Press Release

Skipper Limited

26 May 2020

Rating Assigned

Total Bank Facilities Rated*	Rs. 1950.00 Cr.
Long Term Rating	ACUITE A-/Stable (Assigned)
Short Term Rating	ACUITE A2+ (Assigned)

** Refer Annexure for details*

Rating Rationale

Acuité has assigned a long-term rating of **'ACUITE A-' (read as ACUITE A minus)** and short-term rating of **'ACUITE A2+' (read as ACUITE A two plus)** to the above-mentioned bank facilities of Skipper Limited (SL). The outlook is **'Stable'**.

Skipper Limited was incorporated in 1981 by the Kolkata based Bansal family. The company has a diversified business profile as SL has three business segments, viz. engineering, polymer and infrastructure. The engineering segment with capacities of 300,000 MTPA is into manufacturing of transmission tower, telecom towers, poles, distribution poles, angles, fasteners and railway structures. The revenue contribution from this segment is around 82 to 88 percent of total revenue. The polymer segment with manufacturing capacities of 51000 MTPA is into manufacturing of various kinds of UPVC pipes, CPVC pipes, SWR pipes which are used for plumbing and irrigation purpose and contributes to around 10 percent of total revenue. Third segment is EPC where company executes projects related to power transmission which contributes to the balance 8 percent. The company has five manufacturing units located in West Bengal and Assam. Presently, the company is managed by Mr Sajan Kumar Bansal and his sons, Mr. Sharan Bansal, Mr. Devesh Bansal and Mr. Siddharth Bansal.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Skipper Limited to arrive at this rating.

Key Rating Drivers

Strengths

Long operational track record and experienced management

Skipper Limited was incorporated in 1981 by Bansal family as Skipper Investments Limited and company was engaged into manufacturing of poles and towers. The name of the company was changed to its current name in 2009. In 2006, company got its first orders from Power Grid Corporation of India Limited (PGCIL) for supplying transmission powers. The company got listed in Bombay Stock Exchange (BSE) and National stock Exchange (NSE) in 2014 & 2015 respectively. The company is managed by an experienced management which includes Mr. Sajan Kumar Bansal who has more than 3 decades of experience in same line of business who is ably supported by his three sons and qualified personnel. The long track record of operations and expertise has enabled the company to emerge as one of the leaders in the power transmission towers in India.

Strong business profile with reputed clientele and healthy order book

Skipper Limited has a strong business profile which is reflected from its business diversification as it is engaged into manufacturing of power transmission towers, PVC pipes and also executes certain EPC contracts. Engineering segment caters to both domestic and overseas markets. Presently company has a presence across 30 nations which include Asia, South American, Middle East and African nations. The company has strong customer base which includes power transmission & distribution companies, EPC contractors, telecom companies and Indian railway. SL caters to reputed companies such as Reliance Jio, PGCIL, Tata Projects among others. The company has an extensive distribution network of 20,000 retailers in eastern India for its polymer segment. SL has healthy existing order book of Rs 2281 Cr and Rs 4150 Cr of orders are pipeline as on 31 December 2019. Nearly 88 percent of existing order book belongs to power transmission & distribution (T&D) sector out of which 46 percent of orders are issued by PGCIL; 27 percent from the export market and the balance from domestic power transmission & distribution companies. The company has been successfully able to increase its order inflow from the export market; order inflow increased by 24 percent within 9MFY20. The healthy order book along with their strong bidding pipeline indicates an improvement in their business outlook over the medium term.

Healthy financial risk profile

The financial risk profile is marked by its strong net worth, comfortable gearing ratio and modest debt protection metrics. The net worth of the company stood at Rs. 647.54 Cr. as on 31st March'2019 as compared to Rs 636.56 Cr. in the previous year. In FY 20, net worth of the company will continue to improve as net worth as on 30 September 2019 stood at Rs655. 8Cr. The gearing levels of the company has consistently been maintained at below unity in the past three years till FY 2019 and is expected to remain at similar levels as on March 31, 2020. Interest coverage and DSCR stood at 1.79 times and 1.19 times in FY19 as against 3.85 times and 2.22 times in FY18 respectively. This deterioration was on account of a steep decline in their profitability margins and rise in finance cost due to increased cost of borrowing. However, Acuité derives comfort from the improvement in the profitability margins of the company with EBITDA margin of around 11.3 percent in 9MFY'20 and no dip expected in Q4FY'20. The debt protection measures are expected to improve moderately in FY20. Going forward, Acuité believes the financial risk profile will improve over the medium term due to improvement in their scope of operations and absence of any large debt funded capex plan.

Weaknesses

Decline in the revenue levels

The revenue of the company had declined to Rs 1870.86 Cr in FY19 as against Rs 2107.6 Cr in FY18 on account of decline in sale volume. This decline was due to slow execution of orders and low order inflow from the domestic power transmission industry. The company has posted a revenue of Rs 951 Cr till 9MFY'20 as against Rs 1457 Cr in 9MFY19 thus indicating a further fall in revenues in FY'20 as against the preceding year. Nevertheless, the company's increased focus towards increasing their foothold in the export market along with improved order inflow from the domestic players provides adequate revenue visibility over the medium term.

Working capital intensive operations

The operations of SL are working capital intensive as reflected in their Gross Current Asset (GCA) days of 216 days in FY19 as compared to 210 days in the previous year. The high GCA days are mainly on account of high unsold inventory of finished goods and stretched receivables from power transmission entities. Acuité expects the GCA days to hover around same levels over the medium term on account of the nature of operations of the entity.

Rating Sensitivity

- Substantial improvement in the scale of operation along with improvement in profitability margins.
- Sustenance of their liquidity position
- Improvement in debt protection metrics

Material Covenant

None

Liquidity Profile: Adequate

The company has an adequate liquidity profile marked by sufficient cash accruals to meet their term debt obligations. The working capital utilization stood at around 82 percent during 12 months ended March 2020. The production in their units was halted from March 23, 2020 till April 20, 2020 on account of the nationwide lockdown for Covid-19. Operations have resumed from April 20, 2020 albeit at a much slower pace leading to a very low capacity utilization. Slow execution of orders and delayed payments from customers may partly impact their cash flow position in the near term. Despite the near term challenges, the liquidity position of the company is expected to be adequate due to the moratorium availed by the company in repayment of its financial obligations till the end of May 2020 coupled with additional Covid 19 line of credit expected to be available from the banks.

Outlook: Stable

Acuité believes the outlook of SL will remain 'Stable' over the medium term backed by its long track record of operations, strong business profile, strong order book and healthy financial risk profile. The outlook may be revised to 'Positive' if the company is able to ramp up its scale of operations significantly while maintaining its profitability margins at current levels thereby resulting in enhanced cash accruals and better liquidity position. Conversely, the outlook may be revised to 'Negative' in case of a further deterioration in its revenue levels or a significant drop in its profitability margin.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	1871.14	2090.98
PAT	Rs. Cr.	31.17	117.76
PAT Margin	(%)	1.67	5.63
Total Debt/Tangible Net Worth	Times	0.81	0.78
PBDIT/Interest	Times	1.79	3.85

Any other information

Not Applicable

Applicable Criteria

- Default Recognition -https://www.acuite.in/view-rating-criteria-17.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-20.htm

Note on complexity levels of the rated instrument

https://www.acuite.in/criteria-complexity-levels.htm

Rating History (Upto last three years)

NA

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	425	ACUITE A-/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	959.50	ACUITE A2+ (Assigned)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	45	ACUITE A-/Stable (Assigned)
Term Loan	December 2015-March 2018	Not Applicable	March 2021-March 2024	134.07	ACUITE A-/Stable (Assigned)
Proposed bank facilities	Not Applicable	Not Applicable	Not Applicable	119.43	ACUITE A-/Stable (Assigned)

Letter of Credit	Not Applicable	Not Applicable	Not Applicable	267	ACUITE A2+ (Assigned)

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About Acuité Ratings & Research:

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