



MOTILAL OSWAL

MOST
mid - cap
Research

STOCK INFO.

BSE Sensex:23962

BLOOMBERG

SKIPPER.IN

S&P CNX:7277

REUTERS CODE

SKIP.NS

	(INR CRORES)		
Y/E MARCH	FY15A	FY16E	FY17E
Net sales	1,270	1,498	1,837
EBITDA	229	264	315
RPAT	89	121	161
BV/Share (Rs.)	29.7	38.6	51.4
Adj. EPS (Rs.)	8.7	11.8	15.8
EPS growth (%)	214%	36%	34%
P/E (x)	18.7	13.7	10.3
P/BV (x)	5.5	4.2	3.2
EV/EBITDA (x)	10.4	7.8	5.9
Div yld (%)	1.5%	1.3%	1.0%
ROE (%)	33%	35%	35%
RoCE (%)	24%	32%	38%

KEY FINANCIALS

Shares Outstanding (cr)	10.2
Market Cap. (Rs cr)	1656
Market Cap. (US\$ m)	247
Past 3 yrs Sales Growth (%)	20%
Past 3 yrs NP Growth (%)	117%

STOCK DATA

52-W High/Low Range (INR)	220/117
Major Shareholders (as of September 2015)	
Promoter	72.4
Institutions	0.0
Public & Others	27.6
Average Daily Turnover(6 months)	
Volume	51521
Value (Rs cr)	87.8
1/6/12 Month Rel. Performance (%)	-3/9/3
1/6/12 Month Abs. Performance (%)	-9/-2.5/-12

Maximum Buy Price :INR170

Skipper Ltd.

22 January 2016

Buy

Initiating Coverage

INR162

We recommend to BUY Skipper for a target of INR 235.

PGCIL capex will boost order book: Skipper is a supplier of transmission towers to Power Grid and has one of the largest capacity of towers at 175K tonnes in a 15Lakh tonne industry. India will invite bids for INR1 Lakh worth of power transmission projects in FY16, of which Power Grid is expected to win a lions share of EPC contracts. PGCIL is also expected to bag orders on nomination and is also expected to work on Green corridor at a cost of INR30000cr. Skipper has 46% of the order book from PGCIL and can maintain this ratio.

Exports to add to FY16 to FY18 revenue growth: Skipper has INR1200 cr worth of orders from overseas clients. The company has a tie-up with a Latin American Transmission body that has resulted in orders for supply of transmission towers for a few projects being executed in the region. Similar to India, South America too is working on expansion and revamp of infrastructure. This can continue to result in further orders for the company.

Backward integration - an advantage for Skipper: Skipper has facilities to roll billets into angles that form the core of transmission towers. Further, the company's facilities are in East India which has steel manufacturing capacities. Inward freight advantage is equal to 3-4% of total cost of tower as compared to majority of the tower manufacturing capacity which is set up near Nagpur (Maharashtra). Further, Skipper has galvanising facilities for upto 14M length and 2Lakh tonnes per annum. All this helps achieve the required quality standards cheap. Also, the company's plants are close to Eastern India's largest ports resulting in lower freight for exports too.

PVC - a new growth engine: Skipper had announced plans to raise PVC pipes capacity from 10000 tonnes to 40000 tonnes by the end of the year. This is being done in phases and in asset light model. The company leases land and sets up a plant so that land acquisition costs and time delays are eliminated. The company plans to spend INR40cr on this capex and will be able to double its business every year over FY15-FY17E. PVC, thus, has potential to become a INR500cr business in the next 3-4 years and raise ROCE of the company.

Valuations & View: We expect Skipper to have a 20% revenue CAGR and 35% Profit CAGR over FY15-FY17E. We remain confident of a 25%+ CAGR in profits upto FY19E. Hence we see potential for a further rerating from the current 9.6xFY17E EPS. We value Skipper at 15xFY17E and recommend to BUY for a target of INR. 235 from a 1 year perspective.

INVESTMENT CONCERNS

Delay in order inflow or execution: Transmission towers account for about 90% of Skipper's sales and the existing order book gives it a visibility of about 2-2.5 years. However, any delay in execution or slowdown in order inflow (both from the domestic and export markets) will impact our earnings estimates.

Foreign exchange fluctuations: As Skipper books income from rolling over/cancellation of forward contracts immediately and the premium it earns depends on the spot rate at the time of roll over, it adds to the uncertainty in predicting the PBT.

New player in PVC segment: Although Skipper has a clear strategy in its expansion in this business, the sector is dominated by the likes of Finolex Industries, Astral Polytechnik, and Supreme Industries. Moreover, the management plans to take Skipper from a regional player to pan-India, following an asset-light strategy that is new to the industry. Any delay in expansion plans or inability to capture sufficient share in any of the markets will impact our growth estimates.

Company background:

Skipper is a power transmission and PVC pipes company engaged in supply of transmission towers to PGCIL and sales of PVC pipes and fittings under the "Skipper Brand". The company has also bagged large orders for exports of power transmission towers. Skipper, run by three third generation and young Bansal brothers from Kolkotta, was listed on Kolkotta stock exchange earlier and is now listed on both the BSE and NSE.

Skipper Ltd. Financials & Valuation

INCOME STATEMENT		(INRCR)				
Y/E MARCH		FY13A	FY14A	FY15	FY16E	FY17E
Net sales		900	1,042	1,270	1,498	1,837
Growth		21%	16%	22%	18%	23%
Other Income		1	2	44	18	0
Total Income		902	1,044	1,314	1,517	1,837
Staff Costs		17	24	34	48	60
Raw material		683	760	880	1,002	1,214
Other Expenses		110	139	172	202	248
Total Expenditure		810	923	1,086	1,252	1,521
EBITDA		92	120	229	264	315
% of net Sales		10%	12%	17%	17%	17%
Depreciation/Amortization		13	15	22	25	28
Finance Charges		51	69	70	55	44
PBT		28	37	136	185	243
Tax		9	10	47	64	82
PAT		19	27	89	121	161
Growth		76%	44%	230%	36%	34%
PAT Margin		2 %	3 %	7 %	8 %	9 %

RATIOS		(INRCR)				
Y/E MARCH		FY13A	FY14A	FY15	FY16E	FY17E
Adj. EPS		1.9	2.8	8.7	11.8	15.8
Growth (%)		28%	44%	214%	36%	34%
Cash EPS		3.2	4.3	10.8	14.2	18.5
Book Value		21.2	23.7	29.7	38.6	51.4
DPS		0.1	0.2	1.3	2.5	2.5
Payout (Incl. Div. Tax)		5%	5%	15%	21%	16%
Valuation						
P/E		84.3	58.6	18.7	13.7	10.3
Cash P/E		50.4	37.6	14.9	11.4	8.8
Price/Book Value		7.7	6.8	5.5	4.2	3.2
EV/EBITDA		21.7	16.5	10.4	7.8	5.9
EV/Sales		2.2	1.9	1.5	1.3	1.0
Div. Yld		0.1%	0.1%	0.8%	1.5%	1.5%
Return Ratios						
RoE		10%	12%	33%	35%	35%
RoCE		14%	16%	24%	32%	38%
Leverage						
Debt/Equity (x)		2.1	1.9	1.1	0.7	0.5

BALANCE SHEET		(INRCR)				
Y/E MARCH		FY13A	FY14A	FY15	FY16E	FY17E
Equity Share Capital		10	10	10	10	10
Reserves		196	221	294	384	516
Networth		206	231	304	394	526
Debt		424	439	343	294	243
Other Liabilities		2	1	0	0	0
Net deferred tax		18	22	26	33	42
SOURCES OF FUNDS		650	693	673	722	811
Net Block		326	338	351	386	418
CWIP		4	8	3	3	3
Current Assets		456	533	706	793	947
Inventories		238	229	228	269	330
Sundry Debtors		155	232	376	443	543
Cash and Bank Balances		13	26	56	35	28
Loans and Advances		51	45	46	46	46
Other Current Assets		0	0	0	0	0
Current Liabilities & Prov.		137	188	390	461	557
Net current assets		319	345	316	332	390
Other Assets		1	2	3	0	0
Misc expenses		0	0	0	0	0
Application of Funds		650	693	673	722	811

CASH FLOW		(INRCR)				
Y/E MARCH		FY13A	FY14A	FY15	FY16E	FY17E
PBT		28	37	136	185	243
Depreciation		13	15	22	25	28
Interest		51	69	70	55	44
(Inc)/Dec in WC		(126)	(12)	59	(38)	(69)
Others		(2)	(6)	(45)	(58)	(74)
CF from Operations		(36)	102	243	169	172
(Inc)/Dec in Fixed assets		(57)	(32)	(30)	(60)	(60)
Others		0	0	0	0	0
CF from Investing act.		(57)	(32)	(30)	(60)	(60)
Inc/(Dec) in debt		125	15	(96)	(50)	(50)
Dividend paid		(1)	(1)	(13)	(26)	(26)
Less: Interest paid		(51)	(69)	(70)	(55)	(44)
Others		9	(35)	0	0	0
CF from Financing act.		97	(56)	(182)	(130)	(120)
Inc/(Dec) in cash		4	15	30	(21)	(7)
Add: Beginning balance		9	13	26	56	35
Closing Balance		13	26	56	35	28

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