

January 23, 2024

Q3FY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	4,823		4,848	
Sales (Rs. m)	1,16,151	1,35,204	1,21,268	1,39,743
% Chng.	(4.2)	(3.2)		
EBITDA (Rs. m)	18,550	22,114	18,363	21,719
% Chng.	1.0	1.8		
EPS (Rs.)	101.0	121.9	101.5	122.4
% Chng.	(0.4)	(0.4)		

Key Financials - Consolidated

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	92,016	1,01,534	1,16,151	1,35,204
EBITDA (Rs. m)	11,997	15,693	18,550	22,114
Margin (%)	13.0	15.5	16.0	16.4
PAT (Rs. m)	8,653	10,780	12,838	15,485
EPS (Rs.)	68.1	84.8	101.0	121.9
Gr. (%)	(10.6)	24.6	19.1	20.6
DPS (Rs.)	26.0	23.0	27.0	30.0
Yield (%)	0.6	0.6	0.7	0.7
RoE (%)	21.0	22.5	22.7	23.1
RoCE (%)	23.4	27.9	28.2	29.1
EV/Sales (x)	5.5	5.0	4.3	3.6
EV/EBITDA (x)	42.5	32.2	26.8	22.1
PE (x)	59.8	48.0	40.3	33.4
P/BV (x)	11.7	10.0	8.4	7.1

Key Data

SUPI.BO | SI IN

52-W High / Low	Rs.4,888 / Rs.2,335
Sensex / Nifty	71,424 / 21,572
Market Cap	Rs.517bn / \$ 6,224m
Shares Outstanding	127m
3M Avg. Daily Value	Rs.815.21m

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	(12.2)	17.4	72.4
Relative	(12.6)	9.6	46.3

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Supreme Industries (SI IN)

Rating: ACCUMULATE | CMP: Rs4,070 | TP: Rs4,823

Healthy vol. growth with margin improvement

Supreme Industries (SI) delivered healthy volume growth of 14.2% ahead of expectations, mainly led by Plastic pipe segment (up 17.2% YoY on higher base) and increase in EBITDA/kg to ~Rs 24/kg (up 9.3% YoY). SI maintained its overall volume growth guidance to 23%+ (increased for pipe segment from 28% to 30%) and increased EBITDA margin to 15.5% from 14.5% for FY24. We continue to maintain our positive view given 1) capacity expansion in different geographies, 2) new product development, 3) wide pan India distributors, and 4) cash surplus of Rs5.9bn for funding expansion plans. We estimate Revenue/EBITDA/PAT CAGR of 13.7%/22.6%/21.4% for FY23-26E with volume CAGR of 16.7% and EBITDA margin improvement of 330bps. We tweak our FY25/FY26 earnings estimates and revise the TP to Rs 4823 (Rs 4848 earlier), based on 40x Dec'25 EPS plus 25% discount to Supreme Petrochem's stake.

Revenues grew by 6.0%, Adj. PAT up by 29%: Sales grew 6% YoY to ~Rs24.5bn (PLe: Rs24.4bn) with volume growth of 14.2% YoY and realization declined 6.4% YoY. Plastic Pipe segment revenue was up by 9% YoY to Rs16.4bn, packaging revenue up by 3.5% YoY to Rs3.5bn, industrial revenue down by 1.2% YoY to Rs3.3bn and consumer segment was down by 3.2% YoY to Rs1.1bn. EBITDA grew by 25% YoY to Rs3.8bn (PLe: Rs3.4bn). EBITDA margin was at 15.5% (PLe: 13.7%). EBITDA per Kg reached to Rs24/kg. In Pipe/Consumer/Packaging, EBIT margins expanded by 160bps/20bps/640bps YoY to 13%/17.4%/13.1%. Industrial EBIT margins contracted by 60bps YoY to 8.9%. PAT stood at Rs2.6bn (+22%YoY; PLe Rs2.3bn and turnover from VAP stood at Rs8.53bn in Q3FY24.

Con call highlights: **1)** Management upgraded vol. growth guidance from 28% to 30%+ in P&F segment in FY24 mainly with good demand from real estate & infra sectors and around 15% in FY25, **2)** P&F EBIT per Kg is expected to be at Rs 18-20/kg, **3)** SI has maintained its overall vol. growth guidance of 23% YoY and increased EBITDA margin guidance from 14.5% to 15.5% for FY24, **4)** Packaging and consumer segments are expected to grow slow, due to increasing proportion of value-added products, **5)** SI indicated market share gain in pipe segment, as its PVC/CPVC portfolio delivered growth of +24%/8% YoY compared to the industry of +15%/2% YoY in 9MFY24, **6)** Capex of Rs10.0bn is expected to increase its capacity from 0.8mtpa to 1.0mtpa (to be complete by Dec-24) which will be completely funded through internal accruals, **7)** SI is increasing its capacity of O-PVC (oriented unplasticised polyvinyl chloride) from 3kMT to 40kMT, **8)** SI expects revenue from Kanpur manufacturing unit from FY26 and Malanpur, MP to be operational in Q1FY25, **9)** An inventory loss of Rs500mn was incurred in 9MFY24, **10)** SI has spent 1.71bn, including Rs 210mn for land on acquisition of Parvati Agro Plast, **11)** There were total of 298 showrooms as of Dec'23, **12)** PVC resin prices have stabilized at an affordable level, may turn volatile with severity in red sea conflict.

Exhibit 1: Q3FY24 Result Overview: Sales grew by 6.0% YoY; Adj. PAT grew by 29.0% YoY

Y/e March (Rs mn)	3QFY24	3QFY23	YoY gr. (%)	2QFY24	QoQ gr. (%)	9MFY24	9MFY23	YoY gr. (%)
Net Sales	24,491	23,107	6.0	23,087	6.1	71,264	66,033	7.9
Expenditure								
Operating & Manufacturing Expenses	16,405	16,463	(0.4)	15,357	6.8	48,322	48,709	(0.8)
<i>% of Net Sales</i>	<i>67.0</i>	<i>71.2</i>		<i>66.5</i>		<i>67.8</i>	<i>73.8</i>	
Gross Profit	8,086	6,644	21.7	7,730	4.6	22,942	17,324	32.4
<i>% of Net Sales</i>	<i>33.0</i>	<i>28.8</i>		<i>33.5</i>		<i>32.2</i>	<i>26.2</i>	
Personnel Cost	1,098	959	14.5	1,059	3.7	3,189	2,751	15.9
<i>% of Net Sales</i>	<i>4.5</i>	<i>4.1</i>		<i>4.6</i>		<i>4.5</i>	<i>4.2</i>	
Other Expenses	3,200	2,652	20.7	3,109	2.9	6,761	5,458	23.9
<i>% of Net Sales</i>	<i>13.1</i>	<i>11.5</i>		<i>13.5</i>		<i>9.5</i>	<i>8.3</i>	
Total Expenditure	20,703	20,074	3.1	19,525	6.0	60,697	58,839	3.2
EBITDA	3,788	3,034	24.9	3,562	6.3	10,567	7,194	46.9
<i>Margin (%)</i>	<i>15.5</i>	<i>13.1</i>		<i>15.4</i>		<i>14.8</i>	<i>10.9</i>	
Other income	207	83	149.8	127	63.2	476	184	159.3
Depreciation	772	648	19.3	719	7.4	2,212	1,913	15.6
EBIT	3,223	2,469	30.5	2,970	8.5	8,831	5,465	61.6
Interest	52	12	348.7	16	232.9	84	40	111.1
PBT	3,172	2,457	29.1	2,955	7.3	8,747	5,425	61.2
Total Taxes	818	633	29.2	763	7.2	2,259	1,407	60.5
<i>ETR (%)</i>	<i>25.8</i>	<i>25.8</i>		<i>25.8</i>		<i>25.8</i>	<i>25.9</i>	
Adj. PAT	2,354	1,825	29.0	2,192	7.4	6,487	4,018	61.5
Share of Profit/(Loss) in Associate	208	276	(24.5)	240	(13.4)	662	1,041	(36.5)
Reported PAT	2,562	2,100	22.0	2,432	5.3	7,149	5,059	41.3

Source: Company, PL

Exhibit 2: Segmental Breakup: Pipe revenues up by 8.9%, while margins expanded by 160bps YoY

Y/e March (Rs mn)	3QFY24	3QFY23	YoY gr. (%)	2QFY24	QoQ gr. (%)	9MFY24	9MFY23	YoY gr. (%)
Revenues								
Plastic pipe	16,437	15,090	8.9	15,093	8.9	47,790	42,667	12.0
Packing Product	3,540	3,420	3.5	3,522	0.5	10,293	9,958	3.4
Industrial Product	3,320	3,360	(1.2)	3,258	1.9	9,563	9,729	(1.7)
Consumer Product	1,123	1,160	(3.2)	1,054	6.5	3,227	3,239	(0.4)
TOTAL	24,491	23,107	6.0	23,087	6.1	71,264	66,033	7.9
EBIT								
Plastic pipe	2,129	1,710	24.5	2,006	6.1	6,076	3,498	73.7
<i>EBIT margin (%)</i>	<i>13.0</i>	<i>11.3</i>	<i>1.6</i>	<i>13.3</i>	<i>-0.3</i>	<i>12.7</i>	<i>8.2</i>	<i>4.5</i>
Packing Product	465	230	102.3	478	-2.7	1,199	673	78.1
<i>EBIT margin (%)</i>	<i>13.1</i>	<i>6.7</i>	<i>6.4</i>	<i>13.6</i>	<i>-0.4</i>	<i>11.6</i>	<i>6.8</i>	<i>4.9</i>
Industrial Product	297	320	-7.3	252	17.6	738	878	(16.0)
<i>EBIT margin (%)</i>	<i>8.9</i>	<i>9.5</i>	<i>-0.6</i>	<i>7.7</i>	<i>1.2</i>	<i>7.7</i>	<i>9.0</i>	<i>(1.3)</i>
Consumer Product	196	200	-2.2	175	11.6	548	465	17.8
<i>EBIT margin (%)</i>	<i>17.4</i>	<i>17.2</i>	<i>0.2</i>	<i>16.6</i>	<i>0.8</i>	<i>17.0</i>	<i>14.4</i>	<i>2.6</i>
Total	3,223	2,469	30.5	2,970	8.5	8,831	5,465	61.6
<i>EBIT margin (%)</i>	<i>13.2</i>	<i>10.7</i>	<i>2.5</i>	<i>12.9</i>	<i>0.3</i>	<i>12.4</i>	<i>8.3</i>	<i>4.1</i>

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	92,016	1,01,534	1,16,151	1,35,204
YoY gr. (%)	18.4	10.3	14.4	16.4
Cost of Goods Sold	65,992	69,754	79,796	92,344
Gross Profit	26,024	31,780	36,355	42,860
Margin (%)	28.3	31.3	31.3	31.7
Employee Cost	6,205	7,189	8,040	9,350
Other Expenses	3,627	4,204	4,414	5,160
EBITDA	11,997	15,693	18,550	22,114
YoY gr. (%)	(3.4)	30.8	18.2	19.2
Margin (%)	13.0	15.5	16.0	16.4
Depreciation and Amortization	2,634	2,987	3,322	3,596
EBIT	9,363	12,706	15,228	18,518
Margin (%)	10.2	12.5	13.1	13.7
Net Interest	80	135	151	175
Other Income	298	683	730	1,000
Profit Before Tax	9,580	13,254	15,806	19,344
Margin (%)	10.4	13.1	13.6	14.3
Total Tax	2,460	3,404	4,318	5,209
Effective tax rate (%)	25.7	25.7	27.3	26.9
Profit after tax	7,121	9,850	11,488	14,135
Minority interest	-	-	-	-
Share Profit from Associate	1,533	930	1,350	1,350
Adjusted PAT	8,653	10,780	12,838	15,485
YoY gr. (%)	(10.6)	24.6	19.1	20.6
Margin (%)	9.4	10.6	11.1	11.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	8,653	10,780	12,838	15,485
YoY gr. (%)	(10.6)	24.6	19.1	20.6
Margin (%)	9.4	10.6	11.1	11.5
Other Comprehensive Income	(29)	-	-	-
Total Comprehensive Income	8,624	10,780	12,838	15,485
Equity Shares O/s (m)	127	127	127	127
EPS (Rs)	68.1	84.8	101.0	121.9

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	54,448
Tangibles	40,070	45,695	49,695	53,570
Intangibles	878	878	878	878
Acc: Dep / Amortization	20,305	23,292	26,614	30,210
Tangibles	20,305	23,292	26,614	30,210
Intangibles	-	-	-	-
Net fixed assets	20,642	23,281	23,959	24,238
Tangibles	19,764	22,403	23,081	23,359
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	15,290	17,491	20,360
Trade receivables	4,924	5,433	6,215	7,235
Cash & Bank Balance	7,380	11,872	19,485	29,424
Other Current Assets	2,627	2,627	2,627	2,627
Total Assets	56,942	66,015	77,290	91,396
Equity				
Equity Share Capital	254	254	254	254
Other Equity	43,767	51,625	61,033	72,706
Total Network	44,021	51,879	61,287	72,960
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	9,972	11,408	13,279
Other current liabilities	2,322	2,562	2,930	3,411
Total Equity & Liabilities	56,942	66,015	77,290	91,396

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	11,113	14,184	17,156	20,694
Add. Depreciation	2,634	2,987	3,322	3,596
Add. Interest	80	135	151	175
Less Financial Other Income	298	683	730	1,000
Add. Other	(1,772)	(683)	(730)	(1,000)
Op. profit before WC changes	12,056	16,623	19,900	23,464
Net Changes-WC	(778)	(727)	(1,117)	(1,456)
Direct tax	(2,375)	(3,404)	(4,318)	(5,209)
Net cash from Op. activities	8,903	12,491	14,465	16,800
Capital expenditures	(4,243)	(5,625)	(4,000)	(3,875)
Interest / Dividend Income	17	683	730	1,000
Others	734	-	-	-
Net Cash from Invt. activities	(3,493)	(4,942)	(3,270)	(2,875)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(3,049)	2,922	3,430	3,812
Interest paid	(15)	135	151	175
Others	(202)	-	-	-
Net cash from Fin. activities	(3,266)	3,057	3,582	3,986
Net change in cash	2,145	10,606	14,776	17,911
Free Cash Flow	4,660	6,866	10,465	12,925

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	68.1	84.8	101.0	121.9
CEPS	88.8	108.4	127.2	150.2
BVPS	346.5	408.3	482.4	574.3
FCF	36.7	54.0	82.4	101.7
DPS	26.0	23.0	27.0	30.0
Return Ratio(%)				
RoCE	23.4	27.9	28.2	29.1
ROIC	20.6	26.2	29.8	35.9
RoE	21.0	22.5	22.7	23.1
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	59.8	48.0	40.3	33.4
P/B	11.7	10.0	8.4	7.1
P/CEPS	45.8	37.6	32.0	27.1
EV/EBITDA	42.5	32.2	26.8	22.1
EV/Sales	5.5	5.0	4.3	3.6
Dividend Yield (%)	0.6	0.6	0.7	0.7

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Net Revenue	25,983	23,686	23,087	24,491
YoY gr. (%)	1.6	7.4	10.6	6.0
Raw Material Expenses	17,283	16,560	15,357	16,405
Gross Profit	8,700	7,126	7,730	8,086
Margin (%)	33.5	30.1	33.5	33.0
EBITDA	4,803	3,216	3,562	3,788
YoY gr. (%)	22.7	19.6	142.1	24.9
Margin (%)	18.5	13.6	15.4	15.5
Depreciation / Depletion	721	721	719	772
EBIT	4,082	2,495	2,843	3,016
Margin (%)	15.7	10.5	12.3	12.3
Net Interest	40	17	16	52
Other Income	114	142	127	207
Profit before Tax	4,156	2,621	2,955	3,172
Margin (%)	16.0	11.1	12.8	12.9
Total Tax	1,052	678	763	818
Effective tax rate (%)	25.3	25.9	25.8	25.8
Profit after Tax	3,103	1,942	2,192	2,354
Minority interest	-	-	-	-
Share Profit from Associates	491	213	240	208
Adjusted PAT	3,594	2,155	2,432	2,562
YoY gr. (%)	11.0	0.8	196.5	22.0
Margin (%)	13.8	9.1	10.5	10.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3,594	2,155	2,432	2,562
YoY gr. (%)	11.0	0.8	196.5	22.0
Margin (%)	13.8	9.1	10.5	10.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,594	2,155	2,432	2,562
Avg. Shares O/s (m)	127	127	127	127
EPS (Rs)	28.3	17.0	19.1	20.2

Source: Company Data, PL Research

Price Chart

Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	02-Jan-24	Accumulate	4,848	4,465
2	31-Oct-23	Accumulate	4,645	4,522
3	09-Oct-23	Accumulate	4,225	3,925
4	28-Jul-23	Hold	3,377	3,382
5	04-Jul-23	Accumulate	3,245	3,245
6	29-Apr-23	BUY	3,245	2,722
7	06-Apr-23	BUY	3,177	2,535
8	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	1,900
2	Bajaj Electricals	Hold	1,047	1,026
3	Century Plyboard (I)	BUY	888	780
4	Cera Sanitaryware	Accumulate	8,597	7,842
5	Crompton Greaves Consumer Electricals	BUY	397	313
6	Finolex Industries	Accumulate	242	209
7	Greenpanel Industries	BUY	498	424
8	Havells India	Accumulate	1,538	1,376
9	Kajaria Ceramics	Accumulate	1,415	1,297
10	KEI Industries	Hold	3,234	3,314
11	Polycab India	BUY	6,021	4,335
12	R R Kabel	BUY	1,872	1,566
13	Supreme Industries	Accumulate	4,848	4,465
14	Voltas	Hold	1,003	990

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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