



Continuous Inventory Losses led to Lower Margins

Est. Vs. Actual for Q3FY24: Revenue – **INLINE**; EBITDA Margin – **MISS**; PAT – **MISS**

Changes in Estimates post Q3FY24

FY24E/FY25E: Revenue -7.0%/ -6.7%; **EBITDA Abs.:** -6.9%/-6.7%; **PAT:** -9.3%/-7.2%

Recommendation Rationale

- The Plumbing division reported strong volume growth of 15% YoY while realisations decreased to Rs 189/kg.
- In Q3FY24, average realisations stood at Rs 189 (-6.8% YoY) and EBITDA stood stable at Rs 31/kg (-7.9% QoQ) which includes losses at Rs 4 Cr in the Sanitaryware and Faucets segments.
- The reported PAT of Rs 113 Cr increased by 10.7% on a YoY basis.

Sector Outlook: **Neutral**

Company Outlook & Guidance: The management has guided 15% consolidated revenue growth for the next 5 years. Pipes volume growth to be in the range of ~20%+ (vs. the industry growth of 10%-15%) in FY24E.

Current Valuation: PE 55x for FY26E earnings (Earlier Valuation: PE 55x, FY26E)

Current TP: Rs 2,000/share (Earlier TP: Rs 2,150/share)

Recommendation: **HOLD**

Financial Performance

Astral posted consolidated revenue growth of 8.1% YoY in Q3FY24, majorly led by growth in Plastic (+7.1% YoY) and Adhesive segment (+10.7% YoY). The Plumbing division reported strong volume growth of 15% YoY while realisations decreased due to high volatility in PVC prices to Rs 189/kg. In Q3FY24, average realisations stood at Rs 189/kg (-6.8% YoY) and EBITDA stood stable at Rs 31/kg (-7.9% QoQ) which includes losses of Rs 4 Cr in the Sanitaryware and Faucets segments. The company's full-year volume growth guidance has been increased to +20% YoY (vs. 15% YoY earlier). The company reported volume growth of 13.5% CAGR over FY20-23, which is above industry growth. The Adhesive and Paint segment grew 10.7% YoY due to the addition of paint business in this segment.

The company's gross margins increased by 586bps YoY despite volatile PVC prices at around Rs 76/kg. The EBITDA margins improved by 27bps YoY to 15% due to 1) Inventory loss of Rs 20 Cr, 2) Jaipur Event expenses of Rs 11 Cr, and 3) EBITDA loss of -2.5% in UK operations. The reported PAT of Rs 113 Cr increased by 19.4% on a YoY basis.

Outlook: The management guided 15% consolidated revenue growth for the next 5 years. Pipes volume growth to be ~20%+ (vs. industry growth of 10%-15%) in FY24E due to 1) A shift from an unorganised to an organised market, 2) Launch of newly-added products, 3) Geographical expansion, and, 4) Decentralisation of manufacturing (strong moat).

Key Financials (Consolidated)

(Rs Cr)	Q3FY24	QoQ (%)	YoY (%)	Axis Est.	Variance %
Net Sales	1,370	0.5	8.1	1350	1.5%
EBITDA	205	-6.8	10.0	238	-13.8%
EBITDA Margin	15.0%	-118	27	17.6%	-
Net Profit	113	-14.0	19.4	140	-19.1%
EPS (Rs)	4.2	-14.0	19.4	5.2	-19.1%

Source: Company, Axis Research

(CMP as of 30 Jan 2024)

CMP (Rs)	1,878
Upside /Downside (%)	6.5%
High/Low (Rs)	2,058/1,297
Market cap (Cr)	50,322
Avg. daily vol. (6m) Shrs.	1,10,000
No. of shares (Cr)	26.9

Shareholding (%)

	Jun-23	Sep-23	Dec-23
Promoter	55.9	55.9	55.9
FII's	14.9	13.9	15.7
MFs / UTI	8.7	8.7	8.8
Others	0.1	0.1	0.0

Financial & Valuations

Y/E Mar (Rs)	FY24E	FY25E	FY26E
Net Sales	5,842	6,841	8,153
EBITDA	946	1,204	1,451
Net Profit	615	820	1,000
EPS (Rs)	22.9	30.5	37.2
PER (x)	82.1	61.6	50.5
P/BV (x)	52.5	40.8	33.3
EV/EBITDA (x)	14.3	11.8	9.6
ROE (%)	17.5	19.1	19.1

Change in Estimates (%)

Y/E Mar (Rs Cr)	FY24E	FY25E	FY26E
Net Sales	-7.0%	-6.7%	-
EBITDA	-6.9%	-6.7%	-
Net Profit	-9.3%	-7.2%	-

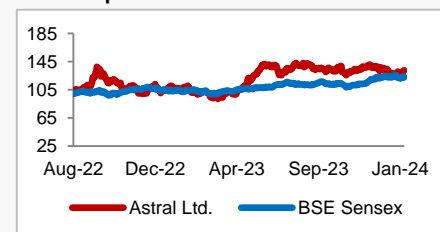
ESG disclosure Score**

Environmental Disclosure	30.4
Social Disclosure Score	38.6
Governance Disclosure Score	84.9
Total ESG Disclosure Score	51.3
Sector Average	40.5

Source: Bloomberg, Scale: 0.1-100

**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2023 disclosures

Relative performance



Source: Capitaline, Axis Securities

Ankush Mahajan

Research Analyst

Email: ankush.mahajan@axissecurities.in

Key Highlights

- In the Plastic segment, the company reported volume growth of 15 % YoY which was above the industry (Plumbing) growth, indicating that Astral (95% revenue in plumbing) gained market share in the plumbing.
- The Capex phase for Astral has almost peaked and is well-placed to fulfil upcoming demand as current capacity utilisations are 60%.
- In the Plumbing business, Astral is continuously gaining market share as compared to peers based on strong brand equity, superior products, and relations with plumbers.

Key Risks to our Estimates and TP

- The slowdown in housing demand in the country
- An increase in Interest rates could impact housing demand in the longer term
- An increase in raw material prices could impact the profitability of the company.

Change in Estimates

	New			Old			% Change		
	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
Sales	-	5,842	6,841	-	6,281	7,329	-	-7.0%	-6.7%
EBITDA	-	946	1,204	-	1,017	1,290	-	-6.9%	-6.7%
PAT	-	615	820	-	678	884	-	-9.3%	-7.2%

Source: Company, Axis Securities

Results Review

Particulars (INR Crore)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY (%)	QoQ (%)
Net Sales	1,268	1,506	1,283	1,363	1,370	8.1	0.5
Growth (YoY%)	15.4%	8.3%	5.8%	16.3%	8.1%		
Total Expenditure	1,081	1,197	1,082	1,143	1,165	7.7	1.9
Raw Material Consumed	854	928	805	833	843	-1.3	1.2
% of sales	67.3%	61.6%	62.7%	61.1%	61.5%		
Gross margins (%)	32.7%	38.4%	37.3%	38.9%	38.5%	586	-39
Employee Expenses	80	86	100	105	114	42.4	8.4
% of sales	6.3%	5.7%	7.8%	7.7%	8.3%		
Other Expenses	148	183	177	205	209	41.4	1.8
% of sales	11.6%	12.1%	13.8%	15.0%	15.2%		
EBITDA	186	309	202	220	205	10.0	-6.8
EBITDAM (%)	14.7%	20.5%	15.7%	16.1%	15.0%	27	-118
Interest	9	3	6	8	8		
Depreciation	46	45	46	49	50	10.1	2.9
Other Income	-2	12	12	13	6		
PBT	130	273	162	177	154	18.8	-13.0
Tax	35	65	42	45	41		
Tax (%)	26.7%	23.9%	26.2%	25.5%	26.4%		
Reported PAT	95	208	119	132	113	19.4	-14.0
Associate Profit	0	-2	0	0	0		
PAT after EoI	95	206	119	132	113	19.4	-14.0

Source: Company, Axis Securities

Revenue Breakup

(Rs Cr)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)
Plastic	932	1,124	938	980	998	7.1	1.8
Adhesives	336	383	345	383	372	10.7	-2.7

Source: Company, Axis Securities

Financials (consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY23	FY24E	FY25E	FY26E
Net Sales	5,159	5,842	6,841	8,153
Growth (%)	17.4%	13.3%	17.1%	19.2%
Total Expenditure	4,349	4,896	5,637	6,702
Raw Material Consumed	3,362	3,622	4,241	5,055
Gross margins (%)	33.4%	38.0%	38.0%	38.0%
Employee Expenses	319	444	506	587
% of sales	6.2%	7.6%	7.4%	7.2%
Other Expenses	595	830	889	1,060
% of sales	11.5%	14.2%	13.0%	13.0%
EBIDTA	810	946	1,204	1,451
EBITDAM (%)	15.7%	16.2%	17.6%	17.8%
Depreciation	178	159	176	192
% of GB	7.0%	6.5%	6.5%	6.5%
EBIT	632	787	1,028	1,260
EBITM (%)	12.2%	13.5%	15.0%	15.4%
Interest	40	10	10	10
Other Income	25	40	58	62
Share of P/L of Associates	-2	3	8	11
PBT	615	820	1,085	1,323
Tax Rate (%)	25.3%	25.0%	24.4%	24.4%
Tax	156	205	265	323
Reported PAT	460	615	820	1,000

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March	FY23	FY24E	FY25E	FY26E
Share Capital	27	27	27	27
Reserves & Surplus	2,932	3,497	4,267	5,217
Net Worth	2,959	3,524	4,294	5,244
Total Loan funds	87	75	75	75
Deferred Tax Liability	41	40	40	40
Long Term Provisions	3	3	3	3
Other Long Term Liability	0	0	0	0
Capital Employed	4,373	4,847	5,823	7,043
Gross Block	2,151	2,451	2,701	2,951
Less: Depreciation	758	917	1,093	1,285
Net Block	1,392	1,533	1,607	1,666
Investments	0	0	0	0
Sundry Debtors	355	400	469	558
Cash & Bank Bal	682	888	1,501	2,285
Loans & Advances	0	0	0	0
Inventory	875	992	1,162	1,385
Other Current Assets	337	292	342	408
Total Current Assets	1,333	1,255	1,461	1,732
CurrLiab&Prov	2,249	2,573	3,474	4,637
Net Current Assets	915	1,318	2,013	2,905
Total Assets	4,373	4,847	5,822	7,043

Source: Company, Axis Securities

Cash Flow
(Rs Cr)

Y/E March	FY23	FY24E	FY25E	FY26E
PBT	615	820	1,085	1,323
Add: Depreciation	178	159	176	192
Add: Interest	40	10	10	10
Cash flow from operations	833	989	1,270	1,524
Change in working capital	87	206	82	108
Taxes	156	205	265	323
Net cash from operations	604	578	923	1,094
Capital expenditure	(636)	(300)	(250)	(250)
Net cash from investing	(636)	(300)	(250)	(250)
Increase/Decrease in debt	(11)	(12)	0	0
Dividends	(60)	(50)	(50)	(50)
Proceedings from equity	7	0	0	0
Interest	(40)	(10)	(10)	(10)
Others	177	(1)	(0)	(0)
Net cash from financing	72	(72)	(60)	(60)
Net Inc./(Dec.) in Cash	40	206	613	784
Opening cash balance	642	682	888	1,501
Closing cash balance	682	888	1,501	2,285

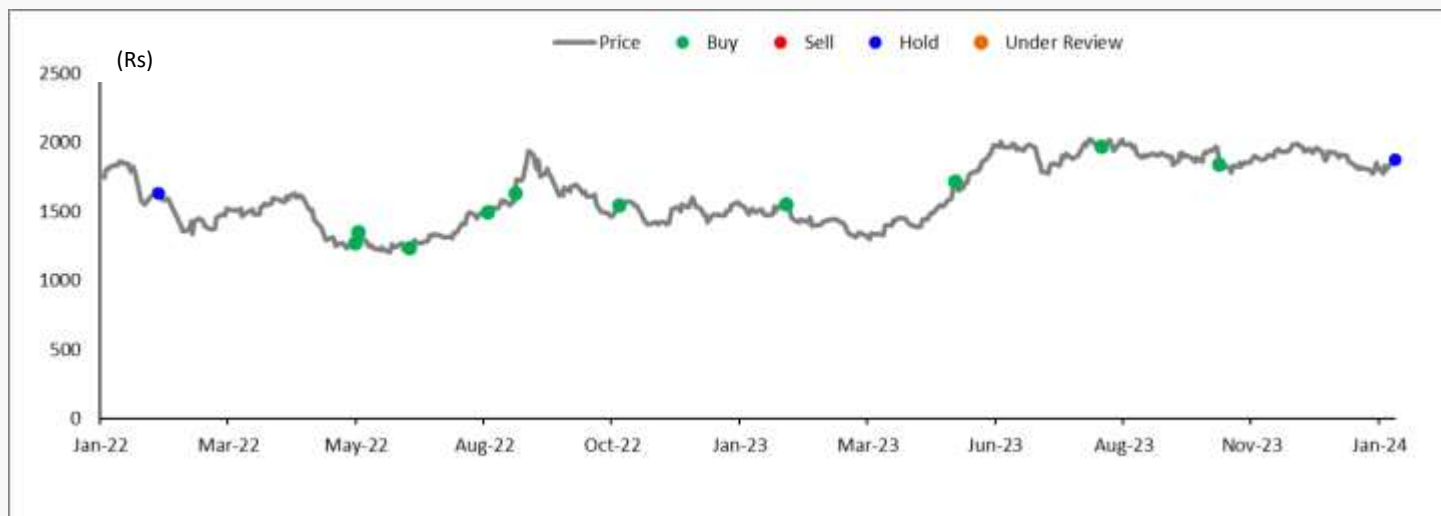
Source: Company, Axis Securities

Ratio Analysis
(%)

Y/E March	FY23	FY24E	FY25E	FY26E
Sales growth	17.4	13.3	17.1	19.2
OPM	15.7	16.2	17.6	17.8
Oper. profit growth	7.2	16.9	27.2	20.5
COGS / Net sales	66.6	62.0	62.0	62.0
Overheads/Net sales	17.7	21.8	20.4	20.2
Depreciation / G. block	7.0	6.5	6.5	6.5
Effective interest rate	25.3	25.0	24.4	24.4
Net wkg.cap / Net sales	0.1	0.1	0.1	0.1
Net sales / Gr block (x)	2.4	2.4	2.5	2.8
RoCE	25.2	29.2	36.0	41.7
Debt / equity (x)	0.0	0.0	0.0	0.0
Effective tax rate	25.3	25.0	24.4	24.4
RoE	16.0	17.5	19.1	19.1
Payout ratio (Div/INP)	224.2	185.9	185.9	185.9
EPS (Rs.)	17.6	22.9	30.5	37.2
EPS Growth	(3.7)	30.2	33.3	22.0
CEPS (Rs.)	24.2	28.8	37.0	44.3
DPS (Rs.)	2.2	1.9	1.9	1.9

Source: Company, Axis Securities

Astral Ltd Price Chart and Recommendation History



Date	Reco	TP	Research
30-May-22	BUY	1,403	Result Update
01-Jun-22	BUY	1,425	Top Picks
30-May-22	BUY	1,403	Result Update
01-Jun-22	BUY	1,425	Top Picks
01-Jul-22	BUY	1,425	Top Picks
16-Aug-22	BUY	1,669	Result Update
01-Sep-22	BUY	1,725	Top Picks
01-Oct-22	BUY	1,875	Top Picks
01-Nov-22	BUY	1,875	Top Picks
07-Feb-23	BUY	1,725	Result Update
17-May-23	BUY	1,870	Result Update
14-Aug-23	BUY	2,165	Result Update
20-Oct-23	BUY	2,150	Result Update
31-Jan-24	HOLD	2,000	Result Update

Source: Axis Securities

About the analyst



Analyst: Ankush Mahajan

Contact Details: ankush.mahajan@axissecures.in

Sector: Midcaps/ Pharma Sector

Analyst Bio: Ankush Mahajan is MBA (Finance) from SMVDU with over 12 years of research experience in the Midcaps/ Pharma Sector

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