

Prince Pipes & Fittings Ltd. (Prince)



Result Update (Q1 FY23)

Bloomberg Code: PRINCIPI.IN | Reuters Code: PRCE.NS

Medium term outlook remains strong despite feeble profitability due to inventory loss

Prince reported fragile volumes and margins, while the EBITDA and PAT margins saw a sharp decline (410 bps/530 bps and 510 bps/730 bps YoY/QoQ respectively) in Q1FY23 due to inventory loss of 30-35 Cr as the PVC prices fell by 55% QoQ to ₹ 14/kg along with dealer destocking. The management expects that the PVC prices are at near to bottomed out and the demand should start to recover from Q3FY23E.

We continue to like Prince on the back of its large product portfolio (launched new products PE-FIT Aqua - HDPE Piping Systems and Corfit Manhole Chambers in May), PAN India distribution, entry into Bathware and Sanitaryware segment (production to start from Q4FY23E) and focus on B2C. Guidance of 13-15% EBITDA Margins in the medium term remains intact. We maintain **BUY** on stock for the target price of ₹ 910/share (35x PE which is the industry average) on FY24E EPS of ₹ 26 with a potential upside of 52%.

Strong comeback expected in H2FY23

- Company witnessed heavy inventory losses of ₹ 30-35 Cr in Q1 due to sharp fall in PVC prices. The management expects inventory losses in Q2FY23 too, which will impact realization and keep margins under pressure.
- Market sentiments should improve and good volume growth is expected from H2FY23 on the back of channel restocking and stable PVC prices. Inventory levels are also expected to normalise from Q2FY23E onward.

Entry into Bathware & Sanitaryware segment

- Prince has announced its entry into the Faucetware & Sanitaryware segments (15,000 Cr market size which is 65% organised) and is planning to launch these products from Q4FY23E. Initially it is planning to operate on an outsourcing-based model for the next 12 to 18 months.

Q1FY23 Performance

- Prince has shown a weak performance, where Volume/Revenue/EBITDA/PAT grew by 70%/82%/7%/-11% YoY (on a low base) while -31%/-33%/-69%/-82% QoQ respectively.

Outlook

The impact of this sudden fall in PVC prices is expected to shrink the margins in Q2 as well, which will then gradually improve from H2FY23E. We maintain **BUY** on the stock for the target price of ₹ 910/share (35x PE which is the industry average) on FY24E EPS of ₹ 26 with a potential upside of 52%.

Quarterly/Annual Financial Summary

	Q1FY23	Q1FY22	YoY (%)	Q4FY22	QoQ (%)	FY21A	FY22A	FY23E	FY24E	FY25E
Volume	31.3	18.47	70%	45.28	-31%	138.3	139.0	150.1	165.2	181.7
Realization	193	179	8%	199	-3%	150	191	185	180	180
Net sales (In Mn)	6,040	3,310	82%	9,012	-33%	20,891	26,627	27,777	29,729	32,702
EBITDA	440	410	7%	1,404	-69%	3,792	4,215	4,237	4,832	5,316
EBITDAM	7%	12%	-41%	16%	-53%	18%	16%	15%	16%	16%
PAT	160	180	-11%	882	-82%	2218	2498	2466	2874	3213
PAT M	3%	5%	-51%	10%	-73%	11%	9%	9%	10%	10%
EPS	1.4	1.6	-11%	8.0	-82%	20.1	22.6	22.3	26.0	29.1
ROE (%)						24%	22%	18%	18%	17%
ROCE (%)						29%	27%	23%	23%	22%
Pe (x)						20.7x	28x	28x	24x	22x

Source: Company, Bonanza

Plastic Pipes

Current Price:	598
Target Price:	910
Expected Upside (%)	52%

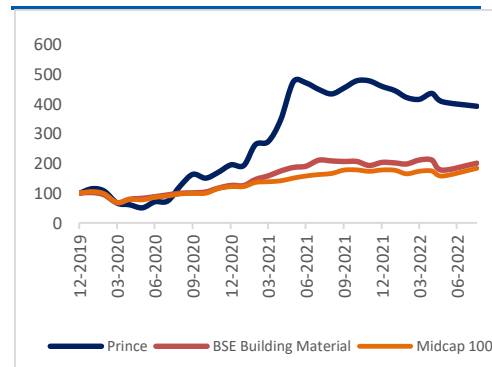
Stock Details

Bloomberg Code	PRINCIPI.IN
Reuters Code	PRCE.NS
Shares o/s (Mn)	110.6
M Cap (Rs. In Mn)	66,310
52 week H/L (Rs.)	897/549

Shareholding Pattern (%)

Promoter Group	62.94
FII	4.15
DII	14.51
Public	18.40

Stock Performance Chart



Stock Performance

Return (%)	1 Month	6 Month	1 Year
Absolute	-2%	-10%	-7%
Relative (BM)	-16%	-10%	-4%
Relative (Midcap)	-12%	-19%	-15%

Analyst

Rajesh Sinha

rajesh.sinha@bonanzaonline.com

Tel: 91 22 6836 3711

Institutional Dealing:-

Hareesh Bohra	AVP Inst. Desk	022-3086 3786	hareeshbohra@bonanzaonline.com
Vishal Shridharani	Sales Trader	022-3086 3758	vishal.s@bonanzaonline.com
Bhavin Bhavsar	Sales Trader	022-3086 3786	bhavin.bhavsar@bonanzaonline.com

RATINGS, VIEWS AND RELATED RATIONALES

Buy - More than 15% return for time period of 12 - 18 months

Sell - More than 10 downside for time period of 12 - 18 months

Hold - Between 5-15% return for time period of 12 - 18 months

**Disclosure:**

M/s. Bonanza Portfolio Ltd here by declares that views expressed in this report accurately reflect view point with subject to companies/securities. M/s. Bonanza Portfolio Ltd has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations. The Analysts engaged in preparation of this Report or his/her relative: - (a) do not have any financial interests in the subject company mentioned in this Report; (b) do not own 1% or more of the equity securities of the subject company mentioned in the report as of the last day of the month preceding the publication of the research report; (c) do not have any material conflict of interest at the time of publication of the Report. The Analysts engaged in preparation of this Report:- (a) have not received any compensation from the subject company in the past twelve months; (b) have not managed or co-managed public offering of securities for the subject company in the past twelve months; (c) have not received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (d) have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (e) has not received any compensation or other benefits from the subject company or third party in connection with the Report; (f) has not served as an officer, director or employee of the subject company; (g) is not engaged in market making activity for the subject company.

M/s. Bonanza Portfolio Ltd is a registered Research Analyst under the regulation of SEBI, the year 2014. The Regn No. INH100001666 and research analyst engaged in preparing reports is qualified as per the regulation's provision.

Disclaimer: This research report has been published by M/s. Bonanza portfolio Ltd and is meant solely for use by the recipient and is not for circulation. This document is for information purposes only and information / opinions / views are not meant to serve as a professional investment guide for the readers. Reasonable care has been taken to ensure that information given at the time believed to be fair and correct and opinions based thereupon are reasonable, due to the nature of research it cannot be warranted or represented that it is accurate or complete and it should not be relied upon as such. If this report is inadvertently sent or has reached to any individual, same may be ignored and brought to the attention of the sender. Preparation of this research report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Past performance is not a guide for future performance. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by Bonanza portfolio Ltd to be reliable. This report should not be taken as the only base for any market transaction; however this data is representation of one of the support document among other market risk criterion. The market participant can have an idea of risk involved to use this information as the only source for any market related activity. The distribution of this report in definite jurisdictions may be restricted by law, and persons in whose custody this report comes, should observe, any such restrictions. The revelation of interest statements integrated in this analysis are provided exclusively to improve & enhance the transparency and should not be treated as endorsement of the views expressed in the analysis. The price and value of the investments referred to in this report and the income from them may go down as well as up. Bonanza portfolio Ltd or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. While due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of M/s. Bonanza portfolio Ltd shall be liable. Research report may differ between M/s. Bonanza portfolio Ltd RAs and other companies on account of differences in, personal judgment and difference in time horizons for which recommendations are made. Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. Research analyst have not received any compensation/benefits from the Subject Company or third party in connection with the research report.

M/s. Bonanza Portfolio Ltd at Bonanza House, Plot No. M-2, Cama Industrial Estate. Walbhat Road, Goregaon (E), Mumbai – 400063 Web site: <https://www.bonanzaonline.com>

Research Analyst Regn No. INH100001666

SEBI Regn. No.: INZ000212137

BSE /NSE/MCX : |CASH| DERIVATIVE| CURRENCY DERIVATIVE | COMMODITY SEGMENT|

| CDSL: | 120 33500 | NSDL: | IN 301477 || PMS: INP 000000985 | AMFI: ARN -0186