

**HOLD****TP: Rs 4,500 | ▲ 6%****SUPREME INDUSTRIES**

Building Materials

24 July 2025

**Weak Q1; pipe growth guidance looks ambitious – D/G to HOLD**

- Sharp EBITDA miss as early monsoon dampens agri pipe demand and MTM inventory loss
- Pipe volume growth guidance revised up to 15.0-17.0% (+10.0-12.0% earlier) for FY26 — appears to be a tall task based on weak Q1
- Downgrade from BUY to HOLD, as positive outlook well baked in current valuation; TP remains unchanged at Rs 4,500 per share

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**Weak Q1:** SI Q1FY26 EBITDA came 18% below our estimates on lower-than-expected volume (+5.7% YoY vs +6.8% estimated), weak realisation (-6.3% QoQ vs -3.7% estimated) and MTM inventory loss (Rs 0.5-0.6bn). Overall, SI's revenue/EBITDA/PAT was down 1%/18%/26% YoY in Q1FY26.

**Highlights:** SI pipe volume grew by 6.1% YoY in Q1FY26 (vs 11.0% growth in 2MFY26), due to the loss of agri pipe volume on early arrival of monsoon in Jun'25. Pipe segment EBITDA was down 23.0% YoY in Q1FY26, due to steep decline in realisation (-9.1% YoY/ -5.8% QoQ) and MTM inventory loss. Non-pipe volume grew by 4.0% YoY, driven by higher packaging volume (+9.9%). Non-pipe segment EBITDA was relatively flat (-0.6% YoY). Ex-inventory loss, adjusted consolidated EBITDA margin was down only 20bps YoY to 14.5% in Q1FY26.

**Concall KTAs:** Pipe demand condition is expected to be quite better in FY26 on expectation of a healthy demand across end-user industries (agri/housing/infra) and restocking of inventories by dealers from Q2FY26 onwards (as PVC resin prices appear to have bottomed out in Q1FY26). SI has revised up its pipe volume growth guidance to 15.0-17.0% (vs 10.0-12.0% earlier) for FY26 – which appears a tall task given the high asking rate of 18.0-21.0% YoY for the remaining 9MFY26. SI anticipates its total volume to grow at 14.0-15.0% rate with EBITDA margin of 14.5-15.5% in FY26.

**D/G from BUY to HOLD with unchanged TP of Rs 4,500:** We are quite positive on the SI business prospects over the medium term as its EPS is projected to grow at a healthy 16.5% CAGR with an average ROE of 20% over FY26E-FY28E. However, we downgrade our rating from BUY to HOLD as we believe the positive outlook is quite well baked in the current stock valuation (trades at 46.2x on 1YF P/E vs 5Y average of 39.1x). We have cut our EPS estimates (-8.4%/-4.8% for FY26E/FY27E) based on weak Q1FY26 result, but have maintained TP at Rs 4,500 per share due to roll forward of our valuation to Jun'27 (Mar'27 earlier). Our target P/E multiple remains unchanged at 40x.

**Key changes**

Target	Rating
◀ ▶	▼

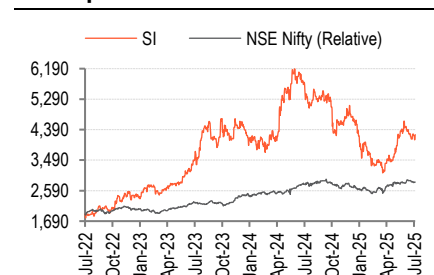
Ticker/Price	SI IN/Rs 4,243
Market cap	US\$ 6.2bn
Free float	51%
3M ADV	US\$ 14.5mn
52wk high/low	Rs 5,720/Rs 3,095
Promoter/FPI/DII	49%/22%/15%

Source: NSE | Price as of 24 Jul 2025

**Key financials**

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	104,463	111,139	129,128
EBITDA (Rs mn)	14,512	16,282	20,351
Adj. net profit (Rs mn)	9,761	10,684	13,602
Adj. EPS (Rs)	76.8	84.1	107.1
Consensus EPS (Rs)	76.8	90.4	107.2
Adj. ROAE (%)	18.1	17.9	20.4
Adj. P/E (x)	55.2	50.5	39.6
EV/EBITDA (x)	37.8	33.8	26.9
Adj. EPS growth (%)	(9.5)	9.5	27.3

Source: Company, Bloomberg, BOBCAPS Research

**Stock performance**

Source: NSE



**Fig 1 – Quarterly performance – Consolidated**

Particulars	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Revenue	26,092	26,364	(1.0)	30,271	(13.8)
Raw-Material expense	17,895	17,958	(0.4)	21,332	(16.1)
Gross Profit	8,197	8,406	(2.5)	8,939	(8.3)
Employee expense	1,349	1,213	11.2	1,310	3.0
Energy cost	726	866	(16.1)	843	(13.8)
Other expense	2,933	2,454	19.5	2,623	11.8
EBITDA	3,189	3,873	(17.7)	4,163	(23.4)
D&A	930	860	8.1	914	1.8
EBIT	2,259	3,013	(25.0)	3,249	(30.5)
Interest cost	28	33	(16.8)	30	(6.7)
Non-operating income/(expense)	169	214	(21.1)	125	35.9
Share of profit/(loss) from associate	252	375	(32.9)	328	(23.1)
PBT	2,652	3,569	(25.7)	3,672	(27.8)
Tax	629	836	(24.8)	732	(14.1)
Reported PAT	2,023	2,734	(26.0)	2,939	(31.2)
Adjusted PAT	2,023	2,734	(26.0)	2,939	(31.2)
<b>As % of net revenues</b>			<b>(bps)</b>		<b>(bps)</b>
Gross margin	31.4	31.9	(47)	29.5	189
Employee cost	5.2	4.6	57	4.3	84
Energy cost	2.8	3.3	(50)	2.8	0
Other cost	11.2	9.3	193	8.7	258
EBITDA margin	12.2	14.7	(247)	13.8	(153)
Tax rate	23.7	23.4	30	19.9	377
APAT margin	7.8	10.4	(262)	9.7	(196)

Source: Company, BOBCAPS Research

**Fig 2 – Segment Financials**

Particulars	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
<b>Revenue (Rs mn)</b>					
Pipe	17,923	18,584	(3.6)	20,741	(13.6)
Industrial	3,016	3,064	(1.6)	3,464	(12.9)
Packaging	4,016	3,681	9.1	4,261	(5.8)
Consumer	984	972	1.2	1,361	(27.7)
Others	154	63	143.2	444	(65.4)
<b>Total</b>	<b>26,092</b>	<b>26,364</b>	<b>(1.0)</b>	<b>30,271</b>	<b>(13.8)</b>
<b>Sales Volume (KTPA)</b>					
Pipe	148.8	140.2	6.1	162.2	(8.3)
Industrial	14.6	15.0	(2.1)	15.8	(7.4)
Packaging	16.2	14.7	9.9	16.7	(3.0)
Consumer	4.2	4.0	4.9	5.1	(18.4)
<b>Total</b>	<b>183.8</b>	<b>173.8</b>	<b>5.7</b>	<b>199.9</b>	<b>(8.0)</b>
<b>Realization (Rs/kg)</b>					
Pipe	120.5	132.6	(9.1)	127.8	(5.8)
Industrial	206	205	0.5	219	(6.0)
Packaging	248	250	(0.8)	255	(2.8)
Consumer	234	243	(3.5)	265	(11.4)
<b>Total</b>	<b>141.1</b>	<b>151.3</b>	<b>(6.7)</b>	<b>149.2</b>	<b>(5.4)</b>

Particulars	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
<b>EBITDA (Rs mn)</b>					
Pipe	2244	2913	(23.0)	2812	(20.2)
Industrial	266	285	(6.7)	442	(39.8)
Packaging	576	540	6.7	689	(16.4)
Consumer	180	202	(11.2)	267	(32.8)
Others	-76	-67	14.4	-48	60.4
<b>Total</b>	<b>3189</b>	<b>3873</b>	<b>(17.7)</b>	<b>4163</b>	<b>(23.4)</b>
<b>EBITDA margin</b>					
Pipe	12.5	15.7	(316)	13.6	(104)
Industrial	8.8	9.3	(48)	12.8	(393)
Packaging	14.3	14.7	(32)	16.2	(183)
Consumer	18.3	20.8	(256)	19.6	(138)
<b>Total</b>	<b>12.2</b>	<b>14.7</b>	<b>(247)</b>	<b>13.8</b>	<b>(153)</b>
<b>EBITDA (Rs/kg)</b>					
Pipe	15.1	20.8	(27.4)	17.3	(13.0)
Industrial	18.2	19.1	(4.7)	27.9	(35.0)
Packaging	35.6	36.7	(3.0)	41.3	(13.9)
Consumer	42.8	50.6	(15.4)	52.0	(17.6)
<b>Total</b>	<b>17.3</b>	<b>22.3</b>	<b>(22.1)</b>	<b>20.8</b>	<b>(16.7)</b>

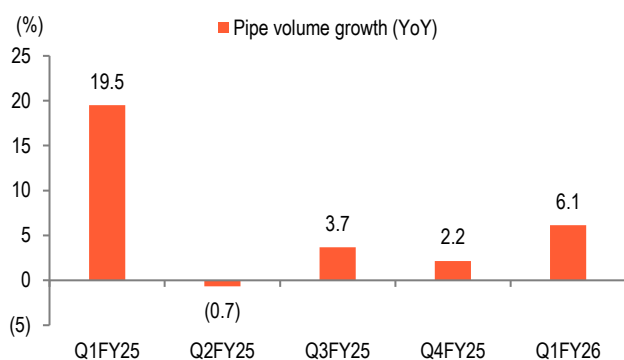
Source: Company, BOBCAPS Research

## Earnings call highlights

- **Plastic pipes:** Sales volume was up 6.1% YoY, but EBITDA was down 23.0% YoY mainly due to the impact of lower resin prices and MTM inventory loss (Rs 0.5-0.6bn). Management believes pipe demand conditions are expected to be quite better in FY26 on the expectation of a healthy demand across end-user industries (agri/housing/infra) and restocking of inventories by the dealers from Q2FY26 onwards (as PVC resin prices appear to have bottomed out in Q1FY26). The company has revised up its pipe volume growth guidance to 15.0-17.0% (vs 10.0-12.0% earlier) for FY26.
- **Industrial:** Segment volume de-grew by 2.1% YoY in Q1FY26. Segment EBITDA margin also fell by 48bps YoY to 8.8% in Q1FY26.
- **Packaging:** Segment volume grew by 9.9% YoY, due to increased demand for cross-laminated films and protective packaging. However, segment EBITDA margin was down by 32bps YoY to 14.3% in Q1FY26. Management expects protective packaging revenue to grow at 17.6% YoY to ~Rs 10bn in FY26.
- **Consumer:** Segment volume grew by 4.9% YoY in Q1FY26. However, segment EBITDA margin contracted by 256bps YoY to 18.3%.
- **Wavin India:** The company expects the acquisition to be completed by the end of July-25 at a consideration of Rs 3.1bn (including net working capital). SI expects pipe volume contribution of 30 kt from Wavin in the remaining 8MFY26. The company expects the contribution of value-added products from Wavin plant to come from FY27 onwards.
- **Guidance:** Management guided its total volume to grow at 14.0-15.0% rate with EBITDA margin of 14.5-15.5% for FY26.

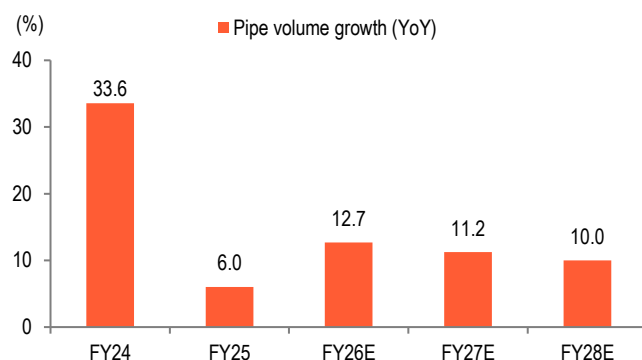
- **Capex:** The company has committed a capex of Rs 13.5bn to increase its pipe capacity from 870 ktpa in FY25 to 1.0 MTPA in FY26 and further capacity expansion in FY27. The entire capex will be funded out of internal accrual.
- **Net cash:** Net cash position has gone down from Rs 9.4bn in Mar'25 to Rs 8.6bn in Jun'25.
- **MTM inventory loss:** The company booked MTM inventory loss of Rs 0.5-0.6bn in Q1FY26 (vs nil in Q1FY25).
- **Value-added products (VAP):** VAP share as a % of revenue has increased by 80bps YoY to 36.0% in Q1FY26.
- **Share of profit from associate (Supreme Petrochem):** Share of profit from associates fell by 33% YoY in Q1FY26.

**Fig 3 – Pipe volumes grew at a muted pace (+6.1% YoY) for the 4th consecutive quarter**



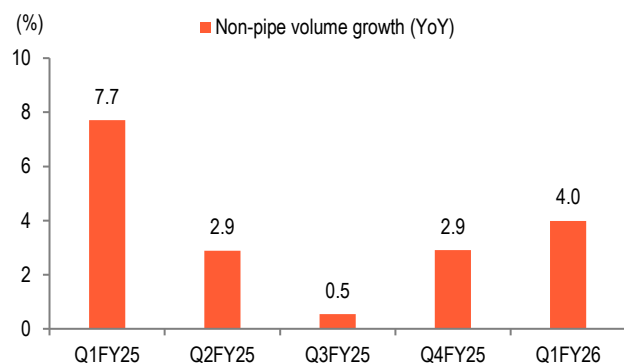
Source: Company, BOBCAPS Research

**Fig 4 – Pipe volume projected to grow at 11.3% CAGR over FY25-FY28E, due to the aggressive capex plan**



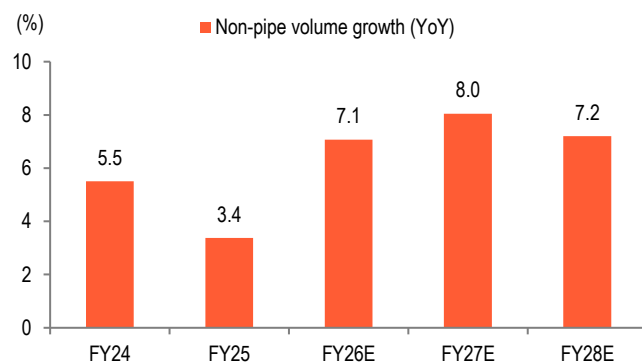
Source: Company, BOBCAPS Research

**Fig 5 – Non-pipe volumes grew at 4.0% YoY, mainly driven by packaging (+9.9%)**



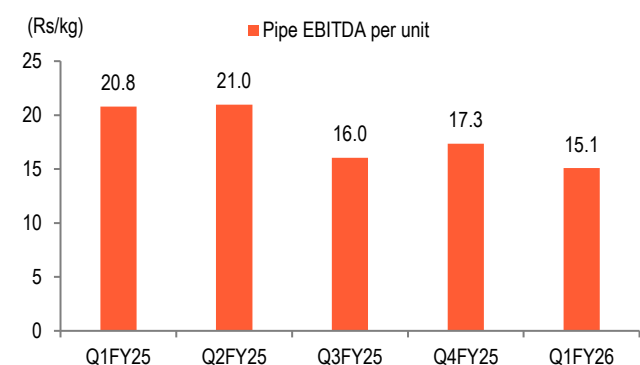
Source: Company, BOBCAPS Research

**Fig 6 – SI's non-pipe volume to grow at 7.4% CAGR over FY25-FY28E**



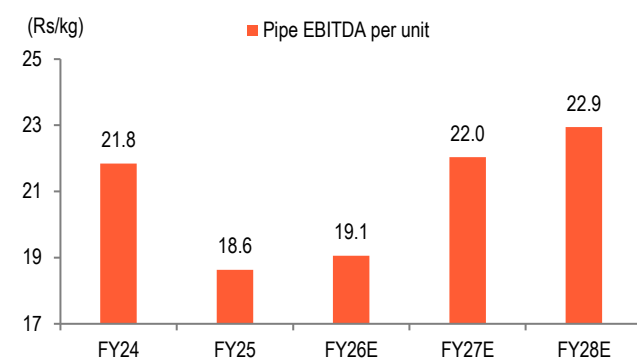
Source: Company, BOBCAPS Research

**Fig 7 – Pipe EBITDA per unit was down sharply in Q1FY26 on MTM inventory loss**



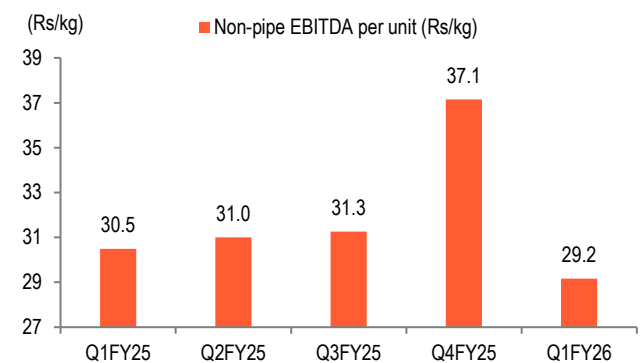
Source: Company, BOBCAPS Research

**Fig 8 – SI pipe EBITDA per unit to improve to Rs22-23/kg over FY27E-FY28E on favourable resin prices & better mix**



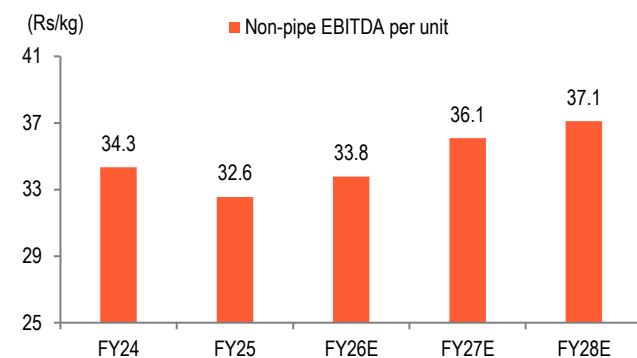
Source: Company, BOBCAPS Research

**Fig 9 – Non-pipe EBITDA per unit was down in Q1FY26, due to margin pressure in industrial/consumer segment**



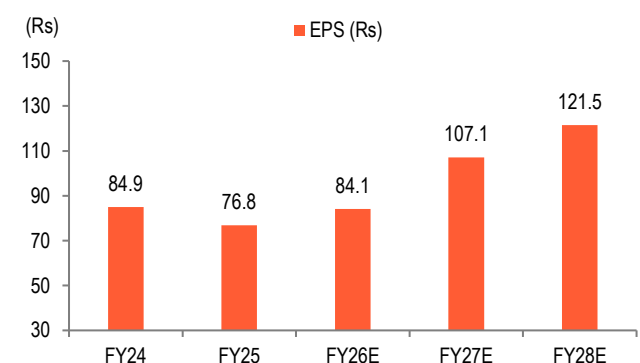
Source: Company, BOBCAPS Research

**Fig 10 – SI non-pipe EBITDA per unit to improve to Rs36-37/kg over FY27E-FY28E**



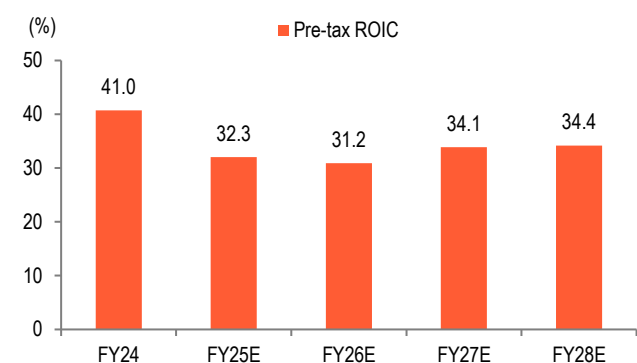
Source: Company, BOBCAPS Research

**Fig 11 – SI's EPS is projected to grow at a healthy 16.5% CAGR over FY25-FY28E**



Source: Company, BOBCAPS Research

**Fig 12 – SI's pre-tax ROIC to remain healthy at >30% over FY26E-FY28E**



Source: Company, BOBCAPS Research

## Valuation Methodology

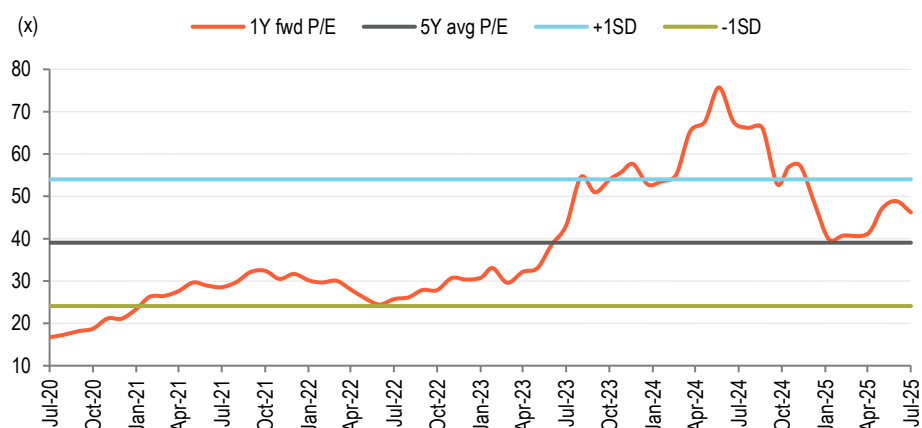
We are quite positive on SI business prospects over the medium term (EPS projected to grow at a healthy 16.5% CAGR with an average ROE of 20% over FY26E-FY28E). However, we downgrade our rating from BUY to HOLD as we believe positive earnings prospects are well baked in the current stock valuation (trades at 46.2x on 1YF P/E vs 5Y average of 39.1x). We have cut our EPS estimates (-8.4%/-4.8% for FY26E/FY27E) based on weak Q1FY26 result; but have maintained TP at Rs 4,500 per share due to roll forward of our valuation to Jun'27 (Mar'27 earlier). Our target P/E multiple remains unchanged at 40x.

**Fig 13 – Revised estimates**

Consolidated (Rs bn)	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	111.1	129.1	119.2	135.6	(6.8)	(4.7)
EBITDA	16.3	20.4	17.7	21.4	(8.1)	(4.8)
EBITDA margin	14.7	15.8	14.9	15.8	(21bps)	0bps
Adjusted PAT	10.7	13.6	11.7	14.3	(8.4)	(4.8)
Adjusted EPS (Rs)	84.1	107.1	91.8	112.5	(8.4)	(4.8)

Source: BOBCAPS Research

**Fig 14 – SI stock trades at 46.2x on 1YF P/E vs 5Y average of 39.1x**



Source: Bloomberg, BOBCAPS Research

**Fig 15 – Key assumptions**

Parameters (%)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Revenue mix</b>					
Pipe	68.4	67.3	67.1	68.4	69.2
Packaging	13.9	15.2	15.8	15.1	14.7
Industrial	12.9	12.6	12.5	12.2	12.0
Consumer	4.4	4.2	4.0	3.8	3.6
<b>Sales volume growth</b>					
Pipe	33.6	6.0	12.7	11.2	10.0
Packaging	7.9	9.9	7.7	7.0	7.0
Industrial	5.0	(0.9)	7.0	10.0	8.0
Consumer	0.0	(2.8)	5.0	5.0	5.0
Total	26.3	5.4	11.5	10.6	9.4
Average realization growth	(12.6)	(2.4)	(4.6)	5.2	3.4

Parameters (%)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>EBITDA margin</b>					
Pipe	15.8	14.1	15.3	16.6	16.6
Packaging	16.7	14.6	15.6	16.0	16.0
Industrial	11.4	11.1	11.3	12.0	12.0
Consumer	20.9	20.0	19.6	20.0	20.0
Total	15.4	13.9	14.7	15.8	15.8

Source: Company, BOBCAPS Research

## Key risks

- Better-than-expected recovery in real estate would be a key upside risk.
- Market share loss in plastic pipes would represent a key downside risk.

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Total revenue</b>	<b>101,343</b>	<b>104,463</b>	<b>111,139</b>	<b>129,128</b>	<b>146,093</b>
EBITDA	15,595	14,512	16,282	20,351	23,092
Depreciation	2,984	3,586	3,867	4,363	4,751
EBIT	12,611	10,926	12,415	15,988	18,341
Net interest inc./(exp.)	(161)	(119)	(111)	(111)	(111)
Other inc./(exp.)	657	578	769	800	800
Exceptional items	122	196	0	0	0
EBT	12,985	11,190	13,074	16,677	19,031
Income taxes	3,357	2,782	3,542	4,575	5,193
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	1,069	1,201	1,152	1,500	1,600
<b>Reported net profit</b>	<b>10,697</b>	<b>9,609</b>	<b>10,684</b>	<b>13,602</b>	<b>15,438</b>
Adjustments	93	152	0	0	0
<b>Adjusted net profit</b>	<b>10,790</b>	<b>9,761</b>	<b>10,684</b>	<b>13,602</b>	<b>15,438</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	10,156	8,934	9,594	11,147	12,612
Other current liabilities	2,410	4,100	2,573	2,573	2,573
Provisions	162	109	117	136	153
Debt funds	0	0	0	0	0
Other liabilities	1,741	1,931	1,931	1,931	1,931
Equity capital	254	254	254	254	254
Reserves & surplus	50,834	56,350	62,206	70,472	80,065
Shareholders' fund	51,088	56,604	62,460	70,726	80,319
<b>Total liab. and equities</b>	<b>65,557</b>	<b>71,678</b>	<b>76,675</b>	<b>86,513</b>	<b>97,589</b>
Cash and cash eq.	11,873	9,525	8,018	9,576	12,972
Accounts receivables	5,114	5,401	5,746	6,676	7,553
Inventories	13,586	13,337	14,189	16,486	18,651
Other current assets	2,301	2,797	3,048	3,541	4,006
Investments	6,254	6,906	6,906	6,906	6,906
Net fixed assets	21,801	25,010	30,065	34,625	38,797
CWIP	2,363	6,099	6,099	6,099	6,099
Intangible assets	1,472	1,724	1,724	1,724	1,724
Deferred tax assets, net	0	0	0	0	0
Other assets	793	881	881	881	881
<b>Total assets</b>	<b>65,557</b>	<b>71,678</b>	<b>76,675</b>	<b>86,513</b>	<b>97,589</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Cash flow from operations</b>	<b>15,059</b>	<b>12,915</b>	<b>11,586</b>	<b>15,128</b>	<b>17,473</b>
Capital expenditures	(6,849)	(10,783)	(8,922)	(8,922)	(8,922)
Change in investments	(542)	(652)	0	0	0
Other investing cash flows	535	383	769	800	800
<b>Cash flow from investing</b>	<b>(6,855)</b>	<b>(11,052)</b>	<b>(8,153)</b>	<b>(8,122)</b>	<b>(8,122)</b>
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	(161)	(119)	(111)	(111)	(111)
Dividends paid	(3,812)	(4,320)	(4,828)	(5,336)	(5,844)
Other financing cash flows	181	227	0	0	0
<b>Cash flow from financing</b>	<b>(3,791)</b>	<b>(4,212)</b>	<b>(4,939)</b>	<b>(5,447)</b>	<b>(5,955)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>4,412</b>	<b>(2,348)</b>	<b>(1,506)</b>	<b>1,558</b>	<b>3,396</b>
<b>Closing cash &amp; cash eq.</b>	<b>11,873</b>	<b>9,525</b>	<b>8,018</b>	<b>9,576</b>	<b>12,972</b>

### Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	84.2	75.6	84.1	107.1	121.5
Adjusted EPS	84.9	76.8	84.1	107.1	121.5
Dividend per share	30.0	34.0	38.0	42.0	46.0
Book value per share	402.1	445.5	491.6	556.7	632.2

### Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	5.4	5.3	4.9	4.2	3.7
EV/EBITDA	35.0	37.8	33.8	26.9	23.7
Adjusted P/E	50.0	55.2	50.5	39.6	34.9
P/BV	10.6	9.5	8.6	7.6	6.7

### DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	83.1	87.2	81.7	81.6	81.1
Interest burden (PBT/EBIT)	103.0	102.4	105.3	104.3	103.8
EBIT margin (EBIT/Revenue)	12.4	10.5	11.2	12.4	12.6
Asset turnover (Rev./Avg TA)	154.6	145.7	144.9	149.3	149.7
Leverage (Avg TA/Avg Equity)	1.4	1.3	1.3	1.3	1.3
<b>Adjusted ROAE</b>	<b>22.7</b>	<b>18.1</b>	<b>17.9</b>	<b>20.4</b>	<b>20.4</b>

### Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
<b>YoY growth (%)</b>					
Revenue	10.1	3.1	6.4	16.2	13.1
EBITDA	30.0	(6.9)	12.2	25.0	13.5
Adjusted EPS	24.7	(9.5)	9.5	27.3	13.5

### Profitability & Return ratios (%)

EBITDA margin	15.4	13.9	14.7	15.8	15.8
EBIT margin	12.4	10.5	11.2	12.4	12.6
Adjusted profit margin	10.6	9.3	9.6	10.5	10.6
Adjusted ROAE	22.7	18.1	17.9	20.4	20.4
ROCE	26.0	20.3	21.1	23.7	23.8

### Working capital days (days)

Receivables	18	19	19	19	19
Inventory	49	47	47	47	47
Payables	37	31	32	32	32

### Ratios (x)

Gross asset turnover	2.4	2.2	2.0	2.0	2.0
Current ratio	2.6	2.4	2.5	2.6	2.8
Net interest coverage ratio	78.2	91.8	112.1	144.3	165.5
<b>Adjusted debt/equity</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.2)</b>

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



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**BUY** – Expected return >+15%

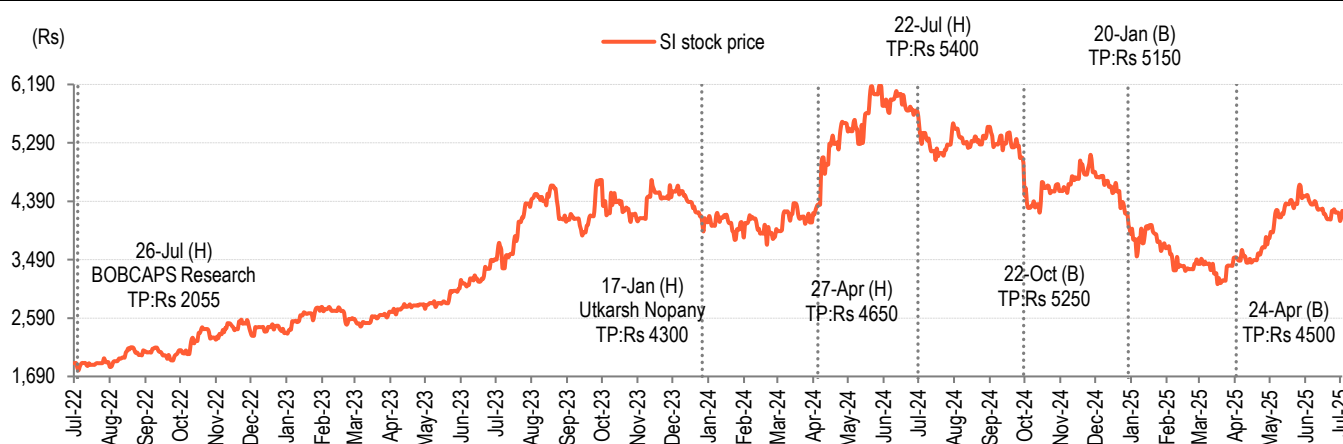
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

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