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Issue Details

Issue Details	
Issue Size (Value in ` crore, Upper Band)	500
Fresh Issue (No. of Shares in Lakhs)	140
Offer for Sale (No. of Shares in Lakhs)	140
Bid/Issue opens on	18-Dec-19
Bid/Issue closes on	20-Dec-19
Face Value	Rs. 10
Price Band	177-178
Minimum Lot	84 Shares

Objects of the Issue

- Repayment of certain outstanding loans of the company.
- Financing the project cost towards new manufacturing facility.
- Upgrading equipment at manufacturing facilities.

Offer for Sale:

- The proceeds from the OFS shall be received by the Promoter Selling Shareholders and Company shall not receive any Proceeds from OFS. The Promoter intend to use this Proceeds towards repayment of the outstanding bonds.

Book Running Lead Manager	
Edelweiss Capital Limited	
JM Financial Limited	
Registrar to the Offer	
Link Intime India Private Limited	

Capital Structure (` Mn , at Upper Band)	Aggregate Value
Authorized share Capital	144
Subscribed paid up Capital (Pre-Offer)	96
Paid up capital (Post - Offer)	110

Share Holding Pattern %	Pre Issue	Post Issue
Promoters & Promoter group	90%	66%
Public	10%	34%
Total	100.00	100%

Financials

DESCRIPTION(Rs. Mn)	FY19	Fy18	FY17	FY16
Operating Revenue	15719	13150	12465	10090
Total Expenditure	13860	11517	10839	9056
Operating Profit (Excl OI)	1859	1633	1626	1034
Other Income	71	60	25	11
EBITDA	1930	1694	1651	1045
Depreciation	452	381	328	285
EBIT	1479	1313	1323	760
Interest	364	361	364	353
PBT	1115	952	959	407
Provision for Tax	281	224	217	96
Profit After Tax	834	728	742	311
Adjusted EPS	9.3	8.1	16.5	6.5

Company Description

Prince Pipes and Fittings Limited is engaged in manufacturing of polymer pipes and fittings. The company produces four types of polymer pipes namely CPVC, UPVC, HDPE, PPR with the help of three different polymers CPVC, PPR, and UPVC. The products offered by the company are used for different applications in plumbing, irrigation, and soil, waste and rain water ("SWR") management. The company caters to the requirements of both urban and rural regions.

Prince pipes and fittings market their products under two brand names: Prince Piping Systems and Trubore. Due to the comprehensive product range, the company is positioned as an end-to-end polymer piping systems solution provider. The company has six manufacturing plants which gives them a diverse presence. Gradually, the management plans to increase its capacity by setting up new manufacturing plants.

Valuations and recommendation:

At the upper price band of Rs 178, the stock is offered at a P/E multiple of 19.25 X to its FY19 EPS of Rs.9.26. We believe that the valuation is slightly expensive considering the debt levels in the capital structure as compared to the industry peers coupled with low margins. Even though the management believes that margins would likely increase going forward, we have a cautious approach towards the issue.

Outlook:

Although the company has shown decent performance in the past and the company is growing, we have identified a few areas which make us slightly cautious:

Outstanding litigations against the company

The promoters of the company are partners in Aditya Developers, who has JV with Montana Developers in 2010. The promoter group of the company have contingent liabilities of Rs 904Cr through aditya developers towards Montana developers in damages. Any adverse outcome in these litigations could have an impact on the business.

High debt profile

As compared to industry, the company has slightly higher levels of debt in the capital structure. Even though the company is working on the margins and the management believes that the margins are likely to improve in the upcoming quarters, we remain skeptical about the same.

Company	Prince Pipes	Astral poly Technik	Finolex Industries	Supreme Industries
Revenue (Cr)	1572	2507	3091	5612
EBITDAM (%)	12.3	16.0	20.9	14.30
PAT (Cr)	83	196	367	449
D/E (X)	0.7	0.2	0.04	0.08
P/E (X)	19.2	69.9	18.8	31.80

Considering the factors like low margins coupled with slightly high valuations, we have a **AVOID** rating for the issue

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