

Rating matrix		
Rating	:	Buy
Target	:	₹ 1250
Target Period	:	12 months
Potential Upside	:	16%

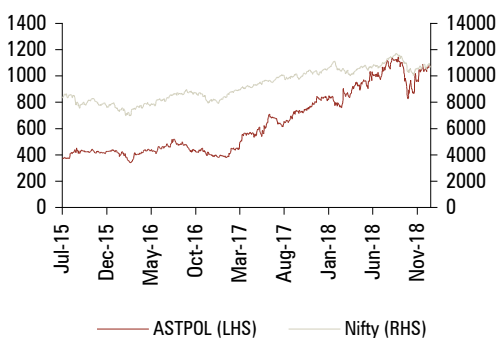
What's changed?	
Target	Changed from ₹ 1125 to ₹ 1250
EPS FY19E	Unchanged
EPS FY20E	Changed from ₹ 26.4 to ₹ 23.1
EPS FY21E	Introduced at ₹ 29.1
Rating	Changed from Hold to Buy

Key financials				
₹ Crore	FY18	FY19E	FY20E	FY21E
Net Sales	2,106	2,596	3,296	3,926
EBITDA	316.8	402.7	512.7	622.2
Net Profit	175.7	212.4	276.3	348.4
EPS (₹)	14.7	17.7	23.1	29.1

Valuation Summary				
	FY17	FY18	FY20E	FY21E
P/E	73.3	60.6	46.6	36.9
Target P/E	85.2	70.4	54.2	43.0
EV / EBITDA	40.9	32.2	25.3	20.7
P/BV	12.6	9.9	8.3	6.8
RoNW (%)	17.2	16.4	17.7	18.5
RoCE (%)	22.9	23.4	25.1	26.4

Stock Data	
Particular	Amount
Market Capitalization (₹ Crore)	12,525.9
Total Debt (FY18) (₹ Crore)	123.0
Cash & Invest. (FY18) (₹ Crore)	43.7
EV (₹ Crore)	12,605.1
52 week H/L	1189/ 731
Equity capital (₹ Crore)	12.0
Face value (₹)	1.0

Price performance



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Astral Poly Technik (ASTPOL)

₹ 1075

Strong play in piping segment...

Astral Poly came out with a strong set of numbers in H1FY19 wherein revenue, PAT increased 20%, 30% YoY, respectively, led by impressive growth in the adhesive segment (revenue up 25% YoY). The piping segment revenue growth at ~12% YoY was lower-than-expected mainly due to trucker's strike, floods in Kerala and fall in PVC prices, which led to sales deferral by dealers. Despite this, EBITDA margins increased ~200 bps YoY to 15.6% due to price hike (mainly in the adhesive segment), change in product mix and backward integration (mainly in the piping segment). We believe the recent correction in PVC prices (down ~10% QoQ) would be limited to the company's PVC piping portfolio (~30% of the total topline). However, Astral would benefit from softening raw material prices (crude derivatives) in the adhesive segment where it has taken a price hike to the extent of 2-10% in H1FY19. We introduce our FY21E estimates with revenue, earning CAGR of ~23%, 26%, respectively, in FY18-21E. We model piping and adhesive segment revenue CAGR of ~23% and ~22%, respectively, in FY18-21E.

Strong revenue growth led by acquisition and capacity addition

We model volume growth of ~20% in the piping segment for FY18-21E led by pent up demand coming from both housing and infrastructure segment. We believe the recent acquisition of Rex (industrial pipes) coupled with organic expansion would lead to increase in pipe manufacturing capacity by ~45% in FY19E to 1.9 lakh tonnes (including capacity of Rex). APTL will use land bank of Rex for organic growth and strengthen Astral's presence in western and central regions of India. Further, DWC pipe (for sewerage & drainage systems) and piping system for underground communication segments contribute a major part in topline of Rex. We believe the future growth of these segments is directly linked to expenditure from government & major telecom players in the long run. On the other hand, adhesive segment, which contributes ~30% to the topline, may record revenue CAGR of 22% in FY18-21E supported by capacity addition and expansion in new geographies.

Stabilisation of new units, softening raw material prices to drive margin

We model a gradual improvement in the EBITDA margin (by ~100 bps YoY) in FY18-21E led by a gradual increase in utilisation level of new units coupled with efficient inventory management (saving freight cost by consolidating warehouses). Also, a gradual improvement in profitability of adhesive and sealant segment due to a better product mix (launch of new products like silicon tape in the domestic market that has ~40% of EBITDA margin), rising proportion of retail segments, continuous addition to dealer network would help drive the profitability of the business.

Strong balance sheet, earnings visibility to support valuation

We introduce our FY21E estimates with revenue, earning CAGR of 23%, 26%, respectively, in FY18-21E. We reckon that a revival of the plastic piping industry is on the cards with government push on housing and infrastructure sector, implementation of GST and continued replacement demand from tier II, tier III cities. In addition to this, strong balance sheet of the company (with D/E at 0.1x and RoE, RoCE at ~23%, ~17%, respectively,) coupled with strong free cash flow generation in FY20E-21E (as no major capex announced by the company for FY20-21E) would justify the premium valuation. We roll over our valuation on FY21E and upgrade our rating from HOLD to **BUY** with a revised target price of ₹ 1250/share.

Financial summary

Profit and loss statement					₹ Crore
Year end March	FY18	FY19E	FY20E	FY21E	
Net Sales	2106.0	2596.0	3295.8	3926.1	
YoY (%)		23.3	27.0	19.1	
Other income	12.7	15.1	21.0	22.5	
Total Revenue	2118.7	2611.1	3316.8	3948.6	
Expenditure					
Cons of raw material	1338.0	1661.0	2104.0	2505.2	
Pur. of traded goods	45.4	32.3	39.5	51.9	
Employee cost	106.5	147.0	181.8	216.8	
Other expenses	299.4	353.1	457.8	530.0	
Total expenses	1789.2	2193.3	2783.1	3304.0	
EBITDA	316.8	402.7	512.7	622.2	
YoY (%)		27.1	27.3	21.4	
Interest	21.6	38.9	41.5	29.5	
PBDT	307.9	378.9	492.2	615.1	
Depreciation	57.1	72.7	92.3	113.9	
Profit before tax	250.8	306.2	399.9	501.3	
Total Tax	72.5	91.1	121.0	150.2	
PAT before MI	178.3	215.1	278.9	351.1	
Exc. Items	-2.7	-2.7	-2.7	-2.7	
PAT	175.7	212.4	276.3	348.4	

Source: Company, ICICI Direct Research

Cash flow statement					₹ Crore
Year end March	FY18	FY19E	FY20E	FY21E	
Profit/(Loss) after taxation	175.7	212.4	276.3	348.4	
Add: Depreciation & Amortization	57.1	72.7	92.3	113.9	
Add: Interest Paid	21.6	38.9	41.5	29.5	
C/F bef working capital chg.	254.4	324.1	410.0	491.8	
Net Increase in Current Assets	-45.7	-272.5	-298.1	-251.7	
Net Increase in Current Liabilities	73.5	-11.0	77.3	24.2	
Net CF from operating act	282.2	40.6	189.2	264.3	
(Inc)/Dec in Goodwill on Cons	-2.6	0.0	-50.0	-50.0	
(Purchase)/Sale of Fixed Assets	-203.9	-80.0	-100.0	-80.0	
Others	7.8	1.0	1.0	1.0	
Net Cf from Investing Act	-191.4	-79.0	-149.0	-129.0	
Pro/(Rept) of/from Loan	-39.4	10.0	20.0	-70.0	
(Payment) of Div & Div Tax	-5.1	-2.9	-14.4	-26.0	
Others	-20.7	28.5	-41.5	-29.5	
Net Cf from Financing Act	-65.2	35.6	-35.9	-125.5	
Net Cash flow	25.6	-2.8	4.3	9.8	
Cash and Cash Equi at the beg	18.1	43.7	40.9	45.2	
Cash and Cash Equi at the end	43.7	40.9	45.2	55.0	

Source: Company, ICICI Direct Research

Balance sheet					₹ Crore
Year end March	FY18	FY19E	FY20E	FY21E	
Equity Capital	12.0	12.0	12.0	12.0	
Reserve and Surplus	1006.3	1283.3	1545.1	1867.6	
Total Shareholders funds	1018.3	1295.3	1557.1	1879.5	
Total Debt	123.0	133.0	153.0	83.0	
Other Non Current Liabilities	93.1	95.1	97.1	99.1	
Total Liability	1187.9	1475.8	1758.7	2012.1	
Fixed Assets					
Gross Block	894.6	974.6	1074.6	1154.6	
Accumulated Depreciation	286.8	359.5	451.8	565.7	
Net Block	607.8	615.1	622.8	588.9	
Capital WIP	73.1	73.1	73.1	73.1	
Total Fixed Assets	680.9	688.2	695.9	662.1	
Goodwill on Consolidation	234.7	234.7	284.7	334.7	
Current Assets					
Inventory	357.2	412.5	559.8	666.9	
Debtors	306.7	497.9	632.1	753.0	
Loans and Advances	0.3	2.3	3.0	3.5	
Other Current Assets	35.1	59.0	74.9	98.2	
Cash	43.7	40.9	45.2	55.0	
Total Current Assets	743.0	1012.7	1315.0	1576.6	
Current Liabilities					
Creditors	349.1	369.8	451.5	484.0	
Provisions	3.4	2.6	3.2	3.5	
Other current liabilities	134.9	103.8	98.9	90.3	
Total Current Liabilities	487.3	476.3	553.6	577.8	
Net Current Assets	255.7	536.3	761.5	998.8	
Deferred Tax Assets	0.1	0.1	0.1	0.1	
Total Asset	1187.9	1475.8	1758.7	2012.1	

Source: Company, ICICI Direct Research

Key ratios				
Year end March	FY18	FY19E	FY20E	FY21E
Per share Data				
EPS	14.7	17.7	23.1	29.1
Cash EPS	19.4	23.8	30.8	38.6
Dividend per share	0.4	0.2	1.2	2.2
BV per share	85.0	108.2	130.0	157.0
Profitability Ratio				
EBITDA margin	15.0	15.5	15.6	15.8
PAT margin	8.3	8.2	8.4	8.9
Return Ratios				
RoCE	22.9	23.4	25.1	26.4
RoNW	17.2	16.4	17.7	18.5
RoIC	27.2	27.2	29.2	31.3
Valuation Ratios				
P/E	71.3	59.0	45.3	35.9
EV / EBITDA	39.8	31.3	24.6	20.2
Market Cap / Sales	5.9	4.8	3.8	3.2
Price to Book Value	12.3	9.7	8.0	6.7
Activity Ratios				
Inventory Days	61.9	58.0	62.0	62.0
Debtor Days	53.2	70.0	70.0	70.0
Creditor Days	60.5	52.0	50.0	45.0
Gross Block Turnover	2.4	2.7	3.1	3.4
Solvency Ratio				
Debt / Equity	0.1	0.1	0.1	0.0
Debt / EBITDA	0.4	0.3	0.3	0.1
Current Ratio	2.0	2.6	2.8	3.1
Quick Ratio	1.0	1.5	1.6	1.8

Source: Company, ICICI Direct Research

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Strong Buy: > 15%/20% for large caps/midcaps, respectively, with high conviction;

Buy: > 10%/15% for large caps/midcaps, respectively;

Hold: Up to +/-10%;

Sell: -10% or more;



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