

October 28, 2025

Prospects for H2 recovery still alive

About the stock: Supreme Industries Ltd. (SIL) is the largest domestic manufacturer of PVC pipes with a market share of ~14%.

- It has 30 manufacturing units, with a combined capacity of ~1.1 MMTA, across India.
- It holds 30.78% stake in Supreme Petrochemical

Q2FY26 performance: Supreme Industries reported consolidated revenue of ₹2,409 crore (up 5.3% YoY, down 8.2% QoQ) for Q2FY26, led by 12% YoY volume growth (down 16% QoQ) at 1,54,431 MT (Plastic piping volumes were up 17% YoY at 1,19,860 MT). EBITDA margins came in lower than estimates at 12.4% (lower 170 bps YoY, almost flat QoQ) at 12.4%. Consequently, EBITDA and net profit declined 7% YoY and 20% YoY at ₹297 crore and ₹165 crore. Share of revenues from value added products increased to 45% at ₹ 1073 crore (up 18.3% YoY) from 40%/36% in Q2FY25/Q1FY26. Net cash surplus stood at ₹ 49 crore.

Investment Rationale

- Eyeing strong H2 to meet FY26 guidance:** The management retained its plastic piping volume growth guidance of 15-17% YoY for FY26 (+10.8% YoY in H1) while trimming down overall volume growth guidance to 12-14% (earlier 14-15% YoY, +8.4% YoY in H1). Robust plumbing and agriculture demand, pick-up in infrastructure demand, low dealer inventory levels and expected bottomed-out PVC prices are key growth drivers for a relatively stronger H2FY26. Further, consolidated EBITDA margins are expected to be in the range of 14.5-15% (earlier 14.5-15.5%) for FY26 (12.3% in H1FY26 affected by ₹ 50-60 crore inventory losses). Operating leverage and expectations of nil inventory losses in H2FY26 are key levers to meet its FY26 guidance.
- Capacity expansion plans stay on track:** The company's capacity expansion plans for plastic piping and protective packaging products remain on track. It targets to cross 1 million tonne plastic piping capacity by FY26 end with overall capacity reaching ~1.2 million tonnes. It has incurred ₹ 869 crore capex (including Wavin acquisition) during H1FY26 and has a capital commitment of ₹ 1300 crore for FY26. It continues to focus on increasing its product basket (material handling products, PP silent pipe system, Electrofusion fittings, profile window) and increasing the range of value-added products (45% revenue share in Q2FY26).

Rating and Target Price

- We estimate its Revenues/EBITDA/PAT to grow at ~12%/15%/15% CAGR over FY2025-FY2028E.
- We retain BUY rating with a revised Target Price of ₹ 4800/- i.e. 45x P/E on H1FY28E.

Key Financial Summary

Key Financials (₹ Crore)	FY23	FY24	FY25	2-Year CAGR (FY23-25)	FY26E	FY27E	FY28E	3 year CAGR (FY25-28E)
Revenues	9202	10134	10446	6.5%	11546	12967	14741	12.2%
EBIDTA	1,200	1,547	1,432	9.2%	1,623	1,900	2,182	15.1%
EBIDTA Margins(%)	13.0	15.3	13.7		14.1	14.7	14.8	
Adjusted PAT	865	1070	961	5.4%	1066	1259	1446	14.6%
EPS (Rs.)	68.1	84.2	75.7		84.0	99.2	113.9	
P/E (x)	56.0	45.3	50.4		45.4	38.5	33.5	
EV to EBIDTA (x)	39.8	30.5	33.2		29.3	25.0	21.7	
RoNW (%)	19.7	20.9	17.0		17.0	17.9	18.1	
RoCE (%)	28.7	32.6	24.7		25.7	26.8	26.9	

Source: Company, ICICI Direct Research



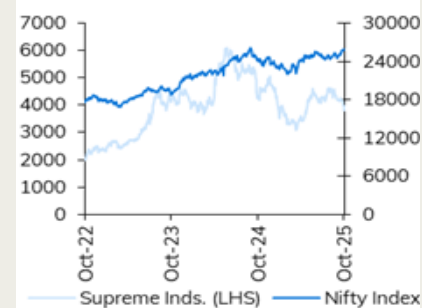
Particulars

Particular	₹ crore
Market Capitalisation	48456
Gross Debt (FY25)	0
Cash (FY25)	952
EV (₹crore)	47503
52 week H/L	5153/3020
Equity capital	25
Face value	2

Shareholding pattern

Particular	Dec-24	Mar-25	Jun-25	Sep-25
Promoters	48.9	48.9	48.9	48.9
FII's	24.7	22.9	21.9	20.7
DII's	12.0	13.3	14.6	16.1
Others	14.5	15.0	14.6	14.4

Price Chart



Key risks

- Sharp decline in PVC/CPVC resin prices
- Slowdown in agriculture, infrastructure, real estate sectors

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Recent earnings call highlights:

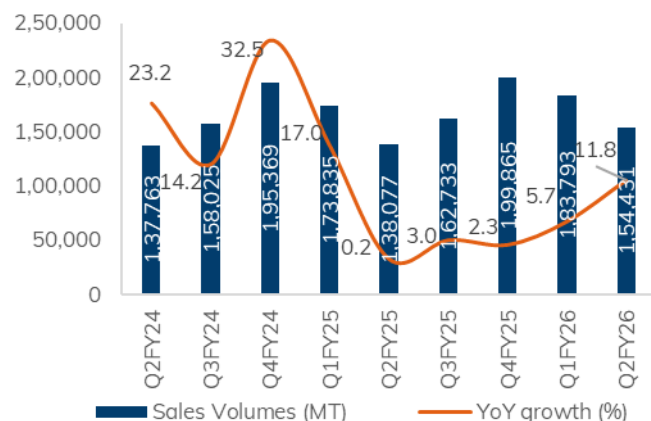
- **Guidance and Financial Outlook:** The company downwardly revised its overall volume growth guidance for FY26 to 12-14% (earlier 14-15%), while maintaining plastic piping volume growth guidance at 15-17% YoY. Consolidated EBITDA margin guidance was revised to 14.5-15% (earlier 14.5-15.5%). Overall, it targets consolidated revenues of ₹ 11,000-11,500 crore for FY26.
- **Plastic Piping Business:** The plastic piping business faced temporary headwinds due to the early arrival and extended duration of the monsoon season, which impacted construction and installation activities. In addition, slower government spending on infrastructure-related segments affected overall demand. The CPVC segment performed well, recording a 26% YoY volume growth in H1FY26. Management remains confident of a demand recovery in H2FY26, expecting robust demand in plumbing and agriculture while expecting pick-up in infrastructure demand.
- **Capacity:** By March 2026, the plastic piping capacity is expected to cross 1 million tonne while its overall capacity is expected to be ~1.2 million tonnes.
- **Wavin Acquisition:** The acquisition of Wavin's plastic pipe business, completed for USD 30 million, became effective on 1 August, 2025. The acquired assets include three manufacturing facilities located in Banmore (Madhya Pradesh), Thimapur (Telangana), and Neemrana (Rajasthan), with a combined installed capacity of about 71,000 tons per annum. Wavin contributed ~3000 tonnes in volumes during Q2FY26 and is expected to 20,000 tonne in eight months of FY26 (earlier guidance of 30,000 tonnes). Wavin has been profitable at the operating level.
- **Capex and Expansion Plans:** During H1FY26, it incurred a total capital expenditure of ₹ 869 crore, which includes the cost of the Wavin acquisition. The overall expected cash outflow for existing and new capital commitments stands at around ₹ 1300 crore, to be fully funded through internal accruals. Key ongoing projects include the Profile Window Project (₹ 200 crore) and the PP Silent Pipe System (₹ 80 crore). The company also plans to set up a new material handling products unit at Malanpur (Madhya Pradesh), while additional greenfield projects are being planned in Bihar and Jammu for the Plastic Piping division and in Western Maharashtra for the Protective Packaging division.
- **Debt and Cash Flow:** Supreme currently has a gross debt of ₹ 240 crore, which is expected to be fully repaid by December 2025. The management expects to be debt-free by year-end and to have a comfortable cash surplus by March 2026.
- **Divisional Performance Overall Growth:** All product divisions, except the Industrial Components segment, have reported healthy growth. The Protective Packaging division is driving its growth by expanding its product range and offering customized packaging solutions. The company is targeting double-digit volume growth and aims to achieve ₹ 1000 crore in revenue from this division in FY26. The Company is expanding its capacity and range of Electrofusion (EF) Fittings and exploring export market.
- **Composite Cylinder:** Supreme has also made progress in its cylinder business, executing awarded contracts for 2 lakh nos. of 10 kg composite LPG cylinders to BPCL and 2.31 lakh nos. of composite LPG cylinders to Indian Oil Corporation. Additionally, it has successfully delivered its first order of CNG Cascade Cylinders and expects repeat orders.
- **New Product Offerings:** The company will launch the PP Silent Pipe System this month in collaboration with Poloplast GmbH of Austria, under the brands "Serene" and "Serene Plus". The Profile Window Project is nearing completion, with commercial production expected to begin by December 2025, initially targeting customers in Uttar Pradesh, NCR, and Haryana with customized window solutions.

Exhibit 1: Quarterly Analysis

Particulars	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Comments
Operating Income	2,394	2,273	5.3	2,609	-8.3	Overall Sales/Plastic piping volume grew by 11.8%/17.2% YoY while blended realisations were down 5.8% YoY (up 9.2% QoQ)
Other Income	16	15	3.3	17	-8.2	
Total Revenue	2,409	2,288	5.3	2,626	-8.3	
Raw Materials Costs	1,544	1,465	5.4	1,753	-11.9	
Employees Expenses	135	120	12.4	135	-0.2	
Other Expenses	418	369	13.4	402	3.9	Blended EBITDA/kg was lower ~19% YoY (up 11% QoQ) at ~₹ 19
Total Expenditure	2,096	1,954	7.3	2,290	-8.5	
EBITDA	297	319	-6.8	319	-6.7	
EBITDA Margins (%)	12.4	14.0	-162bps	12.2	20bps	
Interest	6	3	122.5	3	110.5	
Depreciation	104	90	16.0	93	12.2	Lower margins, JV income & higher depreciation affect PAT
Tax	53	63	-16.0	63	-15.9	
Income from Assoc.	15	28	-46.5	25	-40.9	
Adj. PAT	165	207	-20.3	202	-18.6	

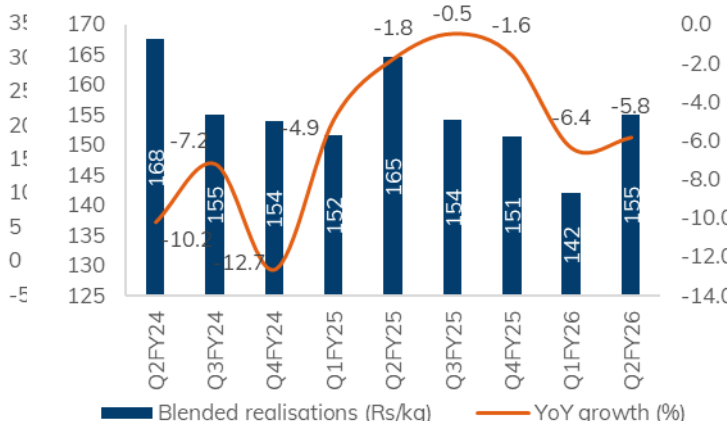
Source: Company, ICICI Direct Research

Exhibit 2: Sales Volume trend



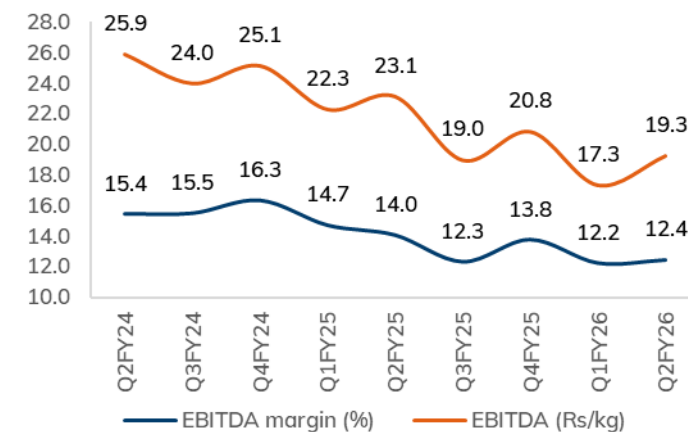
Source: Company, ICICI Direct Research

Exhibit 3: Blended realisation trend



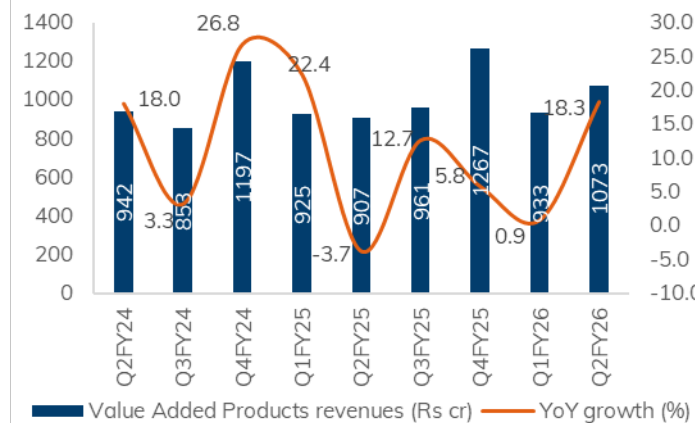
Source: Company, ICICI Direct Research

Exhibit 4: EBITDA trend



Source: Company, ICICI Direct Research

Exhibit 5: Value added products revenue trend



Source: Company, ICICI Direct Research

Financial Summary

Exhibit 6: Profit and loss statement

₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Total Operating Income	10446	11546	12967	14741
Growth (%)	3.1%	10.5%	12.3%	13.7%
Operating Expenses	7146	7944	8921	10142
Gross Profit	3300	3602	4046	4599
Gross Profit Margins (%)	31.6%	31.2%	31.2%	31.2%
Employee Expenses	487	536	590	649
Other Expenditure	1381	1443	1556	1769
Total Operating Exp.	9015	9923	11067	12559
EBITDA	1432	1623	1900	2182
Growth (%)	-7.5%	13.4%	17.1%	14.8%
Interest	12	12	12	12
Depreciation	359	393	441	501
Other Income	58	61	64	67
PBT before Excl. item	1119	1279	1511	1735
Total tax	278	322	381	437
PAT before MI	841	957	1130	1298
Income from Associates	120	109	129	148
Exceptional items	0	0	0	0
PAT	961	1066	1259	1446
Growth (%)	-10.2%	11.0%	18.1%	14.9%
EPS (Adjusted)	76	84	99	114

Source: Company, ICICI Direct Research

Exhibit 7: Cash Flow Statement

(Year-end March)	FY25	FY26E	FY27E	FY28E
Profit/loss after taxation	1239	1389	1640	1884
Add: Dep. & Amortization	359	393	441	501
Change in working capital	-99	-102	-134	-168
Total tax paid	-302	-322	-381	-437
Others	-192	0	0	0
CF from operating activities	1004	1357	1566	1780
(Purchase)/Sale of Fixed Assets	-888	-924	-1037	-1179
Others	89	0	0	0
CF from Investing activities	-799	-924	-1037	-1179
(inc)/Dec in Loan	-28	0	0	0
Dividend & Dividend tax	-406	-457	-483	-483
Equity raised	0	0	0	0
Others	-6	0	0	0
CF from Financing activities	-440	-457	-483	-483
Net Cash Flow	-235	-24	46	118
Opening Cash & Cash Equivalent	1187	952	928	974
Closing Cash & Cash Equivalent	952	928	974	1092

Source: Company, ICICI Direct Research

Exhibit 8: Balance sheet

₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Equity Capital	25	25	25	25
Reserve and Surplus	5635	6244	7021	7984
Total Shareholders funds	5660	6269	7046	8010
Minority Interest	0	0	0	0
Total Debt	0	0	0	0
Deferred Tax Liability	87	87	87	87
Long-Term Provisions	38	38	38	38
Other Non Current Liabilities	68	68	68	68
Total Liabilities	5854	6463	7239	8203
Net Block	2501	3032	3629	4307
Capital WIP	403	403	403	403
Fixed Assets	2904	3435	4031	4709
Goodwill & Other intangible assets	55	55	55	55
Investments	720	720	720	720
Other non-Current Assets	400	400	400	400
Inventory	1334	1484	1666	1894
Debtors	540	633	711	808
Other Current Assets	255	255	255	255
Loans & Advances	9	35	39	44
Cash	952	928	974	1092
Total Current Assets	3090	3334	3645	4094
Creditors	893	1060	1190	1353
Provisions	11	11	11	11
Other Current Liabilities	410	410	410	410
Total Current Liabilities	1314	1481	1611	1774
Net Current Assets	1776	1854	2034	2320
Application of Funds	5854	6463	7239	8203

Source: Company, ICICI Direct Research

Exhibit 9: Key ratios

(Year-end March)	FY25	FY26E	FY27E	FY28E
Per share data (₹)				
Adjusted EPS	75.7	84.0	99.2	113.9
Cash EPS	79.0	106.8	123.3	140.1
BV per share	445.6	493.6	554.7	630.6
Dividend per share	34.0	36.0	38.0	38.0
Operating Ratios (%)				
Gross Profit Margins	31.6	31.2	31.2	31.2
Operating EBITDA margins (%)	13.7	14.1	14.7	14.8
(Adjusted) PAT Margins	9.2	9.2	9.7	9.8
Cash Conversion Cycle	34	33	33	33
Fixed asset turnover (x)	3.6	3.4	3.2	3.1
Return Ratios (%)				
RoE	17.0	17.0	17.9	18.1
RoCE	24.7	25.7	26.8	26.9
RoIC	15.7	15.2	16.4	17.3
Valuation Ratios (x)				
P/E	50.4	45.4	38.5	33.5
EV / EBITDA	33.2	29.3	25.0	21.7
EV / Net Sales	4.5	4.1	3.7	3.2
Market Cap / Sales	4.6	4.2	3.7	3.3
Price to Book Value	8.6	7.7	6.9	6.0
Solvency Ratios				
Debt / EBITDA	0.0	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

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Sell: <-15%



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