BUY
TP: Rs 3,940 | ▲ 21%

SUPREME INDUSTRIES | Building Materials | 26 October 2026

Q2FY27: Strong revenue growth, margin pressure persists

- **Revenue growth of 40% YoY supported by higher realisations of 18% YoY and 19% YoY volume growth**
- **FY27 volume guidance cut to ~10% (piping 13% from 15-17%); EBITDA margin guidance of 14.0-14.5% maintained**
- **Revise estimates, assign 38x (from 40x) to arrive at Sep-27TP of Rs 3,940 (Rs 4,000 earlier). Maintain BUY**

Harshit Mundra
Research Associate

Vineet Shanker
Research Analyst
research@bobcaps.in

Strong revenue growth, earnings beat estimates: Supreme Industries (SI) delivered strong Q2FY27 results, with consolidated revenue increasing 40% YoY to Rs 33.6bn, driven by 19% volume growth and 18% higher blended realisations. EBITDA increased 45% YoY, beating our estimate by 16%, while EBITDA margin expanded 40bps YoY to 12.8%, despite a 390bps contraction in gross margin to 29.8%. Adjusted PAT grew 59% YoY, exceeding our estimate by 19%.

Piping drives growth; packaging margins contract: The plastic piping business remained the key growth driver, with revenue increasing 42% YoY and EBITDA rising 64%, although its EBITDA margin declined 203bps QoQ to 14.8%. Industrial revenue grew 49% YoY, while packaging revenue increased 22%; however, packaging EBITDA declined 3% amid higher polyethylene costs and supply constraints. Consumer product revenue remained largely flat, with volumes declining 14% YoY.

Concall KTAs: Management lowered FY27 plastic piping volume growth guidance to 13% from 15–17%, while targeting company-wide volume growth of ~10% and maintaining consolidated operating margin guidance of 14–14.5%. Although polymer price volatility moderated in Q2, higher input costs and delayed price pass-through continued to weigh on margins. SI is targeting FY27 revenue of Rs 135–140bn, with capex cash outflow of Rs 7–7.5bn to support capacity expansion and growth in new product categories.

Maintain BUY, revise estimates: We raise FY27E-29E revenue estimates by 5-7%, while cutting EBITDA estimates by 1-2% for FY28E-29E, factoring in lower margin assumptions amid PVC price volatility and subdued volume growth. We lower Sep'28E EPS to 38x (from 40x), to arrive at a Sep-27 TP of Rs 3,940 (earlier Rs 4,000), implying 21% upside.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	SI IN/Rs 3,250
Market cap	US$ 4.3bn
Free float	51%
3M ADV	US$ 7.6mn
52wk high/low	Rs 4,075/Rs 3,140
Promoter/FPI/DII	49%/21%/16%

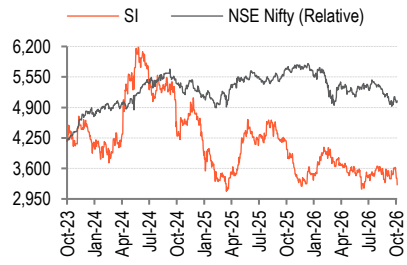
Source: NSE | Price as of 26 Oct 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	1,12,177	1,38,463	1,53,425
EBITDA (Rs mn)	15,532	17,984	19,850
Adj. net profit (Rs mn)	9,540	11,279	12,008
Adj. EPS (Rs)	75.1	88.8	94.5
Consensus EPS (Rs)	75.1	91.8	105.0
Adj. ROAE (%)	16.1	17.2	16.3
Adj. P/E (x)	43.3	36.6	34.4
EV/EBITDA (x)	26.1	22.5	20.1
Adj. EPS growth (%)	(0.7)	18.2	6.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Quarterly Performance - Consolidated

Particulars (Rs Mn)	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	H1FY27	H1FY26	YoY (%)	BOBCAPS Q2FY27E	Var (%)
Revenue	33,613	23,939	40	27,177	24	60,789	50,031	22	28,219	19
Gross Profit	10,015	8,069	24	9,342	7	19,357	16,266	19	9,446	6
Gross Margin (%)	29.8	33.7	(390)	34.4	(460)	31.8	32.5	(70)	33.5	(368bps)
EBITDA	4,310	2,974	45	3,980	8	8,290	6,163	35	3,727	16
EBITDA Margin (%)	12.8	12.4	40bps	14.6	(180bps)	13.6	12.3	130bps	13.2	(38bps)
Depreciation	1,223	1,044	17	1,223	(0)	2,446	1,974	24	1,240	(1)
Interest	31	58	(47)	42	(26)	73	86	(16)	42	(26)
Other Income	87	155	(44)	91	(5)	178	325	(45)	91	(5)
PBT	3,439	2,176	58	3,536	(2.8)	6,976	4,828	44	2,937	17
Tax	815	529	54	729	12	1,544	1,158	33	739	10
Adjusted PAT	2,624	1,647	59	2,807	(6.5)	5,432	3,670	48	2,198	19
Exceptional item	-	-		0		-	-		0	
Reported PAT	2,624	1,647	59	2,807	(6.5)	5,432	3,670	48	2,198	19
Adj. PAT Margin (%)	7.8	6.9	90bps	10.3	(250bps)	8.9	7.3	160bps	7.8	2bps
EPS (Rs)	20.7	13.0	59	22.1	(6.5)	42.8	28.9	48	17.3	19.4

Source: Company, BOBCAPS Research

Fig 2 – Segment Financials

Particulars (Rs Mn)	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	H1FY27	H1FY26	YoY (%)
Segment revenue								
Pipe	22,738	16,021	42	17,909	27	40,647	33,944	20
Industrial	4,201	2,826	49	3,733	13	7,934	5,842	36
Packaging	4,811	3,935	22	4,382	10	9,193	7,951	16
Consumer	1,053	1,033	2	874	21	1,926	2,017	(4)
Others	810	124	553	280	190	1,090	278	292
Total	33,613	23,939	40	27,177	24	60,789	50,031	22
Sales Volume (KTPA)								
Pipe	148	120	24	221	(33)	274	269	2
Industrial	16	14	13	18	(11)	29	29	3
Packaging	17	16	3	20	(15)	31	32	(3)
Consumer	4	4	(14)	7	(46)	7	9	(18)
Total	184	154	19	265	(30)	342	338	1
Realisation (Rs/MT)								
Pipe	153	134	15	81	89	148	126	17
Industrial	268	203	32	213	26	269	204	32
Packaging	287	242	18	222	29	293	245	19
Consumer	281	236	19	127	122	275	235	17
Blended Realisation	182	155	18	103	78	178	148	20
EBITDA (Rs mn)								
Pipe	3,372	2,051	64	3,741	(10)	6,383	4,295	49
Industrial	341	208	64	443	(23)	662	474	40
Packaging	574	594	(3)	831	(31)	1,238	1,170	6
Consumer	175	183	(4)	294	(40)	315	363	(13)
Total	4,310	2,974	45	5,310	(19)	8,598	6,301	36

EBITDA Margin								
Pipe	14.8	12.8	203bps	20.9	(606bps)	15.7	12.7	305bps
Industrial	8.1	7.4	76bps	11.9	(377bps)	8.3	8.1	23bps
Packaging	11.9	15.1	(317bps)	19.0	(704bps)	13.5	14.7	(124bps)
Consumer	16.6	17.7	(108bps)	33.6	(1,701bps)	16.4	18.0	(162bps)
Total	12.8	12.4	40bps	19.5	(671bps)	14.1	12.6	155bps
EBITDA (Rs/kg)								
Pipe	22.8	17.1	33	17.0	95	23.3	16.0	46
Industrial	21.7	14.9	46	25.2	80	22.4	16.6	35
Packaging	34.2	36.5	-6	42.1	-115	39.4	36.1	9
Consumer	46.7	41.7	12	42.6	-72	44.9	42.3	6
Total	23.4	19.3	21	20.0	7	25.1	18.6	35

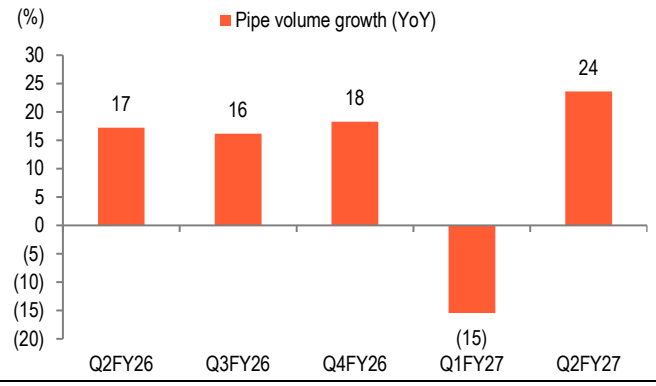
Source: Company, BOBCAPS Research

Earnings Call Highlights

- **Operating environment stabilised in Q2; management indicates market-share gains:** PVC price volatility eased following the Minimum Import Price and withdrawal of the customs duty exemption, while customers maintained lean inventories. The PVC industry de-grew ~10% in 1HFY27, compared with ~1% volume growth for SI (our model), implying share gains. Management sees no raw material or capacity constraints, with most orders fulfilled within 48 hours. West Asia remains the key uncertainty, while Nal Se Jal is expected to contribute little this year due to limited state funding and delayed bill clearances.
- **FY27 volume guidance cut; margin guidance maintained:** Management lowered consolidated volume growth guidance to ~10% from 12-13% and plastic piping growth to 13% from 15-17%, with no further cuts expected. EBITDA margin guidance remains at 14.0-14.5%, with revenue targeted at Rs 135-140bn.
- **Input costs and delayed price pass-through weigh on margins:** Q2 EBITDA margin remained below 13% despite inventory gains, as SI typically delays price hikes by 10–12 days to support distributor balance sheets. Management expects a full-year inventory gain, to be finalised in March. PVC and CPVC price hikes have been implemented, with a further 3–7% CPVC increase effective from the following day.
- **Packaging and consumer products remain under pressure:** Packaging margins contracted as higher polyethylene costs and Middle East supply disruptions limited pass-through. Consumer volumes fell ~14% YoY amid higher polymer prices and limited polypropylene availability for furniture products, while competition from reprocessed material remains a challenge.
- **New products and capacity additions support longer-term growth:** UPVC windows and doors are gaining acceptance, while O-PVC variants, gas piping and MOHO bath fittings offer additional growth avenues. New units and brownfield expansions remain on track, with FY27 capex cash outflow guided at Rs 7-7.5bn, funded through internal accruals.

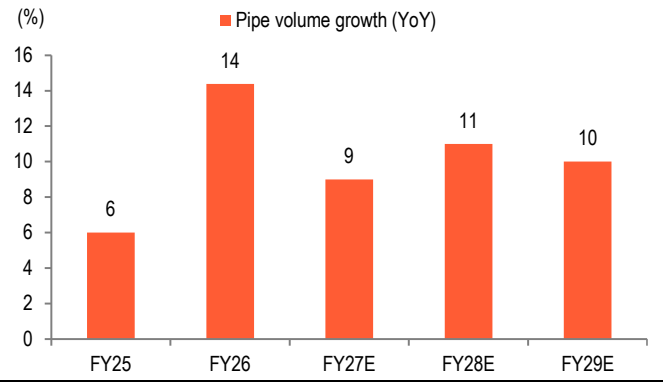
- **Employee costs expected to stabilize:** Q2 employee costs rose 25% YoY due to wage increases and hiring for new plants. Management indicated that the 1HFY27 quarterly run-rate of ~Rs 1.65–1.7bn should serve as the benchmark for the full year, with no further greenfield projects planned.

Fig 3 – Pipe volumes grew sharply by 24% YoY in Q2FY27 on channel destocking



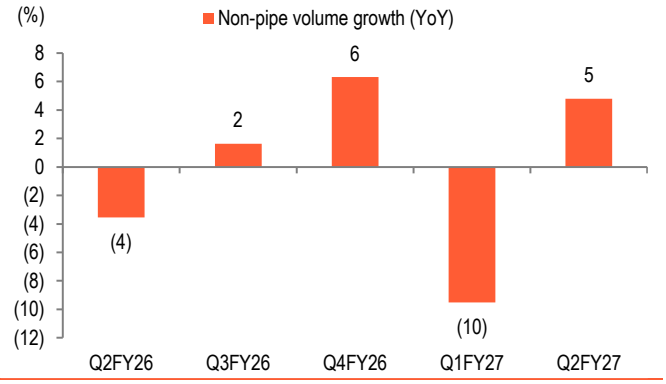
Source: Company, BOBCAPS Research

Fig 4 – Pipe volume projected to grow at 10% CAGR over FY26-FY98E, on aggressive capex plan



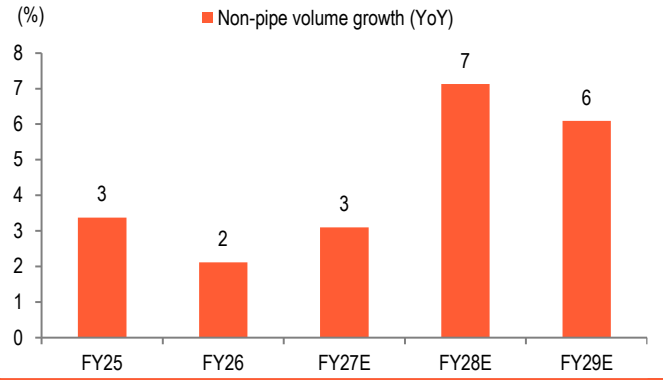
Source: Company, BOBCAPS Research

Fig 5 – Non-pipe volumes de-grew by 6% YoY in Q2FY27



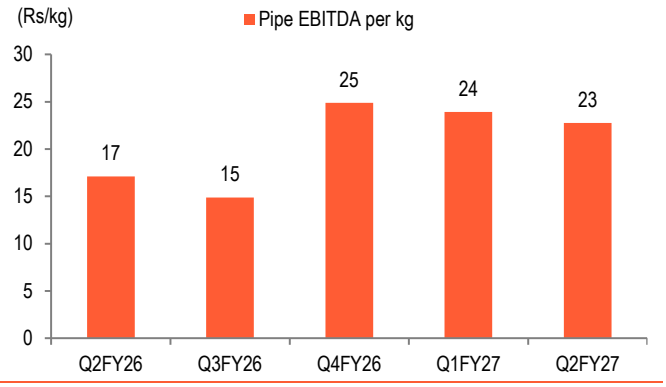
Source: Company, BOBCAPS Research

Fig 6 – SI's non-pipe volume to grow at a modest 5.4% CAGR over FY26-FY29E



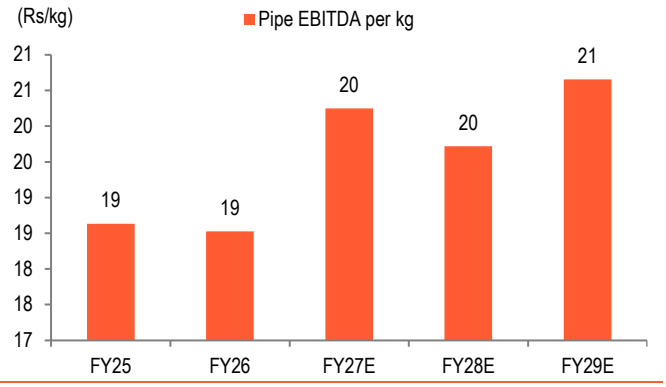
Source: Company, BOBCAPS Research

Fig 7 – Pipe EBITDA per unit was sharply up by 33% YoY in Q2FY27



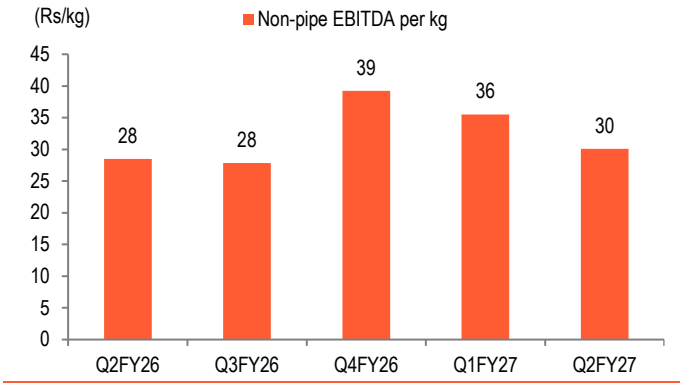
Source: Company, BOBCAPS Research

Fig 8 – SI pipe EBITDA per unit to improve to Rs 20.7/kg over FY27-FY29E, on favourable resin prices & better mix



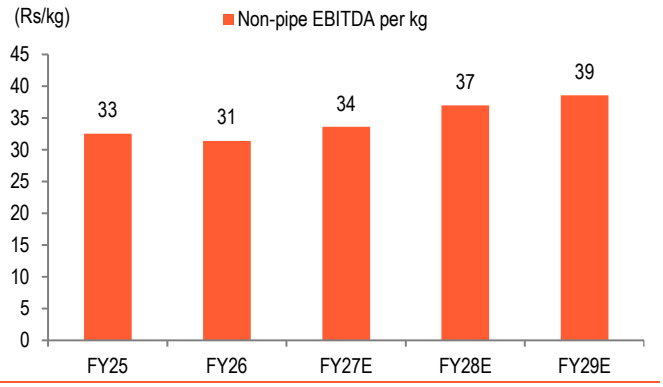
Source: Company, BOBCAPS Research

Fig 9 – Non-pipe EBITDA per unit increased by 5.6% YoY in Q2FY27



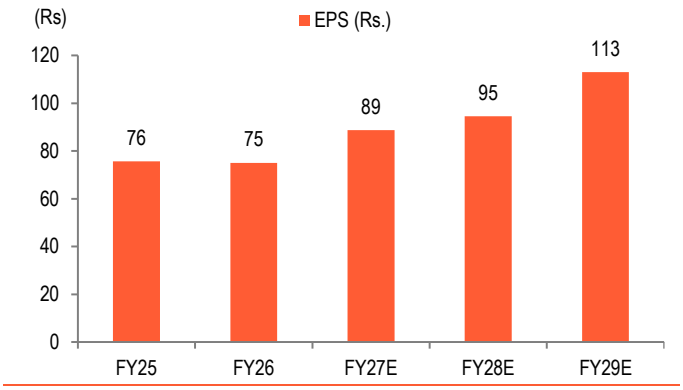
Source: Company, BOBCAPS Research

Fig 10 – SI non-pipe EBITDA per unit to improve to Rs34-39/kg over FY27E-FY29E



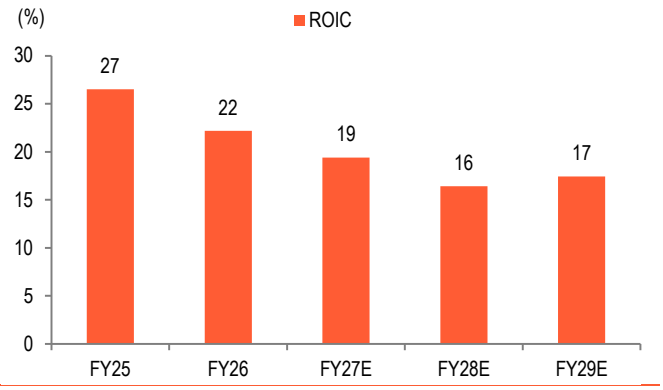
Source: Company, BOBCAPS Research

Fig 11 – SI's EPS is projected to grow at a healthy 14.6% CAGR over FY26-FY29E



Source: Company, BOBCAPS Research

Fig 12 – SI's ROIC to remain healthy in the range of 19-17% over FY27-FY29E



Source: Company, BOBCAPS Research

Valuation Methodology

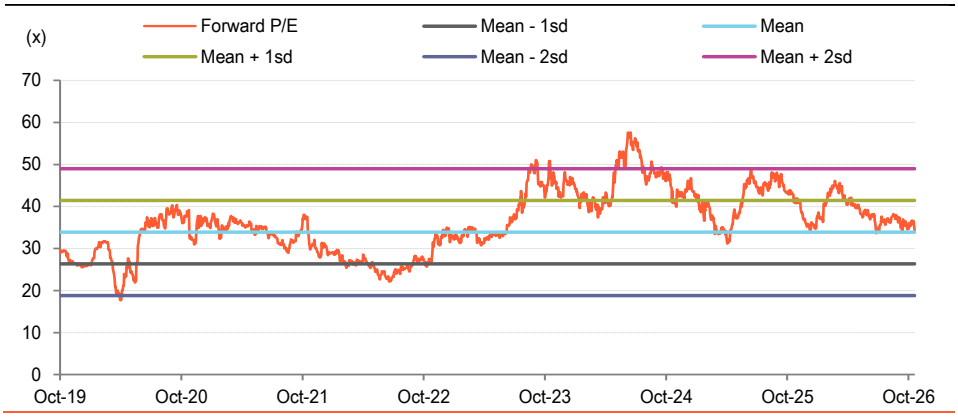
We raise FY27E-29E revenue estimates by 5-7%, while cutting EBITDA estimates by 1-2% for FY28E-29E, factoring in lower margin assumptions amid PVC price volatility and subdued volume growth. We lower Sep'28E EPS to 38x (from 40x), to arrive at a Sep-27 TP of Rs 3,940 (earlier Rs 4,000), implying 21% upside.

Fig 13 – Revised Estimates

Revision	New			Old			Var %		
Particulars	**FY27E**	**FY28E**	**FY29E**	**FY27E**	**FY28E**	**FY29E**	**FY27E**	**FY28E**	**FY29E**
Revenue	1,38,463	1,53,425	1,68,499	1,29,900	1,44,474	1,60,505	7%	6%	5%
EBITDA	17,984	19,850	22,696	17,691	20,318	22,855	2%	-2%	-1%
margin %	13.0%	12.9%	13.5%	13.6%	14.1%	14.2%	(63bps)	(113bps)	(77bps)
Adjusted PAT	11,279	12,008	14,354	11,156	12,410	14,035	1%	-3%	2%
Adjusted EPS	89	95	113	88	98	110	1%	-3%	2%

Source: Company, BOBCAPS Research

Fig 14 – SI 1YF PE band chart



Source: Bloomberg, BOBCAPS Research

Fig 15 – Key assumptions

Parameters (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Revenue mix					
Pipe	67.3	69.3	69.2	70.0	70.8
Packaging	15.2	14.6	14.3	13.9	13.4
Industrial	12.6	11.4	11.9	11.6	11.4
Consumer	4.2	3.9	3.5	3.5	3.4
Sales volume growth					
Pipe	6.0	14.4	9.0	11.0	10.0
Packaging	9.9	4.8	2.0	7.0	5.0
Industrial	(0.9)	(1.3)	4.5	7.0	7.0
Consumer	(2.8)	4.3	2.5	8.0	7.0
Total	5.4	11.8	7.9	10.3	9.3
Average realization growth	(2.2)	(3.9)	8.8	0.1	1.0
EBITDA margin					
Pipe	14.1	14.5	14.0	13.5	14.0
Packaging	14.6	14.2	14.0	14.5	14.5
Industrial	11.1	10.5	9.0	11.0	12.0
Consumer	20.0	21.2	17.0	17.5	18.0
Total	13.7	13.8	13.0	12.9	13.5

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)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**1,04,463**	**1,12,177**	**1,38,463**	**1,53,425**	**1,68,499**
EBITDA	14,317	15,532	17,984	19,850	22,696
Depreciation	3,586	4,283	4,987	5,428	5,139
EBIT	10,730	11,249	12,997	14,422	17,557
Net interest inc./(exp.)	119	290	140	140	140
Other inc./(exp.)	578	448	365	365	365
Exceptional items	0	0	0	0	0
EBT	11,190	11,407	15,072	16,047	19,183
Income taxes	2,782	2,879	3,794	4,039	4,828
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	1,201	1,012	1,850	1,400	1,400
Reported net profit	**9,609**	**9,540**	**11,279**	**12,008**	**14,354**
Adjustments	0	0	0	0	0
Adjusted net profit	**9,609**	**9,540**	**11,279**	**12,008**	**14,354**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	8,934	10,271	12,678	14,048	15,428
Other current liabilities	4,209	3,903	4,173	4,624	5,078
Provisions	-	-	-	-	-
Debt funds	584	773	773	773	773
Other liabilities	1,347	1,311	1,311	1,311	1,311
Equity capital	254	254	254	254	254
Reserves & surplus	55,875	60,962	68,857	77,262	87,310
Shareholders' fund	56,604	61,691	69,586	77,991	88,039
Total liab. and equities	**71,678**	**77,949**	**88,520**	**98,747**	**1,10,629**
Cash and cash eq.	9,525	6,585	10,217	18,975	29,004
Accounts receivables	5,401	4,875	6,017	6,668	7,323
Inventories	13,337	16,186	18,579	20,675	22,859
Other current assets	2,797	3,544	4,374	4,846	5,323
Investments	-	-	-	-	-
Net fixed assets	25,010	33,923	36,186	34,258	32,620
CWIP	4,026	1,354	1,354	1,354	1,354
Intangible assets	1,724	2,821	2,821	2,821	2,821
Deferred tax assets, net	-	-	-	-	-
Other assets	2,953	1,324	1,634	1,810	1,988
Total assets	**71,678**	**77,949**	**88,520**	**98,747**	**1,10,629**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**10,037**	**12,248**	**14,576**	**16,037**	**18,013**
Capital expenditures	(8,904)	(8,150)	(7,250)	(3,500)	(3,500)
Change in investments	-	-	-	-	-
Other investing cash flows	997	(1,987)	(310)	(177)	(178)
Cash flow from investing	**(7,908)**	**(10,137)**	**(7,560)**	**(3,677)**	**(3,678)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	-	-	-	-	-
Dividends paid	-	-	-	-	-
Other financing cash flows	(335)	(516)	(3,384)	(3,602)	(4,306)
Cash flow from financing	**(4,400)**	**(4,962)**	**(3,384)**	**(3,602)**	**(4,306)**
Chg in cash & cash eq.	**(2,271)**	**(2,852)**	**3,632**	**8,758**	**10,029**
Closing cash & cash eq.	**9,525**	**6,585**	**10,217**	**18,975**	**29,004**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	75.6	75.1	88.8	94.5	113.0
Adjusted EPS	75.6	75.1	88.8	94.5	113.0
Dividend per share	34.0	36.0	26.6	28.4	33.9
Book value per share	445.5	485.6	547.7	613.9	693.0

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	3.9	3.6	2.9	2.6	2.3
EV/EBITDA	28.1	26.1	22.5	20.1	17.1
Adjusted P/E	43.0	43.3	36.6	34.4	28.8
P/BV	7.3	6.7	5.9	5.3	4.7

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	85.6	83.6	74.8	74.8	74.8
Interest burden (PBT/EBIT)	104.3	101.4	116.0	111.3	109.3
EBIT margin (EBIT/Revenue)	10.3	10.0	9.4	9.4	10.4
Asset turnover (Rev./Avg TA)	4.5	3.8	3.9	4.4	5.0
Leverage (Avg TA/Avg Equity)	0.4	0.5	0.5	0.5	0.4
Adjusted ROAE	17.8	16.1	17.2	16.3	17.3

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	3.1	7.4	23.4	10.8	9.8
EBITDA	(7.5)	8.5	15.8	10.4	14.3
Adjusted EPS	(10.2)	(0.7)	18.2	6.5	19.5
Profitability & Return ratios (%)					
EBITDA margin	13.7	13.8	13.0	12.9	13.5
EBIT margin	10.3	10.0	9.4	9.4	10.4
Adjusted profit margin	9.2	8.5	8.1	7.8	8.5
Adjusted ROAE	17.8	16.1	17.2	16.3	17.3
ROCE	19.9	19.0	19.8	19.5	21.1
Working capital days (days)					
Receivables	19	16	16	16	16
Inventory	69	71	71	71	71
Payables	31	33	33	33	33
Ratios (x)					
Gross asset turnover	2.2	2.0	2.1	2.1	2.2
Current ratio	2.4	2.2	2.3	2.7	3.1
Net interest coverage ratio	90.2	38.8	92.8	103.0	125.4
Adjusted debt/equity	(0.1)	(0.1)	(0.1)	(0.2)	(0.3)

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 (Perpetual)**
SEBI Stock Broker Registration No: **INZ000159332**
SEBI Depository Participant Registration No: **IN-DP-728-2022**
SEBI Merchant Banker Registration No: **INM000009926**
Phone: +91-22-61389300
Name of the Compliance Officer: Mr. Sameer Khobrekar
Email ID: Compliance@bobcaps.in; Phone no.: +91-22-61389358
For any queries or grievances, you may contact the Grievance Officer.
Name of the Grievance Officer: Mr. Nilesh Mehta
Email ID: head-customercare@bobcaps.in; Phone no: 92288 60945

Brand Name: **BOBCAPS**
Website: **https://www.bobcaps.in/**
CIN: **U65999MH1996GOI098009**

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BUY – Expected return >+15%

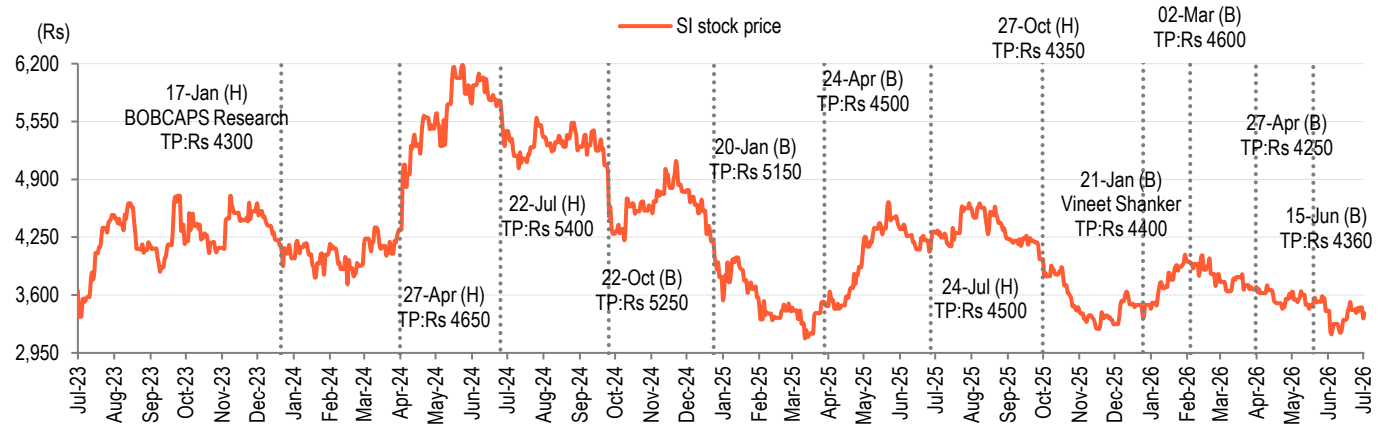
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SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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