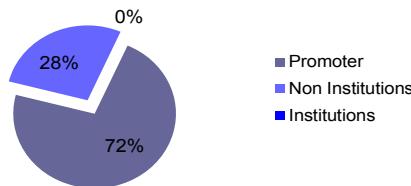


Key Share Data

Face Value (INR)	1.0
Equity Capital (INR Mn)	102.3
Market Cap (INR Mn)	14,342.5
52 Week High/Low (INR)	220/116
6 months Avg. Daily Volume (BSE)	7,581
BSE Code	538562
NSE Code	SKIPPER
Bloomberg Code	SKIPPER: IN

Shareholding Pattern (as on 31st Mar 2016)


Source: Company

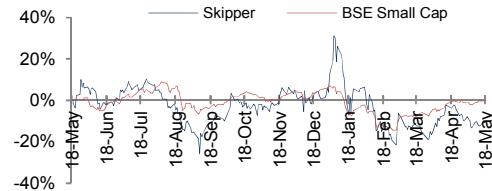
Key Financials (INR Million)

Particulars	FY15	FY16	FY17E	FY18E
Net Sales	12,707.7	14,880.9	17,511.3	21,132.6
Growth (%)	22.0%	17.1%	17.7%	20.7%
EBITDA	1,730.5	2,011.1	2,265.1	2,750.3
PAT	890.6	951.3	1,045.9	1,313.5
Growth (%)	231.0%	6.8%	9.9%	25.6%
EPS (INR)	8.7	9.3	10.2	12.8
BVPS (INR)	29.7	37.3	45.9	56.8

Key Financials Ratios

Particulars	FY15	FY16	FY17E	FY18E
P/E (x)	17.3	15.1	13.7	10.9
P/BVPS (x)	5.1	3.8	3.1	2.5
Mcap/Sales (x)	1.2	1.0	0.8	0.7
EV/EBITDA (x)	10.8	9.3	8.4	6.9
ROCE (%)	15.5%	15.7%	16.1%	17.9%
ROE (%)	29.3%	24.9%	22.3%	22.6%
EBITDA Mar (%)	13.6%	13.5%	12.9%	13.0%
PAT Mar (%)	7.0%	6.4%	6.0%	6.2%
Debt - Equity (x)	1.1	1.2	1.0	0.8

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 ~20% over FY16-18E

- ▶ During Q4FY16, Skipper reported net sales of Rs 5,227.3 mn, registering growth of ~4.7% y-o-y basis whereas sales grew by ~15.1% during FY16, backed by healthy volumes in its engineering products division coupled with pick up in the PVC pipe business. Engineering segment witnessed volumes growth of ~22% y-o-y in FY16 while softening commodity prices restricted value growth to ~13% y-o-y. Going forward, we expect Skipper sales to grow at a CAGR of ~20% during FY16-18E on the back of robust demand from Power Grid (PGCIL) and 2x 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.
- ▶ Skipper has bid for orders worth Rs 12 bn and stands L1 in some of them and expects a significant portion of these bids to be converted in final orders. As on FY16, Skipper has a strong order book of Rs 24.3 bn of which, domestic and export order is 75% & 25% respectively (51% of Skipper's order book is made up of PGCIL orders). The company is witnessing order traction across SEBs because of the implementation of the UDAY scheme and is participating in tenders with a minimum ticket size of Rs 1,000 mn.

PVC Pipes Business to grow exponentially, backed by 2x capacity addition

- ▶ Skipper is in the midst of a capacity expansion plan, at an investment of ~Rs 350 mn, funded through a mix of debt and internal accruals. Post expansion, capacity of PVC pipes will increase from ~35,000 MTPA (including captive unit) to ~67,500 MTPA by FY18, registering an exponential sales growth of ~60% CAGR over the FY16-18E, 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 Q4FY16, EBITDA margins improved by 54 bps q-o-q & 12 bps y-o-y to ~13.9% backed by softening commodity prices. 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.

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 17x of FY18E EPS and recommend a BUY with a target price of Rs 218/- (~56% upside) in 18 months.

Exhibit: Q4 FY16 Result Review
Figs. in INR Million

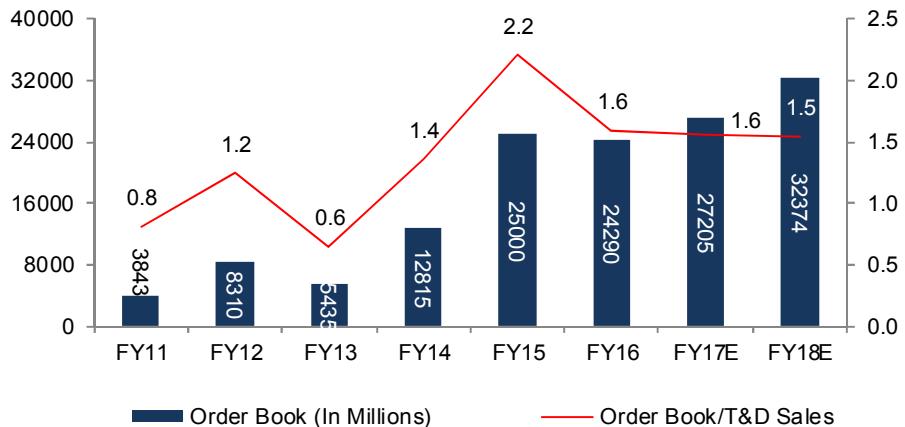
Particulars	Q4FY16	Q4FY15	YoY (%)	Q3FY16	QoQ (%)	FY16	FY15	YoY (%)
Net Sales	5,227.3	4,994.7	4.7%	3,615.7	44.6%	14,623.5	12,702.1	15.1%
Other Operating Income	70.2	4.7	-	102.0	-31.2%	257.3	5.6	-
Total Income	5,297.5	4,999.4	6.0%	3,717.7	42.5%	14,880.9	12,707.7	17.1%
Expenditure	4,563.4	4,312.5	5.8%	3,222.8	41.6%	12,869.7	10,976.3	17.2%
Material Consumed	2,593.5	2,489.4	4.2%	2,293.8	13.1%	9,538.1	8,550.9	11.5%
(as a % of Total Income)	49.0%	49.8%		61.7%		64.1%	67.3%	
Changes in inventories of Finished Goods	819.8	1,127.8	-27.3%	28.3	2798.5%	(53.1)	246.5	-121.6%
(as a % of Total Income)	15.5%	22.6%		0.8%		-0.4%	1.9%	
Employees Cost	152.4	87.2	74.8%	121.7	25.2%	499.6	341.0	46.5%
(as a % of Total Income)	2.9%	1.7%		3.3%		3.4%	2.7%	
Other Expenses	997.8	608.1	64.1%	779.0	28.1%	2,885.2	1,838.0	57.0%
(as a % of Total Income)	18.8%	12.2%		21.0%		19.4%	14.5%	
EBITDA	734.1	686.9	6.9%	494.9	48.3%	2,011.1	1,731.3	16.2%
EBITDA Margin (%)	13.9%	13.7%	12 Bps	13.3%	54 Bps	13.5%	13.6%	(11)Bps
Depreciation	63.2	63.4	-0.3%	61.3	3.1%	241.2	219.9	9.7%
EBIT	670.9	623.5	7.6%	433.6	54.7%	1,770.0	1,511.4	17.1%
Other Income	11.0	0.8	1254.3%	8.6	27.9%	51.7	16.6	212.1%
Interest Expense	155.4	153.6	1.2%	153.1	1.5%	570.0	582.6	-2.2%
Income from Forward Contracts	-	-		-		181.4	420.1	
Profit Before Tax	526.4	470.8	11.8%	289.1	82.1%	1,433.0	1,365.5	4.9%
Income Tax	165.3	168.2	-1.7%	102.1	61.8%	481.7	474.0	1.6%
<i>Effective Tax Rate (%)</i>	31.4%	35.7%	-	35.3%	-	33.6%	34.7%	-
Profit After Tax (PAT)	361.2	302.6	19.4%	187.0	93.1%	951.3	891.5	6.7%
PAT Margins (%)	6.8%	6.1%	77 Bps	5.03%	179 Bps	6.39%	7.02%	(62)Bps
Diluted EPS	3.5	3.0	19.4%	1.8	93.1%	9.30	8.71	6.7%

Source: Company Data, SKP Research

Order Book is expected to grow at a CAGR of ~12% over FY16-18E

Exhibit: Trends in Orderbook

PGCIL contributes 51% of the total order book and we expect PGCIL order book to grow at a CAGR of ~16% over the next two years.

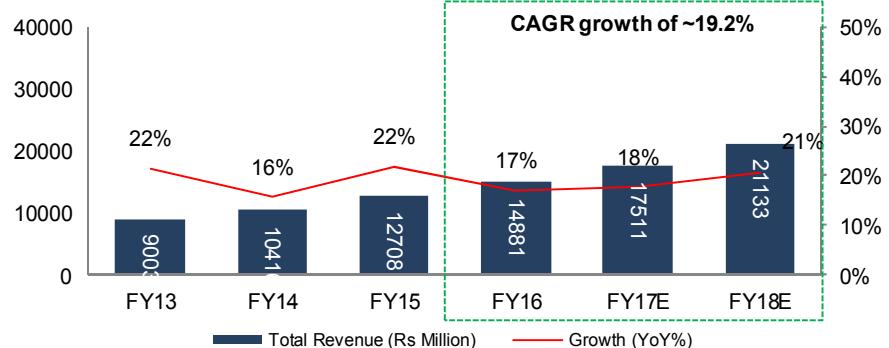


Source: Company, SKP Research

Top-line expected to grow at a CAGR of 19% over FY16-18E

Exhibit: Total Revenue & Revenue Growth (%)

Net Sales is expected to grow at a CAGR 19% to Rs 21,133.6 million over FY16-18E, backed by higher capacity utilization.

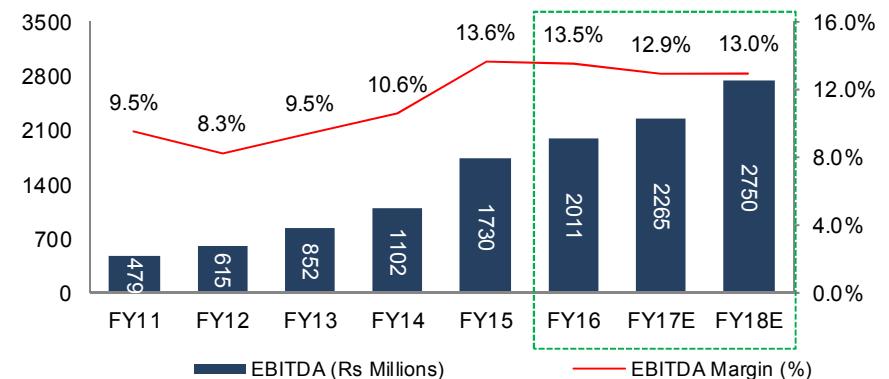


Source: SKP Research

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

Exhibit: EBITDA & EBITDA Margin

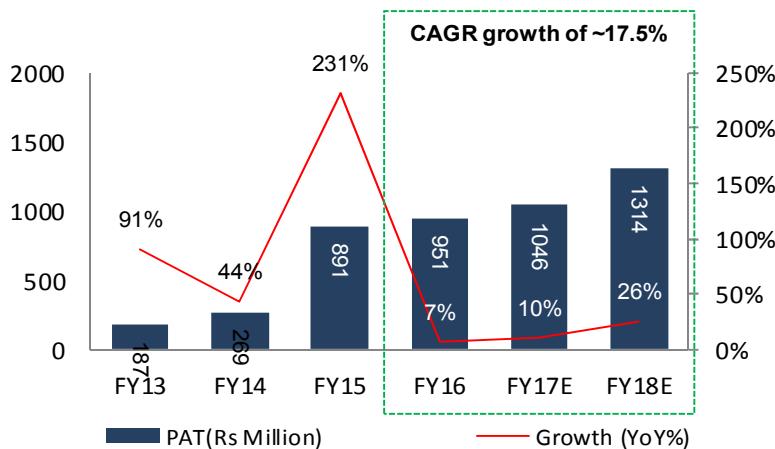
EBITDA is expected to grow at a CAGR 16.9% to Rs 2750.3 million over FY16-18E



Source: SKP Research

PAT expected to grow at a CAGR of 18% over FY16-18E
Exhibit: PAT And PAT Growth

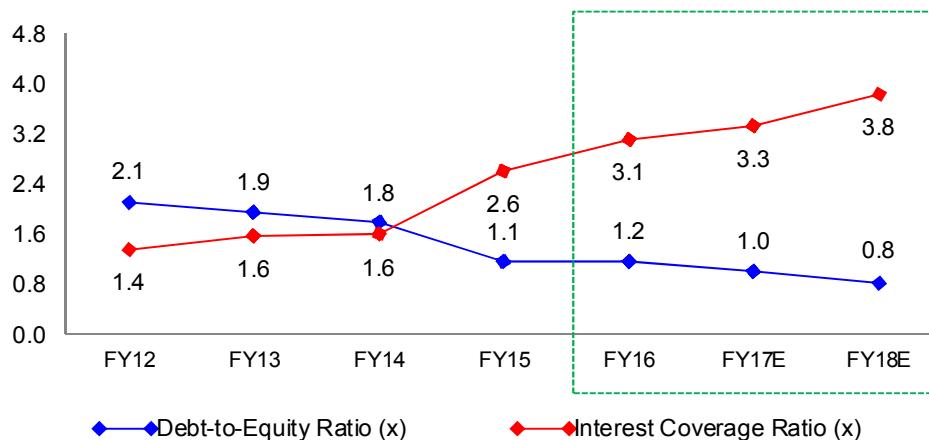
PAT is expected to grow at a CAGR 18% percent to Rs 1313.6 million over FY16-18E



Source: SKP Research

D/E ratio improves to 0.8x in FY18E from a high of 1.9x in FY13

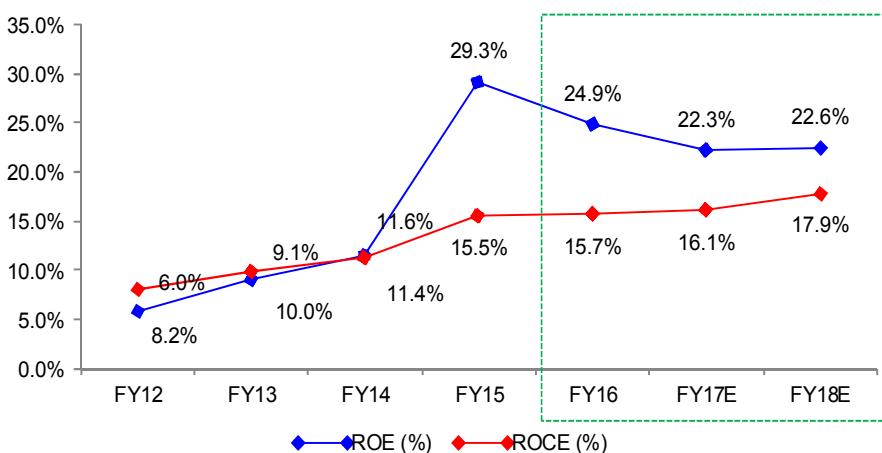
Exhibit: D/E Ratio and Interest Coverage Ratio



Source: SKP Research

ROE to improve from 8% in FY12 to 23% 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 17.0x of FY18E EPS and recommend a BUY on Skipper with a target price of Rs 218/- (~56% upside) in 18 months.

Exhibit: Income Statement
Figures in INR Million

Particulars	FY15	FY16	FY17E	FY18E
Total Income	12,707.7	14,880.9	17,511.3	21,132.6
Growth (%)	22.0%	17.1%	17.7%	20.7%
Expenditure	10,977.2	12,869.7	15,246.2	18,382.3
Material Cost	8,550.9	9,538.1	10,977.3	13,289.4
Traded goods	246.5	-53.1	261.4	317.0
Employee Cost	341.0	499.6	609.8	718.5
Admin & Other Exp.	1,838.0	2,885.2	3,397.7	4,057.5
EBITDA	1,730.5	2,011.1	2,265.1	2,750.3
Depreciation	219.9	241.2	270.1	295.8
EBIT	1,510.5	1,770.0	1,995.0	2,454.4
Other Income	16.6	51.7	61.3	74.0
Income from forward contract	420.1	181.4	152.7	132.8
Interest Expense	582.6	570.0	600.0	640.4
Profit Before Tax (PBT)	1,364.6	1,433.0	1,609.1	2,020.8
Income Tax	474.0	481.7	563.2	707.3
Profit After Tax (PAT)	890.6	951.3	1,045.9	1,313.5
Growth (%)	231.0%	6.8%	9.9%	25.6%
Diluted EPS	8.7	9.3	10.2	12.8

Exhibit: Balance Sheet
Figures in INR Million

Particulars	FY15	FY16	FY17E	FY18E
Share Capital	102.3	102.3	102.3	102.3
Reserve & Surplus	2,936.3	3,712.9	4,590.5	5,711.7
Shareholders Funds	3,038.7	3,815.2	4,692.8	5,814.0
Total Debt	3,431.0	4,402.6	4,616.5	4,866.1
Deferred Tax (Net)	264.7	314.8	314.8	314.8
Total Liabilities	6,734.3	8,532.6	9,624.1	10,994.9
Net Block inc. Capital WIP	3547.4	4251.9	4569.3	5094.0
Deferred Tax (Net)	-	-	-	-
Non-Current Assets	7,089.5	7,650.7	8,307.0	9,460.0
Inventories	2,282.4	2,499.9	2,733.1	3,238.0
Sundry Debtors	3,757.8	3,723.7	3,914.3	4,151.0
Cash & Bank Balance	560.9	498.0	406.8	563.3
Other Current Assets	30.6	-	34.8	42.1
Loans & Advances	457.8	929.2	1,218.0	1,465.6
Other Non Current Assets	-	-	-	-
Current Liabilities & Prov	3,902.6	3,370.0	3,252.3	3,559.1
Total Assets	6,734.3	8,532.6	9,624.1	10,994.9

Exhibit: Cash Flow Statement
Figures in INR Million

Particulars	FY15	FY16	FY17E	FY18E
Profit Before Tax (PBT)	1,365.7	1,433.0	1,609.1	2,020.8
Depreciation	219.9	241.2	270.1	295.8
Finance Costs	582.6	570.0	600.0	640.4
Chg. in Working Capital	(121.3)	281.0	180.3	(574.4)
Direct Taxes Paid	338.1	481.7	563.2	707.3
Other Charges	-	-	-	-
Operating Cash Flows	1,162.2	1,473.4	1,481.4	1,020.0
Capital Expenditure	(319.4)	(941.0)	(304.9)	(400.4)
Investments	-	-	-	-
Others	3.5	(0.2)	0.3	(0.1)
Investing Cash Flows	(316.4)	(940.3)	(304.8)	(399.7)
Changes in Equity	-	-	-	-
Inc / (Dec) in Debt	(566.3)	(178.2)	(1,124.6)	(300.0)
Dividend Paid (inc tax)	(18.0)	(143.2)	(143.2)	(163.7)
Financing Cash Flows	(584.3)	(321.4)	(1,267.8)	(463.7)
Chg. in Cash & Cash Eqv	261.5	211.7	(91.3)	156.6
Opening Cash Balance	24.9	286.4	498.0	406.8
Balances with Banks	274.6	-	-	-
Closing Cash Balance	560.9	498.0	406.8	563.3

Exhibit: Ratio Analysis

Particulars	FY15	FY16	FY17E	FY18E
Earning Ratios (%)				
EBITDA Margin (%)	13.6%	13.5%	12.9%	13.0%
PAT Margins (%)	7.0%	6.4%	6.0%	6.2%
ROCE (%)	15.5%	15.7%	16.1%	17.9%
ROE (%)	29.3%	24.9%	22.3%	22.6%
Per Share Data (INR)				
Diluted EPS	8.7	9.3	10.2	12.8
Cash EPS (CEPS)	10.9	11.7	12.9	15.7
BVPS	29.7	37.3	45.9	56.8
Valuation Ratios (x)				
P/E	17.3	15.1	13.7	10.9
Price/BVPS	5.1	3.8	3.1	2.5
EV/Sales	1.5	1.3	1.1	0.9
EV/EBITDA	10.8	9.3	8.4	6.9
Dividend Yield (%)	0.1%	1.0%	1.0%	1.1%
Balance Sheet Ratios				
Debt - Equity	1.1	1.2	1.0	0.8
Current Ratio	1.8	2.3	2.6	2.7
Fixed Asset Turn. Ratios	1.8	1.9	2.0	2.2

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 and Thomson First Call.

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

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