

## RESULT UPDATE

### MID CAP

#### Share Data

Reuters code	SNTX.BO
Bloomberg code	SINT IN
Market cap. (US\$ mn)	266
6M avg. daily turnover (US\$ mn)	3.6
Issued shares (mn)	313
Target price (Rs)	55

#### Performance (%) 1M 3M 12M

Absolute	15	60	(2)
Relative	14	41	(15)

#### Valuation Ratios (Consolidated)

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	11.7	12.9
+/- (%)	0.3	10.0
PER (x)	4.4	4.0
PBV (x)	0.4	0.4
Dividend/Yield (%)	1.4	1.4
EV/EBITDA (x)	6.1	5.6

#### Major shareholders (%)

Promoters	41
FII's	8
MF's	1
BFSI's	6
Public & Others	44

#### Financial highlights (Consolidated)

(Rs mn)	4QFY13	4QFY14	YoY (%)	3QFY14	YoY (%)	FY13	FY14	YoY (%)	FY15E	YoY (%)	FY16E	YoY (%)
Net sales	14,013	19,831	41.5	13,884	42.8	50,794	58,426	15.0	63,615	8.9	74,762	17.5
EBITDA	1,890	3,574	89.1	2,447	46.1	7,695	9,642	25.3	10,514	9.0	12,465	18.6
EBITDA margin (%)	13.5	18.0	—	17.6	2.3	15.1	16.5	—	16.5	—	16.7	—
Depreciation	546	817	49.5	595	37.3	2,054	2,548	24.0	2,691	5.6	3,544	31.7
Other income	522	95	(81.8)	335	(71.5)	860	774	(9.9)	450	(41.9)	450	—
Interest expense	502	1,058	110.7	774	36.7	1,726	2,894	67.6	2,801	(3.2)	3,058	9.2
Exceptional items	(116)	1	—	(41)	—	(903)	(161)	—	—	—	—	—
PBT	1,247	1,796	44.0	1,372	30.9	3,871	4,814	24.4	5,472	13.7	6,314	15.4
Tax expense	(250)	175	—	535	(67.3)	669	1,180	76.3	1,672	41.6	2,150	28.6
Reported PAT	1,510	1,612	6.8	847	90.3	3,237	3,647	12.6	3,851	5.6	4,234	10.0
Adjusted PAT	1,626	1,611	(0.9)	888	81.4	3,237	3,647	12.6	3,851	5.6	4,234	10.0
Adj. PAT margin (%)	11.6	8.1	—	6.4	27.0	6.4	6.2	—	6.1	—	5.7	—
Adj EPS (Rs)	5.2	5.2	(0.9)	2.9	81.4	10.3	11.6	12.6	11.7	0.3	12.9	10.0

## Sintex Industries

**Maintain Outperformer**

**Price: Rs 51**

**BSE Index: 22,994**

**09 May 2014**

### 4QFY14 Result – Surprises across segments!

Sintex Industries Ltd. (SINT) reported strong 4Q results on the topline and EBITDA front. Net sales rose ~42% to ~Rs 20 bn (+22% versus B&K estimate) driven by strong growth in Prefab and Custom Moulding (CM) businesses as well as ~Rs 3.3 bn from the company's EPC business (earlier part of the monolithic segment as revenue was insignificant). The company has reported positive margin surprises in all business segments. Ex. monolithic (which includes EPC), all segments reported their highest quarterly EBITDA margins over the last 12 quarters. Overall, EBITDA margins improved ~450 bps to ~18% in 4Q. Net income for the quarter at ~Rs 1.6 bn was flat YoY due to doubling of interest expense (~Rs 1.1 bn versus ~Rs 0.5 bn YoY) and reduced other income (~Rs 0.1 bn versus ~Rs 0.5 bn YoY).

During the quarter, promoters have increased their stake in SINT by ~5% to ~41%, and this will further rise to ~46-47% by May end as the remaining amount (~Rs 700 mn; total ~Rs 1 bn) of preferential warrants subscribed by the promoters will be issued. SINT declared a dividend of Re 0.7 per share.

### Outlook and valuation

Improving macroeconomic conditions in India, Europe and the US are key to sustain growth going forward, especially in the prefab and CM businesses. Improving product mix across various industry clients, increased utilisations and cost rationalisations (shifting low cost production to India, diversifying European manufacturing base) will lead to margin improvement in the long run. However, 4Q margin surprises like those in textiles (~30%), monolithic (ex. EPC ~28%), and CM (blended basis ~17%) may not be sustainable. The debt position of the company is also high (~3.8x net debt/EBITDA in FY14, ~4.2x by FY16E) and working capital loans will also increase, as the company stocks on raw materials when the spindles project comes online.

At the current market price, SINT trades at ~5x FY15-16E EV/EBITDA. We maintain our Outperformer rating with a revised target price of Rs 55 (5.8x FY16E EV/EBITDA).

## 4Q EBITDA margins – Difficult to sustain over the long-term

	FY12	FY13	9MFY14	4QFY14	FY14	FY15E	FY16E
<b>Segment revenue (Rs mn)</b>							
Prefabrication	7,220	9,750	8,294	3,440	11,734	13,149	14,727
Custom moulding (Consol)	19,370	23,590	17,758	7,900	25,658	28,509	30,901
Monolithic (incl. EPC)*	10,868	10,024	6,452	6,060	12,512	11,827	10,645
Storage tanks	2,230	2,710	2,160	940	3,100	3,490	3,909
Textiles	4,680	4,720	3,930	1,530	5,460	6,639	14,580
<b>Segment EBITDA margin (%)</b>							
Prefabrication	20.0	19.0	25.0	27.6	25.7	22.5	22.5
Custom moulding (Consol)	14.4	12.4	11.6	17.1	13.3	13.6	14.2
Monolithic (incl. EPC)*	15.0	18.0	15.4	14.7	15.1	14.0	14.0
Storage tanks	10.0	10.8	9.4	14.0	10.8	10.0	10.0
Textiles	23.0	21.0	21.5	30.1	23.9	20.0	19.0

\*Monolithic business includes Sintex's EPC business (4Q revenue ~Rs 3.4 bn/~8% margin) in 4QFY14. This was negligible in the quarters/years before.

## Pipavav spindles project update

SINT expects trial runs to commence in its ~320,000 Pipavav spindles project by January 2015 and begin commercial production in 4QFY15. The company expects revenue of ~Rs 6 bn in 4QFY15 and ~Rs 19 bn in FY16 from the textiles business. The management believes it can maintain margins of ~19% in this business. SINT expects a capex of ~Rs 9 bn in FY15E for the spindles plant (total capex expected ~Rs 18 bn over FY14-15E). As of FY14, SINT's total debt stands at ~Rs 40 bn. We expect this to rise further due to the financing of this project as well working capital (RM procurement) when the project begins commercial production.

## Miscellaneous highlights

- During 4Q, SINT divested its stake in Zep Infratech Ltd., its telecom shelter subsidiary, citing poor prospects going forward. It has not booked either profit or loss in this exit (investment valued at ~Rs 1.8 bn). This divestment has also helped improve prefab margins of SINT.
- EPC order book stands at ~Rs 17 bn. The Shirpur power project will be ready by November 2014. Out of a total value of ~Rs 13 bn of this project, ~Rs 8-9 bn has been executed.
- FY14 capex stands at ~Rs 13.4 bn. Besides the spinning project capex, SINT expects capex of ~Rs 3 bn as operating capex (especially for its overseas business).
- **FY15 management guidance:** Overall 12-15% growth in topline.
  - o **Prefab:** 25-30%.
  - o **CM (Consolidated):** 20%.
  - o **Monolithic:** To reduce to ~Rs 6-6.5 bn.
  - o **Textiles:** ~Rs 6 bn from new spindles project in 4QFY15E.
  - o **Capex:** ~Rs 12 bn.
  - o **Tax rate:** 30-33%.

**Income Statement (Consolidated)**

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
<b>Net sales</b>	<b>50,794</b>	<b>58,426</b>	<b>63,615</b>	<b>74,762</b>
Growth (%)	14.5	15.0	8.9	17.5
Operating expenses	(43,384)	(49,003)	(53,101)	(62,296)
<b>Operating profit</b>	<b>7,410</b>	<b>9,423</b>	<b>10,514</b>	<b>12,465</b>
Other operating income	284	218	0	0
<b>EBITDA</b>	<b>7,695</b>	<b>9,642</b>	<b>10,514</b>	<b>12,465</b>
Growth (%)	9.8	25.3	9.0	18.6
Depreciation	(2,054)	(2,548)	(2,691)	(3,544)
Other income	860	774	450	450
<b>EBIT</b>	<b>6,501</b>	<b>7,869</b>	<b>8,273</b>	<b>9,372</b>
Finance cost	(1,726)	(2,894)	(2,801)	(3,058)
Exceptional & extraordinary	(903)	(161)	0	0
<b>Profit before tax</b>	<b>3,871</b>	<b>4,814</b>	<b>5,472</b>	<b>6,314</b>
Tax (current + deferred)	(669)	(1,180)	(1,672)	(2,150)
<b>P/(L) for the period</b>	<b>3,202</b>	<b>3,634</b>	<b>3,801</b>	<b>4,164</b>
P/L of Associates, Min Int, Pref Div	36	13	50	70
Reported Profit/(Loss)	3,237	3,647	3,851	4,234
Adjusted net profit	3,237	3,647	3,851	4,234
Growth (%)	5.5	12.6	5.6	10.0

**Balance Sheet (Consolidated)**

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	311	311	328	328
Reserves & surplus	30,939	35,127	39,129	43,295
<b>Shareholders' funds</b>	<b>31,250</b>	<b>35,438</b>	<b>39,456</b>	<b>43,623</b>
<b>Non-current liab.</b>	<b>29,617</b>	<b>37,016</b>	<b>37,847</b>	<b>41,547</b>
Long-term borrowings	24,595	32,104	31,615	35,315
Other long term liab, Prov, DTL	5,021	4,912	6,233	6,233
<b>Current liabilities</b>	<b>20,647</b>	<b>19,200</b>	<b>28,021</b>	<b>31,765</b>
Short-term borrowings, Curr Maturity	11,945	8,090	16,609	18,389
Other current liab + provi	8,702	11,111	11,412	13,376
<b>Total (equity and liab.)</b>	<b>81,514</b>	<b>91,655</b>	<b>105,325</b>	<b>116,935</b>
<b>Non-current assets</b>	<b>46,404</b>	<b>59,795</b>	<b>55,574</b>	<b>62,160</b>
Fixed assets (Net block)	32,591	37,403	47,074	52,530
Non-current Investments	705	2,487	705	705
Long-term loans and adv.	10,162	16,920	4,530	5,660
Other non-current assets, DTA, Goodwill	2,946	2,985	3,265	3,265
<b>Current assets</b>	<b>35,110</b>	<b>31,860</b>	<b>49,751</b>	<b>54,775</b>
Cash & current investment	9,500	3,291	1,375	782
Other current assets	25,610	28,569	48,376	53,993
<b>Total (assets)</b>	<b>81,514</b>	<b>91,655</b>	<b>105,325</b>	<b>116,935</b>
Total debt	36,540	40,193	48,224	53,704
Capital employed	72,811	80,544	93,913	103,559

**Cash Flow Statement (Consolidated)**

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
<b>Profit before tax</b>	<b>3,871</b>	<b>4,814</b>	<b>5,472</b>	<b>6,314</b>
Depreciation	2,054	2,548	2,691	3,544
Change in working capital	(6,894)	(7,310)	(7,106)	(4,783)
Total tax paid	(172)	(770)	(1,672)	(2,150)
Others	1,726	2,894	2,351	2,808
<b>Cash flow from oper. (a)</b>	<b>586</b>	<b>2,176</b>	<b>1,736</b>	<b>5,733</b>
Capital expenditure	(5,712)	(7,359)	(12,361)	(9,000)
Change in investments	120	(1,755)	1,782	0
Others	(198)	(22)	170	250
<b>Cash flow from inv. (b)</b>	<b>(5,790)</b>	<b>(9,136)</b>	<b>(10,410)</b>	<b>(8,750)</b>
<b>Free cash flow (a+b)</b>	<b>(5,204)</b>	<b>(6,961)</b>	<b>(8,673)</b>	<b>(3,017)</b>
Equity raised/(repaid)	1,474	0	1,132	0
Debt raised/(repaid)	5,625	3,654	8,030	5,480
Dividend (incl. tax)	(206)	(255)	(255)	(268)
Others	7	(2,620)	(2,150)	(2,788)
<b>Cash flow from fin. (c)</b>	<b>6,900</b>	<b>778</b>	<b>6,757</b>	<b>2,424</b>
<b>Net chg in cash (a+b+c)</b>	<b>1,696</b>	<b>(6,182)</b>	<b>(1,916)</b>	<b>(593)</b>

**Key Ratios (Consolidated)**

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	10.3	11.6	11.7	12.9
Growth	(8.0)	12.6	0.3	10.0
CEPS (Rs)	16.9	19.8	19.9	23.6
Book NAV/share (Rs)	99.8	113.2	119.7	132.4
Dividend/share (Rs)	0.7	0.7	0.7	0.7
Dividend payout ratio	7.9	7.0	7.0	6.3
EBITDA margin	15.1	16.5	16.5	16.7
EBIT margin	12.8	13.5	13.0	12.5
Tax Rate	17.3	24.5	30.5	34.0
RoCE	9.8	10.3	9.5	9.5
Net debt/Equity (x)	0.9	1.0	1.2	1.2
Net Debt/EBITDA (x)	3.5	3.8	4.5	4.2
<b>Du Pont Analysis - ROE</b>				
Net margin	6.4	6.2	6.1	5.7
Asset turnover (x)	0.7	0.7	0.6	0.7
Leverage factor (x)	2.6	2.6	2.6	2.7
Return on equity	11.2	10.9	10.3	10.2

**Valuations (Consolidated)**

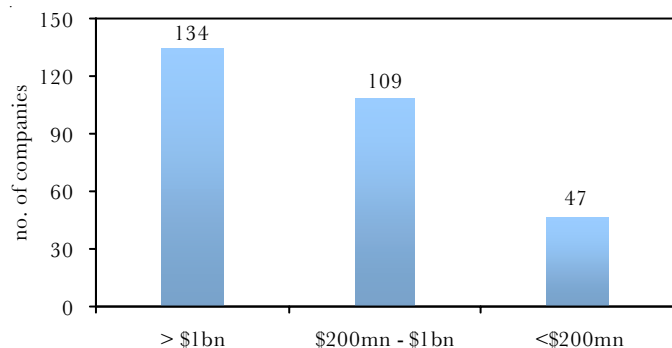
Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	4.5	3.7	4.4	4.0
PCE	2.7	2.2	2.6	2.2
Price/Book	0.5	0.4	0.4	0.4
Yield (%)	1.5	1.6	1.4	1.4
EV/EBITDA	5.4	5.2	6.1	5.6

**Resham Jain, CFA**  
**resham.jain@bksec.com**  
**+91-22-4031 7133**

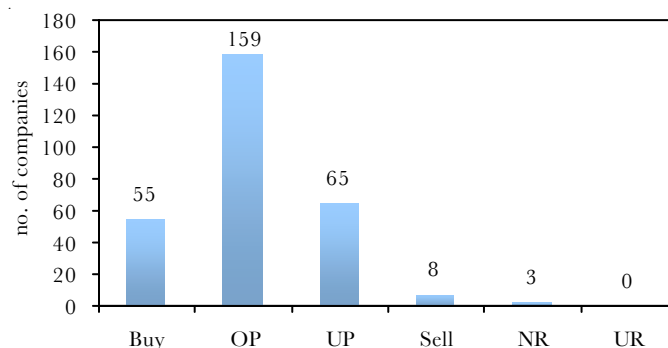
**Aasim Bharde**  
**aasim.bharde@bksec.com**  
**+91-22-4031 7135**

## B&K Universe Profile

**By Market Cap (US\$ mn)**



**By Recommendation**



**B&K Securities is the trading name of Bativala & Karani Securities India Pvt. Ltd.**

### B&K Investment Ratings

- |  |   |
|--|---|
| 1. <b>BUY:</b> Potential upside of > +25% (absolute returns) | 3. <b>UNDERPERFORMER:</b> 0 to -25%                             |
| 2. <b>OUTPERFORMER:</b> 0 to +25%                            | 4. <b>SELL:</b> Potential downside of < -25% (absolute returns) |

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**Equity Research Division:** City Ice Bldg, 298, Ground/1st Floor, Perin Nariman Street, Behind RBI, Fort, Mumbai - 400 001, India. Tel.: 91-22-4031 7000, Fax: 91-22-2263 5020/30.  
**Registered Office:** Room No. 3/4, 7 Lyons Range, Kolkata - 700 001. Tel.: 91-33-2243 7902.

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