October 2024

Initiating Coverage

Skipper

Integrated power play

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Nuvama Institutional Equities

SKIPPER

INITIATING COVERAGE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	450
12 month price target (INR)	650
52 Week High/Low	508/197
Market cap (INR bn/USD bn)	53/0.6
Free float (%)	28.0
Avg. daily value traded (INR mn)	472.7

SHAREHOLDING PATTERN

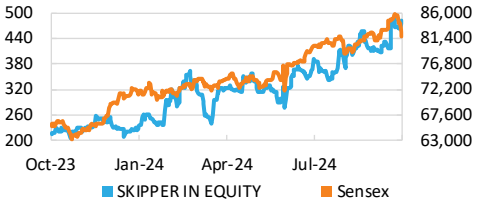
	Jun-24	Mar-24	Dec-23
Promoter	66.5%	66.5%	71.9%
FII	3.6%	4.6%	7.4%
DII	0.2%	0.2%	0.2%
Pledge	0%	0%	0%

FINANCIALS

(INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Revenue	32,820	41,147	52,386	65,380
EBITDA	3,194	4,032	5,317	6,865
Adjusted profit	817	1,273	1,908	2,938
Diluted EPS (INR)	7.8	11.3	16.9	26.0
EPS growth (%)	124.0	45.2	49.9	54.0
RoAE (%)	9.8	12.3	15.0	19.4
P/E (x)	58.0	39.9	26.6	17.3
EV/EBITDA (x)	16.2	12.9	10.0	7.7
Dividend yield (%)	0	0	0	0

PRICE PERFORMANCE



Integrated power play

With its presence across the T&D ecosystem, Skipper Ltd (Skipper) is poised for a powerful performance driven by: i) proposed NEP with indicative transmission capex of INR9.2tn (over FY22–32E); and ii) a global wave of RE transition driving HV (high-voltage) T&D capex (Lights out: Power deficit in the making?). Skipper, hence, stands to benefit immensely from domestic and export order intake tailwinds.

Skipper turned in OB/sales CAGR of 33%/24% over FY20–24; its OB is INR58.4bn, i.e. 1.8x FY24 sales. We bake in OI/sales CAGR of 22%/26% over FY24–27E with an OPM of ~10.5% by FY27E (FY24: 9.7%; guidance of 11% over three years), yielding an EPS CAGR of 50%-plus over FY24–27E. Initiate at 'BUY' with a TP of INR650 at 25x FY27E EPS of INR26.

High-voltage macro tailwinds: Domestic and international drivers

The NEP recently proposed the 2022–32 outlay of INR9.2tn with an emphasis on HV (> 220kv), auguring growth for domestic T&D. We peg the transmission towers' TAM at INR1.4–2.2tn (exhibits 5 and 6). Given this backdrop, we estimate PGCIL's annual capex (70% of Skipper's T&D OB)—*a proxy for India's transmission capex*—shall jump 300%-plus over the next two–three years (exhibit 2). Internationally too, Skipper faces lower Chinese/Turkish competition in key markets, resulting in 64% growth in its international pipeline in FY24 to INR108.3 bn.

Doubling tower capacity; only backward-integrated player in India

Skipper intends to double tower manufacturing capacity to 600,000MTA (from 300,000MTPA currently) at an outlay of ~INR8bn over the next four–five years. The company is undertaking phase-1 of capex (of INR2bn), which shall increase capacity to 375,000MTPA by end-FY25, making it the largest tower manufacturing company (by capacity) in India (exhibit 23). Skipper is the only company with backward integration of rolling mills, tower pole fasteners' production and EPC capabilities.

Niche player in pole position; initiate at 'BUY'

Skipper's business segments comprise: i) *Engineering (68% of FY24 sales):* Manufacturing T&D + non-T&D (telecom/wind) structures; ii) *Infra (18% of FY24 sales):* EPC of transmission projects, particularly in HV 400KV and 765KV segments with a market share of 10–15% among only five—six players in HV EPC; and iii) *Polymers (14% of sales):* B2C with cash payment helps improve WC position.

Skipper is ready to harness several tailwinds: i) power T&D capex of INR9.2tn over 2022–32; ii) improving product mix with a shift to margin-accretive HV segment; iii) doubling of capacity in four–five years; iv) a well-capitalised balance sheet with FY24 D/E at 0.49x (exhibit 32); and v) OPM improving from 9.7% in FY24 to 10.5% by FY27E (guidance of 11% for three years).

Valuing Skipper at 25x FY27E EPS of INR26 yields a TP of INR650. Our bull case TP of INR740 factors in ~11% margin by FY27E with a 30% OI CAGR and a similar target multiple vis-a-vis the base case. *Key Risks: Execution and order award delays, sharp price movement of raw material (50% unhedged T&D OB) and WC management.*

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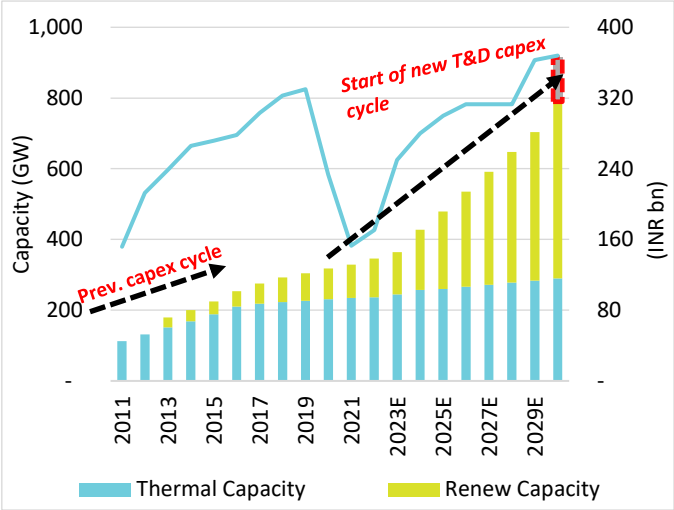
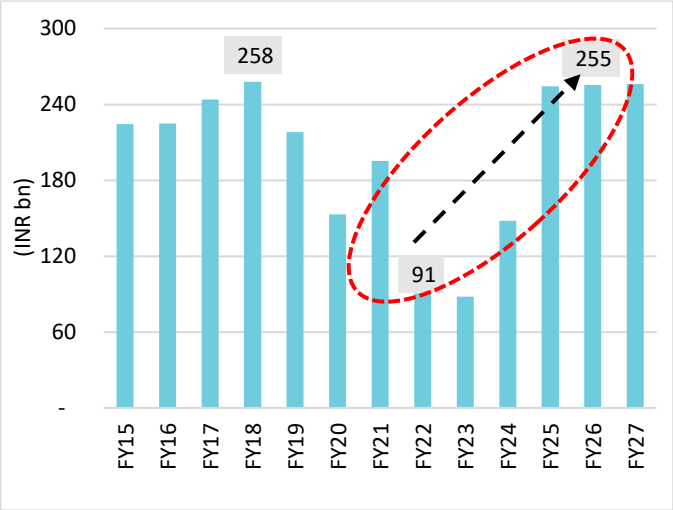
The Story in Charts

Exhibit 1: RE addition spurring new cycle of T&D capex (ISTS)



Source: CEA, PGCIL, Nuvama Research

Exhibit 2: PGCIL annual capex to grow >3x from current levels



Source: PGCIL, Nuvama Research

Exhibit 3: NEP envisages 39% growth in T&D lines FY24–27…

Transmission lines	Addition (in cKm)				
NEP	HVDC	765kV	400kV	230/220kV	Total
6th plan (1980-85)					
7th plan (1985-90)			*129%*	*-70%*	*-47%*
8th plan (1992-97)			*18%*	*47%*	***38%***
9th plan (1997-2002)	*-8%*		*-19%*	*-13%*	*-13%*
10th plan (2002-2007)	*82%*	*25%*	*99%*	*1%*	***45%***
11th Plan (2007-12)	*30%*	*153%*	*18%*	*21%*	*23%*
12th Plan (2012-17)	*72%*	*748%*	*64%*	*28%*	***87%***
13th Plan (2017-22)	*-38%*	*-24%*	*-29%*	*7%*	*-20%*
14th Plan (2022-27)	*13%*	***77%***	*6%*	***58%***	***39%***

Source: NEP, Nuvama Research

Exhibit 4: … and 99% surge in sub-stations over FY24–27

Sub-stations	Addition (in MVA)				
NEP	HVDC	765kV	400kV	230/220kV	Total
6th plan (1980-85)					
7th plan (1985-90)			31%	-56%	-38%
8th plan (1992-97)			57%	85%	73%
9th plan (1997-2002)			1%	6%	14%
10th plan (2002-2007)	-40%		67%	25%	34%
11th Plan (2007-12)	-42%		78%	68%	101%
12th Plan (2012-17)	457%	470%	55%	33%	118%
13th Plan (2017-22)	44%	-37%	70%	21%	10%
14th Plan (2022-27)	-14%	256%	76%	15%	99%

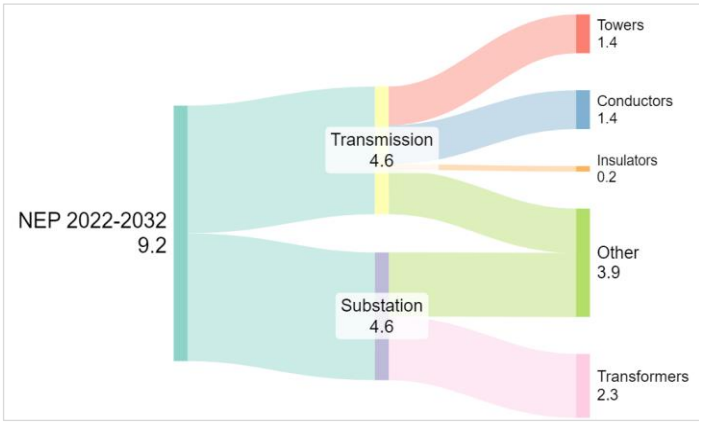
Source: NEP, Nuvama Research

Exhibit 5: TAM – T&D towers

Voltage	cKm addition (1)	Towers per ckm (2)
220kv	85,135	3
400kv	70,741	2
765kv	64,748	2
HVDC	7,954	2
Total towers needed (3) (1x2)		**5,42,289**
Avg. tonnage/tower (4)		40
Total tonnage (5) (3x4)		**2,16,91,555**
Realisation/tonne (6) (INR mn)		0.1
NEP (2022-32) - INR tn (7)	**9.2**	
Tower (% of total capex) (8)	15%	
Total domestic TAM (INR tn) (7x8) | (5x6)	**1.4**	**2.2**

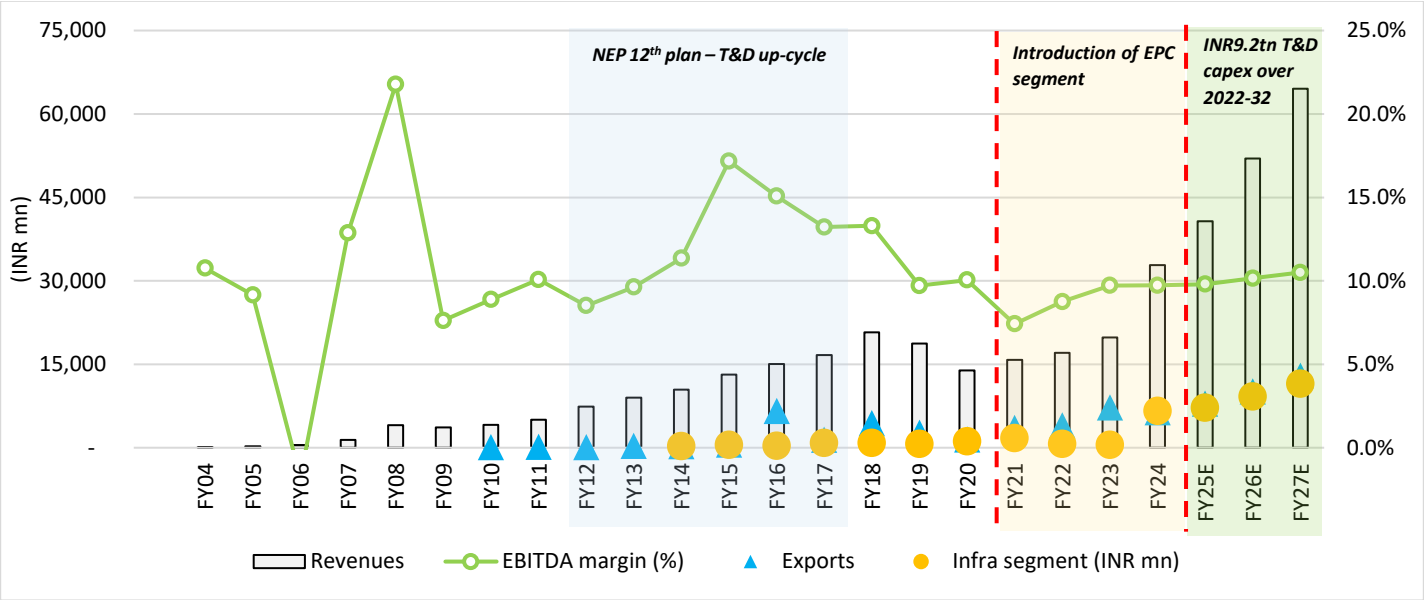
Source: NEP, Nuvama Research

Exhibit 6: Power T&D TAM breakdown estimate (INR tn)



Source: NEP, Nuvama Research

Exhibit 7: Skipper: Entrenched power T&D/telecom/railways tower manufacturer; EPC, polymer to be high-growth areas



Source: Company, Nuvama Research

Exhibit 8: Base/Bull Case: 50–56% EPS CAGR over FY24–27E

FY24-27E	Bear case	Base case	Bull case
Order inflows CAGR	15.0%	21.6%	30.0%
Avg. OPMs	9.7%	10.0%	10.2%
FY27E OPM	10.0%	10.5%	11.0%
EPS CAGR	39.7%	49.7%	56.2%
FY27 EPS	21.2	26.0	29.6
FY27 target multiple (x)	20	25	25
Price Target (INR)	**425**	**650**	**740**
Upside/Downside	-5.7%	44.5%	64.4%

Source: Company, Nuvama Research

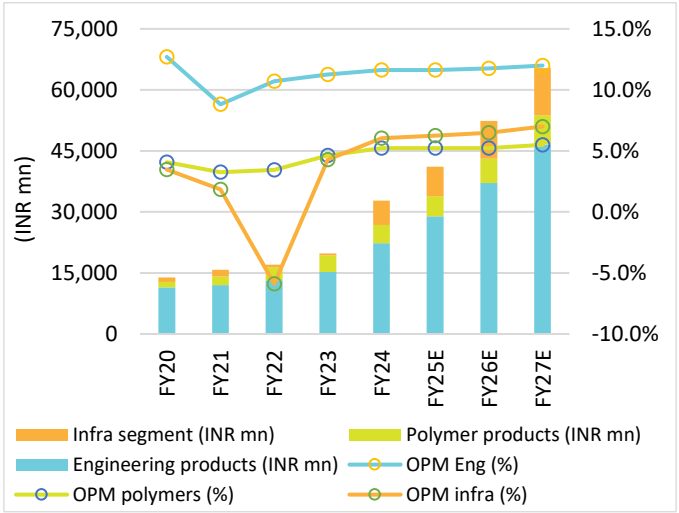
Exhibit 9: Peer valuation

Equities	T&D Segment	FY27E PE	EPS CAGR (FY24-27E)	Median ROE (FY25-27E)
Skipper	**Towers, EPC**	17.3	**48.9%**	**14.9%**
KEC International	EPC, C&Ws, Towers	17.3	56.8%	22.2%
Kalpataru Projects	EPC	17.1	32.8%	16.6%
Larsen & Toubro	EPC	19.1	25.2%	21.4%
Techno-electric	EPC	27.1	32.2%	13%

Source: Nuvama Research

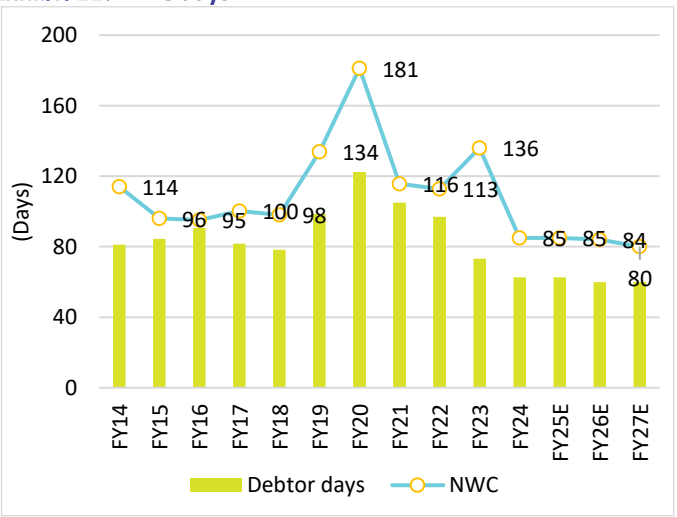
Note: Nuvama est.

Exhibit 10: Revenue mix versus OPM



Source: Company, Nuvama Research

Exhibit 11: NWC days



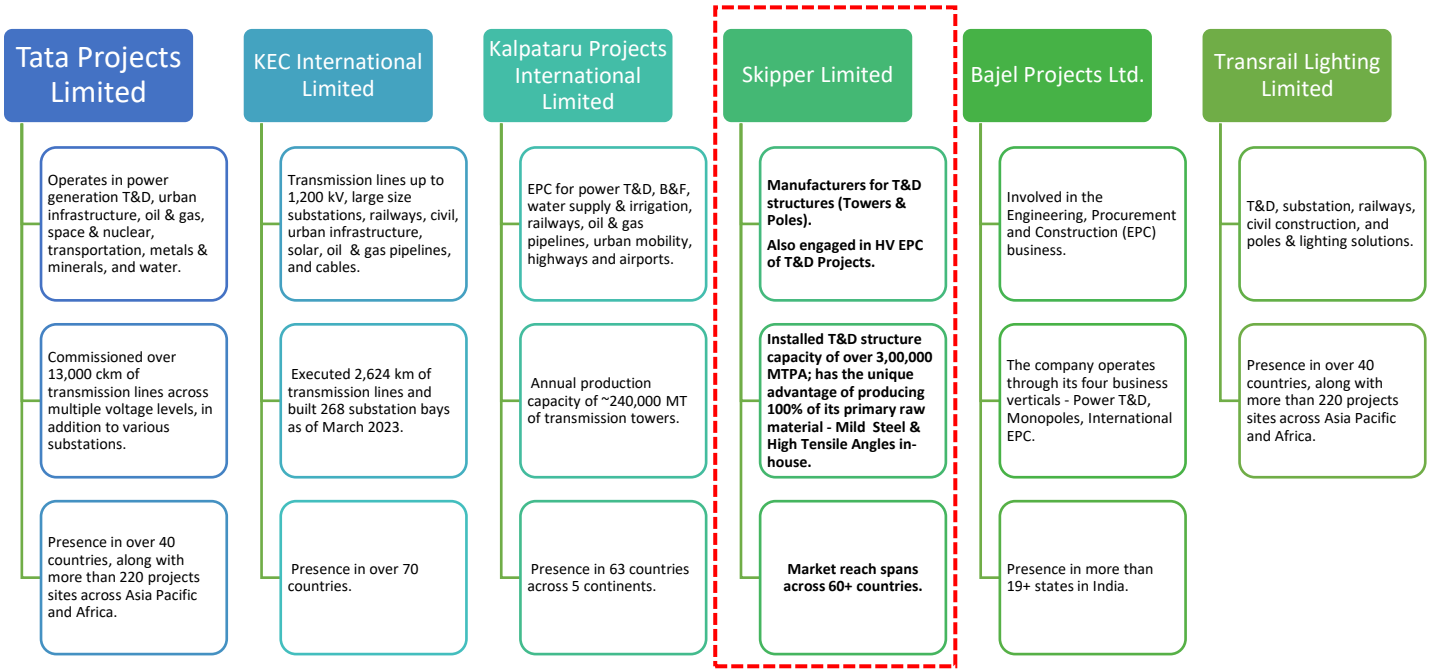
Source: Company, Nuvama Research

Exhibit 12: Financial summary

Particulars	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Order inflows	15,440	8,052	8,750	16,480	41,380	42,870	53,588	64,305	77,166
YoY growth		-47.90%	8.70%	88.30%	151.10%	3.60%	25.00%	20.00%	20.00%
Order book	24,600	20,110	16,020	21,150	45,510	62,150	79,570	97,463	1,16,420
YoY growth		-18.30%	-20.30%	32.00%	115.20%	36.60%	28.00%	22.50%	19.40%
Book to bill rate	2.4x	2.6x	2.1x	2.3x	4.0x	3.1x	3.2x	3.1x	3.0x
Revenues	18,709	13,905	15,815	17,071	19,803	32,820	41,147	52,386	65,380
YoY growth		-25.70%	13.70%	7.90%	16.00%	65.70%	25.40%	27.30%	24.80%
EBITDA	1,816	1,397	1,173	1,493	1,925	3,194	4,032	5,317	6,865
EBITDA Margin	7.20%	10.00%	7.40%	8.70%	9.70%	9.70%	9.80%	10.20%	10.50%
PAT	312	415	211	251	356	817	1,273	1,908	2,938
PAT Margin	0.50%	3.00%	1.30%	1.50%	1.80%	2.50%	3.10%	3.60%	4.50%
EPS	3	4	2.1	2.4	3.5	7.8	11.3	16.9	26
YoY growth		32.90%	-49.20%	19.30%	41.40%	124.00%	45.20%	49.90%	54.00%

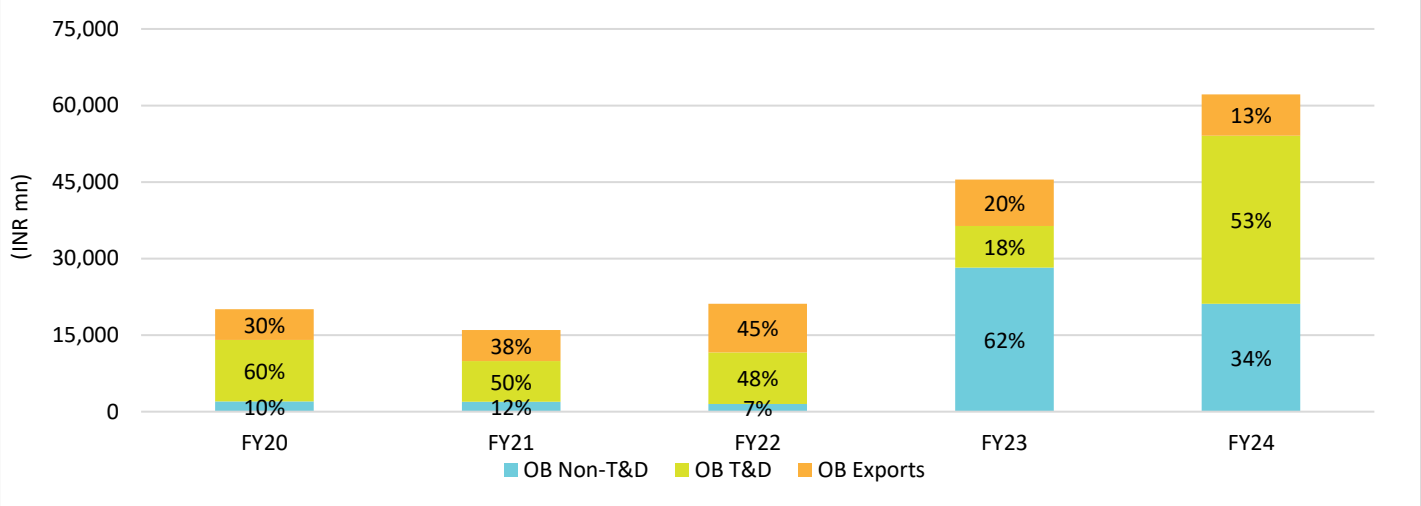
Source: Company, Nuvama Research

Exhibit 13: Charting out competitive intensity – A look at peers



Source: Company, Nuvama Research

Exhibit 14: Order book mix – T&D sub-segment to grow exponentially



Source: Company, Nuvama Research.

Note: Skipper received a large INR25.7bn order from BSNL in FY23 for supply and erection of telecom towers with an opex component of allied services to be supplied for five years (part of OB non-T&D). Telecom tower orders can be lumpy and cause an OB skew in a particular year, but the T&D segment is expected to be the primary and steady growth driver going forward.

Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Total operating income	32,820	41,147	52,386	65,380
Gross profit	7,761	9,670	12,311	15,364
Employee costs	1,267	1,522	1,860	2,223
Other expenses	3,299	4,115	5,134	6,276
EBITDA	3,194	4,032	5,317	6,865
Depreciation	525	595	676	747
Less: Interest expense	1,540	1,934	2,305	2,419
Add: Other income	86	100	115	125
Profit before tax	1,285	1,674	2,521	3,894
Prov for tax	468	401	613	956
Less: Other adj	0	0	0	0
Reported profit	817	1,273	1,908	2,938
Less: Excp.item (net)	0	0	0	0
Adjusted profit	817	1,273	1,908	2,938
Diluted shares o/s	105	113	113	113
Adjusted diluted EPS	7.8	11.3	16.9	26.0
DPS (INR)	0.1	0	0	0
Tax rate (%)	38.5	25.0	25.0	25.0

Balance Sheet (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Share capital	105	113	113	113
Reserves	8,871	11,632	13,540	16,478
Shareholders funds	8,976	11,745	13,653	16,591
Minority interest	0	0	0	0
Borrowings	5,773	7,273	7,773	7,773
Trade payables	12,206	11,360	14,273	17,814
Other liabs & prov	3,302	3,302	3,302	3,302
Total liabilities	31,447	34,869	40,191	46,670
Net block	7,484	8,889	9,713	10,466
Intangible assets	10	10	10	10
Capital WIP	160	160	160	160
Total fixed assets	7,654	9,059	9,883	10,636
Non current inv	169	169	169	169
Cash/cash equivalent	1,349	2,706	2,037	1,980
Sundry debtors	7,661	7,061	8,611	10,747
Loans & advances	0	0	0	0
Other assets	14,215	15,476	19,093	22,738
Total assets	31,447	34,869	40,191	46,670

Important Ratios (%)

Year to March	FY24A	FY25E	FY26E	FY27E
COGS (% of rev)	76.4	76.5	76.5	76.5
Employee cost (% of rev)	3.9	3.7	3.6	3.4
Other exp (% of rev)	10.1	10.0	9.8	9.6
EBITDA margin (%)	9.7	9.8	10.2	10.5
Net profit margin (%)	2.5	3.1	3.6	4.5
Revenue growth (% YoY)	65.7	25.4	27.3	24.8
EBITDA growth (% YoY)	65.9	26.2	31.9	29.1
Adj. profit growth (%)	129.6	55.8	49.9	54.0

Free Cash Flow (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Reported profit	1,285	1,604	2,451	3,824
Add: Depreciation	525	595	676	747
Interest (net of tax)	1,540	1,934	2,305	2,419
Others	(20)	(100)	(115)	(125)
Less: Changes in WC	(1,005)	(1,506)	(2,254)	(2,241)
Operating cash flow	1,992	2,126	2,451	3,667
Less: Capex	1,013	2,000	1,500	1,500
Free cash flow	979	126	951	2,167

Assumptions (%)

Year to March	FY24A	FY25E	FY26E	FY27E
GDP (YoY %)	6.7	6.0	6.2	7.0
Repo rate (%)	6.5	6.0	5.0	5.0
USD/INR (average)	83.0	84.0	84.0	84.0
Engg seg rev growth (%)	46.4	29.7	28.3	25.4
OI growth (%)	3.6	25.0	20.0	20.0
Gross margin (%)	23.6	23.5	23.5	23.5
EBITDA margin (%)	9.7	9.8	10.2	10.5
Tax rate (%)	38.5	25.0	25.0	25.0
Capex (INR mn)	1,013.1	2,000.0	1,500.0	1,500.0

Key Ratios

Year to March	FY24A	FY25E	FY26E	FY27E
RoE (%)	9.8	12.3	15.0	19.4
RoCE (%)	20.6	21.0	23.5	27.3
Inventory days	154	154	154	150
Receivable days	63	63	60	60
Payable days	132	132	130	130
Working cap (% sales)	21.4	20.7	20.6	19.9
Gross debt/equity (x)	0.6	0.6	0.6	0.5
Net debt/equity (x)	0.5	0.4	0.4	0.3
Interest coverage (x)	1.7	1.8	2.0	2.5

Valuation Metrics

Year to March	FY24A	FY25E	FY26E	FY27E
Diluted P/E (x)	58.0	39.9	26.6	17.3
Price/BV (x)	5.3	4.3	3.7	3.1
EV/EBITDA (x)	16.2	12.9	10.0	7.7
Dividend yield (%)	0	0	0	0

Valuation Drivers

Year to March	FY24A	FY25E	FY26E	FY27E
EPS growth (%)	124.0	45.2	49.9	54.0
RoE (%)	9.8	12.3	15.0	19.4
EBITDA growth (%)	65.9	26.2	31.9	29.1
Payout ratio (%)	1.3	0	0	0

Source: Company and Nuvama estimates

Investment Rationale

- **Power T&D super-cycle underway (2022-32) –** The recently proposed NEP for 2022–32 outlines capex of INR9.2tn with an emphasis on the HV space (>220kv) led by urbanisation/industrialisation, rising power demand, RE push, grid modernisation and digitalisation, and integration of distributed energy resources.
- **"Energy transition: The game changer" –** Rapid growth of RE sources—particularly solar and wind—requires significant investments in grid expansion and modernisation to integrate these variable resources effectively.
- **Skipper among the only few T&D EPC players with backward integration** (*rolling mills, tower/pole production, fasteners, etc*) is looking at a decadal opportunity (*TAM pegged at INR1.4–2.2tn*).
- **Outlook and valuation: Improving dynamics; initiate at 'BUY' –** Skipper is operating at ~ 70% CUF, and plans to double tower manufacturing capacity to 600,000MTA (*from 300,000MTPA currently*) for ~INR8bn in outlay over the next four–five years. We expect OI/revenue CAGR of 22%/26% over FY24–27E with OPM reaching ~10.5% only by FY27E (*~9.7% in FY24*), yielding an EPS CAGR of 50%-plus over FY24–27E. Valuing the stock at 25x FY27E EPS of INR26 yields a TP of INR650.

India's total transmission line length of 220kv and above stood at 486,517 ckt km at end-Mar-24, with substantial growth in alternating current (AC) and high-voltage direct current (HVDC) substation capacities. The interregional transfer capacity shot up to 118,740MW. In alignment with this growth, the Central Electricity Authority (CEA) has outlined an ambitious capex plan worth INR9.2tn for the power T&D sector over 2022 to 2032. This strategic investment focuses on both inter-state and intra-state transmission networks to ensure a robust and efficient power grid.

NEP data trends throw up a T&D capex upcycle every ten years; we are currently in the midst of the FY22—32 upcycle.

*Draft NEP FY22–32 envisages expansion of **transmission network by 33%** to 6.48 lakh ckm in 2032 from 4.85 lakh ckm in 2024.*

***Transformation capacity is envisaged to increase by 87%** to 2,342GVA from 1,251GVA.*

*Additionally, **four new HVDC lines** are planned over and above five currently under various stages of tendering.*

Key drivers of transmission capex

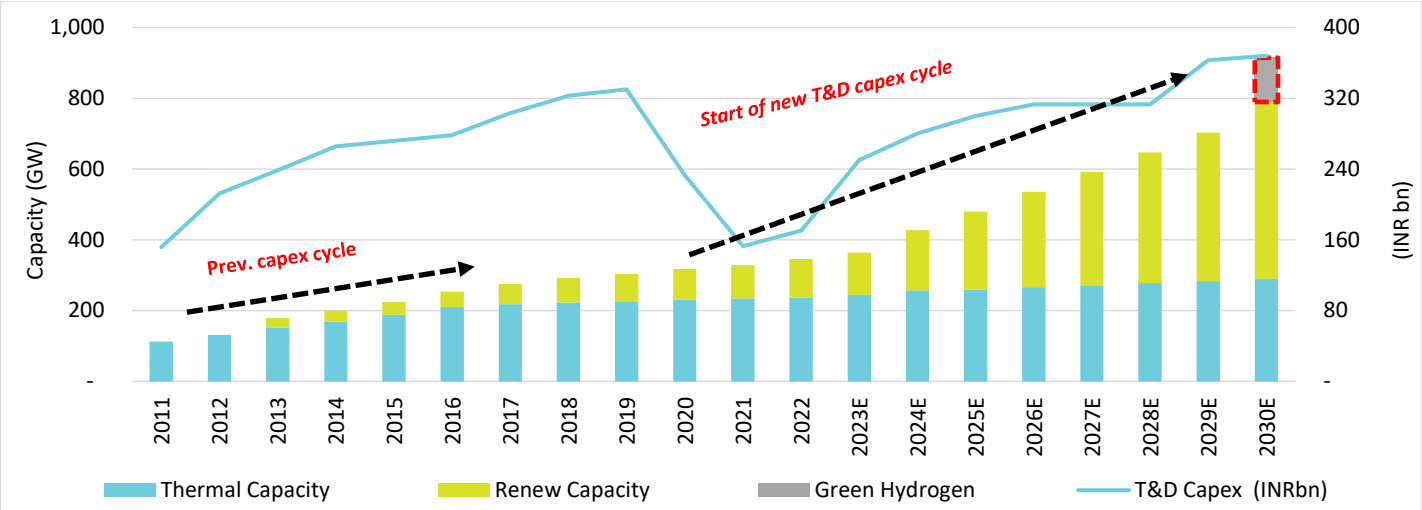
Clean energy transition – The rapid growth of renewable energy sources, particularly solar PV and wind, requires significant grid expansion and modernisation to integrate these variable resources effectively. India's power demand-supply dynamics augur aggressive RE addition of ~50GW/year to avoid base power deficits over FY28–30E. Hence, T&D capex is more of a 'need' rather than 'choice' (Lights out: Power deficit in the making?).

Grid modernisation and digitalisation – There is a growing focus on upgrading aging infrastructure, implementing smart grid technologies and digitalising grid operations to improve efficiency, reliability and flexibility.

Distributed energy resources integration – The growth of rooftop solar, energy storage and other distributed resources is driving investments in distribution grids to manage bidirectional power flows.

Increasing electricity demand – Global electricity demand is projected to grow at 3.4% annually on average up to 2026, driven by economic growth, electrification of various sectors and expanding data centre usage. Indian electricity demand is expected to grow ~6%-plus in FY25.

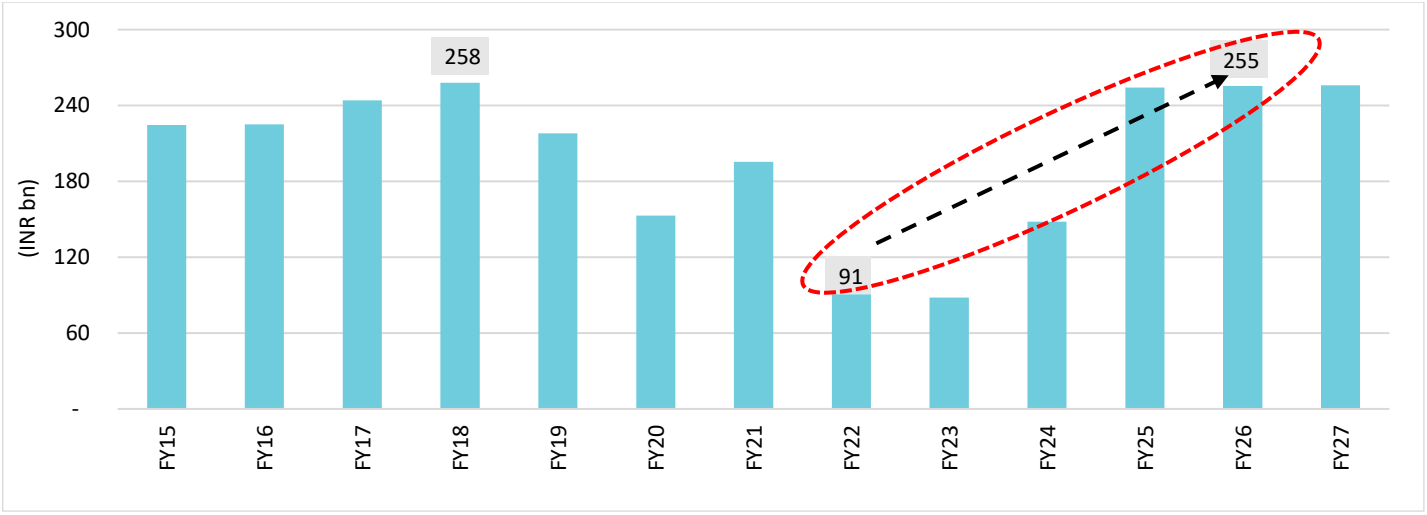
Exhibit 15: Resurgence in T&D underway



Source: Company, Nuvama Research

Of the total projected capital expenditure of INR9.2tn, we believe 60–70% would be earmarked for enhancing the inter-state transmission system, wherein Power Grid Corporation of India (PGCIL) is a key beneficiary and the market leader. PGCIL's capex is a proxy for India's transmission capex, and PGCIL accounts for ~70% of Skipper's T&D order book. The remaining 30–40% of the potential INR9.2tn capex would be allocated to strengthening the intrastate transmission system. This balanced approach would ensure comprehensive development across all levels of the power transmission infrastructure.

Exhibit 16: PGCIL (~70% of Skipper's T&D order book) annual capex to grow 3x



Source: Company, Nuvama Research

India's transmission capex enters new leg of upcycle

Over the next three–four years, the Indian electric infrastructure grid shall require an estimated ~INR4.8tn (NEP) in capex for inter-state and intra-state T&D connectivity so that green energy capacity reaches the 500GW target by 2030. With concentration of the RE resources in three key regions (Gujarat, Rajasthan, Ladakh), the Government of India (GoI) has spotlighted large HV transmission corridors for connecting the RE capacity with central transmission grid.

Given limited competition in the HV space, added capabilities in EPC contracts and capability expansion into substation structures and substation EPC, Skipper is poised to be a significant beneficiary of the upcoming capex in our view.

However, the GoI is now expecting investments to the tune of INR9.2tn in the central and state transmission systems over 2022–2032 as part of the revised NEP.

Under the new plan, the government plans to expand the country's transmission *network by 33% to 6.48 lakh ckm in 2032* from 4.85 lakh ckm in 2024. During the same period, *transformation capacity is envisaged to increase by 87% to 2,342GVA* from 1,251GVA. Under the previous plan spanning 2017–22, about 17,700 ckm lines and 73GVA transformation capacity were added annually.

Nine High Voltage Direct Current (HVDC) lines of 33.25GW capacity shall be added in addition to 33.5GW presently operating. Moreover, the plan envisages inter-regional transfer capacity increasing to 168GW (gigawatt) from 119GW.

Exhibit 17: NEP's historical five-year plans – Addition of transmission lines

Transmission lines	Addition (in cKm)					*Growth rates (%)*				
NEP	HVDC	765kV	400kV	230/220kV	Total	HVDC	765kV	400kV	230/220kV	Total
6th plan (1980-85)			6,029	46,005	52,034					
7th plan (1985-90)			13,795	13,626	27,421			*128.8%*	*-70.4%*	*-47.3%*
8th plan (1992-97)	1,634		16,318	19,969	**37,921**			*18.3%*	*46.6%*	***38.3%***
9th plan (1997-2002)	1,504	971	13,236	17,393	33,104	*-8.0%*		*-18.9%*	*-12.9%*	*-12.7%*
10th plan (2002-2007)	2,734	1,213	26,344	17,636	**47,927**	*81.8%*	*24.9%*	*99.0%*	*1.4%*	***44.8%***
11th Plan (2007-12)	3,560	3,066	31,097	21,351	59,074	*30.2%*	*152.8%*	*18.0%*	*21.1%*	*23.3%*
12th Plan (2012-17)	6,124	25,990	50,968	27,288	**1,10,370**	*72.0%*	*747.7%*	*63.9%*	*27.8%*	***86.8%***
13th Plan (2017-22)	3,819	19,783	36,191	29,072	88,865	*-37.6%*	*-23.9%*	*-29.0%*	*6.5%*	*-19.5%*
14th Plan (2022-27)	4,300	35,005	38,245	46,027	**1,23,577**	*12.6%*	*76.9%*	*5.7%*	*58.3%*	***39.1%***
15th Plan (2027-32)					1,05,000					*-15.0%*

Source: NEP, Nuvama Research

Exhibit 18: NEP's historical five-year plans – Addition of sub-stations

Sub-stations	Addition (in MVA)					*Growth rates (%)*				
NEP	HVDC	765kV	400kV	230/220kV	Total	HVDC	765kV	400kV	230/220kV	Total
6th plan (1980-85)			9,330	37,291	46,621					
7th plan (1985-90)			12,250	16,451	28,701			*31.3%*	*-55.9%*	*-38.4%*
8th plan (1992-97)			19,285	30,435	**49,720**			*57.4%*	*85.0%*	***73.2%***
9th plan (1997-2002)	5,000		19,515	32,186	56,701			*1.2%*	*5.8%*	*14.0%*
10th plan (2002-2007)	3,000		32,562	40,134	**75,696**	*-40.0%*		*66.9%*	*24.7%*	***33.5%***
11th Plan (2007-12)	1,750	25,000	58,085	67,277	**1,52,112**	*-41.7%*		*78.4%*	*67.6%*	***101.0%***
12th Plan (2012-17)	9,750	1,42,500	89,780	89,184	**3,31,214**	*457.1%*	*470.0%*	*54.6%*	*32.6%*	***117.7%***
13th Plan (2017-22)	14,000	89,700	1,52,306	1,07,679	3,63,685	*43.6%*	*-37.1%*	*69.6%*	*20.7%*	*9.8%*
14th Plan (2022-27)	12,000	3,19,500	2,68,135	1,23,305	**7,22,940**	*-14.3%*	*256.2%*	*76.1%*	*14.5%*	***98.8%***
15th Plan (2027-32)					5,95,000					*-17.7%*

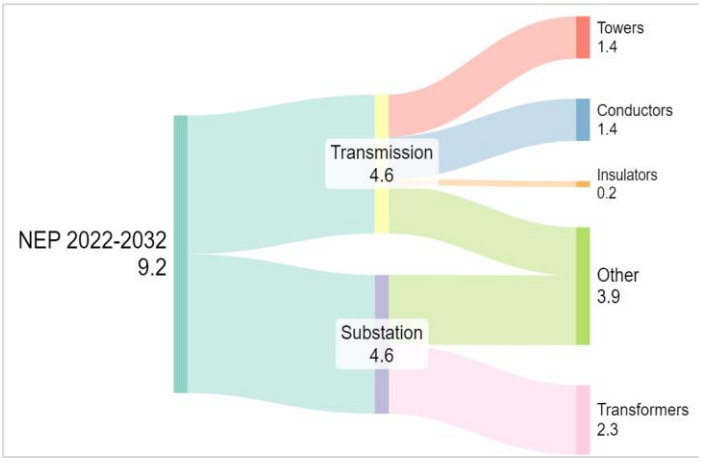
Source: NEP, Nuvama Research

Exhibit 19: TAM – T&D towers

Voltage	cKm addition (1)	Towers per ckm (2)
220kv	85,135	3
400kv	70,741	2
765kv	64,748	2
HVDC	7,954	2
Total towers needed (3) (1x2)		**5,42,289**
Avg. tonnage/tower (4)		40
Total tonnage (5) (3x4)		**2,16,91,555**
Realisation/tonne (6) (INR mn)		0.1
NEP (2022-32) - INR tn (7)	**9.2**	
Tower (% of total capex) (8)	15%	
Total domestic TAM (INR tn) (7x8) | (5x6)	**1.4**	**2.2**

Source: NEP, Nuvama Research

Exhibit 20: Power T&D TAM breakdown (INR tn)



Source: NEP, Nuvama Research

Exhibit 21: Total ~4–5 HVDCs in the pipeline to be ordered by FY26E/27E

HVDC Projects	Size (MW)	Cost (INR bn)	Likely award	Comments
±800 kV Bhadla-III - Fatehpur HVDC line	6,000	150	FY24-25E	- 6,000MW, + 800 kV HVDC system between Bhadla-III and Fatehpur - Currently under bidding (PGCIL/Adani key bidders) - PGCIL expects equipment ordering in 3-6 months
±350kV Pang - Kaithal HVDC line	5,000	450-500	FY26-27E	- + 350kV, 5,000MW VSC-based HVDC link from Pang to Kaithal - Allocated to PGCIL in Jan'22 through RTM route - PGCIL expects equipment ordering in FY26-27E
±800kV Barmer-II - Jabalpur HVDC line	6,000	150	FY26-27E	- ±800kV HVDC line between Barmer-II (HVDC) -Jabalpur PS (~1,100km) - Expected to see ordering in FY26/27E
±800kV Khavda - Aurangabad HVDC line	8,000	150	FY24-25E	- Khavda – Aurangabad 8,000MW, ±800kV HVDC line - Currently under bidding (PGCIL/Adani key bidders) - PGCIL expects equipment ordering in 3-6 months
±800kV Khavda - 2		150	FY26-27E	- Expected to see ordering in FY26/27E.
Total	**25,000**	**900-1,100**	**FY24-30E**	

Source: NEP, CEA, Nuvama Research

Why Skipper; what is in it?

Skipper's forte is manufacturing T&D and non-T&D structures; however, the company has additional capabilities in executing EPC projects, particularly in the HV 400KV and 765KV segment wherein only five–six players are currently qualified to carry out EPC (HV EPC). Skipper commands a market share of 10–15% in the HV EPC space. Selective bidding and timely execution can aid margin expansion. Points to ponder:

i) Macro tailwinds, both domestically (*INR9.2 Power T&D capex over 2022–32*) and internationally (*reduction in Chinese/Turkish competition in key markets resulting in 64% growth in international pipeline in FY24*)

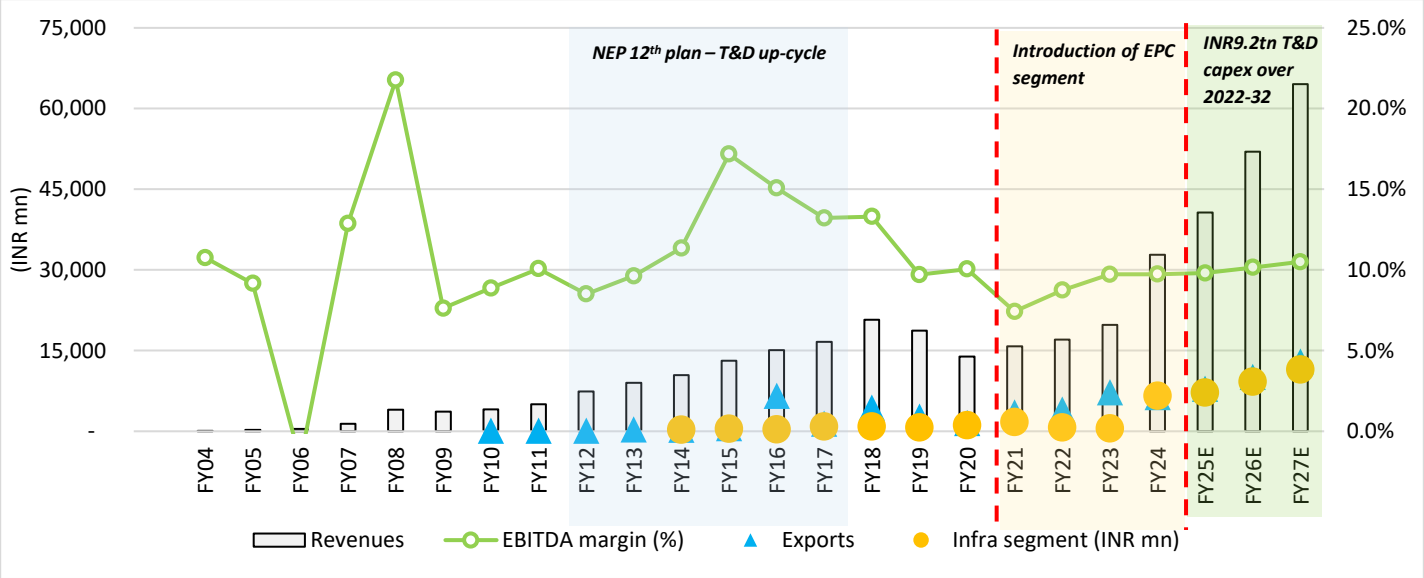
ii) One of the only few T&D EPC players with backward integration (*rolling mills, tower/pole production, fasteners, etc*).

iii) Skipper's offerings span EPC, polymer, equipment manufacturing (*towers, poles, structures, etc*).

iv) The stock is trading at valuations similar to its listed EPC peer group. We argue Skipper, given its larger share of manufacturing and superior margins, shall trade at a premium to EPC players.

We believe Skipper is well positioned to outpace power T&D industry growth as we reckon a revenue/PAT CAGR of 26%/53% over FY24–27E. Key triggers: i) Macro tailwinds (INR9.2 power T&D capex over 2022–32). ii) Improvement in product mix with a shift towards the HV segment. iii) Doubling of capacity over the next four–five years. iv) A well-capitalised balance sheet with FY24E D/E at 0.49x (exhibit 32) and OPM improvement from 9.7% to 10.5% by FY27E.

Exhibit 22: An emerging power T&D/telecom/railways tower manufacturer; EPC, polymer to be high-growth areas



Source: Company, Nuvama Research

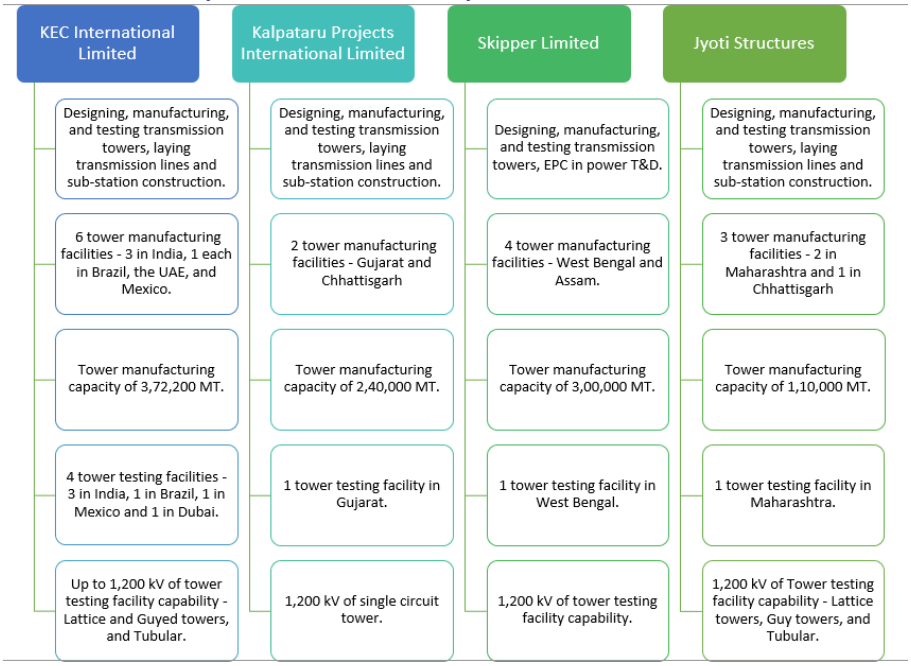
Capacity addition

Currently operating at ~70% CUF, Skipper plans to double tower manufacturing capacity to 600,000MTA (from 300,000MTPA) at an outlay of ~INR8bn over the next four–five years. It is undertaking capex of INR2bn to expand capacity to 375,000MTPA by end-FY25E, making it the largest tower manufacturing company by capacity in India.

Furthermore, the company is backward-integrated into hot-rolling mills for its manufacturing process, which allows it to retain the re-roller conversion margins. Skipper has also got its own Angle rolling mill, which enables it to customise the length of the angles for each project, thereby endowing it with better control over supply chain—a leg-up over peers.

In fact, Skipper is the only Indian company with backward integration into production of rolling mills, towers, poles and fasteners along with EPC capabilities.

Exhibit 23: T&D capabilities across listed space



Source: Nuvama Research

Renewed focus on higher-margin export business

Exports account for ~20% of Skipper's revenue and 15%-plus of OB. Export contracts have a price variation clause, which partially mitigate risks of fixed price/minimal pass-through contracts that Skipper has with PGCIL.

The company recently set up an R&D centre and Tower Testing Station, which greatly improve its brand positioning in the exports market. Skipper is gaining strong enquiries and traction in the high-potential developed markets of North America and Europe, hitherto dominated by Chinese/Turkish players. The evidence? *A significant jump in its international order pipeline—up 64% in FY24 to INR108.3 bn*.

NWC days in check

Skipper managed to reduce its net working capital (NWC) days from 136 in FY23 to 85 in FY24. Receivable days improved notably from 97 in FY22 to 63 in FY24.

PGCIL, its largest customer, makes payments in ~60 days. Its polymer business is B2C, which helps in lowering net working capital days. Furthermore, the company raised INR2bn as a rights issue to fund working capital needs. The company called only INR0.5bn in FY24 and expects to call the balance funds in FY25.

Outlook and valuation: Improving dynamics; initiate at 'BUY'

We are initiating coverage on Skipper with a **'BUY/Sector Outperformer'**, valuing the stock at 25x FY27E EPS of INR26, which yields a TP of INR650 in our base case. The stock is trading at valuations similar to its listed EPC peers. We argue Skipper, given its larger share of manufacturing, superior margins profile and high growth, shall trade at a premium to EPC players. Our bull case TP of INR740 factors in ~11% margins by FY27E with a 30% OI CAGR over FY24–27E and a target multiple similar to the base case. Our bear case TP of INR425 factors in 10% margin by FY27E with 15% OI CAGR over FY24-FY27E and a target multiple of 20x.

Key Risks: Execution and order award delays, sharp price movement of raw material (50% unhedged T&D OB) and WC management.

Exhibit 24: Scenario analysis: ~50% EPS CAGR over FY24–27E

FY24-27E	Bear case	Base case	Bull case
Order inflows CAGR	15.0%	21.6%	30.0%
Avg. OPMs	9.7%	10.0%	10.2%
FY27E OPM	10.0%	10.5%	11.0%
EPS CAGR	**39.7%**	**49.7%**	**56.2%**
FY27 EPS	21.2	26.0	29.6
FY27 target multiple (x)	**20**	**25**	**25**
Price Target (INR)	**425**	**650**	**740**
Upside/Downside	-5.7%	44.5%	64.4%

Source: Company, Nuvama Research

Exhibit 25: Peer valuation — A snapshot

Equities	T&D Segment	FY27E PE	EPS CAGR (FY24-27E)	Median ROE (FY25-27E)
Skipper	**Towers, EPC**	17.3	**48.9%**	**14.9%**
KEC International	EPC, C&Ws, Towers	17.3	56.8%	22.2%
Kalpataru Projects	EPC	17.1	32.8%	16.6%
Larsen & Toubro	EPC	19.1	25.2%	21.4%
Techno-electric	EPC	27.1	32.2%	13%

Source: Nuvama Research.

Note: The numbers above are Nuvama estimates

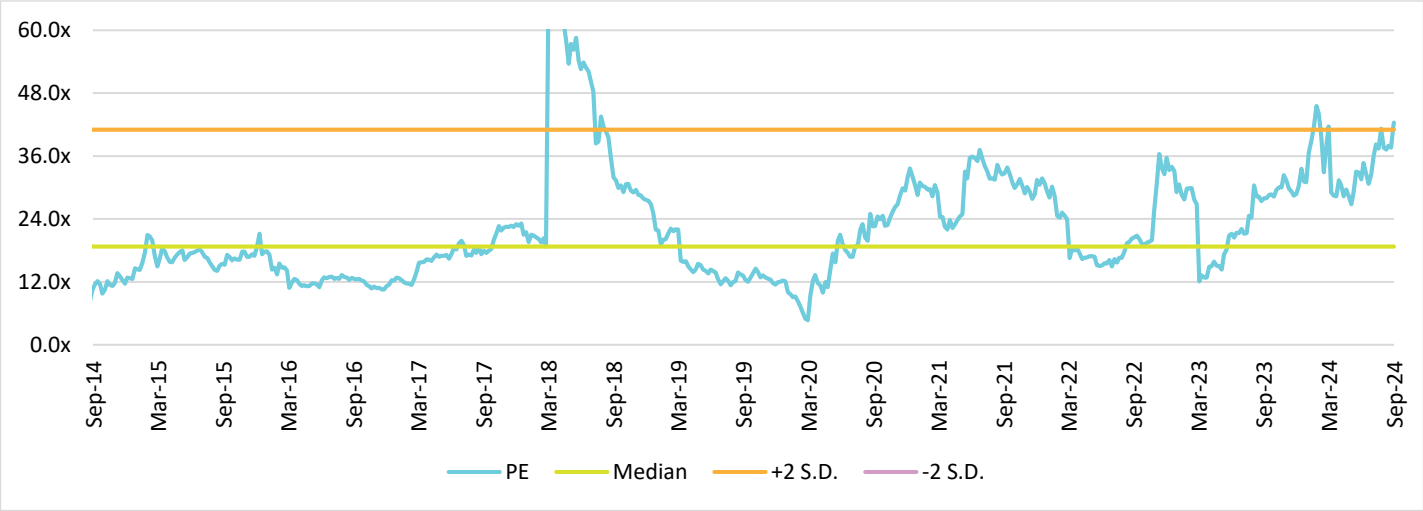
Valuation

Well positioned with structurally strong demand drivers

- Initiating coverage on Skipper at 'BUY' with a TP of INR650
- Ministry of Power outlines INR9.2tn in power T&D capex with emphasis on low-competition HV space
- Skipper is among the handful (five–six) T&D tower manufacturers in the country and the only backward-integrated player with in-house rolling, manufacturing, tower load testing station and EPC in transmission lines. It is also an emerging polymer segment player.

We are initiating coverage on Skipper at **'BUY/SO'**, valuing the stock at 25x FY27E EPS of INR26, yielding a TP of INR650 in our base case. Our bull-case TP of INR740 factors in ~11% OPM by FY27E with an order inflow CAGR of ~30% over FY24–27E and a target multiple similar to the base case.

Exhibit 26: One-year forward PE



Source: Bloomberg, Nuvama Research

The stock is trading at valuations similar to its listed EPC peers. We argue Skipper, given its larger share of manufacturing, superior margin profile and high growth, shall trade at a premium to EPC players.

Exhibit 27: Peer valuation

Equities	T&D Segment	FY27E PE	EPS CAGR (FY24-27E)	Median ROE (FY25-27E)
Skipper	Towers, EPC	17.3	48.9%	14.9
KEC International	EPC, C&Ws, Towers	17.3	56.8%	22.2
Kalpataru Projects	EPC	17.1	32.8%	16.6
Larsen & Toubro	EPC	19.1	25.2%	21.4
Techno-electric	EPC	27.1	32.2%	13.0

Source: Nuvama Research. Note: Above are Nuvama est.

Financial Outlook

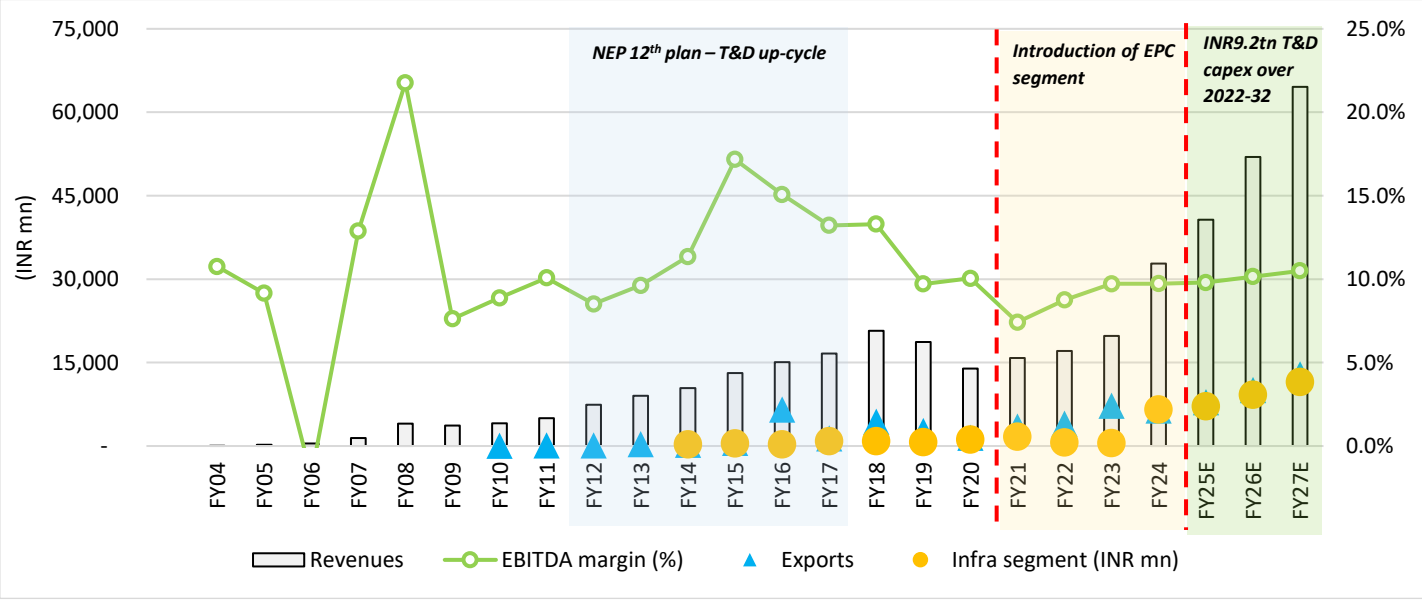
- High double-digit growth in fresh orders (~22% CAGR over FY24–27E) fuelled by increasing power demand and energy transition push would require new transmission lines/sub-stations.
- We remain cautious on OPM (10–10.5%) as we believe engineering products/EPC mix shall stay put, i.e. at ~70%/20% over the next two–three years. That said, rising power T&D capex across India, the Middle East, the US, Europe, Australia, etc shall drive top-line-led earnings growth given the upsurge in momentum in the bidding pipeline.

Exhibit 28: Scenario analysis: ~50% EPS CAGR over FY24–27E

FY24-27E	Bear case	Base case	Bull case
Order inflows CAGR	15.0%	21.6%	30.0%
Avg. OPMs	9.7%	10.0%	10.2%
FY27E OPM	10.0%	10.5%	11.0%
EPS CAGR	39.7%	49.7%	56.2%
FY27 EPS	21.2	26.0	29.6
FY27 target multiple (x)	20	25	25
Price Target (INR)	**425**	**650**	**740**
Upside/Downside	-5.7%	44.5%	64.4%

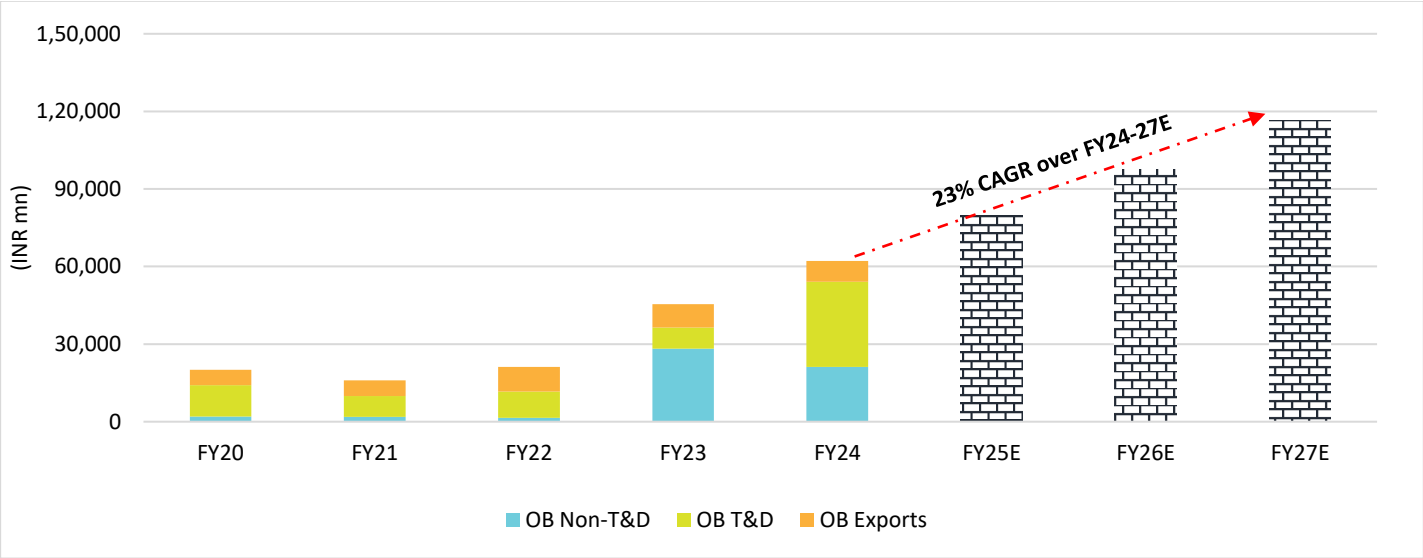
Source: Company, Nuvama Research

Exhibit 29: Emerging power T&D/telecom/railways tower manufacturer; EPC and polymer to be high-growth areas



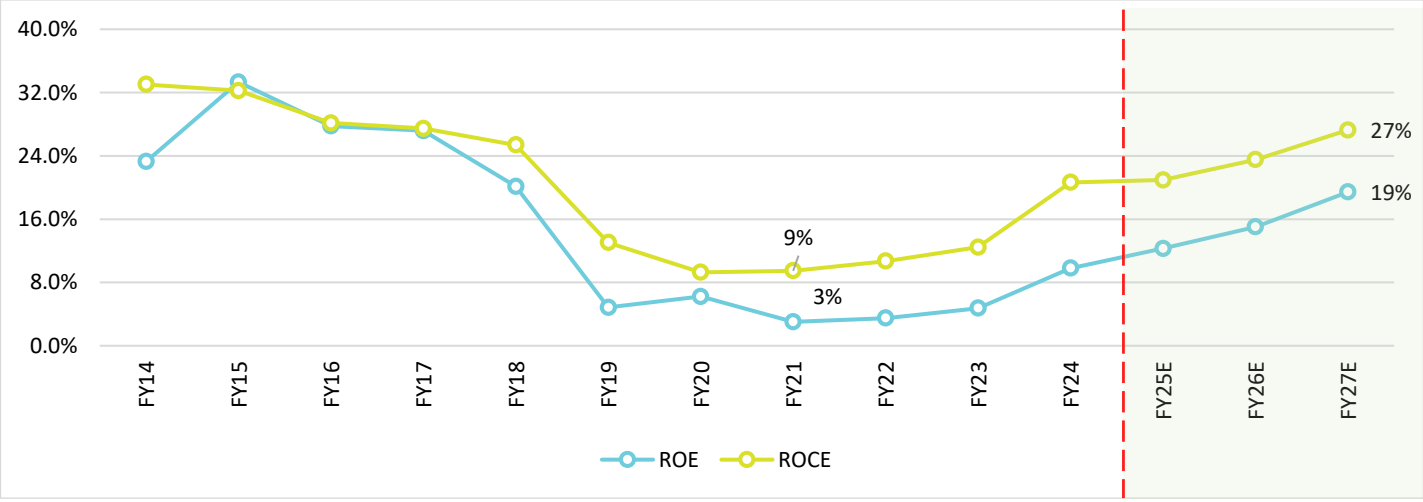
Source: Company, Nuvama Research

Exhibit 30: Order book to expand at ~23% CAGR over FY24–27E on the back of strong macro tailwinds



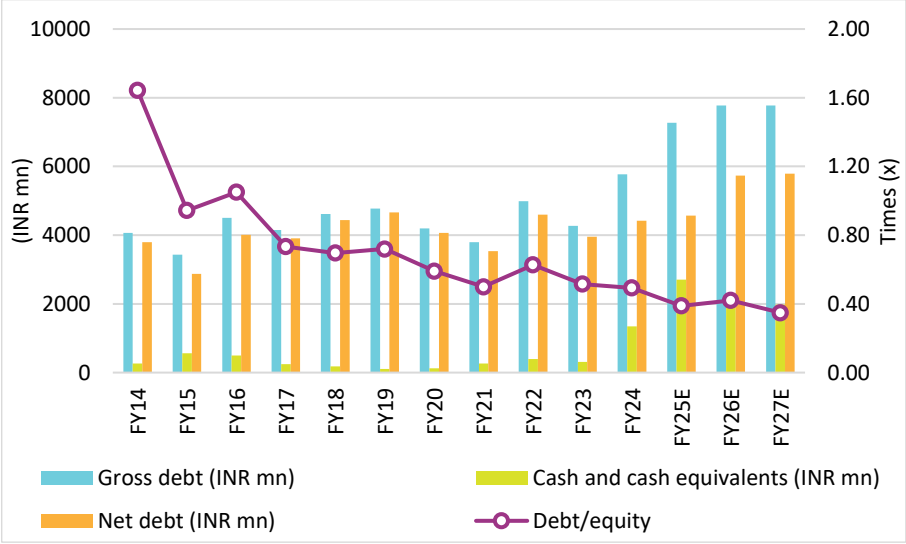
Source: Company, Nuvama Research

Exhibit 31: RoE/RoCE to improve on the back of improved earnings



Source: Company, Nuvama Research

Exhibit 32: Well-capitalised balance sheet



Source: Company, Nuvama Research

Key Risks

Slowdown in power T&D order awards/execution

Skipper's fortunes are interlinked with the power sector; any delay in ordering and/or execution would hurt the company. Moreover, all international projects entail certain execution and currency risks.

Surge in raw material (steel) prices

Given 50% of its order book pertains to fixed-price contracts, Skipper exposes itself to raw material risks, which can significantly affect its operating margins and decelerate earnings in case steel costs surge.

Working capital management

Skipper's operations are working capital intensive and may face a significant risk due to an extended operating cycle. A longer business operating cycle can affect cash flows since it ties up money in inventory and receivables for an extended period.

Skipper is focused on mitigating this risk by reviewing its credit position and collection processes as well as optimising inventory levels. Its polymers business, which is B2C, has also helped it bring down NWC days to 85 in FY24 from 136 in FY23.

Highly dependent on government initiatives

More than 60% of Skipper's business comes from the engineering products segment, which makes it highly dependent on the power transmission infrastructure sector.

The risk arises from cyclical industry demand and government policies. Moreover, any deferment in big-ticket projects can cripple Skipper's TAM and revenue growth. This could have a knock-on effect on the company's value chain partners.

High competitive intensity

Intense competition by domestic and international players with similar product offerings can affect the company's business. In EPC particularly, the Indian market is characterised by a high level of fragmentation with minimal entry barriers and companies of various sizes and scale operating throughout the country.

This can result in aggressive pricing strategies, not to mention capacity expansion plans by competitors eventually eating into Skipper's market share and profitability.

Subdued power demand growth

A deferred uptick in industrial capex due to contagion and a muted uptick in the economy can further delay private sector capex, particularly from power-intensive industries such as aluminium smelter and oil refineries, which involve huge capital investment. A slowdown in economic growth shall lead to slower power demand growth (~0.8x correlation with GDP growth historically).

Company Description

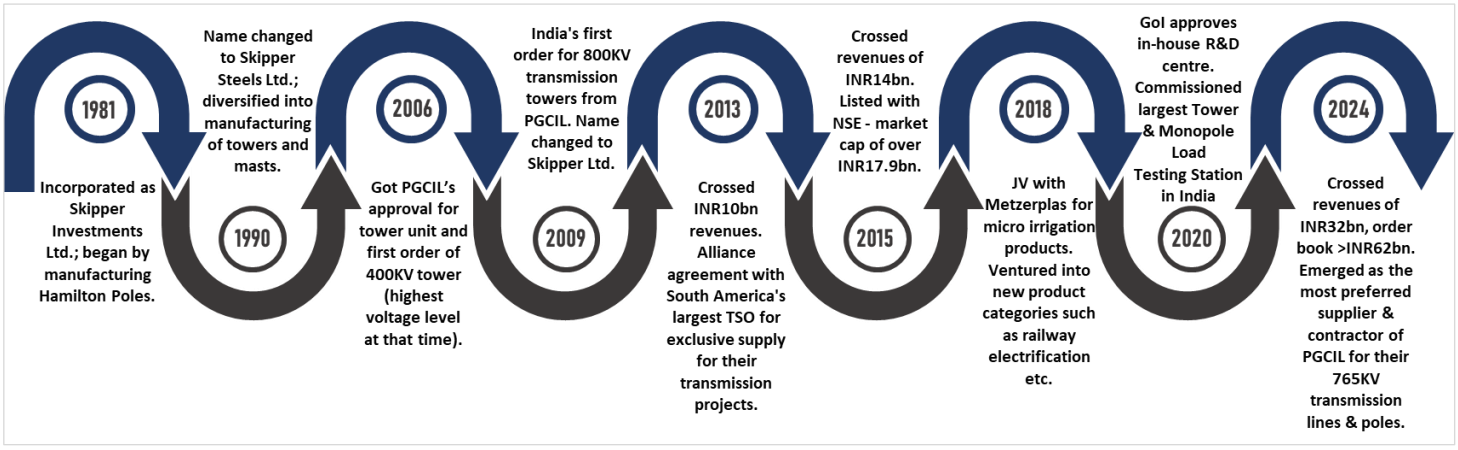
Founded in 1981, Skipper has transformed into one of the world's leading manufacturers of transmission and distribution structures (towers and poles) in its Engineering Products segment. The company also caters to the Polymer sector and executes Infrastructure EPC projects.

It is India's largest manufacturer of T&D structures and world's only integrated T&D company with in-house capabilities of structure rolling, manufacturing, tower load testing station and transmission line EPC. The company also focuses on design engineering, load testing, angle rolling, fabrication, galvanising and EPC line construction. In its Polymer Pipes and Fittings business, Skipper manufactures premium quality products under the brand name Skipper Pipes, which cater to both the agricultural and plumbing sectors.

Skipper exports to more than 60 countries from South America, Europe, Africa, the Middle East, South and Southeast Asia to Australia. Its annual manufacturing capacity is 362,000 MTPA (300,000 MTPA towers and 62,000 MTPA) with plants located in Kolkata and Assam.

Skipper is also engaged in the manufacturing of drip irrigation systems through its JV Skipper-Metzer India LLP (SMIL). To capture new opportunities, Skipper is expanding its infrastructure portfolio to railway electrification, telecom infrastructure and water EPC projects.

Exhibit 33: Skipper's journey over years…

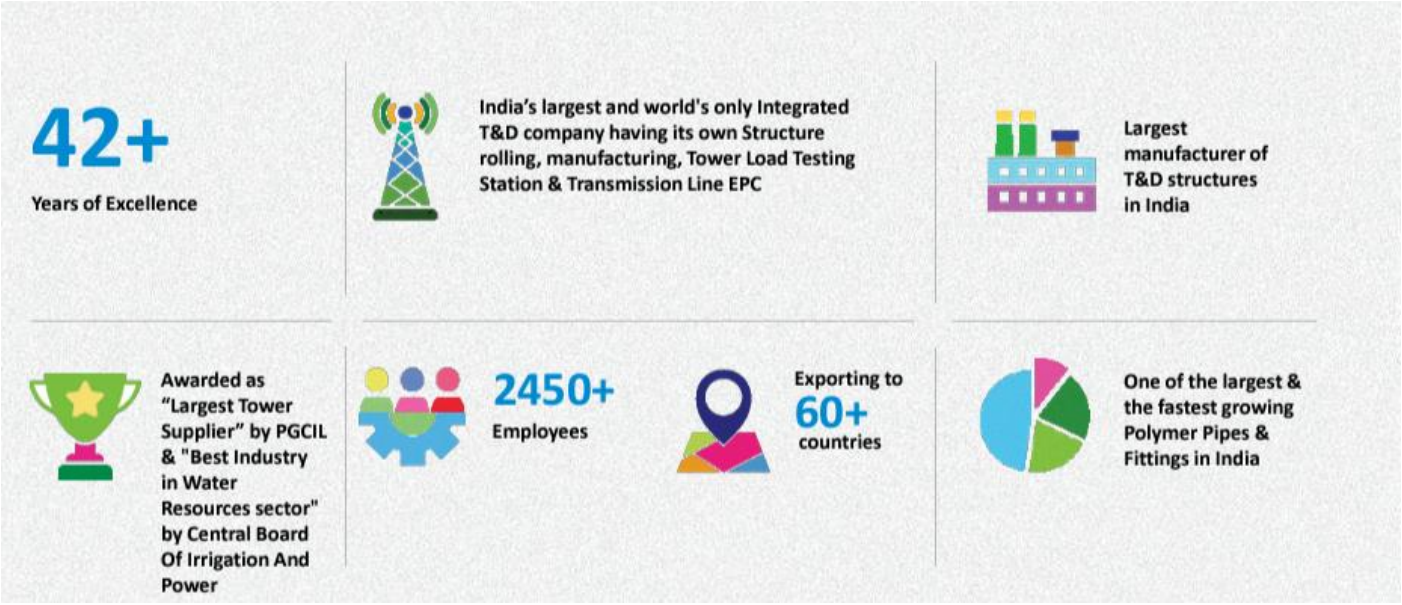


Source: Company, Nuvama Research

Skipper has three manufacturing facilities in West Bengal and one in Assam. Its three PGCIL-approved manufacturing plants along with seven in-house galvanising plants can handle materials of various dimensions, and have enabled it to become the first company in India to manufacture and supply 800kV transmission towers to PGCIL.

The company faces competition for products from other manufacturers in the domestic market. It competes with other manufacturers on the basis of product range, product quality and product price, including factors based on reputation, regional needs and customer convenience.

Exhibit 34: Four-plus decades of rich experience in power T&D (structure rolling, manufacturing, testing station and EPC)



Source: Company, Nuvama Research

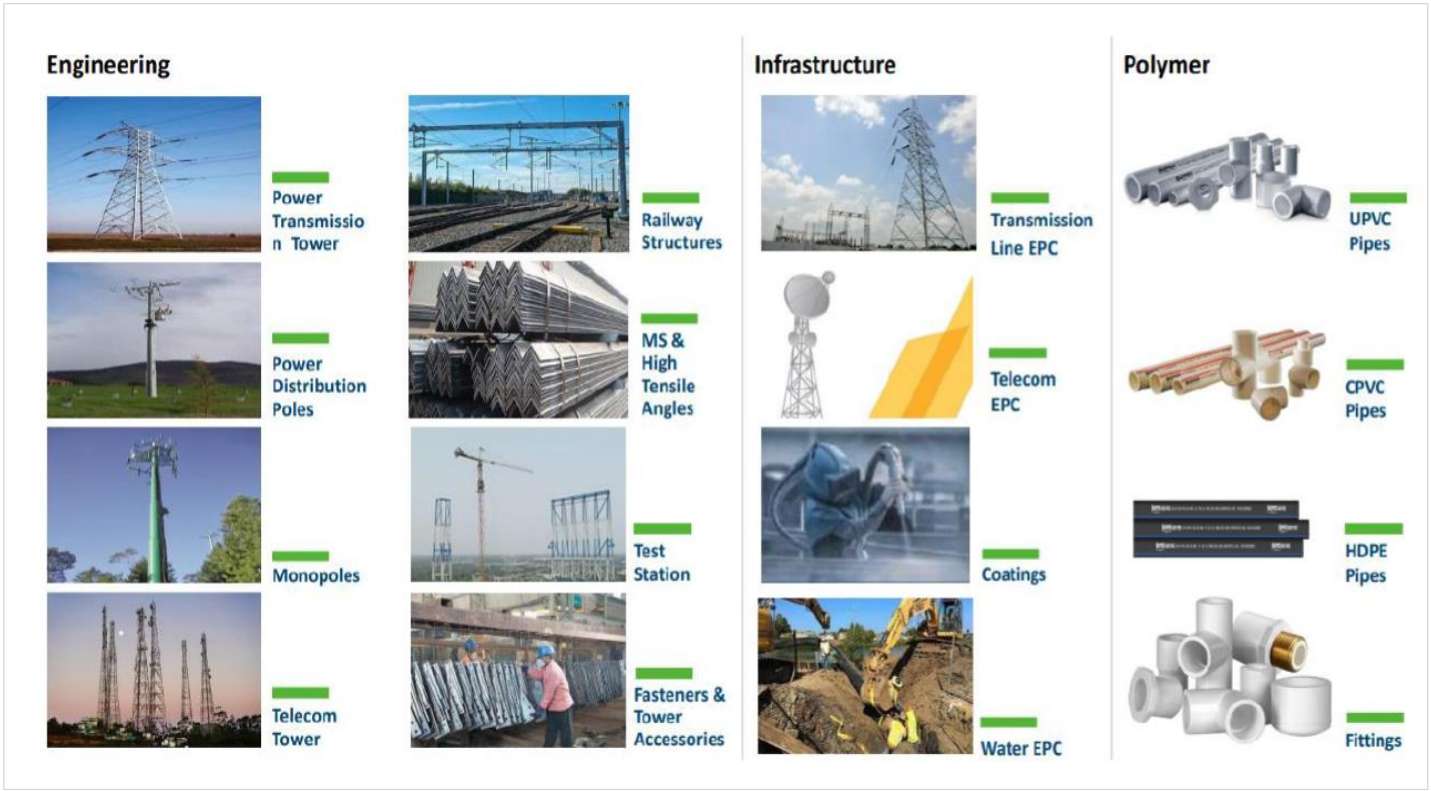
Skipper has multi-sectoral expertise and conducts its business in three segments:

i) **Engineering:** Production of T&D structures catering to the global demand for sectors/industries including telecom, solar, railways and fasteners.

ii) **Polymer:** The business centres on the manufacturing of pipes & fittings for industries such as plumbing, sewage, agriculture and borewell. Skipper Pipes has emerged as one of the fastest growing polymer pipes and fittings company in India.

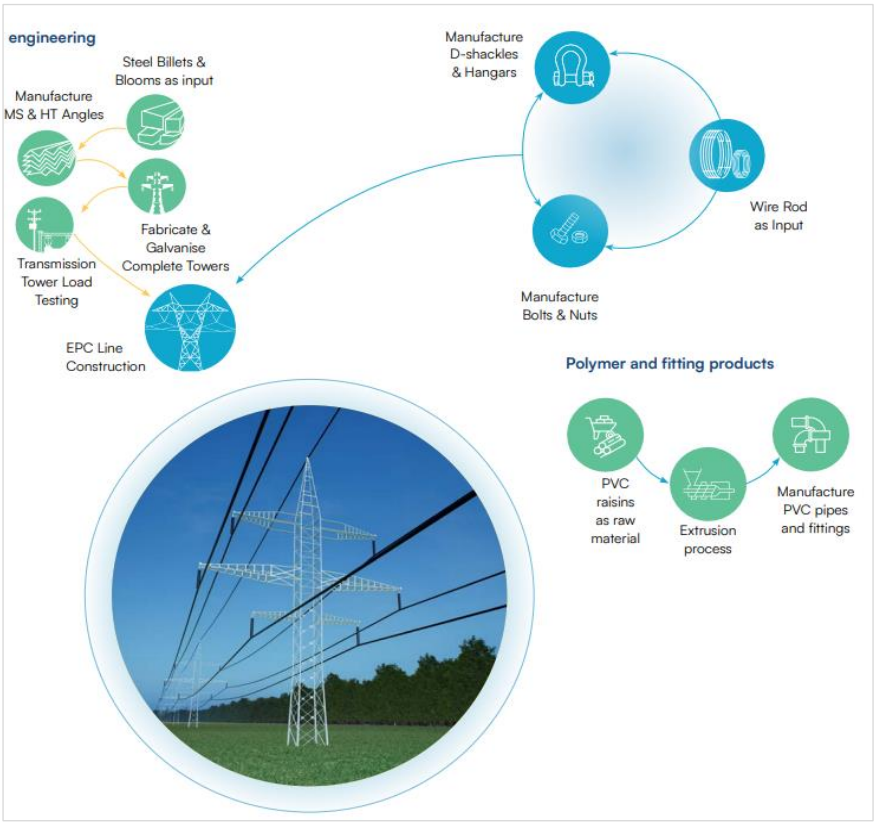
iii) **Infrastructure EPC:** Infrastructure EPC encompasses project management, inspection, restoration, construction and live-line stringing.

Exhibit 35: Products portfolio



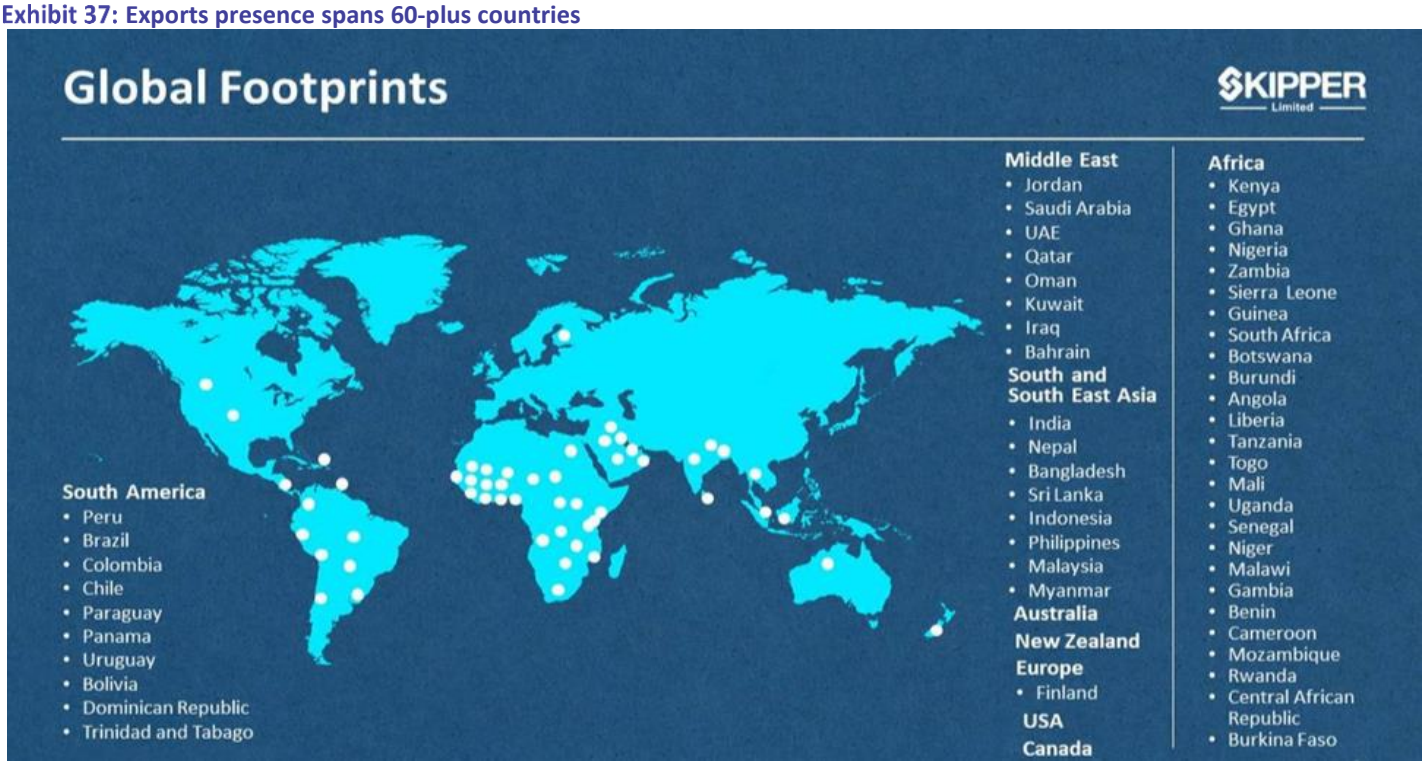
Source: Company, Nuvama Research

Exhibit 36: Value creation process



Source: Company, Nuvama Research

Exhibit 37: Exports presence spans 60-plus countries



Source: Company, Nuvama Research

Skipper has four PGCIL approved manufacturing facilities that include seven in-house galvanising plants. These plants are located across West Bengal and Assam. The total capacity of the four plants is 362,000 MTPA: engineering capacity of

300,000MTPA and polymer pipes and fittings capacity of 62,000 MTPA. To meet the growing demand and enhance its engineering capabilities, Skipper plans to increase engineering capacity by 75,000MTPA to 375,000MTPA via additional capex of INR2bn. Management aims to double production capacity from 300,000MTPA to 600,000 MTPA over the next four–five years for a total outlay of ~INR8bn.

Exhibit 38: Manufacturing facilities

Manufacturing Facilities				
	Uluberia - Kolkata, (WB)	SL Unit 1 - Kolkata (WB)	BCTL - Kolkata (WB)	Guwahati - Assam
Engineering products	✓	✓	✓	✗
Capacity (MTPA)	1,87,000	75,000	38,000	-
Polymer pipes and fittings	✓	✗	✗	✓
Capacity (MTPA)	55,000	-	-	7,000
Galvenizing plants	✓	✓	✓	✗
No. of plants	2	4	1	-

Source: Company, Nuvama Research

In 2020, Skipper received the approval and recognition from the Government of India for its in-house research & development (R&D) by the Department of Scientific and Industrial Research (DSIR). The DSIR facility, located in West Bengal, is equipped for extensive in-house load and prototype testing, and also plays a crucial role in refining and customising tower designs.

Key USP of Skipper's R&D centre

- Towers up to 1,200kV with 120m height (highest in country) can be tested seamlessly
- Automated central loading and supervision system to regulate actual loading
- Customised designs by in-house designers for optimum efficiency
- Dual-speed VFD-driven electrical winches for smooth loading
- Exceptionally heavy towers can be loaded optimally (1,000t per leg) along with large base width (up to 35m)
- Skipper's dedicated in-house R&D centre allows study and upgradation of various transmission tower testing methodologies. The centre helps the team offer customised and breakthrough solutions to our clients every time.

Business segments

Engineering products

Skipper caters to global market in segments including transmission & distribution, telecom, solar, railways and fasteners. The engineering product portfolio includes Power Transmission Towers, Tower Accessories, Fasteners, Telecom Towers, Angles, Channels, High Mast Poles, Swaged Poles, Solar Power Systems, and Railway Structures. Skipper is one of the top three transmission tower producing companies in India holding a significant market share in the high-voltage transmission tower segment (400KV and above).

The company has four PGCIL-approved manufacturing plants and seven in-house galvanising plants with engineering capacity of 300,000MTPA, operating at 80–90%. To meet its growing demand, it has announced capacity expansion plan to enhance the engineering capacity by 75,000MT, reaching a total capacity of 375,000MTPA. For funding the expansion, Skipper is targeting capex of ~INR2bn over the next few years.

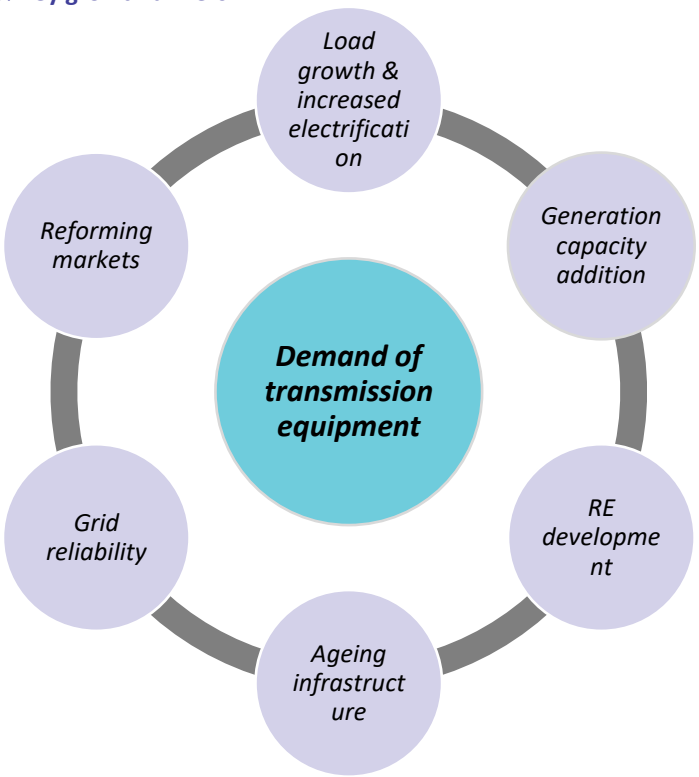
With 90% of its raw material needs (hot-rolled strip and structures) fulfilled by internal sources, Skipper demonstrates backward integration skills, which result in lower costs and higher margins. The engineering products segment has the highest contribution to the company's revenue mix with ~ 68% in FY24 and ~ 76% in Q1 FY25.

Skipper is the only Integrated T&D company with its own structure rolling, manufacturing, tower load testing station and transmission line EPC

Exhibit 39: Product offerings

Source: Company, Nuvama Research

Exhibit 40: Key growth drivers



Source: Company, Nuvama Research

Polymer Products

Skipper offers an extensive range of polymer pipes and fittings under its brand name "Skipper Pipes". The product portfolio includes PVC pipes, HDPE pipes, CPVC pipes, UPVC pipes, SWR pipes and fittings, agriculture pipes, water tanks, bath fittings and other related products.

Under its retail distribution network in India, the company engages with more than 31,000 retailers. It has evolved as one of the fastest-growing polymer piping brands in India with its polymer production capacity at 62,000MTPA.

This segment constituted ~ 14% in FY24 and ~ 9% of the order mix in Q1FY25. The company expects revenue growth for the polymer business exceeding a 25% CAGR over the next three years.

The polymer segment caters to plumbing, sewage, borewell and agriculture industries.

Exhibit 41: Product offerings

Source: Company, Nuvama Research

Skipper utilises cutting-edge extrusion machines and processes to manufacture PVC pipes, ensuring consistent quality and robust durability. Rigorous quality control ensures that Skipper acquires high-quality ingredients and additives. Pipes undergo extrusion and rigorous testing to meet industry standards for durability and longevity.

Infrastructure business

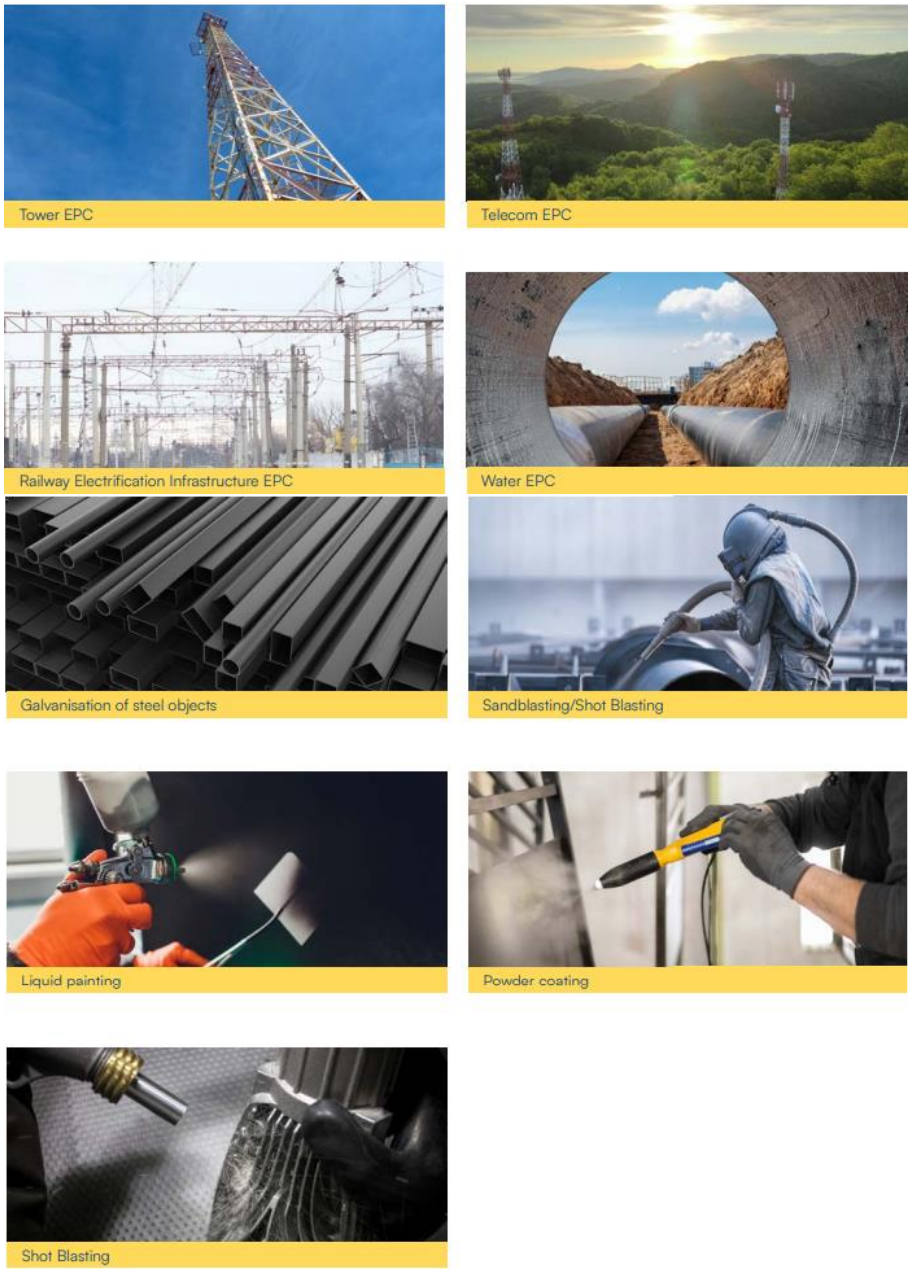
The infrastructure business focuses on Engineering, Procurement, and Construction (EPC) projects across various critical infrastructure sectors, including power transmission & distribution, railway electrification, telecom and water. This segment offers a comprehensive portfolio of services, including design, supply, erection of telecom towers, civil works, testing, and commissioning of high-voltage transmission

lines and substations. Skipper boasts the largest Tower and Monopole Load Testing Station in India, which is also one of the largest in the world.

Skipper has the capability to undertake EPC projects at the highest voltage levels of 765kV and 800kV. It has executed complex projects such as the 800kV HVDC Raigarh-Pugalur Transmission Line and the 765kV HEXA ZEBRA Conductor Transmission Line from Fatehgarh (II) to Bhadla (II).

The Infrastructure business contributed ~18% in FY24 and ~15% in Q1FY25 to Skipper's revenue mix.

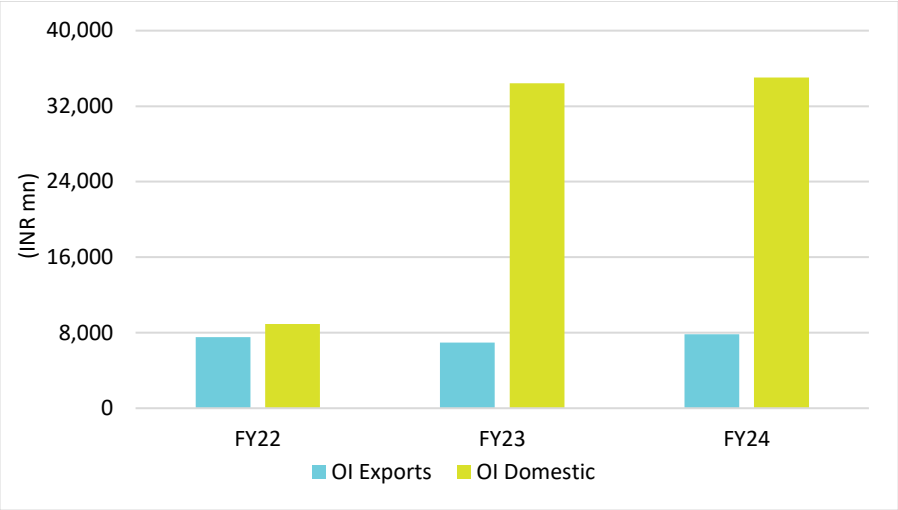
Exhibit 42: Product offerings



Source: Company, Nuvama Research

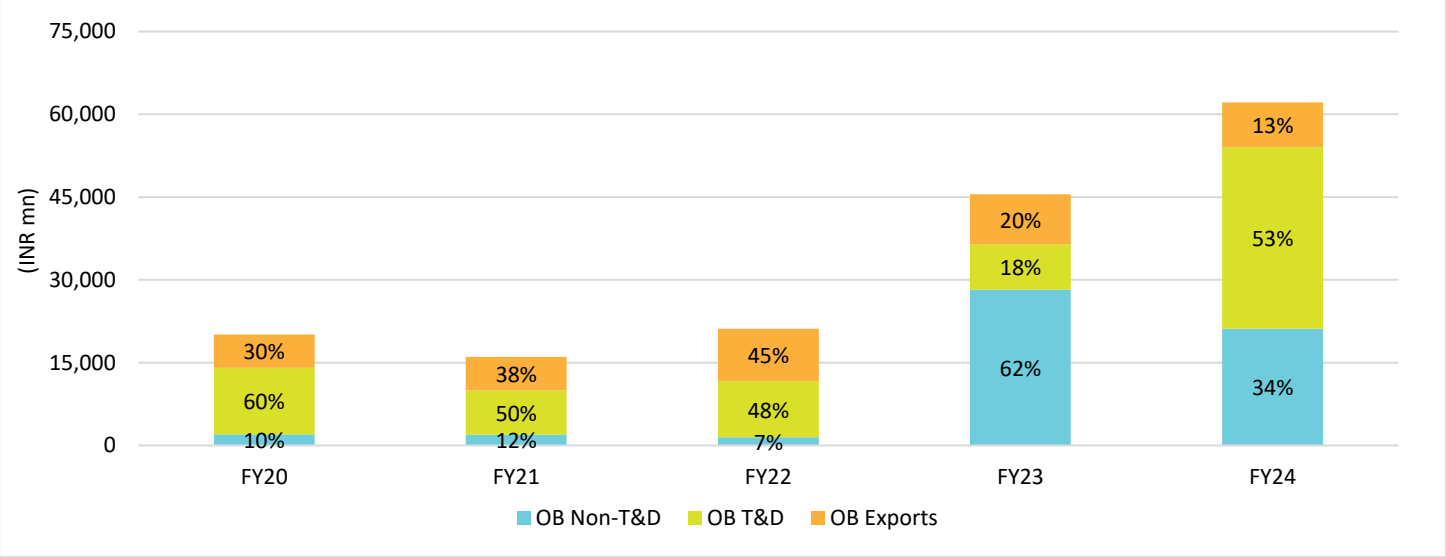
Skipper manufactures a range of power transmission structures, telecom towers, and railway electrification infrastructure

Exhibit 43: Order inflow mix



Source: Company, Nuvama Research

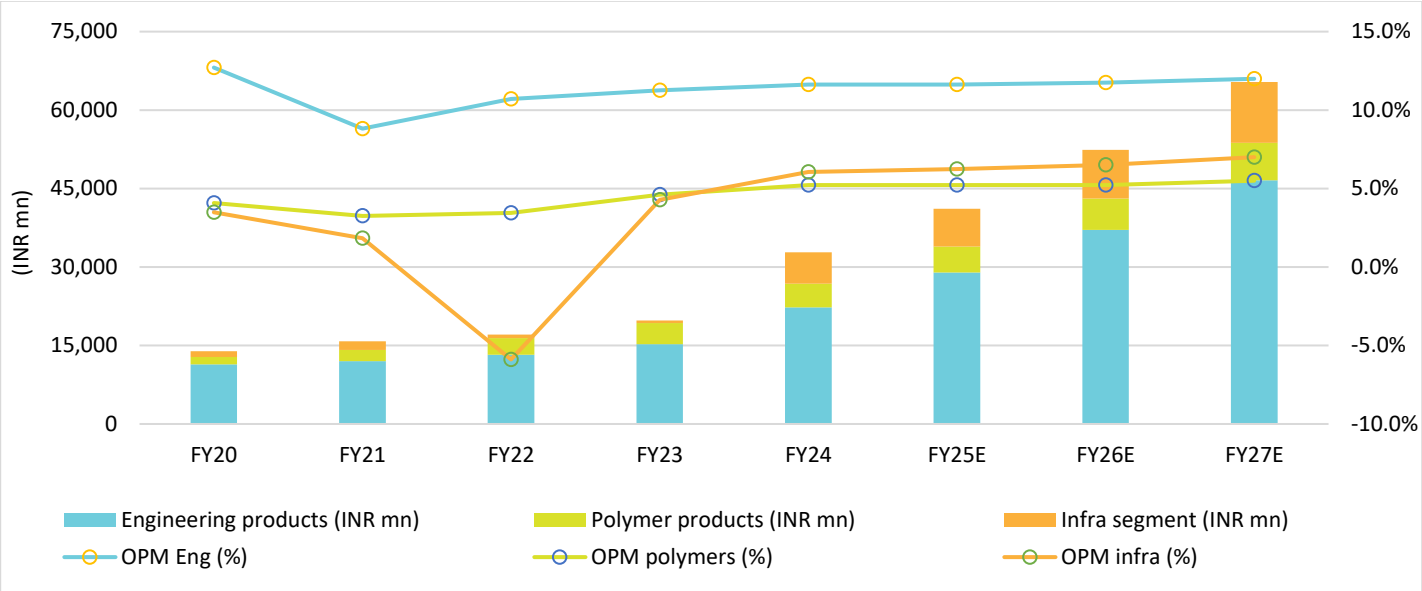
Exhibit 44: Order book mix – T&D sub segment to grow exponentially…



Source: Company, Nuvama Research

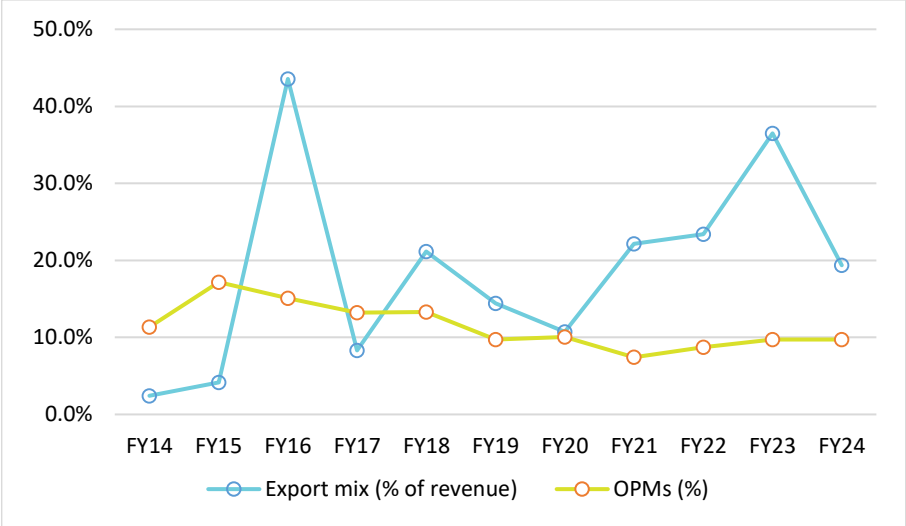
Note: Skipper received a large INR25.7bn order from BSNL in FY23 for supply and erection of telecom towers with an opex component of allied services to be provided for five years (part of OB non-T&D). Telecom tower orders can be lumpy and skew OB in a particular year, but the T&D segment is expected to be the primary growth driver going forward.

Exhibit 45: Revenue mix versus OPMs



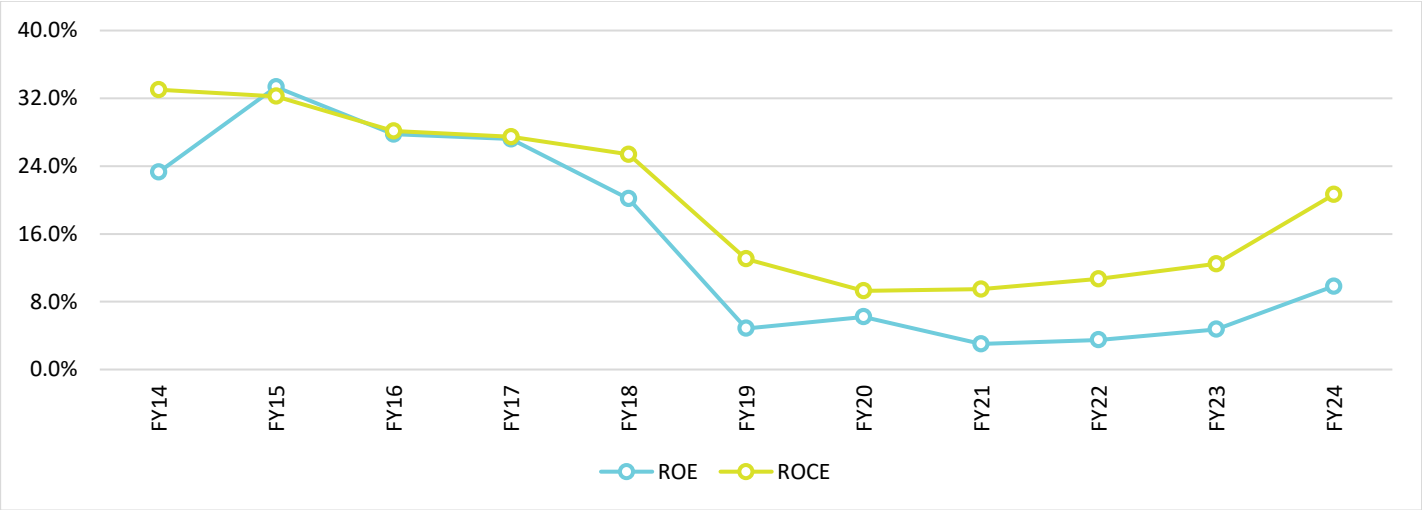
Source: Company, Nuvama Research

Exhibit 46: Export mix versus margin historically



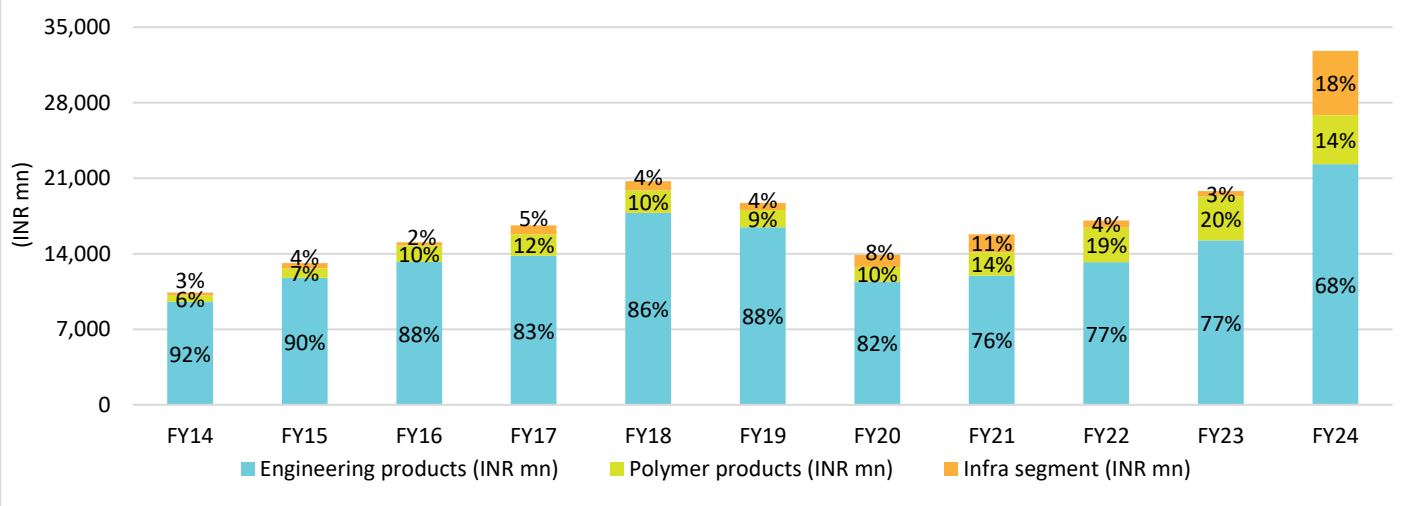
Source: Company, Nuvama Research

Exhibit 47: RoE/RoCE trend



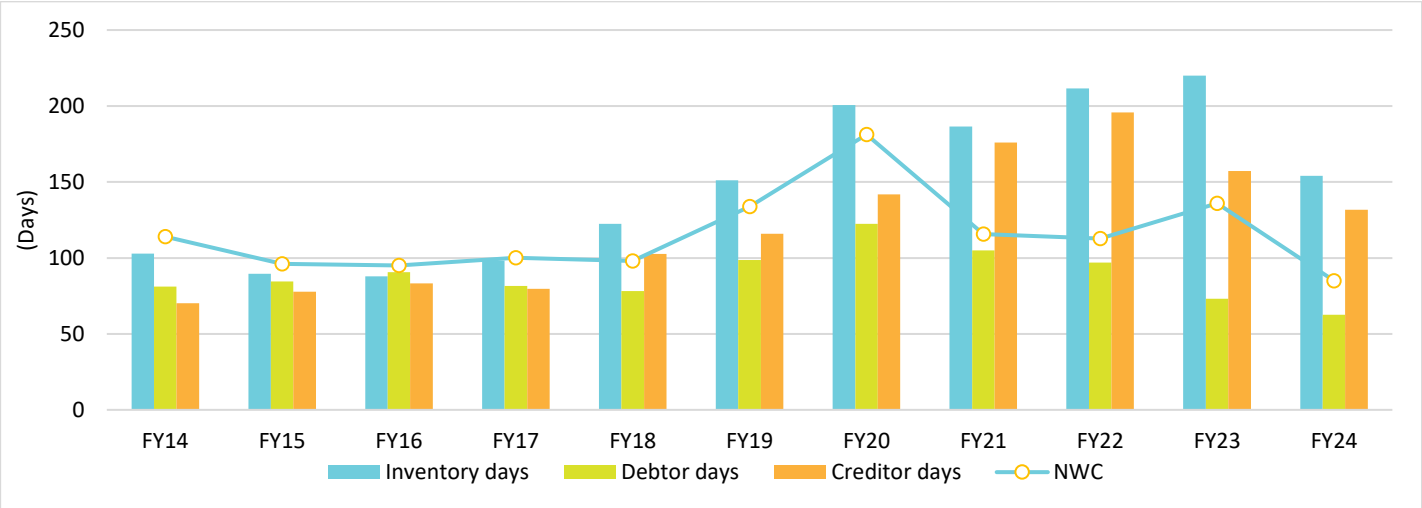
Source: Company, Nuvama Research

Exhibit 48: Revenue mix



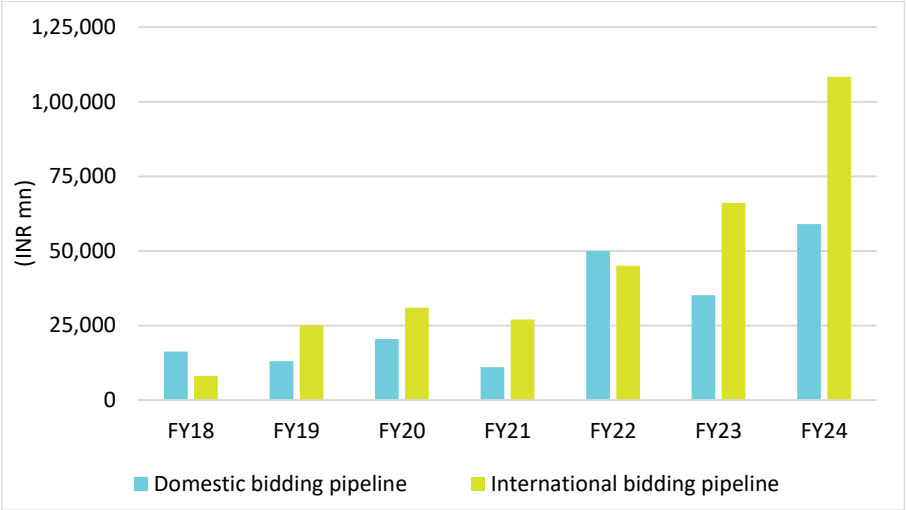
Source: Company, Nuvama Research

Exhibit 49: NWC days



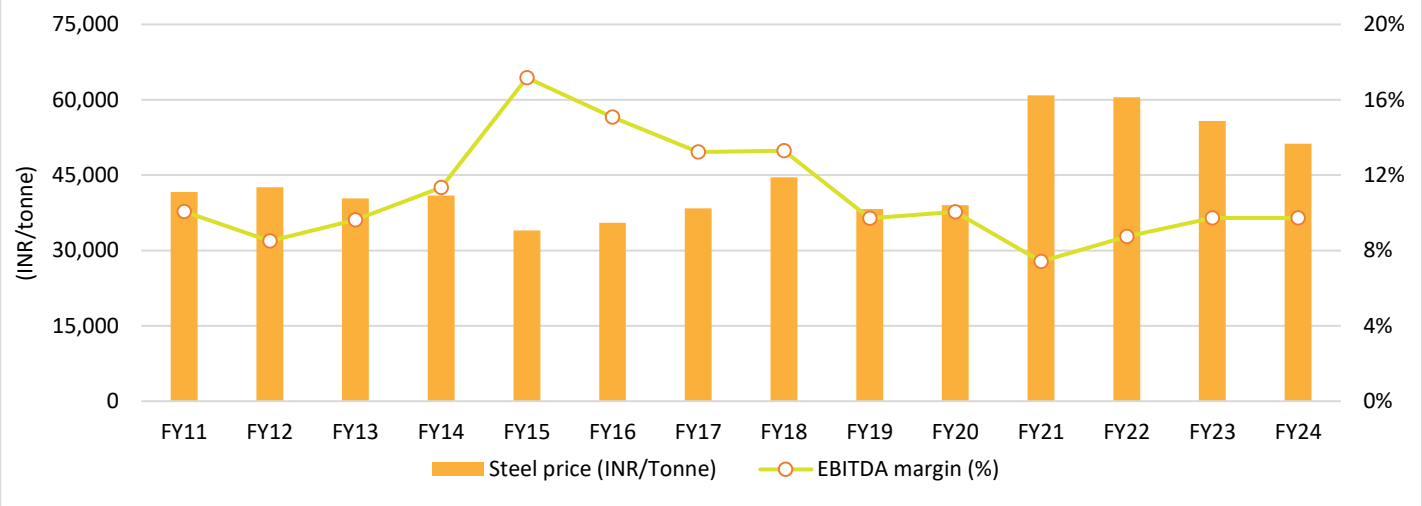
Source: Company, Nuvama Research

Exhibit 50: Bidding pipeline



Source: Company, Nuvama Research

Exhibit 51: Margin correlation to HRC steel prices (in Kolkata)



Source: Company, Nuvama Research

Management Overview

Mr Amit Kiran Deb - Chairman (Independent)

A retired Indian Administrative Service (IAS) officer, Mr Deb is serving as the Chairman of the Board of Directors at Skippers Limited. He is a Master of Art in Political Science from the Allahabad University.

Mr Deb has served the Governments of West Bengal and Tripura as well as the Union Government in various capacities. Throughout his extensive career, he occupied multiple significant roles and assignments, including Commissioner-cum-Secretary of the Education and Social Welfare Departments in the Government of Tripura, as well as Joint Secretary of the Cabinet Secretariat and the Department of Electronics in the Government of India.

He was the representative of the Government of India in the GATT negotiations in Services in Geneva. Prior to retiring, he held the positions of Home Secretary and later Chief Secretary to the Government of West Bengal.

Mr Sajan Kumar Bansal – Managing Director

Mr Bansal established Skipper in 1981, and is its Managing Director. Under his direction, the company expanded from making Hamilton Poles a single product to being an organisation with multiple units and products.

With the help of his portfolio diversification, which includes polymer products and value-added engineering, the company is now a market leader in India and among the top ten producers of power T&D structures worldwide. In 2014–15, Mr Bansal also oversaw the company's shares' successful listing on the BSE and the NSE. Mr Bansal was reappointed as MD with effect from 1st July 2024 for five years.

Mr Sharan Bansal – Executive Director

Mr Sharan Bansal graduated in Mechanical Engineering from Georgia Tech, Atlanta USA. He initiated the Power Transmission vertical at Skipper in 2003 and within a decade, has grown it to become one of the world's largest and India's largest T&D Structure manufacturer. Under his guidance and direction, Skipper Limited bagged "The largest Tower Supplier" award from PGCIL, consecutively for the last three years. His vision is to make Skipper the largest T&D structure producer in the world by 2025 and is focused on increasing Skippers global market reach. In the past he's served on the National Executive Council of IEEMA.

Mr Devesh Bansal – Executive Director

Mr Bansal is an alumnus of St Xavier's College (Kolkata) as well as De Montfort University, Leicester, UK, and is currently pursuing the three-year OPM programme at the Harvard University.

In a career of 18-plus years at Skipper, Mr Bansal has headed various verticals and initiatives of the fast-growing company. Currently, he heads the Telecom, Railways and Poles business verticals. He is also involved in the expansion of the PVC pipes business of Skipper.

Mr Bansal is the Regional Committee member of Engineering Export Promotion Council (EEPC). Apart from that, he is a member of the Calcutta Angels, which invests in promising start-up ventures, and a Trustee of the Calcutta Alipore Round Table 12.

Mr Siddharth Bansal – Executive Director

Mr Siddharth Bansal completed a bachelor's degree in Entrepreneurship from the University of Illinois at Urbana, Champaign, and a master's degree in International Business from Aston University, Birmingham.

Mr Bansal has been successfully heading the procurement, operations and marketing & sales of the polymer division at Skipper for more than a decade. Under his able guidance, the division is expanding its distribution and retail footprint at a rapid pace across the country.

Mr Bansal also takes a keen interest in initiatives related to training and development of the plumber and contractor fraternity. He has also spearheaded several R&D initiatives to create awareness for use of Plastics responsibly, role of plastic in Environment Conservation, Natural Resources Renewal and Protection of the Environment through recycling of Plastic. Mr Bansal is also an executive committee board member of the YPO Calcutta Chapter.

Industry Overview

Countries across the world are setting ambitious green energy targets. Meeting these targets entails significant investments to expand or modernise power grids. Increasing power demand and urbanisation, integration of RE sources, grid modernisation (old infra), etc are among the key growth drivers of the T&D industry.

The Asia-Pacific region dominates energy consumption and production driven by rapid industrialisation and urbanisation. In 2023, electricity demand in the region rose 4.8%. China and India—major players in this market—have made some significant investments in both fossil fuels and renewable energy to further bolster the market growth.

- **Urbanisation and industrialisation:** Rapid urban growth and industrial development, particularly in emerging economies, are driving the need for expansive and upgraded grid infrastructure.
- **Increasing electricity demand:** Global electricity demand is projected to grow on average at 3.4% annually up to 2026 driven by economic growth, electrification of various sectors and expanding data centre usage. Indian electricity demand is expected to grow 6%+ in FY25.
- **Clean energy transition:** The rapid growth of renewable energy sources, particularly solar PV and wind, requires significant grid expansion and modernisation to integrate these variable resources effectively.
- **Grid modernisation and digitalisation:** There is a growing focus on upgrading aging infrastructure, implementing smart grid technologies and digitalising grid operations to improve efficiency, reliability and flexibility.
- **Distributed energy resources integration:** Growth of rooftop solar, energy storage and other distributed resources is driving investments in distribution grids to manage bidirectional power flows.

In India, as of Mar-24, the total transmission line length of 220kV and above stands at 486,517 circuit kilometres (ckt. km), with substantial growth in alternating current (AC) and high-voltage direct current (HVDC) substation capacities.

The interregional transfer capacity has seen a significant increase, reaching 118,740MW. In alignment with this growth, the Central Electricity Authority (CEA) has outlined an ambitious capex plan worth INR4.8tn for the power transmission sector for the period 2023 to 2027. This strategic investment focuses on both inter-state and intra-state transmission networks to ensure a robust and efficient power grid.

Of the total projected capital expenditure of INR4.8tn, a substantial INR3.1tn (66% of total capex) is earmarked for enhancing the inter-state transmission system. The remaining INR1.7tn (34%) shall be allocated to strengthening the intrastate transmission system. This balanced approach will ensure comprehensive development across all levels of the power transmission infrastructure.

However, the government is now expecting investments to the tune of INR9.15tn in the central and state transmission systems by 2032, as part of the revised National Electricity Plan, Union Minister for Power Manohar Lal Khattar said.

Under the new plan, the government plans to expand the country's transmission network to 6.48 lakh circuit kilometre (ckm) in 2032 from 4.85 lakh circuit kilometre in 2024. During the same period, the transformation capacity is envisaged to

increase to 2,342GVA (gigavolt amperes) from 1,251GVA. Under the previous plan 2017–22, about 17,700ckm lines and 73GVA transformation capacity were added annually.

Nine HVDC lines of 33.25 GW capacity will be added, apart from 33.5GW presently operating. Additionally, the plan envisages an increase in Inter-Regional transfer capacity to 168GW (gigawatt) from 119GW. The plan covers the network of 220kV and above.

Previous NEP plan (2017–22)

Targeted additions for the 2017–22 period were transmission lines aggregating 1,10,281 ckm and transformer capacity aggregating 3,83,690 MVA in sub-stations (at 220 kV and above voltage levels). Against this target, 88,865 ckm (about 80.6% of target) of transmission lines and 3,49,685MVA (about 91% of target) of transformation capacity addition (at 220 kV and above) were achieved during the 2017–22 period. In addition, 14,000MW of HVDC bipole capacity (as planned) was also added during 2017–22.

The transmission network increased to 4,56,716 ckm of transmission lines and 10,70,950MVA of transformation capacity in substations by the end of 2021–22 (31.03.2022). Increase in the transmission system at higher voltage levels (400 kV and 765 kV level) has been greater. This aspect of growth in transmission system highlights the requirement of transmission network to carry bulk power over longer distances and at the same time optimise right of way, minimise losses and improve grid reliability.

Distribution

Investments in distribution will be led primarily by spending under **RDSS**, bolstered by smart metering investments, leading to cumulative investments in distribution to the tune of INR3–3.5tn over the next five years. In the Union Budget 2021–22, the government announced a RDSS worth INR3.04tn for state discoms, to be allocated over the next five years. INR1.65tn worth of DPRs have been sanctioned by nodal agencies (PFC and REC) as of June 2022.

While the amount has been sanctioned, disbursement under the scheme is contingent on the work undertaken (proposed under DPR). Fulfilment of the conditions, which primarily involve operational efficiency parameters, strengthening of distribution infrastructure and regulatory compliance will entail significant investments in the distribution segment.

Total INR2.5tn was allocated for loss reduction and smart metering under RDSS, led by Uttar Pradesh, Maharashtra, Tamil Nadu and West Bengal. Investments in the segment are likely to gradually pick up post-fiscal 2024 with the central and state governments expected to provide the required funding support led by a thrust on improving electricity access and providing 24x7 power to all.

Investments in the segment are likely to pick up gradually FY24 onwards with central/state government(s) expected to provide the required funding support.

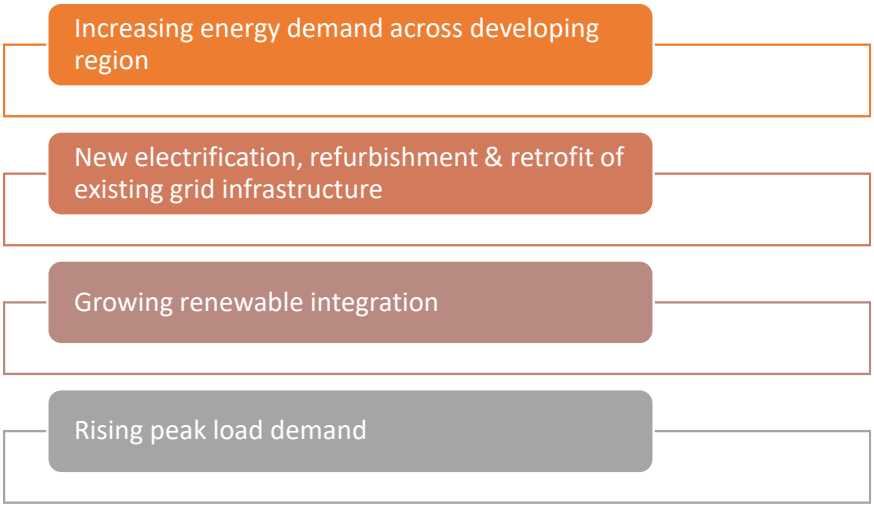
The **Integrated Power Development Scheme (IPDS)** was launched to strengthen the sub-transmission and distribution network in urban areas, metering of distribution transformers/feeders/consumers in urban areas and IT enablement of the distribution sector.

The **Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY),** which was launched in Dec-14, covers works related to strengthening of rural power infrastructure and aims at separation of agricultural and non-agricultural feeders, strengthening and augmentation of the T&D infrastructure in rural areas, including metering of

transformers/feeders/consumers and boosting rural electrification, along with decentralised distributed generation.

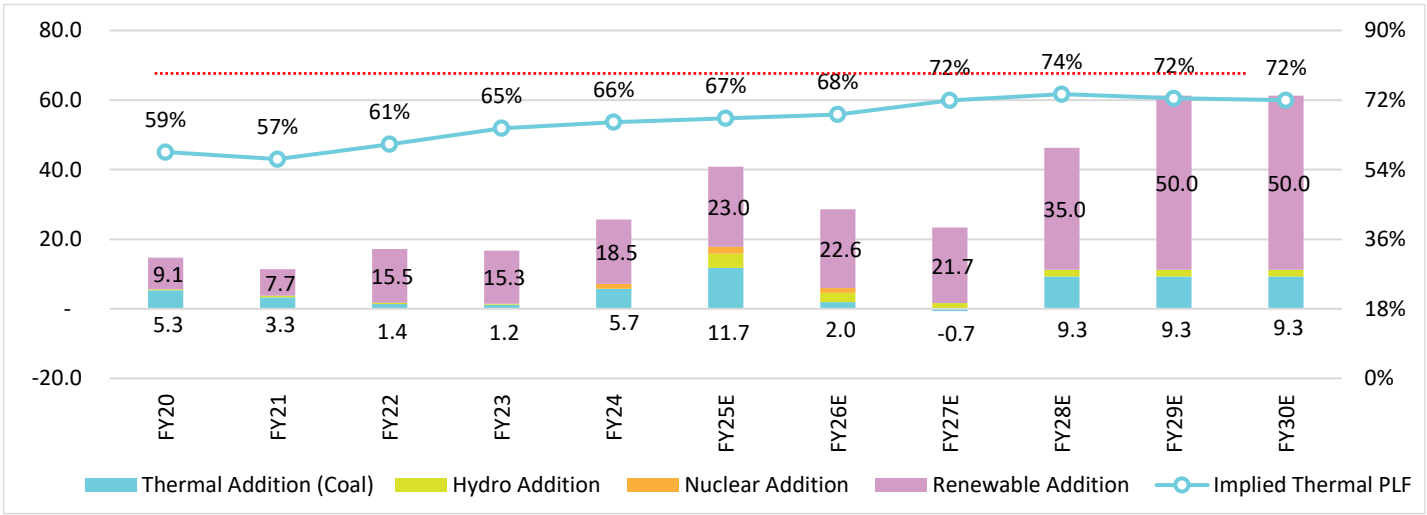
Moreover, several foreign institutions are expected to extend credit to the distribution sector. Asian Development Bank (ADB) approved a USD48mn loan to finance the expansion and upgrade of the power distribution system in Assam. In Dec-20, ADB approved a USD190mn loan to Bangalore Electricity Supply Company Limited for modernising the power distribution system in the city by converting 7,200km of overhead distribution lines to underground cables with parallel installation of 2,800km of fibre optic communication cables to protect distribution lines from natural hazards and interference, thereby reducing technical and commercial losses significantly.

Exhibit 52: Key growth drivers for distribution sector



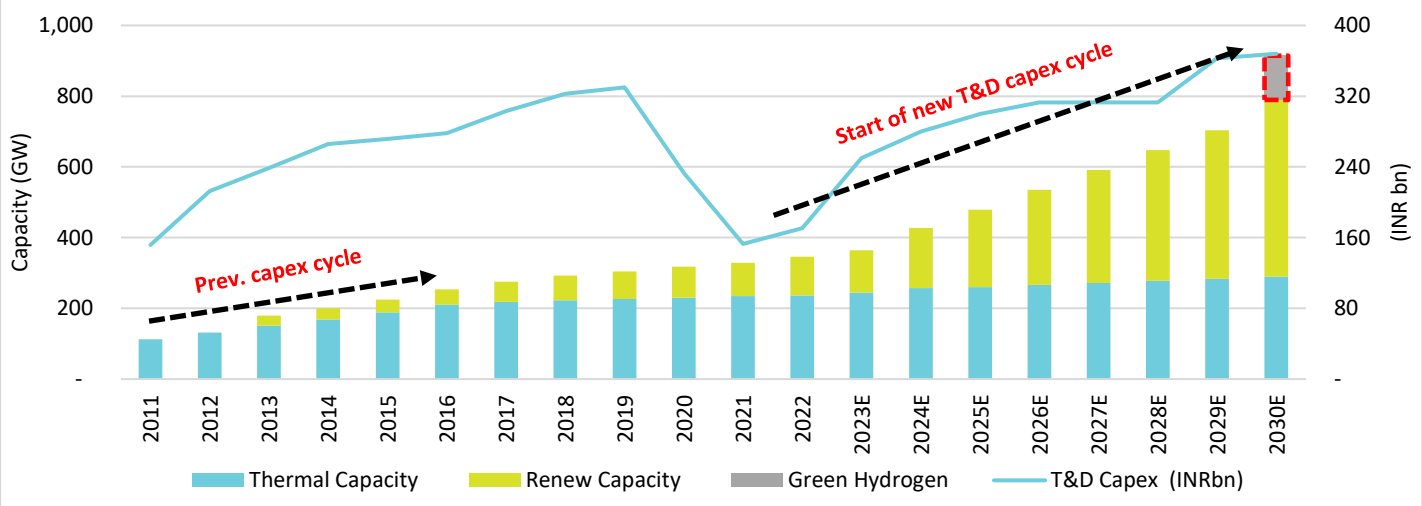
Source: Nuvama Research

Exhibit 53: Base deficit danger by FY28 assuming 6.5–7% demand growth, implied PLFs > 70% (glass ceiling given aging plant mix)



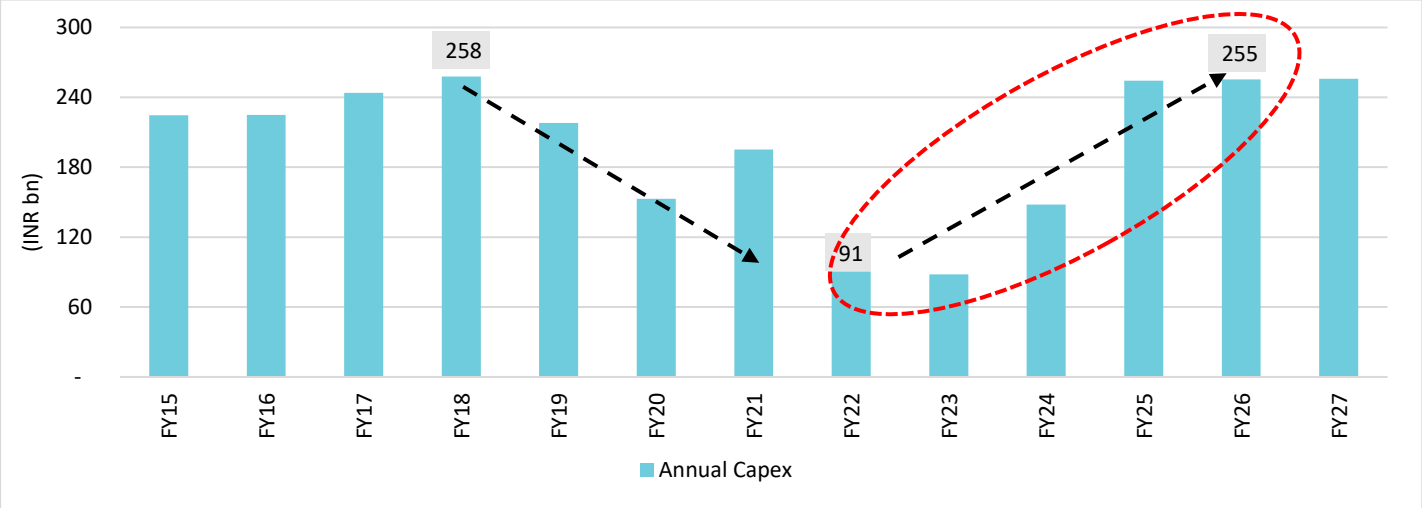
Source: CEA, PGCIL, Nuvama Research

Exhibit 54: Renewables capex to spur next cycle of T&D capex (inter-state)



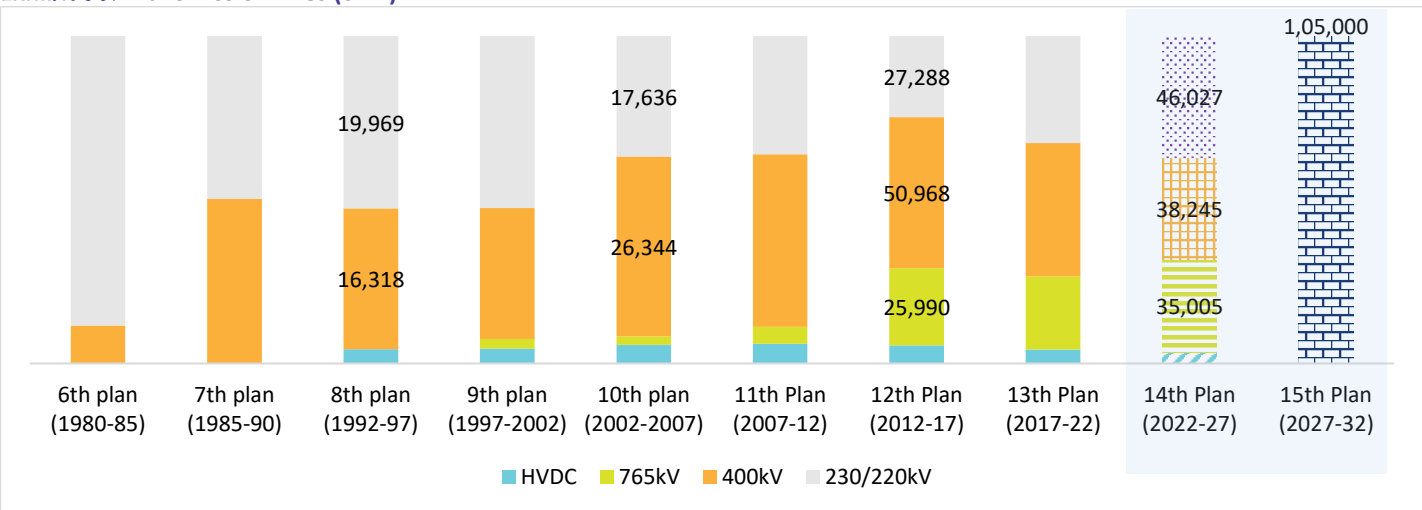
Source: CEA, PGCIL, Nuvama Research

Exhibit 55: PGCIL's capex to grow 2x, assuming 40% share of INR2.4tn capex



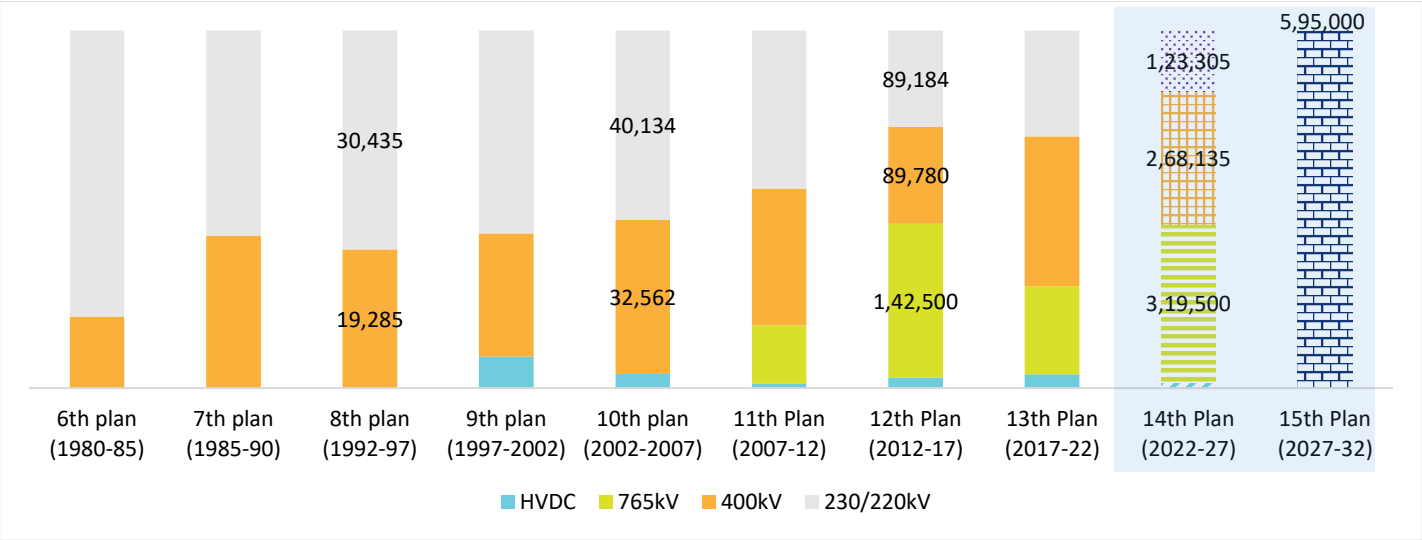
Source: PGCIL, Nuvama Research

Exhibit 56: Transmission lines (cKm)



Source: NEP, Nuvama Research

Exhibit 57: Transformation capacity (MVA)



Source: NEP, Nuvama Research

Exhibit 58: HVDC contracts awarded in the past

Year	Group	Scheme name	Value (INR bn)
FY11	ABB & JV	800 KV,6000MW HVDC MULTI TERMINAL SYSTEM PACKAGE ASSOCIATED WITH NR/ E-NW REGION INTERCONNECTOR-I	53
FY13	GE T&D (Alstom T&D)	800Kv, 3000 MW HVDC Terminal Package under WR/NR Interconnector for IPP Projects (CG)	25
FY15	GE T&D (Alstom T&D)	U/G of HVDC Terminals- Champa Pooling Station Kurukshetra to 6000MW under strengthening in WR-NR region.	33
FY17	ABB, BHEL JV	800 Kv,6000MW HVDC terminals- HVDC bipole link between WR (Raigarh, CG) and SR (Pugalur, TN)	58
FY17	Siemens	320Kv, 2X1000MW VSC HVDC terminals and DC XLPE Cable system- Pugalur and North Trichur-WR and SR	35

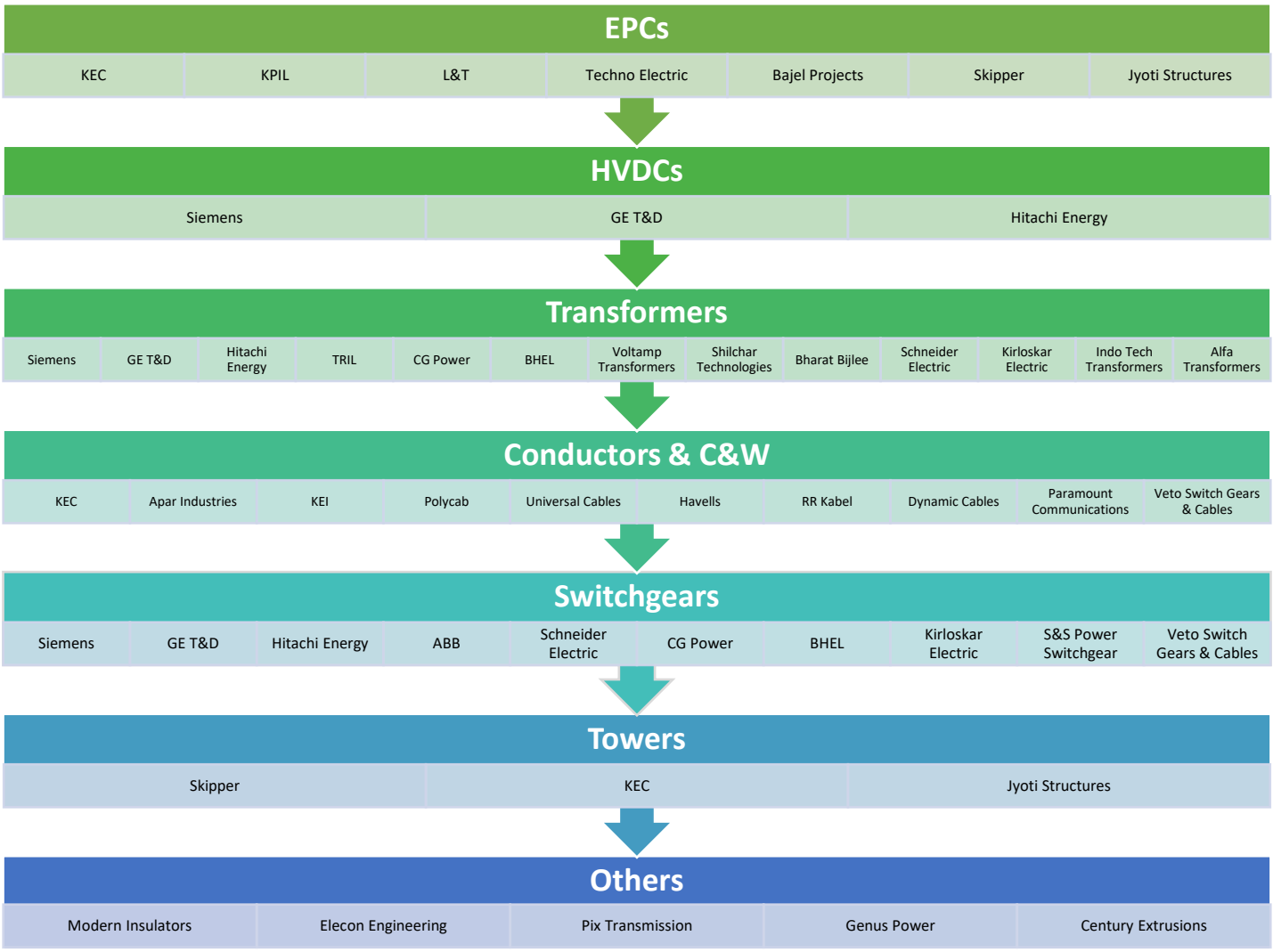
Source: PGCIL, Nuvama Research

Exhibit 59: Four–five HVDCs in the pipeline to be ordered out by FY26E/27E

HVDC Projects	Size (MW)	Cost (INR bn)	Likely award	Comments
±800 kV Bhadla-III - Fatehpur HVDC line	6,000	150	FY24-25E	- 6,000MW, + 800 kV HVDC system between Bhadla-III and Fatehpur - Currently under bidding (PGCIL/Adani key bidders) - PGCIL expects equipment ordering in 3–6 months
±350kV Pang - Kaithal HVDC line	5,000	450-500	FY26-27E	- + 350kV, 5,000MW VSC-based HVDC link from Pang to Kaithal - Allocated to PGCIL in Jan'22 through RTM route - PGCIL expects equipment ordering in FY26-27E
±800kV Barmer-II - Jabalpur HVDC line	6,000	150	FY26-27E	- ±800kV HVDC line between Barmer-II (HVDC) -Jabalpur PS(~1,100km) - Expected to see ordering in FY26/27E
±800kV Khavda - Aurangabad HVDC line	8,000	150	FY24-25E	- Khavda – Aurangabad 8,000MW, ±800kV HVDC line - Currently under bidding (PGCIL/Adani key bidders) - PGCIL expects equipment ordering in 3-6 months
±800kV Khavda - 2		150	FY26-27E	- Expected to see ordering in FY26/27E.
Total	**25,000**	**900-1,100**	**FY24-30E**	

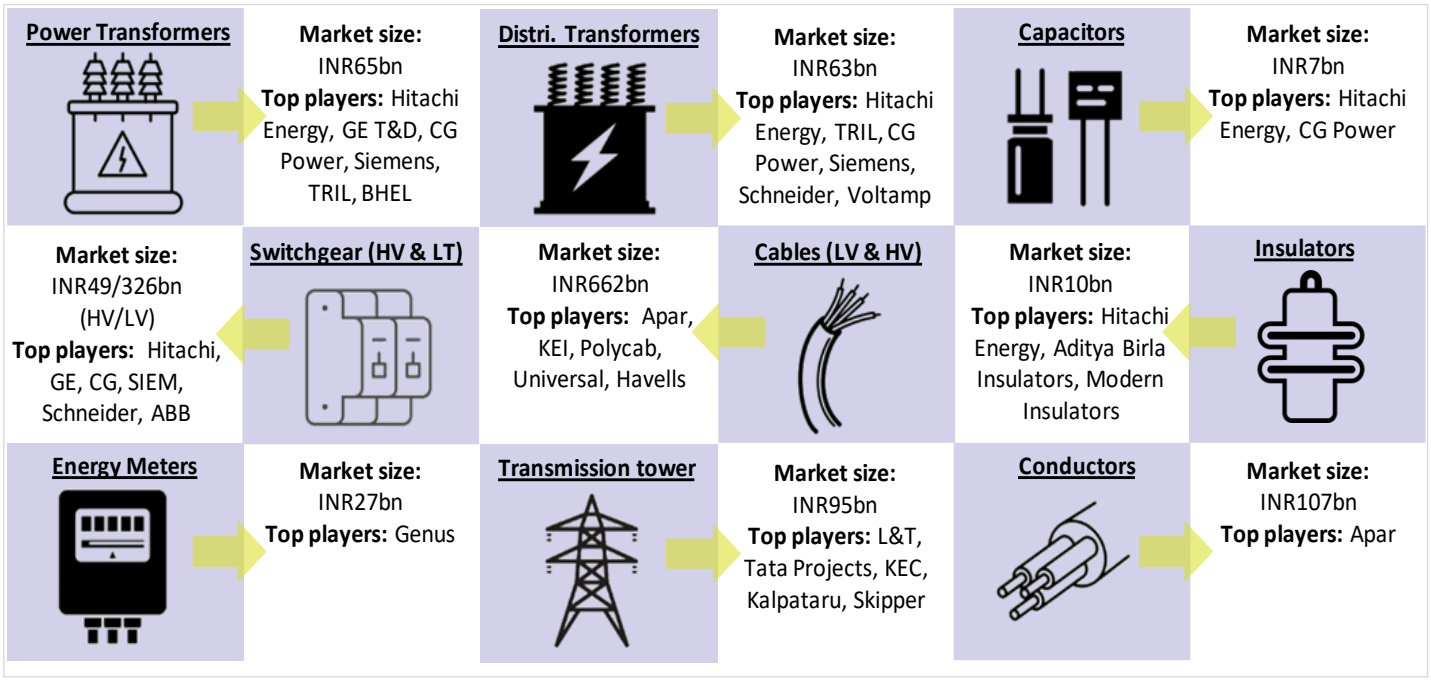
Source: NEP, CEA, Nuvama Research

Exhibit 60: Power T&D value chain



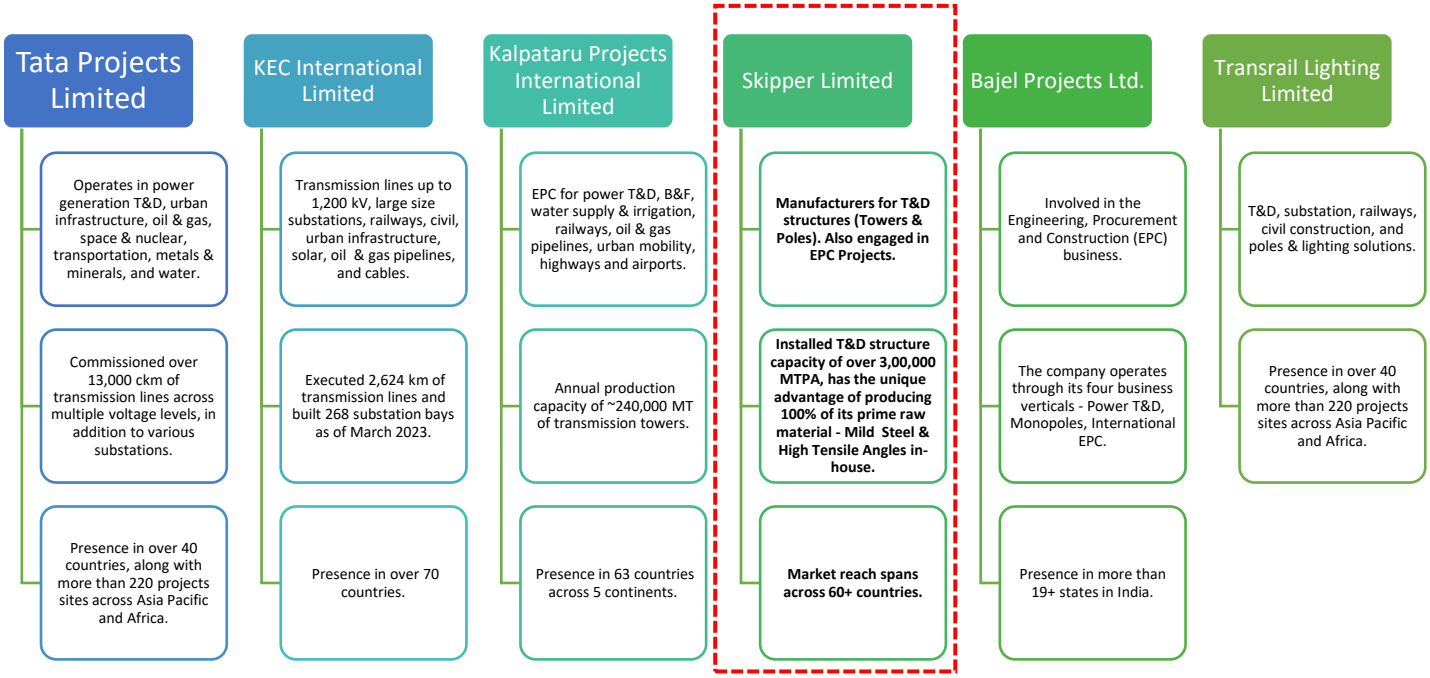
Source: Nuvama Research

Exhibit 61: India electrical equipment value chain (FY23)



Source: IEEMA, Nuvama Research

Exhibit 62: Peers – An overview



Source: Company, Nuvama Research

Infrastructure

India's infrastructure forms an integral part of the country's economic ecosystem. A significant shift in the industry is leading to the development of world-class facilities pan-India in the areas of roads, waterways, railways, airports and ports, among others. The countrywide smart cities programmes have proven to be industry game-changers.

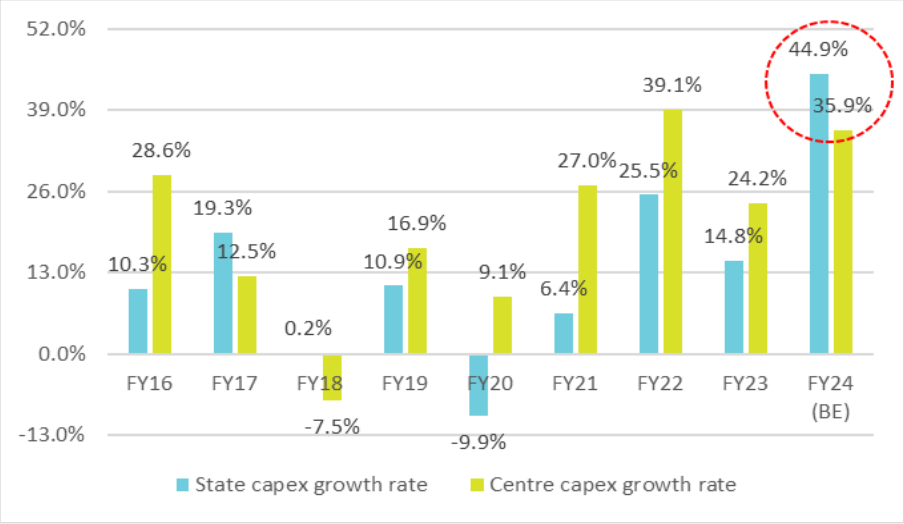
Given its critical role in the growth of the nation, the infrastructure sector has experienced a tremendous boom because of India's necessity and desire for rapid development. The expansion has been aided by urbanisation and increase in foreign investment in the sector.

The infrastructure sector has become the biggest focus area for the Government of India. The government has suggested an investment of INR50tn for railways infrastructure over 2018–30. India's GDP is expected to grow 8% over the next three fiscal years, one of the quickest rates among major, developing economies, according to S&P Global Ratings.

India and Japan have joined hands for infrastructure development in India's Northeast states and are setting up an India-Japan Coordination Forum for development of Northeast to undertake strategic infrastructure projects in the region.

India being a developing nation is set to take full advantage of the opportunity for the expansion of the infrastructure sector, and it is reasonable to conclude that India's infrastructure has a bright future ahead of it.

Exhibit 63: Centre versus state capex growth rate (YoY)



Source: CAG, CGA, Nuvama Research

Signal and telecommunication segment in Indian Railways

To enhance safety in train operations and make it efficient, Modern Signalling Systems comprising Panel Interlocking/Route Relay interlocking /Electronic Interlocking (PI/RRI/EI) with Multi Aspect Colour Light Signals (MACLS) are being installed by Indian Railways. Till June 30, 2023, 6,443 stations covering about 99% of interlocked Broad Gauge stations on Indian Railways have been provided with such systems, replacing the obsolete Multi Cabin Mechanical Signalling System, thereby optimising operational cost involved in its operation as well as enhancing safety by reducing human intervention. Also, as of June 30, 2023, 3,946 route kilometres have been provided with the automatic signalling system.

Also, for telecommunication, Indian Railways has set up a state-of-the-art, nationwide telecom network for meeting its communication needs. RailTel, a railways central public sector enterprise, is using surplus capacity of IR Telecom network commercially. As on Mar-22, Indian Railways had about 62,652 route kilometres of optical fibre cable (OFC) that is carrying Gigabits of traffic.

Railways Control Communication, which is used for train operation and control is also being transferred to OFC system. This OFC network is also contributing

significantly in building the National Knowledge Network through RailTel. RailTel also provides RailWire Broadband services.

Telecom

India is the world's second-largest telecommunications market. The total subscriber base, wireless subscriptions and wired broadband subscriptions have grown consistently. Tele-density stood at 85.85%, as of Jul-24, and total broadband subscriptions had exploded to 946.19mn until Jul-24.

The total number of internet subscribers touched 904.21mn in Jul-24. The wireless segment accounted for 97.05% (i.e. 1169.61mn) of the total telephone subscriptions In Jul-24.

Over the next five years, rise in mobile-phone penetration and decline in data costs would add 500mn new internet users in India, creating opportunities for new businesses. The telecom tower industry continues to be a pivotal force in aiding the connectivity revolution. India boasted 400,000 telecom towers in 2015. Between 2007 and 2020, the number of towers more than doubled at a CAGR of 7.1% to a total of 636,300 with about 2,254,658 total BTS; The number of towers is currently 7,02,641 according to the DoT.

As data consumption burgeons, the next decade holds exciting prospects for infrastructure providers. New opportunities arise for tower companies, shifting their attention from a macro tower-focused business towards new business models hinging on fibre, Wi-Fi, data centres, smart cities, small cells and beyond.

The department is also actively pursuing development of 6G technology and has created a sixth-generation innovation group. All of this implies the government shall give a massive push to telecom infrastructure across the country in years to come with an imminent plan of adding 0.8mn mobile towers over the next two years.

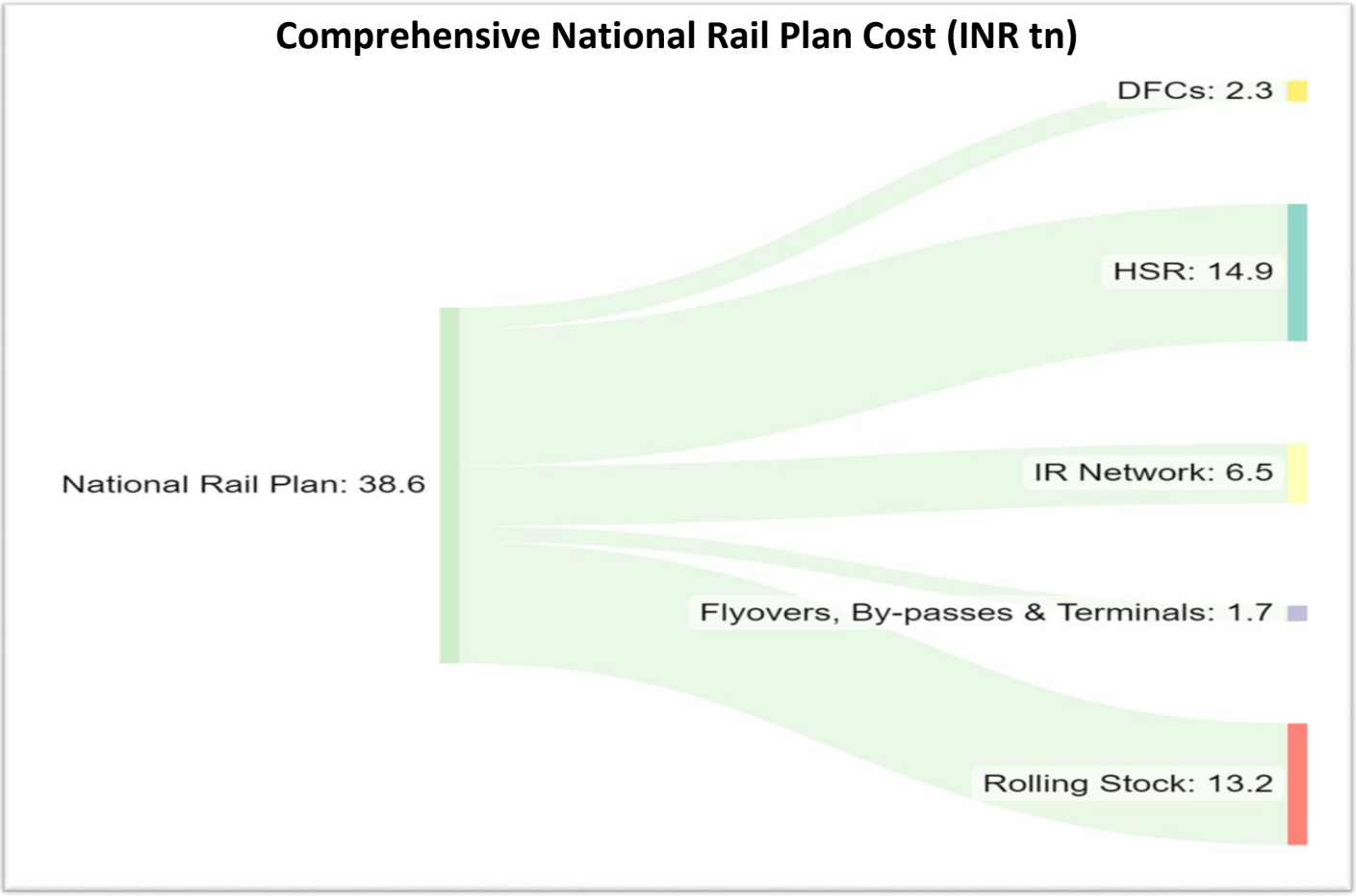
Railway electrification programme

The Indian Railways is set to undergo a significant transformation with heavy investments in high-speed trains, modernisation, safety measures and development of heavy haul systems, among other initiatives.

To achieve a seamless multi-modal transportation network across the country, the government launched in 2022 the National Rail Plan 2030, which aims to enhance the efficiency and safety of Indian Railways while integrating and synergising the rail network with other modes of transport.

To accelerate the implementation of critical projects by 2024, the government has also launched Vision 2024 under the National Rail Plan, which includes 100% electrification, identifying new-dedicated freight corridors and new high-speed corridors to further improve the rail networks.

Exhibit 64: Indian Railways plans to spend mammoth INR38.6tn over next three decades



Source: National Rail Plan. Nuvama Research

Exhibit 65: High speed rail and semi-HSR corridors planned till 2050

Year	Rail Corridor	Station Names								
HSR Corridors										
2026	Mumbai Ahmedabad	Mumbai	Thane	Vapi	Valsad	Surat	Bharuch	Vadodara	Anand	Ahmedabad
2031	Delhi Varanasi via Ajodhya	Delhi	Agra	Lucknow	Ajodhya	Varanasi				
2031	Delhi Ahmedabad	Delhi	Jaipur	Ajmer	Jodhpur	Ahmedabad				
2031	Varanasi to Patna	Varanasi	Patna							
2031	Patna to Kolkata	Patna	Gaya	Dhanbad	Kolkata					
2041	Hyderabad Bangalore	Hyderabad	Kurnool	Bangalore						
2041	Nagpur Varanasi	Nagpur	Jabalpur	Katni	Satna	Varanasi				
2051	Mumbai Nagpur	Mumbai	Nanded	Wardha	Nagpur					
2051	Mumbai Hyderabad	Mumbai	Pune	Solapur	Gulbarga	Hyderabad				
2051	Patna Guwahati	Patna	Begusarai (Barauni)	Katihar	New Jalpaiguri	New Bongaigaon	Guwahati			
2051	Delhi Chandigarh Amritsar,	Delhi	Karnal	Chandigarh	Ludhiana	Jalandhar	Amritsar			
2051	Amritsar - Pathankot - Jammu	Amritsar	Pathankot	Jammu						
2051	Chennai to Mysuru	Chennai	Bengaluru	Mysuru						
Semi High-Speed Rail										
2031	Semi High-Speed Rail	Thiruvanthpuram	Kollam	Kottayam	Ernakulam	Thrissur	Kozhikode	Kannur		
Rapid Rail Transit System (RRTS)										
2026	Delhi Ghaziabad Meerut	Delhi	Ghaziabad	Meerut						
2026	Delhi Sonipat Panipat	Delhi	Sonipat	Panipat						
2026	Delhi Gurgaon Rewari Alwar	Delhi	Gurgaon	Rewari	Alwar					
2031	Delhi Ghaziabad Khurja Aligarh	Delhi	Ghaziabad	Khurja	Aligarh					
2031	Delhi Ghaziabad Hapur	Delhi	Ghaziabad	Hapur						
2031	Delhi Rohtak	Delhi	Rohtak							
2031	Delhi Faridabad Mathura Agra	Delhi	Faridabad	Mathura	Agra					
Notes:										
	Stations which have to be added in the list of station to be upgraded									
	Stations which appear in the list of stations to be upgraded but their upgradation have to be preponed									

Source: National Rail Plan, Nuvama Research

Exhibit 66: Capex allocation shall be favourable towards EPC and rolling stock

INR bn	FY05-09	FY10-14	FY15-19	FY20-24
Railways Capex	**1,245**	**2,299**	**4,975**	**9,990**
EPC Bucket	285	576	1,198	2,599
Rolling Stock	352	801	1,043	2,182
Electrification	17	44	134	363
Road Safety Works	11	46	127	253
Others Bucket	152	249	487	2,234
	Mix (%)			
EPC Bucket	**23%**	**25%**	**24%**	**26%**
Rolling Stock	**28%**	**35%**	**21%**	**22%**
Electrification	1%	2%	3%	4%
Road Safety Works	1%	2%	3%	3%
Others Bucket	12%	11%	10%	22%
	Growth rate (%)			
Railways Capex		**85%**	**116%**	**101%**
EPC Bucket		102%	108%	117%
Rolling Stock		128%	30%	109%
Electrification		164%	203%	171%
Road Safety Works		302%	177%	99%
Others Bucket		63%	96%	359%

Source: Nuvama Research

Note: EPC bucket includes new lines, gauge conversion and doubling. Rolling stock includes coaches, wagons, propulsion system etc. Others bucket includes passenger amenities, invest. in public commercial/PSUs, leased assets, etc.

Polymer pipes & fittings

The market for Indian PVC pipes & fittings is predicted to surge at a CAGR of 10.8% to a value of INR500bn by 2025; this is due to the government's efforts to promote a cleaner India by providing clean and reliable water supply to rural areas along with the introduction of new technologies and advanced pipe systems.

Growing industrialisation along with the housing and construction segment boosted the demand for these products. As water scarcity becomes a significant issue in the future, the use of efficient pipes & fittings is expected to mitigate/address this problem.

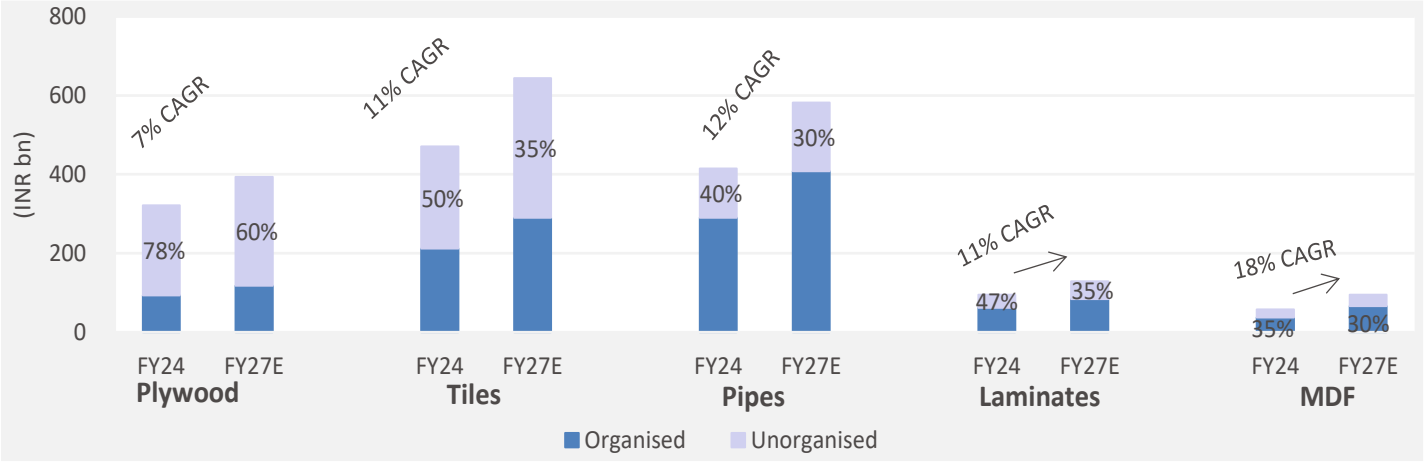
The Government of India is making significant investments in rural infrastructure with a strong focus on improving agricultural productivity and ensuring access to clean drinking water for rural households. India's impressive ranking as the third-largest in agritech finance is fuelling rapid advancements in the country's agrarian infrastructure.

Furthermore, the Ministry of Housing and Urban Affairs has launched the 'Pradhan Mantri Awas Yojana' to ensure housing for all in urban India. These developments are driving an increasing demand for polymer pipes across the country, and are expected to play a pivotal role in the segment's growth in the promising times ahead.

Access to clean and safe water is a crucial issue in India despite the country experiencing annual floods. It is estimated that this water crisis results in a substantial 6% loss to India's GDP. Recognising the importance of addressing this challenge, efforts are being made to improve water infrastructure and ensure that every individual has access to clean water, thereby promoting public health, socio-economic development and overall wellbeing.

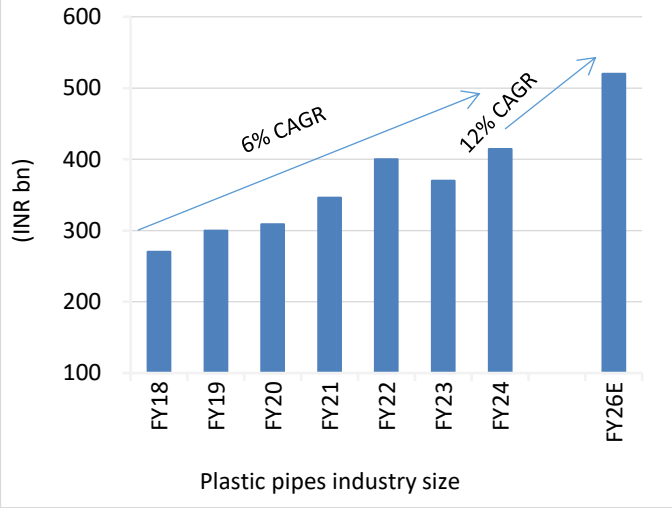
The Government of India's establishing of the dedicated 'Jal Shakti' involves significant investments, with INR3.5tn allocated to tap water distribution and ~INR5.5tn to Rivers Inter-Link Plans. Furthermore, the Union Budget for FY23 earmarked INR7bn for the 'Jal Jeevan Mission' aimed at providing potable drinking water to every rural household in India.

Exhibit 67: Fastest growing sizable industry



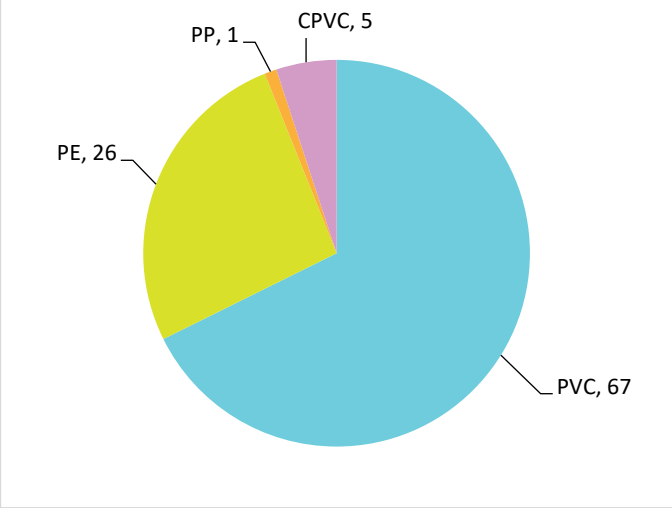
Source: Industry, Nuvama Research

Exhibit 68: Sector likely to log CAGR of 12–14%



Source: Industry, Nuvama Research

Exhibit 69: PVC forms largest polymer in pipes industry



Source: Industry, Nuvama Research

Additional Data

Management

Chairman (Independent)	Mr. Amit Kiran Deb
Managing Director	Mr. Sajan Kumar Bansal
Executive Director	Mr. Sharan Bansal
Executive Director	Mr. Devesh Bansal
Auditor	M/s. Singhi & Co., Chartered Accountants

Holdings – Top 10*

	% Holding	% Holding
Ocean Dial Asse	2.21	
INDIA CAPITAL G	0.93	
Dimensional Fun	0.14	

**Latest public data*

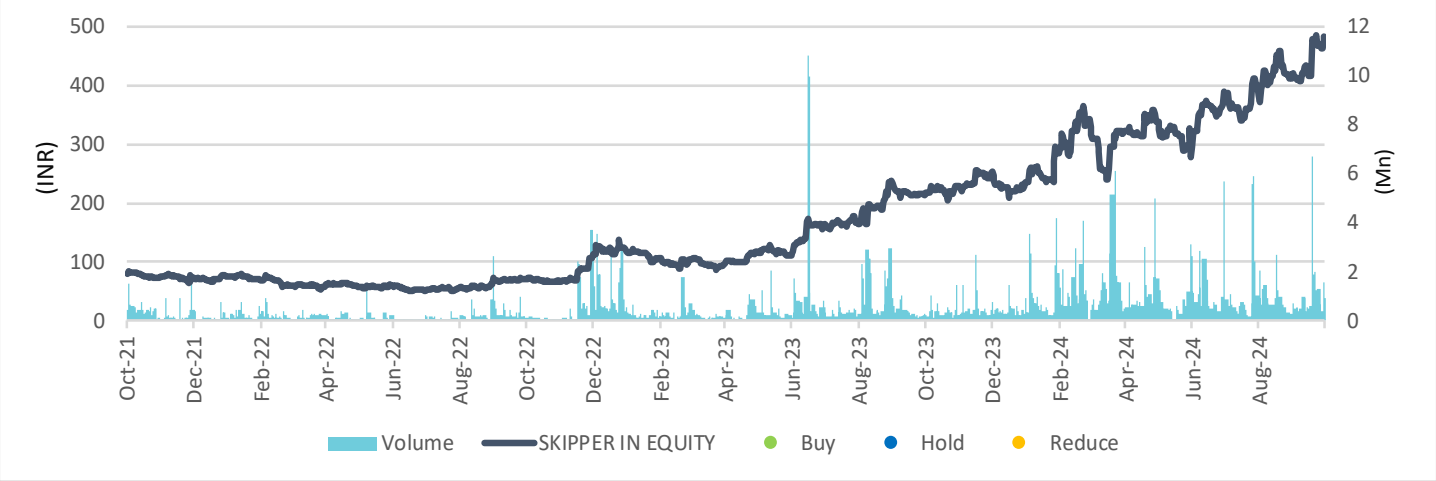
Recent Company Research

Date	Title	Price	Reco

Recent Sector Research

Date	Name of Co./Sector	Title
20-Aug-24	Engineering and capital goods	High valuations reflect earnings deliver; *Sector Update*
10-Aug-24	Siemens	Execution slow, OPM stable; outlook inta; *Result Update*
09-Aug-24	ABB India	This giant is still growing; *Result Update*

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	217
Hold	<15% and >-5%	64
Reduce	<-5%	26

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