

PPFL/SE/2020-2021/115

October 01, 2020

To,
BSE Limited
25th Floor, P.J Towers,
Dalal Street, Mumbai-400001

National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Bandra (E), Mumbai -400051

Scrip Code: 542907

Scrip Code: PRINCEPIPE

Dear Sir/Madam,

Sub: Disclosure under Regulation 30 of Securities and Exchange Board of India (Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR") - Credit Rating

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015, we would like to inform the Exchanges that on October 01, 2020, Company has received a letter from "CRISIL Limited", a credit rating agency, in relation to the credit rating assigned to the below mentioned instruments of the Company amounting to Rs. 469 Crore.

Instruments	Rating
Long Term Rating	CRISIL A-/Stable (Assigned)
Short Term Rating	CRISIL A2+ (Assigned)
Total Bank Loan Facilities Rated	Rs.469 Crore

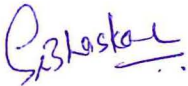
The Ratings Rationale of CRISIL Limited dated September 30, 2020 is enclosed.

Kindly take the same on record.

Thanking You,

Yours faithfully,

For PRINCE PIPES AND FITTINGS LIMITED



Shailesh Bhaskar
Company Secretary & Compliance Officer
Encl. As above



Rating Rationale

September 30, 2020 | Mumbai

Prince Pipes and Fittings Limited

'CRISIL A-/Stable/CRISIL A2+' assigned to bank debt

Rating Action

Total Bank Loan Facilities Rated	Rs.469 Crore
Long Term Rating	CRISIL A-/Stable (Assigned)
Short Term Rating	CRISIL A2+ (Assigned)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has assigned its 'CRISIL A-/Stable/CRISIL A2+' ratings on the bank loan facilities of Prince Pipes and Fittings Limited (PPFL).

The ratings reflect a strong market position in domestic plastic pipe industry supported by diverse product portfolio, diversified geographical presence, and diversified end-user industry, extensive experience of promoters, and robust financial risk profile. These rating strengths are partially offset by moderate operating efficiencies and susceptibility to volatility in raw material prices, and moderate working capital requirements.

Key Rating Drivers & Detailed Description

Strengths

* **Strong market position in domestic plastic pipe industry supported by diverse product portfolio, diversified geographical presence, and diversified end-user industry:** PPFL holds around 5% market share in PVC pipes segment and is one of the top six players in the pipes & fittings industry. The strong market position is supported by its diverse product offering with presence in UPVC, CPVC, PPR and HDPE segments. PPFL has an established track record and market position in the segments it operates in backed by its widespread distribution network. PPFL's revenue has witnessed a healthy CAGR of 11% over past eight fiscals ended 2020 to record and operating income of Rs.1636 crore. The market position is also supported by PPFL's presence in diverse end-user industries like agriculture, plumbing, and sewer segments. Business risk profile will continue to be supported by strong market position in domestic plastic pipe industry.

* **Extensive experience of promoters:** The promoters have been involved in the pipes & fittings industry for over three decades. Over their extensive tenure, the promoters have developed a sound understanding of the local market dynamics and established strong relations with suppliers and customers.

* **Robust financial risk profile:** A strong network, healthy capital structure, and comfortable debt-protection metrics keep the financial risk profile robust. The improved financial risk profile backed by infusion of IPO funds in Fiscal 2020, should continue to remain healthy over medium term. Network was strong at Rs.834.66 crore, capital structure was healthy with gearing at 0.31 time as on March 31, 2020. Debt-protection metrics too were comfortable with interest coverage and net cash accruals to adjusted debt ratios of 7.3 times and 0.58 time, respectively in Fiscal 2020.

Weaknesses

* **Moderate operating efficiencies and susceptibility to volatility in raw material prices:** Company is majorly into manufacturing of UPVC (~70% of revenue) which is a lower margin product in the segment. This leads to moderate operating margin which was 12.5% to 14.1% in last three fiscals ended 2020. The pipes and fittings industry is highly competitive, especially in the commoditized products segment, which has low differentiation. However, over last few years, PPFL has been increasing its presence in high margin products like CPVC pipes, which should support its operating efficiencies in medium term. PPFL is also susceptible to volatility in the prices of key raw material, PVC, which is a crude oil derivative and hence affected by change in crude oil prices, and foreign exchange rates, albeit partly offset by its ability to pass on price fluctuations to the consumers.

* **Moderate working capital requirements:** PPFL has moderate working capital requirements, reflected in gross current asset days 120-145 days over past four fiscals ended 2020. The working capital requirements are supported by bank lines. Also, Return on Capital Employed (RoCE) was moderate at 20.1% in Fiscal 2020.

Liquidity: Strong

Liquidity is backed by healthy cash accrual against repayment obligations, moderate bank limit utilization, and a healthy cash & bank balance. The average utilization in bank lines is 84% over the 13 months ended June-2020. The cushion in bank lines will support the incremental working capital requirements. PPFL is expected to generate NCA of Rs.124-190 crore which will be more than adequate to cover repayments of Rs.16.5 crore in FY21, Rs.12.96 crore in FY22 and Rs.8 crore in FY23. Cash & bank balance stood at Rs.265.7 crore as on March 31, 2020.

Outlook: Stable

CRISIL believes PPFL will continue to benefit from the extensive industry experience of its promoters, its established market

position and robust financial risk profile.

Rating Sensitivity factors

Upward Factors:

- * Sustained revenue growth of over 12% and operating margin of over 15%
- * Efficient working capital management and sustenance of financial risk profile.

Downward Factors:

- * Steep decline in revenue, with operating margin falling below 9%
- * Weakening of capital structure because of large, debt-funded capex or acquisition
- * Sizeable stretch in the working capital cycle.

About the Company

Incorporated in 1987, Mumbai-based, Prince Pipes and Fittings Limited (PPFL) is engaged in manufacturing of plastic pipes and fittings using four different polymers: Unplasticised polyvinyl chloride (UPVC), Chlorinated polyvinyl chloride (CPVC), Polypropylene random (PPR) and High-density polyethylene (HDPE). The company has a corporate office in Mumbai (Maharashtra). PPFL is promoted by Mr Jayant Shamji Chheda and his two sons Mr Parag Jayant Chheda and Mr Vipul Jayant Chheda.

Key Financial Indicators

Particulars	Unit	2020	2019
Revenue	Rs. Cr.	1635.66	1571.87
Profit After Tax	Rs. Cr.	112.51	82.13
PAT margins	%	6.88	5.23
Adjusted Debt/Adjusted Net worth	Times	0.31	0.75
Interest coverage	Times	7.30	5.17

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL complexity levels are assigned to various types of financial instruments and are included (where applicable) in the Annexure -- Details of Instrument in this Rating Rationale. For more details on the CRISIL complexity levels, please visit www.crisil.com/complexity-levels.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs. Cr)	Complexity Levels	Rating Assigned with Outlook
NA	Long Term Loan	NA	NA	Sept-2025	33.25	NA	CRISIL A-/Stable
NA	External Commercial Borrowings	NA	NA	Dec-2021	8.18	NA	CRISIL A-/Stable
NA	Cash Credit & Working Capital Demand Loan	NA	NA	NA	170	NA	CRISIL A-/Stable
NA	Letter of Credit	NA	NA	NA	252.63	NA	CRISIL A2+
NA	Letter of Credit & Bank Guarantee	NA	NA	NA	2.94	NA	CRISIL A2+
NA	Bank Guarantee	NA	NA	NA	2.00	NA	CRISIL A2+

Annexure - Rating History for last 3 Years

Instrument	Current			2020 (History)		2019		2018		2017		Start of 2017
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	211.43	CRISIL A-/Stable		--		--		--		--	--
Non Fund-based Bank Facilities	LT/ST	257.57	CRISIL A2+		--		--		--		--	--

All amounts are in Rs. Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Long Term Loan	33.25	CRISIL A-/Stable	--	0	--
Letter of credit & Bank Guarantee	2.94	CRISIL A2+	--	0	--
Letter of Credit	252.63	CRISIL A2+	--	0	--
External Commercial Borrowings	8.18	CRISIL A-/Stable	--	0	--

Bank Guarantee	2	CRISIL A2+	--	0	--
Cash Credit & Working Capital demand loan	170	CRISIL A-/Stable	--	0	--
Total	469	--	Total	0	--

For further information contact:

Media Relations	Analytical Contacts	Customer Service Helpdesk
<p>Saman Khan Media Relations CRISIL Limited D: +91 22 3342 3895 B: +91 22 3342 3000 saman.khan@crisil.com</p> <p>Naireen Ahmed Media Relations CRISIL Limited D: +91 22 3342 1818 B: +91 22 3342 3000 naireen.ahmed@crisil.com</p>	<p>Mohit Makhija Director - CRISIL Ratings CRISIL Limited B: +91 124 672 2000 mohit.makhija@crisil.com</p> <p>Smriti Singh Rating Analyst - CRISIL Ratings CRISIL Limited B: +91 124 672 2000 Smriti.Singh@crisil.com</p>	<p>Timings: 10.00 am to 7.00 pm Toll free Number: 1800 267 1301</p> <p>For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com</p> <p>For Analytical queries: ratingsinvestordesk@crisil.com</p>

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