



## “Skipper Limited Q3 FY17 Earnings Conference Call”

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**Moderator:** Ladies and gentlemen good day and welcome to the Skipper Limited Q3 FY2017 earnings conference call, hosted by Asian Market Securities Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal for an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Amber Singhania of Asian Market Securities. Thank you and over to you Sir!

**Amber Singhania:** Thank you Raymond. Good evening everyone. On behalf of Asian Market, I welcome you all for Q3 FY2017 Earning Conference Call for Skipper Limited. We have with us today Mr. Sharan Bansal - Director of the Company, Mr. Devesh Bansal - Director of the Company, Mr. Sanjay Agrawal - CFO along with Mr. Aditya Dujari – Head – Investor Relations Executive from the company’s side. We would start with some brief updates about the company and the results from the company’s side and then we can take it forward for the question and answer session. I now request Mr. Bansal to take us through the quarterly results and your thoughts on the sector and outlook then we can start with the question and answer session. Over to you Sharan Ji.

**Sharan Bansal:** Thank you Amber Ji. And I welcome all participants on the Q3 earnings conference call for Skipper Limited. It is my pleasure to inform you all, the company has had yet another consistent quarter updating on the performance of the company.

The net sales for quarter three FY2017 stood at Rs.430.15 Crores as against Rs.361.57 Crores in the previous year quarter three, which is a growth of approximately 19%. The operating EBITDA of the quarter three FY2017 stood at Rs.57.04 Crores as against Rs.49.50 Crores in the previous year’s quarter three. And the operating profit after tax stood at Rs.22.35 Crores as against Rs.18.70 Crores in previous year, registering a growth of approximately 19.5%.

Coming to the nine month figures, I am also happy to report that we have seen the revenue grow to 1113.92 Crores as against 939.62 Crores in the previous nine month period, which is a growth of 18.5% and the operating PAT of the company has grown to 56.71 Crores as against 47.21 Crores in the previous nine month period, which is a growth of 20.1%.

Some of the key operational highlights of this quarter, the company has won various awards including the Emerging Brand of the year by World Consulting Research Corporation. India’s most ethical companies award by Asian Confederation of Business

and World Federation of CSR as well as emerging EPC player in power transmission of India by EPC World.

In order to further increase our penetration in the Monopole segment, we have successfully designed and type tested 66kV transmission monopoles.

We also want to update that the work is in full momentum for our new Guwahati plant for manufacturing of T&D Steel Structures per capacity of 30,000 tonnes and PVC pipes fittings capacity of 7000 tonnes and we expect to get the plant commissioned by the end of quarter four FY2017 which is next month.

With this I end my comment and I am open to questions that any of you may have.

**Moderator:** Sure thank you very much. We will now begin with the question and answer session. We have the first question from the line of Rajesh Kothari from ALFAccurate Advisors. Please go ahead.

**Rajesh Kothari:** Hi Sharan. Can you give us, I do not know I missed your opening comments, but in terms of how do you see the next one or two years, if you can give some guidance segment wise.

**Sharan Bansal:** As I have mentioned earlier we had very consistent performance for last several quarters now and we expect the same going forward as well because of the good growth potential in both the major segments that the company has. Our engineering product segment mainly catering to power transmission and distribution sector is seeing robust growth and good ordering from power grid, state electricity board, as well as private board operators and we see good growth potential in the export markets as well. So already the company has a comfortable order book and we expect that on the back of these further investments by the domestic customers the order book should continue to grow and will remain in a healthy position.

In terms of plastic pipes, we have successfully in the last couple of years increase capacity from 12000 tonnes to 41000 tonnes spanning five plants across India and we have a sixth plant coming up very soon for particularly dedicated to plastic pipe fittings in Guwahati as I have mentioned in my presentation. So we also expect that the plastic pipe business as well as in line with all building material business will continue to deliver good growth numbers and that is the segment which is currently contribute to 10% revenue in the company will continue to play a larger revenue shares in the overall company side.

- Rajesh Kothari:** Sir what is your current order book.
- Sharan Bansal:** Our current order book as on end of quarter three stood at 2030 Crores.
- Rajesh Kothari:** On your presentation I am not able to see the quarterly numbers that is everything is full year numbers FY2016, I do not see anywhere third quarter number.
- Sharan Bansal:** Towards the end I believe the last four or five slides, quarters three as well as the nine-month numbers are there.
- Rajesh Kothari:** So your order book is... what is the growth in order book.
- Sharan Bansal:** The order book the growth from... you are talking about year-on-year.
- Rajesh Kothari:** Both sequentially as well as Y-o-Y in engineering business.
- Sharan Bansal:** No in order book as an year, we ended last year march with about 2400 Crores of orders currently that stands about 2030 Crores and basically we have seen some large projects by PGCIL, the ordering of that getting extended somehow the large projects are getting retendered, so although order inflow in this current year had mostly been on short-term orders but we expect that quarter four and quarter one of next year some large orders will come through where PGCIL is retendering.
- Rajesh Kothari:** And sir what are the total and so basically the fourth quarter you think there will be a lot of bunch up of orders, which will happen by year-end.
- Sharan Bansal:** Fourth quarter as well as getting into quarter one of next year because two large projects by power grid one is the 800 KV HVDC corridor as well as the North East expansion program of 20,000 Crores and 10,000 Crores respectively both are currently under tendering. Now these were tendered earlier but then the tendering was canceled and it was retendered. So both we expect that the ordering should happened either in quarter four end or maybe in quarter one next year.
- Rajesh Kothari:** But if you see now PGCIL I was just going through even PGCIL presentation and over next three to five years if you look at their growth is going to be kind of a not very healthy double digit growth it is going to be probably 8% to 10% kind of growth so like last time when we met you were talking about 18%, 20% growth which is possible in engineering business but if you look at even nine months then our revenue growth has been only 12%, 13%.

**Sharan Bansal:** If you look at the nine-month numbers, our engineering product business has grown by about 13.6% in nine month.

**Rajesh Kothari:** That is what I am saying, so the growth is not coming to that 18%, 20%, which we were targeting from last few quarters.

**Sharan Bansal:** If you look at we have been maintaining a 15% to 20% guidance on the corporate side which is definitely is what we have been achieving if you look at the nine month growth for the entire company we were 18.55% and for quarter three particularly it has been about 19% so we are certainly in line with our corporate growth numbers in terms of engineering product particularly I believe 13% to 14% is something which is quite healthy looking at the current market scenario.

**Rajesh Kothari:** So you think you are going forward therefore you are expecting engineering to be like 13%, 14% kind of thing and polymer because of your expansion project will keep driving the overall revenue growth.

**Sharan Bansal:** That is right.

**Rajesh Kothari:** So then in that case the margins will be under pressure as the polymer business mix goes up from your total sales mix perspective polymer being the lower margin compared to your engineering products.

**Sharan Bansal:** See polymer business it may appear that we will have lower margin for a short period but as if you can see from the other players in the polymer business industry all enjoy quite healthy bottom-line in fact the bottom-line in the polymer business if you look at a industry level are far healthier than the T&D business. So certainly as the brand gets more and more recognized we are quite confident that the polymer business EBITDA margin will also catch up to the engineering business margins A) and secondly polymer business also enjoys lower working capital requirements, so on a PAT level we are pretty sure that the contribution will not be much different from the engineering product side.

**Rajesh Kothari:** My last question is on infra side any particular reason why significant growth in third quarter EBITDA and revenue both.

**Sharan Bansal:** Yes it is mainly driven by revenue growth as I mentioned earlier infra project is something which we take up on a cautious project-to-project basis last year we had landed some dip in infra projects the revenue of those which are coming in this year.

- Rajesh Kothari:** So on a full year basis what kind of number we should look for.
- Sharan Bansal:** Particularly infra projects.
- Rajesh Kothari:** Yes.
- Sharan Bansal:** This year I think if you look at it on the nine months we have had about a 154% growth in the infra segment so certainly I think we can look for that number for the full year basis as well.
- Rajesh Kothari:** You mean 154% growth for the full year.
- Sharan Bansal:** That is right.
- Rajesh Kothari:** And that will lead to similar kind of a what kind of margin one should assume because your margins profile has been significantly different compared to last nine months versus this nine months.
- Sharan Bansal:** In the infra segment.
- Rajesh Kothari:** Yes from 20% it is reduced to 13% so...
- Sharan Bansal:** Yes but infra segment see it is difficult on such a small base number the margin numbers can be a little misleading but as long as it maintaining our corporate overall profitability that is what we really look for in targeting an infra project so as long as it come with a 13%, 14%, 15% bottom line we are happy taking up that project.
- Rajesh Kothari:** A small request if you can just add in your presentation the segment wise some key parameter like engineering business, the order book, order intake growth, polymer business, what is the total volume Y-o-Y, what is the realization growth then that will be useful because nothing is there in the presentation for this third quarter perspective.
- Sharan Bansal:** Sure we will consider it.
- Rajesh Kothari:** Thank you sir.
- Moderator:** Thank you. The next question is from the line of Tarang Bhanushali from IIFL Wealth. Please go ahead.

**Tarang Bhanushali:** Again one question on the order book. Our order book overall is shrinking and with the strong execution we are expected to have over the next two quarters since the export orders were received two years back and we have to complete it in the next two orders what is the order pipeline currently with us and what growth rates are we expecting next year because of the shrinking order book.

**Sharan Bansal:** See one thing I can tell certain is that the order book is certainly not shrinking company still enjoys a very healthy order book at about 1.7x of our last year sales. So certainly it is not a concern item for us right now there is plenty of opportunity but of course we would like to bring in the new orders maintaining our current margin profile so as of now the company certainly does not see any challenging gathering opportunities to maintain the growth momentum and there are enough opportunities both from power grid as well as state electricity board side and it is hard to put in a number to it because ordering can take their own time but as far as the company is concerned both from domestic side and export side we are not short of opportunities.

**Tarang Bhanushali:** So what is the order inflow for first nine months this year?

**Sharan Bansal:** The total inflow for first nine months has been I have only actually the long-term orders with me I do not have the detail of the short-term orders, but we can share the information with you.

**Tarang Bhanushali:** No problem and are we maintaining our growth guidance in the engineering business of 15% to 20% going forward or are we scaling it down for next year.

**Sharan Bansal:** On a corporate basis we have certainly maintain our 15% to 20% of growth guidance for the...

**Tarang Bhanushali:** That would be on a lower side sorry to interrupt... but that would be on the lower side since our polymer business is expected to grow very strongly since all the capacities are online so again there we would see a 60% to 70% jump on the polymer side so on the engineering side then have we slowed down or lowered our guidance for next year.

**Sharan Bansal:** Only for this particular year I believe that we were looking at a guidance of somewhere between 10% and 15%.

**Tarang Bhanushali:** Okay thanks a lot I have more questions, would come back in the queue.

**Moderator:** Thank you. The next question is from the line of Balchandra Shinde from Anand Rathi. Please go ahead.

**Balchandra Shinde:** Sir in engineering product how much the sales was due to volume growth.

**Sharan Bansal:** Could you repeat your question once again please?

**Balchandra Shinde:** Sir how much was due to the volume growth and price increase, wanted to have a bifurcation on that.

**Sharan Bansal:** For quarter three there has not been much value growth because of price increase so whatever growth you are seeing by and large is due to volume growth only.

**Balchandra Shinde:** So whatever the increase in prices in steel pellet and iron ore was there in third quarter, will it reflect in our fourth quarter results?

**Sharan Bansal:** Firstly the steel price increase is much more felt on the flat product category, the long product category increase has been marginal at best because flat product is where the government had imposed MIP and safeguard duty etc., long product typically because it is in competition with the secondary steel market, the increase has been not that substantial. Having said that whatever little increase has happened most of the effect we will see in quarter four, but again then also it is not as significant as the flat product category.

**Balchandra Shinde:** And Sir on international price now on the region wise, there we have the highest exposure right now.

**Sharan Bansal:** As of now the most international orders are still from South American region but the orders from the African region and South East Asia are growing.

**Balchandra Shinde:** So how we expect our international orders to pan out over next 10 to 12 months.

**Sharan Bansal:** Company is aggressively bidding and quoting for a number of international projects in different geographies. Last year we have had some small successes in new market in Africa but international markets are sporadic and the opportunities come in different regions at different times, the idea is for company to be present in all international markets so that when the opportunity does come we are in a best place to tap that.

**Balchandra Shinde:** And Sir in infrastructure projects what exactly scope of work we do if you can elaborate on that.

**Sharan Bansal:** Our major two segments and then this is our transmission line EPC and underground utility laying by HDD method.

**Balchandra Shinde:** And Sir at least the engineering products we also have transmission poles related business so how much it contributes to our sales and where we see that business going because intrastate transmission Capex has also improved so will that transmission poles related business will show us a good growth.

**Sharan Bansal:** Yes you are right that monopolies are gaining traction in the Indian market as Skipper is one of the first company to get into transmission monopolies production so far Indian utilities have not really adopted it in a big way, but we are seeing better demand for this product in the future. In fact at this quarter we also tested our first 66 KV transmission monopolies, which will help us getting qualified in more and more transmission monopolies project. In terms of distribution poles the business is still led by mostly by exports. In domestic side, the demand does come but from certain regions only.

**Balchandra Shinde:** Okay thank you sir.

**Moderator:** Thank you. The next question is from the line of Dhiral Shah from GEPL Capital. Please go ahead.

**Dhiral Shah:** Good afternoon Sir and congratulations for the good set of numbers. Sir what is your division between domestic and export order book, how much is the export and how much is domestic.

**Sharan Bansal:** Domestic is approximately 75% and export is about 25%.

**Dhiral Shah:** And in this domestic 75% how much is the infra order.

**Sharan Bansal:** Infra orders are not much, less than 10% would be the infra orders in the domestic side.

**Dhiral Shah:** And sir what is your outlook on export market and the tie-up with the Brazilian company.

**Sharan Bansal:** The outlook on the export market is what I have shared in the previous question we are seeing good growth opportunities in Africa in different countries like Botswana, Kenya, Tanzania and these countries and as well as South East Asia so the projects come sporadically so it is difficult to put a number to on the export market growth but there is definitely a lot of opportunity.

**Dhiral Shah:** And Sir about the tie-up with the company do you envisage the tie-up will be continued going ahead.

**Sharan Bansal:** No the tie-up ended last year itself, the company has not entered in to a tie-up with any new company right now, because the orders from that tie up itself will continue to be executed up till almost the end of next financial year which is till FY2018 so there is still a lot of work let to be done from the orders emanating from that tie-up.

**Dhiral Shah:** Sir do you also see the heat of demonetization in your plastic pipe business in Q3.

**Sharan Bansal:** Yes in plastic pipe we have certainly felt the effect of demonetization so that is why the growth in this sector has been lower than our target. We had targeted a growth of about 40% to 50% again that we have managed to grow about 26% in this quarter and even in quarter four; we do not expect that to be much better. On the engineering side, we are facing small effects that are although not major but we are facing some effect on the engineering side as well.

**Dhiral Shah:** And Sir what is the scope of business in this 30,000 Crores worth of the tendering which is going to declare in Q4 and Q1.

**Sharan Bansal:** Sorry will you repeat your question?

**Dhiral Shah:** Sir what is the scope of our business as you said 20000 Crores and 10000 Crores the...

**Sharan Bansal:** Approximately 25% is the transmission towers volume in that 30000 Crores.

**Dhiral Shah:** 25%.

**Sharan Bansal:** That is right.

**Dhiral Shah:** That is it from my side, thank you sir.

**Moderator:** Thank you. Next question is from the line of Shubhankar Ojha from SKS Capital. Please go ahead.

**Shubhankar Ojha:** Did you talk about the macro picture in terms of the state capex what kind of order inflow may come from state level?

**Sharan Bansal:** You are asking about the macro picture of the investment.

**Shubhankar Ojha:** Yes the investment, I mean what is our opportunity there.

**Sharan Bansal:** See the sub-transmission network in India is historically seen lower investment compared to the investment that had happened in generation right up till between 2005 and 2014, the investment in national transmission happened first but the investment by state in sub-transmission network has not really happened so that we believe is that is something which is going to get corrected more and more with the rural electrification push off the government, certainly more and more stress will be required on the sub-transmission network as we are seeing in various states like Rajasthan, UP, Andhra, Telangana, lot of these states are doing a lot of good work in intrastate transmission network. So that is expected to continue on and in fact states are also getting multinational funding now from Asian development bank, KfW, World Bank and other multinational agencies.

**Shubhankar Ojha:** Alright. Thank you.

**Moderator:** Thank you. Next question is from the line of Arjun Goel from Motilal Oswal. Please go ahead.

**Arjun Goel:** Sir I have a question on the margins, on the engineering and the pipe business. If I look at not the presentation I mean the results that were declared on an EBIT basis I think on the engineering products front it is declined by about 2% from I think 15% to about 13%. So can you throw some light about why margins have declined on a year-on-year basis and the third quarter?

**Sharan Bansal:** No I think our margin guidance have always been in the range of 13% to 14% on the operating side, the margin decline which you are witnessing maybe because of including the Forex gains which had accrued last year so last year we the company had a Forex gain of approximately 18 Crores which you might be considering when you are looking at the 15% plus margin profile.

**Arjun Goel:** No, in the third quarter of last year, there is no income from forward contracts.

**Sharan Bansal:** Right.

**Arjun Goel:** So this 18 Crores number where are you getting it from.

**Sharan Bansal:** I thought you are talking about the nine-month number.

**Arjun Goel:** No on a quarter-versus-quarter.

**Sharan Bansal:** Quarter three of FY2016 the EBITDA which I have was about 14% and at this time, engineering product EBITDA is about 13.77% so it is not much different.

- Arjun Goel:** So here we have sort of allocated unallocable expenses on our pro rata basis but if I look at it from the results that were declared right there is almost a 2% dip so is there anything too much to read into it or it is.
- Sharan Bansal:** No I am not sure at all how you are getting the 2% dip but Aditya would be happy to take it up with you offline we are pretty sure that there is no 2% dip.
- Arjun Goel:** What about in the polymer product business over that there is a decline again from the segment results on calculating the numbers.
- Sharan Bansal:** Yes you are right in the polymer segment certainly we have seen a slight degrowth in margin but that is predominantly because our capacities are new and the capacity utilization has not yet been to our target this year particularly because of demonetization the volume growth which we were expecting from our new capacities to come in they have not yet come in although we had enjoyed a very high growth in terms of 26% which is obviously much higher than the industry growth but it is far far lower than our target of 40% to 50% growth in this segment.
- Arjun Goel:** And Sir historically the fourth quarter is the most important quarter for Skipper so in the first five odd weeks how is the execution been can you... and how do you sees the next quarter.
- Sharan Bansal:** Yes on the plastic pipes of course we still see major challenges due to demonetization we expect that to continue on till the end of fourth quarter. The engineering product side although the impact is limited there are some impact on the execution cycle which is leading to slower sales growth but the exact impact of that will only be known by the end of fourth quarter.
- Arjun Goel:** But Sir the engineering product side typically we are dealing with the government and/or our exports right, so why should there be an impact of demonetization, can you throw some light.
- Sharan Bansal:** You are right, the impact is more to do with the on the execution side where probably I think labor shortages had been felt on the project execution side so the lifting has slowed down a bit now everything has recovered in quarter four but the quarter three we faced a limited impact, impact for quarter four we will have to wait till the end to understand.

**Arjun Goel:** And what about the flow of orders what is the general business outlook from your customers, is it better than last year is it at par with past year's.

**Sharan Bansal:** That I answered partly to previous questions earlier but overall if you look at the 13th plan T&D investments, government is talking about the 2.6 lakh Crores investment overall in the T&D segment, which is significantly higher than the 12th plan investment so for sure the domestic outlook is very, very strong on T&D and as long as we are in a comfortable order book position we do not really feel the pressure to go ahead and book orders at lower margins, one can always do that but we rather focus to retain our margin profile.

**Arjun Goel:** And sir any... what is the debt position as on December 31st can you just give me the number.

**Sharan Bansal:** Sorry will you repeat the question again.

**Arjun Goel:** The debt, the outstanding debt.

**Sharan Bansal:** It is about 450 Crores which is in line with what our last year's closing numbers was.

**Arjun Goel:** Okay thank you sir that is it from my side.

**Moderator:** Thank you. Next question is from the line of Basant Patil from Quantum Securities. Please go ahead.

**Basant Patil:** Sir, can you share the volume data for engineering segment is that possible, production and sales volume for the Q3 and for nine months.

**Sharan Bansal:** I am sorry the volume data is shared by the company on an annual basis only, we do not disclose the quarterly volume data.

**Basant Patil:** At least can you guide us how the volumes were, have you seen the positive growth in terms of volume.

**Sharan Bansal:** Yes of course as I mentioned earlier that as we have seen about 13% growth in this segment for the nine months that is largely driven by volumes only.

**Basant Patil:** That is for the nine months 13% growth.

**Sharan Bansal:** That is right.

- Basant Patil:** And for the quarter sir.
- Sharan Bansal:** For the quarter it has been about 12.5%, you are talking particularly in the engineering product segment.
- Basant Patil:** Yes sir, engineering product segment.
- Sharan Bansal:** Quarter has been 12.5%.
- Basant Patil:** So even the realizations have improved for the quarter and even for the nine months basis, particularly in engineering.
- Sharan Bansal:** No there is no major change in the realizations part.
- Basant Patil:** So we can assume there would not be significant improvement in realization even in next year.
- Sharan Bansal:** No the realization profile remain constant.
- Basant Patil:** So what about the share of monopoles towers particularly in T&D how it is performing.
- Sharan Bansal:** Monopole tower as I mentioned earlier it is still very nascent stage the ministry of power has come out with a set of guidelines for the utilities to adopt while going for land acquisition earlier they could go for strictly paying crop compensation or setting up the transmission line but now they actually go and acquire that land. So I think once this is adopted by more and more utilities they will certainly find it much more economical to go for monopoles which have a lesser footprint on the ground.
- Basant Patil:** Sir when coming to the debt part actually we are still higher than the last years debt if you look at 440 Crores currently it is 450 Crores so we have not done any repayment even in the next quarter is that any kind of repayments expected or that will remain like that.
- Sanjay Agrawal:** As far as debt profile is concerned debt payments are happening, regarding the term loan debt repayment schedules are there as per the repayment schedule only.
- Basant Patil:** So actually long-term loan constitute close to 200 Crores I think I believe.
- Sanjay Agrawal:** Right, that constitutes around 200 Crores.

**Basant Patil:** So that should come down by end of this year.

**Sanjay Agrawal:** That is expected to remain slightly lesser or remain flat this year. We have a capex program for new unit in Guwahati there will be some more capex, term loan is also coming in, that is why we have mentioned more or less the debt profile as flat.

**Basant Patil:** So that will remain flat.

**Sanjay Agrawal:** Yes.

**Basant Patil:** You mean to say working capital loan will increase going ahead.

**Sanjay Agrawal:** So, this is also not going to increase because as I have mentioned in our last year FY2016 balance sheet the debt profile was around 468 Crores including term loan and the working capital loan. So this year as of now it is around 450 so we are expected definitely it is lower than the previous year closing figure and it is expected to remain flat. So any further increase, we are not expecting.

**Basant Patil:** So any reduction in cost of funding expected sir for next year because of reduction in MCLR rates and all.

**Sanjay Agrawal:** As you must appreciate and you all know that this reduction in MCLR in the working capital limits, the banks are playing it very smartly they are not passing it on to anybody whose loans are sanctioned before 1st of January because they are making it fixed for one year while sanctioning the working capital, it is normally fixed for everybody for one year and once the renewal will be there sometime after only September, October definitely the benefit will be passed on to us I am sure definitely the short-term loans which we have or from WCDL we convert from this in order to take the benefit of the MCLR reduction we are trying our every effort to reduce the cost of fund. Presently we have placed two CPs totaling to Rs.50 Crores at a very, very competitive rate so all these efforts are being taken by the company on a regular basis to reduce the cost of fund.

**Basant Patil:** So that should reflect only after nine months of FY2017 you mean to say if anything happens only beyond September, October kind of the numbers.

**Sanjay Agrawal:** Exactly on the working capital side only, because this is as per the RBI guidelines only, because wherein we have represented to all my bankers but I do not know how much they are going to allow us beyond the RBI policy so definitely they are also working if any possibility is there definitely we will get the benefit of the benefit of MCLR reduction and in other way as I mentioned see they are allowing us to take the WCDL short-term loan at

the very competitive price by earmarking to our cash credit account and that we are already enjoying with them.

**Basant Patil:** Sir last question just coming to the working capital days actually so even whatever we have maintained last year 90 to 95 days kind of the working capital so that should stretch actually for next year even we are adding the capacities in PVC also so that should lead to somewhat that working capital days should go up what we mean to say, is that correct.

**Sharan Bansal:** No I think the working capital will remain flattish. In general PVC pipe sales have low working capital requirements, infra projects do require a longer working capital but infra project is obviously still my very small percentage of the overall company revenue, so overall I think we do not expect significant changes in the working capital profile.

**Basant Patil:** So receivable days would be around same that kind of the level it is 90 days, 95 days so that will remain.

**Sharan Bansal:** Correct yes.

**Basant Patil:** Okay. Fine sir that is all from my side. Thank you and all the best.

**Moderator:** Thank you. Next question is from the line of Tarang Bhanushali from IIFL Wealth. Please go ahead.

**Tarang Bhanushali:** On the polymer business we have seen a margin erosion of almost 400 bps on a EBIT basis and as you said that the revenue growth has not picked up in Jan 2 so do we expect margins to remain under pressure since majority of the capacities would be underutilized going forward.

**Devesh Bansal:** Essentially you are correct, because of lower growth as our initial targets for quarter three was to grow in excess of 50% but we could manage our growth of about 26% to 27% which in this industry in this situation is also quite healthy but obviously it is lower than our expected growth numbers also quarter three was a time when we had to pass on certain amount of incentives to our channel partners towards materials because there was a lot of panic in the market these reasons were basically what caused the dip in our markets as well as the under utilization of our plants now it was expected that from quarter four things will really pickup, but on ground situation today while some improvement is there it is still not in line with what was expected so we are seeing some delay in purchasing and a little bit of skepticism in the market which we are hoping that will be resolved within March this year once that happens obviously the number will

bounce back to where they were but the short-term difficulty is there which everyone is feeling in the industry at the moment.

**Tarang Bhanushali:** So we also expect Q4 to be a marginally better quarter but not a major jump from what we have achieved in Q3.

**Devesh Bansal:** No we are hoping for a slightly healthier growth number from as compared to quarter three how much we are able to achieve will really only be clear at the end of the quarter because the situation is dynamic and generally this quarter four is when a lot of project execution happens and there is a lot of bullishness in the market so it just remains to be seen as to if that over powers the sentiment and the growth numbers come in but really we will only have a clearer picture at the end of quarter four.

**Tarang Bhanushali:** And what would be the receivables at the end of Q3 for us.

**Sharan Bansal:** The receivables on the corporate front.

**Tarang Bhanushali:** Yes.

**Sharan Bansal:** It is maintained at about 90 days.

**Tarang Bhanushali:** Okay. Thanks a lot.

**Moderator:** Thank you. Next question is from the line of Amber Singhania from Asian Market Securities. Please go ahead.

**Amber Singhania:** Hi Sharan Ji. just a couple of things is first wanted to understand how is the capex going on how much we have already done and how much capex is yet to be done in the Guwahati plant.

**Sharan Bansal:** For Guwahati the total capex expected was about 70 Crores and since we are looking to commission that plant by March we are expecting to spend most of it, some of it we will spill over to next year, but majority of it will be spent in this year itself.

**Amber Singhania:** So by the end of Q3 how much we might have really spent.

**Sharan Bansal:** We have incurred almost more than 50% by the end of Q3.

**Amber Singhania:** Okay 35 Crores roughly has already done.

**Sharan Bansal:** This already incurred includes the advances to the machine suppliers.

**Amber Singhania:** Secondly as we have building capacity where however the volume growth has not taken that high which we are expecting earlier so it is still lowering at around 10%, 12% for the engineering side, do we think that the overheads of the new plant will have some impact on the margins going forward because of that.

**Sharan Bansal:** No we do not believe so because the new plant capacity is only about 30000, existing plant which are our old plants there the capacity is 200000 tonnes so certainly we do not expect that and to come here rather the new plant we are expecting to contribute more positively to the bottom-line because of the that incentives and other benefits available in that region.

**Amber Singhania:** Why I was asking Sir is because in the scenario of a lower off take on the volume part would we look to delay the commissioning by maybe a quarter or two quarter seeing you might wait for a more pickup or the stabilization happening towards the volume off take on that part.

**Sharan Bansal:** No as I mentioned earlier we are quite comfortable with the capacity utilization in our Kolkata plants also, the volume growth has been very slightly muted at about 12%, 13% we would have been happier with the 15% growth on volume but it is slightly muted at 12%, 13% partly because of demonetization, but we are not really unhappy with the way the capacity utilization is happening at our existing plant so there is no reason to delay the new plant capacity because anyway there is more to cater to that particular geography of north east region where there are significant opportunities.

**Amber Singhania:** Secondly I believe even on the PVC side the entire growth in nine month has been driven by volume only right.

**Sharan Bansal:** Yes mostly volume.

**Amber Singhania:** So seeing suppose in nine months we have not seen major of a realization improvement both in engineering as well as PVC and the raw material prices has gone up though more in the flat side but some improvement has also happened on the long side also and definitely PVC side also, the raw material prices have gone up so when do we see we will be able to pass it onto the customers and when do we see that realization improvement coming in, whether it will be in Q4 or in the next year as such.

**Devesh Bansal:** No just to correct on the PVC side post November 2016, we actually saw some decrease in the market prices of the raw materials because obviously the off take in the market was quite low so on the PVC side there has actually been a reduction in the market prices and

as far as the engineering product goes as I mentioned earlier the long product increase has been very marginal, the main effect of that will probably be seen in quarter four but again the increase is nowhere in line with what the flat product has seen.

**Amber Singhania:** Secondly sir you mentioned about that the opportunity which lies there from SEB side as well as from the PGCIL side along with the export side but if you can quantify certain orders major orders where we have already bidden or what is the bidding pipeline in the near future that can help us to understand in terms of order inflow probability in the near future as such.

**Sharan Bansal:** The ordering bidding pipeline actually very dynamic, is changing constantly, there are about 1100 Crores of bid that we have submitted which are under submission right now and another 500 to 600 Corers which will probably get submitted in this month itself so it is quite dynamic but we are expecting almost a 50-50 split of new orders between power grid and state electricity board.

**Amber Singhania:** So same goes for the bidding pipeline also that is 1100 Crores and 500 to 600 Crores mostly it is split equally between state board and the PGCIL.

**Sharan Bansal:** Yes, I think so.

**Amber Singhania:** And what is the update on the international side how things are panning out any opportunities there we are seeing in the near future and how is the execution of those small token orders which we have got from Egypt and other geographies apart from getting orders.

**Sharan Bansal:** Number of the small orders have already been executed so we have definitely got more and more of the presence in different countries we are expecting some in roads in newer geographies in Africa as well as far East Asia, certainly the number of opportunities are growing up.

**Amber Singhania:** Sir in the wake of how things have panned out in last five months post our Q2 numbers, would you like to share what is your guidance for FY2017 and 2018 now in terms of top line and EBITDA margin of bottom-line as such.

**Sharan Bansal:** I think it is barring the dip in PVC side there is no real change from our earlier guidance, we continue to maintain a 15% to 20% overall guidance for the corporate and a 10% to 15% growth for the engineering product side.

**Amber Singhania:** And margin wise I believe engineering will be maintaining between 13% to 14% but on the PVC side do we revise our guidance to around 8%, 9% margin now or we will continue to maintain around 11% 12% margin on PVC side also.

**Sharan Bansal:** I would think for the year 2016-2017 you may consider the PVC margins to be slightly muted but going forward in the next year it should bounce back to the levels it was because once the market stabilizes and the supply chain picks up again, there is no reason why this margin pressure is continue into next year as well.

**Amber Singhania:** And just if you can share volume on the PVC side, what kind of growth we are targeting or what kind of utilization we are seeing in this front.

**Sharan Bansal:** The utilization is at around 55 odd percent still we would have liked to be higher but we are still at roughly around 55 odd percent the value and volume growth have been more or less hand-in-hand in the last quarter so the volume growth can also be estimated to be roughly around 25%.

**Amber Singhania:** Secondly Devesh Ji., if you can just give some more color about the region because we have now present in all the four regions as such so how do we see the impact of demonetization and off take panning in these regions any significant difference we are seeing in any region where we can see some positivity happening in the region and whereas the other region might be showing some more negativity as such or it is constant for all the four region as such.

**Devesh Bansal:** More than the region if you look at sector wise, we find that the construction sector has been more or less okay but in the agri sector, the farmer lifting has been little muted because of demonetization so especially areas like Ahmedabad which is an older plant for us but that is mostly on the agri side till now there we have been hit a little bit because the farmer off take had been quite low, south as a market although it is newer but we have seen that our focus was more on the construction sector in south, there the impact has been lesser so it has been more of a sector specific thing rather than a region specific thing so I think you can look at it that way.

**Amber Singhania:** And pricing wise we are maintaining the same strategy that is one or two percent below the market leader as such or any change we are doing there.

**Sharan Bansal:** For the case-to-case basis we vary the strategy and also on a market-to-market basis so even if market like western India which is a fairly large market, on specific areas we might varying the strategy a little bit for penetration of the market so but on an average

yes you are right from the market leaders we are going at a discount of on an average 2% to 3% to 4% in most cases.

**Amber Singhania:** Okay fine that is all from my side. Thank you.

**Moderator:** Thank you very much. That was the last question. As there are no further questions, I would now like to hand the conference back to Mr. Amber Singhania for closing comments.

**Amber Singhania:** Thank you Raymond. On behalf of Asian Market, I thank everyone for joining this call and a special thanks to the management of Skipper Limited for providing this insight about the company business and the future outlook. We conclude this call. Sharan Ji, would you like to add any closing remarks?

**Sharan Bansal:** Thank you once again to every one of the participants. And we look forward to interacting with you again for the Q4 conference call.

**Moderator:** Thank you very much. On behalf of Asian Market Securities that concludes this conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.