RESULT REVIEW

HOLD

TP: Rs 4,350 | ⮝ 9%

SUPREME INDUSTRIES | Building Materials | 27 October 2025

Strong pipe volume, weak margin; maintain HOLD

- **Topline beat on strong pipe volume (+17% YoY vs 9.0% estimated), but margin miss on aggressive pricing and Wavin consolidation**
- **Maintain pipe volume growth guidance of 15.0-17.0% YoY for FY26 in anticipation of a strong recovery in the agri pipe demand in H2FY26**
- **Maintain HOLD as positive outlook well baked in the current valuation; TP cut by 3% to Rs 4,350 per share**

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Mixed Q2: SI beats our toplines estimates by 4.4% on better-than-expected sales volume (+11.8% YoY vs +8.5% estimated) due to strong pipe volume but missed our EBITDA/PAT estimates by 3.9%/13.3% on continued margin pressure (-162bps YoY to 12.4% vs 13.5% estimated). Overall, SI's revenue grew by 5.3% YoY, but EBITDA/PAT was down 6.8%/20.3% YoY in Q2FY26.

Highlights: SI pipe volume grew sharply by 17.2% YoY (ex-Wavin: +14% YoY) in Q2FY26, driven by higher plumbing pipe sales. Pipe EBITDA margin contracted by 90bps YoY to 14.0% in Q2FY26, due to aggressive pricing and Wavin consolidation. Non-pipe volume de-grew by 3.5% YoY, driven by weak demand in the industrial (-7.8%) and packaging (-2.0%) segments. However, non-pipe EBITDA margin improved by 37bps YoY to 13.7% in Q2FY26. Net cash has gone down from Rs 9.44bn in Mar'25 to Rs 0.49bn in Sep'25, due to heavy capex (Rs 8.69bn) incurred in H1FY26.

Concall KTAs: SI has slightly lowered its total volume growth guidance to 12-14% (vs 14-15% earlier) with EBITDA margin of 14.5-15.0% (vs 14.5-15.5% earlier). However, pipe volume growth guidance has been maintained at 15-17% rate for FY26, in anticipation of a strong recovery in the agri pipe demand from Nov'25 onwards. Management believes that the channel pipe inventory is below the normal level and expects dealers to restock inventories over the next two quarters, due to seasonality factors and the resin price also appears to have bottomed out.

Maintain HOLD; TP cut by 3% to Rs 4,350: SI appears to have regained market share in the pipe business and pipe EBITDA per unit has turned out to be better than the pre-Covid level (Rs18.7/kg in Q2FY26 vs Rs15.7/kg in Q2FY19) given higher share of value-added products (from 34.7% in Q2FY19 to 45.1% in Q2FY26) and operating leverage benefit. However, we maintain our HOLD rating as we believe the positive outlook is quite well baked in the current valuation (trades at 40.9x on 1YF P/E – which is in-line with its 5Y average multiple). We have cut our TP to Rs 4,350 per share (earlier Rs 4,500) as we have slightly tweaked our EPS estimates based on Q2FY26 result. Our target P/E multiple remains unchanged at 40x.

Key changes

Target	Rating
▼	◄ ►

Ticker/Price	SI IN/Rs 4,001
Market cap	US$ 5.8bn
Free float	51%
3M ADV	US$ 8.1mn
52wk high/low	Rs 5,157/Rs 3,095
Promoter/FPI/DII	49%/21%/16%

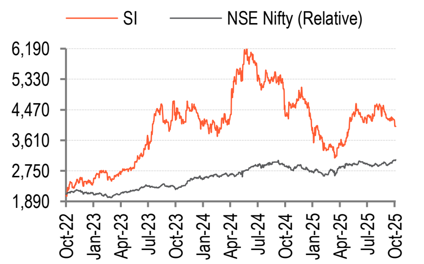
Source: NSE | Price as of 27 Oct 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	104,463	115,036	132,778
EBITDA (Rs mn)	14,512	16,342	20,891
Adj. net profit (Rs mn)	9,761	10,427	13,868
Adj. EPS (Rs)	76.8	82.1	109.2
Consensus EPS (Rs)	76.8	90.4	107.2
Adj. ROAE (%)	18.1	17.5	20.8
Adj. P/E (x)	52.1	48.7	36.7
EV/EBITDA (x)	34.3	30.6	23.9
Adj. EPS growth (%)	(9.5)	6.8	33.0

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Quarterly performance – Consolidated

Particulars (Rs mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H1FY26	H1FY25	YoY (%)	BOBCAPS Q2FY26E	Variance (%)
Revenue	23,939	22,730	5.3	26,092	(8.3)	50,031	49,093	1.9	22929	4.4
Raw-Material expense	15,870	14,886	6.6	17,895	(11.3)	33,765	32,844	2.8		
Gross Profit	8,069	7,844	2.9	8,197	(1.6)	16,266	16,250	0.1		
Employee expense	1,346	1,198	12.4	1,349	(0.2)	2,695	2,411	11.8		
Energy cost	667	821	(18.8)	726	(8.3)	1,393	1,687	(17.4)		
Other expense	3,082	2,632	17.1	2,933	5.1	6,015	5,087	18.3		
EBITDA	2,974	3,192	(6.8)	3,189	(6.7)	6,163	7,066	(12.8)	3094	(3.9)
D&A	1,044	899	16.0	930	12.2	1,974	1,760	12.2		
EBIT	1,931	2,293	(15.8)	2,259	(14.5)	4,189	5,306	(21.1)		
Interest cost	58	26	122.5	28	110.5	86	60	44.5		
Non-operating income/(expense)	155	151	3.3	169	(8.2)	325	365	(11.0)		
Share of profit/(loss) from associate	149	278	(46.5)	252	(40.9)	401	653	(38.7)		
PBT	2,176	2,695	(19.3)	2,652	(17.9)	4,828	6,265	(22.9)		
Tax	529	629	(16.0)	629	(15.9)	1,158	1,465	(21.0)		
Reported PAT	1,647	2,066	(20.3)	2,023	(18.6)	3,670	4,800	(23.5)	1899	(13.3)
Adjusted PAT	1,647	2,066	(20.3)	2,023	(18.6)	3,670	4,800	(23.5)		
As % of net revenues			**(bps)**		**(bps)**			**(bps)**		
Gross margin	33.7	34.5	(80)	31.4	229	32.5	33.1	(59)		
Employee cost	5.6	5.3	35	5.2	45	5.4	4.9	48		
Energy cost	2.8	3.6	(83)	2.8	(0)	2.8	3.4	(65)		
Other cost	12.9	11.6	129	11.2	163	12.0	10.4	166		
EBITDA margin	12.4	14.0	(162)	12.2	20	12.3	14.4	(207)		
Tax rate	24.3	23.3	95	23.7	59	24.0	23.4	59		
APAT margin	6.9	9.1	(221)	7.8	(87)	7.3	9.8	(244)		

Source: Company, BOBCAPS Research

Fig 2 – Segment financials

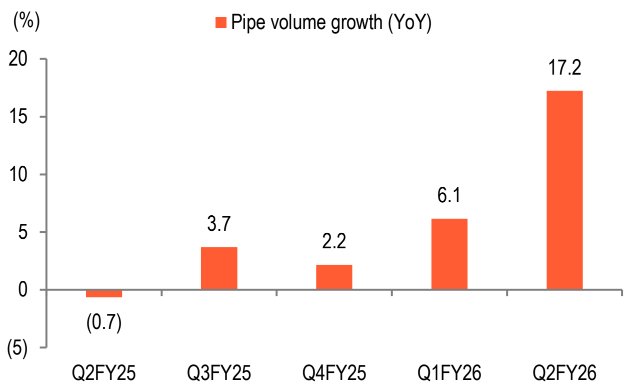
Particulars	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H1FY26	H1FY25	YoY (%)
Revenue (Rs mn)								
Pipe	16,021	14,379	11.4	17,923	(10.6)	33,944	32,963	3.0
Industrial	2,826	3,276	(13.7)	3,016	(6.3)	5,842	6,339	(7.9)
Packaging	3,935	3,999	(1.6)	4,016	(2.0)	7,951	7,680	3.5
Consumer	1,033	1,039	(0.6)	984	5.0	2,017	2,011	0.3
Others	124	37	234.2	154	(19.3)	278	100	176.9
Total	**23,939**	**22,730**	**5.3**	**26,092**	**(8.3)**	**50,031**	**49,093**	**1.9**
Sales Volume (KTPA)								
Pipe	119.9	102.2	17.2	148.8	(19.4)	268.6	242.4	10.8
Industrial	13.9	15.1	(7.8)	14.6	(4.9)	28.6	30.1	(5.0)
Packaging	16.3	16.6	(2.0)	16.2	0.5	32.4	31.3	3.6
Consumer	4.4	4.1	5.9	4.2	4.4	8.6	8.1	5.4
Total	**154.4**	**138.1**	**11.8**	**183.8**	**(16.0)**	**407.8**	**381.4**	**6.9**
Realization (Rs/kg)								
Pipe	133.7	140.6	(5.0)	120.5	10.9	126	136	(7.1)
Industrial	203	217	(6.4)	206	(1.5)	204	211	(3.0)
Packaging	242	241	0.4	248	(2.5)	245	245	(0.1)
Consumer	236	251	(6.1)	234	0.6	235	247	(4.8)
Total	**154.2**	**164.3**	**(6.2)**	**141.1**	**9.3**	**122**	**128**	**(5.0)**
EBITDA (Rs mn)								
Pipe	2243	2143	4.7	2244	(0.0)	4487	5056	(11.3)
Industrial	311	371	(16.3)	266	16.8	577	656	(12.1)
Packaging	571	531	7.4	576	(0.9)	1146	1071	7.0
Consumer	189	209	(9.5)	180	5.0	369	411	(10.4)
Others	(339)	(62)	450.1	(76)	344.8	(415)	(128)	223.8
Total	**2974**	**3192**	**(6.8)**	**3189**	**(6.7)**	**6163**	**7066**	**(12.8)**
EBITDA margin (%)								
Pipe	14.0	14.9	(90)	12.5	148	13.2	15.3	(212)
Industrial	11.0	11.3	(33)	8.8	218	9.9	10.4	(48)
Packaging	14.5	13.3	122	14.3	17	14.4	13.9	47
Consumer	18.3	20.1	(181)	18.3	-	18.3	20.4	(218)
Total	**12.4**	**14.0**	**(162)**	**12.2**	**20**	**12.3**	**14.4**	**(207)**
EBITDA (Rs/kg)								
Pipe	18.7	21.0	(10.7)	15.1	24.1	16.7	20.9	(19.9)
Industrial	22.3	24.6	(9.1)	18.2	22.8	20.2	21.8	(7.5)
Packaging	35.1	32.0	9.6	35.6	(1.4)	35.3	34.2	3.3
Consumer	43.1	50.4	(14.6)	42.8	0.6	43.0	50.5	(15.0)
Total	**19.3**	**23.1**	**(16.7)**	**17.3**	**11.0**	**15.1**	**18.5**	**(18.4)**

Source: Company, BOBCAPS Research

Earnings Call Highlights

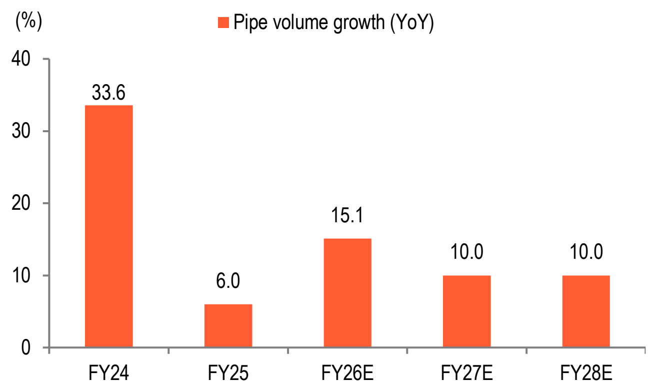
- **Plastic pipes:** Sales volume was up 17.2% YoY (ex-Wavin: +14% YoY) in Q2 driven by strong demand for plumbing pipe. CPVC pipe volume grew by 26% YoY in H1FY26. Pipe segment EBITDA margin contracted by 90bps YoY to 14.0% in Q2FY26, due to the impact of Wavin consolidation. The company has maintained its pipe volume growth guidance to 15.0-17.0% for FY26, in the anticipation of a strong recovery in agri pipe demand from Nov'25 onwards.
- **Industrial:** sales volume was down (-7.8% YoY) for the fifth consecutive quarter. Segment EBITDA margin also fell by 33bps YoY to 11.0% in Q2FY26.
- **Packaging:** Segment volume de-grew by 2.0% YoY owing to the impact of heavy rain. However, segment EBITDA margin improved by 122bps YoY to 14.5% in Q2FY26. Management expects protective packaging revenue to grow at 17.6% YoY to ~Rs 10bn in FY26.
- **Consumer:** Segment volume grew by 5.9% YoY in Q2FY26. However, segment EBITDA margin contracted by 181bps YoY to 18.3% in Q2FY26.
- **Wavin India:** The company has consolidated the Wavin business from Aug 1, 2025. Wavin sales volume stood around 3,000 tons in Q2FY26. Management expects Wavin pipe sales volume to be 20 kt in FY26. Wavin business margin is expected to be stabilised to the company level by Nov'25.
- **Guidance:** Management guided its total volume to grow at 12.0-14.0% rate with EBITDA margin of 14.5-15.0% for FY26.
- **Capex:** The company has committed a capex of Rs 13.0bn to ramp up 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 9.44bn in Mar'25 to Rs 0.49bn in Sep'25, due to heavy capex incurred in H1FY26.
- **MTM inventory loss:** The company has not booked MTM inventory loss in Q2FY26 (vs Rs 0.4bn in Q2FY25).
- **Value-added products (VAP):** VAP share, as % of revenue, has increased by 509bps YoY to 45.1% in Q2FY26, due to weak demand for agri and infra pipes.
- **Share of profit from associate (Supreme Petrochem):** Share of profit from associates was down 46.5% YoY in Q2FY26.

Fig 3 – Pipe volumes grew sharply by 17.2% YoY in Q2FY25 on strong plumbing pipe demand



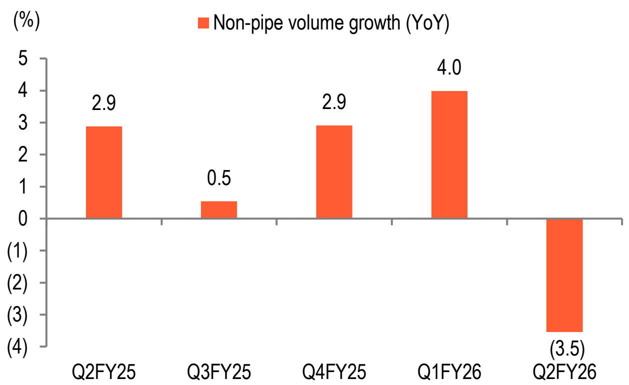
Source: Company, BOBCAPS Research

Fig 4 – Pipe volume projected to grow at 11.7% CAGR over FY25-FY28E due to benefit of aggressive capex plan



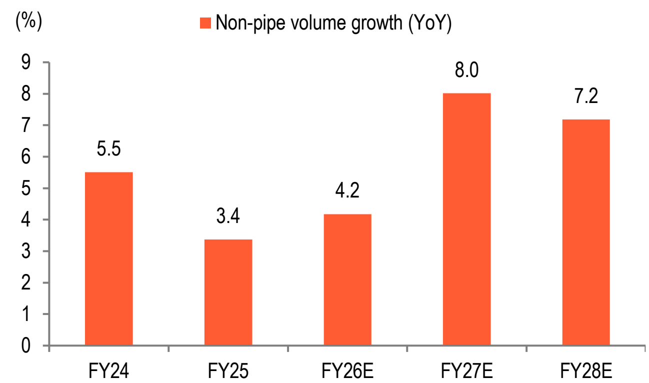
Source: Company, BOBCAPS Research

Fig 5 – Non-pipe volumes de-grew by 3.5% YoY in Q2 on weak demand for industrial and packaging segments



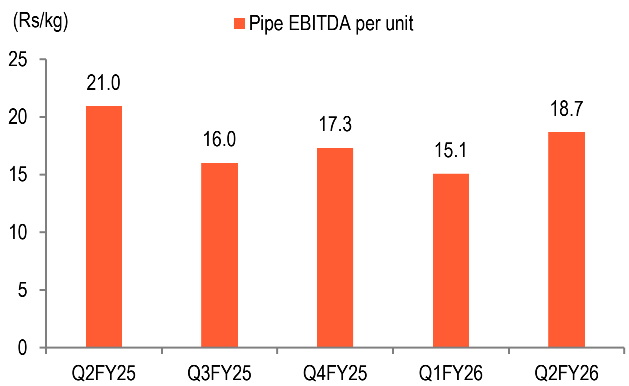
Source: Company, BOBCAPS Research

Fig 6 – SI's non-pipe volume to grow at a modest 6.4% CAGR over FY25-FY28E



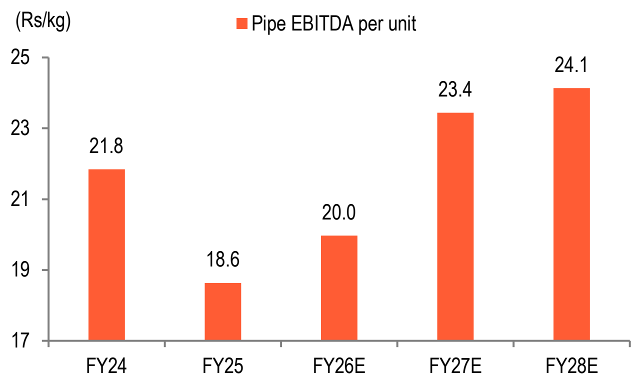
Source: Company, BOBCAPS Research

Fig 7 – Pipe EBITDA per unit was down 10.7% YoY in Q2FY26 on lower resin prices



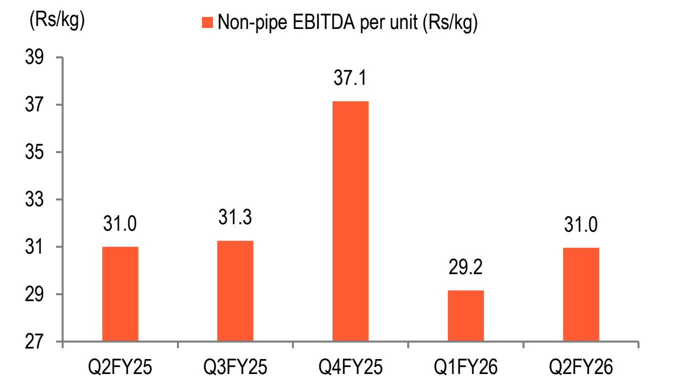
Source: Company, BOBCAPS Research

Fig 8 – SI pipe EBITDA per unit to improve to Rs23-24/kg over FY27-FY28E on favourable resin prices & better mix



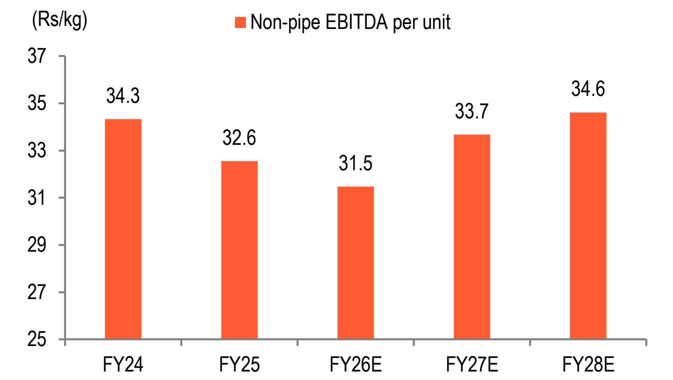
Source: Company, BOBCAPS Research

Fig 9 – Non-pipe EBITDA per unit was YoY stable in Q2FY26



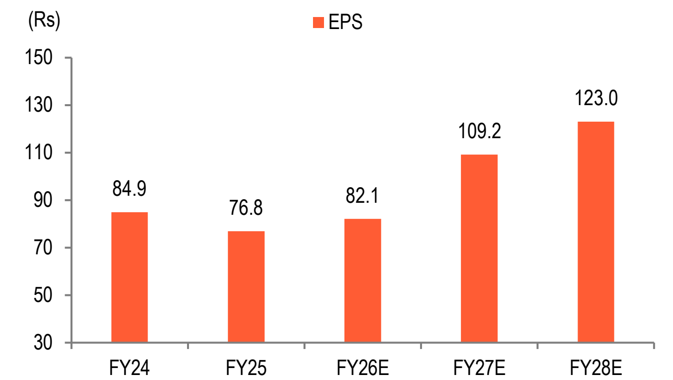
Source: Company, BOBCAPS Research

Fig 10 – SI non-pipe EBITDA per unit to improve to Rs34-35/kg over FY27E-FY28E



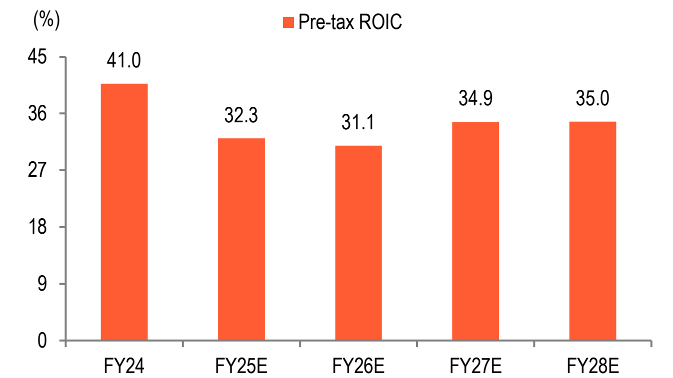
Source: Company, BOBCAPS Research

Fig 11 – SI's EPS is projected to grow at a healthy 17.0% 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

SI appears to have regained market share in the pipe business and pipe EBITDA per unit has turned out to be better than the pre-Covid level (Rs18.7/kg in Q2FY26 vs Rs15.7/kg in Q2FY19), due to higher share of value-added products (from 34.7% in Q2FY19 to 45.1% in Q2FY26) and operating leverage benefit.

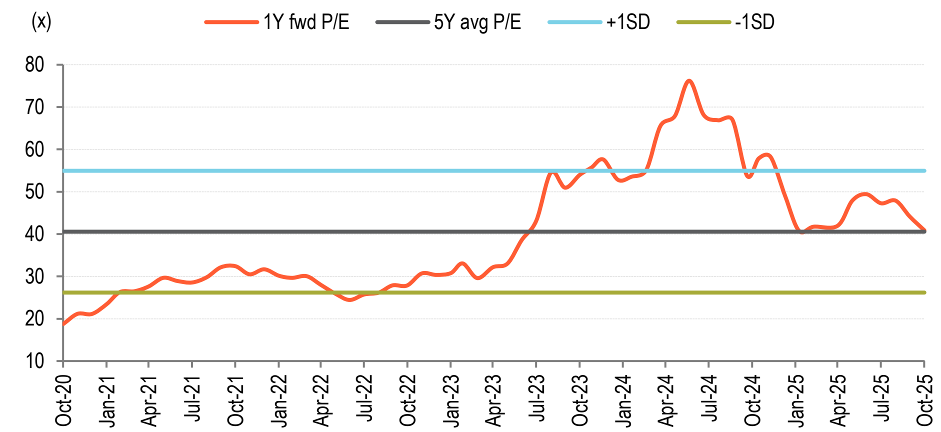
Going ahead, we expect SI's EPS to grow at a healthy 17.0% CAGR with an average ROE of 19.7% over FY26E-FY28E. However, we maintain our HOLD rating as we believe the positive outlook is quite well baked in the current valuation (trades at 40.9x on 1YF P/E – which is in line with its 5Y average multiple). We have cut our TP to Rs 4,350 per share (earlier Rs 4,500), as we have slightly tweaked our EPS estimates based on the Q2FY26 result. Our target P/E multiple remains unchanged at 40x.

Fig 13 – Revised estimates

Consolidated	New			Old			Change (%)		
(Rs bn)	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	115.0	132.8	149.2	111.1	129.1	146.1	3.5	2.8	2.1
EBITDA	16.3	20.9	23.5	16.3	20.4	23.1	0.4	2.7	1.9
EBITDA margin	14.2	15.7	15.8	14.7	15.8	15.8	(44bps)	(3bps)	(4bps)
Adjusted PAT	10.4	13.9	15.6	10.7	13.6	15.4	(2.4)	2.0	1.2
Adjusted EPS (Rs)	82.1	109.2	123.0	84.1	107.1	121.5	(2.4)	2.0	1.2

Source: BOBCAPS Research

Fig 14 – SI stock trades at 40.9x on 1YF P/E vs 5Y average of 40.6x



Source: Bloomberg, BOBCAPS Research

Fig 15 – Key assumptions

Parameters (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue mix					
Pipe	68.4	67.3	70.0	71.3	71.9
Packaging	13.9	15.2	14.3	13.6	13.3
Industrial	12.9	12.6	11.1	10.9	10.8
Consumer	4.4	4.2	3.8	3.6	3.5
Sales volume growth					
Pipe	33.6	6.0	15.1	10.0	10.0
Packaging	7.9	9.9	5.3	7.0	7.0
Industrial	5.0	(0.9)	2.7	10.0	8.0
Consumer	0.0	(2.8)	5.2	5.0	5.0
Total	26.3	5.4	12.8	9.6	9.5
Average realization growth	(12.6)	(2.4)	(2.5)	5.4	2.7
EBITDA margin					
Pipe	15.8	14.1	15.2	16.6	16.6
Packaging	16.7	14.6	15.2	16.0	16.0
Industrial	11.4	11.1	10.5	11.0	11.0
Consumer	20.9	20.0	19.2	20.0	20.0
Total	15.4	13.9	14.2	15.7	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
Total revenue	**101,343**	**104,463**	**115,036**	**132,778**	**149,230**
EBITDA	15,595	14,512	16,342	20,891	23,532
Depreciation	2,984	3,586	3,867	4,363	4,751
EBIT	12,611	10,926	12,475	16,528	18,782
Net interest inc./(exp.)	(161)	(119)	(203)	(233)	(233)
Other inc./(exp.)	657	578	635	738	738
Exceptional items	122	196	0	0	0
EBT	12,985	11,190	12,907	17,032	19,286
Income taxes	3,357	2,782	3,431	4,665	5,257
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	1,069	1,201	951	1,500	1,600
Reported net profit	**10,697**	**9,609**	**10,427**	**13,868**	**15,629**
Adjustments	93	152	0	0	0
Adjusted net profit	**10,790**	**9,761**	**10,427**	**13,868**	**15,629**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	10,156	8,934	9,931	11,463	12,883
Other current liabilities	2,410	4,100	2,573	2,573	2,573
Provisions	162	109	121	139	157
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	62,077	70,608	80,393
Shareholders' fund	51,088	56,604	62,331	70,863	80,648
Total liab. and equities	**65,557**	**71,678**	**76,887**	**86,969**	**98,191**
Cash and cash eq.	11,873	9,525	7,424	9,277	12,926
Accounts receivables	5,114	5,401	5,948	6,865	7,716
Inventories	13,586	13,337	14,686	16,952	19,052
Other current assets	2,301	2,797	3,155	3,641	4,092
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
Total assets	**65,557**	**71,678**	**76,887**	**86,968**	**98,191**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	**15,059**	**12,915**	**11,090**	**15,608**	**17,911**
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	635	738	738
Cash flow from investing	**(6,855)**	**(11,052)**	**(8,287)**	**(8,185)**	**(8,185)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	(161)	(119)	(203)	(233)	(233)
Dividends paid	(3,812)	(4,320)	(4,701)	(5,336)	(5,844)
Other financing cash flows	181	227	0	0	0
Cash flow from financing	**(3,791)**	**(4,212)**	**(4,903)**	**(5,569)**	**(6,078)**
Chg in cash & cash eq.	**4,412**	**(2,348)**	**(2,101)**	**1,853**	**3,649**
Closing cash & cash eq.	**11,873**	**9,525**	**7,424**	**9,277**	**12,926**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	84.2	75.6	82.1	109.2	123.0
Adjusted EPS	84.9	76.8	82.1	109.2	123.0
Dividend per share	30.0	34.0	37.0	42.0	46.0
Book value per share	402.1	445.5	490.6	557.8	634.8

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	4.9	4.8	4.3	3.8	3.3
EV/EBITDA	32.0	34.3	30.6	23.9	21.1
Adjusted P/E	47.1	52.1	48.7	36.7	32.5
P/BV	9.9	9.0	8.2	7.2	6.3

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	83.1	87.2	80.8	81.4	81.0
Interest burden (PBT/EBIT)	103.0	102.4	103.5	103.1	102.7
EBIT margin (EBIT/Revenue)	12.4	10.5	10.8	12.4	12.6
Asset turnover (Rev./Avg TA)	154.6	145.7	149.6	152.7	152.0
Leverage (Avg TA/Avg Equity)	1.4	1.3	1.3	1.3	1.3
Adjusted ROAE	22.7	18.1	17.5	20.8	20.6

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	10.1	3.1	10.1	15.4	12.4
EBITDA	30.0	(6.9)	12.6	27.8	12.6
Adjusted EPS	24.7	(9.5)	6.8	33.0	12.7
Profitability & Return ratios (%)					
EBITDA margin	15.4	13.9	14.2	15.7	15.8
EBIT margin	12.4	10.5	10.8	12.4	12.6
Adjusted profit margin	10.6	9.3	9.1	10.4	10.5
Adjusted ROAE	22.7	18.1	17.5	20.8	20.6
ROCE	26.0	20.3	21.0	24.4	24.2
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	2.1	2.1	2.0
Current ratio	2.6	2.4	2.5	2.6	2.8
Net interest coverage ratio	78.2	91.8	61.6	70.9	80.5
Adjusted debt/equity	(0.2)	(0.2)	(0.1)	(0.1)	(0.2)

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

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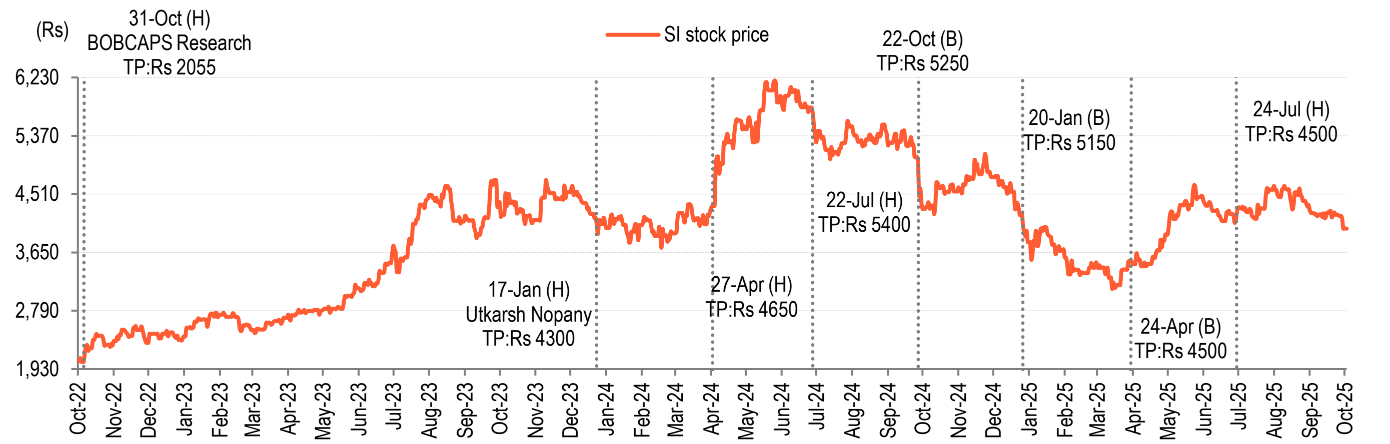

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