BUY (Upgrade from HOLD)

CMP: **INR 1,269** Target Price: **INR 1,540 (INR 1,504)** ▲ 21%

ICICI Securities

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13 August 2025

India | Equity Research | Results Update

Astral

Plastic

Backward integration to structurally improve piping business; tepid base to aid growth too

Astral reported a lower-than-expected Q1FY26 with pipe volume growth of 0.5% YoY (6-year CAGR of 10%). Consol. revenue fell 1.6% YoY with pipes/adhesives segments being -6.7%/+8.6% YoY. Pipes' reported EBITDA/kg declined 14.3% YoY to INR 27.9/kg (adjusted for inventory losses of INR 250mn, it was flat YoY). Adhesives' OPM dipped 203bps YoY to 10.3%, as India business' margins shrank ~200 bps YoY while the UK business continued to languish. Astral announced the acquisition of Nexelon Chem, which would manufacture CPVC resin from Q2FY27; thus, enabling the company to be backward-integrated and more cost competitive. We believe, this backward integration could structurally improve the growth/margin profile of the piping business. We tweak our estimates and upgrade the stock to **BUY** (from *Hold*) with a rolled over Jun'26 TP of INR 1,540.

Tepid pipe volume

In Q1FY26, Astral reported subdued pipes volume growth of 0.5% YoY (6-year CAGR of 10%). Pipe revenue fell 6.7% YoY while realisation dipped 7.2% YoY/6.8% QoQ due to declining polymer prices. Adhesives' revenue grew 8.6% YoY – India adhesive business segment growing 9.2% YoY and Seal IT grew 7.1% YoY. Management stated that, in Q1, demand was tepid due to early monsoon and falling polymer prices. However, as polymer prices have stabilised, they witnessed volume growth of 30% in pipe segment and ~30% revenue growth in the adhesives segment for Jul'25. Astral maintains its guidance for double-digit pipe volume growth in FY26 and 15–16% growth in the India adhesives segment. We model pipe volume CAGR of 11% and adhesive revenue CAGR of 13% over FY25–27E.

Operating margins decline 191bps YoY

Astral's consolidated OPM declined by 191bps to 13.6%, leading to EBITDA/APAT fall of 13.8%/29.9% YoY. Pipes EBITDA/kg declined 14.3% YoY to INR 27.9 due to inventory loss of INR 250mn (adj. EBIDTA/kg of INR 32.4). Adhesives' OPM fell 203bps, as India operations' margins fell ~200bps to 14%, while the UK's operations continue to suffer. Management maintains its guidance for OPM of 16–18% in pipes and 14–16% in the India adhesive business in FY26. We model pipe EBITDA/kg at ~INR 32.7/33.1, and blended adhesive margin at ~13.3%/14.3% for FY26E/FY27E

Financial Summary

Y/E March (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	58,324	64,516	73,260	82,369
EBITDA	9,459	10,517	12,212	13,766
EBITDA %	16.2	16.3	16.7	16.7
Net Profit	5,297	5,808	7,263	8,293
EPS (INR)	19.7	21.6	27.0	30.9
EPS % Chg YoY	(2.7)	9.6	25.0	14.2
P/E (x)	64.4	58.7	46.9	41.1
EV/EBITDA (x)	35.6	31.6	26.9	23.7
RoCE (%)	14.3	14.0	15.4	16.2
RoE (%)	15.6	15.1	17.1	17.8

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Market Data

Market Cap (INR)	341bn
Market Cap (USD)	3,888mn
Bloomberg Code	ASTRA IN
Reuters Code	ASTL BO
52-week Range (INR)	2,040 /1,232
Free Float (%)	46.0
ADTV-3M (mn) (USD)	14.4

Price Performance (%)	3m	6m	12m
Absolute	(4.6)	(9.0)	(34.5)
Relative to Sensex	(1.9)	(14.3)	(35.2)

ESG Score	2023	2024	Change
ESG score	63.9	63.0	(0.9)
Environment	45.7	46.2	0.5
Social	64.4	66.9	2.5
Governance	77.1	76.0	(1.1)

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
Revenue	(1.9)	(1.9)
EBITDA	(1.4)	(0.6)
EPS	(3.9)	(1.1)

Previous Reports

24-05-2025: Q4FY25 results review

31-01-2025: Q3FY25 results review

Bathware and paint segments scaling up

Bathware segment reported revenues of ~INR 333mn (+27.4% YoY). Paint segment revenues grew ~20.7% YoY to INR 501mn with margin of 1.4%. Management expects improvement in paint margins ahead while bathware continues growing strongly.

Acquisition of Nexelon Chem to aid structural growth in pipe segment

Astral has announced 80% acquisition in Nexelon Chem for INR 80,000 par value and would invest ~INR 1.2bn of the total project cost of INR 1.5bn to manufacture 40,000Te of CPVC resin in Gujarat. This plant is expected to be operational by Q2FY27. This acquisition would enable the company to be backward-integrated and meet majority of its current CPVC resin requirement. As per management, the current margins made by CPVC resin manufacturers is ~ 20–25% (~INR/kg 20–25), which they should be able to save upon. They have guided that this acquisition shall be margin accretive for their pipe business.

We believe the backward integration into CPVC resin addresses the concern of margins/volumes in their CPVC pipe segment (~40% of pipe segment revenues), which was arising due to a significant increase in competitive intensity. Astral, post commencement of its CPVC resin facility, would have a significant cost advantage to any of the branded CPVC pipe players, and it can use this as a lever to induce higher volumes (and gain market share) along with some margin improvement too. While the exact extent of benefit of this backward integration is currently difficult to ascertain, as of now, we do believe it lends a positive influence on the potential earnings trajectory structurally for the pipe segment.

Valuations and view

Astral's Q1FY26 operational performance was lower than our estimates, partly due to inventory losses in the pipe segment of ~INR 250mn and lower performance in India adhesive segment. The company announced acquisition of Nexelon Chem to set up a CPVC resin plant, which would enable the company to have a significant cost advantage versus competition in its high-margin business; thus, possibly eliminating the lingering overhang of either volume or margin underperformance that may have arisen ahead. We believe, resilience in the earnings trajectory for Astral's pipe business would increase significantly from FY27, post this backward integration. Also, the base YoY for the next few quarters in the pipe segment is low, thus growth optically would look healthier than it has been recently, along with the possible absence of inventory losses, as PVC prices have stabilised at lower levels.

On balance, we upgrade the stock to **BUY**, from *Hold* – post the recent stock price correction and given the stronger possibility in earnings resilience – with a rolled over Jun'26 TP of INR 1,540 (earlier INR 1,504); set at unchanged 55x PER one-year forward (~15% discount to 10-year average PER)

Exhibit 1: Q1FY26 consolidated result review

INR mn	Q1FY26	Q1FY25	YoY(%)	Q4FY25	QoQ (%)
Total revenues	**13612**	**13836**	**-1.6%**	**16814**	**-19.0%**
Raw Materials	8251	8226	0.3%	10188	-19.0%
% of sales	*60.6%*	*59.5%*	116 bps	*60.6%*	2 bps
Employee cost	1419	1,267	12.0%	1331	6.6%
% of sales	*10.4%*	*9.2%*	127 bps	*7.9%*	251 bps
Other expense	2093	2,199	-4.8%	2276	-8.0%
% of sales	*15.4%*	*15.9%*	-52 bps	*13.5%*	*184 bps*
Total expenditure	11763	11692	0.6%	13795	-14.7%
% of sales	*86.4%*	*84.5%*	*191 bps*	*82.0%*	*437 bps*
EBITDA	**1849**	**2144**	**-13.8%**	**3019**	**-38.8%**
EBITDA margin (%)	*13.6%*	*15.5%*	*-191 bps*	*18.0%*	*-437 bps*
Depreciation	719	556	29.3%	648	11.0%
EBIT	**1130**	**1588**	**-28.8%**	**2371**	**-52.3%**
EBIT margin (%)	*8.3%*	*11.5%*	*-318 bps*	*14.1%*	*-580 bps*
Interest cost	79	77	2.6%	81	-2.5%
Other income	91	119	-23.5%	88	3.4%
PBT	**1142**	**1630**	**-29.9%**	**2378**	**-52.0%**
Taxes	306	436	-29.8%	583	-47.5%
PAT before MI/JVs	**836**	**1194**	**-30.0%**	**1795**	**-53.4%**
Less: forex loss/(gain)	44	-1	-4500.0%	15	nm
Less: minority int	-19	-9	111.1%	-12	nm
Less: Loss from JV	0	0	nm	-1	nm
RPAT	**811**	**1204**	**-32.6%**	**1793**	**-54.8%**
APAT	**843**	**1203**	**-29.9%**	**1804**	**-53.3%**

Source: Company data, I-Sec research

Exhibit 2: Q1FY26 segmental result review

INR mn	Q1FY26	Q1FY25	YoY(%)	Q4FY25	QoQ (%)
Revenue					
Plumbing (Incl. sanitaryware)	9,539	10,132	-5.9%	12,266	-22.2%
Paints & Adhesives	4,073	3,704	10.0%	4,548	-10.4%
Net Sales	13,612	13,836	-1.6%	16,814	-19.0%
EBIT					
Plumbing (Incl. sanitaryware)	989	1,400	-29.4%	1,998	-50.5%
Paints & Adhesives	196	260	-24.6%	414	-52.7%
Total	1,185	1,660	-28.6%	2,412	-50.9%
EBIT Margin (%)					
Plumbing (Incl. sanitaryware)	10.4%	13.8%	-345 bps	16.3%	-592 bps
Paints & Adhesives	4.8%	7.0%	-221 bps	9.1%	-429 bps
Total	8.7%	12.0%	-329 bps	14.3%	-564 bps

Source: Company data, I-Sec research

Exhibit 3: Key operational highlights

INR mn	Q1FY26	Q1FY25	YoY(%)	Q4FY25	QoQ (%)
Pipes					
Revenue	9,206	9,870	-6.7%	11,921	-22.8%
EBITDA	1,565	1,817	-13.9%	2,504	-37.5%
Sales Volume (te)	56,074	55,810	0.5%	67,692	-17.2%
Realisation (INR/kg)	164	177	-7.2%	176	-6.8%
EBITDA-per-unit (INR/kg)	27.9	32.6	-14.3%	37.0	-24.6%
Adhesives					
Revenue	3,572	3,289	8.6%	3,994	-10.6%
EBITDA	368	406	-9.3%	575	-36.0%
EBITDA margin (%)	10.3%	12.3%	*-203 bps*	14.4%	*-409 bps*

Source: Company data, I-Sec research

Q1FY26 earnings conference call: Takeaways

Pipes: Demand was weak during the quarter due to the early onset of monsoons, falling resin price trend whereby sentiment was muted and lower government spending. However, now resin prices have stabilised at lower levels; thus, the company is seeing an improvement in demand. For Jul'25, volume growth was 30% in the pipe segment.

Adhesives business in India grew by 9.2% with OPM of 14%, whereas SEAL IT grew by 7.1% YoY with OPM of 0.21% (without forex loss OPM was 5.42%). India adhesive business too, in Jul'25, has seen good traction and has grown at ~30% in revenue YoY. Management expects SEAL IT to keep scaling up; and with the management rejig, it expects to return to normal OPM of 7-8% over the next few quarters.

Paints ramp-up is in progress. Grew by 20.7% YoY in Q1 and expects growth to sustain for FY26. OPM should improve ahead as sales picks up driven by operating leverage.

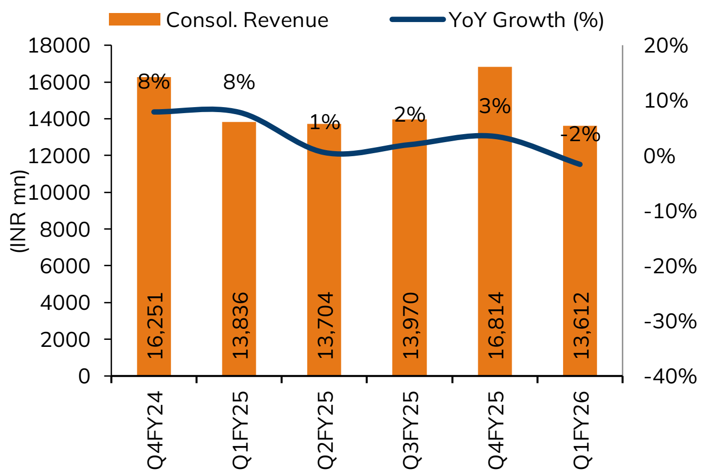
Sanitaryware segment saw 27.4% YoY growth in Q1FY26 and management expects this growth to sustain.

Guidance: Expect double-digit pipes volume growth (on low base) in FY26 and India adhesive business to grow at 15-16%. OPM guidance of 16-18% for pipes and 14-16% for adhesives in FY26.

Acquisition: Astral has acquired 80% stake in Nexelon Chem PVt ltd for INR 80,000. It would also invest ~INR 1.2bn of the total project cost of INR 1.5bn to set up a CPVC resin manufacturing plant of 40,000Te in Gujarat. As per management, the company has been working on various PVC resins to manufacture CPVC resin for the last 3 years; and post its success, the company has gone ahead with this investment. Management says that it has many sources of PVC resin – required for the plant – along with ample availability of chlorine to utilise the entire capacity. The company shall use this entire CPVC resin produced for internal consumption only. The in-house production of CPVC resin, as per management, would not only reduce cost but also help in better quality control. They believe this backward integration shall improve margins significantly. Besides this, it would have significant savings in working capital, as currently the company imports a significant portion of its CPVC resin requirement.

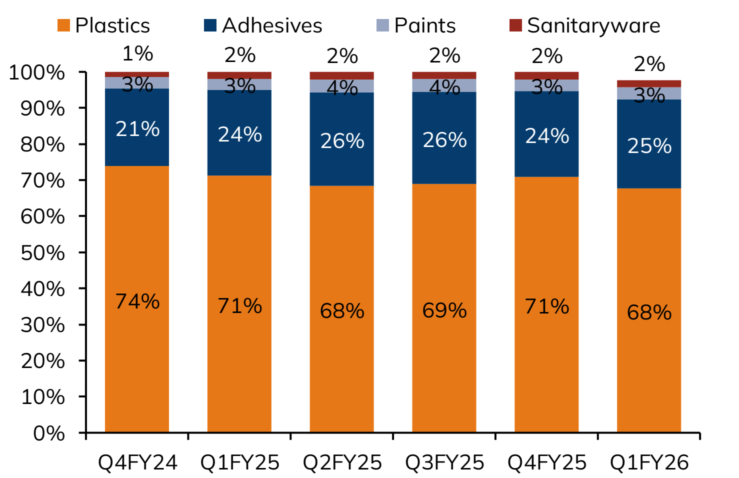
Capex: Management indicated a capex of INR 3bn in FY26. The company has net cash of INR 4.89bn, as of 30 Jun'25.

Exhibit 4: Consolidated quarterly revenue



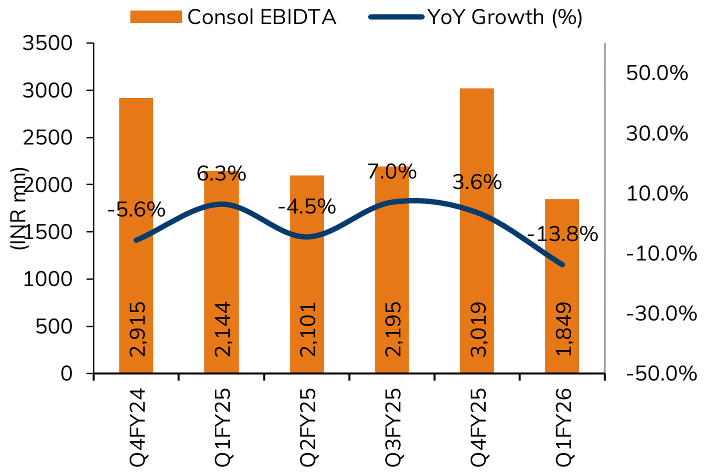
Source: Company data, I-Sec research

Exhibit 5: Consolidated quarterly revenue breakup



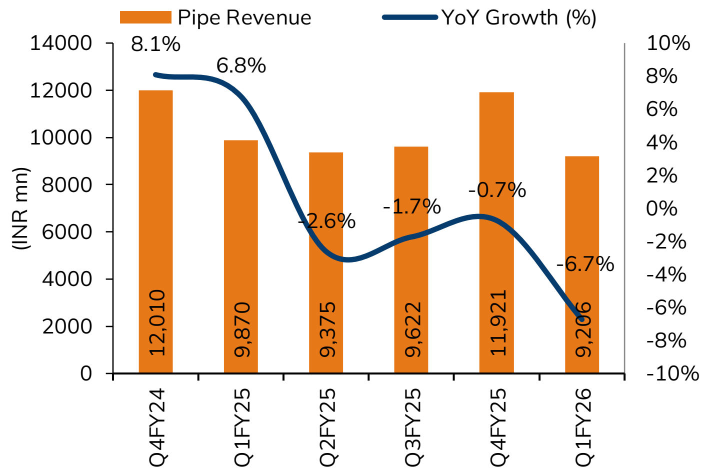
Source: Company data, I-Sec research

Exhibit 6: Consolidated quarterly EBITDA



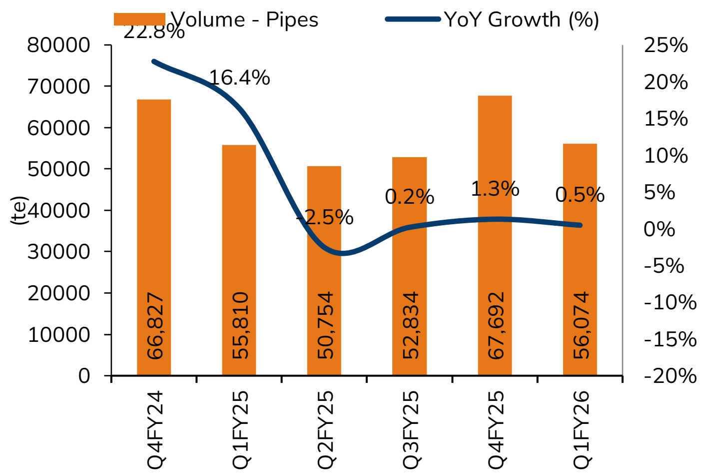
Source: Company data, I-Sec research

Exhibit 7: Quarterly pipes revenue



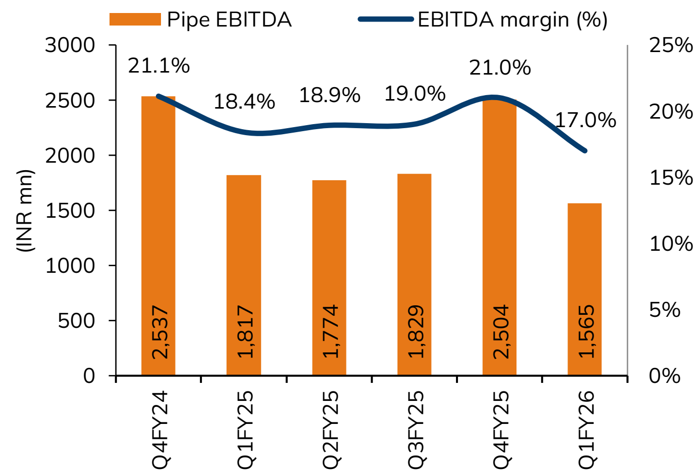
Source: Company data, I-Sec research

Exhibit 8: Quarterly pipes volume



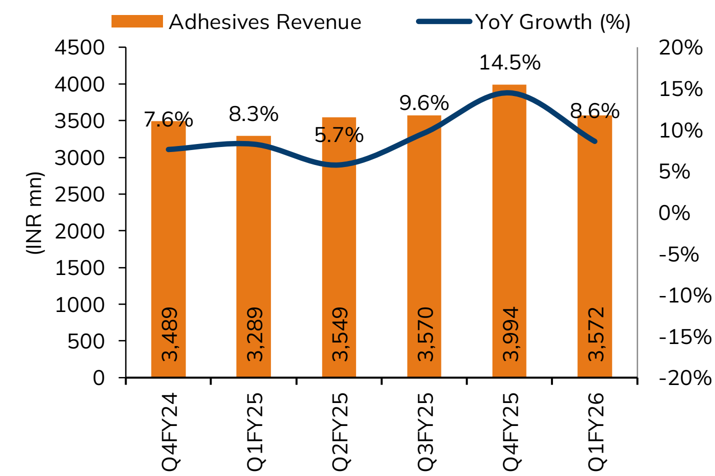
Source: Company data, I-Sec research

Exhibit 9: Quarterly pipes EBITDA and margin



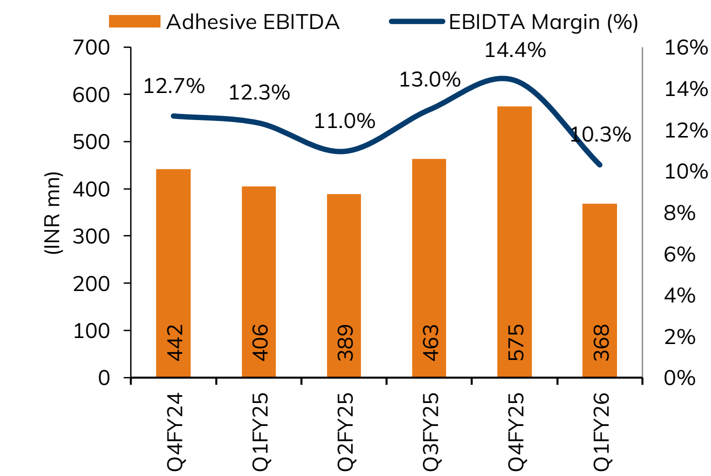
Source: Company data, I-Sec research

Exhibit 10: Quarterly adhesive revenue



Source: Company data, I-Sec research

Exhibit 11: Quarterly adhesive EBITDA and margin



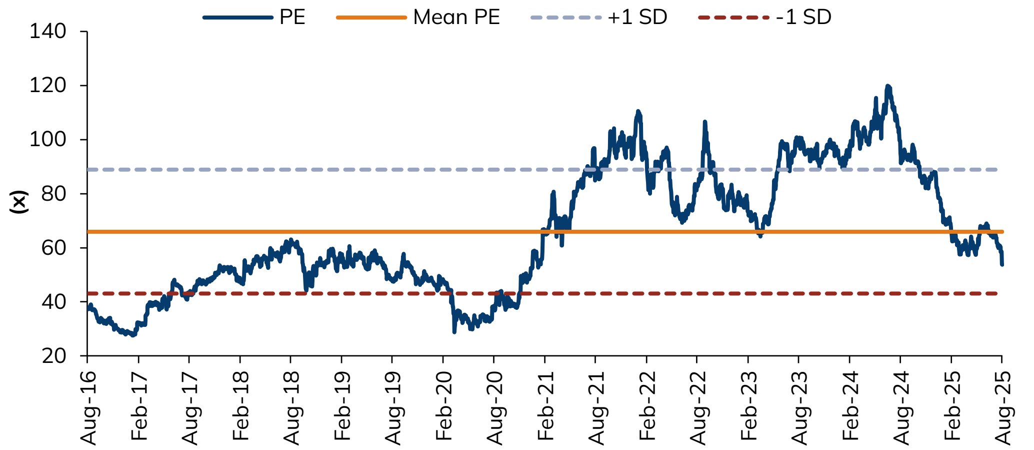
Source: Company data, I-Sec research

Valuation

Astral is among the leading players in India's CPVC/PVC plumbing pipes market. It has a wide-ranging product portfolio, robust brand and large distribution reach, which will likely enable it to benefit from the growing preference for organised players. Its adhesives business further boosts growth prospects.

Astral is expected to deliver EBITDA and PAT CAGRs of 13.6% and 17.1%, respectively, over FY25–27E with strong return ratios (RoE of 17.1% in FY27E). Upgrade the stock to **BUY**, from *Hold,* with a rolled over June'26E target price of INR 1,540 (earlier: INR 1,504), set at an unchanged 55x 1-year forward P/E.

Exhibit 12: 1-year forward P/E band



Source: Company data, I-Sec research

Key downside risks

- Slowdown in housing market causing lower demand.
- Sharp fall in PVC prices, which may adversely impact profitability of pipes segment due to inventory losses.
- Delay in implementation of ADD and BIS on PVC may adversely impact volumes and profitability.
- High increase in raw material prices for adhesives may impact segmental profitability and demand.
- Increased competitive activity resulting in volume/margin pressure in pipe segment.
- Failure to scale-up new businesses of sanitaryware, faucetware and paints.

Exhibit 13: Shareholding pattern

%	Dec'24	Mar'25	Jun'25
Promoters	54.1	54.1	54.1
Institutional investors	33.9	33.8	33.9
MFs and others	7.8	8.4	7.8
FIs/Banks	0.0	0.0	0.2
Insurance	4.9	5.2	5.9
FIIs	21.1	20.2	20.1
Others	12.0	12.1	12.0

Source: Bloomberg

Exhibit 14: Price chart

Source: Bloomberg

Financial Summary

Exhibit 15: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Net Sales	**58,324**	**64,516**	**73,260**	**82,369**
Operating Expenses	48,865	53,999	61,048	68,603
EBITDA	**9,459**	**10,517**	**12,212**	**13,766**
EBITDA Margin (%)	16.2	16.3	16.7	16.7
Depreciation & Amortization	2,434	2,851	3,054	3,349
EBIT	**7,025**	**7,666**	**9,158**	**10,417**
Interest expenditure	333	357	223	135
Other Non-operating Income	413	426	737	762
Recurring PBT	**7,105**	**7,735**	**9,672**	**11,044**
Less: Taxes	(1,836)	(1,980)	(2,476)	(2,827)
PAT	5,269	5,755	7,196	8,217
Profit / (Loss) from Associates	-	-	-	-
Less: Minority Interest	49	54	67	76
Extraordinaries (Net)	(80)	-	-	-
Net Income (Reported)	**5,238**	**5,808**	**7,263**	**8,293**
Net Income (Adjusted)	**5,297**	**5,808**	**7,263**	**8,293**

Source Company data, I-Sec research

Exhibit 16: Balance sheet

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Assets				
Inventories	10,111	10,652	11,875	13,345
Cash & cash eqv.	6,083	9,823	11,906	15,423
Sundry Debtors	4,353	4,242	4,817	5,416
Other Current Assets	1,655	1,768	2,007	2,257
Trade payables	8,589	9,159	10,389	11,593
Other Current Liabilities	2,161	2,219	2,518	2,981
Net Current Assets	**11,452**	**15,106**	**17,699**	**21,868**
Investments	-	-	-	-
Net Fixed Assets	22,581	22,730	23,176	23,427
Other Non Current Assets	5,695	5,695	5,695	5,695
Total Assets	**39,728**	**43,531**	**46,569**	**50,990**
Liabilities				
Borrowings	1,439	939	50	400
Other Non Current Liabilities	1,362	1,362	1,362	1,362
Total Liabilities	**2,801**	**2,301**	**1,412**	**1,762**
Equity Share Capital	269	269	269	269
Reserves & Surplus	35,901	40,257	44,252	48,398
Total Net Worth	**36,170**	**40,526**	**44,521**	**48,667**
Minority Interest	757	703	637	560
Total Liabilities & Net Worth	**39,728**	**43,531**	**46,569**	**50,990**

Source Company data, I-Sec research

Exhibit 17: Quarterly trend

(INR mn, year ending March)

	Sep-24	Dec-24	Mar-25	Jun-25
Net Sales	13,704	13,970	16,814	13,612
% growth (YOY)	0.5	2.0	3.5	-1.6
EBITDA	2,101	2,195	3,019	1849
Margin %	15.3	15.7	18.0	13.6
Other Income	88	118	88	91
Extraordinaries	-14	-52	-15	44
Adjusted Net Profit	1,110	1,180	1,804	843

Source Company data, I-Sec research

Exhibit 18: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Operating Cashflow	**5,959**	**8,638**	**9,674**	**10,837**
Working Capital Changes	(1,647)	86	(509)	(652)
Capital Commitments	(5,519)	(3,000)	(3,500)	(3,600)
Free Cashflow	**440**	**5,638**	**6,174**	**7,237**
Other investing cashflow	-	-	-	-
Cashflow from Investing Activities	**(5,519)**	**(3,000)**	**(3,500)**	**(3,600)**
Issue of Share Capital	-	-	-	-
Inc (Dec) in Borrowings	475	(500)	(889)	350
Dividend paid	(996)	(1,452)	(3,268)	(4,147)
Others	68	54	67	76
Cash flow from Financing Activities	**(453)**	**(1,899)**	**(4,090)**	**(3,720)**
Chg. in Cash & Bank balance	(13)	3,740	2,084	3,517
Closing cash & balance	**6,083**	**9,823**	**11,906**	**15,423**

Source Company data, I-Sec research

Exhibit 19: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
Per Share Data (INR)				
Reported EPS	19.5	21.6	27.0	30.9
Adjusted EPS (Diluted)	19.7	21.6	27.0	30.9
Cash EPS	28.8	32.2	38.4	43.3
Dividend per share (DPS)	3.8	5.4	12.2	15.4
Book Value per share (BV)	134.6	150.9	165.7	181.2
Dividend Payout (%)	19.0	25.0	45.0	50.0
Growth (%)				
Net Sales	3.4	10.6	13.6	12.4
EBITDA	2.3	11.2	16.1	12.7
EPS (INR)	(2.7)	9.6	25.0	14.2
Valuation Ratios (x)				
P/E	64.4	58.7	46.9	41.1
P/CEPS	44.1	39.4	33.0	29.3
P/BV	9.4	8.4	7.7	7.0
EV / EBITDA	35.6	31.6	26.9	23.7
EV / Sales	5.8	5.1	4.5	4.0
Dividend Yield (%)	0.3	0.4	1.0	1.2
Operating Ratios				
Gross Profit Margins (%)	39.7	39.0	39.1	35.8
EBITDA Margins (%)	16.2	16.3	16.7	16.7
Effective Tax Rate (%)	25.8	25.6	25.6	25.6
Net Profit Margins (%)	9.1	9.0	9.9	10.1
NWC / Total Assets (%)	10.6	9.6	9.7	9.8
Net Debt / Equity (x)	(0.1)	(0.2)	(0.3)	(0.3)
Net Debt / EBITDA (x)	(0.5)	(0.8)	(1.0)	(1.1)
Profitability Ratios				
RoCE (%) (post-tax)	14.3	14.0	15.4	16.2
RoE (%)	15.6	15.1	17.1	17.8
Cash Conversion Cycle (on net sales)				
Inventory Days	63	60	59	59
Receivables Days	27	24	24	24
Payables Days	54	52	52	51

Source Company data, I-Sec research

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BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return

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