

Institutional Equity Research

Prince Pipes

PVC Pipes | India

Initiating Coverage | 21 July 2020

Prince of Pipes

Key Triggers:

- Three decades of operation in PVC pipe sector with healthy track record
- Strong brand equity with widest range of distribution network.
- Presence across all categories of polymers with healthy fitting mix
- Robust return ratios; Average RoE of 20% in last five years
- Sectoral Consolidation Bodes Well; Valuation Discount to Narrow

1. Prince Pipes & Fittings Ltd. (PRINCIPI) is one of the India's leading polymer pipes and fittings manufacturers. It has 1,408 channel partners with strong presence in Northern markets, which contributed 39% of sales in FY20.
2. While the current installed capacity stands at 255,899 TPA, the Company is planning to add another ~52,000 MT (Telangana) by FY21E.
3. PRINCIPI is an end-to-end polymer piping systems solution provider with >30 years of track record.
4. The company has presence across four categories of polymers which are Polyvinyl Chloride (PVC), Chlorinated Polyvinyl Chloride (CPVC), Polypropylene Random Copolymer (PPR) and High Density Polyethylene (HDPE).
5. PRINCIPI has product range for varied applications in plumbing, irrigation, and soil, waste and rain (SWR) water management.

Impact of COVID-19: PRINCIPI lost sales to the tune of Rs1.2bn in Mar'20 due to COVID-led lockdown, as March is usually the peak month of the year. It has gradually restarted operations from the end of Apr'20 and operated at 40% utilisation level in May'20. We expect COVID-led disruptions to impact its performance in 1QFY21. The management stated that the company has not cut pay or lay off any employee so far, and does not intend to do in future, while all payments to the employees as well as the vendors are being made on time.

Outlook & Valuation

PRINCIPI's revenue and earnings clocked 11% and 47% CAGR, respectively over FY15-20, while its EBITDA margin expanded to 14% in FY20 from 8.5% in FY15. Its RoE/RoCE increased significantly from 10.1%/11.4% in FY15 to 13.4%/19.5% in FY20. While we expect the company to deliver muted performance in FY21E, its profitability is expected to improve from FY22E onwards. In the base case, we expect its volume to clock 4.7% CAGR over FY20-23E led by several government schemes. However, we expect its volume to decline by 10.8% in FY21E, which would lead to 26% YoY decline in EBITDA and 45% YoY decline in PAT. The company raised Rs3.55bn through the IPO, out of which Rs950mn was utilised to repay long-term debt. **We initiate coverage on Prince Pipes with BUY and 2-years Target Price of Rs160 (15x FY23 earnings).**

Key Financials (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Sales	15,719	16,357	14,152	16,601	18,965
EBITDA	1,841	2,288	1,698	2,208	2,541
EBITDA Margin (%)	11.7	14.0	12.0	13.3	13.4
Net profit	821	1,125	621	968	1,175
EPS (Rs)	7.5	10.2	5.6	8.8	10.7
P/E (x)	14.5	10.6	19.1	12.3	10.1
P/B (x)	3.0	1.4	1.3	1.2	1.1
EV/EBITDA (x)	6.6	4.0	5.6	4.5	4.0
ROE (%)	20.6	13.4	6.9	9.7	10.5

Source: Company, RSec Research

CMP* (Rs)	108
Upside/ (Downside) (%)	48
Bloomberg Ticker	PRINCIPI IN
Market Cap. (Rs bn)	12
Free Float (%)	37
Shares O/S (mn)	110



We request for your valuable vote and support

BUY

2 Year Target Price: Rs160

Click Image for Video Presentation



Research Analyst:

Arafat Saiyed

CONTACT : (022) 4303 4635 / 9819503007

Email : arafat.saiyed@relianceada.com

Research Associate

CA Akshay Chaturvedi

Contact : (022) 4303 4626 / 9769637564

Email : akshay.chaturvedi@relianceada.com

Share price (%)	1 mth	3 mth	6 mth
Absolute performance	3.0	12.0	-35.0
Relative to Nifty	-8.0	-11.0	-27.0

Shareholding Pattern (%)	Mar-20	Jun-20
Promoter	63.3	63.3
Public	36.8	36.8

6 Month Stock Price Performance



Note: * CMP as on 21 July 2020

Our Thesis

Prince Pipes(Rs16.4 bn - FY20)

Key Segments

Plastic Pipes & Fittings

Revenue

(Rs mn: FY20)

16,357

CAGR (15-20)

11%

CAGR (20-23E)

5%

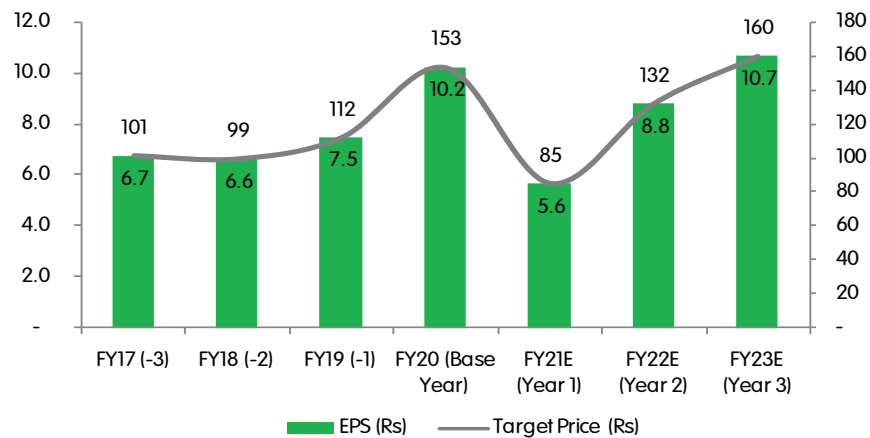
Key Sectoral Theme

- **WSS & Plumbing:** WSS and plumbing contribute to 35-40% total PVC pipes volume in India. Expenditure for WSS clocked ~11% CAGR to Rs416bn in last five years, led by several government schemes. Looking ahead, investments in WSS are likely to remain healthy at ~10% over the next few years.
- **Urban infrastructure:** Water supply and sanitation (WSS) projects are likely to account for 47% of total urban infrastructure investments over the next few years, led by governments programme like Swachh Bharat Mission, Atal Mission for Rejuvenation & Urban Transformation (AMRUT), and Smart Cities mission in several states.
- **Real Estate:** Real estate sector is one of the key consumers of plastic pipes and fittings. Over the last few years, the end-user demand for real estate has been sluggish. Various developers had delayed the possession of projects due to approval delays and liquidity crunch. However, with the implementation of Real Estate Regulatory Authority (RERA), the sector is looking for stable growth.
- **Irrigation:** Over the years, initiatives to increase land under irrigation led by several government schemes like PMKSY, AIBP and KKC augured well for the domestic PVC pipes sector. Micro irrigation could be a huge growth driver for the agricultural pipes, going ahead.

Key Investment Themes

- Prince Pipes & Fittings Ltd. (PRINCIP) is one of the India's leading polymer pipes and fittings manufacturers. It has 1,408 channel partners with strong presence in Northern markets, which contributed 39% of sales in FY20.
- With current installed capacity stands at 255,899 TPA, the Company is planning to add another ~52,000 MTPA (Telangana) by FY21E.
- The company has presence across four categories of polymers like Polyvinyl Chloride (PVC), Chlorinated Polyvinyl Chloride (CPVC), Polypropylene Random Copolymer (PPR) and High Density Polyethylene (HDPE).
- PRINCIP has product range for varied applications in plumbing, irrigation, and soil, waste and rain (SWR) water management.
- With the volatility in the PVC prices, issues relating to GST compliance, liquidity crisis and working capital constraints It has been observed that the market share of Top 5-6 players including PRINCIP has increased due to shutdown of operations by the smaller unorganized players. This creates an opportunity for sectoral consolidation. Further, the recently implemented anti-dumping duty also may force the larger organized players to consolidate their position in the markets.
- We expect its volume to clock 4.7% CAGR over FY20-23E led by several government schemes. However, we expect its volume to decline by 10.8% in FY21E, which would lead to 26% YoY decline in EBITDA and 45% YoY decline in PAT.

EPS & Target Price



Source: Company, RSec Research

Price Sensitivity Analysis

	EPS (Rs)	Growth (%)	FWD P/E	11.0	13.0	15.0	17.0	19.0
FY17 (-3)	6.7		16.8	74	88	101	115	128
FY18 (-2)	6.6	-1.9	17.1	73	86	99	112	126
FY19 (-1)	7.5	12.9	15.1	82	97	112	127	142
FY20 (Base Year)	10.2	37.0	11.0	113	133	153	174	194
FY21E (Year 1)	5.6	-44.8	20.0	62	73	85	96	107
FY22E (Year 2)	8.8	55.9	12.8	97	114	132	150	167
FY23E (Year 3)	10.7	21.4	10.6	117	139	160	182	203

Source: Company, RSec Research

Scenario Analysis

In light of the uncertainties led by COVID-19 pandemic, Prince has not shared any guidance for FY21. We have presented three scenarios (Bull Case, Bear Case & Base Case) to capture

Scenario Analysis

	FY19	FY20	FY21E	FY22E	FY23E	CAGR (%)
Base Case Scenario						
Total Volume	1,29,000	1,32,816	1,18,472	1,36,243	1,52,592	4.7
Growth (YoY,%)	17.3	3.0	(10.8)	15.0	12.0	
Total Sales	15,719	16,357	14,152	16,601	18,965	5.1
Growth (YoY,%)	19.0	4.1	(13.5)	17.3	14.2	
EBITDA	1,841	2,288	1,698	2,208	2,541	3.6
PAT	821	1,125	621	968	1,175	1.5
Bull Case Scenario						
Total Volume	1,29,000	1,32,816	1,35,472	1,57,148	1,79,149	10.5
Growth (YoY,%)	17.3	3.0	2.0	16.0	14.0	
Total Sales	15,719	16,357	16,183	19,148	22,265	10.8
Growth (YoY,%)	19.0	4.1	(1.1)	18.3	16.3	
EBITDA	1,859	2,288	2,104	2,623	3,273	12.7
PAT	834	1,125	976	1,291	1,715	15.1
Bear Case Scenario						
Total Volume	1,29,000	1,32,816	1,08,245	1,19,070	1,28,595	(1.1)
Growth (YoY,%)	17.3	3.0	(18.5)	10.0	8.0	
Total Sales	15,719	16,357	12,664	14,070	15,347	(2.1)
Growth (YoY,%)	19.0	4.1	(22.6)	11.1	9.1	
EBITDA	1,859	2,288	1,393	1,646	1,826	(7.2)
PAT	834	1,125	448	553	605	(18.7)

Source: Company, RSec Research

The COVID-19 Impact

- ▶ The company lost sales to the tune of Rs1.2bn in Mar'20 due to lockdown, as March is usually the peak month of the year. It has gradually restarted operations from the end of Apr'20 and operated at 40% utilisation level in May'20.
- ▶ The company has not cut pay or lay off any employee so far, and does not intend to do in future, the management the employees are important part of growth story.
- ▶ All payments to the employees as well as the vendors are being made on time.
- ▶ The management believes that several initiatives of the Government of India i.e. affordable housing scheme, house for all and other key urban infrastructure projects will boost the demand of plastic pipes, going forward.
- ▶ Recently, the PVC prices started showing upward trend after reaching bottom in FY20. However, the management expects normalcy to return by Nov'20.

Management Conference Call – Key Takeaways

- ▶ **Demand Outlook:** Agri-pipes segment, which constitutes 30% of the company's revenue mix, has seen robust demand since re-opening. Non-agri pipes segment, which has the lion's share in its revenue mix, has seen a gradual recovery since the re-opening only due to pent-up demand and low channel inventory. However, sustainability of this demand seems to be uncertain looking at the current state of real estate sector. In spite of slump in realty segment, the company had been witnessing growth in this segment for the past 4-5 years due to market consolidation. The management expects semi-urban and rural areas to drive segmental demand in the near-term.
- ▶ **Margin:** The management attributed strong EBITDA margin to a favorable product-mix with higher contribution of value-added products, better pricing power, cost control measures, production efficiency and favourable operating leverage. However, it abstained from giving any margin guidance.
- ▶ **Utilisation of Initial Public Offering (IPO) Proceeds:** The company raised Rs3.55bn through the IPO, out of which Rs950mn was utilised to repay long-term debt, which stood at Rs560mn in Mar'20 from Rs1,510mn in Mar'19. About Rs2.44bn is available with the company, out of which Rs1.84bn will be utilised for Telangana plant and the remaining Rs600mn shall be utilised for up-gradation of plant and equipment.
- ▶ **Debt:** Although long-term debt worth Rs950mn was repaid, short-term debt has increased by Rs580mn, taking the total debt to Rs2.61bn in FY20 (from Rs2.97bn in FY19).
- ▶ **Import of CPVC Stopped from Korea:** The company used to import CPVC resin from Korea, which has been stopped due to imposition of anti-dumping duty (ADD). However, its margin was not impacted due to ADD, as it passed on the incremental cost to the channel.
- ▶ **Inventory Levels:** As on FY20, the company had inventory of 77 days compared to general inventory levels of 47 days. This high inventory has helped the company to meet the pent-up demand since the reopening of the economy.

Channel Check Takeaways

- ▶ While the demand for PVC pipes remained healthy during Jan'20 and Feb'20, COVID-led nationwide lockdown severely impacted PVC demand across India owing to complete halt in infrastructure activity and of exodus of the labourers to their native places.
- ▶ Demand started on a weak note in the 2nd week of May after some relief from the government especially in the green and orange zones only. Thus, the PVC pipe manufacturers are likely to post muted volume show in 1QFY21.
- ▶ Currently, urban touch points are operating at only 15-20% of the normal levels, while rural touch points are seeing faster resumption of activities.
- ▶ Agri-pipes segment has witnessed demand since the re-opening of the economy compared non-agri pipes segment. Strong monsoon along with the government's continued focus on agriculture sector augurs well for the agri-pipes segment.
- ▶ Demand for non-agri pipes is estimated to take at least 6-12 months to recover to pre-COVID level due to liquidity crunch and additional pressure on already stressed real estate sector.
- ▶ As most dealers expect the price fall to continue in the next few months, they are putting efforts to ensure maximum collection in order to manage liquidity.
- ▶ Most dealers expect demand to pick-up sharply once lockdown is completely lifted. They expect healthy volume in 2QFY21E.
- ▶ Most dealers look forward to extended channel financing from the PVC pipe manufacturers.

Company Comparative Analysis

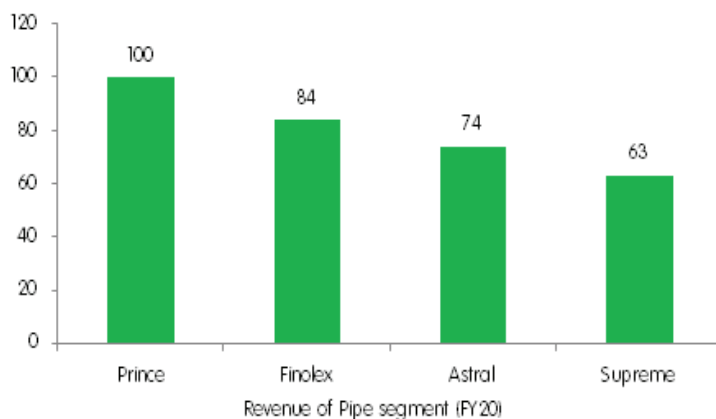
	Prince				Finolex			
Investment View								
Standing	One of the India’s leading polymer pipes and fittings manufacturers with product range for varied applications in plumbing, irrigation, and soil, waste and rain (SWR) water management.				The largest player in Agri Pipes segment with Cash carry model. The only backward integrated PVC player in India			
Dividend Policy	Dividend payout of 10% in FY20				Average dividend payout of 40% during FY16-20			
Portfolio of products	PVC-70%, CPVC-20%, HDPE-7%, PPR-3%				PVC-95%,CPVC-5%			
Distribution reach	1408 Channel partners				850 Distributors with 18,000 retail touch points			
Market share	5% market share in overall PVC pipes segment.				9% market share in overall PVC pipes segment.			

	FY20	FY21E	FY22E	FY23E		FY20	FY21E	FY22E	FY23E
Financials (Rs mn)									
Net Revenues	16,357	14,152	16,601	18,965		29,860	27,254	33,247	39,024
EBITDA	2,288	1,698	2,208	2,541		4,481	3,543	4,702	5,683
Adjusted PAT	1,125	621	968	1,175		3,242	2,067	2,915	3,639
Growth (%)									
Net Revenues	4.1	-13.5	17.3	14.2		-3.4	-8.7	22.0	17.4
EBITDA	24.3	-25.8	30.0	15.1		-22.3	-20.9	32.7	20.9
Adjusted PAT	37.0	-44.8	55.9	21.4		-11.7	-36.3	41.1	24.8
Margin (%)									
Gross Margin (%)	31.1	29.0	29.6	29.7		34.9	34.0	34.3	34.6
EBITDA Margin (%)	14.0	12.0	13.3	13.4		15.0	13.0	14.1	14.6
Net Margin (%)	6.9	4.4	5.8	6.2		10.9	7.6	8.8	9.3
Per share (Rs)									
EPS	10.2	5.6	8.8	10.7		26.1	16.7	23.5	29.3
Book Value	76.1	81.8	90.6	101.3		160.0	170.0	184.1	201.7
Valuation (X)									
P/E	11.0	20.0	12.8	10.6		17.2	27.0	19.2	15.3
EV/EBITDA	4.3	6.0	4.8	4.2		11.5	13.2	9.8	8.0
P/BV	1.5	1.4	1.2	1.1		2.8	2.6	2.4	2.2
Return Ratios (%)									
ROCE (%)	19.5	10.9	14.0	14.7		15.9	11.0	14.8	17.1
ROE (%)	13.4	6.9	9.7	10.5		16.3	9.8	12.8	14.5

Source: Company; RSec Research

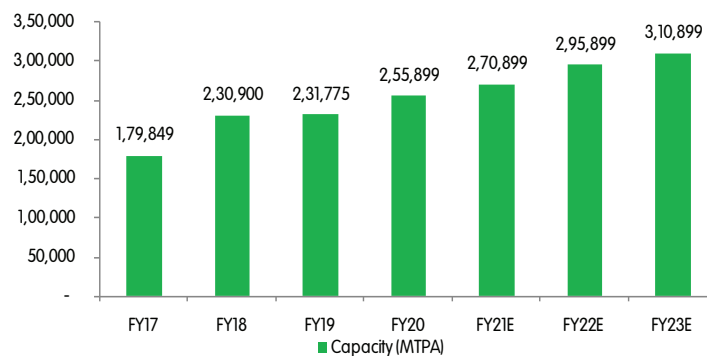
Key Charts

- PRINCEPI is the only company having sole exposure to plastic pipe and fittings. Other players have diversified into other business and have exposure to other sectors.

Exhibit 1: Revenue from PVC Pipes & Fittings across players (%)


Source: Industry; RSec Research

- The company's installed capacity stood at 255,899 TPA as on March 31, 2020. Its plan to set up a new plant in Sangareddy (Telangana) with a total installed capacity of ~52,000 TPA by FY21 remains intact.

Exhibit 2: Capacity


Source: Industry; Company

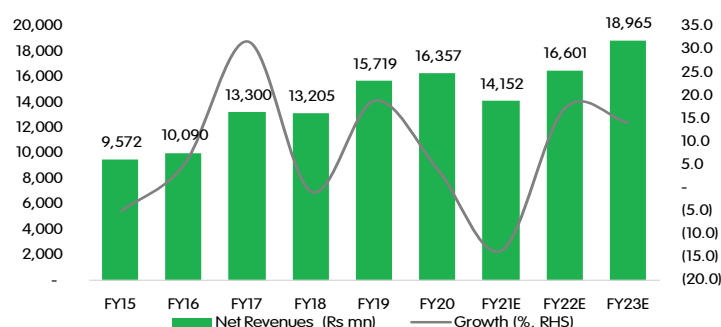
- In the recent times, several smaller players in the PVC pipes sector have been impacted by volatility in the PVC prices, issues relating to GST compliance, liquidity crisis and working capital constraints, which led them to close their operations. At the same time, the financials of other players like Kisan, Prince SWR, and Skipper (polymer division) has been significantly impacted.

Exhibit 3: Consolidation in the sector

Company	FY16	FY17	FY18	FY19
Revenue				
Kisan	4,644	4,797	5,593	5,337
Growth (%)		3.3	16.6	(4.6)
Prince SWR	2,867	3,511	3,946	3,551
Growth (%)		22.5	12.4	(10.0)
Skipper (Polymer)	1,525	1,980	2,149	1,598
Growth (%)		29.8	8.5	(25.6)
Jain Irrigation (Plastic Division)	16,811	17,968	19,929	21,307
Growth (%)		6.9	10.9	6.9

Source: Industry; RSec Research

- PRINCEPI's revenue and earnings clocked 11% and 47% CAGR, respectively over FY15-20, while its EBITDA expanded to 14% in FY20 from 8.5% in FY15. Its RoE/RoCE increased significantly from 10.1%/11.4% in FY15 to 13.4%/19.5% in FY20.

Exhibit 4: Revenue Trend


Source: Company

Investment Rationale

Our investment thesis is based on the following premises

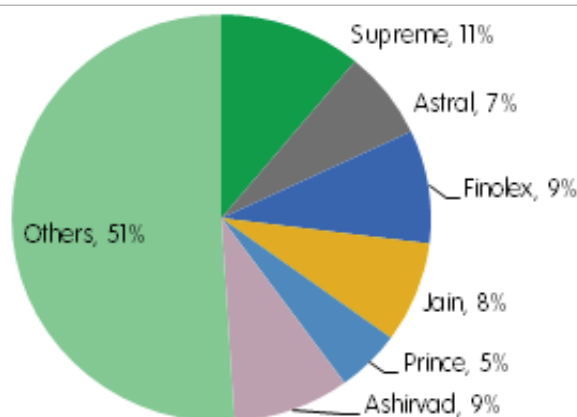
- ☞ Diversified Product Portfolio across Segments
- ☞ Continued Capacity Addition led by robust demand in the sector
- ☞ Strategically-located Facilities with Pan-India Distribution Network
- ☞ Sectoral Consolidation Bodes Well; Valuation Discount to Narrow

1. Diversified Product Portfolio across Segments

PRINCEPIP is an end-to-end polymer piping systems solution provider with >30 years of experience in the industry. It is one of the leading polymer pipes and fittings manufacturers in India with market share of 5%. The company has presence across four categories of polymers like Polyvinyl Chloride (PVC), Chlorinated Polyvinyl Chloride (CPVC), Polypropylene Random Copolymer (PPR) and High Density Polyethylene (HDPE).

Pure Pipes & Fittings Play: PRINCEPIP is also present in fittings segment for more than two decades, which earns higher margin due to specialised nature and required precision.

Exhibit 5: Market Share in PVC pipe market



Source: Company; RSec Research

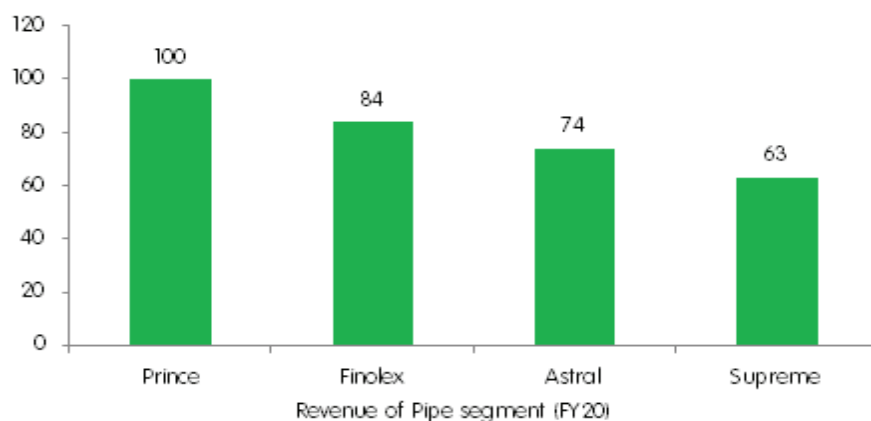
Plumbing is the largest market segment for the company, which contributes 44% to its total sales, followed by 34% and 21% contribution by plumbing Soil, Waste & Rain (SWR) segments, respectively.

Exhibit 6: Segmental revenue of Prince

	FY15	FY16	FY17	FY18	FY19	FY20
Revenue Mix (%)						
PVC	78.0	76.5	73.0	73.0	71.1	71.0
CPVC	15.0	16.3	19.7	19.8	19.5	20.0
HDPE	7.0	7.2	7.3	7.0	6.4	6.5
PPR	-	-	-	0.2	3.0	2.0
	100	100	100	100	100	100
Revenue by End User						
Plumbing	41.0	41.4	41.3	43.8	42.0	44
Agri	32.7	34.6	37	33.8	31.3	34
Sewerage	20.7	22.4	20.5	21.4	26.5	21
Others	5.5	1.5	1.2	1.1	0.3	1
	100	100	100	100	100	100

Source: Company; RSec Research

Amongst the listed peers, PRINCEPIP is the only company having sole exposure to plastic pipe and fittings. Other players have diversified into other business and have exposure to other sectors. For example Supreme is diversified into industrial packaging and furniture, Finolex owns manufacturing for PVC resin, while Astral is diversified into adhesives with acquisition of Resinova and Seal IT.

Exhibit 7: Revenue from PVC Pipes & Fittings across players (%)


Source: Company; RSec Research

The diversification to other sectors not been much beneficial to the players, as it is the pipe segment that aided them to witness growth.

Supreme Industrials: Supreme has diversified into Plastic packaging (63% of sales), Packaging products (18% of Sales), Industrials Packaging (12% of sales) and Consumer Products (7% of sales). Despite having diversification into other segments, the growth of Supreme was driven only by PVC pipe segment. During last ten years PVC segment reported strong 15.5% CAGR while all other segment grew in the range of 8-10%. Utilization of other segment is in the range of 52-64% while PVC pipe segment has highest utilization of 68.4% in FY20

Finolex Industries: Finolex has its own PVC resin manufacturing, in which the company has not increased its capacity since last 12 years. Finolex drives 40% of revenue from PVC resin which has grew at CAGR of just 4% in last five years while PVC pipes revenue grew at a CAGR of 11%

Exhibit 8: Pure Pipes & Fittings Play

	Revenue CAGR FY15-20	Revenue Mix FY20	Utilisation FY20			Revenue CAGR FY15-20	Revenue Mix FY20	Utilisation FY20
Supreme Ind					Finolex Ind			
Plastic Piping	10.3	62.6	68.4		PVC Resin	4.7	38.9	91.0
Packaging Products	1.0	17.4	63.9		PVC Pipes & Fittings	11.0	59.2	66.8
Industrial Products	0.7	12.2	51.5					
Consumer Products	6.7	7.0	57.7					
Astral Poly					Prince Pipes			
Plastic Pipes	10.9	78.3	61.2		Pipes & Fittings	11.3	100.0	51.9
Adhesive	9.0	21.7						

Source: Industry, RSec Research

Astral Poly: Astral's Adhesive segment reported muted revenue growth while PVC pipes segment drive the growth and profitability. For FY20, Adhesive business has declined by 8% with lower margin, while PVC pipes segment report revenue growth with higher margin

Prince Pipes: Prince is pure PVC pipes & fitting player with entire revenue coming from PVC pipes & fittings, recently it has forayed into Tanks Business, however the capex and revenue contributes is miniscule for this segment is the pure PVC pipes and fittings player with entire revenue coming from these businesses. Though the company has recently forayed into tanks business with minimal capex, revenue contribution is miniscule from this segment

Exhibit 9: Capacity and Utilisation of key players

	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Capacity (MTPA)							
Supreme Ind	4,00,000	4,02,000	4,19,000	4,40,000	4,70,000	5,00,000	5,30,000
Finolex Ind	2,90,000	3,33,000	3,70,000	3,95,000	4,10,000	4,35,000	4,60,000
Prince	1,79,849	2,30,900	2,31,775	2,55,899	2,70,899	2,95,899	3,10,899
Astral Poly	1,37,708	1,79,001	2,05,290	2,32,838	2,56,578	2,83,168	3,12,948
Sales Volume (TPA)							
Supreme Ind	2,35,257	2,56,330	2,79,748	3,00,772	2,70,695	3,19,420	3,60,944
Finolex Ind	2,09,419	2,52,036	2,59,723	2,61,782	2,25,500	2,61,000	3,22,000
Prince	96,000	1,10,000	1,29,000	1,32,816	1,18,472	1,36,243	1,52,592
Astral Poly	89,449	1,03,991	1,22,988	1,32,180	1,35,402	1,55,742	1,82,210
Utilisation (%)							
Supreme Ind	58.8%	63.8%	66.8%	68.4%	57.6%	63.9%	68.1%
Finolex Ind	72.2%	75.7%	70.2%	66.3%	55.0%	60.0%	70.0%
Prince	53.4%	47.6%	55.7%	51.9%	43.7%	46.0%	49.1%
Astral Poly	65.0%	58.1%	59.9%	56.8%	52.8%	55.0%	58.2%

Source: Company; RSec Research

Exhibit 10: Realisation and EBITDA per Tonne of Key Players

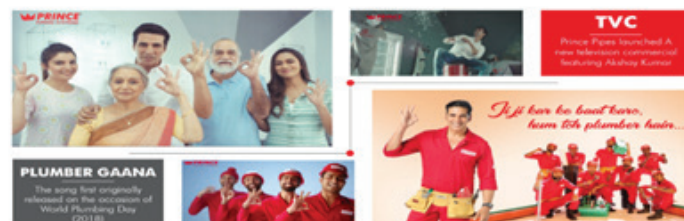
Company	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Realisation (per MT)							
Supreme Ind	1,04,864	1,06,464	1,13,424	1,14,550	1,15,696	1,16,853	1,18,021
Finolex Ind	1,05,566	92,401	99,136	1,02,422	1,00,374	1,01,378	1,02,391
Prince	1,38,543	1,20,050	1,21,850	1,23,152	1,19,458	1,21,847	1,24,284
Astral Poly	1,64,873	1,52,124	1,57,928	1,59,237	1,51,276	1,52,788	1,54,316
EBITDA (per MT)							
Supreme Ind	16,960	15,176	14,461	17,676	15,040	16,126	16,523
Finolex Ind	8,178	5,344	7,370	6,499	5,822	6,083	6,553
Prince	16,941	14,849	14,269	17,226	14,335	16,206	16,654
Astral Poly	24,552	23,423	33,483	29,597	25,766	31,428	33,218

Source: Company; RSec Research

Continuous Focus on Brand Building: PRINCEPI continued its focus on brand building and marketing initiatives. In Nov'16, it launched loyalty programme called 'Prince Udaan' to connect with and reward distributors, retailers, wholesalers, and plumbers. Under this programme, dealer gets reward points on every purchase and they can then redeem those points to get a number of gifts. This programme is currently operational in Northern India (barring Madhya Pradesh), Western India, Southern India and Eastern India (only in Bihar, Jharkhand and West Bengal). The company is in the process of rolling out this plan across India. Historically, the company has undertaken several such activities for new products launches.

Exhibit 11: Transit Media


Source: Company; RSec Research

Exhibit 12: Digital Marketing Campaign


Source: RSec Research

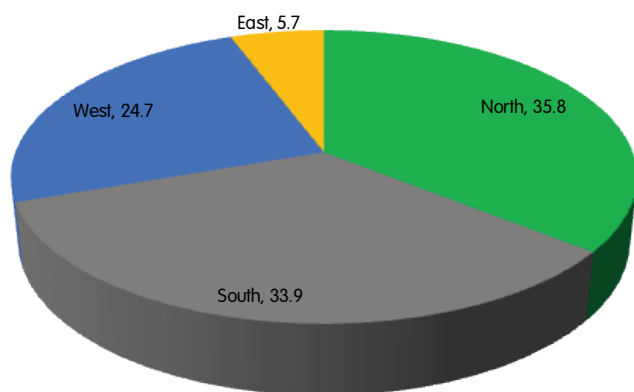
Exhibit 13: Brand Associations


Source: Company; RSec Research

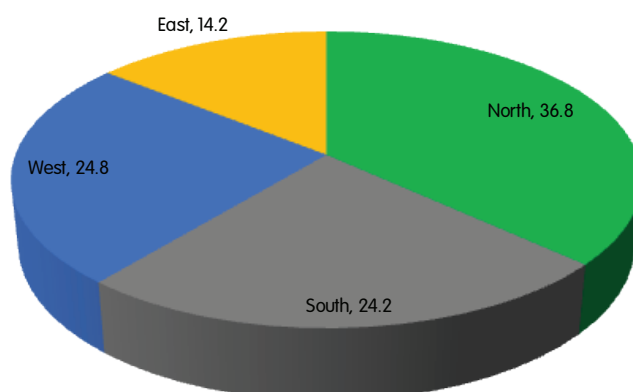
Exhibit 14: Dealers and Plumbers Meet


Source: RSec Research

To leverage on brand building, the company has signed Actor Akshay Kumar as brand ambassador and plans to spend major chunk of advertising budget on TV commercials, outdoor advertisement on trains, buses, autos, and magazines.

Exhibit 15: Revenue Mix FY15 (%)


Source: Company; RSec Research

Exhibit 16: Revenue Mix FY20 (%)


Source: RSec Research

CPVC contributes 20% of Sales

CPVC pipe contributes 20% of total sales for PRINCEPIPE, which is the fastest growing sub-segment, which is used in plumbing and distribution of potable water. In past few years this segment has clocked 20% CAGR accounting for 15% to total demand and is likely to witness 18% CAGR over the next five years, accounting for 21% of total demand. Key players in CPVC segments are: Ashirwad Pipes, Astral and Supreme. CPVC is largely considered a premium product (compared to PVC), and is typically priced at a 25-30% premium to normal PVC pipes, with segmental EBIT margins higher than 10%.

STOREFIT – Foray into Storage Water Tank Biz

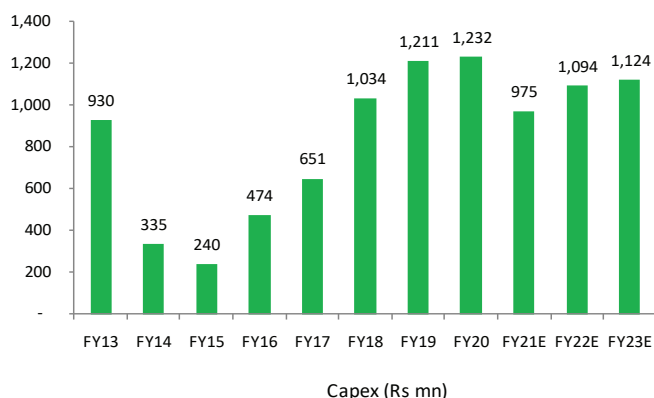
The company forayed into the storage water tanks business (having market size of Rs40bn) with 'STOREFIT' brand. The proportion of organized and unorganized players in this market segment is 35:65 currently with only 1 large organized player. The company plans to be a pan-India player in this segment by utilising its 6 manufacturing plants across India and its existing distribution, retail and plumber network. It has started production in its Dadra plant after success of pilot project in Gujarat.

2. Strategically-located Facilities with Pan-India Distribution Network

Logistic plays an important role in pipes sales, as lower logistics cost makes products more affordable at users end. Considering this, the company has set up manufacturing plants at strategic locations (Haridwar, Dadra, Chennai, Kolhapur, Athal and Rajasthan) to capture demand in piping and fitting segment. Apart from expanding capacity of Rajasthan unit, the company also plans to set up another plant in Telangana with a view to catering to Southern markets.

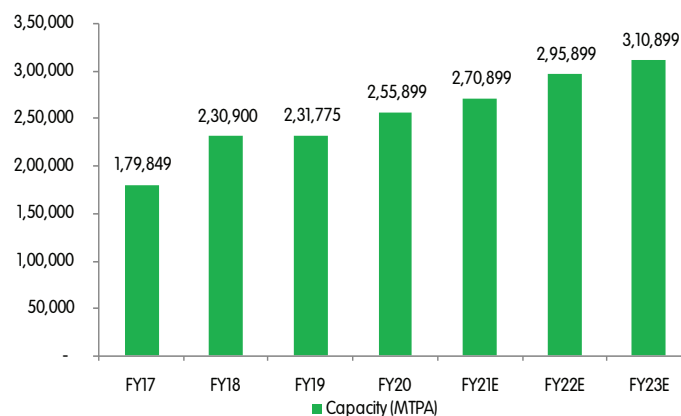
Continued Capacity Addition led by robust demand in the sector

Exhibit 17: Capex Chart



Source: Company; RSec Research

Exhibit 18: Capacity Chart



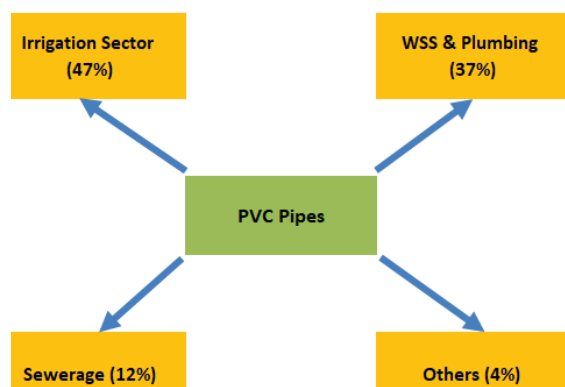
Source: RSec Research

In FY20, the company set up a new manufacturing plant in Jobner (Rajasthan) with total capacity of 20,900 TPA which can be increased up to 40,621 TPA.

Demand Drivers for PVC Pipes

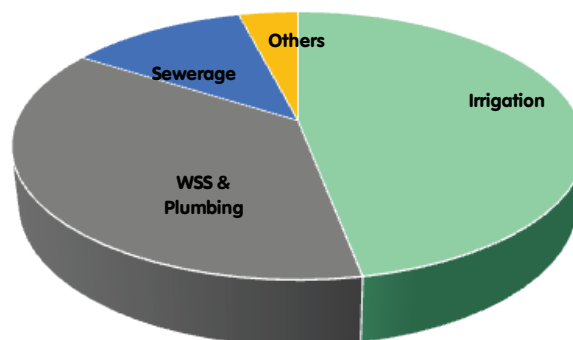
PVC pipes are primarily used in irrigation, water supply and sanitation (WSS) and plumbing. The major demand sources are the projects undertaken by the government. Despite sluggish demand from real estate sector, PVC pipes continue to maintain healthy growth momentum. Affordable housing has aplenty pent-up demand for pipes. Strong government/regulatory initiatives are expected to drive real estate development, which is likely to benefit the pipes sector as well. In India, 50% of net sown area is under irrigation. With the focus on improving coverage area under irrigation, plastic pipes segment is expected to be benefitted in next couple of years. Replacement demand, which contributes 25% to the total market, has supported the demand for PVC pipes sector to large extent.

Exhibit 19: Demand Drivers for PVC Pipes



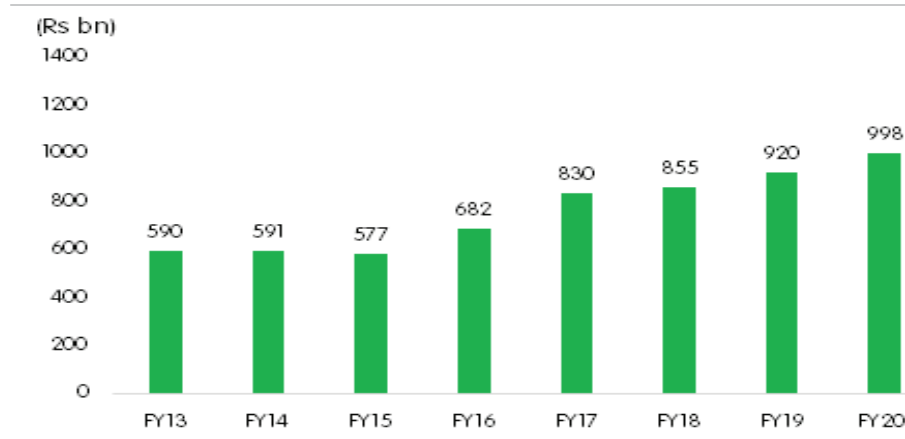
Source: Company; RSec Research

Exhibit 20: WSS and Plumbing is the Largest Segment for PVC Pipes



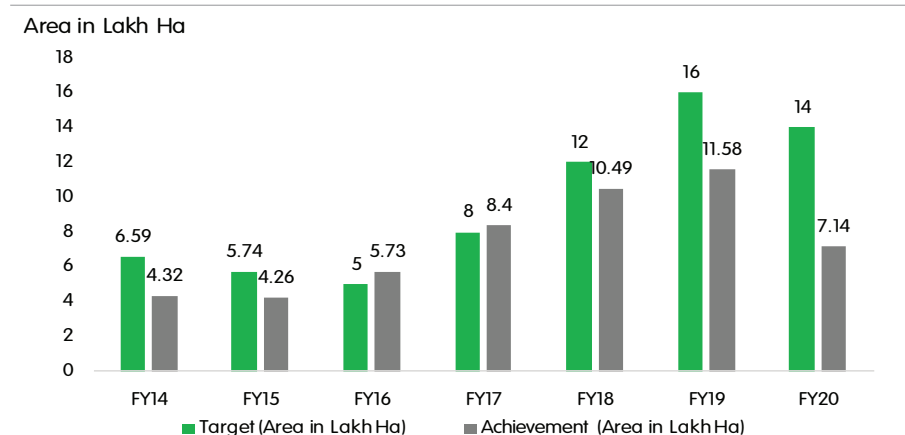
Source: RSec Research

I. Irrigation Sector: The irrigation sector is the key user for plastic pipes that contributes ~47% to the total market. Out of India's 142mn ha of cultivated land, only 50% is irrigated. Under Prime Minister Krishi Sinchai Yojna (PMKSY), the government is likely to spend Rs500bn in the next five years. The scheme also includes earlier schemes like AIBP, Integrated Watershed Management Programme, Per Drop More Crop and Har Khet Ko Pani.

Exhibit 21: Investment in Irrigation


Source: Company; RSec Research

Over the years, initiatives to increase land under irrigation led by several government schemes like PMKSY, AIBP and KKC augured well for the domestic PVC pipes sector. Micro irrigation could be a huge growth driver for the agricultural pipes, going ahead.

Exhibit 22: PMKSY


Source: Company; RSec Research

Micro Irrigation –Investment under per drop more crop scheme

- **AIBP:** The government has launched the Accelerated Irrigation Benefits Programme (AIBP) in FY97 to aid implementation of irrigation projects. After launch of PMKSY in FY16, AIBP became a part of PMKSY. Under AIBP, 99 irrigation projects have been identified for fast-track development (~7.6mn ha).
- **Irrigation Funds:** The government has created Rs400bn dedicated long-term fund under the aegis of NABARD for development of large-scale irrigation resources. A micro-irrigation fund with a Rs50bn corpus has also supported by the government.
- **Atal Bhujal Yojana (ABHY):** The scheme was formulated to address ground water resource management in critical areas in states like Gujarat, Rajasthan, Haryana, Karnataka, Maharashtra, Madhya Pradesh and Uttar Pradesh. Fund worth ~Rs60bn has been allocated to this scheme, which will be spent over FY19-23E.

II. WSS & Plumbing: WSS and plumbing contribute to 35-40% total PVC pipes volume in India. Expenditure for WSS clocked ~11% CAGR to Rs416bn in last five years, led by several government schemes. Looking ahead, investments in WSS are likely to remain healthy at ~10% over the next few years.

III. Urban infrastructure: WSS projects are likely to account for 47% of total urban infrastructure investments over the next few years, led by governments programme in several states.

- ▶ **Swachh Bharat Mission:** Swachh Bharat Mission was launched in Oct'14 to focus on sanitation and accelerate efforts to achieve universal sanitation coverage. It comprises two sub-missions – Swachh Bharat Mission (Gramin) and Swachh Bharat Mission (Urban). The mission's Components are: construction of households, community and public toilets, including conversion of insanitary latrines into pour-flush latrines.
- ▶ **Atal Mission for Rejuvenation & Urban Transformation (AMRUT):** The government replaced Jawaharlal Nehru National Urban Renewal Mission (JNNURM) with AMRUT in May'15. The focus of AMRUT is to provide basic infrastructure services i.e. water supply, sewerage, storm water drains, transport, and development of green spaces and parks.
- ▶ **Smart Cities Mission:** The Ministry of Urban Development has guided for formulation, approval and execution of projects under the Smart Cities Mission. Core infrastructure elements of a smart city include adequate water supply, sanitation and affordable housing.

IV. Real Estate: Real estate sector is one of the key consumers of plastic pipes and fittings. Over the last few years, the end-user demand for real estate has been sluggish. Various developers had delayed the possession of projects due to approval delays and liquidity crunch. However, with the implementation of Real Estate Regulatory Authority (RERA), the sector is looking for stable growth.

- ▶ **Housing for All by 2022:** Pradhan Mantri Awas Yojana (PMAY) was launched in Jun'15 to minimise the housing shortage in urban areas. The Ministry of Housing and Urban Poverty Alleviation has estimated a shortage of ~20mn dwelling units for the urban poor.
- ▶ **Strong Traction in Tier II/III Cities & Rural India:** Tier II/III cities in India have seen a strong demand up-tick in past few years, which we expect to continue in the next few years as well.
- ▶ **Low Penetration of Branded PVC Pipes & Fittings in Rural Areas:** Rural market has low penetration and less availability of branded PVC pipes and fittings. Demand is surging from this sector, driven by the increase in disposable income led by several government initiatives.
- ▶ **Higher Disposable Income & Affordability:** India's per-capita income grew at a healthy rate in past few years, which grew by 6.8% to Rs11,254/month in FY20. Increasing disposable income, typically, has a positive correlation with demand for housing units, as it increases affordability.

3. Strategically-located Facilities with Pan-India Distribution Network

Logistic plays an important role in pipes sales, as lower logistics cost makes products more affordable at users end. Considering this, the company has set up manufacturing plants at strategic locations (Haridwar, Dadra, Chennai, Kolhapur, Athal and Rajasthan) to capture demand in piping and fitting segment. Apart from expanding capacity of Rajasthan unit, the company also plans to set up another plant in Telangana with a view to catering to Southern markets.

Exhibit 23: Plants Across locations

	Athal	Dadra	Haridwar	Chennai	Kolhapur	Rajasthan	Telangana
							(Proposed)
Year of Establishment	1995	2000	2008	2012	2012	2019	2021
Plant Land Area (m2)	19,905	71,569	67,630	35,402	14,300	68,796	99,390
Installed Capacity (MTPA)	15,982	59,232	77,588	62,143	20,045	6,221	51,943
Products	Fittings	Pipes	Pipes, Fittings	Pipes	Pipes	Pipes	Pipes, Fittings

Source: Company; RSec Research

Exhibit 24: Plants Across locations



Source: Company; RSec Research

The brand "Prince Pipes" has a pan-India distribution network, while "Trubore" is present in southern India. Currently, it has total network of 1,408 distributors, out of which 1,151 are for "Prince" pipes and 257 for "Trubore" pipes. Out of 1,408 across India, Southern region has maximum presence with 521 distributors followed by Northern region with 430 distributors.

4. Sectoral Consolidation Bodes Well; Valuation Discount to Narrow

In the recent times, several smaller players in the PVC pipes sector have been impacted by volatility in the PVC prices, issues relating to GST compliance, liquidity crisis and working capital constraints, which led them to close their operations. At the same time, the financials of other players like Kisan, Prince SWR, and Skipper (polymer division) has been significantly impacted. It has been observed that the market share of Top 5-6 players including PRINCIP has increased due to shutdown of operations by the smaller unorganized players. This creates an opportunity for sectoral consolidation. Further, the recently implemented anti-dumping duty also may force the larger organized players to consolidate their position in the markets.

Exhibit 25: Consolidation in the sector

Company	FY16	FY17	FY18	FY19
Revenue				
Kisan	4,644	4,797	5,593	5,337
Growth (%)		3.3	16.6	(4.6)
Prince SWR	2,867	3,511	3,946	3,551
Growth (%)		22.5	12.4	(10.0)
Skipper (Polymer)	1,525	1,980	2,149	1,598
Growth (%)		29.8	8.5	(25.6)
Jain Irrigation (Plastic Division)	16,811	17,968	19,929	21,307
Growth (%)		6.9	10.9	6.9
EBITDA (Rs mn)				
Kisan	320	372	469	308
EBITDA Margin (%)	7	7.8	8.4	5.8
Prince SWR	304	346	393	405
EBITDA Margin (%)	11	9.9	10.0	11.4
Skipper (Polymer)	165	165	151	-28
EBITDA Margin (%)	11	8.4	7.0	(1.7)
Jain Irrigation (Plastic Division)	1,325	1,386	1,997	2,303
EBITDA Margin (%)	8	7.7	10.0	10.8
PAT (Rs mn)				
Kisan	(153)	(9)	4	(97)
Prince SWR	45	48	49	23
Skipper (Full Co)	951	1,115	1,178	312
Jain Irrigation (Full Co)	486	1,762	2,213	2,542

Source: Company, RSec Research

Further, its valuation is attractive compared to its listed peers. The company has gained market share in past couple of years and maintained high return ratios as well. The discount in the valuation vs. peers is largely due to concerns over weak corporate governance and contingent liability against the promoters related to Ms. Aditya Developers. However, most these concerns have already addressed by the company since listing.

Anti-dumping Duty (ADD) on Imports of CPVC Resin/Compound from China & South Korea: The Government has imposed anti-dumping duty (ADD) on imports of CPVC resin/compound from China and South Korea for five years (February 2020-2025). Earlier, it was imposed on provisional basis for six months since Aug'19. The share of imports from China and South Korea declined since Aug'19, which benefitted the larger players especially in 2HFY20, owing to low cost inventory.

Outlook & Valuation

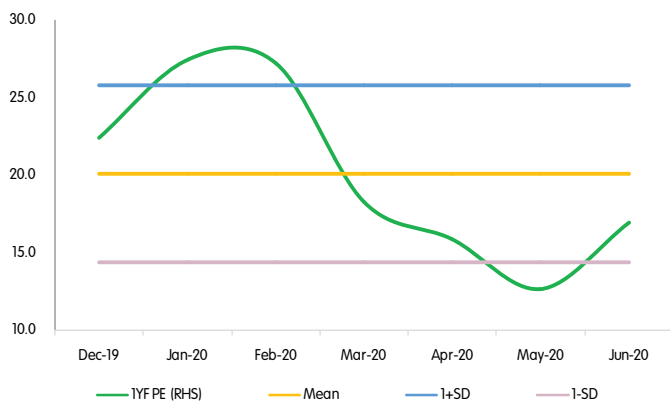
PRINCEPIP's revenue and earnings clocked 11% and 47% CAGR, respectively over FY15-20, while its EBITDA margin expanded to 14% in FY20 from 8.5% in FY15. Its RoE/RoCE increased significantly from 10.1%/11.4% in FY15 to 13.4%/19.5% in FY20. While we expect the company to deliver muted performance in FY21E, its profitability is expected to improve from FY22E onwards. In the base case, we expect its volume to clock 4.7% CAGR over FY20-23E led by several government schemes. However, we expect its volume to decline by 10.8% in FY21E, which would lead to 26% YoY decline in EBITDA and 45% YoY decline in PAT. **We initiate coverage on Prince Pipes with BUY and 2-years Target Price of Rs160 (15x FY23 earnings).**

Valuations Table

Peer Valuations

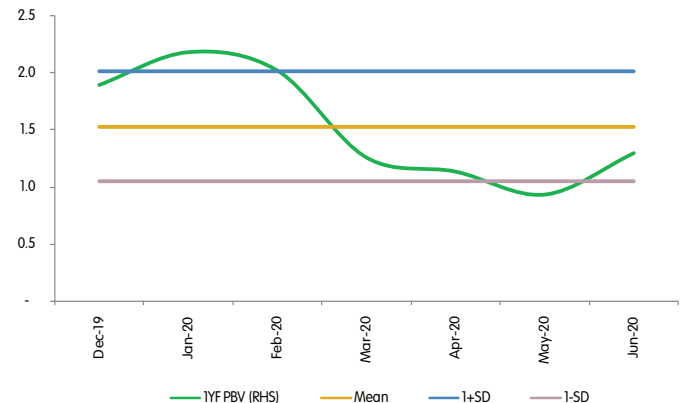
	Rating	Mcap	CMP	Target	Upside	Avg FW	Target	PE (x)				EV/EBITDA (x)				ROE (%)			
		Rs bn	Rs	Rs	%	FW PE (x)	PE (x)	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E
Finolex Ind	BUY	57	459	492	7.2	20	16	17.5	25.5	18.4	15.0	7.7	9.3	6.7	5.3	11.8	7.7	10.0	11.5
Astral Poly	BUY	144	954	1,081	13.3	48	45	49.4	67.2	52.4	39.8	26.3	30.8	24.3	19.8	18.7	12.2	13.6	15.3
Supreme Ind	BUY	149	1,159	1,334	15.1	33	30	31.5	44.2	32.4	26.1	16.3	20.5	16.0	13.4	20.7	13.5	16.6	18.4
Prince Pipes	BUY	12	108	160	48.3	NA	15	10.6	19.1	12.3	10.1	4.0	5.6	4.5	4.0	13.4	6.9	9.7	10.5

Exhibit 26: 1Y FW PE



Source: Company; RSec Research

Exhibit 27: 1Y FW PBV



Source: RSec Research

Scenario Analysis

In light of the uncertainties led by COVID-19 pandemic, Prince has not shared any guidance for FY21. We have presented three scenarios (Bull Case, Bear Case & Base Case) to capture slower, faster and modest recoveries, each of which are analysed in the report.

Bull Case: In Bull Case scenario, we expect a faster recovery in PVC pipes volume and less volatility in PVC prices. We expect volume to grow by 2% in FY21E, 16% in FY22E and 14% in FY23E. We expect EBITDA margin at 13% in FY21E, which is expected to result in 13% PAT decline. Return ratios too are expected to recover steadily during FY20-23E.

Exhibit 28: Bull Case Scenario

	FY18	FY19	FY20	FY21E	FY22E	FY23E	CAGR (%)
Total Volume	1,10,000	1,29,000	1,32,816	1,35,472	1,57,148	1,79,149	10.5
Growth (YoY,%)	-	17.3	3.0	2.0	16.0	14.0	
Total Sales	13,205	15,719	16,357	16,183	19,148	22,265	10.8
Growth (YoY,%)	-	19.0	4.1	(1.1)	18.3	16.3	
EBITDA	1,633	1,859	2,288	2,104	2,623	3,273	12.7
Growth (YoY,%)	0	13.8	23.1	(8.0)	24.7	24.8	
EBITDA Margin (%)	12.4	11.8	14.0	13.0	13.7	14.7	
PAT	728	834	1,125	976	1,291	1,715	15.1
Growth (YoY,%)	0	14.5	35.0	(13.3)	32.3	32.8	
PAT Margin (%)	5.5	5	6.9	6.0	6.7	7.7	
EPS (Rs)	7	8	10	9	12	16	15.1
Growth (YoY,%)	0	14.5	35.0	(13.3)	32.3	32.8	
RoCE (%)	20.6	26.6	19.5	12.0	14.1	16.1	
RoE (%)	23.0	20.9	13.4	10.4	12.1	13.9	

Source: Company, RSec Research

Bear Case: In Bear Case scenario, we expect PVC pipe volume to fall sharply by 19% in FY21E and witness slower recovery in FY22E and FY23E. EBITDA margin is also likely to remain in a tight band, while PAT is expected to remain under pressure, leading to 19% negative CAGR over FY20-FY23E.

Exhibit 29: Bear Case Scenario

	FY18	FY19	FY20	FY21E	FY22E	FY23E	CAGR (%)
Total Volume	1,10,000	1,29,000	1,32,816	1,08,245	1,19,070	1,28,595	(1.1)
Growth (YoY,%)		17.3	3.0	(18.5)	10.0	8.0	
Total Sales	13,205	15,719	16,357	12,664	14,070	15,347	(2.1)
Growth (YoY,%)		19.0	4.1	(22.6)	11.1	9.1	
EBITDA	1,633	1,859	2,288	1,393	1,646	1,826	(7.2)
Growth (YoY,%)		13.8	23.1	(39.1)	18.2	10.9	
EBITDA Margin (%)	12.4	11.8	14.0	11.0	11.7	11.9	
PAT	728	834	1,125	448	553	605	(18.7)
Growth (YoY,%)		14.5	35.0	(60.2)	23.3	9.4	
PAT Margin (%)	5.5	5	6.9	3.5	3.9	3.9	
EPS (Rs)	6.6	7.6	10.2	4.1	5.0	5.5	(18.7)
Growth (YoY,%)		14.5	35.0	(60.2)	23.3	9.4	
RoCE (%)	20.6	26.6	19.5	6.5	7.6	8.0	
RoE (%)	23.0	20.9	13.4	5.1	5.9	6.1	

Source: Company, RSec Research

Base Case: In Base Case scenario, we have neither been too negative nor too positive. Hence, we expect PVC pipe volume to decline by 11% in FY21E and witness a decent recovery in FY22E. We expect EBITDA margin to remain in 12-13.5% range, while PAT is expected to witness a modest recovery with 2% CAGR through FY20-23E.

Exhibit 30: Base Case Scenario

	FY18	FY19	FY20	FY21E	FY22E	FY23E	CAGR (%)
Total Volume	1,10,000	1,29,000	1,32,816	1,18,472	1,36,243	1,52,592	4.7
Growth (YoY,%)		17.3	3.0	(10.8)	15.0	12.0	
Total Sales	13,205	15,719	16,357	14,152	16,601	18,965	5.1
Growth (YoY,%)		19.0	4.1	(13.5)	17.3	14.2	
EBITDA	1,633	1,841	2,288	1,698	2,208	2,541	3.6
Growth (YoY,%)		12.7	24.3	(25.8)	30.0	15.1	
EBITDA Margin (%)	12.4	11.7	14.0	12.0	13.3	13.4	
PAT	728	821	1,125	621	968	1,175	1.5
Growth (YoY,%)		12.9	37.0	(44.8)	55.9	21.4	
PAT Margin (%)	5.5	5	6.9	4.4	5.8	6.2	
EPS (Rs)	6.6	7.5	10.2	5.6	8.8	10.7	1.5
Growth (YoY,%)		12.9	37.0	(44.8)	55.9	21.4	
RoCE (%)	20.6	26.6	19.5	10.9	14.0	14.7	
RoE (%)	23.0	20.6	13.4	6.9	9.7	10.5	

Source: Company, RSec Research

Key Risks

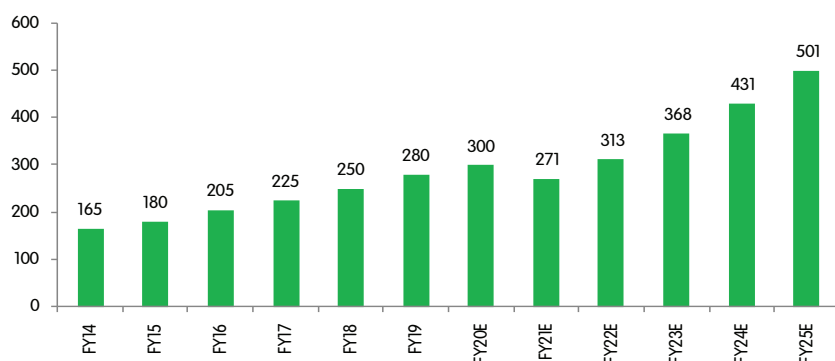
- ▶ Volatility in raw material prices
- ▶ Any further slowdown in housing demand
- ▶ Higher competition from the unorganised players

Plastic Pipe Sector – At a Glance

We expect, the Indian plastic pipe industry is to clock 10% CAGR over FY20-25E to reach ~Rs500bn by FY25E from ~Rs300bn currently, driven by government's initiatives like "Housing for All" by 2022, "Nal se Jal" by 2024, project AMRUT & Swachh Bharat Mission. Other opportunities arise from irrigation and replacement demand, increasing usage of PVC and CPVC pipes in construction activity and real estate development.

Exhibit 31: Plastic Pipe Industry

(Rs bn)



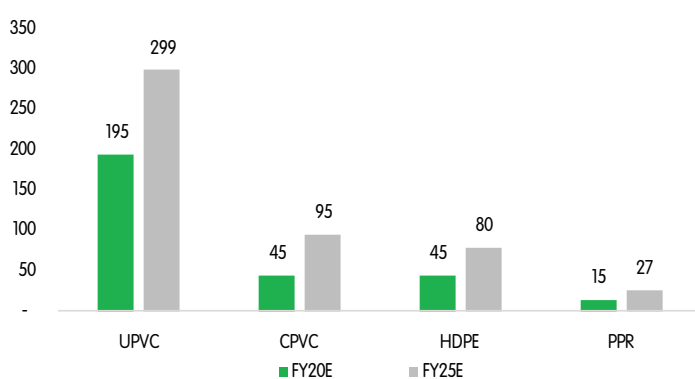
Source: Company; RSec Research

The organised players contribute ~65% to the total market, dominated by 8-9 players. Following shift of preference from galvanized iron (GI) pipes, plastic pipe has emerged as preferred choice owing to low cost and higher lifecycle. The government's initiatives supported the growth to large extent. PVC pipes are affordable and have longer life compared to GI pipes.

CPVC – The Fastest Growing Sub-segment: CPVC is the fastest growing sub-segment in the plastic pipe segment, which is used for plumbing and distribution of potable water. CPVC segment, which clocked 20% CAGR contributing 15% of demand, is likely to clock 18% CAGR over the next five years contributing 20% of total demand.

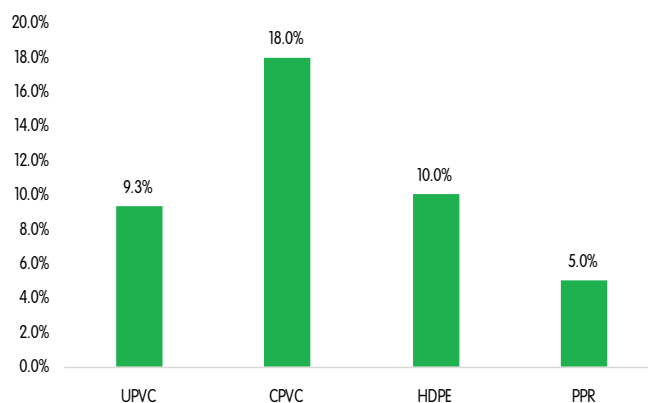
Exhibit 32: CPVC fastest growing segment in pipes

(Rsbn)



Source: Company; RSec Research

Exhibit 33: CAGR (FY19-23E)



Source: RSec Research

Categories of Plastic Pipes

Plastic pipes come broadly in four categories i.e. (1) Unplasticised polyvinyl chloride (UPVC - 65% of demand); (2) chlorinated polyvinyl chloride (CPVC - 15% of demand); (3) high-density polyethylene (HDPE - 15% of demand); and (4) polypropylene (PPR - 5% of demand).

Exhibit 34: PVC Pipe Market Summary

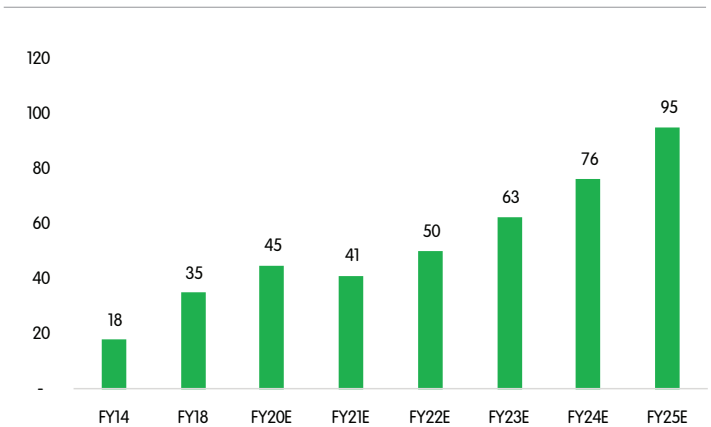
Parameters	PVC Pipes (Rs300bn)			
Types	UPVC	CPVC	HDPE	PPR
Industry Size	Rs195bn	Rs45bn	Rs45bn	Rs15bn
	65%	15%	15%	5%
Life (Years)	20-25 Years	30-35 Years	50 Years	30 Years
Usage	Irrigation, Water supply & Sanitation, Ind Application	Water supply & Sanitation, Hot & cold water systems, Ind Application	Irrigation, Water supply & Sanitation, Ind Application	Hot & cold water systems, Ind Application
Major Players	Supreme, Finolex, Astral, Jain, Ashirwad	Astral, Ashirwad, Supreme, Skipper	Jain, Supreme	Prince, Supreme
Cost Effective	~25% cheaper than GI	higher than UPVC	higher than UPVC	higher than UPVC
Installation	Through Cold welding	Cold welding, Solvent cement	Hot welding,	Hot fusion welding

Source: Company; RSec Research

I. UPVC Pipes: UPVC is the largest segment of pipes industry in India contributing 65% to total demand. These pipes are designed for cold water usage of up to 60°C. The key raw material is PVC resin, 50% of which are met through imports. The main application of UPVC is agriculture and plumbing for potable water supply and sewerage. Constant replacement demand from galvanised iron (GI) pipes led to healthy growth in the past few years.

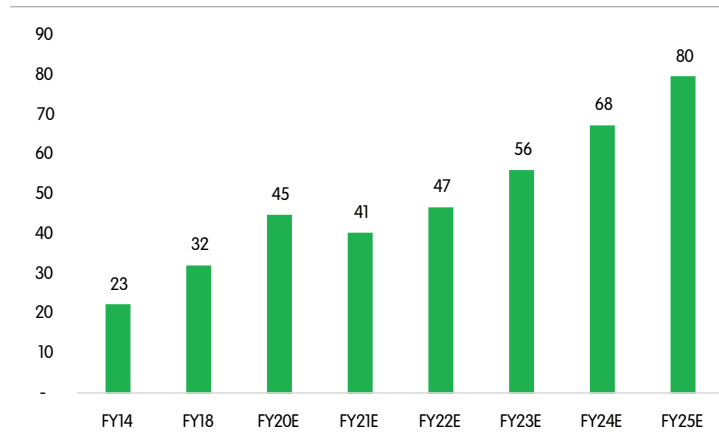
Exhibit 35: Market Size of UPVC (Rs bn)


Source: Company; RSec Research

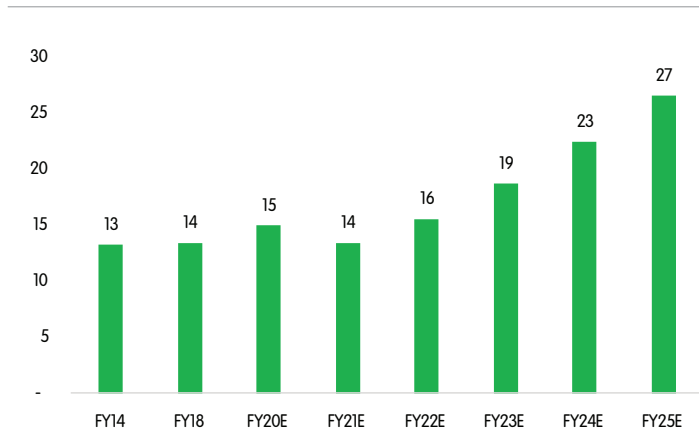
Exhibit 36: Market Size of CPVC (Rs bn)


Source: RSec Research

II. CPVC Pipes: CPVC pipe is fastest growing sub-segment, which is used in plumbing and distribution of potable water. In past few years this segment has clocked 20% CAGR accounting for 15% to total demand and is likely to witness 18% CAGR over the next five years, accounting for 21% of total demand. Key players in CPVC segments are: Ashirwad Pipes, Astral and Supreme. CPVC is largely considered a premium product (compared to PVC), and is typically priced at a 25-30% premium to normal PVC pipes, with segmental EBIT margins higher than 10%.

Exhibit 37: Market Size of HDPE (Rs bn)


Source: Company; RSec Research

Exhibit 38: Market Size of PPR (Rs bn)


Source: RSec Research

III. HDPE Pipes: HDPE pipes are used in the irrigation sector, sewerage/drainage, city gas distribution and chemical/processing industries. Key raw material used for HDPE pipes is polyethylene, ~60% of which is imported. These pipes have been gaining prominence over traditional GI and cement pipes due to durability and low maintenance. HDPE pipes enjoy ~15% share in the total plastic pipes industry. Government schemes i.e. PMKSY (Prime Minister Krishi Sanchayi Yojna) is expected to aid 12% CAGR for HDPE pipes in the next few years.

IV. PPR Pipes: These pipes account for just 5% of total plastic pipes demand. These pipes, which are mainly used in various industrial activities, are relatively costly compared with other plastic pipes, which restricts their usage.

Key Financials

Profit & Loss Statement

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	15,719	16,357	14,152	16,601	18,965
Growth (%)	19.0	4.1	(13.5)	17.3	14.2
Total Expenditure	13,878	14,069	12,454	14,393	16,423
Cost of Materials	11,274	11,264	10,048	11,687	13,332
Employee costs	817	872	849	830	948
Others	1,788	1,932	1,557	1,876	2,143
EBITDA	1,841	2,288	1,698	2,208	2,541
Growth (%)	12.7	24.3	(25.8)	30.0	15.1
EBITDA Margin (%)	11.7	14.0	12.0	13.3	13.4
Depreciation	436	520	642	719	798
EBIT	1,405	1,768	1,056	1,489	1,743
Growth (%)	12.2	25.8	(40.3)	40.9	17.1
EBIT Margin (%)	8.9	10.8	7.5	9.0	9.2
Interest	363	332	293	283	265
Other Income	71	70	65	84	89
PBT	1,113	1,506	828	1,291	1,567
Growth (%)	17.0	35.3	(45.0)	55.9	21.4
Tax	292	381	207	323	392
Tax rate (%)	26.2	25.3	25.0	25.0	25.0
Net profit	821	1,125	621	968	1,175
Growth (%)	12.9	37.0	(44.8)	55.9	21.4
Net Margin (%)	5.2	6.9	4.4	5.8	6.2
Fully Diluted EPS (Rs)	7.5	10.2	5.6	8.8	10.7

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Share capital	900	1,100	1,100	1,100	1,100
Reserves	3,089	7,277	7,898	8,866	10,041
Net worth	3,989	8,377	8,998	9,966	11,141
Non-current borrowing	1,218	569	597	627	658
Other non-current liabilities	78	113	68	41	24
Total liabilities	5,285	9,058	9,663	10,634	11,824
Gross block	6,415	8,187	9,169	10,270	11,399
Less: Acc. depreciation	2,784	3,304	3,946	4,665	5,463
Net block	3,631	4,883	5,223	5,605	5,937
CWIP	615	75	68	61	55
Goodwill	3	3	3	3	3
Other non-current assets	751	694	735	779	826
Current assets	5,339	8,447	8,575	9,240	10,367
Inventories	2,011	3,445	3,102	3,411	3,897
Debtors	2,504	1,797	2,714	3,411	4,157
Cash	223	2,570	2,177	1,690	1,482
Other current assets	602	635	582	728	831
Current Borrowings	1,457	2,054	1,849	1,664	1,497
Current liabilities	3,431	2,836	2,908	3,184	3,637
Provisions	16	21	39	45	52
Net current assets	435	3,537	3,780	4,347	5,181
Net Deferred Tax	(149)	(133)	(146)	(161)	(177)
Total Assets	5,285	9,058	9,663	10,634	11,824

Cash Flow Statement

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Cash flow from operating activity					
PBT	1,113	1,506	828	1,291	1,567
Add: Depreciation	436	520	642	719	798
Add: Interest	329	285	293	283	265
Less: taxes paid	(305)	(372)	(207)	(323)	(392)
Add: others	2	165	132	128	120
Less: working capital changes	611	(3,651)	(636)	(1,055)	(1,041)
Total operating cash flows	2,186	(1,547)	1,053	1,043	1,317
Operating CF w/o WC changes	1,576	2,104	1,689	2,098	2,358
Cash flow from investing activity					
Net Capital expenditure	(1,051)	(1,106)	(975)	(1,094)	(1,124)
Change in investments	-	(1)	(0)	(0)	(0)
Total investing cash flow	(1,051)	(1,107)	(975)	(1,094)	(1,124)
Cash flow from financing activity					
Share issuances	-	3,394	-	-	-
Change in borrowings	(689)	(388)	(177)	(155)	(135)
Dividend	-	(110)	-	-	-
Interest payment	(360)	(330)	(293)	(283)	(265)
Total financing cash flow	(1,049)	2,566	(470)	(438)	(400)
Net change in cash	87	(88)	(393)	(488)	(207)
Opening cash & CE	2	89	1	(392)	(880)
Closing cash & CE	89	1	(392)	(880)	(1,088)
Closing other bank	134	2,570	2,570	2,570	2,570
Closing cash & bank	223	2,570	2,177	1,690	1,482

Key Ratios

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Valuation Ratio (x)					
P/E	14.5	10.6	19.1	12.3	10.1
P/CEPS	9.5	7.2	9.4	7.0	6.0
P/BV	3.0	1.4	1.3	1.2	1.1
EV/Sales	0.8	0.6	0.7	0.6	0.5
EV/EBITDA	6.6	4.0	5.6	4.5	4.0
Per Share Data (Rs)					
EPS	7.5	10.2	5.6	8.8	10.7
Cash EPS	11.4	15.0	11.5	15.3	17.9
DPS	-	1.0	-	-	-
Book Value	36.3	76.1	81.8	90.6	101.3
Returns (%)					
RoCE	26.6	19.5	10.9	14.0	14.7

Company Background

Prince Pipes & Fittings Ltd. (Prince) – incorporated as a private limited company in 1987 – is among the Top-5 polymer pipes and fittings manufacturers in India in terms of production capacity, number of distributors and number and variety of products manufactured. The company markets its products under two brand names: “Prince” and “Trubore”. Due to the comprehensive product range, the company is positioned as an end-to-end polymer piping systems solution provider. Prince has over 30 years of experience in polymer pipes manufacturing and over 20 years of experience in fittings manufacturing.

Prince manufactures polymer pipes and fittings using four different polymers: UPVC; CPVC; PPR; and PP having application across plumbing, sewage, irrigation, industrial and underground drainage. It has six strategically located manufacturing plants (Athal, Dadra, Haridwar, Jaipur, Chennai and Kolhapur), which have enabled it to develop a strong presence in northern, western and southern India. Prince has a pan-India distribution network with 1,408 channel partners and 11 warehouses.

Key Milestones

Year	Achievements
1987	Incorporated as a private limited company
1995	Set up a large scale plastic injection moulding and extrusion unit in Athal
2000	New plant set up at Dadra for pipe manufacturing
2008	New plant set up at Haridwar for pipes and fittings manufacturing
2010	Nominated for the "Best SME Emerging India Award 2010" by ICICI bank, CNBC TV18 and CRISIL
2012	Acquired Trubore Piping System brand and 2 plants in Chennai and Kolhapur
2018	Appointed Mr. Akshay Kumar as brand ambassador and rolled out print and ad film campaign across diverse medium
2019	New plant was set up at Jaipur for pipe manufacturing

Source: Company, Rsec Research

Management Team

Name	Designation	Details
Mr. Jayant Chheda	CMD	▶ Mr. Chheda has been associated with the Company as a Director since its incorporation. He has over three decades of experience in the plastic industry. He received 'Lifetime Achievement Award' at the Vinyl India Conference, 2014.
Mr. Parag Chheda	Executive Director	▶ Mr. Chheda has been associated with the Company since 1996 as a Director. He has over 21 years of experience in pipe industry. He received 'Inspiring Business Leader Award' at the Economic Times Summit, 2016.
Mr. Vipul Chheda	Executive Director	▶ Mr. Chheda has been associated with the Company since 1997 as a Director. He has over 20 years of experience in pipe industry.

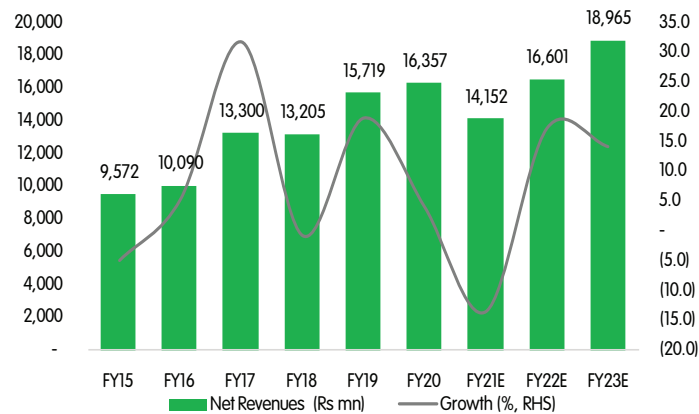
Source: Company, Rsec Research

Key Shareholders

Shareholder	Stake (%)
Vipul Jayant Chheda	20.1
Parag Jayant Chheda	19.6
Tarla J Chheda	15.8
Jayant Shamji Chheda	6.0
Oman India Joint Investment Fund	5.1
Mirae Asset MF	4.8
Aditya Birla Sun Life MF	2.1
Tata MF	2.1
New Mark Capital India Fund	1.1
SBI Life Insurance Co. Ltd	1.1

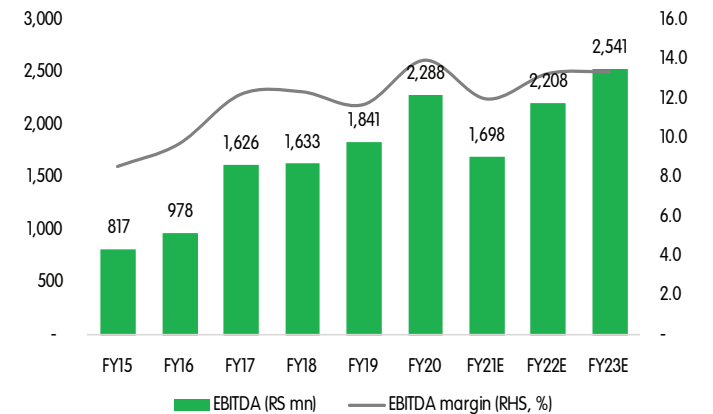
Source: Company, RSec Research

Revenue Trend



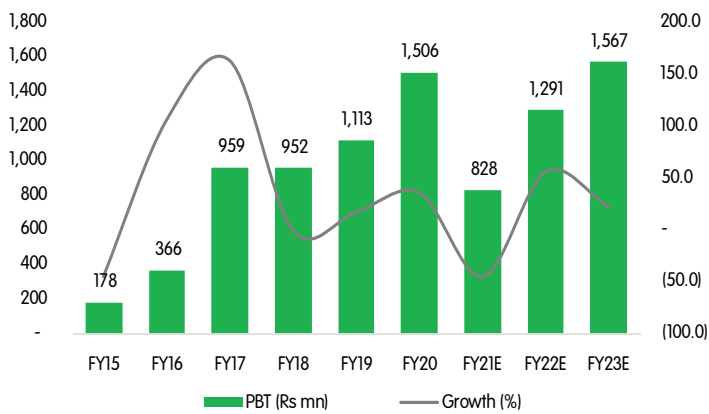
Source: Company data, RSec Research

EBITDA Trend



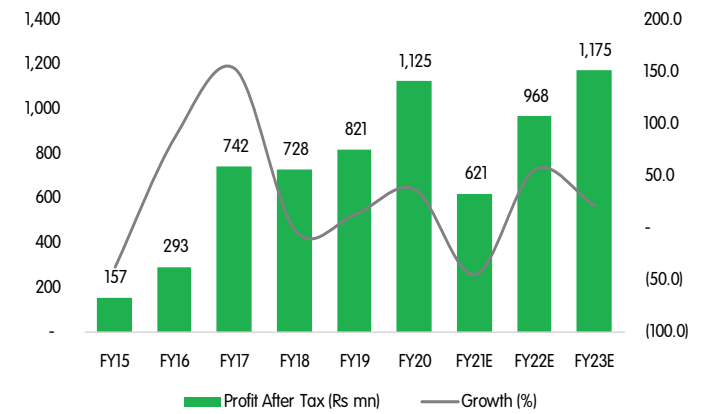
Source: Company data, RSec Research

PBT Trend



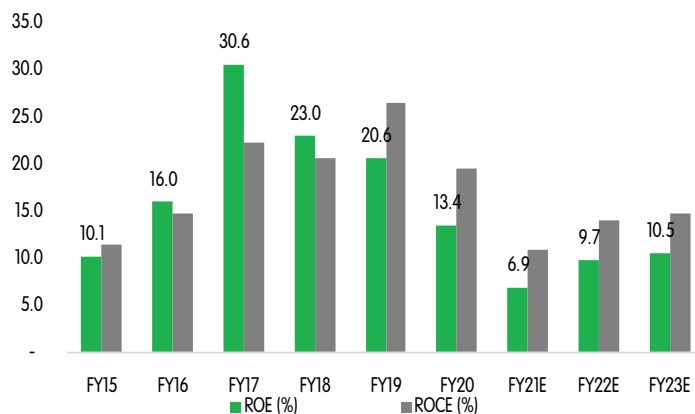
Source: Company data, RSec Research

Net Income Trend



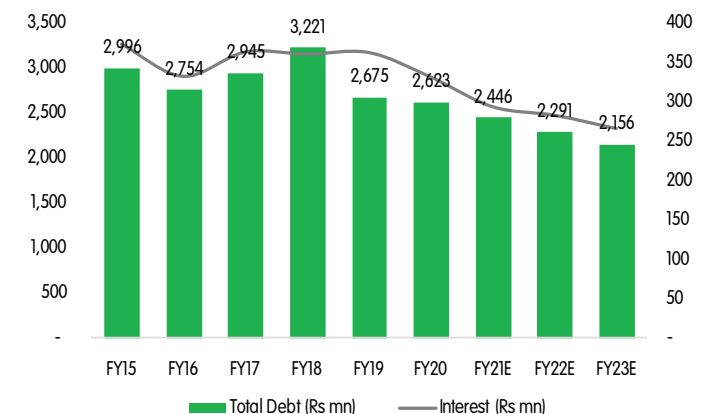
Source: Company data, RSec Research

Return Ratios



Source: Company data, RSec Research

Debt & Interest Cost



Source: Company data, RSec Research

Change in Ratings

- ▶ We have shifted to **BUY & SELL** ratings only and no longer continue with HOLD rating.
- ▶ We have also shifted to **2-year Target Price** from 1-year Target Price earlier.

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