

## Sintex Industries - Buy

**Price - Rs260**  
**Target Price - Rs369**

### Performance Highlights

**Domestic plastic business picking up; Revenues in line:** Sintex Industries' (Sintex) consolidated Net Sales grew by 3.4% to Rs848cr (Rs820cr) in 3QFY2010; however, sequentially they grew by 18.5%, in line with our estimates. The strong sequential revenue growth was largely led by the domestic single storey pre-fabs and the domestic custom moulding segments, due to better capacity utilisation and a pick-up in orders. The monolithic segment witnessed a moderate yoy growth of 1.6%, much below our expectation, due to slower execution. The management has maintained its annual revenue guidance of ~Rs700cr. Standalone BT Shelters and the textile segment continue to drag the revenues. The benefit of higher raw materials prices will kick-in from the ensuing quarters, thereby boosting Sintex's Top-Line.

**Operational performance impacted by a lower contribution from the textile and monolithic segments:** Sintex's 3QFY2010 consolidated Operating profit stood at Rs 126.9cr (Rs127.3cr), flat yoy. The OPM for the quarter stood at 15.0%, 50bp down yoy and 320bp down qoq, due to lower contribution from the high margin monolithic and textile segments. The international business continued to show stability in its operating margins, due to the ongoing integration process. The EBIT margin for the Plastic segment was higher by 85bp yoy, but lower by 308bp qoq, on account of a lower contribution from the high margin monolithic segment. The quarterly margins are not a fair indicator, due to the lumpiness of its monolithic business and we expect a high contribution from the segment in 4QFY2010. The EBIT Margin in the Textile segment, which continues to remain weak, declined by 1,345bp yoy; but improved by 349bp qoq, on account of improving capacity utilisation.

**Management maintains its FY2010 guidance:** The management has maintained its annual revenue guidance of Rs3,300cr and of a 5% yoy PAT growth in FY2010. As on 2QFY2010, Sintex has a cash balance of Rs1,100cr and debt of Rs1,900cr on its books; thus sufficiently funded for capex and for acquisitions.

### Outlook and Valuation

Sintex's higher exposure to government orders provides it with higher visibility and a lesser risk of cancellation in the domestic plastic segment. The Monolithic segment has an order book

position of around Rs1,500cr. Going ahead, we expect the company's business to be primarily driven by its domestic plastic segment, on account of the government's higher thrust on infrastructure and a pick-up in private capex.

We expect growth to accelerate in the ensuing quarters, as the company starts passing on the higher input prices to its customers; additionally, the recovery in the domestic auto and electrical segments will boost its custom moulding segment. We believe that Sintex will resume its historical growth trajectory from FY2011 onwards. The integration of foreign subsidiaries will act as a key catalyst for the stock's performance. However, early signs of margin recovery is already visible.

At Rs260, the stock is currently trading at 7.7x its FY2012E Earnings and at 1.4x its FY2012E Book Value. Historically, Sintex has traded at 13.6x its one-year forward average (two, three and five-year) P/E, which makes the current valuations attractive. Moreover, its fundamentals have been strengthened with a well-capitalised balance sheet, strong revenue visibility (monolithic order book of Rs1,500cr), and a demand revival in its domestic plastic segment. **We maintain a Buy on the stock, with a Target Price of Rs369.**

### Key Financials

Y/E March (Rs cr)	FY2009	FY2010E	FY2011E	FY2012E
<b>Net Sales</b>	<b>3,136</b>	<b>3,280</b>	<b>3,845</b>	<b>4,595</b>
% chg	35.5	4.6	17.2	19.5
<b>Net Profit</b>	<b>325.1</b>	<b>306.5</b>	<b>375.8</b>	<b>455.6</b>
% chg	41.2	(5.7)	22.6	21.3
EBITDA Margin (%)	16.6	16.2	16.9	17.5
<b>FDEPS (Rs)</b>	<b>24.0</b>	<b>22.6</b>	<b>27.7</b>	<b>33.6</b>
P/E (x)	10.8	11.5	9.4	7.7
P/BV (x)	2.4	2.0	1.7	1.4
RoE (%)	19.1	15.7	16.3	16.6
RoACE (%)	10.6	9.2	11.0	12.9
EV/Sales (x)	1.4	1.4	1.2	1.0
EV/EBITDA (x)	8.6	8.7	7.2	5.5

Source: Company, Angel Research; Price as on January 14, 2010

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**Note: Please refer important 'Stock Holding Disclosure' report on Angel web-site (Research Section).**

### Ratings (Returns) :

Buy (> 15%)  
Reduce (-5% to -15%)

Accumulate (5% to 15%)  
Sell (< -15%)

Neutral (-5 to 5%)

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