

## Synthetic Products (SPEL) ^ to be star in future...

### FY15E Adjusted EPS could be of Rs3.19 ^ Final DPS Re0.75/sh

- 3 year revenue CAGR of 20.3%
- PEG 0.34 ^ impressive
- FY16E ~ our model estimated EPS Rs6.30/sh depicts annual growth of 97%

### FY16 ^ DCF Value of Rs83/sh

Packaging industry has a huge potential and we believe that both food packaging industry and auto parts manufacturers to enjoy good margins in future (higher purchasing power will boost margins).

Key Ratios	FY15E	FY16E	FY17E
Net margin	12.6	18.1	19.8
Gross margin	26.8	32.8	34.2
EBIT margin	21.0	28.3	30.4
ROE	16.3	26.9	30.0
ROCE	9.9	17.4	19.3
Interest Cover	7	12	14
Current Ratio	1.71	1.77	1.76
Projected EPS	3.19	6.30	8.75
Projected DPS	1.25	2.5	3

source scs research

- We expect margins to improve due to lower operational cost with a better demand
- SPEL Pharmatec is on its way ~ Subsidiary which deals in pharmaceutical segment (Ultimate growth lies in medical sector)

## Synthetic Products Enterprise Ltd

- EBITDA(E) growth of 58% for FY15 while margin to stood at 24%
- CAPEX as a percentage of sales to stood around 5%

	FY15E	FY16E	FY17E
EBITDA	469	824	1117

(fig are in mn)

- Expecting sales growth for FY15, FY16 and FY17 of 14%, 37% and 27% respectively
- Adjusted EPS for FY15 to be of Rs3.19 while on based on weighted average no of shares EPS could clock around Rs3.96
- Heavy investment in Plant & machinery ~ Sales growth in terms of revenue to capex
- Dedicated electricity line ~ Efficiency levels have improved which will boost operating levels as well
- Upcoming car variants from local auto manufacturers will further create demand for spare parts

### Analyst

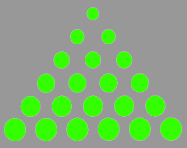
Ali Sufyan (ACCA Affiliate)

Tel: 35290460

UAN: 111-111-721

[www.scstrade.com](http://www.scstrade.com)

Supervised by: Faisal Shaji (Research Head)



## Strong consumer base | Automobile and Food packaging industry on its Peak |

SPEL has a blazing business model with a wide product portfolio which includes:

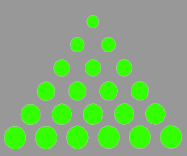
- **Mold & Die manufacturing**
- **Automotive parts**
- **Food packaging**
- **Plastic crates**
- **Off road vehicle parts**
- **Medical segment (Spel pharmatec to tap that part)**

Few recognized Brands:

Food Sector	Automobile Sector
> Almarai	> Atlas Honda
> Pizza Hut	> Honda
> Engro Foods Ltd	> Millat Tractor
> Coca Cola	> Suzuki
> Nestle	> Toyota
> Uniliver	
> Pepsi	

## SPEL ~ SWOT Analysis | Strong one in a league ~ Performing well

SWOT Analysis	
<p style="text-align: center;"><b>Strength</b></p> <ul style="list-style-type: none"> <li>&gt; Holds a major market share in few products</li> <li>&gt; Wide product portfolio</li> <li>&gt; Consistently growing sector</li> <li>&gt; Monopoly in some auto parts</li> <li>&gt; Dedicated electricity line</li> </ul>	<p style="text-align: center;"><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>&gt; Reliance on Govt electricity line could hit the production levels</li> </ul>
<ul style="list-style-type: none"> <li>&gt; Can further explore export markets</li> <li>&gt; Upcoming models (Which can be tapped)</li> <li>&gt; Pharmaceutical segment (which have room)</li> </ul>	<p style="text-align: center;"><b>Threats</b></p> <ul style="list-style-type: none"> <li>&gt; Upcoming players in plastic industry</li> <li>&gt; Margins may get lower in future</li> <li>&gt; Constant energy crisis (Low operating levels)</li> </ul>



## Synthetic Product ^ Financial Highlights ~ Consistent growth case

### Synthetic Products Enterprise Ltd

#### Income Statement ~ Prospect

(Rupees in mn)	FY15E	FY16E	FY17E
Sales	1965	2693	3421
Cost of Sales	1438	1809	2251
Gross Profit	527	884	1170
EBIT	412	762	1039
PAT	247	487	677
Adjusted EPS	3.2	6.3	8.8
DPS	1.25	2.5	3

source scs research

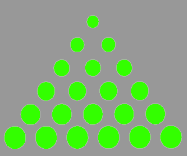
- EPS is adjusted on 77.3mn shares (while on weighted average shares EPS for FY15 could clock around Rs3.96)
- EBITDA to stand at Rs468, Rs824 and Rs1,116 for FY15, FY16 and FY17 respectively

### Synthetic Products

#### Statement of Financial Position ~ Outlook

(Rupees in mn)	FY15E	FY16E	FY17E
Non Current Assets	1162	1472	1800
Current Assets	1329	1326	1707
<b>Total Assets</b>	<b>2492</b>	<b>2798</b>	<b>3507</b>
Equity	1519	1812	2257
Non Current Liabilities	195	237	283
Current Liabilities	778	749	967
<b>Total Equity &amp; Liabilities</b>	<b>2492</b>	<b>2798</b>	<b>3507</b>

source scs research



## Synthetic Products

### Cashflow Statement ~ Projected

(Rupees in mn)	FY15E	FY16E	FY17E
Net Cash generated from Op.	557	344	900
Cash used in Investing activities	-676	-452	-589
Cash in Financing activities	501	-105	-117
<b>Net Inc/(Dec) in cash &amp; cash eq.</b>	<b>382</b>	<b>-213</b>	<b>194</b>
<b>Cash &amp; Cash Equivalent at Start</b>	<b>-4</b>	<b>378</b>	<b>165</b>
<b>Cash &amp; Cash Equivalent at End</b>	<b>378</b>	<b>165</b>	<b>359</b>

source scs research

- We expect SPEL to post healthier margins in future on account of increased sales to its existing customer base;
- FY14 was a bit tough year for an entity in terms of efficiency and operating rates that has been affected by some unplanned electricity load-shedding;
- SPEL has acquired express power line from LESCO which will help their operating rates to improve;
- Local residents are enjoying a good standard of living along with improved per capita income which is also been reflected by higher auto sales in last few months. Better purchasing power in FMCG sector has enhanced our confidence over SPEL;
- We expect SPEL to report an EPS of Rs3.19 with a final payout of Re0.75/sh while we believe that FY16 to be extra ordinary in terms of profitability and hence expecting an EPS of Rs6.30 and Rs8.75 for FY16 and FY17 respectively.
  
- We remain positive on SPEL based on our FY16 DCF value of Rs83/sh