

October 31, 2023

Q2FY24 Result Update

☒ Change in Estimates | ☒ Target | ☐ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	4,645		4,225	
Sales (Rs.m)	1,06,593	1,21,268	1,08,197	1,23,029
% Chng.	(1.5)	(1.4)		
EBITDA (Rs.m)	15,799	18,363	15,162	18,137
% Chng.	4.2	1.2		
EPS (Rs.)	83.7	101.5	82.5	100.2
% Chng.	1.4	1.3		

Key Financials - Consolidated

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	92,016	1,06,593	1,21,268	1,39,743
EBITDA (Rs. m)	11,997	15,799	18,363	21,719
Margin (%)	13.0	14.8	15.1	15.5
PAT (Rs. m)	8,653	10,629	12,894	15,553
EPS (Rs.)	68.1	83.7	101.5	122.4
Gr. (%)	(10.6)	22.8	21.3	20.6
DPS (Rs.)	26.0	23.0	27.0	30.0
Yield (%)	0.6	0.5	0.6	0.7
RoE (%)	21.0	22.2	22.8	23.2
RoCE (%)	23.4	28.1	28.3	29.1
EV/Sales (x)	6.2	5.3	4.6	3.9
EV/EBITDA (x)	47.3	35.7	30.3	25.1
PE (x)	66.4	54.1	44.6	36.9
P/BV (x)	13.1	11.1	9.4	7.9

Key Data

SUPI.BO | SI IN

52-W High / Low	Rs.4,888 / Rs.1,949
Sensex / Nifty	64,113 / 19,141
Market Cap	Rs.574bn/ \$ 6,900m
Shares Outstanding	127m
3M Avg. Daily Value	Rs.2270.83m

Shareholding Pattern (%)

Promoter's	48.85
Foreign	18.10
Domestic Institution	17.95
Public & Others	15.10
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	9.7	66.1	122.0
Relative	12.7	58.4	107.6

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Supreme Industries (SI IN)

Rating: ACCUMULATE | CMP: Rs4,522 | TP: Rs4,645

Robust volume growth with margin improvement

Supreme Industries (SI) delivered robust volume growth of 23.2% ahead of expectations, mainly led by growth in Plastic pipe segment (up 29.9% YoY) while EBITDA/kg improved to Rs 25.9/kg (vs. Rs21.6 QoQ and Rs13.2 YoY). Volume growth was driven by plumbing and infra segments in Q2FY24. SI has increased its volume growth guidance to 23% from 20%+ (28% vs 23-25% in pipe segment) and also increase EBITDA margin guidance to 14.5% from 14%+ for FY24.

We continue to believe SI is well placed to capture demand across its segments given 1) capacity expansion in different geographies, 2) new product expansion e.g. expanding in PVC window & doors manufacturing and adding 4 piping systems namely (i) PP multilayer silent pipe (ii) Gas Piping (iii) PE/AL/PE piping and (iv) PPR pipe, 3) wide pan India distributors n/w of 4500 channel partners, with 1443 distributors for pipe business; additional 100 in FY24, and 4) cash surplus of Rs5.8bn for funding expansion plans. We estimate FY23-26E Revenue/EBITDA/PAT CAGR of 14.9%/21.9%/21.6%, with volume CAGR of 15.5% and EBITDA margin improvement of 250bps. We upward revise our FY24/25E earnings estimates by 1.4%/1.3% and maintain Accumulate rating, at TP of Rs 4645 (earlier Rs4225), based on 40x Sep'25 core EPS plus 25% discount to Supreme Petrochem's stake.

Revenues grew by 10.6%, PAT up 196.5%: Revenue grew 10.6% YoY to ~Rs23.1bn (PLe: Rs21.1bn) with volume growth of 23.2% YoY and realization decline by 11.6% YoY. Pipe segment revenue up 16.6% YoY to Rs15.1bn, packaging revenue up by 7.4% YoY to Rs3.5bn, industrial revenue down 2.7% YoY to Rs3.3bn, consumer segment was down by 5.8% YoY to Rs1.05bn. EBITDA grew by 142% YoY to Rs3.6bn (PLe: Rs2.3bn). EBITDA margin was at 15.4% (PLe: 10.6%). EBITDA per Kg reached to Rs25.9/kg. In Pipe/Consumer/Packaging, EBIT margins expanded by 1140bps/270bps/710bps YoY to 13.3%/16.6%/13.6%. Industrial EBIT margins contracted by 120bps YoY to 7.7%. PAT stood to Rs2.4bn (+196%YoY; PLe: Rs1.2bn). The turnover from VAP stood at Rs9.4bn in Q2FY24.

Con call highlights: 1) Mgmt has guided for around 23% vol. growth along with EBITDA margin of 14.5% in FY24, mainly with good demand from real estate and infra sectors, 2) Plastic Pipe/Industrial Product/Packing Product is expected to grow 28%/4%/12% in volume terms in FY24, 3) In industrial segment, 40% of revenue comes from white goods, 4) Vol. growth in Plastic Pipe / Packing / Industrial / Consumer Product in Q2FY24 has been 30%/12%/4.5%/flat YoY, 5) There was no inventory loss or gain in Q2FY24, 6) A capex of Rs9.0bn will be done in FY24, which include the acquisition of business of Parvati Agro Plast, 7) Capacity expansion at Kanpur Dehat (U.P.), Erode (Tamilnadu) and Malanpur (M.P.) is at full swing, 8) Company has acquired the pipe manufacturing unit of M/s Parvati Agro Plast situated at Sangli, having total installed capacities of 36,000 MT per annum comprising of 15,000 MT of PVC Pipes, 18,000 MT of HDPE Pipes and 3,000 MT of O-PVC Pipes, 9) The installed capacities of the Piping division shall reach to 780 kMTPA by end of FY24 from 600kMTPA in FY23, 10) There were total of 283 showrooms as of Sep'23, 11) PVC resin prices down ~12% in Q3FY24 so far and expected to be soft in H2FY24.

Exhibit 1: Q2FY24 Result Overview: Sales grew by 10.6% YoY; PAT grew by 196.5% YoY

Y/e March (Rs mn)	2QFY24	2QFY23	YoY gr. (%)	Q1FY24	QoQ gr. (%)	H1FY24	H1FY23	YoY gr. (%)
Net Sales	23,087	20,866	10.6	23,686	-2.5%	46,773	42,926	9.0
Expenditure								
Operating & Manufacturing Expenses	15,357	16,022	(4.1)	16,560	-7.3%	31,917	32,246	(1.0)
<i>% of Net Sales</i>	<i>66.5</i>	<i>76.8</i>		<i>69.9</i>		<i>68.2</i>	<i>75.1</i>	
Gross Profit	7,730	4,845	59.6	7,126	8.5%	14,856	10,680	39.1
<i>% of Net Sales</i>	<i>33.5</i>	<i>23.2</i>		<i>30.1</i>		<i>31.8</i>	<i>24.9</i>	
Personnel Cost	1,059	882	20.0	1,032	2.6%	2,091	1,792	16.7
<i>% of Net Sales</i>	<i>4.6</i>	<i>4.2</i>		<i>4.4</i>		<i>4.5</i>	<i>4.2</i>	
Other Expenses	3,109	2,491	24.8	2,878	8.0%	4,412	3,505	25.9
<i>% of Net Sales</i>	<i>13.5</i>	<i>11.9</i>		<i>12.1</i>		<i>9.4</i>	<i>8.2</i>	
Total Expenditure	19,525	19,395	0.7	20,470	-4.6%	39,995	38,765	3.2
EBITDA	3,562	1,471	142.1	3,216	10.8%	6,778	4,160	62.9
<i>Margin (%)</i>	<i>15.4</i>	<i>7.1</i>		<i>13.6</i>		<i>14.5</i>	<i>9.7</i>	
Other income	127	55	129.9	142	-10.6%	269	101	167.0
Depreciation	719	649	10.9	721	-0.2%	1,440	1,265	13.8
EBIT	2,970	878	238.3	2,637	12.6%	5,607	2,996	87.2
Interest	16	12	29.2	17	-8.3%	32	28	14.5
PBT	2,955	866	241.2	2,621	12.7%	5,575	2,968	87.9
Total Taxes	763	231	229.7	678	12.5%	1,441	774	86.1
<i>ETR (%)</i>	<i>25.8</i>	<i>26.7</i>		<i>25.9</i>		<i>25.9</i>	<i>26.1</i>	
Adj. PAT	2,192	635	245.4	1,942	12.8%	4,134	2,193	88.5
Share of Profit/(Loss) in Associate	240	186	29.5	213	12.7%	454	766	(40.8)
Reported PAT	2,432	820	196.5	2,155	12.8%	4,587	2,959	55.0

Source: Company, PL

Exhibit 2: Segmental Breakup: Pipe revenues up by 16.6%, while margins expanded by 1140bps YoY

Y/e March (Rs mn)	2QFY24	2QFY23	YoY gr. (%)	Q1FY24	QoQ gr. (%)	H1FY24	H1FY23	YoY gr. (%)
Revenues								
Plastic pipe	15,093	12,947	16.6	16,261	(7.2)	31,354	27,577	13.7
Packing Product	3,522	3,278	7.4	3,231	9.0	6,753	6,538	3.3
Industrial Product	3,258	3,349	(2.7)	2,985	9.1	6,243	6,369	(2.0)
Consumer Product	1,054	1,119	(5.8)	1,049	0.5	2,104	2,079	1.2
TOTAL	23,087	20,866	10.6	23,686	(2.5)	46,773	42,926	9.0
EBIT								
Plastic pipe	2,006	248	709.7	1,941	3.3	3,947	1,788	120.8
<i>EBIT margin (%)</i>	<i>13.3</i>	<i>1.9</i>	<i>11.4</i>	<i>11.9</i>	<i>1.4</i>	<i>12.6</i>	<i>6.5</i>	<i>6.1</i>
Packing Product	478	213	124.4	255	87.4	733	443	65.5
<i>EBIT margin (%)</i>	<i>13.6</i>	<i>6.5</i>	<i>7.1</i>	<i>7.9</i>	<i>5.7</i>	<i>10.9</i>	<i>6.8</i>	<i>4.1</i>
Industrial Product	252	298	-15.4	189	33.7	441	558	(21.0)
<i>EBIT margin (%)</i>	<i>7.7</i>	<i>8.9</i>	<i>-1.2</i>	<i>6.3</i>	<i>1.4</i>	<i>7.1</i>	<i>8.8</i>	<i>(1.7)</i>
Consumer Product	175	155	12.9	177	-1.2	353	265	32.9
<i>EBIT margin (%)</i>	<i>16.6</i>	<i>13.9</i>	<i>2.7</i>	<i>16.9</i>	<i>-0.3</i>	<i>16.8</i>	<i>12.8</i>	<i>4.0</i>
Total	2,970	878	238.3	2,637	12.6	5,607	2,996	87.2
<i>EBIT margin (%)</i>	<i>12.9</i>	<i>4.2</i>	<i>8.7</i>	<i>11.1</i>	<i>1.7</i>	<i>12.0</i>	<i>7.0</i>	<i>5.0</i>

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	92,016	1,06,593	1,21,268	1,39,743
YoY gr. (%)	18.4	15.8	13.8	15.2
Cost of Goods Sold	65,992	75,148	84,888	96,982
Gross Profit	26,024	31,445	36,381	42,761
Margin (%)	28.3	29.5	30.0	30.6
Employee Cost	6,205	6,929	7,676	8,846
Other Expenses	3,627	4,032	4,889	5,634
EBITDA	11,997	15,799	18,363	21,719
YoY gr. (%)	(3.4)	31.7	16.2	18.3
Margin (%)	13.0	14.8	15.1	15.5
Depreciation and Amortization	2,634	2,882	3,148	3,391
EBIT	9,363	12,917	15,215	18,328
Margin (%)	10.2	12.1	12.5	13.1
Net Interest	80	74	83	94
Other Income	298	520	750	1,200
Profit Before Tax	9,580	13,363	15,882	19,434
Margin (%)	10.4	12.5	13.1	13.9
Total Tax	2,460	3,734	4,337	5,231
Effective tax rate (%)	25.7	27.9	27.3	26.9
Profit after tax	7,121	9,629	11,544	14,203
Minority interest	-	-	-	-
Share Profit from Associate	1,533	1,000	1,350	1,350
Adjusted PAT	8,653	10,629	12,894	15,553
YoY gr. (%)	(10.6)	22.8	21.3	20.6
Margin (%)	9.4	10.0	10.6	11.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	8,653	10,629	12,894	15,553
YoY gr. (%)	(10.6)	22.8	21.3	20.6
Margin (%)	9.4	10.0	10.6	11.1
Other Comprehensive Income	(29)	-	-	-
Total Comprehensive Income	8,624	10,629	12,894	15,553
Equity Shares O/s (m)	127	127	127	127
EPS (Rs)	68.1	83.7	101.5	122.4

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	40,948	46,573	50,573	53,948
Tangibles	40,070	45,695	49,695	53,070
Intangibles	878	878	878	878
Acc: Dep / Amortization	20,305	23,187	26,335	29,726
Tangibles	20,305	23,187	26,335	29,726
Intangibles	-	-	-	-
Net fixed assets	20,642	23,386	24,238	24,222
Tangibles	19,764	22,508	23,360	23,344
Intangibles	878	878	878	878
Capital Work In Progress	837	837	837	837
Goodwill	-	-	-	-
Non-Current Investments	6,008	6,008	6,008	6,008
Net Deferred tax assets	(908)	(908)	(908)	(908)
Other Non-Current Assets	668	668	668	668
Current Assets				
Investments	-	-	-	-
Inventories	13,856	16,051	18,261	21,043
Trade receivables	4,924	5,704	6,489	7,478
Cash & Bank Balance	7,380	11,167	18,596	28,863
Other Current Assets	2,627	2,627	2,627	2,627
Total Assets	56,942	66,448	77,724	91,746
Equity				
Equity Share Capital	254	254	254	254
Other Equity	43,767	51,474	60,938	72,679
Total Network	44,021	51,728	61,192	72,933
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	264	264	264	264
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	9,038	10,469	11,911	13,725
Other current liabilities	2,322	2,689	3,060	3,526
Total Equity & Liabilities	56,942	66,448	77,724	91,746

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	11,113	14,363	17,232	20,784
Add. Depreciation	2,634	2,882	3,148	3,391
Add. Interest	80	74	83	94
Less Financial Other Income	298	520	750	1,200
Add. Other	(1,772)	(520)	(750)	(1,200)
Op. profit before WC changes	12,056	16,799	19,713	23,069
Net Changes-WC	(778)	(1,176)	(1,184)	(1,490)
Direct tax	(2,375)	(3,734)	(4,337)	(5,231)
Net cash from Op. activities	8,903	11,889	14,192	16,348
Capital expenditures	(4,243)	(5,625)	(4,000)	(3,375)
Interest / Dividend Income	17	520	750	1,200
Others	734	-	-	-
Net Cash from Invt. activities	(3,493)	(5,105)	(3,250)	(2,175)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(3,049)	2,922	3,430	3,812
Interest paid	(15)	74	83	94
Others	(202)	-	-	-
Net cash from Fin. activities	(3,266)	2,996	3,513	3,905
Net change in cash	2,145	9,779	14,455	18,078
Free Cash Flow	4,660	6,264	10,192	12,973

Source: Company Data, PL Research

Key Financial Metrics

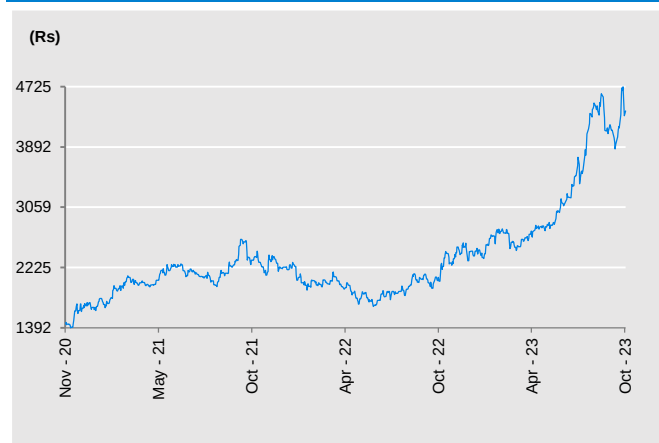
Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	68.1	83.7	101.5	122.4
CEPS	88.8	106.3	126.3	149.1
BVPS	346.5	407.1	481.6	574.1
FCF	36.7	49.3	80.2	102.1
DPS	26.0	23.0	27.0	30.0
Return Ratio(%)				
RoCE	23.4	28.1	28.3	29.1
ROIC	20.6	25.4	29.2	35.1
RoE	21.0	22.2	22.8	23.2
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.2)	(0.3)	(0.4)
Net Working Capital (Days)	39	39	39	39
Valuation(x)				
PER	66.4	54.1	44.6	36.9
P/B	13.1	11.1	9.4	7.9
P/CEPS	50.9	42.5	35.8	30.3
EV/EBITDA	47.3	35.7	30.3	25.1
EV/Sales	6.2	5.3	4.6	3.9
Dividend Yield (%)	0.6	0.5	0.6	0.7

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Net Revenue	23,107	25,983	23,686	23,087
YoY gr. (%)	18.8	1.6	7.4	10.6
Raw Material Expenses	16,463	17,283	16,560	15,357
Gross Profit	6,644	8,700	7,126	7,730
Margin (%)	28.8	33.5	30.1	33.5
EBITDA	3,034	4,803	3,216	3,562
YoY gr. (%)	(4.6)	22.7	19.6	142.1
Margin (%)	13.1	18.5	13.6	15.4
Depreciation / Depletion	648	721	721	719
EBIT	2,386	4,082	2,495	2,843
Margin (%)	10.3	15.7	10.5	12.3
Net Interest	12	40	17	16
Other Income	83	114	142	127
Profit before Tax	2,457	4,156	2,621	2,955
Margin (%)	10.6	16.0	11.1	12.8
Total Tax	633	1,052	678	763
Effective tax rate (%)	25.8	25.3	25.9	25.8
Profit after Tax	1,825	3,103	1,942	2,192
Minority interest	-	-	-	-
Share Profit from Associates	276	491	213	240
Adjusted PAT	2,100	3,594	2,155	2,432
YoY gr. (%)	(14.5)	11.0	0.8	196.5
Margin (%)	9.1	13.8	9.1	10.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,100	3,594	2,155	2,432
YoY gr. (%)	(14.5)	11.0	0.8	196.5
Margin (%)	9.1	13.8	9.1	10.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,100	3,594	2,155	2,432
Avg. Shares O/s (m)	127	127	127	127
EPS (Rs)	16.5	28.3	17.0	19.1

Source: Company Data, PL Research

Price Chart

Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Oct-23	Accumulate	4,225	3,925
2	28-Jul-23	Hold	3,377	3,382
3	04-Jul-23	Accumulate	3,245	3,245
4	29-Apr-23	BUY	3,245	2,722
5	06-Apr-23	BUY	3,177	2,535
6	01-Mar-23	BUY	3,177	2,761

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Astral Ltd.	Hold	1,983	1,844
2	Bajaj Electricals	BUY	1,421	1,056
3	Century Plyboard (I)	BUY	855	653
4	Cera Sanitaryware	Accumulate	8,857	8,176
5	Crompton Greaves Consumer Electricals	BUY	401	301
6	Finolex Industries	Accumulate	238	203
7	Greenpanel Industries	BUY	495	374
8	Havells India	Accumulate	1,538	1,363
9	Kajaria Ceramics	Accumulate	1,368	1,230
10	KEI Industries	BUY	2,908	2,726
11	Polycab India	Accumulate	5,943	5,339
12	R R Kabel	BUY	1,624	1,503
13	Supreme Industries	Accumulate	4,225	3,925
14	Voltas	Hold	909	819

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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