

OCTOBER 27, 2016

CARE REAFFIRMS RATING ASSIGNED TO LT BANK FACILITIES AND REVISES RATING ASSIGNED TO ST BANK FACILITIES AND PROPOSED CP ISSUE OF SKIPPER LTD.

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	434.50 [enhanced from 341.63]	CARE A+ (Single A Plus)	Reaffirmed
Long / Short-term Bank Facilities	1300.00 [enhanced from 960.00]	CARE A+/ CARE A1+ (Single A Plus / A One Plus)	Revised from CARE A+/ CARE A1 (Single A Plus / A One)
Total Facilities	1,734.50 (Rupees One Thousand Seven Hundred Thirty Four Crore and Fifty Lakh Only)		
Commercial Paper (CP) Issue*	50.0 (Rupees Fifty crore only)	CARE A1+ (A One Plus)	Revised from CARE A1 (A one)

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

Rating Rationale

The revision in the short-term rating of Skipper Ltd (SL) takes into account the improvement in the short term debt coverage indicators and reduced utilisation of working capital borrowing limits. The ratings continue to draw strength from the experience of the promoters, consistent financial performance, satisfactory order book position providing adequate revenue visibility, strategic location of the plants, and reputed clientele. The ratings are, however, constrained by the working capital intensive nature of operations, moderate capital structure and dependence on the growth of the infrastructure sector.

Timely execution of the contracts and realization of receivables thereof, improvement in capital structure and any significant 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 manufacturing of engineering products (transmission and distribution towers for power sector) and PVC water pipes (UPVC pipes, CPVC pipes, SWR pipes, Agri Pipes) and related accessories.

Engineering products (with an installed capacity of 2,30,000 MTPA) is the major contributor to the revenue of the company (accounting for 90% of gross sales in FY16). In the PVC water pipes division, the company has an installed capacity of 41,000 MTPA.

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

In FY16 the company had gone for capacity enhancement in engineering products division by 25,000 MTPA and has set up PVC pipe plants of aggregate capacity of 20,000 MTPA at various locations across India at an aggregate cost of approximately Rs.90 crore. This apart, in Q2FY17, the company has further enhanced its capacity of structural fabrication by 30,000 MTPA and has set up a PVC plant (6,000 MTPA) in Hyderabad at an aggregate cost of Rs.50 crore.

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

During FY16, SL earned a PBILDT of Rs.213.69 crore (excluding other operational income of Rs.18.14 crore towards the derivative gains realised which has been considered as non-operating income; P.Y. Rs.42 crore) and a PAT of Rs.95.13 crore (Rs.89.17 crore in FY15) on total operating income of Rs.1,484.17 crore (Rs.1,274.23 crore in FY15). As per unaudited Q1FY17 results, SL earned a PBILDT of Rs.40.75 crore (Rs.35.34 crore during same period last year) and a PAT of Rs.13.72 crore (Rs.10.02 crore during same period last year) on total operating income of Rs.282.63 crore (Rs.234.42 crore during same period last year).

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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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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