



East India Securities Ltd
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SKIPPER LTD ***Initiating Coverage***





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Skipper Ltd

Don't Skip this opportunity

Skipper Limited (Skipper) is Kolkata based S.K Bansal Group's flagship company and was incorporated in 1981. Skipper has three business divisions 1) Engineering Products - manufacturing of transmission and distribution towers (86%) 2) PVC Pipes (10%) 3) EPC (4%). With 265,000 MTPA of installed capacity, Skipper has the second largest tower manufacturing capacity in India and is the largest fully integrated manufacturer of transmission towers. In 2009 skipper diversified into the high growth Polymer pipes business. From having a strong presence in West Bengal in plastic pipes and fittings, the company now has manufacturing capacity spread across 5 locations in India. The company aspires to tap the huge opportunity in power & water transmission products.

Investment Rationale

- **Best margin profile in high growth T&D business** - Skipper's core business of transmission towers has grown at CAGR of 14.7% (FY13-18) and we expect the same to continue at a CAGR of 14.3% over FY18-20E on the back of rising order book supported by increased capacity expansion. Full backward integration (from billets to transmission towers), locational advantage (proximity to steel producers) and availability of low cost labour, gives it significant cost advantage due to which it generates 300-400 bps higher EBITDA margin compared to peers.
- **Healthy order book and focus on exports gives good revenue visibility** - Skipper's FY18 order book stands at Rs 26.3 bn (1.5x FY18 sales) which provides revenue visibility for the next 18-24 months. Skipper has consciously been diversifying its revenue stream by diversifying into exports and 16% of FY18 engineering division revenue has come from exports. Having marquee clients like PGCIL, SEB, demand from export market and growth opportunities in the sector, we believe that the company is all set on a consistent growth path. Further, Skipper has consciously been de-risking itself from client concentration and now share of PGCIL's reduced from ~80% of its order book in FY13 to 44% in FY18.
- **High entry barrier is a significant moat** - Skipper operates in an industry which has high entry barrier like (a) Getting empanelled with PGCIL, the largest purchaser of transmission towers and SEB's which takes minimum 3-5 years (b) Capital Intensive business - both fixed and working capital (c) Land availability, environment clearances and various other NOC's take significant time.
- **PVC pipes business to diversify the revenue mix and give growth kicker** - Skipper has aggressively added PVC pipes capacity from 12,500 MTPA in FY13 to 51,000 MTPA in FY18 end and plans to double the same to 100,000 TPA by FY22. The segment has grown at a CAGR of (FY13-18) of 31.1% and going forward we expect the same to grow at a CAGR of 17.2% over FY18-20 with rising demand and company's strategies to expand the business. This will not only diversify the revenue mix but will also provide additional growth impetus.
- **Attractive Valuation** - Skipper is trading at an attractive valuation of 9.5x FY20E P/E and 5.5x of EV/EBITDA. The company is poised to grow its PAT at 22% CAGR (FY18-20E) keeping the growth momentum on track. We initiate coverage on Skipper with a Buy rating and a target price of Rs 263 (15.4x FY20E EPS).

Key risk

- **Slowdown in order intake** - Although the strong order book gives us the comfort over future, any slowdown in future order inflow could impact the pace of growth.

Year	Revenue (Rs Mn)	EBIDTA margin (%)	PAT (Rs Mn)	EPS	PE	PBV	EV/EBIDTA	ROCE %	ROE %
FY16	15,062	15.9%	951	9.3	17.5	4.4	8.8	28.7	27.4
FY17	16,646	16.4%	1,242	12.1	13.4	3.1	7.5	26.0	23.5
FY18	20,737	14.6%	1,178	11.5	14.1	2.6	7.0	23.9	18.6
FY19E	24,626	13.9%	1,518	14.8	11.0	2.2	6.2	24.6	20.0
FY20E	27,525	13.6%	1,752	17.1	9.5	1.8	5.5	24.4	19.3

Source: Company, EISEC Research

Buy

TP: Rs 263

CMP: Rs 162
Potential Upside: 63%

Stock Data

CMP	162
Mcap (Rs mn)	16,607
Avg vol (6m)' 000	109.6
FV	1
Beta	0.9
52 week H/L	293/156
Bloomberg code	SKIPPER IN
Reuters code	SKIP.BO
Group/Index	B / S&P BSE SmallCap

Year	FY16	FY17	FY18	1QFY19
Promoter	72.4	70.4	70.2	70.2
Public	24.6	19.5	12.7	12.4
FII	0.2	1.5	6.2	6.3
DII	2.9	8.5	11.0	11.1

ABS%	3M	6M	1Yr
S&P BSE SmallCap	(13.5)	(19.8)	(1.7)
Skipper	(26.1)	(34.5)	(27.7)

Supriya Madye

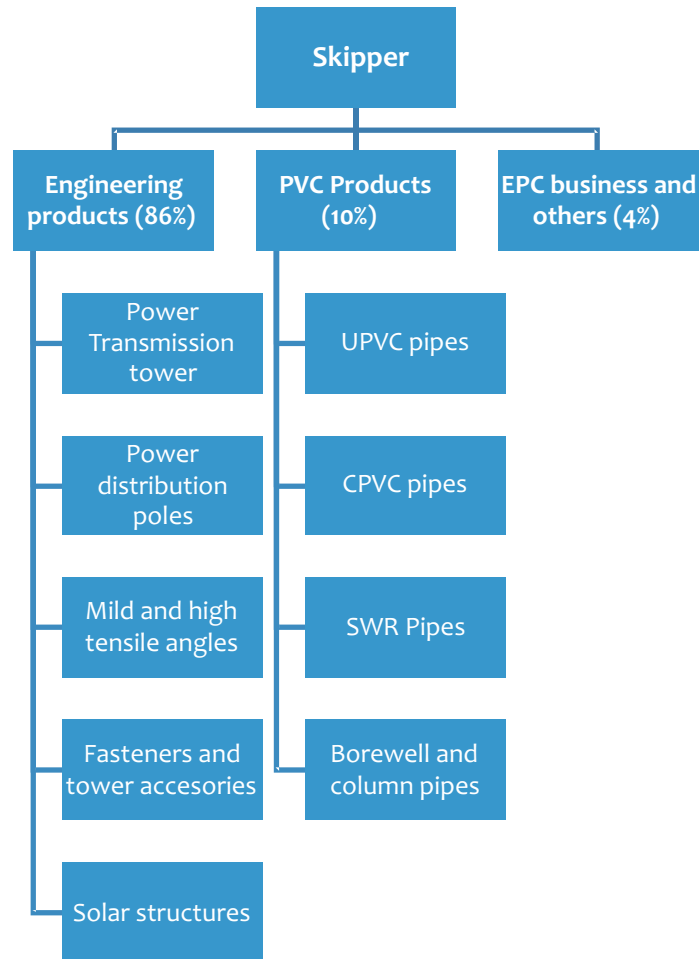
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Skipper Limited - Key Milestones

- 1981: Incorporation and commenced manufacturing Hamilton Poles at Ulberia near Kolkata
- 1990: Started manufacturing Telecom Towers and Masts
- 2001: Set up LPG Cylinder manufacturing unit
- 2003: Set up first Tube Mill
- 2005: Set up first galvanizing plant
- 2006
 - Crossed revenue of Rs 1 bn and received Power Grid approval for tower unit
 - Entered into manufacturing tie-up with Ramboll, Denmark
- 2008: Conversion of tower production process to automated CNC lines
- 2009:
 - Received first order for 800 KV transmission tower
 - Commissioned first PVC unit at Uluberia in West Bengal
- 2010: Entered into backward integration by way of strip mill and angel mills in tubes and tower verticals.
- 2013:
 - Crossed revenue of Rs 10 bn
 - Strategic agreement with South America's largest TSO for exclusive supply to their transmission project
- 2015-16:
 - Listed in BSE and NSE
 - Technological tie up with Sekisui Japan for CPVC compound and Wavin group of Netherland for specialized products
 - Commissioned new PVC unit at Ahmedabad, Guwahati and Sikandrabad
- 2017:
 - Largest Tower supplier award from PGCIL
 - Commissioned second plant in Guwahati, Assam
- 2018:
 - Entered into 50:50 joint venture with Metzterplas, Israel to tap the high growing irrigation system business
 - Largest Supplier- Towers by Power Grid Corporation Of India Limited for the third time consecutively.

Business Segments - Bird's Eye View



Source: Company, EISEC Research

Business Segments - Details

Engineering product (86% of FY18 revenue / 91% of FY18 EBIT / EBITDA Margin ~14%)

As is famously known that during the California Gold rush, the shovel makers earned more than the Gold diggers, Skipper is the shovel maker in the fast growing T&D business wherein it manufactures and supplies transmission towers to various EPC companies who erect transmission lines for PGCIL, SEB's and private transmission companies. With an installed capacity of 265,000 MTPA across two locations (a) Uluberia, West Bengal (235,000 MTPA) (b) Guwahati, Assam (30,000 MTPA), Skipper offers a wide range of transmission and distribution towers.



Power transmission tower

Product Portfolio

1) Power transmission tower

Transmission towers are used for evacuation of bulk electricity at higher voltages from power generation plants to remote locations over large distances. They are used in high-voltage AC and DC lines and come in many shapes and sizes. Skipper manufactures the entire spectrum of transmission tower from 66KV to 800 KV. It also has the capability of manufacturing 1200 KV towers.

2) **Power distribution poles**

This comprises of swaged poles, high mast poles, octagonal / conical poles and monopoles. These poles are used for transmission of electricity at lower voltages and over small distances. These distribution poles may be used for street lights, traffic lights, cellular network antenna and other overhead electric trolley wires.



Swaged poles

2.1) **Swaged poles**

Skipper manufactures swaged poles from 5 meters to 16 meters in length and these poles are used for street lighting, traffic signals and low transmission line, signboards etc. Swaged poles could be either galvanized or painted as per customer's requirement. For supply of swaged poles, Skipper is associated with reputed names like NTPC, Coal India, and Reliance Industries.



High Mast poles

2.2) **High Mast poles**

These poles are mostly used in confined spaces as erections of these poles do not require large area to be covered. The major applications of these poles are in parking yards, railway yards, stations, urban areas, airport, parks and stadiums. Skipper provides services relating to design, manufacture and installation of high mast poles varying from 10 meters to 60 meters in height.



Octagonal / Conical poles

2.3) **Octagonal / Conical poles**

These poles are primarily used for street lighting or for low voltage power distribution. Skipper produces single piece octagonal poles from 3 meters to 12 meters height.

2.4) **Monopoles**

Monopoles are used in congested area where there is limited space. Since there is a single pole, it requires very little space for installation. Skipper tested its first 66KV transmission monopoles during FY17. The company's monopoles capacity is currently at 15,000 MTPA which can be increased to 40,000 MTPA without much capex. With growing urbanization and difficulties in land acquisition, demand for monopoles is expected to increase significantly as monopoles require 50% less space as compared to lattice (traditional) towers. Demand for monopoles is also coming from telecom sector. Margin in monopoles is 20% higher than traditional tower and increased demand will further boost Skipper's margins.



Monopoles

3) **Mild steel and high tensile angles**

These are the building blocks for transmission towers. In order to achieve full backward integration, Skipper started manufacturing angles in 2010 at its plant near Kolkata, West Bengal. The company has capability of rolling angles of any length and grade. Skipper sells these to other tower manufacturers like Kalpataru and KEC as well.



Angles

4) **Fasteners**

Skipper commenced manufacturing of mild steel (MS) and High tensile (HT) fasteners in 2013. Today it has the capability of manufacturing a wide range of bolt/nuts with in-house galvanizing capability.



Fasteners

5) **Tower accessories**

These tower accessories are used for ensuring connection between towers and conductors. Some of these products are hangers, D-Shackles, Bird Guards, Anti climbing devices and step bolts.



Tower accessories

6) **Solar structures**

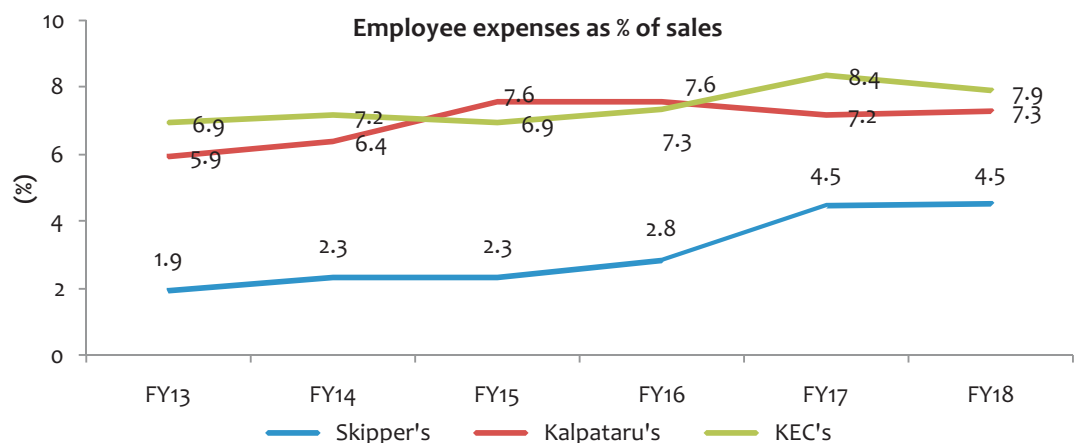
The company has recently entered in this segment. This segment holds immense promise due to huge demand growth for the addition of non-renewable sources in India.



Solar structures

Engineering products - Skipper strengths and advantages

- 1) **Full backward integration:** Skipper produces 100% of its key raw material (angles, fasteners and accessories) in-house. This is a unique positioning compared to its peers as the company is able to save on conversion charges, handling costs (due to all processes at a single location) as well less wastage (Scrap). This helps the company to have better control over the entire value chain and thereby earn better margins. This also enables the company to customize products according to clients' requirements with lesser turnaround time. This is a very significant strength of the company.
- 2) **Location, location and location:** Skipper's manufacturing unit is located within 200 km radius of key raw material (Billets) suppliers and the entire production (Billets -> Angles including captive galvanizing plant) is at a single location due to which it saves a lot on the freight costs. As compared with other pan India players, Skipper is currently saving at least Rs2,000-2,500 per tonne due to its location advantage.
- 3) **Availability of cheap labour:** Skipper's manufacturing units are located in North and North-East India where availability of labour is relatively easy. Skipper's employee expense as % of turnover over the past 6 years was in the range of 2%-4.5% which was at least 300-400 bps lower than Kalpataru Power Transmission and KEC International labour costs.



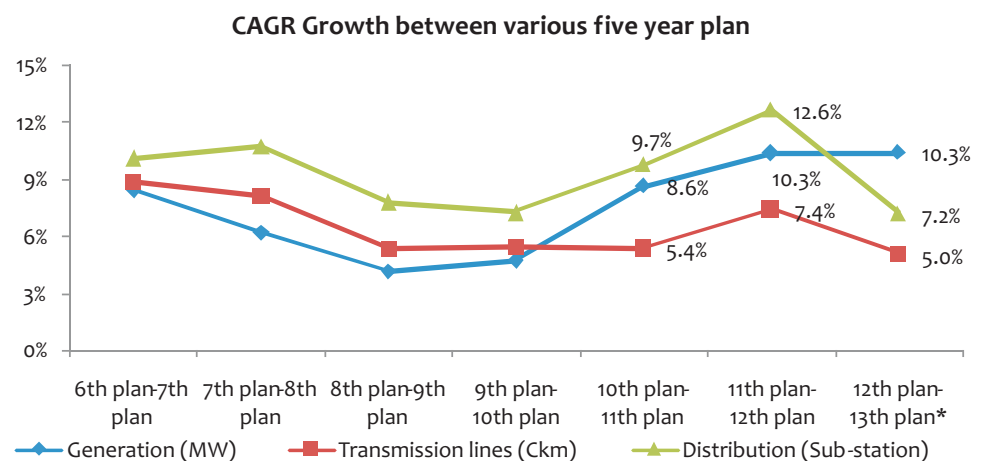
Source: Company, EISEC Research

- 4) **Focus on exports is helping to diversify and reduce concentration risk:** Skipper has successfully forayed into the export market by getting quality certifications from several overseas transmission companies in Kenya, Philippines, Egypt and Nigeria. The company is gradually trying to reduce its dependency on PGCIL. From ~80% concentration on PGCIL for order book in FY13, the company has now managed to reduce its dependency to 44% as per the latest order book(as on March 18). Around 16% of FY18 order book was from overseas markets while SEB and other domestic clients contributes 40% of order book.
- 5) **Tax advantage for Guwahati Plant:** In March 2017, Skipper successfully commenced new manufacturing plant in Palasbari near Guwahati, Assam catering to both Engineering and polymer products division. This unit enjoys many direct and indirect tax holiday benefits for the next 10 years under North East Industrial and Investment Promotion Policy (NEIIPP). Some of the benefit under this policy are (a) Central capital investment subsidy limited up to Rs 50 mn (b) Central interest subsidy up to 3% on term loan not exceeding Rs 100 mn (c) a 100% Insurance premium reimbursement (d) a 100% income tax exemption for a period of 10 years.

Engineering products - Opportunities and growth drivers

Growth Driver 1 - T&D infrastructure has seen huge underinvestment in last few years and this huge gap needs to be filled

India is the world's 3rd largest producer and 4th largest consumer of electricity still per capita electricity consumption is 1/4 th of worlds average despite relatively lower electricity tariff. One of the key factors of low per capita consumption is lack of adequate transmission and distribution network. The MVA/MW ratio at 1.7x is way short of ideal ratio of 7x. This is further substantiated by the fact that 10th five year plan onwards the investments in generation capacity has been much more than that in Transmission capacity. Hence there is huge need for expansion of transmission and distribution lines in India.



* anticipated

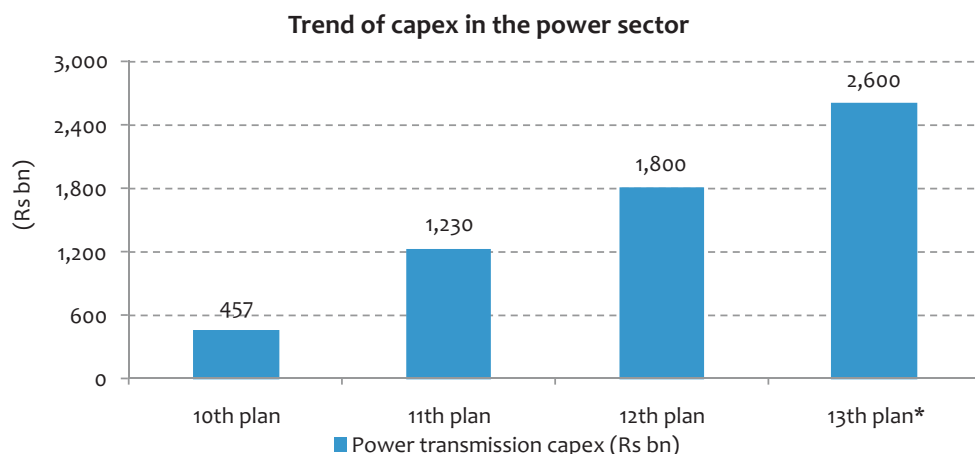
Source: Company, EISEC Research

Growth Driver 2- Widening demand supply mismatch to drive need for inter-regional transmission capability

- India's total power generation capacity is expected to rise from 326 GW in March 2017 to 534 GW in March 2022. However it is estimated that the generation capacity will not be evenly distributed across India.
- Thermal capacity addition is expected to be close to Eastern region where the concentration of coal mines is more. Renewable capacities are expected to come up near Western and Southern region.
- This will create the need for setting up more inter-regional transmission network not only to transfer power from surplus region to deficit region but also to prevent major grid fluctuations due to demand supply mismatch.

Growth Driver 3 - Huge capex planned for T&D sector

- In the 13th five year plan, Government of India (GOI) has envisaged a capex of Rs 2,600 bn during FY17-FY22.



* anticipated

Source: CEA, Power Ministry, Industry and EISEC Research

- As on 31 March 2018, PGCIL had total work in hand of project worth ~Rs 1,100 bn out of which it already planned capex of Rs 250 bn for FY19 and balance capex of ~ Rs 850 bn is to be executed over the next 2-3 years.(as per Power Grid Corporation presentation for 4QFY18)
- Government has come out with several investment plans in the power distribution space and we expect more such measures and initiatives from the government given the focus of government on 'Power For All' households.

Sr No.	Scheme name	Aim	Outlay (bn)
1	Integrated Power Development Scheme (IPDS)	Strengthening the sub-transmission and distribution in urban areas	326
2	Deen Dayal Upadhyaya Gram Jyoti Yojna (DDUGJY)	Strengthening of sub-transmission and distribution in the rural area.	430
3	National Smart Grid Mission (NSGM)	Implementation of policies and programme related to Smart Grid activities in India.	9.8

Source: Planning Commission, Power Ministry, Industry and EISEC Research

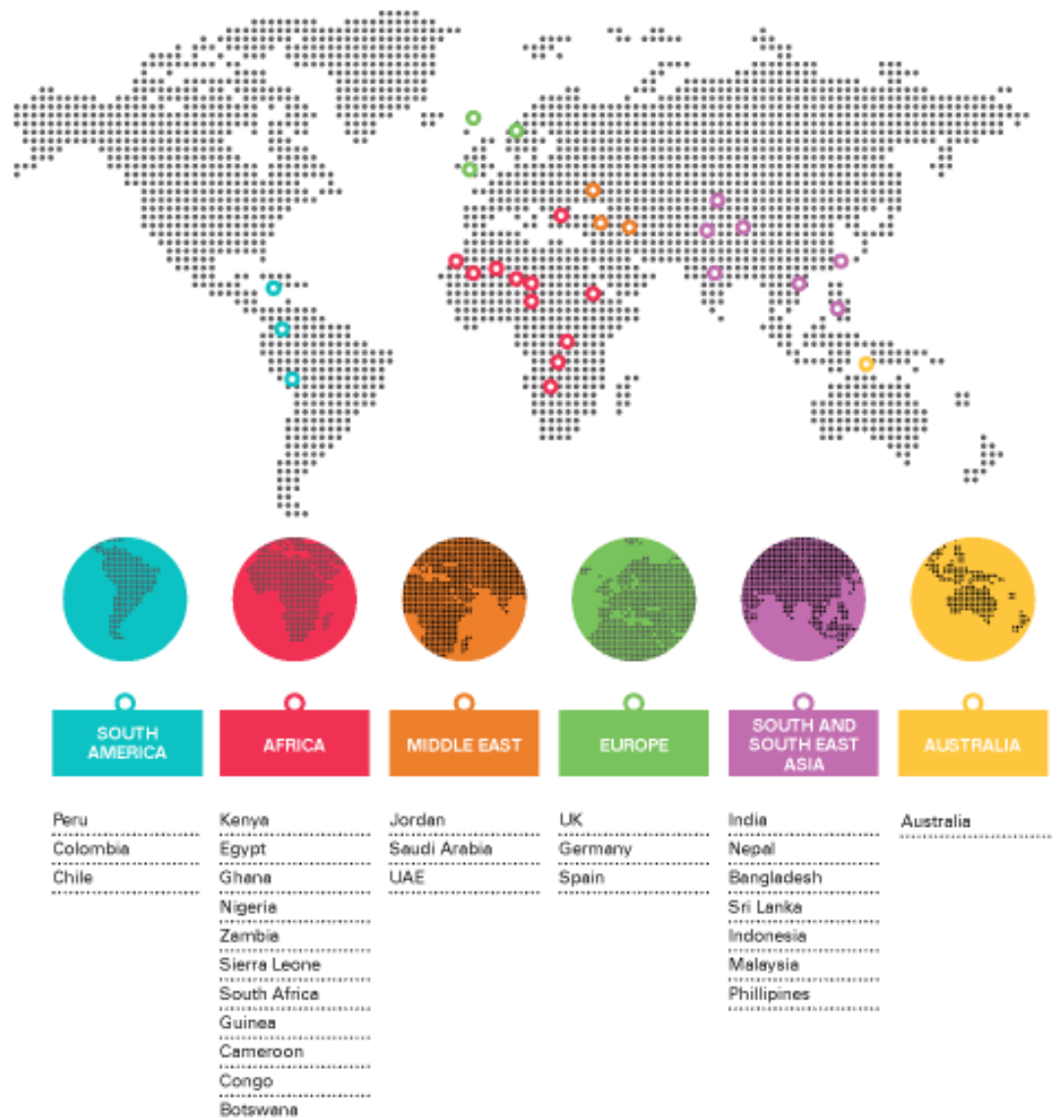
Growth Driver 4 - North-East India on Government’s focus

- NDA government has clearly stated their objective of bringing development in North-East India and availability of power is very crucial.
- Government has allocated ~ Rs 100bn for development or up gradation of the power infrastructure and transmission tower demand could be to the tune of Rs 25-30bn.
- Due to its locational advantage, Skipper is likely to bag a lion's share of this order which will further boost its order intake for its engineering products division.

Growth Driver 5 -Establishing and expanding its presence in the export market

- Skipper is continuously making efforts to enhance its presence in the export market. It started with Latin American market. Later it expanded its presence to Africa, Middle East, Europe, South East Asia and Australia.
- As per World Energy Outlook 2016 report, the total investment required for transmission and distribution infrastructure for 2016-2025 and for 2026-2040 is ~USD 2.9 trillion and USD 5 trillion respectively. This presents huge untapped opportunity for Skipper.

Global Market Footprint



PVC Business (10% of FY 18 revenue / 5% of FY18 EBIT / EBIDTA Margin 9%)

PVC business mainly consists of manufacturing and sales of polymer pipes and fittings. Skipper is the largest PVC pipe manufacturer in West Bengal and the current capacity of the company stands at 51,000 MTPA across 5 locations. The company has tied-up with Sekisui, Japan for CPVC compound and Wavin group of The Netherlands for advanced plumbing solutions. Skipper has identified this as the next big growth opportunity for the company and has been aggressively increasing capacity and market penetration for its PVC products. Over the last 3-4 years, the company has expanded its pan India presence across 5 locations - Uluberia (15,000 MT), Guwahati (11,000 MT), Hyderabad (9,000 MT), Sikandrabad (6,000 MT) and Ahmedabad (10,000).

This is also helping the company in diversifying its revenue stream. The PVC segment contribution has increased from 4% in FY11 to 10% in FY18.

Product portfolio

- UPVC Pipes: This pipe is used for transportation and distribution of portable water. Lead free variant of the product is also available.
- CPVC Pipes: This pipe is used mainly for hot and cold water plumbing system. Skipper has tie up with Sekisui for bringing high quality CPVC products in India. This product is mainly used in residential and commercial project.
- SWR (Soil, water and rain) Pipes: This pipe is used for drainage and sewerage system.
- Agriculture Pipes: These are used for supplying water to agricultural field.
- Bore well and Column pipes: These pipes are used in the bore well applications. Under this category the company has casing pipes, column pipes and ribbed strainer pipe which are shown in the picture.

Polymer product - Skipper strengths and advantages

1) Asset Light Model

- Skipper is adopting an asset-light model for capacity expansion in PVC Business.
- Instead of purchasing land and building, the company is taking it on lease and setting up the capacity.
- The benefit of this strategy is two-fold. Firstly it reduces the plant erection time from 24 months to 9-10 months. Secondly the capex under this approach is much lesser at Rs 9,000-11,000 per MTPA as against a capex of Rs 20,000-25,000 under ownership model.

2) Brand Value to support aggressive expansion plans

- Skipper is a very well known brand in West Bengal and the company is leveraging the same to establish a strong Pan India Presence.
- Between FY15-FY18, the company increased its manufacturing capacity in PVC division from 12,500 MTPA to 51,000 MPTA by opening up new plants at Ahmedabad, Guwahati and Sikandrabad.
- The company plans to increase its established capacity from 51,000 MPTA to 100,000 MTPA by FY22.

Polymer product - Opportunities and Growth Drivers

- The Indian plastic pipe industry has grown at a CAGR of 15% over the last five year. Currently its size is around Rs 300 bn and the industry is expected to grow @14% CAGR during FY18-22. Easy installation, longer life and competitive pricing are the key factors driving growth of plastic pipes and old galvanized steel pipes are incrementally getting replaced with PVC Pipes.
- Plastic pipes offer compelling value proposition and strong demand growth is a given
 - At least 25% cheaper than GI pipes
 - Free from corrosion, rust etc - lasts the lifetime of a building
 - Easier to handle - PVC pipes weigh 1/6th of GI pipes and installing them is easier compared to metallic pipes
 - Easier to install- installation time for CPVC pipes is 1/3rd as compared to metallic pipes
- Increased thrust by Government on improving irrigation facility through PMKSY and other state level schemes driving demand for Agri pipes

EPC Business (4% of FY 18 revenue / 4% of FY18 EBIT / EBIDTA Margin 13.7%)

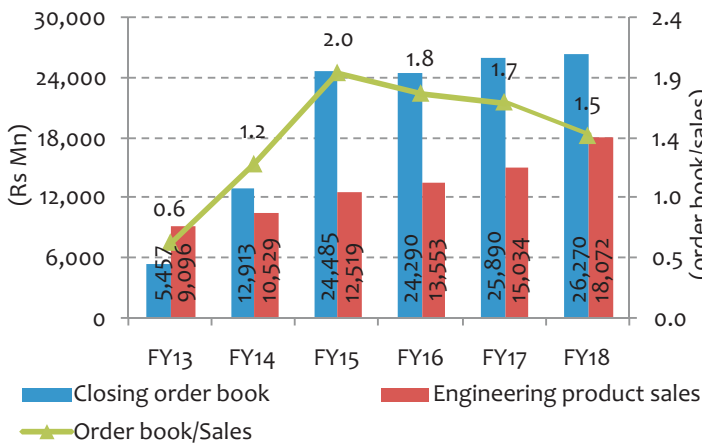
- Skipper entered into EPC of transmission lines in 2010 in order to become a fully integrated player in power T&D space.
- The core focus of the company remains manufacturing of T&D towers but whenever it comes across some lucrative EPC opportunity it participates in such projects either directly or as JV partner.
- The company has executed several transmission projects in difficult terrains (mountains and deserts) in J&K and Rajasthan.
- EPC services revenue contribution has remained in the range of 4%-6% for last couple of years. Revenue from this segment is likely to remain in low single digits.

Why to Invest in Skipper?

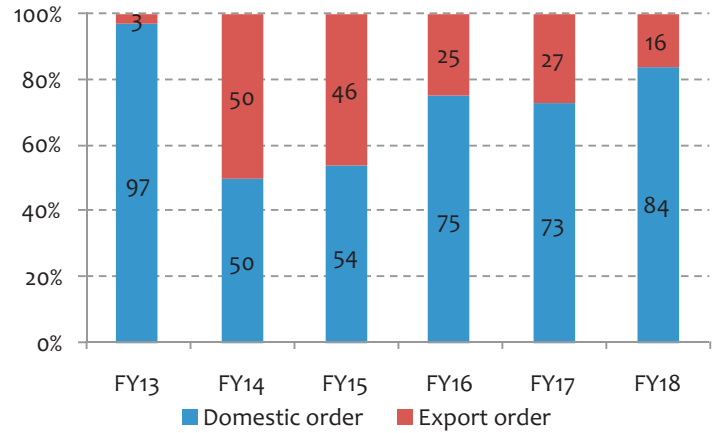
1) Strong growth visibility in engineering product segment, execution capabilities and healthy diversified order book

- Skipper's current order book stands at Rs 26.3 (at 1.5x FY18 sales) providing revenue visibility for the next 18-24 months.
- With an installed capacity of 265,000 MT Skipper is the largest fully integrated manufacturer of transmission towers in India.
- The order mix between domestic and export at 84:16 is reasonably well diversified

Order book trend



Order book composition over the last five year

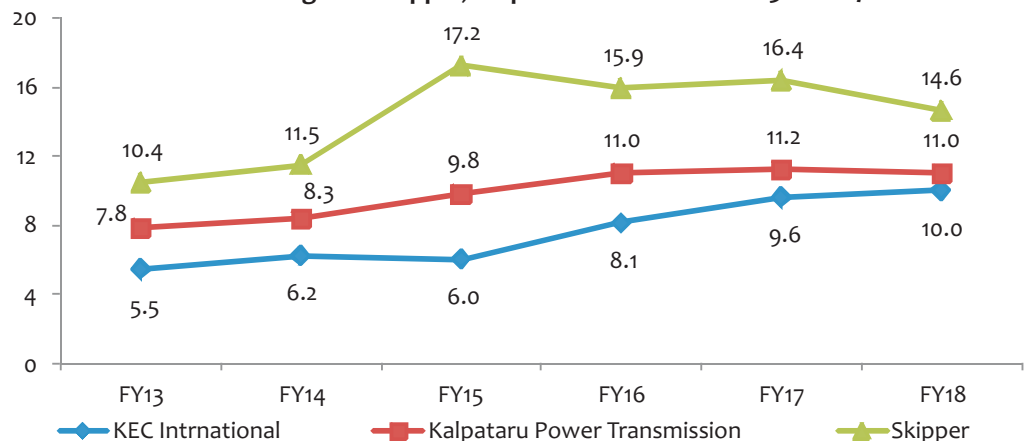


Source: Company, EISEC Research

2) Full backward integration, economies of scale and location advantage helps to generate higher margins

- Skipper enjoys better bargaining power with its supplier due to the scale of its operations.
- Being located in close vicinity (100 kms) of key RM suppliers, availability of cheap labour and full backward integration leads to significant cost advantages and industry beating margins
- Complete control over the supply chain helps the company to save at least 3-4% in the raw material cost. As is visible in the graph, Skipper EBITDA margin is higher than both Kalpataru and KEC International by at least 300-400 bps.

EBITDA margin of Skipper, Kalpataru and KEC for FY13 to FY17



Source: Company, EISEC Research

3) Engineering Business has significant entry barrier

- PGCIL is the largest buyer for transmission towers and getting empanelled with PGCIL as an approved vendor could take anywhere between 3-5 years. PGCIL has a track record criteria so any new entrant has to first build a track record in orders to bid for PGCIL orders. Also PGCIL does extensive quality testing (all weather resistance & stability) which also is a time taking process.
- This business is capital intensive and for building a fully integrated manufacturing capacity large land bank is required and given the challenges involved in land acquisition & environment clearances, this also is a significant entry barrier.

4) Railways and solar structure- new avenues of growth

- Skipper is also expanding its product portfolio to railways and solar structure.
- The company intends to manufacture and supply various types of overhead wiring support Structures like Portals, Masts, Beams, Gantries, Sub Station & Customized Steel structures for Railways.
- It also in the process of getting RDSO/ Core approval which will enable them to start production in current year.
- Further, the company has commenced trial production in the new solar mounting structure facility at Uluberia. It will manufacture ground based module mounting structures, roof top mounting structures, module mounting accessories and seasonal tilt structures. The revenue contribution from this segment will only be marginal in FY19 but likely to grow at a fast pace given the huge investments lined up for renewable energy sector.

5) PVC pipes business will continue to diversify revenues stream

- Diversification into PVC pipes gives the company an opportunity to participate in housing and agriculture sector which are key focus areas of the government
- Given the high growth rate for this sector, Skipper's business is getting adequately de-risked and diversified. Skipper is still a small player in this segment however with its asset light model and increasing sales points is expanding its base to garner higher pie of the growing market.
- In the past two years the growth of the business has been sub optimal due to poor demand due to demonetization and GST impact which is normalizing now. In order to achieve better growth and profitability and increase the market share, the company has appointed Vector Consulting Group to advise on the business strategy. Vector has assisted many reputed companies across different sectors in India to achieve significant improvements in their business performance. Vector would work in the areas like strengthening supply chain and ties with channel partners, greater availability of products with distributors with low inventory.

6) Further strengthening its presence in drip irrigation

- In order to tap the high growing irrigation system business the company has entered into joint venture with Metzerplas, Israel.
- The venture, Skipper-Metzer India LLP, (50:50) will focus on drip irrigation offerings (called laterals).
- The new plant for this segment would come up in Hyderabad at an capex of Rs 530 million and offerings will be available from September this year.
- The plant would be servicing South Indian Market.

- The segment is promising on the back of growing irrigation demand, however we have not accounted any capex/revenues from this segment, till more details are availed.
- Drip irrigation has immense growth potential driven by government's focus on improving productivity and farm income. The current domestic size of the industry is Rs 50 bn and we expect the demand to grow at robust pace driven by Pradhan Mantri Krishi Sinchai Yojna (PMKSY) launched with aim of extending irrigation cover. With gov't motto of - Har Khet Ko Pani & Per Drop More Crop, this JV will help skipper to benefits from the potential growth of the sector.

7) The jockey is very important - Promoter track record gives us a lot of comfort

- Skipper has a clean track record with regards to corporate governance and promoters own 70% of the equity.
- Currently the second generation of the family runs the day to day operations of the business and roles and responsibilities are very clearly defined within the family.
- Over the years, the management has demonstrated good acumen and foresight
 - By expanding / diversifying into new products, segments - From Hamilton Poles to Monopoles, from GI Pipes to PVC Pipes
 - Timely backward integration and capacity addition
 - Opting for asset light model to quickly ramp up the PVC pipes business

8) Attractive Valuation

- At the current market price of Rs 162, Skipper is trading at P/E of 11.0x / 9.5x its FY19E/FY20E earnings.
- We expect PAT to grow at CAGR of 22% over next two years. Return on Equity is likely to stay ~20% and RoCE at ~24%
- We have valued Skipper at P/E of 15.4x FY20 EPS to arrive at our target price of Rs263 providing an upside of 62%.
- We Initiate coverage with a BUY rating.

Risks to our call

- Any slowdown in order inflow due to deferment of capex or weak demand from PGCIL could impact its revenue visibility beyond FY20.
- PVC pipes capacity utilization is low and we have projected a ramp up in the capacity utilization. Any delay in this could impact our FY20 earnings estimate. We also need to watch Vector Consulting Group efforts on sales expansion from this segment.

Peer Comparison

Skipper derives majority of its revenue from Engineering products (86% FY18). Based on the established capacity in engineering segment, Skipper key competitors are Kalpataru and KEC International.

Key Financials (FY18 basis):

Rs/Mn	CMP (Rs)	MCap	Sales	EBITDA	PAT	EBITDAM (%)	NPM (%)	RoCE (%)	RoE (%)	P/E (x)
Skipper	162	16,607	20,737	3,025	1,178	14.6	5.7	23.9	18.6	14.1
KEC Intenational (C)	328	84,326	100,580	10,063	4,585	10	4.6	13.2	25.7	18.4
Kalpataru (C)	339	52,061	87,417	10,217	2,951	11.7	3.4	11.7	10.8	17.6

Source: Bloomberg, EISEC Research

Management Team

Name	Designation	Experience and work
Mr Sajan Bansal	Managing Director	Under his guidance the company transformed itself from one unit and one product to multi unit and multi product now.
Mr Sharan Bansal	Director	By education he is a mechanical engineer. Currently he is handling tower manufacturing and EPC business
Mr Devesh Bansal	Director	He is handling Tubes and tubular products division
Mr Siddharth Bansal	Director	He is responsible for PVC manufacturing division.

Financial Statement (Consolidated)

Income statement (Rs mn)	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Total revenues	9,003	10,415	13,128	15,062	16,646	20,737	24,626	27,525
% growth	21.5%	15.7%	26.0%	14.7%	10.5%	24.6%	18.8%	11.8%
Operating expenses	(8,065)	(9,223)	(10,870)	(12,666)	(13,924)	(17,712)	(21,198)	(23,773)
EBITDA	939	1193	2258	2396	2,722	3,025	3,429	3,753
% growth	28.8%	27.0%	89.3%	6.1%	13.6%	11.1%	13.3%	9.4%
Depreciation	(126)	(151)	(220)	(241)	(316)	(459)	(511)	(550)
EBIT	813	1042	2038	2155	2,406	2,566	2,918	3,203
Interest	(514)	(685)	(704)	(648)	(671)	(784)	(642)	(576)
Other Income	14	21	36	52	32	22	49	55
Exceptional items	(35)	(11)	(4)	(125)	-	-	-	-
PBT	278	367	1366	1433	1,767	1,804	2,325	2,682
Tax	(90)	(98)	(474)	(482)	(525)	(626)	(807)	(931)
PAT before MI and others	187	269	892	951	1,242	1,178	1,518	1,752
EPS	1.9	2.6	8.7	9.3	12.1	11.5	14.8	17.1
% growth	36.7%	37.0%	231.4%	6.7%	30.6%	-5.4%	28.9%	15.4%

Source: Company, EISEC Research

Common size P&L	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Total revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Raw Material	75.8%	73.0%	67.0%	63.0%	65.5%	63.9%	64.9%	65.3%
Employees	1.9%	2.3%	2.3%	2.8%	4.5%	4.5%	4.5%	4.5%
Other expenses	11.8%	13.3%	13.5%	18.3%	13.6%	17.0%	16.7%	16.6%
Total Expenditure	89.6%	88.5%	82.8%	84.1%	83.6%	85.4%	86.1%	86.4%
EBITDA	10.4%	11.5%	17.2%	15.9%	16.4%	14.6%	13.9%	13.6%
Depreciation	1.4%	1.4%	1.7%	1.6%	1.9%	2.2%	2.1%	2.0%
Interest	5.7%	6.6%	5.4%	4.3%	4.0%	3.8%	2.6%	2.1%
Other Income	0.2%	0.2%	0.3%	0.3%	0.2%	0.1%	0.2%	0.2%
PBT	3.1%	3.5%	10.4%	9.5%	10.6%	8.7%	9.4%	9.7%
Tax	1.0%	0.9%	3.6%	3.2%	3.2%	3.0%	3.3%	3.4%
PAT	2.1%	2.6%	6.8%	6.3%	7.5%	5.7%	6.2%	6.4%

Source: Company, EISEC Research

Balance Sheet (Rs mn)	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Share Capital	97	102	102	102	102	103	103	103
Pref Share Capital	-	-	-	-	-	-	-	-
Reserves & Surplus	1,925	2,171	2,898	3,676	5,182	6,233	7,501	8,964
Total Networth	2,022	2,273	3,000	3,778	5,285	6,336	7,604	9,066
Total Debt	3,976	4,062	3,431	4,504	4,154	4,613	4,563	3,963
Other non-current liabilities	197	227	267	328	651	588	588	588
Other current liability	1,634	2,214	3,900	3,255	3,782	5,861	6,214	6,864
Total Liabilities	7,869	8,815	10,637	11,903	13,909	17,435	19,006	20,519
Net Fixed Assets	3,298	3,468	3,547	4,252	5,112	5,224	5,314	5,264
Investments	-	-	-	-	-	-	-	-
Long term advance & Other NCA	9	21	31	22	164	38	38	38
Debtors and Inventory	3,927	4,608	6,040	6,224	7,404	10,787	12,205	13,678
(A) Cash & current investment	128	25	286	146	249	176	100	30
(B) Other current assets	507	693	732	1,259	979	1,210	1,349	1,508
Total Assets	7,869	8,815	10,637	11,903	13,909	17,435	19,006	20,519

Source: Company, EISEC Research

Cash flow (Rs mn)	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Profit before tax	278	367	1,366	1,433	1,767	1,804	2,325	2,682
Depreciation	126	151	220	241	316	459	511	550
Change in working capital	(746)	(519)	(616)	(551)	(133)	(1,602)	(1,204)	(982)
Total tax paid	(20)	(62)	(427)	(432)	(525)	(626)	(807)	(931)
Others	654	836	1,385	(214)	671	784	642	576
Cash flow from operation (a)	291	774	1,928	477	2,095	819	1,467	1,895
Capital expenditure	(576)	(321)	(299)	(947)	(1,176)	(571)	(600)	(500)
Change in investments	(0)	-	-	-	-	-	-	-
Others	(2)	(12)	21	-	-	-	-	-
Cash flow from investing (b)	(577)	(334)	(278)	(947)	(1,176)	(571)	(600)	(500)
Free cash flow (a+b)	(286)	440	1,650	(470)	919	248	867	1,395
Equity / pref raised / redeemed	250	(0)	0	-	-	0	-	-
Debt raised/(repaid)	538	86	(631)	1,073	(121)	546	(50)	(600)
Dividend (incl. tax)	(35)	(11)	(18)	(160)	(172)	(204)	(250)	(289)
Others	(424)	(618)	(739)	(583)	(523)	(664)	(642)	(576)
Cash flow from financing (c)	328	(544)	(1,388)	330	(817)	(321)	(943)	(1,465)
Net chg in cash (a+b+c)	42	(103)	262	(140)	103	(74)	(76)	(70)

Source: Company, EISEC Research

Ratio analysis	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
EBIDTA margin (%)	10.4	11.5	17.2	15.9	16.4	14.6	13.9	13.6
PAT margin (%)	2.1	2.6	6.8	6.3	7.5	5.7	6.2	6.4
ROCE (%)	14.5	16.6	31.1	28.7	26.0	23.9	24.4	24.6
ROE (%)	10.4	12.2	29.8	27.4	23.5	18.6	20.0	19.3
Inventory days	127	110	95	96	123	155	140	140
Receivable days	63	81	104	90	82	91	90	90
Payable days	62	75	100	82	97	135	120	120
Debt to equity	2.0	1.8	1.1	1.2	0.8	0.7	0.6	0.4

Source: Company, EISEC Research

Valuation parameters	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
EPS	1.9	2.6	8.7	9.3	12.1	11.5	14.8	17.1
P/E (x)	84.5	61.7	18.6	17.5	13.4	14.1	11.0	9.5
EV/EBIDTA (x)	20.9	17.3	8.7	8.8	7.5	7.0	6.2	5.5
EV/Sales (x)	2.2	2.0	1.5	1.4	1.2	1.0	0.9	0.7
P/BV (x)	7.8	7.3	5.5	4.4	3.1	2.6	2.2	1.8

Source: Company, EISEC Research



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Stock rating (1 year target scale)

<0%	-	Sell
0-10%	-	Reduce
10-30%	-	Accumulate
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