

CMP: ₹ 3490

Target: ₹ 4400 (26%)

Target Period: 12 months

January 22, 2026

BUY

Healthy demand & improving pricing outlook

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 MMTPA, across India.
- It holds 30.78% stake in Supreme Petrochemical

Q3FY26 performance: Supreme Industries reported consolidated revenue of ₹2,687 crore (up 7% YoY/12% QoQ) for Q3FY26, led by 13% YoY volume growth (up 19% QoQ) at 1,83,794 MT (Plastic piping volumes were up 16% YoY at 1,46,986 MT). EBITDA margins came in lower than estimates at 11.7% (lower 63 bps YoY and 74 bps QoQ) due to one time impact of change in Labour Codes. Adjusted EBITDA was sequentially flat at 12.3%. PAT stood at ₹ 153.37 crore, down by 18% YoY. Share of revenues from value added products increased to ₹ 1118 crore (up 16.3% YoY/ 4% QoQ).

Investment Rationale

- FY26 guidance – Volume retained, EBITDA margin lowered:** The management retained its plastic piping volume growth guidance of 15-17% YoY for FY26 (+12.7% YoY in 9MFY26) and overall volume growth guidance of 12-14% (+10% YoY in 9MFY26). As per management, downward price trend in PVC prices has been arrested along with rise seen in imported prices (Imported CIF prices increased ~10% over one and half month from \$580 to \$640). For FY27, it expects 70% capacity utilisation for 1 million tonne plastic piping capacity, implying 13-15% YoY volume growth. However, consolidated EBITDA margins guidance were lowered to 13.5-14% (earlier 14.5-15%) for FY26 (12.1% in 9MFY26 affected by ₹ 100-120 crore inventory losses). Notably, excluding inventory losses and one-off labour code impact, adjusted EBITDA margins for 9MFY26 are healthy at 13.5-14%.
- Capacity expansion plans intact:** The company stays on track to cross 1 million tonne plastic piping capacity by FY26 end with overall capacity reaching ~1.2 million tonnes. It has incurred ₹ 1031 crore capex (including Wavin acquisition) during 9MFY26 and has a capital commitment of ₹ 1200 crore for FY26. It is planning to start work on two greenfield plants in FY27 having 1 lakh tonne capacity, which are expected to come onstream in FY28. It plans commercial production of profile windows from February 2026 (2.5 lakh capacity with annual revenue potential of ₹ 300+ crore).

Rating and Target Price

- We estimate its Revenues/EBITDA/PAT to grow at ~11%/13%/11% CAGR over FY2025-FY2028E.
- We retain BUY rating with a revised Target Price of ₹ 4400/- i.e. 45x P/E on H1FY28E, owing to ~8-9% downward revision in FY27E & FY28E EPS.

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%	11209	12836	14409	11.3%
EBIDTA	1,200	1,547	1,432	9.2%	1,439	1,840	2,079	13.3%
EBIDTA Margins(%)	13.0	15.3	13.7		12.8	14.3	14.4	
Adjusted PAT	865	1070	961	5.4%	836	1150	1326	11.3%
EPS (Rs.)	68.1	84.2	75.7		65.9	90.6	104.4	
P/E (x)	51.2	41.4	46.1		53.0	38.5	33.4	
EV to EBITDA (x)	36.3	27.9	30.3		30.5	23.9	21.1	
RoNW (%)	19.7	20.9	17.0		13.8	17.1	17.6	
RoCE (%)	28.7	32.6	24.7		22.2	27.2	27.6	

Source: Company, ICICI Direct Research



People who know plastics best

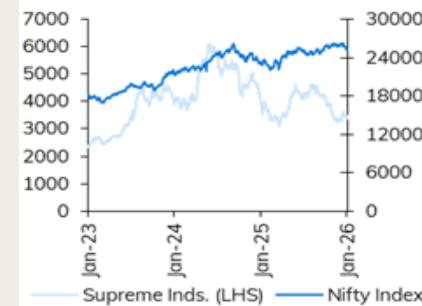
Particulars

Particular	₹ crore
Market Capitalisation	44332
Gross Debt (FY25)	0
Cash (FY25)	952
EV (₹crore)	43380
52 week H/L	4739/3095
Equity capital	25
Face value	2

Shareholding pattern

Particular	Mar-25	Jun-25	Sep-25	Dec-25
Promoters	48.9	48.9	48.9	49.0
FII	22.9	21.9	20.7	19.2
DII	13.3	14.6	16.1	17.2
Others	15.0	14.6	14.4	14.6

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:

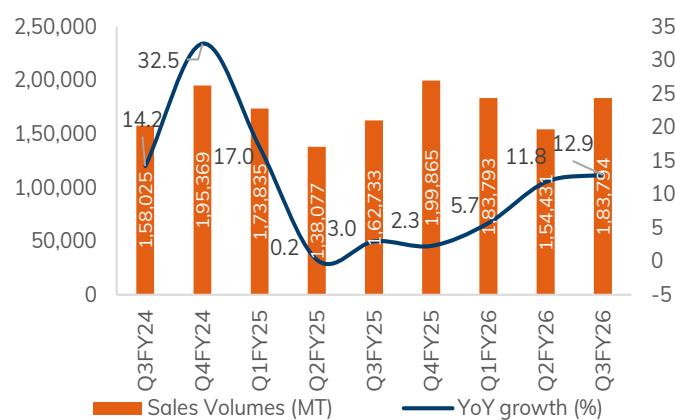
- **Guidance:** The company maintained its overall volume growth guidance for FY26 of 12-14% and plastic piping volume growth guidance at 15-17% YoY. Consolidated EBITDA margin guidance was downwardly revised to 13.5-14% (earlier 14.5-15%). Overall, it targets consolidated revenues of ₹ 11,000-11,500 crore (earlier ₹ 12,000 crore) for FY26. For FY27, it targets to achieve 70% capacity utilisation for 1 million tonne plastic piping division.
- **Demand and Future Outlook:** Demand for plastic pipes remained robust across segments, with ~16% YoY volume growth in Q3FY26 and ~30% YoY growth in CPVC volumes during 9MFY26. Management expects continued growth across most segments, barring the industrial division, which remains impacted by the slowdown in the consumer appliance sector. Channel inventory levels have normalised, and restocking has commenced, supported by improving demand from housing, infrastructure and agriculture, along with rising PVC prices.
- **Business succession:** The promoter's two grandsons are now involved in the business and expected to take the helm in the future.
- **Raw Material Price Volatility:** PVC prices have increased by ~10% from ~USD 580/MT to ~USD 640/MT, along with rupee depreciation. China's withdrawal of the PVC export tax rebate effective 1 Apr'26 is expected to tighten global supply and provide further upward support to prices.
- **Inventory loss:** During 9MFY26, it has suffered inventory loss of ₹ 100-120 crore.
- **Composite Cylinder:** Company has fully executed LOI for supply of 2 lakh nos. of 10 kg composite LPG cylinders to BPCL and received an additional LOI for supply of another 2 lakh nos. of 10 kg composite LPG cylinders, scheduled for execution in Q4FY26. Incremental order is expected to generate ~INR 54 crores revenue.
- **Capacity Expansion:** Total plastic pipe capacity is expected to reach ~1 MMT by end of FY26, with overall capacity expanding to ~1.2 MMT. The three Wavin-acquired plants have been fully integrated and are expected to operate at full potential from Feb'26 onwards. It plans to commence work on two greenfield manufacturing facilities at Malanpur (MP) and Patna (Bihar) with 1 lakh tonne installed capacity in FY27 and are slated to become operational by FY28.
- **Capex:** The company incurred ₹ 1,031 crore of capex in 9MFY26, including the Wavin acquisition. Management expects full-year FY26 capex of ~₹ 1,200 crore, which will be entirely funded through internal accruals.
- **Net Debt:** Net debt stood at ₹ 132 crore as of 31 Dec'25, primarily due to incremental short-term borrowings for capex. Management expects interest costs to normalise from Q1FY27.
- **New Product Launches:** The company has launched a PP Silent Pipe System in technical collaboration with Poloplast GmbH. The product has an installed capacity of 3,000 MTPA and is positioned in the premium segment, and has received encouraging initial market response.
- **Profile window project:** Profile window project is in the final stages of completion; production trials have commenced, with commercial launch expected from Feb'26. The project has an installed capacity of 250,000 windows per annum and a revenue potential of ~₹ 300 crore at peak utilisation. Company continues to expand portfolio in electrofusion (EF) fittings and bathware, enhancing value-added mix.
- **OPVC:** The current capacity is 8000 TPA. Central and state government offtake has been very slow and is picking up now.
- **Other highlights:** As on December 2025, inventory stood at ₹ 1900 crore, debtors ₹ 568 crore and payables ₹ 1100 crore.

Exhibit 1: Quarterly Analysis

Particulars	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comments
Operating Income	2,687	2,510	7.1	2,394	12.2	Overall/ Plastic piping volume grew by 12.9%/16.2% YoY while blended realisations were down 5.2% YoY (up 5.7% QoQ)
Other Income	4	9	-57.6	16	-75.7	
Total Revenue	2,691	2,519	6.8	2,409	11.7	
Raw Materials Costs	1,784	1,699	5.0	1,544	15.5	
Employees Expenses	156	115	35.2	135	15.8	
Other Expenses	433	387	12.0	418	3.7	
Total Expenditure	2,373	2,201	7.8	2,096	13.2	
EBITDA	314	309	1.6	297	5.5	Blended EBITDA/kg was lower ~6% YoY (down 7% QoQ) at ~₹ 18
EBITDA Margins (%)	11.7	12.3	-63bps	12.4	-74bps	
Interest	11	3	282.6	6	95.5	
Depreciation	110	91	20.0	104	4.9	
Tax	53	58	-9.8	53	-0.4	
Income from Assoc.	9	22	-57.1	15	-36.7	
Adj. PAT	153	187	-18.0	165	-6.9	PAT impacted by lower margins, higher depreciation, higher interest, lower other income and lower JV income

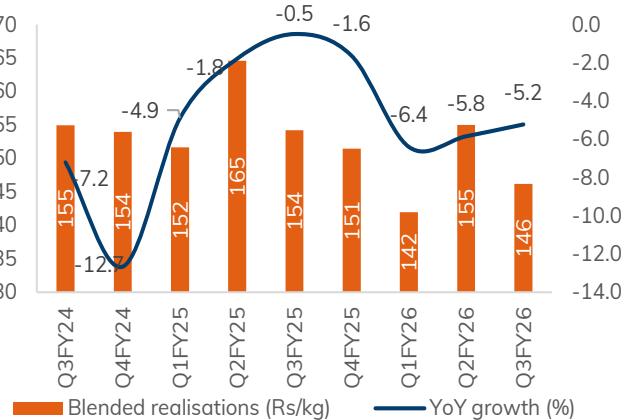
Source: Company, ICICI Direct Research

Exhibit 2: Sales Volume trend



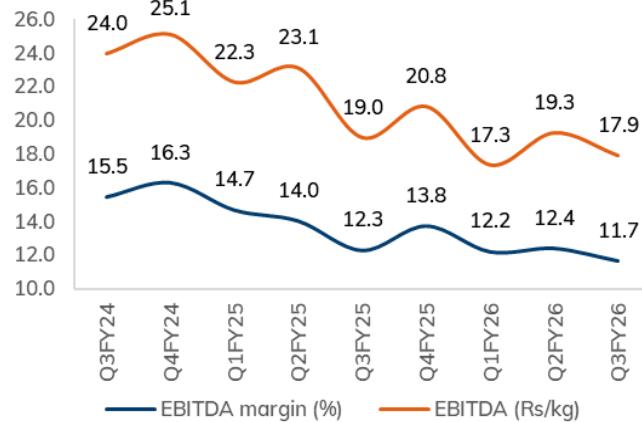
Source: Company, ICICI Direct Research

Exhibit 3: Blended realisation trend



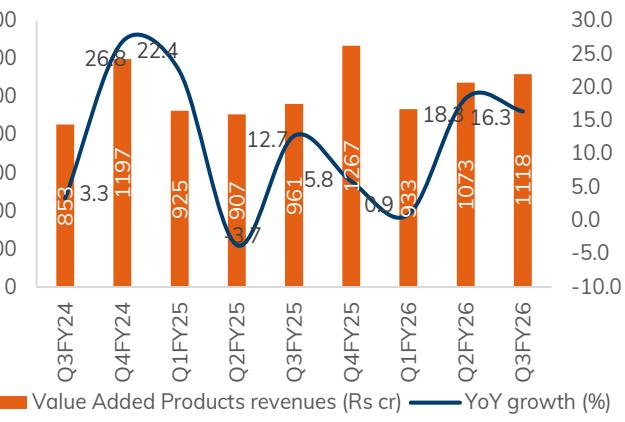
Source: Company, ICICI Direct Research

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				
(Year-end March)	FY25	FY26E	FY27E	₹ crore
Total Operating Income	10446	11209	12836	14409
Growth (%)	3.1%	7.3%	14.5%	12.3%
Operating Expenses	7146	7690	8831	9913
Gross Profit	3300	3520	4005	4495
Gross Profit Margins (%)	31.6%	31.4%	31.2%	31.2%
Employee Expenses	487	568	624	687
Other Expenditure	1381	1513	1540	1729
Total Operating Exp.	9015	9770	10996	12329
EBITDA	1432	1439	1840	2079
Growth (%)	-7.5%	0.5%	27.9%	13.0%
Interest	12	28	16	16
Depreciation	359	420	449	475
Other Income	58	46	51	56
PBT before Excl. item	1119	1037	1426	1644
Total tax	278	261	359	414
PAT before MI	841	775	1066	1230
Income from Associates	120	61	84	97
Exceptional items	0	0	0	0
PAT	961	836	1150	1326
Growth (%)	-10.2%	-13.0%	37.5%	15.3%
EPS (Adjusted)	76	66	91	104

Source: Company, ICICI Direct Research

Exhibit 7: Cash Flow Statement				
(Year-end March)	FY25	FY26E	FY27E	FY28E
Profit/loss after taxation	1239	1098	1509	1741
Add: Dep. & Amortization	359	420	449	475
Change in working capital	-99	-69	-155	-149
Total tax paid	-302	-261	-359	-414
Others	-192	0	0	0
CF from operating activities	1004	1188	1444	1653
(Purchase)/Sale of Fixed Assets	-888	-1177	-1027	-1153
Others	89	0	0	0
CF from Investing activities	-799	-1177	-1027	-1153
(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	-446	-65	18
Opening Cash & Cash Equivalent	1187	952	506	441
Closing Cash & Cash Equivalent	952	506	441	459

Source: Company, ICICI Direct Research

Exhibit 8: Balance sheet				
(Year-end March)	FY25	FY26E	FY27E	₹ crore
Equity Capital	25	25	25	25
Reserve and Surplus	5635	6014	6682	7525
Total Shareholders funds	5660	6040	6707	7551
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	6233	6900	7744
Net Block	2501	3258	3835	4512
Capital WIP	403	403	403	403
Fixed Assets	2904	3660	4238	4915
Goodwill & Other intangible assets	55	55	55	55
Investments	720	720	720	720
Other non-Current Assets	400	400	400	400
Inventory	1334	1436	1649	1851
Debtors	540	614	703	790
Other Current Assets	255	255	255	255
Loans & Advances	9	34	39	43
Cash	952	506	441	459
Total Current Assets	3090	2845	3087	3398
Creditors	893	1026	1178	1322
Provisions	11	11	11	11
Other Current Liabilities	410	410	410	410
Total Current Liabilities	1314	1447	1599	1743
Net Current Assets	1776	1399	1488	1655
Application of Funds	5854	6233	6900	7744

Source: Company, ICICI Direct Research

Exhibit 9: Key ratios				
(Year-end March)	FY25	FY26E	FY27E	FY28E
Per share data (₹)				
Adjusted EPS	75.7	65.9	90.6	104.4
Cash EPS	79.0	93.5	113.7	130.1
BV per share	445.6	475.5	528.0	594.4
Dividend per share	34.0	36.0	38.0	38.0
Operating Ratios (%)				
Gross Profit Margins	31.6	31.4	31.2	31.2
Operating EBITDA margins (%)	13.7	12.8	14.3	14.4
(Adjusted) PAT Margins	9.2	7.5	9.0	9.2
Cash Conversion Cycle	34	33	33	33
Fixed asset turnover (x)	3.6	3.1	3.0	2.9
Return Ratios (%)				
RoE	17.0	13.8	17.1	17.6
RoCE	24.7	22.2	27.2	27.6
RoIC	15.7	9.0	13.5	14.7
Valuation Ratios (x)				
P/E	46.1	53.0	38.5	33.4
EV / EBITDA	30.3	30.5	23.9	21.1
EV / Net Sales	4.2	3.9	3.4	3.0
Market Cap / Sales	4.2	4.0	3.5	3.1
Price to Book Value	7.8	7.3	6.6	5.9
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%;

Reduce: -15% to -5%;

Sell: <-15%



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