Techno Funda Stock Note

July 02, 2012

HDFCSec Scrip ID	Industry	CMP	Recommended Action	Averaging Band	Sequential Targets	Stoploss	Time Horizon
ASTPOLEQNR	Pipes	Rs. 222.15	Buy at CMP and average in band	Rs. 200 to Rs. 209	Rs. 261 and Rs. 296	Rs. 189	2-3 quarters

Company Background:

Astral Poly Technik Ltd (APTL) is a manufacturer of Chlorinated Polyvinyl chloride (CPVC) and Polyvinyl chloride (PVC) piping and plumbing systems in India since 1999. CPVC pipes are a substitute for galvanized iron pipes. APTL is Lubrizol's (formerly Noveon) first licensee in India. Lubrizol is the world leader (with ~85% market share) in CPVC resin, which is a raw material for CPVC pipes. APTL also entered a techno-financial joint venture with Specialty Process LLC, USA (an investment arm of Thompson Plastics, USA) to obtain the necessary technology to manufacture CPVC pipes as well as to fund expansion. CPVC manufacturing was started in 1999 followed by PVC manufacturing in 2004. CPVC accounts for ~63% of the company's sales while PVC accounts for ~37% of the company's sales. The value split between pipes and fittings sold for CPVC products is ~50:50 while that for PVC products is ~70:30. The wall thickness of PVC pipes is usually more than that of comparable CPVC products while finished CPVC products earn ~15-20% more realization than PVC products.

APTL has production facilities at Gujarat (Santej and Dholka) and Himachal Pradesh (Bated) to manufacture plumbing systems with diameter ranging from ½" to 12". Total capacity is 65,496 MT as of Mar 2012 as against 48,432 MT in FY11. The Dholka plant has a capacity of ~18,000 MT and is dedicated to PVC products (for clean water use purposes). The Santej plant has a capacity of ~40,000 MT (including an ~1,100 MT capacity for Bendable products) and has interchangeable (PVC/CPVC) capacities though currently it is mainly used for non-clean water applications. The balance capacity of ~7,500 MT is at Bated, which manufactures fittings largely.

APTL has ~350 distributors and ~10,000 dealers spread across the country. Additionally, the company has some depots in the interior regions to reduce freight cost. Most of APTL's sales are through distributors and institutional sales are negligible. APTL has ~500 employees (excluding contract labour) spread across all three plants and the company's offices.

APTL has 2 subsidiaries – Astral Biochem Pvt Ltd and Advanced Adhesives Ltd, and one Joint Venture – Astral Technologies Ltd (Kenya), which has a 2,000 MT capacity. Astral Biochem is inoperational. APTL acquired an 85% stake in Advanced Adhesives Ltd in FY11 (remaining 15% with a technical partner) to set up solvent cement production facilities, which was previously imported from IPS Corporation (USA). Advanced Adhesives Limited has entered into an agreement with IPS Corporation for manufacturing Solvent Cement in India. Advanced Adhesives Ltd had sales of ~Rs. 3 cr and losses of ~Rs. 25 lakh in FY12. Solvent cement is used by customers of APTL in installing the pipes and fittings. APTL has invested ~Rs. 1.9 cr in the Kenyan JV (for ~32% stake), which manufactures pipes in Kenya and has sales of ~Rs. 7-8 cr but is still loss making.

APTL's stock was listed only in FY07 via a Rs. 34 cr IPO at Rs. 115/share. After the IPO, the stock was split (10:5) in FY11.

Products and Applications

Application	Products
Plumbing for Hot & Cold Water	Astral Flowguard CPVC
	Flowguard Bendable
Plumbing for Cold Water	Astral Aquarius UPVC
Sewerage Waste & Rain Water	Astral Ultradrain
	Astral DWV
	Astral AquaSafe
	Wavin
Underground Application	Astral Under Ground
	Astral Foam Core
Fire Sprinklers Application	Astral BlazeMaster
Flush Tanks	Alca Plast
Drains & Waste Taps	
Industrial	Astral Corzan CPVC

(Source: Company Website, HDFC Sec Research)

Shareholding Pattern

Particulars	No of Shares (In lakhs)	% Holding				
	31/03/2012	31/03/2012	31/12/2011	30/09/2011	30/06/2011	31/03/2011
Promoters	143.4	63.8	63.8	63.8	63.8	63.8
Foreign Institutions & Individuals	15.5	6.9	6.3	6.9	6.9	6.2
Non Promoter Corporate Holding	13.1	5.8	5.8	5.8	6.8	6.4
Public & Others	52.7	23.5	24.2	23.5	22.5	23.7
Total	**224.8**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Capitaline, HDFC Sec Research

Among institutions, HSBC Bank (Mauritius) Ltd holds 2.9% as on 31st March 2012. Specialty Process LLC holds 14.1% in the company as part of the techno-financial JV.

Industry

According to the latest Freedonia report, world plastic pipe demand is forecast to increase ~7.3% annually to 20.3 million metric tons in 2015. Increases in global construction activity and process manufacturing output will support growth. More than two-thirds of all plastic pipe demand generated during the 2010-2015 period is expected to be attributable to the Asia/Pacific region. Plastic pipe consumption in the region is predicted to increase almost 9% annually through 2015 because of solid advances in natural gas production, process manufacturing activity, and residential and non-residential building construction expenditures. Several major Asian countries are forecast to record rapid growth, including India, China and Indonesia.

As per the Global Construction 2020 Report prepared by Global Construction Perspectives & Oxford Economics and sponsored by PWC, US $ 97.7 trillion would be spent on construction globally in the next ten years. The Report further says that current spending of $ 7.2 trillion per year would grow by 67% to 12 trillion per year by 2020. But the interesting part is that in the increase of $ 4.8 trillion, half the amount will be spent by three countries – China, India & USA.

At the end of the 10th Five Year Plan, the housing shortage in India was estimated to be 24.7 million housing units. The government has taken several initiatives (especially for the rural and urban poor) to improve the housing condition across the country. Urban real estate has been on an excellent run since its fall in 2008-09. Real estate prices are at all time highs across most cities, especially in premium areas. While the current financial situation and interest rate scenario have temporarily slowed down the real estate market, the slowdown expected to pass soon. APTL's products are used largely in the residential sector in urban areas and majority sales come from new demand however, in recent times the trend has been shifting slightly as replacement demand has picked up as well.

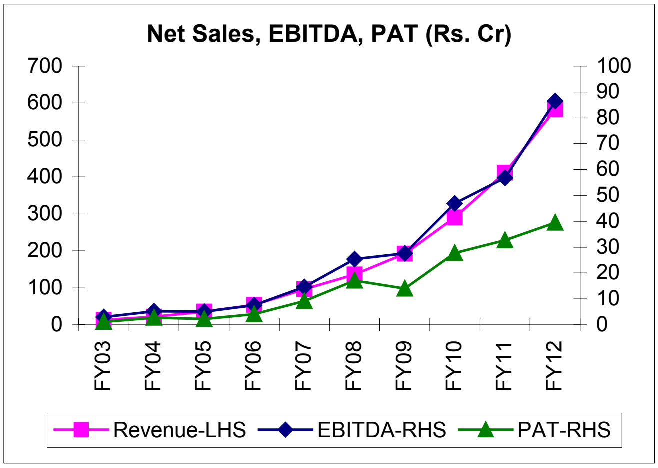
The Indian plumbing industry is estimated at ~Rs. 17,000 cr and is growing at ~15% CAGR. ~41% of the Indian market is for GI pipes, ~53% of the market is for PVC pipes and ~4% of the market is for CPVC pipes. CPVC is still a very underrated product in India due to preconceived notions of the Indian public. In reality CPVC pipes are as good as GI/PVC pipes and in some aspects (such as life, fire resistance and corrosion proof) even better. GI pipes are steel pipes coated with zinc. PVC pipes are made of plastic and vinyl. CPVC pipes are made of CPVC resin, which is a value-add of PVC.

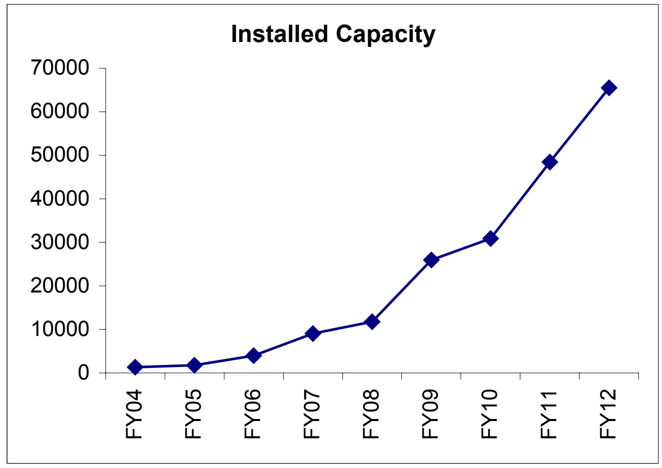
Triggers

Excellent growth since inception and increasing capacities, new products and expanding distribution channel are expected to maintain the growth momentum:

APTL has had stunning growth since its inception. The first reported financials were in FY02 when the company had revenue of only Rs. 8.0 cr and was still loss making at the operational as well as net levels. The company turned around in FY03 with still small revenue and profits however, ever since, there has been no looking back. Net Sales have grown at a CAGR of 52% since FY03 while EBITDA and PAT have grown at 46% CAGR and 48% CAGR respectively. Today the company has revenue close to Rs. 600 cr and PAT close to Rs. 40 cr.

Consistently high growth comes from continually adding capacities, launching new products and expanding distribution channels on the supply side and the abundant shortage of urban housing and commercial space on the demand side. APTL has increased its standalone installed capacity every year since it started reporting from 1,300 MT in FY04 to 65,496 MT in FY12, giving a CAGR of 63%. Utilizations have been good, with minor variations every year. APTL is currently increasing capacity at Santej by ~20,000 MT at a cost of ~Rs. 40-50 cr (vs an increase in capacity of 17,514 MT at a cost of ~Rs. 40 cr in FY12). The company is also considering adding capacity via a new plant at Hosur (land acquired in FY12) however, there has been no development on this front as Hosur in Tamil Nadu has power shortage, which needs to be resolved before APTL can consider setting up a plant there.





(Source: Company Reports, HDFC Sec Research)

Besides just adding capacities, APTL also invests in research and development of new products. In the recent couple of years APTL launched SWR (sewage, waste and rain), Underground, Foam Core pipes and fittings, Manholes, borewell pipes, bendable pipes and one adhesive product (via its subsidiary). The company is also expected to launch Blazemaster (fire sprinkler system) and a couple other products in the near future. Blazemaster has already started selling in foreign markets (largely Russia from where APTL has got a ~$50,000 order) however, sales in India haven't begun as the company still awaits the prints of the Standard (ISI) (approval for the same has been obtained). Borewell pipes (currently the leading product for Ashirvad pipes with a large market and over 1 lakh installations already), bendable pipes and Blazemaster have very large markets in India and they are expected to boost APTL's growth in the near to medium term.

APTL has expanded its distribution network simultaneously with expansion in capacities. The company has increased the number of distributors and dealers from ~120 and ~2,000 respectively in FY06 to ~350 and ~9,500 respectively in FY12. The wider distribution network ensures pan India coverage and a broader clientele to match the increase in production.

Even the operating margins of APTL are healthy and steady over years (if one excludes the forex impact as is clear from the table below).

Particulars – Consolidated	FY09	FY10	FY11	FY12
Net Sales	192.7	290.4	411.3	582.7
Other Operating Income	0.0	0.0	0.0	1.9
Other Income	5.7	2.2	4.0	2.0
EBITDA	34.9	43.9	56.6	86.6
OPM	*15.2%*	*14.4%*	*12.8%*	*14.5%*

Forex gains/losses have been removed from Other Income/Operating Expense (Source: Company Reports, HDFC Sec Research)

Good industry prospects:

APTL manufactures CPVC and PVC piping and plumbing systems, an essential in any residential or commercial construction. At the end of the 10th Five Year Plan, the housing shortage in India was estimated to be 24.7 million housing units. As per the Global Construction 2020 Report, $97.7 trillion is expected to be spent on construction globally in the next ten years, a major portion of which is expected to come from India, China and USA. According to Freedonia's latest report, world plastic pipe demand is forecast to increase ~7.3% annually to 20.3 million metric tons in 2015. APTL already has some excellent clients and several large builders are beginning to use APTL's products. A growth in real estate as well as increasing replacement demand will help the industry grow well.

The Indian plumbing industry is estimated at ~Rs. 17,000 cr and is growing at ~15% CAGR. ~41% of the Indian market is for GI pipes, ~53% of the market is for PVC pipes and ~4% of the market is for CPVC pipes. CPVC is still a very underrated product in India due to preconceived notions of the Indian public. In reality CPVC pipes are as good as GI/PVC pipes and in some aspects (such as life, fire resistance and corrosion proof) even better. GI pipes are steel pipes coated with zinc. PVC pipes are made of plastic and vinyl. CPVC pipes are made of CPVC resin, which is a value-add of PVC.

First licensee of Lubrizol in India and only licensee with access to multiple products:

APTL is the first licensee of Lubrizol in India and has access to four of Lubrizol's products (Flowguard, Corzan, Aquatek and Blazemaster). APTL's competitors in India, Ashirvad Pipes (Bangalore) and Ajay Pipes (Delhi) have licenses only for one of Lubrizol's products i.e. Flowguard. Being Lubrizol's first licensee and only licensee with access to multiple products gives APTL a significant advantage over its competitors as it makes several of APTL's markets largely monopolies. Moreover, it makes APTL the market leader and price setter in the industry. APTL took two price hikes in FY12 and one in April 2012 and is expected to have taken another hike in June 2012. The additional products also make expansion (by capacity and geography) feasible for APTL, which might not be the case with APTL's competitors.

Pan India presence, ready infrastructure and healthy balance sheet make APTL a prime target for alliance by Lubrizol:

APTL has three plants (two in Gujarat and one in Himachal Pradesh), ~350 distributors and ~9,000-10,000 dealers spread across the country. APTL is the largest player in its industry in India and the price-setter. APTL also has a relatively healthy balance sheet with a low gearing ratio and good fixed assets. APTL's established pan India network, profitable operations, healthy balance sheet and existing relationships make it an excellent alliance candidate for Lubrizol (financially) if the company intends to enter Indian markets. There were reports in the media in September 2011 indicating Lubrizol's interest in India and a possible JV between Lubrizol and APTL to set up a CPVC compound and CPVC pipes manufacturing unit. Lubrizol was expected to invest $245 million into the project. The reports claimed construction of the unit would start by January 2013 and production would start by October 2014. However, there have been no further developments on the matter. Lubrizol, a Berkshire Hathaway company, has been upbeat about the country's prospects which could attract further investments perhaps even in APTL but the certainty and timing of the same are unknown. If Lubrizol wanted to enter India, setting up a Greenfield unit is tedious and time consuming whereas taking a majority stake in an existing company like APTL will be faster (though a bit expensive). While Lubrizol could look at the other two companies also, APTL is a better option due to the reasons explained above. In case Lubrizol opts for APTL, it could result in a sharp rerating of the stock.

Concerns:

Raw Material prices and dependence on Lubrizol:

Raw material is by far the largest operational expense for APTL. Raw material expenses account for ~70-75% of net sales and ~82-87% of total operating expenses. CPVC resin is the chief raw material for CPVC pipes and is acquired from Lubrizol (formerly Noveon). Lubrizol is the world leader in CPVC resin with an ~85% market share, making it a largely monopolized industry. PVC resin is another major raw material, which can be imported or acquired domestically based on global price trends. All CPVC is imported from Lubrizol making APTL highly dependent on Lubrizol. Being a significant global market leader, Lubrizol can impact APTL's margins by raising resin prices significantly, which APTL might not be able to forward easily. This high bargaining power of the supplier is a big concern as APTL's margins are almost entirely dependent on the input prices. In FY11, APTL imported raw material worth Rs. 146.2 cr, close to 50% of the company's raw material expense. Additionally, APTL's raw materials have been at the highest ever prices in recent times. CPVC resin and PVC resin are priced at ~$2.9/kg and ~$1/kg currently. This high raw material cost has been passed on as increase in finished goods prices (APTL took two price hikes in FY12 (total hike of ~10-12%) and one in April 2012 (hike of ~5%) and is expected to have taken another hike in June 2012). The price of PVC is now falling for the last few months however price of CPVC remains firm. Raw material prices could be a margin contractor in Q1 but going forward we expect prices to return to more sustainable levels.

Forex Risk:

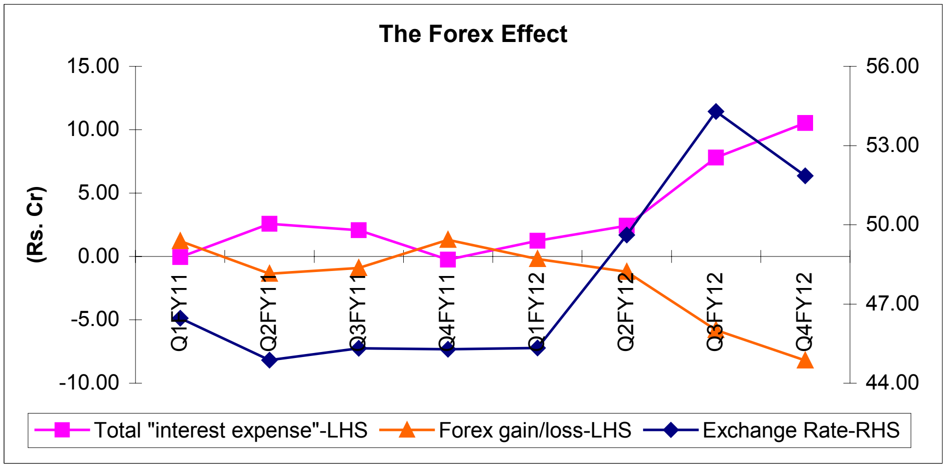
APTL has high forex risk as a significant part of its raw material is imported (Rs. 146.2 cr in FY11). Exports are negligible (Rs. 5.9 cr in FY11). APTL uses forward contracts to hedge its currency exposure but that does not mitigate risk completely. APTL reported a forex loss of ~Rs. 15.4 cr in FY12 and reports forex losses/gains in nearly every quarter. This fluctuation in earnings caused by forex fluctuation is unpredictable and could impact results of APTL majorly in some quarters.

It has been observed that the company reports a large forex loss in years that the Rupee depreciates significantly, which is justified, as the company is a large net importer. On a quarterly basis, the loss/gain from forex fluctuation is usually observed in the quarter following the depreciation/appreciation of the Rupee. Minor fluctuations in the exchange rate don't impact the company to a great extent and hence are considered negligible.

APTL reports "Acceptances" under Current Liabilities/Accounts Payables on its Balance Sheet. Acceptances are mostly buyer's credit and hence we have reclassified them into loans. APTL gets ~120 day credit from Lubrizol and in times of low cash availability, APTL takes buyer's credit from foreign markets (as the borrowing rates in foreign markets are as low as 2%), thereby extending its payment period. If treated as a foreign currency short-term borrowing, the company's leverage increases to ~0.9 and the company realizes forex gains/losses on it. It has been observed that in times of significant depreciation of the Rupee, APTL's borrowing cost goes up significantly as a large portion of the company's term loans as well as the buyer's credit is dollar denominated.

We have assumed a worst case scenario in which the Rupee remains at current levels or even depreciates a little further but settles at ~Rs. 58/USD by Mar 2013 (11.9% depreciation of Rupee over the year vs 14.5% depreciation in FY12), which could result in a forex loss of ~Rs. 15 cr in FY13 as per our calculations (vs Rs. 15.4 cr in FY12). In FY14, we expect the Rupee to appreciate (after two years of sharp depreciation) and hence there could be forex gains however we have not taken any exceptional gain into our calculations.

The chart below shows the relation among exchange rate, forex gains/loss reported by the company in various quarters and the total interest cost (interest reported by APTL + forex gains/loss debited/credited every quarter).



(Source: Company Reports, HDFC Sec Research)

Seasonality:
APTL operates in a seasonal industry as its sales are highly correlated to growth in real estate development. Q1 is traditionally the dullest quarter for the industry and APTL and Q4 is usually the best. However, APTL has been increasing its manufacturing capacity every year resulting in good YoY growth for most quarters every year.

Steep downside in case Lubrizol sets up its own manufacturing facilities or buys a stake in one of APTL's competitors:
While the possibility of a stake buy in APTL by Lubrizol could be a big trigger (though the timing is uncertain), an equally large concern is the possibility that Lubrizol sets up its own manufacturing facilities in India or buys a stake in one of APTL's competitors (Ashirvad Pipes and Ajay Pipes). In any of those cases, Lubrizol could eat away APTL's business as it would have direct access to raw material and at the same time could cut supply to or increase prices of raw material for APTL. In any of these scenarios APTL could be in deep trouble.

Slowdown in economy and rising interest rates:
Real estate development is largely dependent on the growth in the economy and prevailing interest rates (which is indirectly dependent on the economy). A slowdown in the global economy could cause a slowdown in the Indian economy as well as is seen in current times when the European crisis is spreading and hurting the whole world. Slowdown in the economy, slowdown in real estate development and increase in interest rates would all affect APTL adversely.

Underperformance of subsidiaries and JV:
APTL's subsidiaries have been under-performers so far – Astral Biochem has been non-operational and Advanced Adhesives Ltd is currently loss making. Advanced Adhesives was set up only in FY11. APTL has big plans for the adhesives subsidiary and has launched a new product (PVC glue) as well. This company is expected to turnaround in FY13. APTL also has one JV in Kenya – Astral Technologies Ltd, which has also been loss making. APTL is trying to buy a larger stake (current stake ~32%) in the Kenyan JV and is in talks with the Kenyan partners for the same. Currently the Kenyan JV earns ~Rs. 7-8 cr revenue but makes losses. If the subsidiaries/JV continues to underperform it could hurt APTL's consolidated earnings.

Failure of new products could be costly:
APTL has launched several new products in the recent past and has plans to launch more products in the coming year as well. New products such as Bendable pipes, Borewell pipes and Blazemaster fire sprinkler systems are expected to be the growth drivers in the coming years. Blazemaster sales outside India have already begun and have got good momentum however, the same cannot be guaranteed in Indian markets. Inadequate or delayed offtake of any of these products could affect revenue growth.

Conclusion

Astral Poly Technik Ltd (APTL) is India's leading PVC and CPVC pipes and plumbing systems manufacturer. Lubrizol's first licensee in India, APTL is a JV with Specialty Process USA for technology. With two plants in Gujarat and one plant in Himachal Pradesh, APTL has a combined capacity of 65,496 MT. The company's subsidiaries and Kenyan JV are so far not performing well and are expected to start performing this year.

APTL has witnessed strong growth since its inception due to robust demand as the real estate sector for urban areas keeps growing. The company has been increasing capacity, launching new products and expanding its distribution channel every year to meet this demand. The company is increasing capacity by ~20,000 MT in FY13 for a cost of ~40-50 cr. APTL has significant advantage over its competitors as it is the first licensee of Lubrizol and has access to four of Lubrizol's products as compared to its competitors that have access only to one. Moreover, APTL's size and established operations make it a good candidate for alliance by Lubrizol.

Raw material prices and bargaining power of suppliers combined with the forex risk of importing raw materials is the biggest concern. Raw material prices have been at all time highs in the recent past and in fact CPVC prices remain firm. Additionally, the impact of depreciation of the Rupee hit the company in FY12 (Rs. 15.4 cr forex loss) and is expected to hurt the company in FY13 as well as we have taken a worst-case scenario, in which the Rupee remains at current levels (or depreciates a little) till the end of the year. We expect the company to take another ~Rs. 15 cr loss in FY13 due to forex fluctuation. However, in FY14, we expect the Rupee to appreciate and hence have not taken any forex loss in FY14. Seasonality, slowdown in economy, failure of new products and underperformance of subsidiaries and JV are other concerns. Lubrizol's entry into India via its own manufacturing facility or purchase of one of APTL's competitors is another major concern as it could lead to raw material unavailability to APTL.

We think that the fears of forex impact on profitability of APTL are overdone. What is important for APTL to keep doing well is to keep utilising its capacities (which keep on getting added) without any significant price pressures.

APTL is currently trading at 9.9x FY13 (E) EPS and 6.4x FY14 (E) EPS. We recommend buying the stock at the CMP of Rs. 222.15 and adding on dips to Rs. 200 and Rs. 209 for targets of Rs. 261 (7.5x FY14 (E) EPS) and Rs. 296 (8.5x FY14 (E) EPS).

Financials

Quarterly Profit and Loss Account – Standalone

Particulars (Rs. Cr)	Q4FY12	Q4FY11	%YoY	Q3FY12	% QoQ	Q2FY12	Q1FY12
Net Sales	182.8	141.7	29.0%	160.5	13.9%	135.8	100.2
Other Operating Income	0.7	0.2	226.4%	0.5	51.0%	0.5	0.2
Other Income	0.3	-0.4	-161.0%	0.8	-63.8%	0.5	0.5
Total Income	183.8	141.5	29.9%	161.7	13.7%	136.8	100.8
Operating Expense	145.0	122.5	18.4%	144.6	0.3%	120.0	87.9
Operating Profit	**38.8**	**18.9**	**104.8%**	**17.1**	**126.1%**	**16.9**	**12.9**
OPM (%)	21.0%	13.7%		10.2%		12.0%	12.4%
Interest	2.3	1.1	117.6%	2.0	16.2%	1.2	1.0
Depreciation	3.7	2.9	29.7%	3.4	8.1%	3.2	3.1
Exceptional Items	-8.2	1.3		-5.8		-1.2	-0.2
PBT	**24.5**	**16.3**	**50.3%**	**5.9**	**314.2%**	**11.3**	**8.6**
Tax	5.3	3.3	59.1%	1.2	343.6%	2.4	1.7
PAT	**19.3**	**13.0**	**48.1%**	**4.7**	**306.8%**	**8.8**	**6.9**
NPM (%)	10.5%	9.2%		3.0%		6.5%	6.9%
EPS (Annualized)	**8.6**	**5.8**	**48.1%**	**2.1**	**306.8%**	**3.9**	**3.1**
P/E	**6.5**	**9.6**		**26.3**		**14.1**	**18.1**

(Source: Company Reports, HDFC Sec)

Annual Profit & Loss Account – Consolidated

Particulars (Rs. Cr)	FY09	FY10	FY11	FY12 (A)	%YoY	FY13 (E)	FY14 (E)
Net Sales	192.7	290.4	411.3	582.7	41.6%	739.1	898.1
Other Operating Income	0.0	0.0	0.0	1.9	-	0.0	0.0
Other Income	5.7	2.2	4.0	2.0	77.2%	3.0	4.0
Total Income	198.4	292.6	415.2	586.5	41.9%	742.1	902.1
Operating Expense	163.5	248.7	358.6	500.0	44.2%	631.8	765.1
% of sales	*84.8%*	*85.6%*	*87.2%*	*85.8%*	*N/A*	*85.5%*	*85.2%*
Operating Profit	**34.9**	**43.9**	**56.6**	**86.6**	**28.8%**	**110.3**	**137.0**
OPM %	*15.2%*	*14.4%*	*12.8%*	*14.5%*	*N/A*	*14.5%*	*14.8%*
Interest	5.3	4.9	4.7	7.3	-4.7%	10.5	13.0
Depreciation	6.2	8.6	10.8	13.8	24.9%	17.0	20.0
PBT	**23.4**	**30.4**	**41.2**	**65.4**	**35.3%**	**82.8**	**104.0**
Exceptional Items	-7.3	3.0	0.2	-15.4	-91.8%	-15.0	0.0
Net Tax	2.1	5.7	8.6	10.5	50.4%	17.6	25.7
Effective Tax Rate %	*8.8%*	*18.7%*	*20.8%*	*16.1%*	*N/A*	*21.3%*	*24.7%*
PAT	**14.0**	**27.7**	**32.8**	**39.5**	**18.5%**	**50.2**	**78.3**

NPM %	*7.3%*	*9.5%*	*8.0%*	*6.8%*	*N/A*	*6.8%*	*8.7%*
EPS	**12.5**	**24.7**	**14.6**	**17.6**	**-40.8%**	**22.4**	**34.8**
P/E	**17.8**	**9.0**	**15.2**	**12.6**	**N/A**	**9.9**	**6.4**

(Source: Company Reports, HDFC Sec)

Balance Sheet – Consolidated

Particulars (Rs. Cr)	FY11	FY12 (A)	FY13 (E)	FY14 (E)
SOURCES OF FUNDS				
Shareholders' Funds:				
Capital	11.2	11.2	11.2	11.2
Reserves & Surplus	136.4	172.8	217.8	290.9
	147.6	184.1	229.1	302.1
Non-Current Liabilities:				
Long-term borrowing	31.9	64.8	73.5	93.9
Deferred tax liabilities	1.6	1.5	1.5	1.4
Other long-term liabilities	0.0	0.0	0.0	0.0
	33.5	66.2	75.0	95.3
Current Liabilities:				
Short-term borrowing	68.2	91.6	122.7	142.9
Account Payables	48.8	83.0	72.0	111.5
Other current liabilities	28.7	50.7	58.8	53.0
Short-term provisions	3.2	4.8	6.0	7.0
	148.8	230.1	259.5	314.4
Total	**330.0**	**480.4**	**563.6**	**711.8**
APPLICATION OF FUNDS				
Non-Current Assets:				
Fixed Assets	121.3	177.0	206.4	239.4
Non-current investments	0.0	0.0	0.0	4.5
Long-term loans and advances	4.7	4.2	4.2	5.0
Other non-current assets	1.4	0.1	3.6	6.0
	127.4	181.2	214.3	254.9
Current Assets:				
Inventories	86.9	127.1	145.0	187.0
Account Receivables	77.9	103.2	121.0	162.0
Cash & Bank balances	10.2	35.5	45.3	60.9
Other current assets	0.5	0.7	1.0	1.0
Short-term loans & advances	27.1	32.7	37.0	46.0
	202.6	299.1	349.3	456.9
Total	**330.0**	**480.4**	**563.6**	**711.8**

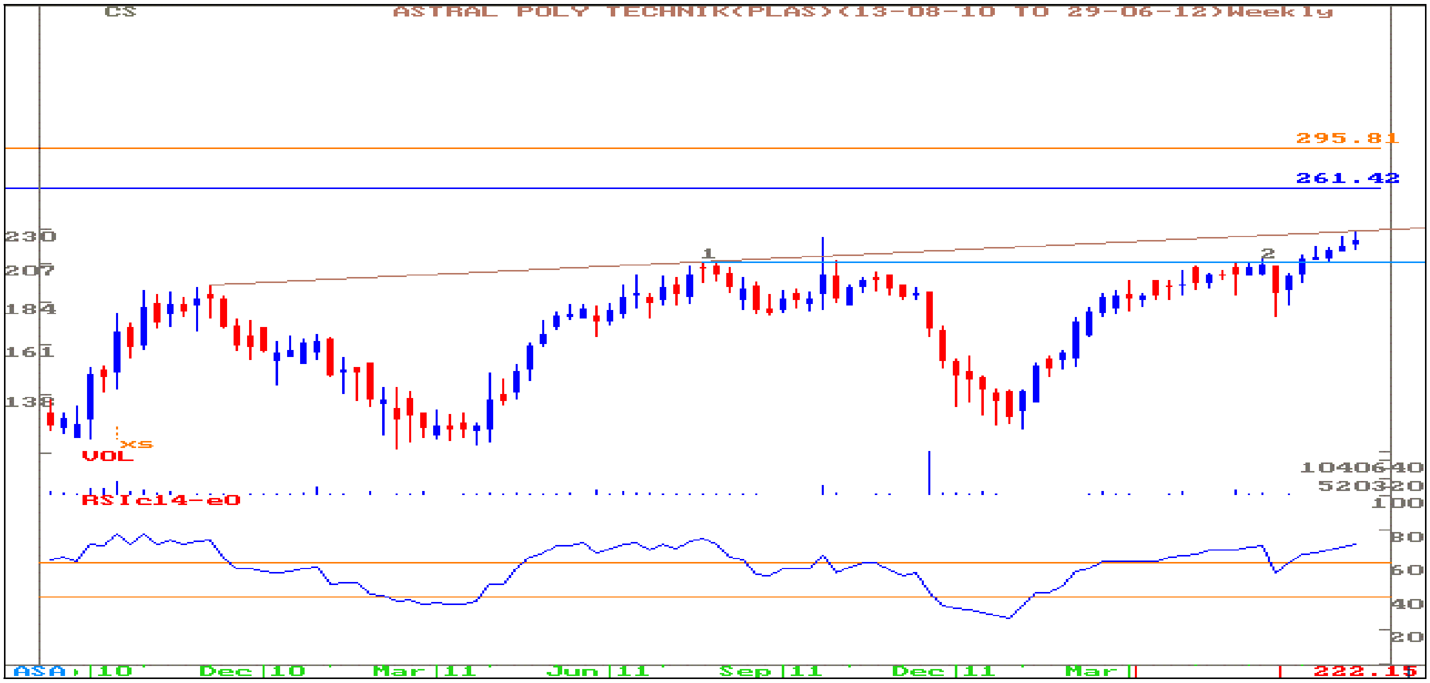
(Source: Company Reports, HDFC Sec)

Technical view

Observation:

- This plastic product stock has been in an excellent up trend for the last 5-6 months, as this stock price has rallied up from the higher bottom of around Rs.124 in early to mid of Jan 2012 (as per weekly timeframe chart) onwards.
- This stock has shown profit booking from the resistance of its previous high (blue horizontal line-Rs.207-July 2011) and had declined to the low of 175 during the week of 18th May 2012. Rebounding from there, this stock has continued its up trend and surpassed the abovementioned hurdle in its second attempt.

* Momentum oscillator like RSI is placed at the strong higher region of around 70 levels signaling strength in overall momentum of this stock.
* The stock is currently finding resistance of upward sloping trend line (brown up trend line), which is drawn from the lower high of Rs.194.00-early Nov 2010.



Conclusion:

* After reaching a strong hurdle of previous high (blue horizontal line-Rs.207-July 2011), the stock price showing decline for one week and rebounding from the low of Rs.175 is a reflection of minimal damage that occurred during profit booking.
* From its dips of around 55 levels, weekly momentum oscillator RSI moving above 60 levels is a sign of strong overall momentum. As long as RSI stays above 60 levels, this stock could move up further.
* Current resistance of upward sloping trend line could pull down the stock prices towards the lower levels support of Rs.207-208, which could be an opportunity for buying on dips at lower levels.
* One may look to go for buy this stock at CMP-Rs.222.15 and on dips around Rs.209-200, for the upside target of Rs.261/296 over the time period of 2-3 quarters.
* Place a stop loss of Rs.189.00 as on daily closing basis.

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