

**V M V V SANGHA'S**



**V M K S R VASTRAD ARTS SCIENCE  
AND V S BELLIHAL COMMERCE  
COLLEGE HUNGUND**

**Project report entitled**

**" A PROJECT REPORT ON HPL  
ELECTRIC & POWER LIMITED "**

**UNDER GRADUATION OF BACHELOR OF COMMERCE**

**Submitted by**

**Miss. SHOBHA H MOKASHI**

**B.Com-II Semester**

**Register Number U15IY22C0013**

**Under the Guidance of**

**Mr. SHREESHAIL BOMMASAGAR**

**Lecturer,**

**Department of commerce**

**2022-23**



# DECLARATION

I declare that this project report entitled "**A PROJECT REPORT ON HPL ELECTRIC & POWER LIMITED**" independent project carried out by me in partial fulfillment of the requirements for the award of the degree of Bachelor of Commerce by the **Rani Channamma University**. The project report has been prepared under the guidance of **Mr. SHREESHAIL BOMMASAGAR** Coordinator Department of in Commerce, **Rani Channamma University, V M K S R VASTRAD ARTS SCIENCE & VS BELLIHAI COMMERCIAL COLLEGE HUNGUND.**

I have not submitted his project previously to this university or any other university for the award of any degree.


**Date :**  
**Place :HUNGUND**


*Shobha*  
**Miss. SHOBHA H MOKASHI**

# CERTIFICATE

This is to certify that **Miss. SHOBHA H MOKASHI** is a bonafide student of the Department of Commerce, bearing **REG NO : U15IY22C0013** during the academic year 2022-23 has satisfactorily completed the project work entitled "**A PROJECT REPORT ON HPL ELECTRIC & POWER LIMITED**" submitted in partial fulfillment of the requirements for the award of the Degree of Commerce by **RANI CHANNAMMA UNIVERSITY** under guidance and supervision by **Mr. SHREESHAIL BOMMASAGAR** And **Prof. B A KANTHI** Head of the Department in Commerce.

  
**Mr. SHREESHAIL BOMMASAGAR**  
(Coordinator)

  
**Prof. B A KANTHI**  
(HOD OF COMMERCE)  
**Prof. B. A. Kanthi**  
Head, Department of Commerce  
V.M.K S.R.Vastrad Arts, Science &  
V.S.Bellihal Commerce College  
Hungund-587118

  
**Prof. S K MATH**  
Principal  
Principal  
Vijaya Mahantesh Krupaposhit  
Vastrad Arts, Science & V.S.Bellihal  
Commerce College, Hungund-587118

# CERTIFICATE

This is to certify that the project work on "**A PROJECT REPORT ON HPL ELECTRIC & POWER LIMITED**" has been carried out by **Miss. SHOBHA H MOKASHI** B. Com II semester under the guidance of **Mr. SHREESHAIL BOMMASAGAR** Co-ordinator, **Prof. B A KANTHI** Head of the Department in Commerce. towards the partial fulfillment of the requirements for the award of degree of department of Commerce by the **Rani Channamma University** during the year **2022-23**.

**Date :**  
**Place :HUNGUND**

  
**Prof. S K MATH**  
**(PRINCIPAL)**  
Principal

Vijaya Mahantesh Krupaposhit  
S R Vastrad Arts, Science & V.S.Bellihalli  
Commerce College, Hungund-587115

# Acknowledgement

I am greatly indebted to my guide, **Shri. SHREESHAIL BOMMASAGAR** Co-ordinator, *Department of Commerce*, **Rani Channamma University, V M K S R VASTRAD ARTS SCIENCE & V S BELLIHAI COMMERCIAL COLLEGE HUNGUND** for his inspiring guidance. In spite of several busy assignments, he has been kind enough to spare his time for giving me pleasure and privilege to work under his guidance.

Further I am also thankful Principal. **Prof. S K MATH** and **Prof. B A KANTHI** Head of the Department in Commerce and **Mr. S S PATIL** and **Mr. B S HOSAMANI** for their encouragement and help in carrying out this project work.

My sincere thanks to all for supporting me in carrying out project report and I also thanks to library staff and all my friends for their co-operation during the course of project work and I am also thankful to printers of their skilful printing this work.

My parents are main soul for my confidence, determination and strength throughout my life. The sweet hopes and wishes have made me able to present this work.

Last but not the least I take this opportunity to thank and remember all my friend si.e., **Shweta, Pavitra, Sahana** who are with me and who have helped me throughout my life from the place they have resided in making me feel that I am also one among them who can achieve things as we want.

Date :

Place :HUNGUND

*Shobha*

**Miss. SHOBHA H MOKASHI**



## HPL ELECTRIC & POWER LIMITED

Our Company was incorporated as 'HPL-Socomec Private Limited' on May 28, 1992 as a private limited company under the Companies Act 1956 ("Companies Act 1956"), with the Registrar of Companies, National Capital Territory of Delhi and Haryana at New Delhi (the "RoC"). Pursuant to a resolution of our Board of Directors dated January 21, 2010 and a resolution of our shareholders dated February 18, 2010, the name of our Company was changed to HPL Electric & Power Private Limited and a fresh certificate of incorporation was issued upon change of name by the RoC on March 10, 2010. Further, pursuant to conversion of our Company to a public limited company, the name of our Company was changed to 'HPL Electric & Power Limited' and a fresh certificate of incorporation consequent upon change of name on conversion to public limited company was issued by the RoC on December 14, 2015. For details, see "History and Certain Corporate Matters" on page 148.

Corporate Identity Number: U74899DL1992PLC048945

Registered and Corporate Office: 1/21, Asaf Ali Road, New Delhi 110 002, India Tel: (+91 11) 2323 4411 Fax: (+91 11) 2323 2639

Contact Person: Mr. Vivek Kumar, Company Secretary and Compliance Officer Tel: (+91 11) 2323 4411 Fax: (+91 11) 2323 2639

E-mail: hpl@hplindia.com Website: www.hplindia.com

### PROMOTERS: MR. LALIT SETH, HAVELL'S PRIVATE LIMITED, HPL INDIA LIMITED AND HAVELL'S ELECTRONICS PRIVATE LIMITED

INITIAL PUBLIC OFFERING OF UP TO [●] EQUITY SHARES OF FACE VALUE OF ₹ 10 EACH (THE "EQUITY SHARES") OF HPL ELECTRIC & POWER LIMITED (OUR "COMPANY" OR THE "COMPANY" OR THE "ISSUER") FOR CASH AT A PRICE OF ₹ [●] PER EQUITY SHARE (INCLUDING SHARE PREMIUM OF ₹ [●] PER EQUITY SHARE) ("THE ISSUE PRICE") AGGREGATING UP TO ₹ 4,500 MILLION (THE "ISSUE"). THE ISSUE SHALL CONSTITUTE [●]% OF THE POST-ISSUE PAID-UP EQUITY SHARE CAPITAL OF OUR COMPANY.

THE PRICE BAND AND THE MINIMUM BID LOT WILL BE DECIDED BY OUR COMPANY IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS ("BRLMs") AND WILL BE ADVERTISED IN [●] EDITION OF [●] (A WIDELY CIRCULATED ENGLISH NATIONAL DAILY NEWSPAPER) AND [●] EDITION OF [●] (A WIDELY CIRCULATED HINDI NATIONAL DAILY NEWSPAPER, HINDI ALSO BEING THE REGIONAL LANGUAGE IN THE PLACE WHERE OUR REGISTERED OFFICE IS LOCATED), AT LEAST FIVE WORKING DAYS PRIOR TO THE BID/ISSUE OPENING DATE AND SHALL BE MADE AVAILABLE TO THE BSE LIMITED (THE "BSE") AND THE NATIONAL STOCK EXCHANGE OF INDIA LIMITED (THE "NSE"), AND TOGETHER WITH THE BSE, THE "STOCK EXCHANGES") FOR THE PURPOSES OF UPLOAD ON THEIR RESPECTIVE WEBSITES.

Our Company is considering a Pre-IPO Placement of up to 4,200,000 Equity Shares aggregating up to ₹ 1,250 million with certain investors ("Pre-IPO Placement"). The Pre-IPO Placement is at the discretion of our Company. Our Company will complete the issuance and allotment of Equity Shares pursuant to the Pre-IPO Placement, if any, prior to the filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is completed, the Issue size will be reduced to the extent of such Pre-IPO Placement, subject to the Issue size constituting at least 25% of the post-Issue paid-up Equity Share capital of our Company or if the post-Issue Equity Share capital of our Company calculated at the Issue Price is greater than ₹ 16,000 million but less than or equal to ₹ 40,000 million, at least such percentage of Equity Shares equivalent to a value of ₹ 4,000 million (calculated at the Issue Price), as the case may be.

In case of revision in the Price Band, the Bid/Issue Period will be extended for at least three additional Working Days after revision of the Price Band subject to the Bid/Issue Period not exceeding a total of 10 Working Days. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a press release, and also by indicating the change on the websites of the BRLMs, and at the terminals of the members of the Syndicate and by intimation to Self Certified Syndicate Banks ("SCSBs"), the Registered Brokers, Registrar to an issue and Share Transfer Agents ("RTAs") and Collecting Depository Participants (CDPs), and together with the Registered Brokers and RTAs, the "Designated Intermediaries".

In terms of Rule 19(2)(b)(i) of the Securities Contracts (Regulation) Rules, 1957, as amended, (the "SCRR") the Issue is being made for at least 25% of the post-Issue paid-up Equity Share capital of our Company. In the event the post-Issue Equity Share capital of our Company calculated at the Issue Price is greater than ₹ 16,000 million but less than or equal to ₹ 40,000 million, then the Issue will be deemed to be undertaken in terms of Rule 19(2)(b)(ii) of the SCRR where the minimum Issue to public will be at least such percentage which will be equivalent to ₹ 4,000 million calculated at the Issue Price. The Issue is being made through the Book Building Process, in compliance with Regulation 26(1) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended (the "SEBI ICDR Regulations") wherein 50% of the Issue will be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs") (the "QIB Category"), provided that our Company, in consultation with the BRLMs, may allocate up to 60% of the QIB Category to Anchor Investors, on a discretionary basis (the "Anchor Investor Portion"), of which one-third shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Issue Price. Further, 5% of the QIB Category (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to Non-Institutional Investors and subject to valid Bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue will be available for allocation on a proportionate basis to QIBs and Mutual Funds, not less than 35% of the Issue will be available for allocation to Retail Individual Investors, in accordance with the SEBI ICDR Regulations, subject to valid Bids being received at or above the Issue Price. All investors (except Anchor Investors) can participate in this Issue only through the ASBA process. For details in this regard, specific attention is invited to "Issue Procedure" on page 357.

### RISKS IN RELATION TO THE FIRST ISSUE

This being the first public issue of the securities of our Company, there has been no formal market for the securities of our Company. The face value of our Equity Shares is ₹ 10 and the Floor Price and Cap Price are [●] times and [●] times of the face value of our Equity Shares, respectively. The Issue Price (as determined and justified by our Company in consultation with the BRLMs and as stated in "Basis for Issue Price" on page 91) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares or regarding the price at which the Equity Shares will be traded after listing.

### GENERAL RISKS





Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in the Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in the Issue. For taking an investment decision, investors must rely on their own examination of our Company and the Issue including the risks involved. The Equity Shares have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does the SEBI guarantee the accuracy or adequacy of this Draft Red Herring Prospectus. Specific attention of the investors is invited to "Risk Factors" on page 14.

### ISSUER'S ABSOLUTE RESPONSIBILITY

Our Company, having made all reasonable inquiries, accepts responsibility for and confirms that this Draft Red Herring Prospectus contains all information with regard to our Company and the Issue, which is material in the context of the Issue, that the information contained in this Draft Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Draft Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions, misleading in any material respect.

### LISTING

The Equity Shares issued through the Draft Red Herring Prospectus are proposed to be listed on the Stock Exchanges. We have received in-principle approvals from the BSE and the NSE for the listing of the Equity Shares pursuant to letters dated [●] and [●], respectively. For the purposes of this Issue, [●] is the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGERS			REGISTRAR TO THE ISSUE
 <p><b>SBI Capital Markets Limited</b> 202, Maker Tower 'E', Cuffe Parade, Mumbai - 400 005 Tel: (+91 22) 2217 8300 Fax: (+91 22) 2218 8332 Email: hpl.ipo@sbcaps.com Website: www.sbcaps.com Investor Grievance E-mail: investorrelations@sbcaps.com Contact Person: Ms. Neha Malik / Mr. Aditya Deshpande SEBI Registration No.: INM000003531</p>	 <p><b>ICICI Securities Limited</b> ICICI Centre, H.T. Parekh Marg, Churchgate Mumbai 400 020, India Tel: (+91 22) 2288 2460 Fax: (+91 22) 2282 6580 Email: hpl.ipo@icicisecurities.com Website: www.icicisecurities.com Investor Grievance E-mail: customer-care@icicisecurities.com Contact Person: Ms. Payal Kulkarni SEBI Registration No.: INM000011179</p>	 <p><b>IDFC Bank Limited</b> Naman Chambers C 32, G Block, Bandra Kurla Complex Bandra (East), Mumbai 400 051, India Tel: (+91 22) 6622 2600 Fax: (+91 22) 6622 2501 Email: hpl.ipo@idfcbank.com Website: www.idfcbank.com Investor Grievance E-mail: mb.ig@idfcbank.com Contact Person: Mr. Mangesh Ghogle SEBI Registration No.: MB/INM000012250</p>	 <p><b>Karvy Computershare Private Limited</b> Karvy Selenum Tower B Plot 31-32, Gachibowli, Financial District Nanakramguda Hyderabad 500 032, Telangana, India Tel: (+91 40) 6716 2222 / Fax: (+91 40) 2343 1551 E-mail: einward.ris@karvy.com Website: www.karvisma.karvy.com Investor Grievance Email: hplep.ipo@karvy.com Contact Person: Mr. Murali Krishna SEBI Registration No.: INR000000221</p>

### BID/ISSUE PERIOD\*

BID/ISSUE CLOSURES ON (FOR QIBs)\*\* [●]

BID/ISSUE CLOSURES ON (FOR ALL OTHER BIDDERS) [●]

BID/ISSUE OPENS ON [●]

\* Our Company, in consultation with the BRLMs, may consider participation by Anchor Investors, in accordance with the SEBI ICDR Regulations. Day prior to the Bid Issue Opening Date.

\*\* Our Company, in consultation with the BRLMs, may decide to close the Bid Issue Period for QIBs one Working Day prior to the Bid Issue Closing Date, in accordance with the SEBI ICDR Regulations.



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## SECTION I - GENERAL DEFINITIONS AND ABBREVIATIONS

Unless the context otherwise indicates or implies, the following terms shall have the meanings provided below in this Draft Red Herring Prospectus, and references to any statute or regulations or policies will include any amendments or modifications or re-enactments thereto, from time to time. In case of any inconsistency between the definitions given below and the definitions contained in the General Information Document (as defined below), the definitions given below shall prevail.

Notwithstanding the foregoing, including any terms and abbreviations used in the sections, "Statement of Tax Benefits", "Financial Statements", "Outstanding Litigation and Material Developments", "Our Business" and "Main Provisions of the Articles of Association" on pages 95, 181, 314, 127 and 403, respectively, shall have the meanings given to such terms in these respective section.

Unless the context otherwise indicates, all references to "the Company", "our Company" and "the Issuer", are to HPL Electric & Power Limited, a company incorporated in India under the Companies Act 1956 with its Registered Office at 1/21, Asaf Ali Road, New Delhi 110 002, India. Furthermore, unless the context otherwise indicates, all references to the terms "we", "us" and "our" are to HPL Electric & Power Limited and its Subsidiary (as defined below) on a consolidated basis.

### Company Related Terms

Term	Description
AIPL	Amerex (India) Private Limited
APL	Amerex Private Limited
AoA/Articles of Association or Articles	The articles of association of our Company, as amended
Auditors	The statutory auditor of our Company, being Sahni Mehra & Co., Chartered Accountants
Audit Committee	The committee of the Board of Directors constituted as our Audit Committee in accordance with Regulation 18 of the SEBI Listing Regulations, comprising Mr. Tarun Sehgal, Mr. Virender Kumar Bajaj, Mr. Jatinder Singh Sabharwal and Mr. Gautam Seth
Board or Board of Directors	The board of directors of our Company and any Committee thereof
Corporate Promoters	HPL India Limited, Havell's Private Limited and Havell's Electronics Private Limited
Corporate Social Responsibility Committee / CSR Committee	The committee of the Board of Directors constituted as our Corporate Social Responsibility Committee comprising Mr. Lalit Seth, Mr. Rishi Seth, Ms. Madhu Bala Nath and Mr. Jainul Haque
CRPS	Compulsorily Redeemable Preference Shares
Director(s)	The director(s) on our Board of Directors
Equity Shares	The fully paid up equity shares of our Company of face value of ₹ 10 each
Equity Shareholders / Shareholders	The holders of the Equity Shares
Frost & Sullivan	Frost & Sullivan (I) Private Limited
Frost & Sullivan Report	The report titled 'Indian Power Sector Overview And Market Landscape For Select Electrical Equipments' dated February 2016, prepared by Frost & Sullivan
Gharaunda Facility	Our manufacturing facility located at G.T. Road, Bastra, Gharaunda, Panipat (Haryana)
Government Agencies	Governmental agencies to which we supply our products, including Central and State public works departments, municipal corporations and public sector enterprises, amongst others
Group Companies	Companies as identified and disclosed in "Our Promoters and Group Companies" on page 169
Gurgaon Facility I	Our manufacturing facility located at 133, Pace City I, Gurgaon (Haryana)
Gurgaon Facility II	Our manufacturing facility located at 357Q, Pace City II, Gurgaon (Haryana)
Gurgaon R&D Centre	Our in-house research and development centre located at Gurgaon (Haryana)
HEPL	Havell's Electronics Private Limited
HIL	HPL India Limited
HPCL	HPL Power Corporation Limited
HPL-Shriji JV	HPL Electric & Power Private Limited – Shriji Designs (JV)
HPL-Shriji-Trimurthi JV	HPL Electric & Power Private Limited – Shriji Designs – Trimurthi Hitech Company Private Limited (JV)
HPTL	HPL Protection Technologies Limited





Term	Description
HPTL Scheme of Amalgamation	of Scheme of amalgamation filed by our Company and HPTL before the High Court of Delhi at New Delhi for its approval, under sections 391 to 394 of the Companies Act 1956 which was sanctioned by the High Court of Delhi pursuant to an order dated October 22, 2008 with effect from April 1, 2008 and consequent to which our Company acquired the lighting equipment business
Himachal Energy IPO Committee	Himachal Energy Private Limited The IPO Committee of the Board of Directors, comprising Mr. Lalit Seth, Mr. Rishi Seth, Mr. Gautam Seth and Mr. Vinod Ratan constituted on January 21, 2016 to facilitate the process of the Issue
JiPL	Jesons Impex Private Limited
Jabli Facility	Our manufacturing facility located at Shavela, Jabli, Kasuli (Himachal Pradesh)
Joint Ventures	HPL Electric & Power Private Limited - Shriji Designs (JV) and HPL Electric & Power Private Limited - Shriji Designs - Trimurthi Hitech Company Private Limited (JV), collectively the joint ventures of our Company
Key Managerial Personnel / KMP	The key managerial personnel of our Company as disclosed in "Our Management" on page 155
Kundli Facility	Our manufacturing facility located at 76B, sector 57, HSIIDC, Kundli (Haryana)
Kundli R&D Centre	Our in-house research and development centre located at Kundli (Haryana)
MoA/Memorandum of Association	The memorandum of association of our Company, as amended
Materiality Policy	The policy adopted by our Board, in its meeting held on December 24, 2015 for identification of Group Companies, material creditors and material legal proceedings involving the Company, its subsidiary, Joint Ventures, Directors, Promoters and its Group Companies
Power Utilities	State electricity boards and power distribution companies to which our Company sells its products
Promoters	Mr. Lalit Seth, Havell's Private Limited, Havell's Electronics Limited and HPL India Limited
Promoter Group	Persons and entities constituting the promoter group of our Company, in accordance with Regulation 2(1)(zb) of the SEBI ICDR Regulations
Registered and Corporate Office	The registered and corporate office of our Company situated at 1/21, Asaf Ali Road, New Delhi 110 002, India
Restated Consolidated Financial Statements	Audited restated consolidated summary statements of assets and liabilities as on September 30, 2015, March 31, 2015, March 31, 2014, March 31, 2013, March 31, 2012 and March 31, 2011 and audited restated consolidated summary statements of profits and losses and cash flows for the six months period ended September 30, 2015 and for each of the fiscals ended March 31, 2015, March 31, 2014, March 31, 2013, March 31, 2012 and March 31, 2011 for the Company and its Joint Ventures
Restated Standalone Financial Statements	Audited restated standalone summary statements of assets and liabilities as on September 30, 2015, March 31, 2015, March 31, 2014, March 31, 2013, March 31, 2012 and March 31, 2011 and audited restated standalone summary statements of profits and losses and cash flows for the six months ended September 30, 2015 and for each of the fiscals ended March 31, 2015, March 31, 2014, March 31, 2013, March 31, 2012 and March 31, 2011 for the Company
Restated Financial Statements	Restated Consolidated Financial Statements and Restated Standalone Financial Statements collectively
RoC or Registrar of Companies	The Registrar of Companies, National Capital Territory of Delhi and Haryana, at New Delhi
R&D Centres	Kundli R&D Centre and Gurgaon R&D Centre, collectively
Socomec	Socomec S.A., France
Sonepat Facility	Our manufacturing facility located at Dhaturi Road, Bhigan, Sonepat (Haryana)
Stakeholders' Relationship Committee	The committee of the Board of Directors constituted as our Stakeholders' Relationship Committee comprising Mr. Virender Kumar Bajaj, Mr. Rishi Seth, Mr. Gautam Seth and Mr. Vinod Ratan
Shriji	Shriji Designs
Tool Rooms	Our two tool rooms operated at Gurgaon (Haryana) and Kundli (Haryana), within our R&D Centres
Trimurthi	HPL Electric & Power Private Limited

#### Issue Related Terms

Term	Description
Acknowledgement Slip	The slip or document issued by the Designated Intermediary to a Bidder as a proof of registration of the Bid
Allotted/Allotment/Allot	The issue and allotment of Equity Shares to successful Bidders pursuant to this Issue
ot	
Allottee	A successful Bidder to whom the Equity Shares are Allotted
Allotment Advice	The note or advice or intimation of Allotment, sent to each successful Bidder who has been or is to be Allotted the Equity Shares after approval of the Basis of Allotment by the Designated Stock Exchange
Anchor Escrow Account	Account opened with the Anchor Escrow Bank for the Issue and in whose favour the Anchor Investors will make payments in respect of the Bid Amount when submitting a Bid



Term	Description
Anchor Escrow Agreement	Agreement to be entered into amongst our Company, the Registrar to the Issue, the BRLMs, the Syndicate Members and the Anchor Escrow and Refund Bank for collection of Bid Amounts and where applicable remitting refunds, if any, to Anchor Investors, on the terms and conditions thereof
Anchor Investor	A QIB, who applies under the Anchor Investor Portion in accordance with the requirements specified in the SEBI ICDR Regulations
Anchor Investor Bidding Date	The date one Working Day prior to the Bid/Issue Opening Date on which Bids by Anchor Investors shall open and allocation to the Anchor Investors shall be completed
Anchor Investor Issue Price	The final price at which Equity Shares will be Allotted to Anchor Investors in terms of the Red Herring Prospectus and the Prospectus, which will be a price equal to or higher than the Issue Price but not higher than the Cap Price. The Anchor Investor Issue Price will be decided by our Company in consultation with the BRLMs
Anchor Investor Portion	Up to 60% of the QIB Category, which may be allocated by our Company, in consultation with the BRLMs, to Anchor Investors, on a discretionary basis. One-third of the Anchor Investor Portion is reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Issue Price
Anchor Investor Refund Account(s)	Account(s) opened with the Refund Bank(s) from which refunds, if any, of the whole or part of the Bid Amount shall be made to Anchor Investors
Anchor Investor Application Supported by Blocked Amount/ ASBA ASBA Account	The application (whether physical or electronic) by a Bidder (other than Anchor Investors) to make a Bid authorizing the relevant SCSB to block the Bid Amount in the relevant ASBA Account Account maintained with an SCSB and specified in the Bid cum Application Form which will be blocked by such SCSB to the extent of the appropriate Bid Amount in relation to a Bid by Bidders (other than Anchor Investors)
Banker to the Issue/Anchor Escrow Bank	The bank which is a clearing member and registered with the SEBI as an escrow collection bank, with whom the Anchor Escrow Account in relation to the Issue for Bids by Anchor Investors will be opened and from which a refund of the whole or part of the Bid Amount, if any, shall be made, in this case being [●]
Basis of Allotment	The basis on which the Equity Shares will be Allotted to successful Bidders under the Issue, described in "Issue Procedure" on page 357
Bid	An indication to make an offer during the Bid/Issue Period by a Bidder, or on the Anchor Investor Bidding Date by an Anchor Investor, pursuant to submission of a Bid cum Application Form, to subscribe for or purchase our Equity Shares at a price within the Price Band, including all revisions and modifications thereto, to the extent permissible under the SEBI ICDR Regulations
Bid Amount	The highest value of the optional Bids as indicated in the Bid cum Application Form and payable/blocked by the Bidder upon submission of the Bid in the Issue
Bid cum Application Form	The form in terms of which the Bidder shall make a Bid and which shall be considered as the application for the Allotment pursuant to the terms of the Red Herring Prospectus and the Prospectus
Bid Lot Bidder	[●] Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form, including an Anchor Investor
Bidding Centers	Centers at which the Designated Intermediaries shall accept the Bid cum Application Forms, being the Designated SCSB Branch for SCSBs, Specified Locations for Syndicate, Broker Centres for Registered Brokers, Designated RTA Locations for RTAs and Designated CDP Locations for CDPs
Bid/Issue Closing Date	Except in relation to any bids received from Anchor Investors, the date after which the Designated Intermediaries shall not accept any Bids for the Issue, which shall be published in [●] edition of [●] (a widely circulated English national daily newspaper), [●] edition of [●] (a widely circulated Hindi national daily newspaper, Hindi also being the regional language in the place where our Registered and Corporate Office is located). Our Company, in consultation with the BRLMs, may decide to close the Bid/Issue Period for QIBs one Working Day prior to the Bid/Issue Closing Date, subject to the SEBI ICDR Regulations
Bid/Issue Opening Date	Except in relation to any bids received from Anchor Investors, the date on which the Designated Intermediaries shall start accepting Bids for the Issue, which shall be published by our Company in the [●] edition of [●] (a widely circulated English national daily newspaper) and the [●] edition of [●] (a widely circulated Hindi national daily newspaper, Hindi also being the regional language in the place where our Registered and Corporate Office is located)
Bid/Issue Period	Except in relation to Anchor Investors, the period between the Bid/Issue Opening Date and the Bid/Issue Closing Date, inclusive of both days during which prospective Bidders (excluding Anchor Investors) can submit their Bids, including any revisions thereof
Book Building Process	The book building process as described in Schedule XI of the SEBI ICDR Regulations, in terms of which the Issue is being made
Book Running Lead Managers/BRLMs	The book running lead managers to the Issue, in this case being SBI Capital Markets Limited, ICICI Securities Limited and IDFC Bank Limited



Term	Description
Broker Centres	Broker centres of the Registered Brokers, where Bidders can submit the Bid cum Application. The details of such Broker Centres, along with the names and contact details of the Registered Brokers are available on the respective websites of the Stock Exchanges <a href="http://www.bseindia.com/Markets/PublicIssues/brokercentres_new.aspx?expandable=3">http://www.bseindia.com/Markets/PublicIssues/brokercentres_new.aspx?expandable=3</a> and <a href="http://www.nseindia.com/products/content/equities/ipos/ipo_mem_terminal.htm">http://www.nseindia.com/products/content/equities/ipos/ipo_mem_terminal.htm</a> .
CAN / Confirmation of Allocation Note	Notice or intimation of allocation of the Equity Shares sent to Anchor Investors, who have been allocated the Equity Shares in the Issue
Cap Price	The higher end of the Price Band above which the Issue Price and Anchor Investor Issue Price will not be finalized and above which no Bids will be accepted, including any revisions thereof
Client ID	Client identification number of the Bidder's beneficiary account
Collecting Depository Participants/CDPs	A depository participant registered under Section 12(1A) of the SEBI Act and the list of which is available on the website of the SEBI ( <a href="http://www.sebi.gov.in/sebiweb/home/list/5/33/0/0/Recognised-Intermediaries">http://www.sebi.gov.in/sebiweb/home/list/5/33/0/0/Recognised-Intermediaries</a> ) and updated from time to time, in accordance with SEBI CIR/CFD/POLICYCELL/11/2015 dated November 10, 2015 issued by SEBI
Cut-off Price	The Issue Price, finalized by our Company, in consultation with the BRLMs, which shall be any price within the Price Band. Only Retail Individual Investors are entitled to Bid at the Cut-off Price. QIBs (including Anchor Investors) and Non-Institutional Investors are not entitled to Bid at the Cut-off Price
Demographic Details	The details of the Bidders including the Bidders' address, names of the Bidders' father/husband, investor status, occupation and bank account details
Designated Branches	Such branches of the SCSBs which may collect the Bid cum Application Form used by Bidders (other than Anchor Investors), a list of which is available at the website of the SEBI ( <a href="http://www.sebi.gov.in/sebiweb/home/list/5/33/0/0/Recognised-Intermediaries">http://www.sebi.gov.in/sebiweb/home/list/5/33/0/0/Recognised-Intermediaries</a> ) and updated from time to time
Designated CDP Locations	Such centres of the Collecting Depository Participants where the Bidders (other than Anchor Investors) can submit the Bid cum Application Forms. The details of such Designated CDP Locations, along with the names and contact details of the Collecting Depository Participants are available on the respective websites of the Stock Exchanges ( <a href="http://www.bseindia.com/Static/Markets/PublicIssues/RtaDp.aspx?expandable=6">http://www.bseindia.com/Static/Markets/PublicIssues/RtaDp.aspx?expandable=6</a> and <a href="http://www.nseindia.com/products/content/equities/ipos/asba_procedures.htm">http://www.nseindia.com/products/content/equities/ipos/asba_procedures.htm</a> ) and updated from time to time
Designated Date	The date on which the Anchor Escrow Collection Bank and Refund Bank transfer the funds from the Anchor Escrow Account to the Public Issue Account or the Refund Account, as appropriate, and the Registrar to the Issue issues instruction to SCSBs for transfer of funds from the ASBA Accounts to the Public Issue Account(s) and/or unblocking such amounts in terms of the Red Herring Prospectus, following which the Board of Directors may Allot Equity Shares to successful Bidders in the Issue
Designated Intermediaries	Members of the Syndicate, sub-syndicate/agents, SCSBs, Registered Brokers, CDPs and RTAs, who are authorized to collect Bid cum Application Forms from the Bidders, in relation to the Issue
Designated RTA Locations	Such centers of the RTAs where Bidders can submit the Bid cum Application Forms. The details of such Designated RTA Locations, along with the names and contact details of the RTAs are available on the respective websites of the Stock Exchanges ( <a href="http://www.bseindia.com/Static/Markets/PublicIssues/RtaDp.aspx?expandable=6">http://www.bseindia.com/Static/Markets/PublicIssues/RtaDp.aspx?expandable=6</a> and <a href="http://www.nseindia.com/products/content/equities/ipos/asba_procedures.htm">http://www.nseindia.com/products/content/equities/ipos/asba_procedures.htm</a> ) and updated from time to time
Designated Stock Exchange	[•]
Draft Red Herring Prospectus/DRHP	This draft red herring prospectus dated February 25, 2016, filed with the SEBI and issued in accordance with the SEBI ICDR Regulations, which does not contain complete particulars of the price at which our Equity Shares will be Allotted, including any addenda or corrigenda thereto
Eligible FPI	An FPI from such jurisdiction outside India where it is not unlawful to make an offer / invitation under the Issue and in relation to whom the Red Herring Prospectus constitutes an invitation to purchase the Equity Shares offered thereby
Eligible NRI	A non-resident Indian, resident in a jurisdiction outside India where it is not unlawful to make an offer or invitation under the Issue and in relation to whom the Red Herring Prospectus constitutes an invitation to subscribe for the Equity Shares
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or the Revision Form
Floor Price	The lower end of the Price Band, and any revisions thereof, at or above which the Issue Price and the Anchor Investor Issue Price will be finalized and below which no Bids will be accepted and which shall not be less than the face value of the Equity Shares



Term	Description
General Information Document	The General Information Document for investing in public issues prepared and issued in accordance with the circulars (CIR/CFD/DIL/12/2013) dated October 23, 2013, notified by SEBI and updated pursuant to the circular (CIR/CFD/POLICYCELL/11/2015) dated November 10, 2015 and (SEBI/HO/CFD/DIL/CIR/P/2016/26) dated January 21, 2016 notified by the SEBI and included in "Issue Procedure" on page 357
Issue	Public issue of up to [●] Equity Shares for cash at a price of ₹ [●] per Equity Share, aggregating up to ₹ 4,500 million  Our Company is considering a Pre-IPO Placement of up to 4,200,000 Equity Shares aggregating up to ₹ 1,250 million with certain investors. The Pre-IPO Placement is at the discretion of our Company. Our Company will complete the issuance and allotment of Equity Shares pursuant to the Pre-IPO Placement, if any, prior to the filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is completed, the Issue size will be reduced to the extent of such Pre-IPO Placement, subject to the Issue size constituting at least 25% of the post-Issue paid-up Equity Share capital of our Company or if the post-Issue Equity Share capital of our Company calculated at the Issue Price is greater than ₹ 16,000 million but less than or equal to ₹ 40,000 million, at least such percentage of Equity Shares equivalent to a value of ₹ 4,000 million (calculated at the Issue Price), as the case may be.
Issue Agreement	The agreement dated February 24, 2016 entered into amongst our Company and the BRLMs, pursuant to which certain arrangements are agreed to in relation to the Issue
Issue Price	The final price at which Equity Shares will be Allotted to the successful Bidders (except Anchor Investors), as determined in accordance with the Book Building Process and determined by our Company in consultation with the BRLMs in terms of the Red Herring Prospectus on the Pricing Date.
I-SEC	ICICI Securities Limited
IDFC	IDFC Bank Limited
Equity Listing Agreement	Listing agreement to be entered into by our Company with the Stock Exchanges
Maximum RII Allottees	The maximum number of RIIs who can be allotted the minimum Bid Lot. This is computed by dividing the total number of Equity Shares available for Allotment to RIIs by the minimum Bid Lot.
Mutual Fund Portion	5% of the QIB Category (excluding the Anchor Investor Portion) available for allocation to Mutual Funds only, on a proportionate basis
Net Proceeds	Proceeds of the Issue that will be available to our Company, which shall be the gross proceeds of the Issue less the Issue expenses
Non-Institutional Category	The portion of the Issue, being not less than 15% of the Issue or [●] Equity Shares, available for allocation on a proportionate basis to Non-Institutional Investors subject to valid Bids being received at or above the Issue Price
Non-Institutional Investors/NIIs	All Bidders, including Category III FPIs that are not QIBs (including Anchor Investors) or Retail Individual Investors who have Bid for Equity Shares for an amount of more than ₹ 200,000 (but not including NRIs other than Eligible NRIs)
Pre-IPO Placement	Our Company is considering a Pre-IPO Placement of up to 4,200,000 Equity Shares aggregating up to ₹ 1,250 million with certain investors. The Pre-IPO Placement is at the discretion of our Company. Our Company will complete the issuance and allotment of Equity Shares pursuant to the Pre-IPO Placement, if any, prior to the filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is completed, the Issue size will be reduced to the extent of such Pre-IPO Placement, subject to the Issue size constituting at least 25% of the post-Issue paid-up Equity Share capital of our Company or if the post-Issue Equity Share capital of our Company calculated at the Issue Price is greater than ₹ 16,000 million but less than or equal to ₹ 40,000 million, at least such percentage of Equity Shares equivalent to a value of ₹ 4,000 million (calculated at the Issue Price), as the case may be.
Price Band	Price band of the Floor Price of ₹ [●] and a Cap Price of ₹ [●], including revisions thereof. The Price Band and the minimum Bid lot for the Issue will be decided by our Company in consultation with the BRLMs, and advertised in the [●] edition of [●], a widely circulated English national daily newspaper and the [●] edition of [●] (a widely circulated Hindi national daily newspaper, Hindi also being the regional language in the place where our Registered and Corporate Office is located) at least five Working Days prior to the Bid/Issue Opening Date, with the relevant financial ratios calculated at the Floor Price and at the Cap Price and shall be made available to the Stock Exchanges for the purpose of uploading on their website
Pricing Date Prospectus	The date on which our Company, in consultation with the BRLMs, shall finalize the Issue Price The Prospectus to be filed with the RoC for this Issue on or after the Pricing Date in accordance with the provisions of Section 26 of the Companies Act 2013 and the SEBI ICDR Regulations, containing the Issue Price, the size of the Issue and certain other information, including any addenda or corrigenda thereto



Term	Description
Public Issue Account	The account(s) to be opened with the Banker(s) to the Issue to receive monies from the Anchor Escrow Account(s) and the ASBA Accounts on the Designated Date
QIB Category	The portion of the Issue, being 50% of the Issue or [●] Equity Shares available for allocation to QIBs on a proportionate basis, (including the Anchor Investor Portion in which allocation shall be on a discretionary basis, as determined by our Company, in consultation with the BRLMs, subject to valid Bids being received at or above the Issue Price)
Qualified Institutional Buyers or QIBs	A qualified institutional buyer as defined under Regulation 2(1)(zd) of the SEBI ICDR Regulations
Red Herring Prospectus or RHP	The red herring prospectus to be issued in accordance with Section 32 of the Companies Act 2013 and the SEBI ICDR Regulations, which will not have complete particulars of the price at which the Equity Shares shall be Allotted and which shall be filed with the RoC at least three Working Days before the Bid/Issue Opening Date and will become the Prospectus after filing with the RoC after the Pricing Date, including any addenda or corrigenda thereto
Registered Brokers	Stock brokers registered with the stock exchanges having nationwide terminals, other than the members of the Syndicate
Registrar Agreement	The agreement dated February 18, 2016, entered into between our Company and the Registrar to the Issue in relation to the responsibilities and obligations of the Registrar to the Issue pertaining to the Issue
Registrar and Share Transfer Agents or RTAs	Registrar and share transfer agents registered with SEBI and eligible to procure Bids at the Designated RTA Locations in terms of circular no. CIR/CFD/POLICYCELL/11/2015 dated November 10, 2015 issued by SEBI
Registrar to the Issue	Karvy Computershare Private Limited
Retail Category	The portion of the Issue, being not less than 35% of the Issue or [●] Equity Shares, available for allocation to Retail Individual Investors, to be allocated in accordance with SEBI ICDR Regulations, subject to valid Bids being received at or above the Issue Price
Retail Individual Investors/ RIIs	Individual Bidders (including HUFs and Eligible NRIs) whose Bid Amount for Equity Shares in the Issue is not more than ₹ 200,000 in any of the bidding options
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Amount in any of their Bid cum Application Forms or any previous Revision Form(s), as applicable. QIBs bidding in the QIB Category and Non-Institutional Investors bidding in the Non-Institutional Category are not permitted to withdraw their Bid(s) or lower the size of their Bid(s) (in terms of quantity of Equity Shares or the price) at any stage
Self Certified Syndicate Banks or SCSBs	The banks registered with the SEBI which offer the facility of ASBA and the list of which is available on the website of the SEBI ( <a href="http://www.sebi.gov.in/sebiweb/home/list/5/33/0/0/Recognised-Intermediaries">http://www.sebi.gov.in/sebiweb/home/list/5/33/0/0/Recognised-Intermediaries</a> ) and updated from time to time and at such other websites as may be prescribed by SEBI from time to time
Specified Locations	Bidding centres where the Syndicate shall accept Bid cum Application Forms, a list of which is included in the Bid cum Application Form
Stock Exchanges	BSE and NSE
Syndicate Agreement	The agreement to be entered into amongst the members of the Syndicate, our Company and the Registrar to the Issue in relation to the collection of Bids in the Issue (other than Bids directly submitted to the SCSBs and to the Designated Intermediaries)
Syndicate Members	Intermediaries registered with the SEBI and permitted to carry out activities as an underwriter, in this case being [●]
Syndicate or members of the Syndicate	Collectively, the BRLMs and the Syndicate Members
Underwriters	The members of the Syndicate who will also be signatories to the Underwriting Agreement
Underwriting Agreement	The agreement to be entered among our Company and the Underwriters on or after the Pricing Date
Working Day(s)	Any day, other than Saturdays or Sundays, on which commercial banks in India are open for business, provided however, for the purpose of the time period between the Bid/Issue Opening Date and listing of the Equity Shares on the Stock Exchanges, "Working Days" shall mean all trading days excluding Sundays and bank holidays in India in accordance with the SEBI circular no. SEBI/HO/CFD/DIL/CIR/P/2016/26 dated January 21, 2016.

### Conventional and General Terms and Abbreviations

Term	Description
12 <sup>th</sup> FYP	Twelfth Five Year Plan, formulated by the former Planning Commission, Government of India
2015 Union Budget	Union Budget announced by the Government of India in 2015
Air Act	Air (Prevention and Control of Pollution) Act, 1981
AIF(s)	Alternative Investment Funds registered with SEBI under the SEBI AIF Regulations
AS 18	Accounting Standard 18 issued by the Institute of Chartered Accountants of India



Term	Description
AS 14	Accounting Standard 14 issued by the Institute of Chartered Accountants of India
Authorised Dealers	Authorised Dealers registered with RBI under the Foreign Exchange Management (Foreign Currency Accounts) Regulations, 2000
Banking Regulation Act	Banking Regulation Act, 1949
BEE	Bureau of Energy Efficiency
BIS	Bureau of Indian Standards
BSE	BSE Limited
CAGR	Compounded annual growth rate
Category III FPIs	FPIs registered as category III FPIs under the SEBI FPI Regulations, which shall include all other FPIs not eligible under category I and II foreign portfolio investors, such as endowments, charitable societies, charitable trusts, foundations, corporate bodies, trusts, individuals and family offices
CDSL	Central Depository Services (India) Limited
CEA	Central Electricity Authority
Central Excise Act	Central Excise Act, 1944, as amended
Central Excise Notifications	Notifications 49/2003-CE and 50/2003-CE, issued under the Central Excise Act
Central Sales Tax Act	Central Sales Tax Act, 1956
CIA World Factbook	The World Factbook' issued by the Central Intelligence Agency
CLRA	The Contract Labour (Regulation and Abolition) Act, 1970
Companies Act	Companies Act, 1956 (without reference to the provisions thereof that have ceased to have effect upon notification of the Notified Sections) and the Companies Act, 2013, read with the rules, regulations, clarifications and modifications thereunder
Companies Act 1956	Companies Act, 1956 (without reference to the provisions thereof that have ceased to have effect upon notification of the Notified Sections)
Companies Act 2013	Companies Act, 2013, to the extent in force pursuant to the notification of the Notified Sections, read with the rules, regulations, clarifications and modifications thereunder
Consolidated FDI Policy	The current consolidated FDI Policy, effective from May 12, 2015
CPCB	The Central Pollution Control Board, Ministry of Environment and Forests, Government of India
Depository	A depository registered with the SEBI under the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996
Depositories Act	The Depositories Act, 1996
DEIT	Department of Electronics and Information Technology, Ministry of Communication and Information Technology, Government of India
DIPP	Department of Industrial Policy and Promotion, MCI
DP	Depository participant
DP ID	Depository participant's identity number
DSIR	Department of Scientific and Industrial Research, Ministry of Science and Technology, Government of India
Environment Protection Act	Environment Protection Act, 1986
EESL	Energy Efficiency Services Limited
EPF Act	The Employees' Provident Funds and Miscellaneous Provisions Act, 1952
EPS	Earnings per share
ERDA	Electrical Research and Development Association
ERP	Enterprise resource planning
ESI Act	Employees' State Insurance Act, 1948
Electricity Act	The Electricity Act, 2003
Fluorescent Lamps Guidelines	Guidelines for Environmentally Sound Mercury Management in Fluorescent Lamp Sector issued by the CPCB
FCNR Account	Foreign currency non resident (Bank) account established in accordance with the FEMA
FDI	Foreign direct investment
FEMA	The Foreign Exchange Management Act, 1999 read with rules and regulations thereunder
FEMA 2000	The Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
FII(s)	Foreign institutional investors as defined under Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, registered with the SEBI under applicable laws in India and deemed as FPIs under the SEBI FPI Regulations
Financial Year/Fiscal	The period of 12 months commencing on April 1 of the immediately preceding calendar year and ending on March 31 of that particular calendar year
FPI(s)	A foreign portfolio investor who has been registered pursuant to the SEBI FPI Regulations, provided that any FII who holds a valid certificate of registration shall be deemed to be an FPI



Term	Description
SEBI Listing Regulations	Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
STT	Securities transaction tax
Takeover Regulations	The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
Trademarks Act	The Trademarks Act, 1999
US\$ or USD or US Dollar	United States Dollar, the official currency of the United States of America
USA or U.S. or US	United States of America
U.S. GAAP	Generally Accepted Accounting Principles in the United States of America
U.S. Securities Act	The United States Securities Act, 1933
Water Act	Water (Prevention and Control of Pollution) Act, 1974
VCFs	Venture capital funds as defined in and registered with the SEBI under the Securities and Exchange Board of India (Venture Capital Fund) Regulations, 1996 or the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012, as the case may be

### Industry Related Terms

Term	Description
AMI	Advanced metering infrastructure
AMR	Automatic meter reading
AT&C Losses	Aggregate Technical and Commercial Losses
CAD	Computer-aided design
CFL	Compact fluorescent lamps
CNC	Computer numerical control
DELDP	Demand side management based efficient lighting program
ELCOMA	Electric Lamp and Component Manufacturers Association of India
ESCO	Energy saving companies
GW	Gigawatts
HT	High tension
H.R.C.	High rupturing capacity
IS	Indian Standards
LED	Light emitting diode
LPG	Liquefied petroleum gas
LV	Low voltage
LT	Low tension
MCB	Mini circuit breaker
MCCB	Moulded case circuit breaker
PCB	Printed circuit boards
PVC	Polyvinyl chloride
RAPDRP	Restructured Accelerated Power Development and Reforms Program
RCCB	Residual case circuit breaker
T&D Equipment	Transmission and distribution equipment
UDAY	Ujwal DISCOM Assurance Yojana

The words and expressions used but not defined in this Draft Red Herring Prospectus will have the same meaning as assigned to such terms under the Companies Act 1956, as superseded and substituted by notified provisions of the Companies Act 2013 (“**Companies Act**”), the Securities and Exchange Board of India Act, 1992 (“**SEBI Act**”), the SCRA, the Depositories Act and the rules and regulations made thereunder.

Notwithstanding the foregoing, terms in “*Main Provisions of the Articles of Association*”, “*Statement of Tax Benefits*”, “*Industry Overview*”, “*Regulations and Policies in India*”, “*Financial Statements*”, “*Outstanding Litigation and Material Developments*” and “*Issue Procedure - Part B*”, will have the meaning ascribed to such terms in these respective sections.



## CERTAIN CONVENTIONS, USE OF FINANCIAL INFORMATION AND MARKET DATA AND CURRENCY OF PRESENTATION

### Certain Conventions

All references in this Draft Red Herring Prospectus to “India” are to the Republic of India. All references in this Draft Red Herring Prospectus to the “U.S.,” “USA” or “United States” are to the United States of America.

Unless stated otherwise, all references to page numbers in this Draft Red Herring Prospectus are to the page numbers of this Draft Red Herring Prospectus.

### Financial Data

Unless indicated otherwise, the financial data in this Draft Red Herring Prospectus is derived from our Restated Consolidated Financial Statements and Restated Standalone Financial Statements for the six months ended September 30, 2015 and for the fiscals 2015, 2014, 2013, 2012 and 2011, prepared in accordance with the Generally Accepted Accounting Principles in India (the “Indian GAAP”) and the Companies Act, and restated in accordance with the SEBI ICDR Regulations.

Our Company’s financial year commences on April 1 of the immediately preceding calendar year and ends on March 31 of that particular calendar year. Accordingly, all references to a particular financial year are to the 12 month period commencing on April 1 of the immediately preceding calendar year and ending on March 31 of that particular calendar year.

There are significant differences between the Indian GAAP, the International Financial Reporting Standards (the “IFRS”) and the Generally Accepted Accounting Principles in the United States of America (the “U.S. GAAP”). Accordingly, the degree to which the financial statements included in this Draft Red Herring Prospectus will provide meaningful information is entirely dependent on the reader’s level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices, the Indian GAAP, the Companies Act and the SEBI ICDR Regulations on the financial disclosures presented in this Draft Red Herring Prospectus should accordingly be limited. We have not attempted to quantify the impact of the IFRS or the U.S. GAAP on the financial data included in this Draft Red Herring Prospectus, nor do we provide a reconciliation of our financial statements to those under the U.S. GAAP or the IFRS and we urge you to consult your own advisors regarding such differences and their impact on our financial data. Our Company will be required to prepare financial statements under IND-AS with effect from April 1, 2016. The transition to IND-AS in India is very recent and we cannot assure you the impact of such transition on our Company. For details, see “Risk Factors 43 – Significant differences exist between Indian GAAP and other accounting principles, such as US GAAP and IFRS, which may be material to investors’ assessments of our financial condition. Further, our failure to successfully transition to IndAS may have an adverse effect on the price of our Equity Shares.” on page 35.

Certain figures contained in this Draft Red Herring Prospectus, including financial information, have been subject to rounding adjustments. All decimals have been rounded off to two decimal points. In certain instances, (i) the sum or percentage change of such numbers may not conform exactly to the total figure given; and (ii) the sum of the numbers in a column or row in certain tables may not conform exactly to the total figure given for that column or row. However, where any figures that may have been sourced from third-party industry sources are rounded off to other than two decimal points in their respective sources, such figures appear in this Draft Red Herring Prospectus as rounded-off to such number of decimal points as provided in such respective sources.

### Industry and Market Data

Unless stated otherwise, industry and market data used throughout this Draft Red Herring Prospectus has been obtained from the report titled ‘Indian Power Sector Overview And Market Landscape For Select Electrical Equipments’ dated February 2016, prepared by Frost & Sullivan (I) Private Limited (the “Frost & Sullivan Report”) and various other industry publications and publicly available sources, including ‘The World Factbook’ issued by the Central Intelligence Agency (the “CIA World Factbook”), ‘World Economic Outlook: Adjusting to Lower Commodity Prices’, dated October 2015, prepared by the International Monetary Fund (“World Economic Outlook”) and the Reserve Bank of India Annual Report 2014-15 for the year ended June 30, 2015 of the Reserve Bank of India (“RBI Annual Report”). Industry publications generally state that the information contained in such publications has been obtained from publicly available documents from various sources believed





to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Accordingly, no investment decisions should be made based on such information. Although we believe that the industry and market data used in this Draft Red Herring Prospectus is reliable, it has not been independently verified by us or the BRLMs or any of their affiliates or advisors. The data used in these sources may have been reclassified by us for the purposes of presentation. Data from these sources may also not be comparable. The extent to which the industry and market data presented in this Draft Red Herring Prospectus is meaningful depends upon the reader's familiarity with and understanding of the methodologies used in compiling such data. There are no standard data gathering methodologies in the industry in which we conduct our business and methodologies and assumptions may vary widely among different market and industry sources.

Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors, including those discussed in "*Risk Factors 30 - This Draft Red Herring Prospectus contains information from an industry report which we have commissioned from Frost & Sullivan.*" on page 31. Accordingly, investment decisions should not be based solely on such information.

Additionally, certain information in the chapters titled "*Summary of Industry*", "*Summary of Business*", "*Industry Overview*" and "*Our Business*" of this Draft Red Herring Prospectus have been obtained from the Frost & Sullivan Report.

### Currency and Units of Presentation

All references to "**Rupees**" or "₹" or "**Rs.**" are to Indian Rupees, the official currency of the Republic of India. All references to "**US\$**", "**U.S. Dollar**", "**USD**" or "**U.S. Dollars**" are to United States Dollars, the official currency of the United States of America.

In this Draft Red Herring Prospectus, our Company has presented certain numerical information. All figures have been expressed in millions. One million represents '10 lakhs' or 1,000,000. However, where any figures that may have been sourced from third-party industry sources are expressed in denominations other than millions in their respective sources, such figures appear in this Draft Red Herring Prospectus expressed in such denominations as provided in such respective sources.

### Exchange Rates

This Draft Red Herring Prospectus contains conversions of U.S. Dollars into Indian Rupees that have been presented solely to comply with the requirements of the SEBI ICDR Regulations. These conversions should not be construed as a representation that such currency amounts could have been, or can be converted into Indian Rupees, at any particular rate, or at all.

The exchange rates of U.S. Dollars as on September 30, 2015, March 31, 2015, March 31, 2014, March 31, 2013, March 31, 2012 and March 31, 2011 are provided below.

Currency	Exchange rate as on September 30, 2015	Exchange Rate as on March 31, 2015	Exchange rate as on March 31, 2014	Exchange rate as on March 31, 2013	Exchange rate as on March 31, 2012	Exchange rate as on March 31, 2011
1 USD	65.58	62.51	59.92	54.31	50.88	44.60

Source: SBI Card Rate



## FORWARD-LOOKING STATEMENTS

This Draft Red Herring Prospectus contains certain forward-looking statements. These forward-looking statements include statements with respect to our business strategies, objectives, plans or goals and other matters discussed in this Draft Red Herring Prospectus. These forward looking statements generally can be identified by words or phrases such as “aim”, “anticipate”, “believe”, “expect”, “estimate”, “intend”, “likely to”, “objective”, “plan”, “project”, “will likely result”, “will continue”, “seek to”, “will pursue” or other words or phrases of similar import.

These forward-looking statements are based on our current plans, estimates and expectations and actual results may differ materially from those suggested by such forward-looking statements. All forward-looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. This may be due to risks or uncertainties associated with our expectations with respect to, but not limited to, regulatory changes pertaining to the industries in India in which we have our businesses and our ability to respond to them, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India, which have an impact on our business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic laws, regulations and taxes, changes in competition in our industry and incidence of any natural calamities and/or acts of violence. Important factors that would cause actual results to differ materially include, but are not limited to:

- our ability to successfully identify customer requirements and preferences and gain customer acceptance for our products;
- competition in relation to our products, including from competitors that may have greater financial and marketing resources and our ability to effectively compete with such competitors;
- our ability to manage our working capital cycles and generate sufficient cash flow to satisfy any additional working capital requirements;
- maintaining our relationships with third party authorized dealers and the continuity in their businesses and their ability to maintain their financial health;
- delays in payment from or disputes with Power Utilities, including state-owned power distribution companies;
- our ability to maintain and enhance the ‘HPL’ brand;
- continued operations at our manufacturing facilities without disruptions and our ability to operate our manufacturing facilities at optimum capacity utilization;
- fluctuations in foreign currency exchange rates, particularly in relation to import of raw materials;
- availability and cost of raw materials and continued supply from third party suppliers; and
- our reliance on third parties such as carrying and forwarding agents for the storage and delivery of our products.

For a further discussion of factors that could cause our actual results to differ, see “Risk Factors”, “Our Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on pages 14, 127 and 287, respectively. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Forward-looking statements reflect our current views as of the date of this Draft Red Herring Prospectus and are not a guarantee of future performance. Although we believe that the assumptions on which such statements are based are reasonable, any such assumptions as well as the statement based on them could prove to be inaccurate.

Neither our Company, nor the Syndicate, nor any of their respective affiliates will have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. Our Company and the BRLMs will ensure that investors in India are informed of material developments as required under applicable Law or relevant within the context of the Issue, until the receipt of final listing and trading approvals for the Equity Shares pursuant to the Issue. Further, in accordance with Regulation 51A of the SEBI ICDR Regulations, the Company may be required to undertake an annual updation of the disclosures made in this Draft Red Herring Prospectus and make it publicly accessible in the manner specified by SEBI.



most updated technology and respond effectively to changing customer preferences and requirements, we may be required to undertake additional capital expenditures and investments to upgrade our manufacturing facilities. Our research and development efforts towards upgrading and developing newer technologies for manufacturing modern electric equipment at competitive prices may not be successful or may not fructify into successful commercial production in a timely manner or at all.

The development of alternative technologies or a fundamental shift in technologies in key markets for our electric equipment could have an adverse effect on our business. For instance, the introduction of LED lamps may result in a significant reduction in the sale of CFLs due to the superior technology used therein. The increased acceptance and use of alternative technologies may exert a downward pressure on our sales and consequently have an adverse effect on our future results of operations and financial condition.

- 2. We face competition in relation to our offerings, including from competitors that may have greater financial and marketing resources. Failure to compete effectively may have an adverse impact on our business, financial condition, results of operations and prospects.*

We operate in an increasingly competitive market and our results of operations and financial condition are sensitive to, and may be materially and adversely affected by, competitive pricing and other factors. Increasing competition may result in pricing pressures and decreasing profit margins or lost market share or failure to improve our market position, any of which could substantially harm our business and results of operations.

We face competition from other manufacturers, traders, suppliers and importers of electric equipment in relation to our offerings, in the organized and unorganized sectors. Suppliers in the electric equipment industry compete based on key attributes including technical competence, product quality, strength of sales and distribution network, pricing and timely delivery. While our competitors in the organized sector focus more on technology and quality of their products, their unorganized counterparts supply their products at extremely competitive prices, which we may be unable to effectively compete with. For instance, we face competition from electric equipment of Chinese origin, primarily in the switchgear and lighting equipment verticals, which have gained significant presence in the Indian electric equipment market and which may be sold at more competitive prices than what we offer (*Source: Frost & Sullivan Report*).

Further, many of our competitors, specifically multinational companies, may have significant competitive advantages, including greater brand recognition and greater access to financial, research and development, marketing, distribution and other resources, larger product offerings and greater specialization than us. Additionally, certain of our competitors specialise in manufacturing electric equipment within particular product verticals and hence, may be able to dedicate significantly larger resources towards developing and manufacturing technologically superior equipment than us and their brands may gain greater visibility within those product verticals. Our competitors may, further, enter into business combinations or alliances that strengthen their competitive positions or prevent us from taking advantage by entering into such business combinations or alliances. Increasing competition may result in pricing pressures or decreasing profit margins or lost market share or failure to improve our market position, any of which could substantially harm our business and results of operations. We will be required to compete effectively with our existing and potential competitors, to maintain and grow our market share and in turn, our results of operations.

For further details in relation to the competition we face and our significant competitors, see “*Industry Overview*” and “*Our Business*” on pages 99 and 127, respectively.

- 3. We have long working capital cycles and significant working capital requirements. If we are unable to effectively manage our working capital cycles or generate sufficient cash flow to satisfy any increased working capital requirements and make required payments for our business, our results of operations may be negatively impacted.*

Our business requires significant amounts of working capital including for financing our raw material purchases and manufacturing our products before we receive payments from our customers. Further, our working capital requirements may increase if, contractual or sales terms do not include advance payments or if under such contractual arrangements, payment is stipulated at the time of delivery of the final product to our customer. Moreover, our working capital requirements may also increase in the event we undertake a larger number of orders due to the growth of our business.



In particular, our sales to state electricity boards and power distribution companies (“Power Utilities”) require us to incur significant amounts of working capital on account of contractual terms stipulating payments to be made after delivery, which may further be delayed due to their weak financial health. We are also customarily required to provide performance guarantees to such Power Utilities to secure obligations under contracts with them. Further, we continue our manufacturing activities during the pre-dispatch inspection process undertaken by such Power Utilities, and under certain contracts are required to maintain rolling stock of our products at all times. In the event our products are rejected pursuant to such inspection, our unsold inventory of finished products may increase significantly. We may also need additional working capital for undertaking requisite modifications to such products before we can resell them. Additionally, our raw material imports are against letters of credit in favour of our suppliers to secure our payment obligations. If we are unable to provide sufficient collateral to secure such letters of credit or performance guarantees, our ability to enter into contracts for sales of our products, primarily to Power Utilities, or obtain adequate raw material supplies may be restricted. As we expand our operations, we will require additional working capital to secure such letters of credit and/or performance guarantees.

Long working capital cycles, particularly due to delay in payments from our customers further increase our working capital requirements. Although our annual sales policy and contract caps the credit cycle of such authorized dealers at 60 days, our authorized dealers may take up to 150 days to make payments. Further, the number of holding days required for realizing our trade receivables have increased during the six months ended September 30, 2015, as compared to holding days required for realizing our trade receivables during fiscal 2015. While we are in the process of implementing measures to improve our inventory management and rationalize our working capital cycle, we may be unable to adequately finance our working capital requirements on account of various factors, including extraneous factors such as increased interest rates, insurance or other costs, or borrowing and lending restrictions, on commercially acceptable terms or at all, which may have a material adverse effect on our business, financial condition, prospects and results of operations.

4. *Disruption in our relationships with third party authorized dealers, changes in their business practices, their failure to meet payment schedules and provide timely and accurate information could adversely affect our business, operating cash flows and financial condition.*

We rely upon our network of third party authorized dealers or distributors for a significant portion of our sales and distribution operations within India. As on December 31, 2015, we had appointed over 2,000 authorized dealers to whom we sell our products for further sale and distribution to over 12,000 retailers, as on December 31, 2015, government agencies including central and state public works departments, municipal corporations and public sector enterprises, amongst others (collectively, “Government Agencies”), developers of industrial, residential and commercial building projects and other end-consumers. We also sell our products directly to certain institutional and corporate customers for which, we may procure orders through our authorized dealers. We typically enter into annual contracts with our authorized dealers for the sale and distribution of our products that can be renewed at the instance of our Company. Our annual contracts include certain incentives for our authorized dealers, including offering cash discounts at varied rates where we receive payments within particular time periods, with the credit cycle capped at 60 days from the date of the invoice raised in favour of our authorized dealers. However, from time to time, our authorized dealers take up to 150 days to make payments to us. Our authorized dealers are also source of market information for our products which aids our production teams in preparing demand estimates.

While we believe that our relationship with our authorised dealers have been satisfactory, we cannot assure you that we will be able to maintain our relationships with such third party authorised dealers in the future. Further, there can be no assurance that these third party authorised dealers will continue to maintain adequate sales capabilities, will be successful in ensuring onward sale of our products or that they will continue to provide verified and adequate information for preparing demand forecasts for our products. Further, our contracts with our authorised dealers do not have built in exclusivity clauses. If our competitors offer our authorised dealers more favorable terms and/or have larger product offerings available to meet their requirements, those authorised dealers may de-emphasize or decline to distribute our products. Further, our authorised dealers are susceptible to changing their business practices, such as the inventory levels they maintain, or may fail to meet payment schedules, causing us to revise or revoke the credit period extended to them under our annual sales policy and contract. We have also, in the past, had instances of unexpected discontinuation of business by our authorised dealers and non-payment of amounts owed to us, and cannot assure you that such events will not occur in the future. Any such occurrence could disrupt our relationship with our authorised dealers and negatively impact our sales and revenues, business, operating cash flows and financial condition.



While we work with our authorised dealers to ensure continued business with them, we cannot assure you that our authorised dealers will not breach certain terms of their agreements with us or that they will not discontinue their relationships with us, primarily on account of their inability to adhere to our terms and conditions. In the event our authorised dealers are unable to fulfil their obligations under their respective contracts, we may be unable to replace these authorised dealers in a timely manner, at commercially acceptable terms or at all, and our revenue would be materially and adversely affected. We may also have to initiate litigation in respect of any breach by such authorised dealers, and such litigation could divert the attention of our management from our operations, which could harm our business, financial condition and results of operation. For instance we have initiated 20 legal proceedings against authorised dealers under the Negotiable Instruments Act, 1881, as amended ("N.I. Act"), for dishonor of cheques, involving an aggregate ascertainable amount of ₹ 14.92 million. In addition, our growth is dependent upon our ability to expand the geographical reach of our sales and distribution network in turn increasing our sales volumes. If we are unable to expand our sales and distribution network due to disruptions in our relationships with our authorised dealers, our business, financial condition and prospects may be adversely affected.

**5. *We earn a significant portion of our revenue from Power Utilities. Any delay in payment or disputes with these Power Utilities may have a material adverse effect on our business and financial condition.***

We earn a significant portion of our revenue from sales of our products to Power Utilities, particularly our electronic metering solutions, pursuant to direct contractual arrangements with them. For fiscal 2015, fiscal 2014 and fiscal 2013, our revenue from sale to Power Utilities was 31.81%, 38.80% and 38.85% of the net consolidated revenue from operations for the respective periods. In particular, our sales to Power Utilities are based on submission of bids and grant of contracts, which may require us to offer our products at competitive prices to them. However, there can be no assurance that our bid will be successful. Moreover, even if our bid is successful, we may not receive orders within expected timelines or at all, which may negatively impact our annual production and sales plans. Submission of bids to Power Utilities also require us to provide bid guarantees to the Power Utilities, which are returned either upon receipt of an order from such Power Utility or in case our bid is unsuccessful. In case of a delay in closure of the bidding process or in receipt of an order for our products from the Power Utility, our bid guarantee will be blocked with the Power Utility, which may affect our working capital requirements.

Additionally, our contractual arrangements with Power Utilities typically stipulate a fixed price at which we are required to sell our products to such Power Utility and we may not be able to pass on an increase in the cost, in whole or in part, of manufacture of our products to them in the absence of a provision for adequate adjustments for cost escalation in our existing or future contracts. Further, we are generally required to submit performance guarantees to the Power Utilities in respect of our products, amounting up to 10% of the entire order value, with validity until the end of the warranty period, which usually extends to five years or more, with provision for extension beyond such period. During this period we are required to provide repair and replacement services for products supplied by us to such Power Utilities. However, we have, in the past, had instances where Power Utilities have required us to extend the validity of the performance guarantee. In case of any deficiency in our products or our repair and replacement services, or in the event we fail to meet delivery schedules or extend the validity of such performance guarantees, such Power Utilities may invoke the performance guarantees, requiring us to make significant payments. As on December 31, 2015 the aggregate amount of outstanding performance guarantees given by us was ₹ 2,537.18 million. Moreover, in such cases, or in the event we are unable to supply the contracted quantity in a timely manner, we may be blacklisted from applying for future bids to such Power Utility.

Our contractual arrangements with Power Utilities include confirmed orders for particular quantities of electric equipment to be supplied. For instance, as on September 30, 2015 and March 31, 2015, we had confirmed orders amounting ₹ 2,534.24 million and ₹ 1,934.55 million, respectively, from Power Utilities. However, situations may arise where such Power Utilities purchase only a portion of such quantities, or extend purchasing timelines or cancel the entire order. Further, our products are also subject to pre-dispatch inspections by the Power Utilities, which may take up to one month. However, we continue manufacturing products during this period, which requires us to incur significant additional working capital expenditure. In case Power Utilities do not purchase our products within stipulated timelines, or such pre-dispatch inspections are delayed for any reason, our working capital cycle will be adversely affected, thereby impacting our cash flows and our financial condition. Further, as our supply to Power Utilities consists primarily of meters that are manufactured with inbuilt identification marks of the particular Power Utility, in the event such Power Utility cancels its order due to any reason, we will be required to incur additional costs to modify our products in order to find alternate customers for them.



Moreover, payments from Power Utilities in India have been in the past, and may in the future, be subject to several delays on account of their poor financial health, regulatory scrutiny and long procedural formalities. If payments under our contractual arrangements with Power Utilities are delayed or if such Power Utilities default in making payments for products purchased from us, our sales and revenues would be adversely affected. Delayed payments from or non-payment by Power Utilities would also negatively affect our working capital requirements and may entail incurring additional finance costs. We may also encounter disputes with the Power Utilities for the recovery of such delayed payments, which may place a further strain on our resources. Further, there can be no assurance that the outcome of these disputes would be in our favor and any unfavorable decision would adversely affect our business and prospects. Additionally, we may be included in any ongoing or future investigations that may be undertaken against any Power Utility to which we supply our products in the normal course of our business. Any delay in payment from Power Utilities or our inclusion in any investigations involving the Power Utilities, to which we supply our products, may materially and adversely affect our business, financial condition, reputation and prospects.

6. *If we are unable to maintain and enhance the 'HPL' brand, the sales of our products will suffer, which would have a material adverse effect on our results of operations.*

We believe that our brand image plays a significant role in the success of our business and sustaining customer loyalty. The ability to differentiate our brand and products from that of our competitors through our promotional, marketing and advertising initiatives is an important factor in attracting customers, particularly for retail customers and end users in the switchgear, lighting and luminaries and wires and cables verticals. Maintaining and enhancing our brand image may require us to undertake significant expenditures and make investments in areas such as research and development, advertising and marketing, through media and other channels of publicity, and towards employee development and training. If our initiatives in any of these areas are not effectively implemented or our products fail to find acceptance with our existing and potential customers resulting in loss of customer confidence in our brand for any reason, our ability to attract and retain customers could be adversely affected.

Additionally, we anticipate that as we enter newer markets and face increased competition in our existing and newer markets, maintaining and enhancing our brand image may become more difficult and may require additional expenditures and investments. Our reputation and brand image may also be hampered or negatively impacted by the presence or availability of spurious products sold under our brand or any adverse publicity in such markets. Further, any damage caused on account of our products or any adverse publicity related to our products may negatively impact our reputation and business. Our ability to maintain customer loyalty and to enhance our brand image will be largely dependent on our ability to sustain our position in the market to successfully anticipate and respond to customer requirements and demand in a timely and consistent manner, maintain the quality of our offerings and ensure adequate awareness of our brand. We cannot assure you that we will be successful in achieving all or any of these in an effective manner, or at all. If we are unable to maintain and enhance our brand image, our results of operations may suffer and our business may be harmed.

7. *Continued operations at our manufacturing facilities are critical to our business and any disruption in our manufacturing facilities would have a material adverse effect on our business, results of operations and financial condition. Further, our manufacturing facilities are not operating at optimum capacity utilization and there can be no assurance that we will be successful in achieving such utilization levels.*

Our manufacturing facilities are subject to operating risks, such as the breakdown or failure of equipment, power supply or processes, performance below expected levels of efficiency, obsolescence of equipment or machinery, labour disputes, natural disasters, industrial accidents and the need to comply with the directives of relevant government and regulatory authorities. Our customers rely significantly on the timely delivery of our products and our ability to provide an uninterrupted supply of our products is critical to our business.

Presently, our manufacturing facilities are not operating at optimum capacity utilisation. During the six months ended September 30, 2015, we were operating our manufacturing facilities at Gurgaon Facility I, Gurgaon Facility II, Kundli Facility, Sonapat Facility, Jabli Facility and Gharaunda Facility at 88.77%, 115.86%, 51.82%, 58.85%, 68.91% and 78.50%, respectively, of their installed capacity as on such date. While we seek to increase the capacity utilisation levels, there can be no assurance that demand for our products will grow at expected rates or that we will be successful in capturing this increase in demand. If we are unable to garner adequate demand for our products, we may fail to justify our decisions to increase installed capacity at our manufacturing facilities, which may have an adverse impact on our business prospects, financial condition and results of operations.



Further, we cannot assure you that the capacity utilisation will not further decrease from current utilisation levels, which may further increase the cost of production in the future, as maintenance costs increase for our plant and machinery. If we are unable to pass on this additional cost to our customers, our gross margins could decline and our revenue, results of operations and financial condition would be adversely affected.

Our electricity requirements for our manufacturing facilities are directly sourced from local utilities. While we maintain power back-up in the form of diesel generator sets, we cannot assure you that we will successfully be able to prevent disruptions in our manufacturing processes in case of non-availability of adequate supply of power. Further, if electricity is not available for any future expansion of our manufacturing facilities, we may need to shut down, or in the alternate downsize our manufacturing capacities, until adequate supply of electricity is restored, resulting in reduced production, increased costs associated with maintaining adequate quantities of production to meet current or future demand for our products and the loss of production in progress.

Our business and financial results may be adversely affected by any disruption of operations of our product lines, including as a result of any of the factors mentioned above.

**8. *We are exposed to foreign currency fluctuation risks, particularly in relation to import of raw materials, which may harm our results of operations.***

Our Company imports certain of its raw materials, and for the six months ended September 30, 2015, fiscal 2015, fiscal 2014 and fiscal 2013, our consolidated expenditure on import of raw material accounted for 23.07%, 23.88%, 25.28% and 26.48%, respectively of our consolidated total expenses. Further, for the six months ended September 30, 2015, fiscal 2015, fiscal 2014 and fiscal 2013, our consolidated revenue from export of our products accounted for 1.41%, 2.61%, 2.63% and 2.22%, respectively of our gross consolidated revenue from operations.

Our financial statements are presented in Indian Rupees. However, our expenditure and revenue are influenced by the currencies of those countries from where we procure our raw materials (for example, Thailand and Hong Kong) and to a limited extent by currencies of countries to which we export our finished products (for example countries in south-east Asia and the Middle East).

The exchange rate between the Indian Rupee and these currencies has fluctuated in the past and our results of operations have been impacted by such fluctuations and may be impacted by such fluctuations in the future. Depreciation of the Indian rupee against the U.S. Dollar and other foreign currencies may adversely affect our results of operations by increasing the cost of our raw materials or any proposed capital expenditure in foreign currencies. Volatility in the exchange rate and/or sustained appreciation of the Indian Rupee will negatively impact our revenue and operating results.

We presently do not enter into hedging contracts for hedging our foreign exchange risks. As on September 30, 2015, our consolidated unhedged foreign currency payables amounted to ₹ 1,045.85 million and our consolidated unhedged foreign currency receivables amounted to ₹ 21.87 million.

**9. *We are dependent on third party suppliers for continued supply of raw materials, the availability and cost of which may adversely affect our business, financial condition, results of operations and prospects.***

Our ability to manufacture and make timely deliveries of our products is dependent on the availability and cost of raw materials. Our consolidated raw material expenditure for the six months ended September 30, 2015, fiscal 2015, fiscal 2014 and fiscal 2013 was ₹ 3,412.03 million, ₹ 7,433.90 million, ₹ 7,302.22 million and ₹ 6,779.04 million which, constituted 56.14%, 64.13%, 65.08% and 67.22% of our gross consolidated revenue from operations for such periods. Our primary raw materials comprise copper, electronic components, engineering plastic and packing material, which contributed to 12.19%, 34.23%, 6.42% and 2.01%, and 11.54%, 31.02%, 7.93% and 2.10%, of our consolidated total expenses for the six months ended September 30, 2015 and fiscal 2015, respectively.

We procure our raw material requirements, directly, through spot contracts from domestic suppliers and through letters of credit opened in favour of international suppliers at pre-determined prices. While we are not dependent on any single raw material supplier, raw material supply and pricing can be volatile due to a number of factors beyond our control, including global demand and supply, transportation and labour costs, labour unrest, natural disasters, competition, import duties, tariffs and currency exchange rates, and any unanticipated variation in any



of these factors could have a material adverse effect on our operations. For instance, the increased volatility in copper prices in fiscal 2015, the primary raw material used in manufacturing wires and cables, resulted in decrease in us accepting orders for manufacture of wires and cables by us, and consequently, our revenue from sale of wires and cables fell by 11.80% in fiscal 2015, as compared to fiscal 2014. Raw material prices, including that of copper, may significantly increase in the future, which may negatively impact our production costs and our revenues. Further, our ability to counter increases in price of raw materials by using raw material substitutes may be restricted and may further increase our cost of production. Our ability to pass on this increased cost in production to our customers may be restricted, particularly to Power Utilities, with whom we typically have fixed price sales contracts. Additionally, there may be limited alternate suppliers for certain of our raw materials and non-availability of any raw material may result in disruption of our manufacturing process.

We generally do not enter into agreements with our suppliers and transact with them on an order-by-order basis, and we cannot assure you that we will continue to enjoy undisrupted relationships with our suppliers in the future. We purchase certain standard raw materials such as copper and polycarbonate based on monthly estimates and certain raw materials based on specifications provided by various customers only upon receipt of confirmed orders. We cannot assure you that we will be able to procure such specific raw materials in a timely manner or at commercially acceptable terms, or at all, resulting in delays in production and delivery of our products. Further, while we presently procure our raw material requirement after undertaking adequate enquiry as to the availability, price and quality of such raw material in the open market, our raw material suppliers may fail to consistently deliver products of acceptable price and quality and within stipulated schedules, or there may not be adequate supply of certain raw materials, which may adversely affect our operations.

If we are unable to obtain adequate supplies of raw material in a timely manner or on commercially acceptable terms, or if there are significant increases in the prices of the raw materials, our business and results of operations may be materially and adversely affected. To the extent that we are unable to secure adequate supplies of raw material which meet our quality standards, or are unable to pass on the price increases to our customers, our profitability and prospects may be impaired.

**10. *Our reliance on third parties such as carrying and forwarding agents for the storage and delivery of our finished products exposes us to certain risks.***

We rely on third parties for the performance of certain functions and services, including the storage and delivery of our finished products and facility management functions. Our ability to identify and build relationships with reliable carrying and forwarding agents and vendors contributes to our growth and successful management of our inventory as well as other aspects of our operations.

We have appointed third party carrying and forwarding agents for carrying out our storage functions. Our carrying and forwarding agents, with whom we execute annual contracts, may fail to renew their contract with us, provide adequate storage facilities for our finished products or fail to make timely deliveries of our products to authorised dealers at the stipulated venue. Although we believe our relationships with our carrying and forwarding agents have been satisfactory thus far, there can be no assurance that we will not experience disruptions in their services in the future. We may be required to replace a carrying and forwarding agent on account of the agent's inability to provide adequate warehousing that meets our quality standards or in the event that such agent consistently fails to satisfy the minimum sales guarantee.

Factors such as the financial instability of carrying and forwarding agents, non-compliance with applicable laws, trade restrictions, labour disputes, severe weather, political uncertainty, terrorist attacks and lack of adequate transport capacity and product handling capabilities and cost may disrupt our distribution chains, which may result in increased costs, damage to our finished products or delivery delays, which may in turn harm our reputation with our customers. While we maintain insurance policies to cover certain of these risks, we cannot assure you that such insurance will be adequate to cover the loss or that any claim that we make under these insurance policies will be honored in full or in part, or on time. There can be no assurance that third party carrying and forwarding agents will be able to meet their contractual commitments to us, or that we will not be required to incur additional costs to remedy any deficiencies in their services or to obtain alternative sources of warehousing in the event that our carrying and forwarding agents should default or be delayed in their performance. A significant disruption in our storage facilities or delivery may, in turn, disrupt our operations and adversely affect our inventory management, business and financial condition, at least until alternative sources are arranged.

**11. *There is outstanding litigation involving our Company, the Promoters, the Directors and the Group***





*Companies, which, if determined adversely, may affect their business and operations and our reputation.*

Our Company, Directors, Joint Ventures, Promoters and Group Companies are involved in certain legal proceedings (including income, sales and service tax, excise and customs duty and regulatory proceedings) at different levels of adjudication before various courts, tribunals and appellate authorities. In the event of adverse rulings in these proceedings or consequent levy of penalties by other statutory authorities, our Company, Directors, Promoters or Group Companies may need to make payments or make provisions for future payments, which may increase expenses and current or contingent liabilities and also adversely affect our reputation.

Brief details of such outstanding litigation as of the date of this Draft Red Herring Prospectus are set forth below.

Name of Entity	Criminal proceedings under Section 138 of the N.I. Act	Civil/arbitration proceedings	Tax proceedings	Labour disputes	Regulatory	Aggregate amount involved (₹ in million)
<b>Company</b>	-	2	24	1	-	246.55*
Against the Company	-	-	1	1	-	27.18
By the Company	20	-	-	-	-	-
<b>Against subsidiaries and Joint Ventures</b>	-	-	3	-	-	1.53
Himachal Energy	-	-	2	-	-	Nil
HPL-Shriji JV	-	-	2	-	-	Nil
HPL-Shriji-Trimurthi JV	-	-	-	-	-	-
<b>By subsidiary and Joint Ventures</b>	-	1	-	-	-	25.90
Himachal Energy	-	1	-	-	-	25.90
<b>Against the Directors</b>	-	1	-	-	1	2.50*
Mr. Lalit Seth	-	-	1	-	1	0.48
Mr. Rishi Seth	-	-	2	-	1	0.73
Mr. Gautam Seth	-	-	-	-	-	-
<b>By the Directors</b>	-	1	-	-	-	3.20**
Mr. Lalit Seth	-	1	-	-	-	3.20**
Mr. Rishi Seth	-	1	-	-	-	3.20**
Mr. Gautam Seth	-	1	-	-	-	3.20**
<b>Against our Promoters (excluding our Directors)</b>	-	1	-	-	-	2.50*
Havell's Private Limited	-	1	13	-	-	10.39*
HIL	-	1	14	-	-	13.32*
HEPL	-	-	-	-	-	-
<b>By our Promoters</b>	3	-	-	-	-	3.32
HIL	3	-	-	-	-	3.32
<b>Against our Group Companies</b>	-	-	1	-	1	Nil
JIPL	-	-	1	-	1	Nil
<b>By our Group Companies</b>	-	1	-	-	-	3.20**
JIPL	-	1	-	-	-	3.20**

\*Includes litigation instituted by Havells India Limited and Mr. Qimat Rai Gupta, involving our Company and our Promoters. For further details, see "Outstanding Litigation and Material Developments" on page 314.

\*\*Includes civil litigation initiated by Mr. Lalit Seth, our Promoter, Mr. Rishi Seth and Mr. Gautam Seth, our Joint Managing Directors and JIPL, our Group Company. For details, see "Outstanding Litigation and Material Developments" on page 314.

For details, see "Outstanding Litigation and Material Developments" on page 314.

We cannot assure you that any of the legal proceedings described above will be decided in favor of the Company, the Promoters, the Directors and the Group Companies, respectively. Further, the amounts claimed in these proceedings have been disclosed to the extent ascertainable, excluding contingent liabilities and include amounts claimed. Should any new developments arise, such as a change in Indian law or rulings by appellate courts or tribunals, additional provisions may need to be made by us, the Promoters, the Directors and the Group Companies in our respective financial statements, which may adversely affect our business, financial condition and reputation.

12. *Our indebtedness and imposition of certain restrictive covenants in our debt financing arrangements could adversely affect our financial condition and results of operations.*



As on December 31, 2015, we had aggregate outstanding loans of ₹ 6,017.01 million on a consolidated basis, comprising ₹ 5,317.01 million of secured loans and ₹ 700 million outstanding against unsecured commercial paper issued by us. We may incur additional indebtedness in the future. Our indebtedness could have several important consequences, including but not limited to the following:

- a portion of our cash flow will be used towards repayment of our existing debt, which will reduce the availability of cash to fund working capital needs, capital expenditures, acquisitions and other general corporate requirements;
- our ability to obtain additional financing in the future at reasonable terms may be restricted;
- fluctuations in market interest rates may affect the cost of our borrowings, as our loans are at variable interest rates;
- our ability to declare dividends; and
- we may be more vulnerable to economic downturns, may be limited in our ability to withstand competitive pressures and may have reduced flexibility in responding to changing business, regulatory and economic conditions.

Most of our financing arrangements are secured by our movable assets and by certain immovable assets. Our accounts receivables and inventories, including certain machinery and equipment, are subject to charges created in favour of specific secured lenders. Further, under our secured financing arrangements, some of our lenders have a right to convert existing debt into fully paid up equity shares and to appoint a nominee director on the Board of our Company. Many of our financing agreements also include various conditions and covenants that require us to obtain lender consents prior to carrying out certain activities and entering into certain transactions. Typically, restrictive covenants under financing documents of our Company relate to obtaining prior consent of the lender for, among others:

- diluting majority shareholding of our Promoters or any change in control or ownership of our Company;
- obtaining additional borrowings or creation of additional encumbrances over our assets charged as security to our lenders;
- carrying out any material change in the management of our Company or undertaking any merger, amalgamation, compromise or reconstruction;
- amending the constitutional documents of our Company;
- pre-paying any indebtedness incurred by our Company;
- making any corporate investments by way of share capital or debentures or lending or advancing funds to or placing deposits with, any entity, except in the normal course of business and to our employees;
- payments to or lending to any of our Group Companies;
- revaluing the assets of our Company; and
- undertaking guarantee obligations on behalf of any third party or any other company.

While we have obtained relevant consents and waivers from such lenders in relation to this Issue, any failure to meet any of these conditions or to obtain relevant consents, as may be required, could have significant consequences for our business. For further details of the restrictive covenants under financing documents of our Company and details of the consents and waivers obtained from our lenders, see "**Financial Indebtedness**" on page 309.

Any failure to service our indebtedness, perform any condition or covenant or comply with the restrictive covenants could lead to a termination of one or more of our credit facilities, acceleration of amounts due under such facilities and cross-defaults under certain of our other financing agreements, any of which may adversely affect our ability to conduct our business and have a material adverse effect on our business, financial condition, results of operations and cash flows.

**13. *If we are unable to accurately forecast customer demand for our products, we may not be able to maintain optimum inventory levels resulting in additional strain on our resources.***

While we manufacture our products for sale to Power Utilities based on confirmed orders under direct contractual arrangements, we determine the quantities of electric equipment manufactured for sales and distribution through our authorized dealers pursuant to management estimates based on historic trends and demand data and our internal forecasts provided to us by such authorized dealers, which is used to extrapolate expected future sales



pattern. During fiscal 2015, fiscal 2014 and fiscal 2013, we earned 31.81%, 38.80% and 38.85%, respectively, of our net revenue from operations from sale to Power Utilities through direct contractual arrangements. We earned the remaining revenue from our operations from sales through our network of authorised dealers.

However, our future earnings through the sale and distribution of our products may not be realized as forecasted, on account of cancellations or modifications of firm orders or our failure to accurately prepare demand forecasts. If we are unable to appropriately estimate the demand for our products for any reason, it could result in excess inventory levels or unavailability of our products during increased demand, resulting in below potential sales. For the six month period ended September 30, 2015 and fiscals ended March 31, 2015, March 31, 2014 and March 31, 2013, we maintained an inventory of finished goods of 16.70%, 8.34%, 7.66% and 7.71% of our gross consolidated revenue from operations, respectively.

Our ability to accurately forecast customer demand for our products is affected by various factors, including:

- a substantial increase or decrease in the demand for our products or for similar offerings of our competitors;
- introduction of technologically updated electric equipment and changes in customer requirements;
- aggressive pricing strategies employed by our competitors;
- failure to accurately forecast or changes in customer acceptance of our products;
- limited historical demand and sales data for our products in newer markets; and
- weakening of general economic conditions or customer confidence that could reduce the sale of our offerings.

Inventory levels in excess of customer demand may result in inventory write-downs or write-offs or we may be required to sell our excess inventory at discounted prices, which will adversely affect our gross margins and negatively impact our reputation and brand exclusivity. On the other hand, if we face demand in excess of our production, we may not be able to adequately respond to the demand for our products. This could result in delays in delivery of our products to our customers and we may suffer damage to our reputation and customer relationships. Additionally, our customers may be driven to purchase products offered by our competitors, thereby affecting our market share in the short term, which may extend to the long term. There can be no assurance that we will be able to manage our inventories at optimum levels to successfully respond to customer demand.

***14. Our growth strategy to enter international markets exposes us to certain risks, which may adversely affect our business, financial condition, results of operations and prospects.***

As part of our growth strategy, 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. We cannot assure you that our sales and marketing efforts in these or any other international markets will be successful and provide us with adequate sales and business opportunities.

Expansion of our sales and distribution to countries outside India is accompanied by certain financial and other risks, including:

- changes in foreign regulatory requirements and quality standards;
- local customer preferences and requirements;
- developing local sales and distribution network in such geographies;
- fluctuations in foreign currency exchange rates;
- political and economic instability;
- inability to effectively enforce contractual or legal rights and adverse tax consequences;
- differing accounting standards and interpretations;
- differing domestic and foreign customs, tariffs and taxes;
- staffing and managing widespread operations; and
- logistic costs and availability.

In addition, entering new geographic areas, for which we currently do not possess the same familiarity with the economy, customer preferences, commercial operation and distribution network. Further, entering new markets poses risks and potential costs such as failure to attract a sufficient number of customers, or to anticipate competitive conditions that are different from those in our existing markets, and significant marketing and promotion costs, among others. We may face the risk that our competitors and the established players in such geographies may be better known and more experienced in such markets and they may enjoy better relationships



with distributors and consumers, gain early access to information regarding attractive sales opportunities and be better placed to launch products with other advantages of being a first mover. Our expansion plans could be delayed or abandoned, incur additional expenditure for execution than anticipated and may divert our resources, including our management's attention, from other aspects of our business. Consequently, it may place a strain on our management, operational and financial resources, as well as our information systems, any of which could impact our competitive position and reduce our revenue and profitability.

Further, there is no assurance that future political and economic conditions in countries outside India in which we are currently present or will enter in the future will be stable and will not result in their governments adopting different policies with respect to imports in products within the electric equipment industry. Furthermore, any changes in policy may result in changes in laws affecting ownership of assets, taxation, rates of exchange, environmental protection, labor relations, repatriation of income and return of capital, which may affect our ability to generate profits for our shareholders. There can be no assurance that we will be able to effectively manage our entry into new geographical areas.

15. *We are subject to stringent labour laws or other industry standards and any strike, work stoppage or increased wage demand by our employees or any other kind of disputes with our employees could adversely affect our business, financial condition, results of operations and cash flows.*

Our manufacturing activities require our management to undertake significant labour interface, and expose us to the risk of industrial action. As at December 31, 2015, we had 1,943 employees on our rolls. We are also subject to a number of stringent labour laws that protect the interests of workers, including legislation that sets forth detailed procedures for dispute resolution and employee removal and legislation that imposes financial obligations on employers upon retrenchment.

While we presently are not involved in any dispute with our workforce, the employees at our manufacturing Jabli Facility went on a strike on September 3, 2015, subsequent to the HPL Electric & Power Limited and Himachal Energy Workers Union, Jabli (Himachal Pradesh) ("**Jabli Workers' Union**") submitting a demand notice dated July 20, 2015 under the Industrial Disputes Act, 1947 against the occupier of such manufacturing facility, comprising 19 miscellaneous demands, including pay, allowances and other service conditions. The Labour Commissioner, Himachal Pradesh, by orders dated September 15, 2015 prohibited the strike in public interest and simultaneously, referred the dispute to the Industrial Tribunal cum Labour Court, Shimla for adjudication. However, a portion of our workforce continued the strike until November 9, 2015, when a settlement agreement was entered into by our Company with the Jabli Workers' Union. Our production at our manufacturing Jabli Facility was materially and adversely affected, although employees on our rolls continued to be involved in the production activities. Pursuant to an order of the Labour Commissioner, Himachal Pradesh dated November 5, 2015 and a settlement agreement dated November 9, 2015, amongst the Jabli Workers' Union and our Company, we agreed to pay wages of workers prior to September 15, 2015, when the strike was prohibited. Further, certain workers who had been suspended were reinstated and accordingly, the parties agreed to withdraw any cases filed by them against each other. This agreement is valid for three years from the date its execution, and accordingly, the strike was called off and work resumed at our manufacturing Jabli Facility. There can be no assurance that we will not experience disruptions to our operations due to disputes or other problems with our workforce in the future, which may adversely affect our business. Further, if labour laws become more stringent or are more strictly enforced, it may become difficult for us to maintain flexible human resource policies, discharge employees or downsize, any of which could have an adverse effect on our business, financial condition, results of operations and cash flows.

We also enter into contracts with independent contractors who, in turn, engage on-site contract labour to perform certain operations. Although we generally do not engage such labour directly, it is possible under Indian law that we may be held responsible for wage payments to the labour engaged by contractors should the contractors default on wage payments. Any requirement to fund such payments will adversely affect us, our business, financial condition, results of operations and cash flows. Furthermore, under the Contract Labour (Regulation and Abolition) Act, 1970 ("**CLRA**"), we may be required to absorb a portion of such contract labour as permanent employees. Any order from a regulatory body or court requiring us to absorb such contract labour may have an adverse effect on our business, financial condition, results of operations and cash flows.

16. *We may be subject to risks associated with product warranty.*

We are subject to risks and costs associated with product warranties, supply of defective electric equipment, or



related after-sales services provided by us within the warranty periods stipulated for our products. We usually provide warranty against manufacturing defects on our products, other than for LED lamps and meters, for a period of 18 months from the date of manufacture or 12 months from the date of sale/commissioning, whichever earlier. The product warranty for our LED lamps extends to 30 months from the date of manufacture or two years from the date of final sale, whichever earlier, and the warranty period for the meters that we sell to Power Utilities extends for a period exceeding five years from the date of commissioning of the meters supplied to Power Utilities. However, we may offer product warranty for certain electric equipment for longer periods, on account of trade relations with our authorised dealers or institutional customers and corporate houses. We are also required to issue performance guarantees to secure our warranty obligations under our contractual arrangements with Power Utilities. As on September 30, 2015, the aggregate amount of performance guarantees issued to Power Utilities was ₹ 2,537.18 million.

Any defects in the finished products may result in invocation of such warranties or performance guarantees issued by us and may require repair or replacement resulting in additional costs for our Company. While our sales policy requires confirmation and validation of the manufacturing defect by our Company's authorised representatives, lack of adequate response through repair or replacement of our products may lead to assertion of monetary claims, liabilities and/or litigation, which would require us to expend considerable resources. There can be no assurance that we will be able to successfully defend or settle such claims and lawsuits to which we are and in the future may be subject. Further, we may be blacklisted by Power Utilities and/or other Governmental Agencies in the event there are numerous cases of manufacturing defects in our products sold to them or in the event we are unable to supply the contracted quantities of products. Multiple instances of manufacturing defects in our products or any product liability claim against us could generate adverse publicity, leading to a loss of reputation, customers and/or increase our costs, thereby materially and adversely affecting our reputation, business, results of operations, financial condition and cash flows.

- 17. *The loss of services of our individual Promoter, and members of our senior management, who are involved in our operations and certain other members of our senior management or our inability to attract and retain skilled personnel could adversely affect our business.***

Our Promoter and Chairman, Mr. Lalit Seth has over 40 years of experience in the electric equipment manufacturing industry and is responsible for the growth of our business and is closely involved in the overall strategy, direction and management of our business. We are also dependent on our senior management, directors and other key personnel, and believe our senior management and their understanding of the industry trends and market changes have been instrumental in the success of our brand amongst our customers. Further, we have employed 105 engineers responsible for undertaking research and development at the Gurgaon R&D Centres and the Kundli R&D Centre, towards improving and upgrading our existing offerings and developing new products and technologies. Our future performance will depend upon the skills, efforts, expertise, and continued services of these persons and our ability to attract and retain qualified managers and employees. The loss of their services or those of any other members of senior management could impair our ability to implement our strategy and may have a material adverse effect on our business, financial condition and results of operations.

- 18. *We are subject to various laws and regulations and required to comply with several regulatory compliance requirement, in jurisdictions where we operate, including environmental and health and safety laws and regulations, which may subject us to increased compliance costs, which may in turn result in an adverse effect on our financial condition.***

Our operations are subject to various national, state and local laws and regulations some of which may involve varied interpretations and application of law. We are subject to laws specific to the industry in which we operate, as well as laws generally governing business in India, including those relating to the protection of the environment and occupational health and safety, including those governing the generation, handling, storage, use, management, transportation and disposal of, or exposure to, environmental pollutants or hazardous materials resulting from our manufacturing processes. For instance, we require approvals under the Water Act and the Air Act in order to establish and operate our manufacturing facilities in India, and registrations with the relevant tax and labour authorities in India. There can be no assurance that the relevant authorities will issue such permits or approvals in the timeframe anticipated by us, which are generally required to be renewed periodically, or at all. Failure by us to renew, maintain or obtain the required permits or approvals may result in the interruption of our operations and may have a material adverse effect on our business, financial condition, results of operations and cash flows.

Set forth below are the approvals and licenses for which, we have made applications but have not received the



approval/license, as on the date of this Draft Red Herring Prospectus.

S. No.	Particulars	Authority applied to	Application No.	Date of Application
1.	Application for renewal of registration and license issued under the Factories Act, 1948	Labour Department, Haryana	Form - 2	February 2, 2016
2.	Application for renewal of the no objection certificate with respect to fire safety arrangement	Municipal Corporation, Gurgaon, Haryana	201509125850	September 12, 2015
3.	Application for renewal of no objection certificate with respect to fire safety arrangement made to Municipal Corporation, Gurgaon	Municipal Corporation, Gurgaon, Haryana	201510193765	October 19, 2015
4.	Application for renewal of the no objection certificate with respect to fire safety arrangement made to the Fire Station Officer, Kundli (Haryana)	Fire Station Officer, Kundli (Haryana)	Not Applicable	September 1, 2015
5.	Application for the renewal of the no objection certificate with respect to fire safety arrangement made to the Chief Fire Station Officer, Shimla, Himachal Pradesh	Chief Fire Station Officer, Shimla, Himachal Pradesh	HEPL/HR/2016	January 27, 2016

For details of pending applications, see "*Government and Other Approvals*" on page 323.

Additionally, we are required to adhere to certain terms and conditions provided for under the statutory and regulatory permits and approvals, some of which may require us to undertake substantial compliance-related expenditure. For details of our material permits and approvals, see "*Government and Other Approvals*" on page 323.

Any alleged breach or non-compliance with specified conditions may result in the suspension, withdrawal or termination of our approvals and registrations or the imposition of penalties by the relevant authorities. While we are not aware of any outstanding material claims or obligations, we may incur substantial costs, including clean up or remediation costs, fines and civil or criminal sanctions, and third-party property damage or personal injury claims, as a result of violations of or liabilities under environmental or health and safety laws or noncompliance with permits required at our facilities, which, as a result, may have an adverse effect on our business, financial condition and cash flows. For instance, the Chief Inspector of Factories, Chandigarh issued a show cause notice dated April 21, 2015, requiring us to show cause as to why action should not be taken against our Company for certain alleged violations under the Factories Act, 1948 at our Gurgaon Facility II, and requiring us to submit a compliance report in this regard. While we have submitted the compliance report and have not received any further notice or other communication from the Chief Inspector of Factories, Chandigarh, there can be no assurance we will not be subject to any further action by such authority.

In addition, as we expand into newer geographical markets, we may be required to comply with various environmental and health and safety laws and regulations within such jurisdictions. Further, any change in or expansion of the scope of the regulations governing our environmental obligations, in particular, would likely involve substantial additional costs, including costs relating to maintenance and inspection, development and implementation of emergency procedures and insurance coverage or other additional costs to address environmental incidents or external threats. Our inability to control the costs involved in complying with these and other relevant laws and regulations could have an adverse effect on our business, financial condition, results of operations and cash flows.

**19. Any change in the pre-qualification criteria of Power Utilities or Governmental Agencies for sale and distribution of our products or changes in the specifications issued by accreditation agencies may have a material adverse effect on our business and results of operations.**

We believe that our pre-qualified status with Power Utilities and various Governmental Agencies has significantly contributed to enhancing the customer acceptance for our products. We primarily supply meters to Power Utilities and several of our products to Governmental Agencies, including meters, LED tubes and lamps, CFLs, indoor and



March 31, 2015 and September 30, 2015 was ₹ 10.80 million and ₹ 5.40 million, respectively, and aggregate transaction value under various sales and supply contracts with Himachal Energy as on March 31, 2015 was ₹ 1.65 million. Our Company also purchased fixed assets from HEPL, aggregate transaction value for which was ₹ 34.40 million during fiscal 2015 and from Himachal Energy, aggregate transaction value for which was ₹ 117.78 million during the six months ended September 30, 2015. Our Company also paid a long term advance of ₹ 130.84 million in respect of supply of design services obtained from and the aggregate transaction value was ₹ 180 million and ₹ 480 million during the six months ended September 30, 2015 and fiscal 2015, respectively in respect of certain services rendered to, HIL, our corporate Promoter and further, pursuant to a business transfer agreement with HIL, our Company assigned trade receivables amounting to ₹ 347.20 million to HIL, during the six months ended September 30, 2015. Additionally, we are also required to pay rent amounting to ₹ 0.90 million per annum, pursuant to a lease agreement with our Whole-time Director, Mr. Vinod Ratan and his immediate relative, in respect of premises taken on lease by our Company.

While we believe that all of our related party transactions have been executed at an arm's length basis and are in compliance with applicable law, we cannot assure you that we could not have achieved more favourable terms had such transactions been entered into with unrelated parties. Further, the transactions we have entered into and any future transactions with our related parties have involved or could potentially involve conflicts of interest which may be detrimental to the interests of our Company. For more details, see "*Financials Statements – Annexure 31 – Restated Consolidated Statement of Related Party Transactions*" on page 270. We cannot assure you that such transactions, individually or in the aggregate, will not have an adverse effect on our business, results of operations and financial condition, including because of potential conflicts of interest or otherwise.

Further, the Companies Act, 2013 has brought into effect certain significant changes providing for stringent compliance requirements for related party transactions. Further, SEBI has recently notified the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**SEBI Listing Regulations**") and issued the revised listing agreement, which are effective from December 1, 2015. Pursuant to the SEBI Listing Regulations and the provisions of the Companies Act, 2013, our Company is, *inter alia*, required to obtain prior approval of all our uninterested shareholders through an ordinary resolution for all future material related party transactions where any person or entity that is related to our Company will be required to abstain from voting on such resolution. We may face difficulties in entering into related party transactions in future due to these new requirements which may adversely affect our business, results of operations and cash flows.

For further details on the agreements entered into with our Promoters, Directors and Group Companies, see "*History and Certain Corporate Matters*", "*Our Management*" and "*Promoters and Group Companies*" on pages 148, 155 and 169, respectively.

**22. *Activities involving our manufacturing process can be dangerous and can cause injury to people or property in certain circumstances. A significant disruption at any of our manufacturing facilities may adversely affect our production schedules, costs, sales and ability to meet customer demand.***

Our business involves manufacturing processes that may be potentially dangerous to our employees. Although we employ safety procedures in the operation of our manufacturing facilities and maintain what we believe to be adequate insurance, there is a risk that an accident may occur at any of our manufacturing facilities. An accident may result in personal injury to our employees, destruction of property or equipment, environmental damage, manufacturing or delivery delays, or may lead to suspension of our operations and/or imposition of liabilities. Any such accident may result in litigation, the outcome of which is difficult to assess or quantify, and the cost to defend such litigation can be significant. As a result, the costs to defend any action or the potential liability resulting from any such accident or death or arising out of any other litigation, and any negative publicity associated therewith, may have a negative effect on our business, financial condition, results of operations, cash flows and prospects.

In particular, if operations at our manufacturing facilities were to be disrupted as a result of any significant workplace accident, equipment failure, natural disaster, power outage, fire, explosion, terrorism, adverse weather conditions, labor dispute, obsolescence or other reasons, our financial performance may be adversely affected as a result of our inability to meet customer demand or committed delivery schedules for our products. Interruptions in production may also increase our costs and reduce our sales, and may require us to make substantial capital expenditures to remedy the situation or to defend litigation that we may become involved in as a result, which may negatively affect our profitability, business, financial condition, results of operations, cash flows and prospects.



**23. *An inability to manage our growth and further expand into new markets could disrupt our business and reduce our profitability.***

We have experienced growth in recent years and expect our business to continue to grow as we expand into global markets and gain greater access to financial resources. We have been able to increase our total consolidated revenue from fiscal 2011 to fiscal 2015 at a compounded annual growth rate ("CAGR") of 16.68%. We expect this growth to place significant demands on us and require us to continuously evolve and improve our operational, financial and internal controls across our organization. As we continue to grow our business and expand into newer markets, we may face several challenges, including as set forth below:

- acquiring new customers;
- identifying customer requirements and preferences in such markets;
- obtaining approvals and certifications for our products in such jurisdictions;
- making accurate assessments of the resources we will require;
- preserving a uniform culture, values and work environment across our projects;
- developing and improving our internal administrative infrastructure, particularly our financial, operational, communications, internal control and other internal systems;
- recruiting, training and retaining sufficient skilled management, technical and marketing personnel;
- maintaining high levels of customer satisfaction; and
- adhering to expected performance and quality standards.

Our consolidated profit after tax for the six months ended September 30, 2015 and for fiscal 2015, 2014 and 2013 was ₹ 163.48 million, ₹ 346.24 million, ₹ 283.71 million and ₹ 314.18 million, respectively. Any inability to manage the above factors may have a material adverse effect on our business, financial condition, results of operations and cash flows and may further cause our profits to decline.

**24. *Geographical concentration of our manufacturing facilities may adversely affect our operations, business and financial condition.***

We manufacture and supply our products to customers in different geographies within and outside India from our facilities located in northern India, primarily in the state of Haryana and through one manufacturing facility located at Himachal Pradesh. Since, our entire revenue is currently from products manufactured at our manufacturing facilities located in Haryana and Himachal Pradesh, any disruption to our manufacturing facilities may result in production shutdowns. For instance, there have been communal agitations in various parts of Haryana in February 2016, due to which there was significant loss to infrastructure, shutdown of business and industry and damage to property in Haryana. Additionally, if our manufacturing facilities in Haryana or Himachal Pradesh are harmed or rendered inoperable by natural or man-made disasters, including earthquakes, fire, floods, acts of terrorism and power outages, it may render it difficult or impossible for us to efficiently operate our business for some period of time which may adversely affect our business, financial condition, result of operations and cash flows.

Further, we do not own any trucks or commercial vehicles and typically use third-party logistic providers for all of our product distribution and as a result incur considerable expenditure on transportation of our products. Our customers rely significantly on timely deliveries of our products and any delays in the delivery of a product can lead to our customers delaying or refusing to pay the amount, in part or full, that we expect to be paid in respect of such product.

**25. *Any infringement of third party intellectual property rights or failure to protect our intellectual property rights may adversely affect our business.***

Our Company undertakes regular updation and modification of our offerings to keep abreast with prevalent technology. Given the nature of our products, we cannot assure you that our products do not or will not inadvertently infringe valid third party intellectual property rights, which may expose us to expensive legal proceedings. Our competitors and other companies or innovators may try to assert patent and other intellectual property rights against us. For instance, Havells India Limited and its promoters have initiated legal proceedings against us and our Promoters alleging infringement of their trademark 'Havell's' by use of the word in the corporate names of our corporate Promoters.





If we are unsuccessful in defending ourselves against claims in relation to use of our intellectual property, we may be subject to injunctions preventing us from selling our products, resulting in a decrease in revenues, or to damages which may be substantial. Either event would adversely affect our financial position, results of operations and liquidity. Further, we do not register any of the designs developed by us under the Designs Act, 2000, nor do we obtain patent registrations for any of our products. As such, it would be difficult for us to enforce our intellectual property rights in any of these designs or products, in the event our competitors or other companies in the electric equipment industry copy our designs or develop and market products manufactured using the same or similar technology as our electric equipment. If our competitors are successful in copying our designs or technology used in our products, our sales may decrease and our revenues, results of operations and financial condition will be negatively impacted. Further, if we fail to protect our intellectual property, including our trademarks and trade secrets, our business and financial condition may be adversely affected.

**26. *Increases in interest rates may materially impact our results of operations.***

Substantially all of our secured debt carries interest at floating interest rates or at rates that are subject to adjustments at specified intervals. Further, any future indebtedness that we undertake may also carry interest at floating rates. We are exposed to interest rate risk in respect of indebtedness for which we have not entered into any swap or interest rate hedging transactions, although we may decide to engage in such transactions in the future. However, such transactions may not be at commercially reasonable terms and such agreements may not protect us fully against such interest rate risk. We may further be unable to pass any increase in interest expense to our existing and/or future customers, which may have a material adverse effect on our business, financial condition, results of operations and cash flows.

**27. *A downgrade in our credit rating could adversely affect our ability to raise capital in the future.***

The terms of certain of our financing agreements require us to obtain a credit rating from an independent agency. Our credit ratings, which are intended to measure our ability to meet our debt obligations, are a significant factor in determining our finance costs. For fiscal 2015, our finance cost was ₹ 699.27 million. In March 2015, we received credit ratings of IND A-/Stable/IND A1 with stable outlook for our working capital facilities and IND A-/Stable with stable outlook for our long term loan facilities from India Ratings and Research. The interest rates of our certain of our borrowings may be significantly dependent on our credit ratings. A downgrade of our credit ratings could lead to greater risk with respect to refinancing our debt and would likely increase our cost of borrowing and adversely affect our business, financial condition, results of operations and prospects.

**28. *Following a scheme of demerger and conversion of optionally convertible debentures, Himachal Energy will become our subsidiary. Therefore, our historical financial statements may not provide a meaningful basis for evaluating our results of operations and financial condition.***

Following the implementation of a scheme of demerger filed by our Group Companies, Himachal Energy Private Limited ("**Himachal Energy**") and HPL Project Portfolio Private Limited, before the High Court of Himachal Pradesh ("**Scheme of Demerger**"), and the conversion of the 15,000,000 optionally convertible debentures of Himachal Energy that we hold, we will hold 97.15% of the equity share capital of Himachal Energy. Accordingly, Himachal Energy will become our Subsidiary. For further details of the Scheme of Demerger, see "**History and Certain Corporate Matters**" on page 148. As Himachal Energy will become our subsidiary, pursuant to the conversion of the optionally convertible debentures of Himachal Energy and subsequent to the implementation of the Scheme of Demerger, which has not been effected as on the date of this Draft Red Herring Prospectus, the financial statements for fiscal 2015 do not give effect to such corporate actions and the operations of our Himachal Energy as our subsidiary. While, we have prepared and included proforma financial statements for fiscal 2015 and for the six months ended September 30, 2015, the financial statements for fiscal 2014 or any historical periods are not comparable with the financial statements for fiscal 2015. Therefore, you will need to make your own assessment of our consolidated results of operations and financial condition. For further information, see "**Financial Statements – Proforma Financial Statements**" on page 276.

**29. *Our insurance coverage may not adequately protect us against all material hazards.***

Our Company has covered itself against certain risks. Our significant insurance policies consist of fire and special perils insurance with add on cover for earthquakes and in certain cases, terrorism, for our manufacturing facilities, machinery and other equipment and products that we manufacture. We also maintain insurance against theft and burglary for our stocks in trade and goods held in trust. Additionally, we maintain marine cargo insurance to cover



*on leased premises.*

Our Registered and Corporate Office, situated at 1/21, Asaf Ali Road, New Delhi 110 002, India, is occupied by us pursuant to a license agreement dated May 28, 1992, with Havell's Private Limited, our Promoter. The license agreement is valid until mutually terminated by the parties to such license agreement, and may be terminated by either party on giving notice in advance of three months to the other party. Additionally, we take on lease, premises for warehousing purposes and for establishing our branch offices.

There can be no assurance that we will be able to continue to occupy the said premises in the future on commercially acceptable terms. If any of these lease or license agreements is terminated for any reason or not renewed on commercially acceptable terms or at all, we may suffer a disruption in our operations or increased costs, or both, which may adversely affect our business, financial condition and results of operations.

**39. *Our Company's ability to pay dividends in the future will depend on our future cash flows, working capital requirements, capital expenditures and financial condition.***

Our Company has declared and paid dividend at the rate of 1% on the Equity Shares during the each of fiscals 2015, 2014 and 2013. For details, see "*Dividend Policy*" on page 180. However, the amount of our future dividend payments, if any, will depend on our future earnings, cash flows, financial condition, working capital requirements, capital expenditures, applicable Indian legal restrictions and other factors. There can be no assurance that we will pay dividends in future. We may decide to retain all of our earnings to finance the development and expansion of our business and, therefore, may not declare dividends on our Equity Shares. Additionally, in the future, we may be restricted by the terms of our financing agreements in making dividend payments unless otherwise agreed with our lenders.

**40. *Failure or disruption of our IT and/or ERP systems may adversely affect our business, financial condition, results of operations, cash flows and prospects.***

We have implemented various information technology ("IT") and/or enterprise resource planning ("ERP") solutions to cover key areas of our operations. We are dependent on technology in relation to customer order management and dispatches, production planning and reporting, manufacturing processes, financial accounting and scheduling raw material purchase and shipments. We rely on our IT infrastructure to provide us with connectivity and data backup across our locations and functions. While the ERP solutions that we have implemented have enabled us to improve our working capital cycles, despite an increase in our sales over the period, we can provide no assurance that we will be able to do so in the future.

We believe that we have deployed adequate IT disaster management systems including data backup and retrieval mechanisms, in all our facilities. However, any failure or disruption in the operation of these systems or the loss of data due to such failure or disruption (including due to human error or sabotage) may affect our ability to plan, track, record and analyse work in progress and sales, process financial information, manage our creditors, debtors and hedging positions, or otherwise conduct our normal business operations, which may increase our costs and otherwise adversely affect our business, financial condition, results of operations and cash flows.

## **External Risk Factors**

### ***Risk Related to India***

**41. *Slowdown in sectors where we are present, such as the power sector or the real estate sector, and any adverse changes in the conditions affecting these markets can adversely impact our business, results of operations, financial condition and cash flows.***

Our business is dependent to a significant extent on the performance and growth of the sectors where we are present, particularly the power sector, particularly the transmission and distribution industry, and the real estate sector. The electric equipment we manufacture are utilised in domestic, commercial and industrial applications for regulating and transmitting electricity within such premises and for measuring electricity consumption. Further, we manufacture electrical equipment, which use electricity as their primary energy source. However, in the event the power sector experiences any setbacks, on account of various factors, including lack of adequate availability of coal for power generation, which will have an adverse effect on the power transmission and