

**November 11, 2022**

#### BUY

Price	572
Target Price	658
BSE Sensex	61,750
NSE Nifty	18,340

#### Key Data

Industry	Plastic Products
Reuters Code	PRCE BO
Bloomberg Code	PRINCPPI IN
Market Cap. (Rs bn/USD mn)	63.2/782.3
No of Shares o/s (mn)	110.6
Face Value (Rs)	10
BSE/NSE Code	542907/PRINCEPIPE
52 Week H/L (Rs)	865/513
Avg. Daily Traded Volume	1,70,015
Dividend per share (FY22)	3.5

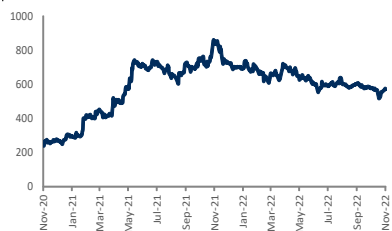
#### Shareholding Pattern (%)

	Mar -22	Jun -22	Sep -22
Promoters	62.9	62.9	62.9
Pledged shares	0.0	0.0	0.0
FII	4.5	4.7	4.5
DII	14.0	14.5	14.6
Public & Others	18.6	17.8	18.0

#### Stock Performance (%)

	1M	3M	12M
Absolute	-0.7	-4.8	-31.6
Relative to Nifty	-8.7	-8.6	-34.2

#### Price Chart



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# Prince Pipes & Fittings Ltd

**Result  
Note**

## Result note for quarter ending September - 2022

- PRINCPPI's net revenue declined by 16.4% YoY to Rs 6.4bn, impacted by 10.2% YoY degrowth in volumes (38,458 MT) and lower realizations (down 6.8% YoY). Significant channel destocking due to sharp correction in PVC prices (decline of Rs 29 per kg in Q2FY23 over Q1FY23) impacted volumes of both Agri and Plumbing/SWR pipes portfolio.
- The company reported loss of Rs 113.5mn at EBITDA level (vs profit of Rs 1,227mn in Q2FY22), largely impacted by sharp inventory losses of Rs 800-900mn. Net loss stood at Rs 241.1mn (vs PAT of Rs 760.9mn in Q2FY22).
- In H1FY23, net revenue and EBITDA stood at Rs 12.4bn (up 13.6% YoY) and Rs 325mn (down 80.2% YoY) respectively, while net loss was Rs 80.9mn (vs PAT of Rs 938.4mn in H1FY22). Inventory loss in H1FY23 stood at Rs 1.1-1.2bn. CPVC segment delivered strong performance with 25% volume growth in H1FY23.
- Net WCC improved to 68 days as on Sept-22 from 88 days as on June-22, driven by improvement in inventory levels. Gross and Net Debt declined from Rs 1.8bn and Rs 0.7bn as on Jun-22 to Rs 1.3bn and Rs 0.1bn respectively as on Sept-22.
- PRINCPPI does not see material downside in PVC prices from current levels and expects meaningful revival in demand in agri & non-agri portfolio from Q4FY23E. It expects restocking to resume from Dec-22/Jan-23. Margins should normalize from Q4FY23E.
- With capacity expansion at Telangana and Jaipur and healthy demand environment, PRINCPPI is confident of registering a double digit volume growth in FY23E and FY24E. It expects sustainable long term EBITDA margins of 12-15%.
- The newly ventured Bathware business is progressing well with company shortlisting vendors for outsourcing and finalizing designs. The products will be introduced in phased manner from March-23.
- Notwithstanding near term challenges, we remain constructive on PRINCPPI's long term growth prospects, given its constant focus on portfolio enhancement and brand building, widening reach and healthy industry outlook. We feel PVC prices are nearing bottom and should stabilize in 1-2 months. This should revive the volumes and margins meaningfully from Q4FY23E. We have downgraded our EPS estimates for FY23E & FY24E to factor in muted performance in H1FY23. However, based on recent underperformance in stock price along with expectation of turnaround from Q4FY23E, we upgrade our rating from ACCUMULATE to BUY with revised price target of Rs 658.

## Key Financials

Particulars (Rs mn)	Q2FY23	Q2FY22	% chg	H1FY23	H1FY22	% chg
Net Revenue	6,364.9	7,610.1	-16.4	12,405.7	10,916.1	13.6
Total Expenditure	6,478.4	6,383.1	1.5	12,080.7	9,276.6	30.2
EBITDA	(113.5)	1,227.0	-109.3	325.0	1,639.5	-80.2
EBITDA margin	-1.8%	16.1%	-	2.6%	15.0%	-1240bps
PBT	(330.3)	1,035.7	-131.9	(109.8)	1,283.9	-108.6
Tax	(89.2)	274.8	-132.4	(28.9)	345.5	-108.3
PAT	(241.1)	760.9	-131.7	(80.9)	938.4	-108.6
PAT margin	-3.8%	10.0%	-	-0.7%	8.6%	-
EPS (Rs)	(2.2)	6.9	-131.5	(0.7)	8.5	-108.6

**Financials**
**Income statement**

YE March (Rs mn)	FY21	FY22	FY23E	FY24E
<b>Net Revenue</b>	<b>20,715</b>	<b>26,568</b>	<b>26,781</b>	<b>31,045</b>
Growth	26.6%	28.3%	0.8%	15.9%
Operating Exp	17,099	22,412	24,702	26,885
<b>EBITDA</b>	<b>3,616</b>	<b>4,156</b>	<b>2,078</b>	<b>4,160</b>
Growth	58.1%	14.9%	-50.0%	100.2%
EBITDA Margin	17.5%	15.6%	7.8%	13.4%
Depreciation	594	703	847	890
<b>EBIT</b>	<b>3,022</b>	<b>3,453</b>	<b>1,231</b>	<b>3,270</b>
Other Income	176	55	70	79
Interest	207	139	132	106
<b>PBT</b>	<b>2,991</b>	<b>3,369</b>	<b>1,169</b>	<b>3,243</b>
Tax	773	875	295	817
<b>PAT</b>	<b>2,218</b>	<b>2,494</b>	<b>875</b>	<b>2,426</b>
Growth	97.2%	12.4%	-64.9%	177.4%
<b>FD EPS (Rs)</b>	<b>20.1</b>	<b>22.6</b>	<b>7.9</b>	<b>21.9</b>

**Key Ratios**

YE March	FY21	FY22	FY23E	FY24E
Fully Diluted EPS (Rs.)	20.1	22.6	7.9	21.9
Fully Diluted CEPS (Rs.)	25.4	28.9	15.6	30.0
Fully Diluted BV (Rs.)	94.4	114.4	118.9	136.3
P/E (x)	28.5	25.4	72.3	26.1
P/CE (x)	22.5	19.8	36.7	19.1
P/BV (x)	6.1	5.0	4.8	4.2
D/E (x)	0.1	0.1	0.1	0.1
EBITDA Margin (%)	17.5	15.6	7.8	13.4
PAT Margin (%)	10.7	9.4	3.3	7.8
RoCE (%)	27.1	27.1	8.6	21.3
RoC (%)	34.7	30.8	9.2	24.1
RoE (%)	23.6	21.6	6.8	17.2
Wcap Cycle (days)	58.4	90.0	85.0	85.0
EV/Ebitda (x)	17.1	15.4	30.5	14.9
EV/Sales (x)	3.0	2.4	2.4	2.0

**Balance Sheet**

YE March (Rs mn)	FY21	FY22	FY23E	FY24E
Share Capital	1,100	1,106	1,106	1,106
Reserves	9,335	11,547	12,035	13,963
Shareholders' Funds	10,435	12,653	13,140	15,068
Debt	852	1,500	1,350	1,080
Net Deferred Taxes	133	123	123	123
LT Provision & Others	275	127	166	193
<b>Source of Funds</b>	<b>11,695</b>	<b>14,402</b>	<b>14,779</b>	<b>16,464</b>
Net Block	5,030	6,456	6,609	6,219
CWIP	765	226	200	200
Investment	15	117	526	526
LT Loans & Adv	394	425	426	438
Total Non Curr Assets	6,204	7,224	7,760	7,383
Inventories	2,273	6,188	5,430	6,209
Trade Receivables	3,534	4,346	3,669	4,253
Cash & Equivalents	2,299	586	738	1,800
Other Curr Assets	1,751	1,046	1,057	1,226
Total Curr Assets	9,857	12,167	10,893	13,488
Trade Payables	2,491	3,986	2,861	3,232
Other Curr Liab	1,874	1,002	1,012	1,174
Total Curr Liab	4,365	4,988	3,874	4,406
Net Curr Assets	5,492	7,179	7,019	9,081
<b>Appl of Funds</b>	<b>11,695</b>	<b>14,402</b>	<b>14,779</b>	<b>16,464</b>

**Cashflow**

YE March (Rs mn)	FY21	FY22	FY23E	FY24E
Net profit	2,218	2,494	875	2,426
Add: Depreciation	594	703	847	890
Add: Non-Opt Item	31	84	62	27
(Inc)/Dec in Invt	1,172	(3,915)	759	(780)
(Inc)/Dec in Debtors	(1,737)	(812)	678	(584)
(Inc)/Dec in Oth Assets	(1,116)	705	(10)	(169)
Inc/(Dec) in Curr Liab	683	1,495	(1,124)	371
Inc/(Dec) in Oth Liab	988	(872)	10	162
Changes in Wcap	(10)	(3,400)	312	(1,000)
<b>CF from Opt (A)</b>	<b>2,834</b>	<b>(118)</b>	<b>2,095</b>	<b>2,343</b>
(Inc)/Dec in FA	(1,428)	(1,589)	(974)	(500)
Free CF	1,405	(1,708)	1,120	1,843
(Purch)/Sale of Invst	(8)	(103)	(408)	-
Interest recd from Invst	176	55	70	79
(Inc)/Dec in Oth NCA	294	(31)	(1)	(12)
<b>CF from Invt (B)</b>	<b>(967)</b>	<b>(1,668)</b>	<b>(1,314)</b>	<b>(434)</b>
Inc/(Dec) in LT Debt	(395)	-	-	-
Inc/(Dec) in ST Debt	(1,365)	648	(150)	(270)
Interest Paid	(207)	(139)	(132)	(106)
Dividend Paid	(220)	(387)	(387)	(498)
Equity Raised	-	5	-	-
Inc/(Dec) in Oth NCL	48	(53)	39	27
<b>CF from Fin (C)</b>	<b>(2,138)</b>	<b>74</b>	<b>(629)</b>	<b>(847)</b>
<b>Net CF (A+B+C)</b>	<b>(271)</b>	<b>(1,713)</b>	<b>152</b>	<b>1,062</b>

**Disclosures/Disclaimers****Key to Rating Stocks:**

BUY: Absolute return of 15% and above; ACCUMULATE: 5% to 15%; HOLD: Upto  $\pm 5\%$ ; REDUCE: -5% to -15%; SELL: -15% and below.

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