

Prince Pipes & Fittings Ltd

Volumes recover in 4Q; sustainable volume led mkt. share gains the key for re-rating

CMP
Rs 653

Rating
LONG

Target Price
Rs 782
Jun'25

Upside
20% (↑)

- PRINCIPIP clocked its highest-ever quarterly volumes in 4QFY24 (+16% yoy to 51,444MT; 3% above EE). Realisations however slid 17% yoy to Rs 144/kg (2% above EE) owing to corrective pricing actions as some products were priced higher than peers.
- The quarter saw negligible inventory losses (vs. ~Rs 100mn losses in 3QFY24) amid relatively stable PVC/CPVC prices. However, higher-than-expected RM costs and other expenses led to a miss on margins (at 12.5% vs. EE of 13.2% and 19.4% yoy).
- The company's WC position deteriorated in 4QFY24 as receivable days shot up from 56 in Mar'23 to 83 in Mar'24. We expect receivable days to normalise to 60-63 in FY25.
- We trim our FY25/FY26 EBITDA estimates by 5%/4% as we slightly tone down our margin expectations. Retain LONG with a Jun'25 TP of Rs 782 (Mar'25 TP of Rs 783 earlier) at 33x P/E (unchanged) on a one-year forward EPS of Rs 23.7.
- We believe any meaningful relative re-rating would hinge on the company posting faster and consistent volume growth and profitability vs. larger peers.

Volumes growth rebounds on better-than-expected demand offtake: Sales volumes for 4QFY24 grew 16% yoy/21% qoq to 51,444MT (highest-ever; 3% above EE); despite this, PRINCIPIP underperformed its larger peers in terms of volume growth during FY24. The company has taken corrective pricing actions in 4QFY24 to make its products cost competitive vs. peers in many markets. Benefits from the ongoing Bihar expansion should start flowing in from FY26 (commercialisation expected from 4QFY25). PVC prices seem to have bottomed for now and stable prices should lead to healthy demand recovery for the industry going ahead. We build in a 13% volume CAGR for the company over FY24-FY27E.

High RM costs, lower realisations hurt margins: Though PVC/CPVC prices were stable in 4QFY24, EBITDA margins at 12.5% (vs. 19.4% in 4QFY23) fell 70bps short of EE owing to higher-than-expected RM costs, corrective price actions taken to push volumes, and higher other expenses. We expect margins to range between 12.5-13.5% over FY24-FY27E (vs. management guidance of 12-14% over mid-term) with product mix improvements and cost efficiencies.

Leverage healthy but WC stretched due to sharp increase in receivables: PRINCIPIP's leverage position remained comfortable with a D/E of 0.07x as of Mar'24. However, WC days stretched from 57 as on Mar'23 to 95 as on Mar'24, mainly as debtor days increased from 56 to 83 during this period. Normalisation of receivable days will remain a key addressable issue for the company for FY25. Bihar expansion remains on track with an increase in capacity to 48kt at a capex of Rs 2.2bn. The company is ramping-up distributors in the North and West and also plans an East launch ahead.

Key risks: Increased competitive intensity, delay in demand recovery, volatility in PVC prices, operating deleverage in bath-ware segment.

Financial Summary

YE Mar Rs mn	Sales	EBITDA	Recurring PAT	EPS (Rs)	P/E (x)	P/B (x)	EV/ EBITDA (x)	ROE (%)	Core ROIC (%)	EBITDA Margin (%)
FY24A	25,687	3,074	1,646	14.9	43.9	4.7	23.5	12.5	11.5	12.0
FY25E	28,842	3,692	2,088	18.9	34.6	4.2	19.5	12.8	12.3	12.8
FY26E	32,673	4,345	2,520	22.8	28.6	3.7	16.6	13.8	13.4	13.3
FY27E	37,013	4,960	2,916	26.4	24.8	3.3	14.5	14.2	13.9	13.4

Source: Company, Equirus Securities

Estimate Revision

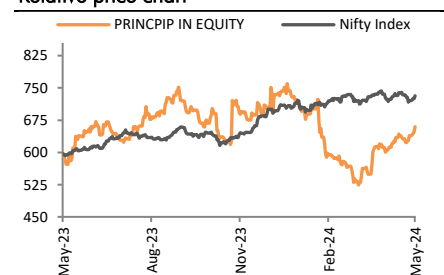
(Rs mn)	Forecasts		% Change	
	FY25E	FY26E	FY25E	FY26E
Sales	28,842	32,673	0%	-2%
EBITDA	3,692	4,345	-5%	-4%
PAT	2,088	2,520	-5%	-5%
EPS	18.9	22.8	-5%	-5%

Stock Information

Market Cap (Rs Mn)	73,921
52 Wk H/L (Rs)	776/505
Avg Daily Volume (1yr)	2,35,253
Avg Daily Value (Rs Mn)	1.9
Equity Cap (Rs Mn)	13,640
Face Value (Rs)	10
Share Outstanding (Mn)	110.6
Bloomberg Code	PRINCIPI IN
Ind Benchmark	BSETCD

Ownership (%)	Recent	3M	12M
Promoters	60.9	0.0	(2.0)
DII	16.0	0.1	4.7
FII	8.1	0.5	(0.2)
Public	14.9	(0.6)	(2.3)

Relative price chart



Source: Bloomberg

Analysts

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Exhibit 1: Quarterly performance

Rs Mn	4QFY24	4QFY24E	3QFY24	4QFY23	% Change			Comments
					4QFY24E	3QFY24	4QFY23	
Net Sales	7,401	7,056	6,186	7,644	5%	20%	-3%	
Raw Materials	5,224	4,921	4,316	5,121	6%	21%	2%	
Staff Cost	379	423	373	309	-10%	2%	23%	
Other Expenditure	876	783	741	731	12%	18%	20%	
Total Expenditures	6,479	6,127	5,430	6,161	6%	19%	5%	
EBITDA	923	929	757	1,483	-1%	22%	-38%	
Depreciation	239	232	229	211	3%	4%	13%	
EBIT	684	697	528	1,272	-2%	30%	-46%	
Interest	14	20	27	28	-33%	-50%	-52%	
Other Income	53	38	30	34	41%	77%	56%	
PBT	723	714	531	1,278	1%	36%	-43%	
Tax	177	177	154	337	0%	15%	-48%	
Recurring PAT	546	537	376	941	2%	45%	-42%	
Extraordinaries	0	0	0	0				
Reported PAT	546	537	376	941	2%	45%	-42%	
EPS (Rs)	4.9	4.9	3.4	8.5	1%	45%	-42%	
Cost as a % of sales								
Raw Materials	70.6%	69.7%	69.8%	67.0%	83 bps	81 bps	359 bps	
Staff Cost	5.1%	6.0%	6.0%	4.0%	-87 bps	-90 bps	108 bps	
Other Expenditure	11.8%	11.1%	12.0%	9.6%	73 bps	-15 bps	227 bps	
Margin (%)								
Gross Margin	29.4%	30.3%	30.2%	33.0%	-83 bps	-81 bps	-359 bps	
EBITDA Margin	12.5%	13.2%	12.2%	19.4%	-70 bps	23 bps	-694 bps	
EBIT Margin	9.2%	9.9%	8.5%	16.6%	-64 bps	71 bps	-741 bps	
PBT Margin	9.8%	10.1%	8.6%	16.7%	-35 bps	120 bps	-695 bps	
PAT Margin	7.4%	7.6%	6.1%	12.3%	-23 bps	130 bps	-493 bps	
Sales Volume	51,444	50,089	42,665	44,317	3%	21%	16%	
Realization (Rs /MT)	144	141	145	172	2%	-1%	-17%	

Source: Company, Equirus Securities

Earnings Call Takeaways

Demand Scenario:

- Company's efforts on rationalization in realization, strengthening of brand equity and distribution network translated into healthy volume growth. Strong demand across sectors, especially agriculture, has further led to volume growth. HDPE pipes volumes have been strong in 4Q24.
- Broad revenue contribution: Plumbing and SWR – 65%; Agriculture – 30%; Infrastructure – 4%, and water storage – 1%.
- 4Q24 revenue for Bath-ware segment stood at Rs 30-40mn. FY24 Bath-ware revenue stood at Rs 100mn with employee/A&P/ancillary spends of Rs 45mn/Rs 40mn/Rs 10mn.
- Lack of improvement in qoq EBIT/kg is on account of company's focus towards volume growth. along with price cuts taken during the quarter.

Pricing:

- Company took price corrective action of 3-5% as its product were over-premiumized compared to other players.
- Total A&P spends for FY24 stood at Rs 540mn. Company expects to turn more aggressive with A&P spends as it expects to become a PAN-India player.
- Inventory loss for 4Q24 was negligible. Further, company expects CPVC prices to remain subdued going forward.

Operational guidance:

- Highlighted that according to Anarock, the Housing sector grew 14% yoy across top 7 cities, due to growing demand of home ownership. According to CREDAI, Indian real estate sector is expected to reach \$1.3tn, i.e., 13.8% of projected GDP by FY34, and further to \$5.17tn, i.e., 17.5% of projected GDP. Current Indian real estate sector is valued at \$300bn.
- Over the next 2-3 years, real estate sector is expected to do well, commodity prices would be range-bound, and a healthy monsoon season to persist. Mgmt. expects a volume growth of 15%, coupled with an EBITDA margin of 12-14% to be sustainable over the next 2-3 years.

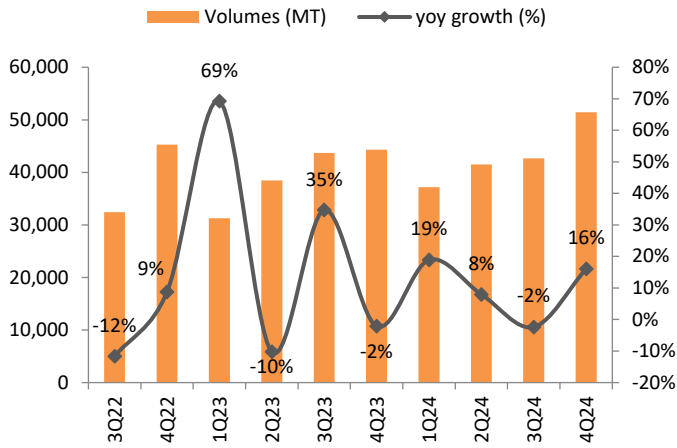
Expansion:

- Mgmt. expects a capex of Rs 0.8-1bn in FY25 [excluding capex for new facility at Begusarai (Bihar)]. Further, ~Rs 80-100mn would be invested towards Bhuj facility (acquired via Aque), which is expected to unlock a production capacity of Rs 1-1.2bn.
- Construction at Begusarai (Bihar) plant is on course, with the purpose to expand presence in East India. Expected capex for the same is ~Rs 2.20bn, on the back of increase in capacity to 48,000t. Fittings capacity originally planned for Phase-II has been preponed.
- Water tank segment is progressing well; company plans to launch the same in Chennai in 1Q25. Further, proposed capacity for water tanks at Bihar plant is ~6mn litres/month, which is expected to come on stream by 4Q25.

Other Highlights:

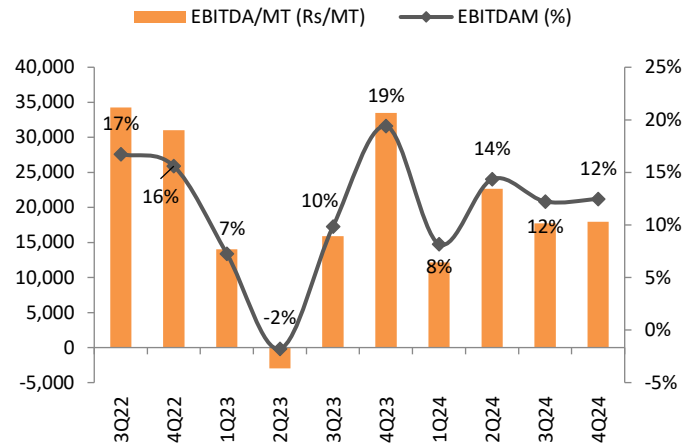
- 4Q24 saw a strong demand traction (especially during Mar'24), leading to increase in receivables. Highlighted that receivables have already fallen back to Rs 4.6-4.7bn levels (from Rs 5.8bn for FY24). Mgmt. expects debtor days to normalize back to ~50-60 days going forward.
- Mgmt. stated that Jaipur, Telangana, and Bihar facilities have significant land banks, which will be useful for future expansion.
- Company expects to tighten its credit policies in order to improve cash flows.

Exhibit 2: Sale volumes up 16% yoy, 21% qoq



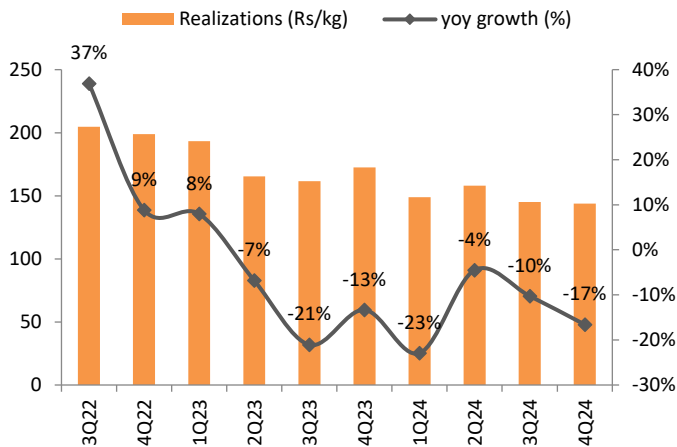
Source: Company Data, Equirus

Exhibit 3: EBITDAM falls 694bps yoy to 12.5%



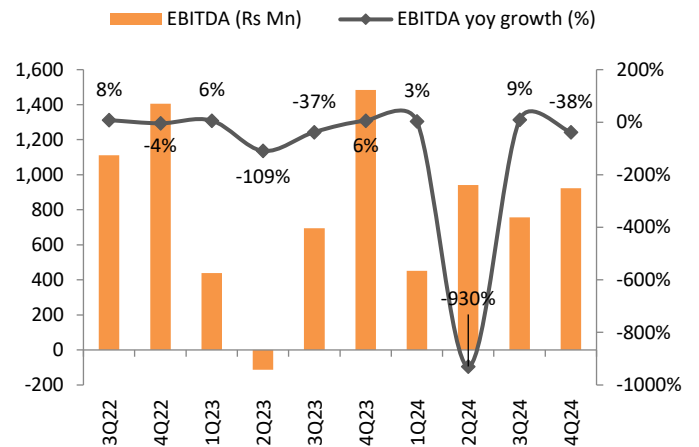
Source: Company Data, Equirus

Exhibit 4: Realizations falls 17% yoy



Source: Company Data, Equirus

Exhibit 5: Overall EBITDA falls 38% yoy



Source: Company Data, Equirus

Company Snapshot

How we differ from consensus

Particular (Rs Mn)		Equirus	Consensus	% Diff	Comment
Sales	FY25E	28,842	29676	-3%	
	FY26E	32,673	34572	-5%	
EBITDA	FY25E	3,692	3903	-5%	
	FY26E	4,345	4678	-7%	
PAT	FY25E	2,088	2295	-9%	
	FY26E	2,520	2810	-10%	

Key Estimates

	FY24A	FY25E	FY26E	FY27E
Volumes (mtpa)	1,72,793	1,93,528	2,18,687	2,47,116
Yoy growth (%)	10%	12%	13%	13%
Realizations (Rs/kg)	149	149	149	150
Yoy growth (%)	-14%	0%	0%	0%
Revenues (Rs mn)	25,687	28,842	32,673	37,013
Yoy growth (%)	-5%	12%	13%	13%

Key Investment Arguments:

- Potential to become a strong challenger brand over next 3-4 years with focus on gaining mkt. share in CPVC segment.
- Operating leverage together with continued branding investments to improve visibility and reach across regions while tie-up with Lubrizol to help gain traction in the Institutional segment.
- B/s to remain strong and while capex intensity to remain moderate post commissioning of Telangana plant.

Key downside risks:

- Resurgence of unorganized players once RM supply constraints ease out.
- Competitive intensity increasing among the organized players.
- Lower than expected volume offtake from various govt. schemes due to less spending by govt.

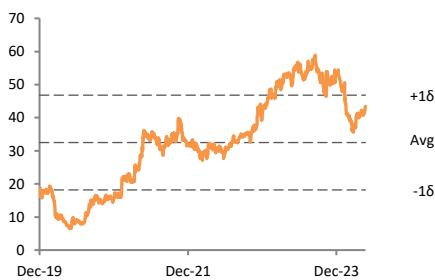
Company Description:

Prince Pipes and Fittings Limited is the 5th largest piping solutions & multi polymer manufacturer in India, based in Mumbai, Maharashtra. Company was incorporated in 1987. In Aug'20, the company announced its association with Lubrizol and thereafter launched Prince Flowguard Plus CPVC plumbing systems. Company has 7 manufacturing units located across the country (barring East) - Haridwar (Uttarakhand), Athal (Dadra and Nagar Haveli), Dadra (Dadra and Nagar Haveli), Kolhapur (Maharashtra), Chennai (Tamil Nadu), Jobner (Rajasthan) and Sangareddy (Telangana) with combined capacity of 338,959mtpa. It has a network of 1,500+ distributors, 10 Warehouses and 7,200+ SKUs.

Comparable valuation

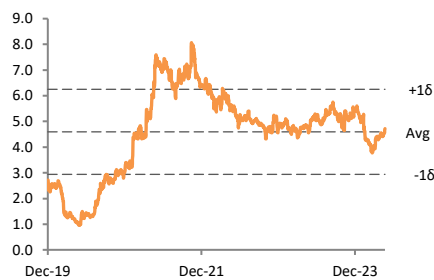
Company	Reco.	CMP	Mkt Cap Rs. Mn.	Price Target	Target Date	P/E			EV/EBITDA			P/B			RoE			Div Yield
						FY24A	FY25E	FY26E	FY24A	FY25E	FY26E	FY24A	FY25E	FY26E	FY24A	FY25E	FY26E	FY24A
Astral	LONG	2,193	5,89,180	2,262	Mar-25	108	81	66	64	50	41	18	16	13	19%	21%	22%	0%
Finolex	LONG	297	1,83,833	306	Sep'25	40	30	25	29	21	17	3	3	3	9%	11%	12%	1%
Supreme	LONG	5,596	7,10,823	5,146	Jun'25	70	60	52	45	39	33	16	14	12	24%	24%	24%	1%
Prince	LONG	653	73,921	782	Jun'25	40	35	29	23	20	17	5	4	4	13%	13%	14%	0%
Apollo	LONG	631	25,966	830	Mar-25	52	28	21	27	16	13	5	3	3	10%	13%	14%	0%

Price to earning chart



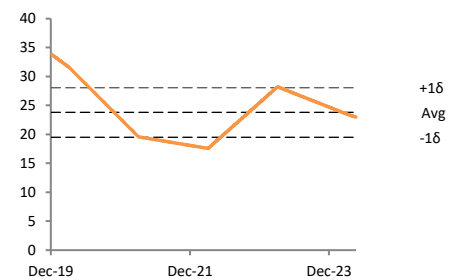
Source: Company, Equirus Research

Price to book chart



Source: Company, Equirus Research

EV-EBITDA chart



Source: Company, Equirus Research

Quarterly performance

Y/E Mar (Rs mn)	1QFY24A	2QFY24A	3QFY24A	4QFY24A	1QFY25E	2QFY25E	3QFY25E	4QFY25E
Revenue	5,536	6,565	6,186	7,401	5,913	6,345	7,355	9,229
COGS	4,143	4,511	4,316	5,224	4,080	4,442	5,259	6,496
Employee Cost	320	405	373	379	372	381	397	494
Other Expenses	620	707	741	876	710	698	809	1,014
EBITDA	452	942	757	923	751	825	890	1,226
Depreciation	218	225	229	239	189	203	206	405
EBIT	234	716	528	684	562	622	684	821
Interest Exp.	17	7	27	14	13	13	13	17
Other Income	0	0	0	0	0	0	0	0
Profit before Tax	255	749	531	723	593	655	718	837
Tax Expenses	59	222	154	177	148	164	179	223
Profit After Tax	195	527	376	546	445	491	538	613
Minority Interest	0	0	0	0	0	0	0	0
Profit/(Loss) from Associates	0	0	0	0	0	0	0	0
Recurring PAT	195	527	376	546	445	491	538	613
Exceptional Items	0	179	0	0	0	0	0	0
Reported PAT	195	706	376	546	445	491	538	613
Other comprehensive income.	0	0	0	0	0	0	0	0
PAT after comp. income.	195	706	376	546	445	491	538	613
FDEPS	1.8	6.4	3.4	4.9	4.0	4.4	4.9	5.5
Cost items as % of sales								
RM expenses	74.8	68.7	69.8	70.6	69.0	70.0	71.5	70.4
Employee expenses	5.8	6.2	6.0	5.1	6.3	6.0	5.4	5.3
Other expenses	11.2	10.8	12.0	11.8	12.0	11.0	11.0	11.0
Margin (%)								
Gross Margin	25.2	31.3	30.2	29.4	31.0	30.0	28.5	29.6
EBITDA Margin	8.2	14.3	12.2	12.5	12.7	13.0	12.1	13.3
PAT Margin	3.5	10.8	6.1	7.4	7.5	7.7	7.3	6.6
YoY Growth (%)								
Sales	(8.4)	3.1	(12.4)	(3.2)	6.8	(3.3)	18.9	24.7
EBITDA	3.1	0.0	8.9	(37.8)	66.1	(12.4)	17.6	32.9
EBIT	(3.3)	0.0	8.9	(46.3)	140.0	(13.2)	29.7	20.2
PAT	21.8	0.0	6.3	(41.9)	128.0	(6.8)	43.1	12.3

Key Financials (Consolidated)

Income Statement

Y/E Mar (Rs mn)	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue	20,715	26,568	27,109	25,687	28,842	32,673	37,013
COGS	13,789	18,915	20,922	18,193	20,276	22,904	25,909
Employee Cost	997	1,162	1,161	1,477	1,644	1,862	2,110
Other Expenses	2,313	2,335	2,523	2,943	3,230	3,561	4,034
EBITDA	3,616	4,156	2,503	3,074	3,692	4,345	4,960
Depreciation	594	703	830	912	1,003	1,093	1,191
EBIT	3,022	3,453	1,673	2,162	2,689	3,252	3,768
Interest Exp.	207	139	110	65	55	47	40
Other Income	0	0	0	0	0	0	0
Profit before Tax	2,991	3,369	1,648	2,258	2,803	3,383	3,915
Tax Expenses	773	875	434	613	715	863	998
Profit After Tax	2,218	2,494	1,214	1,646	2,088	2,520	2,916
Minority Interest	0	0	0	0	0	0	0
Profit/(Loss) from Associates	0	0	0	0	0	0	0
Recurring PAT	2,218	2,494	1,214	1,646	2,088	2,520	2,916
Exceptional Items	0	0	0	179	0	0	0
Reported PAT	2,218	2,494	1,214	1,825	2,088	2,520	2,916
Other comprehensive income.	0	0	0	0	0	0	0
PAT after comp. income.	2,218	2,494	1,214	1,825	2,088	2,520	2,916
FDEPS	20.1	22.6	11.0	14.9	18.9	22.8	26.4
DPS	2	2	2	1	3	4	4
BVPS	94	114	123	140	156	174	197

YoY Growth (%)	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
Sales	26.6	28.3	2.0	(5.2)	12.3	13.3	13.3
EBITDA	58.1	14.9	(39.8)	22.8	20.1	17.7	14.1
EBIT	70.9	14.3	(51.5)	29.3	24.3	21.0	15.9
PAT	97.2	12.4	(51.3)	50.3	14.4	20.7	15.7

Key Ratios

Profitability (%)	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
Gross Margin	33.4	28.8	22.8	29.2	29.7	29.9	30.0
EBITDA Margin	17.5	15.6	9.2	12.0	12.8	13.3	13.4
PAT Margin	10.7	9.4	4.5	6.4	7.2	7.7	7.9
ROE	23.6	21.6	9.2	12.5	12.8	13.8	14.2
ROIC	26.2	26.5	11.6	13.7	15.1	16.6	17.4
Core ROIC	25.7	22.8	9.6	11.5	12.3	13.4	13.9
Dividend Payout	10.0	8.9	18.2	6.1	15.9	17.5	15.2

CAGR (%)	1 year	2 years	3 years	5 years	7 years	10 years
Revenue	(5.2)	(1.7)	7.4	10.3	10.9	9.8
EBITDA	22.8	(14.0)	(5.3)	10.8	9.5	11.6
PAT	50.3	(14.5)	(6.3)	17.3	13.2	22.0

Valuation (x)	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
P/E	32.5	29.0	59.5	43.9	34.6	28.6	24.8
P/B	6.9	5.7	5.3	4.7	4.2	3.7	3.3
P/FCFF	16.9	48.4	15.7	32.3	9.7	15.2	15.6
EV/EBITDA	19.6	17.6	28.2	23.5	19.5	16.6	14.5
EV/Sales	3.4	2.7	2.6	2.8	2.5	2.2	1.9
Dividend Yield (%)	0.3	0.3	0.3	0.2	0.5	0.6	0.6

Balance Sheet

Y/E Mar (Rs mn)	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
Equity Capital	1,100	1,106	1,106	1,106	1,106	1,106	1,106
Reserves	9,335	11,547	12,534	14,338	16,095	18,173	20,647
Net Worth	10,435	12,653	13,640	15,444	17,200	19,278	21,752
Total Debt	852	1,500	581	1,144	1,129	1,030	860
Other long term liabilities	408	250	305	467	282	182	152
Minority Interest	0	0	0	0	0	0	0
Account Payables	2,491	3,986	3,202	2,491	3,055	3,890	4,259
Other Current Liabilities	1,874	1,002	1,560	1,685	1,923	2,178	2,468
Total Liabilities	16,061	19,390	19,287	21,232	23,590	26,559	29,491
Gross Fixed Assets	7,113	9,207	10,271	12,352	15,352	16,652	17,952
Acc. Depreciation	(2,083)	(2,751)	(3,465)	(4,377)	(5,380)	(6,473)	(7,664)
Net Fixed Assets	5,030	6,456	6,806	7,976	9,973	10,180	10,288
Capital WIP	765	226	190	353	353	353	353
long term investments	15	17	3	3	3	3	3
Others	394	425	312	436	1,239	2,732	4,023
Inventory	2,273	6,188	4,256	4,379	4,583	5,192	5,881
Receivables	3,534	4,346	4,150	5,849	4,899	5,460	6,084
Loans and advances	41	110	33	16	40	45	51
Other current assets	1,710	936	1,397	1,066	1,225	1,312	1,440
Cash & Cash Equivalents.	2,299	687	2,140	1,156	1,276	1,282	1,367
Total Assets	16,061	19,390	19,287	21,232	23,590	26,559	29,491
Non-Cash WC	3,193	6,592	5,075	7,132	5,768	5,941	6,730
Cash Conv. Cycle	36.4	67.8	57.3	95.3	65.0	57.0	58.0
WC Turnover	6.5	4.0	5.3	3.6	5.0	5.5	5.5
Gross Asset Turnover	2.9	2.9	2.6	2.1	1.9	2.0	2.1
Net Asset Turnover	3.6	4.0	3.9	3.1	2.8	3.1	3.5
Net D/E	(0.1)	0.1	(0.1)	0.0	0.0	0.0	0.0

Days (x)	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
Receivable Days	62	60	56	83	62	61	60
Inventory Days	40	85	57	62	58	58	58
Payable Days	66	77	56	50	55	62	60
Non-cash WC days	56	91	68	101	73	66	66

Cash Flow

Y/E Mar (Rs mn)	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
Profit Before Tax	2,991	3,369	1,648	2,258	2,803	3,383	3,915
Depreciation	594	703	830	912	1,003	1,093	1,191
Others	261	223	50	42	0	0	0
Tax paid	626	960	401	733	715	863	998
Change in WC	(149)	(3,530)	1,474	(2,151)	1,364	(172)	(789)
Operating Cashflow	3,071	(195)	3,602	329	4,455	3,441	3,319
Capex	(1,210)	(1,687)	(998)	(1,908)	(3,000)	(1,300)	(1,300)
Change in Invest.	355	1,846	(531)	586	0	0	0
Others	0	46	48	65	0	0	0
Investing Cashflow	(855)	205	(1,481)	(1,258)	(3,000)	(1,300)	(1,300)
Change in Debt	(1,746)	648	(919)	560	(15)	(99)	(170)
Change in Equity	(6)	107	0	0	0	0	0
Others	(380)	(533)	(363)	(85)	(517)	(543)	(472)
Financing Cashflow	(2,131)	222	(1,281)	475	(532)	(642)	(642)
Net Change in Cash	85	232	839	(453)	923	1,499	1,377

Source: Company, Equirus Research



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