Sumeet Industries Ltd.

Sumeet is a diversified conglomerate marching towards establishing its presence in entire Polyester Fabrics Value Chain (Manufacturing Pet Chips and POY / FDY directly from MEG and PTA, Twisting & Texturising, Weaving and Dying) will enable the company to offer premium products at extremely competitive price and boost its profitability margin and market share. There is huge value unlocking seen in near future!!!

HBJ Capital's "Business Insight" stock for the month of Nov'09

HBJ Capital, India
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Call: +91 98867 36791

"Specialists in discovering multibagger stocks"

HBJ Capital
Let's Create Wealth

Best Buying Price…

HBJ Capital
Let's Create Wealth

Business Insights

2 Phase Buying Strategies Suggested [Always buy in SIP ways]

✓1st Phase : Buy at the current price range Rs 11-14 [80% of investment]

✓2nd Phase : Accumulate if the price falls down to Rs 7- 8 [20% of investment]

>>Expect at least 10-12 times return in next 18 months time frame!!!

HBJ Capital

Let's Create Wealth

HBJ Cap is growing faster than ever.
HBJ Capital can be your 50x in 3years investment.
Ask how?

Aim to become #1 - Equity Research Company in India by 2012, the same year we have planned to get it listed at BSE/NSE.

The Millionaire Portfolio

What Next?

HBJ Capital – "Specialists in discovering multibagger stocks" is launching more & more innovative products & services with single focus on long term wealth creation!!!

Specialists in discovering

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From the desk of CEO, HBJ Capital

It is always wise to look for the sector which is being ignored. Some companies are always performing exceptionally well, and this gives an opportunity to get hold of them at extremely low valuations.

Dear Investors,

It was once said by the legendary investor Mr. Warren Buffett, to look for businesses that could be run by even a donkey. However this time we wish to opt for a company that is into a rather tough business of textiles. This is because the sector is being ignored by everyone and this gives us an opportunity to invest in a company that is poised for multi-fold growth in the next few months.

Being into a textile business is no cake walk, and that requires the excellent management to take it to heights. In the past we have seen how the biggest groups of India be it Reliance, Birla, etc have made their mark in this sector and have then diversified into other businesses by first achieving extraordinary growth.

For the month of Nov'09, we have come out with a real gem from the textile sector, which has relatively very high margins than its peers and has an extraordinary management, that has been growing the company exponentially for the last many years.

Sumeet Industries ltd is fast becoming an integrated player, backed by a great management and is on a rapid expansion plan.

"Specialists in discovering multibagger stocks"

HBJ Capital

Let's Create Wealth

Contd..

HBJ Capital & MPS is proud to bring you the "Business Insight" pick of the month – Sumeet Industries Ltd.

- Sumeet Industries commands one of the highest margins in the Polyester manufacturing industry. This is because of the management which from time to time has been implementing new plants and upgrading the old ones.

- The group holds a substantial capacity in fabric processing in Surat. They have 11 fabric processing units with a capacity to process one million meters fabric per day which comes to 365 million fabric per annum. In the last 4 years the group has acquired 6 processing units and the group still holds the hunger for growth.

- Apart from substantial amount of investments made in R&D activities and captive power plants the management has been proactive about other initiative like de-bottlenecking, reduction in wastage, rationalization of manpower costs and optimum utilization of resources & cost reductions, thus enabling it to increase it market share and retain the higher operating margins.

Happy Investing!!!

Regards,

Kumar Harendra,
CEO, HBJ Capital, www.hbjcapital.com,
5th Main, Girinagar, BSK 3rd Stage, Bangalore – 85
Call : 098867 36791 or Mail : Info@hbjcapital.com

Overview – Sumeet Industries Ltd

Sumeet Industries Ltd. - Overview

Sumeet Industries Ltd

BSE: 514211 | NSE: NA | ISIN: INE235C01010
Market Cap: [Rs.Cr.] 45 | Face Value: [Rs.] 10

13.58 2.22 (19.5%)

BSE	Nov 26,
Day's High | Low	13.63 | 11.50
Day's Volumes	352,200
52Wk High | Low	13.63 | 3.72
Open Price	11.95
Turnover	4,624,421.00
Deliverable Vol.	14,685
6 Mth. Avg. Vol.	627,266.07

Board Of Directors

Chairman & Wholetime Director	Shankar Lal Somani
Managing Director	Raj Kumar Somani
Director	Vinod Kumar Ladia Mangilal Lahoti Dinesh Sharan Khare Bhagchand Chordia Sumeet Kumar Somani Devi Prasad Saboo
Company Secretary	Anil Kumar Jain

Key ratios

	Trailing Numbers
P/E (TTM)(x)	6.07
P/BV (TTM)(x)	0.73
ROE (%)	9.3
ROCE (%)	8.4
EV/ EVBIDTA (x)	11.12
Dividend Yield (%)	0.0

Shareholding Pattern

Particular	Number of Shares
Foreign	84,882 (0.2%)
Institutions	495 (0.0%)
Govt Holding	0 (0.0%)
Non Promoter Corporate Holding	3,463,830 (8.7%)
Promoters	24,685,392 (61.7%)
Public & others	11,760,561.0 (29.4%)
Total	39,995,160 (100%)

"Specialists in discovering multibagger stocks"

HBJ Capital
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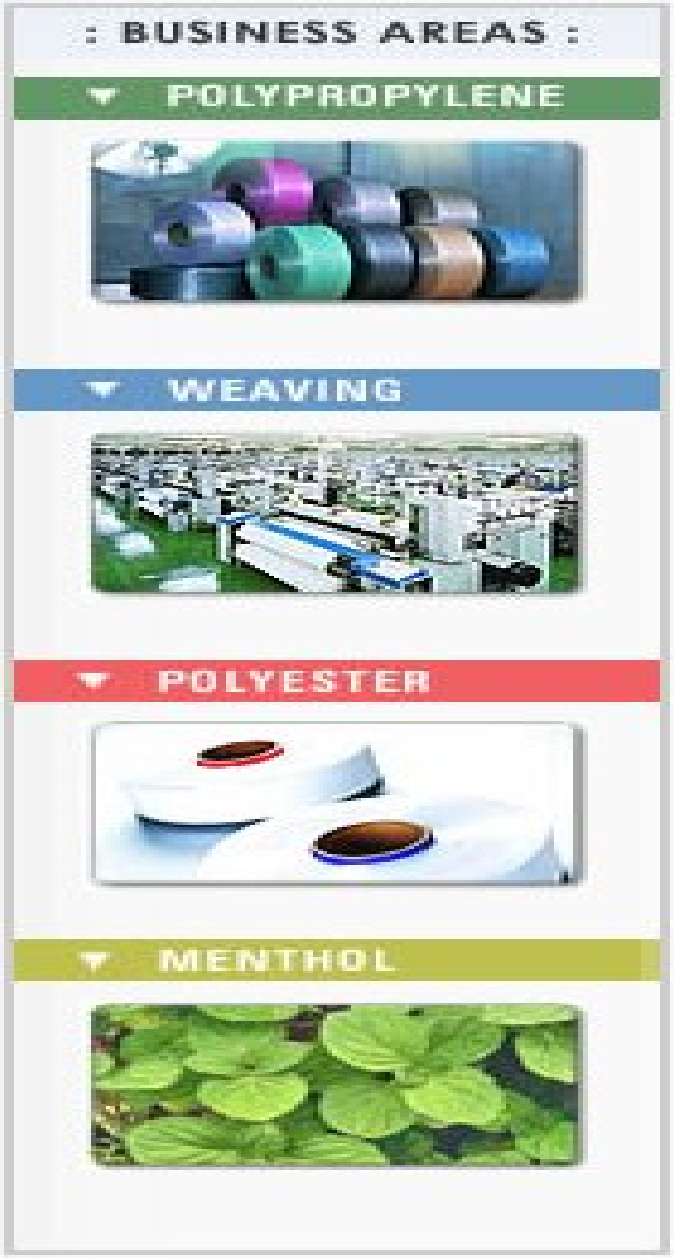
Basic Details



- Mr. Shankarlal Somani established Sumeet Industries Limited in 1989. The company started as a yarn manufacturing unit and has now grown in a huge conglomerate with various businesses with an annual turn over of Rs. 1500 million (USD 30 million).

- The group holds a substantial capacity in fabric processing in Surat. They have 11 fabric processing units with a capacity to process one million meters fabric per day which comes to 365 million fabric per annum.

- The company is a Kosher Certified Company and has been recognized as a Star Export House by The Government of India. They have received award for Highest Export Performance in Polypropylene Yarn in 2001–02 and received Gold Trophy for Outstanding Export Performance for year 2001– 04 from SRTEPC.

- The company at present exports Polyester & Menthol products to South Africa, Bangladesh, Egypt, Saudi Arabia, China, Singapore etc. and are making necessary efforts to establish a foothold in foreign markets for marketing pet chips.

Milestones

YEARS	ACHIEVEMENT
1988	Formation of Sumeet Industries Pvt. Ltd.
1992	Conversion from Private Limited To Public Limited
1993	Installed capacity of 1500 MT per annum of Polypropylene Multifilament Yarn.
1995	Installed capacities of Texturising & Twisting of 1500 MT per annum for value addition
1997	Increased the capacity of Polypropylene Multifilament Yarn to 4000 MT per annum.
1999	Increased the capacity of Texturising & Twisting to 3900 MT & 2000 MT respectively per annum.
2004	Installed coal based power plant of 2.5 MW for captive power generation.
2005	Installed Polyester Spinning Plant to manufacture 10000 MT Polyester POY per annum.
2006	Installed 60 Waterjet Looms to manufacture 4 million meters fabric per annum.
2006	Installed Menthol Distilling & Crystallizing Capacities.
2006	Expanded capacity of filament yarn by 10000 ton per annum by setting up a brand new POY plant supplied by Barmag, Germany.
2007	At present company has coal based power plant of 2.35 MW. Now with the help of Gujarat Gas Company we are looking forward to install gas based power plant.

- **The company has successfully commissioned 6 MW Gas based captive power plant thereby enhancing the capacity of captive power generation by 8.5 MW at the company's plant at Karanj, Surat.**

- **The company has successfully commissioned fully imported C.P. Plant (Continuous Polymerization Plant) of 100000 Tons per annum capacity under technical guidance of M/s. Huitong Chemical Engineering Technique Co. limited, China**

Snapshot…

- **CMP = Rs 13.63 (Nov 26th 2009) –** *The stock price is currently experiencing consolidation. Should break-out as it has closed above 12.5.*
- **52 week's high/low = Rs 13.63/3.72 –** *Year 2008 being one of the toughest year in the memory, has seen huge price erosion, so Sumeet was also hammered down to Rs 3.7*
- **Peak share price = Rs 34.25 (Feb '07) –** *At the peak of economic boom it was trading at a PE multiple of 14-15 times, while at present it is trading at a multiple of just 5*
- **Trading volume = Min 16k shares (approx) per day –** *These are early days for a company which is soon going to create a huge impact in the Polyester manufacturing sector.*
- **EPS = Rs 2.66 –** *For the half year ending Sep'09, company has recorded an EPS of Rs 1.33, greater than the EPS of Rs 0.95 for the entire FY2008-09. Thus if we annualize the earnings the EPS turns out to be 2.66. This is when we have not taken into account the 4 fold increase in expansion due starting 4th quarter.*

- **PE = 5 –** *Lower PE provides a good investment opportunity, provided there are growth factors in place. We expect the company to witness exponential growth in next few quarters, thus the valuations are quite cheap*

- **Book Value = Rs 15.25 -** *The current stock price at Rs 12-13 is trading below its book value price, which is again very low considering the industry standards.*

- **Shareholdings : No Of shares [% Share Holding]**
  - Total Foreign 0.0 Cr **[0.00%]**
  - Total Non Promoter Corporate Holding 0.34 crore **[8.66%]**
  - Total Promoters 2.46 crore **[61.72%]**
  - Total Public & others 1.54 crore **[38.28 %]**
  - Total Outstanding Shares 3.99 crore **[100 %]**

- Debt/Equity = 1.9 *[Mar'09]*
- ROCE = 8.4% *[Mar'09]*
- RONW = 9.3% *[Mar'09]*
- Current Ratio = 8.29 *[Mar'09]*
- Delivered Volume per day = Approx 91%
- BSE Code 514211

Sumeet Industries – A multibagger stock in making!!!

Growth Opportunities

Growth- The most important factor

- The Government, in an effort to give a fillip to investments in downstream textile industry has extended Textile Up-gradation Fund Scheme (TUFS) till Match 31, 2012. The 'Scheme for Integrated Textile Parks' (SITP) was launched in 2005 to provide the industry world class infrastructure facilities for setting up their textile units.

- Textile production covering man-made fiber, filament yarn and spun yarn showed a minor setback in 2008-09. Man-made fiber production recorded a fall of about 14% and filament yarn production recorded a fall of about 6% during 2008 – 09.

- However it was Polyester which witnessed exciting demand growth in the domestic market at 17% over the year. The Polyester filament yarn Industry has shown a growth of 9.81 %.

- Going forward one should see further growth for synthetic yarns primarily on account of increasing use of such yarns in fashion and furnishing fabric. Rise in exports of Polyester from both India and China will further boost the demand for Polyester yarns.

Expansion cum backward integration

Aiming to be an integrated player

- It's been a constant endeavor of the management to establish Sumeet Industries Ltd. as an emerging integrated player as eco friendly supplier of superior quality of Yarns, Polyester fabrics, Menthol products ensuring total customer satisfaction through continuous up gradation & innovation synergizing the advantages of value added product mix.

- In the attempt to do so the company has established its presence in the entire Polyester fabrics value chain by integrating both backward and forward.

- They have set up various plants for manufacturing Pet Chips and POY & FDY directly from MEG and PTA, Twisting & Texturising, Weaving and Dying & Printing through its group concerns.

- This will enable the company to offer premium products at extremely competitive price and boost its profitability margin and market share. Also with the presence in the entire value chain, they have assumed a place amongst the top Polyester manufacturing companies.

Continuous Poly Condensation Plant

CP PLANT

(Continuous Poly Condensation Plant)

Of 1,00,000 TPA have commissioned Sucessfully and Production of PET CHIPS has been started from 01/07/2009.

Continuous Poly condensation plant – A big leap towards profitability

- **Until the end of Mar'09 quarter the company was dependent upon external market for sourcing raw material for the manufacturing of Polyester yarn. However in view of the increase in raw material (Pet chips) prices consequent upon the movement of crude oil prices, the company in 2008-09 decided about setting up Continuous Poly Condensation Plant, under which POY will be produced directly from MEG and PTA.**

- **The management at that moment had expressed that setting up of the C.P. plant along with capacity expansion will boost the revenue by 5 times and profitability by more than 10 times. The had mentioned that the plant would reduce the cost substantially, along with an improvement in quality.**

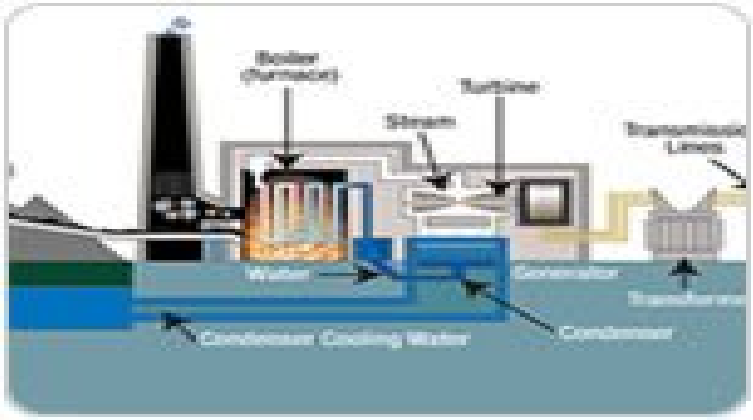
- **Finally the company has successfully commissioned fully imported C.P. Plant of 100000 Tons per annum and has started the production of PET CHIPS (an important raw material) from 1st July 2009. As was told by the management, the company has already recorded a 70% jump in revenues and 3 fold increase in net profits for the quarter ending Sep'09. This is when the capacity expansion is yet to happen.**

Capacity Expansion – Four fold increase

Capacity expansion and cost optimization

- The management after establishing C.P. plant of 100000 tons per annum, is in the process of setting up of another 10 lines of Polyester POY / FDY Spinning Plant with annual installed capacity of 48300 Tons per annum with total cost of Rs. 125.00 crores.
- The initial installed capacity was 12500 tons per annum, however after the commissioning of another 10 lines, the capacity will stand increased by 4 times.
- The added advantage of these news lines is that POY / FDY will be produced directly from MEG and PTA which will reduce cost substantially
- Apart from its cost advantages, company can ensure good consistent quality of POY produced on CP Lines because product will be much better than existing product. Thus it can command higher price for the same product produced at far less cost.
- The project is expected to go on stream by the end of 3rd quarter. Thus with both C.P. plant and capacity expansion of four fold, the company is poised for a more than 10 times increase in profitability over 2008-09.

Infrastructure – Fully integrated player



In-house facilities

Power

- The company has been running the total plant on captive power generation since 1999. It recently successfully commissioned the 6 MW Gas based captive power plant thereby enhancing the capacity of captive power generation by 8.5 MW at the company's plant at Karanj, Surat.

Packaging Material

- They have installed a complete plant to manufacture packaging material required for yarn unit. They have their own Corrugated Box manufacturing unit for reliability of quality in packaging material and a continuous supply

Transport

- The company has its own fleet of transport vehicles, which delivers the material more speedily & safely to any corner of the country. They claim there delivery system to be error free.

A multibagger in the making…

Tremendous growth to be witnessed in next few quarters

- The management had mentioned that they are expecting 5 times increase in revenue and more than 10 times improvement in profitability once the company commissions its C.P. and its 10 lines of POY plant. As it is always, they are delivering what they said.

- The company is currently quoting at a market cap of just Rs 45 cr., while if we annualize the earning for half year ending Sep'09, then it turns out to be Rs 11 cr., almost three times the net-profit of Rs 3.8 cr. for FY2008-09.

- Now, the company will be expanding its capacity by about 4 times with the implementation of 10 lines. Also the cost of production will be substantially low, thus further improvement in margins. So, even if we take the conservative stand of just 3 times increase, the earning for the entire financial may improve to somewhere about Rs 42-45 cr.

- In the past the company has quoted at peak multiples of about 15. So, with an equity base of Rs 40 cr. (10 paid up), and earnings of Rs 42-45 cr., EPS being Rs 11-12, and taking a conservative multiple of 10, the company is poised for multi-fold increase to Rs 120-130, i.e. more than 10 times increase.

Right issues and it's impact on stock price

Company	Rights Ratio	Face Value	Premium	Offer Price	Current Market Price
City union bank	1:4	1	5	6	25.80
Tinplate	3:2	10	35	45	65
Gangotri iron	4:5	10	10	20	35
Thomas cook	35:100	1	35	36	61
Tata Motors	1:6	10	295	305	643
Visagar Polytex	2:1	10	0	10	1085
Dhanalakshmi Bank	1:1	10	52	62	141

- We have been saying that Sumeet Industries has been completely ignored by the investor community and is thus available quite cheap.
- As one can observe that during the last 18 months, other companies came with right issue, and the stock of those companies are quoting at much higher level than the issue price. In many cases, the companies have even performed badly since then.
- While Sumeet Industries is trading at a discount to its issue price of Rs 15/-. Thus, it is available quite cheap.

It's all in the numbers…10times in 18 months

Details	FY2008-09	Half Year FY2009-10	FY2010-11 (Projected)
Continuous Poly plant (1,00,000 tons p.a.)	Not Implemented	Implemented	Implemented
Capacity (Polyester)	12,500 tons per annum	12,500 tons per annum	60,800 per annum
Net Profit after tax	Rs 3.81 crore	Rs 5.31 crore (annualized earnings (E) at Rs 10.6 crore)	Rs 42-45 crore
Paid-up equity share capital (Face value of Rs 10/- per share)	Rs 39.99 crore	Rs 39.99 crore	Rs 39.99 crore
Earnings Per share (EPS) – Basic and Diluted	Rs 0.95	Rs 1.33 (annualized EPS of Rs 2.66	Rs 11-11.5
Stock price	Rs 6-7	Rs 11-12	Rs 120 (Could go even higher if commands a multiple of 15 as in the past)

Financial Statements

Income Statement (Last 5 years)

(RS. IN LACS)

	PARTICULARS	2008-09	2007-08	2006-07	2005-06	2004-05
1	Sales (Net)	15778.68	12850.83	11249.13	8218.71	3489.95
2	Other Income	-21.31	-15.09	137.00	62.89	22.40
3	Export Incentive	69.03	82.07	0.00	0.00	50.48
4	Increase (Decrease) in Inventories	824.23	33.41	653.96	356.35	10.91
	Total	**16650.63**	**12951.22**	**12040.09**	**8637.95**	**3573.74**
5	Purchase of Finished Goods	3011.22	0.00	25.75	289.60	321.75
6	Raw Material Consumed	10076.07	9843.14	9165.38	6341.78	1990.92
	Staff Cost	108.38	101.55	74.41	55.85	68.38
7	Manufacturing Expenses	970.63	981.54	860.55	907.07	525.79
8	Admn Exp & Selling & Dist.Exp.	1037.64	705.41	699.10	345.98	222.6
9	Interest & Depreciation	813.44	796.05	721.45	564.79	301.65
	Total	**16017.38**	**12427.69**	**11546.64**	**8505.07**	**3431.09**
10	Profit/(Loss) before Taxation	633.25	523.53	493.45	132.88	142.65
11	Taxation	251.69	156.41	156.98	47.71	52.59
12	Profit & Loss after Taxation	381.56	367.12	336.47	85.17	90.06

- As one can observe that Sumeet Industries Ltd. has grown by more than 4 fold in the last 5 years. The revenue has improved from Rs 35 cr. to Rs 157 cr., while the bottom-line has improved from Rs 90 lakh to Rs 4 cr.
- The improvement in performance is commendable considering the fact that most of other companies in the same segment have either become sick or are on the verge of becoming so.
- Another good factor about the performance is that the company has been able to control its interest cost.
- Most of the companies that go for capacity expansion in this sector, crumble under the huge interest burden and thus they are never able to report sufficient income to be able to fund expansion through internal accruals.

Quarterly Results (June'09 Vs Sept'09)

	PARTICULARS	SECOND QUARTER ENDED		HALF YEAR ENDED		YEAR ENDED
		30.09.2009	30.09.2008	30.09.2009	30.09.2008	31.03.2009
		(UN-AUDITED)	(UN-AUDITED)	(UN-AUDITED)	(UN-AUDITED)	(AUDITED)
1.	(a) Net Sales/Income from Operations	7146.54	4245.83	12520.08	7584.36	15847.71
	(b) Other Operating Income	0.00	0.00	0.00	0.00	0.00
	Total Income	7146.54	4245.83	12520.08	7584.36	15847.71
2.	Expenditure :					
	a. Increase/decrease in stock in trade and work in progress	-333.30	-169.95	-258.62	-155.12	-824.23
	b. Consumption of raw materials	5722.02	2632.48	9017.50	5183.36	10076.07
	c. Purchase of traded goods	412.27	1159.97	1554.81	1159.97	3011.22
	d. Employees cost	62.63	22.65	95.75	45.30	108.38
	e. Depreciation	181.00	74.62	270.15	162.72	325.86
	f. Other expenditure	632.11	290.93	1053.33	722.15	2006.48
	g. Total	6676.73	4010.70	11732.92	7118.38	14703.78
3.	Profit from Operations before Other Income, Interest and Exceptional Items (1-2)	469.81	235.13	787.16	465.98	1143.93
4.	Other Income	78.50	2.30	264.23	10.11	-21.31
5.	Profit before Interest and Exceptional Items (3+4)	548.31	237.43	1051.39	476.09	1122.62
6.	Interest	145.05	127.50	269.85	233.12	487.58
7.	Profit after Interest but before Exceptional Items (5-6)	403.26	109.93	781.54	242.97	635.04
8.	Exceptional items	0.00	0.00	0.00	0.00	-1.82
9.	**Profit (+)/ Loss (-) from Ordinary Activities before tax (7+8)**	403.26	109.93	781.54	242.97	633.22
10.	Tax expense	130.00	34.79	250.00	75.10	251.69
11.	**Net Profit (+)/ Loss (-) from Ordinary Activities after tax (9-10)**	273.26	75.14	531.54	167.87	381.53

- **Quarterly results for June'09 and Sep'09 constitute the most important points about the whole analysis of the company. In the quarter ending Jun'09, the company had started the trial run of its C.P. plant, while it started the commercial production in Sep'09.**
- **The effect of the implementation of the plant is clearly visible in the results for both the quarters, and thus the cumulative effect over half year ending Sep'09.**
- **For the quarter ending Sep'09, the revenue increased by 70% YOY, while the net profit increased 3 fold YOY. For the half year ending Sep'09, the company has already achieved a net profit of Rs 5.3 cr., far higher than the net profit of Rs 3.8 cr., for the entire FY2008-09.**
- **At an annualized earning of Rs 11 cr., there has already been a 3 fold jump, and this is when capacity expansion of 4 times is yet to take effect.**

Balance Sheet (Last 6 years)

(Rs. in Crores)

Particulars	Mar-09	Mar-08	Mar-07	Mar-06	Mar-05	Mar-04
SOURCES OF FUNDS :						
Share Capital	40.00	25.12	22.40	22.40	16.60	11.60
Reserves Total	21.92	9.12	5.39	4.37	9.32	8.44
Total Shareholders Funds	61.92	34.24	27.79	26.77	25.92	20.04
Secured Loans	129.82	42.80	39.44	35.26	31.47	11.54
Unsecured Loans	10.39	5.27	5.05	4.06	3.57	3.12
Total Debt	140.21	48.07	44.49	39.32	35.04	14.66
Total Liabilities	202.13	82.31	72.28	66.09	60.96	34.70
APPLICATION OF FUNDS :						
Gross Block	84.85	86.65	80.87	76.51	63.74	42.37
Less : Accumulated Depreciation	42.71	40.41	36.57	33.00	29.66	27.34
Less:Impairment of Assets	0.00	0.00	0.00	NA	NA	NA
Net Block	42.14	46.24	44.30	NA	NA	NA
Lease Adjustment	0.00	0.00	0.00	0.00	0.00	0.00
Capital Work in Progress	109.96	1.27	0.15	2.68	9.27	7.56
Investments	1.07	1.56	1.26	1.03	1.05	1.80
Current Assets, Loans & Advances						
Inventories	39.16	27.49	22.99	14.05	9.69	7.55
Sundry Debtors	6.35	8.81	5.77	5.14	4.44	3.47
Cash and Bank	4.04	1.61	0.26	0.46	1.02	0.59
Loans and Advances	11.87	10.61	8.39	4.68	5.65	3.46
Total Current Assets	61.42	48.52	37.41	24.33	20.80	15.07
Less : Current Liabilities and Provisions						
Current Liabilities	5.85	7.39	5.63	2.77	1.91	2.80
Provisions	1.59	0.86	0.58	0.12	0.11	0.15
Total Current Liabilities	7.44	8.25	6.21	2.89	2.02	2.95
Net Current Assets	53.98	40.27	31.20	21.44	18.78	12.12

- **One can observe a quantum leap in debt portion of the company for year ending Mar'09. The debt portion has increased from Rs 48 cr., to Rs 140 cr. However, as one could have noticed in the previous slide, that interest cost has not seen a similar jump. The interest cost for half year ending Sep'09 only increased from Rs 2.3 cr., to just Rs 2.7 cr., thus enabling the company to post good margins.**

- **The company could keep its interest cost low, largely on account of sanctioning of Foreign currency term loan (interest cost less on ECB) of about 90 cr. Also, most of the availed loan has gone towards capacity expansion as evident from the increase in Capital work in progress to Rs 109 cr. from Rs 1.2 cr. Thus the company has been successful at maintaining its working capital requirements.**

The Management

Sumeet Industries Ltd – The Management

Management

- **Shankarlal Somani – Chairman** – He holds a Bachelors degree in commerce (Hons) from the University of Rajasthan. Has experience in textile industry for more than 30 years. Having deep knowledge of textile industry from yarn to garments, he is an outstanding source of knowledge.

- **Raj Kumar Somani – Managing Director -** Holds a Bachelor degree in commerce (Hons) from the University of Rajasthan. Has experience in textile industry for more than 25 years. Having deep knowledge of fabric processing, he is involved with various fabric processing units since years guiding them towards new heights.

- **Devi Prasad Saboo - Director –** He is an Engineer from Birla Institute of Technology & Science, Pilani. Has worked in various industries with India's top group. He had been working with the Birla group at the Indian as well as overseas operations. Mr. Saboo has worked in Sirpur Paper Mill at Andra Pradesh, Orient Paper Industries as Vice President (Operations) and in Nigerian Paper Mill in Nigeria which was managed by Birla group project manager & then Managing Director.

The Management (Contd)

Management

- **Dinesh Sharan Khare – Executive Director -** Mr. Khare is B. Tech from IIT, Kanpur. He has experience in yarn industry for more than 25 years. He has worked with many respectable companies like J. K. Synthetics, Parasrampuria Industries Ltd & Rajasthan Petro Ltd. He handles the total textile marketing division of the company.

- **Sumeet Somani – Director -** He holds a PGDM from S. P. Jain Institute of Management & Research, Mumbai and a Masters Degree in Commerce from South Gujarat University.

- **Vinod Kumar Ladia – Non-Executive Director –** Mr. Ladia holds a Bachelor of Science in Textiles, while he has done his M.B.A from the premier institute of IIM.

- **Bhagchand Choradia – Professional Director -** Mr. Choradia is a Chartered Accountant by qualification. He looks after the total finance department of the company. Total company accounts & project financing is handled by him. He has vast knowledge of finance and has served respectable company like Rajasthan Spinning Mills Ltd.

Shareholding Pattern

Shareholding– Promoters & Non-Promoters

Share holding pattern as on :			30/09/2009		30/06/2009	31/03/2009
Face value			10.00		10.00	10.00
	No. Of Shares	% Holding	No. Of Shares	% Holding	No. Of Shares	% Holding
Promoter's holding						
Indian Promoters	24685392	61.72	24685392	61.72	24643136	61.62
Sub total	**24685392**	**61.72**	**24685392**	**61.72**	**24643136**	**61.62**
Non promoter's holding						
Institutional investors						
Banks Fin. Inst. and Insurance	495	-	495	-	495	-
Sub total	**495**	-	**495**	-	**495**	-
Other investors						
Private Corporate Bodies	3463830	8.66	3432074	8.58	3414978	8.54
NRI's/OCB's/Foreign Others	84882	0.21	85092	0.21	87683	0.22
Others	45776	0.11	16002	0.04	23050	0.06
Sub total	**3594488**	**8.99**	**3533168**	**8.83**	**3525711**	**8.82**
General public	11714785	29.29	11776105	29.44	11825818	29.57
Grand total	**39995160**	**100.00**	**39995160**	**100.00**	**39995160**	**100.00**

- **As on Sep'09 the promoters own 61.72% stake in the company. Promoter holding 62% equity of the company is quite robust.**
- **As can be seen above, that the promoter holding has been gradually increasing. By quarter ending Mar'09, they held 61.62% stake in the company, whereas they now hold 61.72%. Thus the promoters have been increasing stake, depicting confidence about the future prospects of the company.**

Sep'09 & Dec'08 – Promoters holdings.

Quarter ending : September 2009 "Promoter and Promoter Group"

Sl. No.	Name of the Shareholder	Total Shares held	
		Number	As a % of grand total (A)+(B)+(C)
1	Vinod Kumar Ladia	165	0.00
2	Mangi Lal Lahoti	16,500	0.04
3	Shankarlal Sitaram Somani	1,226,698	3.07
4	Gangadevi Shankarlal Somani	1,157,000	2.89
5	Sushil Shankarlal Somani	1,060,544	2.65
6	Sumeet Shankarlal Somani	828,398	2.07
7	Rajkumar Sitaram Somani	353,575	0.88
8	Sumandevi Somani	550,000	1.38
9	Urmiladevi Somani	715,000	1.79
10	Shardadevi Somani	1,221,000	3.05
11	Sushil Shankarlal Somani	42,256	0.11
12	Neelam Sushil Somani	463,611	1.16
13	Mainch Maheshkumar somani	267,000	0.67
14	Rashmi Somani	200,000	0.50
15	Manish Sumeet Somani	490,900	1.23
16	Betex India Ltd	584,000	1.46
17	Somani Overseas Ltd	6,882,745	17.21
18	Sumeet Menthol Pvt Ltd	2,530,000	6.33
19	Sitaram Prints Pvt Ltd	3,736,000	0.34
20	Amball Syntex Pvt Ltd	40,000	0.10
21	National Poly Yarn Pvt Ltd	2,320,000	5.80
	Total	24,685,392	61.72

Quarter ending : December 2008

Sl. No.	Name of the Shareholder	No. of Shares	Shares as % of Total No. of Shares
1	Vinod Kumar Ladia	165	0.00
2	Mangi Lal Lahoti	16,500	0.08
3	Shankarlal Sitaram Somani	919,698	4.57
4	Gangadevi Shankarlal Somani	750,000	3.73
5	Sushil Shankarlal Somani	330,000	1.64
6	Sumeet Shankarlal Somani	821,398	4.08
7	Rajkumar Sitaram Somani	353,575	1.76
8	Sumandevi Somani	550,000	2.73
9	Urmiladevi Somani	550,000	2.73
10	Shardadevi Somani	825,000	4.10
11	Sushil Shankarlal Somani	336,544	1.67
12	Betex India Ltd	264,000	1.31
13	Somani Overseas Ltd	74,745	0.37
	Total	5,791,625	28.78

- **As one can observe that promoter holding stands increased from 28.78% during Dec'08 to 61.72% at the end of quarter ending Sep'09.**
- **During Jan'09, the company came out with a right issue on 1:1 basis at a price of Rs 15 each for 2 cr. shares. At that time the share price was around Rs 6, thus apart from Bennett Coleman and promoters no one subscribed for the issue, in effect raising the promoters stake to 61.72%. The promoters shelled out 28 cr. for the same.**
- **We feel that the promoters priced the issue at such a price in order to corner the larger chunk of the shares, thus increasing their holding. They have been confident about the multi fold increase in profitability of the company with their integration cum expansion program, and thus they have been making all attempts to increase their holding.**

Disclosures – Insider Trading

Promoters – Increasing their stake gradually

- **May 18th 2009 – Mr. Sushil Kumar Somani belonging to the promoters group bought 10000 shares through open market purchase at avg. price of Rs 7.06 and increased his holding from 2.65% to 2.67%.**

- **May 25th 2009 – Mr. Sushil Kumar Somani belonging to the promoters group bought 17000 shares through open market purchase at avg. price of Rs 7.82 and increased his holding from 2.67% to 2.72%.**

- **June 18th 2009 – Mr. Sushil Kumar Somani belonging to the promoters group bought 15256 shares through open market purchase at avg. price of Rs 9.02 and increased his holding from 2.72% to 2.76%.**

- **Nov 2nd 2009 – Mr. Sushil Kumar Somani belonging to the promoters group bought 109600 shares through open market purchase at avg. price of Rs 11.30 and increased his holding from 2.76% to 3.03%.**

- **Nov 9th 2009 – Mr. Sushil Kumar Somani belonging to the promoters group bought 98400 shares through open market purchase at avg. price of Rs 11.34 and increased his holding from 2.76% to 3.28%.**

Conclusion – An important point that comes to notice through above disclosures is that promoters have increased their holding by 0.63% during the last 7 months. In all they have bought 2.5 lakh shares in the mentioned duration and have shelled out close to 27 lakh rupees for the same. This is apart from what Rs 28 cr. that they paid for subscribing the right issue. ***There average price of acquisition of shares lie somewhere in the range of Rs 14. This is almost 30% higher than the current market price of Rs 11 (at the time of writing). So, if the promoters are finding value at Rs 11, it definitely makes sense to invest in the company, as they are at the core of operations and are well aware of the fact that there is going to be a more than 10 fold increase in the market cap in the next few quarters.***

Buying Strategy

From Jan'07 till now….

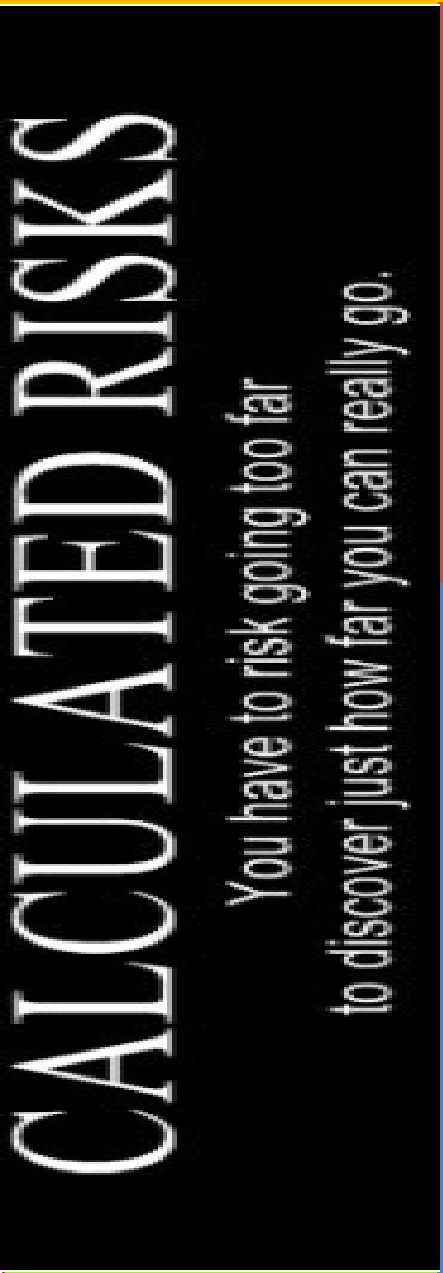
- During Feb'07, the stock witnessed a good surge and reached a high of Rs 34.25 as depicted in the monthly chart. At that time the company had an EPS of Rs 2, and thus it has witnessed peak valuation multiples of more than 15.
- If we take into account the estimated earnings per share of Rs 11-12 on the estimated earnings of Rs 42-45 cr. after the implementation of expansion program, there's a very bright chance of stock price reaching Rs 120 and above. This is on the conservative side. The surge could be even more.

Buying strategy

- As one can observe that stock has a tendency of consolidating before making a big move. Thus it can at times remain limited within a narrow range.
- For the past few months it was consolidating at around Rs 9-11. It is in the process of formation of upward directed wedge, and experienced a break-out on 26th Nov.
- As one would notice, that the downside is limited (unless the markets correct sharply) from the CMP. The lower trend line is almost there at Rs 11, and thus provides a very strong support at around Rs 11.

Risks and Concerns

Risks & Concerns…



Risks:-

- The company faces competition from existing players and potential entrants in the Indian textile industry. The Indian textile industry is highly competitive both in the Pet Chips segment and in the POY segment.
- The price of raw material and finished goods move in tandem with international prices of crude, which in turn, have correlation with the prices of petrochemical products.

Concerns:-

- The strong performance in the past is not a bullish sign and doesn't indicate the same or better performance in the future. Each year is different from the previous one!
- Do not let representative bias win over your common sense! Always do your homework and do not forget to do a research before you invest your money!
- As and when there is a change in the Government, there might be a change in its policies too. Any adverse changes in its policies may affect the business operations of the company

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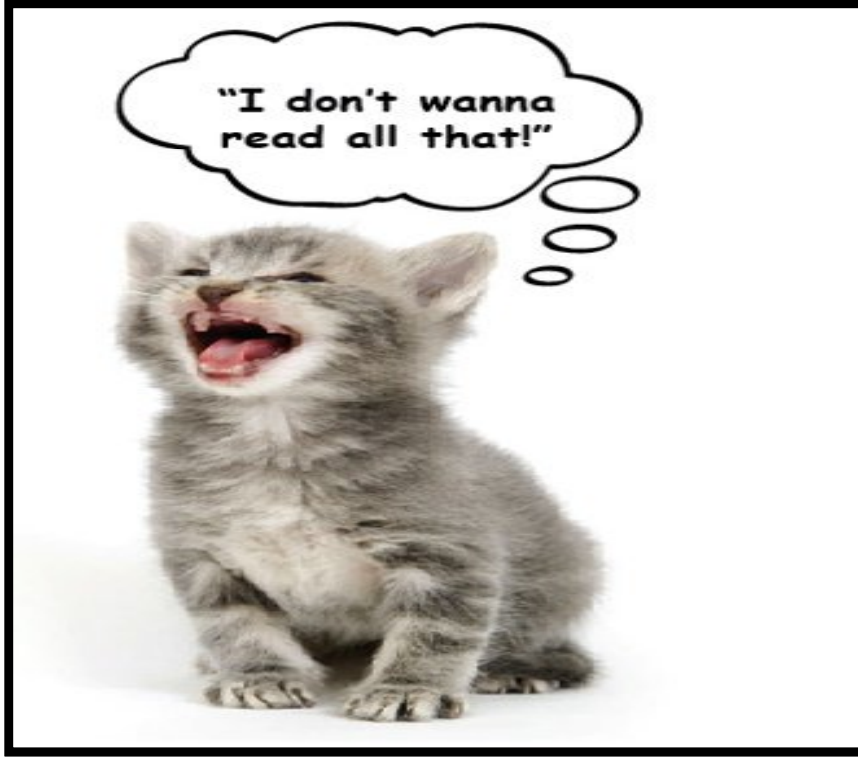

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