

BUY**TP: Rs 350 | ▲ 17%****PRINCE PIPES & FITTINGS**

| Building Materials

| 07 August 2025

Weak Q1; margin to recover to normal level by Q4FY26

- Margin miss in Q1 due to high discount offered to dealers in view of weak market conditions and MTM inventory loss
- Target volume to grow at a high-single to low-double-digit rate in FY26; EBITDA margin targeted to improve to 12% by Q4FY26
- Maintain BUY on healthy earnings growth prospects; TP cut by 7% to Rs 350 per share

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Weak Q1: PRINCEPIP Q1FY26 sales volume came slightly better than our expectation (+3.7% YoY vs +2.0% estimated), but sharply missed our EBITDA estimate (-26%) given the margin contraction (-360bps YoY to 6.0% vs +8.0% estimated) on the back of high discounts offered to dealers in view of weak market conditions and MTM inventory loss (Rs 150-200mn).

Highlights: PRINCEPIP revenue fell by 4% YoY in Q1FY26 as lower realisation (-7.0% QoQ) more than offset the impact of higher volumes (+3.7% YoY). EBITDA was down 40% YoY in Q1FY26 due to gross margin pressure (-218bps YoY to 25.5%). Interest cost and depreciation expense rose sharply on QoQ basis in Q1FY26 due to the impact of commissioning of Bihar greenfield pipe project. The company has written back an amount of Rs 45mn towards excess staff incentive provision for the earlier period. Adjusted PAT was down 85% YoY in Q1FY26. Net debt has gone down from Rs 1.5bn in Mar'25 to Rs 1.0bn in Jun'25 owing to reduction in inventories.

Guidance: Management expects pipe volume to grow at a high single to low double-digit rate in FY26. EBITDA margin is also expected to improve to 12% by Q4FY26. The company does not expect to book inventory loss in near-future as resin prices have bottomed out. Bathware segment is expected to break even over the next 4-6 quarters. Bihar pipe plant is expected to operate at 65-70% rate in H2FY26 (breakeven point is 40%). Budgeted capex is estimated to be Rs 1.6-1.7bn for FY26.

Maintain BUY; TP cut by 7% to Rs 350: We maintain BUY as we expect sharp growth in operating profit (at 37% CAGR over FY25-FY28E assuming pipe volume to grow at 10.6% CAGR and margin to improve from 6.0% in Q1FY26 to 11.3% in FY28). The company's ROE is also projected to improve from 2.9% in FY25 to 10.8% in FY28. We have reduced our TP to Rs 350 per share (Rs 375 earlier) due to downward revision of our EPS estimate (-26.5%/-12.0% for FY26E/FY27E) based on weak Q1 result. At CMP, the stock trades at a P/E of 42.1x/22.7x/16.6x on FY26E/FY27E/FY28E. Our target P/E multiple remains unchanged at 25x on Jun'27 estimate (Mar'27 earlier).

Key changes

| Target | Rating |
|--------|--------|
| ▼ | ◀ ▶ |

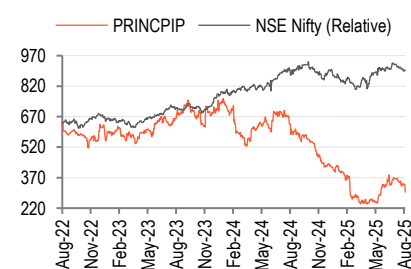
| | |
|------------------|---------------------|
| Ticker/Price | PRINCEPIP IN/Rs 299 |
| Market cap | US\$ 376.6mn |
| Free float | 39% |
| 3M ADV | US\$ 2.3mn |
| 52wk high/low | Rs 618/Rs 229 |
| Promoter/FPI/DII | 61%/4%/16% |

Source: NSE | Price as of 7 Aug 2025

Key financials

| Y/E 31 Mar | FY25A | FY26E | FY27E |
|-------------------------|--------|--------|--------|
| Total revenue (Rs mn) | 25,239 | 26,357 | 31,655 |
| EBITDA (Rs mn) | 1,618 | 2,368 | 3,264 |
| Adj. net profit (Rs mn) | 447 | 783 | 1,452 |
| Adj. EPS (Rs) | 4.0 | 7.1 | 13.1 |
| Consensus EPS (Rs) | 3.9 | 13.1 | 17.6 |
| Adj. ROAE (%) | 2.9 | 4.9 | 8.5 |
| Adj. P/E (x) | 73.8 | 42.2 | 22.7 |
| EV/EBITDA (x) | 20.9 | 13.6 | 9.7 |
| Adj. EPS growth (%) | (73.9) | 75.0 | 85.4 |

Source: Company, Bloomberg, BOBCAPS Research

Stock performance

Source: NSE



Fig 1 – Quarterly performance - Consolidated

| Particulars (Rs mn) | Q1FY26 | Q1FY25 | YoY (%) | Q4FY25 | QoQ (%) | BOBCAPS Q2FY25E | Variance (%) |
|-----------------------------|--------|--------|--------------|--------|--------------|-----------------|--------------|
| Operating income | 5,804 | 6,045 | (4.0) | 7,197 | (19.3) | 5,953 | (2.5) |
| Raw-Material expense | 4,323 | 4,370 | (1.1) | 5,401 | (20.0) | | |
| Gross Profit | 1,482 | 1,675 | (11.5) | 1,796 | (17.5) | | |
| Employee expense | 457 | 382 | 19.8 | 464 | (1.5) | | |
| Other expense | 673 | 710 | (5.2) | 783 | (14.1) | | |
| EBITDA | 351 | 583 | (39.8) | 548 | (36.0) | 477 | (26.4) |
| D&A | 307 | 257 | 19.4 | 273 | 12.7 | | |
| EBIT | 44 | 325 | (86.6) | 276 | (84.2) | | |
| Interest cost | 52 | 14 | 259.3 | 33 | 55.7 | | |
| Other income | 72 | 26 | 180.6 | 57 | 26.0 | | |
| PBT | 64 | 337 | (81.1) | 299 | (78.8) | | |
| Tax | 15 | 90 | (82.9) | 58 | (73.3) | | |
| Reported PAT | 48 | 247 | (80.5) | 242 | (80.1) | | |
| Adjusted PAT | 37 | 247 | (84.8) | 242 | (84.5) | 150 | (75.0) |
| As % of net revenues | | | (bps) | | (bps) | | |
| Gross margin | 25.5 | 27.7 | (218) | 25.0 | 57 | | |
| Employee cost | 7.9 | 6.3 | 156 | 6.4 | 143 | | |
| Other cost | 11.6 | 11.8 | (15) | 10.9 | 71 | | |
| EBITDA margin | 6.0 | 9.6 | (360) | 7.6 | (157) | | |
| Tax rate | 24.2 | 26.7 | (251) | 19.2 | 497 | | |
| APAT margin | 0.6 | 4.1 | (344) | 3.4 | (272) | | |

Source: Company, BOBCAPS Research

Fig 2 – Key operating metrics

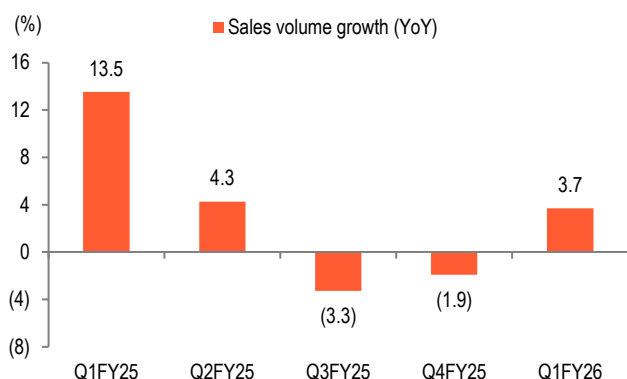
| Particulars | Q1FY26 | Q1FY25 | YoY (%) | Q4FY25 | QoQ (%) |
|-------------------------|--------|--------|---------|--------|---------|
| Sales Volumes (KTPA) | 43.7 | 42.2 | 3.7 | 50.5 | (13.3) |
| Realization (Rs/kg) | 132.7 | 143.3 | (7.4) | 142.6 | (7.0) |
| EBITDA per unit (Rs/kg) | 8.0 | 13.8 | (41.9) | 10.9 | (26.2) |
| Inventory (days) | 83 | 70 | - | 76 | - |
| Debtor (days) | 55 | 60 | - | 53 | - |
| Creditor (days) | 46 | 36 | - | 33 | - |
| Operating cycle (days) | 92 | 94 | - | 96 | - |

Source: Company, BOBCAPS Research

Earnings Call Highlights

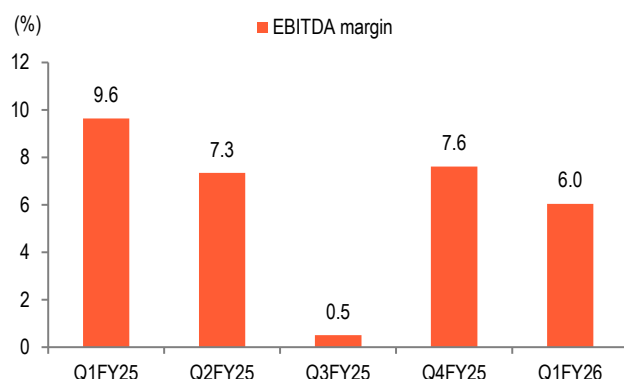
- **Pipe demand scenario:** Demand remained muted in Q1FY26 due to inflation pressure, low government spending on infrastructure, and volatile PVC resin prices. However, the company has witnessed a pickup in plumbing pipe demand in July'25. Agri demand was seasonally strong in Q1FY26. Management expects gradual demand recovery to be supported by renewed government focus on infrastructure spending and increased residential project launches.
- **Guidance:** Management guided high single-digit to low double-digit volume growth for FY26. EBITDA margin is expected to recover to normal level of 12.0% by Q4FY26.
- **Working Capital:** Management targets to reduce inventory period from 83 days in Q1FY26 to 70 days in the coming quarters.
- **Channel Inventory:** Channel sentiments got impacted in Q1FY26 due to inventory loss on account of weak PVC prices. Channel sentiment has improved in Q2FY26 with the stabilisation of PVC prices.
- **Capex:** The company plans to spend Rs 1.6-1.7bn in FY26 (of which Rs 0.75bn was incurred in Q1FY26).
- **Bihar plant:** Target sales volume of 20-25 ktpa from Bihar plant in FY26. The plant is expected to operate at 65-70% rate in H2FY26 (breakeven point is 40%).
- **CPVC pipe:** PRINCEPIP has registered a high-single-digit volume growth in Q1FY26.
- **Bathware:** The segment reported an operating loss of Rs 50mn on Rs 110mn revenue in Q1FY26. Management expects the bathware segment to reach EBITDA breakeven over the next 4-6 quarter period.
- **MTM inventory loss:** The company booked an inventory loss of Rs 150-200mn in Q1FY26 (vs nil in Q1FY25). Going ahead, the company does not expect any inventory loss for Q2FY26 as resin prices bottomed out.
- **Ad spend:** stood at 1.7-1.8% of sales in Q1FY26, but it is likely to be maintained at 2.0% for FY26.

Fig 3 – PRINCIP's volume grew by 3.7% YoY (6Y CAGR: +4.3% CAGR) in Q1FY26



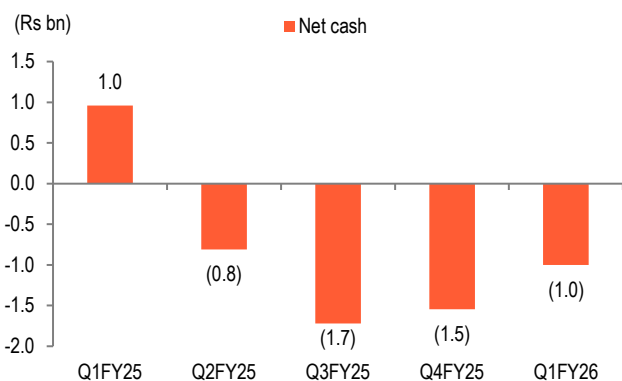
Source: Company, BOBCAPS Research

Fig 4 – EBITDA margin fell sharply in Q1FY26 on MTM inventory loss and high discounts offered to dealers



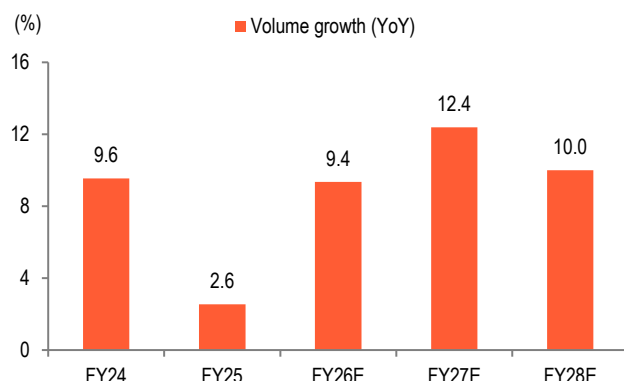
Source: Company, BOBCAPS Research

Fig 5 – Net debt has gone down from Rs 1.5bn in Mar'25 to Rs 1.0bn in Jun'25 due to reduction in inventories



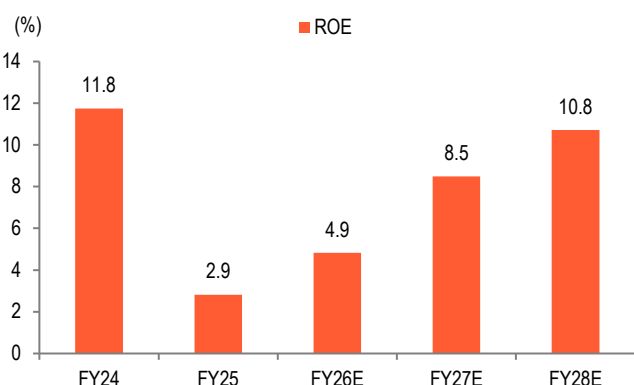
Source: Company, BOBCAPS Research

Fig 6 – PRINCIP volume is forecast to grow at 10.6% CAGR over FY25-FY28E



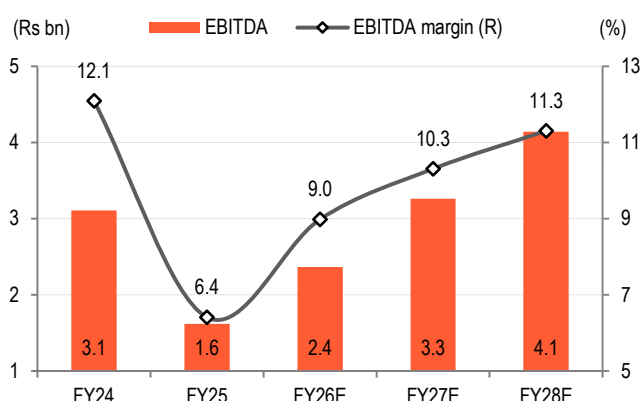
Source: Company, BOBCAPS Research

Fig 7 – ROE is projected to gradually improve to 10.8% by FY28E on gradual ramp-up of new Bihar capacity..



Source: Company, BOBCAPS Research

Fig 8 – .. and anticipated improvement in EBITDA margin from 6.0% in Q1FY26 to 11.3% by FY28



Source: Company, BOBCAPS Research

Valuation Methodology

We maintain BUY as we expect sharp growth in operating profit (at 37% CAGR over FY25-FY28E assuming pipe volume to grow at 10.6% CAGR and margin to improve from 6.0% in Q1FY26 to 11.3% in FY28). The company's ROE is also projected to improve from 2.9% in FY25 to 10.8% in FY28.

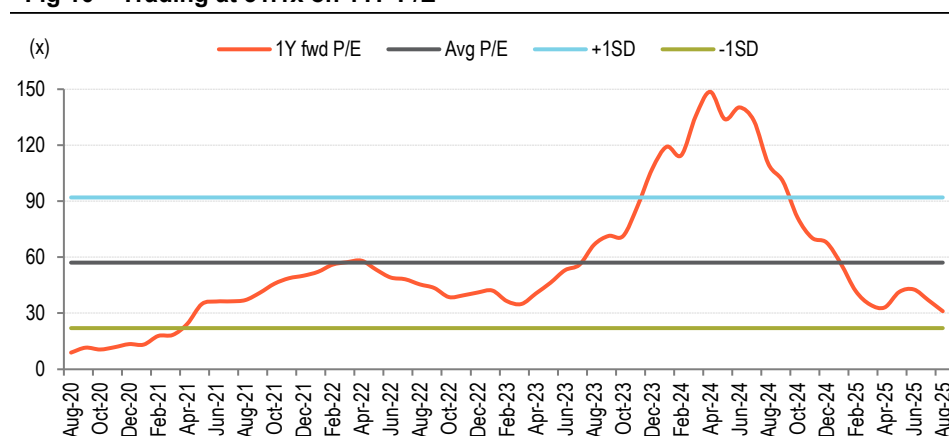
We have reduced our TP to Rs 350 per share (Rs 375 earlier) due to downward revision of our EPS estimate (-26.5%/-12.0% for FY26E/FY27E) based on weak Q1 result. At CMP, the stock trades at a P/E of 42.1x/22.7x/16.6x on FY26E/FY27E/FY28E. Our target P/E multiple remains unchanged at 25x on Jun'27 estimate (Mar'27 earlier).

Fig 9 – Revised estimates

| Particulars | New | | Old | | Change (%) | |
|-------------------|--------|--------|--------|--------|------------|---------|
| | FY26E | FY27E | FY26E | FY27E | FY26E | FY27E |
| Operating income | 26,357 | 31,655 | 27,760 | 32,441 | (5.1) | (2.4) |
| EBITDA | 2,368 | 3,264 | 2,659 | 3,543 | (10.9) | (7.9) |
| EBITDA Margin (%) | 9.0 | 10.3 | 9.6 | 10.9 | (59bps) | (61bps) |
| Adjusted PAT | 783 | 1,452 | 1,066 | 1,651 | (26.5) | (12.0) |
| EPS (Rs) | 7.1 | 13.1 | 9.6 | 14.9 | (26.5) | (12.0) |

Source: BOBCAPS Research

Fig 10 – Trading at 31.1x on 1YF P/E



Source: Bloomberg, BOBCAPS Research

Fig 11 – Key assumptions

| Particulars | FY24A | FY25A | FY26E | FY27E | FY28E |
|-------------------------|--------|-------|-------|-------|-------|
| Sales Volume growth (%) | 9.6 | 2.6 | 9.4 | 12.4 | 10.0 |
| Realization growth (%) | (13.5) | (4.2) | (4.5) | 6.8 | 5.2 |
| EBITDA per unit (Rs/kg) | 18.0 | 9.1 | 12.2 | 15.0 | 17.3 |
| Pre-tax ROIC (%) | 16.3 | 3.4 | 6.5 | 10.3 | 12.5 |

Source: Company, BOBCAPS Research

Key risks

- Market share loss in plastic pipes
- Slow ramp-up of Bihar plant
- Increased exposure to group companies

Financials

Income Statement

| Y/E 31 Mar (Rs mn) | FY24A | FY25A | FY26E | FY27E | FY28E |
|----------------------------|---------------|---------------|---------------|---------------|---------------|
| Total revenue | 25,687 | 25,239 | 26,357 | 31,655 | 36,622 |
| EBITDA | 3,107 | 1,618 | 2,368 | 3,264 | 4,141 |
| Depreciation | 912 | 1,070 | 1,238 | 1,340 | 1,505 |
| EBIT | 2,196 | 548 | 1,130 | 1,923 | 2,636 |
| Net interest inc./(exp.) | (65) | (97) | (179) | (92) | (92) |
| Other inc./(exp.) | 161 | 137 | 110 | 110 | 110 |
| Exceptional items | 33 | 0 | 0 | 0 | 0 |
| EBT | 2,258 | 588 | 1,061 | 1,941 | 2,654 |
| Income taxes | 613 | 157 | 278 | 489 | 668 |
| Extraordinary items | (179) | 0 | 0 | 0 | 0 |
| Min. int./Inc. from assoc. | 0 | 0 | 0 | 0 | 0 |
| Reported net profit | 1,825 | 431 | 783 | 1,452 | 1,986 |
| Adjustments | (109) | 16 | 0 | 0 | 0 |
| Adjusted net profit | 1,716 | 447 | 783 | 1,452 | 1,986 |

Balance Sheet

| Y/E 31 Mar (Rs mn) | FY24A | FY25A | FY26E | FY27E | FY28E |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| Accounts payables | 2,491 | 2,611 | 2,726 | 3,274 | 3,788 |
| Other current liabilities | 1,659 | 1,667 | 1,667 | 1,667 | 1,667 |
| Provisions | 26 | 35 | 37 | 44 | 51 |
| Debt funds | 1,144 | 2,641 | 2,719 | 3,088 | 3,434 |
| Other liabilities | 467 | 475 | 475 | 475 | 475 |
| Equity capital | 1,106 | 1,106 | 1,106 | 1,106 | 1,106 |
| Reserves & surplus | 14,338 | 14,659 | 15,276 | 16,508 | 18,162 |
| Shareholders' fund | 15,444 | 15,764 | 16,382 | 17,613 | 19,267 |
| Total liab. and equities | 21,232 | 23,194 | 24,006 | 26,162 | 28,683 |
| Cash and cash eq. | 1,156 | 1,097 | 1,458 | 496 | 179 |
| Accounts receivables | 5,849 | 4,229 | 4,417 | 5,304 | 6,137 |
| Inventories | 4,379 | 6,095 | 5,333 | 6,402 | 7,432 |
| Other current assets | 1,081 | 1,437 | 1,500 | 1,801 | 2,082 |
| Investments | 3 | 3 | 3 | 3 | 3 |
| Net fixed assets | 7,736 | 9,415 | 10,377 | 11,237 | 11,931 |
| CWIP | 353 | 197 | 197 | 197 | 197 |
| Intangible assets | 240 | 191 | 191 | 191 | 191 |
| Deferred tax assets, net | 0 | 0 | 0 | 0 | 0 |
| Other assets | 435 | 530 | 530 | 530 | 530 |
| Total assets | 21,232 | 23,194 | 24,006 | 26,162 | 28,683 |

Cash Flows

| Y/E 31 Mar (Rs mn) | FY24A | FY25A | FY26E | FY27E | FY28E |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Cash flow from operations | 558 | 1,058 | 2,719 | 1,073 | 1,851 |
| Capital expenditures | (2,347) | (2,544) | (2,200) | (2,200) | (2,200) |
| Change in investments | 0 | 0 | 0 | 0 | 0 |
| Other investing cash flows | 307 | 137 | 110 | 110 | 110 |
| Cash flow from investing | (2,040) | (2,407) | (2,090) | (2,090) | (2,090) |
| Equities issued/Others | 0 | 0 | 0 | 0 | 0 |
| Debt raised/repaid | 563 | 1,497 | 78 | 369 | 346 |
| Interest expenses | (65) | (97) | (179) | (92) | (92) |
| Dividends paid | (111) | (55) | (166) | (221) | (332) |
| Other financing cash flows | 90 | (56) | 0 | 0 | 0 |
| Cash flow from financing | 478 | 1,289 | (267) | 56 | (78) |
| Chg in cash & cash eq. | (1,005) | (59) | 362 | (962) | (317) |
| Closing cash & cash eq. | 1,156 | 1,096 | 1,458 | 496 | 179 |

Per Share

| Y/E 31 Mar (Rs) | FY24A | FY25A | FY26E | FY27E | FY28E |
|----------------------|-------|-------|-------|-------|-------|
| Reported EPS | 16.5 | 3.9 | 7.1 | 13.1 | 18.0 |
| Adjusted EPS | 15.5 | 4.0 | 7.1 | 13.1 | 18.0 |
| Dividend per share | 1.0 | 0.5 | 1.5 | 2.0 | 3.0 |
| Book value per share | 139.7 | 142.6 | 148.2 | 159.3 | 174.3 |

Valuations Ratios

| Y/E 31 Mar (x) | FY24A | FY25A | FY26E | FY27E | FY28E |
|----------------|-------|-------|-------|-------|-------|
| EV/Sales | 1.3 | 1.3 | 1.2 | 1.0 | 0.8 |
| EV/EBITDA | 10.8 | 20.9 | 13.6 | 9.7 | 7.5 |
| Adjusted P/E | 19.2 | 73.8 | 42.2 | 22.7 | 16.6 |
| P/BV | 2.1 | 2.1 | 2.0 | 1.9 | 1.7 |

DuPont Analysis

| Y/E 31 Mar (%) | FY24A | FY25A | FY26E | FY27E | FY28E |
|------------------------------|-------|-------|-------|-------|-------|
| Tax burden (Net profit/PBT) | 76.0 | 76.0 | 73.8 | 74.8 | 74.8 |
| Interest burden (PBT/EBIT) | 102.9 | 107.4 | 93.9 | 100.9 | 100.7 |
| EBIT margin (EBIT/Revenue) | 8.5 | 2.2 | 4.3 | 6.1 | 7.2 |
| Asset turnover (Rev./Avg TA) | 121.0 | 108.8 | 109.8 | 121.0 | 127.7 |
| Leverage (Avg TA/Avg Equity) | 1.5 | 1.5 | 1.5 | 1.5 | 1.6 |
| Adjusted ROAE | 11.8 | 2.9 | 4.9 | 8.5 | 10.8 |

Ratio Analysis

| Y/E 31 Mar | FY24A | FY25A | FY26E | FY27E | FY28E |
|-----------------------|-------|--------|-------|-------|-------|
| YoY growth (%) | | | | | |
| Revenue | (5.2) | (1.7) | 4.4 | 20.1 | 15.7 |
| EBITDA | 23.4 | (47.9) | 46.4 | 37.8 | 26.9 |
| Adjusted EPS | 40.4 | (73.9) | 75.0 | 85.4 | 36.7 |

Profitability & Return ratios (%)

| | | | | | |
|------------------------|------|-----|-----|------|------|
| EBITDA margin | 12.1 | 6.4 | 9.0 | 10.3 | 11.3 |
| EBIT margin | 8.5 | 2.2 | 4.3 | 6.1 | 7.2 |
| Adjusted profit margin | 6.7 | 1.8 | 3.0 | 4.6 | 5.4 |
| Adjusted ROAE | 11.8 | 2.9 | 4.9 | 8.5 | 10.8 |
| ROCE | 14.2 | 3.7 | 6.5 | 9.8 | 12.1 |

Working capital days (days)

| | | | | | |
|-------------|----|----|----|----|----|
| Receivables | 83 | 61 | 61 | 61 | 61 |
| Inventory | 62 | 88 | 74 | 74 | 74 |
| Payables | 35 | 38 | 38 | 38 | 38 |

Ratios (x)

| | | | | | |
|-----------------------------|------|-----|-----|------|------|
| Gross asset turnover | 2.3 | 1.9 | 1.7 | 1.8 | 1.8 |
| Current ratio | 2.4 | 2.1 | 2.0 | 1.9 | 2.0 |
| Net interest coverage ratio | 33.8 | 5.7 | 6.3 | 20.9 | 28.6 |
| Adjusted debt/equity | 0.0 | 0.1 | 0.1 | 0.1 | 0.2 |

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

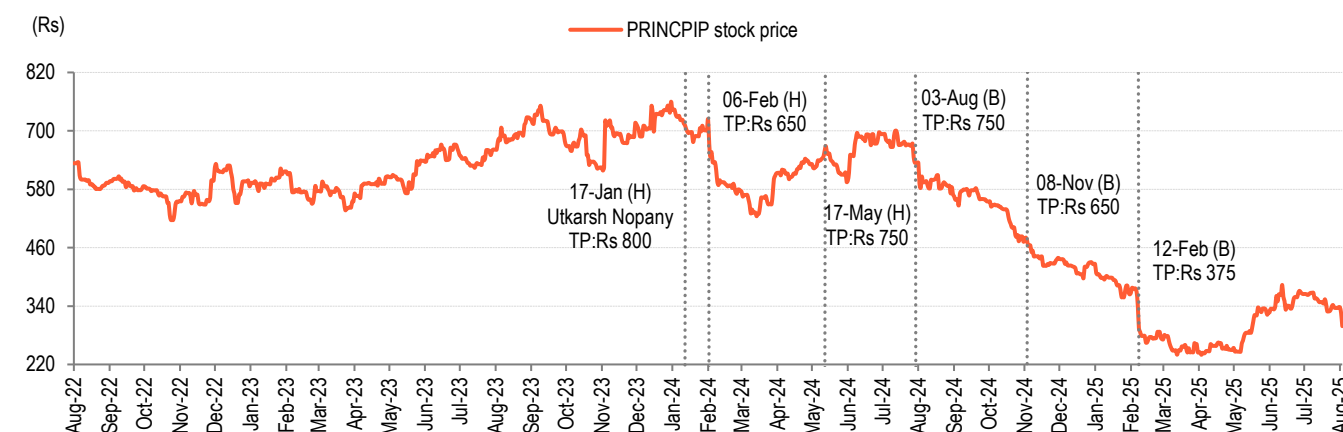
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): PRINCE PIPES & FITTINGS (PRINCEPI IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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