

Retail Equity Research

Prince Pipes & Fittings Ltd.

Plastic pipes

BSE CODE : 542907

NSE CODE: PRINCEPIPE

BLOOMBERG CODE: PRINCEPIP:IN SENSEX : 72,641

BUY

12 Months Investment Period

Rating as per Small Cap

CMP Rs.544

TARGET Rs.659

RETURN 21%



(Closing: 21-03-24)

KEY CHANGES:

TARGET

RATING

EARNINGS

Volume revival anticipated...Aquel brand to expand reach

Prince Pipes & Fittings Ltd. (PPFL) is one of the leading manufacturers of plastic pipes in India, with 5.5% of the overall market share. Products are marketed under the brand names: Prince Piping Systems and Trubore.

- 9MFY24 earnings hiccups already priced in, we reiterate our positive stance given a robust 30% CAGR in earnings over FY24E-26E.
- In 9MFY24, revenue declined by 6% YoY due to a 13% YoY realization drop, and volume grew only by a modest 7% YoY.
- The gross margin increased by 790bps YoY due to lower input costs, although from a lower base. However, EBITDA margin expansion was constrained to 12.2% due to higher costs and ERP implementation.
- Going ahead, healthy demand from construction & plumbing, a strong summer, better pricing actions and stable input prices will drive volumes.
- Acquisition of bathware brand 'Aquel' complements the existing product portfolio, will foster growth.
- We anticipate EBITDA margins to be in the range of ~12.1-13.3% over FY24E-FY26E, driven by volume & ease in input cost.
- We value PPL at a P/E of 25x, as we roll forward to FY26E and reiterate to BUY with a target price of Rs.659.

Demand situation healthy...growth revival in FY25.

In 9MFY24, revenue declined by 6.1% YoY, attributed to a 13% YoY drop in realization due to a 14.6% YoY decrease in input costs. Volume growth remained modest at 7% YoY. Q3FY24 witnessed a 2.4% decline in volume and a 12.4% decline in revenue, primarily due to market share losses from pricing issues and the ERP transition. ERP migration issues have normalized, while management is implementing competitive pricing strategies for market share recovery. Healthy demand persists in housing and plumbing, which will benefit PPL. The project segment is experiencing accelerated growth. PPL's bathware and faucet segments generated Rs. 6cr in revenue in Q3. Steady real estate sector and plumbing demand will drive volume growth, and we anticipate revenue to grow at an 18.6% CAGR from FY24E-FY26E.

Margins to improve.

In 9MFY24, the EBITDA margin expanded by 650bps YoY to 11.8% due to an ease in input costs. Reported EBITDA grew by 2x YoY, but on a lower base. Going ahead, we anticipate the EBITDA margin to remain healthy at ~13.4% over FY24E-26E, supported by lower input prices and a better product mix. Healthy demand from housing and agricultural pipes is expected to drive earnings growth.

Acquisition of Aquel to expand addressable market

PPL signed an Asset Agreement with Klaus Waren Fixtures Pvt Ltd. for Aquel bathware brand at Rs. 55cr, to be funded internally in two phases. Aquel offers 9 ranges and 250 SKUs. At peak capacity, the revenue contribution is Rs.120cr. The bathware market is valued at ~Rs.18,000cr, with the organised market at ~65%. The faucet market is estimated at ~Rs.12,000cr, while sanitary products are at ~Rs.8,000cr.

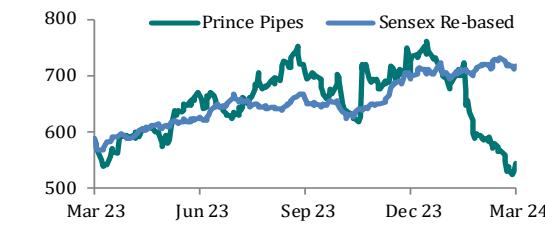
Valuations

We anticipate that healthy demand from construction and plumbing, a strong summer, better pricing actions, and stable input prices will drive volumes. We value PPL at a P/E of 25x as we roll forward to FY26E and reiterate to BUY, with a target price of Rs.659 .

Company Data

Market Cap (cr)	Rs.6,019		
Enterprise Value (cr)	Rs.6,009		
Outstanding Shares (cr)	11.1		
Free Float	39.1%		
Dividend Yield	0.48%		
52 week high	Rs.776		
52 week low	Rs.522		
6m average volume (cr)	0.01		
Beta	0.81		
Face value	Rs.10		
Shareholding (%)	Q1FY24	Q2FY24	Q3FY24
Promoters	60.9	60.9	60.9
FII's	6.1	5.0	5.7
MFs/Institutions	16.4	18.5	18.4
Public	16.6	15.0	14.4
Others	0.6	0.6	0.6
Total	100.0	100.0	100.0
Promoter Pledge	0.0	0.0	0.0
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-25.9%	-22.3%	-7.3%
Absolute Sensex	2.2%	10.0%	22.0%
Relative Return*	-28.1%	-32.3%	-29.3%

*over or under performance to benchmark index



Standalone (cr)	FY24E	FY25E	FY26E
Sales	2,524	3,098	3,603
Growth (%)	-7.0	22.8	16.3
EBITDA	305	412	483
EBITDA Margin (%)	12.1	13.3	13.4
PAT Adjusted	164	238	290
Growth (%)	34.8	45.6	21.8
Adjusted EPS	14.9	21.7	26.4
Growth (%)	34.8	45.6	21.8
P/E	36.6	25.1	20.6
P/B	1.7	1.5	1.3
EV/EBITDA	19.7	14.5	12.3
ROE (%)	11.4	14.8	15.6
D/E	0.0	0.0	0.0

ANIL R
Research Analyst

Quarterly Financials (Standalone)

Profit & Loss

Rs.cr	Q3FY24	Q3FY23	YoY Growth (%)	Q2FY24	QoQ Growth (%)	9MFY24	9MFY23	YoY Growth (%)
Sales	619	706	-12.4	656	-5.8	1,829	1,946	-6.1
EBITDA	76	69	8.9	94	-19.7	215	102	111.0
EBITDA margin	12.2	9.8	2.4	14.3	-2.1	11.8	5.2	6.5
Depreciation	23	21	8.8	23	1.7	67	62	8.7
EBIT	53	48	8.9	72	-26.4	148	40	268.8
Interest	3	2	67.7	1	293.3	5	8	-37.1
Other Income	3	1	147.0	4	-23.8	11	5	109.9
Exceptional Items	-	-	-	-	-	-	-	-
PBT	53	48	10.5	75	-29.2	154	37	314.4
Tax	15	13	22.0	22	-30.6	44	10	347.0
Profit from Associate	-	-	-	-	-	-	-	-
Minority Interest	-	-	-	-	-	-	-	-
Reported PAT	38	35	6.3	71	-46.7	128	27	368.4
Adjustments	-	-	-	-	-	-	-	-
Adjusted PAT	38	35	6.3	53	-28.6	110	27	302.8
No. of Shares	62.5	62.5	-	62.5	-	62.5	62.5	-
EPS (Rs)	3.4	3.2	6.3	4.8	-28.6	10.0	2.5	302.8

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	3,057	3,571	2,524	3,098	(16.3)	(11.0)
EBITDA	440	525	305	412	(30.1)	(20.0)
Margins (%)	14.4	14.7	12.1	13.3	(240bps)	(150bps)
Adj. PAT	257	314	164	238	(36.3)	(23.6)
EPS	23.4	28.6	14.9	21.7	(36.2)	(23.5)

Standalone Financials

PROFIT & LOSS

Y.E March (Rs.cr)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	2,657	2,711	2,524	3,098	3,603
% change	28.3	2.0	-6.9	22.8	16.3
EBITDA	416	250	305	412	483
% change	14.9	(39.8)	22.0	35.0	17.2
Depreciation	70	83	90	102	111
EBIT	345	167	215	310	372
Interest	14	11	10	10	10
Other Income	5	9	14	18	25
PBT	337	165	218	318	387
% change	12.6	(51.1)	32.3	45.6	21.8
Tax	87	43	55	79	97
<i>Tax Rate</i>	26.0%	26.3%	25.0%	25.0%	25.0%
Reported PAT	249	121	164	238	290
Adj*	0	0	0	0	0
Adj PAT	249	121	164	238	290
% change	12.4	(51.3)	34.8	45.6	21.8
No. of shares (cr)	11.1	11.1	11.1	11.1	11.1
Adj EPS (Rs.)	22.7	11.0	14.9	21.7	26.4
% change	12.4	(51.3)	34.8	45.6	21.8
DPS (Rs.)	3	2	2	2	2
CEPS (Rs.)	28.9	18.5	23.0	30.8	36.3

CASH FLOW

Y.E March (Rs.cr)	FY22A	FY23A	FY24E	FY25E	FY26E
Net inc. + Depn.	320	204	254	340	401
Non-cash adj.	14	8	10	10	10
Changes in W.C	(353)	147	(118)	(164)	(181)
C.F. Operation	(20)	360	147	187	230
Capital exp.	(169)	(100)	(137)	(100)	(110)
Change in inv.	185	(53)	(30)	(35)	(43)
Other invest.CF	5	5	-	-	-
C.F - Investment	20	(148)	(167)	(135)	(153)
Issue of equity	11	-	-	-	-
Issue/repay debt	64	(89)	2	(5)	(5)
Dividends paid	(39)	(22)	(22)	(22)	(22)
Other finance.CF	(14)	(11)	(10)	(10)	(10)
C.F - Finance	22	(122)	(30)	(37)	(37)
Chg. in cash	23	90	(51)	14	40
Closing cash	32	121	71	85	125

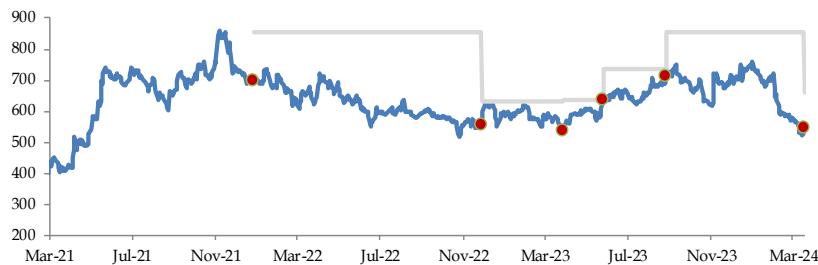
BALANCE SHEET

Y.E March (Rs. cr)	FY22A	FY23A	FY24E	FY25E	FY26E
Cash	32	121	71	85	125
Accounts Receivable	435	415	408	492	592
Inventories	619	426	442	544	632
Other Cur. Assets	174	96	91	138	170
Investments	12	92	122	157	199
Gross Fixed Assets	910	1,016	1,136	1,246	1,346
Net Fixed Assets	643	680	709	717	706
CWIP	22	19	40	30	40
Intangible Assets	3	6	2	2	2
Def. Tax (Net)	(12)	(14)	(14)	(14)	(14)
Other Assets	0	0	0	0	0
Total Assets	1,927	1,841	1,871	2,151	2,452
Current Liabilities	495	398	285	351	386
Provisions	15	16	16	19	22
Debt Funds	150	58	60	55	50
Other Liabilities	2	5	5	5	5
Equity Capital	111	111	111	111	111
Reserves & Surplus	1,155	1,253	1,395	1,611	1,879
Shareholder's Fund	1,265	1,364	1,505	1,722	1,990
Total Liabilities	1,927	1,841	1,871	2,151	2,452
BVPS (Rs.)	264	284	314	359	414

RATIOS

Y.E March	FY22A	FY23A	FY24E	FY25E	FY26E
Profitab. & Return					
EBITDA margin (%)	15.6	9.2	12.1	13.3	13.4
EBIT margin (%)	13.0	6.2	8.5	10.0	10.3
Net profit mgn. (%)	9.4	4.5	6.5	7.7	8.1
ROE (%)	21.6	9.2	11.4	14.8	15.6
ROCE (%)	20.3	9.1	11.5	14.7	15.6
W.C & Liquidity					
Receivables (days)	54	57	60	53	55
Inventory (days)	82	91	88	82	84
Payables (days)	90	78	69	53	52
Current ratio (x)	2.5	2.6	3.4	3.4	3.7
Quick ratio (x)	0.9	1.3	1.7	1.6	1.9
Turnover & Leverage					
Gross asset T.O (x)	3.3	2.8	2.3	2.6	2.8
Total asset T.O (x)	1.5	1.4	1.4	1.5	1.6
Int. coverage ratio (x)	24.8	15.2	20.8	29.9	37.2
Adj. debt/equity (x)	0.1	0.0	0.0	0.0	0.0
Valuation					
EV/Sales (x)	2.3	2.2	2.4	1.9	1.6
EV/EBITDA (x)	14.7	23.8	19.7	14.5	12.3
P/E (x)	24.0	49.3	36.6	25.1	20.6
P/BV (x)	2.1	1.9	1.7	1.5	1.3

Recommendation summary (Last 3 Years)



Dates	Rating	Target
29-December-21	BUY	855
01-December-22	ACCUMULATE	633
31-March-23	ACCUMULATE	635
30-May-23	ACCUMULATE	736
01-September-23	BUY	857
22-March-24	BUY	659

Source: Bloomberg, Geojit Research.

Investment Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral			

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside.

Sell: Exit from the stock.

Not rated: The analyst has no investment opinion on the stock.

Not rated/Neutral: The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review

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