

August 09, 2024

RESULT REPORT Q1 FY25 | Sector: Building Materials

Astral Ltd

Robust growth in pipes to continue, new segments to ramp-up gradually; maintain NEUTRAL!

Result Synopsis

Astral Ltd reported decent revenue growth of 8%YoY. Plastic pipes biz volumes grew by strong 16%YoY (2-year CAGR stood at 24%), ASP contracted marginally to Rs177/Kg due to change in product-mix. Hence revenue stood at Rs9.87Bn (in-line with our est), a growth of 7%YoY. EBITDA/Kg came in at Rs33.3 which was marginally lower Vs our est. of Rs34/Kg. Adhesives and Paints revenue stood at Rs3.7Bn, a growth of 7%YoY & margins for this segment came in at 12% Vs 14% in Q1FY24. Bathware biz revenue stood at Rs262Mn for Q1FY25 Vs Rs242Mn in previous quarter. Though company registered decade-high GP margins at 40.5%, operating margins were lower due to higher employee cost and elevated promotional spends during the quarter. ASTRAL launched "ASTRAL PAINTS" in Gujarat & Karnataka in the last week of Jun'24 and will continue to grow it in phased manner; company aims to launch paints in Rajasthan and Maharashtra in coming quarters. For adhesives, India biz revenue grew by 14%YoY, but UK revenue declined by 5%YoY. In Q1FY25, company commenced operations at its Guwahati plant. Trial production has begun at Hyderabad plant and commercial production is expected to start in Q2FY25E.

Management maintained their guidance of 15%+ volume growth with gross margin in the range of 36-40%. EBITDA margin guidance of 16-18% for plumbing and 14-16% margins for adhesives India operations. For UK operations, management aims to grow by 8-10%YoY with EBITDA margins of 7-8%. For bathware biz, company expects to achieve a turnover of Rs1-1.25Bn in FY25E.

We continue to remain positive on ASTRALs growth owing to favorable industry tailwinds and company's up-coming brownfield expansions which will accelerate growth in pipes segment. Hence, we expect volume growth of 20%CAGR over FY24-FY26E. For paints and bathware segment, we expect a gradual ramp-up going ahead. In Adhesives, we expect top-line growth of 15%CAGR with EBITDA margins of 14%/15% for FY25E/FY26E respectively. At CMP, the stock trades at P/E(x) of 61.3x on FY26E EPS of Rs33.1 and we believe these premium multiples will sustain for the company. Hence, we continue to value ASTRAL LTD at P/E(x) of 65x on FY26E EPS and maintain our NEUTRAL rating on the stock.

Result Highlights

- Revenue stood at Rs13.84Bn, a growth of 8%YoY (in line with our est; 7% below consensus est).
- GP margins expanded to 40.5% (decade high) Vs 37.3%/39.8% in Q1FY24/Q4FY24 respectively. But EBITDA margin expansion was restricted & the same came in at 15.5% (Vs est of 16.9%) due to higher employee cost owing to recruitment at new plant and launching new verticals in new geographies coupled with higher other cost driven by additional advertisement spend of Rs200Mn.

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	13,836	13,913	14,918	(0.6)	(7.3)	Revenue in-line with estimates but miss on profitability.
EBITDA	2,144	2,344	2,502	(8.6)	(14.3)	
EBITDA Margin (%)	15.5	16.9	16.8	-136 bps	-128 bps	
Adjusted PAT	1,195	1,355	1,519	(11.8)	(21.3)	

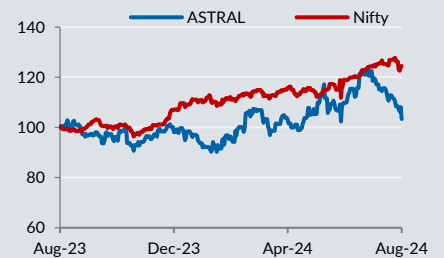
Source: Company, YES Sec

Reco	: NEUTRAL
CMP	: Rs 2,031
Target Price	: Rs 2,153
Potential Return	: +6.0%

Stock data (as on Aug 9, 2024)

Nifty	24,368
52 Week h/l (Rs)	2,454 / 1740
Market cap (Rs/USD mn)	559,335 / 6,664
Outstanding Shares (mn)	269
6m Avg t/o (Rs mn):	1,238
Div yield (%)	0.1
Bloomberg code:	ASTRA IN
NSE code:	ASTRAL

Stock performance



	1M	3M	1Y
Absolute return	-13.0%	-2.0%	2.7%

Shareholding pattern (As of Mar'24 end)

Promoter	54.1%
FII+DII	34.9%
Others	11.0%

Δ in stance

(1-Yr)	New	Old
Rating	NEUTRAL	NEUTRAL
Target Price	2,153	2,164

Δ in earnings estimates

	FY25E	FY26E
EPS (New)	26.9	33.1
EPS (Old)	27.2	33.3
% change	-1.3%	-0.5%

Financial Summary

(Rs mn)	FY24	FY25E	FY26E
Net Revenue	56,414	68,425	82,793
YoY Growth	9.4	21.3	21.0
EBIDTA	9,183	11,855	14,271
EBIDTA (%)	16.3	17.3	17.2
PAT	5,456	7,225	8,911
YoY Growth	18.7	32.4	23.3
ROE	17.5	20.1	20.5
EPS	20.3	26.9	33.1
P/E	103.6	75.6	61.3
BV/Share	121.5	146.4	177.5
P/BV	17.3	13.9	11.4

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SHALIN DAMANI, Associate

- Absolute EBITDA stood at Rs2.14Bn, a growth of 6%YoY (8.6% below our est; 14% below consensus est).
- Net profit Rs1.19Bn, remaining flattish on YoY basis (12% below our est; 21% below consensus est).

Segmental Highlights for Q1FY25

- Plastic pipes volumes stood at 55,810Te, a growth of 16%YoY (2-year CAGR stood at 24%). ASP came in at Rs177 Vs Rs193/Rs180 in Q1FY24/Q4FY24 respectively. EBITDA/Kg stood at Rs33.3 (assuming Rs40Mn loss in bathware biz) as compared to Rs35/Rs38 in Q1FY24/Q4FY24 respectively.
- Bathware revenue stood at Rs262Mn, growth of 90%YoY.
- Adhesives and paints revenue stood at Rs3.70Bn, a growth of 7%YoY. EBITDA margins came in at 12% Vs 14%/13% in Q1FY24/Q4FY24 respectively.

Exhibit 2: Quarterly Snapshot:

Rs mn	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	% yoy	% qoq
Revenue	15,062	12,831	13,630	13,702	16,251	13,836	7.8	(14.9)
Expenditure	11,973	10,815	11,429	11,651	13,336	11,692	8.1	(12.3)
- RM	9,281	8,050	8,328	8,425	9,787	8,226	2.2	(15.9)
- Staff Cost	862	996	1,053	1,141	1,194	1,267	27.2	6.1
- Other Cost	1,830	1,769	2,048	2,085	2,355	2,199	24.3	(6.6)
Operating Profit	3,089	2,016	2,201	2,051	2,915	2,144	6.3	(26.4)
OPM(%)	20.5	15.7	16.1	15.0	17.9	15.5	-22 bps	-244 bps
Other Income	66	121	134	64	102	119	(1.7)	16.7
Depreciation	445	463	487	501	525	556	20.1	5.9
Interest	33	58	80	75	78	76	31.0	(2.6)
PBT	2,644	1,616	1,768	1,539	2,413	1,631	0.9	(32.4)
Tax	654	423	451	406	600	436	3.1	(27.3)
PAT	1,990	1,193	1,317	1,133	1,813	1,195	0.2	(34.1)
OCI	110	29	(34)	58	(23)	5	(82.8)	(121.7)
Reported PAT	2,100	1,222	1,283	1,191	1,790	1,200	(1.8)	(33.0)

Source: Company, YES Sec

Exhibit 3: Operational Numbers:

Particulars	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	% yoy	% qoq
Plumbing								
Volume (Te)	54,438	47,950	52,079	52,734	66,827	55,810	16.4	(16.5)
Revenue	11,235	9,245	9,804	9,981	12,252	10,132	9.6	(17.3)
Realisation (Rs/Kg)	206	193	185	185	180	177	(8.3)	(1.6)
EBITDA	2,596	1,687	1,768	1,649	2,502	1,817	7.7	(27.4)
EBITDA (Rs/Kg)	48	35	34	31	37	33	(7.5)	(13.0)
Adhesives								
Revenue	3,827	3,448	3,826	3,721	3,999	3,704	7.4	(7.4)
EBITDA	579	484	567	466	514	446	(7.9)	(13.2)
EBITDA (%)	15.1	14.0	14.8	12.5	12.9	12.0	-200 bps	-81 bps

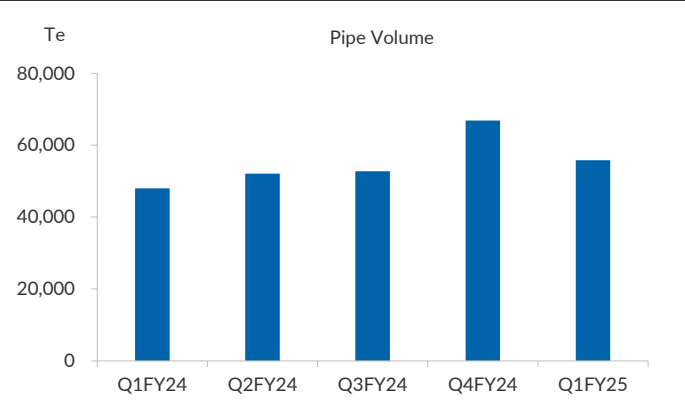
Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

- Management maintains their guidance for 15%+ volume growth with gross margin in the range of 36-40%. EBITDA margin guidance of 16-18% for plumbing and 14-16% for adhesives for India operations.
- PVC prices have been extremely volatile in the range of 10-20% Vs 1.3% pre-COVID. The prices increased sharply in June and pass on was expected in July but in July prices fell. Hence, there was no price passed on to customers.
- BIS & ADD for PVC is expected to be implemented in Q3FY25E that may support PVC prices.
- Pipes capacity is 334,000Te for Q1FY25 and there are multiple brownfield expansions underway. In Q1FY25, company commenced operations at its Guwahati plant. Trial production has commenced at company's Hyderabad plant and commercial production is expected to start in Q2FY25E. Dholka plant is expected to commence by Oct'24. Phase-I of the fittings plant that has 22 injection mouldings installed is expected to commence by Sep'24. Phase-II will add another 22 injection mouldings.
- India adhesive biz has grown at 14%YoY, much faster than the industry. Gross margin for Q1FY25 was 45% Vs 43% in Q1FY24. Company expects a 15-20% growth with 15-16% margin for FY25E.
- UK adhesive biz registered a degrowth of 5%YoY from Rs940Mn in Q1FY24 to Rs890Mn in Q1FY25 and EBITDA margin declined from 8% in Q1FY24 to 2.5% in Q1FY25. For FY25E, company expects to register an 8-10% growth with 7-8% EBITDA margin.
- Company launched paints in Gujarat & Karnataka in Q1FY25 and plans to add Rajasthan & Maharashtra in the upcoming quarters. Company expects 15-20%YoY growth for paints with ~10% margin for FY25E.
- Company has not yet achieved breakeven in the bathware biz. Revenue for FY25E is expected to be Rs1-1.25Bn. No capex incurred in the bathware biz since sanitaryware is fully outsourced and for faucets company acquired a fully functional plant in Jamnagar.
- 50-60% retailers from the plumbing segment sell bathware and only a few contractor customers sell paints otherwise there is no overlap from a distribution standpoint.
- Company has entered the O-PVC segment with an initial in-house capacity of 7-8,000Te. The machine for the same should be delivered by Oct'24 and company expects to start production by Q3FY25E.
- There are no inventory losses for the company.
- Company is a part of Nal Se Jal initiative, but it is not very sizable since it sells to limited contractors at company's price, terms, and quality.

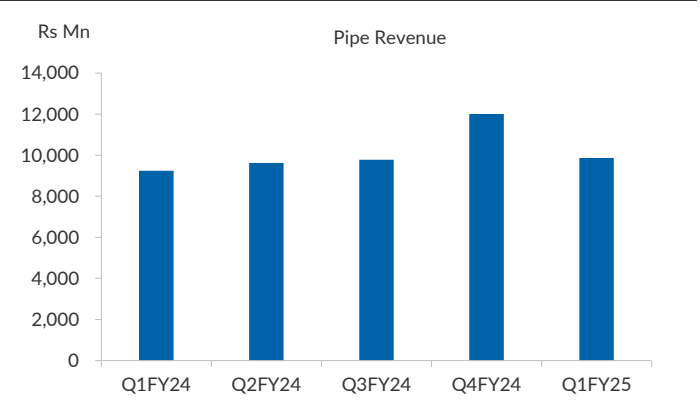
QUARTERLY TRENDS

Exhibit 4: Pipe volume up by 16.4% YoY...



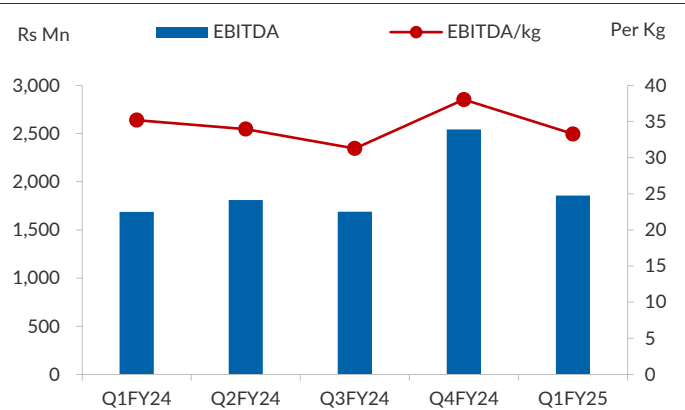
Source: Company, YES Sec

Exhibit 5: Pipe revenue increased by 7%YoY...



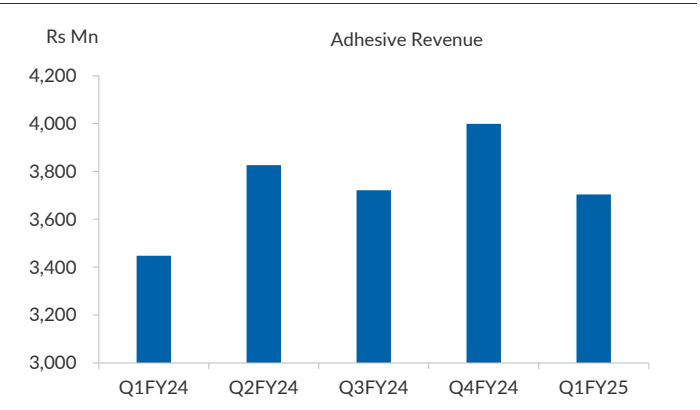
Source: Company, YES Sec

Exhibit 6: EBITDA/kg came in at Rs33.3...



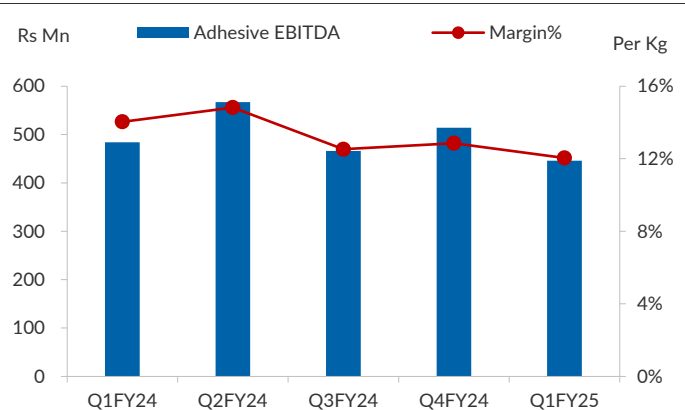
Source: Company, YES Sec

Exhibit 7: Adhesive revenue was up 7.4%YoY...



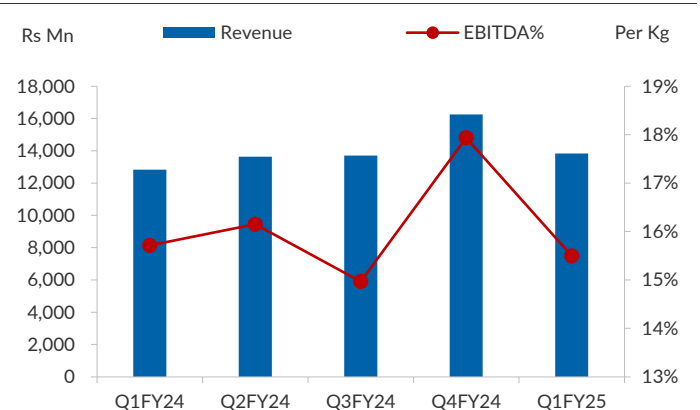
Source: Company, YES Sec

Exhibit 8: Adhesive margin stood at 12%...



Source: Company, YES Sec

Exhibit 9: Blended margin came in at 15.5%...



Source: Company, YES Sec

FINANCIALS

Exhibit 10: Income Statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Sales	43,940	51,585	56,414	68,425	82,793
COGS	29,280	34,347	34,590	42,412	52,666
COGS %sales	66.6%	66.6%	61.3%	62.0%	63.6%
GP	14,660	17,238	21,824	26,013	30,127
GP%	33.4%	33.4%	38.7%	38.0%	36.4%
EBITDA	7,553	8,099	9,183	11,855	14,271
EBITDA%	17.2%	15.7%	16.3%	17.3%	17.2%
Depreciation	1,269	1,781	1,976	2,334	2,560
Finance Cost	129	400	291	323	323
Other Income	349	267	421	516	593
PBT	6,485	6,152	7,336	9,714	11,981
Tax	1,581	1,557	1,880	2,490	3,070
PAT	4,904	4,595	5,456	7,225	8,911
PAT%	11.2%	8.9%	9.7%	10.6%	10.8%

Source: Company, YES Sec

Exhibit 11: Balance Sheet

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Share Capital	201	269	269	269	269
Reserves	23,165	26,843	31,612	38,299	46,672
Equity	23,644	29,589	32,685	39,372	47,745
Non-current Liab	819	805	1,082	1,082	1,082
Payables	7,484	8,000	8,719	10,691	13,275
Provisions	18	26	8	8	8
Other current Liab	556	647	827	827	827
Total Equity & Liab	33,872	43,731	44,979	53,638	64,595
Gross Block	17,053	21,185	26,884	29,884	32,384
Acc Dep	5,481	7,262	9,238	11,572	14,131
Net Block	11,572	13,923	17,646	18,312	18,253
CWIP	1,232	1,261	1,506	1,506	1,506
Other Noncurrent Assets	135	135	329	329	329
Inventory	7,334	8,746	9,134	11,199	13,907
Receivables	2,691	3,545	3,758	4,558	5,515
Cash & Bank	6,418	6,821	6,096	11,223	18,575
Loans	4	206	6	6	6
Other Current Assets	540	947	686	686	686
Total Assets	33,872	43,731	44,979	53,638	64,595

Source: Company, YES Sec

Exhibit 12: Cash Flow

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
PBT	6,485	6,152	7,336	9,714	11,981
Depreciation & Amortization	1,269	1,781	1,976	2,334	2,560
Finance cost	129	400	291	323	323
(Incr)/Decr in Working Capital	(705)	(1,026)	500	(894)	(1,080)
Taxes	(1,678)	(1,654)	(1,772)	(2,490)	(3,070)
Cash from ops.	5,431	5,569	8,233	8,988	10,713
(Incr)/ Decr in PP&E	(3,460)	(3,110)	(5,539)	(3,000)	(2,500)
Cash Flow from Investing	715	(4,797)	(5,410)	(3,000)	(2,500)
(Decr)/Incr in Borrowings	(19)	(266)	84	-	-
Finance cost	(123)	(366)	(267)	(323)	(323)
Cash Flow from Financing	(440)	(1,906)	(2,018)	(861)	(861)
Incr/(Decr) in cash	5,706	(1,134)	805	5,127	7,352
Cash and cash equivalents at beginning of year	707	6,429	5,295	6,096	11,223
Cash and cash equivalents at end of year	6,413	5,295	6,100	11,223	18,575

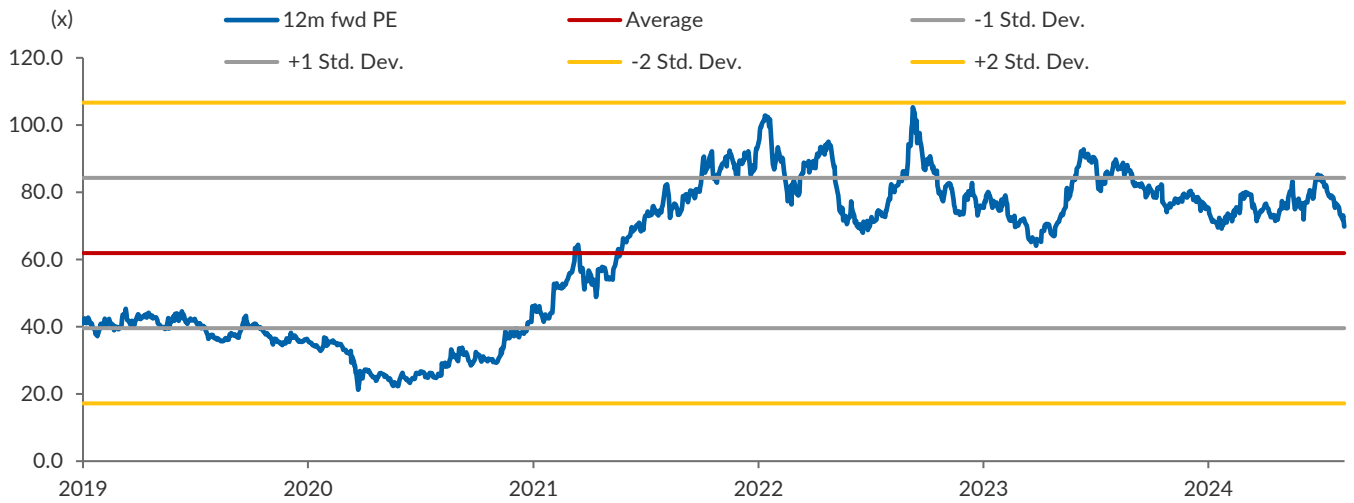
Source: Company, YES Sec

Exhibit 13: Ratios

Key Ratios	FY22	FY23	FY24	FY25E	FY26E
Growth Matrix (%)					
Revenue growth	38.3%	17.4%	9.4%	21.3%	21.0%
EBITDA growth	17.2%	7.2%	13.4%	29.1%	20.4%
EBIT growth	19.9%	-0.7%	15.8%	31.6%	22.6%
PAT growth	20.1%	-6.3%	18.7%	32.4%	23.3%
Profitability ratios (%)					
GP margin	33.4%	33.4%	38.7%	38.0%	36.4%
EBITDA margin	17.2%	15.7%	16.3%	17.3%	17.2%
EBIT margin	15.1%	12.8%	13.5%	14.7%	14.9%
PAT margin	11.2%	8.9%	9.7%	10.6%	10.8%
RoCE	29.9%	24.0%	23.8%	27.0%	27.6%
RoE	22.9%	17.3%	17.5%	20.1%	20.5%
Per share values					
EPS	18.2	17.1	20.3	26.9	33.1
CEPS	22.9	23.7	27.6	35.5	42.6
BVPS	87.9	110.0	121.5	146.4	177.5
Valuation ratios (x)					
P/E	81.5	78.3	103.6	75.6	61.3
P/CEPS	64.7	56.4	76.1	57.2	47.6
P/B	16.9	12.2	17.3	13.9	11.4
EV/EBITDA	52.2	43.7	61.0	45.2	37.1
Leverage ratios (x)					
Debt/ Equity	0.0	0.0	0.0	0.0	0.0
Net debt/Equity	(0.2)	(0.2)	(0.2)	(0.3)	(0.4)
Net debt/EBITDA	(0.7)	(0.7)	(0.6)	(0.9)	(1.2)
Int coverage	51.4	16.5	26.2	31.1	38.1
NWC days					
Receivables	22	25	24	24	24
Inventory	91	93	96	96	96
Payables	93	85	92	92	92

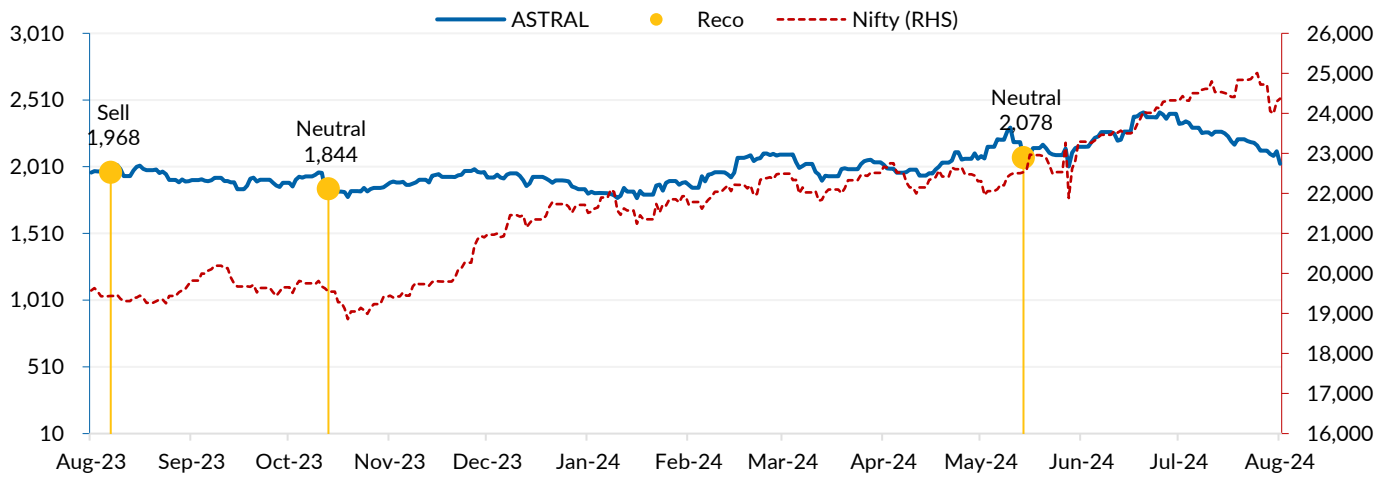
Source: Company, YES Sec

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



Source: YES Sec

Recommendation Tracker



Source: YES Sec

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