

Subscribe for Long Term

Issue Details

Price Band (Rs)	Rs. 177 - 178
Face Value (Rs)	10
Issue Size (Rs)	500 Cr
Issue Type	Book Building
Minimum lot	84
Issue Opens	December 18, 2019
Issue Closes	December 20, 2019
Listing on	BSE, NSE

Indicative Timeline

Indicative Timeline	On or before
Finalization of Basis of Allotment	December 26, 2019
Unblocking of Funds	December 27, 2019
Credit of shares to Demat Account	December 30, 2019
Listing on exchange	December 31, 2019

Other Detail

Book Running Lead Managers	JM Financial Limited & Edelweiss Financial Services Limited
Registrar	Link Intime India Private Limited

PRINCE PIPES AND FITTINGS LIMITED

Company Background

Incorporated in 1987, Mumbai based Prince Pipes and Fittings Limited ("Prince Pipes") is engaged in manufacturing of polymer pipes and fittings. Prince Pipes is a well-known, leading manufacturer of pipes and fittings in India in terms of the number of distributors with more than 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 Details

The issue size is of Rs. 500Cr. Out of the issue size of Rs 500Cr, Rs 250Cr will be raised as Fresh Issue and the remaining Rs 250Cr will be raised as Offer for Sale.

Offer for sale by :

Promoter	Shares offered for sale*	Amt in Rs.Cr	Pre-Offer Holding (%)
Jayant Shamji Chheda	11,23,596	20	8.53
Tarla Jayant Chheda	78,65,169	140	27.53
Parag Jayant Chheda	28,08,989	50	28.66
Vipul Jayant Chheda	22,47,191	40	28.66

* At Upper price band of Rs.178

Issue Objectives :

- To finance the project cost towards establishment of a new manufacturing facility;
- To upgrade equipment at the manufacturing facilities;
- To repay or prepay certain outstanding loans of the company; and
- General corporate purposes

IPO share allotment pattern

Category	Allocation	Number of Shares at Rs.177	Number of Shares at Rs.178	Issue Size (Rs.Cr)
QIB	50%	14,124,293	14,044,943	2,500,000,000
Non-Institutional	15%	4,237,288	4,213,483	750,000,000
Retail	35%	9,887,005	9,831,460	1,750,000,000
Total	100%	28,248,586	28,089,886	5,000,000,000

Source: Company RHP, ACMIL Research

Outlook and Valuations

Prince Pipes is recognized as one of the leading Polymer Pipes and Fittings manufacturers in India in terms of number of distributors. Increasing government spending towards irrigation, housing, and construction sectors would boost pipe demand, going ahead. With superior product mix, established brand name, strong distribution network, and adding capacities, we believe Prince Pipes is well placed to capitalize on domestic opportunities. At the upper price band of Rs.178/-, the stock trades at 19.22x its FY19 EPS of Rs.9.26/- **We recommend to SUBSCRIBE the issue from a long-term prospective.**

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Business Overview

Prince Pipes is recognized as one of the leading Polymer Pipes and Fittings manufacturers in India in terms of number of distributors. Prince Pipes market its products under two brand names:

1) Prince Piping Systems

2) 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.

Prince Pipes currently manufacture polymer pipes using 4 different polymers: UPVC; CPVC; PPR; and HDPE, and fittings using 3 different polymers: UPVC; CPVC; and PPR.

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 management. Their product range meets the requirements of both the rural and urban markets.

Prince Pipes sell their Prince Piping Systems products to distributors, who then resell the products to wholesalers, retailers, and plumbers. As at October 31, 2019, they sold their Prince Piping Systems products to 1,151 distributors in India. Prince Pipes sell their Trubore products directly to wholesalers and retailers. As at October 31, 2019, they sold their Trubore products to 257 wholesalers and retailers. As at October 31, 2019, they had 1,739 full-time employees and 960 contract labourers.

Investment Rationale

Strong brands in the pipes and fittings segment with over 30 years' experience

Prince Pipes has a strong legacy of more than 3 decades in the polymer pipes segment. They market their products under 2 brand names: Prince Piping Systems and Trubore. Prince Pipes acquired the Trubore brand in October 2012. According to CRISIL Research Report, Prince Pipes had a market share of approximately 5% in Fiscal 2019 and is amongst the top six organized players, which collectively have a total market share of 49% in Fiscal 2019. The fittings segment typically earns higher margins due to the specialized nature and precision required vis-à-vis the pipes segment.

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. Prince Pipes has 7,167 SKUs as on October 31, 2019. Their products are used for varied applications in the fields of plumbing, irrigation, and SWR management.

Strategically located manufacturing facilities and Large and growing distribution network

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.

The manufacturing presence is shown below:

Company	Manufacturing base~	Number of distributors~	Total no. of touch points~
Prince Pipes and Fittings Ltd*	Maharashtra, Tamil Nadu, Uttarakhand, Dadra & Nagar Haveli, Rajasthan	1,408	46,171
Supreme Industries^	Maharashtra, Madhya Pradesh, West Bengal, Uttar Pradesh	984	NA
Finolex Industries*	Maharashtra, Gujarat	850	18,000
Astral Polytechnik*	Gujarat, Tamil Nadu, Rajasthan, Maharashtra, Uttarakhand	750	28,000
Jain Irrigation*	Maharashtra, Gujarat, Tamil Nadu, Rajasthan, Andhra Pradesh	NA	11,000
Ashirvad Pipes*	Karnataka, Rajasthan	1,100	36,000

* Details are at company level. ^ Details are for 'plastic piping products' segment only. ~ Based on details available as of September 30, 2019.

(Source: CRISIL Research Report)

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

Financial performance:

Prince Pipes has established a consistent track record of financial performance and growth. In the last three years, (FY16-19), the company's revenue and profitability have grown at a CAGR of 13% and 41% respectively. Further, during the same period, the company's operating profit has grown at a CAGR of 23% led by better inventory management, and improving product mix. Moreover, company's operating margin improved by almost 193bps from 9.9% in FY16 to 11.83% in FY19. Prince pipes have a strong balance sheet with a debt-equity ratio of 0.63x as on FY19. Further, as on FY19, company's ROE and ROCE stands at 21.45% and 22% respectively

Risk and Concern

- Demand for plumbing products and soil, waste and rain water management products is closely tied to the levels of residential and non-residential construction activity in India. Any reduction in the activity in one or both of these markets could have a material adverse effect on the company's business, results of operations and financial condition.
- If governments cease to encourage the building of new houses and related infrastructure, it could have a material adverse effect on the company's business, results of operations and financial condition

Peer Comparison*

Name of the company	Total Income (₹ in Cr)	EPS (Basic)	NAV	RoNW (%)	P/E
Prince Pipes and Fittings Limited	1,579	9.26	43.71	21.18	19.22
Astral Poly Technik Ltd	2,523	16.27	106.64	15.45	70.64
Finolex Industries Ltd	3,132	29.59	207.6	14.26	19.99
Supreme Industries Ltd	5,620	35.32	169.57	20.83	33.64

Source: Company RHP, ACMIL Research

*Peer Group Companies' financial details set out in the above table are based on their respective consolidated audited results as on March 31, 2019.



Source: Company RHP, ACMIIL Research

Financials

Income statement

Particulars (Rs Mns)	FY16	FY17	FY18	FY19	3MFY20
Revenue from Operations	10,811	13,300	13,205	15,719	3,798
Less : Excise duty	737	835	55	-	-
Net Revenue	10,074	12,465	13,150	15,719	3,798
Less: Operating exp					
Cost of material consumed	7,047	8,365	8,938	10,729	2,790
Purchase of traded goods	327	1,075	462	341	63
Changes in inventories	87	-550	-186	204	-164
Employee Benefit Expense	527	610	726	783	198
Other exp	1,089	1,338	1,577	1,803	384
Total Expenses	9,077	10,839	11,517	13,860	3,271
EBITDA	997	1,626	1,633	1,859	527
EBITDA %	9.9%	13.0%	12.4%	11.8%	13.9%
Less : Dep & Amortization	297	328	381	452	118
EBIT	700	1,298	1,252	1,407	409
Add: other income	6	25	60	71	4
Less : Finance cost	335	364	361	364	74
PBT	370	959	952	1,115	339
Less : Tax	75	217	224	281	73
Net Profit	296	742	728	834	267
PAT %	2.9%	6.0%	5.5%	5.3%	7.0%
Diluted EPS (Rs)	3.18	7.85	8.08	9.26	2.96
Source: Company RHP, ACMIIL Research					

Balance sheet

Particulars (Rs Mns)	FY16	FY17	FY18	FY19	3MFY20
Share Capital	480	450	900	900	900
Other Equity	1,362	1,975	2,266	3,108	3,378
Total Shareholders Fund	1,842	2,425	3,166	4,008	4,279
Non Current Liabilities:					
Borrowing	895	1,058	1,462	1,058	982
Other Non current liabilities	149	155	228	204	201
Provisions	43	45	69	78	85
Deffered tax Liabilities	109	117	127	135	114
Total Non Current Liabilities	1,196	1,375	1,886	1,475	1,382
Current Liabilities:					
Short Term borrowings	1,859	1,888	1,698	1,457	1,609
(i) Trade Payables	991	1,021	1,970	2,152	1,704
(ii) Other Financial Liabilities	558	744	964	1,115	1,034
Other Current Liabilities	66	128	76	182	97
Provisions	21	24	12	16	11
Current Tax liability (Net)	-	-	27	-	29
Total Current Liabilities	3,495	3,805	4,747	4,921	4,484
Total Liabilities	6,533	7,606	9,799	10,404	10,145
Assets					
Non Current Assets					
Property, plant & Equipment	2,314	2,637	3,324	3,595	3,601
CWIP	141	180	147	615	766
Other Intangible assets	61	49	122	101	96
Financial Assets:					
(i) Investments	5	7	7	8	9
(ii) Loans	54	51	73	74	79
(iii) Others				87	87
Other non-current assets	26	14	692	582	623
Total Non Current Assets	2,601	2,939	4,366	5,062	5,261
Current Asset					
Inventories	1,005	1,742	2,415	2,011	2,187
Financial Assets :					
(i) Investments	10				
(ii) Trade Receivables	2,390	2,367	2,394	2,504	1,905
(iii) Cash and cash equivalents	0	27	2	89	3
(iv) Other Balances with Banks	85	97	94	134	128
(v) Loans	4	4	3	2	2
(vi) Others	3	1	3	1	3
Current Tax Asset (Net)	15	24		5	
Other current assets	420	404	523	595	657
Total Current Asset	3,933	4,666	5,434	5,342	4,884
Total Asset	6,533	7,606	9,799	10,404	10,145

Source: Company RHP, ACMIL Research

ACMIIL Retail Research Products

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