

RESEARCH REPORT

ASTRAL LTD



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About

Astral Poly Technik Ltd was established in 1996, with the aim to manufacture pro-India plumbing and drainage systems in the country. It has also forayed into adhesive business over years.

Key Business

Piping

Adhesives

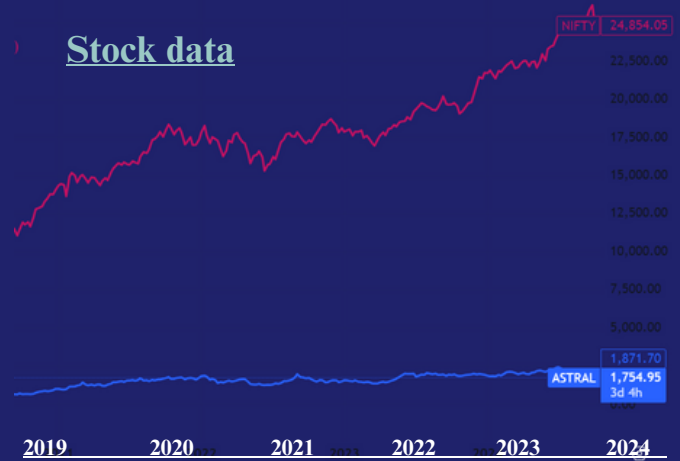
Synopsis of Financials

- Plumbing business delivering EBITDA margin of 16% in Q3 and 17% on a nine-month basis
- Indian adhesive operation showing top line growth of 17% in Q3 and 15% on a nine-month basis
- Significant volatility in polymer prices, with PVC prices dropping by 13.5% in the last quarter.
- Dealers and distributors reduced inventory levels due to uncertainty in price stabilization.
- Recent price stability observed, with an upward trend initiated in November due to increased international PVC prices and the Indian government's antidumping duty on PVC imports.

Stock data (as 18th Nov 2024)

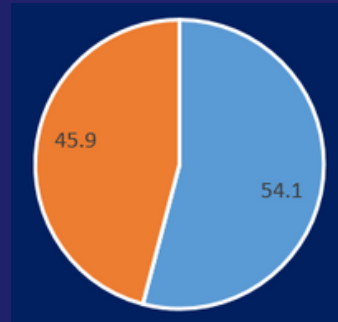
Nifty Price	: 23,460.45
52 week High (in Rs.)	: 2,454
52 week Low (in Rs.)	: 1,697
Market Cap. (in Crore)	: ₹ 46,188 Cr.
NSE Code	: ASTRAL

Stock data



-NIFTY50
-ASTRAL

Shareholding Pattern (March 2024)



-PUBLIC GROUP
-PROMOTER GROUP

Financial Summary

Particulars	Mar 2022	Mar 2023	Mar 2024
Sales	4,394	5,158	5,641
Sales Growth %	38.34%	17.40%	9.36%
Expenses	3,640	4,349	4,717
Operating Profit	754	810	925
OPM %	17%	16%	16%
Net Profit	490	472	546
EPS in Rs	18.06	17.00	20.33

Quarterly Results

Particular	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Sales	1,172	1,268	1,506	1,283	1,363	1,370	1,625
Expenses	1,028	1,081	1,199	1,082	1,143	1,165	1,334
Operating Profit	144	186	307	202	220	205	291
OPM %	12%	15%	20%	16%	16%	15%	18%
Other Income	14	-2	12	12	13	6	10
Interest	14	-2	12	12	13	6	10
Depreciation	45	46	44	46	49	50	52
Profit before tax	99	130	272	162	177	154	241
Tax %	24%	27%	24%	26%	26%	26%	25%
Net Profit	75	95	206	119	132	113	181

Source: Screener

Key Ratios

Ratio	Numerator	Denominator	March 31, 2024	March 31, 2023	% Change	Note
Current Ratio	Current Assets	Current Liabilities	1.71	1.84	-7%	
Debt-Equity Ratio	Total Debt	Shareholder's Equity	0.02	0.00	332%	a
Debt Service Coverage Ratio	Earnings for debt service ⁽¹⁾	Debt service ⁽²⁾	26.00	10.98	137%	b
Return on Equity Ratio	Net Profits after taxes	Average Shareholder's Equity	19.00%	18.00%	5%	
Inventory turnover ratio	Cost of goods sold ⁽³⁾	Average Inventories	3.97	4.29	-7%	
Trade Receivables turnover ratio	Revenue from operations	Average Trade Receivable	20.31	21.28	-5%	
Trade payables turnover ratio	Purchases of material, services and other expenses	Average Trade Payables	4.22	4.54	-7%	
Net working capital turnover ratio	Revenue from operations	Working capital ⁽⁴⁾	7.19	6.41	12%	
Net profit ratio	Profit for the year	Revenue from operations	10.78%	9.71%	11%	
Return on Capital employed	Earnings before interest and taxes	Capital Employed ⁽⁵⁾	25.40%	25.40%	0%	
Return on investment (Quoted)	Income generated from investments	Time weighted average investments	7.39%	4.87%	52%	c

Source: Annual Report

Yearly Results

Particulars	Mar 2022	Mar 2023	Mar 2024
Equity Capital	20	27	27
Reserves	2,316	2,684	3,161
Borrowings	98	87	119
Other Liabilities	952	1,564	1,188
Total Liabilities	3,387	4,362	4,496
Fixed Assets	1,496	1,950	2,299
CWIP	123	126	151
Investments	0	0	0
Other Assets	1,768	2,286	2,046
Total Assets	3,387	4,362	4,496

Synopsis Quarter Results

Key Highlights

Piping Business Performance:

- Despite challenges, Astral maintained minimal sales decline and preserved industry-leading EBITDA margins between 16% to 18%.
- Extended monsoon affected construction activity and agriculture sector demand, further impacting growth.

Expansion initiatives include:

- Hyderabad plant commenced pipe production with a capacity of 21,000 metric tons, with additional machines expected in Q4.
- Ghiloth plant expansion for fittings set to start production with a capacity of 4,000 metric tons.
- Launch of OPVC business with ongoing installations and trials for new machines.

Product Development:

- New PTMT product range with 150 SKUs ready for market launch in December, expected to generate revenue from Q4.
- Introduction of ball valves and other valve products, with commercial production of 50 SKUs expected in Q4.
- Continued growth in the bathware vertical, achieving a 63% growth in Q2 compared to the previous year.

Adhesives Division:

- Adhesive India business grew by 8.7% in Q2 and 11.5% in the first half, maintaining an EBITDA margin of 15%.
- UK adhesive business faced challenges with flat growth and a negative EBITDA margin of -2%, attributed to destocking by major customers.
- Management expects recovery in the UK business with new advanced technology adhesive products being launched.

Paint Business:

- Paint segment delivered a 4.5% growth in Q2, with ongoing geographic expansion into Maharashtra and Rajasthan.
- Margins under pressure due to increased manpower costs associated with market entry.

Cost Management:

- Other expenses on a consolidated basis decreased from ₹219 Cr to ₹194 Cr, indicating effective cost control measures.
- Employee costs increased due to expansion efforts, including the "New Bharat" initiative targeting rural markets, which requires additional manpower.

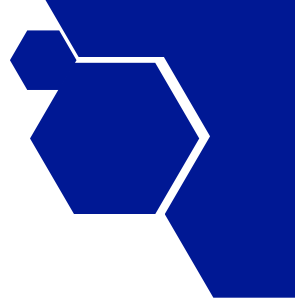
Future Outlook:

- Management anticipates a volume growth target of 10% to 15% for the year, contingent on destocking effects at the dealer level.
- Expected price increases in PVC following the antidumping duty, with a forecast of INR 6 to INR 8 rise over the current INR 3 increase already implemented.
- Confidence in maintaining EBITDA margins within the guided range of 16% to 18% for the piping business.

New Product Launches:

- Launch of new advanced technology adhesives in the UK, with positive initial customer feedback.
- Introduction of additional value-added products to enhance margins and market share.

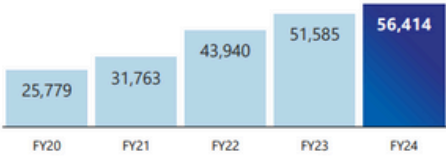
Revenue Highlights



Consolidated Full Year Performance (1/3)

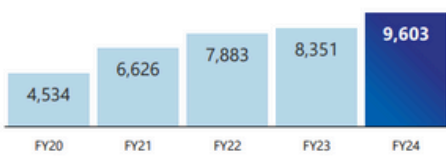
Revenue from Operations (₹ MN)

↑ **21.63%** 5 Years CAGR ↑ **9.4%** Y-O-Y Growth



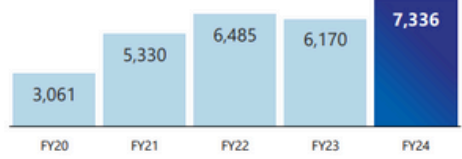
EBITDA (₹ MN)

↑ **20.64%** 5 Years CAGR ↑ **15.0%** Y-O-Y Growth



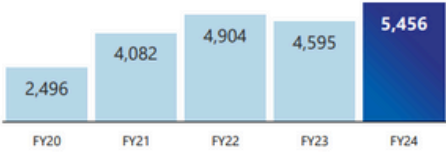
PBT (Before Exceptional item) (₹ MN)

↑ **24.42%** 5 Years CAGR ↑ **18.9%** Y-O-Y Growth



PAT (₹ MN)

↑ **21.59%** 5 Years CAGR ↑ **18.7%** Y-O-Y Growth



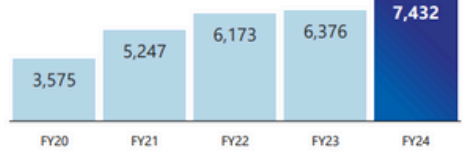
EPS (In ₹)

↑ **21.74%** 5 Years CAGR ↑ **19.6%** Y-O-Y Growth



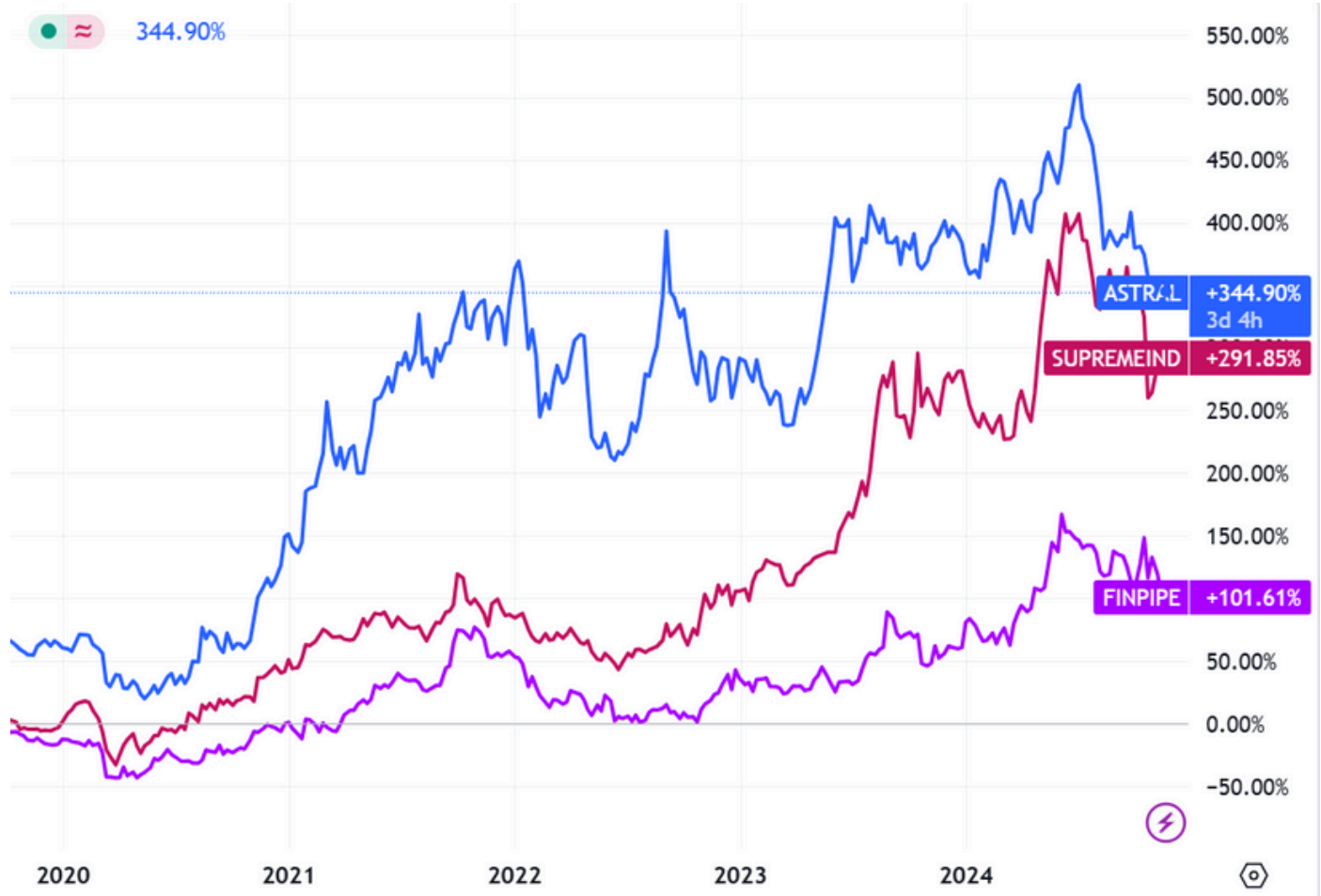
Cash Profit (₹ MN)

↑ **20.08%** 5 Years CAGR ↑ **16.6%** Y-O-Y Growth



Peer Comparison

Peer Stock Performance (5Y) Indexed



Source: Trading View

Peer Financial Performance

S.No.	Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
1.	Supreme Inds.	4631.40	53.92	58831.21	0.65	206.60	-15.05	2272.95	-1.55	28.56
2.	Astral	1719.40	88.36	46187.77	0.22	108.70	-17.15	1370.40	0.54	23.16
3.	Finolex Inds.	263.85	34.07	16371.30	0.94	51.44	-45.15	828.43	-6.20	10.42

Source: Screener

Final Outlook



ASTRAL: BUY | LTP: 1719

Astral Ltd. presents solid investment fundamentals with strong market leadership, healthy profit margins, and low debt. It is a consistent performer with high return ratios and strong cash flow, making it attractive for long-term investors. However, raw material costs and macroeconomic factors could impact profitability.

Strengths:

1. **Market Leadership:** One of the top players in the piping industry.
2. **Diversified Product Lines:** From piping to adhesives and infrastructure.
3. **Strong Financials:** Consistent revenue growth, healthy margins, and low leverage.
4. **Expansion Plans:** Actively expanding into new product lines like infrastructure products.

Financial Overview:

Revenue (FY23): ~INR 5,000 crore

Net Profit Margin: ~12%

ROE: 22%+

Debt-to-Equity: Low, indicating solid financial health.

The price seems to be moving within a rising channel, indicating a long-term uptrend. Currently, the price is near the lower boundary of the channel, suggesting it may either rebound from this support level or break down if further selling pressure continues.

I would give **Buy** recommendation for this stock

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