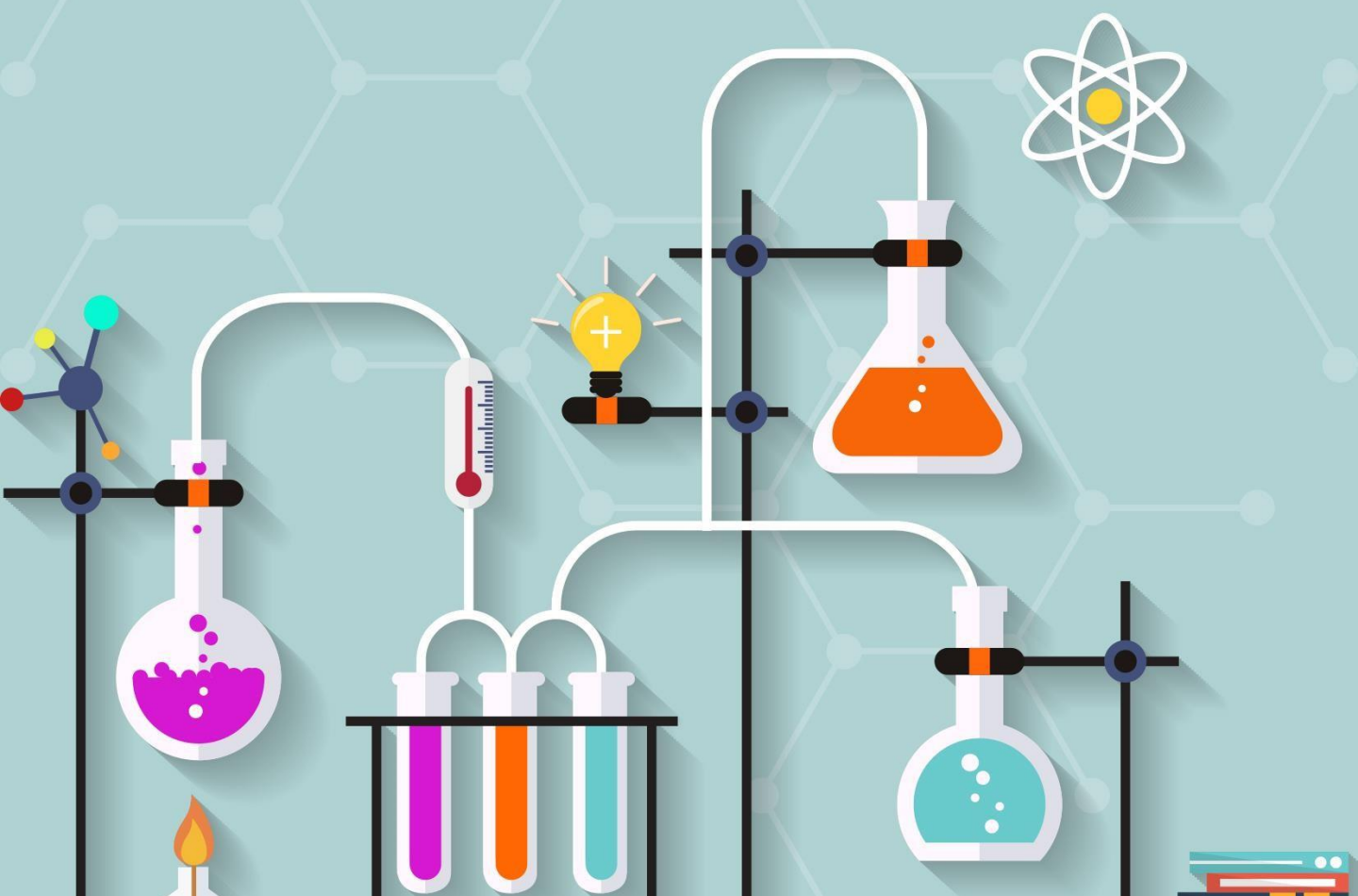




Q2FY25 Supreme Petrochem Ltd



Supreme Petrochem Ltd

Strong domestic OEM demand and stable pricing aid growth

CMP* INR 764	Target INR 877	Potential Upside 14.8%	Market Cap (INR Mn) INR 1,44,764	Recommendation ACCUMULATE	Sector Specialty Chemicals
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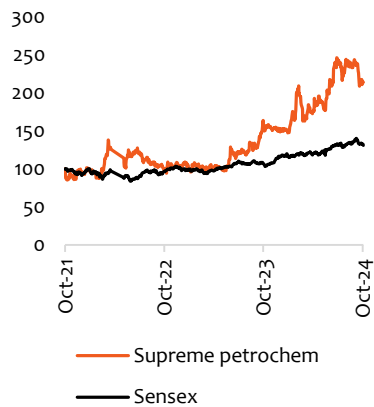
Result Highlights of Q2FY25:

- Supreme Petrochem reported better-than-expected top-line growth compared to our estimates due to an increase in price realization. However, profitability was in-line with our estimate with stable pricing in key raw material Styrene Monomer.
- We believe continued robust domestic demand, especially in the OEM (Original Equipment Manufacturer) sector, and EPS (Expandable polystyrene) capacity expansion and a new Mass ABS (Acrylonitrile butadiene styrene) project will drive future growth.
- We lower our FY25E/FY26E estimates by 2.1% and 0.9%, respectively due to reduction in volume guidance. We assign a P/E multiple of 27.0x (previously: 27.5x) on FY26E EPS of INR 32.5 to arrive at a target price of INR 877/share (previously: INR 903/share) as exports are under pressure with geopolitical uncertainty.

MARKET DATA

Shares outs (Mn)	188
Mkt Cap (INR Mn)	1,44,764
52 Wk H/L (INR)	926/521
Volume Avg (3m K)	49
Face Value (INR)	2
Bloomberg Code	SPPT IN

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	80,065
NIFTY	24,399

KEY FINANCIALS

INR Millions	FY23	FY24	FY25E	FY26E	FY27E
Revenue	52,872	52,533	63,722	80,917	102,764
EBITDA	6,581	4,668	5,937	8,795	11,170
PAT	4,981	3,465	4,306	6,110	7,839
EPS	26.5	18.4	22.9	32.5	41.7
EBITDA Margin	12.4%	8.9%	9.3%	10.9%	10.9%
NPM	9.4%	6.6%	6.8%	7.6%	7.6%

Source: Company, KRChoksey Research

Improved price realization drove top-line despite subdued volume growth

- For Q2FY25, Supreme Petrochem's revenue increased 17.8% YoY (-4.3% QoQ) to INR 15,056 Mn. This was mainly driven by an increase in price realization while overall volume had a flat growth of 0.4% YoY which stood at 81,490 MTPA.
- Domestic volumes (88.0% of total volume) grew by mid-single digit at 5.0% YoY which stood at 71,739 MTPA. Strong demand in the Indian market, particularly from the OEM (Original Equipment Manufacturer) sector (50.0% of total revenue), has been the primary driver of volume growth.
- Export volumes (12.0% of total volume) declined heavily by 28.8% YoY which stood at 9,121 MTPA, due to ongoing geopolitical uncertainties, such as the West Asian crisis and economic slowdowns in Europe and Turkey.
- The company anticipates volume growth of 5.0% to 6.0% for FY25E (reduced from 8.0% to 10.0%), primarily driven by domestic demand.

Reduction in spreads impacted gross margins

- The gross profit margin contracted 99 bps YoY (-192 bps QoQ) to 14.1%, as overall spreads for standard grades have decreased and the absolute profitability of premium grades has also declined.
- EBITDA increased 17.9% YoY (-22.3% QoQ) to INR 1,252 Mn. EBITDA margin was flat YoY (-192 bps QoQ) to 8.3%, due to a decline in gross margins, which was offset by a reduction in ocean freight costs from their peak levels.
- Adj. Net profit increased 15.7% YoY (-25.9% QoQ) to INR 903 Mn. The company expects a 25.0% reduction in electricity costs at its Nagothane plant due to its solar power supply agreement. This will positively contribute to the company's margins going forward.

SHARE HOLDING PATTERN (%)

Particulars	Sep-24 (%)	Jun-24 (%)	Mar-24 (%)
Promoters	64.2	64.2	64.2
FIIIs	3.4	3.0	2.9
DIIIs	2.8	2.7	2.6
Others	29.5	30.0	30.2
Total	100	100	100

*Based on the Today's closing
Note: All the market data is as of Today's closing

24.1%

Revenue CAGR between FY24 and FY26E

32.8%

Adj. PAT CAGR between FY24 and FY26E

Supreme Petrochem Ltd

Key Concall Highlights:

- The company generates revenue from various product categories: PS (**Polystyrene**) contributes approximately **66.6%** of total revenue. EPS (**Expandable polystyrene**) contributes roughly **25.0%** and other products, including compounds and sheeting, make up the remaining **8.0%**.
- **Trading** activities typically contribute **22.0%-23.0%** of total sales volume.
- Supreme Petrochem is currently operating at around **80.0% capacity utilization** across all its product categories.
- Ongoing expansion projects, such as the **EPS capacity expansion at Amdoshi**, will **contribute to future volume growth**. The second phase of this expansion is **expected to be completed by Q4FY25E**.
- The **Mass ABS** (Acrylonitrile butadiene styrene) project, with a **capacity of 70,000 tons per annum**, is expected to be **completed by March 2025E** and should add approximately INR 10,000 Mn to the top line.
- Sales volumes tend to decrease during certain periods, such as the monsoon season (mid-June to mid-December), which is a lean period for both OEM and non-OEM segments.
- Supreme Petrochem is developing **new grades of EPS for the European and US markets**, which could lead to increased export volumes in the future.
- **Styrene monomer** prices, a key input for the company's products, **remained relatively stable during Q2FY25**.
- The management expects **robust domestic demand to continue, driven by growth in the OEM sector**.
- The company produces a range of **value-added and specialty polystyrene grades** that command premium pricing. This focus on **higher-margin products** will contribute to profitability.

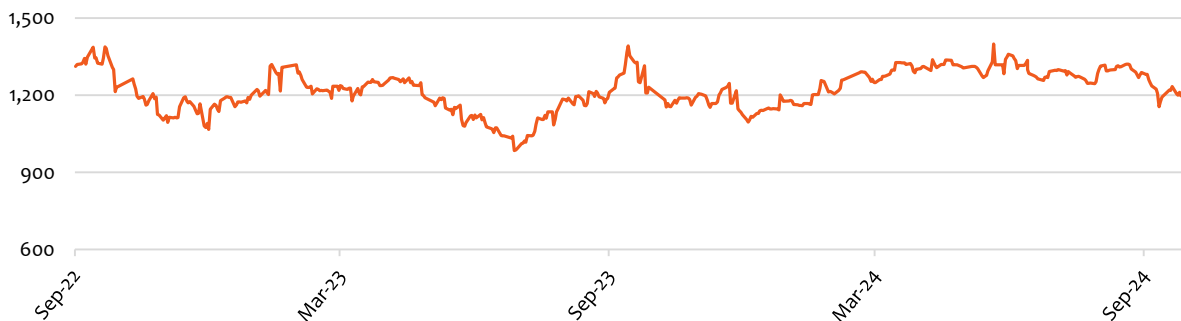
Valuation and view:

Supreme Petrochem saw revenue growth primarily due to higher price realization, though overall volume growth remained flat. Domestic volumes showed steady growth, particularly from the OEM sector. However, export volumes experienced a sharp decline, due to economic challenges in key regions like Europe and Turkey. Operating margins stayed flat as spreads narrowed for standard grades and reduced profitability from premium grades, though a decrease in ocean freight costs provided some relief. We believe continued robust domestic demand, especially in the OEM sector, EPS capacity expansion, and a new Mass ABS project will drive future growth. With the stable pricing of the key raw material styrene monomer, a consistent price realization is anticipated.

We lower our FY25E/FY26E estimates by 2.1% and 0.9%, respectively due to a reduction in volume guidance. Currently, the stock is trading at PE multiples of 34.1x/24.0x, based on FY25E/FY26E EPS, respectively. We expect the revenue to grow at 24.1% CAGR and PAT to grow at 32.8% CAGR over FY24-FY26E. We assign a P/E multiple of 27.0x (previously: 27.5x) on FY26E EPS of INR 32.5 to arrive at a target price of INR 877/share (previously: INR 903/share) as exports are under pressure with geopolitical uncertainty. Given the 14.8% upside potential, we maintain our **ACCUMULATE** rating on the stock.

Key raw material – Price trend

Styrene Monomer price – Key RM (USD/MT)



(Styrene Monomer price)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Average price (USD/MT)	1,160	1,237	1,148	1,184	1,168	1,246	1,310	1,268
YoY change			-25.7%	-12.6%	0.8%	0.7%	14.1%	7.2%
QoQ change	-14.4%	6.7%	-7.2%	3.1%	-1.3%	6.7%	5.1%	-3.1%

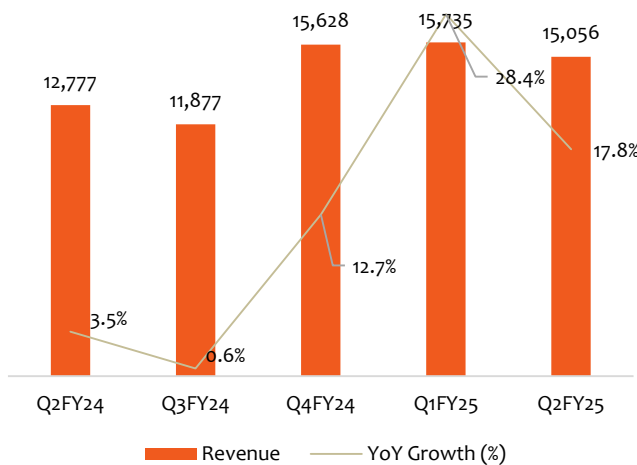
Source: Company, KRChoksey Research

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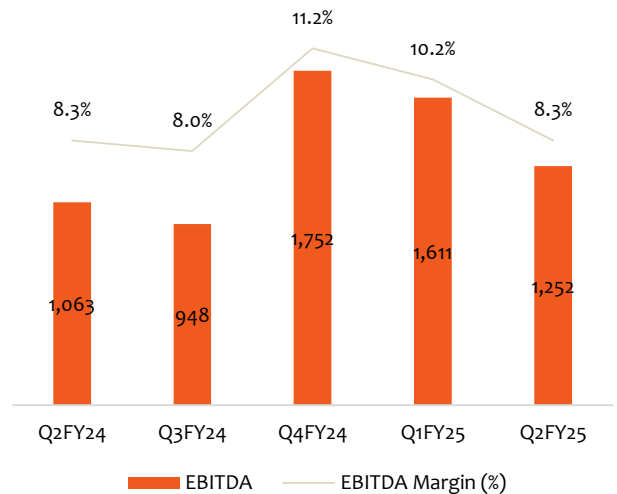
Result Snapshot

Particulars (Mn)	Q2FY25	Q1FY25	Q2FY24	QoQ	YoY
Revenue from Operations	15,056	15,735	12,777	-4.3%	17.8%
Total Expenditure	13,803	14,123	11,714		
Cost of Raw Materials	9,085	9,926	7,431		
Purchase of Stock	3,946	3,189	3,212		
Changes in Inventories	-104	93	201		
Employee Cost	160	166	161		
Other Expenses	716	749	709		
EBITDA	1,252	1,611	1,063	-22.3%	17.9%
EBITDA Margin (%)	8.3%	10.2%	8.3%	-192 bps	0 bps
Depreciation	170	164	143		
EBIT	1,083	1,447	920		
Other Income	166	229	156		
Interest Expense	28	31	19		
Share of Associates	0	0	0		
PBT before Exceptional	1,220	1,644	1,057		
Exceptional Items	0	0	0		
PBT	1,220	1,644	1,057		
Tax	316	425	276		
Minority interest	0	0	0		
PAT	903	1,219	781	-25.9%	15.7%
PAT Margin (%)	6.0%	7.8%	6.1%	-175 bps	-11 bps
EPS	4.8	6.5	4.2	-25.9%	15.7%
Adj. PAT	903	1,219	781		
Adj. PAT Margin (%)	6.0%	7.8%	6.1%		
Adj. EPS	4.8	6.5	4.2		

Double digit revenue growth (YoY) continued with support of price realization



EBITDA margin stayed flat with reduced spreads offset by decline in freight costs



Source: Company, KRChoksey Research

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Exhibit 1: Profit & Loss Statement

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Revenues	52,872	52,533	63,722	80,917	102,764
COGS	42,990	44,431	54,076	66,538	84,504
Gross profit	9,882	8,103	9,646	14,378	18,261
Employee cost	547	635	676	1,214	1,541
Other expenses	2,754	2,800	3,033	4,370	5,549
EBITDA	6,581	4,668	5,937	8,795	11,170
Depreciation	466	595	657	737	813
EBIT	6,115	4,073	5,280	8,058	10,357
Finance Costs	36	72	121	112	113
Other Income	589	681	653	659	797
PBT	6,669	4,682	5,812	8,605	11,041
Tax	1,687	1,217	1,506	2,496	3,202
PAT	4,981	3,465	4,306	6,110	7,839
EPS (INR)	26.5	18.4	22.9	32.5	41.7

Exhibit 2: Cash Flow Statement

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
CFFO	3,036	5,570	3,698	4,182	4,777
CFFI	(1,468)	(1,818)	(2,502)	(2,003)	(2,004)
CFFF	(1,936)	(1,969)	(1,116)	(2,363)	(2,279)
Net Inc/Dec in cash	(368)	1,784	80	(184)	494
Opening Cash	9,312	8,944	10,728	10,808	10,624
Adjustment	(8,126)	(8,568)	(8,568)	(8,568)	(8,568)
Closing Cash	818	2,159	2,240	2,056	2,550

Exhibit 3: Key Ratio

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
EBITDA Margin (%)	12.4%	8.9%	9.3%	10.9%	10.9%
Tax rate (%)	25.3%	26.0%	25.8%	25.9%	25.9%
Net Profit Margin (%)	9.4%	6.6%	6.8%	7.6%	7.6%
RoE (%)	27.0%	17.2%	18.3%	22.1%	23.5%
RoCE (%)	26.4%	16.0%	17.2%	21.1%	22.6%
Current Ratio (x)	2.4	2.2	2.1	2.1	2.4

Source: Company, KRChoksey Research

Exhibit 4: Balance Sheet

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Equity					
Equity Capital	376	376	376	376	376
Other Equity	18,063	19,815	23,180	27,222	32,993
Total Equity	18,439	20,191	23,557	27,598	33,369
Non-Current Liabilities					
Lease liabilities	24	983	928	745	563
Deferred Tax Liabilities (Net)	354	373	427	542	688
Other Non-Current Liabilities	72	114	87	110	140
Total Non-Current Liabilities	450	1,470	1,441	1,397	1,391
Current Liabilities					
Other Financial Liabilities	296	455	357	453	576
Trade Paybles	7,820	8,089	10,126	12,193	12,670
Other current liabilities	305	443	355	408	475
Total Current Liabilities	8,422	8,987	10,837	13,054	13,720
Total Liabilities	8,872	10,457	12,278	14,451	15,111
Non-Current Assets					
Property Plants and Equipments	5,115	6,575	8,603	10,052	11,425
Capital Work-in Progress	1,080	23,261	23,261	23,261	23,261
Other non-current assets	830	(19,215)	(19,146)	(19,236)	(19,302)
Total Non-Current Assets	7,026	10,621	12,718	14,078	15,385
Current Assets					
Inventories	6,469	4,806	6,459	8,868	11,262
Trade Receivables	3,623	3,950	4,366	6,651	8,446
Cash and Bank	3,495	5,204	5,284	5,101	5,595
Oher current assets	6,697	6,068	7,007	7,352	7,791
Total Current Assets	20,284	20,027	23,117	27,971	33,095
Total Assets	27,310	30,648	35,835	42,049	48,479

Supreme Petrochem Ltd

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Date	CMP (INR)	TP (INR)	Recommendation
24-Oct-24	764	877	ACCUMULATE
01-Aug-24	857	903	ACCUMULATE
14-Jun-24	736	799	ACCUMULATE
07-May-24	688	766	ACCUMULATE
29-Jan-24	568	592	HOLD
22-Nov-23	556	592	HOLD
01-Aug-23	443	482	ACCUMULATE

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%

ANALYST CERTIFICATION:

I, **Dipak Saha** (MBA, Finance), Research Analyst, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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