

February 19, 2023

RESULT REPORT Q3 FY23 | Sector: Building Materials

ASTRAL Ltd

Expensive valuations, assign REDUCE!

Result Synopsis

Astral Ltd reported stellar volumes of 45,859Te in pipe biz (73% of revenue), a growth of 30%YoY & 13%QoQ (3-year CAGR: 13%), owing to healthy demand from plumbing segment. ASP came in at Rs203/Kg as compared to Rs244/Rs205 in Q3FY22/Q2FY23 respectively. EBITDA/kg for the quarter stood at Rs31 Vs Rs49/Rs28 in Q3FY22/Q2FY23 respectively. Adhesive's biz (27% of biz) registered a revenue growth of 31%YoY & flattish QoQ to Rs3.36Bn. EBITDA margins came in at 12.2% as compared to 11.7%/13.4% in Q3FY22/Q2FY23 respectively. 9MFY23 revenue stood at Rs10.05Bn, a growth of 41%YoY & margins came in at 13.2% Vs 13.4% in 9MFY22. For Sanitaryware & Faucets, Company opened 231 showrooms in Q3FY23 and 80 more such showrooms are under constructions & by end of FY23, Astral plans to have 500 showrooms. This segment reported revenue of Rs97Mn in Q3FY23 and a loss of Rs40Mn.

We expect ASTRAL will continue to report strong growth in Pipes & adhesive's segments owing to healthy industry tailwinds & company's dominant share in plumbing sector. Hence in pipe segment, ASTRAL will register a volume/revenue growth of 15%/14% CAGR over FY22-FY24E respectively. We reckon, EBITDA/Kg to come in at Rs33/Rs35 in FY23/FY24E respectively. Going ahead, owing to positive demand traction, we expect adhesive biz to report a revenue growth of 20%CAGR over FY22-FY24E & margins are likely to remain steady at 13%. Paints segment revenue stood at Rs520Mn, a growth of 4%QoQ & EBITDA margins came in at 12.6%. With company's foray into Paints, Sanitaryware & Faucets, we believe ASTRAL is on path to become one of India's leading BUILDING MATERIALS companies. Though in near term, growth & market acceptance of these new products will be under review, we reckon with the extensive dealer network & strong brand image of ASTRAL, company will gain respectable market share in these new categories in coming-years. Though we remain positive on growth, Astral continues to trade at expensive valuation of 60x on FY24E EPS of Rs31.9. Hence, we have assigned a REDUCE rating on the stock.

Result Highlights

- Revenue for the quarter stood at Rs12.68Bn, registering a growth of 15%YoY & 8%QoQ (vs street est of Rs11.65Bn).
- EBITDA margin came in at 14.7% (vs street est 15.2%) as compared to 17.9%/12.3% in Q3FY22/Q2FY23 respectively. Absolute EBITDA stood at Rs1.86Bn, declined 6%YoY but increased 29%QoQ.
- Net profit stood at Rs 952Mn, declined 26%YoY and increased 28%QoQ (Vs Street est of Rs1.04Bn)

Exhibit 1: Actual vs estimates

Rsmn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	12,678	-	11,657	-	8.8	
EBITDA	1,864	-	1,770	-	5.3	
EBITDA Margin (%)	14.7	-	15.2	-	-48 bps	Better than expected volumes lead to beat on top-line front.
Adjusted PAT	952	-	1,040	-	(8.4)	

Source: Company, YES Sec

Reco	: REDUCE
CMP	: Rs 1,912
Target Price	: Rs 1,752
Potential Upside	: -8%

Stock data (as on Feb 19, 2023)

Nifty	17,944
52 Week h/l (Rs)	2655 / 1582
Market cap (Rs/USD mn)	385491 / 4659
Outstanding Shares (mn)	201
6m Avg t/o (Rs mn):	862
Div yield (%):	0.2
Bloomberg code:	ASTRA IN
NSE code:	ASTRAL

Stock performance



	1M	3M	1Y
Absolute return	-4.7%	1.7%	5.5%

Shareholding pattern (As of Dec'22 end)

Promoter	55.9%
FII+DII	30.1%
Others	14.1%

Δ in stance

(1-Yr)	New	Old
Rating	REDUCE	-
Target Price	1,752	-

Δ in earnings estimates

	FY23e	FY24e
EPS (New)	24.1	31.9
EPS (Old)	-	-
% change	-	-

Financial Summary

(Rs mn)	FY22	FY23E	FY24E
Net Revenue	43,940	54,727	64,200
YoY Growth	38.3	24.5	17.3
EBIDTA	7,553	7,762	9,441
EBIDTA(%)	17.2	14.2	14.7
PAT	4,904	4,839	6,404
YoY Growth	20.1	(1.3)	32.4
ROE	22.9	18.7	20.6
EPS	24.4	24.1	31.9
P/E	82.9	79.4	60.0
BV/Share	117.6	139.7	169.6
P/BV	17.2	13.7	11.3

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Exhibit 2: Quarterly Snapshot

Rs mn	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1FY2 3	Q2FY2 3	Q3FY2 3	y/y (%)	q/q (%)	9MFY2 2	9MFY2 3	y/y (%)
Revenue	7,001	11,541	11,027	13,906	12,129	11,716	12,678	15.0	8.2	29,569	36,523	23.5
Expenditure	5,707	9,426	9,051	11,738	10,423	10,276	10,814	19.5	5.2	24,184	31,513	30.3
- RM	4,318	7,708	7,258	9,531	8,351	8,177	8,538	17.6	4.4	19,284	25,066	30.0
- Staff Cost	581	615	616	641	768	762	801	30.0	5.1	1,812	2,331	28.6
- Other cost	808	1,103	1,177	1,566	1,304	1,337	1,475	25.3	10.3	3,088	4,116	33.3
Operating Profit	1,294	2,115	1,976	2,168	1,706	1,440	1,864	(5.7)	29.4	5,385	5,010	(7.0)
OPM(%)	18.5	18.3	17.9	15.6	14.1	12.3	14.7	-322 bps	241 bps	18.2	13.7	-449 bps
Other Income	43	80	62	164	114	135	(20)	(132.3)	(114.8)	185	229	23.8
Depreciation	306	314	321	328	433	448	455	41.7	1.6	941	1,336	42.0
Interest	46	11	20	52	133	140	94	370.0	(32.9)	77	367	376.6
Exceptional	-	-	-	(19)	-	-	3			-	3	
PBT	985	1,870	1,697	1,933	1,254	987	1,298	(23.5)	31.5	4,552	3,539	(22.3)
Tax	234	437	418	492	316	241	346	(17.2)	43.6	1,089	903	(17.1)
PAT	751	1,433	1,279	1,441	938	746	952	(25.6)	27.6	3,463	2,636	(23.9)

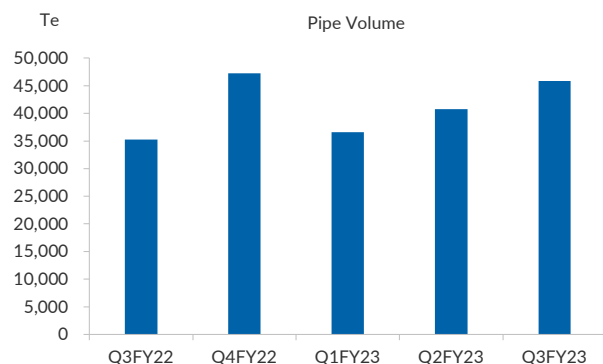
Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

- **Demand:** Management stated that demand was robust in plumbing division. For adhesive segment demand was relatively sluggish largely due to tepid demand from Rural and oversea market.
- **Guidance:** Management reiterated their guidance to double consolidated revenue in 5-years. They have guided for high double-digit growth in plumbing segment for Q4FY23.
- **Pipes:** Total capacity stood at 2,86,095Te and capacity utilization was 57% during the quarter. Management stated that PVC prices are unchanged from January. Dealers have started restocking inventory from the month of January but still dealer inventories are not at optimum levels (75% level).
- **Capex:** 9MFY23 capex was Rs1.9Bn and the capex spend for FY23 would be Rs.2.3Bn.
- **Water Tank:** For Water Tanks, Management has maintained its guidance for Rs1bn revenue from tanks division in FY23. Presently due to low-capacity utilization, EBITDA margin for the division is ~12-13%, going ahead the same would improve to 15%. Presently company commands very low market share (less than 2%).
- **Sanitaryware & Faucet:** Company has opened 231 showrooms in Q3FY23 and 80 more such showrooms are under constructions. ASTRAL plans to have 500 showrooms by FY23. This segment reported revenue of Rs97Mn in Q3FY23 and loss of Rs40Mn.
- **Paint:** Paints Segment reported revenue of Rs520Mn in Q3FY23 with EBITDA margin of 12.6%. Adhesive Segment: Company reported currency loss of Rs55Mn for UK Subsidiary.
- Adhesive plant in Dahej is expected to commission by end of Q4FY23. With this new plant ASTRAL can achieve revenue of Rs180Bn in adhesive segment.
- Management reported inventory loss of ~Rs250Mn in Q3FY23. Management anticipates period for inventory loss is over and there will be some amount of gain in Q4.

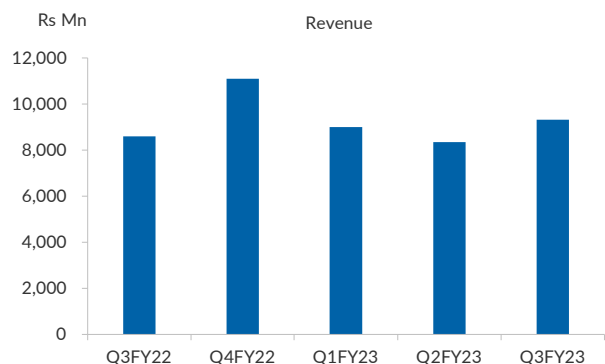
QUARTERLY TRENDS

Exhibit 3: Volumes grew by 30%YoY...



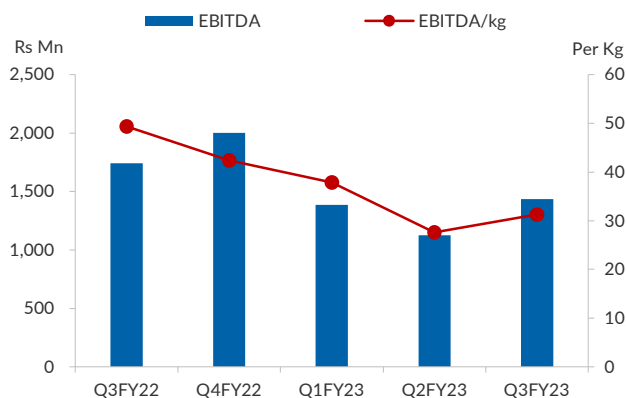
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Exhibit 4: Pipe revenue increased by 8%YoY...



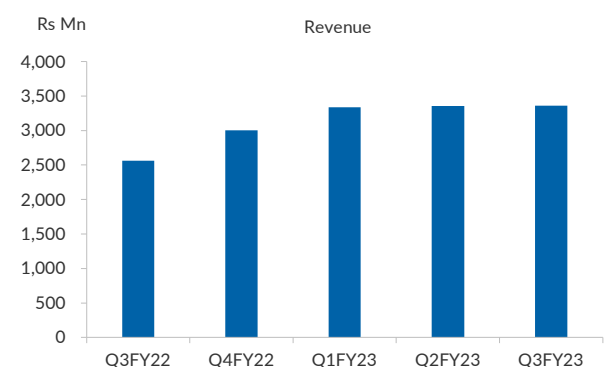
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Exhibit 5: EBITDA/Kg stood at Rs31...



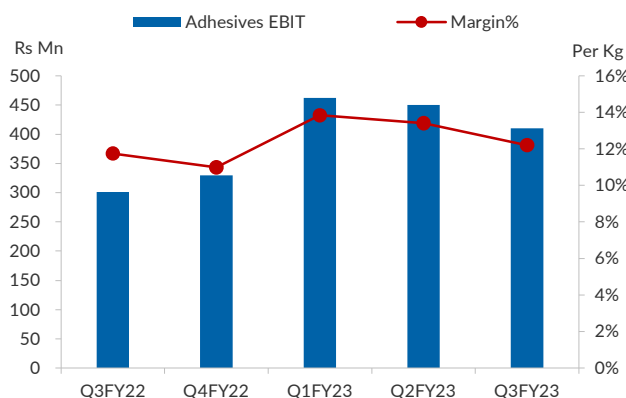
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Exhibit 6: Adhesive revenue grew by 31%YoY...



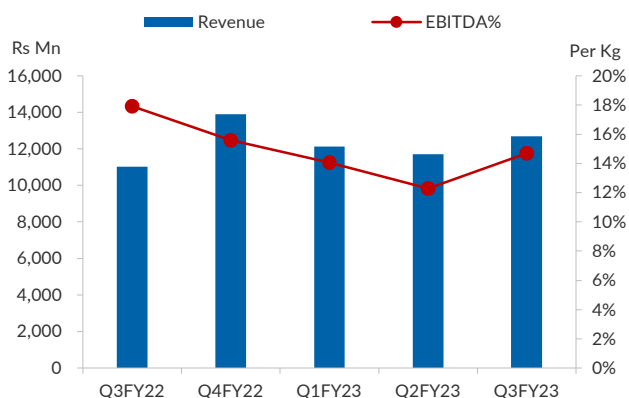
Source: Company, YES Sec

Exhibit 7: Adhesive margin came in at 12%...



Source: Company, YES Sec

Exhibit 8: Blended margins stood at 15%...



Source: Company, YES Sec

FINANCIALS

Exhibit 9: Income Statement

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Sales	31,763	43,940	54,727	64,200	73,923
COGS	19,689	29,280	39,147	46,160	53,354
GP	12,074	14,660	15,580	18,041	20,569
GP%	38.0%	33.4%	28.5%	28.1%	27.8%
Employee	1,910	2,453	2,698	2,968	3,265
Other cost	3,719	4,654	5,119	5,631	6,194
EBITDA	6,445	7,553	7,762	9,441	11,110
EBITDA%	20.3%	17.2%	14.2%	14.7%	15.0%
Finance cost	131	129	400	200	200
Depreciation	1,165	1,269	1,481	1,604	1,677
Other Income	251	349	518	789	1,195
PBT	5,330	6,485	6,399	8,427	10,428
Tax	1,248	1,581	1,560	2,022	2,503
PAT	4,082	4,904	4,839	6,404	7,925
PAT%	12.9%	11.2%	8.8%	10.0%	10.7%
EPS	20	24	24	32	39

Source: Company, YES Sec

Exhibit 10: Balance Sheet

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Share Capital	201	201	201	201	201
Reserves	18,757	23,165	27,602	33,604	41,127
Non-current liab	675	819	800	723	684
Short Term Borrowings	229	523	492	369	308
Payables	5,172	7,484	8,461	9,983	11,621
Other current Liab	584	556	675	692	800
Total Equity & Liab	26,728	33,872	39,576	47,020	56,332
Gross Block	13,894	17,053	19,053	20,053	20,853
Acc Dep	4,212	5,481	6,962	8,565	10,242
Net Block	9,682	11,572	12,091	11,488	10,611
CWIP	566	1,232	1,232	2,232	2,232
Other Noncurrent	247	135	135	135	135
Inventory	4,721	7,334	8,051	9,485	10,963
Receivables	2,767	2,691	3,399	3,987	4,591
Cash & Bank	4,760	6,418	10,177	15,203	23,310
Loans	3	4	4	4	4
Total Assets	26,728	33,872	39,576	47,020	56,332

Source: Company, YES Sec

Exhibit 11: Cash Flow

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Net Profit/ (Loss) Before Tax	5,330	6,485	6,399	8,427	10,428
Depreciation	1,165	1,269	1,481	1,604	1,677
Interest paid	131	129	400	200	200
Before Working Capital Changes	6,661	7,814	8,280	10,230	12,305
(Incr)/Decr in Working Capital	1,142	(705)	(158)	(580)	(293)
Tax	(1,162)	(1,678)	(1,560)	(2,022)	(2,503)
CFO (A)	6,641	5,431	6,561	7,628	9,509
PPE	(1,711)	(3,446)	(2,000)	(2,000)	(800)
CFI(B)	(4,541)	715	(2,000)	(2,000)	(800)
Proceeds from Borrowings (Net)	(1,188)	205	-	-	-
Interest	(140)	(123)	(400)	(200)	(200)
CFA (C)	(1,532)	(440)	(802)	(602)	(602)
Net Increase/(Decrease) in Cash	568	5,706	3,759	5,026	8,107
Cash at the beginning of the year	139	707	6,418	10,177	15,203
Cash at the end of the year	707	6,413	10,177	15,203	23,310

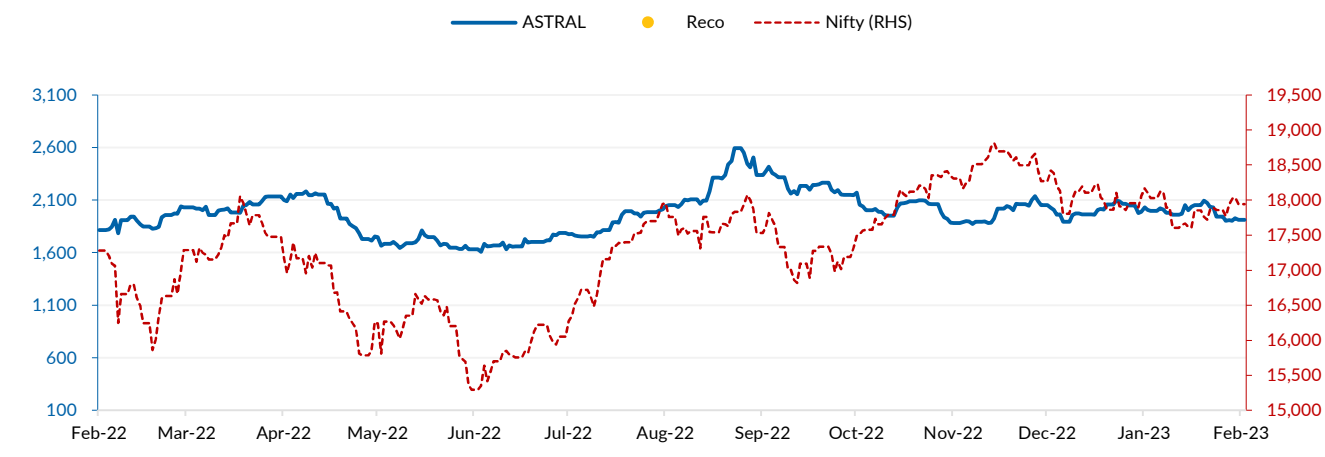
Source: Company, YES Sec

Exhibit 12: Ratios

Key Ratios	FY21	FY22	FY23E	FY24E	FY25E
Growth (%)					
Total Sales	23.2	38.3	24.5	17.3	15.1
EBIDTA	45.5	17.2	2.8	21.6	17.7
EBIT	59.3	19.9	2.5	26.9	23.2
PAT	63.5	20.1	(1.3)	32.4	23.7
Profitability (%)					
GP Margins	38.0	33.4	28.5	28.1	27.8
EBIDTA Margins	20.3	17.2	14.2	14.7	15.0
EBIT Margins	17.4	15.1	12.4	13.4	14.4
PAT Margins	12.9	11.2	8.8	10.0	10.7
Return Ratios(%)					
ROCE	30.2	29.9	25.5	27.1	27.6
ROE	23.8	22.9	18.7	20.6	20.9
Per Share Data (Rs)					
EPS	20.3	24.4	24.1	31.9	39.4
CEPS	26.1	30.7	31.4	39.8	47.8
BVPS	95.4	117.6	139.7	169.6	207.0
Valuations (x)					
P/E (x)	79.6	82.9	79.4	60.0	48.5
P/BV (x)	17.0	17.2	13.7	11.3	9.2
EV/EBIDTA	49.7	53.1	48.3	39.2	32.5
Gearing Ratios					
Debt/Equity	0.0	0.0	0.0	0.0	0.0
Net Debt/Equity	(0.2)	(0.2)	(0.3)	(0.4)	(0.5)
Net Debt/EBIDTA	(0.7)	(0.7)	(1.2)	(1.5)	(2.1)
Int Coverage	42.2	51.4	17.0	43.1	53.1
A/TO	2.4	2.8	3.0	3.3	3.6

Source: Company, YES Sec

Recommendation Tracker



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