



Sintex Plastics Technology Ltd.

Q1 FY19 Quarterly Update

MARKET DATA

NSE TICKER	SPTL
Networth FY18 (Rs in Crs)	3837
P/BV Ratio (FY18) (x)	0.6
EPS (FY18)(Rs.)	2.9
Market Price (Rs.)	38.45
P/E Ratio (FY18) (x)	13.17
52 Week High (Rs)	136.5
52 Week Low (Rs)	29.5
Market Capitalisation (Rs. Cr)	2356

AVERAGE MONTHLY VOLUME ('000)

BSE	358
NSE	2099

SHARE HOLDING PATTERN

Promoter	32
FII	18.5
DII	1
Public	48.5

RETURN (%)	3M	6M	12M
Sintex Plastics	-31	-49	-66
Sensex	5	1	14

*Since listing 8thAug, 2017

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Financial Performance:

Sales declined 14.4% YoY and increased by 2.5% QoQ. The decline in sales was largely due to a sharp reduction in the prefab business division (down 50% YoY). The decline is due to management strategy of reduced focus on this capital intensive business. The EBIT margin of the custom moulding division declined by 130BPs to 8% while the EBIT margin of the prefab business shrunk by almost 50% to 7.5%. The margins declined as employee expenses grew by 7% in spite of a reduction in top line. The employee costs increased due to company initiative of creation of separate divisions with individual focus to drive sales. Also, the operating and manufacturing costs were concentrated on a smaller base and this pressurized margins. EBITDA margins declined 270 BPs to 12.3%. PAT declined by 45% to 37.5cr

Urea Tanks for Vehicles- Large opportunity

The company expects a boost from the implementation of BS VI norms as Sintex is the only Indian company that makes urea tanks. Urea tanks will be used in all diesel vehicles (PV, CV, tractors) compliant with BS VI norms. These rules are expected to come into action in June 2020 but the date keeps getting pushed back. Peak demand for this product is expected from September 2019. All customers are taking trial supplies now. Annual capacity of Sintex will be 300cr and expected market share is 25%. 2 other manufacturers in China and one in Korea may be alternate suppliers for this product.

Company Initiatives:

Custom moulding business segment has been split into retail and institutional divisions with separate CEOs for each division. Retail product lines include tanks and factory made doors while institutional product lines include electrical products, sandwich panels, underground tanks, and automotive components. The firm has reduced focus on the government business which is asset heavy and has substantially reduced capex from 200cr guidance in FY18 to 166cr. In Q1FY19, firm has incurred a capex of only 21cr. The business has also turned free cash positive and has used the generated cash in the reduction of debt. 2 new locations (Gujarat and Hosur) are being set up in an asset light manner with leased facilities. These facilities are included in the capex guidance of 200cr

Quarterly Performance:

Particulars (RS in crs)	Q1 FY19	Q1 FY18	QoQ (%)	FY18	FY17	Y-o-Y
Net Sales	1325	1509	-12%	5594	5870	-5%
RM Consumed	720	892	-19%	3177	3145	1%
RM as % Sales	54.3%	59.1%	-481 bps	56.9%	53.6%	320 bps
Employee Cost	207	176	18%	703	677	4%
Other Expenses	236	209	13%	929	994	-6%
EBITDA	163	232	-30%	783	1053	-26%
EBITDA Margin	12.28%	15.38%	-309 bps	14%	18%	-394 bps
Interest	77	67	14%	300	261	15%
PBT	34	110	-69%	196	568	-66%
Tax	-3	39	-108%	15	135	-89%
PAT	38	71	-47%	226	433	-48%
EPS	0.61	1.24	-51%	2.9	7.6	-49%



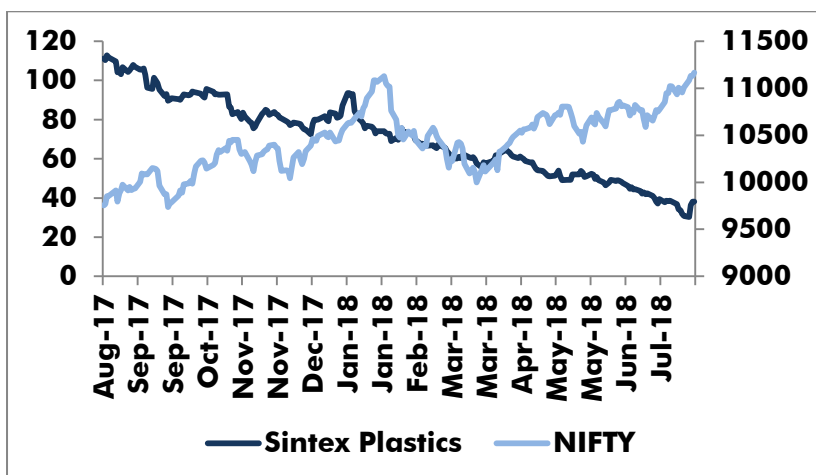
Changes in Model:

- The PE multiple has been reduced from 15 to 14 to account for the market sentiment for mid cap stocks
- The EBITDA margin has been significantly reduced for the prefab division and has been slightly reduced for the custom moulding division to take into account current results
- In line with management guidance, in the model used earlier, for the prefab division the revenue had declined over a period of 2 years from 1600cr to 800cr; now a 52% reduction is taken in FY19 and 10% reduction in FY19 based on most recent concall
- The valuation takes into account equity dilution via warrants even though the conversion price is 90 but does not take into account conversion of remaining amount of FCCB (\$67 million outstanding). The rate of conversion of FCCBs is Rs 92.16 per share, upon which the bondholders would get 1 share of Sintex Plastics Technology and 1 share of Sintex Industries Ltd (current combined price is 52.15)

Valuation & View:

We are valuing Sintex Plastics Technology on a PE multiple basis. We value the company with a price objective of Rs.50 using a PE multiple of 14x based on FY20E EPS of 3.6.

Share Price:



Conference Call Highlights:

- Management has given EPS target of 3.5 in FY19 and 6 in FY20 (without considering dilution by warrant conversion)
- Depreciation will be 220cr and interest cost will be 280cr in FY19 (pay-out will be 40cr lesser). Finance cost on P&L overstates actual cash outflow as KKR loan does not need to be repaid right way. The entire KKR loan was used for refinancing older loans
- 750cr EBITDA target for FY19
- Debt reduction target of 300-400cr this year- from cash flow generated as well as from warrants by promoters
- Net debt-3164cr and gross debt 3872cr as of this quarter
- Currency impact was not significant as rupee has not depreciated much against the euro (average rate for the year)
- Domestic custom moulding is 460cr, international custom moulding is 610cr, and prefab business is 277cr
- Employee costs increased as 2 separate divisions were created to target growth. Management expects employee cost/sales to reduce in the future as sales increase
- Excluding excise the growth in custom moulding has been greater than 20%
- Average capacity utilisation will be in the range of 65-70% (varies from machine to machine)
- Cash flow from operations for the quarter was 91cr
- The company currently has large amount of cash on books (708cr) as it is negotiating with banks for prepayment of debt



Sintex Plastics Technology, Ltd.- Statement of Profit & Loss				
DESCRIPTION	FY17	FY18	FY19E	FY20E
Net Sales	6041.0	5701.0	5156.8	5571.3
EXPENDITURE :				
Raw Material Consumed	3408.4	3229.6	2748.1	2925.3
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	811.1	876.7
EBITDA(Excl OI)	1013.2	772.6	625.2	728.9
EBITDA Margin	16.8%	13.6%	12.1%	13.1%
Depreciation	230.0	208.4	206.3	204.5
EBIT	783.1	564.2	418.9	524.5
Other Income	35.0	65.1	64.4	65.3
Interest	263.3	298.1	236.7	226.2
PBT before exceptional item	554.9	331.1	246.5	363.6
Exceptional Item	0.0	-137.0	0.0	0.0
PBT	554.9	194.1	246.5	363.6
Provision for Tax	135.0	15.4	85.3	125.8
Minority Interest	0.7	0.7	0.7	0.7
Profit After Tax	420.6	179.4	161.9	238.5
Earnings Per Share	7.6	2.9	2.6	3.6

Sintex Plastics Technology, Ltd.- Balance Sheet				
DESCRIPTION	FY17	FY18	FY19E	FY20E
Equity Share Capital	55.5	61.5	61.5	66.1
Total Reserves	3058.7	3776.5	3937.7	4587.3
Shareholder's Funds	3114.2	3837.9	3999.2	4653.3
Minority Interest	1.6	2.3	3.0	3.7
Total Borrowings	3488.1	2769.8	2646.4	1984.5
Other Long Term Liabilities	426.3	413.6	393.3	408.7
Total Non-Current Liabilities	3914.4	3183.4	3039.7	2393.2
Trade Payables	841.1	805.2	685.1	729.3
Other Current Liabilities	1067.7	976.1	882.9	953.9
Total Current Liabilities	1908.8	1781.3	1568.1	1683.2
Total Liabilities	8938.9	8804.9	8609.9	8733.4
Fixed Assets	5885.2	5863.6	5848.2	5838.7
Other Non Current Assets	543.1	520.0	524.9	536.3
Total Non-Current Assets	6428.3	6383.7	6373.1	6375.0
Inventories	547.3	522.0	444.2	472.9
Sundry Debtors	1245.9	1171.4	1059.6	1144.8
Cash and Bank	174.4	150.0	150.0	150.0
Other Current Assets	543.0	577.7	583.0	590.8
Total Current Assets	2511	2421	2237	2358
Total Assets	8938.9	8804.9	8609.9	8733.4



Sintex Plastics Technology. Ltd.- Key Ratios				
DESCRIPTION	FY17	FY18	FY19E	FY20E
EBITDAM (%)	16.8	13.6	12.1	13.1
ROE (%)	13.5	5.2	4.1	5.5
ROCE (%)	11.9	8.5	6.3	7.9
Inventory Turnover(x)	11.0	10.7	10.7	12.2
Debtors Turnover(x)	4.8	4.7	4.6	5.1
Fixed Asset Turnover (x)	1.0	1.0	0.9	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	0.7	0.4
Current Ratio(x)	1.2	1.3	1.3	1.3
Adjusted P/E Ratio	5.1	13.2	14.6	10.7
Price/ Book value	0.7	0.6	0.6	0.5

Sintex Plastics Technology. Ltd- Cash Flow				
DESCRIPTION	FY17	FY18	FY19E	FY20E
PBT (ex OI)+ Depreciation	750.6	338.1	389.1	503.5
Tax Paid	-135.0	-15.4	-85.3	-125.8
Changes in Working Capital	71.2	-52.1	-53.9	-2.5
Cash Flow from Operations	686.8	270.6	249.9	375.2
Cash Flow from Investing	-660.8	-186.8	-190.9	-195.0
Dividend Paid (Eq + Pref)	0.0	0.0	0.0	0.0
Other Income	35.0	65.1	64.4	65.3
Free Cash Flow	61.1	148.9	123.4	245.5
Cash Flow from Financing	-368.4	-718.3	-123.4	-661.9
Opening Cash	NA	174.4	150.0	150.0
Closing Cash	174.4	150.0	150.0	150.0



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