

**MARCH 2017**

Overview
Symbol: <b>BARZ</b>
Estimated EPS for 1396: 525 rial
Market cap.: 2755 Billion Rial
Industry P/E : 7.55
Capital: 252 Billion Rial
Share price: 3335
Average daily volume: 1.3 million share
<b>Suggestion: Buy</b>
Fiscal Year 12/29
P/E: 6.31
Estimated return : 34%
Target Price: 4500 Rials

### The company activity history

This company was registered in 1363 with Sirjan Tire Industry Complex title. In 1366, its name has been changed to Kerman Tire Industries Complex and in 1384 to Barez Industrial Group. This company which has been accepted in Tehran Stock Exchange in 1376, is traded with Pkerman trading symbol. Place of factory is in Kerman.

Of its subsidiaries, Barez Saman, sirjan tire complex, Kurdistan Barez Tire and Barez Tarabar can be mentioned.

### Tire Industry In Iran

Tire Excessive imports In recent years Has created Many problems For tire makers. According to tire Guild statistics, Iran tire Production were 194 thousand tons 94 That Barez Industrial Group has Share of 36% of The total production of the country With 70 thousand tons Production.

It is worth noting that in Iran, Mostly Bias tire Was produced, But In recent years, Production companies

### The company equity holders:

Tamin Petroleum and petrochemical investment corporation having 50% of share is major equity holder of this company.

Equity holder/holder	share	percentage
Tamin Petroleum and petrochemical investment corporation - major equity holder	838 M	50
Tosee Melli Group Investment company	651 M	39
limited company Turquoise partners	24 M	1

## Financial position

The important balance sheet items are as following table:

Balance sheet	1394/12/29	1393/12/29	1392/12/29	1391/12/29	1390/12/29	1389/12/29
Total current Assets	4,289,763	4,930,362	4,045,380	3,253,244	2,167,580	1,799,183
Net Fixed Assets	1,885,583	1,734,840	1,403,721	1,061,582	1,051,293	1,119,067
Total non-current assets	3,571,892	3,010,467	2,249,985	1,591,484	1,337,661	1,330,129
Total assets	7,861,655	7,940,829	6,295,365	4,844,728	3,505,241	3,129,312
Total current debts	3,437,202	2,750,577	2,108,936	2,191,026	1,401,423	1,557,231
Non-current debts	912,221	1,164,119	1,360,509	1,369,418	1,055,230	543,681
Total debts	4,349,423	3,914,696	3,469,445	3,560,444	2,456,653	2,100,912
Total equities	3,512,232	4,026,133	2,825,920	1,284,284	1,048,588	1,028,400
Debts and equities	7,861,655	7,940,829	6,295,365	4,844,728	3,505,241	3,129,312

## Important financial ratios

The important company financial ratios are as following table:

Financial ratios	1395/12/29	1394/12/29	1393/12/29	1392/12/29	1391/12/29	1390/12/29
Current ratio	1.09	1.49	1.85	1.7	1.51	1.34
Debt ratio	0.6	0.52	0.52	0.63	0.72	0.69
Net profit margin	16%	17%	23%	17%	7%	7%
ROE	43%	31%	67%	66%	15%	15%
Return on assets	17%	16%	30%	27%	10%	8%
Inventory turnover period	86	124	113	96	94	98
Collection Period	81	89	55	44	51	63

### operating Company position

In following table, important loss & profit items of the company are expressed since 1388 until now:

Loss and profit statement	1394/12/29	1393/12/29	1392/12/29	1391/12/29	1390/12/29	1389/12/29
capital	1,666,250	833,125	833,125	666,500	666,500	666,500
Total revenues	7,256,072	9,170,768	8,826,792	6,171,208	3,899,442	3,035,636
Cost of goods sold	5,329,982	6,437,199	6,590,204	4,657,186	3,224,816	2,508,811
Gross profit	1,926,090	2,733,569	2,236,588	1,514,022	674,626	526,825
Operating profit (loss)	1,616,416	2,525,943	2,094,643	1,253,748	497,041	377,677
Net profit (loss) before deducting tax	1,554,982	2,717,677	1,909,091	515,192	311,465	240,057
Net profit (loss) after deducting tax	1,228,281	2,147,338	1,490,301	417,597	254,308	192,081
Net EPS	737.15	2,577.45	1,788.81	626.55	381.56	288.19

### The company's products:

Barez industrial group produces types of Radial and Bias tires and other products such as Tube ad strip with 75000 tons capacity per year. 70% of the company production is Radial tire which the company is going to increase the Radial tire production capacity in Kerman production complex in future years by a development program.

### Sales

The company sells its products domestically and is going to increase its exportation to target countries in area at future years. According to Iran Tire association statistics, the area countries need to import tire is 220 million ring which need shortage of these markets is estimated 70 million rings according to the area countries production and exportation.

## Cost

About 77% of cost of Barez Tire include raw materials, 50% of the company's raw materials is imported and the rest is purchased. Main material of this industry is Natural and synthetic rubber which Iran is an importer of Natural rubber. The Natural and synthetic rubbers fee is influenced by global markets, mainly Thailand and Malaysia. In following table, share of each raw material in materials cost is expressed:

Raw materials	percentage
Natural rubber	30%
synthetic rubber	22%
Tire yarn	13%
Chemicals	12%
Grime	12%
wire	10%
Volvo tube	0.30%

## Future company programs

- Most important development plan is Kurdistan tire complex which will be operated in 96. This company has the capacity of producing 41800 tons wired radial tires per year. This plan will produce with 65% of its capacity in 96, 80% of its capacity in 97 and 100% of its capacity in 98. Due to placing in deprived region, it will have tax exception for 20 years. 68% of this plan is through currency and rial loans which exchange facilities. Interest rate is 7 rials and rials facilities are two loans, 14 ad 24% with 5-years Refund.
- Of other programs of this company, project of increasing radial tires in Kerman production complex can be mentioned.

### To Forecast earnings per share:

To forecast earnings per share, following hypotheses are considered:

- Kurdistan tire complex is operated with 65% of its nominal capacity.
- inflation rate as 12% and raw materials fee With regard to the outlook for global prices and oil price are grown.

Forecast of Loss and profit statement	unit	Forecast 96	Budget 96	1395/12/30
Net sales and services revenue	million Rial	11,749,910	10,399,252	8,720,189
Finished cost	million Rial	8,988,351-	8,363,046-	6,483,415-
Gross Profit (loss)	million Rial	2,761,559	2,036,206	2,236,774
Administrative, general and sales costs	million Rial	352,497-	347,270-	283,661-
Investments - operating Revenue	million Rial	64,789	64,789	1,492
Other Net Revenues and operating costs	million Rial	25,028	25,028	4,446-
operating Profit (loss)	million Rial	2,498,879	1,778,753	1,950,159
Financial costs	million Rial	674,663-	217,441-	243,813-
Investments – non- operating Revenue	million Rial	91,472	91,472	80,662
Other Net Revenues and non-operating costs	million Rial	-	4,240	10,536-
Profit (loss) before taxation	million Rial	1,915,688	1,657,024	1,776,472
income tax	million Rial	338,851-	331,419-	376,903-
Net Profit (loss)	million Rial	1,576,836	1,325,605	1,399,569
Net Profit (loss) per share (rial)	million Rial	624	525	554
capital	million Rial	2,526,500	2,526,500	2,526,500



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## BAREZ INDUSTRIAL GROUP (PKRMAN) FUNDAMENTAL ANALYSIS

### **valuation**

Due to inherent limitations of valuation in Iran and inflation rate fluctuations, valuation of Barez tire company is done by following hypotheses:

- this company will not grow so much after reaching Kurdistan Barez Tire to perfect capacity. Competition in industry is increasing.
- Risk of this company is evaluated average.
- 95 inflation conditions is considered predictable for future.

according to mentioned cases, the company value is evaluated in 400 to 450 tomans range. In prices less than mentioned interval, share purchase can create excess return and in prices more than mentioned interval, being out of share is reasonable.

**Ali Shahbandian ,CFA**

**Maryam Hakimi**