

Astral Poly Technik (ASTPOL)

₹ 1030

Step forward towards infrastructure segment

Astral poly Technik Ltd (APTL) has acquired 100% stake for ₹ 147.5 crore (51% will be paid in Cash and 49% will be by exchange of APTL shares) in Rex Polyextrusion Pvt Ltd ("Rex"), an India based corrugated and other plastic pipe manufacture. Incorporated in 2006, Rex products range includes DWC Pipe (double wall corrugated), PVC suction and discharge Hoses, Single wall corrugated pipes suitable for underground sewerage drainage applications. The company has manufacturing plant located in Maharashtra and Uttarakhand. The acquisition of Rex would make a smooth entrance for APTL (currently into B2C business) into Infrastructure & other related piping business which has an enormous growth opportunity in Indian building material & infrastructure segments. We believe, Rex would leverage the strong dealer network of APTL (Retail-30,000 Plus dealers & Project Business- 750 plus distributors) to strengthen its Pan India presence. Rex has recorded sales CAGR of ~25% during FY16-18 with FY18 EBITDA margin of ~16%. With the EV of ~ ₹ 190 crore (considering the debt of ~₹ 43 crore), APTL has acquired Rex at 1.1x EV/sales and 7x EV/EBITDA for FY18. We believe, this acquisition will be EPS accretive from current year itself.

Aggressive capacity addition to drive piping, adhesive revenue

Astral Poly Technik (APTL) has expanded its pipe manufacturing capacity by ~3x in FY09-16 mainly to serve rising demand for plastic piping/plumbing products from housing and agriculture. The plants at Gujarat and Tamil Nadu are strategically located near its selling markets. Looking at the upcoming demand, APTL plans to increase its piping capacity to 1.9 lakh tonnes by FY19E (post acquisition of Rex). This would lead to strong piping revenue CAGR of 20% (led by volume growth) in FY18-20E while doubling the capacity of the adhesive segment would lead to strong segment revenue CAGR of 21% in FY18-20E. We believe strong volume growth of the piping segment would be largely on account of continuous demand from various government schemes and replacement demand (share of metal piping in the housing segment to reduce gradually).

Acquisition to help in long term growth

Acquisition of Rex is the fourth acquisition of APTL in the last four years (3 acquisitions were in adhesive segment) and its first acquisition in the piping product category. Rex has increased its pipe manufacturing capacity by ~68% YoY during FY18 with the investment of ₹ 26 crore. The acquisition of 'Rex' will bring notable 33 acres of land bank in Sangli (Maharashtra) and a readymade capacity of ~26900 MT (~17% of APTL total capacity) in the Sitarganj (Uttarakhand) and Sangli. APTL has target to use land bank for organic growth in Sangli and strengthen 'Astral' presence in Western and Central regions of India. Further, DWC pipe (for sewerage & drainage systems) and piping system for underground communication segments contributes major part in topline of Rex. We believe the future growths of these segments are directly linked with expenditure from government & major telecom players in the long run. We believe, the acquisition of Rex would be value accretive in the long run with the increase in capacity utilisation (~45% capacity utilisation in FY18) and control over working capacity (in standard with APTL). Considering the EPS accretive acquisition of Rex, we have increased our revenue, earning estimates by ~6%, ~4% for FY19E and ~8%, ~6% for FY20E respectively. We revise our target price from ₹ 885 to ₹ 935 with **Hold** rating.

Rating matrix		
Rating	:	Hold
Target	:	₹ 935
Target Period	:	12 months
Potential Upside	:	-9%

What's changed?	
Target	Changed from ₹ 885 to ₹ 935
EPS FY19E	Changed from ₹ 19 to ₹ 19.7
EPS FY20E	Changed from ₹ 24.1 to ₹ 25.4
Rating	Unchanged

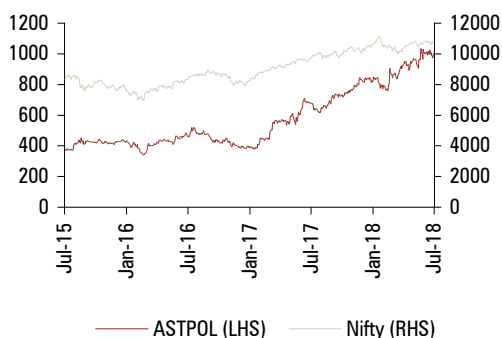
Key financials				
₹ Crore	FY17	FY18E	FY19E	FY20E
Net Sales	1,895	2,106	2,677	3,150
EBITDA	263.8	316.8	417.2	518.6
Net Profit	144.6	175.7	236.1	304.6
EPS (₹)	12.1	14.7	19.7	25.4

Valuation summary				
	FY17	FY18E	FY19E	FY20E
P/E	85.3	70.2	52.2	40.5
Target P/E	77.4	63.7	47.4	36.8
EV / EBITDA	47.3	39.2	29.9	23.9
P/BV	14.6	12.1	9.4	7.7
RoNW (%)	17.2	17.2	17.9	19.0
RoCE (%)	21.3	22.9	23.9	25.5

Stock data	
Particular	Amount
Market Capitalization (₹ Crore)	12,334.3
Total Debt (FY18) (₹ Crore)	123.0
Cash & Invest. (FY18) (₹ Crore)	43.7
EV (₹ Crore)	12,413.5
52 week H/L	1065/ 606
Equity capital (₹ Crore)	12.0
Face value (₹)	1.0

Price performance				
	1M	3M	6M	12M
Supreme Ind	-4.2	0.2	-7.9	-0.3
Finolex Ind	-13.0	-17.3	-18.3	-12.3
Astral Poly	3.2	11.6	22.1	52.6

Price Chart



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Change in estimates

(₹ Crore)	FY19E			FY20E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	2,515.4	2677.4	6.4	2,917.8	3150.4	8.0	We slightly tweak our estimates considering the recent acquisition of Rex. We model revenue CAGR of ~23% and ~21% for piping and adhesive segment for FY18-20E, respectively, which would drive overall sales growth at a CAGR of ~21% in FY18-20E.
EBITDA	392.6	417.2	6.3	479.8	518.6	8.1	
EBITDA Margin %	15.6	15.6	-2bps	16.4	16.5	6bps	Margin to remain at elevated level (of ~16%) supported by higher utilisation of newly commenced plants and backward integration of raw material
PAT	228.0	236.1	3.5	288.7	304.6	5.5	
EPS (₹)	19.0	19.7	3.5	24.1	25.4	5.5	

Source: Company, ICICI Direct Research

Financial summary

Profit and loss statement ₹ Crore				
Year end March	FY17	FY18E	FY19E	FY20E
Net Sales	1894.7	2106.0	2677.4	3150.4
YoY (%)		11.2	27.1	17.7
Other income	9.1	12.7	15.1	21.0
Total Revenue	1903.8	2118.7	2692.5	3171.4
Expenditure				
Cons of raw material	1263.2	1338.0	1700.3	1975.5
Pur. of traded goods	40.3	45.4	63.6	72.7
Employee cost	88.7	106.5	134.8	158.4
Other expenses	238.7	299.4	361.4	425.3
Total expenses	1630.9	1789.2	2260.2	2631.8
EBITDA	263.8	316.8	417.2	518.6
YoY (%)		20.1	31.7	24.3
Interest	18.4	21.6	19.5	17.6
PBDT	254.5	307.9	412.8	522.0
Depreciation	50.2	57.1	75.0	88.2
Profit before tax	204.3	250.8	337.8	433.8
Total Tax	56.2	72.5	99.1	126.5
PAT before MI	147.2	178.3	238.8	307.3
Exc. Items	-2.6	-2.7	-2.7	-2.7
PAT	144.6	175.7	236.1	304.6
YoY (%)		21.5	34.4	29.0

Source: Company, ICICI Direct Research

Cash flow statement ₹ Crore				
Year end March	FY17	FY18E	FY19E	FY20E
Profit/(Loss) after taxation	144.6	175.7	236.1	304.6
Add: Depreciation & Amortization	50.2	57.1	75.0	88.2
Add: Interest Paid	18.4	21.6	19.5	17.6
C/F bef working capital chg.	213.2	254.4	330.5	410.4
Net Increase in Current Assets	-85.8	-45.7	-332.2	-294.5
Net Increase in Current Liabilities	-14.3	73.5	33.5	60.5
Net CF from operating act	113.1	282.2	31.8	176.5
(Inc)/Dec in Goodwill on Cons	-18.4	-2.6	0.0	0.0
(Purchase)/Sale of Fixed Assets	-138.0	-203.9	-120.0	-100.0
Others	2.5	7.8	1.0	1.0
Net Cf from Investing Act	-152.0	-191.4	-119.0	-99.0
Pro/(Rept) of/from Loan	31.8	-39.4	10.0	-15.0
(Payment) of Div & Div Tax	-4.3	-5.1	-5.8	-14.4
Others	-20.1	-20.7	47.9	-17.6
Net Cf from Financing Act	7.3	-65.2	52.1	-47.1
Net Cash flow	-31.7	25.6	-35.1	30.4
Cash and Cash Equi at the beg	49.8	18.1	43.7	8.6
Cash and Cash Equi at the end	18.1	43.7	8.6	39.1

Source: Company, ICICI Direct Research

Balance sheet ₹ Crore				
Year end March	FY17	FY18E	FY19E	FY20E
Equity Capital	12.0	12.0	12.0	12.0
Reserve and Surplus	834.9	1006.3	1304.0	1594.2
Total Shareholders funds	846.8	1018.3	1316.0	1606.2
Total Debt	162.4	123.0	133.0	118.0
Other Non Current Liabilities	77.5	93.1	95.1	97.1
Total Liability	1048.0	1187.9	1496.6	1772.7
Fixed Assets				
Gross Block	738.8	894.6	1014.6	1114.6
Accumulated Depreciation	229.7	286.8	361.8	450.0
Net Block	509.1	607.8	652.8	664.6
Capital WIP	25.0	73.1	73.1	73.1
Total Fixed Assets	534.1	680.9	725.9	737.7
Goodwill on Consolidation	232.2	234.7	234.7	234.7
Sub Total	232.2	234.7	234.7	234.7
Current Assets				
Inventory	272.1	357.2	425.4	561.0
Debtors	338.5	306.7	542.8	690.5
Loans and Advances	0.3	0.3	2.4	2.8
Other Current Assets	42.7	35.1	60.9	71.6
Cash	18.1	43.7	8.6	39.1
Total Current Assets	671.7	743.0	1040.2	1365.1
Current Liabilities				
Creditors	287.1	349.1	410.8	483.4
Provisions	2.1	3.4	2.9	3.4
Other current liabilities	124.7	134.9	107.1	94.5
Total Current Liabilities	413.8	487.3	520.8	581.3
Net Current Assets	257.9	255.7	519.4	783.7
Deferred Tax Assets	0.2	0.1	0.1	0.1
Total Asset	1048.0	1187.9	1496.6	1772.7

Source: Company, ICICI Direct Research

Key ratios				
Year end March	FY17	FY18E	FY19E	FY20E
Per share Data				
EPS	12.1	14.7	19.7	25.4
Cash EPS	16.3	19.4	26.0	32.8
Dividend per share	0.4	0.4	0.5	1.2
BV per share	70.7	85.0	109.9	134.1
Profitability Ratio				
EBITDA margin	13.9	15.0	15.6	16.5
PAT margin	7.7	8.3	8.8	9.7
Return Ratios				
RoCE	21.3	22.9	23.9	25.5
RoNW	17.2	17.2	17.9	19.0
RoIC	24.5	27.2	26.9	28.6
Valuation Ratios				
P/E	85.3	70.2	52.2	40.5
EV / EBITDA	47.3	39.2	29.9	23.9
Market Cap / Sales	6.5	5.9	4.6	3.9
Price to Book Value	14.6	12.1	9.4	7.7
Activity Ratios				
Inventory Days	52.4	61.9	58.0	65.0
Debtor Days	65.2	53.2	74.0	80.0
Creditor Days	55.3	60.5	56.0	56.0
Gross Block Turnover	2.6	2.4	2.6	2.8
Solvency Ratio				
Debt / Equity	0.2	0.1	0.1	0.1
Debt / EBITDA	0.6	0.4	0.3	0.2
Current Ratio	2.3	2.0	2.5	2.7
Quick Ratio	1.3	1.0	1.5	1.6

Source: Company, ICICI Direct Research

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