypropylene (PPR) Representing 03-05% of the industry demand</p>	<p>PPR pipes, known for their durability and versatility, have established themselves in various industrial sectors, despite constituting only 3-5% of the total plastic pipe demand. Their relatively higher cost, compared to other plastic pipes, has somewhat limited their widespread adoption, yet they remain a crucial part of the industry's diverse product offerings.</p>

Source: Company, ACMIIL Retail Research

## Indian water tank industry

### Growth Prospects of the Indian Water Tank Market

The Indian water tank market is on the brink of a promising growth phase from 2021 to 2025, fueled by an amalgamation of factors that include escalating construction activities, tightening government regulations regarding wastewater management, the deterioration of existing water infrastructure, and the escalating demand for treated and soft water across various sectors. Water tanks, predominantly manufactured from polyethylene or polypropylene, are becoming an indispensable solution for storing water for a multitude of uses such as drinking, irrigation, chemical production, fire suppression, and food preparation processes.



## Leading Position in the Asia Pacific Region

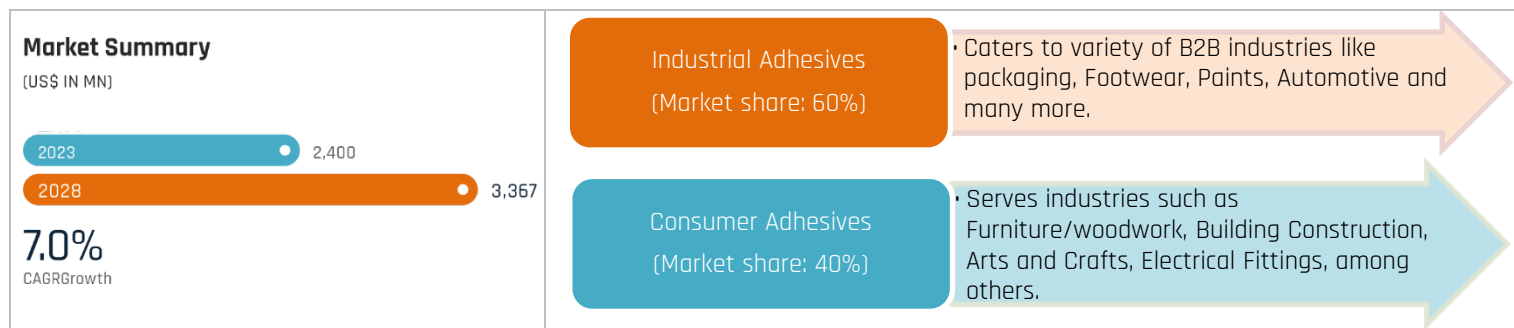
The Asia Pacific region, with India at its core, stands as the most significant market in terms of revenue generation for water tanks. This is largely attributed to the burgeoning construction of residential homes, public amenities, and commercial buildings across the country. The expansive growth in construction projects is a direct reflection of the increasing demand for reliable and efficient water storage solutions, positioning India as a key player in the market.

## Market Valuation and Demand Trends

The valuation of the Indian water tank market is estimated to range between Rs 45-50 billion, with an anticipated compound annual growth rate (CAGR) of 5-6%. The demand for plastic storage tanks is projected to maintain a robust trend, driven by ongoing construction ventures, heightened awareness and concern over water conservation, a growing population base, and the challenges posed by ageing water infrastructure. These elements collectively contribute to the sustained demand and growth of the water tank market in India, highlighting the critical role of efficient water storage solutions in meeting the country's burgeoning water needs.

## Indian Adhesives and Sealants Market: A Path to Substantial Growth

The Indian adhesives and sealants market is on the verge of significant expansion, with projections estimating its value to surpass USD 2,400 million by the end of FY23. Fueled by a strong CAGR of over 7% from 2023 to 2028, the market's growth is largely attributed to the surging demand within the packaging industry and the burgeoning aerospace sector, alongside various other factors driving its progress. This dynamic market is segmented into two principal categories: industrial adhesives and consumer adhesives.



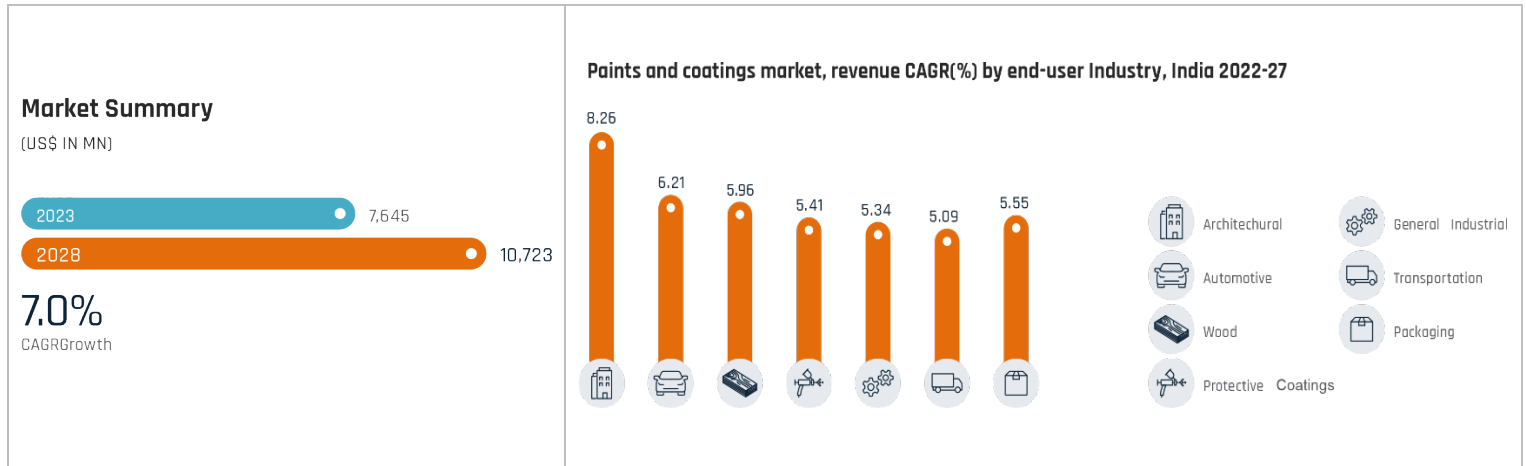
Source: Company, ACMIIL Retail Research

The Indian adhesives and sealants market is thus set for a promising future, backed by diverse applications ranging from industrial manufacturing to everyday consumer use, and supported by the country's expanding sectors.

Growth Drivers	Details
Aerospace and Defence	The booming aerospace industry in India, encompassing both civil aviation and defense sectors, has emerged as a pivotal driver for adhesives and sealants demand. With India's defense capital expenditure witnessing a steady increase, the aerospace sector's growth trajectory is set to offer substantial opportunities for market players, bolstering the demand for adhesives and sealants.
Construction Industry	The construction sector extensively utilizes adhesives and sealants for various applications, from flooring and carpets to wall coverings and window frames. With India's continued investment in infrastructure and increased building construction spending, the construction industry is anticipated to maintain its status as a significant demand source for adhesives and sealants, underpinning the market's overall growth potential.
Packaging Industry	The packaging industry, recognized as the fifth-largest economic sector in India, plays a crucial role in driving the adhesives and sealants market. Its remarkable growth, attributed to the expanding middle-class, enhanced supply chain systems, and the surge in e-commerce, positions it as the largest end-user of adhesives and sealants. Applications span across labels, tapes, carton sealing, and more, underlining the sector's significance.
Furniture and Electronics	The pandemic-induced shift towards work-from-home and online education has spiked the demand for household, especially wooden, furniture—a trend expected to continue, thereby increasing the demand for furniture-specific adhesives and sealants. Concurrently, the electronics industry, with its extensive use of adhesives and sealants for various applications, is another vital growth driver, benefitting from the soaring demand for electronics projected at a CAGR of 19-24%.

## Indian Paints and Coatings Industry

The Indian paints and coatings market is on the cusp of significant achievement, expected to reach an impressive \$7,645 million by the end of the year. Additionally, the sector is forecasted to witness a CAGR of over 7% from 2023 to 2028, supported by notable advancements in the construction industry. The remarkable success of the market can be linked to a strong lineup of construction projects, forward-thinking government initiatives like "Housing for All," and the rapid pace of urbanization. These factors have jointly contributed to an increased demand for architectural coatings throughout the country. In the medium to long term, these influences are set to play a pivotal role in driving the market forward, with economic expansion, urban growth, and increased consumer spending power acting as key determinants in the consumption of architectural paints across the nation.

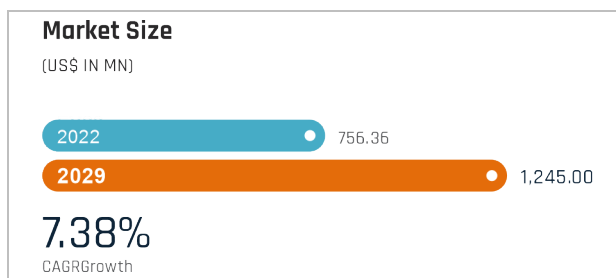


Source: Company, ACMIIL Retail Research

Growth Drivers	Details
Residential Sector	The government's proactive stance and various initiatives have catalyzed an uptick in the residential sector's demand. With the Ministry of Housing and Urban Development earmarking significant funds in the 2021 budget for housing construction, coupled with schemes like the Pradhan Mantri Awas Yojana (PMAY) aiming to deliver affordable housing by 2022, the architectural emulsion coatings market is set to receive a substantial boost. This momentum is anticipated to sustain, further propelling market growth.
Commercial Sector	India's commercial sector growth is positively influencing the paints and coatings industry. The inauguration of 92 new school buildings, including 48 labs and three libraries in the country's southern region in September 2021, underscores this upward trend. The increase in commercial infrastructure is expected to escalate the demand for architectural emulsion coatings, thereby aiding in the market's expansion.
Government Initiatives	The array of initiatives launched by the Indian government is significantly benefiting the paints and coatings industry. Notably, the provision of subsidies on housing loan interest rates for first-time homeowners is a key measure. Such policies, along with a concentrated effort on infrastructure development, are poised to stimulate paints and coatings demand in the foreseeable future.

## Indian Sanitary Ware Industry

Projected to expand at a CAGR of 7.38% from 2023 to 2029, the Indian Sanitary Ware market is on the cusp of remarkable growth, anticipated to reach a valuation of US\$1245 million by 2029. This sector has seen consistent development, with ancillary industries like bathroom fittings also poised for significant advancement. Modern Indian households are increasingly favoring bathrooms equipped with statement fittings and interiors, reflecting a shift towards more aesthetically pleasing and functional spaces. Despite the fierce competition between organized and unorganized sectors, the latter still claimed about one-fourth of the market share in 2022. The base year of 2022 saw over 46 million units of sanitary ware sold, a figure expected to exceed 80 million units by 2030. While the mass or middle segment of the market currently dominates in terms of market share, the premium segment is witnessing a faster rate of growth. This evolution in market dynamics presents numerous opportunities for stakeholders aiming to make their mark in the thriving Indian Sanitary Ware industry.



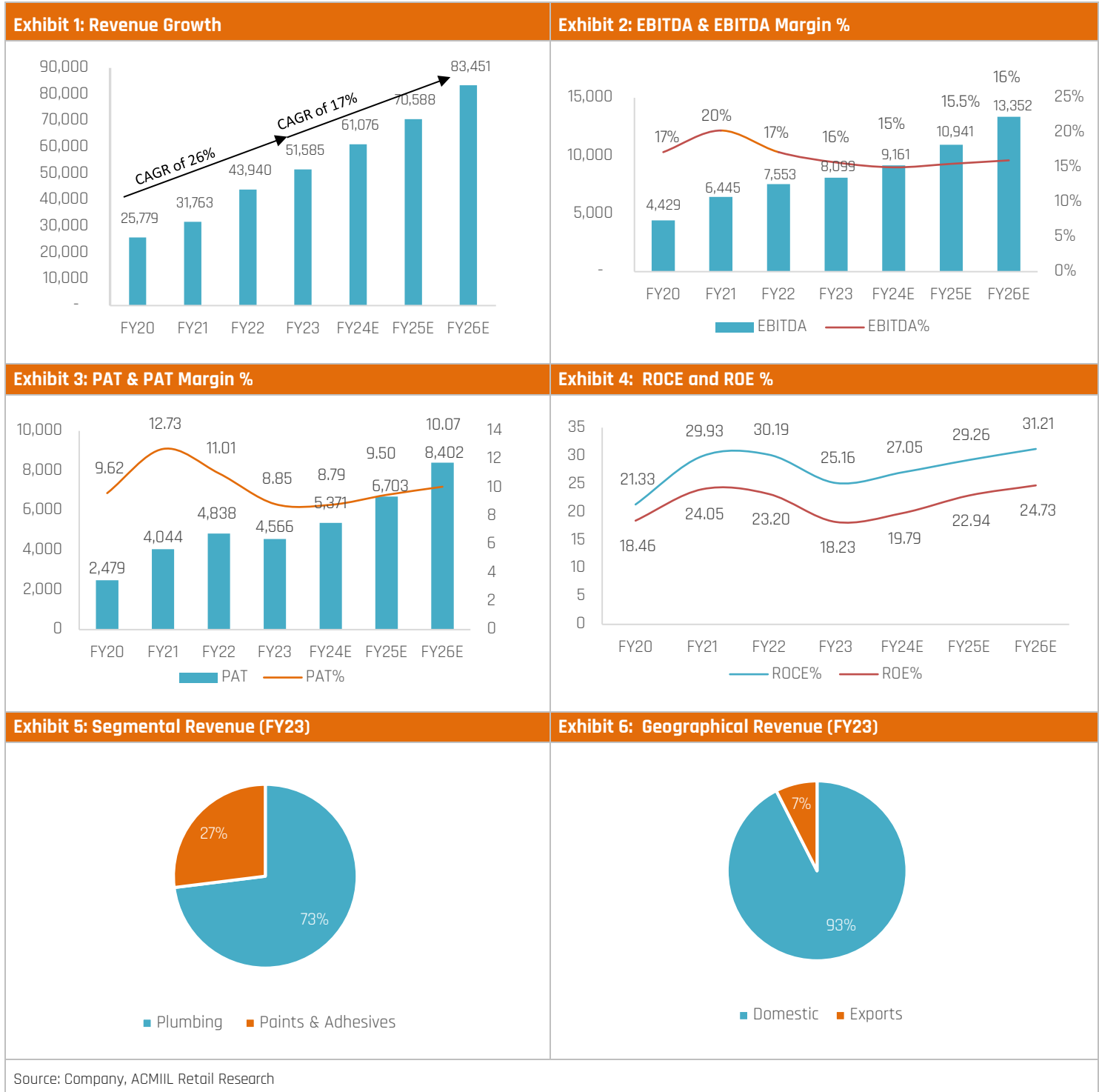
Source: Company, ACMIIL Retail Research

## Transformative Dynamics in the Indian Sanitary Ware Market

The Indian Sanitary Ware market is undergoing a remarkable transformation, fueled by an abundance of raw materials and the allure of low labor costs. These factors are drawing a significant influx of both domestic and international manufacturers to establish operations within the country. Enhanced by vital government and private sector initiatives, along with noticeable improvements in living standards, there's been a notable surge in sanitation levels across India. A growing hygiene consciousness among Indian consumers, driven by increased disposable incomes and Western cultural influences, is further amplifying the demand for sophisticated and feature-rich bathroom solutions.

Growth Drivers	Details
Rising Housing Sector and Government Initiatives	The steady ascent of the Indian housing sector is a significant catalyst for growth, driven by increased purchasing power and supportive government initiatives, including accessible loan options. This surge has directly impacted the demand for bathroom fittings, essential components of contemporary infrastructure.
Urbanization and Consumer Awareness	The expansion of urban areas alongside heightened consumer awareness has been pivotal in propelling the sanitary ware market forward in India. A shift towards luxury and premium household fittings has resulted in a heightened demand for sophisticated bathroom accessories. Additionally, the emergence of smart and luxury housing projects has further amplified this trend, leading to a preference for automated bathroom accessories like sensor taps and automatic soap dispensers.
Increasing Disposable Income and Evolving Preferences	The growth in disposable income, paired with changing consumer tastes, has played a crucial role in driving the sanitary ware industry's expansion. The hospitality and tourism sectors, in particular, have seen a spike in demand for ceramic sanitary ware products, reflecting broader industry growth driven by evolving customer preferences.
Real Estate Sector's Rapid Expansion	The swift expansion of the real estate sector has triggered an increase in demand for sanitary ware products, spurred by the construction of diverse property segments, including offices, shopping malls, and hospitality facilities. This momentum is expected to sustain in the foreseeable future, buoyed by a growing population and the rise in nuclear families, underlining the sector's potential for continued growth.

## Story in Charts (Values in Mn.)



Source: Company, ACMIIL Retail Research

## Financial Statements

### Consolidated Profit & Loss Statement:

Particulars (Rs in Mn)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue	25,779.00	31,763.00	43,940.00	51,585.00	61,076.25	70,587.69	83,450.84
Total Expenses	21,350.00	25,318.00	36,387.00	43,486.00	51,914.81	59,646.60	70,098.71
<b>EBITDA</b>	<b>4,429.00</b>	<b>6,445.00</b>	<b>7,553.00</b>	<b>8,099.00</b>	<b>9,161.44</b>	<b>10,941.09</b>	<b>13,352.13</b>
<b>EBITDA%</b>	<b>17%</b>	<b>20%</b>	<b>17%</b>	<b>16%</b>	<b>15%</b>	<b>16%</b>	<b>16%</b>
Interest	394.00	131.00	129.00	400.00	340.91	376.43	423.96
Depreciation	1,079.00	1,165.00	1,269.00	1,781.00	1,867.60	1,843.48	1,951.04
Other Income	121.00	251.00	349.00	267.00	274.84	282.35	292.08
<b>PBT ^</b>	<b>3,061.00</b>	<b>5,330.00</b>	<b>6,485.00</b>	<b>6,152.00</b>	<b>7,227.78</b>	<b>9,003.53</b>	<b>11,269.21</b>
Tax	565.00	1,248.00	1,581.00	1,557.00	1,806.94	2,250.88	2,817.30
<b>PAT*</b>	<b>2,479.00</b>	<b>4,044.00</b>	<b>4,838.00</b>	<b>4,566.00</b>	<b>5,370.83</b>	<b>6,702.65</b>	<b>8,401.91</b>
<b>PAT%</b>	<b>9.62</b>	<b>12.73</b>	<b>11.01</b>	<b>8.85</b>	<b>8.79</b>	<b>9.50</b>	<b>10.07</b>
<b>EPS</b>	<b>9.26</b>	<b>15.10</b>	<b>18.06</b>	<b>17.00</b>	<b>19.99</b>	<b>24.95</b>	<b>31.28</b>
ROCE%	21.33	29.93	30.19	25.16	27.05	29.26	31.21
ROE%	18.46	24.05	23.20	18.23	19.79	22.94	24.73

Note: ^PBT is adjusted after exceptional items

\*PAT is adjusted after Minority interest, discontinued operation

Source: Company, ADMILL Retail Research

### Risks and concerns:

- Intense competition in the pipes and fittings industry from unorganized players.
- Supply chain disruptions, in the context of the war involving Israel, have led to the Red Sea being blocked by Yemen, which will result in logistical issues regarding raw materials, although with a minor impact.
- Significant fluctuations in forex rates and the inherent volatility of raw material prices, such as PVC and CPVC resins, which are influenced by global crude oil prices.
- Economic slowdown may hamper business prospects.

## ACMIIL Retail Research Products

Informational Products	Recommendation Products
Morning Notes	Momentum calls
Market Watch	Smart Delivery trades
Investor First	Positional technical calls
Preview	Investment ideas
Market Pulse	Master trades High & Medium Risk
RBI Monetary Policy	Techno Funda
Budget Report	Stock Basket
Weekly Derivatives Synopsis	Mutual fund model portfolios
Rollover Snapshot	Portfolio Doctor
Rollover Analysis (Monthly)	

For More Information on Retail Research Products please visit  
<https://www.investmentz.com/research-services>

## Asit C. Mehta

INVESTMENT INTERMEDIATES LTD.

### Retail Research Desk:

Email: [retailresearch@acm.co.in](mailto:retailresearch@acm.co.in)

### Research Analyst Registration Number:

**INH000002483**

**CIN: U65990MH1993PLC075388**

### Download Investmentz app:



### Follow us on:



Information pertaining to Asit C. Mehta Investment Intermmediates Limited (ACMIIL):

ACMIIL is a SEBI registered Stock Broker, Merchant Banker, Portfolio Manager, Research Analyst and Depository Participant. It is also a AMFI registered Mutual Fund Distributor. Its associate/group companies are Asit C. Mehta Commodity Services Limited, Nucleus IT Enabled Services, and Asit C. Mehta Financial Services Limited (all providing services other than stock broking, merchant banking and portfolio management services.).

#### Disclosures

ACMIIL/its associates and its Research analysts have no financial interest in the companies covered on the report. ACMIIL/its associates and Research analysts did not have actual/beneficial ownership of one per cent or more in the companies being covered at the end of month immediately preceding the date of publication of the research report. ACMIIL/its associates or Research analysts have no material conflict of interest, have not received any compensation/benefits for any reason (including investment banking/ merchant banking or brokerage services) from either the companies concerned/third parties with respect to the companies covered in the past 12 months. ACMIIL/its associates and research analysts have neither managed or co-managed any public offering of securities of the companies covered nor engaged in market making activity for the companies being covered. Further, the companies covered neither are/nor were a client during the 12 months preceding the date of the research report. Further, the Research analyst/s covering the companies covered herein have not served as an officer/director or employee of the companies being covered.

#### Disclaimer:

This report is based on information that we consider reliable, but we do not represent that it is accurate or complete and it should not be relied upon such. ACMIIL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in the report. To enhance transparency we have incorporated a Disclosure of Interest Statement in this document. This should however not be treated as endorsement of the views expressed in the report.

You are also requested to refer to the disclaimer (which is deemed to be part and parcel and is applicable to this research report as well):

<http://www.investmentz.com/disclaimer>