

# Supreme Industries Ltd.

**ACCUMULATE**

Sector: Plastic Products

30<sup>th</sup> October 2024

<b>Key Changes</b>	<b>Target</b> ▲	<b>Rating</b> ▲	<b>Earnings</b> ▼	<b>Target</b>	<b>Rs.4,895</b>		
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	<b>CMP</b>	<b>Rs.4,334</b>
Mid Cap	SI:IN	80,369	SUPREMEIND	509930	12 Months	<b>Return</b>	<b>+13%</b>

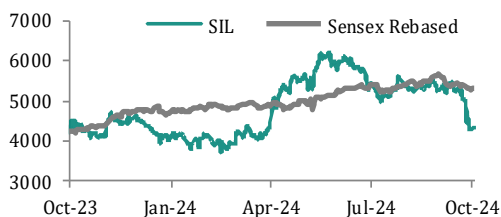
Data as of: 29-10 2024

Company Data	
Market Cap ( Rs. cr.)	55,050
52 Week High — Low (Rs.)	6,482-3,604
Enterprise Value (Rs. cr)	54,374
Outstanding Shares (Rs cr)	12.7
Free Float (%)	51.2
Dividend Yield (%)	0.70
6m average volume (cr)	0.12
Beta	0.9
Face value (Rs)	2.0

Shareholding (%)	Q4FY24	Q1FY25	Q2FY25
Promoters	48.9	48.9	48.9
FII's	24.7	25.1	25.9
MFs/Institutions	11.4	11.5	10.6
Public	15.0	14.6	14.6
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-18.6%	-10.0%	3.1%
Absolute Sensex	-1.3%	7.7%	26.0%
Relative Return	-17.3%	-17.6%	-23.0%

\*over or under performance to benchmark index



Y.E March (cr)	FY25E	FY26E	FY27E
Sales	11,290	13,123	15,275
Growth (%)	11.4	16.2	16.4
EBITDA	1,744	2,060	2,444
EBITDA Margin (%)	15.5	15.7	16.0
PAT Adjusted	1,197	1,433	1,727
Growth (%)	12.0	19.7	20.6
Adjusted EPS	94.2	112.8	136.0
Growth (%)	12.0	19.7	20.6
P/E	46.0	38.4	31.9
P/B	9.3	7.8	6.6
EV/EBITDA	31.2	26.3	22.0
ROE (%)	21.6	22.1	22.4
D/E	0.0	0.0	0.0

Author: Anil R - Sr. Research Analyst

## Volume growth to pick-up in H2FY25...

**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 decreased by 2% YoY, primarily due to flat volumes in the piping segment and overall weak volumes across other segments. Additionally, there was a significant 5% YoY decline in realization within the pipe business.
- Volatility in input prices, destocking over the last four months (June to September), and reduced government spending adversely affected volumes.
- Gross margins improved by 100bps YoY to 34.5%, driven by lower PVC prices. EBITDA margins declined of 140bps YoY to 14.0%, attributed to higher employee costs and other expenses. Consequently, Net profit fell by 15% YoY.
- With the normalization of input prices and lower inventory levels in the channel, restocking is expected to drive volume growth from hereon. Further, anticipated increase in government spending in H2FY25, along with healthy demand from the real estate and construction sectors, is expected to boost pipe volumes.
- We anticipate a 13.3% CAGR in volume and a 13.6% CAGR in revenue from FY24–27E, while profitability is expected to grow by 16% CAGR.

## Outlook & Valuation

PVC prices seem to have largely bottomed out, and with improved affordability, we anticipate demand growth to pick up in 2HFY25 channel restocking and demand from construction & agri. Sectors. SIL's long term looks healthy given robust volume growth momentum in pipes, likely market share gains, healthy margins, and strong balance sheet. **We value SIL at a P/E of 36x as we roll forward to FY27E EPS and upgrade to Accumulate from Sell rating with a target price of Rs. 4,895.**

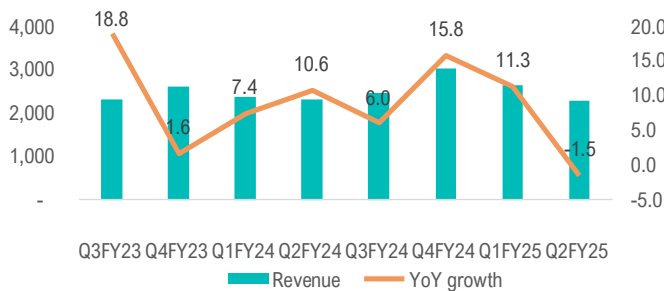
## Quarterly Financials Consol.

Rs. cr	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	H1FY25	H1FY24	YoY (%)
Sales	2,273	2,309	(1.5)	2,636	(13.8)	4,909	4,677	5.0
EBITDA	319	356	(10.4)	387	(17.6)	707	678	4.2
EBITDA margin %	10.1	12.3	-223bps	11.4	-134bps	14.4	14.5	-10bps
EBIT	229	284	(19.4)	301	(23.9)	531	534	-0.6
PBT	242	295	(18.2)	319	(24.3)	561	558	0.7
Reported PAT	207	243	(15.0)	273	(24.4)	480	459	4.6
Adjusted PAT	207	243	(15.0)	273	(24.4)	480	459	4.6
EPS (Rs)	16	19	(15.0)	21.5	(24.4)	38	36	4.6

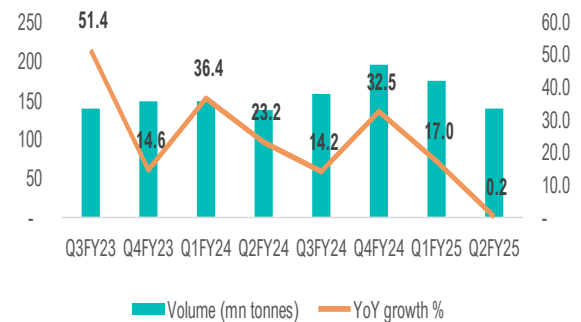
## Key Concall Highlights

- The cost of PVC resin rose by 19% in Apr-Jun '24; due to Red Sea shipment issue and increase in costs. However, PVC prices reduced by 17.5% in Jul-Aug '24 as freight came down. The gross margin improved 100bps YoY to 34.5%.
- Destocking took place in the entire trade channel due to price volatility between 1st July to 16th August.
- The company has revised its guideline of 25% volume growth in Plastic Pipe System to be between 16 to 18% for FY25.
- Capex amounts to Rs.1,500cr for FY25. The piping division will have 835,000 tons capacity by the end of FY25.
- The company has developed a new Cross Plastic Film, which has good export potential, and trials have commenced, with a commercial launch expected by December 2024.
- The new green field unit dedicated for production of varieties of Industrial and ball valves at Malanpur (M.P.) has commenced commercial production w.e.f. 1<sup>st</sup> September 2024.

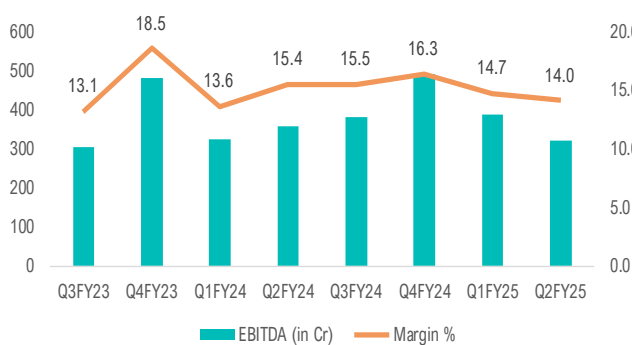
### Revenue



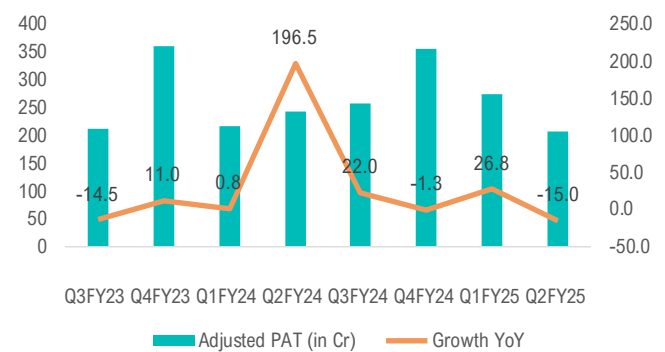
### Volume



### EBITDA



### PAT



## Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	12,005	14,505	11,290	13,123	(6.0)	(9.5)
EBITDA	1,885	2,234	1,744	2,060	(7.5)	(7.8)
Margins (%)	15.7	15.4	15.5	15.7	(20 bps)	30bps
Adj. PAT	1,311	1,537	1,197	1,433	(8.7)	(6.8)
EPS	103.2	121.0	94.2	112.8	(8.7)	(6.5)



## 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>11,290</b>	<b>13,123</b>	<b>15,275</b>
% change	18.4	10.1	11.4	16.2	16.4
<b>EBITDA</b>	<b>1,200</b>	<b>1,547</b>	<b>1,744</b>	<b>2,060</b>	<b>2,444</b>
% change	(3.4)	29.0	12.7	18.1	18.6
Depreciation	263	298	360	404	446
<b>EBIT</b>	<b>936</b>	<b>1,249</b>	<b>1,384</b>	<b>1,656</b>	<b>1,998</b>
Interest	8	16	15	12	9
Other Income	30	66	74	99	114
<b>PBT</b>	<b>958</b>	<b>1,299</b>	<b>1,443</b>	<b>1,744</b>	<b>2,103</b>
% change	(6.8)	35.5	11.1	20.9	20.6
<b>Tax</b>	<b>246</b>	<b>336</b>	<b>361</b>	<b>436</b>	<b>526</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>1,197</b>	<b>1,433</b>	<b>1,727</b>
Adj*	-	-	-	-	-
<b>Adj PAT</b>	<b>865</b>	<b>1,070</b>	<b>1,197</b>	<b>1,433</b>	<b>1,727</b>
% change	(10.6)	23.6	11.9	19.7	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>94.2</b>	<b>112.8</b>	<b>136.0</b>
% change	(10.6)	23.6	11.9	19.7	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>122.6</b>	<b>144.6</b>	<b>171.1</b>

### CASH FLOW

Y.E March (Rs.cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Net inc. + Deprn.	1,129	1,368	1,557	1,837	2,173
Non-cash adj.	(178)	(147)	15	12	9
Changes in W.C	(78)	180	(378)	(228)	(292)
C.F. Operation	890	1,413	1,195	1,621	1,890
Capital exp.	(422)	(547)	(976)	(870)	(820)
Change in inv.	19	24	(280)	(280)	(280)
Other invest.CF	54	53	-	-	-
C.F – Investment	(349)	(609)	(1,256)	(1,150)	(1,100)
Issue of equity	-	-	-	-	-
Issue/repay debt	-	-	(10)	(10)	(10)
Dividends paid	(305)	(356)	(356)	(356)	(356)
Other finance.CF	(22)	(26)	(15)	(12)	(9)
C.F – Finance	(327)	(382)	(381)	(378)	(375)
Chg. in cash	215	423	(442)	93	415
Closing cash	738	1,179	736	829	1,244

### Balance Sheet

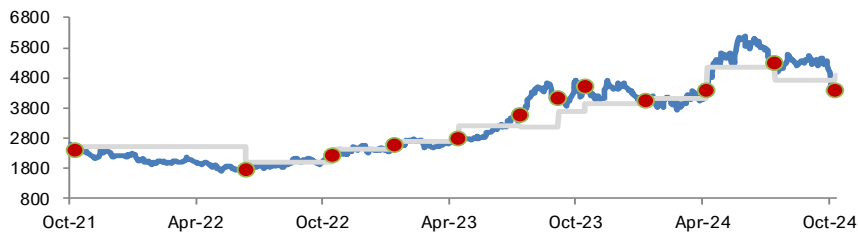
Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Cash</b>	<b>738</b>	<b>1,179</b>	<b>736</b>	<b>829</b>	<b>1,244</b>
Accounts Receivable	492	511	572	665	774
<b>Inventories</b>	<b>1,386</b>	<b>1,359</b>	<b>1,547</b>	<b>1,796</b>	<b>2,112</b>
Other Cur. Assets	353	398	448	528	619
<b>Investments</b>	<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>3,685</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>7,213</b>	<b>8,474</b>	<b>10,059</b>
Current Liabilities	904	1,016	949	1,101	1,278
Provisions	35	46	53	61	71
<b>Debt Funds</b>	<b>59</b>	<b>71</b>	<b>61</b>	<b>51</b>	<b>41</b>
Other Liabilities	204	219	201	234	271
Equity Capital	25	25	25	25	25
Reserves & Surplus	4,377	5,083	5,925	7,002	8,373
<b>Shareholder's Fund</b>	<b>4,402</b>	<b>5,109</b>	<b>5,950</b>	<b>7,027</b>	<b>8,399</b>
<b>Total Liabilities</b>	<b>5,603</b>	<b>6,460</b>	<b>7,213</b>	<b>8,474</b>	<b>10,059</b>
BVPS (Rs.)	347	402	468	553	661

### Ratios




Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	13.0	15.3	15.5	15.7	16.0
EBIT margin (%)	10.2	12.3	12.3	12.6	13.1
Net profit mgn.(%)	9.4	10.6	10.6	10.9	11.3
ROE (%)	21.0	22.5	21.6	22.1	22.4
ROCE (%)	20.9	22.4	21.6	22.0	22.3
<b>W.C &amp; Liquidity</b>					
Receivables (days)	19.0	18.1	17.5	17.2	17.2
Inventory (days)	52.5	49.4	47.0	46.5	46.7
Payables (days)	47.0	51.1	47.0	42.2	42.2
Current ratio (x)	3.2	3.2	3.3	3.3	3.5
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	2.2	2.2	2.2
Total asset T.O (x)	1.8	1.7	1.7	1.7	1.6
Int. coverage ratio (x)	116.7	77.5	91.7	135.3	219.0
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0
<b>Valuation</b>					
EV/Sales (x)	5.9	5.3	4.8	4.1	3.5
EV/EBITDA (x)	45.3	34.9	31.2	26.3	22.0
P/E (x)	63.6	51.5	46.0	38.4	31.9
P/BV (x)	12.5	10.8	9.3	7.8	6.6



## 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

Ratings	Large caps	Midcaps	Small Caps
<b>Buy</b>	Upside is above 10%	Upside is above 15%	Upside is above 20%
<b>Accumulate</b>	-	Upside is between 10%-15%	Upside is between 10%-20%
<b>Hold</b>	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
<b>Reduce/sell</b>	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
<b>Not rated/Neutral</b>			
<b>Definition:</b>			
<b>Buy:</b> Acquire at Current Market Price (CMP), with the target mentioned in the research note; <b>Accumulate:</b> Partial buying or to accumulate as CMP dips in the future; <b>Hold:</b> Hold the stock with the expected target mentioned in the note.; <b>Reduce:</b> Reduce your exposure to the stock due to limited upside.; <b>Sell:</b> Exit from the stock; <b>Not rated/Neutral:</b> The analyst has no investment opinion on the stock.			
<b>Symbols definition:</b>			
	Upgrade		No Change
			Downgrade

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.

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