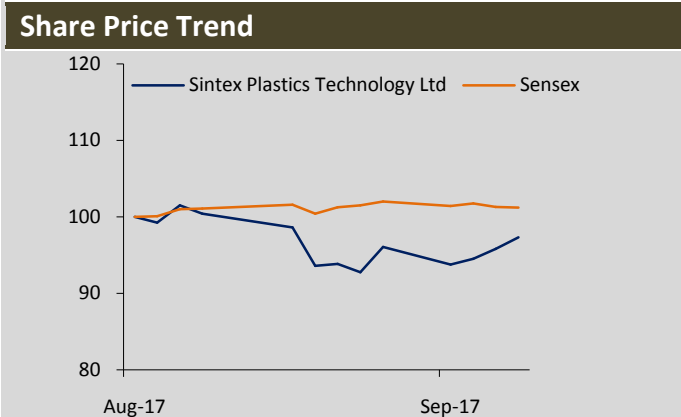


Sector	Plastic Products
Recommendation	Upside
BUY	36.6%

Stock Data	
Sensex	31,663
52 Week h/l (₹):	137 / 101
Market cap (₹ Cr) :	5,810
BSE code:	540653
NSE code:	SPTL
FV (Rs):	1
Div yield (%):	--

Shareholding Pattern			
	Sep-16	Dec-16	Aug-17
Promoters	--	--	30.6
DII+FII	--	--	26.6
Individuals	--	--	42.8

Source: Source: www.bseindia.com



Prices as on 07/09/2017

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Reshuffle to result in value unlocking

Sintex Plastic Technology (SPTL) was established by transferring the Plastic (Custom Molding) business and the Prefab & Infra business of Sintex Industries to Sintex BAPL and Sintex Prefab & Infra respectively that are 100% subsidiaries of SPTL (see exhibit 1 for revenues). We believe that this move will unlock value for the Plastics business as it will be re-rated on account of better operational metrics. The Prefab business stands to benefit from increasing corporate and government spends on social initiatives and is ready to capitalize on the opportunity owing to its pan India manufacturing (cost benefits) and distribution presence. Custom Molding business caters to major global OEMs across geographies (in diversified user industries), which will enable it to gain from increasing application of composite plastics.

Composite substitution in Auto/Aerospace/Elec. components to aid revenue growth

87% of STPL's FY17 Custom Molding business revenue comes from industrial verticals, which is purely composites (generally fibers + polymers). SPTL caters to Indian/global auto OEMs that contribute ~33% to Industrial Customs Molding revenue in FY17. Composite plastics are increasingly replacing metal parts in auto components as it helps in vehicle weight reduction and improve fuel efficiency. Going forward, substitution is expected to continue and will benefit SPTL as it has forged long term relations with domestic and foreign OEMs. Even other segments like Aerospace/Mass Transit (Metro) are rapidly replacing metal components like aluminum with composite plastic. This bodes well from demand perspective as it can leverage on its technological capabilities and global manufacturing footprint that most Indian peers lack. Domestic business forming ~40% of Industrial Custom Molding revenues in FY17 is a high growth vertical (15% growth) and has EBITDAM profile of ~20%.

Steady deleveraging to lower interest outgo

SPTL is expected to post strong FCF growth on account of 1) lower focus on w/c intensive monolithic business, 2) asset light route (outsourcing) for retail custom molding business and 3) cost benefits arising out of shifting of production of low value-add work to low cost manufacturing sites. As a result, we expect steady reduction in debt leading to SPTL's interest expense declining from ₹ 263 cr to ₹ 238cr over FY17-19E.

Outlook & Valuation

We believe that increasing substitution of metal with composite plastics will drive overall revenue CAGR of 8.7% over FY17-19E. Movement of lower value-add work to low cost manufacturing sites and better discipline in the prefab business will hold EBITDA margins at current levels. We expect lower interest burden to lead to PAT CAGR of 11.7% over FY17-19E. We are factoring FCCB conversion (in Sintex – entitled shares of SPTL) in FY18 and consequently EPS growth will be lowered to ~7%. We value SPTL at 17.0x FY19 EPS of ₹ 8.7 to arrive at a price target of ₹147.

Financial Summary

Consolidated ₹ cr	FY17	FY18E	FY19E
Revenue	5,995	6,457	7,083
YoY growth	--	7.7	9.7
EBITDA Margin	16.9	16.9	17.1
PAT	420	445	523
YoY Growth	--	6.1	17.6
EPS (₹)	6.9	7.4	8.7
P/E (x)	15.5	14.6	12.4
ROE	13.5	13.4	13.9

Source: Company, IIFL Research

Company Background

Established in 1931, Sintex (SPTL) is a globally respected conglomerate with interests across building materials and custom mouldings.

- ✧ Sintex Industries successfully spun off its plastic division earlier this year under the name of Sintex Plastic Technology Limited (SPTL).
- ✧ SPTL has a diversified presence across products, end markets and geographies with 36 manufacturing facilities spread across India, Europe, North Africa and USA.
- ✧ SPTL has a rich and diversified client base with none of the customers accounting for more than 5% of the total revenue.
- ✧ SPTL and its subsidiaries conducts its activities mainly in two segments:
 - Custom Mouldings (Composite Plastics and retail products)
 - Prefabricated units & Infrastructure

Exhibit 1: STPL revenue breaks up FY17

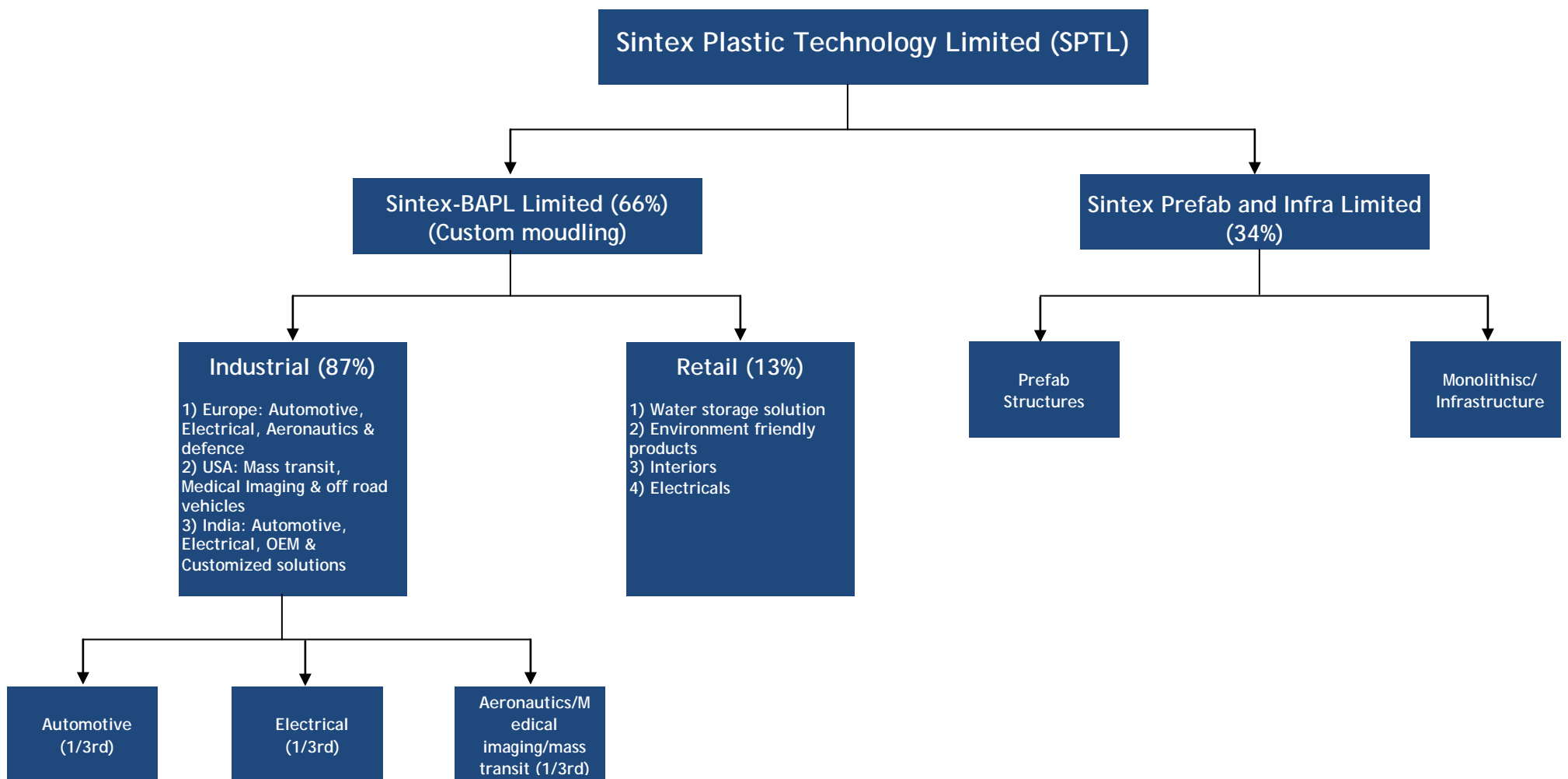


Exhibit 2: Peer Comparison

	MCap (Cr\$)	Revenue			EBITDA Margin (%)			P/E			ROE		
	FY17	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E
Sintex Plastics	5,985	5,995	6,457	7,083	16.9	16.9	17.1	15.5	14.6	12.4	13.5	13.4	13.9
Nilkamal *	2,274	1,956	2,228	2,500	11.2	11.8	11.6	19.4	17.5	14.9	18.5	16.7	16.7
Supreme	14,921	4,462	5,079	5,930	16.4	16.2	16.5	35.4	32.8	26.8	25.0	25.2	26.5
Time Technoplast	4,141	2,755	3,185	3,574	14.7	14.6	14.6	26.8	23.5	20.2	11.9	12.5	13.0

Source: Company, IIFL Research, Bloomberg; note - * Standalone

Exhibit 3: Traction in end-user segments to drive revenue growth for STPL

Geography	End User	Growth Expectations
Asia Pacific	Automotive	The application of composite in automotive is expected to post CAGR of 9.9% through 2016-21
Europe	Automotive	Automotive composite market is expected to record CAGR of 7.86% through 2016-21
Asia Pacific	Aeronautics	Expect the market to grow to \$6.16 billion by 2020 (CAGR of 9.7%)
EMEA#	Aeronautics	Market to grow from \$3.5 bn to \$4.6 bn over 2015-20 (5.7% CAGR); Europe has 75% of market share
USA	Aeronautics	Market to grow from \$3.41 bn to \$4.2 bn over 2015-20, at a CAGR of 4.3%
GLOBAL	Electrical	Global tooling composites market in electrical and electronics segment to post CAGR of 8.2% over 2015-20.
GLOBAL	Defense	The application of composite in defense is expected to grow at a CAGR of 5-6% through 2016-2021.

Source: Technavio Industry Research; Note - # Europe, Middle East and Africa