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Company update and
reco change

Plastic

Target price: Rs1,663

Earnings revision

(%)	FY21E	FY22E	FY23E
Revenues	↑ 4.4	↑ 8.3	↑ 8.1
EBITDA	↑ 5.3	↑ 6.4	↑ 7.2
PAT	↑ 6.8	↑ 7.2	↑ 7.9

Target price revision

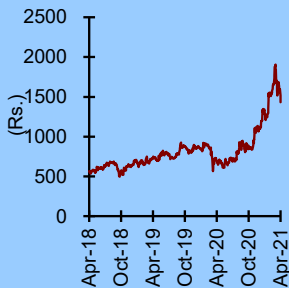
Rs1,663 from Rs1,387

Shareholding pattern

	Jun '20	Sep '20	Dec '20
Promoters	55.7	55.7	55.7
Institutional investors	28.5	28.3	28.3
MFs and others	8.3	9.8	7.7
FIs/Banks	0.5	0.5	0.0
Insurance	-	-	-
FII	19.7	18.0	22.4
Others	15.8	16.0	14.0

Source: NSE

Price chart



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INDIA

ICICI Securities

Astral Limited

BUY

Upgrade from HOLD

On a strong footing; top pick in pipes

Rs1,441

We upgrade ASTRA to BUY with the stock correcting ~27% in the last one month. Besides expecting the company to continue with its strong earnings traction post Covid, we expect its premium valuations to sustain driven by a) sustained market share gain opportunity in piping segment with likely accelerated consolidation in PVC/CPVC pipes segment in the post Covid environment; b) strong option value in its adhesive business (capable of growing at 20-25% CAGR over the next 3-5 years); c) strong growth opportunity in tanks (likely to achieve Rs1.5bn revenue by FY23) and DWC pipe (expected to post 25-30% CAGR over next 2-3 years) segments; c) expansion of manufacturing footprint (Odisha plant to commence by Oct'21) which opens up huge opportunity in East India (where its scale is currently at ~1/10th of Supreme's revenue in East India); d) option value in the form of likely acquisition/(s) (with ASTRA likely to close FY23 with cash on books in excess of Rs10bn) and e) pre-tax RoCEs (ex-cash) likely to touch 50% by FY23.

- **Valuation and outlook:** Considering the robust growth outlook amid the ongoing second Covid wave, we increase our revenue and PAT estimates by 4.4%/8.3%/8.1% and 6.7%/7.2%/7.9% for FY21E/FY22E/FY23E, respectively. We expect ASTRA to report overall revenue/PAT CAGR of 23.1%/39.1%, respectively, over FY20-FY23E. We upgrade ASTRA to BUY (from HOLD) with a revised target price of Rs1,663 (earlier: Rs1,387), implying a P/E multiple of 50x (earlier - 45x) FY23E earnings. Key risks: 1) Sharp decline in PVC prices and 2) lower than expected pick-up in adhesive business.
- **Prefer ASTRA (post recent correction) over Prince Pipes (PPF) and Supreme Industries (SI):** We expect ASTRA's earnings to outpace its key peers in FY22 driven by 1) likely least impact of the recent strict restrictions imposed by few states amid the ongoing second Covid wave with Q1 revenue being much leaner at 17-18% of overall sales for ASTRA vs 24-25% for SI and 21-22% for PPF; 2) likely least impact on its realisations and margins on account of expected steep price fall in PVC pipes segment post Q1FY22 with expected uptick in CPVC pipes prices (by ~15-20%) in FY22E (ASTRA's share in CPVC pipes segment being significantly higher than peers; Q1FY22 has already seen a price hike of 6-8% in CPVC pipes) and 3) its least impact of muted growth in agricultural pipes segment (due to elevated prices of agricultural PVC pipes in Q1FY22 – being a key season) where ASTRA's share is least at 4-5% vs SI at ~30-35% and PPF at ~30%.
- **RoCEs (adjusted for cash) likely to touch 50% by FY23E.** Strong earnings momentum, stricter working capital management and impressive free cash generation (due to muted capex) are expected to drive significant cash on books (Rs10bn+) by FY23E. We thus assign a 50 PE multiple to ASTRA's FY23 earnings compared to 35x for SI and 25x for PPF considering a) its high RoCE (adj. for cash) profile (50.6% for ASTRA vs 28.3% for SI and 27.1% for PPF) and b) option value in the form of likely acquisitions and its scaling up of its niche segments (adhesives, tanks and DWC pipes).

Market Cap	Rs289bn/US\$3.9bn	Year to Mar	FY20	FY21E	FY22E	FY23E
Reuters/Bloomberg	ASPT.BO/ASTRA IN	Revenue (Rs mn)	25,781	30,973	40,045	48,044
Shares Outstanding (mn)	200.9	Rec. Net Income (Rs mn)	2,481	3,645	5,257	6,682
52-week Range (Rs)	2099/747	EPS (Rs)	12.3	18.1	26.2	33.3
Free Float (%)	44.3	% Chg YoY	26.7	46.9	44.2	27.1
FII (%)	22.4	P/E (x)	116.6	79.4	55.0	43.3
Daily Volume (US\$/'000)	6,480	CEPS (Rs)	17.7	24.0	32.6	40.0
Absolute Return 3m (%)	11.6	EV/E (x)	65.5	48.2	36.6	29.2
Absolute Return 12m (%)	108.7	Dividend Yield (%)	0.4	0.4	0.4	0.4
Sensex Return 3m (%)	(1.8)	RoCE (%)	20.9	28.1	33.2	34.6
Sensex Return 12m (%)	59.9	RoE (%)	17.9	23.0	27.9	28.6

Please refer to important disclosures at the end of this report

Table 1: Change in estimates

(Rs mn, year ending March 31)

Estimates	Old			New			% change		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	29,659.1	36,988.4	44,432.1	30,973.2	40,045.2	48,044.0	4.4%	8.3%	8.1%
EBITDA	5,659.8	7,301.0	8,951.9	5,957.4	7,766.7	9,593.6	5.3%	6.4%	7.2%
EBIDTA margins	19.1%	19.7%	20.1%	19.2%	19.4%	20.0%	10bps	-30bps	-10bps
PAT	3,413.1	4,902.4	6,193.8	3,644.5	5,256.9	6,682.2	6.8%	7.2%	7.9%
EPS	17.0	24.4	30.8	18.1	26.2	33.3	6.7%	7.2%	7.9%

Source: Company data, I-Sec research

Table 2: Peer valuation

Company name	CMP (Rs)	TP (Rs)	Upside (%)	EPS (Rs)			P/E (x)			RoE (%)			RoCE (%)		
				FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Supreme Industries	1,972	2,005	2%	61.5	55.9	64.4	32.0	35.2	30.6	30.8	23.4	23.1	31.1	26.0	26.0
Astral Ltd	1,440	1,663	15%	18.1	26.2	33.3	79.4	55.0	43.3	23.0	27.9	28.6	28.1	33.2	34.6
Prince Pipes & Fittings	502	505	1%	16.7	16.1	20.2	30.0	31.3	24.9	20.0	16.4	17.8	22.5	19.4	21.7

Source: Company data, I-Sec research

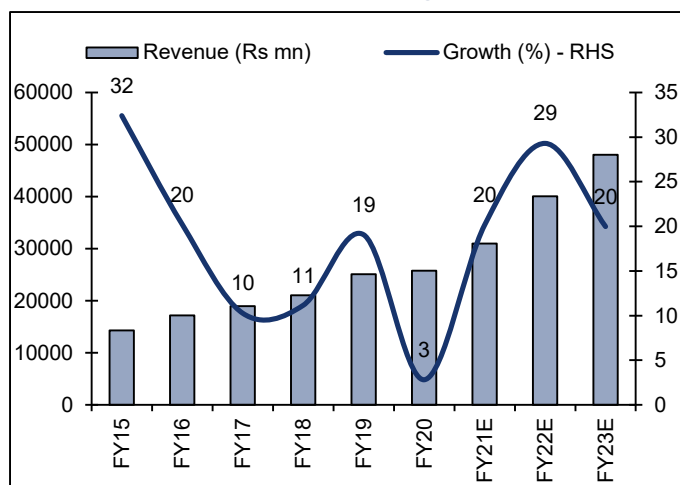
Table 3: Peer financials comparison

Company name	Revenue CAGR (%)		EBITDA CAGR (%)		PAT CAGR (%)		EBITDA margins (%)			
	FY18-20	FY20-23E	FY18-20	FY20-23E	FY18-20	FY20-23E	FY20	FY21E	FY22E	FY23E
Supreme Industries	5.4	12.8	3.0	15.0	4.1	20.5	15.1	18.1	16.0	16.1
Astral Ltd	10.6	23.1	18.3	29.4	19.0	39.1	17.2	19.2	19.4	20.0
Prince Pipes & Fittings	11.7	12.7	18.4	17.9	24.3	25.5	14.0	16.2	15.3	16.0

Source: Company data, I-Sec research

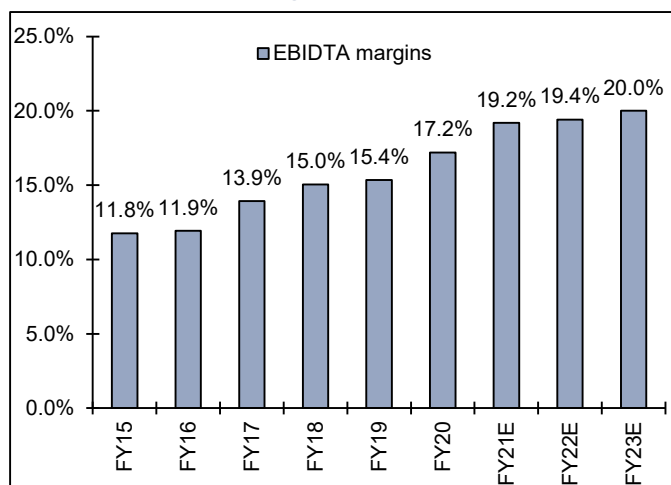
Story in charts

Chart 1: Revenue and revenue growth



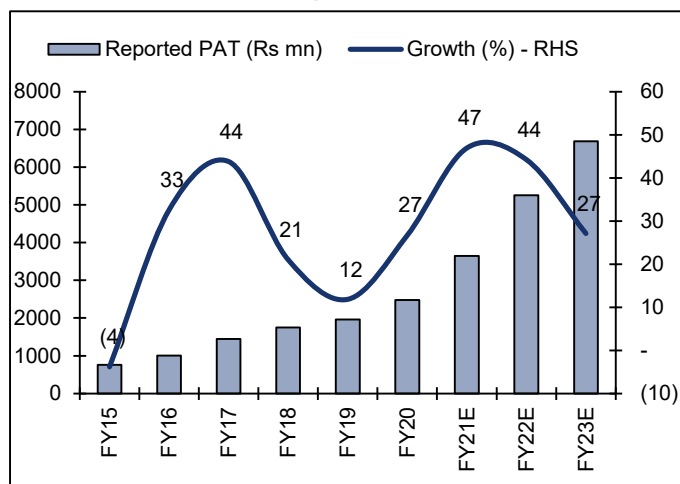
Source: Company data, I-Sec research

Chart 2: EBITDA margins



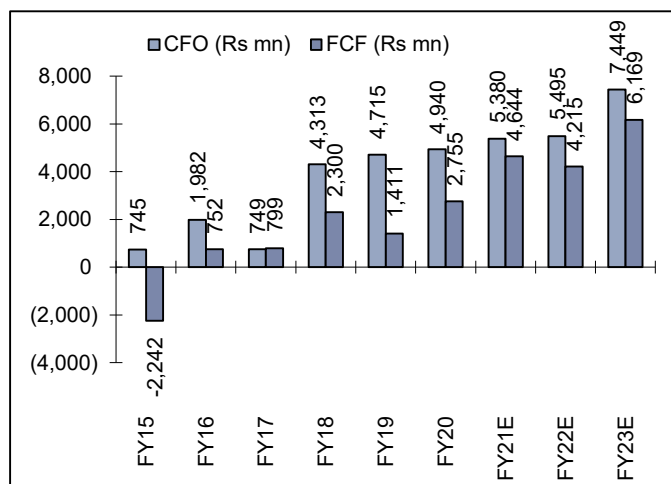
Source: Company data, I-Sec research

Chart 3: PAT and PAT growth



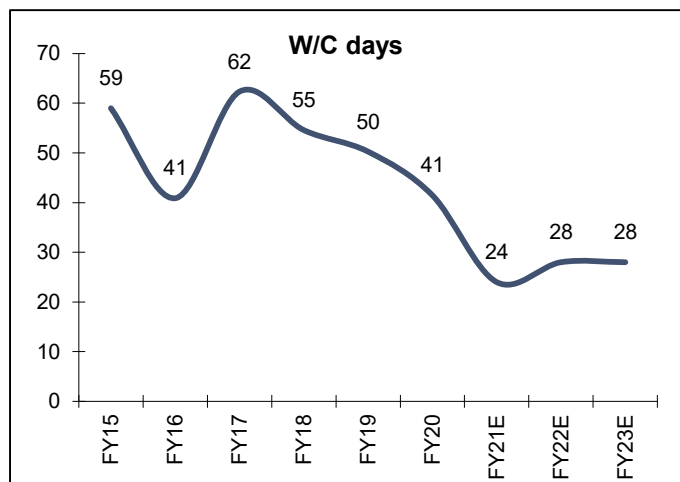
Source: Company data, I-Sec research

Chart 4: CFO and FCF



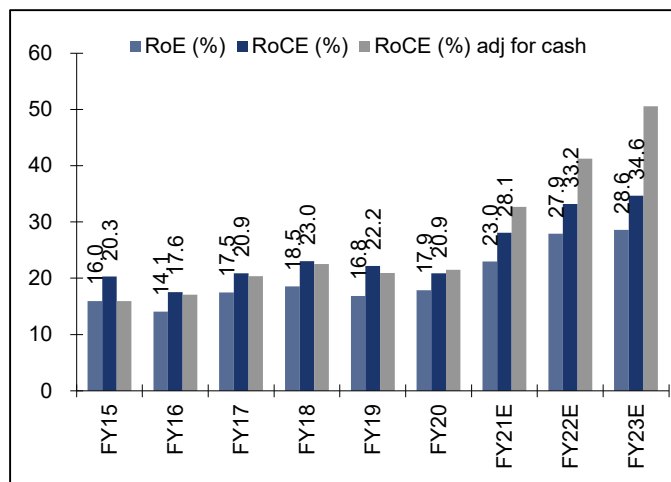
Source: Company data, I-Sec research

Chart 5: Working capital days



Source: Company data, I-Sec research

Chart 6: RoE – RoCE – RoCE adjusted for cash



Source: Company data, I-Sec research

Financial summary

Table 4: Profit & loss statement

(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
Net Revenues	25,781	30,973	40,045	48,044
Operating Expenses	21,350	25,016	32,279	38,450
EBITDA	4,431	5,957	7,767	9,594
% margins	17.2%	19.2%	19.4%	20.0%
Depreciation & Amortisation	1,079	1,187	1,302	1,364
Gross Interest	394	105	123	119
Other Income	121	214	300	389
Recurring PBT	3,079	4,880	6,641	8,500
Less: Taxes	565	1,112	1,338	1,741
Less: Minority Interest	33	123	47	77
Add: Share of Profit of Associates	-	-	-	-
Net Income (Reported)	2,481	3,645	5,257	6,682
Extraordinaries (Net)	-	-	-	-
Recurring Net Income	2,481	3,645	5,257	6,682

Source: Company data, I-Sec research

Table 5: Balance sheet

(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
Assets				
Total Current Assets	9,508	11,911	17,601	24,372
of which cash & cash eqv.	913	3,187	5,926	10,384
Total Current Liabilities & Provisions	5,423	5,678	7,095	8,344
Net Current Assets	4,085	6,233	10,507	16,028
Investments	2	2	2	2
Net Fixed Assets	9,996	10,009	10,007	9,943
Capital Work-in-Progress	444	-	-	-
Goodwill	2,553	2,185	1,817	1,450
Total Assets	17,080	18,429	22,333	27,423
Liabilities				
Borrowings	1,842	1,081	1,200	1,050
Deferred Tax Liability	429	399	399	399
Minority Interest	168	213	290	397
Equity Share Capital	151	201	201	201
Face Value per share (Rs)	1	1	1	1
Reserves & Surplus*	14,491	16,535	20,243	25,376
Less: Misc. Exp. n.w.o.	-	-	-	-
Net Worth	14,641	16,736	20,444	25,577
Total Liabilities	17,080	18,429	22,333	27,423

*Excluding revaluation reserves

Source: Company data, I-Sec research

Table 6: Quarterly trend (consolidated)

(Rs mn, year ending March 31)

	Mar-19	Jun-19	Sep-20	Dec-20
Net revenues	6,289	4,039	7,471	8,975
% growth (YoY)	(18.8)	(33.4)	10.1	35.1
EBITDA	1,126	543	1,436	1,920
Margin (%)	17.9	13.4	19.2	21.4
Other income	1	39	49	61
Extraordinaries (Net)	-	-	-	-
Net profit	511	199	867	1,232

Source: Company data, I-Sec research

Table 7: Cashflow statement

(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
Operating Cashflow	4,481	4,812	6,539	8,026
Working Capital Changes	186	539	(1,091)	(589)
Capital Commitments	(2,195)	(756)	(1,300)	(1,300)
Free Cashflow	2,473	4,595	4,149	6,138
Cashflow from Investing Activities	10	20	20	20
Issue of Share Capital	1	(0)	-	-
Inc (Dec) in Borrowings	(899)	(761)	119	(150)
Dividend paid	(1,549)	(1,549)	(1,549)	(1,549)
Change in Deferred Tax Liability	(104)	(30)	-	-
Chg. in Cash & Bank balance	(68)	2,274	2,738	4,458

Source: Company data, I-Sec research

Table 8: Key ratios

(Year ending March 31)

	FY20	FY21E	FY22E	FY23E
Per Share Data (in Rs.)				
EPS	12.3	18.1	26.2	33.3
Cash EPS	17.7	24.0	32.6	40.0
Dividend per share (DPS)	6.4	6.4	6.4	6.4
Book Value per share (BV)	72.9	83.3	101.8	127.3
Growth (%)				
Net Sales	2.8	20.1	29.3	20.0
EBITDA	15.1	34.5	30.4	23.5
PAT	26.7	46.9	44.2	27.1
Cash EPS	26.7	46.9	44.2	27.1
Valuation Ratios (x)				
P/E	116.6	79.4	55.0	43.3
P/CEPS	81.3	59.9	44.1	36.0
P/BV	19.8	17.3	14.2	11.3
EV / EBITDA	65.5	48.2	36.6	29.2
EV / Sales	11.3	9.3	7.1	5.8
Operating Ratios				
Raw Material / Sales (%)	63.7	62.9	62.9	62.9
Employee cost / Sales (%)	6.8	5.0	5.0	5.0
SG&A / Sales (%)	4.5	4.5	4.5	4.5
Other Income / PBT (%)	3.9	4.4	4.5	4.6
Effective Tax Rate (%)	18.4	22.8	20.1	20.5
Working Capital (days)	41.5	24.0	28.0	28.0
Inventory Turnover (days)	76.5	55.0	55.0	55.0
Receivables (days)	32.3	26.0	30.0	30.0
Payables (days)	67.3	57.0	57.0	57.0
Net D/E Ratio (x)	0.0	-0.1	-0.1	-0.1
Profitability Ratios (%)				
Net Income Margins	9.6	11.8	13.1	13.9
RoACE	20.9	28.1	33.2	34.6
RoAE	17.9	23.0	27.9	28.6
Dividend Payout	62.5	42.5	29.5	23.2
Dividend Yield	0.4	0.4	0.4	0.4
EBITDA Margins	17.2	19.2	19.4	20.0

Source: Company data, I-Sec research

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