

January 20, 2025

RESULT REPORT Q3 FY25 | Sector: Building Materials

Supreme Industries Ltd

Sluggish demand keeps performance under-pressure, contraction in margins was higher Vs est; downgrade to NEUTRAL!

Result Synopsis

Supreme Industries Ltd (SI), reported muted performance for Q3FY25. Revenue grew by mere 2.5%YoY while margins contracted to 9-quarter low at 12.3%. Plastic pipe segment's volumes grew by 4%YoY Vs our est of 7% growth. However, major miss on revenue was on account of steep fall in ASP of pipes on sequential basis which came in at Rs132/Kg Vs Rs141 in Q2FY25 respectively. Consequently, margins for pipes stood at Rs10.9/Kg (9-quarter low) on EBIT basis Vs Rs17.4/Rs14.7 in Q3FY24/Q2FY25 respectively. Overall, tepid demand across infra and project segment coupled with no major stocking in dealer-network due to confusion over implementation of BIS weighed on volume trajectory. Incrementally, volume-push strategy and minor element of inventory loss dented operating margins.

Guidance

Management revised their guidance downwards for FY25E; for pipes company expects volume growth of 15-16% Vs 16-18% earlier and overall volume growth of 12% Vs previous guidance of 14-15%. For FY25E, management expects to generate turnover of Rs110Bn. Going by management's expectation, company needs to grow plastic pipe volumes by ~34%YoY and overall volumes by ~24%YoY in Q4FY25E and report a topline growth of ~20%YoY to achieve the targeted revenue for FY25E.

Our View

Given the current demand scenario and post factoring an improvement in Q4FY25E owing to channel restocking and pick-up in infra spends from few states, we do not believe that the said guidance can be achieved. We have revised our volume growth expectation from 14% for FY25E to 8% and further reduced our EBIT/Kg est to Rs14 for pipes (~10.5% margins). Also, we don't expect any major improvement in other segments as well. Overall, we have revised our EPS downwards by 17%/12%/16% for FY25E/FY26E/FY27E respectively. Owing to lower growth and headwinds on margin front, we have re-valued the company at P/E(x) of 40x on FY27E standalone EPS, arriving at target price of Rs4,235 (including Rs206/share contribution from Supreme Petrochem). Hence, we have downgraded the stock to NEUTRAL.

Result Highlights

- Overall volumes came in at 162,733Te (in-line with our est), a growth of 3%YoY & 18%QoQ (2-year CAGR stood at 8%). In a recent interview, based on management's guidance to end the year with a 12%YoY overall volume growth, the ask rate for Q4FY25E is 24%YoY over Q4FY24.

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	25,099	26,438	27,320	(5.1)	(8.1)	
EBITDA	3,090	3,780	3,987	(18.3)	(22.5)	
EBITDA Margin (%)	12.3	14.3	14.6	-199 bps	-228 bps	Below estimates.
Adjusted PAT	1,796	2,366	2,612	(24.1)	(31.2)	

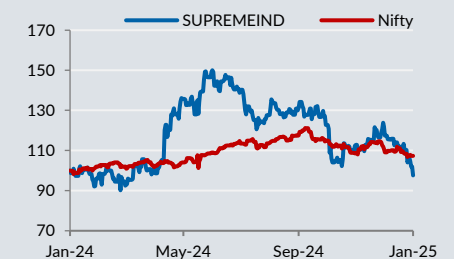
Source: Company, YES Sec

Reco	: NEUTRAL
CMP	: Rs 4,022
Target Price	: Rs 4,235
Potential Return	: +5.3%

Stock data (as on Jan 20, 2025)

Nifty	23,345
52 Week h/l (Rs)	6,460 / 3,601
Market cap (Rs/USD mn)	548,566 / 6,342
Outstanding Shares (mn)	127
6m Avg t/o (Rs mn):	1,089
Div yield (%):	0.7
Bloomberg code:	SI IN
NSE code:	SUPREMEIND

Stock performance



	1M	3M	1Y
Absolute return	-16.9%	-20.5%	-1.2%

Shareholding pattern (As of Dec'24 end)

Promoter	48.9%
FII+DII	36.7%
Others	14.5%

Δ in stance

(1-Yr)	New	Old
Rating	NEUTRAL	BUY
Target Price	4,235	5,827

Δ in earnings estimates

	FY25E	FY26E	FY27E
EPS (New)	74.8	90.3	100.7
EPS (Old)	89.9	102.3	120.0
% change	-17%	-12%	-16%

Financial Summary (standalone)

(Rs mn)	FY25E	FY26E	FY27E
Net Revenue	106,891	118,549	131,570
YoY Growth	5%	11%	11%
EBITDA	14,968	17,981	19,890
EBITDA (%)	14.0%	15.2%	15.1%
PAT	9,509	11,469	12,799
YoY Growth	-6%	21%	12%
ROE	20%	20%	19%
EPS	74.8	90.3	100.7
P/E	53.7	44.6	39.9
BV/Share	409.4	479.7	560.5
P/BV	9.8	8.4	7.2

UDIT GAJIWALA

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SHALIN DAMANI, Associate

- Revenue stood at Rs25.1Bn (5% below estimates & 8% below consensus), a growth of 2.5%YoY & 10%QoQ.
- EBITDA margins came in at 12.3% (est of 14.3% & consensus est of 14.6%) Vs 15.5%/14.0% in Q3FY24/Q2FY25 respectively. Absolute EBITDA stood at Rs3.09Bn, an 18.5%YoY & 3%QoQ degrowth.
- Net profit stood at Rs1.80Bn, a decline of 27%YoY & 18%QoQ.

Segmental Highlights for Q3FY25:

- **Plastic Pipes (78% of total volumes & 67% of revenue):** Volumes stood at 126,515Te, growth of 4%YoY & 24%QoQ (2-year CAGR stood at 10%). ASP came in at Rs132 Vs Rs135/Rs141 in Q3FY24/Q2FY25 respectively. In recent interview, management guided 15-16%YoY growth rate for FY25E for plastic pipes. To achieve this company's plastic pipes volumes has to grow by ~31-34%YoY in Q4FY25E. Revenue remained flattish YoY & increased by 16%QoQ to Rs16.65Bn. EBIT/Kg came in at Rs10.9 Vs Rs17.4/Rs14.7 in Q3FY24/Q2FY25 respectively.
- **Industrials:** Volumes stood at 15,472Te, a decline of 5%YoY & a growth of 2%QoQ (2-year CAGR stood at 2%). ASP came in at Rs215 Vs Rs205/Rs217 in Q3FY24/Q2FY25 respectively. Revenue stood at Rs3.32Bn, flattish on a both YoY & QoQ basis. EBIT/Kg stood at Rs17.6 as compared to Rs18.3/Rs18.5 in Q3FY24/Q2FY25 respectively.
- **Packaging:** Volumes stood at 16,281Te, a 9%YoY growth & 2%QoQ degrowth (2-year CAGR stood at 6%). ASP came in at Rs245 Vs Rs236/Rs241 in Q3FY24/Q2FY25 respectively. Revenue increased by 13%YoY and remained flat on sequential basis to Rs3.98Bn. EBIT/kg stood at Rs27.1 Vs Rs31/Rs24.7 in Q3FY24/Q2FY25 respectively.
- **Consumer:** Volumes degrew by 7%YoY & improved by 8%QoQ to 4,465Te (2-year CAGR stood at -5%). ASP came in at Rs238 Vs Rs234/Rs251 in Q3FY24/Q2FY25 respectively. Revenue declined by 5%YoY & increased by 2%QoQ to Rs1.06Bn. EBIT/Kg came in at Rs37.9 Vs Rs40.8/Rs41.1 in Q3FY24/Q2FY25 respectively.

Exhibit 2: Quarterly Snapshot:

Rs mn	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	% yoy	% qoq	9M FY24	9M FY25	% yoy
Revenue	23,087	24,491	30,079	26,364	22,730	25,099	2.5	10.4	71,263	74,192	4.1
Expenditure	19,522	20,698	25,169	22,487	19,536	22,009	6.3	12.7	60,688	64,033	5.5
- RM	15,357	16,405	20,262	17,958	14,886	17,289	5.4	16.1	48,322	50,133	3.7
- Staff Cost	1,056	1,096	1,228	1,210	1,195	1,148	4.8	(3.9)	3,182	3,553	11.7
- Power Cost	781	851	863	866	821	895	5.2	9.1	2,425	2,582	6.5
- Other Cost	2,328	2,346	2,816	2,454	2,634	2,676	14.1	1.6	6,759	7,765	14.9
Operating Profit	3,565	3,793	4,910	3,876	3,193	3,090	(18.5)	(3.2)	10,575	10,159	(3.9)
OPM(%)	15.4	15.5	16.3	14.7	14.0	12.3	(317.6)	(173.8)	14.8	13.7	(114.7)
Other Income	532	323	181	214	556	234	(27.6)	(57.9)	997	1,004	0.7
Depreciation	719	772	772	860	899	913	18.2	1.5	2,212	2,673	20.8
Interest	15	52	77	33	26	30	(42.2)	13.7	84	89	6.4
PBT	3,363	3,292	4,242	3,197	2,823	2,381	(27.7)	(15.7)	9,276	8,401	(9.4)
Tax	763	818	1,097	836	629	584	(28.6)	(7.1)	2,259	2,049	(9.3)
PAT	2,600	2,474	3,145	2,361	2,194	1,796	(27.4)	(18.1)	7,017	6,352	(9.5)
OCI	(7)	(7)	(46)	(17)	(17)	(17)	138.0	0.0	(21)	(51)	138.0
Reported PAT	2,593	2,467	3,099	2,345	2,177	1,780	(27.9)	(18.3)	6,996	6,301	(9.9)

Source: Company, YES Sec

Exhibit 3: Operational Numbers:

Particulars	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	% yoy	% qoq	9M FY24	9M FY25	% yoy
Volumes (Te)											
Plastic pipe	102,929	122,003	158,795	140,153	102,238	126,515	3.7	23.7	342,206	368,906	7.8
Packaging	14,890	14,998	15,051	14,717	16,593	16,281	8.6	(1.9)	43,456	47,591	9.5
Industrial	15,425	16,231	16,871	14,963	15,110	15,472	(4.7)	2.4	45,065	45,545	1.1
Consumer	4,519	4,793	4,652	4,002	4,136	4,465	(6.8)	8.0	13,605	12,603	(7.4)
Revenue (Rs mn)											
Plastic pipe	15,093	16,437	21,530	18,584	14,380	16,649	1.3	15.8	47,790	49,613	3.8
Packaging	3,522	3,540	3,760	3,681	4,000	3,982	12.5	(0.4)	10,293	11,663	13.3
Industrial	3,258	3,320	3,520	3,064	3,280	3,324	0.1	1.3	9,563	9,667	1.1
Consumer	1,054	1,123	1,180	972	1,040	1,064	(5.3)	2.3	3,227	3,076	(4.7)
EBIT%											
Plastic pipe	13.3%	13.0%	13.6%	12.4%	10.4%	8.3%	(468)	(216)	12.7%	10.5%	(225)
Packaging	13.6%	13.1%	18.0%	11.4%	10.3%	11.1%	(207)	83	11.6%	10.9%	(74)
Industrial	7.7%	8.9%	11.2%	6.4%	8.5%	8.2%	(75)	(35)	7.7%	7.7%	1
Consumer	16.6%	17.4%	17.4%	16.5%	16.3%	15.9%	(151)	(45)	17.0%	16.3%	(73)

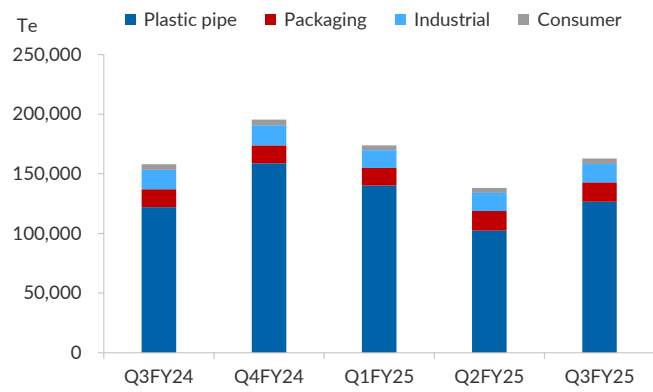
Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

- Management has revised earlier volume guidance of 16-18% for plastic pipes and 14-15% overall to 15-16% for plastic pipes & ~12% overall. Blended margin guidance was revised lower from 14.5-15.25% to 13.5-14% for FY25E as ASP was reduced to match imports.
- Company has incurred inventory loss of ~Rs1Bn for the 9MFY25 in PVC & polyethylene. However, PVC price trend has turned bullish according to the management.
- In Q3FY25, housing demand was average and infra demand was almost non-existent owing to lower government spending. With demand scenario improving post mid-Jan after Sankranti, company expects to have plastic pipes volumes of 200,000Te for Q4FY25.
- Overall plastic pipes industry in India grew by ~1%YoY for 9MFY25 (including PVC, CPVC, PE etc.). Company has grown by ~7.5%YoY overall and ~11.5%YoY excluding infra over similar period. PVC pipes country and Supreme have both grown by ~11%YoY in 9MFY25 and in CPVC, company has grown faster at ~20%YoY for 9MFY25 Vs country at ~9%YoY over similar period.
- With multiple brownfield expansions in place, company expects to grow by 3-4% faster than the country for FY25E. With all expansions complete, plastic pipes capacity is expected to increase to 900,000Te by FY25E end from 820,000Te as on 31 Dec'24.
- Three new greenfield plants for plastic piping division at Jammu, Bihar and Madhya Pradesh are expected to be executed in FY26E and land for all three is already in company's possession.
- Supreme has placed orders for all necessary equipment and the work on civil construction has started at its new site at Kanpur Dehat in U.P. for making Windows with a 5,000Te pa capacity (market size for the same is 130,000Te). In the first phase, Company has planned to put entire window making facilities at Kanpur and cater to customers in Uttar Pradesh, Uttarakhand and NCR. Windows is expected to be launched in H1FY2026E.
- Cross laminated film segment is expected to grow by 20%+ for FY25E.
- Company has added 12 new models in 9MFY25 in furniture segment. Total showrooms have increased from 308 as on FY24 to 337 as on Dec'24.
- O-PVC lines have increased from 1 to 3 by Q3FY25 taking the total capacity to 9,000Te pa. Remaining 7 lines are expected to come online by FY28E. Management is expecting volume sales of 6,000-7,000Te for FY26E.
- Company saw a 20%+YoY growth rate for CPVC segment in Q3FY25.
- LPG cylinder industry in India is 40Mn+ nos. Only 2 players are currently present in the segment. Supreme has a 2Mn nos. pa capacity.
- 42% of products sold are value-added and company expects to increase the same going ahead.
- Total capex of ~Rs15Bn committed of which the total cash outflow towards capex has been Rs7.18Bn during 9MFY25 and is likely to reach around Rs10Bn for the year. Entire capex outflow shall be funded from internal accruals.

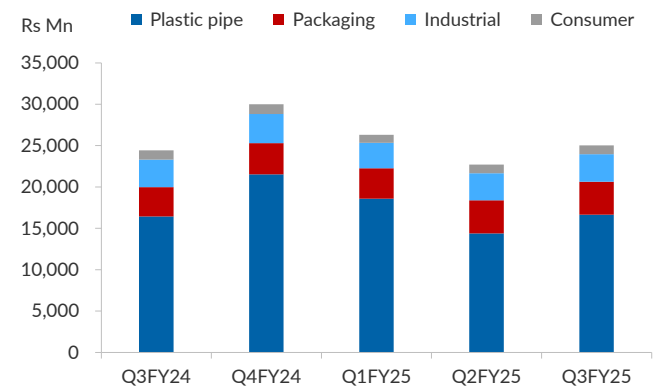
QUARTERLY TRENDS

Exhibit 4: Total volume increased by 3%YoY...



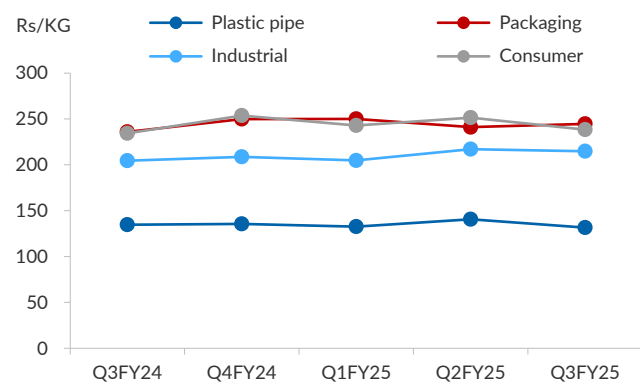
Source: Company, YES Sec

Exhibit 5: Plastic pipes revenue remained flattish YoY...



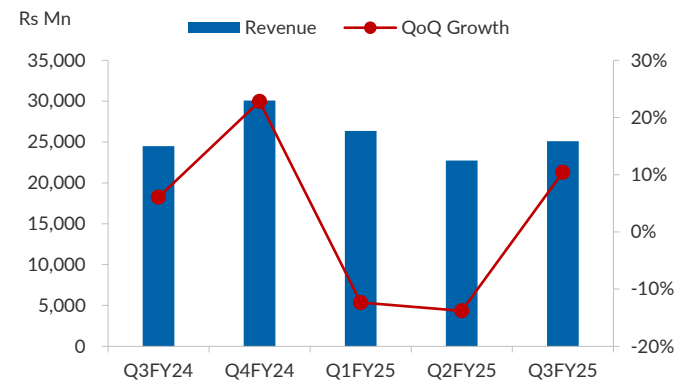
Source: Company, YES Sec

Exhibit 6: Pipes ASP declined to Rs132/kg ...



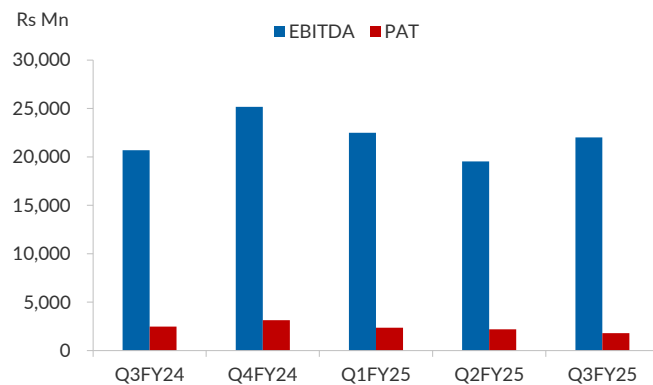
Source: Company, YES Sec

Exhibit 7: Net revenue grew by 2.5%YoY...



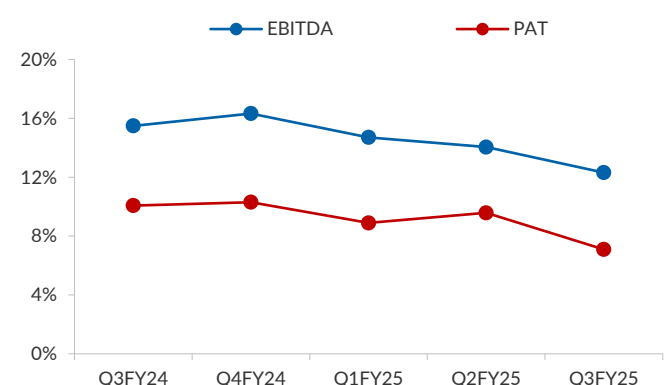
Source: Company, YES Sec

Exhibit 8: Operating profit improved by 6%YoY...



Source: Company, YES Sec

Exhibit 9: OPM & NPM came in at 12% & 7%...



Source: Company, YES Sec

FINANCIALS

Exhibit 10: Income Statement (standalone)

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenues	92,015	101,342	106,891	118,549	131,570
Growth (%)	18.4%	10.1%	5.5%	10.9%	11.0%
EBITDA	12,000	15,485	14,968	17,981	19,890
EBITDA margin (%)	13.0%	15.3%	14.0%	15.2%	15.1%
Growth (%)	-3.4%	29.0%	-3.3%	20.1%	10.6%
Depreciation & Amortization	2,634	2,984	3,491	4,021	4,374
Other income	819	1,178	1,252	1,381	1,599
EBIT	10,185	13,679	12,728	15,341	17,115
EBIT margin (%)	11.1%	13.5%	11.9%	12.9%	13.0%
Interest	80	161	50	50	50
PBT	10,104	13,518	12,678	15,291	17,065
Tax	2,460	3,357	3,170	3,823	4,266
Net profit	7,645	10,162	9,509	11,469	12,799
Net profit margin (%)	8.3%	10.0%	8.9%	9.7%	9.7%
EPS	60.2	80.0	74.8	90.3	100.7
Growth (%)	-5.8%	32.9%	-6.4%	20.6%	11.6%

Source: Company, YES Sec

Exhibit 11: Balance Sheet (standalone)

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	254	254	254	254	254
Reserves	38,194	44,731	51,766	60,694	70,952
Total Shareholders' Funds	38,448	44,985	52,020	60,948	71,206
Deferred Tax liabilities	908	960	960	960	960
Trade payables	9,047	10,153	10,573	11,283	12,250
Other financial liabilities	1,244	1,433	1,433	1,433	1,433
Total equity and liabilities	51,376	59,449	66,904	76,542	87,767
Non-current assets					
PPE	19,764	21,801	28,310	29,289	29,915
CWIP	837	1,437	1,437	1,437	1,437
Current assets					
Inventories	13,856	13,586	14,147	15,097	16,391
Trade receivables	4,918	5,111	5,391	5,979	6,636
Cash and cash equivalents	7,452	11,862	11,967	19,088	27,736
Loans and advances	19	25	25	25	25
Other current assets	2,416	2,261	2,261	2,261	2,261
Total assets	51,376	59,449	66,904	76,542	87,767

Source: Company, YES Sec

Exhibit 12: Cash Flow (standalone)

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	10,104	13,518	12,746	15,291	17,065
Depreciation & Amortization	2,634	2,984	3,491	4,021	4,374
Finance cost	80	161	50	50	50
(Incr)/Decr in Working Capital	(770)	1,789	(422)	(828)	(984)
Taxes	(2,375)	(3,232)	(3,170)	(3,823)	(4,266)
Cash from ops.	8,914	14,128	12,696	14,711	16,239
(Incr)/ Decr in PP&E	(4,214)	(6,855)	(10,000)	(5,000)	(5,000)
Cash Flow from Investing	(3,489)	(6,085)	(10,000)	(5,000)	(5,000)
(Decr)/Incr in Borrowings	0	0	0	0	0
Finance cost	(15)	(39)	(50)	(50)	(50)
Dividend	(3,049)	(3,557)	(2,541)	(2,541)	(2,541)
Cash Flow from Financing	(3,270)	(3,817)	(2,591)	(2,591)	(2,591)
Incr/(Decr) in cash	2,156	4,226	105	7,120	8,648
Cash and cash equivalents at beg of year	5,175	7,377	11,862	11,967	19,088
Cash and cash equivalents at end of year	7,377	11,782	11,967	19,088	27,736

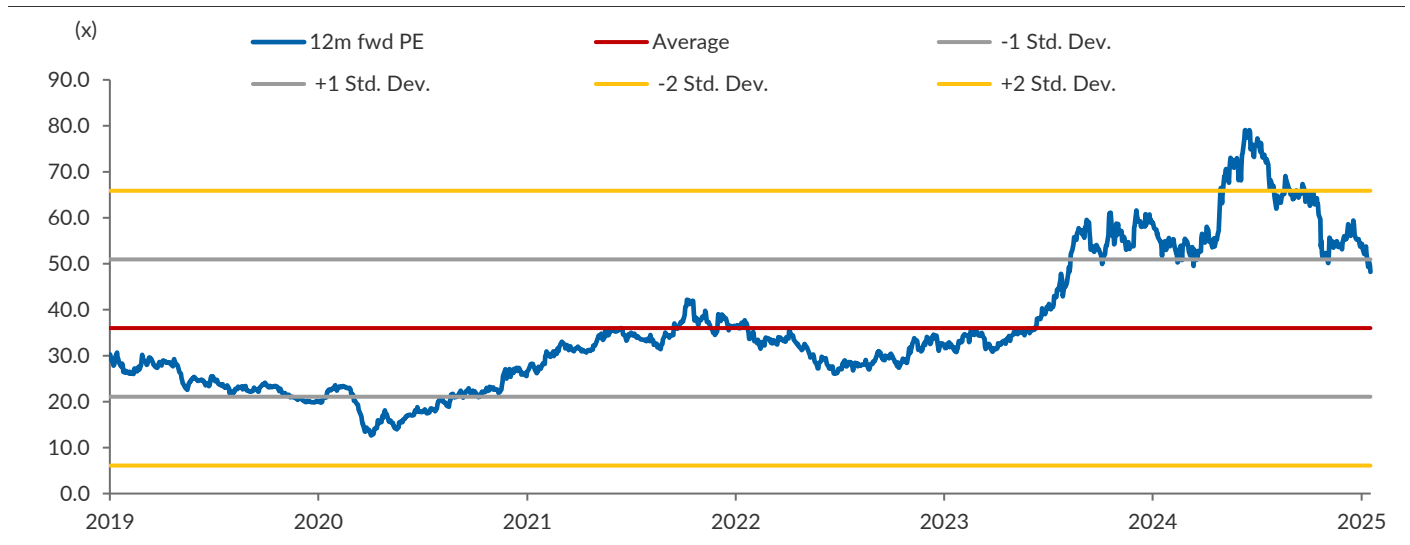
Source: Company, YES Sec

Exhibit 13: Ratios (standalone)

Key Ratios	FY23	FY24	FY25E	FY26E	FY27E
Growth Matrix (%)					
Revenue growth	18.4%	10.1%	5.5%	10.9%	11.0%
EBITDA growth	-3.4%	29.0%	-3.3%	20.1%	10.6%
EBIT growth	-5.7%	34.3%	-7.0%	20.5%	11.6%
PAT growth	-5.8%	32.9%	-6.4%	20.6%	11.6%
Profitability ratios (%)					
EBITDA margin	13.0%	15.3%	14.0%	15.2%	15.1%
EBIT margin	11.1%	13.5%	11.9%	12.9%	13.0%
PAT margin	8.3%	10.0%	8.9%	9.7%	9.7%
RoCE	27.0%	31.5%	25.3%	26.3%	25.2%
RoE	21.1%	24.4%	19.6%	20.3%	19.4%
Per share values					
EPS	60.2	80.0	74.8	90.3	100.7
CEPS	80.9	103.5	102.3	121.9	135.2
BVPS	302.6	354.1	409.4	479.7	560.5
Valuation ratios (x)					
P/E	51.6	54.2	53.7	44.6	39.9
P/CEPS	38.4	41.9	39.3	33.0	29.8
P/B	10.3	12.3	9.8	8.4	7.2
EV/EBITDA	32.2	34.8	33.3	27.4	24.3
Leverage ratios (x)					
Debt/ Equity	0.0	0.0	0.0	0.0	0.0
Net debt/Equity	(0.2)	(0.3)	(0.2)	(0.3)	(0.4)
Net debt/EBITDA	(0.6)	(0.8)	(0.8)	(1.1)	(1.4)
Int coverage	127.0	84.9	254.6	306.8	342.3
NWC days					
Receivables	20	18	18	18	18
Inventory	77	72	72	72	72
Payables	50	54	54	54	54

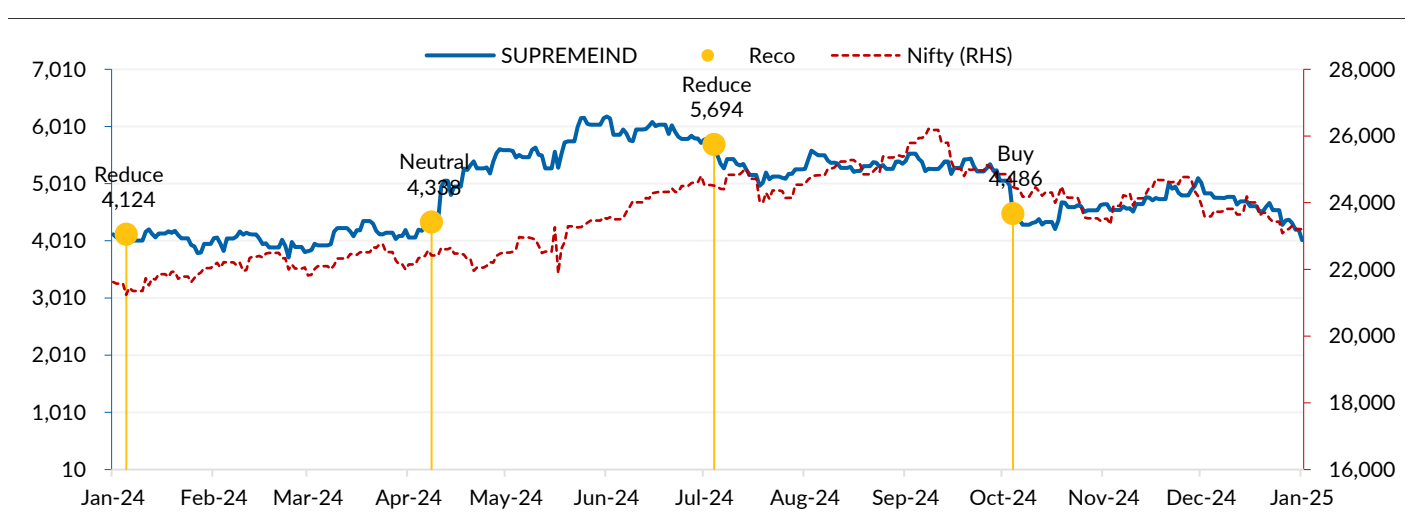
Source: Company, YES Sec

Exhibit 14: 1-year forward P/E (x) chart



Source: Company, YES Sec

Recommendation Tracker



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Details of Compliance Officer: Aditya Goenka | Email: compliance@ysil.in / Contact No.: 022-65078127 | **Grievances Redressal Cell:** customer.service@ysil.in / igc@ysil.in

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Analyst signature

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