

### ADD

|                    |         |
|--------------------|---------|
| Current Price (Rs) | : 1,868 |
| Target Price (Rs)  | : 2,016 |
| Potential Upside   | : 8%    |

#### Market Data

|                           |                |
|---------------------------|----------------|
| No. of shares             | : 127 mn       |
| Free Float                | : 51%          |
| Market Cap (USD)          | : 2,994 mn     |
| 52-week High/ Low (Rs)    | : 2,689/ 1,669 |
| Avg. Daily Volume (6M)    | : 0.1 mn       |
| Avg. Daily Value (6M;USD) | : 2.4 mn       |
| Bloomberg Code            | : SI IB        |
| Promoters Holding         | : 49%          |
| FII / DII                 | : 16% / 19%    |

#### Price Performance

| (%)      | 1M    | 3M     | 12M    |
|----------|-------|--------|--------|
| Absolute | (0.6) | (10.8) | (14.5) |
| Relative | 0.1   | (2.4)  | (18)   |

Source: Bloomberg

We initiate coverage on Supreme (the leader in the Indian plastics industry) with Add rating and target price of Rs 2,016. Supreme (ex SPL) is worth Rs 1,871 at 26.8x FY24E, a 10% discount to last 5 years average P/E due tepid expected EPS CAGR of 7% over FY22-25E given high base of FY21-22. The 12x profit bump-up in associate SPL in last 3 years (now 21% of Supreme's consolidated PAT) is even more unprecedented and we are unsure about its sustainability. We value the 30.8% stake in SPL at a 30% holding company discount to the current market capitalization, at Rs145/share

#### India's largest plastic processor

Supreme is the leader in the Indian plastics industry processing >400K MT of polymers and resins annually. The company offers widest and the most comprehensive range of plastic products in India. It has 25 manufacturing plants with technologically advanced machines procured from leading companies across the world.

#### Leader or top 3 in most of the categories it operates in

In piping, it is the market leader with 10% market share. It is 1st in PVC piping, 2nd in agriculture pipes, and 3rd in CPVC pipes. In material handling, its market share stands at 12%. Within protective packing products, the company has >15-55% market share across 50% of products. It is the 2nd in plastic furniture and 1st in premium category.

#### Rising contribution from value-added products is encouraging

Supreme has also been able to ramp up its portfolio of value-added products (>17%+ EBITDA margin) across segments. Revenue contribution of value-added products has grown to 29.9% of net turnover in FY12 to 38.2% in FY22.

#### Initiate coverage on Supreme with Add rating and target price of Rs 2,016

We value Supreme (ex- SPL) at Rs 1,871 at 26.8x FY24E, a 10% discount to last 5 years average P/E due to tepid 7% EPS CAGR over FY22-25E given high base of FY21-22, when consolidated PAT doubled vs. FY17-20. The 12x profit bump-up in associate SPL over last 3 years (now 21% of Supreme's consolidated PAT) is even more unprecedented and we are unsure about its sustainability. We value the 30.8% stake in SPL at a 30% discount to the current market capitalization, at Rs145/share

#### Key downside risks

(1) Dependence on single supplier for CPCV resin, (2) real estate weakness or economic slowdown, (3) increased competitive intensity from organized players.

#### Financial summary (Consolidated)

| Y/E March         | FY21   | FY22   | FY23E  | FY24E  | FY25E  |
|-------------------|--------|--------|--------|--------|--------|
| Sales (Rs mn)     | 63,571 | 77,728 | 83,130 | 86,975 | 93,759 |
| EBITDA (Rs mn)    | 12,842 | 12,421 | 13,236 | 14,367 | 15,661 |
| Adj. PAT (Rs mn)  | 9,781  | 9,685  | 9,856  | 10,713 | 11,710 |
| Con. EPS* (Rs)    | -      | -      | 74.8   | 81.7   | 94.6   |
| EPS (Rs)          | 77.0   | 76.2   | 77.6   | 84.3   | 92.2   |
| Change YoY (%)    | 109    | (1)    | 2      | 9      | 9      |
| Previous EPS (Rs) | -      | -      | 77     | 87     | -      |
| RoE (%)           | 36.0   | 27.6   | 23.8   | 22.4   | 21.4   |
| RoCE (%)          | 37.3   | 28.3   | 25.8   | 24.3   | 23.2   |
| P/E (x)           | 24.3   | 28.9   | 24.4   | 21.6   | 20.3   |
| EV/E (x)          | 17.6   | 18.5   | 15.5   | 13.1   | 14.1   |

Source: \*Consensus broker estimates, Company, Axis Capital

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**Exhibit 1: Supreme – brief Financials, valuations and key ratios**

| Year End Mar31 (Rs mn)                  | FY17           | FY18           | FY19           | FY20           | FY21           | FY22           | FY23E          | FY24E          | FY25E          |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>P&amp;L Statement</b>                |                |                |                |                |                |                |                |                |                |
| Net Revenues                            | 44,623         | 49,701         | 56,120         | 55,115         | 63,571         | 77,728         | 83,130         | 86,975         | 93,759         |
| YoY                                     | 51%            | 11%            | 13%            | -2%            | 15%            | 22%            | 7%             | 5%             | 8%             |
| EBITDA                                  | 7,619          | 7,873          | 7,846          | 8,345          | 12,842         | 12,421         | 13,236         | 14,367         | 15,661         |
| EBITDA margin                           | 17.1%          | 15.8%          | 14.0%          | 15.1%          | 20.2%          | 16.0%          | 15.9%          | 16.5%          | 16.7%          |
| EBIT                                    | 6,076          | 6,201          | 6,010          | 6,289          | 10,714         | 10,126         | 10,827         | 11,608         | 12,550         |
| EBIT margin%                            | 13.6%          | 12.5%          | 10.7%          | 11.4%          | 16.9%          | 13.0%          | 13.0%          | 13.3%          | 13.4%          |
| YoY                                     | 71%            | 2%             | -3%            | 5%             | 70%            | -5%            | 7%             | 7%             | 8%             |
| PAT to Shareholders                     | 4,281          | 4,319          | 4,486          | 4,674          | 9,781          | 9,684          | 9,856          | 10,713         | 11,710         |
| PAT Margins                             | 9.6%           | 8.7%           | 8.0%           | 8.5%           | 15.4%          | 12.5%          | 11.9%          | 12.3%          | 12.5%          |
| YoY                                     | 95%            | 1%             | 4%             | 4%             | 109%           | -1%            | 2%             | 9%             | 9%             |
| <b>Balance Sheet</b>                    |                |                |                |                |                |                |                |                |                |
| Net Fixed Assets                        | 13,100         | 14,284         | 16,110         | 17,007         | 17,653         | 19,231         | 21,822         | 24,062         | 25,951         |
| Other non-CA                            | 2,187          | 2,476          | 2,805          | 3,102          | 4,511          | 5,975          | 5,975          | 5,975          | 5,975          |
| Total CA                                | 12,778         | 12,602         | 13,378         | 16,077         | 20,659         | 24,753         | 28,785         | 33,432         | 39,380         |
| <b>Total Assets</b>                     | <b>28,066</b>  | <b>29,361</b>  | <b>32,293</b>  | <b>36,185</b>  | <b>42,823</b>  | <b>49,959</b>  | <b>56,582</b>  | <b>63,470</b>  | <b>71,306</b>  |
| Networth                                | 16,957         | 18,949         | 21,540         | 22,612         | 31,692         | 38,444         | 44,489         | 51,074         | 58,211         |
| Minority Interests                      | -              | -              | -              | -              | -              | -              | -              | -              | -              |
| Long-term Borrowings                    | 166            | 14             | 11             | 9              | 6              | -              | -              | -              | -              |
| Other non-CL                            | 1,304          | 1,276          | 1,384          | 1,849          | 1,443          | 1,512          | 1,512          | 1,512          | 1,512          |
| Total CL                                | 9,638          | 9,123          | 9,358          | 11,716         | 9,682          | 10,004         | 10,581         | 10,884         | 11,584         |
| <b>Total Liabilities &amp; Networth</b> | <b>28,066</b>  | <b>29,361</b>  | <b>32,293</b>  | <b>36,185</b>  | <b>42,823</b>  | <b>49,959</b>  | <b>56,582</b>  | <b>63,470</b>  | <b>71,306</b>  |
| <b>Cash Flow Statement</b>              |                |                |                |                |                |                |                |                |                |
| Net Profit                              | 4,281          | 4,319          | 4,486          | 4,674          | 9,781          | 9,684          | 9,856          | 10,713         | 11,710         |
| Change in WC                            | (1,281)        | (614)          | 320            | (892)          | 2,744          | (6,285)        | (688)          | (421)          | (848)          |
| Others                                  | 1,651          | 1,643          | 1,905          | 2,179          | 1,722          | 2,280          | 2,409          | 2,760          | 3,111          |
| <b>Operational CF</b>                   | <b>4,651</b>   | <b>5,348</b>   | <b>6,711</b>   | <b>5,961</b>   | <b>14,247</b>  | <b>5,680</b>   | <b>11,577</b>  | <b>13,052</b>  | <b>13,974</b>  |
| Capex                                   | (2,114)        | (2,855)        | (3,661)        | (2,953)        | (2,774)        | (3,873)        | (5,000)        | (5,000)        | (5,000)        |
| Others                                  | (215)          | (288)          | (291)          | 46             | (1,665)        | (1,448)        | -              | -              | -              |
| <b>Investing CF</b>                     | <b>(2,330)</b> | <b>(3,143)</b> | <b>(3,953)</b> | <b>(2,907)</b> | <b>(4,439)</b> | <b>(5,320)</b> | <b>(5,000)</b> | <b>(5,000)</b> | <b>(5,000)</b> |
| Change in Debt                          | (1,331)        | (312)          | (853)          | 2,489          | (3,736)        | 80             | -              | -              | -              |
| Change in Equity                        | (481)          | (2,327)        | (1,896)        | (3,602)        | (701)          | (2,933)        | (3,811)        | (4,128)        | (4,573)        |
| <b>Financing CF</b>                     | <b>(1,812)</b> | <b>(2,640)</b> | <b>(2,749)</b> | <b>(1,113)</b> | <b>(4,437)</b> | <b>(2,853)</b> | <b>(3,811)</b> | <b>(4,128)</b> | <b>(4,573)</b> |
| <b>Valuations &amp; Key Ratios</b>      |                |                |                |                |                |                |                |                |                |
| EPS                                     | 33.7           | 34.0           | 35.3           | 36.8           | 77.0           | 76.2           | 77.6           | 84.3           | 92.2           |
| YoY                                     | 95%            | 1%             | 4%             | 4%             | 109%           | -1%            | 2%             | 9%             | 9%             |
| BV                                      | 133.5          | 149.2          | 169.6          | 178.0          | 249.5          | 302.6          | 350.2          | 402.1          | 458.3          |
| DPS                                     | 15.0           | 12.0           | 13.0           | 14.0           | 22.0           | 24.0           | 29.0           | 31.0           | 34.0           |
| P/E                                     | 55.4           | 54.9           | 52.9           | 50.8           | 24.3           | 24.5           | 24.1           | 22.1           | 20.3           |
| P/BV                                    | 14.0           | 12.5           | 11.0           | 10.5           | 7.5            | 6.2            | 5.3            | 4.6            | 4.1            |
| EV/EBITDA                               | 31.4           | 30.4           | 30.4           | 28.6           | 17.9           | 18.7           | 17.4           | 15.7           | 14.1           |
| Yield %                                 | 0.8%           | 0.6%           | 0.7%           | 0.7%           | 1.2%           | 1.3%           | 1.6%           | 1.7%           | 1.9%           |
| Dividend Pay-out Ratio (%)              | 44.5%          | 35.3%          | 36.8%          | 38.0%          | 28.6%          | 31.5%          | 38.7%          | 38.5%          | 39.1%          |
| Net D/E                                 | 0.12           | 0.11           | 0.06           | 0.08           | -0.23          | -0.12          | -0.17          | -0.22          | -0.27          |
| RoE                                     | 28.4%          | 24.1%          | 22.2%          | 21.2%          | 36.0%          | 27.6%          | 23.8%          | 22.4%          | 21.4%          |
| PAT/EBIT                                | 70%            | 70%            | 75%            | 74%            | 91%            | 96%            | 91%            | 92%            | 93%            |
| EBIT/Sales                              | 14%            | 12%            | 11%            | 11%            | 17%            | 13%            | 13%            | 13%            | 13%            |
| Sales/Assets                            | 171%           | 173%           | 182%           | 161%           | 161%           | 168%           | 156%           | 145%           | 139%           |
| Assets/Networth                         | 174%           | 160%           | 152%           | 155%           | 145%           | 132%           | 128%           | 126%           | 123%           |
| RoCE (post tax)                         | 19.9%          | 18.7%          | 16.0%          | 16.9%          | 27.0%          | 20.5%          | 18.7%          | 17.5%          | 16.6%          |

Source: Company, Axis Capital

## Investment thesis and valuations

### Investment thesis

We initiate coverage on Supreme with an Add rating and target price of Rs 2,016 given:

- Supreme is the leader in the Indian plastics industry processing >400K MT of polymers and resins annually. The company offers widest and the most comprehensive range of plastic products in India.
- Supreme is either the leader or in the top 3 in most of the subcategories it operates in. In piping, it is the market leader with 10% market share. It is 1st in PVC piping, 2nd in agriculture pipes, and 3rd CPVC pipes. In material handling, its market share stands at 12%. Within protective packing products, the company has >15-55% market share across 50% of products. It is the 2nd in plastic furniture and 1st in premium category.
- Supreme has been able to ramp up its portfolio of value-added products (>17%+ EBITDA margin) across segments. Revenue contribution of value-added products has grown from 29.9% of net turnover in FY12 to 38.2% in FY22. The company should grow EPS at a CAGR of 7% over FY22-25E with average RoE of 24%.

### Valuations

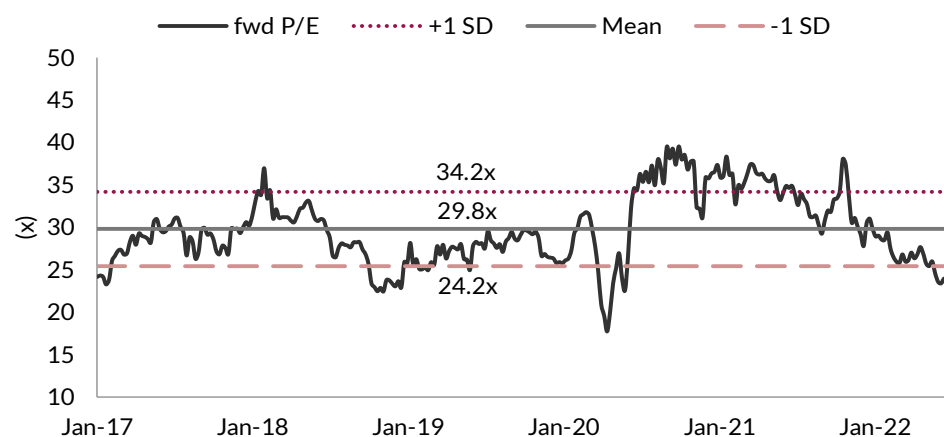
We value Supreme (ex SPL) at Rs 1871 at 26.8x FY24E (10% discount to the historical average P/E over the last 5 years). The discount is on account of tepid expected EPS CAGR of 7% over FY22-25E given the high base of FY21-22, when consolidated profits doubled vs. the FY17-20 era due to unprecedented shortages in various products and commodities, rising raw material prices, and inventory gains.

The 12x profit bump-up in associate SPL over the last 3 years (now 21% of Supreme's consolidated PAT) is even more unprecedented and we are unsure how much of this is sustainable going forward, given Supreme's management does not provide an outlook on the same nor do we have access to the SPL management. We value the 30.8% stake in SPL at a 30% holding company discount to the current market capitalization at Rs 145/share.

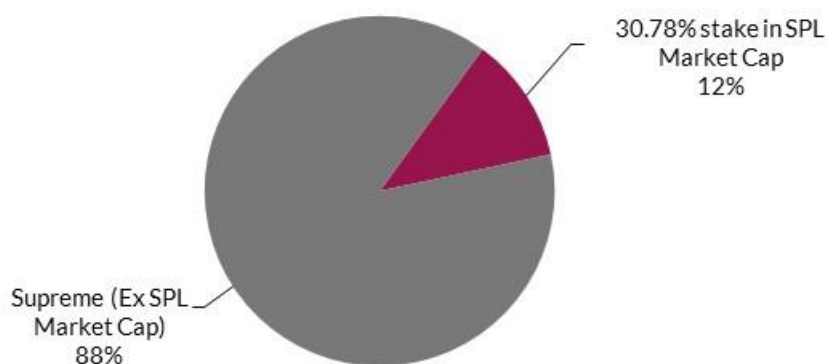
**Exhibit 2: Supreme consolidated 1 year forward P/E – last 5 years**



Source: Bloomberg, Axis Capital

**Exhibit 3: Supreme consolidated 1 year forward P/E – last 10 years**


Source: Bloomberg, Axis Capital

**Exhibit 4: Supreme – how much of the stock performance is dependent on SPL?**


Source: Axis Capital

## Company background

Founded in 1942, Supreme is the leader in the Indian plastics industry processing >400K MT of polymers and resins annually. The company offers widest and the most comprehensive range of plastic products in India. It has 25 manufacturing plants with technologically advanced machines procured from leading companies across the world. The company's R&D division is responsible for pioneering several products in the country such as cross-laminated films, HMHD films, multilayer films, SWR Piping Systems and more.

The company has a diversified business model with a large product portfolio across 4 major verticals, namely: (1) plastic piping (2) consumer (3) packaging and (4) industrial.

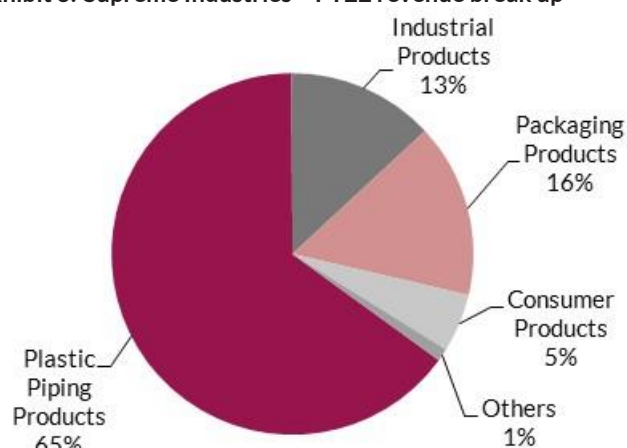
Supreme also holds a minority stake (30.78%) in Supreme Petrochem which it jointly owns with the R Raheja group (30.78%). The company is into manufacturing of products like general purpose polystyrene, high impact polystyrene, masterbatches & compounds, styrene methyl methacrylate and expandable polystyrene.

**Exhibit 5: Supreme Industries – business verticals**



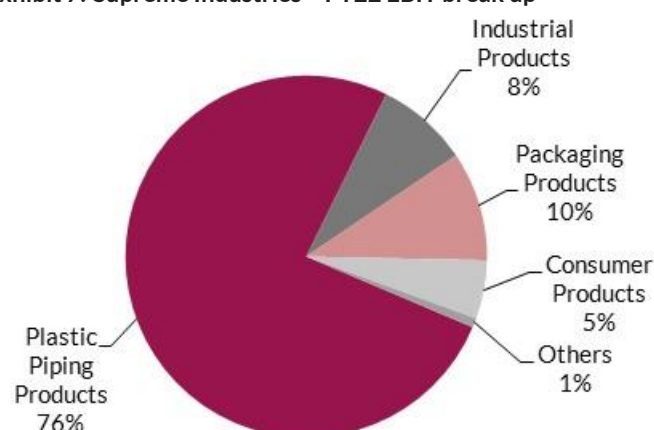
Source: Company

**Exhibit 6: Supreme Industries – FY22 revenue break up**



Source: Company, Axis Capital

**Exhibit 7: Supreme Industries – FY22 EBIT break up**



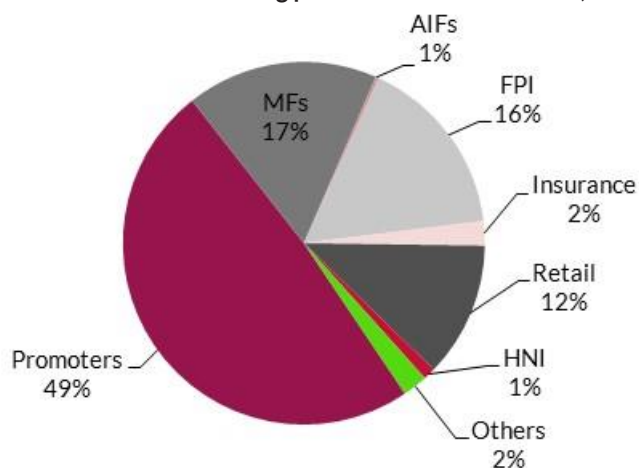
Source: Company, Axis Capital

### Shareholding pattern and promoters

The promoters have a 58.85% stake in Supreme as of end March 31, 2022.

Incorporated in 1942 at Wadala, Mumbai, Supreme Industries was promoted by the family of Kantilal K Mody. In 1996, the Taparia family took control of the company through outright purchase of shares. From the Taparia promoter family, Bajranglal Taparia is the Chairman and Mahaveer Prasad Taparia is the Managing Director. Shivratan Jeetmal Taparia and Vijay Kumar Taparia are Executive Directors.

**Exhibit 8: Supreme Industries – shareholding pattern as of end March 31, 2022**



Source: BSE, Axis Capital

## Business analysis

### Largest producer of plastic products in the country

Supreme is the largest processor of polymers and resins into plastic products in India. The company has been engaged in this business for 7 decades. Over the past 10 years, its capacity has grown at 6% CAGR to 725K MT in FY22.

Supreme has 25 plants spread over 12 states/union territories in all the 5 regions of India. The company's spread-out production facilities across all business segments also gives it an edge over its competitors, since it allows the company to remain closer to its distribution network, resulting in lower operating costs

**Exhibit 9: Supreme Industries – 25 manufacturing plants across 5 Regions of India**

| S.No | Location           | State       | Region  | Plastic Piping | Industrial Products | Consumer Products | Packaging Products | Composites |
|------|--------------------|-------------|---------|----------------|---------------------|-------------------|--------------------|------------|
| 1    | Derabassi          | Punjab      | North   |                | Y                   | Y                 |                    |            |
| 2    | Ghilothe           | Rajasthan   | North   |                | Y                   |                   |                    |            |
| 3    | Noida              | UP          | Central |                | Y                   |                   |                    |            |
| 4    | Kanpur             | UP          | Central | Y              |                     |                   |                    |            |
| 5    | Malanpur - Unit I  | MP          | Central |                |                     |                   | Y                  |            |
| 6    | Malanpur - Unit II | MP          | Central | Y              |                     |                   | Y                  |            |
| 7    | Malanpur-Unit III  | MP          | Central | Y              |                     |                   |                    |            |
| 8    | Durgapur           | WB          | East    |                | Y                   | Y                 |                    |            |
| 9    | Kharagpur          | WB          | East    | Y              |                     | Y                 | Y                  |            |
| 10   | Guwahati           | Assam       | East    |                |                     | Y                 |                    |            |
| 11   | Halol -Unit I      | Gujarat     | West    |                |                     |                   | Y                  |            |
| 12   | Halol -Unit II     | Gujarat     | West    |                |                     |                   | Y                  |            |
| 13   | Halol -Unit III    | Gujarat     | West    |                |                     |                   | Y                  |            |
| 14   | Halol -Unit IV     | Gujarat     | West    |                | Y                   |                   |                    | X          |
| 15   | Silvassa           | UT          | West    |                |                     |                   | Y                  |            |
| 16   | Gadegaon           | Maharashtra | West    | Y              | Y                   | Y                 | Y                  |            |
| 17   | Jalgaon - Unit I   | Maharashtra | West    | Y              |                     |                   |                    |            |
| 18   | Jalgaon - Unit II  | Maharashtra | West    | Y              |                     |                   |                    |            |
| 19   | Kanhe              | Maharashtra | West    |                | Y                   |                   |                    |            |
| 20   | Khopoli            | Maharashtra | West    |                |                     |                   | Y                  |            |
| 21   | Urse               | Maharashtra | West    |                |                     |                   | Y                  |            |
| 22   | Jadcherla          | Telangana   | South   | Y              | Y                   | Y                 | Y                  |            |
| 23   | Puducherry         | UT          | South   |                | Y                   | Y                 |                    |            |
| 24   | Sriperumbudur      | TN          | South   |                | Y                   |                   |                    |            |
| 25   | Hosur Unit         | TN          | South   |                |                     |                   | Y                  |            |

Source: Company, Axis Capital

### Top 3 in most product categories

Supreme's large and diversified portfolio also provides it insulation from business cyclicity. Supreme is either the leader or in the top 3 in most of the categories it operates in.

Piping products (65% of revenue) is the largest and fastest-growing business segment for the company. Currently, it is the market leader with 10% overall market share in this segment. Supreme is 1<sup>st</sup> in PVC piping, 2<sup>nd</sup> in agriculture pipes, and 3<sup>rd</sup> in CPVC pipes.

In industrial products (13% of its revenue), Supreme manufactures components for the automotive and consumer durables industry and material handling products. In the material handling segment, its market share stands at 12% vs. 15% in FY15.



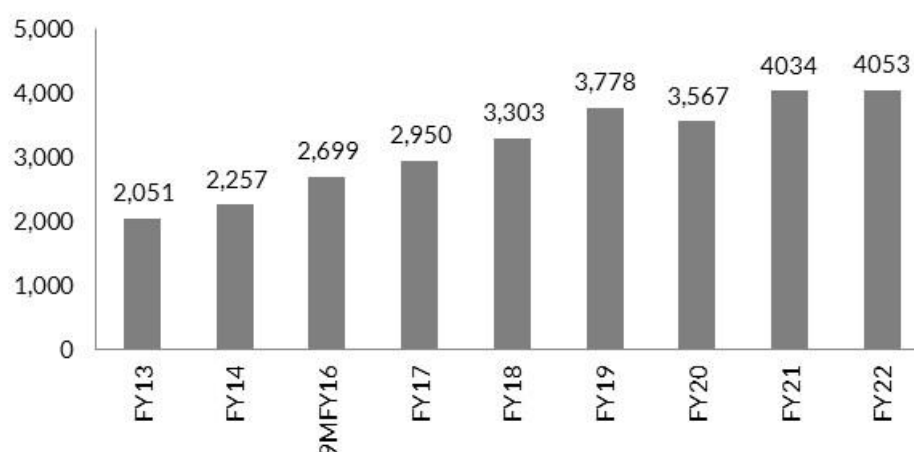
In packaging products (16% of revenue), Supreme is present across multiple segments and enjoys high market share within protective packing products (>15-55% market share across 50% of the products).

In consumer products (5% of revenue), Supreme manufactures a vast range of moulded plastic furniture. It is the 2<sup>nd</sup> in the country, having steadily increased its market share from 10% in FY15 to 14% presently. The company remains the market leader in premium plastic furniture.

### Constantly expanding its distribution network

Supreme has been constantly increasing its distribution network across various business sub segments by adding channel partners and retailers.

**Exhibit 10: Supreme Industries – total channel partners**



Source: Company, Axis Capital

### Technical collaborations support its premium product offerings

Supreme has collaborations with multiple global companies, which has helped launch speciality and value-added products in the piping, industrial and packaging segments. These tie-ups have also contributed to large market share across many products.

**Exhibit 11: Supreme Industries – technical collaborations across products**

| Product line                         | Segment        | Technical collaborator                     |
|--------------------------------------|----------------|--|
| Fire Sprinkler Pipe System from CPVC | Plastic piping | Spears Mfg. Co. (Los Angeles, USA)         |
| Septic Tanks                         | Plastic piping | Calcamite Sanitary Services (PTY)          |
| Composite LPG Cylinders              | Industrial     | Kautex GMBH                                |
| Cross-laminated Films                | Packaging      | Rasmussen Polymer Development, Switzerland |
| Reticulated PU Foam                  | Packaging      | Foam Partner, Switzerland                  |
| 2 stage Foam                         | Packaging      | Sanwa Kako, Japan                          |
| Cross Linked Foam                    | Packaging      | PE Tech, Korea                             |
| Cross Plastic Film                   | Packaging      | Swiss XPLASTX Technology SRL, Romania      |

Source: Company, Axis Capital



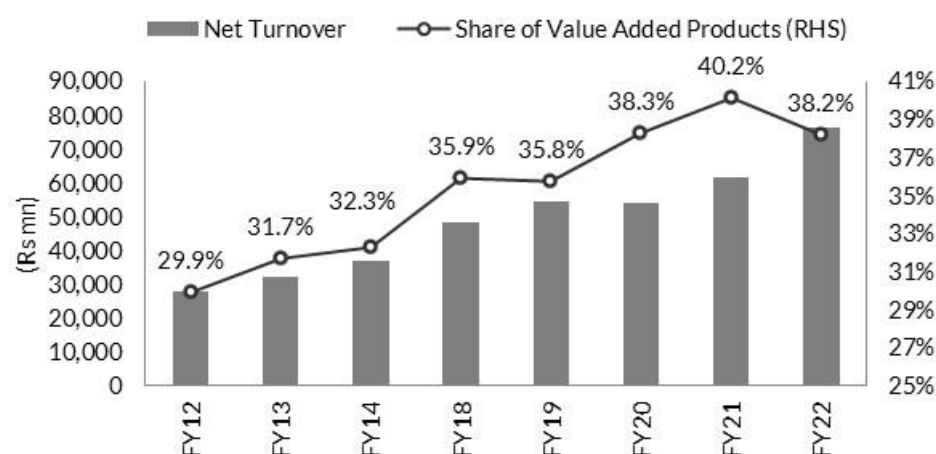
**Exhibit 12: Supreme Industries – product launches over the years**

| Products   | Segment        |
|--|----------------|
| Light Hazard Fire Sprinkler System   | Plastic piping |
| DWC HDPE Pipe System   | Plastic piping |
| Bathroom Fittings  | Plastic piping |
| HDPE Pipes above 315 MM Dia & up to 800 MM Dia                             | Plastic piping |
| CPVC Pipe System - 6" & above for Industrial Use                           | Plastic piping |
| Water Tanks & Septic Tanks   | Plastic piping |
| Sewerage & Drainage System   | Plastic piping |
| Industrial Valves  | Plastic piping |
| XL Bonded Film - 35 GSM to 250 GSM   | Packaging      |
| 30 & 35 GSM Cross Laminated Film & Cross Laminated Film - 400 GSM          | Packaging      |
| Varieties of Insulation Products in Protective Packaging Division          | Packaging      |
| Various Floor Protection & Sound Proofing Products in Protective Packaging | Packaging      |
| Blow Moulded Furniture   | Consumer       |
| Several varieties of new Furniture Products                                | Consumer       |
| Roto Moulded Furniture   | Consumer       |
| Several varieties of Crates, Pallets & Dust Bin                            | Industrial     |
| Composite LPG Cylinder   | Industrial     |

Source: Company, Axis Capital

### Rising contribution from value-added products is encouraging

Through sustained launch of products with niche applications, the company has also been able to ramp up its portfolio of value-added products (>17%+ EBITDA margin) across segments. Revenue contribution of value-added products has grown from 29.9% of net turnover in FY12 to 38.2% in FY22. This is expected to go up further supported by launch of innovative products with specific applications. The rising share of value-added products is a support to margins.

**Exhibit 13: Supreme Industries – increasing share of value-added products**


Source: Company, Axis Capital

### Segment-wise analysis

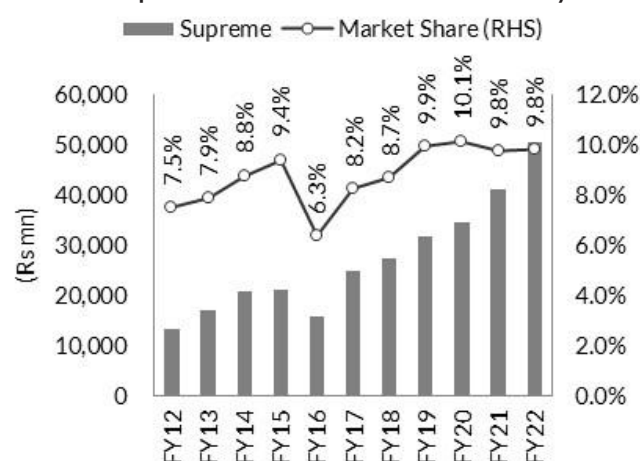
Over FY17-22, plastic piping volumes, revenue, and EBIT grew at a CAGR 3%, 15%, and 18% respectively

#### Plastic piping products (65% of revenue and 76% of EBIT)

Supreme is the market leader in India plastic pipes with >9,000 products across 33 different applications. The company sells different types of pipes and molded fittings for use in potable water supply, irrigation, drainage, plumbing & sanitation, and industrial piping. The company also sells water & septic tanks and fire sprinklers.

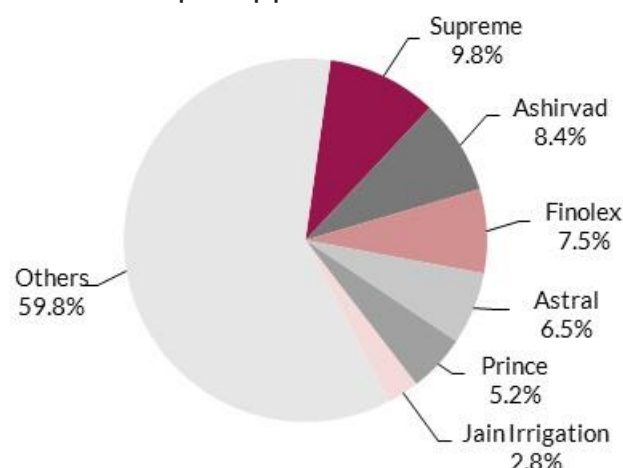
The piping industry has been growing at 11% CAGR over the last decade with 67.5% of the market with organized and the remaining with unorganized players. Supreme is present in all product types (UPVC, CPVC, HDPE, PPR and tanks). CPVC, HDPE and PPR are the premium categories with higher ASPs. Fittings also have higher ASPs.

**Exhibit 14: Supreme: Market share increase over the years**



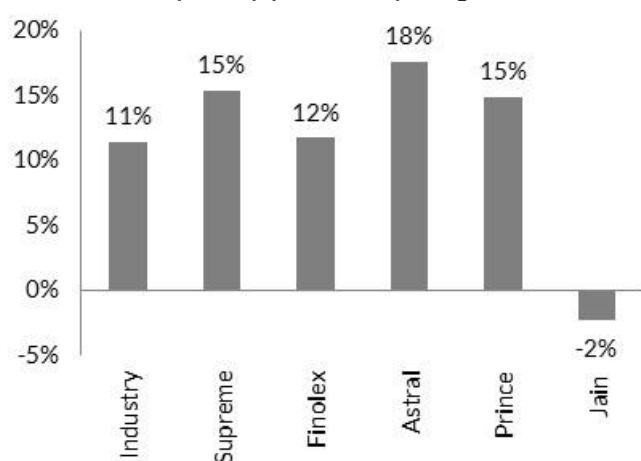
Source: Industry, Axis Capital

**Exhibit 15: India plastic pipes – market share**



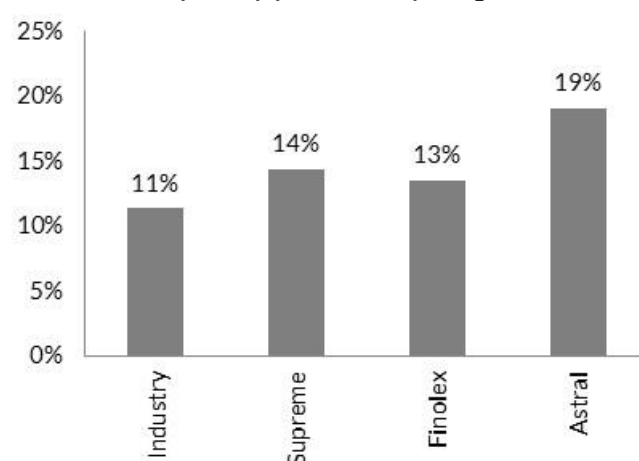
Source: Industry, Axis Capital

**Exhibit 16: India plastic pipes – last 5 years growth CAGR**



Source: Industry, Axis Capital

**Exhibit 17: India plastic pipes – last 10 years growth CAGR**



Source: Industry, Axis Capital

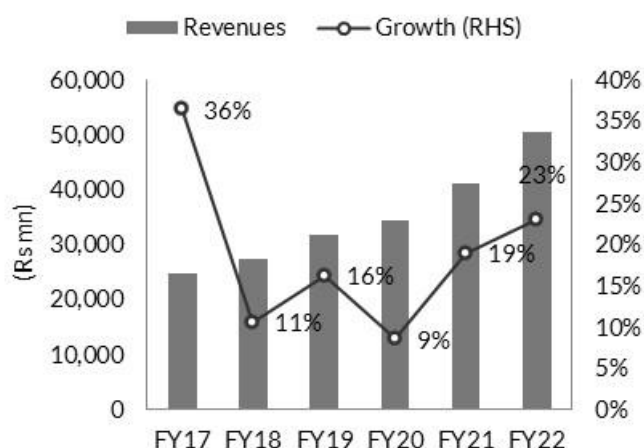
**Exhibit 18: India plastic pipes – product diversification of various companies**

|                    | PVC | CPVC | HDPE | PPR | Tanks |
|--------------------|-----|------|------|-----|-------|
| Supreme Industries | ✓   | ✓    | ✓    | ✓   | ✓     |
| Ashirvad Pipes     | ✓   | ✓    | ✗    | ✗   | ✓     |
| Finolex Industries | ✓   | ✓    | ✗    | ✗   | ✗     |
| Astral             | ✓   | ✓    | ✓    | ✓   | ✓     |
| Prince Pipes       | ✓   | ✓    | ✓    | ✓   | ✓     |
| Jain Irrigation    | ✓   | ✓    | ✓    | ✓   | ✗     |

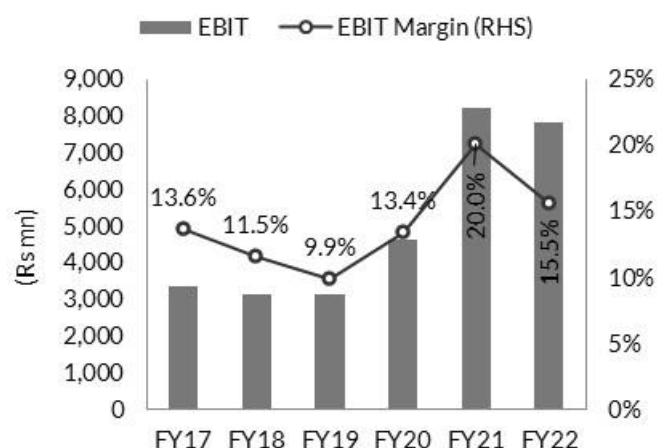
Source: Industry, Axis Capital

In FY22, Covid-19 pandemic was more pronounced in rural areas and consequently the agri business was affected adversely, especially during the months of April-May 2021. Since agri business is of large volumes and seasonal, the loss could not be recouped during the off-season period. This has led to decline in volumes FY22 by 6.8%.

For some time in FY22, Supreme had a raw material availability problem from its only source Kaneka, Japan on account of one of its plants having been shut down (owing to snowstorm in USA) in February 2021. That plant of Kaneka has now restarted production and hence the company is assured of larger volume of CPVC supply in the current year. Despite this, the company has also independently tied up with other sources to get increased volume of CPVC resins in the current year. CPVC sales grew 36.7% in FY22. CPVC and PVC price difference is 35-40% currently. With current prevailing prices, company expects piping margins to be ~15%.

**Exhibit 19: Supreme – Plastic Piping revenue and growth**


Source: Company, Axis Capital

**Exhibit 20: Supreme – Plastic Piping EBIT and EBIT margins**


Source: Company, Axis Capital

*During FY17-22, industrial volumes, revenue, and EBIT grew at CAGR of 5%, 10%, and 9% respectively*

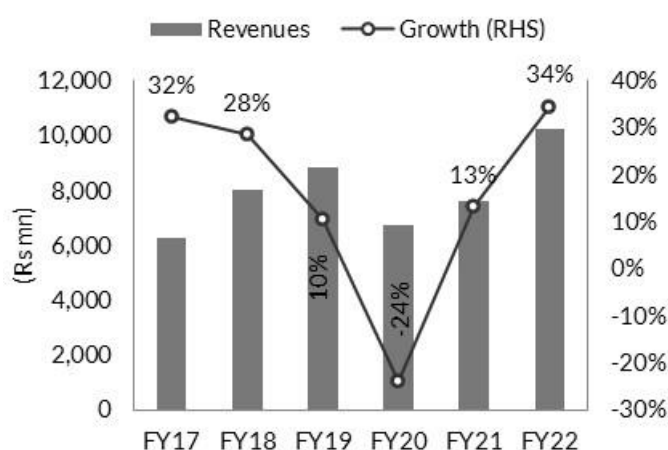
**Industrial products (13% of revenue and 8% of EBIT)**

FY22 was marked by huge supply chain issues at all Supreme's customers due to shortage of imported material because of shipping and logistics issues, non-availability of containers, shortage of semi-conductors etc. This led to typical scenario of high demand but no supply. Supply chain was also affected by rising commodity and fuel prices during the year.

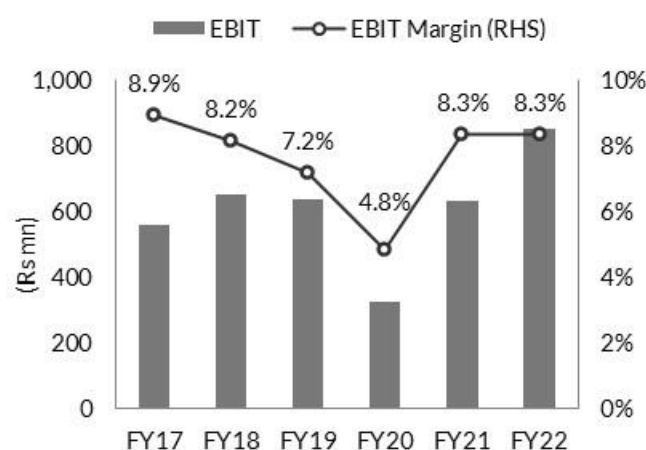
There was marked shift in customer preferences in the market in washer segment, from semi-automatic to fully automatic machines. This shift adversely affected Supreme as it has considerable presence in semi-automatic washer parts supply to OEMs. Company is working very closely with the OEMs for rationalization of product mix to address this shift. Management expects semiconductors shortage for at least 6-8 months before it eases. Supreme feels business scenario remains bullish in medium and long term with business-friendly policies by the

government, particularly PLI scheme launched both in automotive and consumer appliances sectors.

Supreme's materials handling stood its ground firmly and registered impressive growth both in terms of volume and revenue. Industrial crates range grew 32% in revenue and 15% in volume terms. Roto Pallets which are in demand from pharma and foods grew by 50% in revenue and over 27% in volume terms. Dairy segment grew 90% in value terms and around 60% in volume terms. Recently introduced crate models suiting e-commerce and retails operations have all been successful registering growth of over 50% in volume terms. There is a demand shift from roto dustbins models to highly cost-effective injection moulded dustbins. In line with this trend, the company has been able to double sales in volume terms. The company has ambitious plans to at least triple the sales of injection dustbins from the present volumes. It expects to double the sales volume in soft drinks and beverages during FY23E.

**Exhibit 21: Supreme – Industrial revenues and growth**


Source: Company, Axis Capital

**Exhibit 22: Supreme – Industrial EBIT and EBIT margin**


Source: Company, Axis Capital

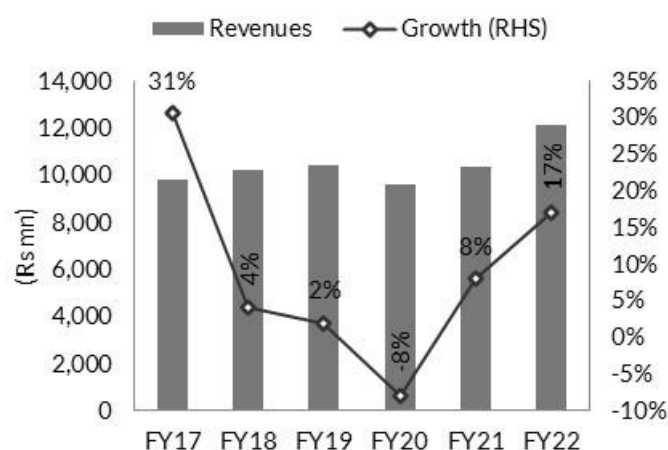
*During FY17-22, packaging volumes, revenue, and EBIT grew at CAGR of 2%, 4%, and -11% respectively*

#### **Packaging products (16% of revenue and 10% of EBIT)**

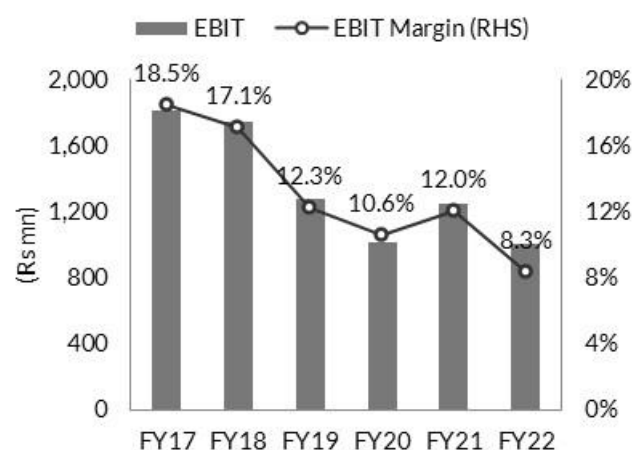
Supreme's cross-laminated film products are getting impacted by fierce competition from lookalike products and higher polymer prices which could not be passed on. The thrust in FY23 will be on promoting non-tarpaulin products, finding new applications, targeting new customers in existing markets and reaching new markets.

Performance films recorded 22% growth in volume and about 49% growth in value. Barrier packaging was essential in edible oil & dairy and had a growth of 11% in volume. Bag/pouch sales increased by 40% in volume with support from exports. Protective packaging was 30% higher in value terms and 7% higher in volume terms in FY22. Consumer business of the division has achieved growth of 25% in value terms in FY22.

With improved product mix and focus on increasing customer base, the company expects to achieve volume and value growth in this business in FY23E.

**Exhibit 23: Supreme – Packaging revenue and growth**


Source: Company, Axis Capital

**Exhibit 24: Supreme – Packaging EBIT and EBIT Margin**


Source: Company, Axis Capital

During FY17-22, consumer volumes, revenue, and EBIT grew at a CAGR of -2%, 5%, and 0% respectively

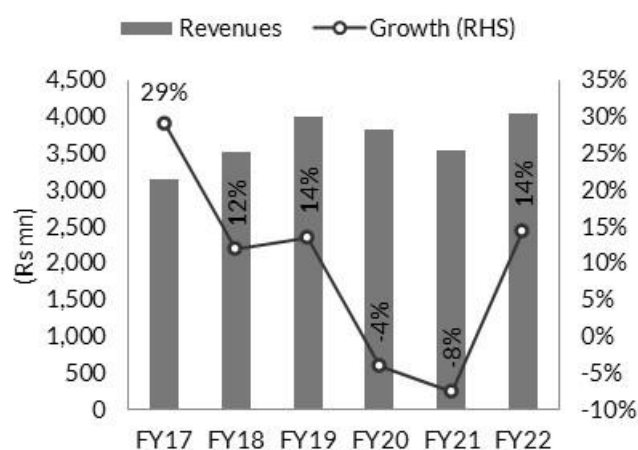
**Consumer products (5% of revenue and 5% of EBIT)**

FY22 was a tough year for furniture due to steep increase in polymer prices, which affected demand in H2FY22. Differential in pricing with unbranded reprocessed furniture became large.

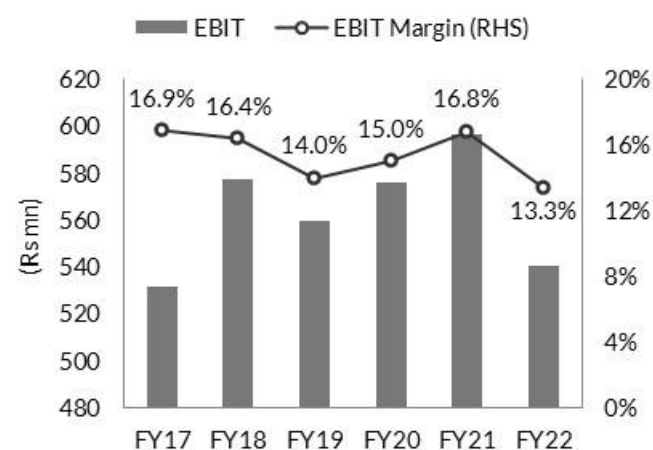
Supreme sees a bright future for FY23 as polymer prices have started stagnating. With all sections of economy opening, demand growth is expected. Premium furniture grew 19% in value terms during FY22, and its share of revenue grew from 47% in FY21 to 50% in FY22.

During FY22, exports declined due to steep increase in sea freights. The company has built close relationship with some leading major retail chains but due to high sea freights all orders are on hold. The company expects business to flow as soon as the sea freights are normalized.

Supreme's furniture range is sold on various ecommerce portals and by retailers who are being serviced through 1,306 channel partners. The company has launched its own portal to showcase its range of premium products and plans to launch new models during FY23.

**Exhibit 25: Supreme – Consumer revenues and growth**


Source: Company, Axis Capital

**Exhibit 26: Supreme – Consumer EBIT and EBIT margin**


Source: Company, Axis Capital

#### Others (1% of revenue and 1% of EBIT)

In composite LPG cylinder division, Supreme received a letter of interest (LoI) for supply of 7,35,186 numbers 10kg capacity composite LPG cylinders for Rs 1.7 bn from IOCL. The company plans to double the capacity, which will enable it to make 1 mn numbers of composite LPG cylinders/year and it is expected to be operational by November 2022.

### A quick look at Supreme Petrochem (SPL)

#### Background

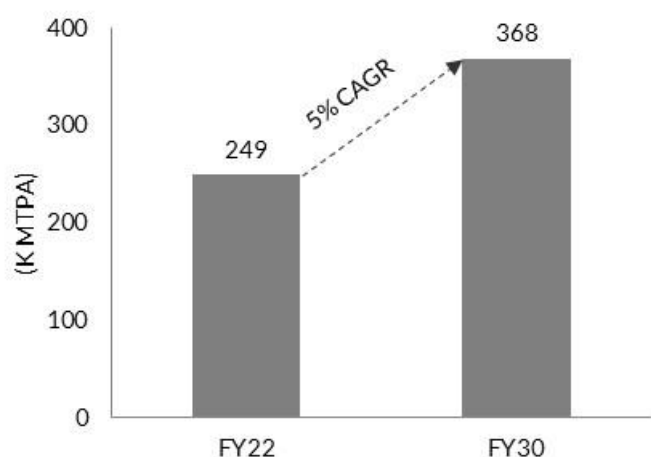
Supreme has a 30.78% stake in SPL (promoted by Supreme Industries & R Raheja Group). SPL started commercial operations in October 1995 with the business to manufacture polystyrene (PS) and is the leader in India in polystyrene and expandable polystyrene with market share exceeding 50%. The company is also the largest exporter of PS from India, with customers in more than 100 countries around the globe.

#### Industry analysis

The global polystyrene market size was estimated at over 10.7 mn MTPA in 2020. The overall market was negatively impacted by Covid19 in 2020. At the same time, demand for packaging products, including food packaging and non-food packaging, has increased owing to the rising trend of consumer spending on e-commerce and food delivery applications, thereby positively impacting the demand for polystyrene. The global consumer electronics industry has been growing rapidly across the world over the years, owing to the consistently increasing demand for cellular phones, portable computing devices, gaming systems, and other personal electronic devices. For instance, Indian electronics market is expected to reach US\$ 400 bn by 2025. Additionally, India is expected to become the 5<sup>th</sup> largest consumer electronics and appliances industry in the world by 2025. India PS market demand stood at 249K MTPA in FY22 and is forecast to reach 368K MTPA in FY30, growing at a healthy CAGR of 5%.

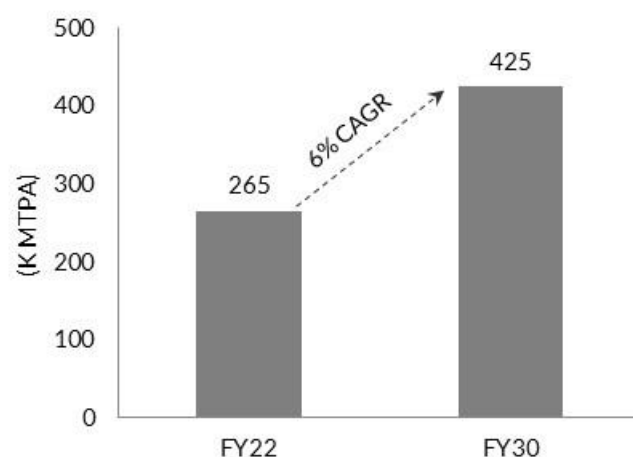
Global ABS market was valued at US\$ 25.95 bn in 2020 and is anticipated to rise at a CAGR of over 6% going forward. India ABS market demand stood at 265K MTPA in FY22 and is forecast to reach 425K MTPA by FY30, growing at a CAGR of 6%.

Exhibit 27: India Polystyrene market (K MTPA)



Source: Company, Axis Capital

Exhibit 28: India ABS market (K MTPA)



Source: Company, Axis Capital



### Products

The product range of the company includes general purpose PS, high impact PS, Expandable PS, masterbatches and compounds, and extruded PS. From being a large commodity player, SPL is now increasingly operating as a supplier of value-added products.

### Exhibit 29: Supreme Petrochem – installed capacity



Source: Company

### Key raw material – styrene monomer

Styrene is today one of the most important monomers produced by the chemical industry and is a basic building block of the plastics industry. The conventional method of producing styrene involves the alkylation of benzene with ethylene to produce ethylbenzene, followed by dehydrogenation of ethylbenzene to styrene.

Styrene undergoes polymerization by all the common methods used in plastics technology to produce a wide variety of polymers and co-polymers. The most important products are solid polystyrene (PS), expandable polystyrene (EPS), acrylonitrile-butadiene-styrene (ABS), unsaturated polyester resins (UPR) and styrene-butadiene rubber (SBR) and styrene acrylonitrile copolymer (SAN).

International pricing and demand/ supply risks are inherent in the import of styrene monomer; therefore, SPL has entered annual contracts for import procurement of its raw material, based on published pricing mechanism. SPL purchases majority of its raw material from Middle East, S.E. Asia, and N.E. Asia.

### Capacity expansion

SPL has undertaken setting up of 2<sup>nd</sup> line of Extruded Polystyrene Board (XPS) with capacity of 100K m3 and increasing the masterbatch & compound capacity by 50 MTPA. SPL is also implementing mass ABS project with 2 lines of 70K MTPA each aggregating 140K TA at its complex at Raigad, Maharashtra in collaboration with Ms. Versalis-ENI Chemicals Group, Italy.

### Exhibit 30: Supreme Petrochem – capacity expansion

|                                  | Current capacity | Proposed capacity |
|----------------------------------|------------------|-------------------|
| Polystyrene (MTPA)               | 2,20,000         | 3,00,000          |
| EPS (MTPA)                       | 70,000           | 1,30,000          |
| Masterbatches & Compounds (MTPA) | 25,000           | 75,000            |
| XPS (m3)                         | 72,000           | 1,72,000          |
| ABS                              | -                | 1,40,000          |

Source: Company, Axis Capital



**Financial performance**

SPL has done phenomenally well over the last 3 years with profits going up 12x on account of:

- Increased demand of products from OEMs
- Closure of one of the SPL's competitors LG Polymers India's plants
- Ban on import of air conditioners with refrigerant
- Improved demand from appliance manufacturers helped in achieving better performance of PS and EPS businesses
- Inventory gains
- 2 large world scale styrene monomer (SM) plants were commissioned in China in early 2020. A 3<sup>rd</sup> SM plant with 6,30,000 MT capacity has been commissioned early 2021 in China. This augurs well for company given it is the biggest consumer of SM in India. Self-sufficiency for SM in China means a more stable pricing regime due to removal of volatility associated with China's SM imports

**Single-use plastic items to be banned in India from July 1, 2022, is a negative**

Starting July 1, 2022, India has imposed a blanket ban on single use plastic items. The Ministry of Environment, Forest and Climate Change has said that day-to-day usage single use plastic items in multiple categories such as plastic sticks that are used in ear buds, balloons, candy, ice-cream; cutlery items such as plates, cups, glasses, forks, spoons, knives, trays; packaging/wrapping films such as that used for the sweet box, invitation cards, cigarette packets, and other items such as plastic flags, PVC banners of less than 100 microns and polystyrene for decoration will be banned.

The minimum specified thickness for polythene carry bags of 75 microns is applicable across the country since September 2021. From December 2022, the government aims to revise it to 120 microns.

**Exhibit 31: Supreme Petrochem Ltd (SPL) Profit & Loss statement**

|  | FY19          | FY20          | FY21          | FY22          |
|--|---------------|---------------|---------------|---------------|
| Volume                                     | 2,01,000      | 2,05,000      | 2,34,000      | 2,73,000      |
| YoY  |               | 2%            | 14%           | 17%           |
| <b>Revenues</b>                            | <b>31,938</b> | <b>27,242</b> | <b>31,852</b> | <b>50,323</b> |
| YoY  |               | -15%          | 17%           | 58%           |
| ASP (Rs/kg)                                | 158.9         | 132.9         | 136.1         | 184.3         |
| YoY  |               | -16%          | 2%            | 35%           |
| Expense                                    | (31,005)      | (25,757)      | (25,163)      | (41,270)      |
| <b>EBITDA</b>                              | <b>933</b>    | <b>1,485</b>  | <b>6,689</b>  | <b>9,053</b>  |
| <b>Margin%</b>                             | <b>2.9%</b>   | <b>5.5%</b>   | <b>21.0%</b>  | <b>18.0%</b>  |
| Rs/kg                                      | 4.6           | 7.2           | 28.6          | 33.2          |
| Depreciation                               | (232)         | (360)         | (392)         | (419)         |
| <b>EBIT</b>                                | <b>701</b>    | <b>1,125</b>  | <b>6,297</b>  | <b>8,634</b>  |
| <b>Margin%</b>                             | <b>2.2%</b>   | <b>4.1%</b>   | <b>19.8%</b>  | <b>17.2%</b>  |
| Other income                               | 100           | 119           | 213           | 305           |
| Finance Cost                               | (39)          | (64)          | (73)          | (62)          |
| <b>PBT</b>                                 | <b>762</b>    | <b>1,180</b>  | <b>6,436</b>  | <b>8,877</b>  |
| Tax  | (270)         | (153)         | (1,663)       | (2,245)       |
| Rate %                                     | 35.4%         | 12.9%         | 25.8%         | 25.3%         |
| <b>PAT</b>                                 | <b>492</b>    | <b>1,027</b>  | <b>4,775</b>  | <b>6,633</b>  |
| Stake                                      | 30.0%         | 30.01%        | 30.78%        | 30.78%        |
| Contribution to Supreme Industries Profits | 148           | 308           | 1,470         | 2,042         |
| Supreme Industries Consolidated PAT        | 4,486         | 4,674         | 9,781         | 9,684         |
| % Contribution                             | 3.3%          | 6.6%          | 15.0%         | 21.1%         |

Source: Company, Axis Capital

### Clearly articulated strategy

Supreme has a clearly articulated strategy which includes the following:

- To remain focused on the core business of plastics and related products
- To remain debt free (company had a net cash of Rs 4.7bn as of end FY22).
- To remain on the path of cost optimization
- Diversify product portfolio. Increase share of value-added products
- Increase channel partners (4,000 in FY21 to 4,053 in FY22) and deepen distribution network
- Capacity expansion of 800K MT by FY23 by spending Rs 7.5-8.5 bn over FY22 and FY23. Total plants to go up to 28 from 25 currently (3 new plants at Assam, Orissa, and TN)
- Committed to growth capex with a clear RoCE threshold of 25%
- Increase current exports revenues of 3% of total significantly over next 5 years
- Stated dividend distribution policy with pay-outs in 35-50% range.

## Financial analysis

### Flat performance in FY22

In FY22, the company sold 3,93,908MT of Plastic goods against sale of 4,09,109MT YoY, resulting in volume degrowth of 4%. Net revenue increased 22% due to 27% increase in ASPs (revenue from value-added products increased 17% to Rs 29.1bn). Gross profit/kg increased 8% to Rs 61.4/kg. EBITDA at Rs 12.4 bn was down 3% and net profit at Rs 9.7 bn was down 1%.

### Management expects 15% volume growth in FY23

Management expects volumes to grow 15% in FY23. The demand is expected to be supported by government initiatives (like Jal Jeevan Mission, affordable housing etc.), new product launches and downward trend of PVC prices. Stagnation of PVC prices should lead to increased demand and normalizing of channel inventories. Demand from agriculture is improving which will turn beneficial for pipes. Company stated demand was strong in April 2022.

### Capex commitment of Rs 7 bn

Total capacity as of end FY22 was 725K MT and is expected to increase to 800K MT in FY23. In FY22, the company did a capex of Rs 2.59 bn and has committed capex of Rs 7 bn, of which carry forward commitments are Rs 2.8 bn towards:

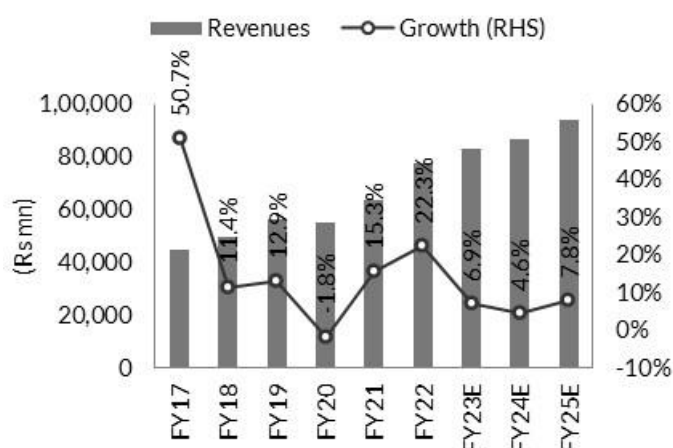
- completing and putting into operation ongoing project work at Assam to manufacture PVC pipes and roto & blow moulded products
- setting up a plastic product complex near Cuttack in Odisha and near Erode in Tamil Nadu (first phase expected to be completed by Aug-Sep'22)
- doubling the capacity of composite LPG cylinders to 1mn pieces per year at Halol, Gujarat
- expanding capacities and product range of its bath fitting products at Puducherry

Entire capex will be funded via internal accruals.

### EPS CAGR of 7% over FY22-25E

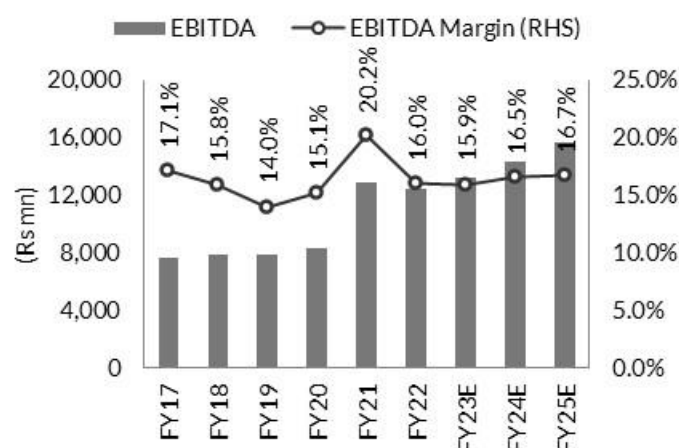
Supreme can grow revenue at a CAGR of % over FY22-25E. Some amount of EBITDA margin improvement should lead to 8% EBITDA CAGR leading to EPS CAGR of 7% over FY22-25E with average RoE of 24%.

Exhibit 32: Supreme consolidated revenue and growth

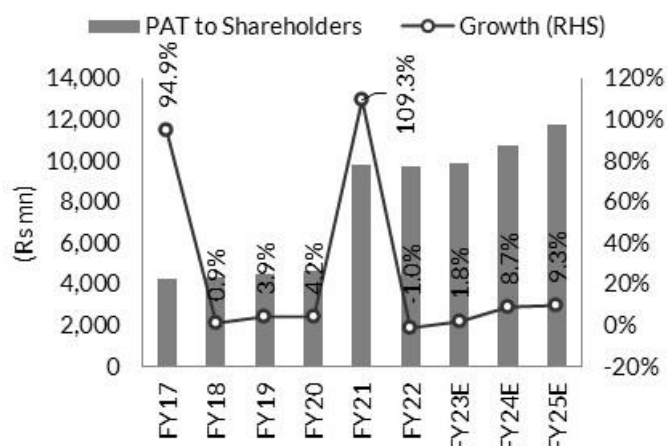


Source: Company, Axis Capital

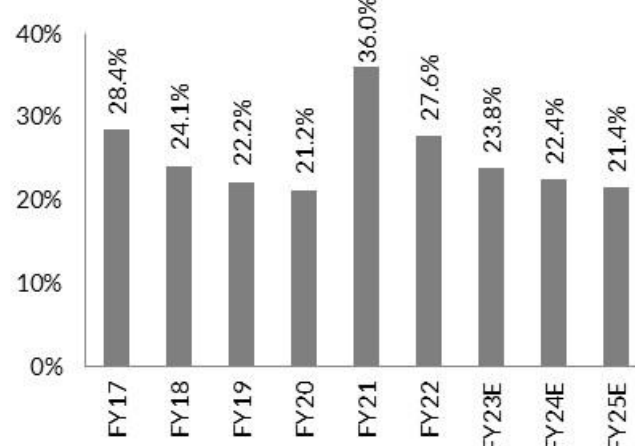
Exhibit 33: Supreme consolidated EBITDA and EBITDA margin



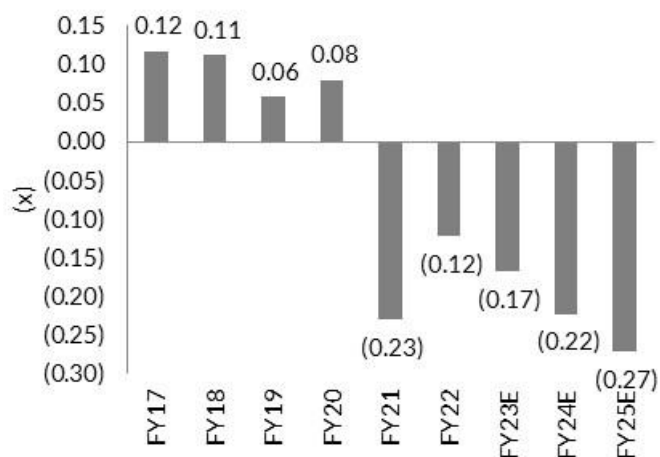
Source: Company, Axis Capital

**Exhibit 34: Supreme consolidated profits and growth**


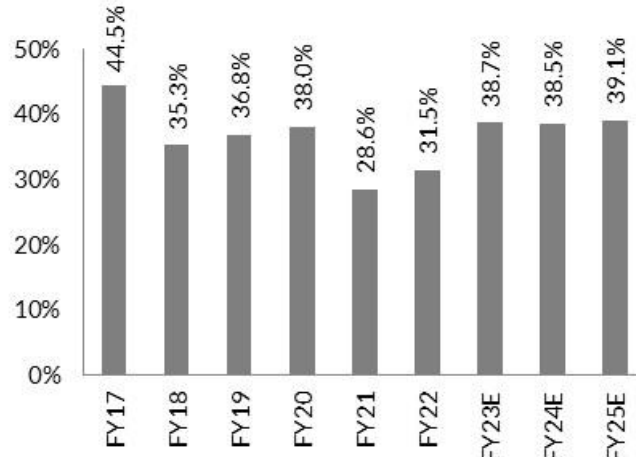
Source: Company, Axis Capital

**Exhibit 35: Supreme consolidated RoE**


Source: Company, Axis Capital

**Exhibit 36: Supreme consolidated Net Debt/ Equity**


Source: Company, Axis Capital

**Exhibit 37: Supreme consolidated dividend payout**


Source: Company, Axis Capital

## Key risks

### Dependence on a single supplier for CPVC resin

Supreme sources CPVC resin fully from Japan-based Kaneka Corporation. An alteration in Kaneka's supply policy or its inability to supply due to production disruption or geopolitical disturbances can impact Supreme's CPVC pipes production. This risk played out in FY22. The company has now tied up with other sources to get increased volume of CPVC resins in FY23.

### Raw material risks

Supreme's profitability is susceptible to volatility in prices of its key raw materials — poly vinyl chloride (PVC) resin, polyethylene & polypropylene. To counter the same, the company is increasing share value added products in its portfolio. In addition, the focus is to maintain cost competitiveness through (1) continuously enhancing operational efficiencies, (2) leveraging economies of scale and (3) effective WC management.

### Competitive intensity from organized players

Any attempts by the larger organized players to gain market share, esp. while entering newer geographies by under-cutting prices can intensify competition.

### Real estate weakness or economic slowdown

Overall demand for plastic pipes comes from plumbing (35-40%), irrigation (45-50%); water transportation and sewerage (10-15%) and others (5%). Any slowdown in government expenditure for water transportation impacts the demand from PVC pipes which are used in last mile connectivity. Weakness in real estate affects the demand from plumbing pipes.

## Financial summary (Consolidated)

### Profit & Loss (Rs mn)

| Y/E March                     | FY21          | FY22          | FY23E         | FY24E         | FY25E         |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|
| Net sales                     | 63,571        | 77,728        | 83,130        | 86,975        | 93,759        |
| Other operating income        | -             | -             | -             | -             | -             |
| <b>Total operating income</b> | <b>63,571</b> | <b>77,728</b> | <b>83,130</b> | <b>86,975</b> | <b>93,759</b> |
| Cost of goods sold            | (40,385)      | (53,532)      | (57,530)      | (59,625)      | (64,467)      |
| Gross profit                  | 23,186        | 24,197        | 25,600        | 27,350        | 29,293        |
| Gross margin (%)              | 36            | 31            | 31            | 31            | 31            |
| Total operating expenses      | (10,344)      | (11,775)      | (12,364)      | (12,982)      | (13,631)      |
| <b>EBITDA</b>                 | <b>12,842</b> | <b>12,421</b> | <b>13,236</b> | <b>14,367</b> | <b>15,661</b> |
| EBITDA margin (%)             | 20            | 16            | 16            | 17            | 17            |
| Depreciation                  | (2,128)       | (2,295)       | (2,409)       | (2,760)       | (3,111)       |
| <b>EBIT</b>                   | <b>10,714</b> | <b>10,126</b> | <b>10,827</b> | <b>11,608</b> | <b>12,550</b> |
| Net interest                  | (95)          | (52)          | (56)          | (56)          | (56)          |
| Other income                  | 43            | 200           | 260           | 363           | 492           |
| <b>Profit before tax</b>      | <b>10,662</b> | <b>10,274</b> | <b>11,031</b> | <b>11,915</b> | <b>12,986</b> |
| Total taxation                | (2,341)       | (2,633)       | (2,827)       | (3,054)       | (3,328)       |
| Tax rate (%)                  | 22            | 26            | 26            | 26            | 26            |
| Profit after tax              | 8,321         | 7,641         | 8,204         | 8,861         | 9,658         |
| Minorities                    | -             | -             | -             | -             | -             |
| Profit/ Loss associate co(s)  | 1,460         | 2,044         | 1,652         | 1,852         | 2,052         |
| Adjusted net profit           | 9,781         | 9,685         | 9,856         | 10,713        | 11,710        |
| Adj. PAT margin (%)           | 15            | 12            | 12            | 12            | 12            |
| Net non-recurring items       | -             | -             | -             | -             | -             |

### Balance Sheet (Rs mn)

| Y/E March                     | FY21          | FY22          | FY23E         | FY24E         | FY25E         |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|
| Paid-up capital               | 254           | 254           | 254           | 254           | 254           |
| Reserves & surplus            | 31,438        | 38,190        | 44,235        | 50,820        | 57,957        |
| Net worth                     | 31,692        | 38,444        | 44,489        | 51,074        | 58,211        |
| Borrowing                     | 263           | 323           | 323           | 323           | 323           |
| Other non-current liabilities | 1,186         | 1,189         | 1,189         | 1,189         | 1,189         |
| <b>Total liabilities</b>      | <b>33,141</b> | <b>39,955</b> | <b>46,001</b> | <b>52,585</b> | <b>59,722</b> |
| Gross fixed assets            | 33,567        | 31,802        | 36,802        | 41,802        | 46,802        |
| Less: Depreciation            | (16,425)      | (14,129)      | (16,538)      | (19,298)      | (22,409)      |
| Net fixed assets              | 17,143        | 17,673        | 20,264        | 22,504        | 24,393        |
| Add: Capital WIP              | 510           | 1,558         | 1,558         | 1,558         | 1,558         |
| Total fixed assets            | 17,653        | 19,231        | 21,822        | 24,062        | 25,951        |
| Total Investment              | 3,420         | 4,759         | 4,759         | 4,759         | 4,759         |
| Inventory                     | 7,608         | 12,602        | 13,543        | 14,036        | 15,176        |
| Debtors                       | 3,898         | 4,668         | 4,993         | 5,223         | 5,631         |
| Cash & bank                   | 7,684         | 5,190         | 7,957         | 11,880        | 16,281        |
| Loans & advances              | 17            | 40            | 40            | 40            | 40            |
| Current liabilities           | 9,682         | 10,004        | 10,581        | 10,884        | 11,584        |
| Net current assets            | 10,978        | 14,749        | 18,204        | 22,548        | 27,796        |
| Other non-current assets      | 1,091         | 1,216         | 1,216         | 1,216         | 1,216         |
| <b>Total assets</b>           | <b>33,141</b> | <b>39,955</b> | <b>46,001</b> | <b>52,585</b> | <b>59,722</b> |

Source: Company, Axis Capital

### Cash Flow (Rs mn)

| Y/E March                        | FY21           | FY22           | FY23E          | FY24E          | FY25E          |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|
| Profit before tax                | 12,122         | 12,318         | 12,684         | 13,767         | 15,038         |
| Depreciation & Amortisation      | 2,128          | 2,295          | 2,409          | 2,760          | 3,111          |
| Chg in working capital           | 2,744          | (6,285)        | (688)          | (421)          | (848)          |
| <b>Cash flow from operations</b> | <b>14,247</b>  | <b>5,680</b>   | <b>11,577</b>  | <b>13,052</b>  | <b>13,973</b>  |
| Capital expenditure              | (2,774)        | (3,873)        | (5,000)        | (5,000)        | (5,000)        |
| <b>Cash flow from investing</b>  | <b>(4,439)</b> | <b>(5,320)</b> | <b>(5,000)</b> | <b>(5,000)</b> | <b>(5,000)</b> |
| Equity raised/ (repaid)          | 2,094          | 116            | -              | -              | -              |
| Debt raised/ (repaid)            | (3,736)        | 80             | -              | -              | -              |
| Dividend paid                    | (2,795)        | (3,049)        | (3,811)        | (4,128)        | (4,573)        |
| <b>Cash flow from financing</b>  | <b>(4,437)</b> | <b>(2,853)</b> | <b>(3,811)</b> | <b>(4,128)</b> | <b>(4,573)</b> |
| Net chg in cash                  | 5,370          | (2,494)        | 2,766          | 3,923          | 4,401          |

### Key Ratios

| Y/E March                  | FY21  | FY22  | FY23E | FY24E | FY25E |
|----------------------------|-------|-------|-------|-------|-------|
| <b>OPERATIONAL</b>         |       |       |       |       |       |
| FDEPS (Rs)                 | 77.0  | 76.2  | 77.6  | 84.3  | 92.2  |
| CEPS (Rs)                  | 93.8  | 94.3  | 96.6  | 106.1 | 116.7 |
| DPS (Rs)                   | 22.0  | 24.0  | 30.0  | 32.5  | 36.0  |
| Dividend payout ratio (%)  | 28.6  | 31.5  | 38.7  | 38.5  | 39.1  |
| <b>GROWTH</b>              |       |       |       |       |       |
| Net sales (%)              | 15.3  | 22.3  | 6.9   | 4.6   | 7.8   |
| EBITDA (%)                 | 53.9  | (3.3) | 6.6   | 8.5   | 9.0   |
| Adj net profit (%)         | 109.3 | (1.0) | 1.8   | 8.7   | 9.3   |
| FDEPS (%)                  | 109.3 | (1.0) | 1.8   | 8.7   | 9.3   |
| <b>PERFORMANCE</b>         |       |       |       |       |       |
| RoE (%)                    | 36.0  | 27.6  | 23.8  | 22.4  | 21.4  |
| RoCE (%)                   | 37.3  | 28.3  | 25.8  | 24.3  | 23.2  |
| <b>EFFICIENCY</b>          |       |       |       |       |       |
| Asset turnover (x)         | 2.0   | 2.4   | 2.4   | 2.2   | 2.1   |
| Sales/ total assets (x)    | 1.6   | 1.7   | 1.6   | 1.4   | 1.4   |
| Working capital/ sales (x) | 0.0   | 0.1   | 0.1   | 0.1   | 0.1   |
| Receivable days            | 22.4  | 21.9  | 21.9  | 21.9  | 21.9  |
| Inventory days             | 54.7  | 70.4  | 70.7  | 70.6  | 70.9  |
| Payable days               | 45.7  | 43.2  | 43.4  | 43.3  | 43.5  |
| <b>FINANCIAL STABILITY</b> |       |       |       |       |       |
| Total debt/ equity (x)     | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Net debt/ equity (x)       | (0.3) | (0.1) | (0.2) | (0.2) | (0.3) |
| Current ratio (x)          | 2.1   | 2.5   | 2.7   | 3.1   | 3.4   |
| Interest cover (x)         | 112.8 | 196.6 | 191.8 | 205.6 | 222.3 |
| <b>VALUATION</b>           |       |       |       |       |       |
| PE (x)                     | 24.3  | 28.9  | 24.4  | 21.6  | 20.3  |
| EV/ EBITDA (x)             | 17.6  | 18.5  | 15.5  | 13.1  | 14.1  |
| EV/ Net sales (x)          | 3.5   | 3.0   | 2.5   | 2.1   | 2.4   |
| PB (x)                     | 7.5   | 6.6   | 5.8   | 5.1   | 4.1   |
| Dividend yield (%)         | 0.9   | 1.7   | 2.1   | 2.3   | 1.9   |
| Free cash flow yield (%)   | 4.3   | 1.8   | 2.9   | 3.6   | 3.8   |

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