

# PRINCE PIPES

## RESULT UPDATE

### KEY DATA

Rating	REDUCE
Sector relative	Underperformer
Price (INR)	296
12 month price target (INR)	247
52 Week High/Low	721/210
Market cap (INR bn/USD bn)	33/0.4
Free float (%)	36.8
Avg. daily value traded (INR mn)	84.4

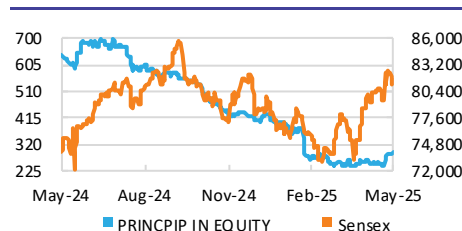
### SHAREHOLDING PATTERN

	Mar-25	Dec-24	Sep-24
Promoter	60.94%	60.94%	60.94%
FII	6.19%	6.07%	7.27%
DII	14.97%	16.44%	17.52%
Pledge	0%	0%	0%

### FINANCIALS

	(INR mn)			
Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	25,239	27,927	29,949	31,868
EBITDA	1,618	2,884	3,258	3,568
Adjusted profit	447	1,361	1,630	1,767
Diluted EPS (INR)	4.0	12.3	14.7	16.0
EPS growth (%)	(72.8)	204.2	19.8	8.4
RoAE (%)	2.9	8.4	9.4	9.5
P/E (x)	76.1	25.0	20.9	19.3
EV/EBITDA (x)	44.5	23.8	20.6	18.2
Dividend yield (%)	0	0	0	0

### PRICE PERFORMANCE



## Volumes dip; margins improve

PPFL reported mixed results in Q4FY25. While volumes decreased in line with our estimate of 2% YoY, margins improved to 7.6% (our estimate: 6.6%). EBITDA margins (down 485bp YoY) were hurt by: i) inventory losses of INR250mn; ii) bathware losses of INR45mn; iii) higher employee expenses (up 22% YoY); and iv) operating leverage. Higher depreciation and interest expenses dragged PAT down by 56% YoY to INR241mn in Q4. Management continues to guide for double-digit volume growth in FY26E with 12% margins in the long term.

Due to lacklustre guidance, loss of market share, softness in margins and sectoral headwinds, we maintain 'REDUCE' with an unchanged target price of INR247 at 18x on FY27 EPS.

### Volumes affected by strong competition and destocking

While volumes inched down 2% YoY in line with our estimate, realisation declined 1% YoY. While PVC prices fell and PPFL was giving channel incentives to fuel volume growth, realisations improved 2% QoQ led by an improvement in product mix towards CPVC (double-digit growth). In Q4, decreasing PVC prices and muted demand led to significant destocking at the distributor level. Bathware contributed INR105mn. PPFL was hurt by the competitive intensity in the pipes segment and expects bathware to breakeven only after four-five quarters. The company is optimistic of double-digit volume growth in FY26E, aided by the Begusarai plant.

### Margins improve; higher employee costs hurt

EBITDA margins slipped 185bp YoY to 7.6%, slightly ahead of our/consensus estimate. Q4FY25 was marred by i) inventory loss of INR250mn; ii) trade incentives (~3%); iii) bathware loss of INR45mn; iv) employee expenses (up 22% YoY); and iv) operating leverage. Q4 EBITDA/kg was ~INR10.8 (our estimate: INR9). Higher employee expense was largely on the back of the Aquel brand and PPFL's focus on the sales and marketing division. The company expects 12% margin in the long term. After a brief improvement in PVC prices recently, PPFL feels it has bottomed out.

### Rationalising inventory days; capacity expansion on track

The company has reduced debtor days to 61 and inventory levels post-Dec-24 (from 108 to 88). Furthermore, PPFL aims to rationalise raw materials (30 days) and ramp up the finished good inventory (35-40 days). During Q4FY25, the company commenced operations at the Begusarai plant to the tune of 24,000MT (plans to scale it up to 60,000MT). PPFL has planned an FY26E capex (including the Bihar plant) of ~INR2.3-2.5bn. However, it is yet to ramp up its existing capacity.

### Financials

Year to March	Q4FY25	Q4FY24	% Change	Q3FY25	% Change
Net Revenue	7,196	7,401	(2.8)	5,777	24.6
EBITDA	548	923	(40.6)	30	1,746.6
Adjusted Profit	241	547	(55.9)	(204)	(218.1)
Diluted EPS (INR)	2.2	4.9	(55.9)	(1.8)	(218.1)

## Financial Statements

### Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	25,239	27,927	29,949	31,868
Gross profit	6,400	8,239	8,985	9,560
Employee costs	1,742	1,949	2,066	2,149
Other expenses	3,040	3,405	3,660	3,843
EBITDA	1,618	2,884	3,258	3,568
Depreciation	1,070	1,186	1,228	1,287
Less: Interest expense	97	71	62	159
Add: Other income	137	151	166	191
Profit before tax	588	1,778	2,135	2,313
Prov for tax	141	417	505	546
Less: Other adj	0	0	0	0
Reported profit	447	1,361	1,630	1,767
Less: Excp.item (net)	0	0	0	0
Adjusted profit	447	1,361	1,630	1,767
Diluted shares o/s	111	111	111	111
Adjusted diluted EPS	4.0	12.3	14.7	16.0
DPS (INR)	0	0	0	0
Tax rate (%)	24.0	23.5	23.7	23.6

### Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Volume Growth (%)	2.6	8.0	6.0	6.0
Realisation Growth	(5.0)	0	0	0
Capex (INR mn)	2,568.1	600.0	600.0	600.0
EBITDA margin (%)	6.4	10.3	10.9	11.2
Net profit margin (%)	1.8	4.9	5.4	5.5
Revenue growth (% YoY)	(1.7)	10.7	7.2	6.4
EBITDA growth (% YoY)	(47.4)	78.3	13.0	9.5
Adj. profit growth (%)	(72.8)	204.2	19.8	8.4

### Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	6.5	6.5	6.5	6.5
Repo rate (%)	5.3	5.3	5.3	5.3
USD/INR (average)	82.0	82.0	82.0	82.0
Gross margins	25.4	29.5	30.0	30.0
EBITDA/MT	8,600.0	14,500.0	15,500.0	16,000.0
Depre % of gross block	6.9	6.9	6.9	7.0
Interest % of debt	5.1	3.0	3.2	10.0

### Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	76.1	25.0	20.9	19.3
Price/BV (x)	2.2	2.0	1.9	1.8
EV/EBITDA (x)	44.5	23.8	20.6	18.2
Dividend yield (%)	0	0	0	0

Source: Company and Nuvama estimates

### Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	1,106	1,106	1,106	1,106
Reserves	14,659	15,634	16,873	18,236
Shareholders funds	15,764	16,739	17,979	19,341
Minority interest	0	0	0	0
Borrowings	2,641	2,120	1,755	1,430
Trade payables	2,611	2,967	3,159	3,361
Other liabs & prov	1,895	1,895	1,895	1,895
Total liabilities	23,194	24,004	25,070	26,310
Net block	9,537	8,951	8,323	7,636
Intangible assets	69	69	69	69
Capital WIP	198	198	198	198
Total fixed assets	9,803	9,217	8,589	7,902
Non current inv	270	270	270	270
Cash/cash equivalent	830	3,644	5,013	6,568
Sundry debtors	4,229	4,591	4,923	5,326
Loans & advances	0	0	0	0
Other assets	7,531	5,752	5,744	5,715
Total assets	23,194	24,004	25,070	26,310

### Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	447	1,361	1,630	1,767
Add: Depreciation	1,070	1,186	1,228	1,287
Interest (net of tax)	65	48	42	107
Others	(715)	3,462	(358)	(417)
Less: Changes in WC	(322)	1,774	(133)	(171)
Operating cash flow	1,189	4,283	2,673	2,915
Less: Capex	(2,554)	(600)	(600)	(600)
Free cash flow	(1,364)	3,683	2,073	2,315

### Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	2.9	8.4	9.4	9.5
RoCE (%)	3.9	9.9	11.4	12.2
Inventory days	101	96	75	70
Receivable days	73	58	58	59
Payable days	49	52	53	53
Working cap (% sales)	29.5	20.3	19.4	18.8
Gross debt/equity (x)	0.2	0.1	0.1	0.1
Net debt/equity (x)	0.1	(0.1)	(0.2)	(0.3)
Interest coverage (x)	5.7	23.8	32.8	14.3

### Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	(72.8)	204.2	19.8	8.4
RoE (%)	2.9	8.4	9.4	9.5
EBITDA growth (%)	(47.4)	78.3	13.0	9.5
Payout ratio (%)	0	0	0	0

## Q4FY25 conference call: Key highlights

### Opening remarks

- PVC faced muted demand.
- Subdued government spending in infra and allied sectors led to inventory destocking by channel partners.
- High volatility in PVC resin: volumes and margins affected.
- The company remained focused on operational facilities.
- Key highlight: Successful commissioning of phase 1 of Begusarai (Bihar): 24,000MT (plans to scale up to 60,000MT).
- Installed 397,500MT yearly
- Undertaking capex across existing facilities to support future growth.
- The remaining Begusarai capacity to be commissioned within the next six months.
- Strategically located for Eastern India.
- Bathware segment/Aquel; retail footprint in urban and semi-urban markets.
  - New showrooms in UP and Rajasthan.
  - In cities such as Jaipur, Goa and Pune.
  - Total 200 retail touchpoints across the country.
  - Bathware category shall contribute healthily.
- Brand visibility strategy: Active in travel corridors—Darjeeling toy train and Vande Bharat.
- CPVC range: GReenpro certified.
- Geographical expansion, product expansion and operational efficiency.
- Cautiously optimistic about a demand revival.
- Continues to monitor PVC resin pricing.

### Demand outlook

- Realisations have improved due to a better product mix (higher proportion of CPVC).
- CPVC: double-digit growth.
- Do not expect aggressive restocking, Prices have bottomed out. Usually channel keeps three–four weeks of inventory; currently less than two weeks.
- Full year: low to mid-digit decline for the PVC pipe industry.
- Expect 5–6% growth in FY26E (primarily led by CPVC- improvement in capacities and pricing rationalisation).

## Inventory loss

- For Q4FY25: INR250mn inventory loss
- For FY25: INR850mn inventory loss.

## Guidance

- Double-digit volume growth (on a low base) for FY26E.
- New capacity shall also help volume growth.
- Margin guidance: 12% EBITDA margin in the long term.

## Bathware/Aquel

- Bathware —Full year: INR300mn; Q4FY25: INR105mn; INR95mn revenue in Q3FY25 (INR50mn in Q2FY25).
- Further loss of INR45mn on account of bathware.
- Likely to breakeven in four–five quarters.
- Tanks revenue for FY25: INR480mn.
- Product positioning: Cannot be changed overnight—the company continues to position like Jaguar range

## PVC

- PVC prices have bottomed out.
- Reluctance from channel partner should not be there.
- A price hike of INR1.5 in recent days.
- Do not expect a sharp uptick in prices.
- ADD: a lot of talk since the past two–three quarters.
- Prices should remain in the INR70–80 range.

## Margins

- Gross margin of 28.5% in FY25 because of product mix and operating leverage.
- Q1 is generally agri heavy.
- The company expects to maintain margins for the whole year FY26E.

## Capex

- Capex FY25: Bihar: 24000MT; related infra: INR1800mn; remaining is INR700mn (FY26 spillover).
- INR430mn : Aquel and INR70–80mn Bhuj
- Internal repairs and maintenance: INR1bn
- Gross block asset turnover has gone down to 1.4x, which is sustainable.
- Three greenfield assets: Jaipur/Telangana/Begusarai : 80 acre/40 acre/35 acre

## Inventory

- Overall reduction in inventory December onwards
- Raw material inventory will normalise by Q1 or Q2—the company will have strict control on it

- The company shall hold finished goods at healthy levels.
- PPFL has improved its infrastructure to enhance the finished good holding to 30–35 days.
- Target of 30 days : raw material and 35–40 days of finished goods inventory.

## Miscellaneous

- Stayed away from Institutional sales: because of stretched credit risk.
- The company participates in Jal Jeevan mission, but through distributors
- Incentive of 3% continues in Q4 and going ahead.
- Channel inventory is low currently.
- Competitive intensity: New entrants are disciplined players. Prince is more comfortable competing with organised players rather than unorganised ones. Higher awareness of brand going forward.
- For builders, the cost of pipes is only 1% of the total project. Hence, they prefer organised players.
- CPVC: Lot of capacity addition for CPVC resins. Very affordable raw material prices and hence retail prices. Plumbing, firefighting and industrial. The company continues to be extremely bullish on the CPVC segment.
- SWR pipes outsourced plant at Hajipur and Haridwar have been supplying to Eastern India currently.
- Ad spends: 2.2% of total revenue in FY25; expect in a similar range for FY26E.
- OPVC: Prince is not evaluating. The company is staying away from government orders.

**Exhibit 1: Financial snapshot (INR mn)**

Year to March	Q4FY25	Q4FY24	% change	Q3FY25	% change	FY26E
Revenues	7,196	7,401	(2.8)	5,777	24.6	27,927
Raw material	5,401	5,224	3.4	4,527	19.3	19,689
Staff costs	464	379	22.4	450	3.1	1,949
Others	783	876	(10.5)	770	1.7	3,405
Total expenditure	6,648	6,479	2.6	5,748	15.7	25,043
EBITDA	548	923	(40.6)	30	1,746.6	2,884
Depreciation	273	239	14.1	264	3.2	1,186
EBIT	275	684	(59.8)	-235	(217.2)	1,698
Less: Interest Expense	33	14	146.9	32	2.9	71
Add: Other income	57	53	7.3	15	275.6	151
Profit Before Tax	299	723	(58.7)	-252	(218.6)	1,778
Less: Provision for Tax	58	177	(67.4)	-48	(220.9)	417
Add: Exceptional items	0	0		0		
Reported Profit	241	547	(55.9)	-204		1,361
Adjusted net profit	241	547	(55.9)	-204	(218.1)	1,361
No. of Diluted shares outstanding (mn)	110	110		110		110
Adjusted Diluted EPS	2.2	5.0	(55.9)	(1.9)	(218.1)	11.3
P/E (x)						27.9
EV/EBITDA (x)						11.9
ROE(%)						7.7
As % of net revenues						
Raw material	75.1	70.6		78.4		70.5
Staff expenses	6.4	5.1		7.8		7.0
Other expenses	10.9	11.8		13.3		12.2
EBITDA	7.6	12.5		0.5		10.3
Net profit	3.4	7.4		(3.5)		4.9

Source: Company, Nuvama Research

## Company Description

PPFL is one of the leading polymer pipes and fittings manufacturers in India in terms of the number of distributors. The company markets its products under two brand names—Prince Piping Systems and Trubore. It has more than 30 years of experience in manufacturing polymer pipes and 20 plus years of experience in manufacturing fittings. Currently, PPFL manufactures polymer pipes and fittings using four different polymers—UPVC, CPVC, PPR and PP. As at March 31, 2023, the company had a product range of more than 7,500 SKUs used for varied applications in plumbing, irrigation and sewage disposal. It currently sells products to distributors, who then resell them to wholesalers, retailers and consumers.

## Investment Theme

PPFL—a leading player in fast-growing plastic pipes industry (12-14% CAGR)—has reaped benefit of demand shift to organised players. Underpinned by a comprehensive product range, presence across segments (agri, infra, plumbing) and pan-India brand & distribution, it has clocked 27%, 15% and 19% revenue, EBITDA and PAT CAGR, respectively, over FY18-23— one of the highest in industry. PPFL is affected by high competitive intensity and PVC price volatility.

## Key Risks

- Sustained slowdown in residential and non-residential construction activity in India
- Slowdown in agriculture sector
- Raw material prices volatility can impact profitability

## Additional Data

### Management

Chairman and MD	Jayant S. Chheda
ED & Promoter	Parag J. Chheda
ED & Promoter	Vipul J. Chheda
CFO	Shyam Sharda
Auditor	N.A Shah Associates LLP

### Holdings – Top 10\*

	% Holding		% Holding
Mirae asset	10.25	ICICI AMC	0.30
DSP	4.73	Alquity investm	0.26
Norges bank	2.00	Blackrock	0.21
Dimensional fun	0.47	Motilal Oswal A	0.11
FundRock	0.43	Tata AMC	0.11

\*Latest public data

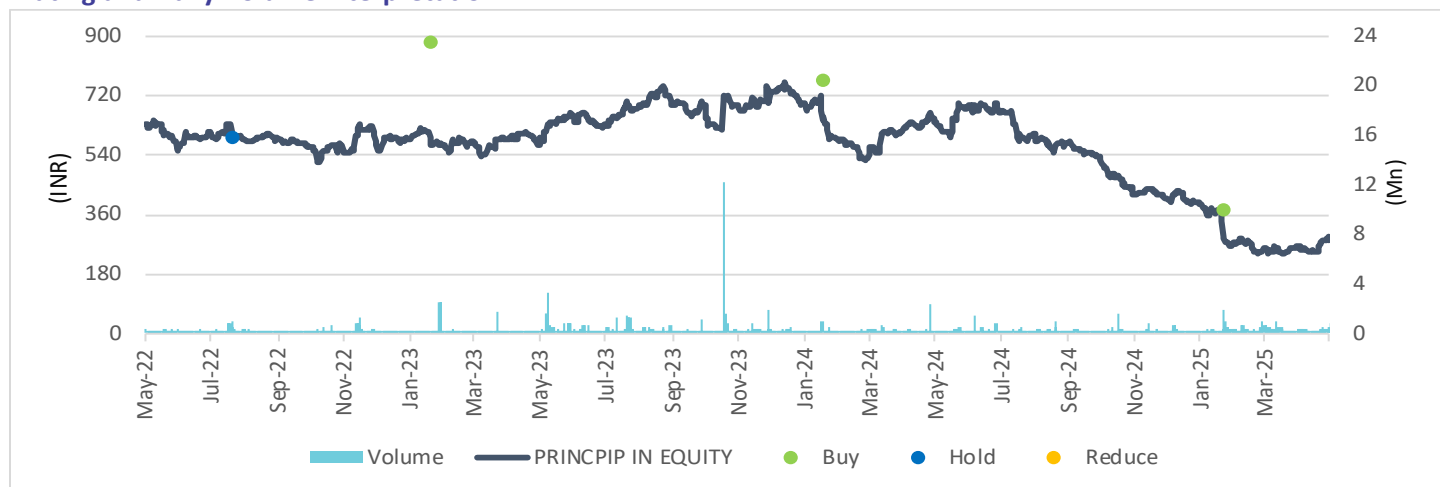
### Recent Company Research

Date	Title	Price	Reco
12-Feb-25	Competitive intensity hurts; to continue; <i>Result Update</i>	294	Buy
08-Nov-24	Volume gain at the cost of margins; <i>Result Update</i>	476	Buy
02-Aug-24	Volumes growth returns; margins hit; <i>Result Update</i>	648	Buy

### Recent Sector Research

Date	Name of Co./Sector	Title
19-May-25	Home Decor	Q1FY26 on track; high spreads to be watc; <i>Sector Update</i>
12-May-25	Apollo Pipes	Good showing despite tough backdrop; <i>Result Update</i>
07-May-25	APL Apollo	Strong showing in weak environment; <i>Result Update</i>

### Rating and Daily Volume Interpretation



### Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	204
Hold	<15% and >-5%	63
Reduce	<-5%	34



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