Sector: Petrochemicals **RESULT REVIEW Q4&FY25** **Declared On: 23 April 2025**

Supreme Petrochem Limited

RECOMMENDATION SNAPSHOT				
*CMP	MCap (Rsbn)	Recommendation	Target	Potential Upside
Rs645	121.3	Accumulate	Rs985	53%

as on 28th Apr, 2025

About the Company:

Supreme Petrochem Ltd (SPL) is the largest domestic manufacturer and exporter of Polystyrene (PS) commanding more than 50% market share. SPL is at the forefront of styrenics businesses in India and the company maintains the standing as one of the largest domestic producer of expandable polystyrene (EPS). Moreover, the company continues its operations in specialty polymers & compounds (SPC) and extruded polystyrene (XPS) foam board markets. SPL has two manufacturing plants, one at Nagothane (120km from Mumbai) and the other at Manali in Chennai. The company is promoted by Supreme Industries Ltd and R. Raheja Investments Ltd.

Results: Quick Glance:

- The net sales for the quarter reported a de-growth of 1.5% to Rs15.4bn as compared to Rs15.6bn in Q4FY24
- The Ebitda margins for the quarter under review stood at 9.4% as against 11.2% in Q4FY24
- The company reported profit of Rs1.07bn as compared to Rs1.32bn in the same quarter last year
- The EPS for the quarter under review stood at Rs5.68 as compared to Rs6.99 in the corresponding period of last year
- For the full year, the revenues and PAT grew by 14.6% and 12.7% respectively while the Ebitda margins stood at 8.8%
- The Board has recommended a final dividend of Rs7.50 per equity share of FV of Rs2 each for FY25

Conference Call Highlights:

- During the quarter under review, SPL has reported an increase in **sales volume** of manufactured products to the tune of 11.7% (95,556MT) compared to Q3FY25 (85,537MT). However, the total sales volume witnessed a marginal decline of 0.7% on a y-o-y basis. Overall, for FY25, the company's sales volume of manufactured products increased by 9.4% on a y-o-y basis. The blended capacity utilization for the full year was ~79%. For the quarter under review, the margins were down as the global deltas were weak coupled with tariff related ambiguity and unclear global trades/supply chain; which has impacted the Indian deltas as well
- In FY25, **styrene monomer prices** fluctuated within a range of +/-10%. Since March 2025, these prices have shown a downward trend, with prices further dropping by another 10-15%; since these prices are linked to crude prices. In the current scenario, the company does not foresee any further fall in pricing trends, contingent on the stabilization of crude and benzene prices
- The appliances sector in India has witnessed a significant growth, particularly driven by the PLI scheme, which has boosted demand in the air conditioner market consequently increasing the demand for polystyrene. Similarly, other appliance segments such as refrigerators and washing machines have also experienced growth. Additionally, India is increasingly emerging as an export hub for appliances, further supporting industry expansion
- **Value added** polystyrene grades have accounted for ~40% of total polystyrene volumes in Q4FY25 and were primarily supplied to OEMs and premium non-OEM segments. For FY25, the projected sales mix is expected to comprise roughly 2/3rd from polystyrene, 1/4th from EPS, and the remaining 10% from the compounds and XPS segments
- In line with the growth strategy, SPL acquired **Xmold Polymers Pvt. Ltd**, a Tamil Nadu based compounding company specializing in engineering polymer compounds with a capacity of 15,000 tons. This facility is strategically located near Chennai's automotive corridor. Xmold serves as a Tier II supplier to automobile OEMs and appliance manufacturers, which is expected to strengthen the company's position in these key industries. The Management has indicated that there are no restrictions on expanding capacity within Xmold and while there is sufficient land for expansion in Chennai, the company may acquire more areas for further growth, also all the lines are primarily for thermoplastic compounds. At 60% utilization, this capacity generated ~Rs720mn of revenue; at full potential, it can reach ~Rs2,000mn. Currently, ~60% of the output serves the appliances and electrical/electronics sector, while ~30-40% caters to the automotive industry. This acquisition can enhance SPL's compounding portfolio by adding new grades for the automotive sector
- The first phase of the **Mass ABS project**, with a capacity of 70,000TPA under license from M/s Versalis, Italy, is now expected to be completed by Q1FY26, with commercial production slated to begin in Q2FY26. The project timeline experienced a minor delay due to the late arrival of certain proprietary equipment and a temporary shortage of skilled construction labour. The peak revenue potential of this project is ~Rs10bn. The breakeven point of the same is anticipated at ~50% capacity utilization

Conference Call Highlights (contd.):

- The projected **capital expenditure** for FY26E stands at ~Rs2,000mn, mainly allocated toward the compounding business, EPS, and partially for the second line of ABS
- The second phase of **EPS expansion** is on schedule and expected to be on stream by the end of the Q1FY26 or by Q2FY26, with an incremental capacity of ~23,000-24,000 tons. While local demand for EPS may not see significant growth due to capacity expansions by other players, the company aims to increase EPS exports with approvals secured in GCC countries and Europe
- For the expansion related to the **Haryana** plant, where the company is looking at setting up capacity for sheeting and 3D panels, the Ebitda potential for both is estimated to be ~25%. The company plans to set up 3D boards in the Haryana unit, which is expected to generate revenue of around ~Rs1000mn with Ebitda margins aligned with the current extruded insulation board business
- As of March 2025, the company remains **debt-free** and holds an **investable surplus** of ~Rs8,720mn. For FY26E, SPL intends to grow the volume to the tune of 11-12%, supported by the ramp-up of new capacities and moderate growth in existing operations. Notably, around 50-60% of this projected growth is expected to be driven by ABS and ABS compounds
- The company's investments of ~Rs4,300mn are primarily invested in debt-linked mutual funds. The company's customer mix has historically been heavily weighted towards appliance OEMs, but it is now expanding into the auto segment with the acquisition of Xmold

Financials:

Performance (Q4&FY25)

Q4&FY25 Result (Rs mn)	Mar-25	Mar-24	y-o-y	Dec-24	q-o-q	FY25	FY24	y-o-y	FY26E
Total Revenue	15390	15628	(1.5%)	14053	9.5%	60234	52533	14.7%	65339
EBITDA	1446	1752	(17.4%)	992	45.7%	5326	4668	14.1%	6534
Other Income	187	190	(1.8%)	174	7.4%	732	681	7.4%	756
Interest	30	17	74.4%	35	(14.5%)	124	72	71.9%	133
Depreciation	175	160	9.3%	171	2.4%	679	595	14.2%	730
Exceptional Items	0	0	-	0	-	0	0	-	0
Tax	360	451	(20.1%)	248	45.4%	1349	1217	10.8%	1655
Net Profit	**1069**	**1315**	**(18.7%)**	**714**	**49.8%**	**3905**	**3465**	**12.7%**	**4772**

Outlook and Recommendations:

SPL has managed to report stable numbers for the quarter under review, despite the major fluctuation in the SM prices and decrease in the overall global/domestic spreads. Despite these challenges, the company is focused on significant development, growing its capacity quickly and exploring new markets to become stronger and more successful in the long run. The company is undergoing a major transformation, focusing on expanding production and entering new markets to build a stronger and more profitable future. This strategy is evident in key projects like the development of the ABS plant and the expansion of EPS capacity. These initiatives aim to capture a larger share of the growing market while also diversifying the company's product range beyond its traditional offerings and moving into higher-value areas. A major step in this direction is the acquisition of Xmold, a strategic move to grow the company's presence in the fast-growing automotive sector. This shift helps reduce its dependence on the more volatile appliances and electronics markets and opens up new, more stable growth opportunities. Rising and unpredictable raw material costs, especially those linked to crude oil prices are part and parcel of the business and an inherent risk to the operations. Another key challenge is smoothly participating Xmold into the business, which involves aligning company cultures, creating operational synergies, and achieving expected financial gains. Additionally, the company must deal with a complex global trade environment, including issues like tariffs, trade tensions, and supply chain disruptions, which could impact operations and profitability. Operational success will depend on optimizing capacity usage to improve efficiency and profitability, as well as managing working capital effectively, especially raw material inventories to handle price swings.

Outlook and Recommendations (contd.):

The company is aiming for strong sales growth of ~11-12%. However, there are several challenges that could affect its performance. These include the risks tied to executing large-scale projects, such as the delays seen in the ABS project, and the need for careful planning and agile management. With strong long-term prospects driven by growing demand in the ABS market, SPL is strategically positioning itself for sustainable growth. The ABS market is expected to witness significant expansion, fuelled by increasing demand across multiple industries. SPL aims to capitalize on this trend by capturing a considerable market share. The benefits from the company's recent brownfield expansion and ongoing projects are expected to materialize within the next 3-5 months. Backed by robust customer relationships, expanding demand potential, a focus on high-value products, and a commitment to maintaining healthy return ratios, SPL stands well-positioned for continued growth. Its debt-free balance sheet and substantial cash reserves further support its expansion plans. Given these factors, we remain confident in SPL's growth trajectory over the next 5-6 quarters and maintain our target price of Rs985.

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