

Downgrade to hold from Accumulate

Q3FY13 Result Update

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Q3FY13 Operational Highlights

Revenue growth continues

Astral Poly Technik Ltd reported revenue growth of 28% YoY this quarter and 3% QoQ. Revenue was largely driven by higher volumes (production was up by 28% YoY to 12,491 MT).

Operating margin contracted by 80bps to 9.5%

Operating margin contracted by 80bps YoY to 9.5% owing to higher advertisement expenses of Rs 30 mn (related to movie Dabang), inventory write-down due to sharp fall in PVC prices and unable to pass through the cost of depreciating rupee.

Net profit margin increased by 220bps

Net profit margin increased by 220bps on account of 28% YoY increase in sales as well as gains of Rs 1.5mn from exceptional items towards forex borrowings. As of Q3FY13, mark to market losses on ECB's amounted to Rs 59mn which will be reported in P&L in Q4FY13 based on prevailing exchange rates.

Other updates

According to the management, the approval for production of Blazemaster is unlikely to come through during FY13. The construction work on the Hosur facility is expected to be completed by Q1FY14. On the realization front, the company is planning to take 2% hike from Feb 2013.

Valuation:

We expect Astral's revenue and PAT to grow at a CAGR of 30% and 45%, respectively, over FY12-FY14E on the back of expansion in capacities.

We are bullish on the long term prospects of Astral Polytechnic considering its top-line growth, various new products in pipeline, increased distribution reach and greater acceptance of company products.

Since we initiated a 'Buy' on the stock at Rs 187, in August, 2011, the stock has almost doubled. We believe that the stock's current valuation- 15.6x FY13E and 9.8x FY14E EPS factors in all positives. We downgrade our rating to Hold from Accumulate with a revised target price of Rs 367, valuing the company at 10x FY14E earnings.

Rating	Hold
Target Price	Rs 367
CMP	Rs 361
Upside	1.7%
Sensex	20022

Key Data	
Bloomberg Code	ASTRA IN
Reuters Code	ASPT.BO
NSE Code	ASTRAL
Current Share o/s (mn)	22.5
Diluted Share o/s (mn)	22.5
Mkt Cap (Rs bn/\$mn)	8.2/153.1
52 WK H/L (Rs)	423.7/150.3
Daily Vol. (3M NSE Avg)	13391
Face Value (Rs)	5
Beta	0.6
1 USD/Rs	53.6

Shareholding Pattern	(%)
Promoters	63.8
FII	8.3
Others	27.9

Price Performance (%)	1M		
	6M	1yr	
ASTRAL	1.8	8.2	135.4
NIFTY	2.6	8.2	19.1

Source: Bloomberg; *As on 29th Jan, 2013

Financials

Rs mn

Income Statement	Q3FY13	Q2FY13	QoQ (%)	Q3FY12	YoY(%)	9mthsFY13	9mthsFY12	Change(%)
Net Sales	2064.3	2009.6	3%	1608.0	28%	5600.0	3972.8	41%
Other Operating Income	0.4	0.2	62%	4.7	-92%	1.1	11.9	-91%
Total Income	2064.7	2009.8	3%	1612.7	28%	5601.0	3984.7	41%
Expenditure:								
(Inc)/dec in stock in trade	69.6	151.1	-54%	57.9	20%	-52.2	-112.0	-53%
Cost of RM	1400.2	1204.7	16%	1104.6	27%	3808.3	2921.6	30%
Purchase of traded goods	89.5	95.0	-6%	38.9	130%	295.3	90.7	226%
Employee's Cost	50.8	44.1	15%	36.9	38%	142.2	106.2	34%
Other Expenses	258.2	275.8	-6%	207.4	24%	773.8	517.9	49%
Expenditure	1868.3	1770.7	6%	1445.8	29%	4967.4	3524.5	41%
EBIDTA	196.4	239.1	-18%	166.9	18%	633.7	460.2	38%
<i>EBIDTA Margin (%)</i>	<i>10%</i>	<i>12%</i>		<i>10%</i>		<i>11%</i>	<i>12%</i>	
Depreciation	45.2	44.5	2%	34.2	32%	132.7	96.8	37%
EBIT	151.1	194.6	111%	132.7	14%	501.0	363.5	111%
Interest Exp	16.6	17.2	-4%	20.0	-17%	55.0	42.3	30%
Other Income	4.4	3.4	30%	4.6	-3%	15.1	9.3	63%
Exceptional Item	1.5	-53.8		-58.0		-74.4	-72.2	
PBT	140.5	126.9	11%	59.3	137%	386.7	258.2	50%
Tax	34.4	25.4	35%	11.9	190%	83.7	53.5	56%
PAT	106.1	101.5	4%	47.4	124%	303.1	204.7	48%
<i>PAT Margin (%)</i>	<i>5%</i>	<i>5%</i>		<i>3%</i>		<i>5%</i>	<i>5%</i>	

Financials

Income Statement		(Rs mn)			
Y/E March	FY11	FY12	FY13E	FY14E	
Net Revenues	4112.5	5826.9	7604.3	9918.1	
Growth %	41.3%	41.7%	30.5%	30.4%	
Total operating expenses	3559.5	4999.9	6600.1	8609.4	
Core EBITDA	553.0	827.1	1004.2	1308.7	
Growth %	29.2%	49.6%	21.4%	30.3%	
Other Income	12.9	38.1	30.0	40.0	
EBITDA	565.9	865.2	1034.2	1348.7	
Depreciation	107.6	137.9	189.5	229.5	
EBIT	458.4	727.3	844.7	1119.2	
Interest Exp	46.9	72.5	94.1	87.2	
Exceptional items	2.4	-155.1	-100.0	0.0	
EBT	413.9	499.7	650.6	1032.0	
Tax	85.5	91.5	130.1	206.4	
Net Earnings	328.4	408.3	520.5	825.6	
Growth %	17.2%	24.3%	27.5%	58.6%	

Balance Sheet		(Rs mn)			
Y/E March	FY11	FY12	FY13E	FY14E	
Cash and Equi.	102.3	355.1	491.9	572.3	
Receivables	779.3	1031.6	1041.7	1358.6	
Inventories	869.3	1270.6	1458.4	1902.1	
Loans and Advances	336.7	376.5	456.3	595.1	
Investments	0.0	0.0	0.0	0.0	
Net Fixed Assets	1212.7	1770.0	2080.5	2351.0	
Application of Funds	3300.2	4803.7	5528.7	6779.1	
Current Liabilities	1432.5	2217.1	2500.0	3124.9	
Provisions	31.8	47.9	23.9	61.9	
Deffered Tax Liabilities	16.2	14.6	14.6	14.6	
Loan Funds	343.2	683.7	647.8	447.8	
Reserves and Surplus	1364.0	1728.3	2230.0	3017.6	
Equity Capital	112.4	112.4	112.4	112.4	
Sources of Funds	3300.2	4803.7	5528.7	6779.1	

Cash Flow Statement		(Rs mn)			
Y/E March	FY11	FY12	FY13E	FY14E	
PAT	328.4	395.0	520.5	825.6	
Depreciation	107.6	137.9	189.5	229.5	
Changes in WC	54.9	107.2	(18.7)	(236.8)	
Cashflow from Operations	490.9	640.1	691.2	818.3	
Capital Expenditure	(336.7)	(695.6)	(499.7)	(500.0)	
Investments	-	0.0	-	-	
Misc. items	-	-	-	-	
Cashflow from Investments	(336.7)	(695.6)	(499.7)	(500.0)	
Cashflow from Financing	(94.8)	308.2	(54.7)	(237.9)	
Net Change in Cash	59.5	252.7	136.8	80.4	

Financial Ratios		FY11	FY12	FY13E	FY14E
Y/E March					
Profitability					
Core EBITDA margins		13.4	14.2	13.2	13.2
Net Profit Margins		7.9	6.8	6.8	8.3
Return					
ROE		21.9	21.4	22.2	26.4
ROCE		25.2	28.8	28.2	31.3
Liquidity and Gearing					
Cash Conversion Cycle (days)		44.6	37.1	40.0	40.0
Current Ratio		1.5	1.4	1.4	1.4
Debt/Equity		0.2	0.4	0.3	0.1
Interest Cover		9.8	10.0	9.0	12.8
Per Share					
FD-EPS		14.4	17.6	23.2	36.7
Operating Cashflow PS		21.8	28.5	30.8	36.4
BVPS		65.7	81.9	104.2	139.3
Valuation					
Price/Earning		25.1	20.6	15.6	9.8
Price/BV		5.5	4.4	3.5	2.6

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Buy: Upside by >15, **Accumulate:** Upside by +5 to 15, **Hold:** Upside/Downside by -5 to +5, **Reduce:** Downside by 5 to 15, **Sell:** Downside by >15

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