BOBCAPS
TRUST | INNOVATION | EXCELLENCE

HOLD
TP: Rs 350 | 12%

PRINCE PIPES & FITTINGS

| Building Materials | 10 November 2025

Weak Q2; D/G to HOLD on weak ROE profile and fairly valued

- **Posted weak pipe sales volume in Q2 on a muted demand environment and heavy monsoon-impacted construction activity**
- **Volume growth guidance revised to 7-8% in FY26 (vs 1.2% in H1FY26); EBITDA margin to recover to a double-digit level by Q4FY26**
- **Downgrade from BUY to HOLD on weak ROE profile and fair valuation; TP remains unchanged at Rs 350 per share**

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Mixed Q2: PRINCPIP Q2FY26 sales volume came below our expectation (-1.2% YoY vs +7.0% estimated) but slightly beats our EBITDA estimate (+2.2%) due to better-than-expected margin (+192bps YoY to 9.3% vs 8.5% estimated). Overall, PRINCPIP EBITDA grew by 20.6% YoY, but PAT was relatively flat (-0.5% YoY) in Q2FY26 due to higher capital charge.

Highlights: PRINCPIP appears to have lost market share in Q2FY26 as it posted weak volume growth among its peers (ASTRA: +20.6%; SI: +17.2%; APOLP: +9.0%; PRINCPIP: -1.2%; FNXP: -5.8%). Despite the weak sales volume, the company's EBITDA margin improved to a five-quarter high level in Q2FY26 due to better product-mix. Depreciation expense has gone up on QoQ basis in Q2FY26, due to the completion of Phase II of Bihar greenfield pipe project. Net debt fell from Rs 1.54bn in Mar'25 to Rs 0.94bn in Sep'25, due to better working capital management.

Guidance: Management expects pipe volume to grow at 7-8% rate (vs earlier guidance of high single to low double-digit rate earlier) in FY26. EBITDA margin is also expected to improve to double-digit level by Q4FY26. The company does not expect to book inventory loss in the near future as resin prices have bottomed out. Bathware segment is expected to break even over the next 4 quarters. Budgeted capex is estimated to be Rs 2.25-2.35bn for FY26.

D/G from BUY to HOLD; TP remains unchanged at Rs 350: We downgrade our rating from BUY to HOLD considering the weak ROE profile (ROE is projected to improve from 2.9% in FY25 to 9.9% in FY28E, even assuming healthy pipe volume growth at 9.6% CAGR over FY25-FY28E and EBITDA margins expanding from 9.3% in Q2FY26 to 11.5% in FY28E, supported by fair valuations at 29.3x 1Y forward P/E.). We have reduced our EPS estimate (-4.2%/-8.5% for FY27E/FY28E) based on weak sales volume in Q2FY26, but we have kept our TP unchanged at Rs 350 per share due to the roll forward of our valuation multiple from Jun'27 to Sep'27. Our target P/E multiple remains unchanged at 25x.

Key changes

Target	Rating
◀ ▶	▼

Ticker/Price	PRINCPIP IN/Rs 313
Market cap	US$ 390.0mn
Free float	39%
3M ADV	US$ 0.9mn
52wk high/low	Rs 475/Rs 229
Promoter/FPI/DII	61%/4%/16%

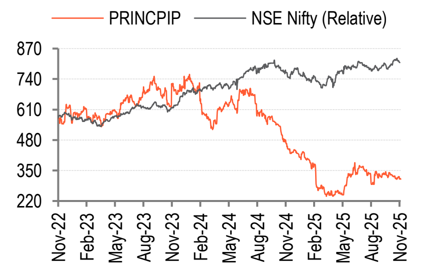
Source: NSE | Price as of 10 Nov 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	25,239	26,227	31,235
EBITDA (Rs mn)	1,618	2,487	3,394
Adj. net profit (Rs mn)	447	797	1,391
Adj. EPS (Rs)	4.0	7.2	12.6
Consensus EPS (Rs)	3.9	7.8	13.0
Adj. ROAE (%)	2.9	5.0	8.2
Adj. P/E (x)	77.3	43.4	24.9
EV/EBITDA (x)	21.9	14.5	10.7
Adj. EPS growth (%)	(73.9)	78.2	74.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Quarterly performance - Consolidated

Particulars (Rs mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H1FY26	H1FY25	YoY (%)	BOBCAPS Q2FY26E	Variance (%)
Operating income	5,946	6,221	(4.4)	5,804	2.4	11,750	12,265	(4.2)	6,333	(6.1)
Raw-Material expense	4,266	4,542	(6.1)	4,323	(1.3)	8,588	8,911	(3.6)		
Gross Profit	1,680	1,679	0.1	1,482	13.4	3,162	3,354	(5.7)		
Employee expense	449	446	0.7	457	(1.7)	906	828	9.5		
Other expense	680	776	(12.4)	673	1.0	1,353	1,486	(9.0)		
EBITDA	551	457	20.6	351	57.0	902	1,040	(13.2)	539	2.2
D&A	325	276	17.8	307	5.6	632	533	18.6		
EBIT	226	181	24.8	44	419.1	270	507	(46.7)		
Interest cost	45	16	173.7	52	(13.8)	97	31	213.9		
Other income	16	39	(58.9)	72	(77.5)	88	65	35.6		
PBT	198	204	(3.2)	64	210.9	261	541	(51.7)		
Tax	51	57	(10.3)	15	233.5	67	147	(54.7)		
Reported PAT	146	147	(0.5)	48	203.6	195	394	(50.6)		
Adjusted PAT	146	147	(0.5)	37	291.2	184	394	(53.3)	151	(3.3)
As % of net revenues			**(bps)**		**(bps)**			**(bps)**		
Gross margin	28.3	27.0	127	25.5	273	26.9	27.3	(44)		
Employee cost	7.6	7.2	38	7.9	(32)	7.7	6.7	97		
Other cost	11.4	12.5	(104)	11.6	(17)	11.5	12.1	(60)		
EBITDA margin	9.3	7.3	192	6.0	322	7.7	8.5	(80)		
Tax rate	26.0	28.0	(205)	24.2	177	25.5	27.2	(166)		
APAT margin	2.5	2.4	10	0.6	182	1.6	3.2	(165)		

Source: Company, BOBCAPS Research

Fig 2 – Key operating metrics

Particulars	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H1FY26	H1FY25	YoY (%)
Sales Volumes (KTPA)	42.8	43.3	(1.2)	43.7	(2.2)	86	85	1.2
Realization (Rs/kg)	139.0	143.7	(3.2)	132.7	4.8	136	143	(5.3)
EBITDA per unit (Rs/kg)	12.9	10.6	22.1	8.0	60.6	10.4	12.2	(14.3)
Inventory (days)	80	87	-	83	-	-	-	-
Debtor (days)	52	55	-	55	-	-	-	-
Creditor (days)	34	36	-	46	-	-	-	-
Operating cycle (days)	97	106	-	92	-	-	-	-

Source: Company, BOBCAPS Research

Earnings Call Highlights

- **Pipe demand scenario:** Demand remained muted in Q2FY26 due to extended monsoon, weak retail and government spending on infrastructure and volatile PVC resin prices. Agriculture segment, too, saw softer demand due to the uneven rainfall. Industry PVC pipe volume growth declined 9% YoY in Q2FY26 and remained in degrowth in H1FY26. Oct'25 demand was muted given the festive season, but management observed signs of demand recovery in Nov'25. The company expects channel sentiment to improve on account of awaited ADD implementation. With the combination of low demand scenario and uncertain PVC resin prices, the industry has witnessed acceleration in consolidation as unorganised and small organised players have virtually moved out of the market.

- **Guidance:** Management expects pipe volume to grow at 7-8% rate (vs earlier guidance of high single to low double-digit rate earlier) in FY26 and expect double-digit volume growth for FY27-FY28, due to the weak base of last two years. EBITDA margin will also likely improve to double-digit level by Q4FY26.

- **Working Capital:** Working capital cycle improved YoY to 85 days in H1FY26 (vs 93 days YoY). Receivable days reduced to 52 (from 55 days YoY) and inventory days to 80 as of Sep'25. The company emphasised its ongoing focus on optimising receivables.

- **Channel Inventory:** Remained below normal level in Q2FY26, owing to destocking and volatile PVC resin prices. However, post the ADD implementation, channel sentiment is anticipated to improve with gradual restocking.

- **Capex:** Total capex for H1FY26 was Rs1.24 bn, primarily for Bihar and operational plants. FY26 capex is estimated to be ~ Rs 2.25-2.35 bn, including ~Rs 0.5 bn for the Aquel business. No major capacity addition is planned for FY27 in pipes. But minor expansions for new VAP launching in Q4FY26/Q1FY27.

- **Bihar plant:** PRINCPIP has successfully commissioned Phase 2 of its Bihar plant in the first week of Sep'25, completing a total investment of ~ Rs 2.4bn. The new unit has expanded the company's installed capacity to ~65,000 MTPA, providing a stronger presence in the eastern region and enhancing its pan-India manufacturing presence. With full commissioning in Q2FY26, depreciation will now be charged on the entire asset base (~Rs 300–320mn/quarter).

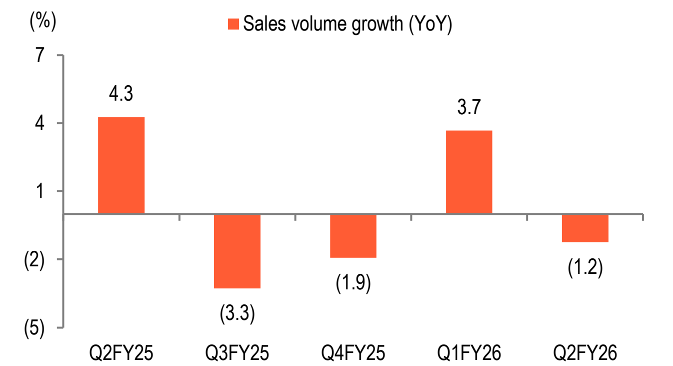
- **Project/Retail Mix:** Project segment contribution has increased to ~25% of total sales in Q2FY26 (vs ~15% earlier), driven by strong traction in the private real estate projects. Retail demand was impacted by destocking behaviour and a weak consumer sentiment.

- **CPVC pipe:** CPVC volumes performed better than PVC during Q2FY26, aided by pan-India traction. The company is increasing raw material sourcing and has launched its own CPVC brand to enhance competitiveness. Management expects CPVC to be a key growth driver over the next five years.

- **Bathware:** The segment reported an operating loss of Rs 50mn on Rs 120mn revenue in Q2FY26. The business currently operates mainly in North and West India. Break-even is expected Q2FY27, as distribution expands to South and East regions and enhanced project pipeline.

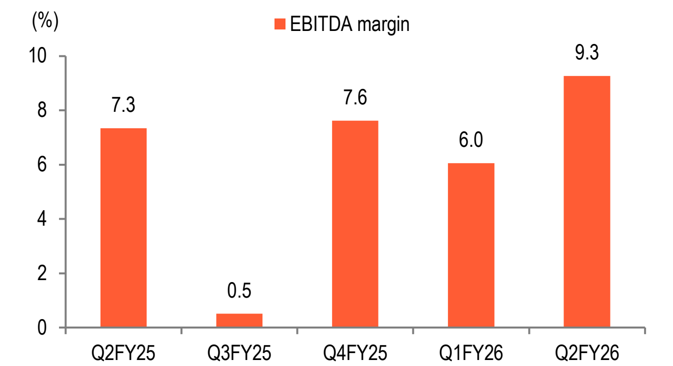
- **MTM inventory loss:** PRINCPIP confirmed there were no material MTM inventory losses in Q2FY26 and does not expect any loss to be booked in the near future.
- **Ad spend:** Ad spend was Rs 150mn in H1FY26 (~1.2% of sales). The company plans to increase ad spend in H2FY26. Historically, ad spend has reached up to 3–3.5% of sales in strong quarters.
- **DMS:** The company has enhanced sales force automation and DMS, which now enables real-time retailer level visibility and data-driven growth tracking.

Fig 3 – PRINCPIP's volume de-grew by 1.2% YoY (6Y CAGR: +3.6% CAGR) in Q2FY26



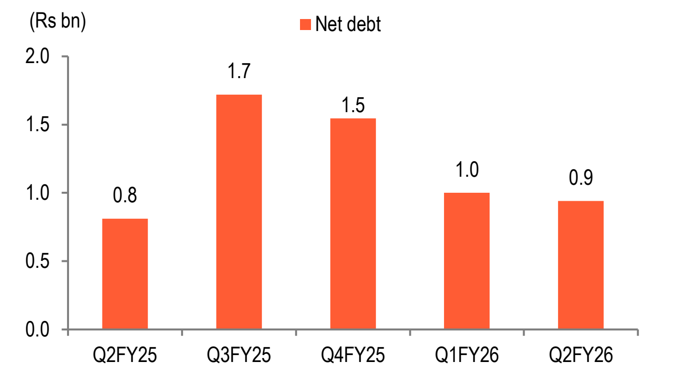
Source: Company, BOBCAPS Research

Fig 4 – EBITDA margin improved in Q2FY26 on better product-mix



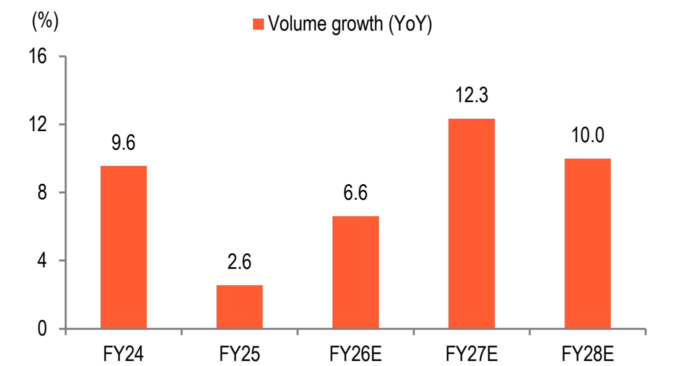
Source: Company, BOBCAPS Research

Fig 5 – Net debt fell from Rs 1.5bn in Mar'25 to Rs 0.9bn in Sep'25 on better working capital management



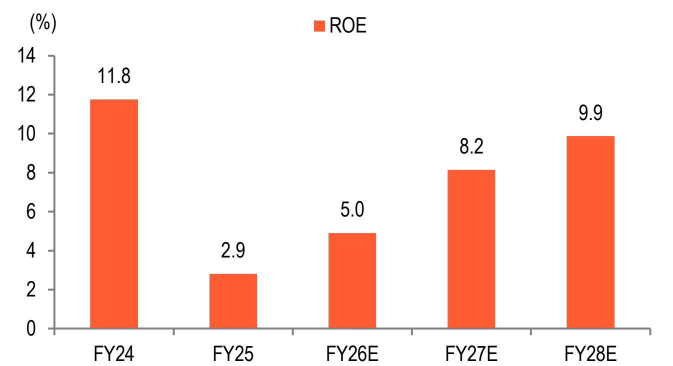
Source: Company, BOBCAPS Research

Fig 6 – PRINCPIP volume is forecast to grow at 9.6% CAGR over FY25-FY28E over a weak base



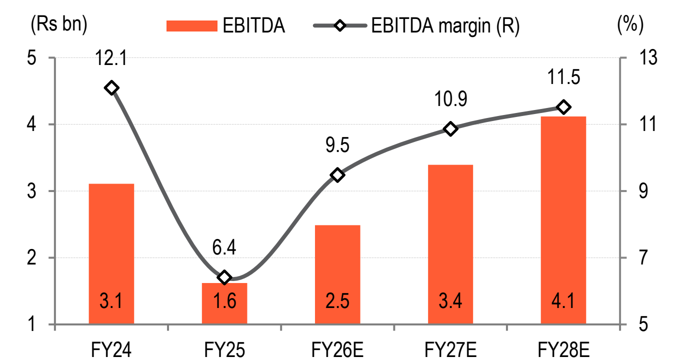
Source: Company, BOBCAPS Research

Fig 7 – ROE is projected to gradually improve to 9.9% by FY28E on gradual ramp-up of existing capacity...



Source: Company, BOBCAPS Research

Fig 8 – .. and anticipated improvement in EBITDA margin from 9.3% in Q2FY26 to 11.5% by FY28E



Source: Company, BOBCAPS Research

Valuation Methodology

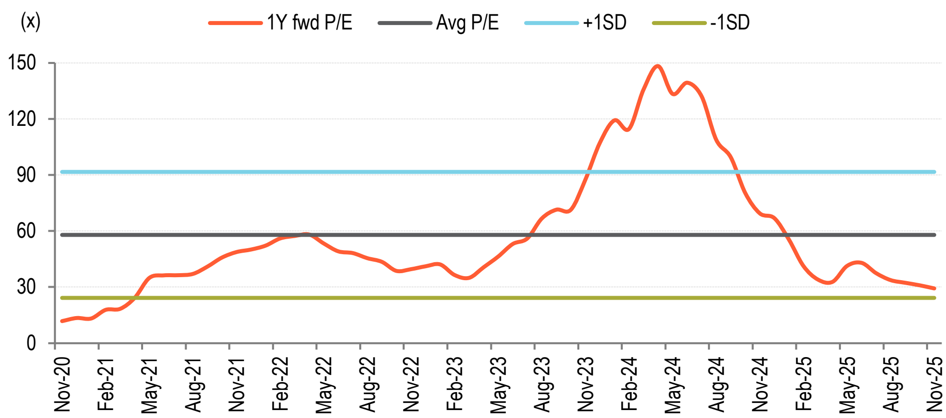
We downgrade our rating on the stock from BUY to HOLD considering the weak ROE profile (ROE is projected to improve from 2.9% in FY25 to 9.9% in FY28E, even assuming healthy pipe volume growth at 9.6% CAGR over FY25-FY28E and EBITDA margins expanding from 9.3% in Q2FY26 to 11.5% in FY28E, supported by fair valuations at 29.3x 1Y forward P/E). We have reduced our EPS estimate (-4.2%/-8.5% for FY27E/FY28E) based on weak sales volume in Q2FY26, but we have kept our TP unchanged at Rs 350 per share due to the roll forward of our valuation multiple from Jun'27 to Sep'27. Our target P/E multiple remains unchanged at 25x.

Fig 9 – Revised estimates

Standalone (Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Operating income	26,227	31,235	35,760	26,357	31,655	36,622	(0.5)	(1.3)	(2.4)
EBITDA	2,487	3,394	4,120	2,368	3,264	4,141	5.0	4.0	(0.5)
EBITDA Margin (%)	9.5	10.9	11.5	9.0	10.3	11.3	50bps	55bps	21bps
Adjusted PAT	797	1,391	1,816	783	1,452	1,986	1.8	(4.2)	(8.5)
EPS (Rs)	7.2	12.6	16.4	7.1	13.1	18.0	1.8	(4.2)	(8.5)

Source: BOBCAPS Research

Fig 10 – Trading at 29.9x on 1YF P/E vs 5Y average of 57.9x



Source: Bloomberg, BOBCAPS Research

Fig 11 – Key assumptions

Particulars	FY24A	FY25A	FY26E	FY27E	FY28E
Sales Volume growth (%)	9.6	2.6	6.6	12.3	10.0
Realization growth (%)	(13.5)	(4.2)	(2.5)	6.0	4.1
EBITDA per unit (Rs/kg)	18.0	9.1	13.2	16.0	17.6
Pre-tax ROIC (%)	16.3	3.4	6.9	10.6	12.3

Source: Company, BOBCAPS Research

Key Risks

- Sharp recovery in real estate activity and market share gain in plastic pipes are key upside risks
- Slow ramp-up of Bihar plant and increased exposure to group companies are key downside risks

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	**25,687**	**25,239**	**26,227**	**31,235**	**35,760**
EBITDA	3,107	1,618	2,487	3,394	4,120
Depreciation	912	1,070	1,295	1,420	1,578
EBIT	2,196	548	1,192	1,974	2,542
Net interest inc./(exp.)	(65)	(97)	(187)	(179)	(179)
Other inc./(exp.)	161	137	76	65	65
Exceptional items	33	0	0	0	0
EBT	2,258	588	1,082	1,859	2,427
Income taxes	613	157	284	468	611
Extraordinary items	(179)	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**1,825**	**431**	**797**	**1,391**	**1,816**
Adjustments	(109)	16	0	0	0
Adjusted net profit	**1,716**	**447**	**797**	**1,391**	**1,816**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	2,491	2,611	2,713	3,231	3,699
Other current liabilities	1,659	1,667	1,667	1,667	1,667
Provisions	26	35	37	44	50
Debt funds	1,144	2,641	2,710	3,059	3,374
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	15,290	16,460	17,945
Shareholders' fund	15,444	15,764	16,396	17,566	19,051
Total liab. and equities	**21,232**	**23,194**	**23,998**	**26,041**	**28,316**
Cash and cash eq.	1,156	1,097	1,384	731	616
Accounts receivables	5,849	4,229	4,395	5,234	5,992
Inventories	4,379	6,095	5,285	6,277	7,229
Other current assets	1,081	1,437	1,493	1,777	2,033
Investments	3	3	3	3	3
Net fixed assets	7,736	9,415	10,520	11,100	11,523
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**	**23,998**	**26,041**	**28,316**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	**558**	**1,058**	**2,895**	**1,335**	**2,016**
Capital expenditures	(2,347)	(2,544)	(2,400)	(2,000)	(2,000)
Change in investments	0	0	0	0	0
Other investing cash flows	307	137	76	65	65
Cash flow from investing	**(2,040)**	**(2,407)**	**(2,324)**	**(1,935)**	**(1,935)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	563	1,497	69	349	315
Interest expenses	(65)	(97)	(187)	(179)	(179)
Dividends paid	(111)	(55)	(166)	(221)	(332)
Other financing cash flows	90	(56)	0	0	0
Cash flow from financing	**478**	**1,289**	**(284)**	**(52)**	**(196)**
Chg in cash & cash eq.	**(1,005)**	**(59)**	**287**	**(652)**	**(115)**
Closing cash & cash eq.	**1,156**	**1,096**	**1,383**	**731**	**616**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	16.5	3.9	7.2	12.6	16.4
Adjusted EPS	15.5	4.0	7.2	12.6	16.4
Dividend per share	1.0	0.5	1.5	2.0	3.0
Book value per share	139.7	142.6	148.3	158.9	172.3

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	1.3	1.4	1.4	1.2	1.0
EV/EBITDA	10.9	21.9	14.5	10.7	9.0
Adjusted P/E	20.2	77.3	43.4	24.9	19.1
P/BV	2.2	2.2	2.1	2.0	1.8

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	76.0	76.0	73.7	74.8	74.8
Interest burden (PBT/EBIT)	102.9	107.4	90.7	94.2	95.5
EBIT margin (EBIT/Revenue)	8.5	2.2	4.5	6.3	7.1
Asset turnover (Rev./Avg TA)	121.0	108.8	109.3	119.9	126.3
Leverage (Avg TA/Avg Equity)	1.5	1.5	1.5	1.5	1.5
Adjusted ROAE	11.8	2.9	5.0	8.2	9.9

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	(5.2)	(1.7)	3.9	19.1	14.5
EBITDA	23.4	(47.9)	53.7	36.5	21.4
Adjusted EPS	40.4	(73.9)	78.2	74.5	30.6
Profitability & Return ratios (%)					
EBITDA margin	12.1	6.4	9.5	10.9	11.5
EBIT margin	8.5	2.2	4.5	6.3	7.1
Adjusted profit margin	6.7	1.8	3.0	4.5	5.1
Adjusted ROAE	11.8	2.9	5.0	8.2	9.9
ROCE	14.2	3.7	6.6	9.9	11.6
Working capital days (days)					
Receivables	83	61	61	61	61
Inventory	62	88	74	73	74
Payables	35	38	38	38	38
Ratios (x)					
Gross asset turnover	2.3	1.9	1.7	1.7	1.8
Current ratio	2.4	2.1	2.0	2.0	2.0
Net interest coverage ratio	33.8	5.7	6.4	11.0	14.2
Adjusted debt/equity	0.0	0.1	0.1	0.1	0.1

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

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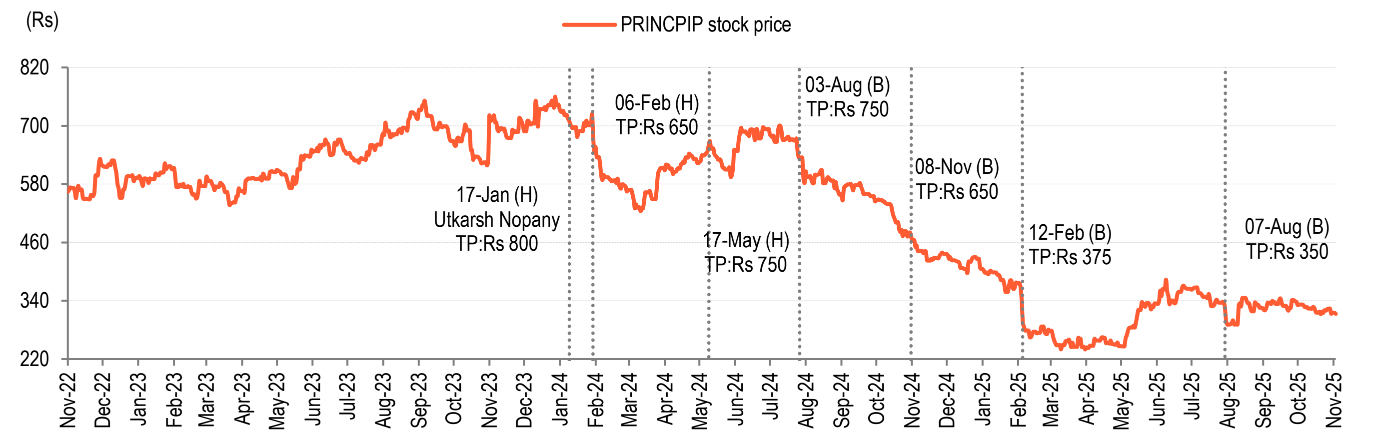
BUY – Expected return >+15%
HOLD – Expected return from -6% to +15%
SELL – Expected return <-6%
Note: Recommendation structure changed with effect from 21 June 2021

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 (PRINCPIP IN)



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

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