

**BUY**

TP: Rs 1,640 | ▲ 20%

**ASTRAL**

| Building Materials

| 30 June 2026

## Demerger to create two focused platforms

- Astral announced to demerge its Adhesives business to a new to-be listed entity Astral Chemie Ltd
- We believe ASTRAL's plumbing business will unlock value that was previously masked by losses in its paints and overseas subsidiaries
- We change our valuation methodology to SOTP, ascribing 55x to plumbing and 35x to chemical biz and arrive at TP of Rs 1640

**Demerging chemical business:** Astral's (ASTRA) Board approved a composite scheme to demerge its Chemicals business (adhesives, sealants, construction chemicals, specialty chemicals and paints) into wholly owned subsidiary Astral Chemie Limited, while simultaneously amalgamating Al-Aziz Plastics (FY26 revenue: Rs370mn) into Astral Limited to consolidate the plumbing vertical.

**Astral Chemie inherits a WIP P&L:** The demerger isolates two structurally different businesses - distinct capital cycles, customer profiles, and risk frameworks - and eliminates the conglomerate discount, enabling independent valuation discovery for each. The timing is deliberate: capex cycles in adhesives (Dahej) and paints (West region) are near-complete, and the recently acquired DSS LLP (specialty chemicals, 60% stake) gives Astral Chemie the makings of a coherent chemical platform. However, Chemie inherits a work-in-progress P&L -FY26 Chemical EBITDA of Rs1.9bn on revenue of Rs18.6bn (~10.3% margin), with paints EBITDA-negative (Rs-140mn) and UK barely profitable (Rs150mn on Rs3.9bn revenue, 3.9% margin). Balance sheet split and cash allocation (~Rs9.4bn on books) remain undisclosed; critical inputs for standalone Chemie valuation expected at Q1FY27 results (July-end target).

**Valuation:** We expect Astral's consolidated EPS to grow at a robust ~18% CAGR over FY26-29E, with ROE sustaining in the high-teens, driven by continued market-share gains in pipes, operating leverage from CPVC backward integration, and an improving earnings trajectory in the stand-alone chemicals platform post the proposed demerger of Astral Chemie. On a SOTP basis, we value the plumbing business at 55x June-28E EPS of Rs 25.6 and the chemicals business at 35x June-28E EPS of Rs 6.6, implying a consolidated TP of Rs 1,640 (vs CMP Rs 1,370), which offers ~20% upside; we therefore maintain our BUY rating on the stock.

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### Key changes

Target	Rating
▼	▲

Ticker/Price	ASTRA IN/Rs 1,368
Market cap	US\$ 3.9bn
Free float	46%
3M ADV	US\$ 12.9mn
52wk high/low	Rs 1,769/Rs 1,264
Promoter/FPI/DII	54%/17%/17%

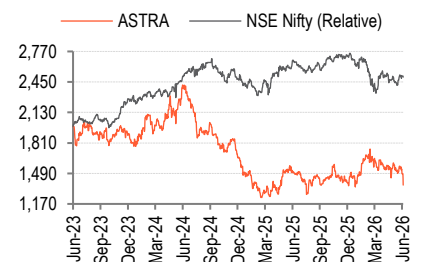
Source: NSE | Price as of 29 Jun 2026

### Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	65,686	79,196	93,302
EBITDA (Rs mn)	10,619	12,337	14,516
Adj. net profit (Rs mn)	5,531	7,045	8,376
Adj. EPS (Rs)	20.6	26.2	31.1
Adj. ROAE (%)	14.3	16.2	16.9
Adj. P/E (x)	66.5	52.2	43.9
EV/EBITDA (x)	34.1	29.1	24.5
Adj. EPS growth (%)	5.6	27.4	18.9

Source: Company, Bloomberg, BOBCAPS Research |

### Stock performance



Source: NSE



## Concall Highlights

### The Demerger

- Composite scheme: demerger of Chemicals Business Undertaking into Astral Chemie and amalgamation of Al-Aziz into Astral Limited; approvals (NCLT/SEBI/exchanges) expected to take ~9 months, with separate P&Ls and balance sheets disclosed from Q1FY27 onwards.
- Perimeter split: Astral Chemie to house India adhesives/sealants/construction chemicals, paints/coatings, overseas adhesives (Seal It UK/US/Ireland) and DSS specialty chemicals (60%); Astral Limited to retain pipes, fittings, tanks, bathware, Nexlon (CPVC resin, 80%), Astral Foundation and dormant APL Kenya JV.
- Overlap and capital policy: commercial overlap largely limited to ~Rs1bn Weldo solvent cement sold into Astral pipes; dividend policy and allocation of ~Rs9.4bn cash to the two entities will be communicated post scheme effectiveness.

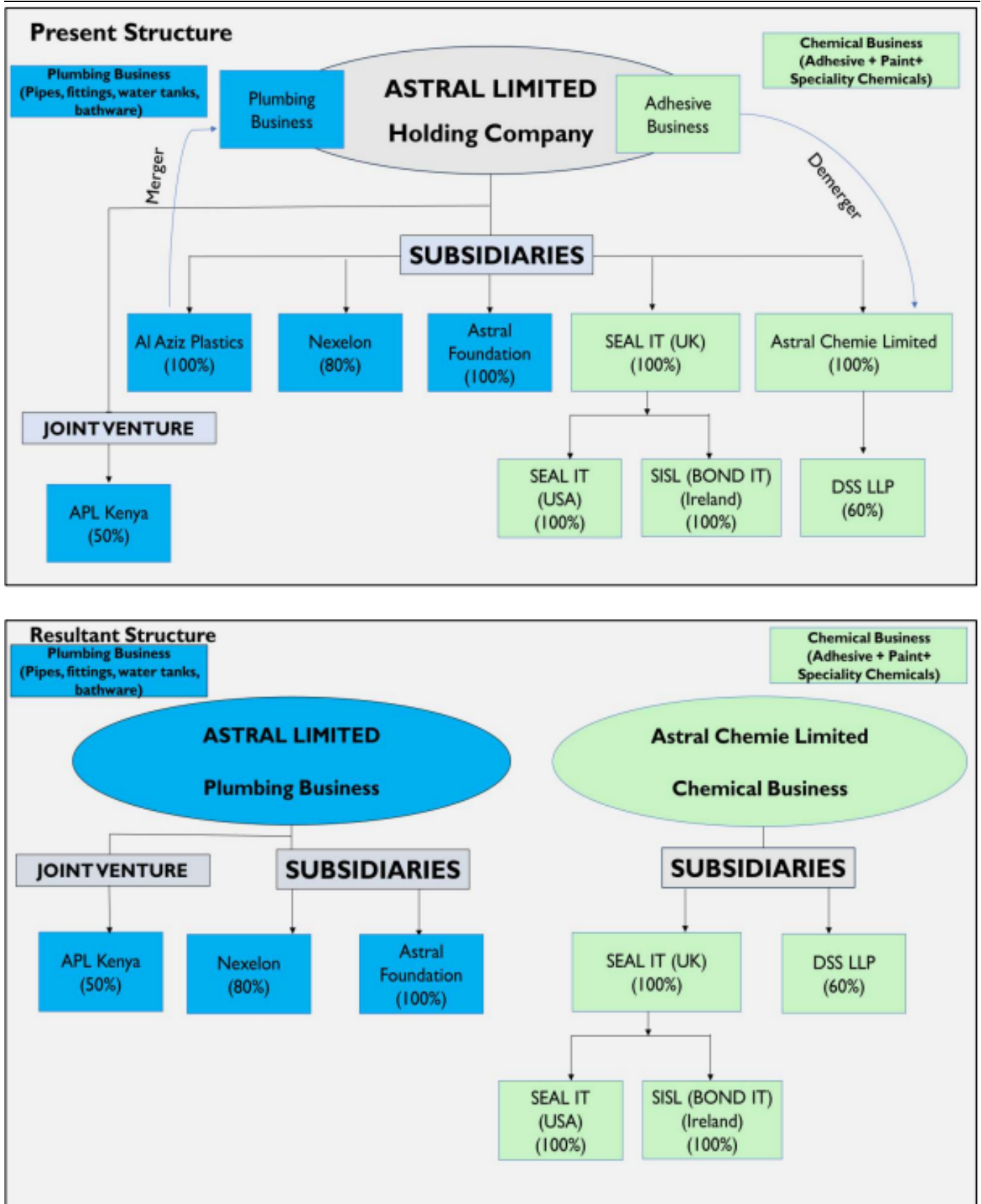
### Astral Chemie – FY26 base and outlook

- FY26 chemicals performance: India adhesives revenue Rs12.6bn, EBITDA Rs1.9bn (15.1%); UK adhesives Rs3.9bn/0.2bn (3.9%); paints Rs2.4bn/-0.1bn; total chemicals Rs18.6bn revenue, Rs1.9bn EBITDA (10.3%).
- Margin trajectory and capex: management guides chemicals EBITDA margin to 14-15% in FY27 as paints turn positive and UK moves to double-digit margins; manpower costs are being rationalised, and beyond routine capex of Rs40-50mn and DSS Phase 1 capex of Rs8-10mn, no major chemicals capex is planned for 2-3 years.
- DSS LLP: amine-based specialty chemicals, largely import substitutes, with initial export order at €65/kg; FY26 revenue was pilot-scale at Rs63mn, and management targets Rs1.5bn in FY27 (we treat Rs1bn as base case), with guided EBITDA margins of 20-25% and 4-5 year revenue aspiration of Rs5bn requiring subsequent capex phases.

### India adhesives and pipes – growth levers

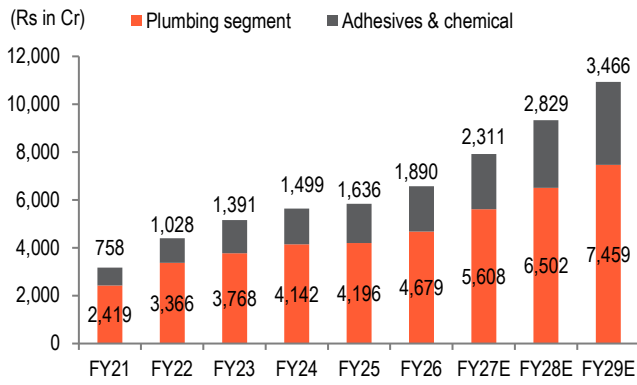
- India adhesives engine: #1 in solvent cement and top-3 positions across several chemistries (epoxies, silicones, cyanoacrylates), with ~200k outlets across 13k towns and a push to ~20k towns over 1-2 years; mix is ~90% B2C/10% B2B, and chemicals revenue aspiration of Rs44-50bn over 4-5 years implies 20-22% CAGR with India adhesives as the dominant driver.
- Pipes/Nexlon: Nexlon CPVC resin plant expected ready by end-FY27 with trials in Q4 and full impact from FY28, supporting 150-300bps piping margin accretion; Al-Aziz amalgamation internalises electrofusion fittings and unlocks HDPE/polymer procurement and infrastructure synergies, while new products (PEX, PPR, HTPP gas pipes) are seeing early traction; management targets ROC of 20%+ near term and 25%+ by FY28-29 as capex intensity falls and cash is deployed more efficiently.

Fig 1 – Pre- and post-demerger group structure – creation of focused Plumbing and Chemical platforms



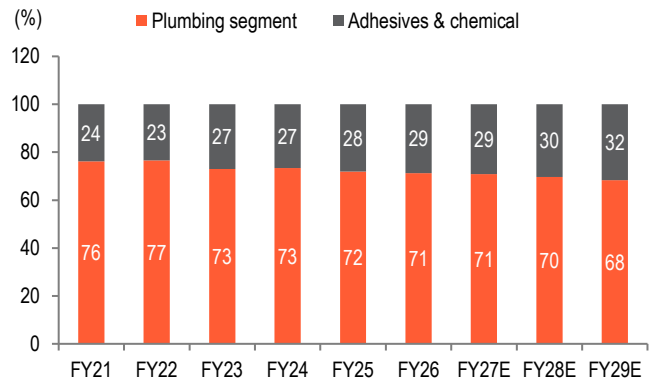
Source: Astral Limited Press Release, BOBCAPS Research

**Fig 2 – Segmental revenue trend (FY21–29E)**



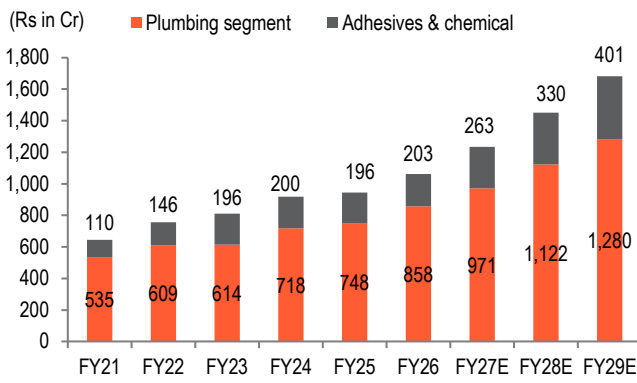
Source: Company, BOBCAPS Research

**Fig 3 – Segmental revenue mix (FY21–29E)**



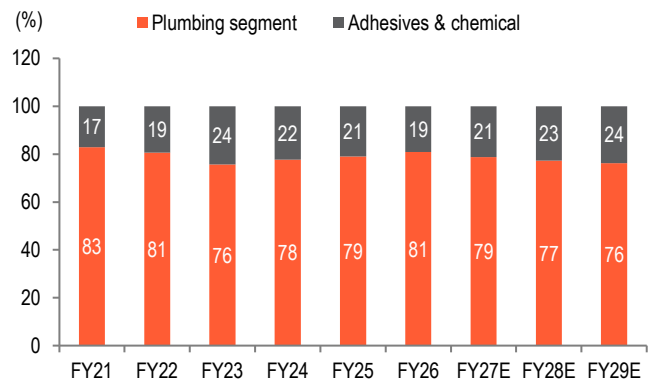
Source: Company, BOBCAPS Research

**Fig 4 – Segmental EBITDA trend (FY21–29E)**



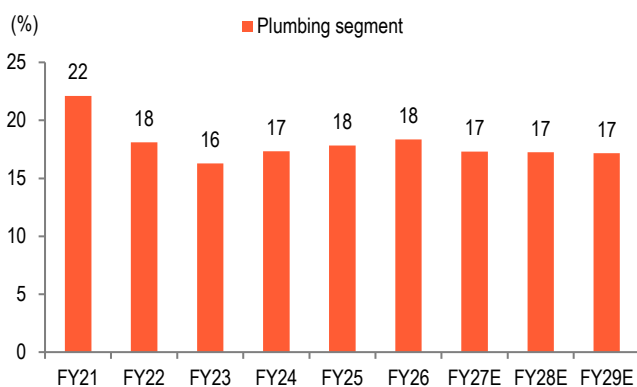
Source: Company, BOBCAPS Research

**Fig 5 – Segmental EBITDA mix (FY21–29E)**



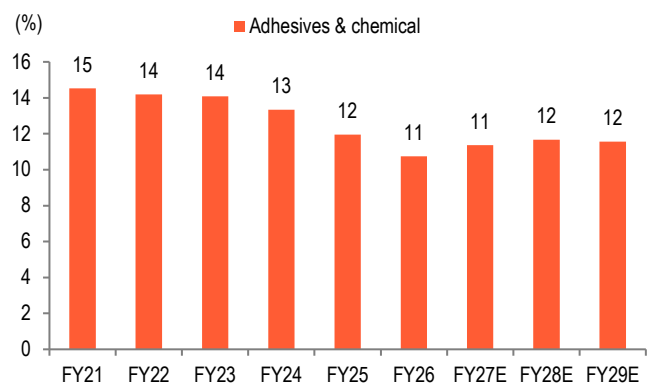
Source: Company, BOBCAPS Research

**Fig 6 – Plumbing EBITDA margin (FY21–29E)**



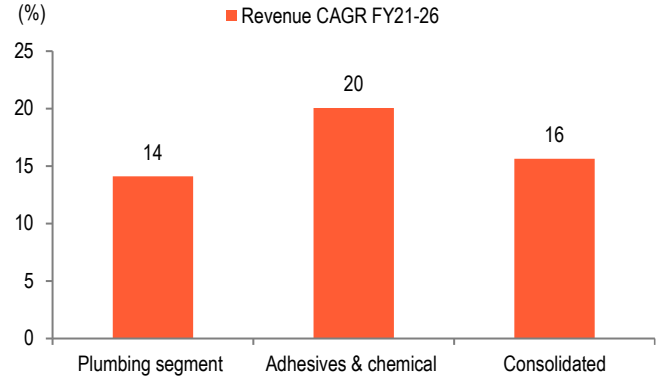
Source: Company, BOBCAPS Research

**Fig 7 – Adhesives & Chemicals EBITDA margin (FY21–29E)**



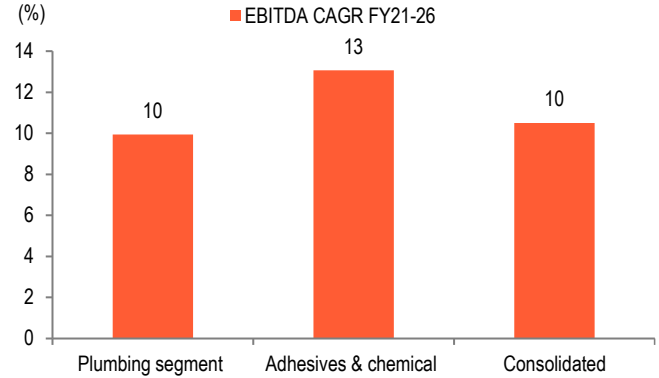
Source: Company, BOBCAPS Research

**Fig 8 – Revenue CAGR FY21–26 (segment and consolidated)**



Source: Company, BOBCAPS Research

**Fig 9 – EBITDA CAGR FY21–26 (segment and consolidated)**

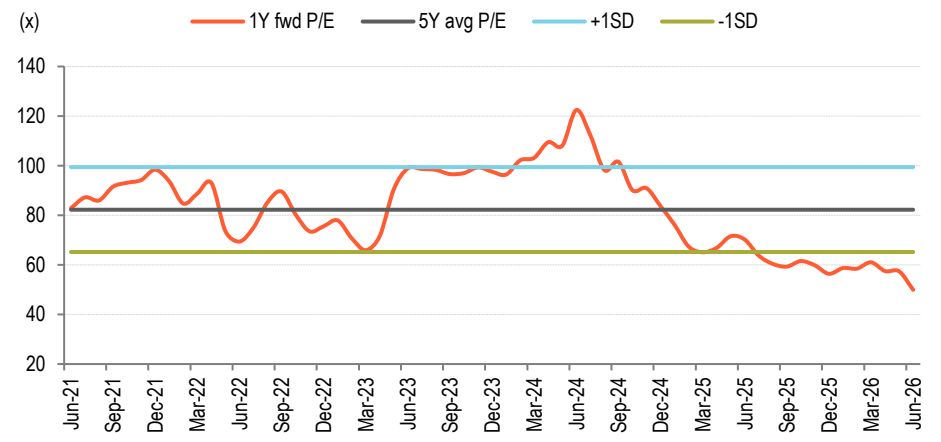


Source: Company, BOBCAPS Research

### Valuation methodology

We expect Astral’s consolidated EPS to grow at a robust ~18% CAGR over FY26-29E, with ROE sustaining in the high-teens, driven by continued market-share gains in pipes, operating leverage from CPVC backward integration, and an improving earnings trajectory in the stand-alone chemicals platform post the proposed demerger of Astral Chemie. On a SOTP basis, we value the plumbing business at 55x June-28E EPS of Rs 25.6 and the chemicals business at 35x June-28E EPS of Rs 6.6, implying a consolidated TP of Rs 1,640 (vs CMP Rs 1,370), which offers ~20% upside; we therefore maintain our BUY rating on the stock.

**Fig 10 – ASTRA 1YF P/E band chart**



Source: Bloomberg, BOBCAPS Research

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
<b>Total revenue</b>	<b>58,324</b>	<b>65,686</b>	<b>79,196</b>	<b>93,302</b>	<b>1,09,252</b>
EBITDA	9,459	10,619	12,337	14,516	16,811
Depreciation	2,434	2,916	3,039	3,439	3,839
EBIT	7,025	7,703	9,298	11,077	12,972
Net interest inc./(exp.)	(413)	(644)	(376)	(376)	(376)
Other inc./(exp.)	413	473	492	492	492
Exceptional items	0	0	0	0	0
EBT	7,025	7,532	9,414	11,193	13,088
Income taxes	1,836	1,959	2,370	2,817	3,294
Extraordinary items	0	226	0	0	0
Min. int./Inc. from assoc.	49	19	0	0	0
<b>Reported net profit</b>	<b>5,238</b>	<b>5,366</b>	<b>7,045</b>	<b>8,376</b>	<b>9,793</b>
Adjustments	0	165	0	0	0
<b>Adjusted net profit</b>	<b>5,238</b>	<b>5,531</b>	<b>7,045</b>	<b>8,376</b>	<b>9,793</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	8,589	11,553	13,929	16,410	19,215
Other current liabilities	2,279	2,563	2,563	2,563	2,563
Provisions	24	161	194	229	268
Debt funds	1,439	1,531	0	0	0
Other liabilities	1,302	1,732	1,732	1,732	1,732
Equity capital	269	269	269	269	269
Reserves & surplus	35,901	40,310	46,010	52,772	60,951
Shareholders' fund	36,927	40,579	46,279	53,041	61,220
<b>Total liab. and equities</b>	<b>50,560</b>	<b>58,119</b>	<b>64,697</b>	<b>73,974</b>	<b>84,998</b>
Cash and cash eq.	6,083	9,434	11,004	14,717	19,977
Accounts receivables	4,353	4,751	5,728	6,748	7,902
Inventories	10,111	11,173	13,031	15,792	18,990
Other current assets	941	1,033	1,245	1,467	1,718
Investments	0	0	0	0	0
Net fixed assets	21,421	23,671	25,632	27,193	28,354
CWIP	1,160	887	887	887	887
Intangible assets	5,695	5,779	5,779	5,779	5,779
Deferred tax assets, net	200	376	376	376	376
Other assets	596	1,015	1,015	1,015	1,015
<b>Total assets</b>	<b>50,560</b>	<b>58,119</b>	<b>64,697</b>	<b>73,974</b>	<b>84,998</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
<b>Cash flow from operations</b>	<b>6,318</b>	<b>11,000</b>	<b>9,330</b>	<b>10,211</b>	<b>11,758</b>
Capital expenditures	(5,448)	(4,591)	(5,000)	(5,000)	(5,000)
Change in investments	275	285	0	0	0
Other investing cash flows	47	(759)	492	492	492
<b>Cash flow from investing</b>	<b>(5,126)</b>	<b>(5,065)</b>	<b>(4,508)</b>	<b>(4,508)</b>	<b>(4,508)</b>
Equities issued/Others	0	(765)	0	0	0
Debt raised/repaid	166	(317)	(1,531)	0	0
Interest expenses	(342)	(569)	(376)	(376)	(376)
Dividends paid	(1,007)	(1,007)	(1,345)	(1,614)	(1,614)
Other financing cash flows	0	(624)	0	0	0
<b>Cash flow from financing</b>	<b>(1,183)</b>	<b>(3,282)</b>	<b>(3,252)</b>	<b>(1,990)</b>	<b>(1,990)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>9</b>	<b>2,653</b>	<b>1,570</b>	<b>3,713</b>	<b>5,260</b>
<b>Closing cash &amp; cash eq.</b>	<b>6,105</b>	<b>8,758</b>	<b>10,328</b>	<b>14,041</b>	<b>19,301</b>

### Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	19.5	19.9	26.2	31.1	36.4
Adjusted EPS	19.5	20.6	26.2	31.1	36.4
Dividend per share	3.8	2.5	5.0	6.0	6.0
Book value per share	134.5	150.9	172.0	197.2	227.6

### Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	6.2	5.5	4.5	3.8	3.2
EV/EBITDA	38.4	34.1	29.1	24.5	20.9
Adjusted P/E	70.3	66.5	52.2	43.9	37.6
P/BV	10.2	9.1	8.0	6.9	6.0

### DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	74.6	73.4	74.8	74.8	74.8
Interest burden (PBT/EBIT)	100.0	97.8	101.2	101.0	100.9
EBIT margin (EBIT/Revenue)	12.0	11.7	11.7	11.9	11.9
Asset turnover (Rev./Avg TA)	115.4	113.0	122.4	126.1	128.5
Leverage (Avg TA/Avg Equity)	1.5	1.5	1.5	1.5	1.5
Adjusted ROAE	15.0	14.3	16.2	16.9	17.1

### Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
<b>YoY growth (%)</b>					
Revenue	3.4	12.6	20.6	17.8	17.1
EBITDA	2.3	12.3	16.2	17.7	15.8
Adjusted EPS	(4.9)	5.6	27.4	18.9	16.9
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	16.2	16.2	15.6	15.6	15.4
EBIT margin	12.0	11.7	11.7	11.9	11.9
Adjusted profit margin	9.0	8.4	8.9	9.0	9.0
Adjusted ROAE	15.0	14.3	16.2	16.9	17.1
ROCE	19.4	19.4	21.2	21.8	22.0
<b>Working capital days (days)</b>					
Receivables	27	26	26	26	26
Inventory	63	62	60	62	63
Payables	54	64	64	64	64
<b>Ratios (x)</b>					
Gross asset turnover	1.9	1.9	2.1	2.2	2.3
Current ratio	1.9	1.8	1.9	2.0	2.2
Net interest coverage ratio	17.0	12.0	24.7	29.5	34.5
Adjusted debt/equity	(0.1)	(0.2)	(0.2)	(0.3)	(0.3)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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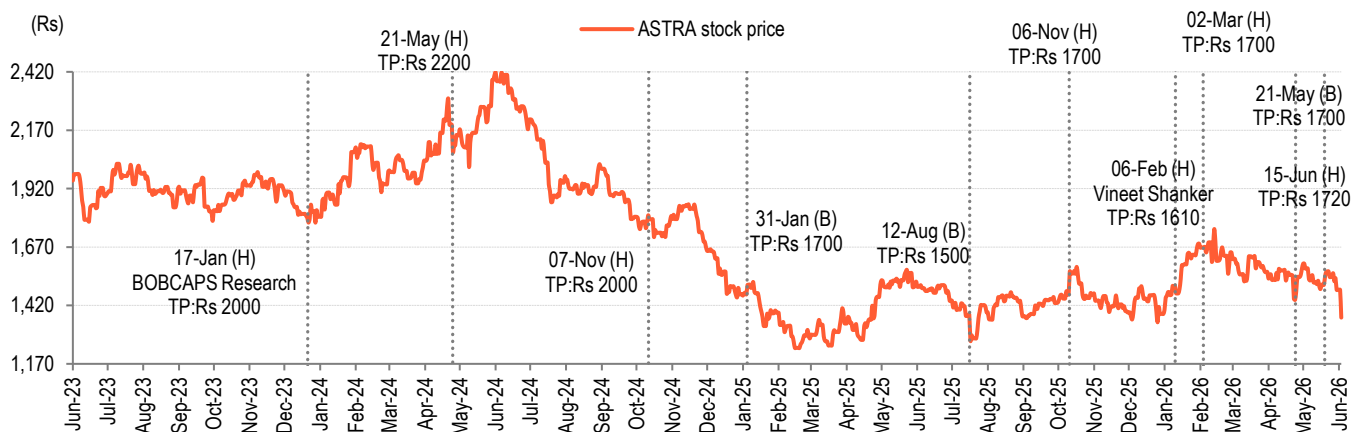
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- BUY** – Expected return >+15%
- HOLD** – Expected return from -6% to +15%
- SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

### Ratings and Target Price (3-year history): ASTRAL (ASTRA IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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