

25 April 2025

## Supreme Industries

*Soft performance; better days expected ahead, retaining a Buy*

Supreme Industries' Q4 revenue remained muted at Rs30bn, up just 0.6% y/y, as overall volumes sold rose a meagre 2.3% y/y. Profitability was impacted as PVC pricing environment remained uncertain, with a downward bias deferring filling of channel inventory and under absorption of fixed overheads. Gross/EBITDA/PAT margins contracted 311/256/209bps y/y to 29.4/13.8/9.7%. With aggressive capex of Rs11bn (brownfield expansions, Wavin's acquisition), enhanced product offerings and increasing product SKUs, management targets 10-12% volume growth in FY26, translating to Rs120bn revenue; it expects operating margin of 14.5-15.5%.

Volumes sold up y/y (except for industrial product); realisations up y/y barring plastic pipes. Revenue in plastic piping system (68.5% of revenue) was 3.7% lower y/y, while in packaging business (14.1%) was 13.3% higher y/y. EBIT margin contraction was seen across segments.

**Revenue contribution from VAPs to inch up further.** The continued focus on introduction of innovative products and enhanced offerings helped the company to expand its revenue from VAP, up 8.3% y/y to Rs40.6bn in FY25 (39.4% of sales vs. 37.4% in FY24).

**Continues to be cash-surplus despite aggressive capex.** The company added 1,39,750-tonne capacity in FY25 and had surplus cash of Rs9.5bn. Further, it aims to cross 1m-tonne capacity p.a. in plastic pipes during FY26 (including Wavin's 73,000-tonne p.a. capacity). Management continues to fund capex through internal accruals.

**Outlook, valuation.** Management expects 10-12% volume growth in FY26 (3-4% ahead of the industry's growth rate). This is expected to translate to Rs120bn revenue, with the EBITDA margin at 14.5-15.5%. After adjusting for weak FY25 performance, we expect 16.3%/20.4% revenue/earnings CAGRs over FY25-27. At the CMP, the stock trades at 40.0x/31.7x FY26e/27e earnings. We retain our Buy rating on the stock, with a 12-mth TP of Rs4,386 (Rs6,458 earlier), 40x FY27e earnings (45x FY27e earnings).

Key financials (YE Mar)	FY23	FY24	FY25	FY26e	FY27e
Sales (Rs m)	92,016	101,343	104,462	118,873	141,369
Net profit (Rs m)	8,654	10,698	9,609	11,038	13,932
EPS (Rs)	68.1	84.2	75.6	86.9	109.7
P/E (x)	51.1	41.3	46.0	40.0	31.7
EV / EBITDA (x)	36.2	27.8	30.2	26.1	20.7
P / BV (x)	10.0	8.6	7.8	7.0	6.1
RoE (%)	21.0	22.5	17.8	18.5	20.7
RoCE (%) after tax	16.8	19.8	15.3	15.7	17.7
Dividend yield (%)	0.7	0.9	1.0	1.1	1.1
Net debt / equity (x)	(0.2)	(0.2)	(0.2)	(0.1)	(0.1)

Source: Company, Anand Rathi Research

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Rating: **Buy**

Target Price (12-mth): Rs.4,386

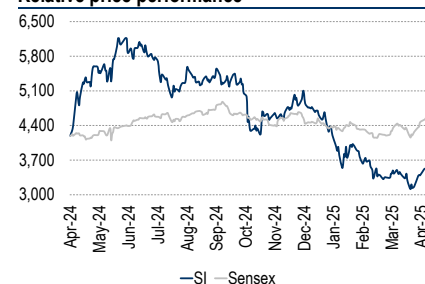
Share Price: Rs.3,478

Key data	SI IN / SUPI.BO
52-week high / low	Rs 6482 / 3020
Sensex / Nifty	79213 / 24039
Market cap	Rs446bn
Shares outstanding	127m

Shareholding pattern (%)	Mar'25	Dec'24	Sep'24
Promoters	48.9	48.9	48.9
- of which, Pledged	-	-	-
Free float	51.1	51.1	51.1
- Foreign institutions	22.9	24.7	25.9
- Domestic institutions	13.3	11.9	10.6
- Public	14.9	14.5	14.6

Estimates revision (%)	FY26e	FY27e
Sales	(13.4)	(9.0)
EBITDA	(24.1)	(20.5)
PAT	(27.1)	(23.6)

### Relative price performance



Source: Bloomberg

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## Quick Glance – Financials and Valuations (Consol.)

**Fig 1 – Income statement (Rs m)**

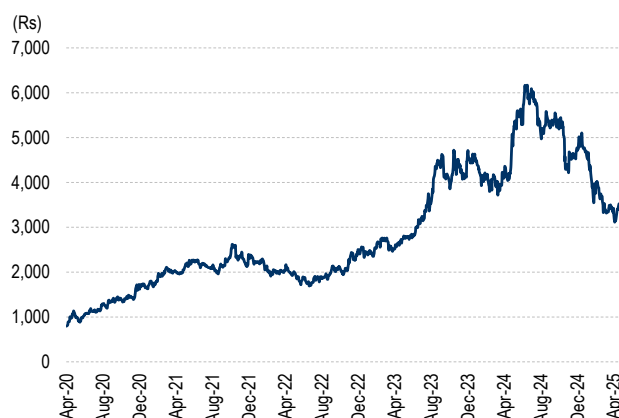
Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
Net revenues	92,016	101,343	104,462	118,873	141,369
Growth (%)	18.4	10.1	3.1	13.8	18.9
Direct costs	65,992	68,584	71,465	80,796	94,982
SG&A	14,027	17,285	18,682	21,360	25,402
<b>EBITDA</b>	<b>11,997</b>	<b>15,474</b>	<b>14,316</b>	<b>16,716</b>	<b>20,984</b>
EBITDA margins (%)	13.0	15.3	13.7	14.1	14.8
- Depreciation	2,634	2,984	3,586	4,197	4,877
Other income	298	657	578	446	353
Interest expenses	80	161	119	104	88
<b>PBT</b>	<b>9,580</b>	<b>12,986</b>	<b>11,190</b>	<b>12,861</b>	<b>16,373</b>
Effective tax rate (%)	25.7	25.8	24.9	25.0	25.0
+ Associates / (Minorities)	1,533	1,069	1,201	1,392	1,652
<b>Net income</b>	<b>8,654</b>	<b>10,698</b>	<b>9,609</b>	<b>11,038</b>	<b>13,932</b>
<b>Adjusted income</b>	<b>8,654</b>	<b>10,698</b>	<b>9,609</b>	<b>11,038</b>	<b>13,932</b>
WANS	127.1	127.1	127.1	127.1	127.1
FDEPS (Rs/ sh)	68.1	84.2	75.6	86.9	109.7
FDEPS growth (%)	(10.6)	23.6	(10.2)	14.9	26.2
Gross margins (%)	28.3	32.3	31.6	3.0	32.8

**Fig 3 – Cash-flow statement (Rs m)**

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
EBIT (excl. other income)	9,580	12,986	11,190	12,861	16,373
+ Non-cash items	2,634	2,984	3,586	4,197	4,877
Oper. prof. before WC	12,214	15,969	14,776	17,058	21,250
- Incr. / (decr.) in WC	(526)	1,610	(223)	(2,309)	(3,346)
Others incl. taxes	(2,376)	(3,133)	(2,758)	(3,111)	(4,005)
<b>Operating cash-flow</b>	<b>9,313</b>	<b>14,446</b>	<b>11,795</b>	<b>11,638</b>	<b>13,899</b>
- Capex (tang. + intang.)	(4,883)	(6,215)	(9,636)	(11,420)	(8,377)
<b>Free cash-flow</b>	<b>4,430</b>	<b>8,231</b>	<b>2,159</b>	<b>218</b>	<b>5,522</b>
Acquisitions					
- Div.(incl. Buyback & taxes)	(3,303)	(3,811)	(4,319)	(4,764)	(4,764)
+ Equity raised	-	-	-	-	-
+ Debt raised	-	-	-	-	-
- Fin investments	(1,010)	(542)	(652)	-	-
- Misc. (CFI + CFF)	2,080	533	463	775	814
<b>Net cash-flow</b>	<b>2,197</b>	<b>4,412</b>	<b>(2,348)</b>	<b>3,770</b>	<b>1,573</b>

Source: Company, Anand Rathi Research

**Fig 5 – Price movement**



Source: Bloomberg

**Fig 2 – Balance sheet (Rs m)**

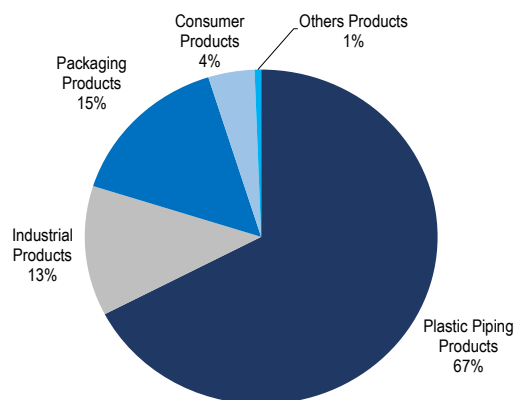
Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
Share capital	254	254	254	254	254
Net worth	44,021	51,088	56,604	62,878	72,047
Debt	-	-	-	-	-
Minority interest	-	-	-	-	-
DTL / (Assets)	908	960	875	875	875
<b>Capital employed</b>	<b>44,929</b>	<b>52,048</b>	<b>57,479</b>	<b>63,753</b>	<b>72,922</b>
Net tangible assets	19,764	21,801	25,010	33,760	38,760
Net intangible assets	878	1,374	1,636	1,636	1,636
Goodwill	-	42	42	42	42
CWIP (tang. & intang.)	837	1,493	4,072	2,546	1,046
Investments (strategic)	5,713	6,254	6,906	6,906	6,906
Investments (financial)	-	-	-	-	-
Current assets (excl cash)	3,509	4,019	5,750	6,849	8,858
Cash	7,461	11,873	9,525	5,754	7,327
Current liabilities	2,975	3,353	5,265	4,935	4,966
Working capital	9,743	8,545	9,803	11,195	13,314
<b>Capital deployed</b>	<b>44,929</b>	<b>52,048</b>	<b>57,479</b>	<b>63,753</b>	<b>72,922</b>
Contingent liabilities	611	680	-	-	-

**Fig 4 – Ratio analysis**

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
P/E (x)	51.1	41.3	46.0	40.0	31.7
EV / EBITDA (x)	36.2	27.8	30.2	26.1	20.7
EV / Sales (x)	4.7	4.2	4.1	3.7	3.1
P/B (x)	10.0	8.6	7.8	7.0	6.1
RoE (%)	21.0	22.5	17.8	18.5	20.7
RoCE (%) - after tax	16.8	19.8	15.3	15.7	17.7
RoIC	23.0	29.1	22.1	20.6	21.9
DPS (Rs / sh)	26.0	30.0	34.0	37.5	37.5
Dividend yield (%)	0.7	0.9	1.0	1.1	1.1
Dividend payout (%) - incl. DDT	38.2	35.6	44.9	43.2	34.2
Net debt / equity (x)	(0.2)	(0.2)	(0.2)	(0.1)	(0.1)
Receivables (days)	20.0	18.0	19.0	19.0	19.0
Inventory (days)	55.0	49.0	47.0	50.0	53.0
Payables (days)	36.0	37.0	31.0	34.0	38.0
CFO : PAT %	107.6	135.0	122.8	105.4	99.8

Source: Company, Anand Rathi Research

**Fig 6 – FY25 revenue break-up (consolidated)**



Source: Company

## Financial highlights

Fig 7 – Financials (consolidated)

(Rs m)	Q4 FY24	Q3 FY25	Q4 FY25	Y/Y (%)	Q/Q (%)	FY24	FY25	Y/Y (%)
<b>Revenue</b>	<b>30,079</b>	<b>25,099</b>	<b>30,271</b>	<b>0.6</b>	<b>20.6</b>	<b>101,343</b>	<b>104,463</b>	<b>3.1</b>
Raw material costs	20,262	17,289	21,332	5.3	23.4	68,584	71,465	4.2
<b>Gross profit</b>	<b>9,817</b>	<b>7,810</b>	<b>8,939</b>	<b>(8.9)</b>	<b>14.5</b>	<b>32,759</b>	<b>32,998</b>	<b>0.73</b>
Employee costs	1,233	1,152	1,310	6.3	13.7	4,422	4,873	10.2
Power & fuel expenses	863	895	843	(2.3)	(5.9)	3,288	3,425	4.1
Other expenses	2,815	2,674	2,623	(6.8)	(1.9)	9,576	10,384	8.4
<b>EBITDA</b>	<b>4,907</b>	<b>3,088</b>	<b>4,163</b>	<b>(15.2)</b>	<b>34.8</b>	<b>15,473</b>	<b>14,317</b>	<b>(7.5)</b>
Other income	181	89	125	(31.2)	39.9	657	578	(12.0)
Depreciation	772	913	914	18.4	0.1	2,984	3,586	20.2
Finance costs	77	30	30	(61.5)	(0.3)	161	119	(26.2)
Share of Profit from Associate	407	220	328	(19.5)	49.2	1,069	1,201	12.4
<b>PBT</b>	<b>4,646</b>	<b>2,454</b>	<b>3,672</b>	<b>(21.0)</b>	<b>49.6</b>	<b>14,054</b>	<b>12,390</b>	<b>(11.8)</b>
Tax	1,097	584	732	(33.3)	25.3	3,357	2,782	(17.1)
<b>PAT</b>	<b>3,548</b>	<b>1,870</b>	<b>2,939</b>	<b>(17.2)</b>	<b>57.2</b>	<b>10,697</b>	<b>9,609</b>	<b>(10.2)</b>
EPS (Rs)	27.9	14.7	23.1	(17.2)	57.2	84.2	75.6	(10.2)

As % of Revenue				Y/Y (bps)	Q/Q(bps)			Y/Y (bps)
Material Cost	67.4	68.9	70.5	311	158	67.7	68.4	74
<b>Gross margin</b>	<b>32.6</b>	<b>31.1</b>	<b>29.5</b>	<b>(311)</b>	<b>(158)</b>	<b>32.3</b>	<b>31.6</b>	<b>(74)</b>
Employee Expense	4.1	4.6	4.3	23	(26)	4.4	4.7	30
Power & Fuel Expenses	2.9	3.6	2.8	(8)	(78)	3.2	3.3	3
Other Operating Expenses	12.2	14.2	11.5	(78)	(277)	12.7	13.2	53
<b>EBITDA margin</b>	<b>16.3</b>	<b>12.3</b>	<b>13.8</b>	<b>(256)</b>	<b>145</b>	<b>15.3</b>	<b>13.7</b>	<b>(156)</b>
Other income	0.6	0.4	0.4	(19)	6	0.6	0.6	(9)
Depreciation	2.6	3.6	3.0	45	(62)	2.9	3.4	49
Finance costs	0.3	0.1	0.1	(16)	(2)	0.2	0.1	(5)
<b>PBT</b>	<b>15.4</b>	<b>9.8</b>	<b>12.1</b>	<b>(332)</b>	<b>235</b>	<b>13.9</b>	<b>11.9</b>	<b>(201)</b>
Effective tax rate	25.9	26.2	21.9	(400)	(426)	25.8	24.9	(99)
<b>PAT</b>	<b>11.8</b>	<b>7.4</b>	<b>9.7</b>	<b>(209)</b>	<b>226</b>	<b>10.6</b>	<b>9.2</b>	<b>(136)</b>

Segment Revenue (Rs m)								
Plastic Piping	21,525	16,649	20,741	(3.6)	24.6	69,316	70,353	1.5
Industrial	3,516	3,324	3,464	(1.5)	4.2	13,078	13,127	0.4
Packaging	3,764	3,982	4,261	13.2	7.0	14,057	15,923	13.3
Consumer	1,184	1,064	1,361	15.0	27.9	4,410	4,436	0.6
Others	90	79	444	391.0	459.8	482	624	29.5
<b>Total Revenue</b>	<b>30,079</b>	<b>25,099</b>	<b>30,271</b>	<b>0.6</b>	<b>20.6</b>	<b>101,343</b>	<b>104,463</b>	<b>3.1</b>

EBIT (%)				Y/Y (bps)	Q/Q(bps)			Y/Y (bps)
Plastic Piping	13.6	8.3	10.4	(318)	214	13.0	10.5	(253)
Industrial	11.2	8.2	10.2	(108)	198	8.7	8.4	(28)
Packaging	18.0	11.1	13.4	(462)	231	13.4	11.6	(176)
Consumer	17.3	15.9	16.6	(75)	69	17.1	16.3	(79)
Others	(0.0)	4.2	1.8	186	(234)	(1.9)	1.5	341
<b>Blended EBIT Margin (%)</b>	<b>14.0</b>	<b>9.0</b>	<b>11.0</b>	<b>(303)</b>	<b>194</b>	<b>12.6</b>	<b>10.6</b>	<b>(203)</b>

Value Added Turnover	11,860	9,610	12,670	6.8	31.8	37,478	40,600	8.3
As a % of Overall Sales	39.8	38.6	42.8	301	419	37.4	39.4	204

Source: Company, Anand Rathi Research

\* Note: Segment EBIT margins are as per reported figures, unadjusted for unallocable expenses / income

## Quantitative highlights

**Fig 8 – Quantitative details**

Volumes (tonnes)	Q4 FY24	Q3 FY24	Q4 FY25	Y/Y (%)	Q/Q (%)	FY24	FY25	Y/Y (%)
Plastic Piping	158,795	126,515	162,227	2.2	28.2	501,001	531,133	6.0
Industrial	16,871	15,472	15,812	(6.3)	2.2	61,936	61,357	(0.9)
Packaging	15,051	16,281	16,681	10.8	2.5	58,507	64,272	9.9
Consumer	4,652	4,465	5,145	10.6	15.2	18,257	17,748	(2.8)
<b>Overall volumes</b>	<b>195,369</b>	<b>162,733</b>	<b>199,865</b>	<b>2.3</b>	<b>22.8</b>	<b>639,701</b>	<b>674,510</b>	<b>5.4</b>

Realisations (Rs/ tonne)								
Plastic Piping	135,554	131,599	127,849	(5.7)	(2.8)	138,354	132,458	(4.3)
Industrial	208,381	214,814	219,055	5.1	2.0	211,157	213,940	1.3
Packaging	250,090	244,604	255,446	2.1	4.4	240,257	247,744	3.1
Consumer	254,407	238,343	264,606	4.0	11.0	241,573	249,996	3.5
<b>Blended realisation (Rs/ tonne)</b>	<b>153,497</b>	<b>153,746</b>	<b>149,235</b>	<b>(2.8)</b>	<b>(2.9)</b>	<b>157,669</b>	<b>153,947</b>	<b>(2.4)</b>

EBIT (Rs/tonne)								
Plastic Piping	18,428	10,881	13,310	(27.8)	22.3	17,968	13,844	(22.9)
Industrial	23,437	17,580	22,262	(5.0)	26.6	18,298	17,941	(2.0)
Packaging	45,053	27,105	34,207	(24.1)	26.2	32,080	28,723	(10.5)
Consumer	44,110	37,895	43,887	(0.5)	15.8	41,261	40,726	(1.3)
<b>Blended EBIT (Rs/ tonne)</b>	<b>21,523</b>	<b>13,882</b>	<b>16,549</b>	<b>(23.1)</b>	<b>19.2</b>	<b>19,955</b>	<b>16,342</b>	<b>(18.1)</b>

Source: Company, Anand Rath Research

## Q4 FY25 Results Highlights

### Volume disappoints, beat on margins

- Revenue at ~Rs30.3bn remained flat. Overall volumes sold increased marginally by 2.3% y/y to 199,865 tonnes.
- PVC pricing environment remained challenging, leading to a contraction of 311bps y/y in the gross margin to 29.5%. This led to 8.9% y/y decline in gross profit to Rs8.9bn.
- Lower gross profit, coupled with a 6.3% y/y increase in employee cost impacted operating profit. Hence, EBITDA fell 15.2% y/y to ~Rs4.2bn, resulting in the 256bp contraction in EBITDA margin to 13.8%.
- Lower other income (down 31.2% y/y) and higher depreciation (up 18.4% y/y) further impacted profitability. PAT dipped 17.2% y/y to ~Rs2.9bn, leading to a 209bp y/y contraction in PAT margin to 9.7%.

### FY25 highlights

- Revenue rose a fractional 3.1% y/y to Rs104.5bn, aided by volumes rising 5.4% y/y. The gross margin dipped marginally by 74bps y/y to 31.6%, while gross profit remained flat at Rs32.9bn. The EBITDA margin contracted 156bps y/y to 13.7% and PAT, 136bps y/y to 9.2%.

### Other highlights

- **Capex.** The company plans to commit capex of ~Rs11bn, including carry forward commitments and acquisition of building and infrastructure business of Wavin in India. The entire capex shall be funded via internal accruals.
- **Dividend.** The Board has recommended final dividend of Rs24/equity share (total dividend for FY25 was Rs34 per equity share as interim dividend of Rs10 per equity share was announced earlier).

## Q4 FY25 Concall KTAs

**Aims to accelerate growth with i) enhanced product offerings and ii) by tapping into growth opportunities (expansions and acquisition)**

### Operational highlights

- FY25 revenue from value-added products rose 8.3% y/y to Rs40.6bn (39.4% of sales vs. 37.4% in FY24).
- PVC resin's pricing challenges persisted in FY25 as prices changed 14 times since Jul'24. This impacted the plastic pipe & fittings industry as demand remained weak in FY25. Management expects the company's products to remain affordable as the price of its principal raw material, i.e., polymer, is expected to be stable, helped by crude price/exchange rates likely remaining range-bound (\$65-70/barrel; significant rupee depreciation is not foreseen by management).
- Inventory losses amounted to Rs1.5bn during FY25. This was due to a decline in polymer prices (including that of PVC), leading to destocking of inventory throughout the distribution chain.
- Lower power & fuel cost/other expenses (down 2.3%/6.8% y/y) helped to restrict the contraction in EBITDA margin. Other expenses were lower due to controlled spending on advertising, publicity and business promotion.
- Business remained stagnant in the consumer product division as demand for plastic furniture remained weak. Management plans to increase the visibility of its products and enhance customer experience; it launched 20 models and opened 40 showrooms in FY25, which helped to maintain sales. The company intends to continue the same and aims to launch eight models and open 60 stores during FY26.
- The company has forayed into O-PVC segment, with machinery being sourced from Molecor, a Spanish company. Some lines arrived in FY25, and some are expected in FY26. A total of nine lines will be commissioned by 2028. Currently, the company is an entrant in the O-PVC space and can sell whatever is being produced.
- Volume growth in CPVC business remained healthy at 21% in FY25.

### Segment-wise highlights

#### 1. Plastic piping products

- Q4 sales volumes grew a marginal 2.2% y/y; however, revenue dipped 3.7% y/y to Rs20.7bn.
- Despite the country witnessing 6% volume dip in the plastic pipe industry, the company's volumes grew 6% during the year. Revenue, meanwhile, rose just 1.5% y/y to Rs70.4bn.
- The weak performance was due to lower infra spend by central and state governments, erratic rainfall denting agri and infra demand, and extreme volatility in PVC resin prices.
- Contribution from Jal Jeevan Mission is meagre and that too got reduced as tenders from Maharashtra government (a major customer) significantly reduced.

**A. Industrial products**

- Q4 sales volumes fell 6.3% y/y, leading to revenue decline of 1.7% y/y to Rs3.5bn.
- FY25 volumes declined 1% y/y; revenue was stable at Rs13.1bn.
- The industrial component division achieved 5% revenue growth, while the material handling division saw a 4% drop in volume/value terms over the previous year.
- Muted demand from commercial vehicles and washing machine segments was partially offset by growth in air conditioning and transit packaging.

**B. Packaging products**

- In Q4, sales volumes grew 10.8% y/y, which led to 13.3% y/y growth in revenue to Rs4.3bn.
- In FY25, volumes grew 10% y/y, leading to 13.2% y/y increase in revenue to Rs15.9bn.
- Cross-laminated film & products segment registered 11%/12% volume/value growth during the year, aided by the return of significant government business secured after a gap of five years.
- Performance films division achieved 4% revenue growth, driven by product mix changes and recorded 18% y/y volume growth in exports.
- Protective packaging division saw 12%/16% growth in volume/value terms. The protective packaging sub-segment contributed Rs8.5bn to turnover and targets Rs10bn in FY26. The company aims to achieve this by focusing on exports, supported by product/technological developments. It has put up a facility in the western region (near the port) to meet the enhanced demand.

**C. Consumer products**

- Q4 sales volumes grew 10.6% y/y and revenue, 15.3% y/y to Rs1.4bn.
- FY25 volumes contracted 2.8% y/y; revenue remained flat at Rs4.4bn.
- Plastic furniture demand remained stagnant; hence, the company plans to focus on growing the Almirah range owing to low penetration in this segment.

**D. Composite cylinder division**

- The company currently has a capacity of 1m cylinders.
- This division faced a challenging year, as the business from its major customer, IOCL, did not materialize as expected and hence, utilisation level of 50% was seen during FY25.
- Apart from IOCL, BPCL is also floating tenders for 0.4m cylinders, Management is hopeful that these orders will materialize and provide a boost to the division.
- The company is expanding its customer base in the Middle East and Russia, to enhance its utilisation levels.

- The company is the second in India to receive certifications for Type IV high-pressure cylinders for CNG application.

**Capex**

- The company announced capex commitment of Rs11bn, including carry forward commitments and acquisition of building & infrastructure business of Wavin India. A significant portion of the capacity addition will be in the piping division.
- The company is setting up a 5,000-tonne p.a. capacity in Dehat, Kanpur, for manufacturing PVC profiles, along with window. Construction of the facility is in full swing as equipment have been ordered and management expects sales of standard off-the-shelf and customized windows from Jul'25.
- The company is likely to fund the entire capex through internal accruals.

**Acquisition of Wavin Industries**

- The company has signed an MoU with Orbia Advance Corporation S.A.B. de CV, a global leader in plastic pipes & fittings.
- As per the agreement, the company would acquire Orbia Wavin's pipes & fittings business in India for \$30m + working capital adjustment and will have exclusive access to its leading technologies in pipes & fittings in India and SAARC countries.
- Wavin has three manufacturing facilities, one each in Banmore (Madhya Pradesh), Hyderabad (Telangana) and Neemrana (Rajasthan). The acquisition will increase the company's capacity by 73,000 tonnes p.a.
- Management believes that the acquisition will help to cater to northern and southern markets more effectively and efficiently.
- Management expects acquisition to conclude by Jul'25 and hence, Wavin's facilities will be available for nine months in FY26. This facility is expected to operate at 60-70% utilisation and contribute ~36,000 tonnes to volumes in FY26. Management is hopeful that Wavin's margins align with the company's by FY27.

**Enhanced product offerings introduced during FY25, planned for FY26**

- The company has 45 **plastic piping systems** and plans to add five more in FY26, to cater to various applications substituting conventional material.
- The company launched a portfolio of 639 products w.r.t **electrofusion olefins fittings and compression molded fittings** and plans to add another 75 SKUs during FY26.
- The company intends to launch **PP silent pipe systems** by Jun'25 as trial production is underway. The product is manufactured under the technical license from a European manufacturer, M/s Poloplast GmbH & Co KG, Austria.
- The company's **bathroom fitting** business doubled in FY25. The company has set up a product development team in Pune Supreme Design Centre for the development of innovative products for kitchens and toilets. The company intends to increase product SKUs in kitchen & bathroom fittings from 729 to over 1,000 during FY26.

**Management's guidance**

- The plastic piping industry size is of ~4.29m tonnes and is expected to grow at 7-8%, slightly higher than the GDP growth rate. Management

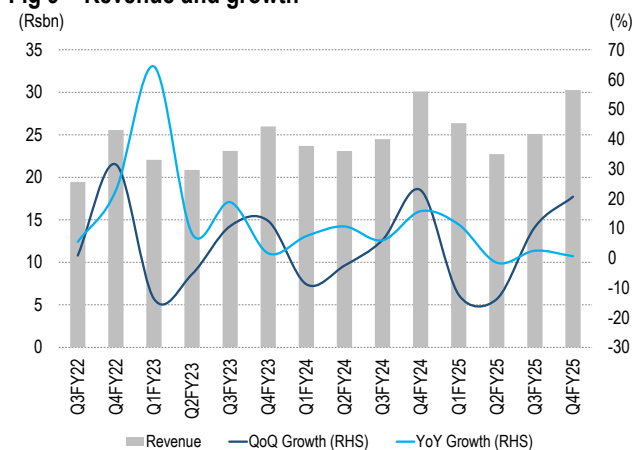


expects the volume growth rate to be 3-4% ahead of the industry's growth rate, translating to an overall volume growth of 10-12% for the company.

- Management expects overall volume growth of 10-12% (including business from Wavin) and aims to achieve revenue of Rs120bn, with 14.5-15.5% EBITDA margin in FY26.

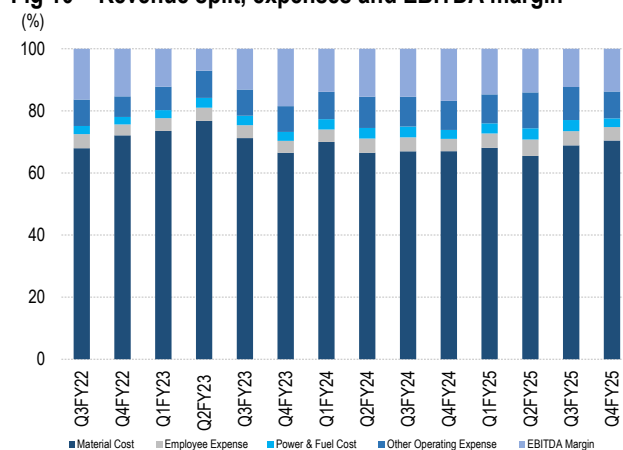
## Story in charts

**Fig 9 – Revenue and growth**



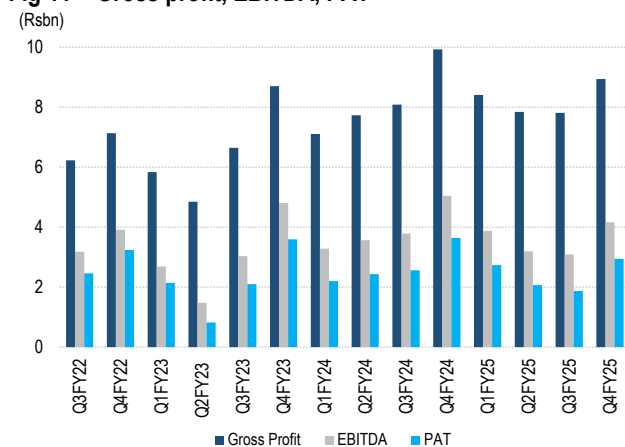
Source: Company, Anand Rathi Research

**Fig 10 – Revenue split, expenses and EBITDA margin**



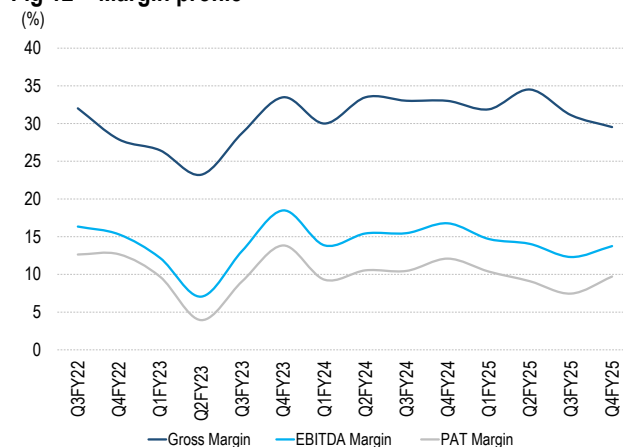
Source: Company, Anand Rathi Research

**Fig 11 – Gross profit, EBITDA, PAT**



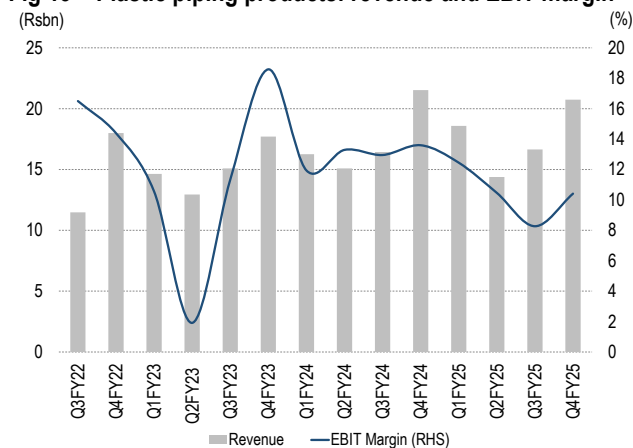
Source: Company, Anand Rathi Research

**Fig 12 – Margin profile**



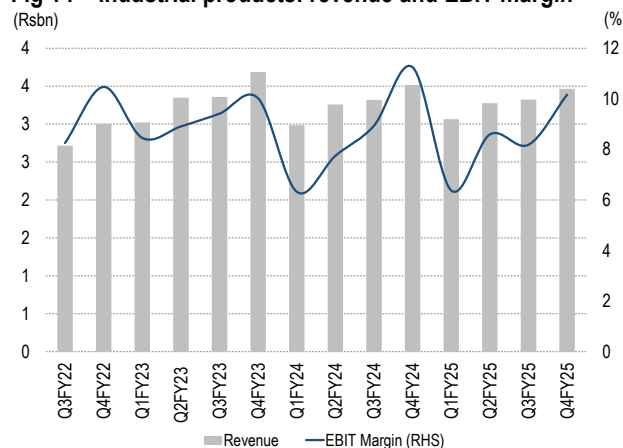
Source: Company, Anand Rathi Research

**Fig 13 – Plastic piping products: revenue and EBIT margin**



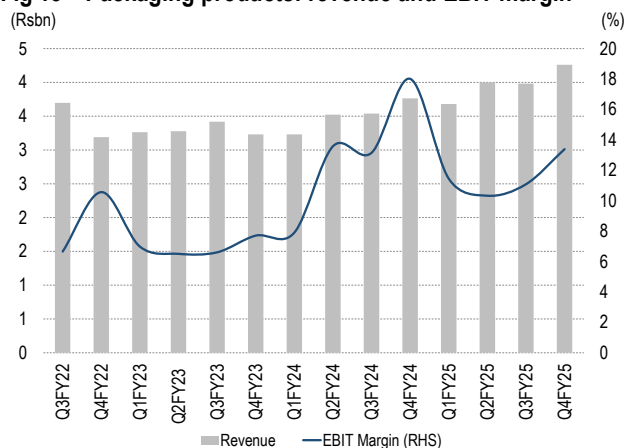
Source: Company, Anand Rathi Research

**Fig 14 – Industrial products: revenue and EBIT margin**

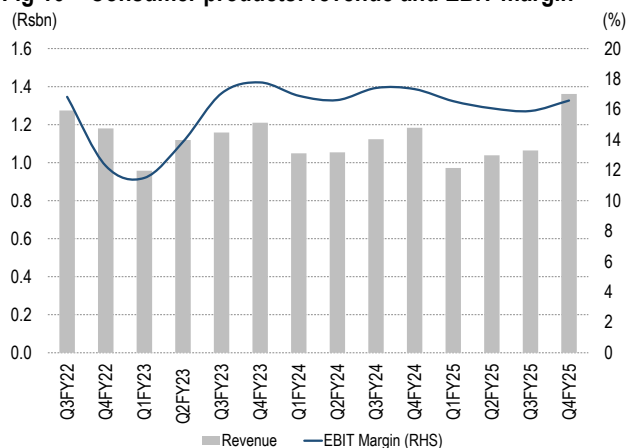


Source: Company, Anand Rathi Research

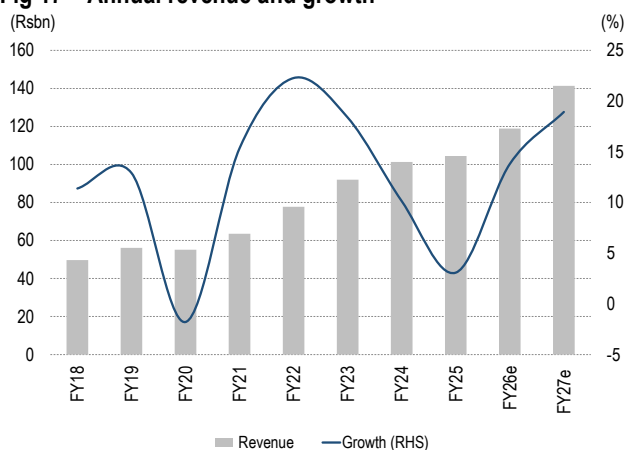
## Story in charts continue

**Fig 15 – Packaging products: revenue and EBIT margin**


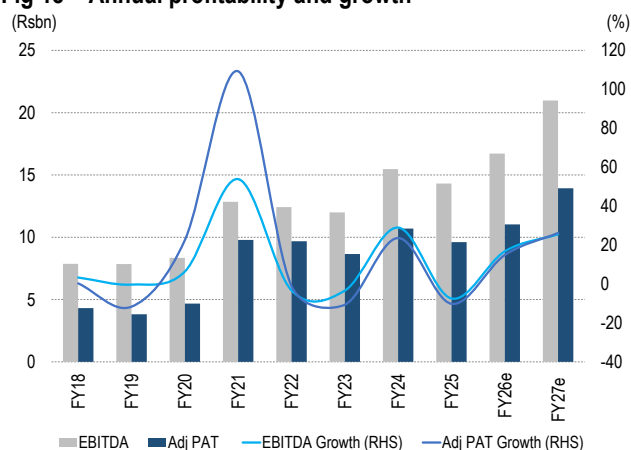
Source: Company, Anand Rath Research

**Fig 16 – Consumer products: revenue and EBIT margin**


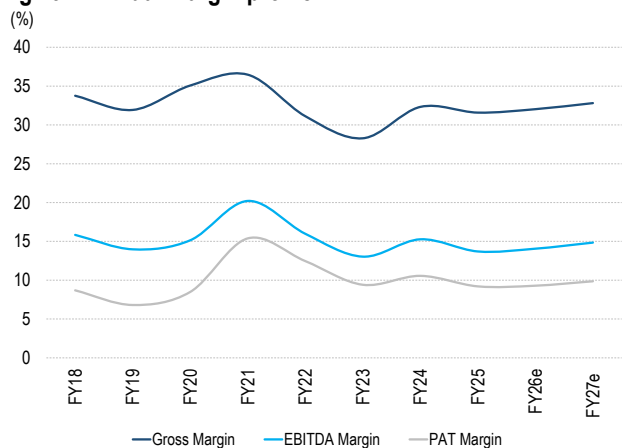
Source: Company, Anand Rath Research

**Fig 17 – Annual revenue and growth**


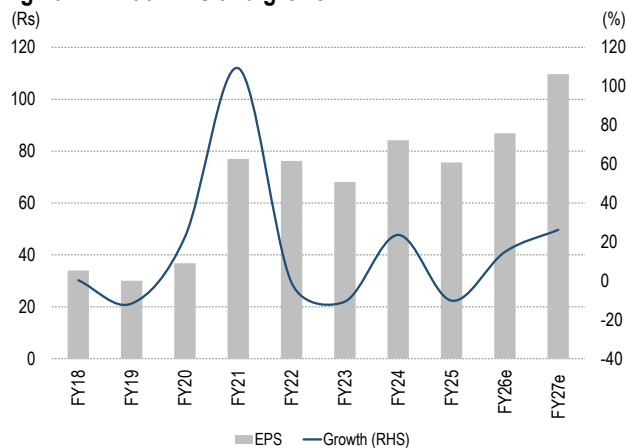
Source: Company, Anand Rath Research

**Fig 18 – Annual profitability and growth**


Source: Company, Anand Rath Research

**Fig 19 – Annual margin profile**


Source: Company, Anand Rath Research

**Fig 20 – Annual EPS and growth**


Source: Company, Anand Rath Research

## Profit contribution from Associates

Associate Supreme Petrochem's profit contribution had been on an upward trend in absolute terms till FY22 but saw some softness in FY23 and FY24. However, profit contribution is expected to rise again. We believe that as profit contribution from the core business rises, owing to organic (brownfield and greenfield capacities) and inorganic (Wavin's acquisition) coming on stream in a phased manner, the contribution of profit from the Associates will be broadly 10-12.5%.

**Fig 21 – Details of share of profit from Associate**

(Rs m)	FY21	FY22	FY23	FY24	FY25	FY26e	FY27e
Supreme Petrochem PAT	4,770	6,630	4,980	3,460	3,910	4,521	5,639
Growth (%)	363.1	39.0	(24.9)	(30.5)	13.0	15.63	18.75
Contribution to Supreme Industries (as profit from associate)	1,468	2,041	1,533	1,065	1,203	1,392	1,652
Supreme Industries PAT	9,782	9,684	8,654	10,698	9,609	11,038	13,932
as a % of Supreme Industries PAT (post inclusion of above)	15.0	21.1	17.7	10.0	12.5	12.6	11.9

Source: Anand Rathi Research,

Note: Supreme Industries has a ~31% stake in Supreme Petrochem

## Outlook and Valuation

**Eyeing 10-12% volume growth in FY26.** With the pipes & fittings industry expected to grow at 7-8%, management anticipates growing 3-4% above the industry's growth rate, translating to 10-12% volume growth for the company in FY26. Management provided revenue guidance of Rs120bn, with EBITDA margin of 14.5-15.5% for FY26.

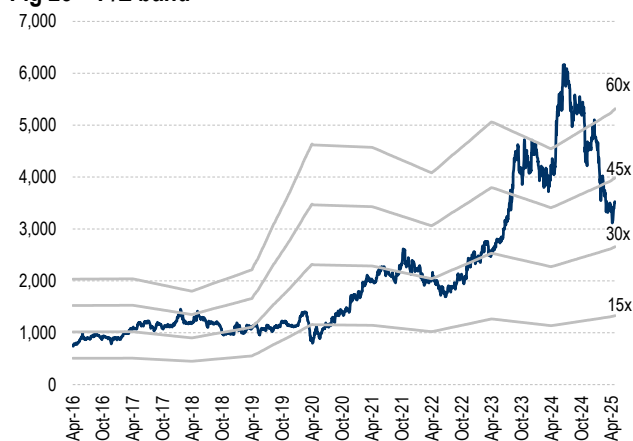
**Fig 22 – Change in estimates**

(Rs m)	Earlier		Revised		% Var	
	FY26e	FY27e	FY26e	FY27e	FY26	FY27
Income	137,189	155,386	118,873	141,369	(13.4)	(9.0)
EBITDA	22,029	26,408	16,716	20,984	(24.1)	(20.5)
EBITDA margin %	16.1	17.0	14.1	14.8	(199)	(215)
PAT	15,131	18,233	11,038	13,932	(27.1)	(23.6)
EPS	119.1	143.5	86.9	109.7	(27.1)	(23.6)

Source: Anand Rath Research

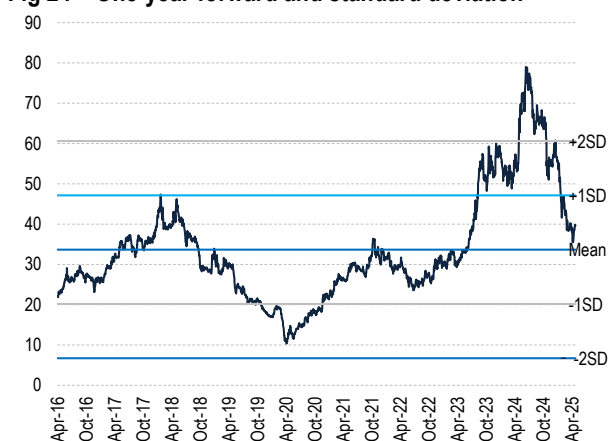
**Soft performance, better days expected ahead.** After adjusting the weak FY25 performance, we built in 16.3%/20.4% revenue/earnings CAGRs over FY25-27. At the CMP, the stock trades at 40.0x/31.7x FY26e/27e earnings. We retain our Buy rating on the stock, with a 12-mth target price of Rs4,386 (earlier Rs6,458), based on 40x FY27e earnings (45x FY27e earnings).

**Fig 23 – P/E band**



Source: BSE, Anand Rath Research

**Fig 24 – One-year-forward and standard deviation**



Source: BSE, Anand Rath Research

### Risks

- Less-than-expected growth in any of its business divisions led by economic slowdown or otherwise poses a downward risk to our estimates.
- Adverse raw-material prices and keener competition may slash margins.

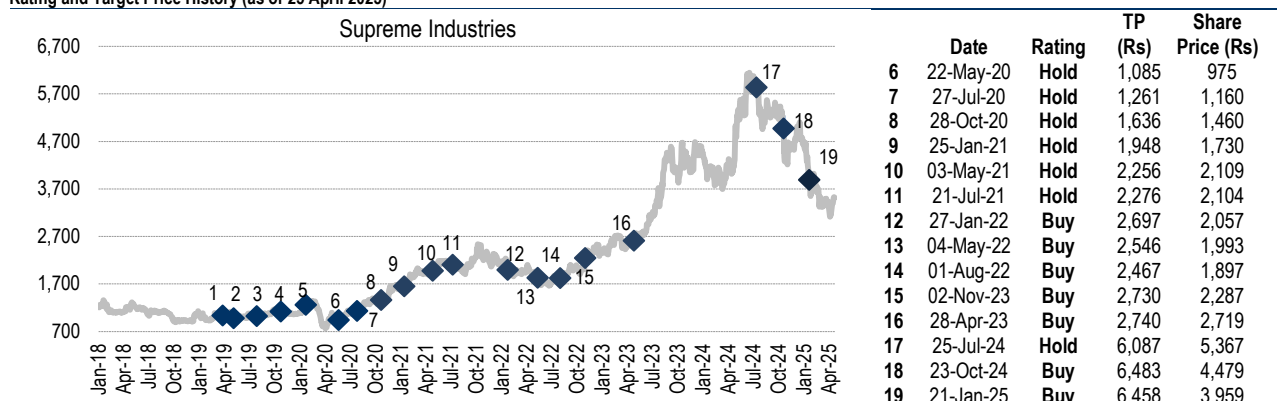
## Appendix

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