19th September 2017

Recommendation	Accumulate
CMP as of 18th September 2017 (Rs)	218
Target Price (Rs)	258
Potential Return	18.6%

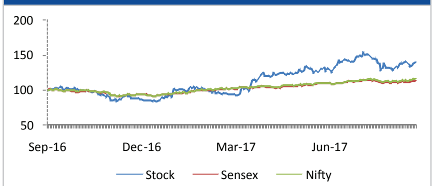
Stock Details	
Sector	Construction & Engineering
Bloomberg Code	SKIPPER IN
Reuters Code	SKIP.BO
52 week high/low	240 /125
No of shares (O/S) mn	102.3
Market Cap (Rs mn)	22,407
Daily Average Volume (BSE+NSE) - 1 year	148610
Sensex/Nifty	32,424/10153

Shareholding Pattern (%)

	Jun-17	Mar-17	Dec-16
Promoters	70.4	70.4	72.4
MFs	8.7	8.5	4.6
FPIs	2.0	1.5	1.5
FIs/Banks	0.0	0.0	0.0
Others	18.9	19.5	21.6

Source: BSE

Price Performance



Source: ACE Equity
Rebased to a scale of 100

On A Sustainable Growth Path

Skipper Ltd is amongst the leading Transmission tower manufacturers with an Engineering product capacity of 230000 MTPA as well as having a fast growing Polymer pipe business. Skipper Ltd has an enviable standing in terms of being a low cost manufacturer in transmission tower because of its complete backward integrated facility as well as strategic location to key raw materials. The asset-light approach towards its Polymer pipe business has stood well for the company to expand across India at a rapid pace with distribution channel increasing to 3500 as of end FY17. The export business has also helped the company to diversify as well as de-risk its transmission business. The company has grown its revenues at a CAGR of 17.8% over FY12-FY17 with PAT growth of 61.4% CAGR over the same period.

We expect the company to report a Revenue & PAT growth of 17.3% & 19.8% CAGR respectively over FY17-FY19E on the back of increasing transmission order book as well as better execution & utilization in polymer pipes business.

Thus, we initiate with a "Accumulate" rating and a Target price of Rs.258 (17XFY19E EPS) with a potential upside of 18.6%.

Investment rationale

Healthy transmission order book and promising Domestic outlook in the transmission segment

As of Q1 FY18, the company has an order backlog of Rs.26.40bn in the engineering product segment, which gives revenue visibility for the next 16-18 months or order book-to-sale ratio of 1.8X. On the back of healthy order book, order inflows and pickup in execution rate, we expect transmission revenue to grow at 17.6% CAGR over FY17-19E to reach Rs.19.98bn in FY19E with a healthy operating margin of 13.5%. Moreover, the government has envisaged a planned capex (13^{th} Plan-FY17-FY22)of Rs.2600bn in the transmission segment, which in turn gives order visibility of Rs.490bn+ in the transmission tower segment.

Strategic location and backward integration in the tower segment, an edge over peers

Skipper's strategic plant location (Kolkata and Guwahati) and backward integration give it a 250-350bps higher operating margin advantage over peers. The company is able to save around Rs. 1500 to Rs 2000 of logistics cost per ton in the process of procuring raw material (steel billets) from the Durgapur steel plant. In another word, skipper incurs Rs.450-Rs.500 per ton transport cost against the industry average of Rs.2000-2400 Per Ton. *Skipper's backward integration in the tower segment provides the company with strong control over the entire value chain in terms of Conversion cost savings, handling cost savings as well as lower scrap material vis-a-vis other players who are not having an integrated facility under one roof.* This helps the company in customising products according to clients' requirement leading to cost optimisation, high-quality control, timely dispatch, and lower exposure to commodity price fluctuation.

PVC Products –from regional to national player with strong focus on diversified product portfolio

With a strong focus to be among the top five national players with a healthy operating margin, skipper plans to increase the Polymer capacity with its asset-light model from current 51000 MTPA to 100000 MTPA over next 2-3 Years. Moreover, it intends to increase its channel partners from the current (FY17) 3500 to 5000 by FY18E. Change in the product mix over the next 2-3 years with an increased proportion of sales of high margin CVPC products from current 25% to 40% of overall polymers sales of Rs.3.63bn in FY19E augurs well for the company.

Moreover, the change in the overall sales mix with higher proportion of Polymer sales over next 2-3 years can lead to a lower working capital cycle.

Analyst:
Rakesh Roy
E:instresearch@acm.co.in
B:022 28583333
D: 022 28583731

De-risking region centric concentration via growing export book

To diversify the order inflows along with less dependence on domestic orders as well as to grab the emerging opportunity in global transmission tower business, skipper has been focusing on the export markets. As on March 2017, export orders constituted 27% of the total order book and 9% of total net sales. The management is expecting to increase the export revenue to 20-22% in FY18E from 9%. Currently, Skipper has reached up to 30 countries. The margin in export orders is the same as local tower transmission business (~13-14%).

Company to grow its EPC business on selective basis

The company has also been focusing on selective EPC business and has recently become eligible for bidding in Government order up to 800 KV transmission line. It also helps them in diversifying their revenue stream. While bidding for an EPC Project, Company is focused on projects where they are able to generate decent margins and they intend to follow this strategy in future EPC projects too. We are expecting pie of EPC revenue to increase from 4.7% (FY17) on overall sales to 5.1% by FY19E.

Valuation and outlook

Skipper has its core expertise in the transmission tower segment as well as an asset-light approach towards gaining a critical mass in the polymer segment as well as selective approach to its EPC business. We believe higher growth in the order book, execution rate, improving utilization in transmission and polymer segments is going to augment the growth in top line as well as bottom line. We expect Skipper to post 17.3% revenue CAGR over FY17-FY19E with EBITDA margin of 13.1%/13.4% for FY18E/FY19E and PAT growth of 19.8% CAGR. We estimate the company to report an EPS of Rs.12.10 for FY18E and Rs.15.2 for FY19E. We value the company at 17x FY19E EPS and give an "Accumulate" rating with a target price of Rs.258.

Exhibit: 1

Financials

Particulars (Rs mn)	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E
Net Sales	9003.5	10415.1	12707.6	14880.9	16834.6	19814.8	23147.5
YoY Growth		15.7%	22.0%	17.1%	13.1%	17.7%	16.8%
EBITDA	852.7	1102.1	1731.3	2011.1	2253.0	2603.2	3098.7
EBITDA Growth		29.3%	57.1%	16.2%	12.0%	15.5%	19.0%
EBITDA Margin	9.5%	10.6%	13.6%	13.5%	13.4%	13.1%	13.4%
PAT	187.1	269.1	890.9	951.3	1083.3	1236.3	1553.5
PAT Margin	2.1%	2.6%	7.0%	6.4%	6.4%	6.2%	6.7%
EPS (Rs)	1.8	2.6	8.7	9.3	10.6	12.1	15.2
Return on Equity (ROE)	9.1%	11.6%	29.3%	24.9%	21.9%	20.7%	21.4%
Return on Assets	2.4%	3.1%	8.4%	8.0%	8.1%	8.3%	9.4%
Post Tax ROCE	7.7%	10.5%	15.1%	14.1%	14.1%	14.3%	15.6%
EV/EBITDA	NA	NA	11.1	9.0	10.3	10.4	8.6
P/E	NA	NA	17.5	14.4	17.3	18.0	14.3

Source: Company, ACMIIL Institutional research

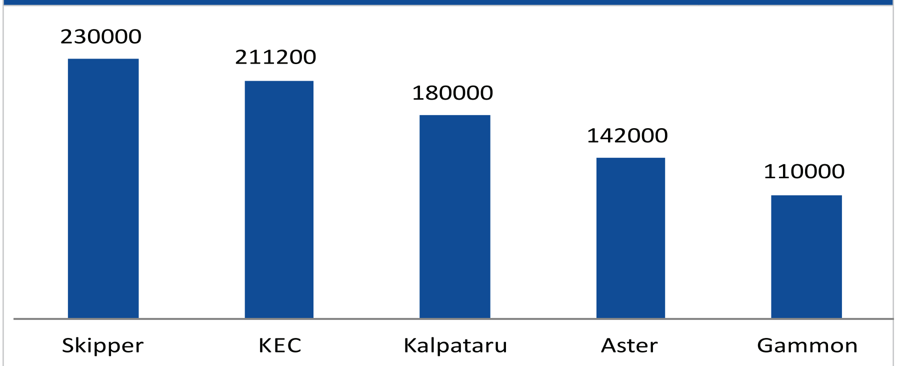
Investment rationale

Healthy order book and promising Domestic outlook in the transmission segment

Skipper is one of the top three tower manufacturers with a capacity of 230000 MTPA as on June 2017. The company has a domestic market share of 10-12% in tower business. As of end-Q1FY18, the company has a total order backlog of Rs.26.4 bn, which has grown 10% YoY and 25.6% CAGR over last 5 years (FY 12-FY17).

Exhibit: 2

Key Players Transmission Tower Capacity –Domestic (MTPA)

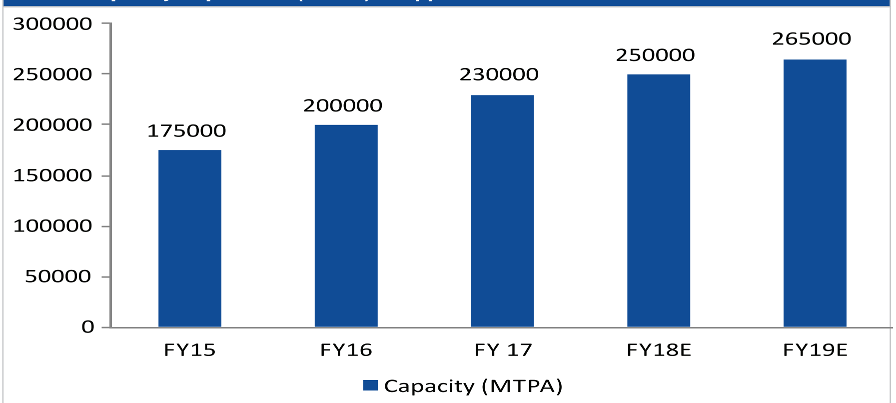


Source: Company, ACMIIL Institutional research

The company is planning to add 10% to 15% in tower capacity per year from the current level of 230000 Mtpa. However, we expect the capacity to reach 265000 MTPA by FY19E. Over last 2 years, the company has maintained its utilization levels near 90% and we expect it to maintain this level in future as well.

Exhibit: 3

Tower Capacity Expansion (MTPA)-Skipper Ltd



Source: Company, ACMIIL Institutional research

The company has an order book to sales ratio at 1.80 x of FY17 revenue and is well diversified between local (73% of order) and international (27% of order), which gives revenue visibility for the next 16-18 months. We are assuming Skipper's order backlog will grow at 8% CAGR from 2017-2019.

<u>13th Plan Capex on tower</u>

In the 13th Plan, the government has planned for capex of Rs.2600bn on the transmission sector. Out of this, Rs.1400bn will be allocated towards transmission and Rs.1200bn for transformation. In transmission, tower constitutes around 35% of total value. This gives an ***outlook of Rs.490 bn of orders in the tower space up to FY22 for players such as Skipper in domestic transmission.***

Skipper has a present market share of 10-12% in local tower business. If the company maintains its market share in the coming years, there is a potential of **Rs. ~54.0**bn worth of tower business opportunity **(11% of Rs.490bn)** from the 13thPlan (FY 17-22E).

Monopole– the next growth driver with higher margin

Skipper has presently an installed capacity of 15000 MTPA with application up to 400 KV in transmission towers. In FY17, the company tested 66Kv transmission monopole, which gives room to qualify for more monopoles future orders. Currently, revenue from monopoles is ~5% of total tower sales as on FY17.

With growing urbanization and difficulties being faced at acquiring land for lattice towers, demand for monopoles would rise as monopoles require 50% less space compared with lattice (traditional) towers. Apart from power transmission, demand for monopoles is coming from the telecom sector with the expansion of telecom reach and 4G Network. According to the management, margin in monopoles is 20% higher than traditional tower that gives additional profitability and margin, aiding the company's tower business.

Government's focus on development of North-East India

For industrial development and to improve the mismatch of power generation and transmission gap in North-East India, the government has allocated around Rs.100bn for development or up gradation of the transmission system. As per the management, opportunity market size for transmission tower out of the Rs.100bn is between Rs.25-30bn. Being a key regional player in North-East India, Skipper is likely to get more orders compared with peers, which improves its future order inflow and execution.

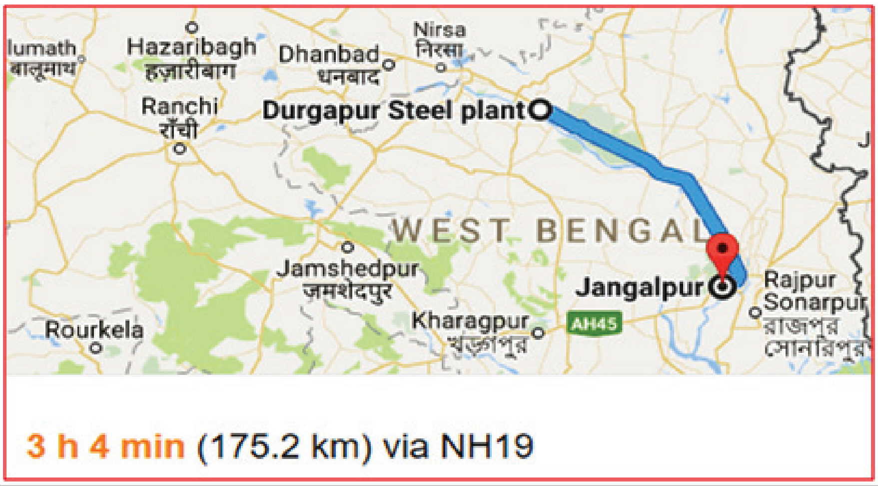
Strategic location and backward Integration creates the value and drives the margin

Skipper towers plant location and its backward integration gives 300 to 400 bps operating margin edge over peers.

- Skipper's tower manufacturing plants are located in the Eastern part (Kolkata and Guwahati) of India, which is near its raw material source that helps in lowering logistics cost. Skipper procures around 85% of its raw material (billets) from SAIL's Durgapur plant which is at an average distance of 175Km from its Kolkata plant. According to the management, per ton logistic cost for billets is Rs.450-500 against the industry average of Rs.2000-Rs.2500 MT.

Exhibit: 4

Distance between Skipper Uluberia and Jangalpur tower plants and the Durgapur steel plant

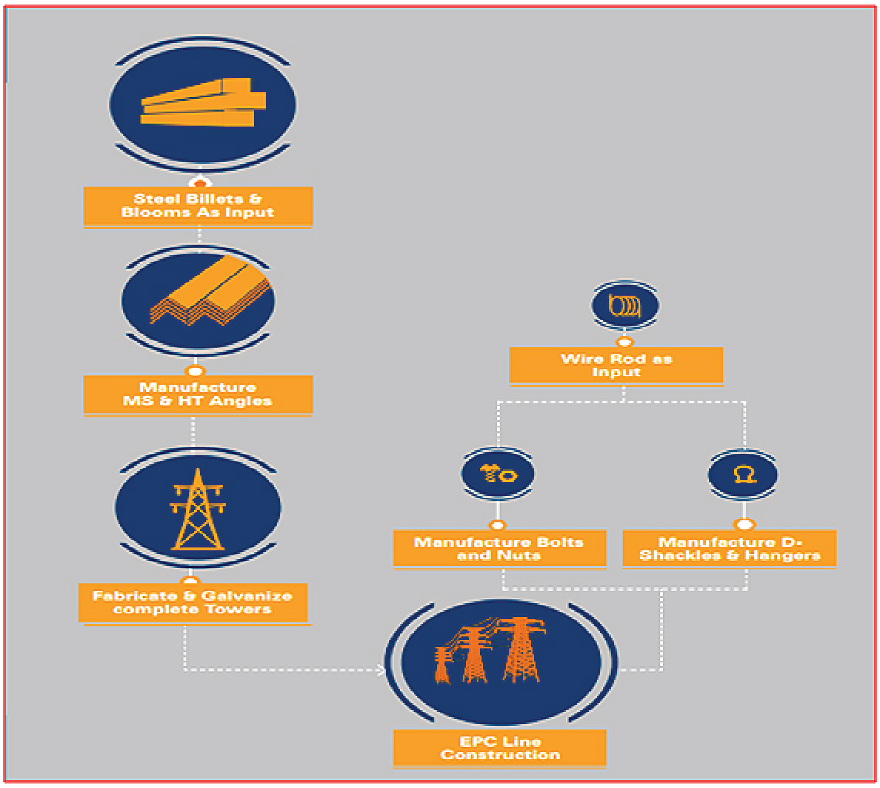


Source: Google

- More than 80% of the value addition in tower business takes place between conversions of raw material to final products, which happens at the company's manufacturing plant. Skipper's backward integration of the tower manufacturing plant helps it procure angles, fasteners and other tower related products in-house while, other players procure these products directly from steel rollers that makes a huge margin impact in the towers business. Here, the company is able to save on Conversion charges, Handling costs (due to all the process at a single location) as well less wastage (Scrap). This enables the company to have cost optimization / economic of scale. Thus, it can customise products according to clients' requirements with lower exposure to commodity price fluctuations, which in turn leads to a positive impact on the operating margin. Skipper has near port access for its export business that helps maintain lower logistics cost for products, providing a competitive advantage.

Exhibit: 5

Integrated Value Chain Process



Source: Company

PVC Products - from regional to national player with strong focus on diversified product portfolio

Skipper's polymers segment comprises a variety of products from agriculture use to fitting pipes. Skipper's polymer capacity increased by ~4 X over the last 4 years from 12000 MTPA to 51000 MTPA and revenue has grown from Rs.0.69bn to Rs.1.98bn (FY14-17) with CAGR of 42.3% (FY14-17). Over FY17-19E, we expect revenue from polymer products to grow at 34% CAGR to Rs.3.63bn. The management is targeting to improve the segment utilization rate from the current level of 55% while increasing the capacity to 100000 MTPA by FY19/20.

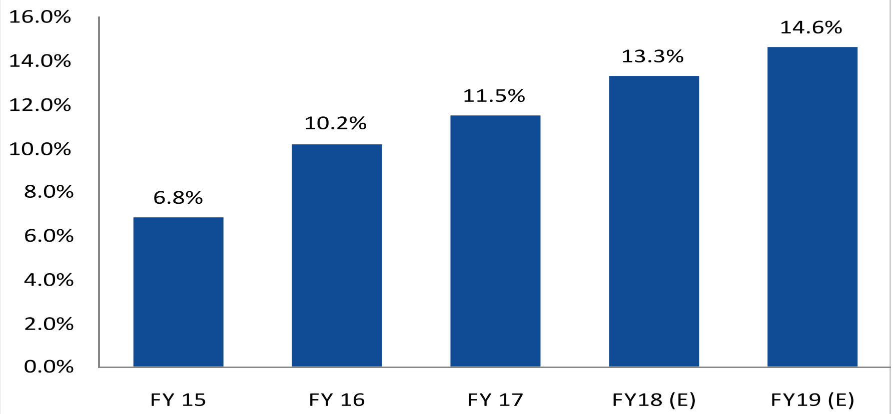
The polymer segment contributes 11.6% of Skipper's total revenue (FY17). Going forward, we believe this segment's contribution to increase to 14.6% by FY19E. Currently, the agriculture sector accounts for 70% of total polymer revenue and rest is contributed by plumbing. The management expects the proportion of plumbing to reach 50% on overall polymer revenue over the next 2-3 years.

Tie-up with global giants to help expand product range

To diversify product portfolio and for establishing plumbing piping market, Skipper has partnered with Sekisui of Japan and Wavin Group of the Netherlands for CPVC and plumbing solutions. This helps Skipper position its products effectively with established players and improves the overall PVC operating margin.

Exhibit: 6

Increasing Contribution to Revenue from Polymer Divisions



Source: Company, ACMIIL Institutional research

The margin in the polymer segment would improve, as Proportion of plumbing pipes increases since plumbing pipes is a high-margin business compared to agriculture pipes. To cater to different geographic areas and to become a pan-India player, the company has established PVC units at different locations from North (Sikandarabad - UP) to South in Telangana. For the polymer segment, Skipper mostly focuses on the retail segment, which accounts for 90% of its polymer sales. The company has 3500 channel partners as on March 2017 and plans to increase it to 5000 by FY18E.

Asset-light model

To increase the polymer capacity by 100000 MTPA without putting burden on the balance sheet, the company has adopted the strategy of asset-light model where in the land and shed are being leased and Skipper is only undertaking small Capex for the manufacturing line. The land is leased for 8 to 9 years with an increase in rent at 3 year intervals (5-7%). Skipper saves 50% of new plant setup cost owing to this strategy. As per the management, in an asset light model, a cost of around Rs.10000 Per MT is incurred for a plant, whereas, in case of a Greenfield traditional plant, the cost is around Rs.20000 Per MT.

De-risking region centric concentration via growing export book

To expand business and to tap the emerging opportunities in international transmission tower segment, Skipper has been focusing on the international market too. As on March 2017, 27% of the total order book and 9% of total net sales came from the international market. According to the management, the company would maintain export order percentage in future as well, and it is expecting export revenue to increase to 20-22% in FY18E from 9%.

By end-FY17, the company has taken its reach to 30 countries for its products. This has helped increase the export pie on overall revenue and in diversifying the risk of depending on one or two countries for exports. We are expecting that in future, the company would reach more markets to tap the opportunity in the transmission tower business. Skipper's exposure to international markets helps the company to be recognized as a global brand. Export market helps Skipper reduce dependence on local orders for future growth. The operating margin in export transmission tower market is the same as domestic market (13-14%). To de-risk the foreign currency exchange rate, the company does all the international order booking in US dollar only, which is hedged by way of forward contracts.

Company to grow its EPC business on selective basis

To diversify as well as to tap the growing opportunities in EPC business, the company entered into EPC projects. In this, the company is more focused on transmission lines compared to other EPC projects. The company is selective in this segment and try to ensure that the margins are maintained. Skipper's backward integrated tower business model helps them to execute the transmission line projects without any big changes and with a decent margin. The company is eligible to bid up to the 800kv transmission lines orders which give future order visibility for high-end transmission lines.

In Q1FY18, the company executed two EPC transmission line projects,

- 400 kV D/C Rapp-Kota transmission line for PowerGrid
- 400 kV D/C Quad Bhadla-Bikaner transmission line for RRVPN.

As for FY 17, Skipper EPC segment constituted 4.7% of overall revenues. We estimate that on a conservative basis, EPC segment's revenue for the company will be able to grow at a steady rate to touch 5.1% in FY 19E.

Industry overview

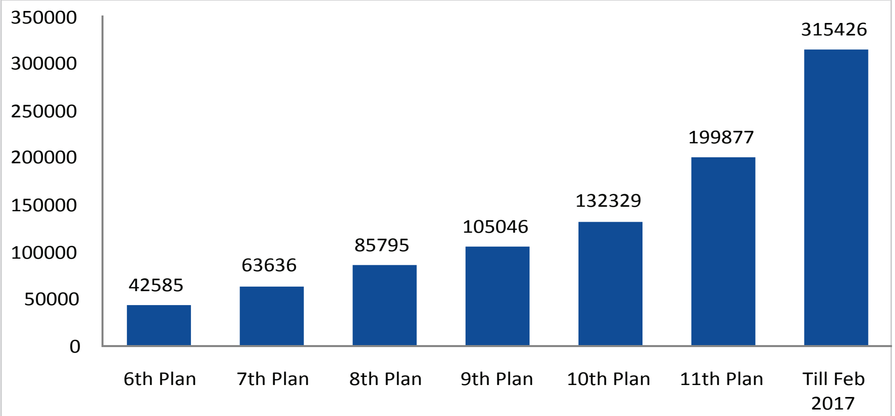
Transmission Industry

Power Sector – India

The electricity sector in India is growing at a rapid pace. The expansion in industrial activity, growing population, and increasing penetration and per capita usage of electricity would drive demand for electricity future. According to CEA, India's per capita electricity consumption has reached 1075 kilowatt-hour (kWh) in 2015-16 compared with 914.41 kWh in 2012-13.

Exhibit: 7

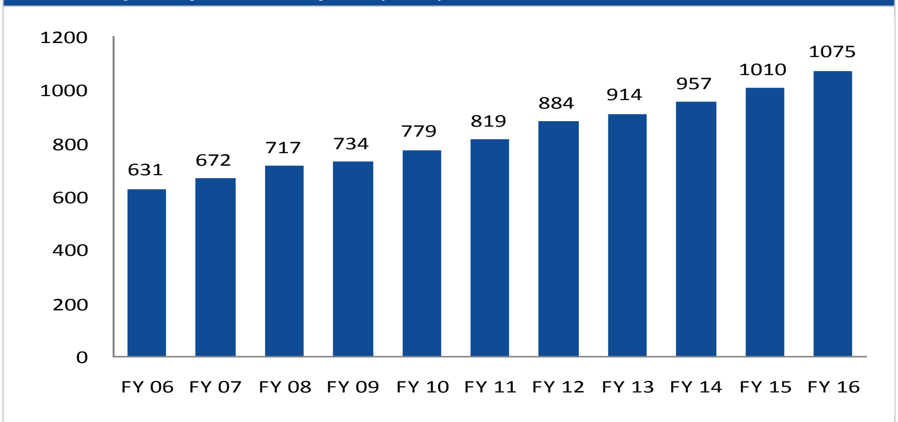
Growth of Installed Capacity (Mw)-Power



Source: CEA, ACMIIL Institutional research

Exhibit: 8

Growth of per capita consumption (KWH)



Source: CEA, ACMIIL Institutional research

Transmission Sector

According to CRISIL Report on transmission towers, its market size is likely to expand 9% YoY in 2016-17 to Rs.235bn from Rs.215bn in 2015-16. This is expected to grow further 8-10% CAGR over 2017-19 to reach Rs.280bn fuelled by the demand from PGCIL and state transmission corporations to augment transmission capacity to support the power generation capacity. Moreover, development of green transmission corridors for the expected 20GW of solar and wind energy projects would propel incremental demand in the transmission tower space over next few years.

In the past, the majority of power sector investments were concentrated towards augmentation of power generation capacity, which led to congestion in the T&D space. As per Global Standards & Practices, for every MW of generation capacity added approx 7 MVA of power transformation capacity in T&D should be built. In contrast to this, India has only 3 MVA per MW, which is significantly lower in terms of transmission vs. generation capacity.

Lack of transmission capacity led to low PLFs at power plants and grid failures. Realizing the power problem of constraints in transmission capacity, the government is now focusing more on improving the power transmission line. Power Grid Corporation was the primary transmission capacity builder in the country before the sector was opened to private players in 2011 for inter-state transmission and in 2013 for intra-state transmission. The government's plan for electricity for all households in the country requires major investment in the transmission sector. To improve the power transmission sector in India, the government has planned for an estimated investment of Rs.2600bn in its 13th Plan (2017-2022) (CEA). The investment includes an estimated Rs.300bn in transmission systems below 220 KV. About Rs.1600 bn would come from states and the other Rs.1000bn from Power Grid Corporation of India. Inter-state line with a capacity of around 56000 MW is being planned by the end of the 13th Plan.

Exhibit: 9

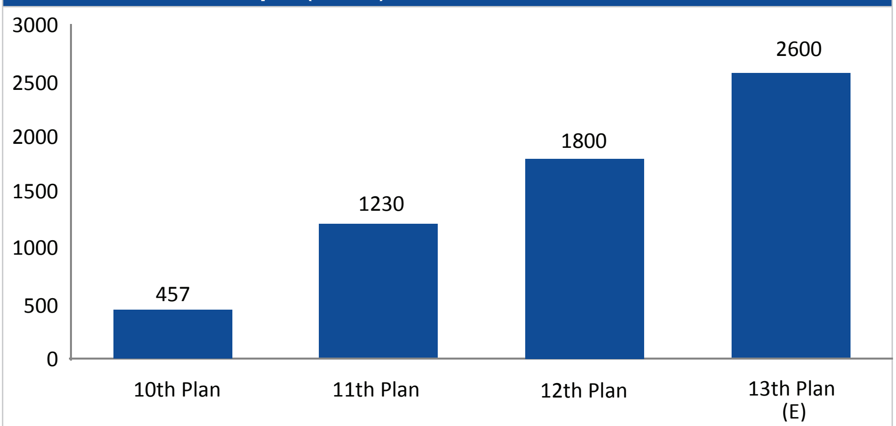
13th Plan Transmission Capex Break Up

Transmission Capex- (Rs bn)			
Particulars (Rs.bn)	**12th plan**	**13th plan**	**% Total capex(13th)**
Transmission Capex	1800	2600	
Inter-state	1000	1000	38.5%
Intra-state	800	1300	50.0%
Distribution (sub 220KV) systems.		300	11.5%
13th Plan - break-up between transmission and substation (Rs bn)			
Transmission Line		1400	
Transformation		1200	
Transmission Line Capex breakdown (Rs.bn)			
Towers	35%	490	
Conductors	35%	490	
Design, Engineering, and EPC	30%	420	
Total		1400	

Source: Company, CEA, ACMIIL Institutional research

Exhibit: 10

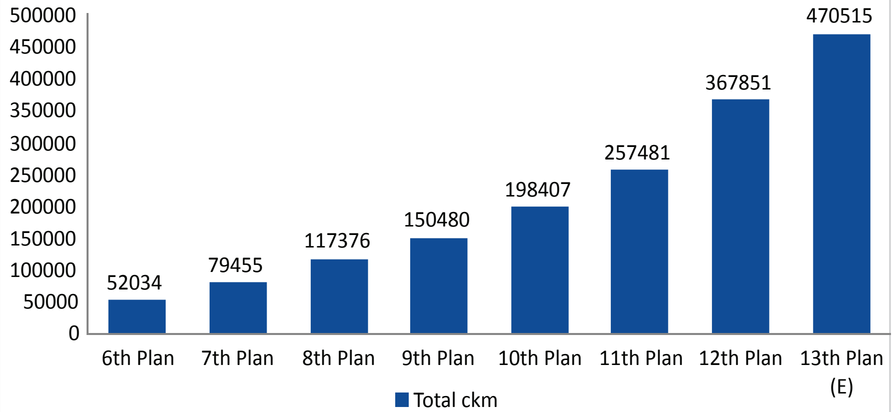
Power Transmission Capex (Rs. bn)



Source: Company, ACMIIL Institutional research

Exhibit: 11

Growth of Transmission Lines (Ckm) at the end of each Plan



Source: CEA, ACMIIL Institutional research

India's polymer pipes sector

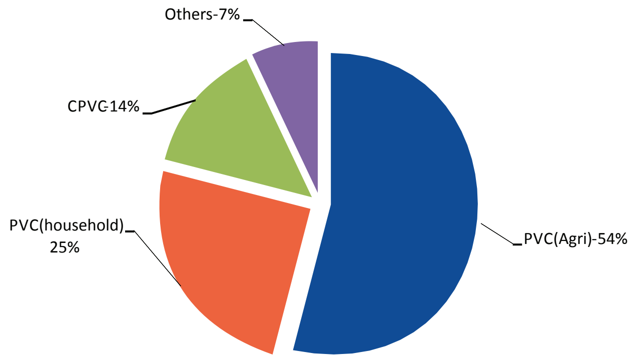
The Indian piping industry has a current capacity of 5mn MTPA. Of this, the polymer piping segment comprises 35% around ~1.8mn MTPA. In monetary terms, current market size of polymer pipes in India is Rs.225bn, which has grown at a CAGR of 12-15% over the last 5 years (FY10-15) and is expected to continue growing over the next 5 years (FY15-20E) to reach a market size of Rs.354bn. According to industry estimates, polymer piping capacity would go up to 2.7mn MTPA at FY19E from 1.8mn MTPA in FY15.

We can segregate the polymer piping industry in two parts:

- PVC Pipes-Market size of Rs.170bn
- Other Polymer pipes- Market size of Rs.55bn

Exhibit: 12

Indian Plastic Pipes Market - Rs. 225 Bn

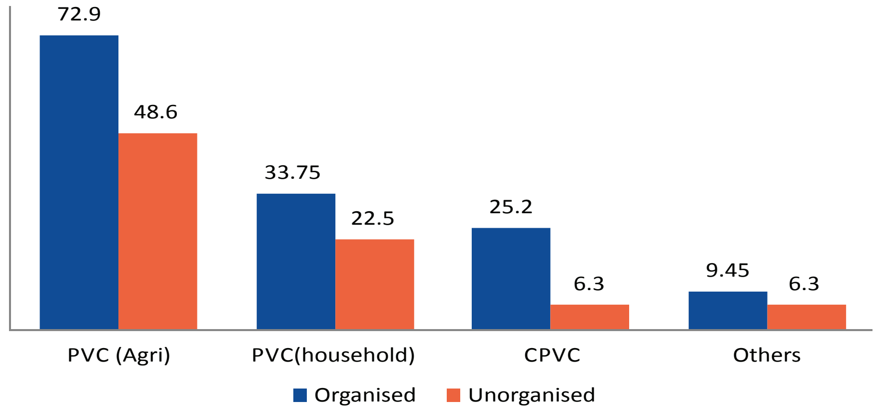


Source: Company, ACMIIL Institutional research

The Indian piping industry is an organized industry with 60% market share in the agricultural and PVC segments, while the CPVC segment,which is purely house hold, has 80% market share.

Exhibit: 13

India Plastic Pipes Market-Break-Up between organized and Unorganised (bn)



Source: Company, ACMIIL Institutional research

The PVC plastic pipes future market growth will supported by growing demand from sector like water supply agriculture etc, wastewater treatment. The major growth driver is from government infrastructure spending, residential and commercial constructions, irrigation and replacement of aging pipelines.

Emerging Trends in piping industries

- Usages of Anti-microbial plastic pipes to improve hygiene
- Consumption of CPVC (chlorinated polyvinyl chloride) piping system in various applications of plastic pipes
- Usages of multilayer plastic pipes in gas distribution

Impact of GST

The implementation of GST brought down the price difference between organized and unorganized players, as the tax rate gap between them is more or less the same post GST. This is expected to lead to a reduction in the price difference, increasing brand awareness and gaining further market share from the unorganized sector.

Key growth drivers

Replacement demand

Replacement of conventional piping systems such as galvanized iron, cast iron, and cement pipes with plastic-based PVC/CPVC pipes is important since PVC/CPVC pipes are economical and last 2x longer than GI pipes.

Government projects

Government focus on housing for all (Pradhan Mantri Awas Yojana), smart cities leading to further demand for PVC pipes

Demand from irrigation sector

To improve the quality of life for farmers and for improving irrigation infrastructure in rural areas, The government has started its flagship program- Pradhan Mantri Krishi Sinchayee Yojana with Rs.50bn budgeted for next 5 Years (2015-20) with the objective of accessing means of protecting irrigation to all agricultural farms in the country to produce ‘per drop more crop’, bringing the much-desired rural prosperity.

Swachh Bharat Mission - Boost for plastic products

Government Swachh Bharat Mission (SBM) is one the programme through which government aimed to stop defecation through contraction of Individual household latrines, cluster toilets and community toilets. According to census 2011, more than 0.11bn rural households do not have access to a toilet. Lack of sanitation and drinking water facilities creates a huge opportunity for PVC pipe manufacturers.

Valuation

Healthy order book, substantial growth opportunity from government's thrust on improving T&D infrastructure in the 13^{th} Plan (Rs.2600bn), diversification into the PVC business, expanding the business into solar structures and roof top mounting place the company on a higher future growth trajectory.

With expertise in the transmission tower and robust order book, improving polymer utilization, and contribution and entry into new EPC (solar), we expect revenue and PAT to grow at 17.3% and 19.8% CAGR respectively over FY17-FY19E with ROE 21.5% by FY19E. We have valued the stock on the basis of P/E of 17X its FY19E EPS and recommend a **"Accumulate"** rating on Skipper with a target price of Rs.258.

Exhibit: 14

(Rs mn)	SKIPPER			KEC International			Kalpataru Power		
	FY 17	FY 18E	FY 19E	FY 17	FY 18E*	FY 19E*	FY 17	FY 18E*	FY 19E*
Sales	16835	19815	23148	85844	98862*	113842*	75125	77706	89068
Growth YoY		17.7%	16.8%		15.2%	15.2%		3.4%	14.6%
EBITDA	2253	2603	3099	8413	9493*	11178*	12601	8909	10285
EBITDA Margin	13.4%	13.1%	13.4%	9.8%	9.6%	9.8%	16.8%	11.5%	11.5%
PAT	1083	1236	1554	3155	3822*	4769*	1865	2566	3446
PAT Margin	6.4%	6.2%	6.7%	3.7%	3.9%	4.2%	2.5%	3.3%	3.9%
EPS	10.6	12.1	15.2	12.27	14.78*	18.64*	10.5	16.73	22.46

*Source- ACMIIL Institutional research, Bloomberg Consensus estimate **

Exhibit: 15

Ratio	SKIPPER			KEC International			Kalpataru Power		
	FY 17	FY 18E	FY 19E	FY 17	FY18E*	FY19E*	FY 17	FY18 E*	FY 19E*
ROE (%)	21.9	20.7	21.4	21.2	20.8*	21.6*	7.9	9.2*	11.5*
ROA (%)	8.1	8.3	9.4	3.5	5.3*	5.8*	1.9	2.4*	3.1*
P/E	17.3	18.0	14.3	17.6	22.2*	17.6*	26.6	20.9*	15.5*
EV/EBITDA	10.3	10.4	8.6	8.5	10.6*	9.0*	5.9	8.8*	7.6*

*Source- ACMIIL Institutional research, Bloomberg Consensus estimate **

Risks and concerns

- Slow down in order inflows from PGCIL - Skipper's 50% of order book comes from PFCIL and any big slow down in order inflow from PGCIL could impact on the company's overall growth.
- Volatile commodities prices - The prices of raw material are driven by commodity prices, which are fluctuating in nature. Any big price variation in the raw material could escalate the operation cost of the company.
- Unable to reach critical mass in Polymer business - If the company fails to position its polymer products in the market due to marketing failure or product quality, it could impact on the company's overall sales trajectory.
- Exchange fluctuation risk - The company is exposed to the fluctuations in the foreign exchange market due to its exposure for import of raw material and export of its finished product.

Company overview

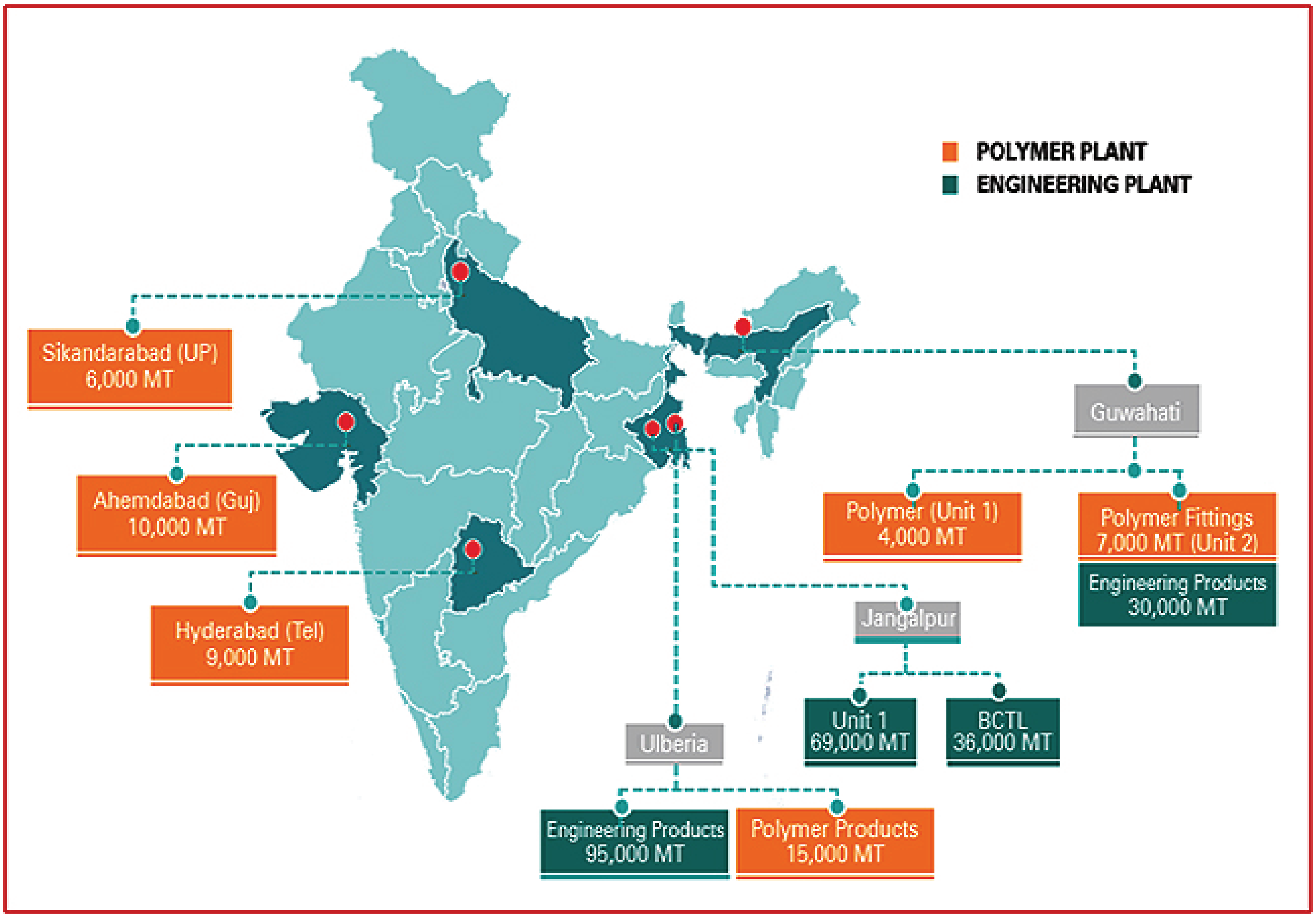
Incorporated in 1981, Skipper is one of the world's largest integrated transmission tower manufacturing companies with Angle Rolling, Tower, Accessories, and Fastener manufacturing and EPC line construction with a capacity of 230000 MTPA. Skipper has diversified its business into the PVC and CPVC pipe segment with a current capacity of 51000 MTPA spread over 6 plants across India.

Management team

Mr. Sajan Kumar Bansal	Managing Director
Mr. Sharan Bansal	Director
Mr. Devesh Bansal	Director
Mr. Siddharth Bansal	Director

Exhibit: 16

Skipper Plants Locations



Source: Company

Skipper products-

Engineering Segment

Exhibit: 17

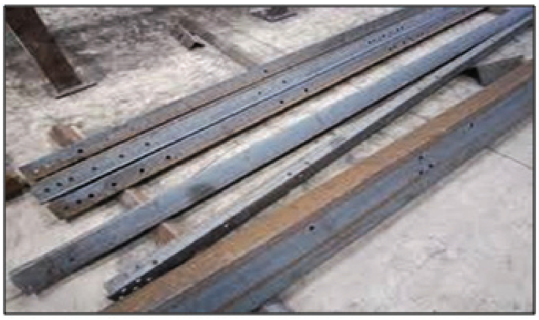
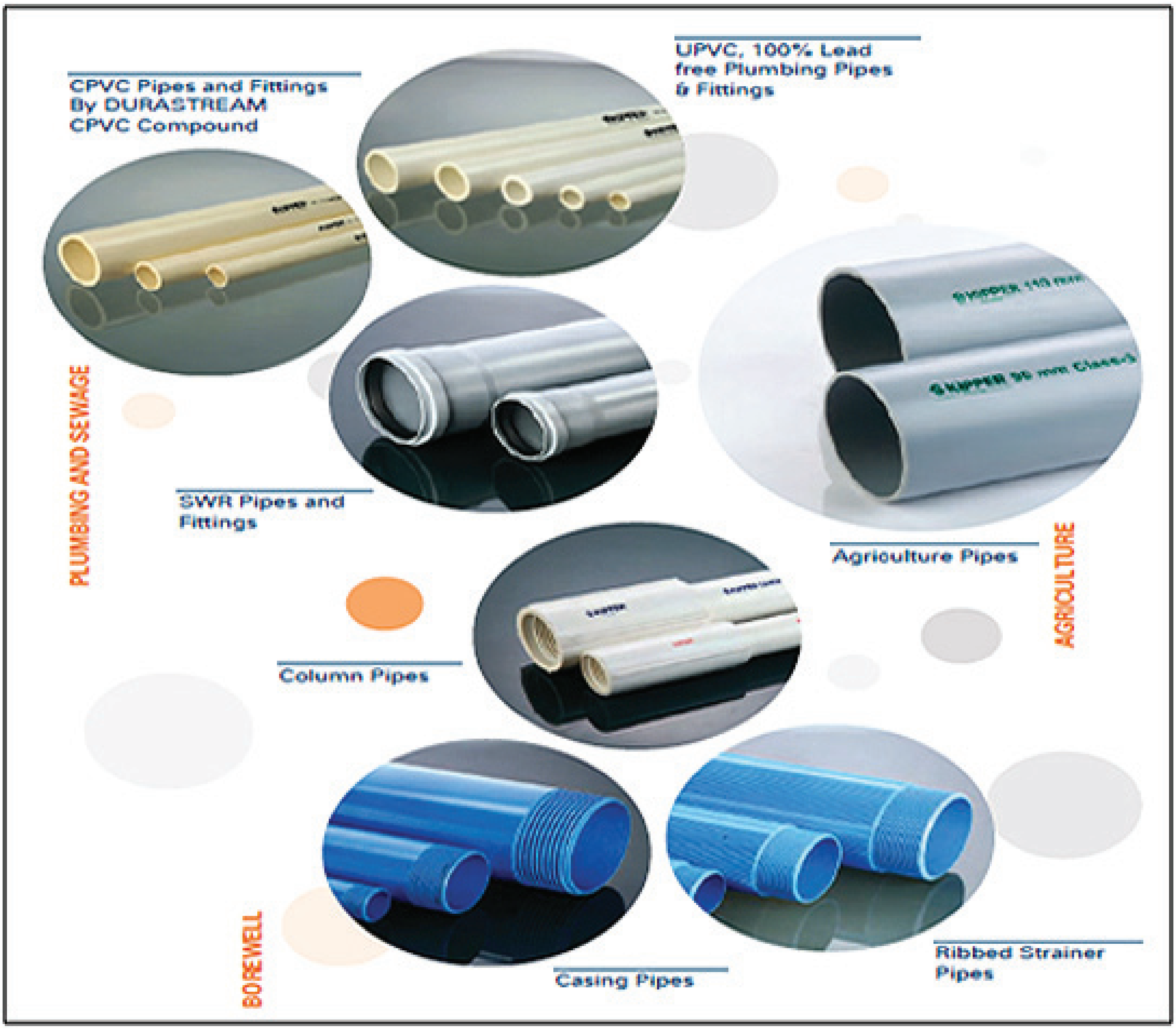
<table>
<tr><th>Transmission Tower</th><th>Monopole</th></tr>
<tr><td></td><td></td></tr>
<tr><th>Distribution Poles</th><th>Fasteners</th></tr>
<tr><td></td><td></td></tr>
<tr><th>Angels</th><th></th></tr>
<tr><td></td><td></td></tr>
<tr><td>Source: Company</td><td></td></tr>
</table>

Exhibit: 18

Polymer segment



Source: Company

Financials

Income Statement

Particulars (Rs mn)	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E
Net Sales	**9003**	**10415**	**12708**	**14881**	**16835**	**19815**	**23148**
YoY Growth		*15.7%*	*22.0%*	*17.1%*	*13.1%*	*17.7%*	*16.8%*
EBITDA	**853**	**1102**	**1731**	**2011**	**2253**	**2603**	**3099**
EBITDA Margin	*9.5%*	*10.6%*	*13.6%*	*13.5%*	*13.4%*	*13.1%*	*13.4%*
Depreciation	126	151	220	241	315	423	508
EBIT	**727**	**951**	**1511**	**1770**	**1937**	**2180**	**2591**
Interest	464	605	583	570	630	574	530
Other income	14	21	16	52	31	44	52
Exceptional Items/Extraordinary Items	-	-	-	-	-	-	-
Foreign Exchange Gain or Loss	-	-	420	181	178	158	139
PBT	**278**	**367**	**1365**	**1433**	**1518**	**1808**	**2252**
Tax	90	98	474	482	434	572	698
Tax Rate	32.6%	26.7%	34.7%	33.6%	28.6%	31.6%	31.0%
PAT	**187**	**269**	**891**	**951**	**1083**	**1236**	**1554**
PAT Margin	*2.1%*	*2.6%*	*7.0%*	*6.4%*	*6.4%*	*6.2%*	*6.7%*
EPS (Rs)#	1.8	2.6	8.7	9.3	10.6	12.1	15.2

Data Source: ACMIIL Institutional Research, Company
#EPS has been calculated on latest outstanding shares to enable like to like comparison
Note: Export forex fwd contract gain adjusted from Net Sales

Balance Sheet

Particulars (Rs mn)	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E
Share capital	97	102	102	102	102	102	102
Reserves & Surplus	1963	2209	2936	3713	4841	5862	7144
Net worth	**2061**	**2312**	**3039**	**3815**	**4943**	**5964**	**7247**
Long term debt	1986	2307	1707	1983	1758	1990	1990
Short term debt	1990	1755	1724	2521	2400	2400	2093
Total Debt	**3976**	**4062**	**3431**	**4504**	**4159**	**4390**	**4083**
Current liabilities & Provisions	1634	2214	3903	3255	3795	4212	4714
Others	197	227	265	328	413	410	410
Total Liabilities	**7869**	**8815**	**10637**	**11903**	**13310**	**14976**	**16454**
Net Block	3298	3468	3547	4252	4786	5146	5400
Non- current investments	0	21	31	0	0	0	0
Cash	128	263	561	498	249	100	139
Inventories	2378	2290	2282	2500	3682	4352	5028
Debtors	1549	2318	3758	3724	3730	4390	4756
Other current assets	0	0	0	0	0	0	0
Short term loans & advances	507	455	458	907	713	839	980
Current assets	**4562**	**5326**	**7059**	**7629**	**8374**	**9680**	**10904**
Others	9	0	0	22	150	150	150
Total Assets	**7869**	**8815**	**10637**	**11903**	**13310**	**14976**	**16454**

Data Source: ACMIIL Institutional Research, Company

Cash Flow							
Particulars (Rs mn)	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18E**	**FY19E**
PAT	187	269	891	951	1083	1236	1554
Depreciation	126	151	220	241	315	423	508
Inc/Dec in working capital	-1016	-116	189	-1076	-492	-808	-682
Others	84	703	438	535	845	574	530
CF from Operating activity	**-619**	**1007**	**1737**	**651**	**1752**	**1426**	**1909**
Inc/Dec in Fixed assets & CWIP	-576	-321	-310	-973	-939	-783	-762
Others	17	5	-6	54	141	0	0
CF from Investment activity	**-559**	**-316**	**-316**	**-919**	**-797**	**-783**	**-762**
Inc/Dec in debt	1005	-181	-566	853	-304	232	-307
Dividends paid	-35	-11	-18	-160	-172	-215	-271
Others	250	-602	-576	-565	-611	-574	-530
CF from Financing activity	**1220**	**-794**	**-1160**	**128**	**-1087**	**-558**	**-1108**
Inc/Dec in cash	42	-103	261	-140	-132	85	40
Opening balance	86	128	25	286	146	15	100
Closing balance	**128**	**25**	**286**	**146**	**15**	**100**	**139**

Data Source: ACMIIL Institutional Research, Company

Ratios							
Particulars	**FY13**	**FY14**	**FY15**	**FY16**	**FY17E**	**FY18E**	**FY19E**
Margin							
Gross Margin	24.2%	27.0%	30.8%	36.3%	35.2%	34.9%	33.9%
EBITDA margin	9.5%	10.6%	13.6%	13.5%	13.4%	13.1%	13.4%
PAT Margin	2.1%	2.6%	7.0%	6.4%	6.4%	6.2%	6.7%
Profitability Ratios							
Return on Equity (ROE)	9.1%	11.6%	29.3%	24.9%	21.9%	20.7%	21.4%
Return on Assets	2.4%	3.1%	8.4%	8.0%	8.1%	8.3%	9.4%
Return on fund by financing ie by financial leverage	6.7%	8.6%	20.9%	16.9%	13.8%	12.5%	12.0%
Post Tax ROCE	7.7%	10.5%	15.1%	14.1%	14.1%	14.3%	15.6%
Valuation Ratios (X)							
P/E	NA	NA	17.5	14.4	17.3	18.0	14.3
P/BV	NA	NA	5.1	3.6	3.8	3.7	3.1
EV/EBITDA	NA	NA	11.1	9.0	10.3	10.4	8.6
EV/EBIT	NA	NA	12.7	10.3	12.0	12.4	10.3
EV/Sales	NA	NA	1.5	1.2	1.4	1.4	1.1
Sales/ Market Cap	NA	NA	0.8	1.1	0.9	0.9	1.0
D/(D+E)	0.7	0.7	0.6	0.6	0.5	0.4	0.4
Turnover ratios							
Days sales of inventories o/s	127.1	110.0	94.7	96.2	123.2	123.2	120.0
Days Sales of AR o/s	62.8	81.2	107.9	91.3	80.9	80.9	75.0
Accounts payable	62.1	75.0	100.2	81.7	96.7	96.7	90.0
Per share (Rs.)							
EPS	1.8	2.6	8.7	9.3	10.6	12.1	15.2
DPS	NA	NA	NA	1.4	1.6	1.8	2.2
TBV/share	20.1	22.6	29.7	37.3	48.3	58.3	70.8
Other Ratio							
NWC/Sales	34.1%	30.6%	23.6%	27.3%	27.1%	27.1%	26.1%
Earnings yield	NA	NA	5.7%	7.0%	5.8%	5.6%	7.0%
Divinded Payout Ratio	NA	NA	14.9%	15.1%	14.6%	14.6%	14.6%

Data Source: ACMIIL Institutional Research, Company

Note:

Institutional Equities:

Rajat Vohra
Head-Institutional Equities
D: +91 22 2858 3734
B: +91 22 2858 3333
E: rajat.vohra@acm.co.in

Research Analyst Registration Number: INH000002483
CIN: U65990MH1993PLC075388

Dealing
E: instdealing@acm.co.in

An ISO 9001:2008 Certified Company

Follow us on:

Our Rating Scale

Buy: Expected return greater than 20% within the next 12-18 months.

Accumulate: Expected return greater than 10% but less than 20% within the next 12-18 months.

Hold: Expected return of upto 10% within the next 12-18 months.

Reduce: Expected return of upto (-) 10% within the next 12-18 months.

Sell: Expected return of over (-) 10% within the next 12-18 months.

Information pertaining to Asit C. Mehta Investment Interrmediates Limited (ACMIIL):

ACMIIL is a SEBI registered Stock Broker, Merchant Banker and Depository Participant. It is also a AMFI registered Mutual Fund Distributor. It does not have any disciplinary history. Its associate/group companies are Asit C. Mehta Commodity Services Limited, Asit C. Mehta Realty Services Pvt. Ltd, Asit C. Mehta Forex Pvt. Ltd, Nucleus IT Enabled Services , Asit C. Mehta Financial Services Limited (all providing services other than stock broking and merchant banking).