

Skipper - Accumulate

Execution rate picks up

Skipper's Q1 FY18 performance was quite stronger than estimates on the back of robust execution in its engineering division. Aided by inventory liquidation, increase in metal prices, higher share of export orders and 15-17% growth in volumes, engineering division revenues were higher by 42% yoy. Infrastructure segment growth too was strong at 124.4% as execution picked up in few projects which were nearing completion. Polymer division performance was subdued on account of destocking by channel partners. Margins were under pressure on account of higher packaging costs and lower utilization in polymer division. The company has recently launched its solar panel projects and expects demand too to be quite strong going forward. Management has managed to bag orders worth Rs.3.5bn and order book at the end of Q1 FY18 stood at Rs26.4bn. It has maintained its revenue guidance of +15% yoy growth in engineering products and flat margins on a yoy basis. We have upgraded our revenue estimates post the strong performance witnessed in Q1 and orders received over the last two quarters. This was marginally offset by cut in our margin estimates on account of higher commodity prices and lower than expected utilization in polymer division. We maintain our Accumulate rating on the stock with a revised price target of Rs.240.

Order inflow improve over last two quarters

The company has secured new orders worth Rs.3.6bn during Q1 FY18 for transmission tower supply from PGCIL, discoms of Telangana and UP and for various supplies across Asia & Africa. The management believed that the sector has started witnessing uptick in both ordering and execution. It expects growth to remain strong and gain further pace with increased participation opportunities. Order book at the end of Q1 FY18 stood at Rs.26.4bn, with a BTB of 1.9x. Entry into solar provides huge opportunity and would diversify the company's product portfolio. Over the last two years, share of Power Grid has reduced to 47% of order book from 81%.

Analyst: Tarang Bhanushali, Rahul Jain



CMP (Rs) 210	12-mts Target (Rs) 235	Upside 11.9%
Stock data (As on September 07, 2017)		Sector: Capital goods
Sensex:	31,662	Stock performance
52 Week h/l (Rs):	240 / 125	
Market cap (Rs mn) :	21,485	
Enterprise value (Rs mn):	25,396	
6m Avg t/o (Rs mn):	4.5	
FV (Rs):	1	
Div yield (%):	0.7	
Bloomberg code:	SKIPPER IB	
BSE code:	538562	
NSE code:	SKIPPER	
Shareholding pattern (%)		
Promoter	70.4	
FII+DII	13.1	
Others	16.5	

Figure 1: Result table

Y/e 31 Mar (Rs m)	Q1 FY18	Q1 FY17	% yoy	Q4 FY17	% qoq
Net sales	3,988	2,842	40.3	5,837	(31.7)
Material costs	(2,470)	(1,771)	39.5	(3,767)	(34.4)
Personnel costs	(210)	(154)	36.2	(192)	9.3
Other overheads	(792)	(524)	51.1	(966)	(18.0)
Operating profit	516	393	31.2	912	(43.4)
OPM (%)	12.9	13.8	-90 bps	15.6	-269 bps
Depreciation	(107)	(68)	59.2	(100)	7.3
Interest	(169)	(179)	(5.7)	(124)	36.2
Other income	8	8	(4.5)	8	(8.6)
PBT	248	155	59.8	697	(64.5)
Tax	(88)	(50)	77.3	(169)	(48.0)
Reported PAT	160	105	51.6	528	(69.7)

Source: Company, IIFL Research

Figure 2: Cost Analysis

As a % of net sales	Q1 FY18	Q1 FY17	bps yoy	Q4 FY17	bps qoq
Material costs	61.9	62.3	(36)	64.5	(259)
Personnel Costs	5.3	5.4	(16)	3.3	197
Other overheads	19.9	18.4	141	16.5	331
Total costs	87.1	86.2	90	84.4	269

Source: Company, IIFL Research

Figure 3: Segmental results

Y/e 31 Mar (Rs m)	Q1 FY18	Q1 FY17	% yoy	Q4 FY17	% qoq
Gross sales					
Infrastructure Projects	243	108	124.4	315	(22.8)
Engineering Projects	3,651	2,571	42.0	4,828	(24.4)
PVC Projects	433	420	3.2	695	(37.7)
Net Sales	4,327	3,099	39.6	5,837	(25.9)

EBIT

Infrastructure Projects	29	15	99.3	45	(33.9)
Engineering Projects	439	330	33.3	773	(43.1)
PVC Projects	31	36	(14.9)	58	(46.5)
Total	500	381	31.2	875	(42.9)

EBIT Margins (%)

			bps yoy		bps qoq
Infrastructure Projects	12.1	13.7	(153)	14.2	(203)
Engineering Projects	12.0	12.8	(79)	16.0	(397)
PVC Projects	7.1	8.6	(151)	8.3	(117)
Blended	11.6	12.3	(74)	15.0	(344)

Source: Company, IIFL Research

Figure 4: Financial summary

Y/e 31 Mar (Rs m)	FY15	FY16	FY17	FY18E	FY19E
Revenues	12,702	15,062	17,030	19,876	22,863
yoy growth (%)	22.0	18.6	13.1	16.7	15.0
OPM (%)	13.6	14.6	14.4	14.4	14.4
Pre-exceptional PAT	466	951	1,115	1,293	1,573
Reported PAT	892	951	1,115	1,293	1,573
yoy growth (%)	231.0	6.7	17.2	15.9	21.7
EPS (Rs)	4.6	9.3	10.9	12.6	15.4
P/E (x)	46.1	22.6	19.3	16.8	13.7
Price/Book (x)	7.1	5.6	4.3	3.6	3.0
EV/EBITDA (x)	14.3	11.6	10.3	8.9	7.5
Debt/Equity (x)	1.3	1.2	0.8	0.7	0.5
RoE (%)	17.4	27.8	25.5	23.8	23.9

Source: Company, IIFL Research

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In the past, the research team has won Zee Biz Awards under different categories; Bloomberg has rated our research as the most accurate, while we have twice been winners of Business Standard Smart Portfolios, having received awards at the hands of luminaries including President Pranab Mukherjee, Prime Minister Narendra Modi and Minister of State Piyush Goyal.

Recommendation parameters for fundamental reports:

Buy = >15%+

Accumulate = 5% to 15%

Reduce = -10% to 5%

Sell = >-10%

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