RATING	
Business	★★★★☆
Financials	★★★★☆
Valuation	★★★☆☆
Management	★★★★☆

Ranking 1 to 5, denoting lowest and 5 highest

FIN2RESEARCH Investment Advisor Pvt. Ltd.

Supreme — People who know plastics best

Date - 15/03/2024 **Company : Supreme Industries Limited.** **Sector : Capital Goods.**

CMP : ₹3975.05 | **Rating - BUY** | **Target : ₹ 4530** | ***Research Report***

Stock Info	
Mkt Cap (₹ in cr)	50503.0
52-Weeks High/Low	2,431.15 - 4,888.00
Avg Volume	138,451
No. of eq shares (cr)	12.71
Face Value	₹ 2
Bse Code	509930
Nse Code	SUPREMEIND
Free Float (cr)	25756.54

Source : NSE/BSE

Particulars	2022	2023
P/E	26.85	36.90
P/B	6.77	7.25
EV/EBITDA	24.92	25.41
P/S	4.05	3.40
EPS	76.24	68.12
ROCE	25.84%	21.19%
ROIC	24.09%	18.60%
Interest Coverage	245.06	153.30
Debt-to-Equity	0.01	0.01

Source : Company, Fin2Research

Particulars	% of Total Shares
Promoters	48.85%
Mutual Funds/AIF	10.89%
Insurance co. & others	0.88%
Other DIIs	0.42%
FII	24.65%
Retails and Others	14.31%
Total	100.00%

Source : Company

Particulars	(TTM)
P/E	47.00
P/B	10.97
EV/EBITDA	32.51
P/S	5.14
EPS	84.58
P/CF	61.60

Source : Company

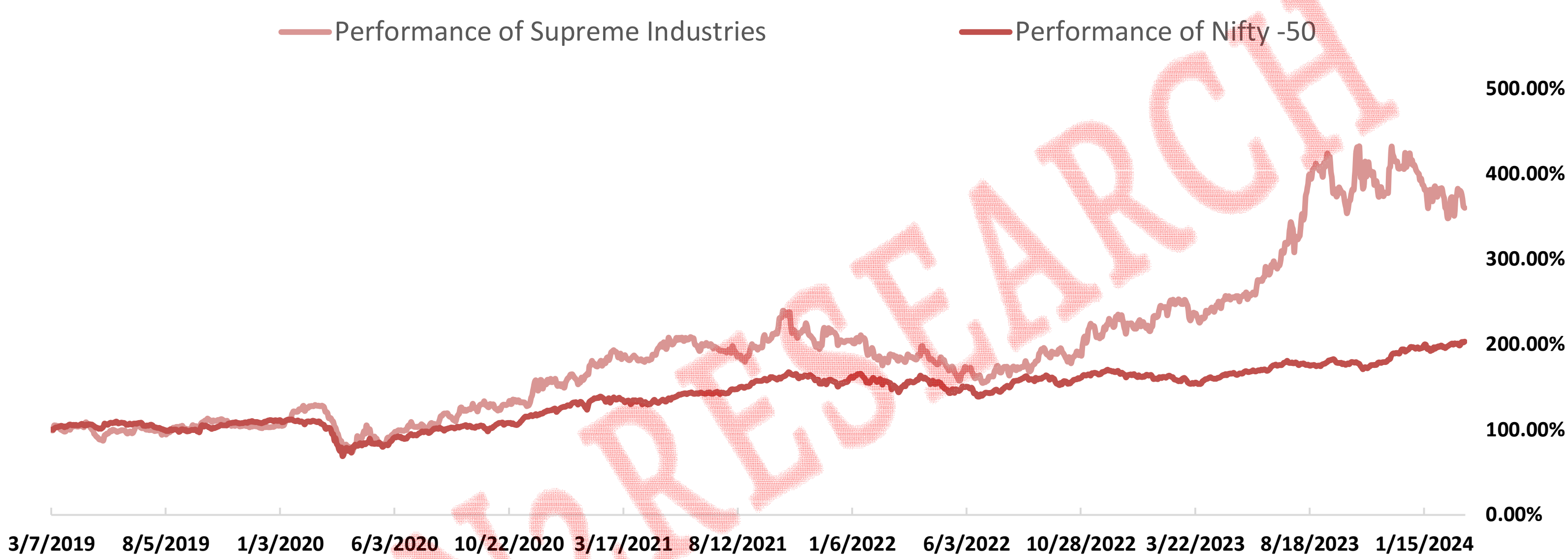
Supreme Industires Limited: Supreme Industries Limited, a prominent player in the Indian plastics industry, offers a diverse range of plastic products across various categories including Plastic Piping System, Cross Laminated Films & Products, Protective Packaging Products, Industrial Moulded Components, Moulded Furniture, Storage & Material Handling Products, Performance Packaging Films, and Composite LPG Cylinders. Operating in five segments, namely Plastics Piping Systems, Consumer Products, Industrial Products, Packaging Products, and Other Products, the company is involved in various plastic processing methods such as Injection Moulding, Rotational Moulding (ROTO), Extrusion, Compression Moulding, and Blow Moulding, generating revenue primarily from the sale of plastic products.

Key Highlights:

- In a recent development, the Company has officially entered into agreements for a 33.75 Mwp (25 MW) Solar Power project with 02 Renewable Energy XIV Private Limited. This project, facilitated through a Special Purpose Vehicle (SPV) formed by 02 Energy SG PTE Limited, involves investments totaling approximately Rs. 12.49 crores, securing a 26% equity share in the SPV. Situated in Village-Motala, District Buldhana, Maharashtra, the Solar Power project aims to generate around 57.86 million units per annum. Its primary objective is to supply Solar Power to the Company's 6 units located within Maharashtra State, with the Commercial Operational Date (COD) expected on or before June 1st, 2024, subject to regulatory approvals.
- The company has acquired M/s Parvati Agro plast in Sangli (Maharashtra), with a capacity of 36,000 tons per annum. However, the additional adjoining land of 7.76 acres, part of the deal, is awaiting certain government clearances to transfer to the company's ownership. Several balancing equipment required to fully operate the plant are yet to arrive. The company anticipates running this unit at full capacity beginning February of this year.
- Construction of the company's fourth plant in Malanpur is progressing rapidly, with operations expected to commence during the first quarter of FY 2024-25. This plant is designed to manufacture ball valves and industrial valves.
- The company maintains an optimistic outlook for business opportunities and remains committed to further Capex aligned with its growth strategies. Total commitments, including the acquisition of Parvati Agro Plast and carry-forward commitments from the previous year, may surpass Rs. 1000 crores. However, the total cash outflow is not expected to exceed Rs. 750 crores for the year, and it will be entirely financed from internal accruals.
- Supreme Petro, a joint venture of Supreme Industries, has announced plans to establish a new production line for polystyrene and ABS, as well as a line for manufacturing 3D panels. This expansion project, located near the Indian Oil Corporation Refinery in Panipat, Karnal district, involves the acquisition of land for a new complex. The project aims to diversify Supreme Petro's business by adding five new segments. Construction is progressing rapidly, with the plant expected to be operational by March 2025, boasting a capacity of 70,000 tons per annum. The estimated capital expenditure for this project ranges between INR 850 crores to INR 900 crores.

Key Risk :

- The company is currently challenged by imports, which the government has addressed by implementing antidumping duties. However, the antidumping duty in the CPVC segment is set to expire next year. There is uncertainty regarding whether the antidumping duty will be renewed.
- In terms of ESG risk, the PVC Pipes industry carries significant environmental impact due to its manufacturing processes, raw material sourcing, supply chain operations, and end-use applications. It also poses occupational health hazards and affects local communities. Supreme Industries achieved an approximate 8% reduction in Scope 1+2 GHG emission intensity in fiscal 2023 compared to the previous year. Additionally, through consistent strategies, Supreme successfully achieved a ~14% renewable energy mix and reduced water consumption intensity by 44%, demonstrating a commitment to resource efficiency and conservation.



Price Performance	1M	3M	6M	YTD	1-Year	5-Year
Return on Supreme Industries	4.20%	-10.66%	-5.48%	-11.18%	58.94%	251.82%
Return on Nifty - 50	0.51%	3.01%	8.79%	0.90%	29.30%	92.04%
Relative Return with Nifty - 50	**3.69%**	**-13.67%**	**-14.27%**	**-12.08%**	**29.64%**	**159.78%**

Key Financial Summary - Apar Industries (Consolidated)

	Total Operating income	Growth (%)	EPS	Growth(%)	ROCE	ROE
FY - 21	6357.06	15%	77.00	109.24%	32.46%	36.02%
FY - 22	7772.82	22%	76.24	-0.99%	25.84%	27.62%
FY - 23	9201.59	18%	68.12	-10.65%	21.19%	20.99%

Diversified Product Portfolio of the company

Plastic Piping Division

Consumer Products

Packagin Products

Industial Products

Growth Drivers

INCREASE IN CAPACITY AND INNOVATIONS BY THE COMPANY

- The company has developed unique in-house technology and hardware for the production of EVA-based cricket bats and balls. Additionally, a new press measuring 2m x 2m has been installed at the Hosur plant to significantly enhance the productivity of specific products, thereby reducing manufacturing costs.

- Furthermore, the production capacity of the new XLPE plant at the Hosur facility, equipped with modified hardware and heating control mechanisms, has increased by 300 kg/day from 2100 kg/day. Additionally, fuel consumption has been reduced by up to 10%.

- Moreover, the Engineering Division team has designed and installed a heat sealing and cutting press at Urse Unit II to manufacture acoustic products for one of the company's customers in the automobile industry. These developments demonstrate the company's commitment to innovation and efficiency across its operations.

- The company has successfully established a newly installed production line for composite LPG cylinders. The execution of an old order received from Indian Oil Corporation (IOC) is nearing completion, and new inquiries are anticipated shortly. The recent introduction of promotional campaigns by IOC has resulted in increased inquiries for the product. Additionally, two other oil marketing companies are expected to introduce the product into the market soon. Furthermore, there are export opportunities for the product.

- The company believes that there is a significant emphasis on enhancing exports in both the piping system and packaging sectors. Consequently, it has initiated participation in numerous exhibitions worldwide.

- The market size for steel cylinders is substantial, with approximately 4 crores cylinders sold annually. However, the purchase of plastic cylinders is comparatively low, with only half a million cylinders bought annually. The company believes that plastic cylinders have significant potential for growth.

Growth Drivers

INDUSTRIAL COMPONENTS

- In the automotive sector, the Passenger Vehicle segment showed exceptional performance, while the Commercial Vehicle segment also experienced a bullish trend, significantly boosting the Company's revenue. However, the Two Wheeler segment faced continued demand pressure. Air Conditioners in the Appliances sector demonstrated healthy growth, but overall demand for Washers remained subdued.

- Despite challenges, the Company foresees a bullish business outlook in the medium to long term, driven by government-friendly policies such as PLI Schemes across various sectors. Planned investments in new machines with advanced technologies and energy efficiency, along with gradual automation, aim to enhance productivity.

- Consistently maintaining an Excellent Rating from customers, the Company is recognized as one of the most reliable suppliers in its field. Efforts to excel in operational parameters are ingrained among employees, ensuring cost efficiency in a competitive supply chain. Despite lacking pricing power and facing uncertainties in the OEM business, the Company continues to perform well in this division.

- Dairy consumption in the country is on the rise, accompanied by a significant increase in production. The Company's dairy-specific crates witnessed growth of approximately 11% in volume and 16% in value terms. The Division aims to expand its reach while maintaining quality standards, anticipating better outcomes for the year.

- The introduction of new dustbin models by the Company received positive feedback from customers, particularly in the northern and eastern regions of the country. With an impressive growth of 19% in volume and 25% in revenue, the Company plans to intensify marketing efforts to triple dustbin business volumes during the current year.

PACKAGING PRODUCTS

- In the Packaging Products sector, the Performance Films Division has observed a 6% increase in volume and a significant 23% growth in value. Total sales reached 10,069 metric tons compared to 9,514 metric tons in the previous year.

- This growth was primarily fueled by rising demand from the Flexible Packaging Industry, particularly in the food sector, emphasizing enhanced shelf life and recyclability. Sales to the Oil & Dairy industry also contributed to this expansion, with a 6% volume increase. However, sales to Nepal declined due to additional export duties imposed by the country.

- Persistent efforts in exploring new industrial and food applications have led to the creation of value-added products, including increased sales of bags and pouches. Additionally, the Division has successfully registered trademarks for a total of seven products.

- Looking ahead, the Company anticipates further volume and value growth in this business segment for the current year, driven by an expanding customer base both domestically and internationally.

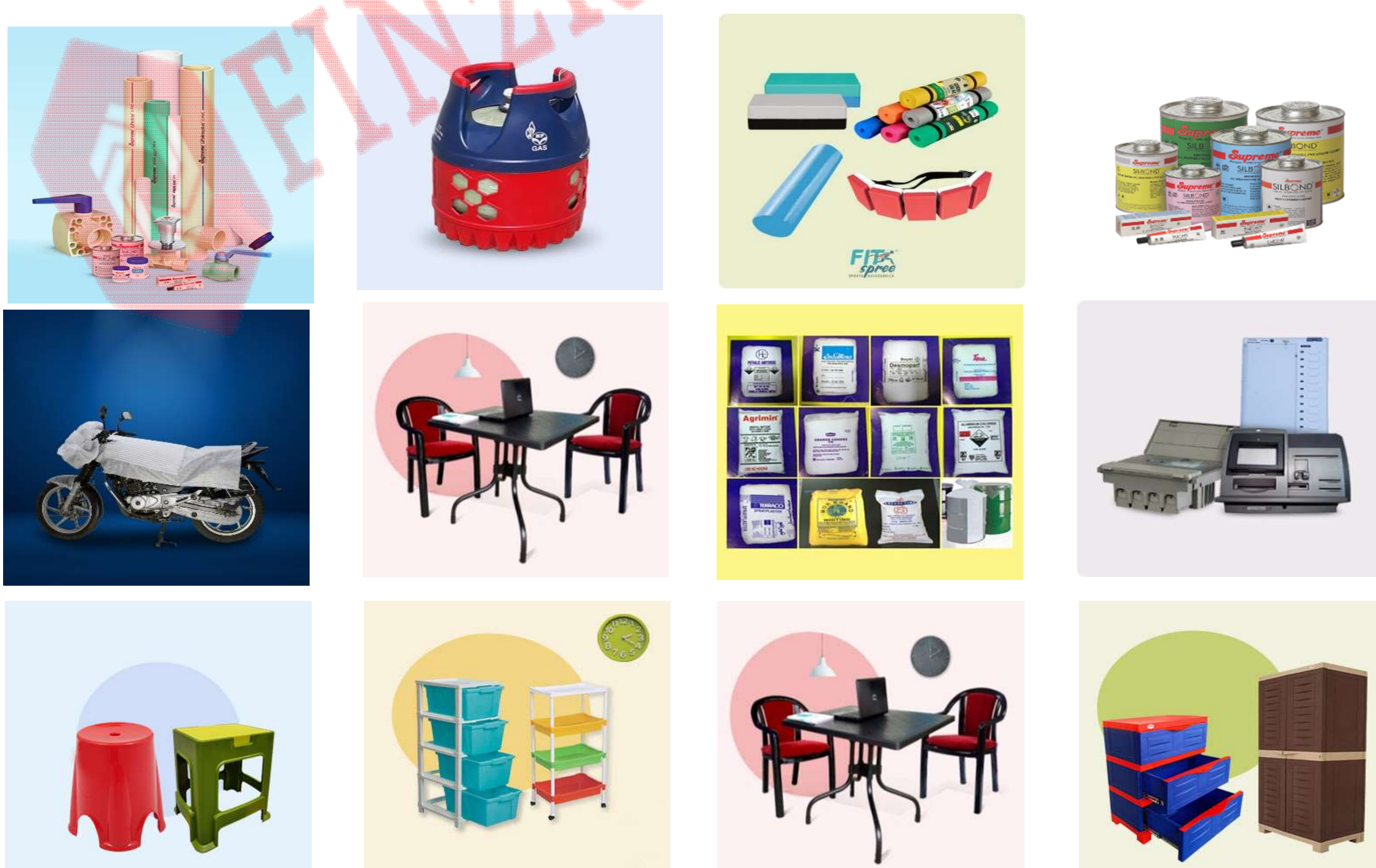
Industry Outlook

INDIAN PLASTIC PACKAGING MARKET.

- The flexible packaging, which constitutes over 60% of the market, is primarily utilized in the food sector, as highlighted by the Flexible Packaging Association. Its versatility in addressing diverse packaging needs drives its expanding demand. India's grocery and food market ranks sixth globally, with retail sales contributing to 70% of the total. Additionally, food processing holds a significant share of India's food market, with the country ranking fifth in production, consumption, and export. This growth trajectory is expected to fuel the demand for flexible plastic packaging.

- In the food industry, rigid plastic packaging is increasingly preferred over traditional materials like paperboard, metals, and glass due to its lightweight nature and cost-effectiveness. Furthermore, a scientific study by Phantom Plastics reveals that plastic's global carbon dioxide emissions are considerably lower compared to other materials such as glass, metal, paper, and ceramic.

- The Indian government's "Make in India" initiative prioritizes and encourages investments in the food processing sector. With the establishment of 134 cold chain projects and 18 mega food parks, the food processing supply chain is being strengthened. These initiatives aim to boost businesses operating in the food processing sector. Additionally, the government's INR 10,000 crore program launched to support the industry is expected to further drive growth, consequently increasing the demand for flexible plastic packaging in India.



Industry Outlook

INDIAN PLASTIC PRODUCTS MARKET.

- The Indian plastic industry is on the verge of rapid expansion, with projections indicating substantial growth. The industry's size is expected to escalate from ₹3.50 lakh crore in 2022-23 to ₹10 lakh crore by 2027-28. Furthermore, exports of plastic products are forecasted to surge from ₹40,000 crore to ₹1 lakh crore, highlighting the increasing global recognition of Indian products. This presents a remarkable opportunity for the Indian industry, emphasizing the importance of maximizing our efforts to capitalize on this potential.

- Government initiatives such as "Digital India," "Make in India," and "Skill India" are expected to further boost India's plastic industry. For example, the "Digital India" program aims to reduce import dependence on products from other countries, which will benefit local plastic part manufacturers. These initiatives provide a conducive environment for the industry to thrive and expand its footprint both domestically and internationally.

- India has the potential to become a leading global supplier of plastics, with projections suggesting that the domestic plastic market will more than triple to reach ₹10 lakh crore by 2027-28, officials stated on Sunday. The Indian plastics industry has demonstrated its capabilities, with the All India Plastics Manufacturers' Association (AIPMA) identifying 553 plastic products for import substitution, amounting to ₹37,500 crore worth of imports.

- The Government, both at the Centre and in various States, has introduced several initiatives such as the Jal Jeevan Mission, Swachh Bharat Abhiyan, sanitation drives, affordable housing schemes, and smart city projects. These initiatives have significantly increased demand for plastic piping products, with their impact being particularly pronounced in the past year and continuing into the current year. The establishment of the Real Estate Regulation Act (RERA) has provided a boost to organized housing construction, with many large players announcing ambitious plans for growth through the launch of projects in multiple locations. In response to the growing demand in the affordable housing segment, the Company has introduced low-cost products that meet all functional requirements. As a result, the Company anticipates sustainable business growth from this segment.

- Plastic goods producers have urged for an immediate ban on the export of raw material, polymer, from the country to alleviate domestic supply shortages and mitigate rising costs, while also advocating for zero duty on polymer imports. China, boasting over 50,000 polymer processing units (PPUs), 90% of which are Micro, Small, and Medium Enterprises (MSMEs), significantly contributes to the sector. This segment employs over fifty lakh people and contributes over ₹three lakh crore to the nation's GDP.

INDIAN PLASTIC CONSUMER MARKET.

- Plastic furniture has witnessed a rapid rise in India, especially over the past decade, reshaping the industry landscape. This growth trajectory is projected to continue, with the industry expected to achieve a remarkable CAGR of 12.91% from 2020 to 2024. Several factors have fueled the transition from traditional hardwood furniture to plastic alternatives.

- Wooden furniture, while aesthetically pleasing, is vulnerable to environmental factors such as water damage and mite infestation. Similarly, metal furniture is prone to corrosion, necessitating additional maintenance. In contrast, plastic furniture exhibits superior resilience against such external threats.

- Plastic's inherent properties make it more durable and resistant to deterioration compared to traditional materials like wood. Unlike wooden furniture, which can warp and degrade due to fluctuations in moisture levels, plastic furniture remains unaffected by such conditions.

- India's burgeoning tourism sector, expected to exceed $500 billion USD by 2029, has created a substantial demand for furniture in various hospitality establishments. Plastic furniture is increasingly preferred in these sectors due to its durability, versatility, and cost-effectiveness.

- India is poised to remain a leading market for the plastic furniture industry within South Asia, driven by opportunities in infrastructure, housing, and related sectors. The sector holds significant profit potential, with sales projected to surge further. Recent trends indicate a shift towards more environmentally friendly and sustainable practices, reflecting a growing emphasis on waste reduction and sustainable product options.

Growth Drivers And Company Advantage in the industry

CONSUMER PRODUCTS

- The Company's furniture business achieved an impressive 11% growth in value terms, surpassing the estimated industry growth rate of 3% for the plastic furniture sector during the 2022-23 period compared to the previous year. This remarkable performance is attributed to the Company's extensive marketing efforts, consistent business policies, expanded market coverage, and strong brand positioning as a premium brand.However, the overall growth in the plastic furniture industry remained modest due to consumers' shifting preferences towards wooden and alternative material furniture, driven by improving lifestyle and living standards.

- Responding to evolving market trends, the Company introduced innovative products like the Vecto knock-down DIY chair model, marking a first-of-its-kind offering in the Indian market. Additionally, twelve new models of various furniture items, including chairs, tables, cupboards, and baby furniture, were introduced during the year, with some receiving positive reception and anticipated to drive growth in the upcoming year.

- The Company has committed investments for the development and launch of various new models planned for 2023-24, which are expected to significantly contribute to overall growth and market penetration. Furthermore, the Company launched its online store, www.supremefurniture.co.in, to showcase its complete range and provide customers with the convenience of ordering premium furniture models from their homes. This initiative is anticipated to enhance awareness of the Company's product range and drive retail sales. Additionally, the Company's furniture range is available on various e-commerce portals such as Amazon and Flipkart through dedicated channel partners and resellers.

Growth Drivers And Company Advantage in the industry

- During the period under review, the Company successfully launched three new greenfield sites, each entering commercial production sequentially. With operations now spanning across 28 manufacturing sites in 12 States and Union Territories, the Company benefits from a widespread geographical presence, facilitating efficient and cost-effective customer service nationwide. Plans are underway to expand further with additional Green Field Projects, including the establishment of a state-of-the-art facility in Malanpur, Madhya Pradesh, for the manufacturing of Industrial and Ball Valves. This project is currently underway and expected to commence operations in the second half of the current year.

- The Company is effectively expanding its presence in regions where it has been less represented. Each business division is formulating extensive plans and strategies to reach these areas by appointing new channel partners, increasing retailers and influencers connections, and launching awareness and promotional campaigns. The Company's active channel partner network has grown to 4577 as of March 31, 2023, compared to 4053 in the previous year. Additionally, the Company is actively participating in national and international exhibitions, with a focus on expanding into international markets. Currently, the Company's products are exported to 54 countries, and efforts are underway to reach more countries and attract new customers.

- The Company has significantly increased its spending on brand awareness, allocating R 97 crores compared to R 63 crores in the previous year, in efforts to fortify its brand presence. Investments are directed towards various media platforms, including national and regional TV advertisements, OTT platforms during popular events, and prominent trade magazines. Additionally, the Company is actively engaged in digital initiatives to promote its brand and raise product awareness. A new website has been launched with updated features, providing valuable insights into the Supreme Corporate brand, its philosophy, strengths, and comprehensive product offerings across all business verticals. In response to market dynamics, the Company plans to further augment spending on Google Search activities to enhance corporate brand visibility.

PLASTIC PIPING DIVISION

- The Company maintained its focus on the Plastic Pipe System business and pursued aggressive growth strategies. As a leader in the segment, it boasts the largest portfolio of products and continues to expand it with new SKUs and systems tailored to various market demands. In the reviewed period, the Company achieved a remarkable volume growth of approximately 37% in Plastic Piping Systems made from different plastic materials, selling a total of 3,75,046 tons compared to 2,74,295 tons in the preceding year. However, despite this robust growth, revenue growth was somewhat constrained, standing at around 20% over the previous year due to a significant reduction in PVC resin prices.

- The Company has expanded its manufacturing presence by inaugurating a new plant in the South zone at Perundurai, District Erode, Tamil Nadu, strengthening its foothold in southern India alongside its existing facility in Jadcherla, Telangana. The strategic location of the Erode plant enables cost-effective servicing of Tamil Nadu, Kerala, and parts of South Karnataka. Plans include doubling the capacity of PVC Pipes and initiating the production of DWC Pipes and Blow Moulded Water Tanks at the Erode plant this year.

- The Company's Plastic Pipe System portfolio now comprises 10,073 products, with 965 new additions compared to the previous year. Further expansion plans include introducing new items as per existing systems and meeting new system demands.

- In response to market needs, the Company is introducing a range of PPR pipe systems for industrial applications. Additionally, plans are underway to offer Gas Piping Systems from the Gadegaon Plant, aligning with government initiatives to expand gas supply nationwide through pipeline systems. The launch, along with DVGW-approved Electrofusion fittings, is expected in the second half of the current year.

- During the year, the Company's export business experienced a growth of approximately 6% in US dollar terms, with ongoing efforts to enhance the export of Piping Systems across various markets. The Division's Value-Added Products sales increased to 44%, up from 42% in the previous year. Furthermore, the Company expanded its distribution network by adding 193 new Channel Partners in the year 2022-23, bringing the total to 1443 Channel partners. Continual expansion efforts include the appointment of new Distributors in areas requiring improved servicing.

- Maharashtra, Karnataka, and Gujarat have already adopted the use of CPVC Fire Sprinkler systems. The Company takes pride in its FlameGuard system, which is installed in the modern coaches of all "Vande Bharat Express" trains. However, in some regions of the country, the system faces limitations due to cost differentials, with MS pipe still being preferred over GI pipe for sprinkler system installation, given its lower cost by approximately 20-25%. Mandatory product installation training is required before commencing actual installations to prevent any potential issues.

- With the planned Capex implemented, the total installed capacities of the Plastic Piping division are projected to reach approximately 7,50,000 metric tons per annum by March 31, 2024. This marks an increase from the existing installed capacities of 6,00,000 metric tons per annum as of March 31, 2023.

Company Management

- **Mr. B.L. Taparia :** Mr. B.L. Taparia plays a crucial role within the company as a Non-Executive Chairman. His responsibilities include assisting the Board in formulating broad policies and strategies for the company's operations. Additionally, he serves as a member of the Corporate Social Responsibility (CSR) Committee, indicating his commitment to social and environmental initiatives aligned with the company's values and goals. As the Non-Executive Chairman, Mr. B.L. Taparia likely provides valuable leadership and guidance to the board and management team while maintaining independence from the day-to-day operations of the company.

- **Mr. M.P. Taparia:** As Managing Director, Mr. M.P. Taparia directly oversees the Plastic Piping System division, Cross Laminated Films division, and Furniture Division at the operational level. His broad range of functional responsibilities includes business strategy, accounts, finance, taxation, foreign exchange, raw material procurement, investor interactions, personnel management, marketing for the aforementioned product divisions, government liaison, capital allocation, industry interaction, brand building, and risk management. Additionally, he serves as the Chairman of Supreme Petrochem Limited, an Associate Company.

- **Mr. S.J. Taparia :** As an Executive Director at the operational level, he oversees the Industrial Component Division, Plastic Piping Division (in collaboration with the Managing Director), Material Handling Products, and Composite Products. His responsibilities include business strategy, technical aspects of operations and plant automation, new product development, management of plant machinery and equipment, marketing of industrial and composite products, supervision of the Design Centre, implementation of Quality Management Systems, and personnel management.

- **Mr. Vivek Taparia:** As Executive Director, he holds responsibility for all aspects of the company's business, including production, marketing, procurement, working capital management, business development, expansion, and overall administration. This encompasses performance packaging products such as multilayer films for various applications and protective packaging products, including expanded polyethylene foam, cross-linked foam, air bubble film, net and tubes, and related products. Additionally, he serves as the driving force and leader of the IT team, overseeing the upgrading of computerization, ERP implementation, and other related areas.

- **Mr. Pulak Prasad :** He holds a Bachelor's degree in Technology from the Indian Institute of Technology (IIT) and a Post Graduate Diploma in Management from the prestigious Indian Institute of Management (IIM) in Ahmedabad. With his academic background and professional qualifications, he brings a wealth of knowledge and expertise to his role. Additionally, his experience as a Director in various companies further enriches his ability to provide valuable guidance and insights to the Board, contributing to informed decision-making and strategic direction.

- **Mr. R. Kannani:** Mr. R. Kannan, an Independent Director, holds a postgraduate degree in Chemical Engineering. With extensive experience in Oil and Gas Infrastructure, Structural Products, and Technology Finance Division, he brings a diverse skill set to the Board. His background includes serving as a director in various companies, providing valuable expertise and guidance. His rich experience enhances the Board's decision-making process, particularly in strategic planning and industry-specific matters.

Key Highlights from Q3 2024

- In the third quarter of the current year, the Company sold 158,025 MT of Plastic goods, generating a net product turnover of Rs. 2,429 Crores. This marks a volume growth of approximately 14% and a product value growth of about 6% compared to the corresponding quarter of the previous year, where sales amounted to 138,362 MT of Plastic goods, with a net product turnover of Rs. 2,284 Crores.

- During the nine months of the current year, the Company sold 444,332 MT of Plastic goods, resulting in a net product turnover of Rs. 7,043 Crores. This represents a volume growth of around 24% and a product value growth of approximately 8% compared to the corresponding nine months of the previous year, where sales amounted to 359,087 MT and net product turnover stood at Rs. 6,500 crores.

- In the third quarter of the current year, the Consolidated Operating Profit and Profit after Tax were Rs. 400 crores and Rs. 256 crores, respectively, showing a 21% and 22% increase from the previous year's corresponding quarter, where they stood at Rs. 331 crores and Rs. 210 crores, respectively.

- For the nine months of the current year, the Consolidated Operating Profit and Profit after Tax were Rs. 1,123 crores and Rs. 715 crores, respectively, marking a 36% and 41% increase from the corresponding period of the previous year, where they were Rs. 824 crores and Rs. 506 crores, respectively.

- In the third quarter of the current year, which ended on December 31, 2023, compared to the corresponding quarter in the previous year, the Company observed the following trends across its product segments the Plastic Piping System business grew by 17% in volume and 9% in value terms. The Packaging Product Segment experienced a 3% increase in volume and a 4% increase in value terms. The Industrial Products Segment showed a 10% increase in volume but declined by 1% in value terms. The Consumer Product Segment witnessed a 3% decline in both volume and value terms.

- During the third quarter of the current year, the overall turnover of value-added products reached Rs. 853 crores, marking a 3% increase from Rs. 826 crores in the corresponding quarter of the previous year.

- The Company has acquired M/s Parvati Agro plast in Sangli, Maharashtra, with an annual capacity of 36,000 tons. However, the additional land included in the deal, measuring 7.76 acres, is awaiting certain Government clearances before becoming the Company's property. Additionally, several balancing equipment necessary for full plant operation are yet to be obtained. The Company anticipates running this unit at full capacity starting February this year.

- Construction of the Company's fourth plant in Malanpur is progressing rapidly, with expectations for operational readiness during the first quarter of FY 2024-25. This facility is specifically designed for the production of ball valves and industrial valves.

- After venturing into the O-PVC pipe manufacturing business, the Company has initiated orders for 9 lines from its suppliers. Upon full operationalization of these lines, the Company's capacity for O-PVC pipe production will reach approximately 40,000 tons per annum, a milestone expected to be achieved within two years. The Company plans to commence O-PVC pipe production at its Cuttack and Gadegaon Units, in addition to its existing Sangli Unit.

- The company anticipates a 30% growth for the full year in plastic piping. While directly engaging with only the Maharashtra government, they work extensively through contractors and play a significant role in the Jal Jeevan Mission nationwide. With many states having already achieved their mission targets and more expected to follow suit in the next six months, the completion of the Jal Jeevan Mission may impact government involvement post-achievement of targets.

- In the recent quarter, the Consumer Product Division experienced a slight decline of approximately 3% in growth. However, profitability remained consistent with the previous year for the same period, attributed to the focus on catering to premium product ranges within this segment. Notably, the Cabinet range witnessed remarkable growth. The company's initiative to expand the number of showrooms contributed to an increase from 244 showrooms at the beginning of the year to 298 by the end of December 2023.

- The Industrial Component Division faced weak demand, particularly from appliances and white goods, even during the festive season. However, the division is actively seeking new customers and applications to utilize its manufacturing capacity optimally, hoping for a business recovery.

- The Material Handling Division continues to experience a strong business scenario, driven by demand from Fisheries, Fruits & Vegetables, and Dairy segments. Additionally, the division has secured substantial orders from the soft drink industry. The recent introduction of a new dustbin range has garnered positive feedback, indicating continued growth momentum in both volume and value terms for the division.

- The recently established production line for composite LPG cylinders has been successfully implemented. Completion of previous orders from Indian Oil Corporation (IOC) is imminent, with new inquiries anticipated. IOC's recent promotional efforts have led to a surge in interest, reflected in increased inquiries. Additionally, two other prominent oil marketing companies are poised to introduce the product. Exploring export opportunities is also underway.

Key Highlights from Q3 2024

- The Protective Packaging Division has successfully developed specialized and customized solutions for its recently acquired customers. Investments are underway to enhance capacities to meet growing demand. The division is actively pursuing more export opportunities, while simultaneously strengthening both internal operations and distribution networks.

- The Company maintains a positive outlook on business opportunities and is dedicated to furthering its growth plans by committing more Capex. Total commitments, including the acquisition of Parvati Agro Plast and carry-forward commitments from the previous year, may surpass Rs. 1000 Crores. However, the total cash outflow for the year is expected to remain below Rs. 750 Crores, entirely financed through internal accruals.

- The company has expanded its market presence beyond CPVC to include PPR and polyethylene pipes for industrial applications. They tailor materials according to customer and application requirements. With a capacity expansion plan of 40,000 tons for O-PVC, which is in addition to Parvati's 36,000 tons, and a further 30,000 tons expansion in the pipeline, the company is gearing up for growth. Additionally, Sangli is set to add 3,000 tons of O-PVC capacity.

- The company is plan not to sell the profile but to create customized windows according to customer requirements, with fabrication initially taking place at five locations - three company-owned and two identified franchisees. The windows will be offered to customers based on the company's profile and accessories. Initially targeting sales of 5,000 tons, with plans to later increase capacity to 10,000 tons at the Kanpur site.

- They plan to introduce multiple new systems and additional SKUs while appointing new distributors. They're also expanding their plant capacity to enhance consumer convenience and reduce costs. With these combined efforts, they are optimistic about sustaining reasonably better growth.

- The company is strategically focusing on significantly increasing exports, not only in packaging but also in piping systems. Both areas are receiving substantial emphasis to enhance export activities.

Quarterly Update(Consolidated) ₹ In Mn.

	Q3 2024	Q2 2024	Q3 2023	Q-O-Q	Y-O-Y
Income from operations	2,449.10	2,308.69	2,310.71	6.08%	5.99%
COGS	1725.60	1613.81	1716.15		
Gross Profit	723.50	694.88	594.56	4.12%	21.69%
% Gross Margin	**29.54%**	**30.10%**	**25.73%**		
Other Expesnes	344.66	338.65	291.20		
EBITDA	378.84	356.23	303.36	6.35%	24.88%
EBITDA Margin	**15.47%**	**15.43%**	**13.13%**		
Depreciation and amortization expense	77.24	71.92	64.76		
EBIT	301.60	284.31	238.60	6.08%	26.40%
EBIT Margin	**12.31%**	**12.31%**	**10.33%**		
Finance cost	5.16	1.55	1.15		
Share in net profit / (loss) of associates	20.82	24.03	27.58		
Other Income	20.71	12.69	8.29		
EBT	337.97	319.48	273.32		
Tax Expenses	81.80	76.29	63.29		
Profit after tax	256.17	243.19	210.03	5.34%	21.97%
PAT Margin	**10.46%**	**10.53%**	**9.09%**		

	Q-O-Q	Y-O-Y
Gross Margin Growth ('bps)	**-55.7 bps**	**381.1 bps**
EBIDAT Margin Growth ('bps')	**3.9 bps**	**234 bps**
EBIT Margin Growht('bps')	**0 bps**	**198.9 bps**
PAT Margin Growth('bps')	**-7.4 bps**	**137 bps**

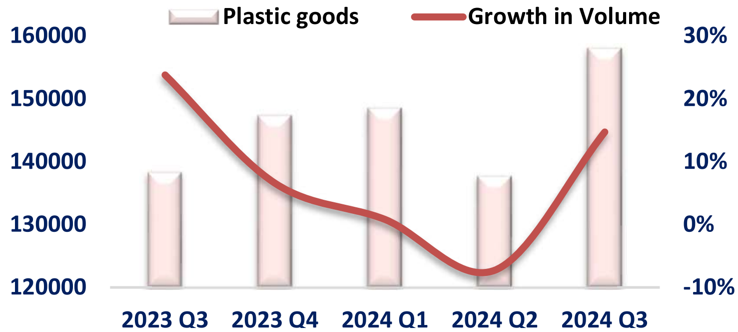
Quarterly Update(Standalone) ₹ In Mn.

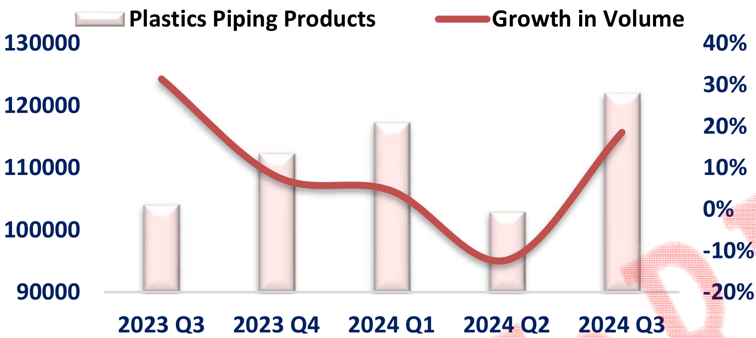
	Q3 2024	Q2 2024	Q3 2023	Q-O-Q	Y-O-Y
Income from operations	2,449.10	2,308.68	2,310.73	6.08%	5.99%
COGS	1,725.60	1,613.81	1,716.16		
Gross Profit	723.50	694.87	594.57	4.12%	21.68%
% Gross Margin	**29.54%**	**30.10%**	**25.73%**		
Other Expenses	344.21	338.35	291.16		
EBITDA	379.29	356.52	303.41	6.39%	25.01%
EBITDA Margin	**15.49%**	**15.44%**	**13.13%**		
Depreciation and amortization expense	77.24	71.92	64.76		
EBIT	302.05	284.60	238.65	6.13%	26.57%
EBIT Margin (%)	**12.33%**	**12.33%**	**10.33%**		
Finance Cost	5.16	1.54	1.15		
Other Income	32.27	53.20	19.87		
EBT	329.16	336.26	257.37	-2.11%	27.89%
Tax	**81.80**	**76.29**	**63.29**		
PAT	247.36	259.97	194.08	-4.85%	27.45%
PAT Margin (%)	**10.10%**	**11.26%**	**8.40%**		

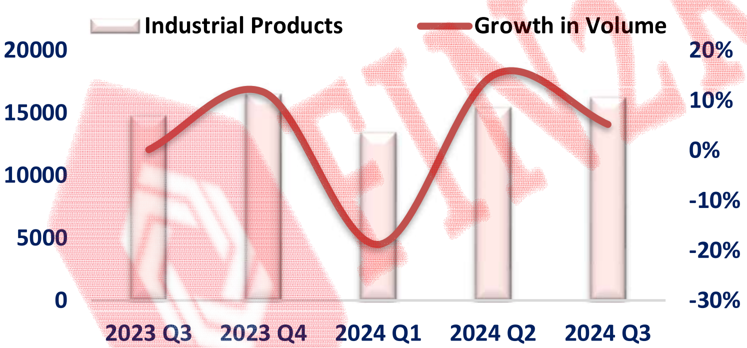
	Q-O-Q	Y-O-Y
Gross Margin Growth ('bps)	**-55.7 bps**	**381.1 bps**
EBIDAT Margin Growth ('bps')	**4.4 bps**	**235.6 bps**
EBIT Margin Growht('bps')	**0.6 bps**	**200.5 bps**
PAT Margin Growth('bps')	**-116.1 bps**	**170.1 bps**

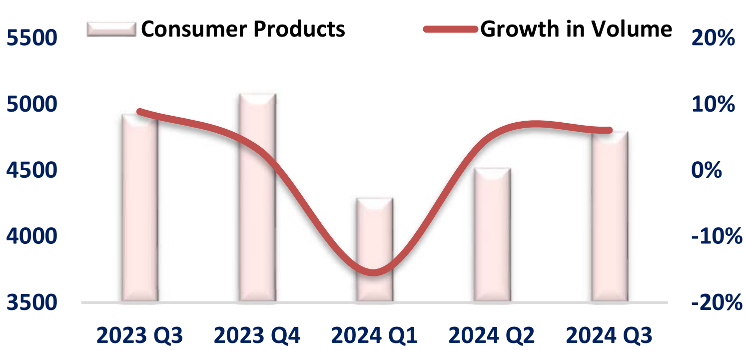
Source : Company

Segment Performance









- During the third quarter of the current year, the Company sold 158,025 MT of plastic goods, resulting in a net product turnover of Rs. 2,429 Crores. This marks a significant increase from the corresponding quarter of the previous year, where sales amounted to 138,362 MT and achieved a net product turnover of Rs. 2,284 Crores. This represents a growth of approximately 14% in volume and 6% in product value.

- The plastic piping system business has experienced a notable 17% growth in volume and 9% in value terms, driven by improved operating margins due to stabilized polymer prices. With polymer prices remaining affordable and strong demand from infrastructure and housing sectors, business conditions are looking up compared to the previous year. The company anticipates a 30% growth for the full year in plastic piping.

- The company is expanding its product range, with over 16,000 SKUs now available in its piping system. While focusing on specialty products, not all may qualify as value-added products, which require a minimum operating margin of 17%. However, margins are expected to surpass 15%, ensuring a margin of approximately 15.5%. This upward trend is anticipated to persist as the company continues to develop specialty products to maintain margins at favorable levels.

- Throughout the quarter, the Industrial Component Division grappled with a challenging demand landscape. This division, heavily reliant on appliances and white goods, experienced subdued performance even during the festive season. To counteract this, the division remains actively engaged in acquiring new customers and applications to maximize the utilization of its manufacturing capacities. Despite the ongoing challenges, there is optimism within the division for business recovery through the acquisition of new customers and applications.

- In the Packaging segment, there was a 0.73% quarter-on-quarter increase and a 3% increase compared to the same quarter last year. The segment consists of three divisions: cross-laminated film, tarpaulin, and protective packaging films. The focus is on value-added products in cross-laminated film, capturing higher value than tarpaulin. In protective packaging films, the emphasis is on multi-structural products and penetrating export markets for better margins. However, capacity constraints restrict further growth, with production currently capped at 10,000 to 11,000 tons per year.

- In the quarter, the Consumer Product Division experienced a decline of approximately 3%. However, profitability was sustained compared to the same quarter last year, primarily attributed to focusing on premium products within this segment. Notably, there was exceptional growth in the Cabinet range. The Company's initiative to expand the number of showrooms led to an increase from 244 showrooms at the beginning of the year to 298 by the end of December 2023.

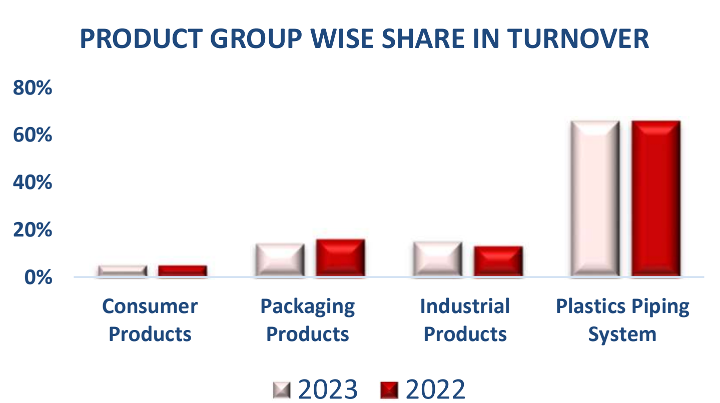
Segment Revenue ₹ in Cr.

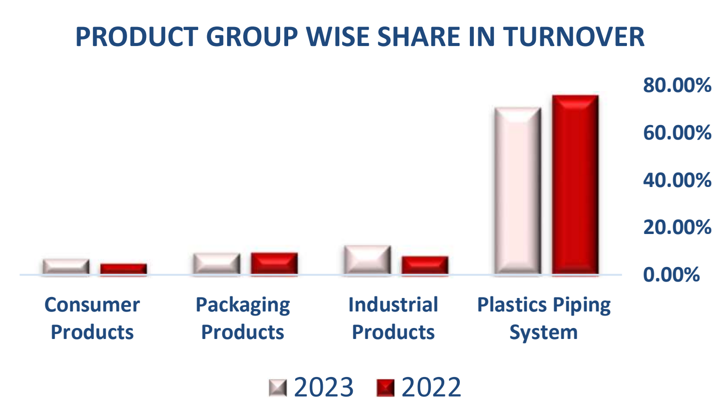
Segment Reporting	Q3 2024	Q2 2024	Q3 2023	Q-O-Q	Y-O-Y
Plastics Piping Products	1643.65	1509.28	1508.68	108.90%	108.95%
Industrial Products	331.95	325.81	335.84	101.88%	98.84%
Packaging Products	353.95	352.21	341.91	100.49%	103.52%
Consumer Products	112.33	105.44	115.87	106.53%	96.94%
Others	7.22	15.95	8.41	45.27%	85.85%
Total	**2449.10**	**2308.69**	**2310.71**	**4.63**	**4.94**

Net Revenue from Operations	Q3 2024	Q2 2024	Q3 2023	Q-O-Q	Y-O-Y
Plastics Piping Products	212.88	200.57	170.97	106.14%	124.51%
Industrial Products	29.67	25.24	31.61	117.55%	93.86%
Packagina Products	46.54	47.82	22.57	97.32%	206.20%
Consumer Products	19.56	17.52	19.77	111.64%	98.94%
Others	-0.39	-0.26	-0.04	150.00%	975.00%
Total	**308.26**	**290.89**	**244.88**	**5.83**	**14.99**

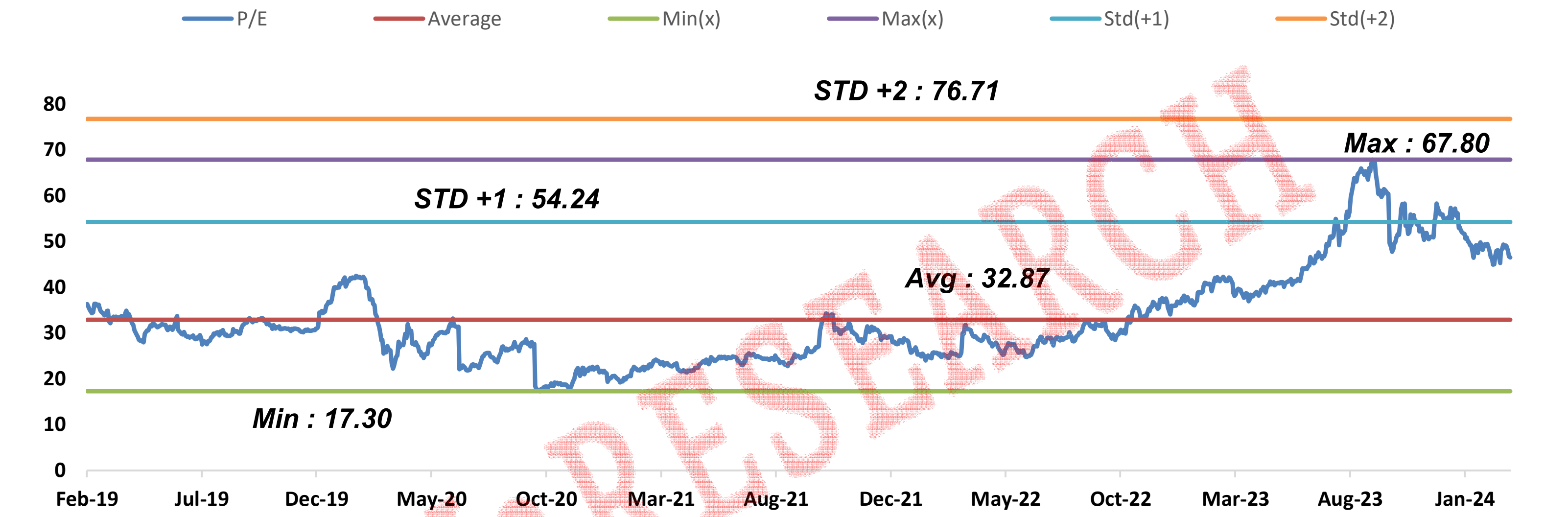
Segment Wise Revenue Margin	Q3 2024	Q2 2024	Q3 2023	Q-O-Q	Y-O-Y
Plastics Piping Products	67.11%	65.37%	65.29%	0.17 bps	0.01 bps
Industrial Products	13.55%	14.11%	14.53%	-0.06 bps	-0.10 bps
Packaging Products	14.45%	15.26%	14.80%	-0.08 bps	0.05 bps
Consumer Products	4.59%	4.57%	5.01%	0.00 bps	-0.04 bps
Others	0.29%	0.69%	0.36%	-0.04 bps	0.03 bps

Segment Wise EBIT Margin	Q3 2024	Q2 2024	Q3 2023	Q-O-Q	Y-O-Y
Plastics Piping Products	69.06%	68.95%	69.82%	10.8 bps	-75.9 bps
Industrial Products	9.62%	8.68%	12.91%	94.8 bps	-328.3 bps
Packaging Products	15.10%	16.44%	9.22%	-134.2 bps	588.1 bps
Consumer Products	6.35%	6.02%	8.07%	32.2 bps	-172.8 bps
Others	-0.13%	-0.09%	-0.02%	-3.7 bps	-11 bps





Valuation

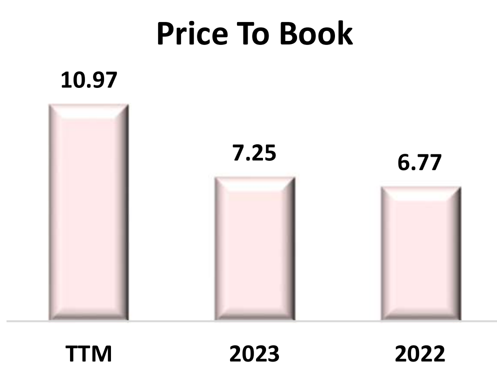


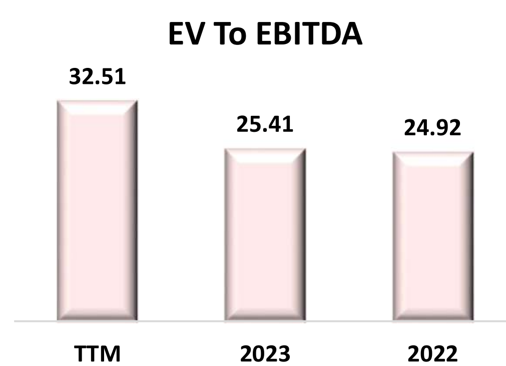
Source : Company, Fin2Research

- The evaluation of the stock's valuation, using Price-to-Earnings (P/E) analysis, suggests an attractive investment opportunity. This perspective is grounded in the consistent upward movement of the company's earnings per share (EPS), with expectations of substantial future growth as it explores new business areas and introduces high-quality products. The company has maintained a healthy operating profit margin forecast of 13%-15% and foresees higher net profit margins of 9% - 11%, leading to an anticipated increase in EPS in the upcoming quarters. Supreme is focusing on expanding into new markets, including PPR and polyethylene pipes for industrial applications, tailoring materials according to customer and application requirements. With a capacity expansion plan of 40,000 tons for O-PVC, which is in addition to Parvati's 36,000 tons, and a further 30,000 tons expansion in the pipeline, the company is gearing up for growth. Additionally, Sangli is set to add 3,000 tons of O-PVC capacity. The Company maintains a positive outlook on business opportunities and is dedicated to furthering its growth plans by committing more Capex. Total commitments, including the acquisition of Parvati Agro Plast and carry-forward commitments from the previous year, may surpass Rs. 1000 Crores. However, the total cash outflow for the year is expected to remain below Rs. 750 Crores, entirely financed through internal accruals, driving higher capacity expansion.

- Given the company's robust growth prospects in the Pipes and Plastics segment, along with other segments and favorable industry trends, we deem that a higher P/E multiple of 54.25x is justified.

- In conclusion, a bullish outlook is maintained on Supreme Industries Ltd., with a recommendation of a 'Buy' rating and a target price of ₹4530. This recommendation is based on our P/E-based valuation analysis and the company's significant growth potential.





Supreme People who know plastics best

FIN2RESEARCH Investment Advisor Pvt. Ltd.

Research Report

Financial Summary

Income Statement (Consolidated)

₹ In Mn.	Year ending 31 march		
Particulars	FY-21	FY-22	FY-23
Operating Revenue	6357.06	7772.82	9201.59
Operating Expenses	5072.81	6530.71	8001.91
EBITDA	1284.25	1242.11	1199.68
% EBITDA Margin	20%	16%	13%
D&A	212.79	229.52	263.39
EBIT	1071.46	1012.59	936.29
Interest Exp	9.5	5.15	8.02
Other Income	4.27	19.95	29.77
PBT before exception	1066.23	1027.39	958.04
Add. Extraordinaries	0	0	0
Joint venture/subsidiaries	145.99	204.39	153.25
Less Taxes	234.08	263.33	245.96
Net income	978.14	968.45	865.33

Source : Company

Cash Flow Statement (Consolidated)

₹ In Mn.	Year ending 31 march		
Particulars	FY-21	FY-22	FY-23
CFO Before WC	1283.01	1251.09	1205.55
Chg in WC	195.53	(494.08)	(77.75)
Tax	(232.17)	(286.75)	(237.46)
Net Operating cash flow	1246.37	470.26	890.34
Net capex	(221.02)	(466.05)	(421.83)
Other CFI	20.40	62.56	72.57
Total CFI	(200.62)	(403.49)	(349.26)
Net lease/debt	(425.41)	(17.13)	(20.22)
Finance Cost	(16.58)	(1.00)	(1.48)
Dividend Paid	(63.51)	(292.18)	(304.87)
Other CFF	0.00	0.00	0.00
Total CFF	(505.50)	(310.31)	(326.57)
Net change in Cash flow	540.25	(243.54)	214.51

Source : Company

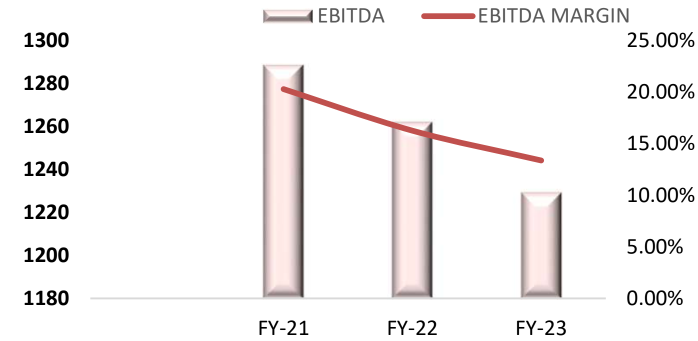
Du'pont Analysis

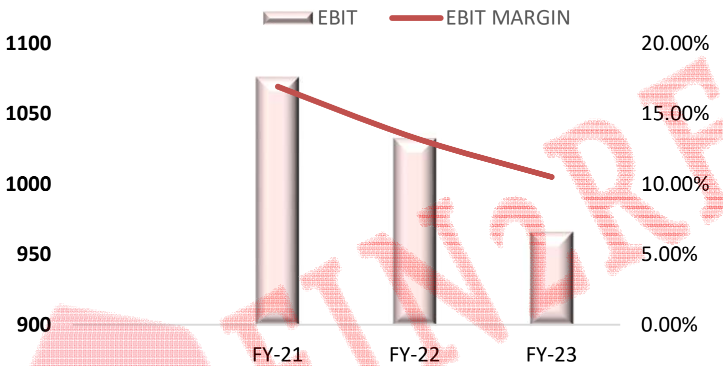
Particular's	FY-21	FY-22	FY-23
Tax Burden	80.69%	78.62%	77.87%
Interest Burden	112.69%	119.30%	115.03%
EBIT Margin	16.92%	13.28%	10.50%
Total Assets Turnover	148.45%	155.58%	161.60%
Financial Leverage	1.35	1.30	1.29
ROAE	30.86%	25.19%	19.66%

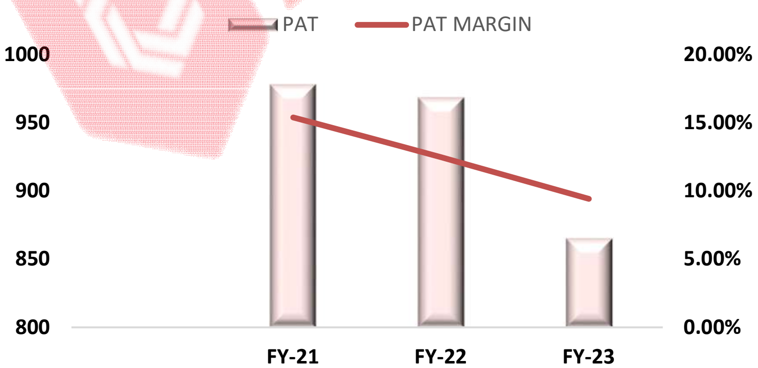
Source : internal Research

Balance Sheet (Consolidated)

₹ In Mn.	Year ending 31 march		
Particulars	FY-21	FY-22	FY-23
PPE	1754.12	1915.43	2142.50
Intangible Assets	11.18	7.62	5.45
Deferred tax assets (Net)	0.00	0.00	0.00
Other non-current assets	93.20	98.05	60.74
Investments	357.86	499.47	606.85
Other financial assets	0.00	0.00	0.00
Total non-current assets	2216.36	2520.57	2815.54
Cash	768.40	526.23	746.08
Account Receivables	389.83	466.81	492.38
Inventory	760.77	1260.16	1385.64
Current tax assets (Net)	0.00	15.42	7.68
Other financial assets	0.54	19.00	2.32
Short-term Investments	6.57	5.98	3.00
Other current assets	139.83	181.70	241.58
Total current assets	2065.94	2475.30	2878.68
Total Assets	4282.30	4995.87	5694.22
Common Stocks	25.41	25.41	25.41
Other Equity	3143.80	3818.95	4376.71
Total Equity	3169.21	3844.36	4402.12
Provisions	22.42	24.39	26.35
Long Term Debt/Lease	30.57	36.32	39.04
Deferred tax liabilities (Net)	91.92	90.44	90.81
Other financial liabilities	0.00	0.00	0.00
Other non-current liabilities	0.00	0.00	0.00
Total non-Current Liabilities	144.91	151.15	156.20
Provisions	6.53	7.60	8.50
Trade Payables	646.16	794.01	903.75
Short term debt	139.84	15.07	19.62
Current tax liabilities (Net)	0.00	0.00	0.00
Other current liabilities	7.41	134.54	124.53
Other Financial Liabilities	168.24	49.14	79.50
Total Current Liabilities	968.18	1000.36	1135.90
Total Liabilities	4282.30	4995.87	5694.22

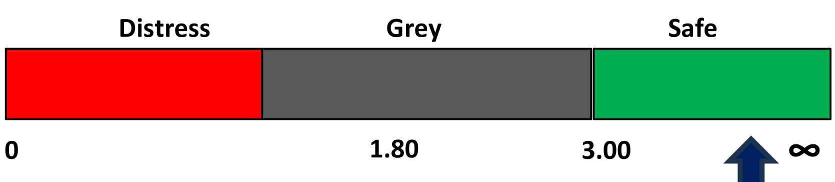






Source : Company, Internal Research

Altman's Z-Score



Company's Z-Score: 29.10

Ratios	march		
Particulars	**FY-21**	**FY-22**	**FY-23**
Profitability Ratios			
Sales Growth(%)	15%	22%	18%
Expenses Growht(%)	8%	28%	22%
GP Growht(%)	20%	5%	8%
EBITDA Growht(%)	54.13%	-2.05%	-2.58%
EBIT Growth (%)	71%	-4%	-6%
Net Profit Growth (%)	89.02%	1.61%	-9.78%
Gross Margin	36.54%	31.39%	28.61%
Operating Margin	16.92%	13.28%	10.50%
Net Margin	15.39%	12.46%	9.40%
Efficient Ratios			
Inventory Days	75	69	73
DebtorDays	20	20	19
payables Days	54	49	47
Leverage Ratios			
Debt/Equity	0.05	0.01	0.01
Debt/Assets	0.04	0.01	0.01
Debt/EBITDA	0.13	0.04	0.05
Cash/Debt	4.51	10.24	12.72
Interest Coverage (Times)	135.63	245.06	153.30
Operating Leverage	1.20	1.22	1.27
Financial Leverage	1.01	1.00	1.01
Liquidity Ratios			
Current Ratio	2.13	2.47	2.53
Quick Ratio	1.35	1.21	1.31
Cash Ratio	0.95	0.75	0.88
Cash Ratio			
Operating C.F Growth (%)	131.10%	-62.27%	89.33%
CFO/EBITDA	0.97	0.37	0.72
CFO/Total Assets	0.32	0.10	0.17
CFO/Revenue	0.20	0.06	0.10
CFO/PAT	1.27	0.49	1.03
Valuation Ratios			
Enterprise Value	25347.94	25528.86	31244.23
EV/EBITDA	19.67	20.23	25.41
Price/Earnings	26.5	26.9	36.9
Price/Sales	4.08	3.35	3.47
Price/CFO	20.82	55.31	35.87
Price/Book Value	8.19	6.77	7.25

RATING SCALE : Definitions of ratings.

BUY – We expect the stock to deliver more than 10%-20% returns over the next 9 months.

ACCUMULATE – We expect the stock to deliver 5% - 12% returns over the next 9 months.

REDUCE – We expect the stock to deliver 0% - 5% returns over the next 9 months.

SELL – We expect the stock to deliver negative returns over the next 9 months.

NR – Not Rated. Fin2Research is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.

RS – Rating Suspended. Fin2Research has suspended the investment rating and price target for this stock, either because there is not a Sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.

NA – Not Available or Not Applicable. The information is not available for display or is not applicable.

NM – Not Meaningful. The information is not meaningful and is therefore excluded.

NOTE – Our target prices are with a 9-month perspective. Returns stated in the rating scale are our internal benchmark.

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