

October 19, 2023

Q2FY24 Result Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	HOLD		HOLD	
Target Price	1,983		1,983	
Sales (Rs. m)	60,186	71,069	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	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	51,585	60,186	71,069	84,059
EBITDA (Rs. m)	8,099	10,352	12,792	15,719
Margin (%)	15.7	17.2	18.0	18.7
PAT (Rs. m)	4,584	6,532	8,342	10,706
EPS (Rs.)	17.0	24.3	31.0	39.8
Gr. (%)	(29.2)	42.5	27.7	28.3
DPS (Rs.)	2.3	2.3	2.3	2.3
Yield (%)	0.1	0.1	0.1	0.1
RoE (%)	17.2	20.1	21.2	22.2
RoCE (%)	23.9	26.3	27.6	29.0
EV/Sales (x)	9.5	8.1	6.8	5.6
EV/EBITDA (x)	60.5	47.3	37.8	30.1
PE (x)	108.2	75.9	59.5	46.3
P/BV (x)	16.8	14.0	11.5	9.3

Key Data

ASTL.BO | ASTRA IN

52-W High / Low	Rs.2,058 / Rs.1,298
Sensex / Nifty	65,629 / 19,625
Market Cap	Rs.495bn/ \$ 5,950m
Shares Outstanding	269m
3M Avg. Daily Value	Rs.1823.01m

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	(3.1)	28.7	19.5
Relative	(0.2)	16.8	7.6

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Robust volume growth, beat our earnings est.

Quick Pointers:

- Healthy vol. growth at 27.8% YoY in plumbing seg. led to rev. growth of 17.3%.
- Gross margin expanded 870bps to 38.9%, even after inventory loss.

Astral Ltd (ASTRA) upward revised its volume growth guidance at >-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 volumes & correction in RM prices and breakeven in sanitaryware business in couple of quarters. ASTRA reported strong expansion in gross margin (+870bps YoY) in Q2FY24, even after inventory loss (Rs 200mn) on account of increase in VAP mix and lower RM procurement cost. However, increase in front-loaded expenses for growth, led to relatively lower expansion in EBITDA margin (+390bps YoY), which will reflect in numbers over coming quarters with product mix change & increase in revenue.

Astral is trading at 63x/49x FY25/FY26 earnings; we still believe that the company is a consistent quality performer and is a compounding story. With strong performance in 1HFY24, strong volume guidance of 15-20% and margin improvement in FY24, we maintain our FY24 estimates with 22% revenue growth and 18.2% EBITDA margin in H2FY24. We estimate Sales/EBITDA/PAT CAGR of 17.7%/24.8%/32.9% over FY23-26E and value the stock on DCF based TP of Rs1,983 which implies 56x Sep'25 EPS. Maintain 'HOLD'.

Sales grew 16.3%, PAT up by ~83% YoY: Sales grew 16.3% YoY to Rs13.6bn in-line with of our est. (PLe:Rs13.6bn) led by 17.3% YoY growth in Plumbing segment and 14% YoY growth in Paints and Adhesives Business. Gross margin expanded by 870bps YoY to 38.9%, above our est. of 35.5%, on account of increase in VAP mix and lower RM procurement cost, reflected with reduction in payable days & received cash discount. However, with reduction CPVC resin, inventory loss was ~Rs 200mn in Q2FY24. EBITDA was up by 52.8% to Rs2.2bn (PLe: Rs2.0bn). EBITDA margin expanded by 390bps YoY to 16.1%, above our est. of 14.9%, Plumbing EBITDA margin improved by 460bps YoY to 18% and EBITDA margin of Paints and Adhesives business improved by 220bps YoY at 14.8%. PAT grew by ~83% to Rs1.32bn (PLe: Rs1.17bn) on account of volume growth and margins improvement.

Plumbing business – strong volume growth: Plumbing business posted revenue of Rs9.8bn which was up by 17.3% YoY. This was led by robust volume growth in pipe & fittings (up 27.8% YoY) and rev. growth up 15.1% YoY. EBITDA grew by 57.2% YoY to Rs1.8bn. EBITDA margin expanded 460bps YoY to 18.0%, even after inventory loss (Rs200mn) and Rs 41mn loss in Bathware. EBITDA per Kg (incl. OI) in pipe & fitting business was Rs34.7 (up 22.6% YoY). Pipe & fittings sales vol. stood at 52,079 MT up by 27.8% YoY. ASTRA reported bathware revenue of Rs 180mn in Q2FY24. Management will be focusing more on supply chain and distribution to improve sales from new businesses, with target of Rs 1.5bn in coming years.

Paints and adhesives – healthy rev growth in dom. adhesive business: Paint & Adhesives revenue grew 14% YoY to Rs3.8bn, and excluding GEMS paint P&A business grew at 17.2% YoY. The growth was majorly contributed by domestic adhesive business; SEAL-IT was flat sequentially. P&A EBITDA margin expanded by 220bps YoY to 14.8% in Q2FY24, with higher margin in domestic adhesive business (~16%) while SEAL-IT margin impacted due to high cost inventory which is expected to normalize Q3FY24 onwards. Management expects margins to improve in 2HFY24 on account of full benefit of softening in raw material prices & SEAL-IT margin improvement.

Exhibit 1: Q2FY24 Result Overview: Revenue grew by 16.3% YoY; PAT grew by 82.9% YoY

Y/e March (Rs mn)	Q2FY24	Q2FY23	YoY gr. (%)	Q1FY24	QoQ gr. (%)	H1FY24	H1FY23	YoY gr. (%)
Net Sales	13,630	11,716	16.3	12,831	6.2	26,461	23,845	11.0
Expenditure								
Operating & Manufacturing Expenses	8,328	8,177	1.8	8,050	3.5	16,378	16,528	-0.9
<i>% of Net Sales</i>	<i>61.1</i>	<i>69.8</i>		<i>62.7</i>		<i>61.9</i>	<i>69.3</i>	
Gross Profit	5,302	3,539	49.8	4,781	10.9	10,083	7,317	37.8
<i>% of Net Sales</i>	<i>38.9</i>	<i>30.2</i>	<i>8.7</i>	<i>37.3</i>		<i>38.1</i>	<i>30.7</i>	
Personnel Cost	1,053	762	38.2	996	5.7	2,049	1,530	33.9
<i>% of Net Sales</i>	<i>7.7</i>	<i>6.5</i>		<i>7.8</i>		<i>7.7</i>	<i>6.4</i>	
Other Expenses	2,048	1,337	53.2	1,769	15.8	3,817	2,630	45.1
<i>% of Net Sales</i>	<i>15.0</i>	<i>11.4</i>		<i>13.8</i>		<i>14.4</i>	<i>11.0</i>	
Total Expenditure	11,429	10,276	11.2	10,815	5.7	22,244	20,688	7.5
EBITDA	2,201	1,440	52.8	2,016	9.2	4,217	3,157	33.6
<i>Margin (%)</i>	<i>16.1</i>	<i>12.3</i>	<i>3.9</i>	<i>15.7</i>		<i>15.9</i>	<i>13.2</i>	
Other income	134	149	-10.1	121	10.7	255	263	-3.0
Depreciation	487	448	8.7	463	5.2	950	881	7.8
EBIT	1,714	992	72.8	1,553	10.4	3,267	2,276	43.5
Interest	80	140	-42.9	58	37.9	138	284	-51.4
PBT	1,768	1,001	76.6	1,616	9.4	3,384	2,255	50.1
Total Taxes	451	241	87.1	423	6.6	874	557	56.9
<i>ETR (%)</i>	<i>25.5</i>	<i>24.1</i>		<i>26.2</i>		<i>25.8</i>	<i>24.7</i>	
PAT	1,317	720	82.9	1,193	10.4	2,510	1,658	51.4

Source: Company, PL

Exhibit 2: Segmental Breakup: Plumbing reported rev. growth of 17.3% with EBIT margin of 14.3%

Y/e March	Q2FY24	Q2FY23	YoY gr. (%)	Q1FY24	QoQ gr. (%)	H1FY24	H1FY23	YoY gr. (%)
Revenues								
Plumbing/Plastics	9,804	8,361	17.3	9,383	4.5	19,187	17,122	12.1
Paints & Adhesives	3,826	3,355	14.0	3,448	11.0	7,274	6,723	8.2
EBIT								
Plumbing/Plastics	1,398	838	66.8	1,268	10.3	2,666	1,815	46.9
<i>EBIT margin (%)</i>	<i>14.3</i>	<i>10.0</i>		<i>13.5</i>		<i>13.9</i>	<i>10.6</i>	
Paints & Adhesives	380	236	61.0	339	12.1	719	552	30.3
<i>EBIT margin (%)</i>	<i>9.9</i>	<i>7.0</i>		<i>9.8</i>		<i>9.9</i>	<i>8.2</i>	

Source: Company, PL

Q2FY24 Concall Highlights

- Management upward revised its volume growth guidance at more than 20% in pipe & fittings business in FY24 and ~15%/20% vol./rev. growth guidance in paints & adhesive business, with consolidated EBITDA margin guidance of 17-18%.
- Consolidated cash (including cash equivalents) and bank balances as at Sep-23 is Rs 5.3bn.
- Planned capex of Rs 4.2bn for FY24, out of which Rs 3.0bn is already incurred in H1FY24.

Plumbing Business

- Plastic pipe & fittings **volume grew by 27.8% YoY in Q2FY24.**
- Pipe & fittings capacity increased to 310kMT from 290kMT, added capacity in existing plants at Dholka etc. Currently, operating at 67-68% capacity utilization.
- Guwahati plant started with water tank manufacturing and in H2FY24, pipe manufacturing will start.
- Telangana & Kanpur facilities of pipe & fittings is expected to start from Jun-24 & Mar-25.
- DWC pipe is operating at full utilization, good traction in volume and margin is 2% lower than existing pipe & fitting margins.
- Storage tank business is ahead of plan, getting benefit of strong brand. Astral tank is selling at premium to market and having similar margin comparing to its existing pipe & fittings business.
- Bathware** to continue with improvement and is expected to reach Rs1bn per month run-rate, post that expected to breakeven.

Paints and Adhesives Business

- Domestic adhesive business reported 18% growth in revenue with 15.5% EBITDA margin in Q2FY24.
- Adhesive plant at Dahej has started and in next couple of quarters will be fully operational. Revenue target from this plant is around Rs 8-10bn on full utilization.
- SEAL-IT business delivered 17% revenue growth with 9.7% EBITDA margin in Q2FY24, margin down due to high cost inventory which will normalize from Q3FY24. EBITDA margin in this business is ~11-12%. New product launches, customer acquisitions & export opportunity, expected to drive the growth.
- ASTRA has increased its stake in GEMS Paints to 80% equity stake, total consideration of Rs 2.8bn.
- GEMS paints reported 6% decline in revenue and 16% EBITDA margin in Q2FY24.

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	51,585	60,186	71,069	84,059
YoY gr. (%)	17.4	16.7	18.1	18.3
Cost of Goods Sold	34,347	39,723	46,337	54,218
Gross Profit	17,238	20,463	24,732	29,841
Margin (%)	33.4	34.0	34.8	35.5
Employee Cost	3,193	3,491	4,122	4,875
Other Expenses	-	-	-	-
EBITDA	8,099	10,352	12,792	15,719
YoY gr. (%)	7.2	27.8	23.6	22.9
Margin (%)	15.7	17.2	18.0	18.7
Depreciation and Amortization	1,781	1,958	2,236	2,383
EBIT	6,318	8,394	10,556	13,336
Margin (%)	12.2	13.9	14.9	15.9
Net Interest	400	105	105	93
Other Income	267	380	570	900
Profit Before Tax	6,185	8,669	11,022	14,144
Margin (%)	12.0	14.4	15.5	16.8
Total Tax	1,557	2,107	2,679	3,438
Effective tax rate (%)	25.2	24.3	24.3	24.3
Profit after tax	4,628	6,562	8,342	10,706
Minority interest	159	30	-	-
Share Profit from Associate	115	-	-	-
Adjusted PAT	4,584	6,532	8,342	10,706
YoY gr. (%)	(5.3)	42.5	27.7	28.3
Margin (%)	8.9	10.9	11.7	12.7
Extra Ord. Income / (Exp)	(18)	-	-	-
Reported PAT	4,566	6,532	8,342	10,706
YoY gr. (%)	(5.6)	43.1	27.7	28.3
Margin (%)	8.9	10.9	11.7	12.7
Other Comprehensive Income	(44)	(30)	-	-
Total Comprehensive Income	4,522	6,502	8,342	10,706
Equity Shares O/s (m)	269	269	269	269
EPS (Rs)	17.0	24.3	31.0	39.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	27,092	33,156	35,656	37,656
Tangibles	27,092	33,156	35,656	37,656
Intangibles	-	-	-	-
Acc: Dep / Amortization	7,587	9,545	11,782	14,164
Tangibles	7,587	9,545	11,782	14,164
Intangibles	-	-	-	-
Net fixed assets	19,505	23,610	23,874	23,491
Tangibles	19,505	23,610	23,874	23,491
Intangibles	-	-	-	-
Capital Work In Progress	1,261	1,261	1,261	1,261
Goodwill	-	-	-	-
Non-Current Investments	-	-	-	-
Net Deferred tax assets	(299)	(299)	(299)	(299)
Other Non-Current Assets	363	363	363	363
Current Assets				
Investments	-	-	-	-
Inventories	8,746	9,894	11,683	13,818
Trade receivables	3,545	4,947	5,841	6,909
Cash & Bank Balance	6,821	7,045	13,712	23,032
Other Current Assets	3,082	1,317	1,555	1,840
Total Assets	43,731	48,895	58,810	71,309
Equity				
Equity Share Capital	269	269	269	269
Other Equity	29,320	35,247	42,984	53,084
Total Networkth	29,589	35,516	43,253	53,353
Non-Current Liabilities				
Long Term borrowings	586	586	586	386
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	285	285	285	285
Trade payables	8,000	9,334	11,022	13,036
Other current liabilities	4,862	2,765	3,255	3,840
Total Equity & Liabilities	43,731	48,895	58,810	71,309

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	6,185	8,669	11,022	14,144
Add. Depreciation	1,781	1,958	2,236	2,383
Add. Interest	400	105	105	93
Less Financial Other Income	267	380	570	900
Add. Other	(298)	(30)	-	-
Op. profit before WC changes	8,068	10,702	13,362	16,619
Net Changes-WC	(620)	(1,597)	(807)	(963)
Direct tax	(1,557)	(2,107)	(2,679)	(3,438)
Net cash from Op. activities	5,891	6,998	9,876	12,218
Capital expenditures	(6,355)	(6,064)	(2,500)	(2,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Inv. activities	(6,355)	(6,064)	(2,500)	(2,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	(112)	-	-	(200)
Dividend paid	(350)	(605)	(605)	(605)
Interest paid	(400)	(105)	(105)	(93)
Others	-	-	-	-
Net cash from Fin. activities	(862)	(710)	(710)	(898)
Net change in cash	(1,326)	224	6,667	9,320
Free Cash Flow	(464)	934	7,376	10,218

Source: Company Data, PL Research

Quarterly Financials (Rs m)

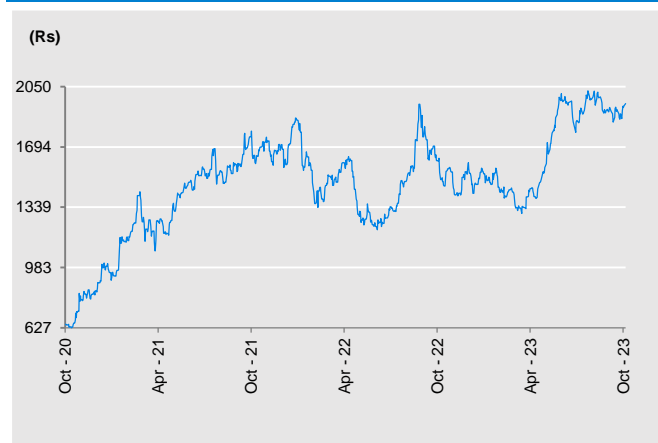
Y/e Mar	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Net Revenue	12,678	15,062	12,831	13,630
YoY gr. (%)	15.0	8.3	5.8	16.3
Raw Material Expenses	8,538	9,281	8,050	8,328
Gross Profit	4,140	5,781	4,781	5,302
Margin (%)	32.7	38.4	37.3	38.9
EBITDA	1,864	3,089	2,016	2,201
YoY gr. (%)	(5.7)	42.5	17.4	52.8
Margin (%)	14.7	20.5	15.7	16.1
Depreciation / Depletion	455	445	463	487
EBIT	1,409	2,644	1,553	1,714
Margin (%)	11.1	17.6	12.1	12.6
Net Interest	94	33	58	80
Other Income	(20)	66	121	134
Profit before Tax	1,295	2,677	1,616	1,768
Margin (%)	10.2	17.8	12.6	13.0
Total Tax	346	654	423	451
Effective tax rate (%)	26.7	24.4	26.2	25.5
Profit after Tax	949	2,023	1,193	1,317
Minority interest	19	5	(1)	1
Share Profit from Associates	-	57	-	-
Adjusted PAT	930	2,075	1,194	1,317
YoY gr. (%)	(26.9)	46.7	34.1	80.1
Margin (%)	7.3	13.8	9.3	9.7
Extra Ord. Income / (Exp)	-	(18)	-	-
Reported PAT	930	2,057	1,194	1,317
YoY gr. (%)	(26.9)	45.5	34.1	90.5
Margin (%)	7.3	13.7	9.3	9.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	930	2,057	1,194	1,317
Avg. Shares O/s (m)	269	269	269	269
EPS (Rs)	3.5	7.7	4.4	4.9

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	17.0	24.3	31.0	39.8
CEPS	23.7	31.6	39.3	48.7
BVPS	110.0	132.0	160.8	198.3
FCF	(1.7)	3.5	27.4	38.0
DPS	2.3	2.3	2.3	2.3
Return Ratio(%)				
RoCE	23.9	26.3	27.6	29.0
ROIC	22.8	24.1	30.1	38.8
RoE	17.2	20.1	21.2	22.2
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.2)	(0.3)	(0.4)
Net Working Capital (Days)	30	33	33	33
Valuation(x)				
PER	108.2	75.9	59.5	46.3
P/B	16.8	14.0	11.5	9.3
P/CEPS	77.9	58.4	46.9	37.9
EV/EBITDA	60.5	47.3	37.8	30.1
EV/Sales	9.5	8.1	6.8	5.6
Dividend Yield (%)	0.1	0.1	0.1	0.1

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Oct-23	Hold	1,983	1,889
2	12-Aug-23	Hold	1,955	1,974
3	04-Jul-23	Hold	1,955	1,924
4	16-May-23	BUY	1,830	1,687
5	06-Apr-23	BUY	1,620	1,331
6	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	1,983	1,889
2	Bajaj Electricals	BUY	1,421	1,056
3	Century Plyboard (I)	BUY	855	653
4	Cera Sanitaryware	Accumulate	8,857	8,176
5	Crompton Greaves Consumer Electricals	BUY	401	301
6	Finolex Industries	Accumulate	243	227
7	Greenpanel Industries	BUY	495	374
8	Havells India	Accumulate	1,538	1,399
9	Kajaria Ceramics	Accumulate	1,445	1,319
10	KEI Industries	BUY	2,908	2,726
11	Polycab India	Accumulate	5,665	5,259
12	R R Kabel	BUY	1,624	1,503
13	Supreme Industries	Accumulate	4,225	3,925
14	Voltas	Hold	909	885

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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