

Prince Pipes and Fittings

Pipeline pains: Another weak quarter

We recently interacted with Prince Pipes' management. The management noted that industry demand has been subdued and decreasing resin prices are leading to destocking by dealers. This price correction will also lead to inventory losses for the company in Q4FY25. Management has indicated that the normalization of working capital will be delayed until the end of H1FY26, given the high inventory levels because of weak demand. We expect the plumbing industry demand to recover in FY26, given that we expect normalization of channel inventories and revival in government spending. Our projections indicate revenue, EBITDA, and APAT CAGRs of 5%, 1%, and -6%, respectively, for FY24-27E. Our APAT estimates for FY25/26/27E are 55/19/30% below consensus estimates. Considering increased market competition, loss of market share, and a weakened margin profile, we are downgrading Prince to REDUCE (from ADD earlier) and lowering the TP to INR 275/sh (22x Mar-27E EPS).

- **Q4FY25 – another tough quarter:** Management noted plumbing demand was weak in Q4FY25. The fall in PVC resin prices during February and March has resulted in reduced channel inventory. This price correction will also lead to inventory losses for the company in Q4. Dealer incentives were reduced to 1.5-2% vs 3% QoQ which will help to improve margin for the company. Looking ahead, the company aims to achieve double-digit volume growth in FY26, surpassing industry growth by 2-3%. Management is optimistic that the EBITDA margin will return to its typical level of 12% by H2FY26E. Furthermore, management has indicated that the normalization of working capital will be delayed until the end of H1FY26, due to high inventory levels stemming from weak demand.
- **Bihar expansion to strengthen Prince's exposure in the eastern region:** Prince is setting up a large piping plant in Bihar, with a capacity of ~60K MT. In the first phase (Mar 2025), 24K MT capacity has been commissioned. The company intends to fully commission this plant by Dec-25. Post commissioning, Prince plans to gradually eliminate plumbing outsourcing in the Eastern region.
- **Big growth plans in the bathware segment:** Bathware currently accounts for ~2% of the revenue. The company anticipates significant growth in this segment. However, currently, it is incurring an EBIT loss of INR 50-60mn per quarter. It aims to achieve breakeven within the next few quarters.
- **Outlook:** We expect a recovery in plumbing demand in FY26 with channel inventories normalizing and government spending reviving. Our model forecasts a 5% volume CAGR from FY24-27E, representing a 7% CAGR during FY25-27E. Our projections indicate revenue, EBITDA, and adjusted APAT CAGRs of 5%, 1%, and -6%, respectively, for FY24-27E. Due to weaker-than-expected demand in Q4FY25, we lower our volume estimates by 3/1/1% for FY25/26/27E, respectively. Consequently, we have reduced our APAT estimates by 16/10/3% for the same period. Our revised APAT estimates for FY25/26/27E are 55/19/30% below consensus estimates. Considering the reduced volume projections, increased market competition, loss of market share, and a weakened margin profile, we are lowering our target multiple to 22x EPS from the previous 30x. We are also rolling forward our valuation to Mar-27E from Sep-26E. As a result of these adjustments, we are downgrading our rating on Prince to REDUCE from ADD earlier, with a revised target price of INR 275/sh.

REDUCE

CMP (as on 3 Apr 2025)	INR 262
Target Price	INR 275
NIFTY	23,250

KEY CHANGES	OLD	NEW
Rating	ADD	REDUCE
Price Target	INR 360	INR 275
EPS	FY25E	FY26E
revision %	(15.6)	(9.5)

KEY STOCK DATA

Bloomberg code	PRNCPIP IN
No. of Shares (mn)	111
MCap (INR bn) / (\$ mn)	29/339
6m avg traded value (INR mn)	98
52 Week high / low	INR 721/238

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(38.6)	(52.9)	(56.9)
Relative (%)	(34.9)	(45.4)	(60.2)

SHAREHOLDING PATTERN (%)

	Sep-24	Dec-24
Promoters	60.94	60.94
FIs & Local MFs	17.53	16.44
FPIs	7.27	6.06
Public & Others	14.26	16.56
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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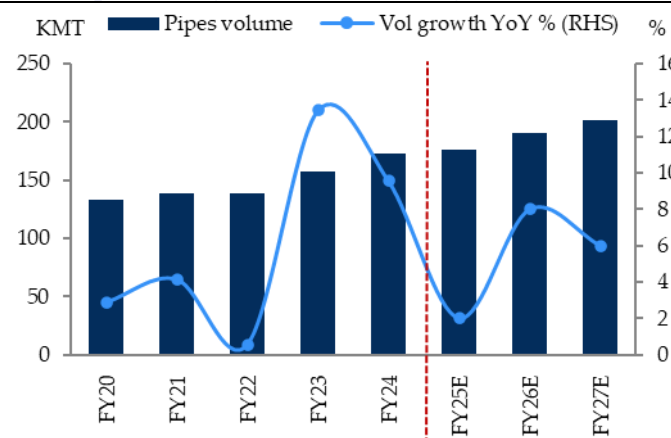
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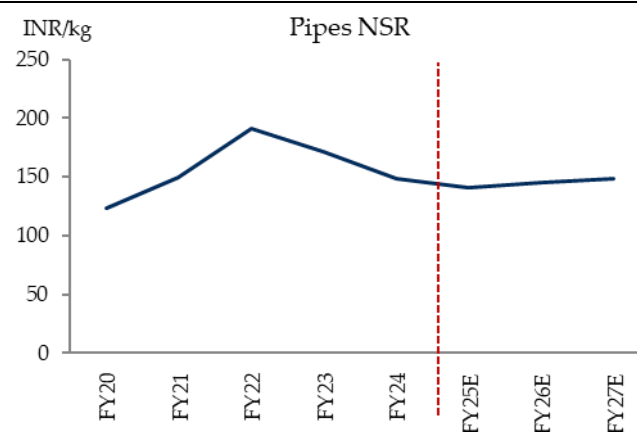
Prince Pipes and Fittings: Company Update

Pipes volume is likely to clock a 5% CAGR during FY24-27E, representing a 7% CAGR during FY25-27E



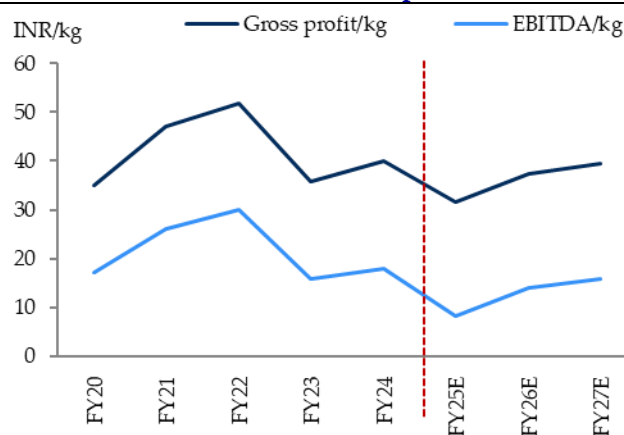
Source: Company, HSIE Research

After declining in last 3 years, we expect pipes NSR will increase in FY26/27E



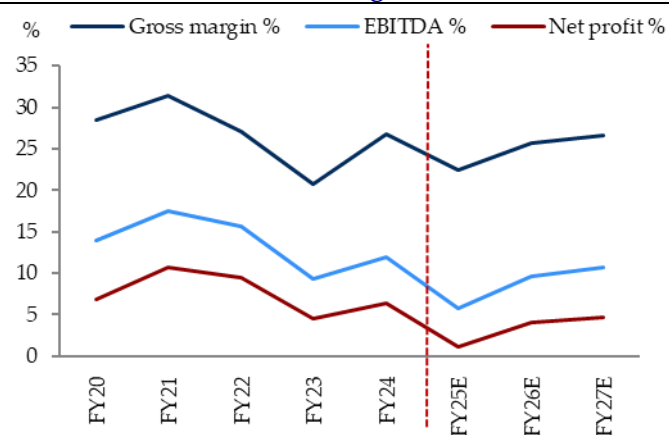
Source: Company, HSIE Research

Owing to higher incentive and inventory loss, margin will decline in FY25, but will improve in FY26/27E



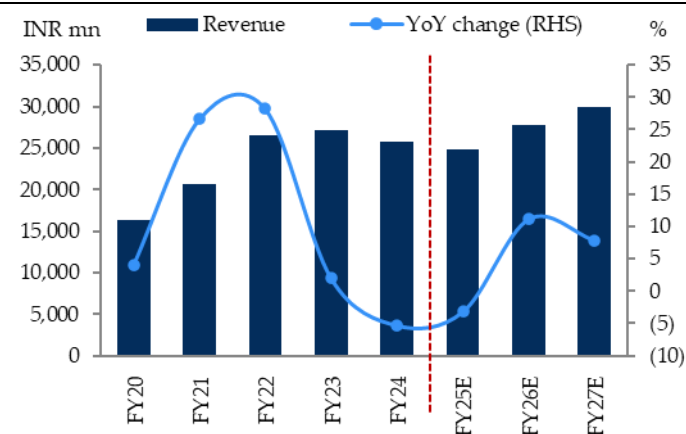
Source: Company, HSIE Research

Gross margin will improve in FY26/27E, which will lead to better EBITDA/ APAT margin



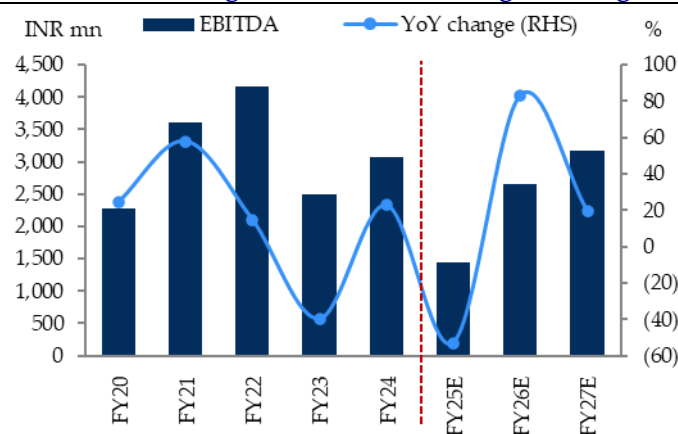
Source: Company, HSIE Research

We estimate revenue will grow at 5% CAGR during FY24-27E (volume led)



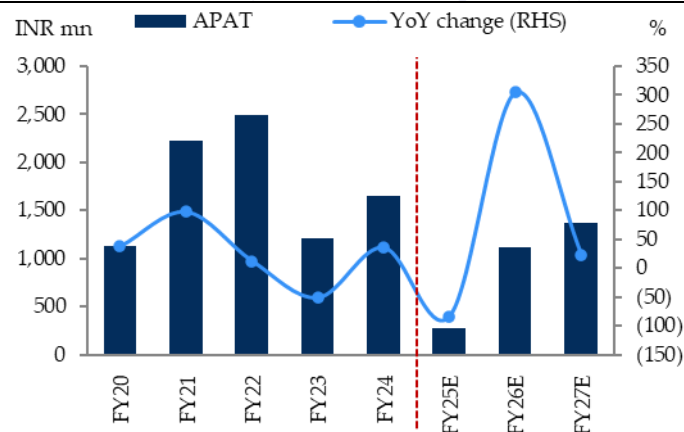
Source: Company, HSIE Research

We project 1% EBITDA CAGR during FY24-27E owing to muted volume growth and decline in gross margin



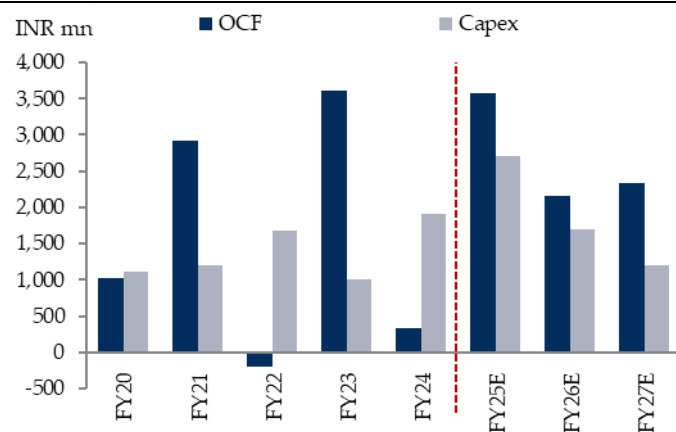
Source: Company, HSIE Research

We expect -6% APAT CAGR during FY24-27E owing to lower EBITDA margin and higher capital charges



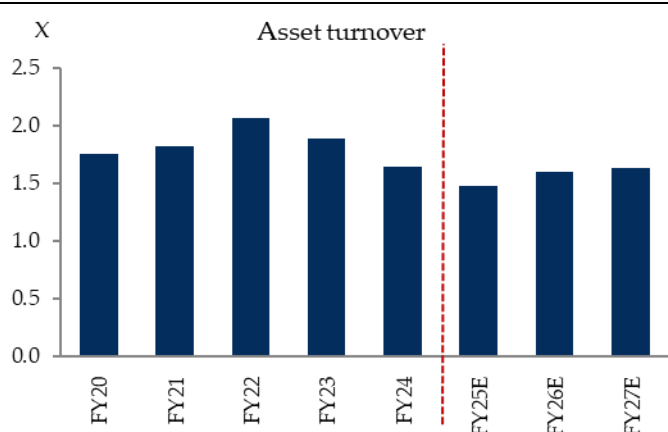
Source: Company, HSIE Research

We estimate OCF > Capex during FY25-27E owing to healthy cash inflow



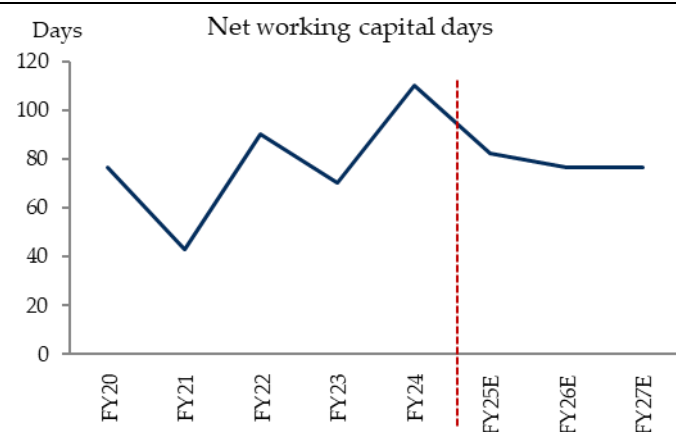
Source: Company, HSIE Research

Owing to low utilisation, asset turnover will remain below 2x



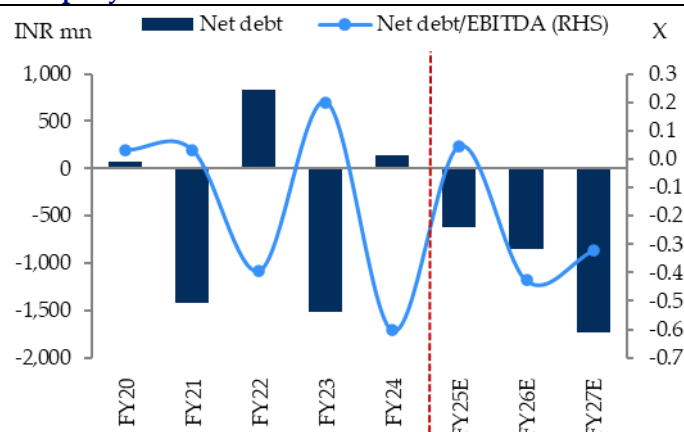
Source: Company, HSIE Research

We estimate working capital cycle will improve from elevated level



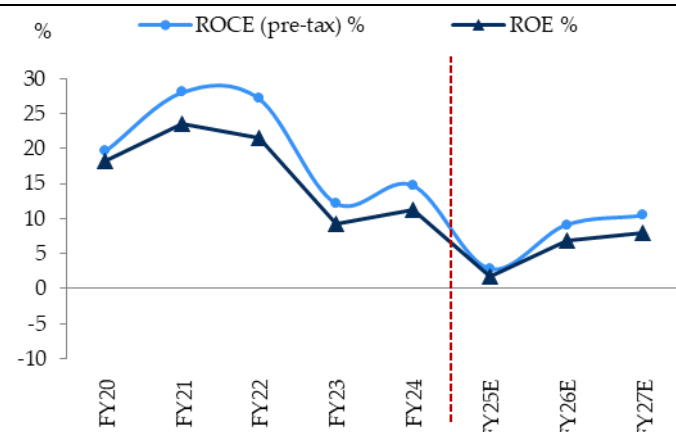
Source: Company, HSIE Research

Supported by healthy operating cash inflow, the company's net cash balance will continue to rise



Source: Company, HSIE Research

Return ratios to improve in FY26/27E



Source: Company, HSIE Research

Key operational assumptions

	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Sales Volume (K MT)	132.8	138.3	139.0	157.7	172.8	176.2	190.3	201.8
<i>YoY change (%)</i>	2.9	4.1	0.5	13.4	9.6	2.0	8.0	6.0
(INR/Kg trend)								
NSR	123	150	191	172	149	141	145	148
<i>YoY change (%)</i>	1.2	21.6	27.6	(10.1)	(13.5)	(5.0)	3.0	1.8
Raw Materials	85	100	136	133	105	106	105	105
Power & Fuel	3	3	3	4	3	3	3	3
Freight costs	2	2	2	2	2	2	2	2
Employee cost	7	7	8	7	9	10	10	10
Other expense	9	12	11	10	11	11	11	11
Total Opex	106	124	161	156	131	133	132	132
<i>YoY change (%)</i>	(1.5)	16.7	30.4	(3.2)	(16.1)	1.6	(1.1)	0.6
EBITDA	17	26	30	16	18	8	14	16
<i>YoY change (%)</i>	20.9	51.8	14.3	(46.9)	12.1	(53.8)	69.7	12.7

Source: Company, HSIE Research

Estimates revision summary (consolidated)

INR bn	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %	FY27E Old	FY27E Revised	Change %
Net Sales	26.16	24.89	-4.9	28.56	27.69	-3.1	30.82	29.88	-3.1
EBITDA	1.48	1.45	-2.2	2.87	2.65	-7.4	3.30	3.17	-3.9
APAT	0.33	0.28	-15.6	1.24	1.12	-9.5	1.41	1.38	-2.4

Source: Company, HSIE Research

INR mn	HSIE estimates FY25E	Consensus estimates FY25E	Deviation %	HSIE estimates FY26E	Consensus estimates FY26E	Deviation %	HSIE estimates FY27E	Consensus estimates FY27E	Deviation %
Net Sales	24,891	26,210	-5.0	27,689	29,731	-6.9	29,879	33,779	-11.5
EBITDA	1,447	1,848	-21.7	2,653	3,021	-12.2	3,170	3,796	-16.5
APAT	277	614	-54.8	1,120	1,389	-19.4	1,375	1,945	-29.3

Source: Bloomberg, Company, HSIE Research

Financials

Consolidated Income Statement

YE Mar (INR mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenues	26,568	27,109	25,687	24,891	27,689	29,879
<i>Growth %</i>	<i>28.3</i>	<i>2.0</i>	<i>(5.2)</i>	<i>(3.1)</i>	<i>11.2</i>	<i>7.9</i>
Raw Material	18,914	20,922	18,193	18,708	19,907	21,212
Power & Fuel	451	556	603	615	665	704
Freight Expense	338	361	406	406	447	474
Employee cost	1,162	1,161	1,477	1,713	1,885	2,073
Other Expenses	1,546	1,605	1,934	2,002	2,133	2,246
EBITDA	4,157	2,503	3,074	1,447	2,653	3,170
<i>EBITDA Margin (%)</i>	<i>15.6</i>	<i>9.2</i>	<i>12.0</i>	<i>5.8</i>	<i>9.6</i>	<i>10.6</i>
<i>EBITDA Growth %</i>	<i>14.9</i>	<i>(39.8)</i>	<i>22.8</i>	<i>(52.9)</i>	<i>83.3</i>	<i>19.5</i>
Depreciation	703	830	912	1,074	1,197	1,368
EBIT	3,454	1,673	2,162	373	1,456	1,802
Other Income	55	86	161	113	125	126
Interest	139	110	65	78	56	56
PBT	3,369	1,648	2,258	408	1,524	1,871
Tax	875	434	613	130	404	496
RPAT	2,495	1,214	1,825	277	1,120	1,375
EO (Loss) / Profit (Net Of Tax)	-	-	179	-	-	-
APAT	2,495	1,214	1,646	277	1,120	1,375
<i>APAT Growth (%)</i>	<i>12.5</i>	<i>(51.3)</i>	<i>35.5</i>	<i>(83.1)</i>	<i>303.9</i>	<i>22.8</i>
AEPS	22.6	11.0	14.9	2.5	10.1	12.4
<i>AEPS Growth %</i>	<i>11.9</i>	<i>(51.3)</i>	<i>35.5</i>	<i>(83.1)</i>	<i>303.9</i>	<i>22.8</i>

Source: Company, HSIE Research

Consolidated Balance Sheet

YE Mar (INR mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
SOURCES OF FUNDS						
Share Capital	1,106	1,106	1,106	1,106	1,106	1,106
Reserves And Surplus	11,547	12,534	14,338	14,574	15,526	16,695
Total Equity	12,653	13,640	15,444	15,680	16,632	17,801
Long-term Debt	-	31	288	288	288	288
Short-term Debt	1,519	598	1,009	653	653	653
Total Debt	1,519	629	1,296	941	941	941
Deferred Tax Liability	123	137	191	191	191	191
Long-term Liab+ Provisions	22	20	26	29	32	35
TOTAL SOURCES OF FUNDS	14,317	14,425	16,957	16,840	17,795	18,968
APPLICATION OF FUNDS						
Net Block	6,456	6,806	7,976	7,901	10,204	10,036
Capital WIP	226	236	354	2,054	254	254
Other Non-current Assets	425	267	435	435	435	435
Total Non-current Investments	17	3	3	3	3	3
Total Non-current Assets	7,123	7,311	8,767	10,393	10,896	10,728
Inventories	6,188	4,256	4,379	4,605	4,707	5,079
Debtors	4,346	4,150	5,849	3,983	4,430	4,781
Cash and Cash Equivalents	687	2,140	1,156	1,559	1,797	2,678
Other Current Assets (& Loans/adv)	1,046	1,430	1,081	1,071	1,071	1,071
Total Current Assets	12,267	11,976	12,465	11,218	12,006	13,609
Creditors	3,986	3,202	2,491	2,987	3,323	3,585
Other Current Liabilities & Provns	1,088	1,661	1,784	1,784	1,784	1,784
Total Current Liabilities	5,074	4,863	4,275	4,771	5,106	5,369
Net Current Assets	7,194	7,113	8,190	6,447	6,900	8,240
TOTAL APPLICATION OF FUNDS	14,317	14,425	16,957	16,840	17,795	18,968

Source: Company, HSIE Research

Consolidated Cash Flow

YE Mar (INR mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Reported PBT	3,369	1,648	2,258	408	1,524	1,871
Non-operating & EO Items	100	(51)	(6)	-	-	-
Interest Expenses	123	102	49	78	56	56
Depreciation	703	830	912	1,074	1,197	1,368
Working Capital Change	(3,529)	1,473	(2,151)	2,149	(211)	(457)
Tax Paid	(960)	(401)	(733)	(130)	(404)	(496)
OPERATING CASH FLOW (a)	(195)	3,602	329	3,579	2,163	2,343
Capex	(1,687)	(998)	(1,908)	(2,700)	(1,700)	(1,200)
Free Cash Flow (FCF)	(1,882)	2,604	(1,579)	879	463	1,143
Investments	1,846	(531)	586	-	-	-
Non-operating Income	46	48	65	-	-	-
INVESTING CASH FLOW (b)	205	(1,481)	(1,258)	(2,700)	(1,700)	(1,200)
Debt Issuance/(Repaid)	639	(891)	560	(355)	-	-
Interest Expenses	(139)	(110)	(85)	(78)	(56)	(56)
FCFE	(1,382)	1,603	(1,104)	445	406	1,087
Share Capital Issuance	107	-	-	-	-	-
Dividend	(385)	(221)	-	(42)	(168)	(206)
FINANCING CASH FLOW (c)	222	(1,222)	475	(475)	(224)	(263)
NET CASH FLOW (a+b+c)	232	899	(453)	403	238	880
Closing Cash & Equivalents	2,531	1,585	1,687	1,559	1,797	2,678

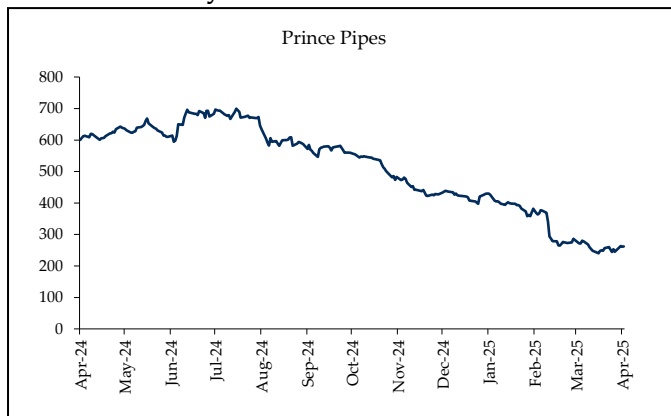
Source: Company, HSIE Research

Key Ratios

	FY22	FY23	FY24	FY25E	FY26E	FY27E
PROFITABILITY %						
EBITDA Margin	15.6	9.2	12.0	5.8	9.6	10.6
EBIT Margin	13.0	6.2	8.4	1.5	5.3	6.0
APAT Margin	9.4	4.5	6.4	1.1	4.0	4.6
RoE	21.6	9.2	11.3	1.8	6.9	8.0
RoIC (pre tax)	31.7	13.1	15.7	2.6	10.0	11.3
RoCE (pre tax)	27.2	12.2	14.8	2.9	9.1	10.5
EFFICIENCY						
Tax Rate %	26.0	26.3	27.1	32.0	26.5	26.5
Fixed Asset Turnover (x)	3.3	2.8	2.3	2.0	1.9	1.7
Inventory (days)	85	57	62	68	62	62
Debtors (days)	60	56	83	58	58	58
Other Current Assets (days)	20	23	22	22	20	18
Payables (days)	55	43	35	44	44	44
Other Current Liab & Provns (days)	15	23	26	27	24	22
Cash Conversion Cycle (days)	95	70	106	78	73	73
Net Debt/EBITDA (x)	0.2	(0.6)	0.0	(0.4)	(0.3)	(0.5)
Net D/E	0.1	(0.1)	0.0	(0.0)	(0.1)	(0.1)
Interest Coverage	24.8	15.2	33.3	4.8	25.8	31.9
PER SHARE DATA (Rs)						
EPS	22.6	11.0	14.9	2.5	10.1	12.4
CEPS	28.9	18.5	23.1	12.2	21.0	24.8
Dividend	3.5	-	1.0	0.4	1.5	1.9
Book Value	114.4	123.4	139.7	141.8	150.4	161.0
VALUATION						
P/E (x)	11.6	23.9	17.6	104.5	25.9	21.1
P/Cash EPS (x)	9.1	14.2	10.6	21.4	12.5	10.6
P/BV (x)	2.3	2.1	1.9	1.8	1.7	1.6
EV/EBITDA (x)	7.1	10.9	9.4	18.9	10.5	8.6
Dividend Yield (%)	1.12	1.01	1.13	1.10	1.01	0.91
OCF/EV (%)	1.3	-	0.4	0.1	0.6	0.7
FCFF/EV (%)	(0.7)	13.2	1.1	13.1	7.7	8.6
FCFE/M Cap (%)	(6.3)	9.5	(5.5)	3.2	1.7	4.2

Source: Company, HSIE Research

1 Yr Price History



Rating Criteria

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

Disclosure:

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