

June 29, 2026

Restructuring to drive capital discipline

About the stock: Astral, established in 1996 by Sandeep Engineer, introduced CPVC piping in India. As of FY26, it has 21 manufacturing units with an aggregate capacity of 5.97 lakh TPA (4.2 lakh TPA Pipes, Water tanks & Bathware, 1.4 lakh TPA Adhesives & Sealants, 36000 TPA Paints). It has a strong network of over 2.7 lakh dealers and 3990+ distributors.

Demerger of chemical business: Astral, at its board meet held on June 25, 2026, considered and approved the composite scheme of arrangement, wherein 1) its chemical business undertaking would be demerged and transferred to Astral Chemie and 2) Al-Aziz plastics would be amalgamated into Astral. Resultantly, post the restructuring Astral Limited would house its plumbing business (pipes, fittings, water tanks, bathware) and Astral Chemie would house chemical business (adhesive, paint, speciality chemicals). Pursuant to the scheme, every shareholder of Astral would receive one equity share of Astral Chemie in the ratio of 1:1.

Investment Rationale

- Astral Chemie to eye ~2.5x+ revenue growth over 4-5 years:** Astral's chemical business generated ₹ 1861 crore topline and ₹ 192 crore EBITDA (10.3% margin) in FY26. The management eyes ₹ 2300-2400 crore revenue and 14-15% EBITDA margin by FY28. Over the next 4-5 years, Astral Chemie is targeting to achieve ₹ 4500-5000 crore revenues, which would be led by adhesives India business (~68% of FY26 chemical revenues, 24% CAGR revenue growth over FY22-FY26 with average EBITDA margins of 15-16%) along with newly acquired DSS (₹ 150 crore topline estimated in FY28 to be scaled to ₹ 400-500 crore with EBITDA margins of 20-25%). For paints, it is targeting EBITDA breakeven in FY27 and improvement in margins to high single to low double digit EBITDA margins in FY28.
- Key salient features behind the restructuring:** The key rationale behind the restructuring, is to provide clarity regarding the performance, growth prospects and future potential of each vertical independently. It underscores entity-wise management's focus on maintaining higher capital discipline (each business to chart its own growth trajectory based on its own cash flow generation capability). The scheme eliminates any conglomerate discount and allows capital markets to distinctively value each independent vertical with a choice of ownership. It would be providing individual P&L and B/S of both entities post Q1FY27 results while the complete restructuring process is expected to complete by FY27 end.

Rating and Target Price

- Post restructuring announcement, Astral has corrected by ~8%, which is likely on account of fears assigned to the scale up of chemical business (especially paints & low margin UK adhesives) post restructuring, as it has been benefitting from strong cash flow generation from piping business.
- We retain our BUY rating with a revised Target price of ₹ 1830 as we move to SOTP based valuation methodology from consolidated business valuation.

Key Financial Summary

Key Financials (₹ Crore)	FY24	FY25	FY26	2 Year CAGR (FY24-26)	FY27E	FY28E	2 year CAGR (FY26-28E)
Revenues	5,641	5,832	6,569	7.9%	7,477	8,489	13.7%
EBIDTA	918	946	1,062	7.5%	1,265	1,474	17.8%
EBIDTA Margins(%)	16.3	16.2	16.2		16.9	17.4	
Adjusted PAT	546	524	537	-0.9%	712	852	26.0%
EPS (Rs.)	20.3	19.5	19.9		26.5	31.7	
P/E (x)	67.5	70.4	68.7		51.7	43.2	
EV to EBIDTA (x)	39.6	38.5	34.0		28.5	24.2	
RoNW (%)	18.5	15.4	14.0		16.3	16.9	
RoCE (%)	23.4	20.1	19.6		21.3	22.2	

Source: Company, ICICI Direct Research



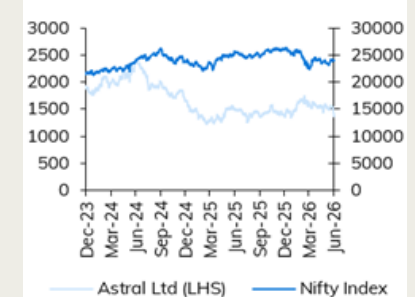
Particulars

Particular	₹ crore
Market Capitalisation	36805
Gross Debt (FY26)	153
Cash (FY26)	943
EV (₹crore)	36015
52 week H/L	1769/1264
Equity capital	27
Face value	₹ 1

Shareholding pattern

Particular	Jun-25	Sep-25	Dec-25	Mar-26
Promoters	54.1	54.2	54.2	54.2
FIIIs	20.1	16.6	15.2	14.5
DIIIs	14.9	17.8	19.2	21.3
Others	10.9	11.4	11.4	10.0

Price Chart



Key risks

- Sharp decline in PVC/CPVC resin prices
- Slowdown in agriculture, infrastructure, real estate sectors

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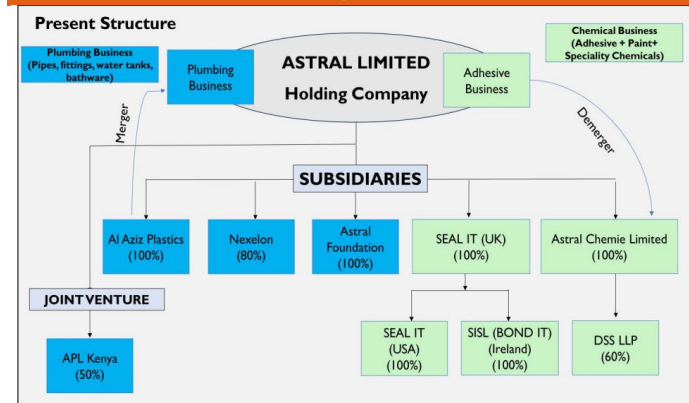
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Recent conference call highlights:

- **Demerger Rationale:** Management stated that the demerger aims to create two focused listed entities with independent capital allocation, sharper operational focus and enhanced transparency, as the pipes and chemicals businesses have fundamentally different manufacturing processes, warehouse requirements, distribution networks, customer profiles and capital needs.
- **Business Structure Post Demerger:** Post demerger, the company will operate through two focused platforms - Astral Ltd., comprising the piping, bathware, CPVC resin, Nexelon and APL Kenya businesses, and Astral Chemie Ltd., comprising the adhesives, paints, SEAL IT (UK/US/Ireland) and DSS specialty chemicals businesses. This structure is expected to improve strategic focus and operational efficiency.
- **Adhesives Business Performance:** The adhesives and paints business reported FY26 revenue of ₹ 1,861 crore with EBITDA of ₹ 192 crore (10.3% margin). India adhesives remained the key earnings driver, reporting revenue of ₹ 1,263 crore and EBITDA of ₹ 191 crore, while the UK adhesives business generated revenue of ₹ 385 crore with EBITDA of ₹ 15 crore. The paints business reported revenue of ₹ 240 crore and an EBITDA loss of ₹ 14 crore; however, management expects the business to achieve EBITDA breakeven in FY27.
- **Adhesives Growth Outlook:** Management guided for the chemicals business to grow revenue to ₹ 2,300-2,400 crore in FY27 and ₹ 4,400-5,000 crore over the next 4-5 years, supported by new product launches, distribution expansion and specialty chemicals. Astral Chemie is expected to deliver EBITDA margins of 14-15% by FY28.
- **Pipes Business Outlook:** With the major capacity expansion cycle largely complete, management expects the plumbing business to deliver a minimum ROCE of 20%, improving towards 25% as asset utilisation increases.
- **CPVC Resin Backward Integration:** The CPVC resin plant remains on track for commercial commissioning by Q4FY27 and is expected to improve margins, reduce dependence on imported resin and support market share gains through backward integration.
- **DSS Specialty Chemicals:** The recently acquired DSS (60% stake of Astral) has already commenced commercial production. Management expects the business to generate revenue of ₹ 150 crore by FY28 with high EBITDA margins of 20-25% (implying EBITDA of ₹ 35-40 crore). Over the next five years, the business is targeted to scale to ₹ 500 crore in revenue, driven by a portfolio of specialty chemicals that largely serve as import substitutes.
- **Capex:** Management indicated that the major capex cycle for both businesses is largely complete, with future investments expected to be modest and funded through internal cash generation. Management indicated that the first phase of DSS expansion will require a capex of ₹ 8-10 crore, which is expected to generate incremental revenue of around ₹ 150 crore by FY28. The second phase of expansion will be funded through internal accruals of DSS. Additionally, the paints business will incur routine capex of ₹ 40-50 crore which can be funded through internal accrual.
- **New Product Launches:** Management highlighted continued product expansion across both the adhesives and piping businesses. In adhesives, the company has launched products such as white glue and electrical tapes, while the piping portfolio has been strengthened with new offerings in the drainage segment, HTPP pipes for gas applications, and PPR pipes. The VAP (PEX-Aluminium-PEX) product is expected to be launched over the next couple of months, while solvent cement is currently under trials.
- **Solvent Cement:** Management highlighted that solvent cement is the only overlapping product between the two entities. Of the total ₹ 225-250 crore solvent cement business, around ₹ 100 crore is currently manufactured by Astral's piping business. Post demerger, Astral Chemie will manufacture solvent cement, while Astral Ltd. will procure its requirements from Astral Chemie, ensuring business continuity through an inter-company supply arrangement.

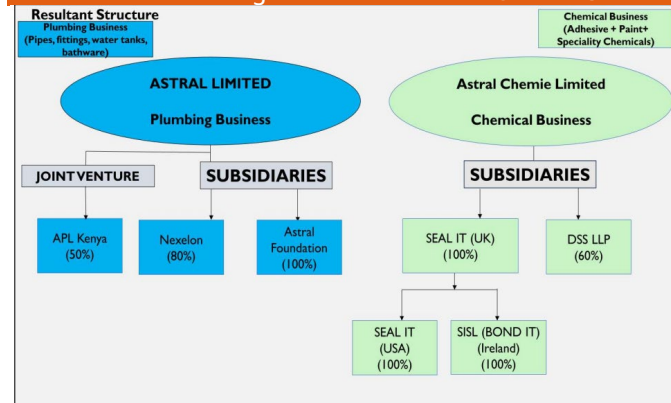
- Management Continuity:** Leadership continuity will be maintained with Sandeep Engineer overseeing both businesses, while Saumya Engineer and Kairav Engineer will independently drive the chemicals and plumbing verticals, respectively.

Exhibit 1: Present Astral Ltd. Structure



Source: Company, ICICI Direct Research

Exhibit 2: Post Demerger Astral and Astral Chemie Structure



Source: Company, ICICI Direct Research

Valuation

Post restructuring announcement, Astral has corrected by ~8%, which is likely on account of fears assigned to the scale up of chemical business (especially paints & low margin UK adhesives) post restructuring, as it has been benefitting from strong cash flow generation from piping business. We retain our BUY rating with a revised Target price of ₹ 1830 as we move to SOTP based valuation methodology from consolidated business valuation.

Exhibit 3: Valuation Break-up

Particulars	Methodology	Value per share (₹)
Plumbing	30x EV/EBITDA on FY28E	1340
Adhesives	35x EV/EBITDA on FY28E	400
Paints	20x EV/EBITDA on FY28E	15
DSS	35x EV/EBITDA on FY28E	23
Add net (debt)/cash	FY28E	48
Target Price		1827
Target Price (Rounded)		1830

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 4: Profit and loss statement				
	₹ crore			
(Year-end March)	FY25	FY26	FY27E	FY28E
Total Operating Income	5832	6569	7477	8489
Growth (%)	3.4%	12.6%	13.8%	13.5%
Operating Expenses	3519	3951	4538	5156
Gross Profit	2313	2618	2940	3333
Gross Profit Margins (%)	39.7%	39.8%	39.3%	39.3%
Employee Expenses	518	590	583	662
Other Expenditure	849	965	1092	1196
Total Operating Exp.	4887	5507	6213	7015
EBITDA	946	1062	1265	1474
Growth (%)	3.0%	12.3%	19.1%	16.6%
Interest	41	64	49	49
Depreciation	243	292	313	342
Other Income	41	47	47	53
PBT before Excl. item	703	753	949	1137
Total tax	184	196	242	290
PAT before MI	519	557	707	847
Minority interest	-5	-2	-5	-5
Profit from associates	0	0	0	0
Exceptional items	0	23	0	0
PAT	524	537	712	852
Growth (%)	-4.1%	2.4%	32.8%	19.6%
EPS (Adjusted)	19	20	26	32

Source: Company, ICICI Direct Research

Exhibit 6: Balance sheet				
	₹ crore			
(Year-end March)	FY25	FY26	FY27E	FY28E
Equity Capital	27	27	27	27
Reserve and Surplus	3590	4031	4636	5374
Total Shareholders funds	3617	4058	4663	5401
Minority Interest	76	0	0	0
Total Debt	144	153	153	153
Deferred Tax Liability	55	83	83	83
Long-Term Provisions	9	16	16	16
Other Non Current Liabilities	67	71	71	71
Total Liabilities	3967	4381	4986	5724
Net Block	2142	2367	2667	2967
Capital WIP	116	89	89	89
Fixed Assets	2258	2456	2756	3056
Goodwill & Other intangible assets	570	578	578	578
Investments	0	0	0	0
Other non-Current Assets	80	139	139	139
Inventory	1011	1117	1270	1442
Debtors	435	475	533	605
Other Current Assets	80	88	88	88
Loans & Advances	14	16	16	16
Cash	608	943	929	1292
Total Current Assets	2149	2639	2835	3442
Creditors	859	1155	1065	1209
Provisions	2	16	16	16
Other Current Liabilities	228	260	241	266
Total Current Liabilities	1089	1431	1322	1492
Net Current Assets	1060	1208	1513	1951
Application of Funds	3967	4381	4986	5724

Source: Company, ICICI Direct Research

Exhibit 5: Cash Flow Statement				
(Year-end March)	FY25	FY26	FY27E	FY28E
Profit/loss after taxation	702.5	730.6	949.5	1137.3
Add: Dep. & Amortization	243.4	291.6	313.4	341.6
Change in working capital	-171.8	213.4	-319.2	-74.6
Total tax paid	-170.1	-187.4	-242.1	-290.0
Others	25.6	68.8	49.0	49.0
CF from operating activities	629.6	1117.0	750.6	1163.2
(Purchase)/Sale of Fixed Assets	-539.4	-456.3	-300.0	-300.0
Investments	22.1	25.7	0.0	0.0
Others	4.7	-75.9	-313.4	-341.6
CF from Investing activities	-512.6	-506.5	-613.4	-641.6
(inc)/Dec in Loan	45.6	-31.7	0.0	0.0
Divident & Divident tax	-100.7	-100.7	-107.6	-114.3
Equity raised	0.0	0.0	0.0	0.0
Others	-63.2	-195.8	-44.0	-44.0
CF from Financing activities	-118.3	-328.2	-151.6	-158.3
Net Cash Flow	-1.3	282.3	-14.4	363.3
Cash and Cash Equivalent	609.4	608.1	890.4	876.0
Cash	608.1	890.4	876.0	1239.3

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios				
(Year-end March)	FY25	FY26	FY27E	FY28E
Per share data (₹)				
Adjusted EPS	19.5	19.9	26.5	31.7
Cash EPS	28.5	30.8	38.1	44.4
BV per share	134.5	150.9	173.3	200.8
Dividend per share	0.8	4.0	4.0	4.3
Operating Ratios (%)				
Gross Profit Margins	39.7	39.8	39.3	39.3
Operating EBITDA margins (%)	16.2	16.2	16.9	17.4
(Adjusted) PAT Margins	9.0	8.2	9.5	10.0
Cash Conversion Cycle	37	24	36	36
Fixed asset turnover (x)	1.2	1.2	1.2	1.3
Return Ratios (%)				
RoE	15.4	14.0	16.3	16.9
RoCE	20.1	19.6	21.3	22.2
RoC	19.8	19.4	21.7	22.5
Valuation Ratios (x)				
P/E	70.4	68.7	51.7	43.2
EV / EBITDA	38.5	34.0	28.5	24.2
EV / Net Sales	6.2	5.5	4.8	4.2
Market Cap / Sales	6.3	5.6	4.9	4.3
Price to Book Value	10.2	9.1	7.9	6.8
Solvency Ratios				
Debt / EBITDA	0.2	0.1	0.1	0.1
Debt / Equity	0.0	0.0	0.0	0.0

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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