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No capex for next 3-5 yrs, aiming to expand export markets: HPL

HPL manufactures electric equipments under four verticals namely metering solutions, switchgears, lighting equipment and wires & cables. In May, it received approval from the SEBI for its proposed initial public offering

New Delhi-based electric equipment manufacturer HPL Electric & Power, which plans to go public shortly with a Rs 450 crore IPO, has no major capex plans for the next 3-5 years.

“The company will not require any funds for capacity expansion for the next 3-5 years as it has already invested Rs 270 crore for 3 production facilities in the last 5 years that will be sufficient to meet demand, though there would be small maintenance capex,” Gautam Seth, joint managing director of HPL Electric said.

HPL manufactures electric equipments under four verticals namely metering solutions, switchgears, lighting equipment and wires & cables. In May, it received approval from the SEBI for its proposed initial public offering.

It intends to use Rs 130 crore of the total issue proceeds for repayment of loan, Rs 242.8 crore for working capital requirement and the balance for general corporate purposes. Debt at the end of December 2015 stood at Rs 601.7 crore on consolidated basis, including secured loans worth Rs 531.7 crore.

The company reported annual revenue of over Rs 1,300 crore in FY16, and has an overall capacity utilisation of over 60 percent.

HPL Electric earned most of its revenue from domestic business while exports constitute only 1-2 percent.

“We are planning to establish markets for our products across verticals in Africa, Middle East, South East Asia, Europe and SAARC countries,” Gautam Seth said. Order book at the end of December 2015 stood at around Rs 250 crore.

Its electric meters division contributes nearly 49 percent to total revenue and over 51 percent by other three segments, including 23 percent by lighting equipment.

Seth said top 5 companies, including HPL, have 85 percent market share in metering business, wherein he sees lot of opportunities because of rising demand for smart meters that will have more efficiency & accuracy in reading.

More than 60 percent business of the metering segment comes from the government companies and the rest through its dealers' network, he said.

HPL has also lined up launches in various categories of products like MCB (used to protect an electric circuit), MCCB (circuit protection devices), automatic changeover switches etc in next six months. Reliance Energy and Torrent Power are its major customers for mini circuit breaker (MCB) product. The company gets around Rs 45 crore business from moulded case circuit breaker (MCCB), which is 5-6 percent share of total industry worth Rs 600 crore.

In changeover switches (that means to move a circuit from one set of connections to another), it has nearly 50 percent market share of the industry worth Rs 150 crore.

Currently the company has six manufacturing facilities in Gurugram I & II, Sonapat, Kundli, Panipat and Himachal Pradesh (Jabli). It has 1,900 employees in these units, 2,500 dealers & distributors and 27,000 retailers across the country.

On competition from Chinese products, Gautam Seth said: "There is no competition in switchgears & metering. In wire business, there is no Chinese company while for LED segment, the government has introduced BIS mark with stringent norms, so overall I don't see competition in the same."

Link: http://www.moneycontrol.com/news/ipo-upcoming-issues/no-capex-for-next-3-5-yrs-aiming-to-expand-export-markets-hpl_7315101.html?utm_source=ref_article

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IPound HPL Electric & Power to launch new products, double exports

The company that makes switchgears, lighting equipment, electric meters and wires and cables will be raising Rs 450 crore through an IPO.

Delhi-based HPL Electric & Power Limited that will come out with an Initial Public Offer (IPO) later this year plans to double its revenue share from exports from the present 2%. It will also be launching new products to increase its market share in electric meters.

The company that makes switchgears, lighting equipment, electric meters and wires and cables will be raising Rs 450 crore through an IPO. It intends to use the proceeds of the issue to reduce its debt, finance working capital, for other general corporate purposes and branding. It's outstanding debt is close to Rs 130 crore.

"We will not need funds immediately for capital expenditure as in the last couple of years we already invested in increasing production facilities, but after a few years we may utilise the margins for the same purpose," said Gautam Seth, joint managing director of HPL Electric & Power Ltd. In the last 5 years it invested Rs 270 crore in setting up two factories.

The gross revenue of the company is Rs 1,317 crore, with export orders contributing 2%. The company wants to double exports in next three years.

Among the new products lined up for launch will be Automatic Transfer System switch, which in case of load shedding or power failure will automatically switch over to generator within a fraction of a second. "Ours will be the first Indian firm to introduce it in the market. It will be useful for

organisations where even a second of power disruption should not happen like hospitals or data centres," said G N Sharma, senior vice president of HPL Electric & Power Ltd.

With LED lighting market expected to grow from the present around Rs 4,000 crore to Rs 31,000 crore, it is expecting an increase in order books too.

The company's market share for meters is 44%, lighting at 23%, switch gears at 15% and wires-cables at 13%.

Another new product it has come up with is Smart Meters. This electric meter can be operated remotely without the power distribution company personnel visiting each and every residential, commercial or industrial connection. "Meter reading can be done in real time and if there are any dues, just by giving a command the power supply can be disconnected," added Sheth. The company already has received a couple of pilot orders from Maharashtra and Puducherry for this new technology of meters.

Link: <http://www.dnaindia.com/money/report-ipo-bound-hpl-electric-power-to-launch-new-products-double-exports-2247065>