

BUY**TP: Rs 5,150 | ▲ 55%****SUPREME INDUSTRIES**

| Building Materials

| 11 March 2025

Wavin acquisition to bolster SI's market share and return ratios

- Wavin acquisition will enable SI to gain market share in North and South India
- Wavin acquisition to be return-accretive step for SI as acquisition cost per tonne is Rs 35,892/t vs industry benchmark of Rs50,000-60,000/t
- SI remains our preferred pick in plastic pipe space; maintain BUY with TP of Rs 5,150

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Please find our take on SI's announcement of the acquisition of pipes & fittings business of Wavin India.

News update: SI signed an MoU with Wavin Industries (Wavin) on 10 March 2025 for the acquisition of its Indian piping and fittings business for a cash consideration of US\$ 30mn plus net working capital. SI will have exclusive access to all existing technologies from Wavin B.V. – Netherlands (parent company) and other new technologies to be developed during a period of seven years for India and SAARC countries. The deal is expected to be completed by Jun'25.

About Wavin: Wavin, part of Netherland-based Orbia group, started the plastic pipe business in India in 2017 and operates pipes and fittings capacity of 73,052mtpa at three locations (Banmore, Madhya Pradesh; Hyderabad, Telangana; Neemrana, Rajasthan). Wavin reported operating loss of Rs 959mn (Rs 716mn in FY23) on revenue of Rs 6,232mn in FY24 (Rs 6,674mn in FY23). In 7MFY25, Wavin posted operating loss of Rs 684mn on revenue of Rs 4,129mn due to low operating rate.

Rationale for acquisition: This acquisition will enable SI to expand its piping manufacturing capacity from 820ktpa in Dec'24 to 973ktpa by Jun'25. It will help SI to cater to North and South India in a more economical and efficient manner. SI will have access to improved technology for building product and infrastructure segment from Wavin (parent) for the next seven years. Furthermore, SI's management believes that it could quickly turnaround the operations of the acquired entity by the fast ramp up of the existing plant capacity and could add more capacities at the existing site in a cost-effective way due to brownfield nature of expansion.

Our view: We believe this acquisition would enable SI to further expand its market share and be a return-accretive step (as the acquisition cost per tonne is estimated to be Rs 35,892/t vs the industry benchmark of Rs 50,000-60,000/t). SI remains our top pick in the plastic pipe space. We have a BUY rating on the stock with a TP of Rs 5,150. At CMP, the stock trades at 33.2x on 1Y fwd P/E vs 5Y avg of 34.9x (without factoring this acquisition in our projections).

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	SI IN/Rs 3,319
Market cap	US\$ 4.8bn
Free float	51%
3M ADV	US\$ 11.3mn
52wk high/low	Rs 6,460/Rs 3,284
Promoter/FPI/DII	49%/25%/12%

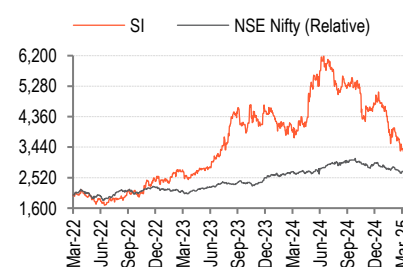
Source: NSE | Price as of 10 Mar 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	101,343	110,566	128,330
EBITDA (Rs mn)	15,473	15,649	19,472
Adj. net profit (Rs mn)	10,697	10,411	12,869
Adj. EPS (Rs)	84.2	81.9	101.3
Consensus EPS (Rs)	84.2	93.5	112.1
Adj. ROAE (%)	22.5	19.2	21.0
Adj. P/E (x)	39.4	40.5	32.8
EV/EBITDA (x)	27.7	27.6	22.2
Adj. EPS growth (%)	23.6	(2.7)	23.6

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Total revenue	92,016	101,343	110,566	128,330	149,268
EBITDA	11,997	15,473	15,649	19,472	23,332
Depreciation	2,634	2,984	3,585	4,042	4,514
EBIT	9,363	12,490	12,064	15,429	18,818
Net interest inc./(exp.)	(80)	(161)	(122)	(131)	(131)
Other inc./(exp.)	298	657	604	600	600
Exceptional items	0	0	0	0	0
EBT	9,580	12,985	12,546	15,898	19,287
Income taxes	2,460	3,357	3,308	4,329	5,257
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	1,533	1,069	1,173	1,300	1,600
Reported net profit	8,653	10,697	10,411	12,869	15,630
Adjustments	0	0	0	0	0
Adjusted net profit	8,653	10,697	10,411	12,869	15,630

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Accounts payables	9,038	10,156	11,149	12,941	15,052
Other current liabilities	2,237	2,410	2,410	2,410	2,410
Provisions	85	162	178	207	240
Debt funds	0	0	0	0	0
Other liabilities	1,562	1,741	1,741	1,741	1,741
Equity capital	254	254	254	254	254
Reserves & surplus	43,767	50,834	56,925	64,967	75,260
Shareholders' fund	44,021	51,088	57,179	65,221	75,514
Total liab. and equities	56,942	65,557	72,658	82,519	94,958
Cash and cash eq.	7,461	11,873	10,602	10,817	13,422
Accounts receivables	4,924	5,114	5,580	6,476	7,533
Inventories	13,856	13,586	14,822	17,204	20,011
Other current assets	2,546	2,301	2,555	2,966	3,450
Investments	5,713	6,254	6,254	6,254	6,254
Net fixed assets	19,764	21,801	28,216	34,174	39,660
CWIP	1,129	2,363	2,363	2,363	2,363
Intangible assets	878	1,472	1,472	1,472	1,472
Deferred tax assets, net	0	0	0	0	0
Other assets	672	793	793	793	793
Total assets	56,942	65,557	72,658	82,519	94,958

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow from operations	10,762	14,937	12,567	14,574	17,472
Capital expenditures	(4,753)	(6,849)	(10,000)	(10,000)	(10,000)
Change in investments	(954)	(542)	0	0	0
Other investing cash flows	298	657	604	600	600
Cash flow from investing	(5,409)	(6,734)	(9,396)	(9,400)	(9,400)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	(80)	(161)	(122)	(131)	(131)
Dividends paid	(3,303)	(3,812)	(4,320)	(4,828)	(5,336)
Other financing cash flows	228	181	0	0	0
Cash flow from financing	(3,156)	(3,791)	(4,442)	(4,959)	(5,467)
Chg in cash & cash eq.	2,197	4,412	(1,271)	215	2,605
Closing cash & cash eq.	7,461	11,873	10,602	10,817	13,422

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
Reported EPS	68.1	84.2	81.9	101.3	123.0
Adjusted EPS	68.1	84.2	81.9	101.3	123.0
Dividend per share	26.0	30.0	34.0	38.0	42.0
Book value per share	346.5	402.1	450.1	513.3	594.4

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
EV/Sales	4.7	4.2	3.9	3.4	2.9
EV/EBITDA	35.7	27.7	27.6	22.2	18.5
Adjusted P/E	48.7	39.4	40.5	32.8	27.0
P/BV	9.6	8.3	7.4	6.5	5.6

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	90.3	82.4	83.0	80.9	81.0
Interest burden (PBT/EBIT)	102.3	104.0	104.0	103.0	102.5
EBIT margin (EBIT/Revenue)	10.2	12.3	10.9	12.0	12.6
Asset turnover (Rev./Avg TA)	161.6	154.6	152.2	155.5	157.2
Leverage (Avg TA/Avg Equity)	1.4	1.4	1.3	1.3	1.3
Adjusted ROAE	21.0	22.5	19.2	21.0	22.2

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	18.4	10.1	9.1	16.1	16.3
EBITDA	(4.5)	29.0	1.1	24.4	19.8
Adjusted EPS	(11.7)	23.6	(2.7)	23.6	21.4

Profitability & Return ratios (%)

EBITDA margin	13.0	15.3	14.2	15.2	15.6
EBIT margin	10.2	12.3	10.9	12.0	12.6
Adjusted profit margin	9.4	10.6	9.4	10.0	10.5
Adjusted ROAE	21.0	22.5	19.2	21.0	22.2
ROCE	21.9	25.7	22.2	24.6	25.7

Working capital days (days)

Receivables	20	18	18	18	18
Inventory	55	49	49	49	49
Payables	36	37	37	37	37

Ratios (x)

Gross asset turnover	2.5	2.4	2.2	2.2	2.1
Current ratio	2.5	2.6	2.4	2.4	2.5
Net interest coverage ratio	116.7	77.5	98.8	117.6	143.4
Adjusted debt/equity	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)

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

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BUY – Expected return >+15%

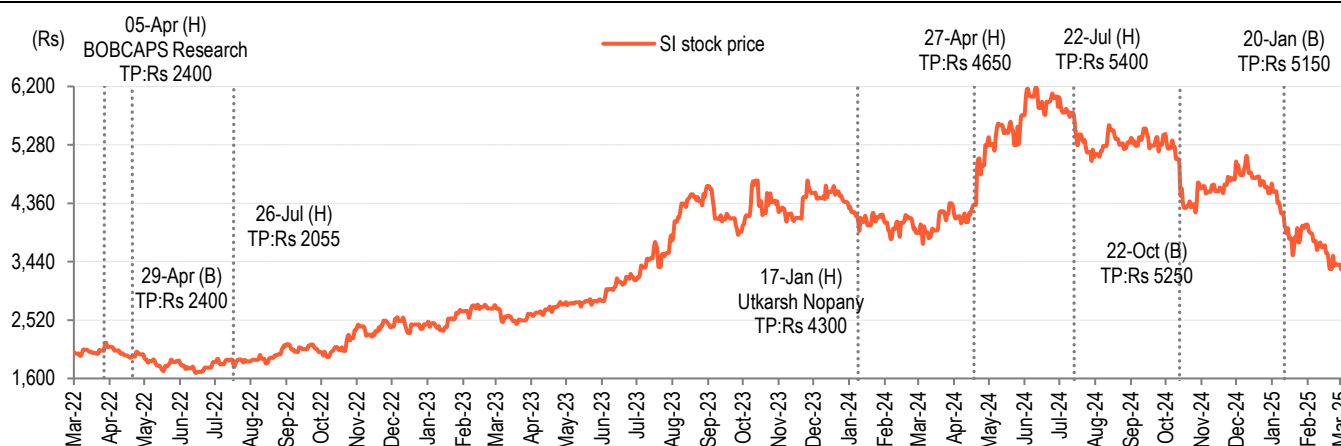
HOLD – Expected return from -6% to +15%

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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