29 September 2015

Skipper

Rating: **Buy**
Target Price: ₹204
Share Price: ₹145

Grabbing domestic opportunities; making a global presence; Buy

We initiate coverage on Skipper, with a Buy rating and a target of ₹204. It is a leading manufacturer of transmission towers, with a 10-15% market share and 175,000 tpa capacity. It plans to expand CPVC capacity from 20,000 tpa to 100,000 tpa.

Revenue growth driven by robust order book and order pipeline. With orders of ₹24bn in hand (1.9x of FY15 revenue), Skipper is set for a 25% CAGR over FY15-18. In India T&D orders of ₹1trn are expected in the next 12-18 months, including ~₹220bn-240bn in planned capex from Power Grid. More than 50% of Skipper's order book arises from the latter. Skipper is expected to receive ~₹20bn of orders in FY16. This includes international orders (45% of its FY15 order book) of ₹7bn (up 9% yoy), driven by agreements with major TSOs in South America.

Next growth driver -- CPVC division. Growth would also be supported by the PVC product business, expected to generate in FY16 more than double the revenue of FY15, with the massive capacity additions planned, of 100,000 tpa from the present 20,000 tpa by FY17 and FY18.

Location advantage on margin; asset-light strategy for the future. With operations in the North-East, the company enjoys a 300- to 400-bp margin advantage due to lower employee and logistics costs than other industry operators. For its PVC capacity addition, it has opted to lease land (rather than own it), which is expected to reduce costs by 60%. We expect this model would help push the RoE above 32%, by maintaining the debt level and through prudent capital allocation.

Valuation. We value Skipper at 14x FY17e EPS and recommend a Buy, with a price target of ₹204 a share. **Risks:** Keen competition and delay in capacity addition.

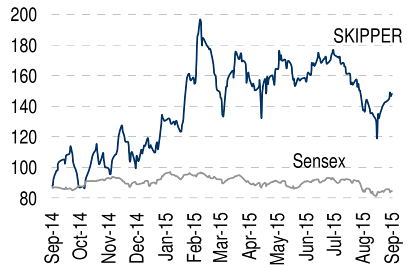
Key financials (YE Mar)	FY14	FY15	FY16e	FY17e	FY18e
Sales (₹ m)	10,415	13,128	16,588	20,999	25,733
Net profit (₹ m)	269	892	1,159	1,490	1,922
EPS (₹)	2.6	8.7	11.3	14.6	18.8
Growth (%)	9.5	231.4	30.0	28.5	29.0
PE (x)	55.9	16.9	13.0	10.1	7.8
PBV (x)	6.5	4.9	3.8	2.9	2.2
RoE (%)	12.3	33.3	33.0	32.4	32.0
RoCE (%)	14.5	27.7	32.0	34.1	35.9
Dividend yield (%)	0.1	0.9	1.1	1.5	1.9
Net debt/equity (x)	1.8	1.1	0.8	0.6	0.4

Source: Company, Anand Rathi Research

Key data	SKIPPER IN / SKIP.BO
52-week high / low	₹200 / ₹37
Sensex / Nifty	25617 / 7796
3-m average volume	$0.1m
Market cap	₹14.8bn / $224m
Shares outstanding	102.3m

Shareholding pattern (%)	Jun '15	Mar'15	Dec'14
Promoters	72.4	72.4	72.4
- of which, Pledged	-	-	-
Free Float	27.6	27.6	27.6
- Foreign Institutions	-	-	-
- Domestic Institutions	-	-	-
- Public	27.6	27.6	27.6

Relative price performance



Source: Bloomberg

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Quick Glance – Financials and Valuations

Fig 1 – Income statement (₹ m)

Year-end: Mar	FY14	FY15	FY16e	FY17e	FY18e
Net revenues	10,415	13,128	16,588	20,999	25,733
Revenue growth (%)	15.7	26.0	26.4	26.6	22.5
- Oper. expenses	9,313	10,976	13,931	17,760	21,764
EBIDTA	**1,102**	**2,152**	**2,658**	**3,239**	**3,969**
EBITDA margins (%)	10.6	16.4	16.0	15.4	15.4
- Interest	605	583	678	748	815
- Depreciation	151	220	252	269	287
+ Other income	21	17	29	37	45
- Tax	98	474	597	768	990
Effective tax rate (%)	26.7	34.7	34.0	34.0	34.0
+ Associates/(minorities)	-	-	-	-	-
Adjusted PAT	269	892	1,159	1,490	1,922
+ Extraordinary items	-	-	-	-	-
Reported PAT	269	892	1,159	1,490	1,922
Adj. FDEPS (₹/sh)	2.6	8.7	11.3	14.6	18.8
Adj. FDEPS growth (%)	9.5	231.4	30.0	28.5	29.0

Source: Company, Anand Rathi Research

Fig 2 – Balance sheet (₹ m)

Year-end: Mar	FY14	FY15	FY16e	FY17e	FY18e
Share capital	102	102	102	102	102
Reserves & surplus	2,209	2,936	3,888	5,110	6,688
Net worth	2,312	3,039	3,990	5,213	6,790
Total debt	4,395	3,829	3,830	4,090	4,126
Minority interest	-	-	-	-	-
Def. tax liab. (net)	218	265	265	265	265
Capital employed	**6,924**	**7,132**	**8,085**	**9,568**	**11,181**
Net fixed assets	3,456	3,535	3,853	3,924	3,987
Intangible assets	12	12	22	22	22
Investments	-	-	-	-	-
- of which, Liquid	-	-	-	-	-
Working capital	3,193	3,024	3,741	4,795	6,078
Cash	263	561	469	827	1,094
Capital deployed	**6,924**	**7,132**	**8,085**	**9,568**	**11,181**
Working capital (days)	112	84	82	83	86
Book value (₹/sh)	22.6	29.7	39.0	50.9	66.4

Source: Company, Anand Rathi Research

Fig 3 – Cash-flow statement (₹ m)

Year-end: Mar	FY14	FY15	FY16e	FY17e	FY18e
Adjusted PAT	269	892	1,159	1,490	1,922
+ Non-cash items	151	220	252	269	287
Cash profit	420	1,112	1,412	1,760	2,209
- Incr. / (decr.) in WC	134	-170	717	1,055	1,283
Operating cash-flow	286	1,281	695	705	926
- Capex	321	299	580	340	350
Free-cash flow	-35	982	115	365	576
- Dividend	18	160	208	268	345
+ Equity raised	-0	-5	-	-	-0
+ Debt raised	188	-519	1	260	36
- Investments	-	-	-	-	-
- Misc. items	-	-	-	-	-
Net cash-flow	135	298	-92	358	267
+ Op. cash & bank bal.	128	263	561	469	827
Cl. cash & bank bal.	263	561	469	827	1,094

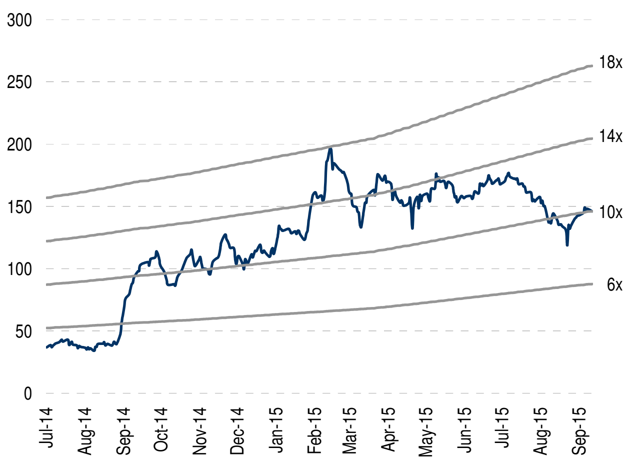
Source: Company, Anand Rathi Research

Fig 4 – Ratio analysis @ ₹145

Year-end: Mar	FY14	FY15	FY16e	FY17e	FY18e
P/E (x)	55.9	16.9	13.0	10.1	7.8
Cash P/E (x)	35.8	13.5	10.7	8.5	6.8
EV/EBITDA (x)	17.4	8.5	6.9	5.7	4.6
EV/sales (x)	1.8	1.4	1.1	0.9	0.7
P/B (x)	6.5	4.9	3.8	2.9	2.2
RoE (%)	12.3	33.3	33.0	32.4	32.0
RoCE (%)	14.5	27.7	32.0	34.1	35.9
Dividend yield (%)	0.1	0.9	1.1	1.5	1.9
Dividend payout (%)	6.7	18.0	18.0	18.0	18.0
Net debt/equity (x)	1.8	1.1	0.8	0.6	0.4
Debtor (days)	81	104	106	106	106
Inventory (days)	80	63	66	69	70
Payables (days)	65	92	98	99	99
Interest cover (x)	1.6	3.3	3.6	4.0	4.6
Fixed asset T/O (x)	3.0	3.7	4.3	5.3	6.4

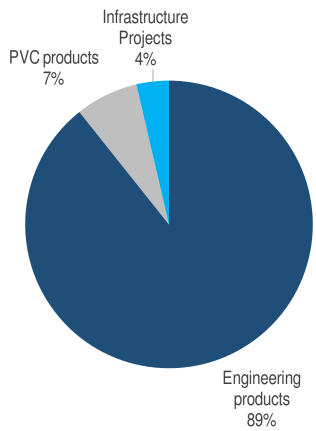
Source: Company, Anand Rathi Research

Fig 5 – PE band



Source: Bloomberg, Anand Rathi Research

Fig 6 – FY15 revenue break-up



Source: Company, Anand Rathi Research

Ready for large-capacity-tower orders

With 175,000 tons capacity, the company has the scale and experience to implement large T&D orders.

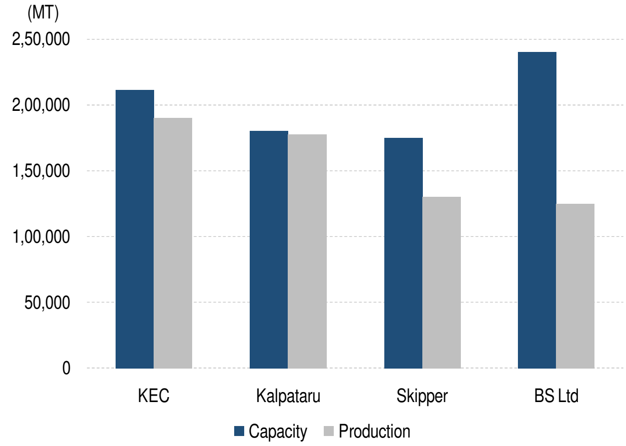
Third-largest transmission-tower manufacturer in India

Skipper's main business is manufacturing engineering products (mainly transmission towers and related products). In FY15 these accounted for nearly 90% of its revenue.

With a 10-15% market share in transmission-tower manufacturing, the company was third in tower production in FY15. Its West Bengal location gives it significant advantages in terms of lower raw material and employee costs.

The company has constantly increased capacity. The greater capacity will help it attain economies of scale

Fig 7 – Third-largest producer of towers



Source: Company data, Anand Rathi estimates

Location (West Bengal) an added advantage

The engineering-products division has three plants, at Howrah (WB).

Fig 8 - Plant-wise details

Plant	Major product	Capacity (tpa)
Jangalpur Unit 1	Transmission towers and fasteners	69,000
Jangalpur Unit 2	Transmission towers and fasteners	36,000
Uluberia	Transmission towers and fasteners	46,000
Uluberia	Hot-rolled angles	180,000
Uluberia	Tubular products (poles, scaffolding, solar structures)	42,000

Source: Company

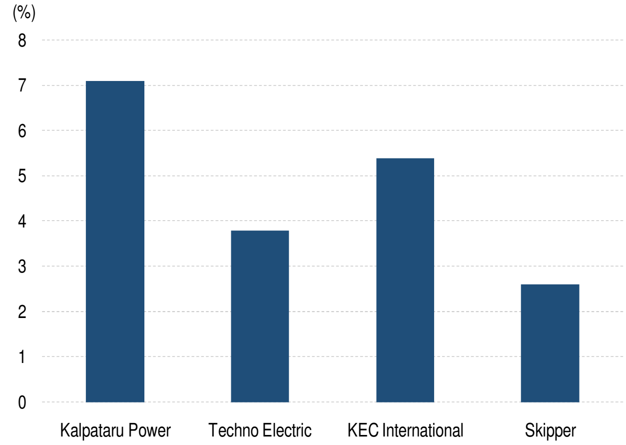
This location gives it the edge on two fronts:

Lower cost of raw-material transportation. The major raw material (billets) is procured from SAIL's Durgapur plant, less than 150km away. This results in transportation costs of ₹450-500 a ton, against the industry average of ₹2,000. In cost per ton, logistics for Skipper works out to 4.7%, against the industry average of 7.5%.

Lower employee cost. For the last three years employee cost has averaged ~2.2% of sales, compared to 3.8-7% for comparable peers.

This has resulted in a 200 to 300-bp better EBITDA margin than its peers.

Fig 9 – Employee cost (percent of sales)



Source: Company, Anand Rathi Research

PGCIL as major customer provides order assurance

The company's major customer is the Power Grid Corp. of India, which chiefly handles projects of 400 kV and over, where Skipper also mainly operates. At end-FY15 Skipper had a ~₹24bn order book, more than 50% from Power Grid. In domestic markets, it mostly focuses on Power Grid projects; hence, 75-80% of its revenue in FY15 came from the latter, the rest from private transmission operators and state electricity boards.

In FY16 in India, we expect total orders of ₹120bn-125bn for towers to be awarded (towers generally comprise 35-40% of line-erection cost). For Skipper, considering its conservative 10% market share, we expect orders of ₹12.5bn in FY16 from the domestic market.

Order book: Skipper has an order book of ₹24bn, 1.9x of FY15 revenue. We expect an order book of ₹28bn-29bn by end-FY16 (17.5% growth) and ₹34bn by end-FY17. This would come on two fronts:

- **Power Grid orders** of ~₹25bn-30bn (from ~₹11.2bn at end-FY15) in the next two years. (For Skipper, revenue from Power Grid in FY15 was 74% of engineering products revenue.)
- **Export orders from Latin America, Africa and Europe.** At present, exports constitute 45% of Skipper's order book, and revenue from exports was 4% of sales in FY15. Ahead, as execution of its export orders picks up, the contribution would rise. We expect exports to bring in ~25% of revenue in the next 2-3 years.

  The company has a long-term supply contract with transmission-system operators (TSO) in Latin America. Also, it secured a ₹4bn order from Colombia (South America) to supply towers for a 500 kV transmission line. All this improves revenue assurance and establishes its presence in this fast-growing market, which should generate new orders in future.

Growth avenues - monopoles

Skipper is one of the few with the capacity to build monopoles, which management believes offers tremendous scope to grow. Monopoles are tubular structures which provide ease of erection in areas where space is a constraint. For a lattice tower four foundations are required for tower legs. That consumes land of up to 100 sq.m., whereas a monopole can be erected in a five sq.m. area. Such monopoles are widely used in European countries and are becoming popular in India.

Skipper has infrastructure for monopole manufacturing and will commission 15,000 tons of monopole capacity by Q2 FY16. We expect this to be a good contributor to revenue in the next 2-3 years. Pricing is 70-80% more (per ton) than for other towers; hence, the contribution to profitability from monopoles would be significantly higher.

PVC products business

The company's 10% market share in the highly fragmented north-eastern market shows its expertise and ability to scale up its business to the entire country in the next 2-3 years.

Growth driver

Skipper also operates in PVC pipes (mainly in the north-east) with a ~10% market share in eastern India. Its main products are PVC pipes and sanitary fittings, sold mainly to retail consumers via a network of ~500 dealers. It has collaborated with global giants in PVC (Sekisui of Japan for CPVC pipes and Wavin of the Netherlands for advanced plumbing solutions). This collaboration would strengthen its brand positioning and help match prices with leaders in the PVC sector.

Revenue contribution: This segment brought 7% to its revenue in FY15 and registered 31% yoy growth. Of this, 60% came from the agriculture sector (water transportation in irrigation), 40% from sanitary fittings.

Revenue from the PVC division would increase considerably on the commissioning of the planned capacity expansion

Capacities: At present, company has two operational plants of 10,000 tpa each, at Uluberia (WB) and Ahmedabad (Guj). Nearly 24,000 tpa are being constructed, while 55,000 tpa will be added in FY17 and FY18.

Fig 10 - Planned expansions

Status	Plant location	Capacity (tpa)	Timeline of commissioning
Operational	Ahmedabad	10,000	Operational
Operational	Uluberia	10,000	Operational
Being constructed	Hyderabad	8,000	Q3 FY16
Being constructed	Guwahati	6,000	Q3 FY16
Being constructed	Ghaziabad	8-10,000	Q3 FY16
Planned		55,000	FY17/FY18

Source: Company, Anand Rathi Research

Growth plans

The company plans to increase capacity from 20,000 tpa currently to 100,000 tpa by FY18, 5x growth in the next 2-3 years. To optimise capital and reduce execution time, it plans an asset-light strategy (opting for leasing land in lieu of owning it). This is expected to reduce plant execution time from 24 months to 8-9 months. And would lead to capital cost of ₹8,000 a ton against a greenfield expansion cost of ₹20,000.

Financials

- The next phase of growth would come from planned expansion in the CPVC division.
- We expect the engineering products division to post a 17% CAGR in sales over FY15-18.
- EBITDA margin above 15% would be maintained, in our view.
- Asset-light model of growth to help to a 25%+ RoE.

Revenue to see a 25% CAGR over FY15-18

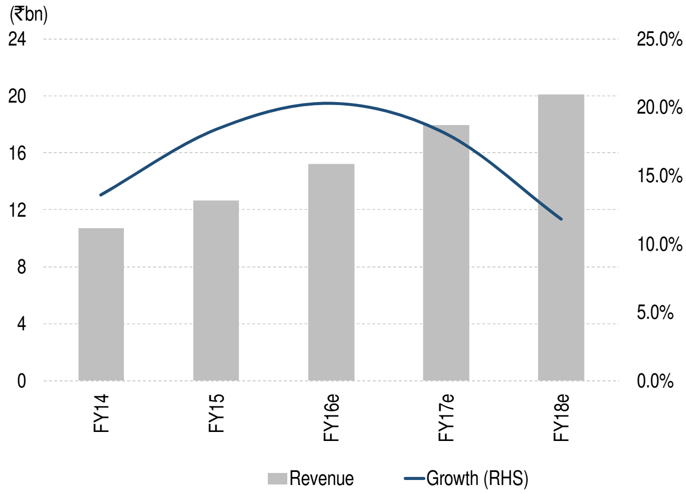
In FY15, the company registered 25% yoy growth in gross revenue, to ~₹14bn. Over FY11-15, revenue grew from ₹5.5bn to ₹14bn, a 27% CAGR. This was mainly driven by 24% CAGR in the engineering products division.

Engineering products division to report 17% revenue CAGR

The expected capex in the transmission sector from the government would augur well for the company in utilising its large capacity

With expected growth in investment in the power transmission sector in India, and growth in export demand, we expect the engineering product division to post a 17% CAGR in sales over FY15-18.

Fig 11 – Engineering products revenue to register a 17% CAGR

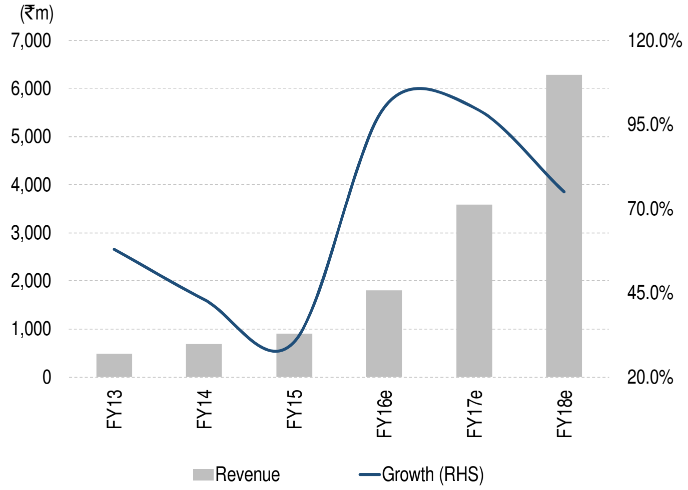


Source: Anand Rathi Research

Capacity addition in PVC products, the path to exponential growth

The share of revenue from the PVC products division has steadily been rising. From 4% in FY11, it has grown to 7% in FY15. Though on a lower base, the division has registered a ~46% revenue CAGR over FY11-15. This division is expected to grow exponentially in the next 3-5 years following the commissioning of the 10,000 tpa Ahmedabad plant and the 22,000 tpa being implemented at various location, expected to be operational by end- FY16 (55,000 tpa being planned).

Fig 12 – PVC products revenue to register a 90% CAGR



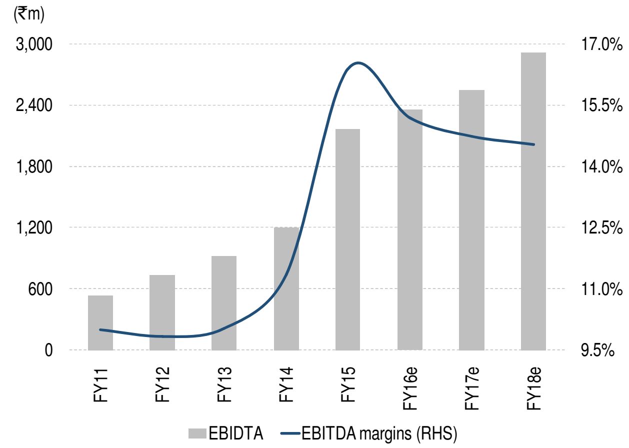
Source: Anand Rathi Research

Above industry average margin to sustain

For FY15 the company had a 16.4% (consolidated) EBITDA margin, up 500bps from FY14. As explained in the company description, Skipper is expected to enjoy above-industry margins because of its focus on manufacturing, its location advantage and backward integration. However, we expect this would come down for the following reasons.

- Managements of transmission-tower manufacturers say that the sector operated at 70-75% utilisation. In FY15 Skipper operated at 87%. In the next 2-3 years, greater demand for transmission towers would raise capacity utilisation for peers, resulting in better operating leverage and EBITDA margins. As Skipper is already operating at a high degree of utilisation, the scope of further raising the rate of utilisation would be restricted.
- The significant increase in PVC-product capacity would require a discounted pricing strategy in order to gain market share in other regions (other than the North-East, Skipper's traditional stronghold). This would put pressure on margins.
- The PVC capacity increase from 20,000 tpa in FY15 to 35,000 tpa (expected by FY16) would put pressure on utilisation, resulting in lower PVC margins.

Fig 13 – EBITDA margins to hold above the industry average



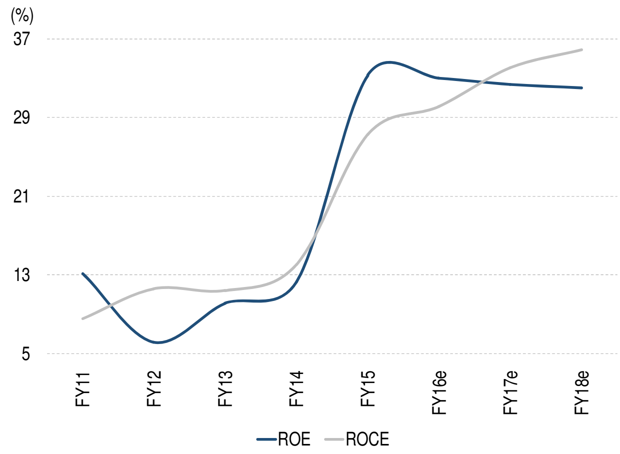
Source: Anand Rathi Research.

Asset-light model of growth to help to a 25%+ RoE

For FY15, the RoE came at ~32%, the RoCE at ~27%. We expect a marginal decline in the former because of the investment in expanding capacity in PVC. Nevertheless, these ratios would still be significantly above the industry average. In the next three years we expect an average RoE of 32-33% and an RoCE of 30-35%. This performance is expected on the following grounds:

- The asset-light model for capacity growth would require just ₹8,000 a ton of capex vs. ₹20,000 in an "owned-asset" model
- The high cash-flow from engineering products would provide enough cash for the PVC product expansion
- The focus on manufacturing would require only maintenance capex
- The company has no plan for huge capacity addition for transmission towers (but staggered)

Fig 14 – Return ratios



Source: Anand Rathi Research

Fig 15 – Income statement (₹m)

Year-end: Mar	FY14	FY15	FY16e	FY17e	FY18e
Net revenues	10,415	13,128	16,588	20,999	25,733
Other op revenues	-	-	-	-	-
Revenues	**10,415**	**13,128**	**16,588**	**20,999**	**25,733**
Growth (%)	*15.7*	*26.0*	*26.4*	*26.6*	*22.5*
Material cost	-7,600	-8,797	-11,115	-14,070	-17,242
Employee cost	-274	-341	-428	-541	-663
Manufacturing cost	-577	-816	-995	-1,260	-1,544
Marketing cost	-77	-138	-199	-315	-386
Administrative cost	-184	-229	-348	-525	-643
Energy cost	-518	-525	-663	-839	-1,028
Other cost	-84	-130	-182	-210	-257
Sector specific expense	-	-	-	-	-
EBITDA	**1,102**	**2,152**	**2,658**	**3,239**	**3,969**
Growth (%)	*29.3*	*95.2*	*23.5*	*21.9*	*22.6*
EBITDA margin (%)	*10.6*	*16.4*	*16.0*	*15.4*	*15.4*
Other income	21	17	29	37	45
Operating profit	**1,123**	**2,168**	**2,687**	**3,276**	**4,014**
Depreciation	-151	-220	-252	-269	-287
EBIT	**973**	**1,948**	**2,435**	**3,006**	**3,727**
Interest cost	-605	-583	-678	-748	-815
PBT	**367**	**1,366**	**1,757**	**2,258**	**2,912**
Tax	-98	-474	-597	-768	-990
Effective tax rate	*26.7*	*34.7*	*34.0*	*34.0*	*34.0*
PAT	**269**	**892**	**1,159**	**1,490**	**1,922**
Minority interest	-	-	-	-	-
Associate profit	-	-	-	-	-
Consol PAT	**269**	**892**	**1,159**	**1,490**	**1,922**
Growth (%)	*43.8*	*231.4*	*30.0*	*28.5*	*29.0*
PAT margin (%)	*2.6*	*6.8*	*7.0*	*7.1*	*7.5*
Extra-ordinary income	-	-	-	-	-
Dividends (incl Tax)	-18	-160	-208	-268	-345
Transferred to reserves	**251**	**732**	**951**	**1,223**	**1,577**
Per share data					
FDEPS (₹)	2.6	8.7	11.3	14.6	18.8
DPS (₹)	0.2	1.3	1.7	2.2	2.8
Adj BV (₹)	22.6	29.7	39.0	50.9	66.4
CEPS (₹)	4.1	10.9	13.8	17.2	21.6
Valuation ratio					
P/E (x)	55.9	16.9	13.0	10.1	7.8
P/adj BV (x)	6.5	4.9	3.8	2.9	2.2
P/C (x)	35.8	13.5	10.7	8.5	6.8
Dividend yield (%)	0.1	0.9	1.1	1.5	1.9
EV/S (x)	1.9	1.4	1.1	0.9	0.7
EV/E (x)	17.6	8.6	7.0	5.7	4.6
Quality ratio					
Dividend payout (%)	6.7	18.0	18.0	18.0	18.0
Other income/PBT (%)	5.8	1.2	1.7	1.6	1.6
Interest cover (x)	1.6	3.3	3.6	4.0	4.6
Operating CF/EBITDA (x)	0.3	0.6	0.3	0.2	0.2

Source: Company, Anand Rathi Research

Fig 16 – Balance Sheet (₹ m)

Year-end: Mar	FY14	FY15	FY16e	FY17e	FY18e
Equity	102	102	102	102	102
Reserves	2,209	2,936	3,888	5,110	6,688
Minority interests	-	-	-	-	-
Less: Misc exp	-	-	-	-	-
Networth	**2,312**	**3,039**	**3,990**	**5,213**	**6,790**
Equity (% of CE)	*33.4*	*42.6*	*49.4*	*54.5*	*60.7*
LT debt	2,307	1,707	1,108	1,497	1,621
ST debt	2,088	2,122	2,722	2,593	2,505
DTL (net)	218	265	265	265	265
Total debt	**4,613**	**4,093**	**4,094**	**4,355**	**4,391**
Net D/E (x)	*1.9*	*1.2*	*0.9*	*0.7*	*0.5*
Capital employed	**6,924**	**7,132**	**8,084**	**9,567**	**11,181**
Gross block	3,943	4,295	4,830	5,160	5,500
Acc depreciation	-558	-782	-1,035	-1,304	-1,591
Net block	**3,385**	**3,513**	**3,795**	**3,856**	**3,908**
CWIP	83	35	80	90	100
Fixed assets	**3,468**	**3,547**	**3,875**	**3,946**	**4,008**
Investments	-	-	-	-	-
Cash equivalents	263	561	469	827	1,094
Inventories	2,290	2,282	3,018	3,947	4,957
Debtors	2,318	3,758	4,838	6,125	7,505
Loans & advances	476	488	581	694	915
Other current assets	-	-	-	-	-
Current assets	**5,347**	**7,090**	**8,907**	**11,593**	**14,472**
Creditors	-1,865	-3,295	-4,450	-5,673	-6,952
Provisions	-25	-210	-247	-297	-347
Other current liabilities	-	-	-	-	-
Current liabilities	**-1,891**	**-3,505**	**-4,697**	**-5,971**	**-7,300**
Net current assets	**3,456**	**3,585**	**4,210**	**5,622**	**7,172**
Capital deployed	**6,924**	**7,132**	**8,085**	**9,568**	**11,181**
FA/CE (%)	*50.1*	*49.7*	*47.9*	*41.2*	*35.9*
Investments/CE (%)	-	-	-	-	-
Liquid assets/CE (%)	*3.8*	*7.9*	*5.8*	*8.6*	*9.8*
Working capital/CE (%)	*46.1*	*42.4*	*46.3*	*50.1*	*54.4*

Source: Company, Anand Rathi Research

Fig 17 – Cash-flow statement (₹ m)

Year-end: Mar	FY14	FY15	FY16e	FY17e	FY18e
Cash profit	420	1,112	1,412	1,760	2,209
Chg in WC	-134	170	-717	-1,055	-1,283
Operating CF	**286**	**1,281**	**695**	**705**	**926**
Capex	-321	-299	-580	-340	-350
Free CF	**-35**	**982**	**115**	**365**	**576**
Equity	-0	-5	-	-	-0
Debt	188	-519	1	260	36
Investments	-	-	-	-	-
Dividends	-18	-160	-208	-268	-345
Misc inflows	-	-	-	-	-
Net change in cash	**135**	**298**	**-92**	**358**	**267**
Opening cash	128	263	561	469	827
Closing cash	**263**	**561**	**469**	**827**	**1,094**

Source: Company, Anand Rathi Research

Fig 18 – Ratio analysis @ ₹145

Year-end: Mar	FY14	FY15	FY16e	FY17e	FY18e
Dupont Analysis					
Margins (%)	9.3	14.8	14.7	14.3	14.5
Capital turn (x)	1.6	1.9	2.2	2.4	2.5
RoCE (%)	14.5	27.7	32.0	34.1	35.9
Leverage factor (x)	3.1	2.6	2.2	1.9	1.7
Interest burden (x)	0.4	0.7	0.7	0.8	0.8
Tax burden (x)	0.7	0.7	0.7	0.7	0.7
Consol factor (x)	1.0	1.0	1.0	1.0	1.0
RoE (%)	12.3	33.3	33.0	32.4	32.0
Working capital (Days)					
Inventories	80	63	66	69	70
Debtors	81	104	106	106	106
Loans & advances	17	14	13	12	13
Other CA	-	-	-	-	-
Creditors	-65	-92	-98	-99	-99
Provisions	-1	-6	-5	-5	-5
Other CL	-	-	-	-	-
Net WC	112	84	82	83	86
Other ratios					
Op CF/Rev (%)	2.7	9.8	4.2	3.4	3.6
FCF/Rev (%)	-0.3	7.5	0.7	1.7	2.2
Intangibles/GB (%)	0.3	0.3	0.5	0.4	0.4
Intangibles/CE (%)	0.2	0.2	0.3	0.2	0.2
Revenue/GB (x)	2.6	3.1	3.4	4.1	4.7
Revenue/FA (x)	3.0	3.7	4.3	5.3	6.4
CWIP/GB (x)	0.0	0.0	0.0	0.0	0.0

Source: Company, Anand Rathi Research

Valuation and Risk

Valuation

We value Skipper at 14x FY17e EPS and recommend a Buy, at a target of ₹204 a share.

Risks

- **Keen competition.** Significantly lower prices by competitors may cut into margins considerably. However, competition may shrink as the expected increased demand in the transmission sector would broaden the market.
- **A delay in capacity addition** may pose the risk of losing the opportunity to earn better margins.

Company background

Part of the Kolkata-based S K Bansal group (established in 1961 by Mr Sadhu Ram Bansal), Skipper, founded in 1981, has become a prominent operator in manufacturing tubular poles, towers (telecoms and transmission) and PVC pipes.

It supplies PVC pipes mostly in east India through a 500-dealer network and strives for all-India operations. It exports to Australia and countries in Africa, the Middle East, south & southeast Asia, South America and Europe.

It has recently hived off its scaffolding business.

Experienced management has been the driving force

Fig 19 – Promoters and key management personnel

Name	Position
Promoter Directors	
Sadhu Ram Bansal	Chairman emeritus
Sajan Kumar Bansal	Managing director
Sharan Bansal	Director
Devesh Bansal	Director
Siddharth Bansal	Director
Independent Directors	
Amit Kiran Deb IAS (retired), Chairman	
Manindra Nath Banerjee IAS (retired)	
Shyam Bahadur Singh, ex-MD, SAIL	

Source: Company