

# Supreme Industries

**BUY**

Another disappointing quarter on volume and NSR

## Summary

Supreme Industries Ltd.'s (SIL) Q3FY25 result was in-line with our estimate on net sales front, while margins disappointed. During the quarter the Plastic Pipe Systems business growth was adversely affected due to unfavorable PVC resin prices scenario and subdued demand from infrastructure. Also demand dynamics from agriculture and housing sector was muted, denting overall sales off-take. However, the company expects Q4FY25 demand to be higher led by increased spending on infrastructure by the government. Also the company expects the overall margins to be in between 13-14% for FY25. SIL reported net sales of Rs25bn, marginally up by 2.5% YoY, while EBITDA came in at Rs3.1bn, declined by 18.5% over Q3FY24. It reported net profit of Rs1.8bn, lower by 27% YoY. We roll over to FY27E earnings. Post recent stock price correction, potential upside from current level is meaningful. We upgrade the stock to BUY with a revised TP of Rs4,820, assigning 40x PER on FY27E.

## Key Highlights and Investment Rationale

- **Weak demand marred the operations:** SIL reported 3% YoY sales volume growth at 162,733MT. On realization front, blended realization was lower by 1% YoY to Rs154/Kg, primarily on account of 2% decline in realization of plastic segment. The Company is in a good position to cater to increased demand in future for its product with increased available capacity. Further, greenfield expansion plants for the plastic piping division is expected to be taken up in Jammu, Bihar and Madhya Pradesh by the company in FY26E.
- **Recovery in sales volume to be key in near term:** Despite weak performance in 9MFY25, we continue to like SIL given its robust capacity, extensive distribution network and healthy balance sheet. As the demand revives, we anticipate healthy earnings for SIL over FY26E/FY27E. HOLD with a TP of Rs4,820.

**TP Rs4,820**
**CMP Rs4,024**

Potential upside/downside 20%

Previous Rating HOLD

## Price Performance (%)

	-1m	-3m	-12m
Absolute	(17.0)	(20.4)	(1.0)
Rel to Sensex	(15.7)	(15.3)	(8.9)

## V/s Consensus

EPS (Rs)	FY25E	FY26E	FY27E
IDBI Capital	81	99	120
Consensus	93	113	131
% difference	(13.3)	(12.6)	(8.7)

## Key Stock Data

Bloomberg / Reuters	SI IN / SUPI.BO
Sector	Plastic Building Material
Shares o/s (mn)	127
Market cap. (Rs mn)	511,182
3-m daily avg Trd value (Rs mn)	11.8
52-week high / low	Rs6,482 / 3,604
Sensex / Nifty	77,073 / 23,345

## Shareholding Pattern (%)

Promoters	48.9
FII	24.7
DII	11.9
Public	14.5

## Financial snapshot

(Rs mn)

Year	FY23	FY24	FY25E	FY26E	FY27E
Revenue	92,016	1,01,343	1,10,759	1,29,271	1,49,562
Change (yoy, %)	18	10	9	17	16
EBITDA	11,997	15,473	15,497	18,980	22,977
Change (yoy, %)	(3)	29	0	22	21
EBITDA Margin (%)	13.0	15.3	14.0	14.7	15.4
Adj.PAT	8,653	10,697	10,312	12,622	15,309
EPS (Rs)	68	84	81	99	120
Change (yoy, %)	(10.6)	23.6	(3.6)	22	21
PE(x)	59.1	47.8	49.6	40.5	33.4
Dividend Yield (%)	0.6	0.7	0.7	1	1
EV/EBITDA (x)	42.0	32.3	32.4	26.5	21.8
RoE (%)	21.0	22.5	19.3	21.4	22.9
RoCE (%)	22.0	25.5	21.5	24.4	26.7

Source: IDBI Capital Research

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## Con-call Highlights

### Industry Outlook:

- During the quarter the Plastic Pipe Systems business growth continues to be adversely affected due to unfavorable PVC resin prices scenario and demand from infrastructure spend not picking. Also the quarter has seen subdued demand from the Agriculture and Housing sector.
- The Cross-laminated film segment has witnessed a positive performance and increased capacity utilization. The company expects 20% volume growth in the segment with improved profitability.
- The PVC Prices in international market have settled at lower levels and the company is expecting government to impose Anti-dumping duties on import of PVC suspension grade resin.

### Quarterly Performance:

- During the quarter volumes of plastic/ packaging segment grew by 4% YoY and 9% YoY, while industrial and consumer products volume was lower by 5%/7% over Q3FY24 respectively. The total volumes growth was at 3% YoY to 162,733MT.
- Realization during the quarter Plastic pipe de-grew by 2% YoY to Rs132/kg. However, Packaging/Industrial products and consumer products realization grew by 4%/5% and 2% to Rs245/Rs215 and Rs238 /Kg. The blended realization was down by 1% YoY at Rs154/Kg.
- The company incurred inventory loss in excess of Rs1000mm for the first 9 months of FY25.
- The revenue contribution from value-added products has increased YoY from Rs8530mm to Rs9610mm in Q3FY25 registering a growth of 13%.
- The Company Continues to be debt free and having a cash surplus of Rs2900mm as of Dec, 2024.

**Capacity Expansion and new launches:**

- Greenfield expansion plants for the plastic piping division is expected to be taken up in Jammu, Bihar and Madhya Pradesh by the company in FY26. The company has in its possession all the three lands and planning for the products and capacities are being worked out.
- The Company is in a good position to cater to increased demand in future for its product with increased available capacity. The company currently has an annual capacity of 8,20,000 M.T. as of Dec'24 and with completion of all the expansion plans undertaken in hand, total installed capacity is poised to reach 9,00,000 M.T. per annum for Piping System Business by the end of FY25.
- Number of showrooms has reached 337 by end of Dec'24 from 308 as on March'24.
- Company has planned a cash outflow of Rs.15bn towards capex. Total Cash outflow towards the capex has been Rs.7bn during first nine months and is likely to reach around Rs.10bn for the year. Entire Capex outflow shall be funded from internal accruals.

**Guidance**

- The company expect Q4FY25 demand to pick up as last quarter is expected to have increased spending on infrastructure by the government. Also the company expects the overall margins to be in between 13-14% for FY25.

**Exhibit 1: Quarterly Financials**

Particulars (Rs mn)	Q3FY25	Q2FY25	QoQ (%)	Q3FY24	YoY (%)
<b>Total revenues</b>	<b>25099</b>	<b>22,730</b>	<b>10.4%</b>	<b>24,491</b>	<b>2.5%</b>
Total expenditure	22011	19,537	12.7%	20,703	6.3%
<b>EBIDTA</b>	<b>3,088</b>	<b>3,192</b>	<b>-3.3%</b>	<b>3,788</b>	<b>-18.5%</b>
<i>EBIDTA margin (%)</i>	<i>12.3</i>	<i>14.0</i>	<i>-174bps</i>	<i>15.5</i>	<i>-316bps</i>
Depreciation	913	899	1.5%	772	18.2%
Interest cost	30	26	13.7%	52	-42.2%
Other income	89	151	-40.9%	207	-57.0%
PBT	2,235	2,417	-7.6%	3,172	-29.5%
Tax	584	629	-7.1%	818	-28.6%
<b>Adj. net profit</b>	<b>1,870</b>	<b>2,066</b>	<b>-9.5%</b>	<b>2,562</b>	<b>-27.0%</b>
Adj. EPS (INR)	14.7	16.3	-9.5%	20.2	-27.0%

Source: Company; IDBI Capital Research

**Exhibit 2: Actual vs. estimates**

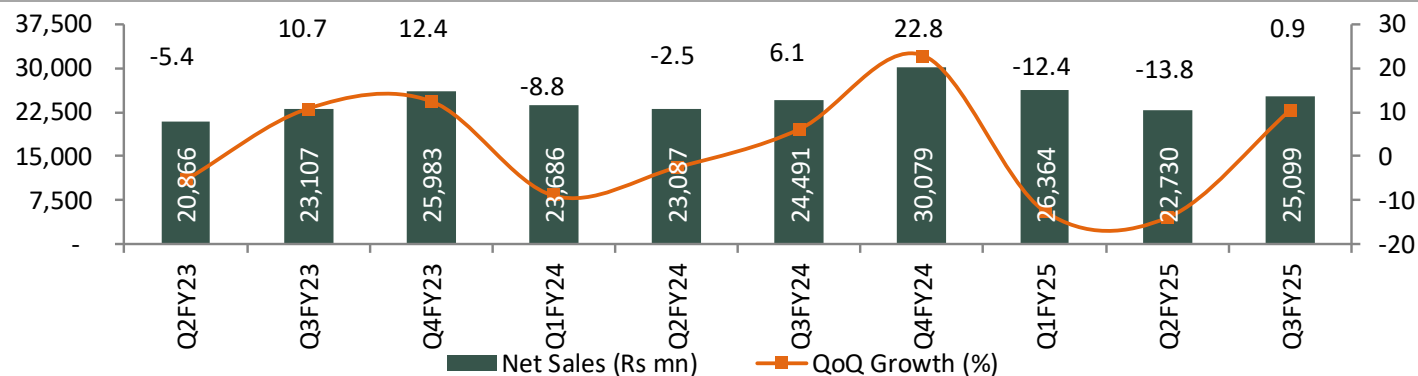
Particulars (Rs mn)	Q3FY25A	Q3FY25E	Variance (%)
<b>Net Sales</b>	<b>25,099</b>	<b>24,207</b>	<b>3.7%</b>
<b>EBITDA</b>	<b>3,088</b>	<b>3,491</b>	<b>-11.5%</b>
<i>EBITDA Margin (%)</i>	<i>12.3</i>	<i>14%</i>	<i>1216bps</i>
<b>Net Profit</b>	<b>1,869.70</b>	<b>2,032</b>	<b>-8.0%</b>
EPS, Rs	14.7	16.0	-8.0%

Source: Company; IDBI Capital Research

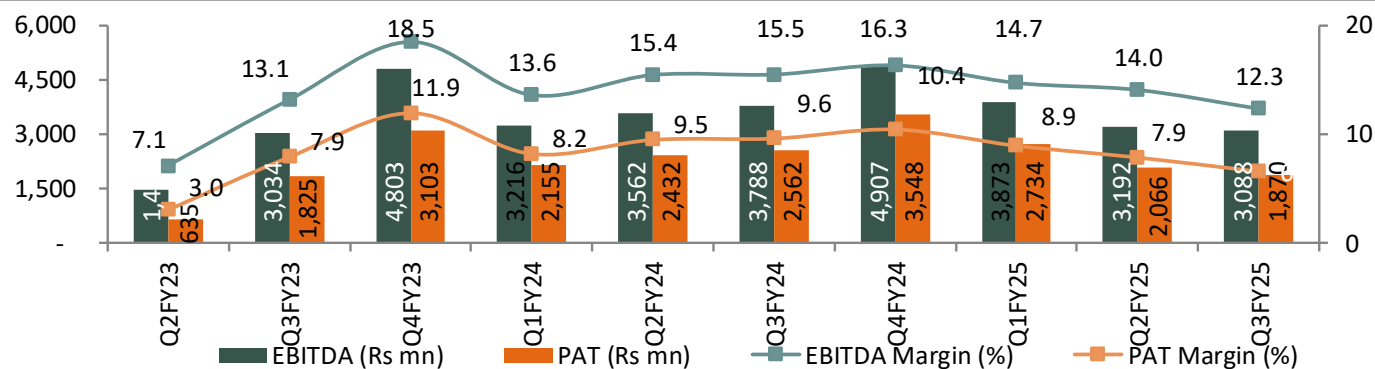
**Exhibit 3: Segmental performance**

Sales Volume (MT)	Q3FY25	Q2FY25	QoQ (%)	Q3FY24	YoY (%)
Plastic Volumes (MT)	1,62,733	1,38,077	17.9%	1,58,025	3.0%
<b>Volume</b>					
Plastic	1,26,515	1,02,238	23.7%	1,22,003	3.7%
Packaging	16,281	16,593	-1.9%	14,998	8.6%
Industrial products	15,472	15,110	2.4%	16,231	-4.7%
Consumer products	4,465	4,136	8.0%	4,793	-6.8%
<b>Revenue (Rs mn)</b>					
Plastic	16,649	14,379	15.8%	16,437	1.3%
Packaging	3,982	3,999	-0.4%	3,540	12.5%
Industrial products	3,324	3,276	1.5%	3,320	0.1%
Consumer products	1,064	1,039	2.4%	1,123	-5.3%
<b>Realization (Rs/Kg)</b>					
Plastic	132	141	-6.4%	135	-2.3%
Packaging	245	241	1.5%	236	3.6%
Industrial products	215	217	-0.9%	205	5.0%
Consumer products	238	251	-5.1%	234	1.7%

Source: Company; IDBI Capital Research

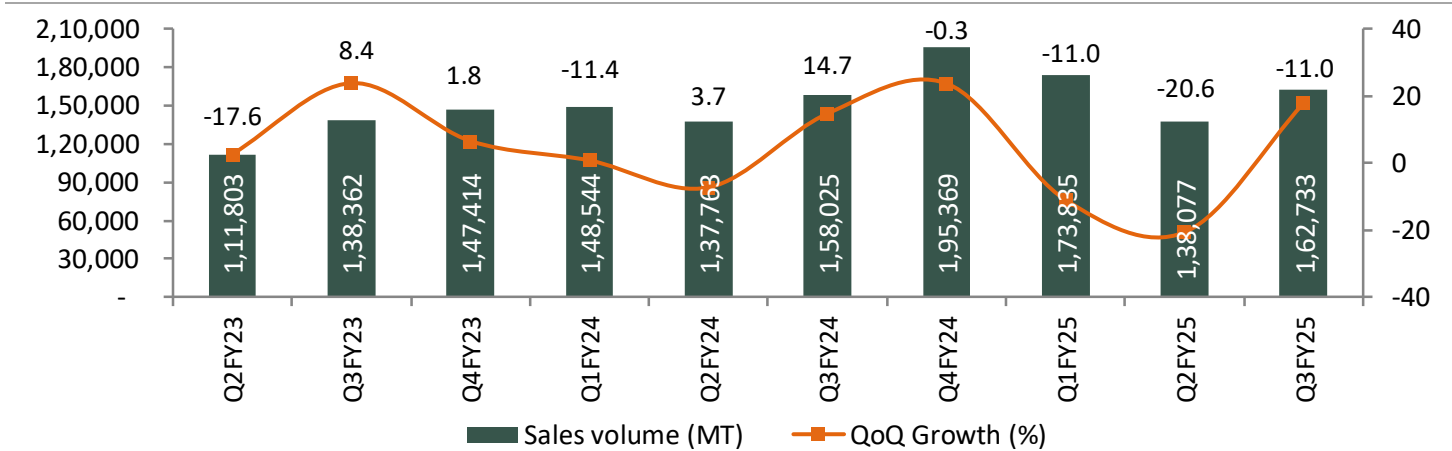
**Exhibit 4: Net sales analysis**

Source: Company; IDBI Capital Research

**Exhibit 5: EBITDA, PAT and margins analysis**

Source: Company; IDBI Capital Research

Exhibit 6: Sales volume analysis



Source: Company; IDBI Capital Research

## Financial Summary

### Profit & Loss Account

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Net sales</b>	<b>77,728</b>	<b>92,016</b>	<b>1,01,343</b>	<b>1,10,759</b>	<b>1,29,271</b>	<b>1,49,562</b>
<i>Change (yoy, %)</i>	22.3	18	10	9	17	16
Operating expenses	(65,307)	(80,019)	(85,869)	(95,262)	(1,10,290)	(1,26,585)
<b>EBITDA</b>	<b>12,421</b>	<b>11,997</b>	<b>15,473</b>	<b>15,497</b>	<b>18,980</b>	<b>22,977</b>
<i>Change (yoy, %)</i>	-3.3	(3)	29	0	22	21
<i>Margin (%)</i>	16.0	13.0	15.3	14.0	14.7	15.4
Depreciation	(2,295)	(2,634)	(2,984)	(3,691)	(4,140)	(4,607)
<b>EBIT</b>	<b>10,126</b>	<b>9,363</b>	<b>12,490</b>	<b>11,807</b>	<b>14,840</b>	<b>18,371</b>
Interest paid	(52)	(80)	(161)	(177)	(195)	(215)
Other income	200	298	657	723	795	874
<b>Pre-tax profit</b>	<b>10,274</b>	<b>9,580</b>	<b>12,985</b>	<b>12,352</b>	<b>15,440</b>	<b>19,030</b>
Tax	(2,633)	(2,460)	(3,357)	(3,109)	(3,886)	(4,790)
<i>Effective tax rate (%)</i>	25.6	25.7	25.8	25.2	25.2	25.2
Minority Interest	-	-	-	-	-	-
<b>Net profit</b>	<b>5,597</b>	<b>5,588</b>	<b>8,560</b>	<b>8,174</b>	<b>10,485</b>	<b>13,172</b>
Exceptional items	-	-	-	-	-	-
<b>Adjusted net profit</b>	<b>9,684</b>	<b>8,653</b>	<b>10,697</b>	<b>10,312</b>	<b>12,622</b>	<b>15,309</b>
<i>Change (yoy, %)</i>	(1.0)	(11)	24	(4)	22	21
EPS	76.2	68.1	84.2	81.2	99.3	120.5
Dividend per sh	24.0	25.0	27.0	30.0	33.0	34.0
<i>Dividend Payout (%)</i>	37.8	44.0	38.5	44	40	34



**Balance Sheet**

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Shareholders' funds</b>	<b>38,444</b>	<b>44,021</b>	<b>51,088</b>	<b>55,758</b>	<b>62,280</b>	<b>71,337</b>
Share capital	254	254	254	254	254	254
Reserves & surplus	38,190	43,767	50,834	55,503	62,026	71,083
<b>Total Debt</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other liabilities	1,268	1,299	1,443	1,584	1,781	1,998
<b>Curr Liab &amp; prov</b>	<b>10,248</b>	<b>11,623</b>	<b>13,026</b>	<b>13,791</b>	<b>14,674</b>	<b>15,642</b>
Current liabilities	9,928	11,274	12,566	13,299	14,141	15,047
Provisions	320	349	461	492	533	595
<b>Total liabilities</b>	<b>11,515</b>	<b>12,921</b>	<b>14,469</b>	<b>15,375</b>	<b>16,455</b>	<b>17,640</b>
<b>Total equity &amp; liabilities</b>	<b>49,959</b>	<b>56,942</b>	<b>65,557</b>	<b>71,133</b>	<b>78,735</b>	<b>88,977</b>
Net fixed assets	18,366	20,601	23,238	29,576	35,465	40,889
Investments	4,983	6,052	6,696	8,704	10,880	13,600
Other non-curr assets	1,845	1,486	2,727	2,841	3,048	3,211
<b>Current assets</b>	<b>24,765</b>	<b>28,804</b>	<b>32,896</b>	<b>30,011</b>	<b>29,340</b>	<b>31,276</b>
Inventories	12,602	13,856	13,586	12,907	12,261	11,648
Sundry Debtors	4,668	4,924	5,114	5,626	6,301	6,931
Cash and Bank	5,282	7,471	11,881	9,157	8,453	10,366
Loans and advances	2,213	2,552	2,315	2,321	2,325	2,330
<b>Total assets</b>	<b>49,959</b>	<b>56,942</b>	<b>65,557</b>	<b>71,133</b>	<b>78,735</b>	<b>88,977</b>

**Cash Flow Statement**

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Pre-tax profit	10,274	9,580	12,985	12,352	15,440	19,030
Depreciation	2,295	2,634	2,984	3,691	4,140	4,607
Tax paid	(2,648)	(2,456)	(3,305)	(3,016)	(3,770)	(4,646)
Chg in working capital	(5,447)	(120)	1,473	927	849	946
Other operating activities	-	-	-	-	-	-
<b>Cash flow from operations (a)</b>	<b>4,474</b>	<b>9,639</b>	<b>14,138</b>	<b>13,954</b>	<b>16,660</b>	<b>19,937</b>
Capital expenditure	(3,792)	(4,869)	(5,621)	(10,029)	(10,029)	(10,030)
Chg in investments	(1,415)	(1,069)	(644)	(2,009)	(2,176)	(2,720)
Other investing activities	-	-	-	-	-	-
<b>Cash flow from investing (b)</b>	<b>(5,207)</b>	<b>(5,938)</b>	<b>(6,265)</b>	<b>(12,037)</b>	<b>(12,205)</b>	<b>(12,750)</b>
Equity raised/(repaid)	-	-	-	-	-	-
Debt raised/(repaid)	(6)	-	-	-	-	-
Dividend (incl. tax)	(3,659)	(3,812)	(4,116)	(4,574)	(5,031)	(5,184)
Chg in minorities	-	-	-	-	-	-
Other financing activities	1,947	2,300	653	(66)	(128)	(90)
<b>Cash flow from financing (c)</b>	<b>(1,718)</b>	<b>(1,512)</b>	<b>(3,463)</b>	<b>(4,640)</b>	<b>(5,159)</b>	<b>(5,274)</b>
<b>Net chg in cash (a+b+c)</b>	<b>(2,451)</b>	<b>2,190</b>	<b>4,409</b>	<b>(2,724)</b>	<b>(705)</b>	<b>1,913</b>

**Financial Ratios**

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Book Value (Rs)	301.3	345	401	438	489	560
Adj EPS (Rs)	76.2	68.1	84.2	81.2	99.3	120.5
Adj EPS growth (%)	-1.0	-11	24	-4	22	21
EBITDA margin (%)	16.0	13.0	15.3	14.0	14.7	15.4
Pre-tax margin (%)	13.2	10.4	12.8	11.2	11.9	12.7
Net Debt/Equity (x)	-0.1	-0.2	-0.2	-0.2	-0.1	-0.1
ROCE (%)	27.9	22	26	21	24	27
ROE (%)	27.6	21	22	19	21	23

**DuPont Analysis**

Asset turnover (x)	1.7	1.7	1.7	1.6	1.7	1.8
Leverage factor (x)	1.3	1.3	1.3	1.3	1.3	1.3
Net margin (%)	12.5	9.4	10.6	9.3	9.8	10.2

**Working Capital & Liquidity ratio**

Inventory days	59	55	49	43	35	28
Receivable days	22	20	18	19	18	17
Payable days	44	41	44	41	37	34

**Valuations**

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
PER (x)	52.8	59.1	47.8	49.6	40.5	33.4
Price/Book value (x)	13.4	11.7	10.0	9.2	8.2	7.2
EV/Net sales (x)	6.5	5.5	4.9	4.5	3.9	3.3
EV/EBITDA (x)	40.7	42.0	32.3	32.4	26.5	21.8
Dividend Yield (%)	0.6	0.6	0.7	0.7	0.8	0.8

Source: Company; IDBI Capital Research

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**Key to Ratings Stocks:**

**BUY:** 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

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