Equity – Asia Research

Prince Pipes & Fittings (PRINCPIP IN)

Materials

20 Jan 2020

海通國際 HAITONG

BUY

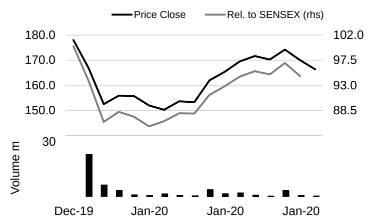
TP: Rs262.0/CP: Rs166.3

A Jewel in the Crown

Basic Share Information

Market cap	Rs18.30bn / US$0.26bn
Daily traded value (3mth)	US$7.33mn
Shares outstanding	110.0mn
Shares in issue	110.0mn
Net debt-to-equity	68.5%
1 yr high – low	Rs178.0 – Rs150.2

Price/Volume



Source: Bloomberg

Related Reports

R1: [Indian Plastic Pipes: Strong Growth in the Pipeline]

R2: [India Plastic Pipes: Positive Outlook on Plastic Pipe Demand on High Infra Spend]

Utkarsh Nopany
utkarsh.nopany@htisec.com

Hong Kong Office	(852) 2899 7090
Tokyo Office	(81) 3 3560 9300
London Office	(44) 20 7456 1140
New York Office	(1) 212 351 6050
Mumbai Office	(91) 22 4315 6843

Investment thesis/action:

Prince Pipes & Fittings (PRINCPIP) is the fifth largest plastic pipe company in India. It enjoys a competitive edge over its peers supported by its established brand name, strong distribution network, diversified product portfolio (agri/plumbing/sewerage/infra) and wide fittings SKUs, and multi-geographic manufacturing base. We believe PRINCPIP is a jewel (best pick) in the crown (plastic pipe sector with a positive outlook) due to a) its 100% exposure to the plastic pipe sector while its major listed pipe peers operate in other segments, whose business risk profiles appears to be weaker than pipe; b) strong business risk profile, in our view, on the back of market share gains over its major listed peers while maintaining healthy return ratios over the past 5-7 years; c) we project a solid adjusted PAT CAGR of 25.7% over FY19-FY22; and d) PRINCPIP is trading at a steep discount to its peers on concerns of weak corporate governance and high contingent liability at the promoters capacity, which we believe is unwarranted as most of the issues have already been addressed in the past 1-2 years, and as long-pending contingent liability issues, if these arise in the future, can be addressed by paring a small stake in the company. We initiate coverage on PRINCPIP with a BUY rating and target price of Rs262 (58% upside from the last close), based on 11x FY21 EBITDA (a 36-70% discount to 1-yr rolling fwd EBITDA multiple enjoyed by its major pipe peers).

Detailed analysis/reasoning:

1. We see it as the best proxy play in plastic pipe sector on 100% exposure and relative outperformance: All the other major listed pipe companies (except PRINCPIP) operate in non-pipe segments as well [Finolex Industries (FNXP IN): PVC resin; Astral Poly Technik (ASTRA IN): adhesives; Supreme Industries (SI IN): packaging], whose business risk profiles appears to be weaker than pipe. Furthermore, the company has relatively outperformed its major peers over the last 5-7 years period in terms of volume growth and return ratios in the plastic pipe segment.

2. Strong business risk profile: PRINCPIP has consistently generated ROIC of around 20% in the past 10 years and we expect this to improve to 24% by FY22 due to its strong competitive edge (established brand as a result of track record of more than 3 decades, presence across segments with wide fittings offerings, large distribution network, and multi-geographic plant locations).

3. Major beneficiary of consolidation of PSWR operations: Post family business separation in 1995, PRINCPIP and Prince SWR Systems (PSWR, unlisted) both operated in pipe and sell under the common brand 'Prince' with a slight logo differentiation. PSWR's revenue fell for the first time in a decade (-21% YoY in FY19) due to a weak financial risk profile. Based on our channel checks with few distributors, we have also learned that the flow of PSWR's goods has been severely impacted in FY20. PRINCPIP is expected to be a major beneficiary due to the consolidation of PSWR operations in the near-future.

4. Scope for improvement in operating margin by 100-200bps by FY22 on a) narrowing of price gap with its peers; b) increase in share of high-margin PVC plumbing revenue; c) lower freight cost post start of Telengana facility by March 2021; and d) operating leverage benefits.

5. Strong re-rating candidate as it is trading at a steep discount to its peers (FNXP: -59%; SI: -74%; ASTRA: -80%), which we believe is unwarranted due to a) strong business risk profile as it gained market share while operating at healthy ROIC versus its major pipe peers over the past 5-7 years and most of the street concerns on corporate governance has been well addressed by the company in the past 1-2 years.

Risks: The main risk to our rating and the attainment of our target price is a persistent slowdown in private residential activity in urban areas.

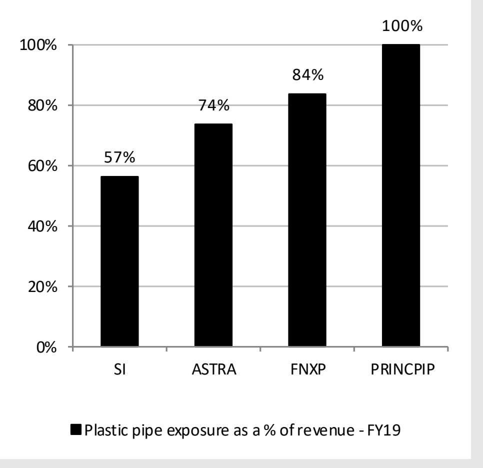
	Mar-18A	Mar-19A	Mar-20E	Mar-21E	Mar-22E	Trend
Total turnover (Rsm)	13,150	15,632	17,944	20,435	22,850	
Operating profit (Rsm)	1,284	1,327	1,640	1,910	2,125	
Pre-tax profit (Rsm)	952	1,115	1,397	1,812	2,052	
Net income to ord equity (Rsm)	728	834	1,045	1,356	1,535	
Adjusted net profit (Rsm)	752	773	1,045	1,356	1,535	
Net profit growth	(1.9%)	14.5%	25.4%	29.7%	13.2%	
P/E (x)	15.43	17.96	15.91	13.49	11.92	
Adj EV/EBITDA (x)	8.11	9.60	7.29	6.74	5.67	
P/B (x)	4.73	3.74	2.14	1.86	1.63	
ROE	26.0%	23.2%	16.6%	14.7%	14.6%	
Dividend yield	0.0%	0.0%	0.3%	0.4%	0.8%	
EPS HTI New (Rs)	10.78	9.26	10.45	12.33	13.96	
HTI EPS vs Consensus	na	na	na	na	na	

Source: Company data, Bloomberg, HTI estimates

Click here to download the working model

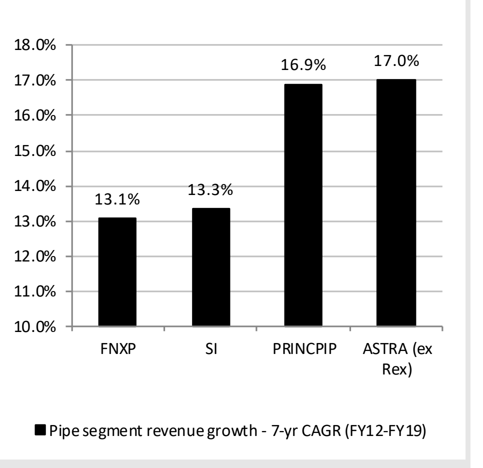
Story in a nutshell

Figure 1: We see PRINCPIP as the best proxy play in plastic pipe sector on 100% revenue exposure



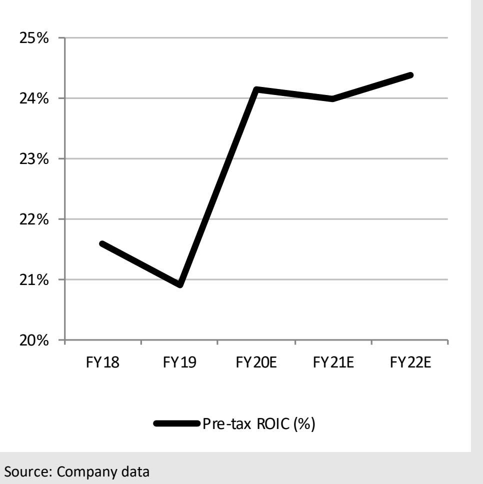
Source: Company data

Figure 2: PRINCPIP gains market share over the last 7 years period to its major plastic pipe peers



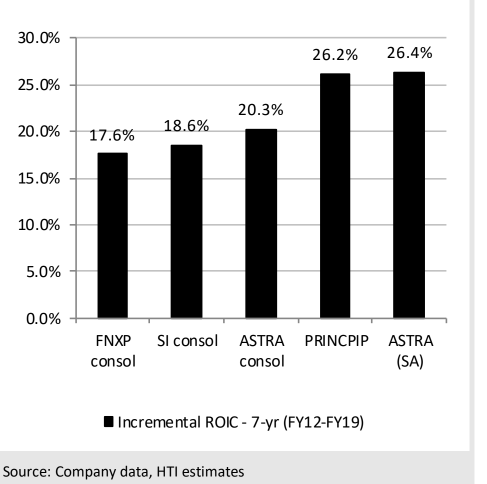
Source: Company data, HTI estimates

Figure 3: PRINCPIP pre-tax ROIC is expected to improve from 21% in FY19 to 24% by FY22



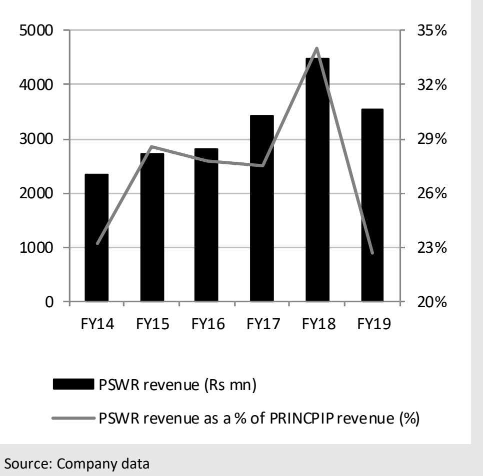
Source: Company data

Figure 4: PRINCPIP incremental pre-ROIC profile is almost similar to its major listed pipe peers



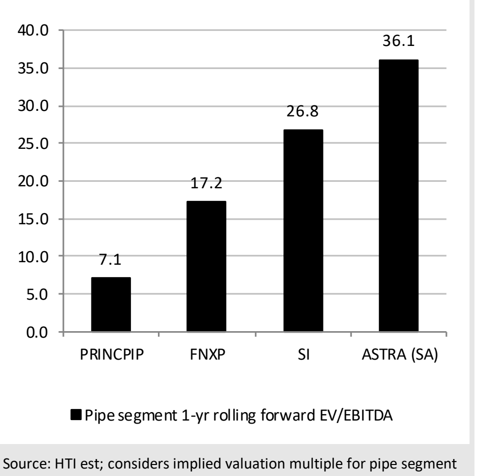
Source: Company data, HTI estimates

Figure 5: PRINCPIP to be a major beneficiary of consolidation of PSWR operations in future



Source: Company data

Figure 6: PRINCPIP trading at a steep discount to its major listed pipe peers



Source: HTI est; considers implied valuation multiple for pipe segment

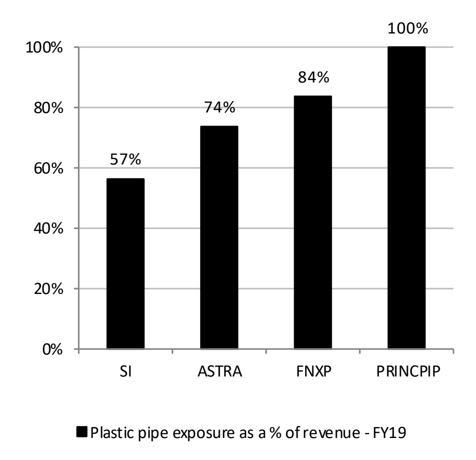
PRINCPIP operates only in the plastic pipe segment whereas its major listed peers are also present in non-plastic pipe segments, whose business risk profile is inferior, in our view, due to lower growth and/or inferior ROIC profile in comparison to plastic pipe segment

Investment Thesis

1. Best proxy play in plastic pipe sector on 100% exposure and relative outperformance

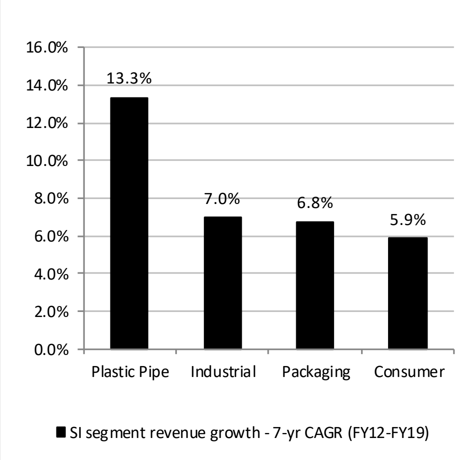
Entirely exposed to growing and profitable plastic pipe among major listed peers
Among major plastic pipe listed companies, PRINCPIP is the only company which has entire exposure to the plastic pipe sector. In contrast, major listed plastic pipe companies have exposure to other sectors as well (SI – packaging & furniture; FNXP – PVC resin; and ASTRA – adhesives), whose business risk profile, in our view, is slightly inferior in comparison to the plastic pipe sector in terms of growth and return ratios.

Figure 7: PRINCPIP has the highest exposure to plastic pipe among its major listed peers



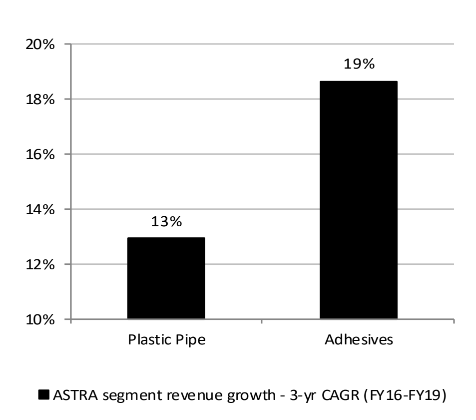
Source: Company data

Figure 8: SI non-pipe segment revenue grew at tepid pace versus plastic pipe over FY12-FY19



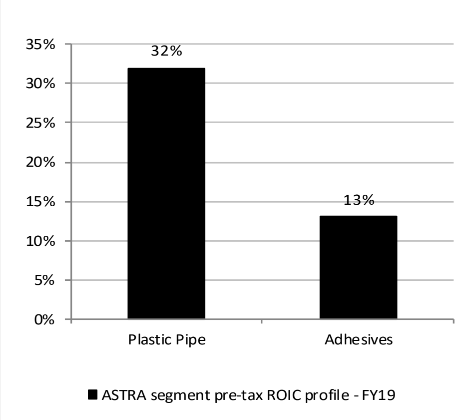
Source: Company data

Figure 9: ASTRA adhesive segment registered superior growth than plastic pipe in the past, but we see growth rate tapering down in FY20...



Source: Company data

Figure 10: ... as well as adhesive segment ROIC profile is significantly inferior to pipe segment

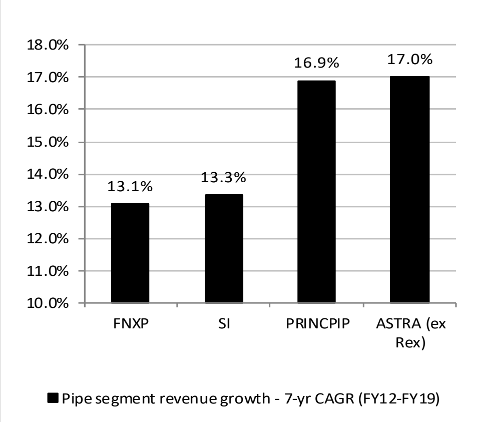


Source: Company data

Relative outperformance among major listed pipe space on growth and return ratios
Based on the comparison of the pipe segment of major listed companies, we observe that PRINCPIP's revenue as well as operating profit grew at a higher pace than its major listed pipe peers over the last 7-year period (FY12-FY19). Furthermore, the incremental ROIC of PRINCPIP over the past 7 years is almost similar to its major listed pipe peers. High exposure to the plastic pipe sector coupled with relative outperformance makes PRINCPIP the best proxy play in the plastic pipe sector, in our view.

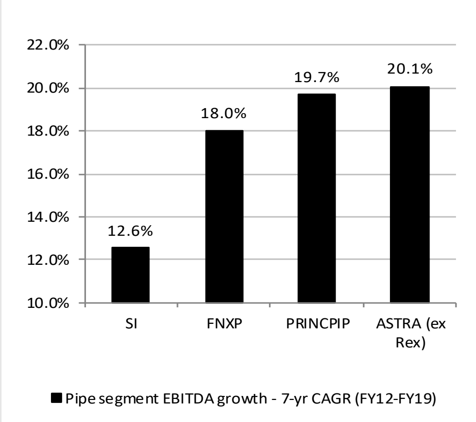
PRINCPIP outperformed its major listed pipe peers by gaining market share and registering a high return ratio..

Figure 11: PRINCPIP revenue grew at a higher pace than its major pipe peers over FY12-FY19



Source: Company data

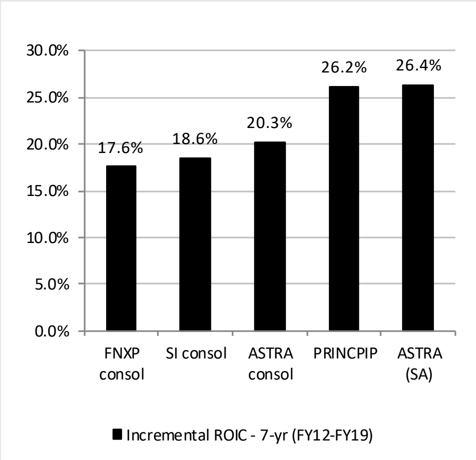
Figure 12: PRINCPIP EBITDA grew at a higher pace than its major listed pipe peers over FY12-FY19



Source: Company data

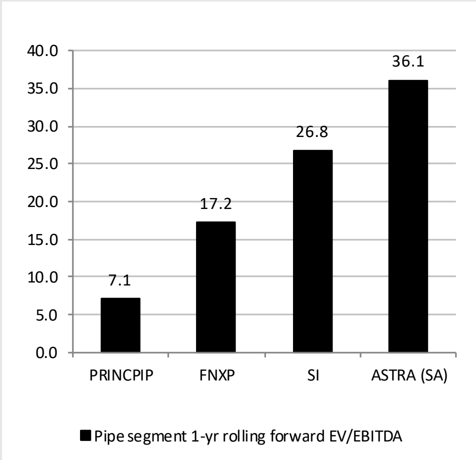
..however, it is trading at a steep discount to its peers on concerns of weak corporate governance standards and high contingent liability. We believe such concerns are overdone as most of the issues have already been addressed by the company in the past 1-2 years and the long-pending contingent liability issues at the promoter level can be well addressed by paring small stake in the company (if these arise in the future)

Figure 13: PRINCPIP ROIC profile is almost similar or superior to its major listed pipe peers..



Source: Company data, HTI estimates

Figure 14: ..however, it is trading at a steep discount to its major listed pipe peers



Source: HTI estimates; considers implied valuation multiple for pipe segment

II. PRINCPIP is trading at a steep discount to its peers on 'much ado about nothing'

A. Major beneficiary of PSWR consolidation on sharing common brand name

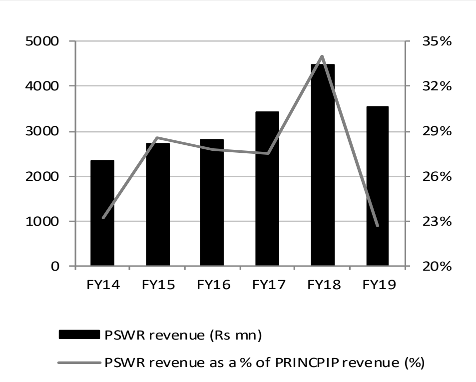
Company	Logo
PRINCPIP	
PSWR	

Source: Company

After family business separation in mid-1990s, PRINCPIP (owned by Mr. Parag Jayant Chheda) and PSWR (owned by Mr. Piyush Chheda) were both marketing plastic pipe products under the common brand of 'Prince' with a slight logo differentiation (PRINCPIP – 3 crown and PSWR – 5 crown). In November 2016, PRINCPIP launched the Udaan program to educate the channel partners about product differentiation by building strong connect with wholesalers, retailers and plumbers. Under this loyalty program, enrolled channel partners earn reward points on every purchase and can redeem these points for gifts. This coupled with the appointment of a well-known Bollywood actor (Mr. Akshay Kumar) in 2018 as brand ambassador helped in addressing the brand differentiation problem in a significant manner at retail level. Furthermore, PSWR's revenue degrew by 21% YoY in FY19 (for the first time in a decade) due to its weak financial risk profile. Based on our channel checks with few distributors, we have also learned that the flow of PSWR's goods has been severely impacted in FY20.

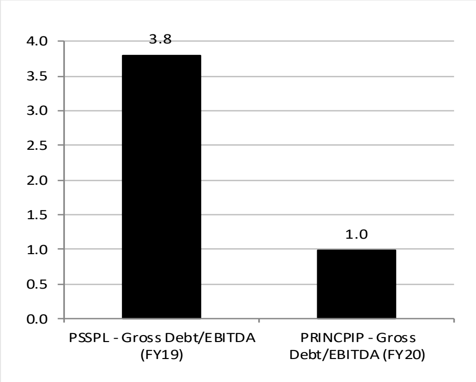
Even if PSWR is able to revive the operations in near-future, we believe it should not be able to pose a major threat to PRINCPIP sales growth over medium-term due to priority of debt reduction over business expansion of former on the back of weak financial risk profile and higher spending on brand and building strong connect with channel partners by the latter

Figure 15: PSWR sales fell by 21% YoY in FY19..



Source: Company data

Figure 16: ..due to weak financial risk profile



Source: Company data

Shares pledged by the promoters at the time of IPO have already been released by paying of debt from proceeds of secondary issue

B. Pledged shares

The promoters pledged 35% of PRINCPIP shares earlier for availing debt of Rs2bn (of which Rs1.9bn was outstanding as at 31 October 2019) for one of the promoter group entities, Express Infra Projects LLP. After the IPO, the promoters recently released the pledged shares by repaying the entire debt out of proceeds from the secondary issue.

The group financial risk profile has significantly improved due to a) active de-leveraging out of IPO proceeds at both PRINCPIP and group entities; and b) major group companies are self-sufficient to repay the debt on its own as it is backed by assured lease rentals. Further, PRINCPIP plans to retire the entire term loan by FY22

C. Leverage group profile

As per a DRHP report, promoters have raised debt in various group companies to fund various real estate projects. However, we have learned that the outstanding debt of major group companies (as shown below) was mainly availed for developing lease rental projects and the outstanding debt is comfortably serviced out of lease rental income (which address the street concern to a great extent). Furthermore, the group plans to repay the entire long-term debt (i.e. term loan) of PRINCPIP by March 2022. The debt profiles of major group companies are provided below:

Figure 17: Debt profile of major group companies

Major group companies (Amount in Rs mn)	Sanctioned Debt Oct 31, 2019	Remarks
Express Infra Projects	2000	Repaid the entire debt out of proceeds of secondary issue
Arena Enterprise	1459	The debt is raised to develop commercial properties to put out on lease. It is currently operational and the debt obligation are comfortably serviced out of existing lease rental income
Pinnacle Realty Projects Pvt Ltd	200	
PRINCPIP	-	Plans to repay the entire term loan by Mar'22 by prepayment of Rs50 crore out of IPO proceeds in Q4FY20 and the remaining out of internal cash accrual by Mar'22.

Source: PRINCPIP DRHP; PRINCPIP promoters own 20% stake in Arena Enterprise (unlisted)

Earlier, PRINCPIP used to procure around 20-30% of its raw materials from two group companies mainly to avail a 4% Special Additional Duty benefit. As such benefit is no longer available under GST regime, the operations of those two group companies has been discontinued and also surrendered the bank facilities.

D. High exposure to group companies

Earlier, PRINCPIP used to procure roughly 20-30% of its raw materials through two of its group companies (Prince Marketing and Ace Polyplast) to avail 4% Special Additional Duty benefit. As such benefit is now no longer available under new GST regime from FY19 onwards, PRINCPIP started procuring raw materials on its own. The operations of those two group companies have been discontinued and the bank limits availed by those companies has also been surrendered. Furthermore, we have analyzed that the scale of those two group companies operations was limited to sale of goods to PRINCPIP and operated at a thin PAT margin of sub 1% from sale of goods to PRINCPIP during FY16-FY19.

The company has also given an advance amount of Rs400mn to Prince Marketing against a real estate property based in prime location of Mumbai (whose current value is estimated to be Rs550mn) and expects to get back the advance amount by December 2021 out of proceeds from sale of such property.

Figure 18: Major related party transactions in the past three years and current status

Particulars	FY17	FY18	FY19	Remarks
Proportion of sales made through group companies (%)	6.1%	0.0%	0.9%	Not Material
Proportion of purchases made through group companies (%)	30.2%	20.8%	0.9%	Earlier, PRINCPIP used to procure certain raw-material through two group companies to avail 4% Special Additional Duty benefit. As such benefit is no longer available under new GST regime from FY19 onwards, the operations of those two group companies has been discontinued and the bank limits availed by those companies has also been surrendered.
Advance against property - Prince Marketing (Rs mn)	0	345	400	Management plans to refund the advance amount by Dec 2021 by proceeds from sale of a real estate property in Mumbai owned by Prince Marketing (whose market value estimated to be Rs 550 mn)
Receivables - Ace Polyplast Pvt Ltd (Rs mn)	84	0	147	Recovered entire amount by Dec 31, 2019

Source: Company data

PRINCPIP has extended advance of Rs400mn to one of its group companies against real estate located in prime location of Mumbai (which is put out for sale). The same is expected to be refunded back by December 2021 out of proceeds from sale of property.

E. High amount of contingent liability

PRINCPIP had a contingent liability of Rs677mn as on 31 March, 2019 related to first loss default guarantees given to banks for channel financing facility availed by its distributors. In order to improve working capital cycle, PRINCPIP shifted few of its major distributors under channel financing (with recourse) in FY18. Based on satisfactory track record of distributors (availing channel financing facility), the company expects such facilities may get renewed on without recourse terms over the next 1-2 year period.

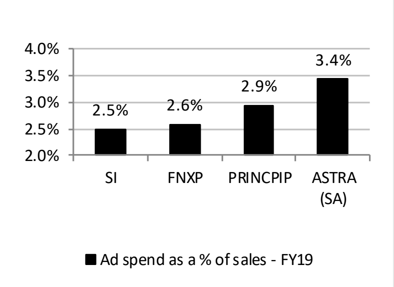
PRINCPIP ROIC improved from 19.5% to 20.9% in FY19 due to start of channel financing facilities. With satisfactory conduct of channel financing facilities availed by its major distributors, the company expects the bank to renew on without recourse terms over the next 1-2 years period.

Two promoters of PRINCPIP (Mr. Jayant Shamji Chheda – CMD and Heena Parag Chheda - ED) own 10% interest each in a partnership firm, M/s Aditya Developers (Aditya). In December 2010, Aditya entered into a joint venture (JV) agreement with Montana Developers Private Limited ("Montana") (unlisted) and Montana made an interest-free deposit of Rs462.5mn to JV to develop a real estate property. Subsequently, Montana initiated arbitration proceedings in 2013 and claimed Rs9,046.4mn from Aditya and its promoters and also filed a criminal complaint before the Additional Chief Metropolitan Magistrate, 37th Esplanade, Mumbai court, against Aditya and its partners, alleging (i) misrepresentation of certain material information in relation to the subject matter of the JV Agreement leading to fraudulent inducement to enter into the JV Agreement and making an interest free deposit of Rs462.50mn to Aditya; and (ii) forgery of a letter from Montana, countersigned by two of the partners of Aditya on behalf of Aditya, mutually terminating the JV Agreement. However, the matter is currently sub-judice.

If we assume the long-pending case against its two promoters gets settled at the original claim amount in a worst case scenario, then the PRINCPIP promoter would be liable to 20% of the said claim amount (i.e. Rs1,809 mn). Even then we believe the group would be in a position to settle such large claim amount by paring small stake (6-10%) in PRINCPIP (promoter stake is 63.25%).

If we assume the long-pending case gets settled at the original claim amount in a worst case scenario, then the PRINCPIP promoter would be liable to 20% of the said claim amount (i.e. Rs1,809mn). Even then we believe the group would be in a position to settle such large claim amount by paring small stake (6-10%) in PRINCPIP (promoter stake is 63.25%).

Figure 19: Ad spend as a % of sales - FY19



Source: Company data, HTI estimates, SA - standalone

III. Strong business risk profile

A. Strong brand name in plumbing pipe & SWR pipe segment

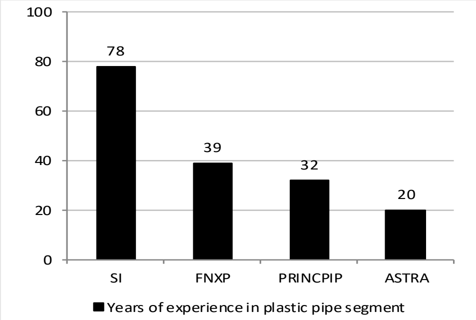
As per our channel checks conducted in Western India (Mumbai & Ahmedabad), we learned that PRINCPIP has made a strong brand name in plastic pipe segment (especially in PVC plumbing pipe segment) due to long track record of timely delivery of quality product, diversified product portfolio (present in all categories except HDPE pipe segment), wide fittings SKUs, and good connect with channel partners (distributors, retailers & plumbers).

Figure 20: PRINCPIP has a strong brand name in most major plastic pipe categories in India..

Product	Company
Irrigation	FNXP, SI, Jain and PRINCPIP
Column borewell	Ashirvad
Plumbing (PVC/SWR)	SI, PRINCPIP and ASTRA
CPVC	Ashirvad, ASTRA, PRINCPIP, SI and FNXP
PPR	PRINCPIP and SI
Infrastructure	SI and Jain

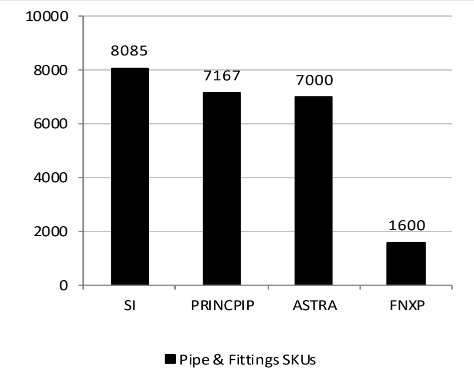
Source: HTI estimates

Figure 21: ..long track record of timely delivery of quality product..



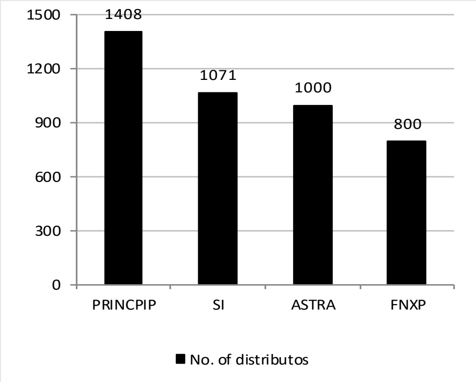
Source: Company data

Figure 22: ..wide range of pipes & fittings SKUs



Source: Company data, HTI estimates

Figure 23: .. strong distribution network in India

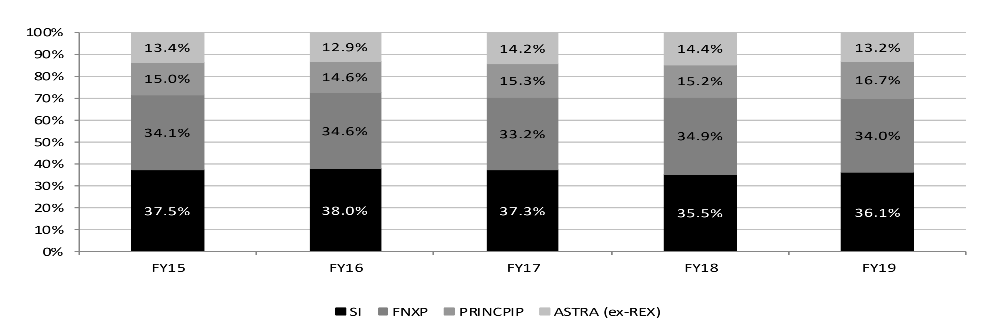


Source: Company data

B. PRINCPIP market share rising on multi-pronged growth approach

In comparison to top 4 listed plastic pipe companies, PRINCPIP has gained market share from 15.0% in FY15 to 16.7% in FY19 (in terms of sales volume). Going ahead, the company plans to outpace the industry growth by at least 4% point over the medium-term by adopting multi-pronged growth approach (multi-location; multi-product; and multi-brand).

Figure 24: PRINCPIP market share (by volume terms) up from 15.0% in FY15 to 16.7% in FY19



Source: Company data

Geographical diversification of manufacturing base along with rising share of contract manufacturing revenue has helped in gaining market share in newer/lower tapped regions

i. Multi-location strategy: PRINCPIP diversified its manufacturing base from a single location in West India (i.e. Dadra and Nagar Haveli) to Haridwar, Uttarakhand in 2008 to make a strong presence in North India (which now accounts for 38.6% of revenue in FY19) and then acquired two plants of Chemplast Sanmar (based in Chennai and Kolhapur) to make a foray into South India market. In the past few years, the company entered into agreement with two contract manufacturers (one in Bihar in September 2014 and the other in Odisha in October 2019) to make a strong footprint in East India (region sales contribution has moved up from 7-8% in FY17 to about 13% currently). Now, the company has recently opened a facility in Rajasthan (as Haridwar plant is operating at full capacity) and plans to open a facility in Telengana by March 2021 to make a much stronger footprint in South India market (where it is targeting to produce all kinds of pipes & fittings as against producing only PVC pipes in Chennai facility).

Figure 25: Multi-location plant strategy to foray into newer market

Timeline	Particulars
1995	Set up a large scale plastic injection moulding and extrusion unit in Athal, Dadra and Nagar Haveli
2000	New plant set up at Dadra for pipe manufacturing
2008	New plant set up at Haridwar, Uttarakhand for pipes and fittings manufacturing to gain market share in North India
2012	Acquisition of Trubore Piping System brand and 2 plants in Chennai and Kolhapur from Chemplast Sanmar to gain market share in South India
Jul-14	Entered into contract manufacturing with Aurangabad-based Shree Chintamani Multilayer for manufacturing UPVC pipes
Sep-14	Entered into contract manufacturing with Bihar-based Shree Tel-Fab Industries Pvt. Ltd. for manufacturing UPVC pipes
Jun-18	Entered into contract manufacturing with Aurangabad-based Shree Prabhu Petrochemical's Pvt. Ltd. for manufacturing DWC pipes
Jul-19	Entered into contract manufacturing with Andhra Pradesh-based Swetha PVC Industries for manufacturing UPVC pipes
Sep-19	New plant set up at Rajasthan for pipe manufacturing as Haridwar is operating at full capacity
Oct-19	Entered into contract manufacturing with Odisha-based Ohm Pipes for manufacturing UPVC pipes
2020E	Plans to enter into contract manufacturing facilities in West Bengal
Mar-21E	Plans to open a new manufacturing facility in Telengana to make a strong presence in growing South India market

Source: Company data

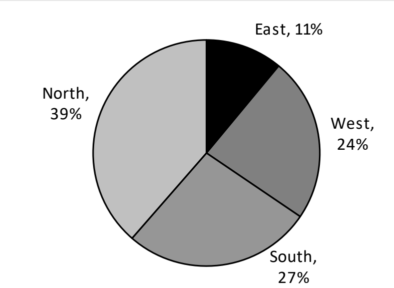
PRINCPIP has a strong presence across plastic pipe segment (except HDPE pipe)

ii. Multi-product strategy: PRINCPIP was initially engaged in manufacturing of agriculture pipe for irrigation and fittings on behalf of many organized plumbing pipe companies (as fittings used to command higher margin). Later, the company entered into polypropylene and PVC-based plumbing & SWR pipe and has established as a strong brand name in the retail market in the plumbing pipe segment in India. Recently, the company has entered into DWC pipe segment to make a foray in infrastructure pipe category.

PRINCPIP would be the early move in the plastic pipe industry to sell its product under two brands to play with the premiumization theme, which is working out quite well in other building material sector (such as cement, paints, adhesives, etc).

iii. Multi-brand strategy: PRINCPIP is selling its product under two brands – Prince (which is currently sold across India) and Trubore (which is mainly present into borewell pipe segment in Tamil Nadu). Trubore brand was acquired from Chemplast Sanmar (unlisted) in October 2012. The company now plans to play premiumization theme by expanding its Trubore brand (at a premium price point for all pipe products) initially in all other states in South India and then gradually expand into pan-India over the next 3-4 years.

Figure 26: PRINCPIP revenue break-up - FY19

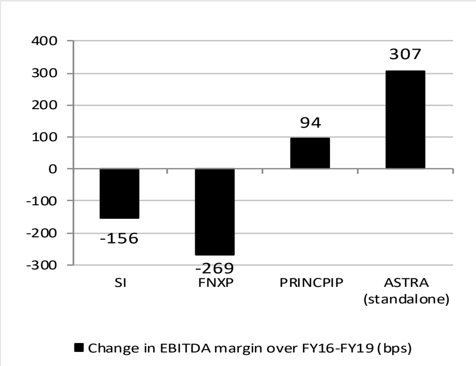


Source: Company data

C. PRINCPIP operating margin up 94 bps over FY16-FY19 on better product-mix

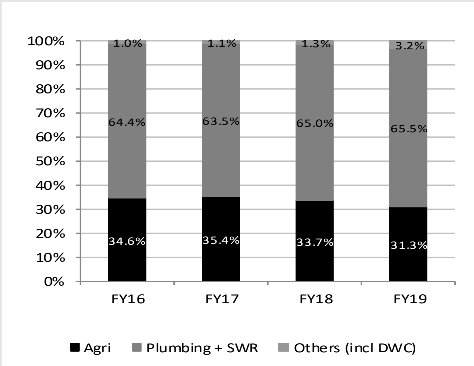
During FY16-19, PRINCPIP's operating margin improved by 94bps as against margin contraction for its major peers (SI: -156bps; FNXP: -269bps). This is due to narrowing of price gap to its peers and conscious decision taken by the company to focus more on high-margin real estate segment (where consumers are willing to pay premium for brand & quality product as pipes forms only 1.5-2.0% of total construction cost) over low-margin agriculture pipe segment (where farmers are quite price sensitive). Consequently, the share of agri pipe has come down from 34.6% in FY16 to 31.3% in FY19 and plumbing/SWR pipes share (which caters to real estate) has increased from 64.4% in FY16 to 65.5% in FY19.

Figure 27: PRINCPIP EBITDA margin up 94 bps over FY16-FY19 vs margin contraction for its major peers



Source: Company data, HTI estimates

Figure 28: ..due to improvement in product-mix with rising share of plumbing/SWR pipes



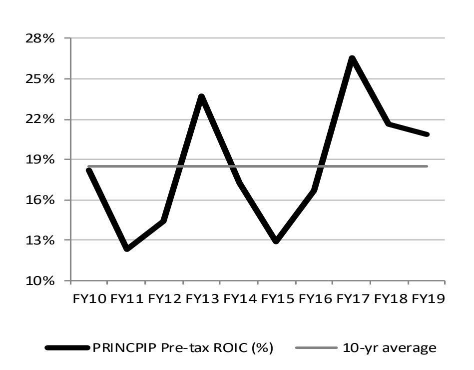
Source: Company data, HTI estimates

PRINCPIP has consistently generated pre-tax ROIC in the range of 18-22% over the last 10 years (FY10-FY19) and it may further improve to 24% by FY22

D. Generates healthy return ratios on a consistent basis

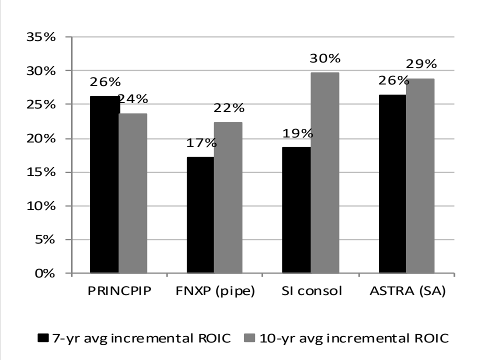
PRINCPIP has consistently generated pre-tax ROIC in the range of 18-22% over the last 10 years (FY10-FY19). Despite operating at lower EBITDA margin, the company's incremental pre-tax ROIC profile was almost similar to ASTRA (at 26% over FY12-FY19) and much superior to SI (at 18.6%) due to better asset turnover (at 1.9x in FY19 versus 1.7x for ASTRA/SI) and increasing revenue share of contract manufacturing (from 0% in FY14 to 5.0% in FY19). Going ahead, ROIC is projected to improve from 21% in FY19 to 24% by FY22 on expectation of a) improvement in operating margin, b) improvement in collection period due to tightening of credit period in a favorable industry environment and increase in sales backed by channel financing facilities, and c) rising revenue share of contract manufacturing (up from 5.0% in FY19 to 8-9% by FY22). The company has recently entered into agreement with two contract manufacturers (based in Odisha and Andhra Pradesh).

Figure 29: PRINCPIP generates healthy return ratios on consistent basis over the last 10-years



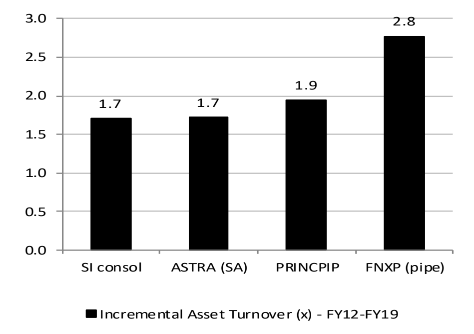
Source: Company data, HTI estimates

Figure 30: PRINCPIP long-term return ratios are well comparable to its major listed peers..



Source: Company data, HTI estimates

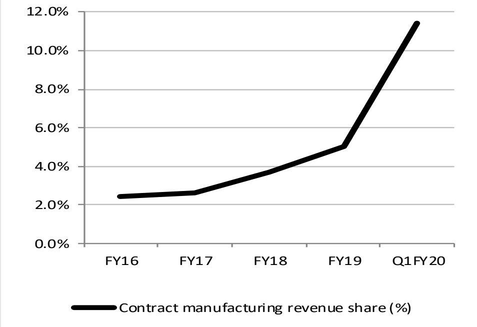
Figure 31: ..due to better asset utilization..



Source: Company data, Bloomberg, HTI estimates

Share of contract manufacturing revenue is expected to increase from 5% in FY19 to single-high-digit in FY22

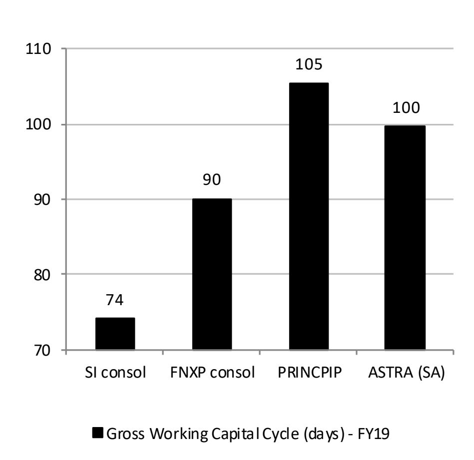
Figure 32: ..and rising contract mfg revenue share



Source: Company data, HTI estimates

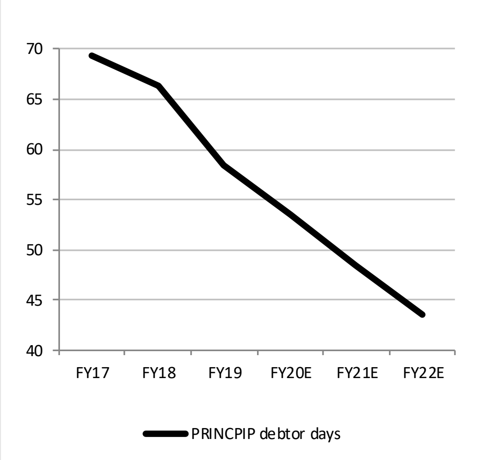
PRINCPIP gross working capital cycle is expected to improve from 105 days in FY19 to 92 days in FY22 mainly due to reduction in debtor period on the back of tightening of credit term in a favorable industry environment and higher sales backed by channel financing facilities

Figure 33: PRINCPIP gross working capital cycle is almost similar to its peers..



Source: Company data, HTI estimates

Figure 34: ..and expected to improve in near-future on tightening of credit period to customers



Source: Company data, HTI estimates

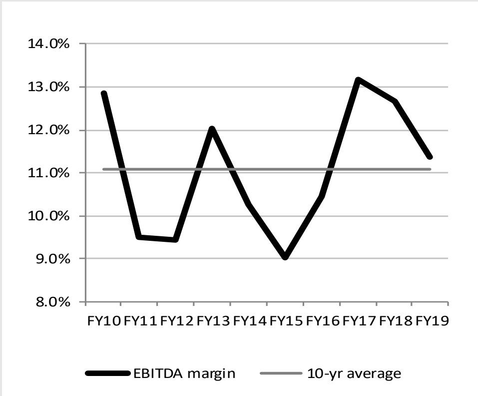
IV. Scope for improvement in operating margin on multiple levers

PRINCPIP operating margin to improve by 100-200bps over the next 3 years on a) improvement in gross margin; b) operating leverage benefit; and c) lower freight cost

Scope for improvement in operating margin by 100-200bps by FY22 on multiple levers

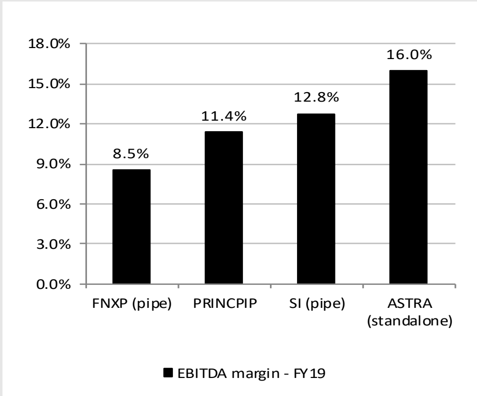
PRINCPIP operated at lower EBITDA margin (at 11.4% in FY19) in comparison to its major peers (SI at 12.8%; ASTRA at 16.0%) mainly due to adoption of lower pricing strategy to its major peers to gain market share and high share of low-margin agri pipe; high spending on building sales and marketing team to widen distribution and retail footprints (employee cost as a % of sales up from 5.2% in FY15 to 6.8% in FY19); high freight cost involved in transporting fittings from Haridwar facility to South & East India (freight forms 5-8% of operating cost). We believe the company's operating margin to improve by 100-200bps over the next 3 years on expectation of improvement in gross margin; operating leverage benefit due to increase in scale of operations and lower freight cost.

Figure 35: PRINCPIP operates at an average 11.1% EBITDA margin over last 10 years



Source: Company data, HTI estimates

Figure 36: PRINCPIP operates at lower EBITDA margin than its major peers



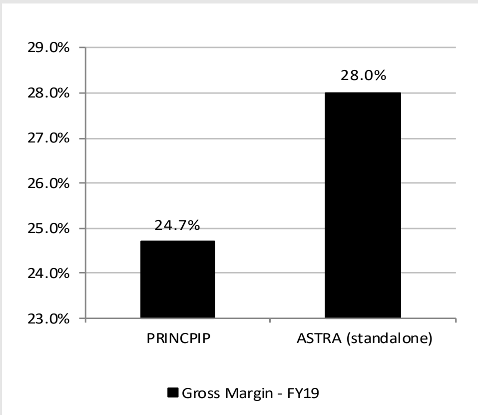
Source: Company data, HTI estimates

Share of low-margin agriculture pipe revenue is expected to decline from 31.3% in FY19 to 28.1% in FY22

i. GM to improve on narrowing price gap with major peers and improving product-mix

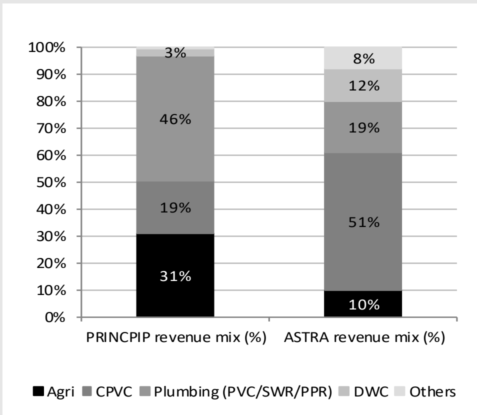
PRINCPIP operated at lower gross margin (at 24.7%) than ASTRA (at 28.0%) in FY19 due to a) strategy of selling product at a slightly lower price point to gain market share; b) high share of low-margin agri pipe revenue (31% vs about 10% for ASTRA); and c) low share of high-margin CPVC pipe revenue (19% vs about 51% for ASTRA). Going ahead, we believe PRINCPIP should continue to operate at lower gross margin in comparison to ASTRA, but the margin difference should narrow down as the company has recently bridged the price gap to an extent with its major peers in a favorable industry environment due to market consolidation and expectation of gradual decline in low-margin agri pipe revenue share.

Figure 37: PRINCPIP operates at lower gross margin than ASTRA..



Source: Company data, HTI estimates

Figure 38: ..mainly due to high agri pipe revenue share and low CPVC pipe revenue share



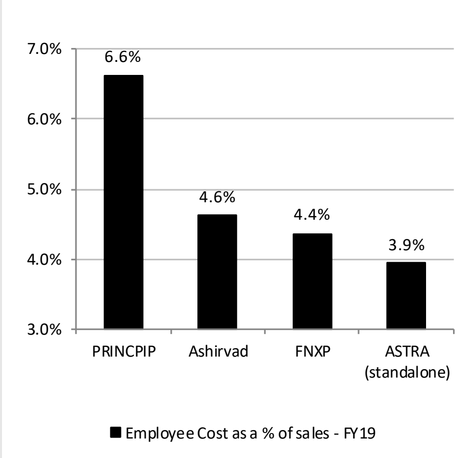
Source: Company data, HTI estimates

Given near-competition of employee building capabilities, we forecast PRINCPIP employee cost as a % of sales to gradually decline from 6.6% in FY19 (which is well above industry range of around 4.0-4.5%) to sub-6% by FY22 due to benefit of operating leverage

ii. Operating leverage benefit to play over the medium-term

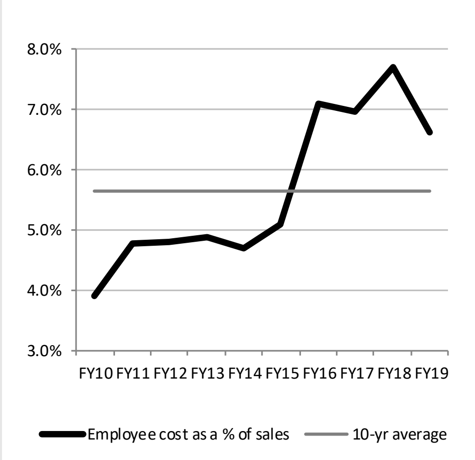
PRINCPIP employee cost as a % of sales sharply increased from 5.1% in FY16 to 7.7% in FY18 due to high spending on building sales & marketing team to a) widen distribution & retail footprints through implementation of 'retail reach expansion program' under Phase I (target to expand the retail network base) and Phase II (target to cross sell product to existing retail network), b) build strong connect with channel partners (i.e. retailers, plumbers, architects and consultants) through Udaan program (launched in Nov 2016), and c) hiring of many personnel at senior executive position. The company's employee cost as a % of sales has come down to 6.6% in FY19 due to increase in scale of operations. Given near-competition of employee building capabilities, we believe there is a good scope of operating leverage benefit to play out for PRINCPIP over the medium-term period.

Figure 39: PRINCPIP employee cost higher than its peers on building of sales & marketing team



Source: Company data

Figure 40: Employee cost to come down to sub 6% on completion of employee building capabilities



Source: Company data

The proposed Telengana facility would help in saving logistic cost and would increase cost competitiveness by meeting fittings requirement for South India market, which is current serviced from Haridwar facility and entails freight cost in the range of 5-8%.

iii. Optimization of freight cost with opening of proposed Telengana facility

PRINCPIP generated roughly 36% of its revenue from sale of high-margin fittings product, which are manufactured only at two locations (Athal, Dadra and Haridwar, Uttarakhand). Currently, the fittings requirement for the South India market is mainly catered from Haridwar facility, which entails high freight cost. The company now plans to set up a new facility in Telengana to produce all range of pipes & fittings to cater to South India market, which should help in logistic cost (forms about 5-8% of operating cost) savings to a certain extent. The company expects Telengana facility to commence operation by March 2021.

Figure 41: PRINCPIP freight cost to decline with start of proposed Telengana facility

	Athal	Dadra	Haridwar	Chennai	Kolhapur	Rajasthan	Proposed Plant: Telangana Unit
Year of Establishment	1995	2000	2008	2012[2]	2012[2]	2019[3]	Fiscal 2021
Plant Land Area (m^2)	19,905	71,569	67,630	35,402	14,300	68,796	99,390
Installed Capacity (approx.)[1] (As at October 31, 2019) (tonnes)	15,982	59,232	77,588	62,143	20,045	6,221	51,943
Products	Fittings	Pipes	Pipes, Fittings	Pipes	Pipes	Pipes	Pipes Fittings
Owned/Leased	Owned	Owned	Owned	Owned	Owned	Owned	Owned

Source: Company Presentation

V. Valuation: A strong re-rating candidate

PRINCPIP is trading at a steep discount to its peers (59-80% on 1-year rolling forward EV/EBITDA basis), which we believe is not warranted due to a) strong business risk profile as it gained market share while operating at respectable ROIC vs its major pipe peers over the past 5-7 years and most of the street concerns on corporate governance has been well addressed by the company in the past 1-2 years.

Despite PRINCPIP business risk profile appears to be in-line with its major listed peers (as it gained market share over the past 5-7 years by maintaining respectable ROIC), it is still trading at a steep discount to its peers (at 59%-80% on 1-year rolling forward EV/EBITDA basis). We believe this might be attributable to street concerns of weak corporate governance and high contingent liability against the promoters related to M/s. Aditya Developers. However, we believe that such sharp discount is not warranted as most of the concerns have already been addressed by the company in the past 1-2 years and the overhang of long-pending contingent liability at promoter capacity can be very well managed by paring some stake in the company in the worst case scenario.

We initiate coverage on PRINCPIP with a BUY rating and target price of Rs260, implying 58% upside potential from the last close. Our target price is based on 11x FY21E EBITDA (still a significant discount to its peers for the pipe segment - FNXP: -36%; SI: -59%; ASTRA: -70%). Post clearance of overhang of high promoter contingent liability (which is currently sub-judice), we believe there should be a further scope of valuation multiple expansion for PRINCPIP in the future.

There is significant upside potential of 58% to our target price for PRINCPIP over the next 12 months despite the company being valued at a sharp discount to 1-year rolling forward EV/EBITDA multiple currently enjoyed by its major peers for the pipe segment. Post the clearance of overhang of high promoter contingent liability, we believe there is a good scope for PRINCPIP to trade at par/premium to some of its major peers over the long-term.

Figure 42: PRINCPIP Valuation

Particulars	FY21
EBITDA (Rs mn)	2556
EV/EBITDA multiple (x)	11
EV (Rs mn)	28121
Less: Net Debt (Rs mn)	-739
Equity Value (Rs mn)	28860
No. of shares (mn)	110
Target Price (Rs per shar	262
CMP (Rs per share)	166
Upside Potential (%)	58%

Source: HTI estimates

Figure 43: Relative Valuation Table – Growth Ratios

Company	Mkt Cap	Revenue CAGR		EBITDA CAGR		EPS CAGR	
	Rs bn	FY16-FY19	FY19-FY22	FY16-FY19	FY19-FY22	FY16-FY19	FY19-FY22
SI	170	23.8%	10.4%	19.1%	11.2%	24.1%	15.3%
FNXP	70	7.5%	8.9%	13.8%	0.9%	16.1%	4.1%
ASTRA	165	14.3%	14.7%	22.3%	16.8%	23.3%	19.9%
PRINCPIP	18	15.8%	13.5%	53.3%	17.5%	31.6%	25.7%
Average		**15.3%**	**11.9%**	**27.1%**	**11.6%**	**23.8%**	**16.3%**

Source: Company data, Bloomberg, HTI estimates

Figure 44: Relative Valuation Table – Profitability and Return Ratios

Company	EBITDA margin				ROIC			
	FY19	FY20	FY21	FY22	FY19	FY20	FY21	FY22
SI	14.0%	13.5%	14.2%	14.3%	29.5%	26.8%	28.5%	29.4%
FNXP	19.6%	14.5%	15.0%	15.6%	44.5%	31.2%	31.0%	32.7%
ASTRA	15.4%	16.4%	16.2%	16.2%	24.4%	23.0%	23.6%	25.5%
PRINCPIP	11.4%	12.1%	12.5%	12.6%	20.9%	24.2%	24.0%	24.4%
Average	**15.1%**	**14.1%**	**14.5%**	**14.7%**	**29.8%**	**26.3%**	**26.8%**	**28.0%**

Source: Company data, Bloomberg, HTI estimates

Figure 45: Relative Valuation Table – Valuation Ratios

Company	P/E				EV/EBITDA			
	FY19	**FY20**	**FY21**	**FY22**	**FY19**	**FY20**	**FY21**	**FY22**
SI	35.2	33.1	30.6	27.1	18.3	20.9	17.7	15.6
FNXP	15.8	18.6	18.2	16.3	9.8	14.0	12.3	10.8
ASTRA	71.4	64.6	58.2	49.1	36.8	35.5	30.9	26.7
PRINCPIP	19.4	17.5	13.5	11.9	10.0	8.2	6.9	5.8
Average	**35.5**	**33.4**	**30.1**	**26.1**	**18.7**	**19.7**	**16.9**	**14.7**

Source: Company data, Bloomberg, HTI estimates

Key risks in our opinion include the following:

a) **Persistent slowdown in private residential activity in urban areas:** may result in lower-than-anticipated sales growth for PRINCPIP's plumbing business (which accounts for roughly two-third of operations).

b) **Unfavorable weather condition:** Unseasonal rainfall/floods may affect agri pipe sales (which accounts for roughly 30% of operations) in the short term.

c) **Sharp volatility in raw-material prices:** Given that the company need to maintain 1-2 month of inventory for smooth manufacturing operations and fluctuations in raw-material prices are passed to consumers on weekly basis, any sharp decline in global PVC/CPVC resin prices would result in mark-to-market losses on inventories.

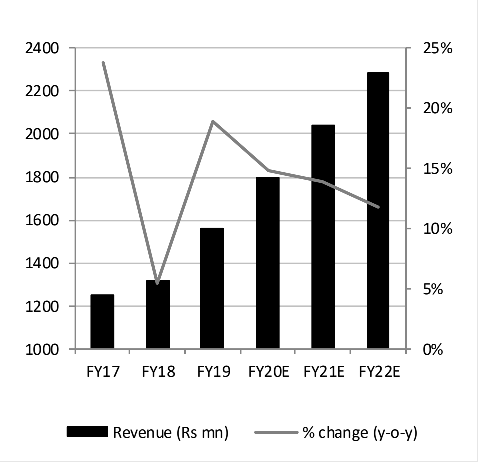
d) **Sharp volatility in forex:** As the company imports raw-material backed by letters of credit, any sharp rupee depreciation from the date of opening till maturity of the LCs may result in forex losses for the company. However, this can be offset in terms of higher realizations as plastic pipe prices are set at import parity levels.

Financial Analysis

Revenue to rise at 13.5% CAGR during FY19-FY22 driven by higher sales volumes

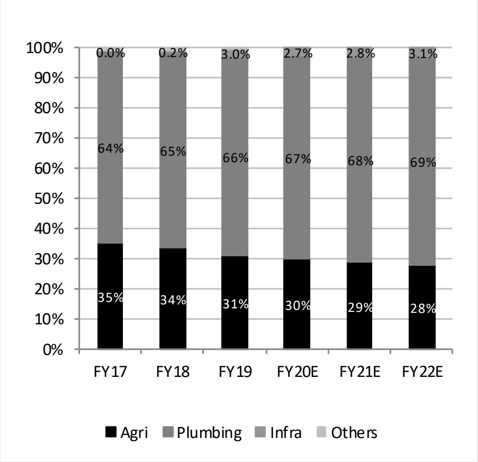
Revenue is projected to rise at a 13.5% CAGR to Rs2,285crore during FY19-22 on expectation of higher sales volumes (agri – 9% CAGR; plumbing – 15% CAGR). The share of plumbing pipe revenue is expected to increase from 65.5% in FY19 to 68.8% in FY22. On the realization front, we have assumed 2% decline for PVC resin prices and 8% hike in CPVC resin prices for FY20 and kept it flat for FY21 and FY22.

Figure 46: Revenue to rise at 13.5% CAGR during FY19-FY22 on higher sales volumes



Source: Company data, HTI estimates

Figure 47: Plumbing pipe revenue share to increase from 65.5% in FY19 to 68.8% in FY22

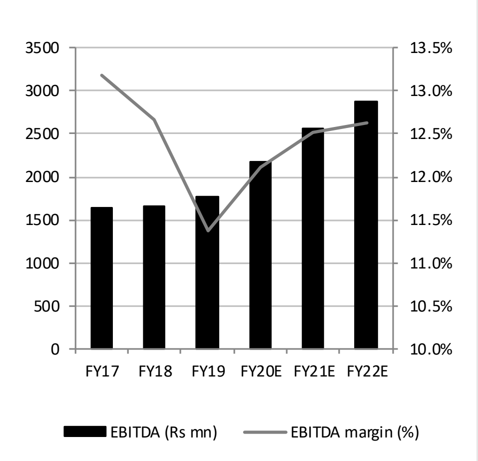


Source: Company data, HTI estimates

EBITDA margin to improve from 11.4% in FY19 to 12.6% in FY22

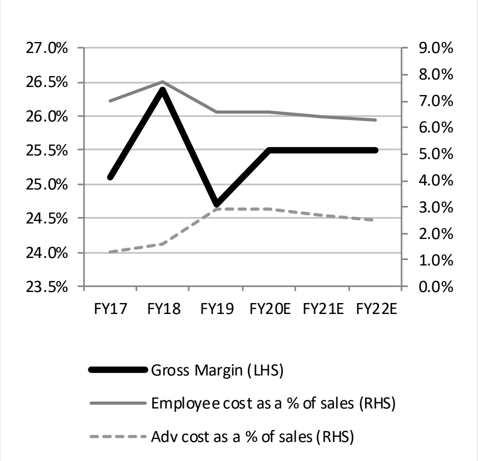
EBITDA margin is expected to improve from 11.4% in FY19 to 12.6% in FY22 on expectation of a) improvement in gross margin due to better product-mix (on account of increase in share of high-margin PVC plumbing revenue and decline in low-margin agriculture pipe revenue share); and b) benefit of operating leverage. Given the near-completion of employee building capabilities in marketing & IT systems, employee cost as a % of sales is expected to gradually decline from 6.6% in FY19 to 6.3% by FY22 (which can further decline to sub 6% in future). The advertisement expense as a % of sales is also likely to decline from a record high level of 2.9% in FY19 (prior to IPO) to 2.5% by FY22.

Figure 48: EBITDA margin to improve from 11.4% in FY19 to 12.6% in FY22..



Source: Company data, HTI estimates

Figure 49: ..on better product-mix and operating leverage benefit

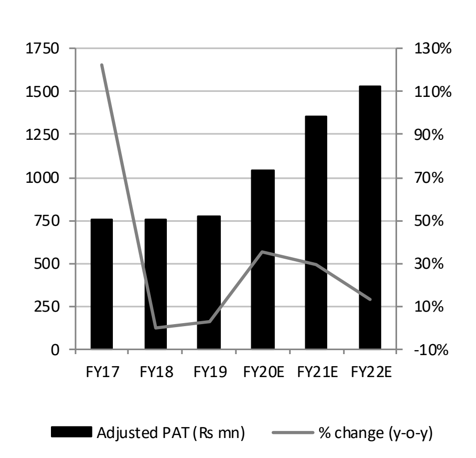


Source: Company data, HTI estimates

PAT to grow at 26% CAGR over FY19-FY22 on higher EBITDA and lower interest cost

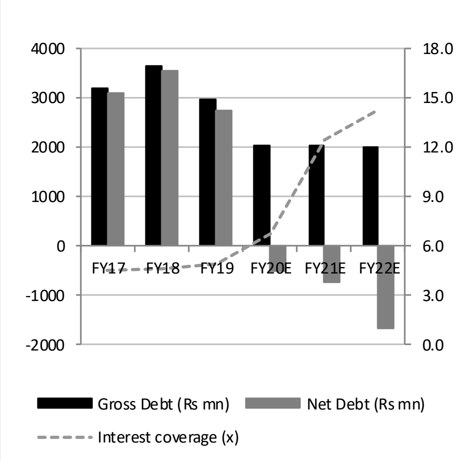
PAT is projected to grow at 25.7% CAGR to Rs1540mn over FY19-FY22 on a) increase in operating profit (+17.5% CAGR), and b) reduction in interest cost due to repayment of term loan. The company plans to repay/prepay the entire term loan (Rs1510mn as on 31 March 2019) by FY22 out of IPO proceeds (Rs.500mn in Q4FY20) and internal cash accrual.

Figure 50: PAT to grow at 26% CAGR in FY19-FY22



Source: Company data, HTI estimates

Figure 51: Plan to retire entire term loan by FY22

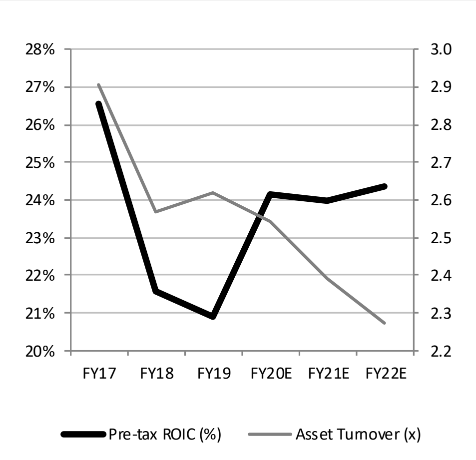


Source: Company data, HTI estimates

Pre-tax ROIC (%) to improve from 20.9% in FY19 to 24.4% in FY22

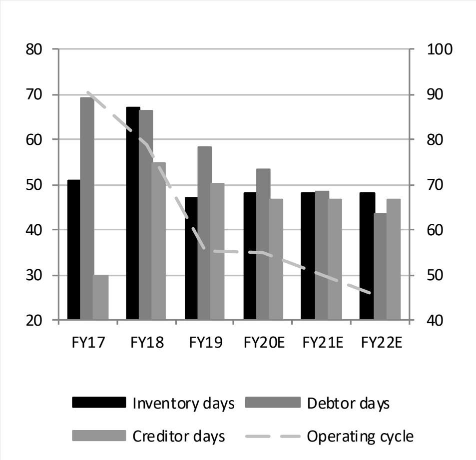
PRINCPIP has commenced operation of a greenfield plant in Rajasthan in Sep 2019 and plans to set up one more greenfield plant in Telengana by Mar 2021. Consequently, the gross asset turnover is expected to decline from 2.6x in FY19 to 2.3x in FY22. However, the pre-tax ROIC is expected to improve from 20.9% in FY19 to 24.4% in FY22 due to a) improvement in operating margin, b) improvement in debtors period (as a result of tightening of credit period norms to customers in a favorable industry environment due to industry consolidation and higher sales backed by channel financing facilities), and c) slight increase in share of contract manufacturing revenue.

Figure 52: Pre-tax ROIC to improve from 20.9% in FY19 to 24.4% in FY22, despite falling asset turn



Source: Company data, HTI estimates

Figure 53: Operating cycle to improve on tightening credit period

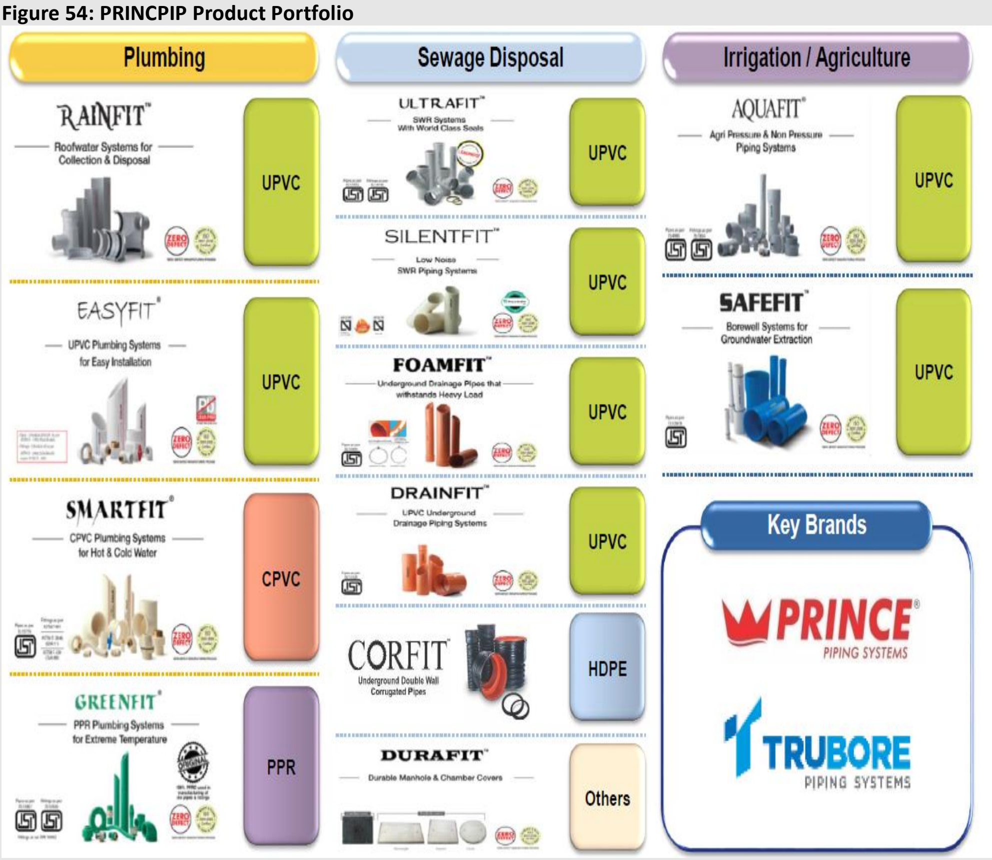


Source: Company data, HTI estimates

Business Overview

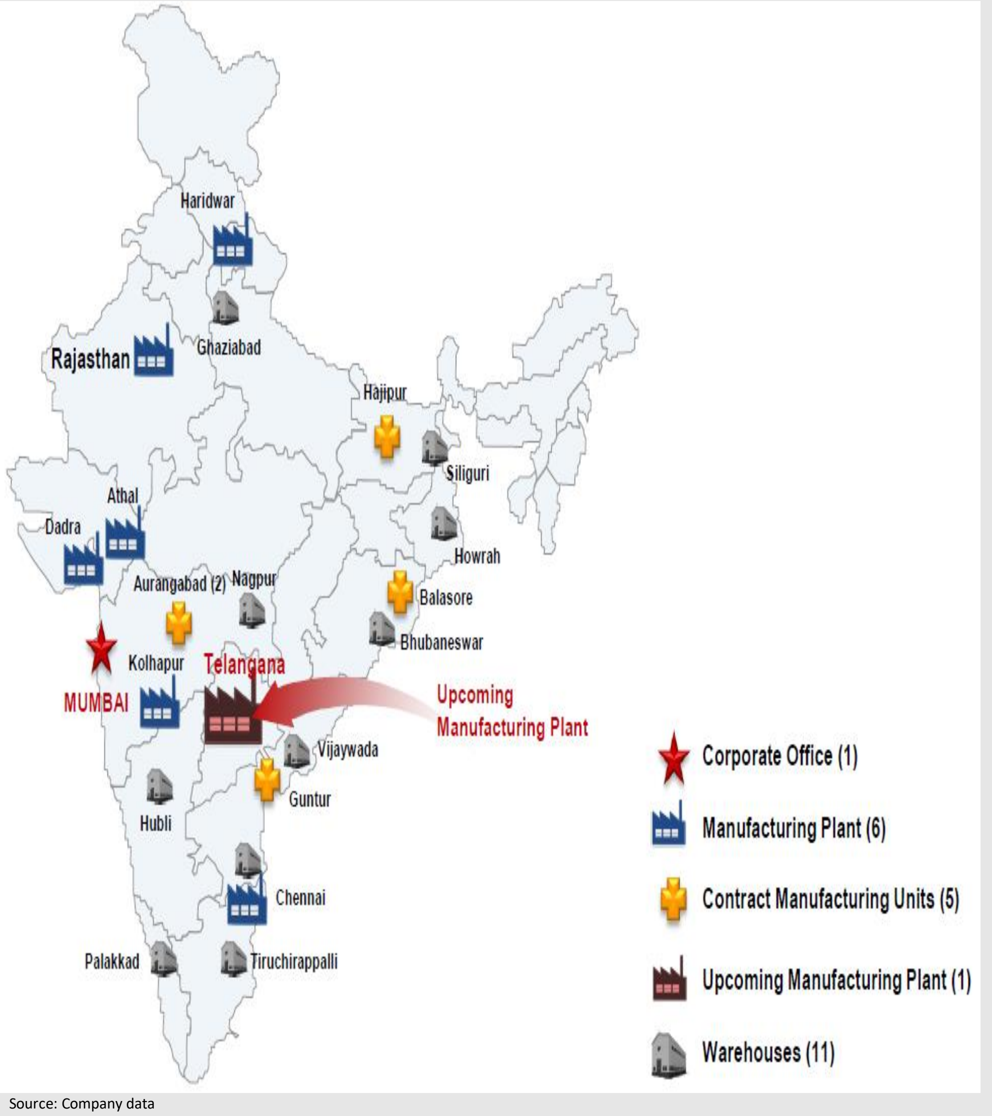
Prince Pipes & Fittings Ltd. (PRINCPIP), incorporated in 1987, is the fifth largest manufacturer of plastic pipes & fittings in India. It enjoys a strong brand image due to track record of operations of more than 3 decades across polymer pipes (UPVC/PVC/PPR/CPVC) and wide pipes & fittings range of 7,167 SKUs. By end user segment, the company enjoys a strong market share in plumbing pipe segment in India and caters to all the other plastic pipe segments (agriculture, borewell, sewerage, and infrastructure). It operates pipe & fittings capacity of 241ktpa through its six manufacturing facilities [which is spread out across India – Athal, Dadra & Nagar Haveli; Dadra, Dadra & Nagar Haveli; Haridwar, Uttarakhand; Chennai, Tamil Nadu; Kolhapur, Maharashtra; and Jobner, Rajasthan]. The company has recently commenced the operation of Rajasthan facility in September 2019 and plans to set up a new manufacturing facility in Sangareddy, Telengana by March 2021. It markets the product under two brand names 'Prince' and 'TRUBORE'. PRINCPIP has a strong distribution network of 1,408 dealers.

Figure 54: PRINCPIP Product Portfolio



Source: Company Presentation

Figure 55: PRINCPIP geographical presence



Source: Company data

Figure 56: Key Management Team

Name	Designation	Age	Profile
Mr. Jayant S. Chheda	Chairman & MD	72	He is the founder promoter of PRINCPIP and has an experience of more than 3 decades in polymer pipes
Mr. Parag J. Chheda	ED	47	He is also the promoter director and son of Mr. Jayant S. Chheda. He is associated with the company since 1996.
Mr. Vipul J. Chheda	ED	43	He is also the promoter director and son of Mr. Jayant S. Chheda. He is associated with the company since 1997.
Mr. Shyam Sarda	CFO	48	He is associated with the company since Jan 2015. He has previously worked with S. Kumar Nationwide Ltd as Senior VP-Finance, United Phosphorus Ltd as DGM-Finance. He has ~20 years of experience in the field of finance, accounts and taxation. He has done B. Com and Chartered Accountancy program.
Mr. Hemant Kumar	VP - Sales & Marketing	61	Associated with the company since April 2006. He has previously worked with Varsha Agro Plast Pvt Ltd as a Sales Manager. He holds a B. Sc degree and a Diploma in Marketing Management from Symbiosis Institute of Management.
Mr. Ashok Mehra	VP - Sales & Marketing	53	Associated with the company since April 2017. He has previously worked with Jaquar & Company Pvt Ltd as a GM, Pidilite Industries Ltd as Team Head, Sherwin-Williams Paints India Pvt Ltd as Director-Sales, and Birla Yamaha Ltd as Area Sales Manager. He holds a B.E. (Mechanical) degree and an MBA degree from Mumbai University.
Mr. Umesh Pillai	National Head - Trubore	45	Associated with the company since June 2019. He has previously worked with PPG Asian Paints Private Limited, and Godrej and Boyce Mfg. Co. Ltd.
Mr. Prakash Hegde	HR Head	51	Associated with the company since June 2013. He has previously worked with TBZ Ltd as Group Head-HR & Admin and Bharat Gears Ltd as Group Head-HR and P&A.
Mr. Vininder Singh Baweja	COO	39	Associated with the company since July 2019. He has over 16 years of experience in the IT field. He has previously worked with Eicher Motors as Deputy Manager – IT and with Hindustan Unilever as Head GCo Big Rocks Programme. He holds a B.E degree and MBA from IIT, Roorkee.

Source: Company data

Figure 57: Key Financial Highlights

Particulars	FY17	FY18	FY19	FY20E	FY21E	FY22E
Growth						
Revenue growth	23.7%	5.5%	18.9%	14.8%	13.9%	11.8%
Volume growth	9.3%	14.0%	17.8%	14.4%	14.6%	12.0%
Realization growth	13.3%	-7.4%	1.5%	-0.2%	-0.6%	-0.2%
Margin						
Gross margin	25.1%	26.4%	24.7%	25.5%	25.5%	25.5%
EBITDA margin	13.2%	12.7%	11.4%	12.1%	12.5%	12.6%
PAT margin	6.1%	5.7%	4.9%	5.8%	6.6%	6.7%
Tax rate	22.7%	23.5%	25.2%	25.2%	25.2%	25.2%
Turnover						
Sales to Gross block (x)	2.9	2.6	2.6	2.5	2.4	2.3
Sales to Total Assets (x)	1.8	1.5	1.5	1.5	1.4	1.4
Inventory (days)	51	67	47	48	48	48
Debtor (days)	69	66	58	53	48	43
Creditor (days)	30	55	50	47	47	47
Operating Cycle (days)	90	79	55	55	50	45
Return Ratio						
ROE	35%	27%	22%	17%	15%	15%
ROE (ex cash)	37%	28%	23%	21%	21%	21%
ROCE	20%	17%	15%	15%	13%	13%
ROIC	27%	22%	21%	24%	24%	24%
ROA	15%	12%	10%	10%	10%	10%

Source: Company data, HTI estimates

Key Ratios	Mar-18A	Mar-19A	Mar-20E	Mar-21E	Mar-22E
Valuation Measures					
Growth					
Revenue growth	5.5%	18.9%	14.8%	13.9%	11.8%
Operating profit growth	(2.3%)	3.3%	23.6%	16.5%	11.2%
Net profit growth	(1.9%)	14.5%	25.4%	29.7%	13.2%
Margins					
Gross margin	26.4%	24.7%	25.5%	25.5%	25.5%
Operating EBITDA margin	12.7%	11.4%	12.1%	12.5%	12.6%
Operating margin	9.8%	8.5%	9.1%	9.3%	9.3%
Pretax profit margin	7.2%	7.1%	7.8%	8.9%	9.0%
Tax rate	23.5%	25.2%	25.2%	25.2%	25.2%
Net profit margin	5.5%	5.3%	5.8%	6.6%	6.7%
Key Ratios					
ROE	26.0%	23.2%	16.6%	14.7%	14.6%
ROA	8.4%	8.3%	8.5%	9.1%	9.2%
Capex/revenue	13.4%	6.9%	5.6%	7.3%	6.6%
Credit analysis					
EBITDA/interest paid (x)	4.61	4.89	6.80	12.51	14.31
Debt/EBITDA (x)	2.19	1.67	0.95	0.79	0.69
Debt/equity	115.2%	74.1%	24.0%	20.6%	17.8%
Net debt to equity	112.1%	68.5%	(5.8%)	(7.5%)	(14.9%)

Profit & Loss (Rsm)	Mar-18A	Mar-19A	Mar-20E	Mar-21E	Mar-22E
Total turnover	13,150	15,632	17,944	20,435	22,850
Cost of sales	(9,681)	(11,772)	(13,368)	(15,224)	(17,023)
Gross profit	**3,470**	**3,860**	**4,576**	**5,211**	**5,827**
Total operating costs	(2,186)	(2,533)	(2,936)	(3,300)	(3,702)
Operating profit	**1,284**	**1,327**	**1,640**	**1,910**	**2,125**
Operating EBITDA	1,665	1,778	2,173	2,556	2,884
Depreciation and amortisation	**(381)**	**(452)**	**(533)**	**(646)**	**(759)**
Interest income	60	71	77	106	129
Interest expense	(361)	(364)	(320)	(204)	(202)
Exceptional income - net	(32)	81	-	-	-
Pre-tax profit	**952**	**1,115**	**1,397**	**1,812**	**2,052**
Taxation	(224)	(281)	(352)	(456)	(516)
Net income to ord equity	**728**	**834**	**1,045**	**1,356**	**1,535**

Balance Sheet (Rsm)	Mar-18A	Mar-19A	Mar-20E	Mar-21E	Mar-22E
Total cash and equivalents	96	223	2,553	2,770	3,669
Inventories	2,415	2,011	2,369	2,698	3,017
Accounts receivable	2,393	2,504	2,628	2,713	2,721
Total current assets	**5,432**	**5,342**	**8,664**	**9,395**	**10,317**
Tangible fixed assets	3,470	4,210	5,177	6,031	6,772
Intangible assets	790	678	178	178	178
Total investments	106	174	174	174	174
Total non-current assets	**4,366**	**5,062**	**5,529**	**6,383**	**7,124**
Total assets	**9,799**	**10,404**	**14,194**	**15,778**	**17,441**
Short-term debt	2,184	1,911	1,454	1,628	1,797
Accounts payable	1,970	2,152	2,295	2,614	2,923
Total current liabilities	**4,747**	**4,921**	**4,610**	**5,106**	**5,587**
Long-term debt	1,462	1,058	603	403	203
Total non-current liabilities	**1,886**	**1,476**	**1,021**	**821**	**621**
Total liabilities	**6,633**	**6,396**	**5,631**	**5,927**	**6,208**
Common stocks	900	900	1,100	1,100	1,100
Shareholders' equity	**3,166**	**4,008**	**8,562**	**9,851**	**11,233**
Total equity	**3,166**	**4,008**	**8,562**	**9,851**	**11,233**
Total liabilities & shareholders' equity	**9,799**	**10,404**	**14,194**	**15,778**	**17,441**

Cash Flow (Rsm)	Mar-18A	Mar-19A	Mar-20E	Mar-21E	Mar-22E
Operating profit	**1,284**	**1,327**	**1,640**	**1,910**	**2,125**
Operating cash flow	**1,841**	**2,365**	**1,327**	**2,365**	**3,173**
Cash flow from operations	**1,327**	**1,800**	**732**	**1,811**	**2,584**
Cash flow from investing activities	**(1,798)**	**(999)**	**(1,000)**	**(1,500)**	**(1,500)**
Cash flow from financing activities	**439**	**(668)**	**2,598**	**(94)**	**(185)**
Cash at beginning of period	124	96	223	2,553	2,770
Total cash generated	**(32)**	**132**	**2,330**	**217**	**899**
Implied cash at end of period	**96**	**223**	**2,553**	**2,770**	**3,669**
Free cash flow	**(439)**	**720**	**(268)**	**311**	**1,084**

Source: Company data, Bloomberg, HTI estimates

APPENDIX

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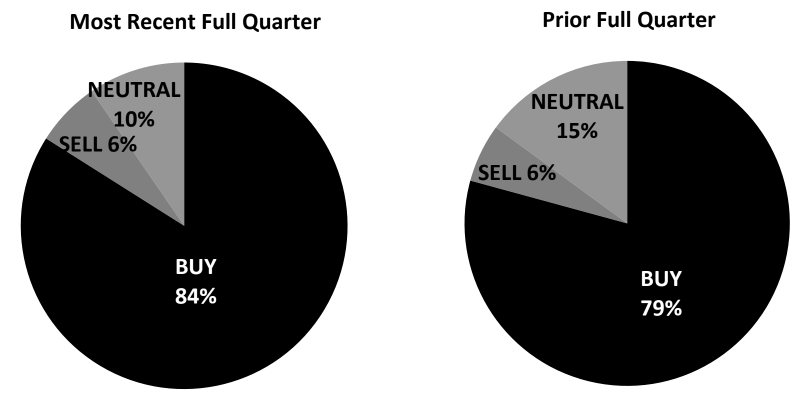

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Recommendation Chart

Date	Recommendation	Target (Rs)	Price (Rs)
2020-01-20			

Source: Company data Bloomberg, HTI estimates