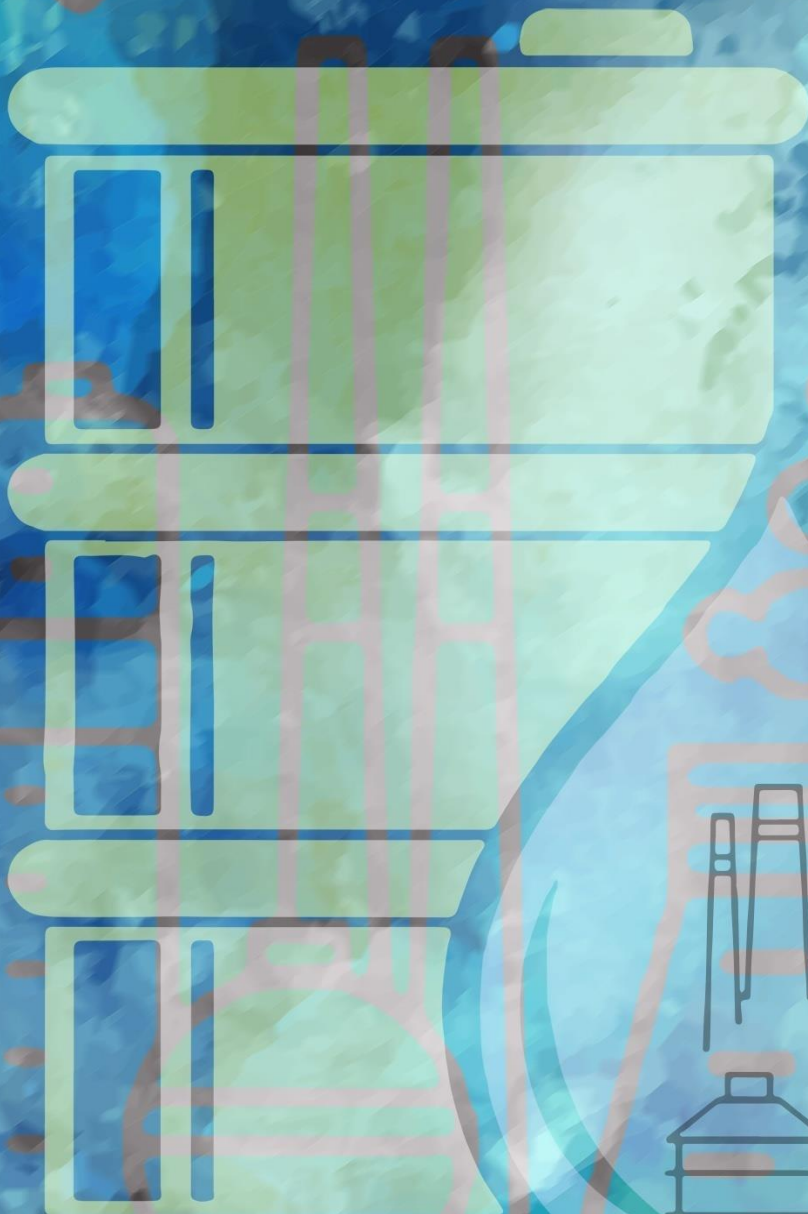


# Supreme Petrochemicals Ltd



# Supreme Petrochemicals Ltd.

**Healthy revenue with strong capex going ahead**

CMP <b>INR 696</b>	Target <b>INR 814</b>	Upside (%) <b>INR 17.0%</b>	Market Cap (INR Mn) <b>INR 67,361</b>	Recommendation <b>BUY</b>	Sector <b>Petrochemicals</b>
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## Q3FY22 Result Highlights:

- For Q3FY22, Supreme Petrochem's (SPL) revenue increased by 39.4%/8.8% on YoY and QoQ basis to INR 12,960 mn.
- EBITDA increased by 27.4% QoQ but declined by 6.3% YoY to INR 2,242 mn. EBITDA margin contracted by 844 bps YoY and grew by 252 bps QoQ to 17.3%.
- Net Profit stood at INR 1,646 mn, down by 4.1% YoY and grew by 29.5% QoQ. The margins declined by 575 bps YoY and grew by 203 bps QoQ.

## MARKET DATA

Shares O/S (Mn)	94
Equity Cap (INR Mn)	10,648
Mkt Cap (INR Mn)	67,361
52 Wk H/L (INR)	819/348
Volume Avg (3m K)	77
Face Value (INR)	10
Bloomberg Code	SPPT IN

## KEY FINANCIALS

Particulars (INR Mn)	FY20	FY21	FY22E	FY23E	FY24E
Net Sales	27,242	31,852	47,005	54,642	62,049
EBITDA	1,485	6,689	9,505	11,481	13,156
PAT	1,027	4,775	6,861	8,343	9,603
EPS	10.6	50.8	73.0	88.7	102.1
EBITDA Margin	5.5%	21.0%	20.2%	21.0%	21.2%
NPM	3.8%	15.0%	14.6%	15.3%	15.5%

Source: Company, KRChoksey Research

## Improving demand and healthy capex going ahead:

In Q3FY22, Supreme Petrochem's (SPL) revenue from operation stood at INR 12,960 mn, up by 39.4% YoY and 8.8% QoQ, beating our estimate by 4.7%. The Company operated all its plants at all locations at near normal levels barring disruptions for few days at Company's plant at New Manali Township In Tamil Nadu due to very heavy rains. The company has undertaken project for manufacture of Mass Acrylonitrile Butadiene Styrene (mASS) at Village Amdoshi, District Raigad, Maharashtra, with two Lines of 70 KIA each aggregating 140 KTA. Line I is scheduled to go on stream by June 2024 and Line II is planned for completion by March 2025. Its position would strengthen further once the ongoing Capex of 1,20,000 MT of PS/Expandable Polystyrene (EPS) comes onstream.

## Operating performance to improve going ahead:

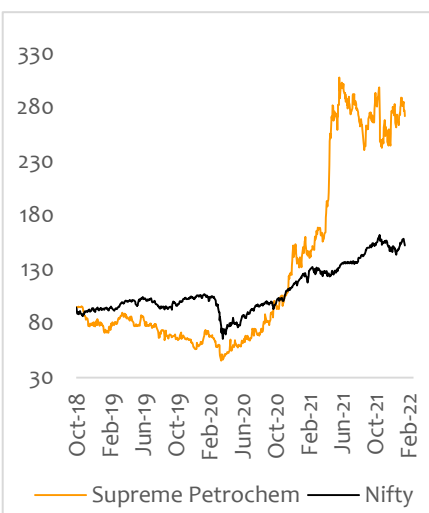
During the quarter, EBITDA was down by 6.3% YoY to INR 2,242 mn, but outperformed our estimates by 6.1%. Consequently, EBITDA margin contracted by 844 bps YoY and grew by 252 bps QoQ to 17.3%. Net Profit stood at INR 1,646 mn down by 4.1% YoY and grew by 29.5% QoQ, outperforming our estimates by a wide margin of 10.1%. The margins declined by 575 bps YoY and grew by 203 bps QoQ.

## Valuation and view:

SPL is enhancing its PS and EPS production capacity by 120,000 MT, which will be commissioned in phases between March 2022 and May 2022. With enhanced capacity and healthy demand from end-user industries, SPL will witness strong growth in the future. The performance of the company have been impressive over the last few quarters, and we expect the company to continue to perform in a healthy manner going ahead. We expect SPL to clock 24.6%, 25.0% and 25.9% CAGR growth in its revenue, EBITDA, and PAT respectively over the FY21-24E period.

We continue to remain positive on the growth prospects of SPL. The stock is currently trading at a P/E multiple of 11.6x/7.9x/6.9x on FY22E/23E/24E EPS of INR 60.7/88.7/102.1, respectively. We value the stock at 7.97x on its FY24E EPS of INR 102.1/share, which yields a target price of INR 814/share (unchanged), an upside of 17% over the CMP. Accordingly, we maintain our "BUY" rating on the shares of Supreme Petrochem Ltd.

## SHARE PRICE PERFORMANCE



## MARKET INFO

SENSEX	57,492
NIFTY	17,149

## SHARE HOLDING PATTERN (%)

Particulars	Dec-21	Sep-21	Jun-21
Promoters	64.0%	64.0%	64.0%
FIIIs	2.1%	1.7%	1.7%
DIIIs	1.8%	2.2%	2.2%
Others	32.1%	32.1%	32.1%
Total	100%	100%	100%

**24.6%**

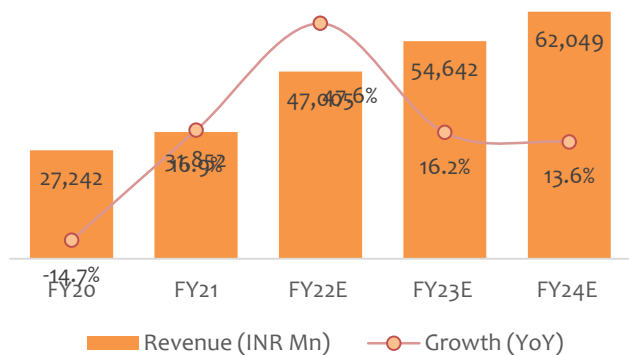
Revenue CAGR between FY21 and FY24E

**25.9%**

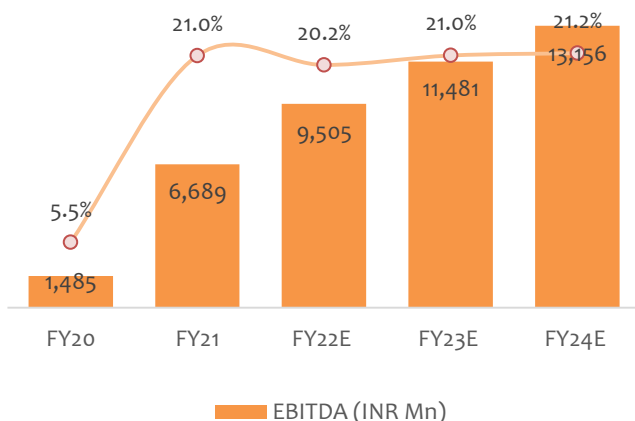
PAT CAGR between FY21 and FY24E

# Supreme Petrochemicals Ltd.

Revenue to witness 24.6% CAGR over FY21-24E



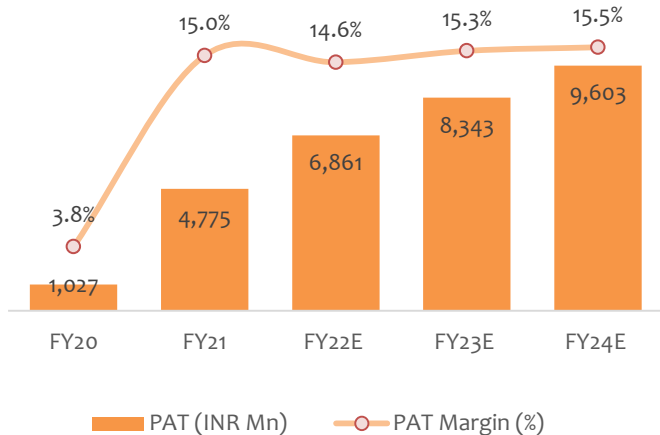
EBITDA Margin to remain stable around 20-21%



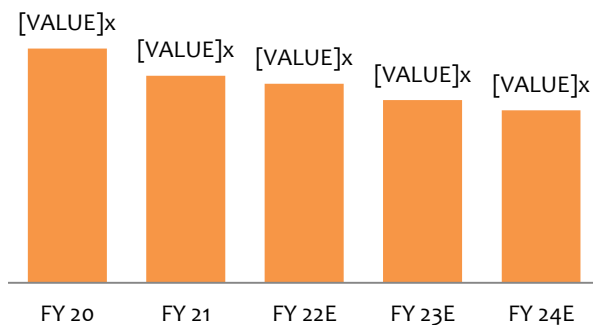
Source: Company, KRChoksey Research

Source: Company, KRChoksey Research

PAT to witness 25.9% CAGR over FY21-24E



Leverage is on a declining trend



Source: Company, KRChoksey Research

Source: Company, KRChoksey Research

# Supreme Petrochemicals Ltd.

## KEY FINANCIALS

### Exhibit 1: Balance Sheet

Particulars (INR Mn)	FY20	FY21	FY22E	FY23E	FY24E
<b>Non-Current Assets</b>					
Property, Plant and Equipment	3,416	3,189	3,291	3,560	3,773
Right to use assets	285	393	251	115	98
Capital Work-in Progress	84	91	91	907	907
Other Intangible Assets	8	6	22	5	-16
<b>Financial Assets</b>					
Loans	13	9	9	9	9
Other Financial Assets	41	53	54	55	57
Other Non-Current Assets	31	162	165	168	172
<b>Total non-current assets</b>	<b>3,878</b>	<b>3,903</b>	<b>3,882</b>	<b>4,003</b>	<b>4,183</b>
<b>Current Assets</b>					
Inventories	2,584	3,178	3,533	4,190	4,759
<b>Financial Assets</b>					
Investment in Liquid scheme of MF	1,348	4,703	7,703	12,703	19,703
Trade Receivables	2,481	3,833	4,507	5,240	5,950
Cash and Cash Equivalents	1,709	661	5,736	8,024	9,445
Bank Balance other than cash	49	407	407	407	407
Loans	9	6	6	6	6
Other Financial Assets	72	568	568	568	568
Current Tax Assets (net)	0	85	85	85	85
Other Current Assets	317	210	214	218	223
<b>Total current assets</b>	<b>8,673</b>	<b>13,651</b>	<b>22,759</b>	<b>31,440</b>	<b>41,145</b>
<b>TOTAL ASSETS</b>	<b>12,551</b>	<b>17,553</b>	<b>26,641</b>	<b>35,444</b>	<b>45,328</b>
<b>Equity and Liabilities</b>					
<b>Shareholder's fund</b>					
Equity Share Capital	964	940	940	940	940
Other Equity	5,768	9,708	15,865	23,408	32,071
<b>Total Equity</b>	<b>6,733</b>	<b>10,648</b>	<b>16,805</b>	<b>24,348</b>	<b>33,011</b>
<b>Non-current Liabilities</b>					
Long term borrowings	0	0	978	978	978
Lease liabilities	171	262	171	171	171
Provisions	29	36	36	36	36
Other financial liabilities	35	33	34	35	35
Deferred Tax Liabilities (Net)	374	357	357	357	357
<b>Total non-current liabilities</b>	<b>609</b>	<b>689</b>	<b>1,576</b>	<b>1,576</b>	<b>1,577</b>
<b>Current Liabilities</b>					
<b>Financial Liabilities</b>					
Lease Liabilities	122	148	148	148	148
Trade Payables	4,762	5,685	7,727	8,982	10,200
Other Financial Liabilities	197	192	192	192	192
Other Current Liabilities	104	152	155	159	162
Provisions	21	25	25	25	25
Current Tax Liabilities (net)	3	13	13	13	13
<b>Total current liabilities</b>	<b>5,209</b>	<b>6,216</b>	<b>8,261</b>	<b>9,519</b>	<b>10,740</b>
<b>TOTAL LIABILITIES</b>	<b>5,818</b>	<b>6,905</b>	<b>9,836</b>	<b>11,095</b>	<b>12,317</b>
<b>Total Equity and Liabilities</b>	<b>12,551</b>	<b>17,553</b>	<b>26,641</b>	<b>35,444</b>	<b>45,328</b>

Source: Company, KRChoksey Research

# Supreme Petrochemicals Ltd.

## KEY FINANCIALS

### Exhibit 2: Profit & Loss Statement

Particulars (INR Mn)	FY20	FY21	FY22E	FY23E	FY24E
<b>Revenue from Operations</b>	<b>27,242</b>	<b>31,852</b>	<b>47,005</b>	<b>54,642</b>	<b>62,049</b>
Other Income	119	213	133	147	162
<b>Total Income</b>	<b>27,362</b>	<b>32,065</b>	<b>47,139</b>	<b>54,789</b>	<b>62,210</b>
Cost of Materials Consumed	16,400	15,979	23,446	27,807	31,581
Purchase of stock-in-trade	7,038	6,899	9,401	11,475	13,030
Excise Duty on Sale of Goods	0	0	0	0	0
Changes in Inventories of Finished Goods and WIP	131	67	940	984	1,055
Employee Benefit Expense	417	457	658	710	869
Other Expenses	1,770	1,761	3,055	2,186	2,358
<b>Total Expenses</b>	<b>26,118</b>	<b>25,554</b>	<b>37,915</b>	<b>43,585</b>	<b>49,320</b>
<b>EBITDA</b>	<b>1,485</b>	<b>6,689</b>	<b>9,505</b>	<b>11,481</b>	<b>13,156</b>
D&A	360	391	415	424	427
<b>Operating Profit</b>	<b>1,125</b>	<b>6,298</b>	<b>9,090</b>	<b>11,057</b>	<b>12,729</b>
Finance Costs	65	73	75	80	86
Other Income	119	213	133	147	162
<b>Profit/Loss Before Tax</b>	<b>1,179</b>	<b>6,438</b>	<b>9,149</b>	<b>11,124</b>	<b>12,804</b>
Income Tax Expenses	152	1,663	2,287	2,781	3,201
<b>Profit/(Loss) for the year</b>	<b>1,027</b>	<b>4,775</b>	<b>6,861</b>	<b>8,343</b>	<b>9,603</b>

Source: Company, KRChoksey Research

### Exhibit 3: Cash Flow Statement

Particulars (INR Mn)	FY20	FY21	FY22E	FY23E	FY24E
Net Cash Generated From Operations	1,196	4,347	8,360	8,709	10,051
Net Cash Flow from/(used in) Investing Activities	-76	-639	-391	-542	-604
Net Cash Flow from Financing Activities	-905	-1,044	106	-880	-1,026
Net Inc/Dec in cash equivalents	216	2,664	8,075	7,288	8,422
Opening Balance	383	1,759	1,067	6,143	8,430
Investment in liquid scheme	1,160	-3,355	-3,000	-5,000	-7,000
<b>Closing Balance Cash and Cash Equivalents</b>	<b>1,759</b>	<b>1,067</b>	<b>6,143</b>	<b>8,430</b>	<b>9,852</b>

Source: Company, KRChoksey Research

### Exhibit 4: Ratio Analysis

Key Ratio	FY20	FY21	FY22E	FY23E	FY24E
EBITDA Margin	5.5%	21.0%	20.2%	21.0%	21.2%
Tax rate (%)	12.9%	25.8%	25.0%	25.0%	25.0%
Net Profit Margin (%)	3.8%	15.0%	14.6%	15.3%	15.5%
RoE (%)	15.2%	44.8%	40.8%	34.3%	29.1%
RoCE (%)	14.0%	42.1%	37.3%	32.2%	27.8%
Current Ratio (x)	1.7x	2.2x	2.8x	3.3x	3.8x
EPS (INR per share)	10.6	50.8	73.0	88.7	102.1

Source: Company, KRChoksey Research

# Supreme Petrochemicals Ltd.

Supreme Petrochem Ltd.				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
25-Jan-22	696	814	BUY	<b>Buy</b>	More than 15%
21-Oct-21	690	814	BUY		
27-Jul-21	726	806	ACCUMULATE	<b>Accumulate</b>	5% – 15%
30-Jun-21	744	784	ACCUMULATE		
17-Mar-21	434	435	HOLD	<b>Hold</b>	0 – 5%
15-Dec-20	371	375	HOLD		
24-Sep-20	236	249	ACCUMULATE	<b>Reduce</b>	-5% – 0
27-Jul-20	182	212	BUY		
				<b>Sell</b>	Less than – 5%

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