



Errata: Revised and published on December 6, 2019

The 'ROCE' figures in the original version of Press Release dated May 27, 2019 were incorrect. The ROCE figures have been revised and are incorporated in the Key Financial Indicators table below in this version published on December 6, 2019. The long term and short term ratings were downgraded to 'ACUITE BB-A4' vide rationale dated June 28, 2019 and subsequently to 'ACUITE D' vide rationale dated August 29, 2019.

Key Financial Indicators (revised)

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	3,934.50	3,874.05	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

Press Release

Sintex BAPL Limited (SBAPL)

May 27, 2019

Rating Downgraded

Total Bank Facilities Rated*	Rs. 2212.10 Cr.
Non-Convertible Debentures	Rs. 200.00 Cr.
Long Term Rating	ACUITE BBB-/ Outlook: Negative (Downgraded from ACUITE A+/ Negative)
Short Term Rating	ACUITE A3 (Downgraded from ACUITE A1)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded the long term rating to '**ACUITE BBB-**' (**read as ACUITE triple B minus**) from '**ACUITE A+**' (**read as ACUITE A plus**) to the Rs. 1,962.10 crore bank facilities and Rs. 200.00 crore of Non-Convertible Debentures and the short term rating to '**ACUITE A3**' (**read as ACUITE A three**) from '**ACUITE A1**' (**read as ACUITE A one**) on the Rs. 250.00 crore bank facilities of SBAPL. The outlook is 'Negative'.

Rationale for Rating Revision:

The rating revision is in view of deterioration in SBAPL's operating performance coupled with a significant increase in finance costs which has impacted its coverage indicators. Acuité expects the pressures on coverage indicators to continue. The company has been facing liquidity pressures which is likely to impede its ability to meet its debt obligations in a timely manner. Acuite understands that the management of SBAPL is exploring options like sale of its auto component division and assets in its overseas subsidiaries as a part of its deleveraging exercise. SBAPL's liquidity profile over the near term will also be influenced by the timely sale of these identified assets, cashflows generated from these deals and the extent of deleveraging.

On a standalone basis, SBAPL's operating income declined to Rs. 870.11 crore for April to Sept 2018 (*consolidated figures* Rs. 1986.06 crore) against Rs. 949.13 crore for the corresponding period during the previous year (*consolidated figures* Rs. 1967.39 crore), EBIT during the same period declined to Rs. 107.79 crore (*consolidated figures* Rs. 176.05 crore) against Rs. 141.7 crore (*consolidated figures* Rs. 202.86 crore) respectively. The decline in revenues and margins are attributable to subdued market conditions impacting the volumes of SBAPL.

(Consolidated figures represents- SBAPL consolidated with its subsidiaries)

About the Company:

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. SBAPL is a wholly owned subsidiary of Sintex Plastic Technologies Limited (SPTL)- listed company.

Analytical Approach

Acuité has considered the consolidated financial and business risk profiles of SBAPL - along with its subsidiaries i.e. BAPL Rototech Private Limited, Sintex NP France and Sintex Wausauke Composites INC. Together these entities will be referred to as the 'SBAPL Group'. Extent of consolidation: Full. Further, Acuité has considered the standalone and consolidated financials of SBAPL for the 6 month period (April to Sept 2018) and 9 month period (April to December 2018) based on the data available in public domain and discussions with the company's management.

Key Rating Drivers

Strengths

- **Established presence in plastic segment**

SBAPL is an offshoot of erstwhile Sintex Industries Limited (SIL) which had a presence in plastic and textile industry since 1931. SIL had realigned its business in FY2017 through a scheme of demerger. As per the scheme of demerger, the plastic (custom moulding and auto components) business was transferred to SBAPL while prefab and monolithic businesses were transferred to Sintex Prefab and Infra Limited (SPIL) while the textiles division was retained by SIL. SPIL and SBAPL were to operate as a 100 per cent subsidiary of SPTL (holding company- listed on exchanges). 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 '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 promoters of SBAPL have been operating the plastic and textile businesses with an established operational track record of almost nine decades since its incorporation in 1931. Mr. Amit Patel and Mr. Rahul Patel members of the original promoter family are on the board of SBAPL. The management is led by Mr. Samir Joshipura (Managing Director) and other promoters with extensive experience in the plastic industry. The management is equally supported by team of professionals in key areas. Acuité believes that SBAPL will continue to benefit from its established presence in the plastic segment.

Weaknesses

- **Significant deterioration in operating performance; Liquidity profile Impacted**

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

The company has reported a decline in its operating income and contraction in its operating margins. Standalone Operating income for HY2019 (April to Sept 2018) declined to Rs. 870.11 crore (consolidated figures Rs. 1986.06 crore) against Rs. 949.13 crore (consolidated figures Rs. 1967.39 crore) for HY2018 (April to Sept 2017). EBITDA margins during the same period declined to 17.44 per cent from 19.35 per cent. PAT declined and stood Rs. 5.51 crore for HY2019 against Rs. 32.98 crore for HY2018. The profitability has been significantly impacted on account of spurt in the finance cost. As against declining revenues, finance costs during the same period have increased to Rs. 106.79 crore against Rs. 83.44 crore. Interest coverage ratio declined to 1.43 times in HY2019 against 1.93 times in HY2018. Net cash accruals have also been declined to Rs. 50.84 crore in HY2019 against Rs. 75.14 crore in HY2018.

The total standalone debt of Rs. 2,190.91 crore as on Sept 30, 2018 consists of long term borrowings of Rs. 1,844.47 crore and short term working capital borrowings of Rs. 346.44 crore. The working capital limits are ~85 per cent utilized. SBAPL has large scheduled repayments ~Rs. 95 crore which are falling in FY2020 and Rs. 210 crore falling due in FY2021. Acuité believes that timely and successful deleveraging and aligning debt levels to operational cashflows in order to meet the scheduled repayments will be a key rating sensitivity.

As per initial plans, Star Line Leasing Limited (SLLL), a promoter company, had been issued warrants for subscribing to 6.67 crores at Rs. 90 per share in SPTL, the parent company of SBAPL. SLLL exercised the

option in respect of 3.69 crore shares earlier in FY2019 and for the balance entitlement of 2.98 crore shares they decided not to exercise the option since the share price had fallen considerably below the strike price. The company informed the exchanges vide their communication dated May 4, 2019. In view of this development an expected additional infusion of Rs.200 crore to the liquidity profile did not materialize. The Liquidity pressures have emanated mainly on account of the ongoing deterioration in operating performance coupled with the absence of any major long term funding support from the promoters over the past 6 months. The management of SBAPL is however exploring options of divesting some of its assets such as auto component division and some overseas assets.

Acuité expects a significant part of deleveraging exercise to be completed till September 2019 which in turn is expected to result in an improvement in capital structure & liquidity profile through lower interest costs and reduction in near term debt obligations. The ability of the management to ensure timely completion of its deleveraging initiatives and impact of the same on the liquidity profile and the debt profile indicators of SBAPL will continue to be a key monitorables.

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

SBAPL's operating performance for both domestic and international operations 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 on a consolidated basis reported EBIT of Rs. 251.58 crore on an operating income of Rs. 2,928.51 crore for 9M FY2019 against EBIT of Rs. 302.22 crore on an operating income of Rs. 2,980.58 crore for 9M FY2018. 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 the 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 their prices are also subject to volatility in line with those of global crude oil prices. 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.

Outlook: Negative

Acuite believes that SBAPL's credit profile will be impacted by declining revenues, profitability, and debt coverage indicators. The rating may be further downgraded in case of further deterioration in operating profitability or elongation of working capital cycle or if the deleveraging takes longer than expected. Conversely, the outlook may be revised to 'Stable' in case the entity registers significant and sustainable improvement in operating performance coupled with improvement in capital structure by way of timely deleveraging and aligning its debt levels to operational cashflows.

Liquidity Position

SBAPL is currently facing liquidity pressures on account of deterioration in its business and financial risk profile marked by declining financial indicators, increasing debt levels and major upcoming debt repayment obligations.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	3,934.50	3,874.05	NA
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PAT	Rs. Cr.	80.36	332.22	NA
EBITDA Margin	(%)	14.59	15.03	NA
PAT Margin	(%)	2.04	8.58	NA
ROCE	(%)	6.58	12.89	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

For further details, kindly refer to Acuité's release dated July 06, 2018:

<https://www.acuite.in/documents/ratings/revised/23562-RR-20180807.pdf>

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
27-Sept-2018	Term Loan	Long Term	15.00	ACUITE A+/ Negative (Downgraded from ACUITE AA/ Stable)
	Term Loan	Long Term	63.64	ACUITE A+/ Negative (Downgraded from ACUITE AA/ Stable)
	Term Loan	Long Term	31.80	ACUITE AA (Withdrawn)
	Cash Credit	Long Term	25.00	ACUITE A+/ Negative (Downgraded from ACUITE AA/ Stable)
	Cash Credit	Long Term	10.48	ACUITE A+/ Negative (Downgraded from ACUITE AA/ Stable)

	Proposed Cash Credit	Long Term	179.00	ACUITE A+/ Negative (Downgraded from ACUITE AA/ Stable)
	Proposed Cash Credit	Long Term	125.00	ACUITE A+/ Negative (Downgraded from ACUITE AA/ Stable)
	Proposed Cash Credit	Long Term	45.00	ACUITE A+/ Negative (Downgraded from ACUITE AA/ Stable)
	Proposed long term loan	Long Term	778.06	ACUITE AA (Withdrawn)
	Proposed Long Term Loan	Long Term	194.52	ACUITE A+/ Negative (Downgraded from ACUITE AA/ Stable)
	Proposed Long Term Loan	Long Term	332.50	ACUITE AA (Withdrawn)
	Proposed Long Term Loan	Long Term	162.10	ACUITE A+/ Negative (Downgraded from ACUITE AA/ Stable)
	Proposed bank facility	Long Term	1142.36	ACUITE A+/ Negative (Downgraded from ACUITE AA/ Stable)
	Proposed Letter of Credit	Short Term	120.00	ACUITE A1 (Downgraded from ACUITE A1+)
	Proposed Letter of Credit	Short Term	26.00	ACUITE A1 (Downgraded from ACUITE A1+)
	Proposed Letter of Credit	Short Term	39.00	ACUITE A1 (Downgraded from ACUITE A1+)
	Proposed Bank Guarantee	Short Term	15.00#	ACUITE A1 (Downgraded from ACUITE A1+)
	Proposed Non-fund based facility	Short Term	50.00	ACUITE A1 (Downgraded from ACUITE A1+)
	Non-convertible debentures	Short Term	200.00	ACUITE A+/ Negative (Downgraded from

				ACUITE AA/ Stable)
12-Aug-2017	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)

fully interchangeable with bank guarantee

***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 BBB- (Downgraded from ACUITE A+/ Negative)
Term Loan	Not Applicable	Not Applicable	Not Applicable	63.64	ACUITE BBB- (Downgraded from ACUITE A+/ Negative)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BBB- (Downgraded from ACUITE A+/ Negative)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.48	ACUITE BBB- (Downgraded from ACUITE A+/ Negative)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	179.00	ACUITE BBB- (Downgraded from ACUITE A+/ Negative)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	125.00	ACUITE BBB- (Downgraded from ACUITE A+/ Negative)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	45.00	ACUITE BBB- (Downgraded from ACUITE A+/ Negative)
Proposed long term loan	Not Applicable	Not Applicable	Not Applicable	194.52	ACUITE BBB- (Downgraded from ACUITE A+/ Negative)
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	162.10	ACUITE BBB- (Downgraded from ACUITE A+/ Negative)
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	1142.36	ACUITE BBB- (Downgraded from ACUITE A+/ Negative)
Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	120.00	ACUITE A3 (Downgraded from ACUITE A1)
Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	26.00	ACUITE A3 (Downgraded from ACUITE A1)
Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	39.00	ACUITE A3 (Downgraded from ACUITE A1)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00#	ACUITE A3 (Downgraded from ACUITE A1)
Proposed Non-fund based facility	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A3 (Downgraded from ACUITE A1)
Non-convertible debentures	Not Applicable	Not Applicable	Not Applicable	200.00	ACUITE BBB- (Downgraded)

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