

Skipper Ltd.

Sensex: 26425

CMP: INR 153



Transmission & Distribution

At our recent interaction with the management of Skipper limited, they sounded positive on the road ahead on the back of significant emerging opportunities in the power transmission tower sector and PVC pipes industry. Skipper limited, promoted by Kolkata based Bansal group, is engaged in manufacturing of towers (power transmission and telecom), PVC pipes & fittings, poles & monopoles, etc. Transmission segment, PVC pipes segment and Infrastructure segment account for 89%, 7% and 4% of revenues respectively. The company aspires to grow in Power T&D business by 3x and Water business by 10x. Given below are the key takeaways from the visit-

Leading player in the transmission tower business

Skipper is among the top 3 players in the transmission tower business (after KEC Intl and Kalpataru) with a capacity of 175000 MTPA (25000 added in H1CY15). The company operates in 400 KV - 1200 KV segment, which has entry barriers like pre-qualification, quality & infrastructure related criteria, and derives 85% of revenue from Powergrid projects. 54% of India's transmission line network is expected to be in 400 KV and above by the end of 12th Plan.

Presence across transmission business sub-segments

The transmission business also consist of poles-monopoles segment and galvanising facilities. Monopoles find their application in telecom towers and replacement of lattice towers in urban areas. Telecom companies, PGCIL and SEBs are now preferring use of monopoles for their urban and semi-urban regions. The company also has galvanising capacity of ~150000 MTPA for galvanising towers and poles. Skipper is planning to further expand the galvanising capacity by 50000 MTPA.

10x increase in PVC pipes capacity

Skipper plans to increase the PVC pipe (7% of revenue) capacity by 10x to 100000 MTPA by FY18 of which 30000 MTPA is likely to start in FY16 (10000 each in Ahmedabad, Secunderabad and Guwahati; Ahmedabad facility started). Multi-locational manufacturing facilities will help in saving freight costs and aid margin expansion. With multifold increase in capacity and decent profit margin, we expect PVC division to contribute significantly to the overall revenue & profits. To increase the share of revenue from plumbing sector, the company has partnered with global leaders like Sekisui Chemicals (Japan) and Wavin group (Netherlands) for CPVC and fittings respectively. Currently agri

sector account for 75% of revenue, which the company is planning to reduce to 60% in the coming quarters. The company has a market share of ~10% in Eastern India.

Integrated Business model

Skipper claims to be the only integrated player of its size in India. Angle rolling, which is the main raw material for towers, is manufactured inhouse (capacity- 180000 MTPA). Skipper also enjoys the locational advantage of being situated in Eastern India where all the primary steel plants are located, thereby saving logistics cost for the company on raw materials. Skipper has also done forward integration and now participates in EPC projects.

Capex plans & Debt outlook

The company plans to incur capex of INR 350 mn in FY16 of which INR 200 mn will be invested in PVC pipe division capex and INR 150 mn for transmission business. The company has total outstanding debt of ~INR 4 bn including CC of INR 2 bn. Given its sizeable capex requirements over the medium term, we don't expect significant reduction in debt going forward.

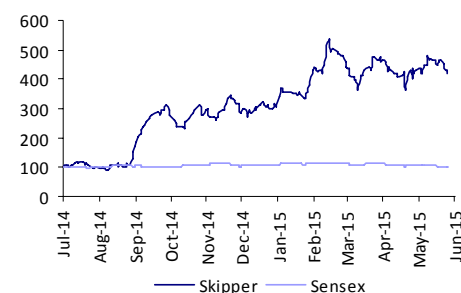
Order book

The company has order book of ~INR 24 bn (Book to bill ratio of 1.83x) of which 45% is from overseas and rest is domestic. Most of the export orders are from LATAM.

Outlook and Valuation

The Power ministry plans to attract investments worth INR 4000 bn in the T&D space over the next 4 years. Creation of smart cities, focus on improving irrigation facilities, rapid urbanisation and improvement in urban infrastructure are likely to create demand for water transportation pipes. Skipper Ltd. is gearing up to cash in on the emerging opportunities with aggressive capex and increasing distribution reach (coupled with brand led marketing). Topline & bottomline grew at a CAGR of 20.8% and 118.3% respectively between FY13-15. At CMP, the stock is trading at 17.5x FY15 earnings.

Shareholding (%)	Mar-15
Promoters	72.38
FII's	0.16
DII's	0.00
Others	27.46

Relative Price Performance

Key Data	
BSE Code	538562
NSE Code	SKIPPER
Bloomberg Code	SKIPPER IN
Shares Outstanding (mn)	102.32
Face Value	1
Mcap (INR bn)	16.16
52 Week H/L	200.00/32.00
2W Avg. Qty.NSE	5533
Free Float (INR Bn)	4.46
Beta	1.21

(INR mn)	FY12	FY13	FY14	FY15
Net Sales	7629	9282	10731	13128
Growth	47.20%	21.67%	15.61%	22.34%
EBIDTAM (%)	8.17	9.73	11.01	16.39
Adj. PAT	98	187	269	892
Growth	-40.33%	91.51%	43.67%	231.36%
Adj. EPS (INR)	0.96	1.81	2.6	8.72
P/E (x)	NA	NA	NA	17.55
EV/EBIDTA	NA	NA	NA	8.86
Net Debt/Equity	1.78	2	1.79	1.08
RoACE (%)	10.7	14.56	16.24	17.52
RoAE (%)	5.94	11.24	12.53	27.88

Quarterly Financials

Particulars (INR Mn)	Q4FY15	Q3FY15	QoQ	Q2FY15	Q1FY15	Q4FY14	YoY
Gross Sales	5601	3537	58.37%	3378	2056	4730	18.44%
Excise Duty	602	309	94.57%	309	224	416	44.57%
Net Sales	4999	3227	54.90%	3069	1832	4313	15.91%
Other Income	1	7	-88.41%	1	8	9	-90.91%
Total Income	5000	3234	54.60%	3070	1840	4322	15.69%
Raw Material Consumed	2489	2508	-0.75%	1853	1700	2778	-10.39%
Stock Adjustment	1128	(276)	NA	(71)	(535)	715	57.84%
Employee Expenses	87	93	-6.24%	89	71	70	24.04%
Other Expenses	608	427	42.28%	481	321	373	62.99%
TOTAL EXPENDITURE	4313	2753	56.64%	2352	1558	3936	9.57%
EBITDA	687	474	44.85%	717	274	377	82.10%
Depreciation	63	52	22.63%	51	54	38	67.72%
EBIT	624	422	47.57%	666	220	339	83.71%
Interest	154	173	-11.37%	129	127	201	-23.70%
PBT	471	256	83.80%	538	101	147	220.42%
Tax	168	86	96.73%	185	35	39	333.51%
PAT	303	171	77.32%	353	65	108	179.83%
Equity	102	102	0.00%	102	102	102	0.00%
Face Value	1	1	0.00%	1	1	1	0.00%
EPS	2.96	1.67	77.32%	3.45	0.64	1.06	179.83%
EBITDAM	13.74%	14.69%	(95 bps)	23.35%	14.95%	8.75%	499 bps
OPM	13.76%	14.91%	(115 bps)	23.38%	15.38%	8.95%	481 bps
PATM	6.05%	5.29%	76 bps	11.50%	3.57%	2.51%	354 bps

Segmental Quarterly Financials

Particulars (INR Mn)	Q4FY15	Q3FY15	QoQ	Q2FY15	Q1FY15	Q4FY14	YoY
REVENUES							
Infrastructure Projects	152	141	8.09%	110	59	162	-6.16%
PVC Pipe	434	187	131.45%	93	184	273	58.85%
Engineering Products	4413	2899	52.23%	2446	1589	3878	13.81%
Profit/Loss Before Interest and Tax							
Infrastructure Projects	13	53	-76.33%	28	16	79	-84.24%
PVC Pipe	55	19	195.72%	18	11	21	160.85%
Engineering Products	970	390	148.55%	233	217	273	255.69%
CAPITAL EMPLOYED							
Infrastructure Projects	189	196	-3.47%	205	186	163	16.14%
PVC Pipe	459	301	52.22%	294	297	334	37.40%
Engineering Products	6218	7289	-14.70%	7179	5827	5836	6.53%

Financials

Income statement

Year End March (INR mn)	FY12	FY13	FY14	FY15
Net Sales	7629	9282	10731	13128
<i>Growth</i>	<i>47.20%</i>	<i>21.67%</i>	<i>15.61%</i>	<i>22.34%</i>
Cost of Goods Sold	5582	6829	7601	8797
Employee Cost	154	173	242	341
Other Optg. Exps.	1270	1377	1707	1838
Total Optg. Exps.	7006	8378	9549	10976
EBIDTA (excl OI)	623	903	1182	2152
<i>Growth</i>	<i>26.99%</i>	<i>45.03%</i>	<i>30.81%</i>	<i>82.08%</i>
<i>EBITDA Margin</i>	<i>8.17%</i>	<i>9.73%</i>	<i>11.01%</i>	<i>16.39%</i>
Dep./Amortization	117	126	151	220
EBIT	506	778	1031	1932
<i>EBIT Margin</i>	<i>6.63%</i>	<i>8.38%</i>	<i>9.61%</i>	<i>14.71%</i>
Interest Expense	368	514	685	583
Other Income	8	14	21	17
EBT	146	278	367	1366
Tax Expenses	47	91	98	474
PAT	99	187	269	892
Adjustment to PAT	1	(0)	0	0
APAT	98	187	269	892
<i>Growth</i>	<i>-40.33%</i>	<i>91.51%</i>	<i>43.67%</i>	<i>231.36%</i>
<i>APAT Margin</i>	<i>1.28%</i>	<i>2.02%</i>	<i>2.51%</i>	<i>6.79%</i>

Key Ratios

Year End March	FY12	FY13	FY14	FY15
Per Share Data (INR)				
Reported EPS	1.40	1.92	2.63	8.72
Adj. EPS	1.34	1.83	2.63	8.72
<i>Growth</i>	<i>-43.93%</i>	<i>36.57%</i>	<i>43.72%</i>	<i>231.43%</i>
CEPS	2.92	3.06	4.10	10.87
DPS	0.09	0.09	0.15	1.30
BVPS	17.66	19.76	22.22	31.27
Return Ratios (%)				
RoACE	10.70	14.56	16.24	17.52
RoANW	5.94	11.24	12.53	27.88
Liquidity Ratios				
Net Debt/Equity	1.78	2.00	1.79	1.08
Interest Coverage Ratio	1.40	1.54	1.54	0.30
Current Ratio	1.97	3.34	2.83	2.22
Efficiency Ratios				
Asset Turnover Ratio	1.62	1.44	1.56	1.76
Inventory Days	75	103	108	98
Debtor Days	64	56	73	84
Creditor Days	50	61	66	83
Valuation Ratios				
P/E (x)	NA	NA	NA	17.55
P/BV (x)	NA	NA	NA	4.89
P/CEPS (x)	NA	NA	NA	14.08
Dividend Yield (%)	NA	NA	NA	0.85
EV/Net Sales (x)	NA	NA	NA	1.45
EV/EBIDTA (x)	NA	NA	NA	8.86

Balance Sheet

Year End March (INR mn)	FY12	FY13	FY14	FY15
Share Capital	360	97	102	102
Reserves and Surplus	1275	1964	2209	3096
Total Networth	1635	2061	2312	3199
Total Debt	2994	4243	4395	4000
Deferred Tax Liability	111	181	218	265
Other Liabilities	7	16	10	0
Sources of Funds	4709	6462	6896	7463
Net Block	2809	3259	3430	3547
Investments	0	0	0	0
Current Assets	3839	4562	5326	7059
Current Liabilities	1946	1368	1881	3173
Net Current Assets	1892	3194	3445	3886
Other Assets	7	9	21	30
Application of Funds	4709	6462	6896	7463

Cash Flow

Year End March (INR mn)	FY12	FY13	FY14	FY15
EBT	146	278	367	1366
Less: Other Income/Exceptionals	(8)	(14)	(21)	(17)
Add: Depreciation	117	126	151	220
Add: Interest paid	368	514	685	583
Direct taxes paid	(29)	(56)	(77)	(474)
Change in Working Capital	846	(1260)	(116)	(589)
Others	16	28	43	0
Cash Flow from operations (a)	1456	(383)	1032	1089
Change in Fixed Assets	(548)	(574)	(315)	(118)
Change in Investments	0	0	0	0
Cash Flow from Investing (b)	(548)	(574)	(315)	(118)
Change in Equity	0	540	0	0
Debt Raised/(Repaid)	(477)	1249	152	(395)
Interest paid	(368)	(514)	(685)	(583)
Others	(7)	(10)	(15)	422
Cash Flow from Financing (c)	(852)	1265	(549)	(673)
Net Change in Cash (a+b+c)	57	308	168	298
Opening Cash	69	86	128	263
Closing Cash	86	128	263	561

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