

## Reduce

### Overall volume growth with inventory gains led to expansion in margins.

- Results above estimates on revenue front as there was an overall revival seen in volumes across segments except the piping segment. Gross margins contracted by 184 bps YoY. Inventory gains of Rs. 800-1,000 Mn in Q4FY21 due to increase in PVC prices. Share of value added products increased by 20% YoY.
- SI reported volume de-growth of 1.7% in piping segment in Q4FY21, as the sales of the products were not good due to elevated prices. Overall volume growth registered for Q4FY21 was 8% which was due to stable/positive performance from all the segments. Industrial segment grew 44.8% followed by packaging segment which grew 40.2% and consumer segment which grew 11.9% YoY.
- SI's market share in the PVC and CPVC segment has increased. Business performance in the coming months has seen a slowdown due to the second wave of Covid. Management expect the raw material prices will start falling from here on and will not remain at this higher level.
- However, the recovery in FY21 was better and faster than expected at the start of the year. However, maintaining margins at these levels will be the key monitorable to be watched for. As the stock has already factored in the positive performance and run up a lot and with the negativity around the Pandemic with business slowdown in April'21, we maintain our Reduce rating on the stock with a target price of Rs 2,238 to trade at 31x FY23E earnings.

### Situation getting better however might see a temporary slowdown

Industrial segment grew 44.8% as there was better offtake of consumer durables which boosted industrial components segment. Consumer segment grew 11.9% as demand for furniture and material handling products were higher. Packaging segment grew 40.2% and is further expected to grow with expectation of normal monsoon in FY22. They have made many new product introduction across segments which helped them boost volumes. Share of value added products increased by 20% which was a margin booster and it is further expected to show good growth. There was a temporary shutdown of plants in April'21, however from May'21 operations have started taking all necessary measures.

#### Q4FY21 Result (Rs Mn)

Particulars	Q4FY21	Q4FY20	YoY (%)	Q3FY21	QoQ (%)
Revenue	20,846	14,305	45.7	18,438	13.1
Total Expense	15,749	11,571	36.1	14,422	9.2
EBITDA	5,097	2,734	86.4	4,016	26.9
Depreciation	548	529	3.7	549	(0.2)
EBIT	4,549	2,206	106.3	3,466	31.2
Other Income	37	1	6000.0	3	1364.0
Interest	5	42	(89.1)	(12)	(137.1)
EBT	4,581	2,164	111.7	3,481	31.6
Tax	781	1,061	(26.4)	886	(11.9)
RPAT	4,504	1,173	284.0	3,123	44.2
APAT	4,507	1,149	292.3	3,117	44.6
			(bps)		(bps)
Gross Margin (%)	38.9	40.7	(184)	37.0	184
EBITDA Margin (%)	24.5	19.1	534	21.8	267
NPM (%)	21.6	8.2	1341	16.9	467
Tax Rate (%)	17.0	49.0	(3198)	25.5	(841)
EBIT Margin (%)	21.8	15.4	641	18.8	302

CMP	Rs 2,109
Target / Upside	Rs 2,238 / 6%
NIFTY	14,634

#### Scrip Details

Equity / FV	Rs 254mn / Rs 2
Market Cap	Rs 268bn
	USD 4bn
52-week High/Low	Rs 2,175/ 873
Avg. Volume (no)	79,530
Bloom Code	SI IN

Price Performance	1M	3M	12M
Absolute (%)	4	7	113
Rel to NIFTY (%)	7	11	59

#### Shareholding Pattern

	Sep'20	Dec'20	Mar'21
Promoters	48.9	48.9	48.9
MF/Banks/FIs	24.7	24.7	24.7
FIIIs	9.4	9.4	9.4
Public / Others	17.0	17.0	17.0

#### Valuation (x)

	FY21A	FY22E	FY23E
P/E	27.4	34.6	29.2
EV/EBITDA	20.3	23.9	20.4
ROE (%)	36.0	22.7	22.9
RoACE (%)	27.7	18.0	18.2

#### Estimates (Rs mn)

	FY21A	FY22E	FY23E
Revenue	63,571	65,765	72,931
EBITDA	12,843	10,881	12,623
PAT	9,766	7,756	9,173
EPS (Rs.)	76.9	61.0	72.2

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## Pipe Segment- to outperform

Piping segment reported de-growth in Q4FY21 of 1.7%. Overall in FY21, piping segment witnessed a de-growth of 2.1%. SI's Pipe System for Housing is also seeing better demand from September onwards as demand for new homes has picked pace throughout the Country and demand has revived in the Metro cities. They enjoyed good demand for their products from rural markets and Tier III and Tier IV markets. However, the peak agri season from Jan-March'21 did not show good demand as the prices of the products were elevated. SI gained market share in PVC and CPVC segments in FY21. Value added products which are high margin products have shown a growth of 20%. Major capex spending in FY22 will be undertaken in piping segment. Piping and value added segments are high value segments with better margins and improvement will augur well for margin profile at consolidated level. Additional supply of tanks from their 3 new locations will boost margins. Total installed capacity of Pipe segment at the end of March'21 increased to 5,09,000 MT which was taken up to cater any incremental demand. Management expects strong demand from pipe segment to bounce back in the coming quarters with a temporary slowdown in Q1FY22.

## Expansion Projects

SI is undertaking capacity expansion across products and across locations. Looking at the various steps taken by the government in this sector they have not slowed down their capex. During FY21, total capex incurred was Rs. 3,140 Mn with a carried forward investment commitment of Rs. 1,980 Mn, of which 70%-80% will be spent in piping segment. During FY22, Capex commitment of Rs. 4,000 Mn with brownfield expansion of capacities and new products at the existing plants and will also be putting up three new greenfield plants in the states of Assam, Orissa and Tamil Nadu.

### Exhibit 1: Segment Volume

Segment	Volume (MT)			Value (Rs In Mn)			OPM %	
	FY21	FY20	% Inc/Dec	FY21	FY20	% Inc/Dec	FY21	FY20
Plastic Piping Products	2,94,357	3,00,772	(2.1)	40,990	34,450	19.0	22.0	16.1
Packaging Products	54,833	51,353	6.8	10,350	9,600	7.8	16.0	14.8
Industrial Products	41,451	38,617	7.3	7,610	6,730	13.1	13.0	9.8
Consumer Products	18,468	20,779	(11.1)	3,540	3,830	(7.6)	21.0	19.1
<b>Total</b>	<b>4,09,109</b>	<b>4,11,521</b>	<b>(0.6)</b>	<b>62,490</b>	<b>54,610</b>	<b>14.4</b>	<b>20.0</b>	<b>15.3</b>

Source: DART, Company

### Exhibit 2: Actual V/s DART estimates

Particulars (Rs Mn)	Actual	DART Estimate	Deviation (%)	Comments
Revenue	20,846	18,600	12.1	Packaging and Industrial segment contributed to healthy volumes
EBITDA	5,097	4,000	27.4	
EBITDA Margin (%)	24.5	21.5	295	Increase in value added products and inventory gains
PAT	4,507	3,013	49.6	Significant increase in other income with reduction in interest costs and taxes

Source: Company, DART

### Exhibit 3: Change in estimates

Rs Mn	FY22E			FY23E		
	New	Previous	Chg (%)	New	Previous	Chg (%)
Revenue	65,765	61,428	7.1	72,931	66,631	9.5
EBITDA	10,881	9,626	13.0	12,623	10,877	16.1
EBITDA Margin (%)	16.5	15.7	87.5	17.3	16.3	98.4
PAT	7,756	6,460	20.1	9,173	7,277	26.1
EPS (Rs)	61.0	50.8	20.1	72.2	57.3	26.1

Source: Company, DART

## Key Highlights

- SI made revenues of Rs. 20,846 mn, which was a growth of 45.7% YoY and 13.1% QoQ.
- SI made an operating profit of Rs. 5,097 mn, which was a growth of 86.4% YoY and 26.9% QoQ.
- Net profit (before share in associates) was at Rs 3,800 mn a growth of 244.5% YoY.
- Net profit (after share in associate) was at Rs 4,507 mn a growth of 292% YoY.

## Conference Call Highlights

### FY21

- SI sold 4,09,109 MT of Plastic goods and achieved net product turnover of Rs. 61,770 Mn as against sales of 4,11,521 MT and net product turnover of Rs. 54,080 Mn in FY20 resulting in volume degrowth of about 1 % and product value growth of about 14 %, respectively.
- The overall turnover of value added products increase to Rs. 24,800 Mn as compared to Rs. 20,700 Mn YoY achieving growth of 20%.
- Installed Capacity as on March'21: Piping/Industrial/Packaging/Consumer: 5,09,000MT/72,000 MT/86,000 MT/30,000 MT. Total installed capacity as on March'21 is 6,97,000 MT which will further increase by 40,000 MT by March'22 with a capex commitment of Rs. 4,000 Mn and major capex will be undertaken in plastic piping segment.
- SI has become debt free during FY21 and has Cash Surplus funds of Rs. 7,590 Mn as on 31st March, 2021 as against net Borrowings of Rs. 2,170 Mn as on 31st March, 2020.
- Margin guidance of 15.5%-17%.

### Q4FY21

- SI sold 1,11,238 MT of Plastic goods and achieved net product turnover of Rs. 20,490 Mn against sales of 1,03,200 MT of Plastic goods and net product turnover of Rs. 13,800 Mn YoY, achieving volume and product value growth of about 8 % and 48 %, respectively.
- Increase in Operating margins was partly supported by more than Rs. 2,000 Mn inventory gain on account of raw material price increase which accrued in FY21. (Rs. 800 Mn in Q3FY21 and Rs. 800-1,000 Mn in Q4FY21). Excluding inventory gains OPM was 17% for FY21.
- Demand for piping products was good till 20<sup>th</sup> March, 2021 which started going down due to the second wave of Covid which was further slow in April'21. (April'21 was better than April'20). Hence, Q1FY22 is expected to be subdued.

### Piping Segment

- The Government at the Centre and States has put the priority focus on Jal Jeevan Mission, Swatch Bharat Abhiyan, Sanitation and affordable houses to all and development of 100 smart cities on all India basis, which will boost the business of Plastic Piping Division
- There was an increase in market share for SI in PVC piping system than last year. Market share in CPVC has also increased for SI.

- SI's major business is housing and few of the agri pipes are also used in housing segment.
- Agri demand was weak in Jan'21-March'21 due to higher PVC prices.

### **Packaging Segment**

- Cross Laminated film products demand will boost in FY22 as weather forecast monsoon in India is predicted to be normal.
- They are increasing its capacity from present 27,000 MT P.A. to 30,000 MT P.A. and expects the exports to grow further with sale of Made in India products.
- In Protective packaging division, Good growth is shown in Civil and export sector. New variant of interlock mat for various sports applications has been developed by using recycled material.
- Performance Packaging Film being part of intermediary to essential product category has done well particularly in dairy & oil industry.

### **Consumer Segment**

- Its E commerce business grew by 100 % during the year and consumer behaviour showed a major shift towards online shopping. They are now focused on increasing its online presence and product offerings and sees this as a future growth driver.

### **Industrial Segment**

- In Material handling division, it has shown good growth in essential commodities, Retail, Industrial Sector, Fruits & Vegetable segment, e-commerce, retail, FMCG, Fisheries Jumbo Crates, Dairy segment and Injection moulded Dustbins.
- They plan to introduce new models in Pallets, Crates and Ice boxes in Roto Moulding and is well poised for growth in the current year.

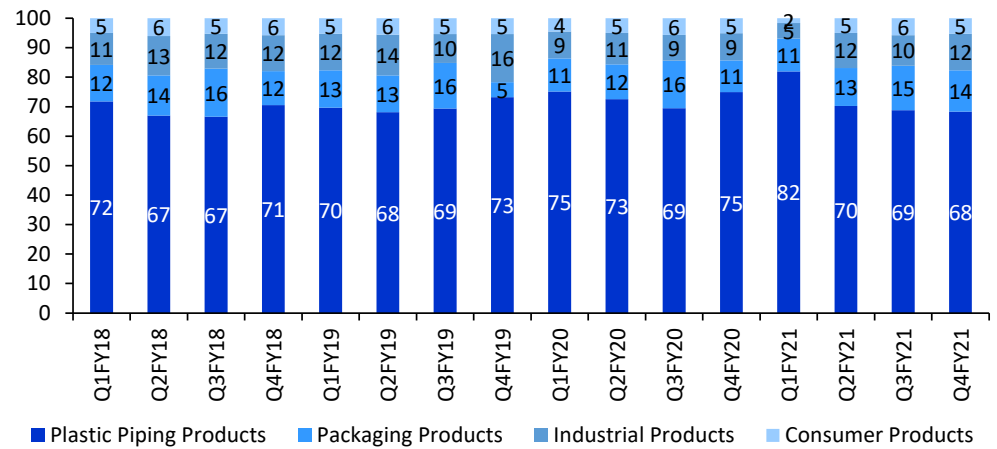
### **Capex**

- Incurred capex of Rs. 3,140 Mn in FY21 and further committed Capex of about Rs. 1,980 Mn which shall fructify for production & usage during FY22.
- During FY22, New Capex in the range of about Rs. 4,000 Mn (including carry forward commitments of Rs. 1,980 Mn)
- In FY22, there will be brownfield expansion of capacities and new products at the existing plants and will also be putting up three new greenfield plants in the states of Assam, Orissa and Tamil Nadu.

### **Raw Material**

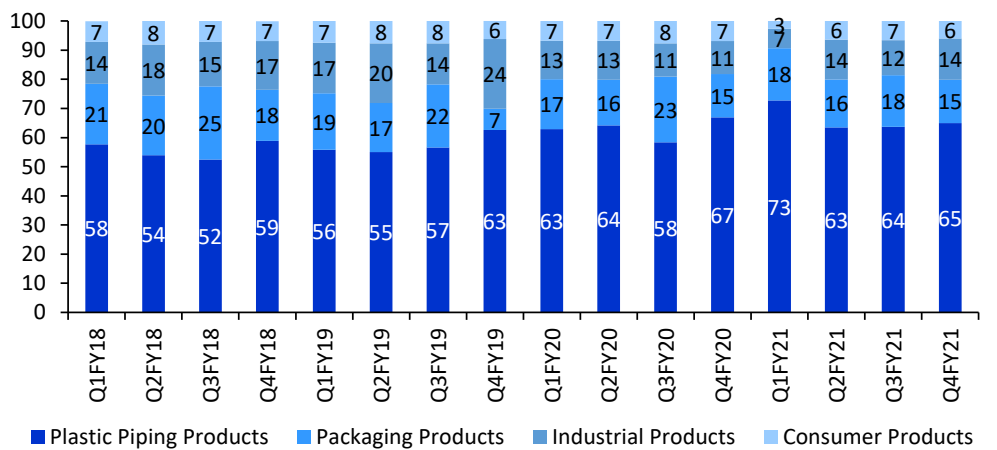
- The situation for SI has become further volatile due to steep increase in Polymer prices. The increase in prices of PVC was steepest.
- In the last 40 years, international prices of PVC have never reached to the levels seen in April 2021.
- It is expected that the increase in PVC prices will slowly and steadily subside from these levels.
- PVC prices went down by Rs. 13.5/kg in March'20 and gradually increased by Rs. 70/kg till now. Net, there was an increase on Rs. 57/kg in the price from March'20 till now.

**Exhibit 4: Segment wise % of Total Volume**



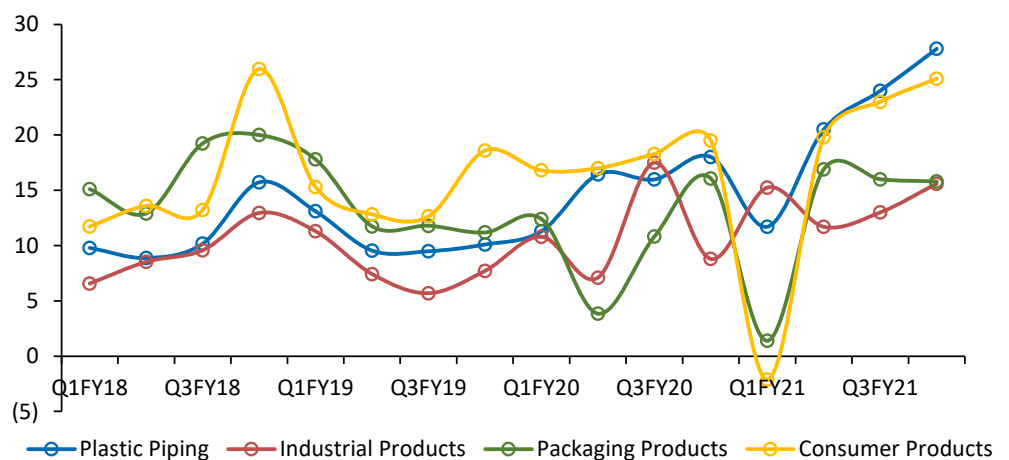
Source: Company, DART

**Exhibit 5: Segment wise % of Total Revenue**

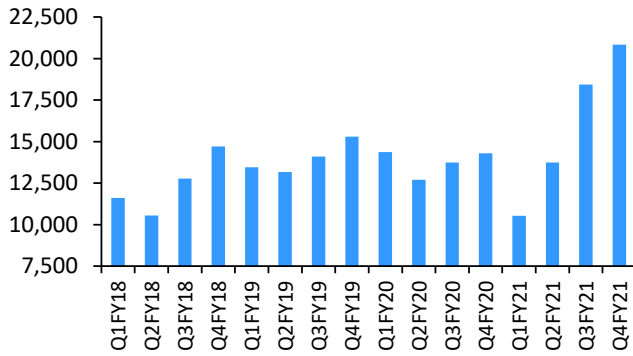


Source: Company, DART

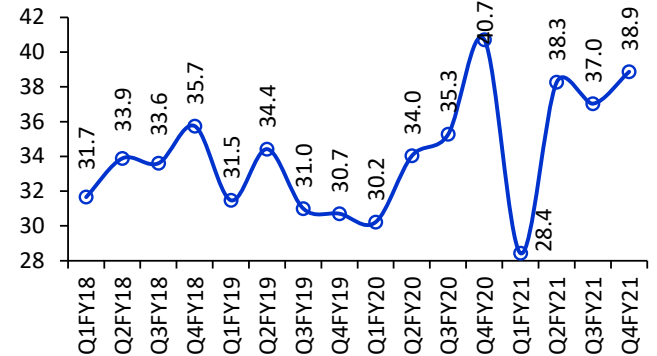
**Exhibit 6: Segment Margins (%)**



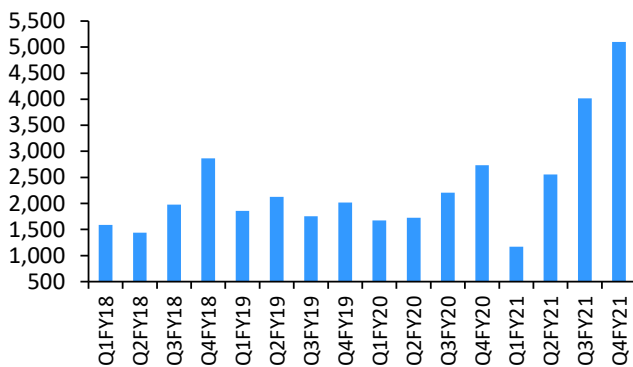
Source: Company, DART

**Exhibit 7: Revenue (Rs Mn)**


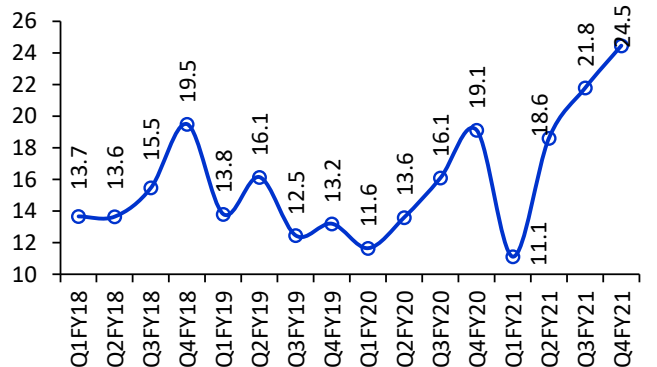
Source: Company, DART

**Exhibit 8: Gross Margin (%)**


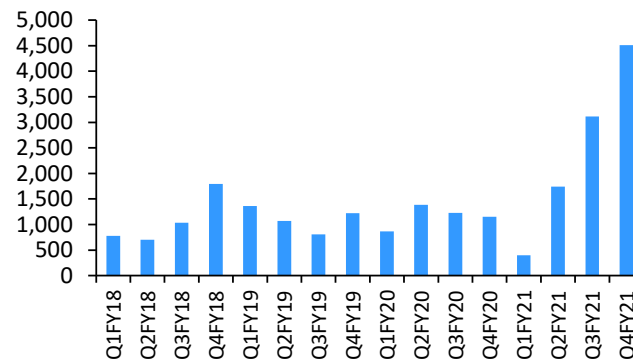
Source: Company, DART

**Exhibit 9: EBITDA (Rs mn)**


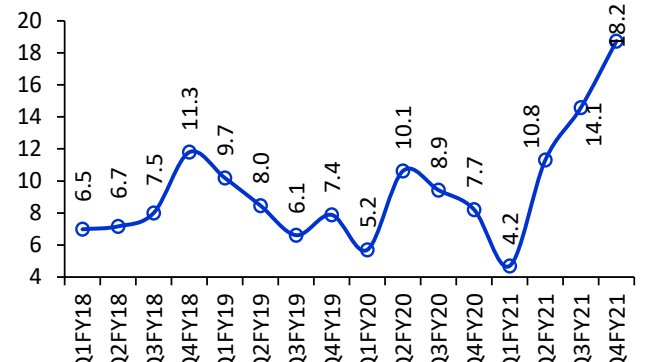
Source: Company, DART

**Exhibit 10: OPM (%)**


Source: Company, DART

**Exhibit 11: Net Profit (Rs Mn)**


Source: Company, DART

**Exhibit 12: NPM %**


Source: Company, DART

**Profit and Loss Account**

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
<b>Revenue</b>	<b>55,115</b>	<b>63,571</b>	<b>65,765</b>	<b>72,931</b>
<b>Total Expense</b>	<b>46,770</b>	<b>50,728</b>	<b>54,884</b>	<b>60,308</b>
COGS	35,783	40,385	41,432	45,946
Employees Cost	2,798	3,104	3,259	3,422
Other expenses	8,189	7,240	10,194	10,940
<b>EBIDTA</b>	<b>8,346</b>	<b>12,843</b>	<b>10,881</b>	<b>12,623</b>
Depreciation	2,057	2,128	2,467	2,727
<b>EBIT</b>	<b>6,289</b>	<b>10,715</b>	<b>8,414</b>	<b>9,896</b>
Interest	202	95	60	50
Other Income	14	43	20	20
Exc. / E.O. items	0	0	0	0
<b>EBT</b>	<b>6,101</b>	<b>10,662</b>	<b>8,374</b>	<b>9,866</b>
Tax	1,739	2,341	2,108	2,483
RPAT	4,674	9,781	7,766	9,183
Minority Interest	0	0	0	0
<b>Profit/Loss share of associates</b>	<b>312</b>	<b>1,460</b>	<b>1,500</b>	<b>1,800</b>
<b>APAT</b>	<b>4,630</b>	<b>9,766</b>	<b>7,756</b>	<b>9,173</b>

**Balance Sheet**

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
<b>Sources of Funds</b>				
Equity Capital	254	254	254	254
Minority Interest	0	0	0	0
Reserves & Surplus	22,358	31,438	36,519	43,016
<b>Net Worth</b>	<b>22,612</b>	<b>31,692</b>	<b>36,773</b>	<b>43,270</b>
Total Debt	4,109	6	0	0
Net Deferred Tax Liability	1,326	919	901	883
<b>Total Capital Employed</b>	<b>28,047</b>	<b>32,617</b>	<b>37,674</b>	<b>44,153</b>

**Applications of Funds**

Net Block	16,077	17,143	18,676	19,949
CWIP	929	510	569	629
Investments	2,073	3,366	3,366	3,366
<b>Current Assets, Loans &amp; Advances</b>	<b>17,106</b>	<b>21,804</b>	<b>25,241</b>	<b>31,377</b>
Inventories	8,906	7,608	10,811	11,989
Receivables	3,128	3,898	3,604	3,996
Cash and Bank Balances	2,314	7,684	7,464	10,965
Loans and Advances	1,523	1,216	1,824	2,736
Other Current Assets	1,236	1,398	1,538	1,692
<b>Less: Current Liabilities &amp; Provisions</b>	<b>8,139</b>	<b>10,206</b>	<b>10,178</b>	<b>11,168</b>
Payables	5,475	6,462	6,357	7,049
Other Current Liabilities	2,664	3,744	3,821	4,119
<i>sub total</i>				
Net Current Assets	8,968	11,599	15,063	20,209
<b>Total Assets</b>	<b>28,047</b>	<b>32,617</b>	<b>37,674</b>	<b>44,153</b>

E – Estimates



### Important Ratios

Particulars	FY20A	FY21A	FY22E	FY23E
<b>(A) Margins (%)</b>				
Gross Profit Margin	35.1	36.5	37.0	37.0
EBIDTA Margin	15.1	20.2	16.5	17.3
EBIT Margin	11.4	16.9	12.8	13.6
Tax rate	28.5	22.0	25.2	25.2
Net Profit Margin	8.5	15.4	11.8	12.6
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	64.9	63.5	63.0	63.0
Employee	5.1	4.9	5.0	4.7
Other	14.9	11.4	15.5	15.0
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	0.2	0.0	0.0	0.0
Interest Coverage	31.1	112.8	140.2	197.9
Inventory days	59	44	60	60
Debtors days	21	22	20	20
Average Cost of Debt	7.0	4.6	1967.2	
Payable days	36	37	35	35
Working Capital days	59	67	84	101
FA T/O	3.4	3.7	3.5	3.7
<b>(D) Measures of Investment</b>				
AEPS (Rs)	36.4	76.9	61.0	72.2
CEPS (Rs)	52.6	93.6	80.5	93.7
DPS (Rs)	14.0	22.0	18.0	18.0
Dividend Payout (%)	38.4	28.6	29.5	24.9
BVPS (Rs)	178.0	249.4	289.4	340.6
RoANW (%)	21.2	36.0	22.7	22.9
RoACE (%)	17.4	27.7	18.0	18.2
RoAIC (%)	25.3	42.3	30.5	31.2
<b>(E) Valuation Ratios</b>				
CMP (Rs)	2109	2109	2109	2109
P/E	57.9	27.4	34.6	29.2
Mcap (Rs Mn)	267,881	267,881	267,881	267,881
MCap/ Sales	4.9	4.2	4.1	3.7
EV	269,677	260,203	260,417	256,916
EV/Sales	4.9	4.1	4.0	3.5
EV/EBITDA	32.3	20.3	23.9	20.4
P/BV	11.9	8.5	7.3	6.2
Dividend Yield (%)	0.7	1.0	0.9	0.9
<b>(F) Growth Rate (%)</b>				
Revenue	(1.8)	15.3	3.5	10.9
EBITDA	6.4	53.9	(15.3)	16.0
EBIT	4.6	70.4	(21.5)	17.6
PBT	(6.1)	74.8	(21.5)	17.8
APAT	3.7	110.9	(20.6)	18.3
EPS	3.7	110.9	(20.6)	18.3

### Cash Flow

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
CFO	5,371	12,464	6,196	9,776
CFI	(1,937)	(2,006)	(3,811)	(3,780)
CFF	(1,555)	(5,055)	(2,522)	(2,495)
FCFF	2,974	10,254	2,135	5,716
Opening Cash	321	2,199	7,601	7,464
Closing Cash	2,199	7,601	7,464	10,965

E – Estimates

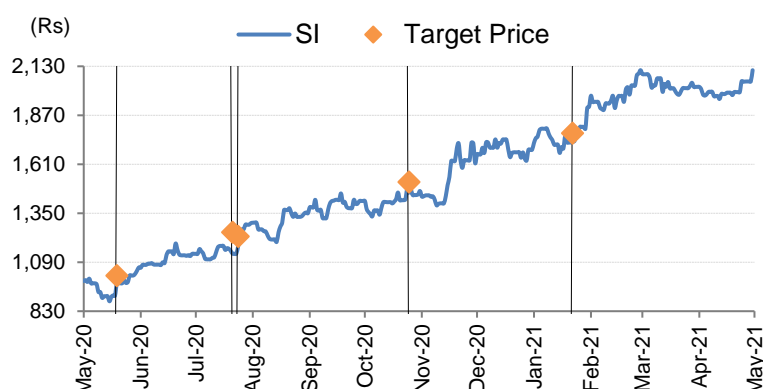


### DART RATING MATRIX

Total Return Expectation (12 Months)

<b>Buy</b>	<b>&gt; 20%</b>
<b>Accumulate</b>	<b>10 to 20%</b>
<b>Reduce</b>	<b>0 to 10%</b>
<b>Sell</b>	<b>&lt; 0%</b>

### Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
May-20	Reduce	1,019	978
Jul-20	Reduce	1,249	1,135
Jul-20	Reduce	1,227	1,173
Oct-20	Reduce	1,516	1,459
Jan-21	Reduce	1,775	1,732

\*Price as on recommendation date

### DART Team

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**Analyst(s) Certification**

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**I. Analyst(s) and Associate (S) holding in the Stock(s): (Nil)**

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