

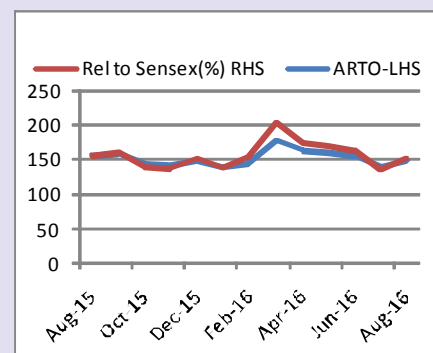
Skipper Limited

BSE SENSEX 27774	S&P CNX 8575	CMP: INR155	TP: INR215 (+39%)	BUY							
Shares O/s (cr)	10.2	YEAR	SALES	A.PAT	A.EPS	A.EPS	PE	P/BV	EV/	DIV. YLD	ROCE
52-W H/L Range (INR)	220/117	March	(INRCr)	(INRCr)	(INR)	Gr.(%)	(X)	(X)	EBITDA(X)	(%)	(%)
1/6/12 Month Perf.	0/2/0	FY16	1,488	83	8.1	36%	19.1	4.2	9.6	0.9%	24%
Market Cap. (INR cr)	1,581	FY17E	1,804	107	10.4	28%	14.9	3.4	8.0	1.0%	25%
Market Cap. (US\$ m)	240	FY18E	2,214	146	14.3	37%	10.8	2.7	6.4	1.2%	28%

RESULTS OVERVIEW: Below estimates with PVC division disappointing; Engineering products division stronger than ever

- The company reported revenues of Rs.286 cr (Vs estimate of Rs.292 cr; up 21%), EBITDA of Rs.43 cr (Vs estimate of 47 cr; up 20%), and PAT of Rs.14 cr (Vs estimate of Rs.15.5 cr; up 37%) in 1QFY17. This miss versus our estimates was mainly on account of lower off-take in the PVC division due to a few key projects getting post-poned to Q2FY17. However, the company was able to protect its EBITDA margins at 15%.
- During the quarter the company commissioned its fifth PVC manufacturing unit in Hyderabad of 6,000 MTPA taking the total capacity to 41,000 tonnes Vs 10000 tonnes in FY15. The company has bagged orders for its engineering products in Kenya, Congo, Ghana, and Malaysia; thereby marking its entry into Asia and Africa.
- The Company's board has approved setting up a new Manufacturing unit in Guwahati, Assam with a capacity of 30,000 MT of Engineering Products and 7,000 MT of CPVC and UPVC Fittings. This unit will be commissioned by the end of FY17. The total investment outlay for the project is estimated at Rs. 70 cr, of which about Rs.50 cr will be debt funded and the balance Rs.20 cr will come from internal accruals. The rationale behind setting-up this greenfield unit is to avail tax benefits on the pipe fittings that will be manufactured there as well as to participate in close to Rs.10,000 cr planned expansion of PGCIL in the North East.

INRCr	1QFY16	4QFY16	1QFY17	yoy	qoq	FY15	FY16	yoy
Total Income	237	530	286	21%	-46%	1270	1488	17%
Expenditure	201	456.34	244	21%	-47%	1086	1287	19%
EBITDA	35	73	42	19%	-42%	229	224	-2%
Other Income	1	1.09	0.77	26%		44	23	-47%
Interest	15	15.54	16.01	9%	3%	70	57	-19%
Depreciation	6	6.32	6.74	15%	7%	22	24	10%
PBT	15	52.64	20.25	32%	-62%	136	143	5%
Tax	5	16.52	6.53	23%	-60%	47	48	2%
P/L of Associates	0	0	0			0	0	
Adj. PAT	10	36	14	37%	-62%	61	83	36%
EBITDA (%)	14.9%	13.9%	14.8%			18.0%	15.1%	
Tax rate (%)	35%	31%	32%			35%	34%	



Valuation and view

- The company has been able to deleverage itself by focussing 75% of its order book on India for the next two years. Order traction from state transmission utilities can be the next driver for growth for the Engineering Products segment, with a huge potential depending on the success of the UDAY scheme. Additionally, larger private players entering the transmission sector can add to Skipper's customer profile and help it reduce its dependence on PGCIL.
- The company is in the process of ramping up production in its PVC segment and the management expects volume to grow by about 70% in FY17. While in this quarter, the PVC division disappointed, we continue to believe this business will drive growth over the next few years. We estimate this business to be 2.5x the FY16 revenues and profits in FY18
- We have left our estimates unchanged for FY17 and 18 and we maintain our target of INR 215 (based on 15x FY18 EPS)

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