

BUY

TP: Rs 4,500 | ▲ 28%

SUPREME INDUSTRIES

Building Materials

24 April 2025

Realistic pipe volume growth guidance of 10-12% for FY26

- Missed EBITDA estimate by 3% on weak pipe volume (+2.2% YoY vs +30% guidance), but beats PAT estimate by 3.5% on lower tax rate
- Target revenue to grow at 15% YoY with EBITDA margin of 14.5-15.5% for FY26 — appears to be a realistic guidance
- Maintain BUY on strong earnings growth prospects with healthy return ratio; TP cut by 13% to Rs 4,500 per share

Utkarsh Nopany

research@bobcaps.in

Broadly in-line Q4: SI slightly missed our EBITDA estimate by 3% on account of lower-than-expected pipe sales volume (+2.2% YoY vs +10.0% estimated); still managed to beat our APAT estimates by 3.5% due to a lower effective tax rate (19.9% vs 25.2% estimated). Overall, SI's revenue marginally grew by 0.6% YoY, but EBITDA/APAT de-grew by 15.2%/17.2% YoY in Q4FY25.

Key highlights: SI gained market share in the pipe segment as its pipe volume grew by 6.0% YoY (vs 6% de-growth for the industry) in FY25. CPVC pipe volume grew by 21% YoY in FY25. Non-pipe volume grew by 3.4% in FY25, driven by the packaging segment (+9.9%). Consolidated EBITDA margin was down 156bps YoY to 13.7% in FY25, mainly due to impact of MTM inventory loss (Rs 1.5bn). Excluding MTM inventory loss, adjusted EBITDA margin was down only 13bps YoY to 15.1% in FY25. Net-cash position has risen from Rs 2.9bn in Dec'24 to Rs 9.4bn in Mar'25, to efficient working capital management.

Concall KTAs: Management guided its revenue to grow at 15% YoY with EBITDA margin of 14.5-15.5% for FY26. The company expects pipe volume to grow at 10-12% rate (including the impact of Wavin acquisition) for FY26. Capex has gone up by 29% YoY to Rs 8.9bn in FY25, to increase its pipe capacity from 740 ktpa in Mar'24 to 870 ktpa in Mar'25. The company plans to spend Rs 11bn in FY26 to further increase its capacity to 1,000 ktpa by Mar'26 (which includes Wavin pipe capacity of 73 ktpa). SI has put its two greenfield pipe plant capex on hold, as it is in the process of acquiring a large piece of land in Jammu and is awaiting for clarity on government incentives program in Bihar.

Maintain BUY; cut TP by 13% to Rs 4,500: We maintain BUY rating as we see the EPS growing at a healthy 22.0% CAGR with an average ROIC profile of 35.7% over FY26E-FY27E. We have cut our TP to Rs 4,500 (earlier Rs 5,150) due to earnings downgrade (-9.3%/-8.5% for FY26E/FY27E), based on a weak Q4FY25 as well as cut in our target P/E multiple (from 45x to 40x). At CMP, the stock trades at 37.5x on 1YF P/E vs 5Y average of 37.1x. We have rolled forward our valuation multiple from Dec'26 to Mar'27.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	SI IN/Rs 3,512
Market cap	US\$ 5.2bn
Free float	51%
3M ADV	US\$ 10.6mn
52wk high/low	Rs 6,460/Rs 3,095
Promoter/FPI/DII	49%/23%/13%

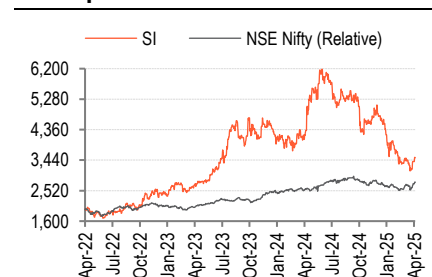
Source: NSE | Price as of 24 Apr 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	104,463	119,198	135,553
EBITDA (Rs mn)	14,317	17,715	21,368
Adj. net profit (Rs mn)	9,609	11,667	14,294
Adj. EPS (Rs)	75.6	91.8	112.5
Consensus EPS (Rs)	75.6	99.4	116.3
Adj. ROAE (%)	17.8	19.4	21.0
Adj. P/E (x)	46.4	38.2	31.2
EV/EBITDA (x)	31.8	25.8	21.3
Adj. EPS growth (%)	(10.2)	21.4	22.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly performance – Consolidated

Particulars (Rs mn)	Q4FY25	Q4FY24	YoY (%)	Q2FY25	QoQ (%)	FY25	FY24	YoY (%)	BOBCAPS Q3FY25E	Variance (%)
Revenue	30,271	30,079	0.6	25,099	20.6	104,463	101,343	3.1	31,639	(4.3)
Raw-Material expense	21,332	20,262	5.3	17,289	23.4	71,465	68,584	4.2		
Gross Profit	8,939	9,817	(8.9)	7,810	14.5	32,998	32,759	0.7		
Employee expense	1,310	1,233	6.3	1,152	13.7	4,873	4,422	10.2		
Energy cost	843	863	(2.3)	895	(5.9)	3,425	3,288	4.1		
Other expense	2,623	2,815	(6.8)	2,674	(1.9)	10,384	9,576	8.4		
EBITDA	4,163	4,907	(15.2)	3,088	34.8	14,317	15,473	(7.5)	4,291	(3.0)
D&A	914	772	18.4	913	0.1	3,586	2,984	20.2		
EBIT	3,249	4,135	(21.4)	2,175	49.4	10,730	12,490	(14.1)		
Interest cost	30	77	(61.5)	30	(0.3)	119	161	(26.2)		
Non-operating income/(expense)	125	181	(31.2)	89	39.9	578	657	(12.0)		
Share of profit/(loss) from associate	328	407	(19.5)	220	49.2	1,201	1,069	12.4		
PBT	3,672	4,646	(21.0)	2,454	49.6	12,390	14,054	(11.8)		
Tax	732	1,097	(33.3)	584	25.3	2,782	3,357	(17.1)		
Reported PAT	2,939	3,548	(17.2)	1,870	57.2	9,609	10,697	(10.2)	2,840	3.5
Adjusted PAT	2,939	3,548	(17.2)	1,870	57.2	9,609	10,697	(10.2)		
As % of net revenues			(bps)		(bps)			(bps)		
Gross margin	29.5	32.6	(311)	31.1	(158)	31.6	32.3	(74)		
Employee cost	4.3	4.1	23	4.6	(26)	4.7	4.4	30		
Energy cost	2.8	2.9	(8)	3.6	(78)	3.3	3.2	3		
Other cost	8.7	9.4	(69)	10.7	(199)	9.9	9.4	49		
EBITDA margin	13.8	16.3	(256)	12.3	145	13.7	15.3	(156)		
Tax rate	19.9	23.6	(368)	23.8	(387)	22.4	23.9	(143)		
APAT margin	9.7	11.8	(209)	7.4	226	9.2	10.6	(136)		

Source: Company, BOBCAPS Research

Fig 2 – Segment Financials

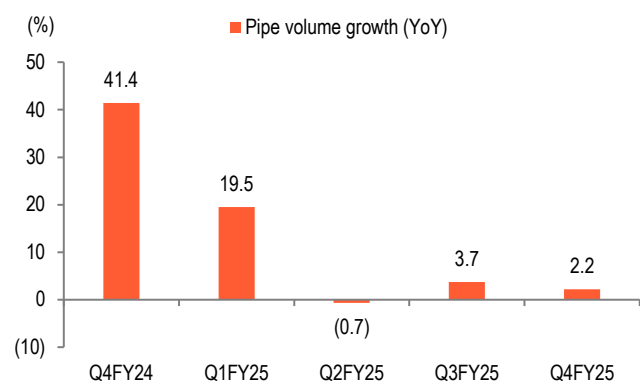
Particulars	Q4FY25	Q4FY24	YoY (%)	Q2FY25	QoQ (%)	FY25	FY24	YoY (%)
Revenue (Rs mn)								
Pipe	20,741	21,525	(3.6)	16,649	24.6	70,353	69,316	1.5
Industrial	3,464	3,516	(1.5)	3,324	4.2	13,127	13,078	0.4
Packaging	4,261	3,764	13.2	3,982	7.0	15,923	14,057	13.3
Consumer	1,361	1,184	15.0	1,064	27.9	4,436	4,410	0.6
Others	444	90	391.0	79	459.8	624	482	29.5
Total	30,271	30,079	0.6	25,099	20.6	104,463	101,343	3.1
Sales Volume (KTPA)								
Pipe	162.2	158.8	2.2	126.5	28.2	531.1	501.0	6.0
Industrial	15.8	16.9	(6.3)	15.5	2.2	61.4	61.9	(0.9)
Packaging	16.7	15.1	10.8	16.3	2.5	64.3	58.5	9.9
Consumer	5.1	4.7	10.6	4.5	15.2	17.7	18.3	(2.8)
Total	199.9	195.4	2.3	162.7	22.8	674.5	639.7	5.4
Realization (Rs/kg)								
Pipe	128	136	(5.7)	132	(2.8)	132	138	(4.3)
Industrial	219	208	5.1	215	2.0	214	211	1.3
Packaging	255	250	2.1	245	4.4	248	240	3.1
Consumer	265	254	4.0	238	11.0	250	242	3.5
Total	149.2	153.5	(2.8)	153.7	(2.9)	154	158	(2.4)
Adjusted EBITDA (Rs mn)								
Pipe	2,812	3,437	(18.2)	2,029	38.6	9,897	10,943	(9.6)
Industrial	442	485	(8.9)	362	22.1	1,460	1,492	(2.2)
Packaging	689	796	(13.5)	560	23.1	2,319	2,350	(1.3)
Consumer	267	247	8.3	211	26.8	889	920	(3.3)
Others	(48)	(59)	(19.3)	(73)	(34.7)	(249)	(232)	7.2
Total	4,163	4,907	(15.2)	3,088	34.8	14,317	15,473	(7.5)
EBITDA margin								
Pipe	13.6	16.0	(241)	12.2	137	14.1	15.8	(172)
Industrial	12.8	13.8	(105)	10.9	187	11.1	11.4	(29)
Packaging	16.2	21.2	(499)	14.1	212	14.6	16.7	(215)
Consumer	19.6	20.9	(121)	19.8	(17)	20.0	20.9	(81)
Total	13.8	16.3	(256)	12.3	145	13.7	15.3	(156)
EBITDA (Rs/kg)								
Pipe	17.3	21.6	(19.9)	16.0	8.1	18.6	21.8	(14.7)
Industrial	27.9	28.8	(2.8)	23.4	19.5	23.8	24.1	(1.3)
Packaging	41.3	52.9	(22.0)	34.4	20.2	36.1	40.2	(10.2)
Consumer	52.0	53.1	(2.0)	47.2	10.1	50.1	50.4	(0.5)
Total	20.8	25.1	(17.1)	19.0	9.8	21.2	24.2	(12.3)

Source: Company, BOBCAPS Research

Earnings call highlights

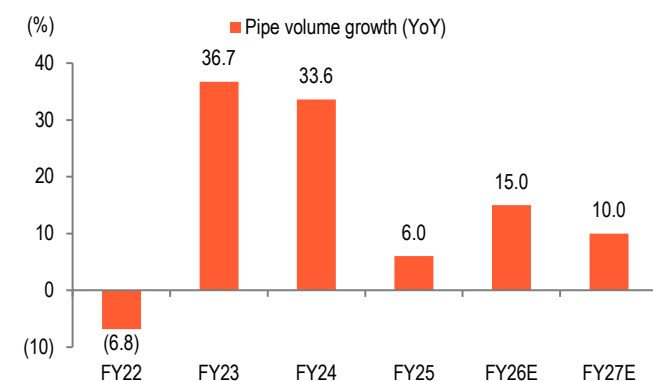
- **Plastic pipes:** EBITDA was down 18.2% YoY in Q4FY25, due to weak sales volume (+2.2% YoY) and margin pressure (-241 bps YoY to 13.6%) on account of falling resin prices. Management believes that PVC resin price has bottomed out and expects a recovery in resin prices going ahead. The company expects its pipe volume to grow at 10-12% rate in FY26 (including the impact of Wavin acquisition) in anticipation of the restocking of inventories in the channel as well as healthy demand to come across end user industries (agriculture/housing in anticipation of good monsoon and affordable resin prices and infra on sharp increase in government budgeted program for Jal Jeevan Mission program).
- **Industrial:** Segment volume de-grew by 6.3% YoY in Q4FY25, mainly due to higher sales of e-voting machines last year. Segment EBITDA margin also fell by 105bps YoY to 12.8% in Q4FY25.
- **Packaging:** Segment volume grew by 10.8% YoY in Q4FY25, due to increased demand for cross-laminated films and protective packaging. However, segment EBITDA margin was down by 499bps YoY to 16.2% in Q4FY25. Management expects protective packaging revenue to grow at 17.6% YoY to ~Rs 10bn in FY26.
- **Consumer:** Segment volume grew by 10.6% YoY in Q4FY25. However, segment EBITDA margin contracted by 121bps to 19.6% YoY in Q4FY25.
- **Wavin India:** The company expects the acquisition to be completed by the end of Q1FY26. Wavin booked revenue of ~Rs 5bn in CY24. SI expects pipe volume contribution of 25-30 kt from Wavin in 9MFY26. The company also expects the Wavin pipe business margin to improve near to the company level by FY27.
- **Guidance:** Management guided its revenue to grow at 15% YoY with EBITDA margin of 14.5-15.5% for FY26. Based on FY25 performance and considering the impact of Wavin acquisition, we believe the company's guidance appears to be a realistic target for FY26.
- **Capex:** Total capex outlay went up by 29% YoY to Rs 8.9bn in FY25, mainly to increase pipe capacity from 740 ktpa in Mar'24 to 870 ktpa in Mar'25. The company plans to spend Rs 11bn in FY26 to further ramp up capacity to 1 MTPA by Mar'26 (which includes recently acquired Wavin pipe capacity of 73,000 MTPA). The entire capex will be funded out of internal accrual. SI has put its two greenfield pipe plant capex on hold, as it is in the process of acquiring a large piece of land in Jammu and awaiting clarity on government incentives program in Bihar.
- **Net cash:** Net cash position has gone up from Rs 2.9bn Dec'24 to Rs 9.4bn in Mar'25, due to efficient working capital management.
- **MTM inventory loss:** The company booked MTM inventory loss of Rs 1.5bn in FY25, due to falling resin prices.
- **Value-added products (VAP):** VAP share as a % of revenue has increased by 294bps YoY to 42.5% in Q4FY25.
- **Share of profit from associate (Supreme Petrochem):** Share of profit from associates fell by 19.5% YoY in Q4FY25.

Fig 3 – Pipe volumes grew at a muted pace of 2.2% YoY in Q4FY25 due to volatile resin prices



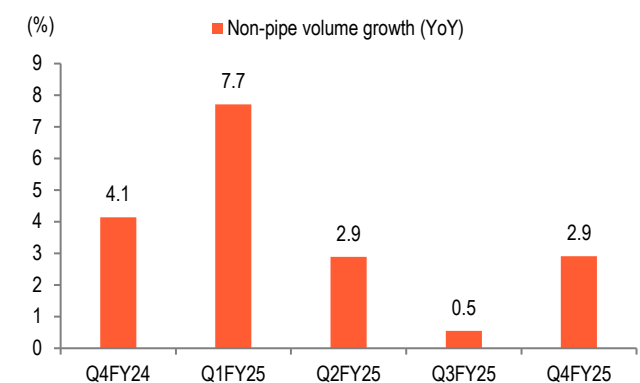
Source: Company, BOBCAPS Research

Fig 4 – Pipe volume to grow at 12.5% CAGR over FY25-FY27E due to benefit of aggressive capex



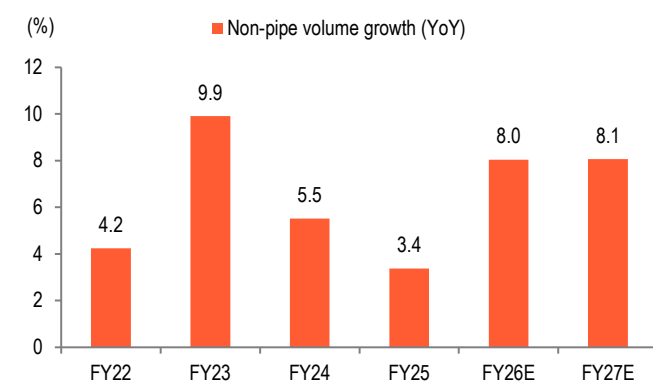
Source: Company, BOBCAPS Research

Fig 5 – Non-pipe volumes grew at 2.9% YoY in Q4FY25, mainly driven by packaging segment



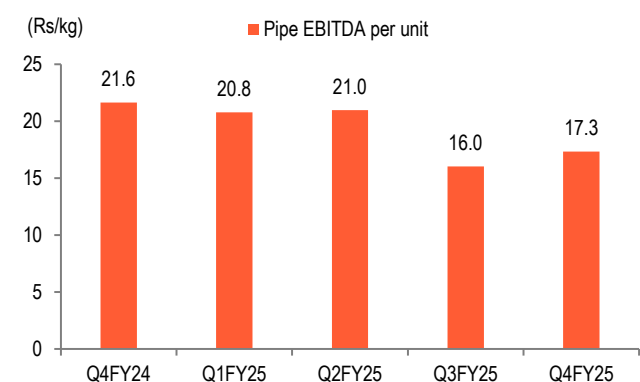
Source: Company, BOBCAPS Research

Fig 6 – SI's non-pipe volume to grow at 8.1% CAGR over FY25-FY27E over a weak base



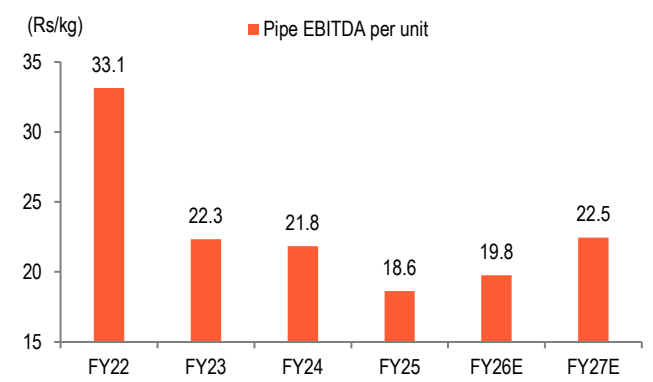
Source: Company, BOBCAPS Research

Fig 7 – SI's pipe EBITDA per unit up by 8.1% QoQ to Rs 17.3/kg in Q4FY25 on improved mix and operating leverage



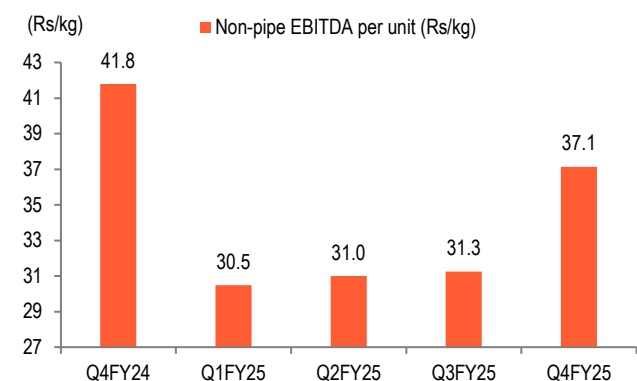
Source: Company, BOBCAPS Research

Fig 8 – We expect SI pipe EBITDA per unit to improve to Rs22.5/kg by FY27E



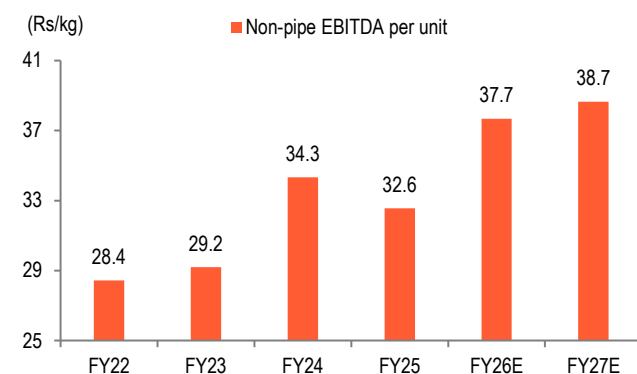
Source: Company, BOBCAPS Research

Fig 9 – Non-pipe EBITDA per unit was down 11% YoY in Q4FY25, due to lower polymer prices



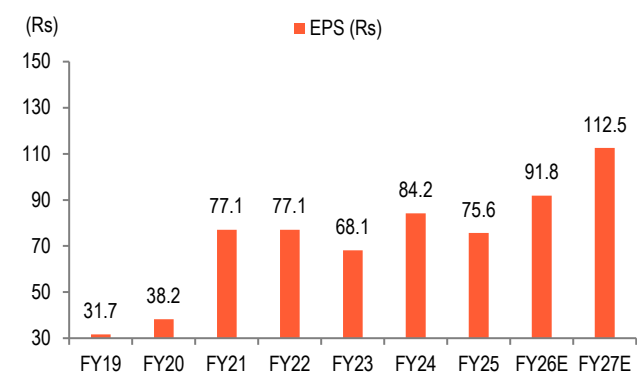
Source: Company, BOBCAPS Research

Fig 10 – SI non-pipe EBITDA per unit to improve to Rs38.7/kg by FY27E



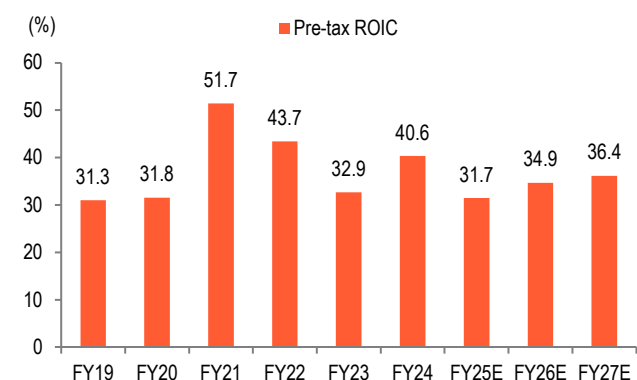
Source: Company, BOBCAPS Research

Fig 11 – SI's EPS is projected to grow at a healthy 22.0% CAGR over FY25-FY27E



Source: Company, BOBCAPS Research

Fig 12 – SI's pre-tax ROIC to remain healthy at >30% over FY26E-FY27E



Source: Company, BOBCAPS Research

Valuation methodology

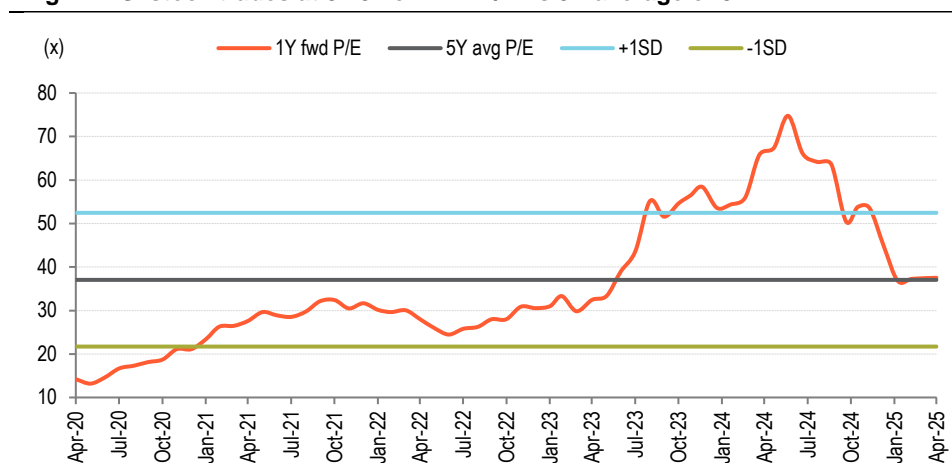
We maintain BUY as we see the EPS growing at a healthy 22.0% CAGR with an average ROIC profile of 35.7% over FY26E-FY27E. We have cut our TP to Rs 4,500 (earlier Rs 5,150), due to earnings downgrade (-9.3%/-8.5% for FY26E/FY27E) based on a weak Q4FY25 as well as cut in our target P/E multiple (from 45x to 40x). At CMP, the stock trades at 37.5x on 1YF P/E vs 5Y average of 37.1x. We have rolled forward our valuation multiple from Dec'26 to Mar'27.

Fig 13 – Revised estimates

Consolidated (Rs bn)	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	119.2	135.6	128.3	149.3	(7.1)	(9.2)
EBITDA	17.7	21.4	19.5	23.3	(9.0)	(8.4)
EBITDA margin	14.9	15.8	15.2	15.6	(31bps)	13bps
Adjusted PAT	11.7	14.3	12.9	15.6	(9.3)	(8.5)
Adjusted EPS (Rs)	91.8	112.5	101.3	123.0	(9.3)	(8.5)

Source: BOBCAPS Research

Fig 14 – SI stock trades at 37.5x on 1YF P/E vs 5Y average of 37.1x



Source: Bloomberg, BOBCAPS Research

Fig 15 – Key assumptions

Parameters (%)	FY23A	FY24A	FY25A	FY26E	FY27E
Revenue mix					
Pipe	65.6	68.4	67.3	67.3	68.0
Packaging	14.3	13.9	15.2	15.2	14.7
Industrial	14.6	12.9	12.6	12.8	12.7
Consumer	4.8	4.4	4.2	4.3	4.1
Sales volume growth					
Pipe	36.7	33.6	6.0	15.0	10.0
Packaging	0.1	7.9	9.9	7.0	7.0
Industrial	22.8	5.0	(0.9)	10.0	10.0
Consumer	4.8	0.0	(2.8)	5.0	5.0
Total	28.6	26.3	5.4	13.5	9.6
Average realization growth	(7.5)	(12.6)	(2.4)	0.6	3.8
EBITDA margin					
Pipe	13.9	15.8	14.1	15.1	16.4
Packaging	10.5	16.7	14.6	16.0	16.0
Industrial	11.9	11.4	11.1	12.8	12.8
Consumer	19.0	20.9	20.0	19.6	19.6
Total	13.0	15.3	13.7	14.9	15.8

Source: Company, BOBCAPS Research

Key risks

Key risks to our estimates are:

- slow recovery in the real estate sector, and
- market share loss in plastic pipes

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Total revenue	92,016	101,343	104,463	119,198	135,553
EBITDA	11,997	15,473	14,317	17,715	21,368
Depreciation	2,634	2,984	3,586	3,803	4,246
EBIT	9,363	12,490	10,730	13,912	17,123
Net interest inc./(exp.)	(80)	(161)	(119)	(119)	(119)
Other inc./(exp.)	298	657	578	498	498
Exceptional items	0	0	0	0	0
EBT	9,580	12,985	11,190	14,291	17,502
Income taxes	2,460	3,357	2,782	3,924	4,808
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	1,533	1,069	1,201	1,300	1,600
Reported net profit	8,653	10,697	9,609	11,667	14,294
Adjustments	0	0	0	0	0
Adjusted net profit	8,653	10,697	9,609	11,667	14,294

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Accounts payables	9,038	10,156	8,934	10,195	11,593
Other current liabilities	2,237	2,410	4,100	4,100	4,100
Provisions	85	162	109	124	141
Debt funds	0	0	0	0	0
Other liabilities	1,562	1,741	1,931	1,931	1,931
Equity capital	254	254	254	254	254
Reserves & surplus	43,767	50,834	56,350	63,189	72,147
Shareholders' fund	44,021	51,088	56,604	63,443	72,401
Total liab. and equities	56,942	65,557	71,678	79,793	90,166
Cash and cash eq.	7,461	11,873	9,525	9,021	10,884
Accounts receivables	4,924	5,114	5,401	6,163	7,008
Inventories	13,856	13,586	13,337	15,218	17,306
Other current assets	2,546	2,301	2,797	3,192	3,630
Investments	5,713	6,254	6,906	6,906	6,906
Net fixed assets	19,764	21,801	25,010	30,591	35,729
CWIP	1,129	2,363	5,926	5,926	5,926
Intangible assets	878	1,472	1,724	1,724	1,724
Deferred tax assets, net	0	0	0	0	0
Other assets	672	793	1,053	1,053	1,053
Total assets	56,942	65,557	71,678	79,793	90,166

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash flow from operations	10,762	14,937	12,547	13,329	16,205
Capital expenditures	(4,753)	(6,849)	(10,610)	(9,384)	(9,384)
Change in investments	(954)	(542)	(652)	0	0
Other investing cash flows	298	657	578	498	498
Cash flow from investing	(5,409)	(6,734)	(10,684)	(8,886)	(8,886)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	(80)	(161)	(119)	(119)	(119)
Dividends paid	(3,303)	(3,812)	(4,320)	(4,828)	(5,336)
Other financing cash flows	228	181	227	0	0
Cash flow from financing	(3,156)	(3,791)	(4,212)	(4,947)	(5,455)
Chg in cash & cash eq.	2,197	4,412	(2,349)	(504)	1,863
Closing cash & cash eq.	7,461	11,873	9,524	9,021	10,884

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25A	FY26E	FY27E
Reported EPS	68.1	84.2	75.6	91.8	112.5
Adjusted EPS	68.1	84.2	75.6	91.8	112.5
Dividend per share	26.0	30.0	34.0	38.0	42.0
Book value per share	346.5	402.1	445.5	499.4	569.9

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25A	FY26E	FY27E
EV/Sales	4.9	4.5	4.4	3.8	3.4
EV/EBITDA	37.7	29.2	31.8	25.8	21.3
Adjusted P/E	51.6	41.7	46.4	38.2	31.2
P/BV	10.1	8.7	7.9	7.0	6.2

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25A	FY26E	FY27E
Tax burden (Net profit/PBT)	90.3	82.4	85.9	81.6	81.7
Interest burden (PBT/EBIT)	102.3	104.0	104.3	102.7	102.2
EBIT margin (EBIT/Revenue)	10.2	12.3	10.3	11.7	12.6
Asset turnover (Rev./Avg TA)	161.6	154.6	145.7	149.4	150.3
Leverage (Avg TA/Avg Equity)	1.4	1.4	1.3	1.3	1.3
Adjusted ROAE	21.0	22.5	17.8	19.4	21.0

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25A	FY26E	FY27E
YoY growth (%)					
Revenue	18.4	10.1	3.1	14.1	13.7
EBITDA	(4.5)	29.0	(7.5)	23.7	20.6
Adjusted EPS	(11.7)	23.6	(10.2)	21.4	22.5

Profitability & Return ratios (%)

EBITDA margin	13.0	15.3	13.7	14.9	15.8
EBIT margin	10.2	12.3	10.3	11.7	12.6
Adjusted profit margin	9.4	10.6	9.2	9.8	10.5
Adjusted ROAE	21.0	22.5	17.8	19.4	21.0
ROCE	21.9	25.7	20.0	22.7	24.3

Working capital days (days)

Receivables	20	18	19	19	19
Inventory	55	49	47	47	47
Payables	36	37	31	31	31

Ratios (x)

Gross asset turnover	2.5	2.4	2.2	2.1	2.1
Current ratio	2.5	2.6	2.4	2.3	2.5
Net interest coverage ratio	116.7	77.5	90.2	117.1	144.1
Adjusted debt/equity	(0.2)	(0.2)	(0.2)	(0.1)	(0.2)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Name of the Research Entity: **BOB Capital Markets Limited**

Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**

Brand Name: **BOBCAPS**

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BUY – Expected return >+15%

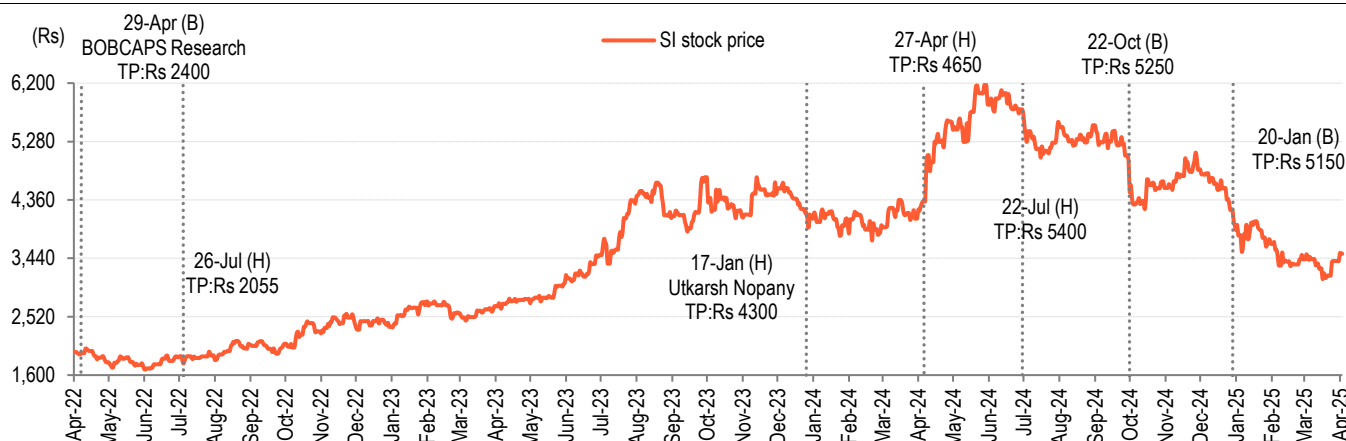
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): SUPREME INDUSTRIES (SI IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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