

BUY

TP: Rs 1,700 | ▲ 16%

ASTRAL

| Building Materials

| 31 January 2025

Broadly in-line Q3; upgrade to BUY on healthy stock correction

- Miss PAT estimates by 2.2% on weak pipe volumes and continued subdued performance of SEAL IT & paints business
- Capex guidance for FY25 again revised up (from Rs 3.8bn to Rs 4.5bn) with no major change in capex plan
- Upgrade from HOLD to BUY on steep fall in stock price; TP cut by 15% to Rs 1,700 on earnings downgrade and cut in target P/E (70x to 60x)

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Broadly in line: ASTRA Q3FY25 result came slightly below our estimates (Revenue: -4.4%; EBITDA: -1.5%; APAT: -2.2%) due to lower-than-expected pipe volume (+0.2% YoY vs +7.0% estimated) and continued weak performance of overseas adhesives (i.e. SEAL IT) and the paints business. Overall, ASTRA's consolidated revenue/EBITDA/PAT grew by 2.0%/7.0%/3.5% YoY in Q3FY25.

Key highlights: ASTRA posted inferior pipe volume growth compared to SI (SI: +3.7%; ASTRA: +0.2%) for the past 12 consecutive quarters, but the company reported healthy pipe EBITDA margin (+214bps YoY to 18.1%) even in a highly competitive environment. Resinova's EBITDA grew by 15.3% YoY in Q3FY25 driven by higher revenue (+14.5%) along with flattish EBITDAM (+11bps YoY to 16.9%). SEAL IT and the paints division posted weak performance for the eighth consecutive quarter.

Capex guidance revised up: As per management, the demand environment remains weak due to tight liquidity position in the market and demand in the near term being dependent on the upcoming government budget and potential anti-dumping duty on PVC resin. The company expects its pipe margin to be 16-18%; Resinova margin at 14-16%; SEAL IT margin at 5-10% for FY26. Paints margin is expected to improve from H2FY26 onwards. The company has again revised up its capex guidance to Rs 4.5bn (Rs 3.8bn earlier) for FY25.

Upgrade to BUY; TP cut by 15% to Rs 1,700: We upgrade our rating on ASTRA from HOLD to BUY as we expect its EPS to grow at a healthy 14.3% CAGR over FY24-FY27E. ASTRA's valuation has also corrected sharply (trades at 60.1x on 1Y forward P/E vs 5Y average of 76.1x) post the steep fall in its stock price (-38% over the past seven months). We have cut our TP to Rs 1,700 (Rs 2,000 earlier) due to earnings downgrade (-6%/-4%/-4% for FY25E/FY26E/FY27E) based on the weak Q3FY25 result and cut in our target P/E multiple (from 70x to 60x) on Dec'26 estimates.

Key changes

Target	Rating
▼	▲

Ticker/Price	ASTRA IN/Rs 1,468
Market cap	US\$ 4.6bn
Free float	46%
3M ADV	US\$ 9.4mn
52wk high/low	Rs 2,454/Rs 1,426
Promoter/FPI/DII	54%/21%/14%

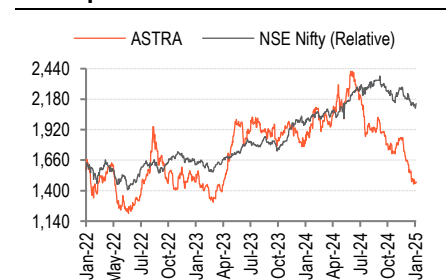
Source: NSE | Price as of 30 Jan 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	56,414	59,780	69,894
EBITDA (Rs mn)	9,247	9,759	11,609
Adj. net profit (Rs mn)	5,509	5,521	6,781
Adj. EPS (Rs)	20.5	20.5	25.2
Consensus EPS (Rs)	20.5	22.8	29.6
Adj. ROAE (%)	17.7	15.8	17.0
Adj. P/E (x)	71.7	71.5	58.2
EV/EBITDA (x)	43.3	41.0	34.5
Adj. EPS growth (%)	16.7	0.2	22.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly performance - Consolidated

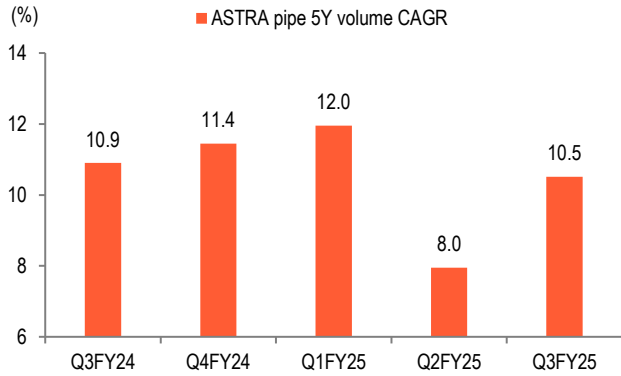
Particulars (Rs mn)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)	BOBCAPS Q2FY25E	Variance (%)
Total operating income	13,970	13,702	2.0	13,704	1.9	41,510	40,163	3.4	14,606	(4.4)
Raw-Material expense	8,400	8,425	(0.3)	8,378	0.3	25,004	24,803	0.8		
Gross Profit	5,570	5,277	5.6	5,326	4.6	16,506	15,360	7.5		
Employee expense	1,298	1,141	13.8	1,283	1.2	3,848	3,190	20.6		
Other expense	2,077	2,085	(0.4)	1,942	7.0	6,218	5,902	5.4		
EBITDA	2,195	2,051	7.0	2,101	4.5	6,440	6,268	2.7	2,229	(1.5)
D&A	631	501	25.9	599	5.3	1,786	1,451	23.1		
EBIT	1,564	1,550	0.9	1,502	4.1	4,654	4,817	(3.4)		
Interest cost	87	69	26.1	88	(1.1)	252	207	21.7		
Interest income & others	65	58	12.1	74	(12.2)	259	313	(17.3)		
PBT	1,542	1,539	0.2	1,488	3.6	4,661	4,923	(5.3)		
Tax	416	406	2.5	401	3.7	1,253	1,280	(2.1)		
Reported PAT	1,126	1,133	(0.6)	1,087	3.6	3,408	3,643	(6.5)		
Adjusted PAT	1,179	1,139	3.5	1,110	6.2	3,492	3,649	(4.3)	1,205	(2.2)
As % of net revenues			(bps)		(bps)			(bps)		
Gross margin	39.9	38.5	136	38.9	101	39.8	38.2	152		
Employee cost	9.3	8.3	96	9.4	(7)	9.3	7.9	133		
Other cost	14.9	15.2	(35)	14.2	70	15.0	14.7	28		
EBITDA margin	15.7	15.0	74	15.3	38	15.5	15.6	(9)		
Tax rate	27.0	26.4	60	26.9	3	26.9	26.0	88		
APAT margin	8.4	8.3	12	8.1	34	8.4	9.1	(67)		
Pipe Segment			YoY (%)		QoQ (%)			YoY (%)		
Sales Volume (kt)	52.8	52.7	0.2	50.8	4.1	159	153	4.3		
Realization (Rs/kg)	182.1	185.7	(1.9)	184.7	(1.4)	181	188	(3.5)		
EBITDA (Rs/kg)	33.6	30.4	10.3	33.0	1.7	32	32	1.4		
Paints & Adhesives			YoY (%)		QoQ (%)			YoY (%)		
Revenue (Rs mn)	4069	3721	9.4	4040	0.7	11,813	10,995	7.4		
EBITDA (Rs mn)	451	486	(7.2)	455	(0.9)	1,352	1,491	(9.3)		
EBITDA margin (%)	11.1	13.1	(197.7)	11.3	(18)	11.4	13.6	(211.6)		

Source: Company, BOBCAPS Research

Earnings call highlights

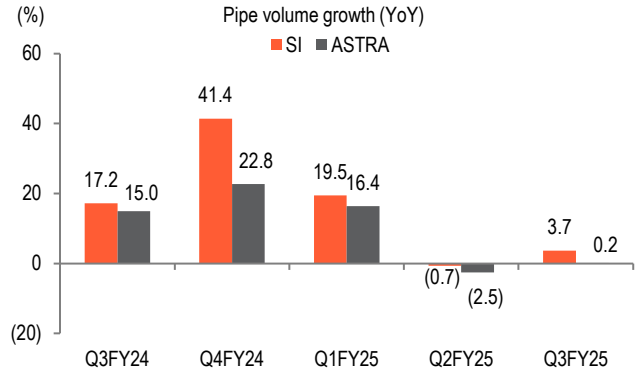
- **Pipes:** Despite relatively flat volume (+0.2% YoY), segment EBITDA grew by 11.4% YoY in Q3FY25 driven by margin improvement (+214bps YoY to 18.1%) due to better product-mix and weak base effect. ASTRA has commenced its OPVC pipe business and is awaiting ISI approval for commercial production and sales (which is expected to come in Q4FY25). Management believes the channel inventory to be sub-par at the moment due to uncertainty related to PVC resin prices and fear among the dealers. Going ahead, the company guided for pipe volume growth in the near future would be dependent on upcoming government spending and potential anti-dumping duty on PVC resin. Pipe segment EBITDA margins are expected to be 16-18% for FY25.
- **Pipe capacity:** The company has increased its plumbing production capacity from 3,34,040mtpa to 3,70,754mtpa at present. It plans to add 40,000-45,000mtpa capacity in FY26. The Kanpur plant has a planned capacity of 60,000mtpa, out of which phase 1 with 30,000mtpa is expected to commence production in FY26 and phase 2 (another 30,000mtpa) in FY27 depending on the demand conditions in the market. The Hyderabad plant has completed construction of 25,000mtpa out of the total planned capacity of 70,000mtpa and the balance is expected to be completed as and when utilisation levels and overall demand improve.
- **Resinova:** EBITDA grew by 15.3% YoY in Q3FY25 driven by higher revenue (+14.5%) along with marginal improvement in EBITDA margin (+11bps YoY to 16.9%). The company expects Resinova EBITDA margin to be 14-16% in FY26.
- **SEAL IT:** EBITDA de-grew sharply by 134% YoY in Q3FY25, driven by lower revenue (-5.4%) as well as margin contraction (-338bps YoY to -5.7%). The company has made corrections in manpower costs in the UK and plans to add a new technology, which will help the segment margin to improve in the next few quarters. The company expects the segment margins to be 5-10% in FY26.
- **Paints:** Revenue grew by 7.5% YoY in Q3FY25 even on a low base (-9.6% in Q3FY24), but the division's EBITDA de-grew by 78% YoY in Q3FY25 due to sharp margin contraction (-1589bps YoY to 5.3%) due to high selling & distribution costs related to penetration of new markets (i.e. Gujarat, Rajasthan). As a next step, the company plans to launch its products in Maharashtra and Madhya Pradesh over the next 5-6 months. The company expects the division's margins to improve from H2FY26 onwards.
- **Bathware:** The division's revenue grew by 48% YoY in Q3FY25 on a low base. For FY25, the company expects the division's revenue to cross Rs 1.20bn (vs Rs 0.83bn in 9MFY25) and expects that this division will break even by end of FY25.
- **Capex:** Guidance has been revised up to Rs 4.5bn (Rs 3.8bn earlier) for FY25. The company plans to spend Rs 2.5bn in FY26.

Fig 2 – ASTRA pipe volume grew by 0.2% YoY (5Y CAGR: +10.5%) in Q3FY25



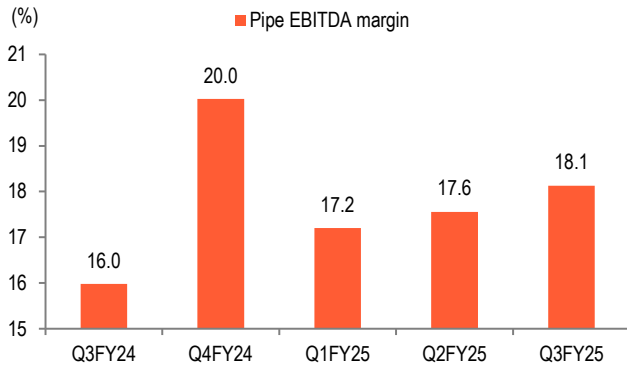
Source: Company, BOBCAPS Research

Fig 3 – ASTRA pipe volume growth lagged its major listed peer SI on YoY basis for the 12th consecutive quarter



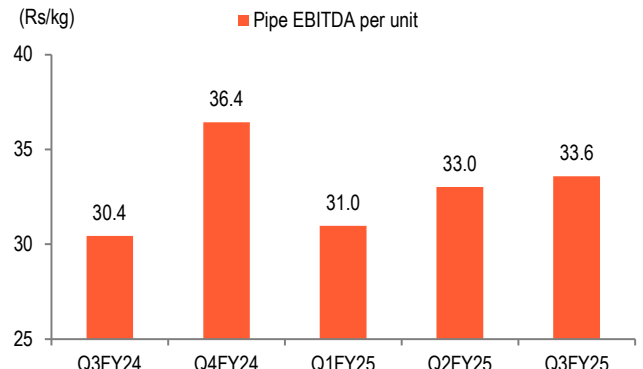
Source: Company, BOBCAPS Research

Fig 4 – Pipe EBITDA margin was up 214bps YoY to 18.1% in Q3FY25 due to weak base effect



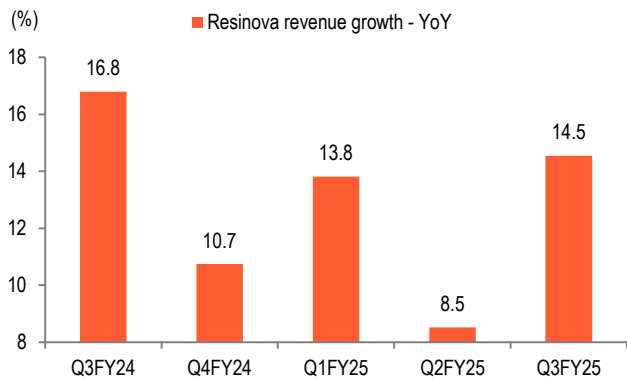
Source: Company, BOBCAPS Research

Fig 5 – ASTRA pipe EBITDA per unit was up by 10.3% YoY to Rs 33.6/kg in Q3FY25



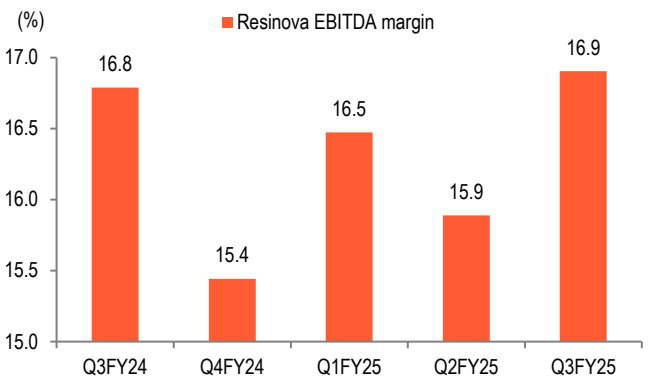
Source: Company, BOBCAPS Research

Fig 6 – Resinova revenue grew by 14.5% YoY in Q3FY25



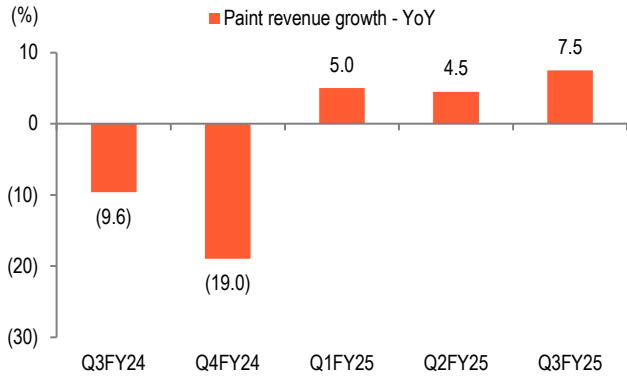
Source: Company, BOBCAPS Research

Fig 7 – Resinova EBITDAM was flat on YoY in Q3FY25



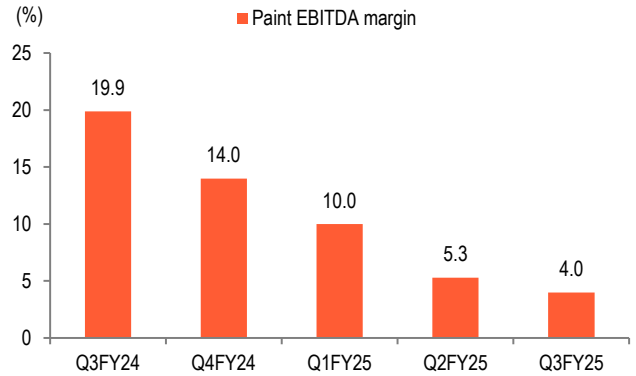
Source: Company, BOBCAPS Research

Fig 8 – Paints division revenue grew at a muted pace of 7.5% YoY in Q3FY25 even over a low base...



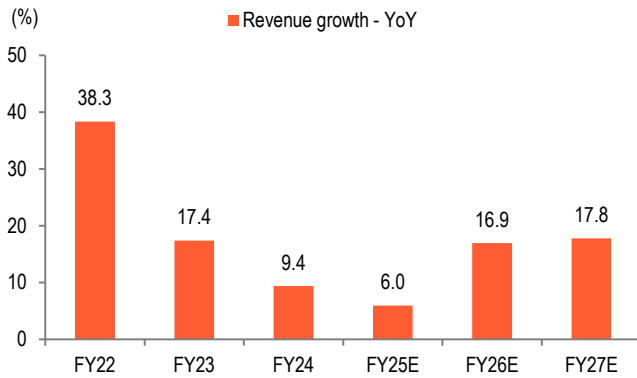
Source: Company, BOBCAPS Research

Fig 9 – ... and EBITDA margin remained under pressure in Q3FY25 due to high selling & distribution cost



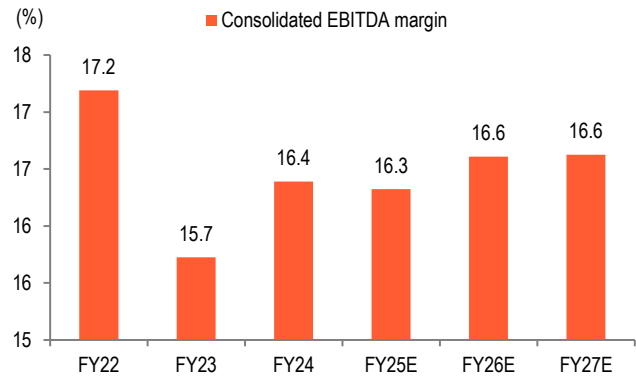
Source: Company, BOBCAPS Research

Fig 10 – ASTRA's revenue is projected to grow at 13.4% CAGR over FY24-FY27E



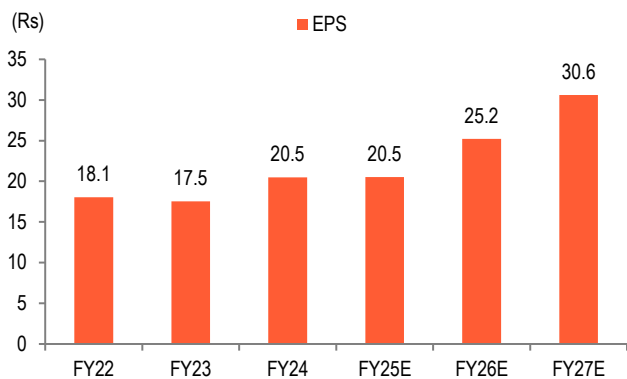
Source: Company, BOBCAPS Research

Fig 11 – Consolidated EBITDA margin is forecast to remain stable at around 16.5% over FY25E-FY27E



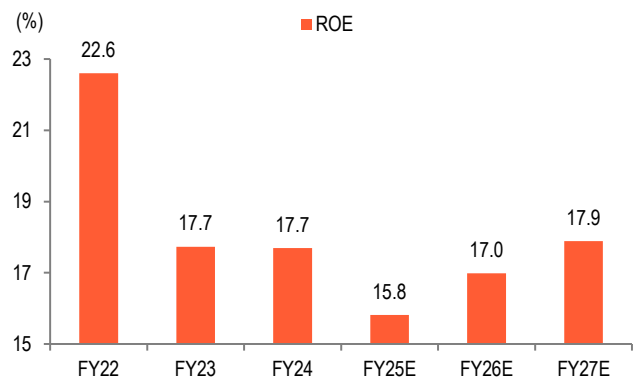
Source: Company, BOBCAPS Research

Fig 12 – EPS projected to grow at 14.3% 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 upgrade our rating on ASTRA from HOLD to BUY as we expect its EPS to grow at a healthy 14.3% CAGR over FY24-FY27E. ASTRA’s valuation has corrected sharply (trades at 60.1x on 1Y forward P/E vs 5Y average of 76.1x) post the steep fall in its stock price (-38% over the past seven months). ASTRA’s valuation has got de-rated over the past few quarters due to (a) inferior pipe volume growth compared to SI for the past 12 consecutive quarters; and (b) weak performance of overseas adhesives and paints business for eight straight quarters.

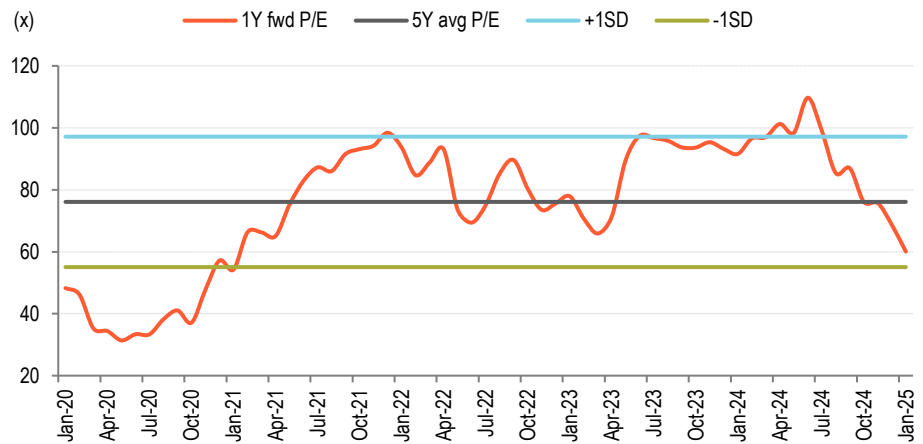
We have cut our TP to Rs 1,700 (Rs 2,000 earlier) due to earnings downgrade (-6%/-4%/-4% for FY25E/FY26E/ FY27E) based on the weak Q3FY25 result and cut in our target P/E multiple (from 70x to 60x) on Dec’26 estimates.

Fig 14 – Revised estimates

Consolidated (Rs bn)	New			Old			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	59.8	69.9	82.3	62.2	73.1	86.1	(3.8)	(4.4)	(4.4)
EBITDA	9.8	11.6	13.7	10.3	12.1	14.3	(4.9)	(4.2)	(4.4)
EBITDA margin (%)	16.3	16.6	16.6	16.5	16.6	16.6	(19bps)	4bps	0bps
Adjusted PAT	5.5	6.8	8.2	5.9	7.1	8.6	(5.9)	(4.1)	(4.3)
EPS (Rs)	20.5	25.2	30.6	21.8	26.3	32.0	(5.9)	(4.1)	(4.3)

Source: BOBCAPS Research

Fig 15 – Trading at 60.1x on 1Y forward P/E vs 5Y average of 76.1x



Source: Bloomberg, BOBCAPS Research

Fig 16 – Key assumptions

(%)	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue-Mix						
Pipe	77	76	73	71	71	71
Adhesives	23	24	23	24	23	23
Paints	-	4	3	3	3	3
Bathware	-	0	1	2	3	3
Operating Metrics						
Pipe volume growth	9	19	24	6	15	15
Adhesive revenue growth	36	14	12	9	14	14
Paints revenue growth	-	-	(14)	6	20	20
Bathware revenue growth	-	-	177	90	57	44
EBITDA margin						
Pipe	18.6	16.7	17.7	17.7	17.7	17.7
Adhesives	12.5	14.1	12.9	13.0	15.3	15.3
Paints	-	13.3	14.4	7.8	11.8	11.8
Bathware	-	(75.0)	(23.8)	(10.5)	(7.1)	(3.2)

Source: Company, BOBCAPS Research

Key risks

Key downside risks to our estimates:

- slow recovery in India’s real estate sector; and
- market share loss in the pipe business.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Total revenue	51,585	56,414	59,780	69,894	82,328
EBITDA	8,112	9,247	9,759	11,609	13,687
Depreciation	1,781	1,976	2,399	2,671	2,810
EBIT	6,331	7,271	7,360	8,938	10,877
Net interest inc./(exp.)	(400)	(291)	(339)	(348)	(348)
Other inc./(exp.)	267	421	443	472	472
Exceptional items	13	64	0	0	0
EBT	6,185	7,337	7,464	9,062	11,001
Income taxes	1,557	1,880	1,942	2,281	2,769
Extraordinary items	(112)	0	0	0	0
Min. int./Inc. from assoc.	(44)	4	(1)	0	0
Reported net profit	4,696	5,461	5,521	6,781	8,232
Adjustments	23	48	0	0	0
Adjusted net profit	4,719	5,509	5,521	6,781	8,232

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Accounts payables	8,000	8,719	9,260	10,827	12,753
Other current liabilities	4,854	1,956	1,956	1,956	1,956
Provisions	26	8	8	10	12
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	36,057	41,628	48,246
Shareholders' fund	29,589	32,685	37,130	42,701	49,319
Total liab. and equities	43,731	44,979	49,002	56,140	64,686
Cash and cash eq.	6,821	6,096	7,002	9,194	12,237
Accounts receivables	3,545	3,758	3,982	4,656	5,484
Inventories	8,746	9,134	9,372	11,159	13,453
Other current assets	3,380	868	922	1,078	1,270
Investments	0	0	0	0	0
Net fixed assets	13,923	17,646	20,247	22,576	24,766
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	49,002	56,140	64,686

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow from operations	5,780	7,167	7,842	8,279	9,533
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	443	472	472
Cash flow from investing	(6,119)	(5,432)	(4,557)	(4,528)	(4,528)
Equities issued/Others	13	0	0	0	0
Debt raised/repaid	(78)	191	(964)	0	0
Interest expenses	(400)	(291)	(339)	(348)	(348)
Dividends paid	(942)	(1,009)	(1,076)	(1,211)	(1,614)
Other financing cash flows	2,149	(1,351)	0	0	0
Cash flow from financing	742	(2,460)	(2,379)	(1,559)	(1,962)
Chg in cash & cash eq.	403	(725)	906	2,192	3,043
Closing cash & cash eq.	6,821	6,096	7,002	9,194	12,237

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
Reported EPS	17.5	20.3	20.5	25.2	30.6
Adjusted EPS	17.5	20.5	20.5	25.2	30.6
Dividend per share	3.5	3.8	4.0	4.5	6.0
Book value per share	100.8	118.5	135.0	155.7	180.4

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
EV/Sales	7.7	7.1	6.7	5.7	4.9
EV/EBITDA	49.3	43.3	41.0	34.5	29.4
Adjusted P/E	83.7	71.7	71.5	58.2	48.0
P/BV	14.6	12.4	10.9	9.4	8.1

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	76.3	75.1	74.0	74.8	74.8
Interest burden (PBT/EBIT)	97.7	100.9	101.4	101.4	101.1
EBIT margin (EBIT/Revenue)	12.3	12.9	12.3	12.8	13.2
Asset turnover (Rev./Avg TA)	118.0	125.4	122.0	124.5	127.3
Leverage (Avg TA/Avg Equity)	1.6	1.4	1.4	1.4	1.4
Adjusted ROAE	17.7	17.7	15.8	17.0	17.9

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	17.4	9.4	6.0	16.9	17.8
EBITDA	7.4	14.0	5.5	19.0	17.9
Adjusted EPS	(2.8)	16.7	0.2	22.8	21.4
Profitability & Return ratios (%)					
EBITDA margin	15.7	16.4	16.3	16.6	16.6
EBIT margin	12.3	12.9	12.3	12.8	13.2
Adjusted profit margin	9.1	9.8	9.2	9.7	10.0
Adjusted ROAE	17.7	17.7	15.8	17.0	17.9
ROCE	21.7	22.9	21.0	22.0	23.0
Working capital days (days)					
Receivables	25	24	24	24	24
Inventory	62	59	57	58	60
Payables	57	56	57	57	57
Ratios (x)					
Gross asset turnover	2.6	2.3	2.0	2.0	2.1
Current ratio	1.7	1.8	1.9	2.0	2.2
Net interest coverage ratio	15.8	25.0	21.7	25.7	31.3
Adjusted debt/equity	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)

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

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 SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**
 Brand Name: **BOBCAPS**
 Trade Name: **www.barodaetrade.com**
 CIN: **U65999MH1996GOI098009**



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 Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

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

BUY – Expected return >+15%

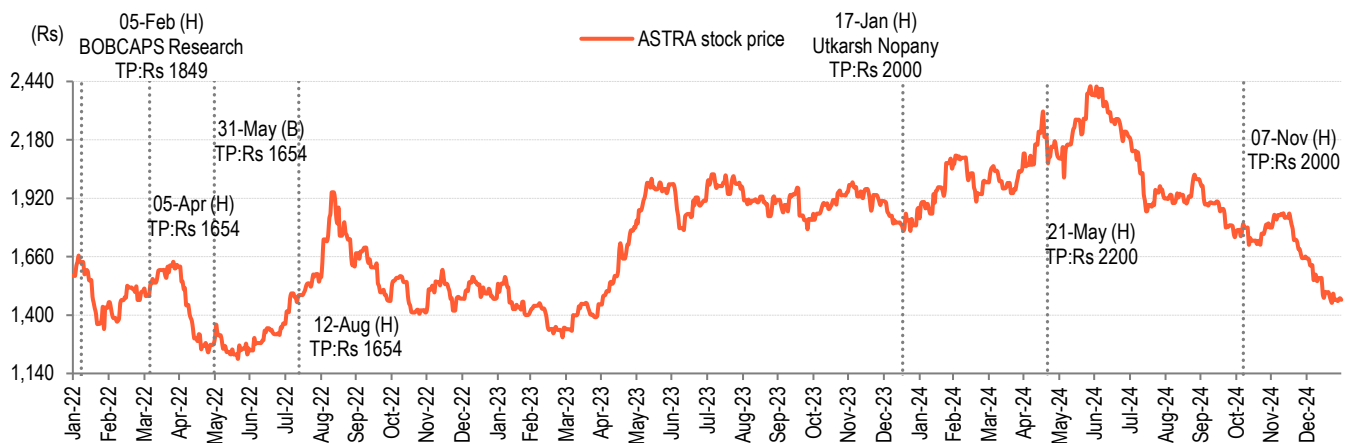
HOLD – Expected return from -6% to +15%

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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