SIAS Research Pte Ltd
32 Maxwell Road #01-15
Whitehouse
Tel: [65] 6227 2107 Fax: [65] 6227 2079
Email: admin@siasresearch.com

19 September 2005

Initiate Coverage

Stamford Tyres Corp

Full Throttle

BUY

Current S$0.48
Target S$0.68

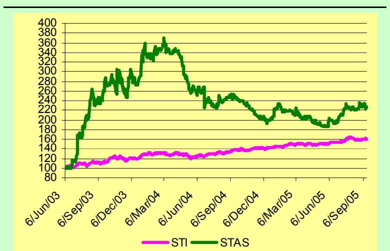
MAIN ACTIVITIES

Global distributor for tyres, representing brands such as Falken, Continental and Toyo. Have distribution networks in all six major continents. Also sells its own propriety tyre brands Firenza, Sumo and Sumo Firenza, as well as manufacture its own propriety wheel brand, SSW.

ISSUE STATISTICS

No of shares: 210.8m
Market cap: S$101.2m
Year Hi/Lo: S$0.50/S$0.37
Listing Bourse: SGX-ST
Listing Date: Upgrade to mainboard in April 2003

SHARE PRICE v STI



Source: SIAS Research

ANALYSTS

Terence Wong, CFA
terence@siasresearch.com

Howard Lim
howard@siasresearch.com

Invented 115 years ago to make a young boy's tricycle ride more enjoyable, the tyre has come a long way, and has become a necessary part of our daily lives. Today, global tyre sales have grown to become a US$90b industry, led by market leaders such as Michelin, Goodyear, Continental and Sumitomo. In addition, market forecasts do not expect the industry to slow its growth. Emerging markets such as the PRC and India have seen automotive sales numbers surge. This should bode well for increased investment into the tyre industry as automotive and tyre sales are correlated.

You may think that Singapore is not a large market for cars and has limited growth, and thus is not a large one for tyres either. So what is so interesting about a tyre company listed in Singapore? Well, to begin with, Stamford Tyres Corporation (ST) has been distributing tyres since the 1970s, and has now grown its business to cover every major continent, from Asia to Africa, from Europe to South America. ST remains the sole distributor for Falken (made by Sumitomo Industries) and Continental tyres in several countries, and has now expanded its product offerings by launching its own propriety brand of tyres as well as manufacture its own brand of sport rims. Utilizing its extensive distribution network to launch and market its new products, we expect ST to be able to see significant revenue growth in a booming global tyre market.

Financial Summary

S$m (Y/E Dec)	FY04	FY05	FY06F	FY07F
Turnover	190.0	191.6	276.1	305.9
EBITDA	20.5	19.6	26.5	29.9
Net profit	11.5	8.6	13.0	17.2
Dil EPS (S$ cts)	5.2	3.8	5.6	7.5
EPS Growth (%)	14.5	(26.4)	47.8	32.4
P/E (x)	7.8	11.7	7.9	5.9
P/BV (x)	1.4	1.5	1.5	1.1
Div yield (%)	4.5	4.5	5.2	5.2
ROE (%)	18.2	12.6	17.2	16.7
Net Gearing (x)	0.3	0.6	0.6	0.4
Current ratio (x)	1.6	1.7	1.6	1.7

Source: Company, SIAS Research

Refer to last page for important disclaimer

SIAS Research

TABLE OF CONTENTS

COMPANY

Leading Tyre distributor in Singapore

Growing global presence in 5 continents

Stamford Tyres (ST) is the leading local independent tyre distributor in Singapore. Founded over 60 years ago, ST has grown from a tyre retailer cum petrol station in Singapore's Stamford Road, to a global distributor and retailer of a full range of tyres, wheels and car accessories. The company has even developed its own propriety brands; Stamford Sport Wheels (SSW) for light alloy wheels, Firenza for high performance passenger car tyres and Sumo and Sumo Firenza for a wide range of commercial vehicle tyres. This has created valuable brand value and more opportunities for ST, as the company continues to grow its scope of products and services. On top of that, ST has also managed to become a leader in fleet tyre management and maintenance services offering technical support to fleet owners. These include freight companies, logistics companies and mining companies that require intensive tyre management.

Company Structure
ST is divided into five business units under two main businesses; Value Added Services and Manufacturing.

Figure 1: Company Structure

Source: Company

Distributor for major brands such as Falken, Toyo and Continental

Propriety tyres for growth in global distribution

Retail & Distribution: ST focuses on their core business of tyre and wheel distribution with a diverse tyre catalogue that includes passenger car tyres, commercial vehicle tyres, earthmover tyres, agricultural and industrial tyres. Major brands include Falken, Dunlop, Continental and Toyo. Falken and Toyo brand tyres are made in Japan, while Continental tyres are from Germany. ST also sells its own proprietary brand of tyres; Firenza, Sumo Firenza and Sumo Tire. Firenza is made in Japan and Indonesia, Sumo Firenza in China, while Sumo Tire tyres are made in China, Thailand and

Vietnam

Stamford also sells alloy rims and steel wheels, along with automotive batteries and auto accessories. Wheel brands include BBS, Japan Wheels and TSW, to name a few.

Propriety SSW allow wheels manufactured by Group's own plant in Thailand

ST also has its own brand of wheels – SSW – which it manufactures in its plant in Thailand and through select contract manufacturers in Taiwan.

Distribution Network: ST distributes tyres, wheels and tyre related products to more than 30 countries through their distribution network which covers South East Asia, North Asia, Latin America, South Africa and Australia. The Stamford Tyres distribution team focuses on the marketing and distribution of their proprietary brand tyres – Sumo, Sumo Firenza and Firenza - as well as Falken and Continental brand tyres to approved distribution regions globally. ST boasts excellent relationships with its major principals: some of their partnerships (with Sumitomo Rubber and Continental) go back as far as to the 1970s.

Partnerships with suppliers go back more than 30 years

Established retail chain that provide one-stop services to customers

Retail Chain: ST operates seven Mega Marts in Singapore and one in Kuala Lumpur, Malaysia. Each Mega Mart offers a comprehensive range of tyres, wheels, batteries, car audio, auto accessories, tyre related services and car care services as they seek to serve customers as a premier one-stop tyre and car care service provider.

Additionally, they have five Tyre Marts in Singapore and two in Malaysia, as well as six Tyre Workshops with major car distributors in Singapore that provide tyres and services. It also has one tyre mart each in both Thailand and Indonesia.

Their exclusive "In-Tune" Club, a loyalty program for customers in Singapore, has approximately 30,000 members. Members enjoy special offers, information on car and tyre maintenance, and are welcome to attend training sessions.

Fully integrated fleet tyre management system to service the burgeoning mining and logistics industry

Fleet Tyre Management & Maintenance: With the aid of advanced computerised systems and experienced maintenance service personnel, ST provides tyre management and maintenance services to help fleet owners reduce downtime and control costs. With more than 20 years in the off-the-road tyre business, ST provides the most suitable tyres according to their customers' needs and advice them on proven techniques for optimising tyre life. ST also has retreading operations in Singapore, Malaysia, and Indonesia which help fleet owners to minimise their operating costs. Stamford services mainly entities such as port authorities along with mining, logging, and construction companies. As these tyre supply and lease contracts are long term in nature, they provide the Group with a recurring income stream.

Propriety brands to drive revenue

Proprietary Brands – Outsource Contract Manufacturing: Currently, Stamford out sources its tyre manufacturing to Sumitomo's factories for its propriety brand Firenza and to smaller Chinese factories for its brand Sumo Firenza and Sumo. The outsourcing of these propriety brands has given ST more room to run, and has contributed significantly to its revenue growth. Currently, the company is expanding its own proprietary tyre brands to include a larger range of products. Furthermore, the company is also looking to expand capacity by finding more sources for its tyres, which should allow significant revenue growth as the company need no longer be restricted by importing from limited Japanese sources.

SSW perfect complement to established tyre distribution business

Wheel Manufacturing: ST is currently expanding into the wheel manufacturing business with the development of a new wheel manufacturing plant in Thailand to manufacture their proprietary brand of wheels, Stamford Sport Wheels (SSW). Ranging in sizes from 13" to 20" in a wide variety of designs, SSW wheels are manufactured in the wheel plant under stringent quality control. Additionally, ST has joined forces with the Singapore Institute of Manufacturing Technology (SIMTech), a research institute of the Agency for Science, Technology and Research (A*STAR), to draw upon their knowledge in advanced metal-forming technologies.

MARKET PRESENCE

Malaysia remains ST's largest foreign market

Malaysia: Malaysia remains ST's largest foreign operation. As of 2005, the Malaysian operation generated S$31.0m in sales revenue, more than the S$28.3m generated in the second largest foreign market, China. ST's operation in Malaysia is pretty similar to that of Singapore. The company has established a comprehensive distribution network for its major and propriety brands. The company counts more than 300 key dealers which are serviced by its 8,500 square meter warehouse and retail center. The company also operates a Truck Tyre Centre and a retread plant in Malaysia.

Thailand: ST mainly distributes its Falken and Continental brand tyres all over Thailand. It has actively promoted its two major brands by having them seen on billboards and on dealer shops across the country.

Look out for the Indonesian mining industry

Indonesia: ST has a well entrenched business in Indonesia. It distributes all its major and propriety brands in the country through over 100 key dealers. It supports this with a 3,000 square meter warehouse. In addition to that, ST services the red hot mining industry in the country by providing Total Tyre Management Service (TTMS) to mining companies. To better service these customers, the company has also set up a retread plant there to extend the tyre lives of their customers.

China: ST mainly distributes Falken, Firenza and Sumo tyre brands

Aggressive expansion in growing Chinese markets

in China. Products there are geared more towards passenger vehicles and truck tyres. ST has had a presence in China for some years, but has not really started any major expansion plans till recently. Currently, the company operates distribution centres in Hong Kong Guangzhou and Shanghai, which service over 200 active dealers. Recently, the company has embarked on expansion plans to establish new retail Mega Marts in Guanzhou, Shanghai and Qindao in 2005/2006.

ST is also expanding its fleet tyre management in China, having already established a presence in Guangzhou, with Shanghai next on the list.

Tyres Pacific and SRI-TP**:** ST started a JV company with Tan Chong International called Tyres Pacific (Hong Kong). The JV company is equally owned by both. In August 2003 Tyres Pacific (TP) formed another JV company, SRITP Ltd, with Sumitomo Rubber Industries (SRI) to function as the sole distributor of SRI's Chinese made Dunlop passenger car tyres. TP will remain the prime distributor for Hong Kong, Macau, and Vietnam.

SRI has a factory in China that produces passenger car radials and expects to eventually have a capacity of more than three million tyres annually. This factory will serve both the domestic and export markets.

American Continent: ST distributes Falken as well as Sumo tyres in Latin and Central America. It maintains a presence in places like Miami, USA, to service the more than 50 dealers there. The company has also brought its propriety brand, SSW to the USA market.

South Africa: ST distributes only its propriety brands in South Africa. It has already built up its network to include over 400 dealers.

New operations in Australia and Korea should broaden customer base and further entrench ST as a leading tyre distributor

Australia: ST set up a new subsidiary, Stamford Australia in FY04, with the distribution of its propriety brands covering both tyres and rims in Australia. It has also set up a 700 square meter central warehouse there to service its network of dealers and retailers.

Korea: Another new operation, ST Korea was only started in FY04. Unlike Australia, ST brings in Continental into the Korean market, in addition to its own proprietary brands. The larger market there has also prompted ST to set up a 1,000 square meter warehouse to service dealers all over the country.

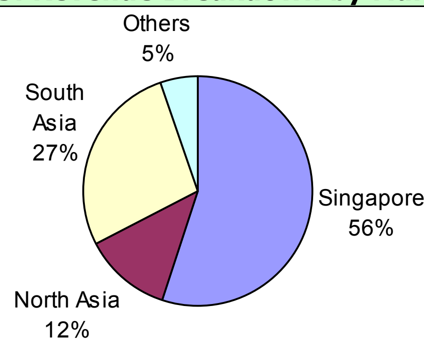
Figure 2: Major Product Brands

BRAND	MARKET	USES	MADE IN
Falken	All licensed markets	PCR, SUV, LTR, TBR	Japan
Continental	S.E Asia	PCR, LTR, TBR, IND, OTR	Germany
Toyo	S.E Asia	TBR, OTR	Japan
Firenza	World Wide	PCR	Japan / Indonesia
Sumo Firenza	World Wide	TBR	China
Sumo Tire	World Wide	LTB, AG, OTR, TBB	China / Thailand / Vietnam

PCR: Passenger Car Radial LTR: Light Truck Radial TBR: Truck and Bus Radial
IND: Industrial Tyre OTR: Of-The-Road Tyre LTB: Light Truck Bias
AG: Agricultural TBB: Truck and Bus Bias

Source: Company, SIAS Research

Figure 3: Revenue Breakdown by Markets



Source: Company, SIAS Research

INDUSTRY OUTLOOK

Automotive markets unlikely to slow down

Asia-Pacific's Growing Automotive Industry: Between the years 1999 – 2003, the Asia-Pacific automotive market expanded by 9.7% to reach a value of US$143.41 billion. Japan, which accounts for 48.9% of the region's total revenues, hardly grew at all during this period, which shows that it was the other developing markets that drove the expansion. Comparatively, the Asia-Pacific region achieved during the review period a compound annual growth rate of 2.3% against Europe's 0.6% and the US market's -0.7%.

Encouraging industry forecasts

Rosy industry forecasts: Between 2003 and 2008, the Asia-Pacific market is set to experience even stronger growth, and is forecast to expand by 36.2% to reach a value of US$195.3 billion by 2008.

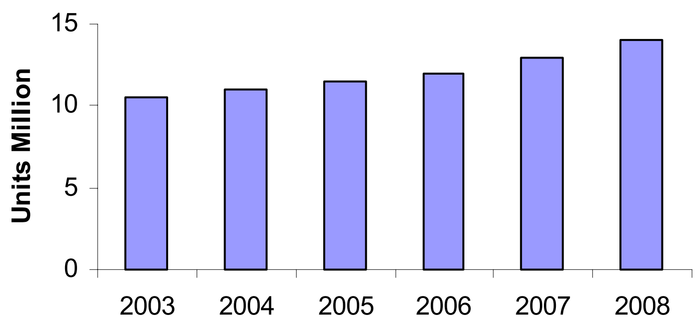
Figure 3: Asia-Pacific Automobile Market Value

	$Billion	% Change
1999	130.7	
2000	130.2	-0.4
2001	133.5	2.5
2002	137.2	2.7
2003	143.4	4.6
2004	150.6	5.0
2005	159.7	6.0
2006	170.7	6.9
2008	182.7	7.0
2009	195.3	6.9
CAGR, 1999-2003		2.3

Source: Datamonitor

Market volume on the other hand grew by 4% in 2003 to reach a volume of 10.5 million units, while the CAGR of market volume in the period 1999-2003 was 2.7%. Datamonitor forecasts that the Asia-Pacific automobile market will have a volume of 13.9 million units in 2008, under a CAGR of 5.8%.

Figure 4: Asia-Pacific Automobile Market Volume Forecast



Source: Company, SIAS Research

The figures show an upward trend in growth of the absolute number of automobiles; a figure that more directly pertains to the tyre industry.

Caterpillar Inc's sales an important indicator to OTR market

OTR Market: The OTR market has seen a surge in demand as the mining and timber industries continue heating up due to the voracious appetites of China and India. Coal and timber demand has driven exploration and mining firms to expand their mining fleets in order to maximize extraction of resources in countries such as Indonesia and Africa. Caterpillar Inc., the world's leading manufacturer of construction and mining equipment, saw their sales revenue jump 14% in 2003 and another 38% in 2004. This should serve as an indicator of how fast the OTR market is growing globally. Furthermore, Caterpillar's Asia Pacific revenue grew by almost 35% in 2004, which goes out to show the increase in demand in the region. Stamford is in a good position to capitalize on sales to the growing mining fleets as demand continues to surge.

Higher machine sales should bode well for OTR market

Figure 5: CATERPILLAR MACHINERY SALES (US$ Millions)

	Total	N. America	EAME	Latin America	Asia/Pacific
2002	11,975	6,517	3,156	818	1,484
2003	13,678	7,310	3,596	928	1,844
2004	18,844	10,337	4,511	1,510	2,486

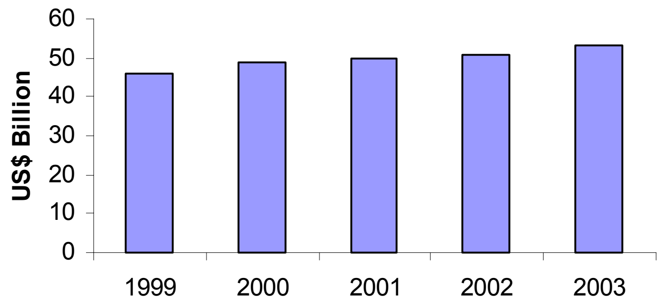
*EAME - Europe, Africa & Middle East, and Commonwealth of Independent States

Source: Caterpillar Inc, SIAS Research

World Tyre and Rubber Industry is Still Growing: The statistics and figures pertaining to this tyre and rubber industry analysis is defined as consisting of only the replacement car, van and truck tire sectors. The global tires and rubber market grew by 3.6% in 2003 to reach a value of $53.3 billion.

Market Value Forecast: In 2008 the global tires and rubber market is forecast to have a value of $66.93 billion, an increase of 25.7% since 2003. The leading producer of tires and rubber globally is the North America region, which produces nearly 47% of the market value share. Asia-Pacific produces approximately 35% of the world's tires and rubber, while Europe produces 15% of the global value.

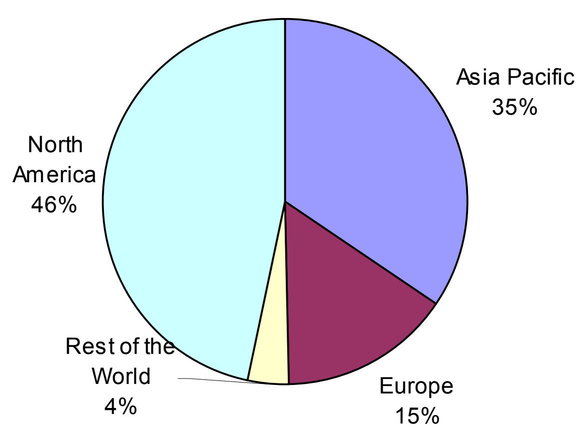
Figure 6: Global Tyres and Rubber Market Value 1999-2003



Source: Datamonitor, SIAS Research

The largest market in the global tires and rubber market is North America, which generates 46.6% of the global market's revenue. The Asia-Pacific region is responsible for a further 34.5% of the global market value, making it the second largest market globally. The European market is relatively small, accounting for just 15.2% of the global market value.

Figure 7: Global Tyres and Rubber Market Segmentation by value



Source: Datamonitor, SIAS Research

However, companies within the industry will have to deal with an increase in rubber prices, which could affect sales.

CHINA

New Chinese infrastructure should encourage automotive use and accelerate vehicle adoption in the country

China's expanding highway network: China's highway network is rapidly expanding: spanning 1.81 million km by the end of 2003 with 44% of it built during the past 15 years. Its total road network is currently the world's third longest, and by 2020, China plans to again double the length of its motorways. According to government plans, Shanghai's underground track system is scheduled to run 810km – twice the length of London's – by 2010.

China's Automotive Industry Cools Down: According to figures cited in The Economist, dated June 2005, demand for cars in China soared by 56% in 2002, followed by an astounding 75% rise in 2003. In 2004, though, the government tightened rules on credit for car purchases in an effort to cool its still booming economy. This caused sales growth to slow to around 15% for that year as car loans had fuelled much of the spectacular sales growth of recent years. A wave of price cuts by local and foreign joint venture firms came soon after followed by announcements that inventories were rising faster than sales: Michelin even suspended operations at its Shanghai plant for two months. Profit margins contracted amidst price wars among auto companies as competition accelerated beyond expectations.

Despite overcapacity in vehicle production, sheer size of automotive market is still astounding

China's Automotive Industry Headed for Overcapacity: According to Automotive Resources Asia, China's explosive growth of vehicle sales in 2002 and 2003 had induced automakers from the US, Europe, Korea and Japan to invest more than US$12 billion into new capacity. As a result, the sudden slowdown in demand for vehicles led the Chinese government to announce that production capacity is expected to exceed demand by 100% by 2007. According to the Economist Intelligence Unit, this means that factories will be able to build 7m more cars and trucks than are needed.

Improving Chinese purchasing power should be key driving force

Investments in Capacity Continue Unabated: China still remains the fastest-growing major automobile market in the world, with headline sales volumes up 15% in 2004. David Thomas, head of China distribution for Ford, thinks that China, already the third-largest car market, could very well become the second-largest over the next two or three years. At the start of 2005, optimistic pronouncements continued unabated. Ford announced new investments in capacity. General Motors declared that it would produce another 20 new models and insists on sticking to its US$3b plan to double capacity. Bridgestone, too, announced plans to spend another US$500m in China. In total, foreign car firms and their local joint-venture partners plan to invest US$15b to *triple* output by 2007. This is occurring in tandem with the expansion plans of Chinese companies; Chery said it planned to triple its output, Geely said it would increase capacity five-fold and GreatWall wants to increase its production volumes three-fold. Despite fierce competition placing increasing pressure on margins, manufacturers are apparently not deterred. As Mr Thomas points out, "People's desire, people's purchasing capability, the overall economic fundamentals of the country haven't changed that much."

2005 Sales Figures Still Remain in Line With Expectations: According to Automotive Resources Asia, 1H2005 sales of vehicles in China grew 9% (as compared to 1H2004) to 2.5 million units. According to the China Association of Automobile Manufacturers, this is in line with expectations for the year's growth of 10-15%.

Potential For Export Led Growth: In theory, carmakers around the world are rushing to set up assembly lines in China for the sake of the domestic market, not for exports. But increasing competition and slowing demand growth has raised the likelihood of over-capacity. This will prompt manufacturers to look overseas for sales: carmakers do not produce efficiently on a small scale. According to Mr Dunne, Chinese automakers will push exports because they want to be globally competitive whereas global automakers will resign themselves to exporting simply to survive in the China market.

RISKS

Rubber prices a concern as commodity prices continue to rise on back of rising crude oil prices

Rubber Prices: According to the International Rubber Study Group in London, the global rubber market is broken down, 41% into natural rubber (NR), and 59% into synthetic rubber (SR). SR is a petroleum derived product manufactured in chemical plants by mixing two gases – butadiene and styrene – both of which are by-products of petroleum refining. Surging oil prices (US$65 a barrel at time of writing) make SR increasingly more expensive relative to its natural alternative. For example, US Gulf spot prices for butadiene have surged 39% to $0.5/lb in the past year. SR prices are quoted at around US$1,750 per tonne compared to US$1,300 a tonne for NR. This trend has allowed NR, in the past three years, to increase its market share from 39% to its current 41%.

Natural rubber prices, on the other hand, have also surged. During the first six months this year, NR prices on the Tokyo Commodities Exchange have risen by about 40%. This phenomenon is attributed to several factors: growth of global demand particularly from China and India due to rapid industrial growth, drought-related supply constraints in Thailand and speculation from hedge funds in rubber futures trading.

China, the world's biggest rubber consumer, has seen rubber stockpiles in warehouses monitored by the Shanghai Stock Exchange dwindle 91% over the past year. This is due to the 9% growth in assembly of new motor vehicles during the first half of the year. Thailand, the world's top exporter of natural rubber, expects rubber output to drop about 10% this year to 3 million tonnes while global demand is projected to remain strong. Prices of rubber, a commodity good, are influenced by fundamental factors influencing supply and demand. World demand along with basic supply conditions and currency fluctuations will significantly influence rubber prices.

Growing range of core products may add to inventory risks

Inventory Risk: ST has always maintained an inventory turnover of about 5 months. However, with its increase in supply of tyres from new Chinese sources, and the production of wheels from its Thai wheel plant, we expect ST's inventory days to increase. Furthermore, ST's tyres have always had long product life-cycles, as they do not spoil and do not follow fashion trends. However, its wheels are a different story. ST now has to face the challenge of making fashionable wheels that are popular in the market, and balance its inventory levels so that unpopular models are minimized, while popular ones reach markets quickly.

Patience required to recognise results in investments

Capital Expenditure in New Markets: We expect ST to spend S$5~6m for the next two years on capital expenditure, with significant sums going into projects to expand new markets. However, sales and earnings growth in these new markets may not be recognizable in the short term as the company continues to set up distribution centers and retail outlets for the long term picture.

Gearing: ST currently has a gearing of about 0.6x. This is almost double of ST's FY04 gearing which was only at about 0.3x. Although we believe that ST requires capital to fund its expansion plans in overseas markets and to set up the wheel manufacturing factory in Thailand, we feel that a lower gearing in the next couple of years would be more comfortable, and would allow the company greater flexibility on rainy days.

KEY DEVELOPMENTS/INVESTMENT MERITS

Increasing tyre sources will allow ST to break from its current revenue base

More Tyre Sources: ST has managed to secure more outsourcing contracts from two large and credible tyre manufacturers in the PRC. The outsourced suppliers will supply both passenger and truck tyres for ST under its own propriety brands. Although these two sources would significantly increase ST's supply base, we believe that full contribution from these sources will only kick-in early 2006. Management has indicated that it is confident of selling as many tyres as it can lay its hands on, due to its worldwide distribution presence, while previous stagnation of revenue growth was mainly due to supply woes. The strategy is to enable ST to grow its propriety brands through its already entrenched distribution, allowing the company to utilize its available resources. We see this approach as creating the best synergy with its core business of tyre distribution.

ST embarking on major developments in Chinese markets with major supplier

Development of Chinese Market: ST's 50% owned JV, Tyre Pacific Hong Kong, has taken a 40% stake in another JV with Sumitomo Rubber Industries to distribute Dunlop tyres in China. The JV, SRITP Ltd, will have sole distributorship in aftermarket and aims to supply a chain of at least 400 dedicated Dunlop shops by 2006, with the target to achieve 10% share of the domestic Chinese tyre market by 2010. The SRI plant that started production in April 2004 in China has already reached production capacities of 5,000 pieces per day, which translates to 1.5m pieces a year. The company hopes to double this production capacity to 3m pieces a year by the end of 2006.

Contribution from the wheel manufacturing plant is expected to significantly lift ST's top and bottom lines

Contribution of wheel manufacturing plant: ST is to see significant contribution from its wheel manufacturing plant in Thailand this year. Commencing operation in October 2004, the factory is already running at 70% of utilization, with full capacity at 0.4m wheels per year. The SSW branded wheels should be able to complement ST's business well. ST is able to capitalize on its deeply entrenched worldwide distribution network to distribute its SSW products with little capital increment. The availability of ready channels should give the company an edge in time to market. Furthermore, the company can now bundle its tyre and wheel products to maximize profit margins instead of relying on third party wheels that have minimal contributions to the bottom line. With SSW being ST's own propriety brand, ST can also actively market SSW in all its markets with no restrictions.

FINANCIALS

ST is on track to recognize contributions from its wheel manufacturing operation as well as increase in sales from higher sales volume from its propriety brands. The decline in net profit for FY05 was in line with the incurred start-up costs of the Chinese and Thai operations.

Strong revenue growth in new markets

Growth across most segments: ST saw a marked growth in all geographical regions except Singapore and China from better sales an increase in products offered. Below is a breakdown of revenue by geographical segments for the last 3 years.

Figure 8: Revenue by market (S$m)

	FY03	FY04	FY05
Singapore	111.9	140.1	135.8
North Asia	34.6	32.8	38.0
South Asia	44.5	55.3	80.7
Others	5.1	6.3	12.9
Total	196.0	234.6	246.4

Source: Company

Balance Sheet: ST currently has a gearing of 0.6x, but continues to look flexible enough for capital expenditure and new projects. The company has been able to maintain inventories of about 0.3x sales, while keeping an inventory turnover of about 5 months. This is commendable while noting that the company has launched several new products, such as its SSW wheels and Firenza lines. The stock is currently trading at 1.5x price to book.

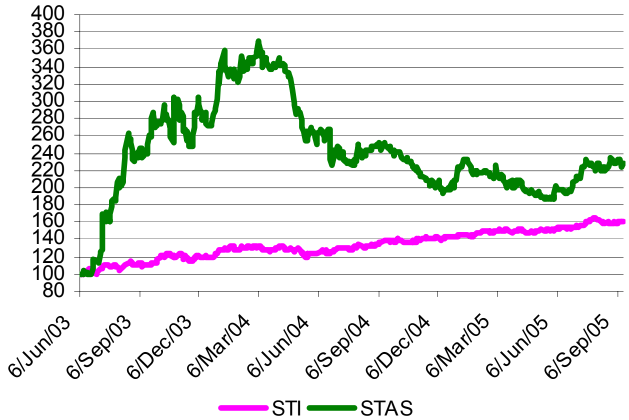
Figure 9: Key Balance Sheet

	FY04	**FY05**
Current Assets	133.6	144.9
Non-Current Assets	48.6	54.6
Current Liabilities	85.3	86.5
Non-Current Liabilities	48.2	58.4
Net cash per share (S$ cts)	8.6	18.5
Current Ratio	1.6	1.7
ROE (%)	18	13
Book value per share (S$ cts)	34.3	33.0

Source: Company

Stock price movement: We believe that investors are waiting for the company's new developments resulting from the launch of its numerous new products under its propriety brands. Once these new products are accepted by the market, there should be renewed interest in the share which should drive its price up based on its increased revenue base and improved bottom line.

Figure 10: Share Price Performance



Source: SIAS Research, Reuters

VALUATIONS

Forecast: ST's SSW wheels should improve the company's retail product mix while at the same time provide the company another avenue to grow its revenue. New sources for the manufacture of its propriety brands should also alleviate some of ST's supply woes. ST has in the eyes of its customers repositioned itself from a distributor to a manufacturer as the company starts pushing its own propriety brands. Significant revenue should be realized in late FY06 and throughout FY07 from these two new developments.

We are forecasting revenue growth of 31.6% this year, mainly driven by the recognition of the wheel manufacturing business and the increase in sales expected from its propriety brands. Other revenue drivers include the increase in number of dealer locations throughout its worldwide network.

At the same time, we are forecasting margins to be below FY04 numbers due to the launch of new products in foreign markets. The company would most probably have to run promotions in order to achieve market penetration with their new products. However, we believe that margins should improve compared to FY05 numbers as costs incurred for setting up the wheel manufacturing factory are unlikely to recur.

Figure 12: Growth and margins

	2004	2005	2006F	2007F
Revenue Growth (%)	16.1	0.8	31.6	21.3
EBITDA Growth (%)	40.9	(4.3)	113.5	31.5
EBITDA Margin (%)	10.8	10.2	10.3	10.9
Net Margin (%)	6.1	4.5	5.2	5.6

Source: Company, SIAS Research

Relative valuation: Comparables for ST include YHI and Junma Tyre Cord. Although these companies are not directly competing in the market, they serve as suitable comparables for our relative analysis as they are all affected by similar market forces. Applying the average PER of 11x for the companies, we come to a fair value of S$0.68 for ST. This represents a 40% upside to the current price.

Figure 13: Peer comparison

Company	Price	Price to Sales (x)	Price to Book (x)	PE FY05 (x)	PE FY06 (x)
YHI International	0.42	0.3	2.1	11.9	7.1
Junma Tyre Cord	0.24	0.4	0.3	8.7	8.3
Stamford Tyres Corp	**0.485**	**0.5**	**1.5**	**11.7**	**7.9**
Average		**0.4**	**1.3**	**10.8**	**7.8**

Source: SIAS Research, Reuters

FINANCIAL TABLES & RATIOS

Year End Dec	2004	2005	2006F	2007F
Profit & Loss (S$m)				
Turnover	190.0	191.6	252.1	305.9
EBITDA	20.5	19.6	26.0	33.3
Pretax	14.3	11.6	17.4	23.0
Earnings	11.5	8.6	13.0	17.2
EPS (fully diluted - cts)	5.2	3.8	5.6	7.5
Balance Sheet (S$m)				
Long Term Assets	48.6	54.6	57.6	63.8
Current Assets	133.6	144.9	166.0	203.3
Current Liabilities	85.3	86.5	102.2	116.4
Long Term Liabilities	33.3	44.5	45.6	47.8
Total Equity	63.4	68.2	75.8	103.0
Cash Flow (S$m)				
Operating Cash Flow	(1.5)	(2.1)	(2.5)	(6.3)
Investing Cash Flow	(10.6)	(10.3)	(6.0)	(6.0)
Financing Cash Flow	19.9	2.4	13.3	8.3
Net Cash Increase/(Decrease)	7.8	(9.9)	4.8	(4.0)
Cash at year end	18.7	8.8	13.6	9.6
Financial Ratios	**2004**	**2005**	**2006F**	**2007F**
Revenue Growth (%)	16.1	0.8	31.6	21.3
EBITDA Profit Growth (%)	40.9	(4.3)	113.5	31.5
Earnings Growth (%)	41.1	(25.4)	51.2	32.4
EPS Growth (%)	14.5	(26.4)	47.8	32.4
EBITDA Margin (%)	10.8	10.2	10.3	10.9
Net Margin (%)	6.1	4.5	5.2	5.6
Current Ratio (x)	1.6	1.7	1.6	1.7
Net asset value per share (S cts)	34.3	33.0	32.9	44.6
Net (Debt) / Cash per share (S cts)	8.6	18.4	21.0	21.5
LT Net Debt / Equity (%)	50.7	63.4	59.3	45.6
Net Gearing (x)	0.3	0.6	0.6	0.4
Dividend per share (S cts)	2.0	2.0	2.5	2.5
Return on Equity (%)	18.2	12.6	17.2	16.7
Return on Asset (%)	6.3	4.3	5.8	6.5
Valuations	**2004**	**2005**	**2006F**	**2007F**
Price to sales (x)	0.5	0.5	0.4	0.3
PER (x)	7.8	11.7	7.9	5.9
Price to book (x)	1.4	1.5	1.5	1.1
Dividend Yield (%)	4.5	4.5	5.2	5.2

Source: Company, SIAS Research

Appendix I – Product Brands

These are some the brands that ST distributes:

ST also owns these propriety brands:

Appendix II – Corporate Structure

Subsidiaries			
Singapore		**Indonesia**	
Stamford Tyres Intl Pte Ltd	100%	PT Stamford Tyres Indonesia	100%
Green Tyre Singapore Pte Ltd	100%	PT Stamford Tyres Distributor Indonesia	100%
Raffles Resources Singapore Pte Ltd	100%		
Stamford Auto City Pte Ltd	100%	**Australia**	
Wahsan Trading Pte Ltd	100%	Stamford Tyres (Australia) Pty Ltd	100%
Malaysia		**Korea**	
Stamford Tyres (M) Sdn Bhd	100%	Stamford Tyres Korea Limited	100%
Stamford Tyre Mart Sdn Bhd	100%		
STC Tyres (Malaysia) Sdn Bhd	100%	**South Africa**	
		Stamford Tyres (Africa) (Propriety) Limited	100%
Thailand			
Stamford Tires Distributior Co	49%	**Latin America**	
Stamford Sport Wheels Company Limited	100%	Stamford Tires (Latin America) Inc	100%
Stamford Auto Mart Limited	49%		
STC Tyres Limited	49%	**Philipines**	
		Stamford Tyres Phillipines, Inc.	100%
China/ Hong Kong			
Stamford Tyres (China) Limited	100%		
Boon Tyre Holdings Limited	100%		

Joint Ventures	
China / Hong Kong	
Tyre Pacific (HK) Limited	50%

Associated Companies	
Held by Tyre Pacific (HK) Limited	
SRITP Limited	20%

Source: Company

Appendix III – Key Management & Shareholders

Key Management	
Non-Executive Chairman	Mr Chua Kim Yeow
President	Mr Wee Kok Wah
Executive Vice President	Mrs Dawn Wee Wai Ying
Senior VP and CEO for SSW	Mr Roger Chang Toon Weng
Senior VP	Mr Patrick James Berriman
Senior VP and Group CFO	Mr Conson Tiu Sia

Source: Company

Major Shareholders*	
Mr Wee Kok Wah	33.3%
Mrs Dawn Wee Wai Ying	33.3%

Source: Company
** includes deemed interests*

Mr Chua Kim Yeow served as Chairman of the company and Audit Committee from 3 April 1991 till 28 October 1994. From then, he was chairman of the Stock Exchange of Singapore Limited until 3 January 2000, while serving as Advisor to the Stamford Tyres Board. Upon retirement from SGX, he was reappointed as independent director and non-executive chairman of Stamford Tyres until September 2001, His most recent appointment as non-executive chairman has been held since 9 January 2002. Mr Chua had also previously held numerous key posts such as the Accountant-General with the Ministry of Finance, a Board Member of the Monetary Authority of Singapore, President of DBS, Executive Chairman of the POSB, and Chairman of the Securities Industry Council.

Mr Wee Kok Wah has led Stamford Tyres forward as its CEO since the 1970s. Mr Wee has steered Stamford Tyres to become a public listed company with a global shareholding. Always actively seeking out and tap business opportunities, Mr Wee strives to maximise value for both the business and stakeholders. In 2004, Mr Wee was nominated and selected as a finalist for the Ernst & Young Entrepreneur of the Year under the category of Services and Business Products. He holds a Bachelor of Social Science in Economics and Law from the then University of Singapore.

Mrs Dawn Wee Wai Ying has been on the Stamford Tyres Board since 1982, playing a key role in the Group's operations. She currently oversees the Group's supporting functions, which effectively complement its operating functions. Prior to joining Stamford Tyres, she worked as an officer in a major local bank for eight years. Mrs Wee holds a Bachelor of Social Science in Economics from the then University of Singapore.

DISCLAIMER

SIAS Research Pte Ltd received compensation for conducting this valuation research. The estimated fair value of the stock is statement of opinion, and not statement of fact or recommendation on the stock.

As of the date of the report, the analyst and his immediate family do not hold positions in the securities recommended in this report.

This research report is based on information, which we believe to be reliable. Any opinions expressed reflect our judgment at report date and are subject to change without notice. This research material is for information only. It does not have regards to the specific investment objectives, financial situation and the particular needs of any specific person who may receive or access this research material. It is not to be construed as an offer, or solicitation of an offer to sell or buy securities referred herein. The use of this material does not absolve you of your responsibility for your own investment decisions. We accept no liability for any direct or indirect loss arising from the use of this research material. We, our associates, directors and/or employees may have an interest in the securities and/or companies mentioned herein. This research material may not be reproduced, distributed or published for any purpose by anyone without our specific prior consent.