

Astral

HOLD

Margins disappointed, healthy volume growth to continue

### Summary

Astral Ltd's Q1FY25 result was in-line with our estimate on net sales front, while margins were below forecast, led by cost escalations. Despite volatility in raw material prices, the company reported healthy sales volume growth; however, NSR remained under pressure. During the quarter Astral has spent additional Rs200mn compared to Q1FY24 on brand building and promotional expenses, which weighed on operating margin in the quarter. The management has guided 15%+ volume growth for FY25E. Net sales was up by 7.8%YoY to Rs13.8bn, while EBITDA was down up by 6.3%YoY to Rs2.1bn. The company reported net profit of Rs1.1bn, marginally down by 2.2% YoY. We have broadly maintained our FY25E/FY26E earnings estimates. Astral remains our preferred pick amongst our building material products universe given its superior product mix, extensive distribution network and healthy balance sheet. Maintain HOLD with a revised TP of Rs2,225 (from Rs2,215), assigning 70x PER on FY26E.

### Key Highlights and Investment Rationale

- Another quarter of volume driven growth:** The company reported 16%YoY increase in sales volume to 55,180MT, while NSR declined by 11% YoY to Rs182/Kg. Adhesive segment witnessed 7% YoY increase in net sales to Rs3,703mn. The UK operations de-grew by 5%YoY to Rs890 mn and EBITDA margins are at 2.5% YoY led by elections and slow growth in the region.
- Capacity addition to drive growth, HOLD with a TP of Rs2,225:** The management guided 15% volume growth in FY25E. With polymer prices increasing, we expect NSR to improve, given demand dynamics are favorable. We believe ASTRAL is a long term growth story and the company's aggressive capacity addition to pave the way for long term, sustainable earnings growth. HOLD with a TP of Rs2,225.

TP **Rs2,225**CMP **Rs2,032**Potential upside/downside **10%**Previous Rating **HOLD**

### Price Performance (%)

	-1m	-3m	-12m
Absolute	(13.5)	(5.9)	2.9
Rel to Sensex	(13.3)	(15.6)	(18.4)

### V/s Consensus

EPS (Rs)	FY25E	FY26E
IDBI Capital	25.3	31.8
Consensus	27.5	34.6
% difference	(7.9)	(8.1)

### Key Stock Data

Bloomberg / Reuters	ASTRA IN/ASPT.BO
Sector	Plastic Building Material
Shares o/s (mn)	269
Market cap. (Rs mn)	545,769
3-m daily avg Trd value (Rs mn)	32.7
52-week high / low	Rs2,454 / 1,739
Sensex / Nifty	79,706 / 24,368

### Shareholding Pattern (%)

Promoters	54.1
FII	22.5
DII	11.0
Public	12.4

### Financial snapshot

(Rs mn)

Year	FY22	FY23	FY24	FY25E	FY26E
Revenue	43,940	51,585	56,414	66,966	78,222
Change (yoy, %)	38.3	17.4	9.4	18.7	16.8
EBITDA	7,553	8,099	9,183	11,232	13,667
Change (yoy, %)	17.2	7.2	13.4	22.3	21.7
EBITDA Margin(%)	17.2	15.7	16.3	16.8	17.5
Adj.PAT	4,838	4,584	5,456	6,814	8,550
EPS (Rs)	24.1	17.0	20.3	25.3	31.8
Change (yoy, %)	19.6	(29.2)	19.0	24.9	25.5
PE(x)	84.4	119.2	100.2	80.2	63.9
Dividend Yield (%)	0.1	0.1	0.1	0	0
EV/EBITDA (x)	53.3	66.7	59.0	48.1	39.3
RoE (%)	22.9	18.2	18.5	19.6	20.6
RoCE (%)	27.9	22.6	22.2	24.1	25.5

Source: IDBI Capital Research

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## Con-call Highlights

### Polymer Price:

- The polymer and chemicals prices volatility pre covid levels were in the range of 1% to 3%. As of now it is the range of 10% to 20%.

### Pipe Segment:

- The Hyderabad plant is ready; trials have commenced and the company expects to start commercial production in the last week of August 2024.
- The fitting plant in Gilot is near to completion; The Company will start production of fittings from September 2024. Also, the company has 22 injection molding machines in phase 1 another 22 machines will be installed in phase 2.
- The construction for the Kanpur plant drawings and plans are ready. All the agencies have been appointed and the company has awarded the construction work to a company which will start the project by the end of August 2024.
- For, O-PVC segment the machine order has been placed. The trial production will start in Oct-2024

### Capex:

- Astral will do the capex of Rs3.5 bn in FY25.

### Paints:

- The company has launched external paints in the last week of June in Gujarat and Karnataka. The company will open stores in Rajput and Surat in Aug-2024. The company will expand to Rajasthan and Maharashtra in upcoming quarters.
- The company currently has 40 big dealers in this segment. Also, the management iterated that it is going through direct dealer model which will take time to establish.
- The company did lot of Painters meet in Ahmedabad and Rajkot; the company has got lot of positive feedback from the painters; the response from the rural market is really good for Astral paints.
- The company is targeting 15-20% YoY growth with EBITDA margins in double digits.

**Bathware:**

- For Bathware segment, the company has guided to do the sales of Rs1.25 bn.
- The company is also adding new SKUs in this vertical. The company is expecting foot growth through these SKUs.
- During the quarter the topline grew by 14% QoQ and EBITDA grew by 16%QoQ.

**UK Operations**

- The UK operations de-grew by 5%YoY to Rs890 mn and EBITDA margins are at 2.5% YoY led by elections and slow growth in the region.
- The management expects from Q3FY25 the business will pick up the momentum.
- The company is expecting the full year growth ~10% with EBITDA margin to ~8%.

**Others**

- The 50%-60% of the retailers sell Bathware product along with pipes.
- During, the quarter there was one-time expense of Rs200 mn for the branding and exhibition

**Guidance**

- The company has guided the volume growth of 15% in FY25.
- The company expects Q2FY25 to be soft led by volatility of the PVC prices and monsoon; however the management is confident that demand will pick-up in H2FY25.

**Exhibit 1: Financial snapshot**

Particulars (Rs mn)	Q1FY25	Q4FY24	QoQ (%)	Q1FY24	YoY (%)
<b>Total revenues</b>	<b>13,836</b>	<b>16,251</b>	<b>(14.9)</b>	<b>12,831</b>	<b>7.8</b>
Total expenditure	11,692	13,336	(12.3)	10,815	8.1
<b>EBIDTA</b>	<b>2,144</b>	<b>2,915</b>	<b>(26.4)</b>	<b>2,016</b>	<b>6.3</b>
<b>EBIDTA margin(%)</b>	<b>15.5</b>	<b>17.9</b>	<b>-244bps</b>	<b>15.7</b>	<b>-22bps</b>
Depreciation	556	525	5.9	463	20.1
Interest cost	76	78	(2.6)	58	31.0
Other income	119	102	16.7	121	(1.7)
PBT	1,631	2,414	(32.4)	1,616	0.9
Tax	436	600	(27.3)	423	3.1
<b>Adj. net profit</b>	<b>1,195</b>	<b>1,813</b>	<b>(34.1)</b>	<b>1,222</b>	<b>(2.2)</b>
Adj. EPS (INR)	4.44	6.74	(34.1)	4.54	(2.2)

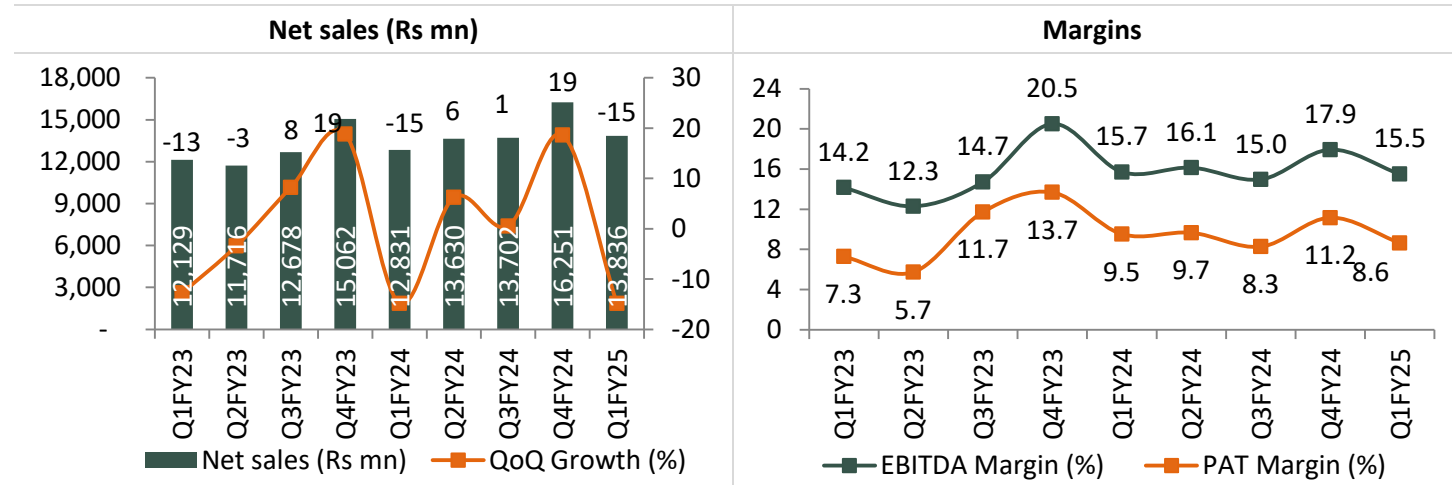
Source: Company; IDBI Capital Research

**Exhibit 2: Actual vs. estimates**

Particulars (Rs mn)	Q1FY25A	Q1FY25E	Variance (%)
<b>Net Sales</b>	<b>13,836</b>	<b>14,435</b>	<b>-4.1</b>
<b>EBITDA</b>	<b>2,144</b>	<b>2,519</b>	<b>-14.9</b>
<b>EBITDA Margin (%)</b>	<b>15.5</b>	<b>17.5</b>	<b>-195bps</b>
<b>Net Profit</b>	<b>1195</b>	<b>1507</b>	<b>-20.7</b>
EPS, Rs	4.4	5.6	-20.7

Source: Company; IDBI Capital Research

**Exhibit 3: Quarterly Revenue & Margins performance**



Source: Company; IDBI Capital Research

Source: Company; IDBI Capital Research

## Financial Summary

### Profit & Loss Account

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Net sales</b>	<b>31,763</b>	<b>43,940</b>	<b>51,585</b>	<b>56,414</b>	<b>66,966</b>	<b>78,222</b>
<i>Change (yoy, %)</i>	23.2	38	17	9	19	17
Operating expenses	(25,318)	(36,387)	(43,486)	(47,231)	(55,734)	(64,556)
<b>EBITDA</b>	<b>6,445</b>	<b>7,553</b>	<b>8,099</b>	<b>9,183</b>	<b>11,232</b>	<b>13,667</b>
<i>Change (yoy, %)</i>	45.5	17	7	13	22	22
<i>Margin (%)</i>	20.3	17.2	15.7	16.3	16.8	17.5
Depreciation	(1,165)	(1,269)	(1,781)	(1,976)	(2,264)	(2,489)
<b>EBIT</b>	<b>5,280</b>	<b>6,284</b>	<b>6,318</b>	<b>7,207</b>	<b>8,968</b>	<b>11,178</b>
Interest paid	(131)	(129)	(400)	(291)	(387)	(409)
Other income	251	349	267	421	526	658
<b>Pre-tax profit</b>	<b>5,400</b>	<b>6,504</b>	<b>6,167</b>	<b>7,337</b>	<b>9,107</b>	<b>11,427</b>
Tax	(1,248)	(1,581)	(1,557)	(1,880)	(2,292)	(2,876)
<i>Effective tax rate (%)</i>	23.1	24.3	25.2	25.6	25.2	25.2
Minority Interest	(38.0)	(66.0)	(29.0)	-	-	-
<b>Net profit</b>	<b>4,184</b>	<b>4,876</b>	<b>4,596</b>	<b>5,458</b>	<b>6,816</b>	<b>8,552</b>
Exceptional items	-	-	(18)	-	-	-
<b>Adjusted net profit</b>	<b>4,044</b>	<b>4,838</b>	<b>4,584</b>	<b>5,456</b>	<b>6,814</b>	<b>8,550</b>
<i>Change (yoy, %)</i>	62.0	20	(5)	19	25	25
EPS	20.1	24.1	17.0	20.3	25.3	31.8
Dividend per sh	1.0	1.8	2.3	2.3	3.0	3.5
<i>Dividend Payout (%)</i>	6.0	8.7	15.8	13	14	13

**Balance Sheet**

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Shareholders' funds</b>	<b>18,958</b>	<b>23,366</b>	<b>27,112</b>	<b>31,881</b>	<b>37,727</b>	<b>45,148</b>
Share capital	201	201	269	269	269	269
Reserves & surplus	18,757	23,165	26,843	31,612	37,458	44,879
<b>Total Debt</b>	<b>532</b>	<b>851</b>	<b>773</b>	<b>964</b>	<b>969</b>	<b>1,023</b>
Other liabilities	401	474	458	594	594	594
<b>Curr Liab &amp; prov</b>	<b>6,625</b>	<b>8,903</b>	<b>12,911</b>	<b>10,736</b>	<b>11,202</b>	<b>11,730</b>
Current liabilities	6,556	8,868	12,854	10,675	11,135	11,656
Provisions	69	35	57	61	67	75
<b>Total liabilities</b>	<b>7,558</b>	<b>10,228</b>	<b>14,142</b>	<b>12,294</b>	<b>12,765</b>	<b>13,347</b>
<b>Total equity &amp; liabilities</b>	<b>26,728</b>	<b>33,872</b>	<b>43,731</b>	<b>44,979</b>	<b>51,296</b>	<b>59,299</b>
Net fixed assets	10,248	12,804	15,184	19,152	20,114	20,833
Investments	-	-	-	-	-	-
Other non-curr assets	3,790	3,617	6,055	5,971	7,136	8,518
<b>Current assets</b>	<b>12,690</b>	<b>17,451</b>	<b>22,492</b>	<b>19,856</b>	<b>24,046</b>	<b>29,948</b>
Inventories	4,721	7,334	8,746	9,134	10,961	13,153
Sundry Debtors	2,767	2,691	3,545	3,758	4,510	5,412
Cash and Bank	4,760	6,418	6,821	6,096	7,534	10,133
Loans and advances	442	1,008	3,380	868	1,042	1,250
<b>Total assets</b>	<b>26,728</b>	<b>33,872</b>	<b>43,731</b>	<b>44,979</b>	<b>51,296</b>	<b>59,299</b>

**Cash Flow Statement**

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Pre-tax profit	5,400	6,504	6,167	7,337	9,107	11,427
Depreciation	1,165	1,269	1,781	1,976	2,264	2,489
Tax paid	(1,277)	(1,581)	(1,549)	(1,829)	(2,292)	(2,876)
Chg in working capital	895	(81)	1,540	(2,576)	(2,114)	(2,567)
Other operating activities	-	-	-	-	-	-
<b>Cash flow from operations (a)</b>	<b>6,183</b>	<b>6,111</b>	<b>7,939</b>	<b>4,908</b>	<b>6,965</b>	<b>8,472</b>
Capital expenditure	(1,733)	(3,825)	(4,161)	(5,944)	(3,226)	(3,208)
Chg in investments	-	-	-	-	-	-
Other investing activities	-	-	-	-	-	-
<b>Cash flow from investing (b)</b>	<b>(1,733)</b>	<b>(3,825)</b>	<b>(4,161)</b>	<b>(5,944)</b>	<b>(3,226)</b>	<b>(3,208)</b>
Equity raised/(repaid)	50	-	68	-	-	-
Debt raised/(repaid)	(792)	319	(78)	191	5	54
Dividend (incl. tax)	(241)	(422)	(726)	(726)	(968)	(1,130)
Chg in minorities	6	-	2,170	(1,673)	-	-
Other financing activities	(14)	(525)	(4,809)	2,519	(1,337)	(1,589)
<b>Cash flow from financing (c)</b>	<b>(991)</b>	<b>(628)</b>	<b>(3,375)</b>	<b>311</b>	<b>(2,301)</b>	<b>(2,665)</b>
<b>Net chg in cash (a+b+c)</b>	<b>3,459</b>	<b>1,658</b>	<b>403</b>	<b>(725)</b>	<b>1,438</b>	<b>2,599</b>

### Financial Ratios

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Book Value (Rs)	93.0	115	100	118	139	167
Adj EPS (Rs)	20.1	24.1	17.0	20.3	25.3	31.8
Adj EPS growth (%)	21.7	20	-29	19	25	25
EBITDA margin (%)	20.3	17.2	15.7	16.3	16.8	17.5
Pre-tax margin (%)	17.0	14.8	12.0	13.0	13.6	14.6
Net Debt/Equity (x)	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
ROCE (%)	28.5	28	23	22	24	26
ROE (%)	23.8	23	18	18	20	21

### DuPont Analysis

Asset turnover (x)	1.3	1.5	1.3	1.3	1.4	1.4
Leverage factor (x)	1.5	1.4	1.5	1.5	1.4	1.3
Net margin (%)	12.7	11.0	8.9	9.7	10.2	10.9

### Working Capital & Liquidity ratio

Inventory days	54	61	62	59	60	61
Receivable days	32	22	25	24	25	25
Payable days	75	75	67	67	59	53

### Valuations

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
PER (x)	101.0	84.4	119.2	100.2	80.2	63.9
Price/Book value (x)	21.8	17.7	20.4	17.3	14.6	12.2
EV/Net sales (x)	12.7	9.2	10.5	9.6	8.1	6.9
EV/EBITDA (x)	62.7	53.3	66.7	59.0	48.1	39.3
Dividend Yield (%)	0.0	0.1	0.1	0.1	0.1	0.2

Source: Company; IDBI Capital Research



# Notes

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**Key to Ratings Stocks:****BUY:** 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.**IDBI Capital Markets & Securities Ltd.****Equity Research Desk**

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