

Sitara Peroxide Limited

Sitara Peroxide Limited (SPL) is a Pakistan-based company. The principal activity of the Company is manufacturing and sale of hydrogen peroxide (H₂O₂). The Company's manufacturing facilities are located in the Faisalabad in the province of Punjab, Pakistan. It distributes its products through drums or cans and tanker trucks. During the fiscal year ended June 30, 2012, the Company produced 22,035 tons of H₂O₂.

Performance During The Year

The SPL posted after tax loss of Rs. 45 million EPS Rs. -0.82 in HY13. However, in 2nd Quarter Company earned profit after tax of Rs. 12 million EPS Rs. 0.22 against loss of Rs. 57 million EPS Rs. -1.04 in the 1st Quarter.

The capacity utilization remained 89% of total installed capacity in 2nd Quarter as against utilization of 57% in the 1st Quarter. Low capacity utilization in the 1st Quarter was result of maintenance and shutdown of jobs. In the 2nd Quarter due to increase in production efficiency, the company net sales increased by 39.4% showing sales of Rs. 311 million as against sales of Rs. 223 million in 1st Quarter. Gross profit increased by Rs. 85 million as against Rs. 18 million in 1st Quarter.

The Company Supply its product (Hydrogen Peroxide) to the textile manufacturer of Sindh and Punjab. During the 3QFY13 the price of Hydrogen peroxide have increased by 17% i.e. Rs 54/kg against Rs. 46/kg reported in 1Q13, which attract SPL to sell out its stock in trade inventory and received cash.

Overview

Overall, we expect cash inflow due to increased in price of Hydrogen peroxide will enable SPL to pay back loans and will bounce back to its normal production capacity. We believe that company will show earning per share of Rs. 0.18 at the end of the fiscal year 2013.

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KATS Code: SPL
Sector: Chemicals
Face Value: Rs.10
Year End: June

Current Price Rs. 12.50
Target price Rs. 15

Paid Up Capital 551 million.

Free float shares 27.55 million

Avg Volume 52 weeks: 341,795

12-month High/low
15.20 / 9.55

Earning Per Share				
2010	2011	2012	HY 2013	E-FY13
-3.25	3.02	-3.06	-0.82	0.18

Key Executives	Designation
Haji Bashir Ahmed	Chairman
Mr. Imran Ghafoor	CEO
Mr. Mohammad Adrees	Director
Mrs. Sharmeen Imran	Director
Mr. Mohammad Asif Pasha	Director
Mr. Mohammad Khalil	Director
Mr. Waleed Asif	Director

RECOMMENDATION (BUY)

In view of the strong future outlook we maintained over "BUY" stance on the stock based on our target price of Rs.15 till 3QFY13.

On the Technical ground (MACD, RSI and STS indicator) are not as good as it should be, it show some downfall with minor decline. On the fundamental basis company has still lot to gain.

We will recommend Avg. buying at Rs.11.80.