



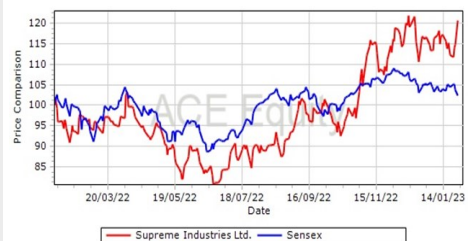
## Script Details

BSE Group	A
BSE Code	509930
NSE Code	SUPREMEIND
Bloomberg Code	SI IN
Market Cap (INR Cr.)	32,241
Free Float (%)	51.1%
52wk Low/High	2605/1669
Beta (1yr Nifty 50)	0.52
Face Value (INR)/ D. Yield (%)	2/0.9
Total paid Up Shares (Mn.)	127.0

## Share Holding Pattern (%)

Promoters	Public	Others
48.9%	51.1%	-

## Share Price Relative Performance



## SUPREME INDUSTRIES LTD.

Sector

Jan 30, 2023

Buy at CMP: Rs 2538 | Target: Rs 2938 (16%) | SL: Rs 2330

Plastic Products

Supreme Industries Limited is India's leading plastic processing company with seven business divisions. The company has forayed into different types of plastic processing in Injection Moulding, Rotational Moulding (ROTO), Extrusion, Compression Moulding, Blow Moulding etc. Supreme Industries limited offers wide range of plastic products with a variety of applications in Moulded Furniture, Storage & Material Handling Products, XF Films & Products, Performance Films, Industrial Moulded Products, Protective Packaging Products, Composite Plastic Products, Plastic Piping System & Petrochemicals.

## Investment Rationale

- ◆ **Margins Gains Ahead to Improve Realization:** Historically, Supreme Industries has been able to operate with a margins of 15-16%, however in TTM basis the margins remained impacted to 15% on account of higher operating cost led by stiff rise in PVC prices. In Recent Q3FY23, company reported EBITDA margins of 13%, strong comeback from 7% QoQ. Management expects operating margins to normalize to 15-16% provided with stable PVC prices. We believe company to reclaim historical margins as inflation cools down.
- ◆ **Management Expects 15% Volume CAGR over Next 5 Years:** Company Management stated that demand was robust in all segments (agri, housing and infrastructure) in Q3FY23. Going ahead demand is expected to remain substantially stronger due to restocking by dealers, as PVC prices were on an uptrend in Dec'22 and also due to increased inventory stocking from dealers for plastic pipes. For the material handling division, management expects good demand from soft drink bottlers, which will enable higher capacity utilization for this division.
- ◆ **Announced Capex to Support Growth:** Company's greenfield plants in Guwahati and Erode have commenced commercial production and the plant at Cuttack is expected to star operations in Feb'23. By end of FY23, Its blended plastic capacity is expected to be ~815,000mt p.a. The composite cylinder capacity of 0.5mn pieces p.a. has been set up and is currently undergoing trial runs. Its planned capex of Rs 700 Cr in FY23 with internal accrual. We believe this capacity additions to support it to generate 15% volume CAGR.
- ◆ **Outlook and Valuations:** As Guided, We estimate a 14% CAGR in Topline over FY22-25E, which implies a forward PE(x) of 23.8 for FY 25E earnings. We value it with a earning multiple of 27.5x to FY25E which results per share value of Rs 2938. We recommend BUY on SUPREMEIND at CMP of Rs. 2538 with Target price of Rs. 2938 (16%).

## Financial Snapshot

Year	Revenue	EBITDA	PAT	PE Ratio (x)	EV/EBITDA (x)
FY22	9,160	1,111	830	38.9	27.9
FY23E	10,443	1,410	1,044	30.9	22.5
FY24E	11,905	1,607	1,190	27.1	19.7
FY25E	13,572	1,832	1,357	23.8	17.3

Source: Company Data, Ace Equity, GEPL Research

## TECHNICAL VIEW

### Observation

- SUPREMEIND, is currently Trading near record Highs which tells that the stock already is in strong momentum.
- The stock in the first week of November 2022 gave a breakout from the Inverse Head and Shoulder pattern which indicated beginning of the trend to the upside.
- The Bounce to the upside in the latest week is preceded by the prices taking support from the 16 Weeks EMA, which acted as a strong variable support to the prices.
- Prices on the Daily timeframe has surpassed the upper Bollinger Band too which shows the rising volatility for an upmove.
- The RSI on the Daily timeframe has given a breakout, which reflect strong bullish momentum.



### Inference & Expectations

- The stock has again imitated its uptrend.
- Going ahead we expect the prices to go higher till 2900 level.
- The stoploss must be 2330, strictly on the closing basis.

Source: Tradingview.in, GEPL Research



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