

HOLD

TP: Rs 2,200 | ▲ 6%

ASTRAL

| Building Materials

| 21 May 2024

Weak quarter, strong outlook

- EBITDA miss by 6% compared to our estimate on continued weak performance of paints and adhesives segment
- Strong pipe volume growth of 23% YoY in Q4FY24, but still lags its closest peer SI for ninth straight quarter
- Maintain HOLD on expensive valuations; raise TP by 10% to Rs 2,200 as we roll forward valuations

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Weak quarter: ASTRA revenue/EBITDA/APAT were below our estimates by 3.4%/6.1%/7.6% for Q4FY24, mainly due to the weak performance of the paints & adhesives segment. Overall, ASTRA's consolidated revenue grew by 7.9% but EBITDA/APAT fell by 5.6%/12.1% YoY in Q4FY24.

Key highlights: ASTRA reported strong pipe volume growth of 22.8% YoY (5Y CAGR: +11.4%) in Q4FY24, but its pipe volume growth lagged its major listed peer SI (+41.4% YoY; 5Y CAGR: +13.7%) for the ninth consecutive quarter. The adhesives (SEAL IT), paints and bathware divisions once again reported weak performances in Q4FY24, but management expects improvement from FY25. The company again surpassed its capex guidance (spent Rs 5.9bn in FY24 vs revised guidance of Rs 4.25bn in Oct'23) without any major change in the capex programme.

Guidance: ASTRA aims to double its consolidated revenue over the next five years and guided for a positive outlook for each of its divisions. Management has guided for pipes volume to grow at 15-20% rate in FY25. It expects Resinova revenue to grow at 20% rate in FY25. SEAL IT EBITDA margin is projected to improve from 4.2% in Q4FY24 to 10.0% in FY25. Paint revenue is expected to rise from Rs 1.85bn in FY24 to Rs 3.0bn-3.2bn with EBITDA margin of 14-15% in FY25. ASTRA expects bathware revenue to grow from Rs 0.8bn in FY24 to Rs 1.25bn-1.5bn and would break even in FY25. The company plans to incur capex of Rs 3.0bn in FY25 to put up a 30ktpa greenfield pipe plant in Hyderabad (by H2FY25 vs Q2FY25 earlier) and Kanpur (by H2FY26 vs Q1FY26 earlier).

Maintain HOLD; raise TP by 10% to Rs 2,200: While we expect ASTRA's EPS to grow at a strong 24.4% CAGR over FY24-FY26E, we maintain our HOLD rating on the stock due to expensive valuations (trades at 78.3x on 1Y forward P/E vs 5Y average of 68.9x). We have tweaked our EPS estimates (-3.8%/-0.4% for FY25/FY26) based on the weak Q4FY24 result, but have increased our TP to Rs 2,200 (from Rs 2,000) as we roll forward our valuations from Sep'25 to Mar'26. Our target P/E remains unchanged at 70x on Mar'26E EPS.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	ASTRA IN/Rs 2,078
Market cap	US\$ 6.8bn
Free float	44%
3M ADV	US\$ 18.1mn
52wk high/low	Rs 2,352/Rs 1,634
Promoter/FPI/DII	56%/19%/13%

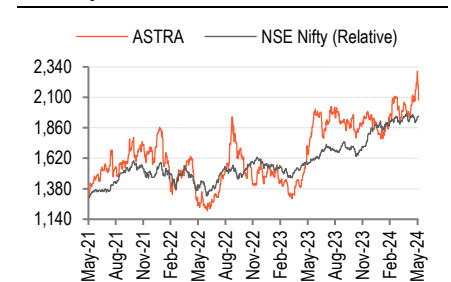
Source: NSE | Price as of 21 May 2024

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	56,414	66,157	80,046
EBITDA (Rs mn)	9,183	11,478	13,982
Adj. net profit (Rs mn)	5,461	6,876	8,453
Adj. EPS (Rs)	20.3	25.6	31.4
Consensus EPS (Rs)	20.3	28.3	34.6
Adj. ROAE (%)	17.5	19.4	20.3
Adj. P/E (x)	102.4	81.3	66.1
EV/EBITDA (x)	61.5	49.2	40.4
Adj. EPS growth (%)	15.9	25.9	22.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly performance – Consolidated

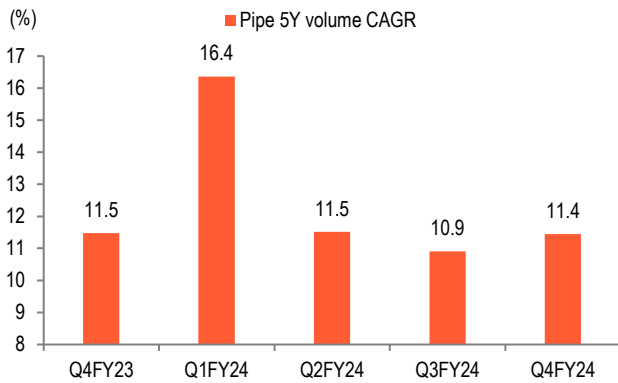
Particulars (Rs mn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY24	FY23	YoY (%)
Total operating income	16,251	15,062	7.9	13,702	18.6	56,414	51,585	9.4
Raw-Material expense	9,787	9,281	5.5	8,425	16.2	34,590	34,347	0.7
Gross Profit	6,464	5,781	11.8	5,277	22.5	21,824	17,238	26.6
Employee expense	1,194	862	38.5	1,141	4.6	4,384	3,193	37.3
Other expense	2,355	1,830	28.7	2,085	12.9	8,257	5,946	38.9
EBITDA	2,915	3,089	(5.6)	2,051	42.1	9,183	8,099	13.4
D&A	525	445	18.0	501	4.8	1,976	1,781	10.9
EBIT	2,390	2,644	(9.6)	1,550	54.2	7,207	6,318	14.1
Interest cost	74	33	124.2	69	7.2	281	400	(29.8)
Interest income & others	97	33	193.9	58	67.2	410	236	73.7
PBT	2,413	2,644	(8.7)	1,539	56.8	7,336	6,154	19.2
Tax	600	654	(8.3)	406	47.8	1,880	1,557	20.7
Reported PAT	1,813	1,990	(8.9)	1,133	60.0	5,456	4,597	18.7
Adjusted PAT	1,819	2,071	(12.1)	1,139	59.6	5,468	4,581	19.4
As % of net revenues			(bps)		(bps)			(bps)
Gross margin	39.8	38.4	139	38.5	126	38.7	33.4	527
Employee cost	7.3	5.7	162	8.3	(98)	7.8	6.2	158
Other cost	14.5	12.1	234	15.2	(73)	14.6	11.5	311
EBITDA margin	17.9	20.5	(257)	15.0	297	16.3	15.7	58
Tax rate	24.9	24.7	13	26.4	(152)	25.6	25.3	33
APAT margin	11.2	13.7	(255)	8.3	288	9.7	8.9	81
Pipe Segment			YoY (%)		QoQ (%)			YoY (%)
Sales Volume (kt)	66.8	54.4	22.8	52.7	26.7	220	178	23.6
Realization (Rs/kg)	179.7	204.1	(12.0)	185.5	(3.1)	185	211	(12.2)
EBITDA (Rs/kg)	36.4	46.1	(21.0)	30.4	19.7	33	35	(6.0)
Paints & Adhesives								
Revenue (Rs mn)	3999	3827	4.5	3721	7.5	14,994	13,910	7.8
EBITDA (Rs mn)	510	614	(16.9)	486	4.9	2,001	1,960	2.1
EBITDA margin (%)	12.8	16.0	(329)	13.1	(31)	13.3	14.1	(75)

Source: Company, BOBCAPS Research

Earnings call highlights

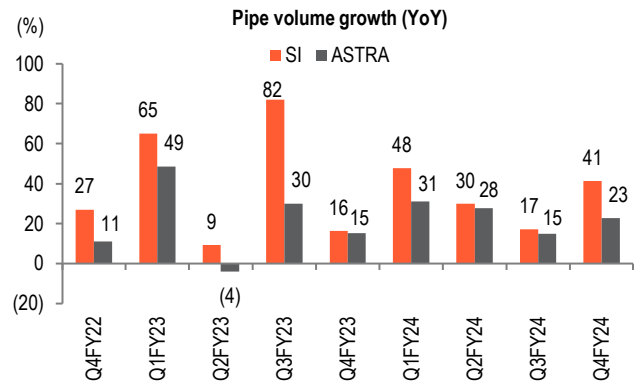
- **Guidance:** The company aims to double its consolidated revenue over the next five years.
- **Pipes:** Volume grew by 22.8% YoY in Q4FY24 (5Y CAGR: +11.4%), but the division EBITDA de-grew by 2.8% YoY in Q4FY24 due to the mark-to-market (MTM) inventory gain booked last year. Going ahead, the company expects its pipes volume to grow at 15-20% in FY25.
- **Resinova:** Revenue grew by 10.7% YoY in Q4FY24, but the division EBITDA de-grew by 16.9% YoY in Q4FY24 due to margin contraction (-486bps YoY to 15.4%) on account of lower chemical prices. Going ahead, the company expects Resinova revenue to grow at 20% YoY in FY25.
- **SEAL IT:** Revenue grew by 3.1% YoY in Q4FY24, but the division EBITDA de-grew by 20.3% YoY in Q4FY24 due to margin contraction (-124bps YoY to 4.2%) due to the impact of MTM inventory loss on account of a steep correction in chemical prices. Management expects the division's EBITDA margin to improve to 10% in FY25.
- **Paints:** Revenue fell (-19% YoY) for the fourth consecutive quarter due to corrective measures taken by the new management after taking control of the company in terms of SAP implementation, reduction of credit period to dealers to 60 days from 120 days. Division EBITDA de-grew by 21.8% YoY in Q4FY24 due to lower revenue and margin contraction (-50bps to 14.0%). Going ahead, the company expects the division revenue to grow from Rs 1.85bn in FY24 to Rs 3.0bn-3.2bn in FY25 with EBITDA margin range of 14-15% in FY25.
- **Bathware:** The division reported negative EBITDA of Rs 30mn on revenue of Rs 242mn in Q4FY24. For FY25, the company expects a division revenue of Rs 1.25bn-1.50bn and to break even at the EBITDA level.
- **Capex:** The company guided for a capex of Rs 3.0bn for FY26. Pipes capacity increased to 334ktpa in Q4FY24 from 320ktpa in Q3FY24 due to the commencement of the Guwahati plant in Jan'24. Further, it plans to start production at its greenfield pipe facilities in Hyderabad (30ktpa in phase I) by H2FY25 (Q2FY25 earlier) and at Kanpur (25k-30ktpa capacity in phase I) by H2FY26 (Q1FY26 earlier).

Fig 2 – ASTRA posted strong pipe volume growth of 23% YoY and 5Y CAGR of 11.4% in Q4FY24...



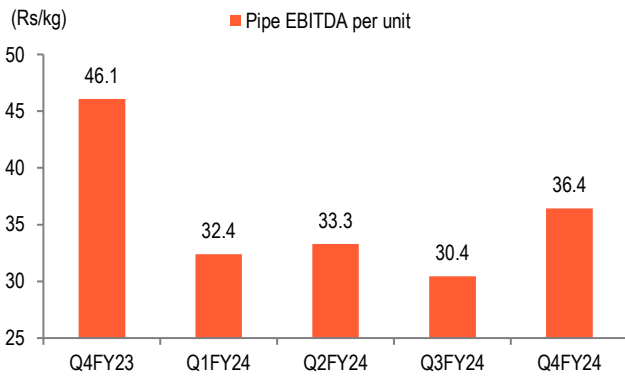
Source: Company, BOBCAPS Research

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



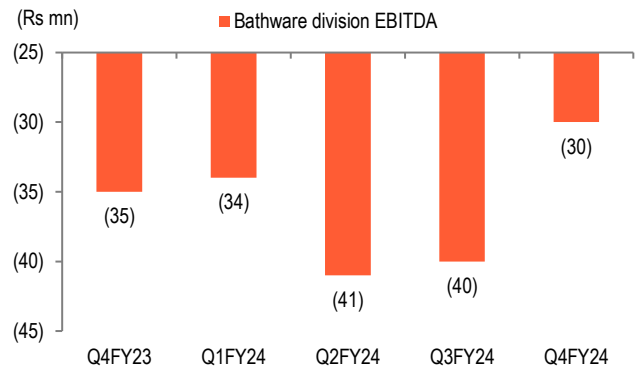
Source: Company, BOBCAPS Research | SI: Supreme Industries

Fig 4 – Pipe EBITDA per unit improved by 19.7% QoQ in Q4FY24 on favourable resin prices & operating leverage



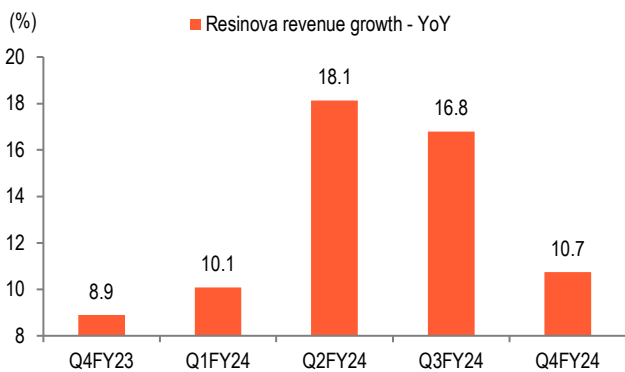
Source: Company, BOBCAPS Research

Fig 5 – Bathware division once again posted operating losses due to its small size of operations



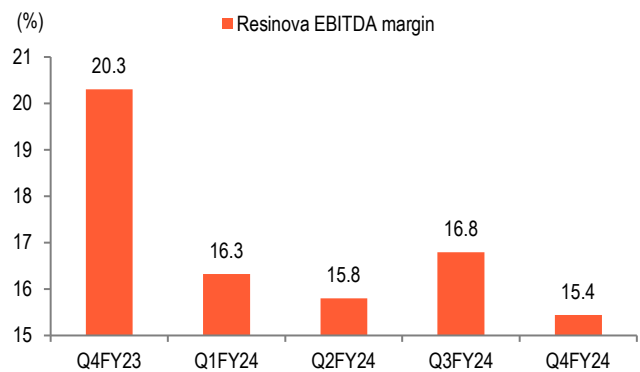
Source: Company, BOBCAPS Research

Fig 6 – Resinova revenue grew by 10.7% YoY in Q4FY24



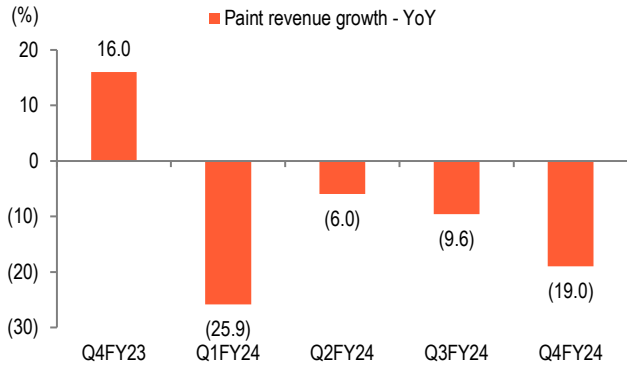
Source: Company, BOBCAPS Research

Fig 7 – Resinova EBITDAM fell 135bps QoQ in Q4FY24



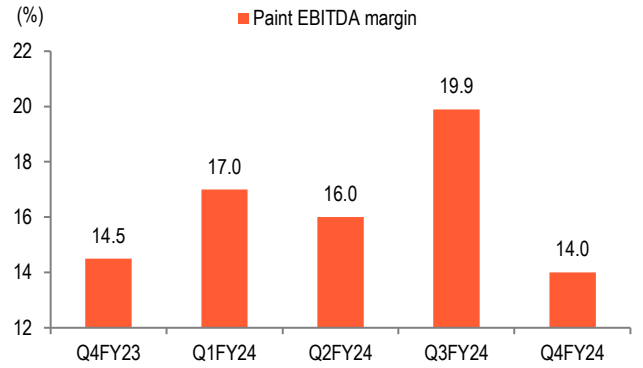
Source: Company, BOBCAPS Research

Fig 8 – Paint business posted negative revenue growth for the fourth consecutive quarter...



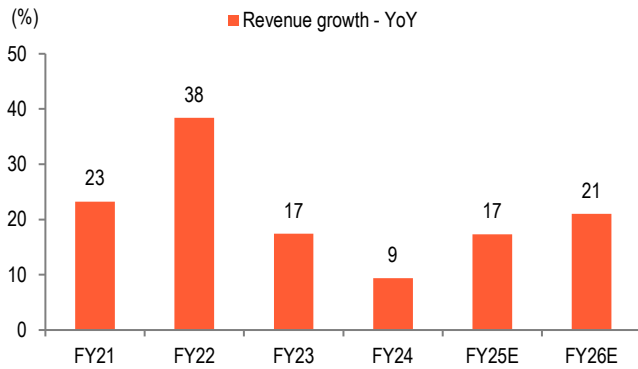
Source: Company, BOBCAPS Research

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



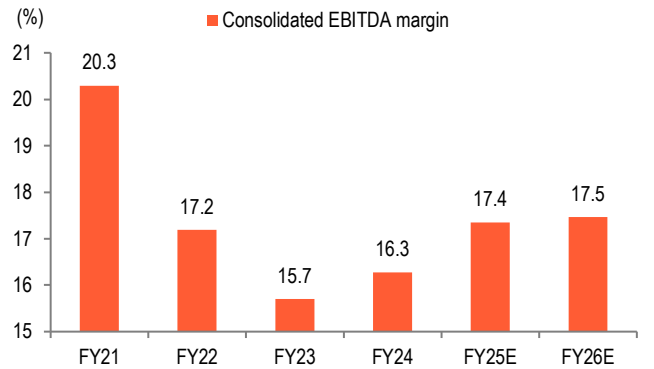
Source: Company, BOBCAPS Research

Fig 10 – ASTRA’s revenue is projected to grow at a healthy 19.1% CAGR over FY24-FY26E



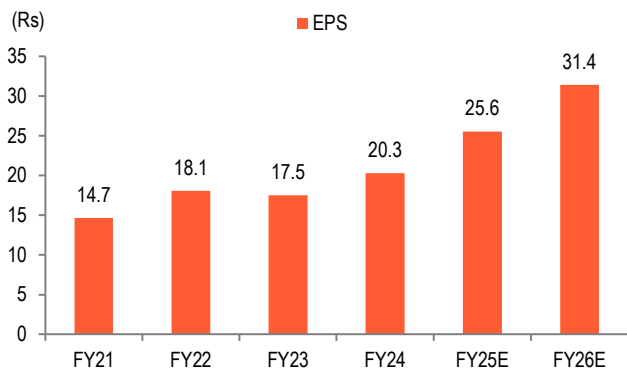
Source: Company, BOBCAPS Research

Fig 11 – Consolidated EBITDA margin is forecast to improve to 17.5% in FY26E from 16.3% in FY24



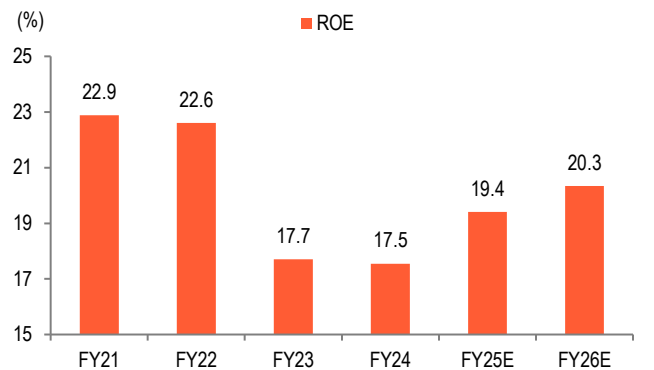
Source: Company, BOBCAPS Research

Fig 12 – EPS projected to grow sharply at 24.4% CAGR over FY24-FY26E



Source: Company, BOBCAPS Research

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



Source: Company, BOBCAPS Research

Valuation methodology

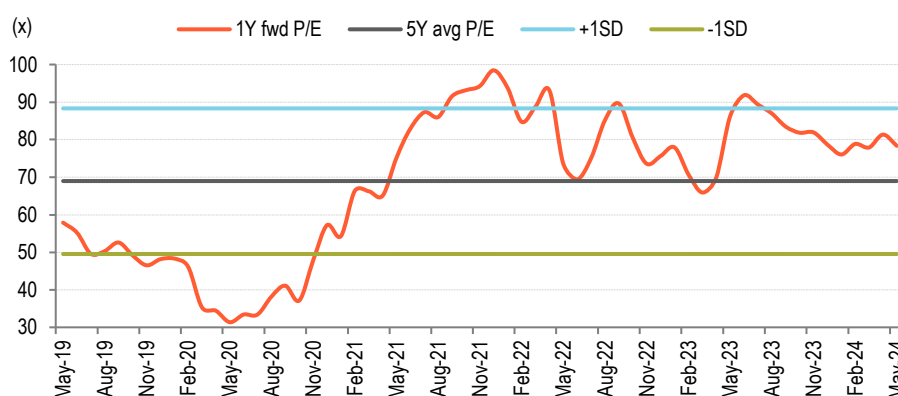
We expect ASTRA's EPS to grow at a strong 24.4% CAGR over FY24-FY26E, but we still maintain our HOLD rating on the stock due to its expensive valuation (trades at 78.3x on 1Y forward P/E vs 5Y average of 68.9x. We have tweaked our EPS estimates (-3.8%/-0.4% for FY25/FY26) based on a weak Q4FY24 result, but we have increased our TP to Rs 2,200 (previously Rs 2,000) as we roll forward our valuations from Sep'25 to Mar'26. Our target P/E remains unchanged at 70x on Mar'26E EPS.

Fig 14 – Revised estimates

Particulars	New		Old		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Consolidated (Rs bn)						
Revenue	66.2	80.0	67.8	80.1	(2.4)	(0.1)
EBITDA	11.5	14.0	11.9	14.1	(3.8)	(1.0)
EBITDA margin	17.4	17.5	17.6	17.6	(26bps)	(16bps)
EPS (Rs)	25.6	31.4	26.6	31.5	(3.8)	(0.4)

Source: BOBCAPS Research

Fig 15 – Trading at 78.3x on 1Y forward P/E vs 5Y average of 68.9x



Source: Bloomberg, BOBCAPS Research

Fig 16 – Key assumptions

(%)	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E
Revenue Mix						
Pipe	76	77	76	72	73	74
Adhesives	24	23	24	23	22	19
Paints	-	-	4	3	3	3
Bathware	-	-	0	1	2	3
Operating Metrics						
Pipe volume growth	3	9	19	24	19	20
Adhesive revenue growth	28	36	14	12	9	9
Paints revenue growth	-	-	-	(15)	26	21
Bathware revenue growth	-	-	-	246	93	54
EBITDA margin						
Pipe	21.9	18.6	16.8	18.0	18.0	18.0
Adhesives	15.0	12.5	14.1	12.9	16.4	16.7
Paints	-	-	14.0	16.7	14.0	14.0
Bathware	-	-	(75.0)	(19.1)	(0.1)	4.6

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	635	650	HOLD
Astral	ASTRA IN	6.8	2,078	2,200	HOLD
Century Plyboards	CPBI IN	1.8	667	700	HOLD
Cera Sanitaryware	CRS IN	1.1	7,122	7,700	HOLD
Finolex Industries	FNXP IN	2.3	305	265	HOLD
Greenlam Industries	GRLM IN	0.9	584	500	HOLD
Greenpanel Industries	GREENP IN	0.5	305	340	HOLD
Greenply Industries	MTLM IN	0.4	255	300	BUY
Hindware Home Innovation	HINDWARE IN	0.3	393	600	BUY
Kajaria Ceramics	KJC IN	2.5	1,297	1,400	BUY
Prince Pipes & Fittings	PRINCP IN	0.9	641	750	HOLD
Somany Ceramics	SOMC IN	0.4	719	900	BUY
Supreme Industries	SI IN	8.6	5,582	4,650	HOLD

Source: BOBCAPS Research, NSE | Price as of 21 May 2024

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24A	FY25E	FY26E
Total revenue	43,940	51,585	56,414	66,157	80,046
EBITDA	7,554	8,100	9,183	11,478	13,982
Depreciation	1,269	1,781	1,976	2,401	2,798
EBIT	6,285	6,319	7,207	9,077	11,184
Net interest inc./(exp.)	(129)	(400)	(291)	(296)	(296)
Other inc./(exp.)	349	267	421	408	408
Exceptional items	1	1	0	0	0
EBT	6,504	6,185	7,337	9,189	11,296
Income taxes	1,581	1,557	1,880	2,313	2,843
Extraordinary items	0	(112)	0	0	0
Min. int./Inc. from assoc.	(85)	(44)	4	0	0
Reported net profit	4,838	4,696	5,461	6,876	8,453
Adjustments	1	14	0	0	0
Adjusted net profit	4,839	4,710	5,461	6,876	8,453

Balance Sheet

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24A	FY25E	FY26E
Accounts payables	7,484	8,000	8,719	10,225	12,371
Other current liabilities	1,384	4,854	1,956	1,956	1,956
Provisions	18	26	8	9	11
Debt funds	851	773	964	0	0
Other liabilities	491	489	647	647	647
Equity capital	201	269	269	269	269
Reserves & surplus	23,165	26,843	31,612	37,113	43,875
Shareholders' fund	23,644	29,589	32,685	38,186	44,948
Total liab. and equities	33,872	43,731	44,979	51,023	59,934
Cash and cash eq.	6,418	6,821	6,096	7,565	10,600
Accounts receivables	2,691	3,545	3,758	4,407	5,332
Inventories	7,334	8,746	9,134	10,311	12,846
Other current assets	1,008	3,380	868	1,018	1,232
Investments	0	0	0	0	0
Net fixed assets	11,572	13,923	17,646	20,245	22,446
CWIP	1,232	1,261	1,506	1,506	1,506
Intangible assets	3,388	5,582	5,348	5,348	5,348
Deferred tax assets, net	3	110	131	131	131
Other assets	226	363	492	492	492
Total assets	33,872	43,731	44,979	51,023	59,934

Cash Flows

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash flow from operations	5,318	5,768	7,105	8,697	9,614
Capital expenditures	(3,634)	(6,355)	(5,791)	(5,000)	(5,000)
Change in investments	0	0	0	0	0
Other investing cash flows	348	248	421	408	408
Cash flow from investing	(3,286)	(6,107)	(5,370)	(4,592)	(4,592)
Equities issued/Others	8	13	0	0	0
Debt raised/repaid	185	(78)	191	(964)	0
Interest expenses	(129)	(400)	(291)	(296)	(296)
Dividends paid	(804)	(942)	(1,009)	(1,375)	(1,691)
Other financing cash flows	366	2,149	(1,351)	0	0
Cash flow from financing	(374)	742	(2,460)	(2,635)	(1,987)
Chg in cash & cash eq.	1,658	403	(725)	1,469	3,035
Closing cash & cash eq.	6,418	6,821	6,096	7,565	10,600

Per Share

Y/E 31 Mar (Rs)	FY22A	FY23A	FY24A	FY25E	FY26E
Reported EPS	18.1	17.5	20.3	25.6	31.4
Adjusted EPS	18.1	17.5	20.3	25.6	31.4
Dividend per share	3.0	3.5	3.8	5.1	6.3
Book value per share	87.2	100.8	118.5	139.0	164.1

Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23A	FY24A	FY25E	FY26E
EV/Sales	12.8	10.9	10.0	8.5	7.1
EV/EBITDA	74.2	69.6	61.5	49.2	40.4
Adjusted P/E	115.1	118.7	102.4	81.3	66.1
P/BV	23.8	20.6	17.5	15.0	12.7

DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY23A	FY24A	FY25E	FY26E
Tax burden (Net profit/PBT)	74.4	76.2	74.4	74.8	74.8
Interest burden (PBT/EBIT)	103.5	97.9	101.8	101.2	101.0
EBIT margin (EBIT/Revenue)	14.3	12.2	12.8	13.7	14.0
Asset turnover (Rev./Avg TA)	129.7	118.0	125.4	129.7	133.6
Leverage (Avg TA/Avg Equity)	1.6	1.6	1.4	1.4	1.4
Adjusted ROAE	22.6	17.7	17.5	19.4	20.3

Ratio Analysis

Y/E 31 Mar	FY22A	FY23A	FY24A	FY25E	FY26E
YoY growth (%)					
Revenue	38.3	17.4	9.4	17.3	21.0
EBITDA	17.2	7.2	13.4	25.0	21.8
Adjusted EPS	23.1	(3.0)	15.9	25.9	22.9
Profitability & Return ratios (%)					
EBITDA margin	17.2	15.7	16.3	17.4	17.5
EBIT margin	14.3	12.2	12.8	13.7	14.0
Adjusted profit margin	11.0	9.1	9.7	10.4	10.6
Adjusted ROAE	22.6	17.7	17.5	19.4	20.3
ROCE	27.1	21.7	22.7	24.8	25.8
Working capital days (days)					
Receivables	22	25	24	24	24
Inventory	61	62	59	57	59
Payables	62	57	56	56	56
Ratios (x)					
Gross asset turnover	2.6	2.6	2.3	2.2	2.3
Current ratio	1.9	1.7	1.8	1.9	2.1
Net interest coverage ratio	48.7	15.8	24.8	30.7	37.8
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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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

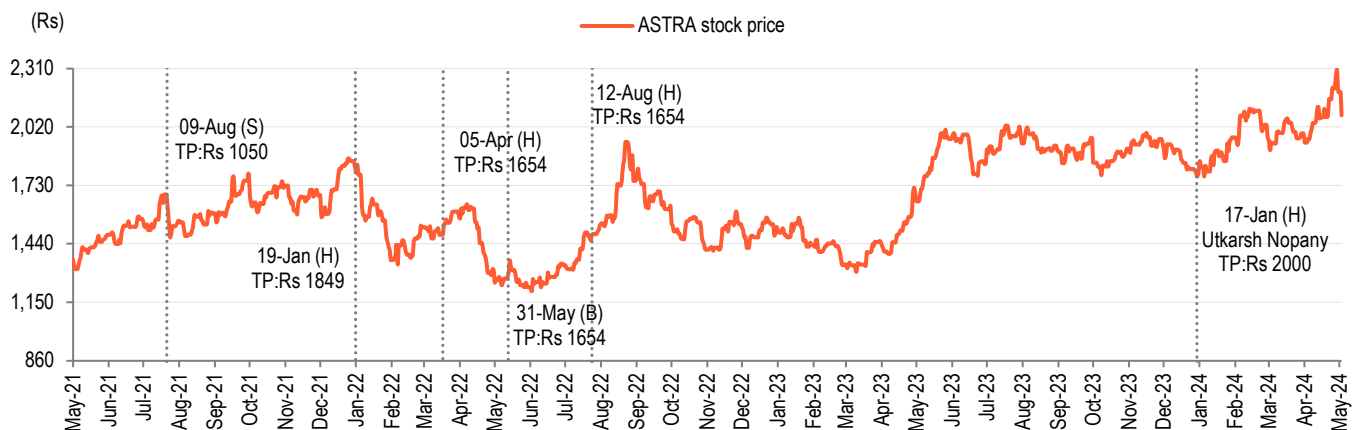
HOLD – Expected return from -6% to +15%

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

Analyst certification

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