

Rating Rationale

February 20, 2025 | Mumbai

Prince Pipes and Fittings Limited

Rating outlook revised to 'Negative'; Ratings Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.768 Crore
Long Term Rating	Crisil A+/Negative (Outlook revised from 'Stable'; Rating Reaffirmed)
Short Term Rating	Crisil A1+ (Reaffirmed)

Note: None of the Directors on Crisil Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings.

The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

Crisil Ratings has revised its outlook on the long-term bank facilities of Prince Pipes and Fittings Limited (PPFL) to '**Negative**' from 'Stable' while reaffirming the rating at '**Crisil A+**'. Short-term rating has been reaffirmed at 'Crisil A1+'.

The rating action follows Crisil Ratings expectation that the weak pricing trends in polyvinyl chloride (PVC) resin, and sluggish demand from the end user sector, will continue to impact the business risk profile of the company over the medium term. The company has already witnessed a subdued revenue growth and weakened profitability in 9M FY25, with Q3 2025 witnessing significant headwinds.

During 9MFY25, PPFL faced margin erosion, with EBITDA margins falling below 6% where in, same was at 11.77% during similar period of FY24. This lowering of EBITDA margins is primarily due to the lower pricing of products, resulting in inventory losses, while higher promotional expenses towards strengthening of brand also resulted in higher costs. Despite ongoing challenges, a gradual recovery in demand, supported by improving real estate activity and a pickup in infrastructure spending could be a monitorable for the revenues and operating margin improvement.

Working capital cycle has also elongated for the company during 9M FY 25, driven by slower inventory movement with inventory days increasing from 71 as on March 31, 2024 to 102 days as on Dec 31, 2024. Although PPFL maintains sufficient liquidity through available cash and cash equivalents like mutual funds and fixed deposits, even though lower profitability has constrained internal cash accruals. Cash and bank balance and mutual fund balances remained at Rs.16 cr and Rs.110 cr respectively as on Dec 31, 2024, though moderating from March 31, 2024 levels. PPFL's capex in Bihar remains on track to enhance market penetration in the eastern region. It is expected to be commissioned in Q4FY25.

The ratings continue to reflect the established market position on back of strong business risk profile, strong financial risk profile and ample liquidity. These rating strengths are partially offset by susceptibility of profitability to fluctuations in raw material prices: and forex rates and exposure to intense competition.

Analytical Approach

Crisil Ratings has evaluated the standalone business and financial risk profiles of PPFL

Key Rating Drivers & Detailed Description

Strengths:

- Established market position on back of Strong business risk profile:** PPFL is one of the largest players in domestic plastic pipe industry business with current capacities of 370171 MTPA. It has a track record of over three decades and demonstrated technical capability in healthy ramp up of operations. PPFL's well-known brands 'Prince' and 'Trubore' and the diverse product offerings with presence in un-plasticized polyvinyl chloride (UPVC), Chlorinated polyvinyl chloride (CPVC), Polypropylene random (PPR) and High-density polyethylene (HDPE) segments aiding company to grow its market position further. Furthermore, limited new entrants due to large capital requirement, and necessity to have well mix of product offerings, bolster the business risk profile. Future performance will be supported by additional revenue from Bath ware segment, improving domestic demand offering healthy revenue visibility. Further ramping up of these diversified business segments leading to significant contribution to overall operating profits should further improve the business risk profile of the PPFL and would remain a key monitorable over the medium term.
- Strong financial risk profile and ample liquidity:** Network was healthy at Rs. 1552 crores as on December 31, 2024 (Rs 1536 crore as on March 31, 2024), with gearing comfortable at 0.08 time as on December 31, 2024. The total outside liabilities to adjusted network (TOL/ANW) ratio though had decreased to 0.38 time as on March 31, 2024, and it is expected to slightly increase over the medium term driven by drawdown of term loan for Bihar capex. Unencumbered cash and cash equivalents of Rs 110 crore as on December 31, 2024, provide cushion to overall liquidity.

Weaknesses:

- **Susceptibility of profitability to fluctuations in raw material prices and forex rates:** PPFL is susceptible to volatility in the prices of key raw material, PVC, which is a crude oil derivative. Any significant fluctuations in forex rates may impact profitability, which is also vulnerable to inherent volatility in the prices of raw materials (PVC and CPVC resins) that are dictated by global crude oil prices. Over the five fiscals through 2024, the operating margin was 9-18%. In fiscal 2023, the volatility in raw material prices led to a decline in operating margin to 9.3% against 15.7% in fiscal 2022 due to reporting of inventory loss. Furthermore, with operations commencing in bathware segment, the PPFL is well poised to sustain double-digit growth and the operating margin is expected to be 11-13% on account of stability in raw material prices and promotional expenses over the near to medium term.
- **Exposure to intense competition:** The company is under intense competitive pressure because of low product differentiation and high price sensitivity. Furthermore, it faces competition from both large, established players as well as the unorganised segment. Intense competition constrains scalability, bargaining power and profitability. Which has led to negative CAGR growth ~ 1% for last three years ended on 31st March 2024

Liquidity: Strong

Liquidity is backed by large cash accruals, moderate long-term debt, moderate bank limit utilization, and a healthy cash & bank balance. The utilization in bank lines is 17% for 6 months ending December 2024. The cushion in bank lines will support the incremental working capital requirements. Unencumbered cash and bank balance and liquid investments were at Rs 110 crore as on Dec 31, 2024. Healthy cash accrual, financial flexibility and moderate capex should ensure strong liquidity over the medium term.

Outlook: Negative

PPFL's credit profile will remain under pressure on account of subdued operating performance with reducing operating margins.

Rating sensitivity factors

Upward Factors

- Sustained growth in volumes, resulting in revenue growth and operating margins improving to over 11%
- Efficient working capital management and sustenance of financial risk profile.

Downward Factors

- Significantly lower-than-expected revenues and volumes, with operating margin remaining below 6% on a sustained basis
- Weakening of capital structure, with gearing increasing beyond 1 time, because of large, debt-funded capex or acquisition or any large dividend payout or share buy-back
- Significant dividend pay-out or loans extended to promoters impacting liquidity

About the Company

Incorporated in 1987, PPFL is a Mumbai-based company and engaged in manufacturing of plastic pipes and fittings using four different polymers: UPVC, CPVC, PPR and HDPE. The company has a corporate office in Mumbai (Maharashtra). PPFL is promoted by Mr Jayant Shamji Chheda, his two sons Mr Parag Jayant Chheda and Mr Vipul Jayant Chheda, and by Mrs. Tarla Jayant Chheda and Mrs. Heena Parag Chheda.

Key Financial Indicators

As on / for the period ended March 31		2024	2023
Operating income	Rs crore	2568.76	2,710.99
Reported profit after tax	Rs crore	182.50	121.42
PAT margins	%	7.10	4.48
Adjusted Debt/Adjusted Net worth	Times	0.07	0.04
Interest coverage	Times	48.03	21.29

Any other information: Not Applicable

Note on complexity levels of the rated instrument:

Crisil Ratings' 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.

Crisil Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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Annexure - Details of Instrument(s)

ISIN	Name Of Instrument	Date Of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs.Crore)	Complexity Levels	Rating Outstanding with Outlook
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NA	Cash Credit & Working Capital Demand Loan	NA	NA	NA	234.00	NA	Crisil A+/Negative
NA	Letter of credit & Bank Guarantee	NA	NA	NA	434.00	NA	Crisil A1+
NA	Long Term Bank Facility	NA	NA	31-Dec-28	100.00	NA	Crisil A+/Negative

Annexure - Rating History for last 3 Years

		Current		2025 (History)		2024		2023		2022		Start of 2022
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	334.0	Crisil A+/Negative		--	20-02-24	Crisil A+/Stable	02-01-23	Crisil A+/Stable	05-01-22	Crisil A+/Stable	Crisil A/Positive
Non-Fund Based Facilities	ST	434.0	Crisil A1+		--	20-02-24	Crisil A1+	02-01-23	Crisil A1+	05-01-22	Crisil A1+	Crisil A1
			--		--		--		--		--	Crisil A1
Commercial Paper	ST		--		--		--	02-01-23	Withdrawn	05-01-22	Crisil A1+	Crisil A1

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit & Working Capital Demand Loan	50	HDFC Bank Limited	Crisil A+/Negative
Cash Credit & Working Capital Demand Loan	37	ICICI Bank Limited	Crisil A+/Negative
Cash Credit & Working Capital Demand Loan	50	Axis Bank Limited	Crisil A+/Negative
Cash Credit & Working Capital Demand Loan	32	The Federal Bank Limited	Crisil A+/Negative
Cash Credit & Working Capital Demand Loan	40	DBS Bank India Limited	Crisil A+/Negative
Cash Credit & Working Capital Demand Loan	25	Standard Chartered Bank	Crisil A+/Negative
Letter of credit & Bank Guarantee	53	The Federal Bank Limited	Crisil A1+
Letter of credit & Bank Guarantee	125	Standard Chartered Bank	Crisil A1+
Letter of credit & Bank Guarantee	40	DBS Bank India Limited	Crisil A1+
Letter of credit & Bank Guarantee	38	HDFC Bank Limited	Crisil A1+
Letter of credit & Bank Guarantee	50	Qatar National Bank (Q.P.S.C.)	Crisil A1+
Letter of credit & Bank Guarantee	45	Axis Bank Limited	Crisil A1+
Letter of credit & Bank Guarantee	83	ICICI Bank Limited	Crisil A1+
Long Term Bank Facility	100	Axis Bank Limited	Crisil A+/Negative

Criteria Details

Links to related criteria
Basics of Ratings (including default recognition, assessing information adequacy)
Criteria for manufacturing, trading and corporate services sector (including approach for financial ratios)

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