

Light Inventory By Dealers Led to Low Volume; HOLD

Astral Limited reported Q3FY22 revenue growth of 22.4% YoY which stood below our expectations. The overall pipe realizations of Rs 243/Kg, grew by 29.4% YoY due to an increase in product prices. However, the volume growth declined by 4% YoY as compared to the industry's double-digits volume de-growth of 11% YoY, primarily led by extended rains, the third wave of the Covid-19, and high fluctuation in PVC prices. Consequently, this resulted in the destocking of inventory by the dealers. On a positive note, Astral is gaining continuous market share due to superior products and strong brand recall.

The company's gross margins improved by 110bps QoQ due to a fall in raw material prices. We believe raw material prices could sustain at these levels in the upcoming quarters. Its EBITDA Margins, reported at 18%, are flat on a sequential basis and are expected to be sustained in the upcoming quarters as well.

Astral is gaining continuous market share due to superior products and strong brand recall. Furthermore, the company's foray into Tanks, Valve, Sanitary Ware, Faucet, and SWR piping systems will help Astral to double the revenue in FY24. Therefore we recommend a HOLD rating on the stock with the target price of Rs 2400/share.

Uptick in realisations

The company's sales volumes declined by 4% YoY on a high base to 35.2k-tons though realizations increased by 29.4% YoY to Rs 243/kg. Gross margins improved by 110bps on a sequential basis due to a fall in raw material prices. We believe raw material prices could sustain at these levels in the upcoming quarters. Adhesive revenue increased by 16.7% YoY, reflecting gains from the reorganization of the distributor network. In the adhesives segment, Astral plans to launch Resiwood WPC-FIX – an epoxy resin to bond WPC to WPC and other substrates. The company has successfully launched Bondtite Pro and has received strong demand from the market.

Incurring Capex to drive growth

Astral plans to incur the Capex of Rs 200 Cr to meet the excellent demand for both its businesses, Pipes & Adhesives for FY23E and FY24E. This includes building a state-of-the-art plant for CPVC/PVC pipes and fitting in Telangana (South) for which the company has already acquired land from the Telangana Government. ASTRAL is planning to start production by FY24E as the Hosur plant in the south will cross 80% plus capacity utilization by FY22E.

Key Financials (Consol)

(Rs Cr)	FY21	FY22E	FY23E	FY24E
Net Sales	3,176	4,429	5,185	6,339
EBITDA	637	833	970	1,179
Net Profit	412	553	651	804
EPS (Rs)	20	27	32	40
PER (x)	108.9	79.6	67.6	54.8
EV/EBITDA (x)	68.4	52.2	44.3	35.9
P/BV (x)	23.0	17.9	14.2	11.3
RoE (%)	21.1	22.5	21.1	20.7

Source: Company, Axis Research

(CMP as of Feb.3, 2021)

CMP (Rs)	2,190
Upside /(Downside (%))	9.8%
High/Low (Rs)	2525/1411
Market cap (Cr)	43,811
Avg. daily vol. (6m) Shrs.	116330
No. of shares (Cr)	15.07

Shareholding (%)

	Jun-20	Sept-20	Dec.-20
Promoter	55.74	55.74	55.74
FII's	19.42	20.36	22.17
MFs / UTI/Banks	9.04	8.9	7.7
Retail	15.8	15.01	14.4

Financial & Valuations

Y/E Mar (Rs Cr)	FY22E	FY23E	FY24E
Net Sales	4,429	5,185	6,339
EBITDA	833	970	1,179
Net Profit	553	651	804
EPS (Rs)	27	32	40
PER (x)	79.6	67.6	54.8
EV/EBITDA (x)	52.2	44.3	35.9
P/BV (x)	17.9	14.2	11.3
RoE (%)	22.5	21.1	20.7

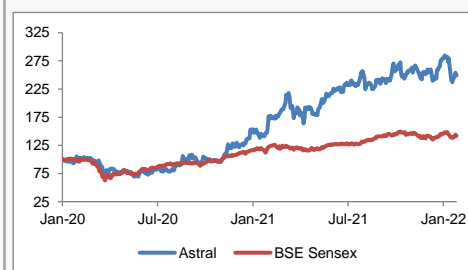
Change in Estimates (%)

Y/E Mar	FY21	FY22E
Sales Growth (%)	12.5	18.6
EBITDA Growth	27.3	37.6
PAT Growth (%)	35.4	47.7

Axis Vs. Consensus

EPS Estimates	FY21	FY22E
Axis	23.09	35.03
Consensus	18.5	24.5
Mean Consensus TP (12M)		1285

Relative performance



Source: Capitaline, Axis Securities

Ankush Mahajan
Research Analyst

email: ankush.mahajan@axissecurities.in

Q3FY22 Result Update
(Rs Cr)

Y/E March	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	YoY (%)	QoQ (%)
Net Sales	898	1,128	700	1,154	1,099	22.4	-4.8
Growth (YoY%)	35.1%	79.3%	73.3%	54.5%	22.4%		
Total Expenditure	707	874	571	943	901	27.5	-4.4
Raw Material Consumed	556	687	432	771	722	29.8	-6.3
% of sales	62.0%	60.9%	61.7%	66.8%	65.7%		
Gross margins (%)	38.0%	39.1%	38.3%	33.2%	34.3%		
Employee Expenses	52	48	58	62	62	17.6	0.2
% of sales	5.8%	4.2%	8.3%	5.3%	5.6%		
Other Expenses	98	139	81	110	118	20.0	6.7
% of sales	10.9%	12.3%	11.5%	9.6%	10.7%		
EBITDA	191	254	129	212	198	3.6	-6.6
EBITDAM (%)	21.3%	22.5%	18.5%	18.3%	18.0%		
Interest	4	1	5	1	2		
Depreciation	30	29	31	31	32	7.0	2.2
Other Income	8	5	4	8	6		
PBT	165	229	99	187	170	2.7	-9.2
Tax	41	53	23	44	42		
Tax (%)	25.0%	23.0%	23.8%	23.4%	24.6%		
Reported PAT	124	176	75	143	128	3.2	-10.7
Associate Profit	1	2	1	0	0		
PAT after EoI	123	175	74	143	128	3.8	-10.7

Source: Company, Axis Securities

Segment Breakup

(Rs Cr)	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	YoY (%)
Plastic	673	886	504	890	838	24.6
Adhesives	225	241	196	264	261	16.1

Source: Company, Axis Securities

Financials (Consol)

Profit & Loss

(Rs Cr)

Y/E March	FY21	FY22E	FY23E	FY24E
Net sales	3,176	4,429	5,185	6,339
Other operating income	0	0	0	0
Net Revenue	3,176	4,429	5,185	6,339
Cost of goods sold	1,969	2,790	3,256	3,968
Contribution (%)	61.99%	63.00%	62.80%	62.60%
Other operating costs	570	806	959	1,192
EBITDA	637	833	970	1,179
Other income	25	30	35	40
PBIDT	662	863	1,005	1,219
Depreciation	117	128	140	151
Interest & Fin Chg.	13	2	2	2
E/o income / (Expense)	0	0	0	0
Pre-tax profit	533	733	863	1,066
Tax provision	125	184	217	268
(-) Minority Interests	0	0	0	0
Associates	4	4	5	6
Adjusted PAT	412	553	651	804
Other Comprehensive Income	0	0	0	0
Reported PAT	412	553	651	804

Source: Company, Axis Securities

Balance Sheet (Rs Cr)

Y/E March	FY21	FY22E	FY23E	FY24E
Share Capital	20	20	20	20
Reserves & Surplus	1,897	2,435	3,070	3,859
Net Worth	1,917	2,455	3,091	3,879
Total Loan funds	53	53	53	53
Deferred Tax Liability	40	40	40	40
Long Term Provisions	3	3	3	3
Other Long Term Liability	0	0	0	0
Capital Employed	2,673	3,460	4,250	5,275
Gross Block	1,765	1,940	2,115	2,290
Less: Depreciation	451	579	718	869
Net Block	1,314	1,361	1,396	1,420
Investments	0	0	0	0
Sundry Debtors	277	485	568	695
Cash & Bank Bal	476	585	1,097	1,727
Loans & Advances	0	0	0	0
Inventory	472	849	994	1,216
Other Current Assets	44	89	104	127
Total Current Assets	688	938	1,092	1,328
Curr Liab & Prov	1,269	2,009	2,764	3,765
Net Current Assets	581	1,071	1,672	2,437
Total Assets	2,672	3,459	4,250	5,274

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E March	FY21	FY22E	FY23E	FY24E
PBT	529	737	868	1,072
Add: depreciation	117	128	140	151
Add: Interest	13	2	2	2
Cash flow from operations	659	867	1,010	1,225
Change in working capital	(102)	381	88	135
Taxes	125	184	217	268
Miscellaneous expenses	0	0	0	0
Net cash from operations	636	302	704	822
Capital expenditure	(188)	(175)	(175)	(175)
Change in Investments	0	0	0	0
Net cash from investing	(188)	(175)	(175)	(175)
Increase/Decrease in debt	(79)	0	0	0
Dividends	(15)	(15)	(15)	(15)
Proceedings from equity	5	0	0	0
Interest	(13)	(2)	(2)	(2)
Others	0	(0)	0	(0)
Net cash from financing	(102)	(17)	(17)	(17)
Net Inc./(Dec.) in Cash	346	109	512	630
Opening cash balance	130	476	585	1,097
Closing cash balance	477	585	1,097	1,727

Source: Company, Axis Securities

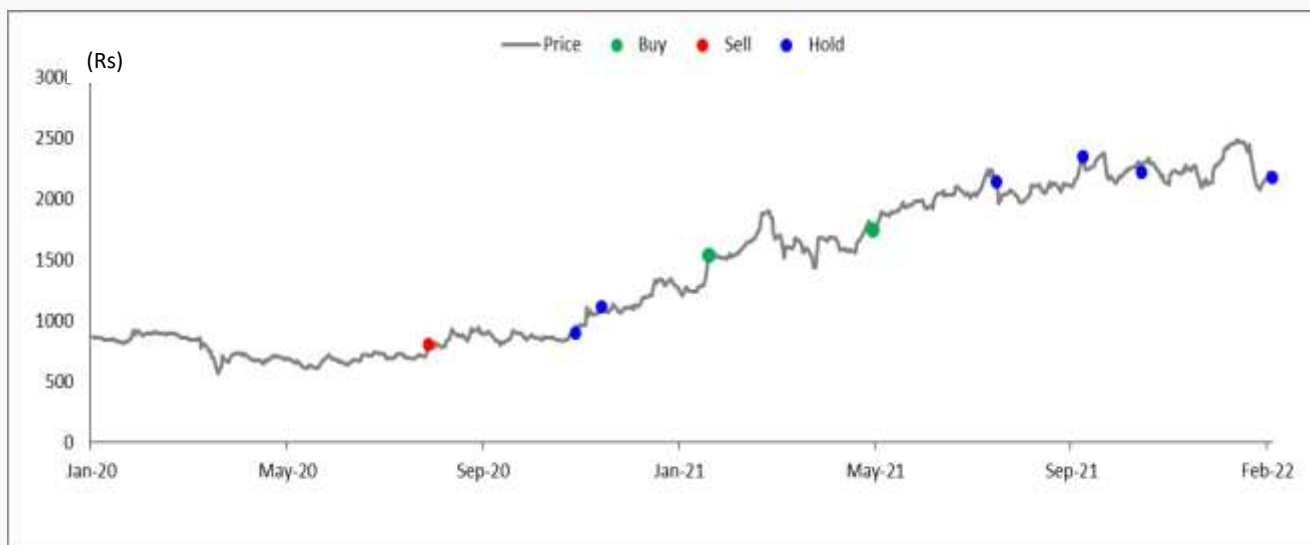
Ratio Analysis

(%)

Y/E March	FY21	FY22E	FY23E	FY24E
Sales growth	23.2	39.4	17.1	22.3
OPM	20.1	18.8	18.7	18.6
Oper. profit growth	44.4	30.7	16.5	21.6
COGS / Net sales	62.0	63.0	62.8	62.6
Overheads/Net sales	17.9	18.2	18.5	18.8
Depreciation / G. block	6.6	6.6	6.6	6.6
Effective interest rate	23.6	25.0	25.0	25.0
NPM				
Net wkg.cap / Net sales	0.1	0.1	0.1	0.1
Net sales / Gr block (x)	1.8	2.3	2.5	2.8
RoCE	32.5	34.8	38.4	43.8
Debt / equity (x)	0.0	0.0	0.0	0.0
Effective tax rate	23.6	25.0	25.0	25.0
RoE	21.1	22.5	21.1	20.7
Payout ratio (Div/NP)	75.1	75.1	75.1	75.1
EPS (Rs)	20.1	27.5	32.4	40.0
EPS Growth	62.9	36.8	17.8	23.5
CEPS (Rs)	25.9	33.9	39.3	47.5
DPS (Rs)	0.8	0.8	0.8	0.8

Source: Company, Axis Securities

Astral Ltd Price Chart and Recommendation History



Date	Reco	TP	Research
06-Aug-20	Sell	758	Result Update
09-Nov-20	HOLD	1,186	Result Update
26-Nov-20	HOLD	1,350	Event Update
04-Feb-21	BUY	2,277	Result Update
21-May-21	BUY	2,250	Result Update
10-Aug-21	HOLD	2,250	Result Update
05-Oct-21	HOLD	2,250	AAA
12-Nov-21	HOLD	2,400	Result Update
07-Feb-22	HOLD	2,400	Result Update

Source: Axis Securities

About the analyst

Analyst: Ankush Mahajan

Contact Details: ankush.mahajan@axissecurities.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

Disclosures:

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

1. Axis Securities Ltd. (ASL) is a SEBI Registered Research Analyst having registration no. INH000000297. ASL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. ASL is a subsidiary company of Axis Bank Ltd. Axis Bank Ltd. is a listed public company and one of India's largest private sector bank and has its various subsidiaries engaged in businesses of Asset management, NBFC, Merchant Banking, Trusteeship, Venture Capital, Stock Broking, the details in respect of which are available on www.axisbank.com.
2. ASL is registered with the Securities & Exchange Board of India (SEBI) for its stock broking & Depository participant business activities and with the Association of Mutual Funds of India (AMFI) for distribution of financial products and also registered with IRDA as a corporate agent for insurance business activity.
3. ASL has no material adverse disciplinary history as on the date of publication of this report.
4. I/We, Ankush Mahajan, MBA - (Finance), author/s and the name/s subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my/our views about the subject issuer(s) or securities. I/We (Research Analyst) also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. I/we or my/our relative or ASL does not have any financial interest in the subject company. Also I/we or my/our relative or ASL or its Associates may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Since associates of ASL are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report. I/we or my/our relative or ASL or its associate does not have any material conflict of interest. I/we have not served as director / officer, etc. in the subject company in the last 12-month period. Any holding in stock – No
5. ASL has not received any compensation from the subject company in the past twelve months. ASL has not been engaged in market making activity for the subject company.
6. In the last 12-month period ending on the last day of the month immediately preceding the date of publication of this research report, ASL or any of its associates may have:

Received compensation for investment banking, merchant banking or stock broking services or for any other services from the subject company of this research report and / or;

Managed or co-managed public offering of the securities from the subject company of this research report and / or;

Received compensation for products or services other than investment banking, merchant banking or stock broking services from the subject company of this research report;

ASL or any of its associates have not received compensation or other benefits from the subject company of this research report or any other third-party in connection with this report.

Term& Conditions:

This report has been prepared by ASL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ASL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ASL will not treat recipients as customers by virtue of their receiving this report.

DEFINITION OF RATINGS	
Ratings	Expected absolute returns over 12-18 months
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning valuation and recommendation
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward looking estimates, valuation or recommendation for the stock

Disclaimer:

Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to the recipient's specific circumstances. The securities and strategies discussed and opinions expressed, if any, in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient.

This report may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this report should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this report (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. Certain transactions, including those involving futures, options and other derivatives as well as non-investment grade securities involve substantial risk and are not suitable for all investors. ASL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ASL and its affiliated companies, their directors and employees may; (a) from time to time, have long or short position(s) in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities or earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or investment banker, lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting this document.

ASL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that ASL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. ASL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. The Research reports are also available & published on AxisDirect website.

Neither this report nor any copy of it may be taken or transmitted into the United State (to U.S. Persons), Canada, or Japan or distributed, directly or indirectly, in the United States or Canada or distributed or redistributed in Japan or to any resident thereof. If this report is inadvertently sent or has reached any individual in such country, especially, USA, the same may be ignored and brought to the attention of the sender. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ASL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors.

The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The Company reserves the right to make modifications and alternations to this document as may be required from time to time without any prior notice. The views expressed are those of the analyst(s) and the Company may or may not subscribe to all the views expressed therein.

Copyright in this document vests with Axis Securities Limited.

Axis Securities Limited, Corporate office: Unit No. 2, Phoenix Market City, 15, LBS Road, Near Kamani Junction, Kurla (west), Mumbai-400070, Tel No. – 022-40508080/ 022-61480808, Regd. off.- Axis House, 8th Floor, Wadia International Centre, PandurangBudhkar Marg, Worli, Mumbai – 400 025. Compliance Officer: AnandShaha, Email: compliance.officer@axisdirect.in, Tel No: 022-42671582. SEBI-Portfolio Manager Reg. No. INP000000654