

# Astral

## Healthy performance and outlook; fully valued

We maintain REDUCE on Astral, as we believe its valuation remains expensive. We revise our target price to INR 1,820/sh (58x its Mar-25E EPS). Astral continues to deliver a strong show in plumbing. It also expects to scale up its adhesives & paints (A&P) margin performance. The bathware segment is gaining traction and Astral expects to turn EBITDA positive by Q4FY24. In Q1FY24, its consolidated revenue/EBITDA/APAT rose 6/18/35% YoY, due to a strong show in the plumbing segment (robust volume and margin performance). Astral is adding plumbing capacities in Guwahati, Hyderabad and Kanpur over the next two years and its adhesive plant will become operational by Sep-23.

- **Q1FY24 performance:** Consolidated net revenue went up 6% YoY (plumbing/P&A revenues grew 7/2% YoY). Plumbing volume rose 31% YoY (down 12% QoQ). Unit EBITDA came in at INR 35/kg (despite INR 3/kg inventory loss): down 5/26% YoY/QoQ. The bathware is ramping up and delivered an operating loss of INR 34mn (flat QoQ, loss halved YoY). Thus, overall plumbing EBITDA jumped 27% YoY on strong volume. In the A&P segment, adhesive revenue rose 8% YoY (slower growth on account of lower realisation as chemical prices are cooling off). SAP implementation pulled down paints revenue by 26% YoY. The A&P segmental EBITDA fell 7% YoY on lower profits across both paints and adhesives.
- **Con call KTAs and outlook:** Astral maintained its FY24 guidance: plumbing volume 15%+ growth with INR 35-40 EBITDA/kg. For adhesives, it expects 15-20% revenue growth and above 15% EBITDA margin. The bathware segment is expected to turn EBITDA positive by Q4FY24 as dealer counts and revenue are gaining traction. On the capex front, Astral guided Capex outgo of INR 3.5/2.5bn for FY24/25E. It will also increase its stake in Gem Paints to 80% by Sep-23. The Guwahati plumbing plant (22K MT) will commence trial runs in Sep-23. The first phase of the greenfield plant in Hyderabad (30K MT) will start by Sep-24. Astral also announced a 50K MT plant in Kanpur (first/second phase by FY25/26). The adhesive plant in Dahej will start production by Sep-23. Factoring in a strong outlook, we upgrade our FY24/25E APAT estimates by 3/7% respectively. We also raise P/E multiple to 58x (at its 5-yr mean), from 50x earlier.

### Quarterly/annual financial summary (consolidated)

YE Mar (INR bn)	Q1 FY24	Q1 FY23	YoY (%)	Q4 FY23	QoQ (%)	FY21	FY22	FY23	FY24E	FY25E
Pipes sales (K MT)	48.0	36.6	31.1	54.4	-11.9	136.6	149.6	177.6	213.2	245.1
EBITDA (INR/kg)	35.2	37.2	-5.3	47.7	-26.2	39.1	42.2	36.6	38.1	38.5
Adhesives* Rev (INR mn)	3.45	3.37	2.4	3.83	-9.9	7.35	10.28	13.91	16.91	20.68
Adhesives EBITDAM (%)	14.0	15.4		15.1	15.0	15.5	13.1	13.4	14.7	15.2
Net Sales	12.83	12.13	5.8	15.06	-14.8	31.76	43.94	51.59	61.46	75.03
EBITDA	2.02	1.71	18.2	3.09	-34.7	6.45	7.55	8.10	11.06	13.57
EBITDAM (%)	15.7	14.1		20.5		20.3	17.2	15.7	18.0	18.1
APAT	1.20	0.89	34.8	2.08	-42.3	4.04	4.84	4.58	6.67	8.47
Diluted EPS (Rs)	4.5	3.3	34.8	7.7	-42.3	15.1	18.1	17.0	24.8	31.5
EV / EBITDA (x)						81.6	69.5	65.0	47.4	38.3
P/E (x)						130.9	109.4	115.5	79.4	62.5
RoE (%)						23.6	22.6	17.2	20.8	22.4

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

## REDUCE

CMP (as on 11 Aug 2023)	INR 1,974
Target Price	INR 1,820
NIFTY	19,428

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 1,480	INR 1,820
EBITDA revision %	FY24E 3.7	FY25E 7.0

### KEY STOCK DATA

Bloomberg code	ASTRA IN
No. of Shares (mn)	269
MCap (INR bn) / (\$ mn)	530/6,485
6m avg traded value (INR mn)	1,001
52 Week high / low	INR 2,058/1,298

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	27.6	35.6	33.0
Relative (%)	22.1	27.9	22.9

### SHAREHOLDING PATTERN (%)

	Mar-23	Jun-23
Promoters	55.85	55.85
FIs & Local MFs	16.50	15.87
FPIs	13.86	15.64
Public & Others	13.80	12.64

Pledged Shares	-	-
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Source : BSE

Pledged shares as % of total shares

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