



“Skipper Limited Q4 Financial Year 2015 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Skipper Limited Q4 FY 2015 earnings conference call, hosted by Asian Markets 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 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 from Asian Markets. Thank you and over to you Mr. Singhania!

Amber Singhania: Thank you Margaret. Good morning everyone. On behalf of Asian Markets, I welcome you all to the 4Q FY2015 earnings conference call for Skipper Limited. We have with us today Mr. Sharan Bansal, Director from Promoter Group and Mr. Devesh Bansal, Director from Promoter Group and Mr. Sanjay Agarwal, CFO of the company representing the company's management as such. I now request Mr. Bansal to take through the quarterly results and then we can start the Q&A session. Sir, over to you!

Sharan Bansal: Thank you Amber and welcome all the participants for this conference call. I thank everyone for taking out your time to join in. I would like to give a brief overview of the company's financial numbers and then going to our significant achievements during the year.

At the outset, I would like to say that the company has had very, very satisfying and has shown a very strong performance in this financial year much beyond management's expectation as well. The total gross income increased to 1458 Crores from 1167 Crores last year which is a jump of almost 25% year-on-year.

Our EBITDA margin strengthened to 16.5% compared to below 11% in FY2014. Our PAT margin rose by phenomenal 231% and increased to 89.17 Crores in FY2015. PBT stood at 136 Crores as against 36 Crores in FY2014.

Current order book as March 2015 stood at about 2400 Crores and has more than doubled from previous year FY2014. Just to talk a bit about the company, as you are aware, that Skipper is among the top three players in transmission, distribution, infrastructure products in India and we have a capacity of over 175,000 tonnes per annum.

I have already spoken about the sales achievement and the profitability growth. Looking at the improved financial performance of the company, the management has decided to recommend a dividend of 130% in the current financial year as compared to 15% in the previous year. Speaking a bit about the order book breakup, I am happy to announce that almost 45% of our order book of 2400 Crores is for export market and these are in key un-penetrated markets such as Latin America where bulk of our export orders are coming from. Apart from that, we are also doing business in Africa and Europe region.

Going forward, we expect a transmission and distribution to continue to play a large part in the company's growth trajectory and as we have heard the new government and the Power Minister speak about the transmission sector as the potential new sunrise sector. We have already heard

the Power Minister's recent statement where he has indicated that bids of about 1 lakh Crores are likely to come up in the next six months purely in the power transmission sector alone. This will definitely improve further opportunities for the company and the order book is expected to grow in a continued manner.

I also want to speak about our water business, the PVC pipe business. I am happy to inform you that the company has opened its first manufacturing location outside of West Bengal in Ahmedabad and this is being done in the asset-like model and also we are expected to open two more units going forward in Q2 of the current financial year.

Our water PVC pipe has shown a good growth as well and more than 50% growth in topline and we are expecting a significant growth in volumes in this business going forward and expect to make it increase our capacity to 1 lakh tonnes from the current 10,000 tonnes as on March, 2015.

Infrastructure segment although small part of our balance sheet right now will also be growing in the years to come, this is where the company expects to sort of like a forward integration activity for us and we are targeting high margin profitable project only in this space.

With this I would like to hand over the floor to you gentlemen and ladies and I am open to any questions, which you all have.

Moderator: Thank you very much. We will now begin with question and answer session. The first question is from the line of Krudant Chheda from Value Quest. Please go ahead.

Krudant Chheda: Good morning Sir. Congrats for good numbers. Sir, I am little new to this company and may ask you basic questions. What is all included in the engineering product business?

Sharan Bansal: Our engineering product business mainly caters to power transmission and distribution sector wherein we manufacture power transmission towers, distribution poles which go into power distribution as well as lighting and we are also into steel pipe manufacturing for Tata Steel.

Krudant Chheda: Okay. Sir because our margins seem to be very high in this quarter we did EBIT margin of roughly little more than 20% in engineering products compared to this our competitors' margins are very low, does that mean any one-off in this or this is the sustainable margins going forward?

Sharan Bansal: Essentially, our EBITDA margins are in general higher than the industry average for sure for two or three reasons. One is that we are largely a product company and not an EPC company wherein we are able to protect our margins better perhaps than most other EPC companies. Second is that we are the only company in our size to be backward integrated where we manufacture 100% of raw materials i.e. mild steel and high tensile angles in-house and third is our location in Eastern India which gives us the lowest cost access to major raw materials which is steel billets. Now these two or three factors automatically contribute to our higher EBITDA compared to industry. Our EBITDA numbers have grown substantially for two reasons over the last year, one is that there has been a significant shift towards the export revenue. Company is now entering into more

and more export markets where we are executing lucrative high margin contracts as well as from FY2014 the company has taken a decision to shutdown its steel pipe division, so that was contributing very negative to the EBITDA margin has gone out now, so that is why also we see a significant growth in EBITDA numbers and we expect this to continue, it is not a one-off case.

Krudant Chheda: Out of the total of 1300 Crores revenue which we did in FY2015, how much would be exports?

Sharan Bansal: Exports would be about 150 Crores out of this and most of it is in the last quarter of Q4 itself.

Krudant Chheda: 150 Crores out of that, 1270 Crores turnover which we did?

Sharan Bansal: That is right.

Krudant Chheda: Rest all is domestic?

Sharan Bansal: We also further expect the export revenue to be a larger part of overall revenue in FY2016, so maybe from about 15% in FY2015 we expect it to go to at least 30% in the coming year and of course the order book is already there in hand to substantiate that.

Krudant Chheda: Who would be your customers in domestic market?

Sharan Bansal: In domestic markets, the company mostly focuses on POWERGRID projects and if you are almost 80%-85% of our revenue comes from POWERGRID projects and the other 15% being the private transmission operators as well as State Electricity Boards.

Krudant Chheda: Sir, one more thing. There has been another operating income of 42 Crores in FY2015 and our notes say it includes derivative gain realized on cancellation or rollover of forward contracts?

Sanjay Agarwal: Good morning. This is Sanjay Agarwal, CFO of the company. This 42 Crores actually includes gain on forward contract which we have realized on carrying over to the next year. So this has been actually crystallized gain. It is a part of our export revenue, which we have booked towards securing our all the export contracts to be executed in the future years.

Krudant Chheda: Sir, what would be our current outstanding hedge position?

Sanjay Agarwal: Current outstanding hedge position, the entire order book is hedged.

Krudant Chheda: Out of 2400 Crores, roughly 45 is exports, right, so 1100 Crores would be exports?

Sanjay Agarwal: Yes.

Krudant Chheda: So that entire thing is hedged?

Sanjay Agarwal: Yes, we do entire thing is hedged.

Krudant Chheda: Okay because last year our turnover was out of exports were 150 Crores and 42 Crores gain, did we hedge more than required or what was that?

Sanjay Agarwal: We have not hedged anything more than the contract value. We hedged against the contracts only.

Devesh Bansal: Just to clarify. This is Devesh Bansal. Usually, the contracts that we have are long-term in nature. More than 1000 Crores order book that we are speaking about in the international business, this was secured more than a year back. Now the nature of the contracts is such that they are usually executed over 2-2.5 or 3-year period and the first year is usually spent in engineering, designing, pipe testing, prototyping things like that. So that is what was happening in the last year but the day we received the contract more than a year ago, we had hedged the entire contract value and the execution of these contracts, the actual supply has just started in Q4 of last year and now they are going to continue going forward.

Krudant Chheda: Out of that, how much would be or fully be done in this year, out of this 2400 Crores?

Sharan Bansal: We would look at about 400 Crores export to happen this year.

Krudant Chheda: Thanks a lot.

Moderator: Thank you. Our next question is from the line of Sanjeev Panda of Sharekhan. Please go ahead.

Sanjeev Panda: Good morning Sir. Congratulation for very strong set of numbers. Couple of questions starting with how much gross block we have added this time like capex how much we did and what I can see is that we generated somewhere around 120 Crores of cash flow from operations and paid around 60 Crores of debt, how are your plan looking ahead in the next year regarding capex and debt?

Sanjay Agarwal: This year our capex was around 35 Crores and that includes our capex for the engineering division more particularly for the tower segment, and our general capex that includes around 35 Crores. Going forward, we hope similar type of capex that includes our capex for the PVC expansion business, which is of asset-like model and of course definitely for expansion of some capacity to our tower business.

Sanjeev Panda: Can we segregate how much?

Sharan Bansal: Mr. Panda, basically what Sanjay Ji was just mentioning, last year the capex that had happened was mostly in the engineering products space, which includes the tower and some amount of galvanizing plant etc., that were added. Going forward the company as it is, is very conscious about spending heavily on capex and fixed assets, so generally try to follow the asset like model. Now the two major areas of our expansion in the coming years are going to be the engineering products wherein the power T&D business is going to grow as well as the PVC business. So in the engineering products space, most of the expansion, which is going to happen, it is in

Brownfield projects because the land and infrastructure is more or less ready, we are just keeping on adding machineries for enhancing the capacities. So the additional capex in that space is going to be nominal or not very large and in the PVC space because the company's following our asset like model of either leased infrastructure or convergent plant, the additional capex in that space also is going to be fairly modest. So we expect that even in FY2016 the capex number overall in the company will not exceed around the numbers that we are currently operating at, at around 30-35 Crores. We do not expect the number to exceed this figure in the current year.

Sanjeev Panda: Roughly, how much towards PVC expansion and how much towards regular T&D?

Sharan Bansal: So in the PVC expansion, we are looking at a dedicated capacity of 40,000 tonnes per annum within this year itself going up from 10,000 tonnes last year. So the expected capex in that entire expansion from 10 to 40 is not expected to be more than about 20 Crores and the balance 15-20 Crores is going to be in our engineering products space. These are broad numbers I am giving you, I might be off by about 2 to 3 Crores here and there.

Sanjeev Panda: As I said it is well appreciated that this time we paid back our 60 Crores of debt, so how are we planning like going forward no debtor payment plan scheduled and anything that you paid dividend, if you can throw some light on that?

Sharan Bansal: Could you repeat the question, I am sorry?

Sanjeev Panda: I said, we had paid debt of around 60 Crores right and going forward like how are we planning or what are our plans regarding the debt repayment schedule?

Sharan Bansal: In terms of long-term debt we do not expect to add any significant numbers because repayment will more or less match the new debt peak in for capacities in both T&D as well as PVC and our working capital requirements may increase in proportion to our revenue.

Sanjeev Panda: Going forward, any guidance that you would like to give regarding our margin and topline considering the order book we have?

Sharan Bansal: Sure. In terms of top line, the company is confident of achieving about anywhere between 20% and 25% growth year-on-year in our overall in the company and this will be made up of both engineering products revenue growth as well as PVC growth as well. We are confident that with the current order book with a larger stress on exports we will be able to definitely maintain our margins, if not improve them further.

Sanjeev Panda: Regarding the pipe facility the new capacities that we are looking for the next two capacities in Q2, how are things like if you can throw some light like and what is the status of the new capacity that we have set up and whether it will start contributing or when it will start contributing, if you can throw some light?

- Sharan Bansal:** Two new capacities, which are coming up one is in Sikandrabad near Ghaziabad near Delhi that plant is under construction and we hope that we will be able to commission it within Q2 of this year and one another plant is coming up in Guwahati, which will help us cater to the northeastern markets. The working of that plant is also going on and we are fairly sure that within Q2 that plant will also be commissioned. What that will enable us to do is that it will help us capture the markets in these regions during the peak demand period, which is usually Q3 and Q4. So we hope that the contributions from both these plans will start within Q3 of this year itself.
- Sanjeev Panda:** The new plant Ahmedabad how has its performance been in contribution wise?
- Sharan Bansal:** Sorry, the voice got cut, could you repeat that?
- Sanjeev Panda:** How about the new plant at Ahmedabad regarding its contribution like whether it has started contributing?
- Sharan Bansal:** The plant was commissioned on April 15 this year and already the orders have started coming in. We are in the process of getting approvals from various departments in Gujarat for this plant and that has already started contributing and we expect to see some very good numbers.
- Sanjeev Panda:** The last question is that debtor days have gone up from 80 days to 105 days roughly. I do agree that inventory days have been better in contrast to that. So, just wanted to understand why the debtor days are has gone up or I mean this is an aberration of this is going to be the trend and if that is and is it because of the export or is it because of the PVC or any guidance that if you can give us?
- Sharan Bansal:** One reason for that is even though the number of debtor days has gone up it is in line with our expectation from the T&D business. Now basically the T&D business share in the overall revenue has grown quite substantially because as of last year the T&D business forms perhaps about 60% of our revenue whereas this year it is almost 80% to 85% so because of that the in proportion the number of debtor has gone up and basically that is the only reason, but it is in line with our expectation of T&D debtors.
- Sanjeev Panda:** This is going to be the trend, I mean, in T&D space, we have around 120 days kind of number. Is it fair to assume that?
- Sharan Bansal:** We expect it to be in this line and improve a little better in the coming years.
- Sanjeev Panda:** Thanks a lot. Good luck.
- Moderator:** Thank you. The next question is from the line of Pritesh Chedda from Emkay Global. Please go ahead.
- Pritesh Chedda:** I just want to know the capacity utilization, which we had last year and the tonnage expected next year and in the 2400 Crores order backlog how much is executable in FY 2016?

Sharan Bansal: So out of our capacity last year of 150000 tonnes, we had achieved sales of about 130 so that is more than 85% capacity utilization and this year also we expect it to be in the range of 85% to 90% utilization. So this year our capacity is enhanced to 175 so we expect our utilization to be in the same range, 85% to 90%. Sorry what was your second question? Could you repeat that?

Pritesh Chedda: How much of 2400 Crores backlog is executable in FY 2016?

Sharan Bansal: So, pretty much the order book is to be executed over a period of two to two and a half years, so we expect that out of this 2400 Crores order around roughly 50% should be executed in this year and of course then during the year itself we have certain short-term orders coming in so those will also be executed in this financial year itself.

Pritesh Chedda: Thank you very much.

Moderator: Thank you. Our next question is from the line of Prabhat Anantharaman from HDFC Securities. Please go ahead.

Prabhat Anantharaman: Sir, I just wanted to know in the EPC business what kind of order book do you have?

Sharan Bansal: Our EPC business is still new. We have only been into this business two or three years now and this is a space where we are very cautious about booking the right kind of business and you know the right profitable business which can be executed in a defined period of time. So, our current order book in EPC is just about below 200 Crores and we expect this to grow at a similar space as our overall T&D business.

Prabhat Anantharaman: Sir, this EPC business comes under the infrastructure projects?

Sharan Bansal: That is correct.

Prabhat Anantharaman: Sir, the PGCIL order that is under the engineering products business so PGCIL does not have EPC in that?

Sharan Bansal: We do some EPC for PGCIL as well. Out of the three projects, which we are doing on EPC route, two of them are for PGCIL and one is for Rajasthan Electricity Board.

Prabhat Anantharaman: EPC order book that you said 200 Crores the execution period is?

Sharan Bansal: It is about one and a half years.

Prabhat Anantharaman: Sir, my last question is can you give us a brief idea of the order pipeline that we are looking at for our transmission business?

Sharan Bansal: I think the pipeline is quite exciting. As I mentioned earlier that this year we have doubled our order book from 1200 Crores in March 2014 to about 2400 Crores in March 2015 and going

forward we expect more significant jump in this order book because primarily because of two to three exciting initiatives taken by the Government of India. The first being of course the northeast investment plan of over 10000 Crores which has been allotted to POWERGRID already that is something which our company will have distinct advantages in catering to those projects. The other is the green corridor projects in areas of Rajasthan, Gujarat funded by KSW, which is also being executed by POWERGRID and these are large transmission lines in the 765 kV space. We see the company has bid for a number of those projects and we are awaiting the results to come out soon. The other opportunity is the 800 kV HVDC corridor in the Southern India, which has a value of over 20000 Crores as well. So all these projects are up for bidding, some of them have already been bid and number of them are up for bidding in this financial year, so we definitely hope to get a lion's share of those. Apart from that a number of projects identified by the ministry to come up on BOO basis, in which the private sector will be participating as well.

Prabhat Anantharaman: Thank you Sir.

Moderator: Thank you. The next question is from the line of Shubhankar Ojha from SKS Capital & Research. Please go ahead.

Shubhankar Ojha: Thanks. Sir, basically with respect to the previous questions, basically what is the profile of the data is, is it different for the domestic and the export clients?

Sharan Bansal: Your question is that is the ageing different for different for domestic and exports?

Shubhankar Ojha: Yes.

Sharan Bansal: The ageing is slightly better in terms of exports because right now obviously export is a small portion of the revenue. It is only about 15%. In general export ageing is maybe about 10 days lesser, 10 to 15 days lesser than domestic business.

Shubhankar Ojha: Sir, with respect to your next year export revenue which you said likely to be 30% of your total revenue the trade receivables should go up proportionate to that, right? Should I assume a tend days lower for the receivables of the export client?

Sharan Bansal: Not exactly 10 days lower because again, like I mentioned the export receivables is itself is about 10 to 15 days lower so exports should become from 15% to 30% of our revenues, so we should see anything between 5 to 10 days between 5 and 10 days reduction in the debtors receivables.

Shubhankar Ojha: They are all good clients? They are all credible clients?

Sharan Bansal: Yes of course. The clients company chooses are after a lot of selection and we have the highest quality clients both for domestic and export. In domestic like I mentioned 85% of our revenue comes from POWERGRID itself, which is probably the best clients, one of the best clients in power sectors in India.

Shubhankar Ojha: Secondly what is your gross debt number today including the one which is stable in the current financial year?

Sharan Bansal: Our gross debt including long-term as well as working capital is 382 Crores today and out of that the long-term debt is only about 108 Crores.

Shubhankar Ojha: What is your cost of debt?

Sharan Bansal: Cost of debt is roughly about 11.5%.

Shubhankar Ojha: 11.5%?

Sharan Bansal: That is correct and that we are expecting some reduction in the cost as well with the company's improved performance and continuous improvement in ratings.

Shubhankar Ojha: Thank you so much Sir.

Moderator: Thank you. The next question is from the line of Jagdishwar Toppo from Axis Capital. Please go ahead.

Jagdishwar Toppo: Good morning Sir. You mentioned that you produce steel pipe for Tata Steel. So could you elaborate a bit more on that what is the kind of arrangement that you have?

Sharan Bansal: The company used to make steel pipe, ERW, MS and galvanized pipes in a big way till about FY 2014; however, as we mentioned earlier, before the noncontributing business for the company because the EBITDA numbers were extremely low, if not negative, so the company decided to exit when we got the opportunity to join hands with Tata Steel. Tata Tubes basically followed the model of EPA, external processing agencies wherein they tie-up with companies to manufacture their pipes in their premises and the arrangement is usually conversion charge. So what we did is basically leased out our entire infrastructure for this business part of the infrastructure was converted into our fabrication divisions for the other businesses and part of it was given out to Tata Steel on a cost plus model so now basically Tata Steel is giving us the raw material. We are processing the pipes, galvanizing them and then giving it back to Tata Steel and the branding is done in Tata Tubes name only. So this is the model being followed by Tata Tubes across India with a few companies and we are one of their partners.

Jagdishwar Toppo: What percentage of the topline is this business?

Sharan Bansal: This would be a very small proportion of the topline. I think for us basically only service charge. It is less than about 25 Crores.

Jagdishwar Toppo: Sure. Sir, you would be buying a lot of steel billet if I see your website. So is it substantial amount of steel billet that you buy to process it to produce structural product for your tower business and all?

- Sharan Bansal:** Yes, as I earlier mentioned that we are one of the only companies to be backward integrated in this space, so our raw material which is angled is 100% produced in-house and the raw material for making angles is basically steel billets. So that is our major raw material in the company now.
- Jagdishwar Toppo:** So, next question is what is the outlook for billet prices, steel billet. How do you see it moving next three months, six months, steel industry outlook has been very bad?
- Sharan Bansal:** I think billet prices over the last six months we have seen some softening of the prices in line with the international prices and we expect it to be stable in this year.
- Jagdishwar Toppo:** You expect it to remain where it is or improve or go down further so you said there would not be any movement, if the commodity prices they go up or go down?
- Sharan Bansal:** Well essentially our products are not exactly commodity products, because it is the grade of billet which we use are a little specialized, so it is basically if we customize grade of billet which we procure price movements are less fluctuating in that grade, so we expect it to remain more or less stable this year.
- Jagdishwar Toppo:** What is the nature of the contract as far as the raw materials are concerned, is it passed through in terms of pricing or falling or you take the risk of raw material costs?
- Sharan Bansal:** There is very little risk that we carry. Most of our contracts come with escalations, de-escalation clauses, so in case of falling prices the reduction is passed on to the customer, in case of increasing prices, we are able to realize the differential from the customers and essentially it is a phased model for the company basically.
- Jagdishwar Toppo:** Sir, this business has grown considerably as far as you have given the POWERGRID order that you have mentioned?
- Sharan Bansal:** The T&D business?
- Jagdishwar Toppo:** Yes.
- Sharan Bansal:** Yes of course, we have had almost 50% growth in the T&D business continuously for the last three years.
- Jagdishwar Toppo:** That is it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Amber Singhania from Asian Market Securities. Please go ahead.
- Amber Singhania:** Thank you. Just couple of questions from my side. So, one thing is how much tonnage we have sold in the engineering division this year as a whole?

- Sanjay Agarwal:** In the engineering product division, we have sold about 130000 tonnes.
- Amber Singhania:** Against the capacity of 150 if I am not wrong, right?
- Sanjay Agarwal:** Correct. That is right.
- Amber Singhania:** What are the capacity expansion plan in terms of tonnage going forward from here onwards?
- Sharan Bansal:** As of last year we implemented expansion program, which got completed in March, so now our capacity stands at 175 and every year we look at about 15% to 20% capacity expansion in T&D.
- Amber Singhania:** So, by this year end we can say that we will be above 2,00,000 tonnes?
- Sharan Bansal:** Above 2,00,000 tonnes that is correct.
- Amber Singhania:** Secondly on the pipe division, the Ahmedabad facility which we have started in April, so it has been almost a month it has been running. So could you share some experience how the thing is panning out there in terms of production in terms of the sale, tonnage and in terms of the overall market panning out?
- Devesh Bansal:** We commissioned the plant on April 15, now last one month has been spent in a lot of stabilizing of the production because it is a new location, so it is a new team and some of our team members from the parent plant are patient there to help stabilize the product and make sure that the quality of product is in line with the companies expectation so those activities have been going on. Parallelly we have also been approaching a lot of government departments such as Gujarat Water Board, etc., for approvals in their projects, so those activities have been going on and at the same time our marketing team in that area is very, very active. They have started appointing dealers. I think at the moment approximately eight or nine dealers have been signed on and some movement has already started with them. So material has started flowing in. Also parallelly we have started our branding and our marketing exercises in that area so if you ever travel to Ahmedabad you will be able to see some marketing collaterals near the airport and key location to popularize the brand in that part of the country because it is a new brand for Western India we expect the growth to be slightly slow in the first few months but then it is definitely going to catch on. The response is very, very positive and we hope that we will be able to show good numbers within the next few months itself.
- Amber Singhania:** So, here could you just share what kind of marketing budget we are keeping for this year in this division and vis-à-vis how much it was in FY 2015?
- Sharan Bansal:** If you talk about a marketing budget, which includes influencer programmes, dealer programmes as well as all the incentives that we give apart from the pure advertising budget, all of that included is in excess of 10% for the company because we are trying to cater to a premium positioning in the market there are lot of programmes that we have to run including training programmes to create awareness amongst the consumers as well as stakeholders of the industry,

and it is lower now in case of Eastern India where we are already established as a brand but a lot of it will help subsidize our efforts in Western India and Northern India which are new territories for us. So overall I would say that the budget is in the tune of 10% approximately and that is going to be the overall budget. It is going to be lower in some regions and slightly higher in some regions, but overall on an average it is going to be above 10%.

Amber Singhania: Approximately how much time will you take to stabilize this factory in Ahmedabad and when do we see that we can start seeing positivity from overall sales front because I believe till then we will have some impact on the margins on this division right?

Sharan Bansal: Ahmedabad is already commissioned it was commissioned in April itself the north and northeast plants which are in Secunderabad and Guwahati they are going to be commissioned within Q2. You are right we might have to compromise on certain amount of EBITDA numbers in the overall division to help stabilize these units and to bring about some substantial numbers over here, but that is I think a very short-term phenomenon, going forward we will see that the brand reclaims its position the same way it has done in Eastern India so we expect future a couple of years we will be able to achieve the same numbers that we are achieving in Eastern India.

Amber Singhania: Secondly coming to the margin of the engineering product division like the first speaker also asked 22% is the margin which looks significantly high despite factoring GI pipe closing down division as such so was it also because of the prices have cooled off a bit and we have got that inventory benefit or would it be safer to assume that we will be having 17% - 18% of the margin on a normal basis or 22% will be the fair assumption on that front?

Sharan Bansal: Our margins have been about in the range of 16% to 17% for the year and that is what it is in line with the expectation. It is not really a function of the raw material prices because as I mentioned most of our contracts are with escalation, de-escalation clauses so 16% to 17% is the target EBITDA numbers for this division of us.

Amber Singhania: This 2200 Crores of order book is roughly for how much tonnage?

Sharan Bansal: It is about 2400 Crores of the order book and this is approximately 3 lakh tonnes.

Amber Singhania: What was the average realization this year we have got?

Sharan Bansal: The average realization you mean as even on a per tonne basis?

Amber Singhania: Yes, on a per tonne basis.

Sharan Bansal: The per tonne basis about between Rs.70 and Rs.72 I believe.

Amber Singhania: That is all from my side. I will come back to the queue again.

Moderator: Thank you. The next question is a follow-up from the line of Prabhat Anantharaman from HDFC Securities. Please go ahead.

Prabhat Anantharaman: Sir just one more question, POWERGRID so if you say you have done a topline of 1300 Crores roughly so what is POWERGRID contribution to the total topline?

Sharan Bansal: POWERGRID in last year in FY 2015 was about 850 Crores out of the executed orders about our topline of 1150 in the engineering space.

Prabhat Anantharaman: Okay, out of 1150 in the engineering space?

Sharan Bansal: Yes.

Prabhat Anantharaman: Thank you Sir.

Moderator: Thank you. The next question is a follow-up from the line of Amber Singhania from Asian Market Securities. Please go ahead.

Amber Singhania: Just one more question on my part. This is regards to the forex derivates side as we had seen like we have rolled over some positions and booked around 42 Crores of revenue and profit last year as such how do you see going forward what kind of hedge position we have in open and what kind of rollover will come in and in roughly in which part of the year we can see those rollover coming in or closing coming in as such and at what rate it has been hedged as such?

Sharan Bansal: As the company's policy is to keep all the export orders hedged to protect ourselves from currency risk our entire order book has been is under hedged and we should see a similar gains what we saw in the last year in this year as well.

Amber Singhania: So roughly to the tune of 40 – 45 Crores we can see on an average coming with this kind of order book annual basis though it is lumpy but it will be more or less part of the business cycle as such?

Sharan Bansal: Yes absolutely.

Amber Singhania: That is all from my side.

Moderator: Thank you. The next question is from the line of Salil Utagi from Systematix Shares. Please go ahead.

Salil Utagi: Just one small query. There is one other company called Skipper Electrical so is there any relation between the two or that is an international company I believe?

Sharan Bansal: Yes, that is a company based in Dubai. In fact we have done some business together as well but there is absolutely no relation between the two companies and no connection between the promoters either.

Salil Utagi: So when both the companies are bidding for projects in India so what is the difference in the name there?

Sharan Bansal: In fact Skipper Electrical does not do any bidding in India. Most of their projects are located in Africa. In India it is according to me they do not do any bidding and anyway they are more an EPC company whereas we are more a manufacturing company.

Salil Utagi: So basically they are to EPC in substations and transmission?

Sharan Bansal: EPC substation and transformers that is right.

Salil Utagi: So have you supplied to them since then last three four years.

Sharan Bansal: We have just got an order from them recently.

Salil Utagi: For a PGCIL order?

Sharan Bansal: It was an export order in Nigeria.

Salil Utagi: Thanks a lot.

Moderator: Thank you. The next question is a follow-up from the line of Jagdishwar Toppo from Axis Capital. Please go ahead.

Jagdishwar Toppo: Just wanted to know, if you were to double your capacity how much capex do we require and what would be your timeframe to achieve that capacity?

Sharan Bansal: Are you talking about engineering or PVC?

Jagdishwar Toppo: In the overall let us say if you were to double your revenue two year or three years down the line so what kind of capex do you require because 90 Crores of PAT you have done for the full year against an equity of 300 odd Crores 319 Crores that is pretty impressive so I just wanted to know if you were to double or triple your revenue and let us start with double so how much of capex do you require?

Sharan Bansal: Sure, it is very good question and thank you for that. Essentially in our engineering product division we have already achieved we have already made a bulk of the major capex, which was required to achieve the capacity, which we have right now for 175000 tonnes. Now going forward we expect to add about 15% - 20% capacity here every year and that we will require very nominal capex of below 20 Crores and in our PVC division we are going for an asset like

model where company is mostly investing in the plant machinery so in there also we do not expect to add any significant capex so as such the company's outlook has always been to go for lesser capex and higher turnover so essentially if you were to ask me what would be the overall capex required to double our turnover from here on I would say it would not be more than 100 to 150 Crores.

Jagdishwar Toppo: Thank you so much.

Moderator: Thank you. Ladies and gentlemen that was the last question I would now like to hand the floor over to Mr. Amber Singhania for closing comments.

Amber Singhania: On behalf of Asian market I thank everyone for joining this call and a special thanks to the management of Skipper Limited for providing us insight about the company's business and its financial performance. With that we conclude the call. Sir, would you like to give any closing remarks?

Sharan Bansal: I would also like to add a little bit about the export outlook of the company, which actually did not get covered too much during the question. This has been obviously a very exciting development for the company in the last two years because of our strong alliance agreements in the Latin America region now we received a significant order inflow in the year FY 2014 and that was further improved in FY 2015 as well which because the two years order inflows as I mentioned it our orders today stand at 45% of our overall order book. Now going forward we are also in discussions with other Latin American operators because now Skipper has become a strong recognized name in that region and we expect further healthy order inflows from that region going forward as well so that is something which I would like to add. Of course I would like to thank AMSEC for organizing this conference call and all the participants for taking the time to join the call.

Moderator: Thank you. On behalf of Asian Market Securities Limited that concludes this conference thank you for joining us. You may now disconnect your lines.