

**BUY**

TP: Rs 375 | ▲ 21%

**PRINCE PIPES & FITTINGS**

| Building Materials

| 23 May 2025

## Broadly in-line Q4; positive outlook

- PRINCEPIP seems to have lost market share yet again despite following an aggressive pricing strategy in Q4FY25
- Target volume to grow at a double-digit rate in FY26; EBITDA margin targeted to improve to 12% over long term
- Maintain BUY with unchanged TP of Rs 375 per share

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**In-line Q4:** PRINCEPIP Q4FY25 sales volume came broadly in line with our estimate (-1.9% YoY vs -2.0% estimate), but beats our EBITDA estimate by 11% on account of lower expenses (-10.5% YoY). EBITDA margin fell sharply by 484bps YoY to 7.6%, mainly due to MTM inventory loss (-347bps) and additional incentives (+300bps) offered to dealers. Overall, revenue/EBITDA/APAT de-grew by 2.8%/40.6%/55.8% YoY in Q4FY25.

**Highlights:** PRINCEPIP seems to have lost market share yet again in Q4FY25, as it has posted a weak volume growth vs major peers (PRINCEPIP: -1.9%; ASTRA: +1.3%; SI: +2.2%), even after following an aggressive pricing strategy. Net debt position has gone down from Rs 1.7bn in Dec'24 to Rs 1.5bn in Mar'25, due to reduction in inventory (107 days in Q3FY25 to 76 days in Q4FY25). ROE has fallen sharply from 21.8% in FY22 to 2.9% in FY24, due to severe margin pressure (15.8% in FY22 to 6.4% in FY25) as well as a steep decline in gross asset turnover (3.3x in FY22 to 1.9x in FY25).

**Guidance:** Management expects pipe volume to grow at a double-digit rate in FY26 and EBITDA margin to improve to 12% over the long term. The company is continuing with additional 3% incentives to its dealers in Q1FY26. Management expects to again book some inventory loss in Q1FY26. Bihar greenfield pipe project has become operational in Q4FY25 with an initial capacity of 24ktpa (only pipes); it would be enhanced to 60 ktpa (pipes & fittings) by Sep'25. Budgeted capex is estimated to be Rs 2.2bn for FY26.

**Maintain BUY with an unchanged TP of Rs 375:** We maintain BUY with an unchanged TP of Rs 375 per share. We forecast PRINCEPIP EPS to grow at 92% CAGR over FY25-FY27E over a weak base and ROE to improve from 2.9% in FY25 to 9.5% in FY27E, in anticipation of a gradual recovery in operating margin (from 6.4% in FY25 to 10.9% in FY27E). We have cut our EPS estimates (-4.3%/-8.7% for FY26E/FY27E) on weak PVC resin prices. At CMP, the stock trades at 29.4x on 1YF P/E vs 5Y average of 52.3x. Our target P/E multiple remains unchanged at 25x on Mar'27 estimate (Dec'26 earlier).

## Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	PRINCEPIP IN/Rs 309
Market cap	US\$ 397.0mn
Free float	39%
3M ADV	US\$ 1.3mn
52wk high/low	Rs 721/Rs 229
Promoter/FPI/DII	61%/6%/15%

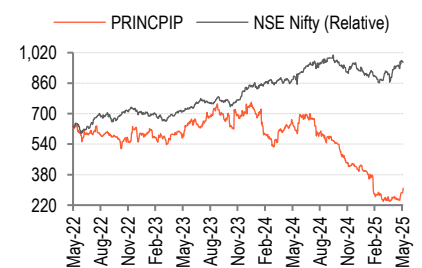
Source: NSE | Price as of 22 May 2025

## Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	25,239	27,760	32,441
EBITDA (Rs mn)	1,618	2,659	3,543
Adj. net profit (Rs mn)	447	1,066	1,651
Adj. EPS (Rs)	4.0	9.6	14.9
Consensus EPS (Rs)	3.9	13.1	17.6
Adj. ROAE (%)	2.9	6.6	9.5
Adj. P/E (x)	76.3	32.0	20.7
EV/EBITDA (x)	21.6	12.6	9.2
Adj. EPS growth (%)	(73.9)	138.3	54.9

Source: Company, Bloomberg, BOBCAPS Research

## Stock performance



Source: NSE



**Fig 1 – Quarterly performance - Consolidated**

Particulars (Rs mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY24	YoY (%)	BOBCAPS Q2FY25E	Variance (%)
Operating income	7,197	7,401	(2.8)	5,777	24.6	25,239	25,687	(1.7)	6,917	4.0
Raw-Material expense	5,401	5,224	3.4	4,527	19.3	18,839	18,193	3.6		
Gross Profit	1,796	2,177	(17.5)	1,250	43.7	6,400	7,494	(14.6)		
Employee expense	464	379	22.4	450	3.1	1,742	1,477	17.9		
Other expense	783	876	(10.5)	770	1.7	3,040	2,943	3.3		
EBITDA	548	923	(40.6)	30	1,748.4	1,618	3,074	(47.4)	493	11.3
D&A	273	239	14.1	264	3.2	1,070	912	17.4		
EBIT	276	684	(59.7)	(235)	(217.5)	548	2,162	(74.7)		
Interest cost	33	14	146.9	32	2.9	97	65	48.8		
Other income	57	53	7.3	15	275.6	137	340	(59.6)		
PBT	299	723	(58.6)	(252)	(218.9)	588	2,438	(75.9)		
Tax	58	177	(67.4)	(48)	(220.9)	157	612	(74.3)		
Reported PAT	242	546	(55.8)	(204)	(218.4)	431	1,825	(76.4)		
Adjusted PAT	242	546	(55.8)	(204)	(218.4)	431	1,782	(75.8)	152	59.3
<b>As % of net revenues</b>			<b>(bps)</b>		<b>(bps)</b>			<b>(bps)</b>		
Gross margin	25.0	29.4	(446)	21.6	332	25.4	29.2	(382)		
Employee cost	6.4	5.1	132	7.8	(135)	6.9	5.7	115		
Other cost	10.9	11.8	(94)	13.3	(244)	12.0	11.5	59		
EBITDA margin	7.6	12.5	(484)	0.5	711	6.4	12.0	(556)		
Tax rate	19.2	24.4	(521)	18.9	33	26.7	25.1	158		
APAT margin	3.4	7.4	(402)	(3.5)	689	1.7	6.9	(523)		

Source: Company, BOBCAPS Research

**Fig 2 – Key operating metrics**

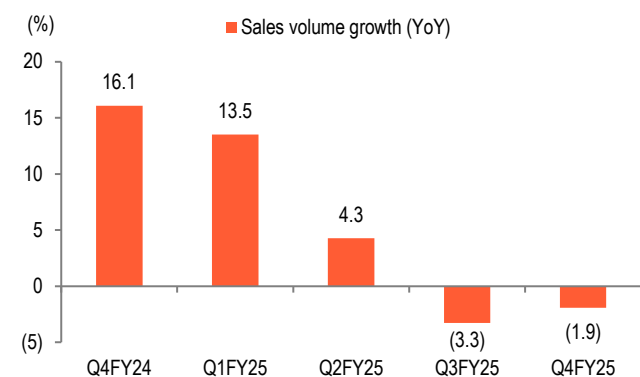
Particulars	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY24	YoY (%)
Sales Volumes (KTPA)	50.5	51.4	(1.9)	41.3	22.3	177	173	2.6
Realization (Rs/kg)	142.6	143.9	(0.9)	140.0	1.9	142	149	(4.2)
EBITDA per unit (Rs/kg)	10.9	17.9	(39.4)	0.7	1,411.9	9.1	17.8	(48.7)
Inventory (days)	76	53	-	107	-	-	-	-
Debtor (days)	53	71	-	56	-	-	-	-
Creditor (days)	33	30	-	51	-	-	-	-
Operating cycle (days)	96	94	-	112	-	-	-	-

Source: Company, BOBCAPS Research

## Earnings Call Highlights

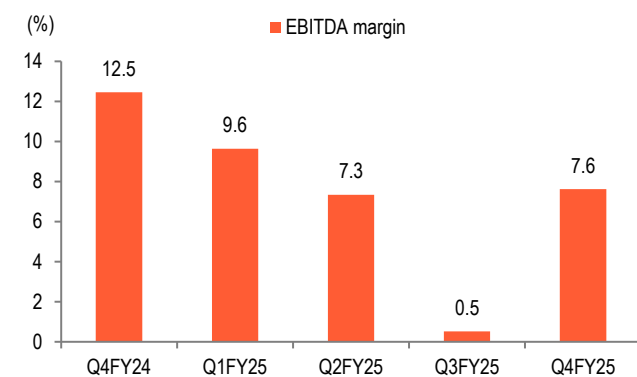
- **Pipe demand scenario:** Management believes the plastic pipe industry volume to have de-grown at low-to-mid single digit range in FY25; it was flat in Q4FY25. Going ahead, the company expects pipe industry volume to grow at 5-7% in FY26. Management believes the industry is likely to see higher value growth vs volume in anticipation of hardening of PVC resin prices.
- **Guidance:** Management expects pipe volume to grow at a double-digit rate in FY26. The company is continuing with additional 3% incentives to dealers in Q1FY26, in view of the sector witnessing a rise in competitive intensity. Management expects EBITDA margin to improve to 12% over the long term.
- **Working Capital:** PRINCIP's operating cycle has broadly remained stable at 96 days on YoY basis in Mar'25. Inventory days have gone down from 107 days in Q3FY25 to 76 days in Q4FY25; management aims to reduce it further to 60-70 days by Q2FY26.
- **Channel Inventory:** The channel inventory is currently low at less than two weeks vs a desired 3-4 weeks. Management expects the channel to restock inventories as PVC resin prices will likely stay stable in the near future.
- **Capex:** The company plans to spend Rs 2.2bn in FY26 (of which Rs 0.7bn would be spent for the expansion of Bihar capacity from 24ktpa to 60ktpa; Rs 1.0bn on maintenance capex; and Rs 0.5bn for bathware expansion).
- **CPVC pipe:** PRINCIP has registered a double-digit volume growth in Q4FY25 as well as in FY25.
- **Bathware:** The segment reported an operating loss of Rs 45mn on a revenue of Rs 105mn in Q4FY25. Management expects the bathware segment to reach EBITDA breakeven over the next 4-5 quarter period.
- **Water tank:** Revenue was Rs 480mn in FY25 (vs Rs 380-400mn in FY24).
- **MTM inventory loss:** The company recorded an inventory loss of Rs 250mn in Q4FY25 (Rs 750mn for FY25) and expects to see some inventory loss in Q1FY26 as well.
- **Ad spend:** As a proportion of sales, ad spends stood at 2.2% of sales in FY25. The company expects to maintain it at 2.0% in FY26.

**Fig 3 – PRINCEPIP's volumes de-grew by 1.9% YoY in Q4FY25**



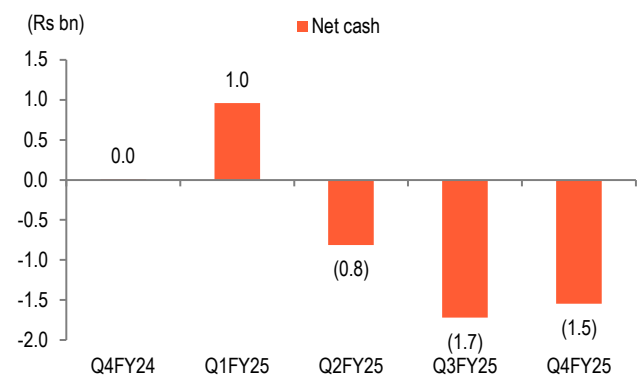
Source: Company, BOBCAPS Research

**Fig 4 – EBITDA margin fell sharply in Q4FY25 on MTM inventory loss and high discounts offered to dealers**



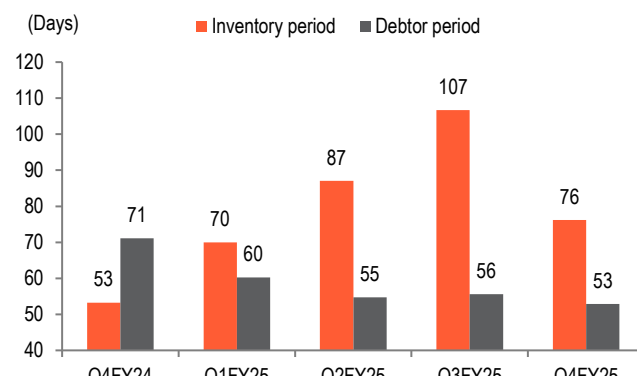
Source: Company, BOBCAPS Research

**Fig 5 – Net debt has gone down from Rs 1.7bn in Dec'24 to Rs 1.5bn in Mar'25...**



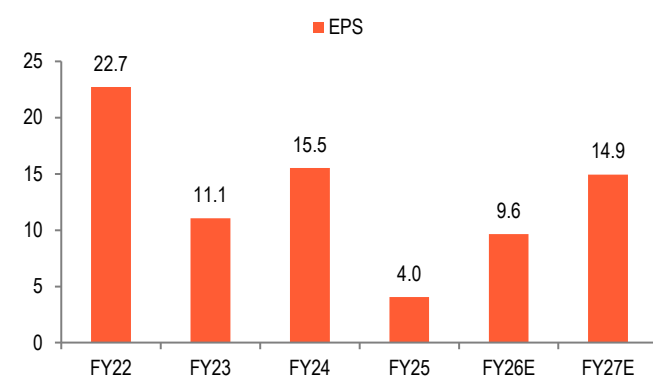
Source: Company, BOBCAPS Research

**Fig 6 – ... due to sharp reduction in inventories (from 107 days in Q3FY25 to 76 days in Q4FY25)**



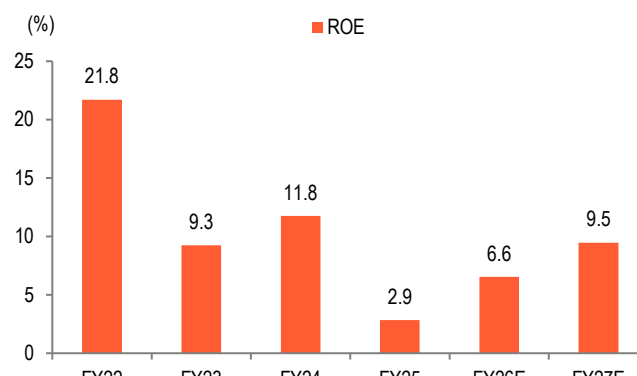
Source: Company, BOBCAPS Research

**Fig 7 – PRINCEPIP's EPS is forecast to grow sharply at 92% CAGR over FY25-FY27E over a weak base**



Source: Company, BOBCAPS Research

**Fig 8 – ROE is projected to gradually improve to 9.5% in FY27E on gradual ramp-up of new Bihar capacity**



Source: Company, BOBCAPS Research

## Valuation Methodology

We maintain BUY with an unchanged TP of Rs 375 per share. We forecast PRINCEPIPS EPS to grow at 92% CAGR over FY25-FY27E over a weak base and ROE to improve from 2.9% in FY25 to 9.5% in FY27E, in anticipation of a gradual recovery in operating margin (from 6.4% in FY25 to 10.9% in FY27E).

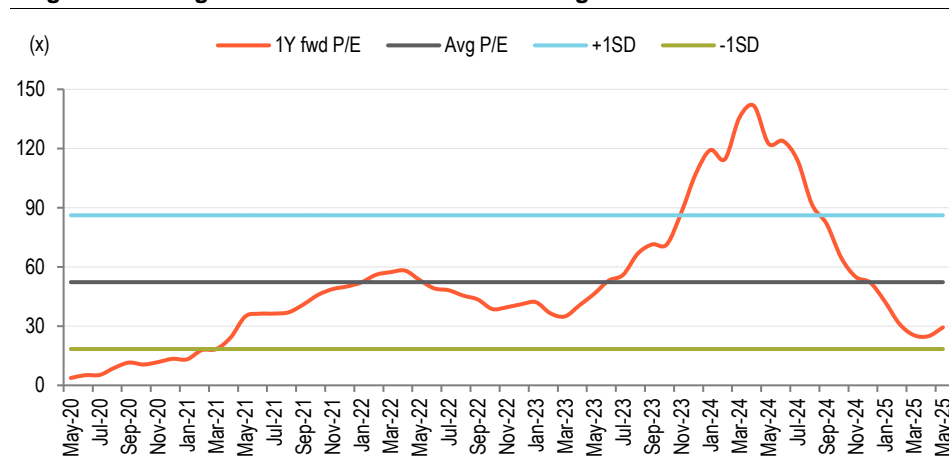
We have cut our EPS estimates (-4.3%/-8.7% for FY26E/FY27E) due to weak PVC resin prices. At CMP, the stock trades at 29.4x on 1YF P/E vs 5Y average of 52.3x. Our target P/E multiple remains unchanged at 25x on Mar'27 estimate (Dec'26 earlier).

**Fig 9 – Revised estimates**

Particulars	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Operating income	27,760	32,441	29,424	33,872	(5.7)	(4.2)
EBITDA	2,659	3,543	2,761	3,704	(3.7)	(4.4)
EBITDA Margin (%)	9.6	10.9	9.4	10.9	19bps	(2bps)
Adjusted PAT	1,066	1,651	1,114	1,808	(4.3)	(8.7)
EPS (Rs)	9.6	14.9	10.1	16.4	(4.3)	(8.7)

Source: BOBCAPS Research

**Fig 10 – Trading at 29.4x on 1YF P/E vs 5Y average of 52.3x**



Source: Bloomberg, BOBCAPS Research

**Fig 11 – Key assumptions**

Particulars	FY22A	FY23A	FY24A	FY25A	FY26E	FY27E
Sales Volume growth (%)	0.5	13.4	9.6	2.6	10.0	11.9
Realisation growth (%)	27.6	(10.1)	(13.5)	(4.2)	(0.0)	4.5
EBITDA per unit (Rs/kg)	30.1	16.0	18.0	9.1	13.6	16.2
Pre-tax ROIC (%)	32.5	13.4	16.3	3.4	8.1	11.6

Source: Company, BOBCAPS Research

## Key risks

- Market share loss in plastic pipes along with weak return ratios
- Increased exposure to group companies and significant cost/time overruns in the Bihar greenfield project

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
<b>Total revenue</b>	<b>27,109</b>	<b>25,687</b>	<b>25,239</b>	<b>27,760</b>	<b>32,441</b>
EBITDA	2,517	3,107	1,618	2,659	3,543
Depreciation	830	912	1,070	1,238	1,340
EBIT	1,687	2,196	548	1,421	2,203
Net interest inc./(exp.)	(110)	(65)	(97)	(134)	(134)
Other inc./(exp.)	86	161	137	137	137
Exceptional items	14	33	0	0	0
EBT	1,648	2,258	588	1,425	2,206
Income taxes	434	613	157	359	555
Extraordinary items	0	(179)	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
<b>Reported net profit</b>	<b>1,214</b>	<b>1,825</b>	<b>431</b>	<b>1,066</b>	<b>1,651</b>
Adjustments	9	(109)	16	0	0
<b>Adjusted net profit</b>	<b>1,223</b>	<b>1,716</b>	<b>447</b>	<b>1,066</b>	<b>1,651</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Accounts payables	3,202	2,491	2,611	2,871	3,356
Other current liabilities	794	1,659	1,667	1,667	1,667
Provisions	20	26	35	39	46
Debt funds	581	1,144	2,641	2,817	3,143
Other liabilities	305	467	475	475	475
Equity capital	1,106	1,106	1,106	1,106	1,106
Reserves & surplus	12,534	14,338	14,659	15,559	16,989
Shareholders' fund	13,640	15,444	15,764	16,665	18,095
<b>Total liab. and equities</b>	<b>18,542</b>	<b>21,232</b>	<b>23,194</b>	<b>24,534</b>	<b>26,781</b>
Cash and cash eq.	2,161	1,156	1,097	1,411	779
Accounts receivables	4,150	5,849	4,229	4,652	5,436
Inventories	4,256	4,379	6,095	5,593	6,562
Other current assets	684	1,081	1,437	1,580	1,845
Investments	3	3	3	3	3
Net fixed assets	6,750	7,736	9,415	10,377	11,237
CWIP	190	353	197	197	197
Intangible assets	101	240	191	191	191
Deferred tax assets, net	0	0	0	0	0
Other assets	246	435	530	530	530
<b>Total assets</b>	<b>18,542</b>	<b>21,232</b>	<b>23,194</b>	<b>24,534</b>	<b>26,781</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
<b>Cash flow from operations</b>	<b>3,645</b>	<b>558</b>	<b>1,058</b>	<b>2,501</b>	<b>1,459</b>
Capital expenditures	(1,000)	(2,347)	(2,544)	(2,200)	(2,200)
Change in investments	14	0	0	0	0
Other investing cash flows	72	307	137	137	137
<b>Cash flow from investing</b>	<b>(915)</b>	<b>(2,040)</b>	<b>(2,407)</b>	<b>(2,063)</b>	<b>(2,063)</b>
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(919)	563	1,497	176	326
Interest expenses	(110)	(65)	(97)	(134)	(134)
Dividends paid	0	(111)	(55)	(166)	(221)
Other financing cash flows	(227)	90	(56)	0	0
<b>Cash flow from financing</b>	<b>(1,256)</b>	<b>478</b>	<b>1,289</b>	<b>(124)</b>	<b>(29)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>1,474</b>	<b>(1,005)</b>	<b>(59)</b>	<b>315</b>	<b>(632)</b>
<b>Closing cash &amp; cash eq.</b>	<b>2,161</b>	<b>1,156</b>	<b>1,096</b>	<b>1,411</b>	<b>779</b>

### Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25A	FY26E	FY27E
Reported EPS	11.0	16.5	3.9	9.6	14.9
Adjusted EPS	11.1	15.5	4.0	9.6	14.9
Dividend per share	0.0	1.0	0.5	1.5	2.0
Book value per share	123.4	139.7	142.6	150.7	163.7

### Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25A	FY26E	FY27E
EV/Sales	1.3	1.3	1.4	1.2	1.0
EV/EBITDA	13.7	11.1	21.6	12.6	9.2
Adjusted P/E	27.9	19.9	76.3	32.0	20.7
P/BV	2.5	2.2	2.2	2.0	1.9

### DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25A	FY26E	FY27E
Tax burden (Net profit/PBT)	74.2	76.0	76.0	74.8	74.8
Interest burden (PBT/EBIT)	97.7	102.9	107.4	100.3	100.2
EBIT margin (EBIT/Revenue)	6.2	8.5	2.2	5.1	6.8
Asset turnover (Rev./Avg TA)	146.2	121.0	108.8	113.1	121.1
Leverage (Avg TA/Avg Equity)	1.4	1.5	1.5	1.5	1.5
Adjusted ROAE	9.3	11.8	2.9	6.6	9.5

### Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25A	FY26E	FY27E
<b>YoY growth (%)</b>					
Revenue	2.0	(5.2)	(1.7)	10.0	16.9
EBITDA	(39.9)	23.4	(47.9)	64.3	33.2
Adjusted EPS	(51.3)	40.4	(73.9)	138.3	54.9

### Profitability & Return ratios (%)

EBITDA margin	9.3	12.1	6.4	9.6	10.9
EBIT margin	6.2	8.5	2.2	5.1	6.8
Adjusted profit margin	4.5	6.7	1.8	3.8	5.1
Adjusted ROAE	9.3	11.8	2.9	6.6	9.5
ROCE	12.5	14.2	3.7	8.0	11.0

### Working capital days (days)

Receivables	56	83	61	61	61
Inventory	57	62	88	74	74
Payables	43	35	38	38	38

### Ratios (x)

Gross asset turnover	2.8	2.3	1.9	1.8	1.8
Current ratio	2.4	2.4	2.1	2.0	2.0
Net interest coverage ratio	15.3	33.8	5.7	10.6	16.5
Adjusted debt/equity	(0.1)	0.0	0.1	0.1	0.1

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

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**BUY** – Expected return >+15%

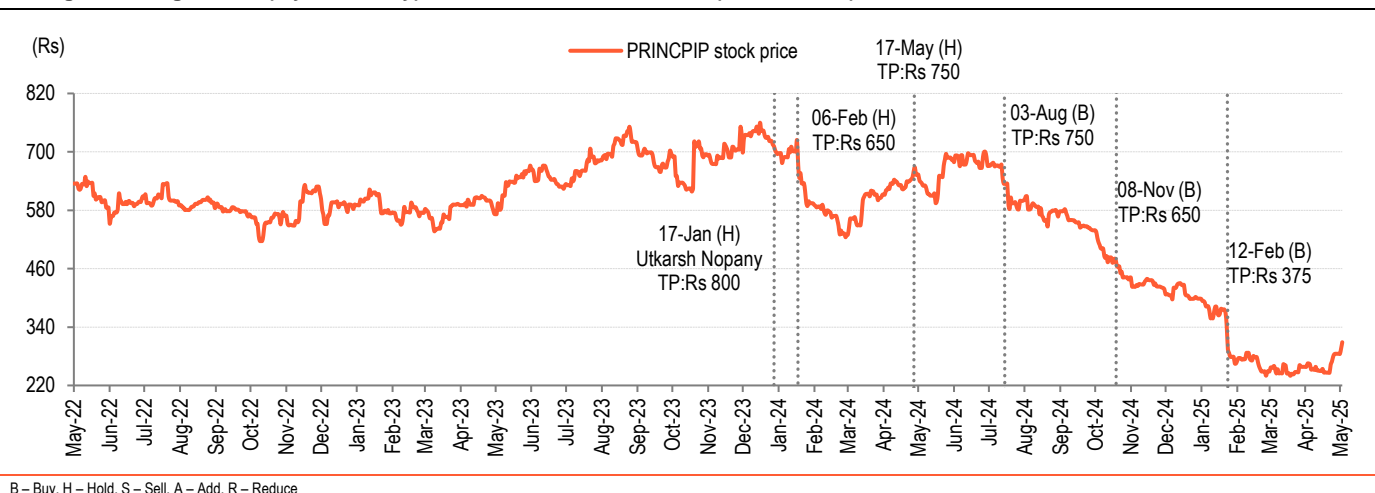
**HOLD** – Expected return from -6% to +15%

**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 (PRINCE IN)



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