

Issue Details

Listing	NSE & BSE
Open Date	18/12/2019
Close Date	20/12//2019
Price Band	177-178
P/E Band	23.41-23.54

Business Overview:

Prince Pipes and Fittings. Ltd is a well-known, leading manufacturer of pipes and fittings in India in terms of the number of distributors with over 30 years of industry experience. The company markets its products under two brand names: Prince Piping Systems and Trubore. The products have varied application in plumbing, irrigation, and soil, waste and rainwater management.

Issue Structure (In %)

Fresh issue	50.0
Offer for Sale	50.0

Company Highlights.

- The revenue from operations for Fiscals 2017, 2018 and 2019 was Rs 1,330.0 crore, Rs 1,320.5 crore and Rs 1,571.8 crore, respectively, representing a CAGR of 8.7%. The revenue from operations for the three-month period ended June 30, 2019 was Rs 3,79.7 crore.
- The profit before tax for Fiscals 2017, 2018 and 2019 was Rs 95.9 crore, Rs 95.1 crore and Rs 111.4 crore, respectively, representing a CAGR of 7.8%. The profit before tax for the three-month period ended June 30, 2019 was Rs 33.9 crore
- Profit for the year for Fiscals 2017, 2018 and 2019 was Rs 74.1 crores, Rs 72.7 crores, Rs 83.3 crores, respectively, representing a CAGR of 6.0%. The profit for the three-month period ended June 30, 2019 was Rs 26.6 crores.
- As of October 31, the total installed capacity of Prince Pipes' six existing plants was 241,211 tonnes per annum and Prince Pipes plans to expand the installed capacity at its plant in Jobner in Rajasthan from 6,221 tonnes per annum as on October 31, 2019 to 17,021 tonnes per annum by December 31, 2019 and to 20,909 tonnes per annum by the end of fiscal year 2020.
- As at October 31, 2019, Prince Piping Systems products sold its products to 1,151 distributors in India. We sell our Trubore products directly to wholesalers and retailers. As at October 31, 2019, it sold Trubore products to 257 wholesalers and retailers.
- The company plans to set up a new manufacturing plant in Sangareddy (Telangana), with a total estimated installed capacity of 51,943 tonnes per annum.
- Going forward we expect Revenue, EBITDA, PAT to grow at a CAGR of 5%, 14% and 18% to Rs 1,967 crore, Rs 242 crore and Rs 117 crore. respectively. For FY21, the stock is available at the offer price of 177-178 at 16X on a fully diluted basis.

Shareholding Pattern (%)

	Pre	Post
Promoter	90.0	65.8
Public	10.0	34.2
Total	100.0	100.0

Investment Highlights:

An Established Brand in the Pipes and Fittings segment.

With over 30 years of industry experience, the company has an advantage of being one of the leading organized players in this highly fragmented market. It has a market share of 5% in FY19 and is amongst the top six organized players in the market. Its fitting segment enjoys a higher margin due to the specialized nature and precision required.

- | Plumbing | Sewage Disposal | Irrigation/Agriculture |
|---|--|---|
| <ul style="list-style-type: none">• RainFit• Easyfit• SmartFit• GreenFit | <ul style="list-style-type: none">• UltraFit• SilentFit• FoamFit• DrainFit• CorFit• DuraFit | <ul style="list-style-type: none">• AquaFit• SafeFit |

Product portfolio catering to diverse end-use application.

The company is not only in pipe manufacturing but also providing end-to-end piping system solutions. Its products have a wide range of applications in the fields of plumbing, irrigation and soil, waste and rainwater management. The company has an in-house product development team responsible for introducing new products and variations of existing products. The products manufactured under Pipes and Fittings segments are as follows:

- UPVC
- CPVC
- PPR
- HDPE

All the product categories have been growing in double digits.

Strategically located manufacturing facilities with a core focus on quality.

The company has established six manufacturing facilities, which are in:

- Athal (Union Territory of Dadra and Nagar Haveli)
- Dadra (Union Territory of Dadra and Nagar Haveli)
- Haridwar (Uttarakhand)
- Chennai (Tamil Nadu)
- Kolhapur (Maharashtra)
- Jobner (Rajasthan)

The company uses five contract manufacturers. This is how deeply penetrated the company is! The top contributor to this player's success is its presence of its brand in regional markets and across India.

A wide distribution network.

The products are delivered to end users via wholesalers, retailers, and plumbers. The company has a pan-India network of distributors for its Prince Piping systems and a network of wholesalers and retailers for its Trubore brand products in South India. As at March 31, 2017, 2018 and 2019 and October 31, 2019, the company had 766, 955, 1,253 and 1,408 distributors and wholesalers and retailers buying directly from us, respectively, which represented an 83.81% increase from March 31, 2017 to October 31, 2019

Its Pan India presence along with the regional brands is a significant advantage.

Issue Structure

The proposed Prince Pipes and Fittings Ltd.'s net issue size is of Rs. 500 crore. Out of the issue size of Rs 500 crore, Rs 250 crore will be raised as Fresh Issue and the remaining Rs 250 crore will be raised as Offer for Sale The bid lot consists of 84 shares and multiple thereof.

No. of Shares on Offer.		
Category	No. of shares offered	% Shares offered
QIB	14044944	50%
Non Institutional Bidders	4213483	15%
Retail	9831460	35%
Total	28089887	100%

35% of the issue is reserved for retail investors.

Valuation

Post issue on the expanded shareholding, the valuation works to 23.41X to 23.54X the Earning Per Share.

On FY21 basis, the stock is trading at 16X Price Earning multiple. We recommend a subscribe for listing gains.

SWOT ANALYSIS:

STRENGTH <ul style="list-style-type: none"> ➤ A Diverse product portfolio. ➤ A Strong distributor network. ➤ Operates in a robust domestic market. ➤ Strong Brand Equity and Brand Awareness. 	WEAKNESS <ul style="list-style-type: none"> ➤ The business model can be easily replicated. ➤ Low return on Investment ➤ Operates in a highly competitive market. ➤ Increases in cost of raw materials.
OPPORTUNITY <ul style="list-style-type: none"> ➤ Opportunities in adjacent market ➤ E-commerce and Social media-oriented business model. ➤ Developments in AI to predict consumer demand. 	THREAT <ul style="list-style-type: none"> ➤ Threat of new entrants. ➤ Increasing cost component for working in developed market on account of environmental regulations. ➤ Products closely tied to the levels of residential and non-residential activities in India. ➤ Depreciation of Rupee might adversely affect the financial condition.

Profit & Loss statement (Rs in Cr)

Particulars	FY18	FY19	FY20E	FY21E
Revenue from Operations	1,320.5	1,571.9	1,791.4	1967.4
Excise duty	5.5	0.0	0.0	0.0
Total Revenue	1,315.0	1,571.9	1,791.4	1,967.4
Expenses:				
Cost of Goods Sold	921.4	1,127.4	1,330.0	1465.7
Employee Benefit Expense	72.6	78.3	0.0	0.0
Other Expenses	157.7	180.3	241.8	259.7
Total Expenses	1,151.7	1,386.0	1,571.8	1,725.4
EBITDA	163.3	185.9	219.6	242.05
Depreciation and Amortization Expenses	38.1	45.2	56.6	67.8
EBIT	125.2	140.7	163.0	174.2
Interest	36.1	36.4	17.4	20.3
Other Income	6.0	7.1	7.3	2.5
EBT	95.2	111.5	152.8	156.4
Taxes	22.4	28.2	35.1	39.1
EAT	72.8	83.3	117.7	117.3

Source: Company Reports.

Balance Sheet (Rs in Cr)

Particulars	FY18	FY19	FY20E	FY21E
Share Capital	90.0	90.0	110.1	110.1
Share Warrants & O/S	0.7	0.0	0.0	0.0
Total Reserves	227.1	310.8	658.3	775.6
Shareholder's Funds	317.8	400.8	768.4	885.7
Long-Term Borrowings				
Secured Loans	146.2	126.2	86.2	66.2
Unsecured Loans				
Deferred Tax Assets / Liabilities	12.7	13.6	13.8	14.1
Other Long Term Liabilities	16.7	0.0	0.0	0.0
Long Term Trade Payables			0.0	0.0
Long Term Provisions	6.9	7.8	0.0	0.0
Total Non-Current Liabilities	182.5	147.6	100.0	80.3
Trade Payables				
Other Current Liabilities	197.0	215.2	127.5	140.5
Short Term Borrowings	102.2	127.9	130.5	133.1
Short Term Provisions	169.8	147.3	97.3	147.3
Total Current Liabilities	471.7	492.1	356.9	422.3
Total Liabilities	972.1	1040.4	1225.3	1388.4
Gross Block				
Less: Accumulated Depreciation	403.3	478.7	595.7	713.7
Net Block	66.5	109.1	165.7	233.5
Capital Work in Progress	336.8	369.6	430.0	480.2
Non Current Investments	14.7	61.5	60.0	58.0
Long Term Loans & Advances	0.7	0.8	0.0	0.0
Other Non Current Assets	74.0	16.0	12.0	10.0
Total Non-Current Assets	428.8	506.1	554.4	595.4
Currents Investments				
Inventories	241.5	201.1	269.9	296.5
Sundry Debtors	239.4	250.4	319.0	350.4
Cash and Bank	9.6	19.7	24.9	94.7
Other Current Assets	15.6	59.6	53.6	48.3
Short Term Loans and Advances	37.1	3.6	3.4	3.2
Total Current Assets	543.3	534.3	670.9	793.0
Total Assets	972.1	1040.5	1225.3	1388.4

Source: Company Reports

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