

OCTOBER 23, 2015

CARE ASSIGNS 'CARE A1' RATING TO THE PROPOSED CP ISSUE OF SKIPPER LIMITED

Rating

Instrument	Amount (Rs. crore)	Rating ¹	Remarks
Commercial Paper (CP) Issue*	50.00 (Rupees Fifty Crore only)	CARE A1 (A One)	Assigned

*carved out of the sanctioned working capital limits of the company

Rating Rationale

The rating assigned to the proposed CP issue of Skipper Ltd (SL) draws strength from the experience of the promoters, strategic location of the plants, increasing order book position providing revenue visibility from high margin orders in engineering products division, improvement in profitability & capital structure and reputed clientele. The ratings, however, is constrained by the working capital intensive nature of operations and dependence on the growth of the infrastructure sector.

Timely execution of the contracts and realization of receivables thereof, maintenance of capital structure and profitability and undertaking any debt funded capital expenditure in the medium term would remain the key rating sensitivities.

Background

SL, promoted by Mr. Sajan Kumar Bansal of Kolkata, was incorporated in May 1981. SL is engaged in engineering products (manufacturing of transmission towers for power sector) and manufacturing of PVC pipes, mild steel (M.S.) and galvanized iron (G.I.) pipes, steel tubular poles, scaffoldings & accessories. Engineering products (with an installed capacity of 1,75,000 MTPA) is the major contributor to the revenue of the company (accounting for 90% of gross sales in FY15).

SL has three manufacturing units located in Andulmouri and Uluberia in Howrah, West Bengal. SL has backward integration in the form of its own manufacturing facilities for hot rolled products and nut bolts.

The Board of SL comprises four members from the promoter's family and four independent directors with rich industry experience.

During FY15, SL earned a PBILDT of Rs.187.24 crore (excluding other operational income of Rs.42.0 crore towards the derivative gains realised. The same has been considered as non-operating income) (Rs.119.59 crore in FY14) and a PAT of Rs.89.17 crore (Rs.26.91 crore in FY14) on total operating income of Rs.1,274.23 crore (Rs.1,042.88 crore in FY14). Furthermore during Q1FY16 earned a PBILDT of Rs.35.96 crore and a PAT of Rs.10.02 crore on total operating income of Rs.236.66 crore.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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