



IPO DETAILS

Issue Date 18th Dec-20th Dec 2019

Price Band 177-178 per Share

Bid Lot 84 & in multiple there

Face Value Rs 10/Share

Listing BSE, NSE

Fresh Issue Rs 250 Crores

Offer For Sale Rs 250 Crores

Pre Issue Eq Shares 95,980,816 Eq Shares

BRLM Edelweiss Financial
Services Ltd,
JM Financial Ltd

Registrar Link Intime India
Private Limited

Research Analyst: Astha Jain

Company is recognized as one of the leading polymer pipes and fittings manufacturers in India in terms of number of distributors. Company market its products under two brand names: Prince Piping Systems; and Trubore. Company have more than 30 years' experience in the polymer pipes segment. Company currently manufacture polymer pipes using four different polymers: UPVC; CPVC; PPR; and HDPE, and fittings using three different polymers: UPVC; CPVC; and PPR. Company's products are used for varied applications in plumbing, irrigation, and soil, waste and rain water ("**SWR**") management.

Owing to company's comprehensive product portfolio, company is positioned not just as a pipe manufacturer but also as an end-to-end piping systems supplier. Company have different SKUs for different products under each polymer type. Company had 7,167 SKUs as at October 31, 2019.

Company have an advantage of being one of the leading organised players in this highly fragmented market. Company had a market share of approximately 5% in Fiscal 2019 and are amongst the top six organised players, which collectively have a total market share of 49% in Fiscal 2019.

Company have a pan-India network of distributors for its Prince Piping Systems products 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, company had 766, 955, 1,253 and 1,408 distributors and wholesalers and retailers buying directly from company, respectively, which represented an 83.81% increase from March 31, 2017 to October 31, 2019.

Company have a strong management team led by Jayant Shamji Chheda, its Chairman and Managing Director and one of company's Promoters, who has more than three decades' experience in the pipes segment. He was awarded the Lifetime Achievement Award at the Vinyl India Conference in 2014 for his extensive contribution to the piping industry and the society. Parag Jayant Chheda, one of company's executive Directors and one of company's Promoters, has more than two decades' experience in the pipes and fittings segment. He was the recipient of the Inspiring Business Leader Award at the Economic Times Summit in the 'Business and Industry' category.

Valuation

Company is bringing the issue at p/e multiple of approx. 24 at higher end of price band of Rs 177-178/share. Company with its strong brands in the pipes and fittings segment with over 30 years' experience has multiple industry awards and accolades. Company has comprehensive product portfolio across polymers serving diverse end-use applications with strategically located manufacturing facilities. However there are concerns related to shares pledge & certain outstanding litigations.

Hence looking after above along with reasonable pricing, we recommend that investors with risk appetite can "Subscribe" the issue.



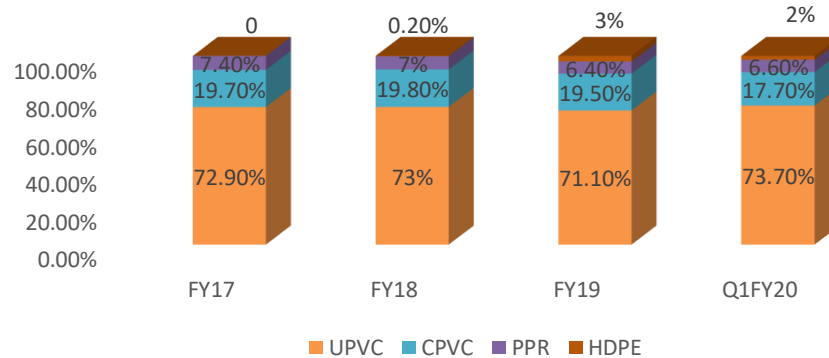
COMPANY OVERVIEW

Company have six strategically located manufacturing plants, which gives it a strong presence in North, West and South India. Company's plants are located at the following locations: Athal (Union Territory of Dadra and Nagar Haveli); Dadra (Union Territory of Dadra and Nagar Haveli); Haridwar (Uttarakhand); Chennai (Tamil Nadu); Kolhapur (Maharashtra) and Jobner (Rajasthan). The total installed capacity of company's six existing plants is 241,211 tonnes per annum as at October 31, Company plan to expand the installed capacity at its plant in Jobner (Rajasthan) from 6,221 tonnes per annum as at 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 2020. Company 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).

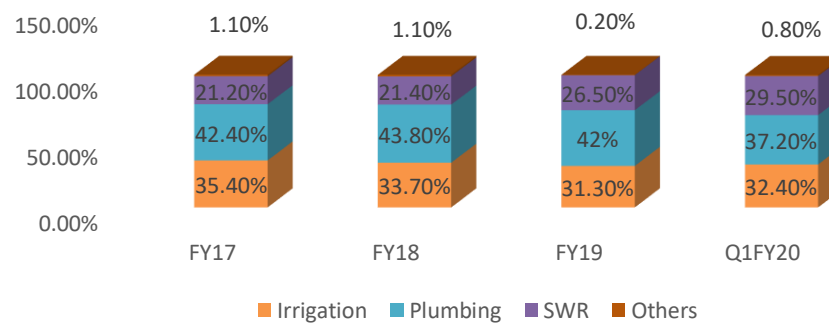
Company plan to set up a new manufacturing plant in Sangareddy (Telangana), with a total estimated installed capacity of 51,943 tonnes per annum. Company plan to commence production at the Telangana plant in Fiscal 2021.

Company distribute its products from its six plants and 11 warehouses. Company sell its Prince Piping Systems products to distributors, who then resell the products to wholesalers, retailers, and plumbers. As at October 31, 2019, company sold its Prince Piping Systems products to 1,151 distributors in India. Company sell its Trubore products directly to wholesalers and retailers. As at October 31, 2019, company sold its Trubore products to 257 wholesalers and retailers.

Sale of Products Break-up by Polymer



Sale of Products Break-up by End -Use Industry





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

Company have a strong legacy of more than three decades in the polymer pipes segment. Company market its products under two brand names: Prince Piping Systems and Trubore. The consumers have a strong loyalty to both company's brands, which has enabled company to consistently grow its brands. Company acquired the Trubore brand in October 2012.

Company have an advantage of being one of the leading organised players in this highly fragmented market. Company had a market share of approximately 5% in Fiscal 2019 and is amongst the top six organised players, which collectively have a total market share of 49% in Fiscal 2019. The fittings segment typically earns higher margins due to the specialised nature and precision required vis-à-vis the pipes segment. Company's strong brands enable it to increase its presence in the fittings segment.

Large and growing distribution network

Company have a pan-India network of distributors for its Prince Piping Systems products 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, company had 766, 955, 1,253 and 1,408 distributors and wholesalers and retailers buying directly from company, respectively, which represented an 83.81% increase from March 31, 2017 to October 31, 2019.

Company's technical collaboration with a reputed international player for almost the last five years, has helped to improve the quality of company's products and its manufacturing efficiency

Since January 2015, Wavin Overseas B.V. ("Wavin"), a company headquartered in Zwolle in The Netherlands, has been providing company with the technology and know-how in the manufacture of its products to improve the quality thereof and to improve manufacturing efficiency. Pursuant to an agreement, Wavin provides company with, among other things, (a) advice relating to management systems, such as quality control systems, costing systems and e-business, (b) product know-how, such as products design and jointing techniques; and (c) production technology, such as choice, formulations and quality requirements for raw materials, preparation technology and equipment, extrusion technology and equipment, injection moulding technology and equipment, and fabricated fittings technology and equipment. Wavin has a direct presence in over 25 countries with some 30 manufacturing sites, and is dedicated to supplying a range of plastic pipe systems for building and infrastructure projects, and licensing of know-how and intellectual property rights.

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 have 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) and Jobner (Rajasthan). Company 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).

Company's multi-location facilities have assisted in market penetration and developing a strong presence in North, West and South India. For Fiscal 2019, company's sales in North, South, West and East India represented 38.57%, 26.93%, 23.54% and 10.96% of its revenue from operations, respectively. For the three-month period ended June 30, 2019, company's sales in North, South, West and East India represented 34.84%, 26.71%, 22.80% and 15.65% of its revenue from operations, respectively.



Set up a new manufacturing plant in Telangana and expand capacity at company's plant in Rajasthan

Company plan to set up a new manufacturing plant in Sangareddy (Telangana), with a total estimated installed capacity of 51,943 tonnes per annum. Company plan to commence production at the Telangana plant in Fiscal 2021. The opening of this new plant will improve company's efficiency thus making it more competitive. Currently, company markets in South India are catered to by company's plants in Athal and Haridwar. The opening of the Telangana plant will enable up to compete in these markets more effectively. Company recently set up a new manufacturing plant in Jobner (Rajasthan), from which company began sales to third parties in September 2019. The plant's installed capacity was 6,221 tonnes per annum as at October 31, 2019. The plant has been constructed so that the installed capacity can be increased to up to 40,621 tonnes per annum based on machines currently available in the market. Company plan to increase the plant's installed capacity to 17,021 tonnes per annum by December 31, 2019 and to 20,909 tonnes per annum by the end of Fiscal 2020. Company plan to further increase the plant's installed capacity based on market demand for its products.

Increase company's sales of DWC pipes

DWC pipes are pipes with full circular dual-wall cross-section, with an outer corrugated pipe wall and a smooth inner surface. DWC pipes are used in the irrigation sector, sewerage and drainage, city-gas distribution and in chemical and processing industries. HDPE pipes account for approximately 15% share in the total plastic pipes industry. These pipes have been gaining prominence over traditional metal and cement pipes, due to durability, low maintenance and longevity versus metal pipes. Government schemes, such as PMKSY, are expected by CRISIL Research to lend support to the segment. Consequently, CRISIL Research expects this segment to witness robust growth of 12-13% CAGR over the next five fiscal years (*i.e.*, from April 1, 2019, to March 31, 2024).

Expand the Trubore brand to new geographies

Company acquired the Trubore brand in October 2012 and it is now company's premium brand. Trubore brand products are currently sold in South India, primarily in Tamil Nadu. Company plan to increase sales of its Trubore brand products by increasing its marketing efforts and the number of wholesalers and retailers for its Trubore brand products. Company plan expand the presence of its Trubore brand initially in all other states in South India and then gradually expand in North, East and West India, thereby making company's Trubore brand a pan-India brand in the next three or four years.

Brand building through major marketing initiatives

Company plan to increase awareness of its brands through major marketing initiatives. For example, in November 2016, in an endeavour to differentiate company's Prince Piping Systems brand from other brands, company launched a loyalty program called 'Prince Udaan' to connect with and reward company's distributors, retailers, wholesalers, and plumbers. Under this loyalty program, buyers of Prince Piping Systems' products who are enrolled in the loyalty program receive reward points on every purchase and they can then redeem the points against a number of gifts available. This loyalty program is currently operational in North India (except Madhya Pradesh), West India, South India, East India (only in Bihar, Jharkhand and West Bengal). Company is in the process of rolling it out to other areas across India.



Risk Factors:

In relation to certain bonds issued by one of company's Promoter Group entities, Express Infra Projects LLP, co's Promoters and one of promoter group Entities may be required to pledge certain Equity Shares held by them. In the event they are required to create such encumbrance and if such encumbrance is enforced, there may be a dilution of the shareholding of co's Promoters and Promoter Group and co may face certain impediments in taking decisions on certain key strategic matters involving company.

Objects of Offer

The Offer consists of the Fresh Issue and the Offer for Sale.

Offer for Sale

The proceeds from the Offer for Sale shall be received by the Promoter Selling Shareholders and company shall not receive any proceeds from the Offer for Sale.

Fresh Issue

The objects for which company intends to utilise the Net Proceeds and the proceeds from the Pre-IPO Placement, are as follows:

1. repayment or prepayment of certain outstanding loans of company;
2. Financing the project cost towards establishment of a new manufacturing facility, either set up directly or indirectly (through a wholly-owned subsidiary that company may set up in the future);
3. upgradation of equipment at company's manufacturing facilities; and
4. general corporate purposes, subject to the applicable laws.

Financial Statement

(Rs Cr)

| Particulars | FY17 | FY18 | FY19 | Q1FY20 |
|--------------------|---------|---------|---------|--------|
| Total Income | 1330.02 | 1320.55 | 1571.87 | 379.77 |
| Operating Exp | 1167.38 | 1157.21 | 1385.96 | 327.05 |
| EBIDTA | 162.63 | 163.34 | 185.91 | 52.71 |
| EBIDTA Margin (%) | 12.23 | 12.37 | 11.83 | 13.88 |
| Other Income | 2.48 | 6.03 | 7.13 | 0.43 |
| Depreciation | 32.83 | 38.09 | 45.16 | 11.82 |
| EBIT | 132.28 | 131.28 | 147.87 | 41.32 |
| Interest | 36.37 | 36.11 | 36.40 | 7.39 |
| PBT | 95.91 | 95.17 | 111.47 | 33.93 |
| E/O Item | 0.00 | 0.00 | 0.00 | 0.00 |
| PBT After E/O Item | 95.91 | 95.17 | 111.47 | 33.93 |
| Sh of Profit in JV | 0.00 | 0.00 | 0.00 | 0.00 |
| PBT | 95.91 | 95.17 | 111.47 | 33.93 |
| Tax | 21.73 | 22.40 | 28.12 | 7.26 |
| PAT | 74.18 | 72.77 | 83.35 | 26.67 |
| NPM(%) | 5.58 | 5.51 | 5.30 | 7.02 |
| Eq Capital | 45.01 | 90.02 | 90.02 | 90.02 |
| Res & Surplus | 197.54 | 226.56 | 310.75 | 337.84 |
| Net Worth | 242.54 | 316.58 | 400.77 | 427.86 |
| Eq Shares (In No) | 4.50 | 9.00 | 9.00 | 9.00 |
| EPS | 16.48 | 8.08 | 9.26 | 2.96 |
| ROE (%) | 30.58 | 22.99 | 20.80 | 6.23 |
| ROCE (%) | 17.86 | 15.04 | 17.09 | 4.94 |
| Book Value | 53.89 | 35.17 | 44.52 | 47.53 |

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