FIRST LIGHT

30 June 2026

RESEARCH

ASTRAL | TARGET: Rs 1,640 | +20% | BUY

Demerger to create two focused platforms

BOB ECONOMICS RESEARCH | IIP

Industrial production in May'26 improved

PERSISTENT SYSTEMS | TARGET: Rs 3,749 | -23% | SELL

Big Deal, Bigger Risks

SUMMARY

ASTRAL

- 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

Click here for the full report.

INDIA ECONOMICS: IIP

Industrial production registered a growth of 5.1% in May'26 against 3.4% growth in May'25. Compared with previous year (May'25), higher growth was noted primarily in manufacturing and electricity generation. Mining growth declined, while water supply, sewage and electricity output noted deceleration. Manufacturing growth came in at 5.5%, supported by manufacture of textiles, basic metals, fabricated metals, and motor vehicles. These are based on new base year which have been revised from 2011-12 to 2022-23. Output of consumer durables improved further, as heatwave and uneven monsoon distribution is keeping demand high.

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PERSISTENT SYSTEMS

- On 27 June 2026, PSYS announced a very large acquisition (Nagarro - 75% of current revenue) and a large net new deal
- While Nagarro buy sets up PSYS to hit its US$5bn revenue target by FY31, deal execution, generating synergies seem harder
- Our new estimates expect accretion to EPS but material return dilution. We see elevated risks (discussed below) and hence maintain ‘SELL’

Click here for the full report.

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**

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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.

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%

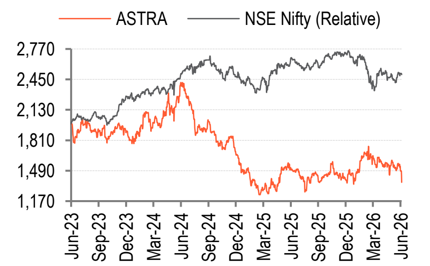
Source: NSE | Price as of 29 Jun 2026

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

IIP

29 June 2026

Industrial production in May'26 improved

Sonal Badhan
Economist

Industrial production registered a growth of 5.1% in May'26 against 3.4% growth in May'25. Compared with previous year (May'25), higher growth was noted primarily in manufacturing and electricity generation. Mining growth declined, while water supply, sewage and electricity output noted deceleration. Manufacturing growth came in at 5.5%, supported by manufacture of textiles, basic metals, fabricated metals, and motor vehicles. These are based on new base year which have been revised from 2011-12 to 2022-23. Output of consumer durables improved further, as heatwave and uneven monsoon distribution is keeping demand high.

Going forward, as tensions have eased in the West Asia, production will get support from decline in oil and other commodity prices. Firms will also get some relief from re-opening of the Strait of Hormuz. However, complete normalisation of supply chains will take months, hence we maintain cautious view on our full year IIP growth forecast.

IIP growth accelerates: IIP growth rose to 5.1% in May'26 from 4.9% in Apr'26 and from 3.4% in May'25. The data is based on the revised base year of 2022-23 and with the incorporation of a new sector-water supply, sewerage and waste management. The faster growth in industrial production was led by manufacturing and electricity growth. Manufacturing sector recorded 5.5% increase compared with 4.2% increase last year (May'25). Within manufacturing, 10 out of 23 sub sectors reported higher growth for May'26 versus last year. These include manufacture of textiles, paper, chemicals, basic metals, fabricated metals, computer & electronics, motor vehicles, and transport equipment, On the other hand, following sectors registered weaker growth including manufacture coke and petroleum products, plastics, non-metallic minerals, and machinery and equipment. Mining output fell by (-) 1.6% in May'26 following 5.8% growth recorded last year. Growth for water supply, sewage and waste management service slowed to 5.5% from 8.5% last year.

Capital goods output strengthens further: Within use-based classification, broad-based improvement was registered in May'26. Output of capital goods and consumer durables were the major drivers, suggesting pickup in investment and consumption activity. Production of capital goods rose by 12.9% in May'26 (9.5% in May'25) and that of consumer durables jumped to 7.2% (1.9%). Primary goods production also picked up pace by 2.6% from 0.7% last year. Production of intermediate goods (5.8% versus 4.8%), infrastructure goods (5.9% versus 5.7%) and consumer non-durables (3.6% versus 3.3%) also recorded an increase in May'26.

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

SELL
TP: Rs 3,749 | ∀ 23%

PERSISTENT SYSTEMS | IT Services | 29 June 2026

Big Deal, Bigger Risks

- **On 27 June 2026, PSYS announced a very large acquisition (Nagarro - 75% of current revenue) and a large net new deal**
- **While Nagarro buy sets up PSYS to hit its US$5bn revenue target by FY31, deal execution, generating synergies seem harder**
- **Our new estimates expect accretion to EPS but material return dilution. We see elevated risks (discussed below) and hence maintain 'SELL'**

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Positives of the Nagarro deal: (1) PSYS becomes a more diversified player from geo, vertical and horizontal perspectives. (2) larger size and geo footprint, especially in Europe (Germany, France, Italy, Spain, Switzerland, the Middle East, Japan, and Israel, where PSYS currently has limited presence) makes the combined entity eligible to bid for larger deals in traditional IT/ITES business. (3) the acquisition seems complementary from a vertical and geo mix perspectives. (4) Valuation at ~1.27x TTM EV/sales seems reasonable, optically. (5) Even in an AI world, onsite and near shore employees are critical and Nagarro brings them to PSYS in Europe. (6) Combined entity has 350+ customers with revenue more than USD1mn with only single-digit number of customers overlapping. There is potential for cross sell

Negatives of the Nagarro deal: (1) This seems a traditional acquisition during tectonic changes in the IT services business model which is moving away from labor intensity due to considerable use of AI (2) the M&A firepower could have been used better for buying AI capabilities like Cyber Security or Data/Analytics or AI platforms (3) Nagarro has 68% revenue exposure to Time and material business makes it more susceptible to revenue deflation due to AI (4) if minority shareholders hold out even after PSYS gets 50% share of Nagarro, we believe the integration may not be as tight and extracting synergies may take longer and harder and could consume management bandwidth. (5) do not have clarity for below par EBIT margin – ~10% that Nagarro has had for multiple years. Suspect it is the very diversified nature of its vertical mix and its long tail of what seem like mid-market clients. (6) We believe ERP and CX skills are 'retro' skills and probably do not add as much value from a cross-sell standpoint into the PSYS client base. (7) post tax ROIC falls from ~40% in FY26 to ~15% in FY28 post all the changes we have made to our estimates (8) the 140% premium to underlying stock price seems excessive. Part of this has been due to the sharp correction that the sector and Nagarro specifically (~55% CYTD till 25 June 2026) has seen due to weaker demand and concerns around AI.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	PSYS IN/Rs 4,842
Market cap	US$ 8.0bn
Free float	69%
3M ADV	US$ 36.7mn
52wk high/low	Rs 6,599/Rs 4,449
Promoter/FPI/DII	30%/22%/30%

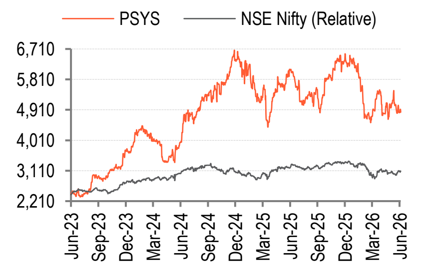
Source: NSE | Price as of 25 Jun 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	147,485	210,261	321,818
EBITDA (Rs mn)	27,955	37,488	54,988
Adj. net profit (Rs mn)	19,542	23,783	27,474
Adj. EPS (Rs)	118.9	150.8	174.2
Adj. ROAE (%)	27.6	28.0	27.7
Adj. P/E (x)	40.7	32.1	27.8
EV/EBITDA (x)	27.5	18.7	11.5
Adj. EPS growth (%)	31.8	26.8	15.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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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

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