Supreme Petrochem Ltd
Q2FY26

Result update

29th Oct, 2025

Supreme Petrochem Ltd.

Earnings impacted by weak demand; ABS ramp-up key trigger

CMP	Target	Potential Upside	Market Cap (INR Mn)	Recommendation	Sector
INR 764	**INR 790**	**3.4%**	**143,632**	**HOLD**	**Specialty Chemicals**

Result highlights

Revenue: For Q2FY26, revenue from operations stood at INR 11,002 Mn, a decline of 26.9% YoY and 20.7% QoQ decline, significantly below expectations due to weak domestic demand and lower realizations.

The decline was driven by softening styrene monomer prices (down to USD 800/ton from USD 940/ton in June 2025), subdued OEM demand for cooling appliances amid extended monsoon, and advance notification of GST rate cuts that led to deferred purchases.

On an H1 basis, revenue stood at INR 24,867 Mn, down 19.2% YoY.

Margin and Profitability: EBITDA for Q2FY26 declined 38.1% YoY and 32.4% QoQ to INR 775 Mn, reflecting lower gross profit and operating leverage. The EBITDA margin contracted 127 bps YoY and 122 bps QoQ to 7.1%.Net Profit fell 46.6% YoY and 40.4% QoQ to INR 482 Mn, with a PAT margin of 4.4% versus 6.0% in Q2FY25.

For H1FY26, EBITDA stood at INR 1,923 Mn (-32.9% YoY) and PAT at INR 1,291 Mn (-39.2% YoY) with corresponding margins of 7.73% and 5.19%, respectively. The decline reflects continued inventory losses, margin compression in EPS and Polystyrene, and absence of meaningful contribution from the newly commissioned ABS capacity.

Revenue drivers: Total sales volume declined to 76,962 MT in Q2FY26 from 81,566 MT in Q2FY25 (-5.6% YoY), and 170,815 MT in H1FY26 vs 174,889 MT in H1FY25 (-2.3% YoY).

Volume weakness stemmed from lower offtake by OEMs in air conditioners, refrigerators, and insulation applications, impacted by unseasonal rains, slowdown in construction, and inventory destocking by processors amid falling raw material prices.

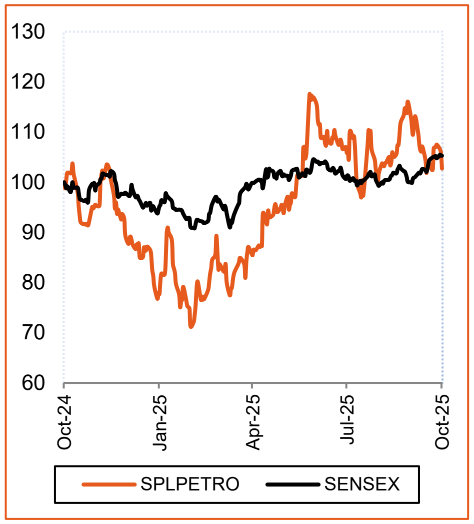
Imports of ABS into India (largely from Taiwan and Korea) remained steady; domestic producers continued to face pricing pressure from international markets.

Outlook and Valuation:

We maintain a stable long-term outlook on Supreme Petrochem, though near-term earnings visibility remains constrained by demand volatility and sustained margin pressure across styrenics. The commissioning of the ABS facility in H2FY26E and an improving mix toward value-added products should support gradual recovery over FY26–27E. However, persistent global supply imbalances, subdued domestic demand, and elevated import competition are likely to cap near-term earnings momentum.

We have rolled forward our valuation to Sept'27 estimates. We value Supreme Petrochem at 25.0x Sept'27 EPS, implying a target price of INR 790. Given limited upside from current levels, we downgrade the rating from "ACCUMULATE" to "HOLD", while maintaining a constructive long-term stance supported by ABS ramp-up potential and diversification into higher-value segments.

SHARE PRICE PERFORMANCE



MARKET DATA

Shares outs (Mn)	188
Mkt Cap (INR Mn)	143,632
52 Wk H/L (INR)	979/518

*Based on the today's closing
Note: All the market data is as of the today's closing

SHARE HOLDING PATTERN (%)

Particulars	Sept-25	Jun-25	Mar-25
Promoters	64.2	64.2	64.2
FIIs	3.7	3.5	3.5
DIIs	3.9	3.8	3.1
Others	28.1	28.3	29.1
Total	100.0	100.0	100.0

10.9%
Revenue CAGR between FY25-FY27E

17.8%
Adj. PAT CAGR between FY25-FY27E

KEY FINANCIALS

Particulars (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	52,533	60,234	59,864	74,147	91,942
EBITDA	4,668	5,326	5,596	7,269	9,098
Adj. PAT	3,465	3,905	4,030	5,416	6,663
Adj. EPS (INR)	18.4	20.8	21.4	28.8	35.4
EBITDA Margin	8.9%	8.8%	9.3%	9.8%	9.9%
Adj. NPM	6.6%	6.5%	6.7%	7.3%	7.2%

Source: Company, DevenChoksey Research

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Key Concall Highlights:

Volume

- Demand softness persisted, driven by extended monsoon and deferred purchases post-GST rate discussions. OEMs undertook inventory rationalization, delaying procurement cycles and impacting SPL's sales trajectory.
- Sales volumes: 76,962 MT in Q2FY26 vs. 81,566 MT YoY; H1FY26 volumes down due to weak retail offtake and sluggish downstream restocking.
- ABS plant update: Commercial production of the new 70KT ABS facility has now commenced post-Q2FY26; H1 did not include incremental ABS volumes.
- Guidance: FY26 ABS volumes likely near 15,000 MT (vs. earlier 25,000 MT guidance) due to commissioning delays .Trading volumes: Contributed ~22% of revenues, consistent with prior quarters.
- Competitive pressure: Increased imports from Southeast Asia and China's self-sufficiency in styrene pushed import share to ~18–20% of the domestic market.

Price realization and margin

- SPL follows a commodity-linked pass-through pricing model. Rapid decline in styrene monomer (SM) prices—from ~USD 940/MT (Jun'25) to ~USD 800/MT (Sep'25)—outpaced selling price revisions.
- The lag effect between input price fall and finished-goods pricing led to margin compression, as higher-cost inventories were sold in a falling price environment.
- Inventory losses were acknowledged but not quantified; management confirmed a dynamic replenishment process limits long-term exposure.

Domestic and export market performance

- Polystyrene (PS) and EPS: Both segments faced muted demand from appliances, construction, and fish-packaging industries.
- XPS (INSUboard): Institutional projects (e.g., IIT Jodhpur, AIIMS, Zoji La Tunnel, Parliament Building) continued steady procurement; however, the individual housing market remains under-penetrated due to price sensitivity.
- Exports: Targeted to contribute 13–14% of FY26 revenue (vs. 9% in FY25). Expansion into Gulf, Africa, Southeast Asia, and Europe continues, though global oversupply and price competition limit realization gains.
- EPS margins: Under pressure amid domestic overcapacity; normalization expected from Q4FY26 as styrene stabilizes and demand recovers post-festive season.

New product launch: ABS and ABS-based compounds

- Capex: ~INR 6,000 Mn spent on ABS Phase-1 (70KT) in technical collaboration with Versalis S.p.A.
- Commissioning: Commercial operations began late-Q2FY26; processor trials ongoing.Phase-2 Expansion: Additional 70KT capacity planned for FY28E at a cost of ~INR 3,000 Mn.
- Compounding business: Total installed capacity ~60KT (including X-Mold subsidiary). Specialty/niche compounding expected to aid margin stability.
- Product positioning: SPL's mass-polymerized ABS offers superior whiteness, consistency, and thermal stability compared to imported emulsion-grade ABS.

Guidance and other highlights

- Volume outlook: Management expects to perform better than last year, led by improved seasonal demand, moderate recovery in OEM offtake, and initial ABS contribution in H2FY26E.
- EBITDA guidance: Withheld due to volatility in global styrene pricing and trade flows; management remains confident that ABS will contribute positively to EBITDA in FY26 itself.
- Funding: All capex financed through internal accruals; company remains debt-free with surplus liquidity .
- The company declared a dividend of INR 2.5 per share.
- Future projects: West Bengal (Haldia) ABS expansion deferred until IOC's styrene monomer facility becomes operational (~FY29).

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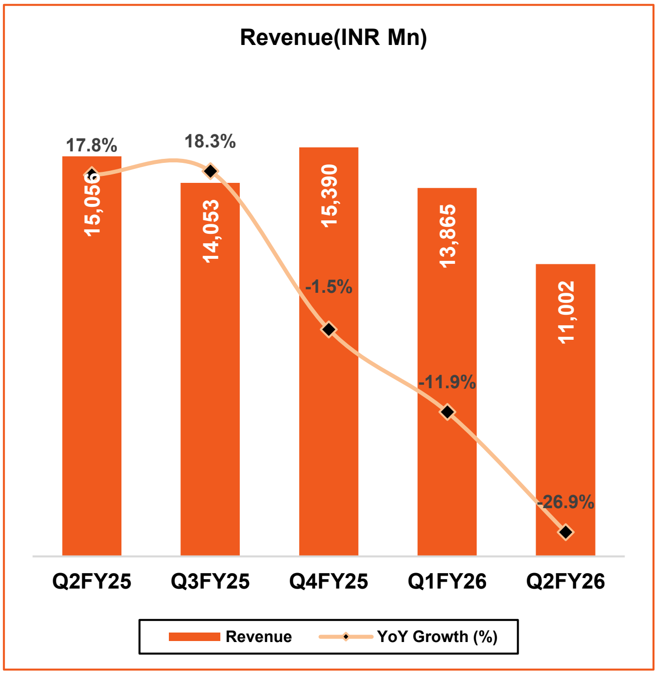
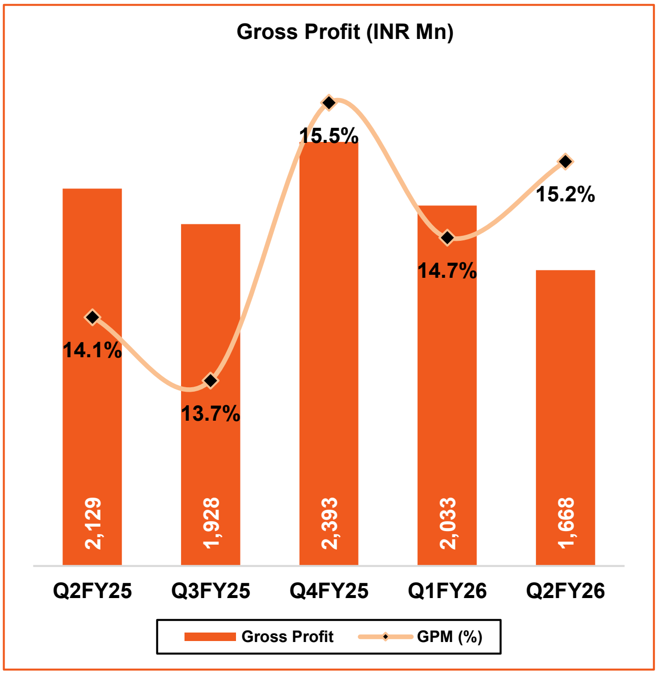
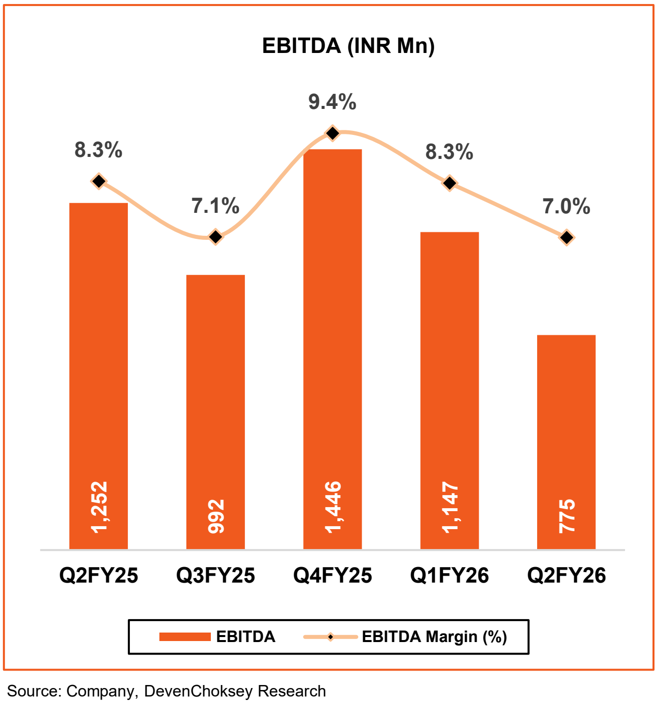
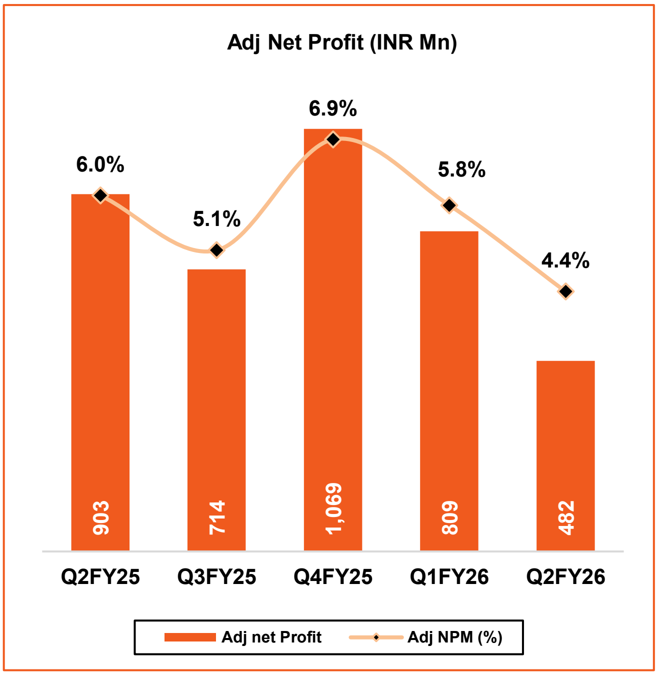
Story in charts









Source: Company, DevenChoksey Research

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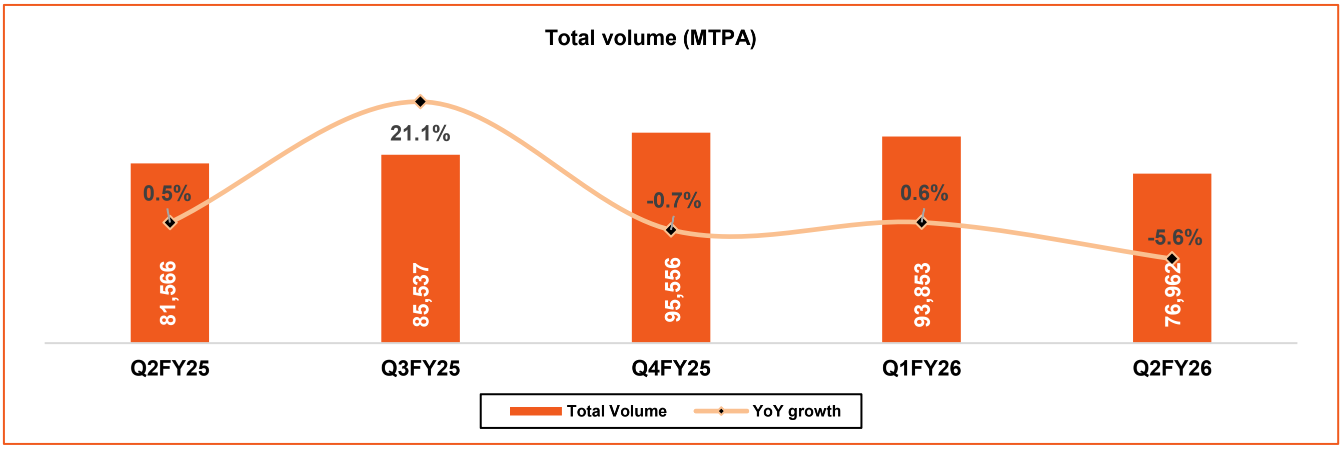
Result Snapshot

Particulars (INR Mn)	Q2FY26	Q1FY26	Q2FY25	QoQ	YoY
Revenue from Operations	**11,002**	**13,865**	**15,056**	**-20.7%**	**-26.9%**
Total Expenditure	**10,226**	**12,718**	**13,803**	**-19.6%**	**-25.9%**
Cost of Raw Materials	7,473	9,599	9,085	-22.2%	-17.8%
Purchase of Stock	2,173	2,444	3,946	-11.1%	-44.9%
Changes in Inventories	-312	-211	-104	NA	NA
COGS	**9,333**	**11,833**	**12,927**	**-21.1%**	**-27.8%**
Employee Cost	162	173	160	-6.5%	1.1%
Other Expenses	731	713	716	2.5%	2.1%
EBITDA	**775**	**1,147**	**1,252**	**-32.4%**	**-38.1%**
EBITDA Margin (%)	**7.0%**	**8.3%**	**8.3%**	**-122 bps**	**-127 bps**
Depreciation	184	182	170	1.0%	8.4%
EBIT	**592**	**965**	**1,083**	**-38.7%**	**-45.4%**
Other Income	88	151	166	-41.3%	-46.6%
Interest Expense	29	30	28	-5.4%	0.3%
Share of Associates	0	0	0	NA	NA
PBT before Exceptional	**651**	**1,086**	**1,220**	**-40.0%**	**-46.6%**
Exceptional Items	0	0	0	NA	NA
PBT	**651**	**1,086**	**1,220**	**-40.0%**	**-46.6%**
Tax	169	276	316	-38.7%	-46.5%
PAT	**482**	**809**	**903**	**-40.4%**	**-46.6%**
EPS	**2.6**	**4.3**	**4.8**	**-40.4%**	**-46.6%**

Source: Company, DevenChoksey Research



Source: Company, DevenChoksey Research

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Exhibit 1: Profit & Loss Statement

INR Mn	FY25	FY26E	FY27E	FY28E
Revenue	**60,234**	**59,864**	**74,147**	**91,942**
COGS	51,257	50,416	62,867	77,956
Gross profit	**8,977**	**9,448**	**11,279**	**13,986**
Employee cost	640	754	890	1,103
Other expenses	3,011	3,097	3,120	3,785
EBITDA	**5,326**	**5,596**	**7,269**	**9,098**
Depreciation	679	740	881	1,050
EBIT	**4,647**	**4,856**	**6,388**	**8,047**
Finance Costs	124	118	121	123
Other Income	732	603	859	843
PBT	**5,254**	**5,341**	**7,126**	**8,768**
Tax	1,349	1,311	1,710	2,104
PAT	**3,905**	**4,030**	**5,416**	**6,663**
EPS (INR)	20.8	21.4	28.8	35.4

Exhibit 2: Cash Flow Statement

INR Mn	FY25	FY26E	FY27E	FY28E
CFFO	3,416	5,531	6,412	7,829
Capex	(376)	(169)	(113)	(140)
Dividend Paid	(179)	(207)	(207)	(207)
Closing Cash	3,054	4,132	6,506	9,846
FCF	**3,040**	**5,363**	**6,299**	**7,689**

Exhibit 3: Key Ratios

INR Mn	FY25	FY26E	FY27E	FY28E
Gross Margin %	14.9%	15.8%	15.2%	15.2%
EBITDA Margin%	8.8%	9.3%	9.8%	9.9%
ROE%	17.5%	16.6%	19.6%	20.7%
ROCE%	16.4%	15.5%	18.4%	19.5%
P/E	30.3x	35.8x	26.6x	21.6x

Source: Company, DevenChoksey Research

Exhibit 4: Balance Sheet

INR Mn	FY25	FY26E	FY27E	FY28E
Equity				
Equity Capital	376	376	376	376
Other Equity	21,937	23,898	27,246	31,841
Total Equity	**22,313**	**24,275**	**27,622**	**32,217**
Non-Current Liabilities				
Lease liabilities	1,053	1,063	1,073	1,083
Deferred Tax Liabilities (Net)	399	474	587	728
Other Non-Current Liabilities	106	126	156	193
Total Non-Current Liabilities	**1,558**	**1,663**	**1,817**	**2,005**
Current Liabilities				
Other Financial Liabilities	756	899	1,114	1,381
Trade Paybles	9,277	11,036	13,670	16,950
Other current liabilities	577	651	756	885
Total Current Liabilities	**10,610**	**12,586**	**15,539**	**19,215**
Total Liabilities	**12,168**	**14,250**	**17,355**	**21,220**
Non-Current Assets				
Property Plants and Equipments	6,907	8,132	8,755	9,598
Capital Work-in Progress	5,808	5,808	5,808	5,808
Other non-current assets	1,553	1,922	2,358	2,872
Total Non-Current Assets	**14,268**	**15,862**	**16,922**	**18,278**
Current Assets				
Inventories	7,008	8,337	10,326	12,804
Trade Receivables	3,932	3,908	4,841	6,003
Cash and Bank	4,618	5,696	8,070	11,410
Oher current assets	4,655	4,721	4,819	4,942
Total Current Assets	**20,213**	**22,662**	**28,055**	**35,159**
Total Assets	**34,481**	**38,524**	**44,977**	**53,437**

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Date	CMP (INR)	TP (INR)	Recommendation
29-Oct-25	764	790	HOLD
29-Apr-25	640	684	ACCUMULATE
22-Jan-24	619	683	ACCUMULATE
24-Oct-24	780	877	ACCUMULATE
01-Aug-24	857	903	ACCUMULATE
14-Jun-24	736	799	ACCUMULATE
07-May-24	688	766	ACCUMULATE

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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