

Retail Equity Research
Supreme Industries Ltd.

Plastic Products

BSE CODE : 509930 NSE CODE: SUPREMEIND
BLOOMBERG CODE: SI:IN SENSEX : 70,701

HOLD

12 Months Investment Period Rating as per Mid Cap
CMP Rs.4,017 TARGET Rs.4,416 RETURN 10% ↑
(Closing: 25-01-24)

KEY CHANGES:

TARGET ↑

RATING ↑

EARNINGS ↑

Double digit volumes...premium valuation to stay

Supreme Industries Ltd. (SIL) is India's leading player in plastic products; the company's wide range of offerings include plastic piping systems, packaging, industrial and consumer products.

- We upgrade SIL to Hold, given strong volume growth led by market share gains, margin expansion and strong volume growth outlook.
- In Q3FY24, SIL's reported a modest 6% YoY revenue growth in-line with estimates, as realisation declined by 7% YoY, mirroring PVC prices. Net profit grew by a robust 22% YoY.
- Sales volume showed a robust YoY growth of 14%, driven by strong Pipes' sales.
- EBITDA surged by 25% YoY with margins at 15.5%, up by 230bps YoY, surpassing expectations, driven by ease in input prices. We maintain our positive outlook, as steady demand from the housing and agriculture sectors will sustain volume growth.
- We anticipate PAT to grow by 22% CAGR over FY24E-26E, supported by healthy EBITDA margins at 15.4%.
- We value SIL at a P/E of 37x, as we roll forward to FY26E EPS and upgrade to Hold with a target price of Rs. 4,416.

Pipe volumes at double digits... gains market share

SIL's Q3FY24 saw a strong 14% sales volume growth, driven by plastic piping and industrial products, which grew by 17% & 10%, respectively. Healthy demand from housing and agricultural pipes has been sustained, which is expected to continue. Consumer segment volume dipped by 3% YoY, due to a shift to premium products. Overall revenue grew by a modest 6% YoY, as realization declined by 7% YoY on account of a decline in PVC prices. Affordability improved with lower input costs. Looking ahead, we anticipate a 14% CAGR in volume and a 22% CAGR in revenue from FY24R-26E.

Margins to stabilize at ~15.4% during FY24-26E

In SIL's Q3FY24, gross margins improved by 430bps YoY to 33.0%, driven by favourable input prices. EBITDA grew by 25% YoY, and margins expanded by 230bps YoY to 15.5%. Reported a net profit of Rs.256cr, was up by 22% YoY but marginally missed our estimates due to the lower share of profits from Supreme Petro. Going ahead, volume growth is likely to remain robust, and benign input prices will support margins. We anticipate EBITDA margins to remain steady in the range of 15.4% over FY24-26E. We expect profitability to grow by a 22% CAGR over FY24-26E.

Other highlights...

- Acquired Parvati Agro with a capacity of 36000 tonnes at sangli, Maharashtra at Rs.171cr. From Q4 onwards, normal operations will commence.
- Received BIS approval for supplying pipes for carrying natural gas.

Valuations

Despite premium valuation (SIL is currently trading at a 1 year forward P/E of 39x), we maintain a positive view on account of healthy infra & agri volumes that will drive revenue growth. While lower input prices will support margin expansion, we value SIL at a P/E of 37x as we roll forward to FY26E EPS and upgrade to Hold rating with a target price of Rs. 4,416.

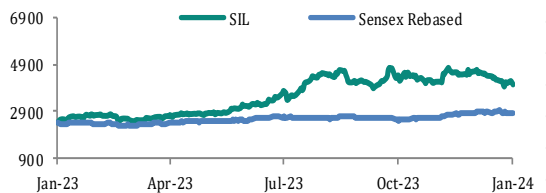
Company Data

Market Cap (cr)	₹ 51,027
Enterprise Value (cr)	₹ 50,328
Outstanding Shares (cr)	12.7
Free Float	51.2
Dividend Yield	0.62%
52 week high	₹ 4,884
52 week low	₹ 2,426
6m average volume (cr)	0.01
Beta	0.8
Face value	₹ 2

Shareholding (%)	Q1FY24	Q2FY24	Q3FY24
Promoters	48.9	48.9	48.9
FII's	19.0	23.9	24.7
MFs/Insti	17.1	12.5	11.9
Public	15.0	14.7	14.5
Total	100	100	100
Promoter Pledge (%)	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-4.8%	13.2%	66.5%
Absolute Sensex	10.8%	6.3%	17.4%
Relative Return*	-15.6%	6.9%	49.1%

* over or under performance to benchmark index



Consolidated (cr)	FY24E	FY25E	FY26E
Sales	10,086	11,803	13,894
Growth (%)	9.6	17.0	17.7
EBITDA	1,533	1,830	2,153
EBITDA Margin(%)	15.2	15.5	15.5
PAT Adj.	1,078	1,294	1,516
Growth (%)	24.6	20.0	17.2
Adj.EPS	84.9	101.9	119.4
Growth (%)	24.6	20.0	17.2
P/E	47.3	39.4	33.7
P/B	9.9	8.3	6.9
EV/EBITDA	33.3	27.8	23.5
ROE (%)	22.5	22.8	22.4
D/E	0.0	0.0	0.0

ANIL R
Research Analyst



Quarterly Financials

Profit & Loss

Rs.cr	Q3FY24	Q3FY23	YoY Growth (%)	Q2FY24	QoQ Growth (%)	9MFY24	9MFY23	YoY Growth (%)
Sales	2,449	2,311	6.0	2,309	6.1	7,126	6,603	7.9
EBITDA	379	303	24.9	356	6.3	1057	719	46.9
EBITDA margin	12.3	10.3	199bps	12.3	0bps	14.8	10.9	393bps
Depreciation	77	65	19.3	72	7.4	221	191	15.6
EBIT	302	239	26.4	284	6.1	835	528	58.2
Interest	5	1	348.7	2	232.9	8	4	111.1
Other Income	21	8	149.8	13	63.2	48	18	159.3
Exceptional Items	-	-	-	-	-	-	-	-
PBT	317	246	29.1	295	7.3	875	542	61.2
Tax	82	63	29.2	76	7.2	226	141	60.5
Share of profit from Associate	21	28	-24.5	24	-	66	104	-
Minority Interest	-	-	-	-	-	-	-	-
Reported PAT	256	210	22.0	243	5.3	715	506	41.3
Adjustments	-	-	-	-	-	-	-	-
Adjusted PAT	256	210	22.0	243	5.3	715	506	41.3
No. of Shares	13	13	-	62.5	-	13	13	-
EPS (Rs)	20.2	16.5	22.0	19.1	5.3	56.3	39.8	41.3

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	10,116	11,750	10,086	11,803	-0.3%	0.5%
EBITDA	1,493	1,809	1,533	1,830	2.7%	1.1%
Margins (%)	14.8	15.4	15.2	15.5	40bps	10bps
Adj. PAT	1,078	1,286	1,078	1,294	0.0%	0.6%
EPS	84.8	101.3	84.9	101.9	0.1%	0.5%

Consolidated Financials

PROFIT & LOSS

Y.E March (Rs.cr)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	7,773	9,202	10,086	11,803	13,894
% change	22.3	18.4	9.6	17.0	17.7
EBITDA	1,242	1,200	1,533	1,830	2,153
% change	(3.3)	(3.4)	27.8	19.3	17.7
Depreciation	230	263	302	351	399
EBIT	1,013	936	1,231	1,479	1,755
Interest	5	8	11	4	2
Other Income	20	30	72	90	96
PBT	1,027	958	1,291	1,565	1,848
% change	(3.6)	(6.8)	34.8	21.2	18.1
Tax	263	246	323	391	462
Tax Rate (%)	25.6%	25.7%	25.0%	25.0%	25.0%
Reported PAT	968	865	1,078	1,294	1,516
Adj*	-	-	-	-	-
Adj PAT	968	865	1,078	1,294	1,516
% change	(1.0)	(10.6)	24.6	20.0	17.2
No. of shares (cr)	12.7	12.7	12.7	12.7	12.7
Adj EPS (Rs.)	76.2	68.1	84.9	101.9	119.4
% change	-1.0	-10.6	24.6	20.0	17.2
DPS (Rs.)	23.0	24.0	24.0	24.0	24.0
CEPS (Rs.)	94.3	88.9	108.7	129.5	150.8

CASH FLOW

Y.E March (Rs.cr)	FY22A	FY23A	FY24E	FY25E	FY26E
Net inc. + Deprn.	1,198	1,129	1,381	1,644	1,915
Non-cash adj.	(250)	(178)	11	4	2
Changes in W.C	(494)	(78)	(570)	(274)	(339)
C.F. Operation	470	890	822	1,374	1,578
Capital exp.	(466)	(422)	(896)	(710)	(600)
Change in inv.	14	19	(280)	(280)	(280)
Other invest.CF	49	54	-	-	-
C.F - Investment	(403)	(349)	(1,176)	(990)	(880)
Issue of equity	-	-	-	-	-
Issue/repay debt	(1)	-	(10)	(10)	(10)
Dividends paid	(292)	(305)	(305)	(305)	(305)
Other finance.CF	(17)	(22)	(11)	(4)	(2)
C.F - Finance	(310)	(327)	(326)	(318)	(317)
Chg. in cash	(243)	215	(681)	66	382
Closing cash	519	738	57	123	505

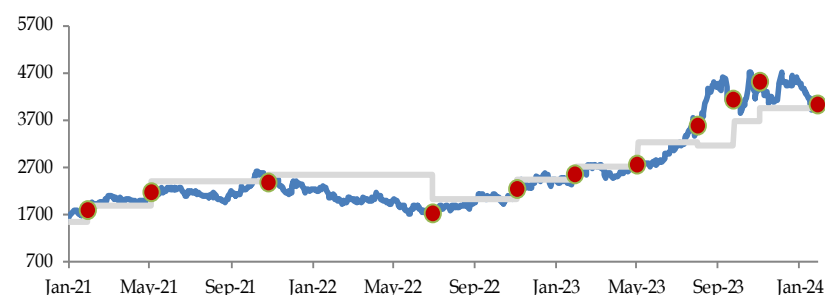
BALANCE SHEET

Y.E March (Rs. cr)	FY22A	FY23A	FY24E	FY25E	FY26E
Cash	519	738	57	123	505
Accounts Receivable	467	492	580	679	799
Inventories	1,260	1,386	1,564	1,785	2,101
Other Cur. Assets	351	353	622	760	895
Investments	476	577	857	1,137	1,417
Gross Fixed Assets	3,606	4,144	5,044	5,744	6,344
Net Fixed Assets	1,761	2,059	2,657	3,006	3,207
CWIP	155	84	80	90	90
Intangible Assets	8	5	5	5	5
Def. Tax (Net)	(90)	(91)	(91)	(91)	(91)
Other Assets	-	-	-	-	-
Total Assets	4,905	5,603	6,332	7,495	8,929
Current Liabilities	794	904	739	810	953
Provisions	32	35	72	84	99
Debt Funds	38	39	29	19	9
Other Liabilities	197	224	317	417	491
Equity Capital	25	25	25	25	25
Reserves & Surplus	3,819	4,377	5,150	6,139	7,351
Shareholder's Fund	3,844	4,402	5,176	6,165	7,376
Total Liabilities	4,905	5,603	6,332	7,495	8,929
BVPS (Rs.)	303	347	407	485	581

RATIOS

Y.E March	FY22A	FY23A	FY24E	FY25E	FY26E
Profitab. & Return					
EBITDA margin (%)	16.0	13.0	15.2	15.5	15.5
EBIT margin (%)	13.0	10.2	12.2	12.5	12.6
Net profit mgn.(%)	12.5	9.4	10.7	11.0	10.9
ROE (%)	27.6	21.0	22.5	22.8	22.4
ROCE (%)	27.5	20.9	22.5	22.8	22.4
W.C & Liquidity					
Receivables (days)	20.1	19.0	19.4	19.5	19.4
Inventory (days)	47.4	52.5	53.4	51.8	51.0
Payables (days)	49.1	47.0	43.6	34.7	33.6
Current ratio (x)	3.1	3.2	3.5	3.7	4.1
Quick ratio (x)	1.1	1.4	0.8	0.8	0.8
Turnover & Leverage					
Gross asset T.O (x)	2.2	2.4	2.2	2.2	2.3
Total asset T.O (x)	1.7	1.8	1.7	1.7	1.7
Int. coverage ratio (x)	196.6	116.7	109.6	410.1	833.1
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0
Valuation					
EV/Sales (x)	6.5	5.5	5.1	4.3	3.6
EV/EBITDA (x)	40.7	42.0	33.3	27.8	23.5
P/E (x)	52.7	59.0	47.3	39.4	33.7
P/BV (x)	13.3	11.6	9.9	8.3	6.9

Recommendation summary (Last 3 Years)



Source: Bloomberg, Geojit Research.

Investment Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral			

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside.

Sell: Exit from the stock.

Not rated/Neutral: The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review

General Disclosures and Disclaimers

CERTIFICATION

I, ANIL R, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of GeojitFinancial Services Limited, hereinafter referred to as Geojit.

For General disclosures and disclaimer: Please Visit : <https://www.geojit.com/research-disclosures#fundamental-research>

REGULATORY DISCLOSURES:

Group companies of Geojit Financial Services Limited are Geojit Technologies Private Limited (Software Solutions provider), Geojit Credits Private Limited (NBFC), Geojit Investment Limited (financial Services Company (yet to start operations)), Geojit Techloan Private Ltd(P2P lending (yet to start operations)), Geojit IFSC Ltd (a company incorporated under IFSC Regulations(yet to start operations)), Qurum Business Group Geojit Securities LLC (a joint venture in Oman engaged in Financial Services), Barjeel Geojit Financial Services LLC (a joint venture in UAE engaged in Financial Services), Aloula Geojit Capital Company (a joint venture in Saudi Arabia (Under Liquidation)) and BBK Geojit Securities Co. K.S.C.C (a subsidiary in Kuwait-engaged in Financial services). In the context of the SEBI Regulations on Research Analysts (2014), GEOJIT affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

1. Disclosures regarding Ownership:

Geojit confirms that:

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein.

It/its associates have no actual/beneficial ownership of 1% or more in relation to the subject company (ies) covered herein.

Further, the Analyst confirms that:

he, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company.

he, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered

2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by Geojit regarding the compensation paid to its Research Analyst:

Geojit hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I ANIL R, Research Analyst(s) of Geojit have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

6. Standard Warning: "Investment in securities market are subject to market risks. Read all the related documents carefully before investing."

7. Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing .

Geojit Financial Services Ltd. Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: www.geojit.com. For investor queries: customercare@geojit.com. **Compliance officer:** Ms. Indu K. Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi - 682024; Phone: +91 484-2901367; Email: compliance@geojit.com. **For grievances: Grievance Officer:** Mr Nitin K; Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi - 682024; Phone: +91 484-2901363; Email: grievances@geojit.com. Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: INH200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226.

