

Prince Pipes and Fittings

Healthy volume at the cost of margin

We maintain our ADD rating on Prince Pipes, with a lower target price of INR 495/sh (30x its Sep-26E EPS). In Q2FY25, Prince's sales volume grew 4% YoY on a low base, as previous year volume was impacted by SAP implementation issue. Realisation was flat QoQ, declining by 9% YoY. EBITDA margin declined to 7.3% in Q2 vs 14.3/9.6% YoY/QoQ. This quarter EBITDA margin was impacted by 2% each, owing to higher trade incentive and inventory loss. Prince is setting up an integrated greenfield plant of 55K MT capacity in Bihar costing ~INR 2.5bn which is expected to commission in phases from Mar-25. We expect demand to pick up in H2FY25 and channel inventory to normalise soon. Owing to higher trade discount given by the company, we expect margin to remain under pressure.

- Q2FY25 performance:** Pipes demand was weak in July and August (channel destocking) owing to declining resin prices. So, Prince plumbing volume growth slowed down to 4% YoY on a low base, as previous year volume was impacted by SAP implementation issue. Realisation was flat QoQ, declining 9% YoY. EBITDA margin declined to 7.3% in Q2 vs 14.3/9.6% YoY/QoQ. EBITDA per kg is INR 11 vs INR 23/14 YoY/QoQ. This quarter EBITDA margin was impacted by 2% each, owing to higher trade incentive and inventory loss.
- Con call KTAs and outlook:** The company expects 8-10% plumbing volume growth in FY25. Under a normal scenario, management is confident of achieving 12% EBITDAM. The company plans to gain market share even if it comes at the cost of margin. Prince is setting up an integrated greenfield plant of 55K MT capacity in Bihar costing ~INR 2.5bn which is expected to commission in phases from Mar-25. The company is expanding its capacity by 35-40K MT through debottlenecking to be commissioned by H1FY26. It forayed into bathware in Jun-23 and is ramping up distribution currently to become a pan-India player by FY25-end. It is aiming to cross INR 250mn bathware revenue in FY25 and clock positive EBIT by Q3FY26. We expect demand to pick up in H2FY25 and channel inventory to normalise soon. Owing to higher trade discounts given, we expect the margin to remain under pressure. Given this weak Q2 margin, we cut our EPS estimates by 7/11/15% for FY25/26/27E. We maintain our ADD rating with a lower TP of INR 495/share (30x Sep-26E EPS).

Quarterly/annual financial summary

YE Mar (INR mn)	Q2 FY25	Q2 FY24	YoY (%)	Q1 FY25	QoQ (%)	FY23	FY24	FY25E	FY26E	FY27E
Pipes sales (K MT)	43.3	41.5	4.3	42.2	2.7	157.7	172.8	186.6	201.5	217.7
NSR (INR/kg)	144	158	-9.1	143	0.2	172	149	144	149	151
EBITDA (INR/kg)	11	23	-53.5	14	-23.6	16	18	15	18	18
Net Sales	6,221	6,564	-5.2	6,045	2.9	27,109	25,687	26,910	29,935	32,912
EBITDA	457	942	-51.5	583	-21.6	2,503	3,074	2,711	3,571	3,969
EBITDAM (%)	7.3	14.3		9.6		9.2	12.0	10.1	11.9	12.1
APAT	147	527	-72.1	247	-40.4	1,214	1,646	1,231	1,747	1,910
Diluted EPS (INR)	1.3	4.8	-72.1	2.2	-40.4	11.0	14.9	11.1	15.8	17.3
EV / EBITDA (x)						19.8	16.7	18.1	13.9	12.3
P/E (x)						42.2	31.2	41.7	29.4	26.9
RoE (%)						9.2	11.3	7.7	10.1	10.2

Source: Company, HSIE Research

ADD

CMP (as on 8 Nov 2024)	INR 464
Target Price	INR 495
NIFTY	24,148

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 570	INR 495
EPS	FY25E	FY26E
revision %	(6.8)	(10.9)

KEY STOCK DATA

Bloomberg code	PRINCPIN
No. of Shares (mn)	111
MCap (INR bn) / (\$ mn)	51/609
6m avg traded value (INR mn)	140
52 Week high / low	INR 776/461

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(23.3)	(25.8)	(35.5)
Relative (%)	(24.1)	(34.0)	(57.9)

SHAREHOLDING PATTERN (%)

	Jun-24	Sep-24
Promoters	60.94	60.94
FIs & Local MFs	17.53	18.37
FPIs	7.27	6.44
Public & Others	14.26	14.25

Pledged Shares - -

Source : BSE

Pledged shares as % of total shares

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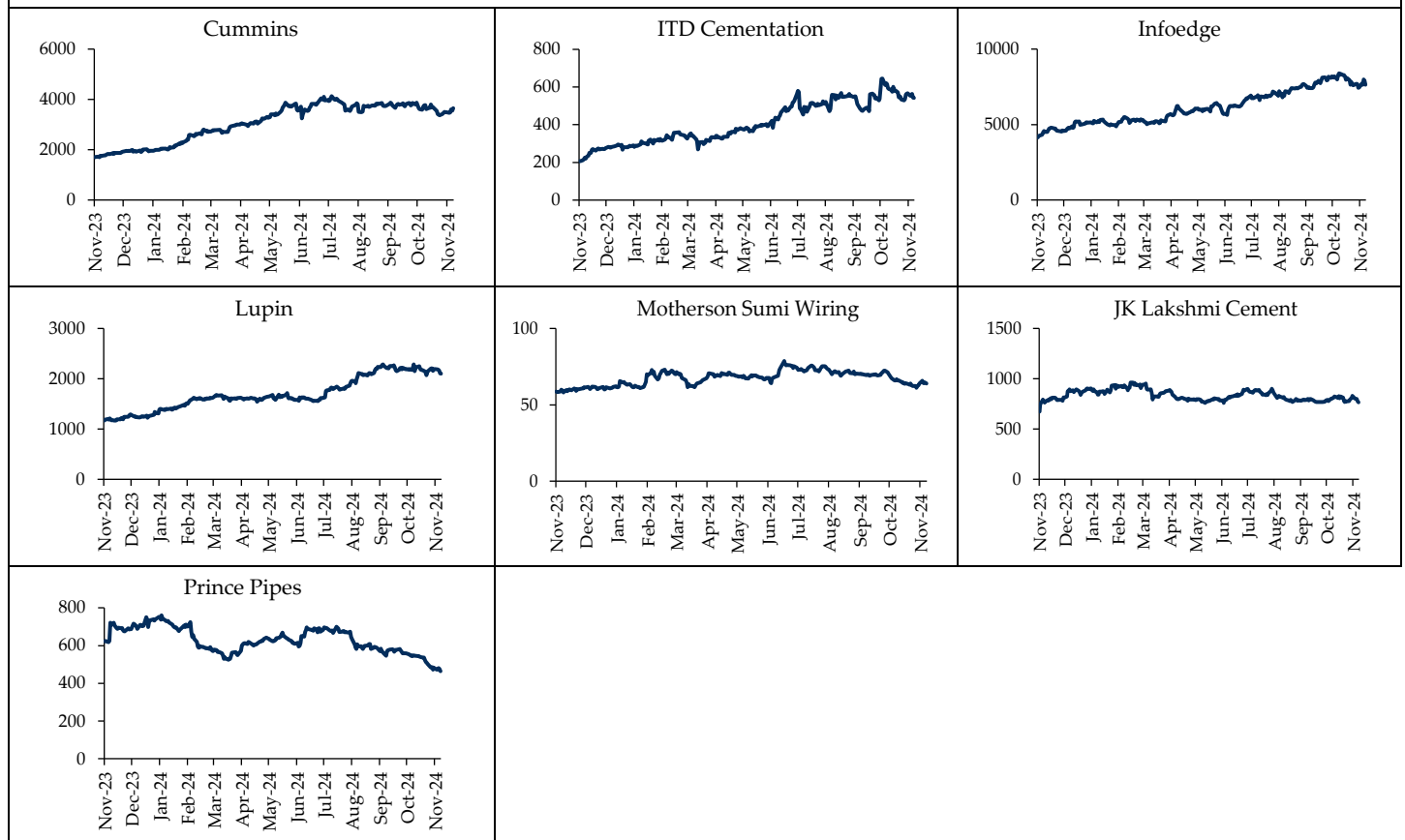
Rating Criteria

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

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Parikshit Kandpal	Cummins, ITD Cementation	CFA	NO
Jay Shah	Cummins, ITD Cementation	CA	NO
Aditya Sahu	Cummins, ITD Cementation	MBA	NO
Amit Chandra	Infoedge	MBA	NO
Dhananjay Jain	Infoedge	CA	NO
Mehul Sheth	Lupin	MBA	NO
Maitreyee Vaishampayan	Motherson Sumi Wiring India	MSc	NO
Rajesh Ravi	JK Lakshmi Cement, Prince Pipes and Fittings	MBA	NO
Keshav Lahoti	JK Lakshmi Cement, Prince Pipes and Fittings	CA	NO
Riddhi Shah	JK Lakshmi Cement, Prince Pipes and Fittings	MBA	NO

1 Yr Price movement



Disclosure:

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