

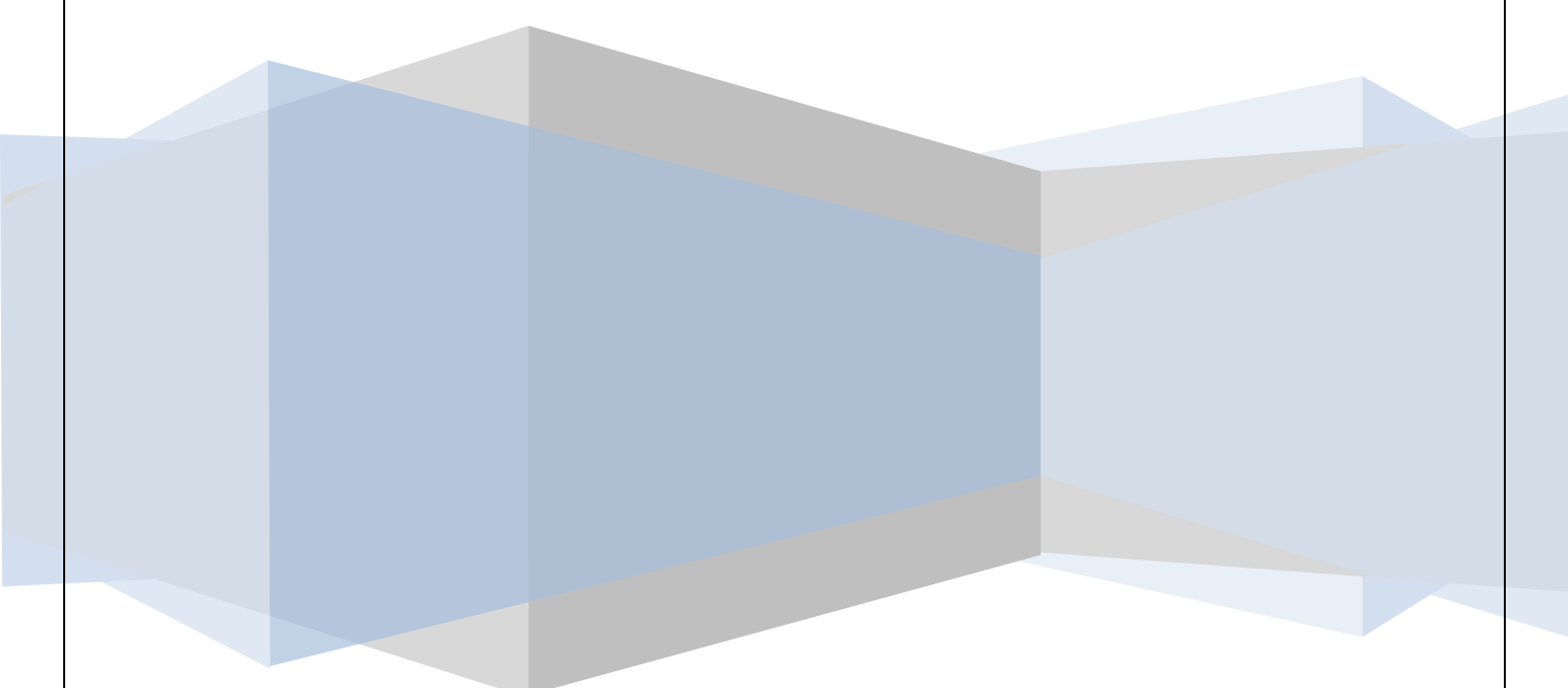
SKIPPER LTD



COMPANY ANALYSIS

Cmp- Rs 46.75

MANSUKH SECURITIES & FINANCE LTD



COMPANY ANALYSIS

PROFILE

Established in 1981, Skipper Ltd. has today evolved into one of the world's leading manufacturers for Transmission & Distribution Structures (Towers & Poles) in its Engineering Products segment, a leading and respected brand in the Polymer sector as well as trusted partner for executing critical Infrastructure EPC projects. Skipper's market reach spans across 30+ countries around the globe from South America, Europe, Africa, the Middle East, South and Southeast Asia and Australia. Within India, we are a preferred manufacturer of choice for our customers pan India, from J&K to Tamil Nadu and from North East India to Gujarat.

Holistic Products that Add Value

Skipper Limited is one of the world's largest integrated Transmission Tower manufacturing companies with Angle Rolling, Tower, Accessories & Fastener manufacturing and EPC line construction. Our manufacturing capacity is the largest in India and among the top 10 in the world. Skipper Limited is a national powerhouse in the Polymer Pipe business. Under the brand name of 'Skipper', the company manufactures huge range of premium quality pipes and fittings, which are used in different areas such as Plumbing, Sewage, Agriculture and Borewell sectors. Additionally, it is IT enabled and a number of operations are carried out on various ERP platforms. They are fast evolving from an Eastern region to a National Brand. Company is awarded as the 'Fastest growing Transmission Tower Manufacturing Company' by CNBC TV-18. Moreover its New PVC captive support unit got operational at Ahmedabad in April 2015 and crossed revenue of 14,000 Million with . Market capitalisation of 17,900 Million.

Transmission Towers



PVC Pipes



PVC raisins as input



Extrusion process

Poles



Procurement of Hot Rolled Coils From primary producers



Slitting and Cutting to size

COMPANY ANALYSIS

MARKET DATA

	BSE	NSE
Trading Date	19-08-2020	19-08-2020
Open	46.5	45.5
High	47	47.1
Low	43.85	44.55
Close	46.10	46.00
Previous Close	45.55	45
% Change	1.21	2.22
Volume	26812	184998
Value (Rs.Lac)	12.28	85.34
Trades	323	1203
52 Wks High	(30-09-2019) 62.90	(01-11-2019) 62.25
52 Wks Low	(25-03-2020) 17.55	(01-04-2020) 17.10
All Time High	(27-11-2017) 292.50	(27-11-2017) 292.30
All Time Low	(25-03-2020) 17.55	(24-03-2020) 17.10

VALUATION

Standalone Consolidated

Market Cap (Rs Cr.)	473.82	Market Lot	1	Price/Book	0.69
P/E	11.57	Industry P/E	17.50	Dividend Yield.(%)	0.22
Book Value (Rs)	66.97	EPS (TTM)	4.04	Face Value (RS)	1.00
Dividend (%)	10.00	P/C	6.03	Deliverables (%)	78.69

* Note - PE (TTM) is displayed only when latest 4 quarter results are positive.

COMPANY ANALYSIS

FINANCIALS (RS CR.)

Quarterly	Mar-20	Dec-19	Sep-19	Jun-19	Mar-19
Sales	438.85	299.84	313.25	338.56	433.39
Other Income	0.3	1.23	0.16	0.27	0.36
Total Income	439.15	301.07	313.41	338.83	433.75
Total Expenditure	421.33	274.7	288.17	305.28	386.46
EBIT	17.83	26.37	25.24	33.57	47.3
Interest	19.86	20.13	23.21	21.56	25.04
Tax	-29.43	1.78	0.61	3.79	4.49
Net Profit	27.4	4.46	1.42	8.22	17.77

Half Yearly	Mar-20	Sep-19	Mar-19	Sep-18
Sales	738.69	651.82	868.21	1,002.66
Other Income	1.53	0.43	0.71	0.66
Total Income	740.22	652.25	868.92	1,003.32
Total Expenditure	696.04	593.45	787.61	940.06
EBIT	44.19	58.81	81.32	63.26
Interest	39.99	44.77	48.54	53.05
Tax	-27.65	4.4	8.56	3.22
Net Profit	31.85	9.64	24.22	6.99

Per Share Ratios	Mar-20	Mar-19
Basic EPS (Rs.)	4.02	3.04
Diluted Eps (Rs.)	4.02	3.04
Book Value /Share (Rs.)	66.95	63.17
Dividend/Share (Rs.)	0.1	0.25
Face Value	1	1

Margin Ratios	Mar-20	Mar-19
Gross Profit Margin (%)	10.14	9.75
Operating Margin (%)	7.4	7.72
Net Profit Margin (%)	2.98	1.66

COMPANY ANALYSIS

Equities & Liabilities	Mar-20	Mar-19
Share Capital	10.27	10.27
Reserves & Surplus	677.06	638.34
Current Liabilities	826.89	777.58
Other Liabilities	198.64	226.61
Total Liabilities	1,712.86	1,652.80
Assets		
Fixed Assets	589.53	522.93
Current Assets	1,050.76	1,118.48
Other Assets	72.57	11.39
Total Assets	1,712.86	1,652.80
Other Info		
Contingent Liabilities	0	24.5

Q2FY20 ANALYSIS

Skipper continued to deliver a very poor performance in 2QFY20 as compare to previous quarter, with its PAT declining by 82% qoq to Rs1.42 cr. Its revenue declined by 7.66% qoq to Rs313.41 cr by 28% de-growth in Polymer division and lower execution in Engineering Products business. Looking ahead, we continue to believe that a ample order book, massive forthcoming opportunity and diversification into PVC business firmly place Skipper on a higher growth trajectory. Flat Revenue on Weak Performance of Engineering & Polymer Biz Skipper's revenue grew by marginally 1.6% qoq owing to lower growth in Polymer division by 16.1% YoY and weak execution in Engineering Products business (+3.1% YoY). Revenue from Engineering Products segment – which accounted for 91% of total sales – degrew by 11.9% qoq (6.8% yoy) to Rs273cr due to lack of short-term orders and slower project execution on account of strong monsoon and hurdles in multiple regions owing to elections. Maintaining that T&D revenue spilled over to 2HFY20, the Management expects strong growth trajectory in Telecom & Railway to continue, while the contribution of non-T&D business is likely to grow to 28% of total revenue. Revenue from Polymer segment – which accounted for 7.9% of total sales – fell by 26% qoq (16.9% YoY) to Rs88 cr on account of strategic shifting of capacity from Telengana/Secunderabad to Ulberia (WB). Revenue from Infrastructure Products business grew by 10.4% qoq to Rs.80cr. EBITDA declined by 25% qoq (36% yoy) to Rs25.24 cr, while its EBITDA margin contracted by 386bps YoY to 7.4%. However, adjusted for Rs122mn forex loss, its EBITDA margin fell by 126bps qoq to 8.2% led by sustained high raw material prices (Steel and Zinc had impacted its fixed price contracts, slow off-take and delay in execution of T&D projects leading to lower utilisation of plant capacities. Fall in polymer margin to 2.6% in 2QFY20 (from 7.2% in 2QFY20) is attributable to increasing penetration cost in newer markets owing to increased brand building spend and dealer incentives, while Engineering Products margin fell to 13.9% from 16.9% in 2QFY20 on account of lower margin in telecom business. Notably, Infrastructure Products business margin plunged to 2.8% from 8.5% in 2QFY20. Interest cost rose by Rs23.21 cr to Rs21.56 cr owing to rise in working capital borrowing, which impacted Skipper's profitability.

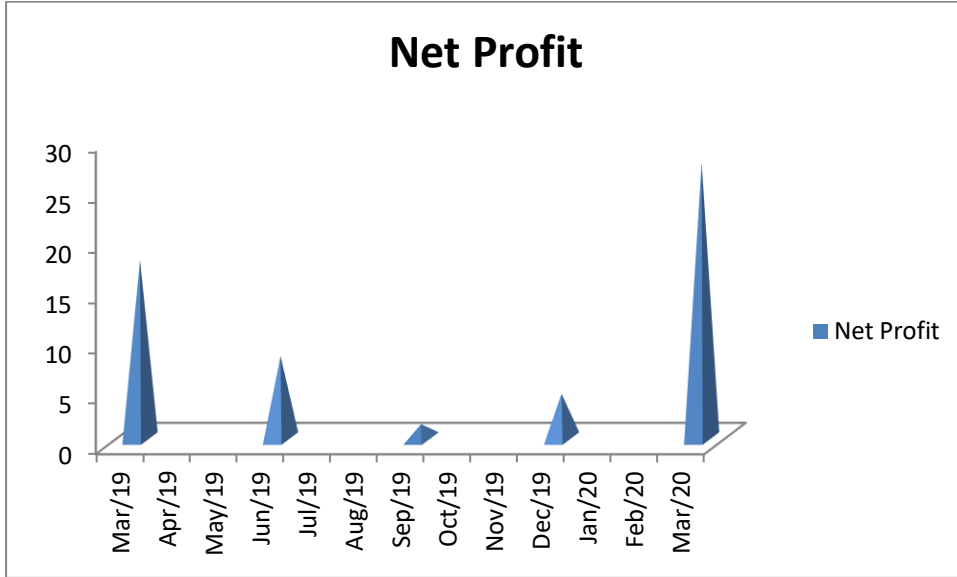
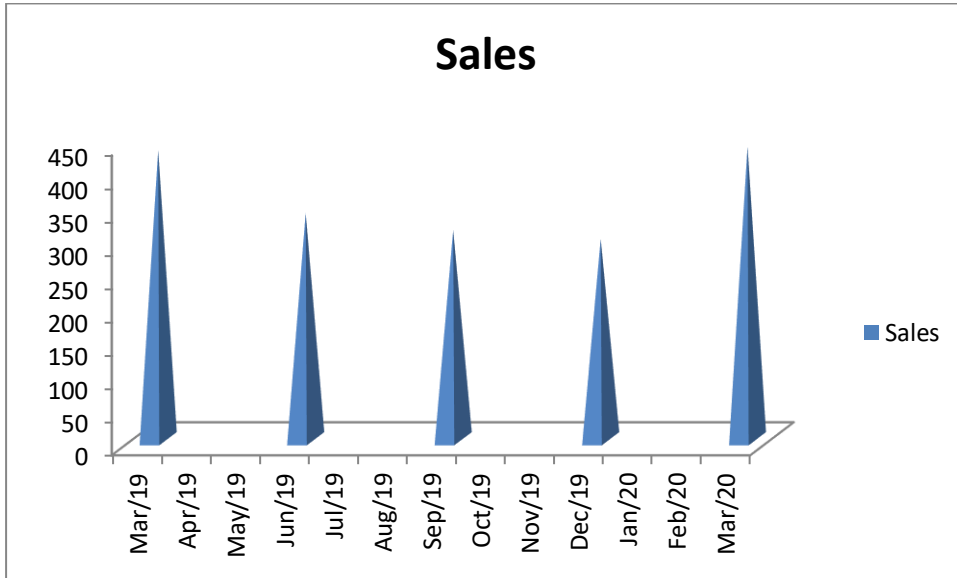
Mansukh Securities and Finance Limited : SEBI Registration Number- INZ000164537 (Members- NSE, BSE, MCX, MSEI), IN-DP-72-2015 (DP-NSDL)

Mansukh Stock Brokers Limited : SEBI Registration Number- INZ000164937 (Members- BSE), IN-DP-36-2015 (DP-CDSL)

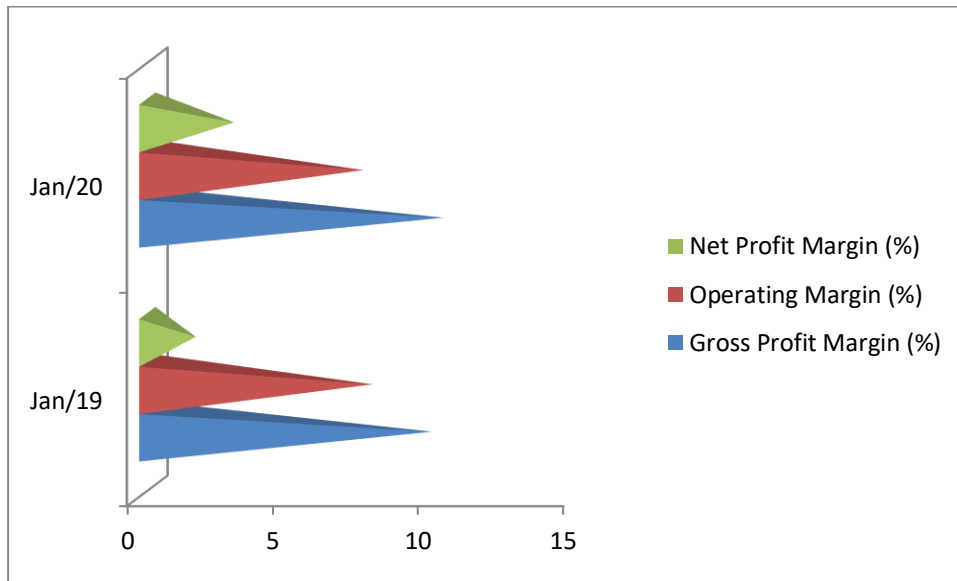
Mansukh Commodity Futures Private Limited : SEBI Registration Number- INZ000063032 (Members- MCX, NCDEX)

Mansukh IFSC Broking Private Limited : SEBI Registration Number- INZ000099432 (Members- NSE IFSC, INDIA INX)

COMPANY ANALYSIS



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VALUATION

COVID-19 has turned into a global crisis, evolving at unprecedented speed and scale. No industry is immune and Industrial Equipment, transmission is no exception. Industrial Equipment, T&D companies are grappling with the immediate impact of COVID-19 as both their manufacturing and supply chain operations are being disrupted, and their customers' own operations face similar challenges. This is having an exponential effect down the whole supplier network, hitting Industrial Equipment companies with a lag, but at full force nonetheless. In addition, COVID-19 has introduced new challenges that needed to be addressed quickly, including worker absence, restricted site access and collaboration, travel limitations, fatigue and new ways of working.

Skipper secured new orders worth Rs.300 CR during Q2FY20 for engineering products from projects of PGCIL, State Electricity Boards and others. Non-T&D products i.e. Telecom Towers & Railway Structures revenue contribution is expected to be 20% by FY21-end. The Railways business is on a high growth trajectory on the back of consistent order flows. Its closing order book as of Sep'19-end stood at Rs28.5bn from PGCIL (39.6%), domestic private players/ SEBs/telecom (41.6%) and exports (12.8%). The Management expects growth to remain strong and gain further momentum on the back of increased opportunities from PGCIL, SEBs, TBCB projects, renewable projects, exports and infrastructure push in the North East and Eastern India. Strategy of diversifying the product portfolio may enable Skipper to tap the growing opportunities in sectors like railways, solar and telecom, in our view. Trimming down our earnings estimate by 26% for FY21 on account of lower margin and corona crisis and up by 17.6% for FY22, we maintain our BUY recommendation on the stock with a revised Target Price of Rs81, valuing at 15x FY21E and 18x FY22E .

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Annual	Mar-22	Mar-21	Mar-20	Mar-19
Sales	1522.75	1282.6	1,390.51	1,870.87
Other Income	2.65	0.92	1.97	1.37
Total Income	1525.4	1283.52	1,392.47	1,872.24
Total Expenditure	1324	1190.65	1,289.48	1,727.66
EBIT	201.4	92.87	102.99	144.57
Interest	77.4	67.55	84.76	101.59
Tax	8.9	7.55	-23.26	11.77
Net Profit	115.1	17.77	41.49	31.21