

Supreme Industries

Likely demand revival; organic, inorganic plans

We maintain our ADD rating on Supreme with a TP of INR 4,110/sh. We value the company at 40x Mar'27 EPS and its 30.8% holding in its associate Supreme Petrochem at a 30% discount to its current market cap. We like Supreme for its industry-leading plumbing volume growth, strong margins, healthy return ratios, and robust balance sheet. The company forecasts 12-13% YoY volume growth and 14.5-15.5% EBITDAM for FY26, anticipating a gradual recovery in pipe demand as PVC resin prices have bottomed out. While government infrastructure spending, including the Jal Jeevan Mission, is currently low, a pickup is expected. The company is pursuing significant organic expansion, to increase plumbing capacity from 740K MT (FY24) to 1,000K MT (FY26). An inorganic acquisition of Wavin (73K MT plumbing capacity) for INR 3.5bn is expected to close by June 2025 and take another three months to stabilize. Currently, Wavin is incurring losses. But management is confident that it will soon operate at 65-70% utilization and its margin in the next few quarters will be in line with the company's margin. We have modelled 12/14/20/20% consolidated volume/revenue/ EBITDA/APAT growth for FY25-27E.

- **Demand and pricing:** The company guided a 12-13% YoY volume growth and a 14.5-15.5% EBITDAM for FY26. Management highlights PVC resin prices have bottomed out and expects a gradual recovery, which could boost the demand for pipes. While government infrastructure spending, including demand from the Jal Jeevan Mission, remains low, the company expects it to pick up.
- **Future growth strategy:** The company plans to drive growth through three core strategies: spreading manufacturing across geographies and markets to reduce logistics and storage costs, offering a diversified and vast product range across all core segments to boost demand, and leveraging a large distribution network. It has planned capex including carry-forward commitments of INR 11bn (including Wavin acquisition). Its plumbing capacity has risen from 740K MT at FY24-end to 870K MT at Mar-25 end; it is expected to further increase to 1,000K MT by FY26 end (including Wavin).
- **Wavin inorganic acquisition:** The company expects to incur INR 3.5bn for the acquisition of Wavin (73K MT plumbing capacity), including working capital and incidental expenses. Management expects the acquisition to be completed by Jun-25 and take another three months to stabilize. This acquisition will grant Supreme access to Wavin's water management technology for seven years, which, according to management's assessment, is expected to significantly benefit the company. However, Supreme will be required to pay annual technology fees for this access. Wavin's has three plants (Madhya Pradesh, Telangana, and Rajasthan), of which it owns one plant, while the remaining two are on long-term lease. In the future, Supreme plans to undertake brownfield expansions at the Rajasthan and Madhya Pradesh plants. Currently, Wavin is incurring losses. However, management is confident that the plants will soon operate at 65-70% utilization and its margin in next few quarters will be in line with the company's margin.
- **Outlook and valuation:** We expect plumbing demand to recover in FY26 with channel inventories normalizing and government spending reviving. We have modelled 12/14/20/20% consolidated volume/revenue/ EBITDA/APAT growth for FY25-27E. We like Supreme for its industry-leading plumbing volume growth, strong margins, healthy return ratios, and robust balance sheet. We maintain estimates. We value the company at 40x Mar'27 EPS and 30.8% holding in its associate Supreme Petrochem at a 30% discount to its current market cap. We maintain our ADD rating with a TP of INR 4,110/s.

ADD

CMP (as on 05 June 2025)	INR 4,354
Target Price	INR 4,110
NIFTY	24,751

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 4,110	INR 4,110
EPS	FY26E	FY27E
revision %	-	-

KEY STOCK DATA

Bloomberg code	SI IN
No. of Shares (mn)	127
MCap (INR bn) / (\$ mn)	553/6,445
6m avg traded value (INR mn)	1,130
52 Week high / low	INR 6,482/3,020

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	27.8	(8.5)	(21.2)
Relative (%)	17.3	(8.1)	(30.7)

SHAREHOLDING PATTERN (%)

	Dec-24	Mar-25
Promoters	48.85	48.85
FIs & Local MFs	11.96	13.25
FPIs	24.69	22.93
Public & Others	14.50	14.97
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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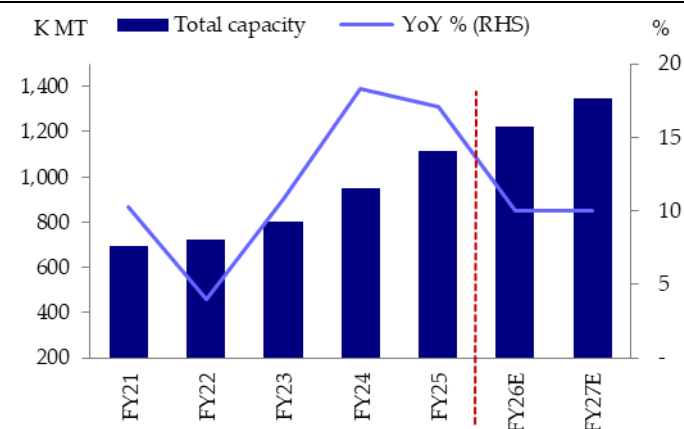
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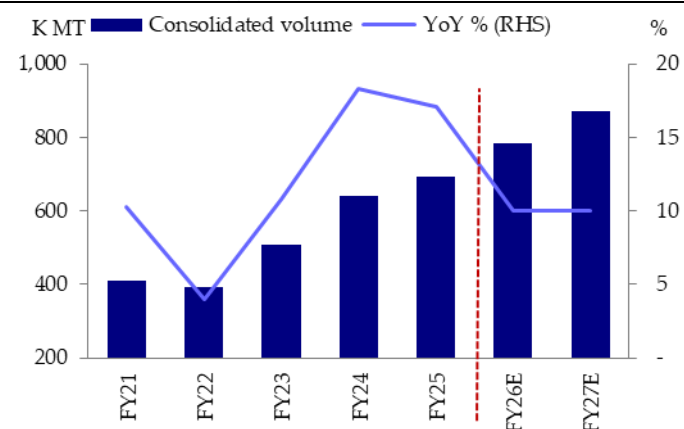
Supreme Industries: Company Update

Capacity will grow in low double digits during FY25-27E.



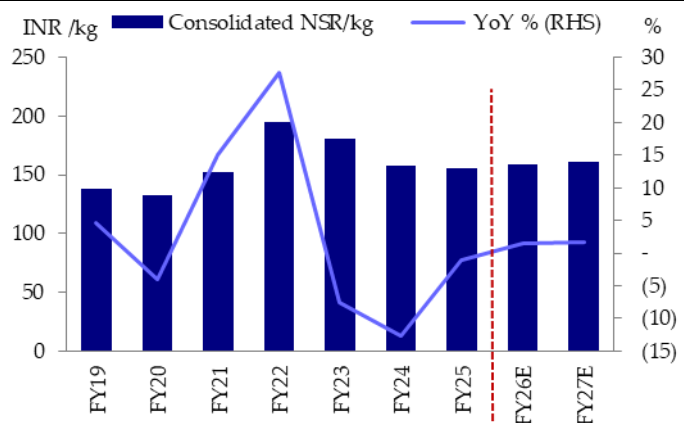
Source: Company, HSIE Research

...Consolidated volume too will grow in double digits (12% CAGR during FY25-27E).



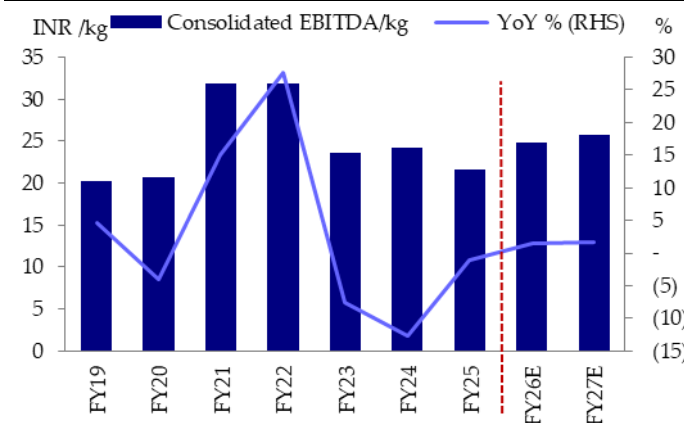
Source: Company, HSIE Research

We expect company realization to increase in FY26/27E...



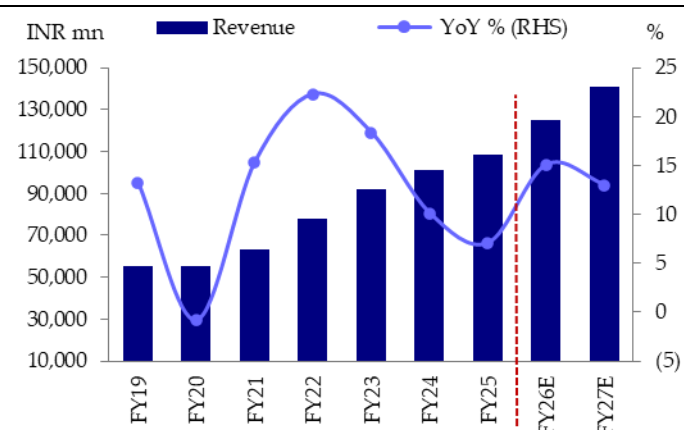
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...similar trend to be visible in unitary EBITDA also



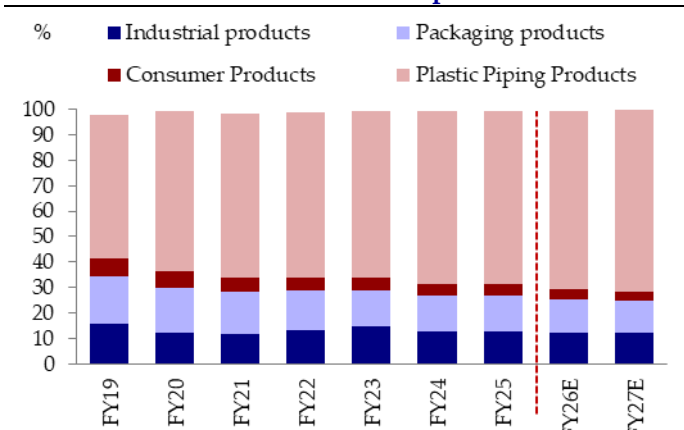
Source: Company, HSIE Research

We expect 14% revenue CAGR over FY25-27E (volume led)



Source: Company, HSIE Research

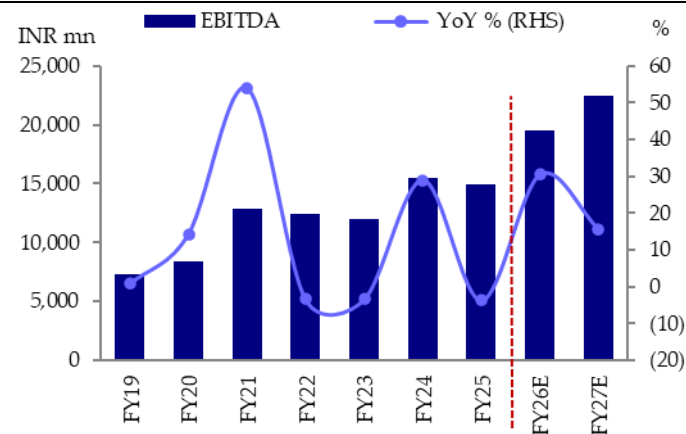
Owing to strong plumbing growth, its revenue share will increase to 70% in FY27E compared to 68% in FY25



Source: Company, HSIE Research

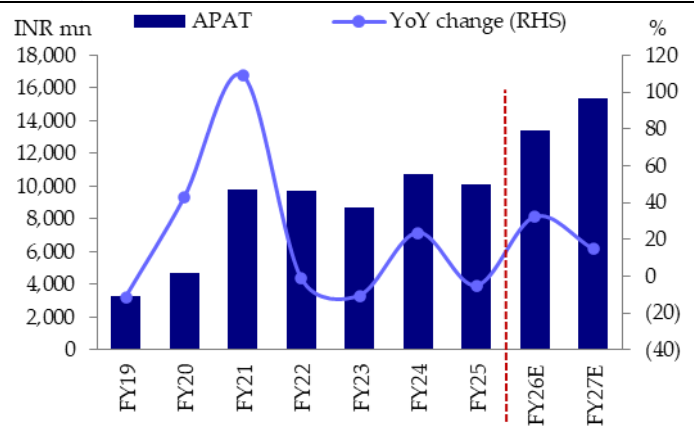
Supreme Industries: Company Update

EBITDA is expected to clock 20% CAGR during FY25-27E (healthy volume growth) ...



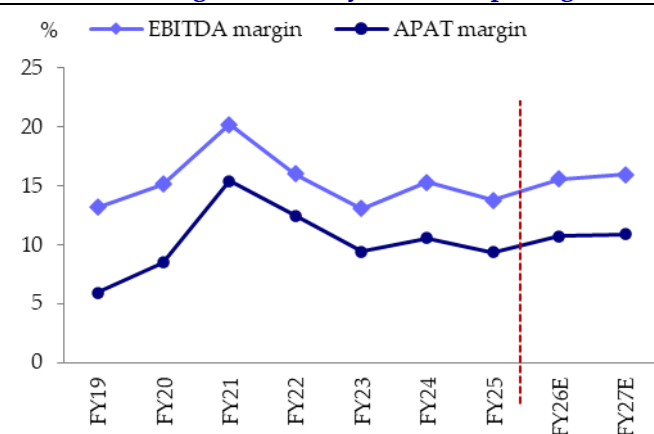
Source: Company, HSIE Research

...APAT too will grow at 20% CAGR during FY25-27E owing to higher EBITDA



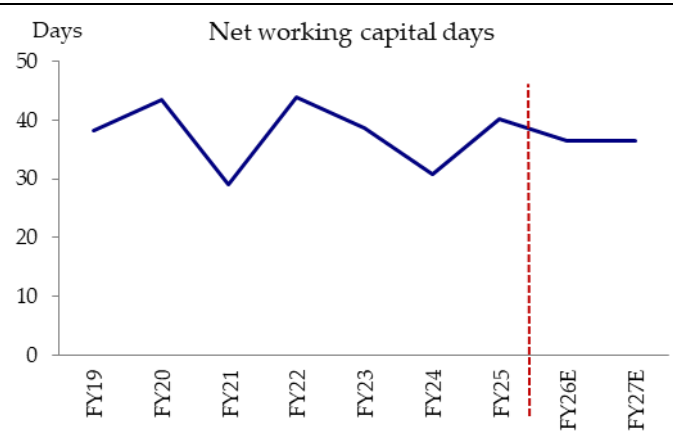
Source: Company, HSIE Research

EBITDA and APAT margin will improve in FY26/27E (low base owing to inventory loss and op-lev gain)



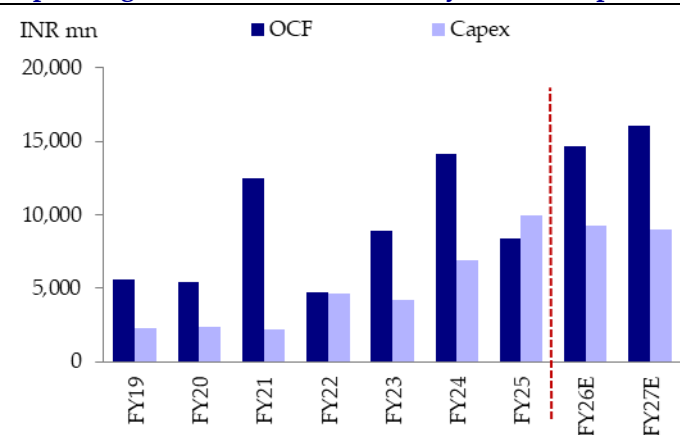
Source: Company, HSIE Research

We expect working capital will broadly remain stable



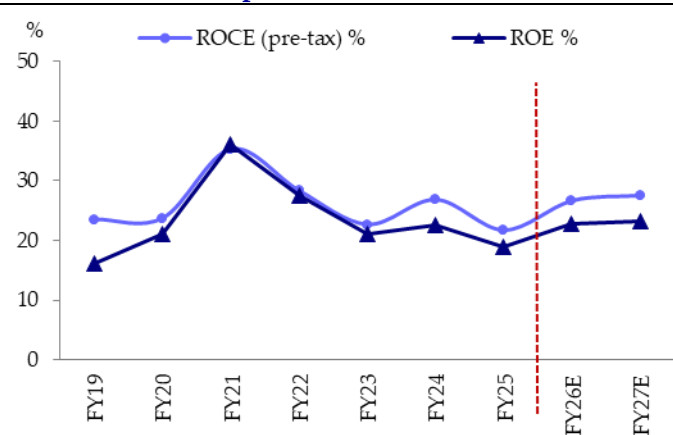
Source: Company, HSIE Research

Operating cash flow remains healthy to fund Capex



Source: Company, HSIE Research

Return ratios to improve in FY26/27E



Source: Company, HSIE Research

Financials

Consolidated Income Statement

YE Mar (INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Revenues	77,728	92,016	1,01,342	1,04,463	1,20,104	1,35,706
<i>Growth %</i>	<i>22.3</i>	<i>18.4</i>	<i>10.1</i>	<i>3.1</i>	<i>15.0</i>	<i>13.0</i>
Raw Material	53,532	65,992	68,584	71,465	81,170	88,309
Power & Fuel	2,134	2,667	3,288	3,425	4,204	4,750
Freight Expense	1,293	1,501	1,664	1,831	2,162	2,443
Employee cost	3,453	3,748	4,422	4,873	5,458	6,004
Other Expenses	4,895	6,112	7,912	8,553	9,245	13,511
EBITDA	12,421	11,997	15,473	14,317	17,866	20,690
<i>EBITDA Margin (%)</i>	<i>16.0</i>	<i>13.0</i>	<i>15.3</i>	<i>13.7</i>	<i>14.9</i>	<i>15.2</i>
<i>EBITDA Growth %</i>	<i>(3.3)</i>	<i>(3.4)</i>	<i>29.0</i>	<i>(7.5)</i>	<i>24.8</i>	<i>15.8</i>
Depreciation	2,295	2,634	2,984	3,586	3,819	4,385
EBIT	10,126	9,363	12,489	10,730	14,047	16,305
Other Income	200	298	657	578	521	547
Interest	52	80	161	119	150	150
PBT	10,274	9,580	12,985	11,190	14,417	16,702
Tax	2,633	2,460	3,357	2,782	3,705	4,292
Share in associates profit	(2,044)	(1,533)	(1,069)	(1,201)	(1,321)	(1,453)
RPAT	9,684	8,653	10,697	9,609	12,033	13,862
EO (Loss) / Profit (Net Of Tax)	-	-	-	-	-	-
APAT	9,684	8,653	10,697	9,609	12,033	13,862
<i>APAT Growth (%)</i>	<i>(1.0)</i>	<i>(10.6)</i>	<i>23.6</i>	<i>(10.2)</i>	<i>25.2</i>	<i>15.2</i>
AEPS	76.2	68.1	84.2	75.6	94.7	109.1
<i>AEPS Growth %</i>	<i>(1.0)</i>	<i>(10.6)</i>	<i>23.6</i>	<i>(10.2)</i>	<i>25.2</i>	<i>15.2</i>

Source: Company, HSIE Research

Consolidated Balance Sheet

YE Mar (INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
SOURCES OF FUNDS						
Share Capital	254	254	254	254	254	254
Reserves And Surplus	38,190	43,767	50,834	56,350	62,249	69,114
Total Equity	38,444	44,021	51,088	56,604	62,503	69,368
Long-term Debt	457	512	551	758	758	758
Short-term Debt	-	-	-	-	-	-
Total Debt	457	512	551	758	758	758
Deferred Tax Liability	904	908	960	875	875	875
Long-term Liab+ Provisions	-	-	-	-	-	-
TOTAL SOURCES OF FUNDS	39,805	45,441	52,599	58,237	64,136	71,001
APPLICATION OF FUNDS						
Net Block	17,673	20,642	23,218	26,688	30,824	38,439
Capital WIP	1,558	837	1,493	4,072	5,372	2,372
Other Non-current Assets	-	-	-	-	-	-
Total Non-current Investments	4,759	5,774	6,381	6,906	6,906	6,906
Total Non-current Assets	23,989	27,253	31,092	37,666	43,101	47,717
Inventories	12,602	13,856	13,586	13,337	15,614	17,642
Debtors	4,668	4,924	5,114	5,401	7,206	8,142
Cash and Cash Equivalents	5,262	7,461	11,873	9,525	8,851	9,559
Other Current Assets (& Loans/adv)	3,437	3,448	3,892	5,750	5,886	6,028
Total Current Assets	25,969	29,689	34,465	34,012	37,557	41,371
Creditors	7,940	9,038	10,156	8,934	12,010	13,571
Other Current Liabilities & Provns	2,214	2,464	2,802	4,507	4,511	4,516
Total Current Liabilities	10,154	11,501	12,958	13,441	16,522	18,087
Net Current Assets	15,815	18,188	21,507	20,571	21,035	23,284
TOTAL APPLICATION OF FUNDS	39,805	45,441	52,599	58,237	64,136	71,001

Source: Company, HSIE Research

Consolidated Cash Flow

YE Mar (INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Reported PBT	12,318	11,113	14,054	12,390	14,417	16,702
Non-operating & EO Items	(2,153)	(1,772)	(1,634)	(2,043)	(521)	(547)
Interest Expenses	51	80	161	119	150	150
Depreciation	2,295	2,634	2,984	3,586	3,819	4,385
Working Capital Change	(4,941)	(778)	1,796	(992)	(1,137)	(1,542)
Tax Paid	(2,868)	(2,375)	(3,232)	(3,023)	(3,705)	(4,292)
OPERATING CASH FLOW (a)	4,703	8,903	14,129	10,037	13,024	14,856
Capex	(4,661)	(4,218)	(6,855)	(8,877)	(9,254)	(9,000)
Free Cash Flow (FCF)	42	4,685	7,274	1,160	3,769	5,856
Investments	139	188	237	398	-	-
Non-operating Income	487	538	533	572	521	547
INVESTING CASH FLOW (b)	(4,035)	(3,493)	(6,085)	(7,907)	(8,734)	(8,453)
Debt Issuance/(Repaid)	(11)	-	-	-	-	-
Interest Expenses	(10)	(15)	(39)	(57)	(150)	(150)
FCFE	22	4,670	7,235	1,103	3,619	5,706
Share Capital Issuance	-	-	-	-	-	-
Dividend	(2,922)	(3,049)	(3,557)	(4,065)	(4,813)	(5,545)
FINANCING CASH FLOW (c)	(2,942)	(3,064)	(3,596)	(4,122)	(4,963)	(5,695)
NET CASH FLOW (a+b+c)	(2,275)	2,347	4,448	(1,992)	(673)	708
Closing Cash & Equivalents	5,409	7,610	11,909	9,881	8,851	9,559

Source: Company, HSIE Research

Key Ratios

	FY22	FY23	FY24	FY25	FY26E	FY27E
PROFITABILITY %						
EBITDA Margin	16.0	13.0	15.3	13.7	14.9	15.2
EBIT Margin	13.0	10.2	12.3	10.3	11.7	12.0
APAT Margin	12.5	9.4	10.6	9.2	10.0	10.2
RoE	27.6	21.0	22.5	17.8	20.2	21.0
RoIC (pre tax)	34.9	26.7	32.7	19.2	22.1	22.2
RoCE (pre-tax)	28.3	22.7	26.8	20.4	23.8	24.9
EFFICIENCY						
Tax Rate %	25.6	25.7	25.9	24.9	25.7	25.7
Fixed Asset Turnover (x)	2.2	2.3	2.3	2.2	2.4	2.2
Inventory (days)	59	55	49	47	47	47
Debtors (days)	22	20	18	19	22	22
Other Current Assets (days)	16	14	14	20	18	16
Payables (days)	37	36	37	31	37	37
Other Current Liab & Provns (days)	10	10	10	16	14	12
Cash Conversion Cycle (days)	50	43	35	39	37	37
Net Debt/EBITDA (x)	(0.4)	(0.6)	(0.7)	(0.6)	(0.5)	(0.4)
Net D/E	(0.1)	(0.2)	(0.2)	(0.2)	(0.1)	(0.1)
Interest Coverage	196.6	116.7	77.5	90.2	93.6	108.7
PER SHARE DATA (Rs)						
EPS	76.2	68.1	84.2	75.6	94.7	109.1
CEPS	94.3	88.8	107.7	103.9	124.8	143.6
Dividend	24.0	26.0	30.0	34.0	37.9	43.6
Book Value	302.6	346.5	402.1	445.5	492.0	546.0
VALUATION						
P/E (x)	56.2	62.9	50.9	56.7	45.3	39.3
P/Cash EPS (x)	45.5	48.3	39.8	41.3	34.4	29.8
P/BV (x)	14.2	12.4	10.7	9.6	8.7	7.9
EV/EBITDA (x)	43.5	44.8	34.5	37.4	30.0	25.9
Dividend Yield (%)	0.6	0.6	0.7	0.8	0.9	1.0
OCF/EV (%)	0.9	1.7	2.6	1.9	2.4	2.8
FCFF/EV (%)	0.0	0.9	1.4	0.2	0.7	1.1
FCFE/M Cap (%)	0.0	0.9	1.3	0.2	0.7	1.0

Source: Company, HSIE Research

1 Yr Price History



Rating Criteria

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: >10% Downside return potential

Disclosure:

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