

Prince Pipes and Fittings IPO

Issue Details	
Issue Opens	18-Dec-19
Issue Closes	20-Dec-19
Issue Size (Rs. Crore)	500
Face value (per equity share)	10
Price Band (Rs.)	177-178
Lot Size (No of Share)	84
No of Shares on Offer (crore)	-
QIB (%)	50%
Non-Institutional (%)	15%
Retail (%)	35%
Commencement of Trading	31-Dec-19

Issue Date: 18th Dec – 20th Dec 2019

Price Band (Rs.): 177 - 178

Lot Size (No. of Share): 84

Company Background

Incorporated in 1987, Mumbai based Prince Pipes and Fittings Limited is engaged in manufacturing of polymer pipes and fittings. The company produces four types of polymer pipes including CPVC, UPVC, HDPE, PPR and three different polymer fitting types CPVC, PPR, and UPVC. It is operating in the polymer pipe segment under two brand names; which are Trubore and Prince Piping Systems. The company has a corporate office in Mumbai and a strong presence across North, South and West India.

As of October 31, 2019, it had a product range of 7,167 SKUs. Its products are used for varied applications in plumbing, irrigation and soil, waste and rain water (SWR) management.

The total installed capacity of its six existing plants is 2,41,211 tonnes per annum as of October 2019.

Financials

Particulars	For the year/period ended (in Rs. Crores)			
	Jun'19	FY19	FY18	FY17
Total Revenue	380.2	1,579.0	1,326.6	1,332.5
Profit After Tax	26.9	83.2	73.3	73.1

Concerns

- Competition in polymer pipes industry with galvanized iron products.
- Raw material cost.
- High working capital requirements. Any increase in interest rates can affect the performance of company.

Strengths

- Strong brands in the pipes and fitting segment.
- Comprehensive product portfolio & Strong distribution network.
- 5 manufacturing units which are strategically located

Our View

Based on the last 3 years average EPS, the P/E works out to be 20.6x for the upper price band of Rs 178. And for the last year FY19, the P/E works out to be 19x. Even if we take 3 months ended Jun-2019 EPS of 2.96, P/E works out to be 15x. Hence the company is asking for an issue price of Rs 178 with a valuation of 15x to 20.6x P/E. Its closest peers like Astral Poly Technik is trading at P/E of ~70x (Highest) and Finolex Industries at ~20x (Lowest) and industry average P/E is ~39x. **Our view is that the IPO is priced reasonably and investor should subscribe this IPO for long-term price appreciation.**

Shareholding pattern	Pre Issue (%)	Post Issue (%)
Promoters and Promoter Group	90.06	X
Public (incl institutions and employees)	X	X
Total	100.0	100.0

Objects of the Issue

Prince Pipe proposes to utilize the Net Proceeds from the Issue towards following objects:

1. Loans Repayment.
2. Fund for new manufacturing facility.
3. Upgradation of equipments at existing manufacturing facilities.
4. Funds for general corporate purposes