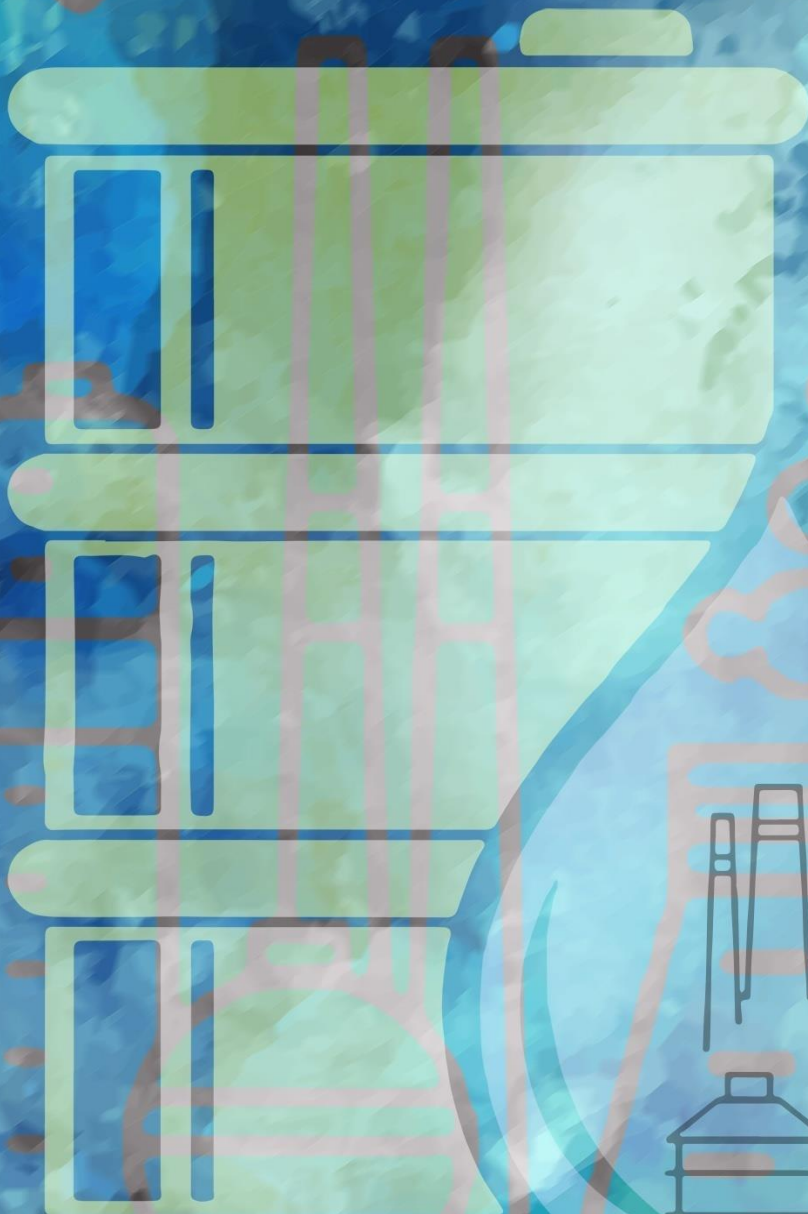


Supreme Petrochemicals Ltd



Supreme Petrochemicals Ltd.

Capacity expansion to drive growth

CMP INR 879	Target INR 1,021	Potential Upside 16.1%	Market Cap (INR Mn) INR 82,686	Recommendation BUY	Sector Petrochemicals
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Q1FY23 Result Highlights:

- Supreme Petrochem's (SPL) revenues saw robust growth of 41.8% YoY to INR 14,854 mn. Though on QoQ basis revenue was mostly flat, declining by 0.8%. The strong growth in revenue was on account of healthy demand and improved realisations.
- EBITDA witnessed a healthy growth of 27.5% YoY to INR 2,517 mn, though sequentially EBITDA declined by 18.2% QoQ. EBITDA margin contracted by 190 bps YoY/361 bps QoQ to 16.9%.
- PAT for the quarter stood at INR 1,891 mn, witnessing a strong growth of 29.3% YoY. Though on QoQ basis, PAT was down by 16.1%. PAT margin contracted by 123 bps YoY/232 bps QoQ to 12.7%.

MARKET DATA

Shares O/S (Mn)	94
Mkt Cap (INR Mn)	82,686
52 Wk H/L (INR)	1,025/606
Volume Avg (3m K)	88
Face Value (INR)	4
Bloomberg Code	SPPT IN

KEY FINANCIALS

Particulars (INR Mn)	FY20	FY21	FY22	FY23E	FY24E
Net Sales	27,242	31,852	50,323	54,642	62,049
EBITDA	1,485	6,689	9,054	11,481	13,156
PAT	1,027	4,775	6,633	8,342	9,603
EPS (INR)	10.6	50.8	70.5	88.7	102.1
EBITDA Margin	5.5%	21.0%	18.0%	21.0%	21.2%
PAT Margin	3.8%	15.0%	13.2%	15.3%	15.5%

Source: Company, KRChoksey Research

Healthy volume growth coupled with improved realization boosted revenue:

In Q1FY23, Supreme Petrochem's (SPL) revenue from operation stood at INR 14,854 mn, up by 41.8% YoY, beating our estimate by 13.5%. Though on QoQ basis revenue was mostly flat, declining by 0.8%. The strong growth in revenue was on account of healthy volume growth coupled with improved realisations. Sales volume for the quarter grew 29% YoY to 70,943 MT against 54,924 MT in the corresponding quarter of previous year. EBITDA witnessed a healthy growth of 27.5% YoY to INR 2,517 mn, though sequentially EBITDA declined by 18.2% QoQ. EBITDA margin contracted by 190 bps YoY/361 bps QoQ to 16.9%. The fall in margin was due to change in product mix with reduced share of value-added products. PAT for the quarter stood at INR 1,891 mn, witnessing a strong growth of 29.3% YoY. Though sequentially, PAT was down by 16.1%. PAT margin contracted by 123 bps YoY/232 bps QoQ to 12.7%.

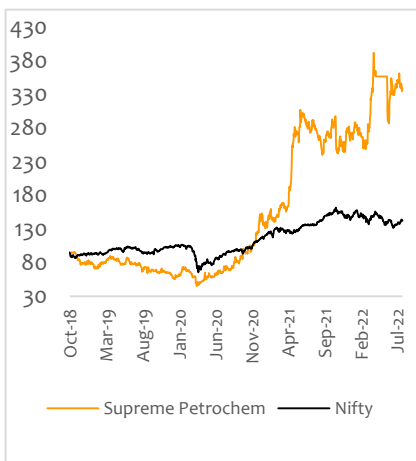
Capacity expansion and new product launches:

To cater to the increasing demand, SPL is undergoing capital expenditure for brownfield expansion to enhance its existing Polystyrene, EPS, Masterbatches & Compounds and XPS capacities. Projects for setting up of 4th line of Polystyrene and expansion of Expandable Polystyrene at both plant locations are now scheduled to be completed by August 2022 due to late arrival of some of the imported equipment. SPL has entered into an agreement for License and Basic Engineering Design with Versalis for Mass ABS, which is the favoured engineering plastic when it comes to application in automotive parts. Basic engineering package for the first line of this plant is expected to reach SPL by September 2022. Other than this, negotiations are underway with M/s Versalis to advance the second train of Mass ABS to complete both lines by March 2025.

Future Outlook:

The completion of PS and EPS expansion projects will help to drive future growth of SPL. Also, with new product launches and technology tie-up, SPL will put more focus on its exports segment. The management expects its exports to reach pre-covid levels by end of the current financial year. SPL also aims to increase its market share by further strengthening its relationships with existing clients and widening its customer base by adding more value-added products in its product portfolio.

SHARE PRICE PERFORMANCE



MARKET INFO

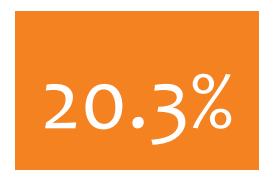
SENSEX	55,268
NIFTY	16,484

SHARE HOLDING PATTERN (%)

Particulars	Jun-22	Mar-22	Dec-21
Promoters	64.0%	64.0%	64.0%
FIs	2.0%	2.1%	2.1%
DIs	2.0%	2.1%	1.8%
Others	32.0%	31.8%	32.1%
Total	100%	100%	100%



Revenue CAGR between FY22 and FY24E



PAT CAGR between FY22 and FY24E

Supreme Petrochemicals Ltd.

INR Mn	Q1FY23	Q1FY22	Q4FY22	Y-o-Y	Q-o-Q
Revenues	14,854	14,977	10,478	-0.8%	41.8%
Total Expenditure	12,337	11,899	8,504	3.7%	45.1%
EBITDA	2,517	3,078	1,974	-18.2%	27.5%
EBITDA Margin	16.9%	20.6%	18.8%	-361 bps	-190 bps
Depreciation & amortization	105	104	100	1.6%	5.4%
EBIT	2,411	2,974	1,874	-18.9%	28.7%
Finance Cost	9	17	11	-46.4%	-18.8%
Other Income	121	94	82	28.4%	47.2%
PBT	2,522	3,051	1,944	-17.3%	29.7%
Tax	632	797	482	-20.8%	31.1%
PAT	1,891	2,254	1,462.5	-16.1%	29.3%
PAT Margin	12.7%	15.0%	14.0%	-232 bps	-123 bps
Diluted EPS (INR)	20.1	24.0	15.6	-16.1%	29.3%

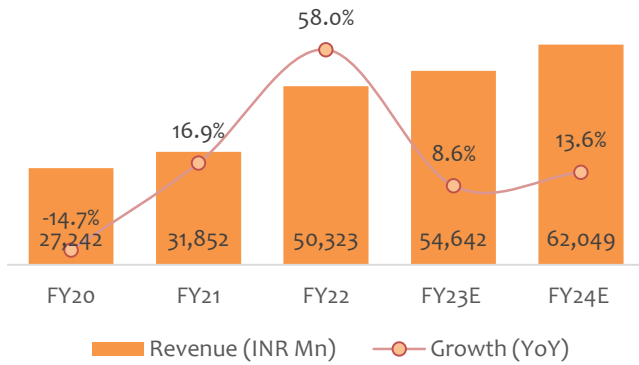
Source: Company, KRChoksey Research

Valuation & View:

SPL is enhancing its PS and EPS production capacities to cater to the increasing demand for its products. With enhanced capacity and healthy demand from end-user industries, SPL will witness strong growth in the future. We expect SPL to clock 11.0%, 20.5% and 20.3% CAGR growth in its revenue, EBITDA and PAT over FY22-24E period.

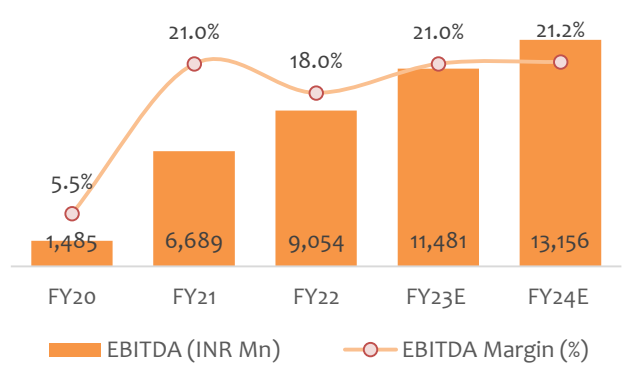
We continue to remain positive on the growth prospects of SPL. The stock is currently trading at a P/E multiple of 9.9x/8.6x on its FY23E/24E EPS of INR 88.7/102.1 respectively. We value the stock at 10x on its FY24E EPS of INR 102.1/share, which yields a target price of INR 1,021/share, an upside of 16.1% over the CMP. Accordingly, we recommend a “BUY” rating on the shares of Supreme Petrochem Ltd.

Revenue to witness 24.9% CAGR over FY21-24E



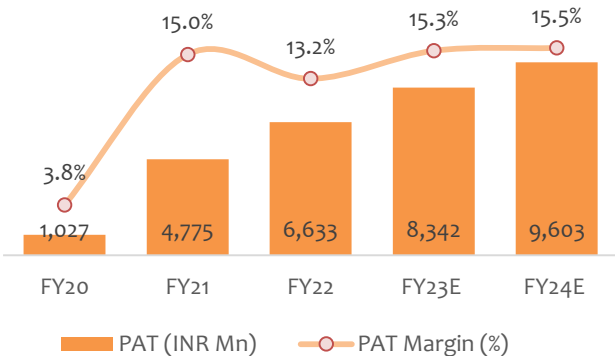
Source: Company, KRChoksey Research

EBITDA Margin to remain stable around 21%



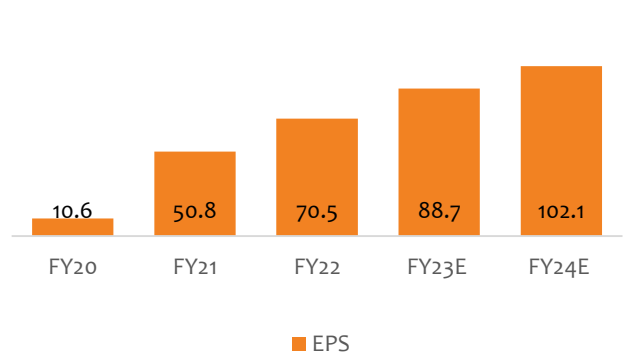
Source: Company, KRChoksey Research

PAT to witness 20.3% CAGR over FY22-24E



Source: Company, KRChoksey Research

EPS growth over the years



Source: Company, KRChoksey Research

Supreme Petrochemicals Ltd.

KEY FINANCIALS

Exhibit 1: Balance Sheet

Particulars (INR Mn)	FY20	FY21	FY22	FY23E	FY24E
Non-Current Assets					
Property, Plant and Equipment	3,416	3,189	3,020	3,560	3,773
Right to use assets	285	393	344	115	98
Capital Work-in Progress	84	91	1,789	17,894	17,894
Other Intangible Assets	8	6	5	5	-16
Financial Assets					
Loans	13	9	12	12	12
Other Financial Assets	41	53	48	49	50
Other Non-Current Assets	31	162	115	117	119
Total non-current assets	3,878	3,903	5,333	5,648	5,826
Current Assets					
Inventories	2,584	3,178	3,008	4,190	4,759
Financial Assets					
Investment in Liquid scheme of MF	1,348	4,703	4,838	9,838	16,838
Trade Receivables	2,481	3,833	4,118	5,240	5,950
Cash and Cash Equivalents	1,709	661	2,175	6,810	8,239
Bank Balance other than cash	49	407	2,299	2,299	2,299
Loans	9	6	8	8	8
Other Financial Assets	72	568	600	600	600
Current Tax Assets (net)	0	85	88	88	88
Other Current Assets	317	210	316	322	329
Total current assets	8,673	13,651	17,450	29,395	39,110
TOTAL ASSETS	12,551	17,553	22,783	35,043	44,936
Equity and Liabilities					
Shareholder's fund					
Equity Share Capital	964	940	376	376	376
Other Equity	5,768	9,708	14,780	22,324	30,986
Total Equity	6,733	10,648	15,156	22,700	31,362
Non-current Liabilities					
Long term borrowings	0	0	0	978	978
Lease liabilities	171	262	167	171	171
Provisions	29	36	34	34	34
Other financial liabilities	35	33	33	34	34
Deferred Tax Liabilities (Net)	374	357	344	344	344
Total non-current liabilities	609	689	578	1,560	1,561
Current Liabilities					
Financial Liabilities					
Lease Liabilities	122	148	206	206	206
Trade Payables	4,762	5,685	5,259	8,982	10,200
Other Financial Liabilities	197	192	966	966	966
Other Current Liabilities	104	152	590	602	614
Provisions	21	25	26	26	26
Current Tax Liabilities (net)	3	13	1	1	1
Total current liabilities	5,209	6,216	7,048	10,783	12,013
TOTAL LIABILITIES	5,818	6,905	7,627	12,344	13,574
Total Equity and Liabilities	12,551	17,553	22,783	35,043	44,936

Source: Company, KRChoksey Research

Supreme Petrochemicals Ltd.

KEY FINANCIALS

Exhibit 2: Profit & Loss Statement

Particulars (INR Mn)	FY20	FY21	FY22	FY23E	FY24E
Revenue from Operations	27,242	31,852	50,323	54,642	62,049
Other Income	119	213	305	147	162
Total Income	27,362	32,065	50,628	54,789	62,210
Cost of Materials Consumed	16,400	15,979	27,019	27,807	31,581
Purchase of stock-in-trade	7,038	6,899	11,344	11,475	13,030
Excise Duty on Sale of Goods	0	0	0	0	0
Changes in Inventories of Finished Goods and WIP	131	67	81	984	1,055
Employee Benefit Expense	417	457	483	710	869
Other Expenses	1,770	1,761	2,342	2,186	2,358
Total Expenses	26,118	25,554	41,687	43,586	49,320
EBITDA	1,485	6,689	9,054	11,481	13,156
D&A	360	391	419	424	428
EBIT	1,125	6,298	8,636	11,057	12,728
Finance Costs	65	73	62	80	86
Other Income	119	213	305	147	162
PBT	1,179	6,438	8,878	11,123	12,804
Income Tax Expenses	152	1,663	2,246	2,781	3,201
PAT	1,027	4,775	6,633	8,342	9,603

Source: Company, KRChoksey Research

Exhibit 3: Cash Flow Statement

Particulars (INR Mn)	FY20	FY21	FY22	FY23E	FY24E
Net Cash Generated From Operations	1,196	4,347	6,722	10,270	10,059
Net Cash Flow from/(used in) Investing Activities	-76	-639	-1,400	-737	-603
Net Cash Flow from Financing Activities	-905	-1,044	-1,780	102	-1,026
Net Inc/Dec in cash equivalents	216	2,664	3,542	9,635	8,430
Opening Balance	383	1,759	5,770	4,474	9,109
Investment in liquid scheme	1,160	-3,355	-4,838	-5,000	-7,000
Closing Balance of Cash and Cash Equivalents	1,759	1,067	4,474	9,109	10,539

Source: Company, KRChoksey Research

Exhibit 4: Ratio Analysis

Key Ratio	FY20	FY21	FY22	FY23E	FY24E
EBITDA Margin	5.5%	21.0%	18.0%	21.0%	21.2%
Tax rate (%)	12.9%	25.8%	25.3%	25.0%	25.0%
Net Profit Margin (%)	3.8%	15.0%	13.2%	15.3%	15.5%
RoE (%)	15.2%	44.8%	43.8%	36.8%	30.6%
RoCE (%)	14.0%	42.1%	42.2%	34.4%	29.2%
Current Ratio (x)	1.7x	2.2x	2.5x	2.7x	3.3x
EPS (INR per share)	10.6	50.8	70.5	88.7	102.1

Source: Company, KRChoksey Research

Supreme Petrochemicals Ltd.

Supreme Petrochem Ltd.				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
27-Jul-22	879	1,021	BUY	Buy	More than 15%
29-Apr-22	921	NA	UR		
25-Jan-22	696	814	BUY	Accumulate	5% – 15%
21-Oct-21	690	814	BUY		
27-Jul-21	726	806	ACCUMULATE	Hold	0 – 5%
30-Jun-21	744	784	ACCUMULATE		
17-Mar-21	434	435	HOLD	Reduce	-5% – 0
15-Dec-20	371	375	HOLD		
				Sell	Less than – 5%

ANALYST CERTIFICATION:

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