

April 27, 2024

Q4FY24 Result Update

☒ Change in Estimates | ☒ Target | ☒ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	BUY		BUY	
Target Price	5,188		5,094	
Sales (Rs. m)	1,21,427	1,40,378	1,16,151	1,35,204
% Chng.	4.5	3.8		
EBITDA (Rs. m)	19,376	22,996	18,550	22,114
% Chng.	4.5	4.0		
EPS (Rs.)	105.0	124.2	101.0	121.9
% Chng.	3.9	1.9		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	92,016	1,01,343	1,21,427	1,40,378
EBITDA (Rs. m)	11,997	15,473	19,376	22,996
Margin (%)	13.0	15.3	16.0	16.4
PAT (Rs. m)	8,653	10,697	13,337	15,776
EPS (Rs.)	68.1	84.2	105.0	124.2
Gr. (%)	(10.6)	23.6	24.7	18.3
DPS (Rs.)	26.0	23.0	27.0	30.0
Yield (%)	0.6	0.5	0.6	0.7
RoE (%)	21.0	22.5	23.8	23.6
RoCE (%)	23.4	27.6	29.7	29.8
EV/Sales (x)	5.9	5.3	4.4	3.8
EV/EBITDA (x)	45.3	34.9	27.7	23.0
PE (x)	63.7	51.5	41.3	34.9
P/BV (x)	12.5	10.8	9.0	7.6

Key Data

SUPI.BO | SI IN

52-W High / Low	Rs.4,888 / Rs.2,609
Sensex / Nifty	73,730 / 22,420
Market Cap	Rs.551bn/ \$ 6,612m
Shares Outstanding	127m
3M Avg. Daily Value	Rs.593.09m

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	9.8	3.9	61.9
Relative	9.7	(10.2)	34.2

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Supreme Industries (SI IN)

Rating: BUY | CMP: Rs4,338 | TP: Rs5,188

Robust volume growth continue...

Supreme Industries (SI) delivered robust volume growth of 32.5% ahead of expectations, mainly led by Plastic pipe segment (up 41.4% YoY on higher base) while EBITDA/kg decrease to ~Rs 25/kg (down 22.9% YoY). SI has guided its overall volume growth of 20% & 25% for pipe segment in FY25. SI has increased its brownfield expansion plan at existing manufacturing sites and also to put up new plants near Patna (Bihar) and Vijayawada (AP).

We continue to maintain our positive view on SI given 1) capacity expansion in different geographies, 2) new product expansion, 3) wide pan India distributors, and 4) cash surplus of Rs11.8bn for funding expansion plans. We estimate FY24-26E Revenue/EBITDA/PAT CAGR of 17.7%/21.9%/21.4%, with volume CAGR of 16.1% and EBITDA margin improvement of 110bps. We have upward revised our earnings estimates for FY25/FY26 by +3.9%/+1.9% and revised TP to Rs 5,188 (Rs 5,094 earlier), based on 40x FY26 EPS plus 25% discount to Supreme Petrochem's stake.

Revenues grew by 15.8%, Adj. PAT down by 1.3%: Sales grew 15.8% YoY to ~Rs30.1bn (PLe:Rs28.8bn) with vol. growth of 32.5% YoY and realization decline by 12.7% YoY. Plastic Pipe segment revenue up by 21.5% YoY to Rs21.5bn, packaging revenue up by 16.5% YoY to Rs3.7bn, industrial revenue down 4.8% YoY to Rs3.5bn, consumer segment was down by 2.3% YoY to Rs1.1bn. EBITDA grew by 2.2% YoY to Rs4.9bn (PLe: Rs4.5bn). EBITDA margin was at 16.3% (PLe:16%) and EBITDA per Kg reached to Rs25/kg. In Industrial/Packaging, EBIT margins expanded by 120bps/1000bps YoY to 11.2%/18%. Plastic Pipes/Consumer EBIT margins contracted by 500bps/670bps YoY to 13.6%/17.3%. PAT stood to Rs3.6bn (1.3%YoY; PLe Rs3.16bn). The overall turnover of value added products remains at Rs.11.8bn in Q4FY24 as compared to Rs9.4bn in Q4FY23.

Con call highlights: **1)** Management highlighted that the demand is strong for plumbing, Agri & Infra and has guided for a 25% growth in pipe segment for FY25, having a market share of 12-13%, **2)** SI expects overall volume growth of 20% in FY25, **3)** SI has 36 plastic piping systems in the division and plans to add another 5 new systems i.e. Acoustic PP Pipe System, PE Gas Piping System, PERT Piping System, PE single wall corrugated Pipes & Rainwater Harvesting System, **4)** SI has established bath fittings and sanitaryware business having design center at Pune which increase its SKU from 421 to 1000 by FY25, **5)** Consumer Product division has been focusing on premiumization of products, **6)** Industrial component division faced sluggish demand in Q4FY24 and composite cylinder division remained subdued as purchases from IOCL were not as expected, **7)** RM prices (PVC & CPVC resin) are expected to remain stable going forward, **8)** Supreme has planned a capex of Rs15bn going forward, out of which 60-70% will be done in FY25, **9)** The major capex will be done in the piping segment of about Rs10bn including expansions at Kanpur, Malanpur, Gadegaon, JNPT port, **10)** The Nal se Jal project revenue contribution stood at Rs4bn for FY24, **11)** The inventory losses for FY24 stood at Rs500mn, **12)** The gas pipe line project is expected to start by Oct'24, **13)** The current total capacity stands at 950k MTPA which is expected to reach 1050k MTPA by FY25 end. Out of this, plastic pipe segment is estimated to have a capacity of 835k MTPA vs 739k MTPA as of now.

Exhibit 1: Q4FY24 Result Overview: Sales grew by 15.8% YoY; Adj. PAT decline by 1.3% YoY

Y/e March (Rs mn)	4QFY24	4QFY23	YoY gr. (%)	3QFY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Net Sales	30,079	25,983	15.8	24,491	22.8	1,01,343	92,016	10.1
Expenditure								
Operating & Manufacturing Expenses	20,262	17,283	17.2	16,405	23.5	68,584	65,992	3.9
% of Net Sales	67.4	66.5		67.0		67.7	71.7	
Gross Profit	9,817	8,700	12.8	8,086	21.4	32,759	26,024	25.9
% of Net Sales	32.6	33.5		33.0		32.3	28.3	
Personnel Cost	1,233	997	23.6	1,098	12.3	4,422	6,205	(28.7)
% of Net Sales	4.1	3.8		4.5		4.4	6.7	
Other Expenses	3,677	2,900	26.8	3,200	14.9	12,864	7,822	64.5
% of Net Sales	12.2	11.2		13.1		12.7	8.5	
Total Expenditure	25,172	21,180	18.8	20,703	21.6	85,869	80,019	7.3
EBITDA	4,907	4,803	2.2	3,788	29.5	15,473	11,997	29.0
Margin (%)	16.3	18.5		15.5		15.3	13.0	
Other income	181	114	58.5	207	-12.7	657	298	120.7
Depreciation	772	721	7.0	772	-0.1	2,984	2,634	13.3
EBIT	4,316	4,196	2.9	3,223	33.9	12,490	9,363	33.4
Interest	77	40	91.1	52	49.6	161	80	101.0
PBT	4,239	4,156	2.0	3,172	33.6	12,985	9,580	35.5
Total Taxes	1,097	1,052	4.3	818	34.2	3,357	2,460	36.5
ETR (%)	25.9	25.3		25.8		25.8	25.7	
Adj. PAT	3,141	3,103	1.2	2,354	33.5	10,697	8,653	23.6
Share of Profit/(Loss) in Associate	407	491	(17.1)	208	95.4	1,069	1,533	(30.3)
Reported PAT	3,548	3,594	(1.3)	2,562	38.5	10,697	8,653	23.6

Source: Company, PL

Exhibit 2: Segmental Breakup: Pipe revenues up by 21.5%, while margins contracted by 500bps YoY

Y/e March (Rs mn)	4QFY24	4QFY23	YoY gr. (%)	3QFY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Revenues								
Plastic pipe	21,525	17,710	21.5	16,437	31.0	69,316	60,377	14.8
Packing Product	3,764	3,232	16.5	3,540	6.3	14,057	13,190	6.6
Industrial Product	3,516	3,691	(4.8)	3,320	5.9	13,078	13,420	(2.5)
Consumer Product	1,184	1,211	(2.3)	1,123	5.4	4,410	4,450	(0.9)
TOTAL	30,079	25,983	15.8	24,491	22.8	1,01,343	92,016	10.1
EBIT								
Plastic pipe	2,926	3,292	-11.1	2,129	37.5	9,002	6,790	32.6
EBIT margin (%)	13.6	18.6	-5.0	13.0	0.6	13.0	11.2	1.7
Packing Product	678	247	174.6	465	45.7	1,877	920	104.0
EBIT margin (%)	18.0	7.6	10.4	13.1	4.9	13.4	7.0	6.4
Industrial Product	395	370	6.9	297	33.3	1,133	1,248	(9.2)
EBIT margin (%)	11.2	10.0	1.2	8.9	2.3	8.7	9.3	(0.6)
Consumer Product	205	220	-6.7	196	4.9	753	685	9.9
EBIT margin (%)	17.3	18.2	-0.8	17.4	-0.1	17.1	15.4	1.7
Total	4,316	4,196	2.9	3,223	33.9	13,146	9,661	36.1
EBIT margin (%)	14.3	16.1	-1.8	13.2	1.2	13.0	10.5	2.5

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	92,016	1,01,343	1,21,427	1,40,378
YoY gr. (%)	18.4	10.1	19.8	15.6
Cost of Goods Sold	65,992	68,584	82,177	95,001
Gross Profit	26,024	32,759	39,251	45,377
Margin (%)	28.3	32.3	32.3	32.3
Employee Cost	6,205	4,422	7,305	8,012
Other Expenses	3,627	9,576	7,771	8,984
EBITDA	11,997	15,473	19,376	22,996
YoY gr. (%)	(3.4)	29.0	25.2	18.7
Margin (%)	13.0	15.3	16.0	16.4
Depreciation and Amortization	2,634	2,984	3,465	4,011
EBIT	9,363	12,490	15,911	18,985
Margin (%)	10.2	12.3	13.1	13.5
Net Interest	80	161	168	202
Other Income	298	657	730	950
Profit Before Tax	9,580	12,985	16,473	19,733
Margin (%)	10.4	12.8	13.6	14.1
Total Tax	2,460	3,357	4,486	5,307
Effective tax rate (%)	25.7	25.8	27.2	26.9
Profit after tax	7,121	9,629	11,987	14,426
Minority interest	-	-	-	-
Share Profit from Associate	1,533	1,069	1,350	1,350
Adjusted PAT	8,653	10,697	13,337	15,776
YoY gr. (%)	(10.6)	23.6	24.7	18.3
Margin (%)	9.4	10.6	11.0	11.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	8,653	10,697	13,337	15,776
YoY gr. (%)	(10.6)	23.6	24.7	18.3
Margin (%)	9.4	10.6	11.0	11.2
Other Comprehensive Income	(29)	(74)	-	-
Total Comprehensive Income	8,624	10,623	13,337	15,776
Equity Shares O/s (m)	127	127	127	127
EPS (Rs)	68.1	84.2	105.0	124.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	40,948	46,563	55,230	62,120
Tangibles	40,070	45,133	53,800	60,691
Intangibles	878	1,430	1,430	1,430
Acc: Dep / Amortization	20,305	23,289	26,754	30,766
Tangibles	20,305	23,289	26,754	30,766
Intangibles	-	-	-	-
Net fixed assets	20,642	23,274	28,476	31,355
Tangibles	19,764	21,844	27,046	29,925
Intangibles	878	1,430	1,430	1,430
Capital Work In Progress	837	1,437	1,437	1,437
Goodwill	-	-	-	-
Non-Current Investments	6,008	6,591	6,591	6,591
Net Deferred tax assets	(908)	(960)	(960)	(960)
Other Non-Current Assets	668	1,382	1,382	1,382
Current Assets				
Investments	-	-	-	-
Inventories	13,856	13,586	16,278	18,819
Trade receivables	4,924	5,114	6,128	7,084
Cash & Bank Balance	7,380	11,785	14,928	22,540
Other Current Assets	2,627	2,389	2,862	3,309
Total Assets	56,942	65,557	78,082	92,517
Equity				
Equity Share Capital	254	254	254	254
Other Equity	43,767	50,834	60,741	72,705
Total Network	44,021	51,088	60,995	72,960
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	264	298	298	298
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	9,038	10,156	12,169	14,068
Other current liabilities	2,322	2,572	3,081	3,562
Total Equity & Liabilities	56,942	65,557	78,082	92,517

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	11,113	14,054	17,823	21,083
Add. Depreciation	2,634	2,984	3,465	4,011
Add. Interest	80	161	168	202
Less Financial Other Income	298	657	730	950
Add. Other	(1,772)	(657)	(730)	(950)
Op. profit before WC changes	12,056	16,542	20,726	24,346
Net Changes-WC	(778)	1,111	(1,562)	(1,473)
Direct tax	(2,375)	(3,357)	(4,486)	(5,307)
Net cash from Op. activities	8,903	14,296	14,678	17,566
Capital expenditures	(4,243)	(6,215)	(8,667)	(6,891)
Interest / Dividend Income	17	657	730	950
Others	734	(542)	-	-
Net Cash from Invt. activities	(3,493)	(6,099)	(7,937)	(5,941)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(3,049)	2,922	3,430	3,812
Interest paid	(15)	161	168	202
Others	(202)	(708)	-	-
Net cash from Fin. activities	(3,266)	2,375	3,598	4,013
Net change in cash	2,145	10,572	10,339	15,639
Free Cash Flow	4,660	8,081	6,011	10,676

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	68.1	84.2	105.0	124.2
CEPS	88.8	107.7	132.2	155.7
BVPS	346.5	402.1	480.1	574.3
FCF	36.7	63.6	47.3	84.0
DPS	26.0	23.0	27.0	30.0
Return Ratio(%)				
RoCE	23.4	27.6	29.7	29.8
ROIC	20.6	25.9	28.2	31.2
RoE	21.0	22.5	23.8	23.6
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.2)	(0.2)	(0.3)
Net Working Capital (Days)	39	31	31	31
Valuation(x)				
PER	63.7	51.5	41.3	34.9
P/B	12.5	10.8	9.0	7.6
P/CEPS	48.8	40.3	32.8	27.9
EV/EBITDA	45.3	34.9	27.7	23.0
EV/Sales	5.9	5.3	4.4	3.8
Dividend Yield (%)	0.6	0.5	0.6	0.7

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Net Revenue	23,686	23,087	24,491	30,079
YoY gr. (%)	7.4	10.6	6.0	15.8
Raw Material Expenses	16,560	15,357	16,405	20,262
Gross Profit	7,126	7,730	8,086	9,817
Margin (%)	30.1	33.5	33.0	32.6
EBITDA	3,216	3,562	3,788	4,907
YoY gr. (%)	19.6	142.1	24.9	2.2
Margin (%)	13.6	15.4	15.5	16.3
Depreciation / Depletion	721	719	772	772
EBIT	2,495	2,843	3,016	4,135
Margin (%)	10.5	12.3	12.3	13.7
Net Interest	17	16	52	77
Other Income	142	127	207	181
Profit before Tax	2,621	2,955	3,172	4,239
Margin (%)	11.1	12.8	12.9	14.1
Total Tax	678	763	818	1,097
Effective tax rate (%)	25.9	25.8	25.8	25.9
Profit after Tax	1,942	2,192	2,354	3,141
Minority interest	-	-	-	-
Share Profit from Associates	213	240	208	407
Adjusted PAT	2,155	2,432	2,562	3,548
YoY gr. (%)	0.8	196.5	22.0	(1.3)
Margin (%)	9.1	10.5	10.5	11.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,155	2,432	2,562	3,548
YoY gr. (%)	0.8	196.5	22.0	(1.3)
Margin (%)	9.1	10.5	10.5	11.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,155	2,432	2,562	3,548
Avg. Shares O/s (m)	127	127	127	127
EPS (Rs)	17.0	19.1	20.2	27.9

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Apr-24	BUY	5,094	4,110
2	23-Jan-24	Accumulate	4,823	4,070
3	02-Jan-24	Accumulate	4,848	4,465
4	31-Oct-23	Accumulate	4,645	4,522
5	09-Oct-23	Accumulate	4,225	3,925
6	28-Jul-23	Hold	3,377	3,382
7	04-Jul-23	Accumulate	3,245	3,245
8	29-Apr-23	BUY	3,245	2,722

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Astral Ltd.	Accumulate	2,244	1,995
2	Bajaj Electricals	Hold	997	996
3	Century Plyboard (I)	BUY	848	644
4	Cera Sanitaryware	Accumulate	8,486	7,190
5	Crompton Greaves Consumer Electricals	BUY	359	281
6	Finolex Industries	Hold	251	259
7	Greenpanel Industries	BUY	420	325
8	Havells India	Accumulate	1,681	1,550
9	Kajaria Ceramics	Accumulate	1,445	1,242
10	KEI Industries	Hold	3,692	3,574
11	Polycab India	BUY	6,065	5,317
12	R R Kabel	BUY	1,857	1,558
13	Supreme Industries	BUY	5,094	4,110
14	Voltas	Hold	1,199	1,232

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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