

RECOMMENDATION SNAPSHOT				
*CMP	MCap (Rsbn)	Recommendation	Target	Potential Upside
Rs411	21.6	Accumulate	Rs450	10%

*as on 15th May, 2025

About the Company:

Established in 1926, The Indian Hume Pipe Company Limited (IHP), is a major player in the business of manufacturing, laying and jointing of pipelines of various pipe materials such as RCC pipes, steel pipes, pre-stressed concrete pipes, penstock pipes, bar wrapped steel cylinder pipes (BWSC), pre-stressed concrete cylinder pipes (PCCP) etc. All this work is involved in providing infrastructure facility and development for drinking water supply projects, irrigation projects, hydroelectric projects, sanitation and sewerage systems. IHP is considered a pioneer in the field of water supply and has been in this line for more than 9 decades. The company is chaired by Mr. Rajas R. Doshi who is a graduate in Civil Engineering and has an experience of more than four decades in this industry.

Results: Quick Glance:

- The net sales reported a de-growth of 3.0% to Rs3,921mn as compared to Rs4,043mn in the same quarter last year
- The Ebitda margins for the quarter stood at 14.3% as compared to 18.3% in the comparative quarter last year
- The company reported profit of Rs4,993mn as compared to Rs437mn in the same quarter last year
- The EPS for the quarter stood at Rs94.7 as compared Rs8.29 in the corresponding period of last year
- During the quarter there was a sale of freehold land in Yelhanka, Bengaluru admeasuring about 40875.668 sq. mts. to M/s Godrej SSPDL Green Acres LLP, a subsidiary of Godrej Properties Ltd. for consideration of Rs5590mn resulting in a net gain of Rs5452.2mn shown as exceptional item. Further, tax on such gain amounting to Rs773.4mn is included in the current tax for the quarter/year
- For the full year, the revenues grew by 7.4% with PAT of Rs5,581mn (including the exceptional item of Rs5,452mn) while the Ebitda margins stood at 12.5%
- The construction segment was the only contributor to the revenues during the quarter while no sales booked for any land development. For the full year, land development revenues stood at Rs313.6mn

Other Updates:

- During FY25, the company has received total orders of Rs13253.7mn. In these orders, the component of PCCP and BWSC pipes manufactured by the company has increased. Internal production component is almost 48% in these orders. As a result of increase in manufacturing components, operating margins are expected to improve further and requirement of working capital borrowing will reduce steadily. To cater to the increased demand of PCCP and BWSC pipes required for irrigation projects in Maharashtra, the company has undertaken capacity expansion at its Walwa and Dhule Plants in Maharashtra
- The **expansion projects** at Walwa and Dhule plants have been completed and commissioned in November, 2024 and March, 2025 respectively at a total capex value of ~Rs460mn. Due to this, the total capacity of both these plants is now 12,9060MT with sales potential of ~Rs2,400mn per annum. This entire capital expenditure was done through internal accruals
- During the year, the company has successfully completed 12 projects in the states of Uttar Pradesh, Rajasthan, Gujarat, Tamilnadu, Madhya Pradesh, Chhattisgarh, Andhra Pradesh of the total contract value of Rs24377.4mn
- The part of the sales proceeds of Rs3,760mn have been kept with State Bank of India as fixed deposit, as a collateral security, as a substitution against release of Yelahanka land, Bengaluru. This fixed deposit is to be utilized for future capex which the company is contemplating to cater to additional demand for its pipes and railway sleepers, leading business expansion with improved margins. Balance surplus funds of ~Rs920mn have been presently parked in money market mutual funds and are intended to be used for reduction of working capital borrowings and for payment of special dividend of Rs4 per share amounting to Rs210.7mn as recommended by Board of Directors, subject to shareholders approval
- **Progress on Real Estate Segment: (i) Dosti Greenscapes at Hadapsar (Pune):** as on 08th May, 2025, ~538 is the total number of units booked with an agreement value of ~Rs4168.5mn where IHP share is ~Rs1584mn (38%) and the company has already received an advance of Rs855.6mn. The entire project is in phased form (phase 1: has 3 towers; phase 2: has 3 towers; phase 3: has 2 towers; phase 4: has 1 tower) which consists of a total of 12 residential towers and 1 commercial tower with total RERA carpet area of 10,95,288.67 sq. ft. and total useable carpet area of 12,21,523.69 sq. ft. Remaining 4 towers will be launched according to launch planning by M/s Dosti Realty Ltd

Other Updates (contd.):

- **Progress on Real Estate Segment (contd.): (ii) Kalpataru Blossoms at Vadgaon (Pune):** The company has entered into development agreement with M/s Kalpataru Ltd. for its land at Vadgaon, Pune admeasuring 6,73,826 sq.ft. (approx.) on revenue sharing basis in ratio of 32.50% to the company and 67.50% to M/s Kalpataru Ltd, the project is subdivided into Plot A (land area of 224,967,60 sq.ft. approx.) and Plot B (land area of 4,48,858.80 sq.ft. approx.). At present Plot A has been taken for development and Plot B will be taken in due course
- The Plot A consists of 3 residential towers with a portion of commercial units with total RERA carpet area of 5,62,085 sq.ft. (approx.) and total useable carpet area of 8,57,277 sq.ft.(approx.) Presently plan sanctions for Plot A have been obtained partially. Remaining plan sanctions for Plot A will be obtained according to launch planning by M/s Kalpataru Ltd.
- As of 08th May, 2025, 92 units have been booked with agreement value of Rs1720.3mn and the share of IHP (32.5%) stands at Rs559.1mn with advance of Rs69.5mn received
- The estimated balance value of the work/order book as on 08th May, 2025 was ~Rs40024.8mn as against Rs36981.7mn as on 12th May, 2024. The company is L1 in four projects having value of Rs7694.3mn as of 08th May, 2025

Financials:

Performance (Q4&FY25)									
Q4&FY25 Result (Rs mn)	Mar-25	Mar-24	y-o-y	Dec-24	q-o-q	FY25	FY24	y-o-y	FY26E
Total Revenue	3921	4043	(3.0%)	3806	3.0%	14912	13886	7.4%	16312
EBITDA	560	741	(24.4%)	373	50.1%	1862	1727	7.8%	2072
Other Income	31	30	4.1%	21	45.4%	89	86	3.8%	89
Interest	162	154	4.9%	160	1.2%	623	639	(2.4%)	572
Depreciation	43	36	19.7%	39	10.1%	147	139	5.8%	166
Exceptional Items	5452	0	-	0	-	5452	0	-	0
Tax	846	144	-	52	-	1052	259	-	363
Net Profit	4993	437	-	144	-	5581	776	-	1060

Outlook and Recommendations:

The results for the quarter and the wrap to the year looks inflated due to the huge exceptional item reported. Not considering the same, Q4FY25 reported revenue drop of 3% y-o-y with margins at 14.3%. The PAT came in at Rs314mn, lower by 28% but on sequential basis there has been good improvement as Q3FY25 profits stood at Rs144mn. Purely on the operational front, FY25 has reported revenue growth of 7.4% y-o-y. The margins remained range bound at 12.5% and PAT reported growth of 16.1% y-o-y. The **exceptional item** stood at Rs5,452mn received for sale of land at Bangalore. On the segmental, the entire revenue contribution is only through the construction segment and no land development revenues have been recorded. One must thereby consider this on an annual basis and not a regular quarterly phenomenon. The estimated balance value of the work/order book as on 08th May, 2025 was ~Rs40024.8mn as against Rs36981.7mn as on 12th May, 2024. The company is **L1 in four projects** having value of Rs7694.3mn as of 08th May, 2025. The **growth in the order book** gives future revenue visibility in the medium term. From the commentary another encouraging part has been the orders the component of PCCP and BWSC pipes manufactured by the company has increased. Internal production component is almost 48% in these orders. As a result of increase in manufacturing components, operating margins are expected to improve further and requirement of working capital borrowing will reduce steadily. To cater to the increased demand of PCCP and BWSC pipes required for irrigation projects in Maharashtra, the company has undertaken capacity expansion at its Walwa and Dhule plants in Maharashtra. The **long term opportunities** from the govt. driven programmes like Jal Jeevan Mission and Swachh Bharat Mission remain intact. The Management appears to have initiated the process of unlocking the value of land and property assets that have been accumulated over several decades. Any future monetization of these assets could help address working capital constraints. There are several smaller land parcels that can be monetized, should the Management find it prudent over time.

Additionally, the company is making consistent **efforts to reduce pressure on the balance sheet** by managing receivables more efficiently. These initiatives reflect the Management's commitment to strengthening the financial foundation and enhancing return ratios.

Outlook and Recommendations (contd.):

The only area requiring continuous attention is the order book, where the company must maintain momentum through active bidding and project acquisition. Encouragingly, IHP has a healthy order backlog and remains open to exploring opportunities such as contract manufacturing when appropriate. Furthermore, IHP has begun distributing **incremental dividends**, reinforcing its focus on delivering value to shareholders. There is also a clear strategic shift towards divesting non-core and non-operational assets and businesses. Collectively, these measures are contributing to an improved margin profile and positioning the P&L statement and balance sheet as more self-sustaining. With all these positive developments gradually taking shape, IHP seems to have entered a virtuous cycle of sustainable growth and wealth creation for all stakeholders. The company is well-capitalized, holds valuable land and other assets, and is reducing the likelihood of any significant negatives in its financials as it approaches its centenary year of operations. Going forward, the fillip to the domestic infrastructure growth via capex enhancement can be a good trigger for IHP which has a good brand recall, expertise and execution capabilities. We maintain an accumulate on the stock for a target of Rs450.

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