

# Prince Pipe & Fittings

## BUY

### A Crown Prince...

#### Summary

We are structurally positive on pipes segment of building material products given its 1) multiple demand drivers viz agricultural, plumbing, SWR, industrial infrastructure 2) industry consolidation driving market share gain by organized players 3) robust demand outlook of the industry. After a challenging H1FY23 (on account of inventory loss and destocking by channel partners), we believe things should normalize eventually on PVC pricing front as well as inventory restocking. We like Prince Pipes & Fittings Ltd. (Prince Pipes) amongst the organized players owing to its 1) legacy of over 3 decades in the business, 2) comprehensive product portfolio across 4 key polymers, 3) strategically located manufacturing plants, 4) extensive distribution reach, and 5) consistent efforts on creating strong brand equity. We initiate coverage on Prince Pipes with a BUY rating and TP of Rs842, assigning 35x PER on FY25E.

#### Key Highlights and Investment Rationale

- **In a sweet spot to benefit from industry consolidation:** We believe Prince Pipes would be one of the key beneficiaries of industry consolidation as the company embarked upon capacity expansion (through organic and inorganic route). It boasts of having compressive over 7,200+ SKUs and an extensive distribution reach of over 1,500+ channel partners. Prince Pipes is focused on creating a strong brand recall through aggressive marketing and advertising exercise.
- **Multiple growth levers at play, attractive valuation:** Prince Pipes' timely capacity expansion bodes well to capitalize on healthy demand outlook. Further, focus on increasing share of value added products (fittings, CPVC) in total sales, strengthening distribution reach and efforts on working capital cycle bodes well for sustainable earnings growth in future. BUY with a TP of Rs842.

**TP** **Rs842**  
**CMP** **Rs620**

Potential upside 36%

#### Price Performance (%)

	-1m	-3m	-12m
Absolute	9.9	3.4	(13.8)
Rel to Sensex	7.4	(0.5)	(21.6)

#### V/s Consensus

EPS (Rs)	FY23E	FY24E	FY25E
IDBI Capital	5.5	17.6	24.1
Consensus	13.2	21.9	25.7
% difference	(58.4)	(19.5)	(6.1)

#### Key Stock Data

Bloomberg / Reuters	PRINCIPI IN / PRCE.BO
Sector	Plastic Products - Industrial
Shares o/s (mn)	111
Market cap. (Rs mn)	68,542
3-m daily average value (Rs mn)	10.5
52-week high / low	Rs748 / 513
Sensex / Nifty	62,678 / 18,660

#### Shareholding Pattern (%)

Promoters	62.9
FII	4.0
DII	10.3
Public	22.8

#### Financial snapshot

(Rs mn)

Year	FY21	FY22	FY23E	FY24E	FY25E
Revenue	20,715	26,568	24,738	28,574	32,884
Change (yoy, %)	27	28	(7)	16	15
EBITDA	3,616	4,156	1,732	3,572	4,604
Change (yoy, %)	58	15	(58)	106	29
EBITDA Margin(%)	17.5	15.6	7.0	12.5	14.0
Adj.PAT	2,218	2,494	605	1,946	2,661
EPS (Rs)	20.2	22.6	5.5	17.6	24.1
Change (yoy, %)	97.2	11.9	(75.7)	221.7	36.7
PE(x)	31.2	27.9	113.1	35.2	25.7
Dividend Yield (%)	0.6	0.6	0.6	0.6	0.7
EV/EBITDA (x)	18.7	16.9	39.3	18.9	14.3
RoE (%)	23.6	21.6	4.8	14.4	17.4
RoCE (%)	24.9	25.4	5.8	16.3	19.6

Source: IDBI Capital Research

#### Archana Gude

archana.gude@idbicaapital.com  
 +91-22-2217 1938

#### Vivek Nayak

Vivek.nayak@idbicapital.com  
 +91-22-2217 1845

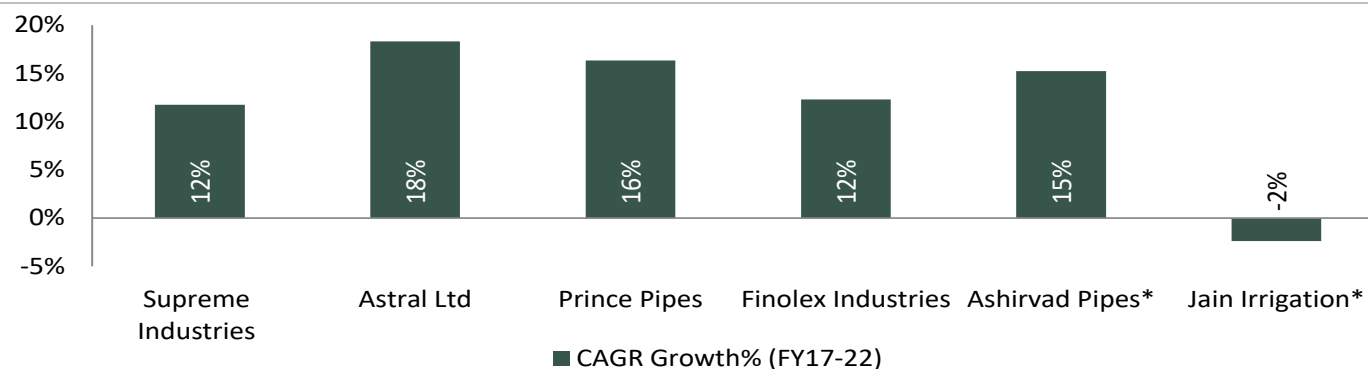
## Investment Rationale

### A strong legacy of more than 3 decades in pipes domain

Incorporated in 1987 by Mr. Jayant Chheda, Prince Pipes and Fittings Ltd. (Prince Pipes) is one of the fastest growing companies in the domestic pipes and fittings market. It offers pipes and fitting for plumbing, irrigation, and sewage disposal. The company has evolved over last 3 decades with new product launches, higher SKUs, timely capacity addition and pan India presence through extensive distribution reach. It boasts of state-of-the-art manufacturing facilities across 7 locations and is one of the few players which use all 4 polymers for manufacturing piping solutions. The management's focus on creating a strong brand recall over the years has played out well resulting in improved market share in overall domestic pipes and fittings market. Prince Pipes' tie-up with Lubrizol for Prince Flowguard Plus (CPVC plumbing systems) further strengthens its products offering and would drive margin improvement in near term. We believe that the company is in a sweet spot to benefit from industry consolidation, healthy demand environment and is poised to outperform to the industry leaders on growth parameters.

Our analysis of net sales CAGR over FY17-22 suggests after Astral (CAGR of 18%), Prince was at second spot with healthy 16% CAGR. Given the strong demand dynamics and the company's efforts on capacity addition, new products launches and increasing distribution reach would keep the growth momentum intact in future.

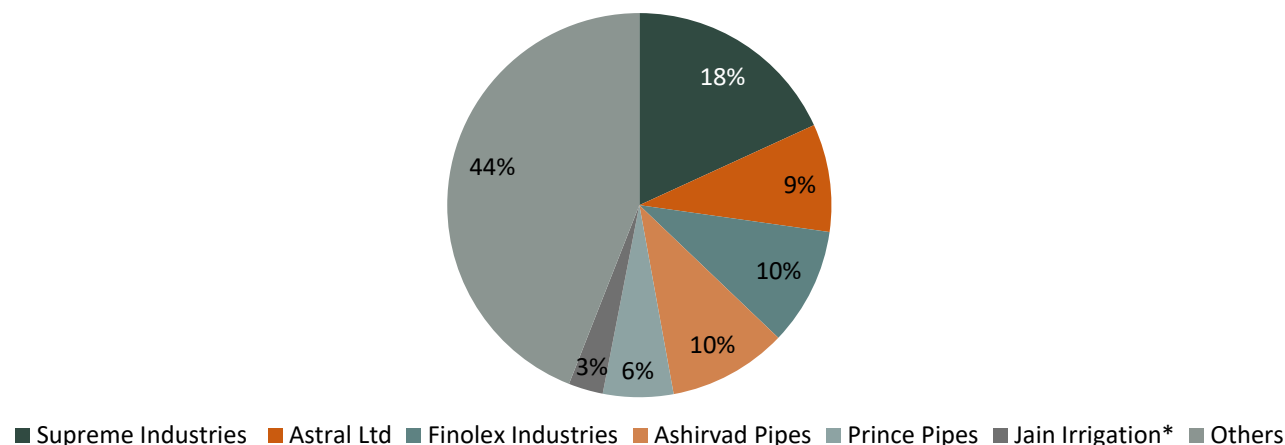
**Exhibit 1: Net sales CAGR (%) over FY17-22**



Source: Company, IDBI Capital Research, \*Note: Ashirvad Pipes – CAGR Growth 2017-21, Jain Irrigation – Sales only Pipe division

Our analysis of market share of domestic pipes manufactures for FY21 signifies the closely knit composition of the industry. Despite being the late entrant into a big league category, Prince managed to garner ~6% market share of the industry. With required things at place for sustainable net sales growth, we believe the company is poised to further strengthen its market share in times to come.

### Exhibit 2: Pipe industry market share analysis



Source: Company, IDBI Capital Research, \*Note: Data as on FY21, Jain Irrigation – Sales only Pipe division

### Comprehensive product portfolio across polymers

Prince Pipes uses all 4 key polymers (PPR, CPVC, HDPE and UPVC) for manufacturing piping solutions. The company's products have varied applications across agricultural, industrial and residential segment. Prince has currently over 7,200 SKUs which are used in plumbing, soil, water and rain management (SWR), irrigation and cable ducting pipes. The company has also forayed into overhead water tanks, though its contribution to sales is not yet significant. We believe that Prince Pipes diversified product offerings in all key verticals and the company's strategy to further expand the offerings with value added products would drive sustainable earnings growth in future.

**Exhibit 3: Prince Pipes' products and usage**

Polymer	Product	Usage
PPR	Greenfit PPR Plumbing & Industrial Piping	Industrial
	Greenfit Blue PPR Industrial Piping systems	Industrial
CPVC	Flowguard Plus Hot & Cold potable water plumbing systems	Plumbing
HDPE	Corfit underground doublewall corrugated pipes	Underground pipes
	PEFit Aqua HDPE piping systems	Agriculture and bore well
	Cablefit cable ducting pipes	Telecom and Optical Fibre Network, Railway signals, public CCTV, Telecom and optical fibre network etc
UPVC	Easyfit UPVC plumbing systems	Plumbing
	Silent fit - Low noise	Sewage
	Rainfit Roofwater Systems	Sewage
	Ultrafit SWR	Sewage
	Drainfit UPVC underground drainage piping systems	Underground
	Aquafit - Agriculture pressure pipe & fittings	Agriculture and bore well
	Foamfit - underground drainage piping systems	Underground
	Safefit bore well systems	Agriculture and bore well
Others	Easyfit RE - reclaim piping systems	Plumbing
	Drainfit Inspection Chamber	Underground
	Durafit Chamber & Manhole Covers	Underground
	Corfit Inspection Chambers	Underground
	Storefit - watertanks	Outdoor installations, Residential complexes, commercial buildings, industrial buildings

Source: Company, IDBI Capital Research

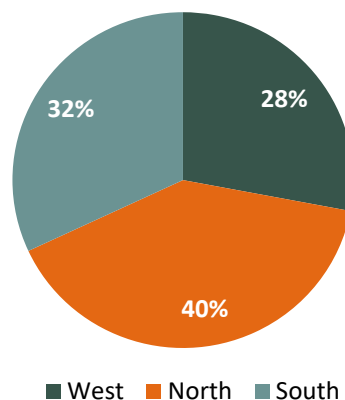
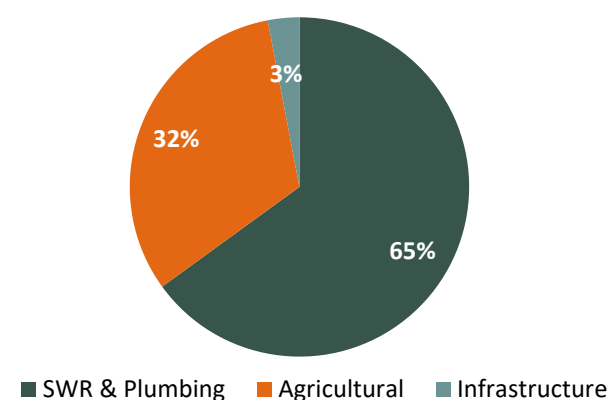
### Strategically located manufacturing plants

After a modest start with its first plant at Athal (Dadra & Nagar Haveli), Prince Pipes went on an expansion spree from CY2000. The company forayed into North India by setting up a plant at Haridwar, Uttarakhand in CY08. In a strategic move of brownfield expansion, it acquired 2 plants in Kolhapur (Maharashtra) and Chennai (Tamil Nadu) from Chemplast Sanmar along with Trubore brand in CY12. Prince Pipes was catering to Southern market through its Haridwar plant; however, pipes being bulky commodity attract higher logistic cost. And hence, the company further expanded capacity with a green field plant at Sangareddy, Telangana in CY21. It is currently catering to demand of Eastern markets through outsourcing model and has signed contract manufacturing with plants in Jamshedpur (Jharkhand) and Hajipur (Bihar). Post expansion at Telangana, the company's total manufacturing capacity stands at 315,087MT at the end of Q2FY23.

### Exhibit 4: Prince Pipes' manufacturing plants

Plant	Year	Installed Capacity (MTPA)	Products
Athal	1995	11,110	Fittings
Dadra	2000	60,286	Pipes
Haridwar	2008	89,163	Pipes & Fittings
Chennai	2012	50,825	Pipes
Kolhapur	2012	14,861	Pipes
Jaipur	2019	34,646	Pipes
Telangana	2021	54,196	Pipes & Fittings

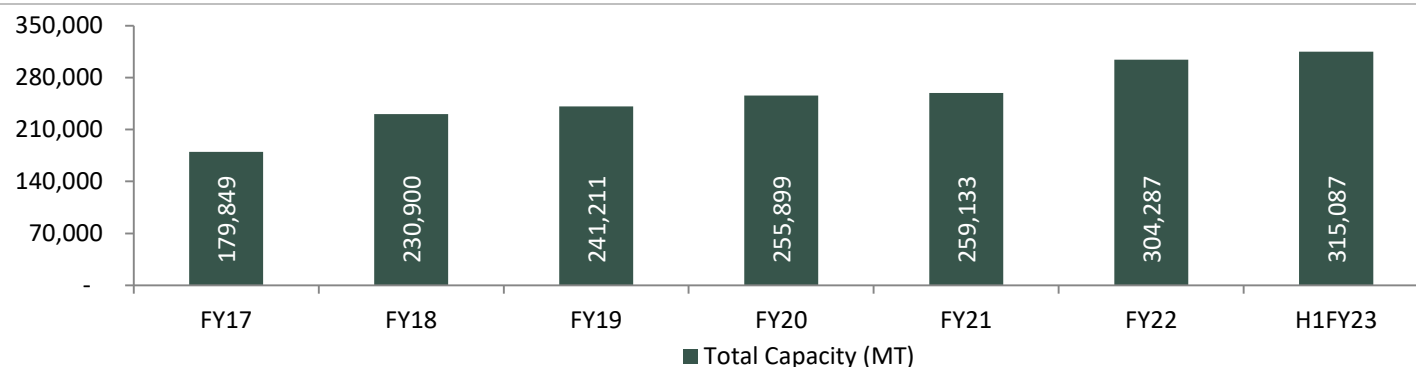
Source: Company, IDBI Capital Research

**Exhibit 5: Region wise manufacturing capacity**

**Exhibit 6: Segmental revenue contribution**


Source: Company, IDBI Capital Research

### Timely capacity expansion to cater to growing demand

The company has been on aggressive capacity addition mode in recent past in order to cater to growing demand. From a meager start of ~16,000MT capacity in 1995, Prince Pipes currently has capacity of ~315,087MT spread across 7 locations. We believe the management's focus on being a pan India player by expanding capacity and diversifying the presence has led to sustainable earnings growth of the company.

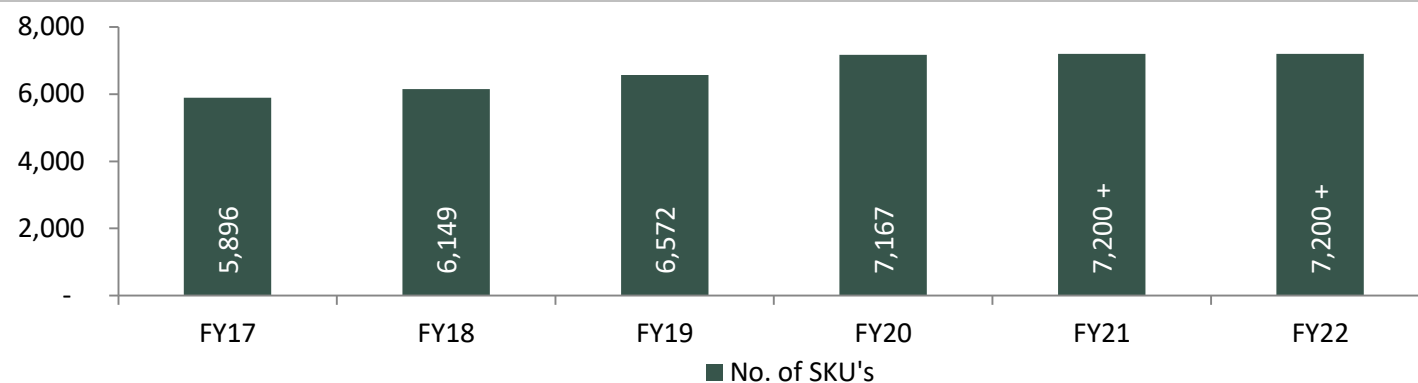
**Exhibit 7: Consistent capacity addition to drive higher sales volume**


Source: Company, IDBI Capital Research

### Diversified SKU range to aid growth

Prince Pipes is amongst the key players in domestic pipes and fittings industry which uses all 4 polymers. The company has been focused on strengthening the product portfolio by launching new products in pipes, fittings and now in overhead water tank as well. Currently it has more than 7,200 SKUs having applications in industrial, residential and agricultural segments. With tie-up with Lubrizol, Prince Pipes further strengthened its CPVC pipes segment, which is the fastest growing segment of the pipes industry. We believe the company will continue to focus on further enhancing products offerings across the segments which will support earnings growth in future.

### Exhibit 8: No of SKUs on uptrend



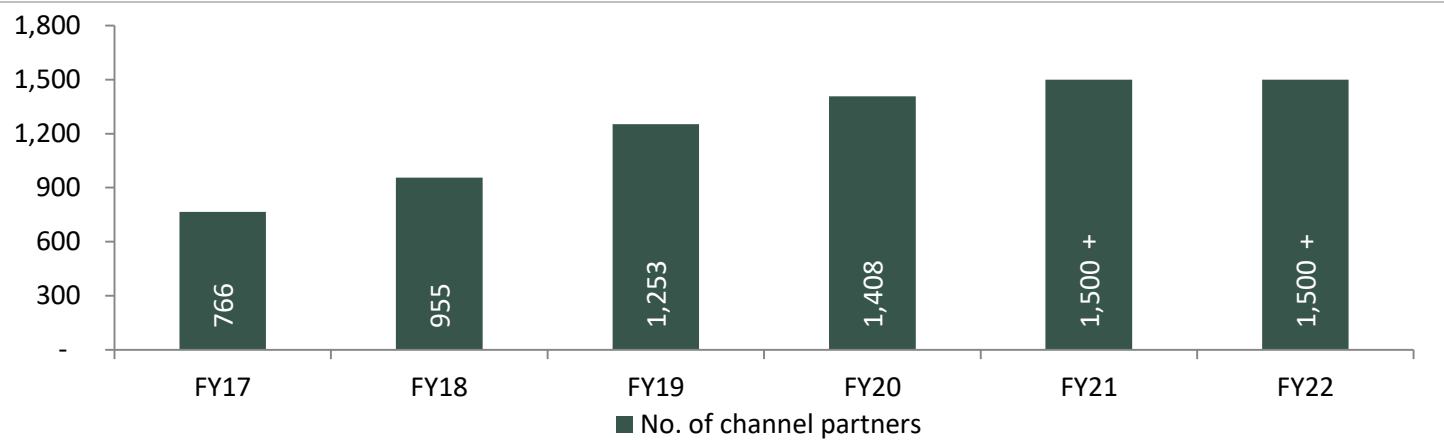
Source: Company, IDBI Capital Research

### Extensive distribution reach bodes well for sustainable future earnings growth

Apart from capacity addition and launching new products, Prince Pipes has been equally focused on strengthening distribution channel. As ~80% of the company's sales is from retail segment, the company emphasized on increasing presence in tier-2, tier-3 and smaller towns. Currently, Prince has a pan India presence, while Trubore is primarily present in Southern markets. From 766 distributors in FY17, Prince Pipes' strength of channel partners has surpassed 1,500+ in FY22. Apart from focusing on retail sales, the company is also focused on increasing institutional sales contribution in total sales, which currently stands at ~20%. We believe the management's prudent approach on expanding distribution reach paves the way for further

market share gain and drive higher sales growth in future. Despite being the late entrant, Prince Pipes boasts of having highest number of channel partners amongst the organized players.

Exhibit 9: Consistent growth in no of channel partners



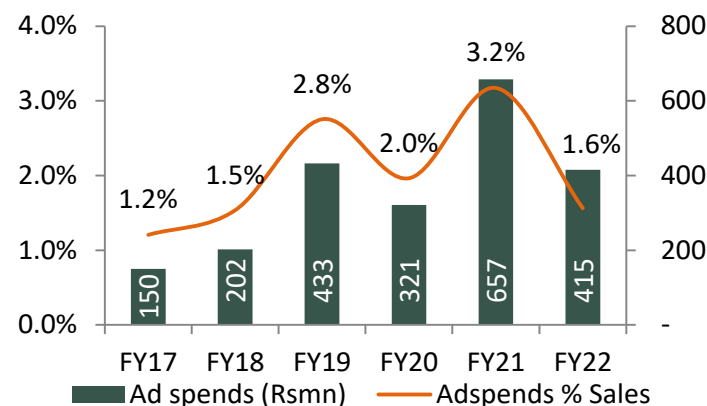
Source: Company, IDBI Capital Research



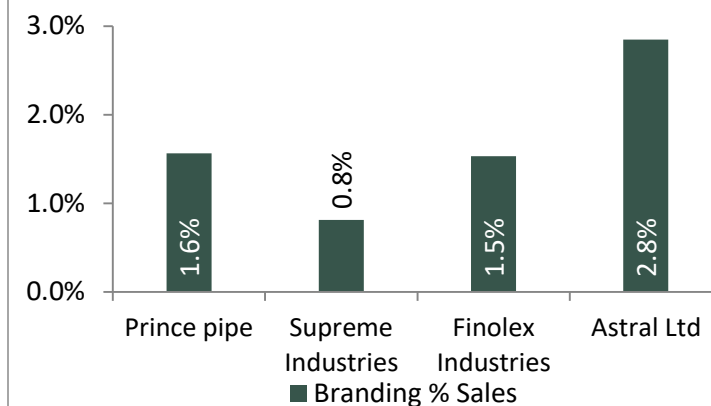
### Focus on branding and advertising to further strengthen brand equity

In order to create strong brand equity, particularly in rural markets, Prince Pipes appointed Mr. Akshay Kumar as its brand ambassador for Prince Pipes Systems in June, 2018. Apart from TV commercials, the company also undertook various other medium for brand promotion like movies, hoardings, etc. Over the years the company's spending on overall advertising has increased from 1.2% of sales to average ~2.2% of net sales in last 5 years. We have also analyzed the peers' spending on branding and advertising in FY22 and we find that Prince Pipes has fairly spent on creating a stronger brand recall. The company's thrust on penetrating deeper into rural markets and having a recall factor amongst the end consumers has resulted into better sales realization over the years.

**Exhibit 10: Prince Pipes' ad spend analysis**



**Exhibit 11: Advertising spend by peers in FY22**



Source: Company, IDBI Capital Research

Exhibit 12: Focus on creating a strong recall through aggressive brand promotion



Source: Company, IDBI Capital Research

### Foray into water tank segment to aid sales growth

In June, 2020, Prince entered the water tank business with launch of the Storefit brand in Gujarat. It has set up a small manufacturing facility at Dadra and has outsourced capacities across north, west and south markets. The company's water tanks find extensive use for installation at home, offices, factories, commercial places, hospitals, schools, camps and places that need large volumes of hygienic water storages. The range of overhead water tanks is in capacities of 500, 750, 1000, 1500, 2000 and 3000 litres with a 5 year warranty. It is designed with 3 layer insulation- outer white layer for UV resistance, insulated black middle layer which maintains water temperature and inner food grade polymer layer to prevent water contamination. The company will use its pipes and fitting channels to sell its Storefit tanks. It has on boarded Mr. Akshay Kumar as brand ambassador to promote their water tank business as well.

### Exhibit 13: Storefit water tank branding



Source: Company, IDBI Capital Research

### **Association with Lubrizol and Tooling Holland to further strengthen the brand**

In August, 2020, Prince Pipes and Fittings (PPFL) launched Prince FlowGuard Plus in association with Lubrizol, inventors and largest manufacturers of CPVC compounds worldwide. Lubrizol is dedicated to supplying the highest quality CPVC compounds to service hot and cold water plumbing markets in India. FlowGuard Plus – one of the safest, most reliable and cost-effective plumbing solutions has been part of Indian residential and commercial buildings for more than two decades. Prince Pipes’ robust partnership in the piping industry along with Lubrizol’s brand equity is poised to create a strong and sustainable partnership in the piping industry. Post tip-up with Lubrizol, Prince Pipes’ CPVC revenue contribution in total sales has substantially improved over the years.

Further, Prince Pipes has collaborated with Tooling Holland BV to strengthen technical competence and enhance operational efficiencies. Tooling Holland BV is a privately held company with over 30 years of experience in the development and production of injection moulds. The company specializes in the manufacture and exports of moulds for fittings (16-1000mm), crate and container moulds, thin wall packaging moulds and PET preform moulds. Tooling Holland exports products worldwide to major fitting- and pipe producers. This association will enable Prince Pipes to draw upon Tooling Holland's technical expertise and deep knowledge, build skills at par with international standards, significantly enhance internal operational efficiencies, and optimize production costs.

### **Entry into bathware to boost net sales growth**

Prince pipes as on August 9, 2022 announced its foray into Bathware segment with plans to launch faucets and sanitaryware products. The company is targeting to introduce products in a phase wise manner across India from March, 23 onwards. The company will follow an asset light model for initial 1-2 years. The organic expansion of portfolio is a part of the company’s growth strategy to offer a complete range of bathroom solutions and leverage its strong brand equity of Prince in building solutions market and leverage company’s pan India network of dealers and channel partners.

The company has appointed Mr. Harsh Kumar to drive the initial foray into the segment. Mr. Kumar has 22 years of relevant experience in the Bathware segment and has worked for over 15 years at Jaquar. He will be guided by existing national Head of sales Mr. Ashok Mehra who has over 33 years of deep domain expertise in

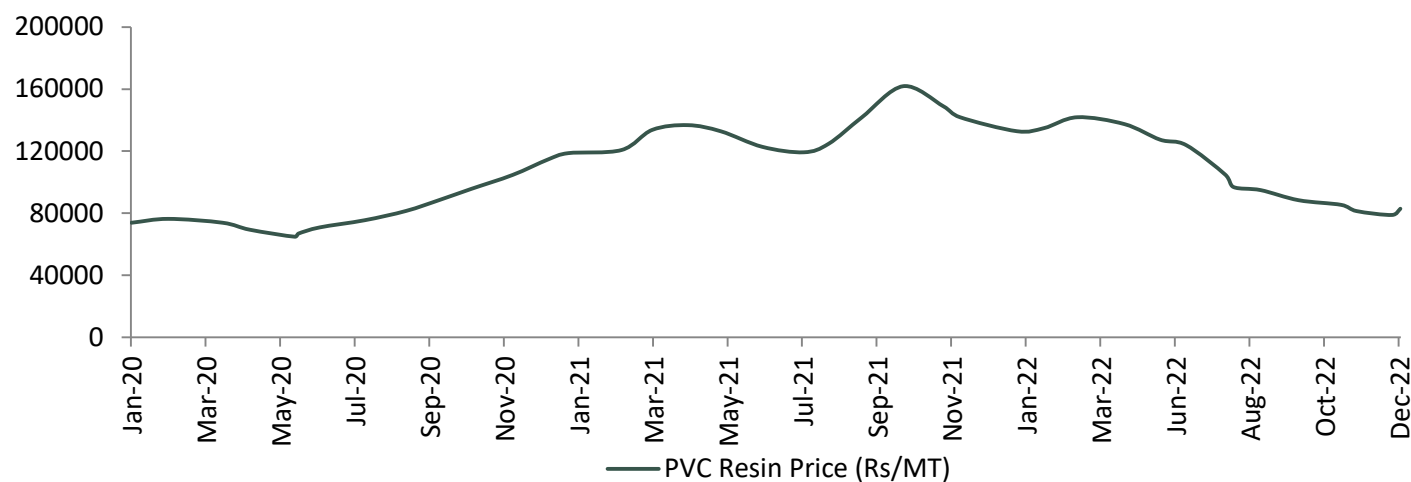
the building materials and sanitaryware industry and has worked with reputed companies namely Jaquar and Pidilite.

As per market estimates, the overall market size is estimated at ~Rs150bn with organized segment comprising of ~65% and unorganized segment at ~35%. Of the overall market, the market size of faucets segment is estimated at ~ Rs90-100bn and sanitaryware segment is ~Rs60-70bn.

### **PVC prices seem bottomed out, operating margin to stabilize**

The pipe manufacturers incurred huge inventory losses (owing to sharp fall in prices) in the earlier quarters. After a sharp rally, the prices have stabilized to pre-Covid level now. We believe this would bring cheers to pipes manufacturers as gross margin will improve eventually.

**Exhibit 14: PVC Prices trend**

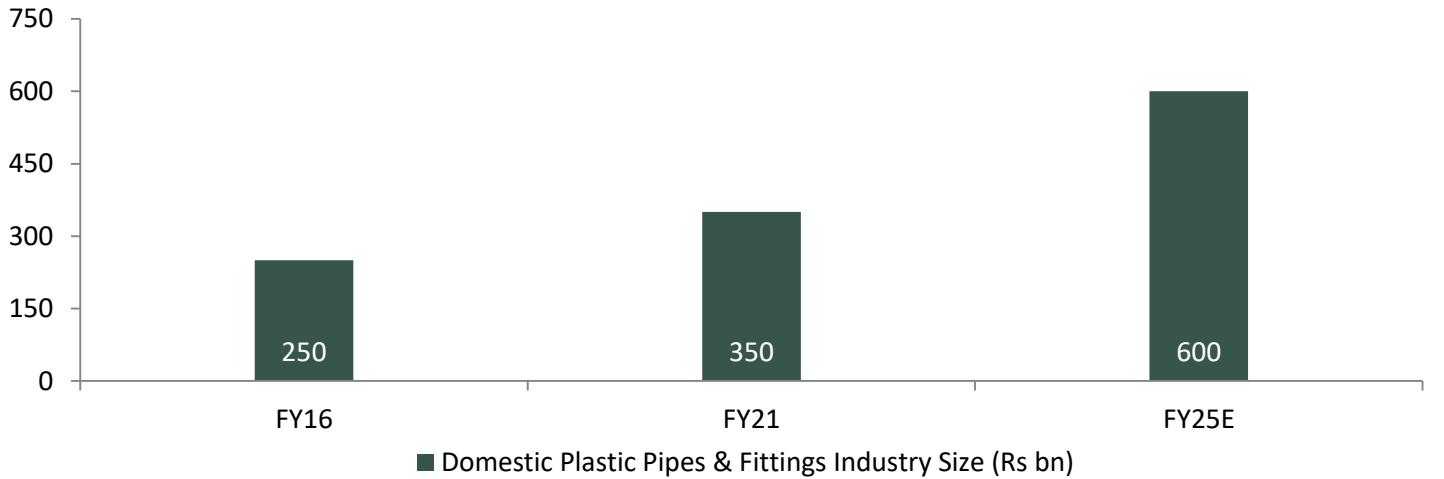


Source: Company, IDBI Capital Research

### Industry at a glance

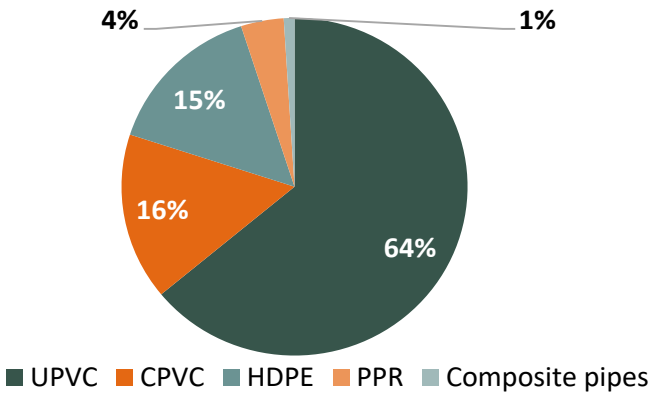
The future of the Indian plastic pipe market looks promising with opportunities in potable water supply, wastewater supply and sanitation (WSS), electrical and telecommunication cable protection, agriculture sector, chemical sector, and oil and gas sector. In the past five years, through the pandemic, it has scripted a 10% CAGR from FY16-FY21 and touched Rs ~Rs350bn mark. The sector is projected to record a slightly higher growth rate of 12% and achieve sales of Rs550-600bn by FY25E. The organized players in the sector accounted for approximately 67% of the market in FY21. The major growth drivers for this market are the growth of government infrastructural spending, increasing residential and commercial construction, industrial production, irrigation sector, and replacement of aging pipelines

**Exhibit 15: Domestic plastic pipe industry growth analysis**



Source: Company, IDBI Capital Research

Exhibit 16: Industry classification-As per polymer type



Source: Company, IDBI Capital Research

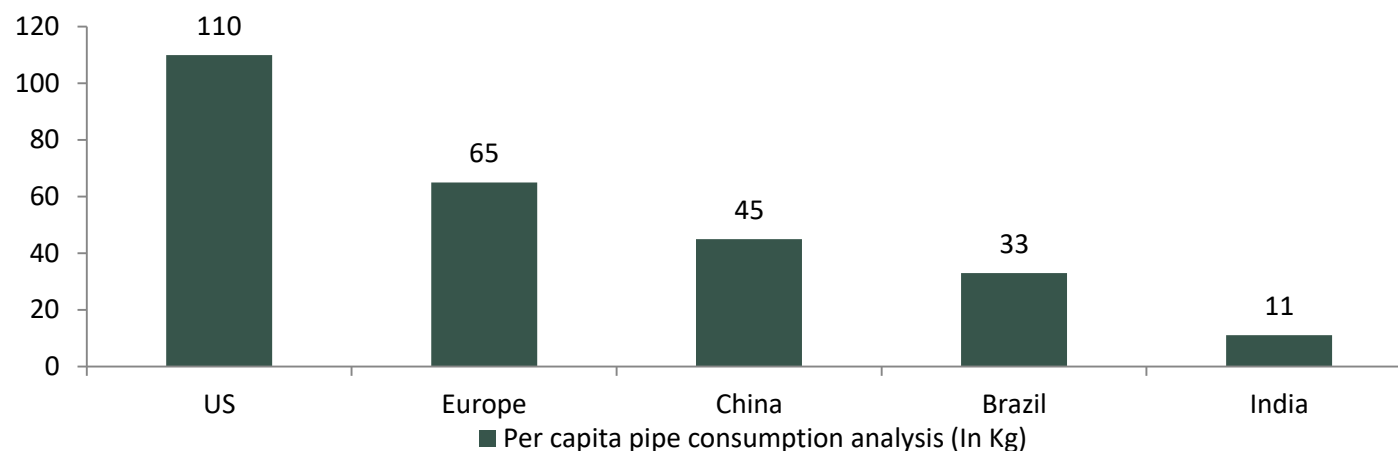
Exhibit 17: Polymer and its application analysis

Polymer Pipes	Usage
UPVC	Irrigation
	Water Supply & Sanitation
	Industrial applications
CPVC	Water Supply & Sanitation
	Hot and cold water systems
	Industrial applications
HDPE	Irrigation
	Water Supply & Sanitation
	Industrial applications
PPR	Hot and cold water systems
	Industrial applications
Composite Pipe	Hot and cold water systems
	Gas pipeline
	Industrial applications

Source: Company, IDBI Capital Research

India has very low per-capita plastic consumption of about 11 kg, compared with the global average of 30kg. Traditional materials dominate the application areas of plastic. However, over the past three to four fiscal years (specifically between fiscals 2014 and 2017), low crude oil prices and superior properties of plastic have increased the usage of plastic in India. Hence, we expect per-capita consumption to inch up towards the global average. Over FY22-25E, the industry is expected to grow at a CAGR 12%, led by promising demand drivers across industrial, residential and agriculture segments.

**Exhibit 18: Per capita consumption of pipe analysis**



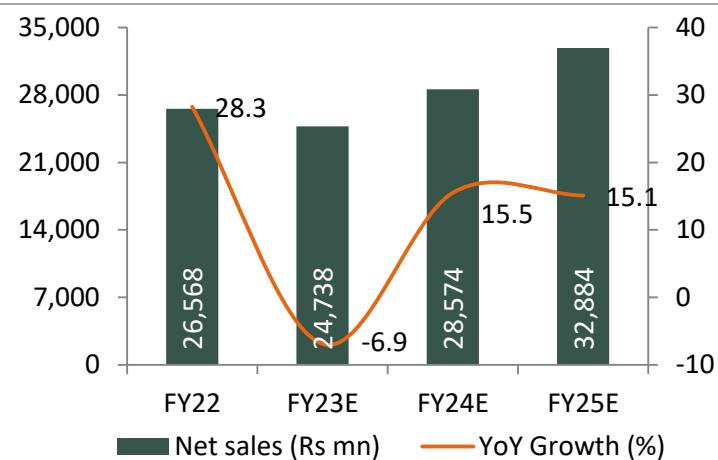
Source: Company, IDBI Capital Research

Plastic pipes have several advantages over metal pipes. For instance, the raw materials used in manufacturing plastic pipes are derivatives of crude oil. Hence, prices of plastic pipes are correlated to crude oil prices. The fall in crude oil prices between fiscals 2014 and 2017 has comparatively lowered raw material prices and, thus, plastic-pipe prices during the period. Superior real estate properties and low prices have accelerated the substitution of metal pipes by plastic pipes. The increase in the availability of raw materials (PVC, PE and PPR), following the commissioning of new petrochemical facilities in India will further support the plastic-pipes industry. Another factor driving long-term demand is the replacement of older pipes with plastic pipes. Within the plastic pipes industry, CRISIL Research expects demand to be driven by increasing application of HDPE and CPVC pipes.

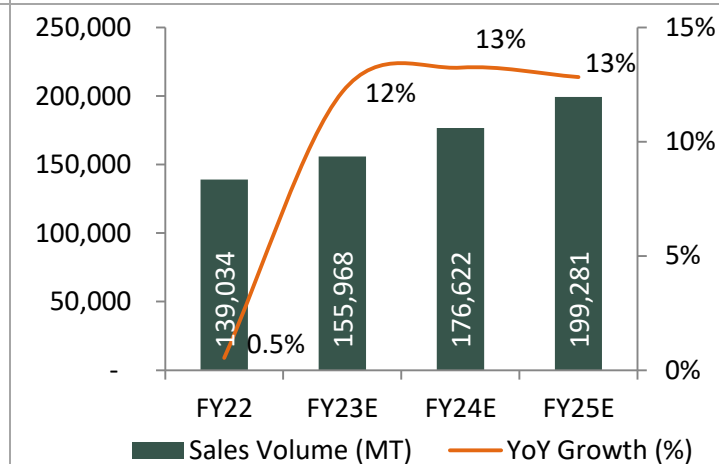


## Financial analysis

**Exhibit 19: Net sales growth analysis**

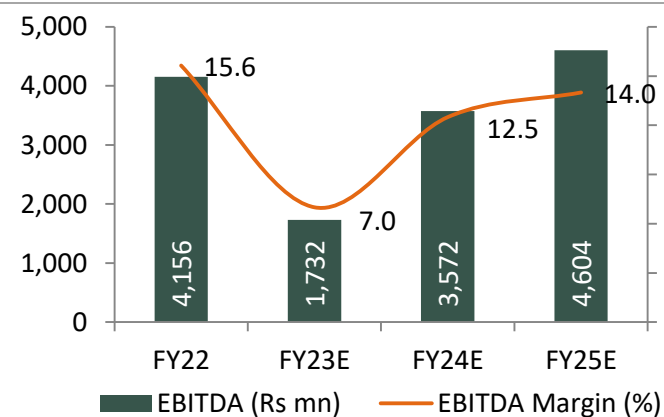


**Exhibit 20: Sales volume analysis**

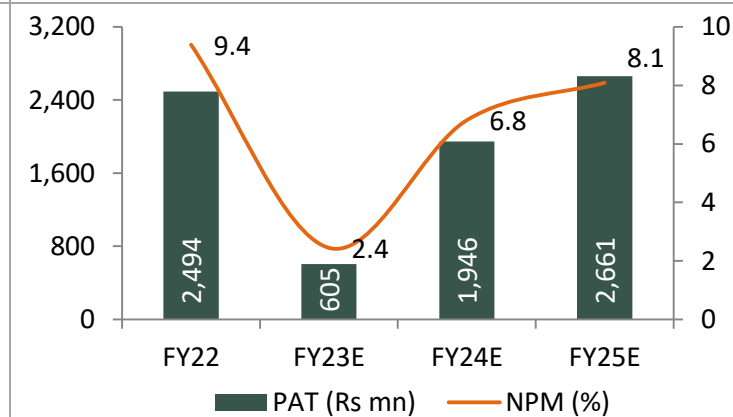


Source: Company, IDBI Capital Research

**Exhibit 21: EBITDA and EBITDA Margin analysis**



**Exhibit 22: PAT and PAT Margin analysis**



Source: Company, IDBI Capital Research

Exhibit 23: Return ratios analysis

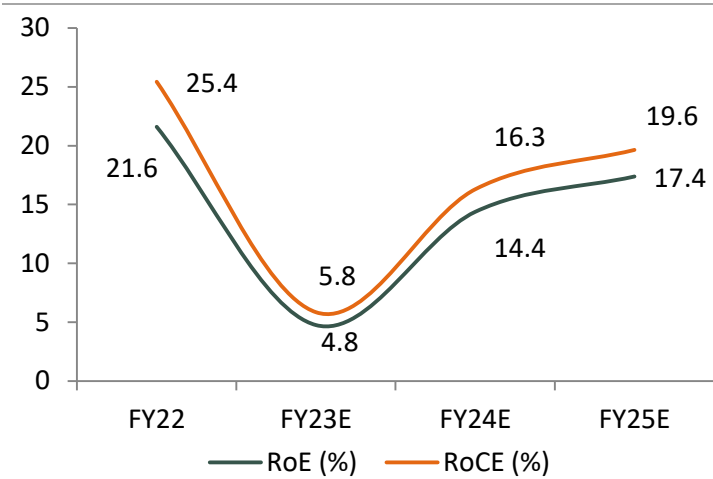
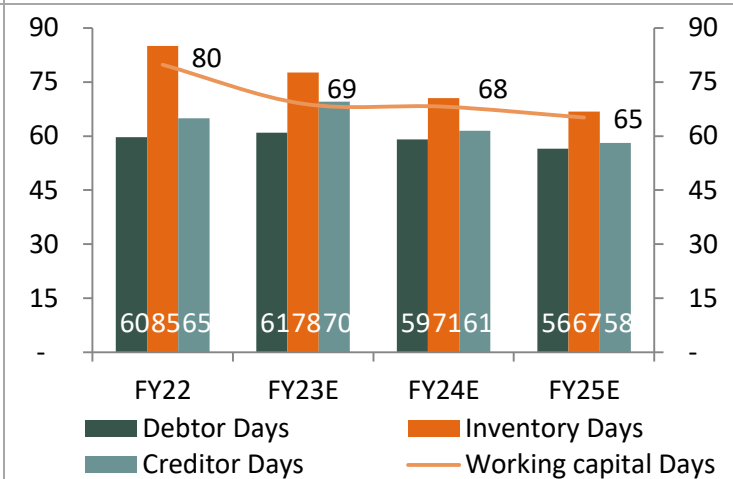


Exhibit 24: Working capital day analysis



Source: Company, IDBI Capital Research

## Valuation and Outlook

Prince Pipes and Fittings Ltd. is one of India's largest integrated piping solutions and multi-polymer manufacturers. The company has been engaged in the manufacturing of polymer piping and fittings solutions. It markets products under- Prince Piping Systems and Trubore Piping Systems. It has 7 strategically located manufacturing units and total installed capacity stands at ~315,087 MTPA at the end of Q2FY23. Prince pipe has largest range of 7200+ SKU's and pan India distribution of ~1500+ channel partners.

We expect Net Sales to grow at a CAGR of 7.4% over FY22-25E supported by higher sales volume as well as better realizations (aided by improved product mix). We estimate EBITDA/PAT to grow at a CAGR of 3.5%/2.2% over the same period.

Prince Pipes has traded at 1 year forward average PER of 32.4x since IPO listing, while it is trading at 25.8x PER on FY25E. Its peers Astral/Supreme/Finolex ind. are trading at PER of 57.8x/29.3x/20.4x on FY25E. We assign 35x PER (average of Astral/Supreme/Finolex Ind PER on FY25E) on FY25E EPS of Rs24.1 and initiate coverage on Prince Pipes with a BUY rating and TP of Rs842.

**Exhibit 25: Peer comparison**

Company	CMP	Mcap (Rs bn)	FY25E (Rs mn)		PAT	EPS (Rs)	PE (x)
			Net sales	EBITDA			
Supreme Industries	2,566	323	98,501	15,134	11,044	87.7	29.3
Astral	2,135	427	69,737	11,297	7,391	37.0	57.8
Finolex Industries	180	112	49,411	6,991	5,476	8.8	20.4
Prince Pipes and Fittings	621	69	32,884	4,604	2,661	24.1	25.8

Source: Company, IDBI Capital Research

## Company Background

Incorporated in 1987, Prince Pipes and Fittings Ltd. is one of India's largest integrated piping solutions and multi-polymer manufacturers. The company has been engaged in the manufacturing of polymer piping solutions in 5 types of polymers – CPVC, UPVC, HDPE, PPR, LLDPE. By end user segment it is present in plumbing pipe segment and caters to other segments such as borewell, sewerage, infrastructure, agriculture. The company is marketing its products under two renowned brands namely, Prince Piping Systems and Trubore Piping Systems. It has 7 strategically located manufacturing units in Haridwar (Uttarakhand), Athal (Dadra and Nagar Haveli), Dadra (Dadra and Nagar Haveli), Kolhapur (Maharashtra), Chennai (Tamil Nadu), Jobner (Rajasthan), Sangareddy (Telangana). Total installed capacity as on 30<sup>th</sup> June'2022 stands at ~3,09,000 MTPA. Prince pipe has largest range of 7200+ SKU's and has pan India distribution of ~1500+ channel partners.

### Exhibit 26: Journey so far

Year	Milestone
1987	Incorporated as a private limited company
1995	Setup large scale plastic injection moulding and extrusion unit in Athal
2000	New plant setup at Dadra for pipe manufacturing
2008	New plant setup at Haridwar for pipes and fittings manufacturing
2010	Nominated for the Best SME Emerging India Award 2010 by ICICI Bank, CNBC TV18 and CRISIL
2012	Acquisition of Trubore Piping System Brand and 2 plants in Chennai and Kolhapur
2016	First player to launch loyalty program called 'Prince Udaan' to reward its value chain
2018	Appointed Akshay Kumar as Brand Ambassador and rolled out print and ad film campaign across diverse medium
2019	New plant set up at Jaipur for Pipe manufacturing
2020	Got listed on BSE & NSE with an IPO of Rs 5bn
2020	Tie-up with Lubrizol to transform plumbing products through PRINCE FLOWGUARD PLUS
2021	Prince Pipes begins its Commercial Production at Telangana, sooner than its prescribed time schedule. The plant strengthens PPFL's strategic presence and increase its penetration in Southern India

Source: Company, IDBI Capital Research

**Exhibit 27: Key Management Details**

Name	Designation	Background
Mr. Jayant S. Chheda	Founder, Chairman and MD	He has extensive industry knowledge, more than four decades of experience and has been associated with the company since its incorporation. He was conferred with the Lifetime Achievement Award at the Vinyl India Conference, 2014.
Mr. Parag J. Chheda	Joint Managing Director	Associated with the company since 1996 and was awarded Inspiring 'Business Leader Award 2016' at the Economic Times Summit.
Mr. Vipul J. Chheda	Executive Director	His honed skills and dedication towards our vision for 20 years have made him a vital part of our growth story.
Mr. Shyam Sharda	VP & Chief Financial Officer	He has been employed with the Company since January 21, 2015. He has a bachelor's degree in commerce from Jodhpur (Rajasthan) University. He is also an associate member of the Institute of Chartered Accountants of India.

*Source: Company, IDBI Capital Research*

**Exhibit 28: Shareholding pattern**

Fund Name	No of shares held (In lacs)
Mirae Asset Mutual Fund	86.5
Aditya Birla Sun Life Mutual Fund	11.6
DSP Mutual Fund	9.8
UTI Mutual Fund	4.8
Invesco Mutual Fund	0.7
Nippon India Mutual Fund	0.2
Motilal Oswal Mutual Fund	0.1

Source: Company, IDBI Capital Research

### Key Concerns

- Slowdown in the economy would weigh on real estate, infrastructure and agriculture spending, in turn resulting in degrowth in domestic pipes industry. We believe such uncertain events may depress short term earnings of the company.
- Raw material prices (PVC Resin) are very volatile in nature and do have impact gross margin of the company. Also, sharp increase in raw material prices may dampen the demand, particularly in price sensitive segments like agricultural.
- Increased competition from organized/unorganized players may cause lower pricing power/higher discounting and hence suppress margins.



## Financial Summary

### Profit & Loss Account

(Rs mn)

Year-end: March	FY20	FY21	FY22	FY23E	FY24E	FY25E
<b>Net sales</b>	<b>16,357</b>	<b>20,715</b>	<b>26,568</b>	<b>24,738</b>	<b>28,574</b>	<b>32,884</b>
<i>Change (yoy, %)</i>	4.1	26.6	28.3	(6.9)	15.5	15.1
Operating expenses	(14,069)	(17,099)	(22,412)	(23,006)	(25,002)	(28,280)
<b>EBITDA</b>	<b>2,288</b>	<b>3,616</b>	<b>4,156</b>	<b>1,732</b>	<b>3,572</b>	<b>4,604</b>
<i>Change (yoy, %)</i>	24.3	58.1	14.9	-58.3	106.3	28.9
<i>Margin (%)</i>	14	17	16	7	13	14
Depreciation	(520)	(594)	(703)	(846)	(926)	(1,006)
<b>EBIT</b>	<b>1,768</b>	<b>3,022</b>	<b>3,453</b>	<b>886</b>	<b>2,646</b>	<b>3,598</b>
Interest paid	(332)	(207)	(139)	(149)	(145)	(167)
Other income	69	176	55	71	100	124
<b>Pre-tax profit</b>	<b>1,506</b>	<b>2,991</b>	<b>3,369</b>	<b>808</b>	<b>2,600</b>	<b>3,555</b>
Tax	(381)	(773)	(875)	(203)	(654)	(895)
<i>Effective tax rate (%)</i>	25.3	25.8	26.0	25.2	25.2	25.2
Minority Interest	-	-	-	-	-	-
<b>Net profit</b>	<b>1,125</b>	<b>2,218</b>	<b>2,494</b>	<b>605</b>	<b>1,946</b>	<b>2,661</b>
Exceptional items	-	-	-	-	-	-
<b>Adjusted net profit</b>	<b>1,125</b>	<b>2,218</b>	<b>2,494</b>	<b>605</b>	<b>1,946</b>	<b>2,661</b>
<i>Change (yoy, %)</i>	37.0	97.2	12.4	(75.7)	221.7	36.7
EPS	10	20	23	5.5	17.6	24.1
Dividend per sh	1	4	4	4	4	5
<i>Dividend Payout (%)</i>	12	21	19	77	24	22

**Balance Sheet**

(Rs mn)

Year-end: March	FY20	FY21	FY22	FY23E	FY24E	FY25E
<b>Shareholders' funds</b>	<b>8,377</b>	<b>10,435</b>	<b>12,653</b>	<b>12,793</b>	<b>14,275</b>	<b>16,338</b>
Share capital	1,100	1,100	1,106	1,106	1,106	1,106
Reserves & surplus	7,277	9,335	11,547	11,688	13,169	15,233
<b>Total Debt</b>	<b>2,433</b>	<b>852</b>	<b>1,500</b>	<b>1,650</b>	<b>1,815</b>	<b>2,087</b>
Other liabilities	1,264	917	798	907	1,037	1,085
<b>Curr Liab &amp; prov</b>	<b>2,029</b>	<b>3,625</b>	<b>4,439</b>	<b>4,876</b>	<b>4,743</b>	<b>5,085</b>
Current liabilities	1,895	3,491	4,291	4,720	4,578	4,909
Provisions	134	134	149	156	165	176
<b>Total liabilities</b>	<b>5,725</b>	<b>5,394</b>	<b>6,738</b>	<b>7,432</b>	<b>7,595</b>	<b>8,258</b>
<b>Total equity &amp; liabilities</b>	<b>14,102</b>	<b>15,829</b>	<b>19,390</b>	<b>20,226</b>	<b>21,870</b>	<b>24,596</b>
Net fixed assets	4,961	5,714	6,641	7,047	7,124	7,123
Investments	6	78	38	38	38	38
Other non-curr assets	-	3	3	3	3	3
<b>Current assets</b>	<b>9,135</b>	<b>10,033</b>	<b>12,709</b>	<b>13,138</b>	<b>14,705</b>	<b>17,432</b>
Inventories	3,445	2,273	6,188	5,260	5,523	6,020
Sundry Debtors	1,797	3,308	4,346	4,129	4,624	5,087
Cash and Bank	2,570	2,299	586	2,082	2,795	4,460
Loans and advances	275	1	5	6	6	6
<b>Total assets</b>	<b>14,102</b>	<b>15,829</b>	<b>19,390</b>	<b>20,226</b>	<b>21,870</b>	<b>24,596</b>

**Cash Flow Statement**

(Rs mn)

Year-end: March	FY20	FY21	FY22	FY23E	FY24E	FY25E
Pre-tax profit	1,506	2,991	3,369	808	2,600	3,555
Depreciation	564	594	703	846	926	1,006
Tax paid	(397)	(773)	(885)	(203)	(654)	(895)
Chg in working capital	(1,309)	1,531	(4,142)	1,582	(892)	(617)
Other operating activities	-	-	-	-	-	-
<b>Cash flow from operations (a)</b>	<b>364</b>	<b>4,343</b>	<b>(956)</b>	<b>3,032</b>	<b>1,980</b>	<b>3,049</b>
Capital expenditure	(1,315)	(1,347)	(1,630)	(1,252)	(1,002)	(1,005)
Chg in investments	29	(72)	41	-	-	-
Other investing activities	-	-	-	-	-	-
<b>Cash flow from investing (b)</b>	<b>(1,286)</b>	<b>(1,419)</b>	<b>(1,589)</b>	<b>(1,252)</b>	<b>(1,002)</b>	<b>(1,005)</b>
Equity raised/(repaid)	184	-	5	-	-	-
Debt raised/(repaid)	(82)	(1,581)	648	150	165	272
Dividend (incl. tax)	(132)	(462)	(464)	(464)	(464)	(597)
Chg in minorities	-	-	-	-	-	-
Other financing activities	3,299	(1,152)	643	61	66	(20)
<b>Cash flow from financing (c)</b>	<b>3,269</b>	<b>(3,195)</b>	<b>832</b>	<b>(253)</b>	<b>(233)</b>	<b>(345)</b>
<b>Net chg in cash (a+b+c)</b>	<b>2,347</b>	<b>(271)</b>	<b>(1,713)</b>	<b>1,527</b>	<b>744</b>	<b>1,700</b>

**Financial Ratios**

Year-end: March	FY20	FY21	FY22	FY23E	FY24E	FY25E
Book Value (Rs)	76.1	94.8	114.4	116	129	148
Adj EPS (Rs)	10.2	20.2	22.6	5.5	17.6	24.1
Adj EPS growth (%)	12.1	97.2	11.9	(75.7)	221.7	36.7
EBITDA margin (%)	14.0	17.5	15.6	7.0	12.5	14.0
Pre-tax margin (%)	9.2	14.4	12.7	3.3	9.1	10.8
Net Debt/Equity (x)	0.0	-0.1	0.1	0.0	-0.1	-0.1
ROCE (%)	17.7	24.9	25.4	5.8	16.3	19.6
ROE (%)	18.2	23.6	21.6	4.8	14.4	17.4

**DuPont Analysis**

Asset turnover (x)	1.3	1.4	1.5	1.2	1.4	1.4
Leverage factor (x)	2.0	1.6	1.5	1.6	1.6	1.5
Net margin (%)	6.9	10.7	9.4	2.4	6.8	8.1

**Working Capital & Liquidity ratio**

Inventory days	77	40	85	78	71	67
Receivable days	40	58	60	61	59	57
Payable days	47	67	65	70	61	58

**Valuations**

Year-end: March	FY20	FY21	FY22	FY23E	FY24E	FY25E
PER (x)	61.5	31.2	27.9	113.1	35.2	25.7
Price/Book value (x)	8.3	6.6	5.5	5.3	4.8	4.2
EV/Net sales (x)	4.2	3.3	2.7	2.7	2.4	2.0
EV/EBITDA (x)	30.2	18.7	16.9	39.3	18.9	14.3
Dividend Yield (%)	0.2	0.6	0.6	0.6	0.6	0.7

Source: Company; IDBI Capital Research



# Notes

Dealing	(91-22) 6836 1111	dealing@idbicapital.com
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**IDBI Capital Markets & Securities Ltd.****Equity Research Desk**

6th Floor, IDBI Tower, WTC Complex, Cuffe Parade, Colaba, Mumbai – 400 005. Phones: (91-22) 2217 1700; Fax: (91-22) 2215 1787; Email: info@idbicapital.com

**SEBI Registration:** BSE & NSE (Cash & FO) – INZ000007237, NSDL – IN-DP-NSDL-12-96, Research – INH000002459, CIN – U65990MH1993GOI075578

**Compliance Officer:** Christina D'souza; Email: compliance@idbicapital.com; Telephone: (91-22) 2217 1907

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