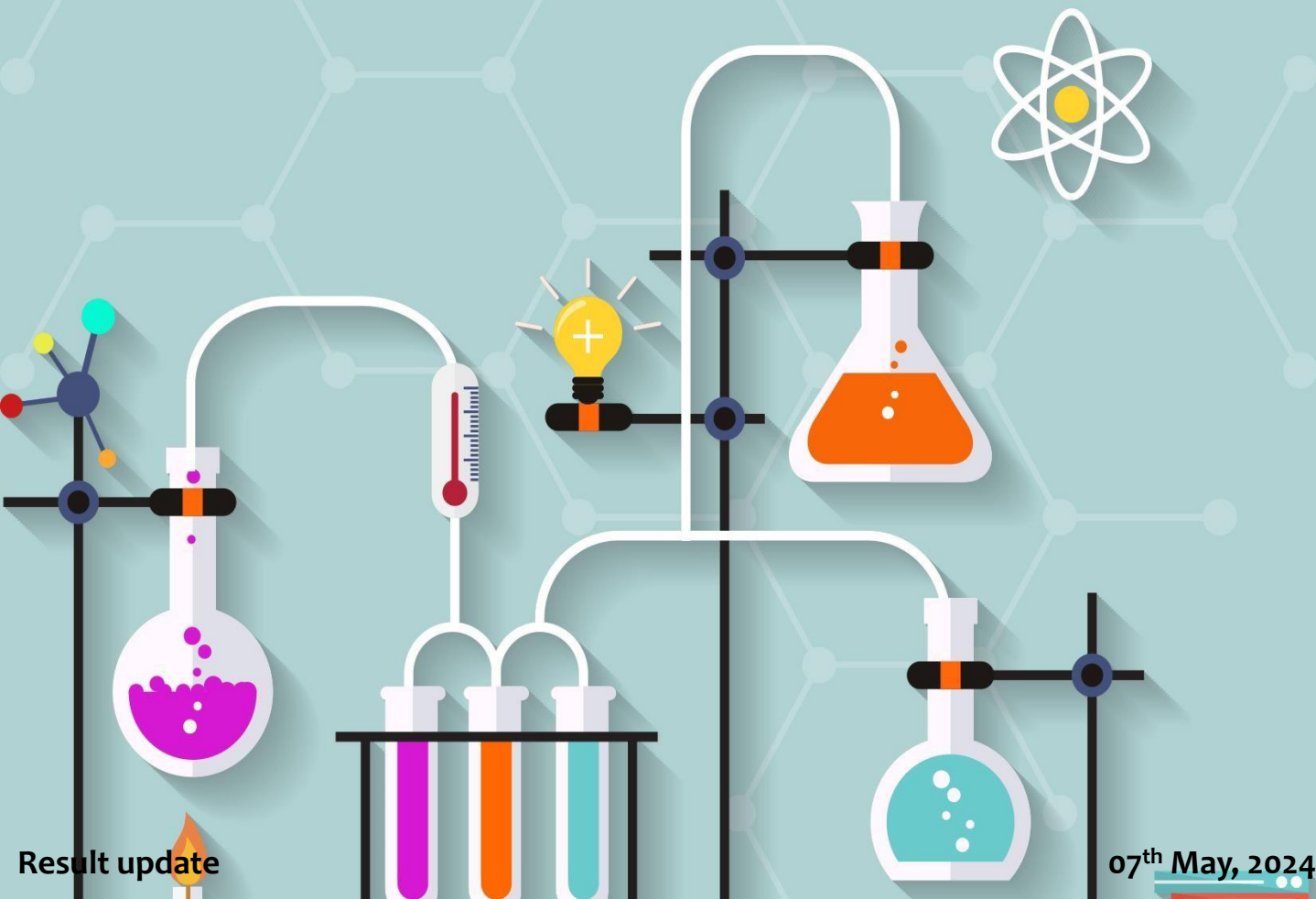




# Q4FY24 Supreme Petrochem Ltd



## Supreme Petrochem Ltd

Strong volume growth drives topline across domestic and exports

CMP INR 688*	Target INR 766	Potential Upside 11.4%	Market Cap (INR Mn) INR 1,30,228	Recommendation ACCUMULATE	Sector Specialty Chemicals
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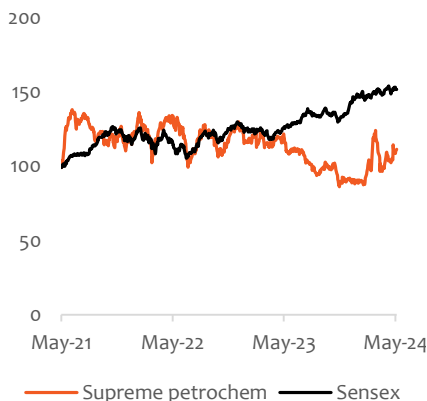
### Result Highlights of Q4FY24:

- Supreme Petrochem met our estimates on revenue, EBITDA, and PAT for Q4FY24. Revenue beat was due to strong volume growth, EBITDA beat was due to lower-than-expected other expenses and net profit beat was due to better-than-expected operational performance and lower-than-expected tax expenses.
- The Board has proposed a final dividend of INR 7 per equity share for FY24.
- The stock is trading at PE multiples of 29.0x/20.7x based on FY25E/FY26E EPS estimates, respectively. We increase the target price to INR 766/share and upgrade the rating on the stock from HOLD to ACCUMULATE.
- The Company focuses on the domestic market as half of the demand for ABS is met by imports. We believe once the upcoming projects are operational the Company can meet the domestic demand and increase the sales volume.

### MARKET DATA

Shares outs (Mn)	188
Equity Cap (INR Mn)	20,191
Mkt Cap (INR Mn)	1,30,228
52 Wk H/L (INR)	783/355
Volume Avg (3m K)	128
Face Value (INR)	2
Bloomberg Code	SPPT IN

### SHARE PRICE PERFORMANCE



### MARKET INFO

SENSEX	73,896
NIFTY	22,443

### KEY FINANCIALS

INR Millions	FY22	FY23	FY24	FY25E	FY26E
Revenue	50,323	52,872	52,533	62,383	79,226
EBITDA	9,054	6,581	4,668	6,253	8,850
EBITDA margin (%)	18.0%	12.4%	8.9%	10.0%	11.2%
PAT	6,633	4,981	3,465	4,468	6,264
PAT margin (%)	13.2%	9.4%	6.6%	7.2%	7.2%
EPS	35.3	26.5	18.4	23.8	33.3
P/E (x)	9.8	26.0	37.3	29.0	20.7

Source: Company, KRChoksey Research

### Double-digit top-line growth driven by strong volume growth

- For Q4FY24, Supreme Petrochem's revenue increased 12.7% YoY (+31.6% QoQ) to INR 15,628 Mn. This quarterly performance was driven by strong double-digit volume growth of about 17.6% YoY where domestic volume grew by 15.5% YoY and export volume grew by 44.0% YoY.
- For FY24, the revenue largely stayed flat with a 0.6% YoY decline to INR 52,533 Mn. The total sales volume for FY24 grew by 13.7% with domestic volume growth of 7.5% YoY and export volume growth of 82.0% YoY.
- The yearly volume growth was offset by a decline in finished goods prices as annual average SM (Styrene Monomer) price remained 11.0% lower YoY.
- The management has given guidance of 8.0% to 10.0% volume growth for FY25.
- The Company's priority is the domestic market because currently, India has a demand of 300,000 tons of ABS (Acrylonitrile Butadiene Styrene) which will increase to 350,000 tons by FY26E. The current demand is met by 50% of domestic production and the remaining is met by imports.

### Margins compressed due to stable pricing in key raw material

- EBITDA declined by 15.9% YoY (+84.7% QoQ) to INR 1,752 Mn. EBITDA margins contracted by 381 bps YoY (expanded 323 bps QoQ) to 11.2%. This was due to range bound price of styrene monomer (a key raw material) throughout the year and it trended upwards in March 2024 due to geopolitical tension in West Asia.
- For FY24, EBITDA declined by 29.1% YoY to INR 4,688 Mn. EBITDA margins contracted by 356 bps YoY to 8.9%.
- Net profit declined 17.5% YoY (+94.3% QoQ) to INR 1,315 Mn. Net profit margin contracted 307 bps YoY to 8.4%.

### SHARE HOLDING PATTERN (%)

Particulars	Mar-24 (%)	Dec-23 (%)	Sep-23 (%)
Promoters	64.2	64.2	64.2
FIIIs	2.9	2.5	2.0
DIIIs	2.7	2.7	2.9
Others	30.2	30.6	30.9
Total	100	100	100

\*Based on previous closing

22.8%

Revenue CAGR between FY24  
and FY26E

34.5%

Adj. PAT CAGR between FY24  
and FY26E

## Supreme Petrochem Ltd

### Key Concall Highlights:

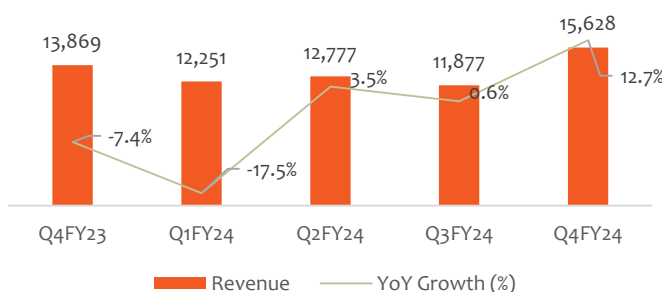
- The **Phase 1 of the Mass ABS** (Acrylonitrile Butadiene Styrene) project will **be on stream by Q4FY25E**.
- The **second phase of EPS** (Extruded Polystyrene), Masterbatch, and compounds is also on track according to the schedule. This expansion is anticipated to be **completed by either Q3FY25E or Q4FY25E**.
- Some growth is expected from the EPS expansion (Extruded Polystyrene), although it won't be fully realized due to capacities becoming available only towards the end of FY25E. Consequently, its contribution to the top line in FY25E is expected to be minimal.
- The products from Mass ABS and EPS will contribute to the **increase in volume growth in FY26E**.
- The Mass ABS project experienced delays due to the delivery of proprietary equipment being postponed by approximately four to five months.
- The **anticipated revenue** from the Mass ABS project at **full capacity utilization is INR 22,000 Mn**. Margins are notably superior compared to the polystyrene business.
- Typically, **Q1 and Q4 experience higher demand** due to seasonal demand from appliance manufacturers.
- Throughout the monsoon period, demand tends to decrease, making it a lean period. Following Diwali, these months are generally considered weak; however, aside from this, non-OEM demand remains relatively stable throughout the year.
- The Board of Directors has proposed a **final dividend of INR 7 per equity share for FY24**. Consequently, the overall dividend for the year would be INR 9 per equity share, resulting in a total outflow of INR 1,690 Mn.
- As of March 2024, the Company maintains a debt-free status, possessing an investible surplus of INR 10,800 Mn.

### Valuation and view:

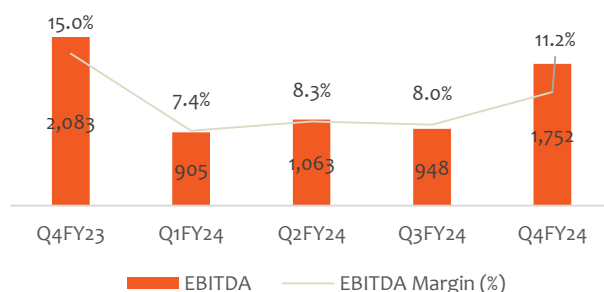
Supreme Petrochem had a double-digit revenue growth for Q4FY24 supported by robust volume growth in domestic and exports. The upcoming quarter Q1FY25E is seasonally favourable quarter therefore momentum in the growth is expected to continue. At the end of FY25E Mass ABS and the second phase of EPS projects are expected to be operational which will contribute to the incremental sales volume for FY26E. The Company focuses on the domestic market as half of the demand for ABS is met by imports. We believe once the upcoming projects are operational the Company can meet the domestic demand and increase the sales volume. **Currently, the stock is trading at PE multiples of 29.0x/20.7x based on FY25E/FY26E EPS estimates, respectively. We expect the revenue to grow at 22.8% CAGR over FY24-FY26E, and PAT to grow at 34.5% CAGR over FY24-FY26E. We increase the target price to INR 766/share (Previously – INR 592) and upgrade the rating on the stock from HOLD to ACCUMULATE implying an FY26E P/E multiple of 23.0x.**

### Quarterly trend

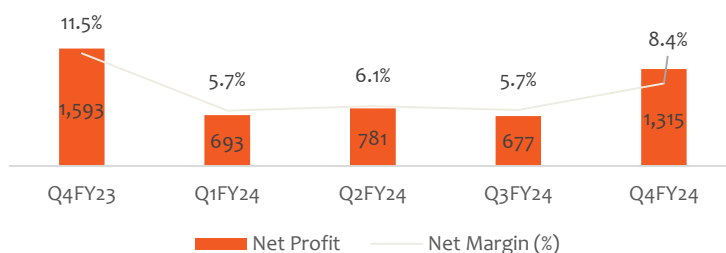
Double digit revenue driven by strong volume growth



EBITDA margin contracted YoY on stable RM pricing



Net profit margin contracted due to impact from decline in operating profit margins



Source: Company, KRChoksey Research

# Supreme Petrochem Ltd

## KEY FINANCIALS

### Exhibit 1: Profit & Loss Statement

INR Millions	FY22	FY23	FY24	FY25E	FY26E
Revenue from Operations	50,323	52,872	52,533	62,383	79,226
Other Income	305	589	681	653	653
Total Income	50,628	53,461	53,215	63,036	79,879
Cost of Materials Consumed	27,019	32,142	32,552	39,301	48,328
Purchase of stock-in-trade	11,344	11,906	11,941	12,477	16,400
Changes in Inventories of Finished Goods and Work-in-progress	81	-1,059	-61	172	182
Employee Benefit Expense	483	547	635	780	1,188
Other Expenses	2,342	2,754	2,800	3,400	4,278
Total Expenses	41,687	46,757	48,460	56,774	71,033
EBITDA	9,054	6,581	4,668	6,253	8,850
D&A	419	466	595	645	656
Operating Profit	8,636	6,115	4,073	5,608	8,193
Finance Costs	62	36	72	56	24
Other Income	305	589	681	653	653
Profit/Loss Before Tax	8,878	6,669	4,682	6,205	8,822
Income Tax Expenses	2,246	1,687	1,217	1,738	2,558
Profit/(Loss) for the year	6,633	4,981	3,465	4,468	6,264
EPS	35.3	26.5	18.4	23.8	33.3

Source: Company, KRChoksey Research

### Exhibit 2: Cash Flow Statement

INR Millions	FY22	FY23	FY24	FY25E	FY26E
Net Cash Generated From Operations	6,707	3,036	5,570	3,348	4,523
Net Cash Flow from/(used in) Investing Activities	-1,400	-1,468	-1,818	-2,503	-2,003
Net Cash Flow from Financing Activities	-1,765	-1,936	-1,969	-1,898	-2,126
Net Inc/Dec in cash equivalents	3,542	-368	1,784	-1,053	394
Opening Balance	5,770	9,312	8,944	10,728	9,674
Adjustments	-7,137	-8,126	-8,568	-8,568	-8,568
Closing Balance Cash and Cash Equivalents	2,175	818	2,159	1,106	1,500

Source: Company, KRChoksey Research

### Exhibit 3: Key Ratio

Key Ratio	FY22	FY23	FY24	FY25E	FY26E
EBITDA Margin	18.0%	12.4%	8.9%	10.0%	11.2%
Tax rate (%)	25.3%	25.3%	26.0%	28.0%	28.0%
Net Profit Margin (%)	13.2%	9.4%	6.6%	7.2%	7.2%
RoE (%)	43.8%	27.0%	17.2%	18.8%	22.4%
RoCE (%)	42.2%	26.4%	16.0%	18.4%	21.9%
Current Ratio (x)	2.5x	2.4x	2.2x	2.2x	2.2x
EPS (INR per share)	35.3	26.5	18.4	23.8	33.3

Source: Company, KRChoksey Research

## Supreme Petrochem Ltd

### Exhibit 4: Balance Sheet

INR Millions	FY22	FY23	FY24	FY25E	FY26E
Non-Current Assets					
Property, Plant and Equipment	3,020	5,115	6,575	8,614	9,995
Right to use assets	344	147	1,110	81	47
Capital Work-in Progress	1,789	10,804	23,261	23,261	23,261
Other Intangible Assets	5	4	3	3	2
Financial Assets					
Loans	12	19	13	13	13
Other Financial Assets	48	254	64	299	380
Other Non-Current Assets	115	406	531	542	553
<b>Total non-current assets</b>	<b>5,333</b>	<b>7,026</b>	<b>10,621</b>	<b>11,877</b>	<b>13,316</b>
Current Assets					
Inventories	3,008	6,469	4,806	7,633	9,694
Financial Assets					
Investment in Liquid scheme of MF	4,838	5,626	5,718	5,718	5,718
Trade Receivables	4,118	3,623	3,950	4,275	6,512
Cash and Cash Equivalents	2,175	818	2,159	1,106	1,500
Bank Balance other than cash	2,299	2,677	3,045	3,045	3,045
Loans	8	9	8	8	8
Other Financial Assets	600	563	74	664	844
Current Tax Assets (net)	88	130	48	154	195
Other Current Assets	316	369	220	436	553
<b>Total current assets</b>	<b>17,450</b>	<b>20,284</b>	<b>20,027</b>	<b>23,038</b>	<b>28,068</b>
<b>TOTAL ASSETS</b>	<b>22,783</b>	<b>27,310</b>	<b>30,648</b>	<b>34,915</b>	<b>41,384</b>
Equity and Liabilities					
Shareholder's fund					
Equity Share Capital	376	376	376	376	376
Other Equity	14,780	18,063	19,815	23,343	27,538
<b>Total Equity</b>	<b>15,156</b>	<b>18,439</b>	<b>20,191</b>	<b>23,719</b>	<b>27,914</b>
Non-current Liabilities					
Long term borrowings	0	0	0	0	0
Lease liabilities	167	24	983	81	47
Provisions	34	36	73	43	54
Other financial liabilities	33	36	41	42	54
Deferred Tax Liabilities (Net)	344	354	373	418	531
Total non-current liabilities	578	450	1,470	583	686
Current Liabilities					
Financial Liabilities					
Lease Liabilities	206	143	159	159	159
Trade Payables	5,259	7,820	8,089	9,913	11,938
Other Financial Liabilities	966	296	455	349	444
Other Current Liabilities	590	134	193	159	202
Provisions	26	22	29	26	33
Current Tax Liabilities (net)	1	6	62	7	9
<b>Total current liabilities</b>	<b>7,048</b>	<b>8,422</b>	<b>8,987</b>	<b>10,613</b>	<b>12,784</b>
<b>TOTAL LIABILITIES</b>	<b>7,627</b>	<b>8,872</b>	<b>10,457</b>	<b>11,196</b>	<b>13,470</b>
<b>Total Equity and Liabilities</b>	<b>22,783</b>	<b>27,310</b>	<b>30,648</b>	<b>34,915</b>	<b>41,384</b>

Source: Company, KRChoksey Research

## Supreme Petrochem Ltd

Supreme Petrochem Ltd			
Date	CMP (INR)	TP (INR)	Recommendation
07-May-24	688	766	ACCUMULATE
29-Jan-24	568	592	HOLD
22-Nov-23	556	592	HOLD
01-Aug-23	443	482	ACCUMULATE
28-Apr-23	383	467	BUY
21-Feb-23	370	427	BUY
29-Oct-22	687	873	BUY

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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