

Retail Equity Research

Prince pipes & fittings Ltd.

Plastic pipes

BSE CODE : 542907

NSE CODE: PRINCEPIPE

BLOOMBERG CODE: PRINCEPIP:IN

SENSEX : 58,991

Accumulate

12 Months Investment Period

Rating as per Small Cap

CMP Rs.542

TARGET Rs.635

RETURN 17%

↑

(Closing: 31-03-23)

KEY CHANGES:

TARGET ↑

RATING ↔

EARNINGS ↑

Strong volumes growth...

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.

- 9MFY23, revenue grew by 11% YoY, led by 21% YoY volume growth.
- The volume growth was fueled by agriculture and stable plumbing demand as well as channel re-stocking.
- EBITDA declined by 63% YoY, largely due to inventory loss and a higher base.
- But on a sequential basis, Q3FY23 reported EBITDA margin was at 9.8%, exceeding the 5.1% average for the previous two quarters.
- Overall demand environment to remain steady, driven by benign input costs, and healthy demand from the agri. & housing segments.
- With the exhaustion of high cost inventory, the worst impacts on margins are behind us. We expect margins will gradually improve from hereon.
- We value PPL at a P/E of 24x on FY25E and maintain Accumulate rating with a target price of Rs. 635.

Volumes growth strong...

Revenue for Q3FY23 increased by 6% YoY, which was above our expectations, driven by a 35% YoY increase in volume. 9MFY23, volume grew by 21%. As per management, strong demand from the housing and agriculture sectors, as well as channel restocking, drove volume increase. During the quarter, PVC prices decreased by 36% YoY, leading to a 13% YoY decline in total realization. Going ahead, strong agri. and steady demand from the real estate sector will drive volumes for the company. We expect revenue to grow at a CAGR of 12% over FY23E–FY25E.

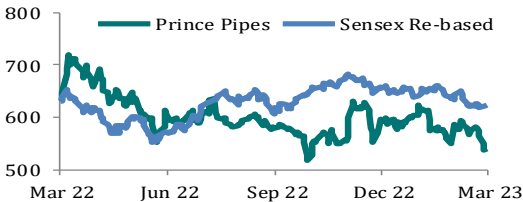
Input cost eases....margins to normalise gradually

In Q3FY23, reported EBITDA declined by 38% YoY, largely due to inventory loss and a high base, while EBITDA margin declined by 690bps YoY. On a sequential basis, however, the reported EBITDA margin was at 9.8%, exceeding the 5.1% average for the previous two quarters. The inventory loss for the quarter amounted to Rs.25-30cr. PAT fell by 47% YoY. We believe that the worst impact on margins has passed, and we anticipate continued margin improvement in the future, owing to higher volumes and stable raw material prices. We lower our EBITDA margin estimates by 150bps for FY23E & 80bps & 70bps for FY24E & FY25E, respectively, due to the short-term impact on margins.

Valuations

We expect volume growth to pick up, driven by the improvement in demand from the agriculture and construction sectors, and the softness in raw material prices. We value PPL at a P/E of 24x on FY25E and maintain Accumulate, with a target price of Rs. 635.

Company Data			
Market Cap (cr)	Rs.5,992		
Enterprise Value (cr)	Rs.6,127		
Outstanding Shares (cr)	11.1		
Free Float	37.1%		
Dividend Yield	0.59%		
52 week high	Rs.729		
52 week low	Rs.513		
6m average volume (cr)	0.01		
Beta	0.7		
Face value	Rs.10		
Shareholding (%)	Q1FY23	Q2FY23	Q3FY23
Promoters	62.9	62.9	62.9
FII's	4.1	4.0	4.4
MFs/Institutions	14.5	14.6	15.5
Public	16.6	16.8	15.8
Others	1.9	1.7	1.4
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	-9.2%	-6.5%	-14.5%
Absolute Sensex	-5.2%	0.9%	-1.2%
Relative Return*	-4.0%	-7.5%	-13.3%
*over or under performance to benchmark index			



Standalone (cr)	FY23E	FY24E	FY25E
Sales	2,809	3,154	3,535
Growth (%)	5.7	12.3	12.1
EBITDA	196	420	484
EBITDA Margin (%)	7.0	13.3	13.7
PAT Adjusted	81	244	291
Growth (%)	(67.6)	201.5	19.4
Adjusted EPS	7.3	22.2	26.5
Growth (%)	(67.6)	201.5	19.4
P/E	73.7	24.5	20.5
P/B	2.0	1.7	1.5
EV/EBITDA	31.3	14.4	12.3
ROE (%)	6.3	17.3	17.8
D/E	0.1	0.1	0.0

ANIL R
Research Analyst

Quarterly Financials (Standalone)

Profit & Loss

(Rs cr)	Q3FY23	Q3FY22	YoY Growth (%)	9MFY23	9MFY22	YoY Growth (%)
Sales	706	664	6.3	1,946	1,756	11.0
EBITDA	69	111	(37.5)	102	275	(63.0)
EBITDA margins	9.8	16.7	(690bps)	5.2	15.7	(10.4)
Depreciation	21	18	19.5	62	50	22.8
EBIT	48	94	(48.2)	40	225	(82.2)
Interest	2	3	(52.8)	8	10	(17.1)
Other Income	1	2	(28.2)	5	5	-
Exceptional Items	-	-	-	-	-	-
PBT	48	92	(47.7)	37	220	(83.2)
Tax	13	24	(48.4)	10	59	(83.5)
Share of profit from Associate	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-
Reported PAT	35	67	(47.4)	27	161	(83.1)
Adjustments	-	-	-	-	-	-
Adj PAT	35	67	(47.4)	27	161	(83.1)
No. of Shares	11.1	11.1	-	11.1	11.1	-
EPS (Rs)	3.2	6.1	(47.4)	2.5	14.6	(83.1)

Change in Estimates

	Old estimates			New estimates			Change (%)		
Year / Rs cr	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	2,445	2,829	3,205	2,809	3,154	3,535	15.0	11.5	10.3
EBITDA	208	400	460	196	420	484	(6.0)	5.1	5.3
Margins (%)	8.5	14.2	14.4	7.0	13.3	13.7	(150bps)	(90bps)	(70bps)
Adj. PAT	86	224	268	81	244	291	(6.0)	8.8	8.6
EPS	7.8	20.4	24.4	7.3	22.2	26.5	(6.0)	8.8	8.6

Standalone Financials

PROFIT & LOSS

Y.E March (Rs.cr)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	2,072	2,657	2,809	3,154	3,535
% change	26.6	28.3	5.7	12.3	12.1
EBITDA	362	416	196	420	484
% change	58.1	14.9	(53.0)	115.0	15.2
Depreciation	59	70	84	91	97
EBIT	302	345	112	329	387
Interest	21	14	10	14	10
Other Income	18	5	6	9	11
PBT	299	337	108	325	388
% change	98.7	12.6	(68.0)	201.5	19.4
Tax	77	87	27	81	97
Tax Rate	25.8%	26.0%	25.0%	25.0%	25.0%
Reported PAT	222	249	81	244	291
Adj*	0	0	0	0	0
Adj PAT	222	249	81	244	291
% change	97.2	12.4	(67.6)	201.5	19.4
No. of shares (cr)	11.0	11.1	11.1	11.1	11.1
Adj EPS (Rs.)	20.2	22.7	7.3	22.2	26.5
% change	97.2	12.4	(67.6)	201.5	19.4
DPS (Rs.)	2	3	3	3	3
CEPS (Rs.)	25.6	28.9	14.9	30.3	35.1

BALANCE SHEET

Y.E March (Rs. cr)	FY21A	FY22A	FY23E	FY24E	FY25E
Cash	8	32	14	54	77
Accounts Receivable	353	435	454	493	562
Inventories	227	619	556	588	658
Other Cur. Assets	436	174	280	358	402
Investments	1	12	17	32	62
Gross Fixed Assets	695	904	994	1,054	1,134
Net Fixed Assets	495	642	648	617	599
CWIP	77	23	30	30	30
Intangible Assets	8	4	1	1	1
Def. Tax (Net)	(13)	(12)	(12)	(12)	(12)
Other Assets	0	0	0	0	0
Total Assets	1,593	1,927	1,988	2,160	2,380
Current Liabilities	433	495	512	506	531
Provisions	13	15	16	19	21
Debt Funds	100	150	150	120	60
Other Liabilities	3	2	2	2	2
Equity Capital	110	111	111	111	111
Reserves & Surplus	933	1,155	1,197	1,402	1,655
Shareholder's Fund	1,043	1,265	1,308	1,513	1,765
Total Liabilities	1,593	1,927	1,988	2,160	2,380
BVPS (Rs.)	217	264	272	315	368

CASH FLOW

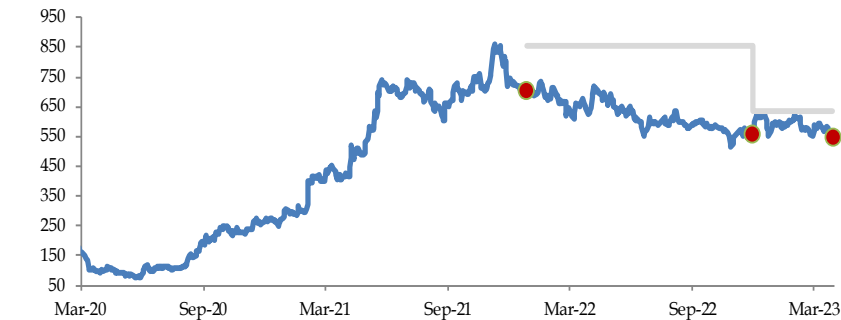
Y.E March (Rs.cr)	FY21A	FY22A	FY23E	FY24E	FY25E
Net inc. + Depn.	281	320	165	335	388
Non-cash adj.	41	14	10	14	10
Changes in W.C	(15)	(353)	(43)	(152)	(156)
C.F. Operation	307	(20)	131	196	242
Capital exp.	(145)	(169)	(95)	(60)	(80)
Change in inv.	60	185	(5)	(15)	(30)
Other invest.CF	0	5	-	-	-
C.F - Investment	(86)	20	(100)	(75)	(110)
Issue of equity	(1)	11	-	-	-
Issue/repay debt	(176)	64	-	(30)	(60)
Dividends paid	(17)	(39)	(39)	(39)	(39)
Other finance.CF	(20)	(14)	(10)	(14)	(10)
C.F - Finance	(213)	22	(48)	(82)	(108)
Chg. in cash	8	23	(17)	39	24
Closing cash	8	32	14	54	77

RATIOS

Y.E March	FY21A	FY22A	FY23E	FY24E	FY25E
Profitab. & Return					
EBITDA margin (%)	17.5	15.6	7.0	13.3	13.7
EBIT margin (%)	14.6	13.0	4.0	10.4	10.9
Net profit mgn.(%)	10.7	9.4	2.9	7.7	8.2
ROE (%)	23.6	21.6	6.3	17.3	17.8
ROCE (%)	21.2	20.3	6.1	16.4	17.3
W.C & Liquidity					
Receivables (days)	47	54	58	55	54
Inventory (days)	76	82	95	90	88
Payables (days)	95	90	82	80	73
Current ratio (x)	2.3	2.5	2.5	2.8	3.1
Quick ratio (x)	0.8	0.9	0.9	1.1	1.2
Turnover & Leverage					
Gross asset T.O (x)	3.1	3.3	3.0	3.1	3.2
Total asset T.O (x)	1.4	1.5	1.4	1.5	1.6
Int. coverage ratio (x)	14.6	24.8	11.3	24.4	39.1
Adj. debt/equity (x)	0.1	0.1	0.1	0.1	0.0
Valuation					
EV/Sales (x)	2.8	2.3	2.2	1.9	1.7
EV/EBITDA (x)	16.1	14.6	31.3	14.4	12.3
P/E (x)	26.9	23.9	73.7	24.5	20.5
P/BV (x)	2.5	2.1	2.0	1.7	1.5

Recommendation summary (Last 3 Years)

Dates	Rating	Target
29-December-21	BUY	855
01-December-22	ACCUMULATE	633
31-March 23	ACCUMULATE	635



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.

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