



# INDO RAMA

Indo Rama Synthetics (India) Limited

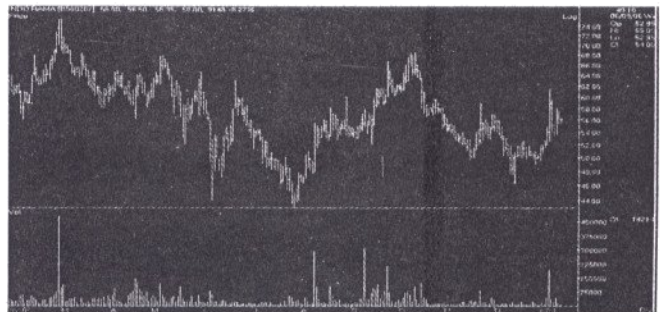
By Dilip and Rushik Bhatt\*

Indo Rama Synthetics (India) Ltd. (IRSIL) was incorporated by Mr. M. L. Lohia and A. P. Lohia in April 1986. IRSIL belongs to "Indo Rama" group which is focused on textile, polyesters and industrial chemicals in Indonesia, Thailand, USA, Nepal, Sri Lanka and India. In 1995 IRSIL set up an integrated manufacturing unit at Butibori, Maharashtra to produce Polyester Staple Fiber (PSF), Polyester Filament Yarn (PFY - POY/DTY), Draw Textured Yarn (DTY) and Textile grade Chips. Butibori plant is working at production capacity of 450000 tpa of PSF, PFY, FDY, DTY and fiber grade chips. Polyester Staple Fiber (PSF) is used to blend with natural fibers like cotton and wool as well as synthetic fibers like rayon to produce polyester blended yarns. DTY used for making of fabric like outer or inner garments, skin-clinging garments, furnishings etc. IRSIL already exports to US, Germany, France, Belgium etc. and also is targeting new areas in Latin America, Argentina, Columbia and Venezuela.

Being the part of multinational group, IRSIL has strategic and technical alliances with various multinationals. For POY and polyester chip projects IRSIL has technical collaboration with "CHEMTEX INTERNATIONAL" and "M/S DUPONT" of USA and "BARMAG" of Germany. IRSIL collaborated with "TOYOBO", Japan for PSF project. For their expansion plans IRSIL has an alliance with "ZIMMER AG" of Germany for doubling the capacity of Polyester Staple Fiber (PSF) and Polyester Filament Yarn (PFY) at Butibori plant, Maharashtra. IRSIL also plans to merge its unlisted company Indo Rama Petrochemicals Limited (IRPL) with itself which is commissioning 30MW power plant at Butibori. The joint venture with "TIEPET INTERNATIONAL LTD." of North Carolina, USA named Star Pet Inc. has an operational Integrated Bottle-Grade Pet Resin manufacturing capacity of 70,000 tonnes per annum (tpa) of polyester. IRSIL has also an agreement with "PEGASUS GLOBAL LIMITED", Thailand to establish a joint venture in USA. In terms of operational upgradation IRSIL is targeting to rebuild the information application network by implementing SAP. IRSIL on the other hand is also making

continues efforts on IT development, e-enabling, customer relationship management (CRM) and supply chain management. IRSIL was awarded as ISO-9001 (2000) for highest standard of Quality Management System (QMS), ISO-14001 (2004) for Environment Management System (EMS) and OEKO Tex certificate to meet Human Ecological requirements. IRSIL plans to implement OSHAS-18001 (Occupational Safety & Health) in 2006-07. One of the well known international publications "FORBES" recognised IRSIL and associate companies in South-East Asia as one of the 100 Best Small Companies in the Emerging Markets.

Coming to the financials IRSIL has shown weak performance during second quarter of FY'06-07 where net sale were down by 13.95% and PAT by 74.07% YoY. Though areas of expenses, depreciation and interest paid have performed optimistically during last three consecutive quarters, continues downtrend in sales figure has depressed the net earning. As far as our view is concerned stock movement in IRSIL performs with the market sentiment and the fundamentals have less effect on it during last two quarters. Continuous efforts from the management for expansion plans and enhancement in production capacity with focussed quality & cost will certainly show a positive effect in long run. For short term view at current market price of Rs. 56 we maintain "HOLD" on it targeting Rs. 61.50 with support at Rs. 53 and Rs.50.



\*The authors run a reputed firm of share and stock brokers.