

## Sintex Industries

### Performance Highlights

Y/E March (₹ cr)	4QFY12	3QFY12	% qoq	4QFY11	% yoy
<b>Net sales</b>	<b>1,024</b>	<b>1,161</b>	<b>(11.8)</b>	<b>1464</b>	<b>(30.1)</b>
EBITDA	160	163	(1.9)	290	(44.7)
OPM (%)	15.6	14.1	158bp	19.8	(415)bp
<b>Adj. PAT</b>	<b>91</b>	<b>82</b>	<b>11.0</b>	<b>168</b>	<b>(45.7)</b>

Source: Company, Angel Research

For 4QFY2012, Sintex reported a 30.1% yoy decline in its net sales to ₹1,024cr. The company's EBITDA declined by 45% yoy to ₹160cr and its EBITDA margin contracted by 415bp yoy to 15.6%. PAT came in at ₹91cr, down 46% yoy.

**We maintain our Buy recommendation on the stock.**

**Lower monolithic segment's revenue impacts earnings:** Sintex's consolidated net sales declined by 30.1% yoy to ₹1,024cr during 4QFY2012, lower than our expectation. The decline in revenue was mainly led by the monolithic segment, which reported a dip of 54% yoy to ₹264cr; and flat performance by the storage tanks segment at ₹59cr. The domestic custom moulding segment reported 22% yoy growth to ₹266cr, while the overseas custom moulding reported a 71% yoy decline in revenue to ₹91cr. Sintex's 4QFY2012 consolidated EBITDA stood at ₹160cr, down 45% yoy. OPM for the quarter stood at 15.6%, down 415bp yoy (up 158bp qoq) on the back of margin expansion in all segments. During the quarter, Sintex booked other income of ₹12cr (up 35% yoy). Consequently, PAT came in at ₹91cr, down 46% yoy, significantly below expectation.

**Outlook and valuation:** We have downgraded our earnings estimates for FY2013E and FY2014E on account of slowdown in the monolithic segment. Sintex will have low net debt/equity of 0.7x, by FY2014E. The stock is currently trading at 3.3x FY2014E EPS and 0.4x FY2014E P/BV only, which we feel is very attractive. Over the last five years, Sintex has traded at an average one-year P/E of 11.4x, which makes current valuations attractive. Moreover, further integration of foreign subsidiaries and acquisition in the monolithic segment will act as key catalysts for the stock. **We maintain our Buy recommendation on the stock with a target price of ₹79.**

#### Key financials (Consolidated)

Y/E March (₹ cr)	FY2011	FY2012	FY2013E	FY2014E
<b>Net sales</b>	<b>4,484</b>	<b>4,454</b>	<b>4,751</b>	<b>5,189</b>
% chg	35.1	(0.7)	6.7	9.2
<b>Net profit</b>	<b>452</b>	<b>349</b>	<b>370</b>	<b>427</b>
% chg	39.8	(33.3)	20.5	15.6
EBITDA (%)	18.2	16.1	16.3	16.6
<b>EPS (₹)</b>	<b>17.0</b>	<b>11.3</b>	<b>13.6</b>	<b>15.8</b>
P/E (x)	3.1	4.7	3.9	3.3
P/BV (x)	0.7	0.6	0.5	0.4
RoE (%)	21.2	12.2	13.1	13.4
RoCE (%)	16.7	13.3	13.8	15.1
EV/Sales (x)	0.6	0.8	0.7	0.5
EV/EBITDA (x)	3.5	4.9	4.1	3.2

Source: Company, Angel Research

## BUY

CMP	₹53
Target Price	₹79

Investment Period	12 Months
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#### Stock Info

Sector	Plastics
Market Cap (₹ cr)	1,440
Beta	1.1
52 Week High / Low	195/50
Avg. Daily Volume	1,218,754
Face Value (₹)	1
BSE Sensex	16,153
Nifty	4,891
Reuters Code	SNTX.BO
Bloomberg Code	SINT@IN

#### Shareholding Pattern (%)

Promoters	36.5
MF / Banks / Indian Fls	10.7
FII / NRIs / OCBs	30.0
Indian Public / Others	22.8

Abs. (%)	3m	1yr	3yr
Sensex	(11.7)	(10.7)	13.1
Sintex	(46.0)	(70.0)	(42.4)

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**Exhibit 1: 4QFY2012 performance highlights**

Y/E March (₹ cr)	4QFY12	3QFY12	% qoq	4QFY11	% yoy
<b>Net Sales</b>	<b>1,024</b>	<b>1,161</b>	<b>(11.8)</b>	<b>1,464</b>	<b>(30.1)</b>
Total Expenditure	864	998	(13.4)	1,174	(26.5)
<b>Operating Profit</b>	<b>160</b>	<b>163</b>	<b>(1.9)</b>	<b>290</b>	<b>(44.7)</b>
OPM (%)	15.6	14.1	158bp	19.8	(415)bp
Depreciation	34	47	(28.3)	40	(15.4)
Interest	24	35	(32.7)	30	(19.3)
Other income	12	15	(24.8)	9	34.7
Net Foreign Exchange Gain/(Loss)	0	14	-	2	
EO/Minority Int	3	1	388.5	2	
<b>Profit Before Tax</b>	<b>115</b>	<b>110</b>	<b>4.3</b>	<b>231</b>	<b>(50.4)</b>
Tax	26	28	(7.3)	65	(59.6)
Tax rate (%)	22.9	25.8		28.1	
<b>Reported PAT</b>	<b>91</b>	<b>82</b>	<b>11.0</b>	<b>168</b>	<b>(45.7)</b>
PAT (%)	8.9	7.1	183bp	11.5	(256)bp
<b>Reported EPS (₹)</b>	<b>3.4</b>	<b>3.0</b>	<b>11.0</b>	<b>6.2</b>	<b>(45.7)</b>

Source: Company, Angel Research

**Plastic segment pull downs EBITDA margin on a yoy basis**

During the quarter, the plastic segment's EBIT margin declined by 434bp yoy but improved by 102bp qoq on account of a better product mix. EBIT margin in the textile segment contracted by 525bp yoy but expanded by 203bp qoq owing to pick-up in demand for high-end fabrics and better pricing. In our view, quarterly margins are not a fair indicator of the company's performance due to lumpiness of its business.

**Exhibit 2: Margin growth across segments on a qoq basis**

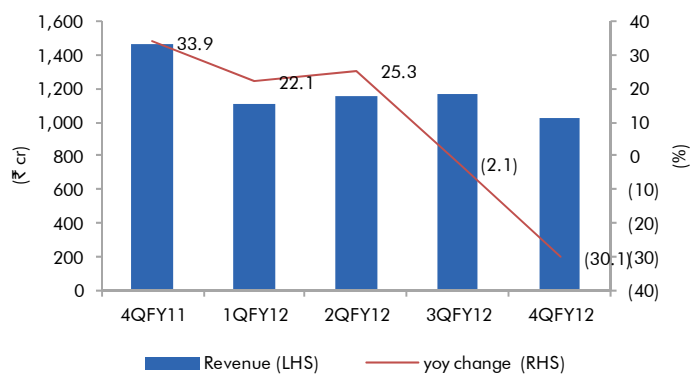
Y/E March (₹ cr)	4QFY12	3QFY12	% qoq	4QFY11	% yoy
<b>Total revenue</b>	<b>1,035</b>	<b>1,176</b>	<b>(12.0)</b>	<b>1473</b>	<b>(29.7)</b>
Plastics	892	1,046	(14.8)	1335	(33.2)
Textiles	132	115	15.1	129	2.2
Unallocated	12	15	(24.8)	9	34.7
<b>EBIT margin (%)</b>	<b>13.4</b>	<b>12.4</b>	<b>102bp</b>	<b>17.7</b>	<b>(434)bp</b>
Plastics	12.5	10.5	203bp	17.8	(525)bp
Textiles	16.6	10.5	612bp	15.2	136bp
Unallocated	43.1	153.2		45.9	

Source: Company, Angel Research

## Segment-wise performance

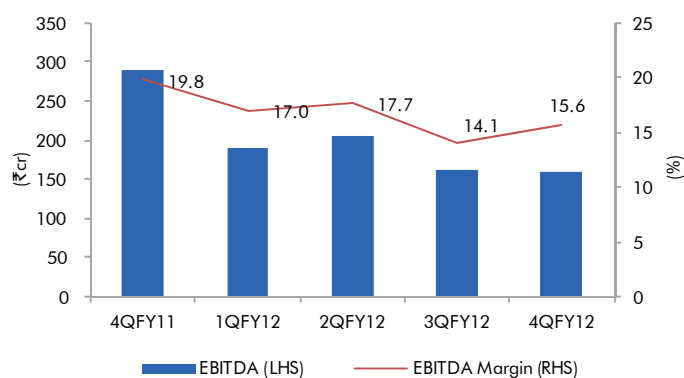
- During the quarter, the textile segment reported mediocre revenue growth of 2.2% yoy to ₹132cr. Management is positive about demand stability in the segment in the ensuing quarters.
- The pre-fab segment, which includes BT shelter, registered strong growth of 18.0% yoy on account of new product launches, such as industrial site offices, cold chains and agricultural sheds.
- During the quarter, revenue from the monolithic segment declined by 54% yoy to ₹264cr on account delay in government orders and slowdown in approvals/clearances.
- The domestic custom-moulding segment's revenue increased by 22% yoy to ₹266cr; however, the overseas custom-moulding segment's revenue declined by 71% yoy to ₹91cr due to slowdown in Eurozone industrial activities. Consequently, consolidated revenue declined by 33% to ₹357cr.

**Exhibit 3: Quarterly revenue trend**



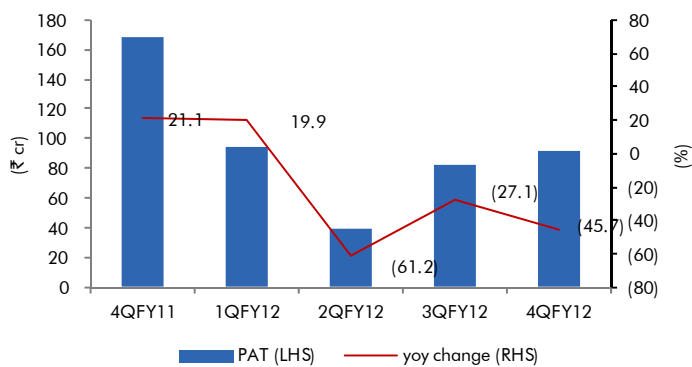
Source: Company, Angel Research

**Exhibit 4: Quarterly EBITDA trend**



Source: Company, Angel Research

**Exhibit 5: Quarterly profitability trend**



Source: Company, Angel Research

## Investment arguments

### Dominant player in the domestic plastics market

Sintex's domestic business contributed around 70% and 80% to the company's overall revenue and EBITDA, respectively. The company is 10x the size of its nearest competitor in single-storey pre-fabs; 6x in custom mouldings; and is the sole monolithic construction player in the country. The company derives ~60% of its total domestic revenue from government contracts. The monolithic segment has an order book of around ₹2,400cr, which provides further visibility. We estimate Sintex to register an 8% and 18% CAGR in revenue and PAT, respectively, over FY2012-14E revenue visibility underpinned by the government's thrust on schools and hospitals in economically backward areas and slum rehab projects.

### Synergies in international business improving

The benefits of integration and restructuring of overseas subsidiaries are already reflecting in the company's improved margins. International acquisitions are yielding 10–11% OPM, an improvement of 500bp since the acquisition. We estimate further improvement by FY2014E on account of the integration process.

### Trading at attractive valuations

We have downgraded our earnings estimates for FY2013E and FY2014E on account of slowdown in the monolithic segment. Sintex will have low net debt/equity of 0.7x, by FY2014E. The stock is currently trading at 3.3x FY2014E EPS and 0.4x FY2014E P/BV only, which we feel is very attractive. Over the last five years, Sintex has traded at an average one-year P/E of 11.4x, which makes current valuations attractive. Moreover, further integration of foreign subsidiaries and acquisition in the monolithic segment will act as key catalysts for the stock. **We maintain our Buy recommendation on the stock with a target price of ₹79.**

### Exhibit 6: One-year forward P/E band



Source: Angel Research

**Profit & Loss Statement (Consolidated)**

Y/E March (₹ cr)	FY2010E	FY2011	FY2012	FY2013E	FY2014E
Gross sales	3,420	4,630	4,688	5,001	5,462
Less: Excise duty	138	155	234	250	273
<b>Net Sales</b>	<b>3,319</b>	<b>4,484</b>	<b>4,454</b>	<b>4,751</b>	<b>5,189</b>
Other operating income	-	-	-	-	-
<b>Total operating income</b>	<b>3,319</b>	<b>4,484</b>	<b>4,454</b>	<b>4,751</b>	<b>5,189</b>
% chg	5.9	35.1	(0.7)	6.7	9.2
<b>Total Expenditure</b>	<b>2,781</b>	<b>3,668</b>	<b>3,736</b>	<b>3,975</b>	<b>4,327</b>
Net Raw Materials	1,798	2,631	2,584	2,756	3,010
Other Mfg costs	544	576	640	673	720
Personnel	439	461	512	546	597
Other	-	-	-	-	-
<b>EBITDA</b>	<b>538</b>	<b>815</b>	<b>718</b>	<b>776</b>	<b>863</b>
% chg	3.1	51.6	-12.0	8.1	11.2
(% of Net Sales)	16.2	18.2	16.1	16.3	16.6
Depreciation & Amortisation	144.5	149.1	167.8	186.5	209.6
<b>EBIT</b>	<b>394</b>	<b>666</b>	<b>550</b>	<b>589</b>	<b>653</b>
% chg	-3.4	69.3	-17.5	7.2	10.8
(% of Net Sales)	11.9	14.9	12.3	12.4	12.6
Interest & other Charges	73	109	136	144	135
Other Income	88	46	50	48	52
(% of PBT)	27.4	8.2	12.2	10.7	10.0
Share in profit of Associates	-	-	-	-	-
<b>Recurring PBT</b>	<b>408</b>	<b>603</b>	<b>465</b>	<b>493</b>	<b>570</b>
% chg	(0.4)	47.7	(23.0)	6.1	15.6
Extraordinary Expense/(Inc.)	-	6.2	(46.6)	-	-
<b>PBT (reported)</b>	<b>408</b>	<b>609</b>	<b>418</b>	<b>493</b>	<b>570</b>
Tax	71	151	116	123	142
(% of PBT)	17.4	24.8	27.7	25.0	25.0
<b>PAT (reported)</b>	<b>337</b>	<b>458</b>	<b>302</b>	<b>370</b>	<b>427</b>
Add: Share of earnings of associate	-	-	-	-	-
Less: Minority interest (MI)	(2)	(0)	5	-	-
Prior period items	(6)	2	-	-	-
<b>PAT after MI (reported)</b>	<b>329</b>	<b>460</b>	<b>307</b>	<b>370</b>	<b>427</b>
<b>ADJ. PAT</b>	<b>337</b>	<b>452</b>	<b>349</b>	<b>370</b>	<b>427</b>
% chg	2.3	34.0	(22.9)	6.1	15.6
(% of Net Sales)	10.2	10.1	7.8	7.8	8.2
<b>Basic EPS (₹)</b>	<b>12.1</b>	<b>17.0</b>	<b>11.3</b>	<b>13.6</b>	<b>15.8</b>
<b>Fully Diluted EPS (₹)</b>	<b>12.1</b>	<b>17.0</b>	<b>11.3</b>	<b>13.6</b>	<b>15.8</b>
% chg	1.2	39.8	(33.3)	20.5	15.6

**Balance Sheet (Consolidated)**

Y/E March (₹ cr)	FY2010	FY2011	FY2012	FY2013E	FY2014E
<b>SOURCES OF FUNDS</b>					
Equity Share Capital	27	27	27	27	27
Reserves & Surplus	1,920	2,374	2,621	2,970	3,377
<b>Shareholders' Funds</b>	<b>1,947</b>	<b>2,402</b>	<b>2,648</b>	<b>2,997</b>	<b>3,404</b>
Minority Interest	19	-	-	-	-
Total Loans	2,630	2,774	2,955	2,655	2,355
Deferred Tax Liability	169	206	238	238	238
<b>Total Liabilities</b>	<b>4,765</b>	<b>5,381</b>	<b>5,841</b>	<b>5,890</b>	<b>5,997</b>
<b>APPLICATION OF FUNDS</b>					
Gross Block	2,558	3,328	3,818	4,118	4,268
Less: Acc. Depreciation	775	916	1,083	1,270	1,480
<b>Net Block</b>	<b>1,783</b>	<b>2,412</b>	<b>2,734</b>	<b>2,848</b>	<b>2,788</b>
Capital Work-in-Progress	172	136	159	-	-
Goodwill	267	219	218	218	218
Investments	-	378	142	142	142
<b>Current Assets</b>	<b>3,345</b>	<b>3,301</b>	<b>3,735</b>	<b>3,827</b>	<b>3,993</b>
Cash	1,177	986	721	784	897
Loans & Advances	816	515	921	921	921
Inventories	341	377	396	430	469
Debtors	1,012	1,423	1,698	1,692	1,706
Other	-	-	-	-	-
<b>Current liabilities</b>	<b>801</b>	<b>1,064</b>	<b>1,147</b>	<b>1,145</b>	<b>1,145</b>
<b>Net Current Assets</b>	<b>2,544</b>	<b>2,236</b>	<b>2,588</b>	<b>2,682</b>	<b>2,848</b>
Mis. Exp. not written off	-	-	-	-	-
<b>Total Assets</b>	<b>4,765</b>	<b>5,381</b>	<b>5,841</b>	<b>5,890</b>	<b>5,997</b>

**Cash Flow Statement (Consolidated)**

Y/E March (₹ cr)	FY2010	FY2011	FY2012	FY2013E	FY2014E
Profit before tax	408	603	465	493	570
Depreciation	144	149	168	186	210
Change in Working Capital	(736)	105	(614)	(31)	(54)
Add/Less: Others	(6)	-	59	-	-
Direct taxes paid	(71)	(151)	(116)	(123)	(142)
<b>Cash Flow from Operations</b>	<b>(260)</b>	<b>707</b>	<b>(38)</b>	<b>525</b>	<b>584</b>
Inc./ (Dec.) in Fixed Assets	(127)	(734)	(513)	(141)	(150)
Inc./ (Dec.) in Investments	(61)	(378)	235	-	-
Interest/Dividend	27	-	-	-	-
Other Adjustments	(11)	-	-	-	-
<b>Cash Flow from Investing</b>	<b>(172)</b>	<b>(1,112)</b>	<b>(278)</b>	<b>(141)</b>	<b>(150)</b>
Issue of Equity	-	0	-	-	-
Inc./ (Dec.) in loans	465	143	181	(300)	(300)
Dividend Paid (Incl. Tax)	(18)	(38)	(21)	(21)	(21)
Others	18	110	(110)	-	-
<b>Cash Flow from Financing</b>	<b>465</b>	<b>215</b>	<b>51</b>	<b>(321)</b>	<b>(321)</b>
Inc./ (Dec.) in Cash	33	(190)	(265)	64	113
<b>Opening Cash balances</b>	<b>1,144</b>	<b>1,177</b>	<b>986</b>	<b>721</b>	<b>784</b>
<b>Closing Cash balances</b>	<b>1,177</b>	<b>986</b>	<b>721</b>	<b>784</b>	<b>897</b>



### Key Ratios

Y/E March	FY2010	FY2011	FY2012	FY2013E	FY2014E
<b>Valuation Ratio (x)</b>					
P/E (on FDEPS)	4.3	3.1	4.7	3.9	3.3
P/E (on basic, reported EPS)	4.3	3.1	4.7	3.9	3.3
P/CEPS	3.0	2.3	3.0	2.6	2.2
P/BV	0.9	0.7	0.6	0.5	0.4
Dividend yield (%)	1.1	1.1	1.2	1.2	1.2
Market cap. / Sales	0.4	0.3	0.3	0.3	0.3
EV/Sales	0.9	0.6	0.8	0.7	0.5
EV/EBITDA	5.4	3.5	4.9	4.1	3.2
EV / Total Assets	0.5	0.4	0.5	0.4	0.4
<b>Per Share Data (₹)</b>					
EPS (Basic)	12.1	17.0	11.3	13.6	15.8
EPS (fully diluted)	12.1	17.0	11.3	13.6	15.8
Cash EPS	17.5	22.5	17.5	20.5	23.5
DPS	0.6	0.6	0.7	0.7	0.7
Book Value	62.0	80.5	89.6	102.5	117.5
<b>DuPont Analysis (%)</b>					
EBIT margin	11.9	14.9	12.3	12.4	12.6
Tax retention ratio	0.8	0.8	0.7	0.8	0.8
Asset turnover (x)	1.1	1.2	1.0	1.0	1.1
ROCE (Post Tax)	10.7	13.2	8.8	9.1	10.1
Cost of Debt (Post Tax)	2.5	3.0	3.4	3.9	4.0
Leverage (x)	0.7	0.7	0.8	0.7	0.5
Operating ROE	16.1	20.7	13.0	12.9	13.2
<b>Returns (%)</b>					
ROCE (Post-tax)	10.3	12.6	9.6	10.3	11.3
ROIC	14.6	16.1	11.4	11.9	13.3
Angel ROIC	17.1	18.0	12.4	12.7	13.9
ROE	18.0	21.2	12.2	13.1	13.4
<b>Turnover ratios (x)</b>					
Asset Turnover (Gross Block)	1.3	1.5	1.2	1.2	1.2
Asset Turnover (Net Block)	2.1	2.3	1.9	1.8	1.9
Asset Turnover (Total Assets)	0.7	0.9	0.8	0.8	0.9
Operating Income / Invested Capital	1.1	1.2	1.0	1.0	1.1
Inventory / Sales (days)	38	31	32	33	33
Receivables (days)	6	5	5	5	5
Payables (days)	114	93	108	105	97

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### Disclosure of Interest Statement

	Sintex
1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors

### Ratings (Returns):

Buy (&gt; 15%)

Reduce (-5% to 15%)

Accumulate (5% to 15%)

Sell (&lt; -15%)

Neutral (-5 to 5%)