

HOLD
 TP: Rs 2,200 | ▲ 8%

ASTRAL

| Building Materials

| 09 August 2024

Weak quarter; guidance downgrade across segment

- Strong pipe volume growth of 16.4% YoY in Q1FY25, but still lags closest peer SI for the tenth straight quarter
- Revenue and margin guidance downgrade across segments; capex cost raised again with no major change in capex plan for FY25
- Maintain HOLD on expensive valuations (trades at 76.5x on 1Y forward P/E vs 5Y average of 71.2x) with unchanged TP of Rs 2,200

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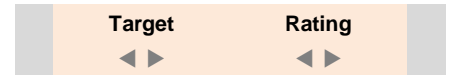
Weak quarter: ASTRA’s Q1FY25 result came below our estimates (Revenue: -5.2%; EBITDA: -10.3%; APAT: -13.7%) due to lower-than-expected pipe volume (+16.4% YoY vs 20.0% estimated) and continued weak performance of SEAL IT and the paints business. Overall, ASTRA’s revenue/EBITDA grew at a muted pace of 7.8%/6.3% YoY and APAT was flat (+0.4% YoY) due to sharp rise in capital charge.

Key highlights: ASTRA reported strong pipe volume growth of 16.4% YoY (5Y CAGR: +12.0%) in Q1FY25, but plumbing segment EBITDA grew at a modest pace of 11.8% YoY in Q1FY25 due to contraction in pipe EBITDA per unit (-4.4% YoY to Rs 31.0/kg). ASTRA’s pipe volume growth lagged its major listed peer SI (+19.5% YoY) for the tenth consecutive quarter. Resinova’s EBITDA grew by 14.8% YoY in Q1FY25 driven by higher revenue (+13.8%) along with slight improvement in EBITDA margin (+15bps YoY to 16.5%). The company’s SEAL IT and paints business also posted weak performance for the sixth consecutive quarter.

Guidance downgrade: ASTRA has revised down its guidance for all its segments for FY25 – pipes volume to grow at 15%+ (15-20% earlier) with EBITDA margin of 16-18%; Resinova revenue to grow at 15-20% YoY (20% earlier) with EBITDA margin of 14-16%; SEAL IT revenue to grow at 8-10% rate with EBITDA margin of 8% (10% earlier); bathware revenue to be Rs 1.0bn-1.25 bn (Rs 1.25bn-1.50bn earlier); paint division to register healthy growth from Q3FY25 (earlier growth expectation of 62%-73% YoY for FY25). The company once again raised its capex guidance (from Rs 3.0bn to Rs 3.5bn for FY25) without any major change in the capex programme.

Maintain HOLD with unchanged TP of Rs 2,200: We expect ASTRA’s EPS to grow at a strong 22% CAGR over FY24-FY27E. However, we maintain our HOLD rating on the stock due to expensive valuations (trades at 76.5x on 1Y forward P/E vs 5Y average of 71.2x). We have lowered our EPS estimates (-4.9%/-4.7% for FY25E/FY26E) based on the weak Q1FY25 result, but have kept our TP unchanged at Rs 2,200 as we roll forward our valuations from Mar’26 to Jun’26. Our target P/E remains unchanged at 70x.

Key changes



Ticker/Price	ASTRA IN/Rs 2,031
Market cap	US\$ 6.5bn
Free float	44%
3M ADV	US\$ 16.5mn
52wk high/low	Rs 2,454/Rs 1,740
Promoter/FPI/DII	54%/22%/12%

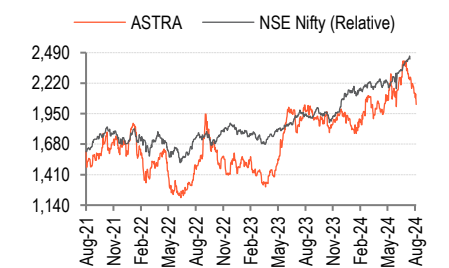
Source: NSE | Price as of 9 Aug 2024

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	56,414	65,035	78,095
EBITDA (Rs mn)	9,247	11,002	13,394
Adj. net profit (Rs mn)	5,509	6,538	8,055
Adj. EPS (Rs)	20.5	24.3	29.9
Consensus EPS (Rs)	20.5	27.5	34.6
Adj. ROAE (%)	17.7	18.5	19.6
Adj. P/E (x)	99.2	83.6	67.8
EV/EBITDA (x)	59.7	50.2	41.3
Adj. EPS growth (%)	16.7	18.7	23.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly performance – Consolidated

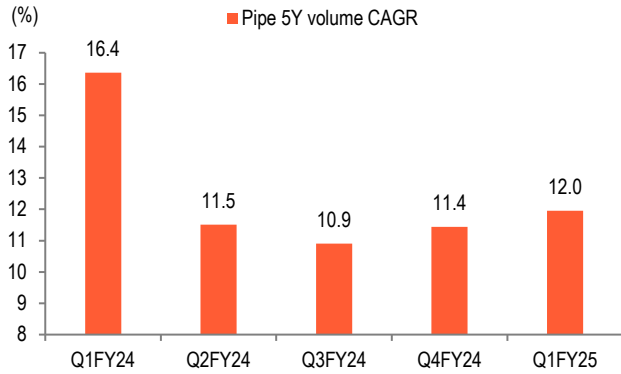
Particulars (Rs mn)	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
Total operating income	13,836	12,831	7.8	16,251	(14.9)
Raw-material expense	8,226	8,050	2.2	9,787	(15.9)
Gross profit	5,610	4,781	17.3	6,464	(13.2)
Employee expense	1,267	996	27.2	1,194	6.1
Other expense	2,199	1,769	24.3	2,355	(6.6)
EBITDA	2,144	2,016	6.3	2,915	(26.4)
D&A	556	463	20.1	525	5.9
EBIT	1,588	1,553	2.3	2,390	(33.6)
Interest cost	77	58	32.8	74	4.1
Interest income & others	120	121	(0.8)	97	23.7
PBT	1,631	1,616	0.9	2,413	(32.4)
Tax	436	423	3.1	600	(27.3)
Reported PAT	1,195	1,193	0.2	1,813	(34.1)
Adjusted PAT	1,203	1,198	0.4	1,819	(33.9)
As % of net revenues			(bps)		(bps)
Gross margin	40.5	37.3	329	39.8	77
Employee cost	9.2	7.8	139	7.3	181
Other cost	15.9	13.8	211	14.5	140
EBITDA margin	15.5	15.7	(22)	17.9	(244)
Tax rate	26.7	26.2	56	24.9	187
APAT margin	8.7	9.3	(64)	11.2	(250)
Pipe Segment			YoY (%)		QoQ (%)
Sales volume (kt)	55.8	48.0	16.4	66.8	(16.5)
Realisation (Rs/kg)	176.9	192.8	(8.3)	179.7	(1.6)
EBITDA (Rs/kg)	31.0	32.4	(4.4)	36.4	(15.0)
Paints & Adhesives					
Revenue (Rs mn)	3704	3448	7.4	3999	(7.4)
EBITDA (Rs mn)	446	497	(10.3)	510	(12.5)
EBITDA margin (%)	12.0	14.4	(237bps)	12.8	(71bps)

Source: Company, BOBCAPS Research

Earnings call highlights

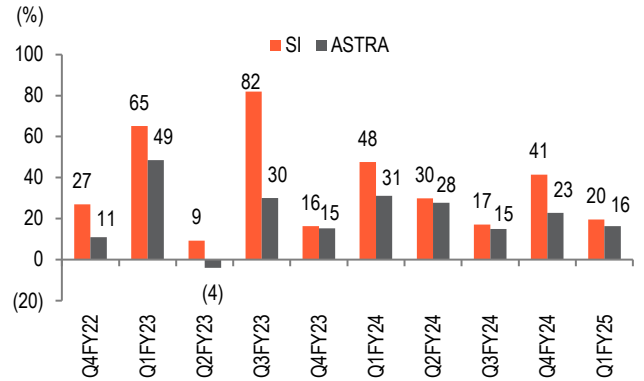
- **Pipes:** Volume grew by 16.4% YoY (5Y CAGR: +12.0%) in Q1FY25. Segment EBITDA grew by 11.8% YoY in Q1FY25 due to margin expansion (+77bps YoY to 17.2%). Pipe EBITDA per unit was down 4.4% YoY to Rs 31.0/kg in Q1FY25, driven by lower realisation (-8.3%) on account of the steep decline in polymer prices. Going ahead, the company expects its pipes volume to grow at 15%+ (15-20% earlier) with EBITDA margin of 16-18% for FY25.
- **Resinova:** EBITDA grew by 14.8% YoY in Q1FY25, driven by higher revenue (+13.8%) along with a slight improvement in EBITDA margin (+15bps YoY to 16.5%). Going ahead, the company expects the division revenue to grow at 15-20% YoY (20% earlier) with EBITDA margin of 14-16% for FY25.
- **SEAL IT:** EBITDA degrew sharply by 89.4% YoY in Q1FY25, driven by lower revenue (-5.8%) as well as margin contraction (-801bps YoY to 1.0%). The company expects the division revenue to grow at 8-10% rate with EBITDA margin of 8% (10% earlier) for FY25.
- **Paints:** Revenue grew by 5.0% YoY in Q1FY25 even on a low base (-27.7% in Q1FY24). However, division EBITDA degrew by 38.2% YoY in Q1FY25 due to sharp margin contraction (-700bps YoY to 10.0%) from the higher brand and distribution spend related to the launch of its product in the Gujarat and Karnataka markets. Management expects this division to start clocking healthy growth from Q3FY25.
- **Bathware:** The division revenue grew by 88% YoY in Q1FY25 on a low base. For FY25, the company expects the division revenue to be around Rs 1.0bn-1.25 bn (Rs 1.25bn-1.50bn earlier).
- **Capex:** The company once again revised up its capex guidance to Rs 3.5bn (Rs 3.0bn earlier) for FY25.

Fig 2 – ASTRA posted strong pipe volume growth of 16.4% YoY and 5Y CAGR of 12.0% in Q1FY25...



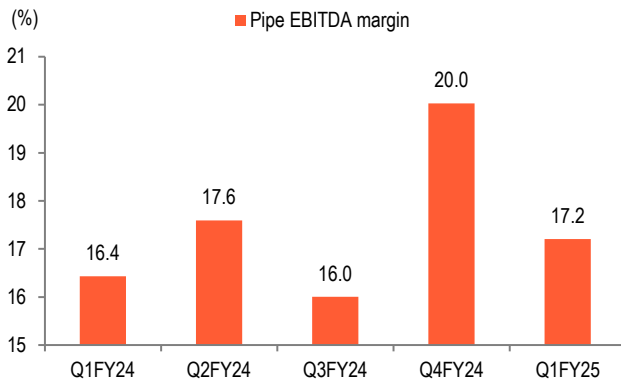
Source: Company, BOBCAPS Research

Fig 3 – ... but lagged its major listed peer SI for the tenth consecutive quarter



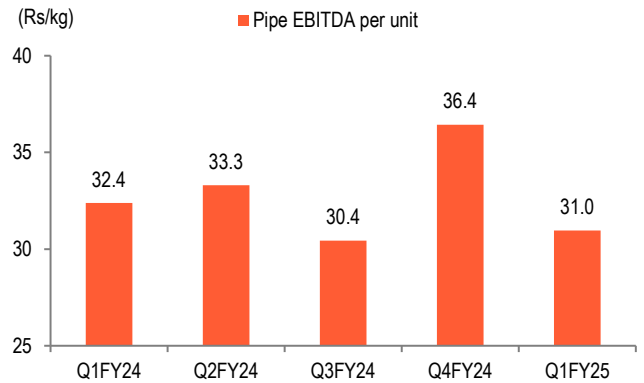
Source: Company, BOBCAPS Research | SI = Supreme Industries

Fig 4 – Pipe EBITDA margin improved by 77bps YoY to 17.2% in Q1FY25...



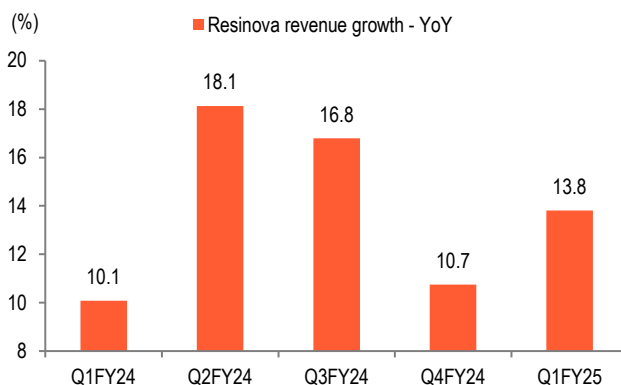
Source: Company, BOBCAPS Research

Fig 5 – ... but pipe EBITDA per unit fell by 4.4% YoY to Rs 31/kg in Q1FY25 due to lower polymer prices



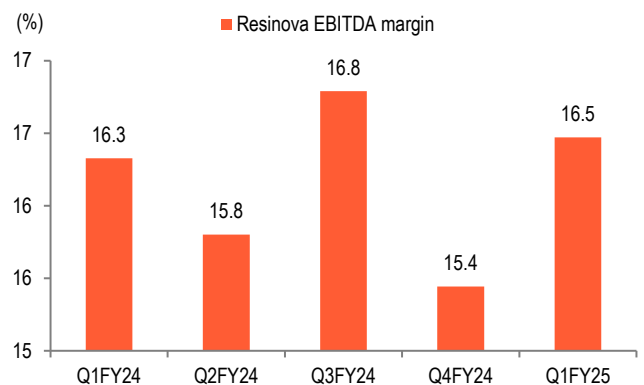
Source: Company, BOBCAPS Research

Fig 6 – Resinova revenue grew by 13.8% YoY in Q1FY25



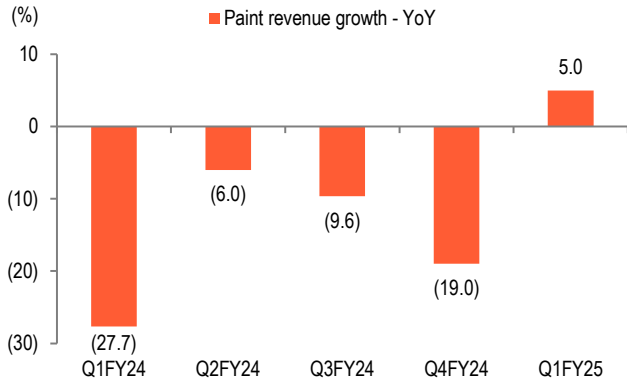
Source: Company, BOBCAPS Research

Fig 7 – Resinova EBITDAM up 15bps YoY in Q1FY25



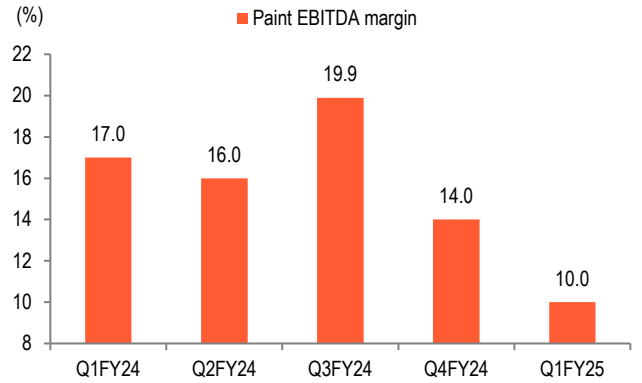
Source: Company, BOBCAPS Research

Fig 8 – Paint division revenue grew at a muted pace of 5.0% YoY in Q1FY25 even over a low base...



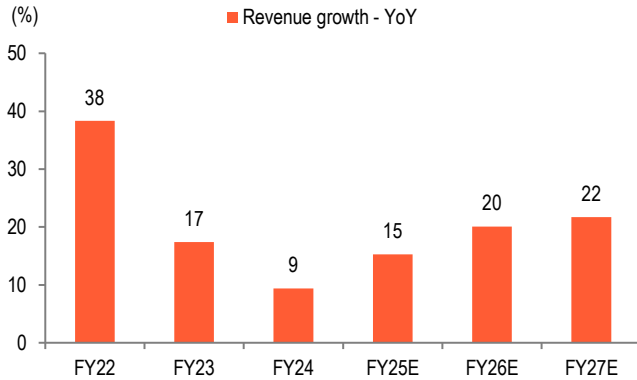
Source: Company, BOBCAPS Research

Fig 9 – ... and division EBITDA margin also came under pressure in Q4FY24



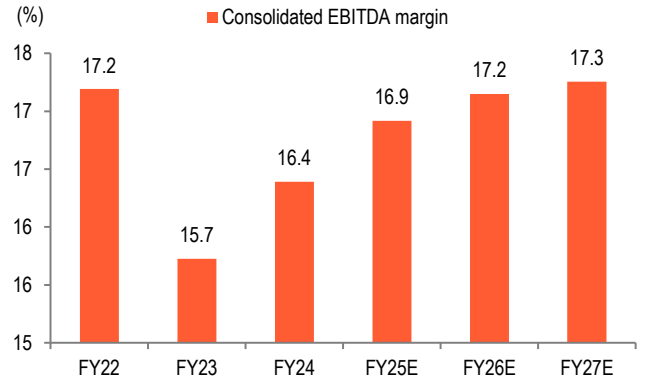
Source: Company, BOBCAPS Research

Fig 10 – ASTRA’s revenue is projected to grow at a healthy 19% CAGR over FY24-FY27E



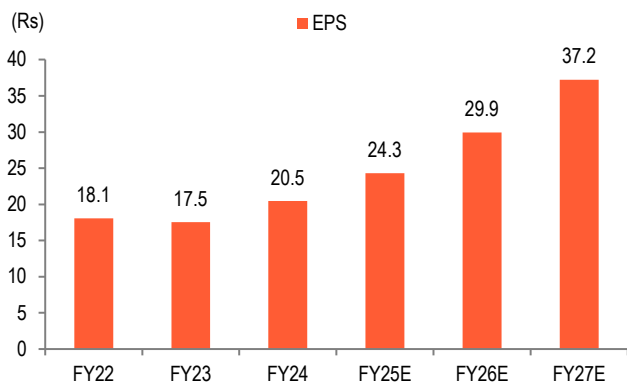
Source: Company, BOBCAPS Research

Fig 11 – Consolidated EBITDA margin is forecast to improve from 16.4% in FY24 to 17.3% in FY27E



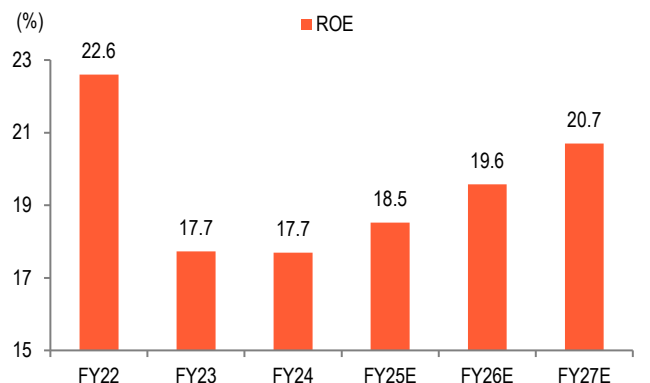
Source: Company, BOBCAPS Research

Fig 12 – EPS projected to grow sharply at 22% CAGR over FY24-FY27E



Source: Company, BOBCAPS Research

Fig 13 – ROE also likely to remain healthy over the medium term



Source: Company, BOBCAPS Research

Valuation methodology

We expect ASTRA's EPS to grow at a strong 22% CAGR over FY24-FY27E. However, we maintain our HOLD rating on the stock due to expensive valuations (trades at 76.5x on 1Y forward P/E vs 5Y average of 71.2x).

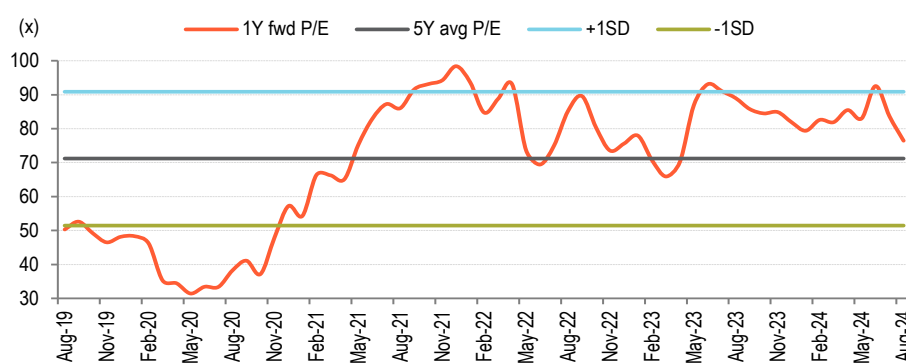
We have lowered our EPS estimates (-4.9%/-4.7% for FY25E/FY26E) based on the weak Q1FY25 result, but we have kept our TP changed at Rs 2,200 as we roll forward our valuations from Mar'26 to Jun'26. Our target P/E remains unchanged at 70x. We have introduced FY27 estimates.

Fig 14 – Revised estimates

Particulars	New		Old		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Consolidated (Rs bn)						
Revenue	65.0	78.1	66.2	80.0	(1.7)	(2.4)
EBITDA	11.0	13.4	11.5	14.0	(4.1)	(4.2)
EBITDA margin	16.9	17.2	17.4	17.5	(43bps)	(32bps)
EPS (Rs)	24.3	29.9	25.6	31.4	(4.9)	(4.7)

Source: BOBCAPS Research

Fig 15 – Trading at 76.5x on 1Y forward P/E vs 5Y average of 71.2x



Source: Bloomberg, BOBCAPS Research

Fig 16 – Key assumptions

(%)	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue mix						
Pipe	77	76	73	72	72	73
Adhesives	23	24	23	23	22	20
Paints	-	4	3	3	3	3
Bathware	-	0	1	2	3	3
Operating metrics						
Pipe volume growth	9	19	24	18	17	20
Adhesive revenue growth	36	14	12	12	14	14
Paints revenue growth	-	-	(14)	17	21	20
Bathware revenue growth	-	-	177	121	59	27
EBITDA margin						
Pipe	18.6	16.7	17.7	17.7	17.7	17.7
Adhesives	12.5	14.1	12.9	14.3	15.3	15.3
Paints	-	13.3	14.4	14.0	15.0	15.0
Bathware	-	(75.0)	(23.8)	(8.0)	(3.7)	0.3

Source: Company, BOBCAPS Research

Key risks

- Better-than-expected recovery in India’s real estate sector and a sharp turnaround in the company’s new paint and sanitaryware ventures would be key upside risks to our estimates.
- Market share loss in the pipe business would be a key downside risk.

Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Apollo Pipes	APOLP IN	0.3	584	650	HOLD
Astral	ASTRA IN	6.5	2,031	2,200	HOLD
Century Plyboards	CPBI IN	1.9	718	725	HOLD
Cera Sanitaryware	CRS IN	1.6	10,421	7,700	HOLD
Finolex Industries	FNXP IN	2.1	291	325	HOLD
Greenlam Industries	GRLM IN	0.9	578	560	HOLD
Greenpanel Industries	GREENP IN	0.5	365	365	HOLD
Greenply Industries	MTLM IN	0.6	377	400	HOLD
Hindware Home Innovation	HINDWARE IN	0.4	417	600	BUY
Kajaria Ceramics	KJC IN	2.7	1,448	1,450	HOLD
Prince Pipes & Fittings	PRINCP IN	0.8	595	750	BUY
Somany Ceramics	SOMC IN	0.4	730	900	BUY
Supreme Industries	SI IN	7.8	5,133	5,400	HOLD

Source: BOBCAPS Research, NSE | Price as of 9 Aug 2024

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Total revenue	51,585	56,414	65,035	78,095	95,069
EBITDA	8,112	9,247	11,002	13,394	16,405
Depreciation	1,781	1,976	2,399	2,797	3,195
EBIT	6,331	7,271	8,603	10,597	13,210
Net interest inc./(exp.)	(400)	(291)	(308)	(308)	(308)
Other inc./(exp.)	267	421	476	476	476
Exceptional items	13	64	0	0	0
EBT	6,185	7,337	8,771	10,765	13,378
Income taxes	1,557	1,880	2,233	2,709	3,367
Extraordinary items	(112)	0	0	0	0
Min. int./Inc. from assoc.	(44)	4	0	0	0
Reported net profit	4,696	5,461	6,538	8,055	10,011
Adjustments	23	48	0	0	0
Adjusted net profit	4,719	5,509	6,538	8,055	10,011

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Accounts payables	8,000	8,719	10,074	12,097	14,726
Other current liabilities	4,854	1,956	1,956	1,956	1,956
Provisions	26	8	9	11	14
Debt funds	773	964	0	0	0
Other liabilities	489	647	647	647	647
Equity capital	269	269	269	269	269
Reserves & surplus	26,843	31,612	36,842	43,287	51,295
Shareholders' fund	29,589	32,685	37,915	44,360	52,368
Total liab. and equities	43,731	44,979	50,602	59,071	69,711
Cash and cash eq.	6,821	6,096	7,355	10,189	14,480
Accounts receivables	3,545	3,758	4,332	5,202	6,333
Inventories	8,746	9,134	10,188	12,548	15,699
Other current assets	3,380	868	1,003	1,204	1,466
Investments	0	0	0	0	0
Net fixed assets	13,923	17,646	20,247	22,450	24,255
CWIP	1,261	1,506	1,506	1,506	1,506
Intangible assets	5,582	5,348	5,348	5,348	5,348
Deferred tax assets, net	110	131	131	131	131
Other assets	363	492	492	492	492
Total assets	43,731	44,979	50,602	59,071	69,711

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow from operations	5,780	7,167	8,362	9,278	11,125
Capital expenditures	(6,355)	(5,789)	(5,000)	(5,000)	(5,000)
Change in investments	0	0	0	0	0
Other investing cash flows	236	357	476	476	476
Cash flow from investing	(6,119)	(5,432)	(4,524)	(4,524)	(4,524)
Equities issued/Others	13	0	0	0	0
Debt raised/repaid	(78)	191	(964)	0	0
Interest expenses	(400)	(291)	(308)	(308)	(308)
Dividends paid	(942)	(1,009)	(1,308)	(1,611)	(2,002)
Other financing cash flows	2,149	(1,351)	0	0	0
Cash flow from financing	742	(2,460)	(2,580)	(1,919)	(2,310)
Chg in cash & cash eq.	403	(725)	1,259	2,835	4,291
Closing cash & cash eq.	6,821	6,096	7,355	10,189	14,480

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
Reported EPS	17.5	20.3	24.3	29.9	37.2
Adjusted EPS	17.5	20.5	24.3	29.9	37.2
Dividend per share	3.5	3.8	4.9	6.0	7.4
Book value per share	100.8	118.5	138.0	161.9	191.7

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
EV/Sales	10.7	9.8	8.5	7.1	5.8
EV/EBITDA	68.0	59.7	50.2	41.3	33.8
Adjusted P/E	115.8	99.2	83.6	67.8	54.6
P/BV	20.2	17.1	14.7	12.5	10.6

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	76.3	75.1	74.5	74.8	74.8
Interest burden (PBT/EBIT)	97.7	100.9	102.0	101.6	101.3
EBIT margin (EBIT/Revenue)	12.3	12.9	13.2	13.6	13.9
Asset turnover (Rev./Avg TA)	118.0	125.4	128.5	132.2	136.4
Leverage (Avg TA/Avg Equity)	1.6	1.4	1.4	1.4	1.4
Adjusted ROAE	17.7	17.7	18.5	19.6	20.7

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	17.4	9.4	15.3	20.1	21.7
EBITDA	7.4	14.0	19.0	21.7	22.5
Adjusted EPS	(2.8)	16.7	18.7	23.2	24.3
Profitability & Return ratios (%)					
EBITDA margin	15.7	16.4	16.9	17.2	17.3
EBIT margin	12.3	12.9	13.2	13.6	13.9
Adjusted profit margin	9.1	9.8	10.1	10.3	10.5
Adjusted ROAE	17.7	17.7	18.5	19.6	20.7
ROCE	21.7	22.9	23.9	25.0	26.1
Working capital days (days)					
Receivables	25	24	24	24	24
Inventory	62	59	57	59	60
Payables	57	56	57	57	57
Ratios (x)					
Gross asset turnover	2.6	2.3	2.2	2.2	2.4
Current ratio	1.7	1.8	1.9	2.1	2.3
Net interest coverage ratio	15.8	25.0	27.9	34.4	42.9
Adjusted debt/equity	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

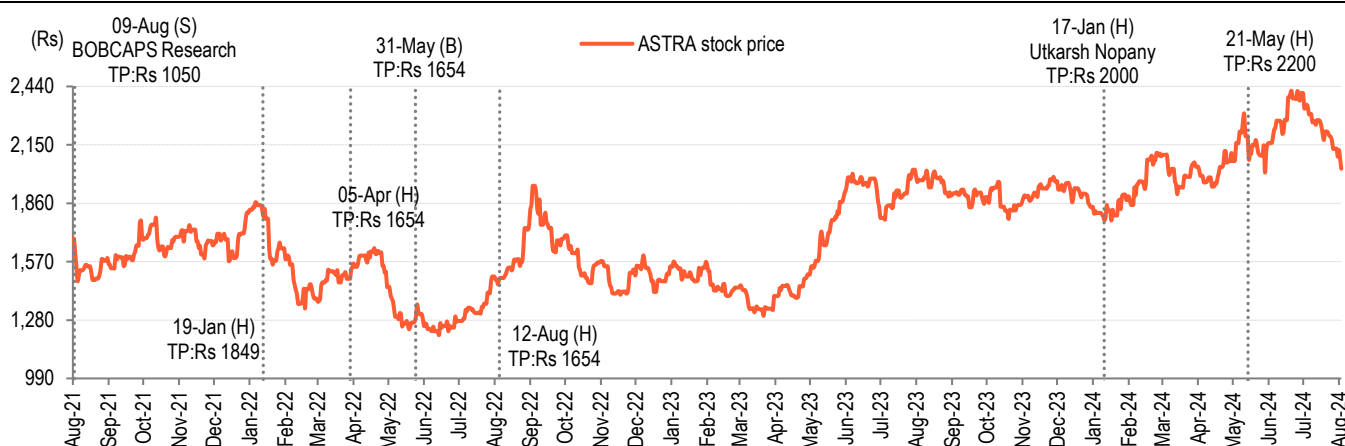
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): ASTRAL (ASTRA IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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