

<b>CMP</b>	: INR 668
<b>Reco</b>	: BUY ↔
<b>Target Price</b>	: INR 770 ↓
<b>Target Price Change</b>	: -8%
<b>Target FY26 P/E (x)</b>	: 32
<b>EPS Change FY25/ 26</b>	: -11%/-7%

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Market data	
Sensex	: 73,917
Sector	: Plastic Piping
Market Cap (INR bn)	: 73.9
Market Cap (USD bn)	: 0.887
O/S Shares (mn)	: 110.6
52-wk HI/LO (INR)	: 776/505
Avg. Daily Vol ('000)	: 185
Bloomberg	: PRINCPIN

Source: Bloomberg

	FY24	FY25e	FY26e
EPS (INR)	15.3	18.8	24.2
P/E (x)	43.7	35.5	27.6
P/BV (x)	4.8	4.2	3.7
EV/EBITDA (x)	24.0	20.3	16.1
Dividend Yield (%)	0.1	0.1	0.2

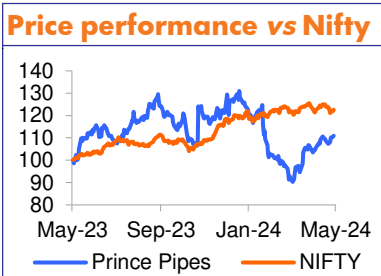
Source: Bloomberg

Returns (%)				
	1m	3m	6m	12m
Absolute	10	12	(4)	14
Relative	9	10	(14)	(5)

Source: Bloomberg

Shareholding pattern	
Promoters	: 61%
Public	: 39%
Others	: 0%

Source: Bloomberg



Source: Bloomberg

4QFY24 RESULT REVIEW

# Prince Pipes and Fittings

## Volume growth takes center stage; outlook remains positive

Prince Pipes (Prince) delivered a 4QFY24 volume growth of 16% YoY beating our estimates. The growth was driven by price corrective actions taken. Thus, the margin at 12% (INR 18/ kg) significantly missed our estimate. Key highlights are: 1) FY24 industry volume growth is expected to be less than 10%. Expect no loss of market share in FY24/ 25. 2) Adjusted EBITDA/kg at INR 18 each for 4Q/ FY24 declined 36%/ 21% YoY. 3) Aquel brand acquired for INR 0.6 bn: will aid in pan-India expansion of bathware business by 1HFY25; INR 80–100 mn to be invested in unlocking a revenue potential of INR 1.0–1.2 bn. 4) The Bihar plant with 48 kmtpa capacity will be commercialized by 4QFY25. Guidance of 15% volume CAGR over FY24–27 with an EBITDA margin of 12%–14%. The focus will remain on volume growth rather than margin. We cut our EPS estimate by 11%/ 7% for FY25/ 26 considering lower margins. Maintain BUY with a revised TP of INR 770 (earlier INR 840) based on a PE multiple of 32x FY26 EPS.

### Volume growth recovers to 16% YoY in 4Q

Prince reported a revenue of INR 7.4 bn (-3% YoY; FY24 – INR 25.7 bn, -5% YoY). Volume/ realization grew 16.1%/ -16.6% YoY for 4Q. Price correction action across micro markets has been completed and prices are now competitive. CPVC prices have been reduced by 3%–5%, in line with the industry. FY24 industry volume growth is expected to be less than 10% and there is no loss of market share in FY24. In FY24, Plumbing & SWR/ agri/ infra/ tanks contributed 65%/ 30%/ 4%/ 1% of volumes. The bathware segment reported a revenue of INR 30–40 mn in 4QFY24. With the acquisition of Aquel, Prince plans to launch bathware pan-India by 1HFY25. Currently, channel and distribution integration is underway. Management has guided for volume growth of 15% over next 2–3 years with EBITDA margin of 12%–14%. We have factored in volume/ revenue CAGR of 16%/ 12% over FY24–26.

### EBITDA guidance maintained at 12%–14%

Prince reported 4QFY24 EBITDA of INR 923 mn (-38% YoY, FY24 – INR 3.1 bn, +23% YoY). EBITDA margin stood at 12.5%/ 12.0% in 4Q/ FY24. EBITDA/kg stood at INR 18/kg (-46% YoY) for 4Q. Inventory gain for 4QFY23/ 4QFY24 stood at INR 250 mn/ INR 0 mn. 4Q adjusted EBITDA/ EBITDA per kg declined 25%/ 36% YoY. Price correction action undertaken by Prince and increased competitiveness resulted in lower EBITDA/kg growth. Employee/ ad spends/ ancillary expenses for the bathware segment stood at INR 45 mn/ INR 40 mn/ INR 10 mn in FY24. Ad spends for the bathware segment will increase as Prince sets up pan-India distribution. Management maintained EBITDA margin guidance at 12%–14% over the long term. We have factored in EBITDA CAGR of 19% over FY24–26E. We expect an EBITDA margin of 12.5%/ 13.5% and EBITDA/kg of INR 17/ INR 19 in FY25/ 26 respectively.

### Investment Summary

Prince has been spending on product portfolio expansion, expanding geographical reach, and increasing brand spends giving it the pricing power. We believe consolidation will continue in favor of branded players like Prince. We expect volume growth to pick up with the normalization of PVC prices. Margins are expected to improve with improving mix and operating leverage. Maintain BUY.

Table 1: Quarterly result

INR mn	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	FY24	FY23	YoY (%)
<b>Sales</b>	<b>7,401</b>	<b>7,644</b>	<b>(3.2)</b>	<b>6,186</b>	<b>19.6</b>	<b>25,687</b>	<b>27,109</b>	<b>(5.2)</b>
Cost of Material Consumed	5,224	5,121	2.0	4,316	21.0	18,193	20,922	(13.0)
% of sales	70.6	67.0	359 bps	69.8	81 bps	70.8	77.2	(635 bps)
Employee cost	379	309	22.8	373	1.8	1,477	1,161	27.3
% of sales	5.1	4.0	108 bps	6.0	(90 bps)	5.7	4.3	147 bps
Other expenses	876	731	19.8	741	18.2	2,943	2,523	16.7
% of sales	11.8	9.6	227 bps	12.0	(15 bps)	11.5	9.3	215 bps
Total Exp	6,479	6,161	5.2	5,430	19.3	22,613	24,606	(8.1)
<b>EBIDTA</b>	<b>923</b>	<b>1,483</b>	<b>(37.8)</b>	<b>757</b>	<b>21.9</b>	<b>3,074</b>	<b>2,503</b>	<b>22.8</b>
<b>Margin %</b>	<b>12.5</b>	<b>19.4</b>	<b>(694 bps)</b>	<b>12.2</b>	<b>23 bps</b>	<b>12.0</b>	<b>9.2</b>	<b>273 bps</b>
Other income	53	34	55.8	30	76.7	161	86	88.2
Depreciation	239	211	13.1	229	4.4	912	830	9.8
Interest expenses	14	28	(52.1)	27	(50.1)	65	110	(41.0)
<b>Profit Before Tax</b>	<b>723</b>	<b>1,278</b>	<b>(43.4)</b>	<b>530</b>	<b>36.3</b>	<b>2,258</b>	<b>1,648</b>	<b>37.0</b>
Exceptional item	-	-	-	-	-	134	-	NA
<b>PBT after exceptional</b>	<b>723</b>	<b>1,278</b>	<b>(43.4)</b>	<b>530</b>	<b>36.3</b>	<b>2,393</b>	<b>1,648</b>	<b>45.2</b>
Tax	177	337	(47.5)	154	14.7	568	434	30.7
Tax Rate %	24.4	26.4	(191 bps)	29.1	(462 bps)	23.7	26.3	(262 bps)
<b>Reported Net Profit</b>	<b>546</b>	<b>941</b>	<b>(41.9)</b>	<b>376</b>	<b>45.2</b>	<b>1,825</b>	<b>1,214</b>	<b>50.3</b>
<b>Adjusted Net Profit</b>	<b>546</b>	<b>941</b>	<b>(41.9)</b>	<b>376</b>	<b>45.2</b>	<b>1,691</b>	<b>1,214</b>	<b>39.3</b>
<b>EPS (INR)</b>	<b>4.9</b>	<b>8.5</b>	<b>(41.9)</b>	<b>3.4</b>	<b>45.2</b>	<b>15.3</b>	<b>11.0</b>	<b>39.3</b>

Source: Company, Antique

Table 2: 4QFY24 actuals vs. estimates

In Mn	4QFY24	Antique	%ch	Consensus	%ch
Revenues	7,401	7,053	4.9	6,858	7.9
EBITDA	923	1,018	(9.3)	894	3.2
Adjusted PAT	546	602	(9.2)	477	14.5
EBIDTA Margins (%)	12.5	14.4	(196 bps)	13.0	(56 bps)
Volume (KMTPA)	51	50	3.6%	NA	NA

Source: Company, Bloomberg, Antique

Table 3: Changes in estimates

INR mn	Previous		Revised		% ch	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	29,290	34,465	28,336	32,869	(3.3)	(4.6)
EBITDA	3,954	4,860	3,627	4,536	(8.3)	(6.7)
EBITDA Margin (%)	13.5	14.1	12.8	13.8	(70 bps)	(30 bps)
EBITDA Margin (INR/ kg)	20.0	21.4	19.9	21.1	(0.6)	(1.6)
Net Profit	2,340	2,886	2,081	2,674	(11.1)	(7.3)
EPS (INR)	21.2	26.1	18.8	24.2	(11.1)	(7.3)
<b>TP (INR)</b>	<b>840</b>		<b>770</b>		<b>(8.3)</b>	

Source: Antique

## Conference Call Highlights

1. **Outlook:** Polymer prices are expected to remain range-bound in the near term. Demand outlook across segments remain positive. Increased rural income, good monsoon, and affordable prices are expected to support strong growth in the agriculture segment. Real estate is expected to have strong launch traction for the next 2-3 years. This is expected to drive strong growth in plumbing and SWR segments. Infra (less than 4%-5% of revenue) i.e. DWC and HDPE pipe outlook also remains positive. There is no impact of elections on demand in 1QFY25 from agri and private real estate segments.
2. Industry growth in FY24 is expected to be less than 10%. Thus, do not expect any loss of market share in FY24. Considering expected growth in FY25, do not expect any market share loss in FY25.
3. **Strong growth in real estate segment:** As per Anarock, housing sales created a new high and grew 14% YoY in 1QCY24 in top 7 cities. Developers are ramping up construction and launching new projects to meet rising demand for home ownership in India. According to the Confederation of Real Estate Developers Association of India, the Indian real estate market is expected to reach USD 1.3 trn (13.8% of GDP)/ USD 5.17 trn (17.5% of GDP) by FY34E/ 47E. The Indian real estate industry's current size is USD 0.3 trn.
4. Efforts towards rationalization of realization, solidifying channel network, strengthening brand equity, and new product launches have now started translating into volume growth.
5. **CPVC:** Price correction of 3%-5% was taken in CPVC during 4QFY24 in line with industry. Prices are expected to remain under pressure because of upcoming domestic resin and compound capacities. In the CPVC segment, the top 4 players enjoy 70% market share and consumers are more brand conscious. It will continue being a value-added product.
6. **Guidance:** Management has guided for 15% volume growth over next 2-3 years with EBITDA margin to range between 12%-14%. The focus continues to remain on volume growth.
7. **Pricing:** All necessary price correction actions have been undertaken till 4QFY24. Prices in all markets are now competitive.
8. **Product mix:** Plumbing & SWR/ agri/ infra/ tanks – 65%/ 30%/ 4%/ 1%.
9. **Bihar manufacturing facility:** Construction for factory structure and utilities is ongoing and in full swing at Begusarai in Bihar. It is a new integrated manufacturing facility to cater to the fast growing East India market and aid in fixed cost savings. The plant, with capex outlay of INR 2.2 bn, will have a capacity of 48 kmtpa in FY26 to manufacture pipes, fittings, and tanks. The plant is proposed to have a tank capacity of 6 mn liters per month. The plant will be commercialized in phased manner from 4QFY25.
10. **Capex:** Guidance of INR 0.8-1.0 bn of capex in pipes, fittings and tanks for FY25 towards maintenance and replacement activities. Additionally, INR 80-100 mn capex will be incurred for capacity enhancements in the acquired Aquel's facility in Bhuj. This is expected to unlock revenue potential of INR 1.0-1.2 bn in 1HFY25. INR 2.2 bn will be spent towards greenfield expansion in Bihar. INR 2 bn capex was incurred in FY24 towards: INR 280 mn - land capitalized for Bihar plant, 370 mn – registration of corporate office, INR 120 mn – fixed assets of Aquel, INR 80 mn – ERP implementation, INR 700 mn on existing plant for debottlenecking and maintenance, and INR 300 mn for replacement activities.
11. **Excess land** at Jaipur, Telangana, and Bihar plants will be used for future capacity expansions.

- 12. Tanks:** Continue to expand in house manufacturing capacity and has multi-locational presence. This will aid in reducing logistics costs and better availability of product at competitive prices. Tank capacity is available at Jaipur, Hyderabad, and Haridwar plants (started in 3QFY24). The Chennai tank capacity is expected to commercialize soon. Bihar plant is also proposed to have a tank capacity.
- 13. Bathware:** 4Q revenue of INR 30-40 mn. FY24 – revenue/ advertisement/ employee/ ancillary expenses of INR 100 mn/ INR 40 mn/ INR 45 mn/ INR 10 mn. Current presence in West and North India. Focus on setting up distribution and setting up of a pan-India sales team by Sept'24.
- 14. Aquel acquisition:** An asset purchase agreement worth INR 550 mn is signed with Klaus Waren Fixtures Pvt. Ltd. to acquire brand Aquel, which has its plant in Bhuj, Gujarat. Capex of INR 80-100 mn will be incurred in 1HFY25 to unlock production capacity of INR 1.0-1.2 bn. Regulatory approvals are awaited. The brand will continue improving its penetration in key Tier 2 and 3 of West and North India. Plans to launch the Aquel brand in East and South India in 1HFY25. Channel and distribution integration is underway.
- 15. Working capital:** High demand traction in Mar'24 resulted in increased receivable days for FY24. Working on tightening of credit policy. Expect receivable days to normalize to 55 days within the next 3-6 months. Currently, receivables have come down to INR 4.4-4.6 bn. Inventory/ receivables/ payable days as of Mar'24: 62/ 83/ 50 days.
- 16. Channel financing:** Sanctioned limit – 4QFY24/ 4QFY23 INR 1.50 bn/ INR 1.23 bn. INR 1 bn utilized in FY24. INR 0.75 bn in FY23. 100% non-recourse.
- 17. Advertising spends:** INR 540 mn in FY24.
- 18. Debt:** Long term loan has increased on account of new capacity being added at Bihar.

**Table 4: Key financial parameters**

Particulars	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	YoY (%)	QoQ (%)
Volume (MT)	45,287	31,250	38,458	43,693	44,317	37,155	41,529	42,665	51,444	16.1	20.6
Realization (INR/ kg)	199	193	166	162	172	149	158	145	144	(16.6)	(0.8)
Revenue (INR mn)	9,012	6,041	6,365	7,059	7,644	5,536	6,565	6,186	7,401	(3.2)	19.6
Gross margin (%)	27.3	20.8	13.1	22.3	33.0	25.2	31.3	30.2	29.4	-359 bps	-81 bps
Gross margin (INR/ kg)	54.3	40.2	21.6	36.1	56.9	37.5	49.4	43.8	42.3	(25.7)	(3.4)
Adjusted gross margin (INR/ kg)	54.3	49.8	45.0	41.8	51.3	40.2	48.2	46.2	42.3	(17.5)	(8.3)
EBITDA (INR mn)	1,405	439	(113)	695	1,483	453	942	757	923	(37.8)	21.9
EBITDA margin (%)	15.6	7.3	(1.8)	9.8	19.4	8.2	14.3	12.2	12.5	-694 bps	23 bps
EBITDA margin (INR/ kg)	31.0	14.0	(3.0)	15.9	33.5	12.2	22.7	17.7	17.9	(46.4)	1.1
Adjusted EBITDA margin (INR/ kg)	31.0	23.6	20.5	21.6	27.8	14.9	21.5	20.1	17.9	(35.6)	(10.7)
Inventory gain/ (loss) (INR mn)	-	(300)	(900)	(250)	250	(100)	50	(100)	-	(100.0)	NA

Source: Company, Antique

## Financials

### Profit and loss account (INR mn)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
<b>Net Revenue</b>	<b>26,568</b>	<b>27,109</b>	<b>25,687</b>	<b>28,336</b>	<b>32,869</b>
Op. Expenses	22,412	24,602	22,613	24,709	28,333
<b>EBITDA</b>	<b>4,156</b>	<b>2,507</b>	<b>3,074</b>	<b>3,627</b>	<b>4,536</b>
Depreciation	703	830	912	971	1,126
<b>EBIT</b>	<b>3,453</b>	<b>1,677</b>	<b>2,162</b>	<b>2,656</b>	<b>3,410</b>
Other income	55	86	161	193	232
Interest Exp.	139	110	65	67	67
Extra Ordinary Items -gain/(loss)	-	-	(134)	-	-
<b>Reported PBT</b>	<b>3,369</b>	<b>1,652</b>	<b>2,393</b>	<b>2,783</b>	<b>3,575</b>
Tax	875	434	568	701	901
<b>Reported PAT</b>	<b>2,494</b>	<b>1,218</b>	<b>1,825</b>	<b>2,081</b>	<b>2,674</b>
<b>Net Profit</b>	<b>2,494</b>	<b>1,218</b>	<b>1,825</b>	<b>2,081</b>	<b>2,674</b>
<b>Adjusted PAT</b>	<b>2,494</b>	<b>1,218</b>	<b>1,691</b>	<b>2,081</b>	<b>2,674</b>
<b>Adjusted EPS (INR)</b>	<b>22.6</b>	<b>11.0</b>	<b>15.3</b>	<b>18.8</b>	<b>24.2</b>

### Balance sheet (INR mn)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
Share Capital	1,106	1,106	1,106	1,106	1,106
Reserves & Surplus	11,547	12,534	14,338	16,309	18,851
<b>Networth</b>	<b>12,653</b>	<b>13,640</b>	<b>15,444</b>	<b>17,415</b>	<b>19,956</b>
Debt	1,500	581	1,144	955	955
Net deferred Tax liabilities	123	137	191	191	191
<b>Capital Employed</b>	<b>14,276</b>	<b>14,358</b>	<b>16,779</b>	<b>18,561</b>	<b>21,102</b>
Gross Fixed Assets	9,207	10,271	12,352	13,152	15,252
Accumulated Depreciation	2,751	3,465	4,377	5,347	6,473
Capital work in progress	226	236	354	1,704	1,354
<b>Net Fixed Assets</b>	<b>6,682</b>	<b>7,041</b>	<b>8,329</b>	<b>9,509</b>	<b>10,133</b>
Investments	17	3	3	3	3
Non Current Investments	17	3	3	3	3
<b>Current Assets, Loans &amp; Advances</b>					
Inventory	6,188	4,256	4,379	5,046	5,853
Debtors	4,346	4,150	5,849	4,658	5,403
Cash & Bank balance	687	2,161	1,156	1,013	1,825
Loans & advances and others	1,471	930	1,516	1,516	1,516
<b>Current Liabilities &amp; Provisions</b>					
Liabilities	3,986	3,202	2,491	1,924	2,216
Provisions	1,129	982	1,962	1,260	1,416
<b>Net Current Assets</b>	<b>7,577</b>	<b>7,313</b>	<b>8,447</b>	<b>9,049</b>	<b>10,967</b>
<b>Application of Funds</b>	<b>14,276</b>	<b>14,358</b>	<b>16,779</b>	<b>18,561</b>	<b>21,102</b>

### Per share data

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
No. of shares (mn)	111	111	111	111	111
Diluted no. of shares (mn)	111	111	111	111	111
BVPS (INR)	114.4	123.4	139.7	157.5	180.5
CEPS (INR)	28.9	18.5	24.8	27.6	34.4
DPS (INR)	3.5	-	1.0	1.0	1.2

Source: Company, Antique

### Cash flow statement (INR mn)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
<b>PBT</b>	<b>3,369</b>	<b>1,648</b>	<b>2,438</b>	<b>2,783</b>	<b>3,575</b>
Depreciation & amortization	703	830	912	971	1,126
Interest expense	139	102	49	67	67
(Inc)/Dec in working capital	(3,529)	1,473	(2,151)	(746)	(1,104)
Tax paid	(960)	(401)	(733)	(701)	(901)
Less: Interest/Div. Income Recd.	(46)	(48)	(65)	(193)	(232)
Other operating Cash Flow	129	(4)	(121)	-	-
<b>CF from operating activities</b>	<b>(195)</b>	<b>3,602</b>	<b>329</b>	<b>2,180</b>	<b>2,531</b>
Capital expenditure	(1,687)	(998)	(1,908)	(2,150)	(1,750)
Add: Interest/Div. Income Recd.	46	48	65	193	232
<b>CF from investing activities</b>	<b>(1,641)</b>	<b>(950)</b>	<b>(1,844)</b>	<b>(1,957)</b>	<b>(1,518)</b>
Inc/(Dec) in share capital	5	-	-	-	-
Inc/(Dec) in debt	648	(919)	560	(189)	-
Dividend Paid	(385)	(221)	-	(111)	(133)
Others	(44)	(37)	(50)	(67)	(67)
<b>CF from financing activities</b>	<b>224</b>	<b>(1,177)</b>	<b>510</b>	<b>(366)</b>	<b>(200)</b>
<b>Net cash flow</b>	<b>(1,612)</b>	<b>1,474</b>	<b>(1,005)</b>	<b>(144)</b>	<b>813</b>
Opening balance	2,299	687	2,161	1,156	1,013
<b>Closing balance</b>	<b>687</b>	<b>2,161</b>	<b>1,156</b>	<b>1,013</b>	<b>1,825</b>

### Growth indicators (%)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
Revenue	28.3	2.0	(5.2)	10.3	16.0
EBITDA	14.8	(39.7)	22.6	18.0	25.1
Adj PAT	12.3	(51.2)	38.8	23.1	28.5
Adj EPS	11.7	(51.2)	38.8	23.1	28.5

### Valuation (x)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
P/E (x)	29.6	60.6	43.7	35.5	27.6
P/BV (x)	5.8	5.4	4.8	4.2	3.7
EV/EBITDA (x)	18.0	28.8	24.0	20.3	16.1
EV/Sales (x)	2.8	2.7	2.9	2.6	2.2
Dividend Yield (%)	0.5	-	0.1	0.1	0.2

### Financial ratios

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
RoE (%)	21.6	9.3	11.6	12.7	14.3
RoCE (%)	27.3	12.3	14.9	16.1	18.4
Asset/T.O (x)	2.1	1.9	1.7	1.6	1.7
Net Debt/Equity (x)	0.1	(0.1)	(0.0)	(0.0)	(0.0)
EBIT/Interest (x)	25.2	16.0	35.7	42.6	54.5

### Margins (%)

Year ended 31 Mar	FY22	FY23	FY24	FY25e	FY26e
EBITDA Margin (%)	15.6	9.2	12.0	12.8	13.8
EBIT Margin (%)	13.0	6.2	8.4	9.4	10.4
PAT Margin (%)	9.4	4.5	6.5	7.3	8.1

Source: Company Antique

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