

**June 01, 2023**

#### BUY

Price	639
Target Price	800
BSE Sensex	62,645
NSE Nifty	18,541

#### Key Data

Industry	Plastic Products
Reuters Code	PRCE BO
Bloomberg Code	PRNCPIP IN
Market Cap. (Rs bn/USD mn)	70.6/856.5
No of Shares o/s (mn)	110.6
Face Value (Rs)	10
BSE/NSE Code	542907/PRINCEPIPE
52 Week H/L (Rs)	664/513
Avg. Daily Traded Volume	2,13,640
Dividend per share (FY22)	3.5

#### Shareholding Pattern (%)

	Sep -22	Dec -22	Mar -23
Promoters	62.9	62.9	60.9
Pledged shares	0.0	0.0	0.0
FII	4.5	4.9	6.8
DII	14.6	15.5	15.8
Public & Others	18.0	16.7	16.5

#### Stock Performance (%)

	1M	3M	12M
Absolute	7.2	15.2	0.4
Relative to Nifty	4.6	8.1	-11.4

#### Price Chart



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# Prince Pipes & Fittings Ltd

**Result  
Note**

## Result note for quarter ending March - 2023

- PRINCEPI's net revenue declined by 15.2% YoY to Rs 7.6bn, impacted by 2.1% volume de-growth (due to higher base of Q4FY22) and 13.3% fall in realizations (due to lower PVC prices). However, QoQ growth in revenue was healthy at 8.3% (volume growth of 1.4%) on account of improved demand across Agri and Plumbing /SWR pipes portfolio.
- EBITDA rose 5.6% YoY and 113.5% QoQ, while EBITDA margins improved by 381 bps YoY and 956bps QoQ to 19.4%, driven by better product mix (higher share from fittings and CPVC & PPR pipes. Inventory gains stood Rs 250m in Q4FY23 vs Rs 1.5bn inventory losses reported in 9MFY23 (Rs 250-300cr loss in Q3FY23), led by some recovery in PVC prices. PAT increased by 6.7% YoY and 165.9% QoQ to Rs 941.1mn.
- In FY23, net revenue, EBITDA and PAT stood at Rs 27.1bn (up 2% YoY), Rs 2.5bn (down 39.8% YoY) and Rs 1.2bn (down 51.3% YoY) respectively.
- Net WCC reduced from 68 days as on Mar-22 to 57 days as on Mar-23, driven by improvement in inventory and receivables. Gross Debt declined from Rs 1.5bn as on Mar-22 to Rs 0.6bn as on Mar-23.
- Revenue of water tanks was Rs 300mn in FY23 and is expected to double in FY24E.
- To strengthen presence in East, PRINCEPI plans to add ~ 35,000 MT pipes greenfield capacity in Bihar (~Rs. 1.5bn capex). Commercial production will commence by Q4FY25E.
- Overall capex guidance for FY24E is Rs 1.5bn (Rs 0.8bn towards new pipes facility and balance maintenance capex).
- PRINCEPI does not expect any material inventory losses in Q1FY24E. It expects volumes growth of 12-15% in Q2, Q3, Q4 of FY24E (Q1 to be impacted by migration to global ERP system) and 15-20% in FY25E. Long term sustainable margins to be 13-15%.
- The newly ventured Bathware business is progressing well with vendors and designs finalized. The products will be introduced in phased manner from June-23.
- We remain constructive on PRINCEPI's long term growth prospects, given its constant portfolio enhancement and brand building, widening reach and healthy industry outlook. Revenue, EBITDA and PAT is estimated to grow by 13%, 39.7% and 55.8% CAGR over FY23-25E. With stable PVC prices, higher share of value added products and operating leverage benefits, margin trajectory should improve. Rolling over valuations to FY25E EPS, we upgrade PRINCEPI's rating to BUY with revised price target of Rs 800.

## Key Financials

Particulars (Rs mn)	Q4FY23	Q4FY22	% chg	FY23	FY22	% chg
Net Revenue	7,644.1	9,012.0	-15.2	27,108.7	26,568.3	2.0
Total Expenditure	6,160.8	7,606.9	-19.0	24,605.6	22,412.2	9.8
EBITDA	1,483.3	1,405.1	5.6	2,503.1	4,156.1	-39.8
EBITDA margin	19.4%	15.6%	381bps	9.2%	15.6%	-641bps
PBT	1,277.8	1,166.7	9.5	1,648.4	3,368.7	-51.1
Tax	336.7	284.4	18.4	434.2	874.7	-50.4
PAT	941.1	882.3	6.7	1,214.2	2,494.0	-51.3
PAT margin	12.3%	9.8%	252bps	4.5%	9.4%	-491bps
EPS (Rs)	8.5	8.0	6.7	11.0	22.6	-51.3

## Financials

## Income statement

YE March (Rs mn)	FY22	FY23	FY24E	FY25E
<b>Net Revenue</b>	<b>26,568</b>	<b>27,109</b>	<b>29,927</b>	<b>34,642</b>
Growth	28.3%	2.0%	10.4%	15.8%
Operating Exp	22,412	24,606	25,887	29,758
<b>EBITDA</b>	<b>4,156</b>	<b>2,503</b>	<b>4,040</b>	<b>4,885</b>
Growth	14.9%	-39.8%	61.4%	20.9%
EBITDA Margin	15.6%	9.2%	13.5%	14.1%
Depreciation	703	830	878	938
<b>EBIT</b>	<b>3,453</b>	<b>1,673</b>	<b>3,162</b>	<b>3,947</b>
Other Income	55	86	86	89
Interest	139	110	105	96
<b>PBT</b>	<b>3,369</b>	<b>1,648</b>	<b>3,144</b>	<b>3,940</b>
Tax	875	434	792	993
<b>PAT</b>	<b>2,494</b>	<b>1,214</b>	<b>2,351</b>	<b>2,947</b>
Growth	12.4%	-51.3%	93.7%	25.3%
<b>FD EPS (Rs)</b>	<b>22.6</b>	<b>11.0</b>	<b>21.3</b>	<b>26.7</b>

## Key Ratios

YE March	FY22	FY23	FY24E	FY25E
Fully Diluted EPS (Rs.)	22.6	11.0	21.3	26.7
Fully Diluted CEPS (Rs.)	28.9	18.5	29.2	35.1
Fully Diluted BV (Rs.)	114.4	123.4	140.6	162.3
P/E (x)	28.3	58.2	30.0	24.0
P/CE (x)	22.1	34.6	21.9	18.2
P/BV (x)	5.6	5.2	4.5	3.9
D/E (x)	0.1	0.0	0.0	0.0
EBITDA Margin (%)	15.6	9.2	13.5	14.1
PAT Margin (%)	9.4	6.6	8.6	8.6
RoCE (%)	27.1	11.8	20.9	22.9
RoIC (%)	30.8	13.1	24.8	28.1
RoE (%)	21.6	9.2	16.1	17.6
Wcap Cycle (days)	90.0	70.1	75.0	74.0
EV/Ebitda (x)	17.2	27.6	17.0	13.8
EV/Sales (x)	2.7	2.5	2.3	1.9

## Balance Sheet

YE March (Rs mn)	FY22	FY23	FY24E	FY25E
Share Capital	1,100	1,106	1,106	1,106
Reserves	11,547	12,534	14,443	16,837
Shareholders' Funds	12,653	13,640	15,549	17,943
Debt	1,500	581	523	419
Net Deferred Taxes	123	137	137	137
LT Provision & Others	127	168	186	216
<b>Source of Funds</b>	<b>14,402</b>	<b>14,526</b>	<b>16,395</b>	<b>18,714</b>
Net Block	6,456	6,851	6,773	6,435
CWIP	226	190	750	1,450
Investment	117	920	1,103	1,653
LT Loans & Adv	425	246	255	270
Total Non Curr Assets	7,224	8,207	8,881	9,809
Inventories	6,188	4,256	4,920	5,695
Trade Receivables	4,346	4,150	4,756	5,410
Cash & Equivalents	586	1,244	1,508	2,048
Other Curr Assets	1,046	684	756	877
Total Curr Assets	12,167	10,335	11,939	14,029
Trade Payables	3,986	3,202	3,526	4,081
Other Curr Liab	1,002	814	899	1,043
Total Curr Liab	4,988	4,016	4,425	5,125
Net Curr Assets	7,179	6,319	7,513	8,905
<b>Appl of Funds</b>	<b>14,402</b>	<b>14,526</b>	<b>16,395</b>	<b>18,714</b>

## Cashflow

YE March (Rs mn)	FY22	FY23	FY24E	FY25E
Net profit	2,494	1,214	2,351	2,947
Add: Depreciation	703	830	878	938
Add: Non-Opt Item	84	25	19	7
(Inc)/Dec in Invst	(3,915)	1,932	(663)	(775)
(Inc)/Dec in Debtors	(812)	196	(605)	(654)
(Inc)/Dec in Oth Assets	705	362	(72)	(121)
Inc/(Dec) in Curr Liab	1,495	(784)	324	555
Inc/(Dec) in Oth Liab	(872)	(188)	85	144
Changes in Wcap	(3,400)	1,518	(931)	(851)
<b>CF from Opt (A)</b>	<b>(118)</b>	<b>3,586</b>	<b>2,317</b>	<b>3,041</b>
(Inc)/Dec in FA	(1,589)	(1,190)	(1,360)	(1,300)
Free CF	(1,708)	2,397	957	1,741
(Purch)/Sale of Invst	(103)	(803)	(183)	(550)
Interest recd from Invst	55	86	86	89
(Inc)/Dec in Oth NCA	(31)	179	(9)	(15)
<b>CF from Invst (B)</b>	<b>(1,668)</b>	<b>(1,728)</b>	<b>(1,466)</b>	<b>(1,777)</b>
Inc/(Dec) in LT Debt	-	-	-	-
Inc/(Dec) in ST Debt	648	(919)	(58)	(105)
Interest Paid	(139)	(110)	(105)	(96)
Dividend Paid	(387)	(332)	(442)	(553)
Equity Raised	5	-	-	-
Inc/(Dec) in Oth NCL	(53)	160	18	30
<b>CF from Fin (C)</b>	<b>74</b>	<b>(1,201)</b>	<b>(587)</b>	<b>(724)</b>
<b>Net CF (A+B+C)</b>	<b>(1,713)</b>	<b>658</b>	<b>264</b>	<b>540</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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