

Astral

BUY

In-line results, robust growth outlook

Summary

Astral's Q4FY22 result was a tad above our net sales estimate, while margins were in-line with our forecast. Despite Omicron woes in early Q4FY22, the company's sales volume was up 11% YoY, reflecting strong demand traction in the domestic market. Astral was able to pass on incremental raw material cost, however with a lag effect. Net sales improved by 23.3% YoY to Rs13.9bn, while EBITDA declined by 14.8% YoY to Rs2.1bn. The company reported net profit of Rs1.4bn, down by 19% over Q4FY21. Our interaction with the management over growth strategy in near term further strengthens our outlook on the company. Astral's foray into paints and sanitaryware segment, new product launches, capacity expansion and strong balance sheet would pave the way for robust earnings growth in near term. We have broadly maintained our earnings estimates and upgrade the stock to BUY with a TP of Rs2,283, assigning 60x PER on FY24E.

Key Highlights and Investment Rationale

- Higher sales volume and improved NSR aided net sales:** Astral reported 22% YoY net sales growth in plastic segment to Rs10.8bn led by 10% YoY NSR improvement to Rs230/Kg, while sales volume improved by 11% YoY to 47,211MT. The company's adhesives business reported robust 27% YoY improvement in net sales to Rs3bn.
- Foray into new business verticals to strengthen earnings, BUY with a TP of Rs2,283:** Astral remains our preferred pick given its strong brand recall, extensive distribution network, new capacity addition, foray into allied business verticals like paints and sanitaryware and healthy balance sheet. After a recent fall in the stock price, valuation looks attractive at current level. BUY with a TP of Rs2,283.

TP **Rs2,283**CMP **Rs1,699**Potential upside/downside **34%**Previous Rating **HOLD**

Price Performance (%)

	-1m	-3m	-12m
Absolute	(21.0)	(12.4)	(9.6)
Rel to Sensex	(19.0)	(11.9)	(18.4)

V/s Consensus

EPS (Rs)	FY23E	FY24E
IDBI Capital	30.4	37.9
Consensus	30.7	38.3
% difference	(1.0)	(1.0)

Key Stock Data

Bloomberg / Reuters	ASTRA IN/ASPT.BO
Sector	Plastic Building Material
Shares o/s (mn)	201
Market cap. (Rs mn)	341,604
3-m daily avg Trd value (Rs mn)	60.3
52-week high / low	Rs2,525 / 1,610
Sensex / Nifty	55,926 / 16,661

Shareholding Pattern (%)

Promoters	55.7
FII	17.8
DII	12.0
Public	14.5

Financial snapshot

(Rs mn)

Year	FY20	FY21	FY22	FY23E	FY24E
Revenue	25,779	31,763	43,940	50,303	59,860
Change (yoy, %)	3	23	38	14	19
EBITDA	4,429	6,445	7,553	9,457	11,553
Change (yoy, %)	15.1	45.5	17.2	25.2	22.2
EBITDA Margin(%)	17.2	20.3	17.2	18.8	19.3
Adj.PAT	2,528	4,184	4,876	6,107	7,622
EPS (Rs)	16.7	20.8	24.3	30.4	37.9
Change (yoy, %)	(1.9)	24.3	16.5	25.2	24.8
PE(x)	101.5	81.6	70.0	55.9	44.8
Dividend Yield (%)	0.1	0.1	0.1	0.2	0.2
EV/EBITDA (x)	57.9	52.3	44.5	35.3	28.5
RoE (%)	18.2	24.6	23.0	23.4	23.7
RoCE (%)	20.7	28.4	27.8	28.3	28.8

Source: IDBI Capital Research

Investor Meet Highlights

- As on 31st March'2022 company has a total production capacity of 370,802MTPA of which pipes and water tanks has capacity of 2,74,822MTPA and Adhesives and Sealants has capacity of 95,980MTPA.
- As a part of strategic decision to expand its product portfolio company has forayed in the paints segment by acquiring 51% stake in Gems Paints Pvt Ltd, Astral would leverage its existing dealers, customers and legacy of brands. Gems Paints has 3000+ dealers across South India and 10 depots spread across South India. Company has recently undertaken capacity expansion in Karnataka with annual capacity of 36,000KL, which can be further enhanced up to 60,000KL.
- Paints segment has a huge opportunity size it is expected to grow at 5 year CAGR of 7.5% to reach Rs69,000crs by FY25E.
- Company has also forayed in sanitaryware segment.
- Company stated it has commenced operation in Bhubaneswar plant.
- Company launched new product DrainPro is a new PP drainage product which has potential of replacing the traditional PVC drainage pipes, Specialised Valves for household plumbing and Industrial applications.
- North plant is running at optimal capacity, company acquired land in Telangana to expand water tank division and then pipes segment.
- Paints company is zero debt and has no CAPEX plans for next 2-3 years.
- Company is confident that it will be able to grow its existing product portfolio, and also projects a additional revenue of Rs15,000mn in the next 4 -5 years from new businesses that Astral has undertaken recently, like Tank, Faucet, Sanitaryware, Paint, Valve and Drainpro.
- In pipes company expects to continue to grow revenue by 15% CAGR in next 5 years.
- In Adhesives also company expects to continue to grow revenue by 15% CAGR in next 5 year.
- Company appointed Allu Arjun as brand ambassador to strengthen brand recall in Southern Indian markets.

Exhibit 1: Financial snapshot

(Rs mn)

Particulars (Rs mn)	Q4FY22	Q3FY22	QoQ (%)	Q4FY21	YoY (%)
Total revenues	13,906	11,027	26.1	11,278	23.3
Total expenditure	11,738	9,051	29.7	8,732	34.4
EBIDTA	2,168	1,976	9.7	2,546	(14.8)
<i>EBIDTA margin (%)</i>	15.6	17.9	(233)bps	22.6	(698)bps
Depreciation	328	321	2.2	292	12.3
Interest cost	52	20	160.0	12	333.3
Other income	164	62	164.5	50	228.0
PBT	1,952	1697	15.0	2292	(14.8)
Tax	492	418	17.7	527	(6.6)
Adj. net profit	1414	1,273	11.1	1746	(19.0)
Adj. EPS (INR)	7.0	6.3	11.1	8.7	(19.0)

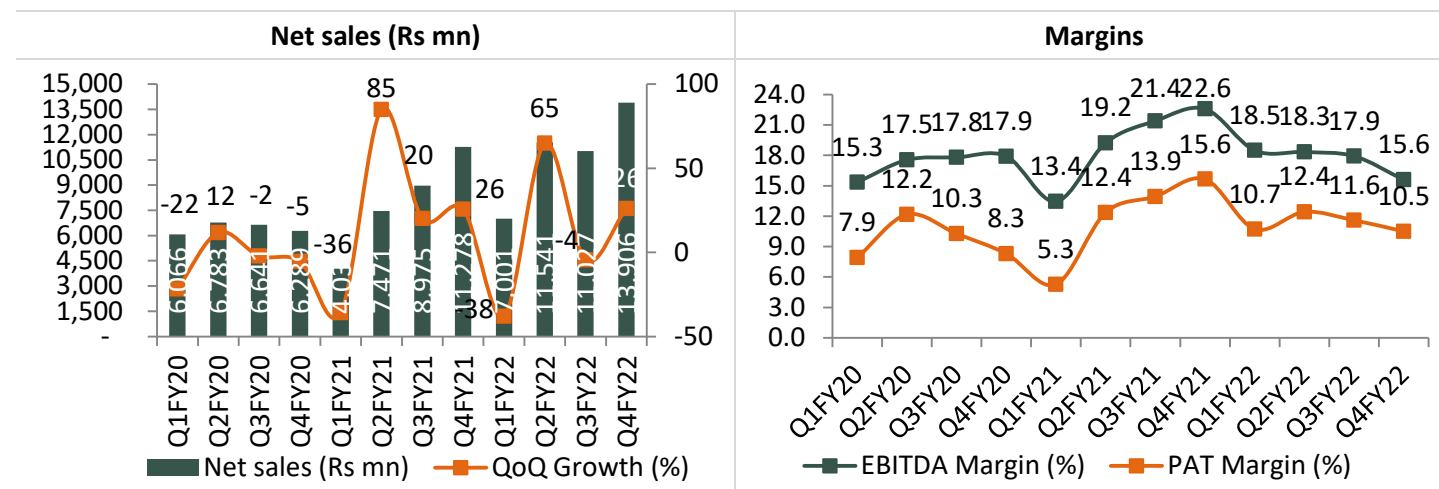
Source: Company; IDBI Capital Research

Exhibit 2: Actual vs. estimates

(Rs mn)

Particulars (Rs mn)	Q4FY22A	Q4FY22E	Variance (%)
Net Sales	13,906	12,220	13.8
EBITDA	2,168	2,090	3.7
<i>EBITDA Margin (%)</i>	15.6	17.1	(150)bps
Net Profit	1414	1357	4.2
EPS, Rs	7.0	6.8	4.2

Source: Company; IDBI Capital Research

Exhibit 3: Quarterly Revenue & Margins performance

Source: Company; IDBI Capital Research

Source: Company; IDBI Capital Research

Exhibit 4: Segment performance analysis

(Rs mn)

Particulars	Q4FY22	Q3FY22	QoQ (%)	Q4FY21	YoY (%)
Plastic division					
Volumes (MT)	47,211	35,260	33.9	42,534	11.0
Revenues	10,841	8,415	28.8	8,864	22.3
EBITDA	1,623	1,376	18.0	1,802	(9.9)
EBITDA margin (%)	15.0	16.4	(140)bps	20.3	(530)bps
Adhesive business					
Revenues	3,065	2,612	17.3	2,414	27.0
EBITDA	327	290	12.8	453	(27.8)
EBITDA margin (%)	10.7	11.1	-40	18.8	(810)bps

Source: Company; IDBI Capital Research

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
Net sales	25,073	25,779	31,763	43,940	50,303	59,860
<i>Change (yoy, %)</i>	21	3	23	38	14	19
Operating expenses	(21,224)	(21,350)	(25,318)	(36,387)	(40,846)	(48,307)
EBITDA	3,849	4,429	6,445	7,553	9,457	11,553
<i>Change (yoy, %)</i>	22	15	46	17	25	22
<i>Margin (%)</i>	15.4	17.2	20.3	17.2	18.8	19.3
Depreciation	(814)	(1,079)	(1,165)	(1,269)	(1,588)	(1,748)
EBIT	3,035	3,350	5,280	6,284	7,869	9,805
Interest paid	(320)	(394)	(131)	(129)	(81)	(80)
Other income	154	121	251	349	436	524
Pre-tax profit	2,870	3,077	5,400	6,504	8,224	10,249
Tax	(861)	(565)	(1,248)	(1,581)	(2,070)	(2,580)
<i>Effective tax rate (%)</i>	30	18	23	24	25	25
Minority Interest	-	-	(38.0)	(66.0)	(66.0)	(66.0)
Net profit	2,009	2,512	4,114	4,857	6,088	7,603
Exceptional items	(36)	(16)	(70)	(19)	(19)	(19)
Adjusted net profit	2,045	2,528	4,184	4,876	6,107	7,622
<i>Change (yoy, %)</i>	13	24	66	17	25	25
EPS	17.1	16.7	20.8	24.3	30.4	37.9
Dividend per sh	1	1	1	2	3	4
<i>Dividend Payout (%)</i>	5	7	6	9	12	13

Balance Sheet

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
Shareholders' funds	12,777	15,029	18,958	23,366	28,797	35,501
Share capital	120	151	201	201	201	201
Reserves & surplus	12,657	14,878	18,757	23,165	28,596	35,300
Total Debt	1,935	1,324	532	851	808	799
Other liabilities	597	456	514	533	667	925
Curr Liab & prov	5,533	5,915	6,512	8,844	9,137	9,469
Current liabilities	5,473	5,849	6,443	8,809	9,100	9,428
Provisions	60	66	69	35	37	40
Total liabilities	8,065	7,695	7,558	10,228	10,612	11,193
Total equity & liabilities	20,992	22,892	26,728	33,872	39,687	46,972
Net fixed assets	8,903	9,680	10,248	12,804	13,901	14,323
Investments	-	-	-	-	-	-
Other non-curr assets	3,230	3,050	3,112	3,616	4,083	4,651
Current assets	8,859	10,162	13,368	17,452	21,704	27,998
Inventories	3,970	5,404	4,721	7,334	8,434	9,699
Sundry Debtors	3,391	2,278	2,767	2,691	3,364	4,037
Cash and Bank	981	1,301	4,760	6,418	8,645	12,748
Loans and advances	246	731	860	5	6	8
Total assets	20,992	22,892	26,728	33,872	39,687	46,972

Cash Flow Statement

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
Pre-tax profit	2,870	3,077	5,400	6,504	8,224	10,249
Depreciation	787	1,079	1,165	1,269	1,588	1,748
Tax paid	(658)	(668)	(1,277)	(1,581)	(1,863)	(2,322)
Chg in working capital	112	(424)	662	650	(1,481)	(1,608)
Other operating activities	-	-	-	-	-	-
Cash flow from operations (a)	3,112	3,064	5,950	6,842	6,468	8,067
Capital expenditure	(534)	(1,856)	(1,733)	(3,825)	(2,685)	(2,170)
Chg in investments	-	-	-	-	-	-
Other investing activities	-	-	-	-	-	-
Cash flow from investing (b)	(534)	(1,856)	(1,733)	(3,825)	(2,685)	(2,170)
Equity raised/(repaid)	25	31	51	(1)	1	-
Debt raised/(repaid)	705	(611)	(792)	319	(43)	(9)
Dividend (incl. tax)	(101)	(181)	(241)	(422)	(724)	(965)
Chg in minorities	15	18	6	-	(66)	(66)
Other financing activities	(2,677)	(145)	218	(1,255)	(726)	(754)
Cash flow from financing (c)	(2,033)	(888)	(758)	(1,359)	(1,557)	(1,794)
Net chg in cash (a+b+c)	544	320	3,459	1,658	2,226	4,103

Financial Ratios

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
Book Value (Rs)	105	98	93	115	142	175
Adj EPS (Rs)	17	17	21	24	30	38
Adj EPS growth (%)	13	-2	24	17	25	25
EBITDA margin (%)	15.4	17.2	20.3	17.2	18.8	19.3
Pre-tax margin (%)	11	12	17	15	16	17
Net Debt/Equity (x)	0	0	0	0	0	0
ROCE (%)	22	21	28	28	28	29
ROE (%)	17.8	18.2	24.6	23.0	23.4	23.7

DuPont Analysis

Asset turnover (x)	1.3	1.2	1.3	1.5	1.4	1.4
Leverage factor (x)	1.6	1.6	1.5	1.4	1.4	1.3
Net margin (%)	8.2	9.8	13.2	11.1	12.1	12.7

Working Capital & Liquidity ratio

Inventory days	58	77	54	61	61	59
Receivable days	49	32	32	22	24	25
Payable days	67	81	75	75	69	60

Valuations

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
PER (x)	99.5	101.5	81.6	70.0	55.9	44.8
Price/Book value (x)	16.3	17.4	18.3	14.8	12.0	9.7
EV/Net sales (x)	8.2	10.0	10.6	7.6	6.6	5.5
EV/EBITDA (x)	53	58	52	44	35	29
Dividend Yield (%)	0.0	0.1	0.1	0.1	0.2	0.2

Source: Company; IDBI Capital Research



Notes

Dealing

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Key to Ratings Stocks:**BUY:** 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.**IDBI Capital Markets & Securities Ltd.****Equity Research Desk**

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