

# Prince Pipes and Fittings

## Strong volume comes at the expense of margin

We maintain our ADD rating on Prince Pipes, with an unchanged target price of INR 675/sh (30x its Mar-26E EPS). In Q4FY24, Prince sales volume recovered strongly by 16/21% YoY/QoQ, supported by healthy demand in all segments. Realisation fell 1% QoQ, owing to correction in CPVC prices and price cuts taken by the company in selected products to make them competitive. Adjusted for inventory gain or loss of earlier quarters, its unitary EBITDA in Q4FY24 decreased to INR 18 per kg in Q4 vs INR 28/20 per kg YoY/QoQ. Management expects 15% CAGR pipes volume growth for the next few years with 12-14% EBITDAM. It is setting up a greenfield 48K MT pipe plant in Bihar. This is expected to commission in phases by H1FY26-end costing INR 2.2bn, expanding its plumbing capacity by 14%. In bathware, it is ramping up its distribution network and expects EBITDA to break even in the next 12-18 months.

- Q4FY24 performance:** Prince sales volume recovered strongly by 16/21% YoY/QoQ, supported by healthy demand in all segments. Realisation fell 1% QoQ to INR 144/kg owing to correction in CPVC prices and price cuts taken in selected products to make them competitive. Unitary opex too declined by 1% QoQ. There was no inventory gain/loss in this quarter. Adjusted for inventory gain or loss of earlier quarters, its unitary EBITDA decreased to INR 18 per kg in Q4 vs INR 28/20 per kg YoY/QoQ.
- Con call KTAs and outlook:** Management expects 15% CAGR pipes volume growth for the next few years with 12-14% EBITDAM. It mentioned it has rolled back prices in a few categories in H2FY24 in a bid to arrest market share loss. Now, its pipes prices are competitive, and it has no plans to cut prices further. Prince is setting up an integrated greenfield plant of 48K MT capacity in Bihar costing INR 2.2bn and is expected to commission it in phases by H1FY26-end. The company forayed into bathware in June 2023 and is ramping up distribution currently. For FY24, Prince's bathware revenue was INR 100mn (direct attributable cost was INR 90mn). Currently, the company is targeting north and west India only. By H1FY25-end, it will be a pan-India bathware player, which will lead to higher employee and ad spending. Bathware is expected to hit EBITDA breakeven in the next 12-18 months. We broadly maintain our APAT estimates for FY25/26E. We maintain our ADD rating with an unchanged TP of INR 675/share (30x Mar-26E EPS).

### Quarterly/annual financial summary

YE Mar (INR mn)	Q4 FY24	Q4 FY23	YoY (%)	Q3 FY24	QoQ (%)	FY22	FY23	FY24P	FY25E	FY26E
Pipes sales (K MT)	51.4	44.3	16.1	42.7	20.6	139.0	157.7	172.8	197.0	216.7
NSR (INR/kg)	144	172	-16.6	145	-0.8	191	172	149	147	150
EBITDA (INR/kg)	18	33	-46.4	18	1.1	30	16	18	20	20
Net Sales	7,401	7,644	-3.2	6,186	19.6	26,568	27,109	25,687	28,991	32,592
EBITDA	923	1,483	-37.8	757	21.9	4,157	2,503	3,074	3,925	4,411
EBITDAM (%)	12.5	19.4		12.2		15.6	9.2	12.0	13.5	13.5
APAT	546	941	-41.9	376	45.2	2,495	1,214	1,646	2,199	2,493
Diluted EPS (INR)	4.9	8.5	-41.9	3.4	45.2	22.6	11.0	14.9	19.9	22.5
EV / EBITDA (x)						17.9	28.7	23.9	17.9	15.9
P/E (x)						29.5	60.6	44.7	33.4	29.5
RoE (%)						21.6	9.2	11.3	13.4	13.6

Source: Company, HSIE Research

## ADD

CMP (as on 17 May 2024) INR 669

Target Price INR 675

NIFTY 22,466

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 675	INR 675
EPS	FY25E	FY26E
revision %	(0.8)	(0.1)

### KEY STOCK DATA

Bloomberg code	PRINCPIN IN
No. of Shares (mn)	111
MCap (INR bn) / (\$ mn)	74/887
6m avg traded value (INR mn)	155
52 Week high / low	INR 776/505

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	12.5	(3.8)	13.7
Relative (%)	10.4	(16.1)	(6.4)

### SHAREHOLDING PATTERN (%)

	Dec-23	Mar-24
Promoters	60.94	60.94
FIs & Local MFs	18.40	18.53
FPIs	5.74	5.15
Public & Others	14.92	15.37

Pledged Shares - -

Source : BSE

Pledged shares as % of total shares

### Keshav Lahoti

keshav.lahoti@hdfcsec.com  
+91-22-6171-7353

### Rajesh Ravi

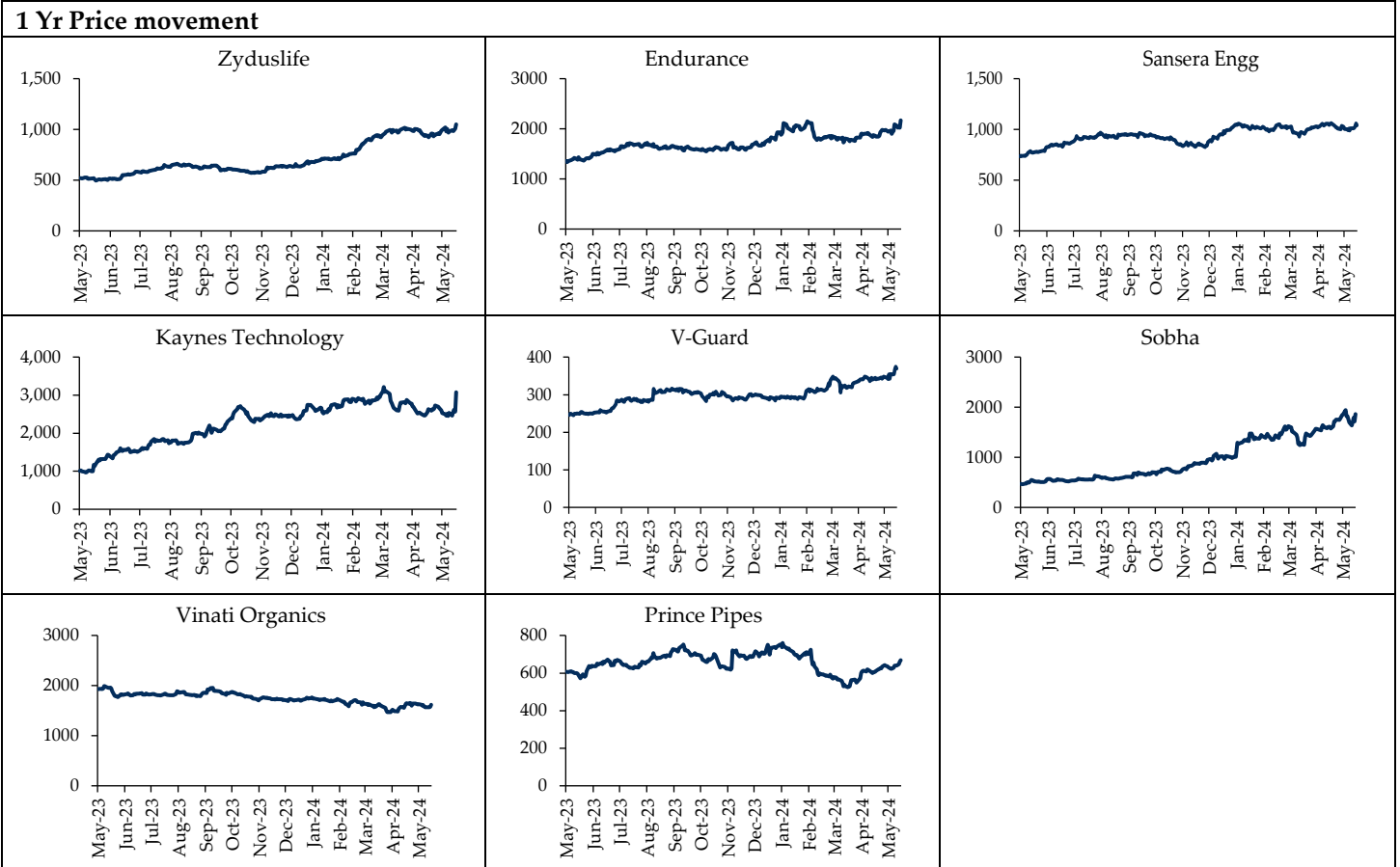
rajesh.ravi@hdfcsec.com  
+91-22-6171-7352

**Rating Criteria**

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: > 10% Downside return potential

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Maitreyee Vaishampayan	Endurance Technologies, Sansera Engineering	MSc	NO
Paarth Gala	Kaynes Technology, V-Guard Industries	BCom	NO
Parikshit Kandpal	Sobha	CFA	NO
Jay Shah	Sobha	CA	NO
Nilesh Ghuge	Vinati Organics	MMS	NO
Harshad Katkar	Vinati Organics	MBA	NO
Prasad Vadnere	Vinati Organics	MSc	NO
Akshay Mane	Vinati Organics	PGDM	NO
Rajesh Ravi	Prince Pipes and Fittings	MBA	NO
Keshav Lahoti	Prince Pipes and Fittings	CA	NO



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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: [complianceofficer@hdfcsec.com](mailto:complianceofficer@hdfcsec.com) Phone: (022) 3045 3600

For grievance redressal contact Customer Care Team Email: [customercare@hdfcsec.com](mailto:customercare@hdfcsec.com) Phone: (022) 3901 9400

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## HDFC Securities

### Institutional Equities

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 [www.hdfcsec.com](http://www.hdfcsec.com)