SSKI

INDIA RESEARCH

5 September 2006

BSE Sensex: 11905

Company update

Sintex Industries

Rs177

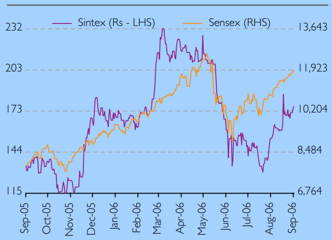
OUTPERFORMER

The next frontier

Mkt Cap: Rs17.4bn; US$377m

Stock data	
Reuters	SNTX.BO
Bloomberg	BVML IN
1-yr high/low (Rs)	258/110
1-yr avg daily volumes (m)	0.04
Free Float (%)	67.6

Price performance



Performance (%)

	3-mth	6-mth	1-yr	3-yr
Sintex	9.4	(17.8)	31.2	1222.4
Sensex	16.6	12.4	50.2	172.5

Sintex Industries (Sintex) has demonstrated impressive ability to scale up new businesses over the last few years. With its first mover advantage, the company has emerged as a leader in mass unexplored product segments, especially prefabs. New businesses like electrical accessories too are gaining momentum. Sintex is aggressively scouting for acquisitions to strengthen its presence in high-end plastic applications. In textiles, scale-up of high-end structured fabrics business is equally impressive. We remain bullish on Sintex in view of the high earnings visibility (32% CAGR over FY06-08) and expected expansion in return ratios. Reiterate Outperformer on the stock with a price target of Rs224 /share.

Plastics – growth on the fast track: Increasing product acceptance (by government as well as private bodies) has led to spectacular growth for Sintex's prefabs division over the last few years. Growth visibility, supported by geographical expansion, product launches and strong order book position, has never been so good. Electrical accessories division, catering to rural electrification projects, has emerged as the new growth engine for Sintex.

Textiles – smooth sailing: Expansion of capacities, coupled with a steady shift in sales mix towards the higher realization "structured" fabrics business, would drive a strong 22% CAGR in textile revenues for Sintex over FY06-08E. Steady growth in revenues from Canclini (the Italian partner) and a recent similar tie-up in Europe would ensure linear growth in the textiles business going forward.

Strong earnings growth ahead – reiterate Outperformer: We believe Sintex's ability to identify and explore new and scalable business opportunities remains impressive. Inorganic growth would help the company take the next big leap. Considering strong order backlog, high earnings visibility (32% CAGR over FY06-08E) and expected expansion in return ratios, we reiterate Outperformer on the stock with a target price of Rs224/share (based on our sum-of-parts valuations).

Key financials

Year to 31 March	FY04	FY05	FY06	FY07E	FY08E
Net Sales (Rs m)	5,278	6,590	8,530	11,877	14,830
Shares in issue (m)	73	92	99	121	121
Adj. EPS (Rs)	4.6	5.5	9.3	11.0	13.5
% growth	41.2	17.4	71.1	17.5	23.5
PER (x)	37.6	32.0	18.7	15.9	12.9
Price/Book (x)	6.8	4.6	3.8	3.0	2.6
EV/EBITDA (x)	17.4	16.5	13.5	10.7	8.9
RoE (%)	18.2	18.8	23.0	23.2	21.5
RoCE (%)	13.5	13.3	12.3	16.1	18.6
EV/CE (x)	2.9	2.5	1.8	2.2	1.9

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INVESTMENT ARGUMENT

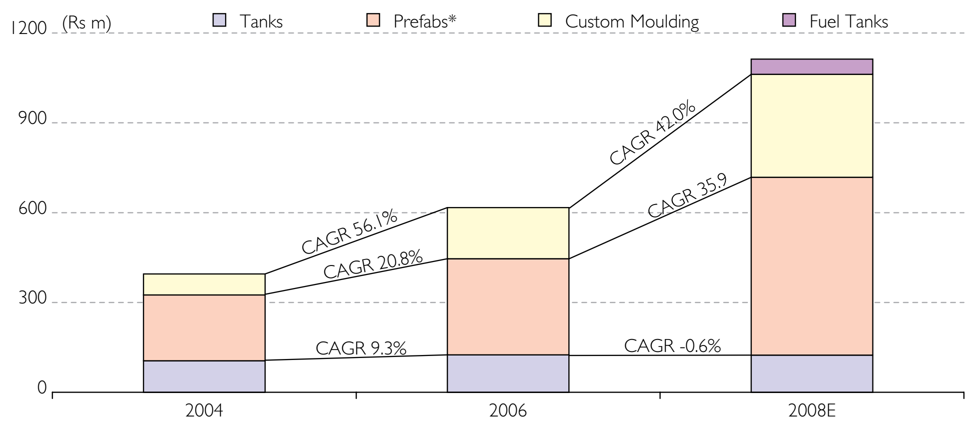
Prefabs and custom mouldings – two exciting business lines in the plastics division – continue to offer scalable business opportunity to Sintex on the back of its 'first mover advantage'. Similarly, in the textiles division, a shift towards the high-margin structured fabric business would accelerate with dedicated tie-ups and strong volume growth over the medium term. We expect Sintex to register earnings CAGR of 26% over FY06-08. We believe high earnings growth, likely RoCE expansion and potential upside from inorganic growth opportunities leave room for appreciation in the stock price. Maintain Outperformer with a price target of Rs224 per share.

PLASTICS DIVISION: STRONG GROWTH VISIBILITY

Prefabs and custom mouldings – the fastest growing segments for Sintex

Prefabs and custom mouldings are the fastest growing segments for Sintex with a 24% and 56% CAGR respectively over the last three years. We believe growth has not peaked out yet as Sintex is a leader in unexplored mass segments having huge entry barriers. We maintain that rising contribution of prefabs (as also custom mouldings) in the overall revenue mix would drive expansion in return ratios as these are relatively asset-light businesses. We expect a strong 34% CAGR in plastics division revenues (on a consolidated basis) over FY06-08, led mainly by rapid growth in prefabs and electrical accessories businesses.

Exhibit 1: Plastics business revenue break-up



*Source: SSKI Research (*Includes turnover from Zaplin Mobile systems)*

❑ Prefabs – growing product acceptance

As the concept of prefabs gains popularity, product applications would increase significantly

Despite the huge potential, India is still a nascent market for prefabs. State governments and local government bodies have only gradually started recognizing prefabs as the accepted route for building rural infrastructure – as reflected in the stupendous growth witnessed by Sintex over the last few years. Prefabs are also finding increasing acceptance with private companies for building telecom BT (base terminal) shelters, residential complexes surrounding factories, site offices and other temporary structures. Applications of the product are likely to increase significantly as the concept gains popularity.

Prefabs offer growth visibility with new product launches, new technology and increasing product applications

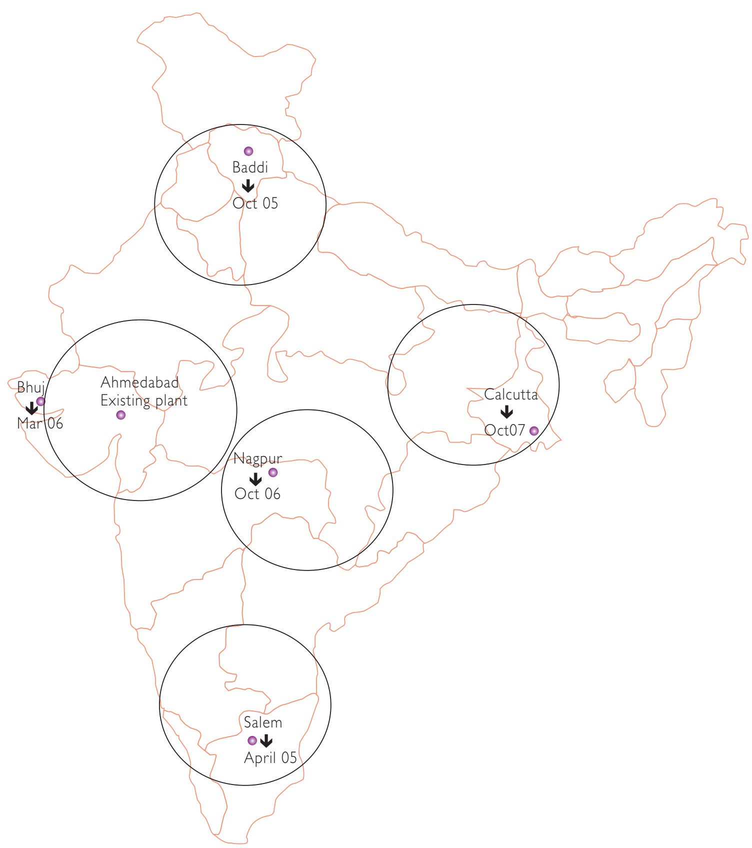
Prefabs business offers tremendous growth visibility for Sintex with new product launches, introduction of new technology and increasing product applications. For example, Sintex has recently introduced prefabricated bunkhouses for housing and commercial applications. Similarly, the company has designed and introduced an entirely new solution to address the mass and low cost housing needs in India – which is termed as "monolith construction". The product comprises fabrication using a unique work system with casting of all four walls and slab together. The facility can be built in a fraction of the time required for conventional structures and can also be used for multi-storeyed construction. These constructions are typically targeted at slum-rehabilitation projects.

❑ Nationwide launch to drive medium-term growth

A likely nationwide rollout of prefabs by October 2007 would accelerate the growth momentum

Freight economics and logistics necessitate a prefab assembly unit within a radius of 1,500kms of installation. To test the product, Sintex had initially launched it only in three states – Madhya Pradesh, Gujarat and Rajasthan. However, to capitalize on the first mover advantage and the huge opportunity, it plans to soon go nationwide. Sintex would likely achieve nationwide rollout of prefabs by October 2007, which should accelerate the growth momentum. In addition to the Western India market, Sintex has recently installed a prefabs plant at Salem and Baddi to service the South and North Indian markets respectively. The Nagpur plant, to cater to Central Indian market, is likely to be operational by Q3FY07. Finally, the Calcutta unit is expected to be commissioned by October 2007. Each prefab unit costs ~Rs550m and is likely to generate Rs2bn of revenues.

Exhibit 2: Prefabs – the rollout plan



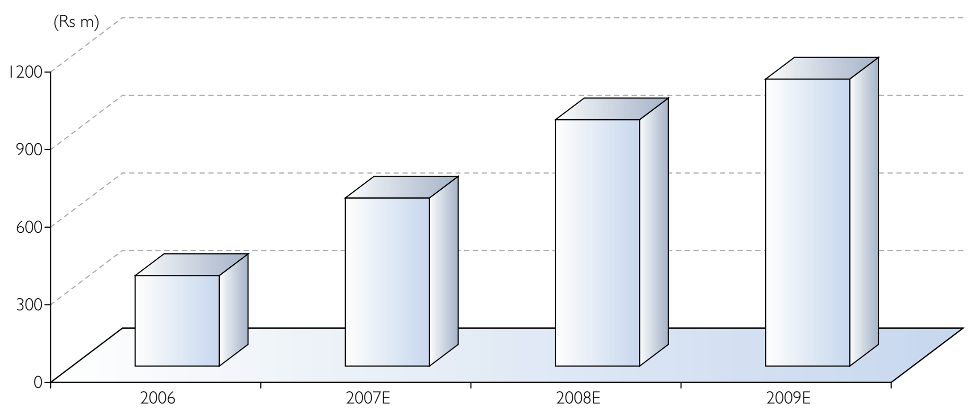
Source: SSKI Research, Company

Zaplin acquisition strengthens Sintex's leadership in prefabs; allows it to cater to a growing telecom industry

❑ Zaplin Mobile acquisition – paying off

Sintex recently acquired a 74% stake in Zaplin Mobile System India (ZMSIL). ZMSIL is into designing and commissioning of sophisticated polyurethane foam based shelters and structures for the telecom sector, mobile hospitals, refrigerated bodies and other multi-purpose shelters. ZMSIL is one of the top two telecom shelter manufacturers in India. Post acquisition, Sintex would have a market share of more than 55% in the Rs2bn prefab BT shelter business in India. The initiative will allow the company to strengthen its leadership position in the prefabricated structures segment as also proactively cater to a larger section of the growing telecom industry. Zaplin, we believe, would be the key beneficiary of India's increasing tele-density. We expect a CAGR of 34% in Zaplin's sales revenues over FY06-08, led by strong demand growth and increasing market penetration.

Exhibit 3: Zaplin Mobile—strong ramp-up



Source: Company, SSKI Research

Sintex has evolved a number of electrical products and solutions, especially targeting rural electricification projects

❑ Electrical accessories – the new growth driver

In line with its innovative past, Sintex has evolved a number of products and solutions for the electrical sector, especially targeting rural electricification projects. Electrical accessories (part of custom mouldings business for Sintex) find extensive usage in the area of generation, transmission and distribution to offer turnkey systems. The product range includes boxes, panels, assemblies, sub-stations, cross arms, substation building kiosks, etc made from composites of plastics by utilizing processes of compression mouldings of SMC (Sheet Moulding Compound) and pultrusion.

Sintex has received tremendous breakthrough in this line of business with an order book position of Rs1.5bn (against FY06 sales of Rs0.7bn). The recently commissioned Kutch unit is dedicated towards electrical accessories products – the company is planning to quadruple the capacity here from 4,000 tonnes / p.a. to 16,000 tonnes /p.a. to cater to the increasing demand, particularly from private companies operating in the power distribution space. The management has recently guided that it expects 70-90% CAGR in this business over the next 3-4 years.

Sintex has a prefabs order book of >Rs5bn from government bodies and ~Ra1.5bn from private companies

❑ Strong order book position

Sintex currently has a long-term order book position of more than Rs5bn in the prefabs business from government bodies, to be executed over the next 12-18 months. Additionally, order book from private companies is ~Rs1.5bn, which would be reflected in revenues over the next two quarters. In the custom mouldings business, Sintex has steadily added clients in the previous quarter, taking the total number of clients to 11. Custom mouldings business is likely to benefit from improved sales volumes as also a transition to manufacturing higher value-added items. Cummins (the largest account for Sintex in this business) continues to grow at around 20%yoy for Sintex. Sintex has recently entered into a new contract with Cummins Inc as its Asian outsourcing partner for products finding application in generators and fuel injection systems, and to produce diesel storage tanks. Sintex sees the Cummins business scaling up to Rs1bn over the next few years.

Slow down in oil marketing infrastructure in India – a temporary setback

❑ FRP fuel tanks – waiting for take off

Sintex has soft launched FRP fuel tanks in India – these tanks are globally used for storage of petrol, diesel and gasoline. FRP tanks circumvent the maintenance issues faced by concrete/ metal tanks used for storing fuels in India. Sensing a significant potential for FRP tanks in view of the expected brisk growth in petroleum marketing infrastructure, Sintex has tied up with Containment Solutions, Inc – the world leader in FRP fuel tanks – to manufacture these products in India (with an investment of Rs300m). However, given the archaic subsidy sharing regulations and soaring crude prices, oil-marketing companies are currently deep in the red and have hence deferred their plans for expansion/ upgradation of existing infrastructure. This has given a temporary setback to Sintex's fuel tanks business. However, given the need to build petroleum marketing infrastructure in the country, we believe Sintex is well positioned to ride the opportunity as and when it is triggered.

Sintex scouting for inorganic growth options in the plastics division

❑ In-organic growth – expect newsflow soon

Sintex is actively looking at large inorganic growth opportunities to strengthen its presence in niche plastic applications with focus on high-end applications for auto and other industrial plastics. The company believes that plastic-based auto components industry is a huge upcoming opportunity as the share of plastic components in the overall mix is increasing steadily. Very recently, Tata Motors has stated its intention to seek regulatory permission to use plastic components for its new automobiles. This can potentially open up a huge opportunity for companies like Sintex, which are geared towards introducing innovation in plastic technology. Sintex is also aggressively looking at inorganic growth options in the prefabs business.

To fund the potential acquisitions, Sintex has recently concluded an FCCB issue of US $50m. The instrument carries a zero percent coupon unsecured and unrated 5-year FCCB offering with yield to maturity set at 6.85%. The FCCBs are convertible at a market price of Rs183.5 (adjusted for the recent stock-split). The proceeds of the issue will be used to fund Sintex's capital expenditure for expansion plans as well as to leverage acquisition opportunities in both its operating segments.

TEXTILES: READY FOR THE NEXT LEAP

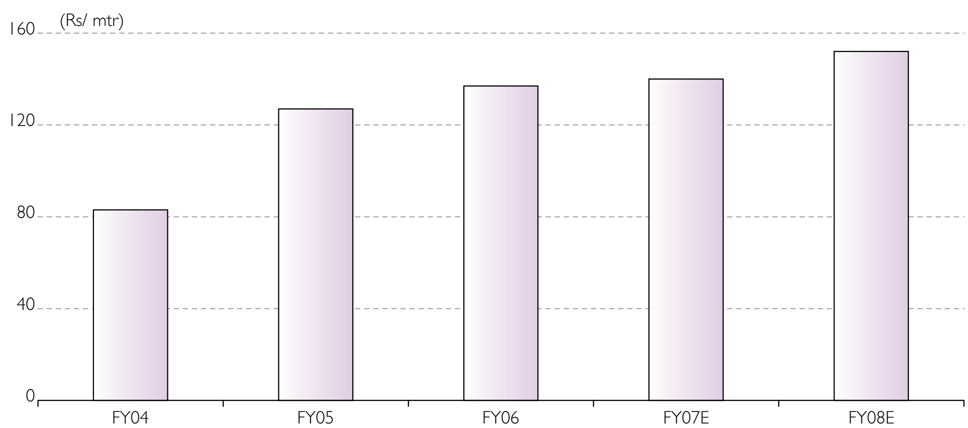
Sintex's textiles business is witnessing a gradual shift towards the high-value structured fabrics segment on the back of a tie-up with Italian major, Canclini. The shift is likely to accelerate with steady growth in business from Canclini, a recent similar tie-up in Europe and other tie-ups in the pipeline to penetrate the European structured fabrics market. Sintex would also diversify into other areas like fabrics for women's clothing, jacquards, etc to provide further growth fillip. We expect a 22% CAGR in textile business revenues for Sintex over FY06-08.

❑ Focus on niche segments paying off

Sintex focuses on manufacturing 'structured' fabric used for high-end fashion shirtings

Sintex has a unique business model in the textiles business. The company focuses on manufacturing 'structured' fabric used for high-end fashion shirtings. This is a niche market contributing only 2.8% of the overall fabrics sold worldwide – global market for structured fabric is estimated at 240m metres. Europe is the typical destination for these fabrics, which offer considerably higher realizations as they sell in small lot sizes and require high degree of designing skills. To put things into perspective, a typical shirting manufacturer in India sells fabrics at US $1.5-3.0/metre, whereas structured fabrics fetch US $15-17/ meter in the Europe.

Exhibit 4: Steady expansion in realizations



Source: Company, SSKI Research (realizations are on a weighted average basis—including outsourced sales)

❑ Expect strong volume growth in the near term

We expect 16% CAGR in volumes for textiles division over FY06-08

Sintex is in the process of further expanding its fabric capacities from 21m meters currently to 30m meters over the next three years. We expect 16% CAGR in volumes for textiles division over FY06-08 (our assumptions factor in lower volumes from outsourced sales). Sintex is also focused on improvising its expertise and capacity for the production of high-margin, high-growth segments of jacquards, cotton silk and cotton linen fabrics. Sintex also intends to graduate from fabric manufacturing to value-added men's garments, which would extend its coverage across the entire value-chain from yarn to garments. The garmenting facility would initially have a capacity of 10,000 shirts/day, which would subsequently be doubled over a period of time.

Canclini revenues up from 19% of textiles sales in FY05 to 38% in FY06

❑ Rapid change in sales mix to drive higher profitability

With a significant chunk of the textiles business coming from the Canclini joint venture, per meter profitability has improved sharply over the last three years (the Canclini business has ramped up considerably over these years). Sintex shipped 22% of its production in volume terms in FY06 compared to only 7% in FY05 to the joint venture (by value, Canclini contributed 38% of textile revenues in FY06 against 19% in FY05). We expect Canclini's contribution to steadily increase over the next two years and touch 33% by volumes (on increased capacity) by FY08.

To further ramp up contribution of structured fabrics, Sintex has tie-up with a reputed UK-based company

Sintex has recently entered into another tie-up (on the lines of the Canclini tie-up) with a reputed UK-based company (name not disclosed yet) to ramp up contribution of structured fabrics in the textiles division. The understanding entails assistance in designing, which includes colours, structures and finishes as well as packing products and niche client identification. This company would provide Sintex 3,000 designs per quarter. The entity will also train Sintex employees to work with these fabrics and its marketing staff to market these products to several leading brands. Through this agreement, Sintex believes it can sell about 1m meters of fabric in the first year and this volume is expected to increase to 4m meters in the coming three years.

To put things into perspective, Sintex entered into a tie-up with Italian major Canclini (in 2002) to enter into high-end structured fabrics market in Europe. These products are based on designing skills with small lot sizes. Canclini is a renowned player in the European market known especially for its superfine fabrics and contemporary designing skills. The JV gives Sintex access to a team of more than 120 designers and a portfolio of around 9,000 designs for each of the four fashion seasons in a year.

FINANCIAL ANALYSIS

We believe Sintex would touch Rs14bn in sales by FY08 – a 32% CAGR over FY06-08. We expect margins to improve by 130bp to 18.2% in FY08 as the proportion of low-margin water tanks business in total revenues declines, and more profitable product lines gradually replace the business. Net profit would also likely register a sharp 32% CAGR over this period. Return ratios (adjusted for cash and treasury income) have shown a marked improvement in the last two years. We expect this trend to continue as the product mix shifts towards the low capital-intensive and service-oriented prefabs business.

A revenue CAGR of 32% expected over FY06-08, driven by 39% CAGR in in textiles and 22% CAGR in plastic division revenues

❑ Consolidated revenues to touch Rs14.8bn by FY08

Sintex is likely to maintain the strong growth momentum in revenues. At a CAGR of 32% through FY06-08, we expect Sintex's revenues to touch Rs14.8bn by FY08. We expect the contribution of plastics to increase from 71% of total revenues in FY06 to 75% in FY08. We estimate plastic division revenues to register a 39% CAGR with the textiles business registering a 22% CAGR over the same period.

Exhibit 5: Revenues – 32% CAGR estimated over FY06-08

Year ending	Textiles	Plastics	Total
FY06	2,470	5,800	8,270
FY07E	2,876	9,000	11,877
FY08E	3,700	11,131	14,830
CAGR FY06-08E (%)	***22.3***	***33***	***32***

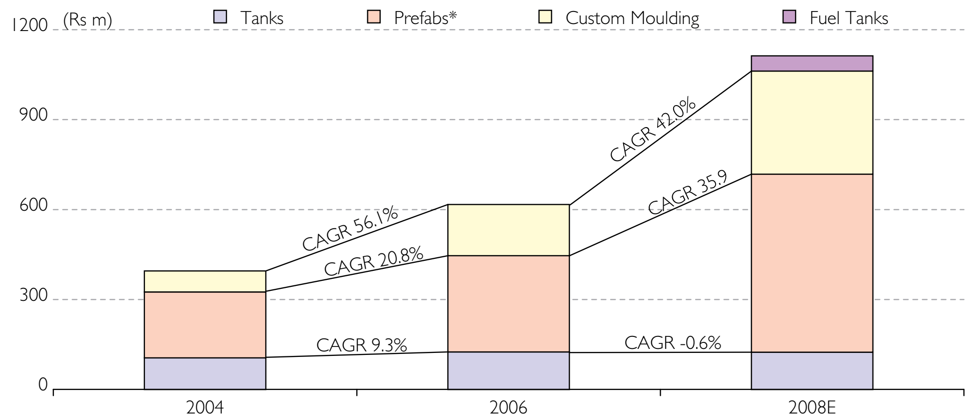
Source: SSKI Research

Contribution of low-margin water tanks business likely to drop from 20% of plastics revenues in FY06 to 11% in FY08…

❑ Plastics – revenue mix tilting towards prefabs business

We expect a marked shift in revenue mix in the plastics business towards the higher margin prefabs business. Contribution from water tanks (a low-margin business) is likely to drop sharply from 20% of plastics division revenues in FY06 to 11% in FY08. Custom mouldings division is likely to register 42% CAGR over FY06-08. Prefabs (including revenues from Zaplin Mobile Systems) would touch Rs6bn in sales by FY08 – this, we believe, would lead to sustained expansion in return ratios.

Exhibit 6: Plastics business revenue break-up



*(*Includes turnover from Zaplin Mobile systems)*

…which would contribute to130bp expansion in margins over FY06-08

❑ Operating margins to inch up further

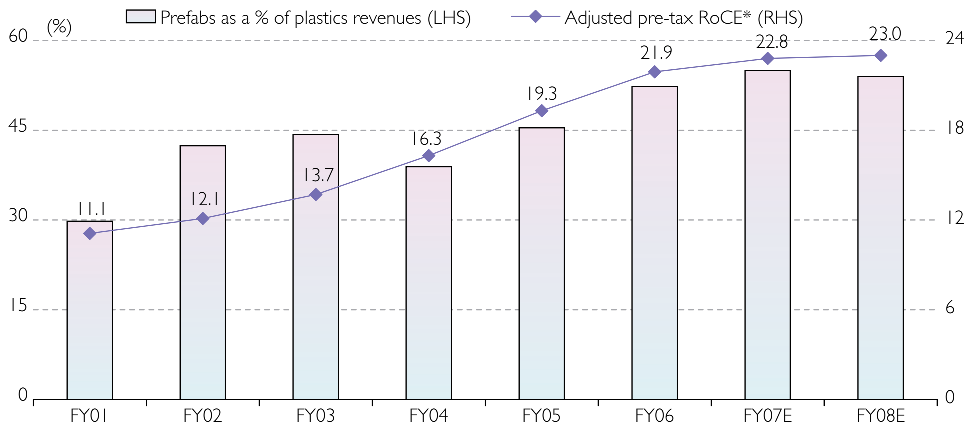
We expect an improvement in Sintex's overall operating margins driven by a shift towards high-margin products, both in the textiles and plastics business. Further, commencement of power plant in October 2007 is likely to significantly add to power cost savings. Overall, we expect operating margins to improve from 16.9% in FY06 to 18.2% in FY08. We expect a 26% CAGR in net profit over FY06-08.

With Sintex's business moving away from products towards services, RoCE expected to expand

❑ Operational RoCE likely to improve to ~23% in FY07

Prefabs, unlike Sintex's traditional product business, is a service-oriented business and is therefore asset light. Though the business is working capital intensive (given higher debtors days for government business), it still consumes less capital than the traditional businesses. Sintex has sales to capital ratio of 1.3x for prefabs, compared to 0.9x for water tanks. With prefabs business capturing a significant proportion of the overall sales mix, Sintex is moving away from products towards services. This, we believe, would make way for expansion in return ratios. The table below clearly indicates a rise in RoCE with increasing contribution of prefabs revenues.

Exhibit 7: Co-relation of RoCE to contribution of prefabs sales



*(Source: SSKI Research)(*pre-tax RoCE adjusted for cash/ cash equivalents and treasury income)*

VALUATIONS AND VIEW

Sintex's ability to ride unexplored and scalable mass businesses remains impressive. We continue to be bullish on the company given that it offers strong growth visibility (32% revenue CAGR over FY06-08E) and expansion in return ratios. Inorganic growth would add further upside to our growth numbers as the cash (~Rs35/share) currently generates marginal treasury income. We maintain our Outperformer rating on the stock with a price target of Rs224/share based on sum-of-parts valuations.

❑ Sintex stock expected to track earnings growth

High growth visibility, improving return ratios and successful rollout of new businesses leave upside potential

A marked shift in product mix towards high-margin, low capital-intensive businesses has triggered a significant re-rating in the stock. However, high growth visibility, improving return ratios and successful rollout of new businesses leave further upside potential. Also, a large part of the recent equity infusion has been specifically earmarked for inorganic growth, which has not been factored into our numbers. Sintex is therefore well positioned to surprise our numbers on the upside. The stock currently trades at 15.9x FY07E and 12.9x FY08E earnings (12x FY07E earnings adjusted for cash). In the medium term, we expect the stock to track earnings growth and trade in the range of 14-16x earnings.

❑ Maintain Outperformer with a price target of Rs224/share

The diverse nature of Sintex's businesses necessitates valuing it on sum-of-parts basis. We have assigned a target EV/ EBITDA multiple to each business. We arrive at an intrinsic value of Rs224/share – our 12-month price target for the stock.

Exhibit 8: Sum-of-parts valuation

EBITDA contribution	FY08E EBITDA (Rs m)	EV/ EBITDA Assumed (x)	Justified EV (Rs m)
Prefabs*	1,064	12	12,981
Water tanks	90	5	450
Custom moulding and underground fuel tanks^	590	8	4,720
Textiles	870	9	7,830
Total justified Enterprise Value			25,981
Less: net debt			-1150
Justified market capitalization			27131
Justified price /share (Rs)			224
% upside			31

*(*Based on SSKI universe EV/EBITDA multiple of construction stocks, ^-based on SKI universe EV/EBITDA multiple of auto ancillary companies)*

Income statement

Year to 31 March (Rs m)	FY04	FY05	FY06E	FY07E	FY08E
Net sales	**5,278**	**6,590**	**8,530**	**11,877**	**14,830**
% growth	*19.5*	*24.9*	*29.4*	*39.2*	*24.9*
Operating expenses	4,384	5,455	7,087	9,710	12,129
EBITDA	**893**	**1,135**	**1,443**	**2,167**	**2,701**
% growth	*11.8*	*27.0*	*27.2*	*50.1*	*24.7*
Other income	138	105	298	400	330
Net interest	(313)	(249)	(291)	(259)	(196)
Depreciation	226	283	307	446	537
Pre-tax profit	492	709	1,143	1,861	2,299
Deferred Tax	-	129	49	81	67
Current Tax	154	76	173	459	600
Profit after tax	**338**	**504**	**921**	**1,322**	**1,632**
Preference dividend	-	-	-	-	-
Non-recurring items	-	-	-	17	25
Net profit after non-recurring items	338	504	921	1,339	1,657
% growth	*41.2*	*49.0*	*82.7*	*45.3*	*23.8*

Balance sheet

Year to 31 March (Rs m)	FY04	FY05	FY06E	FY07E	FY08E
Paid-up capital	146	185	197	241	241
Reserves & surplus	1,724	3,315	4,297	6,676	8,010
Total shareholders' equity	1,870	3,500	4,495	6,917	8,251
Total current liabilities	1,086	1,546	1,773	2,077	2,381
Total Debt	2,986	3,384	5,827	2,813	3,725
Deferred tax liabilities	441	570	619	700	767
Other non-current liabilities	18	32	24	26	29
Total liabilities	4,532	5,532	8,243	5,617	6,902
Total equity & liabilities	**6,401**	**9,032**	**12,738**	**12,534**	**15,153**
Net fixed assets	3,336	3,581	4,885	5,649	6,413
Investments	569	1,675	1,568	1,470	2,000
Total current assets	2,465	3,777	6,293	5,415	6,741
Other non-current assets	32	0	(9)	0	0
Working capital	1,379	2,231	4,519	3,338	4,360
Total assets	**6,401**	**9,032**	**12,738**	**12,534**	**15,153**

Cash flow statement

Year to 31 March (Rs m)	FY04	FY05	FY06E	FY07E	FY08E
Pre-tax profit	492	709	1,143	1,861	2,299
Depreciation	226	283	307	446	537
chg in Working capital	(39)	(175)	455	(1,854)	(933)
Total tax paid	(154)	(76)	(173)	(459)	(600)
Ext ord. Items	-	-	-	17	25
Operating cash Inflow	526	740	1,732	11	1,327
Capital expenditure	(342)	(512)	(1,599)	(1,210)	(1,300)
Free cash flow	184	228	133	(1,198)	27
Chg in investments	(453)	(1,106)	106	98	(530)
Debt raised/(repaid)	482	398	2,442	(3,013)	912
Capital raised/(repaid)	(150)	1,240	210	1,300	-
Dividend (incl. tax)	6	(26)	(77)	(89)	(196)
Misc	(26)	(178)	107	20	11
Net chg in cash	43	557	2,921	(2,882)	225

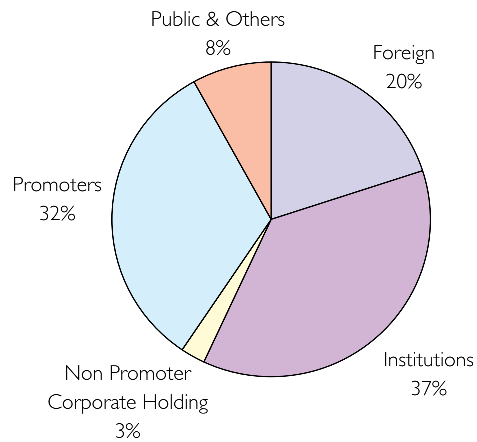
Key ratios

Year to 31 March	FY04	FY05	FY06E	FY07E	FY08E
EBITDA margin (%)	16.9	17.2	16.9	18.2	18.2
EBIT margin (%)	12.6	12.9	13.3	14.5	14.6
PAT margin (%)	6.4	7.6	10.8	11.1	11.0
RoE (%)	18.2	18.8	23.0	23.2	21.5
RoCE (%)	13.5	13.3	12.3	16.1	18.6
RoCE - WACC (%)	2.0	2.6	2.8	4.5	7.3
Gearing (x)	1.5	0.7	0.5	0.3	0.3

Valuations

Year to 31 March	FY04	FY05	FY06E	FY07E	FY08E
Reported EPS (Rs)	4.6	5.5	9.3	11.1	13.7
Adj. EPS (Rs)	4.6	5.5	9.3	11.0	13.5
PER (x)	37.6	32.0	18.7	15.9	12.9
Price/Book (x)	6.8	4.6	3.8	3.0	2.6
EV/Net sales (x)	2.9	2.8	2.3	2.0	1.6
EV/EBITDA (x)	17.4	16.5	13.5	10.7	8.9
EV/CE (x)	2.9	2.5	1.8	2.2	1.9

Shareholding pattern



As of June 2006

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Explanation of Ratings:

1. Outperformer: More than 10% to Index
2. Neutral: Within 0-10% to Index
3. Underperformer: Less than 10% to Index

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