

BUZZING

STOCK

Supreme Petrochem Ltd.

CMP – Rs.30

Analyst

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Key Stock Data

Sensex	16348
Nifty	4748
Sector	Petrochemicals-Polymers
Bloomberg	SPPT IN
Reuters	SPTL.BO
No. of shares (m)	98
Market Cap (Rs m)	2925
Market Cap (US\$ m)	73
52-week H/L	33/17

Shareholding Pattern (%)

Promoters	59.35
Mutual Funds	0.06
FII's	2.99
Corporate Bodies	6.70
Pubic & Others	30.90

Supreme Petrochem Ltd. (SPL), one of the major manufacturers of Polystyrene, is fairly mushrooming with its well-planned growth strategy. SPL is a leading player in the domestic polystyrene market with more than 50% market share. The company is one the major player in export market with annual export volumes crossing 100,000 MTPA (Metric Tons Per Annum) mark.

Growth Strategy: SPL is setting up an Expanded Polystyrene (EPS) plant, with capacity of 60,000 MTPA, in Raigad district. Besides it is in the process of building minor port aiming at reducing the logistics costs. The company is also setting up a SEZ (Special Economic Zone) for plastic processing sector in Raigad with the purpose of encouraging plastic exports from the country. Surging plastic demand is expected to result in increased demand for polystyrene. SPL will be funding these activities majorly by debt.

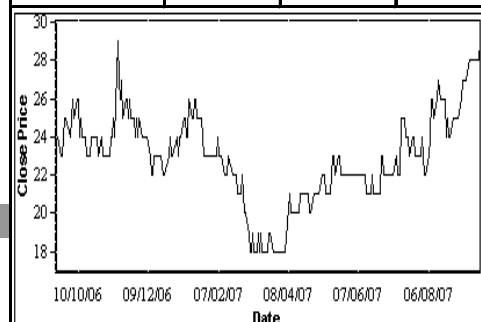
Merger: SPL is in the process of merging SPL Polymer (subsidiary) with itself. SPL had acquired Shin Ho Petrochemical (India) Ltd. in FY07. Later it was renamed as SPL Polymer (SPLP). The company manufactures EPS in its plant located in Chennai. SPLP has an installed capacity of 6,000 MTPA, which is being ramped up to 15,000 MTPA.

Business Profile: SPL's manufacturing facility is located in Raigad District, Maharashtra with capacity to produce 272,000 MTPA of polystyrene. Besides, SPL also has colouring and compounding facility of around 17,000 MTPA. The company deals in GPPS (General Purpose Polystyrene) as well as HIPS (High Impact Polystyrene).

Valuations: SPL has reported excellent set of numbers in its latest results. In Q4FY07, revenue at Rs.3763m is up by 7% YoY. PAT at Rs.121m is 228% YoY higher, with EBIDTA margins at 6% increasing by 320 bps YoY. The current market price discounts the FY07 EPS of Rs.3.4 by 8.8x.

Financial Snapshot

Supreme Petrochem Ltd.				Rs.m			Ratios (%)			
	Q4 FY07	Q4 FY06	Chg. (%)	FY07	FY06	Chg. (%)		FY07	FY06	Chg.(%)
Financial Year End: June										
Net Sales	3,763	3,506	7	14,949	14,256	5	Debt -Equity	1.0	1.2	(0.2)
Other Income	41	28	47	86	46	88	PBIDTM	5.7	4.5	1.2
Total Income	3,804	3,534	8	15,034	14,302	5	PBDDTM	4.3	3.1	1.2
Total Expenditure	3,545	3,416	4	14,184	13,658	4	RoCE	22.0	14.0	8.0
PBIDT	259	119	118	851	644	32	RoNW	20.1	9.5	10.6
Interest	56	52	7	207	201	3				
PBDT	203	67	205	643	443	45				
Depreciation	43	42	2	170	167	2				
Tax	40	(13)	408	141	111	27				
Reported Profit After Tax	121	38	222	333	165	101				
Extra -ordinary Items	-	1	(100)	-	0	-				
Adj. Profit After Extra-ordinary item	121	37	228	333	165	102				
No. of shares (m)	97.5	97.5	-	97.5	97.5	-				
EPS (annualised.) (Rs.)	5.0	1.5	222.1	3.4	1.7	100.6				
P/E	6.0	19.5	-	8.8	17.6	-				



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