

Sintex Industries (SININD)

₹ 70

WHAT'S CHANGED...

PRICE TARGET	Unchanged
EPS (FY13E).....	Unchanged
EPS (FY14E).....	Changed from ₹ 12.0 to ₹ 12.4
RATING.....	Changed from Hold to Buy

Better than estimates...

Sintex Industries' (SIL) Q3FY13 numbers were far ahead of our estimates at the operating level due to an improvement in the monolithic & overseas custom moulding segments, which reported revenue growth of ~40.4% and ~27.5% YoY, respectively. In the monolithic segment, SIL cleared three slow moving sites in the first nine months and booked revenue for some large order this quarter that led to robust revenue growth and margins expansion. Margins in this segment improved 300 bps YoY, 400 QoQ to 19.0%. The custom moulding business also clocked growth of over 22% YoY led by 14.9% growth in the domestic and 27.5% growth in the international segment. Growth in this segment was aided by good volumes and better utilisation rates while margins in this segment improved a bit by 39 bps YoY to 12.9%.

The prefab segment continued to put up a good performance (revenues up 22.5% YoY to ₹ 277.6 crore) while growth in storage tank (revenue of ₹ 60 crore, flat YoY) and textile division (revenues up 1.2% to ₹ 115.4 crore) continued to remain subdued. During the quarter, SIL also reported a forex loss of ₹ 45 crore on its long term FCCB that dragged down its net profit growth. Going ahead, with improving visibility in the custom moulding business, strong momentum in the prefab segment and improvement in working capital cycle in the monolithic business, we expect growth to come back on track with margin expansion. However, we would like to wait for a couple of quarters for better earnings visibility and growth forecast.

Concerns overdone, valuations cheap but re-rating not to happen soon

We believe concerns on the monolithic and European CM business coupled with high working capital requirement are overdone. However, due to its nature of business, a re-rating is unlikely due to the highly volatile nature of the business especially in the monolithic segment and high working capital requirement. We expect single digit topline growth of 7.4% in FY14E. However, margin improvement is visible with the management's high focus on working capital improvement. Hence, we have revised our target price upwards to ₹ 80 per share (valuing on an SOTP basis) with a BUY rating.

Exhibit 1: Financial Summary

(₹ Crore)	Q3FY13	Q3FY13E	Q3FY12	Q2FY13	QoQ (Chg %)	YoY (Chg %)
Total Operating Income	1420.3	1160.2	1158.4	1186.1	19.7	22.6
EBITDA	219.8	167.5	163.1	182.8	20.2	34.8
EBITDA Margin (%)	15.5	14.4	14.1	15.4	6 bps	140 bps
Depreciation	52.0	52.0	46.7	50.5	2.9	11.2
Interest	31.2	36.4	35.4	36.1	-13.6	-11.9
Other Income	3.6	2.8	15.4	6.4	-44.0	-76.6
PAT	53.6	66.4	82.2	72.4	-25.9	-34.7
EPS (₹)	1.7	2.1	3.0	2.3	-25.9	-43.2

Source: Company, ICICIdirect.com Research

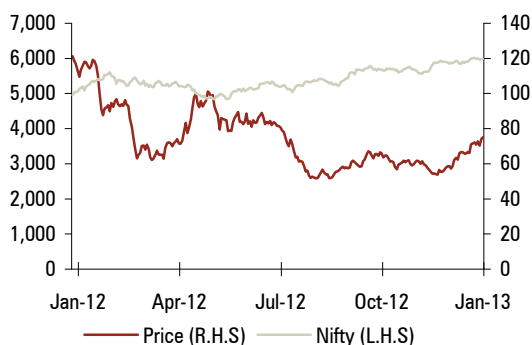
Rating matrix	
Rating	: Buy
Target	: ₹ 80
Target Period	: 12-15 months
Potential Upside	: 14%

Key Financials				
	FY11	FY12	FY13E	FY14E
Net Sales	4483.7	4453.5	4923.0	5287.4
EBITDA	815.5	716.7	773.8	877.3
EBITDA Margin (%)	18.2	16.1	15.7	16.6
Adjusted PAT	444.8	339.6	315.1	386.3

Valuation summary				
	FY11	FY12	FY13E	FY14E
Adjusted EPS (₹)	16.4	10.9	10.3	12.4
PE (x)	4.1	7.1	8.2	5.6
Target PE (x)	4.9	7.3	7.8	6.5
EV to EBITDA (x)	4.4	6.0	5.4	4.0
Price to book (x)	0.8	0.8	0.7	0.7
RoNW (%)	19.2	11.6	9.1	11.8
RoCE (%)	12.9	9.8	10.6	12.9

Stock data	
Mcap	₹ 2178 crore
Debt (FY13E)	₹ 2578 crore
Cash & Invest(FY13E)	₹ 572 crore
EV	₹ 4184 crore
52 week H/L	₹ 121 / 52
Equity cap	₹ 31.1 crore
Face value	₹ 1
MF Holding(%)	10.7
FII Holding(%)	22.0

Price movement



Analyst's name

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Strong performance in monolithic and overseas CM leads robust growth

Total revenues grew ~22.7% YoY to ₹ 1420.1 crore led by strong sales growth from the monolithic construction and overseas custom moulding business. The performance of the prefab segment continued to remain robust while growth of the storage tank and textile segment remained muted. Monolithic business sales improved ~40.4% YoY to ₹ 333.4 crore due to completion of order of one of its working sites. The concern on slowdown in this segment continues to remain. Overseas CM sales also clocked robust growth of ~27.5% YoY to ₹ 369.7 crore due to good volumes and improved utilisation rates while growth of the storage tanks and textile segment continued to remain muted. The domestic custom moulding business revenue increased ~14.9% YoY (vs. 9% YoY last quarter) to ₹ 264.3 crore, better than the last quarter.

Monolithic construction and overseas custom moulding segments surprised with robust revenue growth while the storage tanks and textile segment continued to remain a dragger

Exhibit 2: Segmental revenue (₹ crore)

	Q3FY13	Q3FY12	YoY (%)	Q2FY13	QoQ (%)
A. Building Products Segment	671.0	524.1	28.0	535.0	25.4
Monolithic Construction	333.4	237.5	40.4	242.0	37.8
Prefabs	277.6	226.6	22.5	231.0	20.2
Storage Tanks	60.0	60.0	0.0	62.0	-3.2
B. Custom Molding Segment	633.9	519.8	22.0	534.0	18.7
Domestic business	264.3	229.9	14.9	244.0	8.3
Overseas	369.7	289.9	27.5	290.0	27.5
C. Textiles Segment	115.4	114.0	1.2	117.0	-1.4
Total Net Sales (A+B+C)	1420.3	1157.9	22.7	1186.0	19.8

Source: Company, ICICIdirect.com Research

Due to surprise growth in the monolithic segment and improvement in the overseas custom moulding business, we have raised our revenue forecast for FY13 to ~11.2% to ₹ 4931 crore (vs. growth of 3.4% projected earlier). However, we expect monolithic sales to be stable post FY13E. We expect prefabs, CM domestic and storage tanks segments to continue to post a better performance in FY14E due to healthy demand. Hence, we estimate ~7.2% YoY revenue growth in FY14E to ₹ 5,287.4 crore.

FY14E sales expected to improve with a revival in the overseas custom moulding business and continued strong performance in the prefab segment

Exhibit 3: Segmental revenue (annually)

₹ Crore	FY09	FY10	FY11	FY12	FY13E	FY14E	CAGR (FY12-14E)
Monolithic consn	452.0	720.0	1338.3	1060.9	1126.9	1172.2	5.1
YoY Growth (%)		59.3	85.9	-20.7	6.2	4.0	
Prefabs*	683.3	564.5	647.1	748.7	924.5	1017.0	16.5
YoY Growth (%)		-17.4	14.6	15.7	23.5	10.0	
Storage tanks	141.0	161.4	198.5	222.7	250.9	276.0	11.3
YoY Growth (%)		14.5	23.0	12.2	12.7	10.0	
CM - Domestic**	471.9	544.6	677.9	820.9	953.3	1048.6	13.0
YoY Growth (%)		15.4	24.5	21.1	16.1	10.0	
CM - Overseas***	944.7	946.1	1176.4	1115.0	1171.4	1229.9	5.0
YoY Growth (%)		0.2	24.3	-5.2	5.1	5.0	
Textiles	371.0	345.0	436.9	467.8	504.0	543.7	7.8
YoY Growth (%)		-7.0	26.6	7.1	7.7	7.9	
Total	3063.9	3281.6	4475.1	4436.0	4923.0	5287.4	9.2
YoY Growth (%)		7.1	36.4	-0.9	11.2	7.2	

Source: Company, ICICIdirect.com Research

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YoY Growth (%)		7.1	36.4	-0.9	11.2	7.2	

Source: Company, ICICIdirect.com Research

Valuations

At the CMP of ₹ 70, the stock is trading at 8.2x FY13E EPS and 5.6x FY14E EPS. On an EV/EBITDA basis, the stock is trading at 5.4x FY13E EBITDA and 4.0x FY14E EBITDA. With improving visibility in the custom moulding business, strong momentum in the prefab segment and improvement in working capital cycle in the monolithic business, we expect growth to come back on track along with margin expansion. However, we would like to wait for a couple of quarters for better growth visibility. Hence, we remain cautiously positive with a target price of ₹ 80/share (valuing on an SOTP basis) with a **BUY** rating.

Exhibit 4: SOTP valuation

	Target EV/EBITDA	EBITDA (FY14E)	Target EV
Building Material			
Monolithic Construction	3.0	211	633.0
Prefabs (Standalone)	6.0	193	1159.3
Tanks	4.5	23	104.0
Total			1896.3
Custom Molding	4.5	330	1486.8
Textiles	4.0	120	478.4
Total			3861.5
Net Debt	₹ Crores		1367.3
Target Market Capital	₹ Crores		2494.2
No. of Shares	Crores		31.1
Target Price	₹ per share		80

Source: Company, ICICIdirect.com Research

Financial summary

Profit and loss statement

	(₹ Crore)			
(Year-end March)	FY11	FY12	FY13E	FY14E
Total operating Income	4,483.7	4,453.5	4,923.0	5,287.4
Growth (%)	35.1	-0.7	10.5	7.4
Change in stock	3.6	-2.3	0.0	0.0
Raw material cost	2429.2	2400.2	2637.2	2847.9
Pur. of traded goods	197.8	186.3	177.4	248.5
Employee cost	461.3	512.0	565.5	581.6
Others cost	576.3	640.7	769.1	732.0
Total Operating Exp.	3,668.2	3,736.8	4,149.2	4,410.1
EBITDA	815.5	716.7	773.8	877.3
Growth (%)	51.6	-12.1	8.0	13.4
Depreciation	149.1	167.8	191.3	193.7
Interest	108.9	135.8	133.8	159.0
Other Income	31.5	50.5	20.7	12.0
Exceptional items	-20.3	45.6	78.7	0.0
PBT	609.2	417.9	390.7	536.6
Total Tax	150.8	116.0	126.5	150.2
Reported PAT	460.0	306.6	261.9	386.3
Adjusted PAT	444.8	339.6	315.1	386.3
Growth (%)	34.3	-23.6	-7.2	22.6
Adjusted EPS (₹)	16.4	10.9	10.3	12.4

Source: Company, ICICIdirect.com Research

Balance sheet

	(₹ Crore)			
(Year-end March)	FY11	FY12	FY13E	FY14E
Liabilities				
Equity Capital	27.1	27.1	31.1	31.1
Reserve and Surplus	2,374.4	2,621.2	2,895.8	3,256.7
Total Shareholders funds	2,401.6	2,648.3	2,927.0	3,287.8
Total Debt	2,773.8	2,955.9	2,577.9	2,012.9
Deferred Tax Liability	205.7	238.1	238.1	238.1
Minority Interest / Others	0.0	0.0	0.0	0.0
Total Liabilities	5,381.1	5,842.3	5,743.0	5,538.8
Assets				
Gross Block	3,546.6	3,960.9	4,010.9	4,060.9
Less: Acc Depreciation	915.6	1,083.4	1,274.7	1,468.4
Net Block	2,631.0	2,877.5	2,736.2	2,592.5
Capital WIP	136.3	280.0	280.0	280.0
Total Fixed Assets	2,767.3	3,157.5	3,016.2	2,872.5
Investments	377.5	142.3	142.3	142.3
Inventory	377.0	395.5	449.3	448.8
Debtors	1,422.9	1,665.3	1,810.3	1,738.3
Loans and Advances	514.5	923.0	839.0	853.0
Other Current Assets	0.0	0.0	0.0	0.0
Cash	986.3	720.5	429.5	503.3
Total Current Assets	3,300.7	3,704.3	3,528.1	3,543.4
Creditors	701.9	786.5	831.4	898.1
Provisions	362.5	375.3	112.2	121.2
Total Current Liabilities	1,064.4	1,161.8	943.6	1,019.4
Net Current Assets	2,236.2	2,542.5	2,584.5	2,524.1
Application of Funds	5,381.1	5,842.3	5,743.0	5,538.8

Source: Company, ICICIdirect.com Research

Cash flow statement

	(₹ Crore)			
(Year-end March)	FY11	FY12	FY13E	FY14E
Profit after Tax	460.0	306.6	266.4	386.3
Add: Depreciation	149.1	167.8	191.3	193.7
(Inc)/dec in Current Assets	-145.6	-669.4	-114.8	58.4
Inc/(dec) in CL and Provisions	263.0	97.3	-218.1	75.8
CF from operating activities	726.5	-97.6	124.8	714.3
(Inc)/dec in Investments	-130.5	235.2	0.0	0.0
(Inc)/dec in Fixed Assets	-694.8	-558.0	-50.0	-50.0
Others	17.5	32.4	0.0	0.0
CF from investing activities	-807.9	-290.4	-50.0	-50.0
Issue/(Buy back) of Equity	0.0	0.0	4.0	0.0
Inc/(dec) in loan funds	143.5	182.1	-378.0	-565.0
Dividend paid & dividend tax	-20.6	-25.5	-25.5	-25.5
Inc/(dec) in Sec. premium	-6.4	0.0	0.0	0.0
Others	21.6	-34.4	33.7	0.0
CF from financing activities	138.1	122.2	-365.8	-590.5
Net Cash flow	56.7	-265.8	-291.0	73.8
Opening Cash	929.5	986.3	720.5	429.5
Closing Cash	986.3	720.5	429.5	503.3

Source: Company, ICICIdirect.com Research

Key ratios

(Year-end March)	FY11	FY12	FY13E	FY14E
Per share data (₹)				
Adjusted EPS	16.4	10.9	10.3	12.4
Cash EPS	22.5	15.2	14.7	18.6
BV	88.6	85.1	94.1	105.7
DPS	0.7	0.7	0.7	0.7
Cash Per Share	36.4	23.2	13.8	16.2
Operating Ratios (%)				
EBITDA Margin	18.2	16.1	15.7	16.6
PAT Margin	9.9	7.6	6.4	7.3
Inventory days	29.3	31.8	31.5	31.0
Debtor days	116.1	137.0	135.0	120.0
Creditor days	57.2	64.7	62.0	62.0
Return Ratios (%)				
RoE	19.2	11.6	9.1	11.8
RoCE	12.9	9.8	10.6	12.9
RoIC	11.4	7.7	7.4	9.8
Valuation Ratios (x)				
P/E	4.1	7.1	8.2	5.6
EV / EBITDA	4.4	6.0	5.4	4.0
EV / Net Sales	0.8	1.0	0.9	0.7
Market Cap / Sales	0.5	0.5	0.4	0.4
Price to Book Value	0.8	0.8	0.7	0.7
Solvency Ratios				
Debt/EBITDA	3.4	4.1	3.3	2.3
Debt / Equity	1.2	1.1	0.9	0.6
Current Ratio	3.1	3.2	3.7	3.5
Quick Ratio	2.2	2.6	3.3	3.0

Source: Company, ICICIdirect.com Research

Exhibit 5: Recommendation History



Source: Company, ICICIdirect.com Research

Exhibit 6: Recent Releases

Date	Event	CMP	Target Price	Rating
16-Feb-12	Initiating Coverage	101	120	BUY
4-Apr-12	Q4FY12 Preview	89	120	BUY
11-May-12	Q4FY12 Result Update	58	68	BUY
5-Jul-12	Q1FY13 Preview	67	68	HOLD
16-Jul-12	Q1FY13 Result Update	67	71	HOLD
8-Oct-12	Q2FY13 Preview	72	71	HOLD

Source: Company, ICICIdirect.com Research

RATING RATIONALE

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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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Valuations

At the CMP of ₹ 70, the stock is trading at 8.2x FY13E EPS and 5.6x FY14E EPS. On an EV/EBITDA basis, the stock is trading at 5.4x FY13E EBITDA and 4.0x FY14E EBITDA. With improving visibility in the custom moulding business, strong momentum in the prefab segment and improvement in working capital cycle in the monolithic business, we expect growth to come back on track along with margin expansion. However, we would like to wait for a couple of quarters for better growth visibility. Hence, we remain cautiously positive with a target price ₹ 80/share (valuing on an SOTP basis) with a **BUY** rating.

Exhibit 4: SOTP valuation

	Target EV/EBITDA	EBITDA (FY14E)	Target EV
Building Material			
Monolithic Construction	3.0	211	633.0
Prefabs (Standalone)	6.0	193	1159.3
Tanks	4.5	23	104.0
Total			1896.3
Custom Molding	4.5	330	1486.8
Textiles	4.0	120	478.4
Total			3861.5
Net Debt	₹ Crores		1367.3
Target Market Capital	₹ Crores		2494.2
No. of Shares	Crores		31.1
Target Price	₹ per share		80

Source: Company, ICICIdirect.com Research

Financial summary

Profit and loss statement

	(₹ Crore)			
(Year-end March)	FY11	FY12	FY13E	FY14E
Total operating Income	4,483.7	4,453.5	4,923.0	5,287.4
Growth (%)	35.1	-0.7	10.5	7.4
Change in stock	3.6	-2.3	0.0	0.0
Raw material cost	2429.2	2400.2	2637.2	2847.9
Pur. of traded goods	197.8	186.3	177.4	248.5
Employee cost	461.3	512.0	565.5	581.6
Others cost	576.3	640.7	769.1	732.0
Total Operating Exp.	3,668.2	3,736.8	4,149.2	4,410.1
EBITDA	815.5	716.7	773.8	877.3
Growth (%)	51.6	-12.1	8.0	13.4
Depreciation	149.1	167.8	191.3	193.7
Interest	108.9	135.8	133.8	159.0
Other Income	31.5	50.5	20.7	12.0
Exceptional items	-20.3	45.6	78.7	0.0
PBT	609.2	417.9	390.7	536.6
Total Tax	150.8	116.0	126.5	150.2
Reported PAT	460.0	306.6	261.9	386.3
Adjusted PAT	444.8	339.6	315.1	386.3
Growth (%)	34.3	-23.6	-7.2	22.6
Adjusted EPS (₹)	16.4	10.9	10.3	12.4

Source: Company, ICICIdirect.com Research

Balance sheet

	(₹ Crore)			
(Year-end March)	FY11	FY12	FY13E	FY14E
Liabilities				
Equity Capital	27.1	27.1	31.1	31.1
Reserve and Surplus	2,374.4	2,621.2	2,895.8	3,256.7
Total Shareholders funds	2,401.6	2,648.3	2,927.0	3,287.8
Total Debt	2,773.8	2,955.9	2,577.9	2,012.9
Deferred Tax Liability	205.7	238.1	238.1	238.1
Minority Interest / Others	0.0	0.0	0.0	0.0
Total Liabilities	5,381.1	5,842.3	5,743.0	5,538.8
Assets				
Gross Block	3,546.6	3,960.9	4,010.9	4,060.9
Less: Acc Depreciation	915.6	1,083.4	1,274.7	1,468.4
Net Block	2,631.0	2,877.5	2,736.2	2,592.5
Capital WIP	136.3	280.0	280.0	280.0
Total Fixed Assets	2,767.3	3,157.5	3,016.2	2,872.5
Investments	377.5	142.3	142.3	142.3
Inventory	377.0	395.5	449.3	448.8
Debtors	1,422.9	1,665.3	1,810.3	1,738.3
Loans and Advances	514.5	923.0	839.0	853.0
Other Current Assets	0.0	0.0	0.0	0.0
Cash	986.3	720.5	429.5	503.3
Total Current Assets	3,300.7	3,704.3	3,528.1	3,543.4
Creditors	701.9	786.5	831.4	898.1
Provisions	362.5	375.3	112.2	121.2
Total Current Liabilities	1,064.4	1,161.8	943.6	1,019.4
Net Current Assets	2,236.2	2,542.5	2,584.5	2,524.1
Application of Funds	5,381.1	5,842.3	5,743.0	5,538.8

Source: Company, ICICIdirect.com Research

Cash flow statement

	(₹ Crore)			
(Year-end March)	FY11	FY12	FY13E	FY14E
Profit after Tax	460.0	306.6	266.4	386.3
Add: Depreciation	149.1	167.8	191.3	193.7
(Inc)/dec in Current Assets	-145.6	-669.4	-114.8	58.4
Inc/(dec) in CL and Provisions	263.0	97.3	-218.1	75.8
CF from operating activities	726.5	-97.6	124.8	714.3
(Inc)/dec in Investments	-130.5	235.2	0.0	0.0
(Inc)/dec in Fixed Assets	-694.8	-558.0	-50.0	-50.0
Others	17.5	32.4	0.0	0.0
CF from investing activities	-807.9	-290.4	-50.0	-50.0
Issue/(Buy back) of Equity	0.0	0.0	4.0	0.0
Inc/(dec) in loan funds	143.5	182.1	-378.0	-565.0
Dividend paid & dividend tax	-20.6	-25.5	-25.5	-25.5
Inc/(dec) in Sec. premium	-6.4	0.0	0.0	0.0
Others	21.6	-34.4	33.7	0.0
CF from financing activities	138.1	122.2	-365.8	-590.5
Net Cash flow	56.7	-265.8	-291.0	73.8
Opening Cash	929.5	986.3	720.5	429.5
Closing Cash	986.3	720.5	429.5	503.3

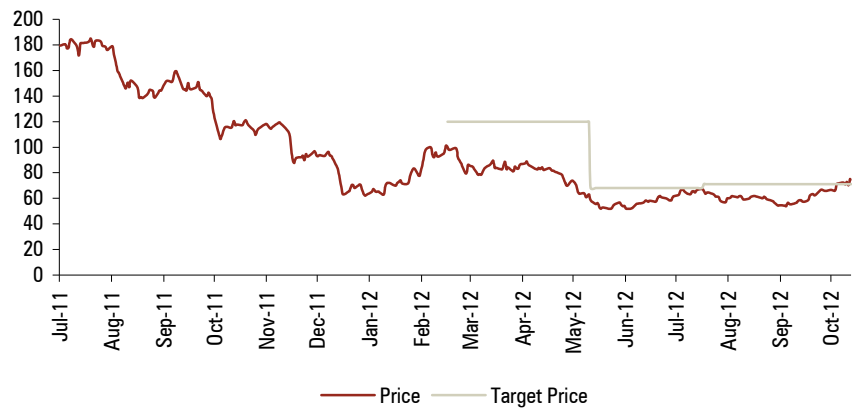
Source: Company, ICICIdirect.com Research

Key ratios

(Year-end March)	FY11	FY12	FY13E	FY14E
Per share data (₹)				
Adjusted EPS	16.4	10.9	10.3	12.4
Cash EPS	22.5	15.2	14.7	18.6
BV	88.6	85.1	94.1	105.7
DPS	0.7	0.7	0.7	0.7
Cash Per Share	36.4	23.2	13.8	16.2
Operating Ratios (%)				
EBITDA Margin	18.2	16.1	15.7	16.6
PAT Margin	9.9	7.6	6.4	7.3
Inventory days	29.3	31.8	31.5	31.0
Debtor days	116.1	137.0	135.0	120.0
Creditor days	57.2	64.7	62.0	62.0
Return Ratios (%)				
RoE	19.2	11.6	9.1	11.8
RoCE	12.9	9.8	10.6	12.9
RoIC	11.4	7.7	7.4	9.8
Valuation Ratios (x)				
P/E	4.1	7.1	8.2	5.6
EV / EBITDA	4.4	6.0	5.4	4.0
EV / Net Sales	0.8	1.0	0.9	0.7
Market Cap / Sales	0.5	0.5	0.4	0.4
Price to Book Value	0.8	0.8	0.7	0.7
Solvency Ratios				
Debt/EBITDA	3.4	4.1	3.3	2.3
Debt / Equity	1.2	1.1	0.9	0.6
Current Ratio	3.1	3.2	3.7	3.5
Quick Ratio	2.2	2.6	3.3	3.0

Source: Company, ICICIdirect.com Research

Exhibit 5: Recommendation History



Source: Company, ICICIdirect.com Research

Exhibit 6: Recent Releases

Date	Event	CMP	Target Price	Rating
16-Feb-12	Initiating Coverage	101	120	BUY
4-Apr-12	Q4FY12 Preview	89	120	BUY
11-May-12	Q4FY12 Result Update	58	68	BUY
5-Jul-12	Q1FY13 Preview	67	68	HOLD
16-Jul-12	Q1FY13 Result Update	67	71	HOLD
8-Oct-12	Q2FY13 Preview	72	71	HOLD

Source: Company, ICICIdirect.com 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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