

Astral

Strong show; valuation remains expensive

We maintain REDUCE on Astral, as we believe its valuation is expensive, and we revise the target price to INR 1,480/sh (30x its Mar-25E consolidated EBITDA; implied P/E 50x Mar-25E). We believe Astral's foray into new businesses (paints and bath ware) will reduce its valuation premium. In Q4FY23, its consolidated revenue rose 8/19% YoY/QoQ (strong growth across both plumbing and adhesives), while EBITDA/APAT grew by 43/47%, as margin expanded across plumbing/paints and adhesives (P&A) segments by 600/410bps YoY. Astral's Bhubaneswar plumbing plant has become operational, and it will drive volume growth in the east. The adhesive plant in Dahej is under a trial run. Astral is adding plumbing plants in Guwahati (15K MT) and Hyderabad (70K MT).

- **Q4FY23 performance:** Net sales rose 8% YoY to INR 15bn, driven by strong traction in both plumbing and P&A segments. Plumbing volume rose 15/19% YoY/QoQ. Even P&A segment revenue soared 27/14% YoY/QoQ. Margin expanded across both segments by 600/410bps YoY respectively. These led to consolidated EBITDA growth of 43% YoY. Plumbing/P&A segments' EBITDA margins rose to eight/six quarter high levels.
- **Con call KTAs and outlook:** Astral expects to deliver 12-15% volume growth in pipes; 20% revenue growth in adhesives with at least 15% EBITDA margin in FY24E. It expects to grow its topline by 15% CAGR for the next 4-5 years. The Bhubaneswar plant is fully operational. The trial run has started for the adhesives plant at Dahej. Its Guwahati plumbing plant (15K MT) is expected to get commissioned in H1FY24. It is setting up a greenfield plant at Hyderabad with a 70K MT capacity (30/40K MT by H2FY25/ H2FY26). Factoring in strong Q4 performance, we upgrade our FY24/25E EBITDA estimates by 7/6% respectively. However, we maintain our REDUCE rating, owing to its expensive valuation, which leaves little room for earnings disappointments.

Quarterly/annual financial summary (consolidated)

YE Mar (INR bn)	Q4 FY23	Q4 FY22	YoY (%)	Q3 FY23	QoQ (%)	FY21	FY22	FY23	FY24E	FY25E
Pipes sales (K MT)	54.4	47.2	15.3	45.9	18.7	136.6	149.6	177.6	202.5	228.8
EBITDA (INR/kg)	47.0	39.5	19.1	31.3	50.4	39.1	42.2	36.6	38.2	38.6
Adhesives* Rev (INR mn)	3.83	3.00	27.4	3.36	13.9	7.35	10.28	13.91	16.91	19.67
Adhesives EBITDAM (%)	15.1	11.0		12.2	15.0	15.5	13.1	13.4	14.5	14.2
Net Sales	15.06	13.91	8.3	12.68	18.8	31.76	43.94	51.59	62.33	74.19
EBITDA	3.09	2.17	42.5	1.86	65.7	6.45	7.55	8.10	10.67	12.68
EBITDAM (%)	20.5	15.6		14.7		20.3	17.2	15.7	17.1	17.1
APAT	2.08	1.41	46.7	0.93	123.1	4.04	4.84	4.58	6.48	7.89
Diluted EPS (Rs)	7.7	5.3	46.7	3.5	123.1	15.1	18.1	17.0	24.1	29.3
EV / EBITDA (x)						71.3	60.7	56.8	42.6	35.6
P/E (x)						114.4	95.6	100.9	71.4	58.6
RoE (%)						23.6	22.6	17.2	20.2	21.1

Source: Company, HSIE Research, * Adhesives includes paints FY23 onwards

Estimates revision summary (consolidated)

INR bn	FY24E Old	FY24E Revised	Change %	FY25E Old	FY25E Revised	Change %
Net Sales	62.04	62.33	0.5	73.43	74.19	1.0
EBITDA	9.98	10.67	6.9	11.95	12.68	6.1
APAT	5.87	6.48	10.3	7.26	7.89	8.7

Source: Company, HSIE Research

REDUCE

CMP (as on 17 May 23) INR 1,720

Target Price INR 1,480

NIFTY 18,182

KEY CHANGES	NEW	OLD
Rating	REDUCE	REDUCE
Price Target	INR 1,480	INR 1,390
EBITDA revision %	FY24E 6.9	FY25E 6.1

KEY STOCK DATA

Bloomberg code	ASTRA IN
No. of Shares (mn)	269
MCap (INR bn) / (\$ mn)	462/5,649
6m avg traded value (INR mn)	843
52 Week high / low	INR 1,991/1,186

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	19.8	21.6	30.8
Relative (%)	18.9	21.9	17.5

SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	55.85	55.85
FIs & Local MFs	15.23	16.50
FPIs	14.88	13.86
Public & Others	14.05	13.80
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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