Date: 3rd August, 2024

The Manager
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
Plot No. C-1, Block-G
Bandra Kurla Complex, Bandra (E)
Mumbai- 400 051
Symbol- SKIPPER

The Manager
BSE Limited
Phiroze Jeejeebhoy Towers, Dalal Street
Mumbai- 400 001
Scrip Code- 538562

Subject: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 – Credit Rating

Dear Sir/ Madam,

We would like to inform that India Ratings & Research Ltd. affirms Skipper's Bank Facilities details of which is as follows:

DETAILS OF INSTRUMENTS Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating assigned along with Outlook/Watch	Rating Action
Non-fund-based working capital limits	-	-	-	INR1,000	IND A2+	Affirmed

The rating letter issued by India Ratings & Research Ltd to us on 3rd August, 2024 is enclosed herewith.

This is for your information and records.

Yours faithfully,
For Skipper Limited

Anu Singh
Digitally signed by Anu Singh
Date: 2024.08.03 16:06:06 +05'30'

Anu Singh
Company Secretary & Compliance Officer

Encl: As above

India Ratings Affirms Skipper's Bank Facilities at 'IND A2+'

India Ratings and Research (Ind-Ra) has affirmed Skipper Limited's (SL) bank facilities as follows:

DETAILS OF INSTRUMENTS

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating assigned along with Outlook/Watch	Rating Action
Non-fund-based working capital limits	-	-	-	INR1,000	IND A2+	Affirmed

ANALYTICAL APPROACH:

Ind-Ra continues to take a standalone view of SL to arrive at the ratings since SL has no subsidiaries or associate companies. However, SL has a JV Skipper-Metzer India LLP with a 50% partnership, hence Ind-Ra factors into the rating the support extended to JV.

DETAILED RATIONALE OF THE RATING ACTION:

The affirmation reflects SL's strong order book, stable EBITDA margins along with an interest coverage ratio exceeding 2.0x in FY24 due to increased EBITDA, which is likely to sustain in the medium term. The rating is further supported by the company's long track record of operations, established position in the transmission tower supply industry and experienced management. However, the ratings are constrained by the high working capital intensive operations and volatility in input prices. The company generally passes on price increases although with a lag, as reflected in its range-bound EBITDA margins.

LIST OF KEY RATING DRIVERS:

Strengths

- Improvement in revenue and EBITDA with range-bound EBITDA margins
- Robust order book providing revenue visibility
- Improved credit metrics; likely to sustain over medium term

Weaknesses

- Debt-led capex
- Exposed to volatility in raw material prices
- Working capital intensive operations

DETAILED DESCRIPTION OF KEY RATING DRIVERS

Improvement in Revenue and EBITDA with Range-Bound EBITDA Margins: SL's revenue jumped around 66% yoy to INR32,820 million in FY24 (FY22: INR17,071 million), mainly on the back a 2% yoy increase in the realisations to INR109,836 million (INR80,228 million), led by a 44% yoy increase in the volumes for the engineering division, a 30% yoy increase in the volumes in the polymers business and an 1,085% yoy increase in the revenue in the EPC business. The management expects the capacity utilisation for the engineering division to range 85%-90% in FY25-FY26 on the back of a strong order book.

In FY24, SL's EBITDA increased to INR3,204 million (FY23: INR1,934 million; FY22: INR1,684 million) with EBITDA margins remaining stable at 9.8% (9.8%; 9.9%). The EBITDA margins from the engineering products increased to 11.6% in FY24 (FY23: 11.3%; FY22: 10.7%), polymers rose to 5.2% (4.6%; 3.4%) and EPC business to 6.1% (4.3%; negative 5.9%). The management expects the EBITDA margins for the engineering products to be 11%-12% over the near term. Ind-Ra expects the revenue to increase in FY25-FY26 basis the order book for next 18-24 months.

Robust Order Book providing Revenue Visibility: SL's order book as of March 2024 stood at INR62,150 million (FYE23: INR45,510 million; FYE22: INR21,150 million), providing revenue visibility for the next two years. SL secured a new order of INR7,370 million containing nine projects from Power Grid Corporation of India Limited in February 2024. The company would continue to increase the transmission and distribution (T&D) sales proportion basis the increased order book from the T&D division, with the non-T&D segment's contribution reducing to 34% in FY24 (FY23: 62%; FY22: 7%). With the central government increasing its focus on enhancing renewable sources of energy, T&D demand would increase further, improving the order book. The company expects to complete the order from Bharat Sanchar Nigam Limited (debt rated at 'IND AAA(CE)'/Stable) by end-FY25 and the opex revenue model to continue for the next five years with timely receivables being the key monitorable.

Ind-Ra expects the order book to remain strong in near short-term factoring in the restoration of the remission of duties or taxes on the export product scheme in the engineering product business and government support towards telecom and power infrastructure.

Improved Credit Metrics; Likely to Sustain over Medium Term: The gross interest coverage (operating EBITDA/gross interest) increased to 2.07x in FY24 (FY23: 1.84x; FY22: 1.80x), due to its EBITDA increasing higher than the interest expenses. Ind-Ra expects the interest coverage to remain above 2.00x in FY25-FY26. The adjusted net leverage (adjusted net debt)/operating EBITDA; including letter of credit (LC) acceptances) slightly increased to 4.17x in FY24 (FY23: 4.08x; FY22: 5.21x; FY21: 4.77x), due to increased debt along with LC acceptances despite the increase in EBITDA. Ind-Ra expects the adjusted net leverage (including LC acceptances) to remain below 4.5x over FY25-FY26, due to the absolute EBITDA expected to improve in the near term despite the planned capex.

Debt-led Capex: : SL has plans to increase the engineering division capacity to 375,000 metric tonnes per annum (mtpa) and commercialise the same by end-FY27 at capex of INR5,100 million. The management will incur capex of INR2,500 million in FY25 through INR2,100 million external debt and balance through internal accruals. The balance capex of INR2,600 million would be funded through around 70% of debt and 30% internal accruals over FY26-FY27. Despite the debt-funded capex, the agency expects the adjusted net leverage (including LC acceptances) to remain below 4.5x in FY25-FY26.

Exposed to Volatility in Raw Material Prices: Raw materials formed around 51% of the total input cost in FY24 (FY20-FY23: 63%-67%), due to increased revenue contribution form the EPC business. However, the EBITDA margins remained at similar levels 9%-10% over FY21-FY24. The major raw materials are billets, zinc, hot rolled strips, PVC resin and mild steel angles/channels. The company has backward integration for hot-rolled products which are being captively consumed in manufacturing mild steel angles and channels. SL also manufactures tower accessories (hangers, shackles, climbing devices, and step bolts) which provides strategic advantage over competitors. The management stated that around 70% of the orders are based on fixed prices, due to the long execution period of 18-24 months, exposing the company to price volatility risk. However, SL hedges zinc on the exchanges to mitigate the price risk. Also, for steel, the company passes on price volatility although with a lag or procures them through advance bookings.

Working Capital Intensive Operations: SL's business is working-capital intensive in nature, as reflected in its long gross working capital cycle. The cycle shortened slightly to 233 days in FY24 (FY23: 253 days; FY22: 279 days), largely due to increased receivable days to 85 (66; 93) and reduced inventory days 148 (187; 186). The agency expects SL's gross working capital cycle to remain at 220-230 days over the medium term.

LIQUIDITY:

Adequate: The average monthly utilisation of SL's fund-based limits stood at around 63% and that for the non-fund-based limits stood at 92% during the 12 months ended May 2024. The cashflow from operations remained reduced to INR498 million in FY24 (FY23: INR1,833 million; FY22: negative INR733 million) and the free cash flow turned negative at INR532 million (positive at INR973 million; negative INR1,164 million), due to the capex incurred and increase in working capital requirements. SL has term loan repayment obligations of INR540 million and INR769 million for FY25 and FY26, respectively, which would be met through cash accruals. Ind-Ra expects the free cash flow to remain negative in FY25 and gradually turn positive FY26 onwards considering the capex planned and increased working capital requirement in FY25.

RATING SENSITIVITIES

Positive: An increase in the revenue through diversification, leading to incremental EBITDA margins, an improvement in the net working capital cycle along with the interest coverage exceeding 2.75x, all on a sustained basis, will be positive for the ratings.

Negative: Any debt-led capex or a further decline in the margins or a stretch in the working capital cycle, resulting in the interest coverage reducing below 1.75x, all on a sustained basis, will be negative for the ratings.

ESG ISSUES

Not Applicable

ANY OTHER INFORMATION

Not Applicable

ABOUT THE COMPANY

Kolkata-headquartered SL was established in 1981 to manufactures T& D (towers and poles) structures in India. The company is headed by Sajan Kumar Bansal (managing director), Sharan Bansal (director), Devesh Bansal (director), Siddharth Bansal (director) and Yash Pall Jain (director). It also has presence in the polymer pipes and fittings business, under the brand name Skipper Pipes, which caters to the agricultural and plumbing sectors. The company has an installed capacity of 300,000mtpa for the engineering division and 62,000mtpa for the polymer division. The company has four units across Jangalpur and Uluberia in Guwahati (Assam), besides one testing unit in Howrah, Kolkata. The company is listed on the Bombay Stock Exchange and the National Stock Exchange.

KEY FINANCIAL INDICATORS - STANDALONE

Particulars (INR million)	FY24	FY23
Revenue	32,820	19,803
Operating EBITDA	3,204	1,934
EBITDA margin (%)	9.76	9.77
Interest coverage (x)	2.07	1.84
Net adjusted leverage (x; including acceptances)	4.17	4.08
Source: Company, Ind-Ra		

APPLICABLE CRITERIA

[Corporate Rating Methodology]
[Evaluating Corporate Governance]
[Short-Term Ratings Criteria for Non-Financial Corporates]
[The Rating Process]

STATUS OF NON-COOPERATION WITH PREVIOUS RATING AGENCY

NA

RATING HISTORY

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook
	Rating Type	Rated Limits (million)	Rating	20 July 2023
Non-fund-based working capital limits	Short-term	INR1,000.00	IND A2+	IND A2+

COMPLEXITY LEVEL OF THE INSTRUMENTS

Instrument Type	Complexity Indicator
Non-fund-based working capital limits	Low

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity-indicators.

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About India Ratings and Research: India Ratings and Research (Ind-Ra) is India's most respected credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies, and structured finance and project finance companies.

Headquartered in Mumbai, Ind-Ra has six branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad and Kolkata. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

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