

# CARE Due Diligence Services



## Due Diligence Report

Name of the Entity	Hi-Tech Pipes Limited
Location	505, Pearls Omaxe Tower, Netaji Subhash Place, New Delhi - 110034
Operational Status	Operational
Report Date	October 21, 2015

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

- *Well-experienced promoter and management in the steel tubes and pipes industry*
- *Established track record of business operations with healthy relationship with reputed customers and approved for vendor for various infrastructure companies*
- *Funding support from promoters in past*

**Key weaknesses**

- *Low profitability margins*
- *Leveraged capital structure coupled with weak debt coverage indicators*
- *Working capital-intensive nature of operation leading to full utilization of working capital bank borrowings*
- *Raw material price fluctuation and foreign exchange fluctuation risk.*
- *Presence in the highly competitive and fragmented industry with demand correlated to performance of infrastructure, power and automobile industries.*

*Note:*

- *To undertake the due diligence, CARE has relied at the information provided by the management, their deputed/ instructed by the management and Draft Red Herring 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 N.C. Aggarwal & Co. and signed by Mr. G. K. Aggarwal dated August 29, 2011.*
  - *Audited financials for the financial year ending March 31, 2012, audited by M/s N.C. Aggarwal & Co. and signed by Ms. Astha Aggarwal dated September 01, 2012.*
  - *Audited financials for the financial year ending March 31, 2013, audited by M/s N.C. Aggarwal & Co. and signed by Ms. Astha Aggarwal dated August 31, 2013.*
  - *Audited financials for the financial year ending March 31, 2014, audited by M/s N.C. Aggarwal & Co. and signed by Ms. Astha Aggarwal dated August 30, 2014.*
  - *Audited financials for the financial year ending March 31, 2015, audited M/s N.C. Aggarwal & Co. and signed by Ms. Astha Aggarwal dated August 03, 2015.*

*DRHP 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. However, not been able to review financials for year ending March 31, 2015 as same are not updated with MCA.*
  - *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**

<b>Name</b>	Hi-Tech Pipes Limited (HTPL)				
<b>Year of Incorporation</b>	January 02, 1985				
<b>Constitution</b>	Public limited company				
<b>Nature of Business</b>	Manufacturing				
<b>Industry</b>	Steel				
<b>Products Manufactured</b>	Electric resistance welded/black steel/galvanized steel pipes, hollow sections, tubes and cold rolled (CR) coils and strips				
<b>Registered Office</b>	505, Pearls Omaxe Tower, Netaji Subhash Place, Pitampura, New Delhi - 110034				
<b>Location of Plant 1</b>	Plot No. 10, Industrial Area, Sikandrabad - 203205 Uttar Pradesh				
<b>Location of Plant 2</b>	Plot No. 16, Industrial Area, Sikandrabad - 203205 Uttar Pradesh				
<b>Location of Plant 3</b>	Plot E-06, GIDC Sanand, Phase-II, Ahmedabad, Gujarat				
<b>Key Promoters name</b>	Mr. Ajay Kumar Bansal, Managing Director				
<b>Key regulatory approvals, certifications and membership</b>	ISO 9001:2008				
<b>Major Brands</b>	Hi-Tech				
<b>Name of the Auditor</b>	M/s N. C. Aggarwal & Co.				
<b>Major Existing Bankers</b>	State Bank of Patiala				
<b>Total number of employees</b>	325				
<b>Total income for latest year</b>	Rs.45943.35 Lakh				
<b>Wilful defaulter as per CIBIL</b>	No as on June 30, 2015				
<b>Litigations</b>	Cases Against	Particulars	Nature & Number of Case	Amount involved	Current status and managements response
	HTPL	Income Tax	Civil – 4	Rs.39.50 Lakh	Matter pending with assessing officer
	HTPL	IOCL arbitration	Civil – 3	Rs.205.59 Lakh	Case pending with sole arbitrator. Claims filed by IOCL and reply filed by HTPL

**Background**

Incorporated in the year 1985, Hi-Tech Pipes Limited (HTPL, Erstwhile M/s Ram Lal Harbans Lal Limited, name changed in 1986) is engaged into manufacturing and trading of electric resistance welded/black steel/galvanized steel pipes, hollow sections, tubes and cold rolled (CR) coils and strips. The company operates three state of the art manufacturing facilities (two at Sikandarabad, Uttar Pradesh which have ISO 9001:2008 quality certification and third-one at Sanand Gujarat) with total capacity to produce 135000 metric tons of steel tubes and pipes and 125000 metric tons of CR coils and sheets. The products find use in Oil and Gas sector, water sector, construction industry, automobile industry, cycle industry and infrastructure manufacturing. The company broadly sells to three types of customers viz. distributors/wholesalers (constituting ~50% of total revenue), direct sales to original equipment manufacturers (OEM, constituting ~35% of total revenue) and to infrastructure companies projects

(constituting ~15% of total revenue). HTPL is an approved vendor for BHEL, NTPC, Power Grid Corp, L&T and IRB Infra.

During FY15, the total operating income (TOI) of HTPL stood at Rs.45943.35 Lakh (compared with Rs.38537.52 Lakh in FY14), while net profit of the company stood at Rs.497.67 Lakh in FY15 (compared with Rs.259.02 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. Ajay Kumar Bansal	58 years	Managing Director	Commerce graduate	35 years	30 years	Prior experience of manufacturing and trading of steel pipes and tubes in family business with Proprietor Mr. Harbans Lal Bansal (father).	Overall Management and strategy formulation
Mr. Anish Bansal	30 years	Director	B.Sc. Economics	12 years	12 years	Only with this company	Overall management and marketing

**Comments:**

- The management of HTPL vests in the hands of the key promoters Mr. Ajay Kumar Bansal and Mr. Anish Bansal.
- Mr. Ajay Kumar Bansal is a commerce graduate from Delhi University having more than three decades of experience in manufacturing steel pipes and tubes. He is nominated as Chairman of Tubes Panel of Federation of Industries of India. Mr. Bansal is also a director in JNG Construction Private Limited, Gujarat Hi-Tech Steels Private Limited, AKS Buildcon Private Limited, HTL Ispat Private Limited and HTL Metal Private Limited.
- Mr. Anish Bansal (son of Mr. Ajay Kumar Bansal) is a promoter and executive director of HTPL. He is B.Sc. Economics in Banking and Finance from UK and has more than a decade of experience being associated with HTPL since 2002 handling the marketing department of the company. Mr. Anish Bansal is also a director in AKS Buildcon Private Limited and Hi-Tech Agrovision Private Limited.

**Details of key management personnel**

Name	Age	Designation	Educational qualification	Approx. total years of experience	Years of association with the company	Responsibilities handled
Mr. Sanjeev Kumar Singhal	45 years	Chief Financial Officer	CA, LL.B	17 years	1 years	Heads the Finance Department
Mr. Rachit Tandon	28 years	Company Secretary & Compliance Officer	CS, B.com	3 years	2 months	Secretarial Compliances
Mr. Vipul Bansal	28 years	Head – Business Development	M.Sc. Accounts and Finance	5 years	5 years	Supervises Sanand plant
Mr. Ashok Aggarwal	58 years	AGM	B.Com.	35 years	20 years	Liason and Commercial operations management
Mr. J. V. Singh	54 years	AGM	MBA	30 years	10 years	Marketing – Project sales

**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.
- Mr. Vipul Bansal is younger son of Mr. Ajay Kumar Bansal.



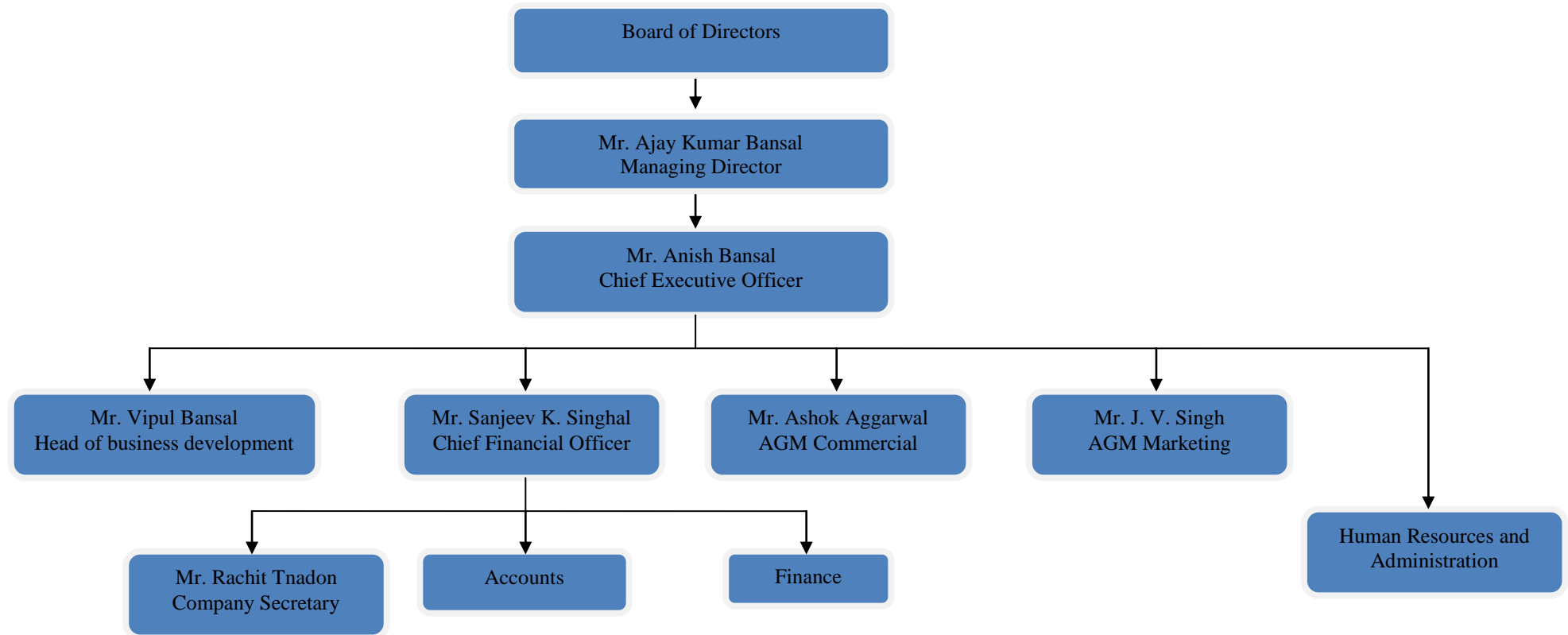
### Details of the board of directors

Name	Age (Years)	Category	Education qualification	Total years of experience	Date of Appointment	Details of the past experience	Other directorships/ Association Chairman
Mr. Ajay Kumar Bansal	58 years	Executive	Commerce graduate	35 years	January 02, 1985	Associated with HTPL since inception	-JNG Construction Pvt. Ltd. -Gujarat Hi-Tech Steels Pvt. Ltd. -Hi-Tech Agrovision Pvt. Ltd. -HTL Ispat Pvt. Ltd. -HTL Metal Pvt. Ltd.
Mr. Anish Bansal	30 years	Executive	B.Sc. Economics	12 years	February 19, 2009	Only with this company	-AKS Buildcon Pvt. Ltd. -Hi-Tech Agrovision Pvt. Ltd.
Ms. Tanvi Kumar	28 years	Non-executive independent and	Ba. L.L.B.	5 years	March 20, 2015	Senior Associate in Khaitan & Company	
Mr. Baij Nath Gupta	57 years	Non-executive independent and	CA	33 years	September 24, 2015	Professional and practicing CA	
Ms. Anju Jain	46 years	Non-executive independent and	B.Com. L.L.B.	23 years	March 20, 2015	Member of Bar Council of India	

### Comments:

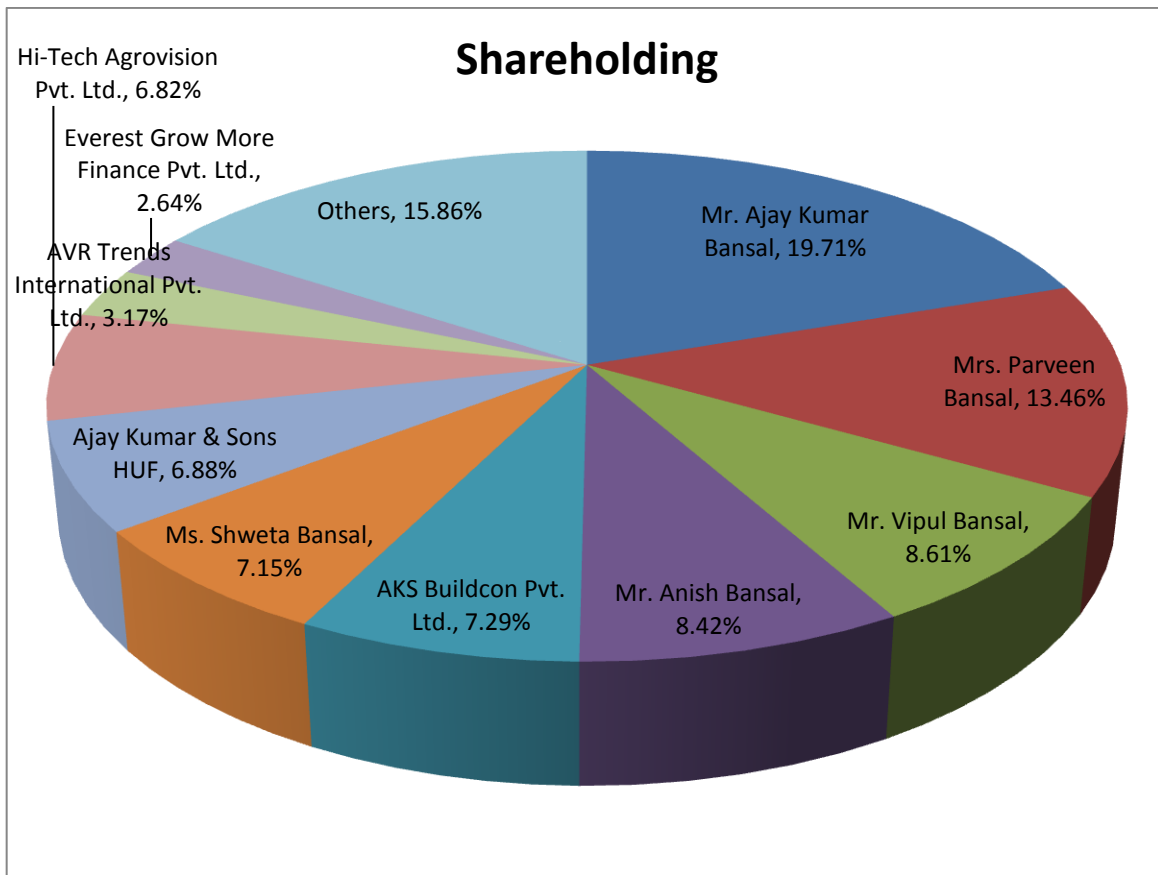
- HTPL has two executive and non-independent (promoter) directors and three non-executive and independent directors.
- The average industry experience of all the directors is more than 2 decades in the fields of finance, marketing, litigation and administration. However, the non-executive independent directors have been associated with the company for less than a year.

**Due Diligence Report: Hi-Tech Pipes Limited**



**ORGANISATION & MANAGEMENT: MANAGEMENT & OWNERSHIP STRUCTURE**

**Share holding pattern as on September 26, 2015**



Name of share holder	No. of equity shares held	Share in business (%)
Mr. Ajay Kumar Bansal	1491900	19.71%
Mrs. Parveen Bansal	1019200	13.46%
Mr. Vipul Bansal	652000	8.61%
Mr. Anish Bansal	637600	8.42%
AKS Buildcon Pvt. Ltd.	552000	7.29%
Ms. Shweta Bansal	541200	7.15%
Ajay Kumar & Sons HUF	520800	6.88%
Hi-Tech Agrovision Pvt. Ltd.	516000	6.82%
AVR Trends International Pvt. Ltd.	240000	3.17%
Everest Grow More Finance Pvt. Ltd.	200000	2.64%
Others	1200400	15.86%
<b>Total</b>	<b>7571100</b>	<b>100.00%</b>

- The Bansal family collectively holds more than 65% stake in HTPL. Around 15% stake is held by individual shareholders holding nominal share capital.

**Group Company details**

(Rs. Lakh)

Name of the group company	Hi-Tech Agrovision Pvt. Ltd.		JNG Construction Pvt. Ltd.		Gujarat Hi-Tech Steels Private Limited	
<b>Date of incorporation</b>	<b>March 2007</b>		<b>June 1987</b>		<b>April 1993</b>	
<b>Registered office</b>	Same as HTPL		Asaf ali road, New Delhi - 110002		Same as HTPL	
<b>Nature of business</b>	Agro trading		Property dealers		Trading of coils and skelp	
<b>Financial Year</b>	<b>FY14</b>	<b>FY15</b>	<b>FY14</b>	<b>FY15</b>	<b>FY14</b>	<b>FY15</b>
<b>Total Income</b>	4.40	5.03	1.68	2.46	0.88	0.61
<b>Net Profit</b>	0.03	0.04	(0.40)	0.11	0.08	0.06
<b>Net worth</b>	61.10	61.14	21.75	21.87	20.12	20.18
<b>Total Debt</b>	54.57	58.46	-	-	-	-

**Comments**

- HTPL has four other group companies namely Hi-Tech Terrysoft Pvt. Ltd., HTL Metal Pvt. Ltd., AKS Buildcon Pvt. Ltd. and HTL Ispat Pvt. Ltd. However, these companies have not been operational in the past three years.

**Employee Profile**

Particulars	Nos.
Skilled/ Semi-Skilled Employees (On payroll)	70
Semi-Skilled/Unskilled (Contractual)	255
<b>Total Employees</b>	<b>325</b>

**Comment:**

- The major decisions are taken by the MD Mr. Ashok Bansal and the CEO Mr. Anish Bansal 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, MBAs and post graduates having relevant industry experience. However, the key decisions are taken by the management.

**BUSINESS PROFILE: OPERATIONS OVERVIEW**

**BUSINESS PROFILE ANALYSIS**

HTPL is engaged in manufacturing of electric resistance welded/black steel/galvanized steel pipes, hollow sections, tubes and cold rolled (CR) coils and strips

**OPERATIONS OVERVIEW**

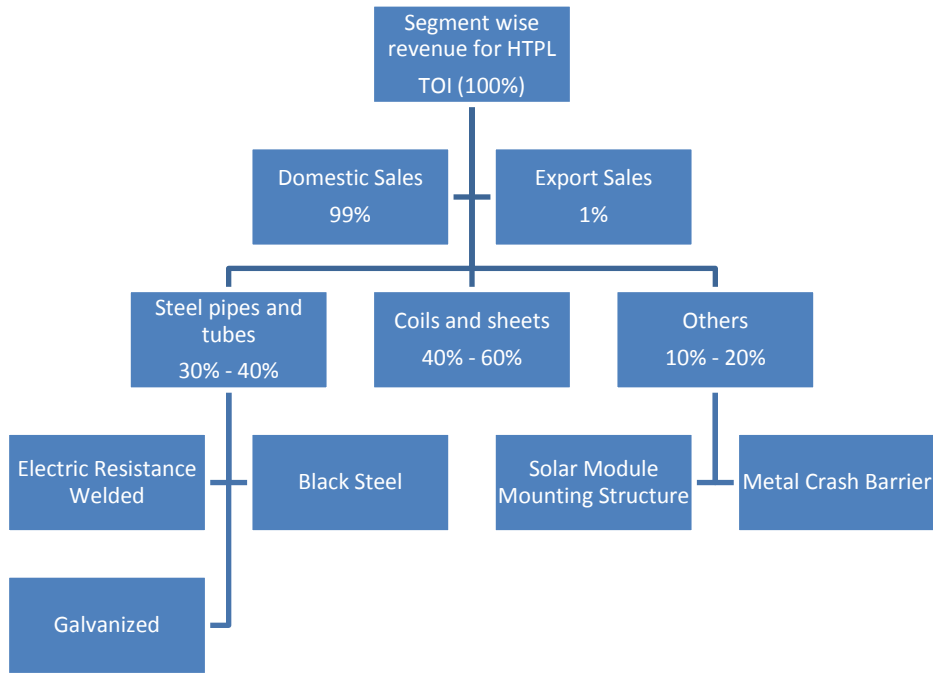
<b>Nature of activity</b>	Manufacturing
<b>Industry segment</b>	Iron and Steel
<b>Products Offered</b>	Electric resistance welded/black steel/galvanized steel pipes, hollow sections, tubes and cold rolled (CR) coils and strips
<b>Plant locations</b>	<ol style="list-style-type: none"> <li>Plot No. 10, Industrial Area, Sikandrabad - 203205 Uttar Pradesh</li> <li>Plot No. 16, Industrial Area, Sikandrabad - 203205 Uttar Pradesh</li> <li>Plot E-06, GIDC Sanand, Phase-II, Ahmedabad, Gujarat</li> </ol>
<b>Area of the Plant</b>	<ol style="list-style-type: none"> <li>53654.00 sq. mtrs.</li> <li>16719.00 sq. mtrs.</li> <li>10550.67 sq. mtrs.</li> </ol>
<b>Ownership of Plant</b>	<ol style="list-style-type: none"> <li>Owned</li> <li>Owned</li> <li>Owned</li> </ol>
<b>Location advantage</b>	Yes
<b>Marketing Setup</b>	Yes

**Comments:**

- HTPL has three manufacturing facilities with two located at Sikandrabad, Uttar Pradesh and third one at Sanand, Gujarat.
- The company started its first plant at plot no.10 in 1988 with manufacturing facility for MS pipes and CR coils and strips and throughout the years the plant has been expanded with backward and forward integration. In 2008, the facility received ISO 9001:2008 certification for quality. In 2012, the company set up another plant at plot no.16 in Sikandrabad.
- Currently the company’s Sikandrabad plants are equipped to manufacture Electric resistance welded/black steel/galvanized steel pipes, hollow sections, tubes and cold rolled (CR) coils and strips with total production capacity of 200000 metric tons per annum.
- The newly opened Sanand plant (operational since June 2015), being located in the Gujarat industrial Development Corporation sector, provides access to the western India

market and has abundant availability of skilled and unskilled manpower along with well-developed infrastructure and is in close proximity to Kandla and Mundra ports facilitating easy shipment for export orders.

**Product-wise break-up**



**Product-wise revenue analysis**

**(Rs. Lakh)**

Particulars	FY11	FY12	FY13	FY14	FY15
<b>1. Steel tubes and pipes</b>	<b>9785.14</b>	<b>12349.53</b>	<b>16204.15</b>	<b>18597.48</b>	<b>20460.53</b>
% y-o-y growth	NM	26%	31%	15%	10%
% contribution to sales	27%	31%	38%	42%	39%
<b>2. CR sheets and strips</b>	<b>25,394.62</b>	<b>23,357.95</b>	<b>21,145.74</b>	<b>20,822.16</b>	<b>21,827.89</b>
% y-o-y growth	NM	-8%	-9%	-2%	5%
% contribution to sales	69%	60%	50%	47%	41%
<b>3. Others</b>	<b>1,659.96</b>	<b>3,540.43</b>	<b>5,061.77</b>	<b>5,009.91</b>	<b>10,813.01</b>
% y-o-y growth	NM	113%	43%	-1%	116%
% contribution to sales	5%	9%	12%	11%	20%

<b>Gross Sales (1+2+3)</b>	<b>36839.72</b>	<b>39247.91</b>	<b>42411.66</b>	<b>44429.55</b>	<b>53101.43</b>
% y-o-y growth	NM	7%	8%	5%	20%
A. Domestic Sales	36,567.63	39,158.03	42,345.73	44,191.29	52,598.72
% y-o-y growth	NM	7%	8%	4%	19%
% of sales	99%	100%	100%	99%	99%
B. Export Sales	272.09083	89.88283	65.93002	238.26153	502.70581
% y-o-y growth	NM	-67%	-27%	261%	111%
% of sales	1%	0%	0%	1%	1%
Less: Interdivision transfer	-1276.2	-801.06	-1692.79	-1760.67	-2007.06
Less: Excise duty	-3,431.10	-3,566.12	-3,935.31	-4,375.38	-5,507.40
Add: Other operating income	174.49	90.80	415.41	244.02	356.38
<b>Total Operating Income</b>	<b>32,306.91</b>	<b>34,971.53</b>	<b>37,198.97</b>	<b>38,537.52</b>	<b>45,943.35</b>
% y-o-y growth	NM	8%	6%	4%	19%

**Comments:**

- HTPL products consist of following:-
  - Various types (namely electric resistance welded/black steel/galvanized) of steel pipes, hollow sections and tubes. Steel pipes and tubes find use in the oil, gas and water sectors and are also used in building power transmission structures and other structural construction (roof skeleton, railing etc.)
  - Cold rolled (CR) coils and strips. CR sheets and strips are used in the automobile industry, cycle manufacturing and electrical appliance manufacturing.
  - Others products include solar module mounting structures (used to mount solar panels and Solar trackers on ground and roof-top) and metal crash barriers (which are also used as road dividers and side railings on highways and expressways).
- HTPL is the leading supplier for metal crash barriers and road dividers in the Delhi NCR region and expects greater demand for the same in the coming years.
- HTPL is also increasing its production of solar module mounting structures and on the back of initiatives taken by the government of India, expects strong demand for the same during H2FY16 and FY17 as the government.



**Export country-wise revenue breakup (%)**

	FY11	FY12	FY13	FY14	FY15
Countries	Rs. in Lakh	Rs. in Lakh	Rs. in Lakh	Rs. in Lakh	Rs. in Lakh
United Kingdom	-	-	-	-	473.85
Nepal	18.45	-	43.26	45.63	11.14
Netherlands	-	-	-	59.30	-
Guyana	33.55	20.88	-	-	-
Others*	216.55	33.12	26.42	133.34	17.72
<b>Total</b>	<b>268.55</b>	<b>54.00</b>	<b>69.68</b>	<b>238.27</b>	<b>502.71</b>

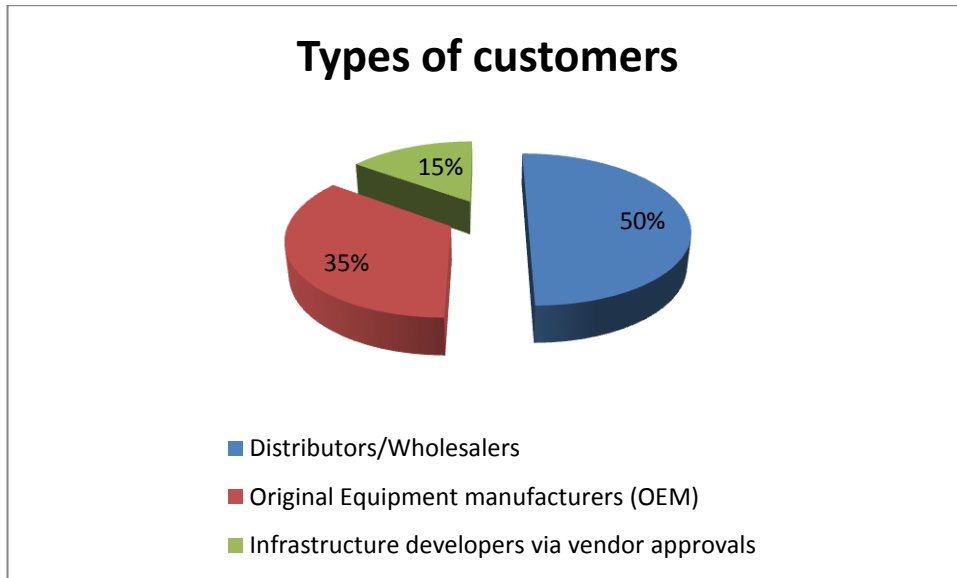
\*UAE, Middle Eastern and European countries

**Comments:**

- The company's presence in the export market is low and forms ~1% of its total sales. HTPL primarily exports to countries such as Nepal, UAE and UK. The management is planning to increase the company's export presence via the Sanand plant benefiting from its close proximity to major ports of Kandla and Mundra.

**CUSTOMERS & SUPPLIERS ANALYSIS**

**CUSTOMER’S PROFILE**



**HTPL caters to three types of customers:**

- 1) Distributors/Wholesalers,
- 2) Original Equipment Manufacturers (OEM), and
- 3) Infrastructure project vendor approvals

**Distributors/Wholesalers**

- HTPL has strong distribution network of 120 dealers across 15 states of India including U.P., Haryana, Rajasthan, Punjab, Uttarakhand, Himachal Pradesh, Jammu & Kashmir, Gujarat and Maharashtra.
- HTPL generates about 50% of its total revenue with sales to distributors and wholesalers. Furthermore, the company has been dealing with many of its distributors for over a decade.

**Original Equipment Manufacturers (OEM)**

- HTPL also sells to OEMs in the automobile industry generating about 35% of its total revenue with sales to customers such as Ashok Leyland, Tata Motors, JCB, Escorts and cycle manufacturers such as Hero Cycles and Atlas Cycles.

- Primary product sold to OEMs is CR coils and sheets which are used to manufacture truck/tractor/cycle body.

**Infrastructure project vendor approvals**

- HTPL sells its various kinds of steel rods/pipes/hollow sections to infrastructure companies such as L&T and IRB Infrastructure and also to power companies such as NTPC, Power Grid Corporation of India and Bharat Heavy Electricals Limited.
- HTPL does not enter into tender bidding projects (as informed by the management) and only sells to direct orders.
- HTPL generates about 15% of its revenue by selling to infra companies as an approved vendor.

**CUSTOMERS/DEALERS FEEDBACK**

Name of Customer	Golden Steel Corporation
Contact person	Mr. Ajay
Contact details	9811192977
Feedback	Satisfactory

Name of Customer	HY-LINK Overseas Pvt. Ltd.
Contact person	Mr. Vijay Gulathi
Contact details	9810016553
Feedback	Satisfactory

Name of Customer	Vijay Steels
Contact person	Mr. Sonu
Contact details	9313115050
Feedback	Satisfactory

**SUPPLIERS' PROFILE**

- HTPL's primary raw material is hot rolled coils/skelp which it procures from reputed manufacturers such as Steel Authority of India Limited (SAIL), Bhushan Steel Limited, Tata Steel Limited and Essar Steel India Limited.
- HTPL's primary supplier is SAIL with whom the company has signed a memorandum of understanding to purchase 119500 MT of coil/skelp during FY16. It is the third

largest MOU signed by any company with SAIL, thereby classifying HTPL in the top tier of rebate eligibility. HTPL makes advance payment to SAIL for procuring raw material (as per MOU).

**Supplier Feedback**

Name of Customer	Steel Authority of India Limited
Contact person	Mr. Suresh
Contact details	09968605684
Feedback	Satisfactory, HTPL is one of the largest customers of SAIL

**BUSINESS ACTIVITY DETAILS**

<b>Key Raw materials</b>	Hot rolled (HR) coils/skelp and Zinc
<b>Level of Raw Material Price fluctuation risk</b>	Moderate
<b>Quality Certifications</b>	ISO 9001:2008
<b>Level of value addition</b>	Moderate

**SUPPLY SIDE ANALYSIS**

<b>Average Creditor Days</b>	37
<b>Raw Material Availability</b>	Adequate
<b>Import as a % of RM Purchase</b>	Nil

**Comments:**

- The raw materials are adequately available in the domestic market and HTPL has signed an MOU with SAIL for FY16 which will ensure availability and timely delivery. Furthermore, the MOU also entitles HTPL to rebates in prices.

**INDUSTRY ANALYSIS**

<b>Name of the industry</b>	Iron and Steel
<b>Product portfolio</b>	electric resistance welded/black steel/galvanized steel pipes, hollow sections, tubes and cold rolled (CR) coils and strips
<b>Overall Industry risk</b>	Moderate
<b>Level of competition</b>	High

**INDUSTRY WRITE-UP:**

India is the world's third-largest producer of crude steel (up from eighth in 2003) and is expected to become the second-largest producer by 2016. The growth in the Indian steel sector has been driven by domestic availability of raw materials such as iron ore and cost-effective labour. Consequently, the steel sector has been a major contributor to India's manufacturing output.

The Indian steel industry is very modern with state-of-the-art steel mills. It has always strived for continuous modernisation and up-gradation of older plants and higher energy efficiency levels.

Steel production capacity of the country expanded from about 75 Million Tonnes Per Annum (MTPA) in 2009-10 to about 90.5 Million Tonnes (MT) in 2014-15.

India produced 7.4 MT of steel in the month of June 2015 reporting the third highest production level globally which was 0.8 per cent higher than the country's steel production in the same month last year.

**Domestic Scenario**

The steel sector in India contributes nearly two per cent of the country's gross domestic product (GDP) and employs over 600,000 people. The per capita consumption of total finished steel in the country has risen from 51 Kg in 2009-10 to about 59 Kg in 2014-15. India's steel consumption for FY 2015-16 is estimated to increase by 7 per cent, higher than 2 per cent growth last year, due to improving economic activity, as per E&Y's 'Global Steel 2015-16' report. The Indian steel industry has entered into a new development stage from 2007-08, riding high on the resurgent economy and rising demand for steel. Rapid rise in production has resulted in India becoming the 3<sup>rd</sup> largest producer of crude steel in 2015 and the country continues to be the largest producer of sponge iron or DRI in the world. As per the report of the Working Group on Steel for the 12<sup>th</sup> Five Year Plan, there exist many factors which carry the potential of raising the per capita steel consumption in the country. These include among others, an estimated infrastructure investment of nearly a trillion dollars, a projected growth of manufacturing from

current 8% to 11-12%, increase in urban population to 600 million by 2030 from the current level of 400 million, emergence of the rural market for steel currently consuming around 10 kg per annum buoyed by projects like Bharat Nirman, Pradhan Mantri Gram Sadak Yojana, Rajiv Gandhi Awaas Yojana among others. At the time of its release, the National Steel Policy 2005 had envisaged steel production to reach 110 million tons (mt) by 2019-20. However, based on the assessment of the current ongoing projects, both in greenfield and brownfield, the Working Group on Steel for the 12th Five Year Plan has projected that domestic crude steel capacity in the country is likely to be 140 mt by 2016-17 and has the potential to reach 149 mt if all requirements are adequately met. The National Steel Policy 2005 is currently being reviewed keeping in mind the rapid developments in the domestic steel industry (both on the supply and demand sides) as well as the stable growth of the Indian economy since the release of the Policy in 2005.

### **Investments in Steel Sector**

Steel industry and its associated mining and metallurgy sectors have seen a number of major investments and developments in the recent past. According to the data released by Department of Industrial Policy and Promotion (DIPP), the Indian metallurgical industries attracted foreign direct investments (FDI) to the tune of US\$ 8.7 billion, respectively, in the period April 2000–May 2015.

Some of the major investments in the Indian steel industry are as follows:

- Posco Korea, the multinational Korean steel company, has signed an agreement with Shree Uttam Steel and Power (part of Uttam Galva Group) to set up a steel plant at Satarda in Maharashtra.
- SAIL plans to invest US\$23.8 billion to increase the steel production to 50 MTPA by 2025.
- ArcelorMittal, world's leading steel maker, has agreed a joint venture with Steel Authority of India Ltd (SAIL) to set up an automotive steel manufacturing facility in India.
- Iran has evinced interest in strengthening ties with India in the steel and mines sector, said ambassador of the Islamic Republic of Iran, Mr Gholamreza Ansari in his conversation with Minister of Steel and Mines, Mr Narendra Singh Tomar.

- Public sector mining giant NMDC Ltd will set up a greenfield 3-million tonne per annum steel mill in Karnataka jointly with the state government at an estimated investment of Rs 18,000 crore (US\$ 2.8 billion).
- JSW Steel has announced to add capacity to make its plant in Karnataka the largest at 20 MT by 2022.

### **Government initiatives**

The Government of India is aiming to scale up steel production in the country to 300 MT by 2025 from 81 MT in 2013-14.

The Ministry of Steel has announced to invest in modernisation and expansion of steel plants of Steel Authority of India Limited (SAIL) and Rashtriya Ispat Nigam Limited (RINL) in various states to enhance the crude steel production capacity in the current phase from 12.8 MTPA to 21.4 MTPA and from 3.0 MTPA to 6.3 MTPA respectively.

The Ministry of Steel is facilitating setting up of an industry driven Steel Research and Technology Mission of India (SRTMI) in association with the public and private sector steel companies to spearhead research and development activities in the iron and steel industry at an initial corpus of Rs 200 crore (US\$ 31.67 million).

Some of the other recent government initiatives in this sector are as follows:

- Government has planned Special Purpose Vehicles (SPVs) with four iron ore rich states i.e., Karnataka, Jharkhand, Orissa, and Chhattisgarh to set up plants having capacity between 3 to 6 MTPA.
- SAIL plans to invest US\$ 23.8 billion for increasing its production to 50 MTPA by 2025. SAIL is currently expanding its capacity from 13 MTPA to 23 MTPA, at an investment of US\$ 9.6 billion.
- A Project Monitoring Group (PMG) has been constituted under the Cabinet Secretariat to fast track various clearances/resolution of issues related to investments of Rs 1,000 crore (US\$ 152 million) or more.
- To increase domestic value addition and improve iron ore availability for domestic steel industry, duty on export of iron ore has been increased to 30 per cent.

### **Road Ahead**

India is expected to become the world's second largest producer of crude steel in the next 10 years, moving up from the third position, as its capacity is projected to increase to about 300 MT by 2025. Huge scope for growth is offered by India's comparatively low per capita steel consumption and the expected rise in consumption due to increased infrastructure construction and the thriving automobile and railways sectors.

*Source: Ministry of Steel and Indian Brand Equity Foundation*



**SITE VISIT REPORT**
**Manufacturing facility**

<b>Location of Plant</b>	Plot No.: 10, Industrial Area, Sikandrabad - 203205, Uttar Pradesh
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<b>Sites visited</b>	As above
<b>Presence in a cluster</b>	No
<b>Area of the unit</b>	53654.4 sq. meters
<b>No. of employees at site</b>	225
<b>Ownership of premises</b>	Owned
<b>Other facilities</b>	Boundary wall, Sign boards, fire extinguisher, Stock yard.

**Adequacy of Warehousing Facilities**

<b>Availability of land for future expansion</b>	Adequate
<b>Site layout</b>	Structured
<b>Adequacy of insurance coverage</b>	Waived off
<b>Source of power</b>	Uttar Pradesh Power Corporation Limited
<b>Adequacy of power</b>	Good
<b>Presence of labour union</b>	No
<b>Industrial relations</b>	Good
<b>Level of work safety</b>	Adequate
<b>Adequacy of storage facilities</b>	Adequate
<b>Operational status of plants</b>	Operational

Particulars	Units	FY11	FY12	FY13	FY14	FY15	H1FY16
<b>Product installed capacity</b>							
Steel tubes, pipes and hollow sections	Metric Tons	50000	50000	65000	65000	75000	135000
Coils and sheets	Per annum	125000	125000	125000	125000	125000	125000
<b>Product capacity utilization</b>							
Steel tubes, pipes and hollow sections	%	50%	58%	54%	66%	61%	*88%
Coils and sheets		53%	43%	36%	35%	43%	*49%

*\*capacity utilization for H1FY16 calculated by considering half yearly installed capacity*

**Comment:**

- Product wise capacity utilization has been low during the past five years as there is high competition for CR and galvanized coils and sheets. HTPL is witnessing increasing demand for various types of steel tubes, pipes and hollow sections and is subsequently increasing its production capacity for the same.

**FINANCIAL PERFORMANCE - PROFITABILITY STATEMENT**
**Rs. In Lakh**

Period Ends on: March 31,	2011	2012	2013	2014	2015
Result Type:	Actual	Actual	Actual	Actual	Actual
Number of months in current financial year	12	12	12	12	12
Net Sales	32,132.41	34,880.71	36,958.56	38,481.04	45,842.95
Other Income(related to operations)#	174.49	90.80	240.41	56.48	100.40
Total Operating Income	32,306.90	34,971.51	37,198.97	38,537.52	45,943.35
Material Costs	28,226.25	29,582.27	28,847.88	31,574.16	37,329.46
Costs of traded goods sold	131.81	1,591.08	3,689.91	2,775.45	2,722.21
[Accretion] : Decretion to Finished Goods Stock	-375.12	-489.18	-114.79	-709.05	-354.81
Consumable Stores	631.91	356.28	344.30	367.02	430.39
Power and Fuel	885.02	958.89	1,028.95	1,240.53	1,346.53
Employee Costs	410.46	429.44	515.87	533.30	730.44
Other Manufacturing Expenses	221.70	232.69	382.52	230.70	308.07
Other Expenses	102.28	117.65	158.02	182.70	212.92
Selling Expenses	577.39	531.40	547.18	395.87	597.44
Miscellaneous Expenses Written off					
Cost of Sales	30,811.71	33,310.52	35,399.84	36,590.68	43,322.65
PBILDT	1,495.20	1,660.99	1,799.13	1,946.84	2,620.70
Depreciation	261.41	288.14	324.29	342.33	398.23
PBIT	1,233.79	1,372.85	1,474.84	1,604.50	2,222.46
Interest and Finance Charges	774.31	1,085.46	1,151.94	1,209.42	1,468.31
Operating Profit Before Tax (OPBT)	459.48	287.38	322.89	395.08	754.16
Operating Profit After Tax (OPAT)	316.74	186.12	212.31	257.40	496.81
Non-Operating Income / (Expense)	-0.85	14.22	-7.58	6.62	1.34
Profit Before Tax (PBT)	458.62	301.61	315.31	401.70	755.49
Cash Adjustments	0.02	-	-	-4.15	-0.03
Adjusted Profit Before Tax (APBT)	458.65	301.61	315.31	397.56	755.47
Tax	147.00	99.14	120.76	138.64	168.50
Provision for Deferred Tax	-4.52	7.14	-12.77	-0.10	89.30
ADJUSTED PROFIT AFTER TAX (APAT)	316.17	195.33	207.32	259.02	497.67
Gross Cash Accruals	573.06	490.61	518.85	601.25	985.20

#other income consists of interest income received and foreign exchange fluctuation gains

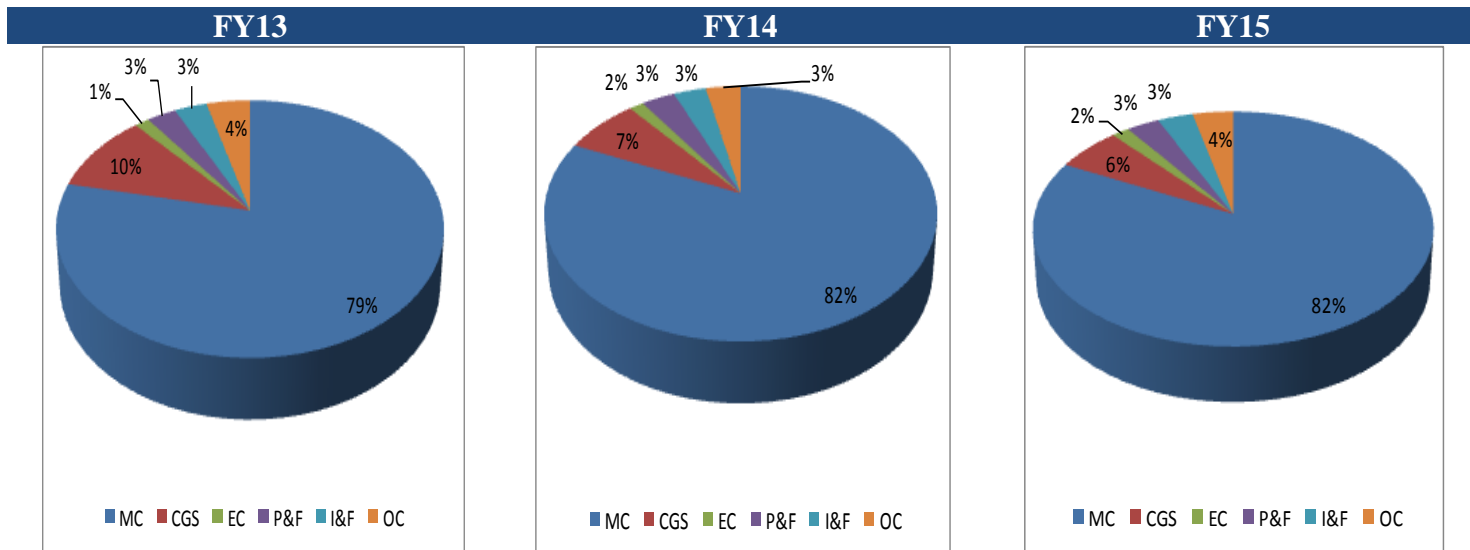
**Comments:**
**Revenue analysis**
**Rs. In Lakh**

Parameters	FY11	FY12	FY13	FY14	FY15	CAGR (%) (FY11-FY15)
Net Sales	32132.41	34880.71	36958.56	38481.04	45842.95	9.29%
% y-o-y growth	NM	8.55	5.96	4.12	19.13	-

Other Income (related to operations)	174.49	90.8	240.41	56.48	100.40	-12.91%
% y-o-y growth	NM	-47.96	164.77	-76.51	77.76	
<b>Total Operating Income</b>	<b>32306.9</b>	<b>34971.51</b>	<b>37198.97</b>	<b>38537.52</b>	<b>45943.35</b>	<b>9.20%</b>
% y-o-y growth	NM	8.25	6.37	3.60	19.22	

- HTPL's total operating income (TOI) consists of sales of steel pipes, hollow sections, tubes, cold rolled coils and strips primarily to its domestic clientele consisting distributors/wholesalers, reputed power generation and infrastructure companies such as Bharat Heavy Electricals Limited, National Thermal Power Corporation, L&T, IRB Infrastructure Developers Limited and automobile and cycle manufacturers such as Ashok Leyland, JCB, Escort, Atlas Cycles and Hero Cycles.
- Net sales grew at a CAGR of 9.29% during the past five years from Rs.32132.41 Lakh in FY11 to Rs.45842.95 Lakh in FY15 with increase in client base.
- Other income includes foreign exchange fluctuation gain (Rs.14.25 Lakh during FY15) and interest income (Rs.86.16 Lakh in FY15).

**FINANCIAL PERFORMANCE - COST STRUCTURE**



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

**Comments:**

Material Costs constituted the highest pie in the cost structure during FY13 to FY15. While employee costs increased from Rs.515.87 Lakh in FY13 to Rs.730.44 Lakh in FY15, the power and fuel costs increased from Rs.1028.95 Lakh in FY13 to Rs.1346.53 Lakh in FY15. Fixed capital charges (depreciation and finance costs) covered 4.11 portions of the total costs for FY15.

**Material cost analysis**

Parameters	FY11	FY12	FY13	FY14	FY15
Material cost (Rs. lakh)	28226.25	29582.27	28847.88	31574.16	37329.46
% y-o-y growth	NM	4.80%	-2.48%	9.45%	18.23%
As % of TOI	87.37%	84.59%	77.55%	81.93%	81.25%
As % to cost of sales	91.61%	88.81%	81.49%	86.29%	86.17%

- HTPL being engaged into manufacturing of Electric resistance welded/black steel/galvanized steel pipes, hollow sections, tubes and cold rolled (CR) coils and strips, material costs is the largest cost component of the company. HTPL procures raw material (mainly hot rolled coils and skelp) from the suppliers based in the domestic market.

- Material costs as a % of TOI increased from 77.55% in FY13 to 81.93% in FY14 but declined marginally to 81.25% in FY15, impacting the margins on account of increasing price competition and volatile nature of mild-steel prices.

### Power & fuel cost

Parameters	FY11	FY12	FY13	FY14	FY15
Power & fuel cost (Rs. lakh)	885.02	958.89	1028.95	1240.53	1346.53
% <i>y-o-y growth</i>	<i>NM</i>	8.35%	7.31%	20.56%	8.54%
As % of TOI	2.74%	2.74%	2.77%	3.22%	2.93%
As % to cost of sales	2.87%	2.88%	2.91%	3.39%	3.11%

- Being engaged into manufacturing, power and fuel (P&F) costs are the second highest contributor to cost of sales and remained in the range of 2.77% to 3.39% of TOI during the past five years ending March 31, 2015.

### Employee cost

Parameters	FY11	FY12	FY13	FY14	FY15
Employee cost (Rs. lakh)	410.46	429.44	515.87	533.3	730.44
% <i>y-o-y growth</i>	<i>NM</i>	4.62%	20.13%	3.38%	36.97%
As % to total operating income	1.27%	1.23%	1.39%	1.38%	1.59%
As % to cost of sales	1.33%	1.29%	1.46%	1.46%	1.69%

- HTPL employs considerable number of manpower for overlooking operations at its three manufacturing facilities and also qualified personnel for managing administrative, marketing, logistics and accounts and finance. The total number of employees with the company stood at 325 as on September 30, 2015.

**Other operating cost items**

Parameters	FY11	FY12	FY13	FY14	FY15
<b>Selling Expenses (Rs. lakh)</b>	577.39	531.4	547.18	395.87	597.44
% y-o-y	NM	-7.97%	2.97%	-27.65%	50.92%
% of TOI	1.79%	1.52%	1.47%	1.03%	1.30%
% of cost of sales	1.87%	1.60%	1.55%	1.08%	1.38%
<b>Other Manufacturing Expenses (Rs. lakh)</b>	221.7	232.69	382.52	230.7	308.07
% y-o-y	NM	4.96%	64.39%	-39.69%	33.54%
% of TOI	0.69%	0.67%	1.03%	0.60%	0.67%
% of cost of sales	0.72%	0.70%	1.08%	0.63%	0.71%
<b>Other operating Expenses (Rs. lakh)</b>	102.28	117.65	158.02	182.7	212.92
% y-o-y	NM	15.03%	34.31%	15.62%	16.54%
% of TOI	0.32%	0.34%	0.42%	0.47%	0.46%
% of cost of sales	0.33%	0.35%	0.45%	0.50%	0.49%

- Selling expenses have remained below 2% of TOI during FY11 to FY15 comprising primarily of commission paid to selling agents and expenses incurred towards business development ventures.
- Other manufacturing expenses remained in the range of 0.6% to 1% of TOI and comprised of job work expenses incurred and annual maintenance expenses of machines and delivery vehicles (trucks).
- Other operating expenses (include conveyance expenses, legal and professional consultation expenses, auditors remunerations and vehicle running and maintenance expenses) remained stable witnessing marginal increase as a percent of TOI from 0.42% in FY13 to 0.46% in FY15.

**Depreciation**

Parameters	FY11	FY12	FY13	FY14	FY15
Depreciation (Rs. lakh)	261.41	288.14	324.29	342.33	398.23
% y-o-y growth	NM	10.23%	12.55%	5.56%	16.33%
As % of total operating income	0.81%	0.82%	0.87%	0.89%	0.87%
Depreciation rate (% of average gross block)	5.05	5.47	5.60	5.42	12.58

- Depreciation expense increased from Rs.342.33 Lakh in FY14 to Rs.398.23 Lakh in FY15 mainly due to additions to plant and machinery, factory shed and building and vehicles.

- Depreciation is charged on WDV method as per the useful life prescribed under ‘schedule II’ of The Companies Act, 2013. Except in respect to Plant and machinery which have 15-25 years of useful life as estimated based on technical advice, maintenance contracts undertaken and past experience with similar branded machines.

**Interest and finance charges**

Parameters	FY11	FY12	FY13	FY14	FY15
Interest and Finance Charges (Rs. lakh)	774.31	1085.46	1151.94	1209.42	1468.31
% y-o-y growth	NM	40.18%	6.12%	4.99%	21.41%
As % of TOI	2.40%	3.10%	3.10%	3.14%	3.20%

- The total interest and finance charges have increased from Rs.1209.42 Lakh in FY14 to Rs.1468.31 Lakh in FY15 mainly due to increase in long term secured loans and vehicle loans availed during FY15.

**FINANCIAL PERFORMANCE - BALANCE SHEET:ASSETS**
**(Rs. In Lakh)**

Period Ends on: March 31,	2011	2012	2013	2014	2015
Result Type:	Actual	Actual	Actual	Actual	Actual
Gross Block	3,981.31	4,660.70	5,131.69	5,725.74	7,488.12
Accumulated Depreciation	-1,891.56	-2,152.59	-2,474.89	-2,815.51	-3,202.49
Net Block	2,089.75	2,508.11	2,656.80	2,910.23	4,285.63
NET FIXED ASSETS	2,193.20	2,898.79	3,174.74	3,627.91	5,107.21
Other Investments#	316.40	344.90	518.67	617.60	683.21
TOTAL INVESTMENTS :net of provision	316.40	344.90	518.67	617.60	683.21
Raw and Packing Materials	2,162.73	2,334.64	2,222.79	2,148.69	1,415.08
Work In Process	151.22	123.82	160.03	614.90	406.00
Finished Goods	3,151.37	3,640.55	3,755.34	4,464.39	4,819.20
Stores and Spares	16.87	12.93	17.62	68.47	127.79
TOTAL INVENTORIES	5,482.19	6,111.93	6,155.78	7,296.44	6,768.06
Receivables : More than 6 months	34.02	95.56	115.79	343.88	170.30
Receivables : Less than 6 months	5,059.46	5,465.83	5,643.38	6,827.78	5,139.51
TOTAL RECEIVABLES	5,093.48	5,561.39	5,759.17	7,171.65	5,309.81
Current Loans; Advances; current assets related to operations	2,069.50	2,160.46	3,048.30	3,523.47	3,410.50
Cash and Bank Balances	182.77	203.81	74.32	72.24	62.42
Advance Tax Paid	305.15	386.47	515.60	329.03	474.98
TOTAL OTHER CURRENT ASSETS	2,557.42	2,750.74	3,638.21	3,924.74	3,947.90
TOTAL CURRENT ASSETS related to operations	13,133.10	14,424.06	15,553.16	18,392.84	16,025.77
TOTAL ASSETS	15,803.46	17,845.59	19,423.15	22,819.33	21,990.65

#other investments consist of fixed deposits in margin money with maturity less than 12 months from inception

**Comments:**
**Fixed assets**
**Composition of net fixed assets**

- HTPL's fixed assets primarily comprise of plant & machineries (~50% of net fixed assets as on March 31, 2015), land (~19%), Factory shed (~14%), office buildings (~11%), vehicles (~3%), Furniture and fixtures (~2%) and office equipments (~1%).
- HTPL has increased its production capacity in FY13, FY15 and again in H1FY16 by constantly upgrading the machinery used for production. The management aims to reduce



wastage from cutting and rolling process of production and is in process of upgrading to high precision modern cutters.

- During FY15 and H1FY16, HTPL setup a new manufacturing facility at Sanand, Gujarat and invested in land, factory building, plant and machinery office and office equipment for the same. As per the management, the plant will have better turn-around time and lower wastages as compared to HTPL's Sikandrabad plant.

### Inventories

Parameters: As on March 31,	2011	2012	2013	2014	2015
Raw and Packing Materials (Rs. lakh)	2162.73	2334.64	2222.79	2148.69	1415.08
<i>Average Raw Material Inventory Period (days)</i>	0	27	28	25	17
Work in Progress	151.22	123.82	160.03	614.9	406
<i>Average WIP Inventory Period</i>	0	2	1	4	4
Finished Goods (Rs. lakh)	3151.37	3640.55	3755.34	4464.39	4819.2
<i>Average Finished Goods Inventory Period (days)</i>	0	37	38	41	39
Stores and Spares (Rs. lakh)	16.87	12.93	17.62	68.47	127.79
<b>Total inventories (Rs. lakh)</b>	5482.19	6111.93	6155.78	7296.44	6768.06
<i>Average Inventory Period (days)</i>	0	64	63	67	59
Total inventory as % of total assets	34.69%	34.25%	31.69%	31.97%	30.78%

- Total inventory primarily comprises of finished goods inventory (~70% of total inventory as on March 31, 2015), raw material inventory (~20% of total inventory), WIP inventory (~6% of total inventory) and stores and spares (~4% of total inventory).
- HTPL manufactures various types (namely electric resistance welded, black steel and galvanized) of steel pipes, tubes and hollow sections in various sizes and strengths. The company also manufactures CR/galvanized coils and sheets also in various sizes and thickness. The company maintains sufficient finished goods inventory for the products to meet demands from distributors and wholesalers.

**Sundry debtors**

Parameters: As on March 31,	2011	2012	2013	2014	2015
Total Receivables (Rs. lakh)	5093.48	5561.39	5759.17	7171.65	5309.81
Average Collection Period (days)	NM	50	50	54	44
As % of net sales	15.85%	15.94%	15.58%	18.64%	11.58%
As % of total assets	32.23%	31.16%	29.65%	31.43%	24.15%

- HTPL's total receivables outstanding as on March 31, 2015 consist primarily of dues receivable from distributors/wholesalers that are offered a credit period of 15-60 days and further supported by post dated cheque. Customers' orders from projects and OEMs are majorly backed by LCs and as per management discussion HTPL has not recorded bad debts in the past.

**Ageing analysis of debtors**
**(Rs. Lakh)**

Particulars	Less than 6 months	More than 6 months	Total
Debtors as on March 31, 2015	5139.51	170.30	5309.81
Debtors as on March 31, 2014	6827.78	343.87	7171.65
Debtors as on March 31, 2013	5643.38	115.79	5759.17
Debtors as on March 31, 2012	5465.83	95.56	5561.39
Debtors as on March 31, 2011	5053.46	34.02	5093.48

- For the past 5 balance sheet dates ending March 31, 2015 most of the debtor receivables are due for less than 6 months. A detailed debtor ageing schedule was requested by CARE however HTPL haven't submitted the same.
- As per management discussion, debtors outstanding for more than 6 months as on March 31, 2015 are due primarily from distributors supplying to L&T Vadodara and management expects to receive the payment within Q3FY16.

**Other current assets**
**(Rs. Lakh)**

Parameters: As on March 31,	2011	2012	2013	2014	2015
<b>Other current assets</b>	2557.42	2750.74	3638.21	3924.74	3947.90
<b>As % of total assets</b>	16.18%	15.41%	18.73%	17.20%	17.95%
Other operating current assets	2069.50	2160.46	3048.29	3523.47	3410.50
Advance tax paid	305.15	386.47	515.6	329.03	474.98
Income tax	-	-	-	-	-
TDS	-	-	-	-	-
Cash & bank balances	182.77	203.81	74.32	72.24	62.42
<i>Cash on hand</i>	<i>46.30</i>	<i>27.62</i>	<i>66.94</i>	<i>58.53</i>	<i>47.48</i>
<i>Balances with banks in current accounts</i>	<i>136.47</i>	<i>176.19</i>	<i>7.37</i>	<i>13.71</i>	<i>14.94</i>

- Other operating current assets as on March 31, 2015 comprise of prepaid expenses (Rs.45.67 Lakh), balances with government authorities (Rs.581.37 Lakh) and loans and advances which are paid to suppliers (primarily to SAIL) as part of MOU for purchasing raw materials (Rs.2783.46 Lakh).

**FINANCIAL PERFORMANCE - BALANCE SHEET: LIABILITIES**
**Rs. In Lakh**

Period Ends on: March 31	2011	2012	2013	2014	2015
Result Type:	Actual	Actual	Actual	Actual	Actual
Total Paid Up Equity Share Capital	46.80	46.80	46.80	314.30	378.56
GROSS RESERVES	2,593.86	2,789.19	2,996.51	3,323.03	4,366.62
Intangible Assets	-	-	-	-	-7.56
NET RESERVES	2,593.86	2,789.19	2,996.51	3,323.03	4,359.06
TANGIBLE NET WORTH	2,640.66	2,835.99	3,043.31	3,637.33	4,737.62
Interest Free Loans	-	-	-	-	-
Rupee Term Loans	115.00	-	829.81	886.04	994.86
Other Long Term Loans	301.96	265.36	253.06	766.64	1,218.18*
Loans and advances from promoters related parties	289.02	296.50	199.23	185.54	232.16
TOTAL LONG TERM DEBT	705.98	561.86	1,282.10	1,838.22	2,445.20
Less: Current portion of long term debt	201.19	130.22	120.55	158.10	240.97
NET LONG TERM DEBT	504.79	431.64	1,161.55	1,680.12	2,204.23
Working capital Bank Borrowings	5,523.04	7,403.99	8,011.64	9,339.26	8,662.32
Current portion of long term debt	201.19	130.22	120.55	158.10	240.97
Short term loans	-	-	98.81	-	-
TOTAL SHORT TERM DEBT	5,724.23	7,534.21	8,231.00	9,497.36	8,903.28
Creditors for goods	4,833.73	4,380.24	4,489.91	4,962.10	3,955.37
Advances; deposits recd from customers: related to ops.	-	-	-	-	-
Other Current Liabilities: related to ops.	1,331.28	1,707.36	1,453.90	2,145.35	794.67
TOTAL CURRENT LIABILITIES	6,165.01	6,087.60	5,943.81	7,107.45	4,750.05
Provision for Taxes	306.00	405.14	526.91	363.06	539.09
Other Provisions ; regular	248.33	329.44	302.75	320.29	395.06
Provision for dividend	-	-	-	-	37.86
TOTAL SHORT TERM PROVISIONS	554.33	734.57	829.66	683.35	972.01
TOTAL CURRENT LIABILITIES AND PROVISIONS; RELATED TO OPERATIONS	6,719.34	6,822.17	6,773.47	7,790.80	5,722.06
TOTAL OUTSIDE LIABILITIES	6,332.53	8,069.35	9,501.06	11,285.99	11,336.46
TOTAL LIABILITIES	15,803.46	17,845.59	19,423.15	22,819.33	21,990.65

\*Other long term loans include unsecured loans from group companies to the tunes of Rs.962.04 Lakh and vehicle loans to the tune of Rs.33.81 Lakh as on March 31, 2015

**Comments:**
**Equity share capital**

- HTPL has an authorized share capital of 50,00,000 equity shares with nominal value of Rs.10/- each. It has an issued, subscribed and paid up capital of 37,85,550 shares of Rs. 10/- each full paid up as on March 31, 2015.
- During FY15, promoters of HTPL infused equity share capital into the business to the tune of Rs.706.81 Lakh by issuing 642,550 shares @ Rs.110/- each.
- During FY14, the company offered 23,40,000 shares of nominal value Rs. 10/- each as bonus shares (5 bonus shares for every 1 share held) by capitalizing free reserves.

**Long-term borrowings**

- The total long term debt outstanding as on March 31, 2015 consists of Secured term loans (worth Rs.390.51 Lakh), unsecured loans from promoters and related parties (worth Rs.232.16 Lakh), unsecured loans from group companies (worth Rs.962.03 Lakh), housing loans (worth Rs.781.38 Lakh) and vehicle loans (worth Rs.33.81 Lakh).
- The company had availed new term loans (of Rs.560 Lakh) during FY15 to purchase plant and machinery. Furthermore, promoters and related parties infused unsecured loans during FY15 (to the tune of Rs.46.62 Lakh).

**Other liabilities**

Parameters (Rs. lakh)	March 2011	March 2012	March 2013	March 2014	March 2015
Dues to agents	410.57	641.99	501.32	1108.87	562.4
As % of total liabilities	2.60%	3.60%	2.58%	4.86%	2.56%
Short term liabilities	809.77	947.19	847.26	931.27	37.76
As % of total liabilities	5.12%	5.31%	4.36%	4.08%	0.17%
Deferred Tax Liability	110.94	118.08	105.32	105.21	194.51
As % of total liabilities	0.70%	0.66%	0.54%	0.46%	0.88%

- Other liabilities include dues payable to commission and selling agents, short term liabilities and deferred tax liabilities arising on account of differences in rates of depreciation as per income tax and companies act.

### Short term borrowings

- Short term debt consists of cash credit facility having total sanctioned limit of Rs.10750.00 Lakh (worth Rs.8662.32 Lakh outstanding as on March 31, 2015) which are 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)	4833.73	4380.24	4489.91	4962.1	3955.37
Average Creditors Period (days)	NM	50	45	47	37
As % of total liabilities	30.59%	24.55%	23.12%	21.75%	17.99%

- MTPL's trade payables outstanding as on March 31, 2015 include creditors for goods. The average creditor period stood at 37 days in FY15 (compared to 47 days in FY14) as MTPL receives credit period of 30-45 days from its suppliers.

### Short term provision

(Rs. Lakh)

Parameters	March 2011	March 2012	March 2013	March 2014	March 2015
<b>Total short term provisions</b>	554.33	734.57	829.66	683.35	972.01
Provision for income tax	306.00	405.14	526.91	363.06	539.09
Other Provision	248.33	329.44	302.75	320.29	432.92
As % of total liabilities	3.51%	4.12%	4.27%	2.99%	4.42%

- Other provision includes provision for excise duty payable on un-cleared goods, and provision for dividend (Rs.37.86 Lakh as on March 31, 2015).

**Details of the related party transactions**

Related Party	Nature of the Relationship
Mr. Vipul Bansal	Son of Mr. A. K. Bansal (MD and top promoter)
Mr. Rakesh Kumar Bansal	Relative of MD
Smt. Santosh Kumari	Relative of MD
JNG Constructions Pvt. Ltd.	Common director
Hi-Tech Agrovision Pvt. Ltd.	Common director

**(Rs. Lakh)**

Name of related Party	Nature of transaction	March 2011	March 2012	March 2013	March 2014	March 2015
Mr. A. K. Bansal and Mr. Anish Bansal	Directors remuneration	48.00	48.00	48.00	48.00	48.00
Mr. Vipul Bansal	Salary	6.00	6.00	6.00	6.00	6.00
MR. R. K. Bansal and Smt. Santosh Kumari	Interest	19.55	25.68	25.76	19.82	32.30

**Dividend Policy**

- HTPL does not have a formal dividend policy.
- HTPL has declared dividend of 10% during FY15

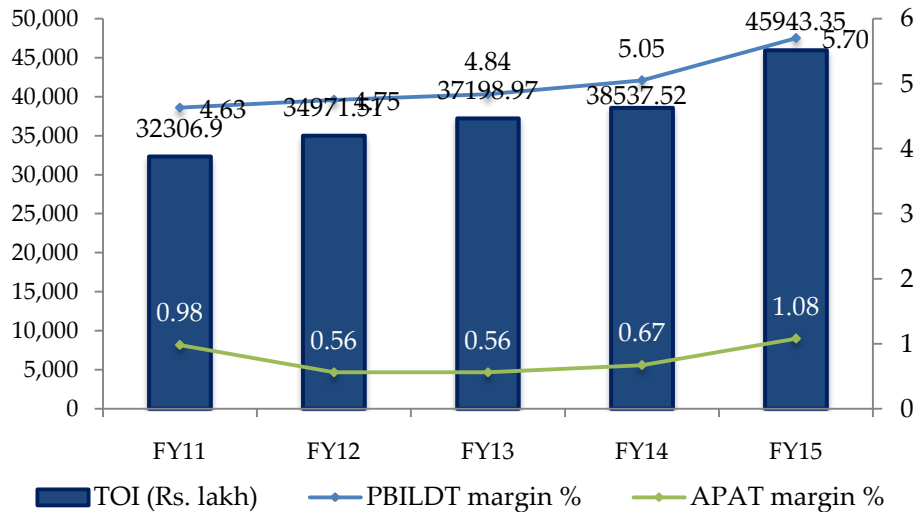
**FINANCIAL PERFORMANCE - SUMMARY OF RATIOS**

Period Ends on: March 31,	2011	2012	2013	2014	2015
Result Type:	Actual	Actual	Actual	Actual	Actual
<b>KEY FINANCIAL RATIOS</b>					
<b>Growth Ratios</b>					
Growth in Net sales	NM	8.55	5.96	4.12	19.13
Growth in Total Operating Income	NM	8.25	6.37	3.60	19.22
Growth in PBILDT	NM	11.09	8.32	8.21	34.61
Growth in APAT	NM	-38.22	6.14	24.93	92.14
<b>Profitability Ratios</b>					
Gross Margin	21.32	20.19	20.71	21.50	22.69
PBILDT Margin	4.63	4.75	4.84	5.05	5.70
PBIT Margin	3.82	3.93	3.96	4.16	4.84
OPBT Margin	1.42	0.82	0.87	1.03	1.64
OPAT Margin	0.98	0.53	0.57	0.67	1.08
APAT Margin	0.98	0.56	0.56	0.67	1.08
Operating ROCE	NM	14.65	13.60	12.79	15.80
ROCE (Total)	NM	13.94	12.51	11.73	14.36
RONW	NM	7.13	7.05	7.75	11.88
Average Cost of Borrowings	NM	15.29	13.27	11.76	13.18
<b>Turnover Ratios</b>					
Operating Capital Turnover Ratio	NM	3.73	3.43	3.07	3.27
Fixed Assets Turnover Ratio	NM	8.09	7.60	7.10	6.95
Working Capital Turnover Ratio	NM	4.99	4.54	3.98	4.40
Average Raw Material Inventory Period	NM	27	28	25	17
Average WIP Inventory Period	NM	2	1	4	4
Average Finished Goods Inventory Period	NM	37	38	41	39
Average Inventory Period (days)	NM	64	63	67	59
Average Collection Period (days)	NM	50	50	54	44
Average Creditors Period (days)	NM	50	45	47	37
Working Capital Cycle (days)	NM	34	38	75	66
<b>Solvency Ratios</b>					
Debt Equity Ratio	0.27	0.20	0.42	0.51	0.52
Overall Gearing Ratio (Including Acceptances / Creditors on LC)	2.36	2.81	3.09	3.07	2.34
Overall Gearing Ratio (Excluding Acceptances / Creditors on LC)	2.36	2.81	3.09	3.07	2.34
Adjusted Debt Equity Ratio	0.27	0.20	0.42	0.51	0.52
Adjusted Overall Gearing	2.36	2.81	3.09	3.07	2.34
Term Debt (including CPLTD) / Gross Cash Accruals	1.23	1.15	2.47	3.06	2.48
Total Debt / Gross Cash Accruals	10.87	16.24	18.10	18.59	11.27
Interest Coverage (PBILDT / Interest)	1.93	1.53	1.56	1.61	1.78
PBIT / Interest	1.59	1.26	1.28	1.33	1.51
Adjusted Interest Coverage	1.93	1.53	1.56	1.61	1.78
Current Ratio	1.06	1.00	1.04	1.06	1.10
Quick Ratio	0.61	0.58	0.63	0.64	0.63



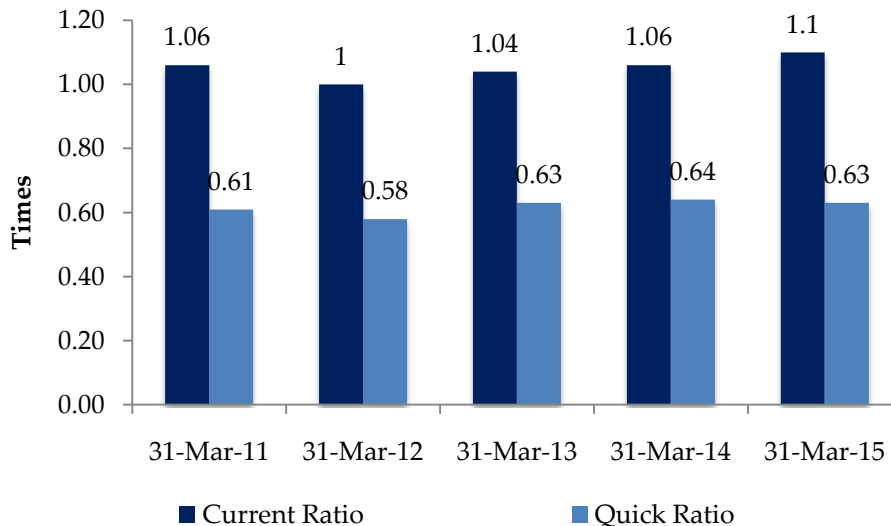
**FINANCIAL PERFORMANCE – PROFITABILITY Analysis**

**Profitability Analysis**



**Comments:**

- HTPL is engaged in the manufacturing of steel pipes and tubes, hollow sections, CR sheets and strips, galvanized coils and MS angles which find use as water and gas pipelines, structural construction, fire-fighting pipes and construction. TOI grew at CAGR of 9.29% during the past five years from Rs.32132.41 Lakh in FY11 to Rs.45842.95 Lakh in FY15 with increase in client base.
- The PBILDT margins have witnessed a steady rise in the past five years (from 4.63% in FY11 to 5.70% in FY15) on account of improving operational efficiency and backward integration into in-house galvanizing unit at the company’s Sikandrabad plant. The in-house galvanizing facility improved the operating margins as it required 1/3<sup>rd</sup> Zinc for coating to produce pre-galvanized products which have same quality and fetch similar prices to ‘hot-dipped’ galvanized products.
- Despite a steady improvement in operating margins, PAT margins deteriorated in FY12 and FY13 on account of increased interest and finance costs borne by the company for servicing debt obligations and increased working capital bank facilities. However, in-line with increase in TOI and PBILDT margins, net profit margin improved in FY15 to 1.08% as against 0.67% in FY14.

**FINANCIAL PERFORMANCE - LIQUIDITY ANALYSIS**
**Liquidity Analysis**

**Liquidity Ratio**

Particulars	March 31, 2013	March 31, 2014	March 31, 2015
Working Capital Turnover Ratio	3.43	3.07	3.27
Average Raw Material Inventory Period	28	25	17
Average WIP Inventory Period	2	4	4
Average Finished Goods Inventory Period	38	41	39
Average Inventory Period (days)	63	67	59
Average Collection Period (days)	50	54	44
Average Creditors Period (days)	45	47	37
Working Capital Cycle (days)	68	75	66

**Comments:**

- HTPL'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 1.1 times, its quick ratio remained low at 0.63 times as on March 31, 2015.
- The operations of HTPL are working capital intensive in nature (with average utilization of around 95% of cash credit facility of Rs.8250 Lakh from State Bank of Patiala and 99% of cash credit facility of Rs.2500 Lakh from Canara Bank during the twelve months ending September 2015) since considerable amount are blocked in inventory and receivables.
- The company procures raw materials (hot rolled (HR) coils and skelp) in large consignments from Steel Authority of India Limited (SAIL) with whom it has a MOU for

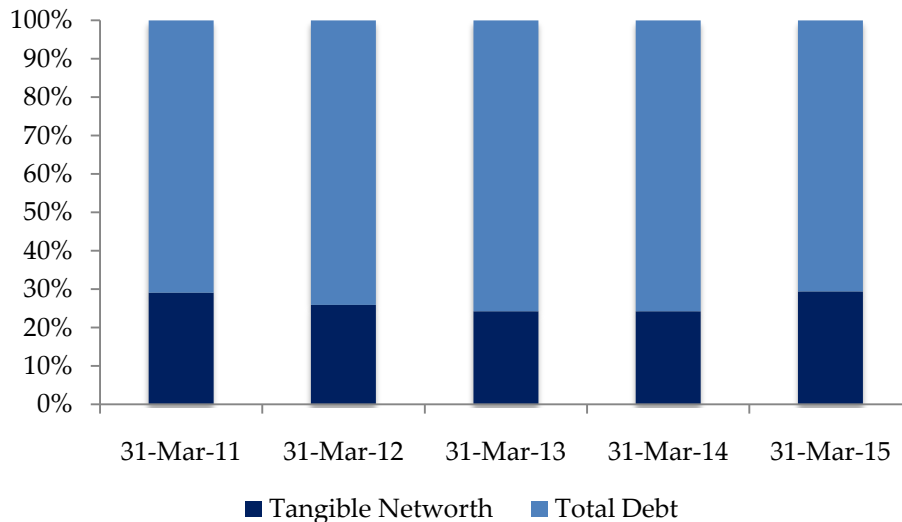
purchasing 119500 MT of coil/skelp till March 31, 2016 to receive discounts. Further, the company manufactures a diversified product portfolio and maintains necessary inventory of finished goods to cater to demands of its customers which primarily comprise of wholesalers and stockists of steel pipes, coils and tubes. HTPL offers its customers 30 to 60 days of credit. While cash flow from operating activities was positive, the unencumbered cash & bank balance was around Rs.62.42 lakh as on Mar 31, 2015.

- HTPL is planning to raise Rs.1365 Lakh through listing on NSE emerge platform. It plans to utilize proceeds of the issue (about 88%) to meet working capital requirements. While remaining will be utilized to meet expenses of issue and other general corporate expense.

**Average monthly fund-based (Cash Credit) working capital utilization level**

Month	Sanctioned Limit (Rs. Lakh)		Maximum monthly utilization (Rs. Lakh)		Maximum monthly utilization (%)	
	SBP	CB	SBP	CB	SBP	CB
October 2014	8250	2500	7194	2491	87%	99%
November 2014	8250	2500	7451	2495	90%	99%
December 2014	8250	2500	7206	2496	87%	99%
January 2015	8250	2500	7282	2491	88%	99%
February 2015	8250	2500	7716	2499	94%	99%
March 2015	8250	2500	8004	2490	97%	99%
April 2015	8250	2500	8032	2499	97%	99%
May 2015	8250	2500	8107	2499	98%	99%
June 2015	8250	2500	8068	2499	98%	99%
July 2015	8250	2500	8029	2490	97%	99%
August 2015	8250	2500	8145	2498	99%	99%
September 2015	8250	2500	7194	2497	87%	99%

SBP – State Bank of Patiala; CB – Canara Bank

**FINANCIAL PERFORMANCE - FINANCIAL FLEXIBILITY**
**Capital Structure**

**Capital Structure Ratio**

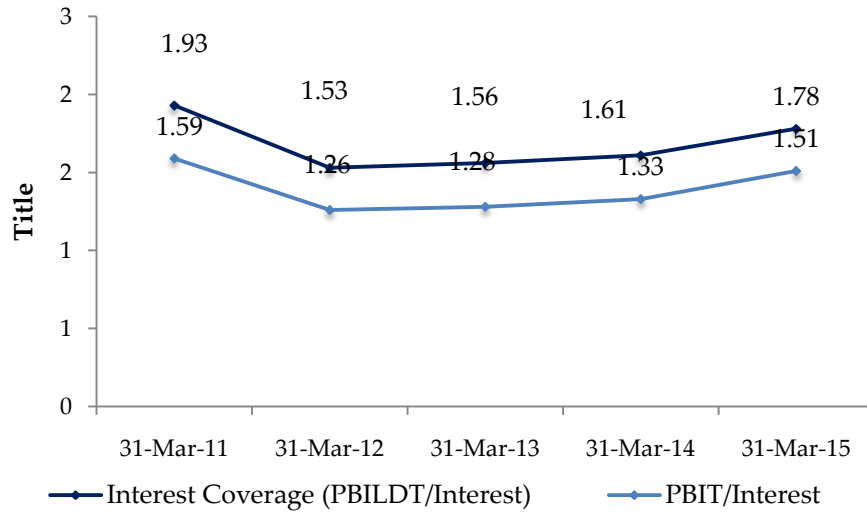
Particulars	Mar 31, 2013	Mar 31, 2014	Mar 31, 2015
Debt Equity Ratio	0.42	0.51	0.52
Overall Gearing Ratio (Including Acceptances / Creditors on LC)	3.09	3.07	2.34
Overall Gearing Ratio (Excluding Acceptances / Creditors on LC)	3.09	3.07	2.34
Adjusted Debt Equity Ratio	0.42	0.51	0.52
Adjusted Overall Gearing	3.09	3.07	2.34
Average Cost of Borrowings	13.27	11.76	13.18
Total Outside Liabilities to Networth	5.06	5.06	3.39

**Comments:**

The long term debt level seems to be moderate marked by debt equity ratio of 0.52 times and overall gearing was moderately high at 2.34 times as on March 31, 2015. Overall gearing has marginally improved y-o-y in FY15 on account of accretion of profits to reserves and raising of equity share capital by way of rights issue. With moderately high gearing level and average creditor period of 37 days, total outside liabilities as compared to total net worth remained moderately high at 3.35 times as on March 31, 2015. However, some comfort can be derived from the fact that total term debt of Rs.2445.20 Lakh includes unsecured loans from promoters and related parties to the tune of Rs.232.16 Lakh (non-interest bearing) and unsecured loans from group companies to the tune of Rs.962.04 Lakh (interest bearing).

**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 11.27 times as on March 31, 2015 (as against 18.59 times as on March 31, 2014) and interest coverage of 1.78 times in FY15 (as against 1.61 times in FY14)

**BANKERS & AUDITORS DUE DILIGENCE**

Stake holder		Feedback
Bankers & Lenders- 1) State Bank of Patiala	Mr. Anil Bansal	Satisfactory
	Credit Manager	
	09818153400	
	October 19, 2015	
2) Canara Bank	Mr. Vinod Kumar	Satisfactory
	Assistant General Manager	
	09818962009	
	October 19, 2015	
Auditor M/s N.C. Aggarwal & Co.	CA Astha Aggarwal	Satisfactory
	Partner	
	011-25920555	

**Remarks**

- The account is regular with State Bank of Patiala. The banker has expressed satisfaction over the conduct of the account with timely servicing of interest and principal repayment in term loan.
- The account is regular with Canara Bank. The banker has expressed satisfaction over conduct of Cash Credit account with no instance of over-drawls or utilization of ad-hoc facilities.

### Key Findings

Key Findings	Company Comment	CARE Comment
<p><b>High reliance on promoter family in key decision making.</b></p> <p><b>Majority of the critical decisions in the company are being taken by promoter family</b></p>	<p>As per management, HTPL has hired qualified personnel to manage accounts and finance, production and marketing functions of the company. Furthermore, second generation of Bansal family is also involved in management of company and is being groomed to undertake supervisory roles.</p>	<p><i>HTPL has only shared details of a few of the second line management personnel. The second generation of Bansal family, Mr. Anish Bansal has been involved in management of company since 2002 and is currently the CEO of HTPL. Mr. Vipul Bansal has been involved in HTPL since the past 5 years and supervises the Sanand plant. Going forward, the ability of the company to separate management and owners remains to be seen.</i></p>
<p><b>Low utilization of production capacity</b></p>	<p>As per the management, HTPL capacity utilization is as per industry standards. However, management expects better utilization from new/upgraded machinery installed. It is upgrading its machinery at its Sikandrabad plant and has installed modern state-of the art machinery at its Sanand plant which will significantly reduce wastages.</p>	<p><i>CARE believes that with opening of its Sanand plant, HTPL will be able to cater to Western India better and as per details provided by management, company has better capacity utilization during H1FY16.</i></p>
<p><b>Significant growth (19%) in revenue during FY15 as compared to FY14</b></p>	<p>The management has cited that during FY15, HTPL made significantly higher sales of solar module mounting structures and metal crash barriers. The management is putting greater focus on solar structures and expects double digit growth during FY16 as well.</p>	<p><i>CARE believes that HTPL can benefit from high demand for solar power grids. However, given the stiff competition, the ability of company to maintain the margins would be critical.</i></p>
<p><b>High reliance on WC Bank borrowings</b></p>	<p>The management has stated that it has to make advance payments to SAIL who are primary raw material supplier of HTPL. Customers (especially distributors) make payments after 2-3 months as is standard practice. Further, though it utilizes the facilities fully, it has not availed any ad-hoc facility and stays within the availed limit.</p>	<p><i>CARE understands that in order to maintain competitiveness, HTPL will offer its customers a high credit period and due to terms of MOU signed with SAIL, advance payments are necessary to avail discounts. However, ability of the company to manage the working capital cycle efficiently with minimize the use of working capital limits would be critical.</i></p>
<p><b>Performance dependent on Indian power sector and infrastructure sector</b></p>	<p>The management acknowledges that majority demand for its goods is dependent on oil and gas, water, power and infrastructure sectors. Management foresees higher demand for its solar mounting structures on the back of Indian government's initiatives to promote renewable energy. The company's Sanand plant is outfitted with modern technology which will manufacture solar mounting structures and steel pipes at high efficiency and faster turnaround than Sikandrabad plant.</p>	<p><i>The goods manufactured by HTPL find use primarily in infrastructure, automobile and power sectors leading to high correlation of performance of company with the performance of these sectors. HTPL is susceptible to fluctuations and cyclicity present in Indian automobile industry.</i></p>
<p><b>Increase in Cost of materials consumed in FY15 by ~18% (y-o-y)</b></p>	<p>As per management, HTPL switched to utilizing higher quality coils (RM) for manufacturing CR sheets as this leads to low</p>	<p><i>The higher cost of RM is mitigated by costs being saved in power and fuel and wastages. However, given the intense</i></p>

Key Findings	Company Comment	CARE Comment
	wastage and comparatively lower power and fuel consumption.	<i>competition the ability of the company to pass on increase in RM prices to customers would be limited.</i>



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