Visit Note
Sector: Diversified
BSE Sensex : 18,503

SINTEX INDUSTRIES LTD.

BUY
CMP Rs192
TP Rs240

Management meet update

We met the management of Sintex Industries. The key takeaways from the meeting which reconfirm our positive view on the stock are:- (1) Strong order book of Rs29bn in the monolithic segment to be executed over next 2 years. Revenue growth of ~25% expected. (2) Prefab segment expected to show 25-30% growth over FY12-13. (3) Client and technology synergy in the Custom Moulding segment, presently at Rs800mn, is expected to grow at 80-90% over the next 2 years on addition of new clientele. (4) Textile business is seen to grow at 5% with further improvement in margin. We maintain 'BUY' with target price Rs240 based on P/E of 12x FY12e EPS. At CMP of Rs192 stock trades at 9.5x and 8.1x FY12e and FY13e EPS estimate.

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Prefab Segment: -

This segment is seen growing at 25-30% over FY12-13. The company expects to generate significant incremental revenue from the following: -

1) Cold chain and Agri shed business: - Both the businesses are growing at a CAGR of 30%. The company did ~Rs0.6bn business from cold chain in FY11 and expects exponential growth in the years going forward. Margin in this sub-segment is higher in comparison to other segments.
2) Company's Dadri plant has been delayed by 1-2 months. Post operational of this plant we would see order inflows from neighboring states.
3) The company sees better execution in UP this year and expects revenue of Rs1.5bn (Rs900mn in FY11).The company's prefab product has been approved in Bihar where it expects to do somewhere in between Rs250-500mn in FY12 and scale up in years ahead.

Monolithic Segment: -

Management expects this segment to grow at growth of 25% over FY12-13 and margins to be at around 18-20%. The current order book stands at Rs29bn which will be executed over the next 2 years.

Key order book detail
40% of order book from National housing board(Rajasthan, Tamilnadu,Gujarat etc)
Rs3-3.5bn under JNNURM in Gujarat.
Rs3.5bn order for a student's hostel in South India.
Rs2-2.5bn order book from Indian Army
Rs1.4bn from Pondicherry

Source: Company, PINC Research

Company expects working capital cycle to improve further due to:-

1) Improvement in operating efficiency with average ticket size inching up. Current ticket size is at Rs800mn in comparison to Rs200mn few years back.
2) Improvement in debtor days marginally as 40% of the order book is from Housing board and they are turning out to be better pay master in comparison to Railways, Defence and others.

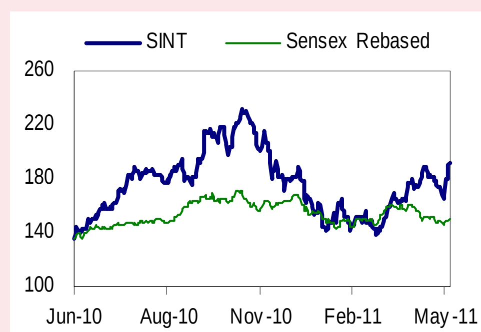
STOCK DATA

Market Cap	Rs53bn
Book Value per share	Rs71
Shares O/S (F.V. Rs2)	273mn
Free Float	62%
Avg Trade Value (6 months)	Rs311mn
52 week High/Low	Rs237/134
Bloomberg Code	SINT IN
Reuters Code	SNTX.BO

PERFORMANCE (%)

	1M	3M	12M
Absolute	10.9	31.0	42.2
Relative	14.2	27.2	30.5

RELATIVE PERFORMANCE



Custom Moulding (Domestic and Overseas): –

Management sees this segment generating significant incremental revenue going forward on back of: -

1) **Synergies**: - Significant synergies foreseen in Custom Moulding from the overseas subsidiaries (Wausaukee, Nief) which are helping get new customers. Some of the clients due to the overseas subsidiaries are as below.

Client list

NIEF	Schneider	Rs0.7bn synergy in FY11. Two dedicated plants already setup in Chennai.
	Areva	Dedicated plant to start in July
	ABB	Dedicated plant expected around Q3FY12
WAUSAUKEE	Siemens	
	John Deere	

Source: Company, PINC Research

2) Zeppelin expected to do revenue of ~Rs1bn in FY12. Major contributors of revenue will be:

   a) AMC for telecom towers (Rs0.45bn)

   b) Refrigerated vans. Management expects Zeppelin to turnaround by mid FY13 when the margins will increase to 10% from current 4%.

Management expects growth of 20-25% in the custom moulding business over FY12-13 and margin improve to 18% over next 2-3 years from current levels of 15%.Moreover improvement in margin is likely to come from overseas subsidiary.

Textile Business: -

This business is seen growing at growth of 5% over FY12-13 with margins in the range of 25-26% mainly on back of demand from the European market where the company caters to the collection segment.

Capex outlook: -

Sintex is expected to do a capex of ~Rs10bn over the next 3 years in the following segments.

Capex plan for next 3 years

Segment	Rs.bn.
Textile	0.5
Power	1
Building Products	6
Custom Moulding	2.5

Source: Company, PINC Research

PINC RESEARCH

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