Skipper Limited registers 30% growth in sales in Q2 FY '2015-16; Operating Profit (PBT) grows by 140% Operating EBIDTA grows by 53% Looks at commissioning two more PVC plants within Q3 FY'16

~ Work in full momentum for the upcoming Sikandrabad and Guwahati units for manufacturing of PVC pipes ~

~ External credit rating upgrade for the Company by two notches to A+ from A- ~

Kolkata, November 3, 2015: Skipper Limited (BSE: 538562) and NSE (Symbol: SKIPPER), **among the top three players in the transmission and distribution (T&D) infrastructure sector** having a total installed capacity of over **175,000 MTPA** and a **significant player in water infrastructure** of India , announced its results for the second quarter and half year ended 30th September, 2015.

Financials – Q2 FY' 16 :

All figures in INR Crore, unless specified	Q2 FY'16	Q2 FY'15	Change %
Net Sales	***343.63***	***264.87***	**29.7%**
Operating EBITDA	***45.46***	***29.74***	**52.8%**
Operating EBITDA - % of sales	***13.2%***	***11.2%***	
Depreciation	***5.78***	***5.05***	**14.4%**
Interest	***11.43***	***12.90***	**(11.4%)**
Operating PBT	***28.25***	***11.79***	**139.6%**
Income from Forward Contracts	***18.14***	***42.01***	**(56.8%)**
PBT	***46.39***	***53.80***	**(13.8%)**
Tax	***16.10***	***18.51***	**(13.0%)**
PAT	***30.29***	***35.29***	**(14.2%)**
Note: Operating EBITDA & Operating PBT are calculated without considering income from forward contracts.			

Performance Highlights - Q2 FY'16

- **Net Sales grown by 30%** over the previous year corresponding quarter. The net sales of the company increased to Rs 343.63 crores from Rs 264.87 crores
- **Multifold increase in export revenues**, in line with the company's target to achieve a higher export share of about 40% in total revenue
- **Operating EBITDA rose by 53 %** over the previous year corresponding quarter. The operating EBITDA increased to Rs 45.46 Crores from Rs 29.74 Crores
- Operating **EBITDA margin at 13.2%**, showing an improvement of 200 bps over the previous year corresponding quarter
- **Operating PBT** registered a whopping **growth of 140%** over the previous year corresponding quarter, increased to Rs 28.25 crores from Rs 11.79 crores

Financials – H1 FY' 16 :

All figures in INR Crore, unless specified	**H1** FY'16	**H1** FY'15	Change %
Net Sales	***578.05***	***448.07***	**29.0%**
Operating EBITDA	***81.42***	***57.93***	**40.6%**
Operating EBITDA - % of sales	***14.1%***	***12.9%***	
Depreciation	***11.66***	***10.49***	**10.1%**
Interest	***26.15***	***25.57***	**2.2%**
Operating PBT	***43.61***	***21.87***	**99.4%**
Income from Forward Contracts	***18.14***	***42.01***	**(56.8%)**
PBT	***61.74***	***63.88***	**(3.3%)**
Tax	***21.42***	***22.03***	**(2.8%)**
PAT	***40.32***	***41.85***	**(3.7%)**

Note: Operating EBITDA & Operating PBT are calculated without considering income from forward contracts.

Performance Highlights – H1 FY'16

- Achieved a **sales growth of 29 %** over the previous year corresponding period. The net sales of the company increased to Rs 578.05 crores from Rs 448.07 crores
- **Operating EBITDA rose by 41 %** over the previous year corresponding period. The operating EBITDA increased to Rs 81.42 Crores from Rs 57.93 Crores
- **Operating EBITDA margin at 14.1%**, showing an improvement of 120 bps over the previous year corresponding period.
- **Operating PBT almost doubled** and increased to Rs 43.61 Crores from Rs 21.87 Crores, registering a growth of over 99% over the previous year corresponding period.

New PVC products manufacturing plants by Q3 FY'16

As a top three PVC pipe manufacturing companies in Eastern India and one of the fastest growing across India, The upcoming PVC pipe manufacturing facilities of Skipper Limited at Sikandrabad near NCR, and Guwahati in North East are to enhance the capacity in the PVC products segment to 40,000 tonnes. The company has plans to take the total capacity to **100,000 TPA by FY 2018**, addressing the need of the Country for superior quality of PVC pipes and products.

Order Book

The company's current Engineering products **order book position stands at approx. INR 2,400 Crores (March 2015).** International orders make up about 45% out of this and the rest are domestic. The company's rightful prerogative of strengthening its business presence in overseas markets, namely in Africa, Europe, North America and Lat-Am region, resulting in healthy growth in both top line and bottom line. For 2015-16, the Company has over INR 1,150 crores worth of export orders and is targeting to enter newer geographies.

Credit Rating Upgrade

The company's external credit rating has been **upgraded two notches by CARE from A- to A+** on account of improved operational & financial performance in conjunction with better growth prospects.

MANAGING DIRECTOR and DIRECTOR SPEAK

"Skipper has consistently outperformed the industry benchmarks and the 30% sales growth in the second quarter of the current fiscal year reiterates the position of being the fastest growing company in the power T&D space. We are putting in place ambitious strategies for our tower manufacturing, PVC pipes and EPC verticals for consistent growth. Skipper Limited is also expanding to newer geographies for PVC pipes at strategic locations. We have plans to take our capacity in our PVC products division to 100,000 TPA by FY 2018. At Skipper Limited we believe in spending high on human capital by putting in strong marketing teams across Gujarat, Rajasthan, Maharashtra and Madhya Pradesh to grow market prominence for our PVC pipe segment. Our asset light, low capex business model also ensures steady growth in bottom lines."

- Mr. Sajan Kumar Bansal, Managing Director, Skipper Limited

*"At Skipper Limited we have dedicated our focus towards two critical sectors for the nation, power T&D and water. We have created a wide range of solutions to cater to discerning customers, nationally and internationally. We have registered 100% growth in our water resources segment, outperforming industry growth of 8%. Our T&D division has seen an exponential 50% growth continuously for the past 3 years and now forms almost 85% of our company's revenues. This has been possible due to our increased stress on exports as well as acquiring market share from existing players domestically. Going forward, we expect to play a vital role in the **huge transmission capex of 1 Lakh crore** envisaged by the Power ministry. We are currently operating at about 90% capacity utilization which is one of the highest in the Industry."*

- Mr. Sharan Bansal, Director, Skipper Limited

ABOUT SKIPPER LIMITED

Skipper Limited was established in 1981. The Company is one of the leading manufacturers and suppliers of towers and monopoles for Power transmission and telecom, High Mast Poles and Swaged Poles for power distribution, PVC, GI and SWR Pipes & Fittings in India. Skipper differentiates its offerings with high quality but cost effective solution for infrastructure providers and telecom operators who are looking to roll out smart economical networks in the shortest possible time.On the business front, from being a National player, Skipper has been continuously expanding to reach out to more international markets. The Company's global presence spans across South America, Europe, Africa, Middle East, south and south East Asia and Australia. In the PVC pipe vertical with consistent expansion, Skipper is moving on to become a national entity from being one of the leaders in PVC pipe business in Eastern India. The performance and sustained growth of Skipper Limited over the last few years is a testimony of the strong foundation that the company has been built upon.Skipper Limited is listed at BSE (538562) and NSE (Symbol: SKIPPER) with a market capitalization in excess of INR 1,550 crore (as on 3rd November, 2015).

For further information please contact:
Mr Sanjay Agrawal – Chief Financial Officer
Tel: 033 – 22892327 / 5731

SKIPPER
LIMITED

Out performance

What makes this company one of the most exciting power-water sector plays in India today

3rd November, 2015

Private and confidential

Structure

- Corporate
- Business Divisions
- Aspirations
- Financials

SKIPPER LIMITED

Broad presentation take-aways

Historical

One of India's fastest growing companies within chosen (water and power) sectors

Turnover CAGR of 21% in three years (FY12-FY15)

Fastest growing and second largest Eastern India water transportation brand; 10% market share of the PVC pipe business in eastern India

Largest power transmission tower supplier to PGCIL (47% of order book)* and Large Export order book (46% of order book)*

*As on 31/03/2015

SKIPPER Limited

Broad presentation take-aways

Cont…

Strategy

Volume-value

Progressively asset-light; profitable growth focus

Evolving; zonal to national in one business; national to international in another

Value-addition through growing Export business, Monopoles and EPC, cPVC pipes focus (water transmission)

SKIPPER Limited

Game changers

Only company in India to have complete value chain control from Angles to Tower production to Fastners to EPC resulting in control of over 80% of the cost on any Tower Line project

Among the top three players in the T&D Infrastructure sector of India which is witnessing massive investments by the government

Largest player in eastern India providing immediate monopolistic leadership position for all T&D projects announced for east and north east India (Recently a 5000 Crore fund has been allotted by Government of India for transmission projects in NE India)

Among the only three players in the monopole business in India

Complete product portfolio of pipes including newly launched CPVC Pipes making it a major player in both the rural agricultural as well as urban plumbing segments

Game changers

cont...

Massive investment plans announced by the government in the water transmission and distribution space for the next few years.

Strong distribution network in eastern India as well as expertise in development of distribution channels in new areas.

Strong brand presence in eastern India which will be projected in the other regions. Expanding in the Western, Southern and Northern Indian markets with an asset light model.

Capex per MT of capacity added would be one of the lowest in the industry.

Exponential growth plans in PVC business of over 100% per annum planned for the next few years.

SKIPPER LIMITED

SKIPPER LIMITED

Section 1

CORPORATE

Milestones

1981

Company incorporated and commenced manufacturing Hamilton Poles

1990

Company entered into manufacturing Telecom Towers & Masts

2001

Set up LPG Cylinder unit

2003

Set up first Tube mill

2005

Set up first Galvanizing plant

2006

Crossed Revenue of INR 100 crore

Got **POWERGRID** approval for Tower unit and first order itself for 400kV towers (the highest voltage level at that time)

Entered into a manufacturing tie-up with Ramboll, Denmark - the world's largest Tower design company

2007

Entered into value addition of Steel Tubes as Scaffoldings

2008

Started process of Conversion of Tower production process from Manual to Automated CNC

Milestones

2009

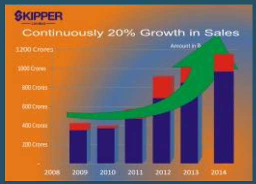
Got India's first order for 800KV transmission towers from PGCIL

Commissioned Uluberia unit with first PVC unit and India's first double side Tube GI Plant

2010

Entered into backward integration of the two major product verticals Tubes and Towers, by way of Strip mill and Angle mill, respectively

2013



Crossed Revenue of INR 1000 crore

Alliance Agreement with a South Americas Largest TSO for exclusive supply to their transmission Projects

2014

July 2014
Listed with BSE

2015

Company is awarded as "Fastest growing Transmission Tower Company" by CNBC TV-18

New PVC Unit got operational at Ahmedabad in April 2015.

May 2015
Listed with NSE.
Market Cap of INR 1790 Core.
(As on 27-May-15)

Technological tie up with Sekisui of Japan for CPVC Compound and Wavin of Netherlands for advanced plumbing solutions.

SKIPPER LIMITED

Corporate

About us

Skipper

Power transmission towers and distribution poles

Water transmission pipes and fittings

Track record:

Skipper Limited (established 1981) is the flagship Company of the Kolkata-based S.K. Bansal Group

Core sector play:

Large operating space of INR 60,000 crore annually (water transportation and power transmission combined)

Corporate About us

Indian and global: Exports to South America, Europe, Africa, Middle East, South / South East Asia and Australia

Effective: Combination of promoter and professional teams in an SBU-like structure

Attractive sectoral proxy: Revenues grew 21% CAGR in the three years leading to FY15

Leadership: One of India's leading manufacturers: Power transmission towers, Poles, Pipes (PVC, GI and SWR) and fittings.

Attractively located: Gross Block of INR 430 crore (FY15) with manufacturing assets across three UNITS (Junglepur and Uluberia in W.B.)

30-year experience: Transmission &Telecom Towers, Fasteners, Poles, PVC pipes & fittings, Hot rolled sections, ERW pipes & scaffolding.

Focused execution teams: 1600+ members (Mar,15) comprising engineers, post-graduates and graduates

Attractive valuation: Market cap of over INR 1550 crore as on 3rd November 2015.

NSE (Symbol: Skipper)

BSE (code: 538562)

Governance: Robust governance and audit standards; 4 Independent Directors on the Board; reputed external and internal audit teams; well-documented code of conduct

SKIPPER LIMITED

Board of Directors – Promoter Directors

Sajan Kumar Bansal,

Managing Director

The driving force. His visionary leadership has helped grow the Company from a single product manufacturer to multi-unit, multi-product conglomerate (steel to plastics).

Sharan Bansal,

Director

A mechanical engineering graduate, he heads the transmission tower and EPC businesses. Has helped the Company become one of the leaders within the India's transmission and distribution segment.

Devesh Bansal,

Director

Holds a master's degree in international business. Heads the Tubular products division of the company. Pioneered the production of monopoles. Responsible for the Group's pan-India PVC expansion.

Siddharth Bansal,

Director

Completed an entrepreneurship course from the University of Illinois. Spearheaded the Company's diversification into non-steel products. Manages the fast-growing PVC pipe manufacturing division.

Board of Directors – Independent Directors

Amit Kiran Deb, *IAS (Retired) Chairman*
Has held several portfolios in the West Bengal State Government (Home, Cultural & Information, Tourism and Industry) before retiring as Chief Secretary and Tourism Secretary. Possesses a profound knowledge and experience across industries. Has enjoyed close interactions with prominent industrial houses.

Manindra Nath Banerjee, *IAS (Retired)*
Served in top positions in more than 10 State Government undertakings. Has also worked at the Durgapur Steel Plant (on deputation from the State Government).

Shyam Bahadur Singh, *Ex-Managing Director, Steel Authority of India Limited*
Joined Steel Authority of India Limited as a graduate engineer in 1959 and rose to become the managing director of the Durgapur Steel Plant and the director of Steel Authority of India Limited in 1993. Retired in 2001. Widely traveled, he has been associated with several reputed business houses.

Mamta Binani, *Practicing Company Secretary*
Presently she holds the prestigious position as Vice President of the Institute of Company Secretaries of India (ICSI). She was the first lady Chairperson in Eastern India Regional Council of the ICSI, having more than 17 years experience in corporate consultation & advisory.

Section 2

bussiness divisions

Power T&D Division

INR 1142 crore

2014-15 revenues

78.35%

Contribution to 2014-15 revenue

Power transmission & distribution overview

Deficiency

Investment revival

Out performance

SKIPPER LIMITED

Transmission & Distribution - National deficiency & Investment Revival

Inadequate national transmission capacity – Only 30% increase in Transmission capacity vs 50% increase in Generation capacity last 5 years

Almost a third of India not connected to a power grid.

Each Transmission Project takes minimum 4-5 years for commissioning. ROW and Forest clearance delays are a major bottle-neck

Indian transmission network now growing at 8-9% (decadal growth 6-7%)

Dedicated Green Energy Transmission Corridors being developed to cater to Renewable energy projects

Sector growth to be catalysed by 100 smart cities, RGGVY, R-APDRP and JNNURM SAARC grid; North East India transmission investment;

Right of way issues and urban congestion to drive monopole off-take

Govt. of India considering exemption from Forest clearance for new Transmission lines

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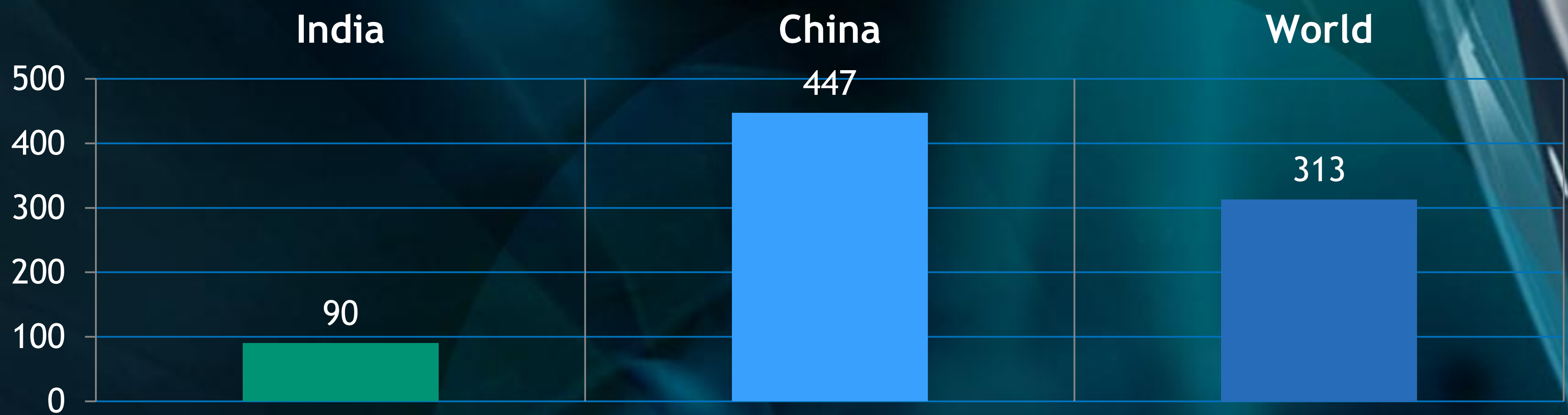
Average power consumption per capita (kVA)



Indian transmission line network

Transmission lines (AC and HVDC systems, ckm)	10th Plan end (est.)	11th Plan end (est.)	12th Plan end (est.)
HVDC bipole lines	5,872	9,452	18,892
765 kV	1,704	4,164	31,164
400 kV	75,722	114,979	152,979
220 kV	114,629	140,976	175,976
Total transmission line (ckm)	197,927	269,571	379,011

Source: Planning Commission, 765 kV transmission line growth 18x between 10th and 12th Plan (projected) periods

Skipper's power transmission business – T&D

Presence across business sub-segments – Towers, EPC, monopoles and poles

Among the three largest power transmission tower manufacturers in India

Economies of scale; not easy to replicate; enhances sustainability

Towers account for almost 60% of a power transmission project (Skipper's core area)

Value-addition focus; revenues from 400kv and higher 100% of tower revenues (FY14) – 85% of revenues from PGCIL projects

Tower & Poles capacity (175,000 MTPA) across three manufacturing facilities - Junglepore and Uluberia (West Bengal)

Order book of INR 2450 crore (March 15) providing revenue visibility for 2 years

Skipper's product portfolio

Transmission towers including Towers and Monopoles

Distribution products including Swaged and Octagonal poles

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Skipper’s integrated value chain

Steel Billets & blooms as input → Manufacture MS & HT Angles → Design and Manufacture Complete towers → EPC Projects

MS and HT angles
- 180,000 MTPA capacity
- 95% of volumes consumed in-house; rest sold

Fabrication and galvanization of complete towers and Poles
- 175,000 MTPA capacity
- 10% of volumes go in-own EPC projects; rest sold

SKIPPER LIMITED

Outperformance-focused business model

Export orders are rapidly growing – 10% of the order book in FY13 to 46% of the order book in FY15 (INR 1130 crore export order book)

Higher exposure to value-added, faster-growing segment

Entry barriers higher in 400 kV+ lines (prequalification, infrastructure and quality)

Increasing project ticket size

Lower margins pressure

Longer project cycles; higher revenue visibility

Competence-driven PGCIL tendering model

765 kV-
60%
of revenues

400 kV-
40%
of revenues

132-220
400 kV-SEBs:
Nil

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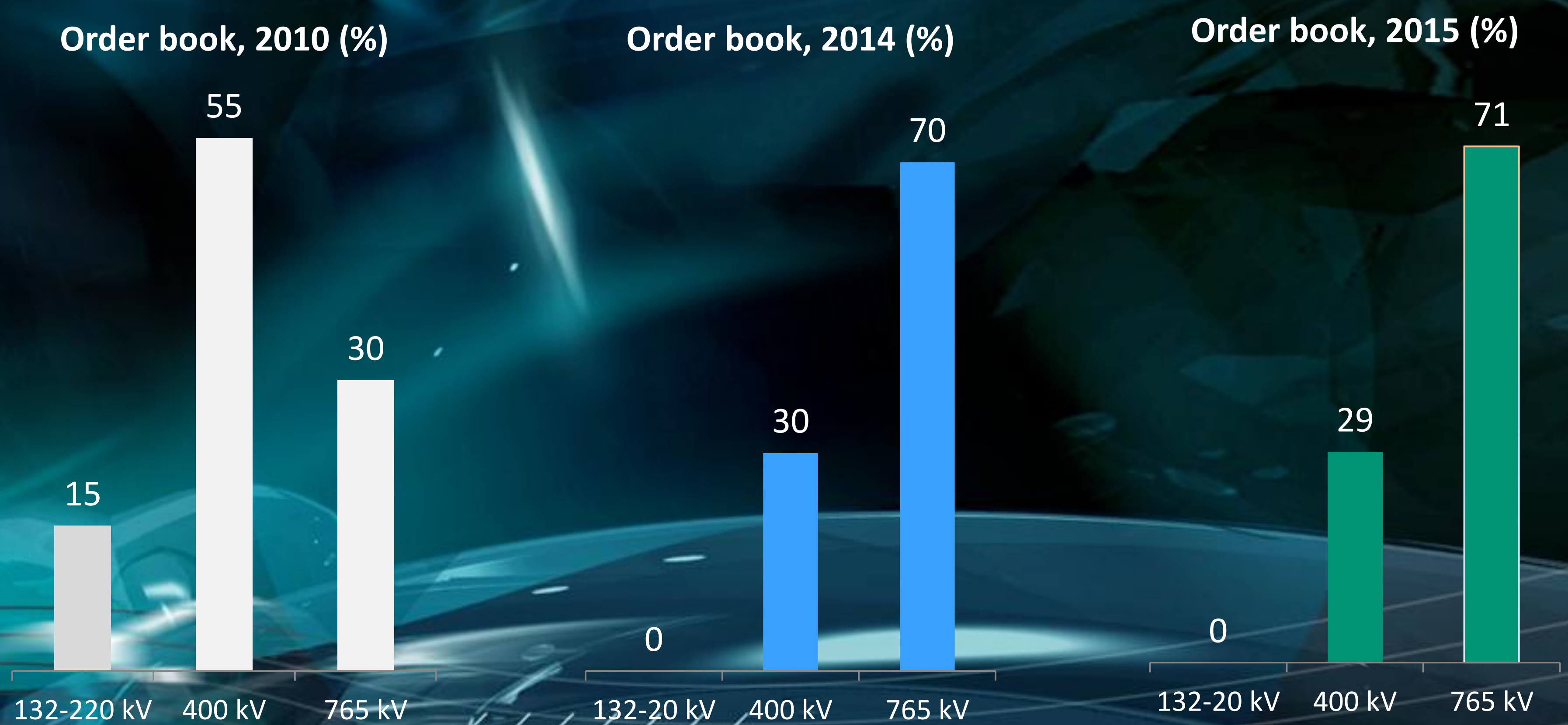
Growing value-accretion - changing order book for Power T&D (Domestic)



Monopoles - growing value-addition in the Power T&D space

Monopoles are self-supporting tubular structures; carry transmission lines from 11 kVA to 400 kVA; extensively used in new telecom capacities and 4G network expansion

Monopoles consume low ground and aerial coverage

One of the three companies in India producing monopoles

designing and manufacturing **monopoles** tie-up with **Ramboll** of Denmark

Monopoles are also being increasingly used in transmission projects to counter right-of-way (RoW) issues near urban locations

PGCIL and SEB's started use of Monopoles for experiential lines

Telecom companies (RIL JIO, Indus Towers and American Tower Company) prefer monopoles for their urban and semi-urban network

Large infrastructure requirement and design capability are entry – barriers to business

Distribution poles - growing value - addition in the Power T&D space

'Power by 2020' is a central government vision of reaching power to every household across the country

Skipper among India's four largest manufacturers of galvanized steel poles.

Manufactures the entire basket of products in steel poles from swaged to octagonal to conical to high masts

Possesses approvals and certificates from various overseas customers; approvals and certificates from Indian testing agencies (CPRI, IIT Kanpur etc.)

With further capacity enhancements within the last quarter of FY15, the division is expected to emerge as the largest steel pole manufacturer in the country with the most comprehensive product range.

2014-15 EBIDTA margin comparison

Skipper	Kalpataru	KEC
16.52%	10.83%	7.66%

4.70%
Skipper's logistics cost per ton of sales

7.50%
Average industry logistics cost per ton of sales

SKIPPER LIMITED

Higher Margin

why our T&D margins are better than our peers ?

1. Scale and Size.

allows us high negotiation power on raw material sourcing, resulting low manufacturing cost.

2. Integrated Operations.

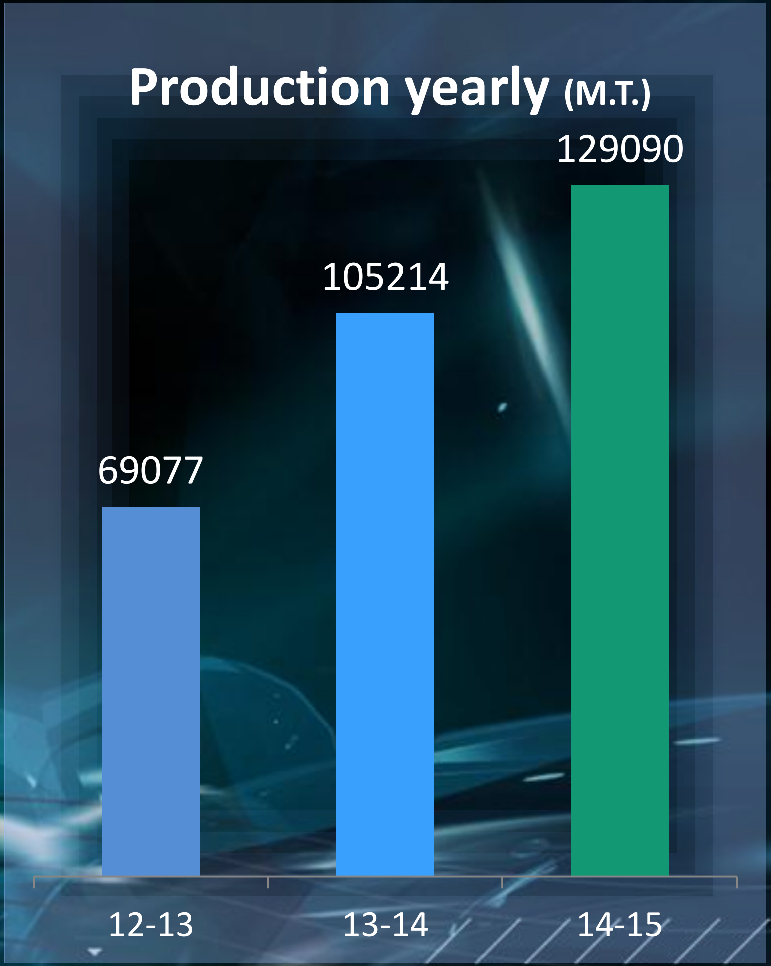
allows us to keep the profit on rolling mill operation, which others have to pay to rolling vendor.

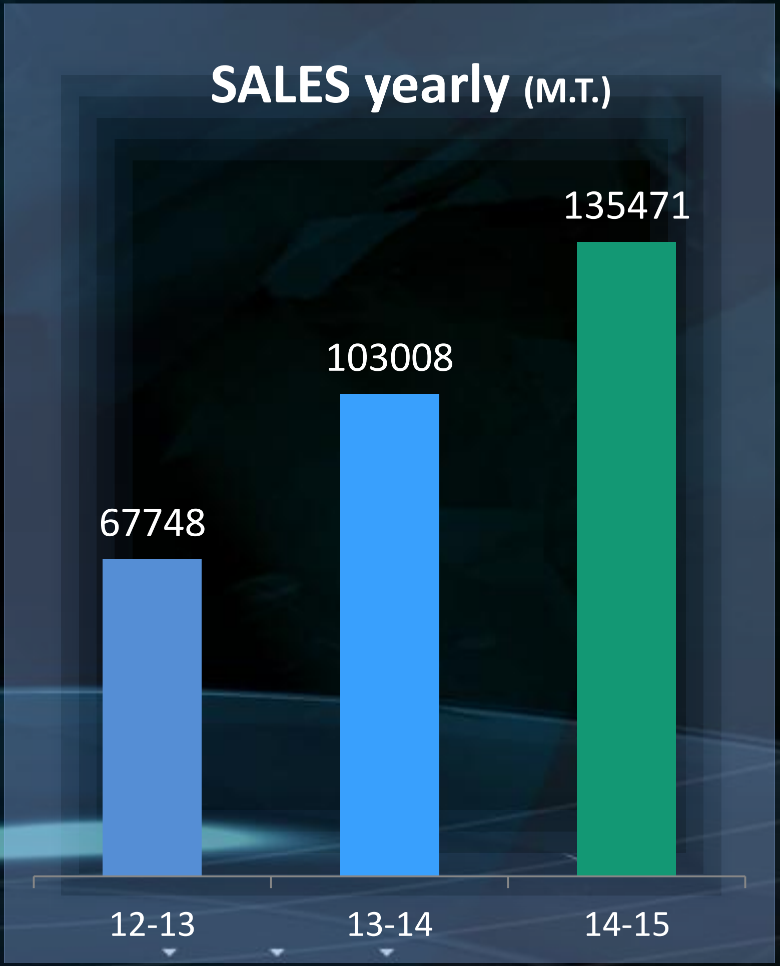
3. Logistic Advantage.

being in Eastern part all the primary steel plants are nearby to our factory, hence input logistic cost on raw material is very low.

Effect, The combined effect of all three advantages resulting to about **5% additional profit** for us as compared with peers.

Power Transmission & Distribution Business unit financials





Power T&D Blueprint for sustained outperformance

Growing the proportion of high-margin EPC business to 25 per cent of T&D turnover

Increase galvanizing capacity; widen value-added production

Low debt intensity for incremental revenues

Growth ambition

Grow revenues 32 per cent y-o-y

Carve out a conservative 5% of India's INR 40,000 crore annual Transmission market

Target increasing business from other domestic as well as export customers

Water Division

Our water transportation business

INR 102crore

2014-15
Sales

7.00%

Contribution to
2014-15
revenue

Water transmission overview

Deficiency → Evolution → Outperformance

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Water Transportation Industry

Industry deficiency & Evolution

Less than 50% urban population with access to piped water. Only 14% of rural income spent on agri inputs (including PVC pipes)

Water utilities do not cover almost 25% of Indian population. Over USD 1 trillion allocated in 12th Plan for construction and infrastructure; plumbing products industry expected to grow 6% annually to USD 8 billion by 2016 (Indian Plumbing Skills Council)

18 lac TPA India market for water transmission PVC pipes and pipe fittings growing at 8-10% per annum - India's PVC pipes and fittings market projected to reach INR 24,000 crore in FY 2019

Large players getting larger; share of top six increased from **30% to almost 50%** in five years

SKIPPER LIMITED

Skipper's water transportation business

Ventured into the water transmission infrastructure (pipe) business in 2009

Captured 10% of eastern India's market share; ranked zonal second; coveted part of a small club of quality makers

Products largely comprise PVC pipes and fittings (among handful national players)

Manufacturing capacity 10,000 MTPA; plant in Uluberia, about 50 km from Kolkata

Wide recall of 'Skipper' brand

Outperformed industry growth of 8% growth with more than 100% growth annually (benefit of low base effect)

SKIPPER LIMITED

Outperformance-driven business model

Competitive advantage:	INR 8,500 per MT of capacity added (industry average of about INR 20,000 per MT). Achieved through Lease – out strategy of fixed infrastructure such as Land & Sheds
Contemporary:	60 per cent of gross block less than 5 years old
Brand positioning:	Value-for-money despite a narrowing price differential between its products and the band leader
Cost management:	Large diverse vendor base leading to cost-effective procurement; among top five (and one of the very few companies) in India to be assured of cPVC for manufacture of state-of-the-art pipes
De-risked:	Retail sales 90% of volumes; lower vulnerability to cyclical impact

Core strengths

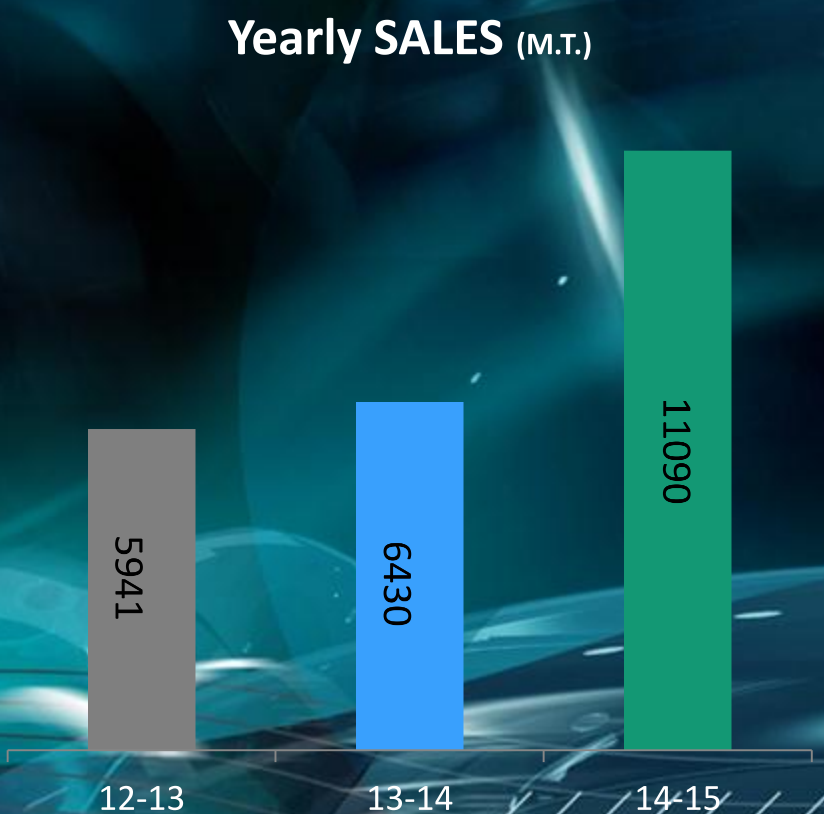
Graduated generic sales to brand ambassador-led marketing (Navjot Singh Sidhu)

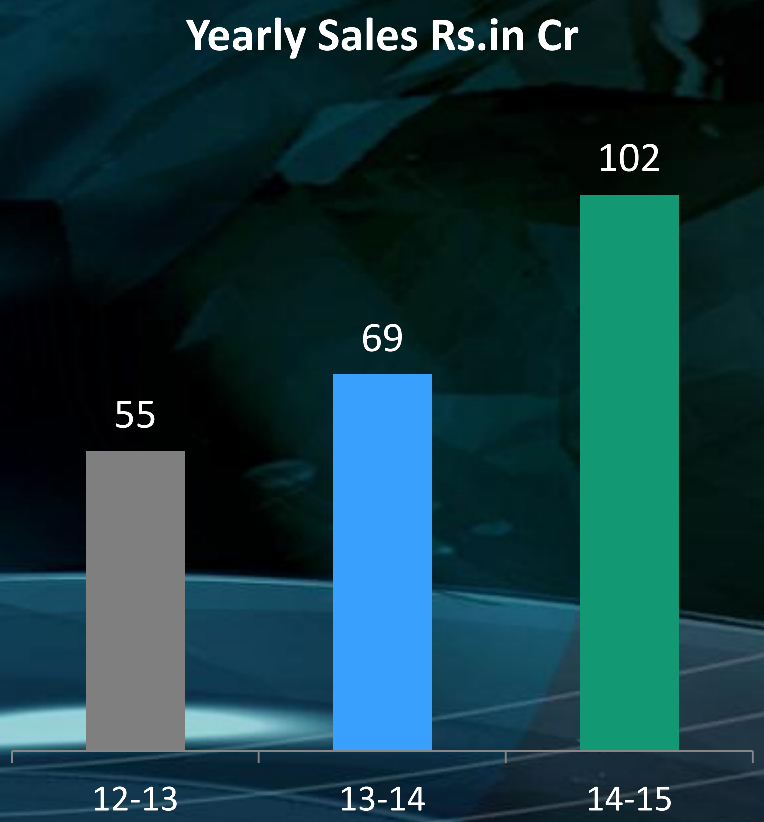
Reducing price differential between the market leaders and us from 25% in 2009 to above 6% in 2014

Documented policies, robust governance and audit standards

SKIPPER LIMITED

PVC Pipe Business unit financials





PVC Pipes Blueprint for growth

Increase capacity ten-fold to 100,000 TPA by FY 18
Emerge among the top five PVC pipe makers of India
Evolve from zonal to pan-national
The addition of CPVC pipes to be product basket strengthens our position further in urban centers apart from the rural agricultural sector
Pursue mix of equipment rental cum asset-lightness cum equipment portability
100% retail sales to taper to 60% (rest projects)
Focus on achieving best quality at lowest delivered cost
Strengthen EBIDTA margin 300 bps to 14%

Graduate to the lucrative CPVC market:

- Invest in movable manufacturing infrastructure proximate to consumption points
- Lower rentals and other fixed costs
- Shrink product-to-market time cycles
- Lower capex costs as compared with establishing a comparable greenfield facility

Invest disproportionately higher in upfront brand building
Venture into diverse pipe applications (rain water harvesting)

Growth drivers of largest players

- Strength of distribution Brand
- Willingness and financial strength to invest into the brand

SKIPPER LIMITED

PVC Pipes Growth ambition

Focus on 10x installed capacity growth by FY18 and emerge as one among four players in India to have 100,000 TPA capacity.

Extend from zonal to national presence

Focus on the proposition of 'best-quality-lowest-cost'

Emerge among five largest Indian PVC pipe manufacturers

Skipper is the only Company from eastern India (and among the handful nationally) with this vision. Without the above, manufacturers of PVC tend to play at a sub-INR 50 crore revenue model. This explains why there hundreds of such manufacturers in India.

Section 3

aspiration

Corporate Aspiration

To Grow 3x in Power T&D business and 10x in Water business

Focus on asset-lightness in EPC and PVC; extend to value-addition

Focus on industrialized, market-oriented and finished products and services

Achieve superior returns from branded products

Extend presence from zonal to national to global

Not more than INR 100 crore of long-term debt to drive INR 1900 crore incremental revenues

Venture into synergic products and platforms

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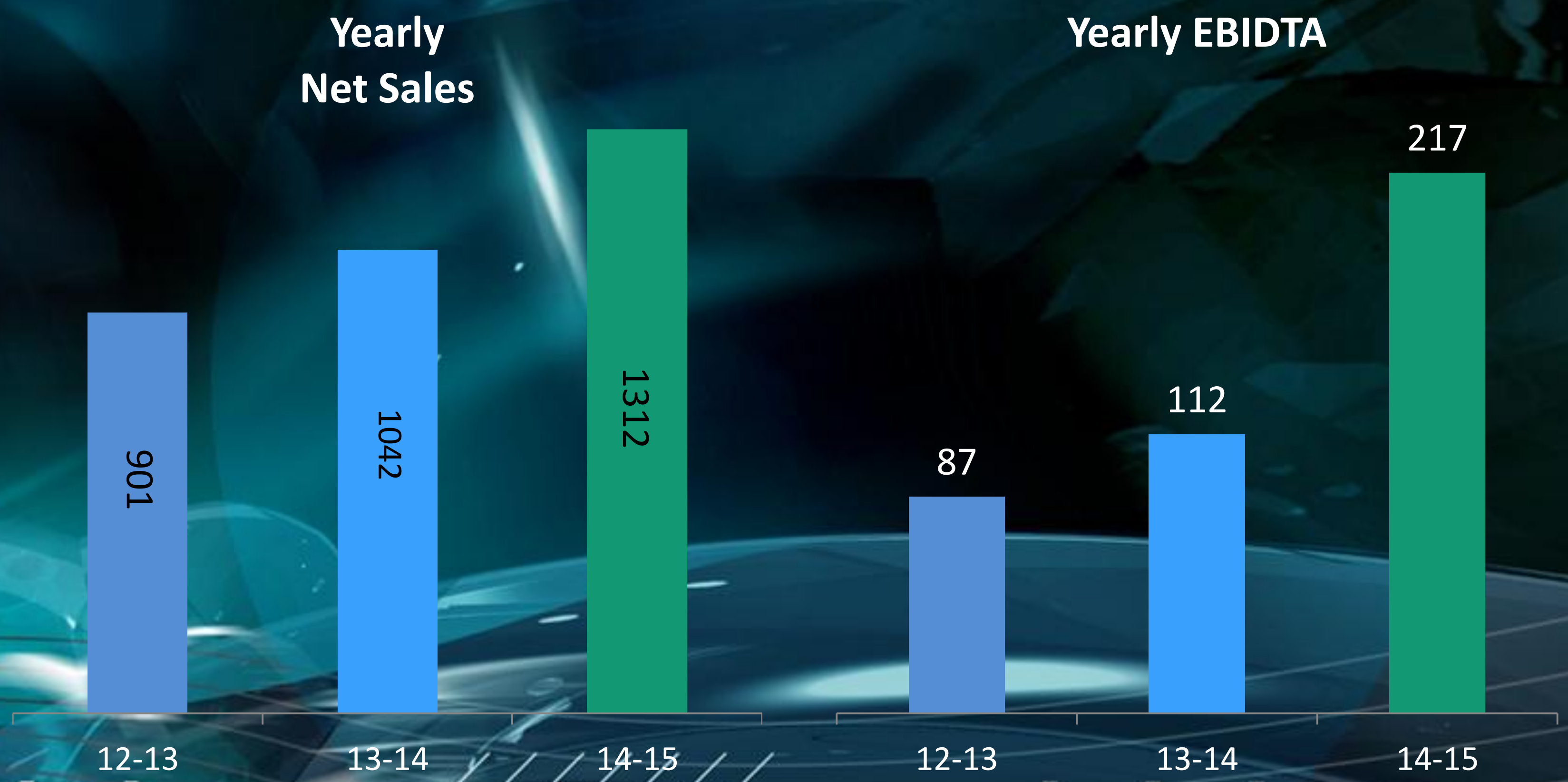
Section 4

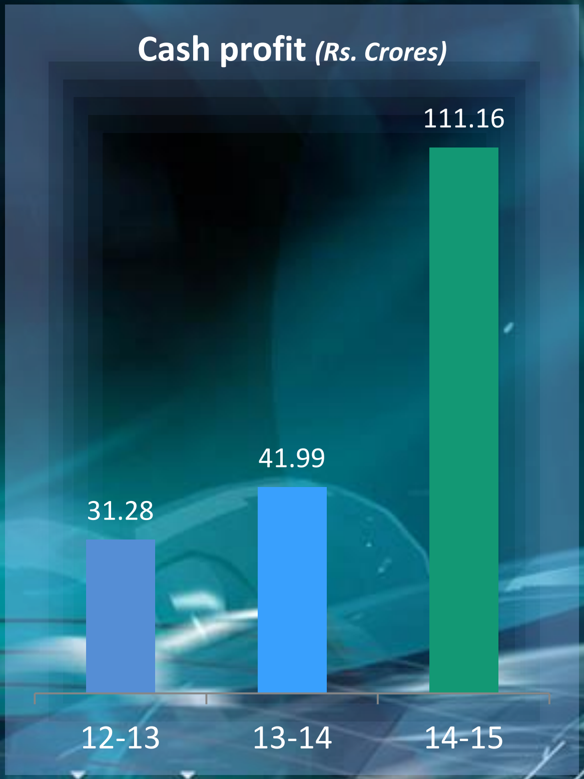
financial

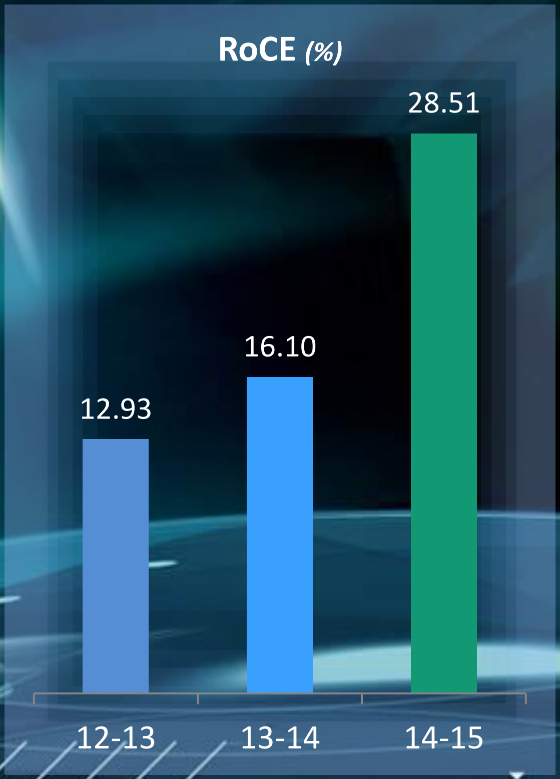
Company Financials Trends

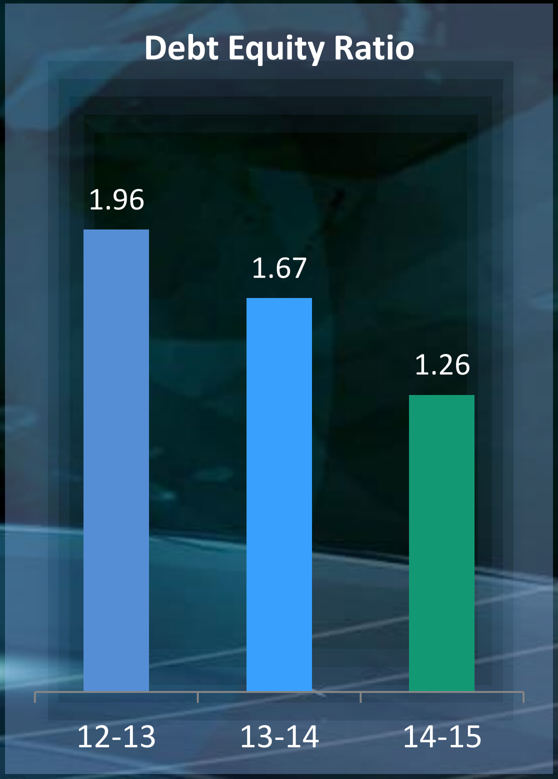
(all figures Rs. In Crore)



Company financials trend *(Contd.)*







Company financials *(Contd.)*

Amount in INR Crores

Profit & Loss Summary	FY 12-13	FY 13-14	FY 14-15
Net Sales/Income from Operations	900.34	1,041.50	1,312.79
EBITDA	86.69	112.32	216.82
EBITDA Margin	9.63%	10.78%	16.52%
Depreciation	12.57	15.07	22.00
EBIT	74.12	97.26	194.83
EBIT Margin	8.23%	9.34%	14.84%
Interest Expenses	46.36	60.54	58.26
PBT	27.76	36.72	136.57
PBT Margin	3.08%	3.53%	10.40%
Tax Expenses	9.05	9.81	47.40
Net Profit / PAT	18.71	26.91	89.17
PAT Margin	2.08%	2.58%	6.80%
Cash Profit	31.28	41.99	111.16
Cash Profit Margin	3.47%	4.03%	8.47%

Company financials *(Contd.)*

Amount in INR Crores

Balance Sheet	31-03-13	31-03-14	31-03-15
Net Worth	206.09	231.17	303.86
Long Term Debt	205.17	211.05	210.43
Short Term Debt (Bank CC+Related party)	199.00	175.55	172.40
Other Non Current Liabilities	18.12	21.77	26.47
Total Liabilities	628.38	639.54	713.16
Fixed Assets	329.80	346.79	354.74
Other Long Term Assets	0.87	2.11	3.06
Current Assets			
- Inventory	237.78	229.01	228.24
- Sundry Debtors	154.87	231.82	375.78
- Cash & Bank	12.82	26.31	56.09
- Other Current Assets	50.72	45.46	45.78
Current Liabilities			
- Sundry Creditors	116.16	157.53	241.51
- Others incl. Advance from Customers	42.32	84.43	109.02
Net Current Assets	297.71	290.64	355.36
Total Assets	628.38	639.54	713.16

SKIPPER LIMITED

Financials Update - Q2 FY'16

Amount in INR Crores

Profit & Loss Summary	Q2 FY 16	Q2 FY 15	Change %
Net Sales	**343.63**	**264.87**	**29.7%**
Operating EBITDA	**45.46**	**29.74**	**52.8%**
Operating EBITDA %	13.2%	11.2%	
Depreciation	5.78	5.05	14.4%
Interest Expenses	11.43	12.90	(11.4%)
Operating PBT	**28.25**	**11.79**	**139.6%**
Income from Fwd Contracts	18.14	42.01	(56.8%)
PBT	**46.39**	**53.80**	**(13.8%)**
Tax	16.10	18.51	(13.0%)
PAT	**30.29**	**35.29**	**(14.2%)**

30 %

Net Sales

53 %

Operating EBITDA

140 %

Operating PBT

Note: Operating EBITDA and Operating PBT are calculated without considering income from Forward Contracts.

Performance Highlights – Q2 FY' 16

Revenue Performance

- Achieved a sales growth of 30 % over the previous year corresponding quarter. The net sales of the company increased to Rs 343.63 crores from Rs 264.87 crores.
- Multifold increase in export revenues, in line with the company's target to achieve a higher export share of about 40% in total revenue.

Financial Performance

- Operating EBITDA (without considering income from Forward contracts) rose by 53 % over the previous year corresponding quarter. The operating EBITDA increased to Rs 45.46 Crores from Rs 29.74 Crores.
- Operating EBITDA margin at 13.23%, showing an improvement of 200 bps over the previous year corresponding quarter.
- Operating PBT (without considering income from forward contracts) registered a whopping growth of 140% over the previous year corresponding quarter, increased to Rs 28.25 crores from Rs 11.79 crores.

Financials Update - H1 FY'16

Amount in INR Crores

Profit & Loss Summary	H1 FY 16	H1 FY 15	Change %
Net Sales	**578.05**	**448.07**	**29.0%**
Operating EBITDA	**81.42**	**57.93**	**40.6%**
Operating EBITDA%	14.1%	12.9%	
Depreciation	11.66	10.49	10.1%
Interest Expenses	26.15	25.57	2.2%
Operating PBT	**43.61**	**21.87**	**99.4%**
Income from Fwd Contracts	18.14	42.01	(56.8%)
PBT	**61.74**	**63.88**	**(3.3%)**
Tax	21.42	22.03	(2.8%)
PAT	**40.32**	**41.85**	**(3.7%)**

29 %

Net Sales

41 %

Operating EBITDA

99 %

Operating PBT

Note: Operating EBITDA and Operating PBT are calculated without considering income from Forward Contracts.

Performance Highlights – H1 FY' 16

Revenue Performance

- Achieved a sales growth of 29 % over the previous year corresponding period The net sales of the company increased to Rs 578.05 crores from Rs 448.07 crores.

Financial Performance

- Operating EBITDA (without considering income from Forward contracts) rose by 41 % over the previous year corresponding period. The operating EBITDA increased to Rs 81.42 Crores from Rs 57.93 Crores.
- Operating EBITDA margin at 14.1%, showing an improvement of 120 bps over the previous year corresponding period.
- Operating PBT (without considering income from forward contracts) almost doubled and increased to Rs 43.61 Crores from Rs 21.87 Crores, registering a growth of over 99% over the previous year corresponding period.

Key Developments – H1FY'16

- Work in full swing for the upcoming PVC pipe manufacturing units at Sikandrabad and Guwahati, expected commissioning by Q3 FY'16.
- The company entered into technological tie up with two of the world's most renowned companies **Sekisui of Japan** for CPVC compound and **WAVIN of Netherlands** for advanced plumbing solutions. The products of the company are of premium range and this will help to open up new customer segments and geographies.
- The **PVC captive support unit** having an initial manufacturing capacity of 10,000 TPA got operationally **commissioned at Ahmedabad** in April 2015.
- The company's **external credit rating has been upgraded two notches by CARE from A- to A+** on account of improved operational & financial performance in conjunction with better growth prospects.
- Accorded with coveted status of **Two Star Export House** by the Ministry of Commerce and Industry, Government of India.

THANKS

Disclaimer:

This presentation may contain forward looking information that involves risk and uncertainties. Such projections and forward looking statements reflect various assumptions of management concerning future performance of the Company, and are subject to significant business, economic, environment, political, legal and competition risks, uncertainties and contingencies, many of which are unknown and beyond control of the Company and management. Accordingly, there can be no assurance that such projections and forward looking statements will be realized. The variations may be material. No representation or warranties are made as to the accuracy, completeness or reasonableness of such assumptions or the projections or forward looking statements based thereon, or with respect to any of the information contained in this presentation. The Company expressly disclaims any and all liability that may be based on any of the information contained herein, errors herein or omissions thereof.

"Skipper LimitedQ2 FY-16 Earnings Conference Call"

November 4, 2015

Management: **Mr. Sharan Bansal** – Director
Mr. Devesh Bansal – Director
Mr. Sanjay Agrawal – Chief Financial Officer

Moderator: **Mr. Amber Singhania** – AMSEC Pvt Ltd

Moderator: Ladies and Gentlemen, good day and welcome to the Skipper Limited Q2 FY16 Earnings Conference Call hosted by Asian Markets Securities Private Limited. As a reminder, all participants' 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 would now like to hand the conference over to Mr. Amber Singhania. Thank you and over to you, sir.

Amber Singhania: On behalf of Asian Markets, I welcome you all to the Q2 FY16 Earnings Conference Call of Skipper Limited. We have with us today Mr. Sharan Bansal – Director – Skipper Limited; Mr. Devesh Bansal – Director – Skipper Limited; and Mr. Sanjay Agarwal – Chief Financial Officer representing the company.

I now request Mr. Bansal to take us through the quarterly results and the overall business outlook and then we can start with the question and answer session. Over to you, Sharan.

Sharan Bansal: Thank you, Mr. Amber and I welcome all the participants to the conference call. I am very happy to report the numbers and the growth of Skipper Limited in quarter 2 and H1 of FY16. I am happy to report that company has witnessed a strong net sales growth of about 30% and a very strong growth in profitability with operating EBITDA and operating PBT growing at 53% and 140% respectively.

This is for the quarter 2. And for H1 operating EBITDA and operating PBT have grown at 41% and 100% respectively. In terms of operating EBITDA just for clarification, the way it will be calculated is the entire earnings of the company minus the income from the forward contracts. So this is how we are looking at operating EBITDA. In addition, this is what the percentage increase, which I shared with you has been derived.

Other major developments in quarter 2 have been significant reduction in finance costs, which has gone down from almost 5% to about 3.3% of sales in this quarter compared to quarter 2 of previous year and this has been achieved through better inventory and working capital management and also the significant improvement in external credit rating of the company which has been upgraded two notches by CARE from A minus to A plus. On account of improved operational and financial performance in conjunction with better growth prospects.

The operating first half EBITDA also showed improvement over the previous year, with margin improving to 14.0% from 13.2% .We are quite bullish on this year business outlook of the company because of the huge tendering activities in domestic market. As you know that the Government of India, Ministry of Power has envisaged a total transmission line bidding of Rs. 100,000 crores this year. Therefore, we see a lot of tendering action on the ground right now, company had participated in bids of more than Rs. 2,000 crores, and we expect the number of them to be materialized in quarter 3 and quarter 4.

I am also happy to report that company has played a significant role in the commissioning of the 800 KV HVDC corridor built by Power Grid from Biswanath Chariali in Assam to Agra. Now this is a 2,000 kilometer HVDC line, which was under construction for quite some time and now with this commissioning Power Grid will see almost Rs. 20,000 crores of its CAPEX been commissioned and it will certainly help in their further CAPEX spending in the quarters to come and next year.

PVC business continues to do well and, I am happy to report that after the commissioning of our first plant outside Bengal in Ahmedabad in quarter 1. In quarter 3, we are looking at commissioning at least two more plants. In Sikandrabad in North India and in Guwahati in Northeast India. And our 5th plant outside which will be Hyderabad is likely to come up in quarter 4 as well.

So by the end of this year the company is looking to enhance its PVC capacity from 12,000 tons to about 40,000 tons. The Ahmedabad market has been responding well to our product as you can see that in H1 we have witnessed over more than 100% growth in PVC segment revenue. So this is in line with our targets of strong growth in PVC sector as well.

With this, I do not have any other updates to give. And I am open to your questions now. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session.

The first question is from the line of Tarang Bhanushali from IIFL. Please go ahead.

Tarang Bhanushali: What is the current order book status for us and what was the order inflow for the quarter?

Sharan Bansal: Essentially see the company on year-on-year basis calculates the order book. So the order book as of March 2015 stood at about Rs. 2450 crores and the orders for the year are generally finalized in Quarter 3 and quarter 4. So although the company has received decent orders of to the tune of Rs. 400 crores to Rs. 500 crores in H1 but the bulk of the orders will flows in in quarter 3and quarter 4 because that is when Power Grid and other utilities looked to finalize.

In terms of tendering, the company has already participated in bids of more than Rs. 2000 crores in this financial year itself.

Tarang Bhanushali: So what would be the current order book at the end of half year?

Sharan Bansal: The order book at the end of half year would be about roughly between Rs. 2,200 crores.

Tarang Bhanushali: Secondly, our margins on a QoQ basis have come down even though we have seen strong revenue growth. So any specific reason behind this?

Sharan Bansal: No, in fact as I explained during my updates you need to look at the margins net of the income from forward contracts which we have now in fact shown as very clearly in the results as a separate line item. I will show that in the previous year quarter 2 of FY15 we had a very high FOREX gain to the tune of Rs. 42 crores, which in this year is about Rs. 18 crores. Now this gain is a recurring income, which the company enjoys because of the practice of entering in to forward contracts for all its dollar receivable on export. But the quantum of this will vary from year-to-year. So if you look at the overall income net of these forward contracts as I mentioned that the EBITDA has grown quite significantly, which is 53% on quarter-on-quarter and 41% on H1 comparison of last year to this year.

Tarang Bhanushali: So what would be the margin guidance for us in FY16 post the H1 numbers?

Sharan Bansal: As we have been maintaining that our product EBITDA margins are in the range of 14% and which is what have been seen & reflected in the H1 as well.

Moderator: Thank you. The next question is from the line of Ranjit Shivram from B&K Securities. Please go ahead.

Ranjit Shivram: Sir, one thing, which we would like to hear from you, is like what is the targeted order intake for this year and if you can just help us how much was the similar order intake for the previous year?

Sharan Bansal: So as I mentioned we calculate the order book on yearly basis. So between FY14 and FY15 we saw the order book moved quite significantly and it ended with Rs. 2,400 crores at the end of FY15. At the end of FY16 we expected to grow in line with our capacity increase which is about 20% to 25% every year. So this is I think broad guidance which we can provide is about 20% to 25% increase in order book by the end.

Ranjit Shivram: So around Rs. 3,000 crores of order book we would like to end this year?

Sharan Bansal: That is right.

Ranjit Shivram: And how about the margins are like yeah, we understand this FOREX gains keeps fluctuating but if we adjust for that like what can be the kind of sustainable margins we will be looking at going forward?

Sharan Bansal: Similar to what we have seen in H1. In H1 we have clocked an EBITDA of 14% without FOREX gain. So I think that is what we are quite confident of maintaining.

Ranjit Shivram: And in terms of the short-term borrowings when I see in your balance sheet it has increased from Rs. 172 crores to close to Rs. 294 crores. Is there some worries over there or is it from March to September?

Sharan Bansal: No, in fact what happens is that in the quarter 1 and quarter 2 of the year this is the time when the inventory buildup is generally more because the dispatches are slow so one have to make provisions for the higher dispatches by greater output and greater inventory in these two quarters. So if you see the short-term borrowings is basically in line with the increase in inventory. But at the same time when you look at long term borrowings that actually has come down by Rs. 20 crores to Rs. 25 crores. So that is again in line with the company's target of keeping the long-term borrowings flat. So even after this year CAPEX expansion we will not see any increase of long-term borrowing over last year. Short-term borrowings by the end of the year will also again come down after quarter 4 once we see that the higher sales are realized. So we will see again that the short-term borrowings will come down. And they will be in line with the overall turnover growth of the company.

Ranjit Shivram: And sir, lastly on the PVC products we saw the revenues showing good jump from Rs. 9 crores to Rs. 26 crores. So what is our target there for the full year in the PVC products because we are factoring in a good amount of growth because we are putting in a lot of capacities there? So can we have some light there?

Devesh Bansal: Yes, the company is quite focused on making our PVC brand from a regional player to a national player and in line with that, we are setting up this new capacity in the strategic locations. So as reflected in the topline growth as well we have seen 100%

growth in H1 and similar growth is what we are targeting for the entire financial year as well.

Ranjit Shivram: But sequentially there is a bit of decline but is that nothing to worry about, right from Rs. 33 crores I think in June quarter it is to Rs. 26 crores? But is there anything to worry about there is it just a seasonality?

Devesh Bansal: It is more a function of seasonality as we all know that the PVC industry is usually the slowest in quarter 2. So it is expected that there always be a drop in quarter 2 as compared to the other quarters. So it is basically a function of that only.

In fact, if you see the quarter-on-quarter growth the quarter 2 growths is about 184%.

Ranjit Shivram: Because I see for given PVC products Rs. 33 crores?

Sharan Bansal: I am talking about quarter 2 of FY16 that growth is 184% so what Mr. Devesh mentioned was that quarter 2 is generally a weak quarter because of the Monsoon season.

Moderator: Thank you. The next question is from the line of Sanjeev Panda from Sharekhan. Please go ahead.

Sanjeev Panda: PVC, first I would like to listen from you how much sales that we got from the new capacity that we upgraded recently in this quarter?

Devesh Bansal: So as we know that the capacity in Ahmedabad came up only this year so it is still a market which we are opening up and we are continuously adding on more dealers and channel partners in that region. in all the four states of Rajasthan, Gujarat, Madhya Pradesh as well as Maharashtra. So the capacity is still underutilized but that is expected in a new region. I do not have the exact number of break up between Bengal and Ahmedabad right now. But I assume we are operating at roughly around an average of 200 to 300 tons per month right now which is roughly around Rs. 2 crores to Rs. 3 crores of sales value. So I would think that the quarter numbers for Ahmedabad would be close to about Rs. 6 crores to Rs. 7 crores.

Sanjeev Panda: And considering that another two plants that are likely to come in this quarter Q3 and by the time Q4 like for this whole year what kind of topline that we can expect from this business?

Devesh Bansal: Apart from the new plants, which are going to come up in Q3 and the fifth plant, which is expected to come up in Q4 we have also added capacity in our Kolkata unit in line with the greater acceptability in the market and the greater demand from the market. So we will be ending the year on a high and definitely looking at doubling the turnover from last year in this business in this year.

Sanjeev Panda: And margin will be broadly in the same range that we are operating currently?

Devesh Bansal: The Company makes sure that the growth that comes in is not at the expense of any major dilution of margins. So yeah, margin numbers are expected to be remain constant.

Sanjeev Panda: Now coming to the infra business; revenue seems to be on the softer side in this quarter. Is there any specific reason in that or is it an order scenario I mean order specific case and how is the overall it looks for the whole year?

Sharan Bansal: So as I have shared earlier see infra is obviously a small division for us and in that, we chose projects on a selective basis. The reason for softening of revenue is essentially the old projects which we have in hand they are coming to an end and we are yet to land with the new projects which are expected to come in Q3, Q4. So which is why you see some reduction in the revenue on that side because anyway the company is more focused on targeting profitable projects only in this segment.

Sanjeev Panda: And what is the total order we have from the infra space currently?

Sharan Bansal: Currently orders in hand are not much. In infra space they are less than Rs. 100 crores.

Sanjeev Panda: So we executed the project largely what we had last year?

Sharan Bansal: That is correct.

Sanjeev Panda: Coming to net working capital days in this is it in between the year the numbers normally looks high that is the reason why the net working days are relatively higher compared to the year-end?

Sharan Bansal: Yeah, that is correct. As I explained earlier that quarter 1 and quarter 2 essentially we are building up inventory and sales are lower so you will find that generally there is a 40:60 ratio between sales between H1 and H2. So in view of the higher sales to be done for H2 the inventory buildup is more in H1. So you will find that this number will come down significantly by the time the year comes to a close because of higher sales.

Sanjeev Panda: And as you mentioned earlier in your commentary that credit rating has improved from the care rating. So because of that are we going to benefit anything on the interest cost side and if at all yes, how much?

Sanjay Agarwal: Yes, definitely by improvement in the credit rating the interest cost benefit we will start getting. Our new sanctions are coming with the lower rate of interest and now we are eligible to raise the CP also in to the market, on which we expect to get the interest rate benefit of around 2%. So yesterday our board has also approved the issuance of CP offer of Rs.50 crores. For that we have again separately rated by CARE only.

Sanjeev Panda: So sir, on a blended level like what kind of basis point effective adjusts cost should be reflective in the next one year?

Sanjay Agarwal: Effective interest cost would be around 11%.

Sanjeev Panda: And that will be lower than last year what basis?

Sanjay Agarwal: Because the effective interest cost I mean to say during the year because seven months have already lapsed and only five months are there and the benefit of credit rating reduction in the interest cost that is yet start. So definitely, we are going to receive the benefit of credit rating.

Sanjeev Panda: In FY17?

Sanjay Agarwal: Yes, so the full benefit will come in FY17 only. In this financial year, the partial benefit will come to the company.

Sanjeev Panda: The last one is that other income we have this time it is a better other income it is jumped. So is there any specific or it is in?

Sanjay Agarwal: Other income is basically sir, are you talking about other income or other operating income.

Sanjeev Panda: The other income, sir?

Sanjay Agarwal: It is around Rs. 3.2 crores for the half year. This is basically interest we received on margin money given to the banks. So there is no such reason for any increase. Since the business is growing, we need to keep the margin money with the banks for getting our LCs, BGs all these things.

Moderator: Thank you. The next question is from the line of Laxmi Narayanan from Catamaran. Please go ahead.

Laxmi Narayanan: Sir, just wanted to understand your order book breakup because you had mentioned that it is 50% into Power Grid Corporation and 50% would be international, right? Or if you can just let me understand how is that order break up?

Sharan Bansal: The overall order book of about Rs. 2,450 crores is broken up about 55% is domestic, and that 55% domestic is you can say is made up of 90% Power Grid and 10% other domestic customers. And the other 45% of the order book is exports.

Laxmi Narayanan: And what are the receivable days in terms of domestic, if you can just help me understand whether the customer pays you in advance or what is the typical days there?

Sharan Bansal: Our net receivable days are between 90 and 100 days and this is across both domestic and exports. Exports are a little better, export receivables are a little better. But in domestic also it is about 90 to 100 days.

Laxmi Narayanan: Okay, when you say export these are not deemed exports these are actually exports that actually go out of India?

Sharan Bansal: They are a mix of both deemed export and physical exports but majority is physical exports.

Laxmi Narayanan: And which are the countries and how does that what kind of process you go through to get those contracts awarded and which countries are these?

Sharan Bansal: These are negotiated contracts in fact bulks of our contracts are from the Latin America region. We have an alliance agreement with the largest transmission operator in Latin America and as per the agreement whatever project they land they automatically pass on the tower orders to us. So Latin America is a major market for us. Apart from that we are also active in certain markets in Europe and Africa as well. And of course in South Asia where we are exporting to countries like Nepal and Bangladesh.

Laxmi Narayanan: And this you deal with an EPC player right, so the Transco will give order to an EPC player and to the EPC player you actually go and bid for, is that right?

Sharan Bansal: In other markets yes, but in Latin America we are dealing directly with the transmission operator, who is the owner of the asset.

Laxmi Narayanan: Sir and as you know, Latin America especially countries like Brazil is actually going through a tough time now, and there are huge currency volatility and so on. And there is also some embargo in terms of the money that can be repatriated, right so etcetera. So how are you de-risked in Latin America and how are you thinking about this whole scenario?

Sharan Bansal: No firstly all our contracts are in US dollar only. We do not have any contracts in local Latin American currencies. As the policy of the company, we only expect export orders in US dollars or Euro. And secondly in terms of the business, I can tell you that these transmission projects are long term project, so you know each project has a commissioning cycle of maybe as a planning cycle of 2 to 3 years and then after that an execution cycle of 4 to 5 years. So clearly I think year-on-year fluctuations in the country's economy do not really have much bearing on these projects. So there may be a case of future projects being slowed down but even then the government's utilities are not really investing any money, these are all private capital so essentially it is not really tied to the government finances.

Laxmi Narayanan: Sir, if I go through your annual report it says the domestic is 96% of your revenues and only 4% is exports, but when we talk of huge amount of order book, is it going to be like a real changes and if I just forecast 3 years down, what will be your revenue mix in terms of domestic and international?

Sharan Bansal: It is a good question. In fact we are expecting the export revenue in the company to jump very significantly and the target is that it should be at least 30% to 35% of our revenue in FY16. So this will be in line with our order book. So eventually, I think the company targets that the domestic to export revenue breakup should be 60% to 40%.

Laxmi Narayanan: And EBITDA margins in this exports and this will be in line with the EBITDA margin of 14% for your overall business?

Sharan Bansal: That is right, that is correct.

Laxmi Narayanan: Sir and one question on PVC if you can just help me understand what kind of differentiation you have either in terms of product or distribution or in terms of consumers who you work with. When you compare it to lot of other pan Indian players that are present in the market, right? So what is your positioning in CPVC?

Devesh Bansal: One of the biggest differentiators that the company enjoys now in PVCis the inclusion of CPVC into our range of products, through a tie up with Sekisui for the

CPVC compound. So Sekisui is the only other manufacturer of CPVC compound apart from Lubrizol which has partnered with Astrol and Ashirwad for CPVC in India. So Sekisui is the only other NFS certified compound manufacturer. It is a Japanese company and is a fairly large conglomerate having somewhere around $9 billion in revenues. So they have partnered with us for the Indian market, we are one of their partners. And with the addition of CPVC we are able to offer a complete basket of products in all the plumbing products which are available in the market are there with us now. Apart from the entire range of agri-based products, agriculture and irrigation based products.

Laxmi Narayanan: And your breakup in terms of agriculture and non-agriculture in PVC currently sir?

Sharan Bansal: Since the agreement with Sekisui has only taken effect this year, we expect the proportion of plumbing to increase this year. Till about last year almost 85% of our revenues used to come from agri but this year we are expecting that plumbing will contribute to more than 30% of our revenues.

Laxmi Narayanan: And this is because of this CPVC contract coming that is the JV or whatever you have right?

Sharan Bansal: Yes because without the presence of CPVC, we could not really target the plumbing market convincingly and that was a major chunk, which was missing from our product range.

Laxmi Narayanan: And will you price these products at a lower price than Astrol and Ashirwad in terms of CPVC currently?

Sharan Bansal: In specific product ranges like CPVC where we are new entrants, we will have to offer them at a discount, but these are fairly high margin products, so we are not very concerned over there.

Laxmi Narayanan: And the Sekisui has I mean you said couple of other players so like Lubrizol has only tie up with two, now for Sekisui how many companies are planning to you think they can actually sign up with or is it like exclusive to you only for next two to three years?

Sharan Bansal: No in Eastern India it is exclusively with us. Sekisui is also tied up with Jain Irrigation for CPVC and one small company that they have been tied up with for the last couple of years, but in the major manufacturers, it is only us and Jain Irrigation as of now.

Laxmi Narayanan: And what kind of royalty extra you pay for them?

Management: It is not a royalty-based agreement it is a purchase agreement. So the prices are kept in line with the market scenarios the international prices and we buy the resin from them outright.

Moderator: Thank you so much. The next question is from the line of Arjun Goyal from Motilal Oswal Securities. Please go ahead.

Arjun Goyal: Sir firstly, I wanted to ask this other operating income about Rs. 6 crores in this quarter, is this the job work income that you are receiving from Tata Steel?

Sanjay Agrawal: No, sir this other operating income is basically the incentives on exports which we receive. This has been again mentioned in the notes, with note number 3, of the results. This is purely the incentive on exports.

Sharan Bansal: This is a direct income accruing out of the physical exports that the company has done

Arjun Goyal: And so now coming to exports can you give me the bifurcation especially with the transmission towers, what has been the bifurcation between domestic and exports?

Sharan Bansal: In Quarter 1, Quarter 2 exports have been heavier so generally the domestic market is a little subdued in these quarters. Domestic markets pick up more in Quarter 3and Quarter 4. And as I mentioned that PGCIL has been trying to commission some of the large projects which are under way. One of such large project, which is the 800 KV HVDC corridor from Agra to Assam, this is a Rs. 20,000 crore project World Bank funded, that has recently been commissioned at the end of Q2. Another 800 KV HVDC corridor project, which is Champa Kurukshetra that is also expected to be commissioned in Q3 or Q4. So we will see quite an increased spending activity by PGCIL in the next few quarters and as well as the next financial year.

Arjun Goyal: Okay but on an absolute number, do you have that figure what would be the breakup between domestic and exports for the half-year gone by?

Sanjay Agrawal: We could share that with you but exports is higher in Quarter 1.

Arjun Goyal: So sir, these exports, are they fixed price contracts or are they variable I mean basically what I am getting at is would you see any benefit from a softness in commodity prices for exports?

Sanjay Agrawal: Most of the contracts are with escalation, de-escalation projects.

Arjun Goyal: Even for exports?

Sanjay Agrawal: Yes, even for exports so it is a pass through. So generally, we do not really gain exceptionally from lower commodity prices, or at the same time we are well protected when commodity prices rise also.

Arjun Goyal: Now coming to the so this forward contract income, I wanted to ask, so basically at least in FY15 you see in Q2 we got this Rs. 42 crores income and then there was this un-allocable expenditure in Q4, right which was significant. I think it was something like Rs. 38 crores. So basically what is happening is that between Q2 and Q4 there is a lot of lumpiness in the profitability. So when the year ends is there some mark-to-market loss or how do you explain the variation between Q2 and Q4 specifically pertaining to this forward contract income?

Sanjay Agrawal: See this forward contract gain of Rs. 42 crores, it is not mark-to-market gain, it is a realized gain to the company and this was realized in Quarter 2 of FY15. And in Quarter 4 as it was looking better, there is the un-allocable expenditure is high, that is because of some regrouping has been done by the auditor at the end and this was considered as other operating income.

Arjun Goyal: So this un-allocable expenditure has nothing to do with the forward contract?

Sanjay Agrawal: No, nothing. That has nothing to do with the forward contract that was due to some regrouping of the datas only.

Arjun Goyal: So then sir, I mean now this Rs. 18 crores I mean so in Q4 we should not expect any significant expenditure on this front, right?

Sharan Bansal: Right. This is completely extra over and above the working profit EBITDA, which we have been describing our product to be having. This is completely over and above that. It is cutting in nature but the quantum will vary from year to year.

Arjun Goyal: Sir, couple of questions was in the last call we mentioned that the Guwahati and Secunderabad facilities for PVC they were supposed to start in I think October of 2015, if I am not mistaken. Has there been any delay or what is the update on these two plants, when are they expected to commence?

Sharan Bansal: We targeted to commission these within Q3. That is going to happen, yes, there is a delay of maybe about 15 to 20 days to a month. So, by end of November we are definitely looking at commissioning one and beginning of December the other one.

Arjun Goyal: And sir, regarding this infrastructure segment, what I have been seeing is that the turnover and the profitability is going down. But if I see the capital deployed, that has gone up from Rs. 20 crores to Rs. 28 crores I mean on a YoY basis. How do we explain this happening?

Sanjay Agarwal: Actually the turnover has gone down, because much of the orders are not to be executed and more particularly during this period of rainy season. Also the capital employed has gone up because some of the inventories has been piled up for execution in the next quarter.

Moderator: Thank you so much. The next question is from the line of Bhalchandra Shinde from Centrum Broking. Please go ahead.

Bhalchandra S: Sir, regarding order inflows I would like to know in current first half how was the mix exactly in order inflows for domestic and exports?

Sharan Bansal: As I mentioned earlier, first half generally is not where a bulk of the order inflow takes place. We have always seen in the historical part also that bulk of the order inflow is in H2. Even then the orders which the company has secured we have seen a similar a 60-40 breakup between domestic and international.

Bhalchandra S: So 60% was domestic?

Sharan Bansal: Yes, correct

Bhalchandra S: And sir, in the second half as you mentioned that we expect order book to be around Rs. 3,000 crores?

Sharan Bansal: We expect it to close it at that.

Bhalchandra S: Yes, expect to close. So do we see the order inflows of around Rs. 800 to Rs. 1000 crores in that?

Sharan Bansal: It is quite comfortable.

Bhalchandra S: And largely it will be through domestic market?

Sharan Bansal: This year we expect more orders to come from domestic market because of increased tendering activity.

Bhalchandra S: And sir, about our 3 years alliance agreement with one of that South America's transmission operators, so we have a visibility of 3 years but post that will the alliance agreement will be reviewed or it will be like the only agreement for the 3 years?

Sharan Bansal: It is likely to be renewed as well, but even otherwise we are right now in active discussions with other operators in South America also. So in fact there could be a possibility where we enter into agreement with other player also, both options are being explored by the company.

Bhalchandra S: And sir, regarding our order book which was at the start of the year only in the export orders I am talking about, post-execution of these orders over the next two years do we see those kind of order inflows happening over next two years so that at least we can maintain that kind of order inflow in exports and in which regions exactly you see that kind of order?

Sharan Bansal: Yes absolutely, we see a lot of healthy demand for transmission lines of course in the Latin America market, which is our major market. And other than in certain key markets in Africa including South Africa, Egypt of course Nigeria, Ethiopia, Kenya we expect order inflow to be good from all these markets. Even from the Middle East, Oman, and Saudi have very large orders to give out. So we expect that definitely order inflow to continues to be good for export markets.

Moderator: Thank you. The next question is from the line of Milind Karmarkar from Dalal & Broacha. Please go ahead.

Milind Karmarkar: My first question is on capital expenditure policy we say that our incremental revenues that come from the CAPEX incurred is quite more than other competitors and we say Rs. 8,500 is the cost for our per metric ton for PVC pipes plants against Rs. 20,000 industry average. So how do we get these numbers?

Sharan Bansal: The reason for our CAPEX numbers being lower than all the competitors in the industry is because the company is following asset light approach to building up capacities, wherein the company is not setting up greenfield units but is actually taking on leased land and infrastructure, and only investing in the plant and machinery. So that really helps us in bringing down the overall CAPEX numbers by more than 50%.

Milind Karmarkar: And in case of tower business, our margins are substantially higher than that of the competitors. So I understand that about 3% comes from the logistics benefit, what are the other factors, which differentiates the margin so much?

Sharan Bansal: So logistics is definitely one part where because of our location in Eastern India, we gain significantly because of the surplus steel availability in this region.Apart from that Skipper is the only backward-integrated player in our side, where we have in-house angle rolling mills. So that also gives us significant cost advantages over our peers.

Milind Karmarkar: So besides Skipper all the other tower manufacturing companies source the angle rolling from?

Sharan Bansal: From various key rollers across India.

Milind Karmarkar: So we also supply to some of these competitors?

Sharan Bansal: No, in our rolling mill almost 95% of the capacity is used in-house only.

Milind Karmarkar: And the rest is sold to, can you name a few companies?

Sharan Bansal: We sell to some small manufacturers but that is insignificant. It is only when we have a surplus we sell it out.

Milind Karmarkar: Okay and as far as our PVC is concerned, we spoke about capacity addition in Calcutta as well. So how much is that?

Sharan Bansal: We ended last year with 12,000 tons of capacity inkolkata, which has now been ramped up to 15,000 tons. So about 3,000 tons has been added inKolkata.

Milind Karmarkar: And can you give me the share of CPVC as of now in the PVC business?

Sharan Bansal: CPVC being the new product for the company, what is happening right now is that we are basically trying to tie up with the dealers and distributors for the plumbing ranges. Right now the capacities are not very large, our capacity in CPVC would be less than 2,000 tons per annum at the moment.

Milind Karmarkar: And our tie-ups with two of these companies, I did not get the name right**Lubrizol** and Sekisui.

Sharan Bansal: Sekisui.

Milind Karmarkar: Yeah so how will it go to benefit us on PVC, are we doing some job work for them?

Sharan Bansal: No, so with Sekisui which is our supplier for CPVC raw material we have a purchase agreement with them and a contract for long-term supply of CPVC compounds. CPVC compound being a scarce commodity there are only limited manufacturers of this material in the world. So we get this high quality material from Sekisui which is equivalent or better in quality as compared to Lubrizol.

Milind Karmarkar: So do you have any competitive advantage when it comes to the sourcing of raw material for CPVC because Lubrizol has tie-ups with Astrol or one or two other companies as you said Jain Irrigation is also a part of it now. So do you have a sole contract with this company?

Devesh Bansal: No, it is not an exclusive contract. It is exclusive for Eastern India, but then we are operating in other parts of the country as well. But the advantage is that there are very few people who are being able to source this kind of raw material in the country. As far as this quality is concerned, we are only talking about Astral, Ashirwad with Lubrizol and Jain Irrigation and us with Sekisui.

Moderator: Thank you. The next question is from the line of Arun Jain from Harappa Advisors. Please go ahead.

Arun Jain: My question again related to PVC business. Now you are saying that you are coming out with three other locations, which is probably at South and in some parts of North. So what will be the key products, which you will sell, is it a CPVC or you will mix what you were selling? This is the first question. And second question I understand that you will have some kind of differentiation but what kind of three terms you will have because if I look at other pipes company or maybe plastic company they have a very heavy working capital cycle except two big players like Supreme and Astral. So what is your strategy on that, could you please elaborate sir?

Devesh Bansal: So as a company we are manufacturing a complete basket of products in both the plumbing as well as agricultural sector. There is absolutely no major product that the company is not manufacturing. With the inclusion of CPVC we are able to offer the entire range to our channel partners. With regards to trade policies, the company does not extend very large credits to its dealers and distributors. Our maximum credit terms are in the region of 15 to 20 days and that is also in the newer geographies where we are entering in more matured markets like Eastern India, our credit terms are very, very tight. It is within 15 days.

Arun Jain: What I am saying that so we should assume that your working capital which you have maintained last year which was closer to 50, 55 days that will maintain despite of PVC businesses moving to a double or probably triple in next two years?

Sharan Bansal: Yes, we do not expect the working capital cycles to change dramatically because again bulk of the revenue is pertaining to come out of Eastern India at the moment, and in any case on a corporate level the PVC business is a very small proportion of the overall topline, so it will not have a big bearing on the overallcontext.

Moderator: Thank you. The next question is from the line of Dhavan Shah from Indsec Securities. Please go ahead.

Dhavan Shah: I have two questions. One is related to the EBIT margins. If I look at the EBIT margins for engineering product and PVC segment I mean for Q2 FY16 like our EBIT margins for engineering product has increased by around 800 bps, while the same for PVC segment is down by around 600 bps. I understand I mean there could be some impact because of that income from the forward contracts. So is that because I mean we have realized gain in PVC products in Q2 FY15 for forward contracts and while for FY16 we have received that gain for engineering product segment? And that is why we are seeing huge difference in the margins?

Sharan Bansal: No, in fact I am not sure about how you are calculating the EBIT margin, but the way we see it is that the EBITDA without FOREX income has actually grown significantly for both the segments for engineering as well as PVC.

Sanjay Agrawal: No, quarter-on-quarter last year the number was very small. Sorry, just to interrupt. On the PVC side, last year's Q2 EBITDA numbers were abnormally high at 22%.This was when the revenue was very small.Revenue was very small in this quarter I mean we are talking about a figure of only about Rs. 9 crores. So it is not really a reflection of the true nature of the business. I think what we are operating at currently that is more of a correct reflection of how this industry is working for us.

Dhavan Shah: But I think EBIT was around Rs. 2 crores in Q2 FY15 for PVC?

Sanjay Agawal: That is correct but only on our topline of about Rs. 9 crores.

Dhavan Shah: Okay.

Sanjay Agrawal: So that is not really a true reflection of the actual operating margins in the industry that was more than normal and was probably due to booking of expenses or product mix.

Devesh Bansal: Maybe certain higher value contracts in that quarter.

Sanjay Agrawal: Yeah, because again the number is very, very small to be actually considered. What we have this year is more reflective of the actual working margins.

Dhavan Shah: So I mean in Q2 FY16 our EBIT margins for engineering product segment is around 18%?

Sharan Bansal: That is inclusive of the FOREXgains.

Dhavan Shah: Right so sustainable margins will be between 15% to 16%?

Sanjay Agrawal: No, 14% is what we have been claiming is our product EBITDA and plus the FOREX income brings in about 1.5% to 2% every year.

Dhavan Shah: And for PVC it will be between 12% to 13% right?

Devesh Bansal: PVC also at least in our current home market of Eastern India we enjoy 14% to 15% and in other markets where we have just started, it may be a couple of percentages lower at the initial, but then we make it up as we go along.

Dhavan Shah: Now when I look at the historical numbers for the engineering product and PVC segment, our revenue for engineering product seems great between in Q2 and Q4, while PVC is better in Q3 and Q4. So as we guided in the last Con Call that the revenue growth will be between 20% to 25% in this year and if I look H1 the average growth is around 28%. So are we looking to revise our guidance to upwards?

Sharan Bansal: No, I think overall in the year we will continue with the same guidance, which we gave last time.

Moderator: Thank you. The next question is from the line of Karthikeyan from Suyash Advisors. Please go ahead.

Karthikeyan: Can you please explain the income from forward contracts, I am not clear about this so when you receive an export order, as you explained last time, you sell these dollars, so can you please explain how exactly income recognition happens, what exactly does this pertain to, can you please explain that?

Sharan Bansal: Mr. Karthikeyan, it is actually a fairly long discussion and a fairly complicated discussion. I would really encourage you to have an offline discussion with Mr. Sanjay Agarwal – our CFO and then he can take you through the entire process.

Because it will eat up too much of the time on the Con call. The other participants would be kept waiting.

Moderator: Thank you. The next question is from the line of Laxmi Narayanan from Catamaran. Please go ahead.

Laxmi Narayanan: Sir a couple of questions more. If you can just help me with the forecast, not a forecast I mean what kind of indicative revenue mix you are targeting from engineering and PVC in FY16 and FY17? And then the second question is what is the comfortable debt equity ratio you have in mind? And the third is do you get any tax advantage because right now you are paying full tax. So these are the three questions.

Sharan Bansal: To answer all your three questions, the revenue mix between engineering and PVC was roughly about 85:15 last year almost 90:10 I would say. So in line with our growth in both the divisions, we do expect PVC to grow to play a larger share in our topline.

Sharan Bansal: So maybe it is expected that the PVC business will continue to double in topline every year. That is the broad mandate that the company has taken, whereas the T&D business will grow at roughly around (+20%) on a year-to-year basis. So I think that should give you a fair projection of how the top revenue going forward.

Sanjay Agrawal: As far as debt-to-equity is concerned as you know companies had a significant improvement in the debt-to-equity ratio. It is I believe come down from 1.7X to 1.28X in FY15 and in FY16 we expect this number to be close to 1.0X. So company is seeing significant improvements in the debt-to-equity ratio as the profitability continues to grow.

Laxmi Narayanan: And what is your ideal state of debt-equity do you want to be zero debt or you want to keep some debt, and what are you working on?

Sharan Bansal: As we have mentioned earlier, is that company had a very conscious approach towards debt, so which is why as Devesh was mentioning that all our new expansion in PVC is also being done through the asset like model to preserve long term capital. If you see in H1 our number our long-term borrowing had gone down, although by the end of the year once the expansion for this year comes up, we expect it to come back to the number of last year. So we really expect that as the topline will continue to grow 20%, 25% we would not see any increase in the long term borrowing. Rather ultimately with the improved profitability, we should target to come to a zero long-term debt number in about 4 to 5 years' time.

That would be the target and regarding your last question about full tax; the company does pay full tax. We do not enjoy any tax exemptions right now. So our only hope is Mr. Arun Jaitley fulfilling his promise of bringing down the tax rate from 30% to 25%.

Laxmi Narayanan: And your CAPEX guidance I missed that when you mentioned initially the last year I think you made around Rs. 35 crores of CAPEX right?

Management: Yeah that is correct. So every year in both putting together our engineering as well as PVC expansion, we expect to spend anywhere between Rs. 40 crores to Rs. 50 crores which will be funded through a mix of maybe 65:35 debt and equity.

Moderator: Thank you. The next question is from the line of Lokesh Parekh from Anand Rathi Research. Please go ahead.

Lokesh Parekh: I wanted to ask you about this volume growth mainly in engineering product and how has been the competition in this business? And what would be our capacity by end of this financial year?

Management: The volume growth as you can see, in H1 we have grown by about 25% in our engineering products sales, particularly in Quarter 2 compared to previous year's quarter, the growth has been about 29%. This is in line with the company's capacity expansion which is about 20%, 25% every year.

Lokesh Parekh: So these numbers are in tons, the growth in ton capacity or the sales you are telling?

Management: Both in terms of capacity as well as sales, the average target is about 25%.

Lokesh Parekh: So, means there is no growth from the pricing side, pricing has been stable you mean to say?

Management: Yeah, the pricing has been more or less you can say stable.

Lokesh Parekh: And how is this competition in this business, is there any new player from the South side are coming or only organized players are there in the market?

Sharan Bansal: Well, competition of course you know as any other industry this is also a competitive industry. But I think because of the company's distinct cost advantages we are in a more favorable position compared to our peers. And of course because of the scale and size also our company is more qualified for the larger value projects which a lot of companies do not qualify for. So I think in terms of order being competitive, in new orders we do not see any problem even despite the new competition.

Lokesh Parekh: Sir, one more question related to our margins from export business. As you said that this FX gain is recurring in nature, so while bidding for the contract do we consider this in our margins or the 14% margin that you have told is excluding this FX gains?

Sharan Bansal: Yes, the 14% margin which I mentioned about is excluding the FOREXgain, and we consider that a FOREXgain will bring in about 1% to 2% extra margins.

Lokesh Parekh: So 1% to 2% on an overall level or in export only?

Sharan Bansal: Overall.

Moderator: Thank you. The next question is from the line of Amber Singhania. Please go ahead.

Amber Singhania: Just a couple of questions from my side. One thing is as you mentioned about your realization in engineering, which was more orless stable could you also share how is the realization moving in PVC segment and what it is on per ton basis?

Devesh Bansal: On a per ton basis we are looking at a realization of it is again different for different products because the product mix is fairly large. When we talk about products like CPVC the realization is close to about a little less than Rs. 3 lakh per ton, whereas in case of agri products, it is as little as maybe about Rs. 85,000 to Rs. 90,000 per ton. So because it is a fairly large product mix, the overall number might change from quarter to quarter depending on what product mix we have actually sold.

Amber Singhania: But basically, I wanted to understand because of this fall in the crude prices, is there any fall in the relation we are seeing or how it is panning out?

Devesh Bansal: So the fall in crude prices were there more in the previous quarter, sorry Quarter 2 only we are talking about, yeah. So a little bit of a reduction was there, but not very significant.

Amber Singhania: And going forward we see that stabilizing or how is it?

Devesh Bansal: We actually expect the PVC resin prices in India to strengthen going forward. Because of the Quarter 3 and Quarter 4 periods being high consumption quarters as well as no major indication of major crude oil price falling we actually expect the prices to either be stable or increase in the next two quarters.

Amber Singhania: Secondly, on the engineering side, we share that we have roughly around Rs. 2,000 crores worth of orders under the bidding stage at present. Could you throw some light about some color, which particular segments or how much is export and how much is domestic, these orders are and what are the nature of these orders more of 800 KV or how is it?

Sharan Bansal: This year because of the increased bidding action in domestic market, quite a major chunk of the orders under bidding are domestic. There are some export contracts also which we have bid for. But substantial portion is domestic, because in domestic market we see very strong bidding action this year.

Amber Singhania: One more thing on this quarter numbers, we see the tax rate has moved up to (+40%) whereas the normal we used to pay around 30% to 35%. Any reason for that and or is it just a one-off thing which can come back?

Sanjay Agarwal: No, actually the normal tax rate is 34.6% only. The difference maybe because of the deferred tax provision, which we have for the CAPEX benefit we will get.

Amber Singhania: So how will it move in the following quarters?

Sanjay Agarwal: It will be around 35% as per the latest Income Tax rates.

Amber Singhania: So 35% only. And how much is the CAPEX we are planning for PVC and engineering separately if you can share?

Sanjay Agrawal: On the PVC side, the CAPEX for the next two plants, which are going to come up in this quarter as well as the fifth plant in Hyderabad, which is expected to come in Quarter 4, including Ahmedabad we had planned a CAPEX of roughly around Rs. 30 crores in this business. So the number is expected to remain the same in this year at least.

Amber Singhania: And on engineering side another Rs. 20 crores?

Sanjay Agrawal: Yeah, another Rs. 20 crores in the engineering side for the new capacities that we are setting up.

Amber Singhania: Okay and that will take up our capacity to 175,000 or more?

Sanjay Agrawal: It will make our capacity close to 2 lakh tons by the end of this year.

Amber Singhania: Okay we will be 2 lakh tons.

Sanjay Agrawal: We are at 175,000 presently.

Amber Singhania: And secondly just how is the volume in this quarter for PVC vis-à-vis the Q1 and last year Q2?

Sharan Bansal: No, the growth in Q1 and Q2 over last year has been fairly good and in line with our expected growth of doubling the top line this year. And going forward also we are fairly bullish that the same trend will continue.

Amber Singhania: So we are more or less in line with what we estimated on that part?

Sharan Bansal: Yes.

Amber Singhania: And any payment issue we are facing from PGCIL because we hear that PGCIL has tightened their norms in terms of working capital significantly. So are we seeing the delay happening from the PGCIL side because now we are dealing directly with them for many orders as such?

Sharan Bansal: Yeah, so in fact what PGCIL is doing is they are not dealing in payment, but they are for projects, which are say non-priority there which are not likely to be commissioned any time soon, they are delaying the purchase of the material. So even though the contracts may be there but they would rather focus more their CAPEX on the project, which are to be commissioned in the current financial year and in the next financial year. The projects, which are to be commissioned say two years later, they are just postponing the capital spending on those projects. But as I mentioned earlier they have already commissioned one very large HVDC project of Rs. 20,000 crores. Another HVDC project of about Rs. 12,000 crores will be commissioned by this year-end. So I think that will free up a significant portion of their capital work in progress and that will definitely help towards greater CAPEX spending by PGCIL in the quarters and the years to come.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Amber Singhania for closing comments.

Amber Singhania: Thank you. On behalf of Asian Markets Securities, I would like to thank everyone, all the participants and a special thanks to the management for taking out their time and sharing insights about the company and the industry with us. I really thanks to Sharan, Devesh and Sanjay Ji. Sir, would you like to add any closing remarks?

Sharan Bansal: I think most of the topics have been covered during the question answer. But I thank everyone for their participation in the conference call and we look forward to talking to you again at quarter 3 end.

Moderator: Ladies and gentlemen, on behalf of Asian Markets Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.