



India

HOLD (previously **REDUCE**)

Consensus ratings*: Buy 16 Hold 6 Sell 4

Current price: Rs3,512
 Target price: ▼ Rs3,527
 Previous target: Rs4,125
 Up/downside: 0.4%
 InCred Research / Consensus: -15.4%

Reuters: SUPI.NS
 Bloomberg: SI IN
 Market cap: US\$5,231m
 Rs446,080m
 Average daily turnover: US\$11.6m
 Rs988.4m
 Current shares o/s: 127.1m
 Free float: 51.2%

*Source: Bloomberg

Key changes in this note

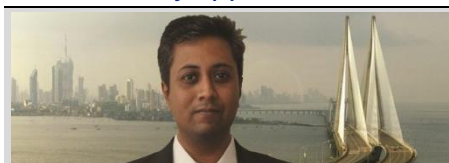
- Reduce FY26F/27F EBITDA by 15%/14%, respectively.
- Reduce target price by 15% to Rs3,527.
- Upgrade the stock's rating to HOLD.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0.2	(7.7)	(17.4)
Relative (%)	(2.0)	(11.8)	(23.0)

Major shareholders	% held
Promoters	48.9
Nalanda India Fund	4.4
Kotak Mahindra Asset Management	3.4

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Supreme Industries

Weak demand dents margin

- Jarring low volume growth for third quarter in a row.
- Weak demand dents volume and margin.
- Upgrade the stock to a HOLD rating with a lower target price of Rs3,527.

Jarring low volume growth for third quarter in a row

The 4QFY25 revenue (Rs30.3bn) of Supreme Industries (SIL) grew by 1% yoy due to just a 2% yoy volume growth (like the yoy rise in 2Q/3QFY25) and a 2% yoy decline in realization. Gross margin (29.5%) declined by 311bp yoy due to 3% higher PVC prices yoy. This led to a 9% yoy dip in gross profit. We believe this was due to weak demand. The dip in gross profit led EBITDA (4.2bn) to decline 15% yoy. EBITDA/kg (Rs20.8) was 25% below the average of 4Q (FY17-25). Excluding the extraordinary Covid-19 pandemic period (FY21-22), EBITDA/kg was 17% below the 4Q average.

Weak demand dents volume and margin

SIL stated that weak FY25 demand from the agriculture sector was due to the extended monsoon season, while weak demand from the infrastructure sector was due to general elections in India. SIL expects a pick-up in FY26F in agriculture and real estate sectors. SIL gave guidance of 11-12% yoy volume growth in FY26F (300-400bp higher than expected industry growth). This includes 38kt from the acquisition of Wavin (likely from 2QFY26F) – this implies that ex-Wavin, SIL expects 6% yoy volume growth. SIL sees 14.5-15.5% EBITDA margin in FY26F (vs. 13.8% in FY25). SIL believes that India witnessed a 6% yoy decline in the plastic pipe industry's volume while it achieved a 6% yoy growth in FY25.

Upgrade the stock to HOLD rating with a new target price of Rs3,527

We have cut FY26F/27F EBITDA by 15%/14%, respectively. We estimate a 9% volume CAGR over FY25F-27F, vs. a 10% CAGR over FY20-25. We factor in a 3% per annum rise in EBITDA/kg over FY25-27F. Over the last six years, SIL has traded in a wide range of one-year forward EV/ EBITDA. The six-year median is 19.3x, while it is currently trading at 25.4x FY26F EV/EBITDA (~30% premium to the median). We have reduced our target price to Rs3,527 (Rs4,125 earlier), valuing SIL at 22x FY27F EV/EBITDA (same earlier), but upgraded its rating to HOLD rating (REDUCE earlier). Since we initiated coverage on SIL (2 Jan 2025) with a REDUCE rating, the stock price has declined by 25%. Sharper-than-expected volume growth is an upside risk to our HOLD rating while a continued weak demand environment is a downside risk.

Financial Summary	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	92,016	101,343	104,463	120,930	135,655
Operating EBITDA (Rsm)	11,997	15,473	14,317	15,933	18,126
Net Profit (Rsm)	8,654	10,697	9,609	10,910	12,736
Core EPS (Rs)	68.1	84.2	75.6	85.9	100.2
Core EPS Growth	(10.6%)	23.6%	(10.2%)	13.5%	16.7%
FD Core P/E (x)	51.56	41.71	46.43	40.89	35.03
DPS (Rs)	26.0	30.0	34.0	40.8	49.0
Dividend Yield	0.74%	0.85%	0.97%	1.16%	1.39%
EV/EBITDA (x)	36.56	28.06	30.48	27.74	24.03
P/FCFE (x)	84.61	48.25	255.78	(939.72)	35.24
Net Gearing	(17.1%)	(23.5%)	(17.3%)	(6.7%)	(15.4%)
P/BV (x)	10.14	8.73	7.88	7.16	6.48
ROE	21.0%	22.5%	17.8%	18.3%	19.4%
% Change In Core EPS Estimates			(19.78%)	(22.44%)	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Weak demand dents margin

Figure 1: Quarterly financials: Revenue (Rs30.3bn) grew by 1% yoy due to just a 2% yoy volume growth (similar to the yoy rise in 2Q-3QFY25) and a 2% yoy decline in realization; gross margin (29.5%) declined by 311bp yoy due to 3% higher PVC prices yoy which led to a 9% yoy dip in gross profit; we believe this is due to weak demand; the dip in gross profit led EBITDA (Rs4.2bn) to decline 15% yoy

(Rs m)	4QFY25	4QFY24	% Chg	3QFY25	% Chg
Net Sales	30,271	30,079	1	25,099	21
Gross Profit	8,939	9,817	-9	7,810	14
Gross margin %	29.5	32.6	-311 bps	31.1	-158 bps
EBITDA	4,163	4,907	-15	3,088	35
EBITDA margin (%)	13.8	16.3	-256 bps	12.3	145 bps
Other income	125	181	-31	89	40
Depreciation	914	772	18	913	0
Interest	30	77	-62	30	-0
Profit from Associates	328	407		220	
Tax	732	1,097	-33	584	25
Reported PAT	2,939	3,548	-17	1,870	57
Adjusted PAT	2,939	3,548	-17	1,870	57
EBITDA/ kg	20.8	25.1	-17	19.0	10

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Volume, realization and EBIT/kg over the last three years: SIL attributed weak volume & margin to weak demand – from the agriculture sector due to extended monsoon season and from the infrastructure sector due to general elections; SIL expects a pick-up in FY26F in agriculture and real estate sectors; SIL gave guidance of a 11-12% yoy volume growth in FY26F (300-400bp higher-than-expected industry growth); this includes 38kt from the acquisition of Wavin (likely from 2QFY26F) – which implies that ex-Wavin, SIL expects a 6% yoy volume growth; SIL expects 14.5-15.5% EBITDA margin in FY26F (vs. 13.8% in FY25)

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Total volume (kt)	109	112	138	147	149	138	158	195	174	138	163	200
yoy growth %	53	9	51	15	36	23	14	33	17	0	3	2
qoq growth %	(15)	3	24	7	1	(7)	15	24	(11)	(21)	18	23
Realisation (Rs/ kg)	203	187	167	176	159	168	155	154	152	165	154	151
yoy growth %	8	(1)	(22)	(11)	(21)	(10)	(7)	(13)	(5)	(2)	(0)	(2)
qoq growth %	2	(8)	(11)	6	(10)	5	(8)	(1)	(1)	9	(6)	(2)
Cost/ kg (Rs)	183	179	149	148	142	146	135	132	134	147	140	135
yoy growth %	11	10	(19)	(14)	(22)	(18)	(9)	(11)	(6)	1	4	2
qoq growth %	6	(2)	(16)	(1)	(4)	3	(8)	(2)	1	10	(5)	(4)
EBIT/kg (Rs)	19.6	7.9	17.7	28.1	17.3	21.1	19.5	21.5	17.8	17.1	13.9	16.6
yoy growth %	(18)	(69)	(39)	6	(12)	168	10	(23)	3	(19)	(29)	(23)
qoq growth %	(26)	(60)	124	59	(38)	22	(8)	10	(17)	(4)	(19)	19
EBIT/kg plastic pipes (Rs)	19.4	3.1	16.4	29.3	16.6	19.5	17.4	18.4	16.5	14.7	10.9	13.3

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Sales mix and segment-wise margin

(Rs m)	4QFY25	4QFY24	% Chg	3QFY25	% Chg
Revenue	30,271	30,079	1	25,099	21
Plastic pipe	20,741	21,525	-4	16,649	25
Others	9,530	8,554	11	8,450	13
EBIT	3,316	4,202	-21	2,262	47
Plastic pipe	2,159	2,926	-26	1,377	57
Others	1,157	1,276	-9	886	31
EBIT margin %	11.0	14.0	-302 bps	9.0	194 bps
Plastic pipe	10.4	13.6	-318 bps	8.3	214 bps
Others	12.1	14.9	-278 bps	10.5	165 bps
% contribution to Sales					
Plastic pipe	68.5	71.6	-305 bps	66.3	218 bps
Others	31.5	28.4	305 bps	33.7	-218 bps

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Realization, volume, cost/kg and EBIT/kg: SIL believes that India witnessed a 6% yoy decline in the plastic pipe industry volume while SIL achieved a 6% yoy growth in FY25

	4QFY25	4QFY24	% chg	3QFY25	% chg
Volume (kt)	200	195	2	163	23
Plastic pipes	162	159	2	127	28
Others	38	37	3	36	4
Realisation (Rs/kg)	151	154	-2	154	-2
Plastic pipes	128	136	-6	132	-3
Others	253	234	8	233	9
Cost (Rs/ kg)	135	132	2	140	-4
Plastic pipes	115	117	-2	121	-5
Others	222	199	12	209	7
EBIT/ kg (Rs)	16.6	21.5	-23	13.9	19
Plastic pipes	13.3	18.4	-28	10.9	22
Others	30.7	34.9	-12	24.5	26

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Historical 4Q EBITDA/kg and QoQ % change: EBITDA/kg (Rs20.8) was 25% below the average of 4Q (FY17-25); excluding the extraordinary Covid-19 pandemic period (FY21-22), EBITDA/ kg was 17% below the 4Q average

EBITDA/ kg (Rs) in 4Q		QoQ % change	(Rs m)	FY26F		FY27F	
				Old	New	Old	New
FY17	25.1	13	Sales	1,32,129	1,20,930	1,51,944	1,35,655
FY18	27.8	36			(8)		(11)
FY19	17.7	2	EBITDA	18,649	15,933	21,175	18,126
FY20	26.5	22			(15)		(14)
FY21	45.8	27	Adj. PAT	12,862	10,910	15,138	12,736
FY22	30.4	-13			(15)		(16)
FY23	32.6	49					
FY24	25.1	5					
FY25	20.8	10					
Average	28.0	16					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

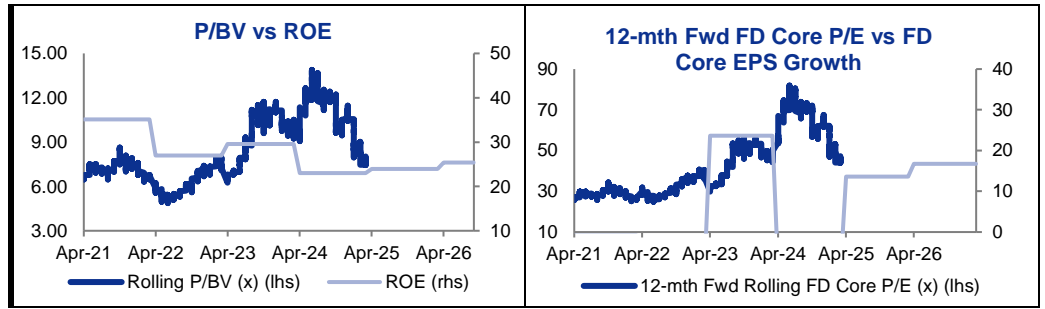
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Over the last six years, SIL has traded in a wide range of one-year forward EV/ EBITDA; the six-year median is 19.3x, while it is currently trading at 25.4x EV/ EBITDA FY26F (~30% premium to the median); this is despite a 18% decline in the CMP in the last six months; please note that prior to the Covid-19 pandemic, over Mar 2015-20, the median EV/ EBITDA was 14.8x



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	92,016	101,343	104,463	120,930	135,655
Gross Profit	26,024	32,759	32,998	38,200	43,735
Operating EBITDA	11,997	15,473	14,317	15,933	18,126
Depreciation And Amortisation	(2,634)	(2,984)	(3,586)	(3,989)	(4,472)
Operating EBIT	9,363	12,490	10,730	11,944	13,654
Financial Income/(Expense)	178	347	359	840	1,339
Pretax Income/(Loss) from Assoc.	1,533	1,069	1,201	1,373	1,560
Non-Operating Income/(Expense)	39	149	100	105	110
Profit Before Tax (pre-EI)	11,113	14,054	12,390	14,262	16,663
Exceptional Items					
Pre-tax Profit	11,113	14,054	12,390	14,262	16,663
Taxation	(2,460)	(3,357)	(2,782)	(3,351)	(3,927)
Exceptional Income - post-tax					
Profit After Tax	8,654	10,697	9,609	10,910	12,736
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	8,654	10,697	9,609	10,910	12,736
Recurring Net Profit	8,654	10,697	9,609	10,910	12,736
Fully Diluted Recurring Net Profit	8,654	10,697	9,609	10,910	12,736

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	11,997	15,473	14,317	15,933	18,126
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(168)	967	(1,119)	(4,374)	(1,546)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	1,533	1,069	1,201	1,373	1,560
Other Operating Cashflow					
Net Interest (Paid)/Received	218	496	459	945	1,449
Tax Paid	(2,460)	(3,357)	(2,782)	(3,351)	(3,927)
Cashflow From Operations	11,120	14,648	12,076	10,525	15,662
Capex	(4,883)	(4,911)	(9,768)	(11,000)	(3,001)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	(1,015)	(608)	(815)		
Other Investing Cashflow					
Cash Flow From Investing	(5,898)	(5,519)	(10,583)	(11,000)	(3,001)
Debt Raised/(repaid)	51	118	251		
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(3,303)	(3,812)	(4,320)	(5,184)	(6,220)
Preferred Dividends					
Other Financing Cashflow	227	(1,024)	227		
Cash Flow From Financing	(3,026)	(4,718)	(3,841)	(5,184)	(6,220)
Total Cash Generated	2,197	4,412	(2,348)	(5,658)	6,441
Free Cashflow To Equity	5,273	9,247	1,744	(475)	12,661
Free Cashflow To Firm	5,303	9,291	1,612	(315)	12,822

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	7,522	12,000	9,815	4,157	10,598
Total Debtors	4,924	5,114	5,401	6,651	7,461
Inventories	13,856	13,586	13,337	18,140	20,348
Total Other Current Assets	2,546	2,261	2,764	3,058	3,426
Total Current Assets	28,848	32,962	31,317	32,006	41,833
Fixed Assets	19,819	22,327	25,591	32,602	31,131
Total Investments	5,713	6,254	6,906	6,906	6,906
Intangible Assets					
Total Other Non-Current Assets	2,563	3,876	7,865	7,865	7,865
Total Non-current Assets	28,094	32,457	40,362	47,373	45,902
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	9,038	11,121	8,934	12,093	13,565
Other Current Liabilities	2,322	1,530	4,209	3,023	3,391
Total Current Liabilities	11,359	12,651	13,143	15,116	16,957
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	654	720	1,056	1,056	1,056
Total Non-current Liabilities	654	720	1,056	1,056	1,056
Total Provisions	908	960	875	875	875
Total Liabilities	12,921	14,330	15,074	17,047	18,888
Shareholders Equity	44,021	51,088	56,604	62,331	68,847
Minority Interests					
Total Equity	44,021	51,088	56,604	62,331	68,847

Key Ratios

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	18.4%	10.1%	3.1%	15.8%	12.2%
Operating EBITDA Growth	(3.4%)	29.0%	(7.5%)	11.3%	13.8%
Operating EBITDA Margin	13.0%	15.3%	13.7%	13.2%	13.4%
Net Cash Per Share (Rs)	59.20	94.45	77.25	32.72	83.41
BVPS (Rs)	346.49	402.11	445.53	490.60	541.89
Gross Interest Cover	116.74	77.48	90.17	74.65	84.81
Effective Tax Rate	22.1%	23.9%	22.4%	23.5%	23.6%
Net Dividend Payout Ratio	29.7%	27.1%	34.9%	36.3%	37.3%
Accounts Receivables Days	19.02	18.08	18.37	18.19	18.99
Inventory Days	73.17	73.02	68.75	69.43	76.41
Accounts Payables Days	46.95	53.64	51.21	46.39	50.94
ROIC (%)	31.3%	38.6%	31.1%	28.6%	25.7%
ROCE (%)	22.8%	26.8%	20.5%	21.5%	22.8%
Return On Average Assets	20.5%	22.4%	17.6%	17.8%	18.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.