

Skipper Ltd

Refer to important disclosures at the end of this report

Steady and strong growth

We hosted Mr. Sharan Bansal, Director and Mr. Sanjay Kumar Agrawal, CFO of Skipper Ltd in our India conference to get company / industry insights.

Key Meeting Takeaways

- Skipper is the largest domestic manufacturer of T&D structures and is among the top 10 globally. The company posts relatively higher margins in the T&D industry owing to locational advantage, lower logistics costs, efficient scrap maintenance, backward integration and better negotiating power with suppliers on account of its scale of operations. Skipper mainly supplies to EPC contractors who do not have in-house manufacturing facilities of T&D structures. Such EPC contractors need a "Pre-Bid" tie – up with a qualified player like Skipper before submitting their bids for the projects.
- Skipper has an order book of Rs26bn in the engineering products/T&D division - to be executed over the next 18-24 months. The company has guided for revenue growth of 15% for this division in FY18 with EBITDA margins of 13-14%. The execution period for the order book has reduced from 3 years to 1 ½ -2 years.
- Capacity Utilisation for the PVC business stands at 55% for FY17. The PVC segment posted revenue of ~Rs2bn for FY17, out of which 75% is contributed by agriculture and 25% by plumbing and fittings. Fittings yield better realisations vis-a-vis pipes. Skipper expects revenue growth of 40% in the PVC business over the next two years with margins of ~10%.
- The company has tied up with Sekisui, Japan for sourcing CPVC compound and is marketing its CPVC pipes under the "Skipper Durastream" brand through a dual-branding route. Skipper incentivises plumbers and dealers especially in the new geographies by offering higher commissions and better credit terms.
- The company has witnessed de-stocking in the PVC segment since May'17 on account of GST. Dealers have been lifting limited quantities of PVC products only as per the near term requirement due to uncertainties surrounding GST. Offtake in the polymer products business is expected to be strong from 2HFY18.
- Skipper has earmarked capital expenditure of Rs850mn for FY18 with Rs300mn each to be invested in the Engineering and PVC business. Investment in the PVC business would be incurred primarily towards debottlenecking processes to optimise output and addition of moulds. Skipper is also investing Rs250mn towards a new tower testing station. Skipper has been certified by The Equipment and Materials Test Laboratory (LAPEM) - Federal Electricity Commission (CFE) of the Mexican Government. This will enable Skipper to foray into the Mexican Power transmission market.

Financial Snapshot (Standalone)

(Rs mn)	FY13	FY14	FY15	FY16	FY17
Revenue	9282	10731	13128	15062	17030
EBITDA	903	1182	2273	2271	2460
EBITDA Margin (%)	9.7	11.0	17.3	15.1	14.4
APAT	187	269	894	954	1115
EPS (Rs)	1.8	2.6	8.8	9.4	10.9
EPS (% chg)	91.5	43.8	232.1	6.7	16.9
ROE (%)	10.1	12.3	33.4	27.8	25.5
P/E (x)	110.6	76.9	23.2	21.7	18.6
EV/EBITDA (x)	27.5	21.0	10.6	11.0	10.0
P/BV (x)	10.0	9.0	6.8	5.4	4.2

Source: Company, Emkay Research

CMP	Target Price
Rs 202 as of (August 22, 2017)	NA
Rating	Upside
NOT RATED	NA

Change in Estimates

EPS Chg FY18E/FY19E (%)	NA
Target Price change (%)	NA
Target Period (Months)	NA
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY17E	FY18E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	SKIPPER IN
Face Value (Rs)	1
Shares outstanding (mn)	102.0
52 Week H/L	240/125
M Cap (Rs bn/USD bn)	21/0.3
Daily Avg Volume (nos.)	114,518
Daily Avg Turnover (US\$ mn)	0.4

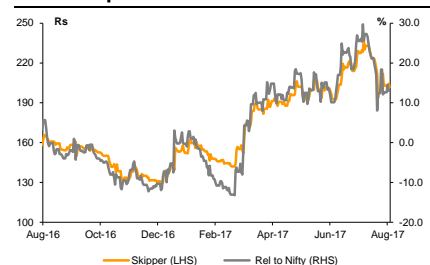
Shareholding Pattern Jun '16

Promoters	70.4%
FIIIs	2.0%
DIIIs	11.0%
Public and Others	16.5%

Price Performance

(%)	1M	3M	6M	12M
Absolute	-11	0	38	30
Rel. to Nifty	-9	-3	27	16

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

John Perinchery

john.perinchery@emkayglobal.com
+91 22 66121374

Jason Soans

jason.soans@emkayglobal.com
+91 22 66121262

Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17
Net Sales	9282	10731	13128	15062	17030
Expenditure	8744	9818	10608	12845	14569
EBITDA	903	1182	2273	2271	2460
Depreciation	126	151	220	241	315
EBIT	778	1031	2053	2030	2145
Other Income	14	21	17	52	31
Interest expenses	514	685	704	648	611
PBT	278	367	1366	1433	1565
Tax	91	98	474	482	450
Extraordinary Items	0	0	-3	-3	0
Minority Int. /Income from Assoc.	0	0	0	0	0
Reported Net Income	187	269	892	951	1115
Adjusted PAT	187	269	894	954	1115

Balance Sheet

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17
Equity share capital	97	102	102	102	102
Reserves & surplus	1964	2209	2936	3713	4841
Net worth	2061	2312	3039	3815	4943
Minority Interest	0	0	0	0	0
Loan Funds	4243	4395	3829	4682	4181
Net deferred tax liability	-181	-218	-265	-315	391
Total Liabilities	6320	6716	6869	8511	9514
Net block	3262	3385	3513	3852	4786
Investment	0	0	0	0	0
Current Assets	4562	5326	7059	7629	8524
Cash & bank balance	128	263	561	498	249
Other Current Assets	4434	5063	6498	7131	8274
Current liabilities & Provision	1368	1881	3503	3077	3795
Net current assets	3194	3445	3556	4552	4728
Misc. exp	0	0	0	0	-
Total Assets	6320	6716	6870	8511	9514

Cash Flow

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17
Opening Cash	86	128	25	286	146
Net Cash from Operations	-619	1,007	1,738	644	1,752
Net Cash Used in Investing	-559	-316	-316	-912	-797
Net Cash Used in Financing	1,220	-794	-1,160	128	-1,087
Net Inc/(Dec) in Cash	43	-103	262	-140	-132
Closing Cash	128	25	286	147	15

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY13	FY14	FY15	FY16	FY17
EBITDA Margin	9.7	11.0	17.3	15.1	14.4
EBIT Margin	8.4	9.6	15.6	13.5	12.6
Effective Tax Rate	32.6	26.7	34.7	33.6	28.8
Net Margin	2.0	2.5	6.8	6.3	6.5
ROCE	14.2	15.8	30.2	26.4	23.8
ROE	10.1	12.3	33.4	27.8	25.5
RoIC	14.4	16.1	30.8	27.4	26.6

Per Share Data (Rs)	FY13	FY14	FY15	FY16	FY17
EPS	1.8	2.6	8.8	9.4	10.9
CEPS	3.1	4.1	10.9	11.7	14.0
BVPS	20.2	22.7	29.8	37.4	48.5
DPS	0.1	0.2	1.3	1.4	-

Valuations (x)	FY13	FY14	FY15	FY16	FY17
PER	110.6	76.9	23.2	21.7	18.6
P/CEPS	66.2	49.3	18.6	17.3	14.5
P/BV	10.0	9.0	6.8	5.4	4.2
EV / Sales	2.7	2.3	1.8	1.7	1.4
EV / EBITDA	27.5	21.0	10.6	11.0	10.0
Dividend Yield (%)	0.0	0.1	0.6	0.7	-

Gearing Ratio (x)	FY13	FY14	FY15	FY16	FY17
Net Debt/ Equity	2.0	1.8	1.1	1.1	0.8
Net Debt/EBIDTA	4.6	3.5	1.4	1.8	1.6
Working Cap Cycle (days)	120.6	108.2	83.3	98.2	96.0

Growth (%)	FY13	FY14	FY15	FY16	-
Revenue	21.7	15.6	22.3	14.7	13.1
EBITDA	45.1	30.8	92.4	-0.1	8.3
EBIT	53.8	32.6	99.2	-1.2	5.7
PAT	91.5	43.8	232.1	6.7	16.9

Quarterly (Rs mn)	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17
Revenue	5,298	2,826	4,011	4,306	5,837
EBITDA	734	422	526	570	912
EBITDA Margin (%)	13.9	14.9	13.1	13.2	15.6
PAT	361	137	226	224	528
EPS (Rs)	3.5	1.3	2.2	2.2	5.2

Shareholding Pattern (%)	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
Promoters	72.4	72.4	72.4	70.4	70.4
FIIIs	0.2	1.5	1.5	1.5	2.0
DIIIs	2.9	3.1	6.9	10.8	11.0
Public and Others	24.5	23.0	19.2	17.2	16.5

Source: Capitaline