

Turns ex-bonus today...

About the stock: Astral is the leader in the CPVC piping segment and is expanding into other building material businesses such as adhesive, paints and sanitary ware.

- Astral is the third largest piping company with a value market share of 9%. In FY22, piping, adhesive contributed 77%, 23%, respectively, to its topline
- Healthy b/s reflected in strong return ratios (RoE: 21%, RoCE: ~27%)

Astral turns ex-bonus today:

- Astral made an announcement for issue of bonus shares on February 7, 2023. The ratio was one bonus equity share of ₹ 1 each fully paid up for every three existing equity shares of ₹ 1 each fully paid up (i.e. in the ratio of 1:3) held by shareholders as on record date (March 14, 2022)
- Astral turns ex-bonus today, March 14. Accordingly, the share price has been adjusted to ~₹ 1400/share in opening trade today against the last closing price of ₹ 1,883/share yesterday
- We believe Astral's entry into new business segments like sanitaryware and paints will lead to higher advertisement expenditure and low operating leverage. This is likely to keep the company's overall EBITDA margin under check over FY23E-25E. At the current price, we believe the stock discounts all its near term positives. Hence, we maintain our **HOLD** rating on the stock. Our target price, however, is now revised to ₹ 1560/share with a revised multiple of 50x PE on FY25 EPS of ₹ 32/share

Key triggers for future price performance:

- Pick-up in housing sales and construction activities to augment growth in both pipes and paint & adhesives segment
- Capacity addition, launch of new products (water tank, valve) and diversification in sanitaryware and paint business to drive overall revenue CAGR of 20.4% in FY22-25E
- Price hike, improved product mix (launch of high margin valve business) are expected to help in a recovery in EBITDA margin from FY24E onwards

Alternate Stock Idea: We like Supreme Industries in the same space.

- Supreme is a market leader in plastic piping segment with ~15% market share. Robust b/s with average RoE, RoCE of 24%, 27%, respectively
- BUY with a target price of ₹ 2880



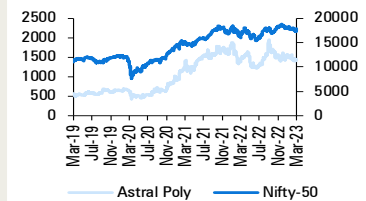
Particulars

Particular	Amount
Market Cap (₹ Crore)	28,123.6
Debt (FY22) (₹ Crore)	85.1
Cash&Inv (FY22) (₹ Crore)	641.8
EV (₹ Crore)	27,566.8
52 week H/L	1991/ 1186
Equity capital (₹ Crore)	26.8
Face value (₹)	1.0

Shareholding pattern

(in %)	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Promoter	55.7	55.7	55.7	55.9	55.9
FI	19.9	17.8	16.1	16.3	14.9
DI	11.6	12.7	13.6	14.4	15.2
Others	12.8	13.8	14.6	13.5	14.0

Price Chart



Recent event & key risks

- Bonus issue of equity shares in ratio of 1:3
- Key Risk:** (i) Better-than-expected growth in both piping and adhesive revenue (ii) Delay in passing on high input price

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Key Financial Summary

₹ crore	FY20	FY21	FY22	5 Year CAGR (FY17-22)	FY23E	FY24E	FY25E	3 Year CAGR (FY22-25E)
Net Sales	2577.9	3176.3	4394.0	18.3%	5251.9	6556.0	7660.6	20.4%
EBITDA	442.9	644.5	755.3	23.4%	769.8	1028.7	1305.0	20.0%
EBITDA Margin (%)	17.2	20.3	17.2		14.7	15.7	17.0	
Net Profit	249.6	408.2	490.4	27.7%	430.4	649.0	844.3	19.9%
EPS (₹)	16.6	20.3	18.3		16.1	24.2	31.5	
P/E(x)	84.5	68.9	76.5		87.1	57.8	44.4	
Price/book value (x)	14.0	14.8	16.0		13.7	11.6	9.6	
Mcap/sales (x)	10.9	8.9	6.4		5.4	4.3	3.7	
RoE (%)	16.6	21.5	21.0		15.7	20.1	21.6	
RoCE (%)	20.5	27.5	26.6		21.2	25.4	27.5	

Source: Company, ICICI Direct Research

Exhibit 1: Change in estimates

(₹ Crore)	FY23E			FY24E			FY25E			Comments
	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg	
Revenue	5251.9	5251.9	-	6,556	6556.0	-	7,660.6	7660.6	-	
EBITDA	769.8	769.8	-	1028.7	1028.7	0.0	1305.0	1305.0	-	
EBITDA Margin %	14.7	14.7	0bps	15.7	15.7	0bps	17.03	17.0	0bps	
PAT	430.4	430.4	-	649.0	649.0	-	844.3	844.3	-	
EPS (₹)	21.4	16.1	(24.9)	32.3	24.2	(25.0)	42.0	31.5	(25.0)	The EPS has been adjusted in line with new share capital post bonus share

Source: ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement ₹ crore

Year end March	FY22	FY23E	FY24E	FY25E
Net Sales	4394.0	5251.9	6556.0	7660.6
YoY (%)	38.3	19.5	24.8	16.8
Other income	34.9	36.8	39.3	46.0
Total Revenue	4428.9	5288.7	6595.4	7706.5
Expenditure				
Cons of raw material	2896.6	3499.6	4327.0	5000.9
Pur. of traded goods	31.4	66.0	82.7	96.7
Employee cost	245.3	317.9	363.7	400.0
Other expenses	465.4	598.7	753.9	858.0
Total expenses	3638.7	4482.1	5527.3	6355.6
EBITDA	755.3	769.8	1028.7	1305.0
YoY (%)	17.2	1.9	33.6	26.9
Interest	12.9	47.5	13.5	15.4
PBDT	777.3	759.1	1054.5	1335.5
Depreciation	126.9	181.2	186.8	206.8
Profit before tax	650.4	577.9	867.7	1128.7
Total Tax	158.1	147.5	218.7	284.4
PAT before MI	492.3	430.4	649.0	844.3
Exc. Items	-1.9	0.0	0.0	0.0
PAT	490.4	430.4	649.0	844.3

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement ₹ crore

Year end March	FY22	FY23E	FY24E	FY25E
Profit/(Loss) after taxation	490.4	430.4	649.0	844.3
Add: Depreciation & Amortization	126.9	181.2	186.8	206.8
Add: Interest Paid	12.9	47.5	13.5	15.4
C/F bef working capital chg.	630.2	659.1	849.4	1066.5
Net Increase in Current Assets	-302.5	-803.0	-617.1	-425.1
Net Increase in Current Liabilities	227.8	185.3	212.8	104.0
Net CF from operating act	555.5	41.4	445.2	745.3
(Inc)/Dec in Goodwill on Cons	0.3	-50.0	-50.0	-50.0
(Purchase)/Sale of Fixed Assets	-375.3	-250.0	-250.0	-250.0
Others	6.6	1.0	1.0	1.0
Net Cf from Investing Act	-358.8	-299.0	-299.0	-299.0
Pro/(Rept) of/from Loan	31.9	50.0	20.0	20.0
(Payment) of Div & Div Tax	-42.4	-56.5	-161.5	-161.5
Others	-20.1	-14.3	-13.5	-15.4
Net Cf from Financing Act	-30.5	-20.8	-155.0	-156.9
Net Cash flow	166.2	-278.4	-8.8	289.5
Cash and Cash Equi at the beg	475.7	641.8	363.4	354.6
Cash and Cash Equi at the end	641.8	363.4	354.6	644.1

Source: Company, ICICI Direct Research

Exhibit 4: Balance Sheet ₹ crore

Year end March	FY22	FY23E	FY24E	FY25E
Equity Capital	20.1	26.8	26.8	26.8
Reserve and Surplus	2316.5	2716.9	3204.5	3887.3
Total Shareholders funds	2336.6	2743.7	3231.2	3914.0
Total Debt	85.1	135.1	155.1	175.1
Other Non Current Liabilities	143.4	145.4	147.4	149.4
Total Liability	2497.2	2955.3	3463.8	4167.6
Fixed Assets				
Gross Block	1958.9	2208.9	2458.9	2708.9
Accumulated Depreciation	719.6	900.8	1087.6	1294.4
Net Block	1239.3	1308.1	1371.3	1414.4
Capital WIP	123.2	123.2	123.2	123.2
Total Fixed Assets	1362.5	1431.3	1494.5	1537.6
Goodwill on Consolidation	256.7	306.7	356.7	406.7
Current Assets				
Inventory	733.4	1007.2	1347.1	1574.1
Debtors	269.1	762.6	1005.9	1175.3
Loans and Advances	0.5	4.7	5.9	6.9
Other Current Assets	100.4	131.8	164.5	192.3
Cash	641.8	363.4	354.6	644.1
Total Current Assets	1745.2	2269.8	2878.1	3592.6
Current Liabilities				
Creditors	748.4	834.6	987.9	1154.3
Provisions	3.5	6.0	7.0	8.2
Other current liabilities	138.4	235.1	293.5	229.8
Total Current Liabilities	890.3	1075.6	1288.4	1392.4
Net Current Assets	854.9	1194.2	1589.6	2200.3
Deferred Tax Assets	0.3	0.3	0.3	0.3
Total Asset	2497.2	2955.3	3463.8	4167.6

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

Year end March	FY22	FY23E	FY24E	FY25E
Per share Data				
EPS*	18.3	16.1	24.2	31.5
Cash EPS	23.0	22.8	31.2	39.2
Dividend per share	1.6	2.1	6.0	6.0
BV per share	87.2	102.4	120.6	146.1
Profitability Ratio				
EBITDA margin	17.2	14.7	15.7	17.0
PAT margin	11.2	8.2	9.9	11.0
Return Ratios				
RoCE	26.6	21.2	25.4	27.5
RoNW	21.0	15.7	20.1	21.6
RoC	39.5	24.8	29.0	34.3
Valuation Ratios				
P/E	76.5	87.1	57.8	44.4
EV / EBITDA	36.5	36.2	27.1	21.2
Market Cap / Sales	6.4	5.4	4.3	3.7
Price to Book Value	16.0	13.7	11.6	9.6
Activity Ratios				
Inventory Days	60.9	70.0	75.0	75.0
Debtor Days	22.4	53.0	56.0	56.0
Creditor Days	62.2	58.0	55.0	55.0
Gross Block Turnover	2.2	2.4	2.7	2.8
Solvency Ratio				
Debt / Equity	0.0	0.0	0.0	0.0
Debt / EBITDA	0.1	0.2	0.2	0.1
Current Ratio	1.5	2.3	2.5	2.5
Quick Ratio	0.5	1.1	1.2	1.2

Source: Company, ICICI Direct Research *FY22 EPS has been adjusted post bonus issue

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Reduce: -15% to -5%;

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