

Press Release

Sintex BAPL Limited (SBAPL)

September 27, 2018



Rating Downgraded

Total Bank Facilities Rated*	Rs. 2212.10 Cr.
Non-Convertible Debenture	Rs. 200.00 Cr
Long Term Rating	ACUITE A+ / Outlook: Negative (Downgraded)
Short Term Rating	ACUITE A1 (Downgraded)

* Refer Annexure for details

Rating Rationale

ACUITE has downgraded the long term rating to '**ACUITE A+** (read as ACUITE A plus) from '**ACUITE AA**' (read as ACUITE double AA) and downgraded the short term rating from '**ACUITE A1**' (read as ACUITE A one plus) from '**ACUITE A1+** (read as ACUITE A one plus)' on the Rs. 2212.10 crore bank facilities of Sintex BAPL Limited. The outlook is 'Negative'.

ACUITE has downgraded the long term rating of to '**ACUITE A+** (read as ACUITE A plus) from '**ACUITE AA**' (read as ACUITE double AA) on the Rs. 200.00 crore non-convertible debentures of Sintex BAPL Limited.

SBAPL, incorporated in 2007, is engaged in the manufacture of custom moulded auto and non-auto components for Original Equipment Manufacturers (OEM) and tier I suppliers. The SBAPL group (SBAPL and its subsidiaries) has a global footprint with 38 plants across India, France, US and Poland.

The downgrade in the rating of bank facilities and NCD issue of Sintex BAPL Limited is driven by deterioration of its financial risk profile, particularly its debt protection indicators and elongation of its working capital cycle.

Analytical Approach

ACUITE has consolidated the financial and business risk profiles of SBAPL - along with its subsidiaries i.e. BAPL Rototech Private Limited, Sintex NP France and Sintex Wausaukeee Composites INC. Together these entities will be referred to as the 'SBAPL Group'.

Key Rating Drivers

Strengths

- Established position in the plastics segment, long operational track record and experienced management**

Sintex Industries Limited (SIL) has an established position in plastic since 1975. As per a recent demerger arrangement, the plastics (custom moulding, auto components etc.) business was transferred to SBAPL while prefab and monolithic businesses were transferred to Sintex Prefab and Infra Limited (SPIL). The textiles division was retained by SIL.

SBAPL's range of products includes industrial custom mouldings for auto and non- auto applications, Water tanks, power transmission and distribution accessories and FRP storage tanks. Its clientele

includes marquee names such as BMW, Ford, Audi, Phillips, Bosch, ABB among others across automobiles, electrical, engineering and aerospace and defense, medical segments.

SBAPL manufactures more than 4,000 types of plastic products of various shapes using 15 different processes at its 38 manufacturing facilities across India, France, US and Poland.

The company has established a strong distribution network throughout India for its diverse product portfolio. The group has 14 branch offices spread across India catering to various geographic segments in the domestic market. Apart from these offices, its products are also being distributed by a network of over 3500 dealers/distributors and over 25,000 retailers spread across the country. The SBAPL group is the pioneer in the water tanks market. The 'Sintex' brand has become a generic name for water tanks in India and to leverage on the same, SBAPL also markets custom mouldings under the 'Sintex' brand.

The management team of SBAPL is led by Mr. Amit Patel (Managing Director) and other promoters with extensive experience in the plastic industry. Besides, the team is supported by professionals in key areas with over three decades of experience in the plastic industry.

ACUITE believes that SBAPL will continue to benefit from its established market position, diversified product lines and long standing relationship with reputed clientele.

Weaknesses

- Susceptibility of operating performance to demand from key user sectors and volatility in raw material prices:**

SBAPL's operating performance is susceptible to demand from key user sectors, mainly automobiles. The global automobile sector is highly competitive and cyclical in nature with demand mainly driven by factors such as consumer spending, availability of credit, interest rates, fuel prices and emergence of substitutes (for instance, electronic vehicles) among others. The cyclical nature faced by the end-user auto sector may impact demand for players like SBAPL. The revenue growth and margins will be a function of the offtake by the auto sector. SBAPL reported operating (EBITDA) margin of 14.59 per cent on operating income of Rs. 3934.50 crore in FY2018 (Provisional).

The introduction of newer fuel-efficient electrical vehicles by OEMs also requires quick adoption of technology by their vendors like SBAPL. SBAPL's competitive positioning is also dependent on its ability to adapt to changing technologies and customer requirements.

SBAPL's profitability is also susceptible to volatility in prices, availability of key inputs (LLDPE, HDPE and PVC) and other high-quality raw materials which are crude oil derivatives. As a result, its operations and operating margins are vulnerable to changes in supply and volatility in the prices of raw materials. Acuite believes that continuous introduction of a strong pipeline of value added products and ability to pass on prices will remain as key rating sensitivities.

- Subdued operating performance vis-à-vis Acuite's expectation**

SBAPL has exhibited subdued operating performance vis-à-vis acuite's expectations marked by lower than anticipated net cash accruals as a result of significant decline in operating profits; and deterioration of leverage and coverage ratios as compared to acuite's expectations.

Further the company has weak financial risk profile marked by low net worth, high gearing and weak debt protection measures. SBAPL's net worth is low at around Rs.279.13 crore as on March 31, 2018 (Provisional) as against Rs 161.43 crore as on March 31, 2017. The company has followed an aggressive financial policy, with its peak gearing at around 17.92 times as on March 31, 2017. The gearing of the company, however, has declined to around 11.12 times as on March 31, 2018.

SBAPL was in the process of raising private equity for the repayment of its long-term debt. However, the company has raised the money in the form of debt and not in the form of equity due to lower than expected valuation.

The TOL/TNW ratio high at 15.26 times as on March 31, 2018. Moreover the operating margin of the company stood at 14.59 percent in FY2018(Provisional) as compared to 15.03 percent in FY2017 and PAT margins stood at 2.04 percent in FY2018 (Provisional) as compared to 8.58 percent in FY2017. The interest coverage ratio stood at 2.45 times in FY2018 (Provisional) as against 3.55 times in FY2017. The debt service coverage ratio stood at 0.80 times in FY2018 (Provisional) as against 3.92 times in FY2017.

Outlook: Negative

Acuite believes that the outlook of SBAPL will remain Negative over the medium term owing to decline in profitability, debt coverage indicators and deterioration in business risk profile. The rating may be further downgraded in case of further deterioration in operating profitability or elongation of working capital cycle. Conversely, the outlook may be revised to 'Stable' in case the entity registers significant and sustainable improvement in operating profit coupled with improvement in capital structure.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	3934.50	3874.05	NA
EBITDA	Rs. Cr.	573.86	582.23	NA
PAT	Rs. Cr.	80.36	332.22	NA
EBITDA Margin	(%)	14.59	15.03	NA
PAT Margin	(%)	2.04	8.58	NA
ROCE	(%)	10.94	28.64	NA
Total Debt/Tangible Net Worth	Times	11.12	17.92	NA
PBDIT/Interest	Times	2.45	3.55	NA
Total Debt/PBDIT	Times	5.82	4.76	NA
Gross Current Assets (Days)	Days	191	146	NA

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
04-Aug-17	Term Loan	Long Term	15.00	ACUITE AA/Stable (Assigned)
	Term Loan	Long Term	63.64	ACUITE AA/Stable (Assigned)
	Term Loan	Long Term	31.80	ACUITE AA/Stable (Assigned)
	Cash Credit	Long Term	25.00	ACUITE AA/Stable (Assigned)
	Cash Credit	Long Term	10.48	ACUITE AA/Stable

				(Assigned)
Proposed Cash Credit	Long Term	179.00	ACUITE AA/Stable (Assigned)	
Proposed Cash Credit	Long Term	125.00	ACUITE AA/Stable (Assigned)	
Proposed Cash Credit	Long Term	45.00	ACUITE AA/Stable (Assigned)	
Proposed Long Term Loan	Long Term	778.06	ACUITE AA/Stable (Assigned)	
Proposed Long Term Loan	Long Term	194.52	ACUITE AA/Stable (Assigned)	
Proposed Long Term Loan	Long Term	332.50	ACUITE AA/Stable (Assigned)	
Proposed Long Term Loan	Long Term	162.10	ACUITE AA/Stable (Assigned)	
Proposed Letter of Credit	Short Term	120.00	ACUITE A1+ (Assigned)	
Proposed Letter of Credit	Short Term	26.00	ACUITE A1+ (Assigned)	
Proposed Letter of Credit	Short Term	39.00	ACUITE A1+ (Assigned)	
Proposed Bank Guarantee	Short Term	15.00	ACUITE A1+ (Assigned)	
Proposed Non-Fund Based	Short Term	50.00	ACUITE A1+ (Assigned)	
Proposed Non-Convertible Debentures	Long Term	200.00	ACUITE AA/Stable (Assigned)	

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A+/Negative (Downgraded)
Term Loan	Not Applicable	Not Applicable	Not Applicable	63.64	ACUITE A+/Negative (Downgraded)
Term Loan	Not Applicable	Not Applicable	Not Applicable	31.80	ACUITE AA /Stable (Withdrawn)

Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A+/Negative (Downgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.48	ACUITE A+/Negative (Downgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	179.00	ACUITE A+/Negative (Downgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	125.00	ACUITE A+/Negative (Downgraded)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	45.00	ACUITE AA /Stable (Withdrawn)
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	778.06	ACUITE AA /Stable (Withdrawn)
Term Loan (ECB)	Not Applicable	Not Applicable	Not Applicable	194.52	ACUITE A+/Negative (Downgraded)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	332.50	ACUITE AA /Stable (Withdrawn)
Term Loan	Not Applicable	Not Applicable	Not Applicable	162.10	ACUITE A+/Negative (Downgraded)
Fund Based Facility	Not Applicable	Not Applicable	Not Applicable	1187.36	ACUITE A+/Negative (Downgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	120.00	ACUITE A1 (Downgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	26.00	ACUITE A1 (Downgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	39.00	ACUITE A1 (Downgraded)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A1+ (Withdrawn)
Proposed Non-Fund Based Facility	Not Applicable	Not Applicable	Not Applicable	65.00	ACUITE A1 (Downgraded)
Non-Convertible Debentures	May 2016	9.36	May 2026	200.00	ACUITE A+/Negative (Downgraded)

Contacts

Analytical	Rating Desk
Aditya Gupta Head-Rating Operations Tel: 022-67141111 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Vishal Choudhary Manager - Rating Operations Tel: 022-67141159 vishal.choudhary@acuite.in	

About Acuité Ratings & Research:

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