Supreme Industries HOLD

In-line quarter on key parameters

TP	Rs4,146
CMP	Rs4,000
Potential upside/downside	4%
Previous Rating	HOLD

Key Stock Data

Bloomberg / Reuters	SI IN / SUPI.BO
Sector	Plastic Building Material
Shares o/s (mn)	127
Market cap. (Rs mn)	508,152
3-m daily avg Trd value (Rs mn)	11.8
52-week high / low	Rs5,153 / 3,020
Sensex / Nifty	84,779 / 25,966

Price Performance (%)

	-1m	-3m	-12m
Absolute	(5.5)	(7.4)	(6.8)
Rel to Sensex	(10.9)	(11.4)	(13.5)

V/s Consensus

EPS (Rs)	FY26E	FY27E
IDBI Capital	83	104
Consensus	87	106
% difference	*(4.5)*	*(1.8)*

Shareholding Pattern (%)

Promoters	48.9
FII	20.7
DII	13.4
Public	17.0

Summary

Supreme Industries Ltd.'s (SIL) Q2FY26 result was in-line with our estimates on key parameters. Despite healthy volume growth, the company reported muted net sales growth as lower polymer prices dented NSR. On a positive note, the management sounded optimistic about demand for the plastic piping system in the agriculture (agri) segment in the second half of FY26. Robust demand is also anticipated on the plumbing side in H2. SIL reported net sales of Rs23.9bn, marginally up by 5.3% YoY, while EBITDA came in at Rs2.9bn, declined by 6.8% over Q2FY25. It reported net profit of Rs1.6bn, lower by 20.3% YoY. The management as further lowered their sales volume guidance to 12-14% YoY. Given pessimistic management commentary on demand, we have cut net sales/PAT estimates by 6%/8% and 4%/6% respectively over FY26E/FY27E. Maintain HOLD with a revised TP of Rs4,146 (earlier Rs4,395), assigning 40x PER on FY27E.

Key Highlights and Investment Rationale

- **Mix show on operational front:** SIL reported 11.8% YoY sales volume growth at 154,431MT. On realization front, blended realization was lower by 5.8% YoY to Rs154/Kg, primarily on account of 5% decline in realization of plastic segment. Going forward the company expects good demand for housing and agriculture. Robust demand is also anticipated on the plumbing side in H2FY26E. The inflation is also expected to stabilize which will benefit the company. The company's piping capacity is expected to reach over 1 million tonnes by the end of March 2026, with the company's total capacity reaching over 1.2 million tonnes.

- **NSR improvement will be closely watched, HOLD with a TP of Rs4,146:** Though SIL reported healthy sales volume growth, volatile polymer prices weighed on NSR, dragging overall earnings of the company. However, the management is optimistic about demand revival aided by good monsoon and lower inflation. Despite near term challenges, we believe SIL is poised to do well given its robust capacity, extensive distribution network and healthy balance sheet and we believe the company will bounce back as demand environment improves. HOLD with a TP of Rs4,146.

Financial snapshot **(Rs mn)**

Year	FY23	FY24	FY25	FY26E	FY27E
Revenue	92,016	1,01,343	1,04,463	1,12,819	1,30,454
Change (yoy, %)	*18*	*10*	*3*	*8*	*16*
EBITDA	11,997	15,473	14,317	16,370	20,302
Change (yoy, %)	*(3)*	*29*	*(7)*	*14*	*24*
EBITDA Margin (%)	*13.0*	*15.3*	*13.7*	*14.5*	*15.6*
Adj.PAT	8,653	10,697	9,609	10,539	13,170
EPS (Rs)	68	84	76	83	104
Change (yoy, %)	*(10.6)*	*23.6*	*(10.2)*	*10*	*25*
PE(x)	*58.7*	*47.5*	52.9	48.2	38.6
Dividend Yield (%)	*0.6*	*0.7*	0.9	0.9	1.1
EV/EBITDA (x)	*41.7*	*32.1*	34.8	30.8	24.9
RoE (%)	*21.0*	*22.5*	17.8	18.0	20.8
RoCE (%)	*22.0*	*25.5*	19.4	20.3	24.1

Source: IDBI Capital Research

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Con-call Highlights

Industry Outlook:

- The global economy is currently going through a low growth phase, which, combined with new and upcoming petrochemical plants, has put pressure on crude oil and polymer prices, causing a price downtrend.
- The company believes this downtrend in polymer prices may subside unless crude oil prices decrease drastically, noting that prices are currently quite low.
- The demand for the plastic piping system in the agriculture (agri) segment is expected to rebound robustly starting from November, as reservoirs are full, leading to confidence in volume recovery in the second half (H2). Robust demand is also anticipated on the plumbing side in H2.

Quarterly Performance:

- The company achieved a turnover of Rs23,939mn during the Q2FY26. This was higher by 5.3% compared to Rs22,730mn in Q2FY25.
- Realization during the quarter for Plastic piping products, Industrial and consumer products de-grew by 5%, 6% and 6% YoY respectively to Rs134/kg, Rs202/kg and Rs236/kg. However, packaging realization was flat at Rs242 /Kg. The blended realization was down by 6% YoY at Rs154/Kg.
- The company recorded an overall estimated inventory loss in the first half of between Rs500mn to Rs600mn due to falling prices across various materials (PVC, CPVC, polyethylene)
- Consolidated profit for Q2FY26 was Rs1647mn, marking decreases of 20%, compared to the corresponding period of the previous year**.**
- The overall turnover of value-added products increased significantly to Rs10,730mn during the current quarter (Q2), up from Rs9,070mn in the corresponding quarter of the previous year
- The Industrial Component Division performed poorly relative to other segments due to low demand originating from customers who manufacture primary products in the market during Q2FY26.

- The acquisition of the Wavin plastic pipe business contributed approximately 3,000 tonnes in volume during the two months (August and September) of Q2, and the unit was operating at a positive level, although it did increase depreciation.

Capacity Expansion and new launches:

- The acquisition of the Wavin plastic pipe business was completed, including three manufacturing sites situated in Banmore in Madhya Pradesh, Thimmapur in Telangana and Neemrana in Rajasthan with an installed capacity of approximately 71,000 tonnes per annum.
- The company's piping capacity is expected to reach over 1 million tonnes by the end of March 2026, with the company's total capacity reaching over 1.2 million tonnes
- The company has installed initial production line equipment for the profile window project (which involved a capex of around Rs2,000mn) and expects to launch commercial production in the market during December 2025, initially focusing on the UP, NCR, and Haryana regions.
- Newly installed production equipment for the PP silent pipe system (branded *Serene* and *Serene plus*) has commenced production under technical collaboration with Major Poloprast of Austria
- Plans are underway to set up a new unit for material handling products in Malanpur, Madhya Pradesh, starting next year, alongside other Greenfield units for the plastic piping division in Bihar and Jammu
- The company has begun executing awarded contracts for the supply of composite LPG cylinders for Bharat Petroleum Corporation Limited and Indian Oil Corporation Limited.

Guidance

- The company expects to achieve an overall volume growth for FY26 between 12% to 14%.
- The expected annual turnover for FY26 is projected to be between Rs110bn to Rs115bn, with the overall full-year operating margin anticipated to be between 14.5% to 15%
- The company expects a total cash outflow of about Rs13bn toward existing and new capital commitments, including the acquisition of the Wavin business.

Exhibit 1: Quarterly Financials

Particulars (Rs mn)	Q2FY26	Q1FY26	*QoQ (%)*	Q2FY25	*YoY (%)*
Total revenues	**23,939**	**26,092**	***-8.3%***	**22,730**	***5.3%***
Total expenditure	20,965	22,903	*-8.5%*	19,537	*7.3%*
EBIDTA	**2,974**	**3,189**	***-6.7%***	**3,192**	***-6.8%***
EBIDTA margin (%)	*12.4*	*12.2*	*20bps*	14.0	*-162bps*
Depreciation	1,044	930	*12.2%*	899	*16.0%*
Interest cost	58	28	*110.5%*	26	*122.5%*
Other income	155	169	*-8.2%*	151	*3.3%*
PBT	2,028	2,400	*-15.5%*	2,417	*-16.1%*
Tax	529	629	*-15.9%*	629	*-16.0%*
Adj. net profit	**1,647**	**2,023**	***-18.6%***	**2,066**	***-20.3%***
Adj. EPS (INR)	13.0	15.9	*-18.6%*	16.3	*-20.3%*

Source: Company; IDBI Capital Research

Exhibit 2: Actual vs. estimates

Particulars (Rs mn)	Q2FY26A	Q2FY26E	*Variance (%)*
Net Sales	**23,939**	**24,093**	***-0.6%***
EBITDA	**2,974**	**3,132**	***-5.0%***
EBITDA Margin (%)	*12.4*	*13*	*-58bps*
Net Profit	**1,647**	**1,753**	***-6.0%***
EPS, Rs	13.0	13.8	*-6.0%*

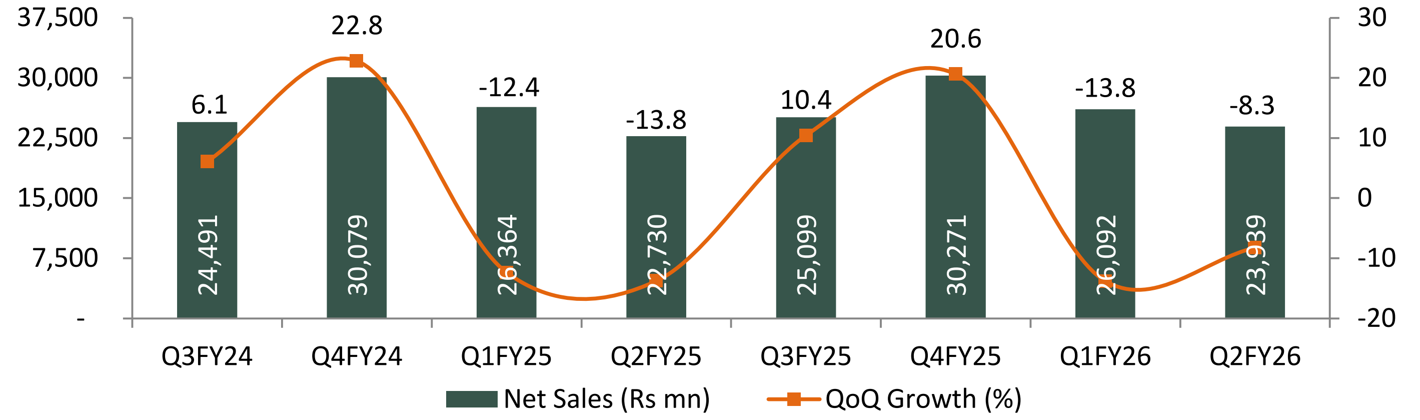
Source: Company; IDBI Capital Research

Exhibit 3: Segmental performance

Sales Volume (MT)	Q2FY26	Q1FY26	*QoQ (%)*	Q2FY25	*YoY (%)*
Plastic Volumes (MT)	1,54,431	1,83,793	*-16.0%*	1,38,077	*11.8%*
Volume					
Plastic	1,19,860	1,48,768	*-19.4%*	1,02,238	*17.2%*
Packaging	16,263	16,178	*0.5%*	16,593	*-2.0%*
Industrial products	13,927	14,649	*-4.9%*	15,110	*-7.8%*
Consumer products	4,381	4,198	*4.4%*	4,136	*5.9%*
Revenue (Rs mn)					
Plastic	16,021	17,923	*-10.6%*	14,379	*11.4%*
Packaging	3,935	4,016	*-2.0%*	3,999	*-1.6%*
Industrial products	2,826	3,016	*-6.3%*	3,276	*-13.7%*
Consumer products	1,033	984	*5.0%*	1,039	*-0.6%*
Realization (Rs/Kg)					
Plastic	134	120	*10.9%*	141	*-5.0%*
Packaging	242	248	*-2.5%*	241	*0.4%*
Industrial products	203	206	*-1.5%*	217	*-6.4%*
Consumer products	236	234	*0.6%*	251	*-6.1%*

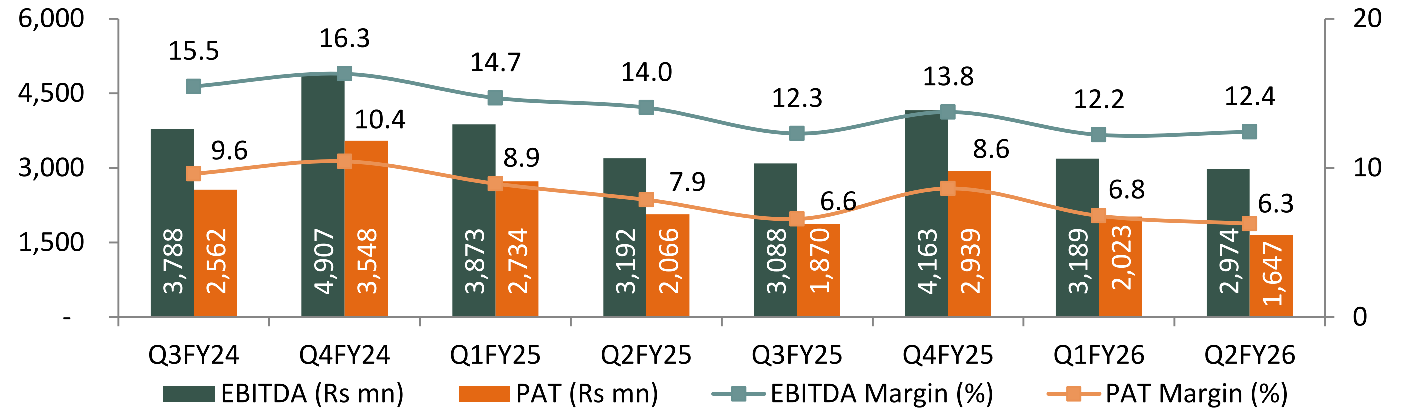
Source: Company; IDBI Capital Research

Exhibit 4: Net sales analysis



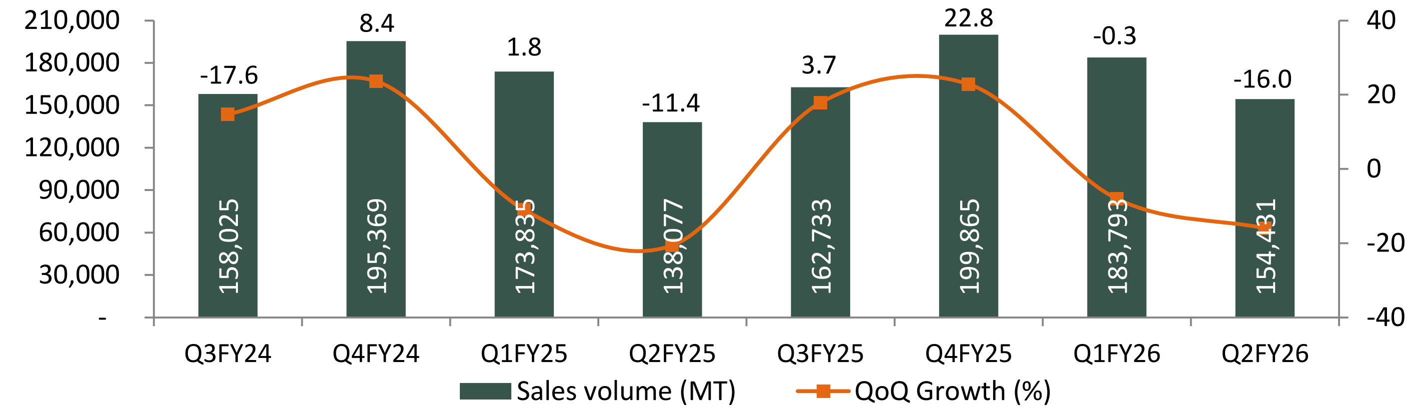
Source: Company; IDBI Capital Research

Exhibit 5: EBITDA, PAT and margins analysis



Source: Company; IDBI Capital Research

Exhibit 6: Sales volume analysis



Source: Company; IDBI Capital Research

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
Net sales	**77,728**	**92,016**	**1,01,343**	**1,04,463**	**1,12,819**	**1,30,454**
Change (yoy, %)	*22.3*	*18*	*10*	*3*	*8*	*16*
Operating expenses	(65,307)	(80,019)	(85,869)	(90,146)	(96,449)	(1,10,151)
EBITDA	**12,421**	**11,997**	**15,473**	**14,317**	**16,370**	**20,302**
Change (yoy, %)	*-3.3*	*(3)*	*29*	*(7)*	*14*	*24*
Margin (%)	*16.0*	*13.0*	*15.3*	*13.7*	*14.5*	*15.6*
Depreciation	(2,295)	(2,634)	(2,984)	(3,586)	(4,128)	(4,594)
EBIT	**10,126**	**9,363**	**12,490**	**10,730**	**12,242**	**15,708**
Interest paid	(52)	(80)	(161)	(119)	(131)	(144)
Other income	200	298	657	578	636	700
Pre-tax profit	**10,274**	**9,580**	**12,985**	**11,190**	**12,748**	**16,264**
Tax	(2,633)	(2,460)	(3,357)	(2,782)	(3,209)	(4,094)
Effective tax rate (%)	*25.6*	*25.7*	*25.8*	*24.9*	*25.2*	*25.2*
Minority Interest	-	-	-	-	-	-
Net profit	**5,597**	**5,588**	**8,560**	**7,208**	**8,539**	**11,170**
Exceptional items	-	-	-	-	-	-
Adjusted net profit	**9,684**	**8,653**	**10,697**	**9,609**	**10,539**	**13,170**
Change (yoy, %)	*(1.0)*	*(11)*	*24*	*(10)*	*10*	*25*
EPS	76.2	68.1	84.2	75.6	83.0	103.7
Dividend per sh	24.0	25.0	27.0	34.0	37.0	42.0
Dividend Payout (%)	*37.8*	*44.0*	*38.5*	*54*	*54*	*49*

Balance Sheet (Rs mn)

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
Shareholders' funds	**38,444**	**44,021**	**51,088**	**56,604**	**60,502**	**66,269**
Share capital	254	254	254	254	254	254
Reserves & surplus	38,190	43,767	50,834	56,350	60,248	66,015
Total Debt	-	-	-	-	-	-
Other liabilities	1,268	1,299	1,443	1,551	1,748	1,964
Curr Liab & prov	**10,248**	**11,623**	**13,026**	**13,523**	**14,676**	**16,247**
Current liabilities	9,928	11,274	12,566	13,034	14,143	15,646
Provisions	320	349	461	489	533	601
Total liabilities	**11,515**	**12,921**	**14,469**	**15,074**	**16,424**	**18,211**
Total equity & liabilities	**49,959**	**56,942**	**65,557**	**71,678**	**76,926**	**84,480**
Net fixed assets	18,366	20,601	23,238	29,036	37,707	42,922
Investments	4,983	6,052	6,696	7,545	7,922	8,476
Other non-curr assets	1,845	1,486	2,727	4,016	3,956	4,569
Current assets	**24,765**	**28,804**	**32,896**	**31,081**	**27,341**	**28,513**
Inventories	12,602	13,856	13,586	13,337	14,670	15,844
Sundry Debtors	4,668	4,924	5,114	5,401	6,157	6,896
Cash and Bank	5,282	7,471	11,881	9,567	3,460	2,476
Loans and advances	2,213	2,552	2,315	2,777	3,053	3,297
Total assets	**49,959**	**56,942**	**65,557**	**71,678**	**76,926**	**84,480**

Cash Flow Statement (Rs mn)

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
Pre-tax profit	10,274	9,580	12,985	11,190	12,748	16,264
Depreciation	2,295	2,634	2,984	3,586	4,128	4,594
Tax paid	(2,648)	(2,456)	(3,305)	(2,867)	(3,112)	(3,971)
Chg in working capital	(5,447)	(120)	1,473	460	(941)	(346)
Other operating activities	-	-	-	-	-	-
Cash flow from operations (a)	**4,474**	**9,639**	**14,138**	**12,369**	**12,822**	**16,542**
Capital expenditure	(3,792)	(4,869)	(5,621)	(9,384)	(12,799)	(9,809)
Chg in investments	(1,415)	(1,069)	(644)	(849)	(377)	(555)
Other investing activities	-	-	-	-	-	-
Cash flow from investing (b)	**(5,207)**	**(5,938)**	**(6,265)**	**(10,233)**	**(13,176)**	**(10,363)**
Equity raised/(repaid)	-	-	-	-	-	-
Debt raised/(repaid)	(6)	-	-	-	-	-
Dividend (incl. tax)	(3,659)	(3,812)	(4,116)	(5,184)	(5,641)	(6,403)
Chg in monorities	-	-	-	-	-	-
Other financing activities	1,947	2,300	653	734	(112)	(759)
Cash flow from financing (c)	**(1,718)**	**(1,512)**	**(3,463)**	**(4,450)**	**(5,753)**	**(7,162)**
Net chg in cash (a+b+c)	**(2,451)**	**2,190**	**4,409**	**(2,314)**	**(6,107)**	**(984)**

Financial Ratios

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
Book Value (Rs)	301.3	345	401	444	475	520
Adj EPS (Rs)	*76.2*	*68.1*	*84.2*	*75.6*	*83.0*	*103.7*
Adj EPS growth (%)	*-1.0*	*-11*	*24*	*-10*	*10*	*25*
EBITDA margin (%)	*16.0*	*13.0*	*15.3*	*13.7*	*14.5*	*15.6*
Pre-tax margin (%)	*13.2*	*10.4*	*12.8*	*10.7*	*11.3*	*12.5*
Net Debt/Equity (x)	*-0.1*	*-0.2*	*-0.2*	*-0.2*	*-0.1*	*0.0*
ROCE (%)	*27.9*	*22*	*26*	*19*	*20*	*24*
ROE (%)	*27.6*	*21*	*22*	*18*	*18*	*21*
DuPont Analysis						
Asset turnover (x)	1.7	1.7	1.7	1.5	1.5	1.6
Leverage factor (x)	1.3	1.3	1.3	1.3	1.3	1.3
Net margin (%)	*12.5*	*9.4*	*10.6*	*9.2*	*9.3*	*10.1*
Working Capital & Liquidity ratio						
Inventory days	59	55	49	47	47	44
Receivable days	22	20	18	19	20	19
Payable days	44	41	44	37	37	35

Valuations

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
PER (x)	52.5	58.7	47.5	52.9	48.2	38.6
Price/Book value (x)	13.3	11.6	10.0	9.0	8.4	7.7
EV/Net sales (x)	6.5	5.4	4.9	4.8	4.5	3.9
EV/EBITDA (x)	40.5	41.7	32.1	34.8	30.8	24.9
Dividend Yield (%)	*0.6*	*0.6*	*0.7*	*0.9*	*0.9*	*1.1*

Source: Company; IDBI Capital Research

ARCHANA BASWARAJ GUDE

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Key to Ratings Stocks:

BUY: 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

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