

March 13, 2024

Management Meet Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	2,244		2,064	
Sales (Rs. m)	70,223	83,944	70,114	83,759
% Chng.	0.2	0.2		
EBITDA (Rs. m)	12,645	15,703	12,625	15,669
% Chng.	0.2	0.2		
EPS (Rs.)	30.3	39.4	30.2	39.3
% Chng.	0.2	0.2		

Key Financials - Consolidated

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	51,585	57,037	70,223	83,944
EBITDA (Rs. m)	8,099	9,871	12,645	15,703
Margin (%)	15.7	17.3	18.0	18.7
PAT (Rs. m)	4,584	6,015	8,140	10,586
EPS (Rs.)	17.0	22.4	30.3	39.4
Gr. (%)	(29.2)	31.2	35.3	30.1
DPS (Rs.)	2.3	2.3	2.3	2.3
Yield (%)	0.1	0.1	0.1	0.1
RoE (%)	17.2	18.6	21.0	22.3
RoCE (%)	23.9	25.0	27.7	29.4
EV/Sales (x)	10.5	9.5	7.7	6.3
EV/EBITDA (x)	67.2	55.1	42.5	33.6
PE (x)	120.0	91.4	67.6	51.9
P/BV (x)	18.6	15.7	12.9	10.5

Key Data

ASTL.BO | ASTRA IN

52-W High / Low	Rs.2,144 / Rs.1,298
Sensex / Nifty	73,668 / 22,336
Market Cap	Rs.549bn/ \$ 6,634m
Shares Outstanding	269m
3M Avg. Daily Value	Rs.1309.88m

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	5.5	7.3	43.1
Relative	1.8	(2.1)	14.9

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Growth driven by business diversification

We met management of Astral Ltd. (ASTRA) to gauge the demand scenario, competitive intensity, capacity expansion in plumbing segment and growth & margin guidance in adhesive segment. The company has maintained its volume growth guidance at >-20% in pipe & fittings business and 15%-20% rev. growth guidance in paints & adhesive business with consolidated EBITDA margin guidance of over 17%+. Astral is a consistent quality performer and we believe that it is a compounding story given its (a) strong market-share gains in piping business, (b) strong growth in REX & tank businesses, (c) healthy growth path in Bathware & paints business, (d) strong cash flow (FCF of Rs7.7bn over FY24-25E) and (e) healthy growth in dom. adhesive business (+15.2%/>+20% in value/vol. 9MFY24). We estimate Sales/EBITDA/PAT CAGR of 21.3%/26.1%/33.9% over FY24-26E. We maintain 'Accumulate' rating with revised DCF based TP of Rs 2,244 (earlier Rs 2,064), which implies 57x FY26 EPS.

- Pipe & fittings healthy capacity expansion:** ASTRA has been strong in West India in the past. In recent years, also improved its position in South and East India with new plants as a part of its decentralization strategy. ASTRA's ongoing expansion plans include enhancing capacity in the East at three locations: a) Bhubaneswar: Coming up with capacity of 20kMT by FY24 and further enhance to 30kMT by FY26E, b) Guwahati: Expanding capacity to 12kMT by FY24 and further to 22kMT by FY25E, c) Kanpur: Starting capacity with 30kMT by Mar-25 and further enhance to 60kMT by FY26E. The company anticipates significant boost in its capacity contribution from East India, projecting an increase from 3% in FY23 to ~30% by FY26E. In South India, the Hyderabad facility is expected to become operational by Jun-25, starting with a capacity of 40kMT and reaching 70kMT by FY27E. In addition to expansion in East and South India's four greenfield capacities, the company plans to augment its existing capacity with an expected increase of 20-25kMT by FY26E. This expansion aims to raise the overall capacity to ~470kMT by FY26E from 329kMT in 9MFY24, representing ~20% CAGR over FY24-26E.
- Market share gain in pipe business:** ASTRA anticipates gaining market share in the upcoming years, guided by robust 15-20% volume growth, surpassing industry's expected growth rate of 8-10%. However, it acknowledges potential challenges arising from price disruptions initiated by the industry leader, which may impact mid-sized and smaller players in both branded and unbranded segments.
- Price competition in pipe segment:** Based on our channel checks, the industry leader has become highly price competitive in plastic pipe segment, causing a shift in market pricing dynamics and intensifying competition. Notably, ASTRA has weathered this challenge well as per management, attributing resilience to its premium positioning compared to the industry leader. Additionally, ASTRA's strategic pricing decisions, coupled with relatively stable PVC and CPVC resin costs, have allowed the company to maintain a favorable price gap and secure market share. As of Q4FY24, PVC resin prices stand at Rs 77/Kg, exhibiting minimal fluctuation and CPVC prices remain stable, thereby eliminating any significant impact on inventory gain or loss in Q4FY24 for the company.

- **Infrastructure pipe growing faster in the pipe segment:** ASTRA entered the corrugated pipes business through acquisition of REX in FY19. REX, with two manufacturing hubs in North and Central India, became a pivotal addition to ASTRA's portfolio. Subsequently, the company strategically concentrated on infra piping sector, expanding its manufacturing footprint across different regions. The infra piping segment has emerged as a key growth driver for company's plumbing segment revenue. ASTRA has successfully diversified its infra piping business, transitioning from government projects to private ventures. As a result, the infra piping segment's contribution to ASTRA's overall piping segment revenue has grown significantly, now standing in double digits.
- **Adhesive business expected 15-20% growth:** The adhesive business revenue is expected to grow at 15-20% over FY24-26E. It has delivered 11.3% growth in 9MFY24 with domestic segment exhibiting stronger growth at 15.2%. The management expects around Rs 16bn revenue from existing domestic capacity, foreseeing ~18% CAGR over FY24-27E. In a seasonally strong quarter for domestic adhesive business, Q4FY24 is expected to deliver healthy growth. Management remains optimistic about maintaining an operating margin of around 16% for the domestic business.
 - The international adhesive business, SEAL-IT, reported a growth of 10% in 9MFY24. This growth was impacted by significant decline in silicon prices and fluctuations in the GBP-USD exchange rate, which have since normalized. Currently operating at 60-65% utilization, SEAL-IT anticipates revenue growth of ~12-15% in FY25E. ASTRA foresees an uptick in revenue from the US geography, facilitated by minimal capex of Rs 100mn and appointment of a new CEO. With stabilization of business operations, SEAL-IT's operating margin is expected to reach 7-8% in both Q4FY24 and FY25E.
- **New business – Bathware & Paints momentum to start from FY25E:** ASTRA expects healthy growth path in Bathware and paints business in the coming years.
 - The company has recently appointed a new head for its Bathware business, aiming to achieve a revenue of Rs 1000-1200mn in FY25E. In an effort to attain optimal utilization of its faucet manufacturing unit in Jamnagar (which has a capacity of 336MT), ASTRA is also manufacturing CPVC pipe brass rings at this facility. The company is optimistic about reaching breakeven in FY25E in this segment.
 - The company is set to introduce ASTRA-branded paint products in selected states in Q1FY25 and has appointed an industry veteran from Nerolac Paints to lead the paint business. With integration in paint business in FY25E, management expects its revenue to reach Rs 2.5bn with operating margin of 14%.
- **Planned Capex:** Management expected to do capex of Rs4bn in FY24 and expected to normalize in coming year with planned capex of around Rs 2.5bn each in FY25/FY26.

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	51,585	57,037	70,223	83,944
YoY gr. (%)	17.4	10.6	23.1	19.5
Cost of Goods Sold	34,347	37,588	45,786	54,144
Gross Profit	17,238	19,450	24,438	29,800
Margin (%)	33.4	34.1	34.8	35.5
Employee Cost	3,193	4,331	5,332	6,374
Other Expenses	-	-	-	-
EBITDA	8,099	9,871	12,645	15,703
YoY gr. (%)	7.2	21.9	28.1	24.2
Margin (%)	15.7	17.3	18.0	18.7
Depreciation and Amortization	1,781	1,958	2,236	2,383
EBIT	6,318	7,913	10,409	13,321
Margin (%)	12.2	13.9	14.8	15.9
Net Interest	400	255	140	125
Other Income	267	380	570	900
Profit Before Tax	6,185	8,038	10,839	14,096
Margin (%)	12.0	14.1	15.4	16.8
Total Tax	1,557	2,002	2,699	3,510
Effective tax rate (%)	25.2	24.9	24.9	24.9
Profit after tax	4,628	6,037	8,140	10,586
Minority interest	159	21	-	-
Share Profit from Associate	115	-	-	-
Adjusted PAT	4,584	6,015	8,140	10,586
YoY gr. (%)	(5.3)	31.2	35.3	30.1
Margin (%)	8.9	10.5	11.6	12.6
Extra Ord. Income / (Exp)	(18)	(110)	-	-
Reported PAT	4,566	5,905	8,140	10,586
YoY gr. (%)	(5.6)	29.3	37.8	30.1
Margin (%)	8.9	10.4	11.6	12.6
Other Comprehensive Income	(44)	(21)	-	-
Total Comprehensive Income	4,522	5,884	8,140	10,586
Equity Shares O/s (m)	269	269	269	269
EPS (Rs)	17.0	22.4	30.3	39.4

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	9,376	11,544	13,799
Trade receivables	3,545	4,688	5,772	6,899
Cash & Bank Balance	6,821	6,762	13,055	22,201
Other Current Assets	3,082	1,248	1,537	1,837
Total Assets	43,731	47,748	57,921	70,447
Equity				
Equity Share Capital	269	269	269	269
Other Equity	29,320	34,730	42,265	52,246
Total Networkth	29,589	34,999	42,534	52,515
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	8,846	10,891	13,018
Other current liabilities	4,862	2,624	3,217	3,834
Total Equity & Liabilities	43,731	47,748	57,921	70,447

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	6,185	8,038	10,839	14,096
Add. Depreciation	1,781	1,958	2,236	2,383
Add. Interest	400	255	140	125
Less Financial Other Income	267	380	570	900
Add. Other	(298)	(131)	-	-
Op. profit before WC changes	8,068	10,120	13,215	16,603
Net Changes-WC	(620)	(1,364)	(978)	(1,017)
Direct tax	(1,557)	(2,002)	(2,699)	(3,510)
Net cash from Op. activities	5,891	6,755	9,538	12,076
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)	(255)	(140)	(125)
Others	-	-	-	-
Net cash from Fin. activities	(862)	(860)	(745)	(930)
Net change in cash	(1,326)	(169)	6,293	9,146
Free Cash Flow	(464)	691	7,038	10,076

Source: Company Data, PL Research

Key Financial Metrics

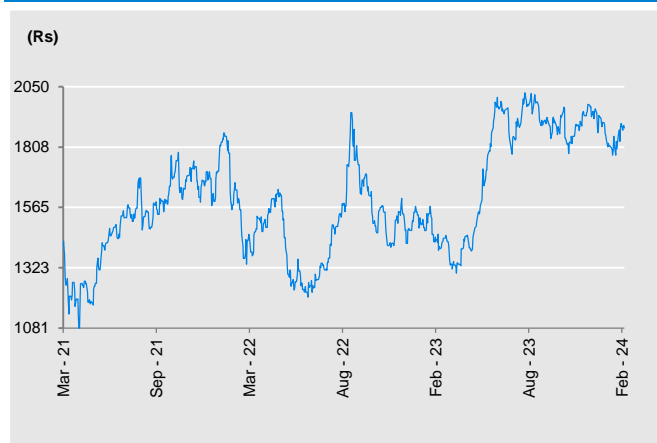
Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	17.0	22.4	30.3	39.4
CEPS	23.7	29.6	38.6	48.2
BVPS	110.0	130.1	158.1	195.2
FCF	(1.7)	2.6	26.2	37.5
DPS	2.3	2.3	2.3	2.3
Return Ratio(%)				
RoCE	23.9	25.0	27.7	29.4
ROIC	22.8	22.5	29.4	38.3
RoE	17.2	18.6	21.0	22.3
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.2)	(0.3)	(0.4)
Net Working Capital (Days)	30	33	33	33
Valuation(x)				
PER	120.0	91.4	67.6	51.9
P/B	18.6	15.7	12.9	10.5
P/CEPS	86.4	69.0	53.0	42.4
EV/EBITDA	67.2	55.1	42.5	33.6
EV/Sales	10.5	9.5	7.7	6.3
Dividend Yield (%)	0.1	0.1	0.1	0.1

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Net Revenue	15,062	12,831	13,630	13,702
YoY gr. (%)	8.3	5.8	16.3	8.1
Raw Material Expenses	9,281	8,050	8,328	8,425
Gross Profit	5,781	4,781	5,302	5,277
Margin (%)	38.4	37.3	38.9	38.5
EBITDA	3,089	2,016	2,201	2,161
YoY gr. (%)	42.5	17.4	52.8	15.9
Margin (%)	20.5	15.7	16.1	15.8
Depreciation / Depletion	445	463	487	501
EBIT	2,644	1,553	1,714	1,660
Margin (%)	17.6	12.1	12.6	12.1
Net Interest	33	58	80	75
Other Income	66	121	134	64
Profit before Tax	2,677	1,616	1,768	1,649
Margin (%)	17.8	12.6	13.0	12.0
Total Tax	654	423	451	406
Effective tax rate (%)	24.4	26.2	25.5	24.6
Profit after Tax	2,023	1,193	1,317	1,243
Minority interest	5	(1)	1	-
Share Profit from Associates	57	-	-	-
Adjusted PAT	2,075	1,194	1,317	1,243
YoY gr. (%)	46.7	34.1	80.1	33.7
Margin (%)	13.8	9.3	9.7	9.1
Extra Ord. Income / (Exp)	(18)	-	-	(110)
Reported PAT	2,057	1,194	1,317	1,133
YoY gr. (%)	45.5	34.1	90.5	21.8
Margin (%)	13.7	9.3	9.7	8.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,057	1,194	1,317	1,133
Avg. Shares O/s (m)	269	269	269	269
EPS (Rs)	7.7	4.4	4.9	4.6

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	01-Feb-24	Accumulate	2,064	1,830
2	02-Jan-24	Hold	1,983	1,900
3	19-Oct-23	Hold	1,983	1,844
4	09-Oct-23	Hold	1,983	1,889
5	12-Aug-23	Hold	1,955	1,974
6	04-Jul-23	Hold	1,955	1,924
7	16-May-23	BUY	1,830	1,687
8	06-Apr-23	BUY	1,620	1,331

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Astral Ltd.	Accumulate	2,064	1,830
2	Bajaj Electricals	Hold	997	1,065
3	Century Plyboard (I)	BUY	848	748
4	Cera Sanitaryware	Accumulate	8,486	7,540
5	Crompton Greaves Consumer Electricals	BUY	384	283
6	Finolex Industries	Accumulate	247	234
7	Greenpanel Industries	BUY	481	388
8	Havells India	Accumulate	1,538	1,306
9	Kajaria Ceramics	Accumulate	1,445	1,375
10	KEI Industries	Hold	3,268	3,315
11	Polycab India	BUY	6,021	4,335
12	R R Kabel	BUY	1,857	1,435
13	Supreme Industries	Accumulate	4,823	4,070
14	Voltas	Hold	1,017	1,058

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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