

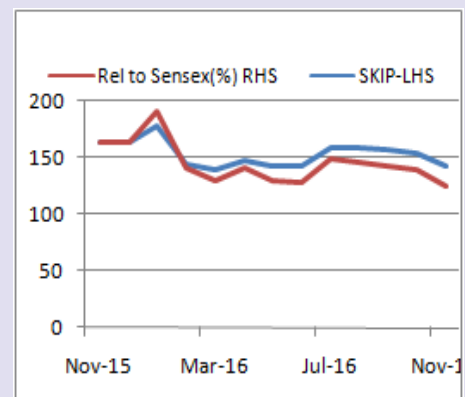
Skipper Limited

BSE SENSEX	S&P CNX	CMP: INR138		TP: INR215 (+56%)		BUY					
26818	8296										
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.	-12/-2/-12	FY16	1,488	83	8.1	36%	17.0	3.7	8.7	1.0%	24%
Market Cap. (INR cr)	1,408	FY17E	1,804	107	10.4	28%	13.2	3.0	7.3	1.1%	25%
Market Cap. (US\$ m)	213	FY18E	2,214	146	14.3	37%	9.6	2.4	5.8	1.3%	28%

RESULTS OVERVIEW: In-line results with both Engineering Products and PVC reporting strong set of numbers

- Revenues came in line estimates at INR 401cr, +14% YoY [Est INR 406cr]; EBITDA (adj. for income from forward contracts) at INR 55cr +18% YoY [Est INR 55cr]; EBITDA Margin at 13.6%, +39bp YoY; PAT (adj. for income from forward contracts) at INR 21cr +20% YoY is in-line with our estimate [Est INR 22cr],
- Volume growth in for transmission towers and PVC products stood at 10% and 70% respectively.
- The company plans to introduce HDPE pipes and overhead tanks with an initial capacity of 3000MT and 1200MT respectively. This move will allow Skipper to expand its product portfolio, while capitalising on existing relationships with distributors.
- The progress of the new Manufacturing unit in Guwahati, Assam is on track and is expected to be commissioned by March'17. The plant will have a capacity of 30,000 MT of Engineering Products and 7,000 MT of CPVC and UPVC Fittings. 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	Q2FY16	1QFY17	2QFY17	yoy	qoq	FY15	FY16	yoy
Total Income	350	284	401	15%	41%	1270	1488	17%
Expenditure	307	244	347	13%	42%	1086	1287	19%
EBITDA	43	41	54	26%	33%	229	224	-2%
Other Income	21	2	2	-89%	-3%	44	23	-47%
Interest	11	16	15	32%	-6%	70	57	-19%
Depreciation	6	7	7	24%	6%	22	24	10%
PBT	46	20	34	-27%	68%	136	143	5%
Tax	16	7	11	-29%	75%	47	48	2%
Adj. PAT	18	14	21	20%	53%	61	83	36%
EBITDA (%)	12.2%	14%	13%			18.0%	15.1%	
Tax rate (%)	35%	32%	33%			35%	34%	



Valuation and view

- The company has been able to deleverage itself by focusing 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. 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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