

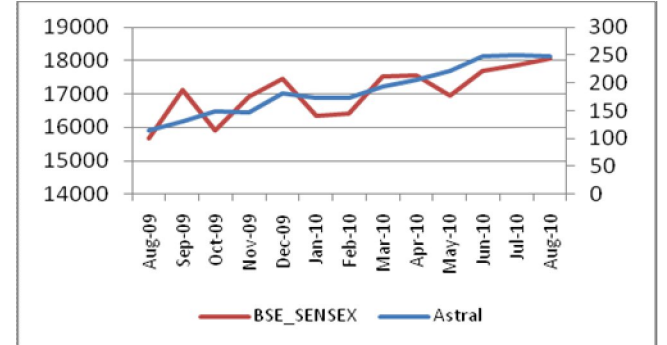
Q1 FY11 Results Update
Astral Poly Technik Ltd

Recommendation	Hold
CMP (20/08/2010)	Rs.255
Sector	Plumbing Material

Stock Details

BSE Code	532830
NSE Code	ASTRAL
Market Cap (Rs. cr)	285
Free Float (%)	36.18%
52- wk HI/Lo	274/107
Avg. volume (Monthly)	10744
Dividend	20%
Shares o/s (Crs)	1.12

Relative Performance	1Mth	3Mth	1Yr
ASTRAL	-1%	12%	115%
SENSEX	1%	7%	15%


Shareholding Pattern as of 30/06/2010

Promoters Holding	63.82%
FII, banks & Institutions	6.01%
Corporate Bodies	5.28%
Public & others	24.90%

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Astral has come out with Q1FY11 results

- Revenue for the Q1FY11 stood at Rs 71.04 crores, up by 37.2% on YoY basis. Increase in revenue is driven by volume growth. On QoQ basis revenue decreased by 30.4% on account of lower sales as compared to Q4FY10. Due to nature of business sales volume are usually higher in Q4.
- EBITDA increased by 12.5% on YoY basis to Rs 9.09 crores in Q1FY11, whereas on QoQ basis it declined by 34.6%.
- EBITDA margins declined by 281bps on YoY basis and stood at 12.8% as against 15.6% in Q1FY10, and on QoQ basis it declined by 82 bps. CPVC resin is the key raw material, which is imported from Lubrizol. Depreciating rupee has increased the material cost and it was not able to pass on the increased cost. In addition to this it has written off inventory due to decline in PVC price. Collectively, depreciating rupee and inventory write off has dented the margins. However it has effected the price increase of 4% to 5% from the month of August, which will help it to cool off the pressure on the margins.
- Adjusted PAT up by 5.5% on YoY basis to Rs 4.45 crores, whereas on QoQ basis it has decreased by 53.4%.
- Adjusted PAT margins for Q1FY11 stood at 6.3% as against 8.1% in Q1FY10. Tough Interest cost decreased by 23.2% to Rs 1.16 crores, increased depreciation cost & tax expenses has reduced the margins
- During the Quarter the company has made an exceptional foreign exchange gain to the tune of Rs 1.20crores on account of repayment of borrowings.

Recommendation

At the CMP of Rs 255 the stock is trading at a PE of 9.1x for FY11E. Based on our estimated EPS of Rs 27.58 for FY11E and target multiple of 10x we arrive at a target price of Rs 276 indicating upside potential of 8.15%. We recommend HOLD rating on the stock.

Year	Net Sales	Growth %	EBIDTA	EBIDTAM (%)	PAT	Growth (%)	EPS (Rs.)	P/E(x)	P/BV
FY08A	135.8	40.1%	20.9	15.40%	16.0	50.50%	14.3	17.5	3.6
FY09A	192.7	41.8%	29.2	15.16%	20.5	27.61%	18.2	13.7	3.1
FY10A	290.4	50.7%	41.7	14.36%	27.7	35.41%	24.7	10.1	2.4
FY11E	377.5	30.0%	53.5	14.16%	31.0	11.81%	27.6	9.1	1.9

Going Forward

The momentum in Real Estate Sector has started gaining after slow down. CPVC has now become an acceptable and alternative product to galvanized pipes. We believe Astral which is among very few players in CPVC segment and has a large presence with strong dealer network, coupled with the advantages of CPVC product, being cheaper & longer durable will lead the demand and eventually the growth in revenues. However we believe there would be slightly pressure on operating margins due to depreciating rupee and increasing competition. Astral's Joint Venture in Africa (where it has 32% stake interest) is setting up production facility in Nairobi, is expected to commence the operation by the 2nd Quarter of this year, where pipes will be manufactured and fittings will be exported from India. Fittings segment is lucrative business as the margins are higher. Astral is also in the process of obtaining approvals for Fire sprinklers systems, it expects to get approvals within 1st half of this year, thus will add a new avenue to the company.

Key Points

- The Company is in the process of acquiring the land at Hosur in Tamilnadu, where it plans to build the manufacturing facility and central warehouse facility at a single area in south. This would further strengthen its presence in south & thus reduce transportation cost.
- It has acquired a land in Dholka near Ahmedabad where it plans to set up manufacturing facility in future.
- Astral has tied up with Wavin AS of Netherland for low noise pipes. Initially it will be sole marketing agent in India and at a later time it will set up manufacturing facility in India.

Valuations & Recommendation

We believe Astral to have a revenue growth on back of its product advantage, new products addition, capacity augmentation. At the CMP of Rs 255 the stock is trading at a PE of 9.2x for FY11E. Based on our estimated EPS of Rs 27.58 for FY11E and target multiple of 10x we arrive at a target price of Rs 276 indicating upside potential of 8.15%. We recommend HOLD rating on the stock

Quarterly Analysis

Financials	Q1FY11	Q1FY10	YoYVar(%)	Q4FY10	OoQVar(%)
Net Sales & operating income	71.2	52.0	36.9%	102.3	-30.5%
EBITDA	9.1	8.1	12.5%	13.9	-34.6%
Other Income	0.3	0.2	61.9%	1.1	-69.4%
Depreciation	2.5	2.0	24.5%	2.3	7.8%
EBIT	6.9	6.3	10.3%	12.7	-45.4%
Interest	1.2	1.5	-23.2%	1.2	-6.5%
PBT	5.8	4.8	20.9%	11.5	-49.6%
Extraordinary Loss	1.2	0.2		2.6	
Tax, Deferred Tax & FBT	1.6	0.6	172.9%	2.4	-31.8%
PAT	5.4	4.4	22.0%	11.7	-54.2%
Adj. PAT	4.4	4.2	5.5%	9.5	-53.4%
Equity Capital (Rs.10)	11.2	11.2	0.0%	11.2	0.0%
EPS	4.8	3.9	22.0%	10.4	-54.2%
Adj. EPS	4.0	3.7	5.5%	8.5	-53.4%
Ratios			bps		bps
Operating profit margins (%)	12.8	15.6	-277	13.6	-81
Adj. NP margin (%)	6.2	8.1	-186	9.3	-307

Financials

Profitability (Rs. In Cr)					Financial Health (Rs. In Cr)				
	FY08A	FY09A	FY10A	FY11E		FY08A	FY09A	FY10A	FY11E
Y/E - March					Y / E - March				
Revenues - Net	135.8	192.7	290.4	377.5	Share Capital	11.2	11.2	11.2	11.2
% change	40.1%	41.8%	50.7%	30.0%	Pref Share/ Sh App	0.0	0.0	0.0	0.0
EBITDA	20.9	29.2	41.7	53.5	Reserves & Surplus	67.4	80.1	105.2	133.6
% change in EBITDA	54.5%	39.6%	42.8%	28.2%	Net Worth	78.7	91.4	116.5	144.8
Interest	2.7	5.3	4.9	6.2	Total Loans	32.2	39.0	41.3	46.4
EBDT	18.2	23.9	36.8	47.3	Deferred Tax Liabilities	1.7	1.7	1.7	1.7
Depreciation	3.3	6.2	8.6	10.6	Total Liabilities	112.5	132.1	159.4	192.9
Other Income	3.3	5.7	5.2	2.0	Net Fixed Assets	57.1	88.3	97.5	111.9
Extraordinary	-1.7	5.8	-0.9	0.0	Investments	0.0	0.0	0.0	0.0
PBT	19.4	16.1	33.4	38.7	Inventories	26.5	49.8	70.3	81.7
Tax	2.4	2.1	5.7	7.7	Sundry Debtors	32.8	40.9	67.6	83.7
PAT	17.1	14.0	27.7	31.0	Cash & Bank	25.9	2.3	4.3	6.8
Adj PAT	16.0	20.5	27.7	31.0	Loans & Advances	4.1	14.2	20.4	24.4
Shares o/s (No. in Cr.)	1.1	1.1	1.1	1.1	C A L&A	89.3	107.2	162.5	196.5
EPS	15.2	12.5	24.7	27.6	CL & P	33.9	63.4	100.7	115.6
Adj EPS	14.3	18.2	24.7	27.6	Working Capital	55.4	43.8	61.9	81.0
Cash EPS	18.1	18.0	32.3	37.0	Misc Exp	0.0	0.0	0.0	0.0
DPS (Rs.)	1.0	1.0	2.0	2.0	Total Assets	112.5	132.1	159.4	192.9
Quarterly (Rs. In Cr)					Cash Flow (Rs. In Cr)				
	Sep.09	Dec.09	Mar.10	June.10		FY08A	FY09A	FY10A	FY11E
Revenue	68.12	67.81	102.09	71.04	Operating				
EBITDA	9.33	10.98	13.90	9.09	Operating Income	20.9	29.2	41.7	53.5
Interest	1.04	1.05	1.24	1.16	Change in WC	-8.5	-12.0	-16.1	-16.6
EBDT	8.29	9.93	12.66	7.93	Other Adjustment	-0.1	-0.2	0.0	0.0
Dep	2.09	2.20	2.31	2.49	CF from Opeartion	12.3	17.0	25.6	36.9
Other Inc.	0.34	0.23	1.11	0.34	Investment				
Extraordinary	0.56	-0.41	2.63	1.20	Capex	-28.9	-37.2	-17.7	-25.0
PBT	7.10	7.55	14.09	6.98	Other Investment	0.0	0.0	0.0	0.0
Tax	1.46	1.28	2.36	1.61	Total Investment	-28.9	-37.2	-17.7	-25.0
PAT	5.64	6.27	11.73	5.37	Financing				
EPS (Rs.)	5.02	5.58	10.44	4.78	Dividend Paid	-1.3	-1.3	-2.6	-2.6
Operational Ratio									
	FY08A	FY09A	FY10A	FY11E					
EBITDA margin (%)	15.4%	15.2%	14.4%	14.2%	Share Capital	0.0	0.0	0.0	0.0
Adj.PAT margin (%)	11.8%	10.6%	9.5%	8.2%	Premium / Reserve	0.0	0.0	0.0	0.0
Adj.PAT Growth (%)	50.5%	27.6%	35.4%	11.8%	Borrowing	7.7	6.9	2.2	5.1
Price Earnings (x)	17.5	13.7	10.1	9.1	Other Income	4.5	-1.7	5.2	2.0
Book Value (Rs.)	70.0	81.3	103.6	128.9	Subsidy Rec	0.0	0.0	0.0	0.0
ROE (%)	22.7%	24.1%	26.7%	23.7%	Interest	-2.7	-5.3	-4.9	-6.2
ROCE (%)	21.9%	17.5%	26.3%	25.5%	Tax Paid	-2.4	-2.1	-5.7	-7.7
Debt Equity Ratio	0.4	0.4	0.4	0.3	Total Financing	5.8	-3.4	-5.8	-9.4
Price / Book Value (x)	3.6	3.1	2.4	1.9	Net Chg. in Cash	-10.8	-23.6	2.1	2.5
EV / Sales	2.3	1.7	1.1	0.9	Cash at beginning	36.7	25.9	2.3	4.3
EV / EBITDA	15.0	11.0	7.7	6.1	Cash at end	25.9	2.2	4.4	6.8

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