Company Analysis and Financial Due Diligence

August 2013

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To,
Ms Khyati Shah,
National Stock Exchange of India Limited
Exchange Plaza,
Plot No. C/1, G Block,
Bandra - Kurla Complex
Bandra (E)
Mumbai - 400051

Date: August 13, 2013

Dear Madam,

We refer to your recent meeting with us when you requested us to provide to you a Company Analysis and Financial Due Diligence report (“FDD Report”) covering the limited scope as mentioned in the annexure below and for the purpose of potential listing of MITCON Consultancy and Engineering Services Ltd (“the Company”), in the Small and Medium Enterprise (SME) Exchange of the National Stock Exchange (NSE).

We now enclose our Company Analysis and FDD Report dated August 13, 2013. This Company Analysis and FDD Report is based on the information provided by the company to us and also on the meetings with the Management of the Company.

For the purpose of preparing the Company Analysis and FDD Report, we have not independently verified the information provided by the Company or collected by us from other sources. CRISIL does not guarantee the accuracy, adequacy or completeness of any information contained in such Reports. CRISIL especially states that it has no financial liability whatsoever to you / Company / users of the Reports. CRISIL’s Reports submitted to NSE do not constitute recommendations to list or not to list the Company on the SME Exchange.

All the Company Analysis and FDD Reports submitted by CRISIL are confidential and are meant for the internal use only of NSE and should not be used for purpose other than the potential listing of the Company on SME Exchange.

This Letter shall form an integral part of the Company Analysis and FDD Reports.

We appreciate the opportunity to conduct financial due diligence on MITCON Consultancy and Engineering Services Ltd.

Yours faithfully,

For CRISIL Limited

Mohit Modi
Director – CRISIL Research

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Glossary of terms

AS - Accounting Standards	MAT - Minimum Alternative Tax
bps - Basis points	MIS - Management Information System
Capex - Capital expenditure	NDA - Non disclosure agreement
CAGR - Cumulative average growth rate	PAT - Profit after tax
CC - Cash credit	PBT - Profit before tax
COGS - Cost of goods sold	RM - Raw materials
CWIP - Capital work in progress	sq. ft. - Square feet
DRHP - Draft Red Herring Prospectus	y-o-y - year-on-year
EBITDA - Earnings before interest tax depreciation and amortisation	
EPS - Earnings per share	
FA - Fixed assets	
FB - Fund based	
FG - Finished goods	
FIFO - First in first out	
FS - Financial statements	
FYXX - Financial year ended March 31, 20XX	
GFA - Gross fixed assets	

CRISIL RESEARCH

Company Analysis

Company background

MITCON Consultancy & Engineering Services Ltd (MITCON) was established in 1982, promoted by leading commercial banks and financial institutes including ICICI Bank, IDBI and IFCI, and leading state development agencies including State Industrial & Investment Corporation of Maharashtra (SICOM) Limited, Maharashtra Industrial Development Corporation (MIDC), and Maharashtra Small Scale Industries Development Corporation (MSSIDC). The company provides consultancy, engineering, and vocational and entrepreneurship training services. Its consultancy services cover diverse areas such as power generation, carbon credit, energy conservation, industrial infrastructure, environment engineering, food processing, sugar, textiles, chemicals, and market research.

MITCON's business is divided into four broad segments – consulting, vocational training, IT training and laboratories. Consulting is the largest segment; it contributed 57% to total income in FY13. During the same period, vocational training accounted for 32%, while IT training and laboratories together comprised 11% of total income.

The company is headquartered in Pune and has sales offices in Bengaluru, Nagpur, Mumbai, Ahmedabad, Chennai and Delhi. With a small presence outside Maharashtra, the company intends to expand to other Indian cities.

Key positives

- Starting as a provider of soft consultancy services (such as draft report preparation) to traditional industries such as power generation and infrastructure, it has expanded its bouquet of services over the years to include technical consultancy too. It is now present in core sectors such as power, energy and banking, and in emerging industries such as environment management, biotechnology, food processing and carbon credit. Within power, it provides consultancy to decentralized power generation projects. We expect the company's niche service offerings in these key growth areas to drive the demand for its consulting business.
- The company has a strong presence in Maharashtra; it now plans to expand pan-India and target large-ticket clients. Proper execution of these expansion plans is expected to put the company in a strong position to reach the next level of growth. Reduced geographic concentration and a wider client base are also likely to help the company to overcome adverse business conditions.
- MITCON has developed good working relationships with several state and federal agencies. Its client base includes government agencies such as Tamil Nadu Electricity Board, National Institute for Micro, Small & Medium Enterprises, and Bureau of Energy Efficiency. It also serves a number of established corporate players, including Hindustan Petroleum, Bharat Forge, GSPC Pipavav and VRL Logistics.
- MITCON's institutional shareholders include established names from the banking and finance industry (such as ICICI Bank, Bank of India, IFCI, SIDBI, SBI and other nationalized banks) and state development corporation. The company has enjoyed strong backing from these promoters in the past too.
- Each of the major shareholders has one nominee director on MITCON's board. As a result, the profile of MITCON's board of directors is significantly better than most other small and medium enterprises (SMEs) in the country. In our opinion, this is one of the reasons for the company being well managed.

Key negatives

- Income from MITCON's consulting segment was up at 33.3% CAGR to ₹287 mn over FY08-11 (overall income grew at a 31.7% CAGR to ₹468 mn). However, since FY11, the business has been under pressure on account of muted economic growth and slowdown in investment activity. As a result, income from this business declined to ₹265 mn in FY13 (overall income was ₹462 mn). If the investment activity fails to pick up, revenue growth from the consulting business is likely to remain subdued.

- Consulting business is the primary contributor to the company's revenues, followed by vocational training business. These two segments accounted for 57% and 32% of total revenues in FY13, respectively. The management is planning to curtail the vocational training business to focus on its core consulting service. Although management expects the training business to maintain its current revenue flow, we believe there are some risks associated with the scaling down of this business, and it may have an adverse impact on revenue growth, at least in the short term.
- Owing to adverse business conditions, some of MITCON's clients had to shelve their projects in FY12-13 and were unable to pay the company its dues. This has increased the company's debtor days to 130 in FY13 from 89 in FY12. This, combined with a steady decline in creditor days over FY08-12, has stretched the working capital cycle (working capital days increased to 113 in FY13 from 54 in FY12).

Management and corporate governance

- MITCON's Managing Director (MD) Dr Pradeep Bavadekar has 15 years of experience in management and technical consultancy, and over 15 years of experience in manufacturing, marketing and advertising of automotive components, plastic and chemical equipment. Based on our discussions with the management, we believe decision-making in MITCON is centralised with Dr Bavadekar as the key person.
- As of August 2013, the board consists of six directors including the MD, four nominee directors and one independent director. Each of the four largest shareholding institutions – ICICI Bank, IFCI, SICOM and SIDBI – has one nominee director on the board. The directors have a vast experience in diverse industries such as banking, advisory, education, government and entrepreneurship. The independent director Mr Mittal is the secretary of the Technology Development Board, Government of India.
- MITCON Foundation, a trust, operates a business school in Pune. The company has certain transactions with the trust – including a corporate guarantee issued to Bank of Baroda against a term loan taken by the trust. As per the guarantee, the company will not recover the amount due to it from the trust for a land sale (worth ₹21.3 mn) until the trust repays the loan in full. If the trust faces any difficulty in repaying the term loan, the subsequent payment to the company might also get delayed.

Key financials

- MITCON's operating income has grown at a strong CAGR of 27.1% over FY08-12 to ₹534 mn as income from all the four segments – consulting, vocational training, IT training and laboratories grew rapidly. However, revenue declined by 13.4% to ₹462 mn in FY13 owing to slowdown in investments.
- EBITDA margin declined to 27.6% in FY12 from 29.9% in FY08 mainly owing to the high cost structure of the vocational training business. As the company curtailed the vocational training business (which is a low margin business compared to consultancy business) in FY13, EBITDA margin improved to 29.0%.
- The company's PAT margin increased to 21.2% in FY13, compared to 18.5% in FY08. This growth in PAT, despite a decline in EBITDA margin, is mainly on account of rising non-operating income (which includes income from bank deposits and current investments) and decreasing effective tax rate.
- Despite an increase in profit margin, MITCON's RoE declined to 18.0% in FY13, compared to 21.4% in FY12, owing to the decline in revenue (which in turn resulted in a decline in asset turnover).

Financial Due Diligence

Company Overview

Business Overview

- Pune-based MITCON Consultancy & Engineering Services Ltd provides technical consultancy, engineering and training services to corporate, banks and state and federal agencies. It was established in 1982 as a joint venture between a consortium of financial institutes and state development corporation, led by ICICI, IFCI, IDBI and eight other nationalised banks. Initially, the company was focused on providing consultancy services, and started offering vocational training services since 1995. The company is IS/ISO 9001:2008 certified.
- The company's consulting and related services cover seven areas - Power Plant Consultancy & Engineering Services, Energy and Carbon Services, Environmental Management and Engineering, Infrastructure Consulting, Engineering & Project Management Consultancy, Banking, Finance & Market Research, and Securitisation and Financial Restructuring. It also offers Entrepreneurship Training and Consultancy, ISO Quality Assurance, and operates a Biotechnology and Pharmaceutical Centre. The company operates MITCON e-School which offers IT-related training services; and MITCON Institute of Management (MIMA) – an AICTE approved business school operated by the MITCON Foundation, a trust operated by the same management.

Service offerings

Major services offered by MITCON

Consulting Services

Entrepreneurship Training and Consultancy Division – vocational training

- The company conducts vocational training services and entrepreneurship development programs across Maharashtra, Delhi and Tamil Nadu.

MITCON e-School – IT Training

- This is the IT training division of MITCON. It offers a wide range of courses covering basic IT and corporate training services

Biotechnology and Pharmaceutical Center – laboratories business

- This division operates as a technology business incubator, supported by the Department of Science and Technology (DST), Govt. of India. The company has a biotechnology laboratory, consultancy wing and training facility

Power Plant Consultancy and Engineering Services

- Focuses on small-medium decentralised power generation projects based on both fossil and renewable fuels.
- The company's services include feasibility studies, preparation of detailed project reports, pre-contract engineering, post-contract project management, project implementation and policy studies.

Infrastructure Consulting Services

- Provides a range of project management services including preparation of detailed project reports, application, field survey, assessment and analysis of sites, financial syndication, and project management consultancy and engineering services.

Energy and Carbon Services

- Offers a range of services which helps clients to increase their energy efficiency. Services include energy audits, project management and consultancy, conservation and management services and energy efficiency project services.

Banking, Finance and Market Research Services

- MITCON's banking and finance related services include detailed project reports, assets and business valuation, techno economic viability study, financial restructuring, loan syndication and other services
- It also offers market research services, including qualitative research, market potential studies, and socio-economic impact assessment

Environment Management and Engineering Services

- The primary services offered under this division include environmental impact assessment, detailed project report for solid waste management, operation and maintenance of effluent/sewage treatment plant and environmental monitoring of various industries.

Securitization and Financial Restructuring Services

- The company assists banks and financial institutes in implementing the provisions of the SARFAESI Act. It is empanelled with leading banks as an enforcement agency.

Source: Company, CRISIL Research

Board of Directors

Name	Age	Designation	Date of Joining	Qualification	Role and Experience
Dr. Pradeep Bavadekar	57	Managing Director	June 23, 1995	Ph.D. in Marketing Management	Dr. Bavadekar has 15 years of experience in management and technical consultancy; and over 15 years of experience in manufacturing, marketing and advertising of automotive components, plastic and chemical equipment. He is also the managing trustee of MITCON Foundation.
Mr Anand Trimbak Kusre	65	Chairman, Non-executive Director (nominee of ICICI bank)	June 07, 2002	M.Tech (Chem)	Mr Kusre has over 25 years of experience with ICICI bank, including senior positions in project finance, operations and technology finance industries. He has been associated with major science and technology initiatives launched by the government of India and leading financial institutions. At present, he is a professor at Shailesh J Mehta School of Management, IIT Bombay.
Mr Omprakash Venkatswamy Bundellu	63	Non-executive Director (nominee of SIDBI)	March 26, 2010	Master's degree in Science and Master's degree in financial management	Mr Bundellu has 36 years of commercial and development banking experience. He has previously held the position of probationary officer with Indian Bank; and a number of managerial positions with IDBI bank, including whole-time directorship. At present, Mr Bundellu is the Chairman of CARE Ratings and CARE Kalypto Risk, and director of Principal Mutual Fund and Laxmi Organic Industries.
Mr Ashok Dagadu Mahajan	57	Non-executive Director (nominee of SICOM Limited)	September 24, 2007	Degree in Financial Management, and Business Management, Bachelor's degree in Chemical Engineering	Mr Mahajan has over 30 years of experience. Currently, he holds the position of Head-Corporate Advisory Services, SICOM Ltd. He has previously worked as the Production-in-Charge, Ilac (Calico) Chemicals.
Mr Surajit Roy	53	Non-executive Director (nominee of IFCI Limited)	September 25, 2012	ISC, Master's in History	Mr Roy currently serves as the Managing Director of MPCON Ltd. Previously, he has held decision making positions in a number of organisations, including Chief of Operations (Rajasthan) at Ansal API, Chief Operating Officer at Delhi Integrated Multimodal Transit Systems Ltd (DIMTS) and Executive Vice President (Operations) at DLF Ltd.
Mr Harkesh Mittal	NA	Non-Executive and Independent Director	June 6, 2008	Master's degree in Management, Bachelor's degree in Dairy Technology	Mr Mittal has over two decades of experience with various departments of the government of India. At present, he serves as the Secretary of the Technology Development Board, Government of India and Member Secretary, and National Science and Technology Entrepreneurship Development Board of India.

Source: Company, CRISIL Research

Shareholding structure of MITCON Consultancy & Engineering Services Ltd

Individual shareholders	As on 26th June, 2013	
Name of the personnel	**No. Of shares**	**Percentage holding**
Dr. Pradeep Bavadekar	560,000	7
Mr S.C.Natu	60,000	0.75
Mr R.D.Mapari	40,000	0.5
Mr R.G.Tanawade	40,000	0.5
Mr D.M.Zade	20,000	0.25
Total (A)	**720,000**	**9.0**

Source: Company, CRISIL Research

- The company was started in the 1980s, when the government was developing technical consultancies across states. Leadings banks and financial institutes were given the responsibility to promote these consultancies. Led by ICICI, nationalised banks and state development organisations founded MITCON in Maharashtra.

Institutional shareholders	As on 26th June, 2013	
Name of the institution	**No. of shares**	**Percentage holding**
ICICI Bank Limited	1,520,000	19
Small Industries Development Bank of India	1,000,000	12.5
IFCI Limited	1,000,000	12.5
SICOM Limited	800,000	10
Maharashtra Industrial Development Corporation	300,000	3.75
Maharashtra Small Scale Industries Development Corporation Limited	160,000	2
Development Corporation of Konkan Limited	80,000	1
Development Corporation of Vidarbha Limited	80,000	1
Marathwada Development Corporation Limited	120,000	1.5
Maharashtra Electronics Corporation Limited	80,000	1
Maharashtra State Financial Corporation	300,000	3.75
EDC Limited (Previously known as Economic Development Corporation of Goa)	320,000	4
Bank of Maharashtra	280,000	3.5
State bank of India	280,000	3.5
Bank of India	160,000	2
Central Bank of India	160,000	2
Dena Bank	160,000	2
Bank of Baroda	160,000	2
Union Bank of India	160,000	2
Canara Bank	160,000	2
Total (B)	**7,280,000**	**91.0**
Grand Total (A+B)	**8,000,000**	**100.0**

Source: Company, CRISIL Research

Executive Summary

Key Findings – Income growth

Income growth from the consulting business has slowed over the past two years

Background	Comments / implications	Management Comments
▪ MITCON's operating income has increased at 27.1% CAGR to ₹534 mn in FY12, from ₹205 mn in FY08. This growth is attributable to increase in income from all four segments. However in FY13, total income declined by 13.4% in FY13 to ₹462 mn as income from all four segments decreased. ▪ Income from MITCON's largest segment, consulting services, recorded a 33.3% CAGR over FY08-FY11. However, income from this segment grew only by 5.4% in FY12, and declined by 12.6% in FY13. ▪ The company has made a strategic decision to focus majorly on the core consulting business going forward and will not make any investments in the training business in future.	▪ The company has made a strategic decision to focus more on its core consulting business. However, the segment has not performed too well in the past two years. If investment activity does not recover, the company may find it difficult to increase its income from this business. ▪ With its strategic decision to expand to other cities of the country, MITCON is expected to be in a good position to grow its consulting business once the economy rejuvenates. ▪ With a 21.6% CAGR, income from the vocational training business was the fastest growing segment for the company (against a 17.9% growth in total income), between FY08 and FY13. In FY13, the segment accounted for 32.1% of the total income from operations. With the company strategically shifting focus from this segment, income from the vocational business is likely to drop, which may impact the overall income growth of the company, at least in the short term.	▪ The management explains the decline in income in FY13 as a result of muted investment activity across the country. Going forward, it expects growth in the emerging sectors such as food processing, energy audit, and bio-technology to be the major drivers for the consulting business. Geographic expansion is also expected to add to the income from consulting services. The rise in consulting income is likely to offset the flat revenues of the vocational training segment. We found the management's explanation to be satisfactory. ▪ Management believes growing urbanisation and population will fuel the demand for power and infrastructure which, in turn, are likely to increase demand for consultancy-related services provided by the company. ▪ Management does not expect the current revenue stream from the vocational business to decline significantly in the future. However, during our discussion, it was mentioned that the company will not invest further in the training business, which is expected to curtail the overall income from the business going forward.

Key Findings: High debtor and low creditor days

High debtor days and low creditor days are leading to stretched working capital

Background	Comments / implications	Management comments
■ MITCON's debtor days increased to 130 days in FY13 from 74 days in FY08. This rise was particularly significant in FY13, when debtor days increased to 130, against 89 in FY12. On the other hand, creditor days have declined to 68 days in FY13 from 164 days in FY08. A combination of these two factors has stretched working capital days to 113 in FY13, from nil in FY10. ■ An ageing analysis of debtors shows that there has been a sharp increase in debtors exceeding six months in FY13, when it reached 33% of the total amount outstanding, compared to 6% in FY12.	■ In case debtor days remain high, it will continue to strain cash flows. ■ Of the total debtors of ₹144 mn in FY13, ₹48 mn (33% of total) is exceeding six months. This is equal to 8.6% of the total net worth of the company, as of FY13. In case the company is not able to recover the amount, even partly, it may have an adverse impact on the net worth.	■ Management agreed that a slackening investment environment has impacted most of its clients and some of them have not been able to pay in time. This has forced the company to file cases against these debtors. However, the company is confident of recovering most of this amount.

Key Findings – Related party transactions

Transactions with MITCON Foundation is a source of potential risk

Background	Comments / implications	Management Comments
■ The company's management operates MITCON Foundation, a trust/society which operates the MITCON Institute of Management. ■ MITCON has an account receivable outstanding worth ₹21.3 mn from MITCON Foundation since FY07, against a sale of land. The company has given a corporate guarantee amounting to ₹7.9 mn to Bank of Baroda, against a term loan taken by the trust. MITCON has given a commitment to the bank that it will not recover the amount due to it from the trust until the term loan is repaid in full by the trust. ■ In FY12, the company incurred an expense of ₹9.3 mn on behalf of MITCON Foundation, which was charged to the Foundation.	■ In case the trust has difficulties in paying the term loan it owes to the Bank of Baroda, the payment due to MITCON may also get delayed. ■ If MITCON is unable to recover the amount receivable from the trust (which is 3.8% of the total net worth of the company as of FY13) either partially or in full, it can impact the balance sheet of the company. ■ The trust has been able to repay most of the loan. As of April 2, 2013 the outstanding amount was ₹3.1 mn.	■ According to the management, MITCON Foundation operates from its internal cash accruals and the company does not have any material transactions with the trust. ■ The trust generates approximately ₹10 mn revenue annually. It has been repaying the term loan to Bank of Baroda regularly, and will pay in full by FY15. Thus, the company is confident of receiving its due amount from the trust by FY16. We also believe that it is likely that the company will be able to recover its due in time.

Key Findings – Scope to strengthen the quality of MIS and internal control

There are some minor inconsistencies in the data requested/provided during the financial due diligence process

Background	Comments / implications	Management Comments
■ Even though the company was accommodative in providing all the information requested by us, we did note a few limitations in the MIS processes maintained by the company. ■ Although not a statutory requirement, the company does not maintain quarterly or semi-annual historical financial statements. It was unable to provide us quarterly cost and profitability data and the revenue data provided was only for the past three years. ■ The company does not maintain monthly or periodic MIS that captures the key operating metrics, profitability and key balance sheet numbers. It has a small presence in cities other than Pune, including Chennai and Delhi, but was unable to provide the state-wise distribution of revenue and costs. ■ MITCON was able to produce data for employees joining and leaving the organisation in a year only for the past three years. The data which was provided was inconsistent which indicate some gap in the HR MIS of the company.	■ Due to small scale of operations, SMEs operating in the country are often found to have gaps in their existing MIS and internal control. ■ Our analysis was somewhat restricted due to limitation of data. CRISIL Research was not able to analyse quarterly/monthly trends of profitability and key metrics, and was unable to assess any seasonality in costs and profitability. ■ The management was forthcoming with the data. But, some of the information required for the due diligence process was prepared for the first time by the management. ■ Post the public issue, the company will have to comply with more complex regulatory norms. The present MIS processes followed by the company may not be sufficient to fully comply with those regulations. Hence, we believe the company has scope to improve its internal systems.	■ The company is taking steps to improve its MIS systems, and as a part of that it has implemented an ERP system in FY13.

Analysis of Financial Statements

Income Statement Analysis

	₹ mn						Common size statement					
Particulars	FY08	FY09	FY10	FY11	FY12	FY13	FY08	FY09	FY10	FY11	FY12	FY13
Income												
Gross sales	205	268	370	468	534	462	99.4%	98.0%	98.3%	99.0%	99.1%	99.0%
Less: trade discount	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net sales	205	268	370	468	534	462	99.4%	98.0%	98.3%	99.0%	99.1%	99.0%
Other operating income	1	5	6	5	5	5	0.6%	2.0%	1.7%	1.0%	0.9%	1.0%
Operating income	206	274	376	473	538	467	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Expenditure												
Raw material consumed	3	3	3	3	2	3	1.5%	1.1%	0.8%	0.7%	0.3%	0.5%
Change in inventory	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Power and Fuel	2	2	3	4	4	5	0.8%	0.9%	0.8%	0.7%	0.8%	1.1%
Employee costs	39	55	69	96	117	115	18.8%	20.0%	18.5%	20.3%	21.8%	24.7%
Other operating costs	68	90	135	166	203	144	32.8%	32.9%	36.0%	35.2%	37.7%	30.9%
Other expenses	27	31	38	40	46	50	13.0%	11.5%	10.0%	8.5%	8.6%	10.7%
SG&A	7	5	9	16	17	14	3.2%	1.8%	2.4%	3.5%	3.2%	3.1%
EBITDA	**62**	**87**	**119**	**147**	**148**	**136**	**29.9%**	**31.9%**	**31.5%**	**31.1%**	**27.6%**	**29.0%**
Depreciation	5	9	9	9	21	15	2.4%	3.1%	2.5%	1.9%	3.9%	3.3%
EBIT	**57**	**79**	**109**	**138**	**128**	**120**	**27.5%**	**28.8%**	**29.1%**	**29.2%**	**23.7%**	**25.7%**
Interest	0	1	1	1	1	1	0.2%	0.2%	0.3%	0.1%	0.2%	0.1%
Operating PBT	56	78	108	138	127	120	27.2%	28.6%	28.7%	29.1%	23.5%	25.6%
Other income	1	4	4	5	9	13	0.7%	1.5%	1.2%	1.1%	1.7%	2.8%
Exceptional inc/(exp)	3	1	3	0	15	7	1.5%	0.3%	0.9%	0.1%	2.9%	1.4%
PBT	**61**	**83**	**116**	**143**	**151**	**139**	**29.4%**	**30.4%**	**30.8%**	**30.3%**	**28.1%**	**29.9%**
Tax provision	22	30	48	44	47	40	10.9%	10.8%	12.8%	9.4%	8.8%	8.7%
PAT (Reported)	**38**	**54**	**67**	**99**	**104**	**99**	**18.5%**	**19.6%**	**17.9%**	**21.0%**	**19.3%**	**21.2%**
Less: Exceptionals	3	1	3	0	15	7	1.5%	0.3%	0.9%	0.1%	2.9%	1.4%
Adjusted PAT	**35**	**53**	**64**	**99**	**89**	**92**	**17.0%**	**19.3%**	**17.1%**	**20.9%**	**16.5%**	**19.7%**

Source: Company, CRISIL Research

Revenue analysis

Revenue details						
(₹ mn)	FY08	FY09	FY10	FY11	FY12	FY13
Sale of services	205	268	370	468	534	462
y-o-y change	*24.6%*	*31.0%*	*37.8%*	*26.7%*	*14.0%*	*-13.4%*
Traded goods income	0	0	0	0	0	0
Net income	205	268	370	468	534	462
y-o-y change	*24.6%*	*31.0%*	*37.8%*	*26.7%*	*14.0%*	-13.4%
Other operating income	1	5	6	5	5	5
y-o-y change	*-32.5%*	*355.6%*	*15.7%*	*-27.7%*	*5.7%*	*0.1%*
Total operating income	206	274	376	473	538	467
y-o-y change	*24.0%*	*32.9%*	*37.4%*	*25.7%*	*13.9%*	*-13.3%*

Source: Company, CRISIL Research

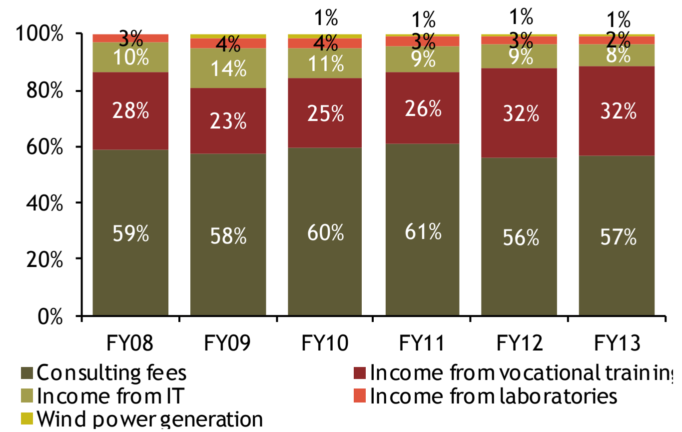
- MITCON's operating income comprises sales of services and other operating income. Sales of services include consultancy fees, income from vocational training, IT training and laboratories. Other income primarily consists of income from the company's wind power turbine.
- Its operating income grew at 27.1% CAGR over FY08-12 to ₹534 mn in FY12 from ₹205 mn in FY08. This growth is attributable to increase in income from all four segments. Income from consultancy was boosted by increased infrastructure activity and growth in power demand.
- However, sales declined by 13.4% to ₹462 mn in FY13 owing to subdued investment activity which affected power and infrastructure projects in the country. Some clients of the company were not able to complete their projects, whereas some clients found it difficult to raise funding for their projects. This impacted consultancy revenues.

Service-wise income contribution

(₹ mn)	FY08	FY09	FY10	FY11	FY12	FY13
Consultancy fees	121	157	224	287	303	265
y-o-y change	*33.5%*	*29.5%*	*42.7%*	*28.2%*	*5.4%*	*-12.6%*
Income from vocational training	56	64	92	122	170	150
y-o-y change	*1.4%*	*13.5%*	*43.5%*	*32.8%*	*39.2%*	*-11.9%*
Income from IT training	21	37	40	43	46	36
y-o-y change	*52.7%*	*79.9%*	*7.8%*	*6.9%*	*6.2%*	*-20.6%*
Income from laboratories	6	10	13	16	15	11
y-o-y change	*47.0%*	*54.3%*	*36.4%*	*17.8%*	*-4.2%*	*-27.0%*
Total income from services	205	268	370	468	534	462
y-o-y change	*24.6%*	*31.0%*	*37.8%*	*26.7%*	*14.0%*	*-13.4%*
Income from wind power generation	-	4	5	5	5	5
y-o-y change	*n.m*	*n.m*	*15.4%*	*-12.6%*	*5.7%*	*0.1%*
Total operating income	206	274	376	473	538	467
y-o-y change	*24.0%*	*32.9%*	*37.4%*	*25.7%*	*13.9%*	*-13.3%*

Source: Company, CRISIL Research

Service-wise income breakup of MITCON



Source: Company, CRISIL Research

- Consulting fees account for the majority of MITCON's annual income. In FY13, this service contributed 56.7% to overall income, followed by income from vocational training (32.1%) and IT Training (7.8%).
- Income from all four services witnessed a strong CAGR growth between FY08 and FY12. Income from vocational training recorded the fastest CAGR (31.7%), followed by consultancy fees (25.7%), income from laboratories (24.1%) and income from IT Training (21.8%).
- Owing to adverse business condition, income from the consulting segment declined to ₹265 mn in FY13.
- Power plant consultancy is the largest contributor to the company's consulting income. It generated approximately 37% of the total consulting fees in FY13. This segment was followed by the energy and carbon segment, which accounted for 26%, and banking and finance business, which contributed 15% to the overall consulting fees. The power segment also has the best contribution margin across all the reported segments of the company.

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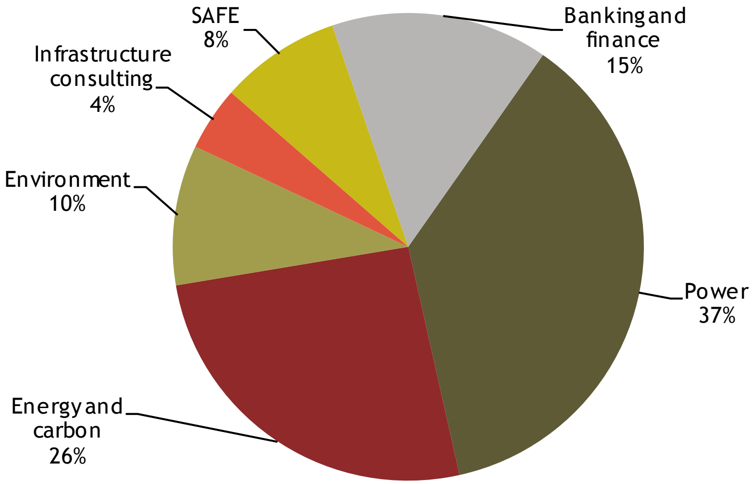
Segment-wise breakup of consulting fees



Source: Company, CRISIL Research

MITCON's top customers - consulting segment

Top ten clients (FY13)	Percent of total consultancy income
Tamil Nadu Electricity Board	12.0%
VRL Logistics Ltd	2.9%
National Institute of Agriculture Extension	2.9%
HPCL Biofuels Ltd	2.7%
Kisanveer Satara Sahakari Sakhar Karkhana Ltd	1.8%
Kerala State Electricity Board-Wind	1.8%
IL&FS - ITPCL IL&FS Tamil Nadu	1.5%
Alfa Infraprop Pvt. Ltd	1.4%
Ministry of New and Renewable Energy	1.3%
National Institute for Micro, Small & Medium Enterprises	1.3%
Contribution of the top 10 clients	*29.6%*

Top ten clients (FY12)	Percent of total consultancy income
Tamil Nadu Electricity Board	11.8%
South Pole Carbon Asset Management	4.0%
HPCL Biofuels Ltd	2.1%
IL & Fs Tamilnadu Power Co. Ltd	1.8%
Kerala State Electricity Board	1.6%
Lakshmi Sugar Mill Co. Ltd	1.3%
Bureau of Energy Efficiency	1.3%
Ministry of MSME	1.3%
Ashok Sah Sakhar Karkhana Ltd	1.2%
GSPC Pipavav Power Co. Ltd	1.2%
Contribution of the top 10 clients	*27.7%*

Top ten clients (FY11)	Percent of total consultancy income
Tamil Nadu Electricity Board	17.9%
South Pole Carbon	9.6%
VRL Logistics Ltd.	4.8%
Hindustan Petroleum Corporation Ltd	2.6%
TVH Energy Resources Pvt. Ltd	1.7%
Energy Excel LLP	1.7%
Lakshmi Sugar Mill Co. Ltd	1.7%
Kerala State Electricity Board	1.6%
South Pole Carbon Asset Management	1.6%
Asset Reconstruction Co. Ltd	1.5%
Contribution of the top 10 clients	*44.6%*

Source: Company, CRISIL Research

MITCON's top customers - training segment

Top ten clients (FY13)	Percent of total training income
Maharashtra Knowledge Corporation Ltd	11.8%
Deputy Municipal Commissioner	3.0%
Block Development Officer Panchayat	2.9%
Mahatma Gandhi National Rural Employ	2.7%
The General Manager District Industries	2.5%
Chief Officer of Buldhana Nagarpalika	2.5%
Society For Self Employment Govt. of New Delhi	2.4%
The General Manager District Industries	2.2%
The General Manager District Industries	2.2%
Ministry of Devp. Of North	2.1%
Contribution of the top 10 clients	***34.3%***

Top ten clients of MITCON (FY12)	Percent of total training income
Maulana Azad Alpasankhyank Arthik Vikas Mah.Marya.	10.5%
Maharashtra Knowledge Corp Ltd.	9.5%
The Block Development Officer-Chandrapur	6.4%
The Block Development Officer - Nasik	6.1%
The Block Development Officer - Amravati	5.3%
National Inst. of Agricultural Extension	5.1%
The Project Director-DRDA- Nandurbar	3.8%
Chief Executive Officer-Akola	3.1%
GMDICKolhapur	2.3%
Khadi Village & Industries Commission	2.0%
Contribution of the top 10 clients	***54.1%***

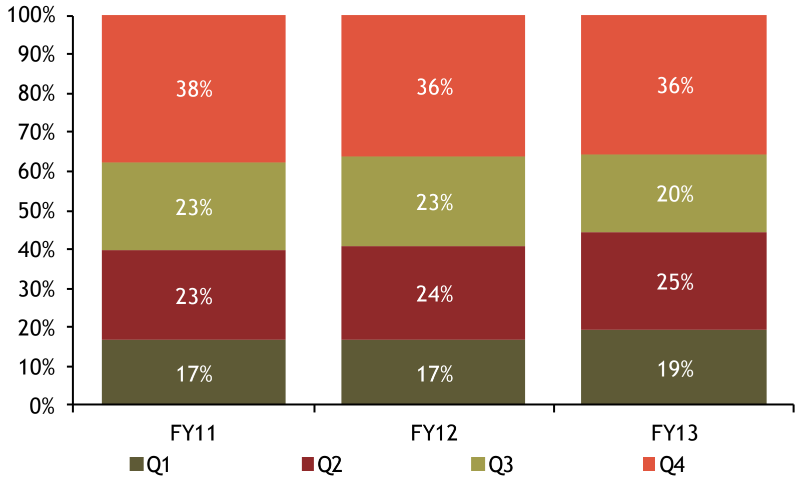
Top ten clients of MITCON (FY11)	Percent of total training income
Maharashtra Knowledge Corp Ltd (S)	17.1%
Maulana Azad Alpasankhyank Arthik Vikas Mah.Marya.	13.3%
Ministry of Heavy Indl & Public Enterprises	8.8%
National Inst. of Agricultural Extn. Management (S)	7.1%
Society for Self Employment	6.9%
The National Institute for Entrepreneurship and Small Business Development	6.2%
The Block Development Officer - Amravati	5.0%
GMDIC Nanded	5.0%
The Block Development Officer - Nasik	4.2%
GMDIC SCP Latur	3.8%
Contribution of the top 10 clients	***77.3%***

Source: Company, CRISIL Research

- The company has been able to reduce its client concentration over the past few years. The contribution of the top 10 clients in both consulting and training business has declined to 29.6% and 34.3%, respectively in FY13, from 44.6% and 77.3% in FY11.
- By reducing its dependence on any single client, the company is able to mitigate the impact of losing a large client on its income generation capabilities.

Seasonality of revenues

Quarterly income break-down



Source: Company, CRISIL Research

- MITCON's revenues are seasonal, with the fourth quarter (January to March) contributing to more than one-third of the total annual income. As per the management, this is because government projects typically peak around the year-end. Also, most of the infrastructure activities pick up momentum in the last quarter.
- The company does not maintain quarterly financials; it was unable to provide us profit and division-wise data on a quarterly or semi-annual basis. The revenue data was available for the past three years.
- Approximately 50-60% of the total income of the company comes from repeat businesses. International assignments also contribute to the overall income, albeit minutely.

Raw material cost

₹ mn	FY08	FY09	FY10	FY11	FY12	FY13
Computer stationery and consumables	3	3	2	3	4	3
Laboratory consumables	1	0	1	1	1	0
Other - change in stock of printed course materials	-	-	-	-	(3)	(0)
Total	3	3	3	3	2	3

Source: Company, CRISIL Research

- Due to a service-based business model, the company does not require any raw material. The consumables primarily include computer stationery and consumables and laboratory consumables, which are used by the incubation centre of the company.

Power and fuel expense

	FY08	FY09	FY10	FY11	FY12	FY13
Power and fuel (₹ mn)	2	2	3	4	4	5
Power and fuel (% of income)	0.8%	0.9%	0.8%	0.7%	0.8%	1.1%
Power and fuel (% of COGS)	1.5%	1.6%	1.3%	1.3%	1.4%	2.0%

Source: Company, CRISIL Research

- Power and fuel forms a small proportion of the company's total costs as it doesn't engage in manufacturing activities which consume a large amount of power. The power and fuel cost has increased to 1.1% as a percentage of the total income in FY13, compared to 0.8% in FY12. This cost increased to 2.0% of COGS in FY13 from 1.4% of COGS in FY12.

Employee benefit expense

(₹ mn)	FY08	FY09	FY10	FY11	FY12	FY13
Salaries and wages	30	43	55	79	103	101
Contribution to provident and other funds	4	5	6	8	11	11
Staff welfare expense	1	1	1	2	3	4
Managerial remuneration*	4	4	6	8	-	-
Total	38	53	69	96	117	115
As % of operating income	18.7%	19.5%	18.2%	20.3%	21.8%	24.7%

Source: Company, CRISIL Research

*** Note: From FY12, the company has stopped providing detailed breakup of employee benefit expenses including managerial remuneration data in its annual report. Thus, in FY12 and FY13, managerial remuneration is clubbed under salaries and wages.**

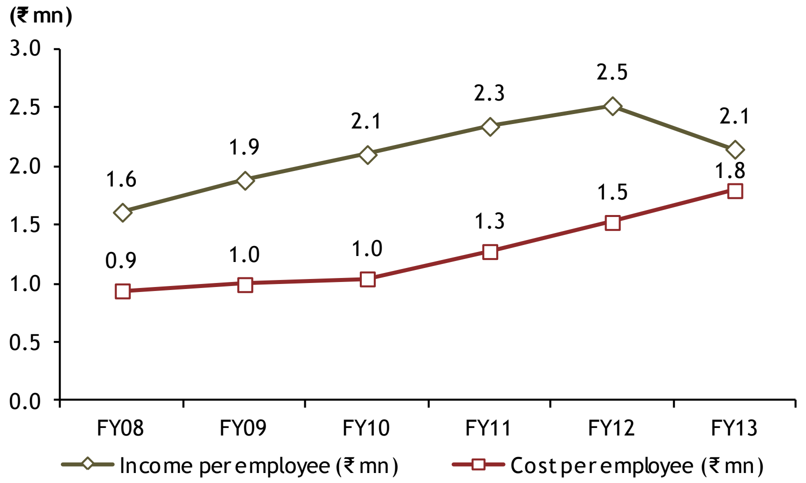
	FY08	FY09	FY10	FY11	FY12	FY13
No. of employees at the beginning of the year	-	128	163	195	209	219
New employees joined during the year	-	-	-	104	82	57
Employees left during the year	-	-	-	64	63	56
Number of employees at the end of the year	128	163	195	209	219	216
Revenue per employee (₹ mn)	1.61	1.88	2.10	2.34	2.52	2.15
Cost per employee (₹ mn)	0.94	0.99	1.04	1.27	1.52	1.79

Source: Company, CRISIL Research

- Employee benefit expenses as a percentage of operating income have increased to 24.7% in FY13 from 18.7% in FY12, owing mainly to increased salaries and wages as a percentage of income, which increased to 21.6% in FY13 from 14.7% in FY08.
- In value terms, employee expenses have declined marginally to ₹115 mn in FY13 from ₹117 mn in FY12. However, as employee costs tend to be sticky in nature, employee expense increased both as a percentage of operating income as well as a percentage of COGS (to 43% from 36% in FY12), as overall income declined in FY13.
- Salaries and wages declined marginally in absolute terms to ₹101 mn in FY13 from ₹103 mn in FY12. According to the management, this reduction was owing to the termination of employment of 25-30 workers associated with the vocational training business.

- To expand the consulting business, the company is planning to recruit employees with professional degrees and better skill sets in FY14. The company plans to hire talent for its planned offices in Bengaluru, Chennai, Delhi, Hyderabad and Ahmedabad. This is expected to increase the employee cost, both in absolute terms and as a percentage of income. However, the company expects its revenue per employee to improve going forward with the recruitment of skilful employees across the country.

Per employee income and cost



Source: Company, CRISIL Research

- Over FY08-12, the revenue per employee increased steadily before declining in FY13, owing to a drop in operating income.
- Costs per employee increased steadily over FY08-13 primarily due to salary and wage hikes. We believe this rise is mainly due to inflation and is not alarming.
- The company prefers to hire experienced professionals instead of freshers.
- MITCON's attrition rate last year was 12%. In FY13, the company reduced the total employee strength of the vocational training business by 23 people, which is nearly 11% of its total workforce (consultancy and training combined).

Managerial remuneration

Name of the person	Designation	Salary drawn in FY13 (₹ lacs)	Incentives received in FY13 (₹ lacs)	Total remuneration in FY13 (₹ lacs)	Stake in the company (%)
Dr. Pradeep Bavadekar	Managing Director	NA	NA	73.5	7
Ram Mapari	Controller of Finance	8.6	7.0	15.6	0.5
Sunil Natu	Senior Vice President, Power Division	24.1	9.7	33.8	0.75
Vasant Todkar	Chief Manager - (MD's secretariat) & management representative - ISO	4.6	0.7	5.3	0
Deepak Zade	Senior Vice President, Energy & Carbon Services Division	14.5	3.0	17.5	0.25
Sanjay Shevkar	Executive Vice President, Environment Engineering	8.9	1.2	10.1	0
Chandrashekhar Bhosale	Senior Vice President, Training & Entrepreneurship Division	8.7	6.9	15.6	0
Dilip Kulkarni	Senior Vice President, Banking & Finance Division	10.0	2.5	12.5	0
Prasad Pawar	Assistant Vice President, Infrastructure Division	5.1	0.5	5.6	0
S. Shankarraman	Senior Vice President, SAFE Division	6.0	0.6	6.6	0
Shailesh Borwankar	Chief Manager (Human Resources)	4.6	0.7	5.3	0
Chandrashekhar Kulkarni	Assistant Vice President, Bio-pharma Division	7.4	0.6	8.0	0
Parag Pawar	Executive Vice President, E-School	8.5	2.6	11.1	0
Manish Kanojia	Executive Vice President-Corporate Business, Mumbai	10.9	-	10.9	0
Madhav Oak	Company Secretary	7.2	-	7.2	0
Total managerial remuneration		238.4			
Total managerial remuneration as a % of income		5.1%			
Total managerial remuneration as a % of PAT		24%			

Source: Company, CRISIL Research

- Among the managerial personnel, the head of the power division Mr Natu draws a salary which is significantly higher than the other people. He also owns 0.75% stake in the company. As per management, this is because Mr Natu has been with the company since 1984 and is currently heading the largest division - power.

Other operating costs

	FY08	FY09	FY10	FY11	FY12	FY13
Expenses on IT, VTP training activities (₹ mn)	24	42	64	98	133	81
Expenses on IT, VTP training activities (% of income)	*11.5%*	*15.2%*	*17.0%*	*20.6%*	*24.7%*	*17.4%*
Professional fees to associates (₹ mn)	41	46	67	65	65	58
Professional fees to associates (% of income)	*19.9%*	*16.7%*	*17.9%*	*13.8%*	*12.1%*	*12.5%*
Repair and maintenance (₹ mn)	3.0	2.2	3.9	2.3	3.0	1.9
Insurance and others (₹ mn)	0.1	0.5	0.5	1.2	1.4	3.0
Other operating costs (₹ mn)	67.6	89.9	135.4	166.4	202.9	144.1
Other operating costs (% of income)	32.8%	32.9%	36.0%	35.2%	37.7%	30.9%
Other operating costs (% of COGS)	60.9%	60.0%	64.3%	61.9%	62.1%	54.0%

Source: Company, CRISIL Research

- Other operating costs form a significant part of the total expenses of the company. The cost is composed mainly of vocational and IT training-related expenses and professional fees paid to the associate consultants.
- The vocational and IT training-related expenses increased consistently between FY08 and FY12 to reach ₹133 mn in FY12 from ₹24 mn in FY08. However, in FY13, the company significantly curtailed its vocational training activities which reduced the IT and VTP training expenses to 17.4% of total income in FY13 compared to 24.7% in FY12. As a result, other operating costs declined significantly in FY13 both in value terms and as a percentage of total income.
- Professional fees as a percentage of income recorded marginal y-o-y growth in FY13 and stood at 12.5%. Between FY08 and FY12, the cost item as a percentage of income declined steadily to 12.1% in FY12 compared to 19.9% in FY08.

Selling, general and administrative (SG&A) & other expenses

₹ mn	FY08	FY09	FY10	FY11	FY12	FY13
Advertising and business promotion expenses	4.9	4.2	6.3	12.7	15.6	8.5
% of income	*2.4%*	*1.5%*	*1.7%*	*2.7%*	*2.9%*	*1.8%*
Write-offs / discounts	1.7	0.8	2.9	3.6	1.7	5.9
% of income	*0.8%*	*0.3%*	*0.8%*	*0.8%*	*0.3%*	*1.3%*
Total SG&A	6.5	5.0	9.2	16.3	17.3	14.4
% of income	*3.2%*	*1.8%*	*2.4%*	*3.5%*	*3.2%*	*3.1%*
Travelling expense	10.2	15.3	17.2	20.3	23.5	23.0
% of income	*5.0%*	*5.6%*	*4.6%*	*4.3%*	*4.4%*	*4.9%*
Total other expenses	26.7	31.4	37.6	40.3	46.1	49.7
% of income	*13.0%*	*11.5%*	*10.0%*	*8.5%*	*8.6%*	*10.7%*
Total SG&A and other exp	33.3	36.4	46.8	56.7	63.4	64.1
% of income	*16.1%*	*13.3%*	*12.4%*	*12.0%*	*11.8%*	*13.7%*

Source: Company, CRISIL Research

- SG&A expenses as a percentage of income remained flat in FY13 and decreased in value terms to ₹17.3 mn from ₹14.4 mn in FY12. Advertising and general promotional expenses declined significantly in FY13 to 1.8% of income compared to 2.9% in FY12. As per the management, the company advertised in national newspapers in FY12 which was curtailed in FY13 as a cost-cutting measure amidst challenging business environment.
- Major constituents of the other expenses include travelling and conveyance expenditure, rent, expense on office equipment, auditor's and directors' fees, general expenses, telephone expense, stationary and other expenses. The other expenses as a percentage of income declined in FY13 mainly due to marginal increases in rent and taxes, printing and stationary and other general expenses.
- Travelling expense is a major contributor to the other expenses for MITCON. Travelling expenses increased steadily in absolute terms to ₹23.5 mn in FY13, from ₹10.2 mn in FY08, although it declined as a percentage of income. In FY13, the expenses remained flat and grew slightly as a percentage of income.

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EBITDA margin

Cost as a percentage of income	FY08	FY09	FY10	FY11	FY12	FY13
Raw material cost	1.5%	1.1%	0.8%	0.7%	0.3%	0.5%
Power and fuel costs	0.8%	0.9%	0.8%	0.7%	0.8%	1.1%
Employee costs	18.8%	20.0%	18.5%	20.3%	21.8%	24.7%
Other operating costs	32.8%	32.9%	36.0%	35.2%	37.7%	30.9%
Selling, general and administrative expenses	3.2%	1.8%	2.4%	3.5%	3.2%	3.1%
Other expenses	13.0%	11.5%	10.0%	8.5%	8.6%	10.7%
Total cost	70.1%	68.1%	68.5%	68.9%	72.4%	71.0%
EBITDA margin	29.9%	31.9%	31.5%	31.1%	27.6%	29.0%

Source: Company, CRISIL Research

- MITCON's EBITDA margin increased to 31.9% in FY09 from 29.9% in FY08. It witnessed a decline to 27.6% in FY12 before increasing again to 29.0% in FY13.
- According to the management, higher costs associated with the vocational training service have resulted in a decline of EBITDA margin between FY09 and FY12. Since the contribution of this segment to overall income increased between FY09 and FY12, margins were also impacted. With the curtailing of the vocational business in FY13, EBITDA margins improved despite a decline in income.
- Considering that the company is an SME, we believe that the management has done a good job in maintaining relatively stable margins over FY08-13.

Comparison of consulting and training business

Consulting and laboratories business					
	FY09	FY10	FY11	FY12	FY13
Total income	167	237	303	318	276
Costs associated (both direct and indirect)	122	149	171	196	194
Total profit	45	88	132	121	82
Profit margin	27%	37%	44%	38%	30%
Vocational and IT training business					
	FY09	FY10	FY11	FY12	FY13
Total income	102	132	165	216	186
Costs associated (both direct and indirect)	65	108	154	193	138
Total profit	36	24	11	22	49
Profit margin	36%	18%	7%	10%	26%

Source: Company, CRISIL Research

- The consulting business has better margins than the vocational training business as the operating costs are higher for the training business. As MITCON reduced some the training activities in FY13, it was able to improve the margins associated with the business.
- Going forward, we expect the company to increase its overall margins from the current levels as the contribution of the vocational training business will decline.

Finance charges

₹ mn	FY08	FY09	FY10	FY11	FY12	FY13
Interest on borrowing	0.2	0.1	0.6	1.2	0.0	0.0
Bank charges and commissions	0.3	0.4	0.0	0.0	0.5	0.9
Total finance charges	0.5	0.5	0.6	1.2	0.5	0.9

Source: Company, CRISIL Research

- Since the company is debt-free, there were no interest costs in FY13. Bank charges remained at similar levels in FY13 compared to FY12.

Depreciation

Cost as a percentage of income	FY08	FY09	FY10	FY11	FY12	FY13
Depreciation expense (₹ mn)	5.0	8.5	9.3	8.9	20.8	15.4
Depreciation expense (% of income)	2.4%	3.1%	2.5%	1.9%	3.9%	3.3%
Gross block (₹ mn)	139.4	146.0	193.2	236.9	248.0	252.5
Depreciation rate (% of average gross block)	4.6%	6.0%	5.5%	4.1%	8.6%	6.2%

Source: Company, CRISIL Research

- The depreciation expense increased to ₹20.8 mn in FY12 from ₹5.0 mn in FY08 as a result of investment in buildings, furniture and fixtures, office equipment, computers and printers. Depreciation expense decreased to ₹15.4 mn in FY13 from ₹20.8 mn in FY12. Depreciation on all fixed assets is provided on a straight line method as per schedule XIV of the Companies Act, 1956.

Tax rate and net income

- MITCON does not enjoy any tax exemptions.
- In February 2010, the Central Board of Excise and Customs withdrew the exemption of service tax from vocational training programmes. As a result, the company had to pay service tax without being able to charge the same for such programmes. MITCON has applied to the service tax appellate authority for exemption of service tax as the training programmes provided by the company are in relation to educational training. On this ground, the company has not paid service tax since July 1, 2011 and claimed a refund of paid service tax worth ₹9.1 mn. It also recognised ₹5.4 mn as revenues in FY12. The appeal has been decided in favour of the company by the Commissioner (Appeals-III), Central Excise Pune on March 31, 2013.
- However, in April FY14, the company received a show cause cum demand notice from the service tax authorities - Pune asking the company to show cause of not paying service tax amount of ₹14.6 mn for the period between July 2011 and March 2012. The case is being contested by the company.

	FY08	FY09	FY10	FY11	FY12	FY13
Profit before tax (₹ mn)	58	82	112	143	136	133
PBT margin	27.9%	30.1%	29.9%	30.3%	25.2%	28.4%
Tax (₹ mn)	22	30	48	44	47	40
Effective tax rate (₹ mn)	37.0%	35.6%	41.7%	30.8%	31.2%	29.1%
Net profit (₹ mn)	38	54	67	99	104	99
Adjusted net profit (₹ mn)	35	53	64	99	89	92
Adjusted net profit margin (%)	17.0%	19.3%	17.1%	20.9%	16.5%	19.7%

Source: Company, CRISIL Research

- MITCON's PBT margin has changed in line with EBITDA margin, barring FY11. PBT margin increased to 30.3% in FY11 from 27.9% in FY08 before dropping to 25.2% in FY12 owing to declining EBITDA and rising depreciation expenditure. In FY13, PBT margin improved to 28.4% though PBT recorded a drop in absolute terms.
- The adjusted net profit for the company increased at a five-year CAGR of 21.3% to ₹92.1 mn in FY13 from ₹35.1 mn in FY08. Adjusted net profit margin increased from 17.0% in FY08 to 19.7% in FY13.

Balance sheet analysis

(₹ mn)	FY08	FY09	FY10	FY11	FY12	FY13
Liabilities						
Equity share capital	5	5	5	5	5	5
Others	34	33	32	31	30	28
Reserves and surplus	114	166	232	329	431	527
Net worth	153	204	269	365	465	560
Convertible debt	-	-	-	-	-	-
Other debt	1	1	0	-	-	-
Total debt	1	1	0	-	-	-
Deferred tax liability (net)	9	16	30	28	26	22
Total liabilities	163	221	299	394	491	582
Assets						
Net fixed assets	118	116	155	198	185	180
Capital WIP	-	-	1	0	1	2
Total fixed assets	118	116	156	198	187	182
Investments	-	5	5	9	21	29
Current assets						
Inventory	-	-	-	-	3	3
Sundry debtors	42	52	90	94	130	165
Loans and advances	8	14	21	32	43	49
Cash & bank balance	62	100	122	141	165	178
Marketable securities	-	10	16	19	25	37
Total current assets	112	176	250	287	367	432
Current liabilities						
Creditors	65	76	111	102	87	62
Provisions	1	-	-	3	10	12
Total current liabilities	66	76	111	105	97	73
Net current assets	45	100	139	182	270	359
Intangibles/Misc. expenditure	-	-	-	4	14	13
Total assets	163	221	299	394	491	582

Particulars	FY08	FY09	FY10	FY11	FY12	FY13
Activity ratios						
Inventory days	-	-	-	-	3	5
Creditors days	164	149	157	114	82	68
Debtor days	74	71	89	73	89	130
Working capital days	(29)	(13)	0	17	54	113
Gross asset turnover (x)	1.9	1.9	2.2	2.2	2.2	1.9
Net asset turnover (x)	2.4	2.3	2.8	2.7	2.8	2.6
Income/operating assets (x)	2.4	2.3	2.8	2.7	2.8	2.5
Liquidity ratio						
Current ratio (x)	1.7	2.3	2.2	2.7	3.8	5.9
Capital structure ratios						
Debt-equity (x)	0.0	0.0	0.0	-	-	-
Net debt/equity (x)	(0.4)	(0.5)	(0.5)	(0.4)	(0.4)	(0.4)
Interest coverage	118.4	133.7	87.4	258.4	148.1	226.6
Profitability / return ratios						
EBITDA margin (%)	29.9	31.9	31.5	31.1	27.6	29.0
Adj PAT margin (%)	17.0	19.3	17.1	20.9	16.5	19.7
RoE (%)	26.0	29.5	27.1	31.2	21.4	18.0
RoCE (%)	41.5	43.8	46.1	43.6	30.7	23.4

Source: Company, CRISIL Research

Equity share capital

- As of FY13, MITCON has one class of equity share (50,000 in number) with a face value of ₹100 each.
- The company's share capital of ₹5 mn did not change between FY08 and FY13, after the company allotted 30,000 bonus shares to its shareholders in FY08.
- In April 2013, MITCON increased its authorized share capital to ₹150 mn. In June 2013, the company reduced the face value of its shares to ₹10 from ₹100 each. Subsequently, the company issued bonus shares to its shareholders in 1:15 ratio and increased its equity share capital to ₹80 mn.

Bonus share allotment - as on June 7, 2013:

Sl no.	Name of the shareholder	Number of bonus shares issued	Total number of shares held post bonus issue	Percentage shareholding
1	ICICI Bank Ltd	1,425,000	1,520,000	19.0%
2	Small Industries Development Bank of India	937,500	1,000,000	12.5%
3	IFCI Ltd	937,500	1,000,000	12.5%
4	SICOM Ltd	750,000	800,000	10.0%
5	Maharashtra Industrial Development Corporation	281,250	300,000	3.8%
6	Maharashtra Small Scale Industries Development Corporation Ltd	150,000	160,000	2.0%
7	Development Corporation of Konkan Ltd	75,000	80,000	1.0%
8	Development Corporation of Vidarbha Ltd	75,000	80,000	1.0%
9	Marathwada Development Corporation Ltd	112,500	120,000	1.5%
10	Maharashtra Electronics Corporation Ltd	75,000	80,000	1.0%
11	Maharashtra State Financial Corporation	281,250	300,000	3.8%
12	EDC Ltd	300,000	320,000	4.0%
13	Bank of Maharashtra	262,500	280,000	3.5%
14	State Bank of India	262,500	280,000	3.5%
15	Bank of India	150,000	160,000	2.0%
16	Central Bank of India	150,000	160,000	2.0%
17	Dena Bank	150,000	160,000	2.0%
18	Bank of Baroda	150,000	160,000	2.0%
19	Union Bank of India	150,000	160,000	2.0%
20	Canara Bank	150,000	160,000	2.0%
21	Dr.Pradeep Bavadekar	525,000	560,000	7.0%

Sl no.	Name of the shareholder	Number of bonus shares issued	Total number of shares held post bonus issue	Percentage shareholding
22	Mr S.C.Natu	56,250	60,000	0.8%
23	Mr R.D.Mapari	37,500	40,000	0.5%
24	Mr R.G.Tanawade	37,500	40,000	0.5%
25	Mr D.M.Zade	18,750	20,000	0.3%
	Total	7,500,000	8,000,000	19.0%

Source: Company, CRISIL Research

Borrowings

- As of FY13, MITCON is debt-free. It had a car loan from ICICI Bank which it repaid in full in FY10.

Fixed assets

Composition of net fixed assets

₹ mn	FY08	FY09	FY10	FY11	FY12	FY13
Office premises/buildings	30.3	29.9	70.2	92.5	86.5	85.0
Land	0.2	0.2	0.2	0.2	0.2	0.2
Improvement to leasehold premises	-	-	-	9.6	9.6	8.9
Energy audit equipment	1.0	1.3	2.4	3.7	8.0	9.3
Furniture and fixtures	6.2	7.3	7.6	18.1	18.3	16.7
Vehicle	4.2	3.7	2.9	2.1	1.8	3.9
Office equipment, computer and printers	14.8	17.0	18.0	21.2	21.9	22.4
Electrical installations	7.9	7.5	7.2	4.1	4.0	4.0
Environment / B.T.Lab equipment	2.1	2.0	2.3	4.7	5.3	5.4
Wine turbine generators	42.0	40.0	38.0	36.0	24.6	20.3
Fixed assets purchased out of grants received	9.3	7.6	6.3	5.8	5.2	3.5
Total assets	118.0	116.4	155.1	197.9	185.4	179.7
Capital work in progress	-	-	0.5	0.4	1.3	2.2

Source: Company, CRISIL Research

- MITCON's fixed assets primarily comprise buildings, office equipment (including computers and printers), and furniture and fixtures. It also owns a wind power turbine.
- Fixed assets are stated at acquisition cost less accumulated depreciation. Assets which were revalued in 1999 are stated at the value determined by the valuer less accumulated depreciation. Costs include the purchase price and all other attributable costs incurred to bring the asset to working condition.
- In FY10, the company purchased a property worth ₹40 mn in Mumbai which increased the fixed asset base.

Intangibles

₹ mn	FY08	FY09	FY10	FY11	FY12	FY13
Computer software	-	-	-	3.9	13.7	13.0

Source: Company, CRISIL Research

- Intangible assets, which comprise computer software, are stated at cost of acquisition and customisation less accumulated amortisation.
- Computer software is amortised on the straight line method over a period of 72 months.

Investments

₹ mn	FY08	FY09	FY10	FY11	FY12	FY13
Investments (₹ mn)	-	5	5	9	21	29
As % of net worth	-	2.2	1.7	2.6	4.5	5.1

Source: Company, CRISIL Research

- MITCON's investments include regular income bonds and deposits with banks.

Inventories

	FY08	FY09	FY10	FY11	FY12	FY13
Income (₹ mn)	205	268	370	468	534	462
Inventory (₹ mn)	-	-	-	-	3	3
Inventory days (based on income)	-	-	-	-	2.0	2.7

Source: Company, CRISIL Research

- Owing to MITCON's service-based business model, inventories do not form a significant part of its total current assets. The only inventory in FY12 and FY13 were printed course materials related to the training activities.
- The company requires consumables for the operation of its incubation centre which is charged off in the profit and loss account.

Sundry debtors

	FY08	FY09	FY10	FY11	FY12	FY13
Income (₹ mn)	205	268	370	468	534	462
Sundry debtors (₹ mn)	20	31	69	72	109	144
Amount due from affiliate	21	21	21	21	21	21
Debtor days	74	71	89	73	89	130
Debtor days (excluding affiliates)	36	42	68	57	75	114

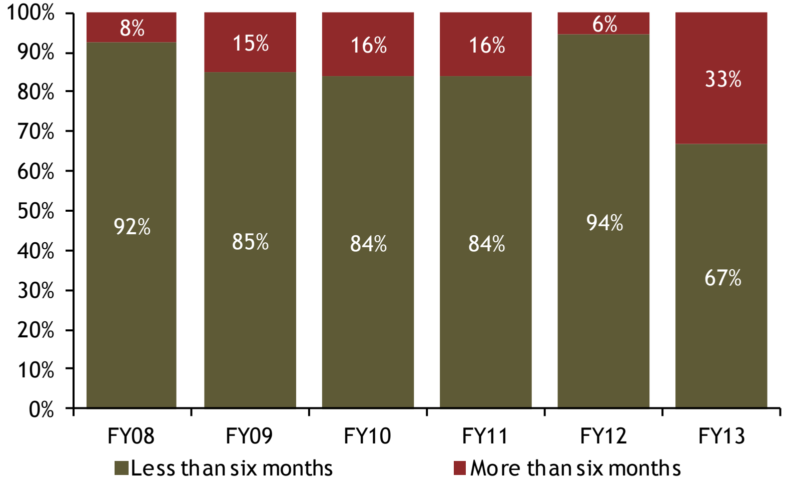
Source: Company, CRISIL Research

- MITCON's debtors include trade receivables from both the consulting and training businesses.
- Sundry debtors include amount due from clients and from MITCON Foundation trust. The trust owes ₹21.3 mn to the company against a sale of land, which was used to construct a building for the MITCON Institute of Management. The company has given a guarantee to the Bank of Baroda that it will not recover this amount until the foundation fully repays a term loan it owes to the bank. The company expects to receive this amount in full in FY16.

CRISIL RESEARCH

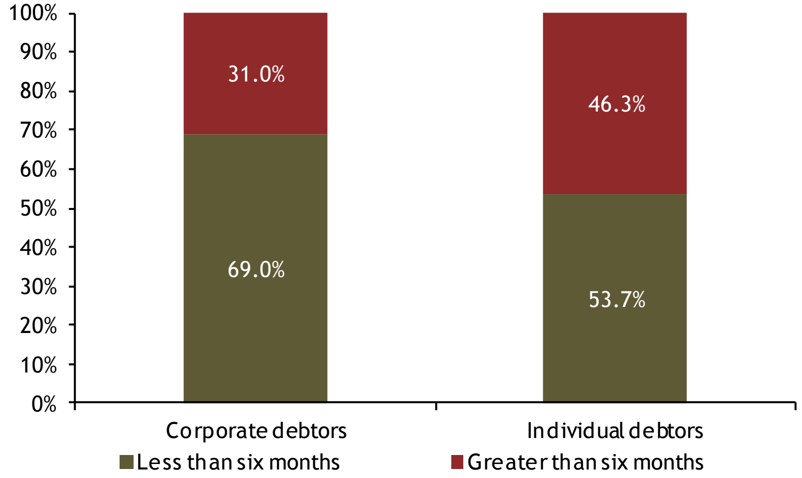
Ageing analysis of debtors

Historical ageing of sundry debtors



Source: Company, CRISIL Research

Break-down of debtors (FY13)



Source: Company, CRISIL Research

- In the past, most of the amount due has been for less than six months. However, the percentage of debtors exceeding six months shot up significantly in FY13.
- In FY13, the company had ₹122.4 mn due from corporates, of which 31% was greater than six months. It also had ₹21.3 mn receivables from various individual debtors, of which 46.3% was more than six months.
- According to the management, the prevailing adverse business condition has significantly affected its customers, both corporate and government. Many of them have not been able to pay the company its due within the stipulated period. This has also prompted the company to file litigations against some of its customers. However, the management is confident of collecting the outstanding amounts from these parties.

MITCON - top 10 debtors

Sl. No.	Top 10 debtors (as of FY13)	Outstanding amount as on March 31, 2013 (₹ mn)	As a percentage of total debtors (%)
1	MITCON Foundation	21.3	14.8%
2	Tamil Nadu Electricity Board	6.8	4.7%
3	VRL Logistics Ltd	6.1	4.3%
4	Society For Self Employment Govt. of NCT of Delhi	5.9	4.1%
5	Chief Officer, Buldhana Nagarpalika	3.8	2.6%
6	General Manager District Industries Centre	2.9	2.0%
7	Bureau of Energy Efficiency	2.7	1.9%
8	National Institute of Agriculture - Extension	2.7	1.8%
9	Purna Medium Project Division	2.5	1.7%
10	Project Director, Ekatmik Adivasi Vikas Prakalp	1.9	1.3%
	Total outstanding amount from the top 10 debtors	56.6	39.4%

Source: Company, CRISIL Research

Loans and advances

₹ mn	FY08	FY09	FY10	FY11	FY12	FY13
Advance to others	2	5	5	2	1	1
Other deposit (including security deposit)	3	4	8	14	20	27
Prepaid expenses	1	1	1	2	2	2
Travelling advances	0	0	0	0	0	0
Advance tax paid	2	1	5	9	10	9
Accrued interest	1	2	1	0	0	0
Others	-	-	-	5	11	10
Total	8	14	21	32	43	49

Source: Company, CRISIL Research

- The company's loans and advances include advance to others, deposits (including security deposits), prepaid expenses, travelling advances, advanced tax paid, accrued interest and others, which mainly include service tax refund.

Cash and bank balances

₹ mn	FY08	FY09	FY10	FY11	FY12	FY13
Cash on hand (A)	0.2	0.3	0.3	0.6	0.4	0.2
In current accounts (including cheques in hand)*	30.5	42.4	85.9	45.0	39.1	7.5
In fixed deposits	31.2	57.0	36.2	95.9	125.4	170.5
With scheduled bank (B)	61.7	99.4	122.1	140.9	164.4	178.0
Total cash and bank balances (A+B)	62.0	99.7	122.4	141.5	164.8	178.2

Source: Company, CRISIL Research

*Note; After FY11, the company has changed the way it reports cash and bank balances. In FY12 and FY13, the current account balance also includes cheques and drafts in hand.

- As on March 31, 2013, MITCON had ₹0.2 mn in cash and ₹7.5 mn in cheques and drafts. It had fixed deposits worth ₹170.5 mn in FY13 with Bank of Maharashtra, IDBI, ICICI Bank, YES bank and Bank of Baroda.

Marketable securities

₹ mn	FY08	FY09	FY10	FY11	FY12	FY13
Marketable securities (₹ mn)	-	10	16	19	25	37
As % of net worth	-	5.0	5.9	5.2	5.4	6.6

Source: Company, CRISIL Research

- As of FY13, the company has ₹37 mn worth of marketable securities. It had ICICI Liquid Plans worth ₹23.9 mn and IDBI Ultra Short Term Fund worth ₹13 mn.

Creditors

₹ mn	FY08	FY09	FY10	FY11	FY12	FY13
Trade payables	41	46	82	66	69	48
Advance from customers	16	16	10	9	8	6
Others	8	12	18	27	10	8
Total creditors	65	74	109	102	87	62
Creditor days	164	146	155	114	82	68

Source: Company, CRISIL Research

- MITCON's creditors include trade payables (including the amount due to professional associates and trainers), advance from customers, payable for capital purchases and other payables.
- Advances from customers include amounts which have been received from the customers but the assignment has not yet started.

MITCON - top 10 creditors

Sl. No.	Top 10 creditors of MITCON	Outstanding amount payable as on March 31, 2013 (₹ mn)
1	Mahesh Janardan Kulkarni	2.7
2	Santosh Sureshchandra Lanke	2.0
3	Madan Lonare	1.9
4	Ratikant Shankar Dastapure	1.0
5	Shrikant Shyamrao Manolikar	0.9
6	Ganesh Mayaram Kowe	0.7
7	Tejas Market Study	0.5
8	Joshi And Kulkarni	0.5
9	Malhar Communications	0.5
10	S.V. Shiralkar	0.5
	Total amount payable to top 10 creditors	11.2

Source: Company, CRISIL Research

Provisions

₹ mn	FY08	FY09	FY10	FY11	FY12	FY13
Provision for income tax	1	-	-	0	1	0
Provision for employee benefits	-	-	-	-	6	9
Provision for dividend	-	-	-	3	3	3
Total	1	-	-	3	10	12

Source: Company, CRISIL Research

- Total provisions amounted to ₹12 mn in FY13.
- The company did not make any provision for employee leave encashment prior to FY12. It started to make provisions for gratuity in FY13.

Other matters

Contingent liabilities

₹ mn	FY08	FY09	FY10	FY11	FY12	FY13
Corporate guarantee to bank	78.8	78.8	78.8	78.8	78.8	78.8
Guarantees given by bankers to customer	15.8	16.7	117.2	15.1	14.6	9.8
Show cause cum demand notice received from the commissioner of Pune	-	-	-	-	-	14.6
Total contingent liabilities	94.6	95.5	196.0	93.9	93.4	103.2

Source: Company, CRISIL Research

- The company has given corporate guarantee worth ₹78.8 mn to Bank of Baroda, Shivaji Nagar Branch on behalf of the term loan taken by the MITCON Foundation. The company has given commitment to the bank that it will not recover the amount due to it (worth ₹21.3 mn) by MITCON Foundation until the term loan is fully repaid. As of April 2, 2013 the outstanding amount was ₹3.1 mn.
- The company has received a show cause cum demand notice from the Commissioner of Central Excise Pune-III, pertaining to the period from July 1, 2011 to March 31, 2012. The company has disputed the claim and the case is being contested before the service tax authorities.

Other related party transactions

- The transactions with Dr. Pradeep Bavadekar and MITCON Foundation comprise the related party transactions of MITCON.

Nature of transaction (₹ mn)	FY08	FY09	FY10	FY11	FY12	FY13
Salary to key management personnel - Dr. Pradeep Bavadekar	3.3	4.4	6.1	7.6	8.1	7.4
Expenses incurred on behalf of MITCON Foundation	NA	NA	NA	1.2	9.3	2.8
Accounts receivable - from MITCON Foundation against sale of land	21.3	21.3	21.3	21.3	21.3	21.3
Accounts payable - remuneration payable to Dr. Pradeep Bavadekar	NA	NA	NA	3.3	1.9	1.2
Total	24.6	25.7	27.4	33.3	40.6	32.6

Source: Company, CRISIL Research

Change in auditors

- The company's auditor is a Pune-based chartered accountant firm - Joshi and Sahney. They were appointed in FY12, after the previous Mr Sharad P. Joshi, Chartered Accounts tendered resignation in FY11. The remuneration of the new auditors was significantly higher than the previous auditors - ₹3.4 lakh compared to ₹1.0 lakh
- The management's reply regarding this issue was satisfactory. According to the management, the previous auditors were associated with the company for over a decade, and thus a change was needed to ensure the independence of the auditors. The fee of the new auditors was higher as the volume and complexity of the work increased for them, prior to the listing.

₹ lakh	FY08	FY09	FY10	FY11	FY12	FY13
Annual remuneration paid to the auditors	0.4	0.8	0.8	1.0	3.4	3.4

Note: FY12 and FY13 values are inclusive of service tax
Source: Company, CRISIL Research

Appendix

Appendix 1: Key Managerial Personnel

Name	Designation	Date of joining	Qualification	Total experience (years)
Mr Ram Mapari	Controller of Finance	August 23, 1988	B.Com.	28
Mr Vasant Todkar	Chief Manager-(MD's Secretariat) & Management Representative-ISO	January 8, 2007	B.A	30
Mr Shailesh Borwankar	Chief Manager (Human Resources)	February 1, 2010	B. Sc. (Chemistry), DISM	18
Mr Madhav Oak	Company Secretary	February 14, 2013	B. Com., C.S., L. L. B.	6
Mr Sunil Natu	Senior Vice President, Power Division	October 5, 1984	B.E. (Mechanical)	32
Mr Dilip Kulkarni	Senior Vice President, Banking & Finance Division	September 7, 2006	B. Com.	38
Mr Chandrashekhar Bhosle	Senior Vice President, Training & Entrepreneurship Division	April 1, 2005	B. Sc. (Microbiology), National Trainers Course	25
Mr Sanjay Shevkar	Executive Vice President, Environment Engineering	April 16, 2010	M. Sc. (Environmental Science)	18
Mr Chandrashekhar Kulkarni	Assistant Vice President, Bio-pharma Division	July 26, 2007	M. Sc., D.C.A., PGDCR, IPPRA	13
Mr Deepak Zade	Senior Vice President, Energy & Carbon Services Division	May 3, 1999	M. Tech (Energy Management), B.E. (Mechanical)	13
Mr Parag Pawar	Executive Vice President, E-School	April 1, 2004	B. Sc., MBA (Personnel Management)	8
Mr Prasad Pawar	Assistant Vice President, Infrastructure Division	June 11, 2010	B. E. (Civil)	12
Mr S. Shankarraman	Senior Vice President, SAFE Division	April 1, 2010	B. Sc., L.L.B.	33
Mr Manish Kanojia	Executive Vice President-Corporate Business, Mumbai	October 3, 2012	B.Sc. (Chemistry), MBA (Marketing)	12

Source: Company, CRISIL Research

Appendix 2: Outstanding litigations

- The company has total 12 cases outstanding against various parties, amounting to a total claim of ₹23.0 mn. The company is a petitioner in each of these cases.

Sl No.	Respondent/Defendant	Total amount claimed (₹ mn)	Particulars of the suit	Status
1	Karmayogi Co-op. Food Park Ltd	0.1	Cheque dishonoured	Non-bailable warrant issued against the respondent
2	Champion Jointing Pvt. Ltd	0.4	Bank Guarantee encashed wrongly	Summons served to respondent
3	Shree Pawansut Infotech Pvt. Ltd, Aurangabad	0.5	Overdue outstanding payment	Decree order passed in favour of the company
4	Mr Suresh Gangadhar Pawar	9.3	Against payment of disputed amount	Arbitration is in progress
5	D.S. Solar India Pvt. Ltd New Delhi	0.3	Overdue outstanding payment	Awaiting summons
6	Greenfield Food Products	0.1	Cheque dishonoured	Suit in progress
7	The Dy. Commissioner, Service Tax, Pune	10.6	Refund of service tax	The order is received in favour of the Company. Refund amount awaited
8	R.S. India Wind Energy Pvt. Ltd, Gurgaon	0.6	Overdue outstanding payment	Awaiting summons
9	Anand Agrochem India Ltd, Mumbai	0.1	Overdue outstanding payment	Awaiting summons
10	Shri Hiraji Maharaj SSSK Ltd, Pishore, Aurangabad	0.3	Overdue outstanding payment	Awaiting summons
11	Pawan Enterprises, Jaipur	0.2	Overdue outstanding payment	Awaiting summons
12	Maharashtra Shetkari Sugar Ltd	0.5	Cheque dishonoured	Complainant's verification awaited

Source: Company, CRISIL Research

Appendix 3: Summary Financials

Income statement

(₹ mn)	FY08	FY09	FY10	FY11	FY12	FY13
Operating income	**206**	**274**	**376**	**473**	**538**	**467**
EBITDA	**62**	**87**	**119**	**147**	**148**	**136**
EBITDA margin	**29.9%**	**31.9%**	**31.5%**	**31.1%**	**27.6%**	**29.0%**
Depreciation	5	9	9	9	21	15
EBIT	**57**	**79**	**109**	**138**	**128**	**120**
Interest	0	1	1	1	1	1
Operating PBT	**56**	**78**	**108**	**138**	**127**	**120**
Other income	1	4	4	5	9	13
Exceptional inc/(exp)	3	1	3	0	15	7
PBT	**61**	**83**	**116**	**143**	**151**	**139**
Tax provision	22	30	48	44	47	40
Minority interest	-	-	-	-	-	-
PAT (Reported)	**38**	**54**	**67**	**99**	**104**	**99**
Less: Exceptionals	3	1	3	0	15	7
Adjusted PAT	**35**	**53**	**64**	**99**	**89**	**92**

Ratios

	FY08	FY09	FY10	FY11	FY12	FY13
Growth						
Operating income (%)	24.0	32.9	37.4	25.7	13.9	(13.3)
EBITDA (%)	34.1	41.8	35.8	24.0	1.0	(8.7)
Adj PAT (%)	29.5	50.4	21.5	54.1	(10.1)	3.8
Adj EPS (%)	(48.2)	50.4	21.5	54.1	(10.1)	3.8
Profitability						
EBITDA margin (%)	29.9	31.9	31.5	31.1	27.6	29.0
Adj PAT Margin (%)	17.0	19.3	17.1	20.9	16.5	19.7
RoE (%)	26.0	29.5	27.1	31.2	21.4	18.0
RoCE (%)	41.5	43.8	46.1	43.6	30.7	23.4
RoIC (%)	51.9	59.6	57.5	58.8	40.0	33.4
Valuations						
Price-earnings (x)	-	-	-	-	-	-
Price-book (x)	-	-	-	-	-	-
EV/EBITDA (x)	NM	NM	NM	NM	NM	NM
EV/Sales (x)	NM	NM	NM	NM	NM	NM
Dividend payout ratio (%)	3.3	2.8	2.6	2.5	2.4	2.5
Dividend yield (%)	-	-	-	-	-	-
B/S ratios						
Inventory days	-	-	-	-	3	5
Creditors days	164	149	157	114	82	68
Debtor days	74	71	89	73	89	130
Working capital days	(29)	(13)	0	17	54	113
Gross asset turnover (x)	1.9	1.9	2.2	2.2	2.2	1.9
Net asset turnover (x)	2.4	2.3	2.8	2.7	2.8	2.6
Sales/operating assets (x	2.4	2.3	2.8	2.7	2.8	2.5
Current ratio (x)	1.7	2.3	2.2	2.7	3.8	5.9
Debt-equity (x)	0.0	0.0	0.0	-	-	-
Net debt/equity (x)	(0.4)	(0.5)	(0.5)	(0.4)	(0.4)	(0.4)
Interest coverage	118.4	133.7	87.4	258.4	148.1	226.6

Balance Sheet

(₹ mn)	FY08	FY09	FY10	FY11	FY12	FY13
Liabilities						
Equity share capital	5	5	5	5	5	5
Reserves	148	199	264	360	460	555
Minorities	-	-	-	-	-	-
Net worth	**153**	**204**	**269**	**365**	**465**	**560**
Convertible debt	-	-	-	-	-	-
Other debt	1	1	0	-	-	-
Total debt	**1**	**1**	**0**	**-**	**-**	**-**
Deferred tax liability (net)	9	16	30	28	26	22
Total liabilities	**163**	**221**	**299**	**394**	**491**	**582**
Assets						
Net fixed assets	118	116	155	198	185	180
Capital WIP	-	-	1	0	1	2
Total fixed assets	**118**	**116**	**156**	**198**	**187**	**182**
Investments	-	5	5	9	21	29
Current assets						
Inventory	-	-	-	-	3	3
Sundry debtors	42	52	90	94	130	165
Loans and advances	8	14	21	32	43	49
Cash & bank balance	62	100	122	141	165	178
Marketable securities	-	10	16	19	25	37
Total current assets	**112**	**176**	**250**	**287**	**367**	**432**
Total current liabilities	**66**	**76**	**111**	**105**	**97**	**73**
Net current assets	**45**	**100**	**139**	**182**	**270**	**359**
Intangibles/Misc. expenditure	-	**-**	**-**	**4**	**14**	**13**
Total assets	163	221	299	394	491	582

Cash flow

(₹ mn)	FY08	FY09	FY10	FY11	FY12	FY13
Pre-tax profit	58	82	112	143	136	133
Total tax paid	(16)	(22)	(35)	(46)	(50)	(44)
Depreciation	5	9	9	9	21	15
Working capital changes	12	(7)	(10)	(21)	(58)	(64)
Net cash from operations	**59**	**62**	**77**	**85**	**49**	**40**
Cash from investments						
Capital expenditure	(66)	(7)	(49)	(56)	(19)	(10)
Investments and others	-	(15)	(6)	(8)	(18)	(19)
Net cash from investments	**(66)**	**(22)**	**(54)**	**(63)**	**(37)**	**(29)**
Cash from financing						
Equity raised/(repaid)	3	-	-	-	-	-
Debt raised/(repaid)	(0)	(1)	(0)	(0)	-	-
Dividend (incl. tax)	(1)	(2)	(2)	(3)	(3)	(3)
Others (incl extraordinaries)	(0)	(0)	3	0	14	6
Net cash from financing	**1**	**(2)**	**0**	**(3)**	**11**	**3**
Change in cash position	(6)	38	23	19	23	13
Closing cash	62	100	122	141	165	178

Per share

	FY08	FY09	FY10	FY11	FY12	FY13
Adj EPS (₹)	701.6	1,055.1	1,281.8	1,975.7	1,775.3	1,842.5
CEPS	801.4	1,225.7	1,468.6	2,152.9	2,192.1	2,151.4
Book value	3,063.8	4,083.4	5,376.5	7,303.4	9,308.1	11,202.7
Dividend (₹)	25.0	30.0	35.0	50.0	50.0	50.0
Actual o/s shares (₹)	0.05	0.05	0.05	0.05	0.05	0.05

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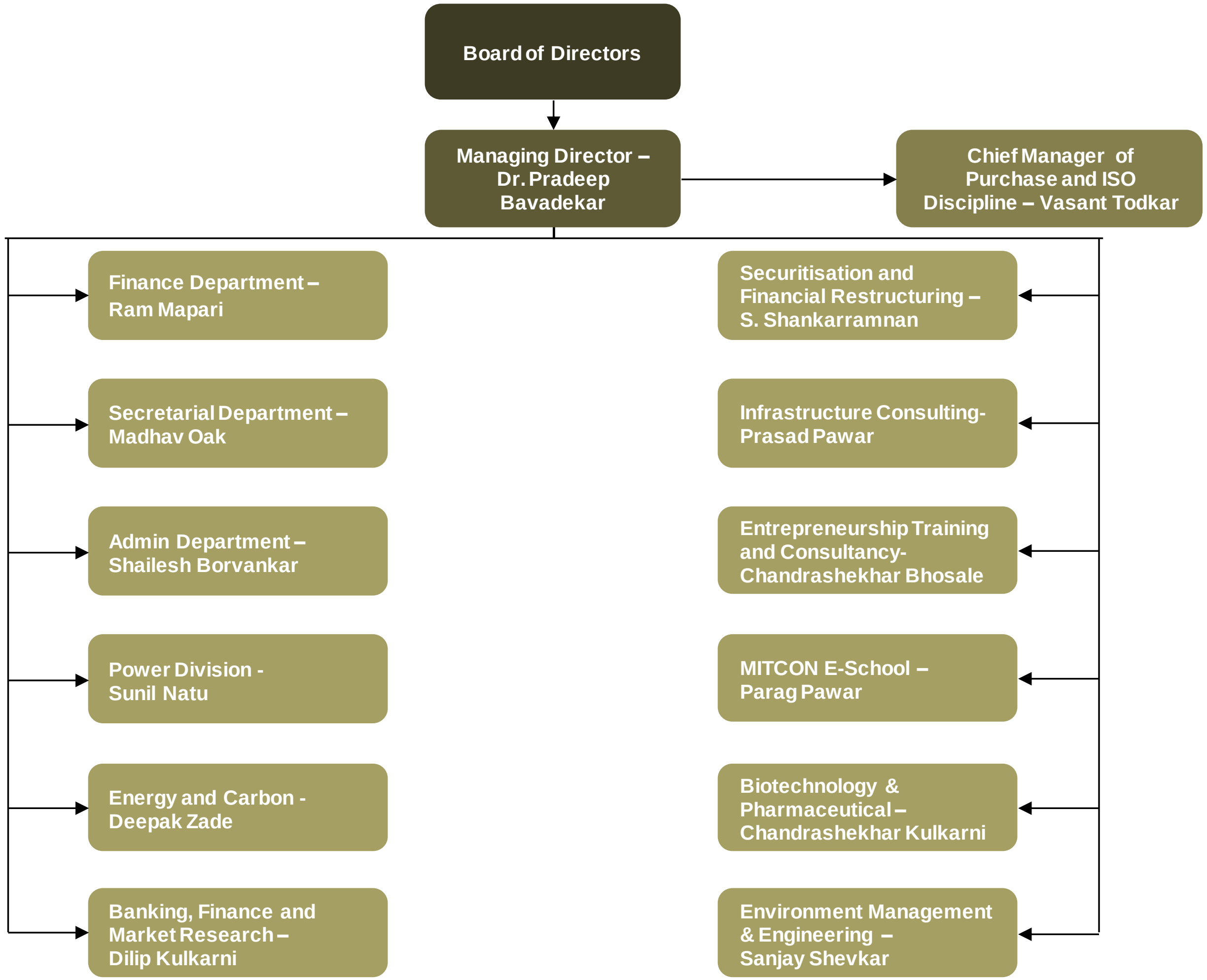
Appendix 4: Organisational chart



Disclaimer / Important notice

This Company Analysis and FDD Report is based on the Ltd scope of financial due diligence MITCON Consultancy and Engineering Services Ltd (“the Company”) The Scope of Work covering the procedures to be performed for financial due diligence of the Company is defined below. In this Report, we may choose to not include matters that we believe to be insignificant. There may be matters, other than those noted in this Report, which might be relevant in the context of the issue and which a wider scope might uncover. The financial due diligence is based on the audited consolidated financial statements for FY08, FY09, FY10, FY11, FY12 and FY13.

The Report has been issued on the understanding that the Company's management has drawn our attention to all matters, financial or otherwise, of which they are aware which may have an impact on our Report up to the date of this Report. Additionally, we have no responsibility to update this Report for events and circumstances occurring after this date.

Our work does not constitute recommendations about the completion of the operation. This Report also does not constitute an audit in accordance with the Audit Standards and we have not independently verified all the matters discussed in this Report and have relied on the explanations and information as given by the management (verbal as well as written) of the Company. We have assumed the genuineness of all signatures and the authenticity of all documents submitted to us, whether original or copies. In this regard, management of the Company is responsible for the proper recording of transactions in the books of account and maintaining an internal control structure sufficient to permit the preparation of reliable financial information, including financial accounts. Consequently, we do not express an opinion on the figures and other information included in this Report. CRISIL does take any responsibility towards the usage of the Report in any form.

The information and conclusions of this Report should not be the basis for the listing or for any investor to place a value on the business of the Company or to make a decision whether to acquire or invest in the Company. Our due diligence and analysis should not be construed as investment advice; specifically, we do not express any opinion on the suitability or otherwise of entering into any transaction in this regard. We accept no responsibility for matters not covered by the Report or omitted due to the Ltd nature of our analysis. The future plans of the Company, if any, are as informed to us by its Management. We do not have any view on the same.

Scope of Work

The Ltd scope of coverage of the Company Analysis and Financial Due diligence Report would be:

i) Study of the financial statements of the Company for the financial periods ended March 31, 2008, March 31, 2009, March 31, 2010, March 31, 2011, March 31, 2012 and March 31, 2013 ("Historical Period").

ii) Review and comment on the reasonability and consistency of significant accounting policies adopted.

iii) Highlight significant matters in internal audit reports, audit committee reports and RBI audit reports.

iv) Analyse quality of earnings with particular focus on:

   a) recurring versus non-recurring transactions (income and expenditure)

   b) changes in accounting policies

   c) impact of related party transactions, if any.

v) Analyse the key drivers of revenue and margin growth with particular reference to:

   a) price and volume changes of key products

   b) geographical distribution

vi) Comments on the branch distribution network. Highlight significant issues in the lease rent agreement.

vii) Analysis of selling costs and marketing overheads.

viii) Analysis of interest cost and depreciation expense.

ix) Analysis of variances in significant administrative overheads.

x) Analysis of movement in head count and employee costs during the reporting period.

xi) Highlight the movement of debtors over the past four years.

xii) Analysis of the cost sheet and comment on the movements in the costs over the Historical Period

xiii) Analysis of historical trends in capex. Based on discussion with management, comment if there has been any deferred maintenance/replacement capex.

xiv) Analysis of the basis of capitalisation and components of costs such as borrowing costs, pre-operative expenditure, exchange fluctuations, etc.

xv) Summarise details of investments held, highlighting investments in related entities, if any.

xvi) Analysis of the trends in working capital during the reporting period.

xvii) Analysis of and comment on the ageing profile of receivables and inventories. Inquire into provisioning policy and comment on provisions for uncollectible amounts and write-offs.

xviii) Analysis of the basis of inventory valuation (physical verification of inventories will not be conducted).

xix) Comment on other current assets, loans and advances and major creditors. Comment on recoverability and provisioning for uncollectible amounts.

xx) Comment on the current liabilities including accounts payable and provisions/accruals.

xxi) Obtaining bank reconciliations for key accounts and comment on reconciling items.

Commitments, contingencies and litigation

xxii) Highlight significant claims, pending or threatened litigations against the company at latest available period, after discussions with the management of the Company their views on the likely outcome of the cases/claims.

xxiii) Highlight significant guarantees, performance bonds, letters of comfort or similar documents of assurance and any indemnities provided by / or for the benefit of the Company, including details of such guarantees, etc. given by the company for the period under review.

xxiv) Status of tax claims and disputes thereof, if any.

Related party transactions

xxv) Highlight major related party transactions and comment on recoverability / payment of balance due from / to related parties at period end.

xxvi) Comment on key financial terms and conditions of such related party transactions after discussions with the Management.

The following areas (indicative list) are excluded from the scope of the Report.

1) Valuation of the issuer's business

2) Human resource review

3) Technical and commercial due diligence

4) Legal and tax due diligence

5) IT review and risk management

6) Physical verification and valuation of fixed assets, inventories and other current assets

7) Third-party confirmations, meetings with suppliers/customers

8) Environmental compliances

9) Overview of the supply chain management

10) Actuarial valuation of the company's retirement benefit arrangements

11) Checking of accounting records

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About CRISIL Ltd

CRISIL is a global analytical company providing ratings, research, and risk and policy advisory services. We are India's leading ratings agency. We are also the foremost provider of high-end research to the world's largest banks and leading corporations.

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CRISIL Research is the country's largest independent and integrated research house with strong domain expertise on Indian economy, industries and capital markets. We leverage our unique research platform and capabilities to deliver superior perspectives and insights to over 1200 domestic and global clients, through a range of research reports, analytical tools, subscription products and customised solutions.

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