

Press Release

Skipper Limited

July 07, 2021

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 Cr bank facilities of Skipper Limited (SL). The outlook is '**Stable**'.

The ratings continues to reflect the company's strong business profile marked by its diversified revenue profile and established customer base which includes renowned EPC contractors, power transmission and distribution companies. This is reflected in SL's healthy order book which provides near to medium term revenue visibility. In FY21, the company has registered a revenue growth driven mainly by its polymer and infrastructure divisions. The ratings also factor in company's healthy financial risk profile marked by healthy networth, low gearing and comfortable coverage ratios. These rating strengths are partially offset by the company's working capital intensive nature of operations and the decline in profit margins.

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 76 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 14 percent of total revenue. Third segment is EPC where company executes projects related to power transmission which contributes to the balance 10 percent. The company has four 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

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 with strong business profile

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 its current name in 2009. In 2006, company got its first orders from Power Grid Corporation of India Limited (PGCIL) for supplying transmission powers. In 2014, company got listed in Bombay Stock Exchange (BSE). 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. The company has diversified its business through manufacturing of power transmission towers, PVC pipes and also executes certain EPC contracts catering to both the domestic and overseas markets. Currently company has a presence across 30 nations

which include Asia, South American, Middle East and African nations. In FY21, revenue from overseas market stood at 22 percent in comparison to 11 percent in FY20. 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, Power Grid Corporation India Limited (PGCIL), Tata Projects among others. The company has an extensive distribution network of 20,000 retailers in eastern India for its polymer segment.

Healthy order book and increase in scale of operation

SL has a healthy existing order book of Rs 1602 Cr and Rs 3800 Cr of orders are pipeline as on 31 March 2021. Nearly 88 percent of existing order book belongs to power transmission & distribution (T&D) sector out of which 55 percent of orders are from domestic power transmission & distribution companies and remaining 33 percent from export markets. The company has bagged fresh orders of Rs 875 Cr in FY21 as against Rs 1241 Cr in FY20. Reason for decline in order flow is elongated bid to order cycle (period between bid to allotment) due to pandemic outbreak. The company is planning to diversify its presence through bidding for large volume of orders from overseas markets (currently company is pursuing international orders of Rs 2700 Cr out of the total orders in pipeline) which will improve the order flow over the medium term.

The scale of operation has witnessed an improvement as the company has registered 13.74 percent of revenue growth in FY21 as against 25.68 percent of de-growth in FY20. The improvement is driven by rise in revenue contribution from polymer and Infrastructure divisions. The increase in revenue contribution from polymer division is driven by deeper penetration in existing markets along with introduction of new products in the bathroom segment. The strong execution of orders led to increase in revenue contribution from Infrastructure division. Acuite believes the scale of operation will improve over medium term backed by healthy order book size.

Healthy financial risk profile

The financial risk profile is marked by its strong net worth, low gearing ratio and comfortable debt protection metrics. The net worth of the company stood at Rs. 706.78Cr. as on 31st March '2021 as compared to Rs 686.41 Cr. in the previous year. The gearing ratio of the company stood at 0.62 times in FY21 as against 0.66 times in FY20. The total debt of Rs.438.55 Cr in FY2021 consists of long-term debt of Rs. 304.30 Cr, Short term of Rs 123.59 Cr and unsecured loan from promoters of Rs. 10.66 Cr. TOL/TNW stood at 1.71 times in FY21 as against 1.49 times in FY20. Interest coverage and DSCR stood at 2.02 times and 1.21 times in FY21 as against 1.66 times and 1.31 times in FY20 respectively. The improvement in interest coverage is on account of decline in financial cost as company has reduced its dependence on fund based working capital limits to meet the working capital requirement through renegotiation of terms with its suppliers. NCA/TD stood at 0.15 times in FY21 as against 0.20 times in FY20. Going forward, Acuite believes the financial risk profile will improve over the medium term due to gradual repayment of term loans and absence of any large debt funded capex plan.

Weaknesses

Working capital intensive operations

The operations of SL are working capital intensive as reflected in their Gross Current Asset (GCA) days of 275 days in FY21 as compared to 273 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.

Contraction in profit margins due to higher raw material costs

The company had witnessed a decline in profit margin as EBITDA margin stood at 9.20 percent in FY21 as against 10.05 percent. The reason for this deterioration is decline in profit margin of engineering division due to rise in raw material costs which could not be entirely passed on to its customer as sizeable portion of contracts were on a fixed price basis. The increase in raw material costs is on account of rising billet and zinc prices which are main raw materials for engineering products. The company is holding large volumes of raw

materials to mitigate the price fluctuation risk. Acuite believes the profit margin is likely to remain at similar level over the medium term because of high metal prices.

Rating Sensitivity

- Substantial improvement in the scale of operation along with improvement in profitability margins
- Improvement in order flow
- Any deterioration in liquidity profile due to stretched receivable and high inventory level.

Material Covenant

None

Liquidity Profile: Adequate

The company has an adequate liquidity profile marked by low working capital utilization which stood at around 60 percent during 12 months ended May 2021. Net cash accrual of the company stood at Rs 66 Cr in FY21 as against current maturity of Rs 58 Cr. Going forward, the net cash accruals are expected to be in the range of Rs 100-116 Cr as against current maturity of around Rs. 104 Cr from FY22-FY24. The current ratio of the company stood comfortable at 1.34 times in FY21. However the company has high working capital requirement with GCA days at 275 days as on March 2021 as against 273 days as on March 2020. Acuite believes the liquidity position of the company will remain adequate backed by steady cash accruals and the cushion available from unutilised bank limits 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 increase 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 any significant deterioration in its profitability margins.

About the Rated Entity - Key Financials

	Unit	FY21 (Actual)	FY20 (Actual)
Operating Income	Rs. Cr.	1581.85	1390.72
PAT	Rs. Cr.	21.08	41.26
PAT Margin	(%)	1.33	2.97
Total Debt/Tangible Net Worth	Times	0.62	0.66
PBDIT/Interest	Times	2.02	1.66

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

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/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
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04 December 2021	Cash Credit	Long Term	124	ACUITÉ A-/Stable (Reaffirmed)
	Cash Credit	Long Term	24	ACUITÉ A-/Stable (Reaffirmed)
	Cash Credit	Long Term	10	ACUITÉ A-/Stable (Reaffirmed)
	Cash Credit	Long Term	150	ACUITÉ A-/Stable (Reaffirmed)
	Cash Credit	Long Term	65	ACUITÉ A-/Stable (Reaffirmed)
	Cash Credit	Long Term	2.0	ACUITÉ A-/Stable (Reaffirmed)
	Cash Credit	Long Term	50.00	ACUITÉ A-/Stable (Reaffirmed)
	Term Loan	Long Term	23.51	ACUITÉ A-/Stable (Reaffirmed)
	Term Loan	Long Term	4.50	ACUITÉ A-/Stable (Reaffirmed)
	Term Loan	Long Term	21.88	ACUITÉ A-/Stable (Reaffirmed)
	Term Loan	Long Term	3.75	ACUITÉ A-/Stable (Reaffirmed)
	Term Loan	Long Term	38.05	ACUITÉ A-/Stable (Reaffirmed)
	Term Loan	Long Term	32.81	ACUITÉ A-/Stable (Reaffirmed)
	Term Loan	Long Term	75	ACUITÉ A-/Stable (Assigned)
	Term Loan	Long Term	18.90	ACUITÉ A-/Stable (Assigned)

Term Loan	Long Term	15.00	ACUITE A-/Stable (Assigned)
Term Loan	Long Term	5.0	ACUITE A-/Stable (Assigned)
Proposed bank facilities	Long Term	60.10	ACUITÉ A-/Stable (Reaffirmed)
Bank Guarantee	Short Term	10.00	ACUITE A2+ (Reaffirmed)
Bank Guarantee	Short Term	240	ACUITE A2+ (Reaffirmed)
LC	Short Term	65	ACUITE A2+ (Reaffirmed)
Bank Guarantee	Short Term	94	ACUITE A2+ (Reaffirmed)
LC	Short Term	45	ACUITE A2+ (Reaffirmed)
Bank Guarantee	Short Term	75	ACUITE A2+ (Reaffirmed)
LC	Short Term	25	ACUITE A2+ (Reaffirmed)
Bank Guarantee	Short Term	75	ACUITE A2+ (Reaffirmed)
LC	Short Term	23.00	ACUITE A2+ (Reaffirmed)
Bank Guarantee	Short Term	179.50	ACUITE A2+ (Reaffirmed)
LC	Short Term	75	ACUITE A2+ (Reaffirmed)
Bank Guarantee	Short Term	20	ACUITE A2+ (Reaffirmed)

	LC	Short Term	5.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	166	ACUITE A2+ (Reaffirmed)
	LC	Short Term	29	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	100	ACUITE A2+ (Reaffirmed)
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	40.00	ACUITE A-/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	84.00	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	8.85%	March 2024	19.34	ACUITE A-/Stable (Reaffirmed)
Term Loan	December 2015	8.85%	March 2024	2.34	ACUITE A-/Stable (Reaffirmed)
Term Loan	December 2018	7.45%	March 2024	19.46	ACUITE A-/Stable (Reaffirmed)
Term Loan	March 2018	8.70%	September 2023	31.96	ACUITE A-/Stable (Reaffirmed)
Term Loan	March 2018	9.25%	September 2024	27.20	ACUITE A-/Stable (Reaffirmed)
Term Loan	September 2020	9.25%	September 2028	69.30	ACUITE A-/Stable (Reaffirmed)
Term Loan	September 2020	7.5%	September 2023.	25	ACUITE A-/Stable (Reaffirmed)
Term Loan	August 2020	7.5%	August 2023	10.83	ACUITE A-/Stable (Reaffirmed)
Term Loan	June 2020	8%	June 2023	3.06	ACUITE A-/Stable (Reaffirmed)
Term Loan	September 2020	8.35%	April 2026	8.32	ACUITE A-/Stable (Reaffirmed)
Term Loan	August 2020	7.95%	March 2025	27	ACUITE A-/Stable (Reaffirmed)

Term Loan	June 2020	8.35	March 2025	10.49	ACUITE A-/Stable (Reaffirmed)
Proposed Bank Facilities	Not Applicable	Not Applicable	Not Applicable	44.20	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)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	65.0	ACUITE A2+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	94.00	ACUITE A2+ (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	45.00	ACUITE A2+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	75.00	ACUITE A2+ (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A2+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	75.00	ACUITE A2+ (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	23.00	ACUITE A2+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	179.50	ACUITE A2+ (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	75.00	ACUITE A2+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A2+ (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A2+ (Reaffirmed)

Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	166.00	ACUITE A2+ (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	29.00	ACUITE A2+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE A2+ (Reaffirmed)

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