motilal oswal Financial Services

Supreme Industries

Estimate change	↔
TP change	↔
Rating change	↓

Bloomberg	SI IN
Equity Shares (m)	127
M.Cap.(INRb)/(USDb)	431.3 / 4.5
52-Week Range (INR)	4665 / 3140
1, 6, 12 Rel. Per (%)	0/2/-18
12M Avg Val (INR M)	976

Financials & Valuations (INR b)

Y/E MARCH	FY26	FY27E	FY28E
Sales	112.2	128.2	140.5
EBITDA	15.5	18.6	20.6
Adj. PAT	9.5	12.2	13.0
Adj. EPS (INR)	75.1	95.6	102.5
EPS Gr. (%)	-0.7	27.3	7.2
BV/Sh. (INR)	486	540	597
Ratios			
RoE (%)	15.5	17.7	17.2
RoCE (%)	19.7	21.5	21.8
Payout (%)	47.9	42.9	44.9
Valuations			
P/E (x)	45.2	35.5	33.1
P/BV (x)	7.0	6.3	5.7
EV/EBITDA (x)	27.4	22.9	20.3
Div. Yield (%)	1.1	1.2	1.4

Shareholding pattern (%)

As of	Jun-26	Mar-26	Jun-25
Promoter	49.0	49.0	48.9
DII	19.1	19.2	14.6
FII	17.1	17.1	22.0
Others	14.9	14.7	14.6

CMP: INR3,395 TP: INR3,690 (+9%) Downgrade to Neutral

Weak volume in 1Q, likely to revive 2Q onward

Volume/revenue/EBITDA miss our estimates by 6-15%

- Supreme Industries (SI) reported a 14% YoY decline in overall volume in 1QFY27, whereas its revenue/EBITDA/PAT increased by 4%/25%/39% YoY.
- Lower-than-expected volume led to a miss in operating results. However, a higher share of JV profits (INR731m, up 1.9x YoY) led to a beat in PAT.
- Volume in the agri segment was severely impacted by falling PVC prices, which led to channel inventories falling much below the normal levels.
- Healthy EBITDA margin of 14.6% was driven by a lower mix of low-margin pipe volume and a 22% YoY increase in value-added products.

Key highlights from the management commentary

- Management expects a strong revival from 2Q onward, driven by stable PVC prices, removal of customs duty exemption w.e.f. 16th July and MIP implementation for suspension grade PVC resin.
- Management maintained its FY27 volume growth guidance at 15%+ in piping system and 12%+ in the remaining segments. This is despite a 14% YoY dip in overall volume reported in 1Q.
- EBITDA margin is expected to remain around 14-14.5% (vs. 14.6% in 1Q).
- A capex of INR10b in FY27 will be majorly used for new greenfield plants in Bihar, Jammu and MP (Malanpur). These plants are expected to be completed in phases over the next two years. The company has already ordered machinery worth INR5b in 1Q. SI is also looking to acquire land parcels in Puducherry and Erode to set up additional capacities in future.
- Composite cylinders business is seeing improved traction. It is now supplying to all three major OMCs, after adding BPCL last year. LPG cylinders capacity stands at ~1m units and is operating at ~35% utilization.
- SI has also commenced supplying cascades for CNG applications and continues to expand its presence in international markets.

Valuation and view

- After a 14% YoY dip in 1Q volume, we model ~6% YoY growth in FY27 against management guidance of 15%, which we believe is too optimistic.
- We increase our FY27 earnings estimate by 16%, aided by better than earlier expected margins (in line with management guidance) and JV profit share following a strong performance in 1Q. Supreme Petro (JV) is into polymer business and earnings are too volatile and unpredictable.
- However, we keep our estimates unchanged for FY28 and expect ~11% YoY growth in overall volume.
- Overall, we expect a CAGR of 12%/15%/17% in revenue/EBITDA/APAT over FY26-28, with a ~9% volume CAGR, 14.5-15% EBITDA margin, strong FCF and return ratios.
- Our TP remains unchanged at INR3,690, based on 36x FY28E P/E. We downgrade our rating to Neutral due to a low upside potential.
- Higher-than-expected volume growth is the key upside risk to our call.

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Consolidated quarterly performance

(INR m)

	FY26				FY27E				FY26	FY27E	FY27E	Var
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1Q Est.	%
Net Sales	**26,092**	**23,939**	**26,869**	**35,277**	**27,177**	**28,570**	**32,891**	**39,531**	**1,12,177**	**1,28,169**	**31,888**	**-15**
YoY Change (%)	-1	5	7	17	4	19	22	12	7.4	14.3	22.2	
Total Expenditure	22,903	20,965	23,731	29,045	23,197	24,479	28,247	33,686	96,645	1,09,609	27,670	
EBITDA	**3,189**	**2,974**	**3,138**	**6,231**	**3,980**	**4,090**	**4,645**	**5,845**	**15,532**	**18,560**	**4,217**	**-6**
Margins (%)	12.2	12.4	11.7	17.7	14.6	14.3	14.1	14.8	13.8	14.5	13.2	
Depreciation	930	1,044	1,095	1,214	1,223	1,233	1,243	1,253	4,283	4,953	1,224	
Interest	28	58	114	90	42	50	50	50	290	192	50	
Other Income	169	155	38	86	91	100	100	100	448	391	100	
PBT before EO expense	**2,400**	**2,028**	**1,967**	**5,013**	**2,806**	**2,907**	**3,451**	**4,642**	**11,407**	**13,807**	**3,043**	
PBT	**2,400**	**2,028**	**1,967**	**5,013**	**2,806**	**2,907**	**3,451**	**4,642**	**11,407**	**13,807**	**3,043**	**-8**
Tax	629	529	527	1,195	729	756	897	1,207	2,879	3,589	791	
Rate (%)	26.2	26.1	26.8	23.8	26.0	26.0	26.0	26.0	25.2	26.0	26.0	
Profit/(Loss) - Associates	252	149	94	517	731	400	300	500	1,012	1,931	250	
Reported PAT	**2,023**	**1,647**	**1,534**	**4,336**	**2,807**	**2,551**	**2,854**	**3,935**	**9,540**	**12,148**	**2,502**	**12**
Adj PAT	**2,023**	**1,647**	**1,534**	**4,336**	**2,807**	**2,551**	**2,854**	**3,935**	**9,540**	**12,148**	**2,502**	**12**
YoY Change (%)	-26.0	-20.3	-18.0	47.5	38.8	54.9	86.1	-9.2	-0.7	27.3	23.7	
Margins (%)	7.8	6.9	5.7	12.3	10.3	8.9	8.7	10.0	8.5	9.5	7.8	

E: MOFSL Estimates

Quarterly operating metrics

	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	YoY %	QoQ %
Segment revenue (INRm)							
Plastic Piping System	17,923	16,021	18,232	25,583	17,909	(0)	(30)
Packaging Products	4,016	3,935	3,903	4,569	4,382	9	(4)
Industrial Products	3,016	2,826	3,355	3,585	3,733	24	4
Consumer Products	984	1,033	1,119	1,235	874	(11)	(29)
Others	154	124	260	305	280	82	(8)
Volume (t)							
Plastic Piping System	1,48,768	1,19,860	1,46,986	1,91,873	1,25,812	(15)	(34)
Packaging Products	16,178	16,263	16,533	18,373	14,627	(10)	(20)
Industrial Products	14,649	13,927	15,453	16,529	13,803	(6)	(16)
Consumer Products	4,198	4,381	4,822	5,112	3,265	(22)	(36)
Total	1,83,793	1,54,431	1,83,794	2,31,887	1,57,507	(14)	(32)
Realisation (INR /kg)							
Plastic Piping System	120	134	124	133	142	18	7
Packaging Products	248	242	236	249	299	21	20
Industrial Products	206	203	217	217	270	31	25
Consumer Products	233	235	232	242	266	14	10
Segment EBIT (%)						**YoY (bps)**	**QoQ (bps)**
Plastic Piping System	8.8	7.9	7.4	14.9	11.4	265	(349)
Packaging Products	11.4	12.1	8.6	12.8	12.5	107	(36)
Industrial Products	5.8	4.2	8.0	11.6	6.2	35	(541)
Consumer Products	14.0	13.7	15.3	25.5	11.3	(275)	(1,420)
Value-add products - revenue mix (%)	**35.8**	**44.8**	**41.6**	**44.0**	**42.0**		

CONFERENCE CALL

Key highlights from the management commentary

FY27 guidance

- Despite a 14% dip in volumes in 1Q, the company maintained its FY27 volume growth guidance of 15%+ in piping system and 12%+ in the remaining segments.
- EBITDA margin to remain around 14-14.5% (vs. 14.6% in 1Q).
- Capex plan of INR10b in FY27; committed INR5b in 1Q

Other developments

- Plans new greenfield plants in Bihar, Jammu and MP (Malanpur); to be completed in the next two years in phases
- Also looking to acquire land in Puducherry and Erode for addition capacities in future
- LPG cylinders capacity at ~1m units, operating at ~35% utilization; added BPCL as a customer, now supplying to all three major OMCs
- Also commenced supplying cascades for CNG applications and continues to expand its presence in international markets

1QFY27 performance

- Volume/revenue/EBITDA missed our estimates by 6-15%
- Higher share of JV profits led to beat in PAT
- Volume down 14% YoY; revenue/EBITDA/PAT up 4%/25%/39% YoY
- Agri volume was severely impacted in 1Q
- Inventory levels much below normal in 1QFY27
- Expects strong revival in the coming quarters, starting 2Q, driven by stable PVC prices, removal of customs duty exemption wef 16th July and implementation of MIP for suspension Grade PVC Resin
- PVC prices saw a falling trend till end of 1Q; inventory loss was not shared
- VAP revenue grew 22% YoY in 1Q
- Healthy EBITDA margin of 14.6% was driven by lower mix of low-margin pipe volume
- Wavin CU stood similar to company level at 60%-70%.

Story in charts

Exhibit 1: Consolidated quarterly revenue mix trend (%)

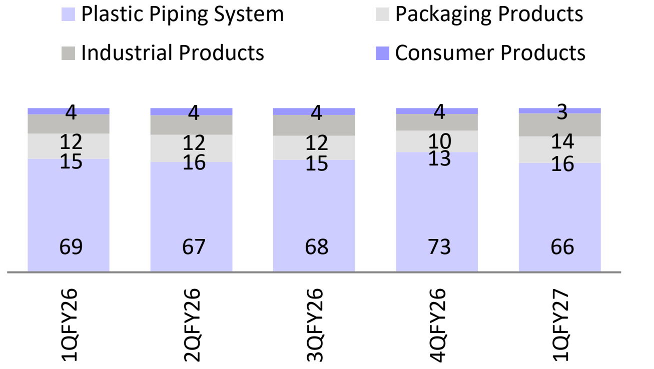


Exhibit 2: Consolidated quarterly revenue and growth trend

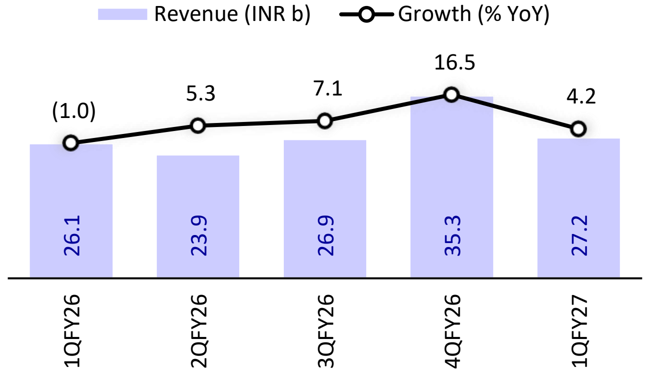


Exhibit 3: Quarterly EBITDA, PAT, and margin trends (%)

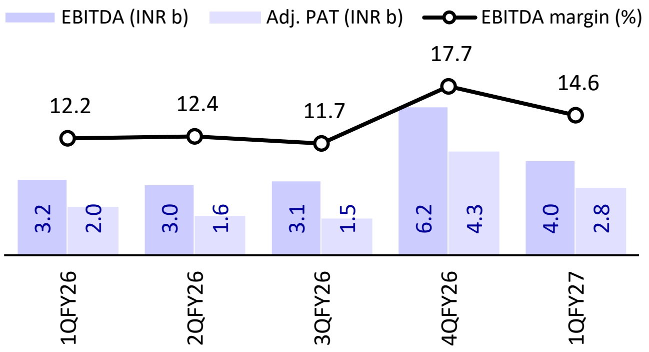


Exhibit 4: Quarterly EPS trend

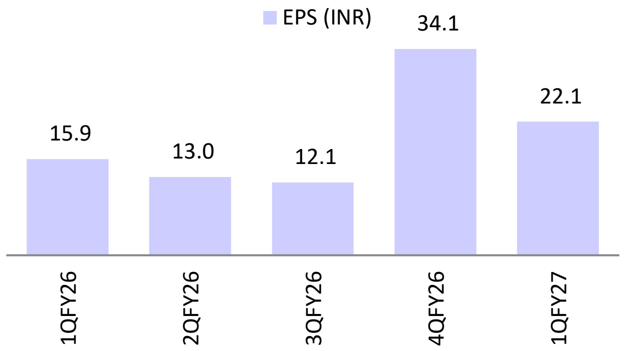


Exhibit 5: Consolidated quarterly volume and growth trend

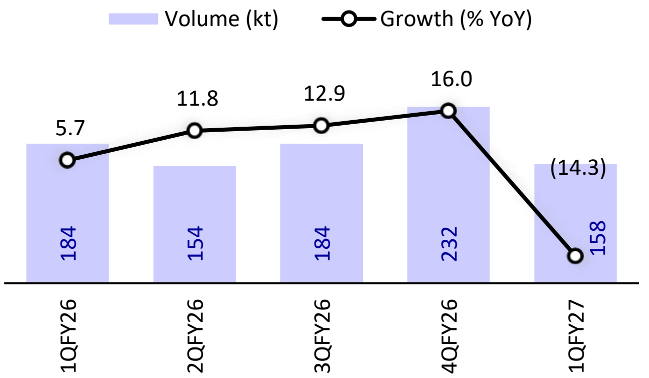
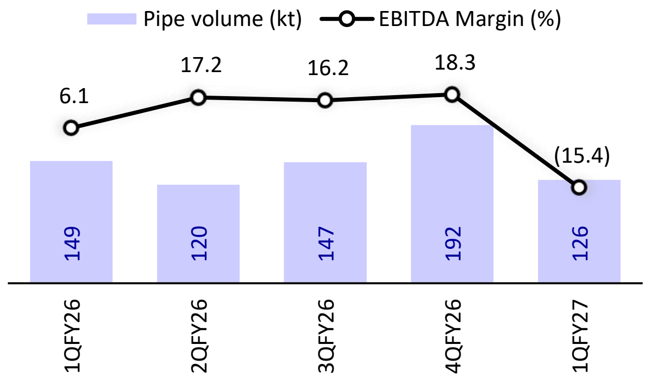


Exhibit 6: Quarterly pipe volume and growth trend



Source: Company, MOFSL

Exhibit 7: Consolidated annual volume and growth trends

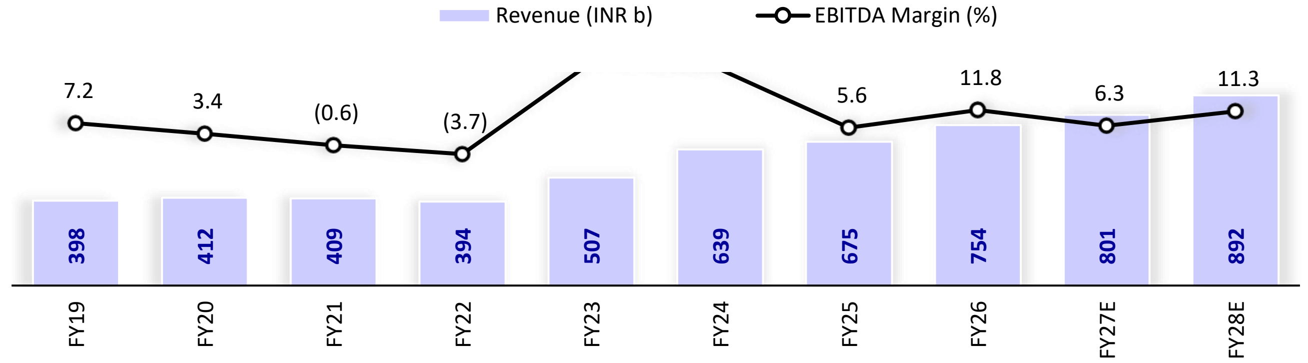


Exhibit 8: Consolidated annual revenue and growth trends

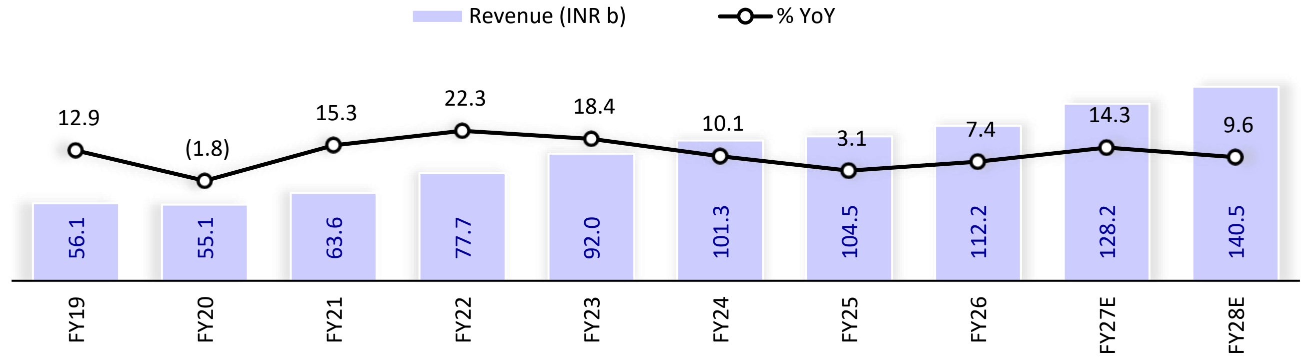
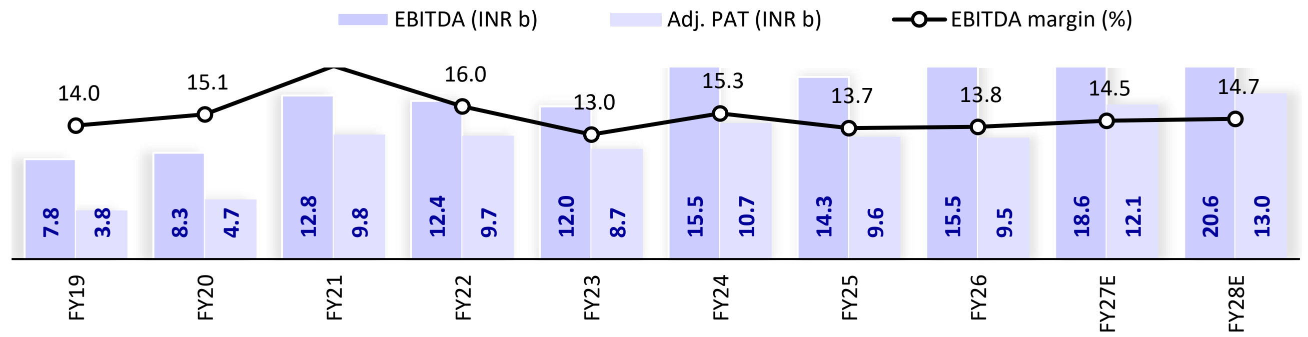


Exhibit 9: EBITDA, PAT, and margin annual trends (%)



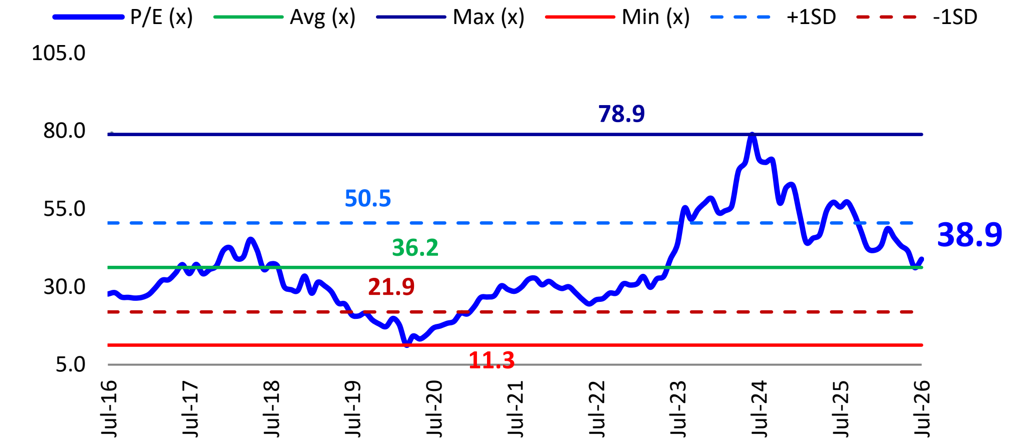
Source: Company, MOFSL

Exhibit 10: Changes to our estimates

INR m	Old		New		Change	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Revenue	1,26,459	1,38,910	1,28,169	1,40,461	1	1
EBITDA	17,527	20,642	18,560	20,621	6	(0)
EBITDA margin %	*13.9*	*14.9*	*14.5*	*14.7*		
PAT	10,451	13,022	12,148	13,023	16	0
EPS	82.3	102.5	95.6	102.5	16	0

Source: MOFSL, Company

Exhibit 11: One-year forward P/E band and standard deviation



Source: Bloomberg, MOFSL

Financials and valuations

Consolidated - Income Statement								(INR m)
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
Total Income from Operations	**63,552**	**77,728**	**92,016**	**1,01,343**	**1,04,463**	**1,12,177**	**1,28,169**	**1,40,461**
Change (%)	15.3	22.3	18.4	10.1	3.1	7.4	14.3	9.6
RM Cost	40,427	53,532	65,992	68,584	71,465	75,592	86,138	94,258
Employees Cost	3,104	3,453	3,748	4,422	4,873	5,813	6,654	7,151
Other Expenses	7,180	8,323	10,279	12,864	13,808	15,240	16,818	18,431
Total Expenditure	**50,710**	**65,307**	**80,019**	**85,870**	**90,146**	**96,645**	**1,09,609**	**1,19,840**
% of Net Sales	79.8	84.0	87.0	84.7	86.3	86.2	85.5	85.3
EBITDA	**12,842**	**12,421**	**11,997**	**15,473**	**14,317**	**15,532**	**18,560**	**20,621**
Margin (%)	20.2	16.0	13.0	15.3	13.7	13.8	14.5	14.7
Depreciation	2,128	2,295	2,634	2,984	3,586	4,283	4,953	5,313
EBIT	**10,714**	**10,126**	**9,363**	**12,489**	**10,730**	**11,249**	**13,607**	**15,308**
Int. and Finance Charges	221	52	80	161	119	290	192	109
Other Income	169	200	298	657	578	448	391	430
PBT bef. EO Exp.	**10,662**	**10,274**	**9,580**	**12,985**	**11,190**	**11,407**	**13,807**	**15,629**
EO Items	0	0	0	0	0	0	0	0
PBT after EO Exp.	**10,662**	**10,274**	**9,580**	**12,985**	**11,190**	**11,407**	**13,807**	**15,629**
Total Tax	2,341	2,633	2,460	3,357	2,782	2,879	3,589	4,064
Tax Rate (%)	22.0	25.6	25.7	25.9	24.9	25.2	26.0	26.0
Share of Profit/Loss of JV and disc ops.	1,460	2,044	1,533	1,069	1,201	1,012	1,931	1,458
Share of Minority Interests								
Reported PAT	**9,781**	**9,684**	**8,653**	**10,697**	**9,609**	**9,540**	**12,148**	**13,023**
Adjusted PAT	**9,781**	**9,684**	**8,653**	**10,697**	**9,609**	**9,540**	**12,148**	**13,023**
Change (%)	109.3	-1.0	-10.6	23.6	-10.2	-0.7	27.3	7.2
Margin (%)	15.4	12.5	9.4	10.6	9.2	8.5	9.5	9.3

Consolidated - Balance Sheet								(INR m)
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
Equity Share Capital	254	254	254	254	254	254	254	254
Total Reserves	31,438	38,190	43,767	50,834	56,350	61,437	68,375	75,554
Net Worth	**31,692**	**38,444**	**44,021**	**51,088**	**56,604**	**61,691**	**68,629**	**75,808**
Minority Interest	0	0	0	0	0	0	0	0
Total Loans	53	40	23	61	92	83	82	81
Deferred Tax Liabilities	919	904	908	960	875	948	948	948
Capital Employed	**32,664**	**39,388**	**44,953**	**52,110**	**57,571**	**62,722**	**69,659**	**76,837**
Gross Block	33,866	36,689	42,280	47,895	54,942	69,235	79,235	84,235
Less: Accum. Deprn.	16,709	19,004	21,638	24,622	28,208	32,491	37,444	42,757
Net Fixed Assets	**17,157**	**17,685**	**20,642**	**23,274**	**26,734**	**36,744**	**41,791**	**41,478**
Goodwill on Consolidation								
Capital WIP	496	1,546	837	1,437	4,026	1,354	1,154	954
Total Investments	**3,366**	**4,759**	**5,774**	**6,381**	**7,196**	**7,621**	**8,221**	**8,821**
Curr. Assets, Loans&Adv.	**21,804**	**25,969**	**29,689**	**34,465**	**33,722**	**32,230**	**34,177**	**42,470**
Inventory	7,608	12,602	13,856	13,586	13,337	16,186	17,557	19,241
Account Receivables	3,899	4,668	4,924	5,114	5,401	4,875	5,267	5,772
Cash and Bank Balance	7,684	5,262	7,461	11,873	9,525	6,585	6,568	12,473
Loans and Advances	2,614	3,437	3,448	3,892	5,460	4,584	4,784	4,983
Curr. Liability & Prov.	**10,159**	**10,570**	**11,990**	**13,447**	**14,108**	**15,227**	**15,683**	**16,887**
Account Payables	6,462	7,940	9,038	10,156	8,934	10,271	10,534	11,545
Other Current Liabilities	3,399	2,310	2,604	2,831	4,684	4,309	4,499	4,689
Provisions	298	320	349	461	489	647	650	653
Net Current Assets	**11,645**	**15,399**	**17,700**	**21,018**	**19,614**	**17,002**	**18,493**	**25,584**
Misc Expenditure	0	0	0	0	0	0	0	0
Appl. of Funds	**32,664**	**39,388**	**44,953**	**52,110**	**57,571**	**62,722**	**69,659**	**76,837**

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Basic (INR)								
Adj EPS	**77.0**	**76.2**	**68.1**	**84.2**	**75.6**	**75.1**	**95.6**	**102.5**
Cash EPS	93.7	94.3	88.8	107.7	103.9	108.8	134.6	144.3
BV/Share	249	303	346	402	446	486	540	597
DPS	22.0	24.0	26.0	30.0	34.0	36.0	41.0	46.0
Payout (%)	28.6	31.5	38.2	35.6	45.0	47.9	42.9	44.9
Valuation (x)								
P/E	44.1	44.5	49.8	40.3	44.9	45.2	35.5	33.1
Cash P/E	36.2	36.0	38.2	31.5	32.7	31.2	25.2	23.5
P/BV	13.6	11.2	9.8	8.4	7.6	7.0	6.3	5.7
EV/Sales	6.7	5.5	4.6	4.1	4.0	3.8	3.3	3.0
EV/EBITDA	33.0	34.3	35.3	27.1	29.5	27.4	22.9	20.3
Dividend Yield (%)	0.6	0.7	0.8	0.9	1.0	1.1	1.2	1.4
FCF per share	80.3	0.0	36.9	57.3	9.1	32.8	28.8	83.2
Return Ratios (%)								
RoE	30.9	25.2	19.7	20.9	17.0	15.5	17.7	17.2
RoCE (pre-tax)	37.2	29.4	23.4	27.6	21.0	19.7	21.5	21.8
RoIC (pre-tax)	44.0	36.1	27.8	34.8	27.2	23.6	24.0	25.1
Working Capital Ratios								
Fixed Asset Turnover (x)	1.9	2.1	2.2	2.1	1.9	1.6	1.6	1.7
Net Working Capital Cycle (Days)	29	44	39	31	34	35	35	35
Debtor (Days)	22	22	20	18	19	16	15	15
Inventory (Days)	44	59	55	49	47	53	50	50
Creditor (Days)	37	37	36	37	31	33	30	30
Leverage Ratio (x)								
Current Ratio	2.1	2.5	2.5	2.6	2.4	2.1	2.2	2.5
Interest Cover Ratio	49.4	200.5	120.5	81.6	95.0	40.3	73.1	144.2
Net Debt/Equity	-0.2	-0.1	-0.2	-0.2	-0.2	-0.1	-0.1	-0.2

Consolidated - Cash Flow Statement **(INR m)**

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
OP/(Loss) before Tax	12,122	12,318	11,113	14,054	12,390	12,419	13,807	15,629
Depreciation	2,130	2,295	2,634	2,984	3,586	4,283	4,953	5,313
Interest & Finance Charges	221	51	80	161	119	290	192	109
Direct Taxes Paid	-2,322	-2,868	-2,375	-3,232	-3,023	-2,494	-3,589	-4,064
(Inc)/Dec in WC	1,955	-4,941	-778	1,796	-992	-831	-1,507	-1,185
CF from Operations	**14,107**	**6,855**	**10,675**	**15,763**	**12,081**	**13,668**	**13,855**	**15,802**
Others	-1,643	-2,153	-1,772	-1,634	-2,043	-1,420	-391	-430
CF from Operating incl EO	**12,464**	**4,703**	**8,903**	**14,129**	**10,037**	**12,248**	**13,463**	**15,372**
(Inc)/Dec in FA	-2,266	-4,699	-4,218	-6,855	-8,877	-8,083	-9,800	-4,800
Free Cash Flow	**10,198**	**3**	**4,685**	**7,274**	**1,160**	**4,165**	**3,663**	**10,572**
(Pur)/Sale of Investments	136	178	188	237	398	-2,650	-600	-600
Others	124	487	538	533	572	596	391	430
CF from Investments	**-2,006**	**-4,035**	**-3,493**	**-6,085**	**-7,907**	**-10,137**	**-10,009**	**-4,970**
Issue of Shares	0	0	0	0	0	0	0	0
Inc/(Dec) in Debt	-4,104	-11	0	0	0	0	-1	-1
Interest Paid	-166	-10	-15	-39	-57	-202	-192	-109
Dividend Paid	-635	-2,922	-3,049	-3,557	-4,065	-314	-5,209	-5,844
Others	-150	-161	-202	-221	-279	-4,446	1,931	1,458
CF from Fin. Activity	**-5,055**	**-3,103**	**-3,266**	**-3,817**	**-4,400**	**-4,962**	**-3,471**	**-4,497**
Inc/Dec of Cash	**5,403**	**-2,435**	**2,145**	**4,227**	**-2,270**	**-2,852**	**-17**	**5,905**
Opening Balance	2,199	7,615	5,189	7,380	11,785	9,441	6,488	6,472
Other cash & cash equivalent	14	9	46	179	-73	-101	0	0
Closing Balance	**7,615**	**5,189**	**7,380**	**11,785**	**9,441**	**6,488**	**6,472**	**12,377**

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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