


3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✗	✓	✗
+ Positive	= Neutral	- Negative	

What has changed in 3R MATRIX

	Old		New
RS	✗	↔	✗
RQ	✗	↔	✗
RV	✗	↔	✗

Company details

Market cap:	Rs. 44,078 cr
52-week high/low:	Rs. 6482/3020
NSE volume: (No of shares)	2.41 lakh
BSE code:	509930
NSE code:	SUPREMEIND
Free float: (No of shares)	6.5 cr

Shareholding (%)

FII	23
Institutions	13
Public & others	15
Promoters	49

Price chart


Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	0.4	-9.6	-19.6	-16.2
Relative to Sensex	-1.9	-14.0	-19.3	-24.4

Source: Mirae Asset Sharekhan Research, Bloomberg

Supreme Industries Ltd

Soft Q4; long-term prospects intact

Building Materials	Sharekhan code: SUPREMEIND		
Reco/View: Buy	↔	CMP: Rs. 3,470	Price Target: Rs. 4,054
↑ Upgrade	↔ Maintain	↓ Downgrade	

Summary

- Q4FY25 revenues were flat year-on-year, as expected, due to lower volumes and a decline in realizations caused by PVC price volatility. However, the EBITDA margin exceeded our forecast by 150 bps.
- Supreme has signed an MOU to acquire Orbia Wavin's piping and fitting division, which has an annual capacity of 73,000 MT. This acquisition will provide access to Wavin's piping technologies in India and SAARC countries. The company plans to increase its total piping system capacity to 1 million MT by FY26, up from the current 872,000 MT, which includes Wavin's capacity.
- The company targets Rs. 12,000 crore in revenue with an EBITDA margin of 14.5-15.4%, aiming to grow 10-12% in volumes, while the industry is expected to grow at 6-8% in FY26. It plans a Rs. 1,100 crore capex for expansion, including the acquisition of a building and infrastructure business, and new manufacturing facilities, funded through internal accruals.
- We retain a Buy on Supreme Industries Limited (SIL) with a revised PT of Rs. 4,054, lowering our target price because of the reduction in estimated earnings.

Consolidated revenue stood at Rs. 3,027 crore, flat y-o-y, due to a 2% y-o-y fall in realisations, while total volumes grew at just 2.3% y-o-y in Q4FY25. The company targets a 10-12% growth in FY26, outperforming industry growth of 6-8%. In FY25, the plastic piping systems business saw a 6% volume growth and 1.5% value growth, while packaging products recorded a 10% volume growth and 13% value growth. Industrial products remained flat in both volume and value terms, and consumer products grew 3% in volume with flat value. A decline in PVC prices and polythene pipe prices led to an estimated Rs. 150 crore inventory loss in FY25. Turnover from value-added products rose 8% y-o-y to Rs. 4,060 crore, increasing its share from 37% to 39% in FY25. Consolidated OPM was 13.8% (down 256 bps y-o-y in Q4), exceeding our estimate of 12.3%. SIL has signed an MoU to acquire Orbia Wavin's piping and fitting division, with a capacity of 73,000 MT annually, gaining access to Wavin's piping technologies in India and SAARC countries.

Key negatives

- Q4FY25 revenues stood at Rs. 3,027 crore, flat y-o-y, affected by lower realizations (approximately a 2% decline y-o-y), while total volume growth was just 2.3% y-o-y.
- The company incurred an inventory loss of Rs. 150 crore in FY25 due to volatility in PVC price.

Management Commentary

- The company plans to invest Rs. 1,100 crore through internal accruals in FY26 to support expansion, including the acquisition of a building and infrastructure business, as well as the establishment of new manufacturing facilities.
- SIL is expanding its product portfolio, manufacturing capacity, and distribution network, aiming for a 1 million-ton capacity for plastic piping systems by the end of FY26, up from 872,000 metric tons in FY25.
- It expects overall volume growth of around 10-12%, with an EBITDA margin projected between 14.5-15.5%, and revenue of Rs. 12,000 crore in FY26.

Our Call

Valuation – Retain Buy with a revised PT of Rs. 4,054: SIL is well-positioned to capitalize on robust demand from agriculture, housing, and infrastructure sectors, supported by stabilising PVC prices at lower levels. The company is poised to achieve strong volume growth over the next 3-4 years, driven by sustained demand. A favorable long-term demand outlook and incremental capacity additions are expected to deliver a ~20% net earnings CAGR over FY25-FY27. The stock trades at a P/E of 38x/32x times its FY26E/FY27E earnings. We maintain our Buy rating with a revised PT of Rs. 4,054.

Key Risks

Demand slowdown could affect revenue growth, while commodity price fluctuations might hit margins.

Valuation (Consolidated)

Particulars	FY24	FY25	FY26E	FY27E
Revenue	10,134	10,446	11,846	13,790
OPM (%)	15.3	13.7	14.3	14.8
Adjusted PAT	1,070	961	1,156	1,378
y-o-y growth (%)	23.6	(10.2)	20.3	19.2
Adjusted EPS (Rs.)	84.2	75.7	91.0	108.5
P/E (x)	41.2	45.9	38.1	32.0
P/B (x)	8.6	7.8	6.9	6.0
EV/EBITDA (x)	27.3	29.6	25.1	20.6
RoNW (%)	20.9	17.0	18.0	18.9
RoCE (%)	23.6	18.3	20.2	21.7

Source: Company; Mirae Asset Sharekhan estimates

Key Conference Call Takeaways

- ♦ **Performance overview:** In FY25, the plastic piping systems business recorded a 6% volume growth and 1.5% value growth, while packaging products achieved a 10% volume growth and 13% value growth. Industrial products remained flat in both volume and value terms while consumer products grew BY 3% in volume terms with flat value. A decline in PVC prices resulted in an estimated INR 150 crore inventory loss for the plastic piping division.
- ♦ **Capital expenditure:** The company plans to invest Rs. 1,100 crore in FY26 to fund expansion, including acquisition of a building and infrastructure business and the establishment of new manufacturing facilities.
- ♦ **Wavin acquisition:** The acquisition provides a capacity of 73,000 tonnes, with an expected 70% utilization, equating to ~51,000 tonnes sold annually.
- ♦ **Protective Packaging:** The protective packaging segment currently generates approximately Rs. 850 crore in revenue, primarily from packaging, with a goal to reach Rs. 1,000 crore by FY26.
- ♦ **Composite Cylinders** The composite cylinder division underperformed in FY25 due to low demand and high costs. However, in FY26, Bharat Petroleum Corporation Limited has invited tenders for composite cylinders, expanding opportunities beyond Indian Oil Corporation Limited, which is planning a tender for approximately 1 million cylinders. Oil marketing companies are standardizing a 14.2 mm cylinder size, potentially making FY26 a strong year for the division.
- ♦ **OPVC equipment sourcing:** Supreme maintains a strong relationship with Molecor, for OPVC equipment, having procured multiple lines with additional orders planned for the current and upcoming years.

Results (Consolidated)

Particulars	Rs cr				
	Q4FY25	Q4FY24	y-o-y (%)	Q3FY25	QoQ (%)
Revenue	3,027	3,008	0.6	2,510	20.6
Total expenditure	2,611	2,517	3.7	2,201	18.6
EBITDA	416	491	-15.2	309	34.8
Depreciation	91	77	18.4	91	0.1
EBIT	325	414	-21.4	218	49.4
Other income	12	18	-31.2	9	39.9
Interest expenses	3	8	-61.5	3	-0.3
PBT	334	424	-21.1	223	49.6
Tax expenses	73	110	-33.3	58	25.3
Share of profit from associate	33	41	-19.5	22	49.2
Adjusted net profit	294	355	-17.2	187	57.2
Extraordinary items	0	0	-	0	-
Reported net profit	294	355	-17.2	187	57.2
Adjusted EPS (Rs.)	23.1	27.9	-17.2	14.7	57.2
			BPS		BPS
EBITDA Margin (%)	13.8	16.3	-250	12.3	150
PAT Margin (%)	9.7	11.8	-210	7.4	230
Effective tax rate (%)	21.9	25.9	-400	26.2	-430

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Steady real estate demand and Infrastructure push from government to drive growth

The Indian real estate sector is going through an upcycle after COVID-19. Rise in urbanization and new homes will result in increased demand for plastic pipes. Also, the Indian government's focus on infrastructure development, including projects like 'Housing for All' and 'Smart Cities,' is boosting demand. As urbanization accelerates, demand for efficient and durable piping solutions for water supply, sewage, and gas distribution systems is rising. Government initiatives to improve rural infrastructure, including water supply and sanitation, are also creating opportunities.

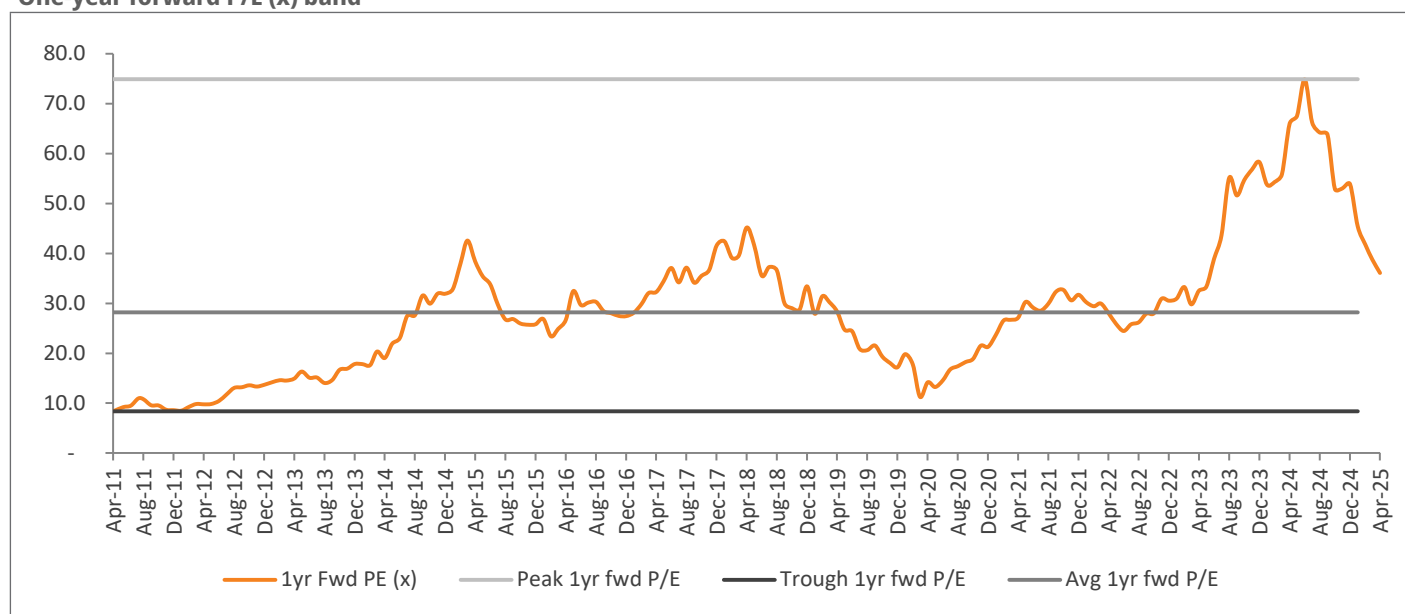
■ Company Outlook – Eyeing healthy demand growth

SIL is seeing a pick-up in demand from metros in the housing sector. Demand for all its products remains strong along with a healthy revival in the agriculture sector. The company has gained a market share during FY2023 and FY2024 in both PVC and CPVC segments and is expected to outperform going forward.. The management remains optimistic about reporting a 10-12% y-o-y volume growth in plastic piping for FY2026. It is expecting healthy demand from the housing, agriculture and infrastructure sectors. The company has a capital expenditure plan of Rs. 1,100 crore, which would be entirely funded through internal accruals.

■ Valuation – Retain Buy with a revised PT of Rs. 4,054

SIL is well-positioned to capitalize on robust demand from agriculture, housing, and infrastructure sectors, supported by stabilising PVC prices at lower levels. The company is poised to achieve strong volume growth over the next 3-4 years, driven by sustained demand. A favorable long-term demand outlook and incremental capacity additions are expected to deliver a ~20% net earnings CAGR over FY25-FY27. The stock trades at a P/E of 38x/32x times its FY26E/FY27E earnings. We maintain our Buy rating with a revised PT of Rs. 4,054.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

About company

SIL is a leading manufacturer of plastic products with a significant presence across piping, packaging, industrial, and consumer segments. The company has emerged as one of the suitable proxy plays on growing plastic consumption in India because of a diversified product portfolio, an extensive distribution network, an improved capital structure, and the government's thrust on building better infrastructure.

Investment theme

SIL is on a firm footing, with a strong product portfolio and new product launches, expected to drive growth in the coming years. The strong real estate upcycle and government's thrust on affordable housing and enhanced allocation towards irrigation projects will aid future growth for companies such as SIL. We remain positive about introducing value-added products and capacity expansion plans, which are largely funded by robust internal accruals. SIL enjoys superior return ratios with low gearing levels, and we expect the company to maintain high return ratios going forward.

Key Risks

- ♦ A slowdown in demand offtake from the user industry can impact revenue growth rates. Adverse commodity price fluctuation might impact the company's margin profile.

Additional Data

Key management personnel

Name	Designation
M.P. Taparia	Managing Director
P C Somani	Chief Finance Officer
Rajendra J Saboo	AVP (Corporate Affairs) and Company Secretary and Compliance Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Nalanda India Fund Ltd	3.48
2	Blackrock Inc	2.48
3	Kotak Mahindra Asset Management Co	2.45
4	Vanguard Group Inc/The	2.08
5	FundRock Management Co SA	1.97
6	Norges Bank	1.96
7	HDFC Asset Management Co Ltd	1.6
8	Nippon Life India Asset Management	1.36
9	JPMorgan Chase & Co	1.22
10	DSP Investment Managers Pvt Ltd	1.00

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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