

# Prince Pipes and Fittings | BUY

## Strong volume performance

Prince Pipes (Prince) 4Q performance was ahead of our and consensus estimates. Revenue/EBITDA/PAT was 19%/14%/21% above JMFe. After reporting 4 consecutive weak volume performance, Prince reported volume growth of 16% YoY (+5% on 5 years CAGR, 8% above JMFe), though it was still below peers (Supreme/Astral/Finolex volumes up 41%/23%/23% respectively). Revenue declined 3% YoY (+8% 5 years CAGR) led by 17%YoY decline in realisations on account of a) correction in PVC prices (-15% YoY) and b) price rationalisation measures taken by Prince during the quarter. The management is confident of recovery and has guided to achieve 15% volume growth over next 3 years has retained its earlier EBITDA margin guidance of 12-14%. Prince's ongoing capacity expansion in Begusarai (Bihar) is expected to commence operation early in Q4FY25. We broadly maintain our FY25-26 estimates to with unchanged Mar'25 TP of INR 760, basis 30x Mar'26EPS. We maintain BUY.

- 4QFY24 summary:** Revenue declined 3% YoY to INR 7.4bn (+8% 5-year CAGR; +20% QoQ, 19% above JMFe) led by a 17% YoY fall (-1% QoQ, 10% above JMFe) in realisation as PVC resin prices declined 15% YoY/flat QoQ while volume grew 16% YoY (+21% QoQ, 8% above JMFe). Although Prince reported improvement in volume growth (+16% YoY), it continued to underperform peers (+41%/+23%/+23% for Supreme/Astral/Finolex respectively YoY). Volume growth was driven by both plumbing and Agri segment (Q4 being an Agri heavy quarter). The company remains confident of recovery in coming quarters on the back of its efforts on a) distribution network expansion, b) brand building, and c) product portfolio expansion and is hopeful these actions will return it to the industry leading growth position in the coming quarters.
- Operating margin contracts 690bps YoY (+20bps QoQ, 60bps below JMFe):** EBITDA margin contracted 690bps YoY to 12.5% (+20bps QoQ) largely due to decline in PVC resin prices (-15% YoY/ flat QoQ). There was no inventory loss during the quarter. Employee expense (+23% YoY, 1% above JMFe) and other expenses (+20% YoY/18% QoQ) rose as the company steps up its investment towards A&P and building team for its Bathware division. EBITDA/kg declined 46% YoY/+1% QoQ to INR 17.9kg, (JMFe: INR 17.1/kg). Adj EBITDA margin was 12.5%, -690bps YoY (+20bps QoQ) and 60bps below JMFe.
- Prince to become a pan India bathware player by FY25:** Since its launch of Bathware division in Jun'23, Prince has meticulously expanded its distribution network to the North and the West and expects to enter South and East markets by this year. The company recently acquired 'Aquel' (Mar'24), which can potentially propel Prince to be a brand to reckon with in the bathware segment over the medium term, gives a lever to expand its presence pan India. Prince has invested INR 550mn to acquire the brand and state of art manufacturing facility in Bhuj, Gujarat. The company will be spending INR 70-80mn further in the manufacturing facility which will unlock revenue potential of INR 1.2-1.3bn. During the quarter, total spend on employee and ad spend in the bathware division was



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### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	760
Upside/(Downside)	13.7%
Previous Price Target	760
Change	0.0%

### Key Data – PRINCEPI IN

Current Market Price	INR669
Market cap (bn)	INR73.9/US\$0.9
Free Float	38%
Shares in issue (mn)	110.0
Diluted share (mn)	110.6
3-mon avg daily val (mn)	INR115.3/US\$1.4
52-week range	776/505
Sensex/Nifty	73,917/22,466
INR/US\$	83.3

### Price Performance

%	1M	6M	12M
Absolute	10.5	-3.8	13.7
Relative*	9.2	-14.5	-5.1

\* To the BSE Sensex

JM Financial Research is also available on:  
Bloomberg - JMFR <GO>,  
Thomson Publisher & Reuters,  
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Financial Summary					(INR mn)
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Sales	26,568	27,109	25,687	29,845	35,181
Sales Growth (%)	28.3	2.0	-5.2	16.2	17.9
EBITDA	4,156	2,503	3,074	3,892	4,763
EBITDA Margin (%)	15.6	9.2	12.0	13.0	13.5
Adjusted Net Profit	2,468	2,098	1,803	2,160	2,796
Diluted EPS (INR)	22.4	19.1	16.3	19.5	25.3
Diluted EPS Growth (%)	36.6	-15.0	-14.5	19.8	29.4
ROIC (%)	22.8	9.3	11.3	14.2	19.2
ROE (%)	21.4	16.0	12.4	13.4	15.8
P/E (x)	29.8	35.1	41.0	34.2	26.5
P/B (x)	5.8	5.4	4.8	4.4	4.0
EV/EBITDA (x)	17.9	29.1	23.7	18.3	14.3
Dividend Yield (%)	0.3	0.7	0.1	1.2	1.2

Source: Company data, JM Financial. Note: Valuations as of 17/May/2024

INR 30-40mn while for FY25 it was around INR 100mn.

- **Capacity expansion in Bihar is on track; commencing storage tank production in Chennai:**  
The company's capacity expansion plan in the eastern region in Begusarai (Bihar) is progressing well. This will cater to the demand in the Northeast. At present, the East market is serviced partly through outsourced capacity. During FY24, company has already spent INR 700-800mn towards the purchase of land and civil structure for the Bihar facility. The company is also decentralising its storage tank facility and is commencing production at its Chennai plant.
- **Maintain BUY:** We maintain our FY25-26 estimates and maintain Mar'25 TP of INR 760, basis 30x Mar26EPS. Notwithstanding the recent market share loss, we maintain our positive view on Prince given a) industry tailwinds (improving growth trajectory and market consolidation), b) focus on premiumisation and distribution expansion, and c) constant improvement in corporate governance. **Key risk:** Delayed macro growth recovery.
- **Other highlights**
  - Product mix: lion's share is PVC, which is c. 65%, CPVC is 20-25% of production, PPR contribution is 5-7% and HDPE is 4-5%.
  - During FY24, the company spent INR 2bn towards capacity expansion, of which INR 280mn was towards purchase of land, INR 370bn towards expansion of its corporate office in Ruby mills, INR 120mn towards Aquel brand, INR 80mn towards ERP implementation while other INR 1bn towards maintenance and replacement.
  - The response to the company's Bathware products is encouraging, with positive feedback from the channel. Ramping up of the distribution network is progressing as per plan. The company has expanded its Bathware segment presence to more than 100 retail touch points as its products continue to make deep inroads into key tier 2 and tier 3 markets in the North and the West.
  - Net working capital days increased significantly to 95 (vs. 69 in Dec'23) as debtors days increased by 10 days to 83 days. However management indicated it has already collected more than 45% of its receivables in Apr- May'24.
  - A&P spend during the year was INR 540mn (2% of sales) vs. INR 410mn in FY23.
  - The company will undertake capex of INR 1bn in FY25 (excluding the project in Bihar), of which INR 80-100mn will be spent towards Bhuj and INR 8-10bn for debottlenecking and maintenance.

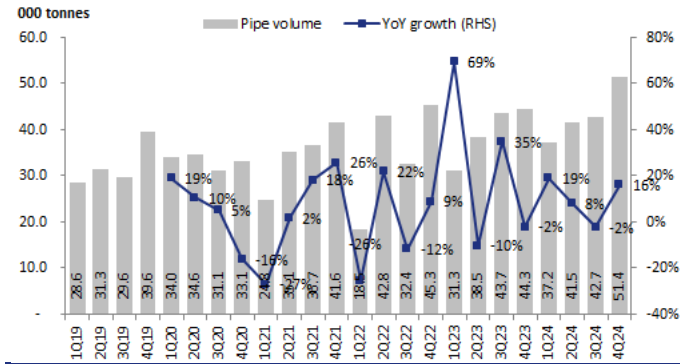
## Exhibit 1. Quarterly performance

Y/E March; INR mn	4Q23	4Q24	YoY	5yr CAGR	3Q24	QoQ	4Q24E	Var	FY23	FY24	YoY	5yr CAGR
<b>Net Sales</b>	<b>7,644</b>	<b>7,401</b>	<b>-3%</b>	<b>8%</b>	<b>6,186</b>	<b>20%</b>	<b>6,199</b>	<b>19%</b>	<b>27,109</b>	<b>25,687</b>	<b>-5%</b>	<b>13%</b>
Volume (tonnes)	44,317	51,444	16%	5%	42,655	21%	47,418	8%	157,717	172,793	10%	8%
Realisation (INR/kg)	172	144	-17%	3%	145	-1%	131	10%	172	149	-14%	5%
Raw Material Cost	5,121	5,224	2%	8%	4,316	21%	4,244	23%	20,922	18,193	-13%	13%
Gross Profit	2,523	2,177	-14%	9%	1,870	16%	1,955	11%	6,187	7,494	21%	11%
Gross Margin(%)	33.0%	29.4%	-360 bps		30.2%	-80 bps	31.5%	-212 bps	22.8%	29.2%	640 bps	
Employee cost	309	379	23%	10%	373	2%	376	1%	1,161	1,477	27%	13%
% of sales	4.0%	5.1%	110 bps		6.0%	-90 bps	6.1%	0 bps	4.3%	5.7%	150 bps	
Other expenses	731	876	20%	9%	741	18%	769	14%	2,523	2,943	17%	10%
Total expense	6,161	6,479	5%	8%	5,430	19%	5,389	20%	24,606	22,613	-8%	10%
<b>EBITDA</b>	<b>1,483</b>	<b>923</b>	<b>-38%</b>	<b>10%</b>	<b>757</b>	<b>22%</b>	<b>810</b>	<b>14%</b>	<b>2,503</b>	<b>3,074</b>	<b>23%</b>	<b>11%</b>
<b>EBITDA margin</b>	<b>19.4%</b>	<b>12.5%</b>	<b>-690 bps</b>		<b>12.2%</b>	<b>20 bps</b>	<b>13.1%</b>	<b>-60 bps</b>	<b>9.2%</b>	<b>12.0%</b>	<b>270 bps</b>	
Margin (INR/kg)	33.5	17.9	-46%	4%	17.7	1%	17.1	5%	15.9	17.8	12%	5%
Depreciation	211	239	13%	16%	229	4%	229	4%	830	912	10%	16%
EBIT	1,272	684	-46%	8%	527	30%	580	18%	1,673	2,162	29%	9%
Other Income	34	53	56%	23%	30	77%	42	26%	86	161	88%	18%
PBIT	1,306	737	-44%	9%	558	32%	623	18%	1,759	2,323	32%	9%
Interest	28	14	-52%	-31%	27	-50%	24	-42%	110	65	-41%	-29%
XO Exp/-Inc	0	0			0		0		0	-179		
<b>PBT</b>	<b>1,278</b>	<b>723</b>	<b>-43%</b>	<b>13%</b>	<b>530</b>	<b>36%</b>	<b>599</b>	<b>21%</b>	<b>1,648</b>	<b>2,438</b>	<b>48%</b>	<b>17%</b>
Tax Expense	337	177	-48%	12%	154	15%	147	20%	434	613	41%	16%
Tax Rate	26.4%	24.4%	-190 bps		29.1%	-460 bps	24.6%	0 bps	26.3%	25.1%	-120 bps	
<b>Reported Net Profit</b>	<b>941</b>	<b>546</b>	<b>-42%</b>	<b>13%</b>	<b>376</b>	<b>45%</b>	<b>452</b>	<b>21%</b>	<b>1,214</b>	<b>1,825</b>	<b>50%</b>	<b>17%</b>
<b>Adjusted Net Profit</b>	<b>757</b>	<b>546</b>	<b>-28%</b>	<b>13%</b>	<b>447</b>	<b>22%</b>	<b>452</b>	<b>21%</b>	<b>2,098</b>	<b>1,803</b>	<b>-14%</b>	<b>17%</b>
Shareholding O/S	111	111	0%	4%	111	0%	110	0%	110	111	0%	0%
Adjusted EPS	6.8	4.9	-28%	8%	4.0	22%	4.1	20%	19.1	16.3	-14%	22%

Source: Company, JM Financial

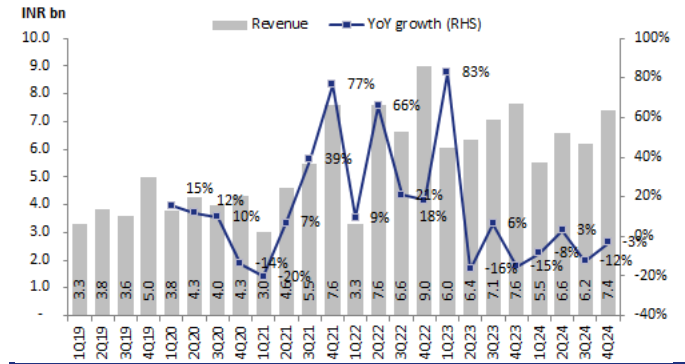
Quarterly charts

Exhibit 2. Pipe volume growth trend - Quarterly



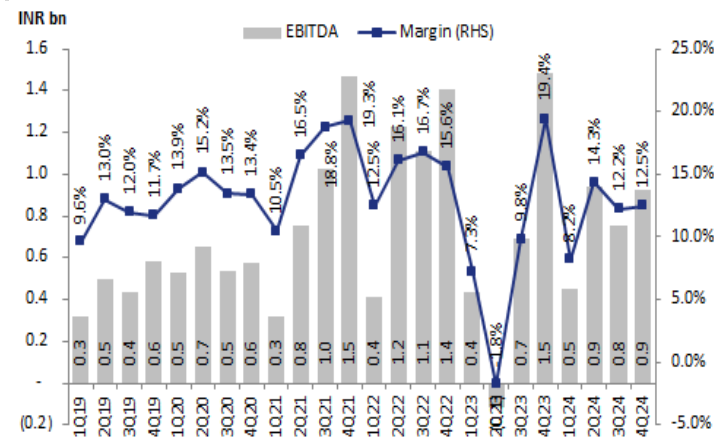
Source: Company, JM Financial

Exhibit 3. Revenue growth trend - Quarterly



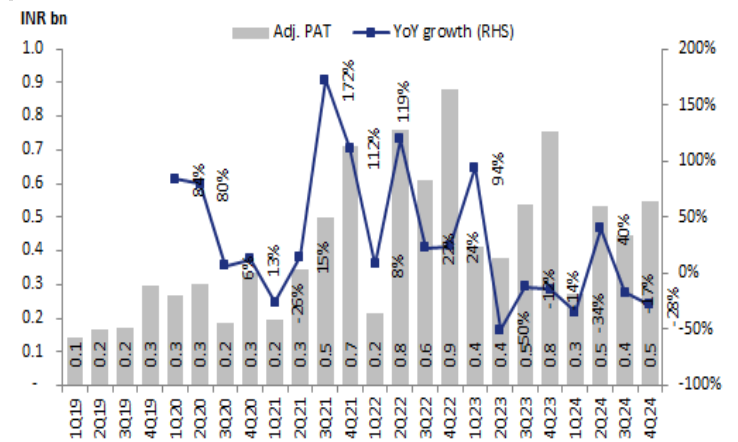
Source: Company, JM Financial

Exhibit 4. EBITDA margin trend - Quarterly



Source: Company, JM Financial

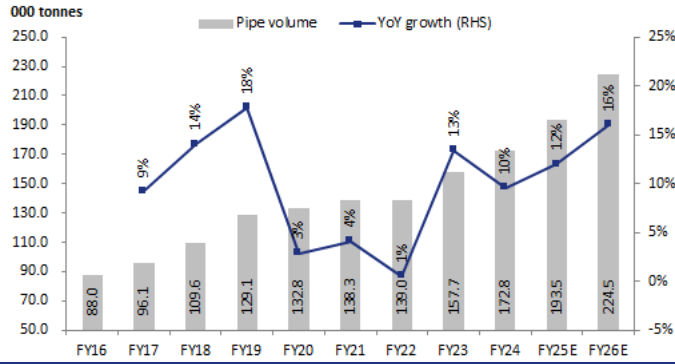
Exhibit 5. PAT growth - Quarterly



Source: Company, JM Financial

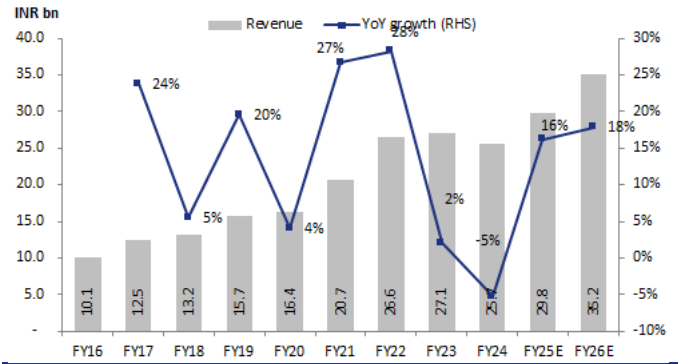
# Annual charts

**Exhibit 6. Volume growth trend**



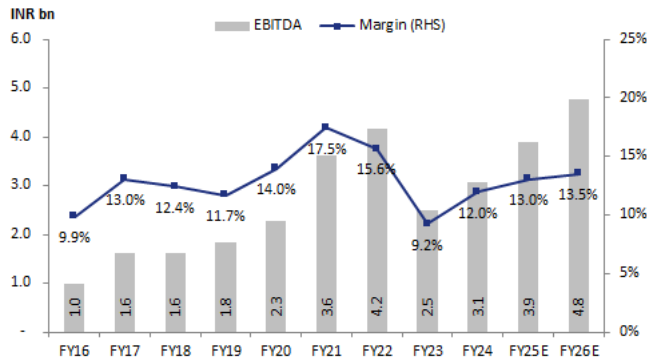
Source: Company, JM Financial

**Exhibit 7. Revenue growth trend**



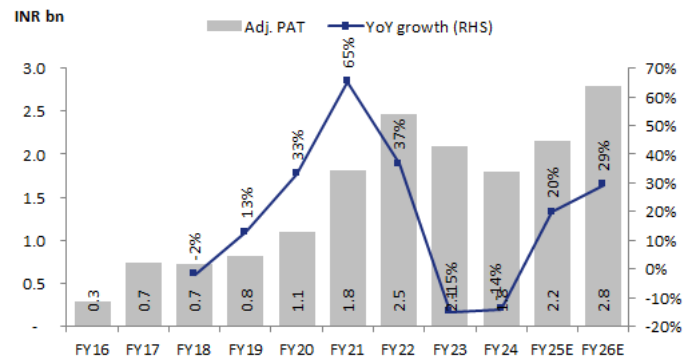
Source: Company, JM Financial

**Exhibit 8. EBITDA margin trend**



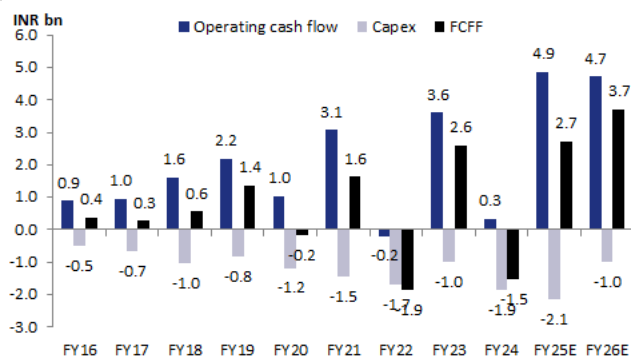
Source: Company, JM Financial

**Exhibit 9. Profit growth trend**



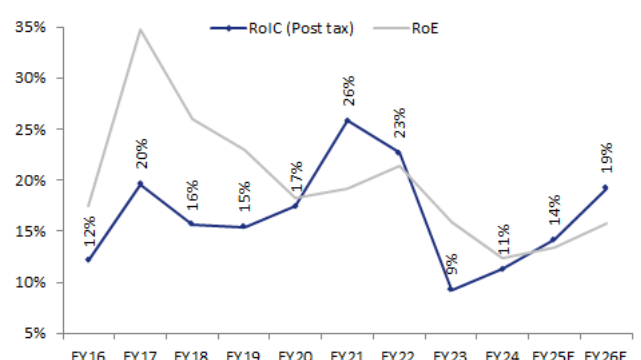
Source: Company, JM Financial

**Exhibit 10. Cash flow performance**



Source: Company, JM Financial

**Exhibit 11. Return ratios profile**



Source: Company, JM Financial

## Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Net Sales	26,568	27,109	25,687	29,845	35,181	
Sales Growth	28.3%	2.0%	-5.2%	16.2%	17.9%	
Other Operating Income	0	0	0	0	0	
<b>Total Revenue</b>	<b>26,568</b>	<b>27,109</b>	<b>25,687</b>	<b>29,845</b>	<b>35,181</b>	
Cost of Goods Sold/Op. Exp	18,915	20,922	18,193	20,743	24,275	
Personnel Cost	1,162	1,161	1,477	1,772	2,038	
Other Expenses	2,335	2,523	2,943	3,439	4,105	
<b>EBITDA</b>	<b>4,156</b>	<b>2,503</b>	<b>3,074</b>	<b>3,892</b>	<b>4,763</b>	
EBITDA Margin	15.6%	9.2%	12.0%	13.0%	13.5%	
EBITDA Growth	14.9%	-39.8%	22.8%	26.6%	22.4%	
Depn. & Amort.	703	830	912	1,148	1,275	
EBIT	3,453	1,673	2,162	2,744	3,488	
Other Income	55	86	161	200	300	
Finance Cost	139	110	65	59	53	
PBT before Excep. & Forex	3,369	1,648	2,258	2,885	3,735	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	3,369	1,648	2,258	2,885	3,735	
Taxes	875	434	613	725	939	
Extraordinary Inc./Loss(-)	0	0	-179	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	2,494	1,214	1,466	2,160	2,796	
<b>Adjusted Net Profit</b>	<b>2,468</b>	<b>2,098</b>	<b>1,803</b>	<b>2,160</b>	<b>2,796</b>	
Net Margin	9.3%	7.7%	7.0%	7.2%	7.9%	
Diluted Share Cap. (mn)	110.0	110.0	110.6	110.6	110.6	
<b>Diluted EPS (INR)</b>	<b>22.4</b>	<b>19.1</b>	<b>16.3</b>	<b>19.5</b>	<b>25.3</b>	
Diluted EPS Growth	36.6%	-15.0%	-14.5%	19.8%	29.4%	
Total Dividend + Tax	220	550	111	884	884	
Dividend Per Share (INR)	2.0	5.0	1.0	8.0	8.0	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Profit before Tax	3,369	1,648	2,258	2,885	3,735	
Depn. & Amort.	703	830	912	1,148	1,275	
Net Interest Exp. / Inc. (-)	77	55	-16	-142	-247	
Inc (-) / Dec in WCap.	-3,529	1,072	-2,151	1,700	889	
Others	146	398	3,228	0	0	
Taxes Paid	-960	-401	-733	-725	-939	
<b>Operating Cash Flow</b>	<b>-195</b>	<b>3,602</b>	<b>3,499</b>	<b>4,866</b>	<b>4,714</b>	
Capex	-1,687	-1,007	-1,873	-2,146	-1,000	
Free Cash Flow	-1,882	2,595	1,626	2,719	3,714	
Inc (-) / Dec in Investments	1,846	-789	0	0	0	
Others	46	315	615	200	300	
<b>Investing Cash Flow</b>	<b>205</b>	<b>-1,481</b>	<b>-1,258</b>	<b>-1,946</b>	<b>-700</b>	
Inc / Dec (-) in Capital	107	0	0	0	0	
Dividend + Tax thereon	-385	-221	-111	-884	-884	
Inc / Dec (-) in Loans	648	-919	560	-189	0	
Others	-148	-82	26	-59	-53	
<b>Financing Cash Flow</b>	<b>222</b>	<b>-1,222</b>	<b>475</b>	<b>-1,132</b>	<b>-937</b>	
<b>Inc / Dec (-) in Cash</b>	<b>232</b>	<b>899</b>	<b>2,717</b>	<b>1,788</b>	<b>3,076</b>	
Opening Cash Balance	2,299	586	1,244	777	2,565	
Closing Cash Balance	2,531	1,485	3,961	2,565	5,641	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Shareholders' Fund	12,653	13,640	15,444	16,720	18,631	
Share Capital	1,106	1,106	1,106	1,106	1,106	
Reserves & Surplus	11,547	12,534	14,338	15,614	17,526	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	1,500	581	189	0	0	
Def. Tax Liab. / Assets (-)	123	137	191	191	191	
<b>Total - Equity &amp; Liab.</b>	<b>14,275</b>	<b>14,358</b>	<b>15,824</b>	<b>16,910</b>	<b>18,822</b>	
Net Fixed Assets	6,682	7,041	8,329	9,328	9,053	
Gross Fixed Assets	9,242	10,467	12,504	14,504	15,504	
Intangible Assets	0	0	0	0	0	
Less: Depn. & Amort.	2,786	3,616	4,528	5,676	6,951	
Capital WIP	226	190	354	500	500	
Investments	117	3	3	3	3	
Current Assets	12,591	11,498	12,916	13,880	17,191	
Inventories	6,188	4,256	4,379	4,088	4,819	
Sundry Debtors	4,346	4,150	5,849	5,315	4,819	
Cash & Bank Balances	586	1,244	777	2,565	5,641	
Loans & Advances	1,471	1,847	1,912	1,912	1,912	
Other Current Assets	0	0	0	0	0	
Current Liab. & Prov.	5,115	4,184	5,425	6,300	7,425	
Current Liabilities	3,986	3,202	2,491	2,895	3,412	
Provisions & Others	1,129	982	2,934	3,406	4,013	
Net Current Assets	7,477	7,313	7,491	7,579	9,766	
<b>Total - Assets</b>	<b>14,275</b>	<b>14,358</b>	<b>15,824</b>	<b>16,910</b>	<b>18,822</b>	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Net Margin	9.3%	7.7%	7.0%	7.2%	7.9%	
Asset Turnover (x)	2.1	1.9	1.7	1.8	2.0	
Leverage Factor (x)	1.1	1.1	1.0	1.0	1.0	
RoE	21.4%	16.0%	12.4%	13.4%	15.8%	

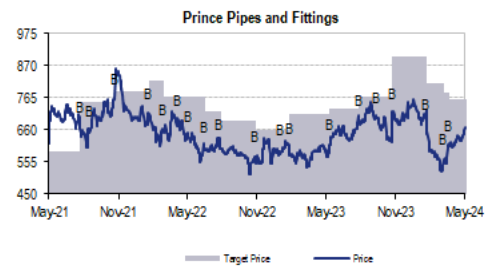
Key Ratios						
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
BV/Share (INR)	115.0	124.0	139.7	151.2	168.5	
ROIC	22.8%	9.3%	11.3%	14.2%	19.2%	
ROE	21.4%	16.0%	12.4%	13.4%	15.8%	
Net Debt/Equity (x)	0.1	0.0	0.0	-0.2	-0.3	
P/E (x)	29.8	35.1	41.0	34.2	26.5	
P/B (x)	5.8	5.4	4.8	4.4	4.0	
EV/EBITDA (x)	17.9	29.1	23.7	18.3	14.3	
EV/Sales (x)	2.8	2.7	2.8	2.4	1.9	
Debtor days	60	56	83	65	50	
Inventory days	85	57	62	50	50	
Creditor days	65	47	40	41	41	

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
13-May-21	Buy	590	
6-Aug-21	Buy	750	27.1
1-Sep-21	Buy	750	0.0
6-Nov-21	Buy	785	4.7
4-Feb-22	Buy	820	4.5
14-Mar-22	Buy	770	-6.1
22-Apr-22	Buy	770	0.0
20-May-22	Buy	770	0.0
29-Jun-22	Buy	720	-6.5
10-Aug-22	Buy	690	-4.2
11-Nov-22	Buy	660	-4.3
18-Jan-23	Buy	660	0.0
9-Feb-23	Buy	710	7.6
26-May-23	Buy	730	2.8
11-Aug-23	Buy	770	5.5
28-Sep-23	Buy	770	0.0
9-Nov-23	Buy	900	16.9
6-Feb-24	Buy	810	-10.0
22-Mar-24	Buy	780	-3.7
3-Apr-24	Buy	760	-2.6

Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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\* REITs refers to Real Estate Investment Trusts.

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