

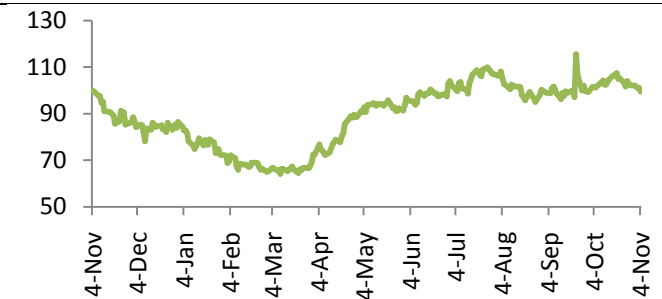
Q2FY12 Result Update
Astral Poly Technik Ltd.

Recommendation	BUY
CMP (05/12/2011)	Rs. 146
Target	Rs.236
Sector	Plastic Products

Stock Details

BSE Code	532830
NSE Code	ASTRAL
Market Cap (Rs. cr)	419
Free Float (%)	36.2
52- wk HI/Lo	224/117
Avg. volume BSE (Monthly)	4349
Dividend (%) FY11	22.5
Shares o/s (Crs)	2.25

Relative Performance	1Mth	6Mth	1Yr
Astral	-1.9%	-7.3%	-0.5%
Sensex	10.7%	-5.2%	-15.9%


Shareholding Pattern 30/09/2011

Promoter Holding	63.82%
Institution	2.27%
Corporate Bodies	5.79%
Public & others	28.12%

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Near term headwinds – opportunity for long term

Astral price has corrected by around 30% in the recent past mainly on account of concerns relating to rupee depreciation. The negative impact of depreciating rupee on Astral has doubled. First being increase in raw material cost since majority of its raw material are either imported or has impact parity pricing. In addition, the increase in prices of finished products will lag and the company would see decline in margins in the near term. Secondly, Astral has most of its outstanding loans of Rs.53 crores as foreign currency loans with near term hedge. As such company has to provide mark to market on these loans which would be around Rs.14 crores. All this would see decline in profitability for the company in the near term.

After factoring in decline in margins and forex losses, we arrive at an EPS of Rs. 12.7 for FY12E implying a P/E of 11.5x. We feel Astral's performance will again bounce back in FY13E considering the (a) consistent high growth of over 35%, (b) pricing power the company enjoys for CPVC product, (c) various new products in pipeline and (d) expanded capacity coming up in near term future. We expect Astral to report sales of Rs737 crs (a growth of 30%) and PAT of Rs. 53 crs with an EPS of Rs. 23.6 in FY13E. At CMP, Astral is trading at 6.2x FY13E EPS and looks very attractive. We recommend accumulate the stock gradually with a price target of Rs.236 which is 62% higher from current levels.

Other Developments:

- Astral is entering into new segment – CPVC Aluminium CPVC, for which it has signed an agreement with Lubrizol, exclusive for 10 years. The company is first one to make this product in the World. The plant at full capacity will give the revenue of Rs 70 crore and is a high margin product. It will start manufacturing it in Q1 FY13.
- The company has also launched Column Pipes in Gujarat.
- Company has also signed a NDA relating to setting up a plant to manufacture CPVC compound in India.
- Astral has entered into tie-ups/marketing agreements with established players like Wavin, Netherlands, for low noise drainage pipes and with AlcaPlast for a range of products like pan connectors, wash basin connectors and the drainage channel drains which are getting wide acceptance in the hospitals, hotels and others.

Year	Net Sales (Rs. In Crs)	Growth	EBIDTA (Rs. In Crs)	EBIDTA	PAT (Rs. In Crs)	Growth	EPS (Rs.)	P/E(x)	P/BV
FY10A	192.7	50.6%	41.9	14.45%	28.0	100.24%	12.5	11.7	5.5
FY11A	410.8	41.6%	53.3	12.97%	33.6	19.83%	14.9	9.8	2.1
FY12E	566.1	37.8%	67.1	11.86%	28.6	-15.01%	12.7	11.5	1.8
FY13E	736.9	30.2%	88.6	12.03%	53.0	85.61%	23.6	6.2	1.4

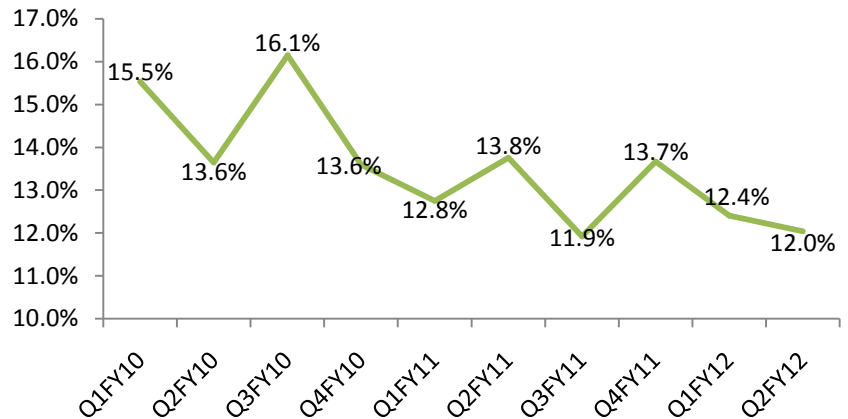
Key Highlights of the Q2FY12

- During the quarter, Astral Poly reported 36.4% (YoY) and 35.6% (QoQ) increase in sales at Rs.135.8crs.
- The company has utilized its capacity to the tune of 9822 M.T. as against the last year's same quarter of 6618 M.T.
- For the quarter, EBIDTA margin stood at 12.04% which is a dip of 143 bps YoY. This is on account of raw material cost shooting up by 60.5% YoY.
- Depreciation was at Rs.3.2 crore, higher by 21% YoY and 2.6% QoQ.
- Interest cost went up by 15% QoQ.
- There has been a forex loss of Rs.1.22crore.
- Astral reported Adj PAT of Rs. 8.85Cr, a rise of 29.8% YoY and 29% QoQ.
- The company's expansion work at Dholka is going on with full swing and first phase of expansion will be ready by November 2011 and eventually complete installation should be completed by Jan'12.
- During the quarter, the company has signed a NDA with Lubrizol for a JV with to exclusively manufacture CPVC compound in Dahej.

Financials	Q2FY12	Q2FY11	YoY (%)	Q1FY12	QoQ (%)
Net Sales	135.8	99.6	36.4%	100.2	35.6%
Raw Material Cost	98.6	61.5	60.5%	83.1	18.8%
Staff Cost	3.7	2.5	48.4%	3.2	17.2%
Other Expenditure	16.4	12.8	28.0%	14.7	11.8%
Total Expenditure	120.0	86.0	39.4%	87.9	36.5%
EBIDTA	16.4	13.7	19.3%	12.5	31.5%
Interest	1.2	1.2	0.5%	1.0	15.0%
PBDT	15.2	12.5	21.1%	11.4	33.0%
Depreciation	3.2	2.6	21.0%	3.1	2.6%
Other Income	0.5	0.4	20.1%	0.5	2.6%
Exceptions	-1.2	-1.4	-10.5%	-0.2	508.5%
Tax	2.4	2.1	14.7%	1.7	42.1%
Reported Profit After Tax	8.8	6.8	29.3%	6.8	29.7%
Adj PAT	9.8	7.9	24.4%	7.1	39.0%
EPS (Unit Curr.)	3.9	3.0	29.3%	3.0	29.7%
Margins (%)					
EBIDTA %	12.1%	13.8%		12.4%	
PAT %	6.5%	6.9%		6.8%	

Source: Nirmal Bang Research, Company Data

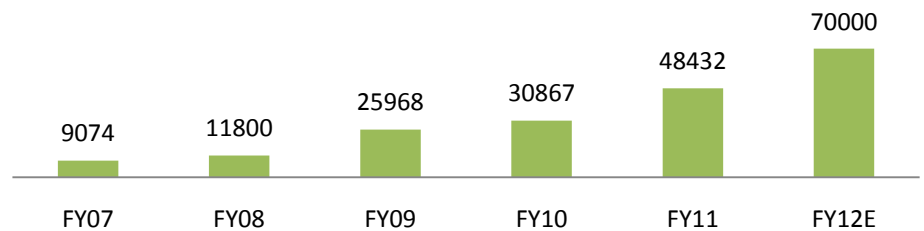
Pressure on Margins continues due to high material costs



Capacity Expansion

- The company is yet again expanding its capacity from the current 48432 MT to 70000 MT which would be finished in phased manner from October FY11 to Jan FY12.

Production Capacity in MT



Valuation & Outlook

After factoring in decline in margins and forex losses, we arrive at an EPS of Rs. 12.7 for FY12E implying a P/E of 11.5x. We feel Astral's performance will again bounce back in FY13E considering the (a) consistent high growth of over 35%, (b) pricing power the company enjoys for CPVC product, (c) various new products in pipeline and (d) expanded capacity coming up in near term future. We expect Astral to report sales of Rs737 crs (a growth of 30%) and PAT of Rs. 53 crs with an EPS of Rs. 23.6 in FY13E. At CMP, Astral is trading at 6.2x FY13E EPS and looks very attractive. We recommend accumulate the stock gradually with a price target of Rs.236 which is 62% higher from current levels.

Financials

Profitability (Rs. Cr)					Financial Health (Rs. Cr)				
	FY10A	FY11A	FY12E	FY13E		FY10A	FY11A	FY12E	FY13E
Revenues - Net	290.2	410.8	566.1	736.9	Share Capital	11.2	11.2	11.2	11.2
% change	50.6%	41.6%	37.8%	30.2%	Reserves & Surplus	107.7	141.5	167.5	217.9
EBITDA	41.9	53.3	67.1	88.6	Net Worth	118.9	152.7	178.7	229.2
% change in EBIDTA	43.7%	27.1%	25.9%	32.1%	Total Loans	40.4	43.9	68.0	70.7
Interest	4.8	4.6	6.6	8.3	Deferred Tax Liabilities	1.7	1.6	1.6	1.6
EBDT	37.1	48.7	60.5	80.3	Total Liabilities	161.0	198.2	248.4	301.5
Depreciation	6.2	10.7	14.5	17.4	Net Fixed Assets	94.0	125.9	164.9	179.7
Other Income	5.2	4.2	4.2	4.2	Investments	0.1	0.1	0.0	0.0
Extraordinary	0.9	2.7	-14.0	0.0	Inventories	69.7	86.9	119.1	157.8
PBT	33.7	42.2	36.2	67.2	Sundry Debtors	67.4	85.8	120.5	156.8
Tax	5.7	8.6	7.6	14.1	Cash & Bank	4.6	15.2	4.0	13.8
PAT	28.0	33.6	28.6	53.1	Loans & Advances	25.9	28.6	34.2	47.9
Adj PAT	27.2	31.4	39.7	53.1	C A L&A	167.6	216.6	277.7	376.3
Shares o/s (No. in Cr.)	2.2	2.2	2.2	2.2	CL & P	100.6	144.3	194.3	254.5
EPS Rs.	12.5	14.9	12.7	23.6	Working Capital	67.0	72.2	83.5	121.8
Adj EPS Rs.	12.1	14.0	17.7	23.6	Misc Exp	0.0	0.0	0.0	0.0
DPS (Rs.)	2.0	2.0	2.0	2.0	Total Assets	161.0	198.2	248.4	301.5
Quarterly (Rs. Cr)					Cash Flow (Rs. Cr)				
	Dec.10	Mar.11	Jun.11	Sep.11		FY10A	FY11A	FY12E	FY13E
Revenue	98.49	141.69	100.16	135.81	Operating				
EBITDA	11.77	19.38	12.46	16.38	Operating Income	41.9	53.3	67.1	88.6
Interest	1.16	1.07	1.04	1.20	Change in WC	-20.9	5.3	-22.4	-28.6
EBDT	10.61	18.31	11.42	15.19	Other Adjustment	-0.1	0.0	0.0	0.0
Dep	2.75	2.85	3.09	3.17	CF from Opeartion	21.0	58.6	44.7	60.1
Other Inc.	3.01	-0.45	0.48	0.49	Investment				
Extraordinary	-0.90	1.32	-0.20	-1.22	Capex	-13.0	-42.5	-53.5	-32.2
PBT	9.97	16.33	8.61	11.29	Other Investment	-0.1	0.0	0.1	0.0
Tax	1.55	3.31	1.72	2.44	Total Investment	-13.0	-42.6	-53.4	-32.2
PAT	8.42	13.02	6.82	8.85	Financing				
EPS (Rs.)	3.75	5.79	3.03	3.94	Dividend Paid	-2.6	-2.6	-2.6	-2.6
Operational Ratio									
	FY10A	FY11A	FY12E	FY13E					
EBITDA margin (%)	14.5%	13.0%	11.9%	12.0%	Share Capital	0.0	0.0	0.0	0.0
Adj.PAT margin (%)	9.7%	8.2%	5.1%	7.2%	Premium / Reserve	0.0	0.0	0.0	0.0
Adj.PAT Growth (%)	100.2%	19.8%	-14.8%	85.4%	Borrowing	1.4	3.5	24.1	2.7
Price Earnings (x)	11.7	9.8	11.5	6.2	Other Income	6.2	6.9	-9.8	4.2
Book Value (Rs.)	26.5	68.0	79.5	102.0	Subsidy Rec	0.0	0.0	0.0	0.0
ROE (%)	25.9%	23.1%	23.9%	26.0%	Interest	-4.8	-4.6	-6.6	-8.3
ROCE (%)	26.3%	26.0%	19.2%	27.5%	Tax Paid	-5.7	-8.6	-7.6	-14.1
Debt Equity Ratio	0.34	0.29	0.38	0.31	Total Financing	-5.6	-5.4	-2.5	-18.1
Price / Book Value (x)	5.52	2.15	1.84	1.43	Net Chg. in Cash	2.3	10.6	-11.2	9.8
EV / Sales	2.40	0.91	0.70	0.54	Cash at beginning	2.3	4.6	15.2	4.0
EV / EBIDTA	16.61	6.98	5.90	4.50	Cash at end	4.6	15.2	4.0	13.8

Source: Nirmal Bang Research, Company Data

NOTE

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