



INDEPENDENT EQUITY RESEARCH

The Supreme Industries Ltd

Q4FY11 Result Update

Enhancing investment decisions

Explanation of CRISIL Fundamental and Valuation (CFV) matrix

The CFV Matrix (CRISIL Fundamental and Valuation Matrix) addresses the two important analysis of an investment making process – Analysis of Fundamentals (addressed through Fundamental Grade) and Analysis of Returns (Valuation Grade) The fundamental grade is assigned on a five-point scale from grade 5 (indicating Excellent fundamentals) to grade 1 (Poor fundamentals) The valuation grade is assigned on a five-point scale from grade 5 (indicating strong upside from the current market price (CMP)) to grade 1 (strong downside from the CMP).

CRISIL Fundamental Grade	Assessment	CRISIL Valuation Grade	Assessment
5/5	Excellent fundamentals	5/5	Strong upside (>25% from CMP)
4/5	Superior fundamentals	4/5	Upside (10-25% from CMP)
3/5	Good fundamentals	3/5	Align (+-10% from CMP)
2/5	Moderate fundamentals	2/5	Downside (- 10-25% from CMP)
1/5	Poor fundamentals	1/5	Strong downside (<-25% from CMP)

Analyst Disclosure

Each member of the team involved in the preparation of the grading report, hereby affirms that there exists no conflict of interest that can bias the grading recommendation of the company.

Disclaimer:

This **Company-commissioned Report** (Report) is based on data publicly available or from sources considered reliable by CRISIL (Data). However, CRISIL does not guarantee the accuracy, adequacy or completeness of the Data / Report and is not responsible for any errors or omissions or for the results obtained from the use of Data / Report. The Data / Report are subject to change without any prior notice. Opinions expressed herein are our current opinions as on the date of this Report. Nothing in this Report constitutes investment, legal, accounting or tax advice or any solicitation, whatsoever. The Report is not a recommendation to buy / sell or hold any securities of the Company. CRISIL especially states that it has no financial liability, whatsoever, to the subscribers / users of this Report. This Report is for the personal information only of the authorized recipient in India only. This Report should not be reproduced or redistributed or communicated directly or indirectly in any form to any other person – especially outside India or published or copied in whole or in part, for any purpose.

The Supreme Industries Ltd.

As expected, robust growth

Fundamental Grade 4/5 (Superior fundamentals)

Valuation Grade 4/5 (CMP has upside)

Industry Chemicals

The Supreme Industries Ltd's (Supreme's) Q4FY11 revenues and profitability were in line with CRISIL Research's expectations. Growth across product segments strongly boosted revenues and the company was able to maintain margins, leading to improved profitability. We maintain our earnings estimates for FY12 and FY13. Based on our positive outlook for the plastic products industry and Supreme's "supremacy" in the sector, we are maintaining the fundamental grade of **4/5**.

Q4FY11 result analysis

- Supreme's Q4FY11 revenues grew by 11.4% y-o-y to Rs 7,482 mn. All business segments - plastic pipes and fittings, packaging products, consumer products and industrial products - delivered a strong performance. FY11 revenues were up 22% over FY10.
- EBITDA margin was slightly better y-o-y at 15.2% (15.0% in Q4FY10). We believe margins in the plastic products business, will remain stable in FY12 and FY13. FY11 EBITDA margin was slightly lower at 14.5% vis-a-vis 14.8% in FY10.
- PAT margin improved by 45 bps y-o-y to 8.1%. PAT grew y-o-y by 18.1% in Q4FY11, driven by stable margins and growth in revenues. EPS for Q4FY11 was Rs 4.7 compared to Rs 4.0 in Q4FY10. For FY11, EPS improved by 25% at Rs 15.3

Valuations: Current market price has upside

We have used the discounted cash flow method to value Supreme. We maintain our fair value of Rs 239 per share. At the current market price of Rs 209, the valuation grade is **4/5**.

KEY FORECAST

(Rs mn)	FY09	FY10	FY11	FY12E	FY13E
Operating income	16,587	20,155	24,638	27,933	33,543
EBITDA	2,547	2,974	3,573	4,121	5,459
Adj Net income	852	1,555	1,941	2,126	2,890
EPS-Rs	6.7	12.2	15.3	16.7	22.8
EPS growth (%)	76.2	82.6	24.9	14.6	36.0
PE (x)	7.6	9.3	13.7	12.5	9.2
P/BV (x)	2.1	3.5	4.8	4.2	3.3
RoCE(%)	33.2	38.4	34.6	36.2	41.2
RoE(%)	29.6	43.3	40.4	36.4	40.2
EV/EBITDA (x)	3.5	5.6	8.8	7.3	5.4

NM: Not meaningful; CMP: Current Market Price, Financial year ending June

Note: Financials have been adjusted for a 5-for-1 stock split in October 2010.

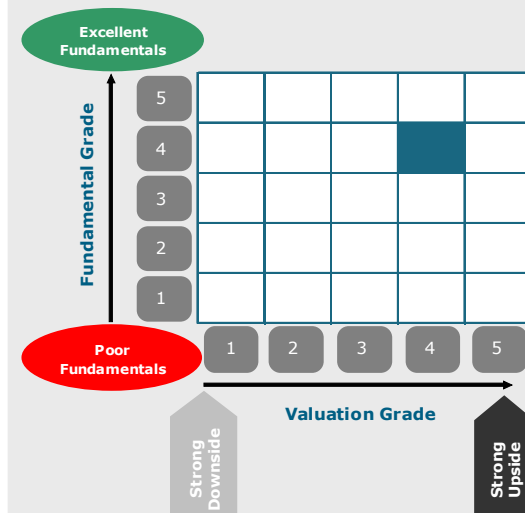
Source: Company, CRISIL Research estimate

July 28, 2011

Fair Value Rs 239

CMP Rs 209

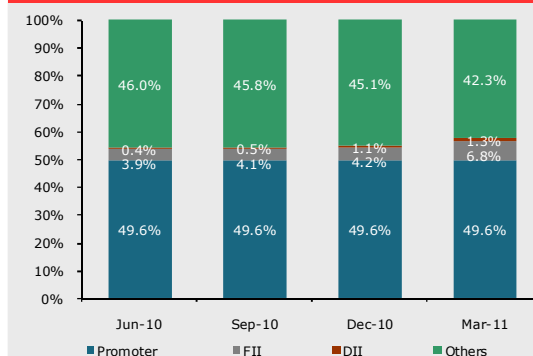
CFV MATRIX



KEY STOCK STATISTICS

NIFTY / SENSEX	5488/18210
NSE / BSE ticker	SUPREMEIND
Face value (Rs per share)	2
Shares outstanding (mn)	127.0
Market cap (Rs mn)/(US\$ mn)	26,511/601
Enterprise value (Rs mn)/(US\$ mn)	31,481/713
52-week range (Rs) (H/L)	840/136
Beta	0.9
Free float (%)	50.4%
Avg daily volumes (30-days)	180,177
Avg daily value (30-days) (Rs mn)	36.0

SHAREHOLDING PATTERN



PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
Supreme	19%	32%	36%	72%
NIFTY	4%	-3%	-0.1%	4%

ANALYTICAL CONTACT

Sudhir Nair (Head)	snair@crisil.com
Niyati Dave	ndave@crisil.com
Bhaskar Bukrediwala	bsbukrediwala@crisil.com

Client servicing desk

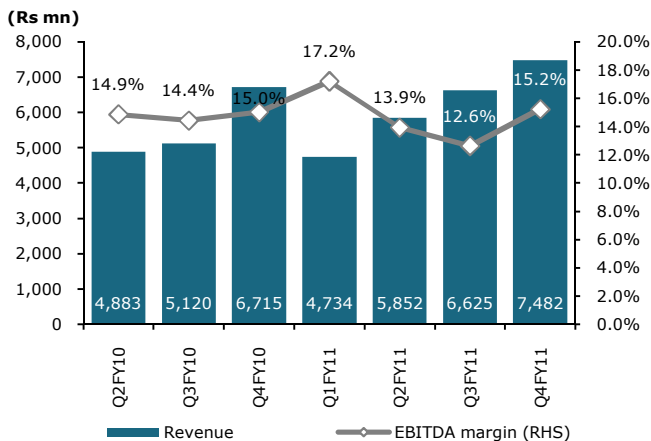
+91 22 3342 3561 clientservicing@crisil.com

Q4FY11 Result Summary

(Rs mn)	Q4FY11	Q3FY11	Q4FY10	q-o-q (%)	y-o-y (%)	FY11	FY10	y-o-y (%)
Net sales	7,482	6,625	6,715	12.9	11.4	24,695	20,162	22.5
Raw materials cost	5,008	4,427	4,711	13.1	6.3	15,914	13,165	20.9
Raw materials cost (% of net sales)	66.9%	66.8%	70.1%	12bps	-321bps	64.4%	65.3%	-85 bps
Employees cost	310	230	279	35.0	11.1	968	799	21.1
Other expenses	1,024	1,132	717	(9.5)	42.8	4,239	3,211	32.0
EBITDA	1,139	837	1,008	36.2	13.0	3,574	2,987	19.7
EBITDA margin	15.2%	12.6%	15.0%	260bps	21bps	14.5%	14.8%	-34 bps
Depreciation	161	164	161	(1.6)	(0.3)	619	529	16.94
EBIT	978	673	848	45.3	15.5	2,955	2,457	20.2
Interest and finance charges	123	129	58	(4.9)	113.2	425	331	28.62
Operating PBT	855	544	789	(66.2)	8.4	2,530	2,127	0.19
Other Income	12.1	0.5	(5.9)	NM	NM	44.9	41.8	7.3
PBT	868	544	783	59.4	10.8	2,575	2,169	18.7
Tax	327	150	273	118.2	20.0	877	748	17.3
PAT	540	394	510	37.0	5.8	1,697	1,421	19.5
Share of Profit in Associate	62	88	(1.1)	(29.4)	NM	261.1	139.0	87.9
Adj PAT	603	483	510	24.8	18.1	1,958	1,560	25.6
Adj PAT margin	8.1%	7.3%	7.6%	77bps	45bps	7.9%	7.7%	19 bps
No of equity shares (mn)	127	127	127	-	-	127	127	-
Adj EPS (Rs)	4.7	3.8	4.0	24.8	18.1	15.4	12.3	26

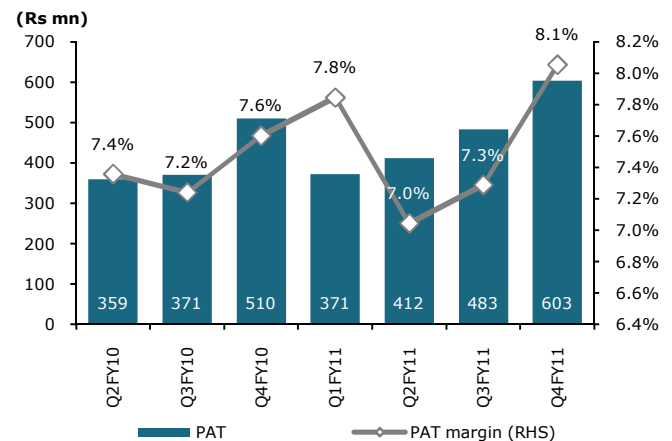
Source: Company, CRISIL Research

EBITDA margins improved marginally y-o-y...



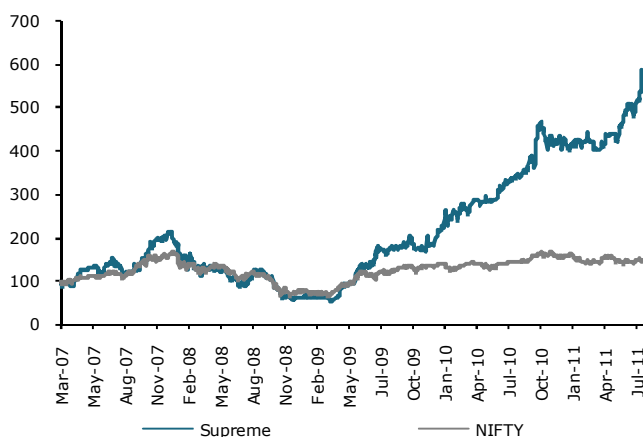
Source: Company, CRISIL Research

... so did PAT margins



Source: Company, CRISIL Research

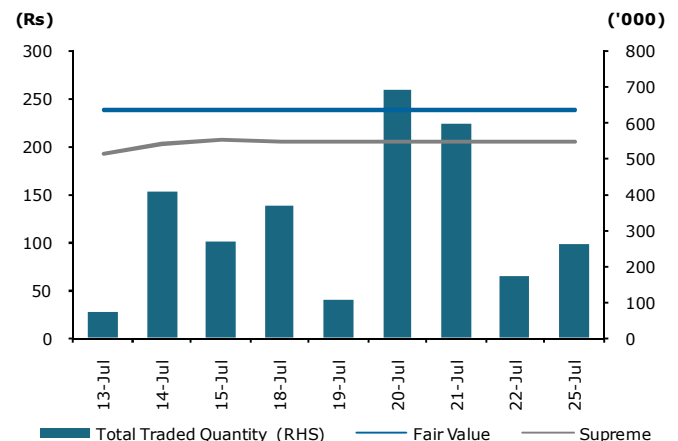
Share price movement



-indexed to 100

Source: NSE, CRISIL Research

Fair value movement since initiation

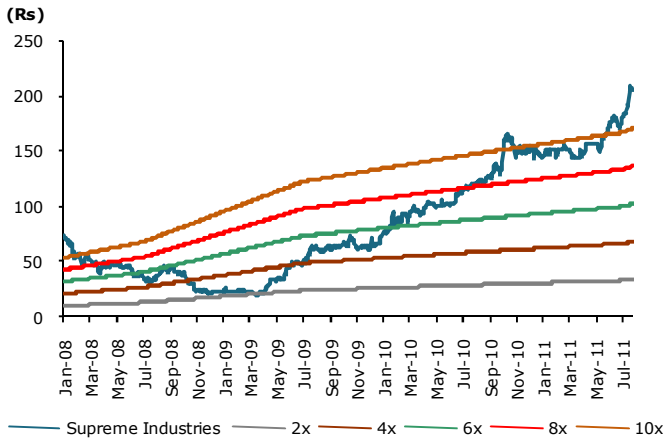


Source: NSE, CRISIL Research

VALUATION

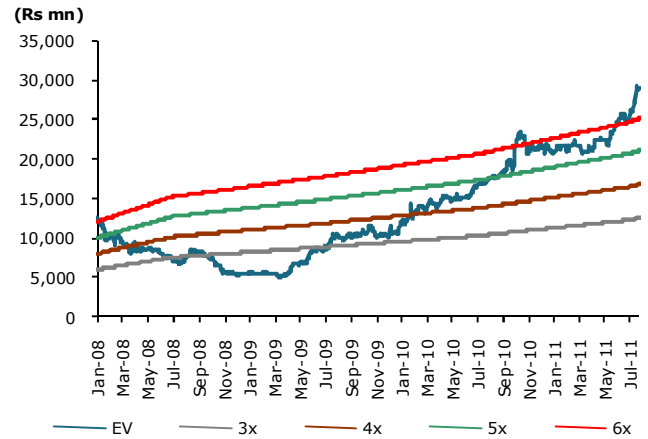
We continue to use the discounted cash flow method to arrive at a fair value of Rs 239 for Supreme.

One-year forward P/E band



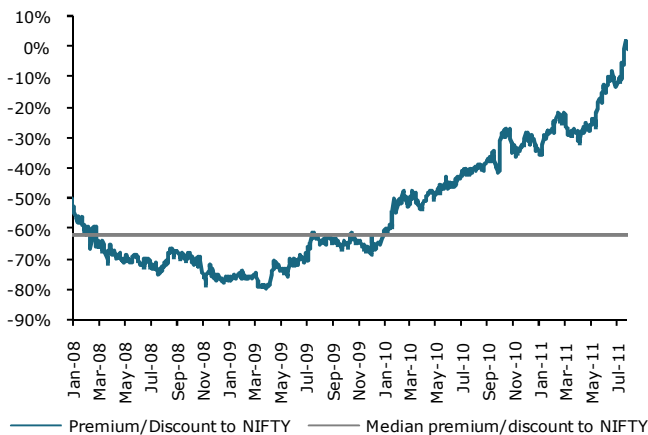
Source: NSE, CRISIL Research

One-year forward EV/EBITDA band



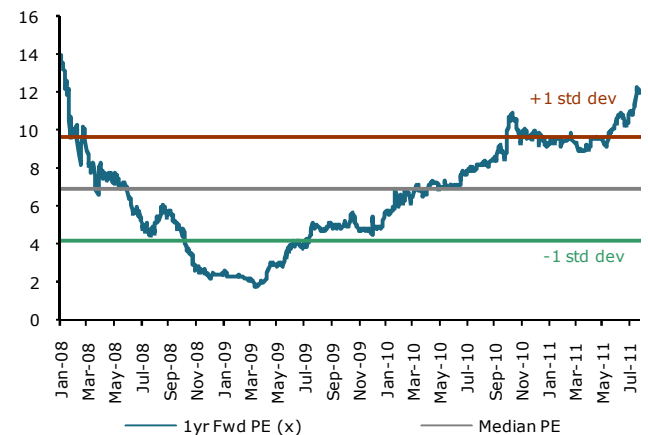
Source: NSE, CRISIL Research

P/E – premium/discount to NIFTY



Source: NSE, CRISIL Research

P/E movement



Source: NSE, CRISIL Research.

CRISIL IER reports released on The Supreme Industries Ltd

Date	Nature of report	Fundamental grade	Fair value	Valuation grade	CMP (on the date of report)
14-Jul-11	Initiating coverage*	4/5	Rs 239	4/5	Rs 192
28-Jul-11	Q4FY11 result update	4/5	Rs 239	4/5	Rs 209

* For detailed initiating coverage report please visit: www.ier.co.in

CRISIL Independent Equity Research reports are also available on Bloomberg (CRI <go>) and Thomson Reuters.

FINANCIALS

Income statement

(Rs mn)	FY09	FY10	FY11	FY12E	FY13E
Operating income	16,587	20,155	24,638	27,933	33,543
EBITDA	2,547	2,974	3,573	4,121	5,459
EBITDA margin	15.4%	14.8%	14.5%	14.8%	16.3%
Depreciation	525	529	629	781	953
EBIT	2,021	2,444	2,944	3,339	4,506
Interest	681	339	444	415	458
Operating PBT	1,341	2,105	2,500	2,924	4,048
Other income	(2)	199	319	249	266
Exceptional inc/(exp)	57	5	17	-	-
PBT	1,396	2,309	2,836	3,173	4,314
Tax provision	487	749	877	1,047	1,424
Minority interest	-	-	-	-	-
PAT (Reported)	908	1,560	1,958	2,126	2,890
Less: Exceptionals	57	5	17	-	-
Adjusted PAT	852	1,555	1,941	2,126	2,890

Ratios

	FY09	FY10	FY11	FY12E	FY13E
Growth					
Operating income (%)	26.4	21.5	22.2	16.4	20.1
EBITDA (%)	71.5	16.8	20.2	19.6	32.5
Adj PAT (%)	62.1	82.6	24.9	14.6	36.0
Adj EPS (%)	76.2	82.6	24.9	14.6	36.0
Profitability					
EBITDA margin (%)	15.4	14.8	14.5	14.8	16.3
Adj PAT Margin (%)	5.1	7.7	7.9	7.6	8.6
RoE (%)	29.6	43.3	40.4	36.4	40.2
RoCE (%)	33.2	38.4	34.6	36.2	41.2
RoIC (%)	31.2	40.0	35.9	35.1	38.9
Valuations					
Price-earnings (x)	7.6	9.3	13.7	12.5	9.2
Price-book (x)	2.1	3.5	4.8	4.2	3.3
EV/EBITDA (x)	3.5	5.6	8.8	7.3	5.4
EV/Sales (x)	0.5	0.8	1.3	1.1	0.9
Dividend payout ratio (%)	39.3	34.2	32.4	40.9	38.0
Dividend yield (%)	5.5	3.7	2.4	3.3	4.1
B/S ratios					
Inventory days	49	68	67	58	43
Creditors days	98	87	56	95	95
Debtor days	25	24	23	24	24
Working capital days	(7)	(2)	23	(4)	(10)
Gross asset turnover (x)	1.9	2.2	2.3	2.0	2.0
Net asset turnover (x)	3.3	3.6	3.8	3.2	3.2
Sales/operating assets (x)	2.8	3.3	3.7	3.1	3.1
Current ratio (x)	1.0	1.2	1.7	1.0	0.9
Debt-equity (x)	1.1	0.6	0.9	0.6	0.5
Net debt/equity (x)	0.8	0.5	0.9	0.5	0.4
Interest coverage	3.0	7.2	6.6	8.0	9.8

Per share

	FY09	FY10	FY11	FY12E	FY13E
Adj EPS (Rs)	6.7	12.2	15.3	16.7	22.8
CEPS	10.8	16.4	20.2	22.9	30.3
Book value	23.9	32.6	43.1	50.3	63.0
Dividend (Rs)	2.8	4.2	5.0	6.8	8.6
Actual o/s shares (mn)	127.0	127.0	127.0	127.0	127.0

Balance Sheet

(Rs mn)	FY09	FY10	FY11	FY12E	FY13E
Liabilities					
Equity share capital	254	254	254	254	254
Reserves	2,787	3,887	5,223	6,139	7,745
Minorities	-	-	-	-	-
Net worth	3,041	4,141	5,477	6,393	7,999
Convertible debt	-	-	-	-	-
Other debt	3,250	2,291	5,112	3,691	3,791
Total debt	3,250	2,291	5,112	3,691	3,791
Deferred tax liability (net)	643	698	795	698	698
Total liabilities	6,934	7,130	11,385	10,782	12,488
Assets					
Net fixed assets	5,431	5,626	7,417	9,532	11,579
Capital WIP	895	131	262	331	431
Total fixed assets	6,326	5,757	7,678	9,863	12,010
Investments	496	693	916	1,114	1,364
Current assets					
Inventory	1,683	2,906	3,454	3,448	3,012
Sundry debtors	1,153	1,310	1,529	1,816	2,181
Loans and advances	535	793	1,412	1,117	1,342
Cash & bank balance	870	187	142	211	584
Marketable securities	-	-	-	-	-
Total current assets	4,240	5,197	6,537	6,592	7,119
Total current liabilities	4,128	4,517	3,747	6,787	8,005
Net current assets	112	680	2,790	(195)	(886)
Intangibles/Misc. expenditure	-	-	-	-	-
Total assets	6,934	7,130	11,385	10,782	12,488

Cash flow

(Rs mn)	FY09	FY10	FY11	FY12E	FY13E
Pre-tax profit	1,339	2,304	2,819	3,173	4,314
Total tax paid	(367)	(693)	(780)	(1,047)	(1,424)
Depreciation	525	529	629	781	953
Working capital changes	839	(1,251)	(2,155)	213	1,064
Net cash from operations	2,336	889	512	3,121	4,908
Cash from investments					
Capital expenditure	(1,525)	39	(2,550)	(2,600)	(3,100)
Investments and others	40	(197)	(223)	(223)	(249)
Net cash from investments	(1,486)	(158)	(2,773)	(2,823)	(3,349)
Cash from financing					
Equity raised/(repaid)	(268)	-	-	-	-
Debt raised/(repaid)	74	(959)	2,822	600	100
Dividend (incl. tax)	(357)	(534)	(635)	(870)	(1,098)
Others (incl extraordinary)	109	78	30	(148)	(187)
Net cash from financing	(441)	(1,414)	2,217	(418)	(1,185)
Change in cash position	410	(683)	(45)	(120)	374
Closing cash	870	187	142	211	584

Quarterly financials

(Rs mn)	Q4FY10	Q1FY11	Q2FY11	Q3FY11	Q4FY11
Net Sales	6,715	4,734	5,852	6,625	7,482
Change (q-o-q)	31%	-30%	24%	13%	13%
EBITDA	1,008	814	816	837	1,139
Change (q-o-q)	37%	-19%	0%	3%	36%
EBITDA margin	15.0%	17.2%	13.9%	12.6%	15.2%
PAT	510	403	412	395	540
Adj PAT	510	371	412	483	603
Change (q-o-q)	38%	-27%	11%	17%	25%
Adj PAT margin	7.6%	7.8%	7.0%	7.3%	8.1%
Adj EPS	4.0	2.9	3.2	3.1	4.7

Note – Share of profits in Supreme Petrochem for FY11E (included in "Other Income") is for 9M ended March 2011, Financial year for the company ends in June, Financials have been adjusted for a 5-for-1 stock split in October 2010.

Source: Company, CRISIL Research estimate

CRISIL Research Team

Senior Director

Mukesh Agarwal	+91 (22) 3342 3035	maagarwal@crisil.com
----------------	--------------------	--

Analytical Contacts

Tarun Bhatia	Director, Capital Markets	+91 (22) 3342 3226	tbbhatia@crisil.com
Prasad Koparkar	Head, Industry & Customised Research	+91 (22) 3342 3137	pkoparkar@crisil.com
Chetan Majithia	Head, Equities	+91 (22) 3342 4148	chetanmajithia@crisil.com
Sudhir Nair	Head, Equities	+91 (22) 3342 3526	snair@crisil.com
Jiju Vidyadharan	Head, Funds & Fixed Income Research	+91 (22) 3342 8091	jvidyadharan@crisil.com
Ajay D'Souza	Head, Industry Research	+91 (22) 3342 3567	adsouza@crisil.com
Ajay Srinivasan	Head, Industry Research	+91 (22) 3342 3530	ajsrinivasan@crisil.com
Sridhar C	Head, Industry Research	+91 (22) 3342 3546	sridharc@crisil.com
Manoj Mohta	Head, Customised Research	+91 (22) 3342 3554	mmohta@crisil.com

Business Development

Vinaya Dongre	Head, Industry & Customised Research	+91 (22) 33428025	vdongre@crisil.com
Ashish Sethi	Head, Capital Markets	+91 (22) 33428023	asethi@crisil.com

CRISIL's Equity Offerings

The Equity Group at CRISIL Research provides a wide range of services including:

- ☞ Independent Equity Research
- ☞ IPO Grading
- ☞ White Labelled Research
- ☞ Valuation on companies for use of Institutional Investors, Asset Managers, Corporate

Other services by the Research group include

Funds & Fixed Income Research

- ☞ Mutual fund rankings
- ☞ Wealth Tracking and Financial Planning tools for asset managers, wealth managers and IFAs
- ☞ Valuation for all debt instruments
- ☞ Developing and maintaining debt and hybrid indices
- ☞ Consultancy and research support to retirement funds

Industry & Customized Research

- ☞ Provide comprehensive research coverage across 65 sectors
- ☞ Customised research on market sizing, demand modelling and entry strategies
- ☞ Customised research content for Information Memorandum and Offer Documents

About CRISIL Limited

CRISIL is a global analytical company providing ratings, research, and risk and policy advisory services. We are India's leading ratings agency. We are also the foremost provider of high-end research to the world's largest banks and leading corporations.

About CRISIL Research

CRISIL Research is the country's largest independent and integrated research house with strong domain expertise on Indian economy, industries and capital markets. We leverage our unique research platform and capabilities to deliver superior perspectives and insights to over 1200 domestic and global clients, through a range of research reports, analytical tools, subscription products and customised solutions.

To know more about CRISIL IER, please contact our team members:

Vinaya Dongre – Head, Business Development
Email : vdongre@crisil.com I Phone : 9920225174

Ashish Sethi – Head, Business Development
Email : asethi@crisil.com I Phone : 9920807575

Sagar Sawarkar – Senior Manager, Business Development
Email : ssawarkar@crisil.com I Phone : 9821638322

Regional Contacts:

Ahmedabad / Mumbai / Pune

Vishal Shah - Manager, Business Development
Email : vishah@crisil.com I Phone : 9820598908

Hyderabad

Kaliprasad Ponnuru - Manager, Business Development
Email : kponnuru@crisil.com I Phone : 9642004668

Bengaluru / Chennai

Anand Krishnamoorthy - Manager, Business Development
Email : ankrishnamoorthy@crisil.com I Phone : 9884704111

Kolkata / Delhi

Priyanka Agarwal - Manager, Business Development
Email : privyagarwal@crisil.com I Phone : 9903060685



Head Office: CRISIL House, Central Avenue, Hiranandani Business Park,
Powai, Mumbai - 400 076
Phone : 91-22-3342 3000

Web: www.crisil.com
Download reports from: www.ier.co.in