

August 12, 2023

Q1FY24 Result Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	HOLD		HOLD	
Target Price	1,955		1,955	
Sales (Rs. m)	60,188	71,066	60,188	71,066
% Chng.	-	-	-	-
EBITDA (Rs. m)	10,352	12,792	10,352	12,792
% Chng.	-	-	-	-
EPS (Rs.)	24.3	31.0	24.3	31.0
% Chng.	-	-	-	-

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)	8.9	10.2	8.7	7.3
EV/EBITDA (x)	51.8	64.8	50.7	40.5
PE (x)	82.0	115.9	81.3	63.7
P/BV (x)	16.8	17.9	15.0	12.3

Key Data

ASTL.BO | ASTRA IN

52-W High / Low	Rs.2,058 / Rs.1,298
Sensex / Nifty	65,323 / 19,428
Market Cap	Rs.530bn/ \$ 6,402m
Shares Outstanding	269m
3M Avg. Daily Value	Rs.1319.49m

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	11.0	35.6	33.0
Relative	11.5	25.9	20.8

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Astral Ltd. (ASTRA IN)

Rating: HOLD | CMP: Rs1,974 | TP: Rs1,955

Healthy volume growth in pipes, above est

Quick Pointers:

- Healthy vol. growth at 31% YoY in pipe segment led to rev. growth of 7.1%.
- Gross margin expanded 610bps to 37.3%, even at lower pipe realization.

Astral Ltd (ASTRA) maintained its volume growth guidance at 15-20% in pipe & fittings business and ~15%/20% vol./rev. growth guidance in paints & adhesive business, with consolidated EBITDA margin guidance of 17-18% alongside improvement in volume & correction in RM prices and breakeven in sanitaryware business in H2FY24. ASTRA reported strong expansion in gross margin (+610bps YoY) in Q1FY24, however, due to product mix (PVC higher contribution in Q1), inventory loss (Rs 150mn) and increase in front-loaded expenses for growth, resulted relatively lower expansion in EBITDA margin (+160bps YoY), which will reflect in number in coming quarters with product mix change & increase in revenue.

ASTRA trades at rich valuation of 64x 1yr fwd earnings and in the recent past, post bonus issuance and our initiating coverage, stock has given 50%+ return. We still believe that ASTRA is a consistent quality performer and is a compounding story on back of strong industry tailwinds and robust guidance on 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 TP of Rs1,955 which implies 63x FY25E EPS. Maintain 'HOLD'.

Sales grew 5.8%, PAT up by 27.2% YoY: Sales grew 5.8% YoY to Rs12.8bn (PLe:Rs12.2bn) led by 31% YoY growth in plumbing volume on higher base and 10% volume growth in adhesive business. Gross margin expanded by 610bps YoY to 37.3% even after higher contribution of PVC product in plumbing, while RM benefit in adhesive business. EBITDA was up by 17.4% to Rs2.0bn (PLe: Rs1.97bn). EBITDA margin expanded 160bps YoY to 15.7% (PLe: 16.2%) due to one off expenses & front-loaded expenses for growth. EBITDA per Kg in pipe & fitting business was Rs34.5 (down ~3.0% YoY) and EBITDA margin in Paints and Adhesives business improved by 20bps. PAT grew by 27.2% to Rs1.2bn (PLe: Rs1.16bn) on account of higher other income & decline in interest expenses.

Plumbing business – Healthy volume growth: Plumbing business posted revenue of Rs9.4bn which was up by 7.1% YoY. This was led by robust volume growth (up 31% YoY vs SI/Price/Finolex/Apollo Pipes 48%/19%/28%/47% YoY). EBITDA grew by 27.3% YoY to Rs1.7bn. EBITDA margin expanded 280bps YoY to 17.6%, even after higher contribution of PVC product, inventory loss (Rs150mn) and Rs 34mn loss in Bathware. Pipe & fittings sales vol. stood at 47,950 MT up by 31.1% YoY. ASTRA planned to set up three new green field plant at Guwahati, Hyderabad, Kanpur for pipe & fittings with capacity of 20k/70k/50kMT. The company reach at 500 showrooms/display centers for bath segment and focus on increasing revenue, currently clocking around Rs50mn per month. 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 3.3% YoY to Rs3.45bn, and revenue excluding GEMS paint was Rs3.0bn (up ~2% YoY). Paints business reported rev. ~Rs410mn. P&A business' EBITDA margin expanded by 20bps YoY with correction in RM prices in domestic business, while SEAL-IT got impacted, reported 8% margin. The company has successfully implemented SAP at Gem Paints Pvt Ltd. wef 1st April, 2023 which will further improve its revenue and margins.

Exhibit 1: Q1FY24 Result Overview: Revenue grew by 5.8% YoY; PAT grew by 27.2% YoY

Y/e March (Rs mn)	Q1FY24	Q1FY23	YoY gr. (%)	Q4FY23	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
Net Sales	12,831	12,129	5.8	15,062	-14.8	51,585	43,475	18.7
Expenditure								
Operating & Manufacturing Expenses	8,050	8,351	-3.6	9,281	-13.3	34,347	28,815	19.2
<i>% of Net Sales</i>	<i>62.7</i>	<i>68.9</i>		<i>61.6</i>		<i>66.6</i>	<i>66.3</i>	
Gross Profit	4,781	3,778	26.5	5,781	-17.3	17,238	14,660	17.6
<i>% of Net Sales</i>	<i>37.3</i>	<i>31.1</i>		<i>38.4</i>		<i>33.4</i>	<i>33.7</i>	
Personnel Cost	996	768	29.7	862	15.5	3,193	2,453	30.2
<i>% of Net Sales</i>	<i>7.8</i>	<i>6.3</i>		<i>5.7</i>		<i>6.2</i>	<i>5.6</i>	
Other Expenses	1,769	1,293	36.8	1,830	-3.3	5,935	4,654	27.5
<i>% of Net Sales</i>	<i>13.8</i>	<i>10.7</i>		<i>12.1</i>		<i>11.5</i>	<i>10.7</i>	
Total Expenditure	10,815	10,412	3.9	11,973	-9.7	43,475	35,922	21.0
EBITDA	2,016	1,717	17.4	3,089	-34.7	8,110	7,553	7.4
<i>Margin (%)</i>	<i>15.7</i>	<i>14.2</i>		<i>20.5</i>		<i>15.7</i>	<i>17.4</i>	
Other income	121	114	6.1	66	83.3	295	349	-15.5
Depreciation	463	433	6.9	445	4.0	1,781	1,269	40.3
EBIT	1,553	1,284	21.0	2,644	-41.3	6,329	6,284	0.7
Interest	58	144	-59.7	33	75.8	411	129	218.6
PBT	1,616	1,254	28.9	2,734	-40.9	6,270	6,485	-3.3
Total Taxes	423	316	33.9	654	-35.3	1,557	1,581	-1.5
<i>ETR (%)</i>	<i>26.2</i>	<i>25.2</i>		<i>23.9</i>		<i>24.8</i>	<i>24.4</i>	
Adj. PAT	1,193	938	27.2	2,062	-42.1	4,655	4,904	-5.1

Source: Company, PL

Exhibit 2: Segmental Breakup: Plumbing reported rev. growth of 7.1% with EBIT margin of 13.5%

Y/e March	Q1FY24	Q1FY23	YoY gr. (%)	Q4FY23	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
Revenues								
Plumbing/Plastics	9,383	8,761	7.1	11,235	-16.5	37,675	33,652	12.0
Paints & Adhesives	3,448	3,368	2.4	3,827	-9.9	13,910	10,281	35.3
EBIT								
Plumbing/Plastics	1,268	977	29.8	2,215	-42.8	5,144	5,200	-1.1
<i>EBIT margin (%)</i>	<i>13.5</i>	<i>11.2</i>		<i>19.7</i>		<i>13.7</i>	<i>15.5</i>	
Paints & Adhesives	339	316	7.3	471	-28.0	1,349	1,254	7.6
<i>EBIT margin (%)</i>	<i>9.8</i>	<i>9.4</i>		<i>12.3</i>		<i>9.7</i>	<i>12.2</i>	

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	43,940	51,585	60,188	71,066
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	-	-	-	-
EBITDA	7,553	8,099	10,352	12,792
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
EBIT	6,284	6,318	8,394	10,556
Margin (%)	14.3	12.2	13.9	14.9
Net Interest	129	400	105	105
Other Income	349	267	380	570
Profit Before Tax	6,504	6,185	8,670	11,021
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
Profit after tax	4,923	4,628	6,562	8,342
Minority interest	66	159	30	-
Share Profit from Associate	(19)	115	-	-
Adjusted PAT	4,838	4,584	6,532	8,342
YoY gr. (%)	18.5	(5.3)	42.5	27.7
Margin (%)	11.0	8.9	10.9	11.7
Extra Ord. Income / (Exp)	-	(18)	-	-
Reported PAT	4,838	4,566	6,532	8,342
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
Equity Shares O/s (m)	201	269	269	269
EPS (Rs)	24.1	17.0	24.3	31.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	20,766	27,092	33,156	35,656
Tangibles	20,766	27,092	33,156	35,656
Intangibles	-	-	-	-
Acc: Dep / Amortization	5,806	7,587	9,545	11,782
Tangibles	5,806	7,587	9,545	11,782
Intangibles	-	-	-	-
Net fixed assets	14,960	19,505	23,610	23,874
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
Current Assets				
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
Total Assets	33,872	43,731	48,896	58,809
Equity				
Equity Share Capital	201	269	269	269
Other Equity	23,443	29,320	35,247	42,984
Total Network	23,644	29,589	35,516	43,253
Non-Current Liabilities				
Long Term borrowings	698	586	586	586
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
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
Total Equity & Liabilities	33,872	43,731	48,896	58,809

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)
Net cash from Op. activities	5,431	5,891	6,998	9,876
Capital expenditures	(3,446)	(6,355)	(6,064)	(2,500)
Interest / Dividend Income	118	-	-	-
Others	4,043	-	-	-
Net Cash from Invst. activities	715	(6,355)	(6,064)	(2,500)
Issue of share cap. / premium	-	-	-	-
Debt changes	134	(112)	-	-
Dividend paid	(451)	(350)	(605)	(605)
Interest paid	(123)	(400)	(105)	(105)
Others	-	-	-	-
Net cash from Fin. activities	(440)	(862)	(710)	(710)
Net change in cash	5,706	(1,326)	224	6,667
Free Cash Flow	1,985	(464)	934	7,376

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
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
Return Ratio(%)				
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
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.2)	(0.2)	(0.3)
Net Working Capital (Days)	21	30	33	33
Valuation(x)				
PER	82.0	115.9	81.3	63.7
P/B	16.8	17.9	15.0	12.3
P/CEPS	65.0	83.4	62.6	50.2
EV/EBITDA	51.8	64.8	50.7	40.5
EV/Sales	8.9	10.2	8.7	7.3
Dividend Yield (%)	0.1	0.1	0.1	0.1

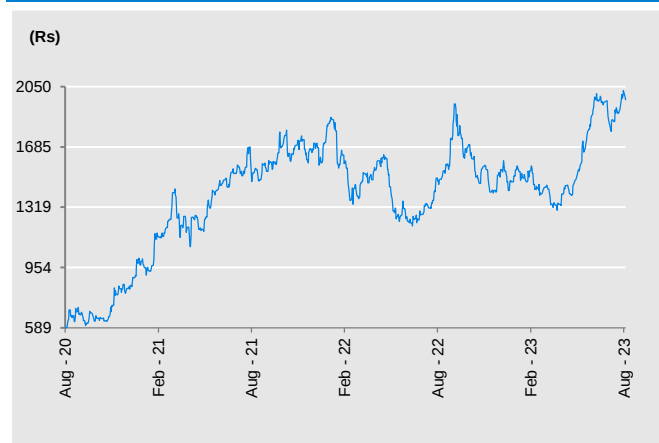
Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Net Revenue	11,716	12,678	15,062	12,831
YoY gr. (%)	1.5	15.0	8.3	5.8
Raw Material Expenses	8,177	8,538	9,281	8,050
Gross Profit	3,539	4,140	5,781	4,781
Margin (%)	30.2	32.7	38.4	37.3
EBITDA	1,440	1,864	3,089	2,016
YoY gr. (%)	(31.9)	(5.7)	42.5	17.4
Margin (%)	12.3	14.7	20.5	15.7
Depreciation / Depletion	448	455	445	463
EBIT	992	1,409	2,644	1,553
Margin (%)	8.5	11.1	17.6	12.1
Net Interest	140	94	33	58
Other Income	135	(20)	66	121
Profit before Tax	987	1,295	2,677	1,616
Margin (%)	8.4	10.2	17.8	12.6
Total Tax	241	346	654	423
Effective tax rate (%)	24.4	26.7	24.4	26.2
Profit after Tax	746	949	2,023	1,193
Minority interest	29	19	5	(1)
Share Profit from Associates	-	-	57	-
Adjusted PAT	717	930	2,075	1,194
YoY gr. (%)	(50.0)	(26.9)	46.7	34.1
Margin (%)	6.1	7.3	13.8	9.3
Extra Ord. Income / (Exp)	(40)	-	(18)	-
Reported PAT	677	930	2,057	1,194
YoY gr. (%)	(52.8)	(26.9)	45.5	34.1
Margin (%)	5.8	7.3	13.7	9.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	677	930	2,057	1,194
Avg. Shares O/s (m)	269	269	269	269
EPS (Rs)	2.7	3.5	7.7	4.4

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	04-Jul-23	Hold	1,955	1,924
2	16-May-23	BUY	1,830	1,687
3	06-Apr-23	BUY	1,620	1,331
4	01-Mar-23	BUY	2,160	1,889

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Astral Ltd.	Hold	1,955	1,924
2	Bajaj Electricals	Accumulate	1,337	1,220
3	Century Plyboard (I)	BUY	800	629
4	Cera Sanitaryware	Hold	8,224	7,917
5	Crompton Greaves Consumer Electricals	BUY	338	286
6	Finolex Industries	Accumulate	197	184
7	Greenpanel Industries	BUY	459	341
8	Havells India	BUY	1,460	1,348
9	Kajaria Ceramics	Hold	1,363	1,393
10	KEI Industries	Hold	2,319	2,270
11	Polycab India	Accumulate	4,760	4,309
12	Prince Pipes and Fittings	Accumulate	718	657
13	Supreme Industries	Hold	3,377	3,382
14	Voltas	Hold	813	767

PL's Recommendation Nomenclature (Absolute Performance)

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

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