

Sarathi Capital Advisors Private Limited

Bridging the Gaps



Aarvi Encon Ltd

Investor Presentation

January, 2018
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Content	Page
Corporate Overview	4 – 9
Operational Overview	11 – 17
Industry & Business Outlook	19 – 22
Financials – Half Yearly & Annual	24 – 29

Corporate Overview

About the Company

Business of the Company

Aarvi Encon Ltd was incorporated in the year 1987 head quartered at Mumbai, company is engaged in providing technical man power and support services to Oil & Gas sector, Refinery Pipelines, Petrochemicals, Power, Infrastructure, Ports & Terminals, Telecom, Fertilizers, Cement, Automobile, Specialty Chemicals, Drugs & Intermediates.

Services Offered

Company offers technical man power services to the clients for Detailed Engineering, Construction Supervision, Inspection, Pre-commissioning activities.

Corporate Clients

Company has deployed more than 3000 technical manpower for various projects and services. Aarvi has provided services to the big corporates such as Reliance Petroleum, HPCL, Cairn, Reliance Industries, L & T are the few names among the esteem clientele.

CRISIL Rating

Company is awarded with CRISIL SME-1 Rating which indicates "Highest Creditworthiness"

Leadership

Aarvi is one of the market leader in their field of technical manpower followed by other companies such as Brunel International, Orion Group, Bonace Engineering etc.

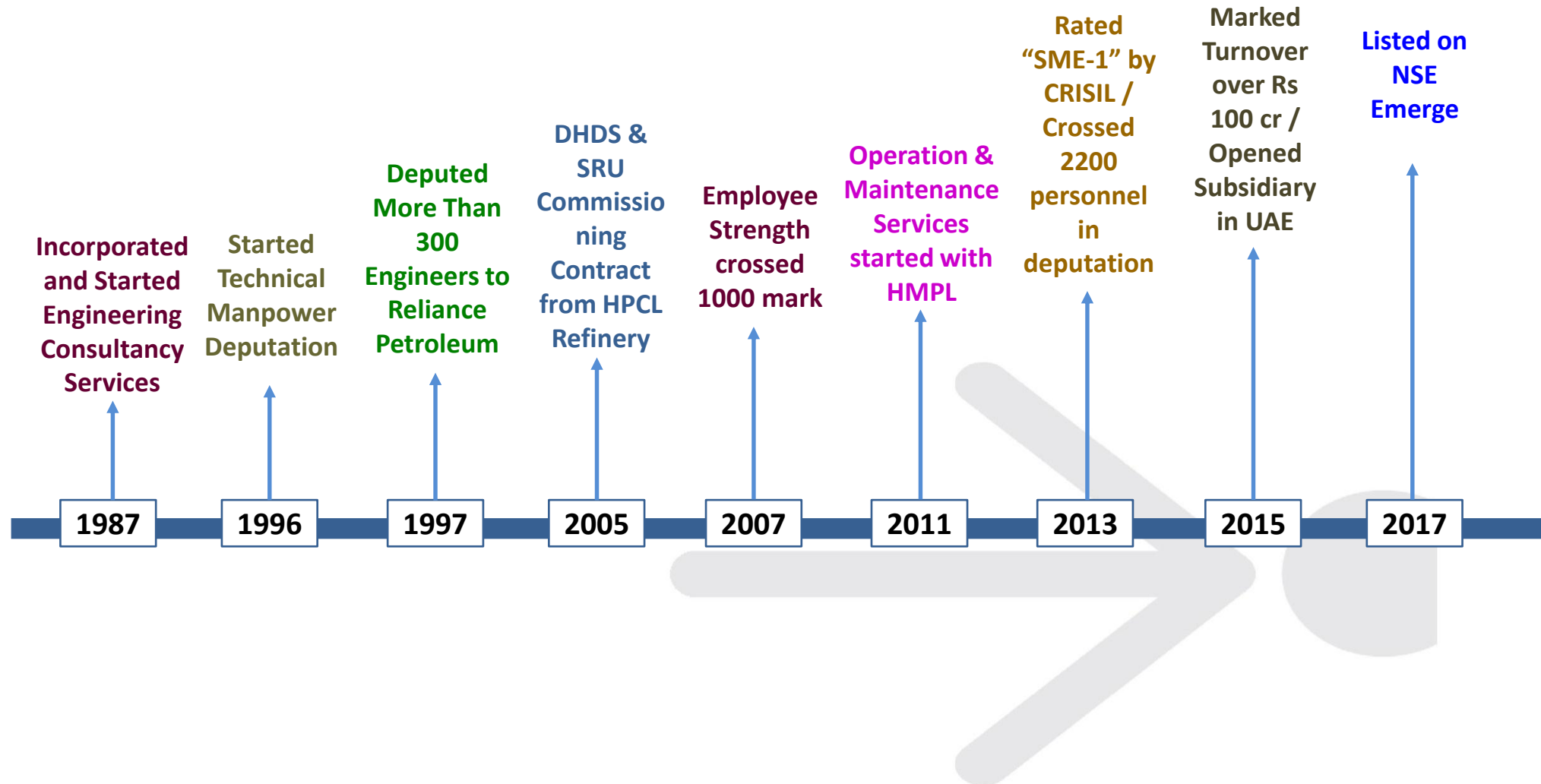
Technical Manpower Sourcing for the Services Such as:

Project & Engineering Design	Start up Pre-Commissioning, Commissioning	Shutdowns / Turn Around	Computer Aided Design - CAD	Operation & Maintenance
- Process - Civil & Structural - Electrical - Instrumentation & Control - Mechanical (Static & Rotary) - Material Handling Equipment's - Piping & Stress - Project / Site Engineering - Planning - QA/QC (CSWIP / AWS) - Procurement & Expediting - HVAC / MEP - HSE	- Commissioning Engineer - Commissioning Supervisor - DCS / Panel Operator - Plant & Process Operator	- Commissioning Engineer - Commissioning Supervisor - DCS / Panel Operator - Plant & Process Operator	- AutoCAD - Micro station - PDS / PDMS / SP3D - X-Steel - Smart Plant	- Process - Mechanical - Electrical & Instrumentation - QA / QC - Lab - Process & Plant operator - Maintenance Technician

Company Overview



Milestone



Company Overview

Clientele



Awards and Certifications



NOCIL Award from Indian Institute of Chemical Engineers - 1993



CDC National Award for Excellence in Consultancy Services from Consultancy Development Centre - 1997



Crisil SME-1 Rating indicates "Highest Creditworthiness" - 2013



Star SME Award from Business Today - 2011



Small Business Awards from Franchise India Holdings Limited - 2012



HSE Excellence Award in recognition for Safe Contractor from Cairn India Limited - 2013



SME Business Excellence Award 2014 from Times Group, Dun & Broadcasting and Federal Bank - 2014



CFBP Jamnalal Bajaj Awards for Business Practices from Council for Fair Business Practice - 2015

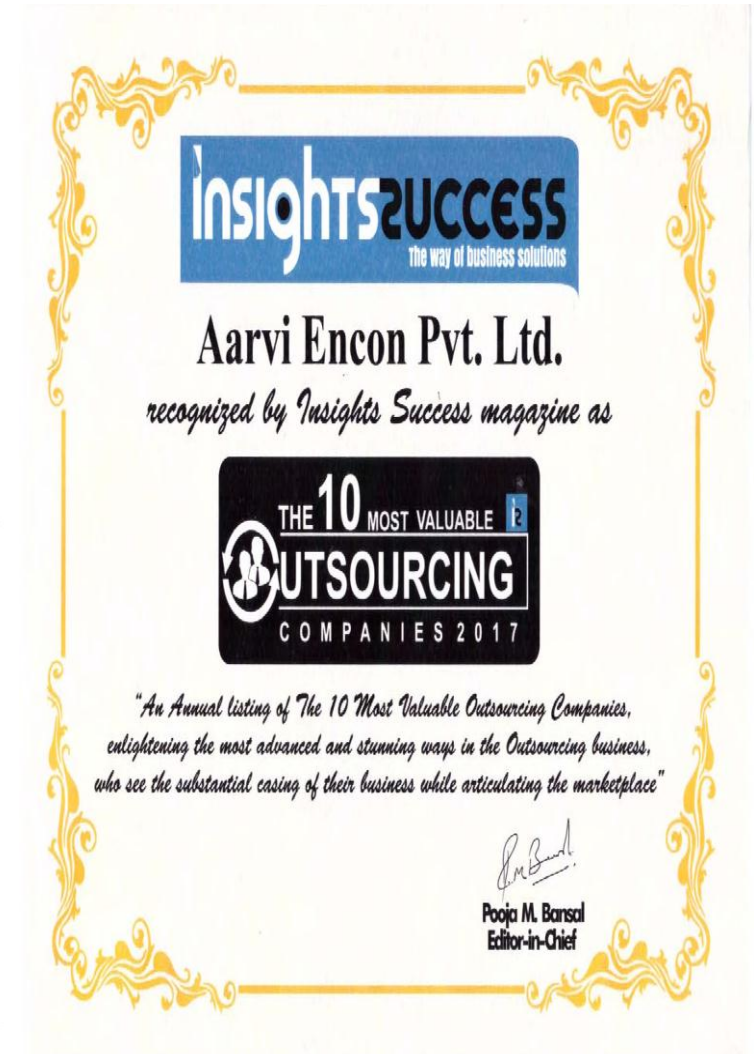
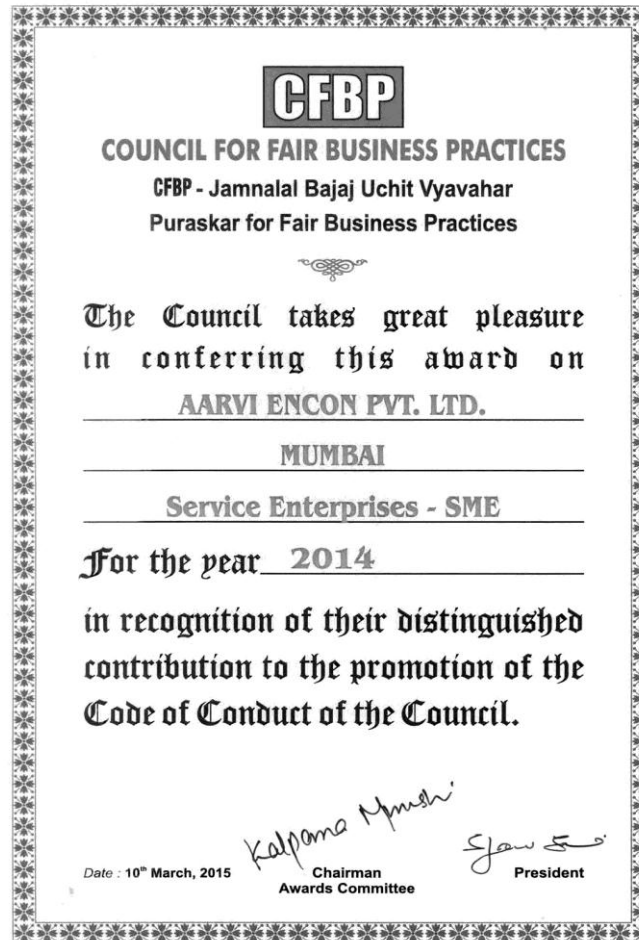


India Business Excellence from Worldwide Business Review - 2017

Certifications



**CFBP – Jamnalal
Bajaj Award for
Fair Business
Practices in 2014
Presented by
Dr. Abdul Kalam,
Former President of
India**



Operational Overview



Board Members



Virendra Sanghvi – Managing Director

He has more than 45 years experience and excellent track record in design, development, construction and operation of process plants in India and Internationally. Prior to Aarvi he was working with various Engineering, Lubricant, Petrochemical, and Pharmaceutical companies such as Merck Sharp & Dohme India Ltd.



Jaydev Sanghavi – Executive Director and CFO

He is a Chemical Engineering Graduate from Mumbai University and joined Aarvi 25 years ago. He has played a crucial role in developing strategic Business Tie-ups and delivering several large & complex projects successfully. In 1996 he identified a niche Business Opportunity in the project consulting of HR and thus came about a Manpower (Temp) Supply division which he heads today.



Devendra Jashwantraai Shrimanker – Independent Director

Devendra is a chartered accountant and a fellow member of Institute of Chartered Accountants of India. He has more than 28 years of experience in the field of accounting, auditing, taxation and advisory services. He has served as advisors to many PSU's and private ltd companies, HNI's and family managed business groups.

Board Members



Sonal Nitin Doshi – Independent Director

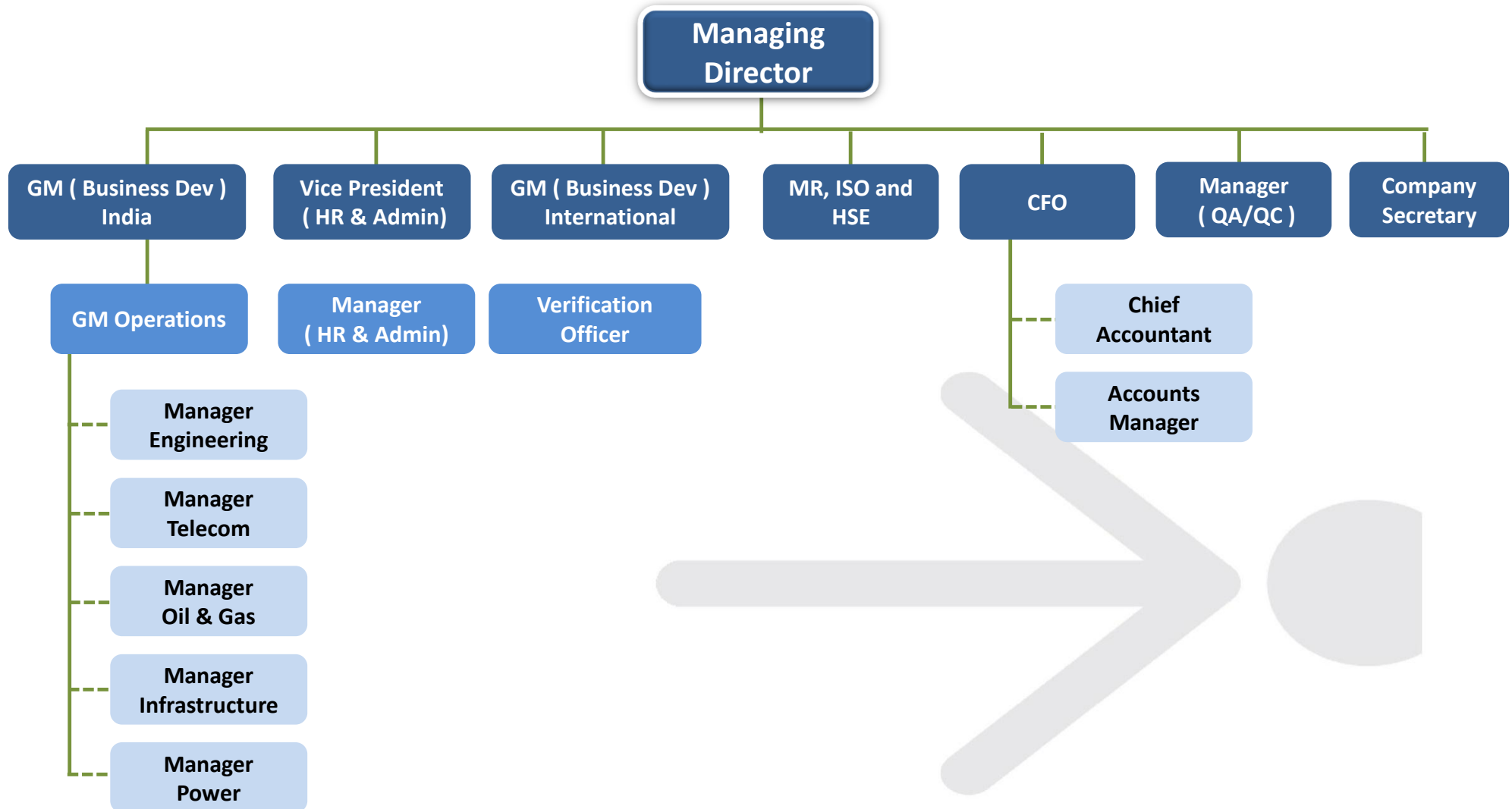
She is a solicitor practicing mainly in civil and corporate laws since 1991. Mrs. Doshi is a part of the external committee of Larsen & Toubro Limited, L & T Infotech, Thyssenkrup India Pvt. Ltd and Macleods Pharmaceuticals Ltd to deal with complaints filed under the Sexual Harrassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.



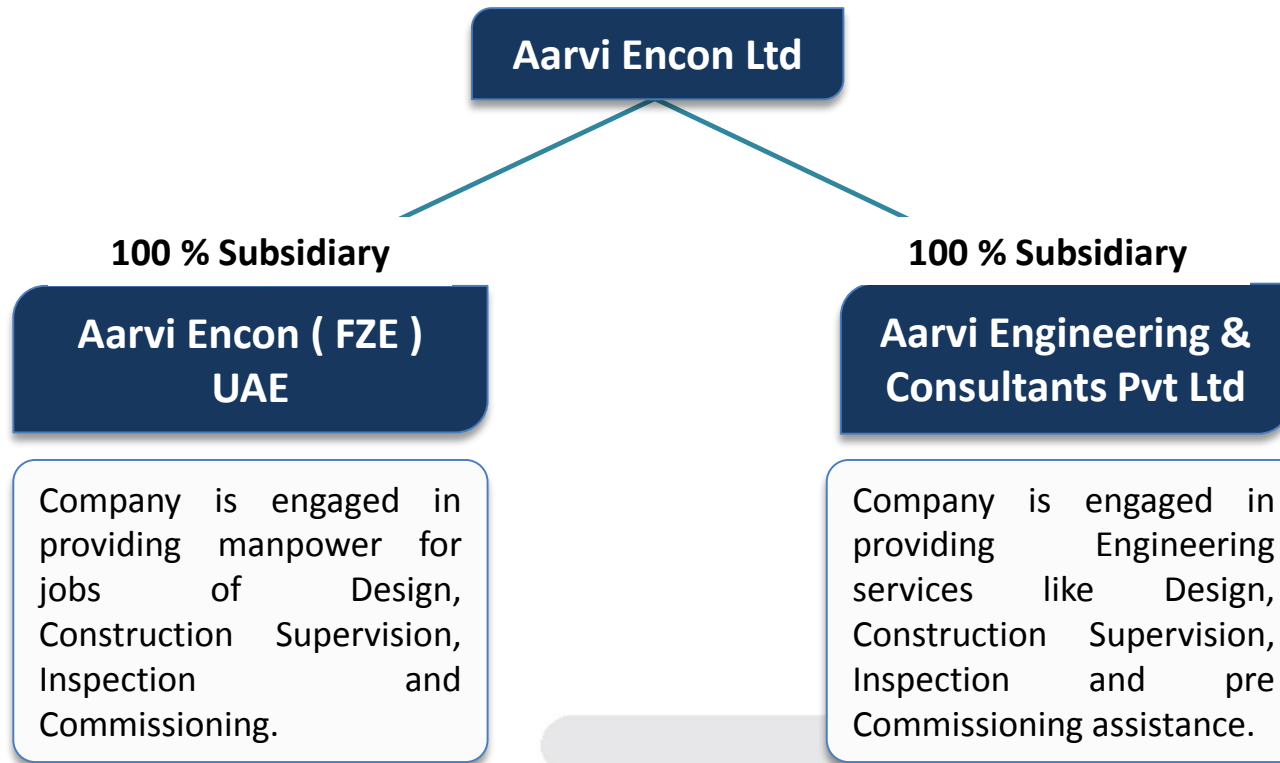
Niranjana Virendra Sanghavi – Non Executive Director

Mrs. Niranjana Virendra Sanghavi is a graduate in Economics from Gujarat University. She looks after overall management activities including managerial decisions, finance and HR activities of the company.

Organisation Structure

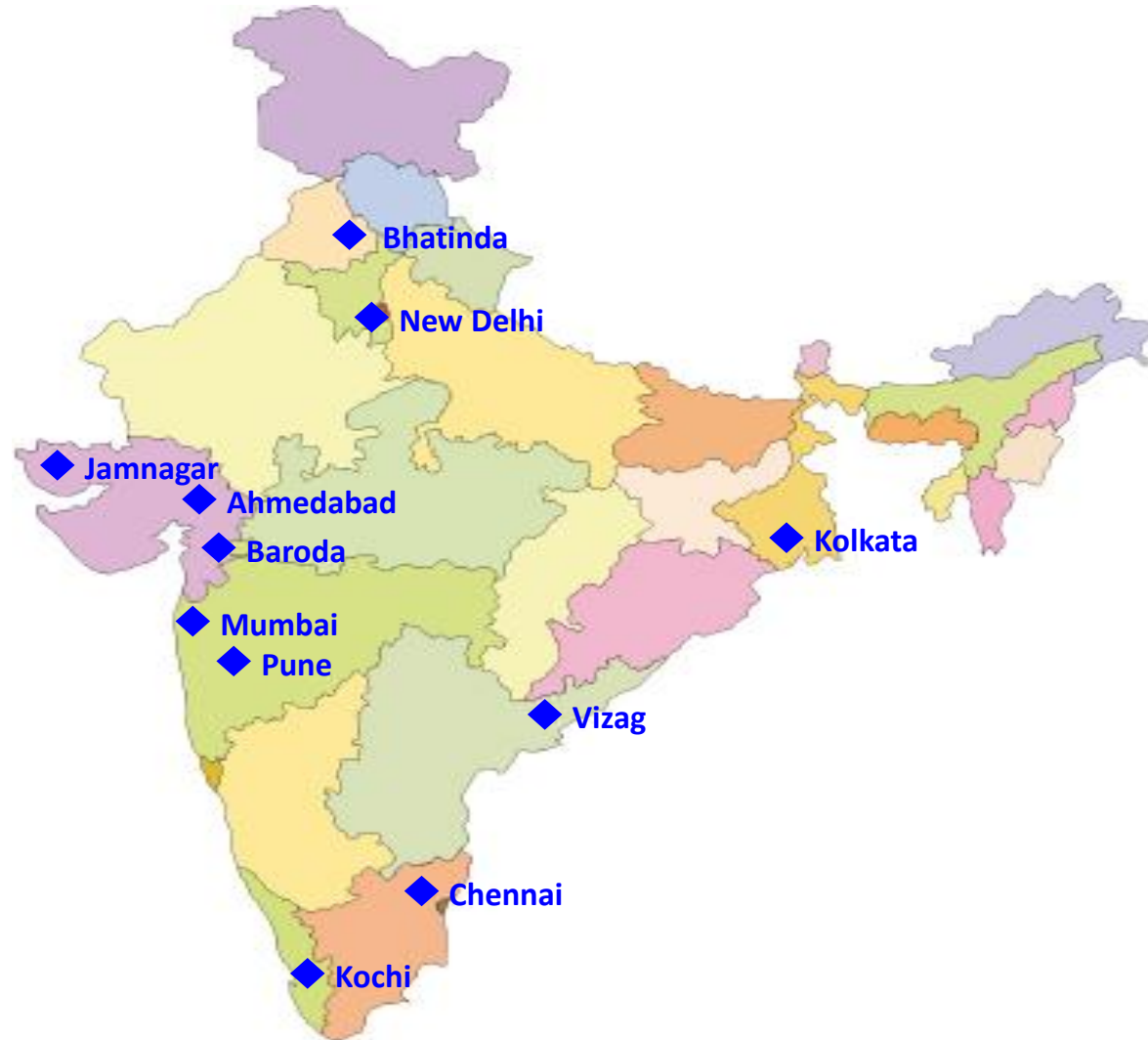


Group Structure



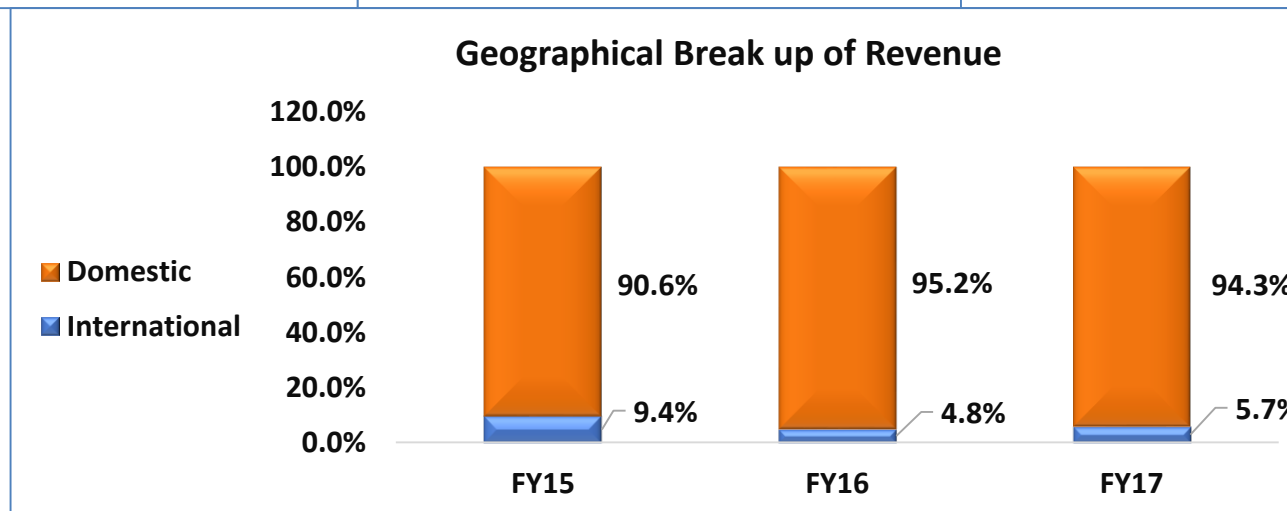
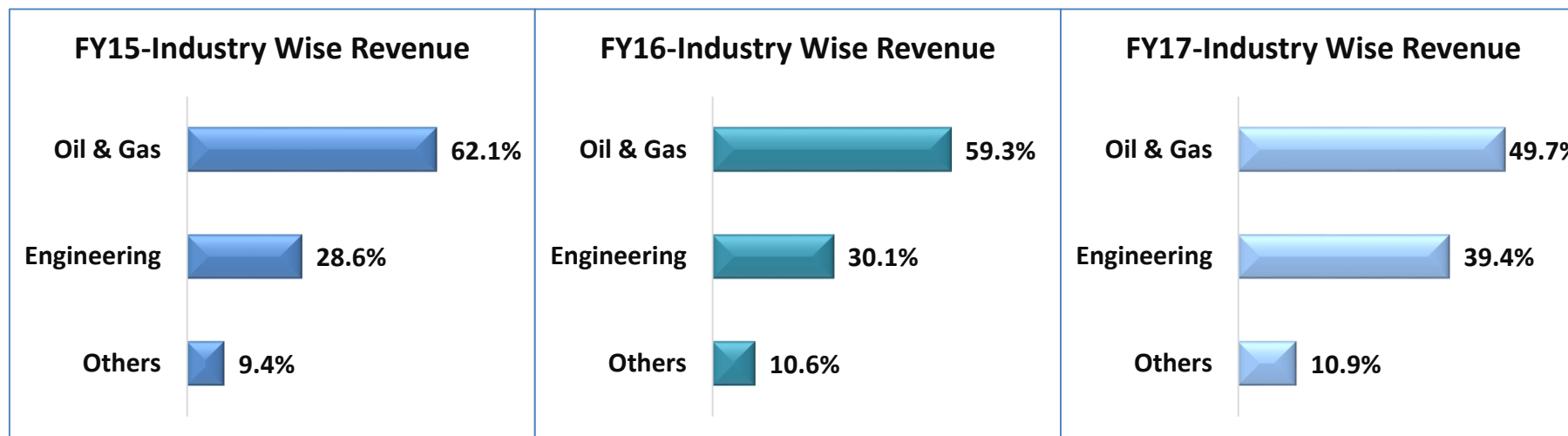
Offices and Places of Manpower Deployment

1. Bhatinda - Punjab
2. New Delhi
3. Ahmedabad - Gujarat
4. Baroda - Gujarat
5. Jamnagar - Gujarat
6. Mumbai - Maharashtra
7. Pune - Maharashtra
8. Kochi - Kerala
9. Chennai – Tamil Nadu
10. Vizag – Andhra Pradesh
11. Kolkata – West Bengal



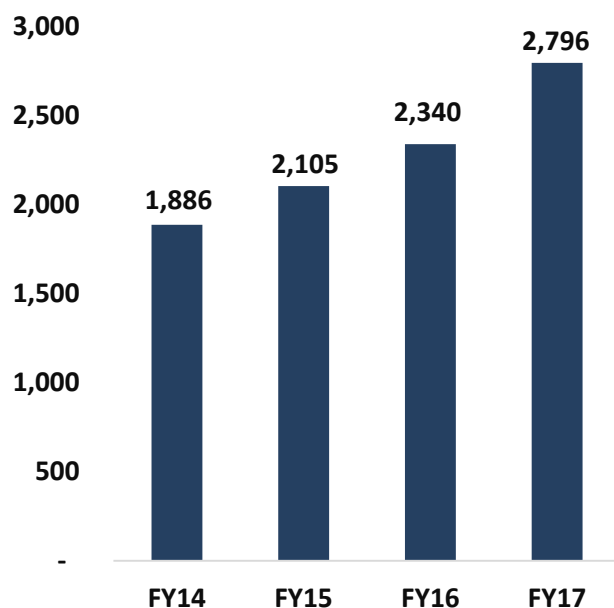
Operational Overview

Revenue Break up

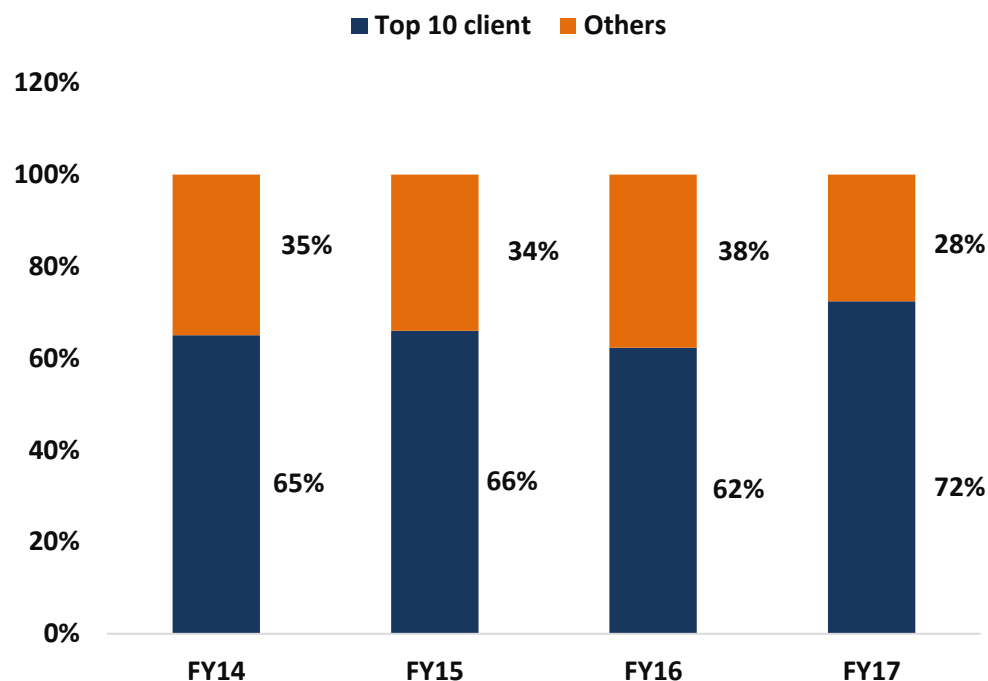


Manpower Deputation and Contribution of Top Ten Client to Revenue

Average Manpower Deputation



Revenue Contribution from TOP 10 Client



Top 10 client includes names such as Reliance, HPCL, Cairn, L&T, Technimont, Bechtel, Gamesa etc diversified across the industry like Oil & Gas, Manufacturing, Engineering & Construction and Engineering Consulting.

Industry Overview & Business Outlook

Engineering Services to Drive the Growth



- Investments in India's oil and gas sector is likely to touch Rs 2.5-3 trillion (US\$ 37.5-45 billion) over the next few years, which will help raise the share of gas in the country's primary energy mix to 15% by 2030, as per British multinational oil and gas company BP Group.
- Indian Oil Corporation (IOC) Indian Oil Corporation (IOC) plans to invest around Rs 40,000 crore (US\$ 5.9 billion), ONGC to invest Rs 78,000 cr and ESSAR projects,



- The engineering sector in India attracts immense interest from foreign players as it enjoys a comparative advantage in terms of manufacturing costs, technology and innovation.
- The engineering sector is a growing market. Spending on engineering services is projected to increase to US\$ 1.1 trillion by 2020.



- India needs Rs 31 trillion (US\$ 454.83 billion) to be spent on infrastructure development over the next five years, with 70 per cent of funds needed for power, roads and urban infrastructure segments.
- Government targets Rs 25 trillion (US\$ 376.53 billion) investment in infrastructure over a period of three years, which will include Rs 8 trillion (US\$ 120.49 billion) for developing 27 industrial clusters.



- India's manufacturing sector has the potential to touch US\$ 1 trillion by 2025. There is potential for the sector to account for 25-30 per cent of the country's GDP and create up to 90 million domestic jobs by 2025. Business conditions in the Indian manufacturing sector continue to remain positive.

Key Trends in Technical Manpower Hiring

Change in Hiring Trend

- Now the companies are shifting from own hiring to outsourcing many of the core function like expansion projects, Engineering man power requirement for projects, renovation or development

Engineering Outsourcing

- MNC companies opening offices in India are outsourcing more than 20% of the Manpower requirement on contracts.

Demand Engineering Domain

- In the year 2016- 17, demand was high for engineers, especially in civil, mechanical and electrical domains and will be more in the coming years due to rapid growth in core industry.

Opportunity in Services

- Opportunities in content, project management, client servicing were on upswing and driven by increasing demand for outsourcing non-core business and management activities.

Opportunities and the Growth Strategies

Euro Six Projects by Down Stream Companies

- India plans to shift to Euro-VI emission compliant petrol and diesel by 2020 to cut carbon pollution.
- Oil refineries Investing to the tune of Rs 80,000 crore to implement the Euro Six norms

Infrastructure Turnaround

- Central and state government has dedicated plan regarding Metro rail, Freight Corridor, Railways and Road ways project.
- These project will create huge demand for contractual and technical staff.

Operation and Maintenance

- Entering in to operation and maintenance business will generate the recurring cash inflow to the revenue.

Renewable Energy

- Renewable energy projects generally needs 4 – 6 months period and is growing sector with lots of Government emphasis on green and clean energy.

Expanding to New Geography

- In 2015 company has set a subsidiary in UAE, marking entry to international market.
- Company has plans to enter Saudi Arabia, Kuwait and middle east.

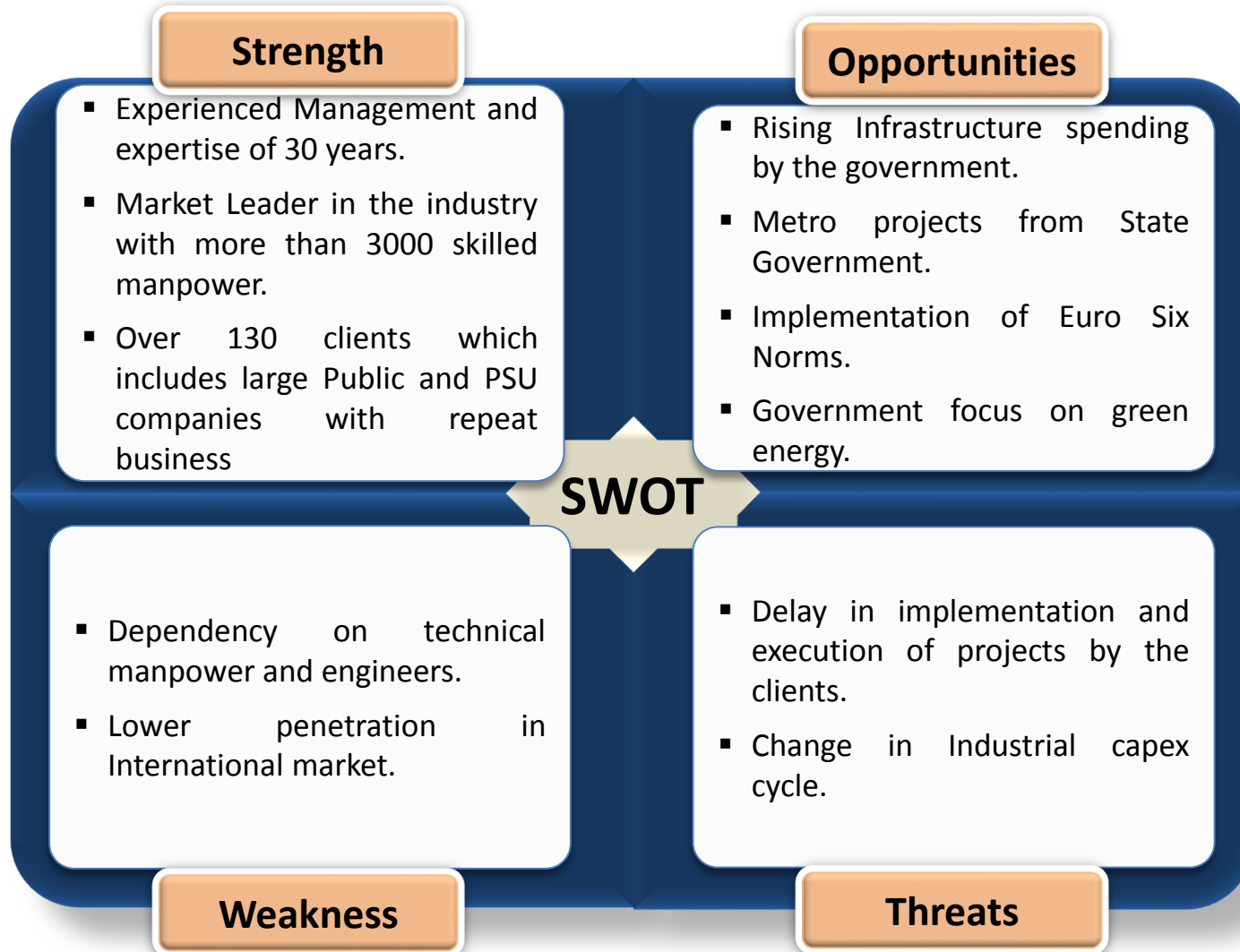
Diversification

- Planning to add automotive as a new vertical for revenue on the back of rising demand for automobile in India / Euro VI emission and new investment inflow in the sector.

New Training Centers

- To cater to the need of growing engineering professionals in Oil & Gas, infrastructure and Power, company plans to set up training centres to deliver highly skilled manpower.

SWOT Analysis



Financials – Half Yearly & Annual

Highlights

H1FY18 Vs H1FY17



Revenue
Rs. 89.79 Crs

43.0%



EBITDA
Rs. 6.10 Crs

33.8%



EBIT
Rs. 5.70 Crs

37.0%



PAT
Rs. 3.55 Crs

62.4%

Income Statement

H1FY18 Vs H1FY17

in Rs crore

Income Statement	H1FY17	H1FY18	Y-o-Y%
Total Revenue	62.79	89.79	43.0%
Expenses			
Direct Expenses	49.17	75.83	-
Employee Cost	7.27	6.16	-
Other Expenses	1.79	1.69	-
Total Expenses	58.22	83.68	-
EBITDA	4.57	6.11	33.8%
EBITDA Margin (%)	7.27%	6.80%	
Depreciation	0.40	0.40	-
EBIT	4.17	5.71	37.0%
EBIT Margin (%)	6.64%	6.36%	
Interest	0.81	0.91	-
EBT	3.35	4.80	43.17%
EBT Margin (%)	5.34%	5.35%	
Tax	1.17	1.25	-
PAT	2.19	3.55	62.4%
PAT Margin (%)	3.48%	3.96%	
EPS**	70.65	2.40	

**H1FY17 EPS is based on value of Rs 100 per equity shares, where as H1FY18 is based on face value of Rs 10 per share. Further, EPS adjusted of capital increased from Rs 3.10 cr to Rs 14.78 cr

Balance Sheet

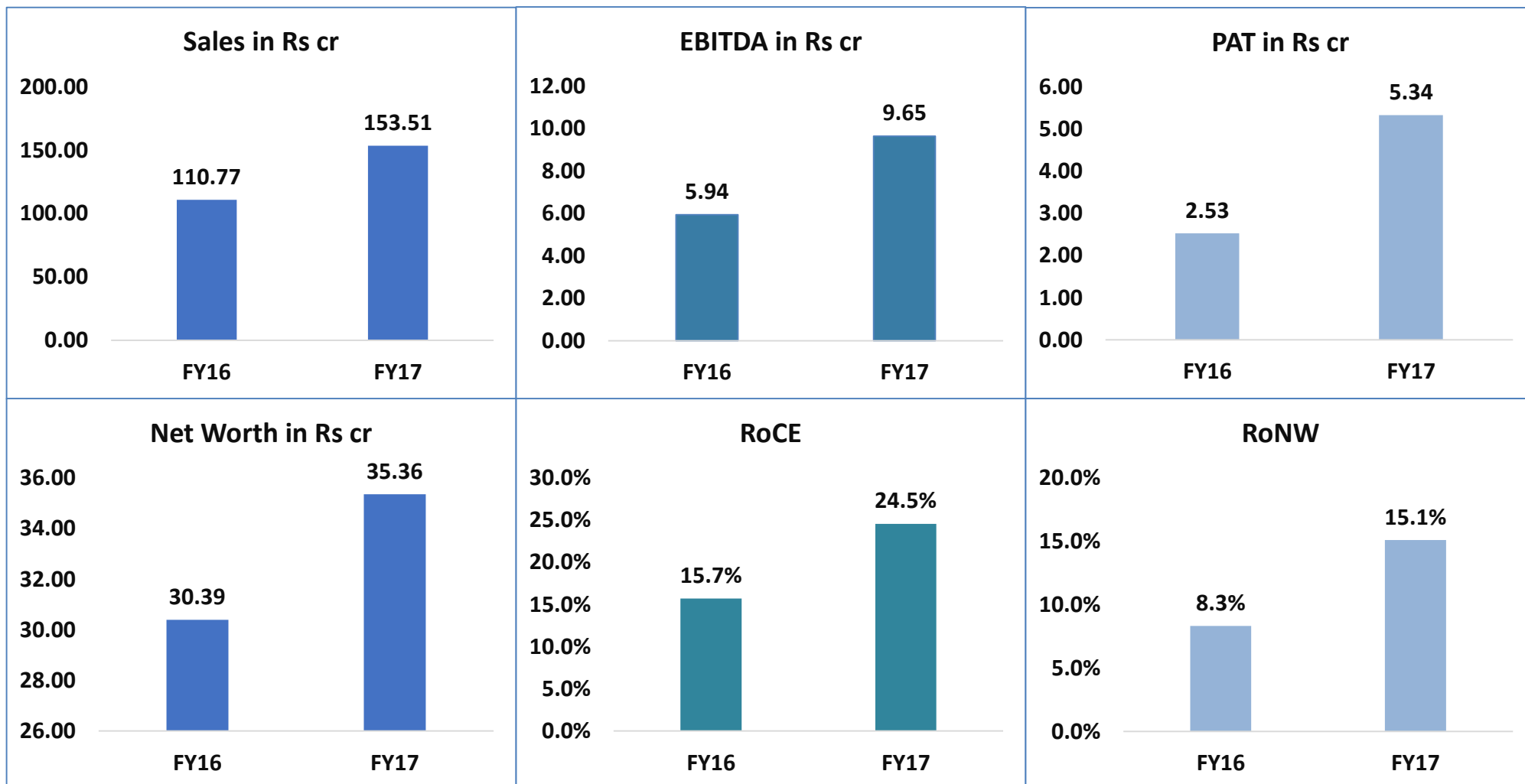
H1FY18 Vs H1FY17

in Rs crore

Liabilities	H1FY17	H1FY18
Share Capital	3.10	14.78
R & S	32.26	45.54
Net Worth	35.36	60.32
Long Term Debt	0.34	0.27
Other Long Term Liabilities	0.17	0.16
Non Current Liabilities	0.50	0.43
Short Term Borrowings	12.76	15.87
Trade Payables	13.13	11.14
Other Current Liabilities	5.22	3.13
Total Current Liabilities	31.11	30.11
Total Liabilities	66.97	90.86

Assets	H1FY17	H1FY18
Fixed Assets	7.11	7.07
Long Term Loans & Advances	11.61	14.33
Other Non Current Assets	2.69	3.90
Non Current Assets	21.40	25.31
Receivables	35.53	38.89
Cash & Cash equivalents	6.65	23.96
Short-term loans & Advances	2.90	2.06
Other Current Assets	0.49	0.64
Total Current Assets	45.57	65.55
Total Assets	66.97	90.86

Financial Snapshot



Consolidated Financial Statements in Rs crore

Income Statement	FY16	FY17
Total Revenue	110.77	153.51
Expenses		
Direct Expenses	86.83	121.96
Employee Cost	13.17	17.52
Other Expenses	4.83	4.38
Total Expenses	104.83	143.86
EBITDA	5.94	9.65
Depreciation	1.10	0.89
EBIT	4.85	8.76
Interest	1.19	1.64
EBT	3.65	7.12
Tax	1.13	1.78
PAT	2.53	5.34

Balance Sheet	FY16	FY17
Share Capital	3.10	3.10
R & S	27.29	32.26
Net Worth	30.39	35.36
Long Term Debt	0.46	0.34
Other Long Term Liabilities	0.14	0.16
Short Term Borrowings	8.23	12.76
Trade Payables	8.31	11.95
Other Current Liabilities	4.17	6.40
Total Current Liabilities	20.71	31.11
Total Liabilities	51.71	66.96
Fixed Assets	7.44	7.11
Investment	0.00	0.00
Other Non Current Assets	1.75	2.69
Receivables	27.61	35.53
Other Current Assets	3.52	10.04
Total Current Assets	31.13	45.57
Total Assets	51.71	66.96

Consolidated Financial Statements in Rs crore

Ratio	FY16	FY17
EBITDA Margin	5.4%	6.3%
EBIT Margin	4.4%	5.7%
EBT Margin	3.3%	4.6%
PAT Margin	2.3%	3.5%
EPS**	81.6	172.1
Book Value**	980.5	1140.5
RoCE	15.7%	24.5%
RoNW	8.3%	15.1%

**FY16 & FY17 EPS and book value is based on is based on face value of Rs 100 per equity shares

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HAPPY TO HELP....



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