

## Plastic Products - Pipes

## Astral Poly Technik Ltd

## Accumulate

## To maintain growth....

CMP Rs 199

Target Price Rs 233

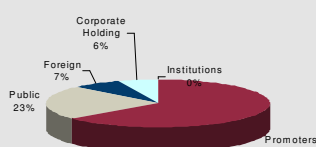
## Key Data

Face Value	5
Market Cap (Rs in mn)	4473
Total O/s Shares in (in mn)	22.5
Free Float	36.18%
52 Week High / Low	223.9/124
Avg. Monthly Volume (BSE)	8116
Avg. Monthly Volume (NSE)	16893
BSE Code	532830
NSE Code	ASTRAL
Bloomberg Code	ASTRA IN
Beta	0.35
Date of Incorporation	25 <sup>th</sup> Mar 1996
Last Dividend Declared	23%
Six month return	23.3%
Indices	BSE B
FCCB's outstanding	N.A.
Warrants outstanding	N.A.

## One Year Price Chart



Source: Capitaline

Share Holding Pattern (31<sup>st</sup> Mar' 2012)

Source: Company, KJMC Research

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Astral Poly Technik Ltd reported decent revenue growth of 29% on yoy which was above our expectation driven by decent volume growth and better realization primarily driven by the pass through of rise in raw material prices due rupee depreciation. The EBITDA for the quarter grew at 97.2% with 20.7% EBITDA margin on account of lag effect of benefit arising from the price hike. The PAT for the quarter grew at 48% yoy to Rs 192.8 mn. In the quarter the company booked Rs 82.1 mn of forex loss booked on liabilities in foreign exchange. However if we adjust the exceptional items, the adjusted PAT for the quarter grew by 134.8% yoy to Rs 274.9 mn. The company has commissioned new facility at Dholka which resulted into 35.2% yoy rise in capacity to 65,496 tonnes. The company has guided to maintain 25-30% revenue growth with 12-14% of EBITDA margin.

## Key Highlights

**Revenue growth above expectation:** Astral has reported decent sales growth of 29% on yoy in the Q4FY12 on 17% yoy growth in volume at 11690 tonnes and average price increase of 7%. In full year FY12, the company witnessed a sales volume of 38824 tonne which is 27% higher than last year. In FY12 the company witnessed net sales of Rs 57.79 bn which is 41% higher than last year.

**Profitability improved sharply on price hike:** In the quarter the EBITDA margin grew sharply to 20.7% on account of lag effect of benefit arising from the price hike. The management expects the margins to return back to its normal level in the coming quarters. Going forward the company is expected to report a margin of 12-14%. The EBITDA for the quarter grew by 97.2% yoy to Rs 378 mn. PAT for the year stood at Rs 192.8 mn which grew at 48% yoy. In the quarter the company booked forex loss of Rs 82.1 mn on liabilities in foreign exchange.

**Guided for 25-30% revenue growth on strong demand of plastic pipes:** The company has maintained its strong revenue growth guidance of 25-30% in FY13 also which is supported by strong demand for plastic pipes products.

## Financial Snapshot (Standalone)

Rs in mn

Particulars	FY10	FY11	FY12P	FY13E	FY14E
Net Revenue	2,902	4,108	5,793	7,553	9,399
YoY Growth %	50.4	41.6	41.0	30.4	24.4
EBITDA	419	533	818	1,005	1,227
EBITDA Margin %	14.5	13.0	14.1	13.3	13.1
PAT	280	336	398	523	737
PAT Margin %	9.7	8.2	9.5	7.9	7.8
EPS	12.5	14.9	17.7	23.3	32.8
P/E	16.0	13.3	11.2	8.6	6.1
EV/EBITDA	11.5	9.0	6.4	5.4	4.4
RoE%	26.6	25.2	33.0	28.5	27.3

Source: Company, KJMC Research

**Capacity expansion to drive growth:** Astral has increased its capacity from 48432 tonnes to 65496 tonnes. The new capacity at Dholera is fully operational and is expected to drive revenue growth in FY13. With the current capacity the company can achieve a sales turnover of Rs 10 bn.

**Expanding product range:** The company is on track in terms of introducing new products in Indian market. It is now manufacturing its prime product Flowguard Bendable in India. Currently it has 1100 tonne capacity for this product. This can be used in gas transportation as it does not require any fittings; Astral is awaiting government approval for the same. Its fire sprinkler product Blazemaster is soon expected to get all approvals which can explore new market. It has started manufacturing solvent cement in India. Hence the introduction of new products would prove to be the growth driver for the company and would give competitive edge.

### Quarterly Performance (Standalone)

(in Rs mn)

Particulars Rs Mn	Q4FY12	Q4FY11	YoY Growth%	Q3FY12	QoQ Growth%	FY12	FY11	YoY Growth%
<b>Net Sales</b>	<b>1828.4</b>	<b>1416.9</b>	<b>29.0%</b>	<b>1605.1</b>	<b>13.9%</b>	<b>5793.2</b>	<b>4108.2</b>	<b>41.0%</b>
<b>Expenditure</b>	<b>1450.4</b>	<b>1225.3</b>	<b>18.4%</b>	<b>1445.8</b>	0.3%	<b>4974.9</b>	<b>3548.3</b>	<b>40.2%</b>
Raw Material	1205.1	998.5	20.7%	1201.4	0.3%	4105.4	2942.9	39.5%
Employee Cost	39.8	27.6	44.5%	36.9	7.9%	146.1	105.0	39.1%
Other Expenditure	205.5	199.2	3.2%	207.4	-0.9%	723.4	500.4	44.6%
<b>EBITDA</b>	<b>378.0</b>	<b>191.6</b>	<b>97.2%</b>	<b>159.3</b>	<b>137.3%</b>	<b>818.3</b>	<b>559.9</b>	<b>46.1%</b>
EBITDAM%	20.7%	13.5%		9.9%		14.1%	13.6%	
Other Income	9.8	-2.3	-526.5%	12.2	-19.7%	39.0	12.7	207.1%
PBIDT	387.7	189.3	104.8%	171.5	126.1%	857.3	572.6	49.7%
Depreciation	37.0	28.5	29.8%	34.2	8.2%	133.8	107.2	24.8%
Interest	23.2	10.7	117.6%	20.0	16.2%	65.5	45.9	42.7%
PBT	327.5	150.1	118.1%	117.3	179.2%	658.0	419.5	56.8%
Tax	52.6	33.1	59.1%	11.9	343.6%	106.1	86.0	23.4%
APAT	<b>274.9</b>	<b>117.1</b>	<b>134.8%</b>	<b>105.4</b>	<b>160.8%</b>	<b>551.8</b>	<b>333.5</b>	<b>65.5%</b>
APATM%	15.0%	8.3%		6.6%		9.5%	8.1%	
Exceptional/Extraordinary	-82.1	13.2	-723.6%	-58.0	41.5%	-154.3	2.4	
<b>Reported PAT</b>	<b>192.8</b>	<b>130.2</b>	<b>48.0%</b>	<b>47.4</b>	<b>306.8%</b>	<b>397.5</b>	<b>335.9</b>	<b>18.3%</b>
Equity Capital	112.4	112.4	0.0%	112.4	0.0%	112.4	112.4	0.0%
EPS	8.6	5.8	48.0%	2.1	306.8%	17.7	14.9	18.3%

Source: Company

### Outlook & Valuation

We are positive on the business prospects of the company. We believe that 1) the increasing preference of CPVC pipes over other pipes, 2) better quality 3) higher entry barrier in CPVC pipes business would continue to give pricing power to Astral despite costlier imports of raw material.

On the basis of FY13E and FY14E revised EPS of Rs 23.3 and Rs 32.8, the stock is currently trading at an attractive P/E of 8.6x and 6.1x respectively. We maintain our Accumulate rating on the stock with revised target price of Rs 233.

## Standalone Financial Summary

Profit & Loss Statement						Balance Sheet					
Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E	FY14E	Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E	FY14E
<b>Net Revenue</b>	2,901.9	4,108.2	5,793.2	7,553.1	9,399.1	Equity Share Capital	112	112	112	112	112
Growth %	50.4	41.6	41.0	30.4	24.4	Reserves	1,069	1,375	1,744	2,237	2,945
<b>Total Expenses</b>	2,482.4	3,575.3	4,974.9	6,548.0	8,172.5	<b>Networth</b>	<b>1,181</b>	<b>1,488</b>	<b>1,856</b>	<b>2,349</b>	<b>3,057</b>
Growth %	45.2	44.0	39.1	31.6	24.8	<b>Total Share Holders' Fund</b>	<b>1,181</b>	<b>1,488</b>	<b>1,856</b>	<b>2,349</b>	<b>3,057</b>
<b>EBITDA</b>	419.5	532.9	818.3	1,005.1	1,226.6	Secured Loans	404	407	857	1,157	1,157
Growth %	90.2	27.1	53.5	22.8	22.0	Unsecured Loans	0	0	0	0	0
EBITDAM %	14.5	13.0	14.1	13.3	13.1	<b>Loan Funds</b>	<b>404</b>	<b>407</b>	<b>857</b>	<b>1,157</b>	<b>1,157</b>
Other Income	52.3	42.1	39.0	39.0	39.0	<b>Total Liabilities</b>	<b>1,585</b>	<b>1,895</b>	<b>2,713</b>	<b>3,507</b>	<b>4,214</b>
Interest	48.4	45.9	65.5	114.0	131.0	Gross Block	1,112	1,380	1,940	2,440	2,740
Depreciation	86.0	107.2	133.8	176.5	208.8	Less: Accumulated Depreciation	234	340	474	650	859
PBT	337.3	422.0	658.0	753.6	925.9	<b>Net Block</b>	<b>878</b>	<b>1,040</b>	<b>1,466</b>	<b>1,790</b>	<b>1,881</b>
Tax	57.0	86.0	106.1	153.7	188.8	Capital Work In Progress	62	127	67	67	67
<b>PAT</b>	280.3	335.9	551.9	599.9	737.1	<b>Investments</b>	<b>1</b>	<b>1</b>	<b>19</b>	<b>19</b>	<b>19</b>
Growth %	97.5	19.9	64.3	8.7	22.9	<b>Current Assets</b>	<b>1,668</b>	<b>2,173</b>	<b>2,864</b>	<b>3,679</b>	<b>4,568</b>
Net Margin%	9.7	8.2	9.5	7.9	7.8	Inventories	697	862	1,263	1,647	2,049
E/O items	0.0	0.0	154.3	77.2	0.0	Debtors	674	863	1,052	1,283	1,597
<b>PAT (After E/O)</b>	280.3	335.9	397.6	522.8	737.1	Cash & Bank	38	102	122	192	229
Growth %	97.5	19.9	18.4	31.5	41.0	Loans & Advances	259	347	427	557	693
						<b>Current Liab &amp; Prov</b>	<b>1,006</b>	<b>1,429</b>	<b>1,686</b>	<b>2,031</b>	<b>2,304</b>
						<b>Net Current Assets</b>	<b>662</b>	<b>744</b>	<b>1,178</b>	<b>1,648</b>	<b>2,264</b>
						Net Deferred Tax	-17	-17	-17	-17	-17
						<b>Total Assets</b>	<b>1,585</b>	<b>1,895</b>	<b>2,713</b>	<b>3,507</b>	<b>4,214</b>

Cash Flow Statement						Ratios					
Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E	FY14E	Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E	FY14E
<b>Pre-Tax Profit</b>	337	422	504	676	926	<b>Profitability&gt;Returns %</b>					
Depreciation & Non Cash	86	107	134	177	209	EBITDA Mgn	14.5	13.0	14.1	13.3	13.1
Interest & others	48	46	66	114	131	PAT Mgn	9.7	8.2	9.5	7.9	7.8
Chg in Working Cap	-121	24	-414	-399	-579	ROCE	21.3	24.5	29.7	26.6	26.4
Tax Paid	-52	-87	-106	-154	-189	ROE	26.6	25.2	33.0	28.5	27.3
<b>Operating Cash Flow</b>	255	464	183	414	498	<b>Per Share Data (Rs/share)</b>					
Net Capex	-178	-335	-500	-500	-300	EPS	12.5	14.9	17.7	23.3	32.8
<b>Free Cash Flow</b>	77	129	-317	-86	198	CEPS	16.3	19.7	30.5	34.5	42.1
Investments	-4	5	-18	0	0	BVPS	52.6	66.2	82.6	104.5	136.0
Equity Capital	0	0	0	0	0	DVPS	1.0	1.1	1.1	1.1	1.1
Loans	17	2	450	300	0	<b>Valuations (X)</b>					
Dividend	-26	-26	-29	-29	-29	PER	16.0	13.3	11.2	8.6	6.1
Interest & Others	-48	-46	-66	-114	-131	CPER	12.2	10.1	6.5	5.8	4.7
<b>Net Change in Cash</b>	16	64	20	70	37	P/BV	3.8	3.0	2.4	1.9	1.5
<b>Opening Cash Position</b>	22	38	102	122	192	EV/Sales	1.7	1.2	0.9	0.7	0.6
<b>Closing Cash Position</b>	38	102	122	192	229	EV/EBITDA	11.5	9.0	6.4	5.4	4.4
						Dividend Yield %	0.5	0.6	0.6	0.6	0.6
						<b>Turnover (X Days)</b>					
						Debtor Days	68	68	66	62	62
						Inventory Days	88	80	80	80	80
						Current Liability Days	93	122	112	102	96
						Net Working Cap Days	87	62	61	68	76
						Fixed Assets T/O (x)	2.8	3.3	3.5	3.4	3.6
						<b>Gearing Ratio (X)</b>					
						Net Debt/Equity	0.3	0.2	0.4	0.4	0.3
						Total Debt/Equity	0.3	0.3	0.5	0.5	0.4

Source: Company, KJMC Research

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#### Recommendation Parameters

Expected returns in absolute terms over a one-year period	
<b>Buy</b>	- appreciate more than 20% over a 12- month period
<b>Accumulate</b>	- appreciate 10% to 20% over a 12- month period
<b>Hold / Neutral</b>	- appreciate up to 20% over a 12- month period
<b>Reduce</b>	- depreciate up to 10% over a 12- month period
<b>Sell</b>	- depreciate more than 10% over a 12- month period

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IPO Note	Reports based on IPO Analyst Meet and Company Fundamentals	Time to Time
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Daily Performance Report for Liquid & Liquid Plus Funds	Report containing daily, weekly, monthly, half yearly & yearly performance of only Liquid & Liquid Plus plans along with ranking of each fund for Corporates & Institutions.	Mon-Fri
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Data Sources : Capitalline, Companies, Bloomberg, Various Websites & publication available on Public domain.

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<b>Mutual Fund's AMFI No.</b>	:	ARN - 2386

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