

HPL Electric & Power Ltd : Average Issue

IPO Note: Offer price at 35+ PE looks expensive : Ranking**



Issue details

Price band (Rs)	Rs.175-202
IPO Opening Date	22/09/16
IPO Closing Date	26-09-2016
Issue Size	Rs.361 Cr.

Recommendation

Total revenue grew at a CAGR of 11.54% from Rs.724.35 Cr for the FY12 to Rs.1121.25 Cr for the FY16. Net profit after tax grew from Rs.28.38 Cr. for the FY12 to Rs.36.61 crore for the FY16. In the last four years net profit grew at a CAGR of 6.57% from FY12 to FY16. **If we attribute latest earnings on the fully diluted equity post IPO then the asking price (at the higher price band) is at a P/E of 35 plus, that makes it a pricy bet. The management has compared Havells with it, whose business portfolio is comparable with that of business of it. Havells stock trades at a PE of 33 but it is much bigger company compared to HPL. HPL Electric has total debt of Rs.579 crore on consolidated basis as on 31 March 2016 and its debt to equity ratio was 1.63 which seems high. At the current offer price looks expensive hence we recommend to avoid it.**

Highlights

- HPL Electric and Power Ltd (HPL) is an established electric equipment manufacturing company, manufacturing a diverse portfolio of electric equipment, including, metering solutions, switchgears, lighting equipment and wires and cables
- HPL had the largest market share in the market for electricity energy meters in India in fiscal 2015,
- The fifth largest market share for LED lamps during the corresponding period as per a Report of February 2016
- As per February 2016 report, the company enjoys 20% markets share in electricity energy meters, 50% market share in on-load changeover switches
- It has over 2400 authorized dealers or distributors as on March 31, 2016, and its warehouses located in 21 states and union territories in India
- The company has total debt of Rs.579 crore as on 31 March 2016 and debt equity ratio 1.63(consolidated basis)

Company Introduction

Incorporated in 1992, HPL Electric & Power Ltd is a electric equipment manufacturing company engaged in the business of manufacture and sell electric equipments including, metering solutions, switchgears, lighting equipment and wires and cables under the HPL brand.

Product Portfolio

Company's portfolio includes single phase, three phase, LTCT, and prepayment meters; switchgears, such as air circuit breakers, mini circuit breakers, on-load changeover switches, control gears, modular switches, and moulded case circuit breakers distribution panels under the HPL Techno, HPL Rakshak, and bsafe brands; light-emitting-diode lamps, luminaires, and compact fluorescent lamps; and wires and cables.



www.hplindia.com

Financial Summary (Rs. In Crore)

Particulars	FY2016	FY2015	FY2014	FY2013
Total Income	1121.25	1051.85	1016.04	915.74
Net Profit	36.61	34.62	28.37	31.41
EPS (Rs)*	5.69	5.38	4.41	4.88

*EPS on fully diluted Equity

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

HPL supply their products through a network of authorized dealers or distributors to institutional, non-institutional and corporate customers as well as developers of residential and commercial building projects, OEMs and to industrial customers through a mix of direct sales and supply through authorized dealer network. They also supply their products to Power Utilities, which primarily includes supply of meters under direct contractual arrangements to electricity boards and power distribution companies, as well as through project contractors.

The object of the issue are to:

- Repayment/ prepayment of certain indebtedness
- Funding working capital requirements
- General corporate purposes.

IPO Issue Proceed

To meet its loan repayment, working capital and general corpus fund requirements, the company is coming out with a maiden IPO of Rs. 361 crore. The issue is being made on book building process with a price band of Rs. 175-202. It opens for subscription on 22.09.16 and will close on 26.09.16. Minimum application is to be made for 70 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. Post IPO its current paid up equity capital of Rs. 46.43 cr. will stand enhanced to Rs. 64.30 (considering that the company may issue approx 1.787 crore equity shares based on upper price band).

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