

Supreme Industries (SIL) – ADD

Result Update

Current Market Price (CMP)

Rs.2,165

Target Price

Rs.2,500

Our price target of Rs.2,500 offers upside of 15.5% from current market price.

Rationale:

- SIL reported lower than expected Q2FY22 results as margin disappoints.
- SIL is positive on strong growth in the plastic piping segment in the long run.
- SIL expects to recover lost volume in pipes business in the coming quarters.
- In our view, raw material inflation & supply constraints to impact pipe volume.
- Roll forward valuation multiple (of 32x) to Sept FY23E earnings; maintain ADD.

Q2FY22 Earnings update:

Positives:

- SIL's Q2FY22 revenue grew 40.3% yoy to Rs1,929 cr, inline with estimates.
- Reported 8.8% yoy growth in volume and 32.2% yoy growth in realization.
- Reported volume growth across all segments, despite rise in polymer prices.
- Management is positive on plastic pipes demand from housing segment.

Negatives:

- Operating (EBITDA) margin declined 250/40bps yoy/qoq, below our estimates.
- Polymer prices expected to remain at elevated levels for a longer duration.

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For detailed report dated 25th October 2021. Note: CMP & valuation may differ due to difference in dates.



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