

DATE: 17/05/2016

FINANCIAL PERFORMANCE:

Skipper Ltd reported its Q3 FY16 results, the net revenue of the company has grown to 12% YoY at INR 3717.7 Mn. The EBITDA of the company stood at INR 495 Mn with a margin of 13.3% as against 14.7% YoY & 12.2% on QoQ. The PAT stood at INR 187.2 Mn with a margin of 5% in Q3FY16 as against 8.7% QoQ.

KEY CONCERNS:

Volume growth in transmission business:

Instead of registering a strong volume growth of 20% in transmission business, the growth in the sales was lower at 12.87% YoY because of softer commodity prices, which has led to expanded EBIT margin of 14.7% from 13.5% in same quarter previous year. EBITDA was supported by export incentives worth of INR 102 Mn. The export revenues for 9MFY16 were proportionate to 50% of sales, with order book of more than INR 20000 Mn and bid for INR 30000 Mn.

PVC business - A Vigorous bull:

In 9MFY16, the PVC business has shown vigorous growth of 108.7% YoY, with 98% in Q3FY16. With a increased capacity and low base we expect the growth momentum to continue in future. As the new markets are being penetrated the pressure on PVC business will be there for the next couple of quarters.

PVC Pipes Business - Expansion Path:

The production at new plant at Sikandrabad will commence shortly. This is the fourth manufacturing unit of the company for PVC products after Kolkata, Ahmadabad & Assam. Introduction of this plant will bring the combined installation capacity to 35000 MT. we believe that the company will have a installed capacity of 40000 MT till the end of this financial year, and a further to 100000 MT by FY18-19.

SECTOR: MISCELLANEOUS

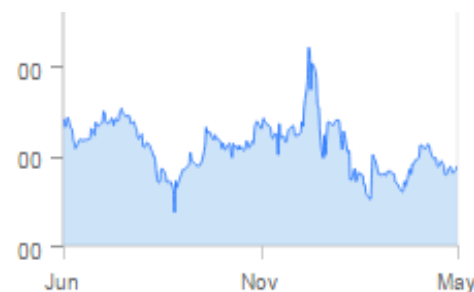
Stock Summary:

Particular	
CMP	142.80
Target	248
Potential Upside	73.6%
O/S no. of Shares	102
Equity Capital (INR)	102
Market Cap. (INR)	17414
52 Weeks High (INR)	219.90
52 Weeks Low (INR)	117
Face Value (INR)	1
NSE Code	SKIPPER
BSE Code	538562

Share Holding Pattern:

Particular	March-16
Promoters	72.38%
Public (DIIs+FIIIs)	27.62%
Others	0.00%
TOTAL	100%

Stock Performance:



Company Synopsys:

Skippers ltd. was established in 1981, and has evolved into one of the world's leading manufacturers for Transmission & Distribution Structures (Towers & Poles) in its Engineering Products segment. It is a leading and respected brand in the Plastic Water Pipes sector as well as trusted partner for executing critical Infrastructure EPC projects. Skipper's market reaches spans across 20 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.

Valuation & Outlook:

The earning is estimated for FY16E as 18%, FY17E as 16% & FY18E as 19%, to reflect softer commodity prices. Vigorous order book providing revenue visibility in Transmission & Distribution business, expansion in PVC business on a pan India level provided growth opportunities & increased our belief for sustainable superior earnings performance ahead with an EPS CAGR of 45.3% for FY16-18E. The company will have a P/E multiple of 16x & EPS of INR 15.47 with an EV/EBITDA of 8.78x for the FY18E, which is 73.6% upside from current level. Based on the multiples and vigorous growth prospects we recommend a BUY CALL with a TARGET PRICE of INR 248. The company at current is having a CMP of INR 142.80, with a P/E of 10.02x.

Key Financials:

Particular	FY 14	FY 15	FY 16E	FY 17E	FY 18E
Net Sales	10404	12702	15030	19216	23395
EBITDA	1091	1726	1999	2623	3217
Adj. PAT	258	466	750	1200	1583
EPS	2.52	4.55	7.33	11.73	15.47
OPM (%)	10.49	13.59	13.30	13.65	13.75
NPM (%)	2.59	7.02	6.19	6.25	6.77

Q3FY16 Results Synopsis:

Particular	Q3FY16	Q2FY16	Q3FY15	QoQ	YoY
Net Sales	3615.70	3436.30	3226.80	5.22%	12.05%
Other Operating Income	102	62.80	.6	62.35%	16561%
Net Sales & Other Operating Income	3717.70	3499.10	3227.40	6.25%	15.19%
Total Expenditure	3222.60	3070.50	2753.30	4.96%	17.05%
Cost of Material Consumed	2293.80	2486.40	2508.30	-7.75%	-8.55%
Increase/Decrease in Stock	28.3	-196.80	-275.50	-114.37%	-110.2%
Employee Benefit Expenses	121.70	123.60	93	-1.58%	30.75%
Other Expenses	778.90	657.20	427.40	18.52%	82.23%
EBIDT (Excluding Other Income)	495	428.60	474.20	15.50%	4.40%
EBITDA Margin (%)	13.30%	12.20%	14.70%	107bps	-138bps
Depreciation	61.30	57.80	51.70	6.07%	18.68%
EBIT Before Exceptional Item	433.70	370.80	422.50	16.96%	2.66%
Other Incomes	8.6	26	6.9	-66.98%	24.15%
Exceptional Item	0.00	181.40	0.00	-100%	0
EBIT	442.30	578.20	429.40	-23.50%	3%
Interest	153	114.30	173.30	33.90%	-11.71%
EBT	289.30	463.90	256.10	-37.64%	12.95%
Tax	102.10	161	85.50	-36.57%	19.41%
PAT	187.20	302.90	170.60	-38.20%	9.73%
PAT Margin	5%	8.7%	5.3%	-362bps	-25bps
EPS	1.83	2.96	1.67	-38.18%	9.58%

Segmental Revenue:

Particular	Q3FY16	Q2FY16	Q3FY15	QoQ	YoY
Infrastructure Projects	14.10	4.90	52.80	186.38%	-73.29%
Engineering Products	3272.40	3377.40	2899.10	-3.11%	12.87%
PVC Products	371.50	263.60	187.30	40.91%	98.35%
TOTAL	3717.70	3680.40	3227.40	1.01%	15.19%

Segmental Revenue:

Particular	Q3FY16	Q2FY16	Q3FY15	QoQ	YoY
Infrastructure Projects	19.10%	12.50%	37.40%	658bps	-1834bps
Engineering Products	14.70%	18.10%	13.50%	-340bps	126bps
PVC Products	10.20%	12.20%	10%	-206bps	16bps

Segmental EBIT:

Particular	Q3FY16	Q2FY16	Q3FY15	QoQ	YoY
Infrastructure Projects	14.10	4.90	52.80	186.38%	-73.29%
Engineering Products	481.40	611.60	390	-21.28%	23.45%
PVC Products	37.70	32.20	18.70	17.17%	101.55%
TOTAL	533.30	648.70	461.50	-17.80%	15.56%
Less: Interest Expense	153	114.30	173.30	33.91%	-11.71%
Add/Less: Other Unallocable Exp.	91	70.50	32.10	29.08%	183.49%
PBT	289.30	464	256.10	-37.65%	12.95%

Profit & Loss Statement:

Particular	FY14	FY15	FY16E	FY17E	FY18E
Net Sale	10404	12702	15030	19216	23395
YoY Growth	15.75%	22.09%	18.33%	27.85%	21.74%
Raw Material Cost	7870	8551	10146	12952	15768
Increase/Decrease in Stock	-269	246	286	346	421
Staff Cost	274	341	406	509	620
Other Expenses	1439	1838	2194	2786	3369
Total Expenditure	9313	10976	13031	16593	20178
EBITDA	1091	1726	1999	2623	3217
YoY % Growth	30.25%	58.20%	15.83%	31.21%	22.64%
EBITDA Margin (%)	10.49%	13.59%	13.30%	13.65%	13.75%
Depreciation	151	220	251	277	301
EBIT	940	1506	1748	2346	2915
Interest	605	583	570	570	570
Other Incomes	21	17	41	29	35
Exceptional Items (Forex)	-11	-426	-181	-	-
PBT	367	1366	1400	1805	2380
Tax	98	474	469	605	797
Effective Tax Rate (%)	26.71%	34.71%	33.50%	33.50%	33.50%
PAT	269	892	931	1200	1583
YoY % Growth	43.82%	231.37%	4.41%	28.93%	31.87%
PAT Margin (%)	2.59%	7.02%	6.19%	6.25%	6.77%
Adjusted PAT	269	892	931	1200	1583
YoY % Growth	49.93%	80.65%	60.96%	60.05%	31.87%
Adj. PAT Margin	2.48%	3.67%	4.99%	6.25%	6.77%
Reported EPS	2.63	8.71	9.10	11.73	15.47
Adj.EPS	2.52	4.55	7.33	11.73	15.47

Balance Sheet:

Particular	FY14	FY15	FY16E	FY17E	FY18E
Share Capital	102	102	102	102	102
Reserves	2209	2936	3703	4748	6171
Net Worth	2312	3039	3810	4850	6273
Long Term Loans	2639	2105	2100	2100	2100
Short Term Loans	1755	1724	1700	1700	1700
Total Loans	4395	3829	3800	3800	3800
Deferred Tax Liability (Net)	218	265	265	265	265
Total Liabilities	6924	7132	7874	8915	10338
Gross Block	3943	4295	4830	5230	5730
Depreciation	558	782	1033	1310	1611
Net Block	3385	3513	3796	3920	4118
Capital WIP	83	35	-	-	-
Inventories	2290	2282	3088	3949	4807
Trade Receivables	2318	3758	3912	5002	6089
Cash & Bank Balances	263	561	639	625	899
Loans & Advances	455	458	618	737	897
Other Current Assets	21	31	30	38	47
Total Current Assets	5347	7090	8287	10350	12739
Trade Payables	1563	2415	3088	3949	4807
Other Current Liabilities & Provisions	328	1090	1121	1407	1713
Total Current Liabilities	1891	3505	4210	5356	6520
Net Current Assets	3456	3585	4078	4995	6219
Total Assets	6924	7132	7874	8915	10338

Cash flow:

Particular	FY14	FY15	FY16E	FY17E	FY18E
PBT	367	1366	1400	1805	2380
Depreciation	151	220	251	277	301
Inc/(Dec) in W.C.	-134	170	-415	-931	-950
Interest Paid	605	583	570	570	570
Tax Paid	-62	-427	-469	-605	-797
Cashflow from Operations	928	1911	1337	1116	1504
Net cash from Operations	928	1911	1337	1116	1504
Capex	-321	-299	-500	-400	-500
Net Cash After Capex	607	1612	837	716	1004
Inc/(Dec) in Short Term Borrowing	-235	-31	-24	-	-
Inc/(Dec) in Long Term Borrowing	387	-535	-5	-	-
Inc/(Dec) in Total Borrowings	152	-566	-29	-	-
Interest Paid	-605	-583	-570	-570	-570
Dividends Paid	-18	-160	-160	-160	-160
Cash From Financial Activities	-472	-1309	-759	-730	-730
Others	-	-5	-	-	-
Opening Cash & Cash Equivalents	128	263	561	639	625
Closing Cash & Cash Equivalents	263	561	639	625	899
Change in Cash & Cash Equivalent	135	298	78	-14	274

Ratios:

Particular	FY14	FY15	FY16E	FY17E	FY18E
EPS	2.63	8.71	9.10	11.73	15.47
Adj. EPS	2.52	4.55	7.33	11.73	15.47
Book Value	22.59	29.70	37.23	47.40	61.31
P/E	13.97	17.53	17.03	13.21	10.02
P/E (Adj. EPS)	14.58	33.55	21.14	13.21	10.02
P/BV	1.63	5.15	4.16	3.27	2.53
EV/EBITDA	7.23	10.95	9.51	7.26	5.83
EV/Sales	.76	1.49	1.27	.99	.80
RoCE	14.02	21.93	22.97	27.13	28.94
RoE	11.16	15.34	19.69	24.75	25.24
RoIC	14.59	23.88	25.08	29.24	31.78
EBITDA Margin	10.49%	13.59%	13.30%	13.65%	13.75%
EBIT Margin	9.04%	11.86%	11.63%	12.21%	12.46%
PBT Margin	3.53%	10.75%	9.32%	9.39%	10.18%
PAT Margin	2.59%	7.02%	6.19%	6.25%	6.77%
Adj. PAT Margin	2.48%	3.67%	4.99%	6.25%	6.77%
Asset Turnover Ratio	1.50	1.78	1.91	2.16	2.26
Receivables Turnover Period	81	108	95	95	95
Inventory Turnover Period	80	66	75	75	75
Payables Turnover Period	55	69	75	75	75
Debt – Equity	1.90	1.26	1.00	.78	.61
Interest Coverage	1.55	2.59	3.07	4.12	5.11

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