Thematic | June 2025

Plastic Pipes

TAM expansion – companies adding more products (within same product segment or within similar channels)

Increase in construction activities, residential launches

Replacement demand for plastic pipes

Increase in capex spend on Infra – NAL se JAL, AMRUT, Etc.

Capturing new opportunities!

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Content: Capturing new opportunities!

Companies

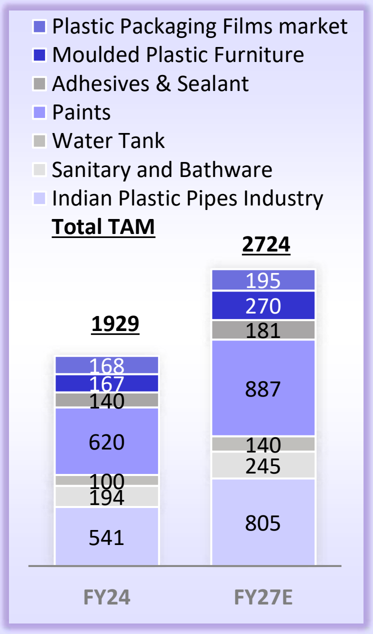
Plastic Pipes

Capturing new opportunities!

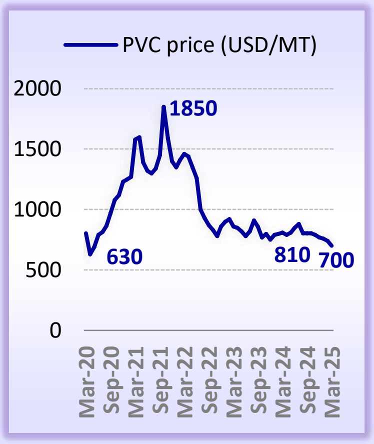
Initiate coverage on SI/ASTRA/PRINCPIP with a BUY rating

- **Core industry growth to accelerate at ~14% CAGR:** The Indian plastic pipes industry has evolved significantly, registering a ~10% CAGR over the last decade to reach ~INR541b in FY24. This growth is anticipated to accelerate to ~14% CAGR over FY24-27, reaching ~INR805b by FY27, driven by strong demand from housing, irrigation, water supply, and sanitation. Additionally, robust replacement demand will be a key growth driver.
- **Seizing emerging opportunities and expanding TAM:** Leading players within the sector have diversified beyond pipes into adjacent high-growth categories such as water tanks (TAM INR100b in FY24), bathware (INR194b), and industrial components, leveraging innovation and market expansion. Each of these categories is set to register a healthy CAGR averaging ~12% over the next few years.
- **Replacement demand a saving grace amid the construction slowdown:** CPVC/PVC pipes have steadily replaced GI pipes, sustaining demand despite a 38% decline in residential real estate launches (CY12-20). Industry revenue grew 1.8x from FY20 to FY24, outpacing real estate launch growth of 1.75x. Pipes contribute just ~2-3% of total building costs, but once installed, they are critical and expensive to replace.
- **Organized players to gain further share:** Organized players currently hold ~70% of industry demand, up from 50% in FY10. A few key players dominate ~40% of the market: SI (~11%), Ashirvad (9%), FNXP (8%), ASTRA (7%), and PRINCPIP (5%). The extended Anti-Dumping Duty (ADD) on CPVC (until Jun'29) and potential ADD on PVC resins will accelerate the shift towards organized players. Sector consolidation is expected to gain momentum, benefiting organized firms with strong balance sheets.
- **Public sector projects amplify pipeline demand:** The Indian government has initiated several projects and schemes that benefit the plastic pipes sector, particularly in areas like water supply, sanitation, agriculture, and infrastructure development, such as Jal Jeevan Mission (JJM), where the government has achieved ~81% rural household (HH) tap water connection, and the remaining 19% (~37m HHs) is likely by CY28. Other key government initiatives driving demand include AMRUT, PMAY, Namami Gange, and Bharatmala.
- **Irrigation demand – a sustainable growth driver for PVC companies:** Irrigation accounts for ~40% of overall pipe demand (mainly PVC), but only 52% of India's cultivated land is irrigated, presenting a major growth opportunity. Key government schemes towards irrigation, such as PMKSY, have experienced a 25% jump in budget allocation over 2025-26 to INR83b.
- **New-age applications to drive PVC demand:** The growing adoption of HDPE, MDPE, and PEX pipes in city gas distribution supports the government's goal of 70% gas coverage by 2030, offering 25-30% cost savings over metal pipes. Meanwhile, Oriented PVC (OPVC) pipes are replacing Ductile Iron (DI) pipes in water supply and sewage projects, driven by government initiatives like AMRUT, Smart Cities, and sustainability programs, enhancing infrastructure and energy efficiency. All the key players are in the process of setting up OPVC capacities to cater to the demand.
- **Our initiating coverage universe:** We initiate coverage on: 1) Supreme Industries (SI), 2) Astral (ASTRA), and 3) Prince Pipes and Fittings (PRINCPIP) with a BUY rating. These companies are some of the key players operating in the Indian plastic pipes space. We believe that these companies are well-positioned to gain further market share and deliver a healthy earnings trajectory.
- **Key risks: 1)** fluctuation in polymer prices, 2) stagnation in real estate demand, 3) threat from competition, and 4) dilution of brand name.

Total TAM (including adjacent categories) at 3.6x of pipes industry TAM with an expected CAGR of 12% (INRb)



PVC price trend



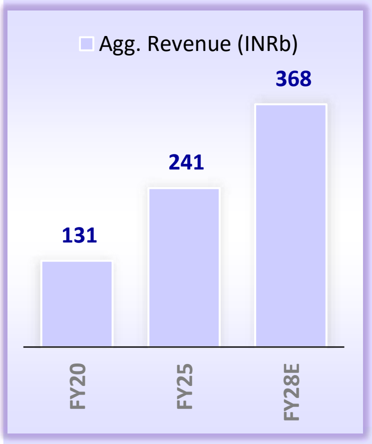
Growing demand with TAM expansion

Leading players have diversified beyond pipes into adjacent high-growth categories like water tanks, bathware, and industrial components, expanding their Total Addressable Market (TAM). ASTRA (TAM: INR1,595b), SI (INR975b), PRINCPIP (INR 835b), FNXP (INR541b), and APOLP (INR835b) have ventured into new product segments to enhance cross-selling opportunities and expand the market beyond pipes. With adjacent categories such as bathware and water tanks projected to report 8%/12% CAGR, diversification will be the key to sustained industry expansion and improving profitability.

Sectoral tailwinds to support growth

The Indian plastic pipes industry clocked a ~10% CAGR over FY14-24, reaching INR541b, driven by plumbing and irrigation, which accounted for 84% of total applications. CPVC, HDPE, UPVC, and PPR pipes reported strong growth, with PVC maintaining the largest market share. The industry is set to accelerate at 14% CAGR to reach INR805b by FY27, supported by real estate expansion, irrigation needs, and long-term government initiatives such as JJM, Housing for All, and Smart City Mission. Organized players dominate 70% of the market, with major firms such as SI (11%), Ashirvad (9%), FNXP (8%), ASTRA (7%), and PRINCPIP (5%). The extension of ADD on CPVC imports and the anticipated ADD on PVC resins will further drive market consolidation, benefiting organized players.

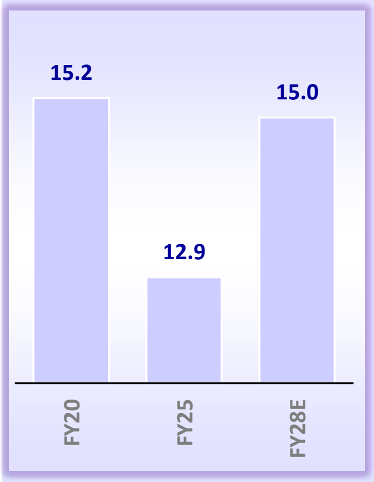
Aggregate Revenue trend



Replacement demand and infrastructure push driving pipe industry growth

Despite a 38% decline in residential launches during CY12-20, PVC and CPVC pipe sales have remained strong (growing 46% in FY20 over FY12), driven by replacement demand from aging GI pipes. With pipes accounting for only ~2-3% of total building costs, their high durability and cost-effectiveness have accelerated adoption. During real estate revivals, pipe companies have consistently outperformed, with sales growing 1.8x in FY24 over FY20. Additionally, public infrastructure projects such as JJM (INR670b allocation), irrigation schemes (PMKSY), and smart city developments continue to fuel demand. Around 52% of India's cultivated land lacks irrigation, presenting a major growth opportunity for PVC pipes. With a strong replacement cycle and rising government investments, the pipe industry remains well-positioned for sustained growth.

Aggregate EDITDA margin trend (%)



New-age pipes fueling growth across key sectors

The rapid adoption of new-age plastic pipes is transforming CGD, water supply, and infrastructure in India. With the government targeting 70% CGD coverage by 2030 and aiming to increase the gas mix from 6.7% to 15%, HDPE, MDPE, and PEX pipes are gaining traction due to their cost efficiency, flexibility, and corrosion resistance. Beyond CGD, advanced polymer-based pipes are reshaping plumbing, irrigation, and industrial applications. CPVC pipes are driving hot and cold water distribution, OPVC pipes are replacing Ductile Iron (DI) pipes in sewage and water projects, while HDPE pipes are playing a crucial role in micro-irrigation and smart city development. These innovations are expanding market potential and driving long-term industry growth.

Scaling new heights!

Our Pipes coverage universe includes SI, ASTRA, and PRINCPIP, which hold very unique positions individually. However, on an aggregate basis too, the combined revenue growth of these three companies (~14%) outpaced the industry growth of ~11% over FY19-24. The combined revenue in FY25 was INR188b (up 2% YoY) and is poised to register a 14% CAGR over FY25-28E, aided by strong industry tailwinds and TAM expansion. The combined EBITDA margin has been volatile over the last five years, with 14% in FY19 improving to ~15.1% in FY24 and declining to ~13.5% in FY25. We anticipate the margin to improve to ~16% level by FY28, aided by raw material price stabilization and an improvement in the demand scenario. Consequently, this will lead to an EBITDA CAGR of ~20% to reach INR44.4b over FY25-28 from INR25.4b in FY25. The combined net profit margin was ~8% in FY25, and it is projected to improve to 11% by FY28. The combined net profit is likely to post ~25% CAGR over FY25-28 to reach ~INR29.7b by FY28 vs. INR15.3b in FY25.

INITIATING COVERAGE

Supreme – People who know plastics best

TP of INR5,400
Upside of 22%

ASTRAL

TP of INR1,800
Upside of 20%

PRINCE PIPING SYSTEMS

TP of INR500
Upside of 46%

Initiating coverage on SI, ASTRA, and PRINCPIP with a BUY rating

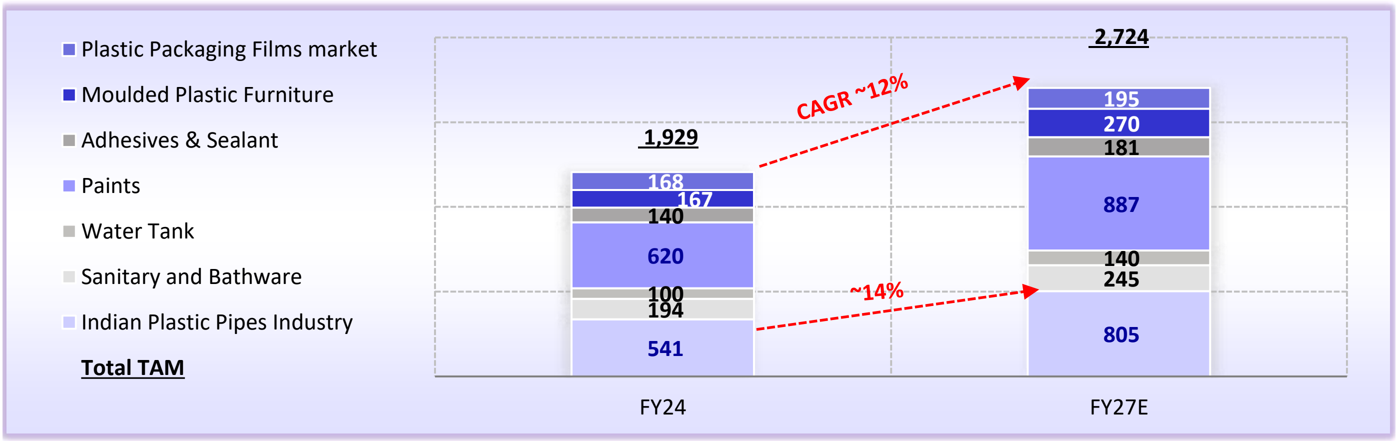
SI, ASTRA, and PRINCPIP are some of the key players operating in the Indian plastic piping space. We believe these companies are well-positioned to gain further market share and deliver healthy earnings. **We initiate coverage on SI, ASTRA, and PRINCPIP.**

- **SI:** The company is a key player in India's plastic industry, leveraging decades of expertise to build a robust product portfolio across pipes & fittings, bathware, industrial goods, consumer products, and advanced packaging solutions. Operating 25 state-of-the-art plants with a robust 1,091,000 MTPA capacity. Its revenue/EBITDA/ Adj. PAT is estimated to report a robust CAGR of 14%/20%/23% over FY25-FY28, driven by healthy volume growth (at 13% CAGR) and improving margin profile. **We initiate coverage on the stock with a BUY rating and a TP of INR5,400 (premised on 45x FY27E P/E, which reflects a 22% premium over the stock's five-year average one-year forward P/E).**
- **ASTRA:** The company has solidified its position as a pioneer in India's plastic pipe industry, revolutionizing the sector with CPVC pipes in 1998 and expanding into five key segments—Pipes, Water Tanks, Adhesives & Sealants, Bathware, and Paints. With the highest TAM of INR1,595b in the industry, ASTRA's strategic acquisitions, capacity expansions, and strong exports drive sustained double-digit growth. Its revenue/EBITDA/Adj. PAT is estimated to clock a CAGR of 16%/ 17%/23% over FY25-FY28, driven by volume growth (12% CAGR). **We initiate coverage on the stock with a BUY rating and a TP of INR1,800 (premised on 45x FY27E P/E, which implies a 33% discount over the stock's five-year average one-year forward P/E).**
- **PRINCPIP:** It is among India's top five plastic piping providers and operates seven plants (398K MTPA by FY25) with 7,200+ SKUs and a 1,500+ distributor network. With ~25% of revenue from CPVC and ~70% from real estate, PRINCPIP is set to benefit from India's growing real estate sector. Further, strategic expansion in East India, premium product launches, and government infrastructure projects further drive growth. Its revenue/EBITDA/Adj. PAT would report a robust CAGR of 15%/38%/73% over FY25-FY28E due to a low base, driven by 12% volume CAGR. PRINCPIP is currently trading at 22x FY27 EPS, which is an attractive valuation given the growth trajectory. **We initiate coverage on the stock with a BUY rating and a TP of INR500 (premised on 32x FY27E P/E).**

STORY IN CHARTS

Pipes: Key pointers

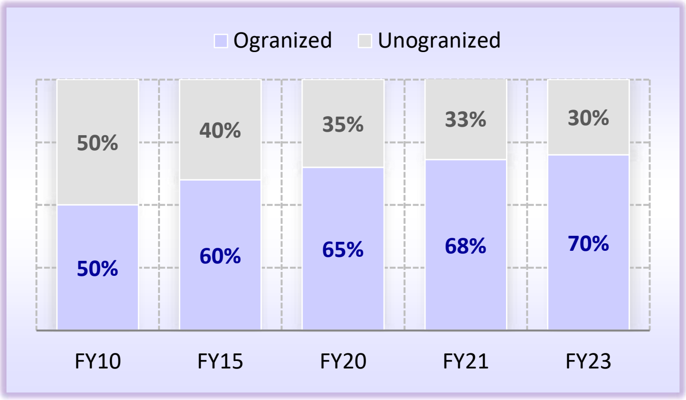
Total TAM (including adjacent categories) at 3.6x of the Pipes TAM with a likely CAGR of 12% (INRb)



Note: We have highlighted major categories of key players for TAM calculation

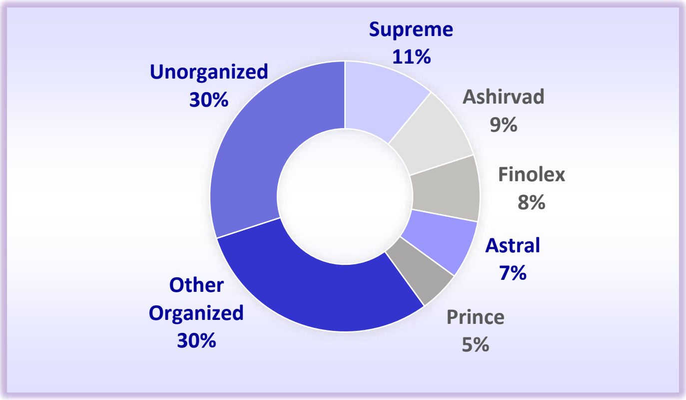
Source: Industry, MOFSL

Increasing share of organized players



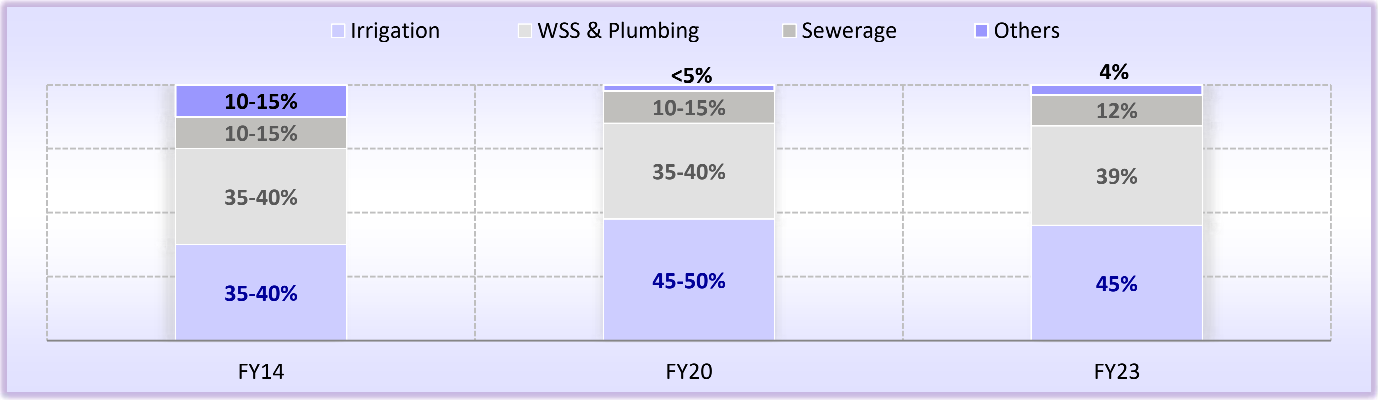
Source: Industry, MOFSL

Market share mix of the core industry



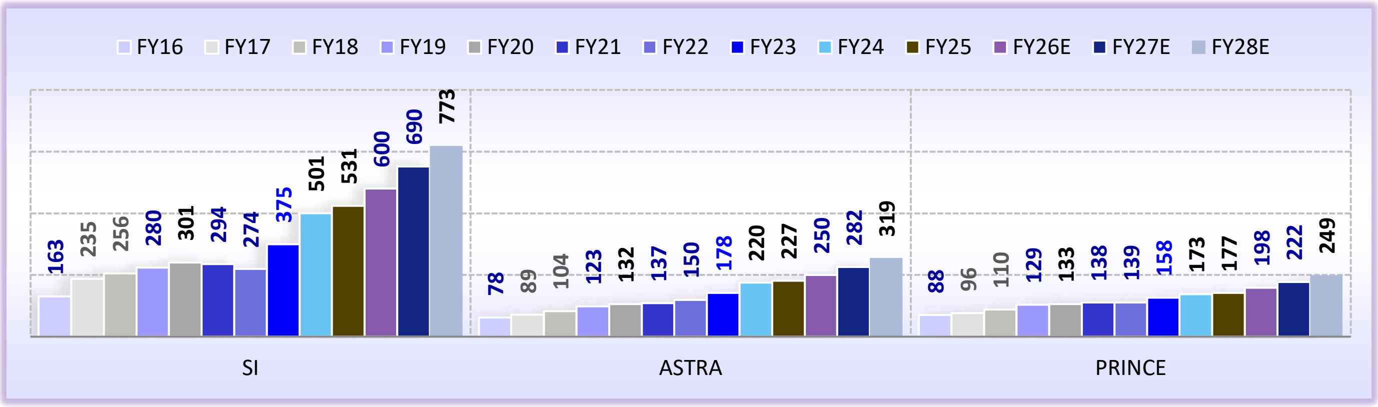
Source: Industry, MOFSL

Irrigation, water supply systems, and plumbing account for the maximum use of pipes



Source: Industry data, Company, MOFSL

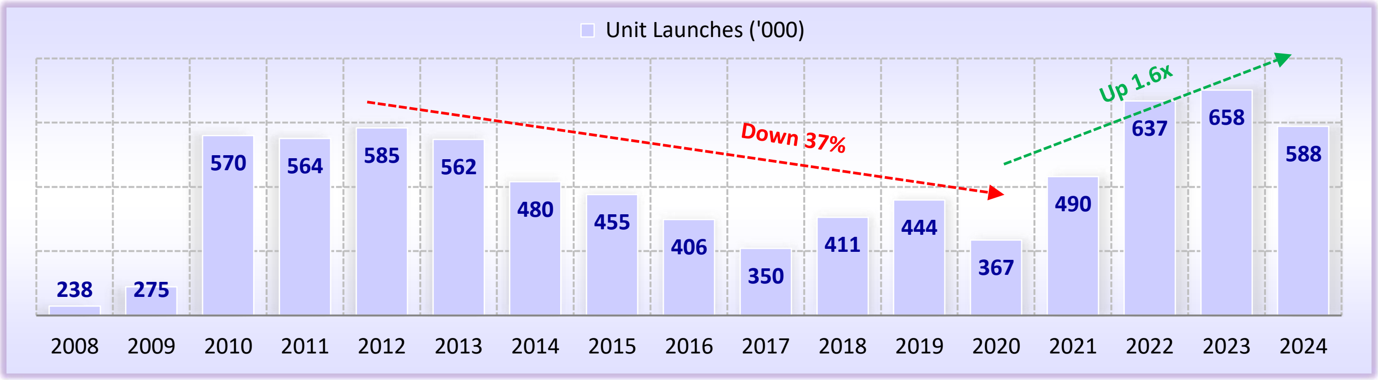
Pipes and fittings volume trajectory of coverage companies ('000 MT)



Note: SI data for FY25 is actual

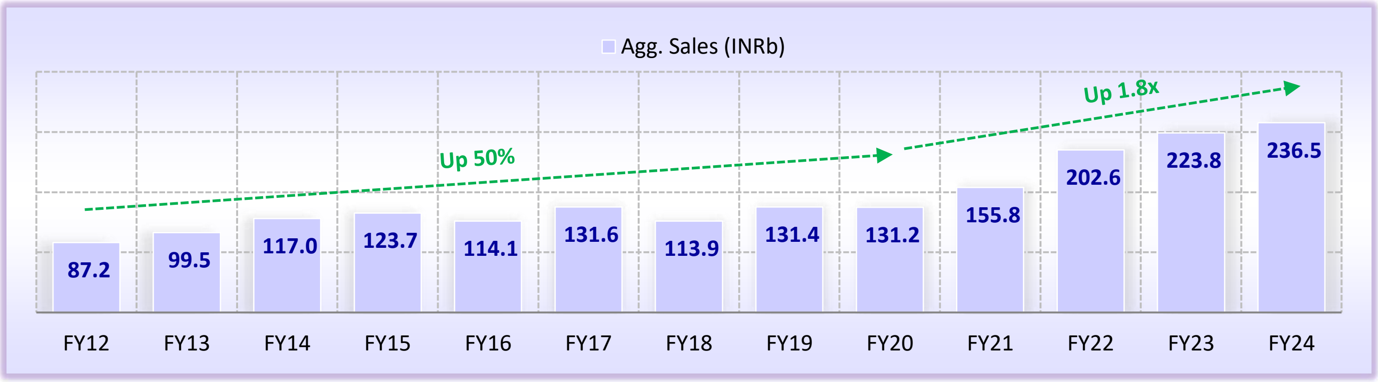
Source: Industry, Company

New residential property launches pipeline trend pan India



Source: Industry, Company

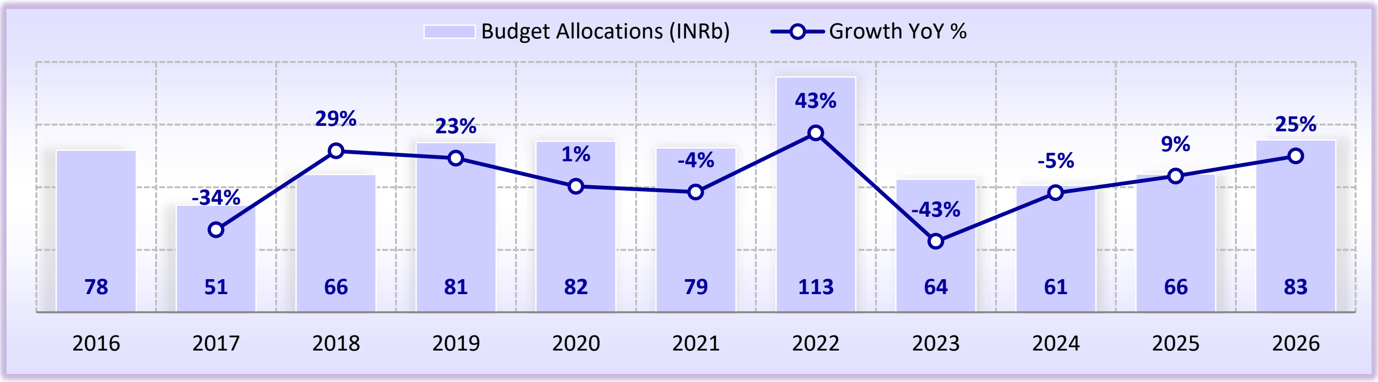
Aggregate sales of key pipes companies showed resilience during the tough real estate period and strength during its upcycle



***Note**: Aggregate Sales is the sum Consol. Revenue of ASTRA, SIL, PRINCPIP, APOLP, and FNXP*

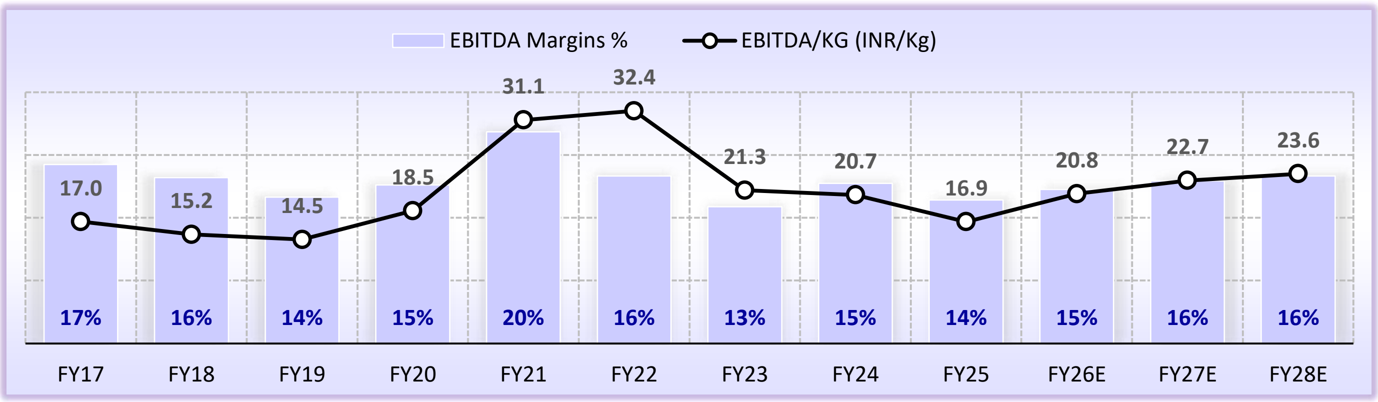
Source: Industry, Company

Increasing budget allocation for PMKSY



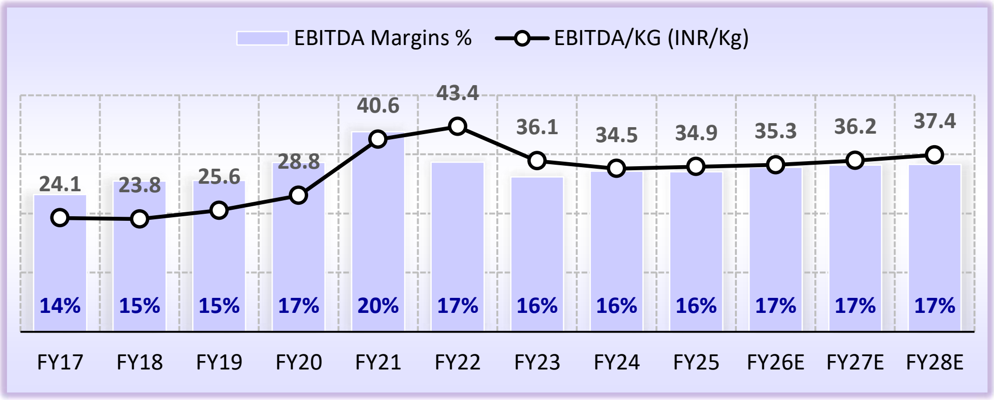
Source: Industry, Company

SI's EBITDA/kg to improve over FY25–27E



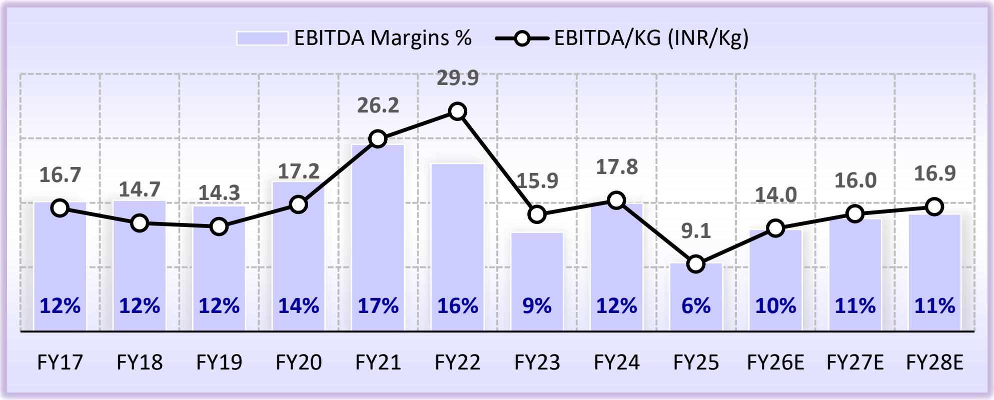
Source: Company, MOFSL

ASTRA to maintain industry-leading EBITDA/kg



Source: Company, MOFSL

Strong recovery in PRINCPIP's EBITDA/Kg over FY25-27E



Source: Company, MOFSL

Valuation comparison – Peers at a glance

Peers	CMP	TP	Upside	Rating	MCap	EPS			P/E (x)			EV/EBITDA (x)			RoE (%)		
	(INR)	(INR)	(%)		(INRb)	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
ASTRA	1,501	1,800	20	Buy	405	26.1	32.3	40.2	58	47	37	36	31	26	15	17	18
SI	4,412	5,400	22	Buy	561	75.6	95.8	120.0	58	46	37	28	30	24	18	20	22
PRINCPIP	343	500	46	Buy	38	3.9	10.6	15.7	87	32	22	18	10	8	3	7	10
APOLP*	431	NA	NA	NR	19	7.7	7.5	17.8	56	58	24	17	14	11	5	4	5
FNXP*	217	NA	NA	NR	134	12.9	9.5	11.2	17	23	19	19	18	16	14	9	10

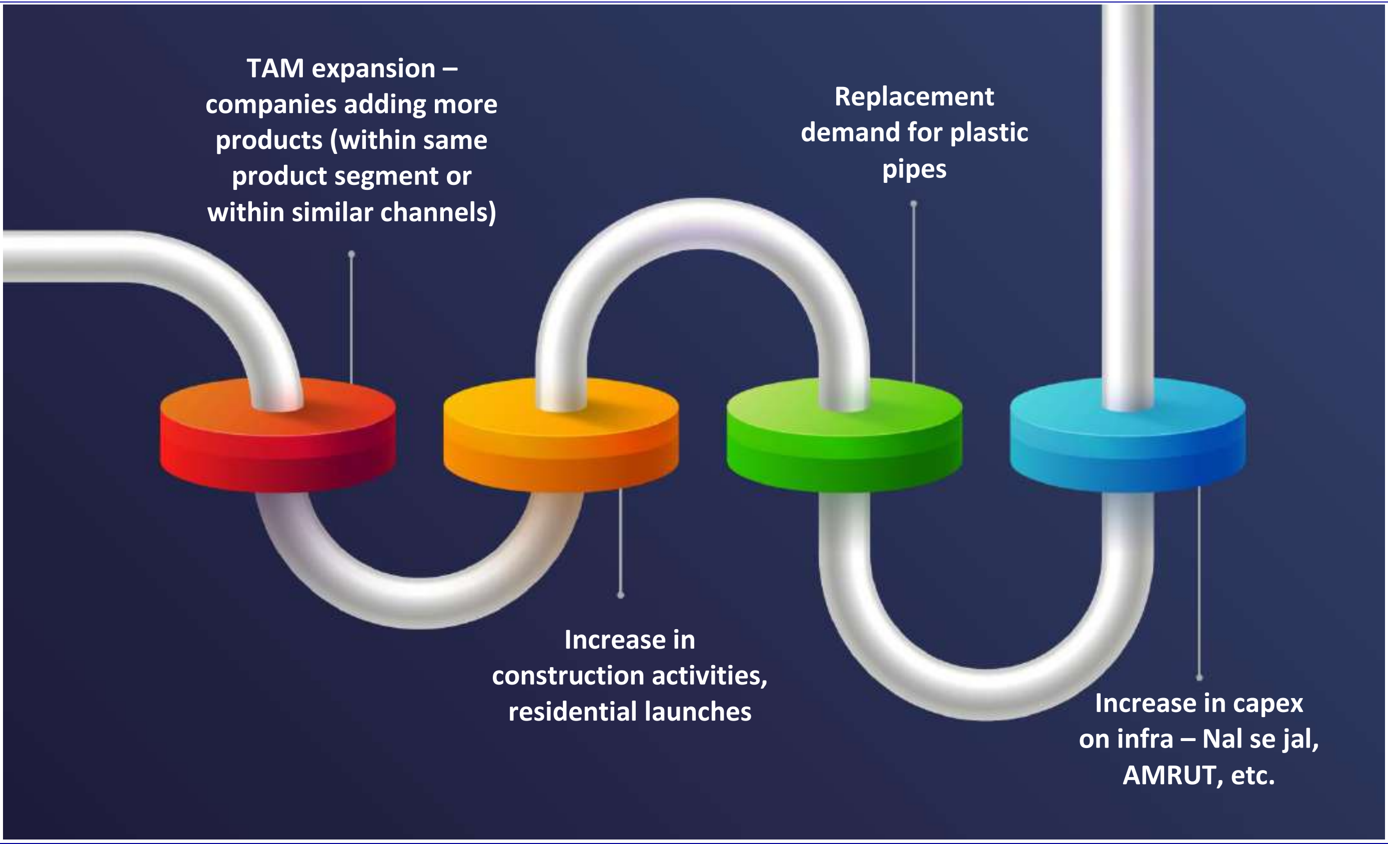
*Bloomberg estimates; Source: MOFSL

Business structure

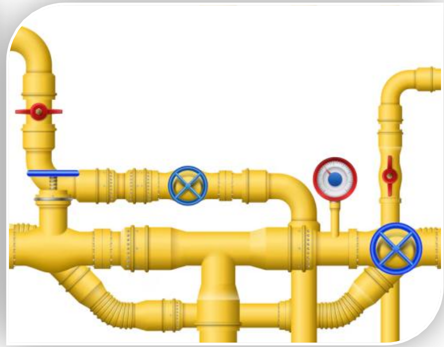
	Astral	Supreme Industries	Prince Pipes	Finolex Industries	Apollo Pipes
Market Capitalization (INR b)	**405**	**561**	**38**	**135**	**20**
Revenue CAGR over FY20-25 (%)	18	14	9	10	24
Volume CAGR over FY20-25 (%)	11	12	6	8	17
EBIT/Kg in FY25	27	14	3	7	5
PAT CAGR over FY20-25 (%)	14	16	-17	8	3
Pipes Manufacturing Capacity (FY25)	381,967 MTPA (Piping, Tank and Bathware)	872,532 MTPA (Plastic Piping System Business)	397,559 MTPA	470,000 MTPA (Pipes & Fittings)	225,500 MTPA
No. of Manufacturing units	26	30	8	4	8
RoCE (%)	15.6	15.8	2.9	7.6	5.6
five-year Average RoE (%)	19.8	25.0	13.7	14.7	9.1
Promoter Holdings	54.1	48.85	60.94	52.47	46.8
Net debt: Equity ratio	-0.1	-0.3	0.1	-0.8	-0.1
Exports revenue share (FY24) %	1.4	2	0.2	0	0.7
Other business segment	Adhesives & Paints, Construction chemicals, Bathware	Consumer Products, Packaging Products, Industrial Products	Bathware	PVC Resins	Adhesives - Solvent Cement, Home solutions - Kitchen Sinks, Bath Fittings
Other business Revenue % in FY25	28	32.7	NA	29	NA
Location of manufacturing facility	Santej (Gujarat) Dholka (Gujarat) Jamnagar (Gujarat) Hosur (Tamil Nadu) Ghiloth (Rajasthan) Sangli (Maharashtra) Aurangabad (Maharashtra) Sitarganj (Uttarakhand) Bhubaneshwar (Odisha) Guwahati (Assam)	Punjab, Rajasthan, Gujarat, Madhya Pradesh, Silvasa, Telangana, Tamil Nadu, Maharashtra, Odisha, Puducherry, West Bengal, Assam, Uttar Pradesh	Athal (Dadra and Nagar Haveli), Haridwar (Uttarakhand), Chennai (Tamil Nadu), Kolhapur (Maharashtra), Jaipur (Rajasthan), Sangareddy (Telangana), Begusarai (Bihar)	Ratnagiri (Maharashtra), Urse (Maharashtra), Masar (Gujarat) & Bhadalwadi (Maharashtra)	Dadri (Uttar Pradesh), Sikandrabad (Uttar Pradesh), Ahmedabad (Gujarat), Tumkur (Karnataka), Raipur (Chhattisgarh)
Key Products	PVC/CPVC pipes and fittings, Water Tanks, paints and adhesives	CPVC, UPVC, PPR, & HDPE Pipes, Composite Cylinders, & lifestyle products	CPVC, UPVC, PPR, & HDPE Pipes	PVC-U Pipes, CPVC Pipes, SWR Pipes, Casing Pipes, PVC resin	Pipes Fittings, Plastic Taps/Showers, Solvents, Water Tanks, PPR-C Range
Distribution Network	3,610+ distributors & 251,000+ Dealers	5,600+ active channel partner 1,657 Channel Partners in Piping	1,500+ channel partners	900+ Dealer Network	1,000+ Channel Partners
SKUs	NA	14,234+ in piping 629+ in bathroom fittings	7200+	2500+	2,600+

Source: Company, MOFSL

GROWTH DRIVERS




OPVC PIPES


GAS PIPELINE

WHY IT'S A RIGHT TIME FOR PIPES?

Over the past year, stock prices have corrected substantially (SI: -25%, ASTRA: -37%, and PRINCPIP: -49%), primarily owing to a decline in PVC resin prices (leading to inventory loss) and a subdued demand environment. This is expected to normalize from FY26. Thus, we believe pipe companies may offer a good upside from current levels considering strong industry tailwinds and valuation comfort.

KEY RISK

Fluctuation in polymer prices, Stagnating real estate demand, Increasing competitive intensity

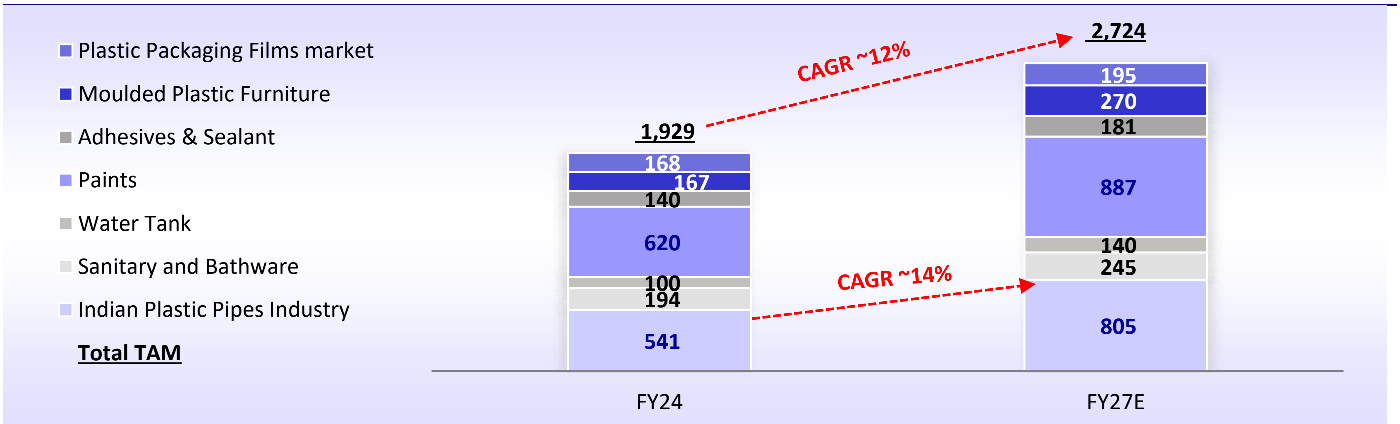
Change is the only constant!

Organized players to gain further share

Seizing emerging opportunities and expanding TAM

- Historically, the plastic pipe industry has registered ~10% CAGR over the last decade to reach ~INR541b in FY24. The industry is likely to accelerate its growth and clock ~14% CAGR over FY24-27 (reaching ~INR805b by FY27), aided by strong demand **tailwinds from end-user industries** such as irrigation, water supply, sanitation, and housing. Further, **strong replacement demand** will be a key growth driver.
- Over the last decade, Indian plastic pipe companies have not only solidified their position (~10% industry CAGR over the last decade) in the traditional sectors (pipes) but have also **strategically diversified** into existing and adjacent categories, propelling their growth and innovation.
- This remarkable transformation has been driven by a keen understanding of market dynamics and consumer needs, resulting in an expanded portfolio that now includes advanced materials like **CPVC, HDPE, PPR, and OPVC pipes**, along with a range of value-added adjacent product categories (similar channel) such as water tanks, bathroom fittings, bathware (sanitaryware and faucetware), and industrial components.
- Each of these categories is set to register a healthy CAGR over the next few years. For instance, the Bathware and Water Tank segments are likely to clock an 8% and 12% CAGR over FY24-27 to reach a TAM of INR245b and INR140b, respectively.
- In a bid to 1) diversify their product offerings, 2) increase the number of cross-selling opportunities, and 3) reduce product concentration, several large organized domestic players have diversified into new product segments both within and outside the plastic pipes industry.

Exhibit 1: Total TAM (including adjacent categories) at 3.6x of the Pipes TAM with a likely CAGR of 12% (INRb)



Note: We have highlighted major categories of key players for TAM calculation

Source: Industry, MOFSL

Diversification intensity and pace vary across key players in this industry

- **ASTRA** has diversified from CPVC pipes into adhesives, sealants, infrastructure pipes, water tanks, bathwares, adhesives, and a recent entry into paints. The revenue share of pipes has declined from 76% in FY18 to 72% in FY25. The overall TAM of ASTRA is INR1,595b as of FY24, which is expected to clock ~12% CAGR over FY24-27 to reach INR2,259b. Considering adjacent categories, **ASTRA has the highest TAM among other players.**

Pipes companies strategically diversifying into existing and adjacent categories, propelling their growth and innovation

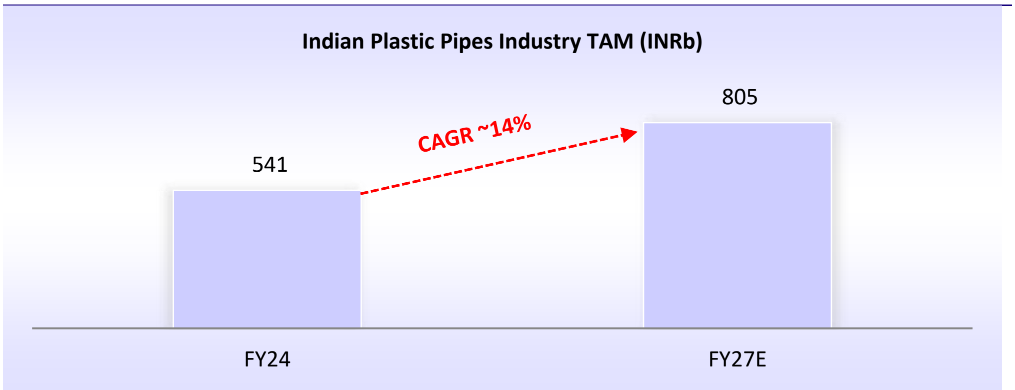
- **SI** expanded from PVC to CPVC, HDPE, PEX, OPVC, and composite piping systems in the pipes segment while also diversifying into adjacent segments such as industrial, consumer, and packaging products. The TAM of SI is INR975b (excluding TAM of the industrial segment) as of FY24, which is expected to clock 13% CAGR over FY24-27 to reach INR1,411b. SI manufactures a diverse range of products across each category (mostly related to plastics) with strong expertise in plastic polymer products.
- **PRINCPIP** diversified from UPVC to CPVC, PPR, HDPE, underground drainage, water storage solutions, and bathware. Within the Plastic Pipes segment, PRINCPIP's product segments are subdivided into four categories: PVC, CPVC, Polypropylene (PPR), and Doubled-Walled Corrugated (DWC), with the majority revenue share dominated by PVC (~70% of sales) and CPVC (~25% of sales). Like Astral, PRINCPIP has also ventured into the water storage tanks business and aims to strengthen its entire product portfolio and increase the number of cross-selling opportunities. The overall TAM of PRINCPIP is INR835b as of FY24, which is likely to clock 12.5% CAGR over FY24-27 to reach INR1,190b.
- **Finolex Industries (FNXP)** transitioned from agricultural PVC pipes to CPVC, SWR, drip irrigation, and industrial pipes. The TAM of FNXP is INR541b as of FY24, which is expected to clock 14% CAGR over FY24-27 to reach INR805b.
- **Apollo Pipes (APOLP)** commenced its operations as a PVC-focused company before strategically expanding into a diverse range of piping solutions, including HDPE, CPVC, PPR, and, more recently, OPVC. In pursuit of broader market opportunities, the company further diversified into complementary categories such as water tanks, bathware, and solvent solutions, thereby enhancing its TAM. Broadly, its TAM is similar to PRINCPIP.

Core industry growth to accelerate at ~14% CAGR

Over FY14–24, India's plastic pipe industry grew steadily; healthy demand outlook continues via real estate, irrigation, and government infrastructure push.

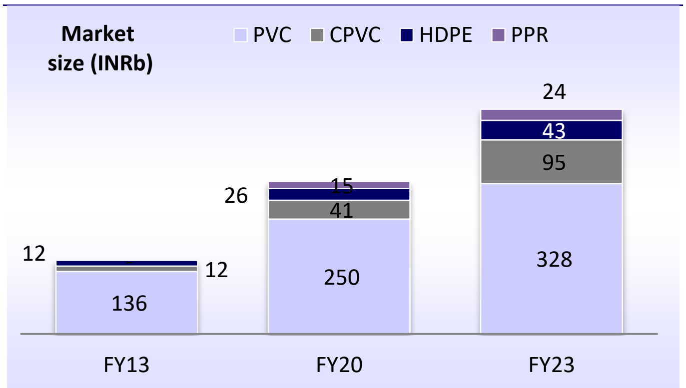
- Over FY14–24, the plastic pipes industry in India increased at a 10–12% CAGR to INR541b, led by higher demand from the plumbing and irrigation sectors. These two end-user industries accounted for 84% of the overall pipe application. Demand growth in plumbing was led by higher replacement demand for GI pipes. During FY14–19, CPVC/HDPE/UPVC/PPR pipes grew at ~21%/13%/12%/7% CAGR.
- PVC accounts for the majority of the market, followed by CPVC and high-density polyethylene (HDPE), which has been seen gaining its share gradually.
- **The core industry growth is expected to accelerate by 14% to INR805b over FY24–27. In addition to the industry demand drivers witnessed in the past few years, additional levers such as an upcycle in the real estate sector, growing use for irrigation purposes, long-term government schemes (JJM, Housing for All, Nal Se Jal, Smart City Mission, river linking), and several others are expected to drive demand for pipes.**
- The industry offers compelling future opportunities, driven by increasing government investments in infrastructure projects, rising residential/commercial construction activities, and expansion in the industrial sector. Moreover, government schemes such as 'Pradhan Mantri Krishi Sinchayee Yojana' would necessitate **better irrigation systems** (and, consequently, the use of pipes) in agricultural farms and fields. Aging pipes would also be widely refurbished going forward, which has been a key demand driver for the industry in the past as well.

Exhibit 2: Plastic Pipes market to reach ~INR805b by FY27



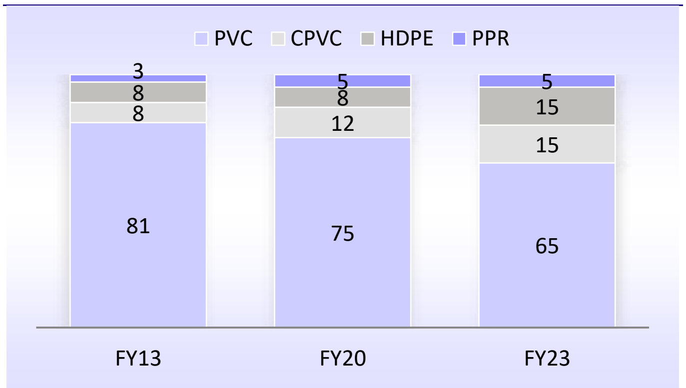
Source: Industry, MOFSL

Exhibit 3: CPVC pipes market grows faster than other pipe segments



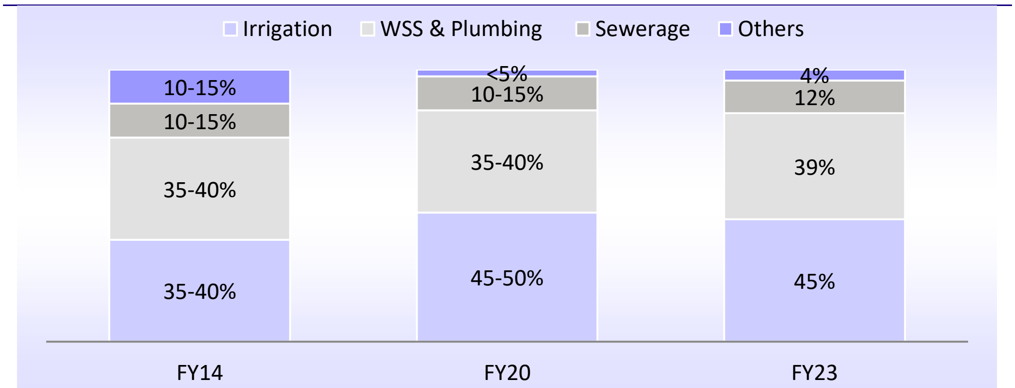
Source: Prince RHP, MOFSL

Exhibit 4: PVC forms a larger portion of the pipes market (%)



Source: Prince RHP, Company, MOFSL

Exhibit 5: Irrigation, Water Supply Systems, and Plumbing account for max. use of pipes

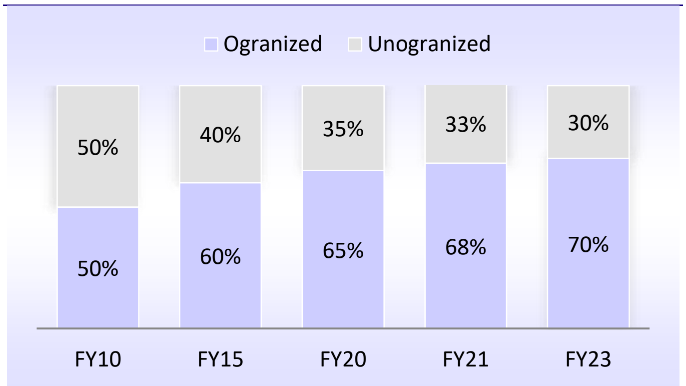


Source: Industry data, Company, MOFSL

- The plastic pipes industry, with a cumulative size of INR541b, is **dominated by organized players,** which cater to ~70% of the industry demand. The organized players have been capturing a higher share of the overall pie over the years, which was 50% in FY10.
- Further, a few key players control a substantial share (~40%) of the overall market, led by increasing innovation, deeper penetration, wider SKUs, and strong brand equity. SI has the highest share in the industry with ~11%, followed by Ashirvad (9%), FNXP (8%), ASTRA (7%), and PRINCPIP (5%).

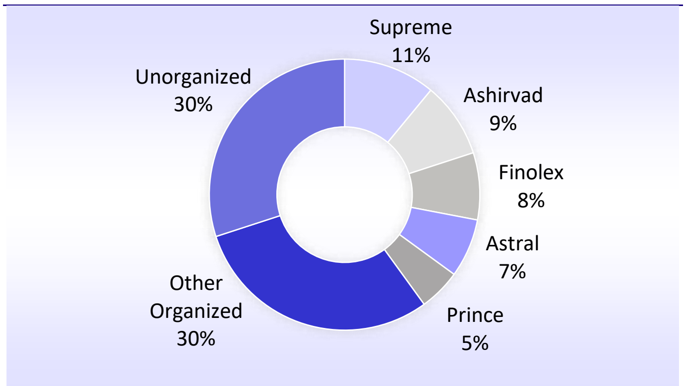
- **Extended ADD on CPVC to accelerate the shift towards organized players:** The Union Ministry of Commerce and Industry announced an ADD of 50-60% on imported CPVC resins/compounds from China and South Korea for five years (Feb'20-24), which **is further extended for another five years until Jun'29**. The extension of ADD on imports from China and South Korea is a positive for organized players as they do not import from these countries. On the other hand, small players will continue to face difficulty in sustaining their business on account of this duty extension.
- **Potential ADD on PVC resins:** The industry is awaiting a potential ADD announcement on PVC resins, which could be a landmark move by the government to protect the domestic PVC and pipes industry that witnessed significant PVC price erosion due to heavy imports.
- Further, with the advent of the **demonetization**, **GST, and Covid-led liquidity crisis**, unorganized players were already losing market share to organized players; the extension of ADD is likely to continue fueling this shift. As a result, the pace of consolidation in the sector is likely to be expedited, which would prove beneficial for organized players with strong balance sheets, in our opinion.

Exhibit 6: Increasing share of organized players



Source: Industry, MOFSL

Exhibit 7: Market share mix of the core industry



Source: Industry, MOFSL

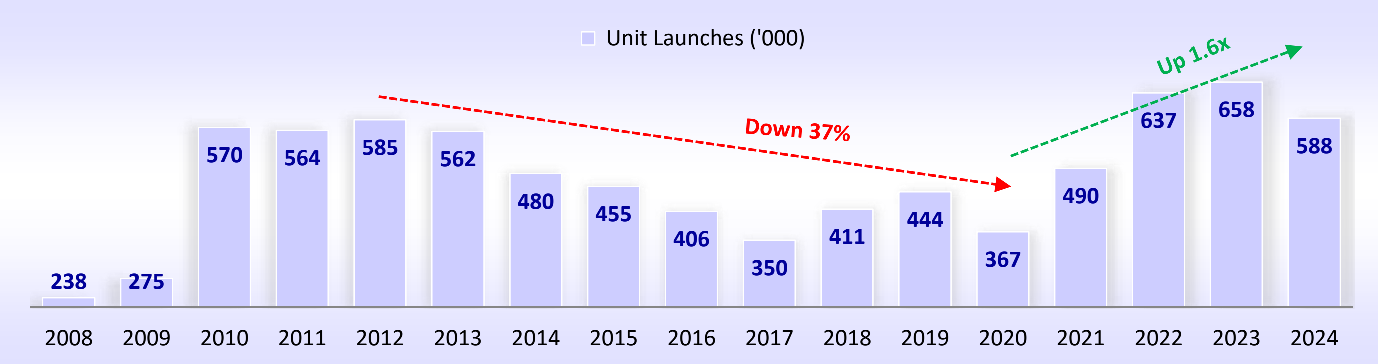
Replacement demand a saving grace amid construction slowdown

Over the past few years, GI pipes have increasingly been replaced with CPVC/PVC pipes – the key reason for the growth in these products. This is evident from the fact that real estate residential launches declined sharply over CY12–20 (down 38%), but CPVC/PVC pipe sales grew during this period.

- Despite the slowdown witnessed in real estate launches, the Pipes sector's performance has been resilient (aggregate revenue growth of 46% in FY20 over FY12), led by strong replacement demand from old GI pipes, which usually require replacement only after 20 years.
- PVC/CPVC pipes are experiencing higher acceptance over GI pipes as they are cost-effective, easy to install, more durable, compatible with hot and cold water (CPVC pipes), and have low bacterial growth.
- The shift is being driven by the **low-cost contribution of pipes to total building costs**, but once they go behind the wall, they have a high criticality and high replacement costs. In comparison to other building materials such as tiles, paints, wires, and cement, pipes are less expensive, costing about INR20–25/sqft (~2-3% of the bill of materials).

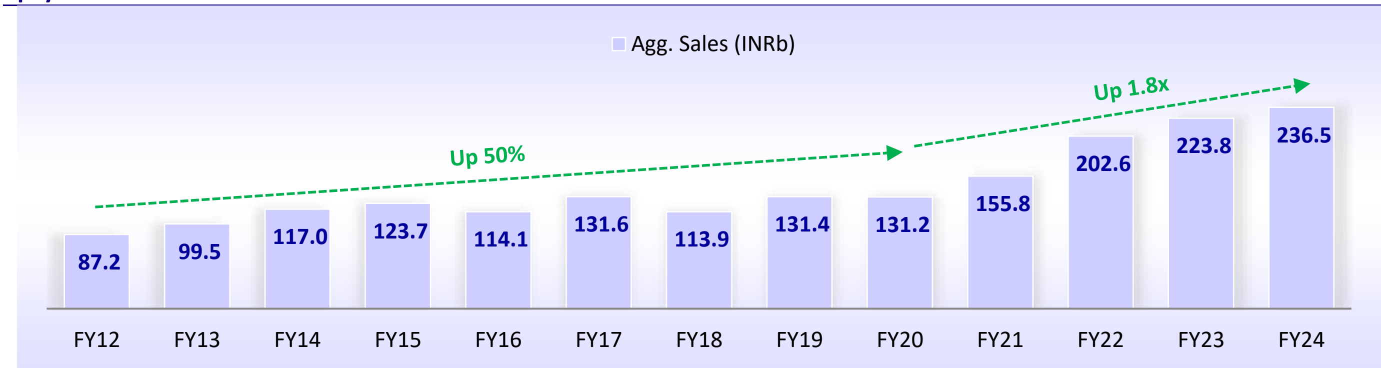
- Therefore, **during the revival in the real estate industry, the pipe companies have recorded a strong performance,** with aggregate sales (ASTRA, SIL, PRINCPIP, and FNXP) surging 1.8x in FY24 over FY20 vs. real estate unit launch growth of 1.75x during the same period.

Exhibit 8: New residential property launches pipeline trend pan India



Source: Industry, Company

Exhibit 9: Aggregate sales of key pipe companies showed resilience during the tough real estate period and strength during its upcycle



***Note**: Aggregate Sales is the sum of Consol. Revenue of ASTRA, SIL, PRINCPIP, APOLP, and FNXP* Source: Industry, Company

- The cumulative bookings for the top 14 listed real estate companies clocked a 42% CAGR over FY21-24, and despite the high base, the companies continued to aspire for high teen growth in FY24-FY27.
- The listed universe is set to witness further pick-up in launches over FY25-27 with cumulative launches of 414msf. This indicates that there are still strong demand tailwinds in the real estate sector, which will drive pipe sales over the medium term.
- **The housing sector will continue to be a long-term sustainable growth driver for the pipes sector with a strong order launch pipeline and healthy replacement demand.**

Public sector projects amplify pipeline demand

- The Indian government has initiated several projects and schemes that benefit the plastic pipes sector, particularly in areas like water supply, sanitation, agriculture, and infrastructure development. Here are some key projects and schemes: Jal Jeevan Mission (JJM), Swachh Bharat Mission (SBM), Atal Mission for Rejuvenation and Urban Transformation (AMRUT), Smart Cities Mission, Pradhan Mantri Krishi Sinchai Yojana (PMKSY), Namami Gange Programme, Bharatmala Pariyojna, PMAY, National Mission for Clean Ganga, and Rurban Mission.

Exhibit 10: Key schemes and their recent budget allocation (2025-26)

Central Sponsored Schemes	Purpose	Benefit to the Pipes industry	Budget Allocation
Jal Jeevan Mission (JJM)	❖ Aims to provide tap water connections to every rural household by 2028.	❖ Significant demand for plastic pipes for water supply infrastructure.	INR670b
Swachh Bharat Mission (SBM)	❖ Focuses on eliminating open defecation and improving sanitation.	❖ Increased demand for plastic pipes for sanitation infrastructure.	INR122b
Atal Mission for Rejuvenation and Urban Transformation (AMRUT)	❖ Targets urban infrastructure development, including water supply and sewerage systems.	❖ Usage of plastic pipes in urban infrastructure projects.	INR100b
Smart Cities Mission	❖ Aims to develop 100 smart cities with modern infrastructure, including efficient water supply and sanitation systems.	❖ Increased need for plastic pipes in smart city projects.	
Pradhan Mantri Krishi Sinchai Yojana (PMKSY)	❖ Focuses on improving irrigation facilities to enhance agricultural productivity.	❖ Demand for plastic pipes for micro-irrigation and other irrigation systems.	INR83b
Namami Gange Programme/ National Mission for Clean Ganga (NMCG)	❖ Aims to clean and rejuvenate the Ganga River.	❖ Use of plastic pipes in sewage treatment and effluent management projects. Also, use of pipes for construction of sewage treatment plants and drainage systems.	INR34b
Housing for All (Pradhan Mantri Awas Yojana - PMAY)	❖ Aims to achieve housing for all by Mar'29, providing 49.5m pucca houses to rural poor and ensuring a pucca house for every urban household.	❖ Utilization of plastic pipes in plumbing and sanitation systems in housing projects.	INR781b

Source: Industry, Company

Jal Jeevan Mission's final phase boosts near-term pipe demand visibility.

Jal Jeevan Mission – not just another scheme!

- The Jal Jeevan Mission has been initiated to provide safe and adequate drinking water through individual household (HH) tap connections to all households in rural India by the end of CY24 (80% levels reached). The initiative would also implement source sustainability measures as mandatory elements – such as recharge and reuse through greywater management, water conservation, and rainwater harvesting. Additionally, the government has allocated ~INR670b towards the Jal Jeevan Mission in the Union Budget 2025-26.
- There are 194m rural households in the country, 81% of which (or 156m) had tap water connections as of date. The number of households with a functional tap water connection stood at just 32m (16.7%) in Aug'19 — before the scheme was launched by the Prime Minister. Thus, household tap connections in India have surged 4.8x over the past five years (since Aug'19).
- The scheme is at its last leg, with only 19% of the HHs left for the connection. We expect this to be completed in the next two years, thereby providing good near-term demand visibility for the pipe industry.
- We expect the pace of addition witnessed in FY24/25 to sustain for the last leg, aided by the increasing requirement of water supply due to erratic monsoons in recent years, leading to low water reservoir levels and drought-like conditions across some regions. Further, the latest Union Budget has enhanced the total Jal Jeevan Mission outlay to INR670b, extending the mission until CY28.

Exhibit 11: Household tap connections surge 4.8x from Aug'19

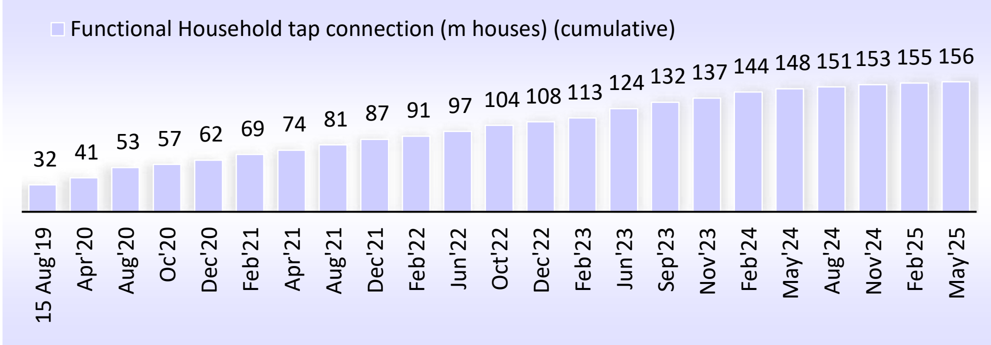
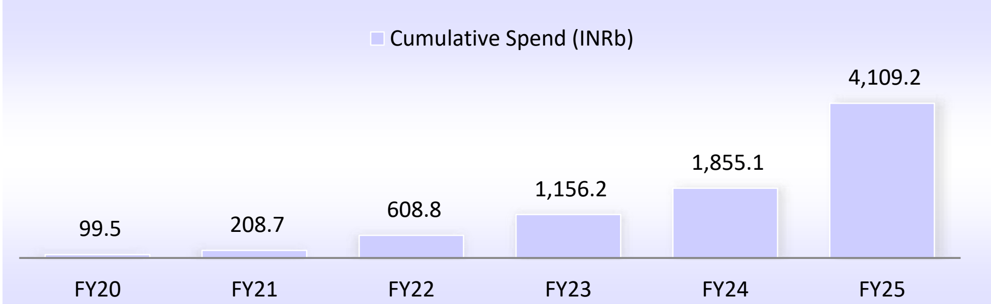


Exhibit 12: Cumulative spending by States/UT to date



Source: Government of India, Company

Exhibit 13: States/UT where HH tap water connection is pending (as of Jun'25)

State/UT	Total Households	Households with Tap Water Supply	%	Pending HHs with Tap water supply	%
West Bengal	**1,75,56,732**	**98,03,298**	**56**	**77,53,434**	**44**
Rajasthan	**1,07,77,074**	**60,98,346**	**57**	**46,78,728**	**43**
Madhya Pradesh	**1,11,88,550**	**78,10,321**	**70**	**33,78,229**	**30**
Kerala	**70,79,554**	**38,64,482**	**55**	**32,15,072**	**45**
Jharkhand	62,55,717	34,41,706	55	28,14,011	45
Uttar Pradesh	2,67,23,623	2,40,02,809	90	27,20,814	10
Andhra Pradesh	95,53,169	70,58,838	74	24,94,331	26
Odisha	88,69,536	68,07,999	77	20,61,537	23
Karnataka	1,01,32,148	86,20,711	85	15,11,437	15
Maharashtra	1,46,80,627	1,31,86,574	90	14,94,053	10
Tamil Nadu	1,25,28,183	1,11,39,694	89	13,88,489	11
Assam	72,25,394	58,96,894	82	13,28,500	18
Chhattisgarh	50,03,522	40,53,965	81	9,49,557	19
Bihar	1,67,55,041	1,60,35,717	96	7,19,324	4
Jammu & Kashmir	19,23,514	15,61,911	81	3,61,603	19
Meghalaya	6,50,914	5,38,702	83	1,12,212	17
Tripura	7,50,844	6,45,519	86	1,05,325	14
Manipur	4,51,619	3,59,459	80	92,160	20
Uttarakhand	14,50,635	14,14,461	98	36,174	2
Nagaland	3,63,781	3,40,282	94	23,499	6
Sikkim	1,32,827	1,21,752	92	11,075	8
Ladakh	40,671	39,370	97	1,301	3
Lakshadweep	13,370	12,222	91	1,148	9
Total	**19,36,45,943**	**15,64,36,225**	**81**	**3,72,09,718**	**19**

**Includes state/UT where 100% tap water supply has been reached*

Source: Government of India, Company

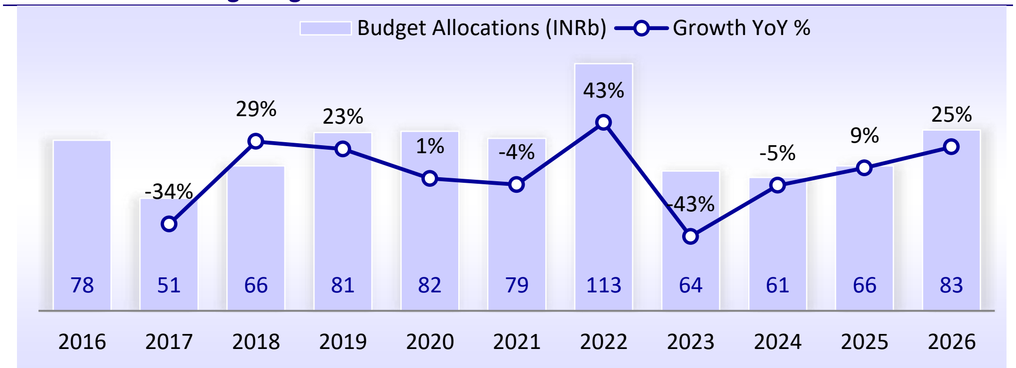
- For the pending HHs, ~51% of the demand is expected to come from four major states: West Bengal (21%), Rajasthan (32%), Madhya Pradesh (9%), and Kerala (9%).

- Apart from the above-mentioned key initiative, which has resulted in increased on-ground improvement in pipe demand, other key programs by the government have also aided in strong plastic pipe demand.

Irrigation demand – a sustainable growth driver for PVC companies

- Of the total agricultural land, **only ~52%** of India's cultivated land has access to irrigation. However, this marks a significant increase, driven by various government initiatives such as the Pradhan Mantri Krishi Sinchai Yojana (PMKSY).
- The PMKSY aims to enhance water use efficiency and expand irrigation coverage across the country, ensuring that more agricultural lands benefit from assured irrigation. The government has **increased the budget allocation under this scheme by ~25% in 2025-26 to INR83b.**
- The **irrigation sector accounts for over 40% of overall pipe demand** (largely PVC). We continue to see the demand from irrigation to drive sustainable growth in the PVC companies, fueled by a higher focus on irrigating the agricultural land parcel to generate better yield.

Exhibit 14: Increasing budget allocation for PMKSY



Source: Government of India, Company

Increasing application of plastic pipes in CGD

Plastic pipe adoption rising in CGD due to cost, safety, and expansion

- The Indian government has been **actively promoting the expansion of the city gas distribution (CGD) network, aiming to cover over 70% of India's population by 2030** with an ambition to take the gas mix in overall energy consumption to 15% vs. ~6.7% currently.
- The Indian industry has increasingly started to use plastic pipes, particularly High/Medium-Density Polyethylene (HDPE/MDPE) and Cross-Linked Polyethylene (PEX) pipes, for gas distribution pipelines. These materials offer several advantages over traditional metal pipes, such as **corrosion resistance, flexibility, and ease of installation (cost savings of ~25-30%).**
- The shift towards plastic pipes is part of broader efforts to modernize infrastructure, reduce maintenance costs, and improve the safety and efficiency of gas distribution networks in India. Plastic pipes are particularly popular in (CGD) networks for delivering natural gas to residential and commercial users.
- While plastic pipes are widely used for low-pressure gas distribution, metal pipes are still typically used for high-pressure and long-distance transmission due to their superior strength and pressure-handling capabilities. **The adoption of plastic pipes in India is expected to grow as the country's gas distribution network expands and technological advancements continue**.

Key demand drivers for each type of pipes

High-Density Polyethylene (HDPE) pipes

Irrigation and Agriculture:

- Growth in micro-irrigation: The Indian government has been promoting micro-irrigation systems, including drip and sprinkler systems, which use HDPE pipes. The PMKSY has notably boosted demand for HDPE pipes in the agricultural sector.
- Rural water supply schemes: The Jal Jeevan Mission, aiming to provide piped water to rural households by 2028, has driven demand for HDPE pipes due to their durability and corrosion-resistance nature.

Urban Infrastructure:

- Water and Gas Distribution: With the expansion of urban areas and smart city projects, HDPE pipes are increasingly used in water supply networks and gas distribution due to their flexibility and resistance to chemicals.

PVC pipes

Plumbing and Water Distribution:

- Widespread use in residential and commercial buildings: PVC pipes are preferred for plumbing applications due to their cost-effectiveness, lightweight nature, and corrosion resistance quality. The increasing construction activities in India, especially in affordable housing projects, are driving PVC pipe demand.
- Government Infrastructure Projects: Various government initiatives, such as Housing for All, Swachh Bharat Abhiyan, and AMRUT (Atal Mission for Rejuvenation and Urban Transformation), have significantly improved the demand for PVC pipes in sanitation and water supply segments.

Agriculture:

- Irrigation systems: PVC pipes are widely used in irrigation systems for their durability and resistance to weather conditions. The focus on improving agricultural productivity through better irrigation infrastructure supports the demand for PVC pipes.

CPVC Pipes

Hot and Cold Water Distribution:

- Growing Preference in Plumbing: CPVC pipes are increasingly used in residential and commercial plumbing for hot and cold water distribution due to their ability to withstand higher temperatures compared to PVC. The real estate sector's growth and increased awareness of using durable materials are key drivers.
- Replacement Demand: There is a growing trend of replacing traditional metal pipes with CPVC in old buildings due to their better longevity and resistance to corrosion.

Industrial Use:

- Chemical Processing and Fire Sprinkler Systems: CPVC pipes are used in industrial applications due to their chemical resistance, contributing to their growing demand in chemical processing plants and fire sprinkler systems.

OPVC Pipes

Water Supply and Sewerage:

- Public Water Supply Projects: OPVC pipes are gaining traction in water supply projects due to their higher strength and lower material usage compared to conventional PVC and DI pipes. Government projects aimed at improving water supply and sewage systems are key demand drivers.
- Infrastructure Development: The development of infrastructure in rural and urban areas, especially under schemes like AMRUT and the Smart Cities Mission, is boosting the demand for OPVC pipes.

Energy Efficiency:

- Environmental Benefits: OPVC pipes are considered more environmentally friendly due to their lower energy consumption during manufacturing and lighter weight, which reduces transportation energy costs. This aligns with the growing focus on sustainable development in India.

Exhibit 15: Opportunity for pipes across sectors

Source: APOLP

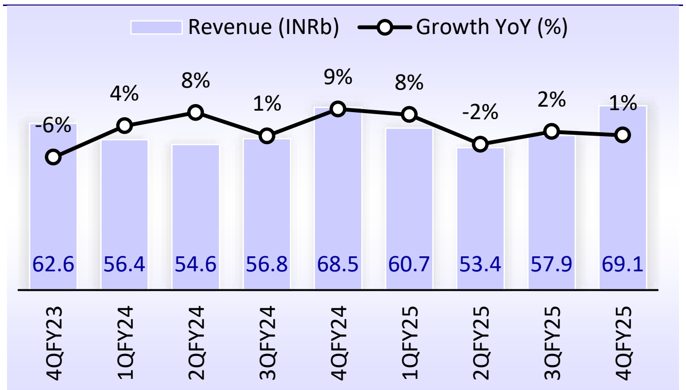
Subdued FY25 performance for the industry; recovery in sight

- The plastic pipes industry in FY25 faced multiple headwinds in the form of subdued infrastructure investments, liquidity constraints, and PVC price volatility. Agricultural and mid-tier real estate demand also remained tepid. While premium housing and government-led water initiatives provided partial relief, mitigating a more pronounced volume contraction.
- In FY25, aggregate (SI, ASTRA, PRINCPIP, APOLP, and FNXP) revenue grew 2% YoY, while volume expanded 6% YoY. However, EBITDA declined 10% YoY, with margins contracting 170bp due to raw material price fluctuations (PVC down 14% in FY25), inventory losses, intensified discounting, and cautious inventory positioning by distributors, thereby affecting realizations.
- Industry players recalibrated supply chain dynamics in FY25, leveraging digitalized inventory management and optimizing distribution efficiencies. The

push toward premiumization accelerated, with advanced offerings such as silent pipes, high-durability fittings, and bathware expansion serving as strategic levers to counter margin headwinds.

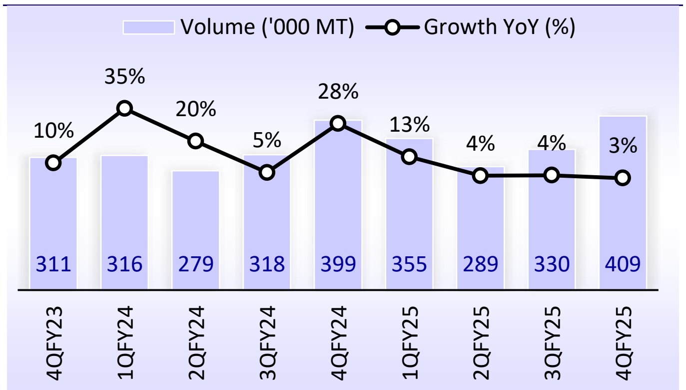
- In May'25, Reliance raised PVC prices by INR1.5/kg to ~INR70/kg. While a sharp rise is unlikely, prices are expected to remain stable in the range of INR75–80/kg. Channel inventory, usually 3–4 weeks, had dropped below 2 weeks in FY25 due to cautious stocking. With improved sentiment, normal stocking is expected to resume in FY26.
- The industry anticipates a demand resurgence across infrastructure, agriculture, and urban housing, underpinned by policy tailwinds such as the Jal Jeevan Mission extension and prospective anti-dumping duties (PVC).
- **Stabilized PVC pricing (although at lower levels) with anticipation of price hikes (potential ADD across the entire PVC product basket), the likely implementation of BIS norms for PVC in FY26, regional capacity expansions, and a shift toward value-accretive product categories could drive margin restoration and sustainable growth.**

Exhibit 16: Aggregate quarterly revenue trend



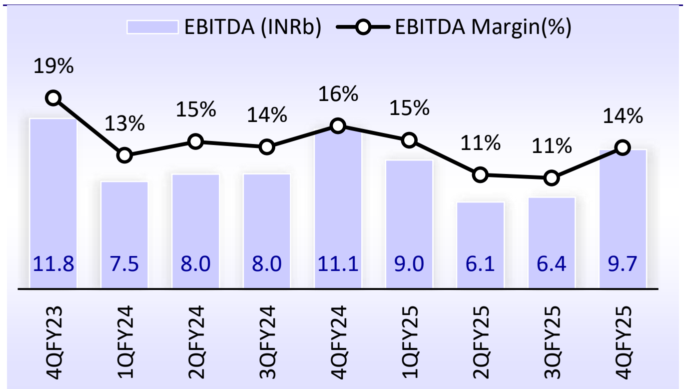
Source: Company, MOFSL

Exhibit 17: Aggregate quarterly volume trend



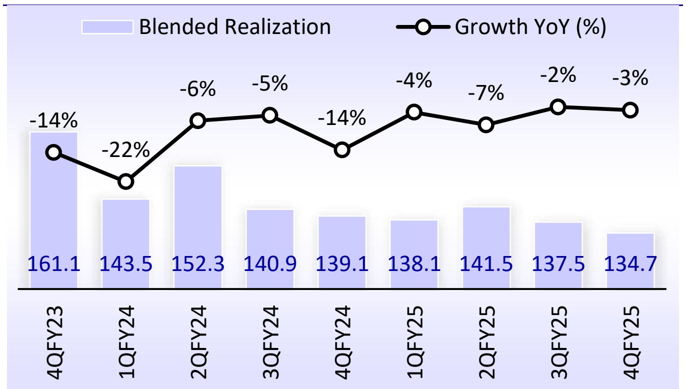
Source: Company, MOFSL

Exhibit 18: Aggregate EBITDA and margin trends



Source: Company, MOFSL

Exhibit 19: Aggregate quarterly realization trend



Source: Company, MOFSL

Why we like the Pipes industry

- It has a large addressable market of INR541b (12–14% growth), and unorganized players form 35% of the market; these factors provide a long runway for growth.
- The industry can grow on the back of an improving replacement demand.
- It is gaining market share from unorganized players.
- Lower capex intensity is leading to higher FCF generation.
- It has established strong brands.
- It is leveraging the brand to enter into adjacencies to expand the addressable market; ASTRA has entered into the paints, adhesives, and water tank segments, and PRINCPIP has forayed into the water tank segment. This would ensure growth for the players over the long term.
- Companies are decentralizing their manufacturing facilities, which is aiding timely product availability and reducing logistic costs.

Downside limited and valuations appealing considering long-term growth prospects!

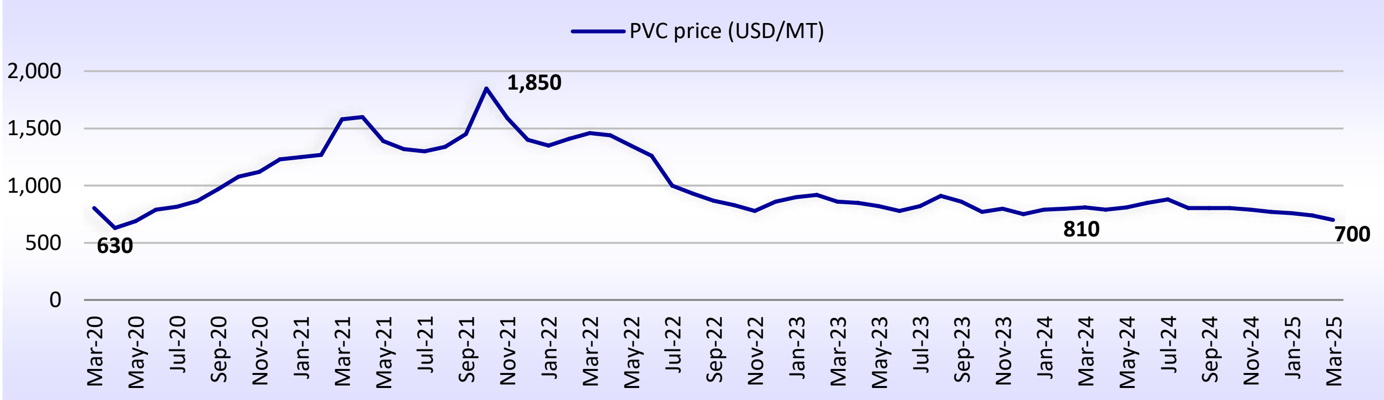
Over the past year, stock prices have corrected substantially (SI: -25%, ASTRA: -38%, and PRINCPIP: -49%), primarily owing to a decline in PVC resin prices (leading to inventory loss) and a subdued demand environment. This is expected to normalize from FY26. Thus, we believe pipe companies may offer a good upside from current levels considering strong industry tailwinds and valuation comfort.

Risks

Fluctuation in polymer prices

PVC resin and CPVC compound account for a significant percentage of the raw material costs across its verticals. Raw material costs constitute 60–70% of revenue. These are derived from crude oil prices, which fluctuate often and may frequently impact margins. This has materialized in FY25 with a significant dip in PVC prices (14% in FY25) due to weak domestic demand and higher imports, thereby impacting the profitability of pipe companies.

Exhibit 20: Falling PVC prices



Source: Bloomberg, MOFSL

Stagnation in real estate demand

Demand for plastic piping systems, a major contributor to revenue, is largely driven by growing residential and commercial construction activity; any slowdown in activity would lead to revenue decline. Any withdrawal of government support for its various initiatives, such as housing for all, smart cities, and so forth, would adversely impact construction activity.

Threat from competition

The pipe industry has low entry barriers; unorganized players may sell a localized brand at a lower cost. If a domestic or global competitor comes up with a substitute product/technology that is more cost-effective and easier to install vs. PVC/CPVC, this may hurt the plastic pipes business. For example, HDPE pipes are technologically better than PVC pipes but 25-30% costlier. In the event of technological advancement, if HDPE pipes turn cost-effective, they may substitute PVC pipes and thus impact existing players adversely.

Dilution of Brand name

The pipe industry has significantly low entry barriers and hence faces high fragmentation. One of the USPs of organized players is the brand name they have built over the years. Any dilution in the brand could accelerate the transfer of market share to the competition.

Pipes – Thematic: Capturing new opportunities!

Pg26

SUPREME INDUSTRIES

Beyond Big – Flowing towards growth!

Pg52

ASTRAL

Scaling new heights!

Pg83

PRINCE PIPES AND FITTINGS

Driving piping prosperity through innovation and expansion

Pg109

APOLLO PIPES

Yet another play on the theme!

Supreme Industries

BSE Sensex	S&P CNX
82,055	25,044

Supreme
People who know plastics best

Stock Info

Bloomberg	SI IN
Equity Shares (m)	127
M.Cap.(INRb)/(USDb)	568.2 / 6.6
52-Week Range (INR)	6320 / 3020
1, 6, 12 Rel. Per (%)	14/-12/-31
12M Avg Val (INR M)	1016
Free float (%)	51.2

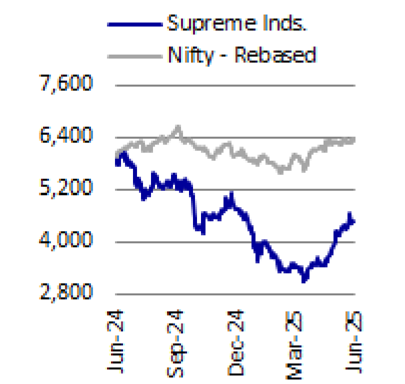
Financial Snapshot (INR b)

Y/E Mar	2025	2026E	2027E
Sales	104.5	119.0	137.1
EBITDA	14.3	17.7	21.7
Adj. PAT	9.6	12.2	15.2
EBITDA (%)	13.7	14.9	15.8
EPS (INR)	75.6	95.8	120.0
EPS Gr. (%)	(10.2)	26.6	25.3
BV/Sh. (INR)	445.5	507.3	593.3
Ratios			
Net D/E	-0.3	-0.3	-0.4
RoE (%)	17.8	20.1	21.8
RoCE (%)	15.8	18.0	19.7
Payout (%)	45.0	35.5	28.3
Valuations			
P/E (x)	58.3	46.1	36.8
EV/EBITDA (x)	38.5	31.1	24.9
Div Yield (%)	0.8	0.8	0.8
FCF Yield (%)	0.2	0.4	2.1

Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	48.9	48.9	48.9
DII	13.3	12.0	11.4
FII	22.9	24.7	24.7
Others	15.0	14.5	15.1

Stock Performance (1-year)



CMP: INR4,412 TP: INR5,400 (+22%) Buy

Beyond Big – Flowing towards growth!

Supreme Industries (SI) stands as a pioneer in India's plastic industry, offering an extensive product portfolio spanning pipes & fittings, bathware, industrial and consumer goods, and packaging solutions. Backed by decades of expertise, SI has evolved into a diversified plastics powerhouse since its transformation under the Taparia Family in the 1960s. It has a total capacity of ~1.1MTPA in FY25, with a pan-India presence and 30 plants being located across India.

- **The growth potential in the pipes segment stems from SI's market-leading position backed by its higher number of SKUs (14,500 total) and capacity expansion (~1.1MTPA in FY25).**
- **SI's plastic pipes segment (67% mix in FY25) remains its growth engine, backed by innovation, strategic acquisitions, and capacity expansions. With a stronghold in CPVC and OPVC pipes and new ventures like gas piping, SI is poised to capitalize on emerging industry opportunities.**
- **SI is also strategically diversifying beyond its core piping business, leveraging its expertise to scale high-potential segments. With premium consumer products, cutting-edge composite cylinders, and advanced packaging solutions, SI is well-positioned to drive sustained growth across multiple industries.**
- **SI's strong financial performance, marked by healthy revenue growth (14% CAGR over FY20-25), strong cashflow generation, and sustained market leadership, underscores its resilience. With stabilizing raw material prices and improving demand, SI is well-positioned for accelerated growth.**
- **We estimate a 14%/20%/23% revenue/EBITDA/Adj. PAT CAGR over FY25–28E, driven by a 15% revenue CAGR in the Pipes business, 13% in the Packaging business, 7% in the Industrial Products business, and 11% CAGR in the Consumer Products business. We value the stock at 45x FY27E EPS (which reflecting ~23% premium over the stock's five-year average one-year forward P/E), to arrive at our TP of INR5,400. We initiate coverage on the stock with a BUY rating.**

The most diversified plastic product company in India

- With the plastic pipes segment contributing ~67% of revenue in FY25, followed by packaging (14%), industrial (13%), and consumer products (4%), **SI continues to expand its market leadership.**
- Its unmatched SKU depth in piping (14,500 as of Mar'25) reflects a strategic focus on innovation and new product introductions. SI's aggressive expansion in SKUs (3,815/612 additions in FY24/FY25) reinforces its dominance in the sector.
- **As SI gears up to launch a new wave of products, it is poised to strengthen its domestic footprint and accelerate export growth.**
- To support this, SI is aggressively expanding its manufacturing footprint. The pipe capacity surged to ~872KTPA in Mar'25 from 402KTPA in FY18. Further, SI is **on track to reach ~1mMTPA by FY26.**
- The company has self-financed its FY25 capex (~INR8.9b), the majority spent towards the piping segment. Also it has a robust capex plan of ~**INR11b for FY26** which will also be funded through internal accruals
- With a **pan-India manufacturing presence**, SI is well-positioned to **efficiently serve customers while leveraging strong sectoral tailwinds**. Management expects a **10-12% volume growth in the plastic pipes segment for FY26 (including Wavin volumes and a better-than-industry growth of 7-8%)**, reinforcing SI's leadership in India's evolving plastics industry.

Flowing towards growth: Pipes lead the way

- The plastic pipe forms the major business segment of the company with a volume/revenue/EBIT mix of 79%/67%/67% in FY25. The segment has clocked a healthy revenue/EBIT CAGR of 15%/10% over FY20-25. (FY25 saw margin compression across the industry, including SI, due to a fall in PVC prices and a weak demand scenario). Revenue/EBIT CAGR during FY19-24 was 17%/24%.
- With plastic pipes contributing 67% of SI's revenue, the company remains a dominant force, leveraging new product launches, capacity expansions, and cutting-edge technology. Further, the recent **acquisition of Wavin Industries** Limited (Wavin) **adds 73,000MTPA capacity** and provides exclusive technology rights (for seven years), strengthening SI's market presence (in North and South India) and leadership in India's piping solutions sector.
- **CPVC pipes**, a high-growth segment, are being rapidly scaled across five locations, while FlameGuard CPVC fire sprinkler systems are gaining adoption in Vande Bharat trains and key states such as Maharashtra, Karnataka, and Gujarat.
- SI's entry into **OPVC pipes** via Parvati Agro Plast's acquisition strengthens its Western India footprint, with capacity set to expand to seven lines by FY28 (currently three lines with 9,000MT capacity).
- Further, the **gas piping segment** is a new growth avenue, with production starting at Gadegaon and Kharagpur to tap into India's expanding gas pipeline network.

Incubating other segments with incremental opportunity

- With five decades of expertise in plastics, SI has expanded into plastic furniture, specialized packaging, and industrial products, leveraging innovation and market leadership to build strong, scalable businesses beyond its core piping segment.
- Within the **consumer products division**, the company is engaged in manufacturing plastic molded furniture, where it is launching premium models and expanding its retail presence to enhance margins.
- SI is also among the **few Indian manufacturers of Type-IV LPG composite cylinders**, supplying to **IOCL and global markets**. It doubled its capacity to **1m units** in FY24 to cater to rising domestic and export demand. In India, there is **~40m incremental demand** (both replacement and new) for **cylinders every year**.
- SI is also entering into **Type-IV composite CNG cylinders**, targeting India's growing CNG vehicle market, for which it has received PESO approval. A pilot plant with a 3,600-unit capacity is operational (with an **annual revenue potential of about INR600m)**, with plans to scale production.
- SI is also one of the leading players in **performance films, protective packaging, and cross-laminated films**, focusing on innovation, export expansion, product branding, and customized solutions to strengthen its presence in high-demand industries like food, dairy, and e-commerce.

Robust financials support growth capex

- SI has demonstrated **remarkable financial strength** (~14% revenue CAGR over FY20-25) **and consistent growth**, fueled by its **market leadership in plastic piping** and strategic expansions across key segments. Despite short-term volatility, the company remains well-positioned for **healthy volume growth, margin expansion, and superior cash generation**, reinforcing its **debt-free status and robust return ratios.**

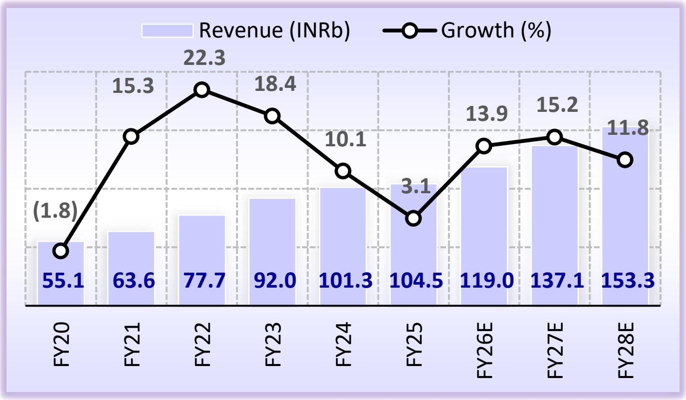
- SI has generated a cumulative CFO/FCFF of INR50.2b/INR24.3b over FY20-25 with an average CFO/EBITDA ratio of 74% over the same period. This has helped SI to remain a debt-free company despite consistent capacity expansions.
- In FY25, SI's revenue grew only by 3% YoY, while EBITDA declined by ~7% due to PVC price volatility and subdued demand due to elections and an extended monsoon affecting the agricultural pipe segment.
- However, we expect this to improve in FY26. The company is targeting 10-12% volume growth in piping in FY26.
- **With stabilizing raw material prices and improving demand, we project a 13%/ 14%/20%/23% CAGR for volume/revenue/EBITDA/Adj. PAT over FY25-28E, driven by value-added SKUs and operational efficiencies.**

Initiating coverage with a BUY rating

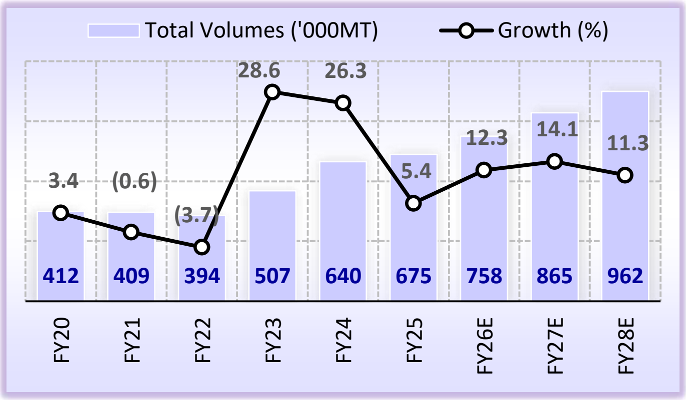
- Higher government spending in the agriculture and infrastructure sectors, numerous initiatives to improve water piping across the country, SI's steady addition of plants, a growing distribution network, and gains from unorganized players are anticipated to improve its market share from the current levels.
- We believe SI's EBITDA margin is expected to expand over FY25–28, backed by improving EBIT/kg in the pipes segment (to INR21/kg in FY28 from ~INR13.8/kg in FY25). This would be further accelerated by an increase in high-margin, value-added product sales and new product launches.
- **We estimate a 14%/20%/23% revenue/EBITDA/Adj. PAT CAGR over FY25–28. We value the stock on a P/E basis, assigning 45x FY27 EPS (which reflecting a 23% premium over the stock's five-year average one-year forward P/E). Initiate coverage with a BUY rating and a TP of INR5,400.**

STORY IN CHARTS

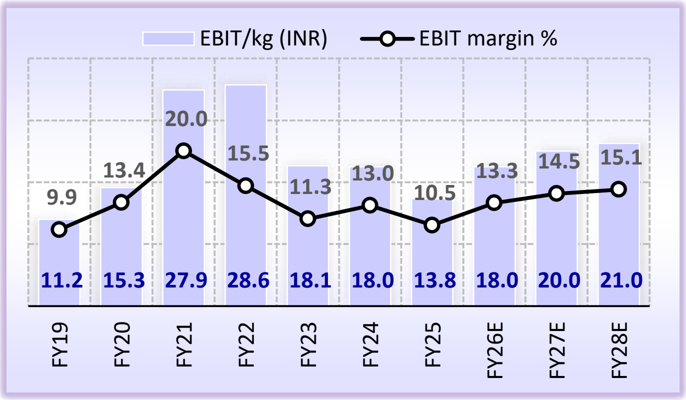
Expect revenue CAGR of 14% over FY25–28...



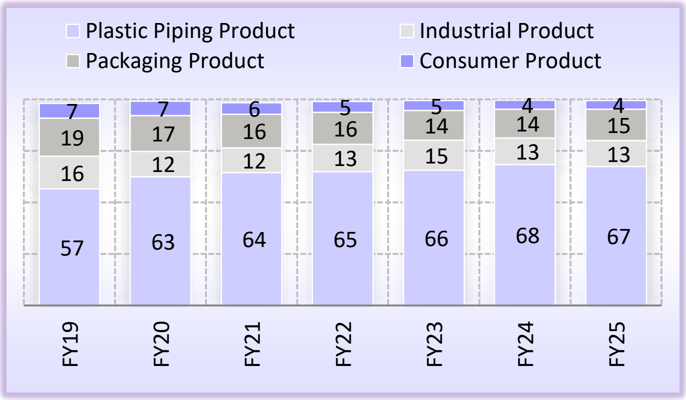
...on the back of 13% CAGR in volumes



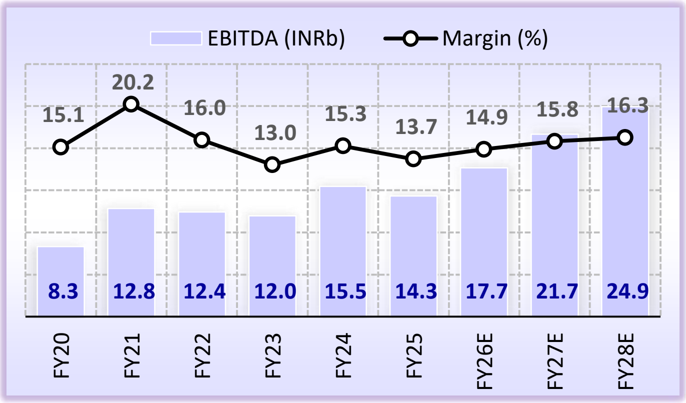
Pipes biz. EBIT/kg to normalize over FY25–28E



Plastic Pipes dominates sales mix for SI

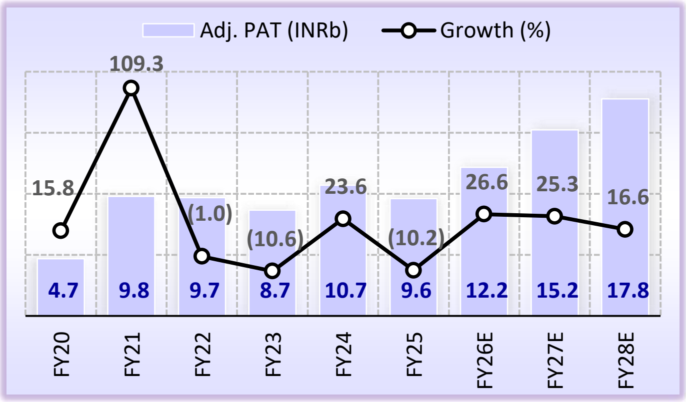


EBITDA margin to contract due to a dip in EBIT/kg



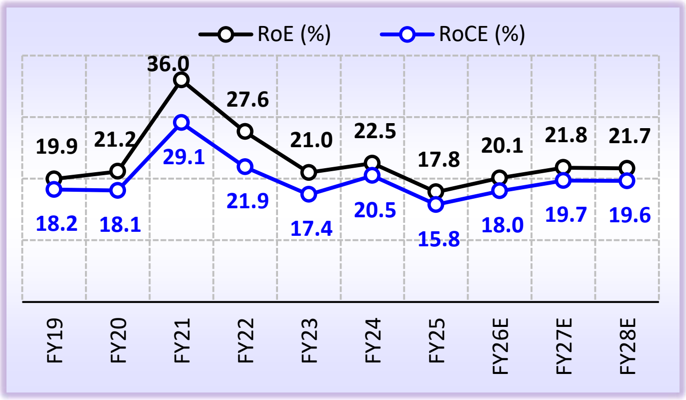
Source: Company, MOFSL

Expect 23% PAT CAGR over FY25–28



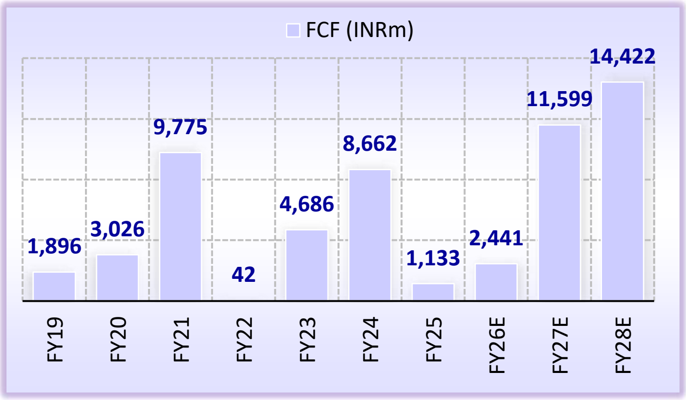
Source: Company, MOFSL

RoE and RoCE trends



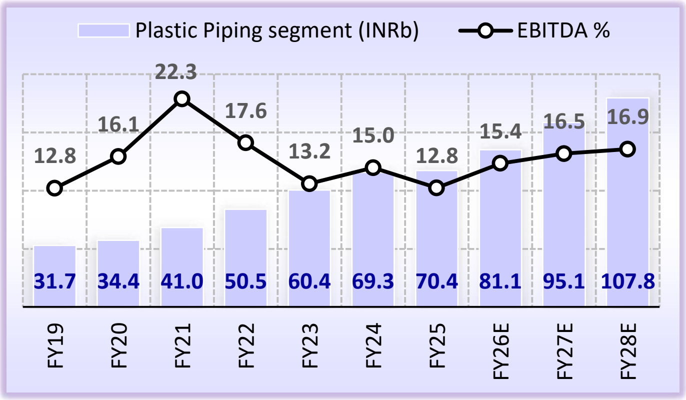
Source: Company, MOFSL

Expect ~INR30b FCF generation over FY25–28



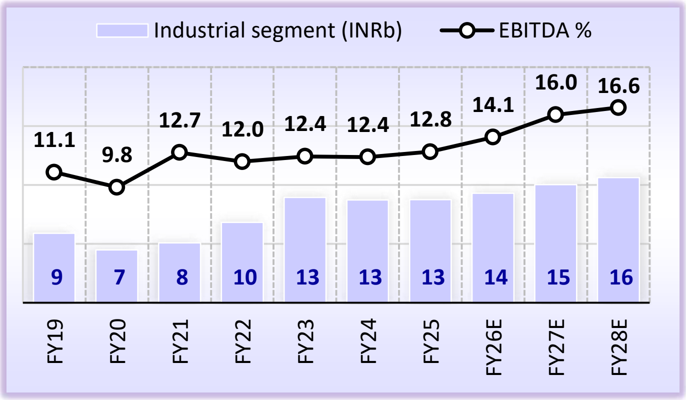
Source: Company, MOFSL

Plastic piping revenue and margin trends



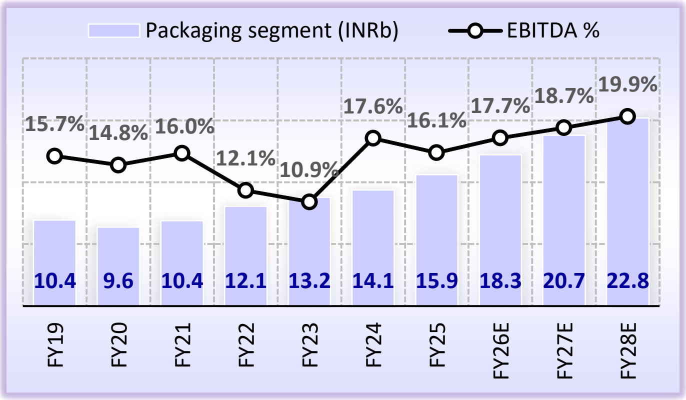
Source: Company, MOFSL

Industrial segment's revenue and margin trends



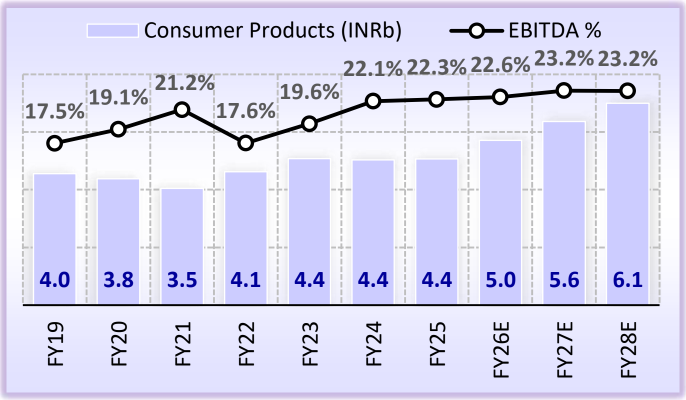
Source: Company, MOFSL

Packaging segment's revenue and margin trends



Source: Company, MOFSL

Consumer products revenue and margin trends



Source: Company, MOFSL

The most diversified plastic product company in India

- SI has the widest portfolio of plastic products, ranging from pipes & fittings, bath and sanitaryware, industrials, and consumer to packaging products. The company's diversified product range is underpinned by its **expertise in the plastic industry.**
- SI became a focused plastics and plastic processing company in the mid-1960s when it was taken over by the current promoters, i.e., the Taparia Family. Started with the manufacturing of houseware and industrial products in 1974, SI is a well-diversified plastics company at present.
- The major contribution for SI comes from the plastic pipes segment (~67% in FY25), followed by packaging (~15%), industrial products (13%), and consumer products (~4%).

Exhibit 21: SI's business verticals, product range, and end-use

Business Verticals	Segment Overview and Product Portfolio	Target Customer Segment	Business Mix % (FY25)	Revenue CAGR FY20-25	EBIT Margin % (Avg L5)
Plastic Piping System	uPVC Pipes, Injection Moulded PVC fittings and handmade fittings, Polypropylene Random Co-polymer pipe system, HDPE Pipe Systems, CPVC Pipes Systems, Inspection Chambers, manholes, Bath fittings, and Sanitaryware Roto-molded Tanks and Fittings and Solvents, Industrial Piping System, DWC Pipe System, PEX PE pipe System, and Fire Sprinkler System	* Potable Water Supply * Irrigation * Sewage & Drainage * Plumbing & Sanitation * Industrial Pipe System * Fire Sprinkler System	67	15	14.1
Consumer Products	Offer a wide range of plastic molded furniture that caters to every need. Manufacturing over 8 million pieces of furniture every year	* House Hold * Office establishments * Institutions	4	3	15.8
Industrial Products	SI is an approved supplier to major automotive and consumer durable OEMs and tier 1s. Its Industrial Products division is its oldest division under the current management and has been thriving since 1966. Product portfolio: * Industrial Components * Material Handling Products (Crates, Pallets, Bins & Dustbins) * Composite LPG Cylinders	* Auto Sector * Electronic Household Appliances * Water Purification - filters * Soft Drink Companies * Agriculture & Fisheries * Retail / Household	13	14	8.6
Packaging Products	* Specialty Films * Protective Packaging products * Cross Laminated film products * Cross Line Bonded Film Products	* Consumer Appliances * Food Industry * Sports Goods * Insulation * Construction * Automobiles * Agriculture * Floriculture * Horticulture * Grain Storage * Tarpaulin * Pond lining	15	11	10.5

Source: Company, MOFSL

- SI has one of the highest numbers of SKUs in the piping segment (14,500 as of Mar'25), and its **key strategy** is focused on constantly **increasing the number of SKUs and introducing new and innovative products to the market.**
- In the plastic pipe segment, the company has added ~3,815/612 products in FY24/FY25, taking the total SKU count to 13,888/14,500 as of Mar'24/Mar'25.
- The company is working on several new products, as mentioned in the table below, which will further strengthen its foothold in the domestic market and help in growing in the export market.

Exhibit 22: New/recently launched product range in the plastic piping segment of SI

Product/Project	Details
Braided and Plain Hoses	✓ Manufacturing started at Guwahati, Gadegaon, Erode, and Cuttack plants. ✓ Products received positive market feedback.
PEX Pipe Systems	✓ Introduced the e-lite brand of PEX pipe systems (PEX/AL/PEX) with Swiss technology; capable of withstanding high temperatures and pressures. ✓ Plans to launch PERT pipe systems with superior properties.
Plastic-Based Fittings	✓ The planned launch of plastic fittings that withstand high temperatures, catering to high-rise buildings and premium villas, which currently rely on imports.
Electrofusion Olefins Fittings & Compression Molded Fittings	✓ Successfully launched 226 products; planning to add 51 more during the year. ✓ Entered industrial piping systems, opening new business opportunities.
PPR Pipe System	✓ Expanding the range of PPR pipe systems for industrial applications, including 3 Layer PPR Pipes, at Gadegaon plant.
Cable Shield Conduit System	✓ Launched at Gadegaon, Cuttack, Kanpur, and Erode factories, with fittings made at Kharagpur. ✓ Initially servicing select markets before nationwide launch.
Gas Piping System	✓ Production started at the Gadegaon plant in April'24; planned launch from Kharagpur. ✓ Includes DVGW-approved Electrofusion fittings.
PP Silent Pipe System	✓ Launch of PP Silent pipe system from Gadegaon plant in 2HFY25. ✓ The system, with improved sound damping, caters to high-rise buildings and has export potential. Licensed from Poloplast GmbH, Austria.
Variety of Specialized Valves	✓ Started manufacturing specialized valves (e.g., Butterfly Valves, Swing Check Valves). ✓ Designed for reliability and global standards. ✓ Received positive market feedback; plans to expand the range for industrial usage this year.
OPVC Pipes	✓ Acquired Parvati Agro Plast at Sangli, Maharashtra. ✓ OPVC Pipes system offers high durability for high-pressure water distribution as a cost-effective alternative to Ductile Iron Pipes. ✓ Capacity expansion is planned at Sangli, Cuttack, and Gadegaon.
Other New Pipes Products	✓ Plans to add five new systems: PP Low Noise system, Polyethylene Gas Piping System, PERT Piping System, PE single wall corrugated Pipes, and Rain Water Harvesting System during the current year.
Bath Fittings and Sanitaryware	✓ SI added a variety of chrome-plated showers to the Indian market in FY25. The Sanitary portfolio is also being enhanced by bringing innovative products. Along with this, the new preferred faucet tap range made of Polytetra Methylene Terephthalate (PTMT) has also been launched in FY25.

Source: Company, MOFSL

Growing SKUs need increased capacities

To support SKU expansion, SI is aggressively expanding its manufacturing footprint.

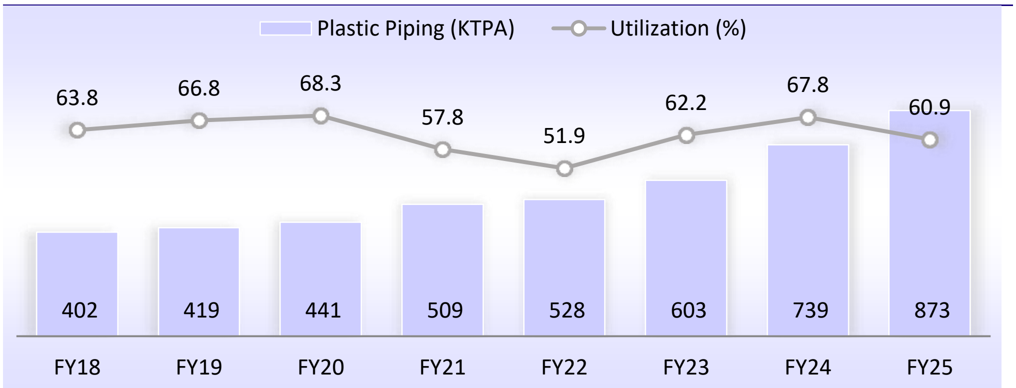
- The company is actively expanding its manufacturing capabilities to continue adding new SKUs. The total piping capacity increased to ~872.5KTPA in FY25 from 402KTPA in FY18 (at a 12% CAGR). SI targets to reach ~**1mMTPA capacity by the end of FY26.**
- SI has incurred a capex of ~INR6.7b in FY25 entirely funded from internal accruals, of which the majority was incurred towards the piping segment in FY25.
- For instance, a new plant dedicated to industrial and ball valves in Malanpur has started production in 2QFY25 with a capacity of 1.5m units per month, and two new units near Vijayawada (Andhra Pradesh) and Patna (Bihar), manufacturing PVC pipes, CPVC pipes, HDPE pipes, water tanks, and other plastic products, are anticipated to commence production by the end of 1HFY26.
- Apart from the above expansions, SI has also planned to add one more unit in the Western region for manufacturing all types of foams except EPE, for which land negotiations are going on. Being closer to the port would give a boost to exports as well.
- **The company is likely to incur a capex of ~INR10-11b in FY26,** which includes the acquisition of Wavin India's Building and Infrastructure business. It will also be towards the new PVC profile and window plant in Kanpur Dehat, a PP silent piping SWR facility at Gadegaon, and capacity expansions for OPVC pipes, CPVC pipes, and injection-molded fittings across multiple locations. The capex also covers the introduction of new products, SKUs, and balancing equipment across various product divisions.

Exhibit 23: Example of SI's capacity expansion based on location and products

Location/ Project	Details
Location	
Erode, Tamil Nadu	✓ The new plant at Perundurai working at full capacity, serving Tamil Nadu, Kerala, and South Karnataka markets. SI further increased capacity for PVC Pipes, HDPE Pipes, and Water Tanks and also started manufacturing DWC Pipes to service the South Region market.
Kharagpur	✓ The Kharagpur plant is fully operational with increased capacities. The company has purchased 30 additional acres for expansion. Further expansion for PVC Pipes, CPVC Pipes, DWC Pipes, Molded Fittings, and Water Tanks is also planned.
Project/Product	
DWC	✓ The company has also launched a suitable DWC Pipe for Cable Ducting application to cater to market requirements for this application. The company started the manufacturing of DWC Pipes in the current year at the Kanpur plant for the Northern market and the Erode plant for the Southern market.
HDPE	✓ The company now has eight plants producing HDPE Pipes in the West, East, South, and North Zones to cater to these markets in a cost-efficient manner. SI started manufacturing HDPE pipes at Kanpur in the current year.
Water Tank	✓ SI is producing Tanks at eight different locations, which will enable it to service customers more economically. The Company is planning to expand the capacities at existing locations as well as at newer locations near Patna and Vijayawada.
CPVC	✓ The Company has planned to increase the capacity of CPVC Pipes at five locations, of which three are existing units (namely Gadegaon, Jadcherla, and Kharagpur) and two are new (namely Kanpur and Guwahati) for effective servicing in respective markets.
Windows and Doors	✓ SI is putting up a Windows-manufacturing unit at ~34 acres' additional site at Kanpur Dehat. The initial capacity will be 5,000 tons p.a. SI will be making varieties of PVC profiles for a large range of windows. The initial window-making capacities will be installed at the same site along with another site at its existing Kharagpur plant. SI expects to start selling standard off-the-shelf and customized windows from these two sites in the 1HFY26. The total capex with working capital will be around INR1.8b.

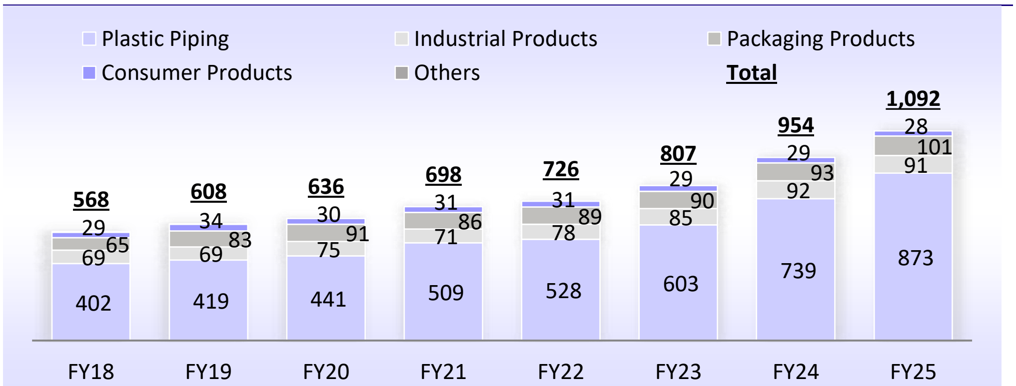
Source: Company, MOFSL

Exhibit 24: Plastic piping capacity trend



Source: Company, MOFSL

Exhibit 25: Capacity trend (KTPA)

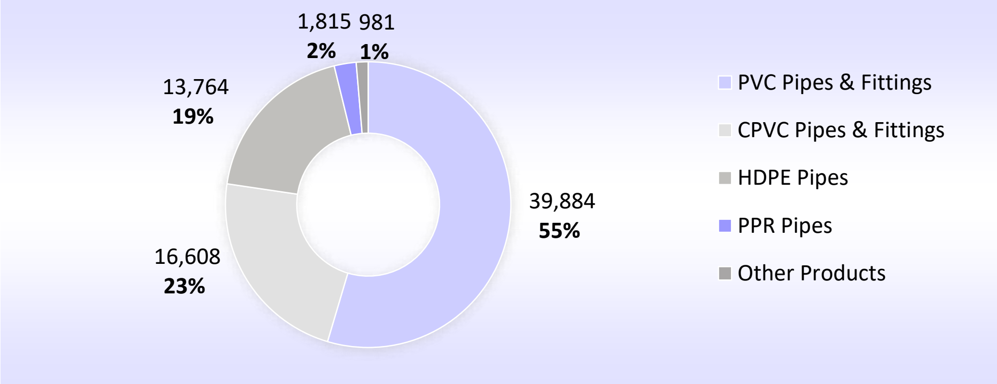


Source: Company, MOFSL

Strategic agreements for technology and diversified capacities

- SI has recently announced the acquisition of Wavin Industries (Wavin India), a building and infrastructure business of Orbia Advance Corporation S.A.B. de CV, through either a slump sale or share acquisition, valued at USD30m (INR2.6b) plus net working capital, with completion expected by 30th Jun'25.
- **This strategic move will expand SI's piping division capacity by 73,000MTPA, strengthening its market presence in North and South India.** The current installed capacities of Wavin India comprise PVC Pipes & Fittings 39,884MT, CPVC Pipes & Fittings 16,608MT, HDPE Pipes 13,764MT, PPR Pipes 1,815MT, Other Products 981MT
- Further, the agreement grants **SI exclusive access to Wavin B.V.'s (Netherlands) technologies for seven years across India and SAARC.**
- Wavin India, a key player in PVC, CPVC, HDPE, and PPR piping for building & infrastructure, reported a turnover of INR10b in FY24 (i.e., ~10% of SI's FY24 revenue).
- The transaction is subject to FEMA approvals and aligns with SI's strategic growth initiatives, reinforcing its leadership in the plastics piping sector while enhancing technological and market capabilities.

Exhibit 26: Well-diversified capacity (MTPA)



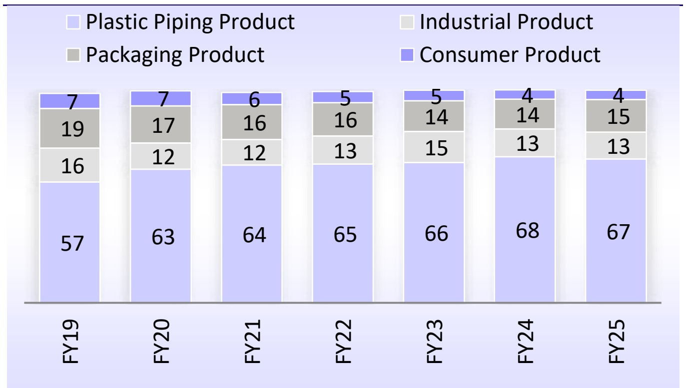
Source: Company, MOFSL

- **SI has a pan-India geographical spread of manufacturing facilities, providing excellent support in servicing the customers efficiently and economically.**
- **This capacity expansion will also drive volume growth for the company in the near future, backed by a strong sectoral demand tailwind. Management anticipates 10-12% volume growth in the plastic pipes segment in FY26.**

Flowing towards growth: Pipes lead the way

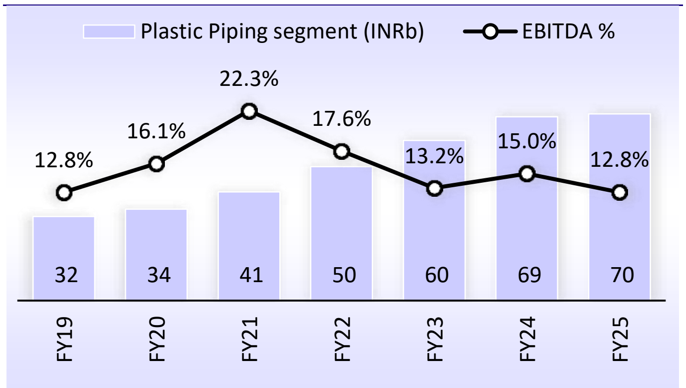
- The plastic pipe forms the major business segment of the company with a volume/revenue/EBIT mix of 79%/67%/67% in FY25. The segment has clocked a healthy revenue/EBIT CAGR of 15%/10% over FY20-25. (FY25 saw margin compression across the industry, including SI, due to a fall in PVC prices and a weak demand scenario). Revenue/EBIT CAGR during FY19-24 was 17%/24%.
- With a strong and sustainable demand tailwind for plastic pipes across end-user segments in India – as discussed in our industry part – SI, being a market leader, is focused on continuing its dominance by constantly adding new products/SKUs and enhancing capacities in this category.

Exhibit 27: Pipes remain the largest revenue contributor…



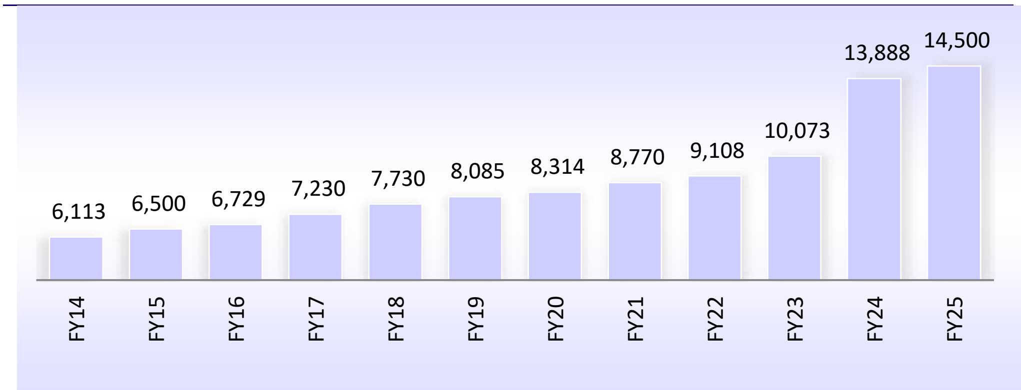
Source: Company, MOFSL

Exhibit 28: …clocking 17% revenue CAGR over FY19-24



Source: Company, MOFSL

Exhibit 29: Consistent increase in the number of SKUs in the plastic piping segment



Source: Company, MOFSL

- **The company has been at the forefront of adopting new technologies and fulfilling market requirements, thereby giving them a competitive edge.**

CPVC – a value-added pipes category

- With the increasing usage of CPVC pipes, SI has increased its capacity over the years. The company now manufactures CPVC pipes at four of its manufacturing locations and CPVC fittings at two of its locations spread across India, servicing the market more efficiently and economically.
- SI is in the process of increasing CPVC pipe capacity at five locations, including existing units in Gadegaon, Jadcherla, and Kharagpur, and new units in Kanpur and Guwahati.

- In terms of innovation in this segment, SI's FlameGuard CPVC pipe system is considered a safe material for use in fire sprinklers in several parts of the country. The company's CPVC fire sprinkler systems are already being used in Maharashtra, Karnataka, and Gujarat. Further, this product is also installed in all modern coaches of the "Vande Bharat Express" trains. Additionally, the installation of this system has also started in other high-speed trains.

OPVC – a growing pipes category

OPVC a replacement play on DI pipes in India. SI to build seven line of 3,000MT per line by FY28

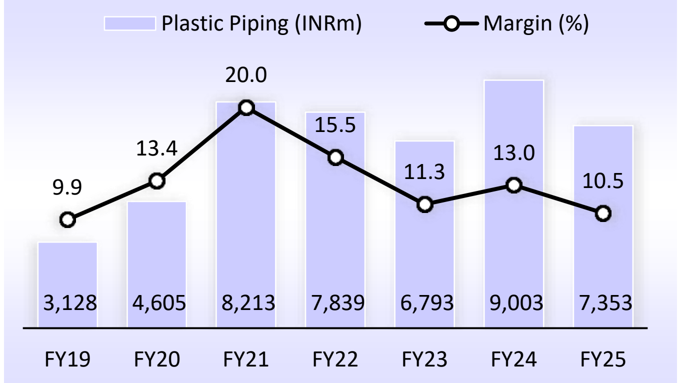
- Another instance of product innovation and expansion is entry into the growing OPVC pipes segment in India, which is considered to be an alternative to Ductile Iron (DI) pipes.
- SI acquired the manufacturing unit/business of Parvati Agro Plast, located at Sangli, Maharashtra, in Oct'23. The unit is spread over an area of about 13.48 acres of land with installed capacities of 36,000MT p.a., comprising PVC pipes – 15,000MT p.a., HDPE pipes – 18,000MT p.a., and OPVC pipes – 3,000MT p.a.
- The acquisition was done with two major objectives, i.e., to add a new product category of OPVC pipes and to effectively service Western Maharashtra and North Karnataka.
- Through this acquisition, SI added the OPVC manufacturing technology to its basket. The company has planned substantial capacity expansion for OPVC pipes at Sangli and Cuttack as well as at Gadegaon, for which required equipment has been ordered (a total of nine lines, of which three have been installed). However, due to the restricted availability issue of machines, the schedule is unpredictable as of now.
- **Currently, total OPVC capacity has increased to three lines, reaching 9,000 MTPA, with plans to further expand to seven lines by FY28.**
- **The company is anticipating selling ~6,000-7,000MT of OPVC pipes from next year. Most of the sales are expected to be carried out through the contractor-based model.**

Gas piping system – a new opportunity to capture

Gas piping's manufacturing process is same but the raw materials required are different

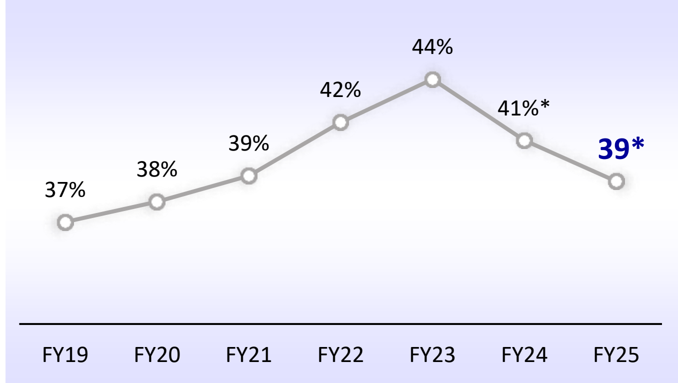
- SI is also foraying into the gas piping system from its Gadegaon plant, near Jalgaon, for which the necessary machines have been installed with a **total capacity of ~36,000MT annually**, and BIS certification has been received. The company also plans to launch gas piping from the Kharagpur plant.
- The same production capacity that manufactures pipes for water can also be utilized for gas piping. However, gas pipes require a specialized grade of raw materials that offer superior strength, durability, and resistance to high pressure and extreme temperatures. Additionally, the production of gas pipes demands a highly stringent quality control process, incorporating advanced testing systems to ensure safety, reliability, and compliance with industry standards.
- The Indian government has plans to multiply the supply of gas through a pipe system in the country. SI expects to launch the same along with the required DVGW-approved Electrofusion fittings, which have a lead period of six to eight months. The **company has started marketing this product;** however, there have been no orders for gas pipes until now, but orders are expected in FY26, with a ramp-up starting in the same quarter.
- **With constant innovations, the VAP mix of the piping division has reached 39% in FY25, up from 37% in FY19. It is further expected to increase with the launch of more innovative and margin-accretive products highlighted above.**

Exhibit 30: Plastic pipes – margin trend



Source: Company, MOFSL

Exhibit 31: VAP mix of the piping segment

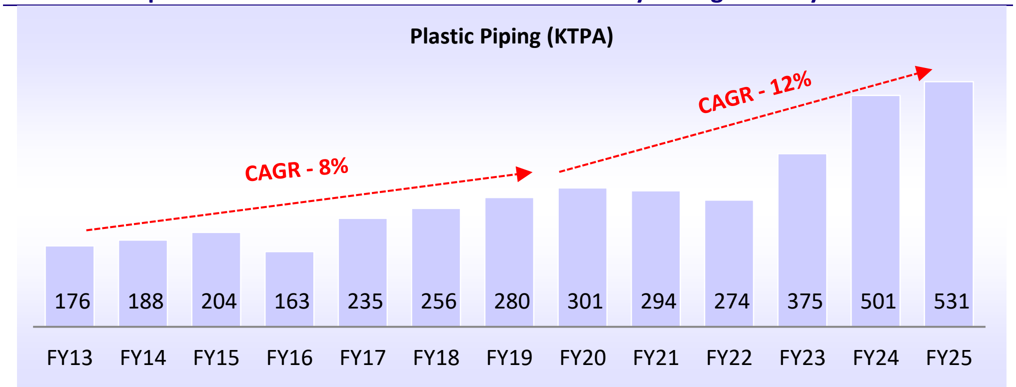


dropped due to high growth in HDPE Pipes i.e. non-VAP category

Source: Company, MOFSL

- The company's pipes segment is expected to witness healthy volume growth going forward, backed by strong industry tailwinds, continuous capacity expansions, and the addition of innovative and margin-accretive products. **Management has been indicating a 10-12% volume growth in FY26 with a sustainable growth of ~10-15% going forward.**
- The slowdown in FY25 was fueled by volatility in PVC resin prices, low government spending on infrastructure in the first half (election-led slowdown), and an extended monsoon affecting agricultural pipe demand.

Exhibit 32: Pipes volume accelerated from FY23 backed by strong industry tailwinds



Source: Company, MOFSL

- **The pipes segment will continue to be the major part of SI's business, driving growth going forward.**

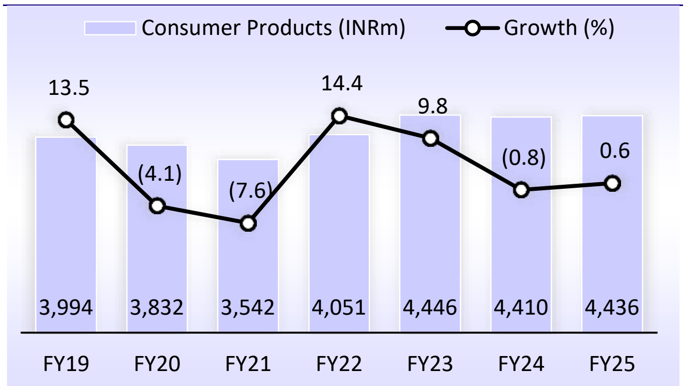
Incubating other segments with incremental opportunity

- The company, under its current promoters, has over five decades of experience in the plastic industry that has driven SI's foray into other plastic products.
- Apart from strengthening its foothold in the pipes segment, SI is also a key player in other segments such as plastic furniture (consumer segment), specialized packaging products, and industrial products (material handling and composite cylinder).

Premiumizing consumer products to drive profitability

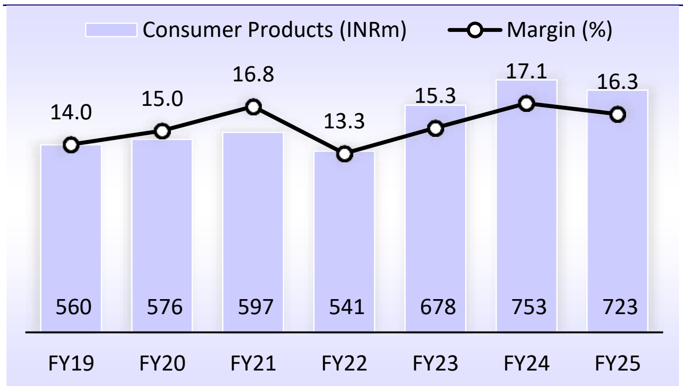
- In the **consumer products division**, the company is engaged in the manufacturing of plastic molded furniture, which it entered in the early nineties. Since then, SI has carved its presence in the Indian furniture market and commands ~10-15% market share.
- The company is focused on premiumizing its portfolio to improve margins and stand out as a premium brand amid a competitive market. In FY24, SI introduced 20 new models, such as the Premium Chair Model Tulip, the Almirah range with a see-through glass/mirror version, and Kindergarten school furniture. Further, the company has launched 12 new models of chairs and cabinets in FY25.
- SI has been adding showrooms to increase its brand visibility across India. The company now has ~337 retail showrooms (29 added in 9MFY25). Apart from this, is continuously adding to its current 14,569 retail counters.
- SI has started the business with modern trade retailers such as Metro & Spencer during the year, which will help them increase its overall sales as well as strengthen its brand image.

Exhibit 33: Consumer Revenue grew marginally…



Source: Company, MOFSL

Exhibit 34: …and EBIT margins slightly contracted in FY25



Source: Company, MOFSL

Composite Cylinder – a big opportunity

- Composite cylinders, owing to their **cylinder explosion aversion characteristics**, are gaining more traction in the market both domestically and globally.
- SI is among the only two manufacturers of Type-IV LPG composite cylinders in India to manufacture this product. SI's brand KAVACH has been approved and certified by multiple national and international standards organizations. Some of these are:
  - TPED (Transportable Pressure Equipment Directive) – for the safe transportation of pressure equipment across Europe;
  - KEBS (Kenya Bureau of Standards) – for products to be used in Kenya;

  - ➢ TÜV Certification – ensures product safety and compliance with European standards;
  - ➢ KGS (Korea Gas Safety Corporation) – for compliance with safety standards in Korea;
  - ➢ ESMA (Emirates Authority for Standardization and Metrology) – for compliance with the UAE’s regulatory standards.
- The company is also a certified supplier to the Indian Oil Corporation of India (IOCL) and has been supplying them with the cylinders.
- There is increasing traction for composite cylinders, with BPCL floating a tender for 0.4m units and IOCL also preparing to issue a tender for 1m cases. Additionally, all OMCs are collaborating to standardize the 14.2 kg cylinder size.
- SI operates a state-of-the-art facility in Halol, Gujarat, dedicated to the production of composite LPG cylinders. The plant's annual production capacity has been expanded to ~1m cylinders.
- In India, there is ~40m incremental demand (both replacement and new) for cylinders every year. To cater to the growing composite cylinder market, SI has **doubled its capacity to 1m units in FY25**. SI expects increased ordering from IOCL and existing export customers while also aggressively scouting for new customers through promoting awareness of its advantages and usability.

Exhibit 35: Composite cylinders – product offerings

Source: Company, MOFSL

- In addition to LPG cylinders, SI has ventured into manufacturing Type-IV composite CNG cylinders. In Oct’24, the company received approval from the Petroleum and Explosive Safety Organization (PESO) to produce and market 265-liter capacity Type-IV composite CNG cylinders. SI is the second manufacturer in India to get this approval.
- The rising demand for CNG tanks is driven by the shift toward cost-effective and eco-friendly CNG vehicles. **Composite CNG cylinders for cascades are preferred over steel ones due to their lighter weight.**
- A pilot plant with an **annual capacity of 3,600 cylinders** has been established with an **annual revenue potential of about INR600m**. SI has plans to scale up production to meet market demand.

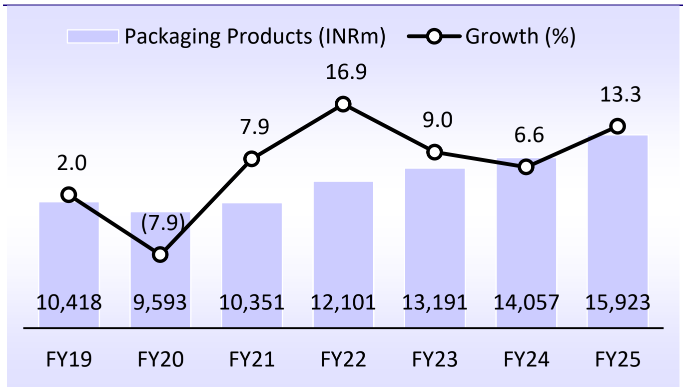
Innovation and branding to fuel growth in the Packaging segment

- Supreme Industries is positioned for continued growth across its packaging divisions through product innovation, market expansion, and customer-focused strategies.
- **Performance Film Packaging**: It is experiencing healthy volume growth, driven by rising demand for high-barrier EVOH/Nylon films, especially in the food industry. These advanced materials enhance shelf life and recyclability, aligning with global

sustainability trends. The oil and dairy sectors contributed to a 4% volume increase, showcasing the company's ability to cater to high-demand industries. **Trademark registration of seven products strengthened brand recognition**, while exports to South America, Canada, and the Middle East remained steady. Export opportunities remain the focus area, and the division can penetrate some new countries.

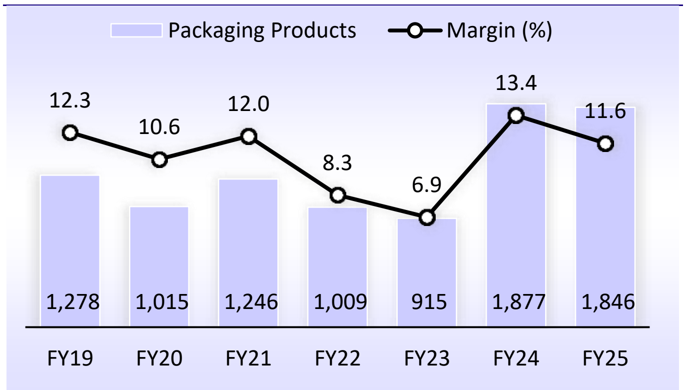
- **Protective Packaging**: The Protective Packaging segment recorded significant gains with an 11% value increase and 15% volume growth in FY24. The Protec business led the charge with a 17% volume increase, while the fabrication business boasted a 33% rise in value. Strategic moves, such as the addition of 48 new distributors and 735 retailers, expanded market reach, with e-commerce channels contributing INR10m in revenue, showcasing the company's agility in tapping into new sales avenues. The division has enhanced its capacity utilization and is focused on developing customized solutions.
- **Cross Lamination**: The Cross Laminated Film segment is performing well, driven by strong demand for tarpaulins and expansion into new export markets, targeting 20% volume growth and improved profitability. Fabricated product sales rose to 835MT in FY24, and exports grew 8.75%, expanding into 35 countries and highlighting the segment's growing international footprint. The Cross Laminated Film business is witnessing improved performance in FY25 with better capacity utilization and successful trials for the newly developed Cross Plastic Film.
- **SI's focus on expanding product lines, strengthening brand presence, and entering new markets sets the stage for robust growth in its packaging segments. The company's agility in adapting to customer needs and sustainability trends ensures it remains at the forefront of the industry.**

Exhibit 36: Packaging witnessed healthy growth…



Source: Company, MOFSL

Exhibit 37: …while EBIT margins contracted in FY25



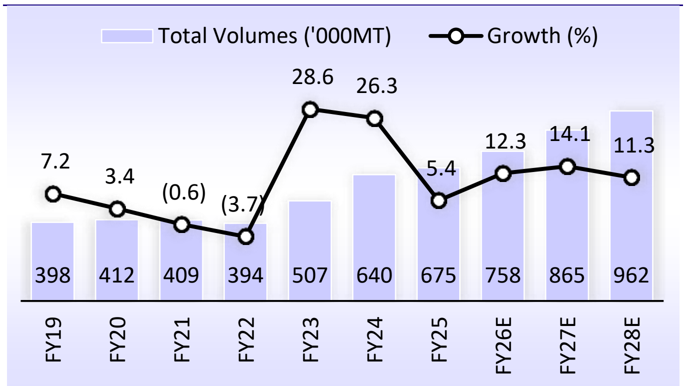
Source: Company, MOFSL

Robust financials support growth capex

Healthy revenue growth with margin expansion

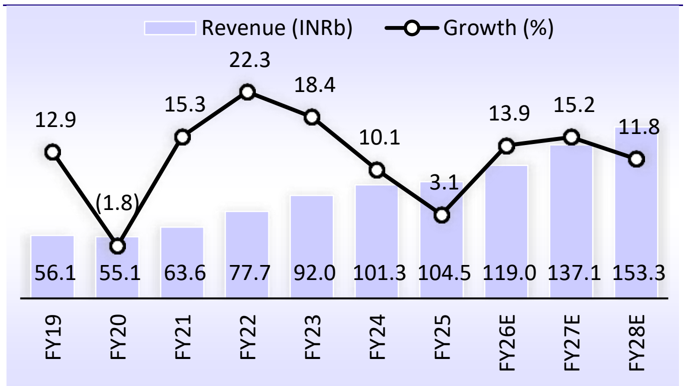
- SI registered a healthy CAGR of ~14% over FY20-25, largely propelled by its key segment, plastic piping (67% revenue mix in FY25), which clocked a CAGR of 15% during the same period. This growth has been driven by rising capacities, the addition of new products (SKU expansion), and a healthy demand tailwind in the sector. While other segments such as Industrials/Packaging/Consumer registered modest growth of 14%/11%/3% over FY20-25.
- EBITDA clocked 11% CAGR over FY20-25, lower than revenue CAGR, due to margin contraction in FY25 (EBITDA clocked 15% CAGR over FY19-24). The plastic piping segment witnessed the largest EBIT margin contraction of 290bp over FY20-25 due to a drop in PVC prices in FY25 (while margins expanded 310bp over FY19-24). Industrials witnessed a margin expansion of 350bp during FY20-25, followed by consumer (130bp) and packaging (100bp).
- In FY25, SI's revenue grew by only ~3% YoY (volume/pricing: ~+5%/-2%) while EBITDA declined by 7%. This was largely led by volatile raw material (PVC) prices and a subdued demand environment (owing to the elections and extended monsoons, thereby affecting agricultural pipe demand).
- Going forward, we expect the near-term environment to improve, led by a pickup in demand and stabilization of raw material prices. In addition, the management has indicated a healthy FY26 with the aim of achieving 10-12% volume growth in the piping segment.
- We have modeled a 13%/14%/20%/23% CAGR for volume/revenue/EBITDA/Adj. PAT over FY25-28E. Margins are anticipated to improve, fueled by the addition of value-added SKUs across segments and operational efficiencies from the recently commissioned capacities.

Exhibit 38: Volume to post healthy CAGR…



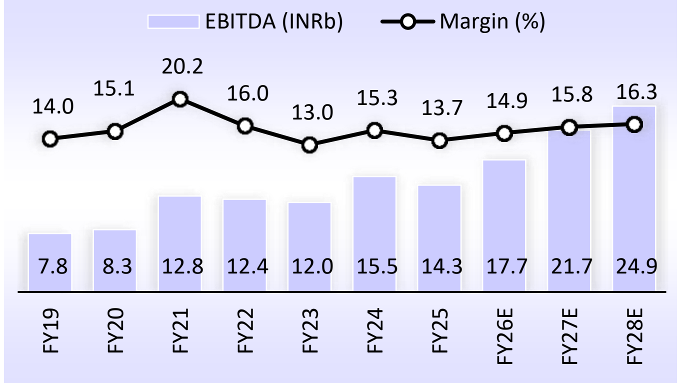
Source: Company, MOFSL

Exhibit 39: …driving revenue growth



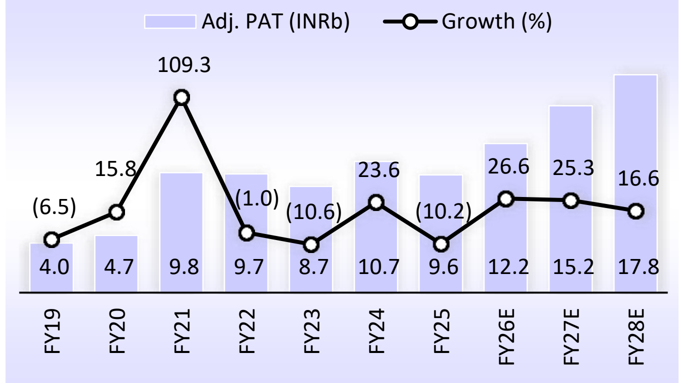
Source: Company, MOFSL

Exhibit 40: Margins to gradually improve



Source: Company, MOFSL

Exhibit 41: Adj. PAT to register 23% CAGR over FY25-28E

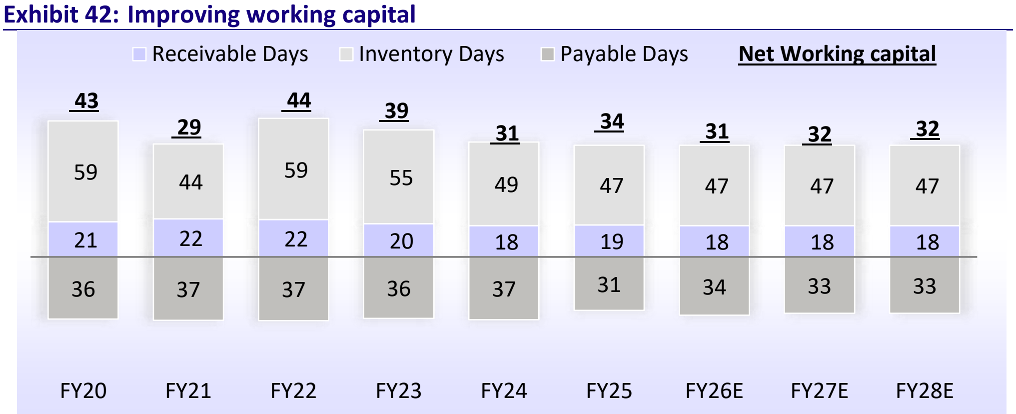


Source: Company, MOFSL

Improved working capital

- SI has witnessed a gradual improvement in its working capital days over the last five years to 31 days in FY24 vs. 38/43 days in FY19/FY20. A major improvement has been in receivable days (down to 18 days in FY24 from 25/21 in FY19/FY20) and inventory days (at 49 vs. 49/59 in FY19/FY20). Payable days remained around similar levels of 53-56 days.
- FY25 appears to witness higher working capital days (expected at ~34 days), primarily due to lower payables days, while receivable and payable days remain flat YoY.
- However, with the improving demand scenario, we expect the working capital days to marginally improve to 32 days from 34 in FY25, led by the normalization of payable days.

Exhibit 42: Improving working capital



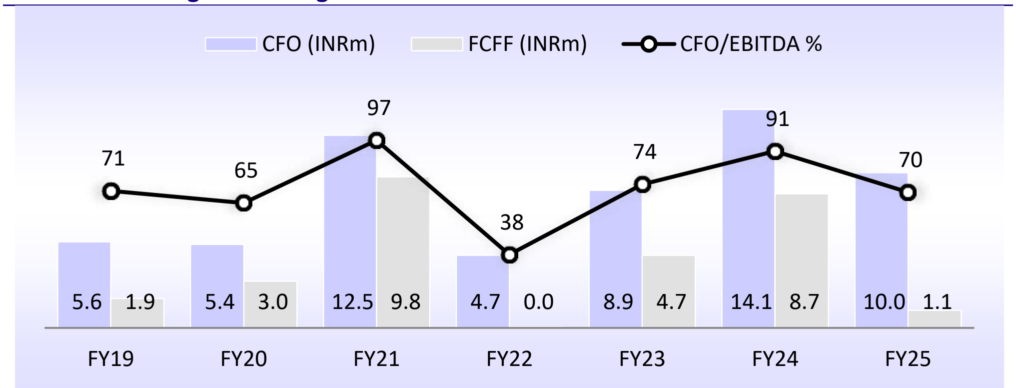
Source: Company, MOFSL

Strong cash flow and return ratios

- With healthy revenue growth, stable margins, and improved working capital, SI has been able to generate strong cash flows over the last five years. The company generated cumulative CFO/FCFF of INR50.2b/INR24.3b over FY20-25 with an average CFO/EBITDA ratio of 74% over the same period. This has helped SI to remain a debt-free company despite consistent capacity expansions.
- Return ratios have also remained healthy, with the last five-year average RoE/RoCE at ~25%/21%. We expect the company to generate similar returns going forward.

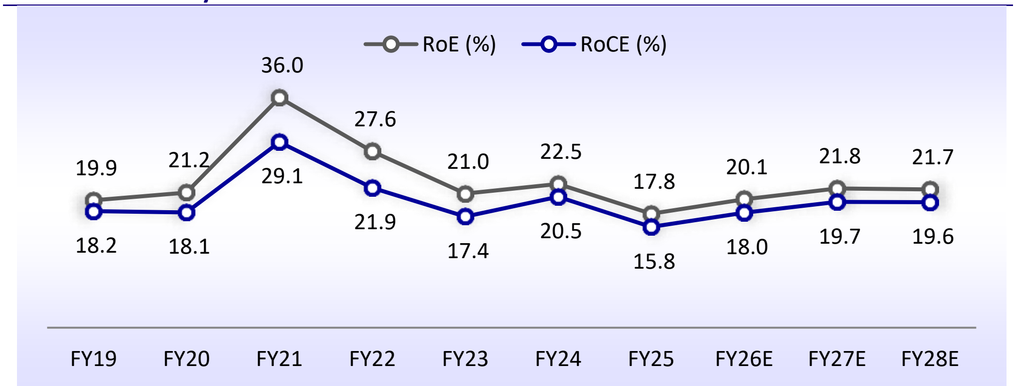
- **This indicates a strong cash conversion, healthy earnings quality, and efficient operations. It also indicates financial stability with sufficient cash for growth and obligations.**

Exhibit 43: Strong cash flow generation



Source: Company, MOFSL

Exhibit 44: Healthy return ratios



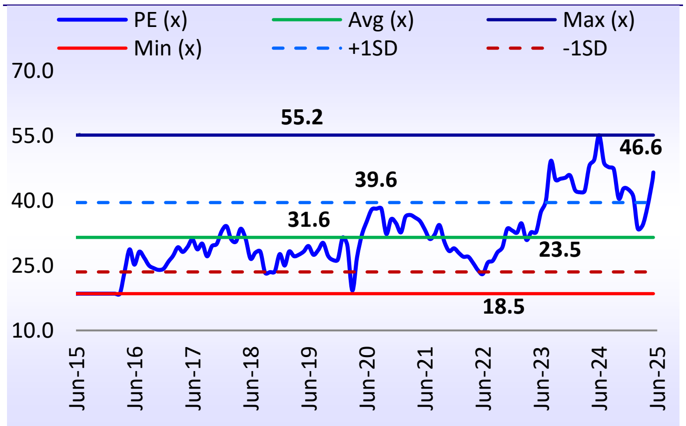
Source: Company, MOFSL

Valuation and view

Initiate coverage with a BUY rating

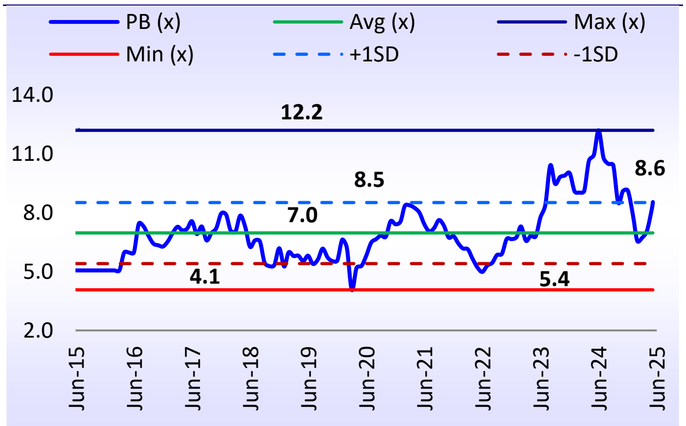
- The enhanced government spending in the agriculture and infrastructure sectors, as well as several initiatives to improve water piping across the country, bodes well for the piping industry. SI's steady addition of plants, a growing distribution network, and gains from unorganized players are likely to improve market share from current levels.
- Further, adjacent new categories such as composite cylinders, gas piping systems, and OPVC pipes offer huge growth potential for SI. These segments are expected to have a meaningful contribution in the medium to long term.
- We believe SI's EBITDA margin will expand over FY25–28, aided by improving EBIT/kg in the Pipes segment (to INR21/kg in FY28 from ~INR13.8/kg in FY25). This would be further accelerated by an increase in high-margin and value-added product sales and new product launches.
- We estimate a 14%/20%/23% revenue/EBITDA/Adj. PAT CAGR over FY25–28. We value the stock on a price-to-earnings basis, assigning 45x FY27 EPS (which reflects a 23% premium over the stock's five-year average one-year forward P/E). Initiate coverage with a BUY rating and a TP of INR5,400.

Exhibit 45: One-year forward P/E (x)



Source: Company, MOFSL

Exhibit 46: One-year forward PB (x)



Source: Company, MOFSL

Valuation comparison – Peers at a glance

Peers	CMP	TP	Upside	Rating	MCap	EPS			P/E (x)			EV/EBITDA (x)			RoE (%)		
	(INR)	(INR)	(%)		(INRb)	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
ASTRA	1,501	1,800	20	Buy	405	26.1	32.3	40.2	58	47	37	36	31	26	15	17	18
SI	4,412	5,400	22	Buy	561	75.6	95.8	120.0	58	46	37	28	30	24	18	20	22
PRINCPIP	343	500	46	Buy	38	3.9	10.6	15.7	87	32	22	18	10	8	3	7	10
APOLP*	431	NA	NA	NR	19	7.7	7.5	17.8	56	58	24	17	14	11	5	4	5
FNXP*	217	NA	NA	NR	134	12.9	9.5	11.2	17	23	19	19	18	16	14	9	10

*Bloomberg estimates; Source: MOFSL

Key risks

- SI relies heavily on polymer-based **raw materials**, primarily PVC, HDPE, and PP. **Fluctuations** in crude oil prices and global supply chain disruptions can adversely impact input costs and profitability.
- A **slowdown** in the real estate, agriculture, and infrastructure sectors – key **demand** drivers for plastic pipes – can impact SI's volume growth adversely. External factors such as elections, extended monsoons, or policy changes can lead to temporary demand weakness.
- The plastic pipes industry is **highly competitive**, with organized and unorganized players vying for market share. Intense competition can lead to pricing pressure, affecting margins and profitability.
- SI operates with a significant working capital cycle. Any inefficiency in inventory management, especially during volatile raw material price movements, could impact cash flows and profitability.
- New segments risk: The company is expanding into composite cylinders, CNG tanks, and premium furniture. Any delays, regulatory hurdles, or challenges in scaling up these new segments could impact its diversification strategy.

SWOT analysis

- ☑ Diversified portfolio reduces dependence on any particular end user industry
- ☑ Holds strong market share, benefiting from economies of scale and strong brand trust.
- ☑ Pan-India manufacturing network of 30 plants across India.

- ☑ Focuses on plastic side expansion over channel growth limits cross-selling opportunities for other products.
- ☑ Dependence on PVC resin imports
- ☑ Intense competition across product categories

- ☑ Substitution of galvanized iron pipes by plastic pipes, especially for portable water
- ☑ Higher govt. spending to encourage housing, irrigation, and farming
- ☑ The transition from LPG cylinders to composite cylinders presents a significant growth opportunity.

- ☑ Volatility in cost of raw materials, derived from crude oil by-products
- ☑ Delayed demand recovery could lead to lower capacity utilization at their newly expanded plants, impacting cost efficiency and margins.

Bull and Bear cases

Bull case

- In our bull case scenario, we assume a revenue CAGR of 16% over FY25-28, led a healthy recovery in demand across segments and an increase in raw material pricing leading to improved realizations.
- We expect the margin to expand ~420bp from the FY25 levels to reach ~17.9% over FY28, led by better realization, improving product mix, and favorable operating leverage.
- The company's EPS would register a robust CAGR of 29% over FY25-28E, driven by operating leverage and strong cash flow generation.
- We value the stock on a price-to-earnings basis, assigning 50x FY27 EPS arriving at a TP of INR6,550.

Bear case

- In our bear case scenario, we assume a revenue CAGR of 10% over FY25-28, considering a slow recovery in demand and a flat pricing scenario with major growth to be volume-led.
- We expect the margin to expand by ~110bp from the FY25 levels to reach 14.9% over FY28 led by an improved product mix offset by a lack of realization gains.
- The company's EPS would register a CAGR of 15% over FY25-28E.
- We value the stock on a price-to-earnings basis, assigning 40x FY27 EPS arriving at a TP of INR3,950.

Exhibit 47: Bull and Bear case scenarios (INR m)

	Particulars	FY25	FY26E	FY27E	FY28E	CAGR (FY25-28E, %)
Bear case	Revenue	1,04,463	1,14,391	1,27,194	1,39,921	10
P/E: 40x	EBITDA	14,317	15,310	18,244	20,841	13
INR3950	EPS	76	81	98	114	15
Base case	Revenue	1,04,463	1,18,982	1,37,101	1,53,314	14
P/E: 45x	EBITDA	14,317	17,688	21,681	24,919	20
INR5400	EPS	76	96	120	140	23
Bull case	Revenue	1,04,463	1,22,307	1,42,118	1,61,283	16
P/E: 50x	EBITDA	14,317	19,061	23,423	28,826	26
INR6550	EPS	76	104	131	164	29

Source: MOFSL, Company

Management team

Mr. B. L. Taparia
Chairman

He holds a Bachelor of commerce degree. Under his leadership, Supreme Industries expanded significantly, becoming a major player in the plastic products sector.

Mr. M. P. Taparia
Managing Director

He directly oversees the Plastic Piping System, Cross Laminated Films, and Furniture divisions. His responsibilities include business strategy, finance, taxation, foreign exchange, raw material procurement, investor relations, marketing, and personnel. He also manages government liaison, capital allocation, industry interaction, brand building, and risk management. Additionally, he is the Chairman of Supreme Petrochem Limited.

Mr. S. J. Taparia
Executive Director

He oversees the Industrial Component Division, Plastic Piping Division (jointly with the Managing Director), Material Handling Products, and Composite Products. His responsibilities include business strategy, operations, plant automation, product development, machinery, marketing, design, quality management, and personnel.

Mr. V. K. Taparia
Executive director

He is responsible for overseeing production, marketing, procurement, working capital management, and business development. He manages the expansion and administration of performance packaging products, including multilayer films and protective packaging. Additionally, he leads the IT team in upgrading the company's computerization, ERP implementation, and other related areas.

Mr. P.C. Somani
CFO

He is a Chartered Accountant with a B.Com degree. He joined the company in July'14 as a CFO. He has been instrumental in driving the financial stability and growth of the company, helping it maintain its leadership in the plastics industry.

Mr. S.K. Patnaik
COO

He holds Master of Business Administration degree from IIM Calcutta and studied economics from Utkal University. He joined the company in June'18, before that he was working with Hamilton housewares as a general manager. He has 25 years plus of experience in multi facets of sales & marketing

ESG initiatives

Environmental initiatives

- The company is engaging with stakeholders, including customers, suppliers, and investors, to demonstrate commitment to climate action and sustainability.
- SI is transitioning into the use of clean fuels, i.e. LPG/ PNG, and is going to install rainwater harvesting infrastructure for feasible Supreme sites.
- The company is monitoring and reporting on climate performance, including setting targets and tracking progress toward emissions reductions and other climate-related goals.

CSR initiatives

- The company has been invested in doing social welfare in areas such as promoting healthcare, education, rural development, disaster relief, donating to police welfare funds, socioeconomic development, providing financial assistance to plumbers, and other areas of public service.

Governance

- As of Mar'25, the Board comprised 10 Directors including six Independent Directors and one Woman Director.
- The Board comprised seasoned professionals with expertise in various fields, contributing diverse experiences.
- The Board's performance is assessed annually based on their responsibilities, and a strong compliance mechanism is in place to adhere to applicable rules and regulations.

Financials and valuations

Consolidated - Income Statement (INRm)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total Income from Operations	**56,120**	**55,115**	**63,552**	**77,728**	**92,016**	**1,01,343**	**1,04,463**	**1,18,982**	**1,37,101**	**1,53,314**
Change (%)	12.9	-1.8	15.3	22.3	18.4	10.1	3.1	13.9	15.2	11.8
Raw Materials	38,199	35,783	40,427	53,532	65,992	68,584	71,465	78,669	87,982	95,943
Employees Cost	2,546	2,790	3,104	3,453	3,748	4,422	4,873	5,583	6,499	7,377
Power and Fuel Cost	2,055	2,161	1,986	2,134	2,667	3,288	3,425	3,924	4,523	5,083
Other Expenses	5,475	6,036	5,194	6,188	7,613	9,576	10,384	13,117	16,416	19,992
Total Expenditure	**48,274**	**46,770**	**50,710**	**65,307**	**80,019**	**85,869**	**90,146**	**1,01,293**	**1,15,420**	**1,28,395**
% of Sales	86.0	84.9	79.8	84.0	87.0	84.7	86.3	85.1	84.2	83.7
EBITDA	**7,846**	**8,346**	**12,842**	**12,421**	**11,997**	**15,473**	**14,317**	**17,688**	**21,681**	**24,919**
Margin (%)	14.0	15.1	20.2	16.0	13.0	15.3	13.7	14.9	15.8	16.3
Depreciation	1,835	2,057	2,128	2,295	2,634	2,984	3,586	4,081	4,522	4,765
EBIT	**6,010**	**6,289**	**10,714**	**10,126**	**9,363**	**12,490**	**10,730**	**13,607**	**17,159**	**20,154**
Int. and Finance Charges	260	202	221	52	80	161	119	125	130	130
Other Income	78	14	169	200	298	657	578	952	1,234	1,380
PBT bef. EO Exp.	**5,828**	**6,101**	**10,662**	**10,274**	**9,580**	**12,985**	**11,190**	**14,434**	**18,263**	**21,404**
EO Items	672	0	0	0	0	0	0	0	0	0
PBT after EO Exp.	**6,500**	**6,101**	**10,662**	**10,274**	**9,580**	**12,985**	**11,190**	**14,434**	**18,263**	**21,404**
Total Tax	2,158	1,739	2,341	2,633	2,460	3,357	2,782	3,633	4,597	5,387
Tax Rate (%)	33.2	28.5	22.0	25.6	25.7	25.8	24.9	25.2	25.2	25.2
Share of Profit/loss of Associate	144	312	1,460	2,044	1,533	1,069	1,201	1,367	1,576	1,762
Reported PAT	**4,486**	**4,674**	**9,781**	**9,684**	**8,653**	**10,697**	**9,609**	**12,169**	**15,242**	**17,779**
Adjusted PAT	**4,037**	**4,674**	**9,781**	**9,684**	**8,653**	**10,697**	**9,609**	**12,169**	**15,242**	**17,779**
Change (%)	-6.5	15.8	109.3	-1.0	-10.6	23.6	-10.2	26.6	25.3	16.6
Margin (%)	7.2	8.5	15.4	12.5	9.4	10.6	9.2	10.2	11.1	11.6

Consolidated - Balance Sheet (INRm)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	254	254	254	254	254	254	254	254	254	254
Total Reserves	21,286	22,358	31,438	38,190	43,767	50,834	56,350	64,199	75,121	88,580
Net Worth	**21,540**	**22,612**	**31,692**	**38,444**	**44,021**	**51,088**	**56,604**	**64,453**	**75,375**	**88,834**
Total Loans	1,621	4,113	10	0	0	0	0	0	0	0
Deferred Tax Liabilities	1,204	1,326	919	904	908	960	875	875	875	875
Capital Employed	**24,364**	**28,050**	**32,621**	**39,348**	**44,929**	**52,048**	**57,479**	**65,328**	**76,250**	**89,709**
Gross Block	29,857	32,196	35,303	38,013	43,580	49,072	55,800	67,858	73,469	77,792
Less: Accum. Deprn.	14,647	16,704	18,832	21,127	23,761	26,745	30,331	34,412	38,934	43,699
Net Fixed Assets	**15,210**	**15,492**	**16,471**	**16,886**	**19,819**	**22,327**	**25,469**	**33,446**	**34,535**	**34,093**
Capital WIP	900	929	510	1,558	837	1,437	4,072	3,014	1,403	1,081
Total Investments	**2,223**	**2,073**	**3,366**	**4,759**	**5,774**	**6,381**	**7,196**	**7,196**	**7,196**	**7,196**
Curr. Assets, Loans&Adv.	**13,959**	**17,692**	**22,476**	**26,757**	**30,513**	**35,369**	**34,898**	**38,304**	**51,912**	**68,364**
Inventory	7,504	8,906	7,608	12,602	13,856	13,586	13,337	15,321	17,654	19,742
Account Receivables	3,874	3,128	3,899	4,668	4,924	5,114	5,401	6,005	6,919	7,737
Cash and Bank Balance	373	2,314	7,684	5,264	7,461	11,873	9,525	9,840	19,799	32,912
Loans and Advances	2,208	3,344	3,285	4,223	4,272	4,796	6,636	7,139	7,541	7,972
Curr. Liability & Prov.	**7,929**	**8,135**	**10,202**	**10,611**	**12,013**	**13,509**	**14,199**	**16,675**	**18,839**	**21,067**
Account Payables	5,574	5,475	6,462	7,940	9,038	10,156	8,934	11,083	12,395	13,861
Other Current Liabilities	2,115	2,347	3,442	2,351	2,627	2,892	4,776	4,997	5,758	6,439
Provisions	240	313	298	320	349	461	489	595	686	767
Net Current Assets	**6,030**	**9,557**	**12,274**	**16,146**	**18,500**	**21,860**	**20,699**	**21,629**	**33,073**	**47,297**
Appl. of Funds	**24,364**	**28,050**	**32,621**	**39,348**	**44,929**	**52,048**	**57,479**	**65,328**	**76,250**	**89,709**

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)										
EPS	**31.8**	**36.8**	**77.0**	**76.2**	**68.1**	**84.2**	**75.6**	**95.8**	**120.0**	**139.9**
Cash EPS	46.2	53.0	93.7	94.3	88.8	107.7	103.9	127.9	155.6	177.4
BV/Share	169.5	178.0	249.4	302.6	346.5	402.1	445.5	507.3	593.3	699.2
DPS	13.0	14.0	22.0	24.0	26.0	30.0	34.0	34.0	34.0	34.0
Payout (%)	44.4	45.9	28.5	31.5	38.2	35.6	45.0	35.5	28.3	24.3
Valuation (x)										
P/E	138.8	119.9	57.3	57.9	64.8	52.4	58.3	46.1	36.8	31.5
Cash P/E	95.4	83.3	47.1	46.8	49.7	41.0	42.5	34.5	28.4	24.9
P/BV	26.0	24.8	17.7	14.6	12.7	11.0	9.9	8.7	7.4	6.3
EV/Sales	10.0	10.2	8.7	7.1	6.0	5.4	5.3	4.6	3.9	3.4
EV/EBITDA	71.6	67.4	43.1	44.7	46.1	35.5	38.5	31.1	24.9	21.2
Dividend Yield (%)	0.3	0.3	0.5	0.5	0.6	0.7	0.8	0.8	0.8	0.8
FCF per share	14.9	23.8	76.9	0.3	36.9	68.2	8.9	19.2	91.3	113.5
Return Ratios (%)										
RoE	19.9	21.2	36.0	27.6	21.0	22.5	17.8	20.1	21.8	21.7
RoCE	18.2	18.1	29.1	21.9	17.4	20.5	15.8	18.0	19.7	19.6
RoIC	19.9	20.6	38.2	30.8	23.7	29.3	23.4	24.8	27.6	31.3
Working Capital Ratios										
Fixed Asset Turnover (x)	1.9	1.7	1.8	2.0	2.1	2.1	1.9	1.8	1.9	2.0
Asset Turnover (x)	2.3	2.0	1.9	2.0	2.0	1.9	1.8	1.8	1.8	1.7
Inventory (Days)	49	59	44	59	55	49	47	47	47	47
Debtor (Days)	25	21	22	22	20	18	19	18	18	18
Creditor (Days)	36	36	37	37	36	37	31	34	33	33
Leverage Ratio (x)										
Current Ratio	1.8	2.2	2.2	2.5	2.5	2.6	2.5	2.3	2.8	3.2
Interest Cover Ratio	23.1	31.1	48.6	196.6	116.7	77.5	90.2	108.9	132.0	155.0
Net Debt/Equity	0.0	0.0	-0.3	-0.3	-0.3	-0.4	-0.3	-0.3	-0.4	-0.5

Consolidated - Cash Flow Statement

(INRm)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	6,500	6,101	10,662	12,318	11,113	14,054	12,390	14,434	18,263	21,404
Depreciation	1,835	2,057	2,128	2,295	2,634	2,984	3,586	4,081	4,522	4,765
Interest & Finance Charges	182	188	52	51	80	161	119	-827	-1,104	-1,250
Direct Taxes Paid	-2,158	-1,739	-2,341	-2,868	-2,375	-3,232	-3,023	-3,633	-4,597	-5,387
(Inc)/Dec in WC	-803	-1,213	1,962	-4,941	-777	1,796	-992	-614	-1,485	-1,110
CF from Operations	**5,557**	**5,393**	**12,463**	**6,855**	**10,676**	**15,763**	**12,081**	**13,441**	**15,599**	**18,422**
Others	0	0	0	-2,153	-1,772	-1,634	-2,043	0	0	0
CF from Operating incl EO	**5,557**	**5,393**	**12,463**	**4,703**	**8,904**	**14,129**	**10,037**	**13,441**	**15,599**	**18,422**
(Inc)/Dec in FA	-3,661	-2,368	-2,689	-4,661	-4,218	-5,467	-8,904	-11,000	-4,000	-4,000
Free Cash Flow	**1,896**	**3,026**	**9,775**	**42**	**4,686**	**8,662**	**1,133**	**2,441**	**11,599**	**14,422**
(Pur)/Sale of Investments	-287	151	-1,293	139	188	298	398	0	0	0
Others	1,552	258	2,102	571	589	-731	521	952	1,234	1,380
CF from Investments	**-2,396**	**-1,959**	**-1,880**	**-3,951**	**-3,442**	**-5,900**	**-7,985**	**-10,048**	**-2,766**	**-2,620**
Inc/(Dec) in Debt	-857	2,492	-4,103	-11	0	0	0	0	0	0
Interest Paid	-260	-202	-221	-10	-15	-39	-57	-125	-130	-130
Dividend Paid	-1,994	-2,147	-2,790	-2,922	-3,049	-3,557	-4,065	-4,320	-4,320	-4,320
Others	-41	-1,637	1,901	-161	-202	-221	-279	1,367	1,576	1,762
CF from Fin. Activity	**-3,151**	**-1,493**	**-5,213**	**-3,103**	**-3,266**	**-3,817**	**-4,400**	**-3,077**	**-2,874**	**-2,688**
Inc/Dec of Cash	**10**	**1,941**	**5,370**	**-2,351**	**2,197**	**4,412**	**-2,348**	**315**	**9,959**	**13,114**
Opening Balance	363	373	2,314	7,615	5,264	7,461	11,873	9,525	9,840	19,799
Closing Balance	**373**	**2,314**	**7,684**	**5,264**	**7,461**	**11,873**	**9,525**	**9,840**	**19,799**	**32,912**

Astral

BSE Sensex	S&P CNX
82,756	25,245

CMP: 1,501 **TP:INR1,800 (+20%)** **Buy**

Stock Info

Bloomberg	ASTRA IN
Equity Shares (m)	269
M.Cap.(INRb)/(USDb)	404.4 / 4.7
52-Week Range (INR)	2454 / 1232
1, 6, 12 Rel. Per (%)	2/-18/-43
12M Avg Val (INR M)	1032
Free float (%)	45.9

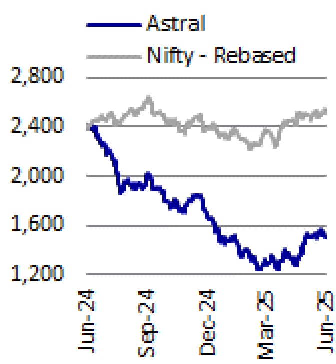
Financial Snapshot (INR b)

Y/E Mar	FY25	FY26E	FY27E
Sales	58.3	66.5	77.7
EBITDA	9.5	11.1	13.1
Adj. PAT	5.2	6.5	8.1
EBITDA (%)	16.2	16.7	16.9
EPS (INR)	26.1	32.3	40.2
EPS Gr. (%)	-4.1	24.0	24.5
BV/Sh. (INR)	180	207	243
Ratios			
Net D/E	-0.1	-0.2	-0.3
RoE (%)	15.4	16.7	17.9
RoCE (%)	15.6	16.7	17.8
Payout (%)	14.4	15.5	12.4
Valuations			
P/E (x)	57.6	46.4	37.3
EV/EBITDA (x)	31.4	26.3	21.7
Div Yield (%)	0.2	0.3	0.3
FCF Yield (%)	0.3	1.9	2.5

Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	54.1	54.1	54.1
DII	14.8	13.9	12.9
FII	20.2	21.1	21.2
Others	11.0	10.9	11.8

Stock Performance (1-year)



Scaling new heights!

Astral (ASTRA) has emerged as one of India's top plastic pipe manufacturers, revolutionizing the industry with the introduction of CPVC pipes in 1998. Expanding beyond its core business, ASTRA now operates in five key segments—pipes, water tanks, adhesives & sealants, bathware, and paints—positioning itself as a diversified market leader.

- **ASTRA has continuously expanded its product portfolio across pipes, adhesives, paints, water tanks, and fire safety, with a total addressable market (TAM) of INR1,595b in FY24 (expected CAGR of 12% over FY24-27). Strategic acquisitions, capacity expansions, and strong exports drive sustainable double-digit growth for the company.**
- **ASTRA has delivered the highest EBITDA CAGR among peers (16%) over FY20-FY25, led by backward integration, a higher mix of non-agri products, and operational efficiencies. Despite market volatility, ASTRA maintained 16.2% EBITDA margins in FY25, while peers faced significant margin erosion.**
- **ASTRA has established itself as an industry innovator, consistently introducing first-of-its-kind products such as CPVC pipes, lead-free uPVC, anti-viral water tanks, and UL-certified fire protection systems. Its commitment to innovation is reinforced by its aggressive branding strategy, with 4% of sales dedicated to advertising – the highest in the industry. ASTRA has built a high-impact consumer brand, driving a strong market recall and sustained leadership across its product segments.**
- **We expect ASTRA to deliver a CAGR of 16%/17%/23% in revenue/EBITDA/adj. PAT over FY25-28, driven by a revenue CAGR of 15%/17% in pipe/adhesive businesses.**
- **We are encouraged by the long-term structural opportunity in the sector and ASTRA's capability to participate in it. We initiate coverage with a BUY rating and an SOTP-based TP of INR1,800 (premised on 45x FY27E P/E, which implies a 33% discount over the stock's five-year average one-year forward P/E).**

Expanding growth avenues with a diversified channel strategy

- Initially a CPVC pipe manufacturer, ASTRA has successfully diversified into PVC, DWC, and OPVC pipes, adhesives, water tanks, bathware, and paints, positioning itself as a diversified player with an expected TAM of INR2,259b by FY27E, growing at a 12% CAGR over FY24-27.
- Its pipe manufacturing capacity has also expanded at a 14% CAGR over the past decade, reaching 382K MT in FY25, with further expansion in Hyderabad and Kanpur. This widespread capacity enhancement underscores ASTRA's dedication to meeting growing market demand and strengthening its operational footprint across key regions.
- The company has leveraged strategic acquisitions, such as Resinova and Seal IT, to strengthen its adhesive business, which now contributes 28% of total revenue. ASTRA's foray into paints, through the acquisition of Gem Paints, taps into an INR620b industry, growing at 8-10% CAGR. Its bathware business, launched in FY22, grew 51% YoY in FY25, achieving a breakeven.
- With a strong focus on exports, ASTRA plans to scale up its overseas revenue from INR760m in FY24 to INR3b in three years through its Dubai office.
- ASTRA's aggressive expansion, product diversification, and strategic acquisitions position it as a multi-segment leader in India's building materials market. With a growing TAM, strong distribution, and a balanced revenue mix, the company is well-placed for sustainable double-digit growth.

Outperforming the competition: ASTRA’s edge in efficiency

- ASTRA has fortified its industry leadership through backward integration, premium product offerings, and a strategic B2C shift.
- In-house CPVC compound production has reduced procurement costs by 1.5-2%, enhancing supply stability and margins. By sourcing CPVC resin from multiple vendors such as Sakesui, ASTRA ensures flexibility and cost efficiency.
- In FY25, the company achieved the highest gross margin of 40% and maintained a 16% EBITDA CAGR over FY20-25, outperforming industry peers.
- ASTRA's pipe business (72% of FY25 revenue) derives ~50% of the pipe revenue from B2C sales, enhancing profitability. The company leads the CPVC pipes segment with a ~30% market share, benefiting from CPVC’s 75-80% organized market dominance vs. 65% for PVC.
- CPVC demand remains stable, driven primarily by housing demand, insulating ASTRA from crude price volatility, unlike PVC. The company also has the highest realization as compared to peers in the plumbing sector at INR185/kg in FY25, with a minimal impact from polymer price fluctuations.
- ASTRA's focus on high-margin, non-agricultural products (~90% of revenue) and value-added offerings such as CPVC products, OPVC pipes, aluminum PEX pipes, and fire sprinkler systems supports sustainable profitability.
- Despite industry challenges, its pass-through pricing strategy helped ASTRA maintain EBITDA margins at 16.2% in FY25, while the industry faced a 170bp decline (including ASTRA). It posted the highest EBIT/kg of INR27 in FY25.
- **ASTRA’s strategic focus on backward integration, B2C expansion, and high-margin products has strengthened its market leadership, ensuring cost efficiency, margin stability, and stable profitability despite industry headwinds.**

Pioneering innovation and strategic branding

- ASTRA sustains industry leadership through innovation and pioneering high-quality plumbing and water management solutions. Its diverse product portfolio includes CPVC, OPVC, and fire safety systems, with groundbreaking offerings such as DrainPro, Recyfix, Insu Pro, and Fire Pro, among others.
- The company has acquired advanced OPVC machinery at half the cost of competitors, backed by its in-house innovation, ensuring faster plant setup.
- As per our interaction with industry players and dealers/experts, product offerings of organized players do not much differ in terms of quality, and hence, entry barriers are minimal. Thus, **product innovation is critical**.
- In branding, ASTRA collaborates with IPL teams (CSK, MI, GT, PBKS, LSG) and features in films (Dunki, Jawan). It leads in industry A&P spending at ~4% of sales in FY25 (+1% YoY), enhancing visibility. The "New Bharat" initiative targets rural markets, while endorsements from Allu Arjun and Varun Dhawan strengthen consumer engagements in adhesives and sealants.
- ASTRA's comprehensive marketing efforts have positioned it as a leader in branding within the industry, helping it stand out from competitors and strengthening its presence across diverse market segments.

Strong financial track record

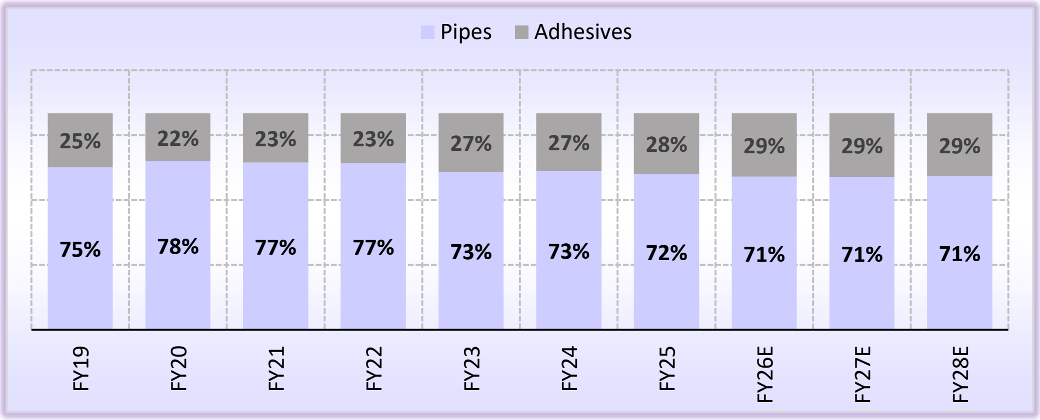
- ASTRA delivered an 18% revenue CAGR during FY20-25, driven by 11% volume growth and 7% higher realizations. Despite a decline in the industry, ASTRA grew its volume by 3% YoY to 227k MT in FY25.
- **Looking ahead, volume is expected to clock a 12% CAGR over FY25-28E, reaching 319k MT in FY28E**, supported by demand recovery and deeper non-agri penetration. With a strong brand, diversified portfolio, and market positioning, we expect ASTRA to maintain the growth momentum (16% CAGR over FY25-28E).
- ASTRA's strong CPVC mix ensures stable, higher-margin earnings, mitigating PVC price volatility. The company maintains ~16% long-term EBITDA margin, achieving 16.2% in FY25.
- Strategic expansion into adhesives and paints is set to enhance profitability, with India adhesives maintaining a ~16% margin and Seal IT UK turning EBITDA positive, targeting 5-10% margins by 2QFY26. The paint division is expected to reach double-digit EBITDA margins in 1QFY26.
- **With PVC price recovery and improved overseas profitability, ASTRA's EBITDA margins are expected to expand to ~16.6% by FY28E.**
- ASTRA's strong operational efficiency, disciplined working capital management, and strategic growth investments augur well for sustainable profitability and cash flow resilience. With optimized net working capital days (37 days), robust cash generation (CFO/EBITDA at 67% in FY25), and an expected decline in capex intensity from FY26 onward, ASTRA is well-equipped to drive long-term value creation while maintaining financial stability and market leadership.

Valuation and view: Initiate coverage with BUY

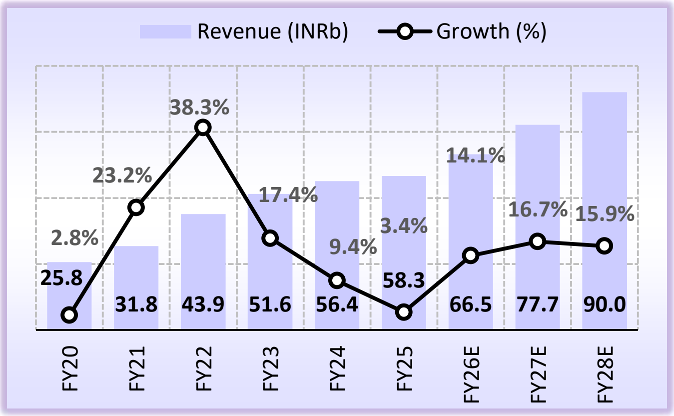
- A well-diversified network and its growing focus on other value-added products (in the pipe and evolving segments such as adhesives and paints) should diversify ASTRA's revenue stream and margin profile over the long run.
- ASTRA has the highest TAM (INR1,595b in FY24) among its peers, offering a long runway for growth. With manufacturing capacity expanding at 12% CAGR over a decade and a 10% CAGR (over FY20-25) in the distributor network, its focus on product innovation and channel expansion reinforces market leadership.
- The company maintains the highest EBIT/kg and industry-leading realizations, supported by a premium CPVC mix and 90% revenue from non-agri segments. Despite industry-wide pressures, stable EBITDA margins in FY25 highlight a strong foothold of the company.
- **We expect ASTRA to deliver a CAGR of 16%/17%/23% in revenue/EBITDA/adj. PAT over FY25-28, driven by a revenue CAGR of 15%/17% in pipes/adhesives businesses.**
- **We are encouraged by the long-term structural opportunity in the sector and ASTRA's capability to participate in it. We initiate coverage with a BUY rating and an SOTP-based TP of INR1,800 (premised on 45x FY27E P/E, which implies a 33% discount over the stock's five-year average one-year forward P/E).**

Story in charts

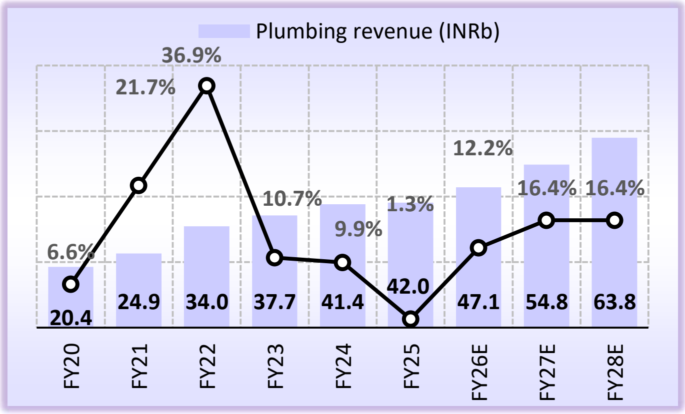
Business mix



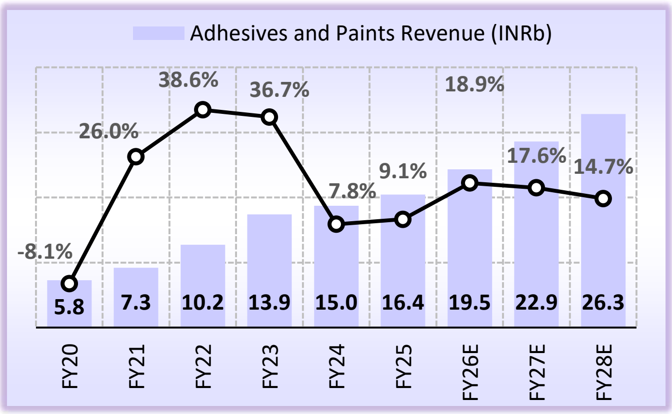
Expect 16% revenue CAGR over FY25–28E…



…driven by 15% CAGR in plumbing segment and…

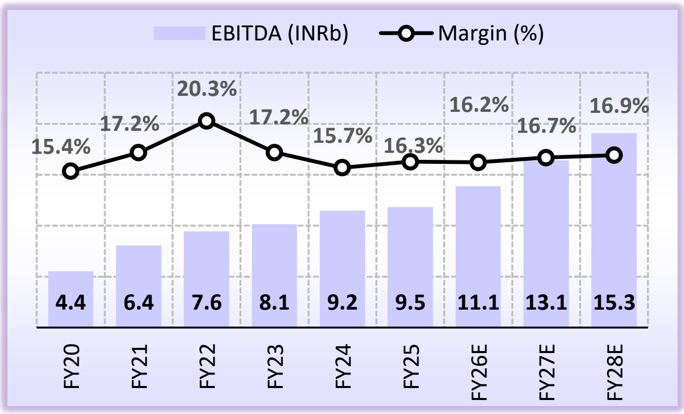


…17% CAGR in Adhesives



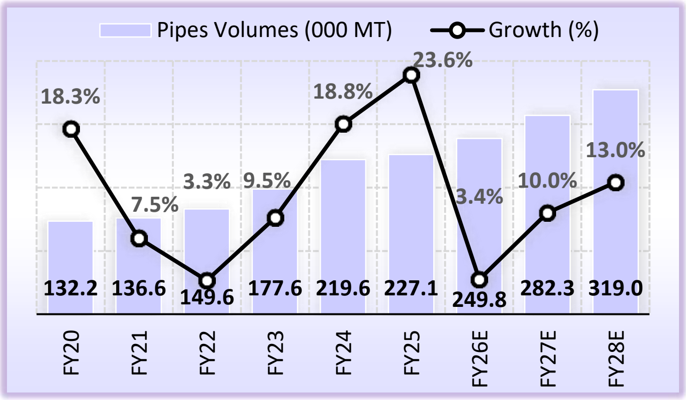
Source: Company, MOFSL

EBITDA margins to expand 70bp over FY25-28E

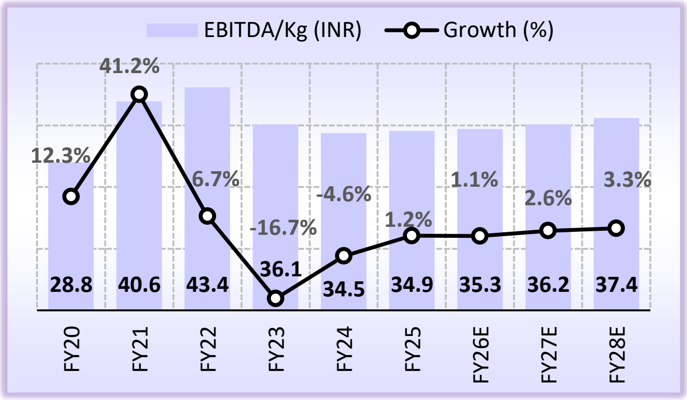


Source: Company, MOFSL

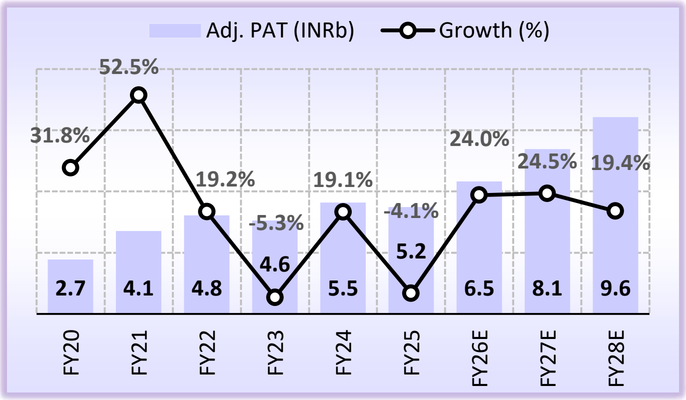
Pipes volume to see 12% CAGR over FY25–28E



EBITDA/kg to rise over FY25–28E

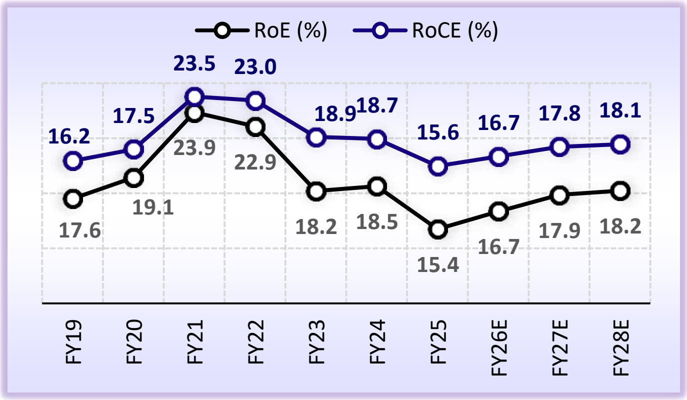


Expect adj. PAT CAGR of 23% over FY25–28



Source: Company, MOFSL

RoE and RoCE trends



Source: Company, MOFSL

A comprehensive leader in plastic piping solutions

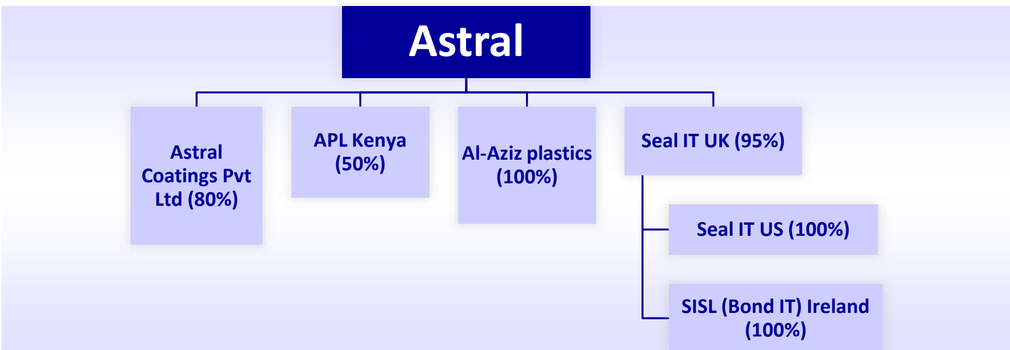
- Incorporated in 1996 by Sandeep Engineer, ASTRA has established itself as one of the top five plastic pipe companies in India.
- The company operates in five key business segments, including pipes, water tanks, adhesives & sealants, bathware, and paints, catering to a broad range of market needs.

Exhibit 48: Diversified business operation

Source: Company

- ASTRA was the **first company in India to introduce CPVC pipes and fittings** in 1998, marking a significant milestone in the piping industry and setting the company apart as a pioneer in this category.
- The company expanded into the adhesives business through strategic acquisitions of Seal IT (UK) and Resinova in FY14 and Resinova Chemie Ltd in Nov'14, which allowed it to diversify its product offerings. Additionally, Astral entered the paint segment by acquiring a controlling stake (80% as of Mar'25) in Gem Paints in Apr'22.
- ASTRA's TAM stood at INR1,595b in FY24 and is projected to grow at a ~12% CAGR to INR2,259b by FY27. With diversification into adjacent categories, ASTRA commands the largest TAM among its peers.

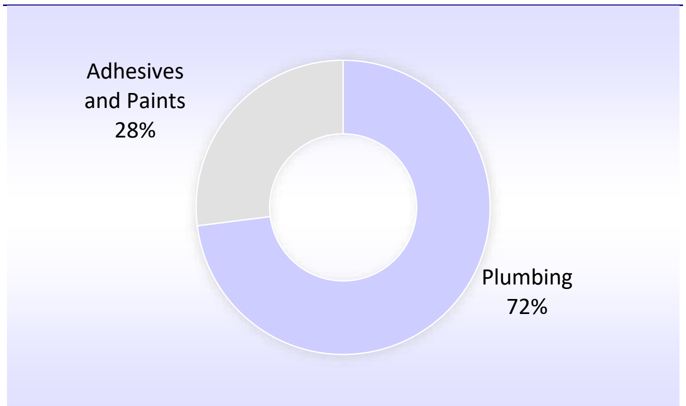
Exhibit 49: Corporate structure of ASTRA



Source: Company

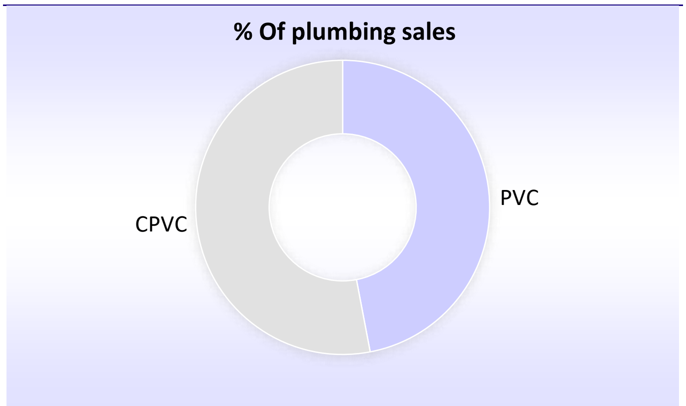
- ASTRA's manufacturing operations span 26 units across three countries, with a total capacity of ~566k MT as of Mar'25, including 382k MT for pipes, water tanks, and bathware, making it a significant player in the industry.
- Plumbing solutions generate a majority (72%) of the company's revenue (of this, CPVC pipes contribute the highest), while 28% comes from adhesives and paints. Astral has built an extensive distribution network comprising over 3,610+ distributors and 251,000+ dealers across India, ensuring that its products are accessible nationwide.

Exhibit 50: Revenue breakup between segments and…



Source: Company, MOFSL

Exhibit 51: …PVC & CPVC as of FY25



Source: Company, MOFSL

Exhibit 52: ASTRA's business overview

Business verticals	Business Overview	Product portfolio	Target customers	Revenue mix
Plastic pipes	❖ ASTRA manufactures pipes and fittings, including ASTM solvent weld lead-free PVC systems. It operates nine plants in India with a 45k MT CPVC compounding capacity.	• Plumbing P&F • Sewerage/Drainage P&F • Agri P&F • Cable protection system • Industrial piping system • Fire protection system • Specialized fittings • Column and conduit pipe	• Plumbers • Contractors • Builders • Homeowners • Irrigation • Municipalities • Infrastructure • Projects	69%
Specialized valves	❖ They offer specialized valves known for precision engineering and reliability across applications.	• Compact true union ball valve • Single union ball valve • Industrial ball valve	• Industrial plants • Water treatment facilities • Oil & gas, HVAC	
Infrastructure products	❖ Its infrastructure products ensure durability and efficiency, catering to modern urban development needs.	• Drainage • Cable protection • PT duct systems	• Civil contractors • Construction Co. • Telecom Co. • Government Co.	
Bathware	❖ Astral Bathware, launched in CY19, expands its building materials portfolio with faucets, sinks, toilets, showerheads, and accessories for residential and commercial projects.	• Faucets • Sanitaryware • Cisterns • Showers	• Homeowners • Builders • Interior designers • Hotels • Hospitals	
Water tank	❖ Astral's water tanks, India's first with NSF approval, incorporate anti-viral copper shield technology for superior hygiene. Built for durability and quality, they set a benchmark in reliable water storage.	• Roto molded water tanks 4, 3, and 2 layers • Blow moulded tanks • Loft water tanks • Water tank with anti-viral copper shield 4&3 layers	• Homeowners • Builders • Commercial establishments • Agricultural users	3%
Adhesives & sealants	❖ Astral offers adhesives, sealants, tapes, and construction chemicals under brands like Resiwood, Trubuild, Bondtite, and Resiquick. Backed by advanced manufacturing, in-house R&D, and strong distribution, it drives growth through backward integration, Tier-2/3 expansion, and exports.	• Epoxy and putty • PVA adhesives • Rubber adhesives • Anaerobic adhesives • Tapes • Silicone, acrylic & hybrid sealants • Instant adhesives • Industrial adhesives • Solvent cements	• Construction • Companies • Contractors • Plumbers • Carpenters • Automotive industry • Manufacturing	24%
Construction chemicals	❖ Astral TruBuild provides waterproofing solutions, including membranes, coatings, sealants, and repair mortars, for residential, industrial, and infrastructure projects in India.	• Waterproofing solutions • Tile adhesives & grouts	• Construction companies • Contractors • Builders • Civil engineers	
Paints	❖ Astral Paints leverages Astral's distribution, offering emulsions, primers, and ancillary products for residential and commercial markets.	• Interior emulsions • Exterior emulsions • Distempers • Enamels • Undercoats (primer & wall putty)	• Homeowners • Painters • Contractors • Commercial buildings • Industrial facilities	4%

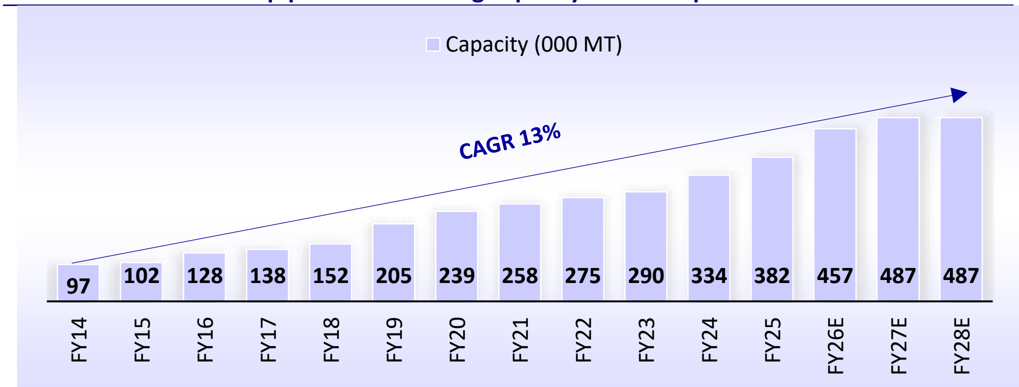
Source: Company, MOFSL

Expanding growth avenues with a diversified channel strategy

Tapping into INR2,259b TAM through multi-sector expansion

- ASTRA has a history of fast expansion by either launching new SKUs with different applications or entering new segments such as paints and adhesives or executing an aggressive capacity addition strategy that increased pipe manufacturing capacity by **14% CAGR over** the last 10 years, from 102k MT in FY15 to the current 382k MT.
- ASTRA is currently engaged in extensive expansion activities across multiple locations, including Hyderabad, Ghiloth, Hosur, Dholka and Kanpur, reflecting its commitment to increasing manufacturing capacity. Specifically, upcoming expansions include 70k MT (21k MT already commercialized) for pipes and water tanks in Hyderabad and 60k MT for pipes and water tanks in Kanpur. All capacities will be commercialized by FY26.
- **This widespread capacity enhancement underscores ASTRA's dedication to meeting growing market demand and strengthening its operational footprint across key regions.**

Exhibit 53: Evolution of pipe manufacturing capacity over the period

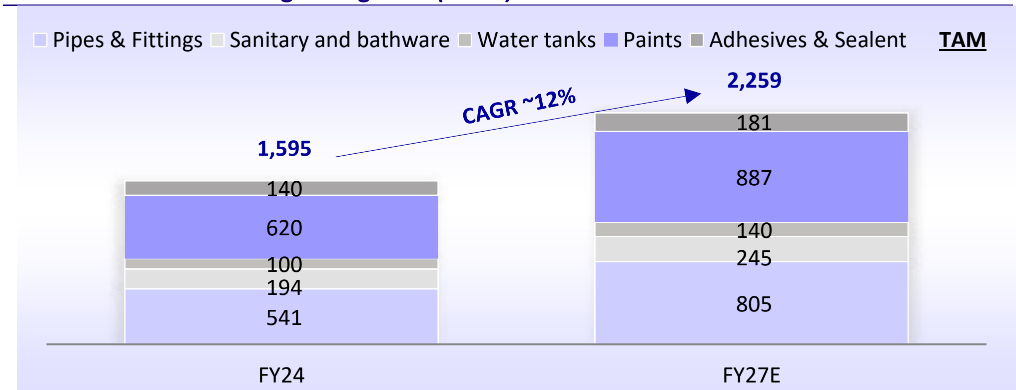


Source: Company

- It has expanded its pipes portfolio by adding **underground pipes, OPVC, PPR pipes, and PEX pipes**, showcasing its commitment to comprehensive growth. Over the past two decades, the company has transformed from being solely a CPVC pipe manufacturer to a diversified player in pipes, adhesives, and plastic water tanks, effectively de-risking its portfolio through innovative product launches and inorganic acquisitions.
- Two decades ago, CPVC contributed 100% of the company's revenue. Though its share has declined, it is still above 50%, reflecting segment growth alongside strategic diversification into PVC and DWC pipes, adhesives (Seal IT and Resinova), and the paints segment through the acquisition of Gem Paints in Jun'22. This expansion has effectively mitigated risks and broadened the company's addressable market.
- **While peers are doing related diversification into plastic-based segments, ASTRA is doing diversification on the channel side**. From plastic pipes, ASTRA has diversified into adhesives and sealants, construction chemicals, paints, and bathware.

- ASTRA operates in multiple segments with a TAM of INR1,595b as of FY24, which is expected to grow at ~12% CAGR to reach INR2,259b by FY27. The individual TAMs are plastic pipes (increasing from INR541b in FY24 to INR805b by FY27); sanitary and bathware (growing from INR194b to INR245b); water tanks (rising from INR100b to INR140b); paints (growing from INR620b to INR887b); and adhesives & sealants (increasing from INR140b to INR181b).
- **ASTRA has the highest TAM among its peers, driven by diversification across these segments.**

Exhibit 54: ASTRA's ever-growing TAM (INR b)



Source: Company

- **Diversification in channels makes ASTRA's revenue and margins less volatile**, as it ensures that all its sectors do not face headwinds simultaneously. While plastic pipe realizations are highly dependent on volatile PVC prices, ASTRA's focus on value-added products with stable realizations such as adhesives, paints, and bathware helps reduce this volatility.

Plumbing – bathware, sanitaryware, OPVC

OPVC

ASTRA enters OPVC/PEX pipes with cost-efficient innovation, targeting DI pipe replacement opportunity.

- ASTRA is set to introduce new products, including OPVC pipes and aluminum PEX pipes. With the BIS approval process already completed, commercial production will begin soon for OPVC pipes, while PEX production is planned for next year.
- The company has expanded its manufacturing facilities in Guwahati and Cuttack and has ordered four OPVC lines to be installed across India for high-pressure water supply applications, with **two additional OPVC machines already installed in 3QFY25 and received orders worth INR180m in 4QFY25.**
- **Through in-house innovation, ASTRA acquired OPVC machinery at half the cost of competitors and will invest only a quarter of the capex required by other players with similar capacities.**
- With an initial capacity of 7-8k MT with three machine lines and a first-year **target exceeding INR1b**, OPVC is positioned to replace DI pipes, offering a significant market opportunity. Strong initial feedback from customers and plumbers, along with favorable pricing and increasing inquiries, provides the company confidence in scaling up operations quickly if market response remains positive.

Sanitaryware and bathware

- The Indian sanitaryware and bathware industry, valued at INR194b in FY24, is growing at a 7-9% CAGR, driven by urbanization, rising disposable incomes, and increasing demand for modern, aesthetically pleasing solutions.
- ASTRA entered the bathware segment in Oct'21 and launched its first display center in Ahmedabad in Aug'22. The company manufactures bathware products at its 336k MT capacity facility in Jamnagar, Gujarat, and sells under four brands: Celestia, Imperia, Premia, and Gloria.
- The bathware segment comprises sanitaryware (toilets, basins), faucets, and showers, with rising demand for premium and luxury products reflecting evolving consumer preferences. **Sanitaryware and faucet margins can reach 15-17%** with scale and a strong brand presence, offering a clear path to higher profitability.
- In FY25, its bathware segment reported revenue of INR1.3b up 2x YoY but could not break even in FY25. **Management expects to be EBITDA-positive in FY26**.
- The INR245b TAM for bathware in FY27E and the shift toward organized players provide further opportunities. Positioned in the mid-pricing segment, ASTRA is seeing strong bulk orders, particularly from redevelopment projects, enhancing its growth prospects.
- In the valve division, commercial production of a new range of ball check valves and non-return valves in PVC and CPVC (sizes ranging from half an inch to four inches) commenced in 4QFY25, featuring 50 SKUs, further expanding the company’s product portfolio.

Adhesive ambitions: Widening horizons in the adhesives market

- ASTRA has strategically positioned itself within India’s burgeoning adhesives, sealants, and building chemicals industry. **Indian** adhesives and sealants market is valued at ~USD1.69b and projected to grow at a CAGR of 8-10% during FY24-32, reaching USD3.36b by FY32.
- Additionally, the **UK** adhesives and sealants market, driven by construction, automotive, and manufacturing, is expected to grow at a CAGR of 3-5% during CY24-32, reaching ~USD1.2b, with rising demand for eco-friendly and sustainable products.

Adhesives now core growth driver, backed by global synergies and distribution.

- In FY14, the company expanded its portfolio by acquiring subsidiaries Resinova Chemie (India) and Seal IT (UK) for INR2.1b and INR440m, respectively, marking a significant shift from its previous minimal presence in the adhesives sector, primarily through its subsidiary, Advanced Adhesive Ltd (AAL).
- Before the merger in FY16, AAL generated revenue of INR317m, but since then, ASTRA has transformed its adhesives business, which in FY25 accounted for 28% of total revenue.
- By integrating the adhesives segment, ASTRA has expanded its addressable market size by INR140b, enhancing long-term growth visibility. With a diverse portfolio of 60 brands, over 700 SKUs, and a network of 400k+ retailers in the adhesives business, the company is well-positioned to capture rising demand. **ASTRA, currently ranked as the number two player in the adhesives business**, offers products that cater to 100% of the market. Still, it is looking for category expansion, and in construction chemicals, the company is likely to tap all ranges in FY26.

- A testament to its innovative approach, ASTRA recently launched WPC fix and Acrylic fix for wood plastic composite substrates, which has garnered positive feedback from consumers. Building on this momentum, **ASTRA plans to introduce successful products from its US and UK operations, such as silicone tapes, to penetrate the Indian market further**.

Exhibit 55: Product categories in adhesive

Source: Company

- The fully operational Dahej plant (35.4k MTPA) is key to ASTRA's adhesive business expansion, reducing material costs through bulk raw material purchases and improving efficiency.
- **ASTRA is the first Indian company to manufacture the entire sealant range domestically, including silicone, hybrid, acrylic, and SBS, reinforcing its focus on backward integration across packaging processing and raw material intermediaries.**

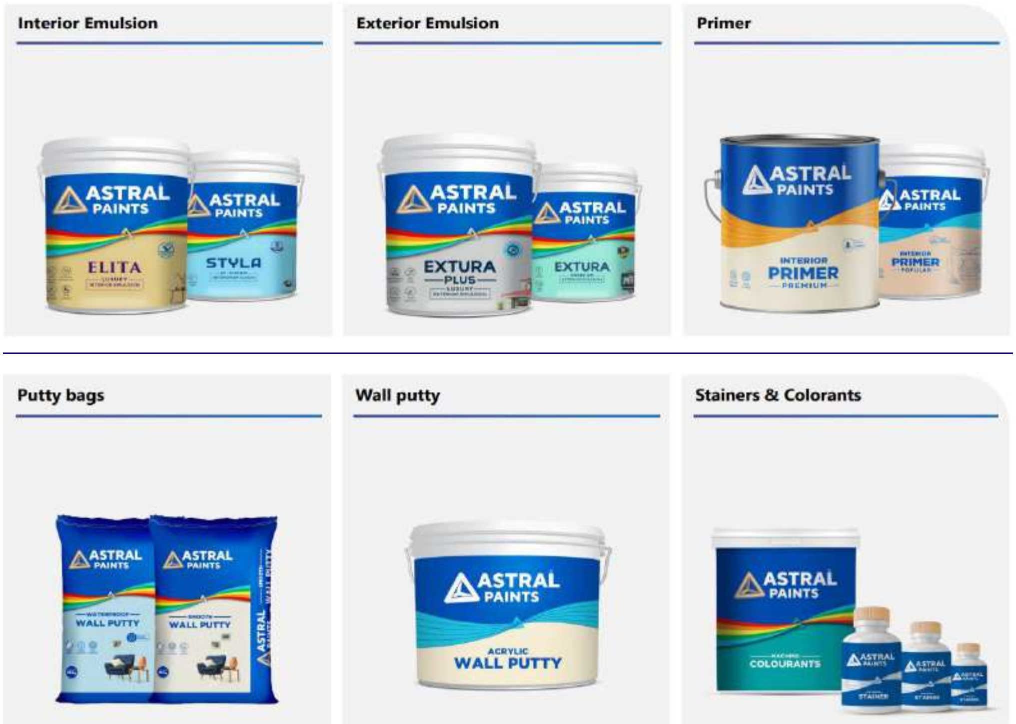
First Indian company to manufacture the entire sealant range domestically

- Since acquiring the adhesives business in FY16, ASTRA has set up R&D facilities in India and abroad (via SEAL IT) to drive innovation and product development. In the UK, ASTRA is developing advanced technology adhesives that have received positive initial market feedback. These products are set for launch within two quarters and will also be manufactured in India, making ASTRA one of the first companies to introduce such adhesives domestically, strengthening its market position.
- The upcoming "New Bharat Initiative" targets rural India (61% of the population, ~910m) with a specialized adhesive product, gaining early traction and presenting a strong brand-building opportunity in a less competitive market.
- The adhesives segment is divided into 4-5 sub-segments, enabling tailored offerings. ASTRA maintains a competitive edge with a 5-15% price discount vs. industry leaders**. With a projected 15-20% CAGR and ~15% sustainable margins, ASTRA anticipates strong growth**. **UK market recovery and bottoming-out chemical prices are expected to drive double-digit growth and boost margins, recovering from inventory losses.**

Setting up the next growth lever – Paints

- ASTRA entered the paint segment by acquiring a controlling stake (80% as of Mar’25) in Gem Paints in Apr’22, adding a 36k MTPA capacity. It launched multiple categories and SKUs in May’24, with retail paints under the Astral brand and industrial paints under the owner brand.
- The Indian paint industry, valued at INR620b in FY24, is driven by urbanization, rising incomes, and demand for aesthetic, durable paints, with a projected CAGR of 8-10%. Moreover, government initiatives like "Housing for All" and increased infrastructure spending are fueling demand for both decorative and industrial paints.
- Decorative paints dominate 75% of the market through residential and commercial construction, while the industrial paint segment (including automotive and protective coatings) is expanding with manufacturing and infrastructure growth. The industrial paint market accounts for ~25% of the INR620b total paint market and is expected to grow at 7-8% CAGR, with TAM projected to reach INR1.5t over the next 10 years.

Exhibit 56: Forayed into paint business with wide range of offerings

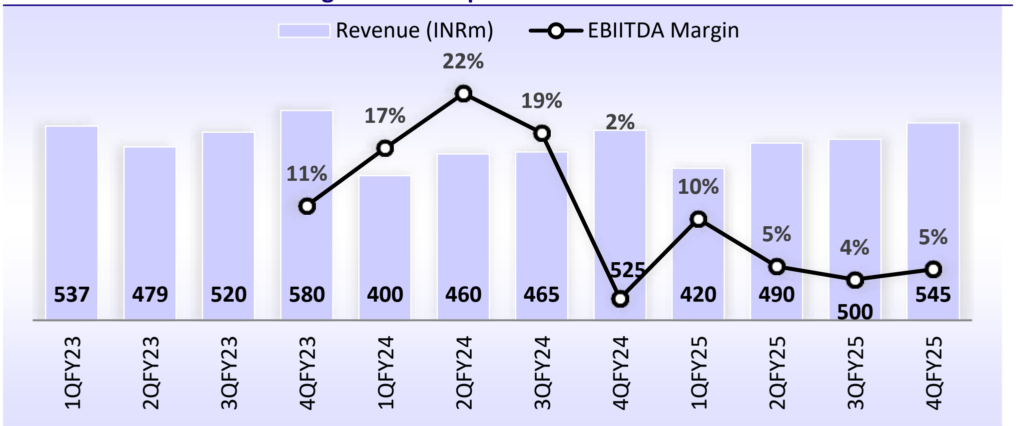


Source: Company

- **ASTRA targets 15-20% revenue growth in the paint segment**, driven by portfolio expansion, enhanced distribution, and eco-friendly formulations. In FY25, revenue increased by 6% YoY to INR2.0b (vs. INR1.9b in FY24), while EBITDA margin declined to ~6% (from 14.5%) due to branding investments, team expansion, dealer network development, and high launch costs. The company is foregoing 100-200bp in margins to accelerate market penetration, with initial margins expected at 14%.

- **Leveraging its established pipes distribution network and onboarding new channel partners, ASTRA is poised for sustained double-digit growth in both retail and industrial paints, capitalizing on premium product demand, evolving consumer preferences, and rising disposable incomes.**
- Initial market response has been positive in Gujarat and Rajasthan. It is operating in the South through Gem Paints. The company plans to expand into Madhya Pradesh and Maharashtra in the next 5-6 months to further strengthen its footprint.
- The business is expected to stabilize and scale up rapidly once the distribution network is fully established. **While margins remain subdued due to high launch costs, improvement is anticipated in 2HFY26, driven by operational efficiencies and brand maturity**.

Exhibit 57: Revenue and margin trends of paint business

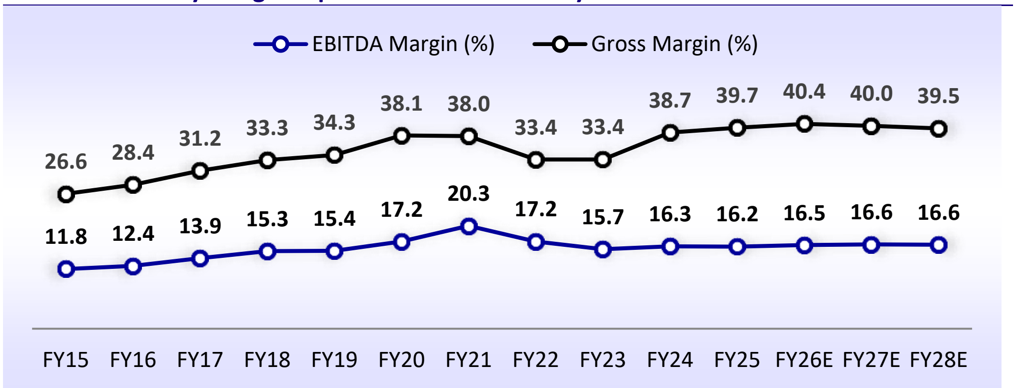


Source: Company

Outperforming the competition: ASTRA's edge in efficiency

- A few years back, ASTRA relied solely on Lubrizol for CPVC compound procurement, which ensured high quality but created vendor dependency, exposing the company to raw material supply disruptions and cost pressures.
- To mitigate these risks, ASTRA has successfully backward-integrated its operations to manufacture the CPVC compound in-house, allowing greater control over production processes and supply chain stability.
- As part of its backward integration efforts**, ASTRA sources CPVC resin from Sakesui under a non-exclusive agreement**, enabling flexibility with multiple vendors and ensuring a consistent supply of raw materials.
- **This backward integration strategy has resulted in a cost reduction of 1.5–2%** compared to external procurement costs. With a growing operational scale, ASTRA benefits from improved economies of scale that further reduce raw material procurement costs.
- While gross margin expanded in FY25 compared to FY24 and FY23, ASTRA aims to sustain it at around 39%, boasting the lowest raw material cost as a percentage of sales among peers at 60%.

Exhibit 58: Steady margin expansion toward stability

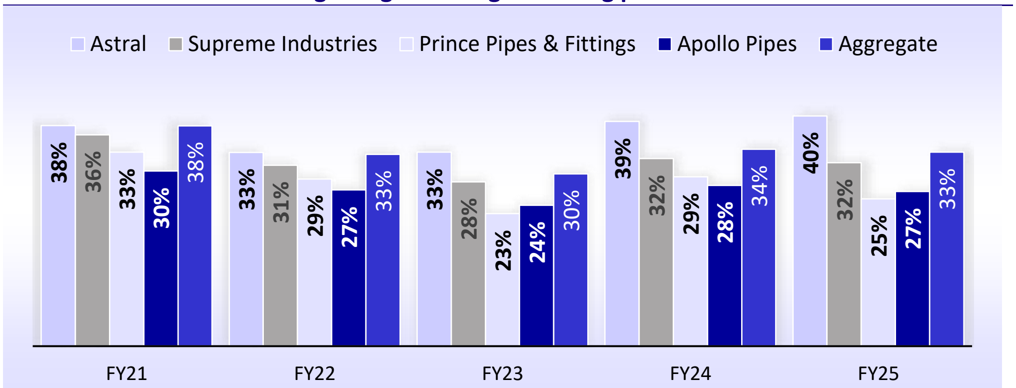


Source: Company, MOFSL

- ASTRA has also been undertaking initiatives to **curb freight costs** by decentralizing its manufacturing facilities and ramping up capacities at plants located closer to the ports for raw material imports.
- The Union Ministry of Commerce and Industry imposed ADD on CPVC resins/compounds from China (USD605/ton) and South Korea (USD792/ton) in Mar'20 for five years, set to expire in Mar'25. Following a sunset review, the duty was extended for another five years in Aug'24, now effective until Aug'29. **This augurs well for ASTRA, as it does not import from these countries, giving it a competitive edge over players impacted by the duty, while smaller manufacturers may face challenges in sustaining operations**.
- In FY25, ASTRA achieved the highest gross margin of 40% among peers, standing above aggregate margins since FY21, and recorded the highest EBITDA CAGR of 16% from FY20 to FY25 among peers.

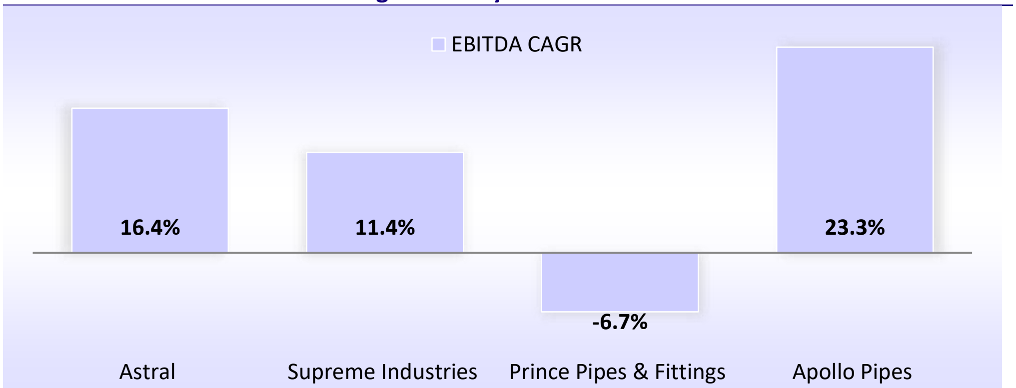
- **While FY25 was challenging for the plastic pipe industry, with significant erosion in the profitability of its peers, ASTRA successfully maintained its margins at 16.2%.**

Exhibit 59: ASTRA has the highest gross margins among peers



Source: Company

Exhibit 60: ASTRA recorded the highest five-year EBITDA CAGR



Note: Apollo Pipes growth was on low base

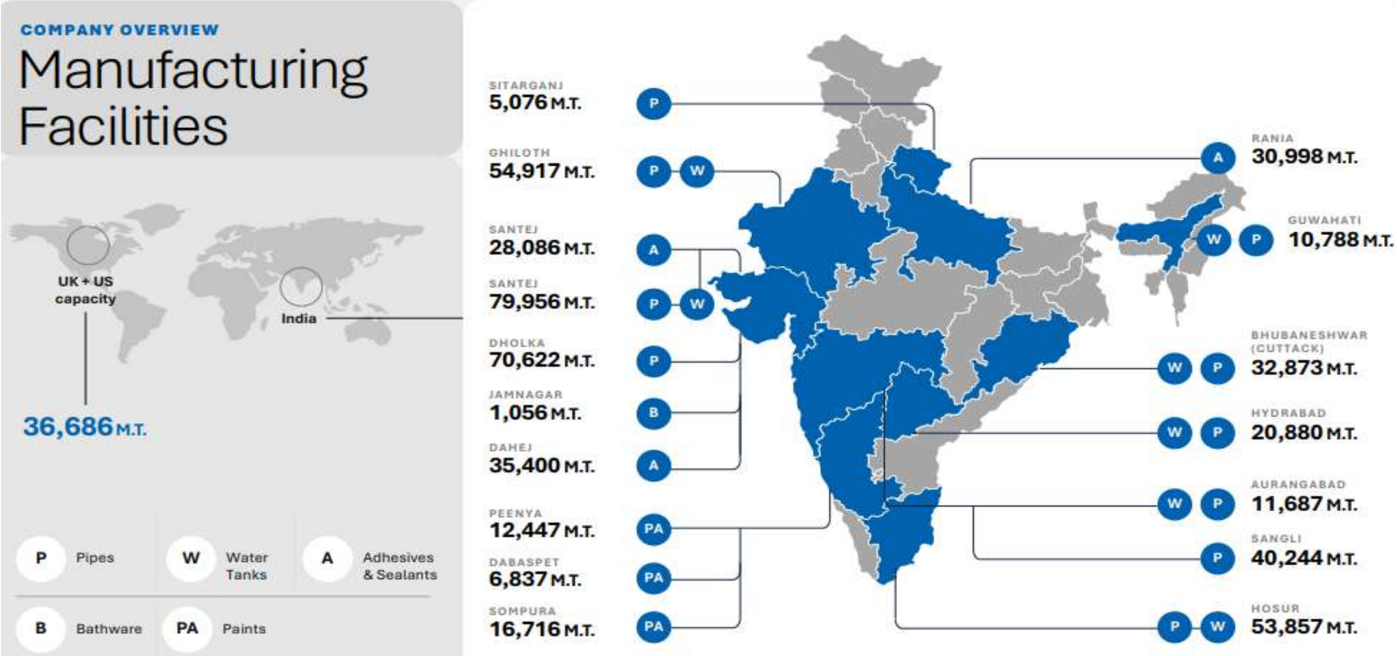
Source: Company

- Despite spending relatively more on A&P, the company maintains the highest EBITDA margins compared to peers, with plans to further improve these margins by reducing marketing expenses through a change in its brand ambassador model.

ASTRA's expanding reach to support expanding TAM

- ASTRA currently operates 25 manufacturing units (including nine for pipes), compared to 13 units in FY21 (including six for pipes). Furthermore, the company has enhanced its export presence, growing to 31+ countries in FY25 from 25+ countries in FY23, indicating a robust commitment to scaling up operations and broadening its market reach.
- **ASTRA has opened a marketing office in Dubai to expand its export business** in the UAE, Gulf, and African markets, with an aim of growing exports to INR3b in the next three to four years from ~INR760m in FY24. From this office, the company will enter the Gulf export market for all its value-added and adhesive products. It has also appointed a distributor in Dubai to strengthen its presence.
- ASTRA has successfully diversified across multiple dimensions, expanding geographically with capacities in three regions, including the US and UK, while maintaining a strong presence in India supported by a pan-India distribution network.

Exhibit 61: Diversified manufacturing facilities

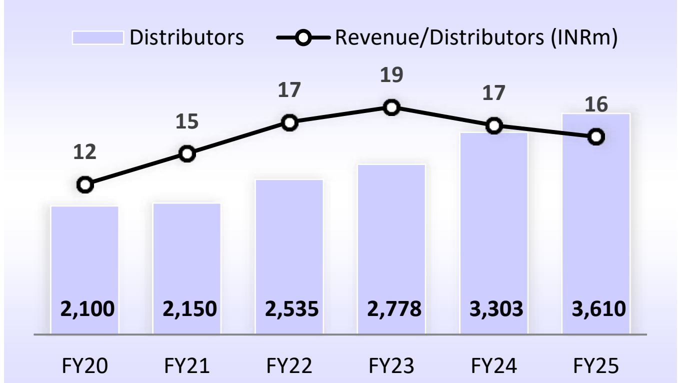


Source: Company

Extensive distribution network

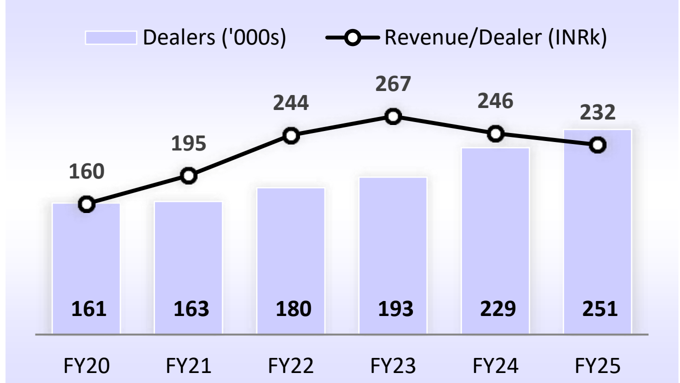
- The company has significantly expanded its distribution network to a total of 3,610+ distributors and 251,000+ dealers as of now from 850+ distributors for pipes and 1,300+ distributors for adhesives and sealants in FY21.
- The company's expanded distribution network and increased revenue per distributor and dealer reflect improved market penetration across India, supported by a 9% CAGR dealer network since FY20. Stronger relationships with channel partners and strategic dealer additions have led to enhanced revenue growth and an improved market presence across regions.
- Concurrently, the company has achieved a 9% CAGR in revenue per dealer since FY20, which is even higher than growth in dealers, demonstrating its ability to maximize dealer contributions; this indicates that **each new dealer addition results in higher marginal revenue for the company**, further solidifying its competitive advantage in the market.
- This strengthens dealer loyalty, as the growth in dealer earnings, alongside the company's revenue, fosters goodwill within the dealer network. As a result, dealers are more receptive to new product launches, enabling the company to introduce new offerings faster to the market, leveraging its positive track record and trusted relationships.

Exhibit 62: Successfully utilized its distribution network



Source: Company, MOFSL

Exhibit 63: Improved dealer performance by focusing on B2C



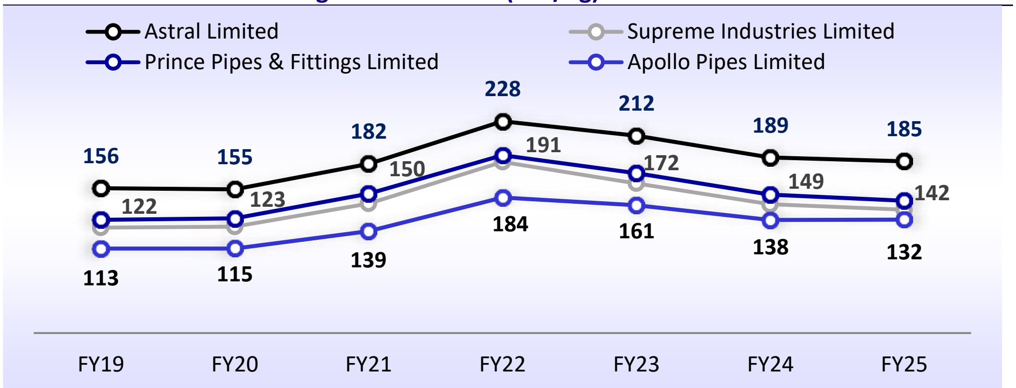
Source: Company, MOFSL

- A decline in revenue per dealer/distributor during FY24 and FY25 is led by volatile raw material prices, weak demand, and destocking activity by dealers/ distributors. Currently, dealers/distributors are holding only one- or max two-week inventory levels vs. three- to five-week inventory levels during normalcy. With stabilization expected in raw material prices, we expect this trend to continue its upward trajectory.

Leadership in plumbing business realization:

- ASTRA boasts the highest realization in the plumbing business among its peers at INR185/kg, driven by its focus on high-margin segments. Despite market fluctuations, the company's realization remained stable, with ASTRA recording the lowest YoY decline in realization amid polymer price volatility, sustaining near its six-year average of INR186/kg.
- As ASTRA continues to enhance its product portfolio with innovative and value-added offerings, the company is expected to enjoy higher realizations in the future.

Exhibit 64: ASTRA records highest realization (INR/Kg)



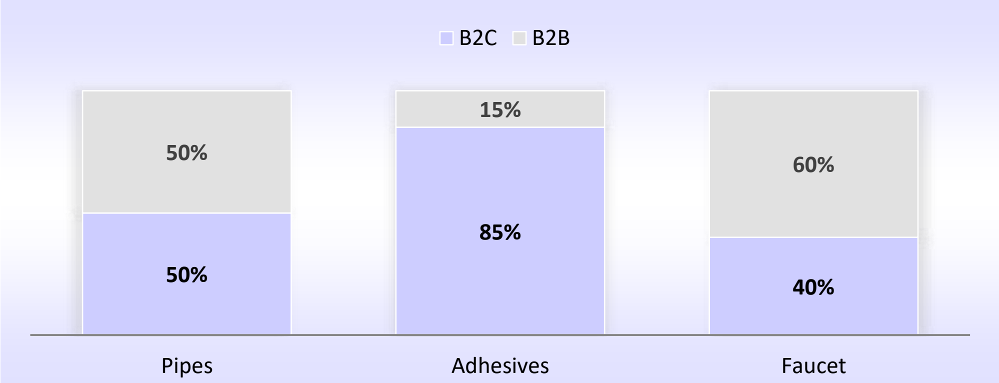
Source: Company

Revenue composition and strategic shift to B2C

- About 72% of ASTRA's revenue consistently comes from the plumbing business, a share broadly unchanged since FY23.
- The company initially targeted B2B customers in its CPVC business but faced losses. In response, ASTRA shifted its focus to the B2C segment, which significantly improved profitability.

- Currently, 50% of its revenue in the piping segment is generated from the B2C market, with the remaining portion derived from projects (B2B).

Exhibit 65: Greater focus on B2C

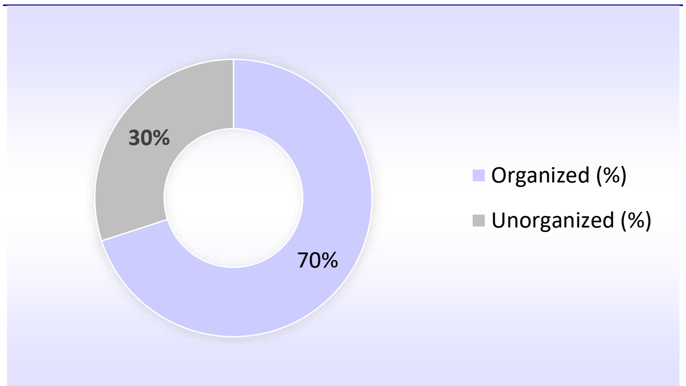


Source: Company, MOSL research

First-mover advantage and market leadership in CPVC pipes:

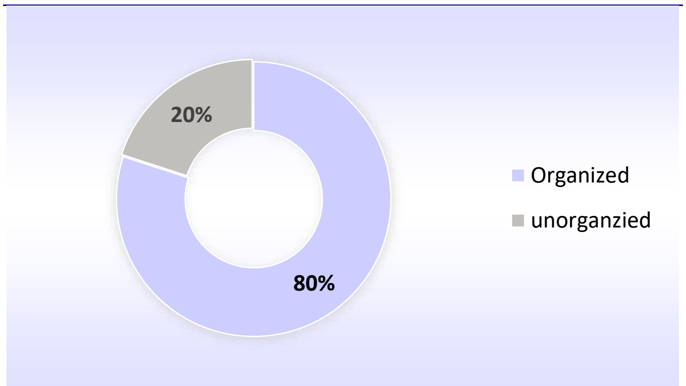
- ASTRA pioneered CPVC piping in India and has built over 17 years of expertise in the CPVC pipes and fittings market.
- The company holds a ~30% market share in the CPVC pipes segment, which contributes over 50% of total revenue from the overall pipes business. The CPVC market is more organized (75-80%) than the PVC pipe segment (65%).

Exhibit 66: PVC is fragmented with many small players…



Source: Industry, MOFSL

Exhibit 67: …while large players dominate the CPVC market



Source: Industry, MOFSL

High-margin product portfolio and non-agricultural focus

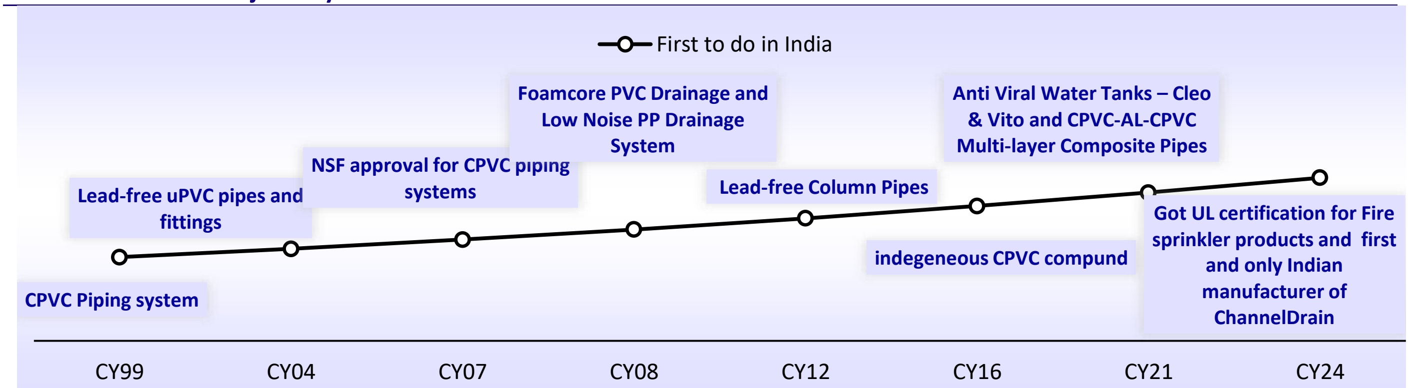
- ASTRA's ~90% of the revenue is derived from non-agricultural products, which yield higher margins, further enhancing realization.
- Its product mix continues to evolve with the introduction of value-added products like specialized valves, PTMT products, OPVC pipes, aluminum PEX pipes, and fire sprinkler systems, contributing to better margins and higher realizations.

Pioneering innovation and strategic branding

Staying ahead of the curve, supported by innovation

- ASTRA has made significant strides in introducing innovative products and solutions in the Indian market, particularly in the plumbing and water management sectors, establishing itself as a leader in the industry.
- The company was a pioneer in introducing CPVC in India and has launched numerous groundbreaking products, including:
  - **Recyfix** – Surface drainage system
  - **Pex-a Pro** – Plumbing for hot and cold water
  - **Insu Pro** – Insulated pipe for hot and cold water and HVAC
  - **OPVC Pro** – Used in high-pressure water distribution systems
  - **Silencio** – High-density, low-noise drainage system
  - **CPVC Pro** – Advanced hot and cold water plumbing system
  - **Fire Pro** – Fire application
  - **Chem Pro** – Industrial application
  - **BondTite Pro** – UV-resistant epoxy adhesive
  - **Rainway** – Efficient rainwater collection
  - **Drain Pro** – Three-layer drainage and sewerage piping system
  - **Channel Pro** – UV-resistant drainage solution for diverse applications
  - **Oriented PVC Pipes** – High-pressure piping system

Exhibit 68: Innovative journey of ASTRA



Source: Company

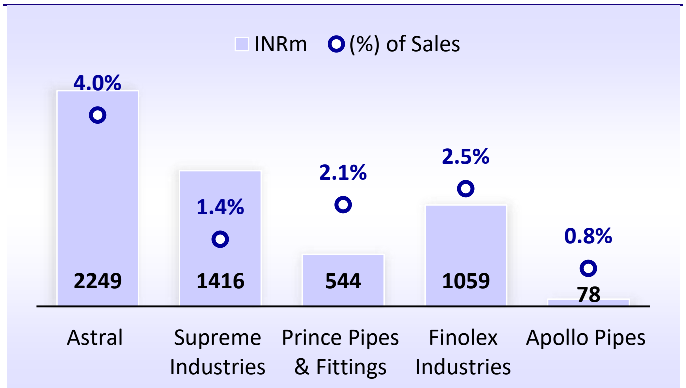
- ASTRA's commitment to quality is exemplified in its new OPVC pipes, as the company has acquired advanced machinery at half the cost of competitors, enabling faster plant setup through in-house innovation.
- For paints, it utilizes filtered media to ensure that no foreign particles contaminate its paint products.
- Notably, Astral Vito was the first water tank in India to receive NSF approval, underscoring the brand's dedication to quality and safety.
- The company has strengthened its position in the fire protection segment with the recent UL certification for its fireproof fittings, complementing its already UL-certified fire pipes–a mandatory requirement for selling fire products in the Indian market. With a fully UL-certified range, the company is well-positioned to capture a higher market share in the project business and expand exports to Europe and other global markets, reinforcing its competitive edge in the fire safety industry.

- **As per our interaction with industry players and dealers/experts, product offerings of organized players do not differ much in terms of quality, and hence, entry barriers are minimal. Thus, product innovation is critical.**
- This highlights the importance of innovation in the pipe industry; this, in terms of long-term benefits, also proves to be an entry barrier for other players, as the initial player occupies a larger mind share in the market that is difficult to break.

Strong brand: More of a consumer pull model

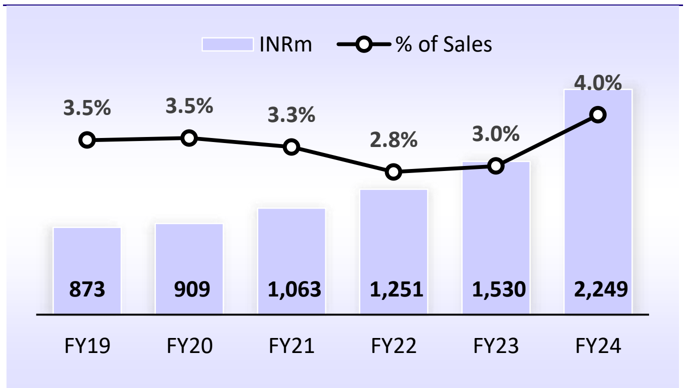
- ASTRA leverages high-impact branding through collaborations with IPL teams like CSK, MI, GT, PBKS, and LSG, along with strategic in-film placements in Dunki (Astral Pipes) and Jawan (BondTite). It also engages in multi-channel advertising, including TV, print, outdoor, radio, trade exhibits, dealer shop branding, and IPL on-ground branding, strengthening its competitive edge in a low-entry-barrier industry.
- The company is expanding its reach in adhesives and sealants with the "New Bharat" initiative, targeting rural India's shift to branded products. Additionally, it has appointed Allu Arjun as its brand ambassador and promoted BondTite Pro with Varun Dhawan, significantly boosting visibility and consumer engagement.
- With the highest A&P spend among peers at 4% of sales (up 1% YoY), ASTRA's management invests heavily in marketing. This strategic focus has helped the company build a strong brand recall, improve visibility, and effectively launch new products and segments while cross-selling its offerings across categories.

Exhibit 69: Highest ad spend among peers (FY24)



Source: Company, MOFSL

Exhibit 70: Ad spending has increased consistently



Source: Company, MOFSL

- **ASTRA's comprehensive marketing efforts have positioned it as a leader in branding within the industry, helping it stand out from competitors and strengthening its presence across diverse market segments.**

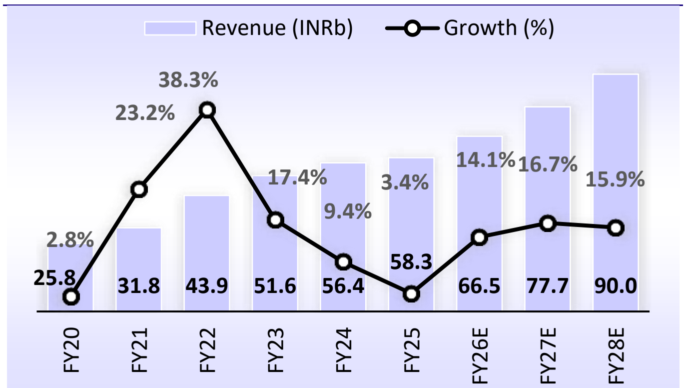
Strong financial track record

Revenue/EBITDA/Adj. PAT CAGR of 18%/16%/14% over FY20-25

Revenue growth momentum to continue

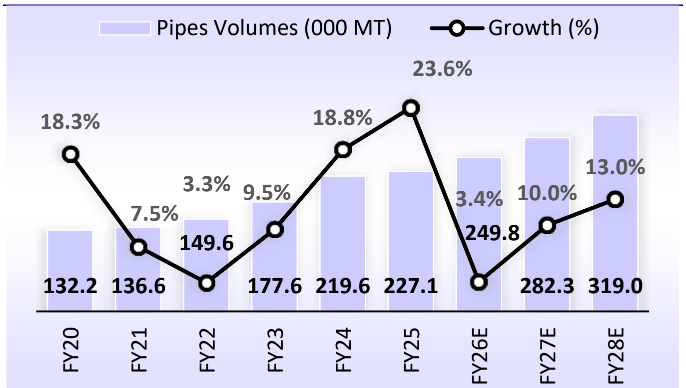
- ASTRA clocked a robust 18% revenue CAGR over FY20-25, driven by strong volume growth (11%) and higher realizations (7%). However, in FY25, revenue growth moderated to 3% YoY, reaching INR58.3b, as market volatility led to a 2% decline in realization due to falling polymer and chemical prices. Despite this, ASTRA achieved piping volume growth at ~3% in FY25, while industry growth was negative, demonstrating its strong execution and ability to capture underlying demand.
- Over FY20-25, ASTRA delivered an 11% volume CAGR, reaching 227.1k MT in FY25. Looking ahead, we expect a 12% volume CAGR over FY25-FY28E, with volumes estimated to rise to 319k MT in FY28E, driven by sustained demand recovery, deeper penetration in non-agri segments, and a stabilizing pricing environment.
- From FY20 to FY24, realizations increased from INR155/kg to INR189/kg, supported by a higher CPVC mix and rising polymer prices. However, FY25 saw a decline to INR185/kg, impacted by lower PVC and CPVC resin prices. With PVC prices now stabilizing in May'25, we anticipate realizations to gradually improve to INR200/kg by FY28E, further supporting revenue growth.
- **Despite near-term headwinds, ASTRA remains well-positioned for a recovery, standing at the bottom of the cycle. The company's strong brand equity, diversified product portfolio, and strategic market positioning will enable it to benefit from an anticipated recovery in demand and price stabilization. We expect 16% revenue CAGR over FY25-FY28E, supported by volume expansion, pricing normalization, and structural demand tailwinds.**

Exhibit 71: Expect revenue CAGR of 16% over FY25-28E



Source: Company, MOFSL

Exhibit 72: Expected volume CAGR 12% over FY25-FY27E



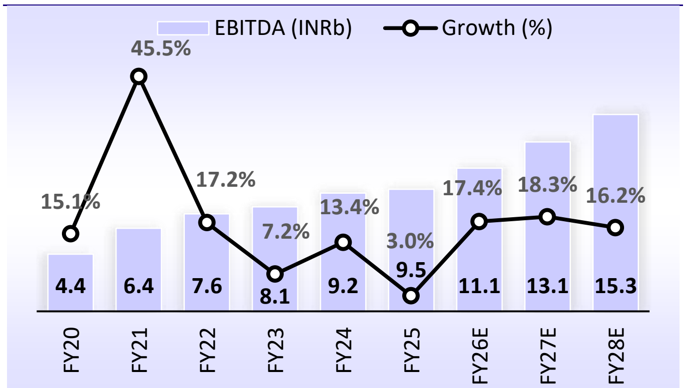
Source: Company, MOFSL

Navigating volatility with stable margins

- ASTRA benefits from a higher mix of CPVC pipes, which are value-added products with higher and more stable margins compared to PVC pipes. Additionally, CPVC resin prices have historically been less volatile than PVC, allowing the company to maintain consistent EBITDA margins over time.

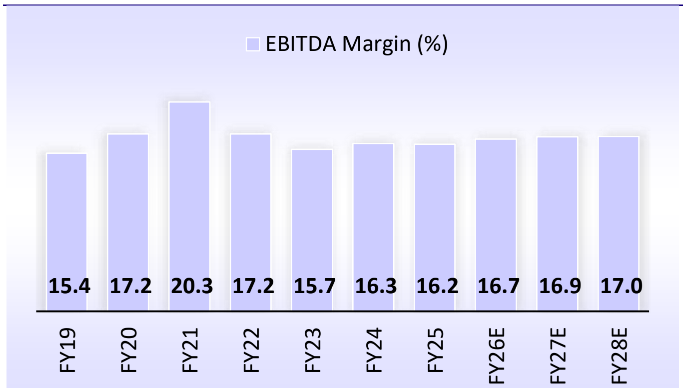
- ASTRA primarily operates in the higher-margin non-agri segment and has maintained a stable long-term EBITDA margin of ~16%, achieving 16.2% in FY25 despite market volatility.
- It continues its strategic expansion into high-margin segments like adhesives and paints. While Seal IT and the paint division currently operate at lower margins, profitability is expected to improve with scale. Its India adhesive business remains a strong contributor with a stable ~16% EBITDA margin in FY25. Seal IT UK has turned EBITDA positive, with margins expected to normalize at 5-10% by 2QFY26 as economic conditions improve. The paint division, though impacted by initial costs, is poised to achieve double-digit EBITDA margins from 1QFY26, driven by cost efficiencies, brand expansion, and economies of scale.
- **Looking ahead, with a recovery in PVC prices and margin improvement in the overseas adhesive and paint businesses, we expect EBITDA margins to expand to ~17.0% by FY28E.**

Exhibit 73: EBITDA likely to register 17% CAGR…



Source: Company, MOFSL

Exhibit 74: …led by improvement in margin over FY25-28E

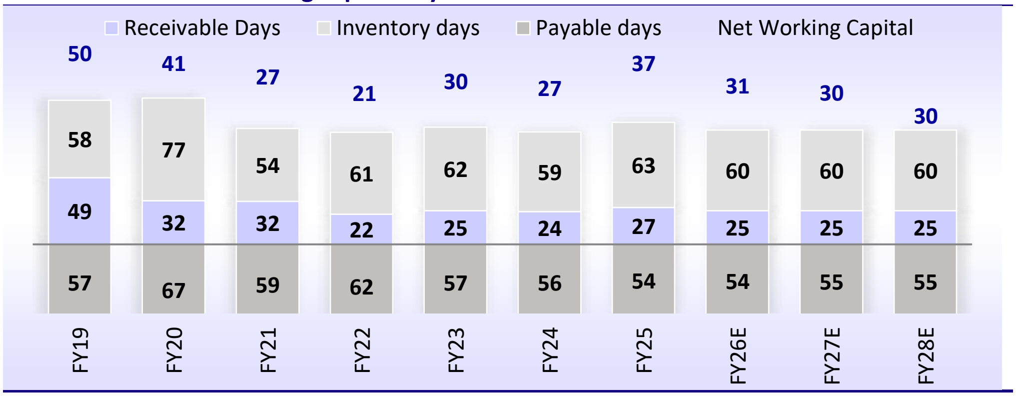


Source: Company, MOFSL

Efficiency-led growth, cash flow-backed stability

- ASTRA has significantly improved its working capital efficiency, with net working capital days at 37 in FY25 from 50 in FY19. This improvement was primarily driven by a sharp reduction in debtor days, which declined from 49 days in FY19 to 27 days in FY24, reflecting better collections and tighter credit policies.
- Inventory days have risen by five days to 63 in FY25, and payable days have decreased marginally to 54 in FY24 from 57 in FY19. Given this consistent trend, **we expect working capital days to remain steady at 30 days by FY28, ensuring a strong liquidity position.**

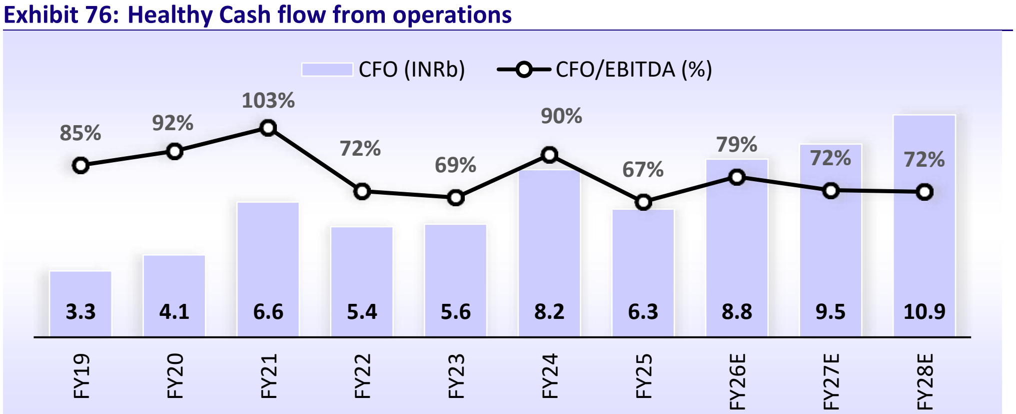
Exhibit 75: Efficient working capital days



Source: Company, MOSL research

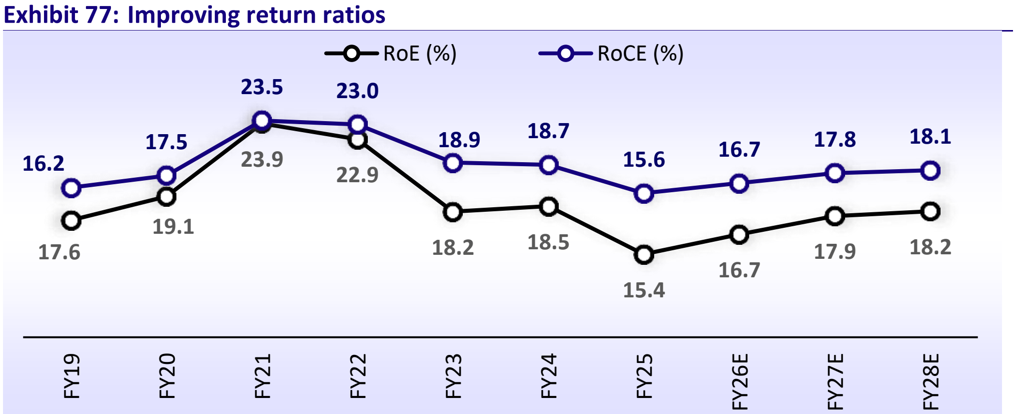
- ASTRA's operating cash flow has consistently outpaced EBITDA growth, highlighting efficient working capital management. CFO surged from INR3.3b in FY19 to INR8.2b in FY24, delivering a 20% CAGR. However, due to headwinds in FY25, its CFO declined 23% YoY to INR6.3b
- Improved cash conversion is evident from CFO/EBITDA, which stood at 80% (on average) in the last five years. It has declined to 67% in FY25. Still, it reflects ASTRA's healthy cash flow quality. As the business continues to scale up, we expect CFO/EBITDA to normalize at 72% by FY28E, maintaining strong cash generation.
- **Capex intensity is set to decline sharply in FY26 and beyond, as ASTRA has built sufficient capacity to sustain growth over the next few years. This shift toward higher free cash flow generation will improve capital efficiency while maintaining expansion momentum.**

Exhibit 76: Healthy Cash flow from operations



Source: Company, MOFSL

Exhibit 77: Improving return ratios



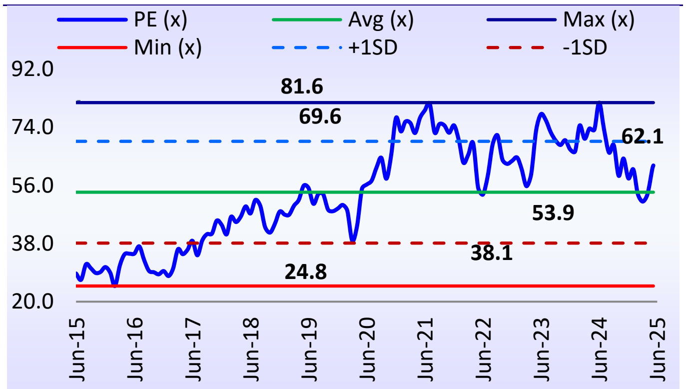
Source: Company, MOFSL

Valuation and view

Initiating coverage with a BUY rating

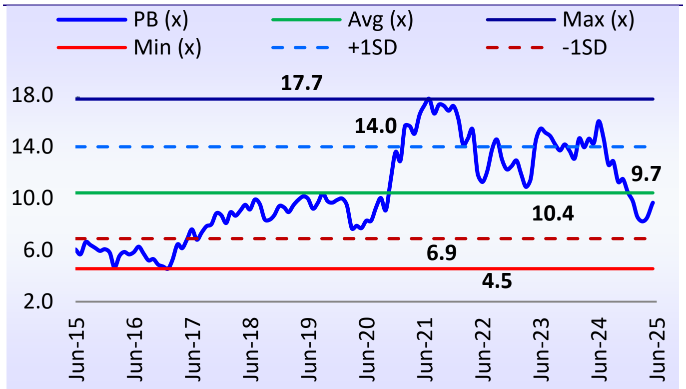
- **A well-diversified network and its growing focus on other value-added products (in the pipe segment and evolving segments such as adhesives and paints) should diversify ASTRA's revenue stream and margin profile over the long run.**
- **ASTRA has the highest TAM (INR1,595b in FY24) among its peers, offering a long runway for growth. With manufacturing capacity growing at 14% CAGR over a decade and a 10% CAGR (over FY20-25) in the distributor network, its focus on product innovation and channel expansion reinforces market leadership.**
- **The company maintains the highest EBIT/kg and industry-leading realizations, aided by a premium CPVC mix and 90% revenue from non-agri segments. Despite industry-wide pressures, stable EBITDA margins in FY25 highlight the strong foothold of the company.**
- **We expect ASTRA to deliver a CAGR of 16%/17%/23% in revenue/EBITDA/adj. PAT over FY25-28, driven by a revenue CAGR of 15%/17% in the pipes/adhesives business.**
- **We are encouraged by the long-term structural opportunity in the sector and ASTRA's capability to participate in it. We initiate coverage with a BUY rating and an SOTP-based TP of INR1,800 (premised on 45x FY27E P/E, which reflects a 33% discount over the stock's five-year average one-year forward P/E).**

Exhibit 78: One-year forward P/E (x)



Source: Company, MOFSL

Exhibit 79: One-year forward P/B (x)



Source: Company, MOFSL

Key risks

- ASTRA relies on CPVC and PVC resins, which are derived from crude oil. Fluctuations in global crude prices can impact **raw material** costs, affecting margins. Despite backward integration, ASTRA sources CPVC resin from select vendors like Sekisui. Supply disruptions or pricing pressures from these suppliers could impact production and profitability.
- The pipe and adhesive industries are **highly competitive**, with players like Supreme, Finolex, and Pidilite. Pricing pressure and market share retention are key challenges.
- Expansion into bathware and paints requires strong distribution and brand positioning. **Failure to scale** effectively in these categories could impact overall growth and profitability.
- ASTRA's growth is closely tied to the real estate and construction sectors. Any slowdown in infrastructure or housing activity could affect demand for its products.

SWOT Analysis

- ☑ Pioneer in CPVC pipes, which has resulted in a strong brand presence
- ☑ Leading player in the pipe industry, with a strong brand presence and a diversified product portfolio
- ☑ Highest TAM in the industry

- ☑ Limited number of CPVC resin suppliers in the market increases suppliers' bargaining power
- ☑ Intense competition in the industry, marked by low product differentiation

- ☑ Growth in adhesives, water tanks and industrial applications de-risking revenue growth by diversification
- ☑ Launch of Seal IT developed adhesive in India expands its reach into premium industrial adhesives with advanced technological differentiation

- ☑ Low entry barriers and product differentiation resulting in high industry fragmentation
- ☑ Volatility in cost of raw materials derived from crude oil by-products

Bull and Bear cases

Bull case

- ☑ In our bull case scenario, we assume a revenue CAGR of 19% over FY25-28, led recovery in demand in the piping segment, and a healthy ramp-up in the adhesives & paints segment. Further, an increase in raw material pricing will improve realizations in the pipes segments.
- ☑ We expect the margin to expand ~200bp from the FY25 levels to reach ~18.2% over FY28, led by better realization, improving product mix, and favorable operating leverage.
- ☑ The company's EPS would register a robust CAGR of 30% over FY25-28E, driven by operating leverage.
- ☑ We value the stock on a price-to-earnings basis, assigning 50x FY27 EPS arriving at a TP of INR2,320.

Bear case

- ☑ In our bear case scenario, we assume a revenue CAGR of 12% over FY25-28, considering slow recovery in pipes demand, slow ramp up in adhesive and paints business due to intense competition, and flat/no recovery in the pricing scenario.
- ☑ We expect the margin to marginally expand ~10bp from the FY25 levels to reach 16.3% over FY28.
- ☑ The company's EPS would register a CAGR of 16% over FY25-28E.
- ☑ We value the stock on a price-to-earnings basis, assigning 40x FY27 EPS arriving at a TP of INR1,380.

Exhibit 80: Bull and Bear case scenarios (INR m)

	Particulars	FY25	FY26E	FY27E	FY28E	CAGR (FY25-28E, %)
Bear case	Revenue	58,324	63,857	72,056	81,907	12
P/E: 40x	EBITDA	9,459	10,238	11,653	13,334	12
INR1380	EPS	26	29	34	41	16
Base case	Revenue	58,324	66,537	77,679	90,033	16
P/E: 45x	EBITDA	9,459	11,104	13,140	15,271	17
INR1800	EPS	26	32	40	48	23
Bull case	Revenue	58,324	70,016	83,248	97,769	19
P/E: 50x	EBITDA	9,459	11,908	14,820	17,820	24
INR2320	EPS	26	35	47	58	30

Source: MOFSL, Company

Management team

Mr. Sandeep Pravinbhai Engineer
Chairman & Managing Director

He is the Founder, Chairman, and Managing Director of Astral. In 1996, he established Astral Poly Technik and introduced CPVC piping to India in 1998. Under his leadership, Astral has diversified into adhesives, sealants, water tanks, and paints. He is a chemical engineer and has completed a senior executives program at Harvard Business School.

Mr. Kairav Engineer
Executive Director

He holds a Bachelor of Science degree in Industrial Engineering and Management from Georgia Tech, Atlanta-USA. He joined Astral in 2011. Under his leadership, Astral has diversified into new segments like bathware, adhesives, and paints. He was recognized among the Top 40 Under 40 Asian Leaders by Asia One and as one of the Tycoons of Tomorrow by Forbes India.

Mr. Saumya Engineer
CEO - Astral Adhesives & Paints

He holds a Bachelor of Science degree in Management from Arizona State University's W.P. Carey School of Business. Joining Astral in 2014, he initially worked in business development, gaining industry insights. He successfully led the integration of Resinova Chemie with Astral Group.

Mrs. Jagruti S. Engineer
Whole-time Director

She holds a Bachelor of Arts degree. She is promoter director of the company. Since incorporation, she has been managing Administration, Human Resource and Corporate Social Responsibility departments of Astral and has contributed significantly to growth of the company.

Mr. Hiranand Savlani
Executive Director & CFO

He is a chartered accountant. Before joining Astral, he gained extensive experience in finance and accounting through various positions in other companies. He joined Astral in Jul'23 as a whole-time director & CFO.

ESG initiatives

Environmental initiatives

- The company is developing and implementing an environment management system to measure and monitor the various environmental parameters.
- It will implement best practices in areas such as energy management, carbon emission reduction, waste management, and water management.
- The company will identify climate change-related risks and develop a mitigation strategy to reduce the carbon intensity across the value chain.

CSR initiatives

- The company has been invested in doing social welfare in areas, i.e., promoting healthcare, education, rural development, disaster relief, protection of national heritage, socioeconomic development, promoting gender equality and empowering women, supplying drinking water, trying to eradicate extreme hunger and poverty, and other areas of public service.

Governance

- As of Mar'25, the board comprised nine directors, including five independent directors and two woman directors.
- The board comprises seasoned professionals with expertise in various fields, contributing diverse experiences.
- The board's performance is assessed annually based on their responsibilities, and a strong compliance mechanism is in place to adhere to applicable rules and regulations.

Financials and valuations

Consolidated - Income Statement (INRm)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total Income from Operations	**25,073**	**25,779**	**31,763**	**43,940**	**51,585**	**56,414**	**58,324**	**66,537**	**77,679**	**90,033**
Change (%)	21.0	2.8	23.2	38.3	17.4	9.4	3.4	14.1	16.7	15.9
Total RM Cost	16,477	15,957	19,689	29,280	34,347	34,590	35,192	39,634	46,593	54,468
Employees Cost	1,391	1,752	1,910	2,453	3,193	4,384	5,179	5,656	6,214	6,843
Other Expenses	3,355	3,641	3,719	4,654	5,946	8,257	8,494	10,142	11,731	13,452
Total Expenditure	**21,224**	**21,350**	**25,318**	**36,387**	**43,486**	**47,231**	**48,865**	**55,432**	**64,538**	**74,762**
% of Sales	84.6	82.8	79.7	82.8	84.3	83.7	83.8	83.3	83.1	83.0
EBITDA	**3,849**	**4,429**	**6,445**	**7,553**	**8,099**	**9,183**	**9,459**	**11,104**	**13,140**	**15,271**
Margin (%)	15.4	17.2	20.3	17.2	15.7	16.3	16.2	16.7	16.9	17.0
Depreciation	814	1,079	1,165	1,269	1,781	1,976	2,434	2,889	3,077	3,251
EBIT	**3,035**	**3,350**	**5,280**	**6,284**	**6,318**	**7,207**	**7,025**	**8,215**	**10,063**	**12,020**
Int. and Finance Charges	257	211	116	129	400	291	413	282	132	132
Other Income	154	121	251	349	267	421	413	665	777	900
PBT bef. EO Exp.	**2,932**	**3,260**	**5,415**	**6,504**	**6,185**	**7,337**	**7,025**	**8,599**	**10,708**	**12,789**
EO Items	-62	-183	-15	0	-18	0	0	0	0	0
PBT after EO Exp.	**2,870**	**3,077**	**5,400**	**6,504**	**6,167**	**7,337**	**7,025**	**8,599**	**10,708**	**12,789**
Total Tax	861	565	1,248	1,581	1,557	1,880	1,836	2,162	2,692	3,215
Tax Rate (%)	30.0	18.4	23.1	24.3	25.2	25.6	26.1	25.1	25.1	25.1
Minority Interest	51	33	108	85	44	-4	-49	-56	-65	-75
Reported PAT	**1,958**	**2,479**	**4,044**	**4,838**	**4,566**	**5,461**	**5,238**	**6,493**	**8,081**	**9,648**
Adjusted PAT	**2,020**	**2,662**	**4,059**	**4,838**	**4,584**	**5,461**	**5,238**	**6,493**	**8,081**	**9,648**
Change (%)	12.2	31.8	52.5	19.2	-5.3	19.1	-4.1	24.0	24.5	19.4
Margin (%)	8.1	10.3	12.8	11.0	8.9	9.7	9.0	9.8	10.4	10.7

Consolidated - Balance Sheet (INRm)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	120	151	201	201	269	269	269	269	269	269
Total Reserves	12,657	14,878	18,757	23,165	26,843	31,612	35,901	41,390	48,466	57,110
Net Worth	**12,777**	**15,029**	**18,958**	**23,366**	**27,112**	**31,881**	**36,170**	**41,659**	**48,735**	**57,379**
Minority Interest	150	168	212	278	2,477	804	757	757	757	757
Total Loans	2,741	1,856	397	851	773	964	1,439	439	439	439
Deferred Tax Liabilities	534	430	401	401	409	460	551	551	551	551
Capital Employed	**16,201**	**17,483**	**19,968**	**24,896**	**30,771**	**34,109**	**38,917**	**43,406**	**50,482**	**59,126**
Gross Block	12,064	14,218	15,769	18,866	24,578	29,979	35,831	38,259	40,644	42,721
Less: Accum. Deprn.	3,548	4,627	5,792	7,061	8,842	10,818	13,252	16,141	19,218	22,470
Net Fixed Assets	**8,517**	**9,591**	**9,977**	**11,805**	**15,736**	**19,161**	**22,579**	**22,118**	**21,426**	**20,252**
Goodwill on Consolidation	2,538	2,553	2,570	2,567	3,125	3,133	3,146	3,146	3,146	3,146
Capital WIP	808	444	566	1,232	1,261	1,506	1,160	1,732	1,346	1,269
Curr. Assets, Loans&Adv.	**9,129**	**10,303**	**13,615**	**18,268**	**23,609**	**21,179**	**23,675**	**29,767**	**40,234**	**52,621**
Inventory	3,958	5,404	4,721	7,334	8,746	9,134	10,111	10,938	12,769	14,800
Account Receivables	3,391	2,278	2,767	2,691	3,545	3,758	4,353	4,557	5,320	6,167
Cash and Bank Balance	981	1,301	4,760	6,418	6,821	6,096	6,083	10,280	17,483	26,252
Loans and Advances	799	1,320	1,367	1,825	4,497	2,191	3,128	3,992	4,661	5,402
Curr. Liability & Prov.	**4,791**	**5,409**	**6,760**	**8,976**	**12,960**	**10,870**	**11,643**	**13,357**	**15,670**	**18,162**
Account Payables	3,897	4,754	5,172	7,484	8,000	8,719	8,589	9,930	11,669	13,525
Other Current Liabilities	834	589	1,519	1,457	4,903	2,090	2,944	3,327	3,884	4,502
Provisions	60	66	69	35	57	61	110	100	117	135
Net Current Assets	**4,338**	**4,894**	**6,855**	**9,292**	**10,649**	**10,309**	**12,032**	**16,410**	**24,564**	**34,459**
Appl. of Funds	**16,201**	**17,483**	**19,968**	**24,896**	**30,771**	**34,109**	**38,917**	**43,406**	**50,482**	**59,126**

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)										
EPS	**10.1**	**13.2**	**20.2**	**24.1**	**22.8**	**27.2**	**26.1**	**32.3**	**40.2**	**48.0**
Cash EPS	14.1	18.6	26.0	30.4	31.7	37.0	38.2	46.7	55.5	64.2
BV/Share	63.6	74.8	94.4	116.3	134.9	158.7	180.0	207.4	242.6	285.6
DPS	0.5	1.0	1.0	2.3	3.5	3.8	3.8	5.0	5.0	5.0
Payout (%)	6.6	9.7	5.0	9.3	15.4	13.8	14.4	15.5	12.4	10.4
Valuation (x)										
P/E	149.3	113.3	74.3	62.3	65.8	55.2	57.6	46.4	37.3	31.3
Cash P/E	106.4	80.6	57.7	49.4	47.4	40.5	39.3	32.1	27.0	23.4
P/BV	23.6	20.1	15.9	12.9	11.1	9.5	8.3	7.2	6.2	5.3
EV/Sales	12.1	11.7	9.4	6.7	5.7	5.3	5.1	4.4	3.7	3.1
EV/EBITDA	78.8	68.2	46.1	39.2	36.5	32.3	31.4	26.3	21.7	18.1
Dividend Yield (%)	0.0	0.1	0.1	0.1	0.2	0.2	0.2	0.3	0.3	0.3
FCF per share	-1.3	9.6	24.5	8.3	12.2	13.4	4.2	28.7	37.3	44.4
Return Ratios (%)										
RoE	17.6	19.1	23.9	22.9	18.2	18.5	15.4	16.7	17.9	18.2
RoCE	16.2	17.5	23.5	23.0	18.9	18.7	15.6	16.7	17.8	18.1
RoIC	16.5	18.1	26.7	29.8	23.7	21.8	17.8	19.5	23.9	28.5
Working Capital Ratios										
Fixed Asset Turnover (x)	2.1	1.8	2.0	2.3	2.1	1.9	1.6	1.7	1.9	2.1
Asset Turnover (x)	1.5	1.5	1.6	1.8	1.7	1.7	1.5	1.5	1.5	1.5
Inventory (Days)	58	77	54	61	62	59	63	60	60	60
Debtor (Days)	49	32	32	22	25	24	27	25	25	25
Creditor (Days)	57	67	59	62	57	56	54	54	55	55
Leverage Ratio (x)										
Current Ratio	1.9	1.9	2.0	2.0	1.8	1.9	2.0	2.2	2.6	2.9
Interest Cover Ratio	11.8	15.9	45.5	48.7	15.8	24.8	17.0	29.2	76.4	91.3
Net Debt/Equity	0.1	0.0	-0.2	-0.2	-0.2	-0.2	-0.1	-0.2	-0.3	-0.4

Consolidated - Cash Flow Statement (INRm)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	2,932	3,061	5,330	6,504	6,152	7,336	7,025	8,599	10,708	12,789
Depreciation	814	1,079	1,165	1,269	1,781	1,976	2,434	2,889	3,077	3,251
Interest & Finance Charges	103	394	131	-220	400	291	413	-384	-645	-769
Direct Taxes Paid	-861	-815	-1,162	-1,581	-1,654	-1,772	-1,701	-2,162	-2,692	-3,215
(Inc)/Dec in WC	-426	188	1,142	-541	-1,026	500	-1,718	-181	-950	-1,126
CF from Operations	**2,562**	**3,907**	**6,606**	**5,431**	**5,653**	**8,331**	**6,453**	**8,762**	**9,498**	**10,930**
Others	696	147	36	0	-84	-97	-157	0	0	0
CF from Operating incl EO	**3,258**	**4,054**	**6,642**	**5,431**	**5,569**	**8,234**	**6,296**	**8,762**	**9,498**	**10,930**
(Inc)/Dec in FA	-3,520	-2,133	-1,711	-3,760	-3,110	-5,539	-5,448	-3,000	-2,000	-2,000
Free Cash Flow	**-262**	**1,921**	**4,931**	**1,671**	**2,459**	**2,695**	**848**	**5,762**	**7,498**	**8,930**
(Pur)/Sale of Investments	-2	18	48	0	0	0	0	0	0	0
Others	588	-1,062	-2,878	4,475	-1,687	129	322	665	777	900
CF from Investments	**-2,934**	**-3,177**	**-4,541**	**715**	**-4,797**	**-5,410**	**-5,126**	**-2,335**	**-1,223**	**-1,100**
Issue of Shares	0	0	1	0	0	0	0	0	0	0
Inc/(Dec) in Debt	866	-936	-1,188	454	-384	191	440	-1,000	0	0
Interest Paid	-257	-409	-140	-129	-366	-267	-342	-282	-132	-132
Dividend Paid	-129	-240	-151	-452	-603	-1,007	-1,007	-1,005	-1,005	-1,005
Others	-260	1,117	3,998	-4,361	984	-2,466	-272	56	65	75
CF from Fin. Activity	**220**	**-468**	**2,520**	**-4,488**	**-369**	**-3,549**	**-1,181**	**-2,230**	**-1,071**	**-1,062**
Inc/Dec of Cash	**545**	**409**	**4,621**	**1,658**	**403**	**-725**	**-11**	**4,197**	**7,203**	**8,769**
Opening Balance	437	892	139	4,760	6,418	6,821	6,094	6,083	10,280	17,483
Closing Balance	**981**	**1,301**	**4,760**	**6,418**	**6,821**	**6,096**	**6,083**	**10,280**	**17,483**	**26,252**

Prince Pipes and Fittings

BSE Sensex	S&P CNX
82,756	25,245

PRINCE PIPING SYSTEMS
PRINCE PIPES AND FITTINGS LIMITED

Stock Info

Bloomberg	PRINCPIP IN
Equity Shares (m)	111
M.Cap.(INRb)/(USDb)	37.9 / 0.4
52-Week Range (INR)	721 / 210
1, 6, 12 Rel. Per (%)	5/-22/-55
12M Avg Val (INR M)	135
Free float (%)	39.1

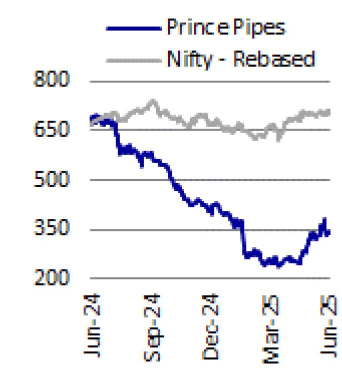
Financial Snapshot (INR b)

Y/E Mar	2025	2026E	2027E
Sales	25.2	29.2	33.7
EBITDA	1.6	2.8	3.5
Adj. PAT	0.4	1.2	1.7
EBITDA (%)	6.4	9.5	10.5
EPS (INR)	3.9	10.6	15.7
EPS Gr. (%)	-73.8	170.2	48.6
BV/Sh. (INR)	350.3	371.2	404.8
Ratios			
Net D/E	0.1	0.1	0.0
RoE (%)	2.8	7.2	9.9
RoCE (%)	2.9	6.8	9.3
Payout (%)	51.3	19.0	12.8
Valuations			
P/E (x)	87.5	32.4	21.8
EV/EBITDA (x)	24.4	14.2	10.8
Div Yield (%)	0.6	0.6	0.6
FCF Yield (%)	-3.6	0.5	3.7

Shareholding Pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	60.9	60.9	60.9
DII	15.0	16.5	18.5
FII	6.2	6.1	5.2
Others	17.9	16.6	15.4

Stock Performance (1-year)



CMP: INR343 | **TP:INR500 (+46%)** | **Buy**

Driving piping prosperity through innovation and expansion

Incorporated in CY87 by Jayant Chheda, Prince Pipes & Fittings (PRINCPIP) is among India's top five plastic piping solution providers. With 7,200+ SKUs across plumbing, agriculture, and infrastructure, the company operates eight plants (398K MTPA by FY25) and has 1,500+ distributors. CPVC contributes 20-25% to the company's revenue.

- **PRINCPIP's eight plants, along with its industry-low freight-to-sales ratio (1.6%), optimize logistics, while its East India plant boosts distribution efficiency. Its distributor base has grown 2x since FY17, expanding its reach into rural areas. Strategic partnerships with Lubrizol, Ostendorf, Hauraton, and Unnati drive innovation and market leadership.**
- **With ~70% of its revenue from real estate and 20-25% from CPVC, PRINCPIP is well positioned to benefit from India's USD5.8t real estate sector by CY47. The company is expanding its premium offerings, bathware, and water tanks, while also strengthening its presence in East India with a 60K MTPA Bihar plant.**
- **PRINCPIP serves a market worth ~INR835b across pipes, bathware, and water tanks, with a portfolio of 7,200+ SKUs. The Aquel acquisition (Mar'24) and new product launches further strengthen its premium segment. With a 20% YoY growth in water tank sales, expanded production, increased A&P spending (2.1% of sales), and showroom expansions, it is well-positioned for sustained market leadership.**
- **We estimate a revenue/EBITDA/Adj. PAT CAGR of 16%/38%/73% over FY25-28E (11%/8%/8% CAGR over FY24-28E), driven by a 10% volume CAGR and recovery in EBITDA/kg. We value the stock at 32x FY27E EPS, arriving at a TP of INR500. We initiate coverage with a BUY rating.**

Accelerating market penetration through strategic moves

- PRINCPIP's strategically located eight manufacturing plants and industry-low 1.6% freight-to-sales ratio have helped reduce logistics costs by ~2-3% compared to peers. With 11 depots and warehouses each, the company maintains a cost-effective supply chain. The recently commissioned East India plant (Bihar, current capacity at 24KTPA will increase to 60KTPA by 3QFY26) will further enhance distribution and cost efficiencies.
- The company has expanded its distributor base from 766 (Mar'17) to 1,500+ (Mar'25), with a focus on rural penetration and higher revenue per distributor. While the highest distributor presence is in the South and the lowest in the East, PRINCPIP is actively working to strengthen its footprint in the Eastern region.
- Technical collaborations have played a pivotal role in shaping the company's growth trajectory by enabling the launch of innovative and cost-effective SKUs. For instance, the partnership with Lubrizol (FY20) for the CPVC segment allowed PRINCPIP to narrow price gaps. Additionally, alliances with Ostendorf Kunststoffe and Hauraton (FY23) have helped the company introduce advanced drainage solutions to India.

Seizing the wave of positive momentum

- With ~70% of PRINCPIP's revenue coming from real estate and 20-25% from CPVC, the company is well-positioned to benefit from India's rapidly growing real estate sector (USD5.8t expected by CY47). The pipes TAM for real estate is projected to reach a 14% CAGR (FY24-FY28), doubling the profit pool.
- Luxury home sales surged 53% in CY24, and in line with this trend, PRINCPIP is enhancing its premium offerings with products such as Skolan Safe, HT Safe, and Prince Hauraton for luxury and civil applications. The company is also expanding its water tank segment, targeting a capacity of 6m liters/month at its Bihar plant by 1QFY26.
- The acquisition of Aquel in Mar'24 has enhanced PRINCPIP's presence in bathware, faucets, showers, and sanitaryware, catering to real estate developers and architects.
- PRINCPIP is expanding its footprint in East India with the 60K MTPA plant in Begusarai, Bihar (24KTPA currently will increase to 60KTPA by 3QFY26), which aims to optimize logistics, reduce costs, and strengthen market reach. Additionally, the recent government budget announced significant allocation for the eastern region, particularly Bihar.
- Infrastructure projects like Jal Jeevan Mission, PMAY Urban 2.0, and industrial park developments drive long-term demand, reinforcing PRINCPIP's growth trajectory.

Unlocking growth by expanding TAM

- PRINCPIP now addresses a market valued at ~INR835b, spanning pipes (INR541b), bathware (INR194b), and water tanks (INR100b). Its portfolio of 7,200+ SKUs, including CPVC, UPVC, PPR, and HDPE products, is further strengthened through acquisitions and innovations.
- The acquisition of Aquel added nine product lines and 250 SKUs to PRINCPIP's portfolio, while new launches like Skolan Safe, Prince Hauraton, and Terrafit have enhanced its presence in luxury drainage, civil, and plumbing sectors.
- The water tank segment grew 20% YoY in FY25, driven by a shift from cement and steel tanks. PRINCPIP has expanded production across five locations, including new facilities in Haridwar and Chennai.
- The bathware market (8-10% CAGR) offers further potential, with 200+ retail touchpoints and showroom expansions in Goa, Jaipur, and Pune reinforcing PRINCPIP's footprint.
- A&P investments increased to 2.1% of sales in FY24 (vs. 1.5% in FY23), with Akshay Kumar as the brand ambassador. Additionally, bundling plumbing, bathware, and water tanks creates strong cross-selling opportunities, positioning PRINCPIP for sustained leadership.

Strategic realignments paving the way for stability

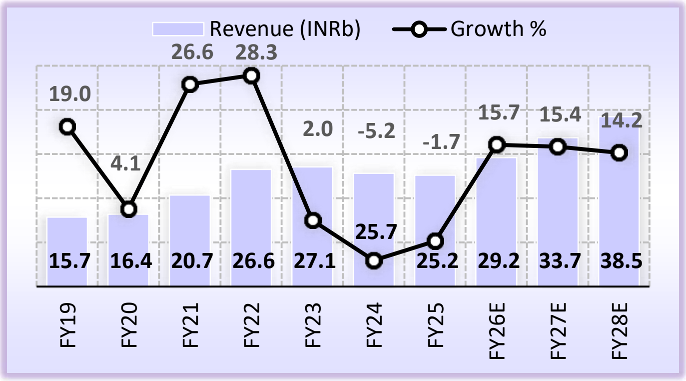
- PRINCPIP experienced a healthy revenue growth trajectory over FY18-23, with a 15% revenue CAGR. However, revenue dipped to INR25.7b in FY24 (down 5%) from INR27.1b in FY23 due to ERP disruptions and pricing challenges. In FY25, performance was also impacted (further down 2% YoY) due to volatile prices and a subdued demand scenario. However, we expect PRINCPIP to rebound with a 15% CAGR over FY25-FY28 (11% over FY24-28), reaching INR38.5b, driven by a 12% volume CAGR and stabilization/ slight recovery in realization.
- EBITDA margin was down to 6.4% in FY25 due to PVC volatility and inventory losses. However, it is expected to recover to ~11% by FY28, supported by high-margin CPVC & bathware growth, operating leverage, and reduced dependence on agri-sales. EBITDA is projected to report a 38% CAGR over FY25-FY28 on the low base of FY25 (8% CAGR over FY24-28E).
- Working capital days are expected to improve to ~83 by FY28 through better channel financing, thereby reducing debtor days. This improvement is also likely to be led by a healthy generation of CFO. The CFO/EBITDA ratio is expected to average ~73% over FY25-28.

Piped for success – Initiate coverage with a BUY rating

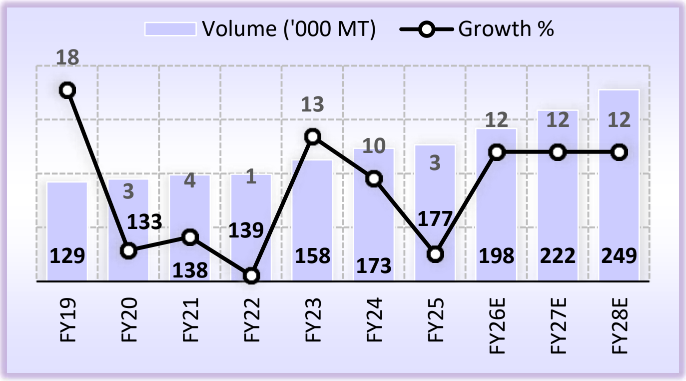
- PRINCPIP is well-positioned for growth with an addressable market worth ~INR835b, strong real estate exposure (~70% revenue), premium product expansion, and a 60K MTPA plant in Bihar to enhance its reach in East India.
- The rising domestic resin production, a reduction in price volatility (with potential ADD on PVC resin imports), and optimization of working capital will further strengthen its financial stability.
- We estimate PRINCPIP to deliver revenue/EBITDA/Adj. PAT CAGR of 15%/38%/73% over FY25-28.
- **PRINCPIP is currently trading at 22x FY27E P/E, and we believe the company is at a sweet spot where upcoming industry tailwinds and its market positioning will drive growth and margin recovery. We initiate coverage on the stock with a BUY rating and a TP of INR500 (premised on 32x FY27E P/E).**

Story in charts

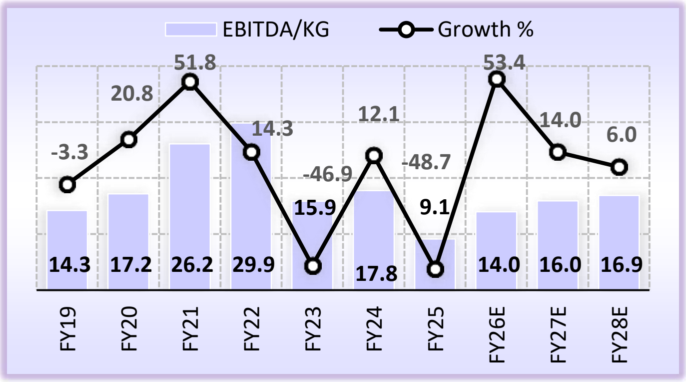
Expect revenue CAGR of 15% over FY25-28...



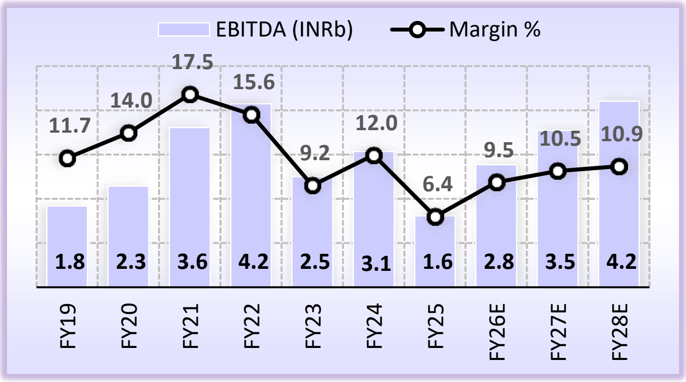
...driven by volume CAGR of 12%



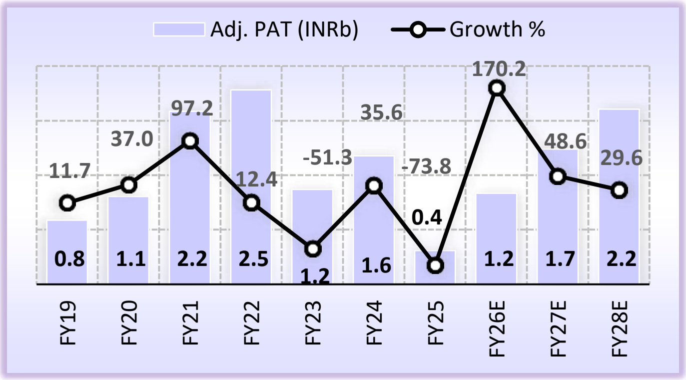
EBITDA/kg trend



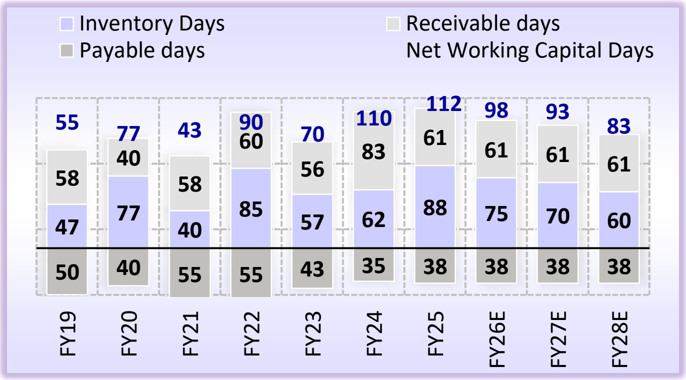
Expect EBITDA CAGR of 38% over FY25-28...



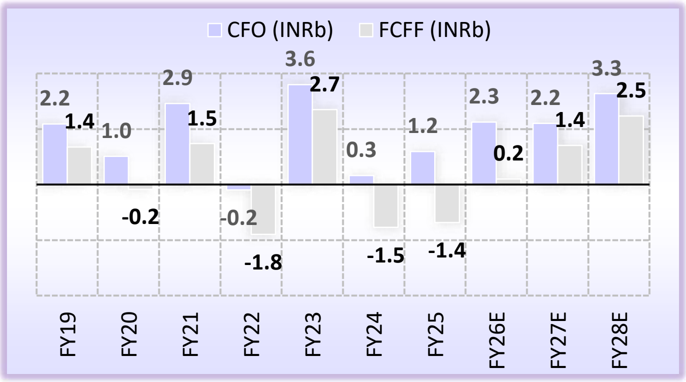
...and PAT CAGR of 73%



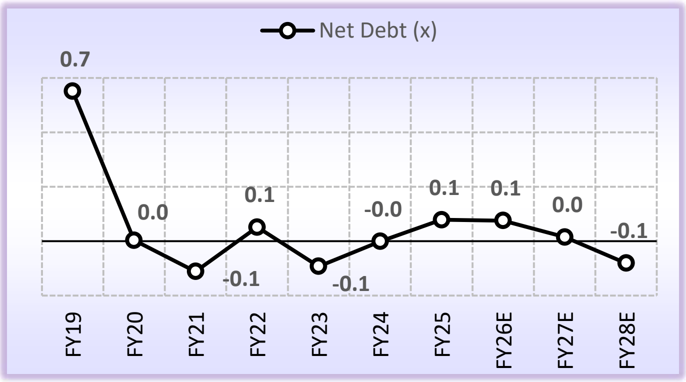
Trend of working capital days



Healthy CFO generation with recovery trend



Lean leverage scenario to be sustained



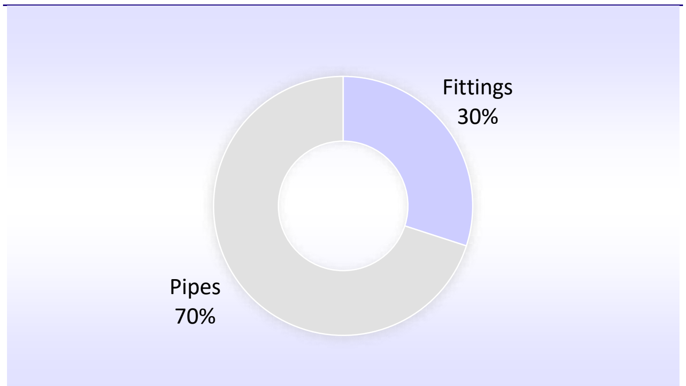
Source: Company, MOFSL

Source: Company, MOFSL

A full-fledged water solution company

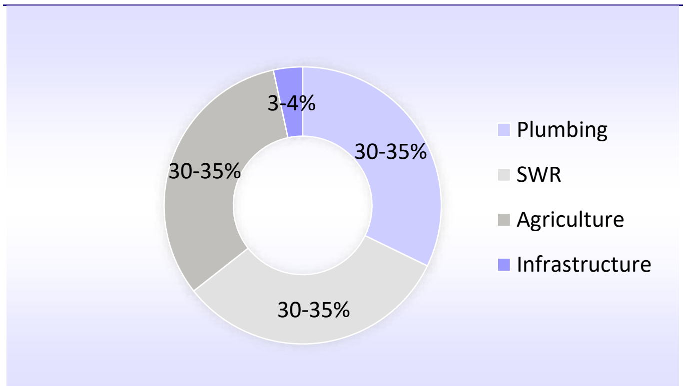
- Incorporated in 1987 by Jayant Chheda, PRINCPIP has evolved into one of the top five largest plastic piping solution providers, offering over 7,200 SKUs across the Plumbing, Agriculture, and Infrastructure verticals.
- PRINCPIP has expanded its distributor network to over 1,500 partners by Mar'25, strengthening its presence across urban, semi-urban, and rural markets. The company has also introduced innovative products like Aquafit, Biofit, and Safefit, expanding its portfolio with bathware and drainage systems through strategic collaborations with Lubrizol, Ostendorf Kunststoffe, Hauraton, and Unnati.
- The company's addressable market exceeds INR835b across pipes, bathware, and water tanks, including CPVC, UPVC, PPR, HDPE piping solutions, LLDPE water storage tanks, faucets, and sanitaryware.
- The company has a balanced revenue mix, with ~67% derived from pipes and ~33% from fittings. Additionally, ~30-35% of revenue comes from plumbing, SWR and agriculture each, and 3-4% from DWC.
- PRINCPIP sells its products under two brands: Prince for pan-India and Trubore, which focuses on South India, particularly Tamil Nadu. The company leverages a strong distribution network of 1,500+ channel partners.
- PRINCPIP operates eight manufacturing plants with a current capacity of 398k MTPA. Phase 2 of an eighth facility in Begusarai, Bihar is under construction (expected to be commissioned in 3QFY26), which will increase the total installed capacity to 434k MTPA in FY26.
- PRINCPIP holds ~10% market share in CPVC (value and volume), contributing 20-25% to overall revenue, with a focus on higher-margin segments like plumbing, SWR, and industrial applications.
- Traditionally focused on the retail or B2C segment, PRINCPIP generates approximately 75-80% of its revenue from retail and 20-25% from projects. The company aims to further expand into the projects segment.

Exhibit 81: Revenue split between Pipes & Fittings



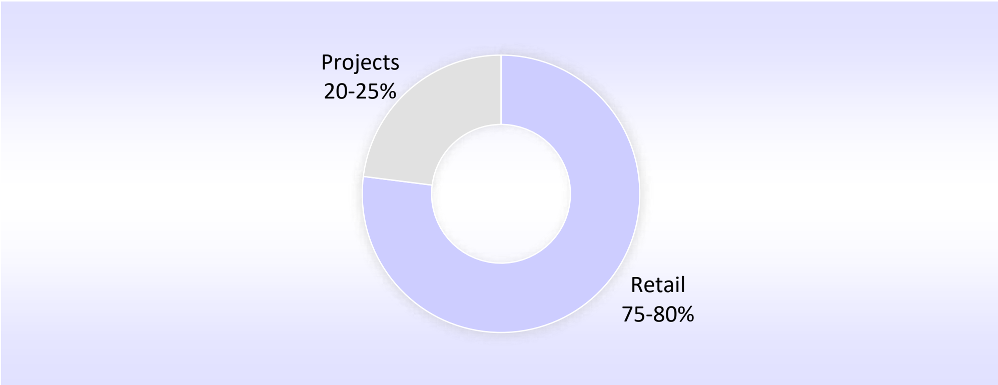
Source: Company, MOFSL

Exhibit 82: Revenue split between major segments (FY25)



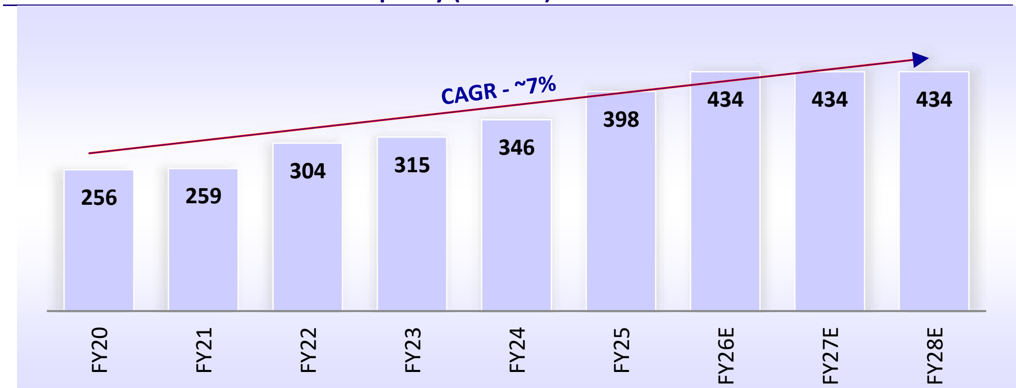
Source: Company, MOFSL

Exhibit 83: Revenue split between Projects and Retail



Source: Company, MOFSL

Exhibit 84: PRINCPIP's installed capacity ('000MT)



Source: Company

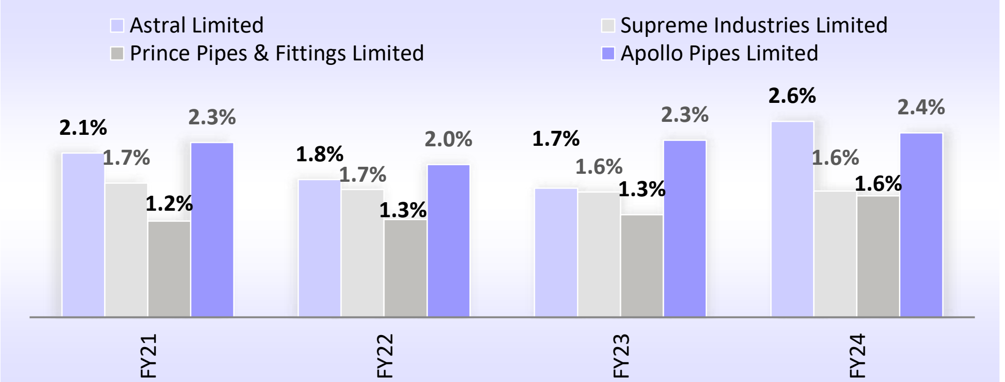
Driving market expansion through strategic initiatives

Nationwide reach and distribution

Remarkably low 1.6% freight expense as a percentage of sales, compared to an average of 2.0% for its peers

- PRINCPIP's strategic deployment of manufacturing facilities across India has enabled it to optimize freight costs for pipes, resulting in **a remarkably low 1.6% freight expense as a percentage of sales, compared to an average of 2.0% for its peers.** This industry-leading metric highlights the company's efficient supply chain management.
- PRINCPIP has a manufacturing presence across eight locations pan-India with an established robust logistics infrastructure, which includes a comprehensive network of 11 depots and warehouses each, supporting cost-effective operation.
- The company continuously realigns capacities between plants to minimize net freight costs, shifting machinery to the closest manufacturing facility when specific SKUs are in high demand in a market. This strategy ensures an efficient supply chain and helps reduce overall freight expenses.
- In the piping business, having a pan-India distribution network is essential. For instance, it is not economically viable to sell pipes and fittings in East India without a manufacturing presence in the region. As a result, the company is setting up a plant in Begusarai, Bihar (the eastern part of India).
- **Having nationwide manufacturing facilities helps the company reduce logistics costs by approximately ~2-3%, providing a logistics cost advantage over its peers.**

Exhibit 85: Analysis of the outward freight cost-to-sales ratio



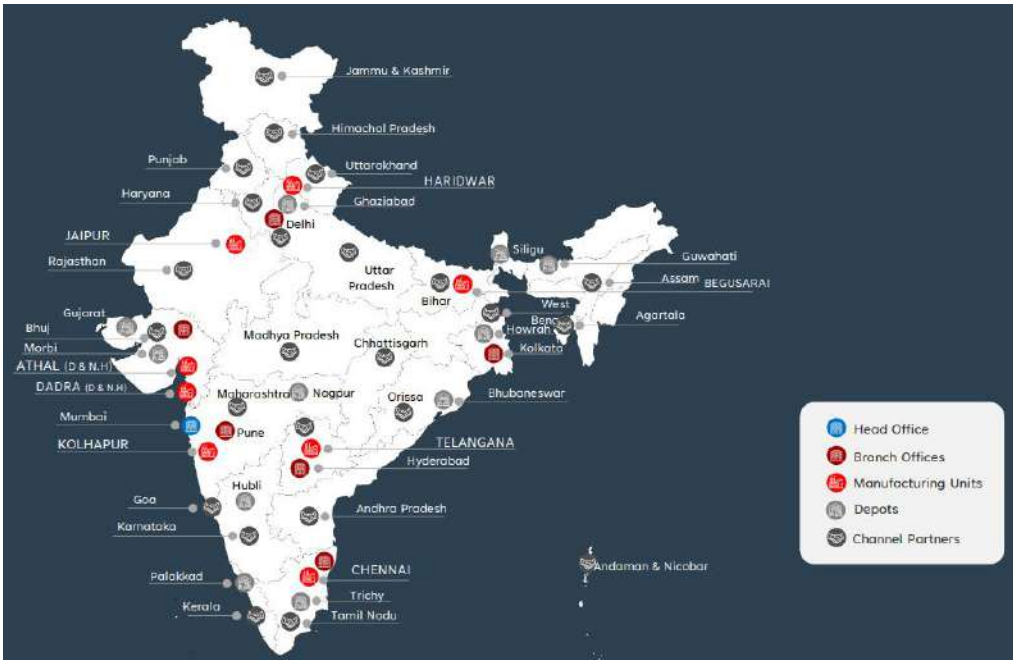
Source: Company, MOFSL

Exhibit 86: Manufacturing facilities

Source: Company

- PRINCPIP has significantly expanded its distributor count from 766 at the end of Mar'17 to over 1,500 by Mar'25. The company has strategically shifted its focus towards enhancing the quality of existing distributors while continuing to appoint new ones in regions where its presence is weaker. Additionally, PRINCPIP is strengthening its foothold in rural markets and aims to improve revenue per distributor through its diverse product offerings.
- **The company has a clear strategy for expanding both its manufacturing capacity and market presence.**
- Given that the company has the highest number of distributors in the South and the least in the East, strengthening the distribution network in the Eastern region becomes crucial. **As capacity increases, the company plans to not only meet supply requirements but also boost its distribution presence in the East, leveraging the new facility to better serve regional demand.**

Exhibit 87: Growing distribution network and diversified plant location



Source: Company

Collaborations with key players

- In FY20, PRINCPIP's strategic **collaboration with Lubrizol**, the world's leading manufacturer and inventor of CPVC compounds, enabled the company to **narrow the price gap with competitors to around ~5% for CPVC**. Additionally, PRINCPIP forged a technical partnership with Tooling Holland, renowned for its expertise in designing and producing precision injection molds.
- In FY23, the company formed new international product partnerships with Ostendorf Kunststoffe and Hauraton. This move was part of its growth strategy aimed at introducing cutting-edge global drainage solutions to the Indian real estate and industrial sectors, ensuring alignment with international standards and best practices.
- In Apr'24, PRINCPIP collaborated with Unnati to expand its market reach through digital channels, targeting farmers and agricultural retailers while promoting climate-friendly piping solutions like Aquafit and Safefit.

Exhibit 88: Global collaboration

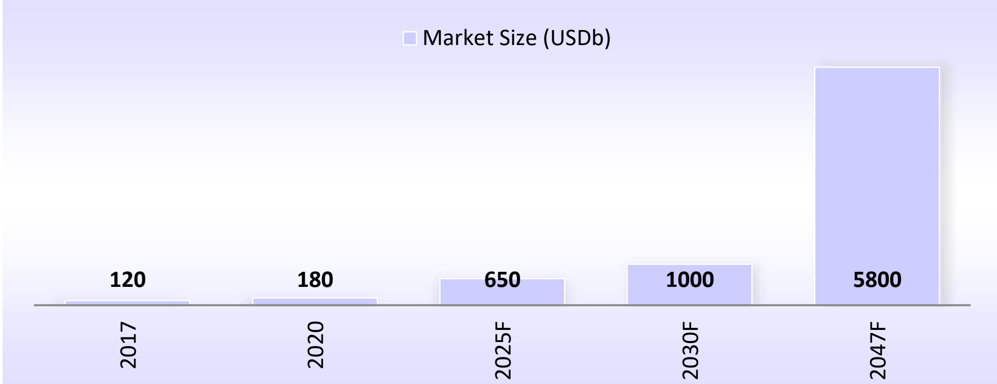
Source: Company

Seizing the wave of positive momentum

Real estate boom to drive significant growth for pipes

- PRINCPIP, with over ~70% of its top line derived from the real estate sector and ~20-25% from CPVC products, is well-positioned to benefit from ongoing developments and growth in the real estate market.
- India's real estate sector is projected to grow to USD5.8t by 2047, contributing 15.5% to GDP, with luxury home sales surging 53% in CY24 despite a high base in CY23. The sector is expected to reach USD1t by 2030, contributing 13% to GDP by 2025, driven by strong developer supply, stable economic conditions, and positive buyer sentiment.

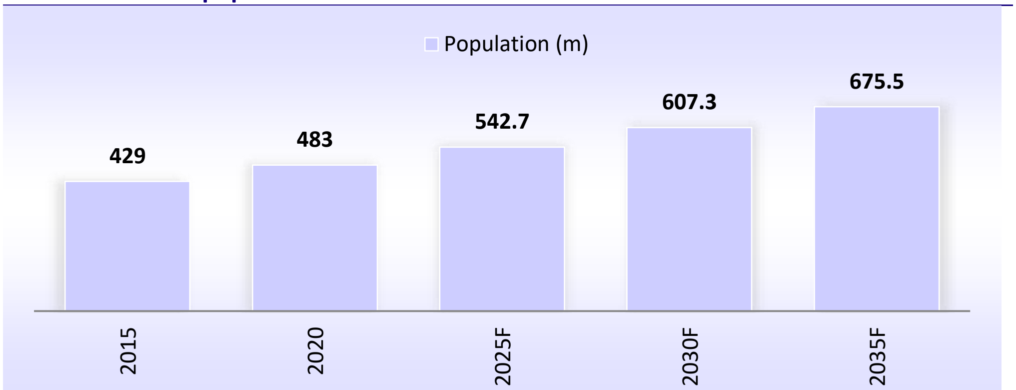
Exhibit 89: India's real estate market



Source: IBEF, MOFSL

- The surge in new real estate launches is driving increased demand for pipes. With India's population expected to reach 1.55b by 2034 and 42.5% living in urban areas, the need for 78m new housing units by 2034 will drive long-term growth in the pipes and fittings industry.

Exhibit 90: Urban population in India



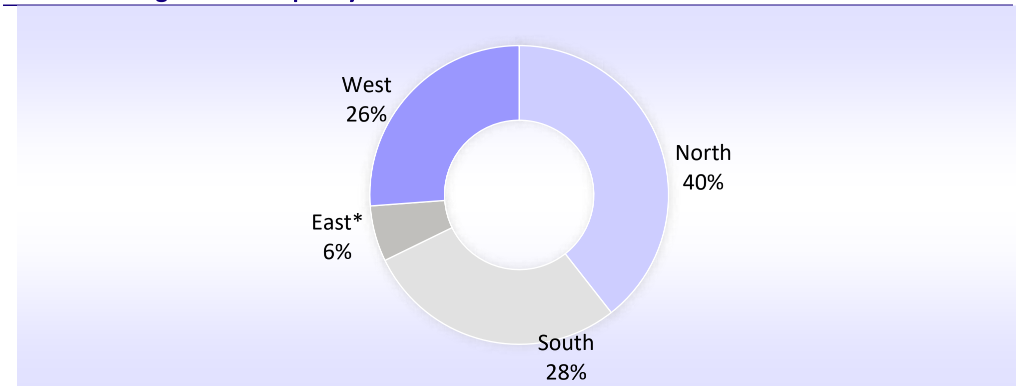
Source: IBEF, MOFSL

- The TAM for pipes in real estate is expected to clock a 14% CAGR during FY24-28, with the profit pool expanding at 17% CAGR. As a result, the real estate TAM/profit pool are likely to double over this period. This presents significant growth opportunities for PRINCPIP, which is already well-established in the real estate market.

What is PRINCPIP doing to capture this growth?

- **Expanding capacity across locations**: Approximately 66% of PRINCPIP's capacity is located in the North and West regions, providing exposure to high-growth urban markets, including Delhi NCR and Mumbai. Over the past three years, the company has expanded its project-focused team, initially targeting metros and now reaching Tier-2 cities. As a result, project revenue has grown from 10% in FY20 to around 25% in FY23, currently accounting for 20-25% of total revenues.

Exhibit 91: Region-wise capacity

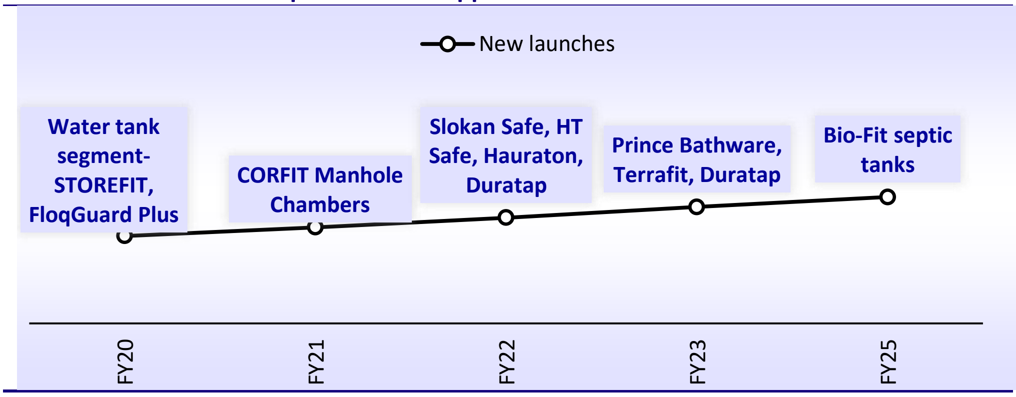


*Contains 24k MT of Phase 1 of Begusarai plant

Source: Company, MOFSL

- **Strategic collaborations**: PRINCPIP provides tailored solutions and fosters developer collaborations by deriving over **70% of its revenue from real estate**. The company enhances its offerings by working closely with developers to offer a comprehensive range of plumbing, drainage, and sanitation solutions designed to meet the growing demand for housing units and commercial spaces. **However, all of its sales are conducted through its channel partners.**
- PRINCPIP is expanding its portfolio by **adding new high-end products,** such as Skolan Safe and HT Safe for luxury drainage solutions. The company has also launched Prince Hauraton for civil and landscape applications. Additionally, PRINCPIP is increasing its share in the premium plumbing market, with CPVC products contributing 20-25% of revenue, particularly in high-rise buildings, commercial spaces, and luxury homes.
- **Expanding water tank business**: As the real estate sector continues to grow, driving demand for water storage solutions, PRINCPIP is expanding its water tank manufacturing, which currently contributes ~1% to its revenue. With a planned launch in Chennai and 6m liter per month capacity at its Bihar plant by 1QFY26, the company is building a multi-location network to capitalize on this demand. **We expect water tank revenue to increase as the company scales this segment to meet market needs.**
- **Expanding bathware reach with Aquel's acquisition:** PRINCPIP acquired Aquel in Mar'24, a brand with strong equity among architects, builders, interior designers, and homeowners. By leveraging Aquel's reputation and network of 25-30 distributors, alongside 27 active bathware distributors, the company aims to **revive its project business** and expand the reach of faucets, sanitaryware, showers, and cisterns, tapping into loyal real estate developers and new market opportunities.

Exhibit 92: Launches to capture market opportunities



Source: Company

Government schemes propel growth

- Significant growth in the infrastructure and industrial pipe segments, driven by government initiatives like the Jal Jeevan Mission and substantial allocations for affordable housing schemes, positions PRINCPIP to benefit from the increased demand for plumbing and drainage solutions in the construction sector.
- With the government's commitment to investing in agriculture, MSMEs, and housing through various initiatives, PRINCPIP stands to gain from enhanced opportunities in irrigation and industrial piping solutions, further solidifying its market position.

East India: A fast-growing market

- **Eastern India, driven by late urbanization and a lower industry base, is the fastest-growing market.** PRINCPIP is a top player in the region, supplying products from the Haridwar facility and using an asset-light model in Hajipur. **The new Begusarai facility** for pipes, tanks, and fittings will further enhance supply chain efficiency, reduce freight costs, and improve market penetration.
- Currently, only SI and ASTRA have manufacturing facilities in the East. However, **PRINCPIP is set to commission its phase 2 of the Begusarai, Bihar plant by 3QFY26, with a capacity of 60K MTPA** for pipes, fittings, and water tanks. East India is a rapidly growing market with relatively lower competition.
- To enhance brand visibility in the region, PRINCPIP showcased a Durga Mata installation in Kolkata using its products and launched a plumbing training program for 11 women, in collaboration with the Water Management and Plumbing Skill Council. The company aims to scale this initiative nationwide.
- Key growth drivers include the PMAY Urban 2.0 initiative and the development of investment-ready, plug-and-play industrial parks with complete infrastructure in or near 100 cities, with a strong focus on Eastern India.

Unlocking growth by expanding TAM

Extensive product portfolio across diverse categories

- As of FY24, the overall addressable market for PRINCPIP is estimated at ~INR835b, spread across Pipes (INR541b), Bathware (INR194b), and Water Tanks (INR100b). The company processes polymers such as CPVC, UPVC, PPR, and HDPE, offering a wide range of products like pipes, fittings, valves, LLDPE water storage tanks, and bathware solutions like faucets and sanitaryware. Additionally, PRINCPIP offers a vast portfolio of over 7,200 SKUs across these product categories.
- Exclusive partnerships, such as with Lubrizol, enable PRINCPIP to offer Flowguard Plus CPVC plumbing systems and Corzan CPVC industrial piping systems in India. The acquisition of Aquel further strengthens its bathware portfolio.

Exhibit 93: PRINCPIP's business verticals and product range

Source: Company

- PRINCEPIP's acquisition of Aquel enhances its portfolio with nine product lines and 250 SKUs of scientifically engineered faucets and bathroom accessories, broadening its market offerings across various price points.
- Since FY23, PRINCPIP has expanded its portfolio with innovations such as the Skolan Safe PP Silent Drainage System, certified by Fraunhofer, and the Prince Hauraton Drainage System, catering to luxury homes, commercial spaces, and civil infrastructure. The company has also expanded its range with Terrafit subsurface drainage pipes, cost-effective Duratap PTMT faucets and showers, and Greenfit PP-R systems for HVAC and plumbing, enhancing its presence across key segments.

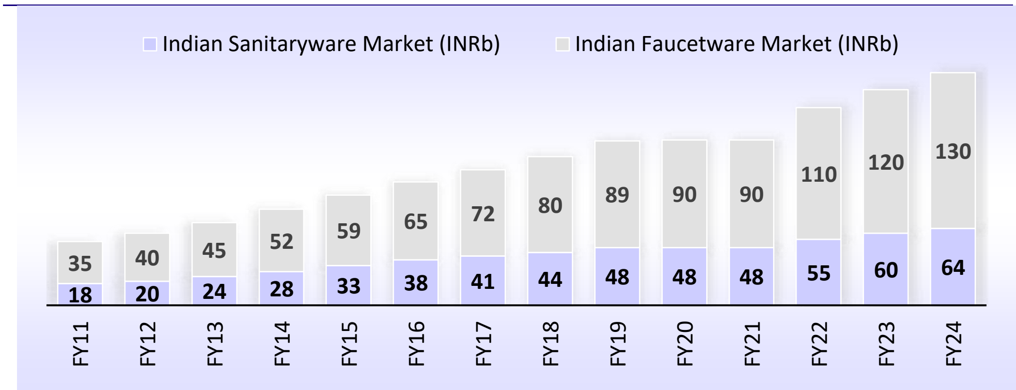
Exhibit 94: New additions to the portfolio

Source: Company

Expansion into adjacencies

- **Water tank**: The company is leveraging its strong distribution network to expand into the INR100b water tank market, which is experiencing value migration from cement and steel tanks due to contamination risks. Since launching Storefit water tanks in Jun'20, the segment has gained significant traction, with revenue reaching INR480m in FY25, reflecting a ~20% YoY growth. To support this fast-growing business, the company began water tank production at its Haridwar plant in 4QFY24 and its Chennai plant in 2QFY25. With existing facilities in Dadra, Jaipur, and Telangana, it will soon operate five in-house manufacturing locations, further strengthening its position in the market.
- **Bathware**: The company is targeting the bathware market through its acquisition of the Aquel brand and its facilities from Klaus Waren Fixtures. The domestic bathware market, valued at INR194b in FY24 (INR64b for sanitaryware and INR130b for faucets), has posted ~8% CAGR from FY15 to FY24. It is expected to clock an 8-10% CAGR from FY24 to FY28, driven by urbanization and real estate growth.
    - The acquisition of Aquel strengthens PRINCPIP's bathware portfolio. In 2QFY24, PRINCPIP launched its first Aquel by Prince retail showrooms in Haryana and New Delhi, along with a dedicated website and virtual presence.
    - The Bathware segment continues to expand, with new showrooms added in 4QFY25 in Uttar Pradesh and Rajasthan, adding to their existing outlets in Goa, Jaipur (2 outlets), and Pune. Aquel by Prince is now present in Tier 2 and 3 cities across North, West, and South India, with a growing network of over 200 retail touchpoints.

Exhibit 95: Indian bathware market share



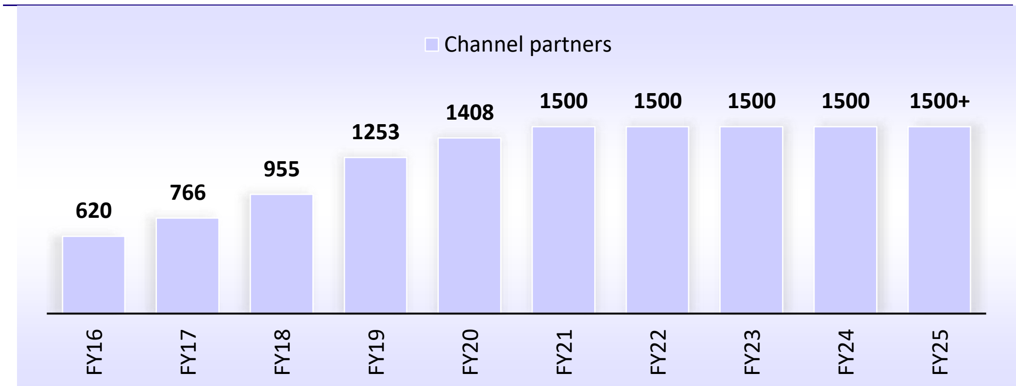
Source: Company, MOFSL

- India is one of the world's fastest-growing sanitaryware markets, with a market size of INR64b in FY24. About 75% of its segment is organized, with the top four players commanding ~60% of the market share. Production is mainly concentrated in Gujarat, leveraging the availability of raw materials and skilled labor. Despite high market penetration, **replacement demand in India is only 15-20%, compared to 80% in developed countries, highlighting strong long-term growth potential for companies in this sector**.
- The domestic faucet market, valued at over INR130b with 60% of the segment organized, remains highly fragmented but presents significant growth potential. This is driven by strong demand from new real estate construction and premiumization trends, offering substantial opportunities for companies to expand their presence and capture market share in this evolving segment.

Cross-selling opportunities with a diverse product portfolio

- The company can leverage its extensive pan-India distribution network to expand the reach of value-added products like bathware and sanitaryware, enabling efficient promotion and wider market penetration. By integrating these products into its existing network, the company further strengthens its competitive position.

Exhibit 96: Number of channel partners over the years

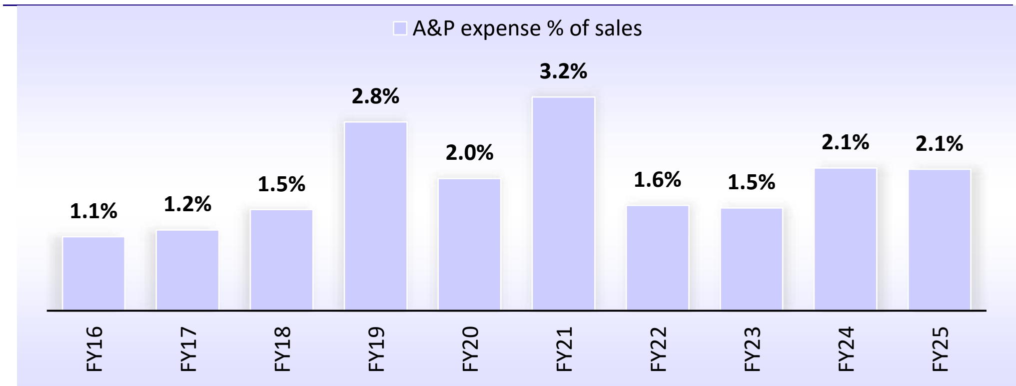


Source: Company

- The number of channel partners has remained stable at around 1,500, although the company has streamlined its network, focusing on partners with stronger growth and profitability.

- Additionally, by bundling products such as plumbing systems, bathware, and water storage solutions into comprehensive packages, the company offers a one-stop solution for both residential and commercial projects. This strategy boosts cross-selling, enhances sales, and helps capture a larger market share across product segments.
- In FY25, A&P expenses as a percentage of sales reached 2.1% from 1.5% in FY23. The company is intensifying its branding efforts through various initiatives and loyalty campaigns, including hiring Akshay Kumar as its brand ambassador.
- **These strategies are aimed at positioning the company as a comprehensive water solutions provider.**

Exhibit 97: Trend of advertisement and promotional expenses



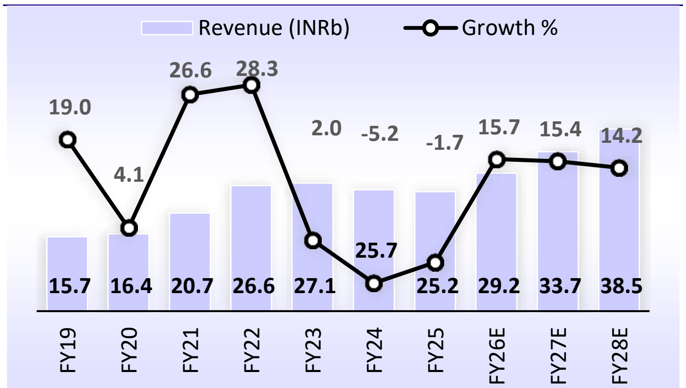
Source: Company

Strategic realignments paving the way for stability

Revenue growth momentum to stabilize going forward

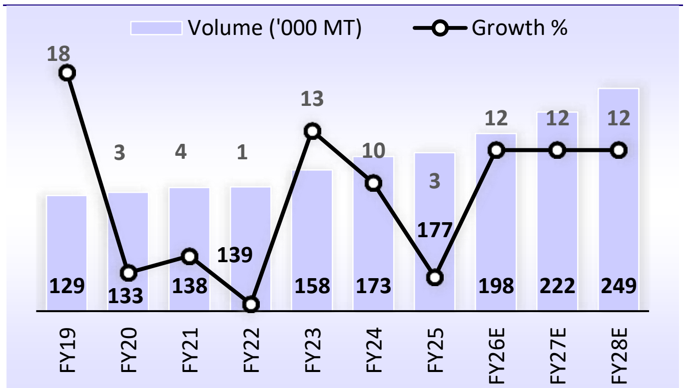
- During FY18-FY23, PRINCEPIP achieved a strong 15% revenue CAGR, reaching INR27.1b. However, revenue declined to INR25.7b in FY24 due to ERP implementation challenges, an ineffective premium pricing strategy impacting sales volume, and a price correction reducing ASPs. Further in FY25, revenue declined 2% to INR25.2b, driven by lower realization and weak demand.
- **Going forward, PRINCPIP is expected to see topline growth as it has adjusted its pricing strategy and shifted its focus back to driving volume growth**. Despite past challenges with over-premiumization, particularly in the South, the company's recalibrated approach positions it well to recover market share and enhance revenue performance.
- The company demonstrated resilience with a 6% CAGR volume growth from FY19 to FY24, reaching 172.8k MT, despite a revenue decline in FY24. It achieved a 10% YoY volume growth in FY24, followed by a 3% YoY growth in FY25 (177k MT). With a consistent track record, volume growth is expected to achieve a 12% CAGR during FY25-FY28, reaching 249k MT by FY28, highlighting strong market positioning and growth potential.
- PRINCEPIP's realizations increased from INR122/kg in FY19 to INR 172/kg in FY23, driven by rising PVC prices and product premiumization. However, realizations declined 14% to INR149/kg in FY24 due to ERP transition issues disrupting operations, product mix, and pipe-fitting ratios. In FY25, realizations further declined by 4% to INR142/kg. Looking forward, realizations are expected to recover to INR 155/kg by FY28, supported by stabilization/recovery in raw material prices and higher revenue share from real estate and non-agri products, improving the product mix.
- **Given that these challenges are temporary, we expect PRINCPIP to rebound with a healthy revenue CAGR of 15% from FY25 to FY28, reaching INR38.5b, driven by operational improvements and strategic adjustments.**

Exhibit 98: Expect revenue CAGR of 15% over FY25-28



Source: Company, MOFSL

Exhibit 99: Expected volume CAGR 12% over FY25-FY28

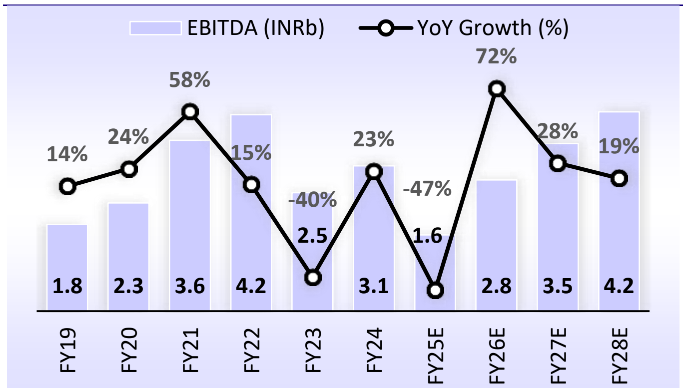


Source: Company, MOFSL

Margin expansion on the cards

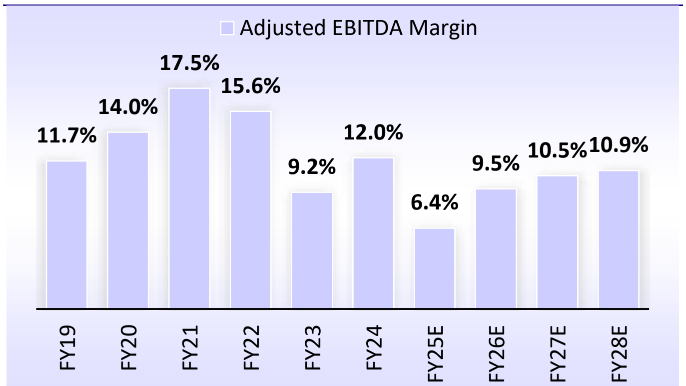
- PRINCEPIP's EBITDA margin stood at 11.7% in FY19, improved slightly to 12% in FY24, but dropped sharply to 6.4% in FY25. This decline was primarily due to high PVC price volatility, leading to an INR850m to INR900m inventory loss. Additionally, a higher share of lower-margin agri products in FY25 further weighed on margins.
- PRINCEPIP's margins remain below industry potential, as high-margin fittings and CPVC have a limited overall impact, while PVC price volatility and ERP disruptions have further pressured profitability.
- Going forward, a strategic shift towards VAP and growth in the bathware segment, along with expanding domestic CPVC capacity through Lubrizol's Gujarat facility, will enhance raw material security, improve cost efficiency, and sustainable margin recovery.
- FY25 is a challenging year, but with a low base, EBITDA is expected to achieve a 38% CAGR over FY25-28 (8% CAGR over FY24-28). As PVC price volatility stabilizes and the company scales operations with better capacity utilization, EBITDA margins are projected to recover to ~11% by FY28, driven by operating leverage, a higher share of premium products, and reduced dependency on low-margin agri sales.

Exhibit 100: EBITDA likely to register a 59% CAGR…



Source: Company, MOFSL

Exhibit 101: …led by margin expansion over FY25-27



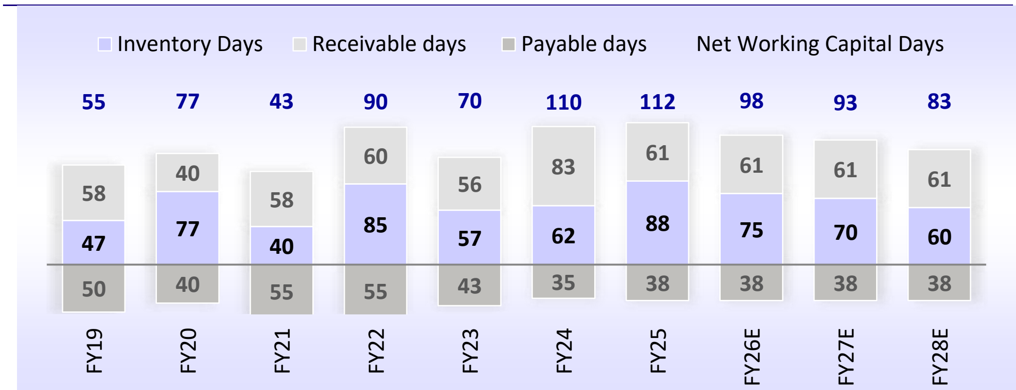
Source: Company, MOFSL

Working capital days to remain stable going forward

- PRINCPIP witnessed an increase in net working capital over the past five years (from ~55 days in FY19 to ~112 days in FY25) due to heightened inventory days and lowering payable days.
- The payable days decreased significantly to ~38 in FY25 from ~50 days in FY19 due to higher procurement from international markets (to gain from lower prices in international markets and covering volume).
- In FY25, the company's working capital days were marginally higher compared to FY24. However, the increased inventory levels (88 days in FY25 vs 62 days in FY24) were in anticipation of a demand recovery in 2HFY25. As demand remained muted in 2HFY25, inventory days rose, impacting overall working capital efficiency.
- As a growing organization that prioritizes supply, the company focuses on maintaining optimal inventory levels. With a healthy risk appetite and a comfort level for holding inventory, we expect inventory days to reach ~60 days by FY28.

- The upcoming expansion of domestic capacities for PVC and CPVC resins is expected to reduce reliance on imports, leading the company to anticipate stable creditor days of ~38 days by FY28E.

Exhibit 102: Trend of working capital days

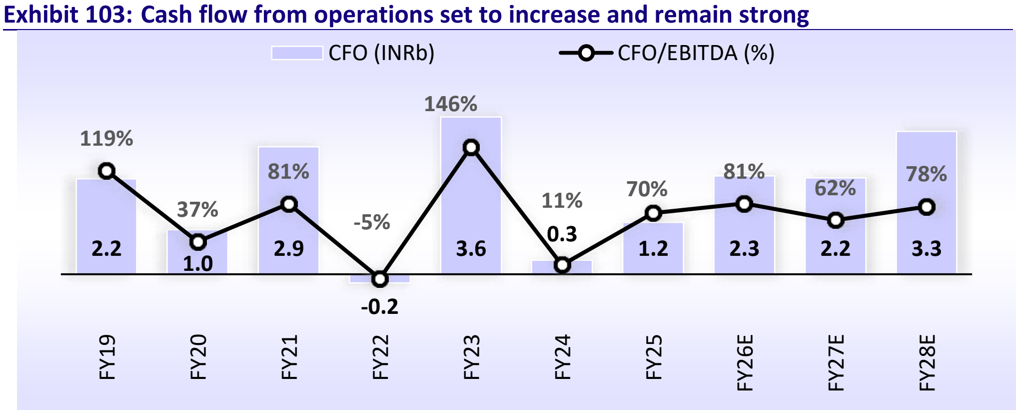


Source: Company, MOFSL

CFO performance and expected rebound

- The company has generated a cumulative CFO of INR7.8b over the last five years, while there was no FCF generation due to higher capex outflows (INR8.4b).
- The average CFO/EBITDA for the last five years has been ~61%, but it has been erratic, reaching 1.5x in FY19 and dropping to just 11% in FY24, reflecting the strain on working capital. This decline was primarily due to inventory buildup, elongated receivables, and a shift in procurement mix, impacting overall cash flow efficiency.
- With PBT projected to record a 72% CAGR over FY25-28, cumulative CFO generation is expected to be ~INR7.7b by FY28E as inventory days normalize, leading to improved cash flow stability. Additionally, CFO/EBITDA is projected to improve, driven by better working capital management.

Exhibit 103: Cash flow from operations set to increase and remain strong

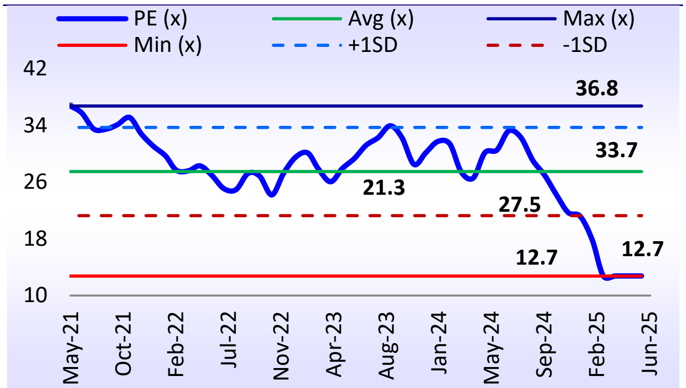


Valuation and view

Initiating coverage with a BUY rating

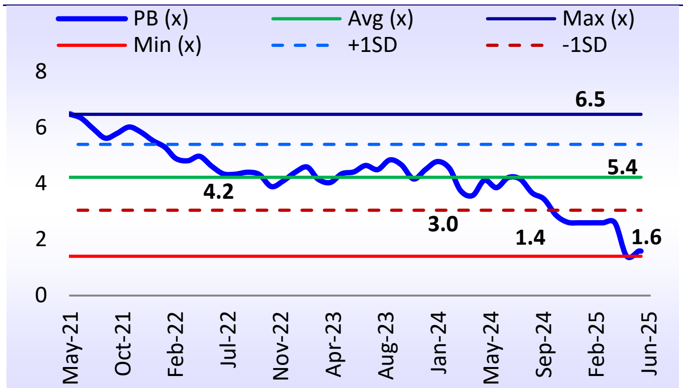
- **PRINCPIP serves a ~INR835b market, spanning pipes (INR541b), bathware (INR194b), and water tanks (INR100b), with a portfolio of 7,200+ SKUs across CPVC, UPVC, PPR, and HDPE. The Aquel acquisition added 250 SKUs, further strengthening its bathware presence, while new launches like Skolan Safe and Prince Hauraton enhance its offerings in luxury drainage and civil solutions.**
- **With ~70% of its revenue coming from real estate, PRINCPIP is well-positioned to benefit from the ongoing upcycle in India's real estate sector. This will boost demand for premium pipes, bathware, and water tanks. Apart from this, Jal Jeevan Mission, PMAY Urban 2.0, and industrial park developments are further reinforcing long-term growth prospects.**
- **PRINCPIP is rationalizing and strengthening its network of 1,500+ distributors, with a focus on underpenetrated Eastern India. With strategic acquisitions and new product launches, the company is well-positioned to capitalize on industry tailwinds and restore margin stability.**
- **We estimate a 15%/38% revenue/EBITDA CAGR over FY25-278. We value the stock on a price-to-earnings basis, assigning 30x FY27E EPS. Initiate coverage with a BUY rating and a TP of INR500.**

Exhibit 104: One-year forward P/E (x)



Source: Company, MOFSL

Exhibit 105: One-year forward P/B (x)



Source: Company, MOFSL

Key risks

- Over 70% of the company's revenue is derived from real estate, making it vulnerable to downturns in the construction and housing sectors. Any slowdown in project execution or regulatory changes affecting the real estate market could adversely impact sales.
- The company relies on PVC and CPVC resins, which are subject to global price fluctuations. Sudden spikes in crude oil prices or supply chain disruptions can impact input costs and profitability.
- PRINCPIP faces competition from well-established players like Astral, Finolex, and Supreme Industries, which leads to pricing pressures and potential margin erosion. Maintaining market share growth while sustaining margins remains a challenge.
- The company's entire sales model depends on distributors and dealers, limiting direct engagement with end customers. Any disruption in distributor relationships or weak demand in certain regions could hinder revenue growth.
- The company has recently entered high-margin businesses such as bathware and water tanks. Achieving scale, brand recall, and profitability in these segments will take time, impacting near-term returns.

SWOT analysis

- ☑ The partnership with Lubrizol for FlowGuard CPVC provides PRINCPIP a unique edge in premium plumbing solutions.
- ☑ The company has an efficient logistics management system, enabling it to operate with the lowest freight cost as a % of sales compared to its peers.

- ☑ The company has a high dependence on the real estate sector.
- ☑ The company is a late entrant in the high-margin segment (Water Tank).

- ☑ The acquisition of Aquel enhances PRINCPIP's presence in faucets, showers, and sanitaryware, creating cross-selling opportunities.
- ☑ India's shift towards organized real estate projects will boost sales in plumbing and drainage solutions, as the company has a higher project sales mix.

- ☑ Established players are cutting prices to retain market share, putting pressure on margins.
- ☑ The company is holding a substantial inventory in anticipation of a demand recovery. In the event of a slowdown, this could lead to liquidity concerns.

Bull and Bear cases

Bull case

- In our bull case scenario, we assume a revenue CAGR of 17% over FY25-28, led residential demand recovery, acceleration of restocking by channel partners, and rapid pace of penetration in the East India region with a new plant. Also increase in raw material pricing will lead to improved realizations driving overall growth.
- We expect the margin to expand ~660bp from the FY25 levels to reach ~13% over FY28 on a low base, led by better realization, improving product mix, and favorable operating leverage.
- The company's EPS would register a robust CAGR of 92% over FY25-28E, driven by operating leverage.
- We value the stock on a price-to-earnings basis, assigning 34x FY27 EPS arriving at a TP of INR630.

Bear case

- In our bear case scenario, we assume a revenue CAGR of 12% over FY25-28, considering the slow recovery in demand and ramp-up of new plants and a flat pricing scenario with major growth to be volume-led as CPVC demand is less prone to pricing fluctuation.
- We expect the margin to expand by ~340bp from the FY25 levels to reach 9.8% over FY28 on a low base, led by an improved product mix offset by the lack of realization gains.
- The company's EPS would register a CAGR of 58% over FY25-28E on a low base and operating leverage.
- We value the stock on a price-to-earnings basis, assigning 28x FY27 EPS arriving at a TP of INR330.

Exhibit 106: Bull and Bear case scenarios (INR m)

	Particulars	FY25	FY26E	FY27E	FY28E	CAGR (FY25-28E, %)
Bear case	Revenue	25,239	28,160	31,906	35,798	12
P/E: 28x	EBITDA	1,618	2,446	2,960	3,517	30
INR330	EPS	4	8	12	16	58
Base case	Revenue	25,239	29,203	33,689	38,487	15
P/E: 32x	EBITDA	1,618	2,780	3,549	4,214	38
INR500	EPS	4	11	16	20	73
Bull case	Revenue	25,239	29,986	35,209	40,941	17
P/E: 34x	EBITDA	1,618	2,884	3,945	5,307	49
INR630	EPS	4	11	18	28	92

Source: MOFSL, Company

Management team

Mr. Jayant Shamji Chheda
Chairman and Managing Director

He is the Chairman and Managing Director of the company and has been associated with it since its inception, serving as a Director. With extensive industry knowledge and over four decades of experience in the plastic industry, he was awarded the 'Lifetime Achievement Award' at the Vinyl India Conference, 2014.

Mr. Parag J. Chheda
Joint Managing Director

He has been associated with the company since April 27, 1996, serving as a Director. He holds an associate degree in Business Administration from Oakland Community College and has over 28 years of experience in the piping industry. He was awarded the 'Inspiring Business Leader Award' at the Economic Times Summit, 2016 for the 'Business and Industry' sector.

Mr. Vipul J. Chheda
Executive Director

He holds a Master of Business Administration from Mithibai College. He has been associated with the company since March 11, 1997, serving as a Director, and has over 27 years of experience in the piping industry.

Mr. Nihar Chheda
Vice President – Strategy

He has been actively involved in the operations of the company since its IPO in 2019. He holds a Bachelor's degree in Industrial Engineering from Purdue University in Indiana, US.

Mr. Anand Gupta
CFO

He completed his Chartered Accountancy as part of his formal education and worked with ACC Limited for 14 years before joining the company. He joined PRINCPIP in June'20 as the Deputy CFO

ESG initiatives

Environmental initiatives

- The company's approach includes reducing its environmental footprint, promoting responsible sourcing, and supporting community development. It strives to create a positive impact on the environment.
- The Haridwar plant has received Greenhouse Gas Emission Certification from DQS India, reinforcing the company's commitment to ESG goals.
- The company plans to identify climate change-related risks and develop a mitigation strategy to reduce carbon intensity across its value chain.

CSR initiatives

- The company has been invested in social welfare in areas such as providing safe drinking water, promoting groundwater recharge, and encouraging efficient water usage. It also focuses on plumber upskilling programs, offering essential healthcare services, supporting rural development, and contributing to various areas of public service.

Governance

- As of Mar'24, the Board consists of nine Directors, including five Independent Directors and two women Directors.
- The Board comprises seasoned professionals with expertise in various fields, contributing to diverse experiences.
- The Board's performance is assessed annually based on their responsibilities, and a strong compliance mechanism is in place to adhere to applicable rules and regulations.

Financials and valuation

Consolidated - Income Statement										(INRm)
Y/E March	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Total Income from Operations	**15,719**	**16,357**	**20,715**	**26,568**	**27,109**	**25,687**	**25,239**	**29,203**	**33,689**	**38,487**
Change (%)	19.0	4.1	26.6	28.3	2.0	-5.2	-1.7	15.7	15.4	14.2
RM Cost	11,274	11,264	13,789	18,915	20,922	18,193	18,839	21,085	24,256	27,710
Employees Cost	817	902	997	1,162	1,161	1,477	1,742	1,957	2,190	2,425
Other Expenses	1,788	1,903	2,313	2,335	2,523	2,943	3,040	3,382	3,694	4,138
Total Expenditure	**13,878**	**14,069**	**17,099**	**22,412**	**24,606**	**22,613**	**23,621**	**26,424**	**30,140**	**34,273**
% of Sales	88.3	86.0	82.5	84.4	90.8	88.0	93.6	90.5	89.5	89.1
EBITDA	**1,841**	**2,288**	**3,616**	**4,156**	**2,503**	**3,074**	**1,618**	**2,780**	**3,549**	**4,214**
Margin (%)	11.7	14.0	17.5	15.6	9.2	12.0	6.4	9.5	10.5	10.9
Depreciation	436	520	594	703	830	912	1,070	1,206	1,284	1,349
EBIT	**1,405**	**1,768**	**3,022**	**3,453**	**1,673**	**2,162**	**548**	**1,573**	**2,266**	**2,865**
Int. and Finance Charges	363	332	207	139	110	65	97	175	134	74
Other Income	71	69	176	55	86	161	137	159	183	210
PBT bef. EO Exp.	**1,113**	**1,506**	**2,991**	**3,369**	**1,648**	**2,258**	**588**	**1,557**	**2,315**	**3,000**
EO Items	0	0	0	0	0	179	0	0	0	0
PBT after EO Exp.	**1,113**	**1,506**	**2,991**	**3,369**	**1,648**	**2,438**	**588**	**1,557**	**2,315**	**3,000**
Total Tax	292	381	773	875	434	612	157	392	583	755
Tax Rate (%)	26.2	25.3	25.8	26.0	26.3	25.1	26.7	25.2	25.2	25.2
Minority Interest	0	0	0	0	0	0	0	0	0	0
Reported PAT	**821**	**1,125**	**2,218**	**2,494**	**1,214**	**1,825**	**431**	**1,165**	**1,732**	**2,245**
Adjusted PAT	**821**	**1,125**	**2,218**	**2,494**	**1,214**	**1,646**	**431**	**1,165**	**1,732**	**2,245**
Change (%)	11.7	37.0	97.2	12.4	-51.3	35.6	-73.8	170.2	48.6	29.6
Margin (%)	5.2	6.9	10.7	9.4	4.5	6.4	1.7	4.0	5.1	5.8

Consolidated - Balance Sheet										(INRm)
Y/E March	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Equity Share Capital	900	1,100	1,100	1,106	1,106	1,106	1,106	1,106	1,106	1,106
Total Reserves	3,089	7,277	9,335	11,547	12,534	14,338	14,659	15,603	17,114	19,138
Net Worth	**3,989**	**8,377**	**10,435**	**12,653**	**13,640**	**15,444**	**15,764**	**16,709**	**18,220**	**20,243**
Minority Interest	0	0	0	0	0	0	0	0	0	0
Total Loans	2,969	2,609	852	1,500	581	1,144	2,641	2,741	1,741	741
Deferred Tax Liabilities	149	133	133	123	137	191	193	193	193	193
Capital Employed	**7,107**	**11,119**	**11,420**	**14,275**	**14,358**	**16,779**	**18,599**	**19,643**	**20,154**	**21,177**
Gross Block	6,413	8,138	8,892	11,037	12,186	14,162	16,891	18,114	19,129	20,015
Less: Accum. Deprn.	2,782	3,302	3,896	4,599	5,429	6,341	7,411	8,617	9,901	11,250
Net Fixed Assets	**3,631**	**4,836**	**4,996**	**6,438**	**6,757**	**7,821**	**9,480**	**9,497**	**9,228**	**8,765**
Goodwill on Consolidation	3	3	3	3	3	3	3	3	3	3
Capital WIP	615	75	765	226	236	354	198	1,025	810	724
Total Investments	**8**	**6**	**15**	**117**	**920**	**382**	**270**	**270**	**270**	**270**
Current Investments	0	0	0	100	917	379	267	267	267	267
Curr. Assets, Loans&Adv.	**6,082**	**9,181**	**10,049**	**12,606**	**10,626**	**12,673**	**13,243**	**14,208**	**16,026**	**18,479**
Inventory	2,011	3,445	2,273	6,188	4,256	4,379	6,095	6,001	6,461	6,327
Account Receivables	2,504	1,797	3,308	4,346	4,150	5,849	4,229	4,894	5,645	6,449
Cash and Bank Balance	223	2,570	2,299	586	1,244	777	830	897	1,131	2,517
Loans and Advances	1,345	1,369	2,169	1,485	976	1,668	2,089	2,417	2,788	3,185
Curr. Liability & Prov.	**3,231**	**2,983**	**4,408**	**5,115**	**4,184**	**4,453**	**4,595**	**5,359**	**6,182**	**7,063**
Account Payables	2,152	1,808	3,144	3,986	3,202	2,491	2,611	3,021	3,485	3,981
Other Current Liabilities	985	1,042	1,131	980	825	1,758	1,730	2,044	2,358	2,694
Provisions	95	134	134	149	157	204	254	294	339	388
Net Current Assets	**2,851**	**6,198**	**5,641**	**7,491**	**6,442**	**8,220**	**8,648**	**8,849**	**9,843**	**11,416**
Misc Expenditure	0	0	0	0	0	0	0	0	0	0
Appl. of Funds	**7,107**	**11,119**	**11,420**	**14,275**	**14,358**	**16,779**	**18,599**	**19,643**	**20,154**	**21,178**

Financials and valuation

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)										
EPS	**7.5**	**10.2**	**20.2**	**22.7**	**11.0**	**15.0**	**3.9**	**10.6**	**15.7**	**20.4**
Cash EPS	27.9	36.5	62.5	71.0	45.4	56.8	33.4	52.7	67.0	79.8
BV/Share	88.6	186.1	231.8	281.1	303.0	343.1	350.3	371.2	404.8	449.8
DPS	0.0	0.0	3.5	3.5	2.0	2.0	2.0	2.0	2.0	2.0
Payout (%)	0.0	0.0	17.4	15.5	18.2	12.1	51.3	19.0	12.8	9.9
Valuation (x)										
P/E	45.9	33.5	17.0	15.1	31.1	22.9	87.5	32.4	21.8	16.8
Cash P/E	12.3	9.4	5.5	4.8	7.6	6.0	10.3	6.5	5.1	4.3
P/BV	3.9	1.8	1.5	1.2	1.1	1.0	1.0	0.9	0.8	0.8
EV/Sales	2.1	2.3	1.8	1.5	1.3	1.5	1.6	1.4	1.1	0.9
EV/EBITDA	18.3	16.5	10.0	9.3	14.5	12.3	24.4	14.2	10.8	8.5
Dividend Yield (%)	0.0	0.0	1.0	1.0	0.6	0.6	0.6	0.6	0.6	0.6
FCF per share	15.0	-1.5	13.4	-16.3	24.4	-14.0	-12.4	1.8	12.7	22.4
Return Ratios (%)										
RoE	22.9	18.2	23.6	21.6	9.2	11.3	2.8	7.2	9.9	11.7
RoCE	16.4	15.3	21.3	20.4	9.1	11.3	2.9	6.8	9.3	11.2
RoIC	16.6	17.9	26.7	23.6	9.7	11.9	2.5	6.8	9.6	12.0
Working Capital Ratios										
Fixed Asset Turnover (x)	2.5	2.0	2.3	2.4	2.2	1.8	1.5	1.6	1.8	1.9
Asset Turnover (x)	2.2	1.5	1.8	1.9	1.9	1.5	1.4	1.5	1.7	1.8
Inventory (Days)	47	77	40	85	57	62	88	75	70	60
Debtor (Days)	58	40	58	60	56	83	61	61	61	61
Creditor (Days)	50	40	55	55	43	35	38	38	38	38
Leverage Ratio (x)										
Current Ratio	1.9	3.1	2.3	2.5	2.5	2.8	2.9	2.7	2.6	2.6
Interest Cover Ratio	3.9	5.3	14.6	24.8	15.2	33.3	5.7	9.0	16.8	38.5
Net Debt/Equity	0.7	0.0	-0.1	0.1	-0.1	0.0	0.1	0.1	0.0	-0.1

Consolidated - Cash Flow Statement (INRm)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	1,113	1,506	2,991	3,369	1,648	2,258	588	1,557	2,315	3,000
Depreciation	436	520	594	703	830	912	1,070	1,206	1,284	1,349
Interest & Finance Charges	329	285	31	84	102	49	80	16	-49	-135
Direct Taxes Paid	-305	-372	-773	-875	-401	-733	-281	-392	-583	-755
(Inc)/Dec in WC	611	-1,081	77	-3,476	1,474	-2,151	-322	-134	-760	-186
CF from Operations	**2,184**	**858**	**2,920**	**-195**	**3,654**	**335**	**1,136**	**2,254**	**2,207**	**3,272**
Others	3	165	0	0	-52	-6	53	0	0	0
CF from Operating incl EO	**2,186**	**1,023**	**2,920**	**-195**	**3,602**	**329**	**1,189**	**2,254**	**2,207**	**3,272**
(Inc)/Dec in FA	-834	-1,188	-1,444	-1,605	-903	-1,873	-2,556	-2,050	-800	-800
Free Cash Flow	**1,353**	**-165**	**1,476**	**-1,800**	**2,699**	**-1,544**	**-1,367**	**204**	**1,407**	**2,472**
(Pur)/Sale of Investments	0	-2,570	-8	-103	-772	593	144	0	0	0
Others	-217	80	755	1,913	193	22	66	159	183	210
CF from Investments	**-1,051**	**-3,677**	**-697**	**205**	**-1,481**	**-1,258**	**-2,347**	**-1,891**	**-617**	**-590**
Issue of Shares	0	3,394	0	5	0	0	0	0	0	0
Inc/(Dec) in Debt	-689	-371	-1,757	648	-919	560	-321	100	-1,000	-1,000
Interest Paid	-329	-282	-207	-139	-99	-46	-106	-175	-134	-74
Dividend Paid	0	-110	-385	-387	-221	0	-111	-221	-221	-221
Others	115	2,371	-145	-1,850	17	-39	1,736	0	0	0
CF from Fin. Activity	**-903**	**5,001**	**-2,494**	**-1,723**	**-1,222**	**475**	**1,198**	**-296**	**-1,356**	**-1,296**
Inc/Dec of Cash	**233**	**2,347**	**-271**	**-1,713**	**899**	**-453**	**41**	**67**	**234**	**1,386**
Opening Balance	-10	223	2,570	2,299	316	1,215	761	830	897	1,131
Other bank balance					29	16	28			
Closing Balance	**223**	**2,570**	**2,299**	**586**	**1,244**	**777**	**830**	**897**	**1,131**	**2,517**

Apollo Pipes

BSE Sensex	S&P CNX
82,756	25,245

CMP: 431 **Not Rated**

Yet another play on the theme!

Apollo Pipes Ltd (APOLP), a part of the APL Apollo Group, is one of the leading manufacturer of plastic pipes and fittings. Originally known as Amulya Leasing and Finance Ltd., the company rebranded as Apollo Pipes Ltd. in 2017 after Mr. Sameer Gupta took over management control in 2011, driving its transformation. The company's diverse product portfolio includes CPVC, uPVC, HDPE, and SWR pipes and fittings, along with water storage tanks and bathroom fittings.

- **APOLP has more than doubled its production capacity from 84k MT in FY20 to 226k MTPA in FY25, and aims to reach 286k MTPA over the next few years. The upcoming Greenfield plant in South India and the strategic acquisition of Kisan Mouldings (adding 60k MT) will further strengthen its position to meet the growing demand.**
- **Expanding from 1,000+ SKUs in FY19 to 2,600+ SKUs, APOLP is strengthening its presence in high-margin segments like OPVC pipes, uPVC windows & doors, and sanitary fittings. The OPVC segment currently contributes 4-5% to revenue (expected 7-9% by FY26), signaling stronger traction compared to peers in the newer pipe segment.**
- **Despite investing INR4.3b in capex over seven quarters, APOLP remains net debt-free. With an additional INR4b capex (partly funded by the Kitara Capital investment of ~INR1.1b) planned over the next three years, its financial prudence ensures sustainable growth.**
- **Backed by APL Apollo Group's strong brand and robust financial position, we expect APOLP to effectively capitalize on this theme.**

Financial Snapshot (INR b)

Y/E Mar	FY23	FY24	FY25
Sales	9.1	9.9	11.8
EBITDA	0.7	1.0	1.0
Adj. PAT	0.2	0.4	0.3
EBITDA (%)	7.4	9.7	8.1
EPS (INR)	6.1	10.8	7.4
EPS Gr. (%)	-51.9	78.1	-31.6
BV/Sh. (INR)	116.3	145.9	180.0
Ratios			
Net D/E	0.0	0.0	-0.1
RoE (%)	5.5	8.3	4.8
RoCE (%)	6.4	8.1	5.6
Valuations			
P/E (x)	70.8	39.8	58.2
EV/EBITDA (x)	25.1	18.8	20.3
Div Yield (%)	-	-	-

Gearing up for expansion

- APOLP has been consistently expanding its manufacturing footprint across India. From a production capacity of just 84k MT in FY20, the company has more than doubled its capacity to 226k MTPA. However, its ambition is far from over, with a target to scale up to 286k MT in the coming years. The company currently operates eight advanced manufacturing facilities spread across Uttar Pradesh, Gujarat, Karnataka, Chhattisgarh, Maharashtra, Dadra & Nagar Haveli, and Madhya Pradesh.
- A key component of its expansion strategy is the upcoming Greenfield plant in South India, which is expected to add 70k MT of capacity. This move will enable APOLP to gain a stronger foothold in a region, where competitors have a dominant presence. Additionally, the Varanasi plant is expected to enhance supply chain efficiencies and reduce logistics costs.
- The company's acquisition of Kisan Mouldings Ltd., in which it acquired a 53.57% stake for INR1.18b, has further strengthened its manufacturing base by adding 60k MT of production capacity. This acquisition is particularly crucial for APOLP's expansion in western India, allowing it to leverage Kisan's distribution network and market presence.

Exploring opportunities within and beyond pipes

- APOLP has strategically broadened its product portfolio (from 1000+ SKUs in FY19 to 2,600+ SKUs currently), shifting its focus toward high-margin segments that enhance both revenue growth and profitability. The company offers a wide range of products, including CPVC, UPVC, and HDPE pipes, solvent cement, fittings, water storage solutions, column pipes, and drainage systems.
- A significant push has been made into emerging product categories such as OPVC pipes, uPVC windows and doors, and sanitary and bath fittings. The OPVC segment, in particular, has been gaining strong traction and currently contributes 4-5% of total revenues, with expectations to reach 7-9% in FY26. APOLP has partnered with leading Spanish manufacturers for OPVC production, setting itself apart from lower-quality imports.
- The company is also evaluating the plastic faucet taps and showers segment for potential further investment or strategic divestment, ensuring that its portfolio remains aligned with profitability and growth objectives.

Resilient financials to navigate market upswings

- APOLP delivered a strong performance in FY25, with a volume growth of 23% despite facing ongoing headwinds.
- The company has demonstrated strong revenue growth, achieving a CAGR of 24% and reaching INR11.8b in FY25 over FY20. However, EBITDA margins have moderated from 10.8% in FY19 to 8.1% in FY25, reflecting industry-wide cost pressures.
- APOLP has invested INR4b in capex over the past five years while maintaining a debt-free position, highlighting its financial prudence. Looking ahead, the company has outlined an ambitious INR4b capex plan over the next three years, including the establishment of a greenfield plant in South India.
- The company is set to secure an INR1.1b in equity investment from Oman-based Kitara Capital. Additionally, it is targeting a ROCE of 25% within the next two years, reinforcing its commitment to operational efficiency and financial discipline.

Valuation and view

- We like APOLP for its strategic initiatives, which are set to drive growth, supported by anticipated tailwinds. The company is aggressively expanding its market presence and dealer network (600 channel partners in FY19 to 1,000+ currently), particularly in South and West India, adding over 1,100 channel partners with the Kisan acquisition.
- The company is also enhancing its supply chain efficiency by optimizing logistics and reducing freight costs. With a ~44% capacity utilization rate, the company has significant room to boost output without the need for major new investments.
- Committed to a debt-free growth strategy, APOLP is expanding without overleveraging its balance sheet.

Story in charts

Exhibit 107: APOLP's growth strategy

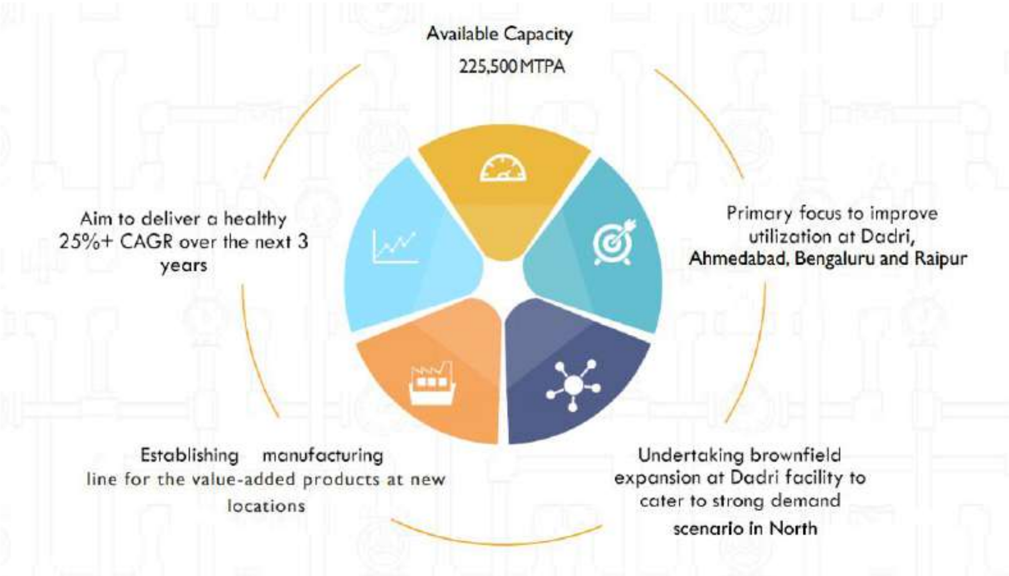
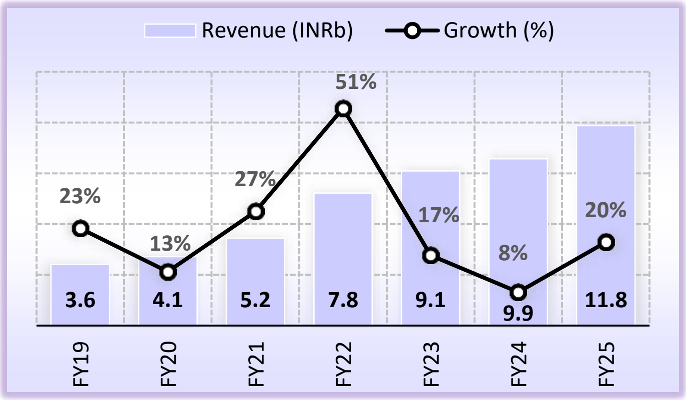


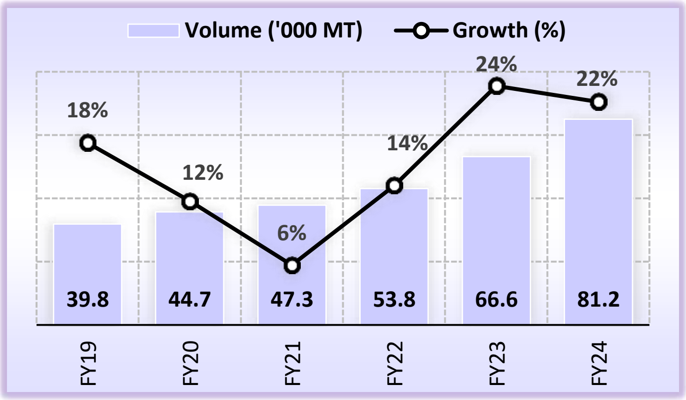
Exhibit 108: Its capacity expansion plan

STORY IN CHARTS

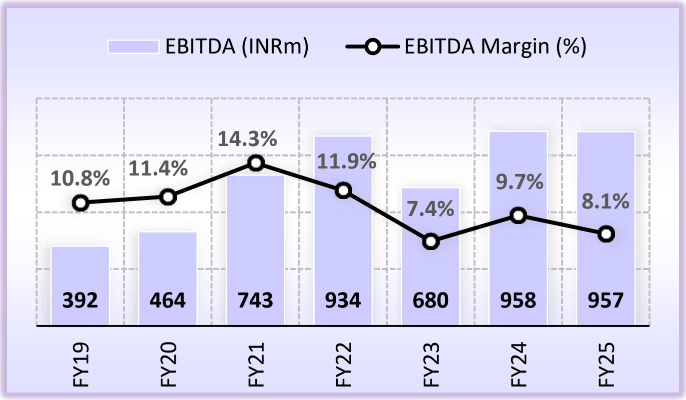
Registered revenue CAGR of 24% over FY20-25…



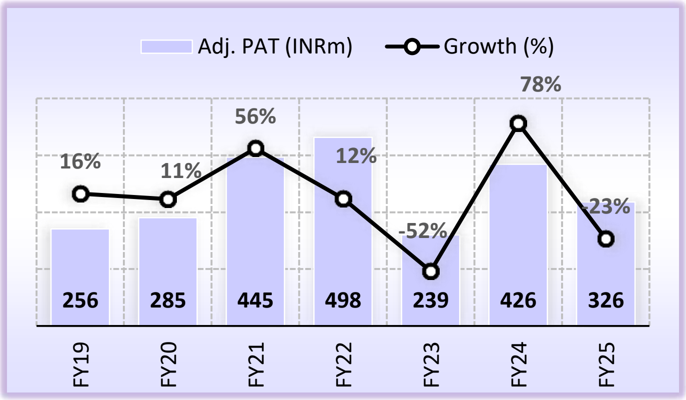
…driven by 17% volume CAGR



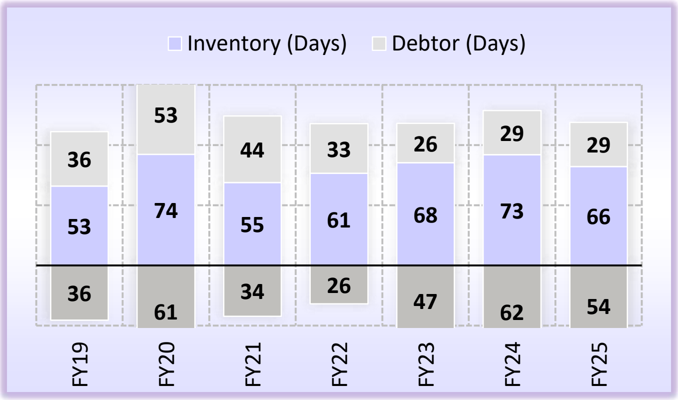
Trend of EBITDA and EBITDA margin



Adj. PAT grew 3% over FY20-25

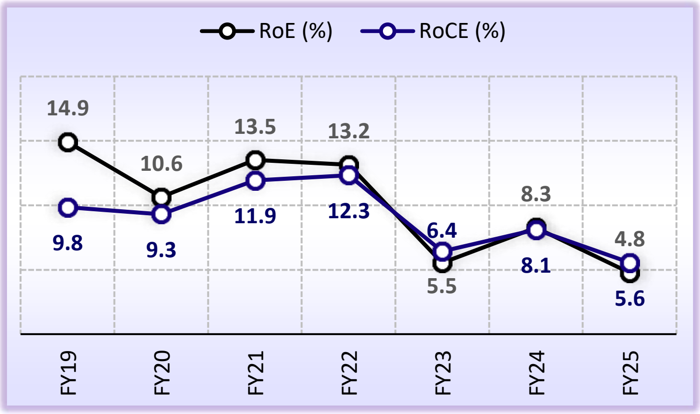


Working capital days improved over FY19-24



Source: Company, MOFSL

RoE/RoCE trend

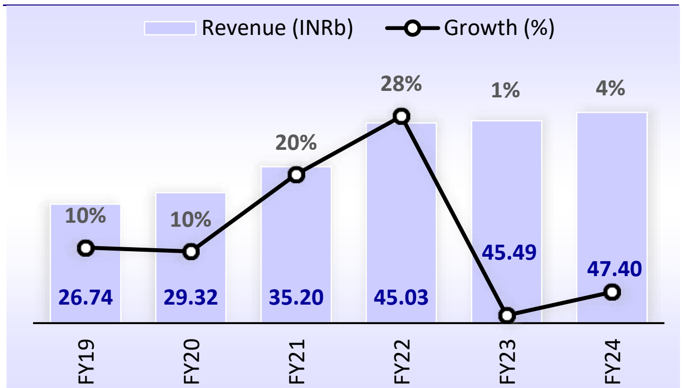


Source: Company, MOFSL

Ashirvad Pipes

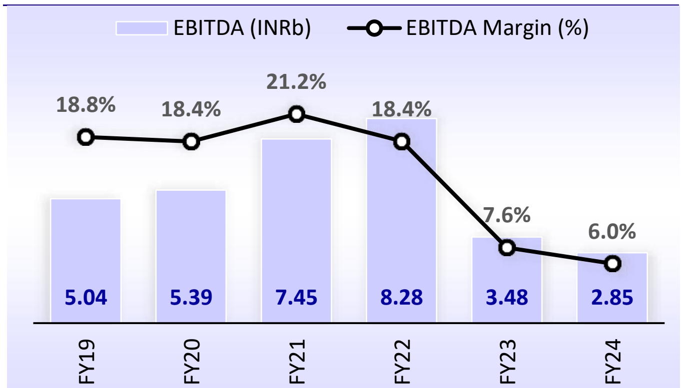
- Ashirvad Pipes, founded in 1998 by Pawan Poddar, is one of the leading manufacturers of CPVC, uPVC, and SWR plumbing systems, including uPVC column pipes for submersible borehole pumps. It is among the leading sellers of CPVC and uPVC pipes and fittings, holding a market share of 9%.
- The company has partnered with 1,500+ distributors, 60,000+ retailers, 2,000+ contractors and 160,000+ plumbers.
- Beyond its core PVC and CPVC piping solutions, Ashirvad Pipes has expanded its portfolio to include OPVC pipes, wastewater management, water tanks, and a range of bath and kitchen solutions. This diversification leverages its extensive distribution network, enabling cross-selling opportunities.
- The company collaborates with Lubrizol, US, for its CPVC hot and cold plumbing systems, ensuring high-quality and hygienic potable water supply solutions.
- Acquired by Aliaxis SA in 2013, Ashirvad Pipes leverages its global expertise, innovation, and operational excellence while benefiting from the strong financial backing of key investors like Glynwed Holding B.V., Netherlands, and Aliaxis Group SA. The company collaborates with leading Aliaxis brands such as Durman, Ipex, and Philmac, combining technology with locally tailored solutions to enhance product quality and market reach.
- The company has expanded into silent SWR systems, foam core underground drainage, and sanitary solutions like traps, pan connectors, and concealed valves. It has a nationwide distribution network and a 40-acre manufacturing facility with an annual capacity of 1,08,000 MT.
- The company witnessed decent revenue growth of INR47.4b, posting a 15% CAGR since FY14. EBITDA margin stood at 5.2% in FY24, contracting 160bp YoY.

Exhibit 109: Registered revenue CAGR of ~12% over FY19-24



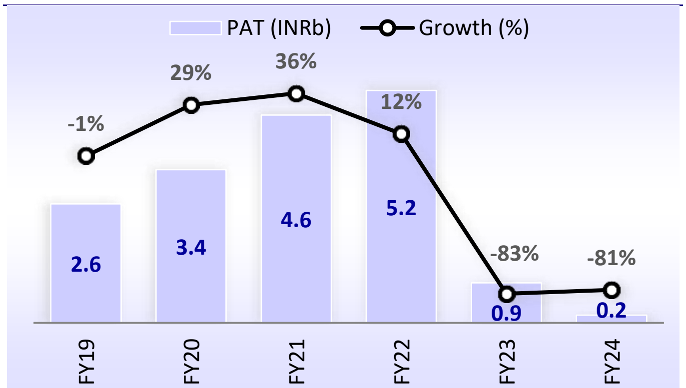
Source: MOFSL, Company

Exhibit 110: EBITDA margin contracted 13pp over FY19-24



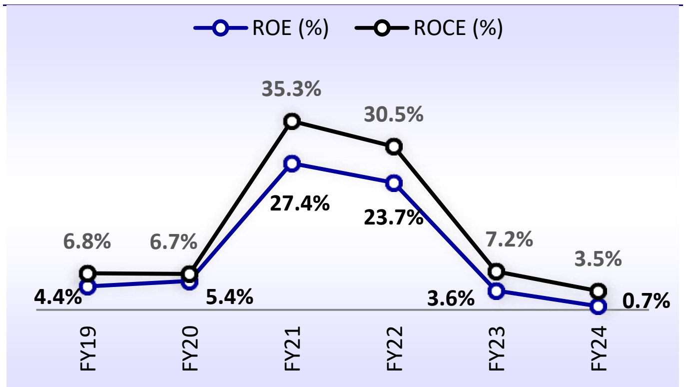
Source: MOFSL, Company

Exhibit 111: PAT margin contracted over FY19-24



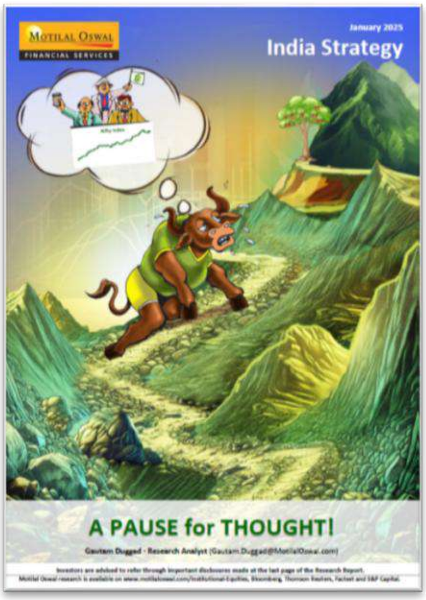
Source: Company, MOFSL

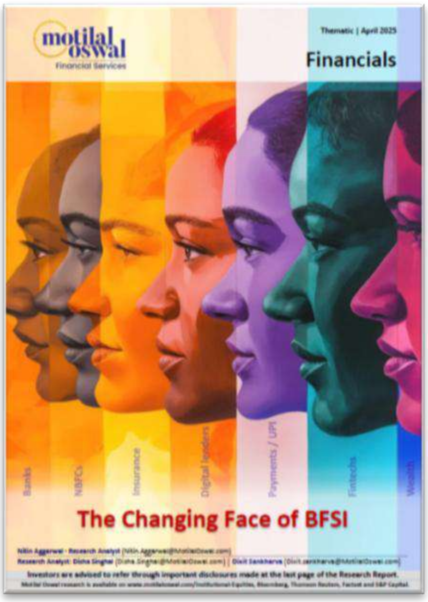
Exhibit 112: RoE/RoCE trend

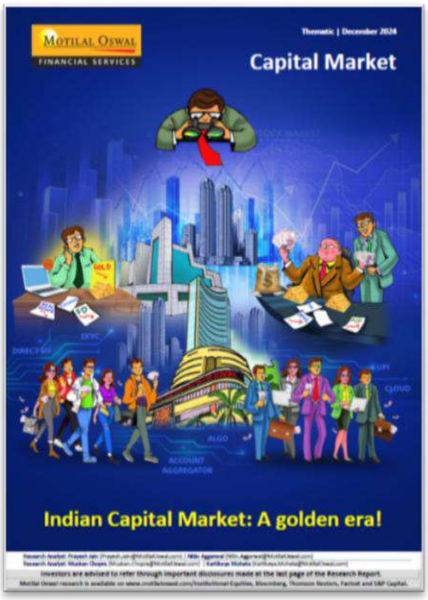


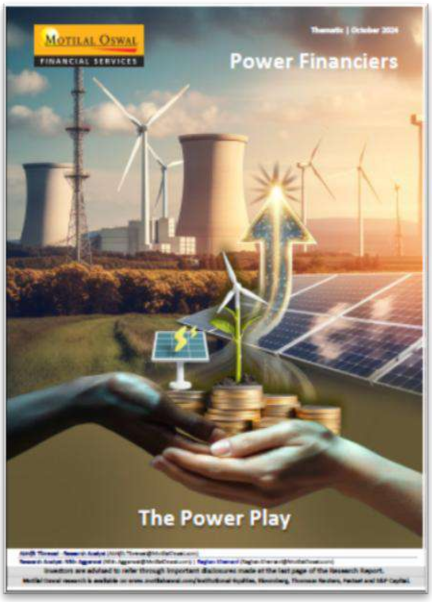
Source: Company, MOFSL

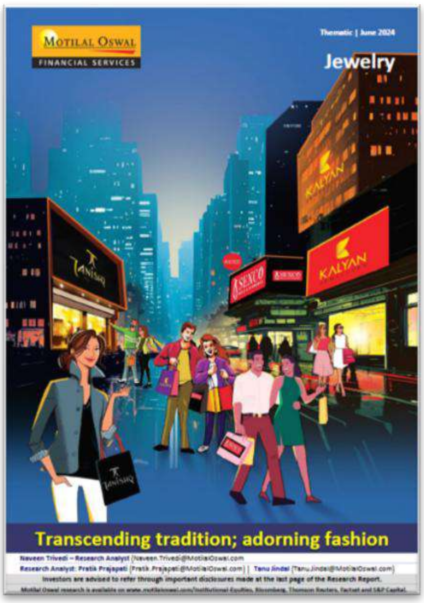
RECENT STRATEGY/THEMATIC REPORTS

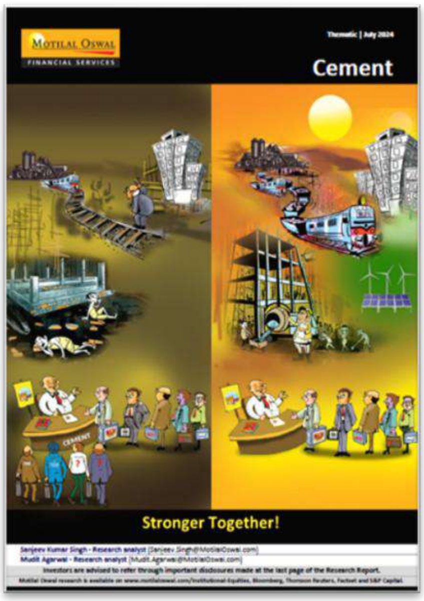












Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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