

Good Q3 with Macro Tailwinds Intact; Capacity Ramp-Up Remains Key
Est. Vs. Actual for Q3FY25: Revenue – **BEAT** ; EBITDA – **BEAT**
Change in Estimates post Q3FY25:
FY25E/FY26E/FY27E: Revenue: 8%/0%/-4%; EBITDA: 8%/0%/-4%; PAT: 12%/0%/-5%

Recommendation Rationale

- **Strong Macro Tailwinds:** The 9.15 Tr capex over 2023-2032 as per National Electricity Plan through Public-Private-Partnership agreements and through Power Grid's own balance sheet strength will continue to drive growth for Skipper's Engineering division. The export market led by the transition towards RE and carbon neutrality offers a broad scope for growth. The demand outlook is strong, and it already has a strong bid pipeline of Rs 18,000-20,000 Cr.
- **Capacity expansion – a key monitorable:** To capitalise on these macro tailwinds, capacity expansion remains critical as currently its Engineering capacity at 300 kt is already operating at 85% utilisation. The 1st plan of 75kt capacity addition, which would add ~Rs 700 Cr to the topline, will now come online by Q1FY26 as against the earlier target of Q4FY25. The 2nd 75kt capacity post the 1st 75kt, which was targeted to go online by the end of FY26, is still at the pre-approval stage. The management remains confident of strong YoY growth over the elevated FY25 revenue base (post strong 9MFY25 numbers). Still, it has now not given a specific growth number (earlier, it had guided 25% revenue CAGR over the FY24 base for the next 3 years). We believe timely capacity addition remains critical for the company to tap topline growth and gain market share.
- **Strong Order Book:** Skipper received new orders totalling Rs 1,318 Cr in Q3FY25, including orders from PowerGrid Corporation of India and from various SEBs. As of Dec'24, the order book stood at Rs 6,354 Cr (Rs 6,590 Cr as of Sep'24). The order book comprises 66% domestic T&D orders, 23% non-T&D orders (Telecom, Railways, Solar, Water EPC & other Steel Structural items) and 11% export orders. All export orders pertain to T&D.

Sector Outlook: Positive

Company Outlook & Guidance: The management expects a strong revenue growth YoY on the elevated FY25 revenue base for next year. The next 4 years capex guidance of Rs 800 Cr (out of which Rs 200 Cr in FY25) is unchanged. Majority of the 75kt capacity expansion would be done by Q4FY25 with some spill over to Q1FY26. Further, the management expects the current EBITDA margins of ~10% to gradually increase YoY, led by higher T&D contribution and better-quality T&D contracts. Capacity addition remains critical to tap the growing market opportunities. We cut our FY27 EBITDA by 4% due to the delay in the 75kt capacity addition.

Current Valuation: 22x on our FY27 EPS estimate (Unchanged)

Current TP: Rs 570/share (Earlier TP: Rs 600/Share)

Recommendation: We maintain our **BUY** recommendation on the stock.

Financial Performance: Skipper reported decent numbers, with revenue and PAT beating the consensus estimates. Consolidated Net sales stood at Rs 1,135 Cr, up 42%/2% YoY/QoQ, a 21% beat on the consensus estimates. EBITDA stood at Rs 111 Cr, up 44% YoY and down 1% QoQ, a 13% beat on consensus estimates. The EBITDA margins stood at 9.8%, up 16bps YoY but down 36bps QoQ. PAT stood at Rs 36 Cr, up 76%/10% YoY/QoQ.

Key Financials (Consolidated)

(Rs Cr)	Q3FY25	QoQ (%)	YoY (%)	Consensus	Var (%)
Net Sales	1,135	2%	42%	935	0%
EBITDA	111	-1%	44%	98	0%
EBITDA Margin (%)	10%	-36bps	16bps	10%	-72bps
Reported PAT	36	10%	76%	NA	NA
EPS (Rs)	3.35	7%	68%	NA	NA

Source: Company, Axis Securities

(CMP as of 6th February 2025)

CMP (Rs)	482
Upside /Downside (%)	18%
High/Low (Rs)	665/231
Market cap (Cr)	5,444
Avg. daily vol. (6m) Shrs.	10,70,798
No. of shares (Cr)	11.3

Shareholding (%)

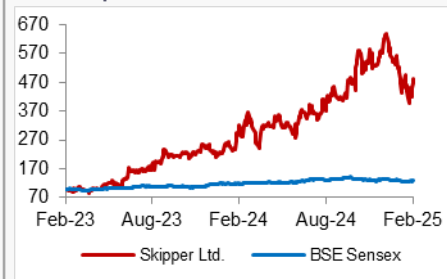
	Jun-24	Sep-24	Dec-24
Promoter	66.48	66.48	66.48
FII	3.64	4.39	4.82
Mutual Funds / UTI	0.00	0.00	0.14
Financial Institutions	0.00	0.00	0.00
Others	29.88	29.13	28.56

Financial & Valuations

Y/E Mar (Rs Cr)	FY25E	FY26E	FY27E
Net Sales	4,449	5,128	6,154
EBITDA	445	538	677
Attrib Net Profit	141	201	291
EPS (Rs)	12.4	17.8	25.8
PER (x)	38.2	26.7	18.4
P/BV (x)	4.5	3.9	3.2
EV/EBITDA (x)	13.3	11.1	8.9
ROE (%)	13%	16%	19%

Change in Estimates (%)

Y/E Mar	FY25E	FY26E	FY27E
Sales	8%	0%	-4%
EBITDA	8%	0%	-4%
PAT (Attrib)	12%	0%	-5%

Relative performance


Source: Ace Equity, Axis Securities

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Valuation & Recommendation

We assign a target P/E multiple of 22x (unchanged) on our FY27 EPS estimate (unchanged) and arrive at our Mar'26 TP of Rs 570/share from Rs 600/share earlier as we cut our FY27 PAT estimate. We maintain our BUY rating on the stock; our TP implies a potential upside of 18% from the CMP.

Outlook

Following the strong Q3FY25 results, we revise our FY25 Revenue/EBITDA/PAT estimates upwards to reflect the strong 9MFY25 run rate. We keep our FY26 estimates unchanged but tone down our FY27 estimates given the 1 to 2-quarter delay in the 75kt capacity addition. Further delay in capacity addition remains a key risk to our estimates.

Key Concall Highlights

- **Venturing into substation EPC:** The company has commenced the development of specialised capabilities in substation EPC fieldwork. The company is favourably positioned to secure its first significant substation EPC contract as part of this strategic expansion. Expanding into the substation business provides a massive opportunity, as 50% of the T&D market is for substations. The management expects revenue from this business to start from FY27. Further, the management expects to make industry margins of 13-15% in this segment. This business will drive the growth of the company's infra segment.
- **Order inflow:** The company received an order inflow of Rs 1,318 Cr in Q3FY25 (as against Rs 1,660 in Q2FY25), bringing its total order book to Rs 6,354 Cr. Due to capacity constraints, the company is not taking in orders aggressively, as it is already booked for the next two years. With the capacity expansion, the management expects to add more orders in the future.
- **Exports potential:** Exports stood at 11% of the company's order book as of Dec'24 as against 15% as of Sep'24 due to the faster growth of domestic T&D. However, on an absolute basis the export order book has grown on a QoQ basis. Suppose the new administration in the USA applies import tariffs to Canada, Mexico, and China. In that case, it will increase the opportunities for Indian manufacturers and exporters as most of the company's competitors are based in these countries.
- **Capacity utilisation:** The company targets an engineering capacity utilisation of 85% for FY25, which is the industry's optimum utilisation level. In Q3FY25, it operated at 85% Utilisation.
- **Market Share:** The company has maintained its market share of 12-13% in the high-voltage transmission lines segment.
- **Opportunities due to Kavach:** The government plans to implement the Kavach Automatic Train Protection (ATP) across its railway lines, requiring investment in telecom towers. The company has won one project under the kavach and expects to win more projects in the future. The management expects its addressable market size from this opportunity to be Rs 50,000 Cr.
- **Polymer segment:** The sales in the polymer segment were 22,300 Mn Tonnes for the 9 months ended Dec'24 (vs 24,600 Mn Tonnes for 9 months ended Dec'23). The segment is operating at a low capacity utilisation. It is impacted by destocking by the channel due to price volatility and a slowdown in water projects like the Jal Jeevan Mission. However, in the Union Budget 2025-26, the government has increased the allocation towards the Jal Jeevan Mission. Further, with the commodity prices stabilising, the company is observing an increase in volumes and expects the segment to grow in the long run.
- **Working capital cycle:** As of Dec '24, the company's net working capital cycle was 88 days.

Key Risks to Our Estimates and TP

- Delay in capacity expansion and execution of projects
- Delay in transmission infrastructure investment.

Change in Estimates

	Revised			Old			% Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Net Sales	4,449	5,128	6,154	4,103	5,128	6,410	8%	0%	-4%
EBITDA	445	538	677	410	538	705	8%	0%	-4%
Attr. Net Profit	141	201	291	126	201	306	12%	0%	-5%

Source: Axis Securities

Skipper Q3FY25 Results Review

Particulars (Rs Cr)	Q3FY24	Q2FY25	Q3FY25	Q3FY25	Consensus		
	Act	Act	Consensus	Act	YoY (%)	QoQ (%)	Var (%)
Net sales	802	1,110	935	1,135	42%	2%	21%
Direct Expenditure	514	861		879	71%	2%	NM
Gross Profit	287	249		256	-11%	3%	NM
Employee benefit expenses	33	46		46	39%	1%	NM
Other expenses	177	90		99	-44%	10%	NM
EBITDA	77	112	98	111	44%	-1%	13%
Depreciation & amortization	13	15		17	23%	12%	NM
EBIT	64	98		94	48%	-3%	NM
Finance cost	39	55		50	26%	-10%	NM
Other Income	2	3		4	65%	10%	NM
PBT	26	45		48	83%	6%	NM
Tax	9	12		12	44%	7%	NM
Profit / (loss) from associates / JV	3	-1		0.2	-94%	NM	NM
PAT	20	33		36	76%	10%	NM
Basic EPS	1.99	3.13		3.35	68%	7%	NM
EPS Diluted EPS	1.99	2.92		3.35	68%	15%	NM
EBITDA margins	9.6%	10.1%	10.5%	9.8%	16bps	-36bps	-72bps
PAT margins	2.6%	3.0%		3.2%	63bps	21bps	NM

Source: Company, Axis Securities, Bloomberg Consensus

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY 24A	FY 25E	FY 26E	FY 27E
Total Operating income	3,282	4,449	5,128	6,154
Consumption of Raw Materials	1,829	2,269	2,667	3,200
Increase/Decrease in Stocks	(161)	-	-	-
Power & fuel	838	979	1,026	1,231
Employees Cost	127	178	231	246
Other Expenses	330	578	667	800
Total Expenditure	2,963	4,004	4,590	5,477
EBITDA	319	445	538	677
Depreciation and Amortization	53	69	79	89
EBIT	267	376	460	588
Other Income	9	12	13	16
Share Of P/L Of JV	7	-	-	-
Less: Interest & Fin Chg.	154	200	205	215
Less: Exceptional Items	-	-	-	-
Profit before tax	128	188	268	389
Provision for Tax	47	47	68	98
Reported PAT	82	141	201	291
EPS (Rs/sh)	7.7	12.4	17.8	25.8
DPS (Rs/sh)	0.1	0.1	0.1	0.1

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March	FY 24A	FY 25E	FY 26E	FY 27E
Net Block	748	880	1,001	1,113
Intangible assets	1	1	1	1
CWIP	16	16	16	16
Investments	17	17	17	17
Inventories	1,203	1,631	1,880	2,256
Trade Receivables	766	1,039	1,197	1,437
Cash / Bank balance	135	151	189	238
Misc. Assets	258	258	258	258
Total assets	3,145	3,992	4,559	5,336
Equity capital	11	11	11	11
Reserves	887	1,175	1,375	1,665
Borrowings	577	702	817	922
Def Tax Liabilities	66	66	66	66
Other Liabilities	376	376	376	376
Provisions	7	7	7	7
Trade Payables	1,221	1,655	1,907	2,289
Capital employed	3,145	3,992	4,559	5,336

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E March	FY 24A	FY 25E	FY 26E	FY 27E
Profit before tax	128	188	268	389
Depreciation	53	69	79	89
Interest Expenses	154	200	205	215
Non-operating / EO item	(2)	-	-	-
Change in W/C	(101)	(266)	(155)	(234)
Income Tax Paid	(33)	(47)	(68)	(98)
Operating Cash Flow	199	143	329	361
Capital Expenditure	(102)	(200)	(200)	(200)
Free cash Flow	97	(57)	129	161
Other Investments	(85)	-	-	-
Investing Cash Flow	(187)	(200)	(200)	(200)
Proceeds / (Repayment) of Borrowings	106	125	115	105
Proceeds from Rights issue	50	149	-	-
Finance cost paid	(152)	(200)	(205)	(215)
Dividend paid	(1)	(1)	(1)	(1)
Other financing cash flows	(15)	-	-	-
Financing Cash Flow	(12)	73	(92)	(112)
Change in Cash	(0)	16	38	50
Opening Cash	2	2	18	56
Closing Cash	2	18	56	105

Source: Company, Axis Securities

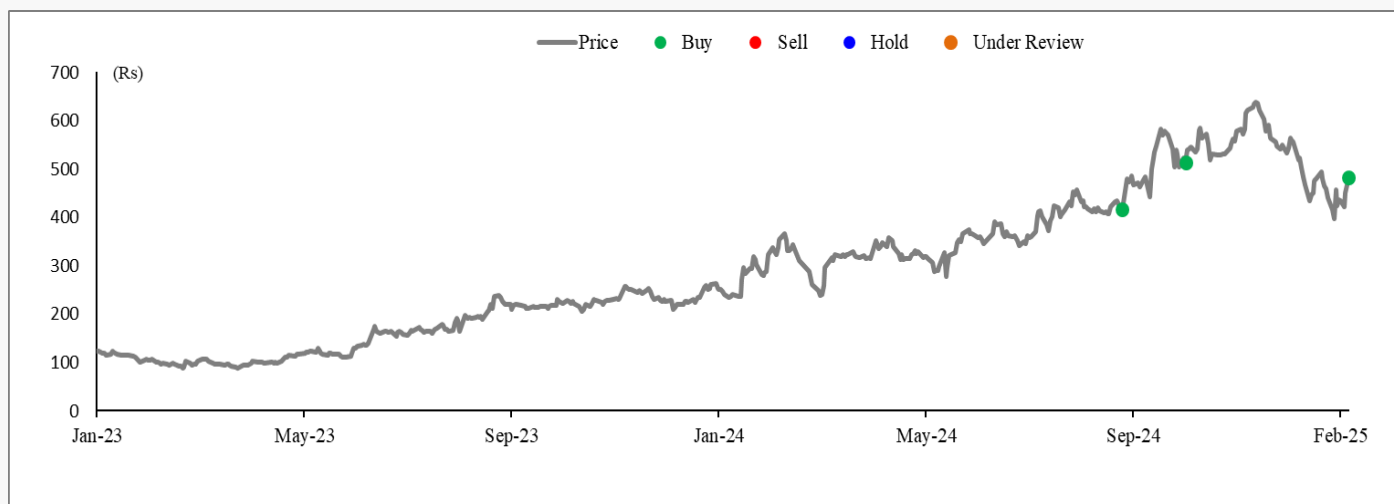
Ratio Analysis

(%)

Y/E March	FY 24A	FY 25E	FY 26E	FY 27E
Operational Ratios				
Sales growth (% YoY)	66%	36%	15%	20%
EBITDA growth (% YoY)	66%	39%	21%	26%
Op. profit growth (% YoY)	83%	41%	22%	28%
Net Profit growth (% YoY)	130%	72%	43%	45%
EBITDA Margin %	9.7%	10.0%	10.5%	11.0%
Net profit Margin %	2.5%	3.2%	3.9%	4.7%
Tax Rate %	36%	25%	25%	25%
Efficiency Ratios				
Total Asset Turnover (x)	1.2	1.2	1.2	1.2
Sales/Gross block (x)	2.8	3.2	3.3	3.5
Sales/Net block(x)	4.4	5.1	5.1	5.5
Working capital/Sales (x)	0.23	0.23	0.23	0.23
Valuation Ratios				
PER (x)	42.3	38.7	27.1	18.7
P/BV (x)	4.1	4.6	3.9	3.2
EV/Ebitda (x)	12.8	13.5	11.3	9.1
EV/Sales (x)	1.2	1.3	1.2	1.0
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%
Return Ratios				
ROE	9.8%	13.5%	15.6%	19.0%
ROCE	11.8%	12.5%	12.8%	14.1%
ROIC	12.7%	16.2%	17.1%	18.7%
Leverage Ratios				
Debt/equity (x)	0.6	0.6	0.6	0.5
Net debt/ Equity (x)	0.5	0.5	0.5	0.4
Net debt/Ebitda (x)	1.4	1.2	1.2	1.0

Source: Company, Axis Securities

Skipper Limited Price Chart and Recommendation History



Date	Reco	TP	Research
23-Sep-24	BUY	600	Initiating Coverage
30-Oct-24	BUY	600	Result Update
07-Feb-25	BUY	570	Result Update

Source: Axis Securities Research

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NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

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