Supreme Petro hits record high in a weak market; up 38% thus far in April

Shares of Superme Petrochem (SPL) hit an all-time high of Rs 580 on the BSE after rallying 12 per cent in intra-day trade on Monday in an otherwise weak market. The stock surpassed its previous high of Rs 534.95, touched on April 12.

At 12:04 pm, it was trading 6 per cent higher at Rs 549, as compared to 2.4 per cent decline in the S&P BSE Sensex. Thus far in the month of April, the market price of Supreme Petrochem jumped 38 per cent, against 3.6 per cent fall in the benchmark index.

SPL is promoted by Supreme Industries and the Rajan Raheja group with 30.78 per cent stake each. The company manufactures polystyrene (PS), expandable polystyrene (EPS) and Extruded Polystyrene (XPS). It has a polystyrene manufacturing plant at Nagothane in Raigad, Maharashtra, set up in technical collaboration with ABB Lumus Crest (USA). Apart from the primary business of polystyrene and EPS production, SPL imports styrene monomer and trades in the domestic market.

On April 10, SPL said that the rating agency CRISIL has assigned its ‘CRISIL AA-/Stable/CRISIL A1+’ ratings to the bank facilities of the company. The rating reflects the market leadership of the company in the domestic polystyrene industry, its diversified product portfolio sand sound financial risk profile. These strengths are partially offset by susceptibility to volatility in raw material prices, CRISIL said in rating rationale.

The fire incident resulting in closure of plant of the second largest manufacturer in India created a demand-supply mismatch in the domestic market. This resulted in higher volume for SPL. The improved spread between the prices of polystyrene and styrene, the key raw material, helped increase operating margin to 18 per cent in the first nine months of fiscal 2021 from 5 per cent in fiscal 2020. SPL’s capacity expansion plans in the polystyrene and expandable polystyrene (EPS) segments, along with healthy demand, will support healthy volume growth over the medium term. Operating margin is expected at 6-10 per cent, in line with movements in styrene prices, the rating agency said.

CRISIL further said the financial risk profile remains strong, with nil debt and healthy cash accrual. Planned capital expenditure (capex) of Rs 250 crore over fiscals 2021 and 2022 will be funded entirely through internal accrual. SPL is also likely to maintain cash and equivalent of Rs 350-400 crore over the medium term. CRISIL Ratings believes SPL will maintain its strong financial risk profile and debt-free balance sheet over the medium term. The company completed a share buyback of Rs 62 crore in fiscal 2021 and announced equity reduction of Rs 57 crore for fiscal 2022.

Market