

Rating Rationale

January 02, 2023 | Mumbai

Prince Pipes and Fittings Limited

Ratings reaffirmed at 'CRISIL A+/Stable/CRISIL A1+'; CP Withdrawn

Rating Action

Total Bank Loan Facilities Rated	Rs.668 Crore
Long Term Rating	CRISIL A+/Stable (Reaffirmed)
Short Term Rating	CRISIL A1+ (Reaffirmed)

Rs.50 Crore Commercial Paper	CRISIL A1+ (Withdrawn)
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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 reaffirmed its ratings on the bank facilities of Prince Pipes and Fittings Limited (PPFL) at 'CRISIL A+/Stable/CRISIL A1+'.

CRISIL Ratings has **withdrawn** its rating on Rs. 50 crore of commercial paper, on receipt of redemption confirmation. The withdrawal is in line with CRISIL Ratings' policy on withdrawal of ratings.

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

Key Rating Drivers & Detailed Description

Strengths:

- 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.
- Strong business risk profile marked by company's market position in domestic plastic pipe industry supported by diverse product portfolio, geographical presence, and end-user industry:** PPFL is one of the top six players in the pipes & fittings market in India. The growing market position is supported by 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. PPFL has an established track record and market position in the segments it operates in backed by its widespread distribution network pan India and seven strategically located plants in Athal, Haridwar, Chennai, Kolhapur, Dadra, Jaipur and Telangana. Business risk profile continues to remain strong with company registering sales volumes of 69,707 MT in H1FY2023 as compared to sales volume of 61,312 MT in H1FY2022. Thus despite of dip in RM prices, increase in volume will continue to support the revenue profile.
- Robust financial risk profile:** A strong network, healthy capital structure, and healthy debt-protection metrics keep the financial risk profile robust despite the on-going capex. Network was strong at Rs 1265.2 crore and gearing was low at 0.12 time, as on 31st March 2022.

Weaknesses:

- Presence in a highly competitive industry, moderate capacity utilization and susceptibility to volatility in raw material prices:** The pipes and fittings industry is highly competitive, especially in the commoditized products segment, which has low differentiation, thus resulting in the brand facing competition from both organized and un-organized segments. 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. Company had registered margins in the range of ~12-17% in the past five fiscal through fiscal 2022. Margins are expected to decline in FY2023 on account of continuous decline in PVC prices. However, higher demand is expected on account of lower prices over medium term as seen from growth in volume sales.
- Moderate working capital requirements:** Company has moderately intensive working capital operations, with Gross current asset (GCA) days in the range of 120-175 days over last five fiscals ended 2022. GCA days were 167 days as on 31st March 2022, driven by debtors and inventory of 60 days and 101 days, respectively. Company has moderate inventory holding as it is dealing in multiple SKUs and hence has to maintain raw material and finished goods inventory for the same.

Liquidity: Strong

Liquidity is backed by large cash accruals, absence of any long-term debt, moderate bank limit utilization, and a healthy cash & bank balance. The average utilization in bank lines is 68% over the 12 months ended June 2022. The cushion in bank lines will support the incremental working capital requirements. Unencumbered cash and bank balance and liquid investments were more than Rs 110 crore as on Sept 30, 2022. The company is also expected to maintain liquidity back up for the full extent of outstanding rated short-term facilities.

Outlook: Stable

CRISIL Ratings believes PPFL's business risk profile 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 growth in revenue and operating margin of over 15%
- Efficient working capital management and sustenance of financial risk profile.

Downward Factors

- Significantly lower-than-expected revenue, with operating margin remaining below 10% on 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
- Sizeable stretch in the working capital cycle
- Significant dividend pay-out or loans extended to promoters in order to meet liabilities arising out of litigation at promoters' personal capacity

About the Company

Incorporated in 1987, PPFL is 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		2022	2021
Operating income	Rs crore	2,656.91	2,071.52
Reported profit after tax	Rs crore	249.4	221.15
PAT margins	%	9.39	10.68
Adjusted Debt/Adjusted Net worth	Times	0.12	0.08
Interest coverage	Times	30.18	17.15

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.

For more details on the CRISIL Ratings' complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

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	Cash Credit & Working Capital Demand Loan	NA	NA	NA	217.0	NA	CRISIL A+/Stable
NA	Letter of credit & Bank Guarantee	NA	NA	NA	451.0	NA	CRISIL A1+
NA	Commercial Paper	NA	NA	7-365 days	50.0	Simple	Withdrawn

Annexure - Rating History for last 3 Years

Instrument	Current			2022 (History)		2021		2020		2019		Start of 2019
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	217.0	CRISIL A+/Stable	05-01-22	CRISIL A+/Stable	29-10-21	CRISIL A/Positive	30-09-20	CRISIL A-/Stable		--	--
			--		--	26-10-21	CRISIL A/Positive		--		--	--
			--		--	29-07-21	CRISIL A/Positive		--		--	--
			--		--	23-07-21	CRISIL A/Positive		--		--	--
			--		--	13-07-21	CRISIL A/Positive		--		--	--
Non-Fund Based Facilities	ST	451.0	CRISIL A1+	05-01-22	CRISIL A1+	29-10-21	CRISIL A1	30-09-20	CRISIL A2+		--	--
			--		--	26-10-21	CRISIL A1		--		--	--
			--		--	29-07-21	CRISIL A1		--		--	--
			--		--	23-07-21	CRISIL A1		--		--	--
			--		--	13-07-21	CRISIL A1		--		--	--
Commercial Paper	ST	50.0	Withdrawn	05-01-22	CRISIL A1+	29-10-21	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	27	ICICI Bank Limited	CRISIL A+/Stable
Cash Credit & Working Capital Demand Loan	25	Axis Bank Limited	CRISIL A+/Stable
Cash Credit & Working Capital Demand Loan	32	The Federal Bank Limited	CRISIL A+/Stable
Cash Credit & Working Capital Demand Loan	40	DBS Bank India Limited	CRISIL A+/Stable
Cash Credit & Working Capital Demand Loan	25	IDFC FIRST Bank Limited	CRISIL A+/Stable
Cash Credit & Working Capital Demand Loan	30	HDFC Bank Limited	CRISIL A+/Stable
Cash Credit & Working Capital Demand Loan	25	Standard Chartered Bank Limited	CRISIL A+/Stable
Cash Credit & Working Capital Demand Loan	13	IDFC FIRST Bank Limited	CRISIL A+/Stable
Letter of credit & Bank Guarantee	25	Axis Bank Limited	CRISIL A1+
Letter of credit & Bank Guarantee	45	IDFC FIRST Bank Limited	CRISIL A1+
Letter of credit & Bank Guarantee	83	Standard Chartered Bank Limited	CRISIL A1+
Letter of credit & Bank Guarantee	40	The Federal Bank Limited	CRISIL A1+
Letter of credit & Bank Guarantee	35	ICICI Bank Limited	CRISIL A1+
Letter of credit & Bank Guarantee	35	DBS Bank India Limited	CRISIL A1+
Letter of credit & Bank Guarantee	42	Standard Chartered Bank Limited	CRISIL A1+
Letter of credit & Bank Guarantee	22	ICICI Bank Limited	CRISIL A1+
Letter of credit & Bank Guarantee	5	DBS Bank India Limited	CRISIL A1+
Letter of credit & Bank Guarantee	10	IDFC FIRST Bank Limited	CRISIL A1+
Letter of credit & Bank Guarantee	2	HDFC Bank Limited	CRISIL A1+
Letter of credit & Bank Guarantee	4	IDFC FIRST Bank Limited	CRISIL A1+
Letter of credit & Bank Guarantee	40	The Federal Bank Limited	CRISIL A1+
Letter of credit & Bank Guarantee	20	Axis Bank Limited	CRISIL A1+
Letter of credit & Bank Guarantee	5	The Federal Bank Limited	CRISIL A1+
Letter of credit & Bank Guarantee	38	HDFC Bank Limited	CRISIL A1+

This Annexure has been updated on 02-Jan-23 in line with the lender-wise facility details as on 05-Jan-22 received from the rated entity.

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
CRISILs Criteria for rating short term debt
Understanding CRISILs Ratings and Rating Scales

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