UBS

Global Equity Research

India

Industrial, Diversified

# UBS Investment Research

## Sintex Industries

| | |
|---|---|
| 12-month rating | Buy |
| | *Prior: Not Rated* |
| 12m price target | Rs240.00/US$5.33 |
| | - |
| Price | Rs175.55/US$3.90 |

RIC: SNTX.BO BBG: BVML IB

19 May 2011

### Improved fundamentals

- **Beneficiary of non-cyclical social spending; custom moulding well positioned**

Sintex Industries (SINT), a diversified industrial company, is a key beneficiary of the government's non-cyclical and growing social spending on education, low-cost housing, healthcare and rural infrastructure in India. Its building products business (50% of FY11 EBITDA) has scale advantages and its custom moulding business (35% of FY11 EBITDA) looks well positioned to benefit from a recovery in the industrial cycle, and synergies from its acquisitions and their scaling up.

- **Balance sheet improvement; divestment of unrelated investment a positive**

We think concerns over SINT's capital discipline have been largely allayed by sharply lower working capital in FY11, divestment of unrelated investments (oil and gas), and management's focus on the core business. Strong revenue growth and the EBITDA margin in FY11 reflect execution capability. A growing monolithic construction order book (22 months revenue of Rs29bn) provides growth and margin visibility in the near term.

- **We forecast a 19.8% EPS CAGR for FY11-13; attractive valuation**

We believe SINT's valuation—FY12E PE of 8.5x and EV/EBITDA of 6.4x—is attractive, and forecast an EPS CAGR of 19.8% for FY11-13 and ROE of 21.1% for FY12. We think an improving growth trajectory, a stronger balance sheet (lower working capital, debt:equity at 0.3x in FY13E) and positive free cash flow from FY11E should support to a re-rating of the stock.

- **Valuation: initiate coverage with a Buy rating and price target of Rs240.00**

We base our price target for SINT on a sum-of-the-parts methodology because of the diversified nature of its business. Our price target implies an FY13E PE of 11.2x and EV/EBITDA of 6.9x.

| Highlights (Rsm) | 03/09 | 03/10 | 03/11E | 03/12E | 03/13E |
|---|---|---|---|---|---|
| Revenues | 30,639 | 32,816 | 44,751 | 55,045 | 65,400 |
| EBIT (UBS) | 3,356 | 3,560 | 6,578 | 7,556 | 8,936 |
| Net Income (UBS) | 3,251 | 3,290 | 4,600 | 5,629 | 6,600 |
| EPS (UBS, Rs) | 12.00 | 12.14 | 16.97 | 20.77 | 21.43 |
| Net DPS (UBS, Rs) | 0.55 | 0.60 | 0.64 | 0.83 | 0.90 |
| **Profitability & Valuation** | **5-yr hist av.** | **03/10** | **03/11E** | **03/12E** | **03/13E** |
| EBIT margin % | 13.3 | 10.8 | 14.7 | 13.7 | 13.7 |
| ROIC (EBIT) % | 19.5 | 11.7 | 18.2 | 19.3 | 21.0 |
| EV/EBITDA (core) x | 9.8 | 9.0 | 7.7 | 6.4 | 4.5 |
| PE (UBS) x | 14.2 | 9.3 | 10.3 | 8.5 | 8.2 |
| Net dividend yield % | 0.7 | 0.5 | 0.4 | 0.5 | 0.5 |

*Source: Company accounts, Thomson Reuters, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs175.55 on 18 May 2011 23:38 HKT*


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| Trading data (local/US$) | |
|---|---|
| 52-wk range | Rs232.00-132.15/US$5.25-2.83 |
| Market cap. | Rs47.9bn/US$1.06bn |
| Shares o/s | 273m (ORD) |
| Free float | 65% |
| Avg. daily volume ('000) | 1,026 |
| Avg. daily value (m) | Rs160.4 |

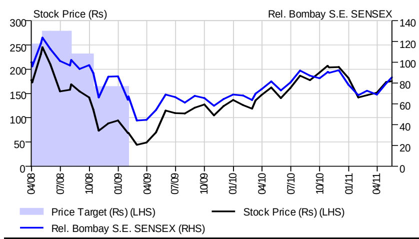
| Balance sheet data 03/11E | |
|---|---|
| Shareholders' equity | Rs24.0bn |
| P/BV (UBS) | 2.0x |
| Net Cash (debt) | (Rs17.9bn) |

| Forecast returns | |
|---|---|
| Forecast price appreciation | +36.7% |
| Forecast dividend yield | 0.5% |
| Forecast stock return | +37.2% |
| Market return assumption | 13.0% |
| Forecast excess return | +24.2% |

EPS (UBS, Rs)

| | 03/11E | | | 03/10 |
|---|---|---|---|---|
| | From | To | Cons. | Actual |
| Q1 | - | - | - | - |
| Q2 | - | - | - | - |
| Q3 | - | - | - | - |
| Q4E | - | - | - | - |
| 03/11E | - | 16.97 | *25.56* | |
| 03/12E | - | 20.77 | *30.95* | |

Performance (Rs)




*Source: UBS*

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# Investment Thesis

Initiate coverage of SINT with a Buy rating and a price target of Rs240.00

We initiate coverage of Sintex Industries (SINT) with a Buy rating and a sum-of-the-parts-based price target of Rs240.00. We believe the stock has re-rating potential following: 1) robust FY11 results with 45% earnings growth and higher EBITDA margins YoY, adding to our confidence about its execution ability; 2) balance sheet improvement with working capital at 102 days in FY11 from 152 days in FY10; 3) divestment of unrelated investments (oil and gas); and 4) positive free cash flow.

The building products segment, which includes prefab and monolithic construction (the construction of concrete and steel structures using plastic, aluminium or wooden formwork) contributed 50% to FY11 EBITDA. The business is geared to the government's spending on education, healthcare, low-cost housing and rural infrastructure. We expect the government to remain focused on social development programmes and continue substantial budgetary (non-cyclical) allocation in these areas.

The custom moulding segment (35% of FY11 EBITDA) should be supported by a recovering industrial cycle and scaling up of SINT's acquisitions. We consider SINT's current valuation—FY12E PE of 8.5x and EV/EBITDA of 6.4x—attractive, given our FY11-13 EPS CAGR forecast of 19.8%. Our price target implies an FY13E PE of 11.2x and EV/EBITDA of 6.9x.

We think investor concerns on the EBITDA margin of the monolithic construction business (a key growth driver of SINT—32% of FY11 EBITDA and 19.2% margin) could be allayed for one to two years, as SINT's order book gives visibility for 22 months and it could take other companies time to scale up in the low-cost housing segment (as indicated by our channel checks). Long term, we assume margins will ease to 17%/15% in FY14/15 on potentially higher competition. SINT management has indicated that it will only expand in existing segments and will not venture into unrelated industries. Also, any investment in power projects (another investor concern) over the next two to three years would only be for captive consumption.

Prefabs and monolithic construction have an advantage over conventional construction in terms of costs and execution time. As execution, track record, dealing with government agencies (in low-cost housing and social development projects), and cost control are critical, we believe competitors will find it challenging to achieve scale. Our channel checks support this view.

## Key catalysts

High growth in most segments backed by government social spending plans

- **High growth momentum in key segments; geared largely to non-cyclical social spending:** SINT has guided for high growth in most segments, backed by the government's social spending plans and an improving market for custom-moulded products. The government's large social spending plans in the building products segment are non-cyclical and structural. UBS has a positive outlook for auto suppliers, expects high capex in India's power sector, rising aircraft deliveries in the next few years, and ongoing spending on mass transit systems, and it has an improved outlook for SINT's global customers such as Alstom, Schneider Electric and ABB. We view these as potential catalysts for SINT. We forecast a sales CAGR of 21% and an earnings CAGR of 19.8% for SINT in FY11-13. We believe an improving balance sheet and free cash flow are potential catalysts for the stock.
- **Stock re-rating potential—compelling valuation:** We believe Sintex is positioned for a re-rating, given its improving balance sheet, divestment of unrelated investments, a large monolithic construction order book, and its compelling valuation at 8.5/8.2x PE for FY12E/13E.
- **Cost rationalisation and entering new product segments:** SINT is aiming to rationalise costs in its overseas subsidiaries. It might shut down one plant in Neif, shift the design centre and composite mixing to India, and cut waste. Also, we think new products to tap new segments and a stronger focus on the high-margin aerospace and wind energy segments are likely to support earnings growth.

## Risks

- **Higher competition because of low/moderate entry barriers; monolithic construction EBITDA margin could narrow:** SINT operates in industries (prefabs and monolithic construction) that have available technology and low to moderate entry barriers. Although, we believe achieving scale is difficult (execution and cost controls are key), any large company with a strong balance sheet and a background in engineering, construction and construction (EPC) contracts could enter these industries and add to the competitive pressure. Consequently, sales growth, order book and margins in these segments could soften. SINT's earnings are highly sensitive to the EBITDA margin.
- **Slippage in working capital discipline:** We believe maintaining working capital discipline is critical for healthy free-cash generation in order to repay the foreign currency convertible bonds (FCCBs), and for a better return profile. However, it reported a significant improvement in working capital in FY11; its working capital had reached 152 days in FY10 and free cash flow had been negative in the previous few years.

- **Slowdown in the government's social spending plans and in Europe and the US:** Any slowdown or delay in the Indian government's spending plans, or delayed payments could impact order traction, execution and working capital in the monolithic construction segment. Also, any slowdown in Europe and the US will impact SINT's overseas subsidiaries' business prospects, given the custom moulding segment's contribution to EBITDA (we estimate 34-35%). Any slowdown in domestic auto sales (impacted by interest rates) could dampen demand for auto components and hence Bright Autoplast's growth.

Any slowdown or delay in government spending plans and in Europe and the US could impact order traction

- **Unrelated investments in search of higher growth:** SINT had marginal oil and gas investments, which it has now divested. Over the years, the revenue contribution of prefab, monolithic construction and custom moulding has increased compared with that of textiles. Entering new areas and products that are non-earnings accretive could be a risk. SINT's controlling shareholders have some investments in oil and gas and power at the group level (not in SINT).

## Valuation and basis for our price target

We value the stock on SOTP, given the diversified nature of SINT's businesses

Given the diversified nature of SINT's businesses—plastics (electrical, auto, and aerospace), monolithic construction (low-cost housing contracting), prefabs, and textiles—we value the stock on a sum-of-the-parts (SOTP) valuation. Our 12-month price target is Rs240.00.

## UBS versus consensus

We are broadly in line with consensus on EBITDA and PAT even though we expect significant top-line growth over the next one to two years

Our revenue estimates for FY12 and FY13 are slightly ahead of consensus estimates. We expect significant top-line growth over the next one to two years, on rapid growth in the monolithic construction and prefab divisions and improvement in the custom moulding business. However, we are broadly in line with consensus on EBITDA and PAT. We assume lower margins in the monolithic construction (100bp lower in FY13) and storage tanks segments. We assume equity dilution from the conversion of FCCBs in FY13.

Table 1: UBS versus consensus

| | | FY12 | FY13 |
|---|---|---|---|
| Sales (Rs m) | UBS | 55,045 | 65,400 |
| | Consensus | 52,130 | 60,567 |
| | Difference | 5.6% | 8.0% |
| EBITDA (Rs m) | UBS | 9,234 | 10,765 |
| | Consensus | 9,083 | 10,598 |
| | Difference | 1.7% | 1.6% |
| Net income (Rs m) | UBS | 5,629 | 6,600 |
| | Consensus | 5,406 | 6,306 |
| | Difference | 4.1% | 4.7% |
| EPS (Rs) | UBS* | 18.3 | 21.4 |
| | Consensus | 19.4 | 22.4 |
| | Difference | -5.8% | -4.2% |

Note: *Our EPS estimates on a fully diluted basis.
Source: Bloomberg, UBS estimates

# Sensitivity analysis

### Table 2: SOTP sensitivity to FCCB conversion

| | |
|---|---|
| Total enterprise value (Rs m) | 74,736 |
| Add: cash + investments (Rs m) | 15,885 |
| Deduct: gross debt (Rs m)* | 26,729 |
| Adjusted equity value (Rs m) | 63,892 |
| No of shares (m) | 271 |
| SOPT-based valuation (Rs) | 236 |

Note: *This includes FCCB debt.
Source: Company data, Bloomberg, UBS estimates

If the FCCBs are not converted, our SOTP valuation would be slightly lower at Rs236. SINT's earnings are very sensitive to changes in the EBITDA margin and slightly sensitive to sales growth. Our sensitivity analysis suggests every 100bp change in the EBITDA margin would result in a 7.5-8.0% change in EPS. Every 1% change in sales growth would have a 1% change in EPS. We highlight the sensitivity to FY13 estimates in the table below.

### Table 3:FY13E EPS sensitivity to sales growth and EBITDA margin

| | | Sales growth (%) | | | | |
|---|---|---|---|---|---|---|
| | | 12.8% | 15.8% | 18.8% | 21.8% | 24.8% |
| | 14.5% | 17.2 | 17.8 | 18.3 | 18.9 | 19.4 |
| | 15.5% | 18.7 | 19.3 | 19.9 | 20.5 | 21.1 |
| EBITDA margin (%) | 16.5% | 20.2 | 20.9 | 21.5 | 22.1 | 22.8 |
| | 17.5% | 21.7 | 22.4 | 23.1 | 23.8 | 24.4 |
| | 18.5% | 23.2 | 24.0 | 24.7 | 25.4 | 26.1 |

Source: Company data, UBS estimates

Also, SINT's earnings are very sensitive to the monolithic construction segment's the EBITDA margin. Our sensitivity analysis suggests every 1% change in the margin would result in a 2.5-3.5% change in EPS.

### Table 4: EPS sensitivity to monolithic construction margins

| | FY13E | FY14E | FY15E |
|---|---|---|---|
| Base-case diluted EPS (Rs) | 21.43 | 24.28 | 25.67 |
| Monolithic construction margin assumption (%) | 18% | 17% | 15% |
| | | | |
| Sensitivity to monolithic construction margin (%) | FY13E EPS (Rs) | FY14E EPS (Rs) | FY15E EPS (Rs) |
| 11% | 17.54 | 20.09 | 22.31 |
| 13% | 18.65 | 21.48 | 23.91 |
| 15% | 19.76 | 22.86 | 25.52 |
| 17% | 20.87 | 24.25 | 27.13 |
| 19% | 21.99 | 25.63 | 28.73 |
| 21% | 23.10 | 27.02 | 30.34 |

Source: UBS estimates

# Valuation

## Price target derivation

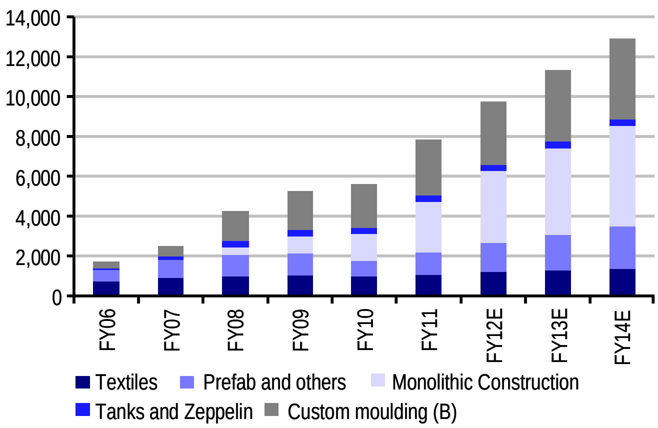
Sintex is a diversified industrial company with textile and plastics (prefab, monolithic construction and custom moulding) businesses. Hence, we base our valuation on a sum-of-the-parts methodology.

### Table 5: Sintex SOTP valuation

| | FY13E EBITDA (Rs m) | Target multiple (x) | EV (Rs m) | Comment |
|---|---|---|---|---|
| Textiles | 1,276 | 7.0 | 8,931 | |
| Prefab and others | 1,789 | 7.0 | 12,525 | Mean of global materials; moderate entry barriers as manufacturing, scale and execution are key |
| Monolithic construction | 4,337 | 6.0 | 26,021 | Slight premium to Indian construction peers, due to exposure to low-cost housing, relative scale, and higher margins |
| Tanks | 231 | 5.5 | 1,270 | Lower multiple because of unorganised competition; limited pricing power |
| Zeppelin | 106 | 5.5 | 584 | Lower multiple on weaker industry environment |
| Building products | | | 40,401 | |
| Custom moulding - domestic business | 1,131 | 7.0 | 7,916 | Mean of plastic, auto comp and electrical |
| Wausaukee Composites + Nero Plastics | 195 | 6.5 | 1,268 | Premium to plastics companies; slight margin improvement and new areas such as wind energy |
| Nief Plastic | 1,557 | 7.0 | 10,901 | Higher-margin aerospace, defence, electrical product segments |
| Bright AutoPlast | 709 | 7.5 | 5,320 | Auto component and electrical markets to grow in India; we believe this business has high growth potential |
| Custom moulding business | | | 25,404 | |
| Total enterprise value | | | 74,736 | |
| | | | | |
| Add: cash + investments | | | 15,885 | |
| Deduct: gross debt* | | | 16,572 | |
| Equity value | | | 74,049 | |
| No of shares (m) | | | 308 | |
| SOTP-based price target (Rs) | | | 240 | |

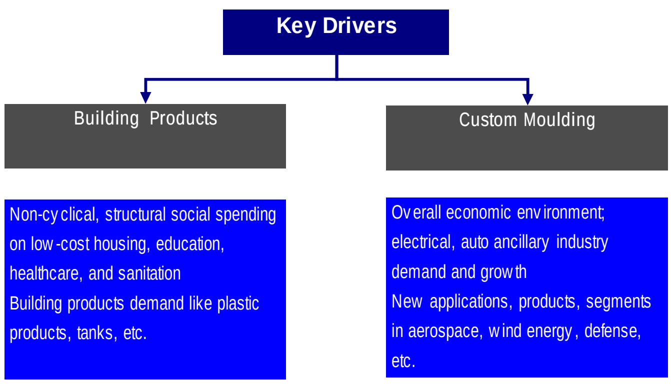
Note: *This excludes FCCB debt, as we assume dilution in FY13.
Source: Company data, Bloomberg, UBS estimates

### Chart 1: EBITDA contribution by segment (Rs m)




Source: Company data, UBS estimates

### Chart 2: Key drivers of financial performance

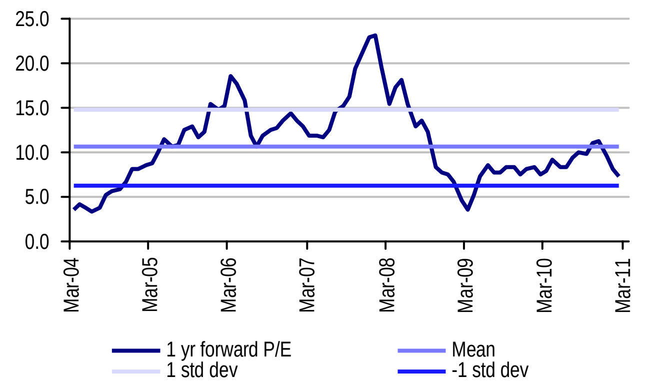



Source: Company data, UBS

SINT is trading at 8.5/8.2x PE and 6.4/4.5x EV/EBITDA for FY12E/FY13E, which we think is attractive, given its strong FY11 results and our expectations for earnings growth and capital discipline. Our implied PE target of 11.2x for FY13E is higher than its historical mean, as we are positive on the company's large exposure to non-cyclical government social spending (less susceptible to an economic slowdown, in our view), divestment of unrelated investments (oil and gas) and improved financials. We base our target multiples for each segment on peer valuation, entry barriers, outlook, and the EBITDA margin. However, while we have benchmarked our valuation against competitors in each segment (see page 9) we believe SINT does not have direct comparables, given its businesses and product mix. The stock is trading below its historical mean on all metrics.

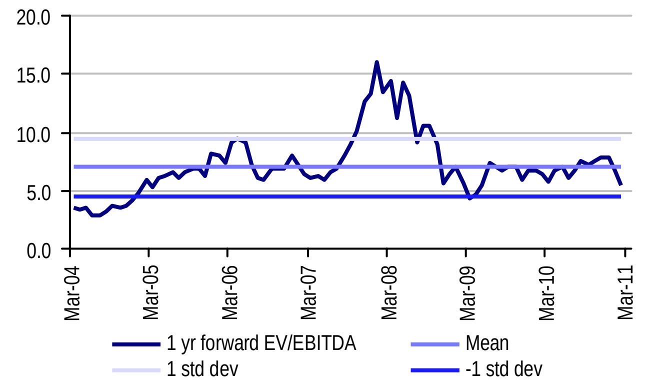
We assume FCCB conversion in FY13, and show the sensitivity of our SOTP valuation to FCCB repayment in March FY13 (see Table 2).

Chart 3: Sintex trading at a discount to historical mean



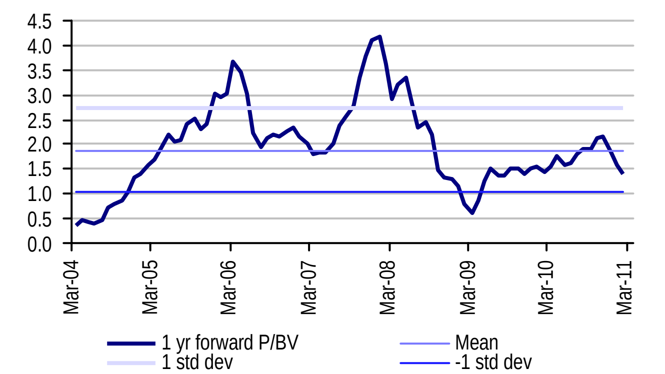

Source: Company data, Bloomberg, UBS estimates

Chart 4: Valuation looks attractive on EV/EBITDA



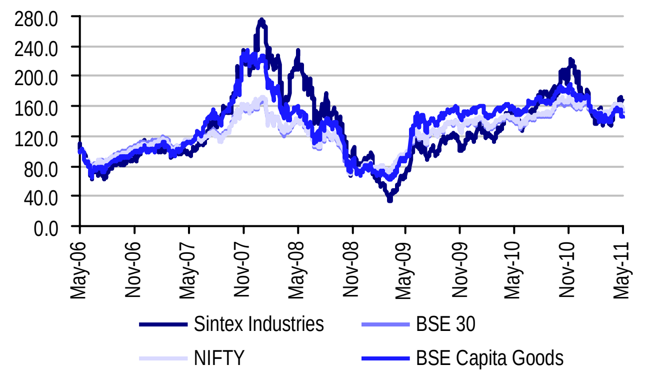

Source: Company data, Bloomberg, UBS estimates

Chart 5: P/BV valuation is also compelling




Source: Company data, Bloomberg, UBS estimates

Chart 6: Sintex share price performance




Source: Company data, Bloomberg, UBS estimates

Table 6: Implied valuations

| (x) | FY12E | FY13E |
|---|---|---|
| PE | 11.6 | 11.2 |
| EV/EBITDA | 8.1 | 6.9 |
| P/BV | 2.5 | 1.7 |

Source: UBS estimates

## Comparables

We believe there are no relevant comparables for SINT. We benchmark target multiples of each business (in our SOTP valuation) against specific sector peers and assign premiums or discounts based on the entry barriers, outlook and the EBIDTA margin of each segment. We compare monolithic construction to the construction mean; however, construction companies have build, own, operate and transfer projects while the monolithic construction EBITDA margin is much higher. We compare prefabs and other building products, such as storage tanks, and Zeppelin to the global material and household products mean. We compare custom moulding to the plastics and auto ancillaries mean.

### Table 7: Peer valuation

| | Rating | Share price (LC) | M cap (US$ m) | PE (x) FY11E | PE (x) FY12E | PE (x) FY13E | EV/EBITDA (x) FY11E | EV/EBITDA (x) FY12E | EV/EBITDA (x) FY13E | P/BV (x) FY11E | P/BV (x) FY12E | ROE (%) FY11E | ROIC (%) FY11E | EPS CAGR (FY11-13E) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Sintex Industries | Buy | 175 | 1,063 | 10.3 | 8.5 | 8.2 | 7.7 | 6.4 | 4.5 | 2.0 | 1.6 | 21.2 | 18.2 | 19.8% |
| | | | | | | | | | | | | | | |
| HCC | Not Rated | 31 | 415 | 11.3 | 8.0 | N/A | 14.3 | 11.4 | N/A | 1.2 | 1.3 | 7.0 | -7.7 | -27.2% |
| Nagarjuna Construction | Buy | 90 | 515 | 10.6 | 9.2 | 7.5 | 7.3 | 6.6 | 5.7 | 0.8 | 0.8 | 9.3 | 16.2 | 19.2% |
| BL Kashyap | Not Rated | 23 | 103 | 8.9 | 7.3 | 5.8 | 7.2 | 5.8 | 5.0 | 0.8 | 0.7 | 9.5 | 5.4 | 24.1% |
| IVRCL Infra and Projects | Buy (CBE) | 69 | 412 | 9.7 | 8.6 | 7.2 | 5.1 | 4.9 | 4.3 | 0.9 | 0.9 | 10.0 | 16.5 | 16.4% |
| Gammon India | Not Rated | 102 | 289 | 11.6 | 12.3 | 9.1 | 7.8 | 6.6 | 5.9 | 0.7 | 0.6 | 6.6 | 2.3 | 13.2% |
| L& T | Buy | 1,494 | 20,115 | 20.1 | 16.9 | 13.9 | 11.6 | 10.6 | 9.4 | 5.2 | 4.2 | 28.8 | 25.7 | 20.3% |
| Ahluwalia Contracts | Not Rated | 110 | 154 | 7.4 | 6.5 | 5.1 | 3.6 | 3.2 | 2.7 | 2.1 | 1.6 | 29.2 | 28.6 | 20.1% |
| Indian construction mean | | | | 11.4 | 9.8 | 8.1 | 8.1 | 7.0 | 5.5 | 1.7 | 1.4 | 14.3 | 12.4 | 12.3% |
| | | | | | | | | | | | | | | |
| ACS | Not Rated | 33 | 14,601 | 10.9 | 11.2 | 11.0 | 13.1 | 12.0 | 11.6 | 4.3 | 2.2 | 9.6 | N/A | -4.0% |
| AFG | Not Rated | 50 | 693 | 10.2 | 14.5 | 12.4 | 5.7 | 6.9 | 6.0 | 5.7 | 4.3 | 29.2 | 21.9 | 1.3% |
| Astaldi | Buy | 6 | 777 | 8.4 | 6.5 | 6.1 | 3.6 | 3.2 | 3.1 | 1.2 | 1.0 | 14.8 | 23.7 | 17.2% |
| Imerys | Neutral | 50 | 5,424 | 13.7 | 13.1 | 11.5 | 7.3 | 7.2 | 6.4 | 1.5 | 1.6 | 11.7 | 14.7 | 17.2% |
| Masco | Sell | 13 | 4,694 | 65.1 | 54.5 | 26.8 | 10.6 | 7.8 | 6.8 | 2.8 | 2.9 | 3.1 | 8.0 | 59.4% |
| Fletcher Building | Suspended | 9 | 4,343 | 15.8 | 12.8 | 10.1 | 8.3 | 7.1 | 6.0 | 1.7 | 1.6 | 11.2 | 13.5 | 24.9% |
| Saint-Gobain | Buy | 45 | 33,532 | 13.6 | 13.3 | 10.8 | 6.6 | 6.9 | 6.1 | 1.0 | 1.2 | 7.9 | 11.3 | 27.6% |
| Fluor Corp | Buy | 68 | 11,919 | 24.6 | 21.0 | 17.2 | 12.1 | 11.0 | 9.4 | 2.5 | 3.2 | 10.5 | 17.0 | 40.5% |
| Global materials mean | | | | 20.3 | 18.3 | 13.2 | 8.4 | 7.8 | 6.9 | 2.6 | 2.2 | 12.3 | 15.7 | 23.0% |
| | | | | | | | | | | | | | | |
| DS Smith | Neutral | 201 | 1,402 | 11.2 | 9.1 | 8.7 | 6.1 | 5.3 | 5.0 | 1.5 | 1.4 | 14.3 | 15.7 | 14.0% |
| Georg Fischer | Buy | 532 | 2,471 | 16.0 | 11.8 | 9.1 | 6.6 | 5.9 | 4.6 | 1.5 | 1.8 | 9.1 | 12.6 | 55.2% |
| Ball Corp | Not Rated | 39 | 6,642.7 | 14.4 | 13.8 | 12.2 | 8.6 | 8.1 | 7.7 | N/A | 3.9 | 27.9 | 13.9 | 16.6% |
| Toray | Neutral | 595 | 11,977 | 11.0 | 14.0 | 12.9 | 5.5 | 5.7 | 5.4 | 1.4 | 1.5 | 14 | 13 | 0.8% |
| Polytec | Not Rated | 8 | 264 | 4.1 | 5.6 | 5.4 | 2.5 | 3.1 | 2.8 | 1.7 | 1.5 | 35.3 | 15.7 | 17.3% |
| Global plastic/house prod mean | | | | 11.3 | 10.9 | 9.7 | 5.8 | 5.6 | 5.1 | 1.5 | 2.0 | 20.1 | 14.2 | 20.8% |
| | | | | | | | | | | | | | | |
| Motherson Sumi | Not Rated | 212 | 1,832 | 24.0 | 17.9 | 14.1 | 10.9 | 8.4 | 6.5 | 5.6 | 4.6 | 25.7 | 11.8 | 30.6% |
| Indian auto comp mean | | | | 24.0 | 17.9 | 14.1 | 10.9 | 8.4 | 6.5 | 5.6 | 4.6 | 25.7 | 11.8 | 30.6% |
| | | | | | | | | | | | | | | |
| Raymonds | Not Rated | 331 | 453 | 17.0 | 14.1 | 12.8 | 8.4 | 7.2 | 6.7 | 1.8 | 1.5 | 6.3 | N/A | 15.4% |
| Arvind Mills | Not Rated | 72 | 406 | 14.9 | 11.0 | 10.1 | 7.9 | 6.9 | 6.1 | 0.9 | 0.9 | 6.5 | N/A | 21.6% |
| Indian textile comp mean | | | | 16.0 | 12.6 | 11.4 | 8.2 | 7.0 | 6.4 | 1.4 | 1.2 | 6.4 | N/A | 18.5% |

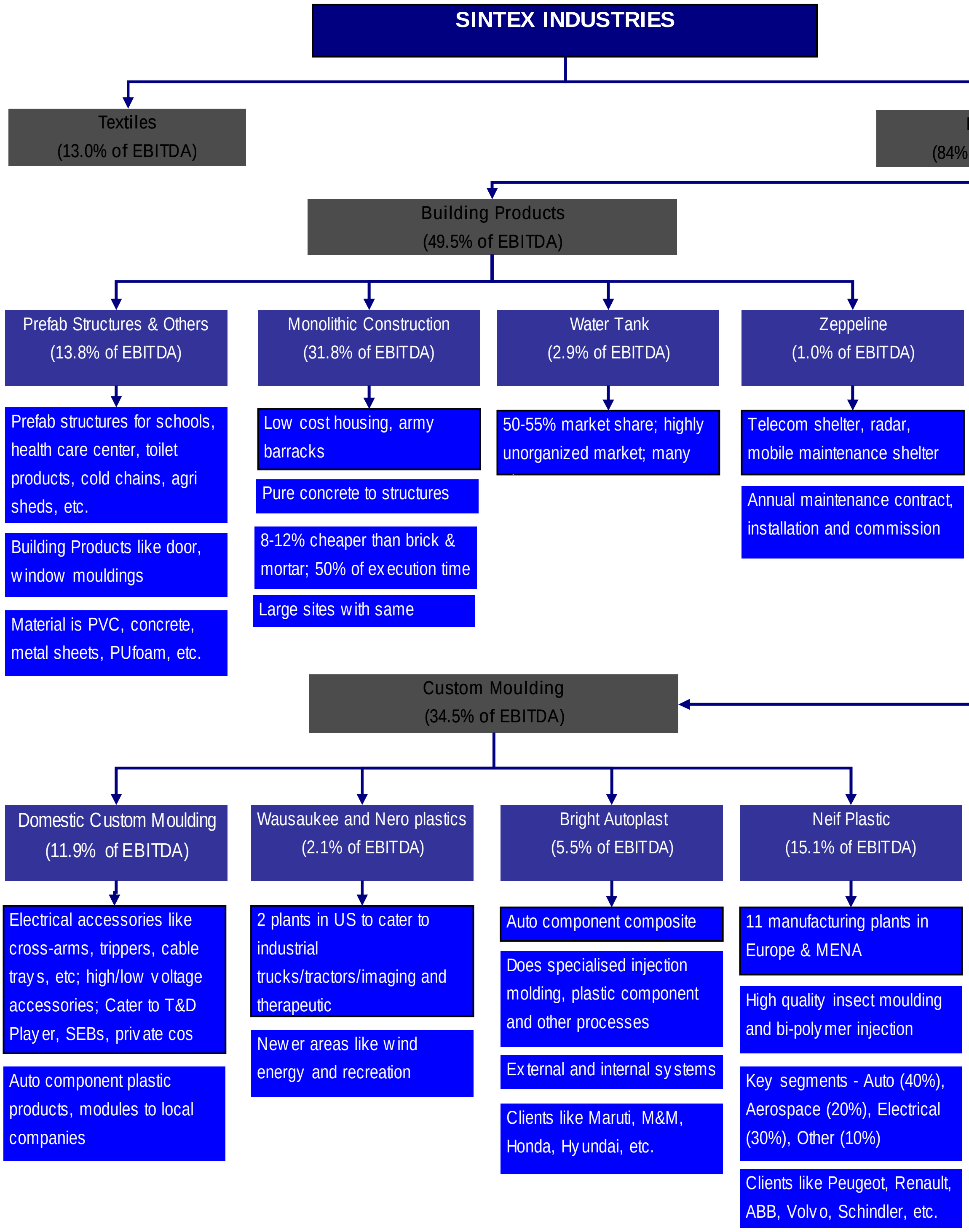
Note: Above data as at 18 May 2011.
Source: Company data, Bloomberg consensus estimates, UBS estimates

# Competitive analysis

## Assessment of industry attractiveness

SINT is a diversified company with textile and construction businesses.

### Chart 7: SINT's end markets through its segments and businesses




Source: Company data, UBS

## Textiles

Indian textile industry expected to grow from US$70bn to US$220bn by 2020

Dayanidhi Maran, Union Minister of Textiles, expects the Indian textile industry to grow from US$70bn currently to US$220bn by 2020. As per SINT's FY10 annual report (citing FICCI), the Indian textile industry targets 15% pa growth in the domestic market and 20% pa growth in exports. It expects the technical textile industry to grow 11% annually until 2012.

SINT has a presence in the high-end men's structured fabrics and yarn dyed/ ultima cotton yarn-based corduroy segments. It has fibre-to-fabric ability and is equipped to deliver a wide range of weaving designs, including Dobby, Jacquard and double beam.

The manufacturing of these specialised textiles has shifted to lower-cost countries such as Portugal, Turkey and India.

Overall, we expect market revenue to grow 8-10%. The industry has limited volumes, but higher realisations, and a sector average EBITDA margin of24-26%. We believe incumbents will be able to grow by adding new textile and fabrics to product their portfolios, expanding alliances with overseas design houses, and entering related furnishing fabrics and technical textile segments.

## Prefabricated structures

Prefabrication is the assembling of components of a structure manufactured in a factory with minimal effort and time for reasons ranging from product standardisation, cost and time saving. Prefabricated structures are buildings (single-storey or double-storied) fabricated in a factory, and assembled onsite without requiring water, cement (except for a basic reinforced concrete foundation) and electricity. The structures are made of plastocrete (PVC and concrete), sandwich panels (metal and polyurethane foam), and concrete. For SINT, 65-70% of its projects is for state governments and rest for private companies.

Figure 1: Prefabricated products—schools, healthcare centres, warehouses, and temporary booths and cabins


Source: Company

Figure 2: Sanitation products

Source: Company

Figure 3: Prefab structures—laboratories, telephone booths, cold chains, and warehouses


Source: Company

## Prefab has advantages and exposure to significant demand for infrastructure in India

Table 8: Prefab advantages and limitations over conventional construction

| S. No | Advantages over conventional construction |
|---|---|
| 1 | 10-15% cheaper than conventional brick-and-mortar construction |
| 2 | Requires 60-70% less time; 4-6 workers require 3-3.5 days to construct a classroom |
| 3 | Faster execution and significantly lower time to build, helps state governments/central government programmes and ministries to meet their education, healthcare and sanitation targets. |
| 4 | Seismic strength - 7.0; wind speed strength - 160-170 km/hr, anti-termite, anti-corrosion, fire-retardant, water proof |
| 5 | Prefabs can be built by untrained labour |
| 6 | 25-30-year life, requires little maintenance |
| 7 | Standardised products ;similar structure for 1,500 classrooms in one state |
| 8 | Does not require cement, water, electricity onsite |
| 9 | Flexible - can be used to construct temporary structures and can be reused |
| 10 | Sandwich panels have strong insulation properties |
| 11 | Central/state governments can give centralised orders and monitor execution |

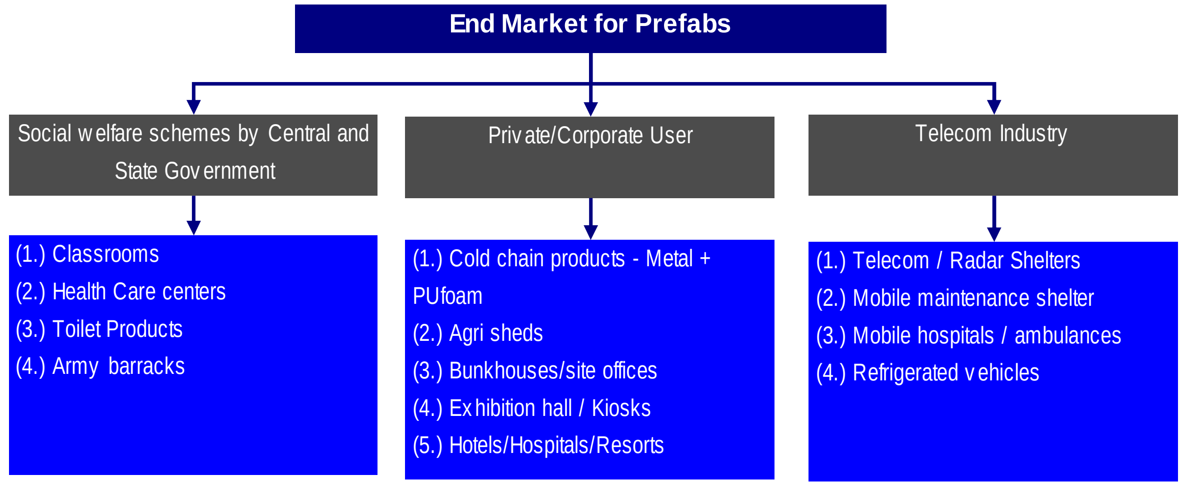
| S. No | Limiting factors |
|---|---|
| 1 | Relatively new concept in India, lack of understanding about product; however, more states are using prefab structures |
| 2 | Fall in local employment (by builders/contractors) |

Source: Company data, UBS

## In developed markets, prefab is widely used in various applications; in India for more utility structures

While there is a significant market for customised prefab structures such as homes, offices, and retail stores in the US, prefab is a relatively new concept and is used largely for utility structures in India. In the UK, McDonald's uses prefab technology to its build outlets. SINT was one of the first large plastic and concrete and sandwich panel prefab manufacturers in India. Currently, prefab structures have been approved in 16-17 states of which 12-13 have placed orders for prefab structures, including Andhra Pradesh, Chhattisgarh, Delhi, Gujarat, Haryana, Himachal Pradesh, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Punjab, Rajasthan, Tamil Nadu, West Bengal, Uttarakhand, and Uttar Pradesh. Assam and Bihar are likely to place orders for prefab structures in 2012.

### Figure 4: Prefab end markets




Source: Company

## SINT's business is highly leveraged to social welfare programmes

SINT's prefab business is highly leveraged to strong spending in social welfare programmes

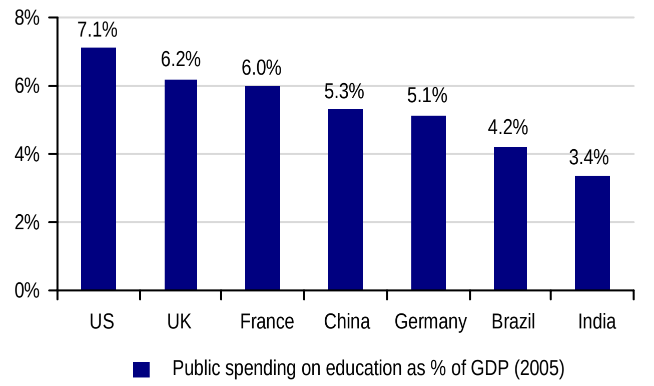
SINT's prefab business is highly leveraged to government spending on social welfare programmes such as the Sarva Shiksha Abhiyan (universal elementary education programme; UBS estimates infrastructure of Rs40-50bn pa), mid-day meal schemes (SINT estimates 20-25% of the total budget on infrastructure or Rs15-20bn) and National Rural Healthcare Mission (we estimate Rs30-35bn on infrastructure). We expect the currently low public spending on education and healthcare to rise sharply because of favourable demographics, and this would require significant physical infrastructure.

### Table 9: Social spending programmes—demand for prefab structures

| | Description | Budget outlay (Rs m) |
|---|---|---|
| Sarva Shiksha Abhiyan | Sarva Shiksha Abhiyan is an effort to universalise elementary education by community-ownership of the school system. It seeks to strengthen the existing school infrastructure and open schools in new areas. This is being implemented in partnership with state governments | 210,000 |
| Mid-day meal schemes | Mid-day Meal is the world's largest school feeding programme, reaching about 120m children in over 1.3m schools | c80,000 |
| Rural Healthcare Mission | Seeks to provide rural healthcare throughout India, with special focus on 18 states. Aims to raise public spending on health from 0.9% of GDP to 2-3% of GDP | 161,408 |

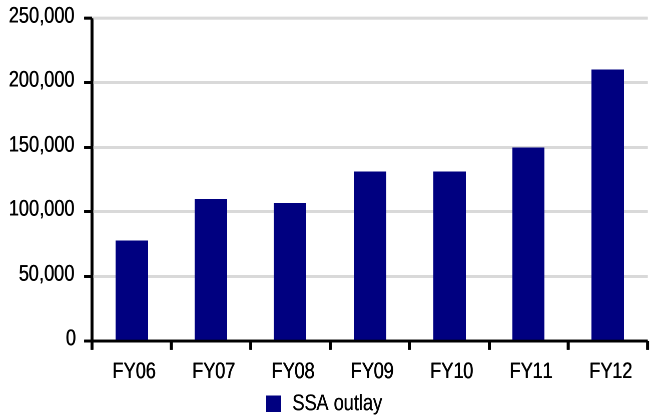
Source: Company data, budget documents, UBS

Chart 8: India ranks low on education spending




Source: UNESCO

Chart 9: Sarva Shiksha Abhiyan outlay




Source: Budget documents, UBS

For SINT, 65-70% of its prefab orders are from the government (allocation from the central government and spending by states) and rest is from the private sector, largely for commercial use such as cold chains, temporary bunk houses, cabins and site offices. Higher spending on army barracks, post offices, and police headquarters will remain drivers of the prefab business, in our view.

### Moderate entry barriers, difficult to achieve scale, execution is key

Sintex has end-to-end ability, from manufacturing all the prefab components to building and commissioning

While entry barriers in this business are moderate, achieving scale appears to be difficult. This is because execution, managing labour, logistics and manufacturing, installation and commissioning, and cost control are challenging. SINT has end-to-end ability—from manufacturing all prefab components to building and commissioning. Also, building a track record and gaining pre-qualification to bid for projects is not easy, as it requires legal formalities and documentation. Consequently, we expect market leaders such as SINT to maintain their position. SINT's closest competitor is L&T, which mainly builds concrete prefab structures.

## Monolithic construction

Monolithic construction is 8-12% cheaper than brick-and-mortar, and requires only 40-50% of conventional construction time

Monolithic construction is the construction of concrete and steel structures using plastic, aluminium or wooden formwork. After building the foundation and the reinforcements, concrete is poured between two hollow plastic sheets to construct walls and floors. This is different from conventional brick-and-mortar construction where slabs and columns are built first. While prefab is 8-12% cheaper than brick-and-mortar (thinner walls and does not require cement, plastering and painting), the timeline is 40-50% that of conventional construction time. Prefab is commonly used in low/middle income housing in China, Thailand, Indonesia, and in the US for customised houses. SINT uses this method for low-cost mass housing solutions such as slum rehabilitation, Janta (public) housing, and low-income group houses. Monolithic construction is affordable, quick to construct and low maintenance. The economics of large projects are also favourable; for example, 65-75 buildings (SINT estimates revenue per site is Rs600-800m) of the same type helps to distribute the formwork cost. While 35-40% of the total cost is for raw materials, 7-9% is for labour, 8-12% for formwork and 12-13% is the site cost.

## Table 10: Comparing monolithic construction with conventional brick-and-mortar construction

| S. No | Advantages |
|---|---|
| 1 | Monolithic construction takes six months to complete compared with two years for brick-and-mortar projects |
| 2 | Stronger - significant structural resistance to vertical and horizontal forces |
| 3 | Dead load at 50% of a conventionally constructed building |
| 4 | Easily available low-skilled workers enables building of large sites and projects |
| 5 | 10-12% cheaper than conventional construction, plastering, painting, tiling not required; limited maintenance required |
| 6 | Same plastic formwork can be used 80-120 times |

| S. No | Limiting factors |
|---|---|
| 1 | Relatively new concept in India; less time construction time lowers employment |
| 2 | Modifications such as breaking walls, changing windows, or hammering in nails are difficult as these are pure concrete structure |
| 3 | Cannot be built on weak soil; for example, coastal areas |

Source: Company data, UBS

## Figure 5: Monolithic formwork

Source: Company

## Figure 6: Formwork used for monolithic construction—plastic sheets and steel support

Source: Company

## Figure 7: Monolithic construction

Source: Company

## Figure 8: Monolithic construction for mass housing

Source: Company

The largest market for monolithic construction is low/middle income housing, which is supported by central government programmes such as the Jawaharlal Nehru National Urban Renewal Mission (JNNURM), Indira Awas Yojana and state government-supported schemes. The railway budget included housing for all its 1.4m employees in the next 7-10 years. SINT believes the monolithic construction market is large enough for all contractors to grow. Competitors include Larsen & Toubro (L&T), Shapoorji Pallonji (focuses on high-end projects), Mascon Construction, and MFE Formwork Technology. While entry barriers are low, other contractors may take some time to adopt and master the technology. Conventional construction contractors include Ahluwalia and BL Kashyap. Execution, cost control and local government/agencies pre-qualification are essential to achieve scale. Monolithic construction pricing is Rs900-1,100/sq ft compared with conventional construction of Rs1,100-1,400/sq ft.

L&T is Sintex's closest competitor to in Monolithic construction business

SINT's order book of Rs29bn includes orders from state housing boards, police departments, the armed forces, and the railway and postal employee and tsunami rehabilitation housing. While SINT's revenue in this segment grew 86% in FY11, management guidance implies for 30-35% growth over the next few years. Typical construction contractors have lower EBITDA margins of 10-14%, compared with monolithic construction margins of 18-20%. We assume monolithic construction margins would trend lower because of increasing competition after one to two years.

Table 11: Government spending on social development schemes likely to be a catalyst for monolithic construction

| Social spending schemes | Description of scheme | Budget outlay (Rs m) |
|---|---|---|
| Indira Awas Yojana | Providing housing for rural poor | 89,960 |
| JNNURM - Urban Infrastructure and Governance | City modernisation scheme - water supply, waste management, transport and urban redevelopment | 59,220 |
| JNNURM - Urban Infrastructure Development for Small and Medium Towns (UIDSSMT) | Focus on small and medium towns | 23,000 |
| JNNURM - Sub Mission on Basic Services to Urban Poor (SM-BSUP) | Urban poverty alleviation | 23,000 |
| JNNURM - Integrated Housing and Slum Development (IHSDP) | Slum development | 10,000 |
| JNNURM - Rajiv Awas Yojana (RAY) | Scheme for affordable housing through partnership | 10,000 |
| Construction of residential accommodation for police | Residential accommodation | 26,900 |

Source: Company data, budget documents

## Water tanks

There are more than 50 unorganised companies in the water tank market, which has low entry barriers. SINT has good brand equity in the market (50-55% market share) and is an innovator in terms of colour, distribution, and application. This market is growing at a modest 8-10% annual growth rate; we expect an 8-9% EBITDA margin for SINT's water tank business.

Sintex has a 50-55% market share of the water tank segment

## Custom moulding and composite business

We expect the global plastics industry to be driven by new applications in the auto and aerospace, defence, electrical, electronics and infrastructure sectors (for example, blending waste plastic with bitumen in road construction to improve binding properties). This is because plastic is light, non-corrosive and efficient and has good insulation.

According to *CompositesWorld*, an online magazine, the global composite materials industry was worth US$17.7bn in 2010, up 10.3% YoY, and it forecasts a 7.8% CAGR for 2010-16. The composite end products industry's revenue was US$50.2bn in 2010. The Indian plastics industry (US$6.6bn, according to SINT's FY10 annual report) is large and fragmented. As per an article by the Central Institute of Plastics Engineering and Technology, India's plastic consumption is 5-6kg per capita, compared with the global average of 26kg, and is expected to sharply rise. We forecast a 13-15% revenue CAGR for SINT's business in this segment for FY12-13.

We forecast a 13-15% revenue CAGR for the custom moulding and composite business

## Auto components

SINT manufactures front and rear automobile bumpers, cockpits, overhead and seating systems, body sides, fuel tanks, and components for trucks and mass transit systems. SINT's subsidiaries, Bright Autoplast, Neif and Wausaukee, and its domestic custom moulding segment supply plastic products and composites to the auto industry. This business is relatively small compared with companies in other markets (we estimate US$150m revenue, a 35-45% contribution to total custom moulding revenue). The UBS global auto team prefers suppliers to original equipment manufacturers (OEMs) and its global auto production forecast (3-5% pa growth for 2011-13) reflects a less bearish outlook for production in Europe in 2011 and lower inventories in the US with demand picking up. UBS forecasts 15-17% pa vehicle production growth in India for FY12-13; however, interest rate hikes due to inflation and moderating economic growth could slightly lower this growth. Globally, SINT supplies the MTA transit system in New York, Harley Davidson, Motor Coach, Renault, Peugeot, Valeo, Fauurecia, John Deere, and Caterpillar. In India, it is a supplier to most auto companies, including Maruti Suzuki, Tata Motors, Mahindra & Mahindra. Its competitors in this segment include Motherson Sumi and Kemrock.

Indian auto vehicle production is expected to grow by 15% per annum

Table 12: UBS global auto production outlook

| (Production, m units) | 2005 | 2006 | 2007 | 2008 | 2009 | 2010E | 2011E | 2012E | 2013E | 2014E | 2015E |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Europe | 20.3 | 20.9 | 22.3 | 21.2 | 16.8 | 19.4 | 19.3 | 19.6 | 20.7 | 21.7 | 22.4 |
| % growth | 0% | 3% | 7% | -5% | -21% | 15% | 0% | 2% | 5% | 5% | 3% |
| North America | 15.7 | 15.3 | 15.0 | 12.6 | 8.6 | 12.1 | 12.7 | 13.3 | 14.1 | 15.1 | 15.5 |
| % growth | 0% | -3% | -2% | -16% | -32% | 41% | 5% | 5% | 6% | 7% | 3% |
| Asia | 24.0 | 26.1 | 28.3 | 28.7 | 29.0 | 38.3 | 40.6 | 41.5 | 43.1 | 44.9 | 46.7 |
| % growth | 8% | 9% | 8% | 2% | 1% | 32% | 6% | 2% | 4% | 4% | 4% |
| Total | 64.4 | 67.1 | 71.0 | 67.9 | 59.9 | 76.2 | 79.1 | 81.4 | 85.3 | 89.5 | 92.7 |
| % growth | 4% | 4% | 6% | -4% | -12% | 27% | 4% | 3% | 5% | 5% | 4% |

Source: Global Insight, UBS estimates

### Electrical and electronics products

SINT manufactures electrical accessories, demand of which comes from large power projects, existing demand, and modernisation of transmission and distribution infrastructure, state electricity boards, and private power equipment manufacturers. SINT is a supplier to companies such as ABB, Schneider, Torrent Power, Alstom, Areva, and Siemens. The UBS Europe utilities team believes incidents like the one in Fukushima would allow for a faster recovery in power market fundamentals than normal in a situation of oversupply, which normally lasts two to three years. UBS expects average demand to reach 240GW over the next six years, up from 170GW in 2010, with gas turbines the big winner. This could benefit Alstom and Siemens. For Schneider, our analyst Christel Monot expects strong growth in APAC and North America, but slightly weaker performance in Europe. She has a solid outlook for ABB, based on its strong order momentum.

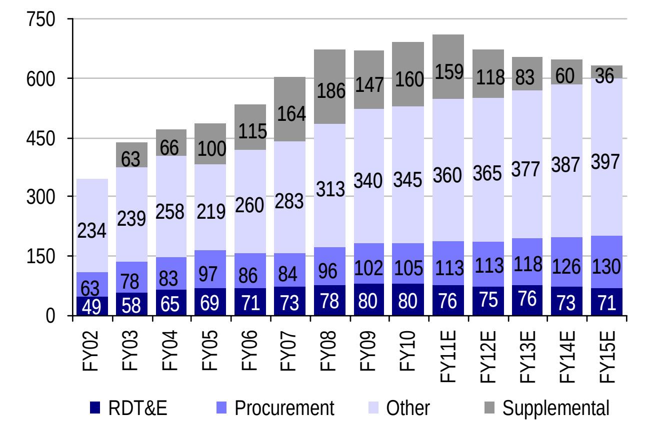
We forecast a 15-17% revenue CAGR for this segment (we estimate its contributes 30% to total custom moulding revenue), based on the positive outlook for its global customers, large investments in the power sector in India and a shift in manufacturing to low-cost countries. SINT is also a supplier to the medical imaging industry, which is a considerable segment for Wausaukee.

### Aerospace and defence

Sintex to increase its exposure to aerospace and defence segments

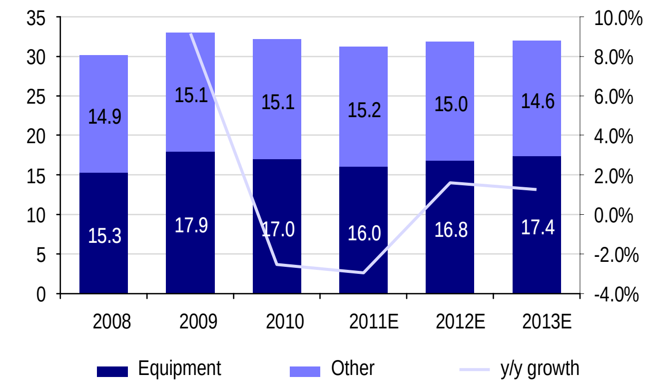
SINT plans to increase its exposure to this segment (through Neif) by innovation and supplying plastic composites to the defence industry. Given increasing applications, we expect strong growth (also from a low revenue base) and high EBITDA margin of 10-25% (a wide range depending on product) for this segment. SINT has improved Neif's aerospace revenue contribution from 6% at acquisition to 20% currently. UBS expects delivery of large aircraft to increase 5/12% in 2011/12. However, it expects cuts in the US defence budget, while France reported lower exports in 2010.

**Chart 10: US defence budget authority (US$ bn, 2002-15E)**




Source: Green Book, April 2011; White House OMB, DoD Budget Materials, UBS estimates

**Chart 11: French defence budget**




Source: French White paper, French MoD documents

Table 13: UBS global production forecast for large aircraft

| Deliveries and revenue | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011E | 2012E | 2013E | 2014E |
|---|---|---|---|---|---|---|---|---|---|---|
| Total deliveries (units) | 668 | 832 | 894 | 858 | 979 | 972 | 1021 | 1143 | 1124 | 1048 |
| % growth | 10% | 25% | 7% | -4% | 14% | -1% | 5% | 12% | -2% | -7% |
| Total revenue (US$ bn) | 43.0 | 55.7 | 60.0 | 57.4 | 66.3 | 63.9 | 69.5 | 78.0 | 77.1 | 76.9 |
| % growth | 6% | 30% | 8% | -4% | 16% | -4% | 9% | 12% | -1% | 0% |

Source: Airbus, Boeing, UBS estimates

### Other plastic applications

Other segments such as wind energy (we expect this to be one of fastest growing markets for composites) and sports and recreation are also likely to be drivers of SINT custom moulding business, in our view.

## Competitive strengths

### Execution ability, experience and cost control

Good execution ability, evident in significant scale-up of all new businesses

We believe SINT has good execution ability, evident in the significant scale-up in all its new businesses and its 34% EPS growth through FY05-10 (in prefab and monolithic construction). SINT's prefab and monolithic business has grown to Rs5.3bn and Rs13.4bn, respectively, in FY11 from Rs2.3bn and nil, respectively, in FY05. Despite the low to moderate entry barriers in the building products segment, SINT has achieved significant scale. Its cost control is also evident in the strong FY11 EBITDA margin in most segments. We believe these are SINT's key competitive advantages in an industry with low to medium entry barriers.

### Dominant position; benign competition, strong order book

SINT's products such as prefabs and plastics and the scale of its monolithic construction business for low-cost housing place it in a dominant market position in each of it business segments. We believe L&T is SINT's only relevant competitor in these segments, but with slightly different products. No other company has been able to achieve the scale in the building products segment as SINT has. Even in textiles, SINT has operates in high-end fabric segment, which has a relatively stable and high EBITDA margin. In the custom moulding segment (except autos), SINT has few competitors such as Kemrock and Devy Polymer. SINT's Rs29bn order book in monolithic construction provides significant visibility in its contracting business.

### In-house manufacturing: integrated solutions and new products

In-house manufacturing capability in plastics gives some cost advantage in monolithic, prefabs, and other custom moulding products

SINT has in-house manufacturing capability in plastics, giving it a cost advantage in formwork for monolithic construction (8-12% of the total cost), prefabs (ability to manufacture on scale), and other custom moulding products. The company also provides integrated solutions. It continues to innovate, supported by its manufacturing capability and experience in entering new markets. Its acquisitions over the past three to four years, such as Bright Autoplast and Neif have expanded its manufacturing capability, increased cross-selling of products, and provided exposure to new segments such as wind energy and new applications in aerospace.

## Management strategy

SINT management targets high growth in its businesses: monolithic construction (supported by a strong order book), prefab, and custom moulding products. It focuses on the government's social spending (non-cyclical and increasing largely YoY) in the building products segment. It expects to capitalise on the technical and manufacturing expertise of all its acquisitions, cross-sell in different markets and innovate. Efficient execution and cost controls (evident in significant EBITDA margin improvement in FY11) are key.

Management targets high growth in all its businesses

Table 14: Management strategy in different businesses

| | Management strategy |
|---|---|
| Textiles | Stable growth (8-10% CAGR) and high margins (24-28%) in FY06-11. Management plans to improve its designs and strengthen alliances with global design houses. Focus on semi-urban and rural markets, expand into women's wear. |
| Building products | |
| Prefab and others | Maintain strong focus on government social spending programmes in education, healthcare, rural sanitation. Also focus on corporates, armed forces, and the cold-supply chain. It expects 20-25% growth over the next few years, with a 21% EBITDA margin, as achieving scale and execution is difficult. It has a new range of sandwich panel and interior products. |
| Monolithic construction | To focus on the government's large low-cost housing programmes. SINT's order book is Rs29bn, with 22-month visibility. It also plans to target army, railway, police, postal staff housing. SINT plans to focus on Bihar and Maharashtra. Management expects to add Rs5-6bn to its top-line every year, and believes this will be a large opportunity. It expects to maintain margins at 19% through scale, execution and cost control. |
| Storage tanks | Focus on innovative products (for example, different colour storage tanks), and new applications in waste management, and expand its rural market. SINT views this product as a "shoot-and-ship" product (not based on orders). It expects 8-10% revenue growth and an EBITDA margin of 9-10% for the next few years. |
| Zeppelin | While telecom industry spending could be lacklustre, Zeppelin is moving from manufacturing to installation, commissioning and annual maintenance contracts. Management's strategy is to gradually diversify into other infrastructure engineering, procurement and construction. |
| Custom moulding | |
| Domestic custom moulding | Management expects high capex in the power sector and plans to expand its electrical accessories range, improve alliances, and set up custom manufacturing for key customers such as Areva, and ABB. While its expertise in auto ancillaries is reasonably good, management expects to capitalise on- Bright's manufacturing capability. It expects this business to grow 15-20% pa and the EBITDA margin to remain at the current level for the next few years. |
| Wausaukee Composites + Nero | It expects organic growth in the existing business lines such as medical imaging, and mass transit systems. Management will focus to winning wind energy orders in the next few years and also develop new products. It expects 8-10% pa growth and an EBITDA margin of at 7-8% for the next few years. |
| Nief Plastic | Management will focus on improving the growth rate, market share and exposure to the aerospace and defence (high margins). Also, it might shut down one plant to rationalise costs and shift design and composite mixing to India to save costs. It plans to develop strong relationships with big electrical companies. It expects 13-15% revenue growth and a small improvement. In the EBITDA margin. |
| Bright AutoPlast | Management expects 30-35% revenue growth in this fast-growing business. It plans to improve manufacturing, gain market share and expand the electrical business by setting up dedicated manufacturing plants for clients. It will try to maintain the EBITDA margin at 15-16%. |

Source: Company, UBS

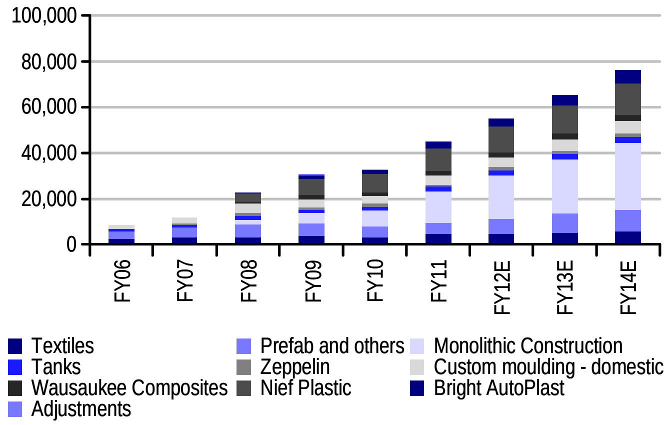
# Financials

## Profit and loss

We forecast a net income CAGR of 19.8% for FY11-13 and a CAGR of 17.6% for FY11-14, driven largely by the strong growth in the monolithic construction, prefab businesses and Bright Autoplast. This is supported by a strong order book in the monolithic construction business, the government's robust non-cyclical social spending plans, and SINT's expanding market share in the electrical and auto custom moulding businesses. Product innovation in custom moulding and focus on areas such as aerospace, wind energy should add to earnings growth.

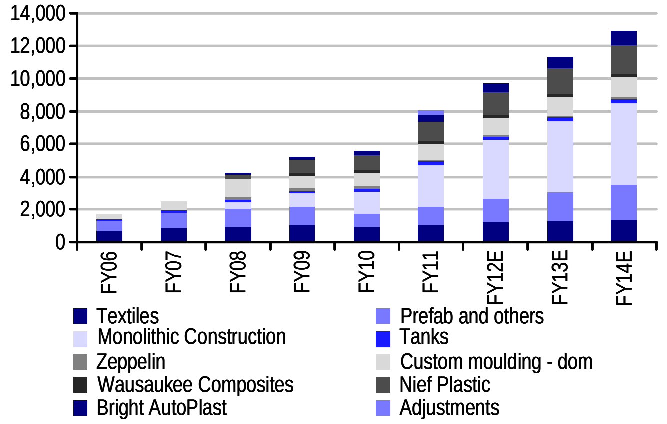
We forecast a net income CAGR of 19.8% over FY11-13

Chart 12: High revenue growth trajectory (Rs m)



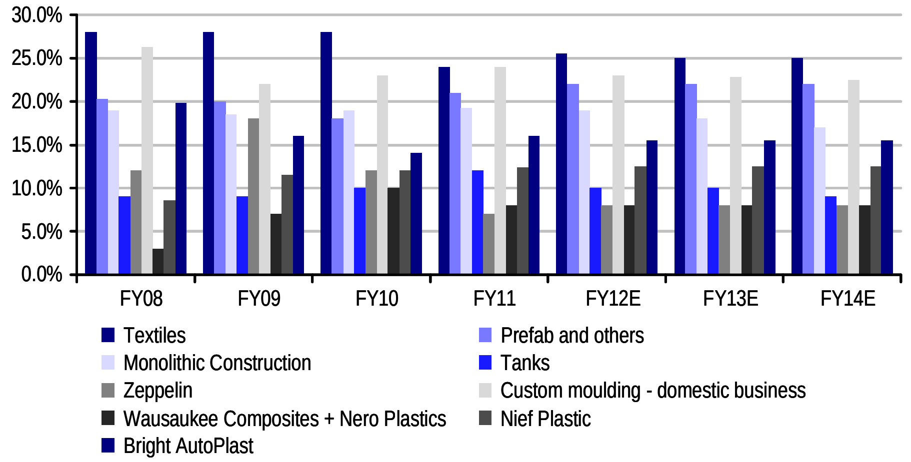

Source: Company data, UBS estimates

Chart 13: EBITDA breakdown (Rs m)




Source: Company, data, UBS estimates

Chart 14: UBS margin assumptions for different businesses




Source: Company data, UBS estimates

We assume an overall EBITDA margin of 16.8% for FY12E, 16.5% for FY13E, and 16.1% for FY14E, lower than 18.0% in FY11, as we assume lower margins in monolithic (down 100bp in FY13), domestic custom moulding and tanks. For prefabs, we assume the EBITDA margin will increase slightly due to higher capacity utilisation. For Neif, we expect a higher EBITDA margin to due to cost rationalisation. For the other segments, we expect margins to be maintained at current levels. Management has indicated that earnings sensitivity to rising raw material prices is limited, as steel and cement price increases are passed through to clients in the monolithic business, and higher cement, steel and flooring costs are passed through in prefabs, and there is a 40-day lag in price pass-through in the custom moulding business. We expect monolithic construction and prefab contribution to EBITDA to rise (45.6% in FY11 to 57% in FY13E) and textile and custom moulding contribution to decline. We expect interest costs to ease through FY12-13 on improving gearing. We forecast the tax rate to rise 1.5% pa. We highlight our individual segment, margin and other assumptions in the following tables. We have included equity dilution from FCCB conversion in our estimates.

Overall FY12E and FY13E EBITDA margin to be lower than FY11, driven by lower margins in monolithic construction

Table 15: Revenue assumptions by segment

| (Rs m) | FY06 | FY07 | FY08 | FY09 | FY10 | FY11 | FY12E | FY13E | FY14E |
|---|---|---|---|---|---|---|---|---|---|
| Textiles | 2,480 | 3,160 | 3,440 | 3,680 | 3,440 | 4,375 | 4725 | 5103 | 5461 |
| Prefab and others | 3,260 | 4,230 | 5,339 | 5,580 | 4,300 | 5,290 | 6613 | 8133 | 9760 |
| Monolithic construction | 0 | 0 | 2,102 | 4,520 | 7,190 | 13,360 | 18971 | 24093 | 29394 |
| Storage tanks | 1,100 | 1,320 | 1,558 | 1,410 | 1,620 | 1,980 | 2138 | 2309 | 2494 |
| Zeppelin | 0 | 530 | 1,273 | 1,110 | 1,340 | 1,160 | 1241 | 1328 | 1394 |
| Building products (A) | 4,360 | 6,080 | 10,272 | 12,620 | 14,450 | 21,790 | 28,963 | 35,864 | 43,043 |
| Custom moulding - domestic business | 1,700 | 2,460 | 4,119 | 3,470 | 3,540 | 4,000 | 4,450 | 4,960 | 5,539 |
| Wausaukee Composites + Nero Plastics | 0 | 0 | 1,017 | 1,978 | 1,471 | 2,090 | 2,257 | 2,438 | 2,608 |
| Nief Plastic | 0 | 0 | 3,489 | 7,157 | 7,912 | 9,800 | 11,074 | 12,458 | 13,829 |
| Bright AutoPlast | 0 | 0 | 404 | 1,270 | 1,910 | 2,750 | 3,575 | 4,576 | 5,720 |
| Custom moulding (B) | 1,700 | 2,460 | 9,030 | 13,875 | 14,833 | 18,640 | 21,356 | 24,432 | 27,696 |
| Plastics segment total (A+B) | 6,060 | 8,540 | 19,301 | 26,495 | 29,283 | 40,430 | 50,320 | 60,296 | 70,738 |
| Adjustments | -6 | -522 | 1 | 464 | 93 | -54 | 0 | 0 | 0 |
| Reported net sales | 8,534 | 11,178 | 22,742 | 30,639 | 32,816 | 44,751 | 55,045 | 65,400 | 76,199 |

Source: Company data, UBS estimates

Table 16: YoY revenue growth by segment

| YoY growth (%) | FY06 | FY07 | FY08 | FY09 | FY10 | FY11 | FY12E | FY13E | FY14E |
|---|---|---|---|---|---|---|---|---|---|
| Textiles | 29.9% | 27.4% | 8.9% | 7.0% | -6.5% | 27.2% | 8.0% | 8.0% | 7.0% |
| Prefab and others | 41.7% | 29.8% | 26.2% | 4.5% | -22.9% | 23.0% | 25.0% | 23.0% | 20.0% |
| Monolithic construction | | | | 115.0% | 59.1% | 85.8% | 42.0% | 27.0% | 22.0% |
| Storage tanks | -19.2% | 20.0% | 18.0% | -9.5% | 14.9% | 22.2% | 8.0% | 8.0% | 8.0% |
| Zeppelin | | | 140.1% | -12.8% | 20.7% | -13.4% | 7.0% | 7.0% | 5.0% |
| Building products (A) | 19.1% | 39.4% | 68.9% | 22.9% | 14.5% | 50.8% | 32.9% | 23.8% | 20.0% |
| Custom moulding - domestic business | | 44.7% | 67.4% | -15.8% | 2.0% | 13.0% | 11.3% | 11.5% | 11.7% |
| Wausaukee Composites + Nero Plastics | | | | 94.5% | -25.6% | 42.1% | 8.0% | 8.0% | 7.0% |
| Nief Plastic | | | | 105.1% | 10.6% | 23.9% | 13.0% | 12.5% | 11.0% |
| Bright AutoPlast | | | | 214.2% | 50.4% | 44.0% | 30.0% | 28.0% | 25.0% |
| Custom moulding (B) | 62.5% | 44.7% | 267.1% | 53.7% | 6.9% | 25.7% | 14.6% | 14.4% | 13.4% |
| Plastics segment total (A+B) | 28.7% | 40.9% | 126.0% | 37.3% | 10.5% | 38.1% | 24.5% | 19.8% | 17.3% |
| Reported net sales | 29.6% | 31.0% | 103.5% | 34.7% | 7.1% | 36.4% | 23.0% | 18.8% | 16.5% |

Source: Company data, UBS estimates

## Table 17: EBITDA breakdown by segment

| (Rs m) | FY06 | FY07 | FY08 | FY09 | FY10 | FY11 | FY12E | FY13E | FY14E |
|---|---|---|---|---|---|---|---|---|---|
| Textiles | 719 | 910 | 965 | 1,030 | 963 | 1,050 | 1,205 | 1,276 | 1,365 |
| Prefab and others | 583 | 890 | 1,081 | 1,116 | 774 | 1,111 | 1,455 | 1,789 | 2,147 |
| Monolithic construction | | | 399 | 836 | 1,366 | 2,565 | 3,605 | 4,337 | 4,997 |
| Storage tanks | 88 | 132 | 140 | 127 | 162 | 238 | 214 | 231 | 224 |
| Zeppelin | | 56 | 153 | 200 | 161 | 81 | 99 | 106 | 112 |
| Building products (A) | 671 | 1,078 | 1,774 | 2,279 | 2,463 | 3,995 | 5,372 | 6,463 | 7,480 |
| Custom moulding - domestic business | 311 | 515 | 1,083 | 763 | 814 | 960 | 1,024 | 1,131 | 1,246 |
| Wausaukee Composites + Nero Plastics | | | 30 | 138 | 147 | 167 | 181 | 195 | 209 |
| Nief Plastic | | | 298 | 823 | 949 | 1,215 | 1,384 | 1,557 | 1,729 |
| Bright AutoPlast | | | 80 | 203 | 267 | 440 | 554 | 709 | 887 |
| Custom moulding (B) | 311 | 515 | 1,491 | 1,928 | 2,178 | 2,782 | 3,142 | 3,592 | 4,070 |
| Plastics segment total (A+B) | 982 | 1,593 | 3,264 | 4,207 | 4,641 | 6,777 | 8,515 | 10,056 | 11,550 |
| Adjustments | -258 | -330 | -402 | -737 | -599 | 242 | -486 | -567 | -719 |
| Reported EBITDA | 1,443 | 2,173 | 3,827 | 4,500 | 5,005 | 8,069 | 9,234 | 10,765 | 12,270 |

Source: Company data, UBS estimates

## Table 18: EBITDA by segment

| % margins | FY06 | FY07 | FY08 | FY09 | FY10 | FY11 | FY12E | FY13E | FY14E |
|---|---|---|---|---|---|---|---|---|---|
| Textiles | 29.0% | 28.8% | 28.0% | 28.0% | 28.0% | 24.0% | 26% | 25% | 25% |
| Prefab and others | 17.9% | 21.0% | 20.3% | 20.0% | 18.0% | 21.0% | 22% | 22% | 22% |
| Monolithic construction | | | 19.0% | 18.5% | 19.0% | 19.2% | 19% | 18% | 17% |
| Storage tanks | 8.0% | 10.0% | 9.0% | 9.0% | 10.0% | 12.0% | 10% | 10% | 9% |
| Zeppelin | | 10.7% | 12.0% | 18.0% | 12.0% | 7.0% | 8% | 8% | 8% |
| Building products (A) | 15.4% | 17.7% | 17.3% | 18.1% | 17.0% | 18.3% | 18.5% | 18.0% | 17.4% |
| Custom moulding - domestic business | 18.3% | 20.9% | 26.3% | 22.0% | 23.0% | 24.0% | 23% | 23% | 23% |
| Wausaukee Composites + Nero Plastics | | | 2.9% | 7.0% | 10.0% | 8.0% | 8% | 8% | 8% |
| Nief Plastic | | | 8.5% | 11.5% | 12.0% | 12.4% | 13% | 13% | 13% |
| Bright AutoPlast | | | 19.8% | 16.0% | 14.0% | 16.0% | 16% | 16% | 16% |
| Custom moulding (B) | 18.3% | 20.9% | 16.5% | 13.9% | 14.7% | 14.9% | 14.7% | 14.7% | 14.7% |
| Plastics segment total (A+B) | 16.2% | 18.7% | 16.9% | 15.9% | 15.8% | 16.8% | 16.9% | 16.7% | 16.3% |
| Reported EBITDA | 16.9% | 19.4% | 16.8% | 14.7% | 15.3% | 18.0% | 16.8% | 16.5% | 16.1% |
| | | | | | | | | | |
| % contribution | | | | | | | | | |
| Textiles | 49.8% | 41.9% | 25.2% | 22.9% | 19.2% | 13.0% | 13.0% | 11.9% | 11.1% |
| Prefab and others | 40.4% | 41.0% | 28.3% | 24.8% | 15.5% | 13.8% | 15.8% | 16.6% | 17.5% |
| Monolithic construction | 0.0% | 0.0% | 10.4% | 18.6% | 27.3% | 31.8% | 39.0% | 40.3% | 40.7% |
| Storage tanks | 6.1% | 6.1% | 3.7% | 2.8% | 3.2% | 2.9% | 2.3% | 2.1% | 1.8% |
| Zeppelin | 0.0% | 2.6% | 4.0% | 4.4% | 3.2% | 1.0% | 1.1% | 1.0% | 0.9% |
| Building Products (A) | 46.5% | 49.6% | 46.3% | 50.6% | 49.2% | 49.5% | 58.2% | 60.0% | 61.0% |
| Custom moulding - domestic business | 21.6% | 23.7% | 28.3% | 17.0% | 16.3% | 11.9% | 11.1% | 10.5% | 10.2% |
| Wausaukee Composites + Nero Plastics | 0.0% | 0.0% | 0.8% | 3.1% | 2.9% | 2.1% | 2.0% | 1.8% | 1.7% |
| Nief Plastic | 0.0% | 0.0% | 7.8% | 18.3% | 19.0% | 15.1% | 15.0% | 14.5% | 14.1% |
| Bright AutoPlast | 0.0% | 0.0% | 2.1% | 4.5% | 5.3% | 5.5% | 6.0% | 6.6% | 7.2% |
| Custom moulding (B) | 21.6% | 23.7% | 38.9% | 42.8% | 43.5% | 34.5% | 34.0% | 33.4% | 33.2% |
| Plastics segment total (A+B) | 68.1% | 73.3% | 85.3% | 93.5% | 92.7% | 84.0% | 92.2% | 93.4% | 94.1% |
| Adjustments (%) | -17.9% | -15.2% | -10.5% | -16.4% | -12.0% | 3.0% | -5.3% | -5.3% | -5.3% |
| Reported EBITDA | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

Source: Company data, UBS estimates

Table 19: Annual income statement

| (Rs m) | FY07 | FY08 | FY09 | FY10 | FY11E | FY12E | FY13E | FY14E |
|---|---|---|---|---|---|---|---|---|
| Revenues | 11,178 | 22,742 | 30,639 | 32,816 | 44,751 | 55,045 | 65,400 | 76,199 |
| Cost of goods sold | (6,557) | (13,000) | (16,152) | (17,985) | (26,306) | (31,926) | (37,605) | (43,814) |
| Gross profit | 4,621 | 9,742 | 14,487 | 14,832 | 18,446 | 23,119 | 27,795 | 32,385 |
| SGA | (2,863) | (6,680) | (11,131) | (11,271) | (11,868) | (15,563) | (18,859) | (22,083) |
| EBIT | 1,758 | 3,062 | 3,356 | 3,560 | 6,578 | 7,556 | 8,936 | 10,302 |
| Other investment income | 161 | 461 | 918 | 953 | 223 | 800 | 773 | 707 |
| Interest | (304) | (503) | (174) | (430) | (709) | (788) | (651) | (531) |
| Profit before taxes | 1,615 | 3,019 | 4,100 | 4,083 | 6,092 | 7,569 | 9,058 | 10,478 |
| Taxes | (310) | (698) | (826) | (772) | (1,508) | (1,968) | (2,491) | (3,039) |
| Profit after tax | 1,306 | 2,322 | 3,274 | 3,311 | 4,584 | 5,601 | 6,567 | 7,439 |
| Minorities | - | (19) | (23) | (21) | 16 | 28 | 33 | 37 |
| Net income | 1,306 | 2,303 | 3,251 | 3,290 | 4,600 | 5,629 | 6,600 | 7,477 |
| | | | | | | | | |
| Revenue growth | | 103% | 35% | 7% | 36% | 23% | 19% | 17% |
| EBIT margin | 16% | 13% | 11% | 11% | 15% | 14% | 14% | 14% |
| EBIT growth | | 74% | 10% | 6% | 85% | 15% | 18% | 15% |
| Net profit growth | | 76% | 41% | 1% | 40% | 22% | 17% | 13% |

Source: Company data, UBS estimates

### Order book details

Order book of Rs29bn in monolithic construction gives 22 months revenue visibility

SINT has an order book only for its monolithic construction business, currently at Rs29bn providing revenue visibility for 22 months, up sharply from Rs14-15bn in March 2009. Orders include Rs3bn from Gujarat, Rs5.3bn from the UP housing board, Rs2.4bn from Rajasthan, a Rs1.4bn order from the police headquarters in Chandigarh, a Rs1.4bn order for the rehabilitation of tsunami victims in Tamil Nadu, Rs1.7bn from Pondicherry, and some orders from the armed forces, railways, and student hostels.

## Balance sheet and cash flow

Working capital to improve, driven by smaller loans and advances and slightly lower inventory levels

SINT has reported a significant improvement in working capital, from 152 days in FY10 to 102 days in FY11, due largely to improvement in loans and advances (the escrow account, which was created for M&A, fell from Rs3.5-3.0bn to Rs0.70-0.75bn), and slightly lower inventory. Receivable days have lengthened over the past few years because its sales mix has increased towards monolithic (working capital cycle much longer at 120 days). We assume similar levels as we expect the contribution from the monolithic construction business to remain high. On an overall basis, we assume net working capital days of 105-111 days. While management has guided that this will not deteriorate; it is likely to aim for marginal improvement, supported by capital discipline and asset utilisation improvement.

Also, we expect improved free cash flow generation to lower debt/equity to 0.3 in FY13 from 1.2 in FY11. We build in equity dilution from FCCB conversion in FY13 at a conversion price of Rs246/share in our model. SINT had earlier raised US$225m in FCCBs for its overseas acquisitions. However, it has US$165m in cash in overseas accounts. If SINT does not convert the FCCB, then we believe Rs98bn in cash and lower debt to equity will help the repayment. The company has earmarked Rs2bn in an international business development reserve account (in reserves and surplus), which has been approved by shareholders. It has spent Rs1.3bn (directly adjusted in reserves and surplus and not routed through the income statement). Of this, Rs0.35bn was spent on M&A expenses and rest for adjustment in the valuation of its subsidiaries. We think a more conservative approach would be to route the same through P&L. We view management's divestment of the oil and gas investments from SINT's balance-sheet positively.

## Table 20: Balance sheet

| (Rs m) | FY07 | FY08 | FY09 | FY10 | FY11E | FY12E | FY13E | FY14E |
|---|---|---|---|---|---|---|---|---|
| Net tangible fixed assets | 6,742 | 14,577 | 19,799 | 19,551 | 25,483 | 24,305 | 25,476 | 25,508 |
| Net intangible fixed assets | - | 1,845 | 2,198 | 2,665 | 2,190 | 2,190 | 2,190 | 2,190 |
| Net working capital | 1,333 | 2,529 | 6,193 | 13,673 | 12,501 | 15,788 | 19,356 | 23,089 |
| Other long-term liabilities | (724) | (1,669) | (1,731) | (2,050) | (2,057) | (2,057) | (2,057) | (2,057) |
| Total invested capital | 7,352 | 17,282 | 26,459 | 33,839 | 38,117 | 40,226 | 44,965 | 48,730 |
| Investments/other assets | 2,087 | 3,386 | 2,133 | 2,827 | 3,775 | 3,775 | 3,775 | 3,775 |
| Total capital employed | 9,438 | 20,667 | 28,592 | 36,666 | 41,892 | 44,002 | 48,741 | 52,505 |
| | | | | | | | | |
| Net (cash)/debt | 2,930 | 5,550 | 11,279 | 17,008 | 17,877 | 14,619 | 3,961 | 623 |
| Minority Interests | - | 203 | 263 | 190 | - | - | - | - |
| Shareholders' funds | 6,509 | 14,914 | 17,049 | 19,469 | 24,016 | 29,383 | 44,779 | 51,882 |
| Total capital employed | 9,438 | 20,667 | 28,592 | 36,666 | 41,892 | 44,002 | 48,741 | 52,505 |
| | | | | | | | | |
| Fixed asset growth | | 116% | 36% | -1% | 30% | -5% | 5% | 0% |
| Working capital growth | | 90% | 145% | 121% | -9% | 26% | 23% | 19% |

Source: Company data, UBS estimates

## Table 21: Net working capital

| (Rs m) | FY07 | FY08 | FY09 | FY10 | FY11E | FY12E | FY13E | FY14E |
|---|---|---|---|---|---|---|---|---|
| Accounts receivable | 2,130 | 7,938 | 8,094 | 10,121 | 14,229 | 17,339 | 20,601 | 24,003 |
| Inventory | 1,455 | 3,022 | 3,771 | 3,411 | 3,770 | 4,679 | 5,559 | 6,477 |
| Other current assets | 668 | 1,615 | 3,676 | 8,157 | 5,147 | 6,055 | 7,194 | 8,382 |
| Accounts payable | (2,548) | (6,085) | (5,665) | (4,507) | (7,019) | (8,532) | (10,137) | (11,811) |
| Other short term liabilities | (373) | (3,961) | (3,683) | (3,507) | (3,625) | (3,753) | (3,861) | (3,962) |
| Net working capital | 1,333 | 2,529 | 6,193 | 13,673 | 12,501 | 15,788 | 19,356 | 23,089 |
| | | | | | | | | |
| Days of receivables | | 127 | 96 | 113 | 116 | 115 | 115 | 115 |
| Days of Inventory | | 49 | 45 | 38 | 31 | 31 | 31 | 31 |
| Days of payables | | 171 | 128 | 91 | 97 | 98 | 98 | 98 |
| Days of NWC | | 41 | 74 | 152 | 102 | 105 | 108 | 111 |

Source: Company data, UBS estimates

Table 22: Cash flow

| (Rs m) | FY07 | FY08 | FY09 | FY10 | FY11E | FY12E | FY13E | FY14E |
|---|---|---|---|---|---|---|---|---|
| EBIT | 1,758 | 3,062 | 3,356 | 3,560 | 6,578 | 7,556 | 8,936 | 10,302 |
| Depreciation | 415 | 765 | 1,144 | 1,445 | 1,491 | 1,678 | 1,829 | 1,968 |
| Change in working cap | (560) | (3,383) | (3,514) | (7,361) | 1,172 | (3,287) | (3,568) | (3,733) |
| Other operating | 249 | 603 | 430 | (60) | 1,881 | 1,230 | 1,092 | 985 |
| Operating cash flow | 1,862 | 1,047 | 1,416 | (2,416) | 11,123 | 7,176 | 8,290 | 9,522 |
| Interest | (304) | (503) | (174) | (430) | (709) | (788) | (651) | (531) |
| Taxes paid | (310) | (698) | (826) | (772) | (1,508) | (1,968) | (2,491) | (3,039) |
| Capex | (2,211) | (9,390) | (6,503) | (1,268) | (7,423) | (500) | (3,000) | (2,000) |
| Free cash flow | (962) | (9,543) | (6,087) | (4,886) | 1,482 | 3,921 | 2,147 | 3,952 |
| Dividends (common) | (101) | (126) | (160) | (176) | (203) | (262) | (322) | (374) |
| Share issues/buybacks | 506 | 7,595 | - | - | 0 | (0) | 9,119 | - |
| Other | (100) | (546) | 519 | (667) | (2,147) | (401) | (286) | (240) |
| Cash flow (inc)/dec in net debt | (657) | (2,621) | (5,729) | (5,729) | (869) | 3,258 | 10,658 | 3,338 |
| | | | | | | | | |
| Free cash flow yield | -4.7% | -22.8% | -17.8% | -16.0% | 3.0% | 8.0% | 4.4% | 8.1% |
| Dividend yield | 0.3% | 0.3% | 0.6% | 0.4% | 0.4% | 0.5% | 0.5% | 0.6% |
| Capex/sales | 19.8% | 41.3% | 21.2% | 3.9% | 16.6% | 0.9% | 4.6% | 2.6% |
| Net debt to equity | 45.0% | 37.2% | 66.2% | 87.4% | 74.4% | 49.8% | 8.8% | 1.2% |

Source: Company data, UBS estimates

## Return on capital

We expect working capital discipline and higher asset utilisation to marginally improve return ratios. While we think ROE is reasonable at 18-21% for FY11-13E, ROCE seems low at 14-15% for the same period. Significant improvement in ROCE over the medium term is unlikely, in our view, given the sales mix towards monolithic construction and management expectation of a 115-120 days receivables cycle.

We expect ROCE to remain low at 14-15%, primarily due to higher sales mix towards monolithic construction

Table 23: Key ratios

| | FY07 | FY08 | FY09 | FY10 | FY11E | FY12E | FY13E | FY14E |
|---|---|---|---|---|---|---|---|---|
| EBIT ROIC | 23.9% | 24.9% | 15.3% | 11.8% | 18.3% | 19.3% | 21.0% | 22.0% |
| Returns on capital employed | 16.4% | 18.0% | 13.9% | 11.2% | 13.0% | 14.4% | 15.2% | 15.4% |
| Leverage | 122.0% | 119.3% | 145.7% | 159.7% | 161.1% | 145.7% | 116.7% | 99.7% |
| Minorities | 100.0% | 100.9% | 101.5% | 101.2% | 100.4% | 100.0% | 100.0% | 100.0% |
| Exceptionals | 100.0% | 99.2% | 99.3% | 99.4% | 100.4% | 100.5% | 100.5% | 100.5% |
| ROE | 20.1% | 21.5% | 20.3% | 18.0% | 21.2% | 21.1% | 17.8% | 15.5% |
| ROE (adjusted) | 20.1% | 21.5% | 20.3% | 18.0% | 21.2% | 21.1% | 17.8% | 15.5% |

Source: Company data, UBS estimates

# Appendix

## Company background

Sintex Industries (SINT) is a leading producer of plastics and niche textile-related products in India. It has 36 manufacturing plants in nine countries. The company caters to markets in Africa, the Americas, Asia and Europe. SINT was incorporated in 1931 as Bharat Vijay Mills, and has gradually diversified from textiles to plastics and monolithic construction. Over the past seven years, SINT's revenue share has changed, as it entered new segments and markets through organic and inorganic growth opportunities. SINT has paid dividends to its shareholders consistently for the past 77 years.

The company's businesses can be broadly dividend into two main segments: 1) textiles and 2) plastics. The plastics segment can be sub-divided into building products and custom mouldings.

### Table 24: Corporate milestones

**1931-74**

- Incorporated as Bharat Vijay Mills Limited in June 1931; established composite textile mill in Kalol, Gujarat

**1975-90**

- Commenced manufacturing of plastic moulded polyethylene liquid storage tanks, including water storage tanks
- Introduced new plastic products such as doors, window frames, and pallets
- Plastic sections for conversion into partitions, false ceilings, wall panelling, cabins, cabinets and furniture

**1995**

- Renamed Sintex Industries Limited
- Commenced manufacturing of SMC moulded products, pultruded products, resin transfer moulded products, and injection moulded products
- Modernisation and expansion of the textile unit
- Commenced structured yarn dyed business

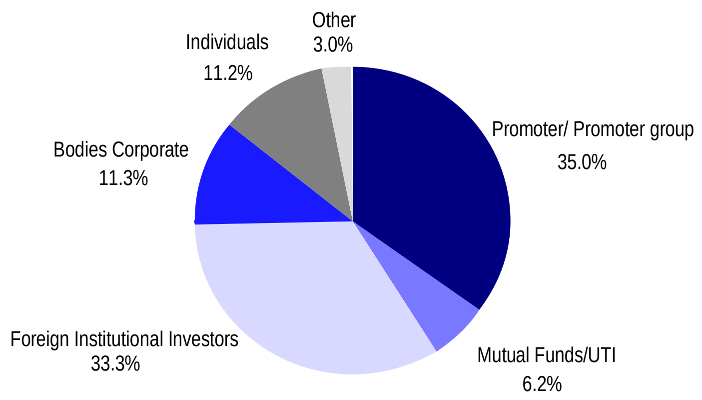
**2000-current**

- Alliance with European design houses and a UK-based textile marketing company
- Commenced production of pre-fabricated structures for classrooms, booths, kiosks and office rooms
- Acquired a 74% stake in the Indian subsidiary of Zeppelin Mobile Systems, Germany
- Entered the housing sector with monolithic construction
- First international acquisition, an 81% stake in Wasaukee Composites Inc, US.
- Acquired 100% of Nief Plastic SA, a French company
- Acquired automotive business division of Bright Brothers Limited
- Wausaukee acquired a 100% stake of its competitor, Nero Plastics Inc, US
- Zeppelin acquired Digvijay Communications and Network., Indore and became the total solutions provider for the telecom sector

Source: Company

## Shareholding structure

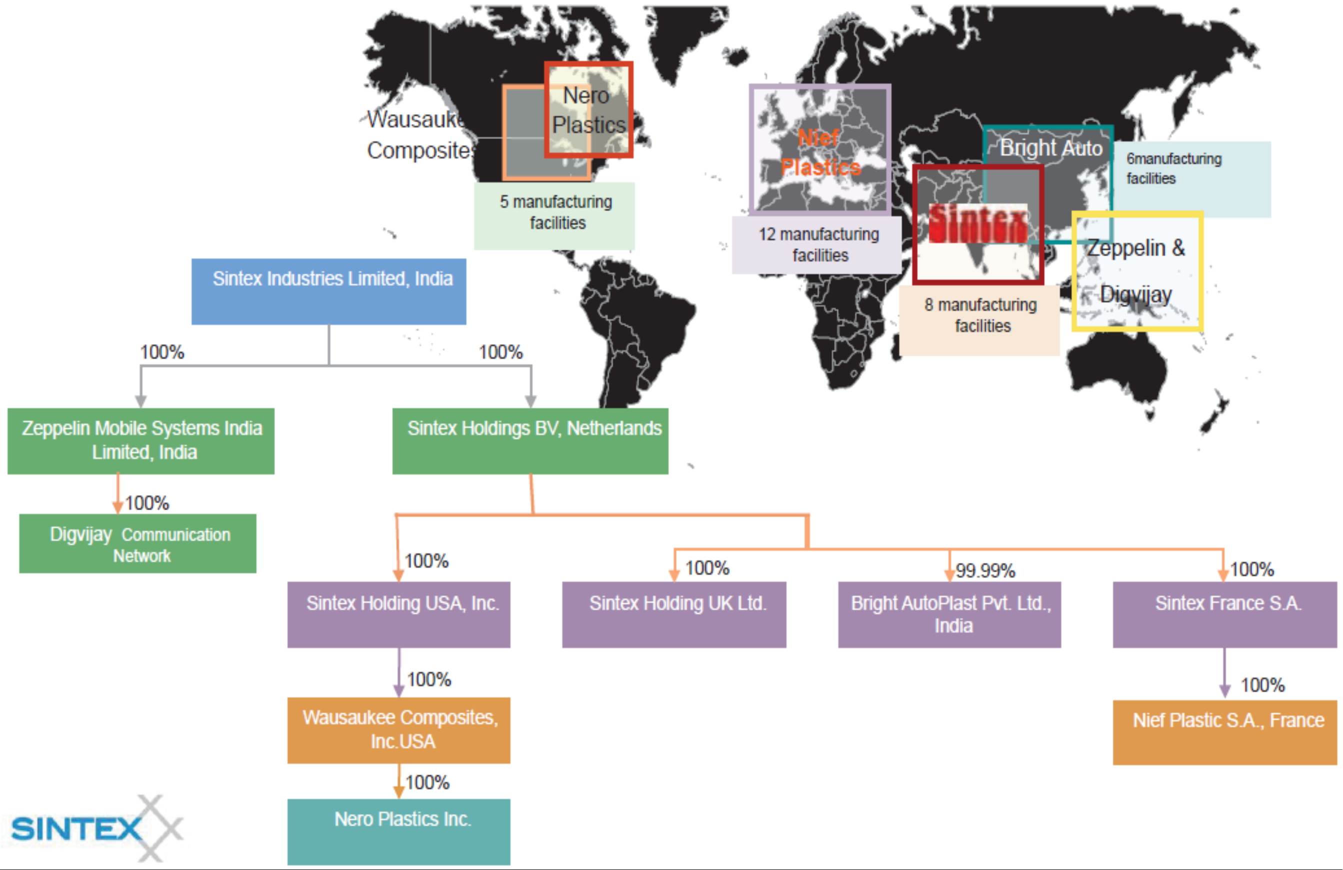
### Chart 15: SINT shareholding (March 2011)




Source: Bombay Stock Exchange, company data

## Key subsidiaries

### Figure 9: Sintex's subsidiaries




Source: Company

## Table 25: SINT's acquisition history

| S. No. | Company acquired | Stake (%) | Acquisition cost | FY11 revenue (Rs m) | Country | Date of acquisition | Business | Segment |
|---|---|---|---|---|---|---|---|---|
| 1 | Zeppelin Mobiles | 100% | Rs190m | 1,160 | India | May-06 | Presence in BT shelters for telecom/FM radios | Building products |
| 2 | Wasaukee Composites | 100% | US$20.5m | 2,090 | US | May-07 | Presence in auto, electrical, medical imaging | Custom moulding |
| 3 | Bright Brothers (auto division) | 99.99% | Rs1,460m | 2,750 | India | Sep-07 | Leader in domestic passenger automotive plastic components segment | Custom moulding |
| 4 | Nief Plastics | 100% | €43m (incl €10m debt) | 9,800 | France | Oct-07 | Presence in electrical, automotive, aerospace & defence sectors | Custom moulding |
| 5 | Nero Plastics (acquired by Wasaukee, US) | 100% | US$4.77m | included in Neif above | US | Dec-07 | Presence in auto, electrical segments | Custom moulding |
| 6 | Digvijay Communication & Networks (acquired by Zeppelin Mobile systems) | 100% | Rs540m | included in Zeppelin above | India | May-08 | Presence in telecommunications, infrastructure, networking | Building products |
| 7 | Geiger Technik GmbH | | US$6.9m for a 19% stake; acquisition did not materialise; filed for bankruptcy in August 2008; write-off in March 2009 | N/A | Germany | Jul-08 | Presence in Germany in high-end automotive precision plastics, a leader in brake fluid reservoirs | N/A |

Source: Company

## Management background and group companies

## Table 26: Management profile

| Name | Designation | Educational background | Experience |
|---|---|---|---|
| Amit D. Patel | Managing Director | Bachelor's degree in Commerce, MT from the US | 18 years experience in the textile, chemical and plastic industries |
| Rahul A. Patel | Managing Director | Bachelor's degree in Communications, MBA from the US | More than 24 years experience in the textile and plastic industries |
| S. B. Dangayach | Managing Director | B.Sc. (Hons), P.G.D.B.A. from IIM Ahmedabad | 3 decades experience in the plastics industry |
| L. M. Rathod | Group CFO & CS | Graduate in commerce and law, MBA and FCS | 2 decades experience in corporate finance, company law and taxation |
| Sunil K. Kanojia | Group President | Graduate in Engineering and MBA from IIM Ahmedabad | 23 years domestic and international experience in several industries |

Source: Company

# Sintex Industries

| Income statement (Rsm) | 03/06 | 03/07 | 03/08 | 03/09 | 03/10 | 03/11E | % ch | 03/12E | % ch | 03/13E | % ch |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenues | 8,534 | 11,178 | 22,742 | 30,639 | 32,816 | 44,751 | 36.4 | 55,045 | 23.0 | 65,400 | 18.8 |
| Operating expenses (ex depn) | (7,091) | (9,005) | (18,915) | (26,139) | (27,811) | (36,682) | 31.9 | (45,811) | 24.9 | (54,635) | 19.3 |
| EBITDA (UBS) | 1,443 | 2,173 | 3,827 | 4,500 | 5,005 | 8,069 | 61.2 | 9,234 | 14.4 | 10,765 | 16.6 |
| Depreciation | (307) | (415) | (765) | (1,144) | (1,445) | (1,491) | 3.2 | (1,678) | 12.5 | (1,829) | 9.0 |
| Operating income (EBIT, UBS) | 1,136 | 1,758 | 3,062 | 3,356 | 3,560 | 6,578 | 84.8 | 7,556 | 14.9 | 8,936 | 18.3 |
| Other income & associates | 229 | 161 | 461 | 918 | 953 | 223 | -76.6 | 800 | 258.6 | 773 | -3.4 |
| Net interest | (222) | (304) | (503) | (174) | (430) | (709) | 64.9 | (788) | 11.1 | (651) | -17.3 |
| Abnormal items (pre-tax) | 0 | 0 | 0 | 0 | 0 | 0 | - | 0 | - | 0 | - |
| Profit before tax | 1,143 | 1,615 | 3,019 | 4,100 | 4,083 | 6,092 | 49.2 | 7,569 | 24.2 | 9,058 | 19.7 |
| Tax | (223) | (310) | (698) | (826) | (772) | (1,508) | 95.3 | (1,968) | 30.5 | (2,491) | 26.6 |
| Profit after tax | 920 | 1,306 | 2,322 | 3,274 | 3,311 | 4,584 | 38.4 | 5,601 | 22.2 | 6,567 | 17.2 |
| Abnormal items (post-tax) | 0 | 0 | 0 | 0 | 0 | 0 | - | 0 | - | 0 | - |
| Minorities / pref dividends | 0 | 0 | (19) | (23) | (21) | 16 | - | 28 | 72.2 | 33 | 17.2 |
| Net income (local GAAP) | 920 | 1,306 | 2,303 | 3,251 | 3,290 | 4,600 | 39.8 | 5,629 | 22.4 | 6,600 | 17.2 |
| Net Income (UBS) | 920 | 1,306 | 2,303 | 3,251 | 3,290 | 4,600 | 39.8 | 5,629 | 22.4 | 6,600 | 17.2 |
| Tax rate (%) | 19 | 19 | 23 | 20 | 19 | 25 | 30.9 | 26 | 5.0 | 28 | 5.8 |
| Pre-abnormal tax rate (%) | 19 | 19 | 23 | 20 | 19 | 25 | 30.9 | 26 | 5.0 | 28 | 5.8 |
| **Per share (Rs)** | **03/06** | **03/07** | **03/08** | **03/09** | **03/10** | **03/11E** | **% ch** | **03/12E** | **% ch** | **03/13E** | **% ch** |
| EPS (local GAAP) | 4.66 | 5.88 | 8.50 | 12.00 | 12.14 | 16.97 | 23.0 | 20.77 | 22.4 | 21.43 | 17.2 |
| EPS (UBS) | 4.66 | 5.88 | 8.50 | 12.00 | 12.14 | 16.97 | 39.8 | 20.77 | 22.4 | 21.43 | 3.2 |
| Net DPS | 0.44 | 0.48 | 0.50 | 0.55 | 0.60 | 0.64 | 7.5 | 0.83 | 28.8 | 0.90 | 8.3 |
| Cash EPS | 6.22 | 7.75 | 11.32 | 16.22 | 17.47 | 22.47 | 28.6 | 26.96 | 20.0 | 27.37 | 1.5 |
| BVPS | 24.33 | 29.49 | 55.73 | 63.71 | 71.32 | 87.98 | 23.4 | 107.64 | 22.3 | 164.04 | 52.4 |
| **Balance sheet (Rsm)** | **03/06** | **03/07** | **03/08** | **03/09** | **03/10** | **03/11E** | **% ch** | **03/12E** | **% ch** | **03/13E** | **% ch** |
| Net tangible fixed assets | 4,885 | 6,742 | 14,577 | 19,799 | 19,551 | 25,483 | 30.3 | 24,305 | -4.6 | 25,476 | 4.8 |
| Net intangible fixed assets | 0 | 0 | 1,845 | 2,198 | 2,665 | 2,190 | -17.8 | 2,190 | 0.0 | 2,190 | 0.0 |
| Net working capital (incl. other assets) | 988 | 1,354 | 2,662 | 6,507 | 14,030 | 12,501 | -10.9 | 15,788 | 26.3 | 19,356 | 22.6 |
| Other liabilities | (674) | (724) | (1,669) | (1,731) | (2,050) | (2,057) | 0.4 | (2,057) | 0.0 | (2,057) | 0.0 |
| Operating invested capital | 5,199 | 7,373 | 17,415 | 26,773 | 34,196 | 38,117 | 11.5 | 40,227 | 5.5 | 44,965 | 11.8 |
| Investments | 1,568 | 2,065 | 3,252 | 1,819 | 2,470 | 3,775 | 52.8 | 3,775 | 0.0 | 3,775 | 0.0 |
| Total capital employed | 6,768 | 9,438 | 20,667 | 28,592 | 36,666 | 41,892 | 14.3 | 44,002 | 5.0 | 48,741 | 10.8 |
| Shareholders' equity | 4,495 | 6,509 | 14,914 | 17,049 | 19,469 | 24,016 | 23.4 | 29,383 | 22.3 | 44,779 | 52.4 |
| Minority interests | 0 | 0 | 203 | 263 | 190 | 0 | - | 0 | - | 0 | - |
| Total equity | 4,495 | 6,509 | 15,117 | 17,312 | 19,658 | 24,016 | 22.2 | 29,383 | 22.3 | 44,779 | 52.4 |
| Net debt / (cash) | 2,273 | 2,930 | 5,550 | 11,279 | 17,008 | 17,877 | 5.1 | 14,619 | -18.2 | 3,961 | -72.9 |
| Other debt-deemed items | 0 | 0 | 0 | 0 | 0 | 0 | - | 0 | - | 0 | - |
| Total capital employed | 6,768 | 9,438 | 20,667 | 28,592 | 36,666 | 41,892 | 14.3 | 44,002 | 5.0 | 48,741 | 10.8 |
| **Cash flow (Rsm)** | **03/06** | **03/07** | **03/08** | **03/09** | **03/10** | **03/11E** | **% ch** | **03/12E** | **% ch** | **03/13E** | **% ch** |
| Operating income (EBIT, UBS) | 1,136 | 1,758 | 3,062 | 3,356 | 3,560 | 6,578 | 84.8 | 7,556 | 14.9 | 8,936 | 18.3 |
| Depreciation | 307 | 415 | 765 | 1,144 | 1,445 | 1,491 | 3.2 | 1,678 | 12.5 | 1,829 | 9.0 |
| Net change in working capital | 400 | (560) | (3,383) | (3,514) | (7,361) | 1,172 | - | (3,287) | - | (3,568) | 8.5 |
| Other (operating) | 25 | 410 | 1,045 | 1,326 | 872 | 2,121 | 143.2 | 2,058 | -3.0 | 1,898 | -7.8 |
| Operating cash flow (pre tax/interest) | 1,868 | 2,023 | 1,489 | 2,312 | (1,484) | 11,362 | - | 8,005 | -29.5 | 9,096 | 13.6 |
| Net interest received / (paid) | (222) | (304) | (503) | (174) | (430) | (709) | 64.9 | (788) | 11.1 | (651) | -17.3 |
| Dividends paid | (84) | (101) | (126) | (160) | (176) | (203) | 15.2 | (262) | 28.8 | (322) | 23.1 |
| Tax paid | (223) | (310) | (698) | (826) | (772) | (1,508) | 95.3 | (1,968) | 30.5 | (2,491) | 26.6 |
| Capital expenditure | (1,613) | (2,211) | (9,390) | (6,503) | (1,268) | (7,423) | 485.6 | (500) | -93.3 | (3,000) | 500.0 |
| Net (acquisitions) / disposals | 0 | 0 | 0 | 0 | 0 | 0 | - | 0 | - | 0 | - |
| Other | 529 | (386) | (802) | (829) | (724) | (2,155) | 197.5 | (401) | -81.4 | (286) | -28.6 |
| Share issues | 266 | 506 | 7,595 | 0 | 0 | 0 | - | 0 | - | 9,119 | - |
| Cash flow (inc)/dec in net debt | 292 | (943) | (2,876) | (7,076) | (5,786) | (876) | -84.9 | 3,258 | - | 10,658 | 227.2 |
| FX / non cash items | 35 | 287 | 256 | 1,347 | 58 | 7 | -87.5 | 0 | - | 0 | - |
| Balance sheet (inc)/dec in net debt | 328 | (657) | (2,621) | (5,729) | (5,729) | (869) | -84.8 | 3,258 | - | 10,658 | 227.2 |
| Core EBITDA | 1,443 | 2,173 | 3,827 | 4,500 | 5,005 | 8,069 | 61.2 | 9,234 | 14.4 | 10,765 | 16.6 |
| Maintenance capital expenditure | (169) | (220) | (430) | (595) | (640) | (793) | 24.0 | (868) | 9.5 | (943) | 8.6 |
| Maintenance net working capital | 0 | 0 | 0 | 0 | 0 | 0 | - | 0 | - | 0 | - |
| Operating free cash flow, pre-tax | 1,274 | 1,952 | 3,397 | 3,906 | 4,365 | 7,276 | 66.7 | 8,366 | 15.0 | 9,822 | 17.4 |

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Note: For some companies, the data represents an extract of the full company accounts.

# Global Equity Research

India

Industrial, Diversified

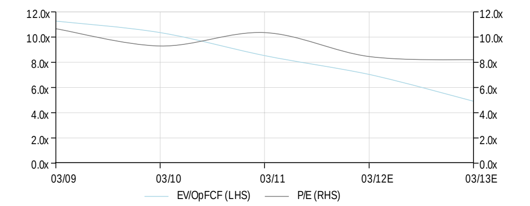
| | |
|---|---|
| 12-month rating | Buy |
| 12m price target | Rs240.00 |

# Sintex Industries

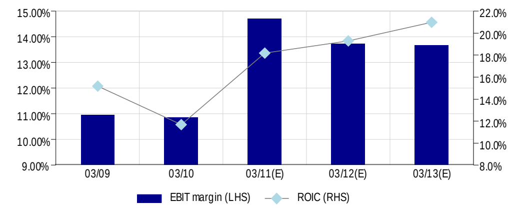
## Company profile

Sintex started its textile business in 1955 with a composite textile mill in Kalol, Gujarat. The company established its plastics division in 1975 for the manufacture of one-piece moulded polyethylene water storage tanks. It expanded its product offering in the plastics division in the late 1980s to include plastic extruded sections for partitions, false ceilings and plastic doors, and injection moulding products. Sintex's subsidiaries have 22 manufacturing locations. The manufacturing facilities for its plastics divisions are all in India - in Kalol, Kolkata, Daman, Bangalore, Nagpur, Baddi, Salem and Bhachau.

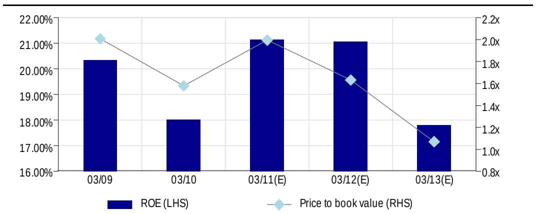
## Value (EV/OpFCF & P/E)



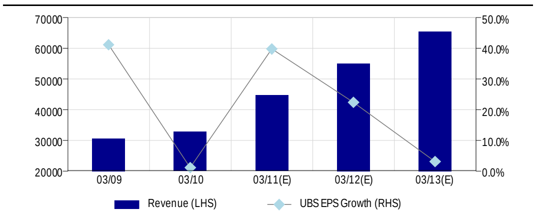

## Profitability




## ROE v Price to book value




## Growth (UBS EPS)




| Valuation (x) | 5Yr Avg | 03/09 | 03/10 | 03/11E | 03/12E | 03/13E |
|---|---|---|---|---|---|---|
| P/E (local GAAP) | 14.2 | 10.7 | 9.3 | 11.8 | 9.6 | 8.2 |
| P/E (UBS) | 14.2 | 10.7 | 9.3 | 10.3 | 8.5 | 8.2 |
| P/CEPS | 10.5 | 7.9 | 6.5 | 7.8 | 6.5 | 6.4 |
| Net dividend yield (%) | 0.7 | 0.4 | 0.5 | 0.4 | 0.5 | 0.5 |
| P/BV | 2.4 | 2.0 | 1.6 | 2.0 | 1.6 | 1.1 |
| EV/revenue (core) | 1.6 | 1.4 | 1.4 | 1.4 | 1.1 | 0.7 |
| EV/EBITDA (core) | 9.8 | 9.8 | 9.0 | 7.7 | 6.4 | 4.5 |
| EV/EBIT (core) | 12.6 | 13.1 | 12.7 | 9.4 | 7.8 | 5.4 |
| EV/OpFCF (core) | 11.1 | 11.3 | 10.3 | 8.5 | 7.0 | 4.9 |
| EV/op. invested capital | 2.4 | 2.0 | 1.5 | 1.7 | 1.5 | 1.1 |

| Enterprise value (Rsm) | 03/09 | 03/10 | 03/11E | 03/12E | 03/13E |
|---|---|---|---|---|---|
| Average market cap | 34,230 | 30,444 | 47,923 | 47,923 | 47,923 |
| + minority interests | 263 | 190 | 0 | 0 | 0 |
| + average net debt (cash) | 11,279 | 17,008 | 17,877 | 14,619 | 3,961 |
| + pension obligations and other | 0 | 0 | 0 | 0 | 0 |
| - non-core asset value | (1,819) | (2,470) | (3,775) | (3,775) | (3,775) |
| Core enterprise value | 43,954 | 45,172 | 62,025 | 58,767 | 48,109 |

| Growth (%) | 5Yr Avg | 03/09 | 03/10 | 03/11E | 03/12E | 03/13E |
|---|---|---|---|---|---|---|
| Revenue | 46.9 | 34.7 | 7.1 | 36.4 | 23.0 | 18.8 |
| EBITDA (UBS) | 41.2 | 17.6 | 11.2 | 61.2 | 14.4 | 16.6 |
| EBIT (UBS) | 41.0 | 9.6 | 6.1 | 84.8 | 14.9 | 18.3 |
| EPS (UBS) | 42.4 | 41.2 | 1.2 | 39.8 | 22.4 | 3.2 |
| Cash EPS | 38.2 | 43.2 | 7.7 | 28.6 | 20.0 | 1.5 |
| Net DPS | 8.3 | 10.0 | 9.1 | 7.5 | 28.8 | 8.3 |
| BVPS | 21.9 | 14.3 | 11.9 | 23.4 | 22.3 | 52.4 |

| Margins (%) | 5Yr Avg | 03/09 | 03/10 | 03/11E | 03/12E | 03/13E |
|---|---|---|---|---|---|---|
| EBITDA / revenue | 17.0 | 14.7 | 15.3 | 18.0 | 16.8 | 16.5 |
| EBIT / revenue | 13.3 | 11.0 | 10.8 | 14.7 | 13.7 | 13.7 |
| Net profit (UBS) / revenue | 10.3 | 10.6 | 10.0 | 10.3 | 10.2 | 10.1 |

| Return on capital (%) | 5Yr Avg | 03/09 | 03/10 | 03/11E | 03/12E | 03/13E |
|---|---|---|---|---|---|---|
| EBIT ROIC (UBS) | 19.5 | 15.2 | 11.7 | 18.2 | 19.3 | 21.0 |
| ROIC post tax | - | 12.1 | 9.5 | 13.7 | 14.3 | 15.2 |
| Net ROE | 19.5 | 20.3 | 18.0 | 21.2 | 21.1 | 17.8 |

| Coverage ratios (x) | 5Yr Avg | 03/09 | 03/10 | 03/11E | 03/12E | 03/13E |
|---|---|---|---|---|---|---|
| EBIT / net interest | 9.6 | 24.5 | 10.5 | 9.6 | 10.6 | 14.9 |
| Dividend cover (UBS EPS) | 13.8 | 21.8 | 20.2 | 26.3 | 25.0 | 23.8 |
| Div. payout ratio (%, UBS EPS) | 8.4 | 4.6 | 4.9 | 3.8 | 4.0 | 4.2 |
| Net debt / EBITDA | 1.9 | 2.5 | 3.4 | 2.2 | 1.6 | 0.4 |

| Efficiency ratios (x) | 5Yr Avg | 03/09 | 03/10 | 03/11E | 03/12E | 03/13E |
|---|---|---|---|---|---|---|
| Revenue / op. invested capital | 1.5 | 1.4 | 1.1 | 1.2 | 1.4 | 1.5 |
| Revenue / fixed assets | 1.7 | 1.6 | 1.5 | 1.8 | 2.0 | 2.4 |
| Revenue / net working capital | 8.0 | 7.0 | 3.3 | 3.4 | 3.9 | 3.7 |

| Investment ratios (x) | 5Yr Avg | 03/09 | 03/10 | 03/11E | 03/12E | 03/13E |
|---|---|---|---|---|---|---|
| OpFCF / EBIT | 1.1 | 1.2 | 1.2 | 1.1 | 1.1 | 1.1 |
| Capex / revenue (%) | 25.4 | 21.2 | 3.9 | 16.6 | 0.9 | 4.6 |
| Capex / depreciation | 6.9 | 5.7 | 0.9 | 5.0 | 0.3 | 1.6 |

| Capital structure (%) | 5Yr Avg | 03/09 | 03/10 | 03/11E | 03/12E | 03/13E |
|---|---|---|---|---|---|---|
| Net debt / total equity | 51.3 | 66.2 | 87.4 | 74.4 | 49.8 | 8.8 |
| Net debt / (net debt + equity) | 33.9 | 39.8 | 46.6 | 42.7 | 33.2 | 8.1 |
| Net debt (core) / EV | 19.3 | 25.7 | 37.7 | 28.8 | 24.9 | 8.2 |

*Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items.*
*Valuations: based on an average share price that year, (E): based on a share price of Rs175.55 on 18 May 2011 23:38 HKT Market cap(E) may include forecast share issues/buybacks.*

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## Sintex Industries

Sintex started its textile business in 1955 with a composite textile mill in Kalol, Gujarat. The company established its plastics division in 1975 for the manufacture of one-piece moulded polyethylene water storage tanks. It expanded its product offering in the plastics division in the late 1980s to include plastic extruded sections for partitions, false ceilings and plastic doors, and injection moulding products. Sintex's subsidiaries have 22 manufacturing locations. The manufacturing facilities for its plastics divisions are all in India - in Kalol, Kolkata, Daman, Bangalore, Nagpur, Baddi, Salem and Bhachau.

## Statement of Risk

We believe intensifying competition because of low/moderate entry barriers is a risk in the building products segment, and monolithic construction margins could be affected by new competitors in the low-cost housing segment. Other risks are fall in working capital discipline, slowdown in the industrial recovery globally and India and unrelated investments or ventures.

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### UBS Investment Research: Global Equity Rating Allocations

| UBS 12-Month Rating | Rating Category | Coverage[1] | IB Services[2] |
|---|---|---|---|
| **Buy** | **Buy** | 52% | 41% |
| **Neutral** | **Hold/Neutral** | 40% | 37% |
| **Sell** | **Sell** | 8% | 20% |
| **UBS Short-Term Rating** | **Rating Category** | **Coverage[3]** | **IB Services[4]** |
| **Buy** | **Buy** | less than 1% | 30% |
| **Sell** | **Sell** | less than 1% | 17% |

1:Percentage of companies under coverage globally within the 12-month rating category.
2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.
3:Percentage of companies under coverage globally within the Short-Term rating category.
4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 31 March 2011.

### UBS Investment Research: Global Equity Rating Definitions

| UBS 12-Month Rating | Definition |
|---|---|
| **Buy** | FSR is > 6% above the MRA. |
| **Neutral** | FSR is between -6% and 6% of the MRA. |
| **Sell** | FSR is > 6% below the MRA. |
| **UBS Short-Term Rating** | **Definition** |
| **Buy** | Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event. |
| **Sell** | Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event. |

### KEY DEFINITIONS

**Forecast Stock Return (FSR)** is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.
**Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).
**Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.
**Short-Term Ratings** reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case.
**Equity Price Targets** have an investment horizon of 12 months.

### EXCEPTIONS AND SPECIAL CASES

**UK and European Investment Fund ratings and definitions are:** Buy: Positive on factors such as structure, management, performance record, discount; Neutral: Neutral on factors such as structure, management, performance record, discount; Sell: Negative on factors such as structure, management, performance record, discount.
**Core Banding Exceptions (CBE):** Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Company Disclosures table in the relevant research piece.

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**UBS Securities India Private Ltd:** Ruchi Vora; Gautam Chhaochharia.

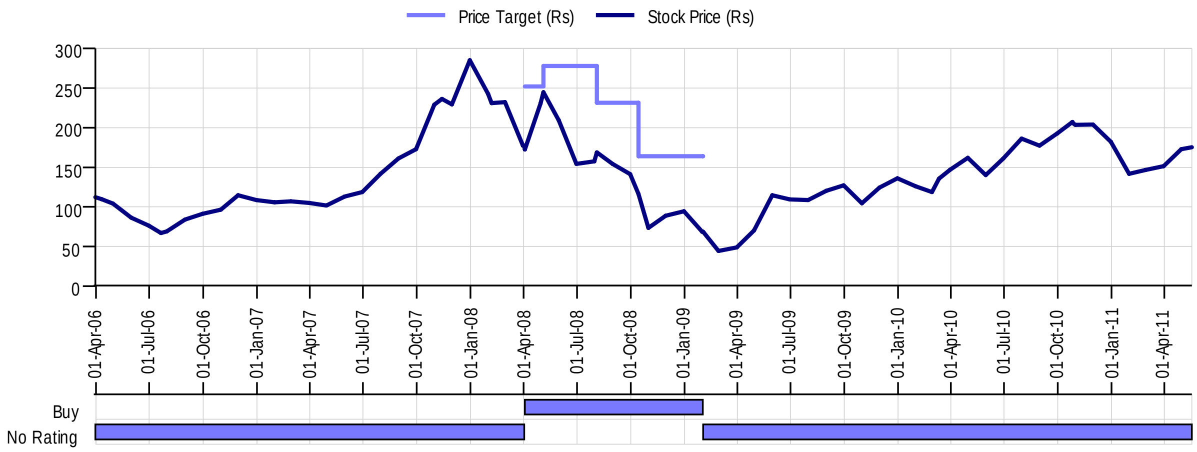
## Company Disclosures

| Company Name | Reuters | 12-mo rating | Short-term rating | Price | Price date |
|---|---|---|---|---|---|
| **Sintex Industries** | SNTX.BO | Not Rated | N/A | Rs175.55 | 18 May 2011 |

Source: UBS. All prices as of local market close.
Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

## Sintex Industries (Rs)




Source: UBS; as of 18 May 2011

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