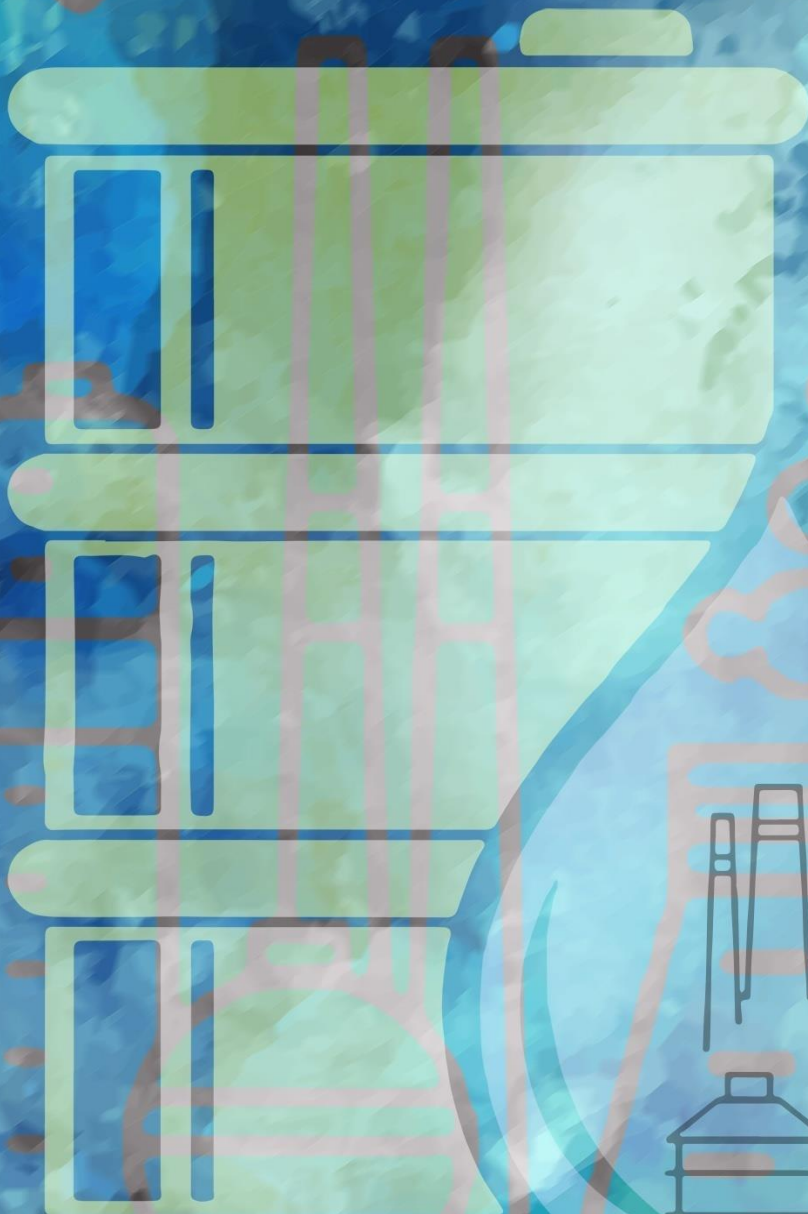


Supreme Petrochemicals Ltd



Supreme Petrochemicals Ltd.

Stabilization in the raw material costs led to improvement in the margins

CMP INR 370	Target INR 427	Potential Upside 15.4%	Market Cap (INRmn) INR 69,246.2	Recommendation BUY	Sector Petrochemicals
-----------------------	--------------------------	----------------------------------	---	------------------------------	---------------------------------

Q3FY23 Result Highlights:

- Supreme Petrochem's (SPL) revenues saw decline in revenue by 8.9% YoY to INR 11,804mn and on a QoQ basis revenue fell by 4.4%. The muted growth in revenue was on account of lower volume offtake as well as subdued realisations.
- EBITDA witnessed a drastic fall of 47.0%YoY; while improved by 51.1% QoQ to INR 1189mn. EBITDA margin contracted by 723 bps YoY, whereas it improved by 370 bps QoQ to 10.1%. The fall in margin was due to a rise in raw material costs and other expenses on a YoY basis, however, raw material prices stabilised during the quarter along with a reduction in freight costs.
- PAT stood at INR 896mn, declining by 45.6% YoY and increasing by 50.2% QoQ. PAT margin contracted by 511 bps YoY and improved by 276 bps QoQ to 7.6%.
- The Board has also approved a 1:2 split of its existing equity shares.

MARKET DATA

Shares O/S (Mn)	188
Mkt Cap (INRmn)	69,246.2
52 Wk H/L (INR)	512.5/317.08
Volume Avg (3m K)	62.1
Face Value (INR)	2
Bloomberg Code	SPPT IN

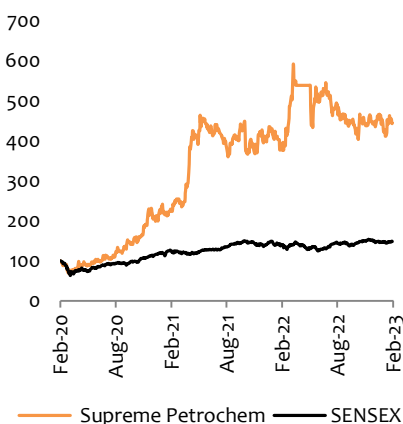
KEY FINANCIALS

Particulars (INRmn)	FY20	FY21	FY22	FY23E	FY24E
Net Sales	27,242	31,852	50,323	51,631	62,368
EBITDA	1,485	6,689	9,054	6,159	10,649
PAT	1,027	4,775	6,633	4,630	8,029
EPS (INR)	5.3	25.4	35.3	24.7	42.7
EBITDA Margin	5.5%	21.0%	18.0%	11.9%	17.1%
PAT Margin	3.8%	15.0%	13.2%	9.0%	12.9%

Source: Company, KRChoksey Research

Restated EPS post split from INR 4/ share to INR 2/share

SHARE PRICE PERFORMANCE



Improvement in volume on a QoQ basis; revenue impacted due to lower realization

In Q2FY23, Supreme Petrochem's (SPL) revenue from operation stood at INR 11,804mn, declined by 8.9% YoY/4.4% QoQ. Muted revenue performance is mainly attributable to a drop in the volume and lower realization. However, the company saw an increase in volume to 69345 MT during the quarter, following a decrease in volume from 71,244 MT in Q3 FY22 to 64,000 MT in Q2 FY23. Further, the company suffered loss in volume on general purpose polystyrene as SPL stopped the sale of single use plastics (SUPs) materials w.e.f. July 2022. Though the management expects that a loss in volume will be covered by utilising the capacity for producing other materials. Moreover, management expects stabilisation in the realization with opening up of China's economy.

EBITDA margin contracted by 723 bps YoY and improved by 370 bps QoQ to 10.1%. The fall in margin was due to a rise in key raw material costs such as styrene monomer and other expenses. However, as raw material costs stabilised and other expenses, such as freight costs, were reduced, EBITDA margins improved during the quarter.

Status of capacity expansion

To cater to the increasing demand, SPL is undergoing capital expenditures for brownfield expansion to enhance its existing polystyrene, EPS, masterbatches & compounds and XPS capacities. Projects for setting up of 4th line of polystyrene and expansion of expandable polystyrene at Amdoshi plant site are completed and received the required approval from the Maharashtra Pollution Control Board. The EPS expansion at the Manali plant is complete and is awaiting approval. The above projects would add around 1,20,000 mtpa of additional polystyrene/expandable polystyrene capacity to Supreme Petro's current capacity. Besides these capex plans, SPL is setting up a Mass ABS Project of 140K MTPA at their Amdoshi plant in two phases, of 70K MTPA each. Phase I is scheduled to go on stream by June 2024 and Phase II by March 2025. Expansion of existing products capacity along with launch of new products, will bolster volume growth for the company.

MARKET INFO

SENSEX	60,691
NIFTY	17,844

SHARE HOLDING PATTERN (%)

Particulars	Dec-22	Sep-22	Jun-22
Promoters	64.2%	64.2%	64.2%
FIIIs	2.2%	2.2%	2.2%
DIIIs	2.3%	2.2%	2.2%
Others	31.2%	31.4%	31.4%
Total	100%	100%	100%

11.3%

Revenue CAGR between FY22 and FY24E

10.0%

PAT CAGR between FY22 and FY24E

Supreme Petrochemicals Ltd.

INRMn	Q3FY23	Q2FY23	Q3FY22	Q-o-Q	Y-o-Y
Revenues	11,804	12,346	12,960	-4.4%	-8.9%
Total Expenditure	10,615	11,559	10,718	-8.2%	-1.0%
EBITDA	1,188.8	786.9	2,242	51.1%	-47.0%
EBITDA Margin	10.1%	6.4%	17.3%	370 bps	-723 bps
Depreciation & amortization	110.19	114.89	106	-4.1%	4.0%
EBIT	1,079	672	2,136	60.5%	-49.5%
Finance Cost	10	9	14	4.7%	-30.8%
Other Income	142	117	83	20.9%	70.3%
PBT	1,211	780	2,206	55.2%	-45.1%
Tax	315	184	560	71.3%	-43.8%
PAT	896	596	1,645.4	50.2%	-45.6%
PAT Margin	7.6%	4.8%	12.7%	276 bps	-511 bps
Diluted EPS (INR)	4.6	3.2	8.8	50.2%	-45.6%

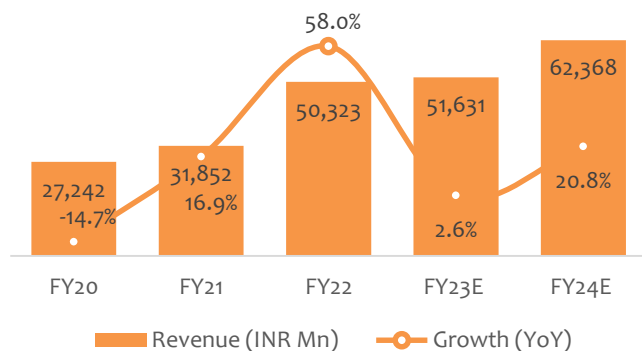
Source: Company, KRChoksey Research
Restated EPS post split from INR 4/ share to INR 2/share

Valuation & View

SPL is enhancing its PS and EPS production capacities to cater to the increasing demand for its products. With enhanced capacity and healthy demand from end-user industries, SPL will witness strong growth in the future. We expect SPL to clock 11.3%, 8.5% and 10.0% CAGR growth in its revenue, EBITDA and PAT over FY22-24E period.

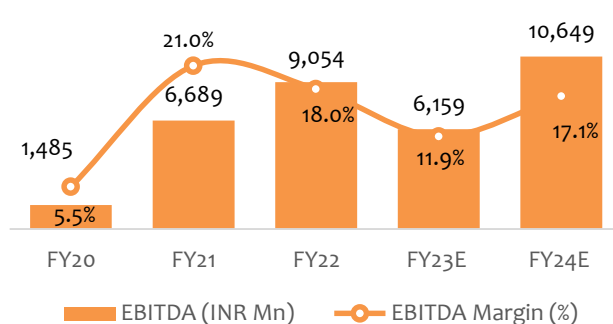
SPL reported poor operating performance during Q3FY23 on the back of lower revenue as well as margin pressure. After factoring in poor results, we have revised our FY23E/FY24E estimates downwards. At CMP of INR 370, The stock is currently trading at a P/E multiple of 15.0x/8.7x on its FY23E/24E revised EPS of INR 24.7/42.7 (earlier INR 33.5/43.7) respectively. We continue to value the stock at 10x on its FY24E EPS of INR 42.7, which yields a target price of INR 427/share, an upside of 15.4% over the CMP. Accordingly, we maintain our “BUY” rating on the shares of Supreme Petrochem Ltd.

Revenue to witness 11% CAGR over FY22-24E



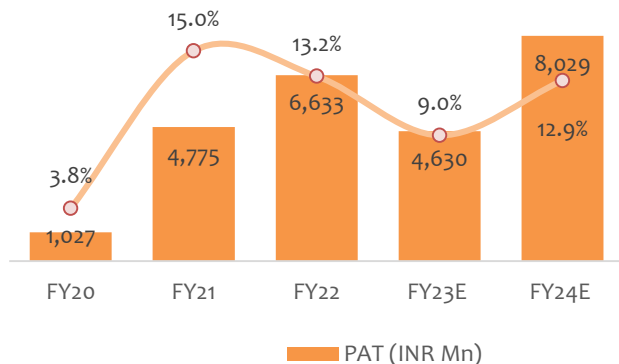
Source: Company, KRChoksey Research

EBITDA margin was volatile over the years



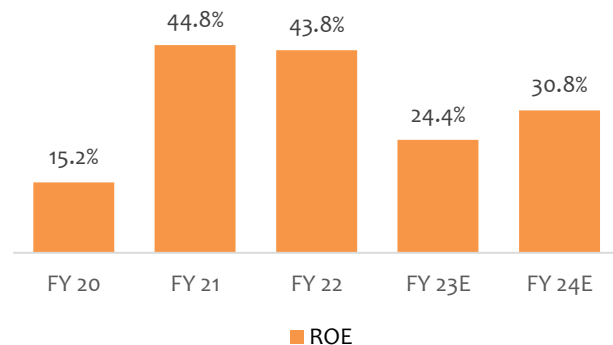
Source: Company, KRChoksey Research

PAT to witness 10% CAGR over FY22-24E



Source: Company, KRChoksey Research

ROE to stabilise around 31%



Source: Company, KRChoksey Research

Supreme Petrochemicals Ltd.

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

Particulars (INRmn)	FY20	FY21	FY22	FY23E	FY24E
Revenue from Operations	27,242	31,852	50,323	51,631	62,368
Other Income	119	213	305	519	570
Total Income	27,362	32,065	50,628	52,149	62,938
Cost of Materials Consumed	16,400	15,979	27,019	30,659	34,244
Purchase of stock-in-trade	7,038	6,899	11,344	11,875	13,970
Excise Duty on Sale of Goods	0	0	0	0	0
Changes in Inventories of Finished Goods and WIP	131	67	81	-413	0
Employee Benefit Expense	417	457	483	578	699
Other Expenses	1,770	1,761	2,342	2,773	2,807
Total Expenses	26,118	25,554	41,687	45,896	52,147
EBITDA	1,485	6,689	9,054	6,159	10,649
D&A	360	391	419	424	427
EBIT	1,125	6,298	8,636	5,735	10,222
Finance Costs	65	73	62	80	86
Other Income	119	213	305	519	570
PBT	1,179	6,438	8,878	6,173	10,706
Income Tax Expenses	152	1,663	2,246	1,543	2,676
PAT	1,027	4,775	6,633	4,630	8,029

Source: Company, KRChoksey Research

Exhibit 2: Cash Flow Statement

Particulars (INRmn)	FY20	FY21	FY22	FY23E	FY24E
Net Cash Generated From Operations	1,196	4,347	6,722	5,921	8,742
Net Cash Flow from/(used in) Investing Activities	-76	-639	-1,400	-736	-603
Net Cash Flow from Financing Activities	-905	-1,044	-1,780	102	-1,026
Net Inc/Dec in cash equivalents	216	2,664	3,542	5,286	7,112
Opening Balance	383	1,759	5,770	4,474	4,761
Investment in liquid scheme	1,160	-3,355	-4,838	-5,000	-7,000
Closing Balance of Cash and Cash Equivalents	1,759	1,067	4,474	4,761	4,873

Source: Company, KRChoksey Research

Exhibit 3: Ratio Analysis

Key Ratio	FY20	FY21	FY22	FY23E	FY24E
EBITDA Margin	5.5%	21.0%	18.0%	11.9%	17.1%
Tax rate (%)	12.9%	25.8%	25.3%	25.0%	25.0%
Net Profit Margin (%)	3.8%	15.0%	13.2%	9.0%	12.9%
RoE (%)	15.2%	44.8%	43.8%	24.4%	30.8%
RoCE (%)	14.0%	42.1%	42.2%	22.5%	29.1%
Current Ratio (x)	1.7x	2.2x	2.5x	2.4x	2.8x
EPS (INR per share)	5.3	25.4	35.3	24.7	42.7

Source: Company, KRChoksey Research

Restated EPS post split from INR 4/ share to INR 2/share

Supreme Petrochemicals Ltd.

KEY FINANCIALS

Exhibit 4: Balance Sheet

Particulars (INRmn)	FY20	FY21	FY22	FY23E	FY24E
Non-Current Assets					
Property, Plant and Equipment	3,416	3,189	3,020	3,560	3,773
Right to use assets	285	393	344	115	98
Capital Work-in Progress	84	91	1,789	17,894	17,894
Other Intangible Assets	8	6	5	5	-16
Financial Assets					
Loans	13	9	12	12	12
Other Financial Assets	41	53	48	49	50
Other Non-Current Assets	31	162	115	117	119
Total non-current assets	3,878	3,903	5,333	5,648	5,826
Current Assets					
Inventories	2,584	3,178	3,008	4,620	5,160
Financial Assets					
Investment in Liquid scheme of MF	1,348	4,703	4,838	9,838	16,838
Trade Receivables	2,481	3,833	4,118	4,951	5,981
Cash and Cash Equivalents	1,709	661	2,175	2,462	2,574
Bank Balance other than cash	49	407	2,299	2,299	2,299
Loans	9	6	8	8	8
Other Financial Assets	72	568	600	600	600
Current Tax Assets (net)	0	85	88	88	88
Other Current Assets	317	210	316	322	329
Total current assets	8,673	13,651	17,450	25,188	33,876
TOTAL ASSETS	12,551	17,553	22,783	30,835	39,702
Equity and Liabilities					
Shareholder's fund					
Equity Share Capital	964	940	376	376	376
Other Equity	5,768	9,708	14,780	18,611	25,700
Total Equity	6,733	10,648	15,156	18,987	26,076
Non-current Liabilities					
Long term borrowings	0	0	0	978	978
Lease liabilities	171	262	167	171	171
Provisions	29	36	34	34	34
Other financial liabilities	35	33	33	34	34
Deferred Tax Liabilities (Net)	374	357	344	344	344
Total non-current liabilities	609	689	578	1,560	1,561
Current Liabilities					
Financial Liabilities					
Lease Liabilities	122	148	206	206	206
Trade Payables	4,762	5,685	5,259	8,487	10,252
Other Financial Liabilities	197	192	966	966	966
Other Current Liabilities	104	152	590	602	614
Provisions	21	25	26	26	26
Current Tax Liabilities (net)	3	13	1	1	1
Total current liabilities	5,209	6,216	7,048	10,288	12,065
TOTAL LIABILITIES	5,818	6,905	7,627	11,849	13,626
Total Equity and Liabilities	12,551	17,553	22,783	30,835	39,702

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
21-Feb-23	370	427	BUY	Buy	More than 15%
29-Oct-22	687	873	BUY		
26-Jul-22	879	1,021	BUY	Accumulate	5% – 15%
29-Apr-22	921	NA	UR		
25-Jan-22	696	814	BUY	Hold	0 – 5%
21-Oct-21	690	814	BUY		
27-Jul-21	726	806	ACCUMULATE	Reduce	-5% – 0
30-Jun-21	744	784	ACCUMULATE		
				Sell	Less than – 5%

ANALYST CERTIFICATION:

I, Abhishek Agarwal (CA, CFA L3 cleared, B.com), Research Analyst author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Terms & Conditions and other disclosures:

KRChoksey Shares and Securities Pvt. Ltd (hereinafter referred to as KRCSPL) is a registered member of National Stock Exchange of India Limited and Bombay Stock Exchange Limited. KRCSPL is a registered Research Entity vide SEBI Registration No. INH00001295 under SEBI (Research Analyst) Regulations, 2014.

We submit that no material disciplinary action has been taken on KRCSPL and its associates (Group Companies) by any Regulatory Authority impacting Equity Research Analysis activities.

KRCSPL prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analyst covers. The information and opinions in this report have been prepared by KRCSPL and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of KRCSPL. While we would endeavor to update the information herein on a reasonable basis, KRCSPL is not under any obligation to update the information. Also, there may be regulatory, compliance or other reasons that may prevent KRCSPL from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or KRCSPL policies, in circumstances where KRCSPL might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. KRCSPL will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. KRCSPL accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Our employees in sales and marketing team, dealers and other professionals may provide oral or written market commentary or trading strategies that reflect opinions that are contrary to the opinions expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

Associates (Group Companies) of KRCSPL might have received any commission/compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of brokerage services or specific transaction or for products and services other than brokerage services.

KRCSPL or its Associates (Group Companies) have not managed or co-managed public offering of securities for the subject company in the past twelve months.

KRCSPL encourages the practice of giving independent opinion in research report preparation by the analyst and thus strives to minimize the conflict in preparation of research report. KRCSPL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither KRCSPL nor Research Analysts have any material conflict of interest at the time of publication of this report.

It is confirmed that, Abhishek Agarwal (CA, CFA L3 cleared, B.com), Research Analyst of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific brokerage service transactions.

KRCSPL or its associates (Group Companies) collectively or its research analyst do not hold any financial interest/beneficial ownership of more than 1% (at the end of the month immediately preceding the date of publication of the research report) in the company covered by Analyst, and has not been engaged in market making activity of the company covered by research analyst.

It is confirmed that, Abhishek Agarwal (CA, CFA L3 cleared, B.com), Research Analyst do not serve as an officer, director or employee of the companies mentioned in the report.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other Jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject KRCSPL and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform them of and to observe such restriction.

Please send your feedback to research.insti@krchoksey.com

Visit us at www.krchoksey.com

KR Choksey Shares and Securities Pvt. Ltd

Registered Office:

1102, Stock Exchange Tower, Dalal Street, Fort, Mumbai – 400 001.

Phone: +91-22-6633 5000; Fax: +91-22-6633 8060.

Corporate Office:

ABHISHEK, 5th Floor, Link Road, Andheri (W), Mumbai – 400 053.

Phone: +91-22-6696 5555; Fax: +91-22-6691 9576.

ANALYST

Abhishek Agarwal research5@krchoksey.com, +91-22-6696 5540

KRChoksey Research

is also available on Bloomberg KRCS<GO>
Thomson Reuters, Factset and Capital IQ

Phone: +91-22-6696 5555, Fax: +91-22-6691 9576
www.krchoksey.com