

Retail Equity Research
Supreme Industries Ltd.

SELL

Plastic Products

BSE CODE : 509930 NSE CODE: SUPREMEIND
BLOOMBERG CODE: SI:IN SENSEX : 81,868

12 Months Investment Period Rating as per Mid Cap
CMP Rs.5,249 TARGET Rs.4,718 RETURN -10% ↓
(Closing: 01-08-24)

KEY CHANGES: TARGET ↓ RATING ↓ EARNINGS ↓

Premium valuation a concern...

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.

- In Q1FY25, revenue grew by 11% YoY, which was lower than our estimates by 5% on account of a fall in realization by 4.5%.
- Overall sales volume grew by a robust 17.0% YoY, led by a 20.0% YoY increase in pipe volumes, owing to strong demand from real estate and construction, which is expected to sustain.
- EBITDA margins stood at 14.7%, saw a 110bps YoY expansion and Net profit grew by 27% YoY but missed our estimates by 5%.
- We remain optimistic, anticipating a 20.0% CAGR in PAT over FY24-26E, supported by healthy EBITDA margins at 15.6%.
- SIL's long term looks healthy given robust volume growth momentum in pipes, likely market share gains, healthy margins, and a strong profitability.
- However, SIL is trading at 1 Yr FWD P/E of 47x, which is expensive. So value SIL at a P/E of 39x on FY26E EPS, downgrade to SELL from Hold with a TP of Rs. 4,718.

Pipe volumes healthy... realization impacted

SIL's Q1FY25 revenue rose by ~11.3% YoY, driven by healthy volume growth, up 17% YoY. Piping segment volume surged by 20% YoY, while Industrial segment and packaging volume grew by a healthy 12% and 9% YoY, respectively. Whereas consumer volume declined by -7% YoY due to heightened competition. Despite robust volume growth, revenue was impacted by a 4.5% YoY decline in realization, primarily due to volatility in PVC prices. Management anticipates sustaining volume growth with improved affordability and strong demand from housing and agricultural sectors, aiming for 20% volume growth in FY25. SIL initiated brownfield expansions and plans to invest in new plants to meet demand, with a total capex of Rs.1,500cr planned for FY25. We anticipate a 16.0% CAGR in volume and a 19.6% CAGR in revenue from FY24-26E.

Anticipate margins to stabilize at ~15.6% during FY24-26E

In Q1FY25, SIL saw a healthy 20.4% YoY growth in EBITDA, with margins improved by 110bps YoY to 14.7%. Net profit grew by 27% YoY at Rs.273.4cr. The share of profit from Supreme Petro increased by 76% YoY. Going ahead, robust volume growth and favourable input prices are expected to support margins. EBITDA margins are projected to remain steady at ~15.6% over FY24-26E, with profitability anticipated to grow by a 21.3% CAGR over the same period.

Other highlights...

- ◆ Composite LPG cylinder division received LoI from IOC (Indian oil corporation Ltd) to supply of 2,31,035 nos. of cylinders during the year.
- ◆ Polyethylene Gas piping system is expected to be launched by October 2024 from Gadegaon unit.

Valuations

SIL is trading at a 1 year forward P/E of 47x, which is 33% premium valuation to its long term average. We value SIL at a P/E of 39x on FY26E EPS and downgrade to SELL from BUY with a target price of Rs. 4,718

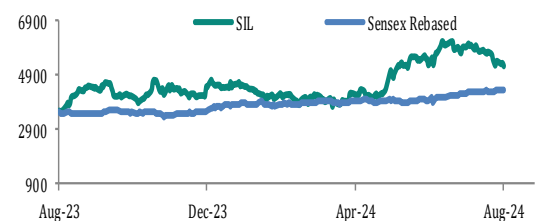
Company Data

Market Cap (cr)	₹ 66,681
Enterprise Value (cr)	₹ 65,574
Outstanding shares (cr)	12.7
Free Float %	51.2
Dividend Yield	0.47%
52 week high	₹ 6,482
52 week low	₹ 3,470
6m average volume (cr)	0.01
Beta	0.8
Face value	₹ 2

Shareholding (%)	Q3FY24	Q4FY24	Q1FY25
Promoters	48.9	48.9	48.9
FII's	24.9	24.7	25.1
MFs/Insti	11.9	11.4	11.5
Public	14.5	15.0	14.6
Total	100	100	100
Promoter Pledge (%)	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1 Year
Absolute Return	5.5%	27.0%	47.6%
Absolute Sensex	10.8%	13.6%	23.2%
Relative Return*	-5.3%	13.4%	24.4%

* over or under performance to benchmark index



Consolidated (cr)	FY24A	FY25E	FY26E
Sales	10,134	12,005	14,505
Growth (%)	10.1	18.5	20.8
EBITDA	1,547	1,885	2,234
EBITDA Margin(%)	15.3	15.7	15.4
PAT Adj.	1070	1311	1537
Growth (%)	23.6	22.6	17.2
Adj.EPS	84.2	103.2	121.0
Growth (%)	23.6	22.6	17.2
P/E	62.3	50.8	43.4
P/B	13.1	11.0	9.2
EV/EBITDA	42.4	35.1	29.6
ROE (%)	22.5	23.5	23.1
D/E	0.0	0.0	0.0

ANIL R
Research Analyst

Quarterly Financials

Profit & Loss

Rs.cr	Q1FY25	Q1FY24	YoY Growth (%)	Q4FY24	QoQ Growth (%)
Sales	2,636	2,369	11.3	3,008	-12.4
EBITDA	387	322	20.4	491	-21.1
EBITDA margin	11.4	10.5	89bps	13.7	-232bps
Depreciation	86	72	19.4	77	11.5
EBIT	301	250	20.7	414	-27.1
Interest	3	2	97.0	8	-56.9
Other Income	21	14	51.0	18	18.5
Exceptional Items	-	-	-	-	-
PBT	319	262	21.9	424	-24.6
Tax	84	68	23.2	110	-23.8
Share of profit from Associate	38	21	76.0	41	-
Minority Interest	-	-	-	-	-
Reported PAT	273	216	26.8	355	-23.0
Adjustments	-	-	-	-	-
Adjusted PAT	273	216	26.8	355	-23.0
No. of Shares	13	13	-	62.5	-
EPS (Rs)	21.5	17.0	26.8	27.9	-23.0

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	11,946	14,440	12,005	14,505	0.5%	0.4%
EBITDA	1,840	2,238	1,885	2,234	2.4%	-0.2%
Margins (%)	15.4	15.5	15.7	15.4	30bps	-10bps
Adj. PAT	1,287	1,565	1,311	1,537	1.9%	-1.8%
EPS	101.3	123.2	103.2	121.0	1.9%	-1.8%

Consolidated Financials

PROFIT & LOSS

Y.E March (Rs.cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Revenue	7,773	9,202	10,134	12,005	14,505
% change	22.3	18.4	10.1	18.5	20.8
EBITDA	1,242	1,200	1,547	1,885	2,234
% change	(3.3)	(3.4)	29.0	21.8	18.5
Depreciation	230	263	298	361	434
EBIT	1,013	936	1,249	1,524	1,800
Interest	5	8	16	16	13
Other Income	20	30	66	80	95
PBT	1,027	958	1,299	1,589	1,882
% change	(3.6)	(6.8)	35.5	22.3	18.5
Tax	263	246	336	397	471
Tax Rate (%)	25.6%	25.7%	25.8%	25.0%	25.0%
Reported PAT	968	865	1,070	1,311	1,537
Adj*	-	-	-	-	-
Adj PAT	968	865	1,070	1,311	1,537
% change	(1.0)	(10.6)	23.6	22.6	17.2
No. of shares (cr)	12.7	12.7	12.7	12.7	12.7
Adj EPS (Rs.)	76.2	68.1	84.2	103.2	121.0
% change	-1.0	-10.6	23.6	22.6	17.2
DPS (Rs.)	23.0	24.0	28.0	28.0	28.0
CEPS (Rs.)	94.3	88.9	107.7	131.6	155.1

CASH FLOW

Y.E March (Rs.cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Depn.	1,198	1,129	1,368	1,672	1,971
Non-cash adj.	(250)	(178)	(147)	16	13
Changes in W.C	(494)	(78)	180	(444)	(352)
C.F. Operation	470	890	1,413	1,243	1,631
Capital exp.	(466)	(422)	(547)	(1,106)	(1,000)
Change in inv.	14	19	24	(280)	(280)
Other invest.CF	49	54	53	-	-
C.F - Investment	(403)	(349)	(609)	(1,386)	(1,280)
Issue of equity	-	-	-	-	-
Issue/repay debt	(1)	-	-	(10)	(10)
Dividends paid	(292)	(305)	(356)	(356)	(356)
Other finance.CF	(17)	(22)	(26)	(16)	(13)
C.F - Finance	(310)	(327)	(382)	(381)	(378)
Chg. in cash	(243)	215	423	(524)	(27)
Closing cash	519	738	1,179	654	627

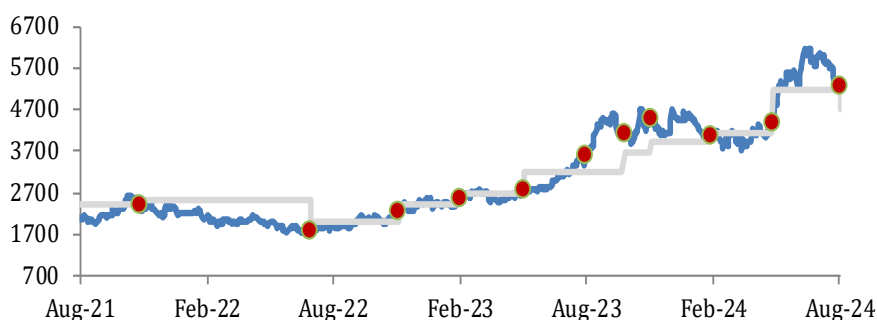
BALANCE SHEET

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	519	738	1,179	654	627
Accounts Receivable	467	492	511	608	735
Inventories	1,260	1,386	1,359	1,633	2,027
Other Cur. Assets	351	353	398	477	576
Investments	476	577	638	918	1,198
Gross Fixed Assets	3,606	4,144	4,600	5,700	6,700
Net Fixed Assets	1,761	2,059	2,265	3,004	3,570
CWIP	155	84	144	150	150
Intangible Assets	8	5	62	62	62
Def. Tax (Net)	(90)	(91)	(96)	(96)	(96)
Other Assets	-	-	-	-	-
Total Assets	4,905	5,603	6,460	7,411	8,850
Current Liabilities	794	904	1,016	1,015	1,226
Provisions	32	35	46	56	68
Debt Funds	38	59	71	61	51
Other Liabilities	197	204	219	215	260
Equity Capital	25	25	25	25	25
Reserves & Surplus	3,819	4,377	5,083	6,039	7,220
Shareholder's Fund	3,844	4,402	5,109	6,065	7,246
Total Liabilities	4,905	5,603	6,460	7,411	8,850
BVPS (Rs.)	303	347	402	477	570

RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab. & Return					
EBITDA margin (%)	16.0	13.0	15.3	15.7	15.4
EBIT margin (%)	13.0	10.2	12.3	12.7	12.4
Net profit mgn.(%)	12.5	9.4	10.6	10.9	10.6
ROE (%)	27.6	21.0	22.5	23.5	23.1
ROCE (%)	27.5	20.9	22.4	23.4	23.0
W.C & Liquidity					
Receivables (days)	20.1	19.0	18.1	17.0	16.9
Inventory (days)	47.4	52.5	49.4	45.5	46.0
Payables (days)	49.1	47.0	51.1	45.4	41.5
Current ratio (x)	3.1	3.2	3.2	3.1	3.1
Quick ratio (x)	1.1	1.2	1.5	0.6	0.6
Turnover & Leverage					
Gross asset T.O (x)	2.2	2.4	2.3	2.3	2.3
Total asset T.O (x)	1.7	1.8	1.7	1.7	1.8
Int. coverage ratio (x)	196.6	116.7	77.5	96.8	140.7
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0
Valuation					
EV/Sales (x)	8.5	7.2	6.5	5.5	4.6
EV/EBITDA (x)	53.3	55.0	42.4	35.1	29.6
P/E (x)	68.9	77.1	62.3	50.8	43.4
P/BV (x)	17.3	15.1	13.1	11.0	9.2

Recommendation summary (Last 3 Years)



Dates	Rating	Target
03-May-23	Buy	3,223
01-August-23	Sell	3,181
25-Septemeber-23	Sell	3,694
02-November-23	Sell	3,949
29-January-24	Hold	4,416
29-April-24	Buy	5173
02-August-24	Sell	4,718

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.

