

**BUY****TP: Rs 4,400 | ▲ 31%****SUPREME INDUSTRIES**

| Building Materials

| 21 January 2026

## Volume momentum intact; PVC stabilisation an upside trigger

- Revenue in line but margin miss, on weak realisation and higher employee costs
- Pipe volume growth guidance of 15-17% for FY26 maintained on the improving demand and stabilising PVC prices
- Estimates revised downwards, roll forward TP to Dec'26 at Rs 4,400; upgrade to **BUY**

**Vineet Shanker**  
 Research Analyst  
 research@bobcaps.in

**Revenue in line, miss on EBITDA/PAT:** Supreme Industries' Q3 revenue was largely in line with our estimates. However, a 50 bps miss in EBITDA margin led to a 4% EBITDA shortfall, driven by weaker realisations and higher employee costs. Additionally, higher finance costs due to increased short-term borrowings resulted in a sharp miss at the PAT level.

**Sustained volume growth in Q3; maintains FY26 volume guidance:** SI's pipe volumes grew 16.2% YoY in Q3FY26, supported by a recovery in demand and Wavin integration, while pipe EBITDA margin contracted 20 bps YoY to 12.0% owing to weak realisations. Non-pipe volumes were largely flat at 1.6% YoY, with growth in consumer products offset by weak industrial demand; non-pipe margins declined 129 bps YoY to 12.2%, driven by margin pressure in the packaging and consumer segments. Net debt rose to Rs 1.32 bn during the quarter given the higher short-term borrowings to fund capex and working capital. The company reiterated its FY26 volume growth guidance of 12–14%, with pipe volumes expected to grow 15–17%. Management noted that demand has picked up since Jan'26, with channel destocking complete and inventory levels now below normal.

**PVC resin prices expected to stabilise after recent volatility:** As per management, domestic PVC resin prices are showing signs of bottoming out, with stability driven by (a) China-led export restrictions, (b) production cuts by select global producers amid narrow margins, and (c) rupee depreciation making imports costlier—thereby improving import parity and supporting domestic prices. Over the past month, global PVC resin prices have increased from US\$580 to US\$640.

**Revise estimates; upgrade to BUY:** We factor in lower volume growth than management's 14% guidance and assume a gradual improvement in realisations. While a strengthening trend in PVC resin prices could act as a positive trigger, we currently treat it as monitorable. We have cut our FY26–28E estimates to reflect lower margins and roll forward our valuation to Dec'27 EPS, arriving at a TP of Rs 4,400 (vs Sept'26 TP of Rs 4,350). Given the meaningful upside, we upgrade the stock to **BUY**.

### Key changes

	Target	Rating
	▲	▲

Ticker/Price	SI IN/Rs 3,349
Market cap	US\$ 4.6bn
Free float	51%
3M ADV	US\$ 11.6mn
52wk high/low	Rs 4,739/Rs 3,095
Promoter/FPI/DII	49%/21%/16%

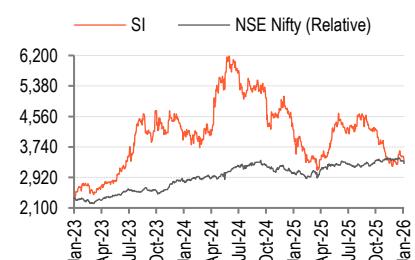
Source: NSE | Price as of 21 Jan 2026

### Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	1,04,463	1,11,216	1,28,257
EBITDA (Rs mn)	14,512	14,308	19,716
Adj. net profit (Rs mn)	9,761	8,261	12,400
Adj. EPS (Rs)	76.8	65.0	97.6
Consensus EPS (Rs)	76.8	83.6	103.6
Adj. ROAE (%)	18.1	14.1	19.5
Adj. P/E (x)	43.6	51.5	34.3
EV/EBITDA (x)	28.6	29.3	21.3
Adj. EPS growth (%)	(9.5)	(15.4)	50.1

Source: Company, Bloomberg, BOBCAPS Research

### Stock performance



Source: NSE



**Fig 1 – Quarterly performance – Consolidated**

Particulars (Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	9MFY26	9MFY25	YoY (%)	BOBCAPS Q3FY26E	Variance (%)
Revenue	26,869	25,099	7.1	23,939	12.2	76,900	74,192	3.7	26689	0.7
Raw-Material expense	18,270	17,289	5.7	15,870	15.1	52,034	50,133	3.8		
Gross Profit	8,600	7,810	10.1	8,069	6.6	24,866	24,059	3.4		
Employee expense	1,558	1,152	35.2	1,346	15.8	4,254	3,563	19.4		
Energy cost	748	895	(16.4)	667	12.2	2,141	2,582	(17.1)		
Other expense	3,155	2,674	18.0	3,082	2.4	9,170	7,760	18.2		
EBITDA	3,138	3,088	1.6	2,974	5.5	9,301	10,154	(8.4)	3138	-
D&A	1,095	913	20.0	1,044	4.9	3,069	2,673	14.8		
EBIT	2,043	2,175	(6.1)	1,931	5.8	6,232	7,481	(16.7)		
Interest cost	114	30	282.6	58	95.5	200	89	124.0		
Non-operating income/(expense)	38	89	(57.6)	155	(75.7)	362	454	(20.2)		
Share of profit/(loss) from associate	94	220	(57.1)	149	(36.7)	495	873	(43.3)		
PBT	2,061	2,454	(16.0)	2,176	(5.3)	6,889	8,719	(21.0)		
Tax	527	584	(9.8)	529	(0.4)	1,685	2,049	(17.8)		
Reported PAT	1,534	1,870	(18.0)	1,647	(6.9)	5,204	6,669	(22.0)	1888	(18.7)
Adjusted PAT	1,534	1,870	(18.0)	1,647	(6.9)	5,204	6,669	(22.0)		
<b>As % of net revenues</b>			<b>(bps)</b>		<b>(bps)</b>		<b>(bps)</b>			
Gross margin	32.0	31.1	89	33.7	(170)	32.3	32.4	(9)		
Employee cost	5.8	4.6	121	5.6	18	5.5	4.8	73		
Energy cost	2.8	3.6	(78)	2.8	(0)	2.8	3.5	(70)		
Other cost	11.7	10.7	109	12.9	(113)	11.9	10.5	147		
EBITDA margin	11.7	12.3	(63)	12.4	(74)	12.1	13.7	(159)		
Tax rate	25.6	23.8	176	24.3	127	24.5	23.5	95		
APAT margin	5.7	7.4	(174)	6.9	(117)	6.8	9.0	(222)		

Source: Company, BOBCAPS Research

**Fig 2 – Segment financials**

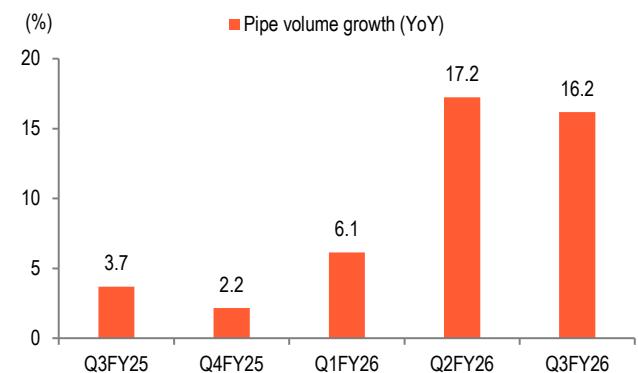
Particulars	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H1FY26	H1FY25	YoY (%)
<b>Revenue (Rs mn)</b>								
Pipe	18,232	16,649	9.5	16,021	13.8	52,176	49,612	5.2
Industrial	3,355	3,324	1.0	2,826	18.7	9,197	9,663	(4.8)
Packaging	3,903	3,982	(2.0)	3,935	(0.8)	11,854	11,662	1.6
Consumer	1,119	1,064	5.2	1,033	8.3	3,136	3,075	2.0
Others	260	79	228.4	124	110.0	538	180	199.6
<b>Total</b>	<b>26,869</b>	<b>25,099</b>	<b>7.1</b>	<b>23,939</b>	<b>12.2</b>	<b>76,900</b>	<b>74,192</b>	<b>3.7</b>
<b>Sales Volume (KTPA)</b>								
Pipe	147.0	126.5	16.2	119.9	22.6	415.6	368.9	12.7
Industrial	15.5	15.5	(0.1)	13.9	11.0	44.0	45.5	(3.3)
Packaging	16.5	16.3	1.5	16.3	1.7	49.0	47.6	2.9
Consumer	4.8	4.5	8.0	4.4	10.1	13.4	12.6	6.3
<b>Total</b>	<b>183.8</b>	<b>162.7</b>	<b>12.9</b>	<b>154.4</b>	<b>19.0</b>	<b>628.4</b>	<b>580.4</b>	<b>8.3</b>
<b>Realization (Rs/kg)</b>								
Pipe	124.0	131.6	(5.7)	133.7	(7.2)	126	134	(6.7)
Industrial	217	215	1.1	203	7.0	209	212	(1.5)
Packaging	236	245	(3.5)	242	(2.4)	242	245	(1.2)
Consumer	232	238	(2.6)	236	(1.6)	234	244	(4.1)
<b>Total</b>	<b>144.8</b>	<b>153.7</b>	<b>(5.8)</b>	<b>154.2</b>	<b>(6.1)</b>	<b>122</b>	<b>128</b>	<b>(4.7)</b>
<b>EBITDA (Rs mn)</b>								
Pipe	2186	2029	7.7	2051	6.5	6480	7085	(8.5)
Industrial	359	362	(0.7)	208	73.0	833	1018	(18.2)
Packaging	453	560	(19.1)	594	(23.8)	1622	1630	(0.5)
Consumer	213	211	1.1	183	16.6	576	622	(7.4)
Others	(73)	(73)	(0.3)	(62)	17.3	(211)	(201)	4.8
<b>Total</b>	<b>3138</b>	<b>3088</b>	<b>1.6</b>	<b>2974</b>	<b>5.5</b>	<b>9301</b>	<b>10154</b>	<b>(8.4)</b>
<b>EBITDA margin (%)</b>								
Pipe	12.0	12.2	(20)	12.8	(82)	12.4	14.3	(186)
Industrial	10.7	10.9	(17)	7.4	336	9.1	10.5	(148)
Packaging	11.6	14.1	(245)	15.1	(350)	13.7	14.0	(29)
Consumer	19.0	19.8	(77)	17.7	135	18.4	20.2	(187)
<b>Total</b>	<b>11.7</b>	<b>12.3</b>	<b>(63)</b>	<b>12.4</b>	<b>(74)</b>	<b>12.1</b>	<b>13.7</b>	<b>(159)</b>
<b>EBITDA (Rs/kg)</b>								
Pipe	14.9	16.0	(7.3)	17.1	(13.1)	15.6	19.2	(18.8)
Industrial	23.3	23.4	(0.5)	14.9	55.9	18.9	22.4	(15.3)
Packaging	27.4	34.4	(20.3)	36.5	(25.1)	33.1	34.3	(3.3)
Consumer	44.2	47.2	(6.4)	41.7	5.9	43.0	49.4	(12.9)
<b>Total</b>	<b>17.1</b>	<b>19.0</b>	<b>(10.0)</b>	<b>19.3</b>	<b>(11.3)</b>	<b>14.8</b>	<b>17.5</b>	<b>(15.4)</b>

Source: Company, BOBCAPS Research

## Earnings Call Highlights

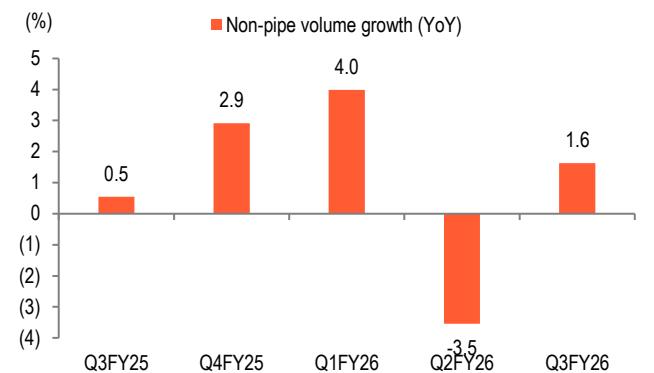
- Management indicated that the demand has visibly improved from Jan'26 as channel destocking has ended and normal stocking has resumed. Polymer downcycle has bottomed out, with PVC and other polymer prices stabilising after prolonged erosion. Capacity shutdowns and low operating rates globally have corrected supply excess, while PVC prices have rebounded by ~US\$70 from the bottom, aided by China-related supply constraints.
- CPVC pipe volume grew ~30% YoY in 9MFY26.
- Industrial segment is witnessing meaningful degrowth, as appliance OEM demand remains under pressure. Growth expectations remain muted until demand normalises.
- Composite LPG cylinders generated Rs 540 mn from 0.2 mn units supplied to BPCL, with a similar order to be executed in Q4FY26.
- Management maintained total volume growth guidance of 12–14%, while revising FY26 EBITDA margin guidance to 13.5–14.0%
- Capex outflow for 9MFY26 stood at Rs 10.3 bn, with FY26 capex guided at ~Rs 12 bn, fully funded through internal accruals and including acquisitions. To ramp up pipe capacity from 870 ktpa in FY25 to ~1.0 mtpa in FY26, two greenfield plants (Malanpur, near Gwalior and Patna) are planned, expected to be operational by FY28. Incremental capacity addition of ~100 ktpa is envisaged.
- Net debt stood at Rs 1.3bn as of Dec'25 on the back of temporary capex funding. Management reiterated its commitment to be net cash positive by Mar'26.
- Working capital increased in Q3FY26, driven by inventory rising to ~Rs 19.0 bn, while receivables stood at ~Rs 5.7 bn and payables at ~Rs 11.0 bn.
- The company has booked Rs 1-1.2bn MTM inventory loss in 9MFY26.

**Fig 3 – Pipe volumes grew sharply by 16.2% YoY in Q3FY25 on strong demand recovery**



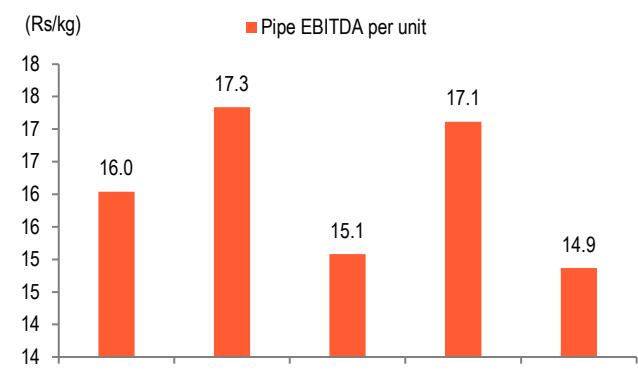
Source: Company, BOBCAPS Research

**Fig 5 – Non-pipe volumes de-grew by 1.6% YoY in Q3 on weak demand for industrial**



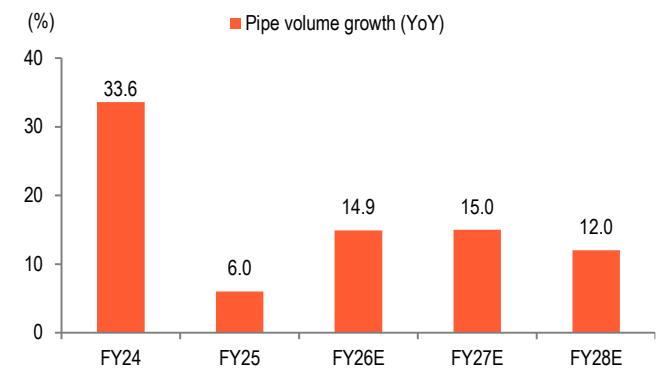
Source: Company, BOBCAPS Research

**Fig 7 – Pipe EBITDA per unit was down 7.3% YoY in Q3FY26 on lower resin prices**



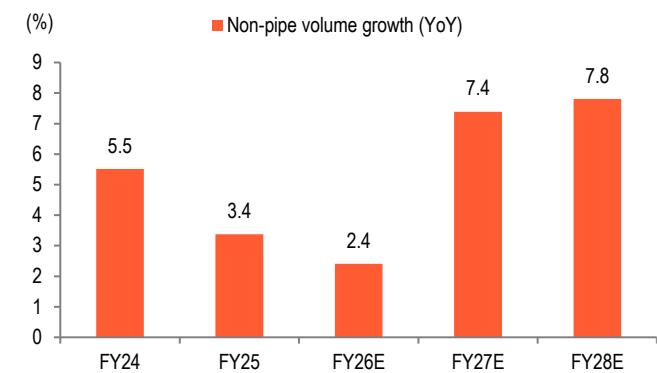
Source: Company, BOBCAPS Research

**Fig 4 – Pipe volume projected to grow at 14% CAGR over FY25-FY28E due to benefit of aggressive capex plan**



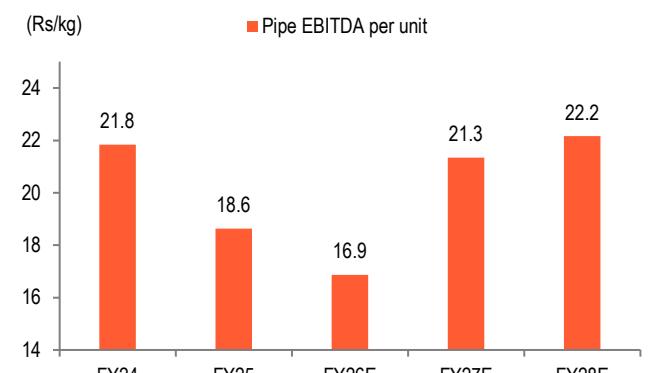
Source: Company, BOBCAPS Research

**Fig 6 – SI's non-pipe volume to grow at a modest 5.8% CAGR over FY25-FY28E**

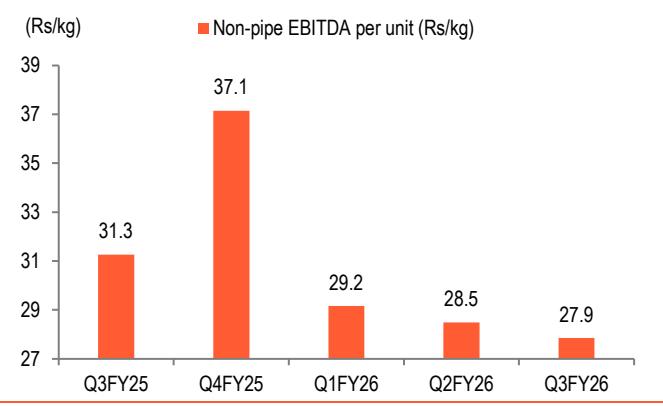


Source: Company, BOBCAPS Research

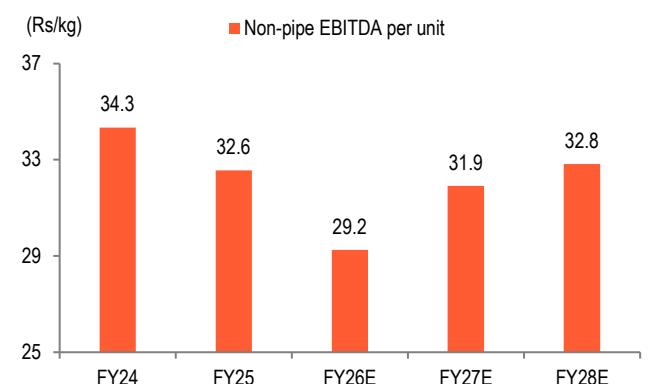
**Fig 8 – SI pipe EBITDA per unit to improve to Rs21-22.5/kg over FY27-FY28E on favorable mix**



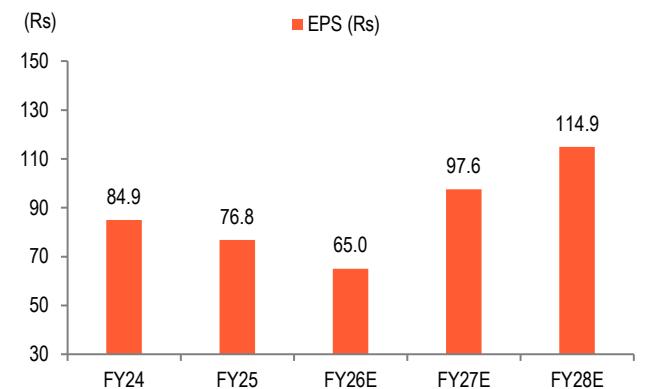
Source: Company, BOBCAPS Research

**Fig 9 – Non-pipe EBITDA per unit was 28/kg**

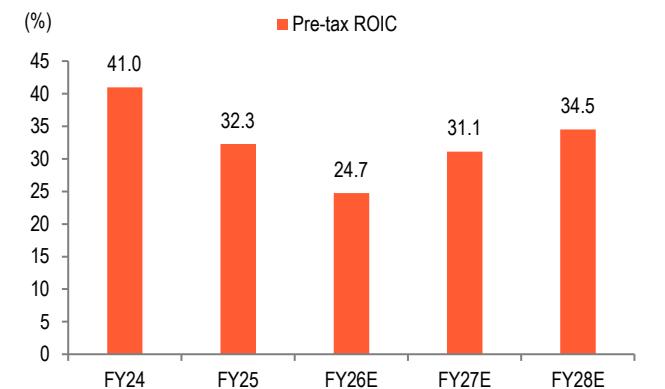
Source: Company, BOBCAPS Research

**Fig 10 – SI non-pipe EBITDA per unit to improve to Rs31.5-33/kg over FY27E-FY28E**

Source: Company, BOBCAPS Research

**Fig 11 – SI's EPS is projected to grow at a healthy 14.4% 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 factor in lower volume growth vs management's 14% guidance and assume a gradual improvement in realisations. While a strengthening trend in PVC resin prices could act as a positive trigger, we currently treat it as monitorable.

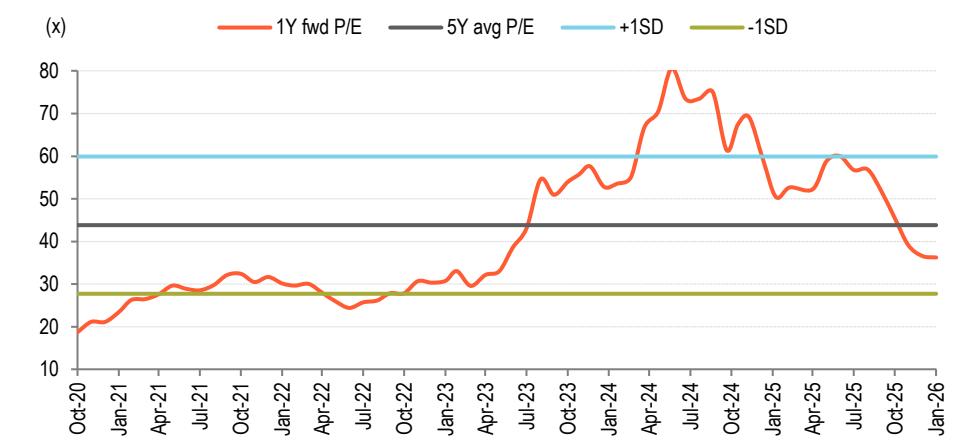
We have cut our FY26–28E estimates to reflect lower margins and roll forward our valuation to Dec'27 EPS, arriving at a TP of Rs 4,400 (vs Sept'26 TP of Rs 4,350) at unchanged 1YF multiple of 40x. Given the meaningful upside, we upgrade the stock to BUY.

**Fig 13 – Revised estimates**

Consolidated (Rs bn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	111.2	128.3	143.3	115.0	132.8	149.2	(3.3)	(3.4)	(3.9)
EBITDA	14.3	19.7	22.7	16.3	20.9	23.5	(12.2)	(5.7)	(3.4)
EBITDA margin	12.9	15.4	15.8	14.2	15.7	15.8	(133)	(33)	4
Adjusted PAT	8.3	12.4	14.6	10.4	13.9	15.6	(20.6)	(10.8)	(6.4)
Adjusted EPS (Rs)	65.0	97.6	114.9	82.1	109.2	123.0	(20.8)	(10.6)	(6.6)

Source: BOBCAPS Research

**Fig 14 – SI stock trades at 36.3x on 1YF P/E vs 5Y average of 43.8x**



Source: Bloomberg, BOBCAPS Research

**Fig 15 – Key assumptions**

Parameters (%)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Revenue mix</b>					
Pipe	68.4	67.3	69.1	70.8	71.5
Packaging	13.9	15.2	14.5	13.5	13.1
Industrial	12.9	12.6	11.6	11.2	10.9
Consumer	4.4	4.2	4.0	3.8	3.8
Sales volume growth	0.0	0.0	0.0	0.0	0.0
Pipe	33.6	6.0	14.9	15.0	12.0
Packaging	7.9	9.9	4.0	7.0	7.0
Industrial	5.0	-0.9	-0.7	7.0	8.0
Consumer	0.0	-2.8	7.4	10.0	10.0
Total	26.3	5.4	12.2	13.5	11.2
Average realization growth	-12.6	-2.4	-5.4	1.7	0.5
EBITDA margin	0.0	0.0	0.0	0.0	0.0
Pipe	15.8	14.1	13.4	16.5	17.0
Packaging	16.7	14.6	13.8	13.5	13.5
Industrial	11.4	11.1	9.6	12.0	12.5
Consumer	20.9	20.0	18.8	20.0	20.0
Total	15.4	13.9	12.9	15.4	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>1,01,343</b>	<b>1,04,463</b>	<b>1,11,216</b>	<b>1,28,257</b>	<b>1,43,330</b>
EBITDA	15,595	14,512	14,308	19,716	22,707
Depreciation	2,984	3,586	4,239	4,936	5,240
EBIT	12,611	10,926	10,069	14,780	17,467
Net interest inc./exp.)	(161)	(119)	(290)	(160)	(160)
Other inc./exp.)	657	578	400	400	400
Exceptional items	122	196	0	0	0
EBT	12,985	11,190	10,179	15,020	17,707
Income taxes	3,357	2,782	2,713	4,171	4,910
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	1,069	1,201	795	1,550	1,800
<b>Reported net profit</b>	<b>10,697</b>	<b>9,609</b>	<b>8,261</b>	<b>12,400</b>	<b>14,597</b>
Adjustments	93	152	0	0	0
<b>Adjusted net profit</b>	<b>10,790</b>	<b>9,761</b>	<b>8,261</b>	<b>12,400</b>	<b>14,597</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	10,156	8,934	9,601	11,072	12,373
Other current liabilities	2,410	4,100	2,573	2,573	2,573
Provisions	162	109	117	135	151
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	59,910	66,974	75,727
Shareholders' fund	51,088	56,604	60,165	67,228	75,981
<b>Total liab. and equities</b>	<b>65,557</b>	<b>71,678</b>	<b>74,386</b>	<b>82,939</b>	<b>93,009</b>
Cash and cash eq.	11,873	9,525	4,008	6,472	13,665
Accounts receivables	5,114	5,401	5,750	6,631	7,411
Inventories	13,586	13,337	14,199	16,374	18,299
Other current assets	2,301	2,797	3,050	3,517	3,930
Investments	6,254	6,906	6,906	6,906	6,906
Net fixed assets	21,801	25,010	31,771	34,335	34,095
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>74,386</b>	<b>82,939</b>	<b>93,009</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>10,074</b>	<b>15,060</b>	<b>17,797</b>
Capital expenditures	(6,849)	(10,783)	(11,000)	(7,500)	(5,000)
Change in investments	(542)	(652)	0	0	0
Other investing cash flows	535	383	400	400	400
<b>Cash flow from investing</b>	<b>(6,855)</b>	<b>(11,052)</b>	<b>(10,600)</b>	<b>(7,100)</b>	<b>(4,600)</b>
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	(161)	(119)	(290)	(160)	(160)
Dividends paid	(3,812)	(4,320)	(4,701)	(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>(4,991)</b>	<b>(5,496)</b>	<b>(6,004)</b>
Chg in cash & cash eq.	4,412	(2,348)	(5,517)	2,464	7,193
<b>Closing cash &amp; cash eq.</b>	<b>11,873</b>	<b>9,525</b>	<b>4,008</b>	<b>6,472</b>	<b>13,665</b>

### Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	84.2	75.6	65.0	97.6	114.9
Adjusted EPS	84.9	76.8	65.0	97.6	114.9
Dividend per share	30.0	34.0	37.0	42.0	46.0
Book value per share	402.1	445.5	473.6	529.1	598.0

### Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	4.1	4.0	3.8	3.3	2.9
EV/EBITDA	26.7	28.6	29.3	21.3	18.3
Adjusted P/E	39.4	43.6	51.5	34.3	29.1
P/BV	8.3	7.5	7.1	6.3	5.6

### DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	83.1	87.2	81.2	82.6	82.4
Interest burden (PBT/EBIT)	103.0	102.4	101.1	101.6	101.4
EBIT margin (EBIT/Revenue)	12.4	10.5	9.1	11.5	12.2
Asset turnover (Rev./Avg TA)	154.6	145.7	149.5	154.6	154.1
Leverage (Avg TA/Avg Equity)	1.4	1.3	1.3	1.3	1.3
Adjusted ROAE	22.7	18.1	14.1	19.5	20.4

### Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
<b>YoY growth (%)</b>					
Revenue	10.1	3.1	6.5	15.3	11.8
EBITDA	30.0	(6.9)	(1.4)	37.8	15.2
Adjusted EPS	24.7	(9.5)	(15.4)	50.1	17.7
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	15.4	13.9	12.9	15.4	15.8
EBIT margin	12.4	10.5	9.1	11.5	12.2
Adjusted profit margin	10.6	9.3	7.4	9.7	10.2
Adjusted ROAE	22.7	18.1	14.1	19.5	20.4
ROCE	26.0	20.3	17.4	22.6	23.5
<b>Working capital days (days)</b>					
Receivables	18	19	19	19	19
Inventory	49	47	47	47	47
Payables	37	31	32	32	32
<b>Ratios (x)</b>					
Gross asset turnover	2.4	2.2	2.0	2.0	2.0
Current ratio	2.6	2.4	2.2	2.4	2.9
Net interest coverage ratio	78.2	91.8	34.7	92.4	109.2
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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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%

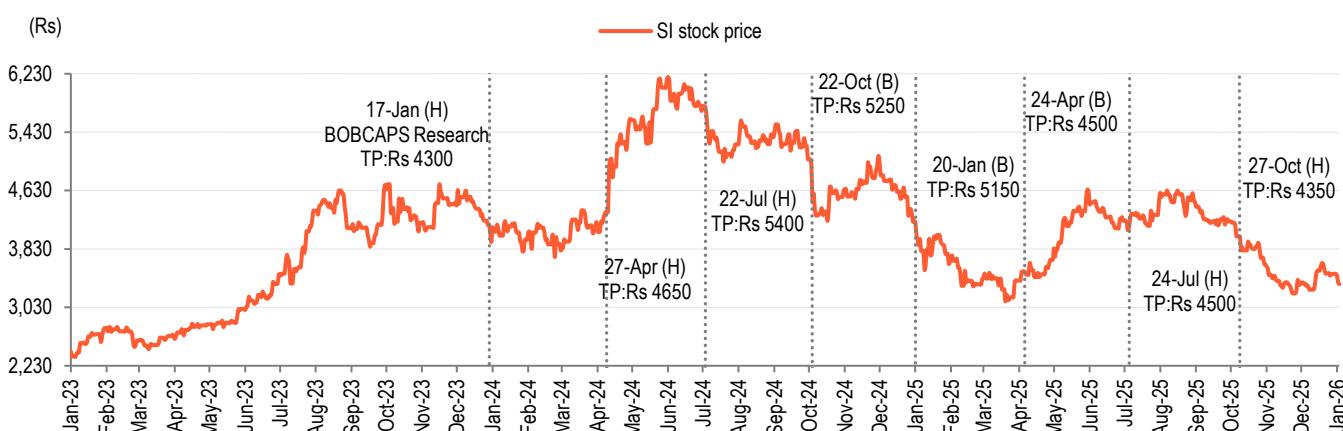
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

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

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