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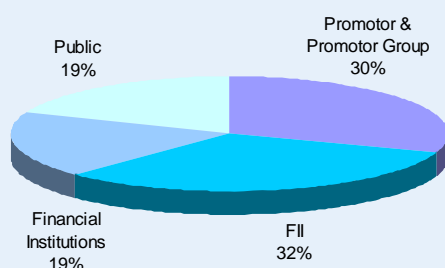
Price: Rs.222
12M Target Price: Rs.289
% Upside / (Downside) 30%

Stock details

Bloomberg Code	BVML.IN
Reuters Code	SNTX.BO
Nse Code	SINTEX
BSE Code	502742
Market Cap (Rs.bn)	30.1
Free Float	69.9
52-wk Hi/Lo (Rs)	270.9/70.3
Avg Daily Vol (BSE)	78813
Avg Daily Vol (NSE)	111088
Shares o/s (mn) FV Rs.2	136.1

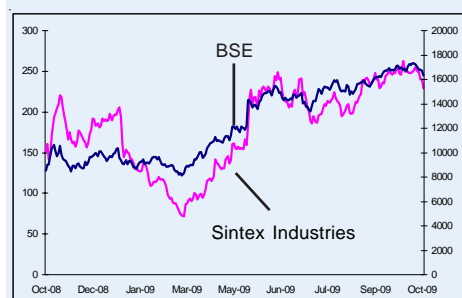
Source: Reliance Money Research

Shareholding pattern (30th Sept 2009)



Source: Reliance Money Research

Stock Performance (Rel to sensx)



Source: Capitaline

Sintex Industries Ltd.

BUY

Still going through a rough patch

During Q2FY10, Sintex Industries Ltd (SINTEX) reported a marginal decline in the consolidated revenues by 2.5% y-o-y to Rs.7154mn (slightly below our expectations), largely attributable to the falling polymer prices and most of which had been passed on to the customers. Better performances from Zeppelin (which grew by 136% y-o-y and 33% q-o-q) and Bright Autoplast (showed a growth of 35% y-o-y and 17% q-o-q) boosted the topline. However, slower execution of projects, both in the building material and custom molding segment has dented the show this quarter. However, Sintex remains upbeat in maintaining the growth momentum in the domestic plastics segment supported by strong order book position (at Rs.14bn) in the monolithic segment.

On the operating margin front, the company observed a stable margin at 18.2% y-o-y backed by better operating margins from the Prefabs(24%) & Monolithic(26%) segments. But, as a result of the global demand slowdown and the subdued margin performance from its standalone business have dented the overall performance of the company. In addition, the textiles segment saw a blip owing to under utilization of the addition capacity, which led to a fall of about 14% y-o-y and the margins slipped to just 4% as against 16% in the same period last year.

Moreover, the company had to take a one-off hit of about Rs.67.7mn, on account of the technical fees incurred for the underground tank project which has been inhibited. Alongside, a slag in the BT shelters segment and the US subsidiary facing execution hiccups in the Wind energy segment saw the other income dropping significantly by 78%. Hence, the resulting net profits fell by 31% yoy to Rs.572mn. However, the management is confident in delivering better performances from its subsidiaries going ahead.

Management maintains a cautiously optimistic outlook

The management has given a rather slender top line guidance of 10% and PAT growing by 15% for FY10E. Moreover, taking into account the likely write-off of US \$10mn that it had paid as advance for the Geiger acquisition (since it believes that chances of acquiring the company seems distant) and the cautious tone of the management in the BT shelters segment and its overseas subsidiaries performance, we have marginally revised down our revenue estimates by 2% and 4% for FY10E and FY11E respectively. Also, our EPS estimates stand at Rs.22.3 and Rs.26.3 for FY10E and FY11E respectively.

Financials Summary

Rs. Mn

Year to March	FY08	FY09	FY10E	FY11E
Total Revenue	22978.2	31355.8	33900.9	37335.8
Growth %	97.2	36.5	8.1	10.1
EBITDA	4063.0	5217.1	5763.2	6459.1
EBITDA margin %	17.7	16.6	17.0	17.3
Net Profit	2321.9	3273.6	3711.5	4305.7
EPS (Rs)	12.7	20.0	22.3	26.3
EV/EBITDA	8.1	6.9	6.7	5.5
ROE %	15.0	19.1	19.2	16.3
ROCE %	10.2	11.7	12.6	13.5
P/E (x) at CMP	14.5	9.3	10.0	8.4
P/E (x) at Target Price	18.9	12.0	12.9	10.9

Source: Company / Reliance Money Research

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Q2FY10 Performance (Consolidated)

Rs Mn

	Q2FY10	Q2FY09	Change (%)	H1FY10	H1FY09	Change (%)
Net Sales	7112.3	7198.4	(1.2)	13629.3	14346.5	(5.0)
Other Operating Income	41.6	141.5	(70.6)	148.7	279.7	(46.8)
Total Revenue	7154.0	7339.9	(2.5)	13777.9	14626.2	(5.8)
Material Cost	3502.3	3508.9	(0.2)	6,674.3	7,241.5	(7.8)
Staff Cost	947.0	921.3	2.8	2014.1	1874.1	7.5
Other Expenditure	1399.3	1569.3	(10.8)	2910.4	3247.0	(10.4)
Total Expenditure	5,848.7	5,999.4	(2.5)	11,598.7	12,362.6	(6.2)
Operating Profits	1,305.3	1,340.5	(2.6)	2,179.2	2,263.6	(3.7)
OPM (%)	18.2	18.3	(1.8)	15.8	15.5	34.0
Other Income	48.4	220.7	(78.1)	407.2	463.0	(12.1)
Interest	157.0	186.9	(16.0)	298.7	362.1	(17.5)
Depreciation	371.9	314.2	18.4	738.1	617.9	19.4
PBT before EO	824.7	1060.2	(22.2)	1549.6	1746.6	(11.3)
Exceptional Items	(67.7)	-		(67.7)	-	
PBT	757.1	1060.2	(28.6)	1482.0	1746.6	(15.2)
Tax Expenses	174.4	221.8	(21.4)	288.3	340.9	(15.4)
Tax Incidence	23.0	20.9		19.5	19.5	
PAT before minority interest	582.6	838.3	(30.5)	1193.7	1,405.7	(15.1)
Minority Interest	10.4	0.5	1,840.1	15.5	3.1	399.2
PAT after minority interest	572.3	837.8	(31.7)	1178.2	1,402.6	(16.0)
NPM (%)	8.0	11.4	(341.5)	8.6	9.6	
Equity Capital	271.0	271.0		271.0	271.0	
EPS (Rs)	4.2	6.2	(31.7)	8.7	10.4	(16.0)

Source: Company

Segmental Revenue Break Up

Rs Mn

Category	Q2FY10	Q2FY09	Change (%)	H1FY10	H1FY09	Change (%)
Textile	761.8	886.8	(14.1)	1521.1	1716.1	(11.4)
Plastics	6392.1	6453.1	(0.9)	12256.9	12910.1	(5.1)
Un allocated	48.4	220.7	(78.1)	407.2	463.0	(12.1)
Total Revenue	7202.3	7560.7	(4.7)	14185.2	15089.2	(6.0)

Source: Company

Consolidated Net Sales breakup

Category	Q2FY10	Q2FY09	Change (%)	H1FY10	H1FY09	Change (%)
Sintex Industries (Rs.mn)	4137.0	4389.0	(5.7)	7678.0	8496.5	(9.6)
Zeppelin Mobile (Rs.mn)	380.0	160.9	136.2	667.0	298.9	123.2
Wausaukee Composites (US \$Mn)	8.0	12.0	(33.6)	15.0	15.8	(5.3)
Bright Brothers (Rs.mn)	439.0	324.4	35.3	816.0	646.0	26.3
Nief Plastics (Euro mn)	26.0	27.6	(5.8)	55.0	55.1	(0.2)

Source: Company

Going ahead, we expect Sintex's prime focus would be on the building materials segment anticipating better order inflows from national development programs like JNNURM, Bharat Nirman etc. With government's push for mass housing and better infrastructure would be the key for Sintex's domestic business. Also, as indicated by the management, we believe improving OEM demand in US and Europe could see better performances from Nief. On the margin front, it expects to maintain margin around 17% resulting from lower material prices.

Maintain BUY with the target price Rs.289

We re-iterate our positive view on Sintex, with the smooth order inflow expected from the government in the mass housing segment and a strong order book position (at Rs.14bn) would enable the company to sustain its growth momentum. Moreover, we believe revival in the overseas subsidiary performances would add sheen to its business going forward. Along with strong financials in place (cash in hand of about Rs12bn) and its well diversified capabilities to capitalize on emerging opportunities, we remain optimistic on Sintex. At CMP 222, the stock is valued at 8x FY11EPS and 5.5x FY11EV/EBITDA. Thus, we revise our rating from Hold to Buy on Sintex with a target price of Rs.289 (11x FY11 EPS).

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We revise our rating from Hold to Buy on Sintex with a target price of Rs.289

Profit & loss statement (Rs mn)

Y/E March	FY08	FY09	FY10E	FY11E
Net Sales	22978.2	31355.8	33900.9	37335.8
% Growth	97.2	36.5	8.1	10.1
EBIDTA	4063.0	5217.1	5763.2	6459.1
% Growth	82.4	28.4	10.5	12.1
Other Income	364.9	846.0	836.0	983.0
Interest	643.2	819.5	630.4	619.2
Depreciation	765.1	1143.9	1386.8	1440.8
PBT	3019.5	4099.7	4582.1	5382.1
% Growth	81.7	35.8	11.8	17.5
Tax	697.6	826.1	870.6	1076.4
PAT	2321.9	3273.6	3711.5	4305.7
% Growth	74.0	41.0	13.4	16.0
Dividend (%)	137.4	150.9	146.0	146.0
EPS (Rs)	12.7	20.0	22.3	26.3
BVPS (Rs)	113.6	125.8	118.1	139.0

Balance sheet (Rs mn)

Y/E March	FY08	FY09	FY10E	FY11E
Eqty Cap	271.0	271.0	292.0	292.0
Converti Share Warrants	478.0	0.0	0.0	0.0
Reserves	14642.8	16778.2	18927.4	22323.8
Networth	15391.8	17049.2	19219.4	22615.8
Secured loans	9381.6	10526.5	7404.0	6904.0
Unsecured loans	9881.0	12437.7	12815.3	12815.3
Total loans	19262.6	22964.2	20219.3	19719.3
Minority Interest	203.2	263.2	284.5	307.1
Deffered Tax Liab	1191.1	1731.3	1731.3	1731.3
Total Liability	36048.7	42007.9	41454.5	44373.5
Goodwill	1844.8	2198.2	1844.8	1844.8
Net Block	12027.1	17421.7	18412.0	17991.2
Capital WIP	2549.8	2377.1	320.0	400.0
Investments	3252.2	1818.9	1818.9	1818.9
Deffered Tax Assets	121.9	311.7	0.0	0.0
Inventory	3022.2	3771.0	5572.8	6137.4
Debtors	7937.6	8093.9	10216.7	11251.9
Cash balance	13712.5	11685.0	12667.7	14985.7
Other CA	1614.9	3675.9	1864.6	2053.5
Current Liabilities	6085.0	5664.8	8359.1	9206.1
Provisions	3960.8	3682.8	2915.3	2915.3
NCA	16241.4	17878.2	19047.3	22307.1
Misc Expenditure	11.5	2.1	11.5	11.5
Total Assets	36048.7	42007.9	41454.5	44373.5

Ratio Analysis

Y/E March	FY08	FY09	FY10E	FY11E
OPM%	17.7	16.6	17.0	17.3
NPM%	10.0	10.4	10.9	11.5
ROE%	15.0	19.1	19.2	16.3
ROCE%	10.2	11.7	12.6	13.5
Int. Cover (x)	6.9	7.4	10.5	12.0
D/E (x)	1.3	1.3	1.1	0.9
Asset Turnover (x)	0.6	0.7	0.8	0.8
Debtors Days	126.1	94.2	110.0	110.0
Inventory Days	48.0	43.9	60.0	60.0
Valuation ratios				
P/CF per share (x)	9.8	6.8	7.1	7.1
EV/Cash Profit (x)	3655.3	6081.6	6178.2	5785.3
EV/EBIDTA (x)	8.1	6.9	6.7	5.5
EV/Sales (x)	1.6	1.3	1.3	1.1
Mkt Cap/Sales(x)	1.3	1.0	1.1	1.0
CEPS (Rs)	22.6	32.4	31.2	31.2
P/ BV (x)	2.0	1.8	1.9	1.6

Source: Reliance Money Research

Cash Flow Statement (Rs mn)

Y/E March	FY08	FY09	FY10E	FY11E
PAT	2,303.3	3,251.2	3,690.2	4,283.0
Depreciation	765.1	1,143.9	1,386.8	1,440.8
Change in WC	(1,049.1)	(3,664.3)	(186.4)	(941.8)
Operating CF	2,019.3	730.9	4,890.5	4,782.1
Capex	(10,472.0)	(6,403.5)	(320.0)	(1,100.0)
Misc Exp	1,321.6	803.1	-	-
Investing CF	(9,150.4)	(5,600.4)	(320.0)	(1,100.0)
Equity	6,098.9	(2,116.4)	(671.7)	(692.7)
Dividends	(161.1)	(176.5)	(171.3)	(171.3)
Debt	12,371.5	3,701.6	(2,744.9)	(500.0)
Investments	(1,366.5)	1,433.3	-	-
Financing CF	16,942.8	2,842.0	(3,587.8)	(1,364.0)
Net Change	9,811.7	(2,027.5)	982.7	2,318.1
Opening Cash	3,900.8	13,712.5	11,685.0	12,667.7
Closing Cash	13,712.5	11,685.0	12,667.7	14,985.7
EV/Sales (x)	1.6	1.3	1.3	1.1
Mkt Cap/Sales(x)	1.3	1.0	1.1	1.0

Reliance Money Stock Rating

Rating	Stock Performance
BUY	Appreciate more than 15% in next 12 months
HOLD	Appreciate upto 15% in next 12 months
REDUCE	Depreciate upto 10% in next 12 months
SELL	Depreciate More than 10% in next 12 months

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Equities: Trading through Reliance Securities Limited | NSE SEBI Registration Number Capital Market :- INB 231234833 |
 BSE SEBI Registration Number Capital Market :- INB 011234839 | NSE SEBI Registration Number Derivatives :- INF 231234833
 Commodities : Trading through Reliance Commodities Limited | MCX member code: 29030 | NCDEX member code: NCDEX-CO-05-00647|
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