

November 07, 2024

RESULT REPORT Q2 FY25 | Sector: Building Materials

Astral Ltd

Subdued volumes but margins resilient; assign BUY!

Result Synopsis

Astral Ltd (ASTRA) reported a muted performance in Q2FY25. Pipe volumes declined marginally by 2.5%YoY (2-year volume CAGR stood at 12%) at 50,754Te (13% below our est). Volume growth was dented due to dealers resorting to de-stocking with constant fall in PVC resin prices and extended monsoons. The silver lining was that despite lower volumes, ASTRA improved their EBITDA/Kg to ~Rs35.5 from Rs33/Kg in the previous quarter which was impacted owing to Jaipur launch event and higher promotional spends. With Anti-Dumping Duty (ADD) on PVC resin prices and PVC prices in international markets trending upwards due to higher freight cost, company expects dealers to commence re-stocking which should enable volume growth. However, in Oct'24 volume growth was flattish due to festive season and uncertainties surrounding the imposition of ADD. Company's Hyderabad plant has commenced operations with initial capacity of 21,000Te and more machineries will be added by Q4FY25. Kanpur is progressing as planned & will start from Q4FY25. For, O-PVC as well company is awaiting ISI certificate and management is planning to have double wall corrugated line at every plant. Management has guided for a 10-15% volume growth for FY25 with an EBITDA margin of 16-18%.

Paints and Adhesives biz cumulative revenue stood at Rs4Bn, a growth of 6%YoY & 9%QoQ. Paints revenue stood at Rs490Mn, a growth of 5%YoY with EBITDA margin of ~5%, which was impacted due to company launching in 2-new states which led to higher S&A spends. For paints, management expects revenue to grow steadily and margins to normalize once distribution network is set-up which is likely to happen in coming 1-year. Adhesives India biz reported revenue of Rs2.63Bn, a growth of 8.5%YoY & margins remained steady at 15.5%. However, UK Adhesives biz topline remained flattish at Rs920Mn with an EBITDA loss of ~2% which was dented due to new product launches in USA which elevated the manpower cost. Management expects UK biz to register double digit growth & improve margins next year onwards.

Our View

We continue to remain positive on ASTRA's growth owing to favorable industry tailwinds. The demand should regain traction with improvement & PVC resin prices and expected BIS norms on PVC; dealers should resort to re-stocking. Moreover, with no major slowdown in new home construction, we expect plumbing demand to improve further. Incrementally, ASTRA is establishing presence in O-PVC segment, which is used for water transportation, and setting-up new capacities in Hyderabad and Kanpur for pipes & water tanks to cater the growing demand. Hence, we expect the company to deliver Pipe volume growth of 15%CAGR over FY24-FY27E (lowered our growth for FY25E from 15% to 10%). Given the resilience displayed by ASTRA in maintaining the profitability of pipe business, we maintain our EBITDA/Kg estimate at Rs35/Kg. With expected improvement in UK biz and Paints biz gaining traction over FY24-FY27E, we expect this segment to register a 15% topline CAGR.

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	13,704	14,173	14,885	(3.3)	(7.9)	Below estimates but beat on margin front.
EBITDA	2,101	2,117	2,361	(0.8)	(11.0)	
EBITDA Margin (%)	15.3	14.9	15.9	39	(53)	
Adjusted PAT	1,087	1,203	1,348	(9.7)	(19.4)	

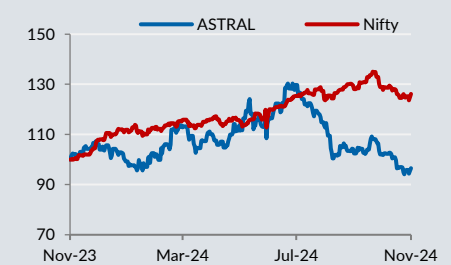
Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 1,780
Target Price	: Rs 2,135
Potential Return	: +20.0%

Stock data (as on Nov 7, 2024)

Nifty	24,199
52 Week h/l (Rs)	2,454 / 1,729
Market cap (Rs/USD mn)	485,046 / 5,752
Outstanding Shares (mn)	269
6m Avg t/o (Rs mn):	1,264
Div yield (%):	0.2
Bloomberg code:	ASTRA IN
NSE code:	ASTRAL

Stock performance



	1M	3M	1Y
Absolute return	-5.1%	-15.7%	-4.4%

Shareholding pattern (As of Sep'24 end)

Promoter	54.1%
FII+DII	34.8%
Others	11.1%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	NEUTRAL
Target Price	2,135	2,153

Δ in earnings estimates

	FY25E	FY26E	FY27E
EPS (New)	23.0	29.6	35.6
EPS (Old)	26.9	33.1	-
% change	-14.5%	-10.6%	-

Financial Summary

(Rs mn)	FY25E	FY26E	FY27E
Net Revenue	62,839	76,215	88,307
YoY Growth	11.4	21.3	15.9
EBITDA	10,448	12,993	15,256
EBITDA (%)	16.6	17.0	17.3
PAT	6,179	7,966	9,570
YoY Growth	13.2	28.9	20.1
ROE	17.4	18.9	19.0
EPS	23.0	29.6	35.6
P/E	77.5	60.1	50.0
BV/Share	142.5	170.1	203.7
P/BV	12.5	10.5	8.7

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Overall, we reckon Revenue/EBITDA/PAT to grow by 16%/18%/21% over FY24-FY27E respectively. We have valued Astral Ltd at P/E(x) of 60x (avg 1-year forward multiple) on FY27E EPS of Rs35.6, arriving at a target price of Rs2,135. Hence, we assign a BUY rating to the stock.

Result Highlights

- Revenue stood at Rs13.7Bn (3% below estimate), flattish on a YoY & QoQ basis.
- EBITDA margin came in at 15.3% (Vs estimate of 14.9%) in Q2FY25 Vs 16.1%/15.5% in Q2FY24/Q1FY25 respectively. Absolute EBITDA decreased by 4.5%YoY & 2%QoQ to Rs2.1Bn.
- Net profit Rs1.09Bn, a decline of 17.5%YoY & 9%QoQ.

Segmental Highlights for Q2FY25

- Plastic pipes volumes stood at 50,754Te, a degrowth of 2.5%YoY & 9%QoQ (2-year CAGR stood at 12%). ASP came in at Rs185 Vs Rs185/Rs177 in Q2FY24/Q1FY25 respectively. EBITDA/Kg stood at ~Rs35.5 (including inventory loss of Rs100-150) as compared to Rs35/Rs33 in Q2FY24/Q1FY25 respectively.
- Bathware revenue stood at Rs289Mn, growth of 63%YoY & 10%QoQ.
- Adhesives and paints revenue stood at Rs4.04Bn, a growth of 6%YoY & 9%QoQ. EBITDA margins came in at 10.3% Vs 14.8%/12% in Q2FY24/Q1FY25 respectively.

Other Key Highlights

- Company started commercial production at its Hyderabad plant in Sept'24
- First machine for the manufacture of O-PVC has arrived at company's Dholka plant and the company is doing a trial production and company will start commercial production post approval of ISI.
- Company launched PTMT Plastic Tap product range with ~150SKUs.
- Company launched "ASTRAL Paints" in Maharashtra and will launch shortly in Rajasthan.
- Consolidated cash & bank balance as at 30 Sept 2024 was Rs3.57Bn.

Exhibit 2: Quarterly Snapshot:

Rs mn	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	% yoy	% qoq	H1 FY24	H1 FY25	% yoy
Revenue	12,831	13,630	13,702	16,251	13,836	13,704	0.5	(1.0)	26,461	27,540	4.1
Expenditure	10,815	11,429	11,651	13,336	11,692	11,603	1.5	(0.8)	22,244	23,295	4.7
- RM	8,050	8,328	8,425	9,787	8,226	8,378	0.6	1.8	16,378	16,604	1.4
- Staff Cost	996	1,053	1,141	1,194	1,267	1,283	21.8	1.3	2,049	2,550	24.5
- Other Cost	1,769	2,048	2,085	2,355	2,199	1,942	(5.2)	(11.7)	3,817	4,141	8.5
Operating Profit	2,016	2,201	2,051	2,915	2,144	2,101	(4.5)	(2.0)	4,217	4,245	0.7
OPM(%)	15.7	16.1	15.0	17.9	15.5	15.3	-82 bps	-16 bps	15.9	15.4	-52 bps
Other Income	121	134	64	102	119	88	(34.3)	(26.1)	255	207	(18.8)
Depreciation	463	487	501	525	556	599	23.0	7.7	950	1,155	21.6
Interest	58	80	75	78	76	102	27.5	34.2	138	178	29.0
PBT	1,616	1,768	1,539	2,413	1,631	1,488	(15.8)	(8.8)	3,384	3,119	(7.8)
Tax	423	451	406	600	436	401	(11.1)	(8.0)	874	837	(4.2)
PAT	1,193	1,317	1,133	1,813	1,195	1,087	(17.5)	(9.0)	2,510	2,282	(9.1)
OCI	29	(34)	58	(23)	5	90	NM	NM	(5)	95	NM
Reported PAT	1,222	1,283	1,191	1,790	1,200	1,177	(8.3)	(1.9)	2,505	2,377	(5.1)

Source: Company, YES Sec

Exhibit 3: Operational Numbers:

Particulars	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	% yoy	% qoq	H1 FY24	H1 FY25	% yoy
Plumbing											
Volume (Te)	47,950	52,079	52,734	66,827	55,810	50,754	(2.5)	(9.1)	100,029	106,564	6.5
Revenue	9,245	9,804	9,981	12,252	10,132	9,664	(1.4)	(4.6)	19,049	19,796	3.9
Realisation (Rs/Kg)	193	185	185	180	177	185	(0.1)	4.4	190	186	(2.5)
EBITDA	1,687	1,768	1,649	2,502	1,817	1,774	0.3	(2.4)	3,455	3,591	3.9
EBITDA (Rs/Kg)	35	34	31	37	33	35	3.0	7.4	35	34	(2.4)
Adhesives											
Revenue	3,448	3,826	3,721	3,999	3,704	4,040	5.6	9.1	7,274	7,744	6.5
EBITDA	484	567	466	514	446	415	(26.8)	(7.0)	1,051	861	(18.1)
EBITDA (%)	14.0	14.8	12.5	12.9	12.0	10.3	(455 bps)	(177 bps)	14.4	11.1	(333 bps)

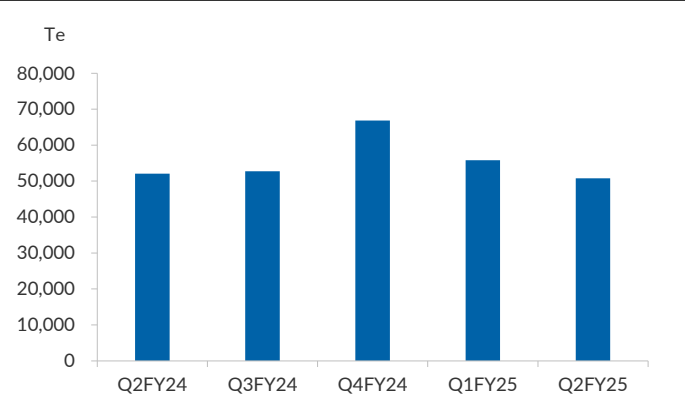
Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

- Pipe volume guidance of 10-15% with 16-18% EBITDA margins. Overall operating margins should be ~15-16%.
- Pipe volumes were impacted due to de-stocking at dealer level as PVC prices fell by 13% in one-quarter. Hence dealers maintained lower than average inventory. Also, extended monsoon across nation impacted volume growth. However, company maintained their EBITDA margins & gained market share.
- Company awaits dealer to resume re-stocking & will get more clarity by Nov-end. Growth in Oct'24 was flattish.
- PVC prices have stabilized since a month due to international prices going-up and imposition of ADD on PVC. Commenting on ADD- company expects prices to go up by Rs4-6/Kg (Rs3/Kg increased since Nov'1). On BIS, the hearing is in November and with implementation of the same, PVC prices will further increase.
- At Hyderabad, company has total capacity of 21,000Te (tanks + pipes), more machineries will be added by Q4FY25. Kanpur capex is going as planned, water tank trial production will commence from Q4FY25.
- Management is adding the double wall corrugated capacity by 5,000Te. Company plans to have this product's capacity at every plant across India. Currently, infra is a small share of company's revenue, however, company has seen good traction. Company has also started exports for this product.
- For O-PVC, company's first machine has commenced production and is awaiting ISI certification. More 2-machines will be up & running by Q3FY25. O-PVC is largely used for water transportation, this product is replacing DI-pipes and management expects robust growth in this product. Company has a 1st year revenue target of Rs1Bn from the segment.
- India adhesives biz grew by 9%YoY in Q2FY25 & 11.5% in H1FY25 with EBITDA margins of 15%. However, the growth was impacted due to extended monsoons. The plant is currently working at a capacity utilization of 55-60%.
- UK biz remained flattish with a negative EBITDA margin of 2% (normalized margin to be 8-10%). Margins were under pressure as company is launching 12-15 new products in USA hence manpower cost was high. Management stated that in coming 2-quarters, margins of this biz will be back to normal. In UK as well, company is launching new advance technology products wherein R&D is complete and initial customer response is very positive. Management plans to launch similar products in India during H2FY25.
- Paints grew by 4.5%YoY. ASTRAL PAINTS was launched in Maharashtra and Rajasthan. Due to distribution set-up and promotional spends, margins were under pressure at ~5% Vs 22% in Q2FY24. However management expects margins to stabilize in coming 1-year.
- CPVC prices have been stable compared to PVC. Company expects a marginal price increase post the full effect of ADD & BIS on PVC prices. CPVC is a value-added product for the company and has seen extremely healthy growth.
- Company plans to launch 50 new valves in Q4FY25.
- During Q2FY25, company incurred minor inventory loss of Rs100-150Mn.
- Employee costs have increased due to rural expansion, addition of 3 new states for paints, additional manpower in USA to support the 12 new product launches, manpower required for the new plant in Hyderabad, addition of 2 new regions for bathware. Company is undertaking manpower cost rationalization to control the same.
- Other expenses in Q1FY25 were higher due to new launches & higher promotional spends, hence in Q2FY25 the other expenses were lower at 14.2%.
- Company incurred capex of Rs2.8Bn in H1FY25 and for H2FY25 capex will be ~Rs1Bn.

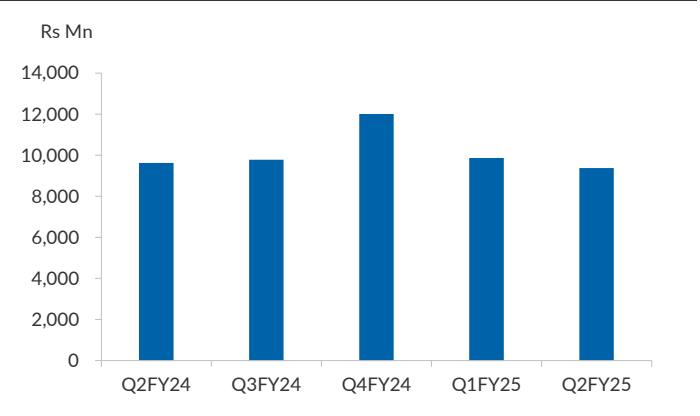
QUARTERLY TRENDS

Exhibit 4: Pipe volume decreased by 2.5%YoY...



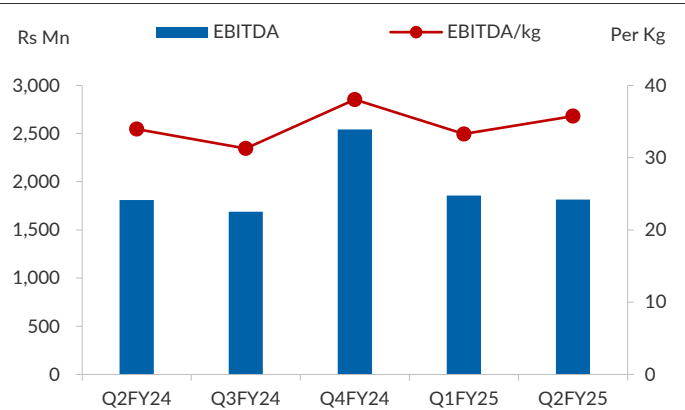
Source: Company, YES Sec

Exhibit 5: Pipe revenue declined by 3%YoY...



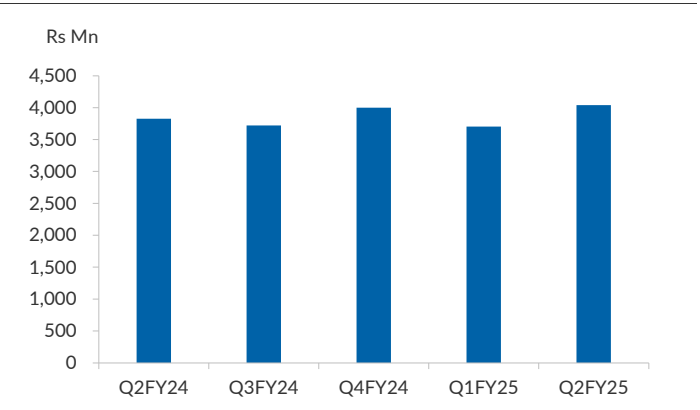
Source: Company, YES Sec

Exhibit 6: EBITDA/kg came in at ~Rs35.5...



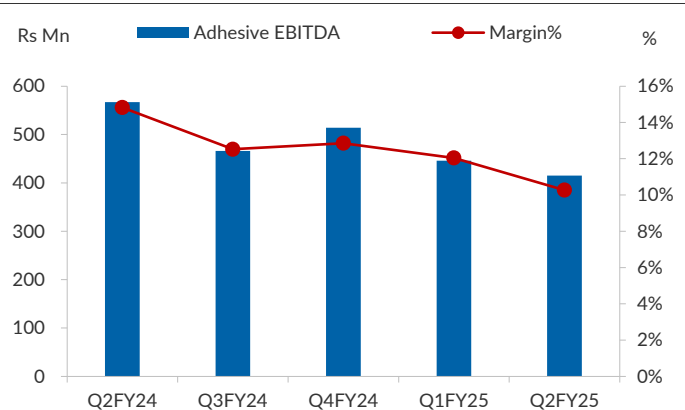
Source: Company, YES Sec

Exhibit 7: Adhesive revenue was up 6%YoY...



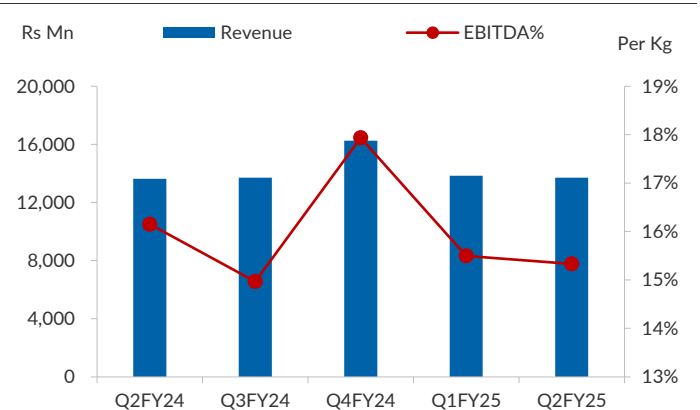
Source: Company, YES Sec

Exhibit 8: Adhesive margin stood at 10.3%...



Source: Company, YES Sec

Exhibit 9: Blended margin came in at 15.3%...



Source: Company, YES Sec

FINANCIALS

Exhibit 10: Income Statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Sales	51,585	56,414	62,839	76,215	88,307
COGS	34,347	34,590	38,233	47,365	55,291
COGS %sales	66.6%	61.3%	60.8%	62.1%	62.6%
GP	17,238	21,824	24,606	28,850	33,015
GP%	33.4%	38.7%	39.2%	37.9%	37.4%
EBITDA	8,099	9,183	10,448	12,993	15,256
EBITDA%	15.7%	16.3%	16.6%	17.0%	17.3%
Depreciation	1,781	1,976	2,334	2,560	2,765
Finance Cost	400	291	323	323	323
Other Income	267	421	516	600	700
PBT	6,152	7,336	8,308	10,711	12,868
Tax	1,557	1,880	2,129	2,745	3,298
PAT	4,595	5,456	6,179	7,966	9,570
PAT%	8.9%	9.7%	9.8%	10.5%	10.8%

Source: Company, YES Sec

Exhibit 11: Balance Sheet

Y/e 31 Mar (Rs mn)	FY23	FY24	H1FY25	FY25E	FY26E	FY27E
Share Capital	269	269	269	269	269	269
Reserves	26,843	31,612	33,413	37,253	44,681	53,713
Equity	29,589	32,685	34,469	38,326	45,754	54,786
Non-current Liab	805	1,082	1,759	1,082	1,082	1,082
Payables	8,000	8,719	8,351	9,637	11,939	13,937
Provisions	26	8	22	8	8	8
Other current Liab	647	827	667	827	827	827
Total Equity & Liab	43,731	44,979	47,145	51,538	61,268	72,298
Gross Block	21,185	26,884	29,146	29,884	32,384	34,884
Acc Dep	7,262	9,238	10,393	11,572	14,131	16,897
Net Block	13,923	17,646	18,753	18,312	18,253	17,987
CWIP	1,261	1,506	1,856	1,506	1,506	1,506
Other Noncurrent Assets	135	329	703	329	329	329
Inventory	8,746	9,134	11,288	10,096	12,507	14,601
Receivables	3,545	3,758	3,607	4,186	5,077	5,883
Cash & Bank	6,821	6,096	3,569	10,599	17,086	25,482
Loans	206	6	7	6	6	6
Other Current Assets	947	686	902	686	686	686
Total Assets	43,731	44,979	47,145	51,538	61,268	72,298

Source: Company, YES Sec

Exhibit 12: Cash Flow

Y/e 31 Mar (Rs mn)	FY23	FY24	H1FY25	FY25E	FY26E	FY27E
PBT	6,152	7,336	3,119	8,308	10,711	12,868
Depreciation & Amortization	1,781	1,976	1,155	2,334	2,560	2,765
Finance cost	400	291	178	323	323	323
(Incr)/Decr in Working Capital	(1,026)	500	(2,682)	(472)	(1,001)	(901)
Taxes	(1,654)	(1,772)	(697)	(2,129)	(2,745)	(3,298)
Cash from ops.	5,569	8,233	1,070	8,364	9,848	11,758
(Incr)/ Decr in PP&E	(3,110)	(5,539)	(2,821)	(3,000)	(2,500)	(2,500)
Cash Flow from Investing	(4,797)	(5,410)	(2,791)	(3,000)	(2,500)	(2,500)
(Decr)/Incr in Borrowings	(266)	84	25	-	-	-
Finance cost	(366)	(267)	(144)	(323)	(323)	(323)
Cash Flow from Financing	(1,906)	(2,018)	(807)	(861)	(861)	(861)
Incr/(Decr) in cash	(1,134)	805	(2,528)	4,503	6,487	8,397
Cash and cash equivalents at beg of year	6,429	5,295	6,094	6,096	10,599	17,086
Cash and cash equivalents at end of year	5,295	6,100	3,566	10,599	17,086	25,482

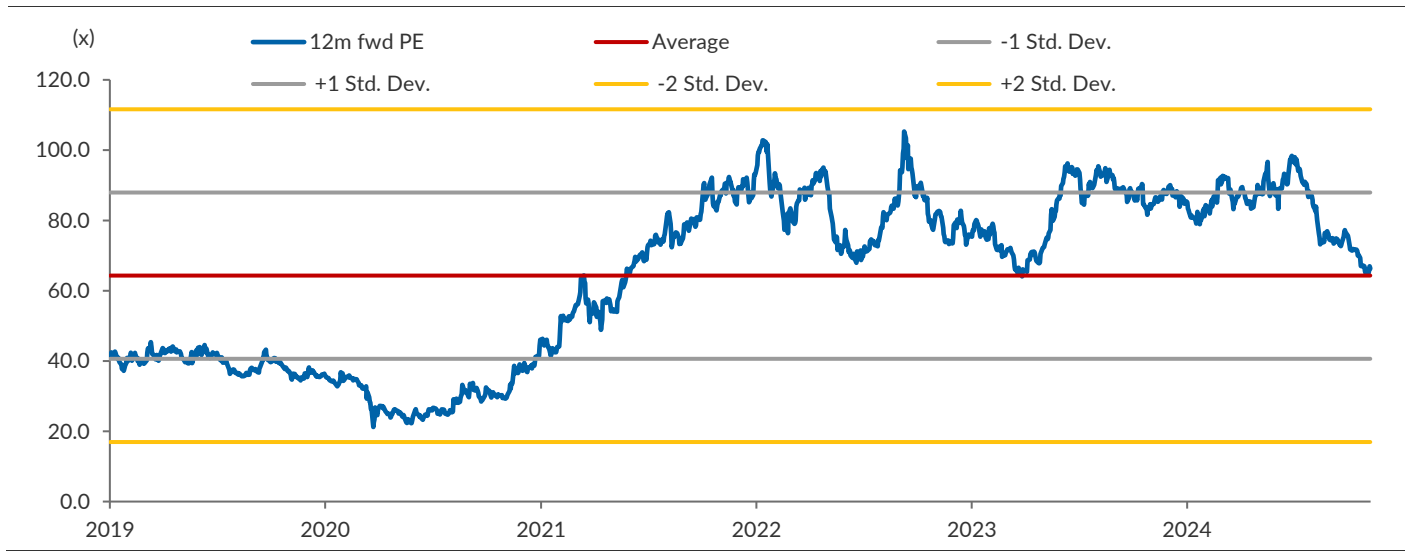
Source: Company, YES Sec

Exhibit 13: Ratios

Key Ratios	FY23	FY24	FY25E	FY26E	FY27E
Growth Matrix (%)					
Revenue growth	17.4%	9.4%	11.4%	21.3%	15.9%
EBITDA growth	7.2%	13.4%	13.8%	24.4%	17.4%
EBIT growth	(0.7%)	15.8%	13.1%	27.8%	19.5%
PAT growth	(6.3%)	18.7%	13.2%	28.9%	20.1%
Profitability ratios (%)					
GP margin	33.4%	38.7%	39.2%	37.9%	37.4%
EBITDA margin	15.7%	16.3%	16.6%	17.0%	17.3%
EBIT margin	12.8%	13.5%	13.7%	14.5%	14.9%
PAT margin	8.9%	9.7%	9.8%	10.5%	10.8%
RoCE	24.0%	23.8%	23.6%	25.6%	25.7%
RoE	17.3%	17.5%	17.4%	18.9%	19.0%
Per share values					
EPS	17.1	20.3	23.0	29.6	35.6
CEPS	23.7	27.6	31.6	39.1	45.9
BVPS	110.0	121.5	142.5	170.1	203.7
Valuation ratios (x)					
P/E	78.3	103.6	77.5	60.1	50.0
P/CEPS	56.4	76.1	56.3	45.5	38.8
P/B	12.2	17.3	12.5	10.5	8.7
EV/EBITDA	43.7	61.0	44.9	35.6	29.8
Leverage ratios (x)					
Debt/ Equity	0.0	0.0	0.0	0.0	0.0
Net debt/Equity	(0.2)	(0.2)	(0.3)	(0.4)	(0.4)
Net debt/EBITDA	(0.7)	(0.6)	(0.9)	(1.2)	(1.6)
Int coverage	16.5	26.2	26.7	34.2	40.8
NWC days					
Receivables	25	24	24	24	24
Inventory	93	96	96	96	96
Payables	85	92	92	92	92

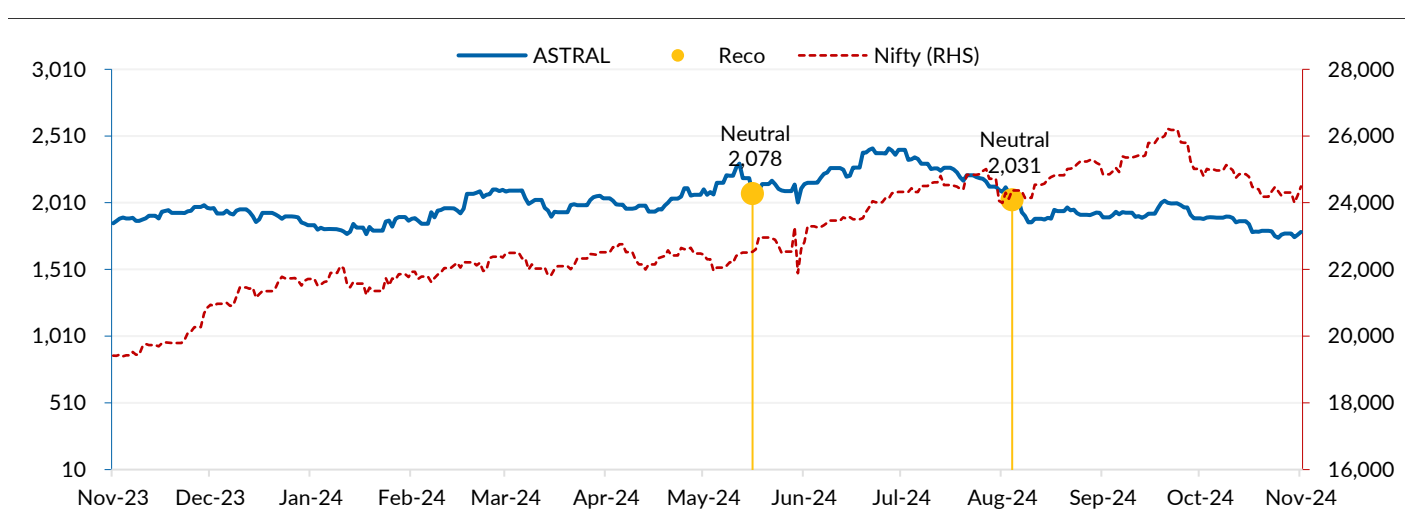
Source: Company, YES Sec

Exhibit 14: 1-year forward P/E (x) chart



Source: YES Sec

Recommendation Tracker



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Analyst signature

Analyst signature

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