INDIA

Not Rated

CENTRUM

Skipper Ltd

Capital Goods

Company update 17 April 2015

3P Transformation: Pole=>Pipes=>Projects

Skipper, the market leader in power and water sectors, is among the fastest growing companies in the power T&D area, which offers huge potential that the management is confident of exploiting. Its all-encompassing presence in the value chain from angles to tower production and fasteners to EPC enhances cost efficiency, which coupled with market leadership will lead to better returns. The company plans to scale up each of its businesses with an asset-light model, and focus on increasing tower exports. It also plans to gain a strong foothold in monopoles, EPC and PVC pipes.

- **Leveraging leadership in the towers business:** Skipper, with a 175000MT capacity is among the top three power transmission tower manufacturers in India. Dominant market share, integrated manufacturing of bi-poles and monopoles, strategic location of plants, repeat orders from Powergrid Corp, and relatively low cost should make Skipper a superior play in any Transmission & Distribution up-cycle. The company plans to double its revenue to ~Rs13bn in FY18 from Rs7bn in FY14. It had an order book of ~Rs21bn in Feb 2015 of which 40% was for exports.
- **Adding value in tower T&D through monopoles:** With 15,000MTPA capacity, the company is among the top three in India producing monopoles. The management expects to grow manifold due to the huge demand and first mover advantage. It plans to grow this business 13x off a low revenue base to ~Rs4bn in FY18 from Rs0.3bn in FY14. The management believes high EBITDA margins at 40-45% are sustainable due to economies of scale.
- **Exponential growth targeted in PVC and EPC businesses**: The company is one of the leaders in PVC pipes in eastern India. It intends to expand capacity 10x to 100,000MTPA by FY18E by adopting a land lease model which facilitates plant construction in 4 months against 18-24 months for a greenfield project and at 40% of the cost. It is also tying up technology to foray into CVPC, a higher-margin variant. The company plans to multiply revenue to ~Rs10.5bn in FY18 from ~Rs0.7bn in 9MFY15. With economies of scale, it believes EBITDA margin can increase by 300bps to ~14%. Skipper also has a profitable (20% EBITDA) EPC business which it plans to grow to ~Rs4bn by FY18 from Rs0.75bn in 9MFY15.
- **Valuation and key risks:** Based on the company's guidance and proforma earnings, we arrive at a fair value of Rs196 which is at PE(x) of 7x on FY18E. The assigned PE(x) at 7x FY18E is at ~40% discount to peers on FY17E, which translates to a *pro forma* fair value of Rs196/share. As per the company's guidance, we assume a ~3x growth in net revenues over FY14- FY18E and ~11x growth in PAT. Key risks for the company: i) Low forex gains, ii) slowdown in order book and hence execution, and iii) delays in capacity addition.

CMP*	Rs170

Key Data	
Bloomberg Code	SKIPPER IN
Curr Shares O/S (mn)	102.3
Diluted Shares O/S(mn)	102.3
Mkt Cap (Rsbn/USDmn)	17.4/277.9
52 Wk H / L (Rs)	200/32
5 Year H / L (Rs)	200/31.9
Daily Vol. (3M BSE Avg.)	36834.5

*Price Performance (%)**

	1M	6M	1Yr
SKIPPER IN	*12.5*	*73.9*	*-*
Sensex	*(0.3)*	*8.4*	*26.0*

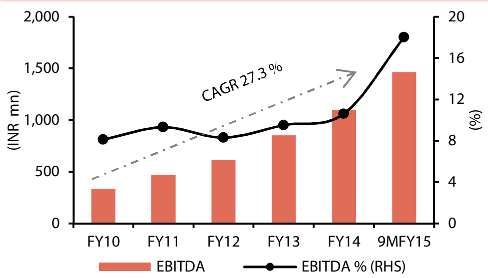
as on 17April 2015; Source: Bloomberg

Shareholding pattern *(%)**

	Dec-14	Sep-14	Jun-14
Promoter	72.4	72.4	72.4
FIIs	0.0	0.0	0.0
DIIs	0.0	0.0	0.0
Others	27.6	27.6	27.6

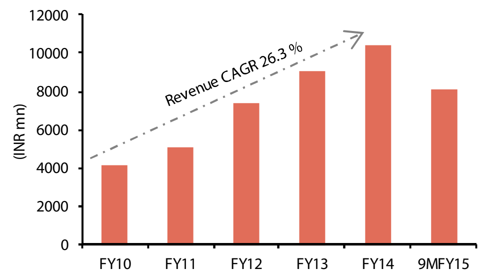
*Source: BSE, * as on 17 April 2015*

EBITDA & margins



Source: Company

Growth in net revenues



Source: Company

Sachin Mehta, *Sachin.mehta@centrum.co.in*, 91 22 4215 9854
Kaushik Krishnan, *kaushik.krishnan@centrum.co.in*; 91 22 4215 9756

Y/E Mar (Rsmn)	Net Sales	*YoY (%)*	EBITDA	*EBITDA (%)*	Adj PAT	*YoY (%)*	FDEPS	*RoE (%)*	*RoCE (%)*	P/E (x)	EV/EBITDA (x)
FY11	5,025	*22.9*	469	*9.3*	176	*30.1*	2.5	*11.2*	*6.2*	*67.8*	*32.8*
FY12	7,403	*47.3*	612	*8.3*	99	*(43.9)*	1.4	*6.1*	*6.5*	*120.9*	*25.4*
FY13	9,003	*21.6*	852	*9.5*	187	*88.8*	1.9	*9.1*	*7.9*	*88.6*	*24.2*
FY14	10,415	*15.7*	1,102	*10.6*	269	*44*	2.6	*11.6*	*10.6*	*64.6*	*19.5*

Source: Company

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Transmission Tower business

Dominant player in the transmission tower business

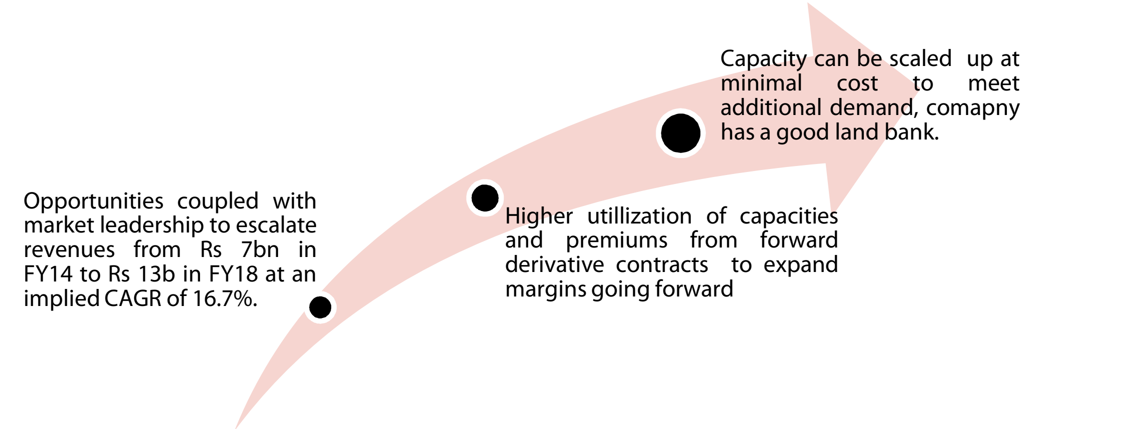
Skipper Ltd. is majorly present in the transmission tower business which accounts for nearly 60 to 65% of total revenues (9MFY15). In the past 3 years (FY12-14), its share of revenue more than doubled to 58% in FY14 against 28% in FY12. The company is a large supplier of transmission towers to Power Grid Corporation (PGCIL) with an existing capacity of 1,75,000 MTPA (25000 MTPA added in FY15). Apart from its dominant position in the transmission tower business the company has an added advantage in the form of an entry barrier (which only peers Kalpataru Transmission and KEC International have) as it is focused on manufacturing towers in the 400KV & above segment where Power Grid mainly operates. (It took Skipper 7 years to become a dominant player in this segment). The management is optimistic on the future as it plans to use its leadership position in Eastern India and economies of scale to benefit from inadequate national transmission capacity. (Only 30% increase in transmission capacity vs 50% increase in generation capacity in the past 5 years).

Preferred supplier to PGCIL; order book robust

Skipper has an order book of ~Rs21 bn largely from PGCIL, which is ~54% of the total order book. It expects orders of Rs40 bn form PGCIL in the next two years implying a growth of 3.6x from ~Rs 11.2 bn currently. The order cycle for this business is 2-3 years. Through global tie-ups, it recently bagged export orders from Latin America and Europe which comprise 40% of the current order book It intends to increase this to 50% in the near future. International order book has an order cycle of 3 years.

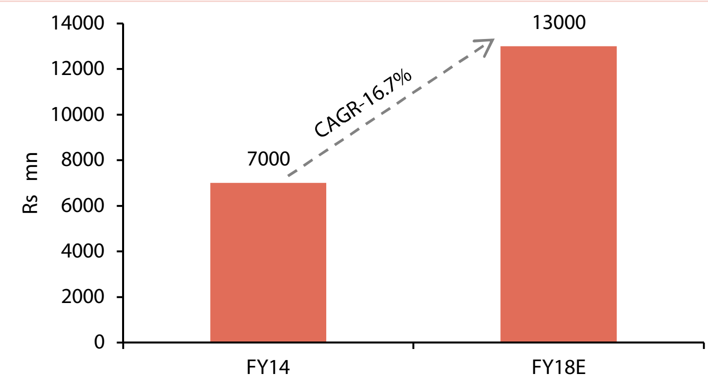
Guidance- Revenue to get doubled

Exhibit 1: Business transition and growth over FY14-18: Management outlook



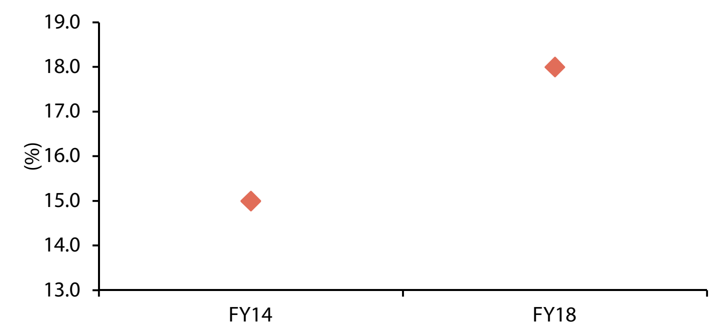
Source: Company guidance

Exhibit 2: Revenues to almost Double



Source: Company guidance

Exhibit 3: Margin expected to expand



Source: Company guidance

Strategically located in eastern India; offers cost advantage

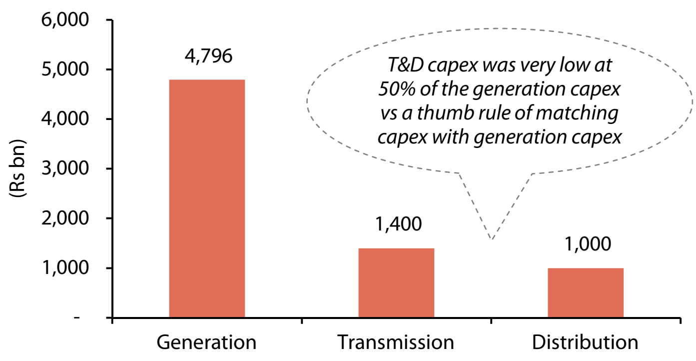
The location of Skipper in eastern India where all raw materials are available favours the company in terms of low input freight cost of Rs500/t against Rs 1500/t for others located outside West Bengal raising EBITDA margins by 200-300 bps. The company sources its raw materials (mainly Billets ~ 1 lakh tones) from SAIL.

Management sees optimistic business outlook

To capitalize on ample business opportunities in this division, Skipper increased capacity to 1,75,000 MTPA in FY15E from 1,50,000 MTPA in FY14. The cost of incremental capex was Rs 0.1 mn/ tonne which the company said was cost competitive. It hopes to achieve 80-85% utilization levels going ahead on the back of increased order inflow from PGCIL. Gross block investment as of 9MFY15 in tower business was ~Rs2.8bn (net block Rs2.3bn). Revenue from this segment was ~ Rs 7 bn in FY14 and the company plans to double this to Rs 12-13 bn by FY18 at a CAGR of 16.7% over (FY14-18). Realizations were at~ Rs 65,000/tonne and EBITDA margins at ~15% in tower business in 9MFY15 The management is confident of earning 16-18% margins from FY16 with higher capacity utilisation and operating leverage. In addition, due to the export order book spread over 3-4 years, the company's forward hedging policy enables it to earn a forward spread premium of 6-8% on consistent basis by rolling forward the hedged (forex exposure on the back of international orders- exports) position. This income is accounted as per its accounting policy as part of core revenue.

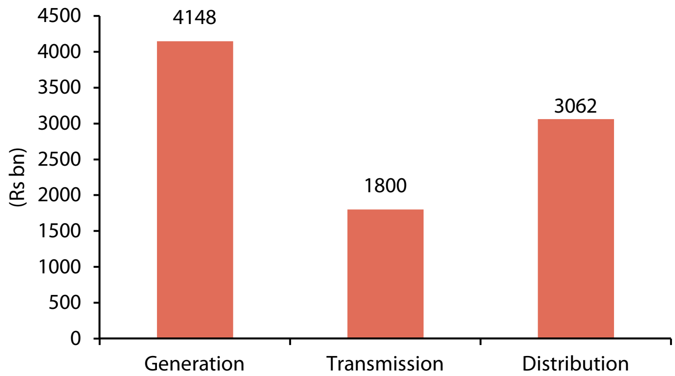
Government thrust on T&D infrastructure supports management outlook - Advantage T&D players

Exhibit 4: T&D capex lagged generation capex in XI Plan



Source: PGCIL, CEA, Centrum Research

Exhibit 5: T&D capex surges ahead of generation capex in XII Plan

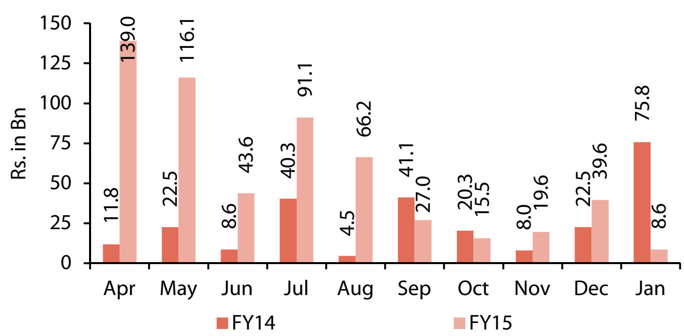


Source: PGCIL, CEA, Centrum Research

India has a three-tier transmission and distribution sector, consisting of the inter-regional grid, state grid and distribution networks. As a rule of thumb, for every rupee invested in power generation, a rupee should be invested in the Transmission and Distribution (T&D) sector. However, historically there has been under investment in T&D sector resulting in the transmission system lagging behind generation capacity. Hence, PGCIL, (a pan India CTU) and SEBs with development as its agenda have to play catch up in the XIIth plan and beyond.

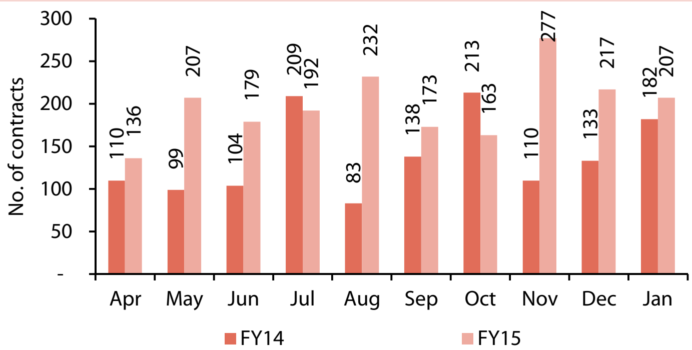
Tenders published YTD also reflect uptrend with ordering activity set to increase – Advantage Skipper

Exhibit 6: Tenders published in T&D: Value up by 122% YoY in FY15YTD



Source: Projects Today, Centrum Research

Exhibit 7: Tenders published in T&D: Contracts (nos) up by 44% YoY in FY15YTD



Source: Projects Today, Centrum Research

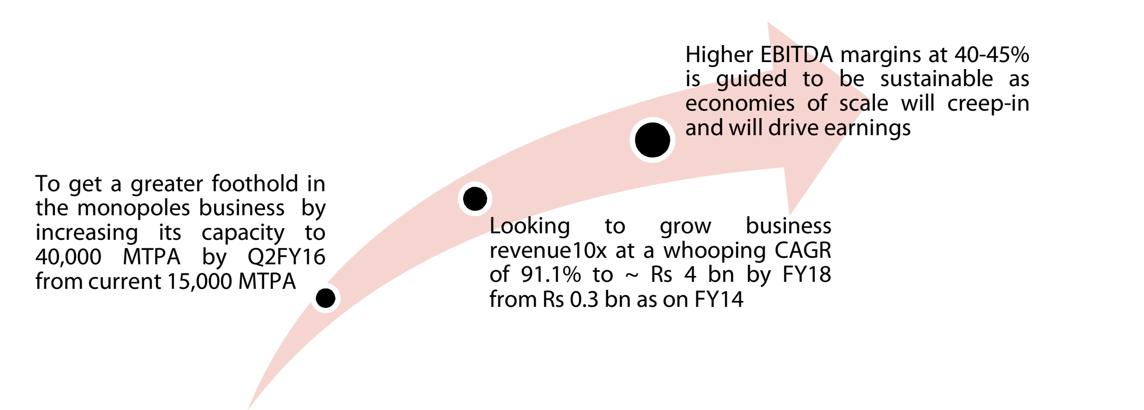
Poles & Monopoles business

Monopoles - adding value in the tower T&D space

Skipper is also actively present in the Poles & monopoles segment. It is among the three companies in India producing monopoles which are self-supporting tubular structures carrying transmission lines from 11 KVA to 400 KVA. It is extensively used in new telecom capacities & 4G network expansions. The company has a capacity of 30,000 MTPA in the poles segment and manufactures poles with a base diameter of 1100mm. Apart from poles, Skipper also manufactures monopoles, which the management believes offers a tremendous scope to grow. It has a manufacturing capacity of 15,000 MTPA for monopoles and expects to increase it to 40,000 MTPA between June and July 2015 as the management expects traction in demand and wants to benefit from 'First mover advantage'. Associated expenditure for expansion will be in the range of Rs 150-180 mn, which is cost competitive.

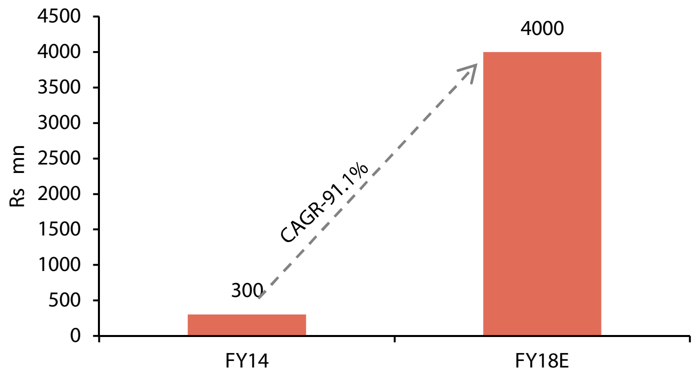
Strong growth potential, looking to grow manifold

Exhibit 8: Business transition and growth over FY14-18: Management outlook



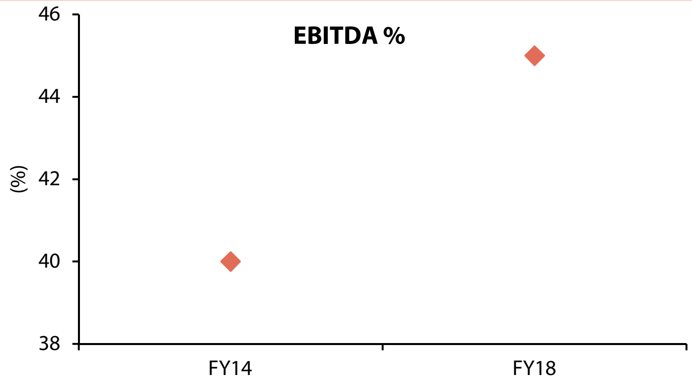
Source: Company guidance

Exhibit 9: Revenues to grow 13x



Source: Company guidance

Exhibit 10: Margins to widen further



Source: Company guidance

Impressive growth potential; revenues to grow 13x by 2018

Monopoles consume low ground and aerial coverage and hence are a replacement to transmission towers. As per the management, monopoles are eliciting more business interest and operators are moving towards monopoles as they require less land. The contribution of monopole business to total revenues in 9MFY15 was minuscule at ~ 3-4% of total sales, but revenues are projected to grow 13x at a CAGR of 91.1% to ~ Rs4 bn by FY18 from Rs0.3bn in FY14.

Strong EBITDA margins and high entry barriers

Margins in the monopoles business according to the management is ~ 40-42%. As volumes are not as high as that of power towers the company plans to scale up this new business over FY16-17. Skipper has an integrated facility of galvanizing transmission towers & monopoles generating economies of scale and providing value added service to customers. This is an entry barrier in itself and gives it competitive edge. The company has a galvanizing unit with a capacity of 1,50,000 MTPA which it intends to increase by another 50,000 MTPA.

Water transportation business- PVC pipes

PVC pipes - to grow exponentially

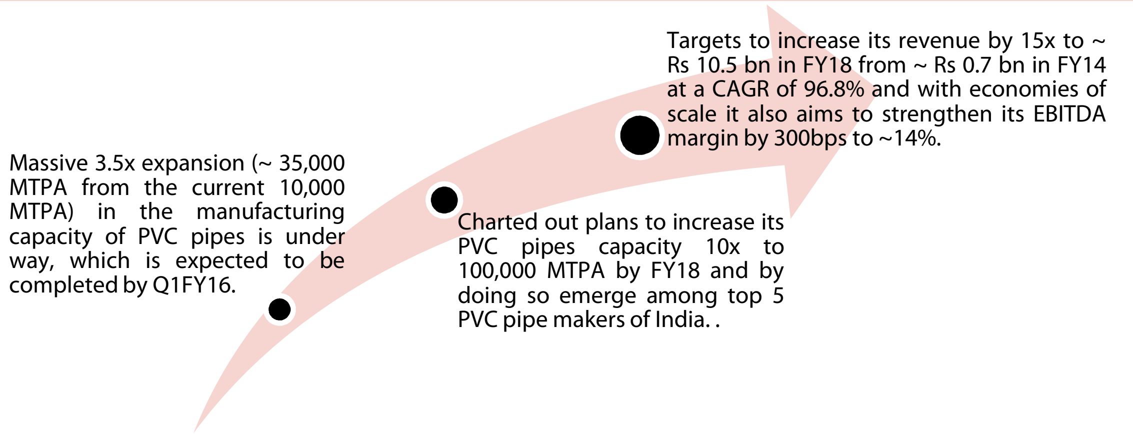
Skipper's PVC pipes segment captured 10% of eastern India's market since it ventured into water transmission infrastructure (pipe) business in 2009. Revenue contribution has risen to ~ 6% in FY14 from 4% in FY12. Products comprise PVC pipes and fittings with a wide network of ~ 500 channel partners. The company currently has 10,000 MTPA capacity in the PVC division with revenues of ~Rs 700 mn for (9M FY15) and realization of ~ Rs one lakh/tonne. It is ranked zonal second and is a coveted part of a small club of quality makers. The focus is on water distribution with 60% of the overall market being for the agriculture sector and the remaining 40% for plumbing. Of late, PVC pipes have become a replacement for steel pipes. Supreme, Finolex, Jain Irrigation and Astral Poly are the key players in this industry. It expects to expand its PVC capacity by 10x to 100000 MTPA by FY18E by adopting a land lease model which allows the setting up of the plant within 4 months against 18-24 months for a greenfield project and at 40% of the cost incurred on a green-field project, thus leading to cost efficiency.

Lower penetration in the Indian water transportation industry offers huge scope

Less than 50% of the urban population in India has access to piped water and only 14% of the rural income is spent on agri inputs (including PVC pipes). Water utilities do not cover 25% of Indian population. As per the Indian plumbing skills council, plumbing products industry in India is expected to grow 6% annually to USD 8 bn by 2016 offering huge growth potential to players like Skipper. The Indian PVC pipes & fittings market is projected to reach ~Rs 240 bn in FY19.

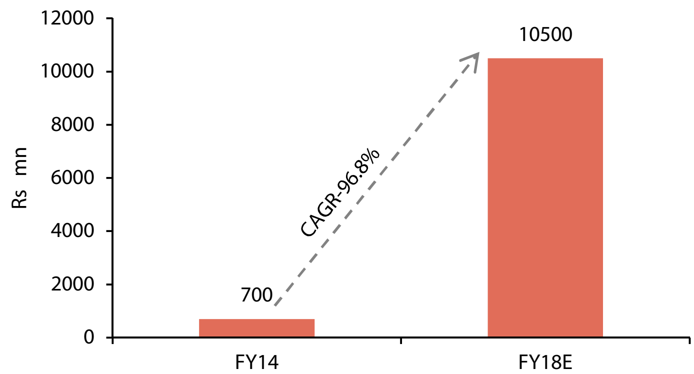
Plans to grow exponentially in PVC pipes business

Exhibit 11: Business transition and growth over FY14-18: Management outlook



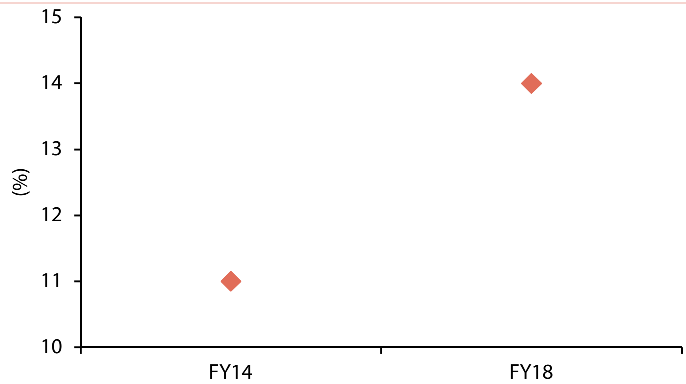
Source: Company guidance

Exhibit 12: Revenues expected to grow 15x



Source: Company guidance

Exhibit 13: Higher margins anticipated



Source: Company guidance

Growth to scale up, very strong guidance given by the management

On the back of positive outlook and immense opportunities, a 3.5x capacity expansion (~ 35,000 MTPA from the current 10,000 MTPA) in manufacturing capacity of PVC pipes is under way, which is expected to be completed by Q1FY16. Incremental capex will be around Rs 1 lakh/tonne (this is approximately 40% of the total greenfield capex). Revenue for this segment is expected to scale up to ~ Rs 2500 mn in FY16 vs Rs 700 mn in 9MFY15. This will be a +3x jump in revenues within a year.

Near term planned expansions

- 10,000 MTPA plant coming up in Ahmedabad.
- 3,000 MTPA plant being set up in Gujarat
- 6,000 MTPA plant to come up in Vizag
- 6,000 MTPA plant expected to be set up in Ghaziabad

Skipper has charted out plans to increase its PVC pipes capacity 10x to 100,000 MTPA by FY18 and by doing so emerge among top 5 PVC pipe makers in India. The company foresees exponential growth in revenues from this segment, rising 15x to ~ Rs 10.5 bn in FY18 from ~ Rs 0.7 bn in FY14 at an implied CAGR of 96.8%. It expects to achieve ~ 14% EBITDA margins going ahead (vis-a-vis 11% in FY15). The company expects to achieve this by graduating to the lucrative CPVC market by adding CPVC pipes to its product basket which will further strengthen its position in urban centres apart from the rural agriculture sector. The company plans to venture into diverse pipe applications which will enhance its market share further.

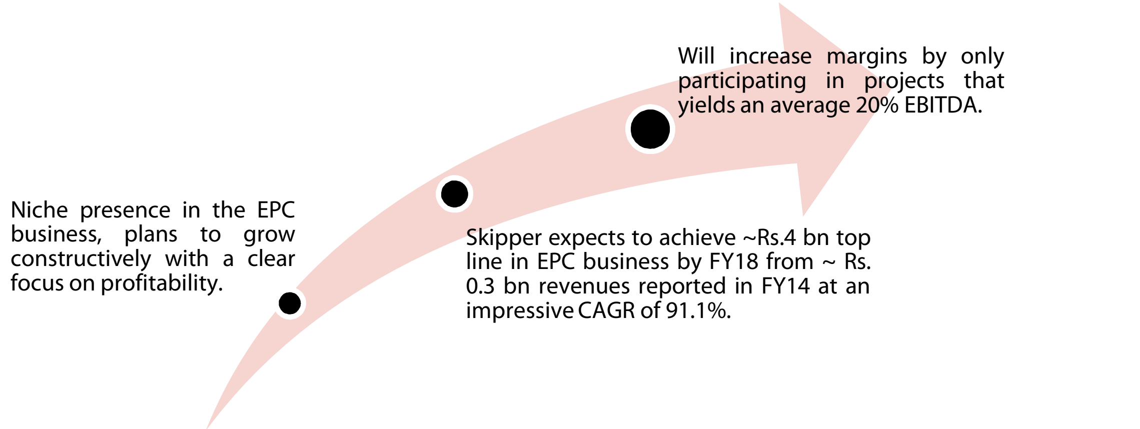
EPC & ERW steel tubes division

Constructive growth aimed at in EPC construction business

Skipper has niche presence in the EPC segment currently catering to 3 projects of Power Grid Corp (PGCIL). The management is cautious on this business as the risk is too high on the back of significant construction risk. However, the company plans to grow in the EPC construction business by being cautious towards this segment and participating in projects that yield 20% EBITDA margins. It expects ~Rs 4 bn revenue in EPC business by FY18 from ~ Rs0.3bn in FY15 at an implied CAGR of 91.1%.

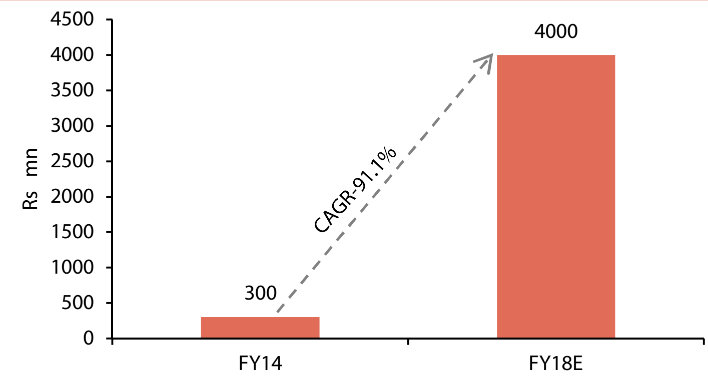
To grow constructively focusing on profitability

Exhibit 14: Business transition and growth over FY14-18: Management outlook



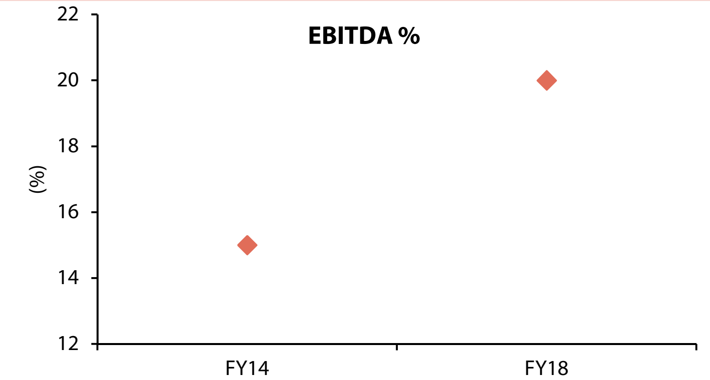
Source: Company guidance

Exhibit 15: Revenues to grow 13x



Source: Company guidance

Exhibit 16: Focus will be on margin expansion



Source: Company guidance

Focused on profitability; non-lucrative steel pipe business hived off

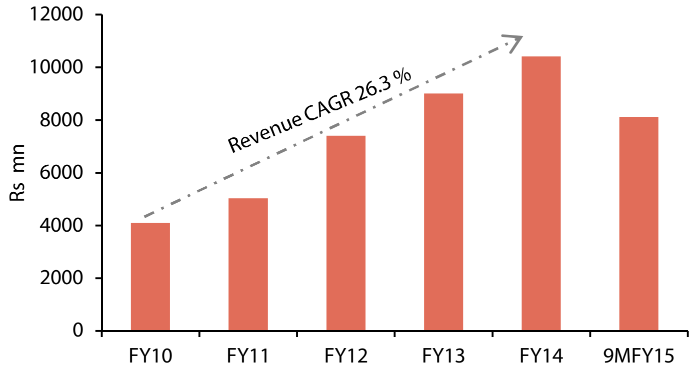
The ERW steel tubes business was the 2nd highest contributing division in terms of revenue with ~Rs 3.5bn in FY14. In FY15, the company wrote off this higher revenue generating business from its overall structure as it was low on margins and did not add to profitability to the overall company. The company has instead leased out its capacity of 50,000 MTPA to Tata Steel with a gross block value of ~Rs350 mn and net block value of ~ Rs280 mn as on 9MFY15, including fabrication facilities. Also, Skipper discontinued its scaffoldings business in FY15 as the management felt it was a non lucrative segment dragged down by slowdown in the construction business.

Financial Snapshot

Consistent growth in Net revenues & EBITDA

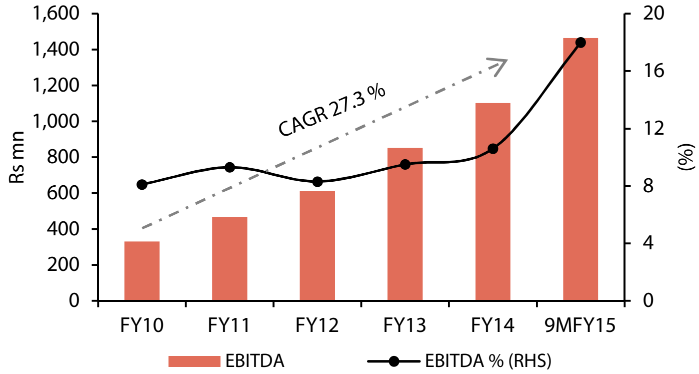
Net revenues grew consistently from Rs 4.1 bn in FY10 to Rs 10.4bn in FY14 at a CAGR of 26.3%. Revenue for the period 9MFY15 stands at Rs 8.1bn. This however includes gain from forward derivative contracts which is reported as operating income in the income statement, in line with its accounting policy. As it can be seen from the exhibit 18 below, EBITDA has shown a linear increase rising to Rs 1465 mn in 9M FY15 from Rs 330 mn in FY10 and a CAGR of 27.3% over FY10-14. Also, EBITDA margins have recorded a huge jump of 970 bps by scaling up to 18% in 9MFY15 from ~10.6% in FY10. Management expects to maintain these margins going ahead.

Exhibit 17: Consistent growth in net Revenues



Source: Company

Exhibit 18: Spike in EBITDA & margins

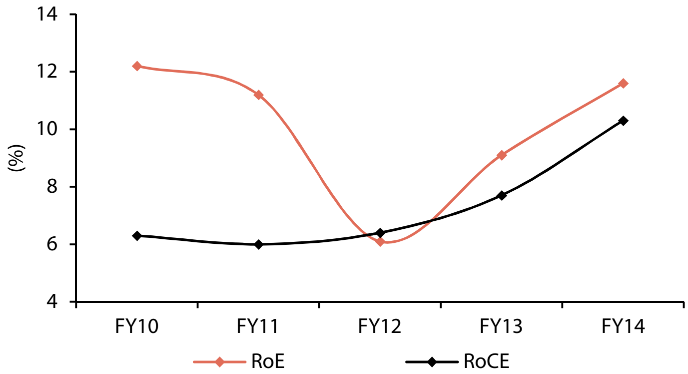


Source: Company

EPS and Return ratios – Positive turnaround from FY15

Return ratios, both RoE & RoCE are in a positive turnaround in 9MFYTD. RoE has improved to nearly +25% in FY15E vs 11.6% in FY14 due to traction in margins and cost effieciency. Similarly, RoCE has jumped to nearly +25% in FY15E vs 10.6% in FY14. As on 9M FY15 EPS has grown 2.2x to Rs 5.8/share vs Rs 2.6/share in FY14. This substantial increase is on the back of forex derivative contract gains which the company earned and expects to earn on a continuous basis driving earnings. In line with company's accounting policy, these gains have been accounted as part of core income.

Exhibit 19: Return ratios seen improving



Source: Company

Exhibit 20: EPS picking up

Source: Company

Valuation and risks

Our pro forma only P&L estimates are based on revenues assessed through company guidance. As per the company's guidance, we assume a ~3x growth in net revenues over FY14- FY18E and ~11x growth in PAT. If we assign a PE(x) of 7x (which is at average ~40% discount to peers on FY17E) to FY18E, fair value is derived at Rs196/share. As the company got listed in 2014 price history is not available and hence price charts cannot be populated.

Exhibit 21: Pro-forma income statement

	FY14	FY15E	FY16E	FY17E	FY18E
Net Revenues	10,415	12,570	14,985	18,916	28,608
EBITDA	1,102	2,335	2,827	3,641	5,895
EBITDA margin (%)	*10.6*	*18.6*	*18.9*	*19.2*	*20.6*
PAT	269	973	1,266	1,678	2,885
PAT margin (%)	*2.6*	*7.7*	*8.4*	*8.9*	*10.1*
EPS	2.6	9.5	12.4	16.4	28.2

Source: Company guidance

Exhibit 22: Peer valuation

Company	Mkt. Cap (Rs mn)	CAGR FY14-FY16E (%)			EBITDA Margin (%)				P/E (x)				EV/EBITDA (x)				RoE (%)			
		Rev.	EBITDA	PAT	FY14	FY15E	FY16E	FY17E	FY14	FY15E	FY16E	FY17E	FY14	FY15E	FY16E	FY17E	FY14	FY15E	FY16E	FY17E
Skipper Ltd*	**17,353**	***20.5***	***35.4***	***73.5***	***10.7***	***12.5***	***13.5***	***14.3***	**62.4**	**37.3**	**21.3**	**14.9**	**19.5**	**9.3**	**7.5**	**5.7**	***12.3***	***24.2***	***24.6***	***27.5***
KEC international Ltd*	26,390	*7.1*	*10.7*	*52.4*	*6.6*	*5.9*	*7.1*	*7.5*	39.5	46.1	18.3	11.9	7.2	10.1	7.7	7.7	*5.7*	*5.5*	*10.7*	*14.6*
Kalpataru Power Transmission*	35,150	*11.5*	*12.7*	*25.3*	*10.2*	*9.8*	*10.4*	*10.7*	24.0	19.9	16.4	13.0	5.3	9.3	7.9	7.9	*7.7*	*8.5*	*9.7*	*11.0*

*Source: *Bloomberg, Prices as on 17 April 2015*

Average PE(x) of peers is pegged at 12.4x vs 7x assigned to Skipper

Key Risks

- Weak forex gains
- Slowdown in orderbook and hence execution
- Delay in capaciy addition and
- Lower margins.

Quarterly performance trend

Q3FY15 – Strong quarter with pick up in revenues & margins

Net sales in Q3FY15 jumped 40% yoy, the highest yoy growth in the last 8 quarters. This was mainly on the back of gain from derivative forward contract the company enters to hedge its forex position (as explained above) to the extent of ~ Rs420 mn. EBITDA margins increased by 370 bps to 14.7% in Q3FY15 vs 11% in Q3FY14. PAT has grown ~4x to Rs 171mn in Q3FY15 compared to Rs 44 mn in the same quarter of the previous year. PAT margins rose to 5.3% in Q3FY15 vs 1.9% in Q3FY14.

Exhibit 23: Quarterly financials trend – Strong quarter with revenues & margins spiked up

Y/E Mar (Rs mn)	Q4 FY13	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14	Q1 FY15	Q2 FY15	Q3 FY15
Net Sales	**3,414**	**1,565**	**2,237**	**2,300**	**4,307**	**1,832**	**2,649**	**3,227**
Raw Materials	2,814	1,711	1,554	1,826	2,778	1,700	1,853	2,508
purchase of stock in trade	0	0	0	0	0	0	0	0
changes in inventories of finished goods & WIP	(204)	(734)	(31)	(219)	715	(535)	(71)	(276)
Employee	54	58	69	77	70	71	89	93
Others	431	304	399	363	373	321	481	427
Total Expenditure	3096	1340	1990	2048	3936	1558	2352	2753
EBITDA	**318**	**226**	**247**	**252**	**377**	**274**	**717**	**474**
Depreciation	34	37	38	39	38	54	51	52
EBIT	**285**	**189**	**209**	**213**	**339**	**219**	**666**	**423**
Other Income	0	4	7	2	9	8	1	7
Interest	168	140	113	151	201	127	129	173
PBT	116	53	103	65	147	101	538	256
Taxes	55	11	28	20	39	35	185	86
Reported PAT	62	42	75	44	108	66	353	171
Adjusted PAT	**62**	**42**	**75**	**44**	**108**	**66**	**353**	**171**
Adj EPS (Rs)	0.64	0.43	0.77	0.43	1.06	0.64	3.45	1.67
YoY Growth (%)								
Revenue	*22.7*	*35.6*	*1.4*	*3.1*	*26.2*	*17.1*	*18.4*	*40.3*
EBITDA	*141.1*	*53.3*	*27.4*	*30.4*	*18.5*	*21.2*	*190.5*	*88.1*
Adj PAT	*(266.2)*	*150.3*	*(0.9)*	*35.4*	*74.6*	*57.6*	*370.2*	*284.2*
Margins (%)								
EBITDA	*9.3*	*14.4*	*11.0*	*11.0*	*8.7*	*14.9*	*27.1*	*14.7*
EBIT	*8.3*	*12.1*	*9.3*	*9.3*	*7.9*	*12.0*	*25.1*	*13.1*
Adj PAT	*1.8*	*2.7*	*3.4*	*1.9*	*2.5*	*3.6*	*13.3*	*5.3*

Source: Company

Business profile

Skipper Ltd is the flagship company of SK Bansal group established in 1981. It is one of the leading manufacturers and suppliers of Transmission Towers, PVC, GI, and SWR Pipes & Fittings in Kolkata with a network of 350 dealers. Skipper's products are supplied majorly in Eastern India and it strives to achieve pan-India presence. It exports span South America, Europe, Africa, Middle East, South & South East Asia & Australia.

The company was earlier present in scaffolding business which it has hived off. Further, it plans to adopt backward integration and include sponge iron, steel melting shops & power plants in the near future. Recently, Skipper Ltd was awarded for achieving fast growth in the transmission tower manufacturing space at the Export Import Forum, International Trade Awards.

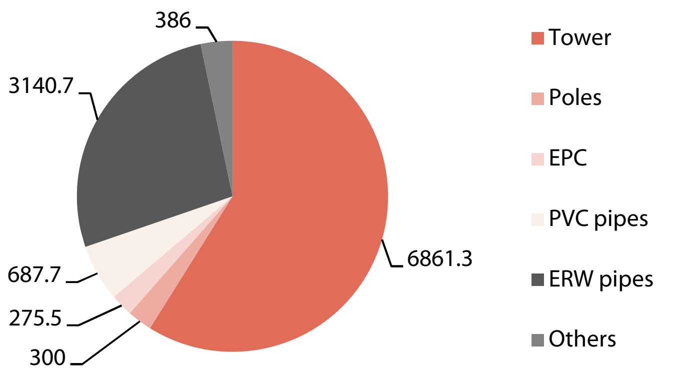
Exhibit 24: Manufacturing capacities – MTPA

Division	Current capacity	Planned expansion by FY18	Total
Transmission Towers	150,000	25,000	175,000
Poles & Monopoles	45,000	25,000	70,000
Galvanizing capacity	150,000	50,000	200,000
PVC pipes & fittings	10,000	90,000	100,000
ERW Steel tubes	50,000	Nil	50,000
Total	**405,000**	**190,000**	**595,000**

Source: Company

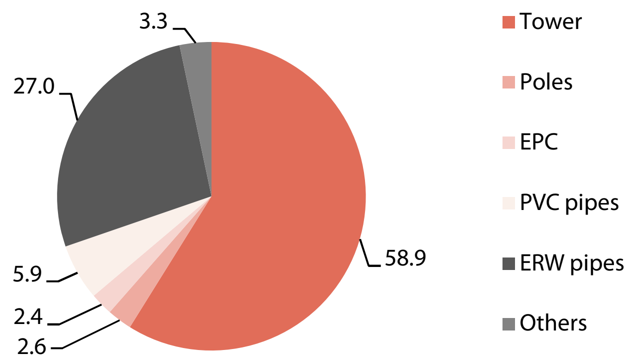
Revenue Structure

Exhibit 25: Gross revenue share (FY14)- Rs11651.6 Mn



Source: Company

Exhibit 26: Gross revenue share (FY14)- %



Source: Company

The pie chart using the data provided by the management shows that a major chunk of revenue comes from the Towers segment which is ~ 59% of total sales (FY14).

Promoters & Directors profile

Board of Directors

Promoter Directors

Mr. Sadhuram Bansal, Chairman Emeritus: With more than 50 years of industry experience, he is responsible for converting the Bansal Group during the early 70's, from a small trading house to a large manufacturing conglomerate. He continues to inspire the young brigade to dream big and take the businesses to newer heights.

Mr. Sajan Kumar Bansal, Managing Director: He is the driving force behind the company's exponential growth since the beginning of the new millennium. Under his visionary leadership, the company has grown from a single product to multi unit, multi product manufacturing ranging from steel to plastics. He is a B.com graduate.

Mr. Sharan Bansal, Director: A Mechanical engineering graduate, he heads the transmission tower & EPC businesses. He has helped the company become one of the leaders within India's transmission & distribution sector.

Mr. Devesh Bansal, Director: Holds a master's degree in international business. He heads the tubular products division of the company. He pioneered the production of monopoles and is responsible for the group's pan-India PVC expansion.

Mr. Siddharth Bansal, Director: He completed an entrepreneurship course from the University of Illinois. He spearheaded the company's diversification into non-steel products. He manages the fast-growing PVC pipe manufacturing division.

Independent Directors

Mr. Amit Kiran Deb, IAS (Retired) Chairman: Has held several portfolios in West Bengal state government (home, cultural & information, tourism & industry) before retiring as chief secretary and tourism secretary. Possesses profound knowledge & experience across industries. Has enjoyed close interactions with prominent industrial houses.

Mr. Manindra Nath Banerjee, IAS (Retired): Served in top positions in more than 10 state government undertakings. He has also worked at the Durgapur steel plant (on deputation from the state government).

Mr. Shyam Bahadur Singh, Ex MD, SAIL: Joined SAIL as a graduate engineer in 1959 and rose to become the managing director of the Durgapur steel plant and director of SAIL in 1993. He retired in 2001. Widely travelled, he has been associated with several reputed businesses.

Annexure

Order Book

SKIPPER LIMITED						
Statement of Movement in Transmission Tower (Supply & EPC) Order Book over past 5 years						
Particulars		**2010-2011**	**2011-2012**	**2012-2013**	**2013-2014**	**2014-2015 (upto Dec'14)**
	Currency	**Rs in Cr**	**Rs in Cr**	**Rs in Cr**	**Rs in Cr**	**Rs in Cr**
Opening Order Balance in hand	*Domestic PG*	306.02	384.25	806.25	528.04	498.21
	Domestic Non PG	-	-	10.52	0.08	138.01
	Export	-	-	14.19	15.37	645.28
	Total	**306.02**	**384.25**	**830.96**	**543.49**	**1,281.50**
Add: Orders Received during the year	*Domestic PG*	225.23	660.92	57.55	519.62	1,096.07
	Domestic Non PG	-	33.60	-	203.64	178.42
	Export	-	14.19	13.79	668.13	184.85
	Total	**225.23**	**708.71**	**71.34**	**1,391.39**	**1,459.33**
Less: Orders executed during the year	*Domestic PG*	147.00	238.93	335.76	549.45	427.16
	Domestic Non PG	-	23.08	10.43	65.71	42.84
	Export	-	-	12.61	38.22	66.85
	Total	**147.00**	**262.01**	**358.81**	**653.38**	**536.84**
Closing Order Balance in hand	*Domestic PG*	384.25	806.25	528.04	498.21	1,167.13
	Domestic Non PG	-	10.52	0.08	138.01	273.59
	Export	-	14.19	15.37	645.28	763.28
	Total	**384.25**	**830.96**	**543.49**	**1,281.50**	**2,203.99**

Source: Company

Historical Financials

Exhibit 27: Income Statement

Y/E Mar(Rs mn)	FY10	FY11	FY12	FY13	FY14
Net Sales	**4,090**	**5,025**	**7,403**	**9,003**	**10,415**
Raw Materials	3,347	3,933	5,582	6,829	7,601
as % of sales	*81.8*	*78.3*	*75.4*	*75.8*	*73.0*
Staff Cost	72	121	170	195	274
as % of sales	*1.8*	*2.4*	*2.3*	*2.2*	*2.6*
Other operational expenses	341	501	1039	1128	1439
as % of sales	*8.3*	*10.0*	*14.0*	*12.5*	*13.8*
EBITDA	**330**	**469**	**612**	**852**	**1,102**
EBITDA margin (%)	*8.1*	*9.3*	*8.3*	*9.5*	*10.6*
Depreciation	32	66	117	126	151
EBIT	298	403	495	727	952
Interest	99	195	367	464	606
Other income	8	44	19	14	21
PBT	206	253	146	277	367
PBT margin (%)	*5*	*5*	*2*	*3*	*4*
Tax	70	76	47	91	98
Tax rate (%)	34	30	32	33	27
Adj PAT	**136**	**176**	**99**	**187**	**269**
PAT margin (%)	*3.3*	*3.5*	*1.3*	*2.1*	*2.6*

Source: Company Annual Reports

Exhibit 28: Key Ratios

Y/E Mar	FY10	FY11	FY12	FY13	FY14
Growth Metrics (%)					
Net Sales	*11.7*	*22.9*	*47.3*	*21.6*	*15.7*
EBITDA	*31.1*	*42.3*	*30.5*	*39.3*	*29.3*
Adj PAT	*50.2*	*30.1*	*(43.9)*	*88.8*	*44.0*
Profitability Metrics (%)					
EBIT margin	*7.3*	*8.0*	*6.7*	*8.1*	*9.1*
PBT margin	*5.0*	*5.0*	*2.0*	*3.1*	*3.5*
Adj. PAT margin	*3.3*	*3.5*	*1.3*	*2.1*	*2.6*
Return Ratios (%)					
RoE	*12.2*	*11.2*	*6.1*	*9.1*	*11.6*
RoCE	*6.5*	*6.2*	*6.5*	*7.9*	*10.6*
RoIC	*6.6*	*6.2*	*6.6*	*8.1*	*11.1*
Turnover ratios (No of days)					
Inventory period	74	128	83	96	80
Collection period	54	67	71	63	81
Creditors period	20	18	55	47	55
Net WC days (excluding cash)	108	177	100	112	106
Solvency Ratio (x)					
D/E	1.8	2.2	2.3	2.1	1.9
Net D/E	1.7	2.2	2.2	2.0	1.8
Current ratio	4.1	9.9	2.6	3.0	2.6
Dividend					
DPS (Rs)	0.1	0.1	0.1	0.3	0.1
Dividend yield (%)	*0.1*	*0.1*	*0.1*	*0.2*	*0.1*
Dividend pay-out (%)	*7.8*	*6.0*	*10.6*	*16.0*	*3.7*
Per share (Rs)					
Basic EPS- reported	1.9	2.5	1.4	1.9	2.6
FDEPS- reported	1.9	2.5	1.4	1.9	2.6
CEPS	2.4	3.4	3.1	3.2	4.1
BVPS	15.8	22.3	23.2	21.1	22.6
Valuations Metrics (x)					
P/E	88.2	67.8	120.9	88.6	64.6
P/BV	10.8	7.6	7.3	8.0	7.5
EV/EBITDA	42.1	32.8	25.4	24.2	19.5
EV/Sales	3.4	3.1	2.1	2.3	2.1
M-cap/Sales	2.9	2.4	1.6	1.8	1.7

Source: Company Annual Reports

Exhibit 29: Balance Sheet

Y/E Mar(Rs mn)	FY10	FY11	FY12	FY13	FY14
Sources of Funds:					
Share Capital	70	360	360	97	102
Reserves	1,040	1,211	1,275	1,963	2,209
Shareholders Fund	1,110	1,572	1,635	2,061	2,312
Debt	1,993	3,505	3,683	4,231	4,395
Net deferred tax	62	94	111	181	218
Total Liabilities	**3,165**	**5,171**	**5,429**	**6,489**	**6,934**
Application of Funds:					
Gross Block	1,438	2,254	3,116	3,675	3,943
Accumulated Depn	108	173	289	413	558
Net Fixed Assets	1,330	2,081	2,828	3,262	3,385
Capital WIP	472	335	20	36	83
Investments	1.9	0	0	0	0
Goodwill	1	2	14	16	19
Current Assets					
Inventories	829	1760	1689	2378	2290
Sundry Debtors	607	921	1449	1549	2318
Cash & Liquid Investments	81	69	86	128	263
Loans & Advances	231	286	614	507	455
Total Current Assets	1748	3036	3839	4562	5326
Sundry creditors	227	250	1120	1162	1575
Other liabilities & provisions	159	39	145	218	306
Total Current Liabilities	386	289	1,265	1,379	1,881
Net Current Assets	1,362	2,747	2,574	3,183	3,445
Total Assets	**3,165**	**5,171**	**5,429**	**6,489**	**6,934**

Source: Company Annual Reports

Exhibit 30: Cash Flow

Y/E Mar(Rs mn)	FY10	FY11	FY12	FY13	FY14
PBT	**206**	**253**	**146**	**277**	**367**
Add: Depreciation	32	66	117	126	151
Add: Interest	99	195	367	464	605
Operating profit before WC changes	337	479	623	854	1110
Trade & other receivables	125	(377)	(445)	36	(331)
Inventories	(277)	(931)	71	(689)	88
Trade payables	(38)	(57)	949	(303)	428
Net change - WC	(190)	(1365)	575.	(956)	184
Direct taxes	42	43	43	47	48
Net cash from operating activities	**6**	**(1,124)**	**787**	**(619)**	**643**
Capital expenditure	(1,016)	(681)	(564)	(591)	(327)
Net Cash from investing activities	**(1,001)**	**(644)**	**(550)**	**(559)**	**(316)**
Issue of share capital	150.	290	-	540	-
Changes in bank borrowings	927	1,101	(444)	819	(348)
Debt change	(20)	377	210	187	167
Dividend paid	(7)	(12)	12	(35.)	(12)
Net cash from financing activities	**1,049**	**1,756**	**(220)**	**1,220**	**(192)**
Net change in cash	55	(12)	17	43	135

Source: Company Annual Reports

Appendix A

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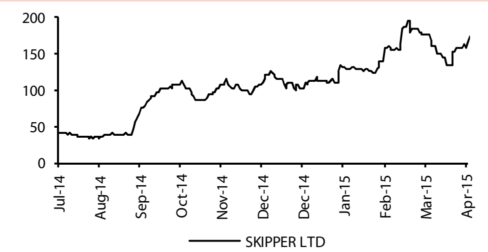
Skipper Ltd price chart



Source: Bloomberg, Centrum Research

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3	Registration status of CBL:	CBL is in the process of preparing application for submission to SEBI

		Skipper Ltd
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5	Whether Research analyst or relatives have actual / beneficial ownership of 1% or more in securities of the subject company at the end of the month immediately preceding the date of publication of the document.	No
6	Whether the research analyst or his relatives has any other material conflict of interest	No
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Rating	Market cap < Rs20bn	Market cap > Rs20bn but < 100bn	Market cap > Rs100bn
Buy	Upside > 25%	Upside > 20%	Upside > 15%
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CAPITAL MARKET SEBI REGN. NO.: BSE: INB011454239
CAPITAL MARKET SEBI REGN. NO.: NSE: INB231454233
DERIVATIVES SEBI REGN. NO.: NSE: INF231454233
(TRADING & CLEARING MEMBER)
CURRENCY DERIVATIVES: MCX-SX INE261454230
CURRENCY DERIVATIVES:NSE (TM & SCM) – NSE 231454233

Depository Participant (DP)
CDSL DP ID: 120 – 12200
SEBI REGD NO. : CDSL : IN-DP-CDSL-661-2012

PORTFOLIO MANAGER

SEBI REGN NO.: INP000004383

Website: www.centrum.co.in
Investor Grievance Email ID: investor.grievances@centrum.co.in

Compliance Officer Details:
Kavita Ravichandran

(022) 4215 9842; Email ID: Compliance@centrum.co.in

Centrum Broking Ltd. (CIN :U67120MH1994PLC078125)	
Registered Office Address	**Corporate Office & Correspondence Address**
Bombay Mutual Building , 2nd Floor, Dr. D. N. Road, Fort, Mumbai - 400 001	Centrum House 6th Floor, CST Road, Near Vidya Nagari Marg, Kalina, Santacruz (E), Mumbai 400 098. Tel: (022) 4215 9000 Fax: +91 22 4215 9344