



NEUTRAL

PRINCE PIPES AND FITTINGS LIMITED
IPO NOTE

Dec 13, 2019

Issue Key Highlights:

Price :	Rs.177-178	Issue Opens:	18 th Dec 2019
Issue Size:	Rs.500 Cr	Issue Close:	20 th Dec 2019

Particulars	No of Sh. at higher price band (Cr)	No of Sh. at lower price band (Cr)	% age	Higher band Amount (Rs. Cr)	Lower band Amount (Rs. Cr)
QIB*	1.40	1.41	50%	250.0	250.0
Non-Inst.	0.42	0.42	15%	75.0	75.0
Retail	0.98	0.99	35%	175.0	175.0
Total Issue	2.81	2.82		500.0	500.0

*Co may allocate up to 60% shares of the QIB to anchor investors

Issue Details:

Industry Plastic Pipes

Promoters:

Jayant Sham ji Chheda, Tarla Jayant Chheda, Parag Jayant Chheda, Vipul Jayant Chheda and Heena Parag Chheda

Capital Structure:

Offer for Sale (@ Higher Band) (Rs. Cr.) 250.0

Fresh Issue (@ Higher Band) (Rs. Cr.) 250.0

Post Issue Equity Capital (Rs. Cr.) 110.11

Total Issue as % of total capital (Post-Issue) (@ Lower Band) 25.66%

Face Value Rs.10

Issue Route Book Build Issue

Bid Lot (Shares) 84

Lead Managers JM Financial Limited, Edelweiss Financial Services Limited

Registered Office Goa, India

Registrar Link Intime India Private Limited

Listing BSE and NSE

Key Investment Details for Retail Investors: (UPI Mandatory)

Min No. of Shares application 84

Amount on the Min. Application (Rs.) 14952

Object of the Issue:

Particulars	Amount (Rs Cr)
Repayment or prepayment of certain outstanding loans of the company;	48.17
Financing the project cost towards establishment of a new manufacturing facility*	184.00
Upgradation of equipment at the manufacturing facilities; and	82.10
General Corporate Purposes	•
Total	•

*(Actual cost Rs.196.10, amount deployed as at Dec'10, 2019 Rs.12.10 Cr)

Offer for Sale: Company will not receive any proceeds from the Offer for Sale and all the proceeds will go to the Selling Shareholders.

Business Overview: - Prince pipe is recognized as one of the leading polymer pipes and fittings manufacturers in India in terms of number of distributors (Source: CRISIL Research Report). They market their products under two brand names: Prince Piping Systems; and Trubore. Due to their comprehensive product range, they are positioned as an end-to-end polymer piping systems solution provider. They have more than 30 years' experience in the polymer pipes segment. They currently manufacture polymer pipes using four different polymers: UPVC; CPVC; PPR; and HDPE, and fittings using three different polymers: UPVC; CPVC; and PPR. As at Oct 31, 2019, they 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.

They have six strategically located manufacturing plants, which gives them a strong presence in North, West and South India. The total installed capacity of our six existing plants is 241,211 tonnes per annum as at October 31, 2019. They use five contract manufacturers, of which two are in Aurangabad (Maharashtra), one is in Guntur (Andhra Pradesh), one is in Balasore (Odisha) and one is in Hajipur (Bihar). They sell Prince Piping Systems products to distributors, who then resell the products to wholesalers, retailers, and plumbers. As at Oct 31, 2019, they sold their Prince Piping Systems products to 1151 distributors in India. They sell Trubore products directly to wholesalers and retailers. As at Oct 31, 2019, they sold Trubore products to 257 wholesalers and retailers. Their revenue from operations for FY 17, 18 and 19 was ₹ 1330.15 Cr, ₹ 1320.5 Cr and ₹ 1571.8 Cr, respectively, representing a CAGR of 8.71%. Their profit for the year for FY 17, 18 and 19 was ₹ 74.18 Cr, ₹ 72.7 Cr, ₹ 83.35 Cr, respectively, representing a CAGR of 6.00%.

Key Strengths

Strong brands in the pipes and fittings segment with over 30 years' experience and multiple industry awards and accolades

They have an advantage of being one of the leading organised players in this highly fragmented market. They had a market share of approximately 5% in FY19 and are amongst the top six organised players, which collectively have a total market share of 49% in FY19. (Source: CRISIL Research Report).

Comprehensive product portfolio across polymers serving diverse end-use applications

Owing to their comprehensive product portfolio, they are positioned not just as a pipe manufacturer but also as an end-to-end piping systems supplier. They currently manufacture polymer pipes using four different polymers: UPVC; CPVC; PPR; and HDPE, and fittings using three different polymers: UPVC; CPVC; and PPR. We have different SKUs for different products under each polymer type. They had 7,167 SKUs as at Oct 31, 2019. 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

Their multi-location facilities have assisted in market penetration and developing a strong presence in North, West and South India. For FY19, their sales in North, South, West and East India represented 38.57%, 26.93%, 23.54% and 10.96% of their revenue from operations, respectively.

Large and growing distribution network

They have 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, 2018 and 2019 and October 31, 2019, they had 766, 955, 1,253 and 1,408 distributors and wholesalers and retailers buying directly from them.

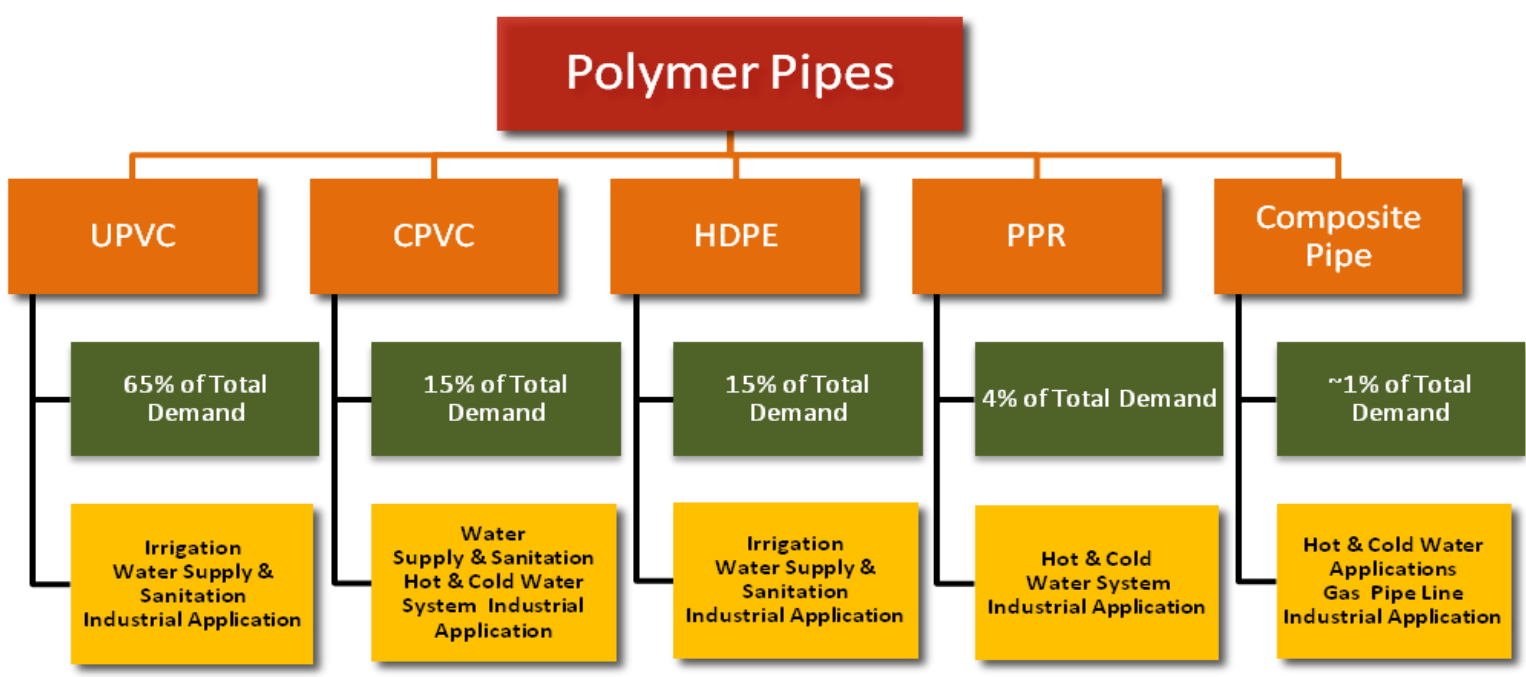
Strong management team

They have a strong management team led by Jayant Shamji Chheda, their Chairman and Managing Director and one of their Promoters, who has more than three decades' experience in the pipes segment. They have a strong team of professionals to manage the core functional areas such as finance, procurement, manufacturing, logistics, sales and marketing, human resources, and information technology.

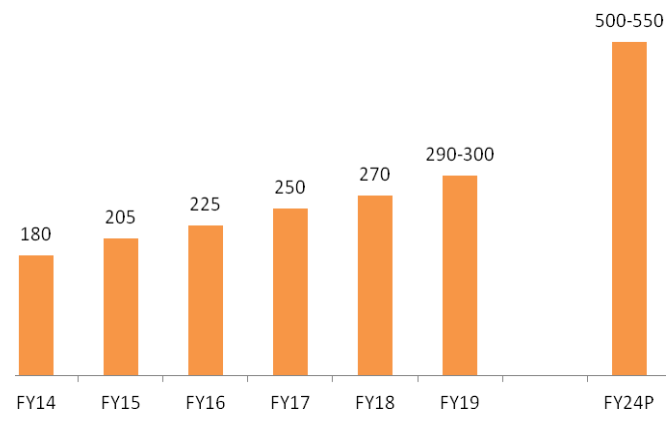
Key Risk: - Demand for their plumbing products and soil, waste and rain water ("SWR") management products is closely tied to the levels of residential and non-residential construction activity in India. Any reduction in the activity in one or both of these markets could have a material adverse effect on their business, results of operations and financial condition

Outlook: - Prince Pipe is a Strong brand in the pipes and fittings segment having a Comprehensive product portfolio across polymers serving diverse end-use applications. Their revenue from operations for FY 17, 18 and 19 was ₹ 1330.15 Cr, ₹ 1320.5 Cr and ₹ 1571.8 Cr, respectively, representing a CAGR of 8.71%. Their profit for the year for FY 17, 18 and 19 was ₹ 74.18 Cr, ₹ 72.7 Cr, ₹ 83.35 Cr, respectively, representing a CAGR of 6.00%. On the back of expansion in Large and growing distribution network their EBITDA margin from 9.9% in FY16 improved to 13.9% in Q1FY20. The Company wants to expand the Trubore brand to new geographies like North India and also looking to set up a new manufacturing plant in Telangana as company wants to expand the distribution network in south India. At the upper band of Rs 178, the issue is priced at 23.5 P/E x of post issue FY19 EPS of Rs.7.6 as compare with its peer like Finolex Ind. is trading at 14.8X and Supreme Ind is at 23.2X. Despite the fact that the company is having bright prospects in long term as the segment is shifting from unorganized to organized play with GST, in the short term the company is facing business related risk like contingent liabilities of Rs 72 Cr as on Q1FY20 and exposure to real estate projects. One of the promoter group entities express infra projects LLP had issued bonds aggregating up to Rs 200 cr of which Rs 191 cr is outstanding as on Oct 31 2019. For serving this debt, promoters have pledged 35% of the equity share capital with IDBI trusteeship. Some of IPO proceeds will be used to repay the debt. Hence we assign 'Neutral' rating to the issue.

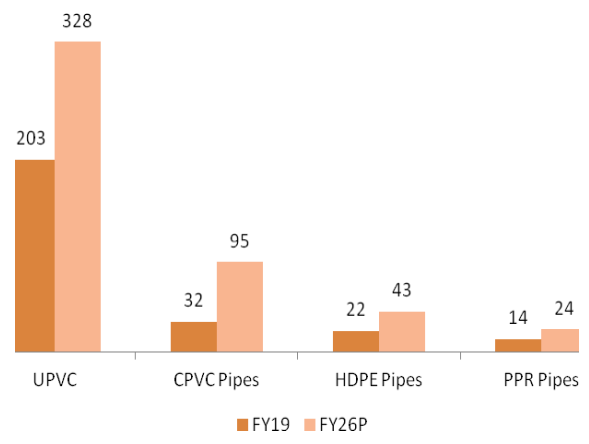
Polymer pipes



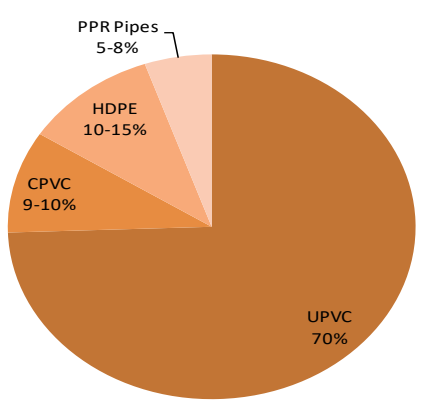
Domestic market size for plastic pipes



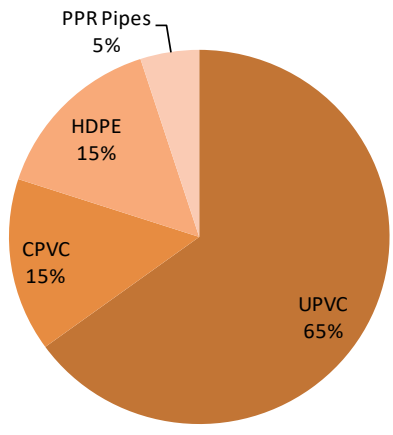
Plastic pipes – Growth across each segment



Plastic pipes – Shift in demand segmentation, by type
FY14-Rs 180 Bn

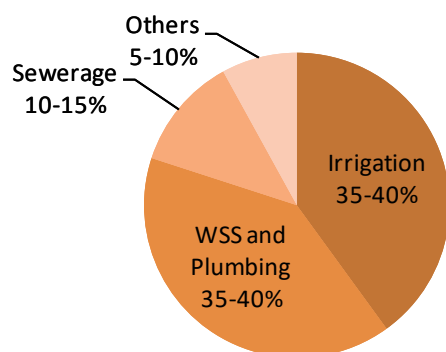


FY19-Rs 290-300 Bn

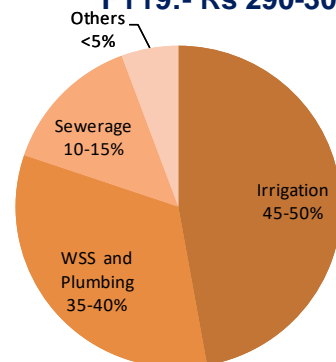


Shift in demand segmentation by end-users

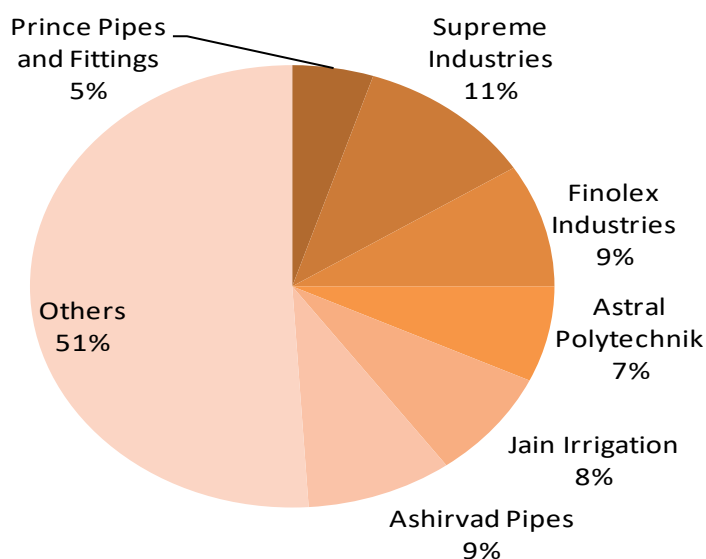
FY14:- Rs 180 Bn



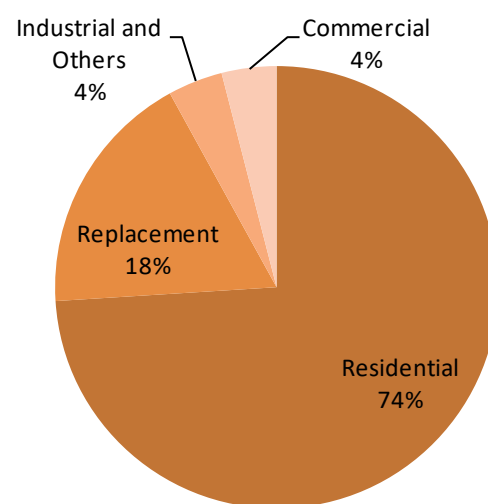
FY19:- Rs 290-300



Market share in Fiscal 2019



Break-up among end users (volume terms) FY19



Manufacturing base and distribution network of peer companies in India

Company	Manufacturing base(4)	Number of distributors (4)	Total no. of touch points(4)
Prince Pipes and Fittings(1)	Maharashtra, Tamil Nadu, Uttarakhand, Dadra and Nagar Haveli	1,408	46,171
Supreme Industries(2)	Maharashtra, Madhya Pradesh, West Bengal, Uttar Pradesh	984	N.A.
Finolex Industries(1)	Maharashtra, Gujarat	850	18,000
Astral Polytechnik (1)	Gujarat, Tamil Nadu, Rajasthan, Maharashtra, Uttarakhand	750	28,000
Jain Irrigation(1)	Maharashtra, Gujarat, Tamil Nadu, Rajasthan, Andhra Pradesh	N.A.	11,000
Ashirvad Pipes(1)	Karnataka, Rajasthan	1,100	36,000

N.A. – Not Available

Notes:

(1) Details are at company level.

(2) Details are for 'plastic piping products' segment only.

(3) Including 212 distributors of "Trubore".

(4) Based on details available as of September 30, 2019.

Source: Company website and reports

Details of Manufacturing Plants that company currently own:

Manufacturing plants							
Ongoing							Proposed
Parameter	Haridwar Plant	Dadra Plant	Chennai Plant	Kolhapur Plant	Athal Plant	Rajasthan Plant	Telangana Plant
Installed capacity as on Oct -19 (tonnes) (approx. p.a.)*	77,588	59,232	62,143	20,045	15,982	6,221	51,943
Production capacity as on Oct 19 (tonnes) (approx. p.a.)*	60,383	44,989	46,518	15,334	13,555	4,759	NA
Year of establishment	2008	2000	2012^	2012^	1995	2019	NA
Products	Pipes & fittings	Pipes	Pipes	Pipes	Fittings	Pipes	Pipes & fittings
Area of land on which plant is located (m ²)	67,630	71,569	35,402	14,300	19,905	68,796	183,241
Owned/leased	Owned	Owned	Owned	Owned	Owned	Owned	Owned
Estimated total cost (. Cr)	-	-	-	-	-	-	196.1

* The production capacity varies with changes in size, mould change and pressure requirements. ^Acquired this plant in 2012.

Product diversification in the pipe segment

Product	Ashirvad Pipes	Astral Polytechnik	Finolex Industries	Supreme Industries	Prince Pipes and Fittings	Jain Irrigation
PVC pipes	Yes	Yes	Yes	Yes	Yes	Yes
CPVC pipes	Yes	Yes	Yes	Yes	Yes	Yes
HDPE pipes	No	Yes	No	Yes	Yes	Yes
PPR pipes	No	No	No	Yes	Yes	Yes

Source: Company website, CRISIL Research.

Financial parameters (FY19)

particulars	Units	Prince Pipes	Supreme Industries	Finolex Industries	Astral Polytechnik	Jain Irrigation	Ashirvad Pipes
Sales	Rs Cr	1,572	5,608	3,087	1,918	4,489	2,673
Share of plastic pipes	%	100.0	56.5	83.4	100.0	48.6	100.0
OPM	%	12.2	14.4	19.5	16.1	16.3	18.8
RoCE	%	22.6	32.7	20.0	20.5	9.7	33.8
ROE	%	12.2	25.0	13.2	13.8	5.1	23.7
NPM	%	5.2	8.2	11.3	7.4	5.2	10.7
Sales growth	%	19.0	11.8	13.3	18.9	15.6	25.7
NP growth	%	11.7	12.5	17.1	18.8	19.3	101.6

Segmental revenue (plastic pipes)

(Rs million)	FY19	FY18	FY17	FY16	FY15
Prince Pipes and Fittings	15,719	13,205	12,626	10,090	9,572
Revenue growth (%)	19	5.5	25.1	5.4	-4.9
Supreme Industries(1)	31,728	27,285	24,670	16,298	22,663
Revenue growth (%) (2)	16.3	-17.1	13.5	-4.1	4
Finolex Industries(3)	25,748	23,288	22,169	20,305	16,395
Revenue growth (%)	10.6	5.1	9.2	23.8	4.9
Astral Polytechnik(4)	19,175	16,109	14,767	13,180	12,526
Revenue growth (%)	19	9	12	5.2	16.8
Ashirvad Pipes	26,728	24,299	20,287	16,141	14,002
Revenue growth (%)	10	19.8	25.7	15.3	23.5
Jain Irrigation(5)	21,838	19,688	16,445	15,329	13,819
Revenue growth (%)	10.9	19.7	7.3	10.9	-7.3

Notes:

(1) Figures reported under 'Plastic piping products' from the consolidated financials of Supreme Industries

(2) For FY15, the year-end for Supreme Industries was June 2015. Hence, revenue for FY16 is only for nine months, i.e., July 2015 to March 2016. Accordingly, sales growth and net profit growth for FY16 and FY17 is calculated by annualising revenue

(3) Figures reported under 'PVC Pipes and Fittings' from standalone financials of Finolex Industries

(4) Figures taken from standalone financials of Astral Polytechnik

(5) Figures reported under 'Plastic division' from the consolidated financials, and not only pipes. As taken from Annual report 2019 of Jain Irrigation Systems

(6) Mar-18 figures for many players are net of GST and thus y-o-y growth in FY18 may not be comparable

Source: company reports, CRISIL Research

Overall company-level EBITDA Margins (%)

Particulars	FY19	FY18	FY17	FY16
Prince Pipes and Fittings	12.2	12.3	12.9	9.7
Supreme Industries(1)	14.4	15.8	17.1	15.6
Finolex Industries(1)	19.5	17.5	18.7	13.4
Astral Polytechnik(1)	16.1	15.2	14.4	12.7
Ashirvad Pipes	18.8	20.6	19.8	15.0
Jain Irrigation(1)	16.3	15.7	15.9	16.0

1. The above financials are on a standalone basis ,Source: Company reports, CRISIL Research

Brief Financials: (Market Cap at Higher Band =Rs 1958.46 Cr, Market Cap at Lower Band:-Rs 1948.86)

Year	Price (Rs.)	Net Sales (Rs.)	EBITDA Margin (%)	PAT (Rs.)	PAT Margin (%)	EPS (Rs.)*	P/E (x)*	ROE (%)*	P/BV (x)
Q1FY20	177	379.7	13.9%	26.7	7.0%	2.4	18.2	15.6%	2.8
	178	379.7	13.9%	26.7	7.0%	2.4	18.4	15.6%	2.9
FY19		1571.8	11.8%	83.3	5.3%	7.6		12.2%	
FY18		1315.0	12.4%	72.7	5.5%	6.6		23.0%	
FY17		1246.5	13.0%	74.2	6.0%	6.7		30.6%	
FY16		1007.4	9.9%	29.5	2.9%	2.7		16.0%	

* EPS is not annualized for Q1FY20. ROE and EPS is calculated on post issue Equity Capital for FY19 and Q1FY20 as during the IPO ,Co is issuing 1.41 Cr new equity shares.

Source: Company RHP, Systematix shares and Stocks (India) Limited

Peer Comparison :

Companies	Price (Rs.)	Mcap (Rs.Cr.)	FY19 Revenue (Rs Cr)	FY19 EBITDM (%)	FY19 PAT (Rs.Cr.)	FY19 PATM (%)	EPS (Rs)	P/E (x)	ROE	P/BV (x)
Prince Pipes*	177	1,949	1,572	11.8%	83	5.3%	7.57	23.4	12.2%	2.8
	178	1,960	1,572	11.8%	83	5.3%	7.57	23.5	12.2%	2.9
Astral Poly Technik	1,180	17,700	2,507	15.2%	196	7.8%	13.07	67.7	14.0%	12.6
Finolex Industries	555	6,884	3,091	10.6%	350	11.3%	28.23	14.8	14.5%	2.8
Supreme Industries	1,110	13,875	5,611	14.0%	449	8.0%	35.92	23.2	20.0%	6.2

* EPS is not annualized for Q1FY20. ROE and EPS is calculated on post issue Equity Capital for FY19 and Q1FY20 as during the IPO ,Co is issuing 1.41 Cr new equity shares.

Source: Company RHP, Systematix shares and Stocks (India) Limited

An Indicative timetable post issue closing:

Particulars	Indicative Timetable
Finalization of Basis of Allotment with the Designated Stock Exchange	On or about Dec 26 ,2019
Initiation of refunds/un-blocking of ASBA Accounts	On or about Dec 27 ,2019
Credit of Equity Shares to demat accounts of Allottees	On or about Dec 30 ,2019
Commencement of trading of the Equity Shares on the Stock Exchanges	On or about Dec 31 ,2019

DISCLAIMER

The information and opinions contained herein have been compiled or arrived at based on the information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy completeness or correctness.

This document is for information purposes only. This report is based on information that we consider reliable; we do not represent that it is accurate or complete and one should exercise due caution while acting on it. Description of any company(ies) or its/their securities mentioned herein are not complete and this document is not and should not be construed as an offer or solicitation of an offer to buy or sell any securities or other financial instruments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. All opinions, projections and estimates constitute the judgment of the author as on the date of the report and these, plus any other information contained in the report, are subject to change without notice. Prices and availability of financial instruments are also subject to change without notice. This report is intended for distribution to institutional investors.

This report is not directed to or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity that is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject to SSSIL or its affiliates to any registration or licensing requirement within such jurisdiction. If this report is inadvertently sent or has reached any individual in such country, especially USA, the same may be ignored and brought to the attention of the sender. Neither this document nor any copy of it may be taken or transmitted into the United States (to U.S. persons), Canada, or Japan or distributed, directly or indirectly, in the United States or Canada or distributed or redistributed in Japan or to any resident thereof. Any unauthorized use, duplication, redistribution or disclosure of this report including, but not limited to, redistribution by electronic mail, posting of the report on a website or page, and/or providing to a third party a link, is prohibited by law and will result in prosecution. The information contained in the report is intended solely for the recipient and may not be further distributed by the recipient to any third party.

SSSIL generally prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, SSSIL generally prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that they cover. Our salespeople, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein. Our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. The views expressed in this research report reflect the personal views of the analyst(s) about the subject securities or issues and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. The compensation of the analyst who prepared this document is determined exclusively by SSSIL; however, compensation may relate to the revenues of the Systematix Group as a whole, of which investment banking, sales and trading are a part. Research analysts and sales persons of SSSIL may provide important inputs to its affiliated company(ies).

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations which could have an adverse effect on their value or price or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies, effectively assume currency risk. SSSIL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on the basis of this report including but not restricted to fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

SSSIL and its affiliates, officers, directors, and employees subject to the information given in the disclosures may: (a) from time to time, have long or short positions in, and buy or sell, the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation (financial interest) or act as a market maker in the financial instruments of the company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential material conflict of interest with respect to any recommendation and related information and opinions. The views expressed are those of the analyst and the company may or may not subscribe to the views expressed therein.

SSSIL, its affiliates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of this information. Without limiting any of the foregoing, in no event shall SSSIL, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. The company accepts no liability whatsoever for the actions of third parties. The report may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the report refers to website material of the company, the company has not reviewed the linked site. Accessing such website or following such link through the report or the website of the company shall be at your own risk and the company shall have no liability arising out of, or in connection with, any such referenced website.

SSSIL will not be liable for any delay or any other interruption which may occur in presenting the data due to any technical glitch to present the data. In no event shall SSSIL be liable for any damages, including without limitation, direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by SSSIL through this presentation.

SSSIL or any of its other group companies or associates will not be responsible for any decisions taken on the basis of this report. Investors are advised to consult their investment and tax consultants before taking any investment decisions based on this report.

**Systematix Shares and Stocks (India) Limited:**

Registered and Corporate address: The Capital, A-wing, No. 603 – 606, 6th Floor, Plot No. C-70, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051

CIN: U65993MH1995PLC268414 | BSE SEBI Reg. No.: INZ000171134 (Member Code: 182) | NSE SEBI Reg. No.: INZ000171134 (Member Code: 11327) | MSEI SEBI Reg. No.: INZ000171134 (Member Code: 17560) | Depository Participant SEBI Reg. No.: IN-DP-CDSL-246-2004 (DP Id: 34600) | PMS SEBI Reg. No.: INP000002692 | Research Analyst SEBI Reg. No.: INH200000840 | Investment Advisor SEBI Reg. No. INA000010414 | AMFI: ARN - 64917