

04 September 2023

India | Equity Research | Company Update

## Astral Ltd

Plastic

### Demand and margin trend remains favourable

We interacted with the management of Astral Ltd (Astral) and following are the key takeaways: a) demand trend in pipe market remains healthy in Q2FY24-TD with 20%+ volume growth YoY (partly aided by low base) driven largely by the plumbing segment; b) management indicated operating margins to improve QoQ in Q2FY24 for both pipes (due to better product mix and no inventory losses likely to recur in Q2 given that PVC resin prices have been on an uptrend) and adhesives (benign raw material prices); c) ramp-up in bathware segment (sanitaryware & faucetware) is progressing well and the company has opened 500+ showrooms/display centres as of Jun'23; d) paint segment will likely start delivering better performance from H2FY24 post complete handover of GEM Paints by Sep'23. According to management, Astral is on track to achieve pipe volume growth and adhesive revenue growth in high double-digits YoY in FY24. We maintain our estimates and **HOLD** rating with an unchanged Sep'24E target price of INR 1,909.

### Pipe demand trend remains healthy

Management indicated demand for pipes has remained steady with 20%+ volume growth YoY (partly aided by lower base) in Q2FY24-TD driven largely by the plumbing segment. Other segments like agriculture and infrastructure too continue to see steady demand as in Q1. The continued trend of lower PVC prices is enabling strong demand for the pipe segment and is likely to continue in the near term. East plant (Odisha) ramp-up has been steady and now with CPVC pipe production too starting, product mix here too will start to improve going forward. Guwahati plant is expected to contribute from H2FY24 thus enabling better volume growth in a seasonally strong second half. Management indicated it is on track to achieve its guidance of high double-digit pipe volume growth (~15-20%) in FY24. Demand for adhesives remains healthy in Q2-TD and the company expects segmental revenue growth in double-digits in FY24.

### Margins in both pipe and adhesive segments to normalise

Management indicated pipe margins to improve in Q2FY24 (due to better product mix as CPVC sales are higher, and there have been no inventory losses as PVC resin prices have been rising in Q2FY24). Management believes 16-18% is a sustainable margin range for pipe segment. Adhesive margins are expected to improve in Q2 due to benign input prices. Management expects adhesive margins to be sustainable at ~15-16% going ahead.

### Financial Summary

Y/E March (INR mn)	FY23A	FY24E	FY25E	FY26E
Net Revenue	51,585	59,582	70,664	78,981
EBITDA	8,112	10,407	12,700	14,180
EBITDA %	15.7	17.5	18.0	18.0
Net Profit	4,460	6,668	8,283	9,398
EPS (Rs)	16.6	24.8	30.8	35.0
EPS % Chg YoY	(6.6)	49.5	24.2	13.5
P/E (x)	115.1	77.0	62.0	54.6
EV/EBITDA (x)	62.5	48.8	39.7	35.2
RoCE (%)	17.0	19.4	21.2	20.8
RoE (%)	17.7	22.6	24.0	23.6

#### Arun Baid

arun.baid@icicisecurities.com

+91 22 6807 7235

#### Sohil Kaura

sohil.kaura@icicisecurities.com

#### Market Data

Market Cap (INR)	513bn
Market Cap (USD)	6,207mn
Bloomberg Code	ASTRA IN
Reuters Code	ASTL BO
52-week Range (INR)	2,058 / 1,298
Free Float (%)	44.0
ADTV-3M (mn) (USD)	23.5

Price Performance (%)	3m	6m	12m
Absolute	5.8	34.0	17.0
Relative to Sensex	5.3	11.1	12.7

ESG Disclosure	2021	2022	Change
ESG score	47.5	51.3	3.8
Environment	29.5	30.4	0.8
Social	28.0	38.6	10.6
Governance	84.9	84.9	-

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: Bloomberg, I-sec research

#### Previous Reports

12-08-2023: [Q1FY24 results review](#)

26-05-2023: [Company Update](#)

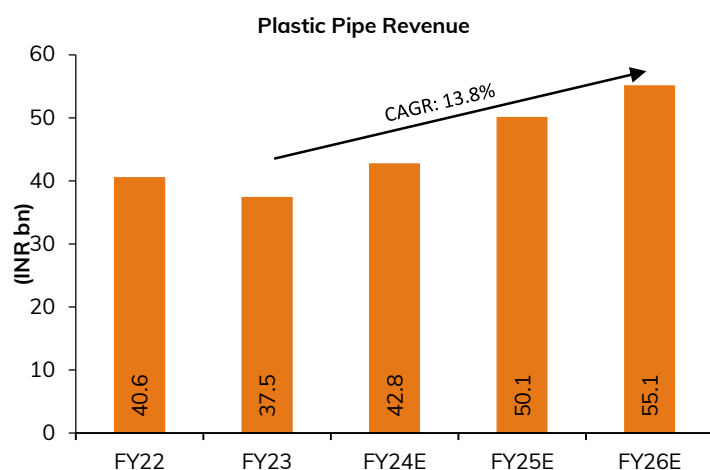
### New businesses progressing well

The scale-up in bathware segment is progressing well and it is now seeing revenues of ~INR 50mn-60mn per month. The trend is likely to improve from H2, which is seasonally a stronger demand period. The bathware segment has presence in 500+ showrooms/display centres as of Jun'23 and the company plans to add 200-300 locations going ahead. Paint business performance too should improve from H2FY24 post the complete handover of the acquired GEM Paints by Sep'23.

### Maintain HOLD

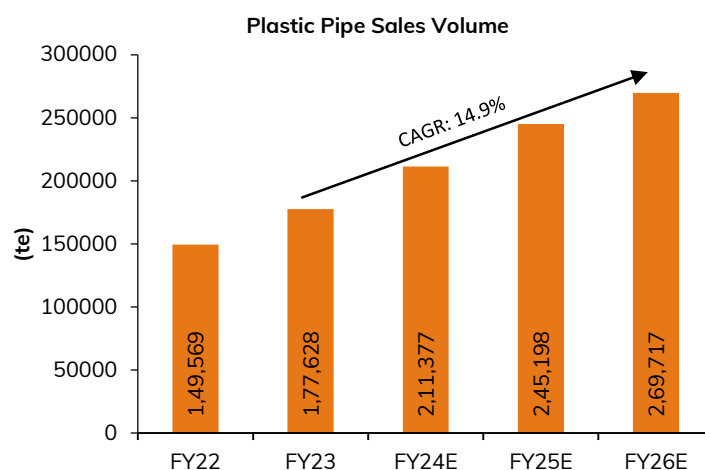
We continue to like Astral for its strong brand, comprehensive product portfolio, wide distribution reach and robust balance sheet. We believe there are near-term margin and demand tailwinds for both the major businesses of Astral (pipes and adhesives). Maintain **HOLD** with an unchanged Sep'24E target price of INR 1,909.

**Exhibit 1: Plastic pipe revenue CAGR of 13.8% expected over FY23-FY26E**



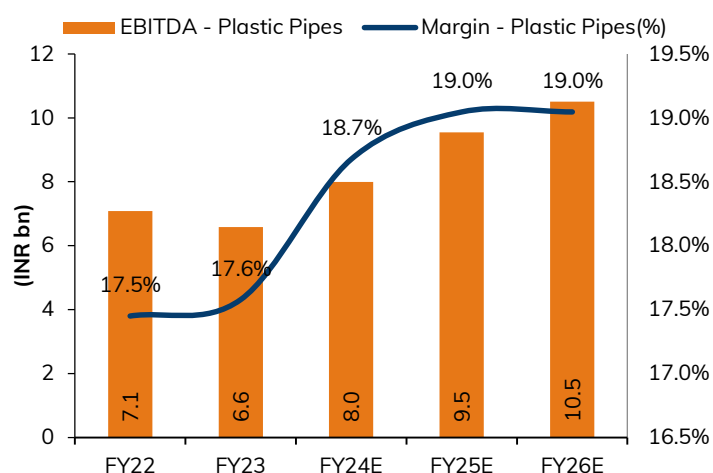
Source: I-Sec research, Company data

**Exhibit 2: Plastic pipe volumes likely to witness 14.9% CAGR over FY23-FY26E**



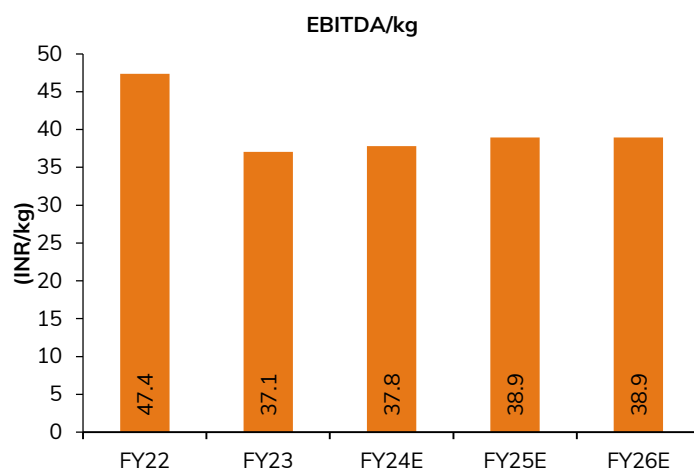
Source: I-Sec research, Company data

**Exhibit 3: Plastic pipe EBITDA margin to improve by 147bps over FY23-FY26E**



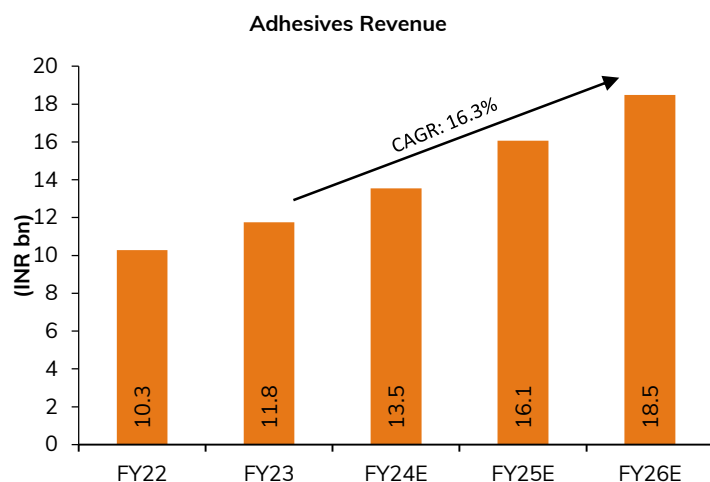
Source: I-Sec research, Company data

**Exhibit 4: Plastic pipe EBITDA/kg expected to remain stable**



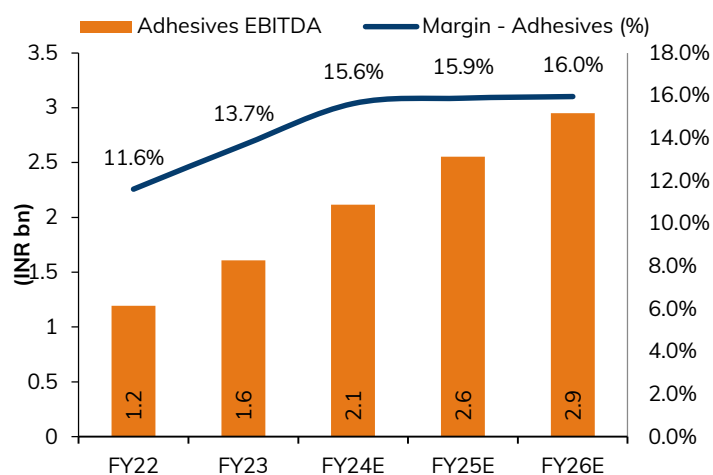
Source: I-Sec research, Company data

**Exhibit 5: Adhesive segment to witness revenue CAGR of 16.3% during FY23-FY26E**



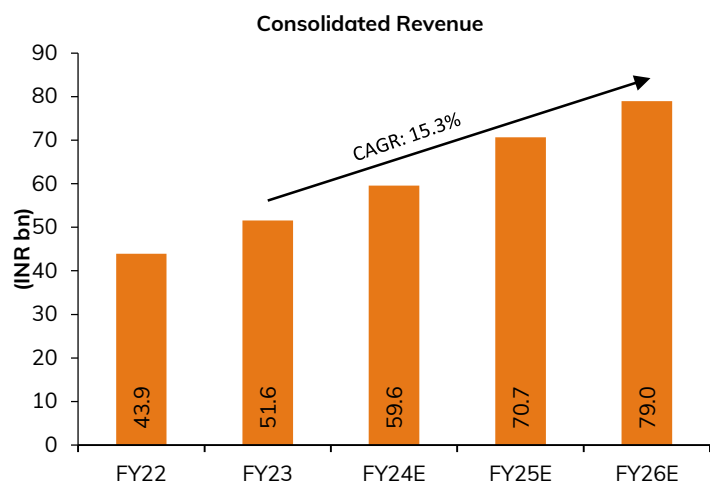
Source: I-Sec research, Company data

**Exhibit 6: Adhesive EBITDA margin to improve over FY23-FY26E**



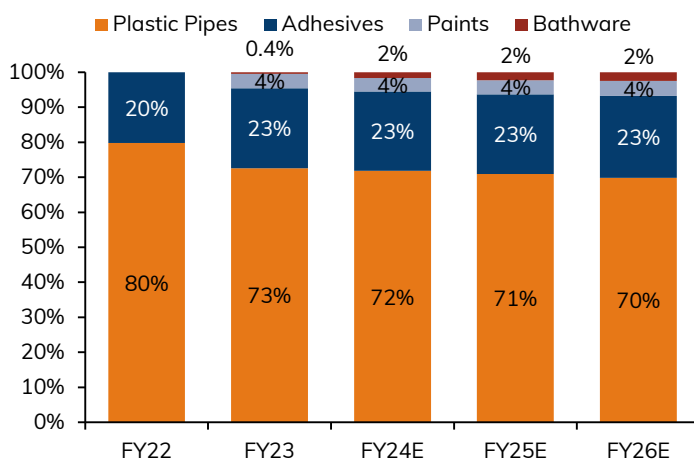
Source: I-Sec research, Company data

**Exhibit 7: Consolidated revenue CAGR of 15.3% estimated for FY23-FY26E**



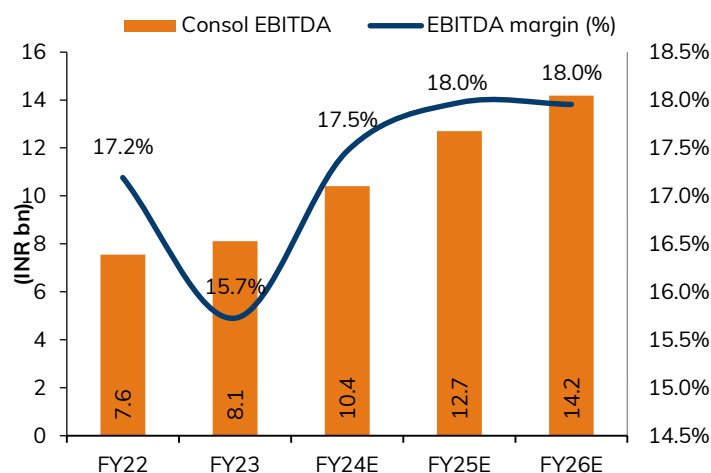
Source: I-Sec research, Company data

**Exhibit 8: Pipe segment may continue to be the dominant contributor to revenues**



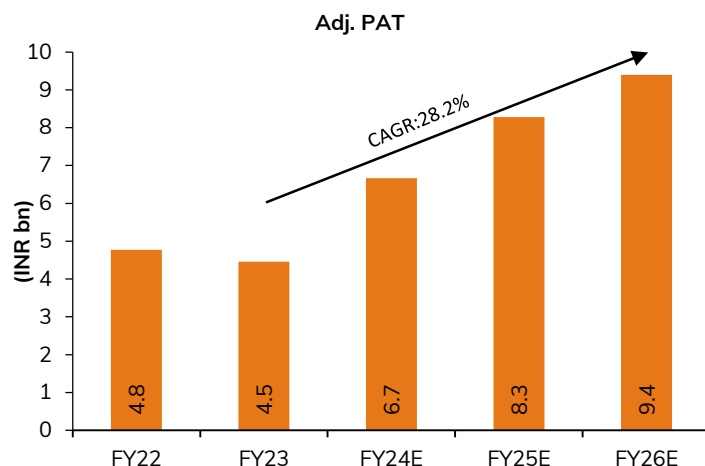
Source: I-Sec research, Company data

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

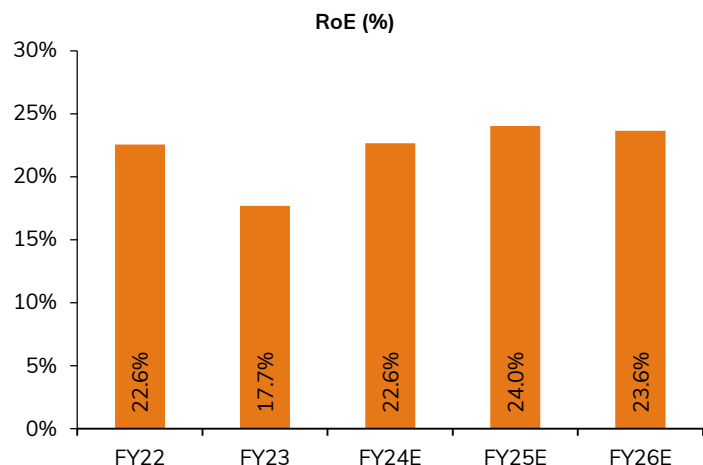


Source: I-Sec research, Company data

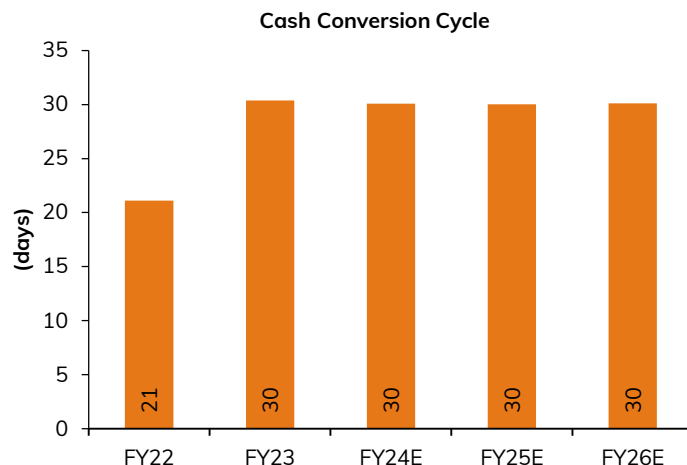
**Exhibit 10: APAT CAGR of 28.2% expected over FY23-FY26E**



Source: I-Sec research, Company data

**Exhibit 11: RoE is expected to stay robust**

Source: I-Sec research, Company data

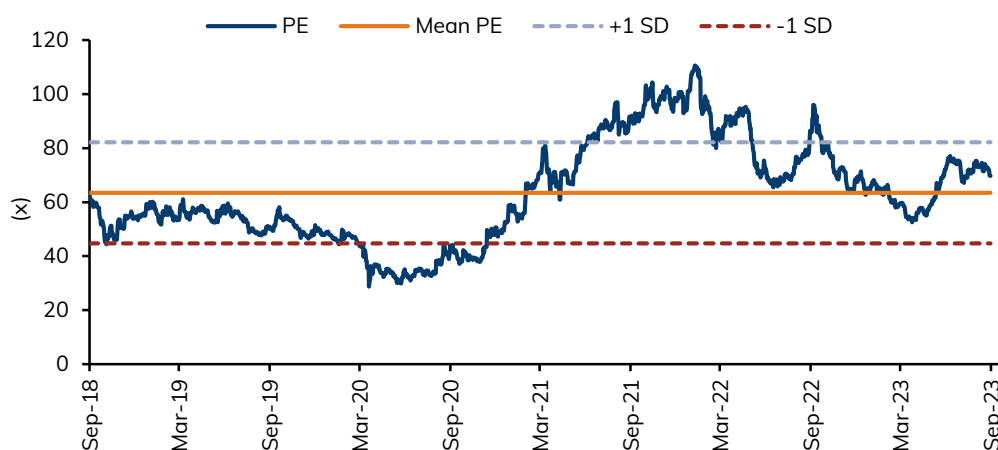
**Exhibit 12: Cash conversion cycle likely to remain stable**

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 15.3% and 20.5% respectively over FY23-FY26E, with strong return ratios (RoE of 24% in FY25E). Maintain **HOLD** with an unchanged Sep'24E target price of INR 1,909, set at 58x 1-year forward P/E.

**Exhibit 13: 1-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 will 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'22	Mar'23	Jun'23
Promoters	55.9	55.9	55.9
Institutional investors	30.1	30.4	31.5
MFs and others	8.7	8.7	8.8
FIs/Banks	0.1	0.1	0.1
Insurance	5.0	5.1	4.8
FIIIs	16.3	16.5	17.9
Others	14.0	13.8	12.6

Source: Bloomberg

**Exhibit 15: Price chart**



Source: Bloomberg

## Financial Summary

### Exhibit 16: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24E	FY25E	FY26E
<b>Net Sales</b>	<b>51,585</b>	<b>59,582</b>	<b>70,664</b>	<b>78,981</b>
Operating Expenses	43,473	49,175	57,964	64,801
<b>EBITDA</b>	<b>8,112</b>	<b>10,407</b>	<b>12,700</b>	<b>14,180</b>
EBITDA Margin (%)	15.7	17.5	18.0	18.0
Depreciation & Amortization	1,781	2,019	2,213	2,475
<b>EBIT</b>	<b>6,331</b>	<b>8,389</b>	<b>10,487</b>	<b>11,705</b>
Interest expenditure	400	127	65	20
Other Non-operating Income	209	546	516	723
<b>Recurring PBT</b>	<b>6,140</b>	<b>8,807</b>	<b>10,939</b>	<b>12,408</b>
Less: Taxes	(1,557)	(2,114)	(2,625)	(2,978)
PAT	4,583	6,693	8,313	9,430
<b>Profit / (Loss) from Associates</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Less: Minority Interest	(159)	(25)	(30)	(32)
Extraordinaries (Net)	142	-	-	-
<b>Net Income (Reported)</b>	<b>4,566</b>	<b>6,668</b>	<b>8,283</b>	<b>9,398</b>
<b>Net Income (Adjusted)</b>	<b>4,460</b>	<b>6,668</b>	<b>8,283</b>	<b>9,398</b>

Source Company data, I-Sec research

### Exhibit 17: Balance sheet

(INR mn, year ending March)

	FY23A	FY24E	FY25E	FY26E
<b>Assets</b>				
Inventories	8,746	8,757	10,322	11,540
Cash & cash eqv.	6,821	6,455	9,387	13,808
Sundry Debtors	3,545	3,591	4,259	4,760
Other Current Assets	1,790	1,796	2,130	2,380
Trade payables	8,000	7,436	8,767	9,783
Other Current Liabilities	4,862	2,184	2,576	2,874
<b>Net Current Assets</b>	<b>8,040</b>	<b>10,979</b>	<b>14,756</b>	<b>19,832</b>
Investments	-	-	-	-
Net Fixed Assets	17,137	18,618	19,905	19,930
Other Non Current Assets	5,582	5,582	5,582	5,582
<b>Total Assets</b>	<b>30,759</b>	<b>35,179</b>	<b>40,243</b>	<b>45,344</b>
<b>Liabilities</b>				
Borrowings	773	500	150	50
Other Non Current Liabilities	397	397	397	397
<b>Total Liabilities</b>	<b>1,170</b>	<b>897</b>	<b>547</b>	<b>447</b>
Equity Share Capital	269	269	269	269
Reserves & Surplus	26,843	31,511	36,895	42,064
<b>Total Net Worth</b>	<b>27,112</b>	<b>31,780</b>	<b>37,164</b>	<b>42,333</b>
Minority Interest	2,477	2,502	2,532	2,564
<b>Total Liabilities &amp; Net Worth</b>	<b>30,759</b>	<b>35,179</b>	<b>40,243</b>	<b>45,344</b>

Source Company data, I-Sec research

### Exhibit 18: Quarterly trend

(INR mn, year ending March)

	Sep-22	Dec-22	Mar-23	Jun-23
Net Sales	11,716	12,678	15,062	12,831
% growth (YOY)	-2.4	15.0	8.3	5.8
EBITDA	1,440	1,864	3,089	2,016
Margin %	12.3	14.7	20.5	15.7
Other Income	109	-20	66	121
Extraordinaries	-70	-41	3	6
Adjusted Net Profit	745	960	1,994	1,194

Source Company data, I-Sec research

### Exhibit 19: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24E	FY25E	FY26E
<b>Operating Cashflow</b>	<b>9,802</b>	<b>5,433</b>	<b>9,711</b>	<b>11,281</b>
Working Capital Changes	1,196	(3,304)	(845)	(655)
Capital Commitments	(8,252)	(3,500)	(3,500)	(2,500)
<b>Free Cashflow</b>	<b>1,550</b>	<b>1,933</b>	<b>6,211</b>	<b>8,781</b>
Other investing cashflow	-	-	-	-
<b>Cashflow from Investing Activities</b>	<b>(8,252)</b>	<b>(3,500)</b>	<b>(3,500)</b>	<b>(2,500)</b>
Issue of Share Capital	68	-	-	-
Inc (Dec) in Borrowings	(78)	(273)	(350)	(100)
Dividend paid	(825)	(2,001)	(2,899)	(4,229)
Others	(312)	(25)	(30)	(32)
<b>Cash flow from Financing Activities</b>	<b>(1,147)</b>	<b>(2,299)</b>	<b>(3,279)</b>	<b>(4,361)</b>
Chg. in Cash & Bank balance	403	(366)	2,932	4,420
<b>Closing cash &amp; balance</b>	<b>6,821</b>	<b>6,455</b>	<b>9,387</b>	<b>13,808</b>

Source Company data, I-Sec research

### Exhibit 20: Key ratios

(Year ending March)

	FY23A	FY24E	FY25E	FY26E
<b>Per Share Data (INR)</b>				
Reported EPS	17.0	24.8	30.8	35.0
Adjusted EPS (Diluted)	16.6	24.8	30.8	35.0
Cash EPS	23.2	32.3	39.1	44.2
Dividend per share (DPS)	3.0	7.4	10.8	15.7
Book Value per share (BV)	100.9	118.3	138.4	157.6
Dividend Payout (%)	18.1	30.0	35.0	45.0
<b>Growth (%)</b>				
Net Sales	17.4	15.5	18.6	11.8
EBITDA	7.4	28.3	22.0	11.6
EPS (INR)	(6.6)	49.5	24.2	13.5
<b>Valuation Ratios (x)</b>				
P/E	115.1	77.0	62.0	54.6
P/CEPS	82.3	59.1	48.9	43.2
P/BV	18.9	16.2	13.8	12.1
EV / EBITDA	62.5	48.8	39.7	35.2
EV / Sales	9.8	8.5	7.1	6.3
Dividend Yield (%)	0.2	0.4	0.6	0.8
<b>Operating Ratios</b>				
Gross Profit Margins (%)	33.4	34.9	35.3	35.4
EBITDA Margins (%)	15.7	17.5	18.0	18.0
Effective Tax Rate (%)	25.4	24.0	24.0	24.0
Net Profit Margins (%)	8.6	11.2	11.7	11.9
NWC / Total Assets (%)	2.8	10.1	10.4	10.4
Net Debt / Equity (x)	(0.2)	(0.2)	(0.2)	(0.3)
Net Debt / EBITDA (x)	(0.7)	(0.6)	(0.7)	(1.0)
<b>Profitability Ratios</b>				
RoCE (%) (post-tax)	17.0	19.4	21.2	20.8
RoE (%)	17.7	22.6	24.0	23.6
<b>Cash Conversion Cycle (on net sales)</b>				
Inventory Days	62	54	53	53
Receivables Days	25	22	22	22
Payables Days	57	46	45	45

Source Company data, I-Sec research

This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #40-92 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet\_babbar@icicisecuritiesinc.com, Rishi\_agrawal@icicisecuritiesinc.com.

"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."

New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)  
**BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return**

#### ANALYST CERTIFICATION

I/We, Arun Baid, MBA; Sohil Kaura, M.Com (Finance); authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

#### Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager, Research Analyst and Alternative Investment Fund. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities AIF Trust's SEBI Registration number is IN/AIF3/23-24/1292 ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com).

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icicidirect.com](http://icicidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Institutional Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Retail Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient 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 ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances. This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed 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 may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. 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.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as an entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

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 ICICI Securities and affiliates 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. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.



---

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, **E-mail Address** : [complianceofficer@icicisecurities.com](mailto:complianceofficer@icicisecurities.com)

For any queries or grievances: [Mr. Prabodh Avadhoot](mailto:Mr.Prabodh.Avadhoot) Email address: [headservicequality@icicidirect.com](mailto:headservicequality@icicidirect.com) Contact Number: 18601231122

---