SINTEX
ACTIVE THINKING

SINTEX INDUSTRIES LTD.
EARNINGS PRESENTATION – Q1 FY18

Business Overview

Overview

- The National Company Law Tribunal has sanctioned the composite Scheme of Arrangement between Sintex Industries Limited, Sintex Plastics Technology Limited (SPTL), Sintex-BAPL Limited and Sintex Prefab and Infra Limited. SPTL to be listed in due course .
- **Yarn** Forayed into manufacturing of value added 100% Compact Cotton yarn at Pipavav, Gujarat.
- **Fabrics** Structured dyed yarn shirtings, High end jacquard fabrics and other specialty fabrics

FY17 Financial Snapshot

- **Total Income** : INR 20,185 Mn
- **EBITDA**: INR 3,671 Mn
- **EBITDA Margin**: 18.20%
- **PAT**: INR 1,342 Mn

Markets

- Supplying to Global and Domestic markets; Yarn Exports at 65 % of sales.
- Exporting to over 20 countries globally.
- Domestic brands like Arrow, Van Heusen, Marks & Spencer.
- Global fashion labels like Armani, Hugo Boss, Diesel, Burberry, and Tommy Hilfiger

Note : As per the Composite scheme of arrangement, the scheme is effective 12th May 2017 and SPTL will be listed separately

Q1FY18 Financial performance

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Consolidated INR mn

Particulars	Q1 FY17	Q1FY18
Total Income	**2477**	**6875**
EBITDA	**521**	**1082**
Depreciation	324	339
Finance Cost	216	265
Profit/ (loss) BT	(18.9)	477
Profit After Tax	**(-11)**	**348**
Equity	***446***	***554***
EPS	(0.06)	0.64

Yarn contribution on capacity ramping up, boosts revenue 177%. Fabric domestic sales low on GST destocking.

Phase I utilisation over 80%, EBITDA rises 107%.

PAT margin at 5%

Phase II commissioning to ensure higher volumes, better negotiating power on logistics and freight cost. Both for exports and domestic sales.

Key Challenges for the quarter

- INR appreciation
- Domestic cotton prices firm, global prices headed lower
- Phase II execution in progress

Q1FY18 Key Financials

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Standalone Financials (includes yarn and fabric manufacturing)

- Topline grew 114% y-o-y at INR 4491 mn. EBITDA margin at 22.2%, Topline growth driven by yarn phase I ramping up. However, domestically GST kept the fabric, as well as yarn business at a low ebb. Also INR firming up saw yarn export realisation impacting margins.
- Finance costs increased 20% with increase in working capital on Yarn phase I ramp up.
- Net Profit after Tax at INR 279 mn as compared to Net loss of (-23) mn.

Consolidated Financials (includes trading)

- Trading revenue for the quarter under review at INR 2477 mn.

Q1FY18 Key Business Highlights

- **Utilisation**
  Utilisation remained high over 80% during the quarter, coupled with introduction of superfine count should help improve realisation.
- **Lean working capital**
  SIL maintains 3 months inventory for cotton and similarly yarn inventory less than 15 days, this ensured lower blockage of working capital.
- **INR appreciation**
  INR appreciation over 6% in the last 6 months. Leaning over on imported cotton helped balancing the spread.
- **Diversified market**
  Exports continued to be 2/3rd of topline with over 18 countries. Domestic market witnessed resistance with GST, a higher dependence on exports entailed smooth operations. Besides, alignment with large organised players domestically, helped maintain a smooth transition, despite GST disruption.
- **Shipping freights/ Logistics costs**
  Exports contributes 65% of sales. Shipping Freights have eased off in the recent months after a steep rise in Feb/ March, will bring down costs. Similarly, logistics cost locally too are expected to come off, as volumes increasing with Phase II commissioning shortly, will help SIL negotiate lower on domestic freight rates. This will reduce logistics costs by 5-10% in coming quarters.
- **No Touch yarn**
  SIL's `No touch' automated process ensures higher productivity, reduce imperfections and high quality yarn whilst contamination less production. Giving a strong leeway over domestic competition.

Commenting on the Q1FY18 performance, Amit Patel, Group Managing Director, said "*We will be shortly commencing production at Phase II of compact cotton and blended yarn. With this commissioning in Q2, we will emerge a leader in domestic market with a seamless capacity at a single location in India at over 6,00,000 spindles. Our operating scale gives us immense benefit from sourcing cotton around the world, on an ultra modern capacity, at a scale incomparable domestically"*

"Phase I at Pipavav is running at over 80% utilisation, the quarter was challenging with disruption domestically on implementation of GST, also exports realisation was impacted with INR strengthening. Though demand for our yarn continues to be strong. Considering the challenges of a strong INR and firm domestic cotton prices domestically vis-à-vis overseas, our strategy to import cotton from global markets helped maintain our spread."

"Aligning with global supply chain of high-end fabric manufacturers is the key strategy, being a domestic leader we are on the global radar of discerning customers looking to outsource quality yarn from India."

FY17 Snapshot

Consolidated	FY17 (INR mn)
Total Income	**20,185**
EBITDA	**3,671**
EBITDA Margin (%)	***18.18%***
Profit After Tax	**1,342**
PAT Margin (%)	***6.65%***
Equity	554.5
EPS (Rs.)	2.76

Debt to Equity
1.06

Net Debt to Equity
0.87

Interest Coverage Ratio
3.38

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