

India

**REDUCE** (no change)

Consensus ratings*:	Buy 1	Hold 0	Sell 2
Current price:	Rs914		
Target price:	Rs778		
Previous target:	Rs778		
Up/downside:	-14.9%		
InCred Research / Consensus:	-22.0%		
Reuters:	ASTE.NS		
Bloomberg:	ASTEL IN		
Market cap:	US\$208m		
	Rs17,931m		
Average daily turnover:	US\$0.6m		
	Rs48.4m		
Current shares o/s:	19.6m		
Free float:	33.2%		
*Source: Bloomberg			



<b>Price performance</b>	1M	3M	12M
Absolute (%)	(12.1)	(13.8)	(8.7)
Relative (%)	(8.2)	(8.5)	(14.3)

<b>Major shareholders</b>	% held
Promoter & Promoter Group	66.8
ICICI Prudential Asset Mgt	5.2
Nippon Life India Asset Mgmt	3.7

# Astec Lifesciences Ltd

## Outdated product basket; REDUCE

- Astec Lifesciences is struggling with losses in FY24-25F due to its outdated product portfolio, particularly SBI triazoles.
- The company's capex focuses on SBI triazoles which have no significant growth potential, impacting capacity utilization and RoE.
- We have cut our EPS estimates. Maintain our REDUCE rating on the stock with a lower target price of Rs778, reflecting weak fundamentals.

### EBITDA loss in 3Q; revival in agrochem will provide exit opportunity

We have repeatedly highlighted in the past that Astec Lifesciences (Astec) is unlikely to generate any profit in FY24 and FY25F. ([IN: Astec Lifesciences Ltd - What are we paying for?: REDUCE \(REDUCE - Downgrade\)](#), [IN: Astec Lifesciences Ltd - Illiquidity premium in valuation; REDUCE \(REDUCE - Maintained\)](#)). While the agrochemical cycle has bottomed out, the company's limited product portfolio, which is increasingly becoming obsolete, will not provide much support. We expect the company to return to profitability in FY26F; however, it would not be prudent for investors to pay 50x earnings for a maker of obsolete products. The base business of Astec comprises SBI triazoles, whose sales peaked in CY14 and have been declining since then.

### It's disappointing that Astec plans to incur capex in SBI triazoles

Almost 80% of Astec's expansion is in generic agrochemicals for which the company may be planning to go for an outsourcing contract, with the remaining 20% meant for making specialized API intermediates for CNS, and other specialized chemicals. Most agrochemicals are very small, in terms of market size, where full utilization of Astec's capacity will be a challenge (fentrazamide, mesosulfuron, pyridalyl, telutrin, imibenconazole, bifenazate, tribenuron imazethapyr etc.). Molecules that register significant sales (in tonnes, where the company can utilize its full capacity) are azoxystrobin, thiamethoxam, pyraclostrobin, etc. Apart from azoxystrobin, most of the other agrochemicals are stagnant and hence, are ripe for outsourcing but none of these molecules are growth molecules like 'pyroxasulfone' in the case of PI Industries (please see our detailed report [IN: Astec Lifesciences Ltd - What are we paying for?: REDUCE \(REDUCE - Downgrade\)](#)).

### We cut our EPS estimates and reiterate REDUCE rating on the stock

We believe that Astec will not make a profit in FY25F. There may be a cyclical recovery in FY26F but given the product portfolio, we don't expect an EPS of more than Rs22. Given the high illiquidity, the stock is unlikely to derate big time and only rerate (i.e., despite falling EPS, lack of sellers can keep the stock price stagnant). We value the stock at 30x FY27F EPS to arrive at a lower target price of Rs747 (Rs778 earlier). Maintain our REDUCE rating on it. Upside risk: Globally, any big fungus attack (much higher than normal) on crops can lead to rapid channel-filling demand for SBI triazoles, which can lead to EPS recovery.

### Research Analyst(s)



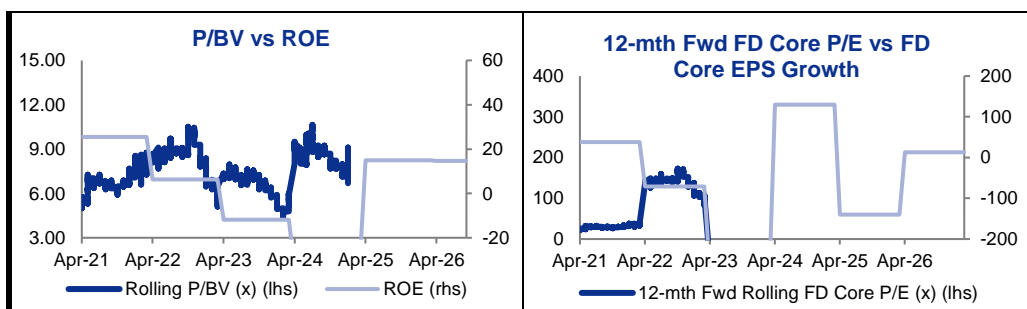
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### Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	6,282	4,582	4,353	5,223	5,746
Operating EBITDA (Rsm)	763	(59)	(617)	527	658
Net Profit (Rsm)	256	(469)	(1,075)	434	489
Core EPS (Rs)	13.1	(23.9)	(54.8)	22.1	24.9
Core EPS Growth	(71.6%)	(283.2%)	129.2%	(140.4%)	12.6%
FD Core P/E (x)	70.02	(38.23)	(16.68)	41.33	36.69
DPS (Rs)	0.8	(1.5)	(3.4)	1.4	1.5
Dividend Yield	0.09%	(0.16%)	(0.37%)	0.15%	0.17%
EV/EBITDA (x)	27.95	(383.56)	(42.17)	48.62	37.98
P/FCFE (x)	78.62	11.50	(5.87)	25.70	17.58
Net Gearing	80.8%	133.0%	307.1%	254.7%	203.8%
P/BV (x)	4.27	4.85	6.68	5.80	5.05
ROE	6.3%	(11.9%)	(33.7%)	15.0%	14.7%
% Change In Core EPS Estimates			10.41%	1.84%	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS**



**Profit & Loss**

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
<b>Total Net Revenues</b>	<b>6,282</b>	<b>4,582</b>	<b>4,353</b>	<b>5,223</b>	<b>5,746</b>
<b>Gross Profit</b>	<b>2,269</b>	<b>1,389</b>	<b>871</b>	<b>2,089</b>	<b>2,298</b>
<b>Operating EBITDA</b>	<b>763</b>	<b>(59)</b>	<b>(617)</b>	<b>527</b>	<b>658</b>
Depreciation And Amortisation	(337)	(363)	(535)	(688)	(695)
<b>Operating EBIT</b>	<b>426</b>	<b>(422)</b>	<b>(1,152)</b>	<b>(160)</b>	<b>(37)</b>
Financial Income/(Expense)	(207)	(252)	(350)	(300)	(350)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	131	56	65	1,040	1,040
<b>Profit Before Tax (pre-EI)</b>	<b>349</b>	<b>(617)</b>	<b>(1,437)</b>	<b>580</b>	<b>653</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>349</b>	<b>(617)</b>	<b>(1,437)</b>	<b>580</b>	<b>653</b>
Taxation	(94)	149	362	(146)	(165)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>256</b>	<b>(469)</b>	<b>(1,075)</b>	<b>434</b>	<b>489</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>256</b>	<b>(469)</b>	<b>(1,075)</b>	<b>434</b>	<b>489</b>
Recurring Net Profit	256	(469)	(1,075)	434	489
<b>Fully Diluted Recurring Net Profit</b>	<b>256</b>	<b>(469)</b>	<b>(1,075)</b>	<b>434</b>	<b>489</b>

**Cash Flow**

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
<b>EBITDA</b>	<b>763</b>	<b>(59)</b>	<b>(617)</b>	<b>527</b>	<b>658</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(59)	70	138	(524)	(314)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(39)	(42)			
Other Operating Cashflow	338	1,576	415	1,340	1,390
Net Interest (Paid)/Received	(207)	(252)	(350)	(300)	(350)
Tax Paid	(49)	149	362	(146)	(165)
<b>Cashflow From Operations</b>	<b>747</b>	<b>1,441</b>	<b>(52)</b>	<b>898</b>	<b>1,220</b>
Capex	(1,173)	(1,243)	(3,000)	(200)	(200)
Disposals Of FAs/subsidiaries	8				
Acq. Of Subsidiaries/investments	(1)	(166)			
Other Investing Cashflow	41				
<b>Cash Flow From Investing</b>	<b>(1,125)</b>	<b>(1,409)</b>	<b>(3,000)</b>	<b>(200)</b>	<b>(200)</b>
Debt Raised/(repaid)	606	1,527			
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(29)	29	66	(27)	(30)
Preferred Dividends					
Other Financing Cashflow	(199)	(252)	(350)	(300)	(350)
<b>Cash Flow From Financing</b>	<b>378</b>	<b>1,304</b>	<b>(284)</b>	<b>(327)</b>	<b>(380)</b>
Total Cash Generated	(1)	1,336	(3,336)	371	639
<b>Free Cashflow To Equity</b>	<b>228</b>	<b>1,559</b>	<b>(3,052)</b>	<b>698</b>	<b>1,020</b>
<b>Free Cashflow To Firm</b>	<b>(171)</b>	<b>284</b>	<b>(2,702)</b>	<b>998</b>	<b>1,370</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>	<b>Mar-27F</b>
Total Cash And Equivalents	22	24	(3,311)	(2,940)	(2,301)
Total Debtors	1,549	1,690	1,606	1,927	2,119
Inventories	2,948	1,958	1,861	2,233	2,456
Total Other Current Assets	469	312	312	312	312
<b>Total Current Assets</b>	<b>4,989</b>	<b>3,985</b>	<b>467</b>	<b>1,531</b>	<b>2,586</b>
Fixed Assets	4,134	5,019	7,484	6,997	6,502
Total Investments		166	166	166	166
Intangible Assets					
Total Other Non-Current Assets	672	579	579	579	579
<b>Total Non-current Assets</b>	<b>4,806</b>	<b>5,764</b>	<b>8,229</b>	<b>7,742</b>	<b>7,247</b>
Short-term Debt	3,303	2,949	2,949	2,949	2,949
Current Portion of Long-Term Debt					
Total Creditors	1,772	893	848	1,018	1,120
Other Current Liabilities	187	130	130	130	130
<b>Total Current Liabilities</b>	<b>5,262</b>	<b>3,972</b>	<b>3,927</b>	<b>4,097</b>	<b>4,198</b>
Total Long-term Debt	109	1,990	1,990	1,990	1,990
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	13	21	21	21	21
<b>Total Non-current Liabilities</b>	<b>122</b>	<b>2,011</b>	<b>2,011</b>	<b>2,011</b>	<b>2,011</b>
Total Provisions	214	72	72	72	72
<b>Total Liabilities</b>	<b>5,599</b>	<b>6,054</b>	<b>6,009</b>	<b>6,179</b>	<b>6,281</b>
Shareholders Equity	4,194	3,693	2,684	3,091	3,550
Minority Interests	2	2	2	2	2
<b>Total Equity</b>	<b>4,196</b>	<b>3,695</b>	<b>2,687</b>	<b>3,094</b>	<b>3,552</b>

<b>Key Ratios</b>					
	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>	<b>Mar-27F</b>
Revenue Growth	(7.2%)	(27.1%)	(5.0%)	20.0%	10.0%
Operating EBITDA Growth	(50.5%)	(107.8%)	943.4%	(185.5%)	24.8%
Operating EBITDA Margin	12.1%	(1.3%)	(14.2%)	10.1%	11.5%
Net Cash Per Share (Rs)	(172.92)	(250.63)	(420.73)	(401.82)	(369.21)
BVPS (Rs)	213.90	188.32	136.90	157.66	181.03
Gross Interest Cover	2.06	(1.67)	(3.29)	(0.53)	(0.11)
Effective Tax Rate	26.8%			25.2%	25.2%
Net Dividend Payout Ratio	6.2%	6.2%	6.2%	6.2%	6.2%
Accounts Receivables Days	124.50	129.02	138.18	123.41	128.51
Inventory Days	219.14	280.48	200.15	238.36	248.21
Accounts Payables Days	166.93	152.31	91.24	108.66	113.15
ROIC (%)	4.6%	(4.1%)	(10.1%)	(1.1%)	(0.3%)
ROCE (%)	5.8%	(5.1%)	(14.1%)	(2.0%)	(0.4%)
Return On Average Assets	4.3%	(2.8%)	(8.8%)	7.3%	7.9%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

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- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.