

Industry
Bloomberg
BSE CODE

Metals
ASTRA IN
532830

RATING	BUY
CMP	1090
Price Target	1380
Potential Upside	27%

Rating Change	↔
Estimate Change	↓
Target Change	↔

STOCK INFO	
52wk Range H/L	1265/756
Mkt Capital (Rs Cr)	16454
Free float (%)	40%
Avg. Vol 1M (,000)	32
No. of Shares (Crs)	15
Promoters Pledged %	0%

RESEARCH ANALYST

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Strong volume growth continued in pipe business, adhesive to be back on track soon....

2QFY20 Result update

- Consolidated revenue reported by ASTRAL in 2QFY20 was Rs. 678 Cr. largely driven by strong volumes and realization growth of 27% and 5.6% YoY of pipes business (inclusive of REX business).
- Pipes business sales volume in 2QFY20 was at 34620MT (up 27% YoY); inclusion of Rex's volume has led to robust growth in volume. Excluding Rex, volume still posted strong growth of 17% YoY.
- REX business volume during the quarter was at 2823 MT.
- Adhesive business revenue de-grew by 6% YoY to Rs. 148 Cr. which is 20% plus in the share of total revenue.
- Gross Margin on the consolidated basis expanded by 250bps QoQ to 38.6% on account of reduced raw material cost by 2% QoQ on per ton basis.
- EBITDA margins increased by 220 bps to 17.5% on account of operating leverage benefit, despite higher employee and other expense during the quarter.
- PAT during the quarter stood at Rs. 82 Cr. due to lower tax expense on opting Section 115 BAA of the Income Tax Act, 1961 as introduced by the Taxation Laws (Amendment) ordinance, 2019. The management has recognized the provision for income tax for 1HFY20 and re-measured its deferred tax basis the rate prescribed in the section.
- Company has allotted 3,01,32,441 equity shares as bonus by utilizing the security premium of Rs. 3.01 Cr.
- Expansion of various plants like Hosur, Ghiloth will help to expand the volumes and enhance the presence of the company.

View and Valuation

Robust volume growth of 27% YoY along with the volumes of REX business with the margin expansion led by plumbing products, strong pull in agri products and inclusion of Rex Poly as well. However, adhesive business has not performed up to the mark yet is expected to grow in the range of 15-20% going ahead. Expansions at Ghiloth and Hosur plant will expand the presence of the company to the Southern India. Management expects PVC and CPVC pipes to outperform in 2HFY20. We maintain our rating BUY with a target of Rs. 1380 (at 30x FY21e EV/EBITDA).

Key Risks to our rating and target

- Revenue growth in adhesive business.
- Volatility in raw material prices continued.

Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	FY17	FY18	FY19	FY20E	FY21E
Net Sales	1,889	2,106	2,507	2,832	3,317
EBITDA	264	317	385	460	553
EBIT	214	260	304	359	448
PAT	145	175	196	252	314
EPS (Rs)	12	15	16	21	26
EPS growth (%)	42	24	10	27	25
ROE (%)	17	17	15	17	18
ROCE (%)	22	23	21	22	23
BV	71	85	107	125	148
P/B (X)	7.74	9.87	10.86	8.70	7.35
P/E (x)	45.50	56.31	70.95	52.43	41.78

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Lower raw material cost improved margins

2QFY20 Results

Consolidated

Fig in Rs Cr

FINANCIALS	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY %	QoQ%	FY18	FY19	YoY %
Net Sales	629	634	775	607	678	7.8%	11.8%	2,106	2507	19.1%
Other Income	5	3	4	7	3	-33.9%	-55.9%	13	15	22%
Total Income	634	637	779	613	681	7.5%	11.1%	2,119	2523	19.1%
COGS	415	419	515	388	416	0.3%	7.3%	1,383	1648	19.1%
Employee Cost	34	39	36	43	47	39.4%	9.7%	106	139	30.7%
Other Expenses	86	83	105	83	96	11.3%	16.0%	299	336	12.1%
Expenditure	535	540	656	514	559	4.6%	8.9%	1,789	2122	18.6%
EBITDA	94	94	119	93	119	26.1%	27.8%	317	385	21.5%
EBITDAmargin	15.0%	14.8%	15.4%	15.3%	17.5%	16.9%	14.3%	15.0%	15.4%	2.1%
Depreciation	19	20	22	24	27	41.4%	11.5%	57	81	42.5%
EBIT	75	73	97	69	92	22.1%	33.6%	260	304	16.9%
Interest	14	1	6	7	9	-34.4%	21.9%	22	26	19.2%
PBT	66	76	94	68	86	29.9%	26.0%	251	287	14.4%
Exceptional Item	0	0	0	0	0	-	-	-	0	-
Tax	20	24	29	20	3	-82.6%	-83.2%	72	86	18.8%
PAT	45	53	62	47	82	81.8%	74.7%	175	196	11.8%

Operating Matrix

PIPE	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY %
Production (In M.T)	27252	29532	23288	26281	27563	35887	32752	35601	35.5%
Sales (In M.T)	26764	31618	22476	27250	27882	38877	31729	34620	27.0%
Sales (Rs.cr)	390	504	344	438	444	606	473	545	24.5%
EBITDA (Rs.cr)	59	89	62	75	79	98	79	103	37.6%
EBITDA margin (%)	15%	18%	18%	17%	18%	16%	17%	19%	10.6%
PAT (Rs.cr)	31	44	25	33	42	47	34	70	110.6%

ADHESIVES	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY %
Adhesives Sales (Rs.cr)	134	156	141	158	152	184	145	148	-6.2%
Adhesives EBITDA (Rs.cr)	20	32	20	24	16	25	21	20	-14.3%
EBITDA margin (%)	15%	20%	14%	15%	11%	14%	14%	14%	-8.6%

Revenue growth of 7.8% YoY led by pipe business

Net sales during the quarter was at Rs. 678 Cr. largely driven by growth in Pipe segment business of 24% YoY on the back of volume and realization growth of 27% and 5.6% YoY respectively. However, adhesive business de-grew by 6% YoY due to structural changes yet expected to grow by 15-20% going ahead. Management expects PVC and CPVC pipes to outperform in 2HFY20.

Margin expansion on account of reduced cost of material per ton

Gross margins expanded by 250 bps QoQ to 38.6% in 2QFY20 on the basis of reduced raw material prices on the consecutive basis. Moreover, EBITDA margins also expand by 220 bps QoQ to 17.5% despite higher employee cost and other expenses.

PAT growth due to lower tax rates

PAT during the quarter stood at Rs. 82 Cr. with a PAT growth of 81.8% YoY due to lower tax expense on opting Section 115 BAA of the Income Tax Act, 1961 as introduced by the Taxation Laws (Amendment) ordinance, 2019. The management has recognized the provision for income tax for 1HFY20 and re-measured its deferred tax basis the rate prescribed in the section.

Concall Highlights:

- Antidumping duty on CPVC helps the business to grow in various regions along with addition of various channel partners.
- Management expects PVC and CPVC business to grow better in 2HFY20 across all the products line.
- CPVC business in 2QFY20 out performed particularly in fire sprinkler business and the user of CPVC users extend in the same fire sprinkler business.
- Wall manufacturing in CPVC is expanded during the quarter. Various new products of CPVC pipe launched in 2QFY20 and in 3QFY20 it will be coming into the market.
- Expansion in Hosur Plant gets over and started manufacturing bore well column pipe in that plant to deliver to the southern region like Tamilnadu, Kerala, Karnataka etc.
- Plumbing product particularly the white PVC started manufactured at Hosur plant which earlier was not produced to southern region.
- Every product line is now available at Hosur plant and company is coming with fitting operation to that plant in 3QFY20 and in FY21 all fast moving CPVC and PVC fitting will be manufactured to that plant.
- Ghiloth plant, Rajisthan reached a capacity of 65% and in FY21 additional machinery will be added to that plant is planned by the management.
- Coming is now looking to more modernization and automatization of the plant at Ahmedabad where the fitting packing is now all automated. Moreover, management is looking forward for automatization of pipe fittings as well.
- Expansion of wall manufacturing capacity at Dholka plant, Gujarat for drainage fitting, agri fitting range is now completed of all the products.
- State of art plant where all range of industrial and plumbing walls will be available become operational in FY21.
- Work of roof top solar to all the plants will get completed in 3QFY20.
- Land acquired in Orissa of which all the projects are all finalized will start the construction activity in 3QFY20 and in FY21 the plant will become operational.
- Company is coming with Pex-a which is soon available and manufactured in India being very high in technology and manufactured by few companies.

Exhibit: Net Sales (consol) and Growth Trend

Reduced adhesive business revenue growth by 6% impacted the overall growth..

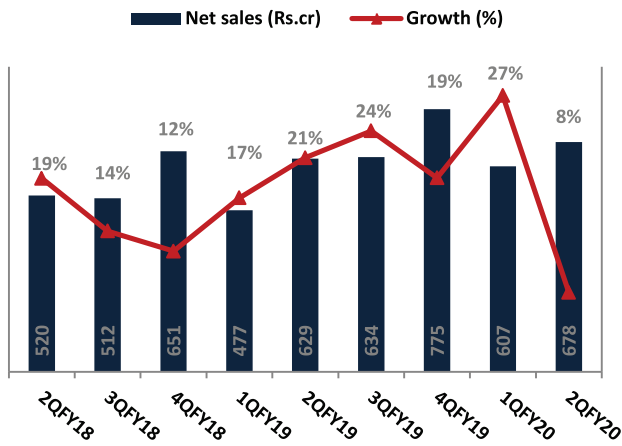


Exhibit: COGS (consol) and Gross Margin Trend

Lower raw material cost on per ton basis improved the Gross margins...

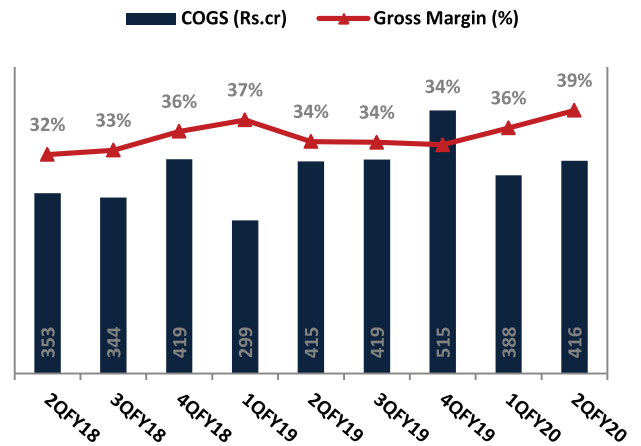


Exhibit: EBITDA (consol) and Margin Trend

lower raw material prices QoQ and operating leverage benefit improved margins...

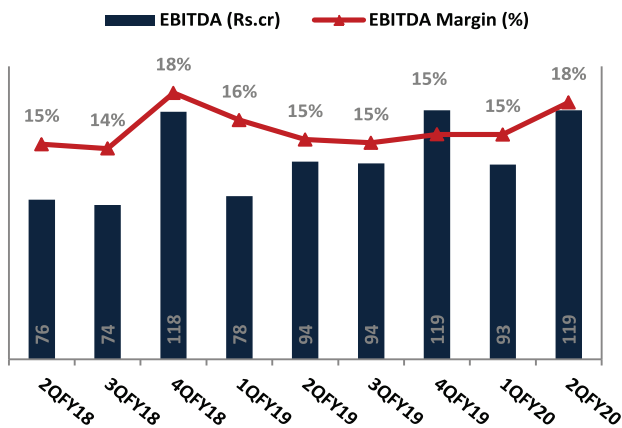


Exhibit: Pipe Business EBITDA and Margin Trend

Robust volumes and realization growth of 27% and 5.6% YoY improved the PIPE business margin in 2QFY20...

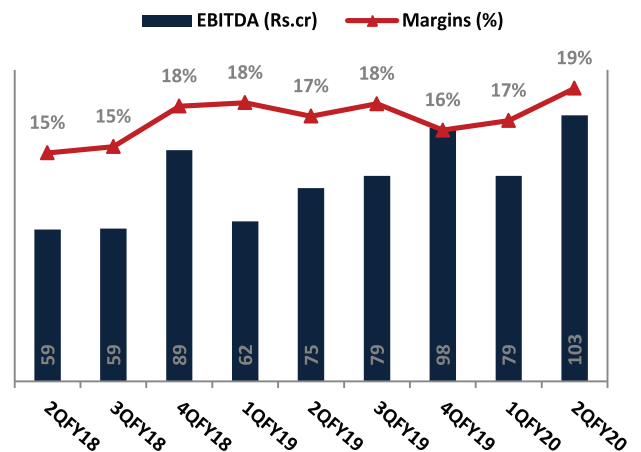


Exhibit: Adhesive Business EBITDA and Margin Trend

margin remained flat but structural changes will drive higher margin going ahead....

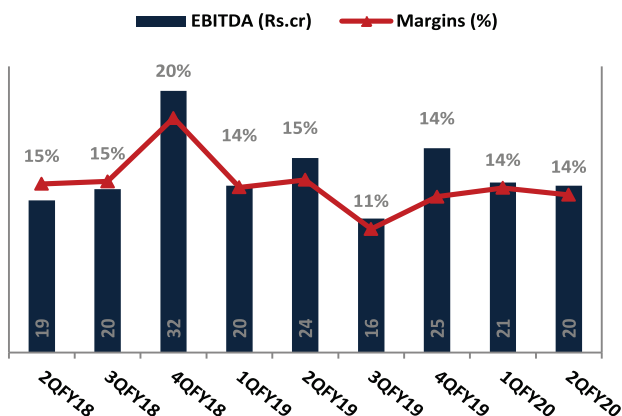
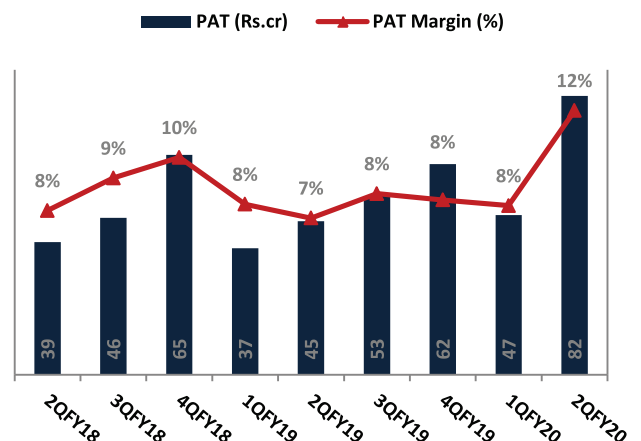


Exhibit: PAT (consol) and Margin Trend

Lower tax rates due to deferred tax and MAT credit entitlement expanded the PAT and PAT Margins.



Financial Details (Consolidated)

Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Share Capital	11	12	12	12	12	12	15	15
Reserves	304	607	696	835	1,006	1,266	1,494	1,772
Networth	315	619	708	847	1,018	1,278	1,509	1,787
Debt	98	139	131	157	123	193	200	160
Other Non Cur Liab	-	0	0	-	-	-	-	-
Total Capital Employed	414	758	839	1,004	1,141	1,471	1,709	1,947
Net Fixed Assets (incl CWIP)	297	369	446	534	681	932	961	956
Non Cur Investments	-	-	-	-	-	0	-	-
Other Non Cur Asst	-	-	16	10	6	27	27	27
Non Curr Assets	308	597	690	787	932	1,228	1,264	1,367
Inventory	195	266	277	272	357	396	466	545
Debtors	145	233	227	339	307	339	427	500
Cash & Bank	1	12	50	17	44	98	147	220
Other Curr Assets	0	2	46	35	25	28	33	39
Curr Assets	387	568	614	675	743	871	1,087	1,321
Creditors	185	266	316	293	349	390	388	454
Provisions (both)	7	9	2	2	3	6	5	6
Other Curr Liab	77	99	30	35	32	39	44	51
Curr Liabilities	268	372	427	417	486	557	571	670
Net Curr Assets	119	196	187	259	257	315	516	651
Total Assets	694	1,165	1,304	1,462	1,675	2,099	2,351	2,688

Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Revenue from Operation	1,080	1,429	1,678	1,889	2,106	2,507	2,832	3,317
Change (%)	31%	32%	17%	13%	11%	19%	13%	17%
Other Income	2	4	2	9	13	15	16	12
EBITDA	155	168	208	264	317	385	460	553
Change (%)	35%	8%	24%	27%	20%	22%	20%	20%
Margin (%)	14%	12%	12%	14%	15%	15%	16%	17%
Depr & Amor.	22	36	42	50	57	81	102	105
EBIT	133	131	166	214	260	304	359	448
Int. & other fin. Cost	31	25	30	18	22	26	27	22
EBT	105	110	138	204	251	287	338	430
Exp Item	0	0	-1	-1	0	0	0	0
Tax	25	31	30	56	72	86	85	116
Minority Int & P/L share of Ass.	0	2	-6	-3	-2	-2	0	0
Reported PAT	79	76	102	145	175	196	252	314
Adjusted PAT	79	76	103	146	175	196	252	314
Change (%)	30%	-4%	33%	42%	21%	12%	29%	25%
Margin(%)	7%	5%	6%	8%	8%	8%	9%	9%

Financial Details (Consolidated)

Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
ROE	25.03%	12.27%	14.30%	17.02%	17.53%	15.31%	16.60%	17.59%
ROCE	33.65%	17.75%	19.76%	22.05%	22.87%	21.07%	21.63%	23.37%
Asset Turnover	1.55	1.23	1.29	1.29	1.26	1.19	1.20	1.23
Debtor Days	49	59	49	65	53	49	55	55
Inv Days	66	68	60	53	62	58	60	60
Payable Days	63	68	69	57	61	57	50	50
Int Coverage	4.28	5.16	5.48	11.61	12.03	11.80	13.33	20.80
P/E	33.13	69.11	49.59	45.50	56.31	70.95	52.43	41.78
Price / Book Value	8.29	8.48	7.09	7.74	9.87	10.86	8.70	7.35
EV/EBITDA	17.37	31.92	24.59	25.25	31.96	36.22	28.52	23.57
Div Yield	0.4%	0.1%	0.1%	0.0%	0.1%	0.1%	0.1%	0.2%

Cash Flow Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
PBT	105	110	131	201	248	283	338	430
(inc)/Dec in Working Capital	-66	-31	43	-106	16	31	-160	-170
Non Cash Op Exp	52	65	81	64	81	103	128	127
Int Paid (+)	31	25	30	18	22	32	27	22
Tax Paid	-23	-26	-29	-44	-63	-77	-85	-116
others								
CF from Op. Activities	67	117	226	114	282	342	221	271
(inc)/Dec in FA & CWIP	-92	-85	-134	-160	-184	-220	-130	-100
Free Cashflow	-25	32	91	-45	98	122	91	171
(Pur)/Sale of Inv	1	0	1	1	1	1	0	0
others								
CF from Inv. Activities	-91	-343	-203	-158	-185	-293	-130	-100
inc/(dec) in NW	0	236	59	0	0	0	0	0
inc/(dec) in Debt	48	31	-4	32	-99	-94	7	-40
Int. Paid	-31	-25	-30	-19	-21	-31	-27	-22
Div Paid (inc tax)	-4	-5	-9	-3	-8	-9	-22	-36
others						0	0	0
CF from Fin. Activities	13	237	16	10	-71	-5	-42	-98
Inc(Dec) in Cash	-11	11	38	-33	25	44	49	73
Add: Opening Balance	12	1	11	50	18	43	98	147
Closing Balance	1	12	50	16	43	89	147	220

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