

March 3, 2025

Management Meet Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		BUY	
Target Price	3,748		5,040	
Sales (Rs. m)	1,18,830	1,34,441	1,26,789	1,45,570
% Chng.	(6.3)	(7.6)		
EBITDA (Rs. m)	16,821	19,573	18,581	21,775
% Chng.	(9.5)	(10.1)		
EPS (Rs.)	90.2	107.0	99.5	118.8
% Chng.	(9.4)	(9.9)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	1,01,343	1,05,236	1,18,830	1,34,441
EBITDA (Rs. m)	15,473	14,437	16,821	19,573
Margin (%)	15.3	13.7	14.2	14.6
PAT (Rs. m)	10,697	9,668	11,462	13,601
EPS (Rs.)	84.2	76.1	90.2	107.0
Gr. (%)	23.6	(9.6)	18.6	18.7
DPS (Rs.)	23.0	27.0	30.0	30.0
Yield (%)	0.7	0.8	0.8	0.8
RoE (%)	22.5	17.8	18.7	19.5
RoCE (%)	27.6	21.2	22.5	23.5
EV/Sales (x)	4.3	4.2	3.7	3.2
EV/EBITDA (x)	28.2	30.4	25.8	21.8
PE (x)	42.0	46.4	39.2	33.0
P/BV (x)	8.8	7.8	6.9	6.0

Key Data

SUPI.BO | SI IN

52-W High / Low	Rs.6,482 / Rs.3,284
Sensex / Nifty	73,086 / 22,119
Market Cap	Rs.449bn / \$ 5,136m
Shares Outstanding	127m
3M Avg. Daily Value	Rs.1104.46m

Shareholding Pattern (%)

Promoter's	48.85
Foreign	24.69
Domestic Institution	11.96
Public & Others	14.51
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(8.6)	(32.3)	(14.3)
Relative	(3.5)	(23.5)	(13.4)

Praveen Sahay

praveensahay@plindia.com | 91-22-66322369

Rahul Shah

rahulshah@plindia.com | 91-22-66322274

Slowdown in volume continues

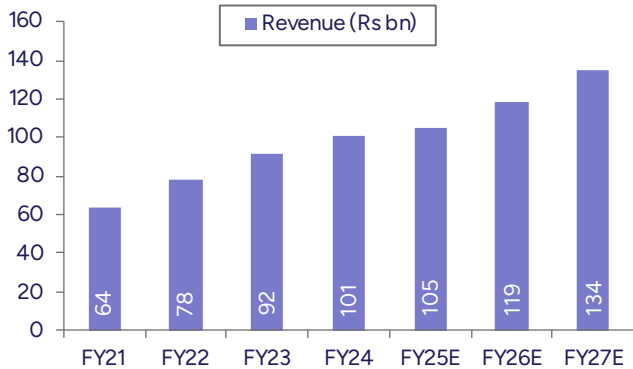
We downward revise the rating to 'Accumulate' and our earnings estimates for FY25/FY26/FY27E by 3.3%/9.4%/9.9%, and revise TP to Rs3,748 (Rs5,040 earlier), based on 35x FY27E earnings (42x earlier). We recently met the management of Supreme Industries (SI) to get clarity over P&F volume growth guidance and outlook on PVC resin pricing scenario for the near to long term. The company indicated that it will be able to achieve only single-digit P&F volume growth in FY25, as against the guidance of 15-16%. Also, EBITDA margin in Q4FY25 is likely to be similar to that in Q3FY25, due to lower PVC resin prices against higher procurement cost, mainly with China dumping at lower pricing. The company also indicated high single digit to double digit volume growth in FY26 due to slowdown in overall pipes volume and flat plumbing volume.

We believe SI margin pressure will continue due to discounts offered to gain volume and PVC resin dumping by China in Indian market. Packaging segment is likely to gain traction driven by protective packaging and infra piping through OPVC pipes. We estimate FY25-27E revenue/EBITDA/PAT CAGR of 13.0%/16.4%/18.6%, with volume CAGR of 13.5% and EBITDA margin expansion of ~80bps. We downgrade our rating to 'Accumulate' from 'Buy'.

Key Takeaways:

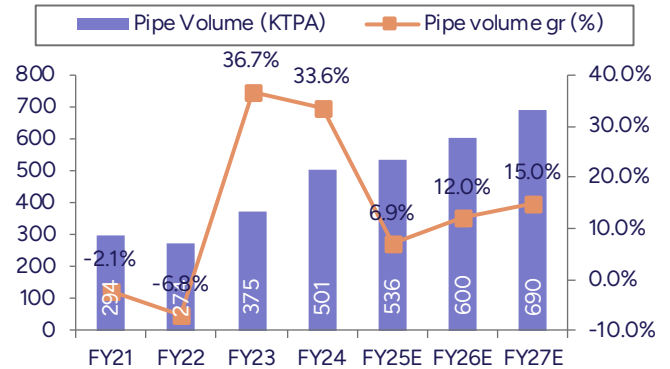
- SI has guided for single-digit volume growth in FY25/26 (earlier guided for 15-16% for FY25), due to low demand and delay in ADD on PVC resins. In 9MFY25, the company reported P&F volume growth of 7.8%.
- The company remains uncertain about the implementation timeline of ADD on PVC resins. SI's procurement price remains higher than market prices, due to Chinese imports, which could lead to continued margin pressure in Q4FY25.
- SI sources 50% of its PVC resins from the US, China and Japan, and the remaining from domestic players.
- P&F capacity is expected to reach 900KTPA by FY25 and 1,000KTPA by Oct'25.
- For FY25, the company anticipates double-digit growth in agri volume, flat plumbing growth, and a decline in infra volume, with agri demand driven by a strong monsoon.
- In the OPVC segment, the company has placed an order for 9 production lines, each requiring ~6 months to ramp up, resulting in a total timeline of ~4 years. Currently, lines 1 and 2 are operational, and the 3rd line is scheduled to start in Jun.
- OPVC pipes offer superior strength, better realization, higher margins, and a longer life expectancy compared to DI pipes.
- SI's packaging segment offers a 5-year product life expectancy. Protective packaging contributes to 40% of segment revenue and offers a higher margin compared to Silpaulin. The company expects share of protective packaging to grow, driving overall margins from 14% to 16% in the coming years.
- Packaging product capacity is expected to reach 95-96 KTPA, with 9KTPA for films, 30KTPA for Silpaulin, and 57KTPA for protective packaging.
- The company operates a 5-zone manufacturing facility for protective packaging, along with 10 fabrication facilities, which leads to accelerate growth.
- The company is exploring opportunities in the city gas pipeline sector, where PE pipes are used for underground gas distribution.

Exhibit 1: Revenue to clock a CAGR of 13.0% over FY25-27E



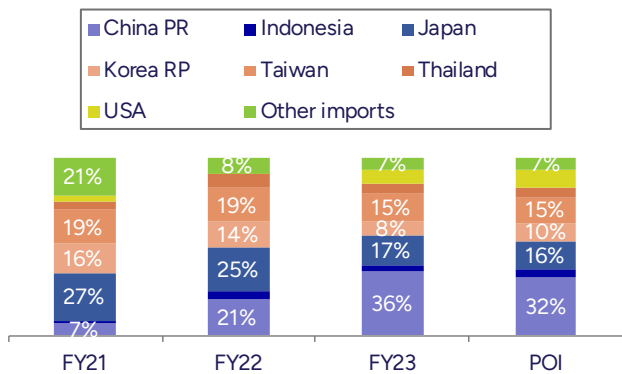
Source: Company, PL

Exhibit 2: Pipe volume CAGR of 13.5% over FY25-27E



Source: Company, PL

Exhibit 3: PVC resin India import contribution



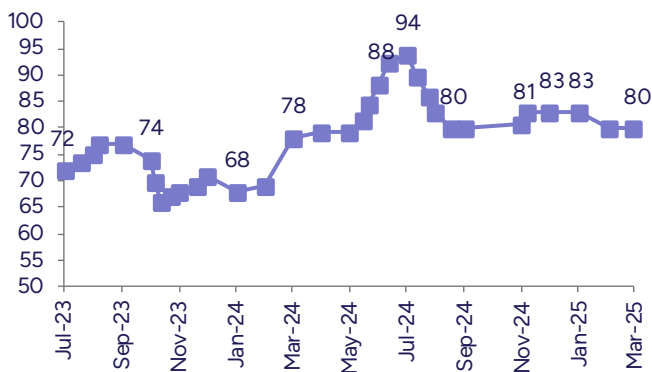
Source: Company, PL

Exhibit 4: ADD on PVC Resin country-wise

	Duty (USD per MT)	Duty (Rs per Kg)
China PR	82-167	7 -14
Indonesia	61-200	5 - 17
Japan	54 - 147	5 - 12
Korea RP	51 - 161	4 -14
Taiwan	25 - 163	2 -14
Thailand	53 - 184	5 16
USA	104 - 339	9 - 29

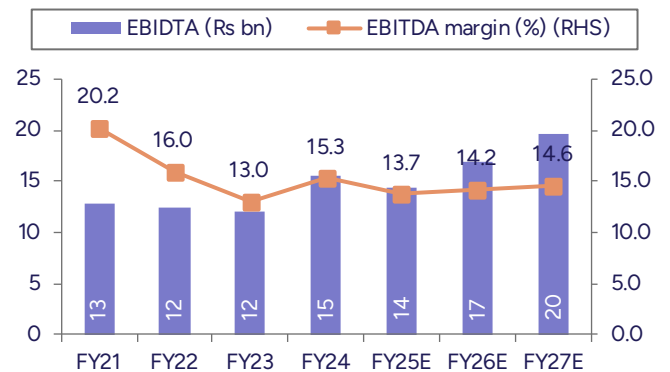
Source: Company, PL *1USD=Rs 84

Exhibit 5: PVC resin domestic prices (Rs/kg)

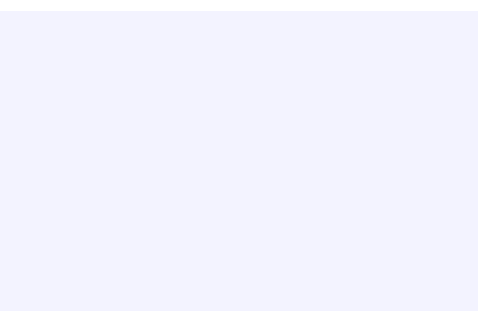


Source: Company, PL

Exhibit 6: EBITDAM to contract by ~80 bps over FY25-27E



Source: Company, PL



Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	1,01,343	1,05,236	1,18,830	1,34,441
YoY gr. (%)	10.1	3.8	12.9	13.1
Cost of Goods Sold	68,584	70,903	80,686	90,613
Gross Profit	32,759	34,333	38,144	43,828
Margin (%)	32.3	32.6	32.1	32.6
Employee Cost	7,715	8,419	9,269	10,486
Other Expenses	4,253	5,488	5,585	6,319
EBITDA	15,473	14,437	16,821	19,573
YoY gr. (%)	29.0	(6.7)	16.5	16.4
Margin (%)	15.3	13.7	14.2	14.6
Depreciation and Amortization	2,984	3,586	4,068	4,352
EBIT	12,490	10,852	12,752	15,221
Margin (%)	12.3	10.3	10.7	11.3
Net Interest	161	130	147	166
Other Income	657	634	1,000	1,200
Profit Before Tax	12,985	11,356	13,605	16,255
Margin (%)	12.8	10.8	11.4	12.1
Total Tax	3,357	2,831	3,424	4,063
Effective tax rate (%)	25.8	24.9	25.2	25.0
Profit after tax	9,629	8,525	10,181	12,192
Minority interest	-	-	-	-
Share Profit from Associate	1,069	1,143	1,280	1,408
Adjusted PAT	10,697	9,668	11,462	13,601
YoY gr. (%)	23.6	(9.6)	18.6	18.7
Margin (%)	10.6	9.2	9.6	10.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	10,697	9,668	11,462	13,601
YoY gr. (%)	23.6	(9.6)	18.6	18.7
Margin (%)	10.6	9.2	9.6	10.1
Other Comprehensive Income	(74)	-	-	-
Total Comprehensive Income	10,623	9,668	11,462	13,601
Equity Shares O/s (m)	127	127	127	127
EPS (Rs)	84.2	76.1	90.2	107.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	45,918	55,550	62,726	68,126
Tangibles	44,489	54,120	61,296	66,696
Intangibles	1,430	1,430	1,430	1,430
Acc: Dep / Amortization	22,645	26,230	30,299	34,650
Tangibles	22,645	26,230	30,299	34,650
Intangibles	-	-	-	-
Net fixed assets	23,274	29,320	32,427	33,475
Tangibles	21,844	27,890	30,997	32,046
Intangibles	1,430	1,430	1,430	1,430
Capital Work In Progress	1,437	1,437	1,437	1,437
Goodwill	-	-	-	-
Non-Current Investments	6,591	6,591	6,591	6,591
Net Deferred tax assets	(960)	(960)	(960)	(960)
Other Non-Current Assets	1,382	1,382	1,382	1,382
Current Assets				
Investments	-	-	-	-
Inventories	13,586	15,857	16,278	18,417
Trade receivables	5,114	5,311	5,997	6,785
Cash & Bank Balance	11,785	9,924	14,812	22,293
Other Current Assets	2,389	2,481	2,801	3,169
Total Assets	65,557	72,302	81,724	93,548
Equity				
Equity Share Capital	254	254	254	254
Other Equity	50,834	57,072	64,722	74,511
Total Networkth	51,088	57,326	64,976	74,765
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	298	298	298	298
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	10,156	10,546	11,908	13,473
Other current liabilities	2,572	2,671	3,016	3,412
Total Equity & Liabilities	65,557	72,302	81,724	93,548

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	14,054	12,499	14,885	17,663
Add. Depreciation	2,984	3,586	4,068	4,352
Add. Interest	161	130	147	166
Less Financial Other Income	657	634	1,000	1,200
Add. Other	(1,634)	(634)	(1,000)	(1,200)
Op. profit before WC changes	15,565	15,580	18,101	20,981
Net Changes-WC	1,796	(2,052)	345	(1,259)
Direct tax	(3,232)	(2,831)	(3,424)	(4,063)
Net cash from Op. activities	14,129	10,697	15,022	15,659
Capital expenditures	(5,493)	(9,632)	(7,176)	(5,400)
Interest / Dividend Income	12	634	1,000	1,200
Others	(604)	-	-	-
Net Cash from Inv. activities	(6,085)	(8,998)	(6,176)	(4,200)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(3,557)	3,430	3,812	3,812
Interest paid	(39)	130	147	166
Others	(221)	-	-	-
Net cash from Fin. activities	(3,817)	3,560	3,959	3,978
Net change in cash	4,227	5,259	12,805	15,437
Free Cash Flow	8,636	1,065	7,846	10,259

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	84.2	76.1	90.2	107.0
CEPS	107.7	104.3	122.2	141.3
BVPS	402.1	451.2	511.4	588.5
FCF	68.0	8.4	61.8	80.7
DPS	23.0	27.0	30.0	30.0
Return Ratio(%)				
RoCE	27.6	21.2	22.5	23.5
ROIC	25.9	18.4	20.6	24.0
RoE	22.5	17.8	18.7	19.5
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.2)	(0.2)	(0.3)
Net Working Capital (Days)	31	37	32	32
Valuation(x)				
PER	42.0	46.4	39.2	33.0
P/B	8.8	7.8	6.9	6.0
P/CEPS	32.8	33.9	28.9	25.0
EV/EBITDA	28.2	30.4	25.8	21.8
EV/Sales	4.3	4.2	3.7	3.2
Dividend Yield (%)	0.7	0.8	0.8	0.8

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Net Revenue	30,079	26,364	22,730	25,099
YoY gr. (%)	15.8	11.3	(1.5)	2.5
Raw Material Expenses	20,262	17,958	14,886	17,289
Gross Profit	9,817	8,406	7,844	7,810
Margin (%)	32.6	31.9	34.5	31.1
EBITDA	4,907	3,873	3,192	3,088
YoY gr. (%)	2.2	20.4	(10.4)	(18.5)
Margin (%)	16.3	14.7	14.0	12.3
Depreciation / Depletion	772	860	899	913
EBIT	4,135	3,013	2,293	2,175
Margin (%)	13.7	11.4	10.1	8.7
Net Interest	77	33	26	30
Other Income	181	214	151	89
Profit before Tax	4,239	3,194	2,417	2,235
Margin (%)	14.1	12.1	10.6	8.9
Total Tax	1,097	836	629	584
Effective tax rate (%)	25.9	26.2	26.0	26.2
Profit after Tax	3,141	2,358	1,788	1,650
Minority interest	-	-	-	-
Share Profit from Associates	407	375	278	220
Adjusted PAT	3,548	2,734	2,066	1,870
YoY gr. (%)	(1.3)	26.8	(15.0)	(27.0)
Margin (%)	11.8	10.4	9.1	7.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3,548	2,734	2,066	1,870
YoY gr. (%)	(1.3)	26.8	(15.0)	(27.0)
Margin (%)	11.8	10.4	9.1	7.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,548	2,734	2,066	1,870
Avg. Shares O/s (m)	127	127	127	127
EPS (Rs)	27.9	21.5	16.3	14.7

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	21-Jan-25	BUY	5,040	4,022
2	08-Jan-25	BUY	5,721	4,600
3	23-Oct-24	BUY	5,752	4,593
4	08-Oct-24	Accumulate	6,069	5,433
5	23-Jul-24	Hold	6,069	5,694
6	07-Jul-24	Hold	6,211	6,020
7	27-Apr-24	BUY	5,188	4,338
8	11-Apr-24	BUY	5,094	4,110

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Astral Ltd.	BUY	1,808	1,470
2	Avalon Technologies	BUY	900	733
3	Bajaj Electricals	Reduce	647	733
4	Cello World	BUY	770	596
5	Century Plyboard (I)	Hold	811	804
6	Cera Sanitaryware	Accumulate	7,456	6,200
7	Crompton Greaves Consumer Electricals	BUY	504	339
8	Cyient DLM	BUY	692	515
9	Finolex Industries	Accumulate	229	195
10	Greenpanel Industries	Hold	373	352
11	Havells India	BUY	1,890	1,578
12	Kajaria Ceramics	BUY	1,224	960
13	Kaynes Technology India	BUY	5,528	4,661
14	KEI Industries	BUY	5,041	4,128
15	Polycab India	BUY	8,233	6,251
16	R R Kabel	BUY	1,812	1,245
17	Supreme Industries	BUY	5,040	4,022
18	Syrma SGS Technology	BUY	629	505
19	Voltas	BUY	1,593	1,261

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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