Skipper Ltd

April 14, 2017

Ratings

Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long -term Bank Facilities	458.70 (enhanced from 434.50)	**CARE A+; Stable (Single A Plus, Outlook: Stable)**	Reaffirmed
Long /Short-term Bank Facilities	1300.00	**CARE A+; Stable / CARE A1+ (Single A Plus, Outlook: Stable / A One Plus)**	Reaffirmed
Total	**1,758.70 (Rupees One Thousand Seven Hundred Fifty Eight Crore and Seventy Lakh Only)**		

Detailed Rationale & Key Rating Drivers

The rating assigned to the instrument of Skipper Ltd (SL) continues to draw strength from the experience of the promoters, consistent improvement in financial performance, satisfactory order book position providing adequate revenue visibility, improvement in the short term debt coverage indicators, moderate utilisation of working capital borrowing limits, strategic location of the plants, and reputed clientele. The ratings are, however, constrained by the 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.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoter and satisfactory track record

The Bansal family has long presence in the engineering products industry with Mr. Sajan Kumar Bansal having varied experience of more than three decades in manufacturing of pipes, tubes, poles, towers, and fabricated structures.

Strategic location of plants and expansion in PVC division

The plants are located in Howrah, West Bengal which is in proximity to source of raw material as well as Haldia port, which gives significant freight cost advantage to the company. SL is setting up a new unit for PVC fittings (7000 MTPA) in North-East under North East Industrial and Investment Promotion Policy (NEIIPP).

Reputed clientele base and satisfactory order-book position; providing adequate revenue visibility

SL's clientele includes various reputed public as well as private sector players in the power transmission, construction and real estate sectors. SL's order book position for transmission tower division stood at Rs.2,357 crore as on March 31, 2016.

Stable financial risk profile

Net sales grew by 16% in FY16 over FY15 driven by higher volume sale of PVC products with commissioning of enhanced capacities in FY16 and engineering products. GCA was satisfactory at Rs.124 crore vis-à-vis debt repayment obligation of Rs.40 crore in FY16.

Key Rating Weakness

Working Capital Intensive operations; though effectively managed

The operation of SL is working capital intensive in nature on account of high inventory period of about around two and a half months and credit period offered to customers of around three months while payment to its suppliers are met in around two months. However, the company was able to save on interest cost through effective management of working capital limits. Current ratio also improved and remained satisfactory as on March 31, 2016.

Moderate capital structure

The overall gearing ratio remained moderate at 1.09x as on March 31, 2016 despite accretion of high profit to reserves, in view of debt availed for various capex plans of the company. Term debt/GCA deteriorated marginally to 4.11x as on March 31, 2016 from 3.92x as on March 31, 2015.

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

Analytical approach:
Standalone

Applicable Criteria
[Criteria on assigning Outlook to Credit Ratings](#)
[CARE's Policy on Default Recognition](#)
[Criteria for Short Term Instruments](#)
[Financial ratios – Non-Financial Sector](#)
[Rating Methodology-Manufacturing Companies](#)

About the Company
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.
As per unaudited 9MFY17 results, SL earned a PBILDT of Rs.151.83 crore and a PAT of Rs.58.71 crore on total operating income of Rs.1116.27 crore.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	300.00	CARE A+; Stable
Term Loan-Long Term	-	-	Mar'22	116.25	CARE A+; Stable
Term Loan-Long Term	-	-	Mar'21	20.75	CARE A+; Stable
Term Loan-Long Term	-	-	Mar'20	8.00	CARE A+; Stable
Term Loan-Long Term	-	-	Sep'18	13.06	CARE A+; Stable
Term Loan-Long Term	-	-	June'17	0.64	CARE A+; Stable
Non-fund-based - LT/ ST-Letter of credit	-	-	-	240.00	CARE A+; Stable / CARE A1+
Non-fund-based - LT/ ST-Bank Guarantees	-	-	-	1060.00	CARE A+; Stable / CARE A1+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	300.00	CARE A+; Stable	-	1)CARE A+ (27-Oct-16)	1)CARE A+ (02-Sep-15)	1)CARE A- (08-Sep-14) 2)CARE BBB+ (24-Jul-14)
2.	Term Loan-Long Term	LT	8.00	CARE A+; Stable	-	1)CARE A+ (27-Oct-16)	1)CARE A+ (02-Sep-15)	1)CARE A- (08-Sep-14) 2)CARE BBB+ (24-Jul-14)
3.	Term Loan-Long Term	LT	13.06	CARE A+; Stable	-	1)CARE A+ (27-Oct-16)	1)CARE A+ (02-Sep-15)	1)CARE A- (08-Sep-14) 2)CARE BBB+ (24-Jul-14)
4.	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST	1060.00	CARE A+; Stable / CARE A1+	-	1)CARE A+ / CARE A1+ (27-Oct-16)	1)CARE A+ / CARE A1 (02-Sep-15)	1)CARE A- / CARE A2 (08-Sep-14) 2)CARE BBB+ / CARE A2 (24-Jul-14)
5.	Non-fund-based - LT/ ST-Letter of credit	LT/ST	240.00	CARE A+; Stable / CARE A1+	-	1)CARE A+ / CARE A1+ (27-Oct-16)	1)CARE A+ / CARE A1 (02-Sep-15)	1)CARE A- / CARE A2 (08-Sep-14) 2)CARE BBB+ / CARE A2 (24-Jul-14)
6.	Term Loan-Long Term	LT	0.64	CARE A+; Stable	-	1)CARE A+ (27-Oct-16)	1)CARE A+ (02-Sep-15)	1)CARE A- (08-Sep-14) 2)CARE BBB+ (24-Jul-14)
7.	Term Loan-Long Term	LT	20.75	CARE A+; Stable	-	1)CARE A+ (27-Oct-16)	1)CARE A+ (02-Sep-15)	-
8.	Commercial Paper	ST	100.00	CARE A1+	-	1)CARE A1+ (17-Mar-17) 2)CARE A1+ (27-Oct-16)	1)CARE A1 (23-Oct-15)	-
9.	Term Loan-Long Term	LT	116.25	CARE A+; Stable	-	1)CARE A+ (27-Oct-16)	-	-

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