IDBI capital

Astral HOLD

Robust operational performance on key parameters

Summary

Astral Ltd's (Astral) Q4FY23 result was in-line with our estimate on net sales front, while margins were beat to our forecast. The company reported robust recovery in operating margin aided by higher CPVC pipes sales during Q4. Our interaction with the management suggests that demand outlook is robust and the company will continue to do well on net sales as well as on margins in near term. Net sales was up by 8.3%YoY to Rs15bn, while EBITDA improved by 42.5%YoY to R3bn. The company reported net profit of Rs1.9bn, up by 40.7% over Q4FY22. The management reiterated focus to remain on capacity addition across the products and margins improvement in near term. We believe Astral is well placed to benefit from industry growth, entry into allied business verticals. Maintain HOLD with a revised TP of Rs1,958, assigning 60x PER on FY25E.

Key Highlights and Investment Rationale

- **Healthy sales volume of plumbing division supported net sales growth:** The company reported 15%YoY increase in sales volume to 54,438MT, while NSR declined by 10% YoY to Rs206/Kg. Adhesive segment continued its uptrend as net sales improved by 25% over Q4FY22 to Rs3,827mn. The company's new businesses are stabilizing and the management guided that growth will be in steady manner in these segments. Valves plant is operational and the management is confident that it will contribute to net sales as well as margin expansion in coming years.

- **Positive growth guidance encouraging, HOLD with a TP of Rs1,958:** We like Astral given its strong brand recall, extensive distribution network, new capacity addition, and foray into allied business verticals like paints and sanitaryware and healthy balance sheet. We believe Astral is poised to clock doubling the revenue in next 5 years, backed by strong demand outlook and well planned business strategies. HOLD with a TP of Rs1,958.

TP	Rs1,958
CMP	**Rs1,720**
Potential upside/downside	14%
Previous Rating	HOLD

Price Performance (%)	-1m	-3m	-12m
Absolute	18.3	19.8	30.8
Rel to Sensex	15.5	18.9	17.5

V/s Consensus		
EPS (Rs)	**FY24E**	**FY25E**
IDBI Capital	23.4	30.1
Consensus	23.8	29.5
% difference	*(1.9)*	*2.1*

Key Stock Data	
Bloomberg / Reuters	ASTRA IN/ASPT.BO
Sector	Plastic Building Material
Shares o/s (mn)	269
Market cap. (Rs mn)	461,918
3-m daily avg Trd value (Rs mn)	29.8
52-week high / low	Rs1,991 / 1,188
Sensex / Nifty	61,561 / 18,182

Shareholding Pattern (%)	
Promoters	55.9
FII	13.9
DII	13.9
Public	16.3

Financial snapshot **(Rs mn)**

Year	FY21	FY22	FY23	FY24E	FY25E
Revenue	31,763	43,940	51,585	63,045	74,078
Change (yoy, %)	*23*	*38*	*17*	*22*	*18*
EBITDA	6,445	7,553	8,099	10,466	12,964
Change (yoy, %)	*45.5*	*17.2*	*7.2*	*29.2*	*23.9*
EBITDA Margin(%)	*20.3*	*17.2*	*15.7*	*16.6*	*17.5*
Adj.PAT	4,184	4,876	4,614	6,307	8,103
EPS (Rs)	20.8	24.3	17.2	23.4	30.1
Change (yoy, %)	*24.3*	*16.5*	*(29.3)*	*36.7*	*28.5*
PE(x)	82.6	70.9	100.3	73.4	57.1
Dividend Yield (%)	0.1	0.1	0.1	0.2	0.2
EV/EBITDA (x)	53.0	45.0	56.4	43.4	34.8
RoE (%)	24.6	23.0	18.3	21.2	22.6
RoCE (%)	28.4	27.8	22.1	24.6	26.6

Source: IDBI Capital Research

Analyst meet highlights

- The fire sprinkler CPVC has started picking up in many markets. The valves project was a little slow because of Covid-19.
- The company guided that expansion work at Hyderabad has started and will be adding 70,000MT capacity.
- The company highlighted that they have signed a lease in Guwahati for premises. The machineries for the plants have been ordered and the plant will start in next 2 to 3 months.
- Management guided that adhesive business has huge growth as there is no manufacturing unit of construction chemical in India and Astral plans to move to single component way of production.
- Adhesive plant in Dahej is operational, the trail productions are started. And in next two months it will be fully operationally.
- The rationale to enter into sanitaryware and faucets was 1. To make the brand more visible to the customer 2. Distribution channel also needs some more products, and the channel has accepted bathware products and have started selling
- Paints business was acquired last year and this year Astral will work on rebranding and launching of the paints business. The management indicated that there is no major capex required for paints business and it can scale from Rs250crs top line to Rs700-800crs top line without any major investment.
- The company has export presence in 25 nations now and has manufacturing presence in three countries. 22 manufacturing units out of which 9 units are for pipes, 5 adhesive and sealants, 5 are water tanks 3 are for paints. 427,611 MT of production capacity, out of which 290,176MT is of pipe and water tank and 101,435 is of adhesive & sealants. 38 depots across India, out of which 17 are for pipes. 10 adhesive incidents and 11 are for paints. This metric does not include any of the newer announced plants, which are under construction.
- The management guided that it has 193,000 retail outlets across India. It includes paints and adhesive, construction, chemical sealant pipes, water tanks, everything. And expanding in retail reach every year.
- The existing products of Astral has target market of over Rs150,000crs and the management is very optimistic on India's growth story in infrastructure in near term.

- The management guided that India is the net importer of valves from abroad. So, the company started manufacturing with full pace to meet the demand of the market.
- Q4 being a seasonally strong quarter for CPVC, EBITDA/Kg has increased substantially in this quarter.

Exhibit 1: Financial snapshot **(Rs mn)**

Particulars (Rs mn)	Q4FY23	Q3FY23	*QoQ (%)*	Q4FY22	*YoY (%)*
Total revenues	**15,062**	**12,678**	***18.8***	**13,906**	***8.3***
Total expenditure	11,973	10,814	*10.7*	11,738	*2.0*
EBIDTA	**3,089**	**1,864**	***65.7***	**2,168**	***42.5***
EBIDTA margin(%)	***20.5***	***14.7***	***581bps***	***15.6***	***492bps***
Depreciation	445	455	*(2.2)*	**328**	*35.7*
Interest cost	33	94	*(64.9)*	**52**	*(36.5)*
Other income	66	(20)	*(430.0)*	**164**	*(59.8)*
PBT	2,677	1,295	*106.7*	**1,952**	*37.1*
Tax	654	346	*89.0*	**492**	*32.9*
Adj. net profit	**1,990**	**952**	***109.0***	**1,414**	***40.7***
Adj. EPS (INR)	9.9	4.7	*109.0*	7.0	*40.7*

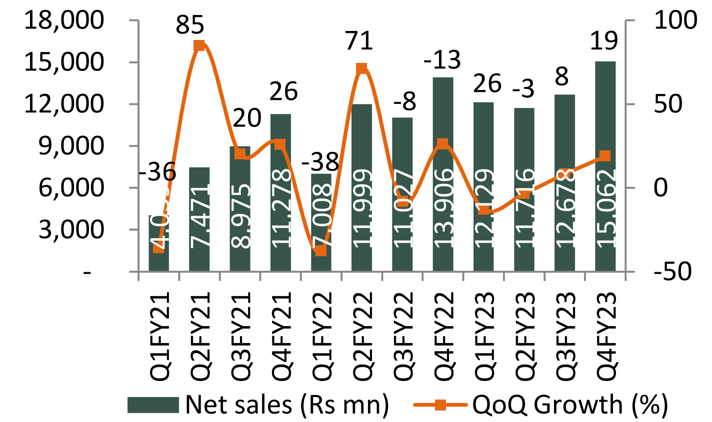
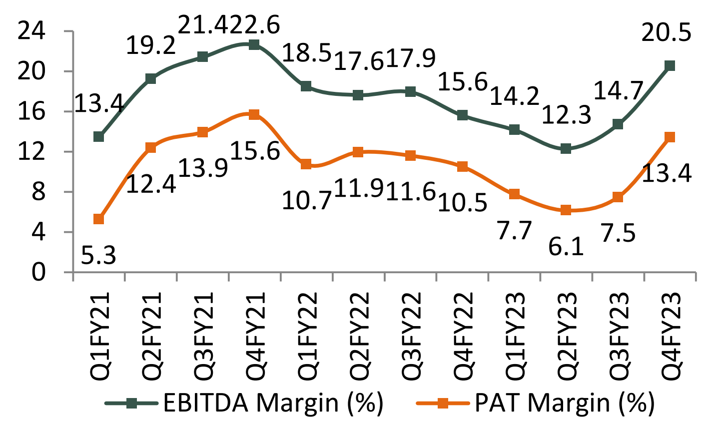
Source: Company; IDBI Capital Research

Exhibit 2: Actual vs. estimates **(Rs mn)**

Particulars (Rs mn)	Q4FY23A	Q4FY23E	*Variance (%)*
Net Sales	**15,062**	**15,187**	***-0.8***
EBITDA	**3,089**	**2,384**	***29.6***
EBITDA Margin (%)	*21*	*16*	*481bps*
Net Profit	**1,990**	**1,385**	***43.7***
EPS, Rs	9.9	6.9	*43.7*

Source: Company; IDBI Capital Research

Exhibit 3: Quarterly Revenue & Margins performance

Net sales (Rs mn)	Margins
	
Source: Company; IDBI Capital Research	*Source: Company; IDBI Capital Research*

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY20	FY21	FY22	FY23	FY24E	FY25E
Net sales	**25,779**	**31,763**	**43,940**	**51,585**	**63,045**	**74,078**
Change (yoy, %)	*3*	*23*	*38*	*17*	*22*	*18*
Operating expenses	(21,350)	(25,318)	(36,387)	(43,486)	(52,580)	(61,114)
EBITDA	**4,429**	**6,445**	**7,553**	**8,099**	**10,466**	**12,964**
Change (yoy, %)	*15*	*46*	*17*	*7*	*29*	*24*
Margin (%)	*17.2*	*20.3*	*17.2*	*15.7*	*16.6*	*17.5*
Depreciation	(1,079)	(1,165)	(1,269)	(1,781)	(1,879)	(2,039)
EBIT	**3,350**	**5,280**	**6,284**	**6,318**	**8,587**	**10,925**
Interest paid	(394)	(131)	(129)	(400)	(460)	(463)
Other income	121	251	349	267	320	384
Pre-tax profit	**3,077**	**5,400**	**6,504**	**6,167**	**8,448**	**10,847**
Tax	(565)	(1,248)	(1,581)	(1,557)	(2,126)	(2,730)
Effective tax rate (%)	*18*	*23*	*24*	*25*	*25*	*25*
Minority Interest	-	(38.0)	(66.0)	(29.0)	(29.0)	(29.0)
Net profit	**2,512**	**4,114**	**4,857**	**4,581**	**6,292**	**8,088**
Exceptional items	(16)	(70)	(19)	(33)	(15)	(15)
Adjusted net profit	**2,528**	**4,184**	**4,876**	**4,614**	**6,307**	**8,103**
Change (yoy, %)	*24*	*66*	*17*	*(5)*	*37*	*28*
EPS	16.7	20.8	24.3	17.2	23.4	30.1
Dividend per sh	1	1	2	2	3	4
Dividend Payout (%)	*7*	*6*	*9*	*16*	*15*	*16*

Balance Sheet (Rs mn)

Year-end: March	FY20	FY21	FY22	FY23	FY24E	FY25E
Shareholders' funds	**15,029**	**18,958**	**23,366**	**27,112**	**32,465**	**39,290**
Share capital	151	201	201	269	269	269
Reserves & surplus	14,878	18,757	23,165	26,843	32,196	39,021
Total Debt	**1,324**	**532**	**851**	**773**	**766**	**771**
Other liabilities	456	514	533	1,890	1,890	1,890
Curr Liab & prov	**5,915**	**6,512**	**8,844**	**11,479**	**11,963**	**12,518**
Current liabilities	5,849	6,443	8,809	11,422	11,902	12,451
Provisions	66	69	35	57	62	67
Total liabilities	**7,695**	**7,558**	**10,228**	**14,142**	**14,619**	**15,179**
Total equity & liabilities	**22,892**	**26,728**	**33,872**	**43,731**	**49,561**	**56,947**
Net fixed assets	9,680	10,248	12,804	15,184	15,457	15,630
Investments	-	-	-	-	-	-
Other non-curr assets	3,050	3,112	3,616	8,006	9,019	10,458
Current assets	**10,162**	**13,368**	**17,452**	**20,541**	**25,085**	**30,859**
Inventories	5,404	4,721	7,334	8,746	10,058	11,265
Sundry Debtors	2,278	2,767	2,691	3,545	4,254	4,892
Cash and Bank	1,301	4,760	6,418	6,821	9,038	12,635
Loans and advances	731	860	5	208	271	338
Total assets	**22,892**	**26,728**	**33,872**	**43,731**	**49,561**	**56,947**

Cash Flow Statement

(Rs mn)

Year-end: March	FY20	FY21	FY22	FY23	FY24E	FY25E
Pre-tax profit	3,077	5,400	6,504	6,167	8,448	10,847
Depreciation	1,079	1,165	1,269	1,781	1,879	2,039
Tax paid	(668)	(1,277)	(1,581)	(1,549)	(2,126)	(2,730)
Chg in working capital	(424)	662	650	166	(1,599)	(1,358)
Other operating activities	-	-	-	-	-	-
Cash flow from operations (a)	**3,064**	**5,950**	**6,842**	**6,565**	**6,601**	**8,797**
Capital expenditure	(1,856)	(1,733)	(3,825)	(4,161)	(2,151)	(2,212)
Chg in investments	-	-	-	-	-	-
Other investing activities	-	-	-	-	-	-
Cash flow from investing (b)	**(1,856)**	**(1,733)**	**(3,825)**	**(4,161)**	**(2,151)**	**(2,212)**
Equity raised/(repaid)	31	51	(1)	69	-	-
Debt raised/(repaid)	(611)	(792)	319	(78)	(7)	5
Dividend (incl. tax)	(181)	(241)	(422)	(726)	(968)	(1,291)
Chg in monorities	18	6	-	2,170	(29)	(29)
Other financing activities	(145)	218	(1,255)	(3,436)	(1,228)	(1,673)
Cash flow from financing (c)	**(888)**	**(758)**	**(1,359)**	**(2,001)**	**(2,232)**	**(2,988)**
Net chg in cash (a+b+c)	**320**	**3,459**	**1,658**	**403**	**2,217**	**3,597**

Financial Ratios

Year-end: March	FY20	FY21	FY22	FY23	FY24E	FY25E
Book Value (Rs)	98	93	115	100	120	145
Adj EPS (Rs)	*17*	*21*	*24*	*17*	*23*	*30*
Adj EPS growth (%)	*-2*	*24*	*17*	*-29*	*37*	*28*
EBITDA margin (%)	*17.2*	*20.3*	*17.2*	*15.7*	*16.6*	*17.5*
Pre-tax margin (%)	*12*	*17*	*15*	*12*	*13*	*15*
Net Debt/Equity (x)	*0*	*0*	*0*	*0*	*0*	*0*
ROCE (%)	*21*	*28*	*28*	*22*	*25*	*27*
ROE (%)	*18.2*	*24.6*	*23.0*	*18.3*	*21.2*	*22.6*
DuPont Analysis						
Asset turnover (x)	1.2	1.3	1.5	1.3	1.4	1.4
Leverage factor (x)	1.6	1.5	1.4	1.5	1.6	1.5
Net margin (%)	*9.8*	*13.2*	*11.1*	*8.9*	*10.0*	*10.9*
Working Capital & Liquidity ratio						
Inventory days	77	54	61	62	58	56
Receivable days	32	32	22	25	25	24
Payable days	81	75	75	67	57	51

Valuations

Year-end: March	FY20	FY21	FY22	FY23	FY24E	FY25E
PER (x)	102.7	82.6	70.9	100.3	73.4	57.1
Price/Book value (x)	17.6	18.5	15.0	17.2	14.4	11.9
EV/Net sales (x)	10.1	10.8	7.7	8.9	7.2	6.1
EV/EBITDA (x)	59	53	45	56	43	35
Dividend Yield (%)	*0.1*	*0.1*	*0.1*	*0.1*	*0.2*	*0.2*

Source: Company; IDBI Capital Research

Notes

Dealing	(91-22) 6836 1111	dealing@idbicapital.com

Key to Ratings Stocks:

BUY: 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

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SEBI Registration: BSE & NSE (Cash & FO) – INZ000007237, NSDL – IN-DP-NSDL-12-96, Research – INH000002459, CIN – U65990MH1993GOI075578

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