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Considering the upper price band, the P/E of the company is around 19.22x for FY19 which is less in comparison with Astral (trading at P/E 70x) and Supreme (trading at P/E 31x). Thus, investors **may subscribe to the IPO for listing gains.**

**About the Company :**

Prince Pipes and Fittings is one of the leading polymer pipes and fittings manufacturers in India in terms of production capacity, number of distributors, and number and variety of products manufactured. The company was incorporated on 13th November, 1987 in Maharashtra having more than 30 years experience in manufacturing polymer pipes and more than 20 years experience in manufacturing fittings.

Prince Pipes currently manufactures polymer pipes using 5 different polymers: UPVC, CPVC, PPR and HDPE, and fittings using 3 different polymers: UPVC, CPVC and PPR. Company's products are used for varied applications in plumbing, irrigation, and sewage disposal. Company markets their products under two brand names: Prince Piping Systems and Trubore Piping Systems. Their product range meets the requirements of both the rural and urban markets.

Issue details

Price Band (in ₹ per share)	177-178
Issue size (in ₹ Crore)	497.19-502.82
Offer for Sale (Shares in lakhs)	140.55-141.24
Total number of shares (Shares in lakhs)	282.48-280.89
Issue open date	18-12-2019
Issue close date	20-12-2019
Tentative date of Allotment	26-12-2019
Tentative date of Listing	31-12-2019
Offer Allocation	QIB-50 %, Retail— 35%, NIB-15%
Minimum order quantity	84
Face value (in ₹)	10
Amount for retail investors (1 lot)	14868-14952
Maximum number of shares for Retail investors at lower Band	1092(13 Lots)
Maximum number of shares for Retail investors at upper band	1092(13 Lots)
Maximum amount for retail investors at lower Band-upper band (in ₹)	193284-194376
Exchanges to be listed on	BSE, NSE

Promoters

- ◆ Jayant Shamji Chheda
- ◆ Parag Jayant Chheda
- ◆ Vipul Jayant Chheda

Objective of the Offer

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

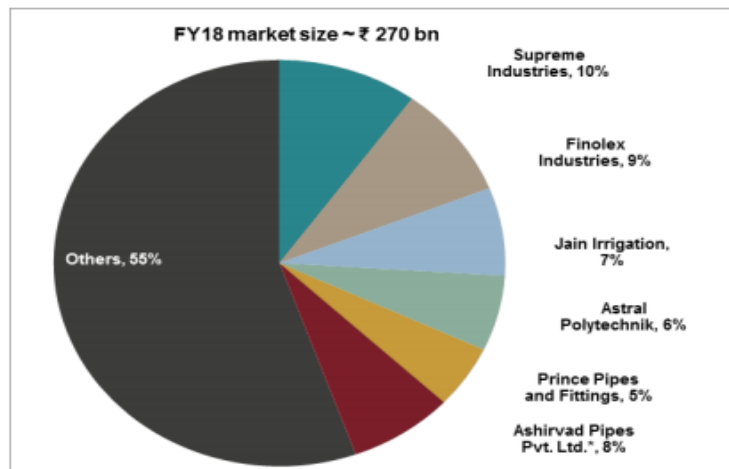
**Brief Financials**

Particulars (Rs. Cr)	1HFY20	FY19	FY18	FY17
Share Capital	90.02	90.02	90.02	45.01
Revenue from Operation	379.77	1571.87	1320.55	1330.02
EBITDA	52.71	185.91	163.34	162.63
PBT	33.93	111.47	95.17	95.91
Net Profit	26.67	83.35	72.77	74.18
EPS	2.96	9.26	8.08	7.85
Net Asset Value (Rs)	46.70	43.71	34.36	52.37
P/B*	3.81	4.07	5.18	3.40
P/E*	15.03 #	19.22	22.03	22.68

*Calculated at the upper band, # P/E is annualized

Industry Review

The organized segment in the pipes and fitting industry account for a 60-65% share of the country's plastic pipes industry. However, depending on the category, the share of organized players fluctuates accordingly. Supreme Industries enjoys the largest market share of about 11%, as of FY19, followed by Finolex Industries (9%) and Ashirvad Pipes (9%). The share of prince pipes and fittings increased to 5% in FY19 from 4.5% in FY 16.



Source: Company, CBSL

Product Diversification in the pipe segment

Product	Ashirvad Pipes	Astral Polytechnik	Finolex Industries	Supreme Industries	Prince Pipes and Fittings	Jain Irrigation
PVC pipes	✓	✓	✓	✓	✓	✓
CPVC pipes	✓	✓	✓	✓	✓	✓
HDPE pipes	×	✓	×	✓	✓	✓
PPR pipes	×	×	×	✓	✓	✓

Source: Company, CBSL



Company Review

Prince Pipes and Fittings is recognized as one of the leading polymer pipes and fittings manufacturers of India in terms of number of distributors. The company had a product range of 7480 SKUs (Stock Keeping Unit). The products are used for various applications in plumbing, irrigation and soil waste and rain water (SWR), serving both rural and urban markets.

The company has strong presence in North, South and West on account of its strategic locations. It has its manufacturing plants located in Dadra and Nager Haveli, Haridwar (Uttarakhand), Chennai (Tamil Nadu) and Kolhapur (Maharashtra). The company uses two contract manufacturers in Aurangabad (Maharashtra) and Hajipur (Bihar). The company plans to open two more plants, one in Jobner (Rajasthan) and in Sangareddy (Telangana)

Competitive Strengths

Company has a strong legacy of more than three decades in the pipes segment and more than two decades in the fittings segment. Prince Pipes has positioned not just as a pipe manufacturer but also as an end to end piping systems supplier. The two brand names, Prince Piping Systems; and Trubore Piping Systems are very popular in the market. The Trubore Piping Systems' brand ("Trubore ") has a long history in the Tamil Nadu market. Trubore brand was acquired by the company in October 2012.

Strategically located manufacturing facilities:

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, 1253 and 1408 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

Optimizing for a better product mix to improve margins:

In plastic pipes, CPVC, PPR and HDPE have higher margins than UPVC products. The fittings business of the company has higher margin than the pipe margins. Hence, the company is actively managing its product mix to ensure maximizing the profit margin.

Focus on DWC pipes:

DWC pipes are with full circular dual wall cross section, with an outer corrugated pipe wall and a smooth inner surface. These pipes are used in underground sewer systems, storm water drainage, cable ducting and cross drainage. In the fourth quarter of Fiscal 2018, the company decided to enter in HDPE segment through DWC pipes based on a survey to estimate the potential demand of pipes for water supply and sanitation over the 4 year period ending March 31, 2021. The company has installed 1 machine in Haridwar plant with a capacity of 8820 tonnes per annum. They have installed 2 machines to produce DWC pipes in Chennai Plant; 1 in July 2018 with an installed capacity of 8820 tonnes pa, and another in October 2018 with an installed capacity 5544 tonnes p.a. In addition to it, they have added DWC pipes that has an installed capacity of 13440 tonnes in their Dadra plant. Company also has installed capacity of 5544 tonnes per annum in its contract manufacturing plant in Aurangabad. For fiscal 2018 and the three months ended June 30, 2018, sales of DWC pipes represented 0.22% and 1.24% of the Net Revenue from operations for those periods. The company expects to increase its sales of DWC pipes.

**Set up two new manufacturing plants:**

The company plans to set up a new manufacturing plant in Sangareddy (Telangana), with a total estimated installed capacity of 51,943 tones per annum and plans to commence production at the Telangana plant in Fiscal 2021. Another plant with an installed capacity of 40621 tonnes per annum. The opening of this new plants will improve the efficiency thus making company more competitive. The opening of Rajasthan plant will help Prince Pipes and Fittings improve their order to delivery time to markets in North India. The commencement of Telangana plant will help improve the delivery time to South India, which is being catered by their capacity in Haridwar and Athal.

Expansion of Trubore brand in new geographies:

The company plans to expand its Trubore brand to other states of South India as the brand's products are currently sold in Tamil Nadu. Eventually, the brand is likely to be expanded to North, East and West India.

Risk Factors**Slowdown in Construction activity:**

Demand for plumbing products and soil, waste and rain water (SWR) 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 business, results of operations and financial conditions.

Intense Competition:

The Company faces competition from substitutes for many of the products and if consumers' preferences for any of these substitutes could lead to a reduction in demand for company's products, which could have a material adverse effect on the business, financial condition and results of operation.

Volatility in Crude Oil Prices:

The company primary raw materials comprise UPVC, CPVC, PPR and HDPE resins, which are derived from crude oil by-products. Crude oil prices are volatile and any increases in the price of crude oil would lead to increases in the prices of the raw materials required to manufacture the company products. Moreover, depreciation of the Rupee against the U.S. dollar could also affect the margins as the company doesn't have long term supply contracts for raw materials.

Outstanding litigation against the Promoters:

Two of the promoters and directors, Jayant Shamji Chheda and Heena Parag Chheda, are also partners in M/s Aditya Developers, a partnership that forms a part of Promoter Group. Aditya Developers had entered into joint venture agreement dated December 30, 2010 with Montana Developers Private Limited. Montana initiated arbitration proceedings ("Claim") against Aditya and its partners, including two of Promoters and Directors, Jayant Shamji Chheda and Heena Parag Chheda, seeking, inter alia, specific performance of all the obligations under the JV Agreement along with damages from Aditya and its partners. It cannot be assured that an adverse order in relation to the claim will not be passed against two of the promoters and directors, Jayant Shamji Chheda and Heena Parag Chheda, for which they may be jointly and severally be subjected to pay damages to the full extent as claimed by Montana i.e. up to Rs 906.64 crores, along with the applicable interest.



Peer Comparison

Company	FV (₹)	Total Income (₹ In Crore)	Basic EPS	P/E*	P/B*	Ronw (%)	NAV (₹)
Prince Pipes and Fittings Limited	10	1579.00	9.26	19.22	4.07	21.18	43.71
Astral Polytechnik Limited	1	2522.73	16.27	70.12	10.70	15.45	106.64
Finolex Industries Limited	10	3131.73	29.59	18.93	2.70	14.26	207.60
Supreme Industries Limited	2	5619.77	35.32	31.77	6.62	20.83	169.57

*P/E & P/B ratio based on closing market price as on December 16th, 2019, At the upper price band of IPO, financial details consolidated audited results as on FY19

External Ratings

Prince pipes and fittings has a rating of A3+ by CARE Ratings for its short-term bank facilities and BBB+ (stable) for its long-term bank facilities.

Our Views

Prince Pipes and Fittings has one of the comprehensive solutions in piping diversified across various sectors. The company's strategic manufacturing locations together with its large distribution network give the company advantage in regional markets. The company continues to optimize its product portfolio to maximize the margins. It is also focused on DWC pipes in HDPE segment for the underground drainage and on expanding Trubore brand to new geographies making its presence pan India. The company is also coming up with new capacities in Rajasthan and in Telangana, which will help the company to reduce its delivery time to North and South Markets and serve its customers better.

Despite of lower EBITDA Margin of 12.3% against peers, there is a scope of for improvement of margins with the expansion of existing wide distribution network and improvement in product mix. In the IPO meet, the management has guided the margins to expand to 13-13.5% in the future. The company is known for its fittings, which require high precision, later the company expanded into pipes. This complementary expansion gives the clear advantage with regards to the shift from unorganized to organized players like Prince Pipes and Fittings. As stated in the IPO meet, around 80% of the distributors of the company are exclusive, giving clear advantage to Prince Pipes. The company has the highest RONW at 21.18% vis a vis its listed competitors Astral Poly with RONW of 15.14%, Supreme Industries with RONW of 20.83% and Finolex industries with RONW of 14.26%.

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Sources: Company Website and Red Herring Prospectus

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