

Annual Report FY20- Survival of Fittest

Over the years, Astral Group has evolved into a robust and resilient organisation. They have been consistently surging ahead on the back of its strong foundation, differentiated strategies, quality offerings and an experienced leadership. With robust capacities, they have marketed its presence across multiple locations to fulfil demand across the country. Prudent financials with low leveraging further aid them in remaining sturdy amidst the challenges in the operating environment. Astral is strongly positioned in organised space and ready to capitalise on the underlying opportunities. With sharp focus on serving the customers through innovative products in the piping and adhesive segments, they remain committed to create enduring value for its stakeholders.

DART View

ASTRA maintained its leadership in the CPVC segment. It had developed a large PVC portfolio in the past decade. With a logical expansion in the adhesive segment, APTL expanded its building materials portfolio. The diversified product portfolio in both piping and adhesive enabled it to play the building material opportunity.

We believe that ASTRA is in the investment phase and will reap long-term benefits of this strategy in the next five years. With new product addition in the Adhesive as well as pipe segment, we feel that revenue growth along with margin profile should get better once economy is on recovery track. The company's growth trajectory remains high and return ratios are also expanding, therefore valuation should remain expensive.

Industry Overview

Over the past five years, domestic plastic pipe industry has clocked a 10% CAGR, wherein, 60-65% market share accounts to organised players and remaining to unorganised. The major driver behind the growth is Government infrastructural spending, increasing constructions, industrial production, irrigation sector, replacement of aging pipelines, among others. Amongst all plastic pipes, 65% of the industry demand is for UPVC, 15% for CPVC and remaining constitute to others. Along with this, increased focused by the Government in the end user application will be the major contributor in the growth.

MD&A Overview

By adopting innovative technologies and extensive R&D, it continues to set trends with the introduction of new products line. While it has continuously expanded boundaries by setting up plants across India to meet requirement of customers from different locations. During the year, Astral continuously invested in expanding capacities at various plants. With strong focus on promotion, they continuously increase their brand visibility and customer penetration across the country. With strong brand equity, healthy balance sheet and multi-location presence, Astral expects to gain significant market share from unorganised and organised players in the near future. They have continuously invested into product innovation and capacity expansion to improve efficiency, cost effectiveness and deliver reliable solutions to the customers.

Financial Snapshot

Revenues on a consolidated basis was flat at Rs. 25,779 mn. Despite the challenging external environment, it delivered strong gross margins of 38.1% YoY, which was a growth of 382 bps. Operating Cash flow for FY20 was Rs. 4,054 mn as compared to Rs. 3,441 mn in FY19. Free cash flow for the firm on a consolidated level was Rs. 1,921 mn in FY20. Pipe segment volume growth was 7.5% YoY.

CMP	Rs 942
Target / Upside	Rs 1,074 / 14%
BSE Sensex	37,719
NSE Nifty	11,102

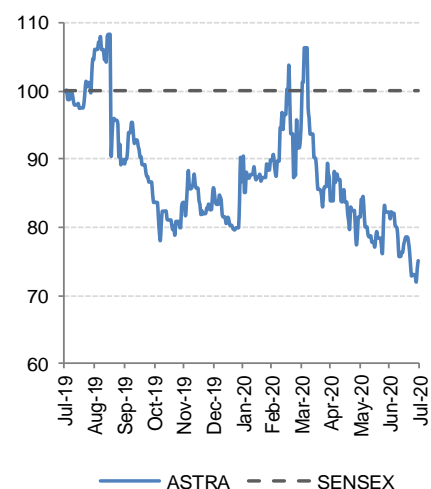
Scrip Details

Equity / FV	Rs 151mn / Rs 1
Market Cap	Rs 142bn
	US\$ 2bn
52-week High/Low	Rs 1,369/Rs 746
Avg. Volume (no)	1,61,118
NSE Symbol	ASTRAL
Bloomberg Code	ASTRA IN

Shareholding Pattern Jun'20(%)

Promoters	55.7
MF/Banks/FIs	7.6
FII's	23.2
Public / Others	13.5

Astral Poly Relative to Sensex



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Annual Report Macro View

Key Management	No change.		
Board of Directors	Mr. K R Shenoy, Chairman (Independent Director) Mr. Sandeep Engineer (Managing Director) Mrs. Jagruti Engineer (Whole Time Director) Mr. Anil Kumar Jani (Non- Executive Director)		
Auditors	No change. M/s. S R B C & Co. LLP , Chartered Accountants continue to be the auditors of the company.		
Insider Holdings	No Inside Holdings		
Credit Ratings	Crisil Rating	FY2020	FY2019
	Long Term Bank Facilities	CRISIL AA-/ Stable	CRISIL AA-/ Stable
	Short Term Bank Facilities	CRISIL A1+	CRISIL A1+
Pledged Shares	No pledged shares were held during the year.		
Macro-economic factors	The Indian economy displayed positive growth trend over the past few years on back of various government initiatives and reforms. The growth outlook was optimistic prior to unexpected Covid 19 outbreak. On a positive side, the agriculture and allied sector functioned smoothly despite the health crisis, displaying a growth rate of 3.7% during FY20.		
	Shareholding Pattern	FY2020	FY2019
	A. Promoters	55.74	53.51
	B. Public Shareholding		
	1. Institutions:		
	a. Mutual Funds	8.34	5.73
	b. Banks/FI	0.53	0.01
	c. Bodies corp.	0.15	4.97
	d. Insurance Companies	0.02	
	e. FII's	2.66	2.54
	f. Foreign portfolio investor	16.76	19.39
	2. Non-Institutions:		
	a. Bodies Corp.	2.67	2.39
	b. Individuals	8.38	10.82
	c. Others	4.74	0.63
	C. Shares held by Custodian for GDRs & ADRs		
	Total	100.00	100.00

Source: Company, DART

What's New

For every challenge encountered, there is an opportunity for growth. One who is stronger and persistent, consistently reaches new heights by proactively calibrating its strategies and strengthening preparedness to face the uncertainties.

- Astral has extended its product basket by supplying double wall corrugated piping solutions in the infrastructure segment through Rex Polyextrusion Private Limited.
- Astral has stepped up by supplying double wall corrugated piping solutions for Sewerage and Stormwater.
- Astral's tailor-made product, Hauraton, is a reliable name in the surface drainage solutions. While their Wire Guard, TeleRex are designed to fulfil the needs of Cable Protection segment.
- New piping plant in Odisha will be ready by FY 21, which will help them expand in the North-East markets.
- ASTRA also acquired additional land measuring 157,648 sq. meter, adjacent to their plants located at Sangli, Hosur, Santej and Odisha.
- PEX-A-PRO has been growing consistently with great response from the customers. They further plan to manufacture the high quality PEX product in-house by sourcing the best technology and machinery from the global experts.
- Brought famous Bollywood celebrity, Ranveer Singh, as the new brand ambassador which will further add to the brand's visibility.
- Launched a unique loyalty program for plumbers across the country and a dealer attachment program to strengthen the distributor connect.
- Initiated structural changes in Resinova to strengthen distribution system. Post the structural corrections, they are positive that the adhesive segment will deliver healthy growth in the coming years.

Capacity Expansions

- During FY20, Astral increased its installed capacity by 16% from 205,290 M.T. to 238,730 M.T.
- They utilised its capacity to the tune of 135,636 M.T. as against 120,821 M.T. YoY. which shows a utilisation growth of 12%.
- During FY20, have incurred capital expenditure to the tune of Rs. 2,063 Mn towards plant & machineries, factory building and other capital expenditure.
- Enhanced manufacturing strength by adding capacities for various product lines in plants at Ghiloth, Hosur, Sangli, Dholka, Santej and Sitarganj.
- New piping manufacturing plant coming up at Bhubaneswar, Odisha, will allow them to address the demand in the North-East region.
- Piping Production Capacity: 2,46,765 MMTPA
- Adhesive Production Capacity: 86,817 MMTPA

With steady performance during the year, we stand confident even in turbulent times. Diversified product range, extensive distribution network, and cutting-edge technologies, are the cornerstone of our business strategy. More importantly, robust balance sheet quality and manufacturing efficiencies remain the distinctive characteristics of our operations.

Our solid foundation, consistent focus on bringing innovative products and robust financial strength yielded desired value for all.

From MD's Desk

- Though Astral faced temporary disruption due to Covid 19 in their manufacturing operations, robust IT infrastructure ensured uninterrupted services for customers by enabling seamless 'work from home' facility.
- Anti-dumping duty imposed on CPVC resin proved to be an opportunity for Astral to gain market share, as one of the leading organised industry players.
- State-of-the art manufacturing units and distribution channels across the country enabled to timely deliver products to customers despite the nationwide lockdown.
- With right expansion strategies, they are well-poised to cater a larger customer base, optimise logistic cost and explore potential opportunities in the country.
- They are well positioned to surge ahead with sturdy financials, geographical presence and industry reputation.

From CFO's Desk

- At Astral, key strategic objective continues to revolve around maintaining strong balance sheet quality and working capital cycle along with adequate cash flows generation.
- In the coming year, focus will be on these parameters and improvement of ROC and free cash flow by reducing incremental Capex and increasing capacity utilisation of plants.
- They are optimistic that the adhesive division will deliver better performance in the long-run, backed by refined structure, innovative offerings and skilled workforce.
- ASTRA aims to be debt-free by the end of the year 2021.

Key Takeaways from the MD&A

To be a truly global, high-performing organisation delivering quality products and services to its customers and attain leadership position in the industries we operate in.

Indian Piping Industry

- Indian plastic pipe industry is estimated to register a 10% CAGR by 2024-25 to reach Rs. 500 bn.
- In Q1FY21, earnings of pipe manufacturers will be impacted to some extent owing to slowdown caused by the COVID-19.
- Relative to other sectors, it is still resilient as the Government gave boost to agriculture and housing sector through handsome stimulus package.
- Amid economic slowdown, several unorganised and organised players might face trouble owing to liquidity issues and weak balance sheet. As a result, organised players with robust financials are likely to gain sizeable market share.

Indian Adhesive Industry

- The major demand for adhesive comes from the packaging and automotive industry in the country. Increase in disposable income levels and booming retail markets are propelling growth in packaging industry which is conducive for driving demand for adhesives.
- Rapid urbanisation coupled with growing infrastructure and real estate construction projects is further projected to fuel the demand.
- The India Adhesives & Sealants market is expected to record a CAGR of 11.17% during the forecast period of 2019–2024.

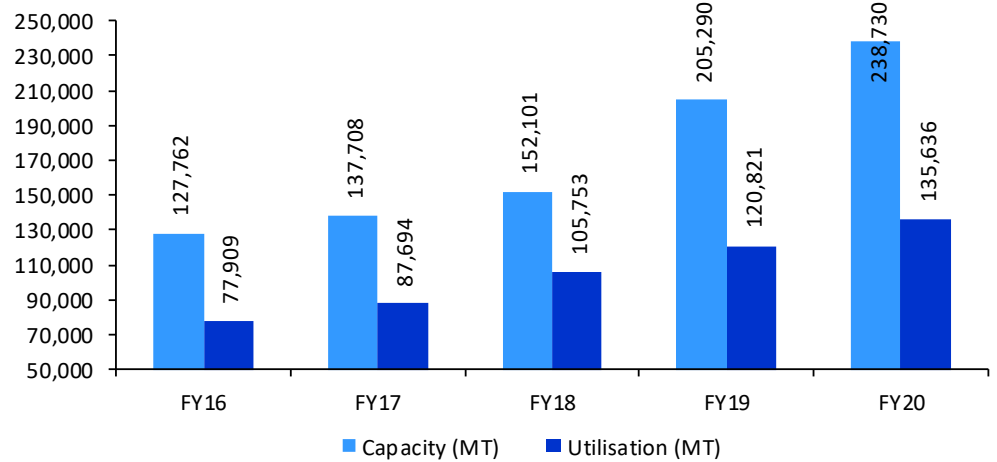
Astral's Piping Segment

- Astral's piping business has consistently outperformed the industry growth.
- The spectacular growth momentum is led by capacity expansion, spurring volume growth, reputed brand name and large distribution network.
- The recently introduced product PEX-A-PRO has seen positive response from the market, with consistent business.
- Added infrastructure products in piping portfolio through Rex Polyextrusion.
- The piping segment's revenues in FY20 stood at Rs 20,428 mn. EBIDTA improved by 20.7% to Rs 3,806 mn in FY20 from Rs 3,154 mn in FY19. Net Profit stood at Rs 2,008 mn in FY20 as against Rs 1,414 mn in FY19, showing an increase of 42.0%.

Astral's Adhesive Segment

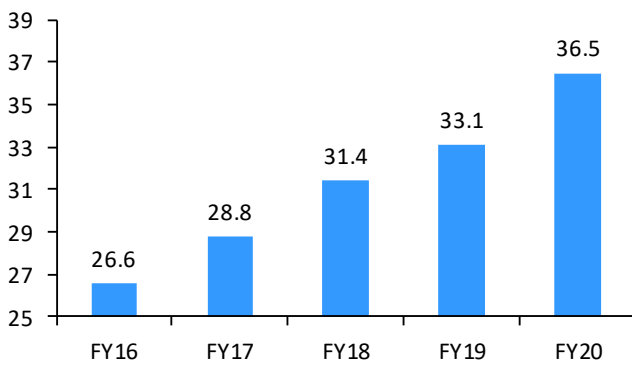
- Astral has leveraged its geographical strength and existing distribution network along with its own cross-selling opportunities to grow in the adhesive segment.
- With right structural changes and strategies, Resinova is expected to capture higher market share in the adhesive and sealant segment.
- They recently launched an instant hand sanitizer 'Resi Shield' to help curb the COVID-19 pandemic.
- Combined Revenue of Resinova and Seal IT stood at Rs 5,830 million, while EBIDTA was recorded at Rs 765 million in the FY20

Exhibit 1: Piping Capacity vs Utilisation



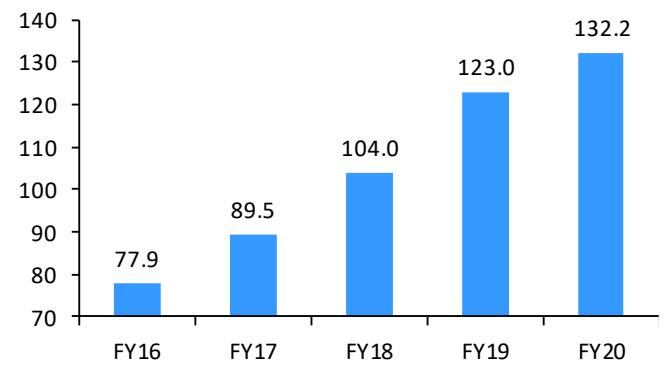
Source: Company, DART

Exhibit 2: Piping Segment Gross Margin (%)



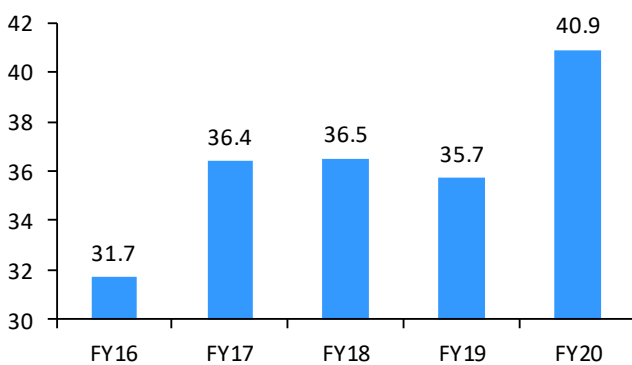
Source: Company, DART

Exhibit 3: Piping Segment Sales Volume ('000 MT)



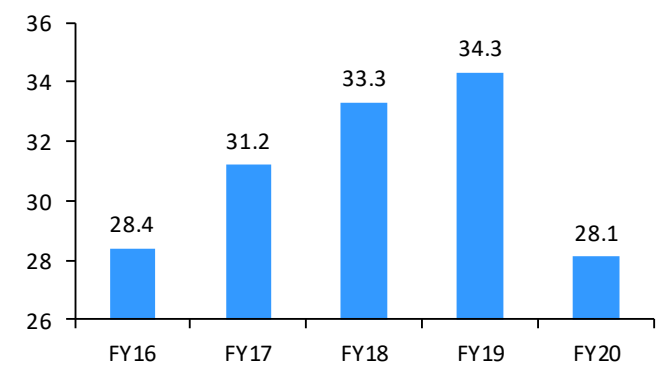
Source: Company, DART

Exhibit 4: Adhesive Segment Gross Margin (%)



Source: Company, DART

Exhibit 5: Combined Gross Margin (%)



Source: Company, DART

Exhibit 6: Business Segment Performance (%)

Business	FY 20	FY 19
Piping	77	74
Adhesives	23	26

Source: Company, DART

Reduction in Adhesives was mainly because company was doing structured corrections from Tier 3 sales structure to Tier 2 sales structure.

Distribution & Branding

- Astral has a large distribution network across India with strong reach in West and South India.
- They are planning to increase its reach in the North-East as well by setting a manufacturing plant in Bhubaneswar, Odisha.
- In the piping segment they have 800+ distributors and dealers. In the adhesive segment they have 1,300+ distributors and 1,30,000+ dealers.
- Astral has continuously invested in brand & promotional activities through Bollywood movies, associate sponsor of Indian Premier League teams among others which has helped the Company gain exceptional visibility and market share.
- Astral has its new brand ambassador Ranveer Singh on board for next three years from now.

Opportunities and Growth Drivers

- **Consolidation in industry:** Post GST, unorganized players were finding it difficult to survive, now with Covid 19, companies with high debt and weak cash flow are bound to head towards consolidation, which will allow opportunities for organized players to acquire local players at lower valuations.
- **Government initiatives:** The Government schemes such as Housing for All" by 2022, "Nal se Jal" by 2024, project AMRUT & Swachh Bharat Mission, National Rural Drinking Water Programme, among others augurs well for the plastic pipe industry.
- **Replacement of aging pipes:** Traditional pipe material like iron, steel and concrete used in the cities and buildings are getting older and corroded, reducing its stability. PVC/CPVC pipes are highly recommended as replacement by the plumbers owing to its lower cost and ease of installations.

Challenges

- **Cost of raw material:** The higher raw material prices can increase the production cost of the players operating in the industry. However, the increase in raw material prices does not impact pipe manufacturing players as the higher cost is passed down to the downstream industry users.
- **Stagnation in the construction industry:** Slow pace of construction activities can hamper the margins of the pipe industry players. However, the industry is less likely to be impacted owing to sustained demand for replacement of traditional pipes and shift from unorganised to organised players.
- **Slowdown in the capex of the downstream industry:** The downstream industry's cautious approach towards capital expenditure in the projects can affect the order books of the plastic pipe players.

Profit & Loss Analysis

With a robust business model, wide gamut of value-added products and strong brand visibility across length and breadth of the country, we are well placed to serve our customers even in the turbulent times.

- Net sales witnessed growth of 2.8% YoY. The sales and volumes were impacted due to lockdown in last 10 days of March'20, due to nationwide lockdown.
- EBITDA margin increased from 15.4% in FY19 to 17.2% in FY20 while the gross margin rose from 34.3% to 38.1% during the same period. Also, the PAT margin rose from 8% in FY19 to 9.7% in FY20. In the piping segment margins grew due to inventory gain and increase in share of value added products.
- Costs of materials de-grew by about 3.2% over the previous year at Rs 16 million mainly due to volatile crude prices.
- Profit before Tax increased by 7% over previous year to Rs 3 billion. Tax rate (consolidated basis) for the current year was 18.4% compared to 30% in the previous year.
- Profit after Tax increased by 26.5% over the previous year to Rs 2.5 billion.
- Other expenses increased by 8.5% Rs3.6 billion. Employee expenses increased by 25.9% YoY to Rs 1.8 billion
- The directors recommended two interim dividends of Rs 0.4 per share and Rs 0.6 per share.
- Interest cost increased by 23.3% to Rs394 million from Rs 320 million. Return on Net Worth increased from 17.2% to 18% in FY20.

Balance Sheet Analysis

- Net worth has increased by 18% on account of increase in tangible assets as the company has constructed a building in Ahmedabad for its CSR activities and various investments in Plants and Equipment's.
- Loan funds have decreased to the tune of 54%. They plan to become debt free by year 2021.
- Cash and bank balances have increased by 33% as balances with banks in current accounts and deposit accounts have increased.
- Inventories have increased by 37% on account of pile up due to lockdown in last 10 days of March'20.
- Gross block of fixed assets increased by 24% but net block increased by 18%. There was 47% rise in accumulated depreciation.
- In Q4FY20, the closing inventory level increased with reduced receivables.

Cash Flow Analysis

- Operating Cash flow increased 18% YoY.
- Free cash flow has increased by 54% as depreciation and write-offs have gone up accompanied by a rise in net interest expenses.

Key Financial Ratios

Exhibit 7: Standalone

Ratios	FY20	FY19	% chg
Debtor turnover (Days)	25 days	43 days	(42.00)
Inventory turnover (days)	75 days	57 days	32.00
Interest coverage ratio	15.97	10.96	45.71
Current Ratio	1.42	1.34	5.97
Long term debt equity Ratio	0.09	0.15	(40.00)
EBITDA Margin	18.63	16.46	13.16
PAT Margin	9.83	7.38	33.17
Return on Net Worth	16.17	13.46	20.11

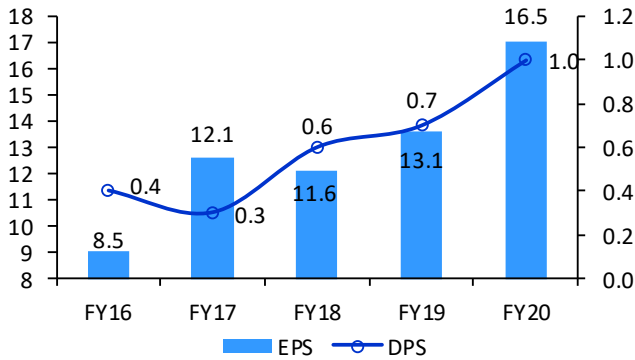
Source: Company, DART

Exhibit 8: Consolidated

Ratios	FY20	FY19	% chg
Debtor turnover (Days)	32 days	50 days	(38.00)
Inventory turnover (days)	77 days	58 days	32.76
Interest coverage ratio	15.51	12.03	28.93
Current Ratio	1.57	1.48	5.55
Long term debt equity Ratio	0.11	0.19	(41.79)
EBITDA Margin	17.59	15.82	11.13
PAT Margin	9.68	7.87	23.04
Return on Net Worth	17.77	17.00	4.52

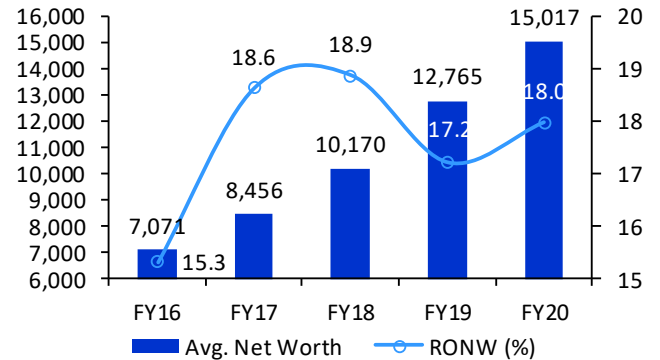
Source: Company, DART

Exhibit 9: Basic EPS and DPS (Per Share)



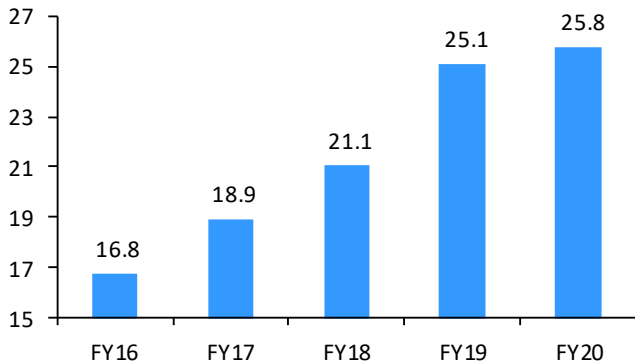
Source: Company, DART

Exhibit 10: Return on Net Worth



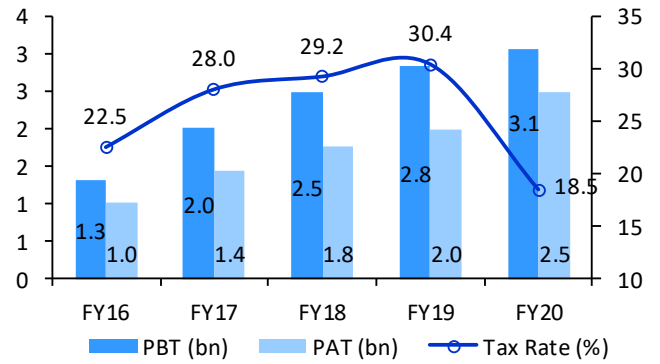
Source: Company, DART

Exhibit 11: Sales (bn)



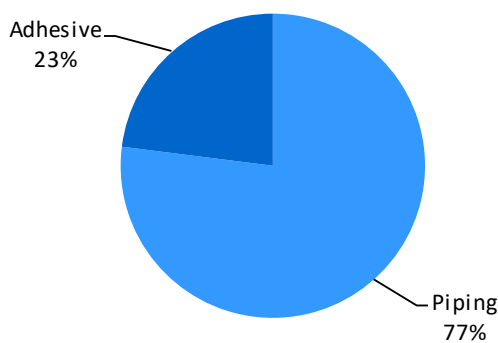
Source: Company, DART

Exhibit 12: Profit and Effective Tax Rate



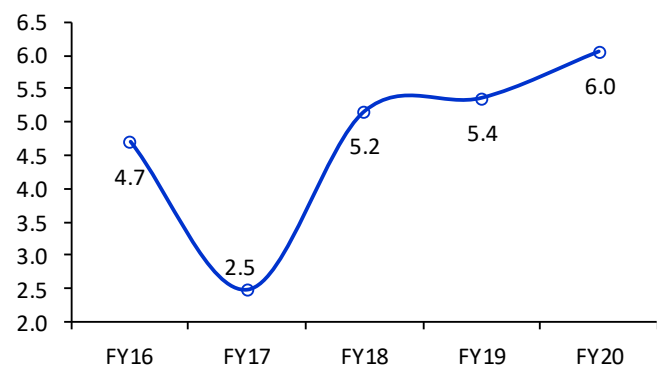
Source: Company, DART

Exhibit 13: Product wise group turnover (%)



Source: Company, DART

Exhibit 14: Dividend Payout (%)



Source: Company, DART

Profit and Loss Account

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Revenue	25,073	25,779	23,803	26,102
Total Expense	21,224	21,350	19,942	21,028
COGS	16,477	15,957	15,795	16,927
Employees Cost	1,391	1,752	911	1,054
Other expenses	3,355	3,641	3,237	3,046
EBIDTA	3,849	4,429	3,860	5,074
Depreciation	814	1,079	988	1,268
EBIT	3,035	3,350	2,873	3,807
Interest	320	394	326	401
Other Income	154	121	150	300
Exc. / E.O. items	0	0	0	0
EBT	2,870	3,077	2,697	3,705
Tax	861	565	618	889
RPAT	1,973	2,496	2,059	2,796
Minority Interest	0	0	0	0
Profit/Loss share of associates	(36)	(16)	(20)	(20)
APAT	1,973	2,496	2,059	2,796

Balance Sheet

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Sources of Funds				
Equity Capital	120	151	151	151
Minority Interest	150	168	180	200
Reserves & Surplus	12,657	14,878	17,054	19,413
Net Worth	12,777	15,029	17,205	19,564
Total Debt	2,753	1,270	1,300	1,300
Net Deferred Tax Liability	533	429	500	550
Total Capital Employed	16,212	16,896	19,185	21,614

Applications of Funds

Net Block	8,517	9,996	10,109	11,001
CWIP	3,346	2,997	3,267	3,527
Investments	2	2	2	2
Current Assets, Loans & Advances	9,130	9,898	9,401	11,239
Inventories	3,958	5,404	4,107	5,091
Receivables	3,391	2,278	1,631	1,958
Cash and Bank Balances	981	1,301	2,088	2,709
Loans and Advances	515	465	1,252	1,159
Other Current Assets	283	448	320	321
Less: Current Liabilities & Provisions	4,780	5,995	3,592	4,153
Payables	3,897	4,754	3,660	3,660
Other Current Liabilities	882	1,241	(68)	493
		<i>sub total</i>		
Net Current Assets	4,350	3,903	5,809	7,086
Total Assets	16,212	16,896	19,185	21,614

E – Estimates

Important Ratios

Particulars	FY19A	FY20A	FY21E	FY22E
(A) Margins (%)				
Gross Profit Margin	34.3	38.1	33.6	35.2
EBIDTA Margin	15.4	17.2	16.2	19.4
EBIT Margin	12.1	13.0	12.1	14.6
Tax rate	30.0	18.4	22.9	24.0
Net Profit Margin	7.9	9.7	8.7	10.7
(B) As Percentage of Net Sales (%)				
COGS	65.7	61.9	66.4	64.8
Employee	5.5	6.8	3.8	4.0
Other	13.4	14.1	13.6	11.7
(C) Measure of Financial Status				
Gross Debt / Equity	0.2	0.1	0.1	0.1
Interest Coverage	9.5	8.5	8.8	9.5
Inventory days	58	77	63	71
Debtors days	49	32	25	27
Average Cost of Debt	13.8	19.6	25.4	30.9
Payable days	57	67	56	51
Working Capital days	63	55	89	99
FA T/O	2.9	2.6	2.4	2.4
(D) Measures of Investment				
AEPS (Rs)	13.1	16.5	13.6	18.5
CEPS (Rs)	18.5	23.7	20.2	26.9
DPS (Rs)	0.6	1.0	3.5	4.5
Dividend Payout (%)	4.2	6.0	25.7	24.3
BVPS (Rs)	84.6	99.5	113.9	129.6
RoANW (%)	17.2	18.0	12.8	15.2
RoACE (%)	16.2	17.6	13.3	15.8
RoAIC (%)	22.3	21.7	17.6	21.1
(E) Valuation Ratios				
CMP (Rs)	942	942	942	942
P/E	72.0	57.0	69.1	50.8
Mcap (Rs Mn)	1,42,182	1,42,182	1,42,182	1,42,182
MCap/ Sales	5.7	5.5	6.0	5.4
EV	1,43,951	1,42,149	1,41,391	1,40,771
EV/Sales	5.7	5.5	5.9	5.4
EV/EBITDA	37.4	32.1	36.6	27.7
P/BV	11.1	9.5	8.3	7.3
Dividend Yield (%)	0.1	0.1	0.4	0.5
(F) Growth Rate (%)				
Revenue	19.1	2.8	(7.7)	9.7
EBITDA	21.5	15.1	(12.8)	31.4
EBIT	16.9	10.4	(14.2)	32.5
PBT	14.4	7.2	(12.4)	37.4
APAT	12.3	26.5	(17.5)	35.8
EPS	12.3	26.5	(17.5)	35.8
Cash Flow				
(Rs Mn)	FY19A	FY20A	FY21E	FY22E
CFO	3,441	4,054	4,253	3,245
CFI	(2,934)	(3,177)	(1,806)	(2,008)
CFF	(49)	(1,630)	(1,659)	(616)
FCFF	1,245	1,921	3,002	826
Opening Cash	435	892	1,301	2,088
Closing Cash	892	139	2,088	2,709

E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Aug-19	Accumulate	1,487	1,219
Oct-19	BUY	1,388	1,123
Feb-20	BUY	1,340	1,198
Mar-20	Buy	1,126	879
May-20	Accumulate	907	812

**Price as on recommendation date*

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