Dated: 10th November, 2023

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: Transcript of the conference call on Unaudited Financial Results for the Quarter ended 30th September, 2023

Dear Sir,

In accordance with Regulation 30 read with Schedule III of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, we are forwarding herewith the transcript of the conference call with Investors and analysts held on 8th November, 2023 on Unaudited Financial Results of the Company for quarter ended 30th September, 2023.

We request you to kindly take the aforesaid information on record.

Thanking you,

Yours faithfully,
For Skipper Limited

Anu Singh Digitally signed by Anu Singh Date: 2023.11.10 17:11:26 +05'30'

Anu Singh
Company Secretary & Compliance Officer

Encl: As above

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“Skipper Limited
Q2 FY2024 Earnings Conference Call”

November 08, 2023

ANALYST: **MR. RAHUL MISHRA – CENTRUM BROKING LIMITED**

MANAGEMENT: **MR. SHARAN BANSAL – DIRECTOR – SKIPPER LIMITED**
MR. DEVESH BANSAL – DIRECTOR – SKIPPER LIMITED
MR. SHIV SHANKAR GUPTA – CHIEF FINANCIAL OFFICER – SKIPPER LIMITED
MR. ADITYA DUJARI –GENERAL MANAGER – FINANCE & INVESTOR RELATIONS – SKIPPER LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Skipper Limited Q2 FY2024 Earnings Conference Call hosted by Centrum Broking Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rahul Mishra from Centrum Broking Limited. Thank you and over to you Sir!

Rahul Mishra: Good afternoon everyone. On behalf of Centrum Broking Limited, I welcome you all to the Q2 FY2024 conference call of Skipper Limited. The management today is represented by Mr. Sharan Bansal, Director, Mr. Devesh Bansal, Director, Mr. Shiv Shankar Gupta, CFO and Mr. Aditya Dujari, GM, Finance and IR. I would now hand over the call to the management for their opening remarks post which we can open the floor for Q&A. Over to you sir.

Sharan Bansal: Thank you Rahul. Good afternoon to you all and thank you for your continued interest in Skipper. Please take note any forward-looking statement made during this call must be reviewed in conjunction with the risks that the industry and the company faced. Some of the key operational and financial highlights in comparison to previous year quarter were as follows:

I am pleased to inform you that the company registered its best ever revenue quarter of Rs.772 Crores against Rs.462 Crores in previous year Q2 on back of strong performance across all its major business segments achieving growth of 57% over previous year quarter period while maintaining healthy operating EBITDA margin of 9.4%. The segmental revenue breakup were as follows. Engineering was Rs.595 Crores up by 57% over previous year quarter, polymer was Rs.112 Crores up by 58% and infra segment was Rs.64.2 Crores up by 490%. The company engineering export sales were at approximately Rs.207 Crores and constituted 35% of overall engineering segment revenue. The company achieved its best ever Q2 revenue in the polymer business fueled by robust volume growth of 101%. Our revenue surged by an impressive 58% compared to previous year's quarter. Years of dedicated effort towards building a robust retail network for our polymer business have now started showing encouraging results. Skipper fight's brand campaign at India's safest fight with brand ambassador M S Dhoni and Chris Gale is paying rich dividend. Higher growth witnessed in campaign markets indicating campaign effectiveness. The company intends to increase its campaign spread to other geographies as well and open new markets in the coming couple of quarters. Our quarterly operating performance excluding the impact of forex gain loss was as follows. Operating EBITDA increased to Rs.72.4 Crores and operating margin stood at 9.4% for the quarter. The engineering segment operating

EBITDA margin for the quarter stood at 11%. Over the years the average proportion of our H1 revenues in relation to total revenues is close to 40%. Accordingly with operating leverage coming into play, historically our margin profile see an improvement in H2 versus H1. Going forward we expect similar trend to continue and deliver further margin performance of 12% in this business on back of better-quality contract getting executed and rising share of international business. While the EBITDA margin for polymer business will continue to get benefited from fixed cost getting rationalized over larger revenue base. The management stays focused continues towards bottom line improvement. The consolidated PBT increased to Rs.28.6 Crores and PBT margin at 3.7% of sales for the current quarter period against Rs.5.5 Crores in the previous year quarter with PBT margin of 1.2%. The consolidated PAT increased to Rs.19.8 Crores with PAT margins at 2.6% of sales for the current quarter period against Rs.2.99 Crores in previous year quarter. Our half year performance highlights were as follows. Revenue of H1 FY2024 increased to Rs.1327 Crores against Rs.878 Crores in H1 FY2023 registering a growth of 51% with margins at 9.7%. Engineering business segment achieved revenue of Rs.1012 Crores against Rs.689 Crores in the previous year first half period registering a stupendous growth of 47%. Polymer business achieved its best ever half revenue performance. Revenue increased to Rs.240 Crores against Rs.159 Crores up by 51%. Polymer sales volume doubled to 16,700 tonnes approximately again 8,600 tonnes approximately in previous year H1 period registering a growth of 94%. Consolidated PBT increased to Rs.51.8 Crores against Rs.5 Crores in the previous year period. PBT margins of sales increased to 3.9% of sales again 0.6% in previous half period. Consolidated PAT increased to Rs.36 Crores against Rs.2.3 Crores in previous year first half registering a growth of 1436%. The PAT margins to sale improved to 2.7% against 0.3% in corresponding period. Finance cost as a percentage of sales improved to 4.7% against 5.3% over previous year first half period. On the order front I am happy to inform you that the current year quarter was the best ever best ever quarter in the company history. During the quarter we secured large size contracts particularly from PGCIL for their transmission line works in state of Rajasthan and for several other T&D projects both domestic and international including telecom. The total inflow for the quarter was in excess of Rs.1529 Crores against Rs.461 Crores previous year registering a year-on-year growth of 232%. The total H1 inflow was the highest ever for the company. We secured new orders in excess of Rs.2,744 Crores during the year against Rs.863 Crores last year first half period registering year-on-year growth of 218%. The current order book stands at Rs.6,074 Crores which is the highest ever in the company's history and is well diversified across sectors and segments. The order book to engineering and infra segment sales now stands at 3.9x of FY2023 sales giving us revenue visibility for the next three to four years. The domestic T&D environment is showing signs of a strong rebound after two years of lukewarm response. The company is committed to leverage and address the vast potential of India's transmission sector with its integrated operations. With the government accelerated effort towards scaling renewable good infrastructure and improving electrification in urban and rural areas, Skipper is poised to support this growth. Further we expect good traction in the international transmission line to continue. The company is witnessing a surge in global inquiries and getting benefited from China plus one trend. The company will continue to get benefited from pent up demand as global economy opens up and global focus and investment in building T&D infrastructure catering to renewable continues to grow. Further the company looks forward to tapping emerging opportunities in sectors aligned with the government's rising interest. Skipper's rising diversification into the business of telecom, railway electrification, water EPC and grid irrigation have tremendous potential aiding to strengthen this revenue stream. The tender pipeline for us to participate look deep and the current bidding pipeline also remains strong and at their all-time high level of Rs.12,620 Crores with international share at Rs.8,020 Crores and and domestic at Rs.4600 Crores. Thank you and I am happy to take your questions now.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Deepak Purswani from SVAN Investments. Please go ahead.

Deepak Purswani: Good afternoon Sir, congratulation for very good set of numbers. Sir my question relates firstly on the execution front? How much was the contribution in the engineering product from the BSNL order in this quarter? Secondly on the debt front it has increased to Rs.713 Crores in this quarter? Looking at the current execution run rate how should we look at the debt level at the end of the year and thirdly on the EBIT margin in the engineering product our margin on the sequential basis has come down slightly so can you please share the thoughts? I mean how should we look at going ahead?

Sharan Bansal: Okay so your first question was about what is the share of BSNL in the current quarter that just ended.

Deepak Purswani: Yes?

Sharan Bansal: Okay so BSNL was approximately Rs.125 Crores in the the current quarter that just ended and could you repeat your second question also please?

Deepak Purswani: The second question is related to the debt level? In this quarter that has risen to the Rs.716 Crores how should we look at debt number at the end of this year considering the growth phase we are going through especially on the working capital debt level?

Sharan Bansal: Well the debt number has only increased in the short-term debt. In the long-term debt number actually has come down for the company. From previous year it was about Rs.290 Crores and currently it is about Rs.284 Crores so actually the long-term debt number is almost slack. The short-term debt has gone up from about Rs.294 Crores to about Rs.428

Crores but largely that is in line with the revenue growth of the company. The important metric for the management to track is the finance cost. Now if you see the finance cost as a percentage of sales it has come down and currently we are at approximately 4.5% finance cost as a percentage of revenue. This number was higher than 5% last year so I think our overall working capital number of days has also come down so although it is difficult to say what the debt level will be at the end of the year. It will definitely be higher considering the growing revenue but we can definitely target that at annual basis our finance cost as a percentage of sales will be lower than last year's level.

Deepak Purswani: Okay and Sir finally on the margin front I mean on the sequential basis there is a slight dip in the margin across the segment?

Sharan Bansal: Yes we have always guided for approximately 12% margin for our engineering business and approximately 10% margin for our infra business so the current order book of the company supports that guidance and we definitely hope to deliver that for the full year period. For the quarter and for the half year normally what happens is there may be a difference in the quality of contract getting executed so that could have an effect on the margins on the quarter basis, but for the full year basis definitely we continue and maintain our earlier guidance of 12% for engineering segment and approximately 9% to 10% for the infra segments.

Deepak Purswani: Okay and Sir finally on the capex front how much have we incurred in the first half and what would be the full year capex for this fiscal year?

Sharan Bansal: Yes so we already incurred approximately Rs.55 Crores capex in the first half of the year and by the end of the year we expect to be about in the Rs.80 Crores Rs.90 Crores range.

Deepak Purswani: Okay thank you. Thanks a lot.

Moderator: Thank you. The next question is from the line of Rahul Mishra from Centrum Broking Limited. Please go ahead.

Rahul Mishra: Thanks for the opportunity. Sir I have a few questions so the first question pertains to like you have mentioned in your opening remark that global inquiries are increasing so can you just name from which regions are we seeing these inquiries and if possible if you can quantify what will be the margins level for these regions and if not overall if you can tell me how much margin expansions can we see with the orders or with the new inquiries conversion to orders and then execution how much margin expansion can we see from this overseas orders?

Sharan Bansal: Yes so in regard to export market what we can tell you is that company is exporting to about 65 plus countries worldwide and our international presence is consistently growing. We are seeing demand opportunities in a number of countries. Currently the strongest demand is coming in from I would say the Middle East region that is probably the area where we are seeing the maximum demand inflow from inflow from countries like Saudi, from Iraq, from UAE, Oman, etc., so all these countries are quite active. Even the North Africa region so the larger Mena region, Middle East and North Africa region which includes countries like Egypt, etc., all of them are having robust demand. Of course our traditional markets like Latin America and parts of Africa there also the company is enjoying healthy demand so in terms of future projection, see it is estimated that global T&D spend will see a massive jump from currently about $250 billion annually to perhaps about $500 billion in the next three to four years time so certainly there will be a lot of opportunity in the overall transmission network for strong players like Skipper and with regards to margins we have always maintained that export margins are 1% or 2% higher than domestic margins as our business will come more and more from developed geographies countries like Australia, US, and Canada from in some of these places we are already doing significant business and we are expecting to see good large orders being finalized from these developed countries in the times to come. There we can definitely hope for more and more margin expansion at the bottom-line level.

Rahul Mishra: Fine enough. Sir my next question is towards the domestic market so if you can help me understand what is the current size of the transmission towers in the domestic market and how are we placed as in what is our market share and how do we compete with our competitors in this particular space and what is the outlook going ahead given that India or the government is for emphasizing more on the renewable energy generation and if this gets implemented in real time then we could really see a good amount of opportunities coming from these these sectors so just a brief outlook if you can share with us?

Sharan Bansal: Yes so currently our overall order book is about Rs.6,000 Crores as of end of September which had roughly 17% to 18% export and rest 83% came from domestic. Now within this domestic order book approximately there is an even split between T&D and non-T&D so 41% coming from T&D and 42% coming from non-T&D so this has seen a sharp rise in the last one year where basically there is a lot of pent-up demand in the India transmission space. CEA has come out with a paper of expected investment of Rs.2.4 lakh Crores up till 2030 in the Indian transmission space particularly to cater to 500 gigawatt of renewable energy which is coming online so I think this current trend that we have seen in the domestic market of robust ordering we expect this to continue over the next few years and all large players like Skipper will definitely benefit from this trend.

Rahul Mishra: Sure thanks for replying. Sir my next question is again on the domestic market so like once we start getting orders and we tend to start getting rewarded to players and we start booking our revenues so how would be the working capital requirement and how are we supposed to fund that like will the internal accruals will be sufficient or else we have to resort to some kind of funding to because once revenue increases it will definitely have to be supported by working capital needs so how are we placed at this point of time?

Sharan Bansal: Yes I mean see the company has strong cash flows and we have quite comfortable working capital limits with our lenders for taking care of any working capital expansion requirement of the company even though this year we are looking at significant revenue jump. We are seeing no challenge meeting the working capital funding requirements and also we do not see any challenge in the upcoming future as well as, the company is guiding for a minimum 25% CAGR growth over the next three years. Definitely our internal accruals plus the working capital support received by our lenders will be sufficient for taking care of any requirements that we have. As you might be aware the company is also in the process of coming out with the rights issue of approximately Rs.200 Crores value and that right issue will further be used for supporting the growing working capital requirements of the company.

Rahul Mishra: Yes so just one last question if you can just give a sales breakup between sectors like how much we do it from T&D, from Railways and from telecom any round figure if you like to like basis?

Sharan Bansal: Normally what we have seen is that the order book of any year that translates into the revenue of the next year so maybe perhaps what you can see is that like I mentioned that currently the order book is 40, 40 and 20, 40% domestic, T&D 40% domestic non T&D and approximately 20% exports so I think that is the split that you can see in execution also in the coming times.

Rahul Mishra: All right so if I can just squeeze in one more question so about telecom so we see that the upcoming 5G and 6G network will see some increased demand for telecom towers and this particular sector is going to be promising in the next few years so if you can just give a brief outlook on this like how can we as a company can offer our services to the telecom sectors given that we have already received one of the large orders from BSNL to set up telecom travels in rural areas so what is outlook for telecom sector?

Sharan Bansal: Yes I would say that the telecom sector is certainly going to be seeing a good demand. We have secured the large order from BSNL. We are also getting large orders from other players like Indus Towers and Jio so we expect that ordering trend to continue and as India moves into 5G and then subsequently 6G networks, the demand for towers will continue to be there in the telecom space so certainly we will look at telecom as a growing area overall for our engineering products.

Rahul Mishra: Sure thanks a lot Sir for answering my questions. I will joint back in the queue if I have more questions.

Moderator: Thank you. The next question is from the line of Dhruv Aggarwal from Niveshaay Investment Advisors. Please go ahead.

Dhruv Aggarwal: Sir first congratulations for the good set of numbers. Sir my question is sir order book stood at around Rs.6,000 Crores Sir can you please give the color on the execution timeline like within how many quarters we can execute this order book Sir?

Sharan Bansal: Yes so normally the order book is executable over between 15 to 24 months and that will be the trend for this order book as then.

Dhruv Aggarwal: Thanks. On international front and around Rs.4600 Crores on domestic front so from this what can we expect Sir and by what time Sir?

Sharan Bansal: Sorry your voice was not very clear. Could you please repeat again.

Dhruv Aggarwal: Sir a very robust bidding pipeline Sir so by what amount can we expect this bidding to flow into the order book and by what time Sir?

Sharan Bansal: Right so the company already has a significant order book and we are adopting a more selective approach in further order inflow. We are obviously targeting higher margins because we are already sitting at a comfortable order book. The here is sufficient business to be taken both on the domestic front and international front so I think now the company will use the opportunity of the current large order book to target more higher margin orders in the coming years.

Dhruv Aggarwal: Okay right Sir and the third question would be Sir as you can see on the polymer division Sir there is a margin dip Sir so what can we expect like around 10% margin as there was in year 2014 – 2015 so when can we expect those margins in the polymer division?

Sharan Bansal: Yes so in fact polymer division has not had a margin dip if you consider H1 to H1. Last year H1 we were at about 4.4% operating margin and this year we at about 5.8%. As our revenue and volume keeps growing in this segment which it already is we have delivered about 51% growth in volumes. We expect margins to keep improving every quarter as we go ahead towards the double-digit margin eventually so this is something where definitely there is a lot of head room to grow and we are definitely on the path towards that margin expansion in this business.

Dhruv Aggarwal: Sir if you can give some color like by what time like within the next quarter or within next few years?

Sharan Bansal: It is difficult for me to put a time frame to that but we are definitely on the path to margin expansion and hopefully we will get there sooner rather than later.

Dhruv Aggarwal: All right sure and Sir what would be the current installed capacity in the engineering and the polymer segment and the respective capacity utilization for the same thing?

Sharan Bansal: Okay in the engineering space our total capacity is approximately 300,000 tonnes per year and looking at the order book and continued robust demand we expect that this year we will be ending at about 70% to 75% capacity utilization. In the polymer space our total capacity is 62,000 tonnes per year and here also we are looking at approximately 60% capacity utilization for the full year this current year.

Dhruv Aggarwal: Okay and Sir like are we expecting any upcoming future capex plan seeing the robust demand on like towers and divisions segment?

Sharan Bansal: Yes sure so currently the company whatever the capex that we are doing it is towards more capacity debottlenecking, driving cost efficiency and increasing of our range because our revenue mix is going through a lot of changes. We are catering a lot more to different country and different export market so in that we definitely do need to invest in our capacity to cater to all the various sizes and the various grades that are required in the international market and even in the domestic market because of the non T&D share rising there is a lot of capacity debottlenecking and range expansion that we need to do so all that is happening and we are currently carrying out the capex for that which is mostly Brownfield and looking at the robust demand we may go in for a Greenfield plant expansion but the board is yet to take a call on that, that we will be deciding subsequently in the coming quarters.

Dhruv Aggarwal: All right Sir thank you so much Sir. All the best for the future.

Moderator: Thank you. The next question is from the line of Rahul Mishra from Centrum Broking Limited. Please go ahead.

Rahul Mishra: Thanks for the follow-up. Sir my question is on the polymers business so how do you see the current demand situation fanning out and what is the growth rate that we expecting to clock in H2 of this fiscal as well as for FY2024 as well?

Sharan Bansal: In terms of growth we have delivered a 51% growth in the first half of the year in the polymer segment and for the second half also we are targeting a similar growth number. Could you repeat your first question please.

Rahul Mishra: Yes the question is pertaining to the growth so I have already got it from your side so how exactly the company would be looking to grow in the second half of the year and for FY2024? I would like to also add in one more question that what are our A&P spends as a percentage of sales and do we see this percentage increasing from here on?

Sharan Bansal: You are asking about our advertisement spend.

Rahul Mishra: Yes Sir advertisement and promotion spends?

Sharan Bansal: Right so our ad spend has been to the tune of about Rs.2 Crores to Rs.3 Crores in the past and we expect that trend to not vary too much because as the ad spend increases the volumes are also increasing so maybe it will remain in the 2% to 3% range.

Rahul Mishra: Yes just last question from my side for the engineering products segments, we understand that one of our key competitors globally are Turkish players so how exactly are we advantages in terms of either cost or either in terms of supply chain and in terms of quality of product that we sell how are we competing with the Turkish players and do we see Chinese players trying to penetrate the market through either price undercutting if you can just give an outlook on this?

Sharan Bansal: Yes sure so I think as Skipper has a lot of inherent cost advantages compared to any manufacturer in the world. We are the only truly end to end integrated company with backward integration and forward integration for our product so that definitely gives us lot of advantages. We are also located in the Eastern part of India where we have advantage for raw material sourcing and also we are close to the port so our logistics cost is also very low compared to some of the other players. Now how do we compare against Chinese and Turkish; I will say that yes definitely in terms of cost we are fairly competitive because of sea freight again getting rationalized post COVID now sea freight rate levels are back to pre COVID levels so it is very easy for us to supply our products all over the world at low sea freight. During COVID years we did have a disadvantage because the sea freight prices were so high so they definitely maybe perhaps Turkish players had a more of an advantage in supplying to Western continents but now that advantage is no longer. Sea freights are largely same whether it is goes from here or whether it goes from there. So in terms of size and scale we are definitely up there with the largest Chinese and Turkish players in terms of cost economy. Certainly, we are able to compete very well. I think the important thing about for us for breaking into newer market are things like registrations, approvals, product certifications and product type testing, I think those kind of engineering activities, techno commercial engineering activities which the company has been doing for the last eight to 10 years and it has yielded positive results already for us and subsequently it is going to get more and more beneficial and more and more it is going to yield better and better markets for us in the international space.

Rahul Mishra: Fine enough. That is all from my side.

Moderator: Thank you. As there are no further questions, I now hand the conference over to Mr. Rahul Mishra for his closing comments.

Rahul Mishra: Thanks Lizann. I thank the management for giving us an opportunity to host the call and all the participants for attending the call. Sir do you like to make any closing comments.

Sharan Bansal: Yes so thank you everyone. We are confident of delivering profitable revenue growth with a consistent margin in the current year and expect to clock revenue growth in excess of 25% CAGR for the next three financial years on back of pending engineering contracts and strong polymer segment performance. We will continue to focus on improving bottom line profitability, stabilize operating cash flows and trim our debt thereby leading to improvement of the company's margin profiles and strengthen the balance sheet position and capital return ratio. The company efforts towards sustainable business practices will help us to achieve its goal by making meaningful contributions to the national and global infrastructure. We appreciate your continued support and look forward to interacting with you again in the next quarter. Thank you.

Moderator: Thank you members of the management team. Ladies and gentlemen, on behalf of Centrum Broking Limited that concludes this conference call. We thank you for joining us and you may now disconnect your lines.