

## Strong performance continues...

**About the stock:** Astral is the leader in the CPVC piping segment and expanding into the adhesive business.

- Astral is the third largest piping company with a value market share of 9%. Piping, adhesive contribute 76%, 24%, respectively, to topline
- Healthy balance sheet reflected in strong return ratios (RoE: ~21.5%, RoCE: ~27.5%)

**Q1FY22 Results:** Better than expected performance by both piping and adhesive business.

- Consolidated revenue growth of 73% YoY to ₹ 700 crore
- Price hikes, better product mix and improved operating leverage drives EBITDA margin up 504 bps YoY to 18.5%
- PAT jumped ~4x YoY to ₹ 75 crore tracking strong topline growth

**What should investors do?** Astral's share price has grown by ~7.5x over the past five years (from ~₹ 280 in August 2016 to ~₹ 2190 levels in August 2021).

- We maintain our BUY rating on the stock

**Target Price and Valuation:** We value Astral at ₹ 2160 i.e. 68x P/E on FY23E EPS.

### Key triggers for future price performance:

- Pick-up in housing sales and construction activities will augment growth in both pipes and adhesives
- Capacity addition (by 13% YoY to 291802 MT in FY22), launch of new products (water tank, valve) will help drive revenue of piping business
- Launch of new products and dealer addition in the adhesive business will drive segment revenue at CAGR of 34% in FY21-23

**Alternate Stock Idea:** We also like Asian Paints in our coverage universe.

- Asian Paints is the market leader in the decorative paint and is expanding its product portfolios along dealer expansion in tier II and tier III cities
- BUY with a target price of ₹ 3665



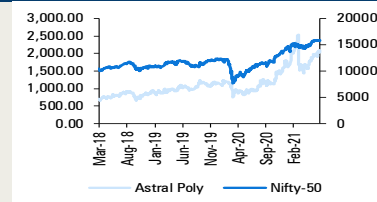
### Particulars

Particular	Amount
Market Cap (₹ Crore)	41,582.7
Debt (FY21) (₹ Crore)	53.2
Cash&Inv (FY21) (₹ Crore)	475.7
EV (₹ Crore)	41,160.2
52 week H/L	2190/ 2056
Equity capital (₹ Crore)	20.1
Face value (₹)	1.0

### Shareholding pattern

(in %)	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Promoter	55.7	55.7	55.7	55.7	55.7
FII	17.4	16.8	17.9	20.0	20.5
DII	11.5	11.7	11.4	10.3	9.9
Others	15.4	15.8	15.0	14.0	13.9

### Price Chart



### Recent event & key risks

- Key Risk:** (i) Better than expected growth in both piping and adhesive revenue (ii) Delay in passing on high input price

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### Key Financial Summary

₹ crore	FY19	FY20	FY21	5 Year CAGR (FY16-21)	FY22E	FY23E	2 Year CAGR (FY21-23)
Net Sales	2507.3	2577.9	3176.3	14%	4053.9	5151.0	27.3
EBITDA	384.9	442.9	644.5	25%	767.5	978.1	23.2
EBITDA Margin (%)	15.4	17.2	20.3		18.9	19.0	
Net Profit	197.3	249.6	408.2	32%	494.9	638.8	25.1
EPS (₹)	13.1	16.6	20.3		24.6	31.8	
P/E(x)	157.8	124.8	101.7		83.9	65.0	
Price/book value (x)	24.4	20.7	21.9		19.2	16.2	
Mcap/sales (x)	16.6	16.1	13.1		10.2	8.1	
RoE (%)	15.4	16.6	21.5		22.8	24.9	
RoCE (%)	20.7	20.5	27.5		29.2	32.5	

Source: Company, ICICI Direct Research

## Key takeaways of recent quarter & conference call highlights

### Q1FY22 Results:

- Revenue growth of 73% YoY to ₹ 700 crore was led by 107% revenue growth in adhesive business to ₹ 196 crores. Piping segment revenue growth at 63% YoY to ₹ 504 crore was led by 13% volume growth
- Price hikes (7%), better product mix led gross margin up 390 bps. Improved operating leverage led EBITDA margin up 504 bps YoY to 18.5%
- PAT grew ~4x YoY to ₹ 75 crore on a favourable base and higher sales

### Q1FY22 Earnings Conference Call highlights

- Demand Outlook:**
  - Increased demand of water tank revenues (currently ₹ 4 crore/month), launch of valve from Q3FY21 and capacity addition in Odisha will help drive demand for plumbing products
  - Adhesive business is operating at 45% capacity utilisation. Dealer addition will take segment revenue to ₹ 1000 crore by FY22E
  - July 2021 piping sales grew 65% to ₹ ~244 crore (led by 19% volume growth) over July 2020. Adhesive segment sales were up by 36% to ₹ 86 crore
- New product launches**
  - Planned to launch new products in December 2021, which will have common distribution network
- Margins:**
  - PVC prices have started moving northwards after a sharp drop of 15% in Q1
  - Improved operating leverage will help drive EBITDA margin, going forward

### Exhibit 1: Peer comparison

	Mcap ₹ cr	Revenue			EBITDA margin			PAT			RoCE			RoE			PE		
		FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E
Supreme Ind	26,396	6357	7019	8030	20.2	16.2	16.9	978.1	814.1	964.5	33.1	25.1	25.9	30.9	23.4	23.5	27.0	32.4	27.4
Astral Poly	41,522	3176.3	4053.9	5151.0	20.3	18.9	19.0	408.2	494.9	638.8	27.5	29.2	32.5	21.5	22.8	24.9	101.7	83.9	65.0

Source: Bloomberg, ICICI Direct Research

Astral has reported one of the best Q1FY22 performances in the piping industry by reporting 13% volume growth (Supreme Industries saw ~2% dip). The company continued to guide capacity/dealer addition in both piping and adhesive segment. We model overall revenue CAGR of 27% led by both piping and adhesive segment revenue CAGR of 23% and 34% in FY21-23E, respectively. Further, focus on launching more value added products would help drive PAT at a CAGR of 25%. While we maintain our positive stance on the company, we believe the current valuation captures all near term positives. We maintain our HOLD rating on the stock with a target price of ₹ 2160/share (valuing 68x FY23E EPS).

**Exhibit 2: Variance Analysis**

	Q1FY22	Q1FY22E	Q1FY21	YoY (%)	Q4FY21	QoQ (%)	Comments
Revenue	700.1	612.7	403.9	73.3	1,127.8	-37.9	Strong sales growth led by adhesive segment. Piping segment sales growth driven by higher realisations
Other Income	4.3	3.7	3.9	10.3	5.0	-14.0	
Raw Material Exp	426.5	373.8	261.5	63.1	681.2	-37.4	Better mix and timely pass on of higher input prices drives gross margin up by ~391 bps YoY
Cost of traded goods	5.3	3.1	3.4	55.9	5.7	-7.0	
Employee Exp	58.1	49.0	42.6	36.4	47.5	22.3	
Other expenditure	80.8	73.5	42.1	91.9	138.8	-41.8	
EBITDA	129.4	113.4	54.3	138.3	254.6	-49.2	
EBITDA Margin (%)	18.5	18.5	13.4	504 bps	22.6	-409 bps	Improved operating leverage along with higher gross margins drives overall margin
Depreciation	30.6	32.2	28.5	7.4	29.2	4.8	
Interest	4.6	0.7	5.9	-22.0	1.2	283.3	
PBT	98.5	84.1	23.8	313.9	229.2	-57.0	
Total Tax	23.4	21.2	2.5	836.0	52.7	-55.6	
Profit from associates	0.0	-1.0	-1.0	NM	-0.4	-100.0	
PAT	75.1	61.9	20.3	270.0	176.1	-57.4	Better sales and sharp increase in EBITDA margin help drive PAT
Key Metrics							
Plastic	504.1	466.1	309.3	63.0	886.4	-43.1	Low base and sharp increase in realisation (due to price hikes) drives segment's revenue growth. Standalone segment volume growth was at 13% during Q1FY22
Adhesive	196.0	146.6	94.6	107.2	241.4	-18.8	Low base and streamlining of its distribution network drives segment revenue growth strongly

Source: Company, ICICI Direct Research

**Exhibit 3: Change in estimates**

(₹ Crore)	FY22E			FY23E			FY24E	Comments
	Old	New	% Chg	Old	New	% Chg	introduced	
Revenue	3,720.9	4053.9	8.9	4528.6	5151.0	13.7	6295.0	We revise our revenue estimate upwards for FY23E considering capacity additions (in water tanks and valves) along with expectation of accelerated growth in the adhesive segment
EBITDA	693.1	767.5	10.7	862.7	978.1	13.4	1230.4	
EBITDA Margin %	18.6	18.9	33bps	19.0	19.0	-6bps	19.5	We believe EBITDA margin has peaked out in FY21 and absence of low cost inventory and restoration of operating costs such as advertisement expenses would result in lower EBITDA margin in FY22E
PAT	437.4	494.9	13.2	558.5	638.8	14.4	815.0	
EPS (₹)	21.8	24.6	13.2	27.8	31.8	14.4	40.6	

Source: ICICI Direct Research

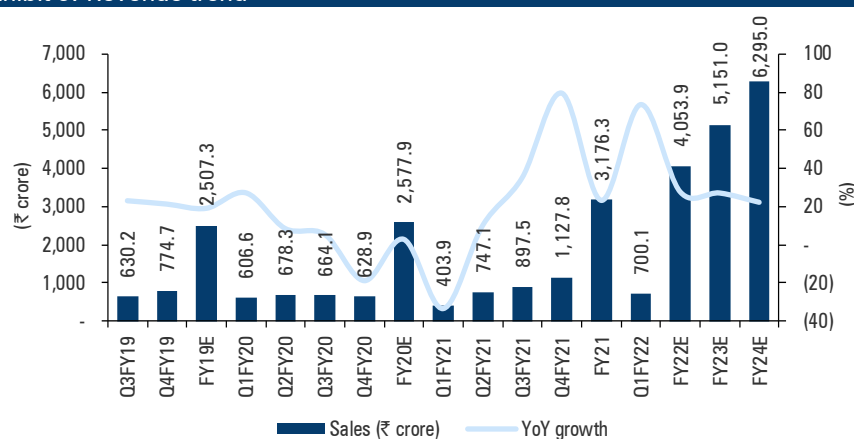
**Exhibit 4: Assumptions**

	Current				FY24E	Earlier		Comments
	FY20	FY21	FY22E	FY23E	New	FY22E	FY23E	
Plastic Piping	7.3	21.9	25.9	20.5	24.1	16.9	21.6	We model piping segment volume, value CAGR of 18%, 21%, respectively, in Streamlining of distribution networks and expansion in new geographies through dealer additions is likely to drive demand of adhesive segment, going forward. We model segment revenue CAGR of 34% in FY21-23E
Adhesive	(9.7)	27.5	28.8	40.1	16.8	17.9	34.5	

Source: ICICI Direct Research

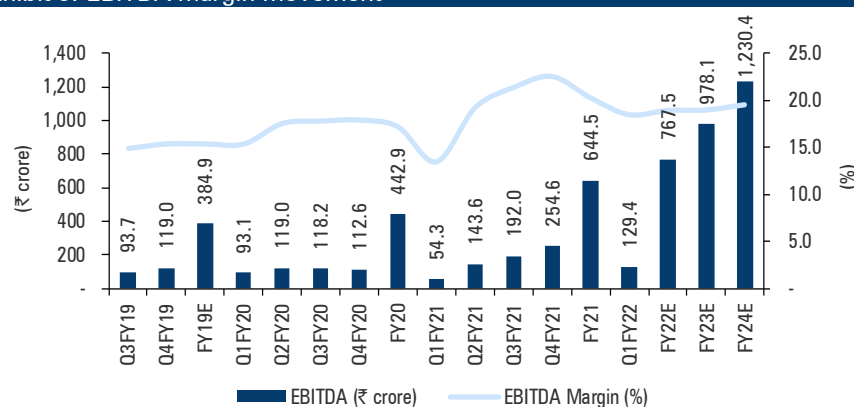
## Financial story in charts

**Exhibit 5: Revenue trend**



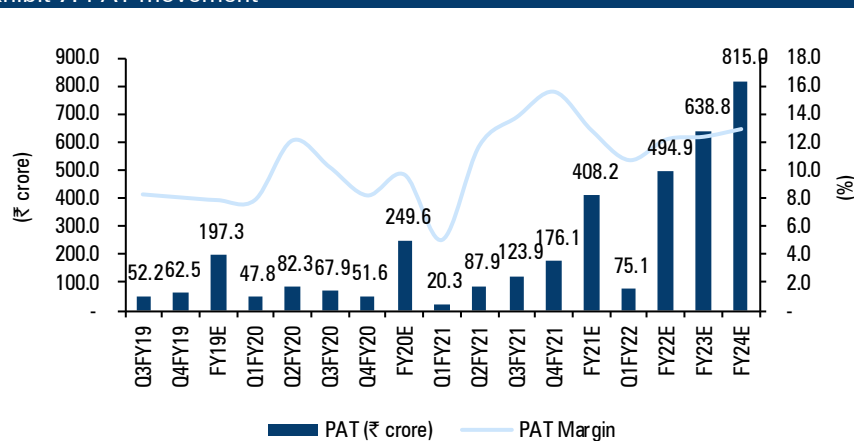
Source: Company, ICICI Direct Research

**Exhibit 6: EBITDA margin movement**



Source: Company, ICICI Direct Research

**Exhibit 7: PAT movement**



Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 8: Profit and loss statement					₹ crore
Year end March	FY21	FY22E	FY23E	FY24E	
Net Sales	3176.3	4053.9	5151.0	6295.0	
YoY (%)	23.2	27.6	27.1	22.2	
Other income	25.1	24.3	30.9	37.8	
<b>Total Revenue</b>	<b>3201.4</b>	<b>4078.2</b>	<b>5181.9</b>	<b>6332.8</b>	
Expenditure					
Cons of raw material	1947.3	2529.0	3209.1	3902.9	
Pur. of traded goods	21.6	24.6	23.4	28.6	
Employee cost	191.0	230.1	270.8	409.2	
Other expenses	371.9	502.7	669.6	723.9	
Total expenses	2531.8	3286.4	4173.0	5064.6	
<b>EBITDA</b>	<b>644.5</b>	<b>767.5</b>	<b>978.1</b>	<b>1230.4</b>	
YoY (%)	45.5	19.1	27.4	25.8	
Interest	13.1	2.3	0.8	0.2	
PBDT	656.5	789.5	1008.2	1268.0	
Depreciation	116.5	133.8	154.5	178.8	
Profit before tax	540.0	655.8	853.7	1089.2	
Total Tax	124.8	160.8	214.9	274.1	
PAT before MI	415.2	494.9	638.8	815.0	
Exc. Items	-7.0	0.0	0.0	0.0	
<b>PAT</b>	<b>408.2</b>	<b>494.9</b>	<b>638.8</b>	<b>815.0</b>	

Source: Company, ICICI Direct Research

Exhibit 9: Cash flow statement					₹ crore
Year end March	FY21	FY22E	FY23E	FY24E	
Profit/(Loss) after taxation	408.2	494.9	638.8	815.0	
Add: Depreciation & Amortization	116.5	133.8	154.5	178.8	
Add: Interest Paid	13.1	2.3	0.8	0.2	
C/F bef working capital chg.	537.8	631.0	794.1	994.0	
Net Increase in Current Assets	44.4	-737.2	-317.5	-412.1	
Net Increase in Current Liabilities	65.1	167.7	224.7	234.3	
<b>Net CF from operating act</b>	<b>647.3</b>	<b>61.5</b>	<b>701.3</b>	<b>816.2</b>	
(Inc)/Dec in Goodwill on Cons	-1.7	-50.0	-50.0	-50.0	
(Purchase)/Sale of Fixed Assets	-186.6	-200.0	-200.0	-200.0	
Others	1.5	1.0	1.0	1.0	
<b>Net Cf from Investing Act</b>	<b>-197.3</b>	<b>-249.0</b>	<b>-249.0</b>	<b>-249.0</b>	
Pro/(Rept) of/from Loan	-75.9	-30.0	-20.0	0.0	
(Payment) of Div & Div Tax	-24.2	-242.2	-242.2	-242.2	
Others	-4.2	17.0	-0.8	-0.2	
<b>Net Cf from Financing Act</b>	<b>-104.3</b>	<b>-255.2</b>	<b>-263.0</b>	<b>-242.4</b>	
Net Cash flow	345.7	-442.7	189.3	324.8	
Cash and Cash Equi at the beg	130.0	475.7	33.0	222.4	
<b>Cash and Cash Equi at the end</b>	<b>475.7</b>	<b>33.0</b>	<b>222.4</b>	<b>547.2</b>	

Source: Company, ICICI Direct Research

Exhibit 10: Balance Sheet					₹ crore
Year end March	FY21	FY22E	FY23E	FY24E	
Equity Capital	20.1	20.1	20.1	20.1	
Reserve and Surplus	1875.7	2147.7	2544.3	3117.2	
Total Shareholders funds	1895.7	2167.8	2564.4	3137.3	
Total Debt	53.2	23.2	3.2	3.2	
Other Non Current Liabilities	122.6	124.6	126.6	128.6	
<b>Total Liability</b>	<b>2010.2</b>	<b>2253.3</b>	<b>2630.9</b>	<b>3204.8</b>	
Fixed Assets					
Gross Block	1650.2	1850.2	2050.2	2250.2	
Accumulated Depreciation	592.7	726.4	881.0	1059.7	
Net Block	1057.5	1123.7	1169.2	1190.4	
Capital WIP	56.6	56.6	56.6	56.6	
Total Fixed Assets	1114.1	1180.3	1225.8	1247.0	
Goodwill on Consolidation	257.0	307.0	357.0	407.0	
Current Assets					
Inventory	472.1	821.9	987.9	1207.3	
Debtors	276.7	610.9	733.8	896.8	
Loans and Advances	8.2	3.6	4.6	5.7	
Other Current Assets	43.9	101.7	129.3	158.0	
Cash	475.7	33.0	222.4	547.2	
Total Current Assets	1276.6	1571.2	2078.0	2814.9	
Current Liabilities					
Creditors	517.2	644.2	818.5	1000.3	
Provisions	6.9	4.6	5.8	7.1	
Other current liabilities	138.4	181.5	230.6	281.8	
Total Current Liabilities	662.5	830.2	1054.9	1289.2	
Net Current Assets	614.1	740.9	1023.1	1525.7	
Deferred Tax Assets	0.1	0.1	0.1	0.1	
<b>Total Asset</b>	<b>2010.2</b>	<b>2253.4</b>	<b>2630.9</b>	<b>3204.8</b>	

Source: Company, ICICI Direct Research

Exhibit 11: Key ratios					
Year end March	FY21	FY22E	FY23E	FY24E	
<b>Per share Data</b>					
EPS	20.3	24.6	31.8	40.6	
Cash EPS	26.1	31.3	39.5	49.5	
Dividend per share	1.2	12.1	12.1	12.1	
BV per share	94.4	107.9	127.7	156.2	
<b>Profitability Ratio</b>					
EBITDA margin	20.3	18.9	19.0	19.5	
PAT margin	12.9	12.2	12.4	12.9	
<b>Return Ratios</b>					
RoCE	27.5	29.2	32.5	34.0	
RoNW	21.5	22.8	24.9	26.0	
RoIC	39.6	31.5	37.4	42.9	
<b>Valuation Ratios</b>					
P/E	101.7	83.9	65.0	50.9	
EV / EBITDA	63.8	54.1	42.2	33.3	
Market Cap / Sales	13.1	10.2	8.1	6.6	
Price to Book Value	21.9	19.2	16.2	13.2	
<b>Activity Ratios</b>					
Inventory Days	54.3	74.0	70.0	70.0	
Debtor Days	31.8	55.0	52.0	52.0	
Creditor Days	59.4	58.0	58.0	58.0	
Gross Block Turnover	1.9	2.2	2.5	2.8	
<b>Solvency Ratio</b>					
Debt / Equity	0.0	0.0	0.0	0.0	
Debt / EBITDA	0.1	0.0	0.0	0.0	
Current Ratio	1.5	2.4	2.3	2.3	
Quick Ratio	0.6	1.1	1.1	1.1	

Source: Company, ICICI Direct Research

**Exhibit 12: ICICI Direct Consumer Discretionary universe**

Sector / Company	CMP			M Cap	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)	Rating		(₹ Cr)	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E
Asian Paints (ASIPAI)	2,976	3,665	Buy	2,85,398	33.4	39.5	50.4	89.0	75.3	59.0	61.5	53.2	42.4	25.0	27.6	30.7	29.6	32.6	36.8
Astral Polytechnic (ASTPOL)	2,067	2,160	Hold	31,142	20.3	21.9	29.0	101.9	94.5	71.4	63.9	60.0	46.1	27.5	26.9	31.1	21.5	20.8	23.7
Amber Enterprises (AMBEN)	2,865	3,365	Buy	9,009	24.7	43.3	87.7	116.9	66.8	32.9	41.0	30.3	17.5	7.7	11.1	18.3	5.2	8.8	15.2
Bajaj Electricals (BAJELE)	1,112	1,280	Buy	12,642	16.5	23.8	35.7	64.9	45.0	30.0	40.9	29.6	20.7	15.1	20.0	26.1	10.7	16.8	20.6
Berger Paints (BERPAI)	815	835	Hold	79,153	7.4	9.3	12.3	110.0	87.9	66.3	64.7	56.2	43.5	24.9	28.3	34.6	21.3	24.3	28.4
Crompton Greaves(CROGR)	466	540	Buy	29,218	9.8	9.2	11.9	47.4	50.9	39.3	33.1	32.5	25.4	34.4	36.1	42.1	31.9	28.7	33.2
Dixon Technologies (DIXTEC)	4,284	5,050	Buy	25,083	27.3	52.3	97.4	157.1	81.9	44.0	89.8	54.6	31.1	23.5	34.6	47.4	21.7	33.9	41.7
EPL (ESSPRO)	241	275	Hold	7,604	7.7	9.2	11.4	31.1	26.1	21.2	13.5	12.2	10.2	16.2	17.6	20.6	14.8	16.3	18.7
Havells India (HAVIND)	1,225	1,345	Buy	76,428	16.7	18.8	24.3	73.5	61.3	50.4	44.9	40.9	31.8	24.9	25.6	31.1	20.1	21.3	25.7
Kansai Nerolac (KANNER)	623	750	Buy	33,575	9.9	13.0	16.1	63.9	48.6	39.2	40.8	32.5	26.2	17.2	21.5	23.4	13.2	16.6	18.0
Moldtek Packaging (MOLPLA)	506	675	Buy	1,403	17.3	22.5	30.6	29.5	22.8	16.7	16.1	12.6	9.7	21.4	24.8	29.1	20.7	21.9	24.1
Pidilite Industries (PIDIND)	2,226	2,035	Hold	1,13,036	22.2	26.3	31.8	100.4	84.6	70.0	55.9	47.3	39.9	23.8	23.9	29.9	20.2	20.1	25.2
Polycab India (POLI)	1,823	2,100	Hold	28,138	59.4	59.2	77.7	31.8	31.9	24.3	23.3	21.5	16.6	21.9	21.1	24.2	18.5	16.5	18.5
Supreme Indus (SUPIND)	2,081	2,450	Buy	26,434	77.0	64.1	75.9	27.3	32.8	27.6	20.2	23.0	18.8	33.1	25.1	25.9	30.9	23.4	23.5
Symphony (SYMLIM)	912	1,050	Hold	6,380	15.3	20.8	33.0	64.9	47.8	30.9	48.7	37.6	24.3	15.2	22.1	31.8	14.9	21.1	30.1
Time Techno (TIMTEC)	83	100	Buy	1,877	4.8	8.5	10.8	17.4	9.7	7.7	6.5	5.2	4.4	8.7	12.1	13.7	5.7	9.7	11.3
V-Guard Ind (VGUARD)	240	310	Buy	10,279	4.7	5.5	7.3	59.0	50.4	38.1	37.3	35.4	27.3	23.9	25.1	29.0	16.7	19.2	22.5
Voltas Ltd (VOLTAS)	998	1,170	Buy	33,007	16.0	22.0	28.8	63.2	45.9	35.1	51.4	40.9	30.4	15.0	20.2	22.8	10.6	14.9	17.0

Source: Bloomberg, ICICI Direct Research

## RATING RATIONALE

ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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## ANALYST CERTIFICATION

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