Company Analysis and Financial Due Diligence

August 2015

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To,

Mr Jayesh Taori,

National Stock Exchange of India Ltd

Exchange Plaza,

Plot No. C/1, G Block,

Bandra - Kurla Complex

Bandra (E)

Mumbai - 400051

Date: August 19, 2015

Dear Sir,

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 Perfect Infraengineers 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 19, 2015. 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 / the Company / users of the Reports. CRISIL’s Reports submitted to the 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 internal use only of the NSE and should not be used for purpose other than the potential listing of the Company on the 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 Perfect Infraengineers Ltd.

Yours faithfully,

For CRISIL Ltd

Prasad Koparkar

Senior 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	

Company Analysis

Company background

Incorporated in 1996 and headquartered in Mumbai, Perfect Infraengineers Ltd is a provider of contract services for supply and installation of heating, ventilation and air conditioning (HVAC); and mechanical, electrical and plumbing (MEP) systems. It is promoted by Mr Nimesh Mehta and his wife Mrs Manisha Mehta.

The company provides services to infrastructure developers, educational institutions, real estate developers, retail malls, hotels, industrial complexes and other individual projects. It also provides maintenance services for HVAC systems and renting of air conditioners (ACs). In 2015, the company forayed into fabrication of electric control panel through a subsidiary.

The company has a team of 175 engineers and technicians, and serves the domestic market through offices in Mumbai, Delhi, Ghaziabad and Hyderabad. The company also operates in Nigeria and Tanzania. Its fabrication facility for electric panels is located in Rabale, Navi Mumbai.

Key positives

- **Reputation:** The company has been able to establish itself as a leading HVAC/MEP contractor and enjoys good relationship with its clients. Over the years, it has executed contracts across segments including hospitality, healthcare, industrial and residential complexes, multiplexes, commercial spaces and educational institutions.

  Reputed clients: Some of its major clientele/projects across segments include HCC Ltd (Lavasa), Hyatt Hotels, Hiranandani Hospital, Commonwealth Games Village – New Delhi, Mumbai Metro, TIFR-Mumbai, ICAI, Angel Broking Ltd, and Siemens Ltd among others.
- **Promoter experience**: Mr Nimesh Mehta, the promoter, has an experience of more than 28 years in the HVAC industry and is well acquainted with the dynamics of the industry. This has contributed to the company's growth. He is supported by his wife Manisha Mehta who looks after the legal and finance functions. They are supported by an experienced second line of management.
- **International presence:** The company has been able to establish its presence in various geographies - Nigeria and Tanzania - leveraging its execution capabilities in the HVAC segment. It continues to focus on further penetrating these markets and plans to launch new services.
- **Entry into manufacturing:** Perfect Infraengineers entered manufacturing of electric control panels in 2014 through its subsidiary Perfect Control Panels Pvt. Ltd This complements it contracting business which involves supply and installation of HVAC/MEP systems and related electric equipment.
- **Healthy order book**: The company has ₹520 mn worth of orders under execution and to be executed in the next two-three years. Some of the key projects under execution include Mantralaya – Government of Maharashtra, SRM University (Gurgoan), RITES Ltd (Hyderabad), Novotel (Lavasa) and a commercial complex in Tanzania (Jangid Plaza).

Key negatives

- **Revenue growth volatile in the past:** Revenue growth had slowed down considerably during a couple of years between FY11 and FY15. Revenues remained flat between FY11 and FY12 as the company's major clients at that time located in Lavasa, faced environment hurdles, which led to slowdown in execution of related projects. As the company added new clients, revenues grew 28% in FY13. Further in FY14, due to project specific issues, revenue growth fell to 6%, before increasing 23% in FY15 as order execution picked up.
- **Volatile EBITDA margin over the past five years:** EBTIDA margins have been volatile over the past five years. EBITDA margin contracted from 12.1% in FY10 to 10.3% in FY14. This was mainly on account of a rise in employee cost as the company had to expand its marketing team and domain experts to support business expansion. However, margins subsequently rose to 13% in FY15 as employee costs as a percentage of sales moderated.

- **High working capital requirement:** The company's overall working capital cycle increased to 152 days in FY15 from 80 days in FY11 owing mainly to an increase in debtors. Debtor days increased to 189 in FY13 from 110 in FY11 as some of the key clients delayed payments. While debtor days fell to 164 in FY14, it rose further to 193 days in FY15. Structurally the company is exposed to project execution risks in hospitality and infrastructure segments. The management has mentioned that it is diversifying into projects involving education institutions and foreign locations to mitigate this risk.
- **Rise in leverage:** In FY15, the company's overall debt to equity was 1.7x compared to 1.4-1.5x over the past three years. This is mainly on account of rise in debt due to higher working capital requirement. Interest coverage ratio declined from 2.3x in FY11 to 1.9x in FY15, with the rise in debt.

Key risks

- **Project execution risk:** The company is in the business of providing HVAC systems and services to major projects on a turnkey basis. A delay from its client's end due to regulatory or operational issues can impact the company as a significant amount of funds can be locked up in inventory.
- **High competition:** Perfect Infraengineers as a HVAC/MEP contractor serves various end-user segments and faces significant competition from established players such as Sterling Wilson Ltd and project arms of HVAC systems manufacturers. It also faces competition from unorganised players in the electric panel manufacturing industry.
- **Foreign operations:** The company operates in Tanzania and Nigeria. These regions have seen geo-politics conflicts in the past and adverse incidents going ahead can impact the company's operations. Further, it currently does not hedge its currency exposure given relatively short execution period of three-four months. Nevertheless, significant currency movement can impact its earnings.
- **Promoter dependency:** Based on our interactions with the management, we believe the company is highly dependent on the promoters, Mr and Mrs Mehta, for both strategic decisions and day-to-day operational activities. The company has recruited professionals with domain expertise to drive the next phase of growth. We expect this to reduce dependence on the promoters for the daily operations.

Management and corporate governance

- Perfect Infraengineers is promoted by Mr Nimesh Mehta and Mrs Manisha Mehta, who together hold 97.6% of the equity capital. While the decision-making process is centralised with them, they are supported by an experienced second line.
- The company's board comprises of six members including the Managing Director – Mr Nimesh Mehta, Mrs Manisha Mehta (Director-Finance), Mrs. Sharmila Singh (Mr Nimesh's sister) and three independent directors. Independent directors on the board come from diverse professional backgrounds.
- The company's head office in Masjid Bunder, Mumbai is owned by the promoter. Currently, there is no rent agreement for the same. Its sales office in Ghatkopar, Mumbai is owned by Mrs. Sharmila Singh and the company paid a rent of ₹0.24 mn in FY15. Any significant rise in rent after the listing can impact the company's profitability to that extent.

Key financials

- Revenues grew at a CAGR of 14% over FY10-15 to ₹255 mn. However, revenue growth has been volatile due to execution issues faced by the company during FY12-14. In FY15, 90% of overall revenues came from the installation and supply of HVAC/MEP equipment to the projects, and the remaining from maintenance contracts for HVAC systems and renting of ACs.
- EBITDA margins have been in the range of 10-13% over FY11-15. Margins contracted to FY14 owing higher employee costs as it hired personnel to support expansion to new segments such as railways contracting. EBITDA margin was 13.1% in FY15.
- Adjusted profit grew to ₹12 mn in FY15 from ₹3 mn in FY14 on account of higher EBITDA. PAT margin for FY15 stood at 4.9%.

Financial Due Diligence

Company Overview

Business Overview

- Established in 1996 and headquartered in Mumbai, Perfect Infraengineers provides contract services for supply and installation of HVAC/MEP systems for projects on a turnkey basis. It caters to segments such as infrastructure, hospitality, healthcare, office and residential complexes, retail malls and educational institutions. In HVAC systems, the company specialises in variable refrigerant flow (VRF) and chiller technology. In the MEP space, it designs and installs external plumbing and related structural fittings.
- In 2015, it forayed into manufacturing of electric panels under its subsidiary Perfect Control Panels Pvt. Ltd (97.8% owned by Perfect Infraengineers). Its manufacturing facility is located in Rabale, Navi Mumbai. AC ducts used for installation of HVAC systems are also manufactured at this facility.
- The company also provides maintenance services for HVAC systems and ACs on a rent basis.

Products/Service

	End-user segments
HVAC/MEP projects	Industrial, residential, healthcare, educational institution, infrastructure projects, retail malls
Maintenance services	HVAC – systems maintenance to clients across segments
Electric control panel	Multiple segments
Renting of ACs	To corporate and individuals

Source: Company, CRISIL Research

Board of directors

Name	Age	Designation	Date of joining	Qualification	Role and experience
Mr Nimesh M Mehta	50	Managing Director	May 16,1996	B.E(Mechanical), MBA	He has 28 years of experience in the HVAC and MEP contract business, of which 19 years have been with his company.
Mrs Manisha Mehta,	47	Promoter Director and CFO	May 16, 1996	Chartered Accountant	She has more than 20 years of experience and heads the finance vertical. Her expertise includes project and bridge financing, bill discounting, managing direct and indirect tax compliance.
Mrs Sharmila Singh	43	Executive Director	May 04, 2005	Diploma holder	She heads HR functions of the company.
Mr Pradeep Bhave	60	Independent Director	March 30, 2015	Master's in Physics	He has over 37 years of experience in the finance sector. He had earlier worked with Punjab National Bank and IndusInd Bank, and has served in senior positions in capital market intermediaries.

Name	Age	Designation	Date of joining	Qualification	Role and experience
Mr Vinay Deshmukh	48	Independent Director	April 10, 2015	B.E, MBA	He is currently the CEO of Forbes Facility Management. He was earlier associated with Eureka Forbes Ltd, Ion Exchange (I) Ltd, and Godrej and Boyce Ltd.
Mr Virpul Vora	46	Independent Director	July 10, 2015	B.E (Production engineering)	He has an experience of 23 years. He currently runs My Port Services Ltd as its proprietor. He was earlier associated with Mukand Ltd, Ispat Industries, and Nhava Sheva International Container Terminal Pvt. Ltd.

Source: Company, CRISIL Research

- The company has six members on its board including the promoter group and three independent directors. Independent directors on the board come from diverse backgrounds viz. banking, logistics and EPC sectors.

Executive Summary

Key Findings

i) Revenue growth volatile in the past

Background	Comments / implications	Management's comments
▪ Revenue growth has been volatile over the past five years.	▪ Volatility is due to execution delay at the clients' end. Revenues remained flat between FY11 and FY12 as the company's major clients at that time located in Lavasa - faced environment hurdles in its projects. ▪ As the company added new clients, revenues grew 28% in FY13. Due to slowdown in some of the projects, revenue growth fell to 6% in FY14.	▪ The company entered the electric panel manufacturing business through its subsidiary to diversify from the core HVAC/MEP projects segment. ▪ It plans to focus on clients with a good track record of execution.

ii) High working capital requirement

Background	Comments / implications	Management's comments
▪ The company's working capital cycle increased to 152 days in FY15 from 83 days in FY11.	▪ This was mainly due to an increase in debtors. Debtor days increased to 200 in FY13 from 116 in FY11 as some of the key clients delayed payments. While debtor days fell to 164 in FY14, it increased to 193 in FY15. Structurally the company is exposed to project execution risks in hospitality and infrastructure segments.	▪ The management has mentioned that it is now diversifying into project involving education institutions and foreign contracts to mitigate this risk.

iii) Rise in leverage

Background	Comments / implications	Management's comments
▪ The leverage rose to 1.7x in FY15 from 1.5x in FY11.	▪ This is mainly on account of rise in debt due to higher working capital requirement. Working capital loans increased to ₹58 mn in FY15 from ₹35 mn in FY11.	▪ As per the management, IPO proceeds will help fund its working capital requirements and in reducing the leverage.

iv) Absence of rent agreement for its head office

Background	Comments / implications	Management's comments
■ The company's head office in Masjid Bunder, Mumbai is owned by the promoter. Currently, there is no rent agreement for the same. ■ Its sales office in Ghatkopar is owned by Ms. Sharmila Singh – Director of the company	■ In FY15, the company had paid a rent of ₹0.24 mn for its office in Ghatkopar, but it has not paid any rent for its Masjid Bunder office. A significant rise in rent after the listing can impact profitability to that extent.	■ The management mentioned that they are in the process of making a rent agreement for the premises.

v) Potential risks in the overseas operations

Background	Comments / implications	Management's comments
■ The company operates in Tanzania and Nigeria. These regions have faced geo-politics conflicts in the past. ■ Does not hedge foreign exchange exposure.	■ Adverse incidents can impact the company's operations, and delay project execution. ■ Significant currency movement can impact its earnings.	■ The management mentioned that the overseas clients are mainly India-based businesses with foreign operations who have a prior working relationship with the company. ■ The management has indicated that given relatively shorter execution period of three-four months, they have not hedged their exposure.

Analysis of Financial Statements

Income Statement Analysis

	(₹ mn)					Common size statement				
	FY11	FY12	FY13	FY14	FY15	FY11	FY12	FY13	FY14	FY15
Income										
Gross sales	142	143	186	197	246	93.8%	93.2%	95.2%	94.5%	96.5%
Traded goods sales	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
Less: trade discount/excise	0	(1)	(2)	(0)	(0)	0.0%	-0.5%	-1.1%	0.0%	-0.1%
Net sales	142	142	184	197	246	93.8%	92.7%	94.2%	94.5%	96.5%
Other operating income	9	11	11	11	9.0	6.2%	7.3%	5.8%	5.5%	3.5%
Operating income	**152**	**153**	**195**	**208**	**255**	100.0%	100.0%	100.0%	100.0%	100.0%
Expenditure										
Raw material consumed	89	90	118	113	149	58.7%	58.7%	60.3%	54.3%	58.3%
Change in inventory	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
Power and fuel	1	1	1	1	1	0.4%	0.4%	0.4%	0.5%	0.3%
Employee costs	28	30	34	55	45	18.4%	19.5%	17.6%	26.5%	17.8%
Other manufacturing expenses	4	4	2	5	10	2.8%	2.8%	1.1%	2.3%	4.1%
Other expenses	9	7	12	13	13	5.7%	4.6%	6.0%	6.0%	5.3%
SG&A	3	1	6	0	3	2.2%	0.7%	3.1%	0.2%	1.2%
EBITDA	**18**	**20**	**23**	**21**	**33**	**11.9%**	**13.3%**	**11.5%**	**10.3%**	**13.1%**
Depreciation	3	3	3	3	7	1.9%	1.9%	1.4%	1.6%	2.8%
EBIT	**15**	**18**	**20**	**18**	**26**	**10.0%**	**11.4%**	**10.2%**	**8.7%**	**10.3%**
Interest	7	8	8	12	14	4.3%	5.1%	4.3%	5.9%	5.5%
Operating PBT	**9**	**10**	**12**	**6**	**12**	**5.7%**	**6.3%**	**5.9%**	**2.8%**	**4.9%**
Other income	1	1	1	0	5	0.5%	0.8%	0.3%	0.2%	1.9%
Exceptional inc/(exp)	1	(0)	(0)	0	3	0.5%	-0.2%	-0.1%	0.0%	1.1%
PBT	**10**	**11**	**12**	**6**	**20**	**6.7%**	**7.0%**	**6.1%**	**3.0%**	**7.8%**
Tax provision	3	4	5	3	5	2.1%	2.4%	2.5%	1.5%	1.8%
PAT (reported)	**7**	**7**	**7**	**3**	**15**	**4.6%**	**4.5%**	**3.6%**	**1.5%**	**6.0%**
Less: exceptionals	1	(0)	(0)	0	3	0.5%	-0.2%	-0.1%	0.0%	1.1%
Adjusted PAT	**6**	**7**	**7**	**3**	**12**	**4.1%**	**4.7%**	**3.7%**	**1.5%**	**4.9%**

Source: Company, CRISIL Research

Revenue analysis

(₹ mn)	FY11	FY12	FY13	FY14	FY15
Air conditioners and installation of HVAC/MEP	133	130	151	175	230
y-o-y change	14%	-2%	16%	16%	31%
Renting of Air Conditioners	9	10	11	11	9
y-o-y change	-11%	18%	10%	-3%	-16%
Sale of Services	9	13	35	21	16
y-o-y change	21%	37%	172%	-40%	-26%
Other operating Income	1.0	1.2	0.3	0.7	0.1
y-o-y change	281%	22%	-73%	134%	-92%
Total Operating income	**152**	**154**	**197**	**208**	**255**
y-o-y change	13%	2%	28%	5%	23%

Source: Company, CRISIL Research

- Total operating income currently comprises income from a) contract services for supply and installation of HVAC/MEP systems b) renting of ACs and c) maintenance services.
- Income from HVAC/MEP projects has grown at a CAGR of 15% over FY11-15. As of FY15, 90% of overall revenues are derived from this segment. In the past, revenue growth has been variable due to order book volatility.
- The company's foreign operations constituted ~10% of overall revenues in FY15. It operates in Nigeria and Tanzania.
- Revenues from other segments such as maintenance services and AC rentals have declined with an increase in the company's focus on the projects segment.

Revenue analysis – break-up across businesses

(₹ mn)	FY11	FY12	FY13	FY14	FY15
Air conditioners and installation of HVAC/MEP	88%	84%	76%	84%	90%
Renting of ACs	6%	7%	6%	5%	4%
Sale of services	6%	8%	18%	10%	6%

Source: Company, CRISIL Research

Other income

(₹ mn)	FY11	FY12	FY13	FY14	FY15
Profit from investments	0.2	0.3	0.4	0.4	0.6
Profit on sale of assets					4.1
Others	0.5	0.9	0.3	0.1	0.1
Total	**0.7**	**1.2**	**0.6**	**0.5**	**4.7**

Source: Company, CRISIL Research

- Other income increased in FY15 due to the reporting of profit on sale of assets amounting to ₹4.1 mn from the sale of office at Sakinaka.

Top clients

Top clients (FY15)	Amount	as % of total
Unity Infra Projects Ltd	23.6	11%
Adag Impex	21.4	10%
Central Public Work Department	8.0	4%
Brahma Corp Hotels & Resorts Ltd	6.2	3%
Siemens Ltd	5.5	3%
IISER* - Pune	4.9	2%
Neelam Hotels Pvt. Ltd	3.8	2%
Chartered Hotels Pvt. Ltd	3.3	2%
Dasve Hospitality Institute Ltd	3.2	2%
Total	**79.9**	**38%**

Top clients (FY14)	Amount	as % of total
Unity Infra Project Ltd	53.4	27%
Pancard Clubs Ltd	40.5	21%
Warasgaon Lakeview Hotel Ltd	22.6	12%
ABB Ltd	14.7	7%
Siemens Ltd	7.6	4%
Steiner India Ltd	7.4	4%
Tata Memorial Centre	5.1	3%
Atul & Arkade Associates	4.4	2%
Total	**155.8**	**79%**

Top clients (FY13)	Amount	as % of total
Unity Infra Project Ltd - 1	45.6	30%
ABB Ltd	24.8	16%
ICAI - Mumbai	20.2	13%
Dasve Hospitality Institutes Ltd	12.4	8%
Siemens Ltd	8.5	5%
Bramha Corp Hotels & Resort Ltd	6.2	4%
Warasgaon Lakeview Hotel Ltd	5.3	3%
J B C N International School	4.9	3%
Bharat Diamond Bourse	7.5	5%
Total	**135.4**	**87%**

**Indian Institute of Science Education and Research*

Source: Company, CRISIL Research

- Historically, revenue concentration has been high. However, the company has been able to diversify, and the top 10 clients accounted for 38% of total revenues in FY15.

Raw material cost

(₹ mn)	FY11	FY12	FY13	FY14	FY15
Raw material cost	86	87	114	110	149
Raw material cost as a % of sales	57%	57%	59%	53%	58%

- Raw material cost primarily includes material purchased for its HVAC/MEP segments.

Power and fuel

(₹ mn)	FY11	FY12	FY13	FY14	FY15
Power and fuel cost	0.6	0.6	0.8	0.9	0.8
Power and fuel cost as a % of sales	0.4%	0.4%	0.4%	0.5%	0.3%

Employee cost

(₹ mn)	FY11	FY12	FY13	FY14	FY15
Employee cost	28	30	34	55	45
As a % of sales	18%	19%	17%	26%	18%

Source: Company, CRISIL Research

- Employee cost increased to 26% of operating income in FY14 from historical 18%. This was because the company had to expand its marketing team and hire domain experts to support its business expansion. The company currently has 175 employees.

Other manufacturing expenses

(₹ mn)	FY11	FY12	FY13	FY14	FY15
Repairs to building, plant and machinery	0.3	0.8	0.6	1.0	1.5
Insurance	0.1	0.2	0.1	0.1	0.3
Others	3.9	3.4	1.5	3.8	8.7
Total	**4.2**	**4.4**	**2.2**	**4.8**	**10.5**
Other manufacturing cost as a % of sales	**2.8%**	**2.8%**	**1.1%**	**2.3%**	**4.1%**

Source: Company, CRISIL Research

- Other expenses increased due to rise in site expenses in its HVAC/MEP projects.

Other expenses

(₹ mn)	FY11	FY12	FY13	FY14	FY15
Rent rates and taxes	1.4	0.9	0.9	1.7	2.0
Directors fees; allowances; audit fees; legal expenses	1.1	0.7	1.2	1.0	1.2
Travelling and conveyance	4.1	4.9	7.0	9.1	8.8
Postage phone and telex	0.9	0.5	0.7	0.9	1.0
Printing and stationery	0.1	0.1	0.0	0.1	0.2
Miscellaneous expenses	1.3	0.9	1.8	1.2	0.1
Others	(0.2)	(1.0)	0.0	(1.5)	(0.0)
Total	**8.6**	**7.0**	**11.7**	**12.5**	**13.4**
As a % of sales	**5.7%**	**4.5%**	**5.9%**	**6.0%**	**5.3%**

Source: Company, CRISIL Research

- Average other expenses were at ~6% of total operating income over FY11-FY15.
- Travelling and conveyance expenses constituted 73% of total other expenses in FY14, as the company increased its operations overseas.

Selling, general and administrative (SG&A) expenses

(₹ mn)	FY11	FY12	FY13	FY14	FY15
Advertising and sales promotion	0.1	0.1	0.3	0.1	0.5
Commission and discount on sales	3.0	0.7	0.5	0.3	0.3
Freight outward	3.2	3.1	3.3	3.4	0.0
Bad debts written off	0.2	0.2	5.2	0.0	2.2
Total	**6.5**	**4.1**	**9.3**	**3.8**	**3.0**
As a % of sales	**4.3%**	**2.6%**	**4.7%**	**1.8%**	**1.2%**

Source: Company, CRISIL Research

- Selling and administrative expenses increased in FY13 and FY15 due to ₹5.3 mn and ₹2.2 mn bad debts written off, respectively.

EBITDA margin

	FY11	FY12	FY13	FY14	FY15
Raw material consumed	56.5%	56.0%	57.4%	52.6%	58.3%
Power and fuel	0.4%	0.4%	0.4%	0.5%	0.3%
Employee costs	18.4%	19.3%	17.2%	26.5%	17.8%
Other manufacturing expenses	2.8%	2.8%	1.1%	2.3%	4.1%
Other expenses	5.7%	4.5%	5.9%	6.0%	5.3%
SG&A	4.3%	2.6%	4.7%	1.8%	1.2%
EBITDA	**11.9%**	**14.2%**	**13.4%**	**10.3%**	**13.1%**

Source: Company, CRISIL Research

- EBITDA margin contracted to 10.3% in FY14 from 11.9% in FY11 due to rise in employee cost as a percentage of sales. This was because the company expanded its marketing team and hired several senior officials to oversee its operations. Subsequently, margin expanded to 13.1% in FY15 on account of moderation in employee expenses as a percentage of sales.

Finance charges

(₹ mn)	FY11	FY12	FY13	FY14	FY15
Interest expense	5.6	6.4	6.6	8.2	12.4
Other borrowing cost	0.9	1.4	1.7	4.1	1.5
Total interest cost	6.5	7.8	8.3	12.3	13.9
Interest cost as a % of sales	**4.3%**	**5.1%**	**4.2%**	**5.9%**	**5.5%**
Year-end borrowings	40.8	49.8	55.1	71.6	108.6
Interest rate (on average borrowings)	**17.7%**	**17.3%**	**15.9%**	**19.3%**	**15.4%**

Source: Company, CRISIL Research

- Interest rate on borrowings as overall working capital loans increased between FY11 and FY15. As per the management, the company changed its banker from Yes Bank Ltd to ICICI Bank in FY14. This resulted in ₹1-1.2 mn extra expenses in the form of stamp duty charges and processing fee during FY14.

Depreciation

(₹ mn)	FY11	FY12	FY13	FY14	FY15
Depreciation	2.9	2.9	2.6	3.4	7.0
Depreciation as a % of sales	**1.9%**	**1.9%**	**1.3%**	**1.6%**	**2.8%**
Gross block	23	22	34	39	71
Depreciation rate (% of average gross block)	12.5%	10.9%	7.6%	7.3%	11.6%

Source: Company, CRISIL Research

- Depreciation expense is mainly on account of equipment related HVAC/MEP business and buildings including its factory at Navi Mumbai, which are part of its fixed assets. Depreciation expenses increased to ₹7 mn in FY15 from ₹2.9 mn in FY11.

Tax rate and net income

(₹ mn)	FY11	FY12	FY13	FY14	FY15
Profit before tax	10.6	10.9	12.2	6.3	20.0
PBT margin	**7.0%**	**7.1%**	**6.3%**	**3.0%**	**7.8%**
Tax	3.6	4.0	5.1	3.1	4.7
Effective tax rate (%)	34.1%	36.3%	41.9%	49.0%	23.4%
Net profit	7.0	7.0	7.1	3.2	15.3
Adjusted net profit	**5.8**	**7.0**	**7.1**	**3.1**	**12.5**
Adjusted net profit margin (%)	**3.8%**	**4.5%**	**3.6%**	**1.5%**	**4.9%**

Source: Company, CRISIL Research

Balance Sheet Analysis

(₹ mn)	FY11	FY12	FY13	FY14	FY15
Liabilities					
Equity share capital	20	21	36	38	51
Reserves and surplus	8	14	7	13	13
Others	-	-	-	-	-
Net worth	**28**	**36**	**43**	**51**	**64**
Convertible debt					
Other debt	41	50	55	71	109
Total debt	**41**	**50**	**55**	**72**	**109**
Deferred tax liability (net)	1	1	1	1	2
Total liabilities	**69**	**86**	**99**	**124**	**174**
Assets					
Net fixed assets	20	19	32	36	64
Capital WIP	13	13	-	9	1
Total fixed assets	**33**	**32**	**32**	**44**	**65**
Investments	3	3	4	7	5
Current assets					
Inventory	11	12	10	48	13
Sundry debtors	45	63	102	89	130
Loans and advances	3	2	4	7	31
Cash & bank balance	1	1	2	0	1
Marketable securities	0	0	0	0	0
Total current assets	**60**	**78**	**118**	**144**	**175**
Current liabilities					
Creditors	25	25	51	69	65
Provisions	2	3	4	2	6
Total current liabilities	26	27	55	71	71
Net current assets	33	51	63	73	104
Intangibles/Misc. expenditure	-	-	-	-	-
Total assets	**69**	**86**	**99**	**124**	**174**

Particulars	FY11	FY12	FY13	FY14	FY15
Activity ratios					
Inventory days	34	37	25	103	23
Creditor days	67	68	107	134	108
Debtor days	110	150	189	156	193
Working capital days	79	119	114	127	152
Gross asset turnover (x)	6.6	5.8	5.6	4.5	4.2
Net asset turnover (x)	8.0	7.9	7.7	6.2	5.1
Sales/operating assets (x)	5.5	4.7	6.1	5.5	6.7
Liquidity ratio					
Current ratio (x)	2.3	2.9	2.2	2.0	2.5
Capital structure ratios					
Debt-equity (x)	1.5	1.4	1.3	1.4	1.7
Net debt/equity (x)	1.4	1.4	1.2	1.4	1.7
Interest coverage	2.3	2.2	2.4	1.5	1.9
Profitability / return ratios					
EBITDA margin (%)	11.9	13.3	11.6	10.3	13.1
Adj PAT margin (%)	3.8	4.5	3.6	1.5	4.9
RoE (%)	23.9	21.9	18.1	6.7	21.7
RoCE (%)	24.8	22.7	21.7	16.3	17.8

Source: Company, CRISIL Research

Equity share capital

- As of FY15, the company has one class of equity share (5,105,408 in number) with a face value of ₹10 each.
- The share capital increased to ₹51 mn in FY15 from ₹10 mn in FY10.

Movement in net worth

(₹ mn)	FY11	FY12	FY13	FY14	FY15
Share capital	20.4	21.4	36.0	38.3	51.1
Share premium	0.4	0.4	0.1	2.8	-
Others	-	-	-	-	(1.3)
Reserves & surplus	7.3	14.0	6.8	10.0	14.1
Shareholders' funds	**28.0**	**35.7**	**42.9**	**51.1**	**63.8**

Source: Company, CRISIL Research

Build-up of equity share capital

Allotment details	Allotment to	Number of shares allotted	Issue price	Cumulative paid-up capital (₹ mn)
FY97	Promoter and promoter group	200	10	0.0
FY97	Promoter and promoter group	29,222	10	0.3
FY03	Promoter and promoter group	58,844	Bonus Issue	0.9
FY03	Promoter and others	4,650	10	0.9
FY05	Promoter and promoter group	22,600	10	1.2
FY05	Promoter and promoter group	38,505	Bonus Issue	1.5
FY07	Promoter and promoter group	115,515	10	2.7
FY08	Promoter and promoter group	89,094	10	3.6
FY08	Promoter and promoter group	210,100	10	5.7
FY09	Promoter and promoter group	15,000	10	5.8
FY10	Promoter and promoter group	291,873	Bonus Issue	8.8
FY10	Promoter and promoter group	90,000	10	9.7
FY10	Promoter and promoter group	34,397	10	10.0
FY11	Promoter and promoter group	1,000,000	Bonus Issue	20.0
FY11	Promoter and promoter group	35,000	20	20.4

Allotment details	Allotment to	Number of shares allotted	Issue price	Cumulative paid-up capital (₹ mn)
FY12	Promoter and promoter group	100,000	10	21.4
FY13	Promoter and promoter group	1,423,333	Bonus Issue	35.6
FY13	Promoter and promoter group	40,467	12.9	36.0
FY14	Promoter and promoter group	62,256	12.9	36.6
FY14	Promoter and promoter group	40,000	25	37.0
FY14	Promoter and promoter group	60,000	25	37.6
FY14	Promoter and promoter group	68,000	25	38.3
FY14	Promoter and promoter group	1,276,352	Bonus Issue	51.1

Source: Company, CRISIL Research

Borrowings

(₹ mn)	FY11	FY12	FY13	FY14	FY15
Loans repayable on demand (secured)	40.7	49.5	46.1	51.8	53.7
Loans repayable on demand (unsecured)	-	0.3	-	5.9	4.4
Term loans (from banks)	-	-	9.0	13.6	47.9
Term loans (from other parties)	0.1	-	-	0.3	2.7
Total	**40.8**	**49.8**	**55.1**	**71.6**	**108.6**

Source: Company, CRISIL Research

- As of FY15, the company has loans worth ₹109 mn: ₹50.5 mn long-term loan and ₹58 mn working capital loan.
- **Working capital loan:** The company has working capital loans of ₹58 mn as of FY15, majorly from ICICI bank.
- **Term loan:** Term loan consists of ₹39 mn taken from ICICI Bank and SIDBI.

Fixed assets

Composition of net fixed assets

(₹ mn)	FY11	FY12	FY13	FY14
Land and buildings	3.9	3.7	3.6	9.1
Lavasa guest house	13.0	13.0	13.7	13.0
Vehicles	0.9	0.7	0.5	0.7
Office equipment	1.9	1.5	1.5	1.2
Plant and machinery	0.1	0.3	0.3	0.4
Plant and machinery (given on hire)	13.0	12.8	12.3	11.0
Total	**33.2**	**32.3**	**31.8**	**35.4**

Source: Company, CRISIL Research

- Net fixed assets: plant and machinery given on hire contributes 25% and Lavasa guest house contributes 30% to total net assets as of FY14.

Investments

(₹ mn)	FY11	FY12	FY13	FY14	FY15
Money market instruments	1.9	2.4	2.9	6.1	3.6
Other Investments	0.9	0.9	1.1	1.1	1.1
Total	**2.7**	**3.3**	**4.0**	**7.2**	**4.8**
As a % of net worth	**9.8%**	**9.3%**	**9.4%**	**14.1%**	**7.5%**

Source: Company, CRISIL Research

- Total investments were ₹4.8 mn in FY15; money market instruments consist of deposits with maturity of less than 12 months.

Inventories

(₹ mn)	FY11	FY12	FY13	FY14	FY15
Raw Material	-	-	-	5	4
WIP stock	3	7	5	34	0
Finished goods	7	5	5	-	-
Total inventory	**11**	**12**	**10**	**48**	**13**
Inventory days (based on sales)	34	37	25	101	23

Source: Company, CRISIL Research

- Inventory days increased to 101 in FY14 from 25 in FY12 as customers delayed execution; it fell in FY15 as those projects were completed.

Sundry debtors

(₹ mn)	FY11	FY12	FY13	FY14	FY15
Total sales	151	152	195	197	246
Debtors	45	63	102	89	130
Debtor days (based on sales)	**110**	**150**	**191**	**164**	**193**

Source: Company, CRISIL Research

- Debtor days were high in FY13 as the company's major client (Lavasa) delayed payments. Also, in FY15 debtor days rose as the company executed an order for its client in Tanzania in month of March-15 and were yet to receive full payment for the same by 31-March-15. It has subsequently received full payments for the same.

Ageing analysis of debtors

(₹ mn)	FY11	FY12	FY13	FY14	FY15
More than six months	3	7	14	10	33
As a percentage of total debtors	7%	10%	14%	11%	25%

Source: Company, CRISIL Research

- Debtors outstanding for more than six months in FY15 stood at 25% of overall debtors.

Perfect Infraengineers – top debtors

Top debtors as of FY15	Amount (₹ mn)	As a % of total
ADAG Impex	24.2	18.6%
Pancard Clubs Ltd.	13.2	10.2%
Unity Infra Project Ltd	11.5	8.8%
Warasgoan Lakeview Hotel Ltd	10.2	7.9%
Jangid Global	8.7	6.7%
Mecure Diagnostic Limited	5.1	4.0%
Bramha Corp Hotels & Resort Ltd	4.9	3.8%
Lavasa Corp Ltd	4.8	3.7%
Dasve Hopitality Institues Ltd	3.9	3.0%
IISER	3.9	3.0%
Total outstanding debtors	**129.9**	**69.6%**

Top debtors as of FY14	Amount (₹ mn)	As a % of total
Pancard Clubs Ltd.	9.4	10.6%
Warasgoan Lakeview Hotel Ltd	5.5	6.2%
May & Baker Nigeria PLC	5.2	5.9%
Me Cure Diagnostics Ltd	5.1	5.8%
Tata Memorial Centre	4.8	5.5%
ABB LIMITED	4.5	5.1%
Siemens Limited	4.1	4.7%
Lavasa Corp. Limited	3.7	4.2%
Steiner India Ltd	3.5	4.0%
Unity Infra Project Ltd	2.9	3.3%
Total outstanding debtors	**88.6**	**55.2%**

Top debtors as of FY13	Amount (₹ mn)	As a % of total
Unity Infra Project Ltd	21.5	21.1%
Dasve Hopitality Institues Ltd	12.3	12.1%
ABB LIMITED	11.4	11.2%
Me Cure Diagnostics Ltd	10.7	10.5%
ICAI, Mumbai	7.8	7.7%
Warasgoan Lakeview Hotel Ltd	5.3	5.2%
Lavasa Corp. Limited	3.7	3.6%
Siemens Limited	3.2	3.1%
Bramha Corp Hotels & Resort Ltd	2.7	2.6%
Chartered Hotels Private Ltd	2.1	2.0%
Total outstanding debtors	**102**	**79.3%**

Source: Company, CRISIL Research

- As of FY15, the top 10 clients constituted 54% of the total debtors.

Loans and advances

(₹ mn)	FY11	FY12	FY13	FY14	FY15
Loans and advances	0.0	0.1	1.3	0.0	0.0
Other receivables and recoveries	0.5	0.1	0.0	2.7	21.2
Statutory deposits	0.4	0.2	0.0	0.0	0.0
Other deposits	1.6	1.5	2.1	3.9	10.2
Prepaid expenses	0.0	0.0	0.0	0.0	0.0
Loans to employees	0.3	0.3	0.7	0.0	0.0
Total loans and advances	**2.7**	**2.2**	**4.0**	**6.7**	**31.3**

Source: Company, CRISIL Research

- Loans and advances as of FY15 include accrued receivables of ₹21.2 mn, where invoices for work completed are yet to be passed by its clients.

Cash and bank balances

(₹ mn)	FY11	FY12	FY13	FY14	FY15
Cash on hand	0.3	0.2	0.9	0.2	0.2
Balance with bank	0.7	0.5	0.9	0.1	1.1
Total	**1.0**	**0.7**	**1.7**	**0.4**	**1.3**

Source: Company, CRISIL Research

- As of FY15, the company has ₹1.3 mn in cash and bank balances.

Creditors

(₹ mn)	FY11	FY12	FY13	FY14	FY15
Creditors for goods	9.6	11.5	26.3	34.2	41.8
Creditors for capital goods	6.5	6.5	2.1	-	-
Advances from customers	5.5	3.1	16.4	26.1	14.4
Other current liabilities - related to operations	3.0	3.6	6.1	8.3	9.2
Total	**24.6**	**24.7**	**50.9**	**68.6**	**65.5**
Creditor days	**67**	**68**	**107**	**134**	**108**

Source: Company, CRISIL Research

- Creditor days have increased to 134 in FY14 from 67 in FY11 due to higher supplier credit and advances from clients.

Top creditors

Top creditors (FY15)	(₹ mn)	as % of total
LG Electronics India Pvt. Ltd	4.5	8.3%
Kruger Ventilation Industries (I) Pvt. Ltd	1.8	3.3%
Nutech Engg. Technologies Ltd	1.6	3.0%
National Commision Corporation	1.6	2.9%
Mehta Tubes Ltd	1.5	2.7%
Prakash Trading Co.	1.4	2.5%
Apco Trading Co.	1.1	2.1%
Ghanshyam Industries	1.1	2.0%
Shree NM Electricals Ltd	1.0	1.9%
Arihant Steel Corporation	0.6	1.1%
Total	**16.3**	**29.8%**

Top creditors (FY14)	(₹ mn)	as % of total
Kruger Ventilation Industries (I) Pvt. Ltd	6.6	9.7%
Ghanshyam Industries	2.7	3.9%
National Commision Corporation	2.3	3.4%
Apco Trading Co.	1.6	2.3%
Shree NM Electricals Ltd	1.6	2.3%
Khyati Steel Corporation	1.4	2.1%
VTS TF Air System Pvt. Ltd	1.2	1.8%
R. Kasalchand Mutha	1.2	1.7%
Larsen & Toubro Ltd	0.9	1.3%
Rajco Metal Industries Pvt. Ltd	0.9	1.3%
Total	**20.4**	**29.8%**

Top creditors (FY13)	(₹ mn)	as % of total
Daikin Airconditioning India Pvt. Ltd	10.2	20.0%
Ghanshyam Industries	2.5	4.9%
Kruger Ventilation Industries (I) Pvt. Ltd	1.1	2.2%
Prakash Trading Co.	1.0	2.0%
AR Marketing & Services	1.0	2.0%
Khyati Steel Corporation	1.0	1.9%
Paharpur Cooling Towers Ltd	0.9	1.7%
Schneider Electric	0.8	1.5%
Airpro Engineers Pvt. Ltd	0.8	1.5%
Apco Trading Co.	0.7	1.3%
Total	**19.8**	**39.0%**

Source: Company, CRISIL Research

Provisions

(₹ mn)	FY11	FY12	FY13	FY14	FY15
Provision for gratuity	0.4	0.9	2.0	2.3	2.8
Proposed dividend	0.2	0.2	0.4	-	1.0
Provision for dividend distribution tax	0.0	0.0	0.1	-	0.2
Provision for income tax (net of advance tax & TDS)	1.2	1.4	1.6	-	1.8
Total provisions	**1.9**	**2.5**	**4.0**	**2.3**	**5.8**

Source: Company, CRISIL Research

- Total provisions amounted to ₹5.8 mn in FY15.

Contingent liabilities

(₹ mn)	FY11	FY12	FY13	FY14	FY15
Bank guarantees issued to customers	6	10	18	33	30

Source: Company, CRISIL Research

- Contingent liabilities stood at ₹30 mn, of which ₹25 mn was towards bank guarantee/letter of credit issued to customers and ₹5mn was for other capital commitments not provided for.

Other matters

Related party transactions

- Details of related party transactions are as follows:

(₹ mn)	FY11	FY12	FY13	FY14	FY15
Key management personnel					
Remuneration to directors	2.5	2.5	2.7	2.9	2.0
Sale to proprietory concern of director	0.8	2.1	0.1	-	0.3
Other related parties					
Rent paid	-	0.2	0.2	0.2	0.4

Source: Company, CRISIL Research

Auditor's remuneration

(₹ mn)	FY11	FY12	FY13	FY14	FY15
Auditor's remuneration	0.1	0.1	0.1	0.2	0.6

Source: Company, CRISIL Research

- The company had recently changed its auditor to Godbole Bhave and Co. Previously it was Panachand. K. Shah and Co. who were its auditors for more than 10 years.

Appendix

Appendix 1: Key managerial personnel

Name	Qualification	Salary (₹ mn)
Mr. Nimesh Mehta	BE and Masters in Marketing management	1.8
Mrs. Manisha Mehta	Chartered Accountant	1.5
Mrs. Sharmila Singh	Diploma in Secretarial Practice	1.5
Mr. Tarun Vora	BE	1.2
Mr. Praveen Sood	Diploma in Mechanical Engineering	0.1
Mr. Manish Chaturvedi	Graduate	0.4
Mrs. Sudha Balaji	Company Secretary	0.1

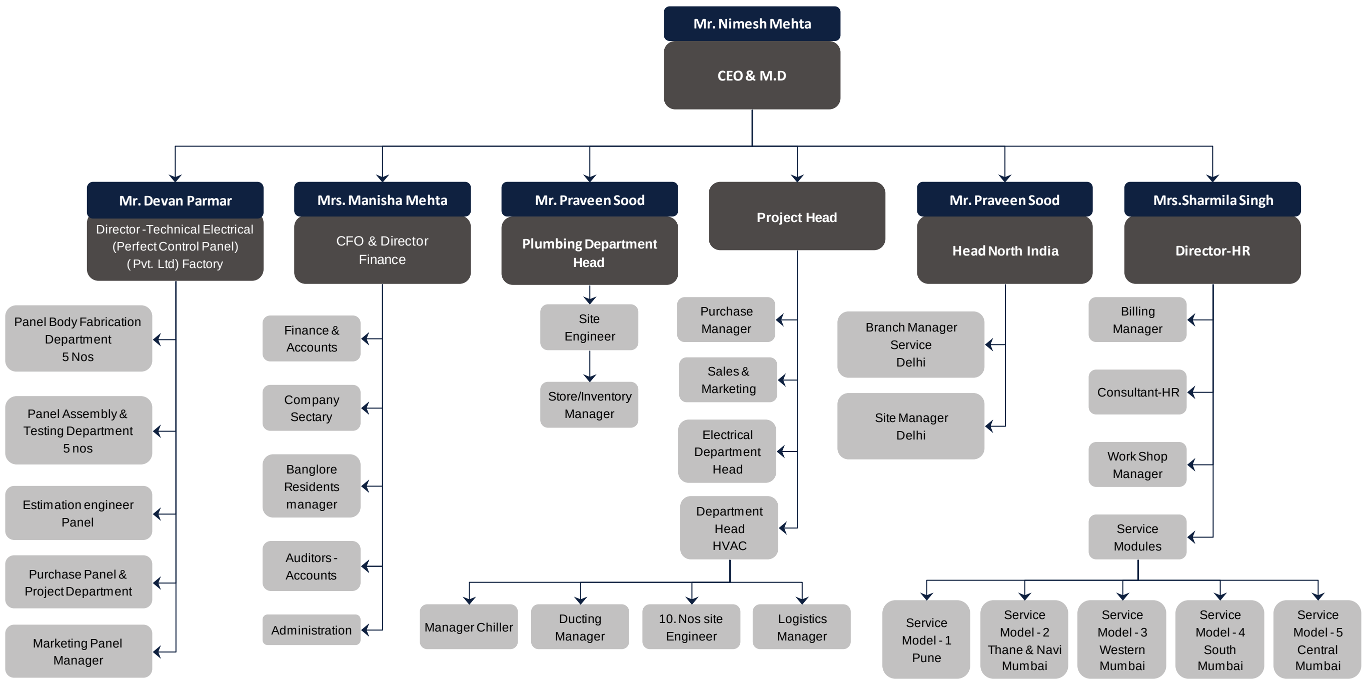
Source: Company

Appendix 2: Summary of term loan agreements

Lender	Type	Balance as of 31-Mar-15	RoI
SIDBI - 1	Secured	4.1	13.5%
SIDBI - 2	Secured	9.0	16.0%
ICICI Bank	Secured	78.8	12.8%

Source: Company

Appendix 3: Organisation chart



Source: Company

Appendix 4: Financial summary

Income statement

(₹ mn)	FY11	FY12	FY13	FY14	FY15
Operating income	**152**	**153**	**195**	**208**	**255**
EBITDA	**18**	**20**	**23**	**21**	**33**
EBITDA margin	**11.9%**	**13.3%**	**11.5%**	**10.3%**	**13.1%**
Depreciation	3	3	3	3	7
EBIT	**15**	**18**	**20**	**18**	**26**
Interest	7	8	8	12	14
Operating PBT	**9**	**10**	**12**	**6**	**12**
Other income	1	1	1	0	5
Exceptional inc/(exp)	1	(0)	(0)	0	3
PBT	**10**	**11**	**12**	**6**	**20**
Tax provision	3	4	5	3	5
Minority interest	-	-	-	-	-
PAT (Reported)	**7**	**7**	**7**	**3**	**15**
Less: Exceptionals	1	(0)	(0)	0	3
Adjusted PAT	**6**	**7**	**7**	**3**	**12**

Ratios

	FY11	FY12	FY13	FY14	FY15
Growth					
Operating income (%)	13.2	1.0	27.5	6.5	22.6
EBITDA (%)	11.4	12.9	10.5	(5.3)	56.3
Adj PAT (%)	2.4	15.8	1.3	(57.1)	297.5
Adj EPS (%)	302.7	10.4	(39.9)	(59.7)	198.1
Profitability					
EBITDA margin (%)	11.9	13.3	11.5	10.3	13.1
Adj PAT Margin (%)	4.1	4.7	3.7	1.5	4.9
RoE (%)	25.7	22.7	18.6	6.7	21.7
RoCE (%)	24.8	22.7	21.7	16.3	17.8
RoIC (%)	23.0	22.2	18.7	15.3	22.1
Valuations					
Price-earnings (x)	-	-	-	-	-
Price-book (x)	-	-	-	-	-
EV/EBITDA (x)	2.2	2.4	2.4	3.3	3.2
EV/Sales (x)	0.3	0.3	0.3	0.4	0.4
Dividend payout ratio (%)	3.4	2.9	5.1	-	6.7
Dividend yield (%)	-	-	-	-	-
B/S ratios					
Inventory days	33	36	25	101	23
Creditors days	67	68	107	134	108
Debtor days	116	160	200	164	193
Working capital days	83	127	121	134	152
Gross asset turnover (x)	7.0	6.9	6.9	5.7	4.6
Net asset turnover (x)	8.0	7.9	7.7	6.2	5.1
Sales/operating assets (x)	5.5	4.7	6.1	5.5	4.7
Current ratio (x)	2.3	2.9	2.2	2.0	2.5
Debt-equity (x)	1.5	1.4	1.3	1.4	1.7
Net debt/equity (x)	1.4	1.4	1.2	1.4	1.7
Interest coverage	2.3	2.2	2.4	1.5	1.9

Balance Sheet

(₹ mn)	FY11	FY12	FY13	FY14	FY15
Liabilities					
Equity share capital	20	21	36	38	51
Reserves	8	14	7	13	13
Minorities	-	-	-	-	-
Net worth	**28**	**36**	**43**	**51**	**64**
Convertible debt	-	-	-	-	-
Other debt	41	50	55	72	109
Total debt	**41**	**50**	**55**	**72**	**109**
Deferred tax liability (net)	1	1	1	1	2
Total liabilities	**69**	**86**	**99**	**124**	**174**
Assets					
Net fixed assets	20	19	32	36	64
Capital WIP	13	13	-	9	1
Total fixed assets	**33**	**32**	**32**	**44**	**65**
Investments	3	3	4	7	5
Current assets					
Inventory	11	12	10	48	13
Sundry debtors	45	63	102	89	130
Loans and advances	3	2	4	7	31
Cash & bank balance	1	1	2	0	1
Marketable securities	0	0	0	0	0
Total current assets	**60**	**78**	**118**	**144**	**175**
Total current liabilities	**26**	**27**	**55**	**71**	**71**
Net current assets	**33**	**51**	**63**	**73**	**104**
Intangibles/Misc. expenditure	**-**	**-**	**-**	**-**	**-**
Total assets	**69**	**86**	**99**	**124**	**174**

Cash flow

(₹ mn)	FY11	FY12	FY13	FY14	FY15
Pre-tax profit	9	11	12	6	17
Total tax paid	(4)	(4)	(4)	(3)	(4)
Depreciation	3	3	3	3	7
Working capital changes	(1)	(17)	(12)	(11)	(30)
Net cash from operations	**7**	**(7)**	**(1)**	**(4)**	**(10)**
Cash from investments					
Capital expenditure	(14)	(2)	(2)	(16)	(28)
Investments and others	(2)	(1)	(1)	(3)	2
Net cash from investments	**(16)**	**(3)**	**(3)**	**(19)**	**(26)**
Cash from financing					
Equity raised/(repaid)	9	1	14	5	10
Debt raised/(repaid)	8	9	5	17	37
Dividend (incl. tax)	(0)	(0)	(0)	-	(1)
Others (incl extraordinaries)	(8)	(0)	(14)	0	(8)
Net cash from financing	**9**	**9**	**5**	**22**	**37**
Change in cash position	1	(0)	1	(1)	1
Closing cash	1	1	2	0	1

Per share

	FY11	FY12	FY13	FY14	FY15
Adj EPS (₹)	3.1	3.4	2.0	0.8	2.4
CEPS	4.5	4.7	2.8	1.7	3.8
Book value	13.7	16.7	11.9	13.3	12.5
Dividend (₹)	0.1	0.1	0.1	-	0.2
Actual o/s shares (mn)	2	2	4	4	5

Source: Company

Disclaimer / Important notice

This Company Analysis and FDD Report is based on the limited scope of financial due diligence of Perfect Infraengineers 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/un-audited consolidated financial statements for FY11, FY12, FY13, FY14 and FY15.

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 limited 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 limited 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, 2010, March 31, 2011, March 31, 2012, March 31, 2013, March 31, 2014 and March 31, 2015 ("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 Limited

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.

About CRISIL Research

CRISIL Research is India's largest independent integrated research house. We provide insights, opinion and analysis on the Indian economy, industry, capital markets and companies. We also conduct training programs to financial sector professionals on a wide array of technical issues. We are India's most credible provider of economy and industry research. Our industry research covers 86 sectors and is known for its rich insights and perspectives. Our analysis is supported by inputs from our network of more than 5,000 primary sources, including industry experts, industry associations and trade channels. We play a key role in India's fixed income markets. We are the largest provider of valuation of fixed income securities to the mutual fund, insurance and banking industries in the country. We are also the sole provider of debt and hybrid indices to India's mutual fund and life insurance industries. We pioneered independent equity research in India, and are today the country's largest independent equity research house. Our defining trait is the ability to convert information and data into expert judgements and forecasts with complete objectivity. We leverage our deep understanding of the macro-economy and our extensive sector coverage to provide unique insights on micro-macro and cross-sectoral linkages. Our talent pool comprises economists, sector experts, company analysts and information management specialists.

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