




# Supreme Industries Ltd.

**Buy**

Sector: Plastic Products

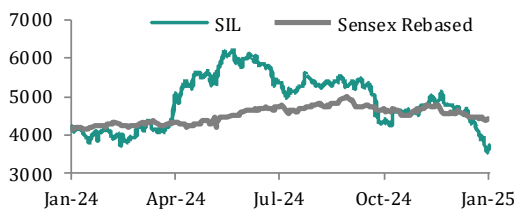
31<sup>st</sup> January 2025

<b>Key Changes</b>	<b>Target</b>		<b>Rating</b>		<b>Earnings</b>		<b>Target</b>	<b>Rs.4,442</b>
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	<b>CMP</b>		<b>Rs.3,771</b>
Mid Cap	SI:IN	76,760	SUPREMEIND	509930	12 Months	<b>Return</b>		<b>+18%</b>

Data as of: 30-01-2025

Company Data			
Market Cap (Rs. cr.)	47,899		
52 Week High — Low (Rs.)	6,482-3,455		
Enterprise Value (Rs. cr)	47,275		
Outstanding Shares (Rs cr)	12.7		
Free Float (%)	51.0		
Dividend Yield (%)	0.77		
6m average volume (cr)	0.12		
Beta	0.9		
Face value (Rs)	2.0		
Shareholding (%)	Q1FY25	Q2FY25	Q3FY25
Promoters	48.9	48.9	48.9
FII's	25.1	25.9	24.7
MFs/Institutions	11.5	10.6	12.0
Public	14.6	14.6	14.5
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-13.6%	-28.6%	-10.1%
Absolute Sensex	-5.2%	-7.0%	6.0%
Relative Return	-8.5%	-21.7%	-16.1%

\* over or under performance to benchmark index



Y.E March (cr)	FY25E	FY26E	FY27E
Sales	10,520	12,212	14,229
Growth (%)	3.8	16.1	16.5
EBITDA	1,567	1,905	2,262
EBITDA Margin (%)	14.9	15.6	15.9
PAT Adjusted	1,053	1,300	1,567
Growth (%)	(1.6)	23.5	20.6
Adjusted EPS	82.9	102.4	123.4
Growth (%)	(1.6)	23.5	20.6
P/E	45.5	36.8	30.6
P/B	8.2	7.1	6.0
EV/EBITDA	30.2	24.8	20.8
ROE (%)	19.3	20.7	21.3
D/E	0.0	0.0	0.0

Author: Anil R - Sr. Research Analyst

## Muted Q3 volumes; yet recovery ahead

**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.**

- Revenue increased by a modest 2.5% YoY, driven by a 3% growth in volumes. However, the volatility in PVC resin prices significantly impacted realizations.
- The piping segment faced multiple challenges, including lower government spending, an extended monsoon season, continued destocking, and a slow-down in the real estate sector, all of which negatively impacted overall volumes. While weak consumer sentiments adversely affected both the industrial and consumer segments.
- EBITDA margins declined by 365bps YoY to 8.7%, primarily due to inventory losses and higher other expenses. Consequently, net profit fell by 27% YoY.
- We anticipate a revival in Q4FY25, driven by increased demand in the agriculture, real estate, and construction sectors. We believe that PVC prices have bottomed out, leading to a revival in demand due to improved affordability..
- We project a 15% CAGR in volume and 20% in revenue from FY25E to FY27E. Profitability is expected to grow at a CAGR of 22% over the same period.

## Outlook & Valuation

Looking ahead, we anticipate a gradual revival in demand for the piping segment, driven by increased government spending and robust demand from the real estate and construction sectors. SIL's long-term prospects appear promising, supported by a strong product portfolio, gaining market share (reason for superior growth vs. peers), healthy margins, and a robust balance sheet. **We value SIL at a P/E of 36x (5yr avg.) based on FY27E EPS and upgrade to "BUY" rating with a target price of Rs. 4,442.**

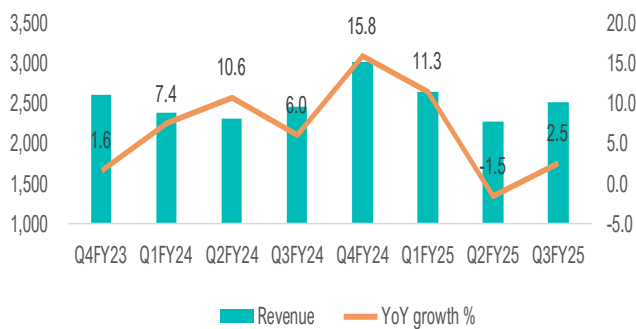
## Quarterly Financials Consol.

Rs.cr	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Sales	2,510	2,449	2.5	2,273	10.4	7,419	7,126	4.1
EBITDA	309	379	(18.5)	319	(3.3)	1,015	1,057	-3.9
EBITDA margin %	8.7	12.3	-365bps	10.1	-142bps	13.7	14.8	-114bps
EBIT	218	302	(27.9)	229	(5.1)	748	835	-10.5
PBT	223	317	(29.5)	242	(7.6)	785	875	-10.3
Reported PAT	187	256	(27.0)	207	(9.5)	667	715	-6.7
Adjusted PAT	187	256	(27.0)	207	(9.5)	667	715	-6.7
EPS (Rs)	15	20	(27.0)	16.3	(9.5)	53	56	-6.7

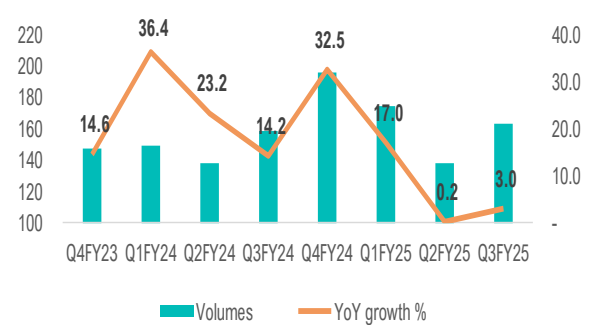
## Key Concall Highlights

- The largest segment, the plastic piping division, was impacted by volatility in PVC resin prices and weak demand from the real estate and construction sectors.
- We expect to see a recovery in Q4FY25, with an improved outlook starting from FY26 led by increased government spending and improved product affordability due to the bottoming out of PVC prices.
- The packaging segment saw an uptick, driven by cross-laminated film. We anticipate a 20% volume growth due to strong orders from institutions.
- Domestic manufacturers are adjusting prices to international prices. There is also an anti-dumping duty on the import of PVC suspension-grade resin, which may affect pricing.
- Out of the committed capital expenditure (Capex) of ₹1,500 crore for FY25, ₹718 crore has been spent.
- Three new greenfield plants for the plastic piping division in Jammu, Bihar, and Madhya Pradesh will become operational in FY26, increasing the division's capacity to 835,000 tons, which represents a 13% increase in capacity.

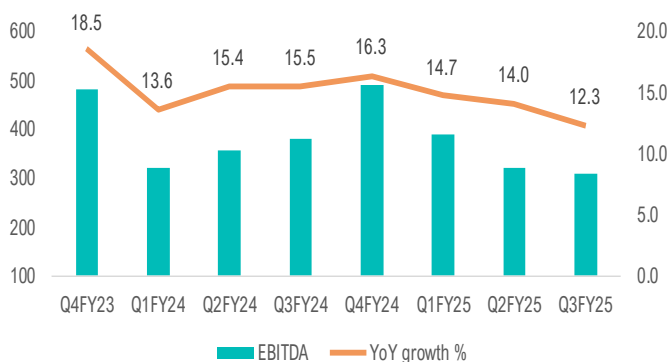
### Revenue



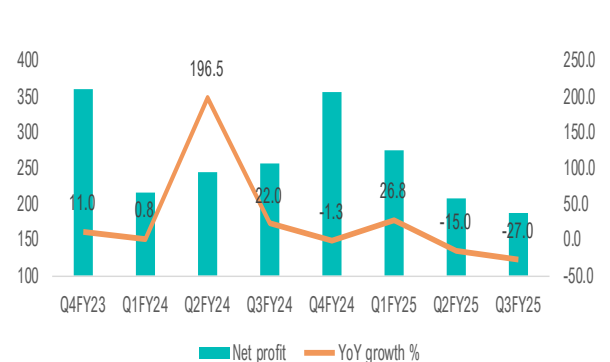
### Volume



### EBITDA



### PAT



## Change in Estimates

Year / Rs cr	Old estimates			New estimates			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	11,290	13,123	15,275	10,520	12,212	14,229	(6.8)	(6.9)	(6.8)
EBITDA	1,744	2,060	2,444	1,567	1,905	2,262	(10.1)	(7.5)	(7.4)
Margins (%)	15.5	15.7	16.0	14.9	15.6	15.9	(60bps)	(10bps)	(10bps)
Adj. PAT	1,197	1,433	1,727	1,053	1,300	1,567	(12.0)	(9.3)	(9.2)
EPS	94.2	112.8	136.0	82.9	102.4	123.4	(12.0)	(9.3)	(9.3)



## Consolidated Financials

### Profit & Loss

Y.E March (Rs.cr)	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Revenue</b>	<b>9,202</b>	<b>10,134</b>	<b>10,520</b>	<b>12,212</b>	<b>14,229</b>
% change	18.4	10.1	3.8	16.1	16.5
<b>EBITDA</b>	<b>1,200</b>	<b>1,547</b>	<b>1,567</b>	<b>1,905</b>	<b>2,262</b>
% change	(3.4)	29.0	1.3	21.5	18.8
Depreciation	263	298	360	404	446
<b>EBIT</b>	<b>936</b>	<b>1,249</b>	<b>1,208</b>	<b>1,501</b>	<b>1,817</b>
Interest	8	16	12	8	7
Other Income	30	66	55	74	80
<b>PBT</b>	<b>958</b>	<b>1,299</b>	<b>1,251</b>	<b>1,567</b>	<b>1,890</b>
% change	(6.8)	35.5	-3.7	25.3	20.6
<b>Tax</b>	<b>246</b>	<b>336</b>	<b>313</b>	<b>392</b>	<b>472</b>
Tax Rate (%)	25.7	25.8	25.0	25.0	25.0
<b>Reported PAT</b>	<b>865</b>	<b>1,070</b>	<b>1,053</b>	<b>1,300</b>	<b>1,567</b>
Adj*	-	-	-	-	-
<b>Adj PAT</b>	<b>865</b>	<b>1,070</b>	<b>1,053</b>	<b>1,300</b>	<b>1,567</b>
% change	(10.6)	23.6	-1.6	23.5	20.6
No. of shares (cr)	12.7	12.7	12.7	12.7	12.7
<b>Adj EPS (Rs.)</b>	<b>68.1</b>	<b>84.2</b>	<b>82.9</b>	<b>102.4</b>	<b>123.4</b>
% change	(10.6)	23.6	-1.6	23.5	20.6
DPS (Rs.)	24.0	28.0	28.0	28.0	28.0
<b>CEPS (Rs.)</b>	<b>88.9</b>	<b>107.7</b>	<b>111.2</b>	<b>134.1</b>	<b>158.5</b>

### CASH FLOW

Y.E March (Rs.cr)	FY23A	FY24A	FY25E	FY26E	FY26E
Net inc. + Depn.	1,129	1,368	1,413	1,704	2,013
Non-cash adj.	(178)	(147)	12	8	7
Changes in W.C	(78)	180	(285)	(211)	(274)
<b>C.F. Operation</b>	<b>890</b>	<b>1,413</b>	<b>1,141</b>	<b>1,502</b>	<b>1,747</b>
Capital exp.	(422)	(547)	(976)	(870)	(820)
Change in inv.	19	24	(280)	(280)	(280)
Other invest.CF	54	53	-	-	-
<b>C.F – Investment</b>	<b>(349)</b>	<b>(609)</b>	<b>(1,256)</b>	<b>(1,150)</b>	<b>(1,100)</b>
Issue of equity	-	-	-	-	-
Issue/repay debt	-	-	(10)	(10)	(10)
Dividends paid	(305)	(356)	(356)	(356)	(356)
Other finance.CF	(22)	(26)	(12)	(8)	(7)
<b>C.F – Finance</b>	<b>(327)</b>	<b>(382)</b>	<b>(378)</b>	<b>(374)</b>	<b>(373)</b>
Chg. in cash	215	423	(494)	(22)	274
<b>Closing cash</b>	<b>738</b>	<b>1,179</b>	<b>685</b>	<b>662</b>	<b>936</b>

### Balance Sheet

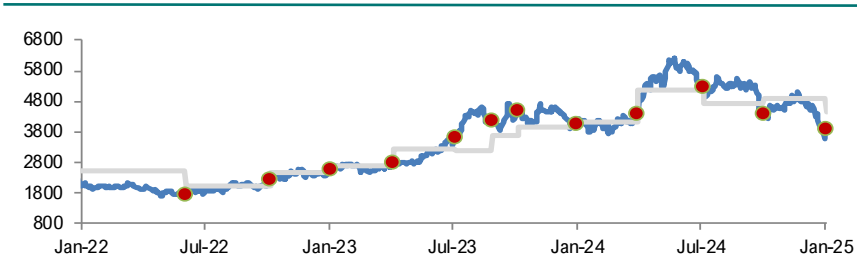
Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Cash</b>	<b>738</b>	<b>1,179</b>	<b>685</b>	<b>662</b>	<b>936</b>
Accounts Receivable	492	511	533	619	721
<b>Inventories</b>	<b>1,386</b>	<b>1,359</b>	<b>1,442</b>	<b>1,671</b>	<b>1,968</b>
Other Cur. Assets	353	398	418	492	577
<b>Investments</b>	<b>577</b>	<b>638</b>	<b>918</b>	<b>1,198</b>	<b>1,478</b>
Gross Fixed Assets	4,144	4,600	5,550	6,400	7,230
<b>Net Fixed Assets</b>	<b>2,059</b>	<b>2,265</b>	<b>2,855</b>	<b>3,301</b>	<b>3,686</b>
CWIP	84	144	170	190	180
<b>Intangible Assets</b>	<b>5</b>	<b>62</b>	<b>62</b>	<b>62</b>	<b>62</b>
Def. Tax (Net)	(91)	(96)	(96)	(96)	(96)
Other Assets	0	0	0	0	0
<b>Total Assets</b>	<b>5,603</b>	<b>6,460</b>	<b>6,987</b>	<b>8,100</b>	<b>9,512</b>
Current Liabilities	904	1,016	884	1,025	1,190
Provisions	35	46	49	57	66
<b>Debt Funds</b>	<b>59</b>	<b>71</b>	<b>61</b>	<b>51</b>	<b>41</b>
Other Liabilities	204	219	188	217	253
Equity Capital	25	25	25	25	25
Reserves & Surplus	4,377	5,083	5,781	6,725	7,937
<b>Shareholder's Fund</b>	<b>4,402</b>	<b>5,109</b>	<b>5,806</b>	<b>6,751</b>	<b>7,962</b>
<b>Total Liabilities</b>	<b>5,603</b>	<b>6,460</b>	<b>6,987</b>	<b>8,100</b>	<b>9,512</b>
BVPS (Rs.)	347	402	457	531	627

### Ratios

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	13.0	15.3	14.9	15.6	15.9
EBIT margin (%)	10.2	12.3	11.5	12.3	12.8
Net profit mgn.(%)	9.4	10.6	10.0	10.6	11.0
ROE (%)	21.0	22.5	19.3	20.7	21.3
ROCE (%)	20.9	22.4	19.2	20.6	21.2
<b>W.C &amp; Liquidity</b>					
Receivables (days)	19.0	18.1	18.1	17.2	17.2
Inventory (days)	52.5	49.4	48.6	46.5	46.7
Payables (days)	47.0	51.1	48.7	42.3	42.2
Current ratio (x)	3.2	3.2	3.3	3.2	3.3
Quick ratio (x)	1.2	1.5	0.6	0.6	0.6
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	2.4	2.3	2.1	2.0	2.1
Total asset T.O (x)	1.8	1.7	1.6	1.6	1.6
Int. coverage ratio (x)	116.7	77.5	96.9	179.9	248.8
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0
<b>Valuation</b>					
EV/Sales (x)	5.1	4.6	4.5	3.9	3.3
EV/EBITDA (x)	39.4	30.2	30.2	24.8	20.8
P/E (x)	55.4	44.8	45.5	36.8	30.6
P/BV (x)	10.9	9.4	8.2	7.1	6.0



## Recommendation Summary (last 3 years)



Dates	Rating	Target
03.May.23	BUY	3,223
01.Aug.23	SELL	3,181
25.Sept.23	SELL	3,694
02.Nov.23	SELL	3,949
29.Jan.24	HOLD	4,416
29.April.24	BUY	5,173
02.Aug.24	SELL	4,718
30.Oct.24	ACCUMULATE	4,895
31.Jan.25	BUY	4,442

## Rating 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.

#### Symbols definition:



Upgrade



No Change



Downgrade

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

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

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