



## Sintex Plastics Technology Ltd.

### Q4 FY18 Quarterly Update

#### MARKET DATA

NSE TICKER	SPTL
Networth FY18 (Rs in Crs)	3560
P/BV Ratio (FY18) (x)	1.01
EPS (FY18 )(Rs.)	4
Market Price (Rs.)	51.2
P/E Ratio (FY18) (x)	17.53
52 Week High (Rs)	136.5
52 Week Low (Rs)	49.9
Market Capitalisation (Rs. Cr)	3143

#### AVERAGE MONTHLY VOLUME ('000)

BSE	524
NSE	2730

#### SHARE HOLDING PATTERN

Promoter	32
FII	18
DII	1.5
Public	48.5

RETURN (%)	3M	6M	12M
Sintex Plastics	-16	-27	-35
Sensex	4.5	3.8	10.3

\*Since listing 8<sup>th</sup>Aug, 2017

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#### Financial performance during FY18:

The revenue during the year declined by 5% to 5536cr mainly due to the poor performance of the infra division. The EBITDA declined from 1000cr to 780cr which was largely due to poor contribution from infra division. PAT declined from 430cr to 180cr. The decline in PAT was due to reduction in profitability of infra division (270cr) and due to one-time non-recurring expense of 136cr.

#### Poor performance of Infra Division:

The revenue contributed by infra segment declined from 2052cr to 1718cr and this decline is expected to continue. Moving ahead, the company expects to see revenue contribution of this division to stabilise at 850 to 1000cr. This decline was due to reduced contribution from government orders; a conscious decision was taken by management to reduce focus on government orders which act as a strain on working capital. Currently the firm is focusing only on those pending government orders needed to complete contracts and free bank guarantees and monetize the accounts receivable from government (10-15% of orders executed).

#### Exceptional Items:

One time exceptional items include a demerger expense of 45cr where Sintex Plastics Technology Limited was demerged from Sintex Industries. The firm shut down operations at 4 US plants (employing 440 people) that were unprofitable at the EBITDA level. The equipment from those plants was moved to India; this move is expected to boost profitability but incurred a one-time expense of 45cr. The US locations are now only being used for logistics purposes. There was also a prepayment penalty of 47cr associated with refinancing of long term debt

#### Agreement with KKR:

To reduce interest costs, the firm has entered into an agreement with KKR for long term loans. The contract amount is 1250cr of which 1180cr has already been received. This incurred a one-time prepayment exceptional charge of 47cr. This move is expected to reduce cost of borrowing from 10% to 8.5%. Cash flows will be enhanced as the interest level in the first 3 years will be 4-5% and the interest burden will shoot up following that period. The net reduction in interest will be 75cr per year for the first 3 years. There is no principal payment required in the first 3 years which should boost cash available to pay back other long term loans. Furthermore, KKR will get a board seat and this should enhance corporate governance.

#### Quarterly Performance:

Particulars (Rs in crs)	Q4 FY18	Q3 FY18	QoQ (%)	FY18	FY17	Y-o-Y
Net Sales	1323.4	1347.1	-2%	5594.4	5870.5	-5%
RM Consumed	709.5	769.0	-8%	3177.0	3145.7	1%
RM as % Sales	53.61%	57.09%	-348 bps	56.79%	53.59%	320 bps
Employee Cost	198.3	183.2	8%	703.9	677.3	4%
Other Expenses	266.9	795.7	-66%	929.7	994.0	-6%
EBITDA	148.8	28.8	417%	783.7	1053.5	-26%
EBITDA Margin	11.24%	2.14%	+911 bps	14.01%	17.95%	-394 bps
Interest	85.2	73.5	16%	300.1	261.9	15%
PBT	1.3	65.1	-98%	196.1	568.7	-66%
Tax	-32.2	13.3	-342%	15.4	135.0	-89%
PAT	33.5	51.8	-35%	226.7	433.7	-48%
EPS	0.56	0.89	-37%	4.0	7.8	-49%



## Outlook:

Strong growth is expected in the retail sector (products include water tanks, factory made doors, dust bins), institutional sector (especially in auto and electrical), and foreign division (aerospace, electrical, and renewable energy) The company will set up 2 new plants in Hosur and Gujarat to cater to the needs of auto clients The sale from these fast growing divisions is expected to compensate the shrinking infra division. In the infra division, firm will focus on private sales to institutional clients

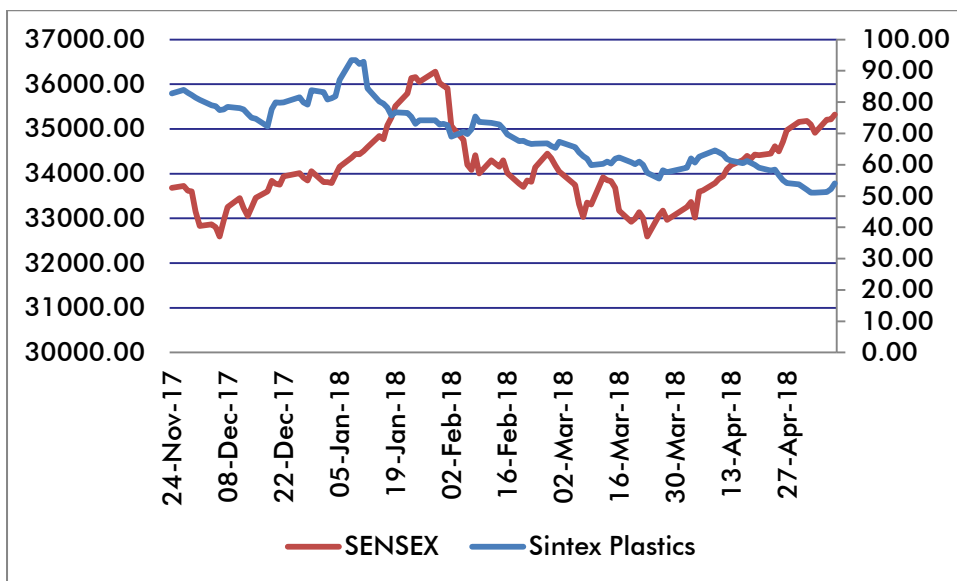
## Focus on improving free cash flow:

Sintex Plastics has a strong focus on improving the free cash flow and paying back debt. Capex will also be sharply reduced- the capex in FY18 was 166cr compared to over 600cr in FY17. Moving ahead the firm has a target capex of less than 200cr every year. The firm is also focused on reducing government sales in infra division which is working capital intensive. The refinancing of long term loans with KKR will help reduce interest expense. The firm has a target Debt/EBITDA ratio of 2-2.2 and is confident of achieving it by 2020. To help achieve this target, a preferential allotment of equity is being carried out at a share price of Rs90. 288cr has already been subscribed and another 312cr will be subscribed by December 2019.

## Valuation & View:

We are valuing Sintex Plastics Technology on a PE multiple basis. We value the company with a price objective of Rs.64.8 using a PE multiple of 15x based on FY19E EPS of 4.32. The forecasted EPS has been reduced from 6.38 due to management guidance of sharp decline in sales of the infra division. The reduced earnings have been partially offset by reduced interest expense and lower capex outflow. The target price implies an upside of 26.5%.

## Share Price:





Sintex Plastics Technology, Ltd.- Statement of Profit & Loss				
DESCRIPTION	FY17	FY18	FY19E	FY20E
Net Sales	6041.0	5701.0	5695.5	5921.4
<b>EXPENDITURE :</b>				
Raw Material Consumed	3408.4	3229.6	3130.6	3162.0
Power & Fuel Cost	106.4	120.5	132.8	150.8
Employee Cost	740.6	792.5	839.6	889.6
Other Operating Expenses	772.5	785.8	804.3	861.2
<b>EBITDA(Excl OI)</b>	<b>1013.2</b>	<b>772.6</b>	<b>788.1</b>	<b>857.8</b>
<b>EBITDA Margin</b>	<b>16.8%</b>	<b>13.6%</b>	<b>13.8%</b>	<b>14.5%</b>
Depreciation	230.0	208.4	206.3	204.5
<b>EBIT</b>	<b>783.1</b>	<b>564.2</b>	<b>581.9</b>	<b>653.4</b>
Other Income	35.0	65.1	64.4	65.4
Interest	263.3	298.1	236.7	209.2
PBT before exceptional item	554.9	331.1	409.5	509.6
Exceptional Item	0.0	-137.0	0.0	0.0
<b>PBT</b>	<b>554.9</b>	<b>194.1</b>	<b>409.5</b>	<b>509.6</b>
Provision for Tax	135.0	15.4	141.7	176.4
Minority Interest	0.7	0.7	0.7	0.7
<b>Profit After Tax</b>	<b>420.6</b>	<b>179.4</b>	<b>268.5</b>	<b>334.0</b>
<b>Earnings Per Share</b>	<b>7.6</b>	<b>2.9</b>	<b>4.3</b>	<b>5.3</b>

Sintex Plastics Technology, Ltd.- Balance Sheet				
DESCRIPTION	FY17	FY18	FY19E	FY20E
Equity Share Capital	55.5	61.5	62.1	62.8
Total Reserves	3058.7	3776.5	4106.1	4501.2
<b>Shareholder's Funds</b>	<b>3114.2</b>	<b>3837.9</b>	<b>4168.2</b>	<b>4564.0</b>
<b>Minority Interest</b>	<b>1.6</b>	<b>2.3</b>	<b>3.0</b>	<b>3.7</b>
Total Borrowings	3488.1	2769.8	2447.2	2055.3
Other Long Term Liabilities	426.3	413.6	413.4	421.8
<b>Total Non-Current Liabilities</b>	<b>3914.4</b>	<b>3183.4</b>	<b>2860.5</b>	<b>2477.0</b>
Trade Payables	841.1	805.2	780.5	788.3
Other Current Liabilities	1067.7	976.1	975.1	1013.8
<b>Total Current Liabilities</b>	<b>1908.8</b>	<b>1781.3</b>	<b>1755.6</b>	<b>1802.2</b>
<b>Total Liabilities</b>	<b>8938.9</b>	<b>8804.9</b>	<b>8787.3</b>	<b>8846.8</b>
Fixed Assets	5885.2	5863.6	5848.2	5838.7
Other Non Current Assets	543.1	520.0	528.5	538.6
<b>Total Non-Current Assets</b>	<b>6428.3</b>	<b>6383.7</b>	<b>6376.7</b>	<b>6377.3</b>
Inventories	547.3	522.0	506.0	511.1
Sundry Debtors	1245.9	1171.4	1170.3	1216.7
Cash and Bank	174.4	150.0	150.0	150.0
Other Current Assets	543.0	577.7	584.3	591.7
<b>Total Current Assets</b>	<b>2511</b>	<b>2421</b>	<b>2411</b>	<b>2470</b>
<b>Total Assets</b>	<b>8938.9</b>	<b>8804.9</b>	<b>8787.3</b>	<b>8846.8</b>



Sintex Plastics Technology. Ltd.- Key Ratios				
DESCRIPTION	FY17	FY18	FY19E	FY20E
EBITDAM (%)	16.8	13.6	13.8	14.5
ROE (%)	13.5	5.2	6.7	7.6
ROCE (%)	11.9	8.5	8.8	9.9
Inventory Turnover(x)	11.0	10.7	11.1	11.6
Debtors Turnover(x)	4.8	4.7	4.9	5.0
Fixed Asset Turnover (x)	1.0	1.0	1.0	1.0
Receivable days	75	75	75	75
Inventory Days	59	59	59	59
Payable days	90	91	91	91
Total Debt/Equity(x)	1.1	0.7	0.6	0.5
Current Ratio(x)	1.2	1.3	1.3	1.3
Adjusted P/E Ratio	6.8	17.5	11.8	9.6
Price/ Book value	0.9	0.8	0.8	0.7

Sintex Plastics Technology. Ltd- Cash Flow				
DESCRIPTION	FY17	FY18	FY19E	FY20E
PBT (ex OI)+ Depreciation	750.6	338.1	552.1	649.4
Tax Paid	-135.0	-15.4	-141.7	-176.4
Changes in Working Capital	71.2	-52.1	-23.7	-14.1
<b>Cash Flow from Operations</b>	<b>686.8</b>	<b>270.6</b>	<b>386.6</b>	<b>458.9</b>
<b>Cash Flow from Investing</b>	<b>-660.8</b>	<b>-186.8</b>	<b>-190.9</b>	<b>-195.0</b>
Dividend Paid (Eq + Pref)	0.0	0.0	0.0	0.0
Other Income	35.0	65.1	64.4	65.4
Free Cash Flow	61.1	148.9	260.1	329.4
<b>Cash Flow from Financing</b>	<b>-368.4</b>	<b>-718.3</b>	<b>-322.7</b>	<b>-391.9</b>
Opening Cash	NA	174.4	150.0	150.0
<b>Closing Cash</b>	<b>174.4</b>	<b>150.0</b>	<b>150.0</b>	<b>150.0</b>



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