

July 26, 2013

**SINTEX INDUSTRIES LTD.**

BSE Code: 502742 NSE Code: SINTEX Reuters Code: SINTX.NS Bloomberg Code: SINT:IN

Sintex Industries Ltd (SINTEX) operates in two business segments: Plastics and Textile. Its Textile segment is engaged in the manufacture of fabric and yarn. The Company's Plastics segment is engaged in the manufacture of water tanks, doors, windows, prefabricated structures, sections, BT shelters and custom moulding. The Company had installed capacity to produce 4.99 crore kilograms of Thermoplastic Powder Moulding and 3.88 crore kilograms of Extruded Thermo-Plastic Sections.

### Investor's Rationale

**Topline grew 4.4% YoY on marginal growth in textile and plastic segment** – SINTEX, registered a below than market expected result on consolidated basis wherein topline grew by 4.4% YoY at ₹11,239mn against ₹10,764mn mainly due to marginal growth in its plastic and textile segment which grew by 4.8% and 0.9% at ₹10,166mn and ₹1,115mn respectively. While unallocated segment grew by 107.6% YoY at ₹87mn. Moreover, prefab and overseas custom moulding business reported revenue growth of ~19.1% and ~22.8% YoY, respectively.

**EBITDA margin contracted by 217bps on higher employee cost** – The EBITDA of the company decreased by 9.4% YoY at ₹1,609mn mainly due to higher employee cost (9.7% YoY at ₹1,537mn). Further, raw material cost also increased 1.5% YoY at ₹6,007mn while other expenses declined 1.5% YoY at ₹1,612mn. Thus, OPM contracted by 217bps YoY at 14.3% against 16.4%.

**Net profit grew marginally on lower foreign exchange loss** – SINTEX registered a marginal growth in its net profit by 2.0% YoY at ₹460mn against ₹451mn primarily on the account of lower foreign exchange loss of ₹37mn against ₹288.6 mn in a year ago quarter. Meanwhile, robust growth in other income by 107.6% YoY to ₹86.8mn also assisted the bottom-line performance. While, depreciation and interest cost grew by 16.7% and 22.8% to ₹563.7mn and ₹434.4mn respectively. Thus, NPM contracted by 11bps YoY at 4.0% against 4.2%.

**Textile division's expansion plan** – SINTEX plans to set up a spinning unit of the textile division in Gujarat on the back of new textile policy wherein substantial subsidies in tax and interest costs are being provided. The proposed 3,00,000 spindle spinning project will entail a capex of ~₹18bn and is expected to take nearly 2 years to complete. However, we believe, this is certainly going to put pressure on the debt burden, thereby impacting return ratios during its implementation phase.

### Market Data

Rating	BUY	
CMP (₹)	31	
Target Price	35	
Stop Loss	29	
Duration	Short-term	
52-week High-Low (₹)	75.6/30.4	
Rise from 52WL (%)	1.8	
Correction from 52WH (%)	59.1	
Beta	1.5	
1 year Average Volume (mn)	3.6	
Stock Return (%)	3M-	(34.8)
	6M-	(51.2)
	1Y-	(51.0)
Market Cap (₹bn)	9.7	
Book Value (₹)	83.3	

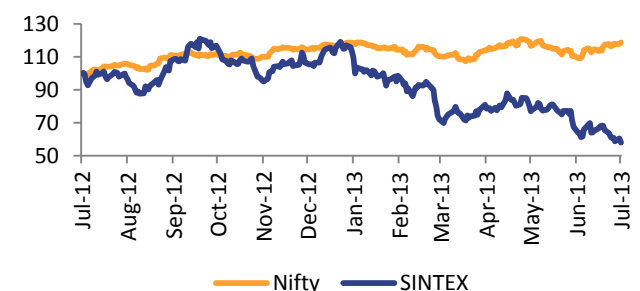
### Shareholding Pattern

	Jun'13	Mar'13	Chg
Promoters (%)	36.16	36.16	0.00
FII (%)	24.76	22.95	1.81
DII (%)	8.29	12.04	(3.75)
Public & Others (%)	30.79	28.85	1.94

### Quarterly Performance (Consolidated)

(₹Mn)	Q1 FY'14	Q1 FY'13	Q4 FY'13	YoY Change(%)	QoQ Change(%)
Sales	11,239	10,764	13,967	4.4	(19.5)
Op. exp	9,672	9,030	12,123	7.1	(20.2)
EBITDA	1,609	1,776	1,890	(9.4)	(14.8)
OPM (%)	14.3	16.4	13.5	(217bps)	78bps
Net profit	460	451	1,497	2.0	(69.3)
NPM (%)	4.0	4.2	10.3	(11bps)	(630bps)
EPS (₹)	1.5	1.7	5.3	(12.8)	(71.6)

### One Year Price Chart





Indbank Merchant Banking Services Ltd.  
I Floor, Khiviraj Complex I,  
No.480, Anna Salai, Nandanam, Chennai 600035  
Telephone No: 044 – 24313094 - 97  
Fax No: 044 – 24313093  
[www.indbankonline.com](http://www.indbankonline.com)

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