

Supreme Petrochem Ltd



RESULT UPDATE

29th April, 2023

Supreme Petrochem Ltd.

Stabilisation in realization, revenue growth will lead by increase in volume

CMP INR 383	Target INR 467	Potential Upside 21.9%	Market Cap (INRmn) INR 71,804	Recommendation BUY	Sector Petrochemicals
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Q4FY23 Result Highlights:

- Supreme Petrochem Ltd. has reported a revenue of INR 13,869 Mn in Q4FY23 against INR 11,804 Mn in Q3FY23, a growth of 17.5% on a QoQ basis and INR 14,977 Mn in Q4FY22, a dip of approximately 7.4% on a YoY basis.
- On operational front EBITDA in Q4FY23 stood at INR 2,089 Mn (-32.1% YoY / 75.7% QoQ), EBITDA Margin contracted by 549 bps YoY and 499 bps QoQ to 15.1% in Q4FY23 due to volume growth and better spread.
- Net Profit in Q4FY23 stood at INR 1,589 Mn (-30.1 YoY / 78.4% QoQ), with NPM at 11.5%.
- EPS during the quarter came at 17 against 24 in the same quarter last year and 9.5 in Q3FY23.

MARKET DATA

Shares O/S (Mn)	188
Mkt Cap (INRmn)	71,804
52 Wk H/L (INR)	475.5/336.5
Volume Avg (3m K)	56.6
Face Value (INR)	2
Bloomberg Code	SPPT IN

KEY FINANCIALS

Particulars (INRmn)	FY21	FY22	FY23	FY24E	FY25E
Net Sales	31,852	50,323	52,872	61,320	71,317
EBITDA	6,689	9,054	6,581	8,117	9,946
PAT	4,775	6,633	4,981	6,089	7,314
EPS (INR)	50.8	35.3	26.5	32.4	38.9
EBITDA Margin	21.0%	18.0%	12.4%	13.2%	13.9%
PAT Margin	15.0%	13.2%	9.4%	9.9%	9.4%

Source: Company, KRChoksey Research

Improvement in revenue on a sequential basis on account of healthy volume growth:

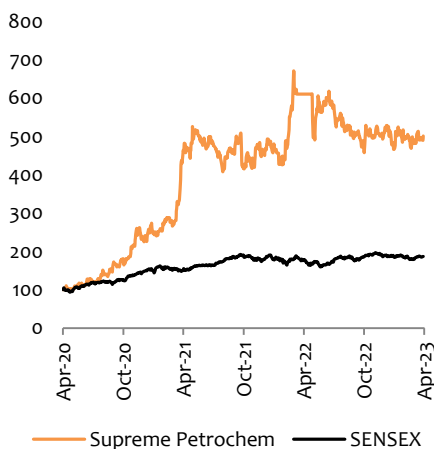
In Q4FY23, Supreme Petrochem Ltd (SPL) revenue from operation stood at INR 13,869mn, grew by 17.5% QoQ and declined by 7.5% YoY. Sequential growth in the revenue is mainly attributable to the 17.8% QoQ growth in the volume; whereas realization was almost stagnant on a sequential basis. The company saw an increase in QoQ volume by 18.0% to 81828 MT during the quarter compared to 71,244 MT in Q3FY23 due to pick up demand in consumer durable segment for the upcoming summer season. However, the volume has increased by merely 0.1% on YoY basis from 81758 in Q4FY22. Trading volume accounts for 22-23% of the total sale volume in FY23. The management expects volume growth to be in range of 15-16% in FY24 and FY25 excluding volume growth in Mass ABS on the back of expansion in capacity till FY25. Price of the styrene Monomer, a key raw material has stabilised since August 2022 and the company expects price will continue to be stable. Current utilisation in polystyrene and expanded polystyrene is around 90%. Value added products accounted around 40% in the entire product basket in FY23 and it is expected to improve going forward.

EBITDA margin contracted by 549 bps YoY and improved by 499 bps QoQ to 15.1%. Improvement in the margin on the account of volume growth and slight improvement in spread of polystyrene and styrene Monomer. However, the management highlighted that spread will remain within range.

Status of capacity expansion

The company has announced a huge capex plan of INR 1240 Cr for brownfield expansion to enhance its existing polystyrene, EPS, masterbatches & compounds and XPS capacities and 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. Entire capex will be funded through an internal accrual. The company expects full utilisation in Mass ABS will be achieved with 2-3 years of commencement. The company anticipates to incur capital expenditure of INR 430 Cr towards Mass ABS, Phase II of EPS and second line of extruded polystyrene board during FY24.

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	61,112
NIFTY	18,065

SHARE HOLDING PATTERN (%)

Particulars	Mar-23	Dec-22	Sep-22
Promoters	64.2%	64.2%	64.2%
FIIIs	2.1%	2.2%	2.2%
DIIIs	2.3%	2.3%	2.2%
Others	31.4%	31.2%	31.4%
Total	100%	100%	100%

16.1%

Revenue CAGR between FY23 and FY25E

21.2%

PAT CAGR between FY23 and FY25E

Supreme Petrochem Ltd.

INRMn	Q4FY23	Q3FY23	Q4FY22	Q-o-Q	Y-o-Y
Revenues	13,869	11,804	14,977	17.5%	-7.4%
Total Expenditure	11,779	10,615	11,899	11.0%	-1.0%
EBITDA	2,089.1	1,188.8	3,078	75.7%	-32.1%
EBITDA Margin	15.1%	10.1%	20.6%	499 bps	-549 bps
Depreciation & amortization	135.51	110.19	104	23.0%	30.6%
EBIT	1,954	1,079	2,974	81.1%	-34.3%
EBIT Margin	14.1%	9.1%	19.9%	495 bps	-577 bps
Finance Cost	8	10	17	-18.1%	-54.2%
Other Income	210	142	94	47.6%	123.2%
PBT	2,155	1,211	3,051	78.0%	-29.4%
Tax	557	315	797	76.9%	-30.1%
PAT	1,598	896	2,254.0	78.4%	-29.1%
PAT Margin	11.5%	7.6%	15.0%	393 bps	-353 bps
Diluted EPS (INR)	17.0	9.5	24.0	78.4%	-29.1%

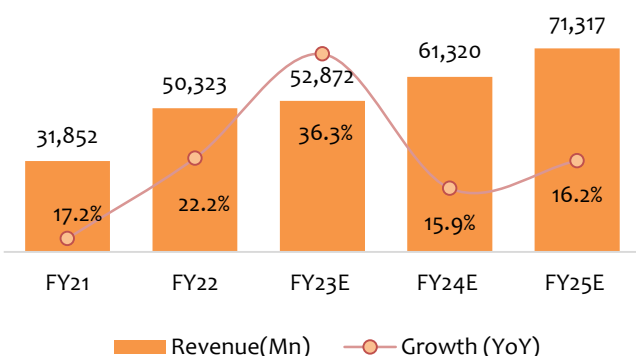
Source: Company, KRChoksey Research
Restated EPS post split from INR 4/ share to INR 2/share

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 16.1%, 22.9% and 21.2% CAGR growth in its revenue, EBITDA and PAT over FY23-25E period.

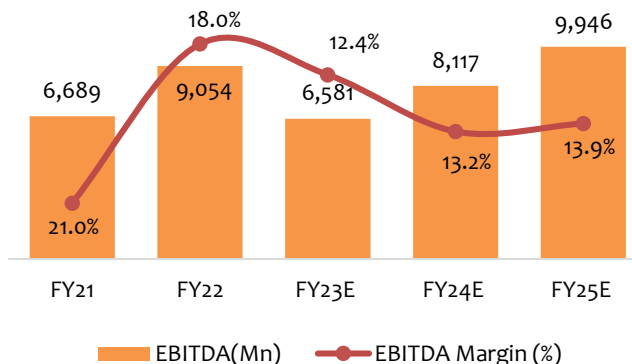
SPL reported improved operating performance during Q3FY23 on the back of higher revenue and better margin sequentially. We are introducing FY25E estimate and revised our FY24E estimate. At CMP of INR 383, the stock is currently trading at a P/E multiple of 11.8x/9.8x on its FY24E/25E revised EPS of INR 32.4/38.9 respectively. We value the stock at 12x on its FY25E EPS of INR 38.9, which yields a target price of INR 467/share, an upside of 21.9% over the CMP. Accordingly, we maintain our “BUY” rating on the shares of Supreme Petrochem Ltd.

Revenue to witness 16% CAGR over FY23-25E



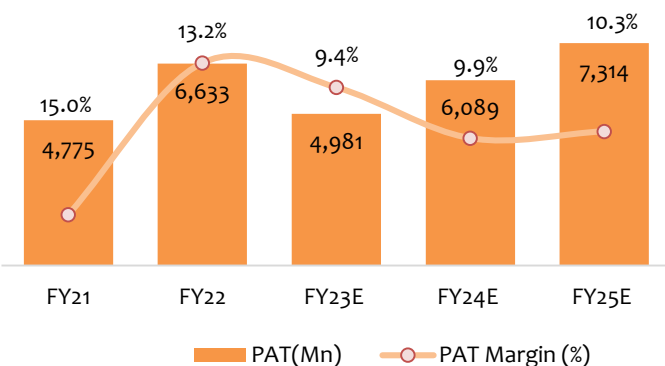
Source: Company, KRChoksey Research

EBITDA margin trend over the years



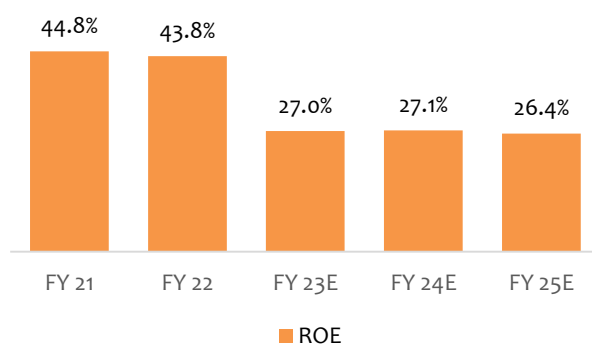
Source: Company, KRChoksey Research

PAT to witness 21% CAGR over FY23-25E



Source: Company, KRChoksey Research

ROE to stabilise around 30%



Source: Company, KRChoksey Research

Supreme Petrochem Ltd.

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

Particulars (INRmn)	FY21	FY22	FY23	FY24E	FY25E
Revenue from Operations	31,852	50,323	52,872	61,320	71,317
Other Income	213	305	589	570	627
Total Income	32,065	50,628	53,461	61,891	71,945
Cost of Materials Consumed	15,979	27,019	32,150	35,566	41,007
Purchase of stock-in-trade	6,899	11,344	11,906	13,809	16,060
Excise Duty on Sale of Goods	0	0	0	0	0
Changes in Inventories of Finished Goods and WIP	67	81	-1,067	0	0
Employee Benefit Expense	457	483	547	635	738
Other Expenses	1,761	2,342	2,754	3,194	3,566
Total Expenses	25,554	41,687	46,757	53,709	62,128
EBITDA	6,689	9,054	6,581	8,117	9,946
D&A	391	419	466	506	756
EBIT	6,298	8,636	6,115	7,612	9,190
Finance Costs	73	62	36	30	26
Other Income	213	305	589	570	627
PBT	6,438	8,878	6,669	8,151	9,791
Income Tax Expenses	1,663	2,246	1,687	2,063	2,478
PAT	4,775	6,633	4,981	6,089	7,314

Source: Company, KRChoksey Research

Exhibit 2: Cash Flow Statement

Particulars (INRmn)	FY21	FY22	FY23	FY24E	FY25E
Net Cash Generated From Operations	4,347	6,722	3,403	7,721	7,943
Net Cash Flow from/(used in) Investing Activities	-938	-1,400	-1,654	-5,003	-5,003
Net Cash Flow from Financing Activities	-1,044	-1,780	-1,941	-2,009	-2,128
Net Inc/Dec in cash equivalents	2,365	3,542	-192	708	812
Opening Balance	1,759	5,770	2,175	833	1,541
Investment in liquid scheme	-3,355	-7,137	-1,151	0	0
Closing Balance of Cash and Cash Equivalents	1,067	2,175	833	1,541	2,353

Source: Company, KRChoksey Research

Exhibit 3: Ratio Analysis

Key Ratio	FY21	FY22	FY23	FY24E	FY25E
EBITDA Margin	21.0%	18.0%	12.4%	13.2%	13.9%
Tax rate (%)	25.8%	25.3%	25.3%	25.3%	25.0%
Net Profit Margin (%)	15.0%	13.2%	9.4%	9.9%	9.4%
RoE (%)	44.8%	43.8%	27.0%	27.1%	26.4%
RoCE (%)	42.1%	42.2%	26.4%	26.5%	25.9%
Current Ratio (x)	2.2x	2.5x	2.4x	2.1x	2.0x
EPS (INR per share)	50.8	35.3	26.5	32.4	38.9

Source: Company, KRChoksey Research

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

Supreme Petrochem Ltd.

KEY FINANCIALS

Exhibit 4: Balance Sheet

Particulars (INRmn)	FY21	FY22	FY23E	FY24E	FY25E
Non-Current Assets					
Property, Plant and Equipment	3,189	3,020	5,115	9,646	13,927
Right to use assets	393	344	147	114	81
Capital Work-in Progress	91	1,789	10,804	10,804	10,804
Other Intangible Assets	6	5	4	4	3
Financial Assets					
Loans	9	12	19	19	19
Other Financial Assets	53	48	249	254	259
Other Non-Current Assets	162	115	410	418	427
Total non-current assets	3,903	5,333	7,025	11,536	15,797
Current Assets					
Inventories	3,178	3,008	6,469	5,359	6,179
Financial Assets					
Investment in Liquid scheme of MF	4,703	4,838	5,626	5,626	5,626
Trade Receivables	3,833	4,118	3,623	5,880	6,839
Cash and Cash Equivalents	661	2,175	833	1,541	2,353
Bank Balance other than cash	407	2,299	2,662	2,662	2,662
Loans	6	8	9	9	9
Other Financial Assets	568	600	563	563	563
Current Tax Assets (net)	85	88	130	130	130
Other Current Assets	210	316	370	377	385
Total current assets	13,651	17,450	20,285	22,148	24,746
TOTAL ASSETS	17,553	22,783	27,310	33,684	40,543
Equity and Liabilities					
Shareholder's fund					
Equity Share Capital	940	376	376	376	376
Other Equity	9,708	14,780	18,063	22,083	27,328
Total Equity	10,648	15,156	18,439	22,459	27,704
Non-current Liabilities					
Long term borrowings	0	0	0	0	0
Lease liabilities	262	167	24	114	81
Provisions	36	34	36	36	36
Other financial liabilities	33	33	36	37	37
Deferred Tax Liabilities (Net)	357	344	354	354	354
Total non-current liabilities	689	578	450	541	508
Current Liabilities					
Financial Liabilities					
Lease Liabilities	148	206	143	143	143
Trade Payables	5,685	5,259	7,820	10,080	11,723
Other Financial Liabilities	192	966	296	296	296
Other Current Liabilities	152	590	134	137	140
Provisions	25	26	22	22	22
Current Tax Liabilities (net)	13	1	6	6	6
Total current liabilities	6,216	7,048	8,422	10,684	12,330
TOTAL LIABILITIES	6,905	7,627	8,872	11,225	12,838
Total Equity and Liabilities	17,553	22,783	27,310	33,684	40,543

Source: Company, KRChoksey Research

Supreme Petrochem Ltd.

Supreme Petrochem Ltd.				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
29-Apr-23	383	467	BUY	Buy	More than 15%
21-Feb-23	370	427	BUY		
29-Oct-22	687	873	BUY	Accumulate	5% – 15%
26-Jul-22	879	1,021	BUY		
29-Apr-22	921	NA	UR	Hold	0 – 5%
25-Jan-22	696	814	BUY		
21-Oct-21	690	814	BUY	Reduce	-5% – 0
27-Jul-21	726	806	ACCUMULATE		
				Sell	Less than – 5%

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