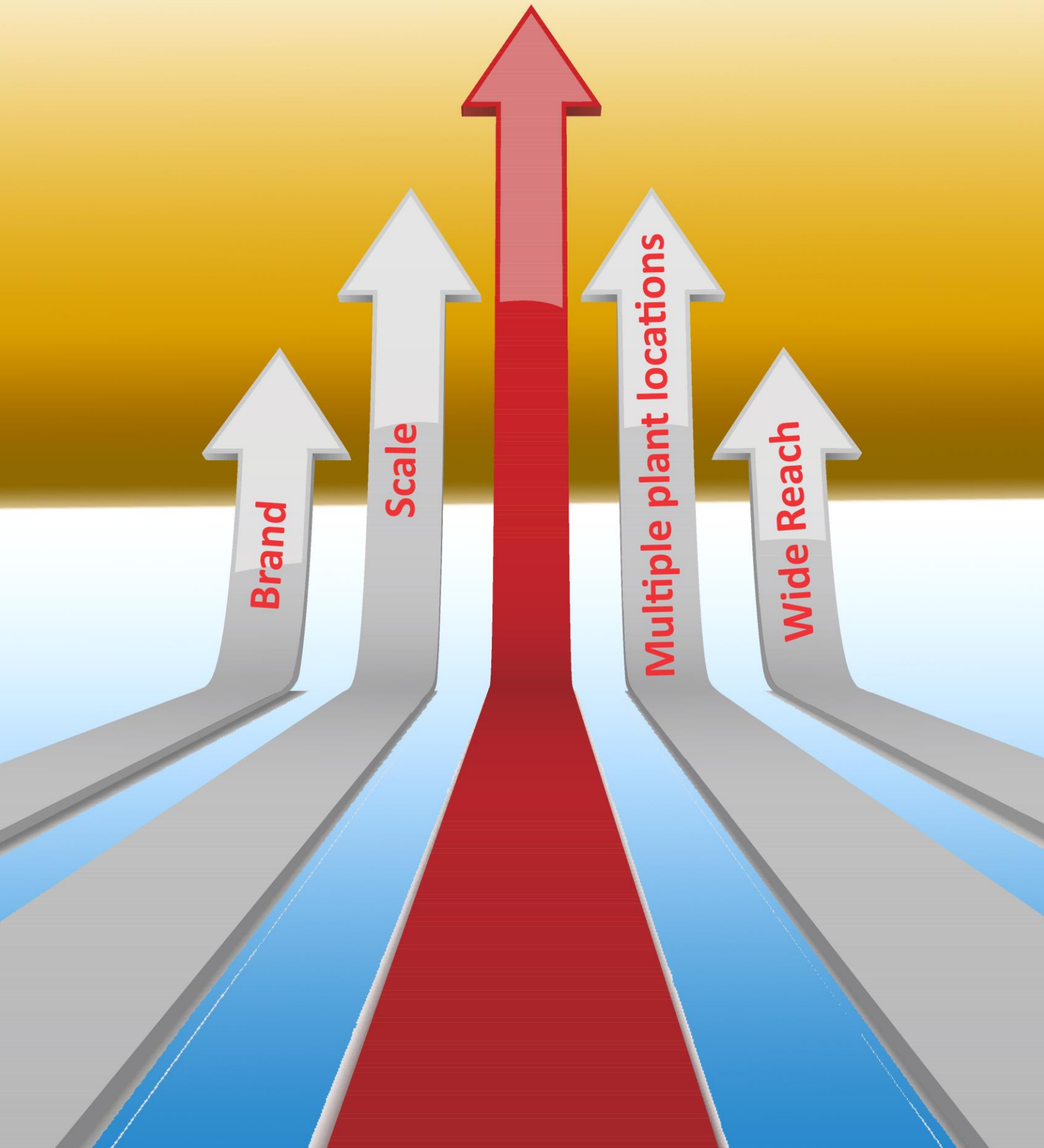




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SYSTEMATIX INSTITUTIONAL EQUITIES

# Prince Pipes & Fittings



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## Prince Pipes & Fittings

2 September 2020

### Ticks all the right boxes to reach the top

#### INITIATING COVERAGE

Sector: Plastic Pipes Rating: BUY

CMP: Rs 197 Target Price: Rs 255

#### Stock Info

Sensex/Nifty	39,086 / 11,535
Bloomberg	PRNCPIN IN
Equity shares (mn)	110.0
52-wk High/Low	207/75
Face value	Rs 10
M-Cap	Rs 22bn/ US\$ 297mn
3-m Avg volume	US\$ 0.6mn

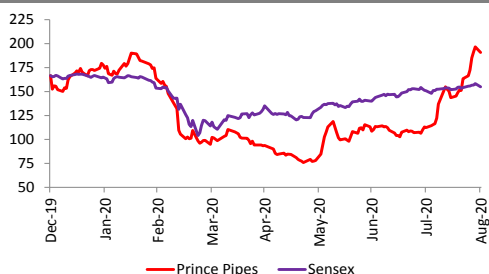
#### Financial Snapshot (Rs mn)

Y/E Mar	FY20	FY21E	FY22E
Net sales	16,357	16,806	18,981
EBITDA	2,288	2,017	2,562
PAT (adj.)	1,125	965	1,398
EPS (adj.) (Rs)	10.2	8.8	12.7
PE (x)	19.3	22.5	15.5
P/B (x)	2.6	2.4	2.1
EV/EBITDA (x)	9.6	10.7	8.3
RoE (%)	18.2	11.0	14.3
RoCE (%)	19.8	13.5	18.2
D/E (x)	0.3	0.1	0.0
OPM (%)	14.0	12.0	13.5

#### Shareholding Pattern (%)

	Jun'20	Mar'20	Dec'19
Promoter	63.3	63.3	63.3
- Pledged	-	-	-
FII	6.3	6.3	6.1
DII	18.8	19.3	14.7
Others	11.6	11.1	15.9

#### Stock Performance (1-year)



The success mantra of the leading plastic pipe companies is having the right blend of scale, plant locations, distribution network, brand affinity and balance sheet strength. Prince Pipes & Fittings (PRNCPIN) ticks all the right boxes to reach the top and has the potential to challenge the dominance of category leaders like Astral Poly (ASTRA), Supreme Industries (SI) and Ashirvad. It has also leveraged the benefits of management legacy to gain a competitive edge. The company's enviable position in terms of brand, scale, distribution intensity, stock keeping units (SKUs) and pan-India manufacturing presence leads us to believe that it can become one of the top three plastic pipe companies in India. We expect it to demonstrate strong growth in revenues and profitability over the next five years. We initiate coverage with a BUY rating and target price of Rs 255 based on 20x FY22E earnings.

#### Tailwinds from the unorganised sector and regional organised players

The current uncertain macroeconomic environment has adversely impacted the unorganised sector which was already struggling due to demonetisation and the implementation of GST. Further, demand disruption, liquidity issues and volatility in raw material prices accentuated the downsides of having regional business models. This is the right time for organised Pan-India players to get aggressive and gain market share from the unorganised segment and the organised/regional players that are facing challenges. PRNCPIN's manufacturing and distribution presence across the country will help it benefit from this opportunity.

#### Demand-led capacity expansion, branding strategies to expand market presence

PRNCPIN occupies 8% capacity share (255,000tn) of the organised Indian plastic pipe industry. It has added pipe capacity at a CAGR of 12% between FY17-20 (SI: 4%, FNXP: 8%, ASTRA: 20%). The growth of the organised industry has been largely supported by the access to new regions and stressed businesses going out of operations. PRNCPIN delivered a volume growth of 11% (SI 9%, FNXP 7%, ASTRA 14%) between FY17-20 with the fixed asset turn averaging 3.3x (SI 2x, FNXP 1.4x, ASTRA 2.9x). The industry is expected to grow at a CAGR of 5% between FY20-23E as FY21E is estimated to witness a contraction. However, the organised players are likely to grow faster at 10% driven by the market tailwinds. We expect PRNCPIN to grow its market share from 5% in FY20 to 7% in the next 2-3 years supported by its aggressive branding exercise. It has roped in Bollywood actor Akshay Kumar for its branding activities.

#### Healthy financial position after IPO

The management remains focused on improving its financial and operational efficiencies after a sub-par performance in the past. The improvement in margins, quicker recoveries (debtor days at 40 vs. 58 in FY19) and the cash infusion from its IPO proceeds (Rs 2.5bn) have helped it create a healthy liquidity position and its D/E has come down to 0.3x vs. 0.8x in FY20. PRNCPIN has sufficient capital to fund its future growth capex. We believe it will be net-debt free by FY22E.

#### Attractive valuations

At the current market price, PRNCPIN trades at 16x FY22E, which is at a discount to its closest peers (SI: 29x, FNXP: 16x, ASTRA: 57x), owing to its lower margins in the past and other corporate-level issues such as the personal debt of the promoter. However, the debt has been paid-off from the proceeds of the IPO and the pledge on 35% of shares has been revoked. We expect revenues to grow at a CAGR of 8% between FY20-22E driven by the company's tie-up with Lubrizol, increasing reach and capacity expansion. PAT is estimated to grow at a CAGR of 11% between FY20-22E due to a better product mix and lower debt. We initiate coverage with a BUY rating and target price of Rs 255 based on 20x FY22E earnings.

Ankit Gor

 ankitgor@systematixgroup.in  
 +91 22 6704 8028

Kumar Saumya

 kumarsaumya@systematixgroup.in  
 +91 22 6704 8025

## Peer comparison

### Exhibit 1: Peer comparison across plastic pipe companies under coverage

Company	CMP (Rs)	Mcap (Rs mn)	TP	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
				EPS	EPS	Rev	Rev	RoE	RoE	P/E	P/E	EV/EBITDA	EV/EBITDA
						(mn)	(mn)	(%)	(%)	(x)	(x)	(x)	(x)
Supreme	1,357	172,407	1,400	32	47	53	62	17%	22%	42	29	24	18
Astral	1,166	175,622	1,018	14	20	25	30	13%	17%	85	57	42	32
Finolex	505	62,668	625	18	31	25	30	11%	18%	28	16	19	12
Prince	197	21,675	260	9	13	17	19	11%	14%	22	16	11	8

Source: Company, Systematix Institutional Research

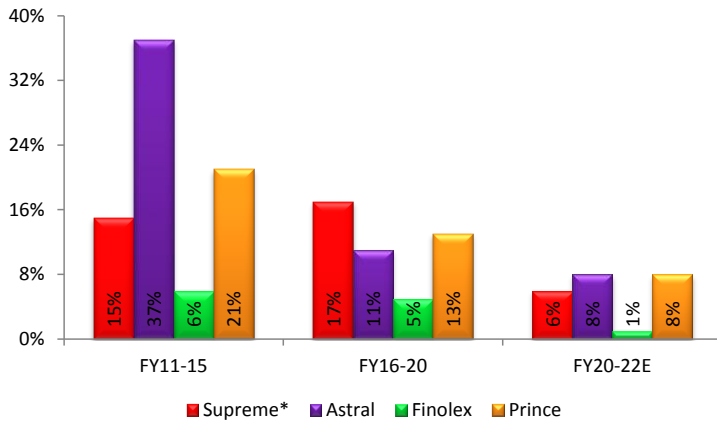
### Exhibit 2: Coverage Universe Snapshot

	Supreme			Astral			Finolex			Prince		
	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E
Mcap (Rs mn)	172,407			175,622			62,668			21,675		
Mcap (US\$ mn)	2,362			2,406			858			297		
3-m Avg traded value (US\$ mn)	US\$ 1.0mn			US\$ 2.6mn			US\$ 0.4mn			US\$ 0.6mn		
CMP (Rs)	1,357			1,166			505			197		
TP (Rs)	1,400			1,018			625			255		
Upside (%)	3%			-13%			24%			29%		
P/E (x)	37	42	29	71	85	57	19	28	16	19	22	16
EV/EBITDA (x)	21	24	18	40	42	32	15	19	12	10	11	8
P/B (x)	8	7	6	12	10	9	3	3	3	3	2	2
ROE (%)	21%	17%	22%	18%	13%	17%	15%	11%	18%	18%	11%	14%
ROCE (%)	24%	18%	24%	21%	17%	22%	15%	12%	20%	20%	14%	18%
EBITDA Margin (%)	15.1%	14.0%	15.9%	17.2%	16.3%	18.0%	15.0%	13.3%	17.1%	14.0%	12.0%	13.5%
PAT Margin (%)	8.5%	7.7%	9.5%	9.6%	8.3%	10.2%	11.1%	9.1%	12.8%	6.9%	5.7%	7.4%
D/E (x)	0.2	0.2	0.1	0.1	0.0	0.0	0.2	0.1	0.0	0.3	0.1	0.0
NWC cycle (days)	43	48	48	41	35	35	85	90	82	83	70	70
Sales (Rs bn)	55.1	52.8	62.4	25.8	25.1	29.9	29.9	24.9	30.3	16.4	16.8	19.0
EBITDA (Rs bn)	8.3	7.4	9.9	4.4	4.1	5.4	4.5	3.3	5.2	2.3	2.0	2.6
PAT (Rs bn)	4.7	4.1	5.9	2.5	2.1	3.1	3.3	2.3	3.9	1.1	1.0	1.4
EPS (Rs)	36.8	32.0	46.7	16.5	13.8	20.4	26.8	18.2	31.3	10.2	8.8	12.7
OCF (Rs mn)	5,551.9	5,273.5	7,024.5	3,585.0	4,090.4	4,015.3	1,569.2	3,762.7	3,404.3	657.0	1,718.4	1,677.5
FCF (Rs mn)	2,598.6	1,773.5	2,524.5	1,390.4	3,090.4	1,515.3	1,000.7	2,762.7	1,904.3	(575.3)	518.4	477.5

Source: Company, Systematix Institutional Research

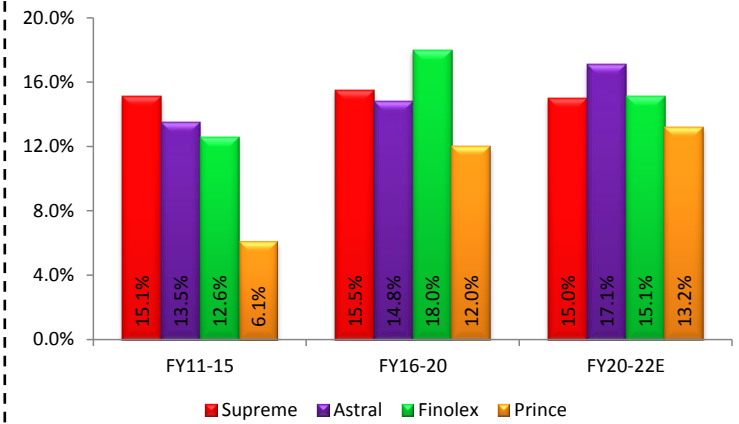
## Peer performance

**Exhibit 3: Revenue CAGR: ASTRA outperformed in FY11-15 after acquiring Resinova**



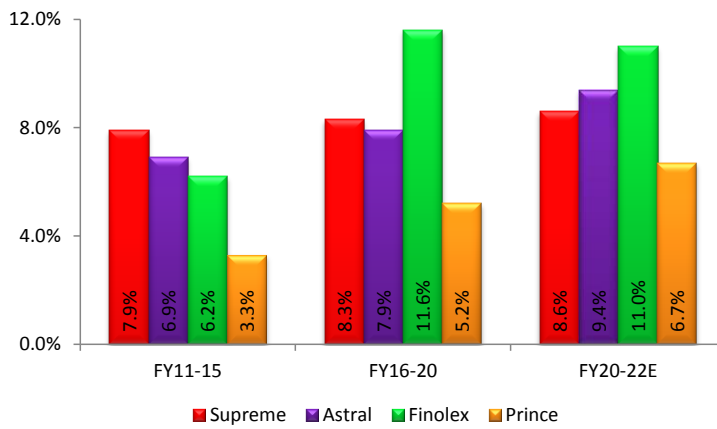
Source: Company, Systematix Institutional Research, Note: \*9MFY16

**Exhibit 4: OPM average: PRINCEPI's OPM catching up to its peers with an improving product mix**



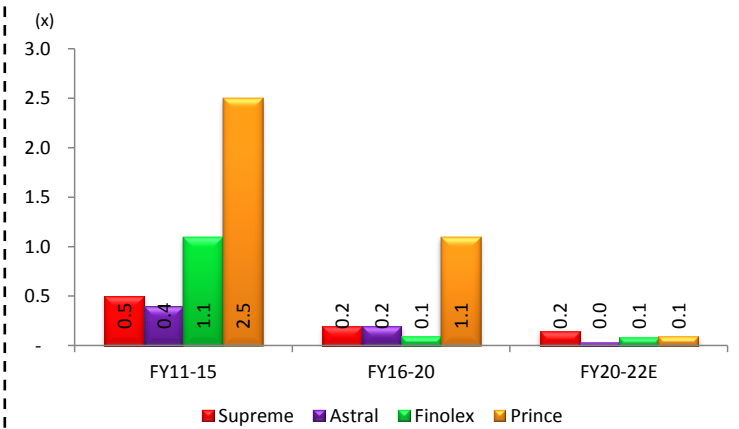
Source: Company, Systematix Institutional Research

**Exhibit 5: PATM average: De-leverage + product mix support PRINCEPI's profits**



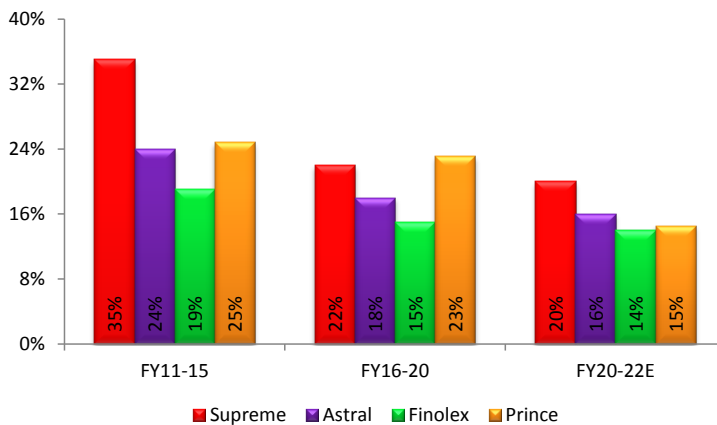
Source: Company, Systematix Institutional Research

**Exhibit 6: D/E average: PRINCEPI continues to de-leverage its balance sheet**



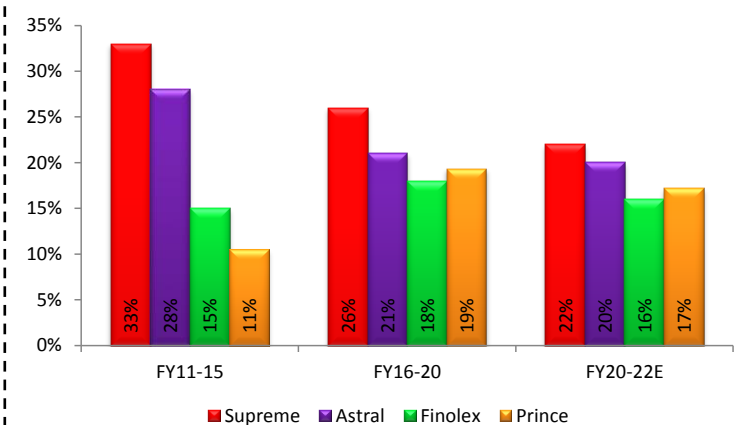
Source: Company, Systematix Institutional Research

**Exhibit 7: RoE average: De-leveraging puts pressure on PRINCEPI's RoE...**



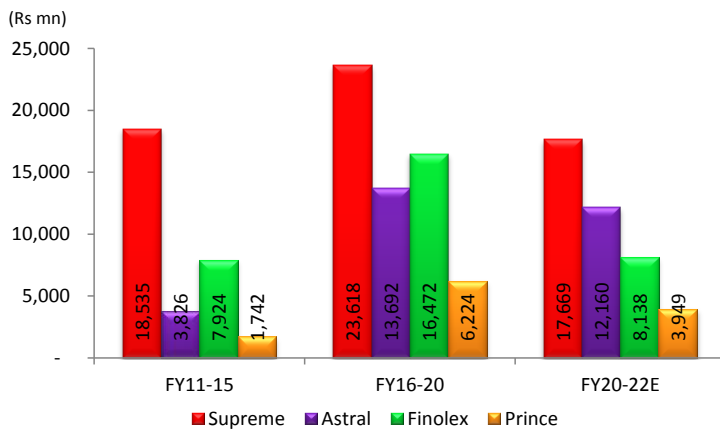
Source: Company, Systematix Institutional Research

**Exhibit 8: ...Improved EBITM results in better RoCE**



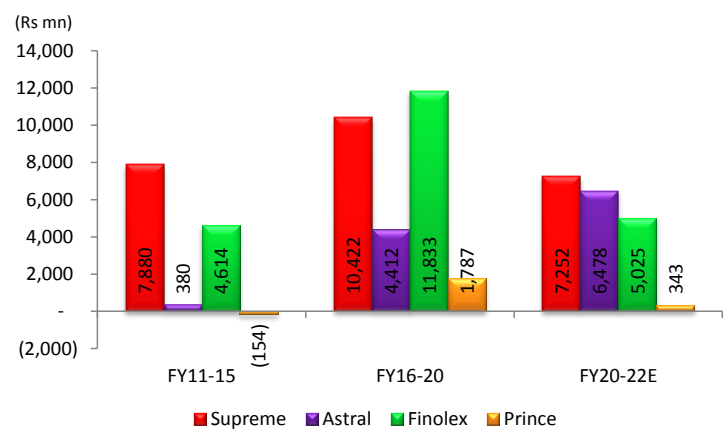
Source: Company, Systematix Institutional Research

**Exhibit 9: OCF cumulative: Lower profitability in FY21 to put pressure on OCF capability**



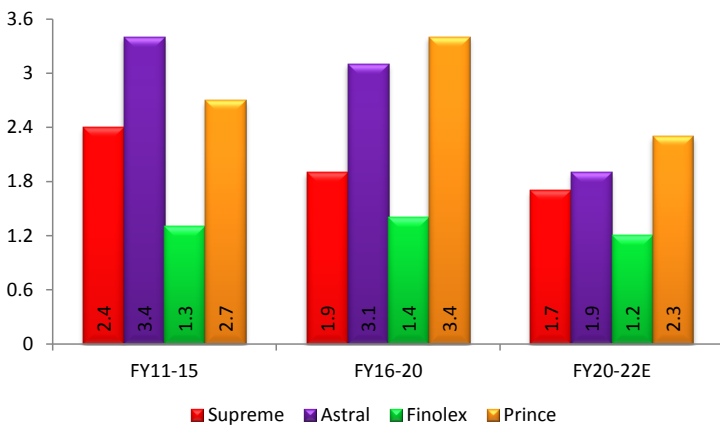
Source: Company, Systematix Institutional Research

**FCF for PRINCEPI**



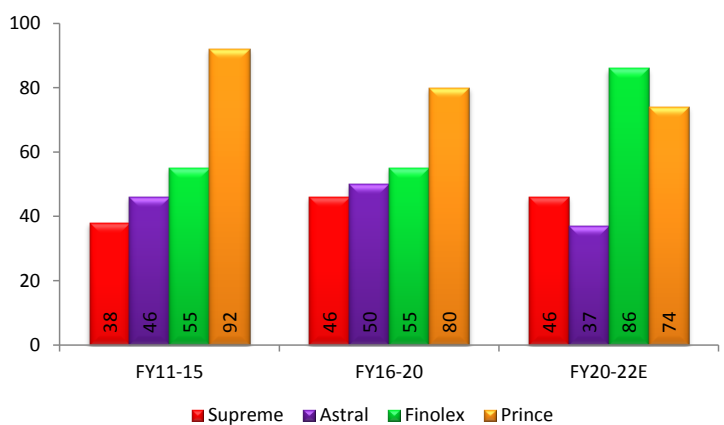
Source: Company, Systematix Institutional Research

**Exhibit 11: ATR average: PRINCEPI's ATR expected to be better vs. peers**



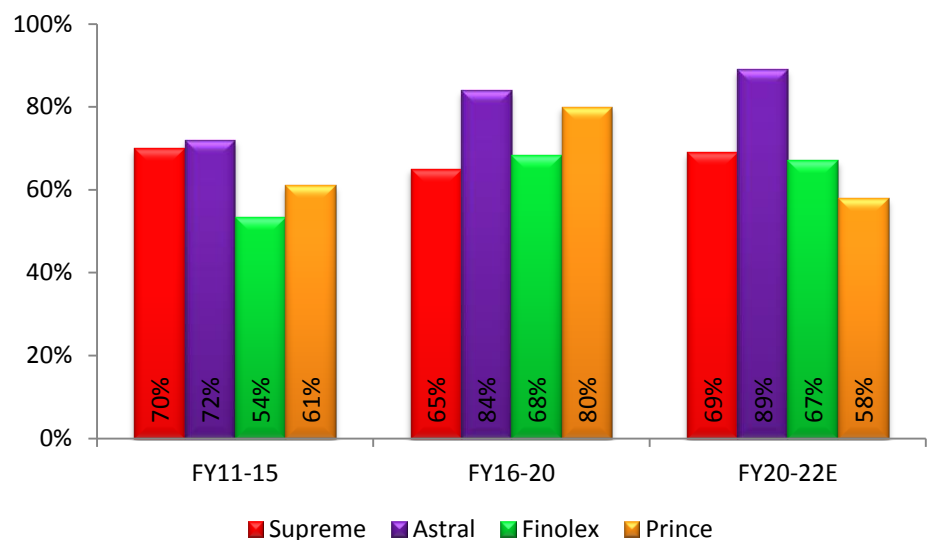
Source: Company, Systematix Institutional Research

**Exhibit 12: WCap average: Faster receivables improve the cash conversion cycle for PRINCEPI**



Source: Company, Systematix Institutional Research

**Exhibit 13: OCF/EBITDA average: PRINCEPI's conversion ratio in-line with peers**



Source: Company, Systematix Institutional Research

## FY20 Annual report highlights

## Exhibit 14: PRINCEPIP AR 2020 KTA

Operational	Financial	Outlook
<p>Launched <b>water tanks</b> in the Gujarat market. Plans to launch the product across the country.</p> <p>PRINCEPIP has the widest sewerage and underground drainage <b>product range</b>.</p> <p>To focus on the East India market through the <b>outsourcing</b> model.</p> <p>Telangana plant with an estimated capacity of 51,943tpa is expected to <b>commercialise in FY22</b>.</p> <p>The company has <b>added capabilities</b> for the manufacturing of plumbing ball valves of running sizes at the Haridwar plant.</p> <p>Regional <b>branding initiatives</b> like advertising in Delhi Metro, Mumbai local trains and buses in the South were undertaken to create brand awareness among consumers. The company co-branded with Akshay Kumar in the movie 'Mission Mangal'. It continues to focus on its digital footprints across the social media platforms.</p>	<p>PRINCEPIP is increasing its reliance on <b>renewable energy</b> to reduce its operational cost.</p> <p>Banks provide <b>channel financing</b> to the distributors based on their relationship with the company.</p> <p>Prince <b>hedges</b> its foreign currency exposure by the use of derivatives instruments.</p> <p>Prince is focusing on <b>automation</b> to reduce manpower cost. It has implemented SCADA system for real-time monitoring of operational process.</p> <p><b>IPO proceeds</b> of Rs 2.5bn: Prince has utilised Rs 419mn for payment of loan and general corporate purposes. The unutilised portion of Rs 2.1bn stays invested as fixed deposit in banks.</p>	<p>The <b>industry growth</b> will be driven by the government's focus on irrigation, urban infrastructure and affordable housing. Product <b>innovation</b> and geographical expansion will drive the company's growth.</p> <p><b>Anti-dumping duty (ADD)</b> on Chlorinated Polyvinyl Chloride (CPVC), sluggish demand, GST implementation and weak balance sheet of regional companies will translate into market consolidation.</p> <p>PRINCEPIP will become an <b>end-to-end solution provider</b> with fitting, solvents and valve capabilities.</p> <p>It plans to expand the <b>geographical footprint</b> of its <i>Trubore</i> brand.</p> <p>The company plans to manufacture <b>Double Wall Corrugated (DWC) pipes</b> at every plant to gain a competitive advantage. The current capacity stands at 36,624tpa.</p>



## Vision

To be an acknowledged leader in Indian plastic piping industry by exceeding customers expectations and maximizing bottom line for all our stake holders.



## Mission

Our mission is to bring a revolution in plastic piping industry through innovative solutions which would create a profitable growth and benefit our customers & the society at large.

Source: Company, Systematix Institutional Research



## Exhibit 15: ASTRA AR 2020 KTA – Pipe segment

Operational	Financial	Outlook
<p>The new <b>manufacturing plant</b> at Bhubaneswar will be operational from June 2021. The company has acquired additional land near the plant for future expansions.</p> <p>ASTRA has stepped-up the supply of <b>DWC piping</b> solutions for sewerage and storm water.</p> <p>It has increased the number of products for the <b>rural markets</b> as the demand is expected to remain strong.</p>	<p>ASTRA is focusing on <b>improving</b> its <b>cash conversion</b> cycle.</p> <p>It hopes to be <b>debt-free</b> by FY21.</p>	<p>The <b>ADD</b> on CPVC import has helped organised players gain market share.</p> <p>Major <b>drivers</b> for the industry are government spending on infrastructure, irrigation, industry and the replacement demand.</p> <p>The industry is headed towards <b>consolidation</b> in favour of the organised segment.</p>

Source: Company, Systematix Institutional Research

## Exhibit 16: FNXP AR 2020 KTA – Pipe segment

Operational	Financial	Outlook
<p>FNXP plans to <b>consolidate</b> its pipe and fitting business. It has brought down the number of its warehouses from four in FY18 to two in FY20.</p> <p>It plans to expand its <b>product portfolio</b> and <b>distribution</b> network.</p> <p>It will continue to promote its <b>brand</b> and create quality consciousness among buyers.</p>	<p>It is providing 30 days <b>credit</b> for non-agricultural sales.</p> <p>The <b>net-worth declined</b> due to the fall in the value of investments in Finolex Cables (FNXC). FNXP holds a 14.5% stake in FNXC.</p>	<p>The government has stepped up its <b>budgetary allocation</b> towards agriculture and allied industries. This will support the demand for PVC pipes.</p> <p>The housing and water management schemes will <b>support</b> the demand for <b>plumbing pipes</b>.</p>

Source: Company, Systematix Institutional Research

## Exhibit 17: SI AR 2020 KTA – Pipe segment

Operational	Financial	Outlook
<p>Plastic product complex planned in <b>Orissa</b>.</p> <p>Increased participation in international exhibitions to boost <b>exports</b>.</p> <p>SI plans to grow its <b>water tank</b> business. New products and new geographies are being explored. It directly services retailers from its plants.</p> <p><b>FlameGuard</b>, CPVC Fire Sprinkler System, has become the first choice for the leading builders in Mumbai.</p> <p>SI has raised its target to 500 plumbing <b>workshops</b> during FY21 as against 284 in FY20.</p> <p>It is also increased its investments on <b>advertising</b> through electronic and print media.</p>	<p>SI has planned a capex of Rs 2bn in FY21. The investments will focus primarily on the <b>pipe segment</b>.</p> <p>(PVC pipe capacity at Kanpur, Gadegaon and Kharagpur. HDPE pipe capacity at Malanpur, Gadegaon and Kharagpur. DWC Pipe capacity at Kharagpur. CPVC Pipe capacity at Malanpur and Kharagpur).</p>	<p>The <b>government's focus</b> on sanitation, water management and affordable housing will drive the demand for plastic pipes.</p> <p>SI expects the business to return to <b>normalcy</b> by Sept'20.</p>

Source: Company, Systematix Institutional Research



Company background

Prince Pipes & Fittings (PRINCEPIP) was incorporated in 1987. It is amongst India’s largest plastic pipe manufacturing companies today with a market share of 5%. The company has an installed capacity of 255,000tn across six plants located at Athal (16KT), Dadra (59KT), Haridwar (78KT), Chennai (62KT), Kolhapur (20KT) and Rajasthan (21KT). It has employed five contract manufacturers from Hajipur (Bihar), Aurangabad (Maharashtra), Guntur (Andhra Pradesh) and Balasore (Orissa) and they mainly cater to the market demand for low-pressure PVC pipes.

PRINCEPIP’s products cater to the plumbing and agriculture demand which contributes to 66% and 34% of its revenues, respectively. PVC (Polyvinyl Chloride) pipes contribute to 70% of its revenues, while CPVC (Chloro Polyvinyl Chloride), PPR (Polypropylene) and HDPE (High-density Polyethylene) pipes contribute 21%, 7% and 2%, respectively.

Exhibit 18: Plumbing- largest revenue contributor

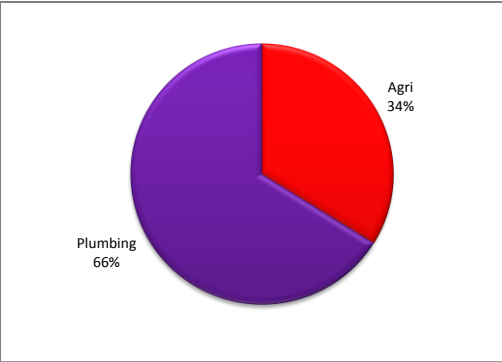


Exhibit 19: PVC - major product category

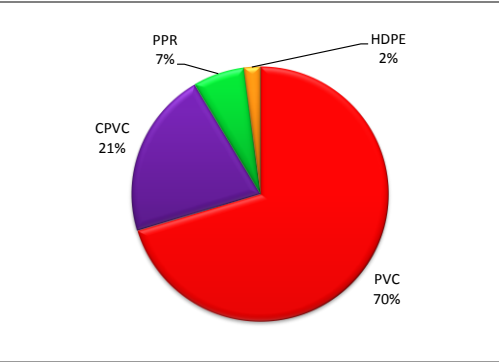
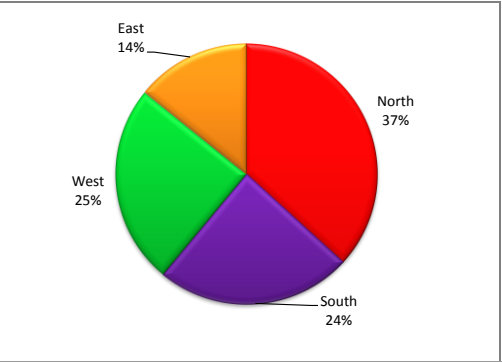
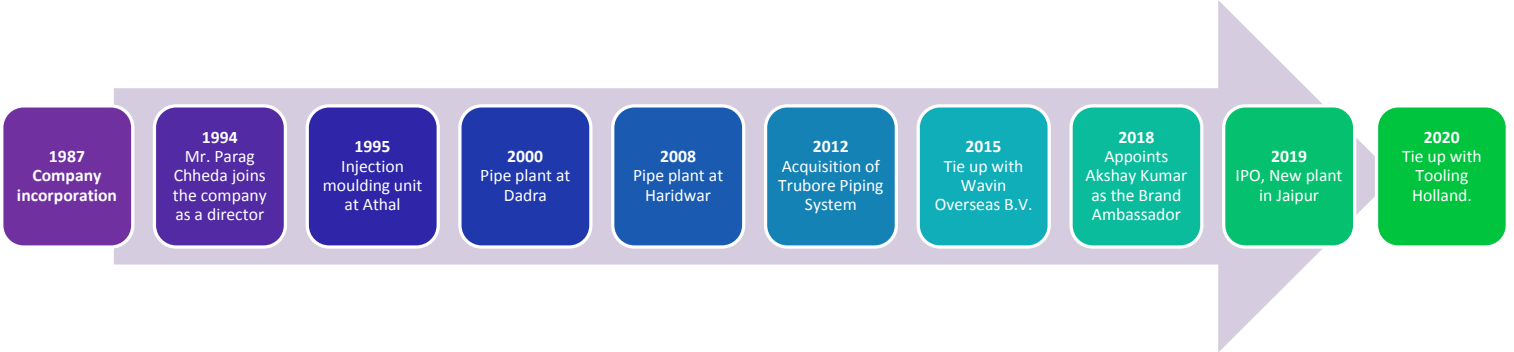


Exhibit 20: North & South- 70% revenue contribution






Source: Company, Systematix Institutional Research


Exhibit 21: Timeline of key events



Source: Company, Systematix Institutional Research

## Exhibit 22: Experienced board of directors

Name	Designation	Age	Details	Directorship in other companies
<b>Jayant Chheda</b> 	Chairman, MD	74	An industry veteran with over 30 years of experience in the plastic industry.	Accord Infra Projects   Pinnacle Realty Projects
<b>Parag Chheda</b>  (Since 1994)	Exec. Director	49	He holds an associate degree in business administration from Oakland Community College; has 25 years of experience in the piping industry.	Accord Infra Projects   Pinnacle Realty Projects   Ace Polyplast
<b>Vipul Chheda</b>  (Since 1997)	Exec. Director	45	He holds a higher secondary certificate from the Maharashtra State Board of Secondary and Higher Secondary Education; has over 20 years of experience in the piping industry.	Pinnacle Realty Projects
<b>Rajesh Pai</b>  (Since 2019)	Non-exec. Director	48	He holds a master's degree in business administration from the University of Chicago and a master's degree in computer science from Arizona State University; has several years of experience in private equity.	Rishabh Instruments   Concord Enviro Systems Private Limited   ESDS Software Solution Nominee Director from South Asia Growth Fund
<b>Ramesh Chandak</b>  (Since 2017)	Independent Director	73	He holds a master's degree in commerce from Nagpur University and is a fellow of the Institute of Chartered Accountants of India. He is a former president of Indian Electrical and Electronics Manufacturers' Association and has over four decades of experience as a chartered accountant.	Anand Rathi Wealth Services   IndiaNivesh Fund Managers   KEC International   Parag Milk Foods   Ram Ratna Wires   Summit Securities
<b>Mohinder Pal Bansal</b>  (Since 2017)	Independent Director	63	He holds a bachelor's degree in Commerce from Punjab University and is also a fellow of the Institute of Chartered Accountants of India (ICAI); has over three decades of experience as a chartered accountant.	Allcargo Logistics   Allnet Financial Services Private   Avashya CCI Logistics   Blacksoil Capital   Blacksoil Asset Management   Hindustan Cargo   K12 Techno Services   Navneet Education   Transindia Logistic Park   Girik Wealth Advisors

<b>Dilip Deshpande</b>  <b>(Since 2019)</b>	Independent Director	69	He holds a bachelor's degree in science and technology (petro-chemical technology) from Nagpur University; has several years of experience in polymers and the plastics processing industries.	Hultec India
<b>Uma Mandavgane</b>  <b>(Since 2017)</b>	Independent Director	53	She holds a bachelor's degree in commerce from the University of Bombay and is also an associate of the ICAI. She is qualified as a Certified Information Systems Auditor from ISACA, USA and has 22 years of experience in industry and consulting.	Bloom System   Quantum Asset Management Company   Zee Media Corporation
<b>Rajendra Gogri</b>  <b>(Since 2020)</b>	Independent Director		He holds a master's degree in Chemical Engineering from Iowa University, USA. He was honoured with the 'Hurun Most Respected Entrepreneur of the Year – India' award in the year 2019. In the same year, he was also presented by Indian Chemical Council with the 'Lala Shriram National Award' for the leadership in the chemical industry.	Aarti Industries   Aarti Drugs (Promoter Director)
<b>Satish Chavva</b>  <b>(Since 2020)</b>	Non-exec. Director		He holds an MBA from INSEAD, MS from the University of Texas at Austin and B.Tech from Indian Institute of Technology Bombay. He has over 20 years of experience including 14 years in Private Equity. He worked as an Investment Banker with Citigroup in London; has also worked with IBM in London and Trilogy in Austin (Texas).	Oman India Joint Investment Fund (Investment Director)

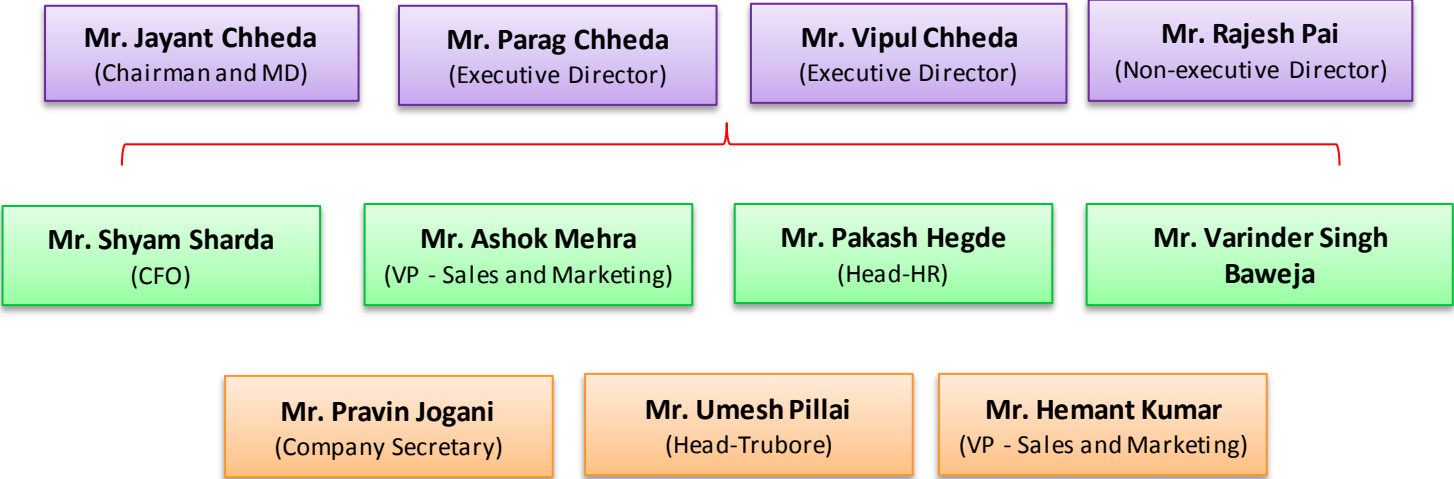
Source: Company, Systematix Institutional Research

## Exhibit 23: Eminent second line management

Name	Designation	Details	Past Experience
<b>Shyam Sharda</b>  (Since 2015)	CFO	He holds a bachelor's degree in commerce from Jodhpur (Rajasthan) University and is an associate of the ICAI	VP - S. Kumars
<b>Nihar Chheda</b>  (Since 2019)	AVP – Corporate Strategy	He is a graduate in the field of industrial engineering and technology from Purdue University	-
<b>Vininder Baweja</b>  (Since 2019)	COO	MBA from IIT Roorkee	IT Director – Unilever
<b>Ashok Mehra</b>  (Since 2017)	VP – Sales and Marketing	Master's degree from NMIMS. Bachelor in Engineering from K J Somaiya College of Engineering	GM – Sales at Jaguar & Company
<b>Anand Gupta</b>  (Since 2020)	Deputy CFO	CA	DGM Finance – ACC
<b>Umesh Gangadhar</b>  (Since 2019)	GM – Sales and Marketing	MBA (NMIMS)	Head of Business – PPG Asian Paints
<b>Pankaj Narang</b>  (Since 2020)	Zonal Head - West	MBA (Pondicherry University) Executive Program (IIM, Calcutta)	AVP – Greenply Industries

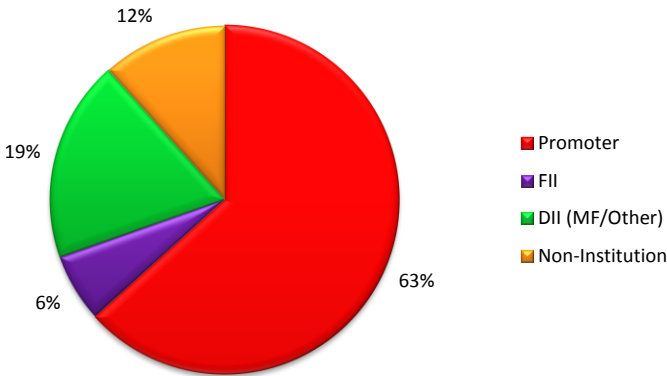
Source: Company, Systematix Institutional Research

Exhibit 24: Corporate Tree



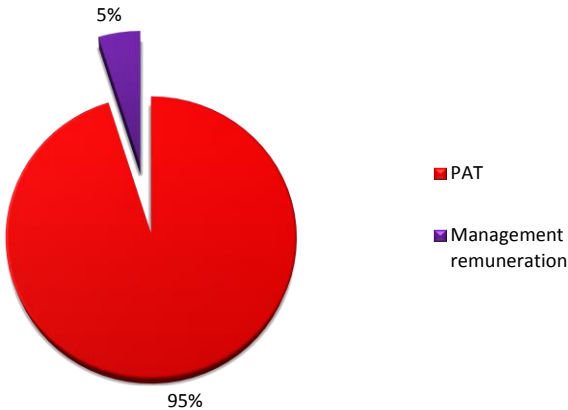
Source: Company, Systematix Institutional Research

Exhibit 25: Shareholding Pattern



Source: Company, Systematix Institutional Research

Exhibit 26: Management remuneration as % of PAT in FY20



Source: Company, Systematix Institutional Research



Exhibit 27: Plant pictures

Athal	Dadra
 A photograph of the Athal plant facility. It shows a large, multi-story industrial building with a brown facade and a flat roof. In the foreground, there is a paved area with some greenery and a small structure. The ground appears wet, possibly from rain.	 A photograph of the Dadra plant facility. It shows a large, multi-story industrial building with a brown facade and a flat roof. In the foreground, there is a paved area with some greenery and a small structure. The ground appears wet, possibly from rain.
Haridwar	Chennai
 A photograph of the Haridwar plant facility. It shows a large, multi-story industrial building with a light-colored facade and a flat roof. In the foreground, there is a paved area with some greenery and a small structure. The ground appears wet, possibly from rain.	 A photograph of the Chennai plant facility. It shows a large, multi-story industrial building with a light-colored facade and a flat roof. In the foreground, there is a paved area with some greenery and a small structure. The ground appears wet, possibly from rain.
Kolhapur	Rajasthan
 A photograph of the Kolhapur plant facility. It shows a large, multi-story industrial building with a light-colored facade and a flat roof. In the foreground, there is a paved area with some greenery and a small structure. The ground appears wet, possibly from rain.	 A photograph of the Rajasthan plant facility. It shows a large, multi-story industrial building with a light-colored facade and a flat roof. In the foreground, there is a paved area with some greenery and a small structure. The ground appears wet, possibly from rain.

Source: Company, Systematix Institutional Research

## Exhibit 28: Business snapshot

	Pipes and fittings				Storage tanks
	PVC	CPVC	HDPE	PPR	HDPE
Sales contribution	70% (Rs 11.1bn)	21% (Rs 3.4bn)	2% (Rs 0.3bn)	7% (Rs 1bn)	Launched in FY20
Market size (Rs bn)	Rs 206bn	Rs 49bn	Rs 58bn		Rs 40bn
Gross Margin (%)	12-15%	30-35%	18-20%	40-50%	15-16%
Raw material	PVC resin	CPVC compound	HDPE resin	PPR resin	HDPE resin
End users	Agriculture, Plumbing, SWR	Plumbing and industrial	SWR	Plumbing and industrial	Households
Capacity	180KT	26KT	36.6KT	13KT	
Industry size (tpa)	2.4mnmt	0.2mnmt	0.6mnmt		
Brands	Agri: <i>Aquafit, Safefit</i> Plumbing: <i>Rainfit, Easyfit</i> SWR: <i>Drainfit, Foamfit, Silentfit</i>	<i>Smartfit</i>	<i>Corfit</i>	<i>Greenfit</i>	<i>Storefit</i>
SKU	7,167				
Distributors	1,408				
Competitors	Supreme Industries (capacity: 440,000tn); Astral PolyTechnik (capacity: 238,730tn); Finolex Industries (capacity: 370,000tn); Ashirwad (capacity: 108,000tn)				
Auditor	M/s. Khimji Kunverji & Co. LLP				
Bankers	ICICI Bank, Standard Chartered Bank, The Federal Bank, Bank of India, IDFC First Bank, IndusInd Bank, DBS Bank, Yes Bank				

Source: Company, Systematix Institutional Research

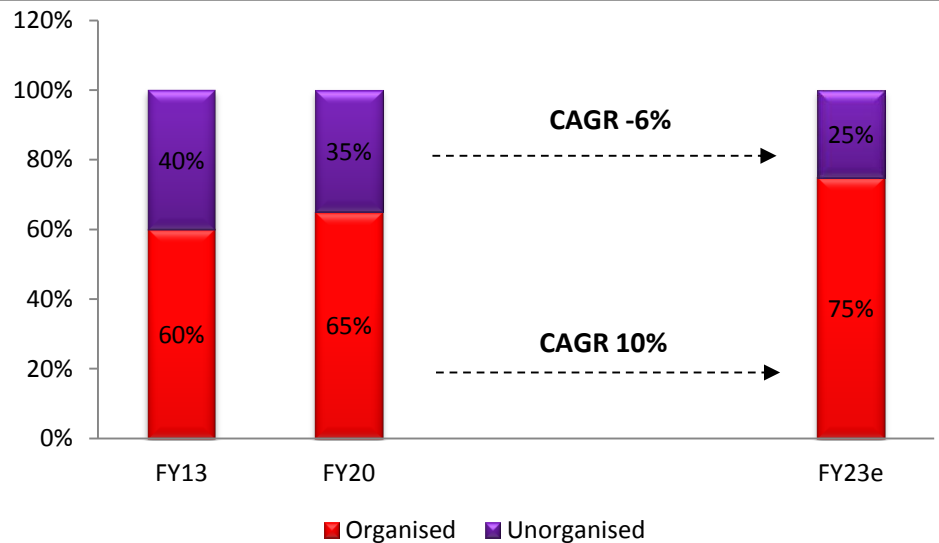


## Tailwinds from the consolidation of the struggling unorganised sector and regional organised players

### Unorganised sector to shrink further

The unorganised sector accounts for 37% of the total installed capacity of India's pipe industry. The domestic plastic industry started consolidating after the implementation of GST as the entire value chain (raw material to finished goods) was brought under GST (18%). The demand disruption due to Covid-19 has further hurt the unorganised sector which mostly has region-specific operations. The players are ailing under operational and financial issues due to their limited market reach and weak balance sheets. On the other hand, the participants of the organised sector have a pan-India reach which enables them to leverage their efficient supply chain and service the markets efficiently. Their balance sheets are also strong which will help them weather the lean demand periods.

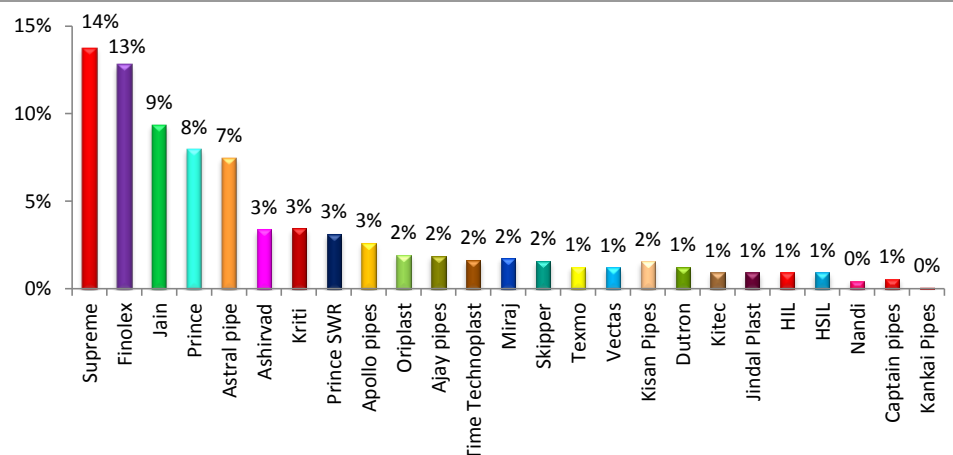
### Exhibit 29: Covid-19 led disruption to accelerate market share growth for the organised industry



Source: Company, Systematix Institutional Research

Over the last five years, the industry leaders have scaled up their capacities rapidly and have positioned themselves to gain market share from the unorganised sector.

### Exhibit 30: Prominent players in the Indian plastic pipe industry (Capacity share of organised players at 3.2mn mt)



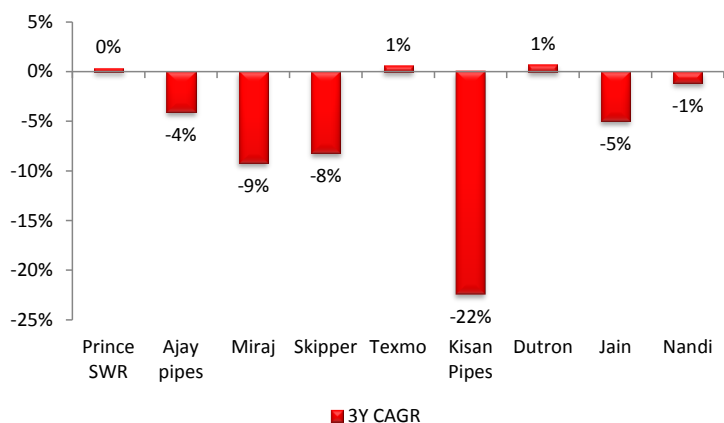
Source: Company, Systematix Institutional Research

### Organised pan-India players to gain further strength at the cost of regional players

We believe that the Indian plastic pipe industry is on the path towards faster consolidation under the current scenario than it was after the implementation of GST in 2017. We studied nine plastic pipe manufacturers, representing 22% of the organised sector's installed capacity, and juxtaposed their performance against the top five listed players to get an idea about the headwinds these small players are already facing and how difficult it would be for them to weather the sudden demand disruption led by Covid-19.

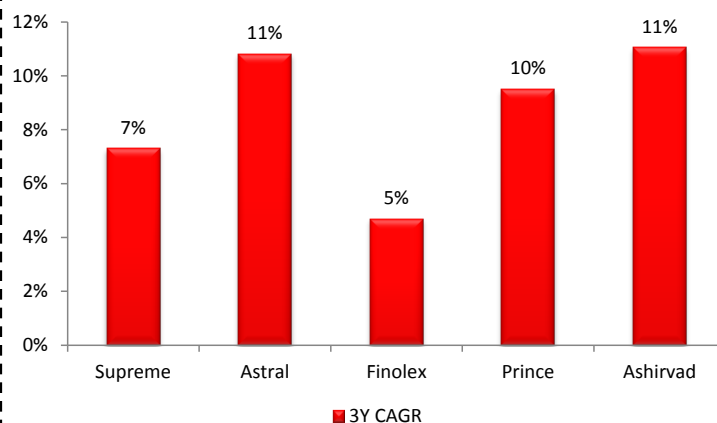
The weak financial position and slowing growth of these companies suggest that the demand disruption of FY21 poses a serious challenge to their sustainability. The industry leaders, on the contrary, have delivered a better performance due to their strong balance sheets. Their efficient working capital cycle, low leverage, better liquidity position and access to financing will help them wade through the current market turbulence with ease.

**Exhibit 31: Stressed balance sheets limiting revenue growth**



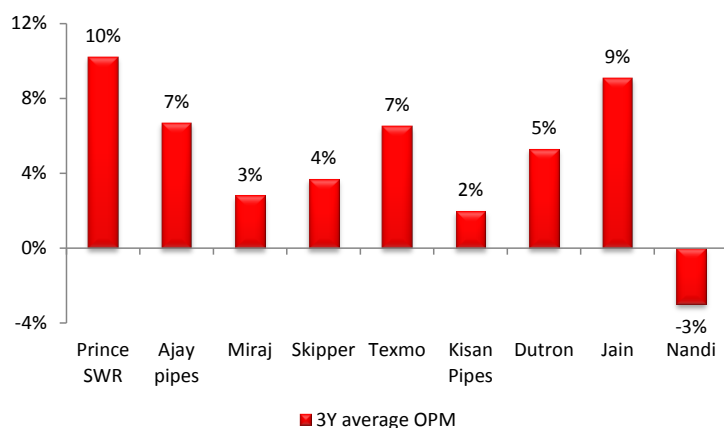
Source: Company, Systematix Institutional Research

**Exhibit 32: Larger SKUs and better reach enabling revenue growth**



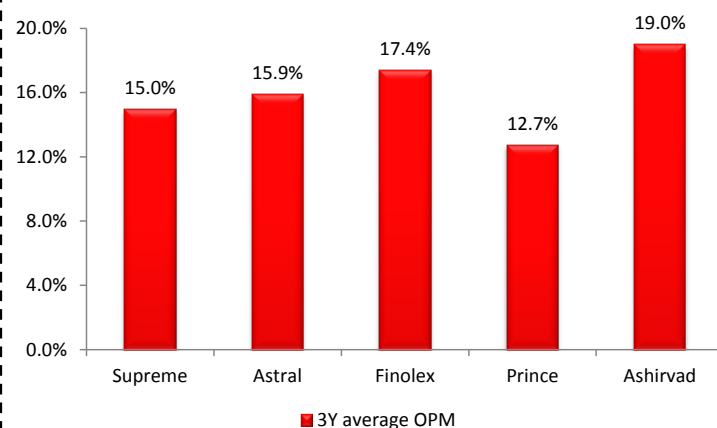
Source: Company, Systematix Institutional Research

**Exhibit 33: Sub-par scale (regional presence) & RM inefficiencies weighing on OPM**

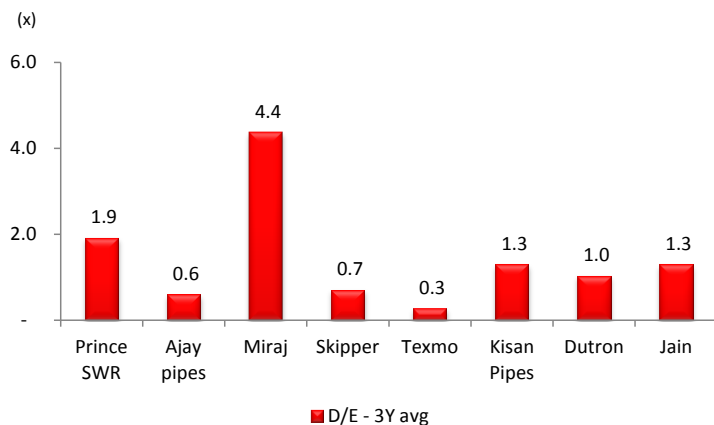


Source: Company, Systematix Institutional Research

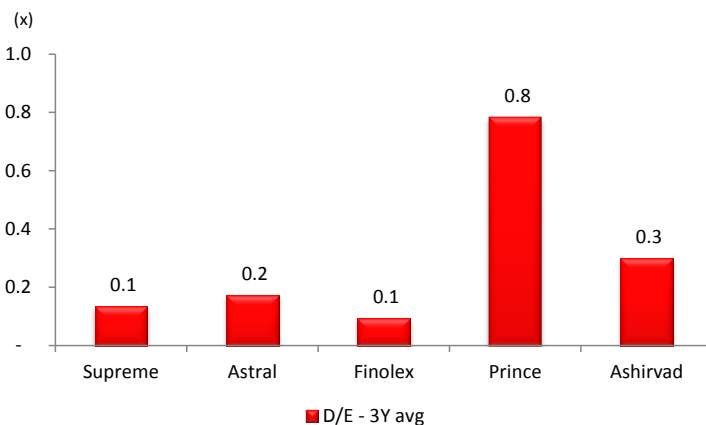
**Exhibit 34: Brand strength and multiple plant locations aiding margins**



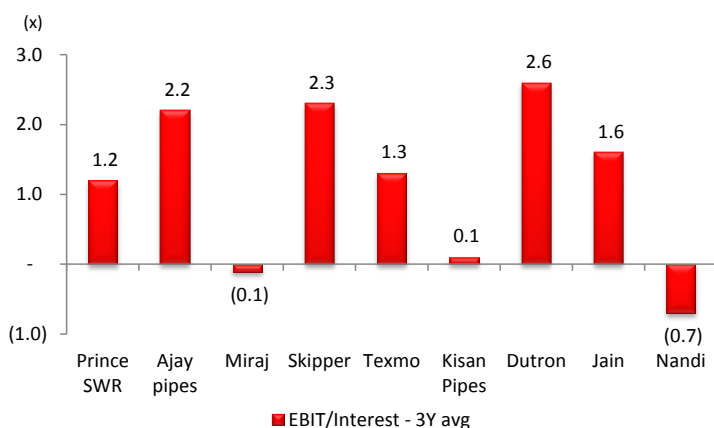
Source: Company, Systematix Institutional Research

**Exhibit 35: Higher leverage capital structure**

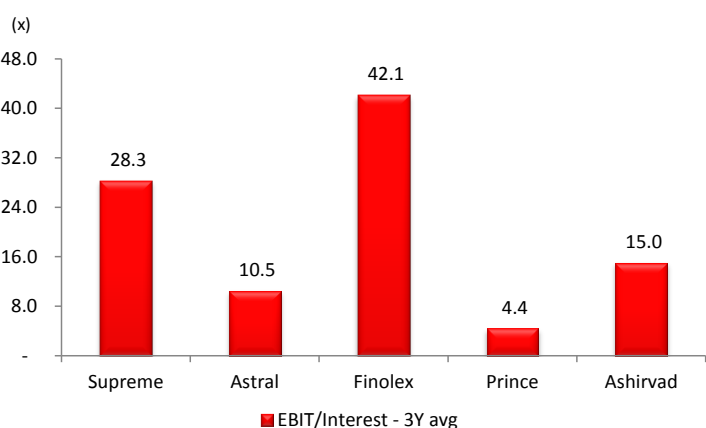
Source: Company, Systematix Institutional Research

**Exhibit 36: Debt position under check**

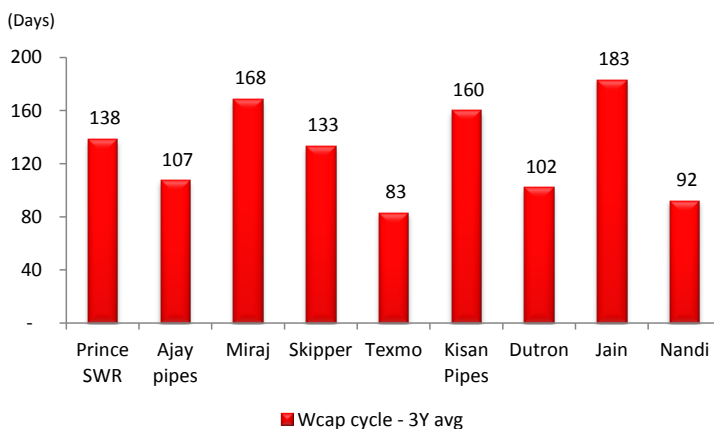
Source: Company, Systematix Institutional Research

**Exhibit 37 Lower margins impacting debt service capabilities**

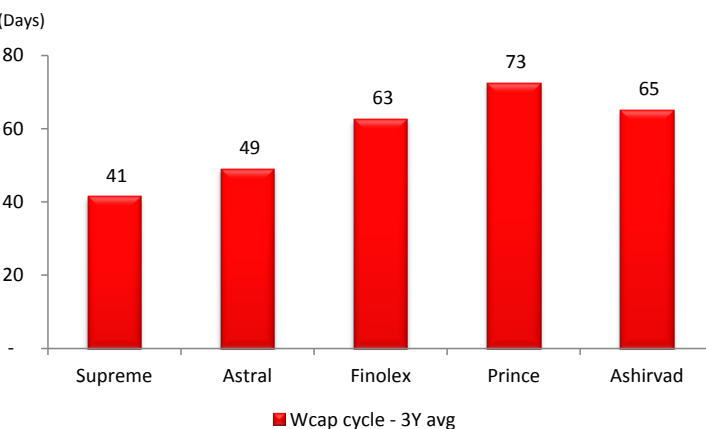
Source: Company, Systematix Institutional Research

**Exhibit 38: Strong interest coverage**

Source: Company, Systematix Institutional Research

**Exhibit 39: Slower cash conversion cycle**

Source: Company, Systematix Institutional Research

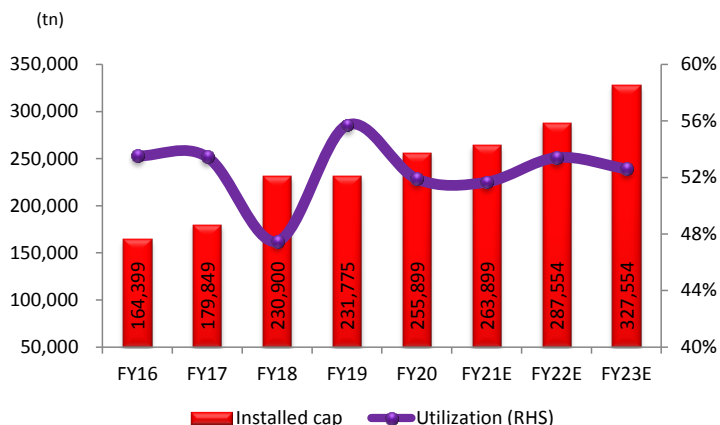
**Exhibit 40: Better working capital management**

Source: Company, Systematix Institutional Research

## Demand-led capacity expansion to support growth

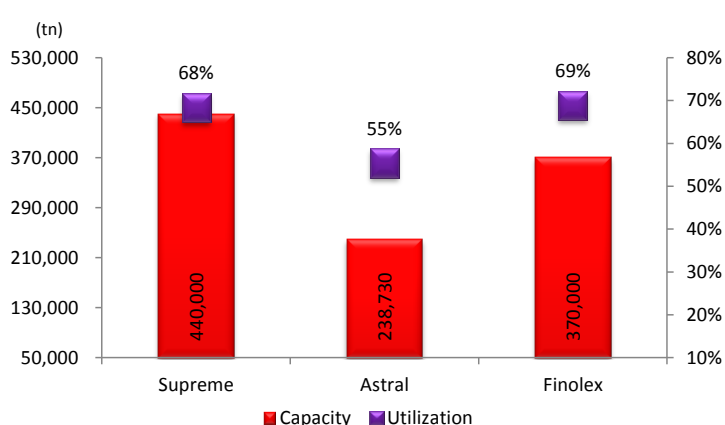
PRINCEPIP has scaled up its installed capacity at a CAGR of 12% to 255,000tn over the last four years to capture new markets/geographies. The utilisation rate of 52% currently provides sufficient headroom to meet the demand over the next few quarters. We expect capacities to grow at a CAGR of 11% between FY20-23E.

**Exhibit 41: Timely capacity expansion**



Source: Company, Systematix Institutional Research

**Exhibit 42: Utilisation in-line with peers**



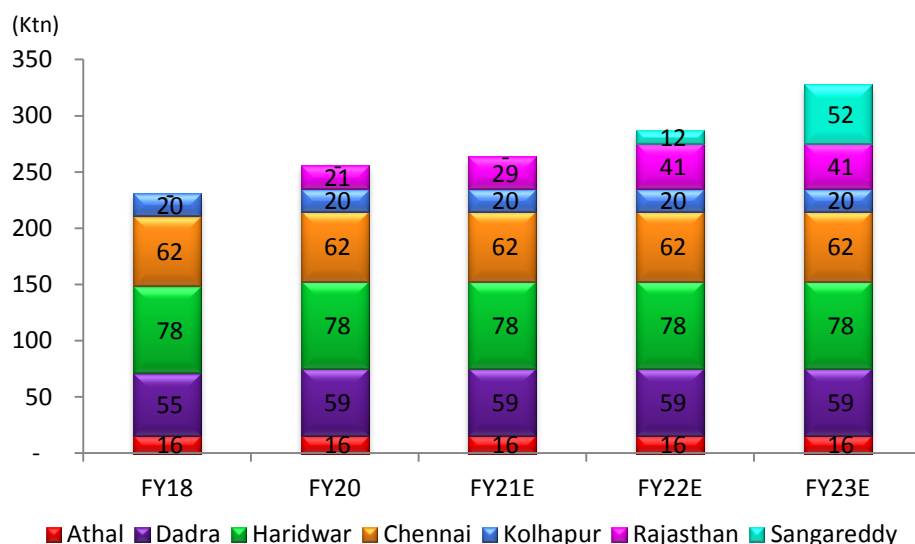
Source: Company, Systematix Institutional Research

**Part of IPO proceeds utilised towards the Greenfield plant at Hyderabad:** PRINCEPIP raised Rs 2.5bn through an IPO in Dec'2019 by issuing 14mn shares. The proceeds were used to repay long-term debt, expand its Jaipur plant and set up a greenfield capacity at Sangareddy (Telangana). The expected capital outlay for the greenfield unit stands at Rs 1.8bn.

**Exhibit 43: New capacities at Rajasthan and Telangana**

### IPO details

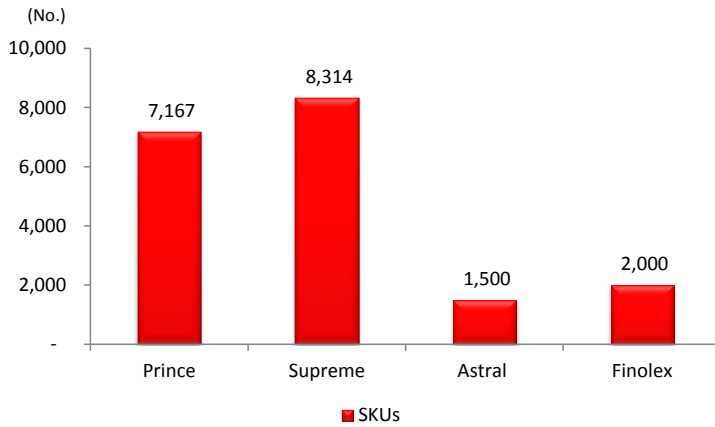
Listing date	30 <sup>th</sup> December 2019
Issue price	Rs 177-178
Issue size	Rs 5bn
Share issue	28.1mn
- Fresh issue	14mn
- OFS	14mn
Objective	- Loan payment - Expansion



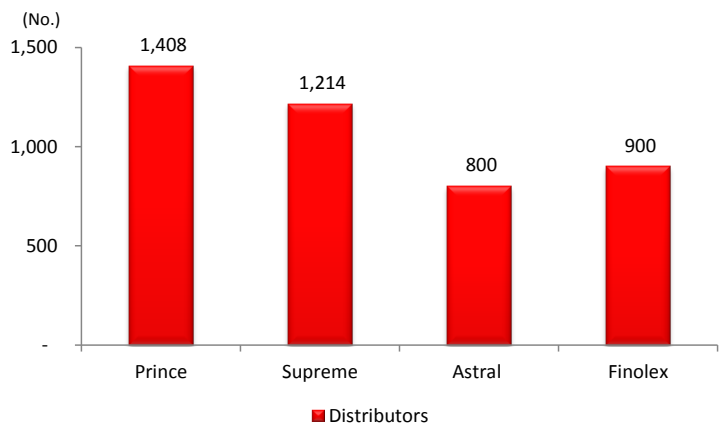
Source: Company, Systematix Institutional Research

The Telangana plant will increase the company's presence in the states of AP and Telangana (market size of about Rs 25bn). The major players in the region are SI, ASTRA and Ashirvad. Similarly, the Rajasthan plant will strengthen the company's presence in north India. The size of the Rajasthan market is estimated at Rs 15bn and the major players in the region are SI, ASTRA and Ashirvad.

**Wide range of SKUs supported by a pan-India distribution reach:** PRINCPIP has a strong product portfolio supported by an extensive dealer/distributor network to cater the market demand. The company has a retail focus and has a strong presence in its key markets.

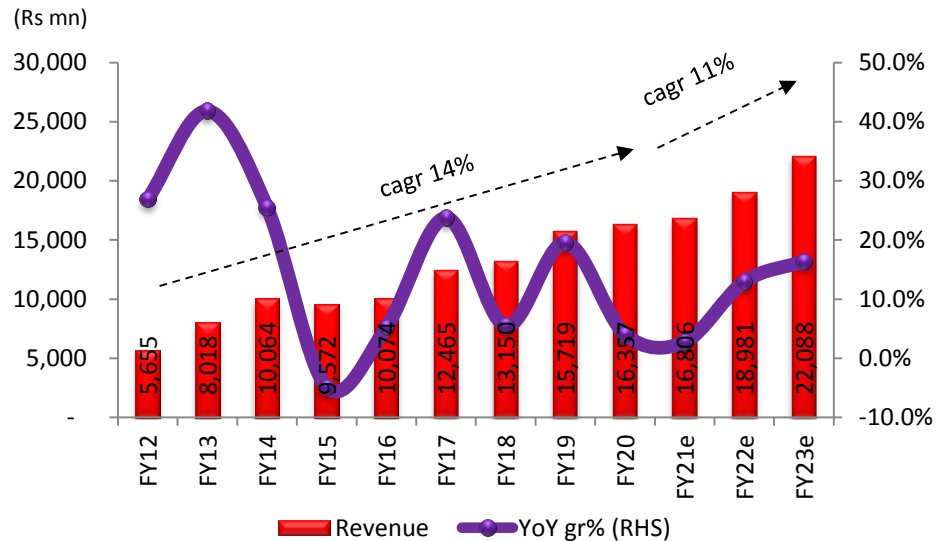
**Exhibit 44: Competing product offerings...**

Source: Company, Systematix Institutional Research

**Exhibit 45: ...with a wide supply chain network**

Source: Company, Systematix Institutional Research

The consistent revenue growth has enabled PRINCPIP to increase its market share steadily from 4.5% in FY12 to 5.2% in FY20. We expect its market share to grow to 6.5% in FY23E.

**Exhibit 46: Revenue growth momentum to continue**

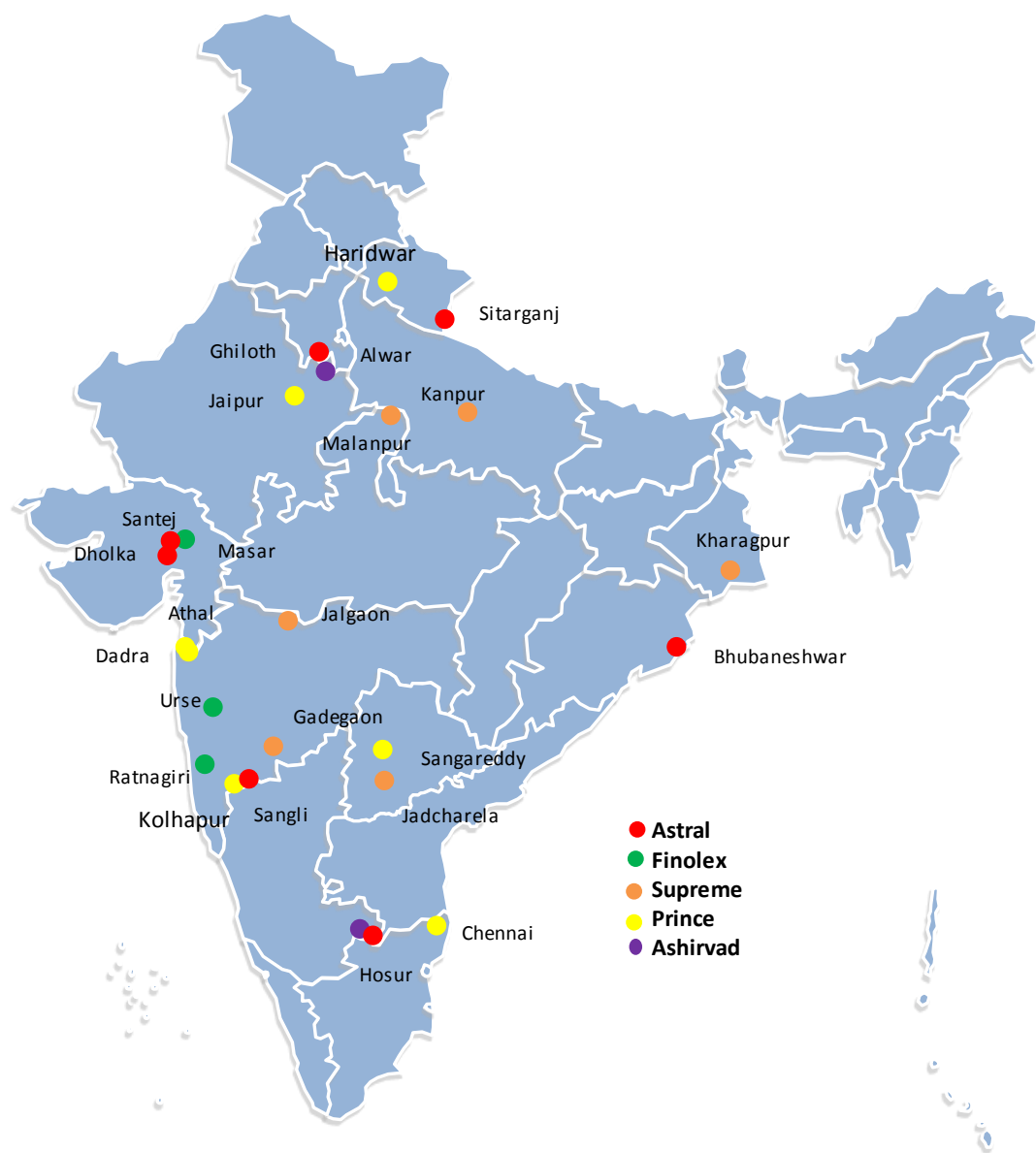
Source: Company, Systematix Institutional Research

Exhibit 47: Wide product portfolio

<p>CPVC</p> 	<p>PVC</p> 	<p>PPR</p> 
<p>SWR</p> 	<p>PVC – Agri</p> 	<p>Borewell</p> 
<p>Storage tank</p> 	<p>Ducting pipe</p> 	<p>DWC</p> 

Source: Company, Indiamart, Systematix Institutional Research

Exhibit 48: Multiple plant locations complement its wide distribution network – plants spread out in-line with peers



Source: Company, Systematix Institutional Research

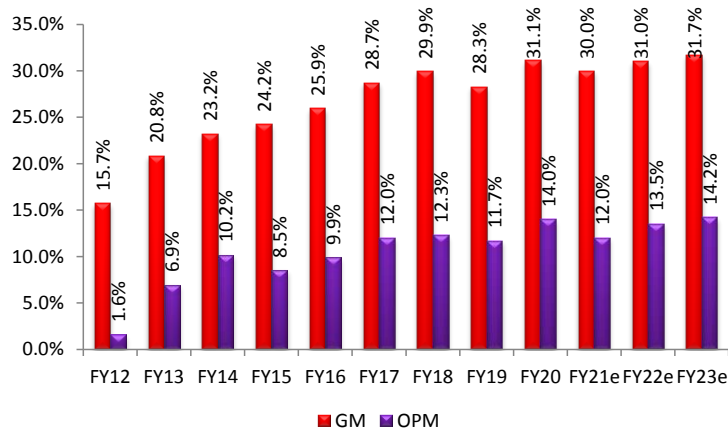
Note: Prince has also employed five contract manufacturers from Hajipur (Bihar), Aurangabad (Maharashtra), Guntur (Andhra Pradesh) and Balasore (Orissa).



## Profitability to improve with a better product-mix

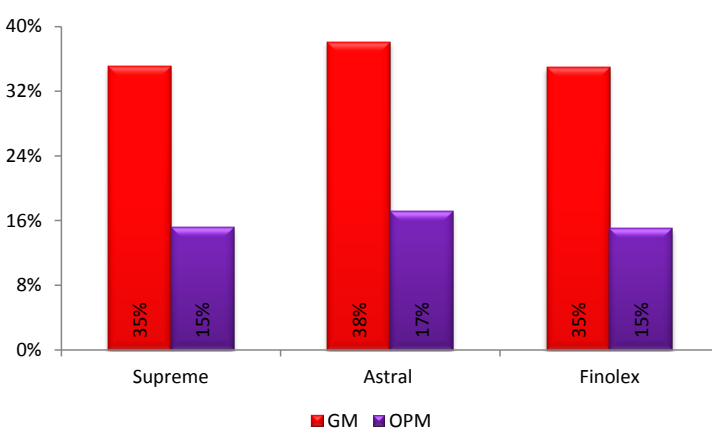
The management's focus on operational efficiencies, capturing new markets and the introduction of value-added products has resulted in an improved margin profile of the company.

**Exhibit 49: Consistent margin improvement...**



Source: Company, Systematix Institutional Research

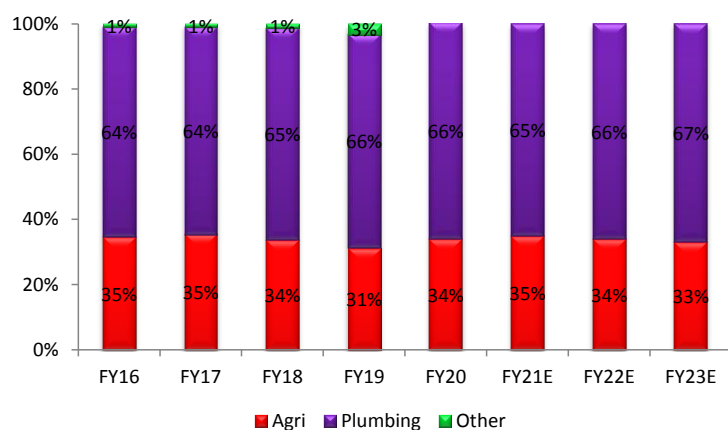
**Exhibit 50: ...in-line with industry leaders**



Source: Company, Systematix Institutional Research

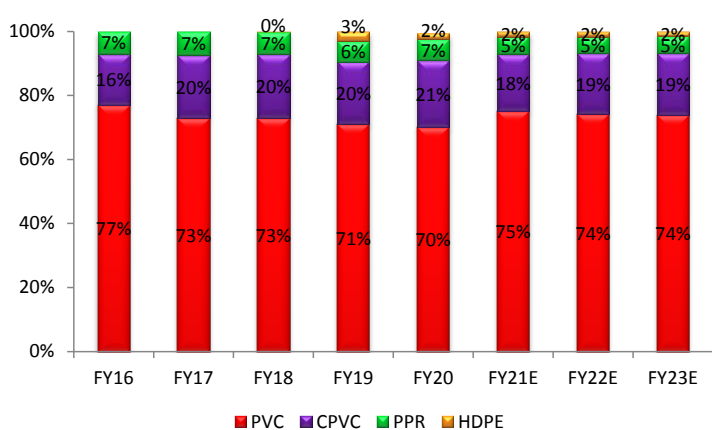
Its product portfolio has improved in favour of high margin products like CPVC pipes. The improved product mix has supported the focus on operational efficiencies towards higher margins.

**Exhibit 51: While the product applications have remained the same...**



Source: Company, Systematix Institutional Research

**Exhibit 52: ...Changing product mix has aided margin improvement**

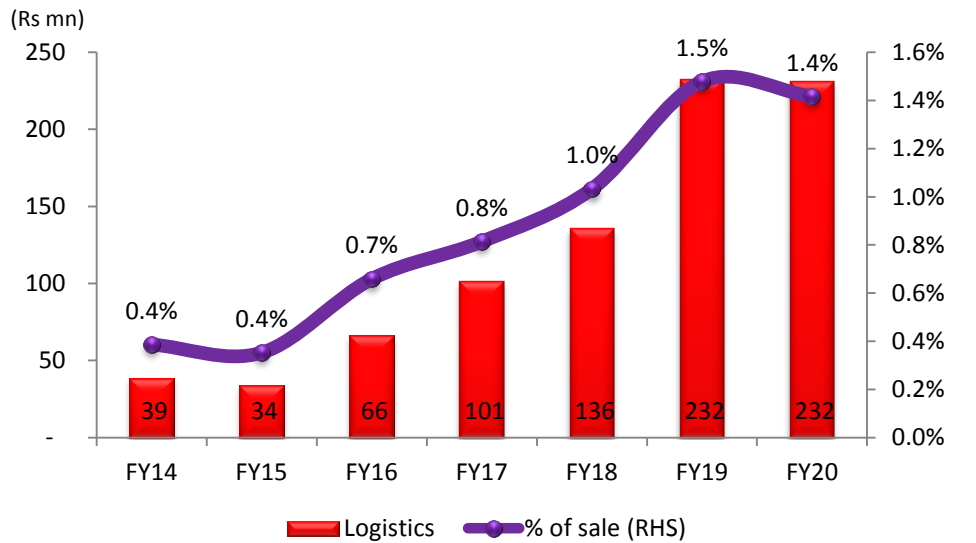


Source: Company, Systematix Institutional Research

Rajasthan and Hyderabad plants to help expand reach and save logistics cost

The Hyderabad plant, which is expected to come on stream by 2HFY22, will enable the company to expand its presence in the southern markets while allowing cost savings in logistics. The transport costs are currently high as the AP and Telangana markets are catered to by the Chennai plant (for PVC) and the Haridwar plant (for CPVC and fittings). The Hyderabad plant will have the full range of products (PVC, CPVC and fittings) which will enhance PRINCEPI's product offerings, market reach and margins. Similarly, the Rajasthan plant will strengthen its market reach in northern India.

Exhibit 53: Logistic cost for last 5 yrs chart



Source: Company, Systematix Institutional Research

**Storefit – Water storage tanks**

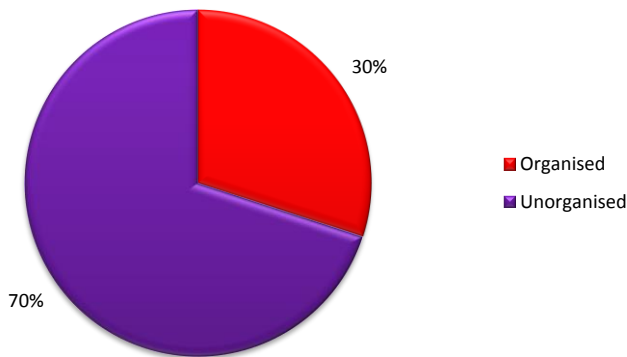
Source: Company, Systematix Institutional Research

**Diversification of product portfolio to water tanks to auger well**

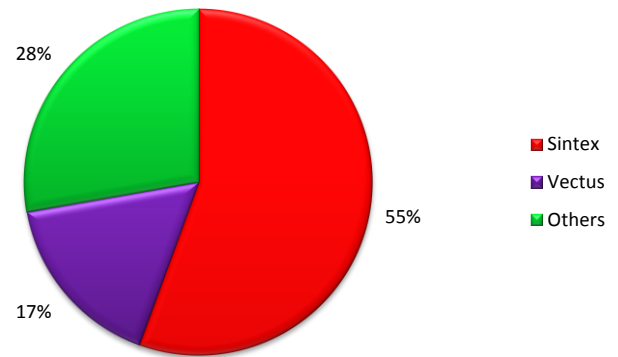
The company recently announced its foray into Linear Low-Density Polyethylene (LLDPE) water storage tanks. The water storage tank market is largely unorganised (70% share) and the management plans to capture it by focusing on premium value products. The company had initially set-up a small capacity at its Dadra plant to seed the market with its products in Gujarat. It plans to gradually set up roto-moulding capacities for tanks across all its plants as it is a freight-sensitive product. Further, it is a cash-and-carry product and therefore offers higher margins (15-16% OPM) and requires low working capital. We estimate the tanks business to contribute to 4% of total revenues by FY23E.

**Pipe players rushing to gain from the downfall of Sintex**

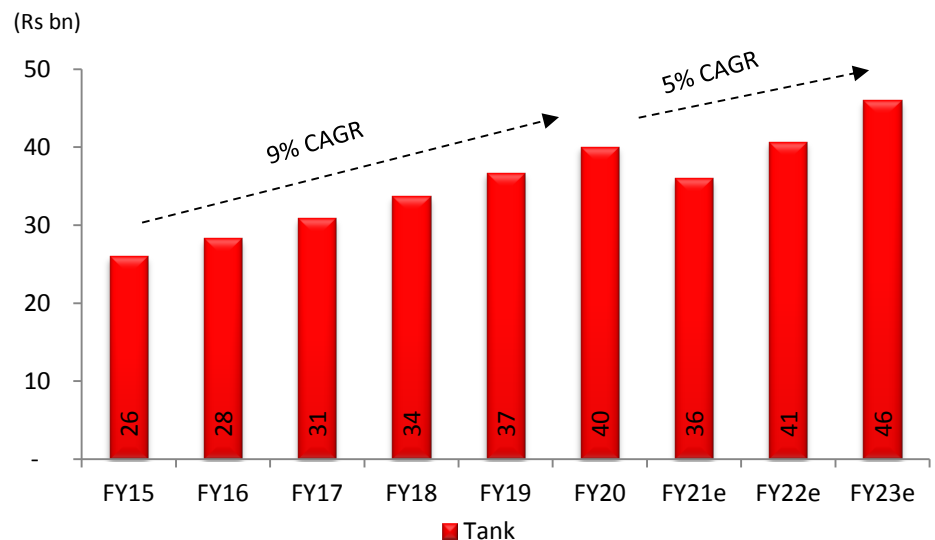
The size of the domestic plastic tank market is estimated at Rs 40bn with the organised players having only a 30% share. Of the total organised market, *Sintex* holds close to a 55% share, followed by *Vectus* at 17%. With *Sintex* going through difficult times financially, a few large pipe companies like SI and PRINCEPI have stepped up their efforts to gain traction in this space at its expense.

**Exhibit 54: Regional players dominate the market**

Source: Company, Systematix Institutional Research

**Exhibit 55: Sintex is the leader within the organised segment**

Source: Company, Systematix Institutional Research

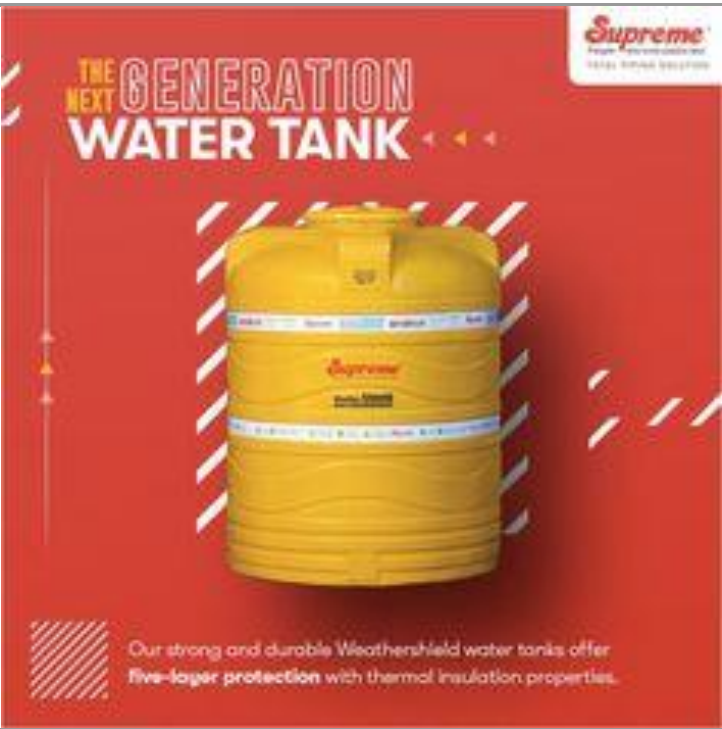
**Exhibit 56: Organised segment to gain market share**

Source: Company, Systematix Institutional Research

Exhibit 57: SI is also eyeing the water tank market

Extract from SI's FY20 AR:

*“The company is also exploring to start manufacturing of Roto Products at new location to en-cash business potential by effective servicing. The company also launched Premium range of Water Tanks branded as Weather Shield with added features such as superior thermal insulation etc., from two locations with good market response. Premium range Water Tanks are being planned for supplies from all other locations during 2020-21”.*

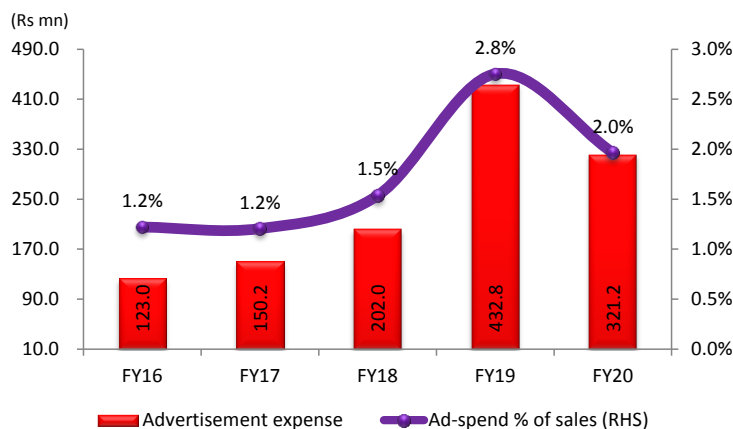


Source: Company, Systematix Institutional Research

## Focused branding activities to improve brand equity and recall

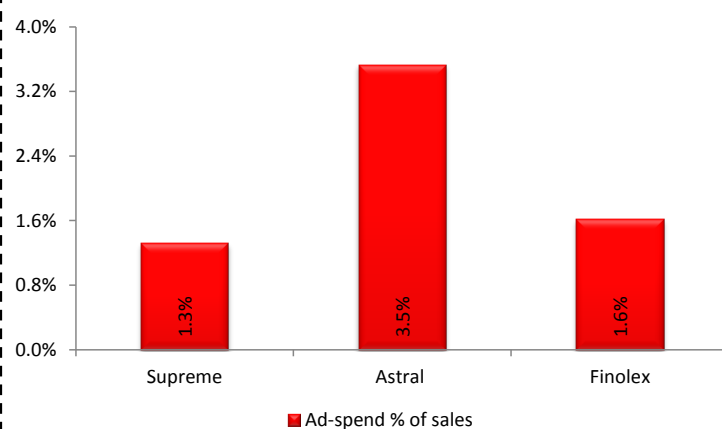
Over the last few years, the Indian plastic pipe manufacturers have emphasised on branding activities to build a strong recall among consumers and command premium pricing for their products. PRINCEPIIP has followed suit and roped in Bollywood actor Akshay Kumar for its branding activities. The response has been positive and has helped in creating a better platform for the company to push its products via its existing channels.

**Exhibit 58: Increased focus on brand building...**



Source: Company, Systematix Institutional Research

**Exhibit 59: ...in-line with leading companies**



Source: Company, Systematix Institutional Research

**Exhibit 60: PRINCEPIIP - Branding initiatives**



Source: Company, Systematix Institutional Research

## Tie-up with Lubrizol is the right step towards improving brand value

PRINCEPIIP has tied up with Lubrizol for sourcing CPVC resin for its plumbing pipe business. This product will be marketed under Lubrizol's *Flowguard* brand name. Lubrizol's other brands *Corzan* and *Blazemaster* are well-accepted for industrial and fire applications. Therefore, we expect the tie-up to strengthen PRINCEPIIP's focus on the industrial and fire sprinkler segments. The company was earlier importing CPVC resin from Kaneka, Japan.

### Key points

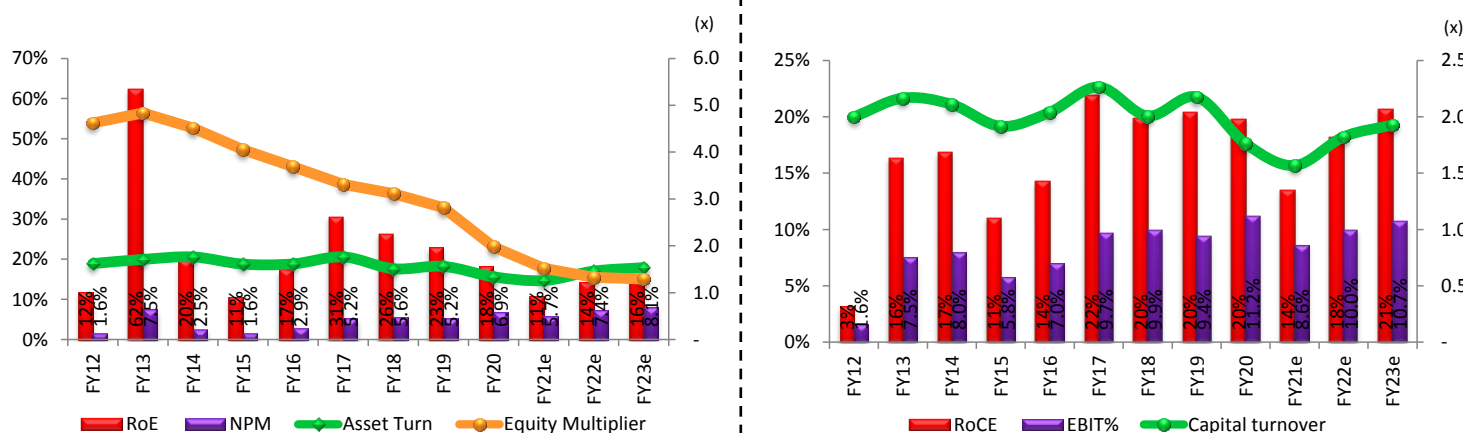
- The tie-up will create a pull factor for PRINCEPIIP's CPVC products.
- While there would be some pressure on margins initially, better pricing and higher volumes would lead to an improvement in the medium to long-term.
- PRINCEPIIP's CPVC pipes will get easy approvals for project businesses (B2B).
- Lubrizol will be supplying to only two major pipe companies - PRINCEPIIP and Ashirvad.
- The compound will be supplied from Lubrizol's India plant. This will ensure just-in-time CPVC resin supply, eliminating forex volatility and allowing lower inventory requirements.

- Lubrizol commissioned its CPVC resin plant in 2016 at Dahej with a capacity of 55,000tpa.
- It currently supplies to Finolex and Ashirvad from this plant.
- It will start the supply to PRINCEPIIP from Oct'20.

## Consistently strong return ratios

PRINCEPIP delivered an average RoE/RoCE of 24%/15% between FY11-20. The higher leverage in the past has resulted in a higher RoE while the margins have also gradually improved. The company has focused on de-leveraging its balance sheet and we believe that further improvement in profit margins will support the return ratios as has been the case with industry leaders.

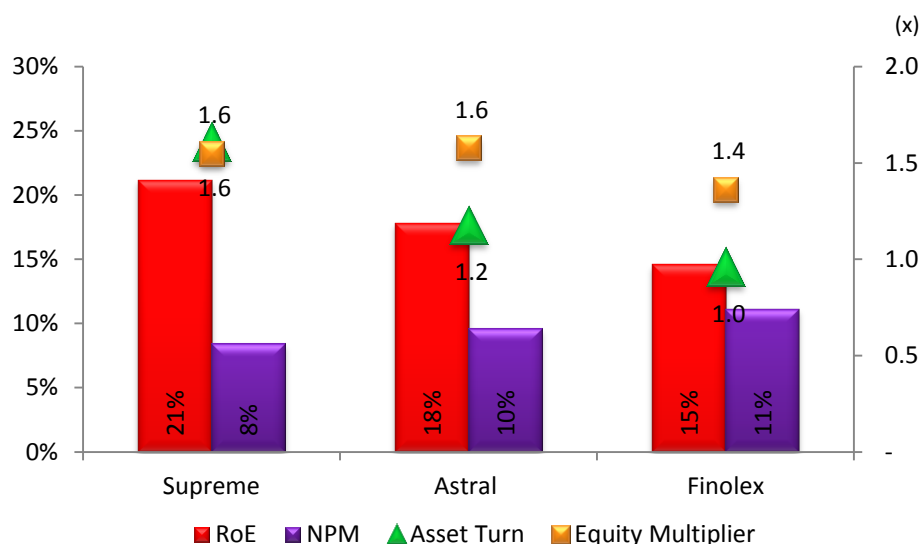
**Exhibit 61: Sales decline along with unutilised IPO proceeds on the book dents FY21E return ratios**



Source: Company, Systematix Institutional Research

Source: Company, Systematix Institutional Research

**Exhibit 62: Industry leaders have benefitted from their high-value product mix**

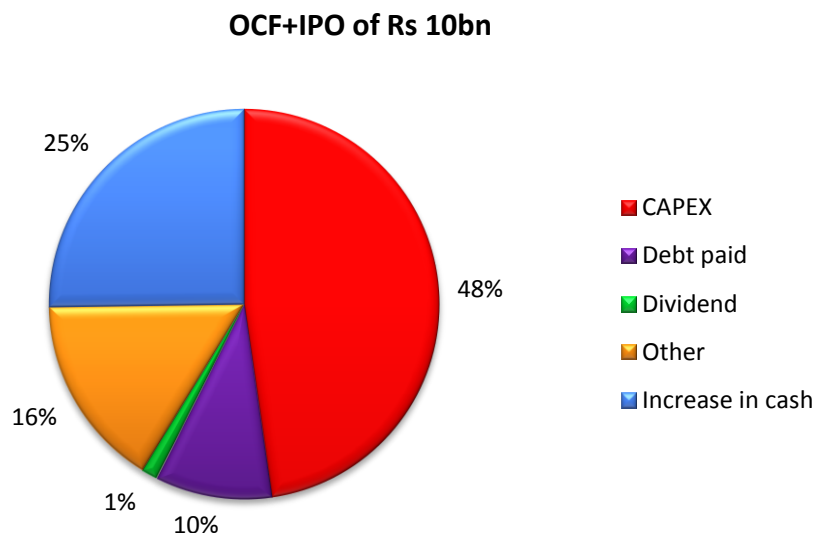


Source: Company, Systematix Institutional Research

## Cash flow analysis and corporate governance

PRINCEPI has generated cumulative operating cash of Rs 7.5bn between FY15-20 at an average OCF/EBITDA of 91% (SI: 69%, ASTRA: 82%, FNXP: 75%) which has been supported by the improving profitability, lower D/E and cash conversion cycle.

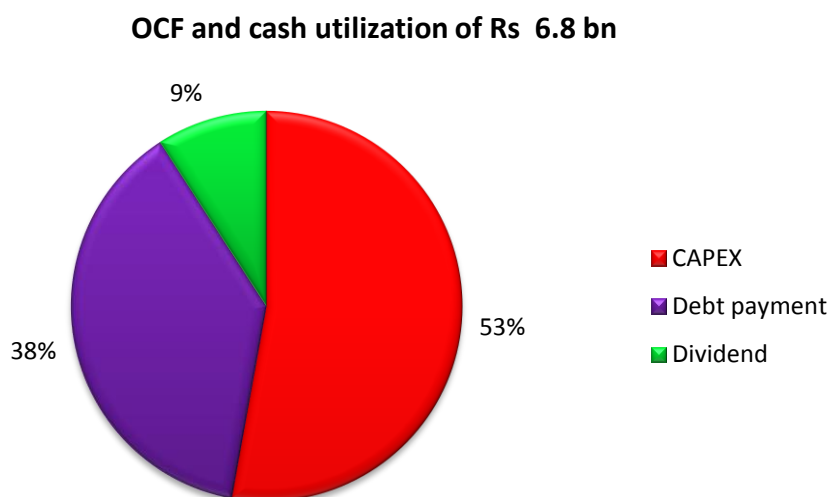
### Exhibit 63: Cash deployment between FY15-20



Source: Company, Systematix Institutional Research

We expect it to generate cumulative operating cash of Rs 5.4bn between FY21-23E at an average OCF/EBITDA of 70%. We estimate a capex of Rs 3.6bn and dividends of Rs 621mn during this period.

### Exhibit 64: Expected cash generation and deployment between FY20-23E



Source: Company, Systematix Institutional Research



**Exhibit 65: Contingent liabilities – Tax liabilities under dispute**

Rs mn	FY16	FY17	FY18	FY19	FY20
Income tax	15.7	15.8	25.5	25.5	27.67
Duty/Tax	5.7	5.7	0.4	-	9.4
Labour cases	1.1	1.1	0	0	0
Other cases	1.1	1.1	1.1	1.1	0.4
Guarantees	11.5	10.6	8.1	19.5	48.9
Capital commitments	178.2	75.9	451.4	450.7	321.5
Other commitments	100.1	63.2	-	677.13	853.5
<b>Total</b>	<b>313.4</b>	<b>173.4</b>	<b>486.5</b>	<b>1,173.9</b>	<b>1,261.4</b>

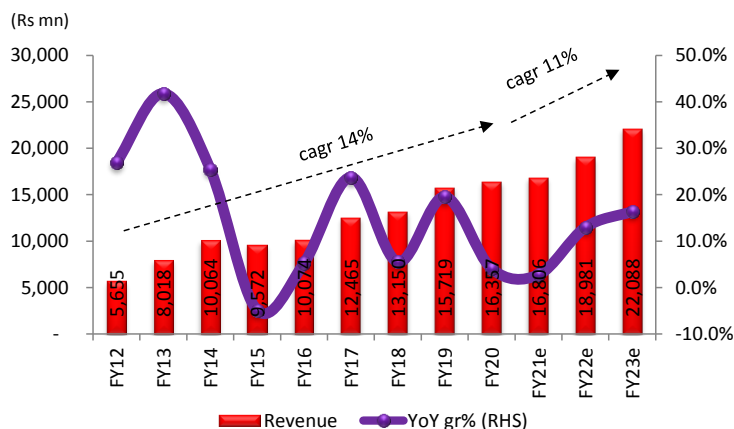
Source: Company, Systematix Institutional Research

**Exhibit 66: Related party transaction: Lower purchases from related party in FY19**

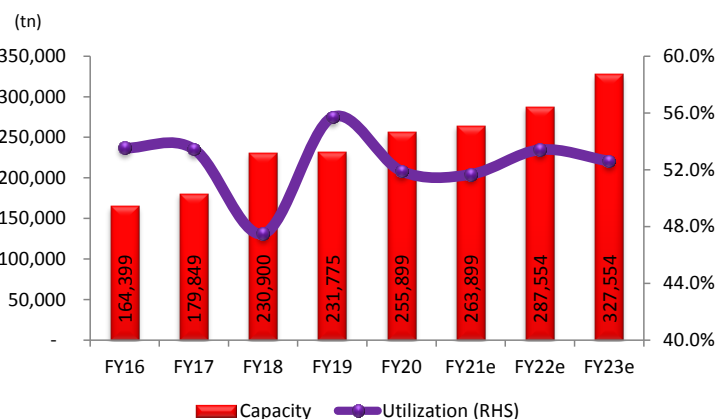
Rs mn	Related party	FY16	FY17	FY18	FY19	FY20
<b>Sale</b>	Prince Marketing	31.9	162.4	0	146.8	-
	Ace Polyplast	78.9	594.5	0	0	-
<b>Purchase</b>	Prince Marketing	978.8	1,038.8	641.8	36.4	-
	Amardeep Udyog					8.5
	Ace Polyplast	1,004.1	1,645.8	1,275.9	66.4	193.2
<b>Advance</b>	Prince Marketing	0	0	345.4	54.6	-
	Ace Polyplast	-	-	-	-	-
<b>Rent</b>	Prince Marketing	0.2	0.1	0	0	
<b>Total</b>		<b>2,093.9</b>	<b>3,441.6</b>	<b>2,263.1</b>	<b>304.2</b>	<b>201.7</b>

Source: Company, Systematix Institutional Research

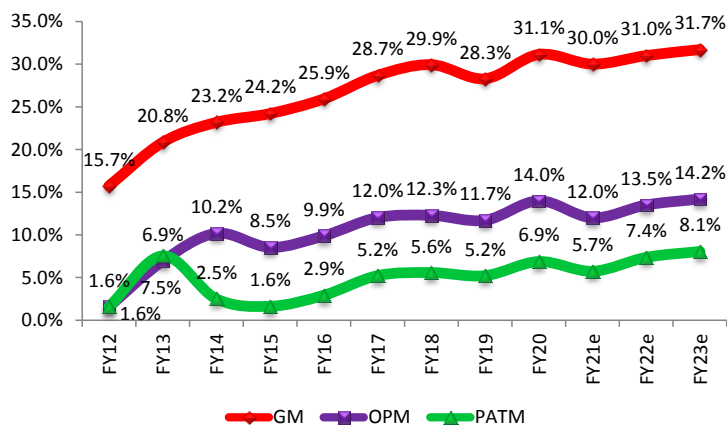
## Financial Highlights

**Exhibit 67: Steady growth in revenues**


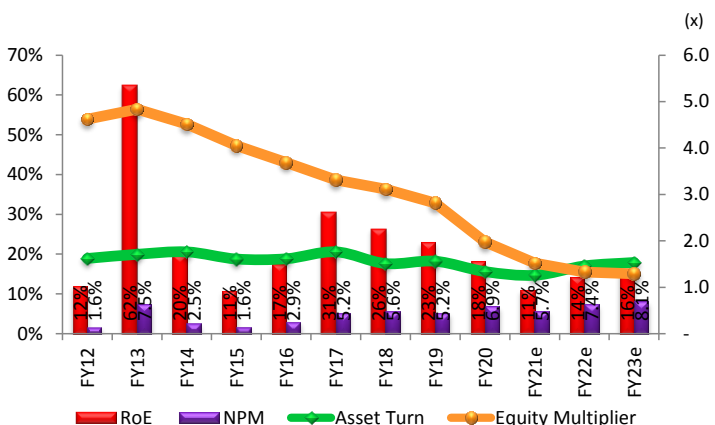
Source: Company, Systematix Institutional Research

**Exhibit 68: Sufficient capacity to feed future demand**


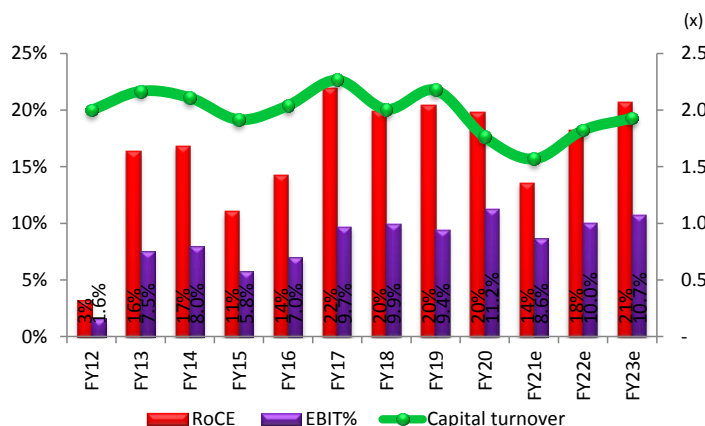
Source: Company, Systematix Institutional Research

**Exhibit 69: Improving product mix to support margins**


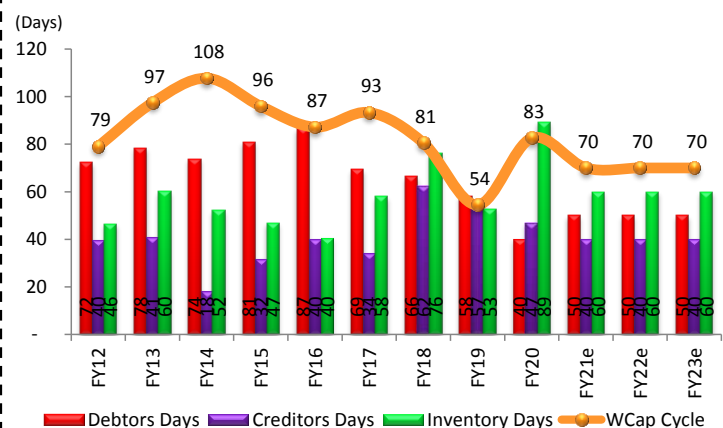
Source: Company, Systematix Institutional Research

**Exhibit 70: RoE will be supported by improvement in margins**


Source: Company, Systematix Institutional Research

**Exhibit 71: RoCE supported by improving asset turn and margin**


Source: Company, Systematix Institutional Research

**Exhibit 72: Working capital improvement supported by faster receivables**


Source: Company, Systematix Institutional Research

## Valuation and view

The success mantra of the leading plastic pipe companies is having the right blend of scale, plant locations, distribution intensity, brand affinity and balance sheet strength. PRINCEPIP ticks all the right boxes to become one of the top plastic pipe companies in India. We expect a multiple-fold growth in its revenues and profitability over the long-term driven by its focused approach towards sustainable scale. In our assessment, it is the only company that can potentially challenge the dominance of ASTRA, SI and Ashirvad.

We expect revenues to grow at a CAGR of 8% between FY20-22E driven by the company's tie-up with Lubrizol, increasing reach and capacity expansion. PAT is estimated to grow at a CAGR of 11% between FY20-22E due to a better product mix and lower debt. At the current market price, the stock trades at 22x/16x its FY21/22E earnings, which is below the FY22E multiples of 29x/16x/57x of SI/FNXP/ASTRA. We initiate coverage with a **BUY** rating and a target price of Rs 255 based on 20x FY22E earnings.

### Exhibit 73: Key monitorables, risk and mitigation strategies

Key risks	Mitigation strategies
<b>Raw material volatility</b>	The raw materials are crude derivatives and their prices are sensitive to the volatility in crude prices. The crude volatility could result in inventory losses for the company as the prices get passed on immediately.  Mitigation – Maintain lower inventory and strengthen the supply chain.
<b>Demand traction</b>	The whole investment thesis depends on the smooth recovery of demand after the Covid-19-led disruption.  Mitigation – PRINCEPIP is diversifying into allied plastic products like plastic tanks.
<b>Regulatory risk</b>	The recent ban on the import of CPVC resin from China and Korea resulted in Anti-Dumping Duty penalty of Rs 77mn for the company.  Mitigation – PRINCEPIP has shifted its CPVC procurement to Lubrizol India.

Source: Company, Systematix Institutional Research

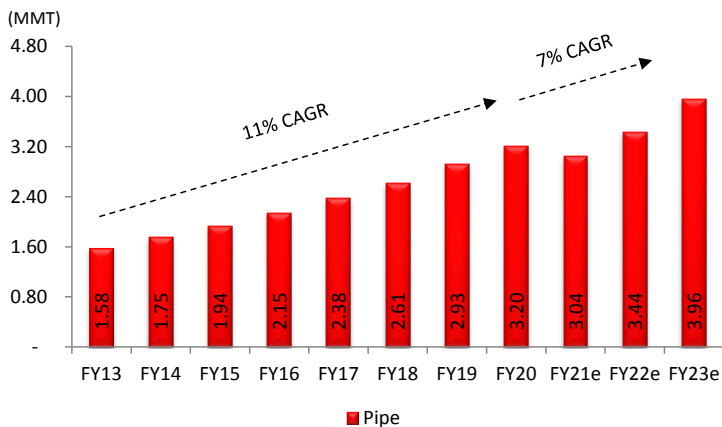
## Annexure

### Indian plastic pipe industry – growth here to stay

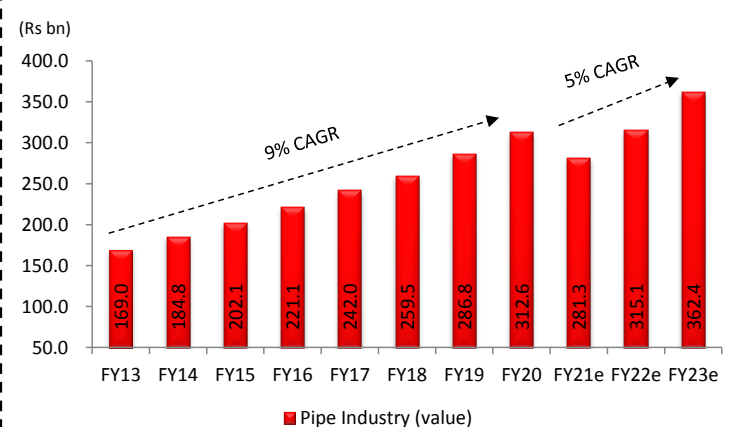
India's per capita plastic consumption stands at about 11kg compared 45kg in China and 33kg in Brazil. India remains underpenetrated in plastic consumption, specifically in agriculture which consumes only 2% of the total polymer consumption as compared to the global average of 8%.

The size of the domestic plastic pipe industry stands at about Rs 312bn/3.2mnmt in value/volume terms and has grown at a CAGR of 9%/11% between FY13-20. We expect it to grow at 5%/7% between FY20-23E supported by agricultural demand (45% of pipe demand).

**Exhibit 74: The industry is expected to grow at 5%/7% in value/volume terms between FY20-23E**



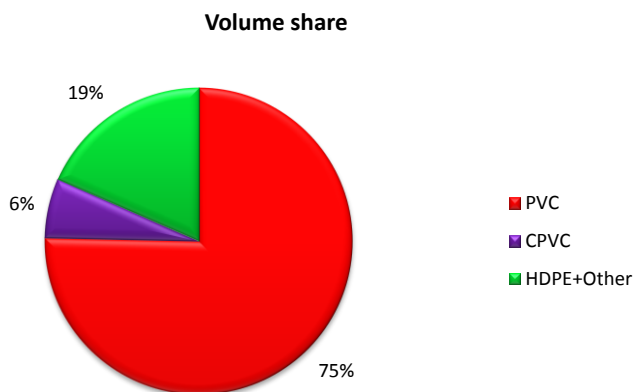
Source: Company, Systematix Institutional Research



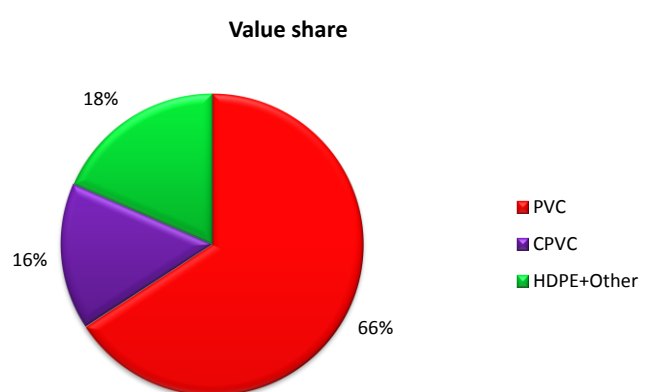
Source: Company, Systematix Institutional Research

PVC pipes, being low-cost products, have the widest applications and are used for agriculture and residential plumbing purposes. CPVC pipes are costlier than PVC pipes and are mainly used for residential plumbing applications while HDPE pipes find their usage in drainage and SWR (soil, waste and rain) applications.

**Exhibit 75: PVC has the highest volume share due to wider applications but CPVC has a higher value share**



Source: Company, Systematix Institutional Research



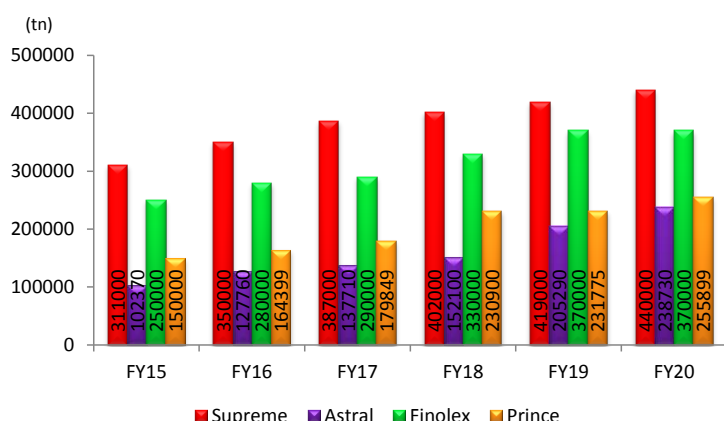
Source: Company, Systematix Institutional Research

Exhibit 76: Pipe comparison

	GI	PVC	CPVC	HDPE	PPR
Life expectancy (year)	15-20	20-25	30-35	50	50
Max. temperature	200-250	60-70	90-100	90-100	90-100
Strength (hoop)	-	500-600	450-550	350-400	250-300
Cost (Rs/ft)	35	13-20	18	30	45
Corrosion	Fast	No chemical effect	Anti-corrosive	Excellent resistance	Good resistance
Leakage	Vulnerable	No	No	No	No
Bacterial growth	Prone to bacterial growth	Low	Extremely low	Extremely low	Low
Installation	Time and cost consuming Hot welding	Cold welding	Cold welding	Cold welding	Fusion welding
Thermal conductivity	High heat loss	Low heat loss	Low heat loss	Low heat loss	Low heat loss

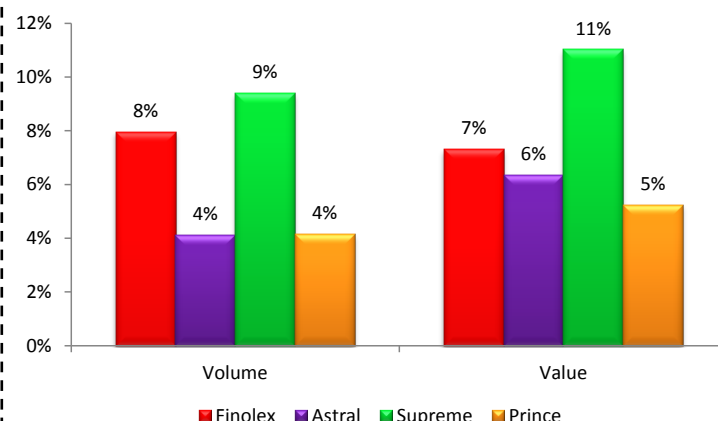
Source: Company, Systematix Institutional Research

Exhibit 76: The top four players have scaled up their capacities at a CAGR of 10%



Source: Company, Systematix Institutional Research

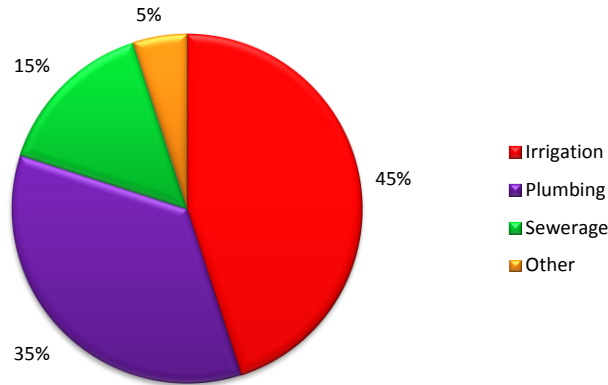
Exhibit 78: SI has the largest volume and value market share in the industry



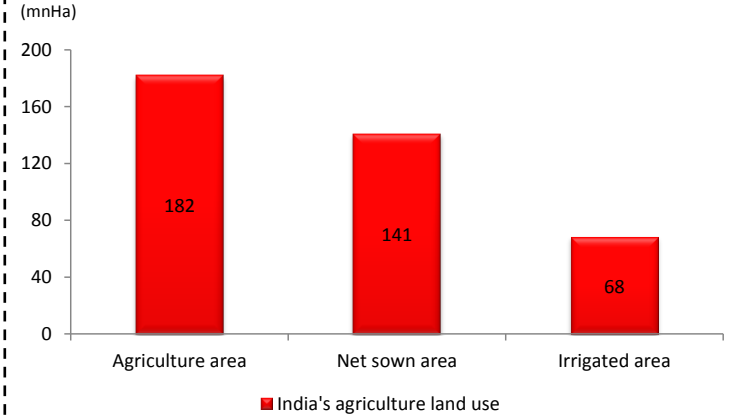
Source: Company, Systematix Institutional Research

### Agri pipe has a lion's share in the plastic pipe industry

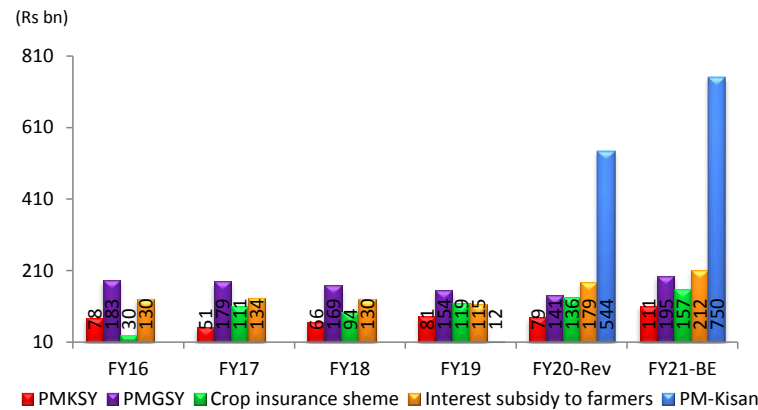
The agriculture sector accounts for nearly 50% of the domestic pipe consumption. Currently, only 50% of cultivable land is under irrigation while the rest depends on rains for its water requirements. The sector provides immense opportunity for growth to the domestic pipe manufacturers. The government of India has stepped up its focus on the agriculture sector to double farmers' incomes by 2024. It has also increased its allocations towards agriculture and rural programs considerably.

**Exhibit 79: Agri segment is the largest consumer**

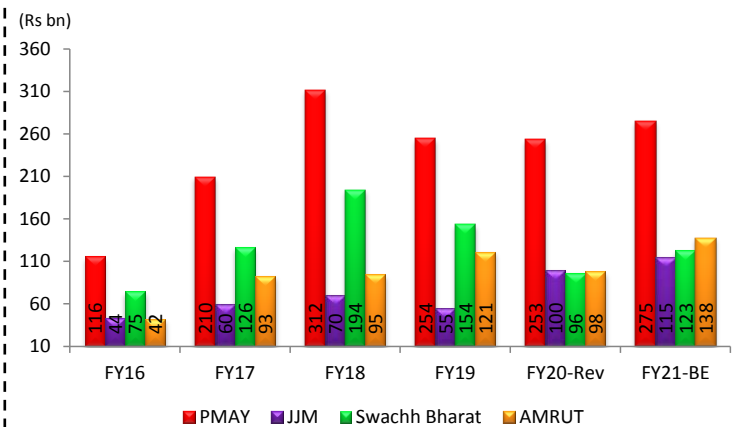
Source: Company, Systematix Institutional Research

**Exhibit 80: Only 50% land under irrigation**

Source: Company, MoSPI, Systematix Institutional Research

**Exhibit 81: PM-Kisan provides minimum income support to farmers**

Source: Company, Budget documents, Systematix Institutional Research

**Exhibit 82: Plumbing demand will be supported by housing and water management schemes**

Source: Company, Budget documents, Systematix Institutional Research

**Exhibit 83: Supportive government schemes**

Particulars	Details
PMKSY	Pradhan Mantri Krishi Sinchayee Yojana aims to facilitate expansion of cultivable area and improve efficiency of water usage.
PMGSY	Pradhan Mantri Gram Sadak Yojana aims to improve village connectivity.
Crop Insurance	Pradhan Mantri Fasal Bima Yojana aims to cover losses suffered by farmers due to lower crop yield.
PM-Kisan	Minimum income support to marginal farmers.
PMAY	Pradhan Mantri Awas Yojana aims to provide housing for all through interest subsidy on home loans to middle income group.
JJM	National Rural Drinking Water scheme has been restructured into Jal Jeevan Mission to provide household tap connection in rural areas.
AMRUT	Atal Mission for Rejuvenation and Urban Transformation aims to provide water management for urban areas.

Source: Company, Government websites, Systematix Institutional Research

# FINANCIALS

## Profit & Loss Statement

YE: Mar (Rs mn)	FY18	FY19	FY20	FY21E	FY22E
<b>Net revenues</b>	<b>13,150</b>	<b>15,719</b>	<b>16,357</b>	<b>16,806</b>	<b>18,981</b>
Revenue growth (%)	5.5	19.5	4.1	2.7	12.9
- Op. expenses	11,535	13,878	14,069	14,789	16,419
<b>EBITDA (Excl. OI)</b>	<b>1,615</b>	<b>1,841</b>	<b>2,288</b>	<b>2,017</b>	<b>2,562</b>
EBITDA margins (%)	12.3	11.7	14.0	12.0	13.5
- Interest expenses	354	363	332	165	32
- Depreciation	369	436	520	637	747
+ Other income	60	71	69	71	81
- Tax	218	292	381	322	466
Effective tax rate (%)	23	26	25	25	25
Reported PAT	735	821	1,125	965	1,398
+/- Extraordinary items	-	-	-	-	-
+/- Minority interest	-	-	-	-	-
<b>Adjusted PAT</b>	<b>735</b>	<b>821</b>	<b>1,125</b>	<b>965</b>	<b>1,398</b>
EPS (Rs/share)	7	7	10	9	13

Source: Company, Systematix Institutional Research

## Balance Sheet

YE: Mar (Rs mn)	FY18	FY19	FY20	FY21E	FY22E
Share capital	900	900	1,100	1,100	1,100
Reserves & Surplus	2,266	3,089	7,277	8,096	9,285
Networth	3,166	3,990	8,377	9,197	10,385
Minority interest	-	-	-	-	-
Total Debt	3,891	3,129	2,788	821	170
Def. tax liab. (net)	127	149	133	133	133
<b>Capital employed</b>	<b>7,185</b>	<b>7,268</b>	<b>11,298</b>	<b>10,150</b>	<b>10,688</b>
Net Fixed assets	3,590	4,246	4,958	5,522	5,974
Goodwill	3	3	3	3	3
Investments	7	8	6	6	6
Net Working capital	3,488	2,788	3,760	3,643	4,110
Cash and bank balance	96	224	2,570	977	594
<b>Capital deployed</b>	<b>7,185</b>	<b>7,268</b>	<b>11,298</b>	<b>10,150</b>	<b>10,688</b>
Net debt	3,796	2,906	217	-156	-424
WC (days)	81	54	83	70	70
DE(x)	1.2	0.8	0.3	0.1	0.0

Source: Company, Systematix Institutional Research

## Cash Flow

YE: Mar (Rs mn)	FY18	FY19	FY20	FY21E	FY22E
PAT	735	821	1,125	965	1,398
+ Non cash items	379	457	504	637	747
Cash profit	1,114	1,279	1,629	1,601	2,145
- Incr/(Decr) in WC	559	-700	972	-117	468
<b>Operating cash flow</b>	<b>555</b>	<b>1,979</b>	<b>657</b>	<b>1,718</b>	<b>1,677</b>
- Capex	1,097	1,091	1,232	1,200	1,200
<b>Free cash flow</b>	<b>-542</b>	<b>888</b>	<b>-575</b>	<b>518</b>	<b>477</b>
- Dividend	-	-	133	145	210
+ Equity raised	450	-	200	-	-
+ Debt raised	508	-762	-342	-1,967	-651
- Investments	0	0	-1	-	-
- Misc. items	444	-2	-3,195	-	-
<b>Net cash flow</b>	<b>-27</b>	<b>127</b>	<b>2,347</b>	<b>-1,593</b>	<b>-383</b>
+ Opening cash	123	96	223	2,570	976
Closing cash	96	223	2,570	976	593

Source: Company, Systematix Institutional Research

## Ratios

YE: Mar	FY18	FY19	FY20	FY21E	FY22E
P/E (x)	29.5	26.4	19.3	22.5	15.5
P/BV (x)	6.8	5.4	2.6	2.4	2.1
EV/EBITDA (x)	15.8	13.4	9.6	10.7	8.3
RoE (%)	26.3	23.0	18.2	11.0	14.3
RoCE (%)	19.9	20.4	19.8	13.5	18.2
Fixed Asset turnover (x)	3.2	3.3	2.5	2.2	2.1
Dividend (%)	-	-	10	13	19
Dividend yield (%)	-	-	0.5	0.7	1.0
Dividend payout (%)	-	-	12	15	15
Debtors days	66	58	40	50	50
Creditor days	62	57	47	40	40
Inventory days	76	53	89	60	60
Revenue growth (%)	5	20	4	3	13
EBITDA growth (%)	8	14	24	-12	27
PAT growth (%)	13	12	37	-14	45

Source: Company, Systematix Institutional Research



## Institutional Equities Team

<b>Nikhil Khandelwal</b>	<b>Managing Director</b>	<b>+91-22-6704 8001</b>	<b>nikhil@systematixgroup.in</b>
<b>Navin Roy Vallabhaneni</b>	<b>President &amp; Head – IE &amp; ECM</b>	<b>+91-22-6704 8065</b>	<b>navin@systematixgroup.in</b>

### Equity Research

Analysts	Industry Sectors	Desk-Phone	E-mail
Dhananjay Sinha	Director and Head – Research, Strategy & Economics	+91-22-6704 8045	dhananjaysinha@systematixgroup.in
Varatharajan Sivasankaran	Oil & Gas, Telecom	+91-22-6704 8039	varatharajans@systematixgroup.in
Rahul Jain	Metals, Cement, Power	+91-22-6704 8066	rahuljain@systematixgroup.in
Amit Mishra	Consumer, Retail, Auto, Auto Ancillaries	+91-22-6704 8017	amitmishra@systematixgroup.in
Ronak Sarda	Auto, Auto Ancillaries	+91-22-6704 8059	ronaksarda@systematixgroup.in
Ankit Gor	Chemicals, Textiles, Building Materials, Midcaps	+91-22-6704 8028	ankitgor@systematixgroup.in
Kunal Dhamesha	Pharma, Healthcare	+91-22-6704 8024	kunaldhamesha@systematixgroup.in
Rakesh Kumar	Banking	+91-22-6704 8041	rakeshkumar@systematixgroup.in
Ashutosh Joytiraditya	Consumer, Retail	+91-22-6704 8068	ashutoshj@systematixgroup.in
Naushad Chaudhary	Chemicals, Textiles, Building Materials, Midcaps	+91-22-6704 8036	naushadchaudhary@systematixgroup.in
Kumar Saumya	Chemicals, Textiles, Building Materials, Midcaps	+91-22-6704 8025	kumarsaumya@systematixgroup.in
Kishan Mundhra	Oil & Gas, Telecom	+91-22-6704 8074	kishanmundhra@systematixgroup.in
Harsh Mittal	Cement, Power	+91-22-6704 8098	harshmittal@systematixgroup.in
Udaykiran Paluri	Metals, Power	+91-22-6704 8034	udaypaluri@systematixgroup.in
Poorvi Banka	Auto, Auto Ancillaries	+91-22-6704 8063	poorvibanka@systematixgroup.in
Shilpashree Venkatesh	Macro-Strategy	+91-22-6704 8078	shilpav@systematixgroup.in

### Equity Sales & Trading

Name		Desk-Phone	E-mail
Vipul Sanghvi	Director and Head - Sales	+91-22-6704 8062	vipulsanghvi@systematixgroup.in
Pankaj Karde	Director and Deputy Head - Sales	+91-22-6704 8061	pankaj@systematixgroup.in
Jigar Kamdar	Sales	+91-22-6704 8060	jigarkamdar@systematixgroup.in
Viraj Mehta	Sales	+91-22-6704 8090	virajmehta@systematixgroup.in
Pawan Sharma	Director and Head - Sales Trading	+91-22-6704 8067	pawansharma@systematixgroup.in
Vinod Bhuwad	Sales Trading	+91-22-6704 8051	vinodbhuwad@systematixgroup.in
Amar Margaje	Sales Trading	+91-22-6704 8097	amarmargaje@systematixgroup.in
Vipul Chheda	Dealer	+91-22-6704 8050	vipulchheda@systematixgroup.in
Rahul Thakar	Dealer	+91-22-6704 8073	rahulthakar@systematixgroup.in
Amit Sawant	Dealer	+91-22-6704 8054	amitsawant@systematixgroup.in
Paras Shah	Dealer	+91-22-6704 8047	parasshah@systematixgroup.in
Suketu Vyas	Dealer	+91-22-6704 8050	suketuvyas@systematixgroup.in

### Corporate Access

Jyoti Mishra	Vice President	+91-22-6704 8091	jyotimishra@systematixgroup.in
--------------	----------------	------------------	--------------------------------

### Production

Yukti Vidyarthi	Editor	+91-22-6704 8071	yukti@systematixgroup.in
Mrunali Pagdhare	Production	+91-22-6704 8057	mrunalip@systematixgroup.in

### Operations

Sachin Malusare	Vice President	+91-22-6704 8055	sachinmalusare@systematixgroup.in
Jignesh Mistry	Manager	+91-22-6704 8049	jigneshmistry@systematixgroup.in
Ravikiran Dasaka	Manager	+91-22-6704 8622	ravikiran@systematixgroup.in
Sugandha Rane	Assistant Vice President	+91-22-6704 8056	sugandha@systematixgroup.in

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#### Systematix Shares and Stocks (India) Limited:

**Registered and Corporate address:** The Capital, A-wing, No. 603 – 606, 6th Floor, Plot No. C-70, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051

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