

SRF Polymers

CMP

Rs. 157.0

Market Cap (Rs. Cr) **101**

52 Week-H/L(Rs)

270.15 / 108.55

Target Price

Rs. 195/250

Bloomberg [SRF@IN](#)

Reuters

[SRFP.BO](#)

BSE **532468**

NSE

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Investment Arguments

INVESTMENT PLAY [Holding Company for SRF]

SRF Polymers is primarily involved in the business of fishnets and engineering plastics. The engineering plastics business caters to nylon engineering plastic requirement of companies in the auto, consumer durable and other sectors. Fishnets are a niche segment and SRF is a dominant player in this segment with strong distribution network. With recent fall in oil prices, the pressure on input cost will be over and company may report better margins from coming quarters. Company is expanding capacities in fishnet [at Manali] and enqq. plastic [in Uttaranchal] divisions.

What excites us however is the fact that SRF Polymer directly and through its subsidiaries, hold 42.4 percent stake in SRF. At current price of SRF, the value of investment alone works out to Rs 888 per share for SRF Polymer.

It is normal for investment companies to trade at a discount of around 50 percent of the value. Even assuming a discount of 50 percent, SRF Polymers should fetch a price of Rs 444 per share against current price of just around Rs 157. This too is without considering the core business of Fishnets and Engg plastics, where in also the growth prospectus and outlook is now better. So its a superb value pick with enough potential to appreciate from the current levels. Other way of looking at this opportunity is, one can buy the SRF stock through this route at less than one fifth cost or at less than Rs 40/-. Still other way of looking at it is, - one is buying 42.5% stake in SRF with Market of of Rs1350 Crs [so, 42.5% of this is worth Rs 573 Crs] for just Rs 100 Crs through this route. **BUY.**

Financials for the year ended (in Rs. Crores)

Latest result update (in Rs. Crores)

PARTICULARS	FY05	FY06	FY07-E	PARTICULARS	H1 2006	H1 2005	% change
Gross Sales	156.81	184.65	180	Gross Sales	84.48	98.91	(14.59)
Operating profit	19.21	13.94	16.0	PBIDT	8.13	7.89	3.04
Interest	4.43	6.95	7.25	Net Profit (PAT)	3.61	3.64	(0.82)
Depreciation	1.26	0.96	1.4	Equity	6.45	6.45	
PAT	4.48	4.79	5.5	EPS	5.60	5.64	(0.82)
EPS (in Rs)	6.95	7.43	8.53	Technical Trend [H1 2006 Profits includes 3.57 (3.28) Crs investment gains]			
CEPS (in Rs)	8.90	8.91	10.70	After touching a high of Rs 404 in Sept.'05, the stock fell significantly and touched a low of Rs 108 in June'06 meltdown. Thereafter it is consolidating between Rs 140 to 170. Any confirmed breakout above Rs 170 will give this a target of Rs 250 and then still higher range. Buy with stop loss of rs 145 and look for target of Rs 195 in short & Rs 250 in medium term.			
Book Value (in Rs)	102.54	78.00	94	Investment Portfolio			
Face Value (in Rs)	10.00	10.00	10	Company Name	Shares held	CMP	Value (in Crs.)
Dividend (in%)	5.00	5.00	10	SRF	10783886	206	222.15
Deividend Yeldl (%)	0.32	0.32	0.64	SRF*	17014840	206	350.51
Net Worth	66.14	70.56	75	* shares held thru 100 % subsidiary SRF Polymers Investments			
Debt	45.21	46.12	48	Total	27798726		572.65
Equity Capital	6.45	6.45	6.45	3/06, PAT includes 2.75 Crs Dividend Income from investments.			
P.E. (x)	22.60	21.14	18.41				
NPM %	0.03	2.6%	3.1%				
Operating Margin %	0.12	7.5%	8.9%				

Shareholding Pattern



