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 bathtub 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 Astral will start 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-23. 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 EBITDA estimates by 3/7% respectively. We also raise P/E multiple to 58x (at its 5-yr mean), from 50x earlier.

- **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 3.5/2.5bn for FY24/25E. It will also increase its stake in Gem Paints to

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**Quarterly/annual financial summary (consolidated)**

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

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**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

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**Key Stock Performance (%)**

- **3M**: 27.6
- **6M**: 35.6
- **12M**: 33.0

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**Shareholding Pattern (%)**

- **Mar-23**: Promoters 55.85, FIs & Local MFs 29.9, FPIs 15.9, Public & Others 7.5
- **Jun-23**: Promoters 55.85, FIs & Local MFs 15.9, FPIs 16.4, Public & Others 12.6

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**Pledged Shares**: -

Source: BSE

Pledged shares as % of total shares

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**HSIE Results Daily**

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