

12 September 2024

India | Equity Research | Company Update

Astral

Plastic

Demand trend to improve in H2FY25

We interacted with Astral Ltd (Astral's) management. Key highlights: 1) Demand in pipe market was muted in Jul–Aug'24 due to volatility in PVC prices. However, now, with PVC prices having stabilised and ADD on CPVC announced, an uptick in demand is envisaged Sep'24 onwards. Thus, overall, Q2 volume growth should be in high single-digit to low double-digit. Management expects H2FY25 to ameliorate notably and maintains guidance of >15% YoY pipe volume growth for FY25. 2) Q2 pipe margins may see a slight dent due to PVC prices falling sharply in Q2FY25–TD; however, for full the year, Astral believes 16–18% margin, as guided, is achievable. 3) Adhesives business is growing steadily and on track to achieve 15–20% revenue growth for FY25. 4) Margins in adhesives should improve QoQ due to benign RM prices and some improvement seen in its UK subsidiary. Maintain **HOLD**; Jun'25E TP of INR 1,956 unchanged.

Pipe volume to improve in H2FY25

As per management, the demand for pipes remained tepid in Jul–Aug'24 due to volatility in PVC prices. However, management indicated that volume growth, Sep'24 onwards, should pick-up as PVC prices have stabilised at lower levels, and ADD on CPVC from China/Korea has also been extended by five years to Aug'29, which could result in higher prices ahead. Channel de-stocking, which was seen due to falling resin prices, should now stabilise and result in normalised growth. Astral expects high single-digit to low double-digit volume growth in Q2FY25 and maintains its guidance of >15% YoY pipe volume growth in FY25 (with better H2FY25 growth). Telangana plant (30,000 MT pipe capacity) was commissioned in Aug'24; volume ramp-up from here should be seen from Q3FY25 – should aid overall growth. Adhesives segment is steady and on track to achieve guided revenue growth of 15–20% in FY25.

Margins to remain steady in pipes and adhesives for FY25

Management notes, Q2 pipe margins may see a marginal impact given the sharp fall in PVC resin prices in Jul–Aug'24. However, margins shall normalise Q3FY25 onwards, as PVC resin prices have stabilised at lower levels; thus, will see no material inventory losses. Also, with ADD on CPVC from Korea and China announced, CPVC prices may rise further; thus, inventory losses will not be seen. Management believes, 16–18% margins in the pipe segment is sustainable. Adhesives margins shall be ~14–15%, as raw material prices remain benign and its UK subsidiary's issues are getting resolved.

Financial Summary

Y/E March (INR mn)	FY24A	FY25E	FY26E	FY27E
Net Revenue	56,414	66,844	77,762	89,302
EBITDA	9,247	11,473	13,557	15,645
EBITDA %	16.4	17.2	17.4	17.5
Net Profit	5,444	7,099	8,671	10,229
EPS (INR)	20.3	26.4	32.3	38.1
EPS % Chg YoY	22.1	30.4	22.1	18.0
P/E (x)	94.9	72.8	59.6	50.5
EV/EBITDA (x)	55.3	44.3	37.1	31.9
RoCE (%)	16.7	18.8	19.5	19.9
RoE (%)	18.5	20.4	21.2	21.8

Arun Baid

arun.baid@icicisecurities.com
+91 22 6807 7235

Sohil Kaura

sohil.kaura@icicisecurities.com

Market Data

Market Cap (INR)	517bn
Market Cap (USD)	6,151mn
Bloomberg Code	ASTRA IN
Reuters Code	ASTL BO
52-week Range (INR)	2,454 /1,739
Free Float (%)	46.0
ADTV-3M (mn) (USD)	14.8

Price Performance (%)	3m	6m	12m
Absolute	(12.4)	(8.5)	0.4
Relative to Sensex	(19.0)	(19.4)	(21.1)

Previous Reports

10-08-2024: [Q1FY25 results review](#)

22-05-2024: [Q4FY24 results review](#)

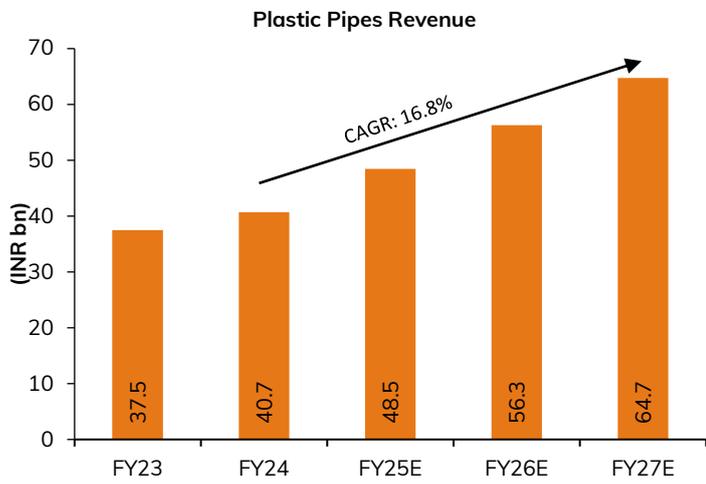
Bathware and paint segments progressing well

Paint segment ramp-up is as planned with early signs of good traction from geographies (Gujarat and Karnataka) where the products were launched in end-Q1FY25. Astral is on track to achieve guided revenue growth of 15–20% YoY in FY25 from this segment. Management indicated that the bathware segment is progressing as per plans too and they expect this segment to do revenues of INR 1bn–1.25bn in FY25 (vs. INR 761mn in FY24).

Valuation and view

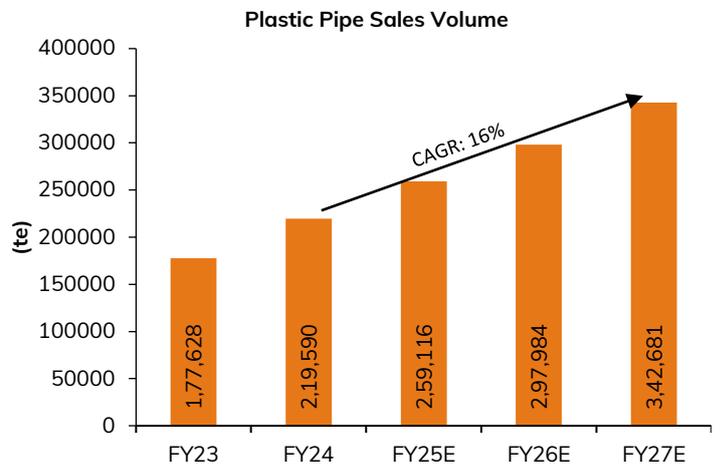
We continue to like Astral for its strong brand, comprehensive product portfolio, wide distribution reach and robust balance sheet. However, we maintain our **HOLD** rating on the stock due to its limited upside, and await a better entry point. Our estimates and Jun'25E target price of INR 1,956 remain unchanged.

Exhibit 1: Plastic pipe revenue CAGR of 16.8% expected over FY24-FY27E



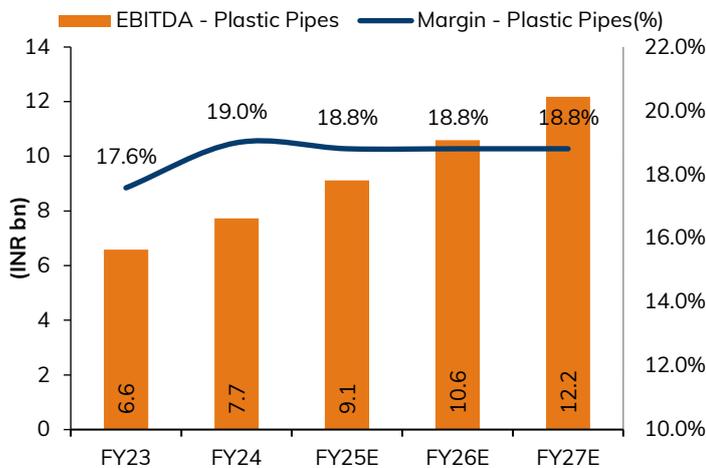
Source: I-Sec research, Company data

Exhibit 2: Plastic pipe volumes likely to witness 16% CAGR over FY24-FY27E



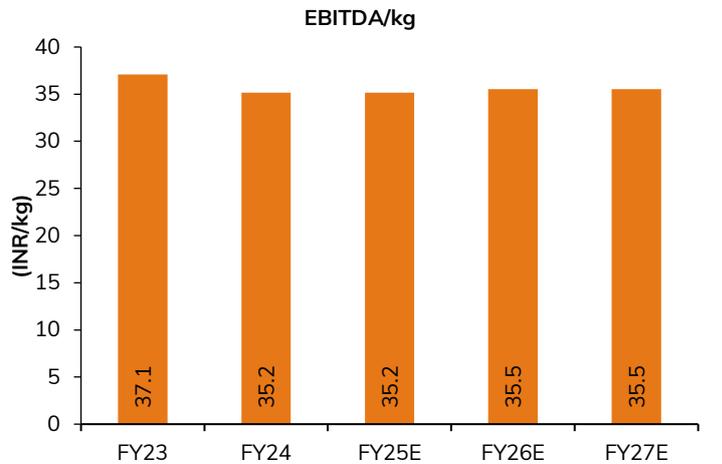
Source: I-Sec research, Company data

Exhibit 3: Plastic pipe EBITDA margin to remain healthy over FY24-FY27E



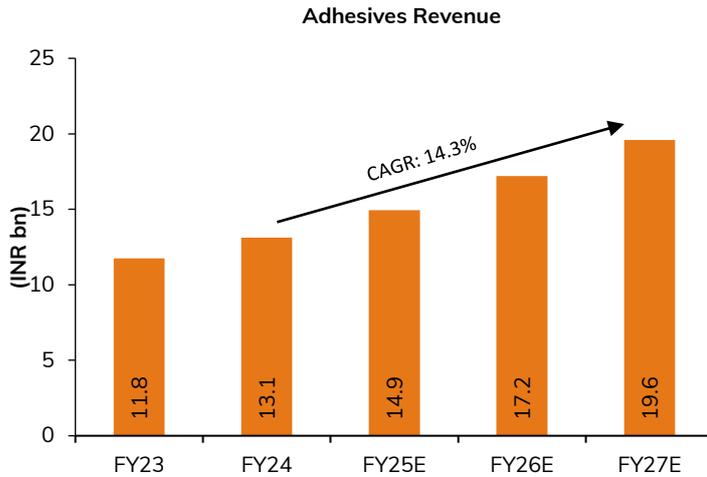
Source: I-Sec research, Company data

Exhibit 4: Plastic pipe EBITDA/kg to remain stable



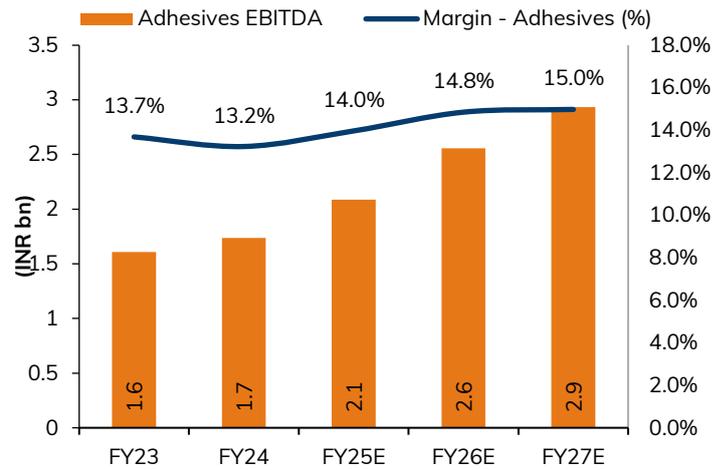
Source: I-Sec research, Company data

Exhibit 5: Adhesives to witness revenue CAGR of 14.3% during FY24-FY27E



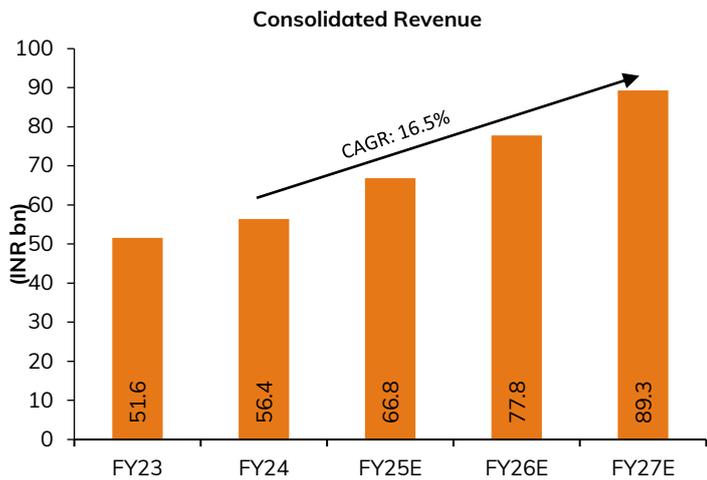
Source: I-Sec research, Company data

Exhibit 6: Adhesives EBITDA margin to improve 180bps over FY24-FY27E



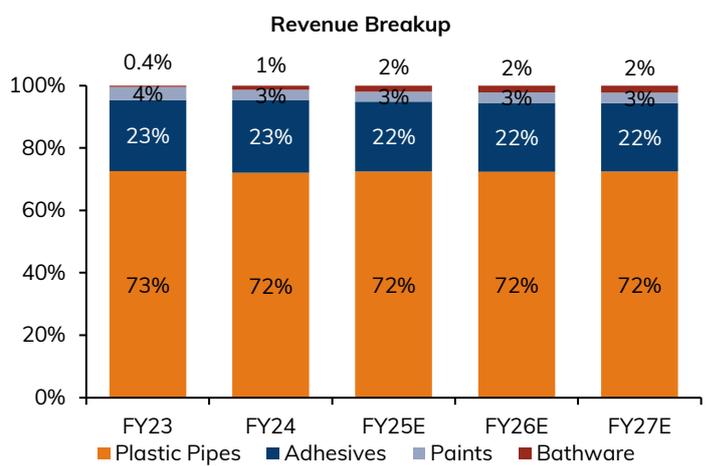
Source: I-Sec research, Company data

Exhibit 7: Consolidated revenue CAGR of 16.5% estimated for FY24-FY27E



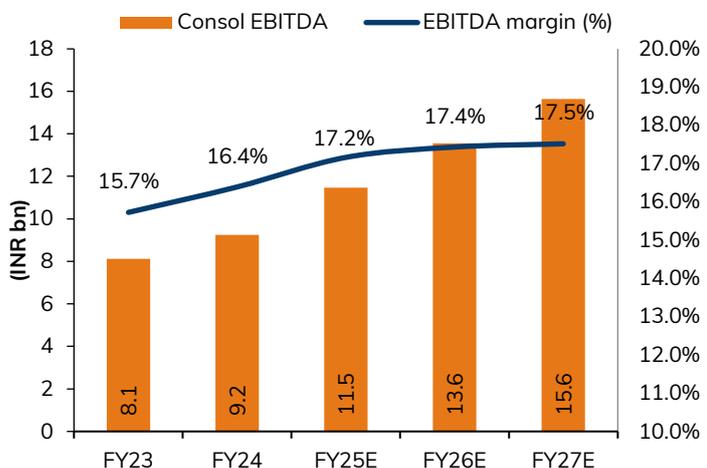
Source: I-Sec research, Company data

Exhibit 8: Pipes will continue to be the dominant contributor to revenues



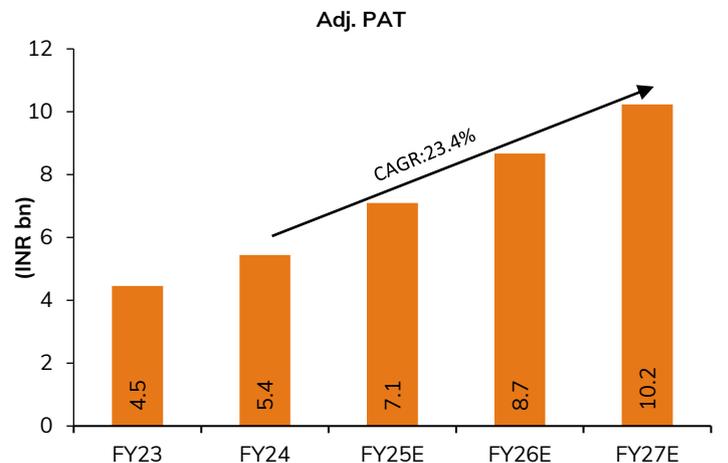
Source: I-Sec research, Company data

Exhibit 9: Consolidated EBITDA margin (%) to stay robust



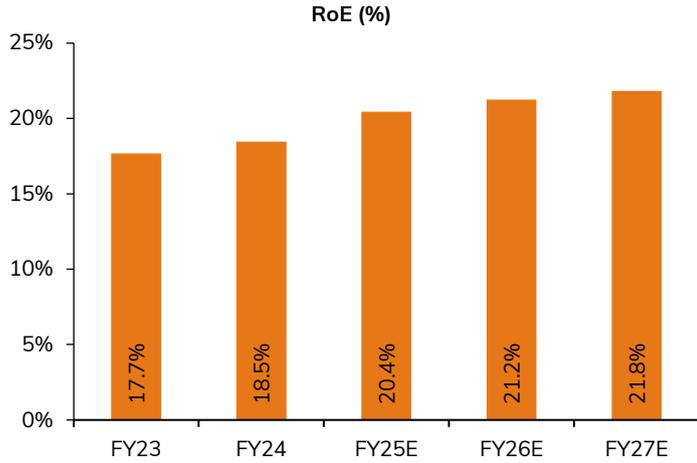
Source: I-Sec research, Company data

Exhibit 10: APAT CAGR of 23.4% expected over FY23-FY26E



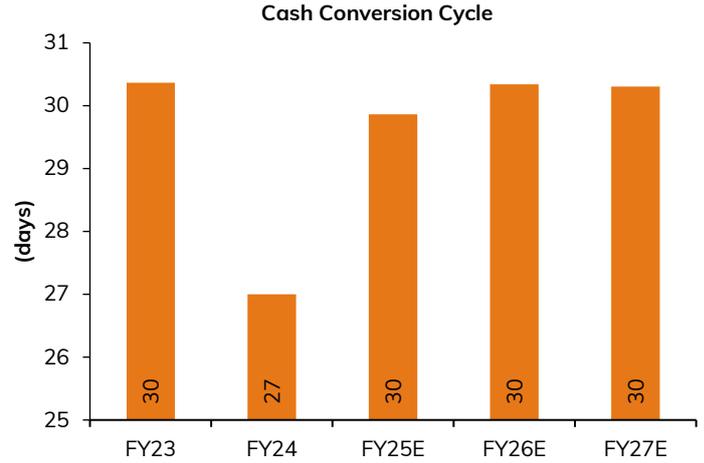
Source: I-Sec research, Company data

Exhibit 11: RoE is expected to stay robust



Source: I-Sec research, Company data

Exhibit 12: Cash conversion cycle likely to remain stable



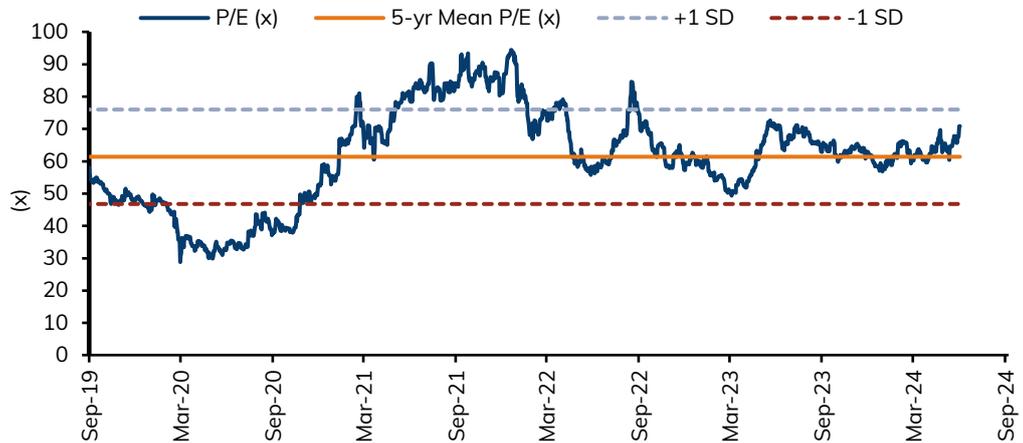
Source: I-Sec research, Company data

Valuation

Astral is among the leading players in India’s CPVC/PVC plumbing pipe market. It has a wide-ranging product portfolio, robust brand and large distribution reach, which will likely enable it to benefit from the growing preference for organised players. Its adhesives business further boosts growth prospects.

Astral is expected to deliver revenue and EBITDA CAGRs of 16.5% and 19.2% respectively over FY24-FY27E, with strong return ratios (RoE of 21.2% in FY26E). Maintain **HOLD** with an unchanged Jun’25E target price of INR 1,956, set at 58x 1-year forward P/E.

Exhibit 13: One-year forward P/E band



Source: I-Sec research, Company data

Key downside risks

- Slowdown in housing market causing lower demand.
- Sharp fall in PVC prices, which may adversely impact profitability of pipe segment due to inventory losses.
- High increase in prices of raw materials for adhesives could impact segmental profitability and demand.
- Failure to scale-up the new businesses of sanitaryware, faucetware and paints.
- Inability to properly merge the paint company acquisition.

Key upside risks

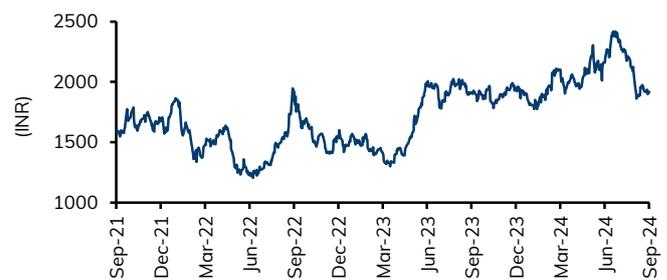
- Surge in PVC prices, which could result in better-than-expected profitability for plastic pipes.
- Better-than-expected pick-up in the demand scenario.

Exhibit 14: Shareholding pattern

%	Dec'23	Mar'24	Jun'24
Promoters	54.1	54.1	54.1
Institutional investors	33.5	34.1	33.9
MFs and others	8.4	7.9	8.0
FIs/Banks	0.1	0.0	0.5
Insurance	3.4	3.1	2.9
FIIIs	21.6	23.1	22.5
Others	12.4	11.8	12.0

Source: Bloomberg

Exhibit 15: Price chart



Source: Bloomberg

Financial Summary

Exhibit 16: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Net Sales	56,414	66,844	77,762	89,302
Operating Expenses	47,167	55,371	64,205	73,657
EBITDA	9,247	11,473	13,557	15,645
EBITDA Margin (%)	16.4	17.2	17.4	17.5
Depreciation & Amortization	1,976	2,242	2,488	2,754
EBIT	7,271	9,232	11,070	12,891
Interest expenditure	291	223	70	45
Other Non-operating Income	333	524	644	890
Recurring PBT	7,313	9,533	11,643	13,736
Less: Taxes	(1,880)	(2,440)	(2,981)	(3,516)
PAT	5,433	7,093	8,663	10,220
Profit / (Loss) from Associates	-	-	-	-
Less: Minority Interest	5	7	8	9
Extraordinaries (Net)	23	-	-	-
Net Income (Reported)	5,461	7,099	8,671	10,229
Net Income (Adjusted)	5,444	7,099	8,671	10,229

Source Company data, I-Sec research

Exhibit 17: Balance sheet

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Assets				
Inventories	9,134	10,771	12,489	14,328
Cash & cash eqv.	6,096	8,940	13,905	17,909
Sundry Debtors	3,758	4,395	5,113	5,872
Other Current Assets	1,470	1,831	2,130	2,447
Trade payables	8,719	9,697	11,139	12,786
Other Current Liabilities	1,921	2,322	2,699	3,098
Net Current Assets	9,818	13,918	19,801	24,671
Investments	-	-	-	-
Net Fixed Assets	19,152	19,910	20,423	21,169
Other Non Current Assets	5,348	5,348	5,348	5,348
Total Assets	34,318	39,177	45,572	51,188
Liabilities				
Borrowings	964	150	50	50
Other Non Current Liabilities	669	669	669	669
Total Liabilities	1,633	819	719	719
Equity Share Capital	269	269	269	269
Reserves & Surplus	31,612	37,291	43,794	49,420
Total Net Worth	31,881	37,560	44,063	49,689
Minority Interest	804	797	790	780
Total Liabilities & Net Worth	34,318	39,177	45,572	51,188

Source Company data, I-Sec research

Exhibit 18: Quarterly trend

(INR mn, year ending March)

	Sep-23	Dec-23	Mar-24	Jun-24
Net Sales	13,630	13,702	16,251	13,836
% growth (YoY)	16.3	8.1	7.9	7.8
EBITDA	2,201	2,051	2,915	2,144
Margin %	16.1	15.0	17.9	15.5
Other Income	134	64	102	119
Extraordinaries	-21	-6	-4	1
Adjusted Net Profit	1,328	1,139	1,820	1,203

Source Company data, I-Sec research

Exhibit 19: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Operating Cashflow	3,396	8,071	10,225	12,097
Working Capital Changes	(2,503)	(1,257)	(917)	(867)
Capital Commitments	(3,701)	(3,000)	(3,000)	(3,500)
Free Cashflow	(305)	5,071	7,225	8,597
Other investing cashflow	-	-	-	-
Cashflow from Investing Activities	(3,701)	(3,000)	(3,000)	(3,500)
Issue of Share Capital	-	-	-	-
Inc (Dec) in Borrowings	191	(814)	(100)	-
Dividend paid	(1,011)	(1,420)	(2,168)	(4,603)
Others	400	7	8	9
Cash flow from Financing Activities	(420)	(2,227)	(2,260)	(4,594)
Chg. in Cash & Bank balance	(725)	2,844	4,966	4,004
Closing cash & balance	6,096	8,940	13,905	17,909

Source Company data, I-Sec research

Exhibit 20: Key ratios

(Year ending March)

	FY24A	FY25E	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	20.3	26.4	32.3	38.1
Adjusted EPS (Diluted)	20.3	26.4	32.3	38.1
Cash EPS	27.6	34.8	41.5	48.3
Dividend per share (DPS)	3.8	5.3	8.1	17.1
Book Value per share (BV)	118.7	139.8	164.0	185.0
Dividend Payout (%)	18.5	20.0	25.0	45.0
Growth (%)				
Net Sales	9.4	18.5	16.3	14.8
EBITDA	14.0	24.1	18.2	15.4
EPS (INR)	22.1	30.4	22.1	18.0
Valuation Ratios (x)				
P/E	94.9	72.8	59.6	50.5
P/CEPS	69.6	55.3	46.3	39.8
P/BV	16.2	13.8	11.7	10.4
EV / EBITDA	55.3	44.3	37.1	31.9
EV / Sales	9.1	7.6	6.5	5.6
Dividend Yield (%)	0.2	0.3	0.4	0.9
Operating Ratios				
Gross Profit Margins (%)	38.7	38.4	38.5	38.5
EBITDA Margins (%)	16.4	17.2	17.4	17.5
Effective Tax Rate (%)	25.7	25.6	25.6	25.6
Net Profit Margins (%)	9.6	10.6	11.2	11.5
NWC / Total Assets (%)	8.3	9.7	9.9	10.1
Net Debt / Equity (x)	(0.2)	(0.2)	(0.3)	(0.4)
Net Debt / EBITDA (x)	(0.6)	(0.8)	(1.0)	(1.1)
Profitability Ratios				
RoCE (%) (post-tax)	16.7	18.8	19.5	19.9
RoE (%)	18.5	20.4	21.2	21.8
Cash Conversion Cycle (on net sales)				
Inventory Days	59	59	59	59
Receivables Days	24	24	24	24
Payables Days	56	53	52	52

Source Company data, I-Sec research

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For any queries or grievances: Mr. Bhavesh Soni Email address: headservicequality@icicidirect.com Contact Number: 18601231122
