

Press Release

Skipper Limited

December 04, 2020

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITÉ A-**' (read as **ACUITÉ A minus**) and the short term rating of '**ACUITÉ A2+**' (read as **ACUITÉ A two plus**) on the Rs.1950.00 crore bank facilities of Skipper Limited (SL). The outlook is '**Stable**'.

The ratings continue to reflect the company's long operational track record, strong business risk profile with a reputed clientele apart from the healthy financial risk profile. In addition, the company has a healthy order book which provides medium term revenue visibility. Though the operations were impacted in Q1FY21 due to the pandemic, the company has been able to get back to normalcy and ramp up its revenues from Q2FY21. SL has reported sales of Rs 403.59 crore with EBITDA margin of 12 percent in Q2FY21 as compared to revenue of Rs 313 crore and EBITDA margin of 10.91 percent in Q2FY20. This improvement is driven by healthy execution of orders in Q2FY21. Acuite believes the company will post flattish revenues and healthy profitability margins till the end of the current financial year.

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 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 four manufacturing units located in West Bengal and Assam. Recently the company has set up a Department of Science and Industrial Research (DSIR) approved transmission line testing station in West Bengal. 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

Acuite 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 the company was engaged into manufacturing of poles and towers. The name of the company was changed to Skipper Steels Limited. Again in 2009, the name was changed to its current name. In 2006, company got its first orders from Power Grid Corporation of India Limited (PGCIL) for supplying transmission powers. The company got listed on Bombay Stock Exchange and National Stock Exchange 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 catering to both the domestic and overseas markets. Presently, the company has a presence across 30 nations which include Asia, South American, Middle East and African nations. The company has a strong customer base which includes power transmission & distribution companies, EPC contractors, telecom companies and Indian Railways. 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 a healthy existing order book of Rs 1710.88 Cr and Rs 4650 Cr of orders are bidding pipeline as on 30 September 2020. Nearly 91 percent of existing order book belongs to power transmission & distribution (T&D) sector out of which 28 percent of orders are issued by PGCIL; 36 percent from the export market and the balance from domestic power transmission & distribution companies. The company has bagged fresh orders of Rs 220 crore in Q2FY21. The healthy order book, along with their strong bidding pipeline provides comfort to 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 comfortable debt protection metrics. The net worth of the company stood at Rs. 686.41 Cr. as on 31st March'2020 as compared to Rs 647.54 Cr. in the previous year. The gearing ratio of the company stood at 0.66 times in FY20 as against 0.81 times in FY19 due to decline in debt level because of low utilization of fund based limits during the year end. The total debt of Rs.453.75 Cr in FY2020 consists of short-term loan of Rs. 262.42 Cr, long-term debt of Rs.174.41 Cr and unsecured loan from promoters of Rs. 16.93 Cr. Interest coverage and DSCR stood at 1.66 times and 1.31 times in FY20 as against 1.79 times and 1.19 times in FY19 respectively. The deterioration in interest coverage was on account of a decline in absolute EBITDA due to fall in turnover levels. Profitability of the company stood comfortable as reflected from EBITDA margin of 10.05 percent in FY20 as against 9.79 percent in FY19 due to reduction in losses of polymer segment. NCA/TD stood at 0.20 times in FY20 as against 0.13 times in FY19. Going forward, Acuite 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 1390.72 Cr in FY20 as against Rs 1871.14 Cr in FY19 on account of a decline in sales volume. This decline was due to low order inflow from the domestic power transmission industry. The company has posted revenue of Rs 624.31 Cr in H1FY21 as against Rs 651.82 Cr in H1FY20 as company's operation was disrupted during Q1FY21 due to nationwide lockdown. 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 273 days in FY20 as compared to 216 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. Acuite 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 maintenance 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 its term debt obligations. Net cash accrual of the company stood at Rs 79.36 crore in FY20 as against current maturity of Rs 34.45 crore. Going forward, the net cash accruals are expected to be in the range of Rs 90-100 Cr as against current maturity of around Rs. 70 Cr from FY21-FY23. The working capital utilization stood at around 80 percent during 12 months ended September 2020. The current ratio of the company stood comfortable at 1.26 times in FY20. In addition, the overall working capital requirement had increased in FY20 as GCA days stood at 273 days as against 216 days in FY19. The company had availed COVID loan of Rs 38.90 crores to fund the rise in working capital requirement. Acuite believes the liquidity position of the company will remain adequate backed by steady cash flow and accrual over the medium term.

Outlook: Stable

Acuite believes the outlook of SL will remain 'Stable' over the medium term backed by its long track record of operations, strong business profile, healthy order book and comfortable 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	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	1390.72	1871.14
PAT	Rs. Cr.	41.26	31.17
PAT Margin	(%)	2.97	1.67
Total Debt/Tangible Net Worth	Times	0.66	0.81
PBDIT/Interest	Times	1.66	1.79

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
26-May -2020	Cash Credit	Long Term	425	ACUITÉ A-/Stable (Assigned)
	Bank Guarantee	Short Term	959.50	ACUITÉ A2+ (Assigned)
	Proposed Term Loan	Long Term	45	ACUITÉ A-/Stable (Assigned)

	Term Loan	Long Term	134.07	ACUITÉ A-/Stable (Assigned)
	Proposed bank facilities	Long Term	119.43	ACUITE A-/Stable (Assigned)
	Letter of Credit	Short Term	267	ACUITÉ A2+ (Assigned)

***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	124.00	ACUITE A-/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	24.00	ACUITE A-/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A-/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	150.00	ACUITE A-/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	65.00	ACUITE A-/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A-/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A-/Stable (Reaffirmed)
Term Loan	December 2015	Not Applicable	March 2021	23.51	ACUITE A-/Stable (Reaffirmed)
Term Loan	December 2015	Not Applicable	March 2024	4.50	ACUITE A-/Stable (Reaffirmed)
Term Loan	December 2018	Not Applicable	March 2024	21.88	ACUITE A-/Stable (Reaffirmed)

Term Loan	December 2015	Not Applicable	December 2020	3.75	ACUITE A-/Stable (Reaffirmed)
Term Loan	March 2018	Not Applicable	September 2023	38.05	ACUITE A-/Stable (Reaffirmed)
Term Loan	March 2018	Not Applicable	September 2024	32.81	ACUITE A-/Stable (Reaffirmed)
Term Loan	September 2020	Not Applicable	September 2028	75.00	ACUITE A-/Stable (Assigned)
Term Loan	September 2020	Not Applicable	September 2023.	18.90	ACUITE A-/Stable (Assigned)
Term Loan	August 2020	Not Applicable	August 2023	15.00	ACUITE A-/Stable (Assigned)
Term Loan	June 2020	Not Applicable	June 2023	5.00	ACUITE A-/Stable (Assigned)
Proposed bank facilities	Not Applicable	Not Applicable	Not Applicable	60.10	ACUITE A-/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A2+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	240	ACUITE A2+ (Reaffirmed)
LC	Not Applicable	Not Applicable	Not Applicable	65.0	ACUITE A2+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	94.00	ACUITE A2+ (Reaffirmed)
LC	Not Applicable	Not Applicable	Not Applicable	45.00	ACUITE A2+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	75.00	ACUITE A2+ (Reaffirmed)
LC	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A2+ (Reaffirmed)

Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	75.00	ACUITE A2+ (Reaffirmed)
LC	Not Applicable	Not Applicable	Not Applicable	23.00	ACUITE A2+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	179.50	ACUITE A2+ (Reaffirmed)
LC	Not Applicable	Not Applicable	Not Applicable	75.00	ACUITE A2+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A2+ (Reaffirmed)
LC	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A2+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	166.00	ACUITE A2+ (Reaffirmed)
LC	Not Applicable	Not Applicable	Not Applicable	29.00	ACUITE A2+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE A2+ (Reaffirmed)

Contacts:

Analytical	Rating Desk
Pooja Ghosh Head- Corporate and Infrastructure Sector Tel: 033-66201203 pooja.ghosh@acuited.in Tonoy Banerjee Rating Analyst Tel: 033-66201206 tonoy.banerjee@acuited.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuited.in

About Acuite Ratings & Research:

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