



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

Analyst: Abhilasha Satale (022) 67141435

## Q1FY19 Result Update@ Dalal & Broacha

### SELL

Current Price	120
Target Price	135
Upside	12%
52 Week Range	292/133

### Key Share Data

Market Cap (Rs.bn)	12.4
Market Cap (US\$ bn)	0.2
No of o/s shares (mn)	102
Face Value	1
Monthly Avg.	
Vol(BSE+NSE) Nos ('000)	88
BSE Code	538562
NSE Code	SKIPPER
Bloomberg	SKIPPER IN

### Price performance



% Shareholding	Jun-18	Mar-18
Promoters	70.17	70.23
Public	17.47	17.12
Others	12.36	17.36
<b>Total</b>	<b>100</b>	<b>100</b>

Year	Net Sales	%growth	EBIDTA	OPM%	PAT	%growth	EPS	PE(x)	RoE%	RoCE%
FY16	15,062.2	15.0	2,192.5	14.6	951.3	7.0	9.3	12.9	24.9	23.5
FY17	17,029.6	13.1	2,460.4	14.4	1,115.0	17.2	10.9	11.0	22.6	23.6
FY18	20,737.0	21.8	3,025.3	14.6	1,177.4	5.6	11.5	10.5	20.7	23.1
FY19E	22,659.0	9.3	2,890.7	12.8	1,156.6	(1.8)	11.3	10.6	13.4	18.3
FY20E	25,515.1	12.6	3,123.2	12.2	1,237.5	7.0	12.1	9.9	14.4	19.6

### Q1FY19 performance below expectations, polymer segment disappoints

Adjusting for GST Skipper has reported 20%yoy topline growth in Q1FY19. Engineering segment reported 20% topline growth and Polymer segment reported 45% topline growth. Skipper had posted Rs27cr forex gain during Q1FY18. Adjusting for the same EBITDA has gone up by 25% yoy. EBITDA margin has gone up by 100bps to 11%. Margin for engineering products increased from 10% to 11%. Polymer segment margin has gone down. Working capital increased due to increase in inventory. As a result debt increased during the quarter by increasing interest cost by 62% yoy. Pre-forex PBT is down 12%. On reported basis PAT is down 70% yoy.

### Other highlights

**Order inflow of Rs225cr:** Order inflow during the quarter is down 37.5% yoy to Rs.225 crores during Q1 of FY19 spread across power transmission & distribution structures and other engineering products like Telecom Towers from projects of Power Grid Corporation of India Limited (PGCIL), SEBs and other players. Order book stands at Rs25bn(1.2x FY18 sales). PGCIL/SEB/Export order book stands at 45%/40%/15% of total order book. PGCIL has guided for capex of Rs250bn for FY19E. T&D orders have gone down by 50% yoy during Q1FY19 from central and states. Considering the same we feel management's guidance to grow revenue by 15% is ambitious. We curtail our revenue growth to 10% for Engineering products segment.

**PVC segment outlook:** The company has hired Vector Consultancy to implement the principals of TOC (Theory of Constraints) to strengthen its position in the sector. Management expects growth to pick-up due to such initiatives. As company has increased dealers incentives margin for the segment got impacted during the quarter. The margin is likely to remain low single digit over next two quarters.

**Railways & Solar contribution to increase:** Management is optimistic on improving contribution from railways and solar segments. It targets to increase contribution from these segments.

**Capex funded through internal accruals:** Capacity utilization for engineering products division is at 90%. Management has guided for capex of Rs500-600mn for engineering segment. Company plans to increase engineering product's segment capacity through brownfield expansion by 15% in FY19E which will facilitate them to cater order book. As ramp up of PVC segment has been below expectations as division reaches optimum utilization Skipper will increase capacity for the segment.

**Short term debt to increase:** During the quarter inventory has increased leading to increase in working capital requirement. Management expects it normalize to 90 days. Short term borrowings increased from Rs290-310cr during the quarter. As a result interest cost has gone up. Management guided for Rs900-920mn of interest cost for the year.

**Valuation:** We reduce our topline growth estimates for engineering products' division to 10% due to reduced order inflows. For PVC segment we expect topline to grow at 25%. We reduce our EBITDA% estimates for engineering products' division to 13% from 15% earlier and the same for PVC segment to 4.5% from 9% earlier. We expect overall margin for Skipper to go down from 14.6% in FY18 to 12.8% in FY19E. Therefore, bottomline for the company to grow at a CAGR of 3% over FY18-20E. Skipper is trading at 11x FY19E and 10x FY20E earnings and 6.6x FY19E and 6x FY20E EV/EBITDA. **We Downgrade 'Skipper' to SELL with price target of Rs'135'.**



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

Analyst: Abhilasha Satale (022) 67141435

## Q1FY19 Result Update@ Dalal & Broacha

### Financial Performance

Particulars (Rs Mn)	Q1FY19	Q1FY18	Y-o-Y%	Q4FY18	Q-o-Q%
<b>Net Sales</b>	4,786.9	3,988.3	20%	5,928.5	-19%
Other Income	3.2	7.5	-57%	7.9	-59%
<b>Total Revenue</b>	<b>4,790.1</b>	<b>3,995.8</b>	<b>20%</b>	<b>5,936.4</b>	<b>-19%</b>
<b>Expenses</b>					
Cost of Materials Consumed	3,658.7	2,955.8		4,184.9	
Changes in inventory of FG and I	(405.8)	(485.7)		(768.9)	
<b>Total Raw Material Cost</b>	<b>3,252.9</b>	<b>2,470.2</b>	<b>32%</b>	<b>3,416.0</b>	<b>-5%</b>
<b>Gross Profit</b>	<b>1,537.3</b>	<b>1,525.6</b>	<b>1%</b>	<b>2,520.4</b>	<b>-39%</b>
Employee benefit Expense	234.6	210.0	12%	237.2	-1%
Other Expenses	849.8	792.0	7%	1,189.6	-29%
Total Expenses	4,337.2	3,472.2	25%	4,842.8	-10%
<b>EBITDA</b>	<b>452.9</b>	<b>523.6</b>	<b>-14%</b>	<b>1,093.6</b>	<b>-59%</b>
Depreciation	115.2	107.5	7%	113.5	2%
<b>EBIT</b>	<b>337.7</b>	<b>416.1</b>	<b>-19%</b>	<b>980.1</b>	<b>-66%</b>
Finance Costs	274.0	168.6	63%	239.3	14%
PBT	63.7	247.6	-74%	740.8	-91%
Tax Expense	18.8	87.8	-79%	247.3	-92%
<b>PAT</b>	<b>44.9</b>	<b>159.8</b>	<b>-72%</b>	<b>493.5</b>	<b>-91%</b>
EPS	0.4	1.6		4.8	

Segmental Performance	Q1FY19	Q1FY18	Y-o-Y%	Q4FY18	Q-o-Q%
<b>Segment Revenue</b>					
Engineering Products	4,040.9	3,651.4	11%	4,923.6	-18%
Polymer Products	560.9	433.0	30%	748.1	-25%
Infrastructure Products	185.2	242.8	-24%	256.8	-28%
<b>Total</b>	<b>4,787.0</b>	<b>4,327.2</b>	<b>11%</b>	<b>5,928.5</b>	<b>-19%</b>
<b>Segment Results</b>					
Engineering Products	401.9	439.5	-9%	963.6	-58%
<b>EBIT%</b>	<b>10%</b>	<b>12%</b>		<b>20%</b>	
Polymer Products	(7.5)	30.9	-124%	55.8	-113%
<b>EBIT%</b>	<b>-1%</b>	<b>7%</b>		<b>7%</b>	
Infrastructure Products	23.8	29.5	-19%	35.4	-33%
<b>EBIT%</b>	<b>12.9%</b>	<b>12%</b>		<b>13.8%</b>	
<b>Total</b>	<b>418.3</b>	<b>499.8</b>	<b>-16%</b>	<b>1,054.8</b>	<b>-60%</b>



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

Analyst: Abhilasha Satale (022) 67141435

### Q1FY19 Result Update@ Dalal & Broacha

P&L (Rs mn)	FY16	FY17	FY18	FY19E	FY20E	Cash Flow St. (Rs. mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	15,062.2	17,029.6	20,737.0	22,659.0	25,515.1	Net Profit	951.3	1,115.0	1,177.4	1,156.6	1,237.5
Raw Materials	(9,484.9)	(10,908.0)	(13,245.9)	(14,615.0)	(16,584.8)	Add: Dep. & Amort.	241.2	315.5	459.1	405.3	460.1
Employee Cost	(499.6)	(731.5)	(934.0)	(1,074.6)	(1,214.3)	<b>Cash profits</b>	<b>1,192.5</b>	<b>1,430.4</b>	<b>1,636.5</b>	<b>1,561.9</b>	<b>1,697.7</b>
Other Expenses	(2,885.2)	(2,929.7)	(3,531.8)	(4,078.6)	(4,592.7)	<b>(Inc)/Dec in</b>					
<b>Operating Profit</b>	<b>2,192.5</b>	<b>2,460.4</b>	<b>3,025.3</b>	<b>2,890.7</b>	<b>3,123.2</b>	-Sundry debtors	34.1	(6.0)	(641.5)	(595.1)	(626.0)
Depreciation	(241.2)	(315.5)	(459.1)	(405.3)	(460.1)	-Inventories	(217.5)	(1,181.9)	(633.3)	(1,272.0)	(704.3)
PBIT ( Excl O. Income)	1,951.3	2,144.9	2,566.2	2,485.4	2,663.1	-Loans/advances	(440.8)	66.3	(93.8)	(104.3)	(116.0)
Other income	51.7	31.3	21.9	18.4	18.4	'-Current Liab and					
Interest	(570.0)	(611.0)	(784.5)	(880.0)	(880.0)	Provisions	(634.4)	548.9	602.4	580.1	642.5
PBT	1,433.0	1,565.2	1,803.7	1,623.8	1,801.5	Change in working capital	(1,258.5)	(572.6)	(766.3)	(1,391.3)	(803.8)
Exceptionals	-	-	-	-	-	<b>CF from Oper. activities</b>	<b>(66.1)</b>	<b>857.8</b>	<b>870.2</b>	<b>170.6</b>	<b>893.9</b>
Profit before tax (post exceptional)	1,433.0	1,565.2	1,803.7	1,623.8	1,801.5	Capex					
Provision for tax	481.7	450.2	626.3	467.1	563.9	<b>CF from Inv. activities</b>	<b>(945.7)</b>	<b>(849.8)</b>	<b>(619.5)</b>	<b>(650.0)</b>	<b>(600.0)</b>
<b>Reported PAT</b>	<b>951.3</b>	<b>1,115.0</b>	<b>1,177.4</b>	<b>1,156.6</b>	<b>1,237.5</b>	<b>CF from Fin. activities</b>	<b>948.8</b>	<b>(256.8)</b>	<b>(42.2)</b>	<b>903.8</b>	<b>(470.1)</b>
MI	-	-	-	-	-	<b>Cash generated/(utilised)</b>	<b>(63.0)</b>	<b>(248.8)</b>	<b>208.6</b>	<b>424.3</b>	<b>(176.2)</b>
<b>Net Profit</b>	<b>951.3</b>	<b>1,115.0</b>	<b>1,177.4</b>	<b>1,156.6</b>	<b>1,237.5</b>	Cash at start of the year	262.3	511.1	262.3	175.8	563.9
						Cash at end of the year	511.1	262.3	175.8	563.9	210.4

  

Balance Sheet	FY16	FY17	FY18	FY19E	FY20E	Ratios	FY16	FY17	FY18	FY19E	FY20E
Equity capital	102.3	102.3	102.6	102.3	102.3	OPM	14.6	14.4	14.6	12.8	12.2
Reserves	3,712.9	4,840.7	6,270.2	6,467.3	7,257.4	NPM	6.3	6.5	5.7	5.1	4.8
<b>Net worth</b>	<b>3,815.2</b>	<b>4,943.0</b>	<b>6,372.7</b>	<b>6,569.6</b>	<b>7,359.7</b>	Tax rate	33.6	28.8	34.7	28.8	31.3
MI	-	-	-	-	-	<b>Growth Ratios (%)</b>					
<b>Non Current Liabilities</b>	<b>2,311.5</b>	<b>2,171.1</b>	<b>2,255.1</b>	<b>2,417.4</b>	<b>2,320.1</b>	Net Sales	15	13.1	21.8	9.3	12.6
<b>Current Liabilities</b>	<b>5,775.9</b>	<b>6,195.5</b>	<b>8,807.4</b>	<b>8,473.1</b>	<b>9,012.9</b>	Operating Profit	1.9	12.2	23.0	(4.4)	8.0
<b>CAPITAL EMPLOYED</b>	<b>11,902.6</b>	<b>13,309.7</b>	<b>17,435.3</b>	<b>17,460.2</b>	<b>18,692.8</b>	PBIT	1.0	9.9	19.6	(3.1)	7.1
<b>Non Current Assets</b>	<b>4,260.5</b>	<b>4,923.0</b>	<b>5,402.4</b>	<b>5,480.2</b>	<b>5,649.8</b>	PAT	7%	17%	6%	-2%	7%
Fixed Assets	4,238.7	4,773.1	5,200.4	5,281.8	5,421.7	<b>Per Share (Rs.)</b>					
Goodwill	-	-	-	-	-	Net Earnings (EPS)	9.3	10.9	11.5	11.3	12.1
Non Current Investments	-	-	-	-	-	Cash Earnings (CPS)	11.7	14.0	16.0	15.3	16.6
Deferred Tax Asset	-	-	29.5	-	-	Dividend	1.4	1.6	1.8	2.0	2.2
Long Term Loans and Advances	21.8	150.0	172.5	198.4	228.1	Book Value	37.3	48.3	62.1	64.2	71.9
<b>Current Assets</b>	<b>7,642.1</b>	<b>8,386.6</b>	<b>12,033.0</b>	<b>11,980.0</b>	<b>13,043.0</b>	Free Cash Flow	(9.9)	0.1	2.4	(4.7)	2.9
<b>Current investments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>Valuation Ratios</b>					
Inventories	2,499.9	3,681.8	5,622.7	5,587.1	6,291.4	P/E(x)	<b>12.9</b>	<b>11.0</b>	<b>10.5</b>	<b>10.6</b>	<b>9.9</b>
Trade Receivables	3,723.7	3,729.7	5,164.4	4,966.4	5,592.4	P/B(x)	3.2	2.5	1.9	1.9	1.7
Cash and Bank Balances	511.1	262.3	175.8	563.9	210.4	EV/EBIDTA(x)	7.4	6.6	5.4	6.0	5.6
Short Term Loans and Advances	907.4	712.9	38.2	862.6	948.8	Div. Yield(%)	1.2	1.3	1.5	1.7	1.8
Other Current Assets	-	-	1,031.8	-	-	<b>FCF Yield(%)</b>	<b>(8.2)</b>	<b>0.1</b>	<b>2.0</b>	<b>(3.9)</b>	<b>2.4</b>
<b>CAPITAL DEPLOYED</b>	<b>11,902.6</b>	<b>13,309.7</b>	<b>17,435.3</b>	<b>17,460.2</b>	<b>18,692.8</b>	<b>Return Ratios (%)</b>					
						ROE	24.9%	22.6%	20.7%	13.4%	14.4%
						ROCE	23.5%	23.6%	23.1%	18.3%	19.6%



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

Analyst: Abhilasha Satale (022) 67141435

## Q1FY19 Result Update@ Dalal & Broacha

### Disclaimer

**Dalal&Broacha Stock Broking Pvt Ltd, hereinafter referred to as D& B** (CIN\_U67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. [www.dalal-broacha.com](http://www.dalal-broacha.com)

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

### Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

### Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

Analyst: Abhilasha Satale (022) 67141435

## Q1FY19 Result Update@ Dalal & Broacha

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Contact	Email ID	Contact No.	Sector
Mr. Kunal Bhatia	<a href="mailto:kunal.bhatia@dalal-broacha.com">kunal.bhatia@dalal-broacha.com</a>	022 67141442	Auto, Auto Ancillary, FMCG
Ms.CharulataGaidhani	<a href="mailto:charulata.gaidhani@dalal-broacha.com">charulata.gaidhani@dalal-broacha.com</a>	022 67141446	Pharma /Healthcare
Mr. AvinashKumar	<a href="mailto:avinash.kumar@dalal-broacha.com">avinash.kumar@dalal-broacha.com</a>	022 67141441	Capital Goods
Ms. Abhilasha Satale	<a href="mailto:Abhilasha.satale@dalal-broacha.com">Abhilasha.satale@dalal-broacha.com</a>	022 67141439	Mid Cap
Mr. Mayank Babla	<a href="mailto:Mayank.babla@dalal-broacha.com">Mayank.babla@dalal-broacha.com</a>	022 67141412	IT/Media/Telecom
Ms. Richa.Singh	<a href="mailto:richa.singh@dalal-broacha.com">richa.singh@dalal-broacha.com</a>	022 67141444	Analyst

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021

Tel: 91-22- 2282 2992, 2287 6173, (D) 6630 8667 Fax: 91-22-2287 0092  
E-mail: [research@dalalbroachaindia.com](mailto:research@dalalbroachaindia.com), [equity.research@dalal-broacha.com](mailto:equity.research@dalal-broacha.com)