

**Astral Limited**  
**(Previously known as Astral Poly Technik Limited)**

September 22, 2021

**Ratings**

Facilities	Amount (Rs. Crore)	Ratings <sup>1</sup>	Rating Action
Long-term/Short-term Bank Facilities	805.88	<b>CARE AA; Stable/ CARE A1+</b> [Double A; Outlook: Stable/ A One Plus]	Reaffirmed
Long-term Bank Facilities @	-	-	Withdrawn
<b>Total Facilities</b>	<b>805.88</b> <b>(Rs. Eight hundred five crore and eighty-eight lakh only)</b>		

*Details of facilities in Annexure-1*

@ CARE Ratings has withdrawn the rated term loan as the same has been fully repaid.

**Detailed Rationale & Key Rating Drivers**

The ratings assigned to the bank facilities of Astral Limited (Astral) continue to derive strength from its established track record of operations in the plastic pipes and fittings business with market leadership position in chlorinated polyvinyl chloride (CPVC) pipe segment in India, its strong brand franchise of 'Astral' which is aided by its advertisement and sales promotion spending and complemented by its widespread distribution network and multi-location manufacturing facilities which has led to steady growth in its total operating income (TOI) with geographically diversified presence. The ratings also continue to derive strength from its diversified product portfolio in the pipes and adhesives segment apart from its recent foray into water tank segment, backward integration into CPVC compounding, and its strong financial risk profile marked by healthy profitability, comfortable capital structure and debt coverage indicators, and strong return ratio and liquidity. CARE Ratings also takes cognizance of improvement in its profitability and cash accruals during FY21 (refers to the period April 01 to March 31) due to inventory gains apart from benefit of economies of scale.

The long-term rating, however, continues to be constrained by the susceptibility of its profitability to fluctuations in raw material prices and foreign exchange rates, supplier concentration risk and high competition in the Indian plastic pipes industry due to low entry barriers.

**Rating Sensitivities****Positive Factors**

- Improvement in the capacity utilization of its pipe as well as adhesive segments along with growth in its total operating income (TOI) to more than Rs.4,000 crore through greater geographical diversification leading to significant increase in its market share
- Sustained improvement in its PBILDT margin above 20% and ROCE above 25% while maintaining TOL/TNW ratio below 0.30x and Total Debt/ PBILDT of around 0.50x on a sustained basis
- Effective management of its working capital requirements leading to contraction in operating cycle to around 60 days on sustained basis
- Greater diversification of its raw material supplier base

**Negative Factors**

- Decline in the scale of operations with TOI going below Rs.2,000 crore along with PBILDT margin below 15% and ROCE below 18% on a sustained basis
- Major debt-funded capex or acquisition leading to deterioration in TOL/TNW to more than 0.75x and Total Debt/ PBILDT to more than 1.50x on a sustained basis
- Elongation in its operating cycle beyond 100 days having an adverse impact on its cash flow from operations and liquidity
- Any unrelated diversification having adverse impact on the credit profile of the company

**Detailed description of the key rating drivers****Key Rating Strengths****Established track record of operations in plastic pipes & fittings business**

Established in 1996, Astral is promoted by Mr Sandeep Engineer (Managing Director), who has over three decades of experience in the plastic and chemical industry. Astral is amongst the leading players in the domestic CPVC pipes & fittings business with presence in lead-free PVC pipes since 2004 and lead-free uPVC column pipes since 2012 and has National Sanitation Foundation (NSF) certification for CPVC piping system in India since 2007. Astral forayed into related adhesives

<sup>1</sup> Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

business in 2014 with acquisition of Seal IT Services Limited (UK) and later acquired Resinova Chemie Limited (RCL) in November 2014. These acquisitions added a variety of adhesives and sealants to Astral's product portfolio. Furthermore, with the acquisition of Rex Poly Extrusion Private Limited (Rex; amalgamated with Astral in FY20), in July 2018, Astral entered into a range of corrugated pipes. In November 2020, Astral added water tanks in its product basket with the acquisition of assets of Shree Prabhu Petrochemicals Private Limited and other parties, a company based at Aurangabad along with its brand 'Sarita'. Additionally, the company started manufacturing of water tanks under the brand 'Astral' in its existing manufacturing set-up located near Ahmedabad and Rajasthan since April 2021 and July 2021 respectively. Astral also plans to start manufacturing water tanks from its other plants located in Odisha and Tamil Nadu.

***Diversified product portfolio in pipes and adhesive business with market leadership position in CPVC pipe segment in India***

Astral has launched a wide variety of products in PVC, CPVC and lead-free PVC plumbing systems and fittings including drainage systems, agriculture systems, fire sprinkler systems, electrical conduit pipes, plumbing system for industrial applications etc. Astral's product portfolio has been further strengthened with the addition of new products like corrugated pipes, cable protection systems for telecommunication lines, double wall corrugated pipes and sub-surface drainage pipes through acquisition of Rex. In pipes and fittings segment, Astral has significant presence in value added CPVC products along with PVC and infra products which constitutes around 75% of Astral's consolidated sales whereas adhesive constitutes around 25% of its consolidated sales. Astral's product portfolio includes 18+ different major types of pipes, 50 types of adhesive and two major variants in water tank segment. Adhesives and sealants of the company are used across multiple applications such as household, construction, furniture, engineering, automobile and insulation.

The revenue profile of Astral is further geographically diversified with sales outside India contributing around 10% of the net sales during FY21.

***Widespread dealer and distribution network leading to geographically diversified operations***

Astral's diversified product portfolio is well complemented by its established and widespread network of dealers and distributors across India. Astral has more than 850 distributors with 33,000+ dealers for its piping segment while it has more than 1,300 distributors with 1,30,000 dealers for adhesives segment. Astral's strong distribution network has enabled it to have a pan-India presence in its piping as well as adhesive business. For piping business, it has strong presence in West and South followed by North India. While it has relatively low presence in East India which is expected to increase over next few years with commissioning of its new plant in Bhubaneswar.

The adhesive business currently has strong presence in North India and its presence in West and South India is expected to increase by leveraging on the distribution network of Astral's piping business.

***Strong brand franchise of 'Astral' aided by advertising and sales promotion spend***

Over the years, the company has built its 'Astral' brand through various branding initiatives. Astral is consistently investing in brand building through national television advertisement, in-film branding, on-ground cricket match branding, associate sponsor of Indian Premier League (IPL) Teams, train/bus/auto banners, advertisement hoardings, shop hoarding boards, plumber/ architects/ distributors meet, digital marketing. On a consolidated basis, on an average, Astral's cost on advertisement and sales promotion has remained nearly 3%-3.5% of net sales during the past three years ended FY21 underlying its continued focus on promotion of its brand.

***Multi-location manufacturing facilities provides ease of market access and enables cost saving on logistic***

At present, the company has seven piping and water tank manufacturing facilities in India and five adhesives and sealants manufacturing facilities across the globe with three within India and one each in the USA and UK. Due to bulky nature of pipe and water tank, they require a large storage capacity, and involves substantial freight/ logistic cost. In order to minimize the cost of logistic, Astral has set-up its manufacturing capacities across India targeting each region i.e. North, West, South and East. Moreover, company plans to set-up an additional capacity for its pipe segment in Aurangabad, Maharashtra with installed capacity of 5,000 Metric Ton Per Annum (MTPA). The said plant will cater to the demand from central and west India. Apart from this, company also plans to set-up a pipe capacity in Sangli, Maharashtra, with installed capacity of 8,856 MTPA. The company envisages to serve the west and south Indian market out of its Sangli plant. For the first time, the company has forayed in to setting up its manufacturing facility in eastern India. The upcoming plant at Bhubaneswar, Odisha will serve east and north-east Indian markets. In the first phase, the company plans to install 20,000 MTPA capacity which can subsequently scale-up to 60,000 MTPA. The first phase of production is expected to commence from November 2021. This would significantly save logistic cost for the company and help in increasing its presence in eastern India. On an aggregate, Astral plans to spent around Rs.150 crore and Rs.100 crore towards fresh capex during FY22 and FY23, respectively, which are envisaged to be met out of the internal accruals.

***Growing scale of operations along with steady improvement in profitability margins***

During FY21, TOI from pipes business reported growth of 21.7% mainly driven by growth in average sales realization resulting from higher raw material prices while the sales volume of pipe grew only marginally by 3.3% in FY21. The growth in pipe business was supported by consistent increase in installed capacities which has almost doubled from 138,000 MT in FY17 to 258,000 MT in FY21. The same is further expected to increase to around 290,000 MT by the end of FY22. The incremental capacity shall facilitate the future growth in scale of operations. Furthermore, TOI from adhesive business grew by 26% after witnessing moderation in FY20. On a consolidated basis, TOI is expected to grow at around 15% per annum over the next three years ended FY24 supported by strong demand on the back of government spending on infrastructure, housing and agriculture sectors. Furthermore, replacement demand/substitution of metal pipes by plastic pipes, which contributes around 50% of Astral's total sales, is expected to provide stability to its business. Moreover, the recently-added water tank business is also expected to contribute nearly 5%-7% of consolidated sales over medium term.

PBILDT margins of Astral has improved to 20.59% in FY21 (17.40% for FY20) on account of saving in overhead cost with economies of scale apart from inventory gains on the back of continuous rise in PVC resin prices. The expected saving in logistic cost with multi-locational plants, continued benefits from backward integration into CPVC and improvement in capacity utilisations shall allow the company to sustain its PBILDT margin in the range of 16%-18%.

***Comfortable capital structure and debt coverage indicators, and strong return ratio***

Astral's overall gearing and TOL/ TNW ratio on a consolidated level improved from 0.35x and 0.59x, respectively, as on March 31, 2020 to 0.15x and 0.44x, respectively, as on March 31, 2021 with accretion of profit to net-worth. With cash and bank balance of Rs.476 crore, Astral is net debt free company as on March 31, 2021. Astral's debt coverage indicators remained healthy marked by PBILDT interest coverage of 50x and Total debt/ PBILDT of 0.37x during FY21. Furthermore, the capital structure and debt coverage indicators are expected to remain comfortable in future in the absence of any debt funded capex or acquisition. Moreover, ROCE continues to remain strong and improved further during FY21 backed by improvement in profitability.

***Liquidity: Strong***

Astral's liquidity remained strong marked by healthy cash flow generation from operations and no significant fixed debt repayment obligation. Astral had free cash & bank balance of Rs.324 crore and Rs.476 crore on standalone and consolidated basis, respectively, as on March 31, 2021 resulting in lower dependence on working capital borrowings. The average utilization of its fund-based (majorly buyer's credit) working capital limits stood low at around 50% during the trailing 12 months-ended June 2021. Its unencumbered cash and bank balance and available unutilized bank lines are more than adequate to meet its incremental working capital and capex requirement over the next one year. With low overall gearing ratio, Astral has sufficient gearing headroom, to raise additional debt for its capex, if any. Astral's current ratio stood at 1.84x as on March 31, 2021 and it has a controlled operating cycle of 61 days in FY21 at consolidated level.

***Key Rating Weaknesses******Profitability susceptible to volatility in raw material prices and foreign exchange rates***

The raw materials of Astral majorly consists of CPVC resin (around 30%-35% of total raw material requirement which is majorly imported) and PVC resin. Being a crude derivative, PVC prices exhibit strong correlation with the volatile crude oil prices. The raw material required for adhesives are also crude derivative products. Thus, Astral is exposed to fluctuation in raw material prices. Over the past one-year, the prices of PVC resin have surged to Rs.140/kg from an average of about Rs.75-80/kg. Substantial rise in raw material cost also led to increased working capital requirement for industry players. Although, players with strong brand recall were able to pass on the higher cost to its customers, however, ability to consistently maintain the gross margin on its products amidst volatility in raw material remains crucial for the success of plastic pipe manufactures.

Astral is exposed to fluctuations in foreign exchange rates since it imports around 35% of its total raw material requirement against which exports are minimal. Astral does not hedge its forex exposure beyond around 60 days, thus exposing it to fluctuations in foreign exchange rates.

***Supplier concentration risk***

Astral procures CPVC resin largely from 2-3 suppliers and hence is exposed to supplier concentration risk which results in limited bargaining power with them. Astral normally procures CPVC resin from Seikisui Chemical Co Limited, Japan (Sekisui), a major supplier of CPVC resin. The PVC industry in India has five major producers viz. Reliance Industries Ltd, Finolex Industries Ltd, Chemplast Sanmar Ltd, DCW Ltd and DCM Sriram Ltd. Astral majorly procures its PVC requirement domestically from some of these domestic suppliers while some portion of requirement is also met through imports. For Astral, the top-5 suppliers comprised 55% of the total raw material purchased during FY21 thus exposing it to moderate degree of supplier concentration risk.

### **Low entry barriers in a highly competitive plastic pipes industry**

The Indian plastic pipes industry is highly competitive with the market share of unorganized players comprising around 35%-40% of the industry. A significant portion of the industry comprises of unorganized segment on account of low entry barriers in the plastic pipes industry and commoditized nature of the product leading to low product differentiation and pricing pressure. The Indian plastic pipe industry primarily derives its demand from infrastructure/construction and agriculture sector along with replacement/substitution of metal pipes by cost-effective plastic pipes. However, in the backdrop of GST implementation and economic slowdown exacerbated by COVID-19, many unorganised players are experiencing challenging environment. As a result, organised players with strong credit profile, wide product portfolio, strong brand and distribution network are likely to gain sizeable market share.

### **Analytical Approach: Consolidated**

CARE Ratings has considered consolidated financials of Astral for its analytical approach on account of business synergies with its subsidiaries which have been set-up/ acquired in different geographies to cater to a wider market or are related diversification to complement its existing product portfolio; and due to their common management. Details of entities getting consolidated in Astral are shown at Annexure 4.

### **Applicable Criteria**

[Policy on withdrawal of rating](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology: Consolidation](#)

[Criteria for Short Term Instruments](#)

[Liquidity Analysis of Non-financial sector](#)

[Rating Methodology-Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

### **About the Company**

Astral was established in 1996 as a private limited company by Mr Sandeep Engineer. In 2007, the company was reconstituted as a public limited company with its Initial Public Offering. Furthermore, the name of the company has been changed from Astral Poly Technik Limited to present one in April 2021. Astral manufactures PVC and CPVC plumbing systems, sewerage drainage systems, fire sprinkler pipes and electrical conduit pipes along with its related fittings for residential, agricultural, industrial and commercial applications. As on March 31, 2021, Astral had a combined pipe and water tank manufacturing capacity of 2,57,950 Metric Ton Per Annum (MTPA) at its plants located across India while it had adhesive capacity of 92,176 MTPA spread across India, UK and USA.

Astral also has a joint venture (JV) for manufacturing of pipes in Kenya having capacity of 8,035 MTPA which the company has decided to wind-up as the same is incurring losses. Furthermore, the company has proposed the merger of its subsidiaries, Astral Biochem Private Limited (100% subsidiary of Astral) and Resinova Chemie Limited (Resinova; 97.45% subsidiary of Astral) with Astral subject to regulatory approvals.

<b>Brief Financials - Consolidated (Rs. crore)</b>	<b>FY20 (A)</b>	<b>FY21 (A)</b>
Total operating income	2,583.90	3,188.00
PBILDT	449.70	656.30
PAT	249.60	408.20
Overall gearing (times)	0.35	0.15
TOL/ TNW	0.59	0.44
PBILDT Interest coverage (times)	11.41	50.10

A – Audited; Financials have been classified as per CARE standards.

As per its un-audited results for Q1FY22, Astral earned a PBILDT of Rs.134 crore on a TOI of Rs.704 crore as against a PBILDT of Rs.58 crore on a TOI of Rs.408 crore during Q1FY21.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument/ facility:** Not Applicable

**Complexity level of various instruments rated for this company:** Please refer Annexure-3

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based/Non-fund-based-LT/ST	-	-	-	220.00	CARE AA; Stable / CARE A1+
Fund-based/Non-fund-based-LT/ST	-	-	-	574.38	CARE AA; Stable / CARE A1+
Non-fund-based - LT/ ST-BG/LC	-	-	-	11.50	CARE AA; Stable / CARE A1+
Fund-based - LT-Term Loan	-	-	-	0.00	Withdrawn

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based/Non-fund-based-LT/ST	LT/ST	220.00	CARE AA; Stable/ CARE A1+	-	1)CARE AA; Stable / CARE A1+ (06-Oct-20)	1)CARE AA; Stable / CARE A1+ (26-Sep-19)	1)CARE AA; Stable / CARE A1+ (16-Jan-19)
2.	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE AA; Stable (06-Oct-20)	1)CARE AA; Stable (26-Sep-19)	1)CARE AA; Stable (16-Jan-19)
3.	Fund-based/Non-fund-based-LT/ST	LT/ST	574.38	CARE AA; Stable/ CARE A1+	-	1)CARE AA; Stable / CARE A1+ (06-Oct-20)	-	-
4.	Non-fund-based - LT/ ST-BG/LC	LT/ST	11.50	CARE AA; Stable/ CARE A1+	-	1)CARE AA; Stable / CARE A1+ (06-Oct-20)	-	-

**Annexure 3: Complexity level of various instruments rated for this Company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Simple
2.	Fund-based/Non-fund-based-LT/ST	Simple
3.	Non-fund-based - LT/ ST-BG/LC	Simple

**Annexure 4: List of entities consolidated**

Name of Entity	% share-holding of Astral as on March 31, 2021
Astral Biochem Private Limited	100.00%
Resinova Chemie Limited	97.45%
Seal IT Services Limited, UK	80.00%
Seal IT Services Inc., USA	80.00%
Astral Pipes Limited, Kenya	50.00%

**Annexure 5: Bank Lender Details**

[Click here to view Bank Lender Details](#)

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.



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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**