

Prince Pipes and Fittings

Weak performance continues

We maintain our ADD rating on Prince Pipes, with a lower target price of INR 675/sh (30x its Mar-26E EPS). In Q3FY24, Prince reported sub-par volume, down 2% YoY, and continued to lose market share while its peers delivered double-digit volume growth. Adjusted for inventory losses, unitary EBITDA fell to INR 20/kg in Q3 vs INR 22/21 per kg YoY/QoQ. Management is hopeful of arresting its market share loss from Q1FY25 onwards, on the back of various corrective actions it has taken so far. Prince is setting up a greenfield pipe plant in Bihar (~50K MT expected in Q4FY25, Capex INR 2.2bn), which will expand its plumbing capacity by 15%. In bathware, it is ramping up its sales and distribution network and expects EBITDA to break even in the next two years.

- **Q3FY24 performance:** Prince reported weak offtake (lost market share), and volume declined 2% YoY (+3% QoQ). Realisation fell 8/10% QoQ/YoY to INR 145/kg owing to falling resin prices across both CPVC and PVC. Unitary opex declined 6/13% QoQ/YoY to INR 127/kg. Inventory losses and bathware expenses moderated the opex decline, impacting the margin. Unitary EBITDA contracted INR 5/kg QoQ to INR 18/kg. In Q3, inventory loss was INR 100mn (1.6% of sales). If we adjust for inventory loss for all periods, unitary EBITDA/kg declined to INR 20 per kg in Q3 vs INR 22/21 per kg YoY/QoQ. In Q3, Prince bathware revenue was INR 60mn.
- **Con call KTAs and outlook:** Management mentioned it has rolled back prices in a few categories to align it with market trend, in a bid to arrest market share loss. It has also expanded HDPE pipe capacity to speed up volume growth. It expects a 12-14% EBITDA margin in the long term. Prince is setting up an integrated greenfield pipes plant in Bihar (~50K MT capacity, CoD in Q4FY25, capex INR 2.2bn), which will increase its total capacity by 15%. The project size is increased by INR 0.7bn as this facility will also manufacture fittings under the revised plan. The company had forayed into bathware in June 2023 and is ramping up distribution currently. It aims to break even at EBITDA level in the next two years. Factoring weak performance in Q3 and another quarter of losing market share, we cut our APAT estimates by 15/13/14% for FY24/25/26E. We lower our TP to INR 675/sh (30x Mar-26E EPS) and maintain the ADD rating.

Quarterly/annual financial summary

YE Mar (INR mn)	Q3 FY24	Q3 FY23	YoY (%)	Q2 FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Pipes sales (K MT)	42.7	43.7	-2.4	41.5	2.7	139.0	157.7	170.3	190.8	209.9
NSR (INR/kg)	145	162	-10.3	158	-8.3	191	172	149	155	158
EBITDA (INR/kg)	18	16	11.5	23	-21.8	30	16	18	20	21
Net Sales	6,186	7,059	-12.4	6,564	-5.8	26,568	27,109	25,325	29,499	33,162
EBITDA	757	695	8.9	942	-19.7	4,157	2,503	3,087	3,904	4,443
EBITDAM (%)	12.2	9.8		14.3		15.6	9.2	12.2	13.2	13.4
APAT	376	354	6.3	527	-28.6	2,495	1,214	1,664	2,217	2,495
Diluted EPS (INR)	3.4	3.2	6.9	4.8	-28.6	22.6	11.0	15.0	20.1	22.6
EV / EBITDA (x)						18.1	29.2	23.2	18.6	16.1
P/E (x)						29.9	61.5	44.9	33.7	29.9
RoE (%)						21.6	9.2	11.5	13.6	13.6

Source: Company, HSIE Research

ADD

CMP (as on 06 Feb 2024)	INR 675
Target Price	INR 675
NIFTY	21,929

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 790	INR 675
EPS	FY24E	FY25E
revision %	(13.4)	(14.4)

KEY STOCK DATA

Bloomberg code	PRINCPIN
No. of Shares (mn)	111
MCap (INR bn) / (\$ mn)	75/911
6m avg traded value (INR mn)	251
52 Week high / low	INR 776/532

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	8.9	1.8	10.3
Relative (%)	(2.2)	(8.0)	(9.0)

SHAREHOLDING PATTERN (%)

	Sep-23	Dec-23
Promoters	60.94	60.94
FIs & Local MFs	18.56	18.40
FPIs	5.01	5.74
Public & Others	15.49	14.92

Pledged Shares	-	-
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Source : BSE

Pledged shares as % of total shares

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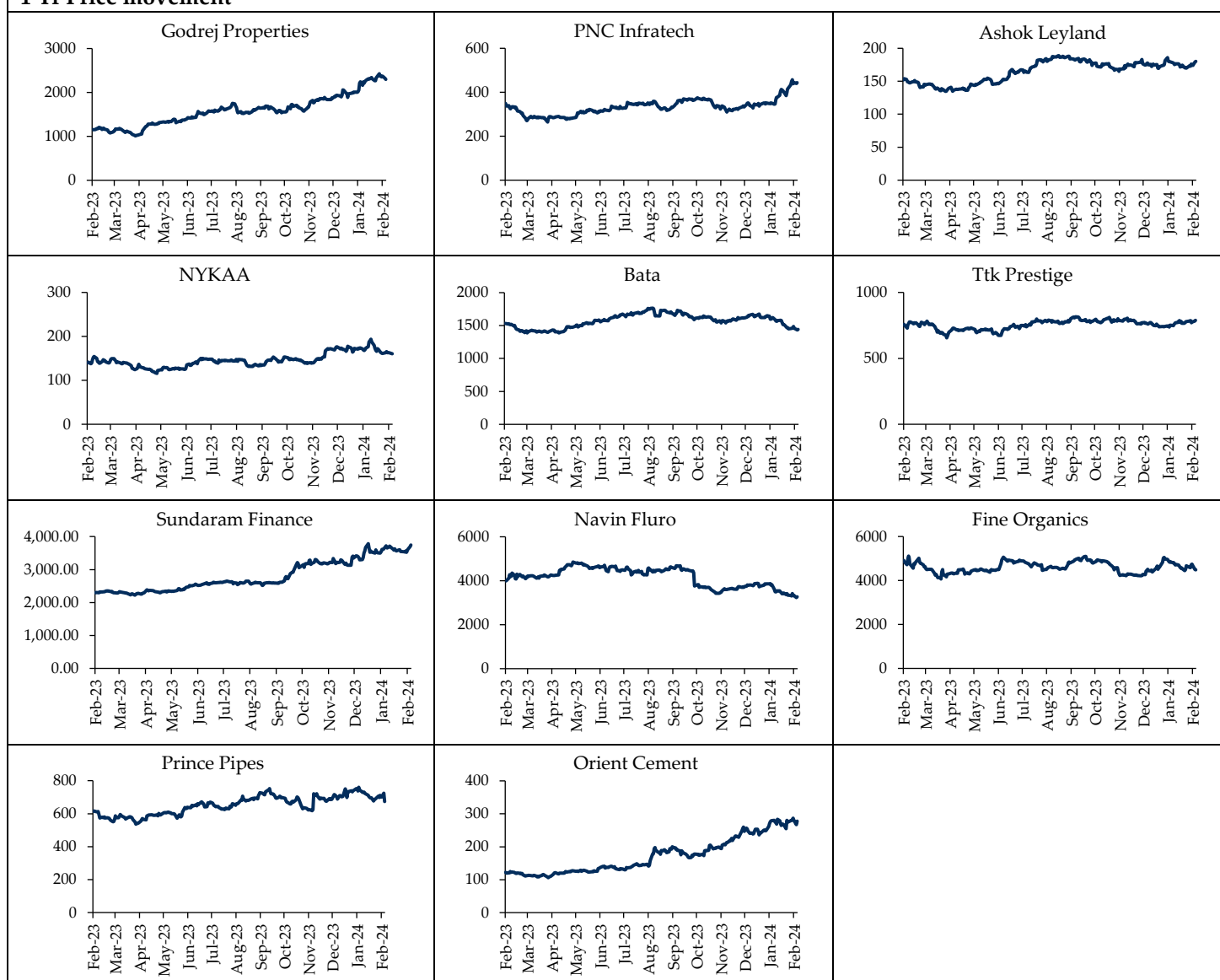
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Rating Criteria

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	Godrej Properties, PNC Infratech	CFA	NO
Maitreyee Vaishampayan	Ashok Leyland	MSC	NO
Jay Gandhi	Fsn E-commerce Ventures (Nykaa), Bata India	MBA	NO
Riddhi Shah	Fsn E-commerce Ventures (Nykaa), Bata India, TTK Prestige	MBA	NO
Krishnan ASV	Sundaram Finance	PGDM	NO
Deepak Shinde	Sundaram Finance	PGDM	NO
Akshay Badlani	Sundaram Finance	CA	NO
Nilesh Ghuge	Navin Fluorine International, Fine Organic Industries	MMS	NO
Harshad Katkar	Navin Fluorine International, Fine Organic Industries	MBA	NO
Prasad Vadnere	Navin Fluorine International, Fine Organic Industries	MSC	NO
Akshay Mane	Navin Fluorine International, Fine Organic Industries	PGDM	NO
Paarth Gala	TTK Prestige	Bcom	NO
Keshav Lahoti	Prince Pipes and Fittings, Orient Cement	CA	NO
Rajesh Ravi	Prince Pipes and Fittings, Orient Cement	MBA	NO

1 Yr Price movement


Disclosure:

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