

Details of the Issue

Price Band	₹177 - ₹178
Issue Size	₹500cr
Opening Date	Dec 18, 2019
Closing Date	Dec 20, 2019
Face Value	₹10
Bid Lot	84
Listing on	BSE, NSE

Objects of the Issue

The objects of the Offer are to

- Repayment or prepayment of certain outstanding loans of the comps
- Financing the project cost towards establishment of a new manufacturing facilities
- Up gradation of equipment at the manufacturing facilities
- General Corporate Purposes

Lead Managers

JM Financial, Edelweiss Financial

Registrar

Link Intime India Pvt. Ltd.

Investment Details

No. of shares at cut-off	1,092
Max. Amount to be paid (₹)	194,376

Source: RHP, GEPL Capital Research

Company Background

Prince Pipes and Fittings Limited (“Prince Pipes”) is recognized as one of the leading Polymer Pipes and Fittings manufacturers in India in terms of number of distributors (Source: CRISIL Research Report).

Prince Pipes market their products under 2 brand names:

- Prince Piping Systems; and
- Trubore

Due to their comprehensive product range, Prince Pipes is positioned as an end-to-end polymer piping systems solution provider. Prince Pipes has more than 30 years’ experience in the polymer pipes segment. As at October 31, 2019, Prince Pipes had a product range of 7,167 SKUs. Their products are used for varied applications in plumbing, irrigation, and soil, waste and rain water (“SWR”) management. Their product range meets the requirements of both the rural and urban markets.

Technical Collaboration

Since January 2015, Wavin Overseas B.V. (“Wavin”), a company headquartered in Zwolle in The Netherlands, has been providing Prince Pipes with the technology and know-how in the manufacture of the products, to improve the quality thereof and to improve manufacturing efficiency.

Intellectual Property

Prince Pipes currently hold 46 trademarks registrations with respect to their brands in India under various classes. They have applied for 21 trademarks which are pending. They hold a Certificate of Registration of Design for their Floor Drain Trap, which is valid until the year 2024 and can be further extended till the year 2029. In other countries, Prince Pipes has registered the Prince Piping Systems logo as a trademark in Kenya and Bhutan. They have applied to register the Prince Piping Systems logo as trademark in Bangladesh, Nepal, Pakistan and Sri Lanka. A cautionary notice in relation to Prince Piping Systems’ logo has been published for their trademark in the Maldives.

Comprehensive product portfolio across polymers serving diverse end-use applications

Prince Pipes has positioned not just as a pipe manufacturer but also as an end-to-end piping systems supplier. They currently manufacture polymer pipes using 4 different polymers: UPVC; CPVC; PPR; and HDPE, and fittings using 3 different polymers: UPVC; CPVC; and PPR. Their products are used for varied applications in the fields of plumbing, irrigation, and SWR management.

Strategically located manufacturing facilities with a core focus on quality

Due to the size of pipes, an important factor in their cost is transportation costs. Therefore, it is a competitive advantage to manufacture pipes as close as possible to the ultimate consumers. Company’s multi-location facilities have assisted in market penetration and developing a strong presence in North, West and South India. For the 3 months ended June 30, 2019, their sales in North, South, West and East India represented 34.84%, 26.71%, 22.80% and 15.65% of the revenue from operations, respectively. One of the major factors contributing to a player’s success is the presence of its brands in regional markets and across India.

Large and growing distribution network

Prince Pipes has a pan-India network of distributors for their Prince Piping Systems products and a network of wholesalers and retailers for their Trubore brand products in South India. As at March 31, 2017, March 31, 2018, March 31, 2019 and October 31, 2019, Prince Pipes had 766, 955, 1,253, and 1,408 distributors and wholesalers and retailers buying directly from the company respectively, which represented 83.81% increase from March 31, 2017 to October 31, 2019.

Strategies

Continue to optimize the product mix to improve margins

Company's CPVC, PPR and HDPE products have higher margins than the UPVC products and their plumbing products have a higher margin than the other products. Their fittings have higher margins than the pipes and Prince Pipes endeavor to optimize their mix of pipes and fittings to maximize the margins.

Increase the sales of DWC pipes

The company had conducted a pan-India survey through an independent agency to estimate the potential demand of pipes for water supply and sanitation over the 4 year period ending March 31, 2021, and based on the various government initiatives and the outcome of the market survey, they decided to enter into this segment with DWC pipes. In the fourth quarter of Fiscal 2017, they expanded the reach of their products for application in underground drainage by entering the HDPE segment with DWC pipes when their Haridwar Plant began producing DWC pipes with 1 machine that has an installed capacity of 8,820 tonnes p.a. They have increased their production capacity significantly.

Set up a new manufacturing plant in Telangana

Prince Pipes plans to set up a new manufacturing plant in Sangareddy (Telangana), with a total estimated installed capacity of 51,943 TPA. They plan to commence production at the Telangana plant in Fiscal 2021. Currently, company's market in South India is catered to by their plants in Athal and Haridwar. The opening of the Telangana plant will enable up to compete in these markets more effectively.

Expand the Trubore brand to new geographies

Prince Pipes acquired the Trubore brand in October 2012 and it is now their premium brand. Trubore brand products are currently sold in South India, primarily in Tamil Nadu. The company plans to increase sales of their Trubore brand products by increasing their marketing efforts and the number of wholesalers and retailers for the Trubore brand products. The company plans, making their Trubore brand a pan-India brand in the next 3-4 years.

Valuation & Recommendation

Prince Pipes and Fittings Limited ("Prince Pipes") stands to gain from a well distributed network. At a P/E of 19.2x as of June 2019 at upper price band, Prince Pipe's reasonably priced offer provides a good opportunity for long-term rewards on investments. Industry average P/E is ~38x.

We assign a Subscribe rating to the IPO.

Financial Snapshot

Particulars (₹ cr)	As on June'30 2019(3)	FY19	FY18	FY17
Revenue from Operations	379.77	1,571.87	1,320.55	1,330.02
PBT	33.93	111.47	95.17	95.91
RONW (%)	6.34%	21.18%	23.52%	31.47%
EPS	2.96	9.26	8.08	7.85
Debt/Equity	0.70	0.74	1.15	1.33
NAV	46.70	43.71	34.36	52.37

Source: RHP, GEPL Capital Research

NOTES

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