

THE MACHINIST

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Electrifying future of the electrical equipment industry

HPL Electric & Power is one of the biggest players in electrical equipment. **Gautam Seth**, its Joint MD, talks to The Machinist about the company and its future plans.



The electric equipment industry has witnessed significant growth, growing at 9.4 percent from fiscal 2014 to fiscal 2015 and is expected to grow at a CAGR of 8–12 percent during 2016-20. Of the total electric equipment industry, T&D equipment accounted for 72 percent of the total market.

Q Please tell us about the company’s journey so far

We are an established electric equipment manufacturing company in India, manufacturing a diverse portfolio of electric equipment, including, metering solutions, switchgears, lighting equipment and wires and cables, catering to consumer and institutional customers in the electrical equipment industry. Our manufacturing capabilities are supported by a large sales and distribution network with a pan-India presence. We supply our products through a network of authorised dealers or distributors to institutional, non-institutional and corporate customers. We supply switchgears, lighting equipment and wires and cables, primarily through our pan-India authorized dealer network, which comprised of over 2,000 authorised dealers or distributors as on December 31, 2015, from our warehouses located in 21 states and union territories in In-

dia that are managed by our carrying and forwarding agents. In addition, we supply our products to power utilities, which primarily include supply of meters under direct contractual arrangements to electricity boards and power distribution companies, as well as through project contractors. Further, we supply our portfolio of products to developers of residential and commercial building projects, original equipment manufacturers (OEMs) and to industrial customers through a mix of direct sales and supply through our authorized dealer network.

Q Can you please brief us about the growth of the power and electric equipment market in coming years?

The electric equipment industry has witnessed significant growth, growing at 9.4 percent from fiscal 2014 to fiscal 2015 and is expected to grow at a CAGR of 8–12 percent during 2016-20. Of the total electric equipment industry, T&D equipment accounted for 72 percent of the total market. Government of India has implemented several initiatives such as private participation in the transmission segment and development of the National Power Grid to boost growth in the T&D industry. Additionally, the GoI has announced various plans, including recasting 100 cities in India with an estimated expenditure of over Rs. 3,000 billion under its smart cities programme, the ‘Housing for all’ initiative and by facilitating the domestic production in the Indian electric equipment industry to reach an output of USD 100 billion by balancing exports and imports, pursuant to the Indian Electrical Equipment Industry Mission Plan 2012-22 of the Department of Heavy Industries and Public Enterprises, Government of India (Mission Plan 2012-22). (Source: Frost & Sullivan Report)

We believe that these initiatives of the Government will drive the demand for domestic and industrial electric equipment, including for electric equipment that we manufacture. Further, increasing urbanisation in India coupled with rising household income levels have resulted in progressively increasing demand for residential real estate, which has been a significant consumer for variety of low transmission electrical products and lighting solutions. The capacity addition in the real estate sector is expected drive the entire value chain of the electrical 132 industry and will provide a base for significant product and service innovations in the future. Also, the ‘Housing for all’ initiative is expected to give a thrust to the electrical equipment industry in India, and affordable housing



is expected to promote innovation into low cost and affordable electrical solutions. (Source: Frost & Sullivan Report)

Q Can you please tell us about your manufacturing facilities and their recent upgradation?

Presently, we have six manufacturing facilities located across the states of Haryana and Himachal Pradesh. Our manufacturing process capabilities include design and product development, component design, tool making and commercial production. As on March 2015, our aggregate installed capacity for manufacture of meters was six million, switchgears was 16.51 million, for lighting equipment was 26 million and wires and cables was 194.40 millions. We have consistently undertaken expansion of our manufacturing facilities in the past with a view to capture increasing demand in the future. We believe that our manufacturing facilities enable us to expand our operations with ease to meet future demand at minimized cost of expansion. Additionally, our manufacturing facilities are equipped to manufacture customised products for our institutional customers and undertake modifications in our products for OEMs and other corporate customers.

Q How important it is to have strong R&D capabilities? Tell us about your company's R&D capabilities.

We believe that our research and development capabilities have enabled us to keep abreast of technological developments in the electric equipment industry. We have a strong focus on consistently upgrading the technology that is used in our products and the processes used in manufacturing thereof, through our continuing research and development efforts. We have established two in-house R&D centres, one each at Kundli (Haryana) and Gurgaon (Haryana). Our research and development efforts include design and development of all types of energy metering solutions, including interactive communication between metering devices and metering infrastructure that includes automatic meter reading (AMR) and advanced metering infrastructure (AMI), prepayment metering solutions, solar net metering solutions, smart meters with two way communication and a complete range DLMS compliant meters, amongst others, and technologies and solutions that allow for active monitoring of energy consumption for electric equipment. For instance, we have developed a street lighting system that helps in saving manpower through automatic settings for sunset and sunrise timings and remote energy metering and dimming of such lights during off-peak hours to save energy.

We also operate two tool rooms at Gurgaon and Kundli within our R&D Centres where we have in-house component designing and tool designing facilities. As on December 31, 2015, we employed over 105 engineers at our R&D Centres, with a dedicated team of engineers to manage our ToolRooms. Our Tool Rooms are used for making rapid prototypes, fol-



HPL Electric & Power Pvt Ltd's wire and cable factory

lowed by tools that are used to ensure efficient moulding. The data for our Tool Rooms is generated using CAD software and CNC machines that assist in maintaining accuracy of the tools produced therein. We believe that our Tool Rooms allow us to easily adapt to changes in technology or modified specifications given by Power Utilities and/or institutional customers.

Q HPL Electric & Power Ltd has recently approached markets regulator SEBI to raise Rs 450 crore through an IPO. Can you please elaborate on this?

HPL Electric & Power Ltd has approached markets regulator Sebi to raise Rs 450 crore through an initial public offering. The proceeds of the issue will be utilised for repayment of loans, to fund working capital requirements and for other general corporate purposes. As per the Draft Red Herring Prospectus (DRHP) filed with Sebi, the company's IPO comprises of equity shares worth Rs 450 crore. The issue is being managed by SBI Capital Markets, ICICI Securities and IDFC Bank. The equity shares will be listed on the BSE and NSE.

Q What are the expansion plans of the company?

We intend to expand the geographical areas in which we sell and distribute our products. We intend to expand into international markets, including to countries in the Middle East, Africa and the south-east Asian region.

Q Can you please tell about company's exports?

DRHP states that we seek to expand our global reach, through increased customer acceptance of our products in international markets. We currently export our products from India solely on receipt of confirmed orders. We seek to enter new international markets, primarily in the Middle East, Africa and the south-east Asian region. Towards this objective, we intend to focus on building an authorized dealer network in such markets with focus on both domestic and industrial electric equipment. We also propose to undertake promotional activities for our products, aimed primarily at panel builders, to increase acceptability for our products and for strengthening our brand in these markets.

We are presently in the process of obtaining approvals and pre-qualifications in various markets internationally and anticipate that such approvals will assist us in garnering customer acceptance for our products. We intend to exploit our current manufacturing capacities coupled with our research and development capabilities to manufacture products of quality that we believe will enable us to secure approvals from international agencies and satisfy their pre-qualification requirements. 