



TM

SYSTEMATIX INSTITUTIONAL EQUITIES

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Institutional Equities

Astral

21 May 2024

4Q, a mix bag quarter; robust outlook across segments intact

RESULT UPDATE

Sector: Plastic Pipes Rating: HOLD

CMP: Rs 2,050 Target Price: Rs 1,949

Stock Info

Sensex/Nifty	73,953/22,529
Bloomberg	ASTRA IN
Equity shares (mn)	269
52-wk High/Low	2,303/1,652
Face value	Rs 1
M-Cap	Rs 551bn/USD 6.6bn
3-m Avg volume	USD 17.7mn

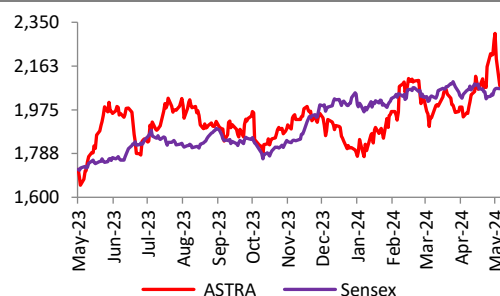
Financial Snapshot (Rs mn)

Y/E Mar	FY24	FY25E	FY26E
Net sales	56,414	66,228	77,637
EBITDA	9,183	11,310	13,802
OPM (%)	16.3	17.1	17.8
PAT (adj.)	5,461	7,178	9,105
EPS (adj.) (Rs)	20.3	26.7	33.8
PE (x)	101.0	76.8	60.6
P/B (x)	17.3	14.6	12.2
EV/EBITDA (x)	59.5	47.9	38.8
RoE (%)	17.1	19.0	20.2
RoCE (%)	23.6	26.5	28.4
Net-D/E (x)	(0.2)	(0.2)	(0.3)

Shareholding Pattern (%)

	Mar'24	Dec'23	Sep'23
Promoter	54.1	54.1	55.9
- Pledged			
FII	21.2	19.8	18.5
DII	12.9	13.7	13.2
Others	11.8	12.4	12.4

Stock Performance (1-year)



Astral's (ASTRA) 4Q came broadly inline as weak result in adhesives & paints (revenue up 4% YoY, EBITDA margin 12.9%) was offset by strong pipes EBITDA (20.4% margin, Rs 38/kg). Pipes volume/revenue grew 23%/9% YoY. It generated a strong Rs 8.2bn CFO in FY24 (utilized for Rs 5.5bn capex). Cash surplus of ~Rs 6bn will be used for growth capex. After 24% pipes volume growth in FY24, ASTRA has maintained its 15-20% CAGR guidance (vs. 10-12% for industry) for next few years. EBITDA margin (18%+) will be aided by savings from logistics costs (plants across regions), lower A&P spend (FY24: Rs 1.75bn incl. Rs 350mn one-time spend on 25th anniversary celebration; to discontinue big celebrity endorsement) and operating leverage benefits. Hyderabad (Jun'24) and Kanpur (4Q) plants are scheduled to start production in FY25. Starting from Ahmedabad, O-PVC pipes will be manufactured at all plants. Water tanks (FY24 revenue: Rs 1.15bn; 20% CAGR) and Bathware (FY24/25E revenue: Rs 620mn/1.25bn, EBITDA breakeven in FY25 from Rs 180mn loss in FY24) are high growth areas. Adhesives India business continue to grow healthy; UK business grew 10% with 7-8% margin after impacted by huge price correction in earlier period. Paints business (FY24/25E revenue: Rs 1.85bn/3bn, ~14.5% EBITDA margin) is also expected to rebound after course correction measures taken. We cut our earnings estimates by 4-7% and expect 17%/29% CAGR in revenue/PAT over FY24-26E. While we remain upbeat on ASTRA's long-term prospects, at ~60x FY26E P/E, we maintain HOLD rating, with an unchanged Rs 1,949 TP (58x FY26E P/E). Robust growth and RoCE are keys to sustain high valuation.

4Q - broadly inline results; weak adhesives & paints result offset by strong pipes EBITDA: ASTRA's consolidated revenue grew 8% YoY (inline), EBITDA/PAT declined 6%/1% YoY. EBITDA margin stood at 17.9% (down 257bps YoY). Weak adhesives & paints result (revenue up 4% YoY, EBITDA down 11% YoY with 12.9% margin) was offset by strong pipes EBITDA (20.4% margin, Rs 38/kg). Pipes volume/revenue up 23%/9% YoY (inline). It generated a strong Rs 8.2bn CFO in FY24 (FY23 at 5.6bn) which was utilized for capex (Rs 5.5bn). Cash surplus stood high at ~Rs 6bn.

Pipes – 4Q volume/revenue up 23%/9% YoY, EBITDA (20.4% margin, Rs 38/kg); 15-20% volume CAGR guidance intact: After clocking 24% YoY volume growth in FY24, ASTRA has maintained its 15-20% CAGR guidance (vs. 10-12% for industry) for the next few years. EBITDA margin is also likely sustainable at 18%+ due to savings from lower logistics costs (plants across regions), lower A&P spend (Rs 1.75bn in FY24 includes Rs 350mn of one-time spend on 25th anniversary celebration; to discontinue big celebrity endorsement) and operating leverage benefits. Plants at Guwahati and Cuttack are fully operational; Hyderabad (Jun'24) and Kanpur (4QFY25) plants is expected in FY25. ASTRA plans big entry into the O-PVC pipes. Starting from Ahmedabad, O-PVC pipes will be manufactured at all plants. Water tanks (FY24 revenue: Rs 1.15bn) is expected to grow at 20% CAGR. Bathware (4Q/FY24 revenue: Rs 242/620mn, Rs 180mn EBITDA loss) crossed 1,000 dealers; Rs 1.25bn revenue, EBITDA breakeven is aimed for FY25E.

Adhesives & paints – 4Q revenue up 4% YoY, EBITDA margin 12.9%; aims 15-20% revenue CAGR, 14-15% margin over next few years: While India business continue to grow healthy, UK business grew 10% with 7-8% margin (after huge price correction seen in earlier period). Paints business (FY24 revenue declined to Rs 1.85bn with ~14.5% EBITDA margin) also went through phase of course correction measures. ASTRA expects strong rebound in both segments in coming years. Dahej greenfield plant is expected to produce adhesives products from 2QFY25.

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Exhibit 1: ASTRAL (Consolidated) – Quarterly results

(Rs mn)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	YoY (%)	QoQ (%)	FY24	FY23	YoY (%)
Revenue	15,062	12,831	13,630	13,702	16,251	8	19	56,414	51,585	9
Raw material costs	9,281	8,050	8,328	8,425	9,787	5	16	34,590	34,347	1
Employee costs	862	996	1,053	1,141	1,194	39	5	4,384	3,193	37
Other expenses	1,830	1,769	2,048	2,085	2,355	29	13	8,257	5,946	39
EBITDA	3,089	2,016	2,201	2,051	2,915	(6)	42	9,183	8,099	13
Depreciation	445	463	487	501	525	18	5	1,976	1,781	11
Finance costs	33	58	80	75	78	136	4	291	400	(27)
Other income	66	121	134	64	102	55	59	421	269	57
Exceptional items	(18)	-	-	-	-	-	-	-	(18)	(100)
PBT	2,659	1,616	1,768	1,539	2,414	(9)	57	7,337	6,169	19
Tax	654	423	451	406	600	(8)	48	1,880	1,557	21
PAT pre minority, share of JVs	2,005	1,193	1,317	1,133	1,814	(10)	60	5,457	4,612	18
Minority, share of JVs etc	(10)	(5)	5	(2)	(4)			(6)	143	(104)
Consol. PAT (after JV/assoc.)	2,057	1,198	1,312	1,135	1,816	(12)	60	5,461	4,567	20
EPS (Rs)	7.6	4.5	4.9	4.2	6.8	(12)	60	20.3	17.0	20
As % Revenue						YoY (bps)	QoQ (bps)			YoY (bps)
Gross margin	38.4	37.3	38.9	38.5	39.8	139	126	38.7	33.4	527
Employee costs	5.7	7.8	7.7	8.3	7.3	162	(98)	7.8	6.2	158
Other expenses	12.1	13.8	15.0	15.2	14.5	234	(73)	14.6	11.5	311
EBITDA margin	20.5	15.7	16.1	15.0	17.9	(257)	297	16.3	15.7	58
Depreciation	3.0	3.6	3.6	3.7	3.2	28	(43)	3.5	3.5	5
Finance costs	0.2	0.5	0.6	0.5	0.5	26	(7)	0.5	0.8	(26)
Other income	0.4	0.9	1.0	0.5	0.6	19	16	0.7	0.5	22
PBT	17.8	12.6	13.0	11.2	14.9	(292)	362	25.6	25.2	38
Effective tax rate	24.6	26.2	25.5	26.4	24.9	26	(153)	25.6	25.2	38
Consol PAT	13.7	9.3	9.6	8.3	11.2	(248)	289	9.7	8.9	83
Pipes & Bathware						YoY (%)	QoQ (%)			YoY (%)
Revenue (Rs mn)	11,235	9,383	9,804	9,981	12,252	9	23	41,420	37,675	10
EBITDA (Rs mn)	2,561	1,653	1,768	1,649	2,502	(2)	52	7,572	6,419	18
<i>EBITDA margin (%)</i>	<i>22.8</i>	<i>17.6</i>	<i>18.0</i>	<i>16.5</i>	<i>20.4</i>			<i>18.3</i>	<i>17.0</i>	
Pipes capacity (t)	2,90,176	2,90,176	2,90,176	2,90,176	3,20,176	10	10	2,90,176	2,82,338	3
<i>CU (%)</i>	<i>75</i>	<i>66</i>	<i>72</i>	<i>73</i>	<i>83</i>			<i>76</i>	<i>63</i>	
Pipes volume (t)	54,438	47,950	52,079	52,734	66,827	23	27	2,19,590	1,77,628	24
<i>Realisation (Rs /kg)</i>	<i>204</i>	<i>193</i>	<i>185</i>	<i>185</i>	<i>180</i>	<i>(12)</i>	<i>(3)</i>	<i>189</i>	<i>212</i>	<i>(11)</i>
Pipes EBITDA (Rs /Kg)	47.7	35.2	34.7	32.0	40.1	(16)	25	35.8	37.1	(3)
Adhesives & Paints						YoY (%)	QoQ (%)			YoY (%)
Revenue (Rs mn)	3,827	3,448	3,826	3,721	3,999	4	7	14,994	13,910	8
EBITDA (Rs mn)	579	484	567	466	514	(11)	10	2,031	1,932	5
<i>EBITDA margin (%)</i>	<i>15.1</i>	<i>14.0</i>	<i>14.8</i>	<i>12.5</i>	<i>12.9</i>			<i>13.5</i>	<i>13.9</i>	

Source: Company, Systematix Institutional Research

Exhibit 2: Revenue mix – 4QFY24

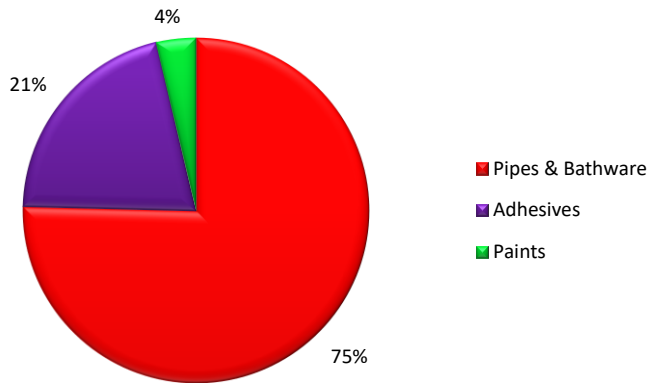


Exhibit 3: Revenue mix – trend

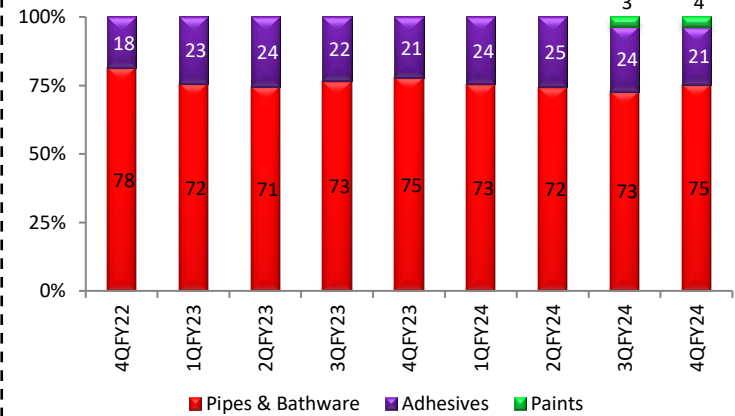


Exhibit 4: Pipes - Volume, EBITDA margin – QoQ trend

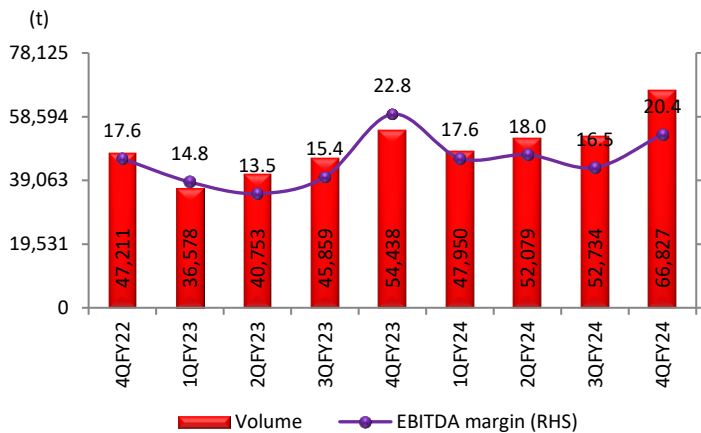


Exhibit 5: Revenue - growth trend

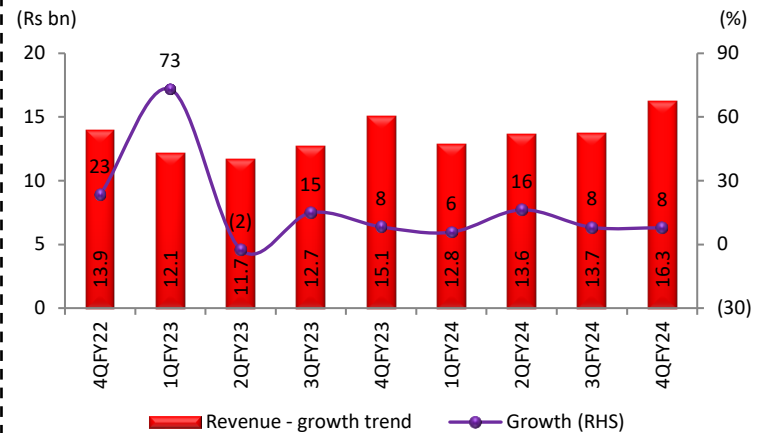


Exhibit 6: Expenses as a percentage of revenue

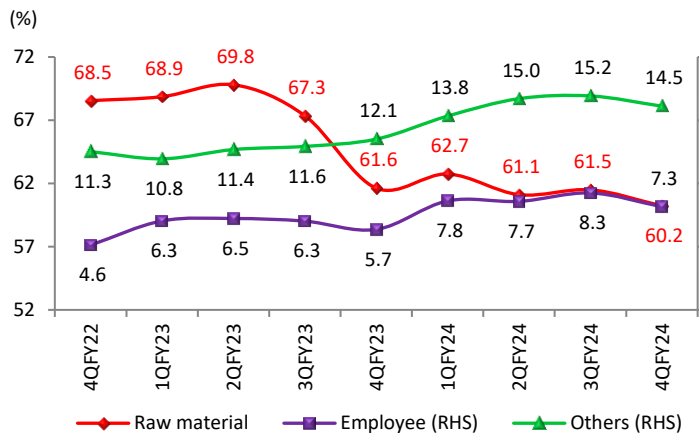
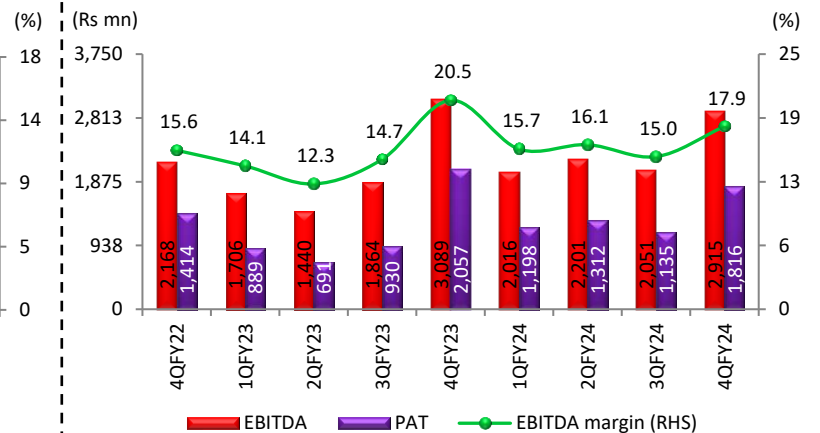


Exhibit 7: EBITDA, PAT and EBITDA margin trend



Source: Company, Systematix Institutional Research

Exhibit 8: Earnings - growth trend

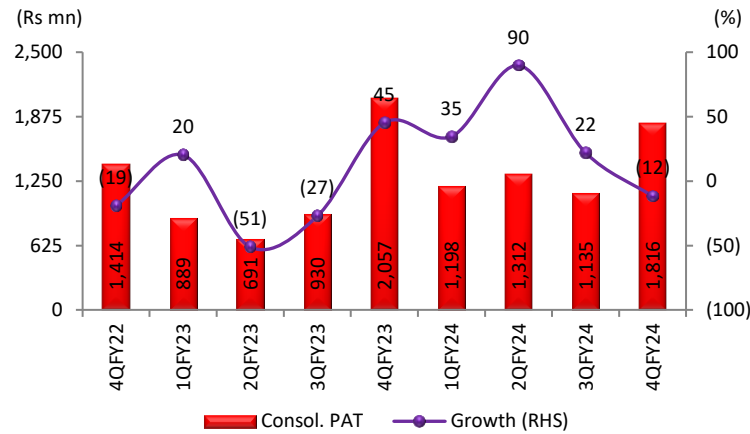


Exhibit 9: Pipe & Bathware - Revenue and EBIT percentage trend

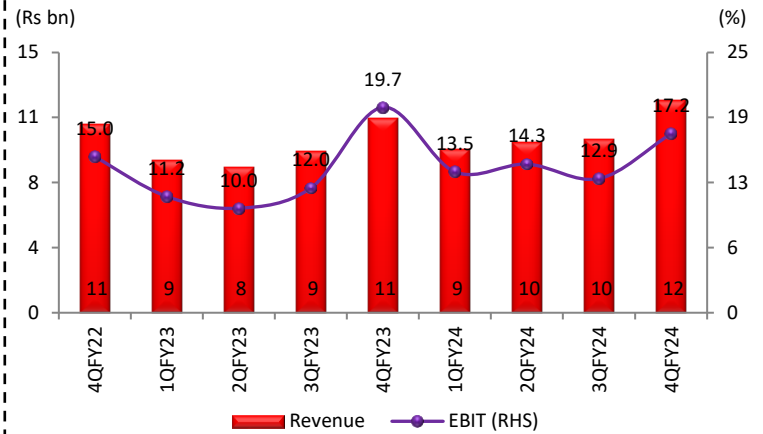


Exhibit 10: Paints & Adhesives - Revenue and EBIT percentage trend

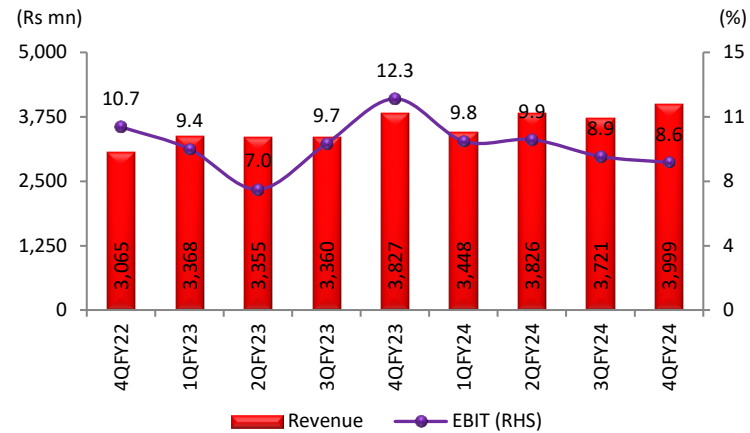


Exhibit 11: Revenue – annual growth trend

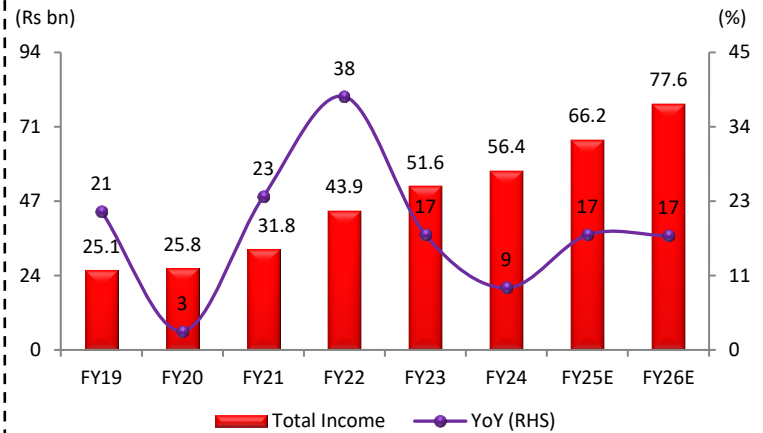
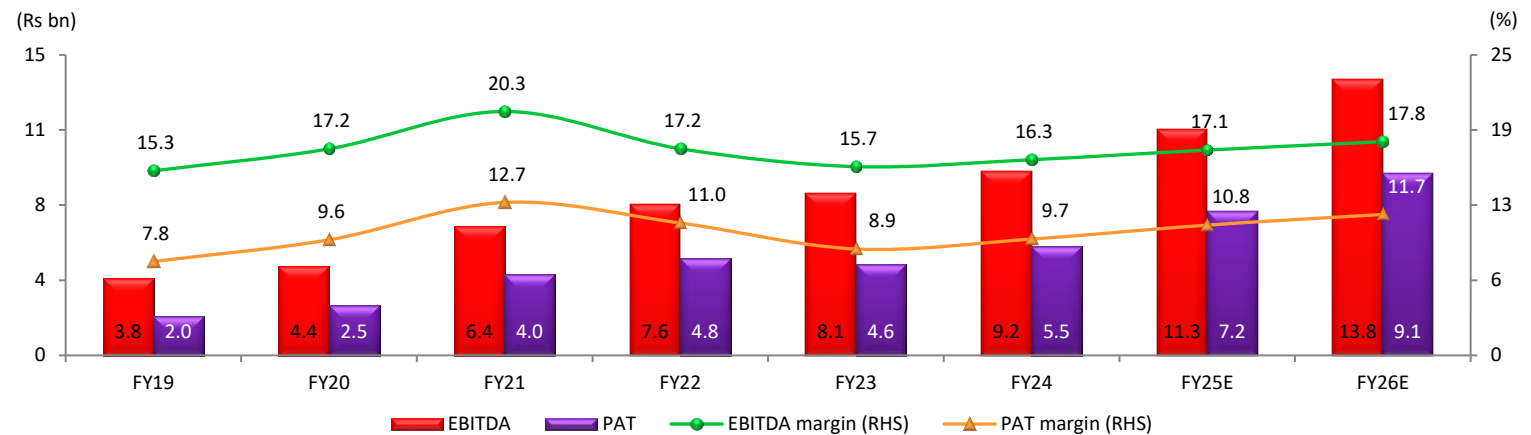


Exhibit 12: EBITDA, PAT – annual growth; EBITDA and PAT margin trend



Source: Company, Systematix Institutional Research

Outlook and Valuation

We find ASTRA appealing for its consistent focus on growth and profitability, supported by innovative product launches, vigorous brand building and successful product diversification. After establishing a leading position in plumbing pipes, it has now expanded into Adhesives, Paints and the Bathware segments. Its foray into adjacent segments (organically or inorganically) to lever its brand and distribution network, has enabled it to effectively capture growth opportunities.

The company's consistent focus on properly allocating capital has been its strength, with its key strategy to add capacity ahead of demand. It now has plants and depots across regions, which should help it in faster turnaround and save on logistic costs.

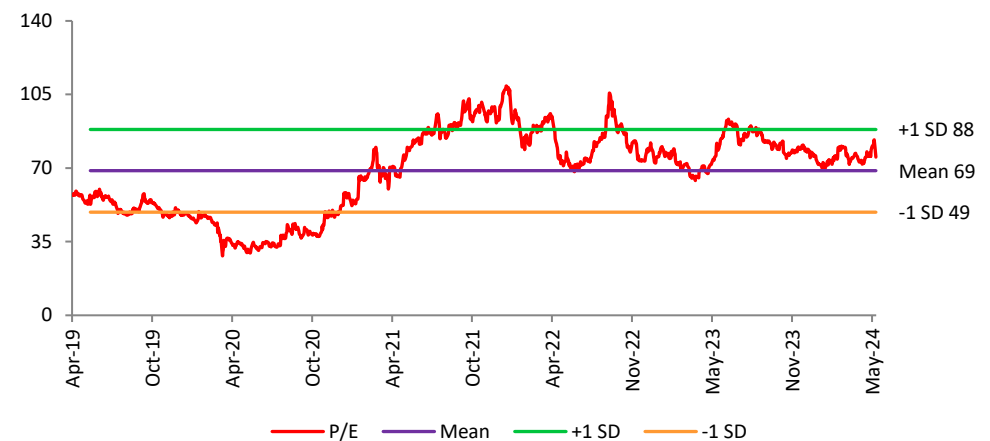
Robust revenue/PAT CAGR of 18%/23% over FY19-24 and RoE expansion have supported ASTRA's high and premium valuations over peers. We cut our earnings estimates by 4-7% post 4Q and expect 17%/23%/29% CAGR in revenue/EBITDA/PAT over FY24-26E. While we remain upbeat on ASTRA's long-term prospects, at ~60x FY26E P/E, we maintain HOLD, with an unchanged Rs 1,949 TP (58x FY26E P/E). Robust growth, margins in existing and new businesses are keys to sustain high valuation.

Exhibit 13: Change in estimates

(Rs mn)	Old estimates		New estimates		% Var	
	FY25	FY26	FY25	FY26	FY25	FY26
Revenue	67,466	78,952	66,228	77,637	(2)	(2)
EBITDA	12,090	14,543	11,310	13,802	(6)	(5)
EBITDA margin (%)	17.9	18.4	17.1	17.8		
PAT	7,739	9,533	7,178	9,105	(7)	(4)
EPS	28.8	35.4	26.7	33.8	(7)	(4)

Source: Systematix Institutional Research

Exhibit 14: P/E band – One-year-forward and standard deviation



Source: BSE, Systematix Institutional Research

Risks

- Lower-than-desired level of success in product launches
- Volatility in raw material prices

FINANCIALS (CONSOLIDATED)

Profit & Loss Statement

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Net revenues (Rs mn)	43,940	51,585	56,414	66,228	77,637
<i>Growth (%)</i>	38.3	17.4	9.4	17.4	17.2
Direct costs	29,280	34,347	34,590	40,409	47,215
<i>Gross Margin (%)</i>	33.4	33.4	38.7	39.0	39.2
SG&A	7,107	9,139	12,641	14,509	16,620
EBITDA	7,553	8,099	9,183	11,310	13,802
<i>EBITDA margins (%)</i>	17.2	15.7	16.3	17.1	17.8
- Depreciation	1,269	1,781	1,976	2,111	2,274
Other income	349	267	421	596	854
Interest Exp	129	400	291	158	159
PBT	6,504	6,167	7,337	9,637	12,223
<i>Effective tax rate (%)</i>	24.3	25.2	25.6	25.5	25.5
+ Associates/(Minorities)	(85)	(174)	4	(1)	(1)
Net Income	4,839	4,566	5,461	7,178	9,105
Adjusted income	4,839	4,566	5,461	7,178	9,105
WANS	201.0	269.0	269.0	269.0	269.0
FDEPS (Rs/share)	18.0	16.9	20.3	26.7	33.8
<i>FDEPS growth (%)</i>	19.7	(6.0)	20.1	31.4	26.8

Balance Sheet

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Share capital	201	269	269	269	269
Net worth	23,366	27,112	31,881	37,714	45,071
Total debt (incl. Pref)	851	773	964	974	984
Minority interest	278	2,477	804	824	844
DT Liability/(Assets)	398	299	439	429	419
Capital Employed	24,893	30,661	34,088	39,941	47,318
Net tangible assets	12,160	14,567	18,346	18,735	18,961
Net Intangible assets	233	1,813	1,515	1,515	1,515
Goodwill	2,567	3,125	3,133	3,133	3,133
CWIP	1,232	1,261	1,506	1,506	1,506
Investments (Strategic)	-	-	-	-	-
Investments (Financial)	-	-	-	6,500	13,000
Current Assets	11,259	14,651	14,362	18,010	21,033
Cash	6,418	6,821	6,096	3,730	3,383
Current Liabilities	8,976	11,577	10,870	13,188	15,213
Working capital	2,283	3,074	3,492	4,822	5,820
Capital Deployed	24,893	30,661	34,088	39,941	47,318
Contingent Liabilities	2,134	1,832	-	-	-

Cash Flow

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
EBIT (before other income)	6,545	6,468	7,530	9,119	11,448
+ Non-cash items	1,269	1,781	1,976	2,111	2,274
OCF before WC	7,814	8,249	9,506	11,230	13,722
- Incr./(decr.) in WC	705	1,026	(500)	1,230	898
Others including taxes	1,678	1,654	1,772	2,559	3,219
Operating cash-flow	5,431	5,569	8,234	7,441	9,606
- Capex	3,446	3,099	5,502	2,500	2,500
Free cash-flow	1,985	2,470	2,732	4,941	7,106
Acquisitions	-	16	-	-	-
- Dividend	451	603	(1,007)	1,345	1,749
+ Equity raised	-	-	-	-	-
+ Debt raised	134	(384)	191	10	10
- Fin Investments	(4,126)	1,730	(26)	6,500	6,500
- Misc. Items (CFI + CFF)	88	887	3,157	(529)	(786)
Net cash-flow	5,706	(1,118)	799	(2,366)	(347)

Ratios @ Rs 2,050

YE: Mar	FY22	FY23	FY24	FY25E	FY26E
P/E (x)	114.0	121.3	101.0	76.8	60.6
EV/EBITDA (x)	53.8	67.3	59.5	47.9	38.8
EV/sales (x)	9.3	10.6	9.7	8.2	6.9
P/B (x)	17.6	20.3	17.3	14.6	12.2
RoE (%)	20.7	16.8	17.1	19.0	20.2
RoCE (%)	29.4	23.7	23.6	26.5	28.4
ROIC	38.8	30.9	28.6	32.6	38.7
DPS (Rs per share)	1.8	2.3	3.8	5.0	6.5
Dividend yield (%)	0.1	0.1	0.2	0.2	0.3
Dividend payout (%)	9.7	13.3	18.5	18.7	19.2
Net debt/equity (x)	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)
Receivables (days)	22	25	24	30	30
Inventory (days)	61	62	59	60	60
Payables (days)	62	57	56	60	60
CFO:PAT (%)	112	122	151	104	105

Source: Company, Systematix Institutional Research

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