FIRST LIGHT

13 February 2025

RESEARCH

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Food putting a brake on CPI

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IIP growth softens

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"Trump" cards at play

LUPIN | TARGET: Rs 2,626 | +30% | BUY

High-margin US region to have growth visibility till FY27

ASHOK LEYLAND | TARGET: Rs 274 | +25% | BUY

Cost and realisation a positive surprise, retain BUY

CERA SANITARYWARE | TARGET: Rs 7,500 | +18% | BUY

Weak Q3 on subdued retail demand

PRINCE PIPES & FITTINGS | TARGET: Rs 375 | +28% | BUY

Disappointing performance on all fronts

SUMMARY

INDIA ECONOMICS: CPI

CPI inflation got the breather from a favourable correction in food inflation buoyed by seasonality factors and better supply side dynamics. The high frequency price data for Feb-25 is continuing to show softening in Feb'25 as well, especially for Tomato and Potato the downward fall is persisting at a steeper pace. Core is also insulated. Recent company financials again have pointed out that demand recovery has been skewed and concentrated in a few segments. Thus, we believe core inflation is likely to be capped. Thus an easing CPI print is comforting from a monetary policy standpoint as well, when global uncertainty poses some significant ambiguity in terms of currency, liquidity and upcoming monetary policy response.

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INDIA ECONOMICS: IIP

Tepid growth in manufacturing sector resulted in dragging down IIP growth lower at 3.2% in Dec'24 4 compared with a growth of 5.0% in Nov'24. Despite the moderation, both mining and electricity sector registered strong growth. Manufacturing sector had subdued performance, with over 15 sub-sectors registering weaker growth than last year. Within use-based classification, capital goods and primary goods registered a strong growth in Dec'24. Despite the moderation, we expect a rebound in the coming months which will be adequately supported by capex push, beginning with the easing cycle by RBI and lower inflation. However, the ongoing global tariff war remains a key risk to these projection amidst the concern around higher imported inflation and thereby, requires careful attention.

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INDIA ECONOMICS: MONTHLY CHARTBOOK

The interplay of both fiscal and monetary policy was evident with the Budget focussing on remaning fiscal prudent and shifting towards the debt-GDP ratio. The new income tax measures are expected to boost consumption. On monetary policy front, MPC after a gap of 5-years began with the easing cycle as it retorted to a unanimous 25bps rate cut. The stance has been retained at neutral allowing for further flexibility ahead. Inflation projections has been retained at 4.8% for FY25 and for FY26 it is estimated at 4.2%. GDP has been pegged at 6.7% in FY26. We expect another 50bps rate cut in this calendar year. Global market are currently laced with volatility amidst the ongoing threat of tariff war along with retaliatory moves. Even though, India's economy remain resilient given strong domestic fundamentals, escalating geopolitical conditons could have an adverse impact.

Click here for the full report.

LUPIN

- US sales cc quarterly run rate at its highest-ever level of US$ 235mn, expect to inch up to US$ 250mn in FY26E and US$ 280mn in FY27E
- EBITDA margin reported at 23.5% in 9MFY25, retains guided level of ~23.5% in FY25E despite higher R&D cost in Q4FY25
- We maintain BUY on the stock and continue to value LPC at 30x P/E on Dec'26 rollover to arrive at a TP of Rs 2,626 (earlier Rs 2,438)

Click here for the full report.

ASHOK LEYLAND

- Q3FY25 revenue grew 2%/8% YoY/QoQ to Rs 94.76bn, helped by realisation gains of 4%/6% YoY/QoQ while volume was listless
- EBITDA margin rose to 12.8% compared to 12.0%/11.6% in Q3FY24/ Q2FY25 driven by overall cost savings measures
- We cut our earnings for FY26E/FY27E by 4%/5%, retain BUY rating for a revised 1-year forward SOTP-based TP of Rs 274 (from Rs 279)

Click here for the full report.

CERA SANITARYWARE

- Misses PAT estimates by 20% in Q3 due to lower-than-expected revenue on account of weak retail demand
- CRS expects recovery in retail demand environment and its margin to improve to 16-17% level over the next couple of quarters
- Maintain BUY on healthy earnings growth profile with reasonable valuations; TP down by 12% to Rs 7,500 due to cut in our P/E multiple

Click here for the full report.

PRINCE PIPES & FITTINGS

- Dismal performance in Q3 on loss of market share even after following an aggressive pricing strategy and poor inventory management
- Target volume to grow at double-digit rate and EBITDA margin to improve to normal level of 12% from Q1FY26
- Maintain BUY; TP cut by 42% to Rs 375 on sharp earnings downgrade as well as cut in our target P/E multiple based on disappointing Q3

Click here for the full report.

बैंक ऑफ़ बड़ौदा
Bank of Baroda

CPI

12 February 2025

Food putting a brake on CPI

Dipanwita Mazumdar
Economist

CPI inflation got the breather from a favourable correction in food inflation buoyed by seasonality factors and better supply side dynamics. The high frequency price data for Feb-25 is continuing to show softening in Feb'25 as well, especially for Tomato and Potato the downward fall is persisting at a steeper pace. Core is also insulated. Recent company financials again have pointed out that demand recovery has been skewed and concentrated in a few segments. Thus, we believe core inflation is likely to be capped. Thus an easing CPI print is comforting from a monetary policy standpoint as well, when global uncertainty poses some significant ambiguity in terms of currency, liquidity and upcoming monetary policy response.

Food comforted headline

CPI inflation moderated to its lowest since Aug'24: CPI inflation softened to 4.3% in Jan'25 from 5.2% in Dec'24 (BoB est.: 4.7%), on YoY basis. The undershooting was supported by a significant correction in food inflation which went down by 237bps to 6% in Jan'25 from 8.4% in Dec'24. The major slump was noticed in the case of vegetable inflation (11.3% in Jan'25 compared to 26.6% in Dec'24). Bumper arrivals of TOP (Tomato, Onion and Potato) since Nov'24 has contributed to the same. The CPI disaggregated index of TOP has fallen by -23.9% on MoM basis, the largest sequential drop since Sep'23, in the series. Among other items of food basket whose share is significant is pulses and its downtrend persisted in Jan'25 as well (2.6% compared to 3.8% in Dec'24). Cereal inflation also softened (6.2% from 6.5% in Dec'24) as international prices were largely contained and supported by adequate domestic buffer stock. Egg inflation albeit its seasonal adjustment has shown significant easing, attributable to improved supply. On the other hand, there are a few items such as fruits (12.2% from 8.6% in Dec'24) and oils and fats (15.6% from 14.6%), which remained upbeat. For Oilseeds, despite some softening of international prices, unfavorable base came into play. The government's efforts are already continuing in the form of extending purchase under price support scheme which will be helpful in bringing down inflation on this front, in the near term.

Importantly, CPI excluding vegetables has been below the 4% mark for 13th month in a row. Now that vegetable prices are also calming, it provides RBI the breather in terms of policy space.

MoM picture: Much of the fall in CPI is attributable to seasonality. The seasonally adjusted Consumer Food price Index has fallen by 1.4% against the unadjusted series of -2.9%, on MoM basis. However, a closer look at the sequential picture mirrors the same YoY trend.

IIP

12 February 2025

IIP growth softens

Jahnavi Prabhakar
Economist

Tepid growth in manufacturing sector resulted in dragging down IIP growth lower at 3.2% in Dec'24 4 compared with a growth of 5.0% in Nov'24. Despite the moderation, both mining and electricity sector registered strong growth. Manufacturing sector had subdued performance, with over 15 sub-sectors registering weaker growth than last year. Within use-based classification, capital goods and primary goods registered a strong growth in Dec'24. Despite the moderation, we expect a rebound in the coming months which will be adequately supported by capex push, beginning with the easing cycle by RBI and lower inflation. However, the ongoing global tariff war remains a key risk to these projection amidst the concern around higher imported inflation and thereby, requires careful attention.

IIP growth eases: IIP growth moderated to 3.2% (3-month low) in Dec'24 against a growth of 5.0% in Nov'24. This was much lower than BoB's estimate of 4% increase. Manufacturing sector registered much slower growth at 3% in Dec'24 (5.5% in Nov'24) and was largely responsible for dragging down industrial output. On the other hand, both mining and electricity growth surprised positively. Mining output expanded by 2.6% compared with a 1.9% growth in Nov'24. Electricity growth accelerated to a 5-month high registering a growth of 6.2% in Dec'24 against a growth of 4.4% in Nov'24. On a FYTD basis, IIP growth slowed down to 4% compared with 6.3% growth registered last year. Manufacturing (4% against 5.7%) and mining (3.3% against 8.5%) sectors too noted slower growth in FYTD'24. Electricity growth also clocked slower growth on a FYTD basis at 4% against a growth of 5.7% last year.

Within manufacturing, out of 23 sub-sectors, 15 of them resulted in weaker growth in Dec'24. These included, manufacture of furniture, computer & electronic, fabricated metal, pharma products, non-metallic minerals, motor vehicles and other transport equipment amongst others. Notably, only 8 sectors have recorded higher growth including, other manufacturing, wood products, electrical equipment, coke & petroleum products and machinery equipment during the same period.

FMCG wobbles: Within use-based classification, primary and capital goods registered strong growth at 3.8% (2.7% in Nov'24) and 10.3% (8.8% in Nov'24) in Dec'24 respectively. Intermediate goods climbed up to 5-month high, with a growth of 5.9% in Dec'24 compared with 4.8% in Nov'24. However, infra goods output registered moderation with a growth of 6.3% (8.1% in Nov'24) given slower growth for cement. Furthermore, consumer durable output eased down to 8.3% after registering double digit growth of 14.1% in Nov'24.

MONTHLY CHARTBOOK

12 February 2025

"Trump" cards at play

Economic Research Department
Jahnavi | Dipanwita Mazumdar
Sonal Badhan | Aditi Gupta
Economist

The interplay of both fiscal and monetary policy was evident with the Budget focussing on remaning fiscal prudent and shifting towards the debt-GDP ratio. The new income tax measures are expected to boost consumption. On monetary policy front, MPC after a gap of 5-years began with the easing cycle as it retorted to a unanimous 25bps rate cut. The stance has been retained at neutral allowing for further flexibility ahead. Inflation projections has been retained at 4.8% for FY25 and for FY26 it is estimated at 4.2%. GDP has been pegged at 6.7% in FY26. We expect another 50bps rate cut in this calendar year. Global market are currently laced with volatility amidst the ongoing threat of tariff war along with retaliatory moves. Even though, India's economy remain resilient given strong domestic fundamentals, escalating geopolitical conditons could have an adverse impact.

Mixed picture for demand: Urban demand continued to reflect mixed trend as was evident from indicators such as non-oil-non-gold imports and auto sales signalling an improvement. However, moderation was noted in electronic imports, power demand and digital payments. RBI consumer confidence dropped marginally to 120.7 in Jan'25 from 121.9. Overall, Rabi sowing this year has been higher than last year and bodes well for the food prices. Global food prices also moderated in Jan'25 specially for sugar and vegetable oils. Notably, announcement of the PM Dhandhaanya yojana in the budget has been positve for the agriculture sector and will benefit over 1.7 crore farmers.

Central government finances: Centre in its Union Budget has revised the fiscal deficit target for FY25 lower to 4.8%. For FY26, the target has been set at 4.4%. In the current FY, centre's fiscal deficit is down to 5% as of Dec'24 (12MMA basis) from 5.1% as of Nov'24. Till Dec'24 (FYTD basis), total expenditure is at 68.5% of FY25RE, of which revenue expenditure is at 68.9% and capex is at 67.3%. On the income side, centre's net revenue has reached 74.2% of FY25RE, within which direct tax collections are at 70.6% and indirect taxes are at 73.1%. Non-tax receipts are already at 84.3% of FY25RE. Fiscal deficit in absolute terms is only at 58.2% of RE, implying that there remains enough room for the government to expand its spending in the coming months.

Yields remained rangebound: India's 10Y yield was supported by RBI's liquidity infusion measures. Post Union Budget, roadmap of fiscal consolidation provided comfort to investors of not excessive deluging of debt. Softening inflation prints led to a build up of expectation of rate cut by RBI, which were broadly aligned.

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TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 2,626 | ⮝ 30%

LUPIN | Pharmaceuticals | 13 February 2025

High-margin US region to have growth visibility till FY27

- **US sales cc quarterly run rate at its highest-ever level of US$ 235mn, expect to inch up to US$ 250mn in FY26E and US$ 280mn in FY27E**
- **EBITDA margin reported at 23.5% in 9MFY25, retains guided level of ~23.5% in FY25E despite higher R&D cost in Q4FY25**
- **We maintain BUY on the stock and continue to value LPC at 30x P/E on Dec'26 rollover to arrive at a TP of Rs 2,626 (earlier Rs 2,438)**

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Q3 earnings above our estimates: LPC's earnings exceeded our estimates, where sales grew by 11% (2% above our estimate), EBITDA by 34% (5% above our estimate) and PAT by 39.3% (8% above our estimate). Revenue growth was spearheaded by strong execution across regions like India (11.9% YoY), North America (12.3% YoY) and EMEA (20.9% YoY) but was offset by Growth market (-4.7% YoY). Better product mix, RM cost rationalization and lower Other expense resulted in EBITDA margin increasing 402bps YoY to 23.7%. Higher other income due to increase in PLI and lower finance cost resulted in 39% jump in PAT.

Tolvaptan market share expected to be stable ~40% post exclusivity: LPC has many limited product launches in FY26 where Tolvaptan is expected to be the major contributor as Tolvaptan is going to enjoy exclusivity in H1FY26. Post the exclusivity, since it is a REMS (Risk Evaluation and Mitigation Strategies) product and due to slower entry of generic players, LPC expects market share to be stable at ~40% by FY27. LPC's other launches like Glucagon, Risperdal Consta and Liraglutide are likely to be major sales contributors in H2FY26. Hence we expect LPC's US business to grow at a CAGR of 13% from FY25-27E.

Higher EBITDA margin to sustain despite increase in R&D cost: Due to the filing of five nasal sprays and injectables in the US region, R&D cost has increased to Rs 18bn in FY25 and ~Rs 20bn in FY26. However, management has retained its FY25 EBITDA margin guidance of ~22.5-23.5%. LPC reported 23.2% EBITDA margin in 9MFY25 and we believe EBITDA margin will rise to 26% in FY27 due to (1) many limited competition products in FY26 and FY27, (2) input cost rationalisation, and (3) narrowing losses in adjacencies.

Valuation: We factor in sales from gGlucagon, Risperdal Consta, Liraglutide and Duler in our US sales. Hence, we expect our US sales to increase to US$ 1.14bn in FY27E from US$ 1bn earlier and subsequently increase our earnings estimates by 4.8% in FY25E, 7.1% in FY26E and by 15.8% in FY27E. Hence we maintain BUY on the stock and continue to value LPC at 30x P/E on Dec'26 rollover to arrive at a TP of Rs 2,626 (earlier Rs 2,438).

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	LPC IN/Rs 2,025
Market cap	US$ 10.6bn
Free float	53%
3M ADV	US$ 22.0mn
52wk high/low	Rs 2,403/Rs 1,493
Promoter/FPI/DII	46%/14%/29%

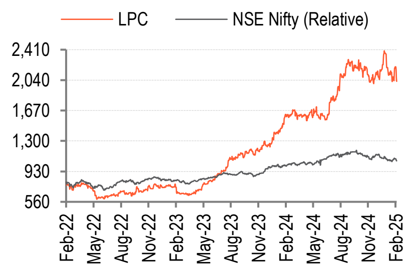
Source: NSE | Price as of 12 Feb 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	200,107	229,346	261,969
EBITDA (Rs mn)	38,105	53,836	65,143
Adj. net profit (Rs mn)	19,145	30,012	37,350
Adj. EPS (Rs)	42.3	66.3	82.5
Consensus EPS (Rs)	42.3	67.0	83.0
Adj. ROAE (%)	14.2	19.6	21.4
Adj. P/E (x)	47.9	30.5	24.5
EV/EBITDA (x)	24.7	17.4	14.1
Adj. EPS growth (%)	345.1	56.8	24.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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BUY
TP: Rs 274 | ⮝ 25%

ASHOK LEYLAND | Automobiles | 13 February 2025

Cost and realisation a positive surprise, retain BUY

- **Q3FY25 revenue grew 2%/8% YoY/QoQ to Rs 94.76bn, helped by realisation gains of 4%/6% YoY/QoQ while volume was listless**
- **EBITDA margin rose to 12.8% compared to 12.0%/11.6% in Q3FY24/ Q2FY25 driven by overall cost savings measures**
- **We cut our earnings for FY26E/FY27E by 4%/5%, retain BUY rating for a revised 1-year forward SOTP-based TP of Rs 274 (from Rs 279)**

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Steady revenue gains backed by realisation gains: Net sales in Q3FY25 rose 2%/8% YoY/QoQ to Rs 94.8bn driven by a ~4%/6% YoY/QoQ jump in net realisation per vehicle (NRPV) to ~Rs 2.4mn that offset the listless volume (-2%/+2% YoY/ QoQ) to 46.4k units. Despite an 8% fall in LCV volume, 2% volume growth in the MHCV segment restricted sharp volume decline. Domestic MHCV volume grew by 2% to ~30k units while the bus segment volume grew by ~11% YoY to ~6.2k units. AL's domestic LCV volume was 16.3k units falling 8% YoY (flat QoQ). The export volume in Q3FY25 was 32% higher YoY though on a lower base.

Margins gain aided by overall cost savings: The raw material cost (adjusted for inventory) settled at 71.5% of net sales from 72.2%/71.2% in Q3FY24/Q2FY25 to Rs 67.6bn. Gross margins improved by 70bps YoY (fell 30bps QoQ) to 28.5% in Q3FY25. Staff cost rose to ~Rs 6.0bn (up 6%/flat YoY/QoQ) while other expenses was well controlled and stayed flat/-3% YoY/QoQ at ~Rs 8.9bn. EBITDA grew ~ 9%/19% YoY/QoQ to Rs 12.1bn and EBITDAM expanded to 12.8% vs. 12.0%/11.6% in Q3FY24/Q2FY25. APAT rose by 31%/flat YoY/QoQ to Rs 7.6bn.

EV expansion on track: Switch and OHM, AL's EV subsidiaries, are progressing as planned. The first few Switch-designed buses for Europe have been delivered to Spain. At the Auto Expo, AL displayed India's first electric port terminal tractor and 15-meter bus with air suspension and front engine (42 sleeper beds) and an electric truck with a 7.5 tonne range. Commercial production of these will start in 9-12 months.

Revise estimates: We cut FY26E/FY27E earnings by 4%/5% to factor in mixed momentum, late recovery in the MHCV segment and await further clarity on overall growth. We forecast EBITDA/PAT CAGR of 7%/11% for FY24-FY27. We think AL will deliver on new launches, beat industry growth in CVs, maintain its leadership in buses and improve on the MHCV space. We believe LCV recovery and inroads into EVs will broaden its portfolio. We assign 22x P/E to the standalone business, and value the vehicle finance arm at Rs 12/sh to arrive at a TP of Rs 274 (from Rs 279). We maintain our BUY rating on the stock.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	AL IN/Rs 219
Market cap	US$ 7.4bn
Free float	49%
3M ADV	US$ 17.5mn
52wk high/low	Rs 265/Rs 158
Promoter/FPI/DII	52%/17%/15%

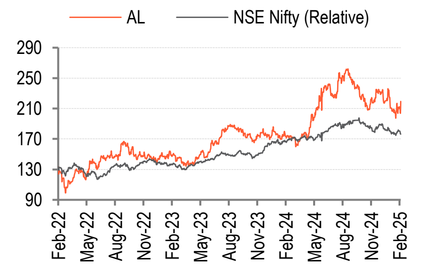
Source: NSE | Price as of 12 Feb 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	3,83,670	3,91,675	4,27,631
EBITDA (Rs mn)	46,066	46,571	51,276
Adj. net profit (Rs mn)	27,116	28,633	31,995
Adj. EPS (Rs)	8.9	9.8	10.9
Consensus EPS (Rs)	8.9	9.9	11.0
Adj. ROAE (%)	30.8	30.8	31.8
Adj. P/E (x)	24.6	22.5	20.1
EV/EBITDA (x)	14.3	13.3	12.1
Adj. EPS growth (%)	109.3	5.6	11.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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BUY
TP: Rs 7,500 | ⮝ 18%

CERA SANITARYWARE | Building Materials | 12 February 2025

Weak Q3 on subdued retail demand

- **Misses PAT estimates by 20% in Q3 due to lower-than-expected revenue on account of weak retail demand**
- **CRS expects recovery in retail demand environment and its margin to improve to 16-17% level over the next couple of quarters**
- **Maintain BUY on healthy earnings growth profile with reasonable valuations; TP down by 12% to Rs 7,500 due to cut in our P/E multiple**

Utkarsh Nopany
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Weak quarter: CRS's Q3FY25 PAT was 20% below our estimate mainly due to lower-than-expected revenue (+3% YoY vs +9% estimated) on the back of a subdued demand environment in the retail segment. Overall, CRS's EBITDA was relatively flat (+0.2%), but APAT was down 10.0% YoY in Q3FY25 due to lower other income.

Key highlights: Sanitaryware revenue de-grew by 1% YoY, but faucet revenue grew by 6% YoY in Q3FY25. EBITDA margin was down 39bps YoY to 13.6% in Q3FY25 due to lower gross margin (-104bps YoY) due to high discounts offered to its dealers and high share of B2B sales (at 35% vs normal level of 30%). Net cash position was stable at Rs 6bn in Dec'24 over Sep'24.

Guidance: CRS expects its revenue to grow at low-single-digit growth in FY25. The company still maintains its revenue guidance of Rs 29bn for FY27, but it would be contingent on the recovery in retail demand (which is expected to happen over the next couple of quarters). The company expects its EBITDA margin to improve to 16-17% over the next one to two quarters in anticipation of roll back of excess discounts to dealers once demand conditions improve. The decision to start construction of the greenfield sanitaryware plant will be taken by Mar'25.

Maintain BUY; TP cut by 12% to Rs 7,500: We maintain our BUY rating on the stock as (a) we expect CRS's EPS to grow at 11.6% CAGR over FY25-FY27E over a weak base with healthy ROE profile of 16.0%; and (b) reasonable valuation (trades at 32.8x on 1Y forward P/E vs 5Y average of 34.5x). We have cut our TP to Rs 7,500 (Rs 8,500 earlier) due to the downward revision of our EPS estimates (-7.5%/-5.5%/-0.4% for FY25/FY26/FY27) based on the weak Q3FY25 result as well as cut in our target P/E multiple (from 40x to 35x) on Dec'26 estimate (Sep'26 earlier).

Key changes

Target	Rating
▼	◄ ►

Ticker/Price	CRS IN/Rs 6,333
Market cap	US$ 939.7mn
Free float	46%
3M ADV	US$ 1.4mn
52wk high/low	Rs 10,790/Rs 6,105
Promoter/FPI/DII	54%/22%/6%

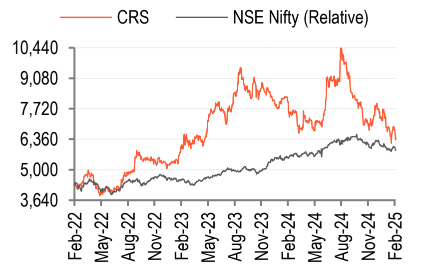
Source: NSE | Price as of 12 Feb 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	18,794	19,234	21,263
EBITDA (Rs mn)	3,038	2,803	3,195
Adj. net profit (Rs mn)	2,405	2,305	2,507
Adj. EPS (Rs)	185.0	178.7	194.4
Consensus EPS (Rs)	185.0	188.7	218.3
Adj. ROAE (%)	18.9	16.1	15.7
Adj. P/E (x)	34.2	35.4	32.6
EV/EBITDA (x)	28.8	31.7	28.3
Adj. EPS growth (%)	12.5	(3.4)	8.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

RESULT REVIEW

BUY
TP: Rs 375 | ⮝ 28%

PRINCE PIPES & FITTINGS | Building Materials | 12 February 2025

Disappointing performance on all fronts

- **Dismal performance in Q3 on loss of market share even after following an aggressive pricing strategy and poor inventory management**
- **Target volume to grow at double-digit rate and EBITDA margin to improve to normal level of 12% from Q1FY26**
- **Maintain BUY; TP cut by 42% to Rs 375 on sharp earnings downgrade as well as cut in our target P/E multiple based on disappointing Q3**

Utkarsh Nopany
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Dismal Q3: PRINCPIP reported a dismal performance for Q3FY25. Pipe sales volume de-grew by 3.3% YoY in Q3 over a weak base. EBITDA margin fell sharply by 1,172bps YoY to 0.5% in Q3FY25 due to lower gross margin (-859bps on account of MTM inventory loss of Rs 300mn and heavy discounts offered to dealers in view of intense competition in the sector) and negative operating leverage. The company reported loss of Rs 204mn in Q3FY25 vs PAT of Rs 376mn in Q3FY24.

Key highlights: PRINCPIP appears to have lost market share in Q3FY25 as it has posted weak volume growth compared to its major peers (PRINCPIP: -3.3%; ASTRA: 0.2%; SI: +3.7%; FNXP: +5.5%) even after following an aggressive pricing strategy. The company's net debt position has gone up from Rs 0.8bn in Sep'24 to Rs 1.7bn in Dec'24 due to higher capex outlay and sharp increase in inventory (from 87 days in Q2FY25 to 107 days in Q3FY25).

Guidance: The company expects its pipe volume to grow at mid to high single digit in Q4FY25. The company offered 3% incentives to its dealers in Q3FY25 and it is continuing with those incentives in Q4FY25. Going ahead, the company expects its volume to grow at a double-digit rate and EBITDA margin to improve to 12% from Q1FY26. Management expects its inventory to come back to the normal level by Mar'25 and to book some inventory loss in Q4FY25 due to a further decline in PVC resin prices. The Bihar greenfield pipe project is expected to be operational with an initial capacity of 40ktpa (only pipes) in Apr'25 and then the capacity would be enhanced to 55-60ktpa (pipes & fittings) by Sep'25.

Maintain BUY; TP cut by 42% to Rs 375: We maintain our BUY rating on the stock as we believe its EBITDA margin would improve gradually to the 10Y average of around 12% in anticipation of demand recovery and stabilisation of PVC resin prices. At CMP, the stock trades at 30.5x on 1Y forward P/E vs 5Y average of 48.4x. We have cut our TP to Rs 375 (Rs 650 earlier) due to sharp earnings downgrade (-60%/-47%/-31% for FY25E/FY26E/FY27E) as well as cut in our target P/E multiple (from 30x to 25x on Dec'26) based on a disappointing Q3FY25.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	PRINCPIP IN/Rs 294
Market cap	US$ 373.6mn
Free float	39%
3M ADV	US$ 0.9mn
52wk high/low	Rs 721/Rs 291
Promoter/FPI/DII	61%/6%/16%

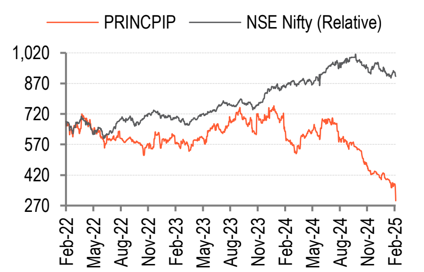
Source: NSE | Price as of 12 Feb 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	25,687	25,826	29,424
EBITDA (Rs mn)	3,107	1,822	2,761
Adj. net profit (Rs mn)	1,716	536	1,114
Adj. EPS (Rs)	15.5	4.8	10.1
Consensus EPS (Rs)	15.5	11.9	17.4
Adj. ROAE (%)	11.8	3.4	6.9
Adj. P/E (x)	18.9	60.6	29.1
EV/EBITDA (x)	10.6	18.3	11.5
Adj. EPS growth (%)	40.4	(68.8)	108.0

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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Note: Recommendation structure changed with effect from 21 June 2021

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