

CARE Due Diligence Services



Due Diligence Report

Name of the Company	HEC Infra Projects Limited
Location	Sigma -1 Corporate, Corporate House No – 6, Sindhu Bhawan Road, Near Mann Party Plot Cross Road, Bodakdev, Ahmedabad – 380 054
Operational Status	Operational
Report Date	February 03, 2016

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CARE Due Diligence Report– STRENGTHS AND WEAKNESSES**Key Strengths**

- *Well qualified promoters having decades of experience in EPC projects*
- *Registered as 'Class A' contractor with Road and Building department of Govt. of Gujarat and 'Class I' contractor with CPWD*
- *Long association with reputed private sector clientele along with an established marketing network*
- *Moderate capital structure with greater financial flexibility by virtue of being a public limited listed entity*
- *Improvement in collection period and operating cycle*
- *Operational and financial support amongst group companies*
- *Moderate order book position of Rs. 402.56 lakh as on January 31, 2016*

Key weaknesses

- *Moderate scale of operations*
- *Majority of orders are of fixed price in nature; however company has a policy of back-to-back booking of raw materials so as to minimize its susceptibility to volatility of RM price*
- *Susceptibility to economic cycles resulting in lower infrastructure spending*
- *Highly working capital intensive nature of operation*

Note:

- *To undertake the due diligence, CARE has relied at the information provided by the management, and Draft Prospectus.*
- *For undertaking the financial analysis, we have primarily relied on the following financial statements provided by the management:*
 - *Audited financials for the financial year ending March 31, 2011, audited by M/s Raj P. Shah & Co. and signed by Mr. Raj P. Shah dated September 08, 2011.*
 - *Audited financials for the financial year ending March 31, 2012, audited by M/s Raj P. Shah & Co. and signed by Mr. Raj P. Shah dated September 06, 2012.*
 - *Audited financials for the financial year ending March 31, 2013, audited by M/s Raj P. Shah & Co. and signed by Mr. Raj P. Shah dated September 06, 2013.*
 - *Audited financials for the financial year ending March 31, 2014, audited by M/s Raj P. Shah & Co. and signed by Mr. Raj P. Shah dated September 05, 2014.*
 - *Audited financials for the financial year ending March 31, 2015, audited by M/s Raj P. Shah & Co. and signed by Mr. Raj P. Shah dated June 05, 2015.*

DP consists of financials till March 31, 2015; thus, CARE has also considered financials till only March 31, 2015.

- *As a part of the due diligence exercise for NSE, CARE also*
 - *Reviews financials submitted by the company with Ministry of Corporate Affairs.*
 - *Undertakes Site visit and management discussion*
 - *Due Diligence with lenders and auditors*
 - *Due Diligence with customers and suppliers.*
- *However, please note that*
 - *Due diligence exercise by CARE is not an audit and also not a recommendation for entering into any transaction with the entity.*
 - *CARE does not guarantee the accuracy, completeness or adequacy of any information on which this report is based. CARE is not responsible for any error / omissions for the results/opinions obtained for the use of this report.*

BRIEF SNAPSHOT OF ENTITY

Name	HEC Infra Projects Limited (HIPL)				
Year of Incorporation	Incorporated as private limited company in 2005 and subsequently converted to public limited company in October 2014.				
Constitution	Public limited company				
Nature of Business	Services				
Industry	Electrical engineering industry				
Services offered	Supply, Installation, Testing & Commissioning (SITC) of Electro-Mechanical Instrumentation Projects				
Registered Office	Sigma -1 Corporate, Corporate House No – 6, Sindhu Bhawan Road, Near Mann Party Plot Cross Road, Bodakdev, Ahmedabad – 380 054				
Controlling Office	Sigma -1 Corporate, Corporate House No – 6, Sindhu Bhawan Road, Near Mann Party Plot Cross Road, Bodakdev, Ahmedabad – 380 054				
Key Promoter's name	Mr. Gaurang Shah, Managing Director				
Key regulatory approvals, certifications and membership	Certificate of Class- 1 registered contractor with Central Public Works Department (CPWD), C class contractor license from Gujarat Energy Transmission Company (GETCO)				
Major Brands	-				
Name of the Auditor	Raj P Shah & Co, Ahmedabad				
Major Existing Bankers	Bank of India				
Total number of employees	81				
Total income for latest year	Rs. 12564.69 Lakh (2015 Audited)				
Wilful defaulter as per CIBIL	No as on December 31, 2015				
Litigations	Cases Against	Particulars	Nature & Number of Case	Amount involved	Current status and managements response
	HIPL	Income Tax	Civil – 3	Rs.42.56 Lakh	Matter pending with assessing officer
	HIPL	TDS	Civil – 9	Rs.14.76 Lakh	Cases pending with assessing officer
	Mr. Gaurang Shah, Promotor	Income Tax	Civil - 10	Rs. 20.56 lakh	Cases pending with assessing officer and CPC
	Mrs. Rupal Shah, Promotor	Income Tax	Civil- 8	Rs. 7.61 lakh	Cases pending with assessing officer and CPC

Background

Incorporated on October 6, 2005 as HEC Infra Projects Private Limited, later it was converted into Public Limited Company (HEC Infra Projects Limited) with fresh Certificate of Incorporation dated October 01, 2014 issued by Registrar of Companies, Ahmedabad. HIPL's equity shares were listed on

ITP (Institutional Trading Platform) NSE EMERGE platform of NSE. HIPL is an EPC (Engineering, Procurement and Construction) and SITC (Supply Installation Testing & Commissioning) Contract Company for Electro-Mechanical instrumentation and automation projects. HIPL is registered 'Class A' EPC contractor with Roads and Building Department of Government of Gujarat and Class- 1 registered contractor with Central Public Works Department (CPWD). It has also been awarded contractor license from Gujarat Energy Transmission Company (GETCO).

HIPL provides EPC services for various power transmission & distribution related work such as installation of switchyards, transformers, internal & external electrification of water pumping stations, cable laying etc. HIPL has vast experience in implementation of Electro- Mechanical EPC projects across industries such as Steel, Chemical, Cement manufacturing, Oil & Gas sector, Power generation plants etc. HIPL executes projects for both public sector as well as private sector companies.

During FY15, the total operating income (TOI) of HTPL stood at Rs. 12564.69 Lakh (compared with Rs. 6095.72 Lakh in FY14), while net profit of the company stood at Rs. 247.16 Lakh in FY15 (compared with Rs. 101.09 Lakh in FY14).

ORGANISATION & MANAGEMENT: PROFILE OF THE PROMOTERS, MANAGEMENT & BOARD OF DIRECTORS

Details of key promoters

Name	Age	Designation	Educational qualification	Total years of experience	Years of association with company	Details of the past experience	Responsibilities handled
Mr. Gaurang Parmanand Shah	52	Mech. Engineer	MD	More than 30 years of exp.	10 years	NF	Technical Aspects
Mrs. Rupal Gaurang Shah	50	M. Com	ED	21 Years	10 years	NF	Accounts, Finance and admin dept.

NF: Not furnished

Comments:

- The management of HIPL vests in the hands of the key promoters Mr. Gaurang Parmanand Shah and Mrs. Rupal Gaurang Shah.
- Mr. Gaurang Parmanand Shah is a Mech. Engineer having more than three decades of experience in in the field of electro mechanical industry.
- Mrs. Rupal Gaurang Shah (wife of Mr. Gaurang Parmanand Shah) is a promoter and executive director of HIPL. She is an M. Com and looks after the accounts, finance and administration department of the company.

Details of key management personnel

Name	Age	Designation	Educational qualification	Approx. total years of experience	Years of association with the company	Responsibilities handled
Mr. Gaurang Parmanand Shah	52	MD	Mech. Engineer	More than 30 years of exp.	10 years	Technical Aspects
Ms. Hema Lakhmichand Advani	27	Company Secretary & Compliance Officer	CS	NF	10 years	Compliance
Mr. Pannalal Jatashanker Surti	65	CFO	B. com	NF	1 year	Accounts, Finance

NF: Not furnished

Comments:

- The second line of management consists of mix of recently appointed and past associated key personnel with relevant education and experience in the industry.

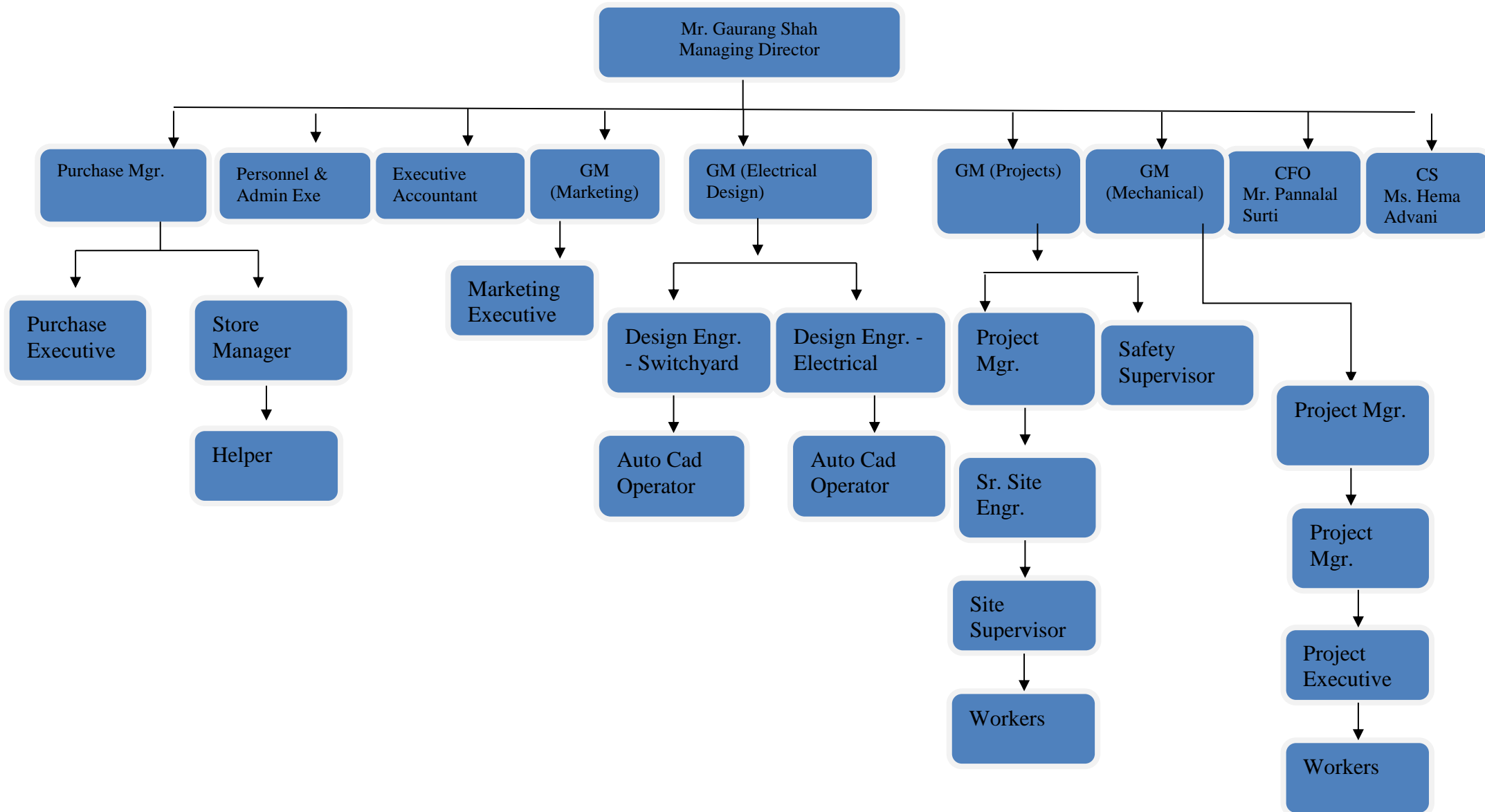
Details of the board of directors

Name	Age (Years)	Category	Education qualification	Total years of experience	Date of Appointment	Details of the past experience	Other directorships/ Association Chairman
Mr. Gaurang Parmanand Shah	52	Managing Director	Mech. Engineer	More than 30 years of exp.	January 02, 1985	NF	KalpAgritech Private Limited Highvolt Power And Control Systems Private Limited
Mrs. Rupal Gaurang Shah	50	Executive Director	M. Com	NF	February 19, 2009	NF	KalpAgritech Private Limited Highvolt Power And Control Systems Private Limited
Ms. Ritu Vinodkumar Chaudary	36	Independent & Non-Executive Director	NF	NF	March 20, 2015	NF	KalpAgritech Private Limited Highvolt Power And Control Systems Private Limited
Mr. Sachin Kanwarlal Kansal	29	Independent & Non-Executive Director	CA	NF	September 24, 2015	NF	Nil
Mr. Asit Ramniklal Shah	54	Independent & Non-Executive Director	NF	More than 30 years of exp.	March 20, 2015	NF	Nil

NF: Not furnished

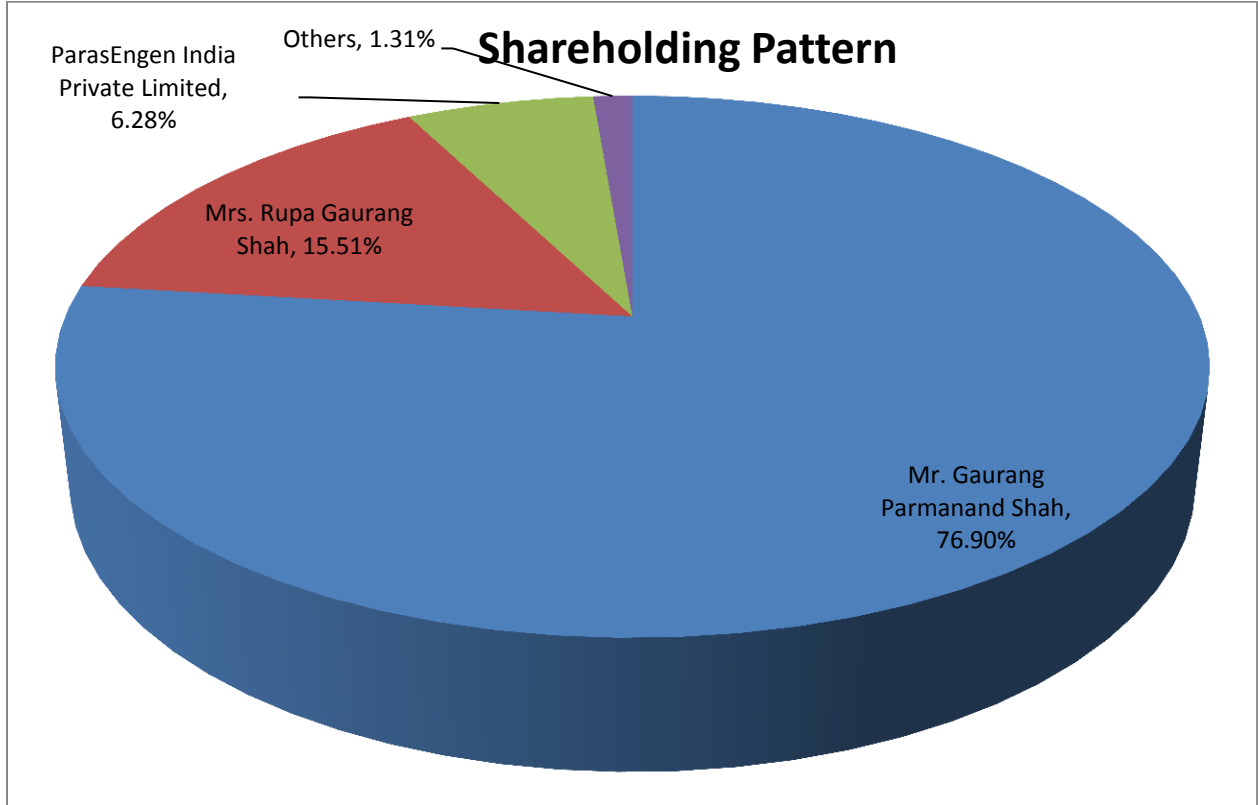
Comments:

- HIPL has two executive and three independent & non-executive directors.
- They have good industry experience fields of finance, marketing, litigation and administration.



ORGANISATION & MANAGEMENT: MANAGEMENT & OWNERSHIP STRUCTURE

Share holding pattern as on January 29, 2016



Name of share holder	No. of equity shares held	Share in business (%)
Mr. Gaurang Parmanand Shah	11,44,982	76.90%
Mrs. Rupal Gaurang Shah	2,31,000	15.51%
Paras Engen India Private Limited	93,500	6.28%
Others	19,250	1.31%
Total	14,88,732	100.00%

- The Shah family collectively holds 93.72% stake in HIPL. 6.28 % stake is held by Paras Engen India Private Limited.

Group Company details

(Rs. Lakh)

Name of the group company	Kalp Agritech Private Limited		Highvolt Power And Control Systems Private Limited		Paras Engen India Private Limited	
Year of incorporation	2001		2005		2007	
Registered office	Ahmedabad, Gujarat		Ahmedabad, Gujarat		Ahmedabad, Gujarat	
Nature of business	Agro trading		Manufacturing of HT and LT panels		Manufacturing of electrical panel boards, power control systems etc.	
Financial Year	FY14	FY15	FY14	FY15	FY14	FY15
Total Income	30.94	31.95	745.22	1,287.81	0.94	0.94
Net Profit	0.60	0.74	24.52	95.08	0.81	0.52
Net worth	48.68	49.27	98.46	293.00	2.65	3.17
Total Debt	-	-	247.83	309.04	2.00	2.00

(Rs. Lakh)

Name of the group company	Swati SwitchGears (India) Private Limited	
Year of incorporation	1993	
Registered office	Ahmedabad, Gujarat	
Nature of business	Manufacturing of electrical panel boards, power control systems etc.	
Financial Year	FY14	FY15
Total Income	3,262.48	6,885.87
Net Profit	66.70	126.01
Net worth	432.70	527.18
Total Debt	1409.68	1696.59

Comments

- HTPL has three other group companies namely Shree Krishna Cold Storage, Harsh Electric Corporation and Gaurang Parmanand Shah HUF; however, details of these three companies have not been provided by the management.

Employee Profile

Particulars	Nos.
Skilled/ Semi-Skilled Employees (On payroll)	52
Semi-Skilled/Unskilled (Contractual)	29
Total Employees	81

Comment:

- The major decisions are taken by the MD Mr. Gaurang Shah and director Mrs. Rupal Shah who are further supported by the second line of management. Further, the company has a strong human resource pool with qualified personnel consisting of CAs, and post graduates having relevant industry experience. However, the key decisions are taken by the management.

BUSINESS PROFILE: OPERATIONS OVERVIEW

BUSINESS PROFILE ANALYSIS

HIPL provides EPC services for various power transmission & distribution related work such as installation of switchyards, transformers, internal & external electrification of water pumping stations, cable laying etc.

OPERATIONS OVERVIEW

Nature of activity	Services
Industry segment	Electrical engineering industry
Services Offered	Supply, Installation, Testing & Commissioning (SITC) of Electro-Mechanical Instrumentation Projects
Controlling Office	Sigma -1 Corporate, Corporate House No – 6, Sindhu Bhawan Road, Near Mann Party Plot Cross Road, Bodakdev, Ahmedabad – 380 054
Area of the Servicing Facility/Office	NA
Ownership of Servicing Facility/Office	Owned
Location advantage	NA
Marketing Setup	Yes

Comments:

- HIPL has registered office located at Ahmedabad, Gujarat. HIPL has an established track record of more than one decade as an EPC contractor in the field of Electrical Engineering. HIPL has presence in entire spectrum of Electrical industry from Extra Low Voltage (ELV) range (i.e. computer networking/digitization) to 220KV applications (switchyards/power substation etc.). HIPL has team of qualified and experienced engineers, technicians and support staff for executing complex EPC projects.
- Most of the government projects have stipulated criteria in terms of operational and financial strength of the contractor for awarding the project. Due to rich experience and resourcefulness of promoters, HIPL has executed EPC projects of varying complexities and size for various industries.

Details of ongoing projects of the company-

Due to very well established marketing network and proven execution capabilities, HIPL has been able to regularly procure EPC projects. As on June 30, 2015, HIPL had an order book of Rs.216.60 crore.

The details of the order book are as under:

(Rs.)

Client's Name	Industry	Total contract value	% of project completed till date	Total billed amount till date	Expected date of completion	Unexecuted order value
M/s Gujarat Energy Transmission Corporation Limited	Power	5,91,71,927/-	70%	40,255,748/-	March,2016	18,916,179
M/s. BPC Projects & Infrastructure Private Limited (Gujarat University)	Education	4,43,39,584/-	86%	3,81,39,584/-	December,2015	62,00,000/-
Gujarat International Finance Tech-City Company Limited	Finance	4,46,31,930/-	50%	2,22,92,915/-	December,2015	2,23,39,015/-
M/s. Larson & Tourbo Limited – Hotel Hyatt	Hotel	6,27,83,767/-	76%	4,72,33,767/-	April,2016	1,55,50,000/-
M/s. Indian Oil Corporation (Pipeline Division)	Petroleum	6,62,23,510/-	97%	6,42,63,579/-	December,2015	19,59,931/-
M/s. Khurana Engineering Limited – IIT Gandhinagar	Education	16,39,99,852/-	77%	12,67,13,931/-	June,2016	3,72,85,921/-
Total				40,255,748/-		

CUSTOMERS & SUPPLIERS ANALYSIS

CUSTOMER’S PROFILE

HIPL has vast experience in executing Electro-Mechanical projects for reputed clientele across various industries such as Engineering and allied products, Textiles, Steel & Non-ferrous metals, Petrochemicals etc. Some of the clientele of HIPL includes Adani Enterprises Ltd, Indian Oil Corporation Ltd, Alstom Bharat Forge Power Ltd, Mother Dairy, L&T Ltd, Bombardier Transportation India Ltd, etc. Apart from private sector entities, HIPL is also involved in bidding and executing government and semi-government projects. HIPL is a registered EPC contractor with Road & Building Department of Gujarat, Public Health Engineering Dept. of Chattisgarh, IFFCO, GETCO (Gujarat Energy Transmission Corporation Ltd etc. It has executed projects for IIT Gandhinagar, Airport Authority of India, Ahmedabad Municipal Corporation etc.

Some of the projects executed by HIPL for reputed clientele

Name of Client	Scope of Project	Value (Rs. Crore)
J. KUMAR INFRAPROEJCTS LTD.,	Electrical and Street lighting work for construction of Phase-II of BRTS corridor in city of Ahmedabad	17.40
Ahmedabad Municipal Corporation	SITC of Street Light System including Street Light Poles of different types, Cables, fixtures of different rating along with required Electrical, Mechanical & Civil work including all necessary Equipment	16.66
Gujarat International Finance-Tech city Company Ltd (GIFT City)	Pre commissioning Power Supply Arrangement	2.74
Hitachi Home and Life Solution Ltd	EPC work for electrical installation work of factory building along with installation of fire alarm system, CCTV system, and networking system	2.65
Hindustan Coca Cola Beverages Pvt Ltd	SITC of switchyard extension, substation transmission line	7.25
Kohler India Corporation Pvt ltd	SITC and telecom works for faucet facility at Jagdia, Gujarat.	3.39
Bombardier Transportation India ltd	SITC of various High tension and Low tension panels, Lighting work , street light poles etc.	9.07

Apart from above, HIPL has executed many projects for Road and Building departments of Gujarat and for CPWD.

CUSTOMERS FEEDBACK

Name of Customer	NCC Limited
Contact person	Ms. Anamika
Contact details	079-26871478
Feedback	Satisfactory

Name of Customer	L & T Limited – Construction
Contact person	Mr. Arvind Gupta
Contact details	44-22526803
Feedback	Satisfactory

Name of Customer	Cosma International India Private Limited
Contact person	Mr. Ashvin Patel
Contact details	08511114120
Feedback	Satisfactory

SUPPLIERS' PROFILE

- HIPL's material is electric and electronic high tension and low tension panel and accessories, D.C drives, instruments and power control systems and their spare parts, etc. which it purchases from Andrew Yule & Company Limited, Universal Power Transformer Private Limited, C & S Electric Limited, ABB Limited, Swati Switch Gear India Private Limited , Highvolt Power and Systems Private Limited, etc.

BUSINESS ACTIVITY DETAILS

Key materials	Electric and electronic high tension and low tension panel and accessories, D.C drives, instruments and power control systems and their spare parts, etc.
Level of Raw Material Price fluctuation risk	Moderate
Quality Certifications	-
Level of value addition	Moderate

SUPPLY SIDE ANALYSIS

Average Creditor Days	77
Material Availability	Adequate
Import as a % of RM Purchase	Nil
Comment	The company purchases material on cash and credit basis and receives credit period of ~ 30-60 days and gives 10% of advanced payment to its suppliers.

- Supplier Feedback**

Name of Customer	Hitachi – Hirel Power Electronics (P) Limited
Contact person	Mr. Malay Shah
Contact details	9725010893
Feedback	Satisfactory

Name of Customer	Swati Switch Gear India Private Limited
Contact person	Mr. V.P. Shah
Contact details	9327090684
Feedback	Satisfactory

Name of Customer	Highvolt Power and Systems Private Limited
Contact person	Mr. Jigneshbhai Patwari
Contact details	9825581370
Feedback	Satisfactory

INDUSTRY ANALYSIS

Name of the industry	Electrical engineering industry
Service portfolio	Supply, Installation, Testing & Commissioning (SITC) of Electro-Mechanical Instrumentation Projects
Overall Industry risk	Moderate
Level of competition	High

INDUSTRY WRITE-UP:

Engineering industry is one of the largest industries in India. This industry, being closely associated with the manufacturing and infrastructure sectors of the economy, is of strategic importance to nation's economy. Growth in this sector is driven by various sub-sectors such as infrastructure, power, steel, automotive, oil and gas, consumer durables etc. The industry can be broadly categorized into two segment namely heavy engineering and light engineering. Most of the leading players are engaged in the production of heavy engineering goods and mainly produces high-value products using high-end technology. The light engineering goods segment uses medium to low-end technology. Entry barrier in this segment is low on account of the comparatively lower requirement of capital and technology and it is characterized by the dominance of small and unorganized players.

The government plays an important role in developing the engineering section of the economy. The engineering industry has been de-licensed and enjoys 100 per cent foreign direct investment (FDI). Cumulative FDI in the sector totaled \$ 26.6 billion over April 2000-May 2015.

Growth of engineering industry

Growth in this industry has been fueled by growth in key end-user industries and many new projects undertaken in various core industries such as railways, power, and infrastructure. Capacity creation in sectors such as infrastructure, oil and gas, power, mining, automobiles, auto components, steel, refinery, and consumer durables has driven growth in this sector. For example, the domestic sales of automobiles have grown at a CAGR of around 20 per cent over the past four years thereby increasing the demand for engineering goods. Apart from demand from user industries, the availability of technical education infrastructure that provides an increased number of technically trained human resources each year has been another key factor aiding the engineering industry in India. Besides, India is being preferred by global

manufacturing companies as an outsourcing destination on account of its lower labor cost and better designing capabilities.

Rising engineering exports

In the financial year 2015 Indian engineering exports surged by around 15% to \$70.6 billion as compared to \$61.6 billion in the previous financial year. Transport equipment remained the leading contributor to engineering exports. The segment accounted for 33.5% of the total engineering exports during financial year 2015. Machinery and instruments is the other major contributor with a share of 31.8% of the total engineering exports. The base metal sector (including iron and steel) contributes 32.9% to the total exports from the engineering sector. The US and Europe together account for about 60 per cent of India's total engineering exports, as demand in key markets such as the US and the UAE is on the rise. Apart from these traditional markets, Eastern and Central European countries markets such as Poland also hold huge opportunity. India's engineering exports to Japan and South Korea too have increased with shipments to these two countries rising by 16 and 60 per cent respectively.

Investments in the industry

Major investments and developments in the Indian engineering industry:

Hyderabad-based infra player IL&FS Engineering Services has bagged a port project worth Rs 179.84 crore (\$ 28.74 million) in Maharashtra. The company has received a letter of award (LOA) from IL&FS Maritime Infrastructure Company (IMICL) on behalf of Dighi Port for engineering, procurement, and construction (EPC) contract for the development of multipurpose berth, backup yard development and utilities of multipurpose terminal berth 5 on the north of Dighi Port, Agardanda in Maharashtra.

Vistara, the Tata Sons-Singapore Airlines JV, has signed an agreement with Airbus for engineering support services which include components supply and airframe maintenance.

Honeywell Turbo Technologies has partnered with Tata to develop their first ever petrol turbocharged engine. The new Tata Revotron 1.2T engine launched in the 2014 Tata Zest delivers improved power and torque and a multi-drive mode. Engineers India (EIL) has inked a \$139 million consultancy deal for a 20 million tons (MT) refinery and polypropylene plant being built in Nigeria by Dangote Group.

Bharat Forge has acquired Mecanique Generate Langroise (MGL), French oil and gas machining company, via its German arm CDP Bharat Forge GmbH. The company will benefit from MGL's expertise in precision machining and other high value processes like cladding which have critical application in the oil and gas industry.

Royal Enfield, a two wheeler division of Eicher Motors, acquired UK based design and engineering company Harris Performance Products, whose expertise, knowledge and understanding of motorcycling will help Eicher Motors achieve leadership in the global mid-sized motorcycling segment.

Government initiatives

Government's 'Make in India' campaign has received the attention of several infrastructure and engineering multi nationals including GE and ThyssenKrupp, which are considering investing in the country. The Government has also awarded a record 56 defense manufacturing permits to private sector entities like Mahindra, Tata and Pipavav, etc., in the past year to set up production units for major military equipment.

Reflecting rapid expansion in military ties, Israel has announced its willingness to share cutting-edge defense technologies with India and both countries will go for co-development of a number of key weapon systems soon. Israeli Defense Minister Mr. Moshe Ya'alon said both countries have overcome hurdles in co-development of Barak 8 missile defense system and work on another key project of aerial defense systems was on track.

With the aim to boost the manufacturing sector, the government has relaxed the excise duties on factory gate tax, capital goods, consumer durables and vehicles. It has also reduced the basic customs duty from 10 per cent to 5 per cent on forged steel rings used in the manufacture of bearings of wind operated electricity generators.

Issues and Concerns

Devaluation of Chinese Yuan, Sharp reduction in demand for base metals and commodities from China is impacting exports of India's engineering products to the neighboring country. The country's engineering exports to China dropped by 38% in August, while total outbound shipments of such items witnessed a fall of 29.5% to \$4.49 billion from \$6.38 billion in the same month last year. These numbers are negating the contention that India is somewhat decoupled from slowdown in China.

Outlook

Outlook of Indian engineering industry is positive for long term on account of infrastructure development, favorable government policies, and new investments in power projects, metals, oil & gas, petrochemicals industries, etc. Further industrial and manufacturing growth will also increase growth in the sector. As the export market offers more opportunities to explore, India's contribution in global engineering exports is expected to increase. Emerging trends like outsourcing of engineering services provide opportunities for growth. However, devaluation of Chinese Yuan, Sharp reduction in demand for base metals and commodities from China are impacting exports of India's engineering products to the neighboring country.

SITE VISIT REPORT

Location of Servicing Facility/office	Sigma -1 Corporate, Corporate House No – 6, Sindhu Bhawan Road, Near Mann Party Plot Cross Road, Bodakdev, Ahmedabad – 380 054
Sites visited	Sigma -1 Corporate, Corporate House No – 6, Sindhu Bhawan Road, Near Mann Party Plot Cross Road, Bodakdev, Ahmedabad – 380 054
Date Of Site Visited	January 03, 2016
Presence in a cluster	NA
Area of the unit	NA
No. of employees at site	81
Ownership of premises	Owned
Other facilities	NA

Adequacy of Servicing Facilities

Availability of land for future expansion	NA
Site layout	NA
Adequacy of insurance coverage	NA
Source of power	NA
Adequacy of power	NA
Presence of labor union	NA
Industrial relations	NA
Level of work safety	NA
Adequacy of storage facilities	NA
Operational status of Servicing Facility	NA

Note- The entity has various projects running at different sites and as such, however site visit is done for corporate office

FINANCIAL PERFORMANCE - PROFITABILITY STATEMENT
Rs. In Lakh

Period Ends on:	31 Mar 2011	31 Mar 2012	31 Mar 2013	31 Mar 2014	31 Mar 2015
Result Type:	Actual	Actual	Actual	Actual	Actual
No. of months in current financial year	12.00	12.00	12.00	12.00	12.00
Gross Sales	4659.00	5729.22	871.38	917.67	1536.94
Traded Goods Sales	0.00	0.00	5100.00	5128.45	10964.46
Net Sales	4659.00	5729.22	5971.38	6046.11	12501.40
Other Income(related to operations)	33.32	62.39	92.72	49.61	63.29
Total Operating Income	4692.32	5791.61	6064.10	6095.72	12564.69
Material Costs	3649.76	4310.36	0.00	0.00	0.00
Cost of Traded Goods Sale	0.00	0.00	4111.96	4336.34	9291.62
Accretion : Decretion to Finished Goods Stock	-118.72	33.98	22.41	0.00	0.00
Power and Fuel	2.18	2.81	17.61	24.28	28.53
Employee Costs	119.24	166.85	231.02	280.84	329.79
Other Manufacturing Expenses	523.82	744.08	954.65	697.32	1625.69
Other Expenses	163.05	137.42	106.21	234.96	180.47
Selling Expenses	13.05	5.87	185.45	64.90	415.31
Cost of Sales	4352.38	5401.36	5629.32	5638.63	11871.40
PBILD	339.94	390.25	434.78	457.09	693.29
Depreciation	34.88	16.11	17.82	17.69	37.20
PBIT	305.06	374.13	416.96	439.41	656.08
Interest and Finance Charges	155.70	248.86	267.11	278.77	287.09
Operating Profit Before Tax (OPBT)	149.36	125.28	149.85	160.64	369.00
Operating Profit After Tax (OPAT)	98.30	81.12	106.43	101.18	248.70
Profit Before Tax (PBT)	149.36	125.28	149.85	160.64	369.00
Cash Adjustments	-0.04	0.00	-2.84	-0.15	-2.29
Adjusted Profit Before Tax (APBT)	149.33	174.50	147.10	160.49	366.71
Tax	51.14	37.50	45.00	50.00	125.00
Provision for Deferred Tax	-0.08	24.00	-2.38	9.40	-5.45
ADJUSTED PROFIT AFTER TAX (APAT)	98.27	112.99	104.48	101.09	247.16
Gross Cash Accruals	133.07	102.69	119.92	128.17	278.91

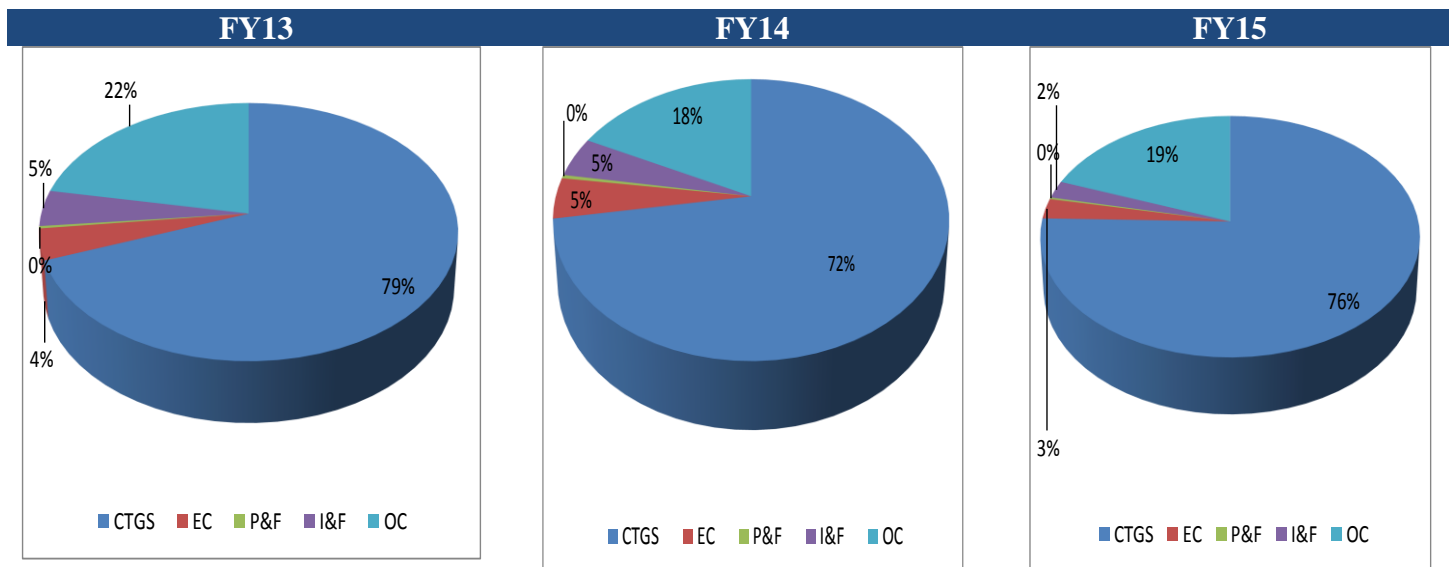
Revenue analysis

Rs. In Lakh

Parameters	FY11	FY12	FY13	FY14	FY15	CAGR (%) (FY11-FY15)
Net Sales	4659	5729.22	5971.38	6046.11	12501.40	27.98%
<i>% y-o-y growth</i>	NM	22.97%	4.23%	1.25%	106.77%	-
Other Income (related to operations)	33.32	62.39	92.72	49.61	63.29	17.40%
<i>% y-o-y growth</i>	NM	87.24%	48.61%	-46.49%	27.58%	
Total Operating Income	4692.32	5791.61	6064.1	6095.72	12564.69	27.92%
<i>% y-o-y growth</i>	NM	23.43%	4.70%	0.52%	106.12%	

- HIPL’s total operating income (TOI) consists of trading of goods required in the project and services for various power transmission & distribution related work such as installation of switchyards, transformers, internal & external electrification of water pumping stations, cable laying etc. to its reputed domestic clientele such as Adani Enterprises Ltd, Indian Oil Corporation Ltd, Alstom Bharat Forge Power Ltd, Mother Dairy, L&T Ltd, Bombardier Transportation India Ltd, etc. from Steel, Chemical, Cement manufacturing, Oil & Gas sector, Power industries etc.
- HIPL’s total operating income remained moderate at Rs.6046.11 lakh during FY13-FY14. However, its TOI increased to Rs.12564.69 lakh in FY15 mainly due to execution of number of relatively larger size projects.
- Other income includes rent received, interest and miscellaneous income of Rs.63.29 Lakh during FY15 as compared to Rs. 49.61 Lakh in FY14.

FINANCIAL PERFORMANCE - COST STRUCTURE



CTGS = Cost of traded goods sold; EC = Employee cost; P&F = Power and fuel; I&F = Interest and finance charges; OC = other cost (including depreciation)

Comments:

Cost of traded goods sold constituted the highest pie in the cost structure during FY13 to FY15. While employee costs increased from Rs. 231.02 Lakh in FY13 to Rs. 329.79 Lakh in FY15, the power and fuel costs increased from Rs. 17.61 Lakh in FY13 to Rs. 28.53 Lakh in FY15. Fixed capital charges (depreciation and finance costs) covered 2.63 portions of the total costs for FY15.

Cost of traded goods sold analysis

Parameters	FY11	FY12	FY13	FY14	FY15
Cost of traded goods (Rs. lakh)	0	0	4111.96	4336.34	9291.62
% y-o-y growth	NM	NM	NM	5.46%	114.27%
As % of TOI	NM	NM	67.81	71.14	73.95
As % to cost of sales	0	0	73.05	76.90	78.27

- HIPL provides EPC services for various power transmission & distribution related work such as installation of switchyards, transformers, internal & external electrification of water pumping stations, cable laying etc.
- Cost of traded goods sold as a % of TOI increased from 67.81% in FY13 to 73.95% in FY15 on account of increase in no. of project executions.

Power & fuel cost

Parameters	FY11	FY12	FY13	FY14	FY15
Power & fuel cost (Rs. lakh)	2.18	2.81	17.61	24.28	28.53
% <i>y-o-y growth</i>	NM	28.90%	526.69%	37.88%	17.50%
As % of TOI	0.05%	0.05%	0.29%	0.40%	0.23%
As % to cost of sales	0.05%	0.05%	0.31%	0.43%	0.24%

- Being a service provider, power and fuel (P&F) costs remained low and in the range of 0.05% to 0.40% of TOI during the past five years ending March 31, 2015.

Employee cost

Parameters	FY11	FY12	FY13	FY14	FY15
Employee cost (Rs. lakh)	119.24	166.85	231.02	280.84	329.79
% <i>y-o-y growth</i>	NM	39.93%	38.46%	21.57%	17.43%
As % to total operating income	2.54%	2.88%	3.81%	4.61%	2.62%
As % to cost of sales	2.74%	3.09%	4.10%	4.98%	2.78%

- HIPL employs considerable number of manpower for project execution at its various sites and also qualified personnel for managing administrative, marketing, and accounts and finance. The total number of employees with the company stood at 73 as on January 31, 2016.

Other operating cost items

Parameters	FY11	FY12	FY13	FY14	FY15
Selling Expenses (Rs. lakh)	13.05	5.87	185.45	64.9	415.31
% y-o-y	NM	-55.02%	3059.28%	-65.00%	539.92%
% of TOI	0.28%	0.10%	3.06%	1.06%	3.31%
% of cost of sales	0.30%	0.11%	3.29%	1.15%	3.50%
Other Manufacturing Expenses (Rs. lakh)	523.82	744.08	954.65	697.32	1625.69
% y-o-y	NM	42.05%	28.30%	-26.96%	133.13%
% of TOI	11.16%	12.85%	15.74%	11.44%	12.94%
% of cost of sales	12.04%	13.78%	16.96%	12.37%	13.69%
Other operating Expenses (Rs. lakh)	163.05	137.42	106.21	234.96	180.47
% y-o-y	NM	-15.72%	-22.71%	121.22%	-23.19%
% of TOI	3.47%	2.37%	1.75%	3.85%	1.44%
% of cost of sales	3.75%	2.54%	1.89%	4.17%	1.52%

- Selling expenses have remained in the range of 0.10% to 3.31% of TOI during FY11 to FY15 comprising primarily of commission paid, sales promotion and distribution expenses.
- Other manufacturing expenses remained in the range of 11.16% to 15.74% of TOI and comprised of job work expenses, repairs and insurance.
- Other operating expenses (include Rent rates, Directors fees, Audit Fees, Travelling and conveyance, etc.) remained fluctuating and in the range of 1.44% to 3.85% TOI during FY11 to FY15.

Depreciation

Parameters	FY11	FY12	FY13	FY14	FY15
Depreciation (Rs. lakh)	34.88	16.11	17.82	17.69	37.2
% y-o-y growth	NM	-53.81%	10.61%	-0.73%	110.29%
As % of total operating income	0.74%	0.28%	0.29%	0.29%	0.30%
Depreciation rate (% of average gross block)	11.50	2.28	2.10	1.84	3.42

- Depreciation expense increased from Rs. 17.69 Lakh in FY14 to Rs. 37.2 Lakh in FY15 mainly due to additions to plant and machinery, Computers, furniture & fixtures, office equipment and vehicles.
- Depreciation is charged over the useful life of an assets on straight line method and pro rata basis prescribed under 'schedule II' of The Companies Act, 2013.

Interest and finance charges

Parameters	FY11	FY12	FY13	FY14	FY15
Interest and Finance Charges (Rs. lakh)	155.7	248.86	267.11	278.77	287.09
<i>% y-o-y growth</i>	NM	59.83%	7.33%	4.37%	2.98%
As % of TOI	3.32%	4.30%	4.40%	4.57%	2.28%

- The total interest and finance charges have increased from Rs. 278.77 Lakh in FY14 to Rs. 287.09 Lakh in FY15 mainly due to increase in increase in bank charges during FY15.

FINANCIAL PERFORMANCE - BALANCE SHEET:ASSETS
Rs. In Lakh

Period Ends on:	31 Mar 2011	31 Mar 2012	31 Mar 2013	31 Mar 2014	31 Mar 2015
Result Type:	Actual	Actual	Actual	Actual	Actual
SUMMARY: ASSETS					
Gross Block	332.44	377.91	372.24	386.54	414.87
Accumulated Depreciation	-75.95	-41.64	-52.38	-70.06	-115.98
Net Block	256.50	336.27	319.87	316.48	298.89
NET FIXED ASSETS	256.50	336.27	319.87	316.48	298.89
Money Market; equivalent	67.48	100.33	83.46	96.50	111.56
Finished Goods	390.70	356.71	334.30	481.80	2016.28
TOTAL INVENTORIES	390.70	356.71	334.30	481.80	2016.28
Receivables : More than 6 months	210.16	878.90	1280.61	335.18	16.51
Receivables : Less than 6 months	2125.42	1637.47	1477.71	2037.09	2621.35
Bills Receivable	0.00	40.58	0.00	0.00	0.00
TOTAL RECEIVABLES	2335.58	2556.95	2758.32	2372.27	2637.86
Loans; Advances; current assets related to operations	383.19	272.02	478.12	1608.49	1949.74
Cash and Bank Balances	149.84	256.18	122.73	149.12	210.65
TOTAL OTHER ASSETS	533.03	528.19	600.86	1757.61	2160.39
TOTAL CURRENT ASSETS related to operations	3326.79	3542.19	3776.95	4708.18	6926.08
TOTAL ASSETS	3799.48	4360.02	4601.69	5638.21	7964.29

Comments:
Fixed assets
Composition of net fixed assets

- HIPL's fixed assets primarily comprises of building (60.41% of net fixed assets as on March 31, 2015), vehicles (~42.30%), Furniture and fixtures (34.52%), office equipment (18.52%), plant & machineries (~13.27%) and computers (9.73%).

Inventories

Parameters: As on March 31,	2011	2012	2013	2014	2015
Finished Goods (Rs. lakh)	390.7	356.71	334.3	481.8	2016.28
<i>Average Finished Goods Inventory Period (days)</i>	27	25	23	26	39
Total inventories (Rs. lakh)	390.7	356.71	334.3	481.8	2016.28
<i>Average Inventory Period (days)</i>	27	25	23	26	39
Total inventory as % of total assets	10.28%	8.18%	7.26%	8.55%	25.32%

- Total inventory comprises of only finished goods inventory which is 100% of the total inventory.
- HIPL maintains sufficient finished goods inventory to execute the project and since the company acquired new clients in FY15 inventory level significantly increased.

Sundry debtors

Parameters: As on March 31,	2011	2012	2013	2014	2015
Total Receivables (Rs. lakh)	2335.58	2556.95	2758.32	2372.27	2637.86
Average Collection Period (days)	202	173	173	183	90
As % of net sales	50.13%	44.63%	46.19%	39.24%	21.10%
As % of total assets	61.47%	58.65%	59.94%	42.07%	33.12%

- There hasn't been any major increase in outstanding receivables as on March 31, 2015 compared to as on March 31, 2014 due to recovery of dues for previously executed projects as well as large amount of orders executed by HIPL, as direct EPC players, resulting in faster execution of orders and hence improving collection period from 183 days in FY14 to 90 days in FY15.

Other current assets

(Rs. Lakh)

Parameters: As on March 31,	2011	2012	2013	2014	2015
Other current assets	533.03	528.19	600.86	1757.61	2160.39
As % of total assets	14.03%	12.11%	13.06%	31.17%	27.13%
Other operating current assets	3326.79	3542.19	3776.95	4708.18	6926.08
Advance tax paid	-	-	-	-	-
Income tax	-	-	-	-	-
TDS	-	-	-	-	-
Cash & bank balances	149.84	256.18	122.73	149.12	210.65
<i>Cash on hand</i>	7.30	2.81	0.89	7.05	7.05
<i>Balances with banks in current accounts</i>	142.54	253.36	121.84	142.07	142.07

- Other operating current assets as on March 31, 2015 comprise of advances recoverable (Rs. 1949.74 Lakh), cash and bank Balances (Rs. 210.65 Lakh), money market equivalent (Rs. 111.56 Lakh), total inventories (Rs. 2016.28 Lakh) and total receivables (Rs. 2637.86 Lakh).

FINANCIAL PERFORMANCE - BALANCE SHEET: LIABILITIES
Rs. In Lakh

Period Ends on:	31 Mar 2011	31 Mar 2012	31 Mar 2013	31 Mar 2014	31 Mar 2015
Result Type:	Actual	Actual	Actual	Actual	Actual
SUMMARY: LIABILITIES					
Total Paid Up Equity Share Capital	69.77	69.77	69.77	139.53	148.88
Share Application Money pending allotment	0.00	0.00	4.95	0.00	0.00
Quasi Equity :FCD; CCPS etc.	0.00	0.00	133.00	133.00	133.00
GROSS RESERVES	641.56	773.93	841.58	863.66	1084.18
NET RESERVES	641.56	773.93	841.58	863.66	1084.18
TANGIBLE NET WORTH	711.32	843.70	1049.30	1136.19	1366.06
Preference Share Capital	9.35	9.35	9.35	9.35	0.00
Rupee Term Loans	395.24	526.05	262.78	181.98	80.13
Other Long Term Loans	37.32	15.41	194.08	173.54	189.20
Loans and advances from related parties	101.26	133.36	138.48	208.48	153.59
TOTAL LONG TERM DEBT	543.17	684.18	604.70	573.35	422.92
Current Portion of Long Term Debt and Fixed Deposits	-49.94	-111.34	-102.59	-101.85	-96.67
NET LONG TERM DEBT	493.23	572.84	502.11	471.50	326.25
Current Portion of Long Term Debt and Fixed Deposits	49.94	111.34	102.59	101.85	96.67
Working capital Bank Borrowings	728.54	1250.27	1451.52	1949.30	1841.66
TOTAL SHORT TERM DEBT	778.48	1361.61	1554.11	2051.15	1938.33
Creditors for goods	1754.65	1478.92	957.80	1373.20	3673.65
Advances; deposits recd from customers: related to ops.	0.00	0.00	300.00	300.00	547.00
TOTAL OTHER LIABILITIES	1754.65	1478.92	1257.80	1673.20	4220.65
Provision for Dividend	4.94	3.96	9.24	9.24	17.92
Provision for Taxes	50.83	83.64	185.83	241.91	43.87
Total Provisions	55.78	87.59	195.07	251.15	61.78
Total Current Liabilities and Provisions; related to operations	1810.43	1566.52	1452.88	1924.35	4282.44
TOTAL OUTSIDE LIABILITIES	1277.73	1949.80	2074.30	2543.05	2286.63
TOTAL LIABILITIES	3799.48	4360.02	4601.69	5638.21	7964.29

Comments:**Equity share capital**

- HIPL has an authorized share capital of 21,00,000 equity shares with nominal value of Rs.10/- each. It has an issued, subscribed and paid up capital of 14,88,832 shares of Rs. 10/- each full paid up as on December 16, 2015.
- During FY15, HIPL has redeemed 93500 preference shares of the face value of Rs. 10 each at a premium of Rs. 90 by the way the way of conversion of equity shares.
- During FY14, the company issued 697666 shares of nominal value Rs. 10/- each as bonus shares (1 bonus shares for every 1 share held).

Long-term borrowings

- The total long term debt outstanding as on March 31, 2015 consists of Secured term loans (worth Rs. 80.13 Lakh), unsecured loans from promoters and related parties (worth Rs. 153.59 Lakh), and vehicle loans (worth Rs. 189.20 Lakh).
- The company had availed new term loans (of Rs. 80.13 Lakh) during FY15 for business purpose.

Short term borrowings

- Short term debt consists of cash credit facility having worth Rs.1841.66 Lakh outstanding as on March 31, 2015 which is availed to meet the company's working capital requirements since considerable funds are being blocked in receivables and inventory.
- Total short term borrowings also include current portion of the long term debt which is payable within the next financial year.

Trade payable

Parameters	March 2011	March 2012	March 2013	March 2014	March 2015
Trade payable (Rs. lakh)	1754.65	1478.92	957.8	1373.2	3673.65
Average Creditors Period (days)	150	108	88	74	77
As % of total liabilities	46.18%	33.92%	20.81%	24.36%	46.13%

- HIPL's trade payables outstanding as on March 31, 2015 include creditors for goods and expenses. The average creditor period stood at 77 days in FY15 (compared to 74 days in FY14).

Short term provision
(Rs. Lakh)

Parameters	March 2011	March 2012	March 2013	March 2014	March 2015
Total short term provisions	55.78	87.59	195.07	251.15	61.78
Provision for income tax	50.83	83.64	185.83	241.91	43.87
Provision for Dividend	4.94	3.96	9.24	9.24	17.92
As % of total liabilities	1.47%	2.01%	4.24%	4.45%	0.78%

- Total short term provisions include provisions for income tax payment and dividend (Rs.61.78 Lakh as on March 31, 2015).

Details of the related party transactions

Related Party	Nature of the Relationship
Mr. Guarang Shah	MD and promoter
Mrs. Rupal Shah	Wife of MD and promotor
Highvolt Power & Control Systems Private Limited	Group company
Mr. Yogesh Shah	Director
Mr. Anirudh Gohil	Director

(Rs. Lakh)

Name of related Party	Nature of transaction	March 2015	March 2014	March 2013	March 2012	March 2011
Mr. Gaurang Shah	Directors remuneration	22.75	21.23	17.40	13.80	12.26
Mrs. Rupal Shah		18.20	16.93	14.00	11.40	9.66
Mr. Gaurang Shah	Commission	25.00	15.00	15.00	-	-
Mrs. Rupal Shah		12.50	5.00	5.00	-	-

Mr. Gaurang Shah	Interest	18.86	26.38	15.85	7.33	2.93
Mrs. Rupal Shah		4.36	4.69	1.46	1.06	0.63
Mr. Anirudh Gohil	Sitting Fees	3.50	-	-	-	-
Mr. Yogesh Shah		1.23	-	-	-	-
Mr. Pannalal Surti	Salary	3.77	3.15	2.93	2.70	-
Mr. Gaurang Shah	Dividend	11.45	5.74	5.74	2.87	2.77
Mrs. Rupal Shah		2.43	1.22	1.15	0.58	1.15
Ms. Priya G. Shah	Consultancy Charges	-	-	-	-	2.32
Ms. Priya G. Shah	Salary	3.50	-	-	-	-
P.R. Electricals	Interest paid				3.60	2.92
Mr. Gaurang Shah	Loans & Advances taken	210.98	162.74	123.76	111.32	50.18
Mrs. Rupal Shah		75.61	33.31	12.72	11.15	6.23
P.R. Electricals		-	-	-	10.89	44.84
P.R. Electricals	Loans & Advances repaid	-	-	10.89	33.95	
P.R. Electricals	Loans & Advances given	33.58	29.98	22.29	-	-
Highvolt Power and Control Systems Pvt. Ltd.	Outstanding Loans, other current liabilities and creditors	119.76	70.71	90.90	49.17	21.70
Shree Krishna Cold Storage	Sales	-	146.17	85.00	-	86.21
Highvolt Power and Control Systems Pvt. Ltd.	Purchases/Service	454.11	94.65	145.97	134.01	48.06

Dividend Policy

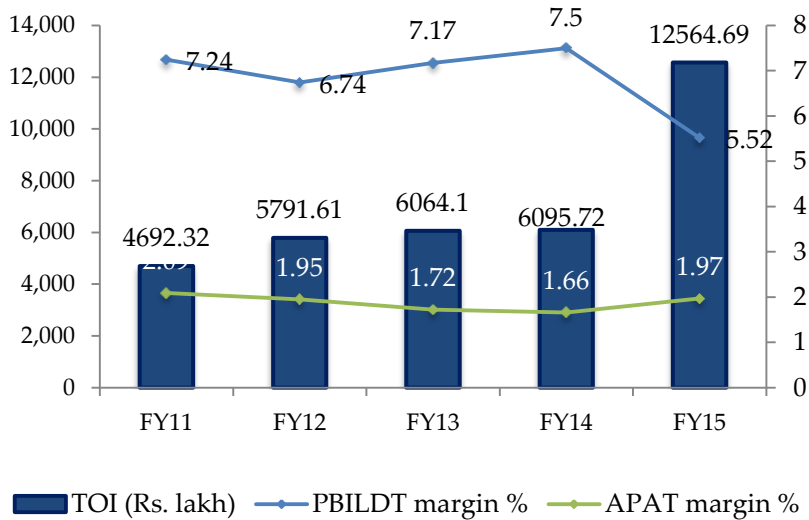
- HIPL has been paying dividend to equity shareholders of Rs. 1.00 per equity share at 10% every year from FY11 to FY15 and also to preference shareholders of Rs. 1.00 per equity share at 10% every year from FY11 to FY14 every year.

FINANCIAL PERFORMANCE - SUMMARY OF RATIOS

Period Ends on:	31 Mar 2011	31 Mar 2012	31 Mar 2013	31 Mar 2014	31 Mar 2015
Result Type:	Actual	Actual	Actual	Actual	Actual
KEY FINANCIAL RATIOS					
Growth Ratios					
Growth in Net sales	-14.11	22.97	4.23	1.25	106.77
Growth in Total Operating Income	-13.97	23.43	4.70	0.52	106.12
Growth in PBILDT	20.45	14.80	11.41	5.13	51.67
Growth in APAT	-14.35	14.98	-7.53	-3.25	144.50
Profitability Ratios					
Gross Margin	24.21	24.17	30.76	28.28	25.68
Gross Margin on traded goods	0.00	0.00	19.37	15.45	15.26
PBILDT Margin	7.24	6.74	7.17	7.50	5.52
PBIT Margin	6.50	6.46	6.88	7.21	5.22
OPBT Margin	3.18	2.16	2.47	2.64	2.94
OPAT Margin	2.09	1.40	1.76	1.66	1.98
APAT Margin	2.09	1.95	1.72	1.66	1.97
Operating ROCE	14.75	14.01	12.43	11.47	16.12
ROCE (Total)	16.53	15.67	14.12	12.88	17.84
RONW	15.12	14.53	12.06	9.25	19.75
Average Cost of Borrowings	13.03	15.52	12.95	12.25	11.99
Turnover Ratios					
Operating Capital Turnover Ratio	2.53	2.42	2.04	1.77	3.40
Fixed Assets Turnover Ratio	15.01	16.19	16.04	15.94	31.20
Working Capital Turnover Ratio	3.14	3.29	2.85	2.37	4.61
Average Finished Goods Inventory Period	27	25	23	26	39
Average Inventory Period (days)	27	25	23	26	39
Average Collection Period (days)	202	173	173	183	90
Average Creditors Period (days)	150	108	88	74	77
Working Capital Cycle (days)	80	90	109	135	52
Solvency Ratios					
Debt Equity Ratio	0.76	0.81	0.58	0.50	0.31
Overall Gearing Ratio (Including Acceptances / Creditors on LC)	1.79	2.29	1.96	2.22	1.66
Overall Gearing Ratio (Excluding Acceptances / Creditors on LC)	1.79	2.29	1.96	2.22	1.66
Term Debt (including CPLTD) / Gross Cash Accruals	4.08	6.66	5.04	4.47	1.52
Total Debt / Gross Cash Accruals	9.56	18.84	17.15	19.68	8.12
Interest Coverage (PBILDT / Interest)	2.18	1.57	1.63	1.64	2.41
PBIT / Interest	1.96	1.50	1.56	1.58	2.29
Current Ratio	1.29	1.21	1.26	1.18	1.11
Quick Ratio	1.13	1.09	1.14	1.06	0.79

FINANCIAL PERFORMANCE – PROFITABILITY Analysis

Profitability Analysis

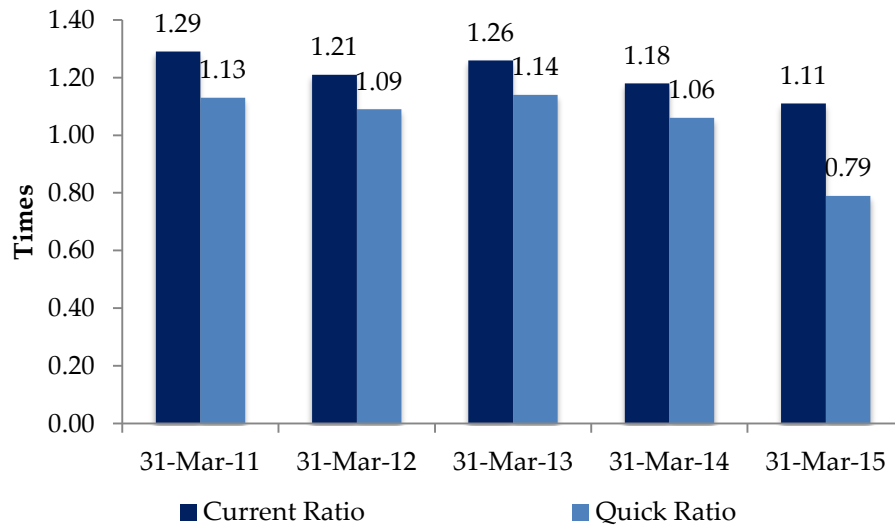


Comments:

- HIPL is an EPC (Engineering, Procurement and Construction) and SITC (Supply Installation Testing & Commissioning) Contract Company for Electro-Mechanical instrumentation and automation projects. TOI grew at CAGR of 27.92% during the past five years from Rs. 4692.32 Lakh in FY11 to Rs. 12564.69 Lakh in FY15 with better implementation of projects.
- The PBILDT margins remained in the range of 5.22% to 7.50% during last 5 years. PBILDT margin of HIPL declined by almost 198 bps during FY15 as compared to previous year mainly due to recognition of bad debt to the tune of Rs. 2.59 crore. Majority of orders received by HIPL are fixed price in nature while there is price escalation clause in few of orders received from Government organization. HIPL follows a back to back order policy for procuring raw material which results in lower raw material price volatility risk.
- Despite of decline in operating margins, PAT margins remained steady and in the range of 1.66% to 1.97% from FY12 to FY15.

FINANCIAL PERFORMANCE - LIQUIDITY ANALYSIS

Liquidity Analysis



Liquidity Ratio

Particulars	31 Mar 2013	31 Mar 2014	31 Mar 2015
Working Capital Turnover Ratio	2.85	2.37	4.61
Average Finished Goods Inventory Period	23	26	39
Average Inventory Period (days)	23	26	39
Average Collection Period (days)	173	183	90
Average Creditors Period (days)	88	74	77
Working Capital Cycle (days)	109	135	52

Comments:

- HIPL’s liquidity position is marked by moderate current ratio and low quick ratio and high level of utilization of its working capital limits. While the current ratio was at 1.11 times, its quick ratio remained low at 0.63 times as on March 31, 2015.
- HIPL executes projects for both public as well as private sector players. Most of the government projects are awarded on turn-key basis to principal EPC player and they sub-contract electrical part of the contract to HIPL while in case of private players HIPL is directly awarded contracts. Being EPC contractor, HIPL has working capital intensive operations as it receives payments based on progress of the projects. Generally project execution time ranges from 18 months to 20 months. HEC receives around 70% of order value upon dispatch of material and execution of project while 15% of order value is

received after inspection. Balance 10-15% of projects value is kept as retention money which is generally released after 18 months of project completion.

- HIPL's working capital limits utilization has remained in the range of 85-100% during trailing twelve months ended June 2015. However, its operating cycle improved during FY15 due to significant reduction in average collection period.
- There hasn't been any major increase in outstanding receivables as on March 31, 2015 compared to as on March 31, 2014 due to recovery of dues for previously executed projects as well as large amount of orders executed by HIPL as direct EPC players resulting in faster execution of orders and hence improving collection period.

Average monthly fund-based working capital utilisation level:

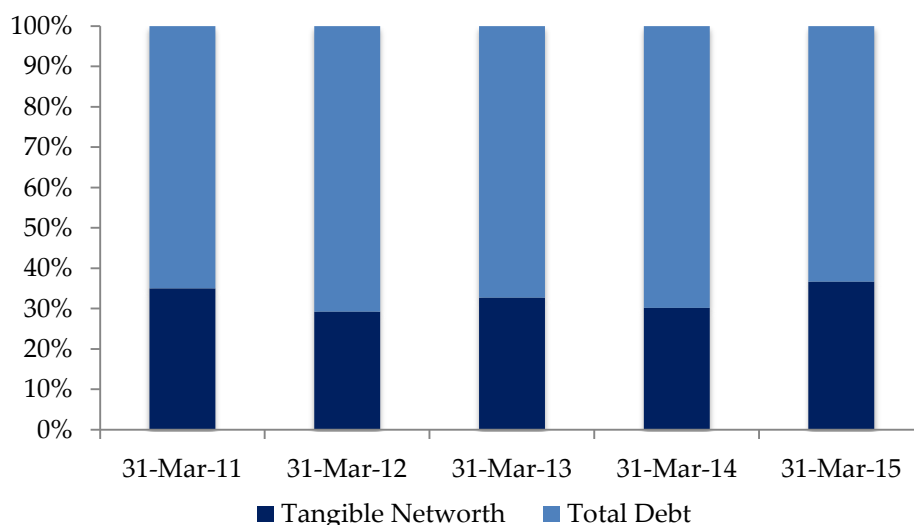
(Rs. crore)

Month	Sanction Limit	Drawing Power	Maximum Utilization	Maximum Utilization (%)
June '14	11.50	11.54	11.50	100%
Jul'14	11.50	12.05	11.50	100%
August '14	11.50	11.77	11.50	100%
September '14	11.50	11.67	11.48	100%
October'14	11.50	11.58	9.72	85%
November'14	11.50	12.62	9.74	85%
December'14	11.50	11.65	11.50	100%
January'15	11.50	11.88	11.42	99%
February'15	11.50	12.06	11.42	99%
Mar'15	11.50	11.59	11.04	96%
Apr'15	12.50*	13.96	12.40	99%
May'15	11.50	11.61	11.50	100%
June'15	11.50	11.63	11.48	100%

*HIPL was sanctioned adhoc limit of Rs.1 crore for a period of 1 month; the same was duly repaid

FINANCIAL PERFORMANCE - FINANCIAL FLEXIBILITY

Capital Structure



Capital Structure Ratio

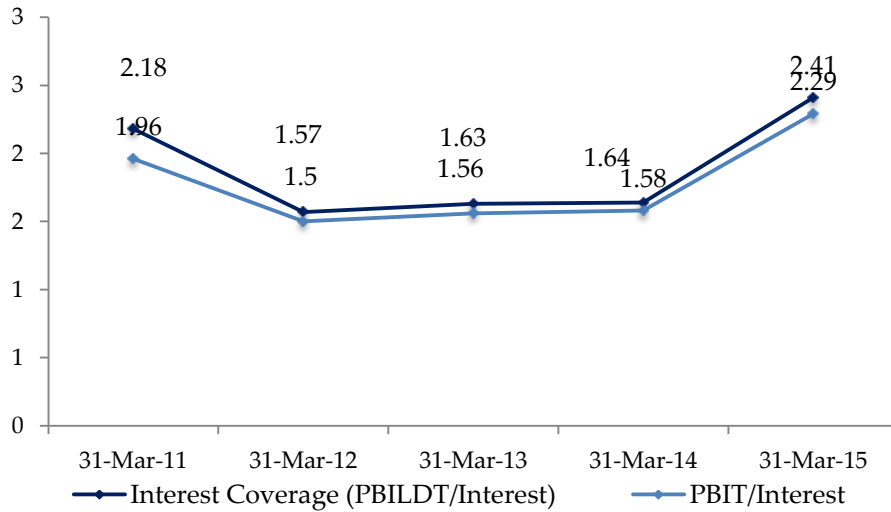
Particulars	31 Mar 2013	31 Mar 2014	31 Mar 2015
Debt Equity Ratio	0.58	0.50	0.31
Overall Gearing Ratio (Including Acceptances / Creditors on LC)	1.96	2.22	1.66
Overall Gearing Ratio (Excluding Acceptances / Creditors on LC)	1.96	2.22	1.66
Adjusted Debt Equity Ratio	0.58	0.50	0.31
Adjusted Overall Gearing	1.96	2.22	1.66
Average Cost of Borrowings	12.95	12.25	11.99
Total Outside Liabilities to Net worth	1.98	3.70	4.75

Comments:

The long term debt level seems to be moderate marked by debt equity ratio of 0.31 times and overall gearing which was moderately high at 1.66 times as on March 31, 2015. Overall gearing has marginally improved y-o-y in FY15 on account of HIPL’s external debt which is largely in the form of working capital borrowings. With moderately high gearing level and average creditor period of 77 days, total outside liabilities as compared to total net worth remained moderately high at 1.67 times as on March 31, 2015.

FINANCIAL PERFORMANCE - DEBT PROTECTION INDICATORS

Debt Coverage



Comments:

With high dependence on working capital bank borrowings, the debt coverage indicators of HTPL stood weak marked by total debt to GCA of 8.12 times as on March 31, 2015 (as against 19.68 times as on March 31, 2014) and interest coverage of 2.41 times in FY15 (as against 1.64 times in FY14).

RECENT FINANCIALS

Particular	H1FY16 (Rs. Lakh)
Total Income	5,685.43
PBILDT	239.76
Interest and finance charges	125.56
Depreciation	18.27
PAT	63.56
GCA	365.66
Total Debt	1901.58
Net worth	1,295.86
PBILDT Margin (%)	4.21
PAT Margin (%)	1.12
Interest Coverage (times)	1.91
Overall gearing (times)	1.46
Total debt/GCA (years)	2.60 [^]

[^] Annualized

BANKERS & AUDITORS DUE DILIGENCE

Stake holder		Feedback
Bankers & Lenders- Bank of India	Mr. Govind Sarao	Satisfactory
	Manager	
	7925352380	
	January 02, 2016	
Auditor M/s Raj P. Shah & Co, Ahmedabad	Mr. Raj P Shah, CA	Satisfactory
	Proprietor	
	079-26769858	

Remarks

- The account is regular with Bank of India. The banker has expressed satisfaction over the conduct of the account with timely servicing of interest and principal repayment in term loan and cash credit account with no instance of over-drawls.
- As per auditor, the company has paid all the statutory dues on time and he has given satisfactory feedback.
- The company has changed the auditor during FY16 due to rotation policy as per guidelines and new auditor appointed is Parth P. Shah & Co.

Key Findings

Key Findings	Company Comment	CARE Comment
<p>High reliance on promoter family in key decision making.</p> <p>Majority of the critical decisions in the company are being taken by promoter family</p>	<p>As per management, HIPL has hired qualified personnel to manage accounts and finance, administration and marketing functions of the company.</p>	<p><i>HIPL has only shared details of a few of the second line management personnel. However, The second line of management consists of mix of recently appointed and past associated key personnel with relevant education and experience in the industry.</i></p>
<p>Change in the auditor in FY16: HIPL has appointed Parth P. Shah & Co. as new statutory auditor which is replacement of Raj P. Shah & Co.</p>	<p>As per the management, HIPL adopted rotation policy in case of auditor and changed the auditor Mr. Raj P. Shah, CA who was with company since its incorporation and replaced by Mr. Parth P. Shah, CA in FY16.</p>	<p><i>CARE understands that Auditor Mr. Raj P. Shah was with company since inception and replace by Mr. Parth P. Shah as per rotation policy as per guidelines.</i></p>
<p>Significant growth (~27%) in revenue during FY15 as compared to FY14</p>	<p>The management has cited that during FY15, HIPL made significantly higher execution of relatively higher size of projects. Also, company has been able to acquire new clients during FY15.</p>	<p><i>CARE believes that HIPL can benefit from high demand electrical engineering industry. However, given the stiff competition, the ability of company to maintain the growth and margins would be critical.</i></p>
<p>High reliance on WC Bank borrowings</p>	<p><i>The operations of HIPL are working capital intensive as it being an EPC contractor. Government projects are generally awarded on turn-key basis where HIPL is generally awarded back to back order and is being paid by the primary contractor. The payment is released as per the proportion of the work completed by different sub-contractors. However, sometimes due to liquidity issues, funds are stuck at primary contractor level and receivables are elongated. However, over the years, HIPL has largely been able to avoid bad debt risk by efficient receivables management.</i></p>	<p><i>CARE understands that in order to maintain competitiveness, HIPL will offer its customers a high credit period and it has to rely on working capital borrowings as they are been relying in the past. However, ability of the company to manage the working capital cycle efficiently along with reducing the dependence on external funds would be critical.</i></p>
<p>Increase in Cost of materials consumed in FY15 by ~114% (y-o-y)</p>	<p>As per management, HIPL executed many projects in FY15 and also got some new projects in the same year. So company had to purchase material required in respective projects.</p>	<p><i>The higher cost of material is mitigated by costs being saved in power and fuel and wastages. However, given the intense competition the ability of the company to pass on increase in material prices to customers would be limited.</i></p>

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