

# UNSHAKEABLE VALUES, UNSTOPPABLE GROWTH



An exclusive interaction with Parag Chheda, Joint Managing Director and Nihar Chheda, Vice President- Strategy, Prince Pipes & Fittings Ltd, ET Polymers takes a comprehensive peek into the inner workings of this family-run company which continued to deliver strong performance led by healthy growth in agriculture and plumbing segments, improved operating efficiency and cost optimisation measures. The company, over the period, has made multiple strategies to embark on its journey to the next level and sustain the business in the long run with the tie-up with Lubrizol and Tooling Holland. We expect the company to sustain its leadership by leveraging manufacturing expertise, distribution network and competitive agility.

By Kruti Bharadva

**D**rip, drip, drip go the pipes as Akshay Kumar (think tall, good looking, Indian movie star) sits with his head in hands and his 'family' dances around him in typical Bollywood fashion – berating him for choosing pipes which leak, for their dream home. And then Akshay Kumar looks at you right in the eye and tells you, “Don’t commit the same mistake, choose Prince Pipes, the Zero Defect Pipe!”

If I hadn’t already been sold by now (to the ‘Jeevan mein aayi tsunami’ jingle (A tsunami came into my life) and Akshay Kumar of course), an interaction with two generations of the Chheda family – founders of Prince Pipes and Fittings Ltd – certainly did. The Et Polymers team, in tête-à-tête (virtually) with Parag Chheda, Joint Managing Director and Nihar Chheda, Vice President-Strategy, found out how the company continues to benefit from market consolidation, steady Capex plan, and imminent opportunities in the pipe segment.

## An Ethos of Ethics and Integrity

In 1987, Mr Jayant Chheda, Chairman, Prince Pipes & Fittings Ltd, laid the foundation of what the company was to grow into – both literally and figuratively– by opening the first manufacturing unit for PVC products, and installing in all business activities the core aspects of ethics and integrity. These were the first building blocks and the company continues to stand on and build upon these through three generations.

“We have, since 1987, emerged as one of India’s fastest-growing, multi-polymer processing company providing integrated piping solutions, and we do this with ethics and integrity. All our strategic efforts towards growth and expansion incorporate these values and it has remained unchanged through the years and generations,” stated the Mr Parag.

“These values are so integrated into all our activities that it’s not just about making zero defect products



which has permeated through the years but being good citizens as well has been passed on down through the family and business,” reaffirmed Mr Nihar.

## Building Up the Brand

A brand is nothing but an expression of consumer’s loyalty and trust. And Prince Pipes certainly has one of the biggest portions of the pipes and fittings pie – being the manufacturer of choice in PVC pipes in at least three-quarters of the country.

“We have been investing intensively and consistently into building our brand and trying to drive a higher range of brand consciousness, over the past few years,” informed Mr Nihar.

A key factor in building up brand awareness is through strategic and technical tie-ups. Companies regularly seek partners with complementary capabilities to gain access to new markets and channels and build entire portfolios of practical and value-creating partnerships. Such a partnership is the one between Prince Pipes and Lubrizol. Headquartered in the United States, Lubrizol is one of the largest manufacturers of CPVC compounds to service hot and cold water plumbing markets worldwide.

**OUR GOAL IS NOT TO JUST SELL OUR PRODUCTS TO THE PLUMBER COMMUNITY, BUT TO ENHANCE THEIR PROFILE AND THEREFORE IN THE PROCESS, ENHANCE OUR PROFILE AND BRAND LOYALTY.**





Through this strategic partnership, Prince Pipes consumes Lubrizol's raw CVPV material and is also a licensee of FlowGuard Plus - one of the safest, most reliable and cost-effective plumbing solutions that has been part of Indian residential and commercial buildings for more than two decades.

"Our association with Lubrizol expands our capabilities and strengthens our agility in the marketplace. Prince Pipes' robust distribution network combined with Lubrizol's brand equity is set to create a strong and sustainable partnership in the piping industry. We understand India's evolving needs and are committed to leveraging new technologies to offer homeowners, consultants and builders the advantage of a preferred global brand and best-in-class product," stated Mr Parag.

Last year, the company also announced a technical collaboration with Tooling Holland BV, to

strengthen technical competence and enhance operational efficiencies. Tooling Holland BV is a privately held company with over 30 years of experience in the development and production of injection moulds. The company specialises in the manufacture and exports of moulds for fittings (16-1000 mm), crate and container moulds, thin-wall packaging moulds and PET preform moulds.

This association enables Prince Pipes to draw upon Tooling Holland's technical expertise and deep knowledge, build skills at par with international standards, significantly enhance internal operational efficiencies and optimise production costs.

"Our collaboration with Tooling Holland BV is very exciting for us as they bring tremendous expertise in plastic mould manufacturing. This alliance provides great impetus to our growth plans and our firm commitment to build and offer superior

products, aligned to global standards and at competitive costs. They are also pioneering in critical technologies which will help us build our competitive edge," explained Mr Parag.

### Connecting with the End-User – The Plumber

To drive and build a strong connect with plumbers, Prince Pipes organises special plumber workshops and meets, where plumbers are given detailed information on techniques, new products and any other methods which make their work easier.

"The central aim to any branding strategy is to of course drive home the name of your brand in the minds of your end-user and decision-maker – in our case, the plumber," emphasised Mr Nihar.

He resumed, "Our goal is not to just sell our products to the plumber community, but to enhance their profile and therefore in the process, enhance our profile and brand loyalty. We also have structured training programs wherein we host the plumbers at our manufacturing units and show them the manufacturing processes, quality checks in place, etc."

One of the most successful initiatives though has been the 'PRINCE UDAAN LOYALTY PROGRAM' - India's first loyalty program in the pipes and fittings industry, with over 160,000 registered members. PRINCE UDAAN is a platform of equal opportunities that gives everyone including the company's wholesalers, retailers and plumbers a chance to earn more, earn fast and earn with pride. Launched in November 2016, the program received an overwhelming response that by 2018, PRINCE UDAAN had already gone digital as 'one app, one tap' solution covering both iOS and Android.

My favourite initiative though had to be the celebration of a 'plumbing day' and the launch of the 'plumbing song' – what a great way to earn the loyalty of your customers!



### The Numbers says it all

The company reported an impressive 25.7 per cent year-on-year volume growth driven by strong growth in its plumbing portfolio. Higher inventory gains (Rs 300 million-350 million), operating leverage and superior pricing power led to a sharp beat in its Q4FY21 EBITDA margin at 19.3 per cent. This was achieved despite a marked increase in its brand spend, which was higher at 4.5 per cent of sales vs 2-2.5 per

cent normal quarter. The company management has guided for a 13-14 per cent EBITDA margin with an upward bias on the back of likely operating leverage, superior product mix and logistics cost savings with Telangana facility likely to ramp up production in the near to medium term.

- The company posted strong volume growth of 25.7 per cent on the back of improvement in sales from plumbing and SWR and

higher focus on CPVC pipes in projects business post-Lubrizol tie-up.

- EBITDA margin at 19.3 per cent was led by inventory gains of Rs 300 mn-350 mn during the quarter although some of the gains were passed on to dealers as well. Margins also expanded due to superior pricing power, better mix and operating leverage.
- Brand expenses during the quarter saw a sharp jump to 4.5 per cent of sales from the usual 2-2.5 per cent due to its dealer incentive program and advertising expenses. The company will continue to focus on Udaan, its dealer incentive program which is likely to drive brand pull.
- The company has been building projects/B2B team for its new CPVC flow guard pipe segment.
- Plumbing and SWR mix for FY21 stood at 69 per cent vs 66 per cent in FY20 with higher sales of CPVC plumbing sales post Lubrizol tie-up
- CPVC prices were hiked in Dec'20 and Mar'21; prices are now likely to remain firm in the near term despite the recent decline in PVC prices.
- PVC resin consumption industry has declined by 15 per cent in FY21 while the company has



Prince Pipes and Fittings, May 14, 2021

ICICI Securities

Table 1: Q4FY21 result review

(Rs mn, year ending March 31)

Particulars	Q4FY21A	Q4FY21E	Q4FY20	YoY (%)	Q3FY21	QoQ (%)	FY21	FY20	YoY (%)
Net Sales	7,614	6,300	4,308	76.7	5,490	38.7	20,715	16,357	26.6
Total Op. Income	7,614	6,300	4,308	76.7	5,490	38.7	20,715	16,357	26.6
Expenditure	6,146	5,205	3,731	64.7	4,461	37.8	17,099	14,069	21.5
Raw Materials	4,833	4,100	2,882	67.7	3,446	40.2	13,442	10,779	24.7
Cost of traded goods	128	155	112	14.4	117.5	9.2	346.6	484.9	(28.5)
Staff Cost	275	300	242	13.7	275	0.0	997	892	11.7
Other Expenditure	910	650	496	83.6	622	46.2	2,313	1,912	21.0
Operating Profit	1,468	1,095	576	154.7	1,029	42.6	3,616	2,288	58.1
OPM (%)	19.3	17.4	13.4	590bps	18.8	50bps	17.5	14.0	350bps
Other Income	45	48	52	(13.1)	46.3	(2.9)	176.0	69.4	153.4
Interest	50	40	62	(39.5)	35	41.2	207	332	(37.7)
Depreciation	151	165	144	4.9	151	0.1	594	520	14.3
Exceptional income	0	0	0		0		0	0	
PBT	1,312	938	402	226.5	890	47.5	2,992	1,506	98.7
Tax	340	221	119	185.2	222	53.3	773	381	103.1
PAT	972	717	283	243.8	668	45.6	2,218	1,125	97.2
Minority Interest	0.0	0.0	0		0.0		0.0	0.0	
Reported PAT	972	717	283	243.8	668	45.6	2,218	1,125	97.2
NPM (%)	12.8	11.4	6.6	620bps	12.2	50bps	10.7	6.9	380bps

Source: Company data, I-Sec research



posted a growth in the PVC pipe segment thereby, increasing its market share.

- DWC pipe segment posted a high double-digit growth in FY21 driven by a low base contribution from the tank segment remains insignificant.
- The company is now a long-term debt-free company with short-term debt at Rs 850 mn vs overall debt of Rs 2.6 bn a year ago.
- The number of distributors increased by 50 in Q4FY21.
- While PPF is likely to spend Rs 400 mn-500 mn towards maintenance Capex, the Telangana plant may see incremental investment to the tune of Rs 900 mn-950 mn in FY22.
- The company has a dominant position in North and West markets while it is amongst the top two players in East.

#### Closer to Market

Prince Pipes follows a distribution led business model and to this end, it is vital to be strategically located near your core markets.

“In line with our vision to be closer to market and optimise the supply chain function, our manufacturing units – seven in total – are strategically located. We also have an excellent warehouse location, pan-India. Our 7th plant, in Telangana, has just commenced commercial production in the last quarter, and it was fuelled by the IPO proceeds in December 2019,” expressed Mr Parag.

The other six manufacturing plants are in Silvassa (two), Haridwar, Chennai, Kolhapur and Jaipur and have a cumulative installed capacity of approximately 270,00 metric tones and with a production capacity of 200,000 metric tones per annum. “The Telangana unit will now bump up installed capacities to approximately 300,000 KT per annum,” added Mr Nihar.

In addition to the manufacturing units, Prince Pipes also have two contract manufacturing units for pipes and nine job work facilities for our water tanks business. That said, the company also has around 11 CNF strategically located depots to best serve their customers. “We will continue to expand in our existing units or through our greenfield projects whenever feasible, depending on the demand and supply situation,” commented Mr Parag.

#### Market Consolidation & Overview

The global PVC pipe market size was valued at \$54,246 million in 2019 and was anticipated to grow at a CAGR of 6.7 per cent to reach \$85,565 million by 2022 (Source: Allied market research) – that was before the pandemic hit every country and industry, with India being no exception. But the effects on the Indian market can be traced back to demonetisation and the introduction of GST too – the main one being prices of raw material going through the roof, more so post-COVID. With many players not able to pass on this hike, a cash flow impact has been felt.

Mr Parag gave us his unique take on the current market status. “PVC, like any other raw material/commodity, has been on an unprecedented price surge in the last 12 months. Whilst we are currently witnessing a slight reversal, or softening in India, globally PVC remains firm. This is a testament to how our country can

bounce back from the shutdown during the lockdown period and the subsequent effect on demand. It would be presumptuous to comment on pricing in such an uncertain environment, suffice to say we don't see any sharp reversals soon.”

And how has Prince Pipes leveraged the current market state? “We have been quite fortunate, with the IPO coming in at a very opportune time. In the face of COVID, when most companies are being forced to go conservative on CAPEX, we have had the flexibility to go out and invest because we had the IPO coming in at the right time,” shared Mr Nihar.

“While there will be short term pressure on margins, we prefer to look at numbers on an annualised basis, inventory losses in some quarters are offset with inventory gains in other quarters, and in the long term, as the market consolidates, we will not only gain market share but also have superior pricing power and a better product mix,” added Mr Parag.

When asked about the export strategy, Mr Parag shared that, being a product sensitive to logistics cost, the focus has always been on moving closer to the market- thereby narrowing the exports option.

“The silver lining to that cloud, though, is that we never have to face input pressure, for example competition from China in finished goods- due to the very nature of our product, we don't face that kind of market pressure,” added Mr Nihar.

#### A Focus on Innovation

**WE UNDERSTAND INDIA'S EVOLVING NEEDS AND ARE COMMITTED TO LEVERAGING NEW TECHNOLOGIES FOR HOMEOWNERS, CONSULTANTS AND BUILDERS WITH THE ADVANTAGE OF A PREFERRED GLOBAL BRAND AND BEST-IN-CLASS PRODUCT**

With a guiding motto of ‘Ahead of the curve every time,’ Prince Pipes leads its contemporaries in the innovation, research and development areas.

“We are an application-driven company and our strong, in-house R&D team is constantly striving to better our existing applications as well as create new ones. We factor in consumer insights while improving every function related to the product and application, be it procurement, manufacturing or delivery – to provide optimised solutions as the product,” explained Mr Parag.

A testament to the company's commitment to innovation is the list of patented products in their kitty, namely:

- Vent cowl
- Gully Trap
- DWC Coupler
- Nahani Trap with Jali

Recently, the company brought its mastery of PVC to a new segment: The Prince Storefit Water Tank, which is part of the company's introductory range of overhead water storage solutions. The products are manufactured using the roto moulding process and find extensive use for installation at home, offices, factories, commercial places and hospitals that need large volumes of

hygienic water storages. Designed with a 3-layer insulation-outer white layer for UV resistance, Insulated black middle layer, the tank maintains water temperature lower than ambient temperature and the Inner food-grade polymer layer prevents water contamination.

“Water is a basic necessity and therefore its hygienic storage of vital importance. We are quite optimistic about this product range though we are only manufacturing regionally as the supply chain is a challenge here,” expounded Mr Nihar.

#### Today's Visionaries, Tomorrow's Pioneers

Peter Drucker, incomparable management guru, once said, “Wherever you see a successful business, someone once made a courageous decision”. Leadership in the 21st century has been influenced by constant change, geopolitical volatility, technological disruptions, and economic and political uncertainty. Mastering and staying on top of these major forces of change will be the defining characteristics of next-generation leaders.

Nihar Chheda is more than just the Associate Vice President for Strategy at Prince Pipes. With the mantle of being the 3rd generation

#### History and Milestone

**1987**

Incorporated as a private limited company and first pipe manufacturing plant set up

**1995**

Set up large scale plastic injection moulding and extrusion unit at Athal, Dadra and Nagar Haveli

**2000**

New plant set up at Dadra for pipe manufacturing

**2008**

First to move in Northern Markets with a new plant set up at Haridwar for manufacturing pipes and pipe fittings

**2010**

Nominated for the best SME Emerging India Awards 2010 by ICICI Bank, CNBC TV 18 and CRISIL

**2012**

Acquisition of Trubore Piping System brand and two plants in Chennai and Kolhapur

**2018**

Appointed Akshay Kumar as Brand Ambassador and roll out print and ad film campaign across diverse medium

**2019**

New plant set up at Jaipur for pipe manufacturing The Company made its maiden public offering of equity shares on 30th Dec 2021



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family member to be involved in the business, resting upon his shoulders, he not only has to uphold the heritage and vision set before him but to take it to greater heights. Nihar was responsible for driving the company's IPO IN 2019 and has also been involved in high-level engagement with key external stakeholders across the industry, expanding the company's pan-India distribution network through global association – to cite an example, the partnership with Lubrizol.

"It is very important that the basic principles and fundamentals, set generations before, remain unchanged. As the company evolves, and strategies evolve, our core principals, our values, our very foundations should remain steadfast and intact," Mr Nihar affirmed.

He has also successfully introduced a culture of 'humanising growth' approach to the organisation, which has helped Prince Pipes immensely in driving sales across the company. Apart from his active role in different departments of Prince Pipes, he is also responsible for anchoring the company's raw materials procurement strategy that has illustrated encouraging results, an area where he works alongside his spirited and visionary grandfather, Mr Jayant Chheda.

It was no surprise then, with

all these achievements that Nihar Chheda was awarded 'The Economic Times Polymers – Next Generation Leader for the Year' award, at the ET Polymers Awards, held in March in Mumbai.

### Going the Extra Mile

Sustainability and social responsibility are ingrained in the very ethos of Prince Pipes, as explained by Mr Nihar, "We call this our triple bottom line – wherein it's not just about the financial bottom line but also social and environmental responsibilities contributing equally to our bottom line."

The company is also future-ready, today, as far as being sustainable and government implementation of renewables is concerned.

"We have begun incorporating solar power across all over facilities, in the last few quarters. This will not only help us curb our carbon footprint, but also bring down our greenhouse emissions by 23 per cent. The solar energy generated will be equal to approximately 1,200 metric tones of coal used in a year or equivalent to 40,000 saplings grown over a decade," Mr Nihar stated.

On the social front, the company developed 'Sanifit,' a contactless sanitiser dispenser which is operated with a pedal- and each unit made and assembled with PVC

pipes manufactured by Prince Pipes. These were supplied to ATS Units in Mumbai, the DM's office in Haridwar, police stations at Silvassa, Bewell Hospital in Annanagar and some other centres. This year, in aid of COVID relief, oxygen concentrators were airlifted for the surging second wave of Covid and the equipment was distributed to the states of Bihar, Rajasthan and Telangana.

A very interesting initiative was the 'Ghar Ghar Mein Ganga' Kumbh campaign in Haridwar – wherein the prototype of the company's Storefit water tank was used to store 'Ganga Jal' (holy water). This initiative went a long way in ensuring that senior citizen devotees at the Kumbh could get the Ganga Jal without visiting the ghats during the pandemic.

Other social initiatives include the building of sanitation facilities for a school in Dahanu, educating the children on cleanliness and hygiene through a drawing competition and also being part of 'Bharat ke Veer,' a fund-raising initiative by the Ministry of Home Affairs, Government of India on behalf of members of the Indian paramilitary forces.

Needless to say, CSR activities are vital to Prince Pipes and undertaken through meaningful initiatives which make a significant difference to both society and the environment.

Nihar concluded the interaction on a beautiful note: Over the years, as the identity of the company evolves, and along with it our strategies become more agile and dynamic, what keeps me hooked is the passion – a passion for the business, which has remained a beacon of continuity throughout the generations. 

