

May 16, 2023

## Q4FY23 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	1,830		1,620	
Sales (Rs. m)	60,188	71,066	59,252	68,433
% Chng.	1.6	3.8		
EBITDA (Rs. m)	10,352	12,792	9,658	11,497
% Chng.	7.2	11.3		
EPS (Rs.)	24.3	31.0	22.2	27.5
% Chng.	9.3	12.9		

### Key Financials - Consolidated

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	43,940	51,585	60,188	71,066
EBITDA (Rs. m)	7,553	8,099	10,352	12,792
Margin (%)	17.2	15.7	17.2	18.0
PAT (Rs. m)	4,838	4,584	6,532	8,342
EPS (Rs.)	24.1	17.0	24.3	31.0
Gr. (%)	18.5	(29.2)	42.5	27.7
DPS (Rs.)	1.7	2.3	2.3	2.3
Yield (%)	0.1	0.1	0.1	0.1
RoE (%)	22.6	17.2	20.1	21.2
RoCE (%)	29.9	23.9	26.3	27.6
EV/Sales (x)	7.6	8.7	7.4	6.2
EV/EBITDA (x)	44.2	55.3	43.2	34.5
PE (x)	70.1	99.0	69.4	54.4
P/BV (x)	14.3	15.3	12.8	10.5

### Key Data

### ASTL.BO | ASTRA IN

52-W High / Low	Rs.1,991 / Rs.1,186
Sensex / Nifty	61,932 / 18,287
Market Cap	Rs.453bn/ \$ 5,510m
Shares Outstanding	269m
3M Avg. Daily Value	Rs.614.91m

### Shareholding Pattern (%)

Promoter's	55.85
Foreign	13.86
Domestic Institution	16.50
Public & Others	13.80
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	16.4	17.0	31.3
Relative	13.5	17.0	12.3

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## Astral Ltd. (ASTRA IN)

Rating: BUY | CMP: Rs1,687 | TP: Rs1,830

### Healthy performance with strong margin improvement

#### Quick Pointers:

- Healthy vol. growth at 15% YoY on higher base, led to revenue growth of 8.3%.
- EBITDA margin up 490bps to 20.5%, led by 18.2% increase in EBITDA/Kg.

**We upward revise our FY24/FY25 earnings estimate by 9.3%/12.9% to factor in 1) higher vol. growth guidance of 15-20% in pipe & fittings, 2) paints & adhesive business rev. growth guidance of ~20%, and 3) increase in EBITDA margin guidance to 17-18% (earlier around 16-16.5%) with improvement in volume & correction in RM prices and breakeven in sanitaryware business in H2FY24. Astral Ltd (ASTRA) trades at rich valuation of 50-60x 1yr fwd earnings and in the recent past, post bonus issuance and our initiating coverage, stock has given 25%+ return. We still believe that ASTRA is a consistent quality performer and it is a compounding story on back of its strong performance in FY23 and robust guidance of volume & margins across segment for FY24-25. We estimate Sales/EBITDA/PAT CAGR of 17.4%/25.7%/34.3% over FY23-25E and value the stock on DCF based revised TP of Rs1,830 which implies 59x FY25E EPS (earlier Rs 1,620). Maintain 'BUY'.**

**Sales grew 8.3%, PAT up by 38.1%:** Sales grew 8.3% YoY to Rs15.1bn (PLe:Rs14.1bn) led by 15% YoY growth in plumbing volume on higher base and consolidation of paint business. Gross margin expanded by 690bps YoY to 38.4% on account of improvement in product mix in pipe business towards CPVC and RM benefit in adhesive business. EBITDA was up by 42.5% to Rs3.1bn (PLe: Rs2.4bn). EBITDA margin expanded 490bps YoY to 20.5% (PLe: 16.7%) on account of higher EBITDA per Kg in pipe & fitting business of Rs47 (up 18.2% YoY vs SI 7% YoY to Rs33/kg) and margin improvement in Paints and Adhesives Business. PAT grew by 38.1% to Rs2bn (PLe: Rs1.4bn) on account of higher margin and forex gain (Rs210mn).

**Plumbing business – Healthy volume growth:** Plumbing business posted revenue of Rs11.2bn which was up by 3.6% YoY. This was led by robust volume growth (up 15% YoY vs SI/Apollo Pipes 14.6%/13.9% YoY). EBITDA grew by 34.4% YoY to Rs2.6bn. EBITDA margin expanded 520bps YoY to 22.8%, primarily with improvement in product mix and inventory gain (Rs90-100mn). Pipe & fittings sales vol. stood at 54,438 MT up by 15.3% YoY. The Pipe & fittings plant at Bhubaneswar has started its operations in Q4FY23. ASTRA planned to set up a new green field plant at Hyderabad for pipe & fittings with capacity of 70k MT with capex of Rs 1bn, will be completed by FY26. The company currently has 383 showrooms/display centers for bath segment with more 177 showrooms in pipeline, currently clocking around Rs13lacs per centre at annualized level. Management will be focusing more on supply chain and distribution to improve sales from new businesses in coming years.

#### Paints and adhesives – Healthy revenue growth with margin improvement:

Paint & adhesives revenue grew 24.9% YoY to Rs3.8bn, and revenue excluding GEMS paint was Rs3.3bn (up ~6% YoY). Paints business reported ~Rs580mn. P&A business' EBITDA margin expanded by 180bps YoY with correction in RM prices in domestic business, while SEAL-IT will get RM benefit Q1FY24 onwards due to high cost inventory. The company has successfully implemented SAP at Gem Paints Pvt Ltd. wef 1<sup>st</sup> April,2023 which will further improve its revenue and margins.

**Exhibit 1: Q4FY23 Result Overview (Rs mn)**

Y/e March	Q4FY23	Q4FY22	YoY gr. (%)	Q3FY23	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
<b>Net Sales</b>	<b>15,062</b>	<b>13,906</b>	<b>8.3</b>	<b>12,678</b>	<b>18.8</b>	<b>51,585</b>	<b>43,475</b>	<b>18.7</b>
<b>Expenditure</b>								
Operating & Manufacturing Expenses	9,281	9,531	-2.6	8,538	8.7	34,347	28,815	19.2
<i>% of Net Sales</i>	<i>61.6</i>	<i>68.5</i>		<i>67.3</i>		<i>66.6</i>	<i>66.3</i>	
Gross Profit	<b>5,781</b>	<b>4,375</b>	<b>32.1</b>	<b>4,140</b>	<b>39.6</b>	<b>17,238</b>	<b>14,660</b>	<b>17.6</b>
<i>% of Net Sales</i>	<i>38.4</i>	<i>31.5</i>		<i>32.7</i>		<i>33.4</i>	<i>33.7</i>	
Personnel Cost	862	641	34.5	801	7.6	3,193	2,453	30.2
<i>% of Net Sales</i>	<i>5.7</i>	<i>4.6</i>		<i>6.3</i>		<i>6.2</i>	<i>5.6</i>	
Other Expenses	1,830	1,566	16.9	1,475	24.1	5,935	4,654	27.5
<i>% of Net Sales</i>	<i>12.1</i>	<i>11.3</i>		<i>11.6</i>		<i>11.5</i>	<i>10.7</i>	
Total Expenditure	11,973	11,738	2.0	10,814	10.7	43,475	35,922	21.0
<b>EBITDA</b>	<b>3,089</b>	<b>2,168</b>	<b>42.5</b>	<b>1,864</b>	<b>65.7</b>	<b>8,110</b>	<b>7,553</b>	<b>7.4</b>
<i>Margin (%)</i>	<i>20.5</i>	<i>15.6</i>		<i>14.7</i>		<i>15.7</i>	<i>17.4</i>	
Other income	66	164	-59.8	20	-430.0	295	349	-15.5
Depreciation	445	328	35.7	455	-2.2	1,781	1,269	40.3
<b>EBIT</b>	<b>2,644</b>	<b>1,840</b>	<b>43.7</b>	<b>1,409</b>	<b>87.7</b>	<b>6,329</b>	<b>6,284</b>	<b>0.7</b>
Interest	33	52	-36.5	94	-64.9	411	129	218.6
<b>PBT</b>	<b>2,734</b>	<b>1,933</b>	<b>41.4</b>	<b>1,295</b>	<b>111.1</b>	<b>6,270</b>	<b>6,485</b>	<b>-3.3</b>
Total Taxes	654	492	32.9	346	89.0	1,557	1,581	-1.5
<i>ETR (%)</i>	<i>23.9</i>	<i>25.5</i>		<i>26.7</i>		<i>24.8</i>	<i>24.4</i>	
<b>Adj. PAT</b>	<b>2,075</b>	<b>1,414</b>	<b>46.7</b>	<b>930</b>	<b>123.1</b>	<b>4,612</b>	<b>4,871</b>	<b>-5.3</b>

Source: Company, PL

**Exhibit 2: Segmental Breakup (Rs mn)**

Y/e March	Q4FY23	Q4FY22	YoY gr. (%)	Q3FY23	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
<b>Revenues</b>								
Plumbing/Plastics	11,235	10,841	3.6	9,318	20.6	37,675	33,652	12.0
Paints & Adhesives	3,827	3,065	24.9	3,360	13.9	13,910	10,281	35.3
<b>EBIT</b>								
Plumbing/Plastics	2,215	1,623	36.5	1,114	98.8	5,144	5,200	-1.1
<i>EBIT margin (%)</i>	<i>19.7</i>	<i>15.0</i>		<i>12.0</i>		<i>13.7</i>	<i>15.5</i>	
Paints & Adhesives	471	327	44.0	326	44.5	1,349	1,254	7.6
<i>EBIT margin (%)</i>	<i>12.3</i>	<i>10.7</i>		<i>9.7</i>		<i>9.7</i>	<i>12.2</i>	

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
<b>Net Revenues</b>	<b>43,940</b>	<b>51,585</b>	<b>60,188</b>	<b>71,066</b>
YoY gr. (%)	38.3	17.4	16.7	18.1
Cost of Goods Sold	29,280	34,347	39,724	46,335
Gross Profit	14,660	17,238	20,464	24,731
Margin (%)	33.4	33.4	34.0	34.8
Employee Cost	2,453	3,193	3,491	4,122
Other Expenses	-	-	-	-
<b>EBITDA</b>	<b>7,553</b>	<b>8,099</b>	<b>10,352</b>	<b>12,792</b>
YoY gr. (%)	17.2	7.2	27.8	23.6
Margin (%)	17.2	15.7	17.2	18.0
Depreciation and Amortization	1,269	1,781	1,958	2,236
<b>EBIT</b>	<b>6,284</b>	<b>6,318</b>	<b>8,394</b>	<b>10,556</b>
Margin (%)	14.3	12.2	13.9	14.9
Net Interest	129	400	105	105
Other Income	349	267	380	570
<b>Profit Before Tax</b>	<b>6,504</b>	<b>6,185</b>	<b>8,670</b>	<b>11,021</b>
Margin (%)	14.8	12.0	14.4	15.5
Total Tax	1,581	1,557	2,107	2,679
Effective tax rate (%)	24.3	25.2	24.3	24.3
<b>Profit after tax</b>	<b>4,923</b>	<b>4,628</b>	<b>6,562</b>	<b>8,342</b>
Minority interest	66	159	30	-
Share Profit from Associate	(19)	115	-	-
<b>Adjusted PAT</b>	<b>4,838</b>	<b>4,584</b>	<b>6,532</b>	<b>8,342</b>
YoY gr. (%)	18.5	(5.3)	42.5	27.7
Margin (%)	11.0	8.9	10.9	11.7
Extra Ord. Income / (Exp)	-	(18)	-	-
<b>Reported PAT</b>	<b>4,838</b>	<b>4,566</b>	<b>6,532</b>	<b>8,342</b>
YoY gr. (%)	18.5	(5.6)	43.1	27.7
Margin (%)	11.0	8.9	10.9	11.7
Other Comprehensive Income	(85)	(44)	(30)	-
Total Comprehensive Income	4,753	4,522	6,502	8,342
<b>Equity Shares O/s (m)</b>	<b>201</b>	<b>269</b>	<b>269</b>	<b>269</b>
<b>EPS (Rs)</b>	<b>24.1</b>	<b>17.0</b>	<b>24.3</b>	<b>31.0</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>20,766</b>	<b>27,092</b>	<b>33,156</b>	<b>35,656</b>
Tangibles	20,766	27,092	33,156	35,656
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>5,806</b>	<b>7,587</b>	<b>9,545</b>	<b>11,782</b>
Tangibles	5,806	7,587	9,545	11,782
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>14,960</b>	<b>19,505</b>	<b>23,610</b>	<b>23,874</b>
Tangibles	14,960	19,505	23,610	23,874
Intangibles	-	-	-	-
Capital Work In Progress	1,232	1,261	1,261	1,261
Goodwill	-	-	-	-
Non-Current Investments	-	-	-	-
Net Deferred tax assets	(398)	(299)	(299)	(299)
Other Non-Current Assets	226	363	363	363
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	7,334	8,746	9,894	11,682
Trade receivables	2,691	3,545	4,947	5,841
Cash & Bank Balance	6,418	6,821	7,045	13,712
Other Current Assets	816	3,082	1,317	1,555
<b>Total Assets</b>	<b>33,872</b>	<b>43,731</b>	<b>48,896</b>	<b>58,809</b>
<b>Equity</b>				
Equity Share Capital	201	269	269	269
Other Equity	23,443	29,320	35,247	42,984
<b>Total Network</b>	<b>23,644</b>	<b>29,589</b>	<b>35,516</b>	<b>43,253</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	698	586	586	586
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	285	285	285	285
Trade payables	7,484	8,000	9,334	11,021
Other current liabilities	1,360	4,862	2,765	3,255
<b>Total Equity &amp; Liabilities</b>	<b>33,872</b>	<b>43,731</b>	<b>48,896</b>	<b>58,809</b>

Source: Company Data, PL Research



## Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	6,504	6,185	8,670	11,021
Add. Depreciation	1,269	1,781	1,958	2,236
Add. Interest	129	400	105	105
Less Financial Other Income	349	267	380	570
Add. Other	(88)	(298)	(30)	-
Op. profit before WC changes	7,814	8,068	10,702	13,362
Net Changes-WC	(705)	(620)	(1,597)	(807)
Direct tax	(1,678)	(1,557)	(2,107)	(2,679)
<b>Net cash from Op. activities</b>	<b>5,431</b>	<b>5,891</b>	<b>6,998</b>	<b>9,876</b>
Capital expenditures	(3,446)	(6,355)	(6,064)	(2,500)
Interest / Dividend Income	118	-	-	-
Others	4,043	-	-	-
<b>Net Cash from Invt. activities</b>	<b>715</b>	<b>(6,355)</b>	<b>(6,064)</b>	<b>(2,500)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	134	(112)	-	-
Dividend paid	(451)	(350)	(605)	(605)
Interest paid	(123)	(400)	(105)	(105)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(440)</b>	<b>(862)</b>	<b>(710)</b>	<b>(710)</b>
<b>Net change in cash</b>	<b>5,706</b>	<b>(1,326)</b>	<b>224</b>	<b>6,667</b>
Free Cash Flow	1,985	(464)	934	7,376

Source: Company Data, PL Research

## Key Financial Metrics

Y/e Mar	FY22	FY23	FY24E	FY25E
<b>Per Share(Rs)</b>				
EPS	24.1	17.0	24.3	31.0
CEPS	30.4	23.7	31.6	39.3
BVPS	117.6	110.0	132.0	160.8
FCF	9.9	(1.7)	3.5	27.4
DPS	1.7	2.3	2.3	2.3
<b>Return Ratio(%)</b>				
RoCE	29.9	23.9	26.3	27.6
ROIC	30.2	22.8	24.1	30.1
RoE	22.6	17.2	20.1	21.2
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.2)	(0.2)	(0.2)	(0.3)
Net Working Capital (Days)	21	30	33	33
<b>Valuation(x)</b>				
PER	70.1	99.0	69.4	54.4
P/B	14.3	15.3	12.8	10.5
P/CEPS	55.5	71.3	53.4	42.9
EV/EBITDA	44.2	55.3	43.2	34.5
EV/Sales	7.6	8.7	7.4	6.2
Dividend Yield (%)	0.1	0.1	0.1	0.1

Source: Company Data, PL Research

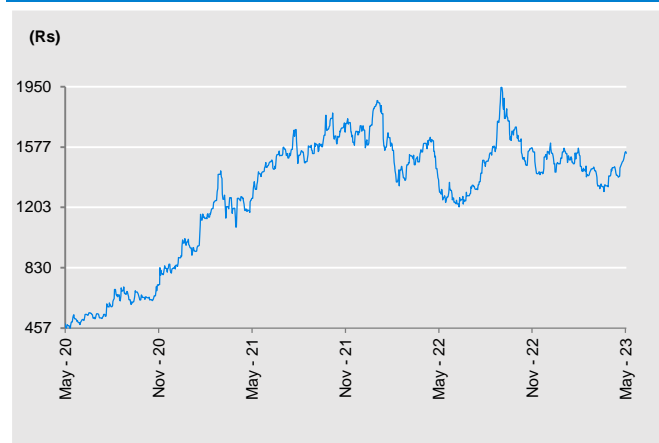
## Quarterly Financials (Rs m)

Y/e Mar	Q1FY23	Q2FY23	Q3FY23	Q4FY23
<b>Net Revenue</b>	<b>12,129</b>	<b>11,716</b>	<b>12,678</b>	<b>15,062</b>
YoY gr. (%)	73.2	1.5	15.0	8.3
Raw Material Expenses	8,351	8,177	8,538	9,281
Gross Profit	3,778	3,539	4,140	5,781
Margin (%)	31.1	30.2	32.7	38.4
<b>EBITDA</b>	<b>1,717</b>	<b>1,440</b>	<b>1,864</b>	<b>3,089</b>
YoY gr. (%)	32.7	(31.9)	(5.7)	42.5
Margin (%)	14.2	12.3	14.7	20.5
Depreciation / Depletion	433	448	455	445
<b>EBIT</b>	<b>1,284</b>	<b>992</b>	<b>1,409</b>	<b>2,644</b>
Margin (%)	10.6	8.5	11.1	17.6
Net Interest	144	140	94	33
Other Income	114	135	(20)	66
<b>Profit before Tax</b>	<b>1,254</b>	<b>987</b>	<b>1,295</b>	<b>2,677</b>
Margin (%)	10.3	8.4	10.2	17.8
Total Tax	316	241	346	654
Effective tax rate (%)	25.2	24.4	26.7	24.4
<b>Profit after Tax</b>	<b>938</b>	<b>746</b>	<b>949</b>	<b>2,023</b>
Minority interest	48	29	19	5
Share Profit from Associates	-	-	-	57
<b>Adjusted PAT</b>	<b>890</b>	<b>717</b>	<b>930</b>	<b>2,075</b>
YoY gr. (%)	18.5	(50.0)	(26.9)	46.7
Margin (%)	7.3	6.1	7.3	13.8
Extra Ord. Income / (Exp)	-	(40)	-	(18)
<b>Reported PAT</b>	<b>890</b>	<b>677</b>	<b>930</b>	<b>2,057</b>
YoY gr. (%)	18.5	(52.8)	(26.9)	45.5
Margin (%)	7.3	5.8	7.3	13.7
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>890</b>	<b>677</b>	<b>930</b>	<b>2,057</b>
Avg. Shares O/s (m)	269	269	269	269
<b>EPS (Rs)</b>	<b>3.3</b>	<b>2.7</b>	<b>3.5</b>	<b>7.7</b>

Source: Company Data, PL Research

## Price Chart

## Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Apr-23	BUY	1,620	1,331
2	01-Mar-23	BUY	2,160	1,889

## Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Astral Ltd.	BUY	1,620	1,331
2	Bajaj Electricals	Accumulate	1,280	1,053
3	Cera Sanitaryware	BUY	7,706	6,690
4	Crompton Greaves Consumer Electricals	BUY	403	298
5	Finolex Industries	BUY	224	172
6	Havells India	BUY	1,447	1,245
7	Kajaria Ceramics	BUY	1,302	1,055
8	KEI Industries	Hold	1,811	1,836
9	Polycab India	Hold	3,249	3,381
10	Prince Pipes and Fittings	BUY	693	574
11	Supreme Industries	BUY	3,245	2,722
12	Voltas	Hold	848	808

## PL's Recommendation Nomenclature (Absolute Performance)

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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