

India
Underweight *(Initiating coverage)*
Highlighted Companies
Astral Ltd.
REDUCE, TP Rs1344, Rs1651 close

Astral is the fastest-growing large manufacturer of PVC products in India. We expect EBITDA to rise by 15% p.a. (FY25F-27F). Astral trades at 38.6x FY26F EV/EBITDA (~14% discount to the six-year median). We believe the valuation gap with SIL (35% higher FY26F EV/EBITDA) is excessive and not justified.

Finolex Industries
HOLD, TP Rs252, Rs249 close

Finolex Industries is a backward-integrated company making PVC products. We expect 18% EBITDA CAGR over FY25F-27F. The stock trades at a reasonable valuation of 15.3x FY26F EV/EBITDA (12% premium to its six-year median).

Supreme Industries
REDUCE, TP Rs4125, Rs4700 close

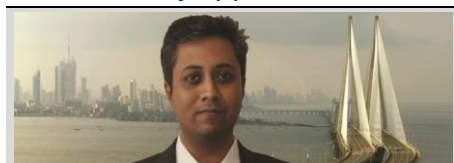
Supreme Industries is the largest manufacturer of PVC products in India. We expect EBITDA to grow 14% p.a. (FY25F-27F). The stock trades at 28.7x FY26F EV/EBITDA (~50% premium to its six-year median). We believe its growth prospects are at odds with the valuation.

Summary Valuation Metrics

P/E (x)	Mar25-F	Mar26-F	Mar27-F
Astral Ltd.	80.48	68.93	59.98
Finolex Industries	18.44	24.63	22.87
Supreme Industries	53.11	46.42	39.44

P/BV (x)	Mar25-F	Mar26-F	Mar27-F
Astral Ltd.	12.21	10.62	9.21
Finolex Industries	2.21	2.08	1.95
Supreme Industries	10.34	9.17	8.1

Dividend Yield	Mar25-F	Mar26-F	Mar27-F
Astral Ltd.	0%	0%	0%
Finolex Industries	0.81%	1.22%	1.31%
Supreme Industries	0.77%	0.92%	1.1%

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Building Materials

Growth prospects at odds with valuations

- The sharp growth witnessed in India PVC consumption in FY22-24 is likely to be a mirage. We believe that demand growth is likely to taper after 3-4 years.
- India PVC products makers are insulated from import substitution.
- We initiate coverage on the sector with an Underweight rating as we believe that its growth prospects are at odds with rich valuations.

Demand is immune to fluctuations in raw material prices

Global PVC output rose at 1-2% p.a. in the last five years. During the Covid-19 pandemic, PVC prices (in INR terms) jumped 100% (Jan 2020-Jul 2021). Demand was steady, proving the inelastic nature of PVC demand. PVC products comprise a small but critical part of end-demand of the segments they cater to. Customers are willing to pay a premium for quality products, as reflected in the high RoCE for players. Price/kg of PVC was like that of steel, but its price/volume was one-fifth of steel, making it more economic.

Sharp FY22-24 India PVC consumption growth is likely to be a mirage

Two-thirds of India's PVC demand was met by imports in FY24. India's PVC consumption was 3.9mt in FY24 (9% CAGR over FY20-24). Imports rose at 17% CAGR while domestic output was flat. Over FY24-27F, we expect India's PVC consumption to rise at ~9% CAGR, like in FY20-24. While PVC consumption rose to 17% CAGR over FY22-24, this was preceded by just a 1.5% CAGR over FY20-22.

India PVC product makers are insulated from import substitution

It is more economical to transport PVC resin than pipes. Pipes are hollow structures. The average ratio of solid cross-section area of the pipe to the total cross-section occupied space for PVC pipes is ~30% for an outer diameter of 1.66-3.5 inches. Thus, a container carrying PVC resin can carry 3-4x the mass (vs. PVC pipes). To achieve the same logistics cost/value of product, the price of PVC pipes should be 3-4x of PVC resin. In reality, it is just 1.4-1.5x (based on Supreme Industries or SIL's sales and raw material costs).

Possibility of demand growth tapering after 3-4 years

Irrigation accounts for ~45% of the demand for PVC pipes. For real estate, we use India's cement output as a proxy for construction. Over FY20-24, India PVC demand rose at a 9% CAGR, higher than that of cement (~6% CAGR) and our estimate of a rise in groundwater irrigated land (6-7% CAGR). This was due to the Jal Jeevan Mission (JJM). We believe a dip in industry growth is likely once (a) all arable land that can be irrigated by ground water is brought under ground water irrigation (four years) & (b) the end of JJM (three years).

Initiate coverage on SIL & Astral (REDUCE) and FIL (HOLD)

Large, organized players' market share has marginally risen over FY20-24. We believe there are low entry barriers due to low capital intensity and short gestation period of setting up capacities. SIL is the largest PVC product maker. Over the last eight years, Astral's volume growth was the highest. Finolex Industries' (FIL) volume growth lagged the industry. For PVC products, over FY24-1HFY25, Astral's PBITDA/kg was 39% more vs. SIL. During FY23-1HFY25, RoCE of SIL and Astral (ex-brand & goodwill) was similar (30%+) and higher than that of FIL. We initiate coverage on Supreme Industries or SIL & Astral (REDUCE), and Finolex Industries or FIL (HOLD). We believe the growth prospects for SIL & Astral are at odds with their rich valuations. Higher-than-expected volume growth is an upside risk to our REDUCE ratings.

Figure 1: Valuation summary

	Target Price (Rs)	Rating	EBITDA (Rs bn)			EV/ EBITDA (x)		
			FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Supreme Industries	4,125	REDUCE	16.4	18.6	21.2	32.9	28.7	25.2
Astral	1,344	REDUCE	9.8	11.4	13.1	45.0	38.6	33.7
Finolex Industries	252	HOLD	5.3	6.7	7.4	20.2	15.3	13.8

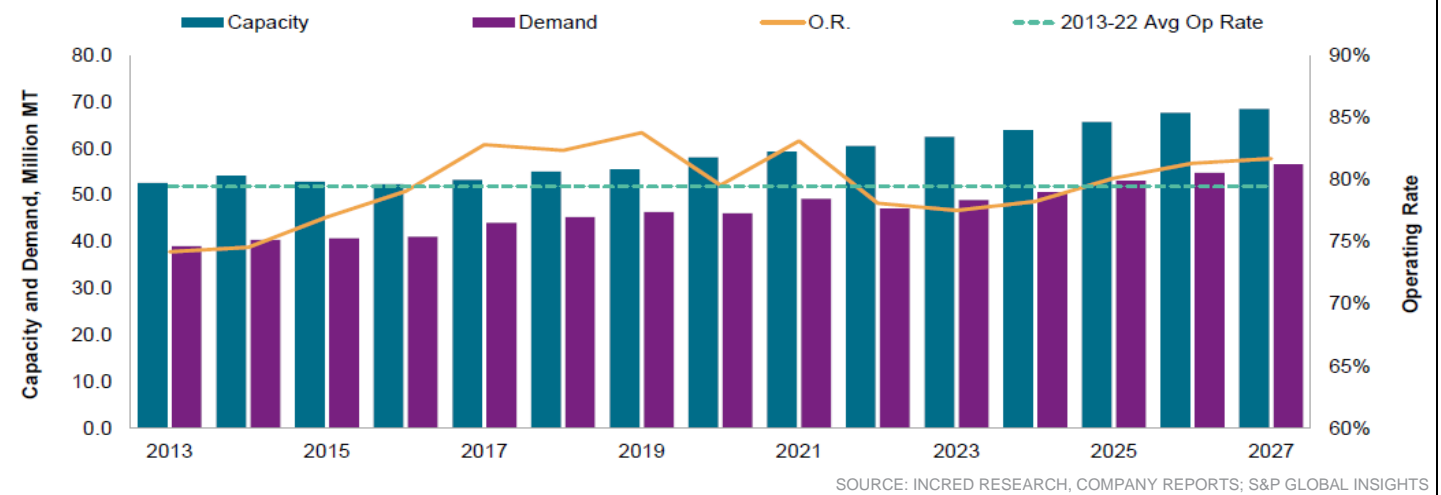
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Growth prospects at odds with valuations

Inelasticity of global PVC demand to price fluctuations ➤

Global polyvinyl chloride or PVC output was 49mt in FY24, growing 1-2% p.a. (last five years). China accounts for 47% of global output and 44% of global consumption.

Figure 2: Global PVC capacity, demand & operating rate (Note: Numbers for FY25, 26 & 27 are estimates of S&P Global Insights)

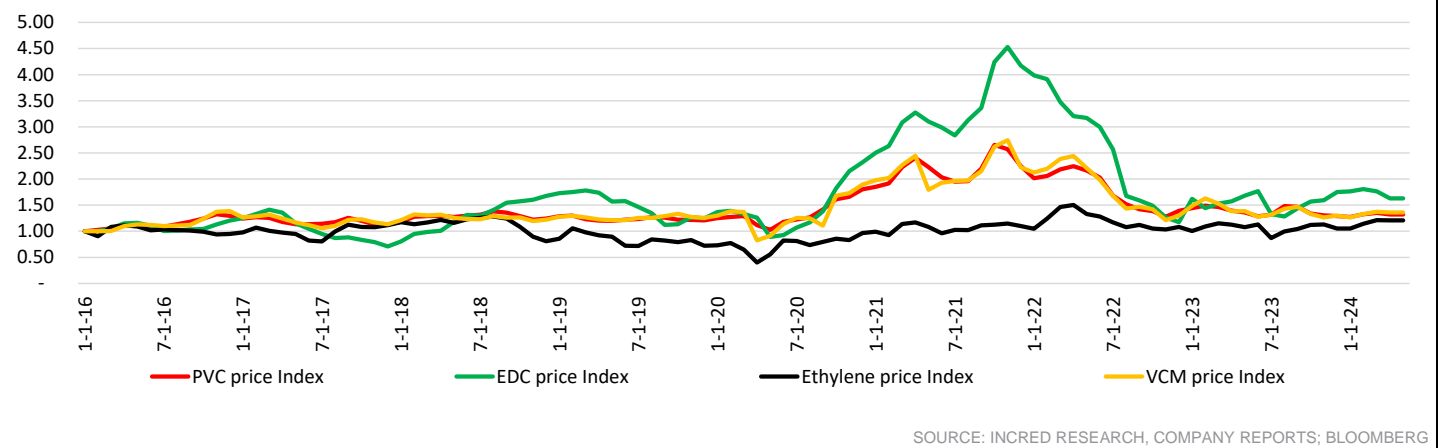


PVC prices were steady in 2016-19. During the Covid-19 pandemic, PVC prices (in INR terms) jumped 100% (Jan 2020-Jul 2021) while the prices of crude oil (in INR terms) rose by just 23%. Then, the prices of PVC (INR) declined by 50% (Jul 2021-Jan 2023) while the prices of crude oil (INR) rose by another 36%.

Despite the extreme volatility in PVC prices during the Covid-19 pandemic, demand was steady, proving the inelastic nature of PVC demand. **PVC products comprise a small but critical part of end-demand from real estate, industrial applications and agriculture sectors. Customers are willing to pay a premium for quality products and are indifferent to the prices of PVC products.**

Chlorine is 57-74% of the weight of PVC. However, fluctuations in chlorine prices do not have a significant impact on PVC prices as chlorine prices (US\$33/t in China & US\$124/t in India in 4QCY23) are just a fraction of the prices of ethylene (US\$896/t in CY23) and the prices of PVC (US\$800-900/t).

Figure 3: Global price indices (INR) of PVC, EDC, VCM and ethylene (the base is 1 Jan 2016)



PVC manufacturing: Global preference for trade in PVC resin over intermediates like EDC/ VCM ➤

Intermediate products (ethylene di-chloride [EDC] & vinyl chloride monomer [VCM]) are flammable, toxic & carcinogenic. EDC is a liquid, VCM is a gas while PVC is a brittle solid.

Transportation of EDC/ VCM is more expensive & hazardous than PVC resin. We believe this is the likely reason for global trade preferring PVC (25.8% of production) than VCM (9.4% of production) and EDC (5.9% of production) in CY22.

Note:

(a) Density of VCM is 0.9gm/cc & for EDC it is 1.25gm/cc (vs. 1.1-1.4gm/cc for PVC).

(b) VCM (liquid) is stored in containers - spheres having an inside & outside sphere with several inches of space in between. The space is purged with an inert gas (nitrogen). As nitrogen exits the interstitial space, it is analyzed for leakage of VCM from the inner sphere. If yes, then the sphere is dumped into an emergency underground storage container. In addition to toxicity, transporting VCM also has same risks as flammable gases.

Figure 4: Global production and trade in ethylene di-chloride (EDC), vinyl chloride monomer (VCM) & poly vinyl chloride (PVC) in CY22

(mt)	Global production CY22	Global trade CY22	Trade as % of production
EDC	52.5	3.1	5.9
VCM	49.0	4.6	9.4
PVC	48.4	12.5	25.8

SOURCE: INCRED RESEARCH, COMPANY REPORTS, S&P GLOBAL COMMODITY INSIGHTS

Steps in the manufacture of PVC resin

- **Produce ethylene (H₂C=CH₂);** colourless, flammable gas with a sweet taste & odour) by heating natural gas, especially ethane & propane components, or petroleum to 800–900 °C (thermal cracking), giving a mixture of gases from which ethylene is separated.

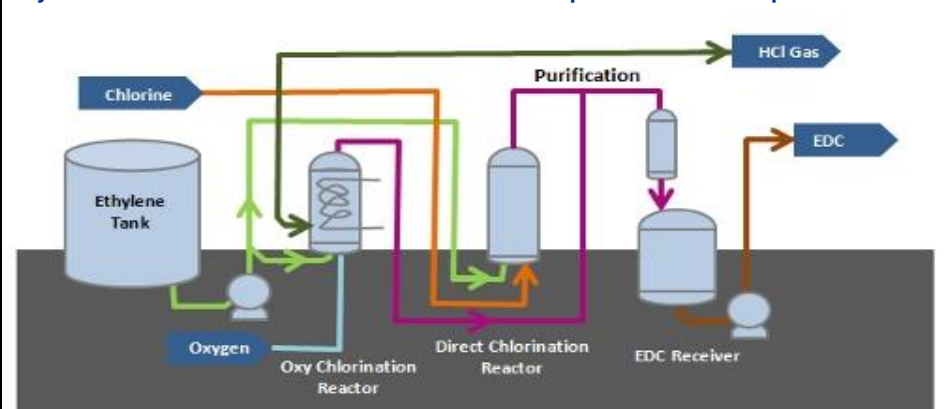
Note: Thermal cracking is a chemical process that breaks down large hydrocarbons into smaller ones using heat in the absence of oxygen.

- **Produce EDC (ClH₂C-CH₂Cl),** a colourless liquid with a chloroform-like odour. It is flammable and releases hydrochloric acid (HCl) when combusted. It is toxic (especially by inhalation) and possibly carcinogenic.

Direct chlorination [H₂C=CH₂ + Cl₂ → EDC]: Liquid chlorine & ethylene are reacted in the presence of ferric chloride at low (20-70°C)/ high (100-150°C) temperatures.

Oxy chlorination [H₂C=CH₂ + 2HCl + ½ O₂ → EDC + H₂O]: Ethylene and HCl, mixed with oxygen, are reacted at 200-300°C and 4-6 bar in the presence of cupric chloride (catalyst).

Figure 5: Most EDC plants are integrated with VCM plants; VCM process generates HCl, which is recycled in oxychlorination to make more EDC; operating both oxychlorination & direct chlorination eliminates the problem of HCl disposal

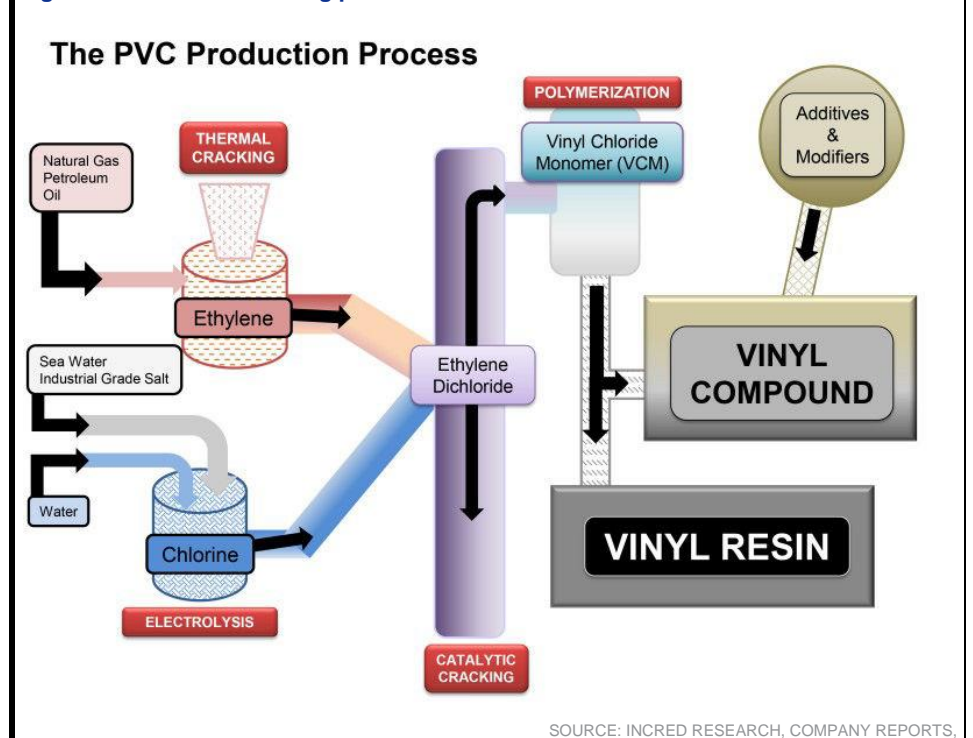


SOURCE: INCRED RESEARCH, COMPANY REPORTS,

- **Production of VCM [$\text{H}_2\text{C}=\text{CHCl}$; $\text{EDC} \rightarrow \text{VCM} + \text{HCl}$]:** VCM is a flammable gas with a sweet odour and is carcinogenic. EDC is cracked in a furnace with charcoal catalyst to form VCM & HCl. The reaction is endothermic (absorbs heat). It produces chlorinated hydrocarbon side products. The yield for EDC conversion is 50-60%.
- **Polymerization of VCM to form PVC ($-\text{H}_2\text{C}-\text{CHCl}-$)_n:** PVC is a white brittle solid powder. VCM and water are introduced into a reactor with a polymerization initiator and other additives. The contents are pressurized and continually mixed to maintain the suspension and ensure a uniform particle size of the PVC resin. The reaction is exothermic (release heat) and requires cooling.

Note: Polymerization is a process where small molecules (monomers) combine chemically to produce large chainlike or network molecule.

Figure 6: PVC manufacturing process



Key features of PVC pipes (~75% of India’s PVC demand) ▶

PVC is 5x more economic than steel pipes: In FY24, price/kg of PVC was Rs70 (based on India imports data), like that of galvanized steel (Rs68). Density of PVC (~1.3gm/ cc) is just 18% of galvanized steel (7.9gm/ cc). **As PVC is much lighter than steel, its price/volume is 18% of galvanized steel – this makes it more economical vs. steel.**

Steel pipes are used for structures which require strength and load bearing: In India, 63% of steel tube demand is from residential real estate, 20% from commercial buildings, 13% from infrastructure and the remaining from others (Source: APL Apollo Tubes).

Long product life of PVC products leads to low replacement demand: This is a weakness for the industry, making companies dependant on new demand for volumes.

Figure 7: Different types of pipes - UPVC comprises 65-70% of India’s plastic pipe industry and CPVC comprises 10-15%

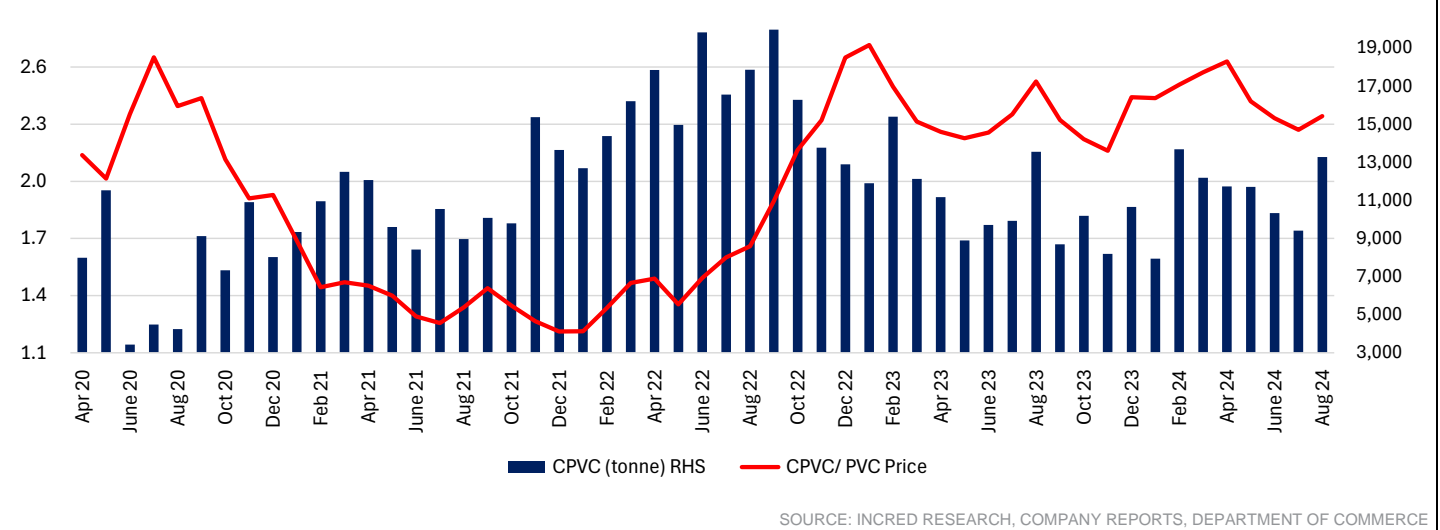
	Galvanised Iron	UPVC	CPVC	High Density Poly Ethylene (HDPE)	Polypropylene Random Co-polymer pipes (PPR)
% of plastic pipe Demand		65%	15%	15%	4-5%
Life yrs	15-20	20-25	30-35	50	50
Max temp degree celcius C	200-250	60-70	90-100	90-100	90-100
Cost	More than plastic		More than UPVC	More than UPVC	More than UPVC
Corrosion	Fast	Chemical-resistant	Anti-corrosive	Excellent anti-corosive	Good anti-corrosive
Leakage	Vulnerable	Leak-free	Leak-free for life, less rigid than UPVC	Leak-free	Leak-free, but skilled installation needed
Bacteria	Prone	Less prone	Lower than UPVC due to more chlorine	Lower than UPVC	Low vs. GI
Installation	Time & energy consuming	Cold welding	Cold welding	Cold welding	Fusion welding – skill & equipment
Thermal conduction	High conduction	Low conduction	Low conduction	Low conduction	Low conduction
Applications	Water supply, construction, Industrial	Irrigation, water supply & sanitation, industrial	Hot & cold water system, water supply & sanitation, industrial	Irrigation, water supply & sanitation, industrial	Hot & Cold water, industrial

SOURCE: INCRED RESEARCH, COMPANY REPORTS; NOTE: COLD WELDING IS A SOLID-STATE WELDING IN WHICH JOINING TAKES PLACE WITHOUT FUSION OR HEATING AT INTERFACE OF TWO PARTS. UNLIKE FUSION WELDING, NO LIQUID/ MOLTEN PHASE IS PRESENT IN THE JOINT.



What is CPVC? CPVC is a thermoplastic (softens when heated & hardens when cooled) which is more flexible than PVC and can withstand higher temperatures. To make CPVC from PVC, chlorine is reacted with PVC, replacing a portion of hydrogen in PVC. The chlorine content in CPVC varies from 57% to 74% by mass vs. 57% in PVC. Prices of imported CPVC in India were 1.8x of PVC prices (FY21-23) and 2.4x in FY24-YTDFY25. However, CPVC pipe prices are just 25-35% more vs. PVC ones. CPVC import volume declined by 34% yoy in FY24. In YTDFY25, it rose by 6% yoy while PVC imports increased by 28% yoy.

Figure 9: Price of imported CPVC in India vs. price of imported PVC in India



SOURCE: INCRED RESEARCH, COMPANY REPORTS, DEPARTMENT OF COMMERCE

Rising dependence on imports: Two-thirds of India’s PVC & CPVC demand was met via imports in FY24 ➤

India’s PVC & CPVC consumption was 3.9mt in FY24 (9% CAGR over FY20-24). The contribution of imports rose from 47% (FY20) to 64% (FY24). Imports rose at a 17% CAGR while domestic output was flat. **CPVC comprised 4-5% of India’s PVC+CPVC imports.**

While Reliance Industries has PVC resin production capacity of 750ktpa, there are plans to double the capacity by FY27F. SIL/ Astral/ FIL have no plans to start/ add any PVC resin manufacturing capacity.

Over FY24-27F, we expect India’s PVC consumption (including CPVC) to rise at ~9% CAGR, like that over FY20-24. While PVC consumption rose at a 17% CAGR over FY22-24, this was preceded by a 1.5% CAGR over FY20-22.

Figure 10: India’s PVC & CPVC production, imports & consumption - Reliance industries, Chemplast Sanmar & FIL accounted for 88% of domestic output

(mt)	FY20	FY21	FY22	FY23	FY24	CAGR % (FY20-24)
PVC + CPVC production	1.44	1.37	1.40	1.53	1.39	-1
yoy growth %		-5	2	9	-9	
% of total production						
Reliance Industries	55	51	50	52	51	
Chemplast Sanmar	19	20	21	21	23	
Finolex Ind	17	17	16	16	14	
Others	9	11	12	11	12	
PVC + CPVC imports	1.30	1.32	1.42	2.15	2.47	17
yoy growth %		2	7	52	15	
CPVC as % of overall	8	8	10	9	5	
PVC + CPVC consumption	2.74	2.69	2.81	3.67	3.86	9
yoy growth %		-2	5	31	5	
Imports as % of overall	47	49	50	58	64	

SOURCE: INCRED RESEARCH, COMPANY REPORTS, DEPARTMENT OF COMMERCE

Figure 11: India’s PVC & CPVC import prices - over FY20-22, PVC import prices rose by 82% but declined 40% in FY22-24

(Rs/ kg)	FY20	FY21	FY22	FY23	FY24	Apr-Aug 2024
Import price PVC	63	74	114	89	69	69
yoy growth %		18	55	-23	-22	-3
Import price CPVC	na	143	157	178	164	166
yoy growth %			10	14	-8	0
Ratio Import Price CPVC/ PVC (x)		1.94	1.37	2.02	2.38	2.40

SOURCE: INCRED RESEARCH, COMPANY REPORTS, DEPARTMENT OF COMMERCE

In FY24, 85% of PVC imports was from China, Japan, Taiwan, Korea & the US.
In FY24, 70% of CPVC imports was from Thailand, Japan & China.

Figure 12: PVC imports rose at 19% CAGR (FY20-24) and 28% yoy in Apr-Aug 2024

(mt)	FY20	FY21	FY22	FY23	FY24	CAGR % (FY20-24)	Apr-Aug 2024
PVC							
Imports	1.19	1.22	1.27	1.96	2.35	19	1.17
yoy growth %		3	4	54	20		28
% of imports							
China	2	5	20	33	30		
Japan	20	26	24	16	18		
Taiwan	18	17	20	17	15		
Korea	13	15	15	9	12		
USA	5	3	1	8	11		
Others	41	33	21	17	15		

SOURCE: INCRED RESEARCH, COMPANY REPORTS, DEPARTMENT OF COMMERCE

Figure 13: CPVC imports rose at just 3% CAGR (FY20-24) and 6% yoy in Apr-Aug 2024; ~90% of India's CPVC demand was met via imports

(mt)	FY20	FY21	FY22	FY23	FY24	CAGR % (FY20-24)	Apr-Aug 2024
CPVC							
Production	0.01	0.01	0.01	0.01	0.01	15	
yoy growth %		55	-11	-2	28		
Imports	0.11	0.10	0.14	0.19	0.12	3	0.06
yoy growth %		-9	42	34	-34		6
% of imports							
Thailand	na	47	35	22	33		
Japan	na	24	18	15	22		
China	na	3	16	32	15		
Others	na	25	31	31	30		

SOURCE: INCRED RESEARCH, COMPANY REPORTS, DEPARTMENT OF COMMERCE

Figure 14: EBITDA/t and EBITDA margin % of PVC product makers - over FY16-24, PVC product makers' EBITDA margin was steady despite volatility in PVC prices (FY20-24); this provides comfort to their ability to pass on the rise in PVC prices

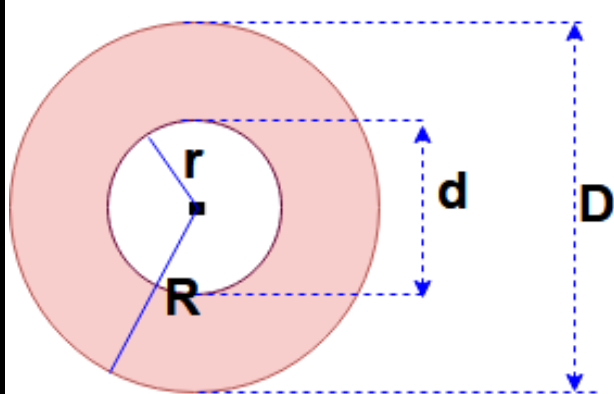
	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
PVC Price index	53,570	58,089	58,308	63,315	60,549	73,977	1,08,329	82,285	66,571
yoy change %		8	0	9	-4	22	46	-24	-19
Supreme Industries									
EBITDA / kg (Rs)	19.6	22.4	21.2	19.7	20.3	31.4	31.5	23.7	24.2
yoy change %		14	-5	-7	3	55	0	-25	2
EBITDA margin %	15.6	17.1	15.8	14.0	15.1	20.2	16.0	13.0	15.3
Astral Ltd									
EBITDA / kg (Rs)	21.4	24.1	23.8	25.6	27.2	38.2	42.3	36.1	34.5
yoy change %		12	-1	8	6	40	11	-15	-5
EBITDA margin %	12.7	14.6	15.7	17.1	18.2	21.6	18.8	17.0	18.3

SOURCE: INCRED RESEARCH, COMPANY REPORTS, DEPARTMENT OF COMMERCE

Why India imports PVC resin but not PVC products? ➤

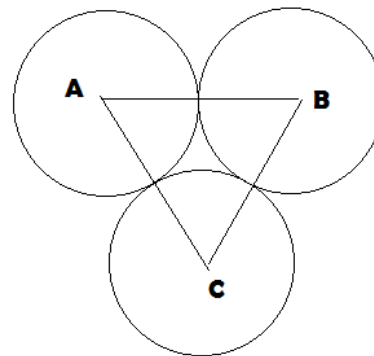
Pipes are hollow structures. Thus, the solid cross-section area of the pipe is much lower than the overall cross-section occupied space. Note: $\pi = 22/7$; R = external radius; r = internal radius.

Figure 15: Cross-sectional solid area of the pipe is $\pi \cdot (R^2 - r^2)$; the ratio of solid area to total occupied space is $(1 - (r/R)^2)$



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 16: Even efficient stacking leads to 9% unoccupied area between the pipes $(1 - \pi / (2 \cdot (3^{\wedge}.5)))$



SOURCE: INCRED RESEARCH, COMPANY REPORTS

The average ratio of solid cross-section area of the pipe to the total cross-section occupied space for PVC pipes (sch 40/ 80) is 26%/ 34% for an outer diameter of 1.66-3.5 inches. The ratio of (a) pipe thickness/ outer radius, and (b) solid area to total occupied space both decline as the pipe diameter rises.

As a result, a container carrying PVC resin can carry 3-4x the mass (vs. PVC pipes). To achieve the same logistics costs/value of product, PVC pipe prices should be 3-4x of PVC resin. In reality, they are just 1.4-1.5x (based on SIL's sales/raw material costs). Thus, it is more economical to transport PVC resin than pipes.

Figure 17: Specifications of Schedule 40 & 80 PVC pipes					Figure 18: Ratio of sales/raw material costs of SIL						
Outer diameter (inches)	Inner diameter (inches)	thickness (inches)	Solid area/ total occupied area %	Pipe thickness/ Outer radius %	(Rs bn)	FY19	FY20	FY21	FY22	FY23	FY24
Schedule 40					Supreme Industries						
1.66	1.36	0.15	30	18	Sales (A)	56	55	64	78	92	101
1.90	1.59	0.16	27	16	Raw material cost (B)	38	36	40	54	66	69
2.38	2.05	0.16	23	14	A/B (x)	1.47	1.54	1.57	1.45	1.39	1.48
2.88	2.45	0.22	25	15							
3.50	3.04	0.23	22	13							
Schedule 80 - can withstand higher pressure than Schedule 40											
1.66	1.26	0.20	39	24							
1.90	1.48	0.21	36	22							
2.38	1.91	0.23	32	19							
2.88	2.29	0.29	33	20							
3.50	2.86	0.32	30	18							

SOURCE: INCRED RESEARCH, COMPANY REPORTS

PVC pipes' price/volume is 40% of PVC resin – logistics cost is more important for PVC pipes than for PVC resin. PVC resin price/volume is 14x of cement and 25% of steel. PVC pipes' price/ volume is 6x of cement and 10% of steel.

While logistics costs are not as significant for PVC pipes as they are for cement, they are quite substantial.

Figure 19: Comparison of price/ volume with other industries				
	PVC resin	Cement	Steel	PVC pipe
Density (kg/ m3)	1,380	1,440	7,850	420
Price (Rs/ kg)	100	7	75	150
Price (Rs 000/ m3)	138	10	589	63

SOURCE: INCRED RESEARCH, COMPANY REPORTS, NOTE: PVC RESIN AND PIPE PRICE BASED ON SIL

Irrigation & real estate sectors are demand drivers of PVC pipes in India; government providing impetus via Jal Jeevan Mission ➤

Irrigation is estimated to account for 40-50% of the total demand for PVC pipes (Source: Crisil): Agriculture accounts for ~80% of India's annual water usage (700bn m3). In FY23, 52% of arable land was irrigated (41% in 2016). **India can irrigate ~60% of its arable land, and the remaining will continue to depend on rains. We believe that ~60% of India's arable land can be brought under irrigation in another four years.** 40% of India's irrigated area was via canals and 60% via groundwater.

Micro irrigation (sprinklers & drip) is used in 8m ha. Drip irrigation efficiency is 90%, while that of conventional irrigation is 60%. **The potential for micro-irrigation is 60m ha, 7.5x the current area.**

Figure 20: India's irrigated land, as a percentage of total arable land (141m ha) - we believe the land area irrigated by groundwater can rise 26% vs. current level				
(as % of total arable land)	2016	FY23	Potential	Potential vs. FY23 (x)
Irrigated land	41	52	60	1.15
Canal irrigated land	na	21	21	1.00
Groundwater irrigated land	na	31	39	1.26
Micro irrigation	na	6	43	7.50

SOURCE: INCRED RESEARCH, COMPANY REPORTS, NITI AAYOG

Over FY20-24, spending on irrigation rose at an 11% CAGR. ~90% of the spending on irrigation was by state governments (Andhra Pradesh, Telangana, Maharashtra, Gujarat, Karnataka, Madhya Pradesh, Odisha & Uttar Pradesh accounted for 70-80% of overall state spending). States like Telangana and Madhya Pradesh witnessed muted growth in spending on irrigation over FY20-24.

Figure 21: Central and state government spending on irrigation – main central government scheme is Pradhan Mantri Krishi Sinchayee Yojana (PMKSY)

(Rs bn)	FY20	FY21	FY22	FY23	FY24	CAGR %
Central & State government schemes	886	923	1,026	1,226	1,367	11
yoy growth %		4	11	19	12	
Central government irrigation schemes	67	69	103	56	70	1
State government spending on irrigation	819	854	923	1,170	1,297	12
Andhra Pradesh	43	39	59	91	102	24
Telangana	95	41	135	80	102	2
Maharashtra	110	106	102	137	172	12
Gujarat	85	67	54	75	126	10
Karnataka	133	146	191	210	172	7
Madhya Pradesh	90	92	102	112	85	-1
Odisha	47	36	48	82	85	16
Uttar Pradesh	59	68	33	77	92	12

SOURCE: INCRED RESEARCH, COMPANY REPORTS, NITI AAYOG

The real estate sector is the other demand driver. We have used India's cement output as a proxy for real estate construction. Cement output rose at ~6% CAGR over FY20-24.

Note: Real estate unit sales in India's top seven cities declined by 11% yoy in 2QFY25 and rose by 4% yoy in 1QFY25.

Figure 22: India's cement output

	FY20	FY21	FY22	FY23	FY24	CAGR %
India industry cement output (mt)	334	291	347	382	417	5.7
yoy rise %		-1	-13	19	10	9

SOURCE: INCRED RESEARCH, COMPANY REPORTS, NITI AAYOG

Over FY20-24, India's PVC consumption rose at 9% CAGR, higher than cement (~6% CAGR) and our estimate of the rise in groundwater-irrigated land area (6-7% CAGR). We believe this was due to the impetus given by the government to (a) provide potable drinking water at every household via Jal Jeevan Mission (JJM), and (b) construction of toilets via Swachh Bharat Mission.

Jal Jeevan Mission (JJM) to assist, empower and facilitate state governments for the following:

- Ensuring potable drinking water security to every rural household and public institution.
- Creation of water supply infrastructure so that every rural household has a functional tap connection (FHTC) by 2024F and adequate water of prescribed quality regularly.

Figure 23: Status of Jal Jeevan Mission - 79.2% of households have tap water connection – this means JJM may come to an end after two-to-three years

	(m)	% of overall
Total households	193.5	100.0
Households with tap water connections (15 Aug 2019)	32.4	16.7
Households provided with tap water connection since launch of the Mission	120.8	62.4

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 24: Government spending on JJM and Swachh Bharat Mission

(Rs bn)	FY20	FY21	FY22	FY23	FY24
Jal Jeevan Mission (National Rural Drinking Water Mission Pre FY20)	100	101	400	547	700
Swachh Bharat Mission Grameen	82	49	31	49	70

SOURCE: INCRED RESEARCH, COMPANY REPORTS

We believe there is a possibility of a dip in the industry growth rate once (a) all arable land that can be irrigated by ground water is brought under ground water irrigation (~ four years), and (b) conclusion of Jal Jeevan Mission (two-to-three years).

PVC product industry's SWOT analysis ►

Figure 25: PVC product industry's SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> Industry volume growth is immune to the sharp rise in product prices. Companies can maintain EBITDA/t despite a sharp rise in raw material prices. Pricing power: Importance of brands as customers are willing to pay a higher price for premium products. This is reflected in the strong RoCE of established players. Low risk of substitution via import of PVC products. 	<ul style="list-style-type: none"> There is possibility of a dip in industry growth rate once (a) all arable land that can be irrigated by ground water is brought under ground water irrigation, and (b) conclusion of JJM. Inventory loss in case of a sharp dip in raw material prices. Inability of large players to grow ahead of industry. Long product life leading to low replacement demand. As a result, companies are dependent on new demand for volumes.
Opportunities	Threats
<ul style="list-style-type: none"> New government schemes boosting the demand for PVC products. 	<ul style="list-style-type: none"> Low entry barriers due to low capital intensity and short gestation period of setting up capacity.

SOURCE: INCRED RESEARCH, COMPANY REPORTS,

Comparison of SIL, Astral and FIL – SIL leads the way ►

Figure 26: Large, organized players' market share has only marginally risen over FY20-24 – companies growing ahead of the industry are SIL, Astral and Apollo Pipes while FIL and Prince Pipes have lagged industry growth; we believe there are low entry barriers due to low capital intensity and short gestation period for setting up capacity

(mt)	FY20	FY21	FY22	FY23	FY24	Volume CAGR %
India PVC consumption	2.7	2.7	2.8	3.7	3.9	9
Supreme Industries	0.4	0.4	0.4	0.5	0.6	12
Astral	0.1	0.1	0.1	0.2	0.2	14
Finolex Industries	0.3	0.2	0.2	0.3	0.3	7
Prince Pipes	0.1	0.1	0.1	0.2	0.2	7
Ashirvad *	0.2	0.2	0.2	0.3	0.3	8
Apollo Pipes	0.0	0.0	0.1	0.1	0.1	16
Kriti Industries	0.1	0.1	0.0	0.1	0.1	8
Market share of India PVC consumption%						
Supreme Industries	15.0	15.2	14.0	13.8	16.6	
Astral	4.8	5.1	5.3	4.8	5.7	
Finolex Industries	9.3	7.9	8.4	8.2	8.7	
Prince Pipes	4.8	5.2	4.9	4.3	4.5	
Ashirvad	8.5	8.7	8.3	7.1	8.1	
Apollo Pipes	1.6	1.8	1.9	1.8	2.1	
Kriti Industries	2.0	1.9	1.3	1.6	2.0	
Total	46.1	45.7	44.2	41.7	47.7	

SOURCE: INCRED RESEARCH, COMPANY REPORTS, DEPARTMENT OF COMMERCE

Over FY20-24F, India's PVC consumption (including CPVC) rose at ~9% CAGR. While PVC consumption rose at 17% CAGR over FY22-24, this was preceded by 1.5% CAGR over FY20-22. In 1HFY25, the growth rates for SIL, Astral and FIL are lower than in FY22-24. We believe the yoy growth in 1HFY25 is sustainable.

Note: Prior to the Covid-19 pandemic, over FY16-20, Astral/FIL/SIL volume CAGR was 14%/ 5.4%/ 7%, respectively.

Figure 27: Volume growth of PVC products - SIL is the largest PVC product maker; over the last eight years, Astral's volume growth was the highest; over FY20-1HFY25, both SIL and Astral have grown at a similar pace, ~200-300bp faster than the industry; FIL's volume growth has lagged the industry by ~250bp

(kt)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	1HFY25	CAGR %	
									FY18-1HFY25	FY20-1HFY25
India PVC consumption *	na	na	2,741	2,685	2,814	3,674	3,857	na	na	8.9
yoy growth %				-2	5	31	5			
Supreme Industries Volume	371	398	412	409	394	506	640	312	9.4	11.1
yoy growth %		7	3	-1	-4	29	26	9		
Astral PVC product volume	104	123	132	137	150	178	220	107	12.3	12.1
yoy growth %		18	7	3	9	19	24	7		
Finolex Industries PVC product volume	252	263	255	212	237	303	337	160	4.7	6.4
yoy growth %		4	-3	-17	12	28	11	3		

* Considered CAGR of FY20-24 in place of FY20-1HFY25

SOURCE: INCRED RESEARCH, COMPANY REPORTS, DEPARTMENT OF COMMERCE

PVC product price & PBITDA/ kg: PVC prices were stable over FY17-20 but rose by ~80% over FY20-22, driving ~48% rise in operating costs/kg for SIL & Astral. This had a marginal impact on volume (SIL's volume dipped 5%, Astral's volume rose 12%). Not only did SIL & Astral pass on higher costs, but their PBITDA/kg rose 55%.

Figure 28: Metrics of PVC products - over FY18-20, Astral's realization & PBITDA/kg were 11%/ 23% more than that of SIL while FIL's realization was 30% lower; in FY24-1HFY25, Astral's gap vs. SIL widened (+18%/ +39%) and FIL's realization was 23% lower than that of SIL

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	1HFY25	yoy change						
									FY19	FY20	FY21	FY22	FY23	FY24	1HFY25
SIL															
Realisation	134	141	134	155	197	182	158	157							
PBITDA/ kg	21	20	21	32	32	24	25	24	-1	0	11	0	-8	1	-1
Cost/ kg	112	121	113	124	165	157	133	134	8	-8	10	42	-8	-24	-5
Astral															
Realisation	152	150	150	177	225	212	189	186							
PBITDA/ kg	24	26	27	38	42	36	34	34	2	2	11	4	-6	-2	-1
Cost/ kg	128	125	123	139	183	176	154	152	-4	-2	16	44	-7	-22	-6
FIL															
Realisation	89	98	100	124	163	136	124	121							

SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Figure 29: Despite backward integration, FIL's EBIT/ kg (FY18-20) was like that of SIL and Astral (not backward integrated); FIL was a beneficiary of the sharp rise in PVC prices (FY20-22); EBIT/kg for SIL and Astral rose by 68% while FIL's EBIT/kg rose by 155%

EBIT (Rs/ kg)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	1HFY25	yoy change (Rs)						
									FY19	FY20	FY21	FY22	FY23	FY24	1HFY25
SIL	16.7	15.1	15.3	26.2	25.7	18.5	19.5	17.0	-1.6	0.2	10.9	-0.5	-7.2	1.0	-1.6
Astral #	15.3	16.4	19.5	29.3	32.9	27.8	26.0	23.9	1.1	3.1	9.8	3.6	-5.1	-1.8	-0.7
FIL (Company EBIT/ volume pipes)	16.8	20.3	15.6	43.0	39.8	6.7	13.9	10.3	3.5	-4.7	27.4	-3.2	-33.1	7.2	-2.2

Estimated based on PBIT and other income

SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Most costs are variable. Raw material, power & fuel, freight and labour costs are variable. Advertisement and staff costs are fixed and provide some operating leverage.

Gross margin (GM) of SIL & FIL (FY23-1HFY25) was lower than the average over FY18-1HFY25, while for Astral it was higher. Astral's gross margin over FY23-1HFY25 was 604bp/285bp higher vs. SIL and FIL, respectively, despite FIL's backward integration. **Advertisement expenses/sales ratio was 1.2% for SIL, 3.5% for Astral and 2.3% for FIL. Astral's higher advertisement expenses drove volume growth higher.**

Figure 30: EBITDA margins of SIL & Astral (FY23-1HFY25) were slightly lower than FY18-1HFY25 average, while for FIL it was much lower; Astral's EBITDA margin was 156bp more than that of SIL, despite a higher gap in gross margin (610bp), due to SIL's higher scale

(as a % of sales)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	1HFY25	Average	
									FY18-1HFY25	FY23-1HFY25
SIL										
Gross Margin	33.8	31.9	35.1	36.5	31.1	28.3	32.3	33.1	32.8	31.2
Staff costs	4.9	4.5	5.1	4.9	4.4	4.1	4.4	4.9	4.6	4.4
Power & fuel expenses	3.5	3.7	3.9	3.1	2.7	2.9	3.2	-		
Advertisement expenses	1.2	1.4	1.3	1.0	0.8	1.1	1.4	-		
Other expenses	8.4	8.4	9.6	7.3	7.2	7.2	8.1	13.8	12.6	12.6
EBITDA margin	15.8	14.0	15.1	20.2	16.0	13.0	15.3	14.4	15.5	14.2
Depreciation	3.4	3.3	3.7	3.3	3.0	2.9	2.9	3.6	3.3	3.1
EBIT margin	12.5	10.7	11.4	16.9	13.0	10.2	12.3	10.8	12.2	11.1
Tax rate	32	36	27	19	21	22	24	23	26	23
Astral										
Gross Margin	33.3	34.3	38.1	38.0	33.4	33.4	38.7	39.7	36.1	37.3
Staff costs	5.1	5.5	6.8	6.0	5.6	6.2	7.8	9.3	6.5	7.7
Power & fuel expenses	2.6	2.6	2.7	2.0	1.8	2.0	2.3	-		
Advertisement expenses	3.2	3.5	3.5	3.2	2.8	3.0	4.0	-		
Other expenses	7.0	7.3	7.9	6.5	6.0	6.6	8.3	15.0	13.0	13.7
EBITDA margin	15.3	15.4	17.2	20.3	17.2	15.7	16.3	15.4	16.6	15.8
Depreciation	2.8	3.2	4.2	3.7	2.9	3.5	3.5	4.2	3.5	3.7
EBIT margin	12.5	12.1	13.0	16.6	14.3	12.2	12.8	11.2	13.1	12.1
Tax rate	29	30	18	23	24	25	26	27	25	26
FIL										
Gross Margin	35.2	37.9	34.9	44.3	38.7	30.1	36.6	36.5	36.8	34.4
Staff costs	4.2	4.3	4.9	4.8	4.1	4.3	4.9	5.8	4.7	5.0
Power & fuel expenses	3.2	3.7	3.6	2.8	3.9	6.9	6.6	-		
Advertisement expenses	1.4	2.2	1.6	1.3	1.5	2.2	2.5	-		
Other expenses	8.7	8.1	9.0	6.7	7.0	10.0	9.1	19.7	15.2	19.0
EBITDA margin	17.7	19.5	15.8	28.6	22.1	6.7	13.5	11.0	16.9	10.4
Depreciation	2.2	2.3	2.5	2.2	1.8	2.0	2.7	2.7	2.3	2.5
EBIT margin	15.5	17.3	13.3	26.3	20.3	4.6	10.8	8.4	14.6	7.9
Tax rate	33	33	20	26	24	22	27	24	26	24

SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Asset/ sales ratio of FIL and SIL was similar (35-37%) in FY23-1HFY25 while that of Astral was a tad higher at 48%.

Figure 31: Balance sheet - all three companies have just 6-10% NWC/sales ratio; NFA/ sales ratio of FIL & SIL is similar (24-27%) in FY23-1HFY25; Astral's NFA/sales ratio is higher (41%) but ex-goodwill and brand, it is 34%, closer to that of FIL/SIL; even though FIL is backward integrated and SIL / Astral are not, their NFA/ sales (ex-goodwill) ratio is similar

(as a % of sales)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	1HFY25	Average	
									FY18-1HFY25	FY23-1HFY25
SIL										
Asset/ Sales %	38.5	37.6	41.8	36.4	33.5	33.8	33.0	37.1	36.5	34.6
NWC/ Sales %	10.0	9.5	10.3	7.4	8.2	10.6	9.0	11.9	9.6	10.5
Inventory/ Sales %	14.0	13.4	16.2	12.0	16.2	15.1	13.4	16.1	14.5	14.8
Debtor/ sales %	7.7	6.9	5.7	6.1	6.0	5.4	5.0	5.2	6.0	5.2
OCA/ Sales %	2.0	3.0	2.3	4.6	-1.1	2.5	3.0	2.7	2.4	2.7
CL/ Sales %	-13.7	-13.8	-13.8	-15.2	-12.9	-12.3	-12.5	-12.0	-13.3	-12.3
NFA/ Sales %	28.5	28.1	31.5	29.0	25.2	23.3	24.0	25.2	26.8	24.1
Astral										
Asset/ Sales %	52.5	51.6	58.4	49.2	39.0	40.7	45.8	56.0	49.2	47.5
NWC/ Sales %	11.0	8.6	8.8	6.3	4.3	4.3	4.8	10.0	7.3	6.4
Inventory/ Sales %	17.2	15.8	21.0	14.9	16.7	17.0	16.2	19.6	17.3	17.6
Debtor/ sales %	14.8	13.5	8.8	8.7	6.1	6.9	6.7	6.3	9.0	6.6
OCA/ Sales %	2.4	1.4	2.1	2.6	1.6	2.7	0.7	2.0	1.9	1.8
CL/ Sales %	-23.4	-22.2	-23.1	-19.9	-20.1	-22.2	-18.8	-17.9	-21.0	-19.6
NFA/ Sales %	41.5	43.1	49.5	43.0	34.7	36.4	41.0	46.1	41.9	41.1
NFA ex-goodwill & brand/ Sales %	30.3	32.4	37.9	33.5	27.8	28.7	32.2	37.4	32.5	32.8
FIL										
Asset/ Sales %	51.8	48.6	54.3	47.3	33.7	36.6	38.5	35.2	43.2	36.7
NWC/ Sales %	11.5	11.5	16.2	14.5	9.7	10.8	11.6	7.5	11.7	10.0
Inventory/ Sales %	22.3	20.1	28.7	26.5	21.9	15.3	16.9	14.9	20.8	15.7
Debtor/ sales %	1.6	2.4	2.5	4.3	7.2	6.8	10.6	8.3	5.4	8.6
OCA/ Sales %	2.7	3.3	2.4	2.2	1.3	2.1	1.8	2.8	2.4	2.3
CL/ Sales %	-14.3	-13.7	-13.7	-21.1	-19.8	-13.8	-16.7	-18.5	-16.5	-16.3
NFA/ Sales %	40.3	37.0	38.2	32.8	24.0	25.8	26.9	27.6	31.6	26.8

SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Customers are willing to pay a higher price for premium products. This is reflected in strong RoCE for established players. The RoE of SIL was similar to Astral in FY23-1HFY25, but FIL's RoE was a lot lower. FIL's RoE was just 7%, despite a 22% RoCE, as ~75% of its balance sheet comprises cash & investments.

Figure 32: During FY23-1HFY25, SIL had the highest RoCE driven by lowest asset/ sales ratio; SIL's EBIT margin was similar to Astral and more than that of FIL; Astral's RoCE was lower than SIL due to goodwill & brand; excluding the same, Astral's RoCE was close to that of SIL

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	1HFY25	Average	
									FY18-1HFY25	FY23-1HFY25
SIL										
RoCE %	32.4	28.5	27.3	46.3	38.9	30.1	37.4	29.1	33.7	32.2
RoE%	24.1	19.0	21.3	36.0	27.6	21.0	22.5	18.1	23.7	20.5
Cash & Investments/ BS %	10.2	10.6	15.4	33.3	25.1	29.0	34.6	24.8	22.9	29.5
Astral										
RoCE %	23.9	23.4	22.3	33.8	36.7	30.1	27.9	20.0	27.2	26.0
RoCE % ex-brand and goodwill	30.4	29.5	27.8	41.8	44.5	37.1	34.5	23.7	33.7	31.8
RoE%	18.8	17.1	17.8	23.8	22.9	18.2	18.5	13.7	18.8	16.8
Cash & Investments/ BS %	3.7	6.4	7.7	23.3	25.6	24.0	17.7	9.7	14.8	17.1
FIL										
RoCE %	29.8	35.6	24.5	55.7	60.2	12.6	28.2	23.8	33.8	21.5
RoE%	11.0	15.3	18.0	23.5	17.3	5.1	8.4	6.5	13.1	6.7
Cash & Investments/ BS %	52.3	47.8	30.4	56.6	64.1	71.3	73.3	80.1	59.5	74.9
Other income/ Cash & Investments	2.8	3.6	5.2	6.3	3.3	4.2	5.0	5.3	4.5	4.8

SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Key projections regarding the PVC products segment for companies in our coverage ➤

Figure 33: Key projections for PVC products of FIL

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	1HFY25	FY25F	FY26F	FY27F
Volume: Pipes & fittings (kt)	252	263	255	212	237	303	337	160	360	384	409
yoy growth %		4	-3	-17	12	28	11	3	7	7	7
Volume: PVC Resin (kt)	259	255	239	236	225	240	197	110	245	245	245
yoy growth %		-1	-6	-1	-5	7	-18	31	25	-	-
% backward integration	103	97	94	111	95	79	58	69	68	64	60
Profit/kg of Pipes & fittings volume (Rs)											
Gross profit	38.3	44.5	40.9	72.3	75.9	43.7	46.9	45.0	48.0	49.4	50.9
EBITDA	19.2	23.0	18.5	46.6	43.3	9.7	17.4	13.6	14.6	17.5	18.2
EBIT	16.8	20.3	15.6	43.0	39.8	6.7	13.9	10.3	11.3	14.2	14.9

SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Figure 34: Key projections for PVC products of SIL

	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	1HFY25	FY25F	FY26F	FY27F
Volume (kt)	341	371	398	412	409	394	506	640	312	717	793	877
yoy growth %		9	7	3	-1	-4	29	26	9	12	11	11
Gross profit/ kg (Rs)	46	45	45	47	57	61	51	51	52	52	54	57
yoy growth %		-2	-0	4	21	8	-16	-0	1	2	4	4
EBITDA/ kg (Rs)	22	21	20	20	31	32	24	24	23	23	24	24
yoy growth %		-5	-7	3	55	0	-25	2	-4	-5	3	3

SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Figure 35: Key projections for PVC products of Astral

	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	1HFY25	FY25F	FY26F	FY27F
Volume (kt)	89	104	123	132	137	150	178	220	107	242	271	303
yoy growth %		16	18	7	3	9	19	24	7	10	12	12
Realisation (Rs/kg)	165	152	150	150	177	225	212	189	186	186	192	197
yoy growth %		-8	-1	-0	18	27	-6	-11	-3	-1	3	3
PBITDA/ Kg (Rs)	24	24	26	27	38	42	36	34	34	34	35	36
yoy growth %		-1	8	6	40	11	-15	-5	-1	-1	3	3

SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Peer valuations ➤

Companies in the building materials sector are trading at an average P/E of 34.4x FY26F and EV/EBITDA of 22.6x FY26F. Out of our coverage companies, Astral and SIL are trading at significantly higher valuations to the sector average while FIL is trading at a discount to the sector average.

Figure 36: Peer valuations

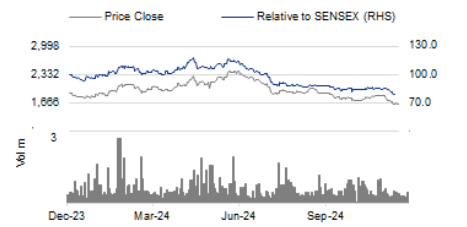
(x)	P/E (x)		P/BV (x)		RoE (%)		EV/EBITDA (x)	
	FY26F	FY27F	FY26F	FY27F	FY26F	FY27F	FY26F	FY27F
Astral	59.3	48.1	11.1	9.4	19.8	20.8	36.2	29.9
Finolex Industries	24.6	21.7	2.5	2.4	10.5	11.2	18.6	15.9
Supreme Industries	40.7	35.0	8.9	7.7	22.7	22.6	28.2	24.0
Prince Pipes	19.5	15.8	2.5	2.2	13.8	14.6	11.0	9.5
APL Apollo Tubes	34.5	29.3	8.1	6.5	25.7	26.1	22.9	18.3
Kajaria Ceramics	34.3	28.9	6.1	5.5	18.3	19.4	21.1	17.9
Cera Sanitaryware	33.8	29.8	5.9	5.2	18.2	18.3	23.9	20.6
CenturyPly	36.5	26.8	5.8	4.9	16.4	19.0	22.3	17.3
Median	34.4	29.1	6.0	5.3	18.3	19.2	22.6	18.1

SOURCE: INCRED RESEARCH, COMPANY REPORTS.

India
REDUCE *(Initiating coverage)*

Consensus ratings*: Buy 17 Hold 7 Sell 3	
Current price:	Rs1,651
Target price:	Rs1,344
Previous target:	NA
Up/downside:	-18.6%
EIP Research / Consensus:	-35.1%
Reuters:	ASPT.BO
Bloomberg:	ASTRA IN
Market cap:	US\$5,180m Rs443,637m
Average daily turnover:	US\$12.1m Rs1037.4m
Current shares o/s:	269.0m
Free float:	45.9%

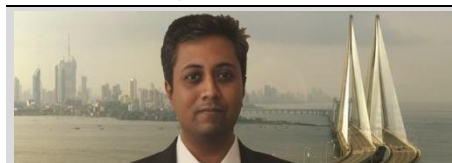
*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(7.8)	(16.4)	(13.3)
Relative (%)	(5.7)	(10.2)	(20.6)

Major shareholders	% held
Promoters	54.1
Axis Mutual Fund	3.0
Blackrock	2.6

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Astral Ltd.

Strong business but astronomical valuation

- Astral's volume has risen by 320bp ahead of industry (FY20-1HFY25).
- PBITDA/kg is 40% more & RoCE (ex-brand & goodwill) is close to that of SIL.
- We feel the valuation gap with Supreme Industries or SIL (30% higher FY26F EV/EBITDA than SIL) is not justified. Initiate coverage with a REDUCE rating.

Volume grows 320bp ahead of industry (FY20-1HFY25)

Astral is the fastest-growing PVC product maker in India. Over FY20-1HFY25, its volume grew at a 12% CAGR, 320bp above that of the industry. High CAGR in FY22-24 (22%) was preceded by just a 6% CAGR over FY20-22. The yoy rise in 1HFY25 was just 7%. PVC products is the core segment, accounting for 80% of Astral's PBITDA. Despite a 49% rise in operating costs/kg (FY20-22), driven by an 80% rise in PVC costs, PBITDA/kg rose by 55%. PBITDA/kg in 1HFY25 (Rs34) was higher than that in FY20 (Rs27). Paints & adhesives accounted for 27%/20% of Astral's sales/PBITDA, respectively. Sales growth in FY24-1HFY25 (7.4%) declined sharply from a 33% CAGR over FY20-23.

PBITDA/kg is 40% more & RoCE (ex-brand & goodwill) similar to SIL

The EBITDA margin in 1HFY25 is close to the pre-Covid average. Avg. asset/sales (FY23-1HFY25) stood at 47.5%, slightly better (lower) than the long-term avg. (49.2% avg. FY18-1HFY25). The NFA/sales ratio was 41% in FY23-1HFY25, higher (worse) than that of SIL & FIL (~25%). However, ex-goodwill & brand, Astral's NFA/sales ratio (33.8% in FY23-1HFY25) was close to SIL. During FY23-1HFY25, Astral had a RoCE of 26%, slightly lower than the avg. over FY18-1HFY25. RoCE (ex-brand & goodwill) was similar to SIL. RoE is relatively muted (16.8% avg. in FY20-1HFY25) partly due to a higher proportion of cash & investments (Rs6.1bn in FY24; 18% of the balance sheet). Astral has 17 plants (4 in Gujarat & 3 in Karnataka). PVC product capacity was 334kt in Mar 2024 (70% capacity utilization) and may rise to 364kt by Mar 2025F. Paint & adhesive capacity stands at 142kt.

Initiate coverage with a REDUCE rating and a target price of Rs1,344

For the PVC products segment, we estimate a 12% p.a. volume growth over FY25F-27F, like the CAGR over FY20-24 but lower than the yoy rise in FY22-24. We factor in PBITDA/kg of Rs34 in FY25F and a 3% rise p.a. over FY26F-27F. For the paints & adhesives segment, we factor in a 10% p.a. rise in revenue. Thus, we expect Astral's revenue/ EBITDA to rise 14%/ 15% p.a. (FY25F-27F). We factor in a healthy RoCE of 25-27% and RoE of 15% in FY26F-27F. Over the last six years, Astral has traded in a wide range of one-year forward EV/ EBITDA. The six-year median is 44.8x, while it is currently trading at 38.6x FY26F EV/EBITDA (~14% discount to the median). This was despite a 30% decline in the CMP in the last six months. Prior to the Covid-19 pandemic, over Mar 2016-20, the median EV/ EBITDA was 27.4x. We initiate coverage on Astral with a REDUCE rating and a target price of Rs1,344, valuing the business at 27x FY27F EV/EBITDA. Astral's volume grew at a 12.3% CAGR over FY18-1HFY25, higher than that of SIL (9.4%) and this justifies a valuation premium vs. SIL. However, we believe the valuation gap with SIL (35% higher FY26F EV/EBITDA) is excessive and not justified. Any sharper-than-expected volume growth is an upside risk to our REDUCE rating.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	51,585	56,414	61,422	69,972	79,747
Operating EBITDA (Rsm)	8,099	9,183	9,771	11,391	13,060
Net Profit (Rsm)	4,566	5,461	5,520	6,444	7,406
Core EPS (Rs)	17.0	20.3	20.5	24.0	27.5
Core EPS Growth	(29.3%)	19.3%	1.1%	16.7%	14.9%
FD Core P/E (x)	97.29	81.35	80.48	68.93	59.98
DPS (Rs)	3.5	3.8	3.8	3.8	3.8
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%
EV/EBITDA (x)	54.41	47.91	44.92	38.30	33.10
P/FCFE (x)	205.99	(925.50)	225.14	119.27	88.79
Net Gearing	(20.4%)	(15.7%)	(16.4%)	(20.7%)	(26.1%)
P/BV (x)	16.39	13.93	12.21	10.62	9.21
ROE	18.1%	18.5%	16.2%	16.5%	16.5%
% Change In Core EPS Estimates			(11.34%)	(15.45%)	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Strong business but astronomical valuation

Company background

Established in 1996, Astral was the first company to launch CPVC piping and lead-free PVC pipes in 2004 and lead-free uPVC column pipes in 2012. Astral forayed into the adhesives business in 2014 with the acquisition of Seal IT Services (UK), later acquired Resinova Chemie (RCL) in Nov 2014 and acquired Gem Paints in 2022.

Figure 37: Astral is the fastest-growing maker of PVC products in India; over FY20-1HFY25, Astral's volume grew at a 12% CAGR, 320bp above that of the industry; the higher CAGR in FY22-24 (22%) was preceded by just a 6% CAGR over FY20-22; the yoy rise in 1HFY25 was just 7%

(kt)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	1HFY25	CAGR %		
									FY18-1HFY25	FY20-1HFY25	FY22-24
India PVC consumption *	na	na	2,741	2,685	2,814	3,674	3,857	na	na	na	8.9
yoy growth %				-2	5	31	5				
Astral PVC product volume	104	123	132	137	150	178	220	107	12.3	12.1	
yoy growth %		18	7	3	9	19	24	7			

* Considered CAGR of FY20-24 in place of FY20-1HFY25

SOURCE: INCRED RESEARCH, COMPANY REPORTS, DEPARTMENT OF COMMERCE

Figure 38: Plastic pipe segment metrics: PVC prices rose by ~80% in FY20-22, driving a 49% rise in operating costs/kg; not only did Astral pass on the higher cost, but PBITDA/kg rose by 55% over FY20-22; PBITDA/kg in 1HFY25 (Rs34) was higher than that in FY20 (Rs27); Astral mainly imports CPVC resin (~30% of raw material cost) from Sekisui Chemical (Japan)

Astral	FY18	FY19	FY20	FY21	FY22	FY23	FY24	1HFY25	yoy change						
									FY19	FY20	FY21	FY22	FY23	FY24	1HFY25
Realisation	152	150	150	177	225	212	189	186							
PBITDA/ kg	24	26	27	38	42	36	34	34	2	2	11	4	-6	-2	-1
Cost/ kg	128	125	123	139	183	176	154	152	-4	-2	16	44	-7	-22	-6

SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Figure 39: Paints & adhesives segment accounted for 27% of overall sales and 20% of overall PBITDA; sales growth in FY24-1HFY25 has declined sharply from a 33% CAGR over FY20-23

(Rs bn)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	1QFY25	2QFY25	Average FY24-1HFY25	
Sales	5.3	6.6	5.9	7.6	10.3	13.9	15.0	3.7	4.0		
yoy growth %		25.0	-9.7	27.5	35.7	35.3	7.8	7.4	5.6		7.4
PBITDA	0.8	0.9	0.9	1.4	1.5	1.9	2.0	0.4	0.4		
PBITDA margin %	15	13	16	19	15	14	14	12	10		12.7
As % of overall Sales	25	26	23	24	23	27	27	27	29		27.1
As % of overall PBITDA	25	21	21	21	19	23	21	20	19		20.5

SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Figure 40: Gross margin (GM) and EBITDA margin in 1HFY25 are close to pre-Covid average levels

(as a % of sales)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	1HFY25	Average	
Astral									FY18-1HFY25	FY23-1HFY25
Gross Margin	33.3	34.3	38.1	38.0	33.4	33.4	38.7	39.7	36.1	37.3
Staff cost	5.1	5.5	6.8	6.0	5.6	6.2	7.8	9.3	6.5	7.7
Power & Fuel	2.6	2.6	2.7	2.0	1.8	2.0	2.3	-		
Advertisement	3.2	3.5	3.5	3.2	2.8	3.0	4.0	-		
Others	7.0	7.3	7.9	6.5	6.0	6.6	8.3	15.0	13.0	13.7
EBITDA margin	15.3	15.4	17.2	20.3	17.2	15.7	16.3	15.4	16.6	15.8
Depreciation	2.8	3.2	4.2	3.7	2.9	3.5	3.5	4.2	3.5	3.7
EBIT margin	12.5	12.1	13.0	16.6	14.3	12.2	12.8	11.2	13.1	12.1
Tax rate	29	30	18	23	24	25	26	27	25	26

SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Figure 41: Average asset/sales (FY23-1HFY25) ratio was 47.5%, slightly better (lower) than the long-term average (49.2% average FY18-1HFY25); Astral has ~7% NWC/sales ratio; NFA/sales stood at 41% in FY23-1HFY25, higher (worse) than that of SIL & FIL (~25%); however, ex-goodwill & brand, Astral's NFA/sales ratio (33.8% in FY23-1HFY25) was closer to that of SIL & FIL

(as a % of sales)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	1HFY25	Average	
									FY18-1HFY25	FY23-1HFY25
Astral										
Asset/ Sales %	52.5	51.6	58.4	49.2	39.0	40.7	45.8	56.0	49.2	47.5
NWC/ Sales %	11.0	8.6	8.8	6.3	4.3	4.3	4.8	10.0	7.3	6.4
Inventory/ Sales %	17.2	15.8	21.0	14.9	16.7	17.0	16.2	19.6	17.3	17.6
Debtor/ sales %	14.8	13.5	8.8	8.7	6.1	6.9	6.7	6.3	9.0	6.6
OCA/ Sales %	2.4	1.4	2.1	2.6	1.6	2.7	0.7	2.0	1.9	1.8
CL/ Sales %	-23.4	-22.2	-23.1	-19.9	-20.1	-22.2	-18.8	-17.9	-21.0	-19.6
NFA/ Sales %	41.5	43.1	49.5	43.0	34.7	36.4	41.0	46.1	41.9	41.1
NFA ex goodwill & brand/ Sales %	30.3	32.4	37.9	33.5	27.8	28.7	32.2	40.6	32.9	33.8

SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Figure 42: During FY23-1HFY25, Astral had a healthy RoCE of 26%, slightly lower than the average over FY18-1HFY25; RoE is relatively muted (16.8% average in FY20-1HFY25), partly due to a higher proportion of cash and investments (Rs6.1bn in FY24; 18% of the balance sheet); returns on cash and investments are muted (3-4% average in FY20-24)

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	1HFY25	FY18-1HFY25	FY23-1HFY25
Astral										
ROCE %	23.9	23.4	22.3	33.8	36.7	30.1	27.9	20.0	27.2	26.0
ROE%	18.8	17.1	17.8	23.8	22.9	18.2	18.5	13.7	18.8	16.8
Cash & Investments/ BS %	3.7	6.4	7.7	23.3	25.6	24.0	17.7	9.7	14.8	17.1

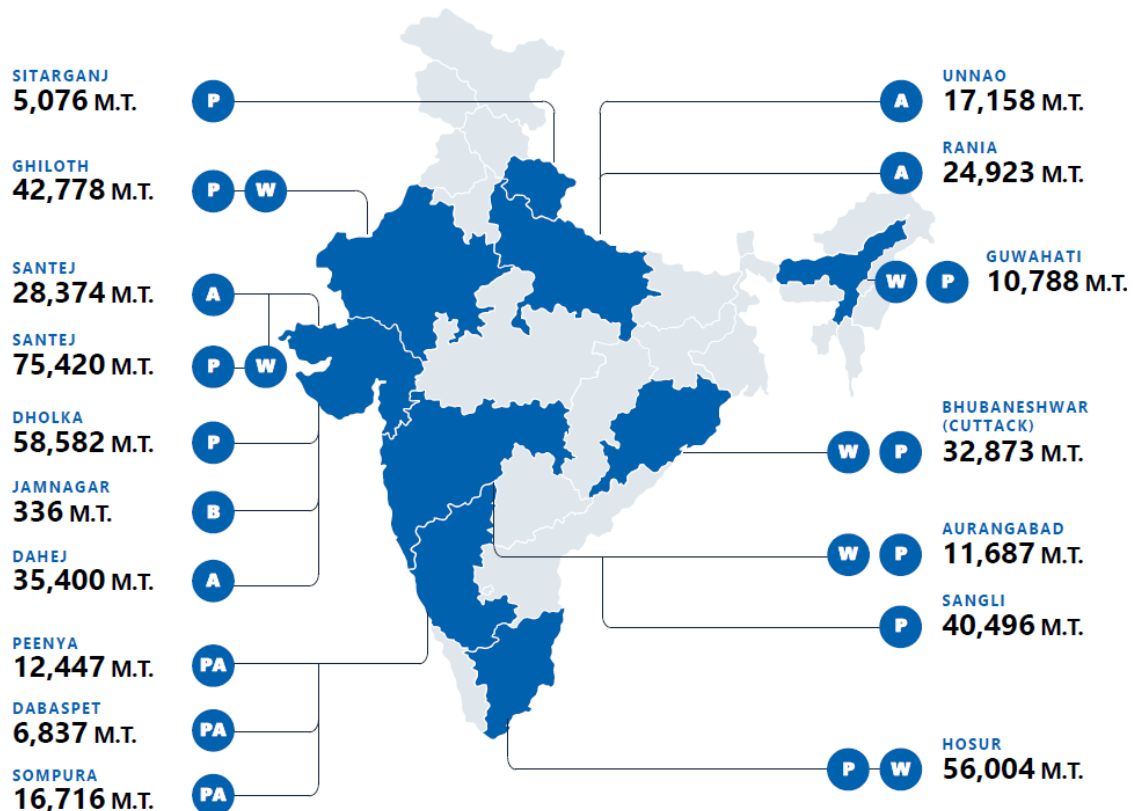
SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Figure 43: Description of various products of Astral

Product type	Description
Plastic Piping	Plumbing Pipes & Fittings, Water tanks, Sewerage & Drainage Pipes & fittings, Specialised Valves, Drainage, Cable Protection, PT Duct Systems, Agriculture Pipes & Fittings, Fire Protection System
Paints & Adhesives	Paints, Adhesive, Sealants, Solvent Cements, Waterproofing Solutions, Tiles Adhesives & Grouts
Bathware	Faucets, Sanitaryware, Showers, Cisterns

SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Figure 44: Astral has 17 manufacturing plants (4 in Gujarat & 3 in Karnataka); PVC product capacity was 334kt in Mar 2024 (70% capacity utilization) and is expected to rise to 364kt by Mar 2025F; paint & adhesive capacity is 142kt



SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Figure 45: Key financials: PVC products segment – we estimate a 12% p.a. volume growth over FY25F-27F, similar to the CAGR over FY20-24 but lower than the yoy rise in FY22-24; we factor in PBITDA/kg of Rs34 in FY25F and a 3% rise p.a. over FY26F-27F; paints & adhesives segment – we factor in a 10% p.a. rise in revenue; thus, we expect Astral's revenue/ EBITDA to rise by 14%/15% p.a., respectively, in FY25F-27F

(Rs bn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	1HFY25	FY25F	FY26F	FY27F
Revenue	18.9	20.7	25.1	25.8	31.8	43.9	51.6	56.4	27.5	61.4	70.0	79.7
yoy growth %		9.4	21.0	2.8	23.2	38.3	17.4	9.4	4.1	8.9	13.9	14.0
Gross profit	5.9	6.9	8.6	9.8	12.1	14.7	17.2	21.8	10.9	23.5	27.1	30.9
yoy growth %		16.6	24.7	14.3	22.9	21.4	17.6	26.6	8.5	7.8	15.0	14.3
EBITDA	2.6	3.2	3.8	4.4	6.4	7.6	8.1	9.2	4.2	9.8	11.4	13.1
yoy growth %		20.1	21.5	15.1	45.5	17.2	7.2	13.4	0.7	6.4	16.6	14.7
Adj. PAT	1.5	1.8	2.0	2.5	4.0	4.8	4.6	5.5	2.3	5.5	6.4	7.4
yoy growth %		20.2	11.8	26.6	63.1	19.6	-5.3	19.1	-8.2	1.0	16.8	14.9
PVC products												
Revenue	14.8	15.8	18.5	19.8	24.2	33.7	37.7	41.4	19.8	44.9	51.8	59.8
yoy growth %		7.1	16.9	7.3	21.9	39.2	11.9	9.9	3.2	8.5	15.4	15.4
PBITDA	2.2	2.5	3.2	3.6	5.2	6.3	6.4	7.6	3.6	8.2	9.5	10.9
yoy growth %		15.0	27.3	14.2	45.0	21.2	1.4	18.0	5.0	8.5	15.4	15.4
Volume (kt)	89	104	123	132	137	150	178	220	107	242	271	303
yoy growth %		16	18	7	3	9	19	24	7	10	12	12
Realisation (Rs/kg)	165	152	150	150	177	225	212	189	186	186	192	197
yoy growth %		-8	-1	-0	18	27	-6	-11	-3	-1	3	3
PBITDA/ Kg (Rs)	24	24	26	27	38	42	36	34	34	34	35	36
yoy growth %		-1	8	6	40	11	-15	-5	-1	-1	3	3
Paints & Adhesives												
Revenue	4.6	5.3	6.6	5.9	7.6	10.3	13.9	15.0	7.7	16.5	18.1	20.0
yoy growth %		14.9	25.0	-9.7	27.5	35.7	35.3	7.8	6.5	10.0	10.0	10.0
PBITDA	0.6	0.8	0.9	0.9	1.4	1.5	1.9	2.0	0.9	2.0	2.4	2.6
yoy growth %		39.2	4.9	9.0	50.4	9.3	26.0	5.1	-18.1	-2.6	19.2	10.0

SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Figure 46: Key ratios: We factor in healthy RoCE of 25-27% and RoE of 15% in FY26F-27F

	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25F	FY26F	FY27F
Gross profit margin %	31.2	33.3	34.3	38.1	38.0	33.4	33.4	38.7	39.7	38.3	38.7
EBITDA margin %	13.9	15.3	15.4	17.2	20.3	17.2	15.7	16.3	15.4	15.9	16.3
EBIT margin %	11.3	12.5	12.1	13.0	16.6	14.3	12.2	12.8	11.9	12.2	12.3
NWC/ Sales %	10.0	11.0	8.6	8.8	6.3	4.3	4.3	4.8	6.0	6.4	6.4
NFA/ Sales %	27.4	30.3	32.4	37.9	33.5	27.8	28.7	32.2	36.3	36.5	34.5
ROCE %	23.0	23.9	23.4	22.3	33.8	36.7	30.1	27.9	24.3	25.7	27.4
Cash and investments as %											
balance sheet	1.7	3.7	6.4	7.7	23.3	25.6	24.0	17.7	18.2	22.1	27.2
ROE %	17.2	17.2	15.3	16.5	21.3	20.7	16.9	17.1	15.2	15.4	15.4
Net Debt/ EBITDA (x)	0.5	0.3	0.2	-0.0	-0.7	-0.8	-0.8	-0.6	-0.6	-0.8	-1.0
P/E (x)									81	69	60
P/BV (x)									12.2	10.6	9.2
EV/ EBITDA (x)									45.0	38.6	33.7

SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Figure 47: Key management personnel

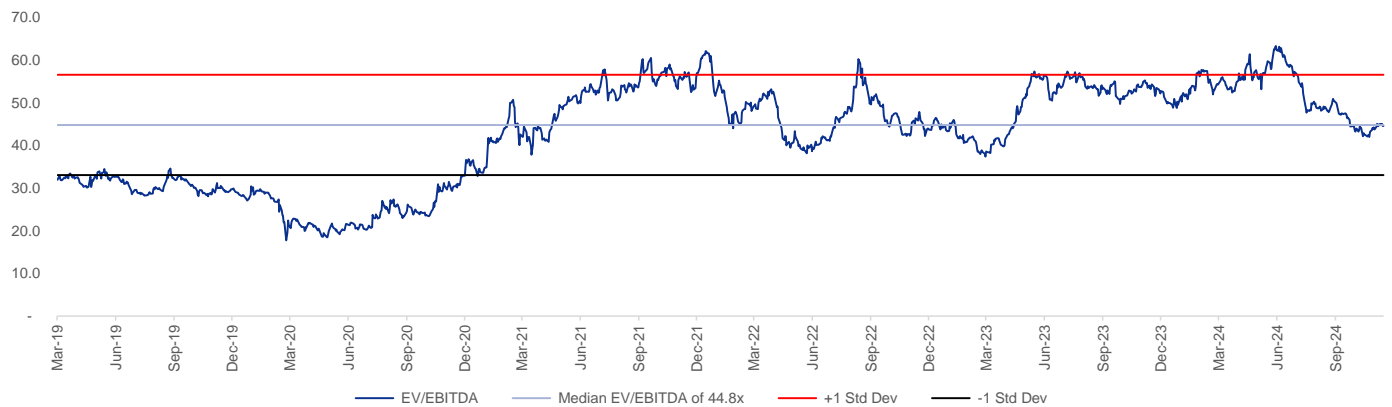
Sandeep Engineer – Chairman & MD: He is a chemical engineer. He completed a degree program for senior executives (OPM) at Harvard Business School. In 1992, and promoted a pharmaceutical venture, Kairav Chemicals Pvt. Ltd. to manufacture bulk drugs. Inspired by its success, in 1996 he established Astral Poly Technik to manufacture polymer-based plumbing and drainage systems and later on introduced CPVC piping in India.

Kairav Engineer – Executive Director: He holds dual bachelor's degrees in industrial engineering and management from Georgia Tech, Atlanta. His responsibility includes pipes, bathware, water tanks, and brand communications. He is instrumental in Astral's expansion into water tanks, sealants, adhesives, paints, and sanitaryware.

Hiranand Salvani – CFO: He is a seasoned finance professional with over 26 years of experience. A graduate in commerce from HL College of Commerce, Gujarat, he is also company secretary, cost and works accountant, and a chartered accountancy gold medallist and all-India ranker. Additionally, he holds an LL.B. from Gujarat University. His expertise spans financial planning, insurance, global taxation, investor relations, mergers and acquisitions, and legal compliance. After starting his career at Kalpataru, he moved to Dynamic Industries before joining Astral in 2003 with a first-generation promoter.

SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Figure 48: Over the last six years, Astral has traded in a wide range of one-year forward EV/ EBITDA; the six-year median is 44.8x, while it is currently trading at 38.6x FY26F EV/ EBITDA (14% discount to the median); this is despite a 30% decline in the CMP in last six months; please note that prior to the Covid-19 pandemic, over Mar 2016-20, the median EV/ EBITDA was 27.4x



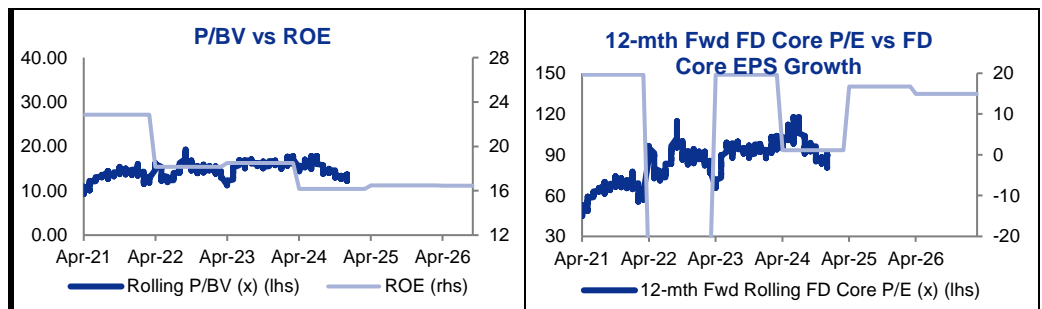
SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Figure 49: Target price valuation

	(Rs m)	(Rs/ share)	Comments
EBITDA FY27F	13,060		
Target EV/EBITDA (x)	27		
Target EV	3,52,610	1,311	We value Astral at 27x FY27F, vs. six-year median of 44.8x and currently trading at 38.6x FY26F.
Less Debt FY26F	-964	-4	
Add cash & investment FY26F	9,775	36	
Total	3,61,421	1,344	

SOURCE: INCRED RESEARCH, COMPANY REPORTS.

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	51,585	56,414	61,422	69,972	79,747
Gross Profit	17,238	21,824	23,534	27,070	30,929
Operating EBITDA	8,099	9,183	9,771	11,391	13,060
Depreciation And Amortisation	(1,781)	(1,976)	(2,467)	(2,867)	(3,267)
Operating EBIT	6,318	7,207	7,304	8,524	9,793
Financial Income/(Expense)	(344)	(249)	(280)	(278)	(276)
Pretax Income/(Loss) from Assoc.	(15)	(1)			
Non-Operating Income/(Expense)	211	379	379	398	418
Profit Before Tax (pre-EI)	6,170	7,336	7,403	8,644	9,935
Exceptional Items	(18)				
Pre-tax Profit	6,152	7,336	7,403	8,644	9,935
Taxation	(1,557)	(1,880)	(1,888)	(2,204)	(2,533)
Exceptional Income - post-tax					
Profit After Tax	4,595	5,456	5,515	6,439	7,401
Minority Interests	(29)	5	5	5	5
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	4,566	5,461	5,520	6,444	7,406
Recurring Net Profit	4,579	5,461	5,520	6,444	7,406
Fully Diluted Recurring Net Profit	4,579	5,461	5,520	6,444	7,406

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	8,099	9,183	9,771	11,391	13,060
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(201)	(1,143)	(1,009)	(581)	(665)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	(400)	(291)	(322)	(322)	(322)
Tax Paid	(1,557)	(1,880)	(1,888)	(2,204)	(2,533)
Cashflow From Operations	5,941	5,869	6,552	8,283	9,539
Capex	(6,293)	(5,581)	(5,000)	(5,000)	(5,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	234	420	421	442	464
Cash Flow From Investing	(6,059)	(5,161)	(4,579)	(4,558)	(4,536)
Debt Raised/(repaid)	2,002	(1,188)			
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(942)	(1,009)	(1,009)	(1,009)	(1,010)
Preferred Dividends					
Other Financing Cashflow	31	194			
Cash Flow From Financing	1,092	(2,003)	(1,009)	(1,009)	(1,010)
Total Cash Generated	974	(1,295)	964	2,716	3,994
Free Cashflow To Equity	1,884	(480)	1,973	3,725	5,003
Free Cashflow To Firm	282	999	2,296	4,047	5,326

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	6,821	6,096	7,059	9,775	13,770
Total Debtors	3,545	3,758	4,177	4,758	5,423
Inventories	8,746	9,134	9,827	11,195	12,760
Total Other Current Assets	1,427	869	1,234	1,405	1,601
Total Current Assets	20,539	19,857	22,298	27,134	33,553
Fixed Assets	15,736	19,161	21,694	23,827	25,561
Total Investments	933	602	602	602	602
Intangible Assets	3,125	3,133	3,133	3,133	3,133
Total Other Non-Current Assets	1,905	2,206	2,206	2,206	2,206
Total Non-current Assets	21,699	25,102	27,635	29,768	31,502
Short-term Debt	457	529	529	529	529
Current Portion of Long-Term Debt					
Total Creditors	8,000	8,719	9,520	10,846	12,361
Other Current Liabilities	3,448	1,868	1,536	1,749	1,994
Total Current Liabilities	11,905	11,116	11,585	13,124	14,883
Total Long-term Debt	316	435	435	435	435
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	98	230	230	230	230
Total Non-current Liabilities	414	665	665	665	665
Total Provisions	330	492	492	492	492
Total Liabilities	12,649	12,273	12,742	14,281	16,040
Shareholders Equity	27,112	31,881	36,387	41,818	48,210
Minority Interests	2,477	804	804	804	804
Total Equity	29,589	32,685	37,191	42,622	49,014

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	17.4%	9.4%	8.9%	13.9%	14.0%
Operating EBITDA Growth	7.2%	13.4%	6.4%	16.6%	14.7%
Operating EBITDA Margin	15.7%	16.3%	15.9%	16.3%	16.4%
Net Cash Per Share (Rs)	22.48	19.08	22.66	32.76	47.61
BVPS (Rs)	100.79	118.52	135.27	155.46	179.22
Gross Interest Cover	15.80	24.77	22.66	26.44	30.38
Effective Tax Rate	25.3%	25.6%	25.5%	25.5%	25.5%
Net Dividend Payout Ratio					
Accounts Receivables Days	22.06	23.63	23.58	23.30	23.30
Inventory Days	85.44	94.34	91.34	89.43	89.55
Accounts Payables Days	82.27	88.21	87.86	86.63	86.75
ROIC (%)	34.3%	31.3%	26.4%	27.3%	28.9%
ROCE (%)	22.9%	22.4%	20.2%	20.7%	20.8%
Return On Average Assets	13.0%	13.1%	12.2%	12.6%	12.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

India
HOLD (Initiating coverage)

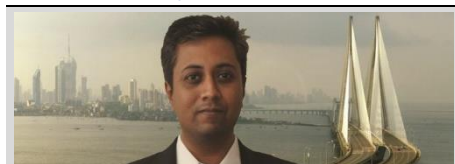
Consensus ratings*:	Buy 4 Hold 10 Sell 3
Current price:	Rs249
Target price:	Rs252
Previous target:	NA
Up/downside:	1.2%
InCred Research / Consensus:	-19.1%
Reuters:	FINX.NS
Bloomberg:	FNXP IN
Market cap:	US\$1,802m Rs154,375m
Average daily turnover:	US\$4.8m Rs414.3m
Current shares o/s:	618.4m
Free float:	47.5%

*Source: Bloomberg



Price performance	1M	3M	12M
Absolute (%)	(7.3)	(10.6)	18.0
Relative (%)	(5.3)	(4.0)	8.1

Major shareholders	% held
Promoters	52.5
SBI Large & Midcap Fund	6.4
Anuj A Sheth	3.4

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Finolex Industries

Trading at a reasonable valuation

- Finolex Industries' (FIL) volume CAGR (FY20-1HFY25) was 250bp lower than that of the industry.
- FIL trades at a reasonable valuation. Initiate coverage on it with a HOLD rating.

Volume grows 250bp lower than that of the industry (FY20-1HFY25)

Finolex Industries (FIL) is the second-largest PVC product maker in India. Over FY20-1HFY25, FIL's pipe volume grew at a 6.4% CAGR, 250bp lower than that of the industry. The high CAGR in FY22-24 (19%) was preceded by a 5% decline over FY20-22. PVC prices rose by ~80% in FY20-22, driving a 55% rise in operating costs/kg. Not only did FIL pass on the higher cost, but EBITDA/kg rose by 135% over FY20-22. Since then, EBITDA/kg (Rs13.6 in 1HFY25) has declined to a level below that in FY20 (Rs18.5). 1HFY25 EBITDA/kg was marred by weak 2Q (Rs1.5). FIL stated that the 13% yoy fall in realization in 2Q was due to a 10%+ dip in industry PVC prices in Aug-Sep 2024 while FIL had high-cost PVC inventory. We expect EBITDA/kg of ~Rs17.5 in 2H.

Disproportionate benefits from a sharp rise in PVC prices (FY20-22)

The average asset/sales (FY23-1HFY25) ratio stood at 36.7%, slightly better (lower) than the long-term average (43.2% average in FY18-1HFY25). NFA/sales ratio was at 26.8% in FY23-1HFY25. During FY23-1HFY25, RoCE was 22%, lower than the average over FY18-1HFY25. RoE was muted (11% average in FY20-1HFY25) due to a higher proportion of cash & investments (Rs47bn in FY24; 70% of the balance sheet). Despite backward integration, EBIT/kg (FY18-20) was like that of Supreme Industries or SIL/Astral (not backward integrated). FIL benefitted from a sharp rise in PVC prices (FY20-22). EBIT/kg for SIL/ Astral rose by 68% while FIL's EBIT/kg rose by 155%.

Backward integration to decline over FY25F-27F

FIL has two segments – plastic pipes & fittings and PVC resin manufacturing. Over FY24-1HFY25, almost entire PVC resin sales were in-house. FIL has three plants in Maharashtra and one in Gujarat. Pipes and fittings capacity was 420kt in Sep 2024 (85% capacity utilization in FY25F) and is expected to rise to 470kt in 4QFY25F. PVC resin output is likely to remain flat. We expect backward integration to reduce from 95% (FY22) to 60% (FY27F).

Initiate coverage with a HOLD rating and a target price of Rs252

We estimate a 7% p.a. pipe volume growth over FY25F-27F, like the CAGR over FY20-24 but lower than the yoy rise in FY22-24. We factor in EBITDA/kg in FY26F-27F like that in FY20, despite lower backward integration. We factor in healthy RoCE of 33-35% and RoE of 8-9% in FY26F-27F. Over the last six years, FIL has traded in a wide range of one-year forward EV/ EBITDA. The six-year median is 13.7x, while FIL currently trades at 15.3x FY26F EV/ EBITDA (~12% premium to the median). This is despite a 24% decline in the CMP in the last six months. We initiate coverage on FIL with a HOLD rating and a target price of Rs252, valuing the stock at 14x FY27F EV/EBITDA. Sharper-than-expected volume growth and clarity on legal ownership of Finolex Group companies are rerating triggers that pose upside risks while a decline in EBITDA/kg is a downside risk.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	43,971	43,174	45,042	48,990	53,739
Operating EBITDA (Rsm)	2,925	5,842	5,258	6,713	7,435
Net Profit (Rsm)	2,507	4,734	8,341	6,247	6,727
Core EPS (Rs)	4.1	7.7	8.4	10.1	10.9
Core EPS Growth	(67.2%)	88.9%	10.1%	19.8%	7.7%
FD Core P/E (x)	61.37	32.50	18.44	24.63	22.87
DPS (Rs)	1.5	1.5	2.0	3.0	3.3
Dividend Yield	0.60%	0.60%	0.81%	1.22%	1.31%
EV/EBITDA (x)	48.14	23.67	24.78	18.85	16.46
P/FCFE (x)	86.11	165.18	30.29	29.23	26.75
Net Gearing	(26.5%)	(27.6%)	(33.8%)	(36.9%)	(39.9%)
P/BV (x)	3.14	2.73	2.21	2.08	1.95
ROE	5.7%	9.0%	8.3%	8.7%	8.8%
% Change In Core EPS Estimates			(9.39%)	(15.11%)	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Trading at a reasonable valuation

Company background

FIL is a leading player in India's PVC pipes and fittings market. FIL has 470ktpa pipes and fittings capacity and 272ktpa PVC resin production capacity. FIL offers an impressive 2,000+ SKUs.

Figure 50: FIL is the second-largest maker of PVC products in India; over FY20-1HFY25, FIL's volume grew at a 6.4% CAGR, 250bp lower than that of the industry; the higher CAGR over FY22-24 (19%) was preceded by a 5% decline over FY20-22; the yoy rise in 1HFY25 was just 3%

(kt)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	1HFY25	CAGR %	
									FY18-1HFY25	FY20-1HFY25
India PVC consumption *	na	na	2,741	2,685	2,814	3,674	3,857	na	na	8.9
yoy growth %				-2	5	31	5			
FIL PVC product volume	252	263	255	212	237	303	337	160	4.7	6.4
yoy growth %		4	-3	-17	12	28	11	3		

* Considered CAGR of FY20-24 in place of FY20-1HFY25

SOURCE: INCRED RESEARCH, COMPANY REPORTS, DEPARTMENT OF COMMERCE

Figure 51: PVC prices rose by ~80% in FY20-22, driving a 55% rise in opex/kg; not only did FIL pass on the higher cost, but EBITDA/kg rose by 135% over FY20-22; since then, EBITDA/kg (Rs13.6 in 1HFY25) has declined to below FY20 level (Rs18.5);1HFY25 EBITDA/kg was marred by a weak 2Q (Rs1.5); FIL stated that the 13% yoy fall in realization in 2Q was due to a 10%+ dip in industry PVC prices in Aug-Sep 2024 while FIL had high-cost PVC inventory; we expect EBITDA/kg of ~Rs17.5 in 2HFY25F

(Rs bn)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	1HFY25	yoy growth %						
									FY19	FY20	FY21	FY22	FY23	FY24	1HFY25
Overall															
Sales	27.4	30.9	29.9	34.6	46.5	44.0	43.2	19.7							
Gross profit	9.6	11.7	10.4	15.3	18.0	13.2	15.8	7.2							
EBITDA	4.8	6.0	4.7	9.9	10.3	2.9	5.8	2.2							
EBIT	4.2	5.3	4.0	9.1	9.4	2.0	4.7	1.6							
Volume: Pipes & fittings (kt)	252	263	255	212	237	303	337	160	4	-3	-17	12	28	11	3
Volume: PVC Resin (kt)	259	255	239	236	225	240	197	110	-1	-6	-1	-5	7	-18	31
% backward integration	103	97	94	111	95	79	58	69							
Profit/kg of Pipes & fittings volume (Rs)															
Gross profit	38.3	44.5	40.9	72.3	75.9	43.7	46.9	45.0	16	-8	77	5	-42	7	-7
EBITDA	19.2	23.0	18.5	46.6	43.3	9.7	17.4	13.6	20	-19	152	-7	-78	80	-18
EBIT	16.8	20.3	15.6	43.0	39.8	6.7	13.9	10.3	21	-23	175	-7	-83	107	-18

SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Figure 52: Despite backward integration, FIL's EBIT/kg (FY18-20) was like that of SIL and Astral (not backward integrated); FIL was a beneficiary of the sharp rise in PVC prices (FY20-22); while EBIT/kg of SIL and Astral rose by 68%, FIL's EBIT/kg rose by 155%

EBIT (Rs/ kg)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	1HFY25	yoy change (Rs)						
									FY19	FY20	FY21	FY22	FY23	FY24	1HFY25
SIL	16.7	15.1	15.3	26.2	25.7	18.5	19.5	17.0	-1.6	0.2	10.9	-0.5	-7.2	1.0	-1.6
Astral	15.3	16.4	19.5	29.3	32.9	27.8	26.0	23.9	1.1	3.1	9.8	3.6	-5.1	-1.8	-0.7
FIL (Company EBIT/ volume pipes)	16.8	20.3	15.6	43.0	39.8	6.7	13.9	10.3	3.5	-4.7	27.4	-3.2	-33.1	7.2	-2.2

SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Figure 53: Gross margin (GM) in 1HFY25 was similar to the pre-Covid average, however EBITDA margin in 1HFY25 was lower than the pre-Covid average due to weak realization in 2QFY25

(as a % of sales)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	1HFY25	Average	
									FY18-1HFY25	FY23-1HFY25
FIL										
Gross Margin	35.2	37.9	34.9	44.3	38.7	30.1	36.6	36.5	36.8	34.4
Staff cost	4.2	4.3	4.9	4.8	4.1	4.3	4.9	5.8	4.7	5.0
Power & Fuel	3.2	3.7	3.6	2.8	3.9	6.9	6.6	-		
Advertisement	1.4	2.2	1.6	1.3	1.5	2.2	2.5	-		
Others	8.7	8.1	9.0	6.7	7.0	10.0	9.1	19.7	15.2	19.0
EBITDA margin	17.7	19.5	15.8	28.6	22.1	6.7	13.5	11.0	16.9	10.4
Depreciation	2.2	2.3	2.5	2.2	1.8	2.0	2.7	2.7	2.3	2.5
EBIT margin	15.5	17.3	13.3	26.3	20.3	4.6	10.8	8.4	14.6	7.9
Tax rate	33	33	20	26	24	22	27	24	26	24

SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Figure 54: Average asset/sales (FY23-1HFY25) ratio stood at 36.7%, slightly better (lower) than the long-term average (43.2% average FY18-1HFY25); FIL has ~10% NWC/sales ratio; NFA/sales ratio was 26.8% in FY23-1HFY25

(as a % of sales)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	1HFY25	Average	
									FY18-1HFY25	FY23-1HFY25
FIL										
Asset/ Sales %	51.8	48.6	54.3	47.3	33.7	36.6	38.5	35.2	43.2	36.7
NWC/ Sales %	11.5	11.5	16.2	14.5	9.7	10.8	11.6	7.5	11.7	10.0
Inventory/ Sales %	22.3	20.1	28.7	26.5	21.9	15.3	16.9	14.9	20.8	15.7
Debtor/ sales %	1.6	2.4	2.5	4.3	7.2	6.8	10.6	8.3	5.4	8.6
OCA/ Sales %	2.7	3.3	2.4	2.2	1.3	2.1	1.8	2.8	2.4	2.3
CL/ Sales %	-14.3	-13.7	-13.7	-21.1	-19.8	-13.8	-16.7	-18.5	-16.5	-16.3
NFA/ Sales %	40.3	37.0	38.2	32.8	24.0	25.8	26.9	27.6	31.6	26.8

SOURCE: INCRED RESEARCH, COMPANY REPORTS.

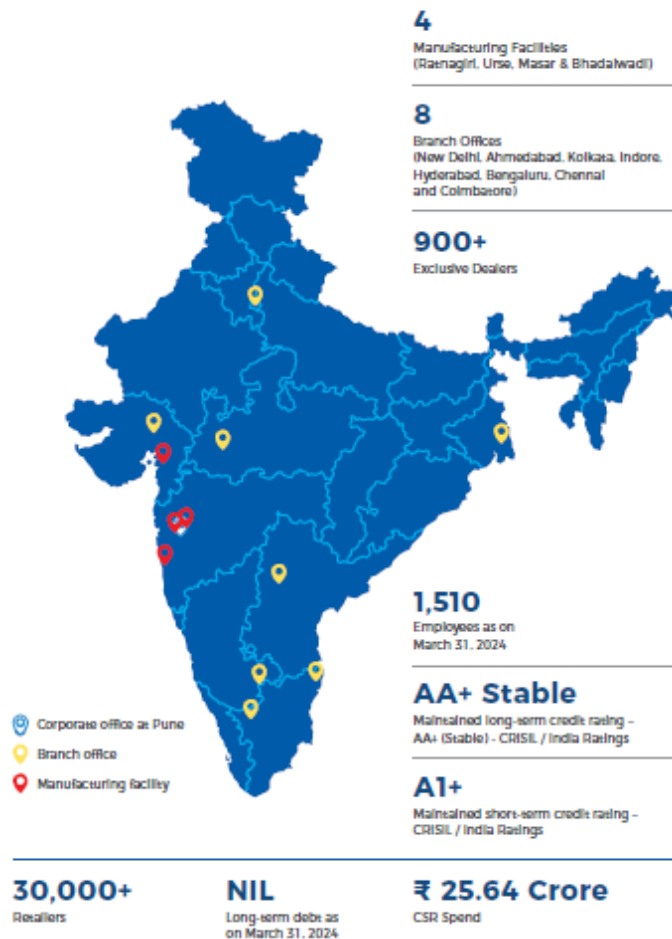
Figure 55: During FY23-1HFY25, FIL had a RoCE of 22%, lower than the average over FY18-1HFY25; RoE is muted (11% average in FY20-1HFY25) due to a higher proportion of cash and investments (Rs47bn in FY24; 70% of the balance sheet); return on cash and investments is muted (5% average in FY20-24)

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	1HFY25	Average	
									FY18-1HFY25	FY23-1HFY25
FIL										
ROCE %	29.8	35.6	24.5	55.7	60.2	12.6	28.2	23.8	33.8	21.5
ROE%	11.0	15.3	18.0	23.5	17.3	5.1	8.4	6.5	13.1	6.7
Cash & Investments/ BS %	52.3	47.8	30.4	56.6	64.1	71.3	73.3	80.1	59.5	74.9
Other income/ Cash & Investments	2.8	3.6	5.2	6.3	3.3	4.2	5.0	5.3	4.5	4.8

SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Figure 56: FIL has three plants in Maharashtra (Ratnagiri, Bhadalwadi & Urse) and one in Gujarat (Masar); pipes & fittings capacity was 420kt in Sep 2024 (85% utilization in FY25F) and is expected to rise to 470kt in 4QFY25F; PVC resin output is expected to remain flat; thus, we expect the backward integration to reduce from 95% (FY22) to 60% (FY27F)

FINOLEX PIPES & FITTINGS AT A GLANCE



SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Figure 57: Segment-wise contribution: Over FY24-1HFY25, almost the entire PVC resin sales were in-house

(Rs bn)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	1HFY25
PVC products								
Sales	22.4	25.7	25.5	26.4	38.5	41.1	41.9	19.4
As % of FIL total Sales	81.6	83.3	85.5	76.1	82.9	93.5	96.9	98.7
Realisation (Rs/ kg)	88.7	98.0	100.2	124.2	162.6	135.7	124.3	121.5
PBIT	1.4	1.8	2.0	2.5	2.5	1.5	4.0	1.0
As % of FIL total PBIT	30.4	31.8	47.3	25.5	24.4	47.6	61.8	14.6
PBIT/kg (Rs)	5.4	7.0	7.9	11.8	10.6	5.1	11.9	6.0
PVC Resin								
Sales (including in-house)	17.8	18.7	16.8	22.7	29.6	22.7	14.9	8.6
Realisation (Rs/ kg)	68.7	73.4	70.2	96.3	131.7	94.8	75.6	78.0
PBIT	3.5	3.8	2.0	7.0	7.2	0.9	1.2	1.1
PBIT/kg (Rs)	13.5	14.8	8.4	29.5	32.1	3.8	6.1	9.6

SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Figure 58: Description of various products of FIL

Product type	Description
Plastic Pipes	ASTM, CPVC, SWR, Sewerage, Agricultural PVC-U, Column, Casing, Solvent cement & Lubricants.
PVC Resins	

SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Figure 59: Key financials: We estimate a 7% p.a. pipe volume growth over FY25F-27F, like the CAGR over FY20-24 but lower than the yoy rise in FY22-24; we factor in EBITDA/kg in FY26-27F to be like that in FY20, despite lower backward integration

(Rs bn)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	1HFY25	FY25	FY26	FY27
Overall											
Sales	27.4	30.9	29.9	34.6	46.5	44.0	43.2	19.7	45.0	49.0	53.7
yoy growth %		13	-3	16	34	-5	-2	-5	4	9	10
Gross profit	9.6	11.7	10.4	15.3	18.0	13.2	15.8	7.2	17.3	19.0	20.8
yoy growth %		21	-11	47	17	-26	19	-4	9	10	10
EBITDA	4.8	6.0	4.7	9.9	10.3	2.9	5.8	2.2	5.3	6.7	7.4
yoy growth %		25	-22	110	4	-72	100	-15	-10	28	11
EBIT	4.2	5.3	4.0	9.1	9.4	2.0	4.7	1.6	4.1	5.4	6.1
yoy growth %		26	-25	129	3	-78	130	-15	-13	34	12
Volume: Pipes & fittings (kt)	252	263	255	212	237	303	337	160	360	384	409
yoy growth %		4	-3	-17	12	28	11	3	7	7	7
Volume: PVC Resin (kt)	259	255	239	236	225	240	197	110	245	245	245
yoy growth %		-1	-6	-1	-5	7	-18	31	25	-	-
% backward integration	103	97	94	111	95	79	58	69	68	64	60
Profit/kg of Pipes & fittings volume (Rs)											
Gross profit	38.3	44.5	40.9	72.3	75.9	43.7	46.9	45.0	48.0	49.4	50.9
EBITDA	19.2	23.0	18.5	46.6	43.3	9.7	17.4	13.6	14.6	17.5	18.2
EBIT	16.8	20.3	15.6	43.0	39.8	6.7	13.9	10.3	11.3	14.2	14.9

SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Figure 60: Key ratios: We factor in healthy RoCE of 33-35% and RoE of 8-9% in FY26F-27F

	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25F	FY26F	FY27F
Gross profit margin %	38.2	35.2	37.9	34.9	44.3	38.7	30.1	36.6	38.4	38.7	38.7
EBITDA margin %	21.6	17.7	19.5	15.8	28.6	22.1	6.7	13.5	11.7	13.7	13.8
NWC/ Sales %	7.8	11.5	11.5	16.2	14.5	9.7	10.8	11.6	10.7	8.9	8.9
NFA/ Sales %	38.3	40.3	37.0	38.2	32.8	24.0	25.8	26.9	25.9	24.4	22.6
ROCE %	37.6	28.5	35.2	23.0	59.0	59.4	12.5	27.6	25.4	32.8	35.4
Cash & Investments as %											
balance sheet	48.6	52.3	47.8	30.4	56.6	64.1	71.3	73.3	78.1	78.5	79.0
ROE %	15.3	11.0	15.3	18.0	23.5	17.3	5.1	8.4	6.0	8.4	8.5
Net Debt/ EBITDA (x)	-1.5	-2.4	-1.7	-0.5	-1.5	-2.1	-10.3	-6.1	-9.4	-8.0	-7.7
P/E (x)									30.5	20.4	18.9
P/BV (x)									2.2	2.1	2.0
EV/EBITDA (x)									20.2	15.3	13.8

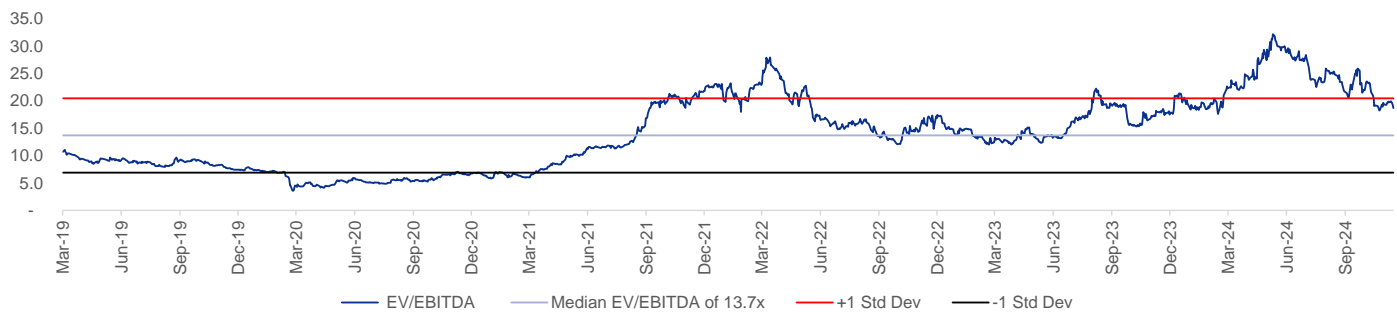
SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Figure 61: Key management personnel

Prakash P. Chhabria - Executive Chairman - He holds a B.Sc degree in International Business from University of Evansville, USA and has completed Advanced Management Programme from Wharton Business School.
Saurabh Dhanorkar – Managing Director – He is a chartered accountant and has been associated with the company since 1983. He played a pivotal role in transforming the company from a pipe manufacturing entity into a multi-location petrochemicals and plastics giant.
Chandan Verma – Chief Financial Officer – A qualified chartered accountant, he brings in 18 years of diverse experience across various domains. He has previously been associated with Deloitte, KPMG, and PCBL. Initially joining as Deputy CFO in Jul 2024, he was subsequently appointed as Interim CFO with effect from Sep 2024.

SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Figure 62: Over the last six years, FIL has traded in a wide range of one-year forward EV/ EBITDA; the six-year median is 13.7x, while it currently trades at 15.3x FY26F EV/ EBITDA (~12% premium to the median); this is despite a 25% decline in the CMP in the last six months; please note that prior to the Covid-19 pandemic, over Mar 2016-20, the median EV/ EBITDA was 10.2x



SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Figure 63: Target price valuation

	Rs m	Rs/ share	Comments
EBITDA FY27F	7,435		
Target EV/EBITDA (x)	14.0		We value FIL at 14x EV/EBITDA FY27F, vs. six year median of 13.7x and currently trading at 15.3x FY26F.
Target EV	1,04,384	169	
Less Debt FY26F	-	-	
Add cash	8,278	13	
Add investment ex-Finolex Cables	24,047	39	Valued at book value
Add stake in Finolex Cables	26,181	42	Valued at CMP
Less treasury stock via Finolex Cables	-7,347	-12	Valued at CMP
Target Equity value	1,55,543	252	

SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Resolution of legal feud between promoters could be a rerating trigger ➤

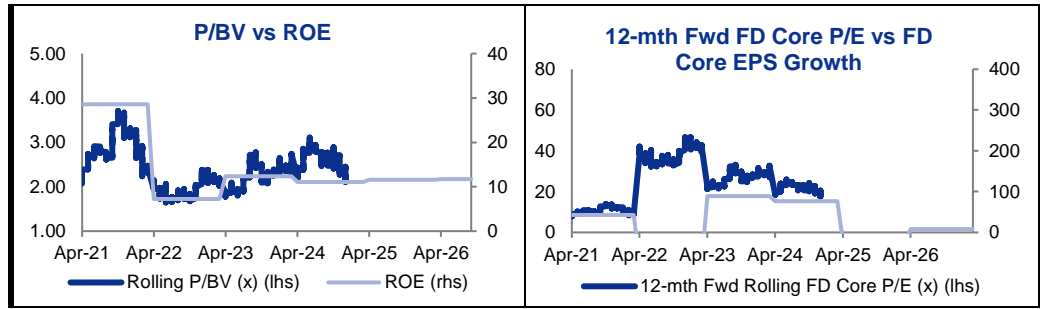
The Chhabria brothers have been involved in a legal battle over ownership and controlling rights of Finolex Cables. There has not been any allegation by either party of any sort of misconduct in the day-to-day business operations of FIL. We believe the intrinsic business value should remain unaffected in case a decision on the ownership favours either of the parties. Clarity on legal ownership of Finolex Group companies could be a rerating trigger.

Figure 64: Cross-holding details of Finolex Industries & Finolex Cables

Finolex Industries - number of shares (m)	618
Finolex Cables - number of shares (m)	153
Finolex Industries % holding in Finolex Cables	14.5
Finolex Cables % holding in Finolex Industries	32.5
Finolex Industries treasury shares (m)	29.2

SOURCE: INCRED RESEARCH, COMPANY REPORTS.

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	43,971	43,174	45,042	48,990	53,739
Gross Profit	13,250	15,802	17,288	18,964	20,802
Operating EBITDA	2,925	5,842	5,258	6,713	7,435
Depreciation And Amortisation	(892)	(1,160)	(1,189)	(1,266)	(1,348)
Operating EBIT	2,033	4,681	4,070	5,447	6,087
Financial Income/(Expense)	(272)	(365)			
Pretax Income/(Loss) from Assoc.	243	382	382	382	382
Non-Operating Income/(Expense)	1,209	1,805	2,500	2,500	2,500
Profit Before Tax (pre-EI)	3,213	6,504	6,952	8,329	8,969
Exceptional Items			4,170		
Pre-tax Profit	3,213	6,504	11,122	8,329	8,969
Taxation	(706)	(1,770)	(2,780)	(2,082)	(2,242)
Exceptional Income - post-tax					
Profit After Tax	2,507	4,734	8,341	6,247	6,727
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	2,507	4,734	8,341	6,247	6,727
Recurring Net Profit	2,507	4,734	5,214	6,247	6,727
Fully Diluted Recurring Net Profit	2,507	4,734	5,214	6,247	6,727

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	2,925	5,842	5,258	6,713	7,435
Cash Flow from Invt. & Assoc.					
Change In Working Capital	348	(871)	1,250	(367)	(442)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	937	1,441	6,670	2,500	2,500
Tax Paid	(706)	(1,770)	(2,780)	(2,082)	(2,242)
Cashflow From Operations	3,504	4,642	10,398	6,763	7,251
Capex	(1,823)	(932)	(1,500)	(1,500)	(1,500)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	(2,665)	(2,189)			
Other Investing Cashflow					
Cash Flow From Investing	(4,488)	(3,121)	(1,500)	(1,500)	(1,500)
Debt Raised/(repaid)	2,774	(589)	(3,820)		
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(928)	(928)	(1,251)	(1,874)	(2,018)
Preferred Dividends					
Other Financing Cashflow	(1,067)	(293)	363	382	382
Cash Flow From Financing	779	(1,810)	(4,708)	(1,492)	(1,636)
Total Cash Generated	(205)	(289)	4,190	3,771	4,115
Free Cashflow To Equity	1,790	931	5,078	5,263	5,751
Free Cashflow To Firm	(712)	1,885	8,898	5,263	5,751

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	18,277	19,368	23,558	27,329	31,444
Total Debtors	2,975	4,576	3,603	3,919	4,299
Inventories	6,732	7,280	7,207	7,838	8,598
Total Other Current Assets	936	798	1,036	1,127	1,236
Total Current Assets	28,920	32,023	35,404	40,214	45,578
Fixed Assets	10,384	10,422	10,733	10,968	11,120
Total Investments	22,216	27,204	33,417	33,417	33,417
Intangible Assets					
Total Other Non-Current Assets	1,328	1,080	1,080	1,080	1,080
Total Non-current Assets	33,927	38,707	45,231	45,465	45,617
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	2,893	2,886	3,153	3,429	3,762
Other Current Liabilities	3,182	4,329	4,504	4,899	5,374
Total Current Liabilities	6,075	7,216	7,657	8,328	9,136
Total Long-term Debt	5,260	3,820			
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	988	999	999	999	999
Total Non-current Liabilities	6,249	4,818	999	999	999
Total Provisions	1,493	2,334	2,334	2,334	2,334
Total Liabilities	13,816	14,368	10,990	11,661	12,468
Shareholders Equity	49,031	56,343	69,645	74,018	78,726
Minority Interests					
Total Equity	49,031	56,343	69,645	74,018	78,726

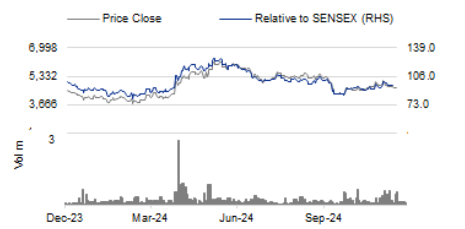
Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	(5.4%)	(1.8%)	4.3%	8.8%	9.7%
Operating EBITDA Growth	(71.5%)	99.7%	(10.0%)	27.7%	10.8%
Operating EBITDA Margin	6.7%	13.5%	11.7%	13.7%	13.8%
Net Cash Per Share (Rs)	21.05	25.15	38.10	44.20	50.85
BVPS (Rs)	79.29	91.12	112.63	119.70	127.32
Gross Interest Cover	7.47	12.84			
Effective Tax Rate	22.0%	27.2%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio	28.9%	14.3%	18.0%	22.5%	22.5%
Accounts Receivables Days	26.23	31.92	33.14	28.02	27.91
Inventory Days	100.31	93.42	95.26	91.45	91.07
Accounts Payables Days	44.70	38.53	39.71	40.01	39.84
ROIC (%)	12.8%	28.8%	24.0%	34.0%	36.7%
ROCE (%)	4.1%	7.9%	6.1%	7.3%	7.7%
Return On Average Assets	6.0%	10.3%	9.2%	10.0%	10.1%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

India
REDUCE *(Initiating coverage)*

Consensus ratings*:	Buy 16 Hold 6 Sell 4
Current price:	Rs4,700
Target price:	Rs4,125
Previous target:	NA
Up/downside:	-12.2%
InCred Research / Consensus:	-21.0%
Reuters:	SUPI.NS
Bloomberg:	SI IN
Market cap:	US\$6,970m Rs596,976m
Average daily turnover:	US\$10.5m Rs902.2m
Current shares o/s:	127.1m
Free float:	51.2%

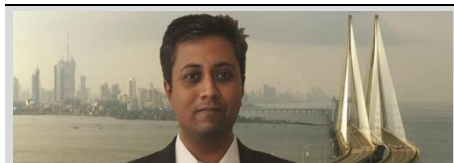
*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	1.0	(12.9)	5.0
Relative (%)	3.3	(6.6)	(3.9)

Major shareholders	% held
Promoters	48.9
Nalanda India Fund	4.4
Kotak Mahindra Asset Management Co	3.4

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Supreme Industries

Growth prospects at odds with valuation

- Supreme Industries' (SIL) volume has risen 200bp ahead of industry (FY20-1HFY25).
- Market leadership with steady EBITDA/kg driving strong return ratios.
- SIL is trading at a steep valuation. Initiate coverage with a REDUCE rating.

Volume grows 200bp ahead of industry (FY20-1HFY25)

Supreme Industries (SIL) is the largest maker of PVC products in India. Over FY20-1HFY25, SIL's volume grew at a 11% CAGR, 200bp ahead of the industry. High CAGR in FY22-24 (27%) was preceded by a 5% decline over FY20-22. The yoy rise in 1HFY25 (9%) is maintainable, in our view. PVC prices rose ~80% in FY20-22, driving a 46% rise in operating costs/ kg. Not only did SIL pass on higher costs, but PBITDA/kg rose by 55% over FY20-22. Since then, PBITDA/kg (Rs24 in 1HFY25) reverted to close to FY20 level (Rs21).

Market leadership with steady EBITDA/kg driving strong return ratios

The average asset/sales (FY23-1HFY25) ratio is 34.6%, slightly better (lower) than the long-term average (36.5% average in FY18-1HFY25). SIL has ~10% NWC/sales ratio (15% inventory/sales, 5% debtor/sales, 2-3% other current asset/sales & 12-13% current liabilities/sales). NFA/sales ratio stood at 24% in FY23-1HFY25. During FY23-1HFY25, SIL had a healthy RoCE of 32%, slightly lower than the average over FY18-1HFY25. RoE is relatively muted (20.5% average in FY20-1HFY25) due to a high proportion of cash & investments (Rs18.2bn in FY24; 35% of the balance sheet). Return on cash & investments stood at 14% (average in FY20-24).

Pan-India player – core business is plastic pipes

Plastic pipes is the key business segment, comprising ~70% of PBIT & revenue and 78% of volume, in FY24-1HFY25. SIL has a pan-India presence, with 30 manufacturing plants in 11 states and 2 Union territories. SIL has seven plants in Maharashtra, four in Gujarat and three each in Tamil Nadu and Madhya Pradesh. Capacity was 950kt in Mar 2024 (67% capacity utilization) and is expected to rise to 1,050kt in Mar 2025F.

Initiate coverage with a REDUCE rating and a target price of Rs4,125

We estimate 11-12% p.a. volume growth over FY25F-27F, similar to the CAGR over FY20-24, and a yoy rise in 1HFY25 but lower than the yoy rise in FY22-24 (boosted by a low base – FY22 volume was 5% below FY20 level). We factor in EBITDA/kg in FY25F, like in 1HFY25, and build in a 3% p.a. growth over FY25F-27F. We factor in a healthy RoCE of 31-35% and RoE of 19% in FY25F-27F. Over the last six years, SIL has traded in a wide range of one-year forward EV/ EBITDA. The six-year median is 18.9x, while it is currently trading at 28.7x FY26F EV/EBITDA (~50% premium to the median). This is despite a 20% decline in the CMP in the last six months. We initiate coverage on SIL with a REDUCE rating and a target price of Rs4,125, valuing its business at 22x FY27F EV/EBITDA. Sharper-than-expected volume growth is an upside risk to our REDUCE rating.

Financial Summary	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	92,016	101,343	114,925	132,129	151,944
Operating EBITDA (Rsm)	11,997	15,473	16,424	18,649	21,175
Net Profit (Rsm)	8,654	10,697	11,242	12,862	15,138
Core EPS (Rs)	68.1	84.2	88.5	101.2	119.2
Core EPS Growth	(10.6%)	23.6%	5.1%	14.4%	17.7%
FD Core P/E (x)	69.00	55.82	53.11	46.42	39.44
DPS (Rs)	26.0	30.0	36.0	43.2	51.8
Dividend Yield	0.55%	0.64%	0.77%	0.92%	1.10%
EV/EBITDA (x)	49.14	37.81	35.96	31.31	27.21
P/FCFE (x)	113.23	64.57	(654.53)	49.25	41.66
Net Gearing	(17.1%)	(23.5%)	(11.3%)	(20.2%)	(28.4%)
P/BV (x)	13.56	11.69	10.34	9.17	8.10
ROE	21.0%	22.5%	20.7%	20.9%	21.8%
% Change In Core EPS Estimates			(6.14%)	(8.57%)	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Growth prospects at odds with valuation

Company background

Founded in 1942, Supreme Industries or SIL has a track record of nearly 80 years in the plastics industry. SIL is the largest PVC product maker in India. Despite being the largest player, it is commendable that SIL has been able to grow its volumes ahead of the industry over FY20-1HFY25.

Figure 65: SIL is the largest PVC product maker in India; over FY20-1HFY25, SIL's volume grew at a 11% CAGR, 200bp above that of the industry; the higher CAGR in FY22-24 (27%) was preceded by 5% decline over FY20-22; the yoy rise in 1HFY25 (9%) is maintainable, in our view

(kt)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	1HFY25	CAGR %	
									FY18-1HFY25	FY20-1HFY25
India PVC consumption *	na	na	2,741	2,685	2,814	3,674	3,857	na	na	8.9
yoy growth %				-2	5	31	5			
SIL Volume	371	398	412	409	394	506	640	312	9.4	11.1
yoy growth %		7	3	-1	-4	29	26	9		

* Considered CAGR of FY20-24 in place of FY20-1HFY25

SOURCE: INCRED RESEARCH, COMPANY REPORTS, DEPARTMENT OF COMMERCE

Figure 66: PVC prices rose by ~80% in FY20-22, driving a 46% rise in operating costs/kg; not only did SIL pass on the higher cost, but PBITDA/kg rose by 55% over FY20-22; since then, PBITDA/kg (Rs24 in 1HFY25) has reverted close to FY20 level (Rs21)

SIL	FY18	FY19	FY20	FY21	FY22	FY23	FY24	1HFY25	yoy change						
									FY19	FY20	FY21	FY22	FY23	FY24	1HFY25
Realisation	134	141	134	155	197	182	158	157							
PBITDA/ kg	21	20	21	32	32	24	25	24	-1	0	11	0	-8	1	-1
Cost/ kg	112	121	113	124	165	157	133	134	8	-8	10	42	-8	-24	-5

SOURCE: INCRED RESEARCH, COMPANY REPORTS,

Figure 67: Gross margin (GM) and EBITDA margin in 1HFY25 are close to pre-Covid average levels

(as a % of sales)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	1HFY25	Average	
									FY18-1HFY25	FY23-1HFY25
SIL										
Gross Margin	33.8	31.9	35.1	36.5	31.1	28.3	32.3	33.1	32.8	31.2
Staff costs	4.9	4.5	5.1	4.9	4.4	4.1	4.4	4.9	4.6	4.4
Power & fuel expenses	3.5	3.7	3.9	3.1	2.7	2.9	3.2	-		
Advertisement expenses	1.2	1.4	1.3	1.0	0.8	1.1	1.4	-		
Other expenses	8.4	8.4	9.6	7.3	7.2	7.2	8.1	13.8	12.6	12.6
EBITDA margin	15.8	14.0	15.1	20.2	16.0	13.0	15.3	14.4	15.5	14.2
Depreciation	3.4	3.3	3.7	3.3	3.0	2.9	2.9	3.6	3.3	3.1
EBIT margin	12.5	10.7	11.4	16.9	13.0	10.2	12.3	10.8	12.2	11.1
Tax rate	32	36	27	19	21	22	24	23	26	23

SOURCE: INCRED RESEARCH, COMPANY REPORTS,

Figure 68: Average asset/sales ratio (FY23-1HFY25) is 34.6%, slightly better (lower) than the long-term average (36.5% average in FY18-1HFY25); SIL has ~10% NWC/sales ratio; NFA/sales ratio stood at 24% in FY23-1HFY25

(as a % of sales)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	1HFY25	Average	
									FY18-1HFY25	FY23-1HFY25
SIL										
Asset/ Sales %	38.5	37.6	41.8	36.4	33.5	33.8	33.0	37.1	36.5	34.6
NWC/ Sales %	10.0	9.5	10.3	7.4	8.2	10.6	9.0	11.9	9.6	10.5
Inventory/ Sales %	14.0	13.4	16.2	12.0	16.2	15.1	13.4	16.1	14.5	14.8
Debtor/ sales %	7.7	6.9	5.7	6.1	6.0	5.4	5.0	5.2	6.0	5.2
OCA/ Sales %	2.0	3.0	2.3	4.6	-1.1	2.5	3.0	2.7	2.4	2.7
CL/ Sales %	-13.7	-13.8	-13.8	-15.2	-12.9	-12.3	-12.5	-12.0	-13.3	-12.3
NFA/ Sales %	28.5	28.1	31.5	29.0	25.2	23.3	24.0	25.2	26.8	24.1

SOURCE: INCRED RESEARCH, COMPANY REPORTS,


Figure 69: During FY23-1HFY25, SIL had a healthy RoCE of 32%, slightly lower than the average over FY18-1HFY25; RoE is relatively muted (20.5% average in FY20-1HFY25) due to a higher proportion of cash and investments (Rs18.2bn in FY24; 35% of the balance sheet); return on cash and investments is muted (14% average in FY20-24)

SIL	FY18	FY19	FY20	FY21	FY22	FY23	FY24	1HFY25	Average	
									FY18-1HFY25	FY23-1HFY25
RoCE %	32.4	28.5	27.3	46.3	38.9	30.1	37.4	29.1	33.7	32.2
RoE%	24.1	19.0	21.3	36.0	27.6	21.0	22.5	18.1	23.7	20.5
Cash & Investments/ BS %	10.2	10.6	15.4	33.3	25.1	29.0	34.6	24.8	22.9	29.5

SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Figure 70: Details of Supreme Group


THE SUPREME GROUP



The Supreme Industries Ltd

- State-of-the art production facilities across PAN India
- Location – 30 Manufacturing Plants
- Manufacturers of –
 - Piping systems
 - Industrial products
 - Furniture
 - Material Handling Products
 - Protective packaging
 - Cross laminated films
 - Performance films
 - Composite Products

Supreme Industries Overseas (FZE)
A wholly owned subsidiary, in the United Arab Emirates.



Supreme Petrochem Ltd

- State-of-the art production facilities
- Location - Amdoshi – Wangani Village near Nagothane in District Raigad Maharashtra & New Manali Town near Chennai in Tamil Nadu.
- Manufacturers of –
 - Polystyrene (PS)
 - Expandable Polystyrene (EPS)
 - Specialty Polymers and Compounds (SPC)
 - Extruded Polystyrene Foam Boards (XPS)
 - Styrene Methyl Methacrylate (SMMA)

SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Figure 71: Segment-wise contribution: Plastic pipes comprise ~70% of PBIT & revenue and 78% of volume

	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	1QFY25	2QFY25	Average FY24-1HFY25
Plastic piping											
as a % of total revenue	55	55	57	63	64	65	66	68	70	63	68
as a % of total volume	69	69	70	73	72	70	74	78	81	74	78
as a % of total PBIT	55	50	51	72	76	77	71	69	75	64	69
Packaging products											
as a % of total revenue	22	21	19	17	16	16	14	14	14	18	15
as a % of total volume	14	13	13	12	13	14	11	9	8	12	10
as a % of total PBIT	30	28	21	16	11	10	10	14	14	17	15
Industrial products											
as a % of total revenue	14	16	16	12	12	13	15	13	12	14	13
as a % of total volume	11	12	11	9	10	12	12	10	9	11	10
as a % of total PBIT	9	13	10	5	6	8	13	9	6	12	9
Consumer products											
as a % of total revenue	7	7	7	7	6	5	5	4	4	5	4
as a % of total volume	6	5	5	5	5	4	4	3	2	3	3
as a % of total PBIT	9	9	9	9	6	5	7	6	5	7	6

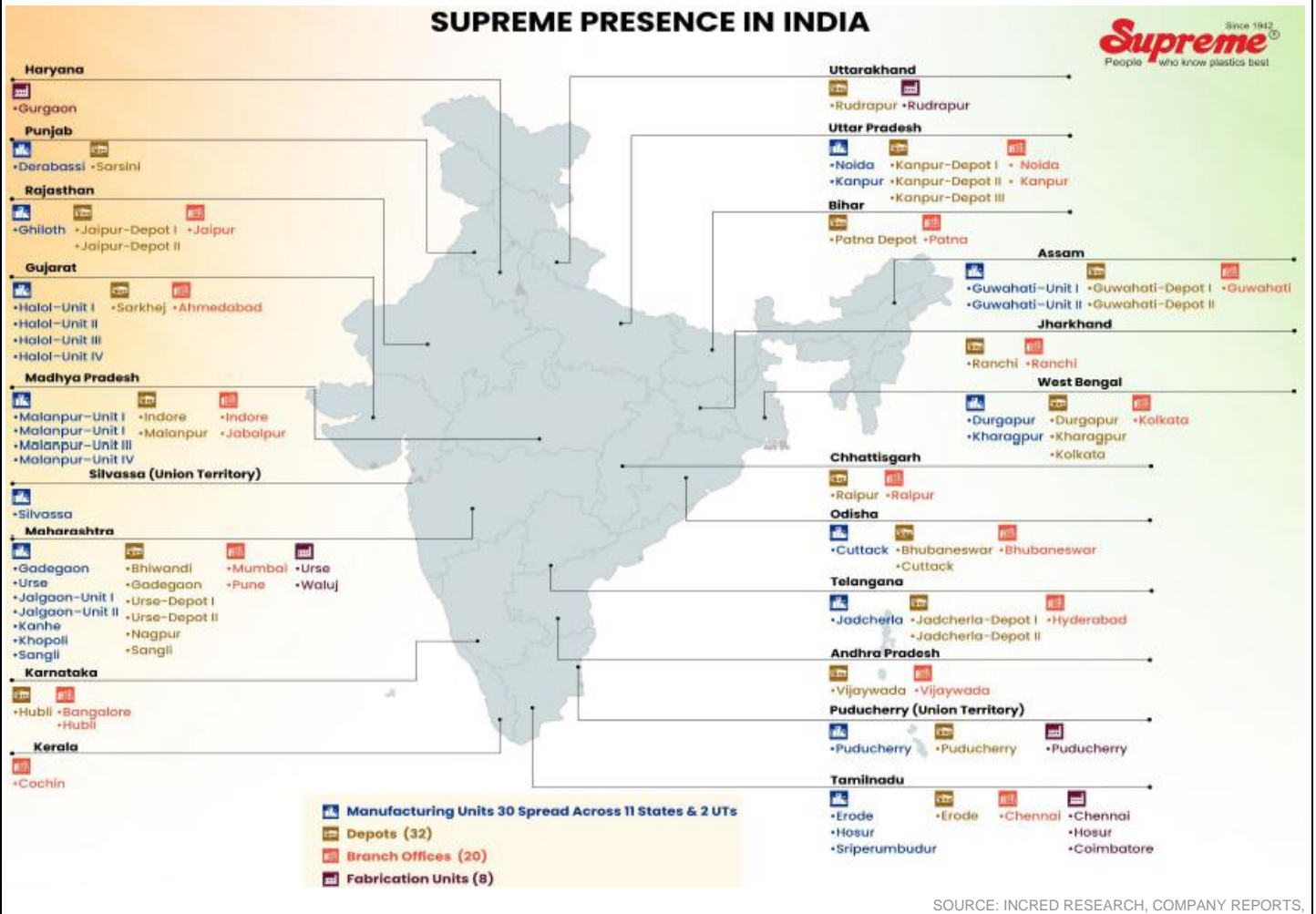
SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Figure 72: Description of various products of SIL

Product type	Description
Plastic Piping	Plumbing, Water tanks, Bath fittings, Fire protection, Rainwater harvesting, Drainage, Waste treatment & sanitation, Agriculture, Borewell, Sewage treatment plants.
Packaging products	Pre/ post harvest sheets, Rain water harvesting, Civil engineering applications.
Industrial products	Consumer appliances, Automotive parts, material handling products, LPG cylinders.
Consumer products	Seatings, Storage, Tables, Multi-purpose, kids range, sets, stools, beds, edible oil films.

SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Figure 73: Pan-India presence with 30 manufacturing plants in 11 states and 2 Union territories; SIL has seven plants in Maharashtra, four in Gujarat and three each in Tamil Nadu and Madhya Pradesh; capacity was 950kt in Mar 2024 (67% capacity utilization) and is expected to rise to 1,050kt in Mar 2025F



SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Figure 74: Key financials: We estimate 11-12% p.a. volume growth over FY25F-27F, similar to the CAGR over FY20-24, and a yoy rise in 1HFY25 but lower than the yoy rise in FY22-24; we factor in EBITDA/kg in FY25F to be similar to what it was in 1HFY25 and build in a 3% p.a. rise over FY25F-27F

(Rs bn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	1HFY25	FY25F	FY26F	FY27F
Revenue	45	50	56	55	64	78	92	101	49	115	132	152
yoy growth %		11	13	-2	15	22	18	10	5	13	15	15
Volume (kt)	341	371	398	412	409	394	506	640	312	717	793	877
yoy growth %		9	7	3	-1	-4	29	26	9	12	11	11
Realisation (Rs/kg)	131	134	141	134	155	197	182	158	157	160	167	173
yoy growth %		2	5	-5	16	27	-8	-13	-4	1	4	4
Gross profit	15.7	16.8	17.9	19.3	23.2	24.2	26.0	32.8	16.2	37.6	43.2	49.7
yoy growth %		7	7	8	20	4	8	26	9	15	15	15
Gross profit/ kg (Rs)	46	45	45	47	57	61	51	51	52	52	54	57
yoy growth %		-2	-0	4	21	8	-16	-0	1	2	4	4
EBITDA	7.6	7.9	7.8	8.3	12.8	12.4	12.0	15.5	7.1	16.4	18.6	21.2
yoy growth %		3	-0	6	54	-3	-3	29	4	6	14	14
EBITDA/ kg (Rs)	22	21	20	20	31	32	24	24	23	23	24	24
yoy growth %		-5	-7	3	55	0	-25	2	-4	-5	3	3
Adj. PAT	4	4	4	5	10	10	9	11	5	11	13	15
yoy growth %		0	-11	22	108	-1	-11	24	5	5	14	18

SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Figure 75: Key ratios: We factor in healthy RoCE of 31-35% and RoE of 19% in FY25F-27F

	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25F	FY26F	FY27F
Gross profit margin %	35.2	33.8	31.9	35.1	36.5	31.1	28.3	32.3	32.7	32.7	32.7
EBITDA margin %	17.1	15.8	14.0	15.1	20.2	16.0	13.0	15.3	14.3	14.1	13.9
EBIT margin %	13.6	12.5	10.7	11.4	16.9	13.0	10.2	12.3	11.2	11.0	11.1
NWC/ Sales %	7.1	10.0	9.5	10.3	7.4	8.2	10.6	9.0	8.9	9.8	9.8
NFA/ Sales %	30.0	28.5	28.1	31.5	29.0	25.2	23.3	24.0	26.5	25.8	21.6
ROCE %	36.7	32.4	28.5	27.3	46.3	38.9	30.1	37.4	31.6	31.0	35.3
Cash and investments as % balance sheet	12.4	10.2	10.6	15.4	33.3	25.1	29.0	34.6	21.5	29.0	36.0
ROE %	25.4	22.8	17.8	20.8	30.8	25.2	19.7	20.9	19.5	19.7	20.5
Net Debt/ EBITDA (x)	-0.0	0.0	-0.1	-0.0	-0.9	-0.8	-1.1	-1.2	-0.8	-1.0	-1.3
P/E (x)									48.7	42.6	36.2
P/BV (x)									9.5	8.4	7.4
EV/ EBITDA (x)									32.9	28.7	25.2

SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Figure 76: Key management personnel – senior management brings a wealth of experience in PVC products industry

B. L. Taparia – Chairman: He is 89 years and is the Chairman since 1993. He gives overall guidance in framing Business policies and contributes in the CSR activities.

M. P. Taparia – Managing Director: He oversees the plastic pipe, cross-laminated films, and furniture divisions. His responsibilities include business strategy, finance, taxation, raw material procurement, investor interactions, marketing, government liaison, capital allocation, industry interaction, brand building, and risk management. He is also the chairman of Supreme Petrochem.

S. J. Taparia – Executive Director: He oversees the industrial component, plastic pipe, material handling, and composite product divisions. His responsibilities include business strategy, operations and plant automation, new product development, plant machinery and equipment management, marketing industrial and composite products, managing the design centre, quality systems, and personnel.

P. C. Somani – CFO: He is the chief financial officer (CFO) of Supreme Industries. He has been in this role since Jul 2014. Prior to becoming the CFO, he served as the executive vice president of the company.

SOURCES: INCRED RESEARCH, COMPANY REPORTS.

Figure 77: Over the last six years, SIL has traded in a wide range of one-year forward EV/ EBITDA; the six-year median is 18.9x, while it is currently trading at 28.7x EV/ EBITDA FY26F (~50% premium to the median); this is despite a 22% decline in the CMP in the last six months; please note that prior to the Covid-19 pandemic, over Mar 2015-20, the median EV/ EBITDA was 14.8x



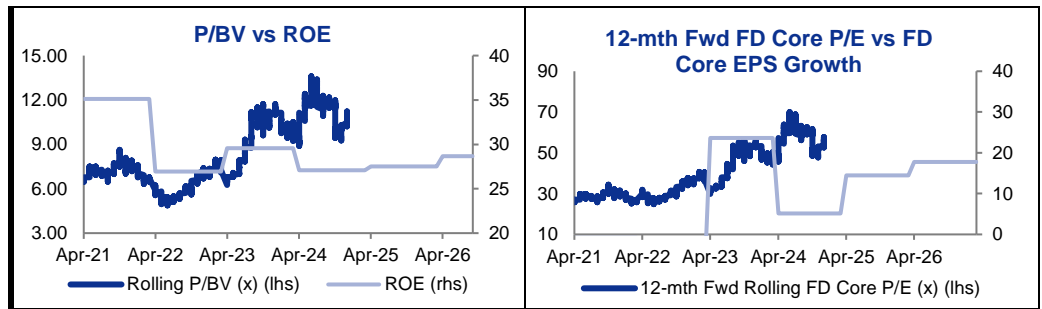
SOURCE: INCRED RESEARCH, COMPANY REPORTS.

Figure 78: Target price valuation

	(Rs m)	(Rs/ share)	Comments
EBITDA FY27F	21,175		
Target EV/EBITDA (x)	22		We value SIL at 22x FY27F, vs. six-year median of 18.9x and currently trading at 31.1x FY26F.
Target EV	4,65,842	3,667	
Less: Debt FY26F	-	-	
Add cash & investment ex-Supreme Petrochem	13,149	103	
Supreme Petrochem	45,141	355	Valued at CMP
Total	5,24,132	4,125	

SOURCE: INCRED RESEARCH, COMPANY REPORTS.

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	92,016	101,343	114,925	132,129	151,944
Gross Profit	26,024	32,759	37,561	43,184	49,660
Operating EBITDA	11,997	15,473	16,424	18,649	21,175
Depreciation And Amortisation	(2,634)	(2,984)	(3,602)	(4,068)	(4,275)
Operating EBIT	9,363	12,490	12,822	14,581	16,899
Financial Income/(Expense)	178	347	540	840	1,339
Pretax Income/(Loss) from Assoc.	1,533	1,069	1,280	1,373	1,560
Non-Operating Income/(Expense)	39	149	100	105	110
Profit Before Tax (pre-EI)	11,113	14,054	14,742	16,898	19,909
Exceptional Items					
Pre-tax Profit	11,113	14,054	14,742	16,898	19,909
Taxation	(2,460)	(3,357)	(3,500)	(4,037)	(4,771)
Exceptional Income - post-tax					
Profit After Tax	8,654	10,697	11,242	12,862	15,138
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	8,654	10,697	11,242	12,862	15,138
Recurring Net Profit	8,654	10,697	11,242	12,862	15,138
Fully Diluted Recurring Net Profit	8,654	10,697	11,242	12,862	15,138

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	11,997	15,473	16,424	18,649	21,175
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(168)	967	(3,756)	(1,806)	(2,081)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	1,533	1,069	1,280	1,373	1,560
Other Operating Cashflow					
Net Interest (Paid)/Received	218	496	640	945	1,449
Tax Paid	(2,460)	(3,357)	(3,500)	(4,037)	(4,771)
Cashflow From Operations	11,120	14,648	11,088	15,124	17,333
Capex	(4,883)	(4,911)	(12,000)	(3,000)	(3,001)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	(1,015)	(608)			
Other Investing Cashflow					
Cash Flow From Investing	(5,898)	(5,519)	(12,000)	(3,000)	(3,001)
Debt Raised/(repaid)	51	118			
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(3,303)	(3,812)	(4,574)	(5,489)	(6,586)
Preferred Dividends					
Other Financing Cashflow	227	(1,024)			
Cash Flow From Financing	(3,026)	(4,718)	(4,574)	(5,489)	(6,586)
Total Cash Generated	2,197	4,412	(5,486)	6,635	7,745
Free Cashflow To Equity	5,273	9,247	(912)	12,124	14,332
Free Cashflow To Firm	5,303	9,291	(752)	12,284	14,493

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	7,522	12,000	6,514	13,149	20,895
Total Debtors	4,924	5,114	6,321	7,267	8,357
Inventories	13,856	13,586	17,239	19,819	22,792
Total Other Current Assets	2,546	2,261	2,873	3,303	3,799
Total Current Assets	28,848	32,962	32,947	43,539	55,842
Fixed Assets	19,819	22,327	30,725	29,657	28,383
Total Investments	5,713	6,254	6,254	6,254	6,254
Intangible Assets					
Total Other Non-Current Assets	2,563	3,876	3,876	3,876	3,876
Total Non-current Assets	28,094	32,457	40,855	39,787	38,512
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	9,038	11,121	11,493	13,213	15,194
Other Current Liabilities	2,322	1,530	2,873	3,303	3,799
Total Current Liabilities	11,359	12,651	14,366	16,516	18,993
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	654	720	720	720	720
Total Non-current Liabilities	654	720	720	720	720
Total Provisions	908	960	960	960	960
Total Liabilities	12,921	14,330	16,045	18,196	20,673
Shareholders Equity	44,021	51,088	57,756	65,129	73,681
Minority Interests					
Total Equity	44,021	51,088	57,756	65,129	73,681

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	18.4%	10.1%	13.4%	15.0%	15.0%
Operating EBITDA Growth	(3.4%)	29.0%	6.1%	13.5%	13.5%
Operating EBITDA Margin	13.0%	15.3%	14.3%	14.1%	13.9%
Net Cash Per Share (Rs)	59.20	94.45	51.27	103.50	164.46
BVPS (Rs)	346.49	402.11	454.59	512.63	579.94
Gross Interest Cover	116.74	77.48	80.14	91.13	104.97
Effective Tax Rate	22.1%	23.9%	23.7%	23.9%	24.0%
Net Dividend Payout Ratio	29.7%	27.1%	31.0%	32.5%	33.1%
Accounts Receivables Days	19.02	18.08	18.16	18.77	18.77
Inventory Days	73.17	73.02	72.71	76.04	76.03
Accounts Payables Days	46.95	53.64	53.34	50.69	50.69
ROIC (%)	31.3%	38.6%	37.2%	31.2%	35.6%
ROCE (%)	22.8%	26.8%	24.4%	25.0%	26.1%
Return On Average Assets	20.5%	22.4%	20.4%	20.4%	20.9%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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