

## Beat on all front...

Astral Ltd has reported an all-round performance in Q4FY21 with revenue and PAT coming in much ahead of our expectation. Consolidated revenue growth at 79% YoY to ₹ 1128 crore was ahead of our expectation of 36% growth. This was mainly driven by strong performance of both piping and adhesive businesses. Standalone piping revenue increased 80% YoY to ~₹ 910 crore supported by ~26% YoY growth in volume. Strong demand from housing and construction segment helped drive volumes in Q4FY21. On the adhesive front, segment revenue growth at 78% YoY to ₹ 241 crore was on a lower base and streamlining of distribution networks. The management commentary suggests, a short-term demand blip due to ongoing lockdowns. We slightly tweak our revenue and earnings estimate downward by 2% and 5%, respectively. However, strong future demand post opening up of the economy backed by government thrust on Jal Jeevan Mission and other infrastructure spend keeps medium to long term piping segment volume growth guidance at ~15% intact for Astral. The adhesive business revenue growth guidance at 20% is also intact supported by new product launches and dealer expansion in new geographies. The management also revised long term EBITDA margin guidance upward by ~16-19% with restoration of advertisement & other costs.

## Expansion work continues despite pandemic challenges

Despite pandemic related challenges, Astral has decided to continue its expansion plans. The company has earmarked a capex of ₹ 250 crore for FY22E-23E to start manufacturing SWR, AGRI, CPVC, & UPVC pipes in three locations viz. Sangli (with 8856 MT capacity), Aurangabad (with 5000 MT capacity) and Bhubaneswar (with 20,000 MT capacity). This will take overall capacity to 291802 MT by FY22, up 13% YoY. The plants in the said locations would enable significant cost savings on logistics fronts and increase operating profits.

## Higher EBITDA margin guidance backed by price hikes

The company has taken price hikes of about ~6-8% in the CPVC category to offset inflationary pressure. Astral is focusing on launching high margin products in both pipes and adhesive segments. Despite restoration of some of the operating costs, the management has revised EBITDA margin guidance upward from earlier 16% to 16-19%.

## Valuation & Outlook

We build in consolidated revenue, PAT CAGR of 21%, 20% for FY21-23E, respectively. While EBITDA margin is likely to peak out in FY21, we model our EBITDA margin estimates in line with management guidance. We maintain our positive stance on Astral given its strong fundamentals and reiterate **HOLD** rating with a revised target price of ₹ 1915 (earlier ₹ 1670).

### Key Financial Summary

₹ crore	FY19	FY20	FY21	FY22E	FY23E	(CAGR FY21-23E)
Net Sales	2507.3	2577.9	3176.3	3720.9	4639.1	20.9
EBITDA	384.9	442.9	644.5	693.1	902.9	18.4
EBITDA Margin (%)	15.4	17.2	20.3	18.6	19.5	
Net Profit	197.3	249.6	408.2	437.4	588.0	20.0
EPS (₹)	13.1	16.6	20.3	21.8	29.3	
P/E(x)	136.4	107.9	87.9	82.1	61.1	
Price/book value (x)	21.1	17.9	18.9	17.0	14.6	
Mcap/sales (x)	14.3	13.9	11.3	9.6	7.7	
RoE (%)	15.4	16.6	21.5	20.7	23.9	
RoCE (%)	20.7	20.5	27.5	27.0	31.4	

Source: Company, ICICI Direct Research



### Particulars

Particular	Amount
Market Cap (₹ Crore)	35,897.7
Debt (FY21) (₹ Crore)	53.2
Cash&Inv (FY21) (₹ Crore)	475.7
EV (₹ Crore)	35,475.2
52 week H/L	1987/ 576
Equity capital (₹ Crore)	20.1
Face value (₹)	1.0

### Price chart

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### Key risk to our call

- Lower than expected growth in both piping and adhesive segment (our estimate for Piping and adhesive segment revenue CAGR of 19% and 26% respectively in FY21-23E)
- Better than estimated EBITDA margin going forward.

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**Exhibit 1: Variance Analysis**

	Q4FY21	Q4FY21E	Q4FY20	YoY (%)	Q3FY21	QoQ (%)	Comments
Revenue	1,127.8	854.8	628.9	79.3	897.5	25.7	Strong growth in both piping and adhesive revenues drives overall revenue growth in Q4FY21
Other Income	5.0	6.4	0.1	4,900.0	6.1	-18.0	
Raw Material Exp	681.2	521.4	386.1	76.4	549.0	24.1	Better mix and timely passing on of higher input prices drives gross margin up by ~114 bps YoY
Cost of traded goods	5.7	6.1	4.1	39.0	7.2	-20.8	
Employee Exp	47.5	58.1	41.7	13.9	52.4	-9.4	
Other expenditure	138.8	100.8	84.4	64.5	96.9	43.2	
EBITDA	254.6	168.4	112.6	126.1	192.0	32.6	
EBITDA Margin (%)	22.6	19.7	17.9	467 bps	21.4	118 bps	Various cost optimisation measures along with improved operating leverage drove margin up in Q4FY21
Depreciation	29.2	31.7	28.9	1.0	30.0	-2.7	
Interest	1.2	3.2	18.1	-93.4	1.7	-29.4	
PBT	229.2	139.9	65.7	248.9	166.4	37.7	
Total Tax	52.7	35.2	13.5	290.4	41.3	NM	
Profit from associates	-0.4	-0.6	-0.6	NM	-1.2	NM	
PAT	176.1	104.1	51.6	241.3	123.9	42.1	Better sales and sharp increase in EBITDA margin help drive PAT
<b>Key Metrics</b>							
Plastic	886.4	636.4	493.3	79.7	672.7	31.8	Low base and strong demand from construction/housing sector drives standalone piping business volume growth at 26%
Adhesive	241.4	218.3	135.6	78.0	224.8	7.4	Low base and streamlining of its distribution network drives segment revenue growth strongly

Source: Company, ICICI Direct Research

**Exhibit 2: Change in estimates**

(₹ Crore)	FY22E			FY23E			Comments
	Old	New	% Chg	Old	New	% Chg	
Revenue	3,797.2	3720.9	(2.0)	4528.6	4639.1	2.4	Considering the lockdown impact, we slightly tweak our revenue estimates downward for FY22E
EBITDA	725.4	693.1	(4.5)	862.7	902.9	4.7	
EBITDA Margin %	19.1	18.6	-48bps	19.0	19.5	41bps	We believe EBITDA margin would peak out in FY21 while absence of low cost inventory and restoration of operating costs such as advertisement expenses would result in lower EBITDA margin in FY22E
PAT	458.6	437.4	(4.6)	558.5	588.0	5.3	
EPS (₹)	22.8	21.8	(4.6)	27.8	29.3	5.3	

Source: Company, ICICI Direct Research

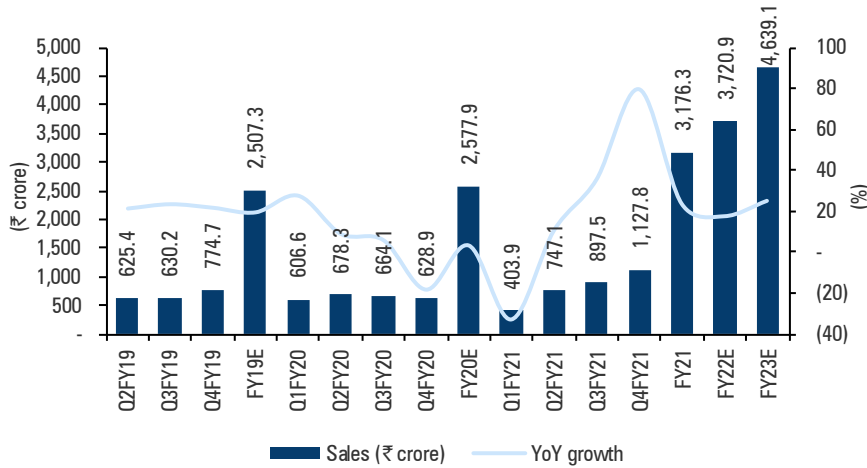
**Exhibit 3: Assumptions**

	Current				Earlier		Comments
	FY20	FY21E	FY22E	FY23E	FY22E	FY23E	
Plastic Piping	7.3	21.9	16.9	21.6	31.0	17.3	We model piping segment volume, value CAGR of 21%, 19% respectively in FY21-23E
Adhesive	(9.7)	27.5	17.9	34.5	30.3	25.0	With streamlining of distribution networks and expansion in new geographies through dealer additions is likely to drive demand of Adhesive segment going forward. We model segment revenue CAGR of 26% in FY21-23E

Source: Company, ICICI Direct Research

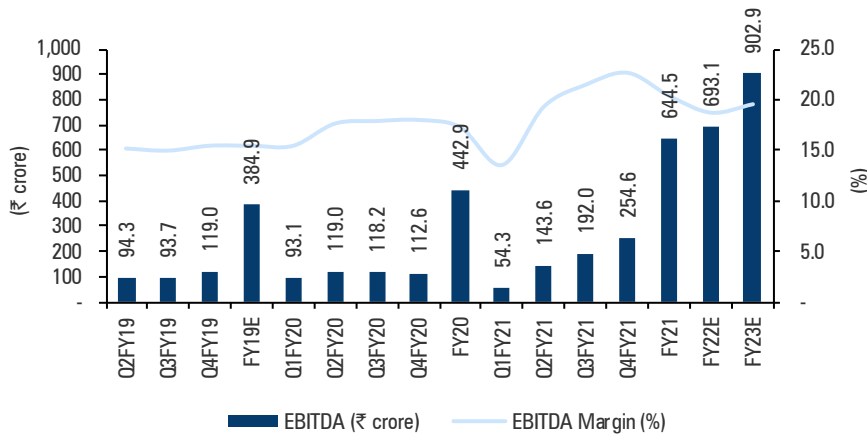
## Financial story in charts

Exhibit 4: Consolidated topline growth trend



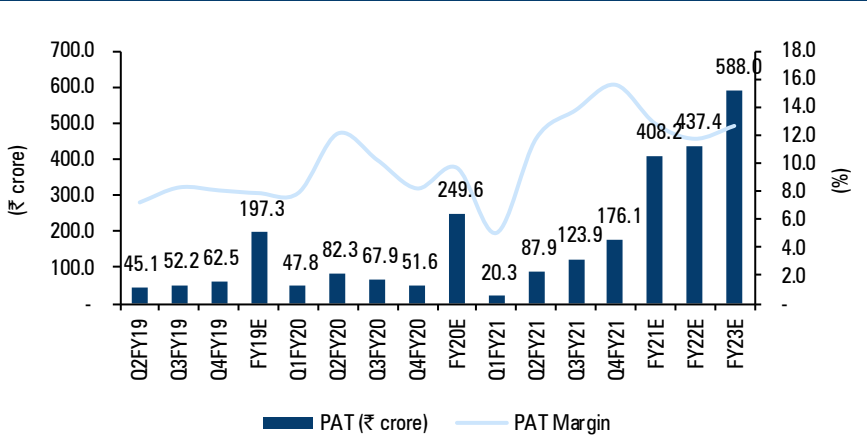
Source: Company, ICICI Direct Research

Exhibit 5: EBITDA margin to normalise with restoration of some key cost elements



Source: Company, ICICI Direct Research

Exhibit 6: Strong PAT growth, going forward



Source: Company, ICICI Direct Research

## Conference call highlights

- **Demand outlook:** Government thrust on infra spending such as Nal Se Jal scheme for rural and urban population is likely to drive demand of pipe and fittings, going forward
- **Price hike:** Price hike of 6-8% taken in the CPVC pipes and fittings segment
- **EBITDA margin:** Future EBITDA margin of adhesive business will be 16% +. Piping business EBITDA margin to be in the range of 16-19%
- **Capacity expansion:** The company added water tank business with total capacity of 13404 MT in FY21. New plant in Odisha with the initial capacity of 20,000 MT (expandable to 60,000 MT) will be operational by October 2021. Valve project to be completed by Q2FY22. Brownfield expansion in Sangli and Aurangabad to manufacture SWR, AGRI, CPVC, UPVC
- **New product launches:** Planned new launches in pipes segment in the next 12-18 months, which can generate additional revenue of ₹ 300 crore over next five years. In the adhesive segment also, the company plans to launch new products that will help it to double its revenue in the next five years
- **Capex:** Incurred ₹ 167 crore capex in FY21. Planned capex for FY22E and FY23E are ₹ 150 crore and ₹ 100 crore respectively
- Polymer consumption for the industry declined ~16% in FY21 vs. ~3% growth in the polymer consumption of Astral Ltd
- Continuous market share gains from unorganised players
- Piping business market share at 7.5%

## Financial Summary

Profit and loss statement				
	₹ crore			
Year end March	FY20	FY21	FY22E	FY23E
Net Sales	2577.9	3176.3	3720.9	4639.1
YoY (%)		23.2	17.1	24.7
Other income	12.1	25.1	22.3	27.8
<b>Total Revenue</b>	<b>2590.0</b>	<b>3201.4</b>	<b>3743.3</b>	<b>4666.9</b>
Expenditure				
Cons of raw material	1573.0	1947.3	2306.1	2884.7
Pur. of traded goods	22.7	21.6	21.0	21.0
Employee cost	175.2	191.0	243.0	273.7
Other expenses	364.1	371.9	457.7	556.7
Total expenses	2135.0	2531.8	3027.8	3736.1
<b>EBITDA</b>	<b>442.9</b>	<b>644.5</b>	<b>693.1</b>	<b>902.9</b>
YoY (%)		45.5	7.5	30.3
Interest	39.4	13.1	2.3	0.8
PBDT	415.6	656.5	713.1	930.0
Depreciation	107.9	116.5	122.8	139.2
Profit before tax	307.7	540.0	590.3	790.8
Total Tax	56.5	124.8	148.6	199.0
PAT before MI	251.2	415.2	441.8	591.8
Exc. Items	-1.6	-7.0	-4.4	-3.8
<b>PAT</b>	<b>249.6</b>	<b>408.2</b>	<b>437.4</b>	<b>588.0</b>

Source: Company, ICICI Direct Research

Exhibit 8: Balance sheet				
	₹ crore			
Year end March	FY20	FY21	FY22E	FY23E
Equity Capital	15.1	20.1	20.1	20.1
Reserve and Surplus	1487.8	1875.7	2090.2	2436.0
Total Shareholders funds	1502.9	1895.7	2110.3	2456.1
Total Debt	129.1	53.2	23.2	3.2
Other Non Current Liabilitie:	119.6	122.6	124.6	126.6
<b>Total Liability</b>	<b>1691.8</b>	<b>2010.2</b>	<b>2195.8</b>	<b>2522.6</b>
Fixed Assets				
Gross Block	1475.8	1650.2	1850.2	2050.2
Accumulated Depreciation	476.2	592.7	715.5	854.6
Net Block	999.6	1057.5	1134.7	1195.5
Capital WIP	44.4	56.6	56.6	56.6
Total Fixed Assets	1044.0	1114.1	1191.3	1252.1
Goodwill on Consolidation	255.3	257.0	307.0	357.0
Current Assets				
Inventory	540.4	472.1	754.4	889.7
Debtors	227.8	276.7	560.7	660.9
Loans and Advances	12.4	8.2	3.3	4.2
Other Current Assets	64.7	43.9	93.4	116.4
Cash	130.0	475.7	22.6	167.3
Total Current Assets	975.3	1276.6	1434.5	1838.5
Current Liabilities				
Creditors	475.4	517.2	591.3	737.2
Provisions	6.6	6.9	4.2	5.3
Other current liabilities	115.4	138.4	166.6	207.7
Total Current Liabilities	597.4	662.5	762.1	950.1
Net Current Assets	377.9	614.1	672.4	888.4
Deferred Tax Assets	0.1	0.1	0.1	0.1
<b>Total Asset</b>	<b>1691.7</b>	<b>2010.2</b>	<b>2195.8</b>	<b>2522.6</b>

Source: Company, ICICI Direct Research

Exhibit 7: Cash flow statement				
	₹ crore			
Year end March	FY20	FY21	FY22E	FY23E
Profit/(Loss) after taxation	249.5	408.2	437.4	588.0
Add: Depreciation & Amortization	107.9	116.5	122.8	139.2
Add: Interest Paid	39.4	13.1	2.3	0.8
C/F bef working capital chg.	396.8	537.8	562.5	727.9
Net Increase in Current Assets	-61.6	44.4	-610.9	-259.4
Net Increase in Current Liabilities	37.6	65.1	99.6	188.0
<b>Net CF from operating act</b>	<b>372.9</b>	<b>647.3</b>	<b>51.1</b>	<b>656.6</b>
(Inc)/Dec in Goodwill on Cons				
	-1.5	-1.7	-50.0	-50.0
(Purchase)/Sale of Fixed Assets				
	-219.5	-186.6	-200.0	-200.0
Others				
	-8.6	1.5	1.0	1.0
<b>Net Cf from Investing Act</b>	<b>-212.8</b>	<b>-197.3</b>	<b>-249.0</b>	<b>-249.0</b>
Pro/(Rept) of/from Loan				
	-64.4	-75.9	-30.0	-20.0
(Payment) of Div & Div Tax				
	0.0	-24.2	-242.2	-242.2
Others				
	-63.8	-4.2	17.0	-0.8
<b>Net Cf from Financing Act</b>	<b>-128.1</b>	<b>-104.3</b>	<b>-255.2</b>	<b>-263.0</b>
Net Cash flow				
	31.9	345.7	-453.1	144.6
Cash and Cash Equi at the beg				
	98.1	130.0	475.7	22.6
<b>Cash and Cash Equi at the end</b>	<b>130.0</b>	<b>475.7</b>	<b>22.6</b>	<b>167.3</b>

Source: Company, ICICI Direct Research

Exhibit 9: Key ratios				
	₹ crore			
Year end March	FY20	FY21	FY22E	FY23E
<b>Per share Data</b>				
EPS	16.6	20.3	21.8	29.3
Cash EPS	23.7	26.1	27.9	36.2
Dividend per share	0.0	1.2	12.1	12.1
BV per share	99.8	94.4	105.0	122.3
<b>Profitability Ratio</b>				
EBITDA margin	17.2	20.3	18.6	19.5
PAT margin	9.7	12.9	11.8	12.7
<b>Return Ratios</b>				
RoCE	20.5	27.5	27.0	31.4
RoNW	16.6	21.5	20.7	23.9
RoC	24.6	39.6	29.2	36.0
<b>Valuation Ratios</b>				
P/E	107.9	87.9	82.1	61.1
EV / EBITDA	81.0	55.0	51.8	39.6
Market Cap / Sales	13.9	11.3	9.6	7.7
Price to Book Value	17.9	18.9	17.0	14.6
<b>Activity Ratios</b>				
Inventory Days	76.5	54.3	74.0	70.0
Debtor Days	32.3	31.8	55.0	52.0
Creditor Days	67.3	59.4	58.0	58.0
Gross Block Turnover	1.7	1.9	2.0	2.3
<b>Solvency Ratio</b>				
Debt / Equity	0.1	0.0	0.0	0.0
Debt / EBITDA	0.3	0.1	0.0	0.0
Current Ratio	1.8	1.5	2.4	2.3
Quick Ratio	0.6	0.6	1.1	1.1

Source: Company, ICICI Direct Research

Exhibit 10: ICICI Direct Coverage Universe (Consumer Discretionary)

Sector / Company	CMP			M Cap			EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)			
	(₹)	TP(₹)	Rating	(₹ Cr)	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E
Asian Paints (ASIPAI)	2,774	2,970	Buy	2,66,027	33.4	36.7	45.4	83.0	75.5	61.1	49.6	45.4	36.8	25.0	26.2	28.0	29.6	30.8	33.5			
Astral Polytechnik (ASTPOL)	1,787	1,915	Hold	26,923	20.3	21.8	29.3	87.9	82.1	61.1	55.0	51.8	39.6	27.5	27.0	31.4	21.5	20.7	23.9			
Amber Enterprises (AMBEN)	2,956	3,015	Buy	9,296	29.8	68.2	97.6	99.1	43.3	30.3	35.9	18.7	14.0	8.4	15.3	18.7	6.5	13.0	15.8			
Bajaj Electricals (BAJELE)	1,115	1,075	Buy	12,676	18.9	25.4	35.2	NM	36.3	26.1	31.0	25.0	18.2	17.6	21.4	24.8	13.5	17.3	19.9			
Berger Paints (BERPAI)	752	810	Hold	73,034	7.6	9.7	12.4	98.9	77.3	60.8	63.9	52.3	42.5	26.1	30.0	35.1	23.4	26.0	29.0			
Crompton Greaves(CROGR)	364	480	Buy	22,823	7.9	9.5	12.0	45.8	38.2	30.2	37.6	31.9	25.8	31.1	34.8	41.1	27.4	28.4	32.1			
Dixon Technologies (DIXTE)	3,954	4,270	Buy	21,200	29.6	62.8	93.9	122.4	57.7	38.6	95.1	70.2	38.1	26.3	40.1	43.9	25.4	37.6	38.6			
EPL (ESSPRO)	232	250	Hold	7,320	7.8	8.9	10.8	29.6	26.0	21.5	11.6	10.8	9.2	18.3	19.0	21.3	15.6	15.6	17.0			
Havells India (HAVIND)	998	1,255	Hold	62,265	16.1	17.8	22.9	62.0	56.1	43.5	45.8	41.2	32.5	23.7	25.5	30.8	20.6	21.2	25.7			
Kansai Nerolac (KANNER)	556	655	Buy	29,964	9.9	12.1	14.4	56.4	45.9	38.6	36.6	31.1	26.2	17.2	20.3	21.5	13.2	15.7	16.6			
Moldtek Packaging (MOLP)	464	600	Buy	1,286	16.5	20.8	28.0	28.2	22.3	16.6	15.4	12.6	9.8	20.7	23.6	27.8	19.9	20.9	23.1			
Pidilite Industries (PIDIND)	1,888	2,035	Hold	95,873	22.2	26.3	31.8	85.1	71.8	59.4	55.9	47.3	39.9	23.8	23.9	29.9	20.2	20.1	25.2			
Polycab India (POLI)	1,599	1,385	Buy	23,806	57.9	67.2	79.7	27.6	23.8	20.1	15.3	11.9	9.8	21.2	24.4	26.2	18.1	19.0	20.1			
Supreme Indus (SUPIND)	2,122	2,390	Hold	26,955	77.0	64.9	72.4	27.6	32.7	29.3	20.5	22.2	19.6	32.7	26.2	25.2	30.9	23.6	22.6			
Symphony (SYMLIM)	1,059	1,345	Hold	7,408	15.3	28.5	39.5	69.2	37.2	26.8	60.0	33.1	23.8	15.2	28.2	34.9	14.9	26.8	32.5			
Time Techno (TIMTEC)	79	75	Buy	1,787	4.4	9.6	-	17.9	8.2		5.7	3.8		8.4	13.7		5.5	11.2				
V-Guard Ind (VGUARD)	221	265	Buy	9,465	4.2	6.1	7.1	52.2	36.4	31.2	34.8	26.2	22.4	23.6	27.9	29.0	16.8	21.1	21.9			
Voltas Ltd (VOLTAS)	1,000	1,150	Buy	33,073	16.0	21.2	28.9	62.5	47.3	34.6	50.8	41.8	29.8	15.0	19.5	23.0	10.6	14.4	17.1			

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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