

## India

**REDUCE** (no change)

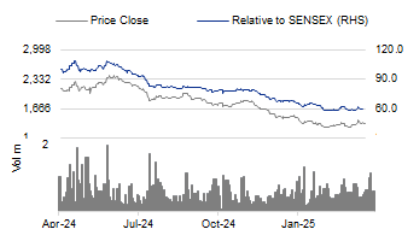
Consensus ratings\*: Buy 19 Hold 5 Sell 3

Current price:	Rs1,457
Target price:	Rs1,200
Previous target:	Rs1,344
Up/downside:	-17.6%
InCred Research / Consensus:	-25.5%
Reuters:	ASPT.BO
Bloomberg:	ASTRA IN
Market cap:	US\$4,592m Rs391,320m
Average daily turnover:	US\$10.2m Rs873.1m
Current shares o/s:	269.0m
Free float:	45.9%

\*Source: Bloomberg

**Key changes in this note**

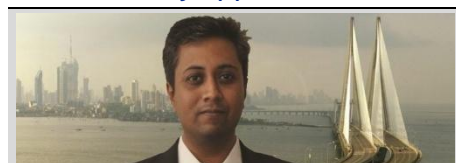
- Reduce FY26F/27F EBITDA by 10% each.
- Reduce our target price by 11% to Rs1,200.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	3.5	5.0	(30.8)
Relative (%)	0.3	(4.1)	(36.1)

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

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**Astral Ltd.****Steady margin; expensive valuation**

- Muted volume due to weak demand environment but steady margin.
- Maintain REDUCE rating on Astral with a lower target price of Rs1,200.

**Muted volume due to weak demand environment but steady margin**

Astral's 4QFY25 revenue (Rs16.8bn) rose by 3% yoy. The gross profit margin was steady yoy and qoq at 39.4%. EBITDA (Rs3bn) rose by 4% yoy. The EBITDA margin (18%) was steady yoy. Sales and EBITDA of the core plumbing segment (80% of Astral's PBITDA) were flat yoy. The paints & adhesives segment reported 14% yoy sales growth and 18% yoy rise in PBITDA. In the plumbing segment, yoy volume growth has been very weak (average zero) in the last three quarters vs. an average 16% yoy volume rise in the last 10 quarters. Despite the weak demand environment (industry leader Supreme Industries reported 2% volume growth in the last three quarters), Astral maintained its PBITDA/kg in the core plumbing segment. The paints & adhesives segment reported 14% yoy sales growth, much better than the rise in the last four quarters (up 7% yoy in the same period).

**Maintain REDUCE rating with a lower target price of Rs1,200**

We have cut FY26F/27F EBITDA by 10% each. For PVC products, we estimate an 8% p.a. volume growth over FY25-27F vs. 11% CAGR over FY20-25. We factor in a 3% CAGR in PBITDA/kg 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 at 10%/11% CAGR, respectively, over FY25-27F. Over the last six years, Astral's median one-year forward EV/EBITDA was 44.4x, while it is currently trading at 37.6x FY26F EV/EBITDA (15% discount to the median). Prior to the Covid-19 pandemic, over Mar 2016-20, median EV/EBITDA was 27.4x. We maintain our REDUCE rating on Astral with a lower target price of Rs1,200 (Rs1,344 earlier), valuing the business at 27x FY27F EV/EBITDA. Astral's volume grew at a 11.8% CAGR over FY18-25, higher than that of Supreme Industries or SIL (8.9%) and this justifies a valuation premium vs. SIL. However, we believe the valuation gap with SIL (32% higher FY26F EV/EBITDA) is excessive and not justified. Upside risk: Sharper-than-expected volume growth.

Financial Summary	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Revenue (Rsm)	51,585	56,414	58,324	64,245	71,242
Operating EBITDA (Rsm)	8,099	9,183	9,459	10,295	11,733
Net Profit (Rsm)	4,566	5,461	5,238	5,486	6,284
Core EPS (Rs)	17.0	20.3	19.5	20.4	23.4
Core EPS Growth	(29.3%)	19.3%	(4.1%)	4.7%	14.5%
FD Core P/E (x)	85.82	71.75	74.81	71.42	62.36
DPS (Rs)	3.5	3.8	6.0	3.8	3.8
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%
EV/EBITDA (x)	47.94	42.20	41.02	37.39	32.54
P/FCFE (x)	181.70	(816.36)	441.28	96.21	96.03
Net Gearing	(20.4%)	(15.7%)	(12.6%)	(18.6%)	(23.1%)
P/BV (x)	14.45	12.29	10.83	9.65	8.55
ROE	18.1%	18.5%	15.4%	14.3%	14.5%
% Change In Core EPS Estimates				(28.01%)	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Steady margin; expensive valuation

**Figure 1: Quarterly financials:** Revenue (Rs16.8bn) rose by 3% yoy; gross profit margin was steady yoy and qoq at 39.4%; EBITDA (Rs3bn) rose by 4% yoy; the EBITDA margin (18%) was steady yoy

(Rs m)	4QFY25	4QFY24	% Chg	3QFY25	% Chg
Net Sales	16,814	16,251	3	13,970	20
Gross Profit	6,626	6,464	3	5,570	19
Gross margin %	39.4	39.8	-37 bp	39.9	-46 bp
EBITDA	3,019	2,915	4	2,195	38
EBITDA margin (%)	18.0	17.9	2 bp	15.7	224 bp
Other income	88	102	-14	118	-25
Depreciation	648	525	23	631	3
Interest	96	78	23	139	-31
Profit from Associates	13	2		14	
Tax	583	600		416	
Reported PAT	1,793	1,816	-1	1,141	57
Adjusted PAT	1,793	1,816	-1	1,141	57

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 2: Segmental break-up:** Sales/EBITDA of the core plumbing segment (80% of Astral's PBITDA) was flat yoy; the paints & adhesives segment reported 14% yoy sales growth and 18% yoy PBITDA rise; thus, Astral's sales/PBITDA rose by 3% yoy each

(Rs m)	4QFY25	4QFY24	% Chg	3QFY25	% Chg
Revenue	16,814	16,251	3	13,970	20
Plumbing	12,266	12,252	0	9,901	24
Paints and Adhesives	4,548	3,999	14	4,069	12
PBITDA	3,108	3,016	3	2,312	34
Plumbing	2,504	2,502	0	1,829	37
Paints and Adhesives	604	514	18	483	25
PBITDA margin %	18.5	18.6	-7 bp	16.5	193 bp
Plumbing	20.4	20.4	-1 bp	18.5	194 bp
Paints and Adhesives	13.3	12.9	43 bp	11.9	141 bp
% contribution to Sales					
Plumbing	73.0	75.4	-244 bp	70.9	208 bp
Paints and Adhesives	27.0	24.6	244 bp	29.1	-208 bp
% contribution to PBITDA					
Plumbing	80.6	83.0	-239 bp	79.1	146 bp
Paints and Adhesives	19.4	17.0	239 bp	20.9	-146 bp

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 3: Key metrics over the last 10 quarters:** In the core plumbing segment (80% of Astral's PBITDA), yoy volume growth has been very weak (average zero) in the last three quarters vs. an average 16% yoy volume growth in the last 10 quarters; despite the weak demand environment (industry leader Supreme Industries reported 2% volume growth in the last three quarters), Astral maintained its PBITDA/kg in the core plumbing segment; the paints & adhesives segment reported 14% yoy sales growth, much better than the growth in the last four quarters (up 7% yoy in the same period)

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Gross Margin %	32.7	38.4	37.3	38.9	38.5	39.8	40.5	38.9	39.9	39.4
EBITDA margin %	14.7	20.5	15.7	16.1	15.0	17.9	15.5	15.3	15.7	18.0
<b>Plumbing</b>										
% contribution to Sales	73.5	74.6	73.1	71.9	72.8	75.4	73.2	70.5	70.9	73.0
% contribution to PBITDA	77.8	81.6	77.4	75.7	78.0	83.0	80.3	81.0	79.1	80.6
Volume (kt)	45.9	54.4	48.0	52.1	52.7	66.8	55.8	50.8	52.8	67.7
yoy growth %	30	15	31	28	15	23	16	-3	0	1
Realisation (Rs/ kg)	203	206	196	188	189	183	182	190	187	181
yoy growth %	-15	-10	-18	-8	-7	-11	-7	1	-1	-1
Cost/ kg (Rs)	172	159	161	154	158	146	149	155	153	144
yoy growth %	-9	-15	-20	-13	-8	-8	-8	1	-3	-1
PBITDA/ kg (Rs)	31.3	47.0	34.5	33.9	31.3	37.4	32.6	35.0	34.6	37.0
yoy growth %	-37	11	-9	23	0	-20	-6	3	11	-1
<b>Paints &amp; Adhesives</b>										
Sales (Rs m)	3,360	3,827	3,448	3,826	3,721	3,999	3,704	4,040	4,069	4,548
yoy growth %	29	25	2	14	11	4	7	6	9	14
PBITDA (Rs m)	410	579	484	567	466	514	446	415	483	604
yoy growth %	36	75	5	26	14	-11	-8	-27	4	18
PBITDA margin %	12.2	15.1	14.0	14.8	12.5	12.9	12.0	10.3	11.9	13.3

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 4: Astral's six-year median EV/EBITDA is 44.4x, while it is currently trading at 37.6x FY26F EV/ EBITDA (15% discount to the median); prior to the Covid-19 pandemic, over Mar 2016-20, the median EV/ EBITDA was 27.4x**



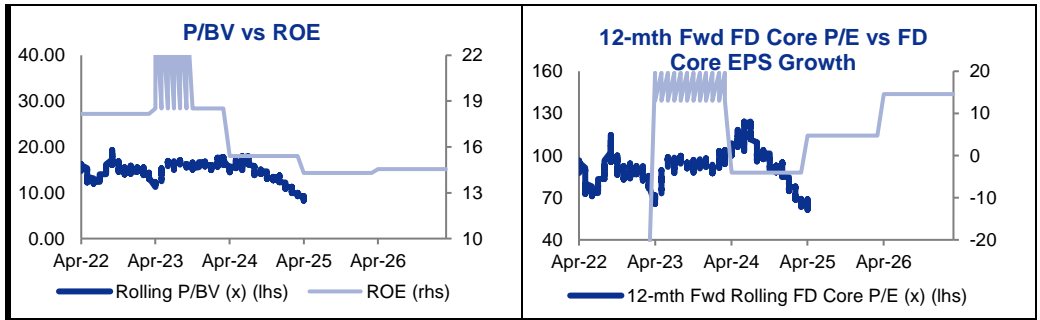
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 5: Our revised earnings estimates**

(Rs m)	FY26F		FY27F	
	Old	New	Old	New
Sales	69,972	64,245	79,747	71,242
% change		(8)		(11)
EBITDA	11,391	10,295	13,060	11,733
% change		(10)		(10)
Adj. PAT	6,444	5,524	7,406	6,328
% change		(14)		(15)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS



### Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
<b>Total Net Revenues</b>	<b>51,585</b>	<b>56,414</b>	<b>58,324</b>	<b>64,245</b>	<b>71,242</b>
<b>Gross Profit</b>	<b>17,238</b>	<b>21,824</b>	<b>23,132</b>	<b>25,356</b>	<b>28,435</b>
<b>Operating EBITDA</b>	<b>8,099</b>	<b>9,183</b>	<b>9,459</b>	<b>10,295</b>	<b>11,733</b>
Depreciation And Amortisation	(1,781)	(1,976)	(2,434)	(2,862)	(3,252)
<b>Operating EBIT</b>	<b>6,318</b>	<b>7,207</b>	<b>7,025</b>	<b>7,433</b>	<b>8,481</b>
Financial Income/(Expense)	(344)	(249)	(371)	(524)	(522)
Pretax Income/(Loss) from Assoc.	(15)	(1)			
Non-Operating Income/(Expense)	211	379	371	390	409
<b>Profit Before Tax (pre-EI)</b>	<b>6,170</b>	<b>7,336</b>	<b>7,025</b>	<b>7,299</b>	<b>8,369</b>
Exceptional Items	(18)				
<b>Pre-tax Profit</b>	<b>6,152</b>	<b>7,336</b>	<b>7,025</b>	<b>7,299</b>	<b>8,369</b>
Taxation	(1,557)	(1,880)	(1,836)	(1,861)	(2,134)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>4,595</b>	<b>5,456</b>	<b>5,189</b>	<b>5,437</b>	<b>6,235</b>
Minority Interests	(29)	5	49	49	49
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>4,566</b>	<b>5,461</b>	<b>5,238</b>	<b>5,486</b>	<b>6,284</b>
Recurring Net Profit	4,579	5,461	5,238	5,486	6,284
<b>Fully Diluted Recurring Net Profit</b>	<b>4,579</b>	<b>5,461</b>	<b>5,238</b>	<b>5,486</b>	<b>6,284</b>

### Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
<b>EBITDA</b>	<b>8,099</b>	<b>9,183</b>	<b>9,459</b>	<b>10,295</b>	<b>11,733</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(201)	(1,143)	(1,533)	774	(406)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	(400)	(291)	(413)	(568)	(568)
Tax Paid	(1,557)	(1,880)	(1,836)	(1,861)	(2,134)
<b>Cashflow From Operations</b>	<b>5,941</b>	<b>5,869</b>	<b>5,677</b>	<b>8,639</b>	<b>8,625</b>
Capex	(6,293)	(5,581)	(6,210)	(5,000)	(5,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	234	420	413	434	455
<b>Cash Flow From Investing</b>	<b>(6,059)</b>	<b>(5,161)</b>	<b>(5,797)</b>	<b>(4,566)</b>	<b>(4,545)</b>
Debt Raised/(repaid)	2,002	(1,188)	1,008		
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(942)	(1,009)	(1,614)	(1,009)	(1,010)
Preferred Dividends					
Other Financing Cashflow	31	194	713		
<b>Cash Flow From Financing</b>	<b>1,092</b>	<b>(2,003)</b>	<b>107</b>	<b>(1,009)</b>	<b>(1,010)</b>
Total Cash Generated	974	(1,295)	(13)	3,064	3,071
<b>Free Cashflow To Equity</b>	<b>1,884</b>	<b>(480)</b>	<b>888</b>	<b>4,073</b>	<b>4,080</b>
<b>Free Cashflow To Firm</b>	<b>282</b>	<b>999</b>	<b>293</b>	<b>4,641</b>	<b>4,648</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS...cont'd

### Balance Sheet

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Total Cash And Equivalents	6,821	6,096	6,083	9,147	12,219
Total Debtors	3,545	3,758	4,353	4,369	4,844
Inventories	8,746	9,134	10,111	10,279	11,399
Total Other Current Assets	1,427	869	941	1,298	1,438
<b>Total Current Assets</b>	<b>20,539</b>	<b>19,857</b>	<b>21,488</b>	<b>25,093</b>	<b>29,900</b>
Fixed Assets	15,736	19,161	22,579	24,717	26,466
Total Investments	933	602	796	796	796
Intangible Assets	3,125	3,133	3,146	3,146	3,146
Total Other Non-Current Assets	1,905	2,206	2,551	2,551	2,551
<b>Total Non-current Assets</b>	<b>21,699</b>	<b>25,102</b>	<b>29,072</b>	<b>31,210</b>	<b>32,959</b>
Short-term Debt	457	529	541	541	541
Current Portion of Long-Term Debt					
Total Creditors	8,000	8,719	8,589	9,958	11,043
Other Current Liabilities	3,448	1,868	2,303	2,249	2,493
<b>Total Current Liabilities</b>	<b>11,905</b>	<b>11,116</b>	<b>11,433</b>	<b>12,747</b>	<b>14,077</b>
Total Long-term Debt	316	435	898	898	898
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	98	230	665	665	665
<b>Total Non-current Liabilities</b>	<b>414</b>	<b>665</b>	<b>1,563</b>	<b>1,563</b>	<b>1,563</b>
Total Provisions	330	492	637	637	637
<b>Total Liabilities</b>	<b>12,649</b>	<b>12,273</b>	<b>13,633</b>	<b>14,947</b>	<b>16,277</b>
Shareholders Equity	27,112	31,881	36,170	40,599	45,825
Minority Interests	2,477	804	757	757	757
<b>Total Equity</b>	<b>29,589</b>	<b>32,685</b>	<b>36,927</b>	<b>41,356</b>	<b>46,582</b>

### Key Ratios

	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Revenue Growth	17.4%	9.4%	3.4%	10.2%	10.9%
Operating EBITDA Growth	7.2%	13.4%	3.0%	8.8%	14.0%
Operating EBITDA Margin	15.7%	16.3%	16.2%	16.0%	16.5%
Net Cash Per Share (Rs)	22.48	19.08	17.26	28.65	40.07
BVPS (Rs)	100.79	118.52	134.46	150.92	170.35
Gross Interest Cover	15.80	24.77	17.01	13.08	14.93
Effective Tax Rate	25.3%	25.6%	26.1%	25.5%	25.5%
Net Dividend Payout Ratio					
Accounts Receivables Days	22.06	23.63	25.38	24.78	23.60
Inventory Days	85.44	94.34	99.80	95.69	92.42
Accounts Payables Days	82.27	88.21	89.76	87.04	89.53
ROIC (%)	34.3%	31.3%	25.4%	22.7%	24.8%
ROCE (%)	22.9%	22.4%	19.4%	18.2%	18.6%
Return On Average Assets	13.0%	13.1%	11.6%	11.2%	11.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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## Recommendation Framework

### Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

### Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

### Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.