

CMP (₹)	Absolute Rating
115	Under Review

Market Info (as on 10th Oct, 2011)

BSE Sensex	16557
Nifty S&P	4980

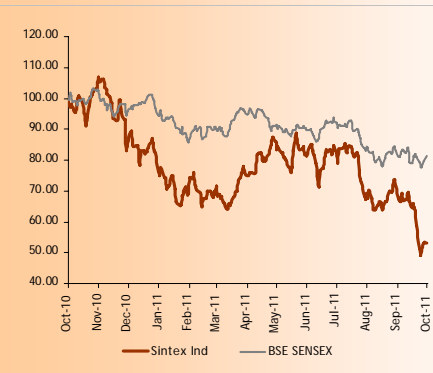
Stock Detail

BSE Group	A
BSE Code	502742
NSE Code	SINTEX
Bloomberg Code	SINT IN
Market Cap (₹bn)	31.42
Free Float (%)	70%
52wk Hi/Lo	237 / 103
Avg. Daily Volume (NSE)	99,209
Face Value / Div. per share (₹)	1.00 / 0.60
Shares Outstanding (mn)	271.1

Shareholding Pattern (in %)

Promoters	FII	DII	Others
34.96	33.31	20.35	11.56

Share Price Performance



Rel. Perf.	1Mth	3 Mths	6Mths	1Yr
Sintex Ind.	(26.0)%	(37.5)%	(30.6)%	(46.3)%
SENSEX	0.3%	(11.6)%	(14.0)%	(18.6)%

Source: Company data, GEPL Capital Research

Result - Flash note

- Sintex Industries consolidated sales growth of 25.4% for Q2FY12 against Q2FY11 was at par with our & market expectations of 24-25%. Consolidated EBITDA margin decline of 110 bps was primarily due to 27% YoY increase in operating expenditure owing to 29% rise in raw material cost. Although due to higher sales EBITDA grew by 19% YoY for Q2FY12.
- The PAT was down at ₹385 mn, a de-growth of 51.7%, primarily due to the mark to market losses booked by the company for its outstanding FCCB's in dollar denomination. Although this loss was expected due to strong run in the dollar in the September month and hence triggered a downgrade in the Sintex's annual FY12E EPS in-turn bringing the stock price under tremendous selling pressure, we are of the view that as this is just a mark to market adjustment & no cash flow is required before FY13E end (when the FCCB's maturity date), the investor confidence in the stock is likely to return

FCCB related adjustments

₹ In Mn	Q2FY12	Q2FY11	% Change
Reported PAT	388	1,001	
Add: Net Forex Loss/(Gain)	596	(203)	
Adjusted PAT	984	798	23%

Source: Company data, GEPL Capital Research

- Management Guidance:** Management had guided of 23-25% CAGR on sales for the period of FY11-13E, with a further EBITDA margin expansion by 50-70 bps. They have also added that Monolithic will keep driving growth with additional ₹5-6 bn revenues for next 2 years preceding FY11 with margins sustained in the region of 19-19.5%. Strong traction in Pre-Fab & Custom Molding segments would be driven by increasing government social spending & better synergies between subsidiaries respectively. They expect both the segments to repeat FY11 performances for next 2 years with sustained margins in pre-fab & improved margins in Custom Moldings. They expect textile segment to grow by 8-10% for next 2 years with sustained margins. Any downward guidance revision on Segmental basis or for foreign Subsidiaries might prove detrimental to valuation, though it is least expected.

Valuation:

Consolidated EPS came in at ₹1.4 for Q2FY12 against ₹2.9 in previous year same quarter, de-growth of 61%. On the basis of our preliminary prognosis, we have estimated a conservative EPS of ₹ 16 for FY12E & 21 for FY13E. At the CMP of ₹115, the stock is trading at 7.2x its FY12E expected EPS and 5.5x its FY13E EPS. Based on growth prospective, improving margins and Net working capital (NWC) days and its historical average of 12-13x PE, we feel comfortable with the stock valuations and this fall in stock price is expected to serve as an opportunity to invest.

Quarterly Result Snapshot

Year end Dec	Q2FY12	Q2FY11	% Change YoY	FY11	FY10	% Change YoY
Net Sales	11,570	9,230	25.4%	44,837	33192	35%
EBITDA	2,043	1,715	19.1%	8,674	6180	39%
PAT	385	1,001	(61.5)%	4,584	3290	40%
EPS	1.4	3.7	(61.4)%	17.0	12	40%
Margin Profile			bps change YoY			bps change YoY
EBITDA Margin %	17.7%	18.6%	(110) bps	19.3%	18.6%	70 bps
PAT Margin%	3.3%	10.8%	(530) bps	10.2%	9.9%	30 bps

Source: Company data, GEPL Capital Research

Sintex Industries Q2FY12 con-call is scheduled tomorrow; we would come out with a detailed result update after the same.

NOTES

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Analyst Certification

The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report:

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