

# Prince Pipes and Fittings | BUY

## De-stocking impacted performance, looking up for recovery in H2

In Q2FY25, Prince Pipes and Fittings (PRINCP) posted revenue at INR 6.2bn, down 5% YoY and up 3% QoQ (In line JMFe), 5 year CAGR +8%. Pipes volumes were up by 4% YoY to 43,301 MT while realisation were down by 9% YoY and flat QoQ. (5 year CAGR +5%, Supreme +9%). EBITDA was at INR 457mn down 51% YoY and down 22% QoQ. (5 year CAGR -7%). OPM was at 7.3% vs 14.3% YoY and 9.6% QoQ (JMFe OPM at 10.4%). Miss on margins mainly because of lower realisations, aggressive A&P + additional incentive to push volumes, Bathware loss and negative operating leverage. PAT was at INR 147mn down 79% YoY and 40% QoQ.

- **Weak Demand & RM Volatility impacted Q2:** PVC prices reduced by c.16% in Q2 which resulted in channel de-stocking. Also monsoon led to weak demand and hence impacting the overall volumes of industry and prince pipes. In Oct'24 also channel de-stocking continued + festive season led to lower demand. However from Nov'24 onwards PVC prices have increased by INR 3/kg and hence management expect channel to start stocking. Expect overall volumes of 8-10% for FY24.
- **Better Volumes than industry but at the cost of margins:** Pipes volumes were up 4% YoY to 43,301 (Supreme/Astral volumes were down by 1%/3% YoY). Prince achieved better volumes largely because of offering additional discounts/incentives by 2.5% to the channel. Due to the above Gross margins impacted by 430bps to 27% vs 31.3% YoY. Inventory loss of 2-2.5%, (INR 120-150Mn), 0.5% Bathware loss of 0.5% (INR 30-40Mn), negative operating leverage led to EBITDA margin of 7.3% vs 14.3% YoY.
- **Bihar Pipe facility to come on stream by Q4FY25:** Management have preponed its 2<sup>nd</sup> phase of Bihar facility. It expects to start 50,000-55,000 MT capacity by Q4FY25 as East is the fastest growing market due to late urbanization. Prince enjoys #2 positions in East. The new facility will help reduce freight cost, improve profitability and also inch up its market share. Capex for the facility was INR 1.7bn.
- **Strengthening Bathware brand (Aquel):** Prince is increasing its A&P to strengthen its bathware. In Q2 Bathware revenue was INR 70Mn (in H1 was INR 115Mn) and loss of INR 30-40Mn. It expects above INR 250Mn topline in FY25
- **Outlook and Valuation:** In short term: RM volatility and weak consumer sentiments may capped the volumes & margins. In long term: We expect revenue/earning CAGR of c. 12%/16% over FY24-26 mainly led by (1) Pick up in real estate cycle, (2) government initiatives to push agriculture and infrastructure, (3) Increasing capacities to improve the supply chain, (4) Aggressive A&P spends + distribution expansion. (4) Un-organised industry getting further consolidated and (5) Expanding's its Aquel (Bathware brand) to pan-india. All the above will led to better volumes; we expect volume CAGR of c.12% over FY24-26 along with margin of 11.1%/13.5% in FY26. PRINCP currently trades at P/E of c.31x/21x on FY25/26 and we lower our multiple to 27x (earlier 30x) on FY26 EPS to arrive at a TP of INR 590 up 27% from CMP hence maintain a BUY.



Deepak Agarwal

deepak.agarwal@jmfl.com | Tel: (91 22) 66303037

Bhavanishankar Kumawat

bhavanishankar.kumawat@jmfl.com | Tel: (91 22) 69703621

### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	590
Upside/(Downside)	27.0%
Previous Price Target	730
Change	-19.2%

### Key Data – PRINCP IN

Current Market Price	INR465
Market cap (bn)	INR51.4/US\$0.6
Free Float	38%
Shares in issue (mn)	110.0
Diluted share (mn)	110.6
3-mon avg daily val (mn)	INR115.2/US\$1.4
52-week range	776/461
Sensex/Nifty	79,486/24,148
INR/US\$	84.4

### Price Performance

%	1M	6M	12M
Absolute	-15.3	-27.3	-34.8
Relative*	-13.3	-33.5	-46.8

\* To the BSE Sensex

### Financial Summary

	(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Sales	26,568	27,109	25,687	27,810	32,071
Sales Growth (%)	28.3	2.0	-5.2	8.3	15.3
EBITDA	4,156	2,503	3,074	3,096	4,332
EBITDA Margin (%)	15.6	9.2	12.0	11.1	13.5
Adjusted Net Profit	2,468	2,098	1,803	1,658	2,417
Diluted EPS (INR)	22.4	19.1	16.3	15.0	21.9
Diluted EPS Growth (%)	36.6	-15.0	-14.5	-8.1	45.8
ROIC (%)	22.7	9.3	10.9	9.7	16.1
ROE (%)	21.4	16.0	12.4	10.5	14.3
P/E (x)	20.7	24.4	28.5	31.0	21.3
P/B (x)	4.0	3.8	3.3	3.2	2.9
EV/EBITDA (x)	12.5	20.2	16.8	16.2	11.0
Dividend Yield (%)	0.4	1.1	0.2	1.7	1.7

Source: Company data, JM Financial. Note: Valuations as of 08/Nov/2024

JM Financial Institutional Securities Limited

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## Exhibit 1. Change in Estimates

Particulars (INR Mn)	Old Estimates		New Estimates		Change in Estimates	
	FY25	FY26	FY25	FY26	FY25	FY26
Revenue	29,534	34,809	27,810	32,071	-6%	-8%
EBITDA	3,573	4,693	3,096	4,332	-13%	-8%
% Margin	12.1%	13.5%	11.1%	13.5%		
PAT	1,920	2,691	1,658	2,417	-14%	-10%

Source: JM Financial, Company

## Exhibit 2. Quarterly Performance

Y/E March; INR mn	2Q24	2Q25	YoY	5yr CAGR	1Q25	QoQ	2Q25E	Var
<b>Net Sales</b>	<b>6,565</b>	<b>6,221</b>	<b>-5%</b>	<b>8%</b>	<b>6,045</b>	<b>3%</b>	<b>6,486</b>	<b>-4%</b>
Volume (tonnes)	41,529	43,301	4%	5%	42,180	3%	43,605	
Realisation (INR/kg)	158	144	-9%	3%	143	0%	148	
Raw Material Cost	4,511	4,542	1%	9%	4,370	4%	4,612	
Gross Profit	2,054	1,679	-18%	4%	1,675	0%	1,875	
Gross Margin (%)	31.3%	27.0%	-430 bps		27.7%	-70 bps	28.9%	
Employee cost	405	446	10%	16%	382	17%	445	
% of sales	6.2%	7.2%	100 bps		6.3%	90 bps	6.9%	
Other expenses	707	776	10%	8%	710	9%	754	
Total expense	5,623	5,764	3%	10%	5,462	6%	5,811	
<b>EBITDA</b>	<b>942</b>	<b>457</b>	<b>-51%</b>	<b>-7%</b>	<b>583</b>	<b>-22%</b>	<b>676</b>	<b>-32%</b>
<b>EBITDA margin</b>	<b>14.3%</b>	<b>7.3%</b>	<b>-700 bps</b>		<b>9.6%</b>	<b>-230 bps</b>	<b>10.4%</b>	<b>-307 bps</b>
Margin (INR/kg)	22.7	10.6	-53%	-11%	13.8	-24%	15.5	
Depreciation	225	276	22%	17%	257	7%	263	
EBIT	716	181	-75%	-19%	325	-44%	413	
Other Income	40	39	0%	46%	26	53%	32	
PBIT	756	221	-71%	-16%	351	-37%	445	
Interest	7	16	137%	-28%	14	13%	14	
XO Exp/-Inc	-179	0			0		0	
PBT	928	204	-78%	-14%	337	-39%	431	
Tax Expense	222	57	-74%	-13%	90	-36%	108	
Tax Rate	23.9%	28.0%	410 bps		26.7%	130 bps	25.1%	
Reported Net Profit	706	147	-79%	-15%	247	-40%	323	
<b>Adjusted Net Profit</b>	<b>532</b>	<b>255</b>	<b>-52%</b>	<b>-3%</b>	<b>247</b>	<b>3%</b>	<b>323</b>	<b>-21%</b>
Shareholding O/S	111	111	0%	4%	111	0%	111	
Adjusted EPS	4.8	2.3	-52%	-7%	2.2	3%	2.9	-21%

Source: JM Financial, Company

## Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Net Sales	26,568	27,109	25,687	27,810	32,071	
Sales Growth	28.3%	2.0%	-5.2%	8.3%	15.3%	
Other Operating Income	0	0	0	0	0	
<b>Total Revenue</b>	<b>26,568</b>	<b>27,109</b>	<b>25,687</b>	<b>27,810</b>	<b>32,071</b>	
Cost of Goods Sold/Op. Exp	18,915	20,922	18,193	19,828	22,289	
Personnel Cost	1,162	1,161	1,477	1,698	1,902	
Other Expenses	2,335	2,523	2,943	3,187	3,548	
<b>EBITDA</b>	<b>4,156</b>	<b>2,503</b>	<b>3,074</b>	<b>3,096</b>	<b>4,332</b>	
EBITDA Margin	15.6%	9.2%	12.0%	11.1%	13.5%	
EBITDA Growth	14.9%	-39.8%	22.8%	0.7%	39.9%	
Deprn. & Amort.	703	830	912	1,107	1,200	
EBIT	3,453	1,673	2,162	1,989	3,131	
Other Income	55	86	161	140	155	
Finance Cost	139	110	65	65	59	
PBT before Excep. & Forex	3,369	1,648	2,258	2,064	3,228	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	3,369	1,648	2,258	2,064	3,228	
Taxes	875	434	613	519	811	
Extraordinary Inc./Loss(-)	0	0	-179	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	2,494	1,214	1,466	1,545	2,417	
<b>Adjusted Net Profit</b>	<b>2,468</b>	<b>2,098</b>	<b>1,803</b>	<b>1,658</b>	<b>2,417</b>	
Net Margin	9.3%	7.7%	7.0%	6.0%	7.5%	
Diluted Share Cap. (mn)	110.0	110.0	110.6	110.6	110.6	
<b>Diluted EPS (INR)</b>	<b>22.4</b>	<b>19.1</b>	<b>16.3</b>	<b>15.0</b>	<b>21.9</b>	
Diluted EPS Growth	36.6%	-15.0%	-14.5%	-8.1%	45.8%	
Total Dividend + Tax	220	550	111	884	884	
Dividend Per Share (INR)	2.0	5.0	1.0	8.0	8.0	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Profit before Tax	3,369	1,648	2,258	2,064	3,228	
Deprn. & Amort.	703	830	912	1,107	1,200	
Net Interest Exp. / Inc. (-)	77	55	-16	-75	-97	
Inc (-) / Dec in WCap.	-3,529	1,072	-2,151	1,836	708	
Others	146	398	3,228	0	0	
Taxes Paid	-960	-401	-733	-519	-811	
<b>Operating Cash Flow</b>	<b>-195</b>	<b>3,602</b>	<b>3,499</b>	<b>4,413</b>	<b>4,228</b>	
Capex	-1,687	-1,007	-1,873	-2,146	-1,000	
Free Cash Flow	-1,882	2,595	1,626	2,267	3,228	
Inc (-) / Dec in Investments	1,846	-789	0	0	0	
Others	46	315	615	140	155	
<b>Investing Cash Flow</b>	<b>205</b>	<b>-1,481</b>	<b>-1,258</b>	<b>-2,006</b>	<b>-845</b>	
Inc / Dec (-) in Capital	107	0	0	0	0	
Dividend + Tax thereon	-385	-221	-111	-884	-884	
Inc / Dec (-) in Loans	648	-919	560	-1,144	0	
Others	-148	-82	26	-65	-59	
<b>Financing Cash Flow</b>	<b>222</b>	<b>-1,222</b>	<b>475</b>	<b>-2,094</b>	<b>-943</b>	
<b>Inc / Dec (-) in Cash</b>	<b>232</b>	<b>899</b>	<b>2,717</b>	<b>313</b>	<b>2,440</b>	
Opening Cash Balance	2,299	586	1,244	777	1,090	
Closing Cash Balance	2,531	1,485	3,961	1,090	3,530	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Shareholders' Fund	12,653	13,640	15,444	16,105	17,637	
Share Capital	1,106	1,106	1,106	1,106	1,106	
Reserves & Surplus	11,547	12,534	14,338	14,999	16,531	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	1,500	581	1,144	0	0	
Def. Tax Liab. / Assets (-)	123	137	191	191	191	
<b>Total - Equity &amp; Liab.</b>	<b>14,275</b>	<b>14,358</b>	<b>16,779</b>	<b>16,295</b>	<b>17,828</b>	
Net Fixed Assets	6,682	7,041	8,329	9,368	9,168	
Gross Fixed Assets	9,245	10,467	12,504	14,504	15,504	
Intangible Assets	0	0	0	0	0	
Less: Deprn. & Amort.	2,786	3,616	4,528	5,635	6,836	
Capital WIP	223	190	354	500	500	
Investments	17	3	3	3	3	
Current Assets	12,692	11,498	12,900	11,747	14,212	
Inventories	6,188	4,256	4,379	3,810	4,393	
Sundry Debtors	4,346	4,150	5,849	4,952	4,393	
Cash & Bank Balances	586	1,244	777	1,090	3,530	
Loans & Advances	1,571	1,847	1,895	1,895	1,895	
Other Current Assets	0	0	0	0	0	
Current Liab. & Prov.	5,115	4,184	4,453	4,823	5,555	
Current Liabilities	3,986	3,202	2,491	2,697	3,111	
Provisions & Others	1,129	982	1,962	2,126	2,445	
Net Current Assets	7,577	7,313	8,447	6,924	8,657	
<b>Total - Assets</b>	<b>14,275</b>	<b>14,358</b>	<b>16,779</b>	<b>16,295</b>	<b>17,828</b>	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Net Margin	9.3%	7.7%	7.0%	6.0%	7.5%	
Asset Turnover (x)	2.1	1.9	1.6	1.7	1.9	
Leverage Factor (x)	1.1	1.1	1.1	1.0	1.0	
RoE	21.4%	16.0%	12.4%	10.5%	14.3%	

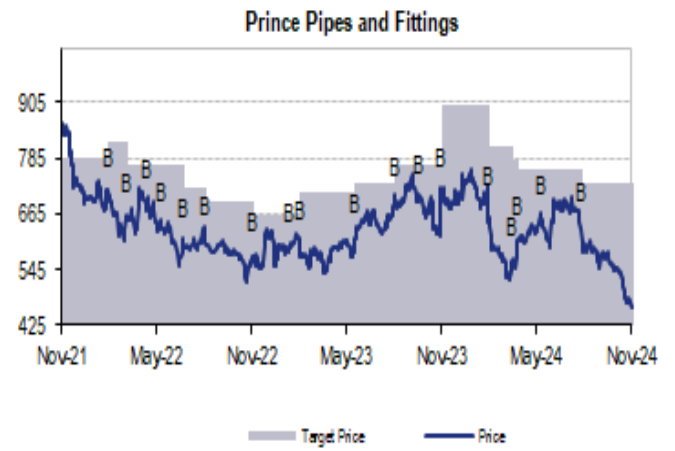
Key Ratios						
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
BV/Share (INR)	115.0	124.0	139.7	145.7	159.5	
ROIC	22.7%	9.3%	10.9%	9.7%	16.1%	
ROE	21.4%	16.0%	12.4%	10.5%	14.3%	
Net Debt/Equity (x)	0.1	0.0	0.0	-0.1	-0.2	
P/E (x)	20.7	24.4	28.5	31.0	21.3	
P/B (x)	4.0	3.8	3.3	3.2	2.9	
EV/EBITDA (x)	12.5	20.2	16.8	16.2	11.0	
EV/Sales (x)	2.0	1.9	2.0	1.8	1.5	
Debtor days	60	56	83	65	50	
Inventory days	85	57	62	50	50	
Creditor days	65	47	40	40	41	

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
1-Sep-21	Buy	750	
6-Nov-21	Buy	785	4.7
4-Feb-22	Buy	820	4.5
14-Mar-22	Buy	770	-6.1
22-Apr-22	Buy	770	0.0
20-May-22	Buy	770	0.0
29-Jun-22	Buy	720	-6.5
10-Aug-22	Buy	690	-4.2
11-Nov-22	Buy	660	-4.3
18-Jan-23	Buy	660	0.0
9-Feb-23	Buy	710	7.6
26-May-23	Buy	730	2.8
11-Aug-23	Buy	770	5.5
28-Sep-23	Buy	770	0.0
9-Nov-23	Buy	900	16.9
6-Feb-24	Buy	810	-10.0
22-Mar-24	Buy	780	-3.7
3-Apr-24	Buy	760	-2.6
19-May-24	Buy	760	0.0
4-Aug-24	Buy	730	-3.9

Recommendation History



## APPENDIX I

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SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com

Compliance Officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: sahil.salastekar@jmfl.com

Grievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: instcompliance@jmfl.com

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Rating	Meaning
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Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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\* REITs refers to Real Estate Investment Trusts.

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