

Retail Equity Research

Supreme Industries Ltd

Plastic Products

BSE CODE : 509930 NSE CODE: SUPREMEIND
 BLOOMBERG CODE: SI:IN SENSEX : 48,719

Accumulate

12M Investment Period

Rating as per Mid Cap

CMP Rs.2,113 TARGET Rs2,424 RETURN 15% ↑
 (Closing: 03-05-21)

KEY CHANGES:

TARGET ↑

RATING ↑

EARNINGS ↑

Strong earnings momentum...to continue

Supreme Industries Ltd (SIL) is India's leading player in plastic products; the wide range of offering includes Plastic Piping system, Packaging, Industrial and Consumer products.

- Q4FY21 Revenue & PAT grew by 46% & 284% YoY respectively, led by higher operating profit and share of profit from associate.
- EBITDA margin improved by 530bps YoY to 24.5% led by better product mix and inventory gains (Rs.80-100cr).
- With revival in construction activities and pick-up in consumption spending, overall demand scenario is expected to be strong.
- Investment in new capacities, focus on new products, expansion of distribution reach and market share gains will continue to drive growth.
- We upgrade of our EPS estimates by 18% & 20% for FY22 & FY23E, given sharper than expected earnings recovery.
- We remain constructive on SIL given its market share of 21%, RoE of ~26% (5yr avg.) & strong balance sheet position. Given upgrade in earnings estimates, we value SIL at P/E of 33x on FY23E with a target price of Rs2,424 and recommend to Accumulate.

Higher realization drives revenue...

SIL's Q4FY21 revenue grew by 46% YoY, led by strong revenue across product segments, Plastic piping, industrial, Packaging and consumer segment grew by 44%, 84%, 49% & 12% YoY respectively. Volume grew by 8% YoY led by packaging segment, Industrial and Consumer, which grew by 40%, 45% & 12% YoY. However, Piping segment volume declined by 2% YoY due fall in Agri demand on account of higher prices. Further, overall revenue growth was supported by 38% YoY improvement in realization led by higher RM prices and increase in value added products. SIL plans to spend Rs400cr in for putting up new plant to make piping system, packaging, injection moulded furniture and material handling products. Going ahead, revival in construction activities and improvement in consumer demand is expected to drive overall revenue growth. However, we may see some hiccups in revenue growth due to sudden resurgence of Covid-19. However, we upgrade our revenue estimates by 4.3% & 5.8% for FY22E & FY23E considering strong revenue growth supported by realization growth.

Margins expands...

SIL's Q4FY21 EBITDA grew by 86% YoY and margins expanded by 530bps YoY to 24.5%. Significant increase in PVC prices led to Rs.80-Rs100cr inventory gain. While strong growth in value added products also supported margin expansion. Strong operating profit, lower tax and Rs.70cr share of profit from associate (Supreme Petro), PAT grew by 284% YoY to Rs.450cr. Considering increasing share of value added products and cost rationalization, we upgraded our EBITDA margin estimates by 110bps & 80bps to 17.0% & 17.0% for FY22E & FY23E. Consequently, our EPS estimates stand increased by 18% & 20% for FY22E & FY23E.

Valuations

We expect current earnings momentum to continue given pick-up in construction activities and improvement in consumer spending. Given strong balance sheet and earnings upgrade, we value SIL at P/E of 33x on FY23, with a target price of Rs.2,424 and recommend to Accumulate.

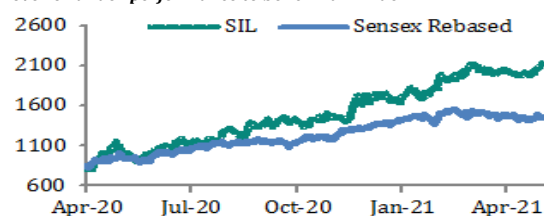
Company Data

Market Cap (cr)	Rs.26,845
Enterprise Value (cr)	Rs.26,875
Outstanding Shares (cr)	12.7
Free Float	51.0%
Dividend Yield	0.66%
52 week high	Rs.2,200
52 week low	Rs.875
6m average volume (cr)	0.3
Beta	0.8
Face value	Rs. 2

Shareholding (%)	Q2FY21	Q3FY21	Q4FY21
Promoters	48.9	48.9	48.9
FII's	8.9	8.8	8.9
MFs/Institutions	24.7	24.7	24.8
Public	13.7	13.7	13.4
Others	3.9	3.9	4.0
Total	100.0	100.0	100.0
Promoter Pledge	0.0	0.0	0.0

Price Performance	3 month	6 Month	1 Year
Absolute Return	10.8%	46.9%	113.9%
Absolute Sensex	-2.2%	19.9%	53.6%
Relative Return*	13.0%	26.9%	60.3%

over or under performance to benchmark index



Standalone (cr)	FY21A	FY22E	FY23E
Sales	6,357	6,967	7,952
Growth (%)	15.3	9.6	14.1
EBITDA	1,284	1,184	1,352
EBITDA Margin(%)	20.2	17.0	17.0
PAT Adj.	978	791	933
Growth (%)	109.3	(19.2)	18.0
Adj.EPS	77.0	62.2	73.5
Growth (%)	109.3	(19.2)	18.0
P/E	27.4	33.9	28.8
P/B	8.5	6.9	5.6
EV/EBITDA	20.9	22.7	19.9
ROE (%)	36.0	22.4	21.5
D/E	0.0	0.0	0.0

Anil R
 Research Analyst

Quarterly Financials

Profit & Loss

Rs (cr)	Q4FY21	Q4FY20	YoY Growth %	Q3FY21	QoQ Growth %
Sales	2,085	1,430	45.7	1,844	13.1
EBITDA	510	273	86.4	402	26.9
EBITDA margins	24.5	19.1	+540bps	21.8	+270bps
Depreciation	55	53	3.7	55	(0.2)
EBIT	455	221	106.3	347	31.2
Interest	0.5	4	(89.1)	(1)	-
Other Income	4	0.1	-	-	-
Exceptional Items	-	-	-	-	-
PBT	458	216	111.7	348	31.6
Tax	78	106	(26.4)	89	(12.0)
Share of profit from Associate	70	7	909.2	53	33.2
Other comprehensive income	-	-	-	-	-
Reported PAT	450	117	284.0	312	44.2
Adjustments	-	-	-	-	-
Adj PAT	450	117	284.0	312	44.2
No. of Shares	12.7	12.7	-	12.7	-
EPS (Rs)	35.5	9.2	284.0	24.6	44.2

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change %	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Revenue	6,683	7,514	6,967	7,952	4.3	5.8
EBITDA	1,063	1,217	1,184	1,352	11.4	11.1
Margins (%)	15.9	16.2	17.0	17.0	+110bps	+80bps
Adj. PAT	669	776	791	933	18.2	20.2
EPS	52.7	61.1	62.5	73.5	18.2	20.2

Consolidated Financials

PROFIT & LOSS

Y.E March (Rs Cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Sales	5,612	5,512	6,357	6,967	7,952
% change	12.9	-1.8	15.3	9.6	14.1
EBITDA	785	835	1,284	1,184	1,352
% change	-0.3	6.4	53.9	(7.8)	14.1
Depreciation	184	206	213	238	270
EBIT	601	629	1,071	946	1,082
Interest	34	20	10	2	2
Other Income	15	1	4	4	4
PBT	650	610	1,066	948	1,084
% change	7.8	-6.1	74.8	(11.1)	14.4
Tax	216	174	234	237	271
Tax Rate (%)	33.2%	28.5%	22%	25.0%	25.0%
Reported PAT	446	463	978	791	933
Adj.*	-65	0	0	0	0
Adj. PAT	381	467	978	791	933
% change	-11.7	22.5	109.3	(19.2)	18.0
No. of shares (cr)	12.7	12.7	12.7	12.7	12.7
Adj EPS (Rs)	30	37	77.0	62.2	73.5
% change	-0.1	0.2	109.3	(19.2)	18.0
DPS (Rs)	16	28	5.0	5.0	5.0
CEPS (Rs)	44.5	53.0	93.8	81.0	94.7

CASH FLOW

Y.E March (Rs Cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Net inc. + Depn.	565	673	1,191	1,029	1,203
Non-cash adj.	(41)	29	(142)	2	1
Changes in W.C	32	(165)	196	(29)	(83)
C.F. Operation	556	537	1,246	1,002	1,122
Capital exp.	(326)	(240)	(221)	(409)	(290)
Change in inv.	68	26	8	(90)	(100)
Other invest.CF	18	20	12	-	-
C.F - Investment	(240)	(194)	(201)	(499)	(390)
Issue of equity	-	-	-	-	-
Issue/repay debt	(88)	238	(410)	(6)	(5)
Dividends paid	(199)	(352)	(64)	(64)	(64)
Other finance.CF	(29)	(41)	(32)	(2)	(1)
C.F - Finance	(316)	(156)	(506)	(71)	(70)
Chg. in cash	0	188	540	431	661
Closing cash	32	220	762	1,193	1,854

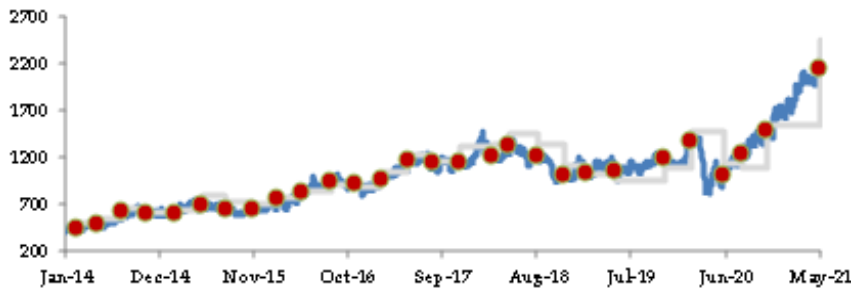
BALANCE SHEET

Y.E March (Rs Cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Cash	32	220	762	1,193	1,854
Accounts Receivable	387	313	390	420	479
Inventories	750	891	761	886	1,027
Other Cur. Assets	226	287	268	298	344
Investments	222	207	337	427	527
Gross Fixed Assets	2,767	3,032	3,357	3,757	4,057
Net Fixed Assets	1,501	1,592	1,703	1,865	1,895
CWIP	90	93	51	60	50
Intangible Assets	20	16	11	11	11
Def. Tax (Net)	(120)	(133)	(92)	(92)	(92)
Other Assets	0	0	0	0	0
Total Assets	3,109	3,486	4,190	5,067	6,096
Current Liabilities	557	548	646	746	866
Provisions	24	31	30	32	37
Debt Funds	167	444	31	25	20
Other Liabilities	207	202	315	368	407
Equity Capital	25	25	25	25	25
Reserves & Surplus	2,129	2,236	3,144	3,871	4,741
Shareholder's Fund	2,154	2,261	3,169	3,896	4,766
Total Liabilities	3,109	3,486	4,190	5,067	6,096
BVPS	170	178	249	307	375

RATIOS

Y.E March	FY19A	FY20A	FY21A	FY22E	FY23E
Profitab & Return					
EBITDA margin (%)	14.0	15.1	20.2	17.0	17.0
EBIT margin (%)	10.7	11.4	16.9	13.6	13.6
Net profit mgn.(%)	6.8	8.5	15.4	11.4	11.8
ROE (%)	18.8	21.2	36.0	22.5	21.7
ROCE (%)	18.2	19.2	33.4	22.4	21.6
W.C & Liquidity					
Receivables (days)	25.0	23.2	20.2	21.2	20.6
Inventory (days)	47.1	54.3	47.4	43.1	43.9
Payables (days)	50.0	56.4	53.9	55.0	55.7
Current ratio (x)	2.4	3.0	3.2	3.6	4.1
Quick ratio (x)	0.7	0.7	0.6	0.6	0.6
Turnover & Leverage					
Gross asset T.O (x)	2.1	1.9	2.0	2.0	2.0
Total asset T.O (x)	1.9	1.7	1.7	1.5	1.4
Int. covge. ratio (x)	17.9	31.1	112.8	572.0	817.3
Adj. debt/equity (x)	0.1	0.2	0.0	0.0	0.0
Valuation					
EV/Sales (x)	4.9	5.0	4.2	3.9	3.4
EV/EBITDA (x)	34.4	32.9	20.9	22.7	19.9
P/E (x)	70.4	57.4	27.4	33.9	28.8
P/BV (x)	12.5	11.9	8.5	6.9	5.6

Recommendation summary



Source: Bloomberg, Geojit Research.

Dates	Rating	Target
02-November-15	Accumulate	704
29-January-16	Hold	768
22-April-16	Hold	836
02-August-16	Reduce	895
28-October-16	Reduce	885
27-January-16	Accumulate	1,033
02-May-17	Hold	1,209
31-July-17	Hold	1,150
01-November-17	Buy	1,307
1-March-18	Accumulate	1,335
27-April-18	Accumulate	1,440
06-August-18	Accumulate	1,328
06-November-18	Accumulate	1,108
29-January-19	Hold	1,018
08-May-19	Reduce	936
29-October-19	Reduce	1,082
29-January-20	Hold	1,476
27-May-20	Accumulate	1,126
29-July-20	Sell	1,073
29-October-20	Hold	1,537
28-January-21	Hold	1,893
04-May-21	Accumulate	2,424

Investment Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated			

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside.

Sell: Exit from the stock.

Not rated: The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

General Disclosures and Disclaimers

CERTIFICATION

I, Vincent K A, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

COMPANY OVERVIEW

Geojit Financial Services Limited (hereinafter Geojit), a publically listed company, is engaged in services of retail broking, depository services, portfolio management and marketing investment products including mutual funds, insurance and properties. Geojit is a SEBI registered Research Entity and as such prepares and shares research data and reports periodically with clients, investors, stake holders and general public in compliance with Securities and Exchange Board of India Act, 1992, Securities And Exchange Board Of India (Research Analysts) Regulations, 2014 and/or any other applicable directives, instructions or guidelines issued by the Regulators from time to time.

DISTRIBUTION OF REPORTS

This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Geojit will not treat the recipients of this report as clients by virtue of their receiving this report.

GENERAL REPRESENTATION

The research reports do not constitute an offer or solicitation for the purchase or sale of any financial instruments, inducements, promise, guarantee, warranty, or as an official confirmation of any transaction or contractual obligations of any kind. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. We have also reviewed the research report for any untrue statements of material facts or any false or misleading information. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

RISK DISCLOSURE

Geojit and/or its Affiliates and its officers, directors and employees including the analyst/authors shall not be in any way be responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Investors may lose his/her entire investment under certain market conditions so before acting on any advice or recommendation in these material, investors should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. This report does not take into account the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this report (including the merits and risks involved). The price, volume and income of the investments referred to in this report may fluctuate and investors may realize losses that may exceed their original capital.

FUNDAMENTAL DISCLAIMER

We have prepared this report based on information believed to be reliable. The recommendations herein are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/return/lack of clarity/event we may revisit rating at appropriate time. The stocks always carry the risk of being upgraded to buy or downgraded to a hold, reduce or sell. The opinions expressed are subject to change but we have no obligation to tell our clients when our opinions or recommendations change. This report is non-inclusive and does not consider all the information that the recipients may consider material to investments. This report is issued by Geojit without any liability/undertaking/commitment on the part of itself or any of its entities. We may have issued or may issue on the companies covered herein, reports, recommendations or information which is contrary to those contained in this report.

The projections and forecasts described in this report should be evaluated keeping in mind the fact that these are based on estimates and assumptions and will vary from actual results over a period of time. The actual performance of the companies represented in the report may vary from those projected. These are not scientifically proven to guarantee certain intended results and hence, are not published as a warranty and do not carry any evidentiary value whatsoever. These are not to be relied on in or as contractual, legal or tax advice. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice.

JURISDICTION

The securities described herein may not be eligible for sale in all jurisdictions or to all categories of investors. The countries in which the companies mentioned in this report are organized may have restrictions on investments, voting rights or dealings in securities by nationals of other countries. Distributing/taking/sending/dispatching/transmitting this document in certain foreign jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe any such restrictions. Failure to comply with this restriction may constitute a violation of any foreign jurisdiction laws. Foreign currencies denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. Investors in securities such as ADRs, the value of which are influenced by foreign currencies effectively assume currency risk.

REGULATORY DISCLOSURES:

Geojit's Associates consists of privately held companies such as Geojit Technologies Private Limited (GTPL- Software Solutions provider), Geojit Credits Private Limited (GCPL- NBFC Services provider), Geojit Investment Services Limited (GISL- Corporate Agent for Insurance products), Geojit Financial Management Services Private Limited (GFMSL) & Geojit Financial Distribution Private Limited (GFDDL), (Distributors of Insurance and MF Units). In the context of the SEBI Regulations on Research Analysts (2014), Geojit affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

1. Disclosures regarding Ownership*:

Geojit confirms that:

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein.

It/its associates have no actual beneficial ownership greater than 1% in relation to the subject company (ies) covered herein.

Further, the Analyst confirms that:

he, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company.

he, his associates and his relatives have no actual/beneficial ownership greater than 1% in the subject company covered

2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by Geojit regarding the compensation paid to its Research Analyst:

Geojit hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I Vincent K A Research Analyst(s) of Geojit have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing .

Geojit Financial Services Ltd. (formerly known as Geojit BNP Paribas Financial Services Ltd.), Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: www.geojit.com. For investor queries: customercare@geojit.com, For grievances: grievances@geojit.com. For compliance officer: compliance@geojit.com.

Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: IN-H200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226