

PPFL/SE/2021-2022/039

July 14, 2021

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 July 13, 2021, 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.

Total Bank Loan Facilities Rated	Rating
Long Term Rating	CRISIL A/Positive (Upgraded from 'CRISIL A-/Stable')
Short Term Rating	CRISIL A1 (Upgraded from 'CRISIL A2+')
Total Bank Loan Facilities Rated	Rs.469 Crore

1 Crore= 10 million

Refer to Annexure for Details of Instruments & Bank Facilities.

The Ratings Rationale of CRISIL Limited dated July 13, 2021 is enclosed.

Thanking You,

Yours faithfully,

For PRINCE PIPES AND FITTINGS LIMITED



Shailesh Bhaskar  
Company Secretary & Compliance Officer

Encl. As above



# Ratings

CRISIL Ratings Limited (A subsidiary of CRISIL Limited)

# CRISIL

An S&P Global Company

## Rating Rationale

July 13, 2021 | Mumbai

### Prince Pipes and Fittings Limited

Ratings upgraded to 'CRISIL A/Positive/CRISIL A1'

#### Rating Action

Total Bank Loan Facilities Rated	Rs.469 Crore
Long Term Rating	CRISIL A/Positive (Upgraded from 'CRISIL A-/Stable')
Short Term Rating	CRISIL A1 (Upgraded from 'CRISIL A2+')

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

CRISIL Ratings has upgraded its ratings on the bank loan facilities of Prince Pipes and Fittings Limited (PPFL) to 'CRISIL A/Positive/CRISIL A1' from 'CRISIL A-/Stable/CRISIL A2+'.

The rating upgrade reflects CRISIL's expectation that PPFL's business risk profile will continue to strengthen over the medium term backed by steady top-line growth and profitability. The company registered almost 27% y-o-y growth in revenue in fiscal 2021, primarily driven by average realization rising by almost 22% y-o-y, and supported by volumetric growth of almost 4%. Sharp increase in raw material prices mainly that of polyvinyl chloride (PVC), drove the realization in the year. Increased revenue and inventory gains led to sharp jump in operating profitability at 17.6% in fiscal 2021 up from 14.1% in fiscal 2020. Notwithstanding moderation in raw material prices, steady demand from affordable housing segment, plumbing and SWR segments, driven by government's focus on providing water supply and higher budgetary allocations for urban development will continue to drive the revenue growth for the company over the medium term. The company is focusing on increasing the revenue share from higher value added products, however spends on branding, advertisement and distribution network could see some moderation in its operating profitability over the medium term. Nevertheless it is expected to remain strong at around 15%. The upgrade also takes into account the stated posture of PPFL management towards capex, and dividend payouts, thus ensuring that the overall financial risk profile remains robust. Gearing is expected to remain well below 0.5 times on a sustained basis over the long term.

The ratings reflect improving 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:

\* **Improving 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 its diverse product offerings with presence in un-plasticised 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 and seven strategically located plants in Athal, Haridwar, Chennai, Kolhapur, Dadra, Jaipur and Telangana. PPFL's revenue has witnessed a healthy CAGR of 15.43% over past five fiscals ended 2021 to record an operating income of Rs 2071.5 crore. The market position is also supported by PPFL's presence in diverse end-user industries like agriculture, plumbing, and SWR 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 healthy debt-protection metrics keep the financial risk profile robust despite the on-going capex. Network is strong at Rs 1038.4 crore and gearing is low at 0.08 time, as on 31st March 2021. Furthermore, the debt-protection metrics are healthy, with interest cover and net cash accruals to adjusted debt ratio of 17.8 times and 3.1 times, respectively, in fiscal 2021. Driven by the healthy accretion to reserves, network will continue to remain strong and gearing is expected to remain well below 0.5 times on a sustained basis over the long term.

##### 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. Company has a significant dependence on retail segment with institutional segment contributing to only 2-3% of the total revenue. Company has a moderate capacity utilization and the same is on account of multiple SKUs. 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:** Company has moderately intensive working capital operations, with Gross current asset (GCA) days in the range of 120-150 days over last five fiscals ended 2021. GCA days were 150 days as on 31st March 2021, driven by debtors and inventory of 62 days and 49 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. Debtors appear higher at end of fiscal due to higher sales in the month of March.

#### **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 54% over the 12 months ended Apr-2021. The cushion in bank lines will support the incremental working capital requirements. PPFL is expected to generate net cash accruals of Rs 250-350 crore per fiscal over the medium term. Cash & bank balance (along with accrued interest) stood at Rs 233.07 crore as on March 31, 2021.

#### **Outlook: Positive**

CRISIL Ratings believes PPFL's business risk profile will continue to be strengthened and will benefit from the extensive industry experience of its promoters, its established market position and robust financial risk profile.

#### **Rating Sensitivity factors**

##### **Upward Factors**

- Timely conclusion of capital expansion at Telangana plant and ramp-up in scale of operations from the same
- Sustained revenue growth of over 12% and sustenance of healthy operating margin
- Efficient working capital management and sustenance of financial risk profile.

##### **Downward Factors**

- Significantly lower-than-expected revenue, with operating margin falling below 12%
- 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**

Particulars	Unit	2021	2020
Revenue	Rs.Cr	2072	1636
Profit After Tax (PAT)	Rs.Cr	221	113
PAT Margin	%	10.7	6.9
Adjusted Debt/Adjusted Networth	Times	0.08	0.31
Interest coverage	Times	17.79	7.30

**Any other information:** Not applicable

#### **Note on complexity levels of the rated instrument:**

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#### **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	209.0	NA	CRISIL A/Positive
NA	Letter of Credit	NA	NA	NA	178.0	NA	CRISIL A1
NA	Letter of Credit & Bank Guarantee	NA	NA	NA	82.0	NA	CRISIL A1

#### **Annexure - Rating History for last 3 Years**

	Current	2021 (History)	2020	2019	2018	Start of 2018

Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	209.0	CRISIL A/Positive		--	30-09-20	CRISIL A-/Stable		--		--	--
Non-Fund Based Facilities	ST	260.0	CRISIL A1		--	30-09-20	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
Cash Credit & Working Capital Demand Loan	209	CRISIL A/Positive	Bank Guarantee	2	CRISIL A2+
Letter of Credit	178	CRISIL A1	Cash Credit & Working Capital Demand Loan	170	CRISIL A-/Stable
Letter of credit & Bank Guarantee	82	CRISIL A1	External Commercial Borrowings	8.18	CRISIL A-/Stable
-	-	-	Letter of Credit	252.63	CRISIL A2+
-	-	-	Letter of credit & Bank Guarantee	2.94	CRISIL A2+
-	-	-	Long Term Loan	33.25	CRISIL A-/Stable
<b>Total</b>	<b>469</b>	<b>-</b>	<b>Total</b>	<b>469</b>	<b>-</b>

#### Criteria Details

<b>Links to related criteria</b>
<a href="#">CRISILs Approach to Financial Ratios</a>
<a href="#">Rating criteria for manufacturing and service sector companies</a>
<a href="#">CRISILs Bank Loan Ratings - process, scale and default recognition</a>
<a href="#">CRISILs Criteria for rating short term debt</a>
<a href="#">The Rating Process</a>
<a href="#">Understanding CRISILs Ratings and Rating Scales</a>

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