

HPL ELECTRIC & POWER LIMITED

| Issue Details | |
|-------------------------------|-----------|
| Issue Opens | 22-Sep-16 |
| Issue Closes | 25-Sep-16 |
| Issue Size (Rs. Crore) | 361 |
| Fresh issue (at upper band) | 1.8 |
| Price Band (Rs.) | 175-202 |
| Lot Size (No of Share) | 70 |
| No of Shares on Offer (crore) | 1.79 |
| QIB (%) | 50% |
| Non-Institutional (%) | 15% |
| Retail (%) | 35% |
| Commencement of Trading | 4-Oct-16 |

Issue Date: 21 Sept - 23 Sept 2016
Price Band (Rs.) : 170-180
Lot Size (No. of Share) : 40
Company Background

HPL had the largest market share in the market for electricity energy meters in India in fiscal 2015, with one of the widest portfolios of meters in India and the fifth largest market share for LED lamps during the corresponding period. HPL is also the oldest manufacturer of LV switchgears in India with nearly 50% market share in changeover switches in fiscal 2015, and has an established presence in the market for CFLs, with increasing focus on manufacture band supply of LED lamps, and wires and cables. (Source: Frost & Sullivan). HPL has over 90 branch offices and representative offices spread across India with over 2,000 authorized dealers who sell our products to over 12,000 retailers. HPL has a manpower team comprising 1,943 people and also has presence overseas.

Financials

| Particulars | For the year/period ended (in Rs. Millions) | | | | |
|-------------------------|---|--------|--------|--------|--------|
| | FY-16 | FY-15 | FY-14 | FY-13 | FY-12 |
| Total Assets | 13,489 | 11,417 | 9,857 | 9,071 | 7,678 |
| Total Revenue | 11,201 | 10,498 | 10,122 | 9,075 | 7,188 |
| Profit After Tax | 370.43 | 344.43 | 287.84 | 314.14 | 287.56 |

| Objects of issue | |
|--|--------------------|
| Objects of the Issue | Amount (Rs. crore) |
| Repayment/prepayment of certain indebtedness | 130.0 |
| Funding working capital requirements | 180.0 |
| General corporate purpose | 51.0 |
| Total | 361.0 |

Concerns

- There are two legal disputes pending adjudication, seeking to obtain an injunction against the Issue.
- HPL has long working capital cycles and significant working capital requirements.
- There are 37 proceedings filed against company involving an aggregate ascertainable amount of 30.76 crore.
- HPL face competition in relation to its offerings, including from competitors that may have greater financial and marketing resources.

Strengths

- Market leader in the metering segment
- Established brand and large product portfolio
- Focus on reducing working capital days via channel financing

| Shareholding Pattern | Pre-issue (%) | Post Issue (%) |
|------------------------------|---------------|----------------|
| Promoters and Promoter Group | 99.9 | 72.1 |
| Public | 0.1 | 27.9 |
| Total | 100 | 100 |

Our View

On the upper price band of RS. 202 and on FY 16 EPS of Rs. 7.89, P/E comes out to be 25.6x. It's peer Havell's is trading at a P/E ratio of 21.1x. Hence, HPL electric comes out to be overpriced. Company revenue grew at 11.5 CAGR in last 5 years. It generates low margins. The issue is overpriced. Therefore, you can choose to **skip the IPO**. You may invest in the company if the issue is available at a discounted price after listing.