

Prince Pipes & Fittings (PRINCPIP IN)

Beat on 4QFY24 est.; Corrective actions taken, expect normalization and growth ahead

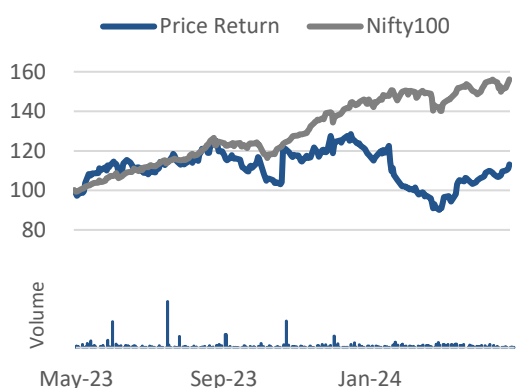
Investment Focus

Maintain **OUTPERFORM**

Rating	OUTPERFORM
Current Price	Rs659.90
Target Price	Rs751.00

Market cap	Rs72.96bn / US\$0.87bn
Daily traded value (3mth)	US\$0.16mn
Shares in issue	110.56mn
Free float (%)	35%
1 yr high - low	Rs756.90-Rs524.90

Note: Current Price Rs659.90 is the close price on 16 May 2024



Source: Factset

	1mth	3mth	12mth
Absolute	9.6%	10.3%	10.0%
Absolute USD	9.5%	9.7%	8.4%
Relative to Nifty100	5.7%	6.1%	-46.0%

(Rs mn)	Mar-23A	Mar-24A	Mar-25E	Mar-26E
Revenue	27,109	25,687	28,493	34,078
(+/-)	2%	-5%	11%	20%
Net profit	1,214	1,646	1,899	2,768
(+/-)	-51%	36%	15%	46%
Diluted EPS (Rs)	10.98	14.88	17.17	25.04
GPM	22.8%	29.2%	29.6%	30.6%
ROE	9.2%	11.3%	11.6%	14.8%
P/E	60	44	38	26

Source: Company data, HTI

4QFY24 marginally above est: Volumes up 16% YoY

PRINCPIP revenue de-grew by 3% YoY to Rs7,401mn (est. Rs7,003mn) in 4QFY24. The sales volume grew by 16% YoY to 51,444MT while realization was lower by 17% YoY. The EBITDA de-grew by 38% YoY to Rs923mn (est. Rs911mn) as margins contracted by 690bps to 12.5%. The EBITDA per kg decreased by 46% YoY to Rs17.9/-. Thus, APAT de-grew by 42% YoY to Rs546mn. The company's volume growth has shown recovery in 4QFY24 as supply chain issues related to ERP implementation is now behind and company has taken corrective pricing actions to make it competitive. Additionally, the underlying industries like plumbing SWR, agri and infra has shown good demand growth. The revenue contribution from Plumbing SWR stood at 65%, Agri at 30%, Infra at 4% and water storage at 1%.

Management guides for 15% volume growth over next 3 years

The company has guided positive demand outlook in over next 3 years due to affordable PVC resin prices, pick-up in real estate and agri activity and corrective measures taken by company to regain market share. The company expects volume growth of 15% over next years in pipes business and EBITDA margins of 12-14%. The increase in receivables is attributed to pick up in revenue in March'24. However, it has been partly recovered and receivables have reduced to Rs4.6bn currently and will further come down by 2QFY25. The company spent Rs2bn towards capex in FY24 and has guided for capex spend of ~Rs0.8-1.0bn in FY25. This is apart from investment in Bihar which will be to the tune of Rs2.2bn adding 50,000tn of pipe, fitting and tank capacity in first phase.

Laying down foundation for growth in Bathware segment

PRINCPIP recent acquired 'Aquel' brand and the Manufacturing plant located in Bhuj, Gujarat at an acquisition cost of Rs550mn. An additional expenditure of Rs70-100mn will be incurred towards maintenance and debottlenecking. This shall allow it to generate revenue potential of Rs1.1bn. All of its bathware business will be brought under the Aquel brand and company is currently setting up distribution network.

Maintain **OUTPERFORM**; Raise TP by 5% to Rs751 per share

In view of recent quarter performance and outlook, we have maintained our PAT estimates for FY25E/FY26E. We estimate Revenue and PAT CAGR of 15% and 30% over FY24-26E. We raise our PE multiple to 30x (earlier 27x) and value on Mar'26 EPS of Rs25/- arriving at a Price target of Rs751/- (earlier Rs686/-) and maintain Outperform rating on the stock.

Risk - Loss of market share, and significant cost/time overrun of Bihar greenfield project are the key downside risks.

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Consolidated - Quarterly Earnings Model (Rs mn)

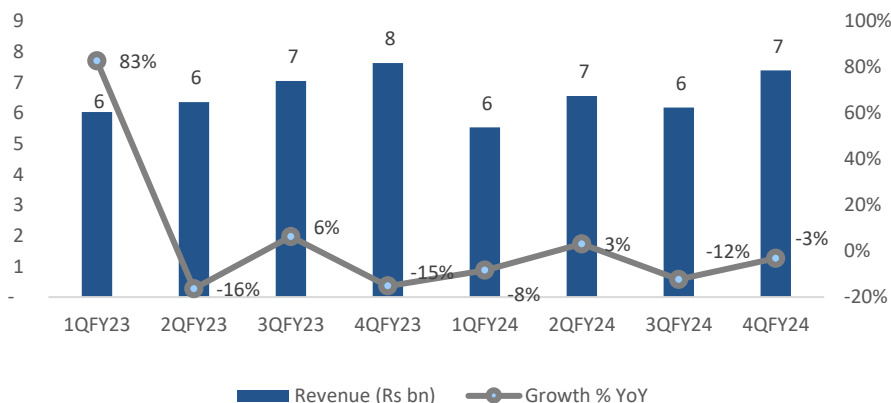
Consolidated - Quarterly Earning Model										(INR mn)			
Y/E March	FY23				FY24				FY23	FY24	FY24	Var	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		4QE	%		
Gross Sales	6,041	6,365	7,059	7,644	5,536	6,565	6,187	7,401	27,109	25,688	7,003	6	
YoY Change (%)	82.7	-16.4	6.3	-15.2	-8.4	3.1	-12.4	-3.2	2.0	-5.2	-8.4		
Total Expenditure	5,602	6,478	6,364	6,161	5,082	5,623	5,430	6,479	24,606	22,613	6,092		
EBITDA	439	-113	695	1,483	453	942	757	923	2,503	3,074	911	1	
Margins (%)	7.3	-1.8	9.8	19.4	8.2	14.3	12.2	12.5	9.2	12.0	13.0		
Depreciation	197	212	211	211	218	225	229	239	830	912	229		
Interest	34	32	16	28	17	7	27	14	110	65	28		
Other Income	12	27	12	34	38	40	30	53	86	161	34		
PBT before EO expense	221	-330	480	1,278	256	749	531	723	1,648	2,259	689		
Extra-Ord expense	0	0	0	0	0	179	0	0	0	179	0		
PBT	221	-330	480	1,278	256	570	531	723	1,648	2,079	689	5	
Tax	60	-89	126	337	59	222	154	177	434	611	173		
Rate (%)	27.3	27.0	26.3	26.4	23.2	39.0	29.0	24.4	26.3	29.4	25.2		
Minority Interest & Profit/Loss of Asso. Co	0	0	0	0	0	0	0	0	0	0	0		
Reported PAT	160	-241	354	941	196	348	377	546	1,214	1,468	515	6	
Adj PAT	160	-241	354	941	196	527	377	546	1,214	1,647	515		
YoY Change (%)	-9.7	-131.7	-47.4	6.7	22.4	-318.6	6.4	-41.9	-51.3	35.7	-45.2		
Margins (%)	2.7	-3.8	5.0	12.3	3.5	8.0	6.1	7.4	4.5	6.4	7.4		

Source: Company, HTI

Key takeaways from management concall

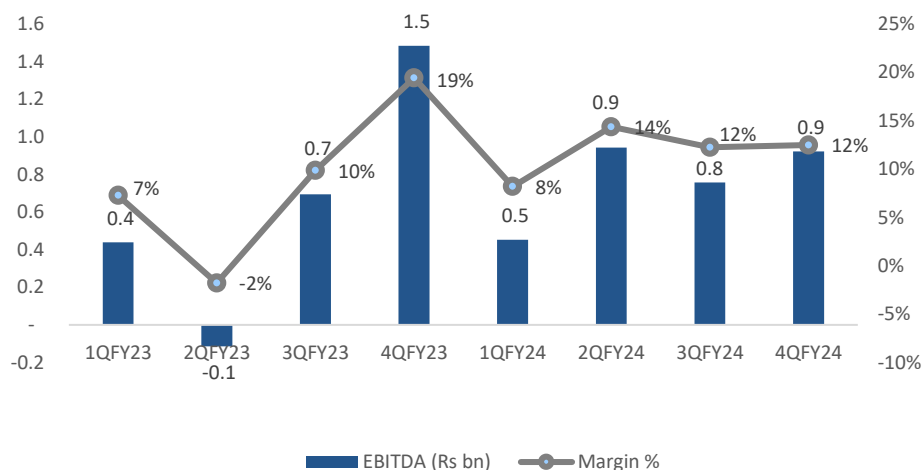
- The proposed capex in Bihar facility has been raised to around Rs2.2bn and the capacity has been increased to about 48,000 metric tons.
- The proposed capacity for water tanks is estimated at 60 lakhs litres per month at Bihar plant, which will go on stream in Q4FY25.
- Total capacity of more than 3 lakh tons, more than 80,000 tons has been put up in the last 3-4 years.
- Post Aquel acquisition, company plans to widespread its reach PAN India by expanding in the Northwest and will be more aggressive in ATL and BTL leading to increase in branding spends.
- Across pipes, water tanks and bathware the overall addressable market (TAM) for the company would be over Rs600bn leading to significant room for growth.
- The Haridwar plant achieved Greenhouse Emission Certificate done as per ISO 140643:2019, including Scope 1, 2 and 3 from DQS India, reiterating the company's commitment to ESG goals.
- The construction of the Begusarai plant is under progress marking company's expansion in East India. Moreover, the company even plans to prepone the capacity addition for this facility.
- In the water tank segment, the company plans to launch a new manufacturing facility in Chennai in Q1FY25.
- The company took price corrections in the CPVC segment of about 3% to 5% and expects the prices to be subdued as India is highly import dependent in this segment.
- The receivables for the company has come down to Rs4.6bn (as on date) and they expect the receivable days to come between 50 to 60 days in Q2FY25.

Quarterly Revenue trend (Rs bn)



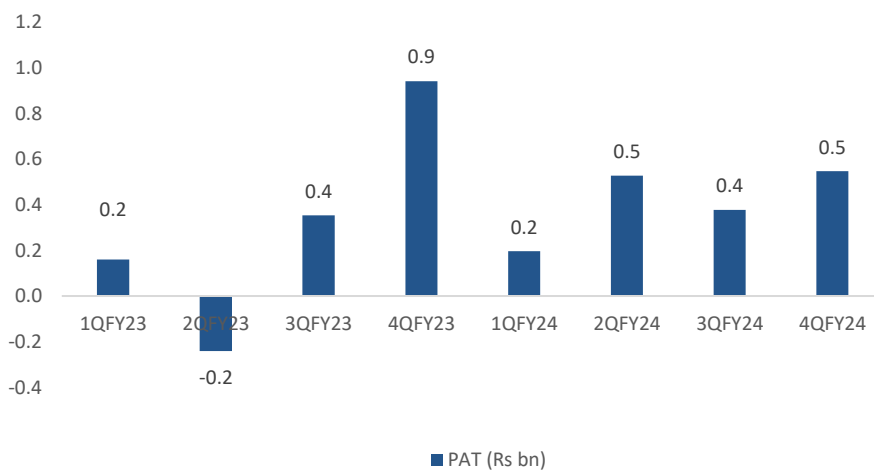
Source: HTI

Quarterly EBITDA trend and EBITDA margin trend



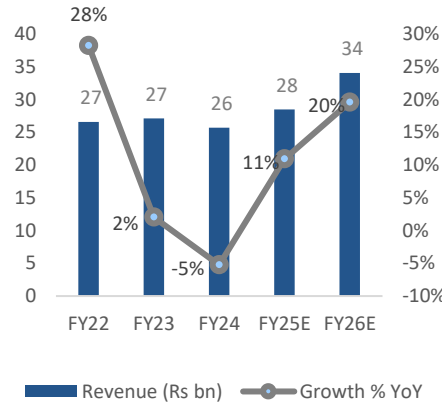
Source: HTI

Quarterly Adj. PAT trend (Rs bn)



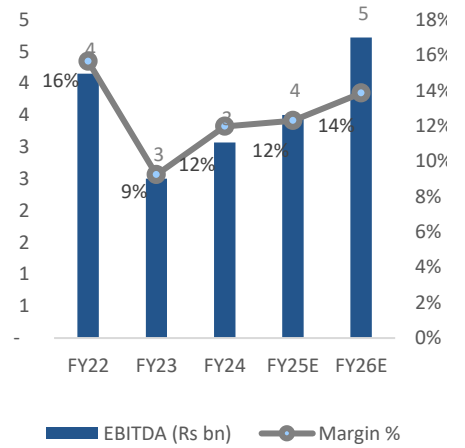
Source: HTI

Revenue trend (Rs bn)



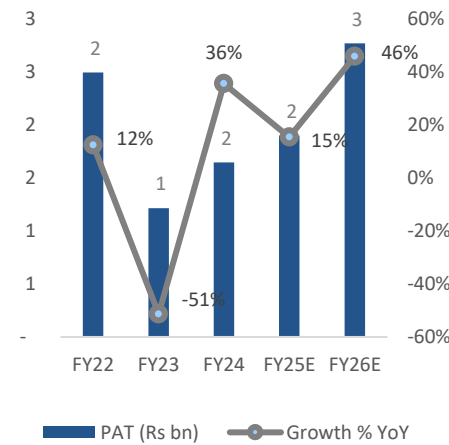
Source: HTI

EBITDA and EBITDA margin trend



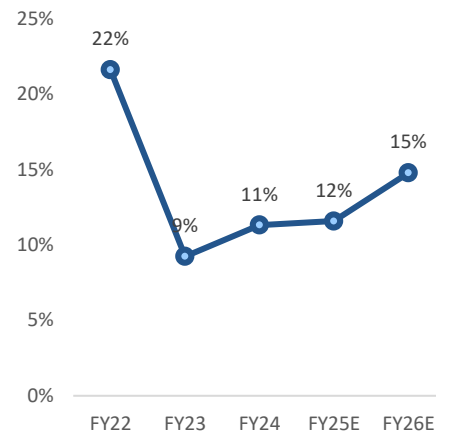
Source: HTI

Adj. PAT trend (Rs bn)



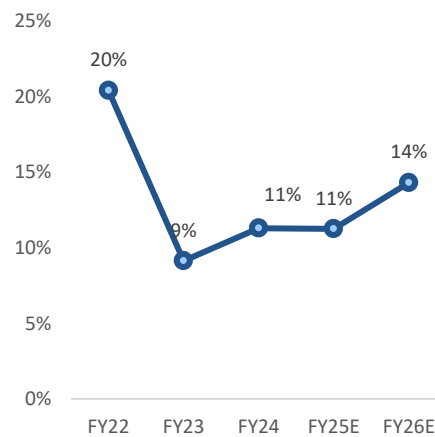
Source: HTI

RoE trend



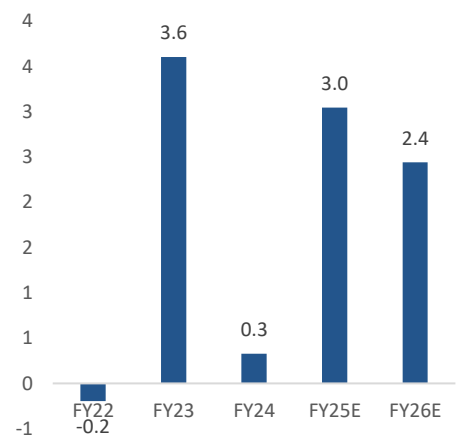
Source: HTI

RoCE trend



Source: HTI

CFO trend (Rs bn)



Source: HTI

Consolidated Income statement (Rs mn)

Y/E March	FY22	FY23	FY24	FY25E	FY26E
Total Income from Operations	26,568	27,109	25,687	28,493	34,078
Change (%)	28.3	2.0	-5.2	10.9	19.6
COGS	18,915	20,918	18,193	20,059	23,650
Employees Cost	1,007	1,098	1,477	1,624	1,840
Power & Fuel	453	559	616	684	801
Other Expenses	2,038	2,031	2,327	2,621	3,067
Total Expenditure	22,412	24,606	22,613	24,988	29,358
% of Sales	84.4	90.8	88.0	87.7	86.2
EBITDA	4,156	2,503	3,074	3,505	4,720
Margin (%)	15.6	9.2	12.0	12.3	13.9
Depreciation	703	830	912	1,044	1,134
EBIT	3,453	1,673	2,162	2,461	3,586
Int. and Finance Charges	139	110	65	100	100
Other Income	55	86	161	171	204
PBT bef. EO Exp.	3,369	1,648	2,258	2,532	3,691
EO Items	0	0	179	0	0
PBT after EO Exp.	3,369	1,648	2,438	2,532	3,691
Total Tax	875	434	613	633	923
Tax Rate (%)	26.0	26.3	25.1	25.0	25.0
Minority Interest	0	0	0	0	0
Reported PAT	2,494	1,214	1,825	1,899	2,768
Adjusted PAT	2,494	1,214	1,646	1,899	2,768
Change (%)	12.4	-51.3	35.5	15.4	45.8
Margin (%)	9.4	4.5	6.4	6.7	8.1

Source: HTI

Consolidated Balance sheet (Rs mn)

Y/E March	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	1,106	1,106	1,106	1,106	1,106
Total Reserves	11,547	12,534	14,338	16,237	19,005
Net Worth	12,653	13,640	15,444	17,343	20,111
Total Loans	1,500	581	1,144	1,144	1,144
Deferred Tax Liabilities	123	137	191	191	191
Capital Employed	14,275	14,358	16,779	18,678	21,446
Gross Block	9,207	10,271	12,349	13,749	14,949
Less: Accum. Deprn.	2,751	3,465	4,377	5,421	6,554
Net Fixed Assets	6,456	6,806	7,973	8,329	8,395
Capital WIP	226	236	354	354	354
Total Investments	117	920	382	382	382
Current Investments	100	917	379	379	379
Curr. Assets, Loans&Adv.	12,591	10,581	12,521	14,868	18,534
Inventory	6,188	4,256	4,379	4,839	5,685
Account Receivables	4,346	4,150	5,849	5,855	7,002
Cash and Bank Balance	586	1,244	777	2,492	3,836
Loans and Advances	1,471	930	1,516	1,682	2,012
Curr. Liability & Prov.	5,115	4,184	4,453	5,257	6,222
Account Payables	3,986	3,202	2,491	3,081	3,619
Other Current Liabilities	831	656	1,758	1,950	2,332
Provisions	298	327	204	226	271
Net Current Assets	7,477	6,396	8,068	9,611	12,312
Appl. of Funds	14,275	14,358	16,780	18,678	21,447

Source: HTI

Key Ratios

Y/E March	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)					
EPS	22.6	11.0	14.9	17.2	25.0
Cash EPS	28.9	18.5	23.1	26.6	35.3
BV/Share	114.4	123.4	139.7	156.9	181.9
DPS	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0
Valuation (x)					
P/E	29.3	60.1	44.3	38.4	26.4
Cash P/E	22.8	35.7	28.5	24.8	18.7
P/BV	5.8	5.3	4.7	4.2	3.6
EV/Sales	2.8	2.6	2.8	2.5	2.1
EV/EBITDA	17.8	28.5	23.7	20.3	14.8
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0
FCF per share	-17.0	24.0	-14.3	14.9	11.2
Return Ratios (%)					
RoE	21.6	9.2	11.3	11.6	14.8
RoCE	20.4	9.1	11.3	11.3	14.3
RoIC	23.6	9.7	11.9	12.0	16.6
Working Capital Ratios					
Fixed Asset Turnover (x)	2.9	2.6	2.1	2.1	2.3
Asset Turnover (x)	1.9	1.9	1.5	1.5	1.6
Inventory (Days)	85	57	62	62	61
Debtor (Days)	60	56	83	75	75
Creditor (Days)	55	43	35	39	39
Leverage Ratio (x)					
Current Ratio	2.5	2.5	2.8	2.8	3.0
Interest Cover Ratio	24.8	15.2	33.3	24.6	35.9
Net Debt/Equity	0.1	-0.1	0.0	-0.1	-0.2

Source: HTI

Consolidated Cashflow statement (Rs mn)

Y/E March	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	3,369	1,648	2,258	2,532	3,691
Depreciation	703	830	912	1,044	1,134
Interest & Finance Charges	93	63	49	-71	-104
Direct Taxes Paid	-960	-401	-733	-633	-923
(Inc)/Dec in WC	-3,529	1,473	-2,151	172	-1,358
CF from Operations	-324	3,613	335	3,044	2,439
Others	129	-11	-6	0	0
CF from Operating incl EO	-195	3,602	329	3,044	2,439
(Inc)/Dec in FA	-1,687	-950	-1,908	-1,400	-1,200
Free Cash Flow	-1,882	2,651	-1,579	1,644	1,239
(Pur)/Sale of Investments	1,846	-531	586	0	0
Others	316	30	51	171	204
CF from Investments	475	-1,451	-1,272	-1,229	-996
Issue of Shares	648	-919	0	0	0
Inc/(Dec) in Debt	107	0	560	0	0
Interest Paid	-139	-110	-46	-100	-100
Dividend Paid	-385	-221	0	0	0
Others	-9	28	-39	0	0
CF from Fin. Activity	222	-1,222	475	-100	-100
Inc/Dec of Cash	502	928	-467	1,715	1,343
Opening Balance	84	316	1,245	777	2,492
Closing Balance	586	1,245	777	2,492	3,836

Source: HTI

APPENDIX

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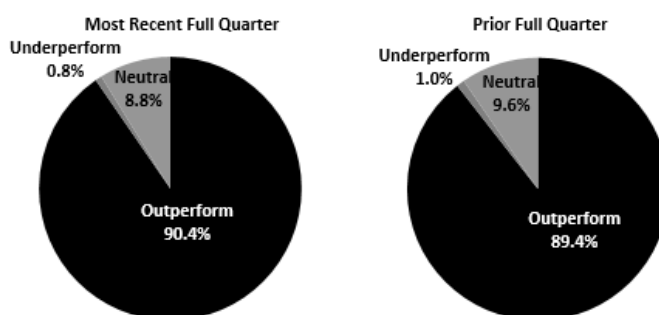
Outperform: The stock's total return over the next 12-18 months is expected to exceed the return of its relevant broad market benchmark, as indicated below.

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NEUTRAL: The stock's total return over the next 12-18 months is expected to be in line with the return of its relevant broad market benchmark, as indicated below. For purposes only of FINRA/NYSE ratings distribution rules, our Neutral rating falls into a hold rating category.

SELL: The stock's total return over the next 12-18 months is expected to be below the return of its relevant broad market benchmark, as indicated below.

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Prince Pipes & Fittings - PRINCPIP IN



1. 7 Aug 2021 NEUTRAL at 665.05 target 600.0.
2. 3 Nov 2021 NEUTRAL at 754.4 target 700.0.
3. 7 Feb 2022 NEUTRAL at 714.25 target 770.0.
4. 22 May 2022 NEUTRAL at 635.0 target 670.0.
5. 10 Aug 2022 NEUTRAL at 607.75 target 600.0.
6. 10 Nov 2022 NEUTRAL at 567.75 target 600.0.
7. 6 Dec 2022 NEUTRAL at 631.2 target 600.0.
8. 9 Feb 2023 NEUTRAL at 612.35 target 600.0.
9. 26 May 2023 NEUTRAL at 585.25 target 650.0.
10. 13 Aug 2023 NEUTRAL at 689.05 target 650.0.
11. 9 Nov 2023 NEUTRAL at 723.5 target 700.0.
12. 7 Feb 2024 NEUTRAL at 673.8 target 733.0.
13. 22 Mar 2024 OUTPERFORM at 544.4 target 686.0.

Source: Company data Bloomberg, HTI estimates