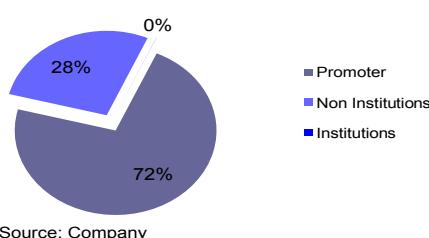


Key Share Data

Face Value (INR)	1.0
Equity Capital (INR Mn)	102.3
Market Cap (INR Mn)	16,032.9
52 Week High/Low (INR)	220/116
6 months Avg. Daily Volume (BSE)	38,976
BSE Code	538562
NSE Code	SKIPPER
Bloomberg Code	SKIPPER:IN

Shareholding Pattern (as on 30th Sept 2015)


Source: Company

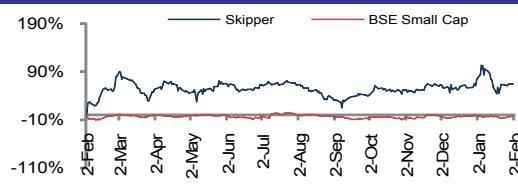
Key Financials (INR Million)

Particulars	FY15	FY16E	FY17E	FY18E
Net Sales	12,707.7	15,252.2	18,000.7	21,170.6
Growth (%)	22.0%	20.0%	18.0%	17.6%
EBITDA	1,730.5	2,017.3	2,422.9	2,879.4
PAT	890.6	944.0	1,241.1	1,489.4
Growth (%)	231.0%	6.0%	31.5%	20.0%
EPS (INR)	8.7	9.2	12.1	14.6
BVPS (INR)	29.7	37.4	48.0	60.9

Key Financials Ratios

Particulars	FY15	FY16E	FY17E	FY18E
P/E (x)	17.3	17.0	12.9	10.8
P/BVPS (x)	5.1	4.2	3.3	2.6
Mcap/Sales (x)	1.2	1.1	0.9	0.8
EV/EBITDA (x)	10.8	9.8	8.2	6.8
ROCE (%)	15.5%	16.2%	17.3%	18.4%
ROE (%)	26.1%	26.4%	25.1%	26.6%
EBITDA Mar (%)	13.6%	13.4%	13.6%	13.8%
PAT Mar (%)	7.0%	6.2%	6.9%	7.0%
Debt - Equity (x)	1.1	1.0	0.8	0.6

Source: Company, SKP Research

1 Yr price performance Skipper vis-à-vis BSE Small Cap

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Company Background

Skipper Limited, flagship company of Kolkata based S K Bansal Group is India's third largest transmission tower manufacturing company (after KEC and Kalpataru) and tenth largest in the world, having a production capacity of 1,75,000 MTPA. It also manufactures PVC pipes for water transportation in which it has aggressive growth plans. Skipper has three manufacturing facilities across India.

Investment Rationale
Top-line to grow at a CAGR of ~19% over FY15-18E

- ▶ During Q3FY16, Skipper reported net sales of Rs 3,615.7, mn, registering growth of ~12.1% y-o-y basis whereas sales grew by ~21.9% during 9MFY16, backed by healthy demand from export market coupled with pick up in the PVC pipe business. Engineering segment witnessed volumes growth of 20% y-o-y in Q3FY16 while softening commodity prices restricted value growth to ~13% y-o-y. Going forward, we expect Skipper sales to grow at a CAGR of ~18% during FY15-18E on the back of robust demand from Power Grid (PGCIL) and 3x capacity addition in the PVC pipe business, resulting into better capacity utilization and higher sales volume.

Engineering Product Business: Strong order book; expansion underway to encash substantial growth opportunity

- ▶ Government's T&D spending would be driven by projects like separate feeder for agriculture, green corridor and renewed capex by State Electricity Boards (SEBs) after a long hiatus. To capitalize on expected increase in order inflow from PGCIL, Skipper is increasing its existing capacity of transmission line towers from ~1,75,000 MTPA to ~2,00,000 MTPA by FY17. Its current order book stands at ~Rs 24 bn which is ~2x FY15 sales of its engineering business.
- ▶ PGCIL is expected to award most of its orders in Q4FY16 and Skipper has bid for orders worth Rs 30 bn and stands L1 in some of them. Based on Skipper historic strike rate, it is expected to secure at least Rs 10-12 bn worth of orders in Q4FY16 and management expects a ~20% y-o-y growth in the order book in FY16E.

PVC Pipes Business to grow exponentially, backed by 3x capacity addition

- ▶ Skipper is in the midst of a capacity expansion plan, at an investment of ~Rs 425 mn, funded through a mix of debt and internal accruals. Post expansion, capacity of PVC pipes will increase from ~29,000 MTPA (including captive unit) to ~43,000 MTPA by FY16, registering an exponential sales growth of ~78% CAGR over the FY15-18E, backed by persisted demand from the replacement market and a gradual demand shift to branded pipes.

Margins to stabilize at ~13%+ with better operating leverage

- ▶ During Q3FY16, EBITDA margins improved by 106 bps q-o-q to 13.3% & contracted by 138 bps y-o-y, backed by softening commodity prices and higher corporate expenses.
- ▶ Post expansion of PVC pipe segment, Skipper will become a pan India player, which would lead to higher overhead spending, thereby restricting EBITDA margins at level of ~13%+ in the near term.

Deleveraging Balance Sheet

- ▶ Skipper has reduced its net debt from Rs 3.8 bn in FY13 to Rs 2.9 bn in FY15, bringing down D/E ratio significantly to 1.1x in FY15 from 1.9x in FY13. In spite of an expansion plan, we do not expect any substantial increase in long term debt.

Valuation

- ▶ With higher order inflow from PGCIL, strong entry barriers, efficient working capital management, increasing PVC Pipes capacity through asset light model and enhancing return ratios, augurs well for Skipper. We have valued the stock on the basis of P/E of 15x of FY18E EPS and recommend a BUY with a target price of Rs 218/- (~39% upside) in 18 months.

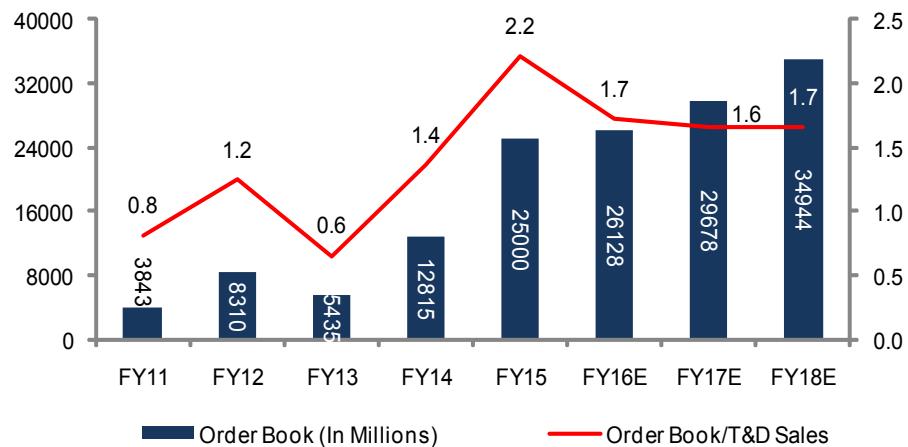
Exhibit: Q3FY16 Result Review
Figs. in INR Million

Particulars	Q3FY16	Q3FY15	YoY (%)	Q2FY16	QoQ (%)	FY16-9Months	FY15-9Months	YoY (%)
Net Sales	3,615.7	3,226.8	12.1%	3,436.3	5.2%	9,396.2	7,707.6	21.9%
Other Operating Income	102.0	0.6	-	62.8	62.4%	187.2	0.3	-
Total Income	3,717.7	3,227.4	15.2%	3,499.1	6.2%	9,583.4	7,707.9	24.3%
Expenditure	3,222.8	2,753.3	17.1%	3,070.5	5.0%	8,306.4	6,663.9	24.6%
Material Consumed	2,293.8	2,508.3	-8.6%	2,486.4	-7.7%	6,944.6	6,061.5	14.6%
(as a % of Total Income)	61.7%	77.7%		71.1%		72.5%	78.6%	
Changes in inventories of Finished Goods	28.3	(275.5)	-110.3%	(196.8)	-114.4%	(872.9)	(881.4)	-1.0%
(as a % of Total Income)	0.8%	-8.5%		-5.6%		-9.1%	-11.4%	
Employees Cost	121.7	93.0	30.8%	123.6	-1.6%	347.3	253.8	36.8%
(as a % of Total Income)	3.3%	2.9%		3.5%		3.6%	3.3%	
Other Expenses	779.0	427.4	82.3%	657.2	18.5%	1,887.4	1,229.9	53.5%
(as a % of Total Income)	21.0%	13.2%		18.8%		19.7%	16.0%	
EBITDA	494.9	474.2	4.4%	428.6	15.5%	1,277.0	1,044.0	22.3%
EBITDA Margin (%)	13.3%	14.7%	(138)Bps	12.2%	106 Bps	13.3%	13.5%	(22)Bps
Depreciation	61.3	51.7	18.7%	57.8	6.1%	177.9	156.5	13.7%
EBIT	433.6	422.5	2.6%	370.8	16.9%	1,099.1	887.5	23.8%
Other Income	8.6	6.9	24.1%	26.0	-67.0%	40.7	15.7	158.5%
Interest Expense	153.1	173.3	-11.7%	114.3	34.0%	414.6	429.0	-3.4%
Income from Forward Contracts		-		181.4		181.4	-	
Other Operating Income				-		-	421.0	
Profit Before Tax	289.1	256.1	12.9%	463.9	-37.7%	906.5	895.2	1.3%
Income Tax	102.1	85.5	19.4%	161.0	-36.6%	316.4	305.8	3.5%
Effective Tax Rate (%)	35.3%	33.4%	-	34.7%	-	34.9%	34.2%	-
Profit After Tax (PAT)	187.0	170.6	9.6%	302.9	-38.3%	590.1	589.4	0.1%
PAT Margins (%)	5.0%	5.3%	(26)Bps	8.66%	(363)Bps	6.16%	7.65%	(149)Bps
Diluted EPS	1.8	1.7	9.6%	3.0	-38.3%	5.77	5.76	0.1%

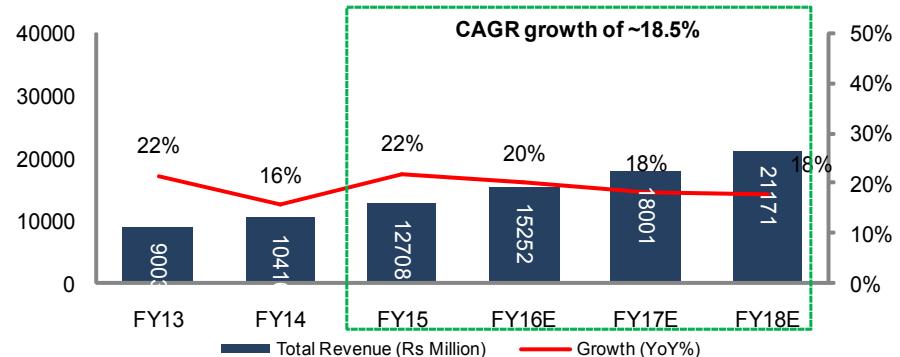
Source: Company Data, SKP Research

Order Book is expected to grow at a CAGR of ~10% over FY15-18E
Exhibit: Trends in Orderbook

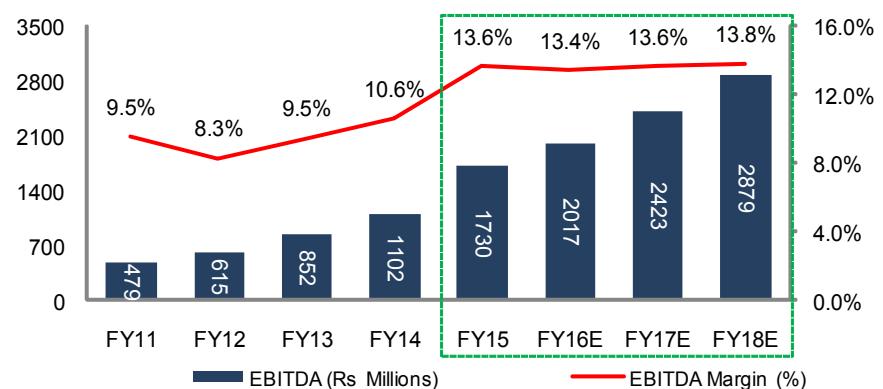
PGCIL contributes 47% of the total order book and we expect PGCIL order book to grow at a CAGR of ~15% over the next two years.


Source: Company, SKP Research
Top-line expected to grow at a CAGR of 18% over FY15-18E
Exhibit: Total Revenue & Revenue Growth (%)

Net Sales is expected to grow at a CAGR 18% to Rs 21,170.6 million over FY15-18E, backed by higher capacity utilization.


Source: SKP Research
Margins to stabilize at ~13%+ with better operating leverage
Exhibit: EBITDA & EBITDA Margin

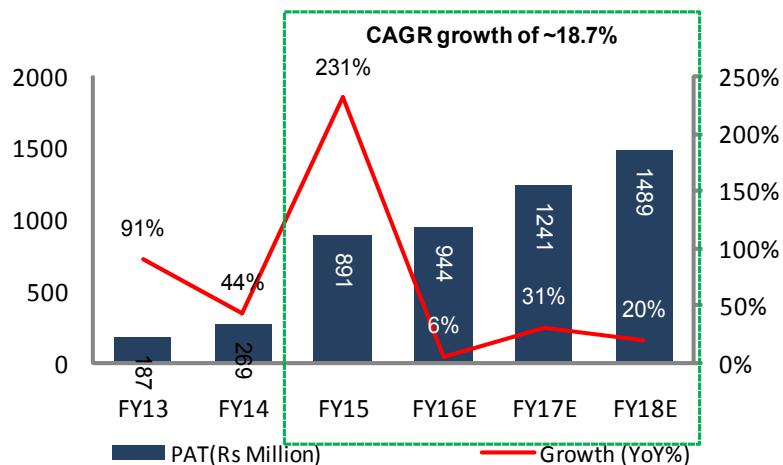
EBITDA is expected to grow at a CAGR 18.5% to Rs 2879.4 million over FY15-18E


Source: SKP Research

PAT expected to grow at a CAGR of 19% over FY15-18E

Exhibit: PAT And PAT Growth

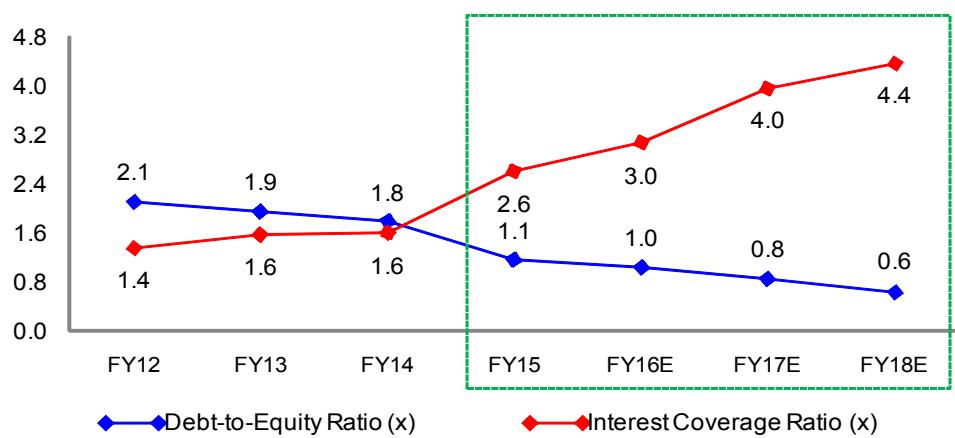
PAT is expected to grow at a CAGR 25% percent to Rs 1390.6 million over FY15-17E



Source: SKP Research

D/E ratio improves to 0.6x in FY18E from a high of 1.9x in FY13

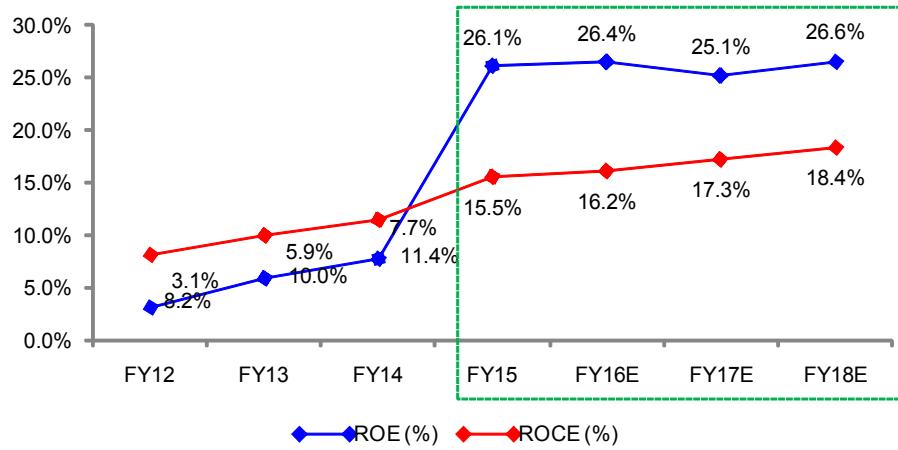
Exhibit: D/E Ratio and Interest Coverage Ratio



Source: SKP Research

ROE to improve from 8% in FY14 to 27% by FY18E

Exhibit: Return Ratio



Source: SKP Research

Key Concerns

- ▶ **Slowdown in order intake & execution:** Over the last couple of years, Skipper reported healthy top-line on the back of order pick-up from PGCIL and export market. However, going forward, any slowdown in transmission capex and lower than expected execution for the export market could adversely impact order book intake and could also impact our estimates for the engineering product segment, thereby, adversely affecting the overall performance.
- ▶ **Delay in capacity addition for PVC segment:** Skipper has an aggressive capacity expansion plan for the PVC business which will bring new execution and competition challenges. If the company resorts to aggressive pricing on its way to become a national player than it would be a margin dilutive proposition for Skipper.
- ▶ **Volatile Dollar Rupee Rate:** Export market contributes 50% of total order book. Any unfavorable USD-INR movement may have negative impact on the margins and profitability.

Valuations

- ▶ With Gol's thrust on improving T&D infrastructure (capex of Rs 2.6 tn over the 13th five year plan) in the country coupled with higher order inflow from PCGIL, strong entry barriers, efficient working capital management, prudent approach to reinforce orders, increasing PVC capacity through asset light model and enhancing return ratios augurs well for the company.
- ▶ We have valued the stock on the basis of P/E of 15.0x of FY18E EPS and recommend a BUY on Skipper with a target price of Rs 218/- (~39% upside) in 18 months.

Exhibit: Income Statement		Figures in INR Million				Exhibit: Balance Sheet		Figures in INR Million			
Particulars		FY15	FY16E	FY17E	FY18E	Particulars		FY15	FY16E	FY17E	FY18E
Total Income		12,707.7	15,252.2	18,000.7	21,170.6	Share Capital		102.3	102.3	102.3	102.3
Growth (%)		22.0%	20.0%	18.0%	17.6%	Reserve & Surplus		2,936.3	3,724.1	4,808.9	6,130.0
Expenditure		10,977.2	13,234.9	15,577.9	18,291.2	Shareholders Funds		3,038.7	3,826.4	4,911.3	6,232.4
Material Cost		8,550.9	9,561.1	11,203.3	13,083.2	Total Debt		3,431.0	3,897.5	4,061.1	4,000.0
Traded goods		246.5	271.0	320.1	381.1	Deferred Tax(Net)					
Employee Cost		341.0	542.0	622.4	741.0	Total Liabilities		6,469.7	7,723.9	8,972.3	10,232.4
Admin & Other Exp.		1,838.0	2,860.8	3,432.1	4,085.9	Net Block inc. Capital WIP		3547.4	3863.0	4238.3	4736.6
EBITDA		1,730.5	2,017.3	2,422.9	2,879.4	Deferred Tax (Net)		(264.7)	(279.7)	(279.7)	(279.7)
Depreciation		219.9	242.9	267.1	297.7	Non-Current Assets		7,089.5	7,449.5	9,435.4	9,625.3
EBIT		1,510.5	1,774.4	2,155.8	2,581.8	Inventories		2,282.4	2,380.3	2,714.9	3,306.9
Other Income		436.7	260.0	298.5	301.0	Sundry Debtors		3,757.8	3,956.2	5,300.7	4,793.1
Interest Expense		582.6	582.1	544.8	591.4	Cash & Bank Balance		560.9	631.2	559.1	851.2
Profit Before Tax (PBT)		1,364.6	1,452.4	1,909.4	2,291.4	Other Current Assets		30.6	30.1	53.3	62.8
Income Tax		474.0	508.3	668.3	802.0	Loans & Advances		457.8	451.7	807.3	611.2
Profit After Tax (PAT)		890.6	944.0	1,241.1	1,489.4	Current Liabilities & Prov		3,902.6	3,308.9	4,421.7	3,849.9
Growth (%)		231.0%	6.0%	31.5%	20.0%	Total Assets		6,469.7	7,723.9	8,972.3	10,232.4
Diluted EPS		8.7	9.2	12.1	14.6						

Exhibit: Cash Flow Statement		Figures in INR Million				Exhibit: Ratio Analysis					
Particulars		FY15	FY16E	FY17E	FY18E	Particulars		FY15	FY16E	FY17E	FY18E
Profit Before Tax (PBT)		1,365.7	1,452.4	1,909.4	2,291.4	Earning Ratios (%)					
Depreciation		219.9	242.881	267.1	297.7	EBITDA Margin (%)		13.6%	13.4%	13.6%	13.8%
Finance Costs		582.6	582.1	544.8	591.4	PAT Margins (%)		7.0%	6.2%	6.9%	7.0%
Chg. in Working Capital		2,076.3	2,956.4	2,705.5	2,638.4	ROCE (%)		15.5%	16.2%	17.3%	18.4%
Direct Taxes Paid		(338.1)	(508.3)	(668.3)	(802.0)	ROE (%)		26.1%	26.4%	25.1%	26.6%
Other Charges		(576.0)	(582.1)	(544.8)	(591.4)	Per Share Data (INR)					
Operating Cash Flows		1,162.2	1,866.0	1,492.4	1,245.1	Diluted EPS		8.7	9.2	12.1	14.6
Capital Expenditure		(319.4)	(315.3)	(375.0)	(510.4)	Cash EPS (CEPS)		6.6	6.9	9.5	11.6
Investments		9.0	-	-	-	BVPS		29.7	37.4	48.0	60.9
Others		-	-	-	-	Valuation Ratios (x)					
Investing Cash Flows		(316.4)	(314.6)	(374.9)	(509.7)	P/E		17.3	17.0	12.9	10.8
Changes in Equity		-	-	-	-	Price/BVPS		5.1	4.2	3.3	2.6
Inc / (Dec) in Debt		(566.3)	(1,073.5)	(1,056.6)	(300.0)	EV/Sales		1.5	1.3	1.1	0.9
Dividend Paid (inc tax)		(18.0)	(133.0)	(133.0)	(143.2)	EV/EBITDA		10.8	9.8	8.2	6.8
Financing Cash Flows		(584.3)	(1,206.5)	(1,189.6)	(443.2)	Dividend Yield (%)		0.1%	0.8%	0.8%	0.9%
Chg. in Cash & Cash Eqv		261.5	344.8	(72.1)	292.1	Balance Sheet Ratios					
Opening Cash Balance		24.9	286.4	631.2	559.1	Debt - Equity		1.1	1.0	0.8	0.6
Balances with Banks		274.6	-	-	-	Current Ratio		1.8	2.2	2.2	2.2
Closing Cash Balance		286.4	631.2	559.1	851.2	Fixed Asset Turn. Ratios		1.8	2.0	2.2	2.3

Source: SKP Research

Notes:

The above analysis and data are based on last available prices and not official closing rates. SKP Research is also available on Bloomberg, Thomson First Call & Investext Myiris, Moneycontrol, Tickerplant and ISI Securities.

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Disclosure of Interest Statement

Analyst ownership of the stock	NIL
Served as an officer, director or employee	NIL

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