

# **IMPACT REPORT**

## **SHRIRAM EPC LIMITED**

**D&B D-U-N-S® NUMBER: 65-004-7991**



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Date: March 20, 2009



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## **Scope of the Report**

- History and legal background
- Existing operations
- Management background
- Banking details
- Financial statements and analysis

## **Information Sources**

- Annual reports
- Corporate communiqués
- Information from website
- Management Discussion
- Media articles

## **Methodology**

Financial information from the audited annual reports of the Company was studied and analyzed for a three year period. Information was collated from the sources as stated above and required clarifications were provided by Mr. Vivek Sharma, Chief Financial Officer and Mr. S. Sathiamurthy, DGM Finance.



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## Company Background

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### INTRODUCTION

Shriram EPC Limited (hereinafter referred to as Shriram EPC or the Company) was incorporated on 12<sup>th</sup> June 2000 as a public limited company for the purpose of carrying on the business of Engineering, Procurement and Construction (EPC) projects. The promoters of the Company are Shriram Industrial Holdings Private Limited and Vathsala Ranganathan on behalf of Shriram Auto Finance. The Company came up with an Initial Public Offering (IPO) in February 2008 and its shares are listed on the National Stock Exchange of India Limited (NSE), India and the Bombay Stock Exchange Limited (BSE), India.

Shriram EPC is primarily engaged in the following activities:

✓ **EPC**

- Renewable energy projects consisting of biomass-based power projects, small hydel power projects.
- Providing integrated turnkey solutions for iron and steel, cement, aluminum, copper and thermal power plants, water and wastewater treatment plants, water and sewer infrastructure and pipe rehabilitation.

The Company was also involved in Development, sale and maintenance of Wind Turbine Generator (WTG) Projects. (The business of WTG was transferred to Shriram Leitwend Limited (SLL), a subsidiary Company and Leitner Shriram Manufacturing Limited (LSML), an associate Company with effect from 1st April 2008.)

Shriram EPC is headquartered in Chennai with offices in Mumbai, New Delhi and Kolkata and WTG and cooling tower factory in Chennai and Gujarat. It also has representative offices in Beijing and Bangkok. The Company's EPC project spans across 16 states in India as well as abroad in Zambia and Thailand. The Company has 4 subsidiaries and 3 affiliates as on 3<sup>rd</sup> November 2008.

Shriram EPC is ISO 9001:2000 certified and caters primarily to the domestic market. Its clientele includes Grasim Industries Limited, Madras Aluminum Company Limited, Bharat Heavy Electrical Limited, Reliance Industries Limited and Steel Authority of India Limited.

### CHIEF EXECUTIVE

T. Shivaraman  
Managing Director

### TRADESTYLE

Shriram EPC



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#### HEAD OFFICE ADDRESS

No. 9, Vanagaram Road  
Ayanambakkam  
Chennai – 600095  
Tamilnadu  
India

#### TELEPHONE

(91) (44) (26533109)  
(91) (44) (26531592)  
(91) (44) (26533313)

#### FACSIMILE

(91) (44) (26532780)

#### E MAIL

[info@shriramepc.com](mailto:info@shriramepc.com)

#### WEB ADDRESS

[www.shriramepc.com](http://www.shriramepc.com)

#### INCORPORATION DETAILS

Start Year	: 2000
Control Year	: 2000
Registration Number	: 45167
Registered Office	: No. 5, T.V. Street Chetpet Chennai – 600031 Tamilnadu India
Last AGM Date	: 22 <sup>nd</sup> August 2008
Last Annual Return Date	: 18 <sup>th</sup> October 2008
Last Financial Statement Date	: 31 <sup>st</sup> March 2008



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### *STANDARD INDUSTRIAL CLASSIFICATION (SIC) CODE*

General Contractors - power plant construction	1629-9905
General Contractors - waste disposal plant construction	1629-0504
General Contractors - waste water/sewage treatment plant construction	1629-0505
Manufactures cooling towers, metal plate	3443-0206
General Contractors - Industrial plant construction	1629-0500

### *CAPITAL STRUCTURE*

Authorized Capital	: INR 850,000,000 as on 31 <sup>st</sup> March 2008 65,000,000 equity shares at par value of INR 10.00 each 20,000,000 convertible preference shares at par value of INR 10.00 each
Issued Capital	: INR 428,677,900 as on 31 <sup>st</sup> March 2008
Paid-Up Capital	: INR 428,677,900 as on 31 <sup>st</sup> March 2008
Shares	: 42,867,790 equity shares at a par value of INR 10.00 each

### *STOCK EXCHANGE(S)*

Bombay Stock Exchange Limited  
The National Stock Exchange of India Limited



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**MILESTONES**

Year	Description
2000	Execution of first Biomass power plant project in Mancherial village district, Andhra Pradesh.
2003	Commencement of process and metallurgy business.
2004	Acquisition of the cooling towers business of Shriram Tower Tech Limited.
2004	Commencement of the business of erection, testing and commissioning of wind generators.
2004	Execution of joint operations with the Hamon Group.
2004	Commencement of rehabilitation business.
2004	By an order of the High Court of Madras dated 22 <sup>nd</sup> July 2005, Shriram Engineering Construction Company Limited (SHRENCO) was merged into the Company with effect from 1 <sup>st</sup> April 2004 as both the companies were engaged in the same line of business.
2005	Investment by UNO Investments.
2006	Investment by Bessemer Venture Partners Trust.
2006	Certification by DEWI - OCC for designing and manufacturing 250 KW WTGs.
2006	Execution of MOU with Leitner Technologies for manufacture and marketing of megawatt class WTGs.
2006	Purchase of equity shares by UTI Investment Advisory Services Limited.
2007	Joint Venture Agreement entered into between the Company and Hamon Thermopack Engineers Private Limited.
2007	Exclusive agreement with Hamon Shriram Cotrell Inc for use of technology and in the air control pollution business.
2007	ISO 9001:2000 certification for manufacture, supply, installation, commissioning and maintainance of WTG and development of wind farms.
2007	Installation of 1,350 KW capacity wind electric generators.
2007	Awarded the first contract for setting up coal gasification and gas purification plants.
2007	Commencement of joint venture Hamon Shriram Cotrell Private Limited (HSC) with Hamon Group, headquartered in Brussels for the cooling tower business. HSC operates from offices in Mumbai and Chennai and factory in Umbergoan, Gujrat.
2008	Company's Shares were listed in BSE and NSE. There was an IPO of 5,000,000 equity shares to public.
2008	The Company invested in Shriram Strategic Engineering Private Limited which is engaged in the manufacturing of GRP Pipes.
2008	The Company has acquired 49% stake in Blackstone Group Technologies Private Limited in January 2009. Blackstone group technologies help in catering the designing and engineering requirement of the company. It has increased the prequalification strength of the Company.





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### *REGISTRAR AND SHARE TRANSFER AGENTS*

Cameo Corporate Services Limited  
Subramanian Building, V Floor  
No 1, Club House Road  
Chennai – 600002  
Tamilnadu  
India

### *EMPLOYEES*

<u>Year</u>	<u>: No. of Employees</u>
FY 2008	: 513
FY 2007	: 242

### *AUDITORS*

Deloitte Haskins and Sells  
  
Ramana Towers, No. 52  
Venkat Narayana Road, T. Nagar  
Chennai - 600017  
Tamilnadu  
India

### *COMPANY SECRETARY*

K. Suresh



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*BOARD OF DIRECTORS*

T. Shivaraman

Arun Duggal

M. Amjad Shariff

Vathsala Ranganathan

S. R. Ramakrishnan

R. Sundararajan

R. S. Chandra

K.E.C. Raja Kumar

K. Madhva Sarma

Sunil Varma

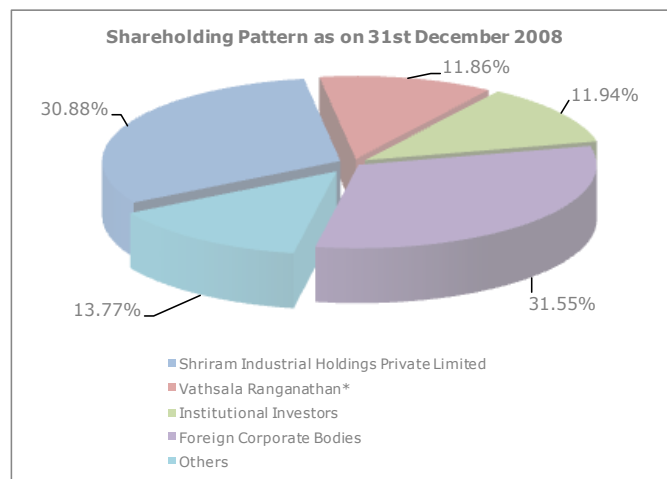


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## Shareholding Pattern

### Shareholding Pattern as on 31<sup>st</sup> December 2008

Particulars		No of Shares	% Holding
<b>A</b>	<b><u>Promoters</u></b>		
	Shriram Industrial Holdings Private Limited	13,335,123	30.88
	Vathsala Ranganathan*	5,123,231	11.86
	<b>Sub Total (A)</b>	<b>18,458,354</b>	<b>42.75</b>
<b>B</b>	<b><u>Institutional Investors</u></b>		
	Mutual Funds and Unit Trust of India	2,164,562	5.01
	Insurance Companies and Foreign Institutional Investors	3,009,109	6.97
	<b>Sub Total (B)</b>	<b>5,173,671</b>	<b>11.98</b>
<b>C</b>	<b><u>Others</u></b>		
	Bodies Corporate	1,172,562	2.72
	Individuals	904,186	2.09
	Foreign Corporate Bodies	13,622,597	31.55
	Others	3,851,050	8.92
	<b>Sub Total (C)</b>	<b>19,550,395</b>	<b>45.27</b>
<b>Total ( A + B + C )</b>		<b>43,182,420</b>	<b>100.00</b>



Source: BSE Website

\*Note: - Shares held by Vathsala Ranganathan are on behalf of Shriram Auto Finance



## Key Financial Elements

### KEY FINANCIAL INDICATORS

Particulars	Amount in INR Thousand			
	2006	2007	2008	CAGR (In %)
Revenue	1,445,339	2,957,171	6,462,993	111.46
Profit after Tax	74,754	131,364	353,986	117.61
Tangible Networth	1,543,247	1,646,649	3,373,546	47.85
Capital Employed	1,959,831	1,846,175	4,528,615	52.01
Investments	51,516	172,077	1,012,264	343.28
Total Borrowings	416,584	199,526	1,155,069	66.51

- ✓ Revenue of the Company increased y-o-y on account of increase in EPC contracts during the period under study and introduction of WTG division in FY 2007.
- ✓ Profit increased mainly on account of rise in revenue. Also there was decrease in proportion of expenses like infrastructure development charges and employee cost in FY 2008.
- ✓ In FY 2006, there was issue of 17,622,597 convertible preference shares of Rs. 10 each which contributed to increase in tangible networth. In FY 2007, tangible networth showed a marginal increase, however it increased significantly in FY 2008 primarily due to the issue of 5,000,000 equity shares along with increase in profit.
- ✓ Capital employed declined in FY 2007 on account of reduction in debt. However, it increased sharply by 145.30% in FY 2008 due to significant increase in tangible networth along with increase in total debt.
- ✓ There was a rise in investment during the period under study as a result of substantial investments in subsidiaries and affiliates.



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**STANDALONE INTERIM RESULTS (UNAUDITED)**

Amount in INR Million

Particulars	30-June-08	30-September-08	31-December-08
No of Months	3	3	3
Revenue	1,613.18	1,706.68	2,299.28
Operating Profit	139.80	131.79	116.21
Profit before Tax	113.30	106.50	103.55
Profit after Tax	73.43	69.92	71.79

There was a decline in profits y-o-y inspite of increase in revenue. As per the management, profit margins depend on the combination of contracts received by the company.

Further as informed by the management, though the Company has obtained its shareholders’ approval through postal ballot on August 21, 2008 for transfer of 250 KW wind turbine business to its subsidiary SLL and associate LSML with effect from April 01, 2008, Shriram EPC would continue to take orders of the 250 KW wind turbine and sale the same till the time LSML obtains all statutory approvals to manufacture and sell the machine. The Company will not recognize the profits from the sale of 250 KW wind turbine in its standalone books. This will affect the margins of the Company since the revenue will include the revenue from sale of 250 KW wind turbine but profits from the sale of wind turbines are not recognized in the Company’s books.

Source: BSE Website



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## Financial Ratios

KEY RATIOS	2006	2007	2008
<b>GROWTH RATIOS</b>			
Revenue Growth (%)	-	104.60	118.55
Net Profit Growth (%)	-	75.73	169.47
<b>PROFITABILITY RATIOS</b>			
Gross Profit Margin (%)	18.30	14.49	15.54
Operating Profit Margin (%)	8.16	6.51	9.53
Return on Revenue (%)	5.17	4.44	5.48
Return on Tangible Networth (%)	4.84	7.98	10.49
Return on Average Tangible Networth (%)	-	8.24	14.10
Return on Capital Employed (%)	6.51	13.24	14.25
Return on Average Capital Employed (%)	-	12.84	20.24
Return on Fixed Assets (%)	175.81	112.27	84.72
Return on Total Assets (%)	3.17	4.52	4.47
<b>LIQUIDITY RATIOS</b>			
Quick Ratio (Times)	2.74	1.88	1.73
Current Ratio (Times)	2.97	2.10	1.87
<b>TURNOVER RATIOS</b>			
Inventory Turnover Ratio (Times)	8.36	10.75	13.43
Fixed Asset Turnover Ratio (Times)	33.99	25.27	15.47
<b>SOLVENCY RATIOS</b>			
Long Term Debt Equity Ratio (Times)	0.03	0.00	0.30
Total Debt Equity Ratio (Times)	0.27	0.12	0.34
Interest Coverage Ratio (Times)	3.72	8.79	6.65
<b>EFFICIENCY RATIOS</b>			
Collection Period (Days)	158	167	176
Payment Period (Days)	60	101	128

*Note: - For the calculation of payment days, raw material and components consumed for WTG, land purchased for windmill and cost of materials and labour for EPC contracts have been considered.*



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## D&B Rating

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D&B Rating : 5A2

Condition : Good

D&B's Rating consists of 2 parts, the Financial Strength and the Composite Appraisal /Condition. Financial Strength is an indication of the tangible net worth (that is, the shareholder's funds less any intangible assets) The Composite Appraisal/Condition is linked to the level of risk and is an overall evaluation of credit worthiness. It takes into account the financial condition and several factors such as trade reference history, legal structure, management experience and any adverse listings.

D&B Rating is assigned on basis of tangible net worth and composite appraisal. Above rating indicates that subject had a tangible net worth more than INR 645,949,999 as per latest available audited financial statements. Composite appraisal 2 indicates that the overall status of the subject is good. This rating is assigned to businesses that are financially sound and with competitive trading record. Associated risk is low & considered better than average.



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## Operations

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Shriram EPC's business is engaged in EPC projects and development. The Company was also earlier engaged in sale and maintenance of WTG projects.

EPC business of the Company has extended to 16 states in India and internationally in Zambia and France whereas WTG business is mainly in South India. The core services of the Company include detailed design and engineering, material procurement and overall project and construction management services.

### **EPC Business**

#### ✓ Renewable Energy

These projects consist of biomass-based power projects, co-generation power projects. Currently the Company is establishing over 100 Mega Watts (MW) of bio-mass based power projects across Tamilnadu, Andhra Pradesh, Chattisgarh, Punjab and Maharashtra.

Shriram EPC began its operations in the biomass power plant business in December 2000 with the execution of first biomass power plant project in Andhra Pradesh. On 28<sup>th</sup> August 2007 the Company entered into Memorandum of Understanding (MoU) with Bessemer Venture Partners Trust for power generation through renewable energy assets through its associate Company viz., Orient Green Power Limited

#### ✓ Process and Metallurgy

The Company provides integrated turnkey solutions for iron and steel, cement, aluminium, copper and thermal power plants. The Company is involved in various projects relating to the design, engineering and construction of blast furnace, auxiliaries, rolling mills, aluminium refining, copper smelting, thermal power plants, cement plants and coke oven batteries.

Shriram EPC has initiated projects relating to design, engineering and construction of coal gasification (producer gas) plants. The Company has also entered into joint venture agreement with an international partner Hamon Group to manufacture cooling towers and air pollution control systems based on technology from Hamon and Cie, Europe and Hamon Research Cottrell, USA.

#### ✓ Municipal Services

The Company offers design and implementation of turnkey design-build environmental projects catering to water and wastewater distribution, water and sewage treatment and water rehabilitation. The Company provides advanced pipe rehabilitation solutions that allow for trenchless renovation, rehabilitation and/or repair of water and sewer pipes without the need for excavation.

The Company is the licensee in India of Chevalier Pipe Technology (CPT) - Rib loc™ technology and Perco Engineering Services Limited's (UK) - EXPANDIT™ pipe-bursting technology. Rib loc™ technology provides pipe rehabilitation solutions that allow for trenchless renovation, rehabilitation and repair of water and sewer pipes without the need for excavation.



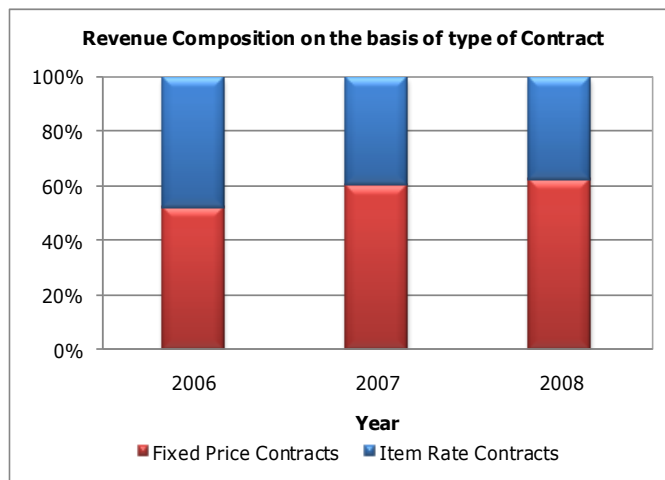
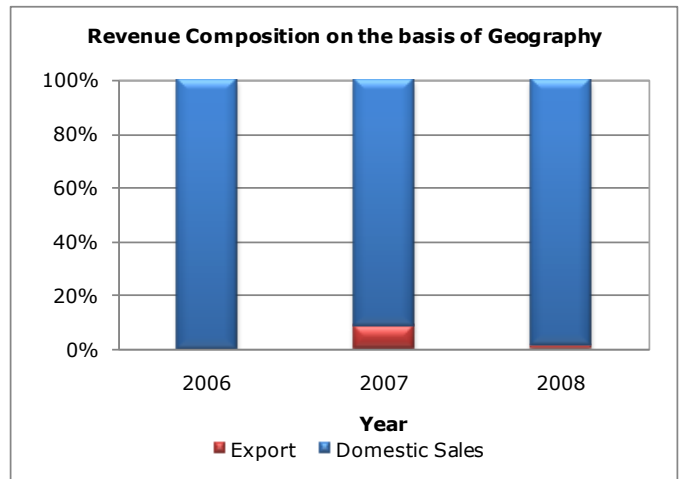
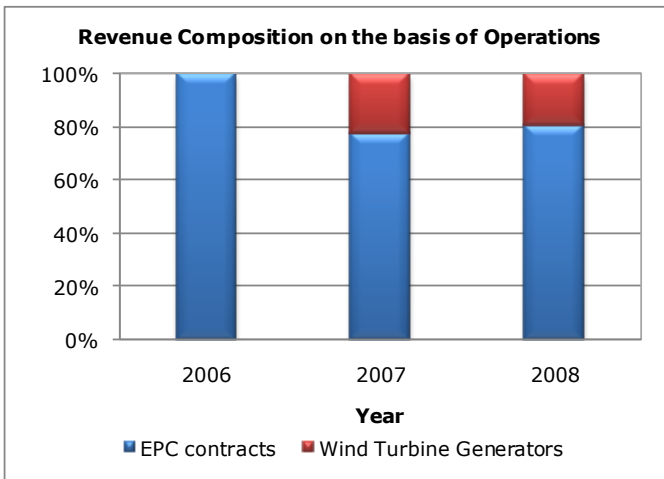


**Wind Turbine Generator (WTG) Business**

The Company was engaged in the development and manufacturing of Mega Watt and 250 Kilo Watt WTG, identification of suitable sites for wind farms, technical planning, infrastructure development, installation and commissioning of WTG and connection to power grids. The Company also provided after-sale operations and maintenance services for WTG supplied by it.

With a business transfer agreement dated 16<sup>th</sup> May 2008, the board of Shriram EPC transferred the business of marketing and sale of 250-KW class wind turbines to SLL and the business of manufacture of 250-KW class wind turbines to LSML, joint ventures of the Company with Leitwind BV. As per the annual report 2008, the transfer took place as the Company wanted to consolidate the wind energy business in one entity to provide a better focus. Further, Leitwind BV has brought on Board their expertise and Technology of Mega Watt Class Wind Turbine Generators based on permanent magnet technology. This transfer is effective from 01<sup>st</sup> April 2008.

**Revenue Composition**





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**PROJECTS COMPLETED**

Amount in INR Million

Sr No	Name of Project and Location	Description of Project	Contract Value	Period
<b>BIOMASS</b>				
1	Shriram Investments Limited, Tamilnadu	Coconut stem, Wood chips	3,335.00	2005-2007
2	Shalivahana Constructions Limited, Andhra Pradesh	Rice Husk, Juliflora	1,883.00	2001-2002
<b>PROCESS AND METALLURGY</b>				
1	Grasim Industries Limited, Jodhpur	7.5 MW pet coke based power plant	3,218.40	2005-2007
2	Anand Transport, Chennai	Iron ore conveyor	450.00	2004
3	Madras Aluminium Company Limited (MALCO), Mettur	Aluminium Pot Line	905.00	2003-2004
4	Konkola Copper Mines Plc, Zambia	Gas Cleaning System	2,872.00	2006-2008
5	Konkola Copper Mines Plc, Zambia (Spares)	Spares for gas cleaning System	23.00	2007
6	Saint Gobain Glass India Limited, Sriperambudur	Service and erection of platform for KT3 blowers	70.28	2008
7	Saint Gobain Glass India Limited, Sriperambudur	Supply to MS Duct and MS Structure	16.25	2008
8	Steel Authority of India Limited - Rourkela Steel Plant, Orissa	Supply to Door Cleaner spares	2.39	2008
9	Steel Authority of India Limited - IISCO Steel Plant, Burnpur	High Pressure water jet door cleaning system	163.00	2007-2008
10	Mecon - Bokara Steel Plant, Bokaro	High Pressure water jet door cleaner system	98.00	2006-2007
11	JSW Limited, Bellary District	Fabrication and erection of steel structure	63.00	2007-2008
12	Mecon - Bhilai Steel Plant, Bhilai	Supply of Tuyere stock	76.24	2005-2007
13	Steel Authority of India Limited - Rourkela Steel Plant, Rourkela	Revamping of High Pressure Water Jer door cleaning system	22.34	2006-2007
14	JSW Limited, Bellary	Tuyere stock spares	20.00	2006-2007
15	Steel Authority of India Limited, Bhilai	Tuyere stock supply	65.20	2007
16	Steel Authority of India Limited, Bhilai	Tuyere stock supply	99.00	2007
17	Steel Authority of India Limited - Rourkela, Orissa	Mechanical Frame cleaner	22.00	2006-2007
18	Steel Authority of India Limited - Rourkela, Orissa	Vaccum cleaner system	45.00	2007



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Amount in INR Million

Sr No	Name of Project and Location	Description of Project	Contract Value	Period
<b>COOLING TOWER</b>				
1	Bharat Heavy Electricals Limited, Dhuvaran, Gujarat	Construction of Cooling Tower	330.00	2007
2	Goa Energy, Goa	Construction of Cooling Tower	100.00	2005-2007
3	Vedanta Alumina Limited, Lanjigarh, Orissa	Design, engineering, supply and construction of Cooling Tower	1,241.00	2004-2007
4	Indo-Rama Synthetics Limited, Nagpur	Design, engineering, supply and construction of Cooling Tower	128.00	2005-2006
5	Southern Iron and Steel Company Limited (SISCOL), Salem	Design, engineering, supply and construction of Cooling Tower	152.00	2006-2007
6	Jindal Vijayanagar Steel Limited, Karnataka	Design, engineering, supply and construction of Cooling Tower	133.00	2005-2006
7	Shalivahana, Maharashtra	Design, engineering, supply and construction of Cooling Tower	96.00	2007
8	Rake Power Limited, Maharashtra	Design, engineering, supply and construction of Cooling Tower	96.00	2007-2008
9	Jayaswal Neco Limited, Chhattisgarh	Design, engineering, supply and construction of Cooling Tower	126.00	2005-2006
10	Neyveli Lignite Corporation Limited, Tamilnadu	Design, engineering, supply and construction of Cooling Tower	465.00	2005-2006
11	OCL India Limited, Chennai	Design, engineering, supply and construction of Cooling Tower	105.00	2005-2006
12	Ga Danieli India Limited, Durgapur	Design, engineering, supply and construction of Cooling Tower	422.00	2005-2006
13	Chennai Petroleum Corporation Limited, Chennai	Design, engineering, supply and construction of Cooling Tower	359.00	2004-2006
14	Kerala Refineries Limited, Kochi	Design, engineering, supply and construction of Cooling Tower	199.60	2004-2005
15	KVK Bio-Energy Private Limited, Chattisgarh	Design, engineering, supply and construction of Cooling Tower	75.00	2005-2006
16	JK Paper Limited, Gujarat	Design, engineering, supply and construction of Cooling Tower	87.00	2007
17	Nahar Spinning Mills Limited, Punjab	Design, engineering, supply and construction of Cooling Tower	27.50	2007-2008
18	Seshasayee Paper and Boards Limited, Chennai	Design, engineering, supply and construction of Cooling Tower	28.15	2007
19	Chhattisgarh Steel and Power Limited, Chattisgarh	Design, engineering, supply and construction of Cooling Tower	75.00	2007-2008
20	Sri Chamundeshwari Sugars Limited, Karnataka	Design, engineering, supply and construction of Cooling Tower	63.00	2007



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Amount in INR Million

Sr No	Name of Project and Location	Description of Project	Contract Value	Period
<b>WATER</b>				
1	Gujarat Water Supply and Sewerage Board, Jaisingpur	Design, supply and installation of water intake system, water treatment plants and protected water distribution system for rural water system	1,924.00	2002-2006
2	Bharat Heavy Electricals Limited, Nesapakkam, Chennai	Civil work for 40 MLD Sewage treatment plant	748.00	2004-2006
3	Ahmedabad Urban Development Authority, Ahmedabad	275 MLD water treatment plant	1,975.00	2002-2005
4	Naval Academy (NAVAC), Ezhimala, Kerala	2.3 MLD sewage treatment plant	306.60	2004-2007
5	Seabird, Kerala	3, 0.14, 0.17 MLD STP	737.00	2004-2007
6	Vedanta Alumina Limited, Orissa	0.36 MLD STP	159.00	2005-2008
7	Bharat Heavy Electricals Limited, Hyderabad	ETP for GSECL, Dhuvaran	118.00	2005-2007
8	Vishranthi Homes Private Limited, Chennai	Water Treatment Plant	28.00	2007-2008
9	Public Health Engineering Department, Ranchi	20 MLD WTP	169.94	2003-2006
10	Pipdic, Karaikal	Water supply and Sewerage System	189.50	2003-2007
<b>REHABILITATION</b>				
1	Delhi Jal Board, Delhi	Desilting, CCTV survey, manhole repair, Pipe joint sealing of trunk sewer no: 4	68.49	2004
2	Delhi Jal Board, Delhi	Desilting, CCTV survey, manhole repair, Pipe joint sealing of trunk sewer no: 5	187.83	2004-2005
3	Delhi Jal Board, Delhi	Pipe rehabilitation through trenchless technology	367.33	2004-2005
4	Delhi Jal Board, Delhi	Pipe rehabilitation through trenchless technology	333.90	2004-2005
5	Delhi Jal Board, Delhi	Desilting, CCTV survey, manhole repair, Pipe joint sealing from Jill Mill to Jagrit SPC Shahdara	511.11	2005-2006
6	Delhi Jal Board, Delhi	Desilting, CCTV survey, manhole repair, pipe joint sealing from V.M. College to Karkardooma chowk	50.76	2005-2006
<b>TOTAL</b>			<b>25,631.81</b>	



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## CLIENTELE

The Company maintains around 110 customers.

### Major Customer Names

Grasim Industries Limited

India

Length of relationship: 3 years

Jindal Steel and Power Limited

India

Length of relationship: 1 year

The Madras Aluminium Company Limited

India

Length of relationship: 5 years

Neyveli Lignite Corporation Limited

India

Length of relationship: 3 years

Reliance Industries Limited

India

Length of relationship: 2 years

Steel Authority of India Limited

India

Length of relationship: 5 years

Tata Steel Limited

India

Length of relationship: 3 years

Vedanta Aluminium Limited

India

Length of relationship: 5 years

Bharat Heavy Electricals Limited

India

Length of relationship: 5 years

Delhi Jal Board

India

Length of relationship: 5 years

Gujrat Water Supply and Sewerage Board

India

Length of relationship: 8 years



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Tamilnadu Water Supply and Drainage Board  
India  
Length of relationship: 3 years

Laxmi Energy and Foods Limited  
India  
Length of relationship: 3 years

## *SUPPLIERS*

ABB Limited  
India

Alstom Projects India Limited  
India

Electro Steel Casting Limited  
India

Hi-tech Cranes Limited  
India

Kirloskar Brothers Limited  
India

Ion Exchange Limited  
India

Jindal Steel and Power Limited  
India

Reliance Industries Limited  
India

Shanti Gears Limited  
India

Larsen and Toubro Limited  
India

Finolex Cables Limited  
India

Honeywell Automation  
India

Jain Irrigation  
India

Thermax Limited  
India



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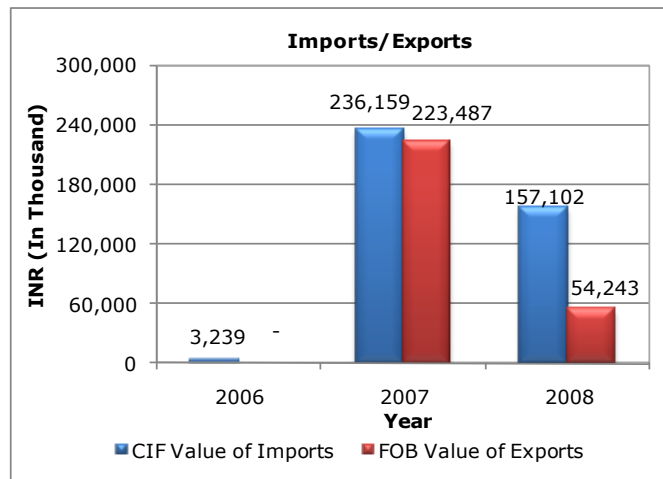
Triveni Engineering Works  
India

Steel Authority of India Limited  
India

Tata Iron and Steels Company Limited  
India

Welspun Gujrat Stahl Rohren Limited  
India

### IMPORTS AND EARNINGS IN FOREIGN



*\*CIF value of imports constitutes raw materials and components for WTG and materials consumed in execution of EPC contracts.*



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## TECHNOLOGY PARTNERS

CPT Asia Holdings Limited

Hong Kong

Technological Arrangement - Rib loc™ technology which provides pipe rehabilitation solutions that allow for trenchless renovation, rehabilitation and repair of water and sewer pipes without the need for excavation.

Perco Engineering Services Limited

United Kingdom

Technological Arrangement - EXPANDIT™ pipebursting technology which provides pipe rehabilitation solutions that allow for trenchless renovation, rehabilitation and repair of water and sewer pipes without the need for excavation.

Angerlehner

Austria

Technological Arrangement – GRP lining and pipebursting technology which provides pipe rehabilitation solutions that allow for trenchless renovation, rehabilitation and repair of water and sewer pipes without the need for excavation.

Danieli Corporation

Italy

Technological Arrangement – The Company has technological arrangement for certain process and metallurgy projects of rolling mill contract.

Waterbury Farrel Technologies Inc.

Canada

Technological Arrangement – The Company has technological arrangement for certain process and metallurgy projects of stainless steel mill for integrated steel plant.

SSIT Corporation

China

Technological Arrangement – The Company has technological arrangement for process and metallurgy projects of coal dust injection.

S.W.Electronics and Manufacturing Corporation (SWEMCO)

United States of America

Technological Arrangement – The Company has technological arrangement for design and construction drawings for a gas cleaning equipment to be located at Konkola Copper Mines Plc, Chingola, Zambia.

Envirotherm GmbH

Germany

Technological Arrangement – The Company has technological arrangement for their coal gasification technology.





## SWOT

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### STRENGTHS

✓ **Technical alliances with international companies**

The Company has technological agreements with various companies like Chevalier Pipe technology (CPT), Angerlehner, Waterbury Farrel Technologies Inc. etc. These alliances enable the Company to make use of technologies and expertise developed by its partners.

✓ **Operations in diverse and complementary projects**

The Company provides EPC services for various types of projects, principally renewable energy, process and metallurgy plants and municipal services. It also develops, manufacture, sell and provide related services for WTGs. The diversity in project types enables the Company to reduce dependence on any one industry or nature of project.

✓ **Strong order book position**

The Company had an order book of INR 1,819.83 crore as on 31<sup>st</sup> December 2008.

✓ **Experienced and qualified management**

The Company is controlled and managed by qualified management with average experience of more than 12 years.

✓ **Reputed clientele**

The Company deals with clients like Steel Authority of India Limited, Grasim Industries Limited, Tata Steel Limited, Vedanta Aluminum Limited, Bharat Heavy Electricals Limited, The Madras Aluminum Company Limited which are well reputed in their respective fields.

✓ **Low external debt**

Shriram EPC had relatively low total debt equity ratio of 0.34 in FY 2008, indicating less reliance on external funds / debt and scope for additional leverage.



## WEAKNESSES

### ✓ **High collection period**

The collection period of the Company was relatively high during the period under review viz 158 days, 167 days and 176 days in FY 2006, FY 2007 and FY 2008 respectively. High collection period was the prime reason that resulted in negative cash from operations in FY 2006 and FY 2007. However, the company had positive cash from operations in FY 2008.

### ✓ **Low margins**

The Company has relatively low net margins during the period under study and needs to adopt cost control measures to improve its profit margin in future. As informed by the management, the Company has recently implemented ERP technology from Tata Consultancy Services (TCS) which would help reduce the cost of the Company and thereby increase the profit margin.

## OPPORTUNITIES

### ✓ **Acquisition of Blackstone Group Technologies**

The Company has acquired 55% stake in Blackstone Group Technologies w.e.f. 1<sup>st</sup> February 2009. The acquisition would help to improve designing and engineering area of the Company and also increase its pre-qualification strength which in turn would lead to an increase in the order bank.

### ✓ **Incentives provided by government**

Various incentives provided by the government like preferential tariffs, tax incentives, etc would fuel the growth of the power sector and in turn increase its orders.

### ✓ **Driver for domestic demand**

Demand for power and energy will continue to rise due to rapid increase in industrialization and rising population. This would result in the growth of the power plants industry.

### ✓ **Opportunities in other countries**

With the vast experience in the engineering sector, the Company is well equipped to undertake contracts in the other developing countries.



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## THREATS

### ✓ **Competition**

Shriram EPC faces competition from players like Alstom projects India Limited, Larsen and Toubro Limited, Nixon engineering Services Limited, Suxlon Energy Limited, etc. As informed by the management, the Company has an upper edge over its competitors on account of its technological arrangements.

### ✓ **Dependency on government policies**

The decrease in / elimination of government tax incentives like accelerated depreciation allowance, tax holiday for new projects relating to renewable energy may have an adverse impact on the revenue from renewable energy segment of the Company.

### ✓ **High attrition rates**

The Company's attrition rate is on a higher side during the period under review. The same was 24.63% in FY 2006, 28.57% in FY 2007 and 20% in FY 2008. As per the management, 90% of this rate attributes to the lower level employees of the Company. Further, the management also informed that the attrition rate at middle and senior management is less than 5% over the years.



## Industry Overview

### Overview

Indian power sector has shown impressive growth in size and capacity over the years. Presently, power sector is dominated by the government. The central and the state government sectors accounts for the 52.5% and 34.0% respectively of the total installed capacity, while the private sector accounts for 13.5% for the same.

#### Total installed capacity (as on Jan 1, 2009)

Sector	MW	%
<b>State sector</b>	76240.6	52.5
<b>Central sector</b>	48970.9	34.0
<b>Private sector</b>	22246.3	13.5
<b>Total</b>	147,457.3	100.0

*Source: Ministry of Power*

The installed generation capacity has grown from 1,362 MW in 1947 to 147,715 MW (as on February 28, 2009). During April 2008-February 2009, the overall gross generation was 658.5 billion units. The all India Plant Load Factor (PLF) reached a high of 76.4% during April 2008-February 2009. Despite such growth, the peak electricity supply fell short by 13.8% and there was an overall shortage of 11.0% in supply during April 2008-February 2009. Moreover, the per capita consumption of electricity in India at about 704 kWh per annum (2007-08), (according to CEA), is much lower than the world average of approximately 2,500 kWh (2005) and even China's 1,800 kWh (2005) (according to IEA).

Based on the feedstock utilized, power generation can be divided into four sectors namely, Thermal, Nuclear, Hydro and Renewable Energy resources (RES). Further, depending on the feedstock used, thermal power generation can be sub-classified into power generation based on coal, gas and diesel. The sector wise distribution of installed generation capacity as on February 28, 2008 is mentioned below.

#### Installed generation capacity (As on February 28, 2009)

Fuel	MW	%
<b>Thermal</b>	Coal	77,398.9
	Gas	14,876.7
	Diesel	1,199.7
	Total	93,475.3
<b>Nuclear</b>	4,120.0	2.8
<b>Hydro (renewable)</b>	36,877.7	25.0
<b>Renewable Energy Sources(RES)</b>	13,242.4	9.0
<b>Grand total</b>	147,715.5	100

*Source: - Central Electricity Authority*



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The power industry in India has been characterized by energy shortages due to increased industrialization, urbanization, growing population, rise in the growth of agriculture sector etc. Although the power generation capacity has shown a growing trend in recent years, it has not kept pace with the growth in demand. The region-wise demand and supply position of power in the country for the period April 2008-February 2009 is depicted below: -

**Power supply position (Apr08-Feb09)**

Region	Energy (MU) requirement	Deficit %	Peak Demand (MW)	Deficit %
Northern	205,839	-10.6	33,034	-10.7
Western	232,022	-16.2	37,240	-20.5
Southern	184,570	-7.4	28,613	-10.9
Eastern	74,601	-4.6	12,901	-9.6
North Eastern	8,692	-13.6	1,820	-25.4
All India	705,724	-11.0	109,809	-13.8

Source: - Central Electricity Authority

Similar growth has been witnessed in power transmission. The Ministry of Power has envisaged the establishment of an integrated national power grid in the country by the year 2012 to carry 60% of the power. The existing interregional power transfer capacity is approximately 17,000 MW and is to be enhanced to 37,000 MW by 2012 through the creation of Transmission Super Highways. Transmission systems in India are in the process of adopting advanced technologies such as FACTS, HVDC and advanced SCADA system. Plans are also in place to build an advanced, self-healing grid with Wide Area Monitoring System (WAMS), based on Phasor Measurement Units (PMU) and Global Positioning System (GPS). Most of these developments are limited to the central transmission company and very few state transmission companies. Other state level transmission companies need to adopt advanced technologies for better operation of the grid and to provide flexibility of connecting upcoming energy sources of various sizes to the grid.

**Growth of transmission sector since IX plan**

A. Transmission Lines						
At the end of	400 kV Transmission lines			220 kV Transmission lines		
	Central	State	Total	Central	State	Total
IX	29,345	20,033	49,378	86,87	88,306	96,993
X	50,992	24,730	75,722	9,444	105,185	114,629
XI upto Feb09	60,163	27,372	87,535	10,066	112,159	122,225
B. Sub Stations (MVA)						
IX	23,575	36,805	60,380	2,866	113,497	116,363
X	40,455	52,487	92,942	4,276	152,221	156,497
XI upto Feb09	53,555	55,127	108,682	4,476	169,717	174,193

Source: - Central Electricity Authority



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**Status of transmission sector (as on February 28, 2009)**

	Central sector	State sector	Total
<b>Transmission line (ckm.)</b>			
<b>765 kV</b>	2685	409	3094
<b>400 kV</b>	60871	27539	88410
<b>200 Kv</b>	10066	112488	122554
<b>+/- 500 Kv HVDC Lines (ckm)</b>	5232	1504	6736
<b>Sub Stations (MVA)</b>			
<b>765 kV</b>	4500	0	4500
<b>400 kV</b>	53555	55127	108682
<b>220 kV</b>	4476	170957	175433

*Source: - Central Electricity Authority*

A more worrying feature for the Indian power sector is the commercial viability of the distribution sector stemming from inefficiency and theft. For the year 2007-08, the total commercial loss of the state power sector, excluding subsidy, is around Rs 257.0 billion. The rate of return is around (-) 18 % for the state power sector. The Aggregate Technical & Commercial (AT&C) losses in various states are in the range of 18% - 62% with an average national level figure estimated at around 32.1% (2006-07). The distribution sector is also overwhelmed with poor billing and collection. Lack of consumer education, political interference, and inefficient use of electricity further aggravates the magnitude of the problems. Amidst such frightening state of the overall distribution sector, some distribution companies have been able to achieve financial viability.

**Renewable energy**

Conventional power generation from fossil fuels such as coal, hydrocarbons etc. cause environmental pollution and degradation. Besides, these sources are limited and at the current rate of their exploitation, are not likely to last very long. At the same time energy requirements of the people and industry is increasing at a fast rate. Therefore, there is need to give utmost importance to harnessing non-conventional and renewable energy sources such as wind energy, small hydro, bio-mass, solar, geothermal energy etc. Considering the growing concerns for climate change and energy security, it is imperative the renewable source of energy in the longer term will substantially increase its share in the fuel-mix thereby offering a significant growth potential for the sector. Capacity based on renewable contributed about 13,242.4 MW as on February 28, 2009, which represents 9.0% of the total installed capacity. The power generation capacity in the renewable section, until now has largely come through private investments.

**Renewable Energy EPC Projects** – Renewable energy resources comprises wind power, hydro power, biomass energy and geothermal energy. Renewable energies are contributors to the world’s energy supply portfolio, thus reducing the dependency on the fossil fuel resources, and provide opportunities for mitigating green house gases.

**Biomass based power projects** – The main objective of promoting biomass based power projects is to make optimum utilization of country’s biomass resources for grid and grid power generation. Raw materials used for power generation include bagasse, rice husk, straw, cotton stalk, coconut shells, soya husk, de-oiled cakes, coffee waste, jute wastes, groundnut shells, saw dust etc. The current availability of biomass in India is estimated at about 500 million metric tones per year. Studies sponsored by the Ministry has estimated surplus biomass availability at about 120 – 150 million



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metric tones per annum covering agricultural and forestry residues corresponding to a potential of about 16,000 MW.

Around 167 biomass power and cogeneration projects aggregating to 1,252 MW capacity has been installed in the country. In addition, around 171 biomass power and cogeneration projects aggregating to 1,850 MW of electricity are under various stages of implementation. The leading States for biomass power projects are Andhra Pradesh, Karnataka, Chattisgarh, Maharashtra and Tamil Nadu.

**Bio-ethanol Production Plants** – Ethanol is a clean, high-octane, high performance automotive fuel blended in gasoline to extend supplies and reduce emissions. Ethanol is produced from sugar or biomass like agricultural residues, forestry wastes etc. It is used as a petrol substitute for road transport vehicles. Many states including Uttaranchal, Chhattisgarh, Tamil Nadu, Andhra Pradesh, Gujarat and Rajasthan have taken the lead by setting up independent state biofuel authorities and simultaneously taken initiatives to give incentives. Financial institutions like NABARD and SBI have introduced new financial schemes to give a boost to the growth of the biofuel industry.

**Wind power** – India is the fourth largest producer of wind power in the world with a wind power installed capacity of 7,844 MW (upto December 31, 2007). India’s wind power potential has been assessed at around 45,000 MW by Ministry of New and Renewable Energy. The cumulative wind power generation in the country crossed 37 billion units of energy (upto December 31, 2007), 60% of which was accounted for by Tamil Nadu. Wind electric generators of unit sizes between 225 kW and 1.65 MW have been deployed across the country.

**Wind power installed capacity (upto December 31, 2007) - MW**

	Upto March 31, 2002	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Total
<b>All India</b>	1666.8	242.0	615.2	1111.7	1716.2	1742.1	750.6	7844.5

Source: - Ministry of New and Renewable Energy

**Other business**

**Process and Metallurgy Plants**

**Cooling Towers** – Cooling towers are heat removal devices used to transfer process waste heat to the atmosphere. Cooling towers may either use the evaporation of water to remove process heat and cool the working fluid to near the wet-bulb air temperature or rely solely on air to cool the working fluid to near the dry-bulb air temperature.

**Air Pollution control solutions** – Air pollution control solutions involve products such as electrostatic precipitators, bag filters, wet and dry scrubbers, flue gas desulphurization etc. The reason for the utilization of air pollution control technologies is legal or regulatory requirement.

Growth in industrialization has led to the increase in demand for the Air pollution control systems and cooling towers.

**Municipal Services**

**Water Infrastructure** – Due to growth in population and increasing industrialization the pressure on water resources is showing an increasing trend. Thus there is a massive scope for investments in sewer and waste water treatments plants.



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**Windmill Turbine generators** – The Wind Resource Assessment Programme which is being coordinated by the Centre for Wind Energy Technology (C-WET) has so far covered 25 States and Union Territories involving establishment of 1050 wind monitoring and wind mapping stations. The cost of setting up a wind monitoring station is shared between Central and State Governments in ratio of 80:20 whereas it is 90:10 for the North Eastern Region and hilly States.

Two types of wind turbines namely stall regulated and pitch regulated are being deployed in the country and abroad for grid-interactive power. The stall regulated wind turbines have fixed rotor blades whereas pitch regulated wind turbines have adjustable rotor blades that change the angle of attach depending upon wind speed. Components required for the manufacture of WTG's are gear boxes, generators, towers, material for rotor blades bearings, castings and controllers, most of which are sourced in India.

India ranks 4th in the world after Germany, Spain and USA in grid connected wind power installations. A cumulative total of over 34 billions units of electricity have been fed to the State Electricity Grids.

Wind Electric Generators are being manufactured in the country by a dozen manufacturers, through (i) joint ventures under licensed production (ii) subsidiaries of foreign companies, under licensed production and (iii) Indian companies with their own technology.

The Centre for Wind Energy Technology (C-WET), Chennai was established in Tamil Nadu in 1998 as an autonomous institution under the administrative control of the Ministry of New and Renewable Energy. C-WET main activities include resource assessment and testing & certification.

### **Major players of the power equipment industry**

- ✓ **BHEL** - It is a leader in domestic power generation equipment with the market share of approximately 60%, with the installed generation capacity close to 90,000 MW (including captive units) in the country. BHEL manufactures and supplies major capital equipment and systems like captive power plants, centrifugal compressors, drive turbines, Industrial boilers and auxiliaries, waste heat recovery boilers etc. It has been manufacturing and supplying a range of renewable energy systems and products – which includes solar energy systems, solar pumps, and solar water heating systems. In FY08, BHEL has orders worth Rs 410.7 billion for supply and installation of 14555.6 MW of generating equipment in the power sector.
- ✓ **Suzlon Energy Limited** - Suzlon ranked as the fifth leading wind turbine supplier in the world, with over 10.5% of global market share in 2007, according to the BTM Consult ApS World Market Update 2007. Suzlon reported a strong consolidated order book position of USD 4,304 million (3,454 MW); with USD 208 million (160 MW) in domestic orders, and USD 4,096 million; (3,294 MW) in international orders, as on May 19, 2008.
- ✓ **Thermax India Private Limited** - Thermax is a global solution provider in energy and environment engineering. It offers products and services in heating, cooling, waste heat recovery, captive power, water treatment and recycling, waste management and performance chemicals. As of September 30, 2008 order book of Thermax showed orders amounting to Rs 40.7 billion.
- ✓ **Crompton Greaves** – It is one of the largest players in India in the electrical equipment and engineering industry. Crompton is mainly engaged in the manufacture, distribution and sale of electrical and electronic equipment systems. The company makes a wide range of transformers, switchgear, motors, lighting products, fans, railway-signaling equipment. Crompton Greaves power segment grew by 21% to Rs 48.2 billion in FY08.





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- ✓ **ABB** - The Company's principal activity is to provide power and automation technologies. Power technology segment manufactures, engineers, supplies and provides solutions for power transmission, power distribution and control and protection systems for power plants. The products include transformers, switchgears, breakers, capacitors, power line carrier communication equipment and relay control panels. The company booked orders worth Rs 80.5 billion during the year ended 2008.

### Demand Factors

- ✓ **Rural Electrification** - More than 70% of India's population lives in rural areas. One of the greatest challenges that the Indian Government is facing is providing access to energy to people in rural areas. Electricity generated from renewable energy sources in the form of solar, wind, and hydropower over the years is being widely used in the rural areas. The government has undertaken massive programmes with respect to rural electrification. This is expected to lead to higher demand for power from the rural areas.

### **Rural electrification (as on January 31, 2009)**

Total no. of villages	593732
No. of villages electrified	488836
% of villages electrified	83.3%

Source: - Central Electricity Authority

### **Schemes appraised by central electricity authority under rural electrification (April 2008-February 2009)**

Name of Schemes	State	Installed capacity (MW)
Gundia Hydro Electric Project	Karnataka	200
Singoli Bhatwari HEP	Uttrakhand	99
Alaknanda HEP	Uttrakhand	300
Rupsiabagar Khasiyabara HEP	Uttrakhand	261

Source: - Central Electricity Authority

- ✓ **Government Incentives** – Preferential tariffs, tax incentives etc are being provided by the government to the owners of Biomass based power projects and Wind power plants which will lead to an increase in investments in these projects.
- ✓ **Rise in demand of power and fuel** - The demand for energy, particularly for commercial energy and fuel, has been growing rapidly with the growth of the economy, changes in the demographic structure, rising urbanization, socio-economic development, and the desire for attaining and sustaining self-reliance in some sectors of the economy. This will lead to the increase in demand of power based and bio-ethanol production projects.
- ✓ **India being tropical country tremendous potential for energy generation through biomass** – India is a tropical country with a massive raw material base for biomass power projects. This leads to the increase in the demand for power projects of renewable energy resource due to abundant availability of raw material and pollution free power generation.
- ✓ **Increased industrialization** – Increased industrialization has led to the increase in the demand of energy. The growth recorded in the industrial sector has also increased the demand for cooling towers and air pollution control solutions.



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- ✓ **Global warming** – Globally, attention has been paid to reduce the carbon-dioxide emissions. Hence extra duties are applied to those fuels which emit carbon dioxide like fossil fuels. The imposition of these duties has indirectly supported the expansion of renewable energy and windmill projects.
- ✓ **Carbon Credits** – Carbon credits incentivize companies or countries that emit less carbon. The total annual emissions are capped and the market allocates a monetary value to any shortfall through trading. Businesses can exchange, buy or sell carbon credits in international markets at the prevailing market price. Waste disposal units, plantation companies, chemical plants and municipal corporations can sell the carbon credits and make money thereby increasing the demand for cooling tower and air pollution control solutions.

### **Challenges faced by the Industry**

- ✓ **Legal, political and economic risks** – Industry is largely influenced by government policies, laws and regulations. Constant changes in government regulatory practices, tariffs and taxes, laws and policies will pose significant effect on this sector.
- ✓ **Fluctuation risk in the price of raw material** – Increase in the prices of raw material like ethanol, gasoline, coal etc will significantly affect the margins of the sector.
- ✓ **Long gestation period of the project** - Long period between project commencement and the first revenues.
- ✓ **Conflicts between the joint venture partners** – Most of the EPC projects are undertaken by agreement between two or more companies in the form of Joint venture. If there is a conflict between the partners, the project will be affected thus affecting the revenues of the companies in the sector.
- ✓ **Local social communities** – The construction of windmill plants face opposition from local social communities since these plants cause noise and are considered by some to be aesthetically unappealing. There are also environmental issues due to killing of birds.

### **Government initiatives**

- ✓ In an attempt to meet its energy requirements by 2012, the Maharashtra government on December 30, 2008 revealed Rs 45 billion investment plan for the power sector.
- ✓ As per the recent reforms under the Electricity Act 2003, the private sector has been given access to the state electricity board transmission grids thereby allowing private power producers to sell directly to consumers.
- ✓ The Ministry of Power has launched various initiatives, such as Ultra Mega Power Projects (UMPP), to facilitate setting up of new power plants through government and private participation. There are plans to add about 78,700 MW of generation capacity during the 11th Five Year Plan (2007-2012) from various sources including coal, gas, hydro, nuclear.



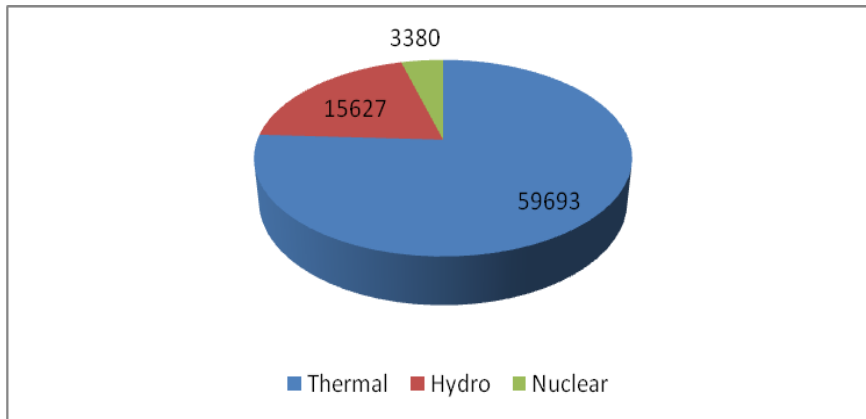
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**XI plan capacity addition target (sector wise) – in MW**

Type / Sector	Central	State	Private	Total
<b>Thermal</b>	24,840	23,301	11,552	59,693
<b>Hydro</b>	8,654	3,482	3,491	15,627
<b>Nuclear</b>	3,380	0	0	3,380
<b>Total</b>	36,874	26,783	15,043	78,700

Source: - Central Electricity Authority

**XI plan capacity addition target (sector wise) – in MW**



Source: - Central Electricity Authority

- ✓ In 11<sup>th</sup> five year plan government has proposed a physical target of 15,000 MW with an outlay of Rs 39.0 billion for grid interactive/ distributed renewable power generation. The detailed break-up is given below:

**Physical targets and proposed outlay for the 11<sup>th</sup> plan**

Sources/systems	Target for 11 <sup>th</sup> plan (MW)	Proposed outlay for 11 <sup>th</sup> plan (Rs mn)
<b>Wind power</b>	10,500	750*
<b>Small hydro power</b>	1,400	7,000
<b>Biomass power</b>	1,200	6,000
<b>co-generation</b>	500	2,000
<b>Urban waste to energy</b>	200	1,500
<b>Industrial waste to energy</b>	200	750
<b>Solar Power (Grid interactive) &amp; DPRS</b>	1,000	21,000
<b>Total (Renewable Power)</b>	15,000	39,000

\*For demonstration projects in the states where there is sizeable potential but no commercial activity has commenced

Source: - Ministry of New and Renewable Energy

- ✓ Indian Government has introduced many fiscal policies like tax incentives such as accelerated depreciation allowance, tax holiday for new projects, availability of soft loans, relief from customs and other duties, liberal foreign investment policies, preferential tax structures etc, for the growth of this sector.



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- ✓ A total of Rs. 1,360 billion is planned to be invested in the transmission sector during the five years of the 11th plan. This is almost three times the amount of investments in the 10th Plan. A higher amount is allocated towards setting up network for the national and regional grid. This also takes into account schemes for long-term open access.
- ✓ With a view to ensure optimum availability of generating units during the daily peak period various awards were introduced like award for early completion of projects, performance for rural distribution franchisee.
- ✓ There are various schemes enacted by the government for the development of renewable energy resources like Remote Village Lightning Programme, Village Energy security Tests Projects, Family Type Biogas Plants, Wind Power Programme etc.
- ✓ Central Financial Assistance provided by the government under Grid Interactive Power Programme is depicted in the following table: -

Project Name	In Lacks	
	Special Category States (NE region, sikkim, J & K, Uttarakhand and HP)	Other States
Small Hydro Power Projects	225.00	150.00
Biomass Power Projects	2500.00	2000.00
Biomass Power using advanced Technology	120.00	100.00
Wind Power Projects	300.00	200.00

Source: - Ministry of New and Renewable Energy

### Potential in renewable source of energy

With the depleting coal deposits, increasing greenhouse gas emissions, rising oil prices and an endangered ecosystem - renewable energy sources are the only viable option in the long term. Thus, renewable energy holds vast potential in terms of cost reduction and protecting the ecosystem. Potential of the renewable source of energy summarized below:

### **Renewable source of energy- estimated potential and cumulative achievement (as on 31<sup>st</sup> December 2007)**

Systems	Estimated Potential (MWe)	Cumulative achievement (MW)
<b>Bio Power (Agro residues)</b>	16,881	605.8
<b>Wind Power</b>	45,195	7,844.5
<b>Small Hydro Power (up to 25 MW)</b>	15,000	2,045.6
<b>Cogeneration-bagasse</b>	5,000	710.8
<b>Waste to Energy</b>	2,700	55.2
<b>Total</b>	84,776	11,261.9

MWe: Megawatt equivalent

Source: - Ministry of New and Renewable energy



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A capacity addition of around 30,000 MW is envisaged for the 12<sup>th</sup> and 13<sup>th</sup> Plans, according to ministry of new and renewable energy. Renewable power capacity by the end of the 13th plan period is likely to reach 54,000 MW, comprising 40,000 MW wind power, 6,500 MW small hydro power and 7,500 MW bio-power. The perspective plan for grid-interactive renewable power is summarized below:

**Perspective plan for grid –interactive renewable power for 2022 (at the end of 13<sup>th</sup> plan) - MW**

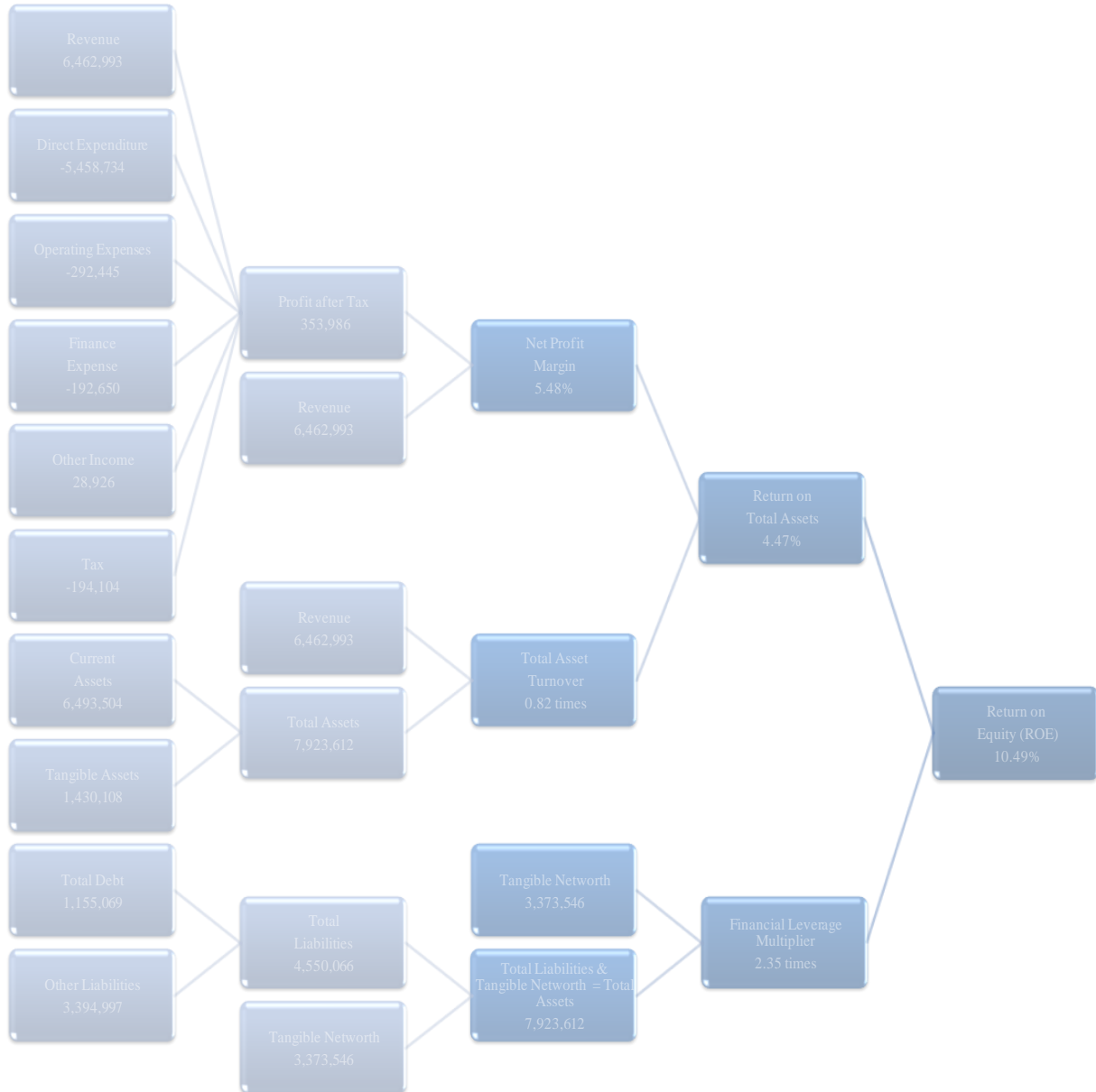
Sources/systems	Upto 9 <sup>th</sup> plan	Upto 10 <sup>th</sup> plan	Target for 11 <sup>th</sup> plan	Target for 12 <sup>th</sup> and 13 <sup>th</sup> plan	Total
<b>Wind power</b>	1667	5333	10,500	22,500	40,000
<b>Small hydro power</b>	1438	522	1,400	3,140	6,500
	368	669	-	-	7,500
<b>Bio power</b>	2	1	2,100	4,363	3
<b>Total</b>	3475	6525	1,400	30,003	54,003

*Source: - Ministry of New and Renewable energy*



## Financial Analysis

### DUPONT CHART



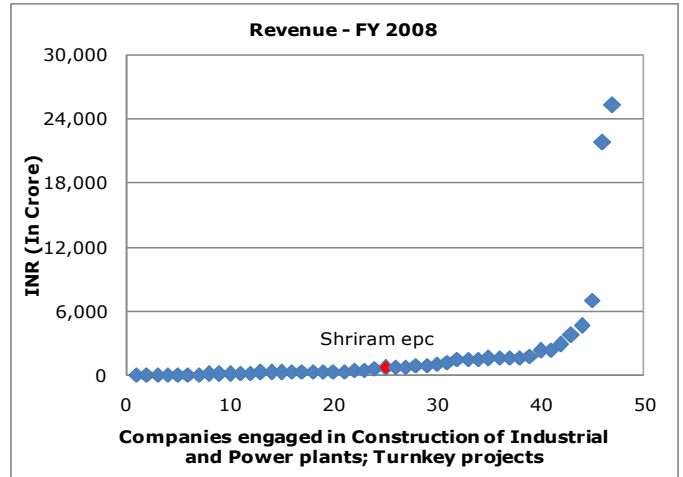
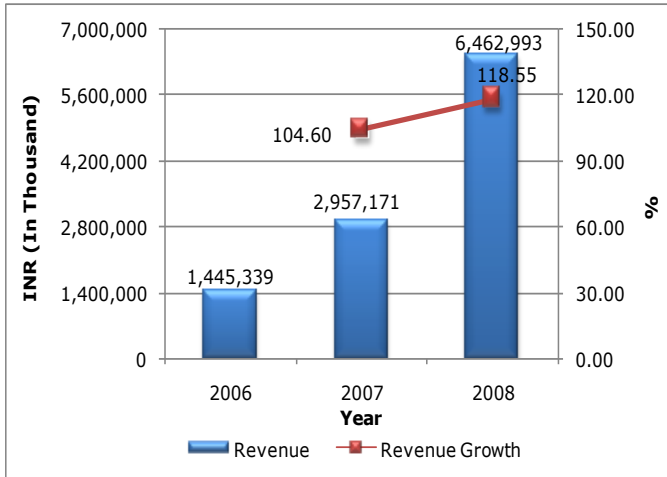
**Note:**

- All the amounts are in INR thousand unless otherwise expressly stated.
- Intangibles have been excluded from Total Assets



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## Revenue



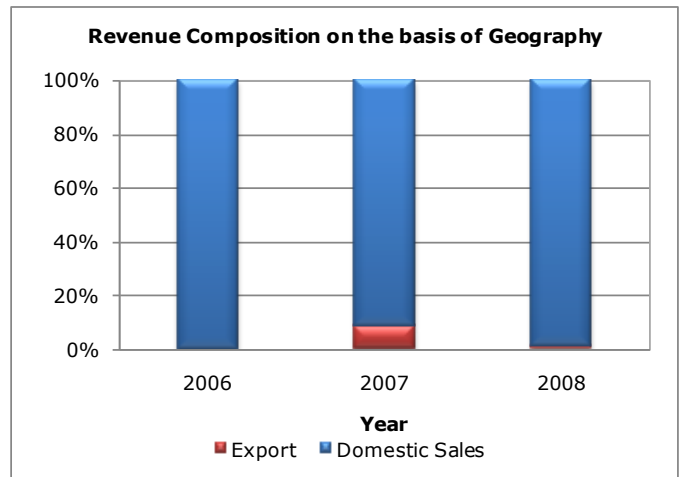
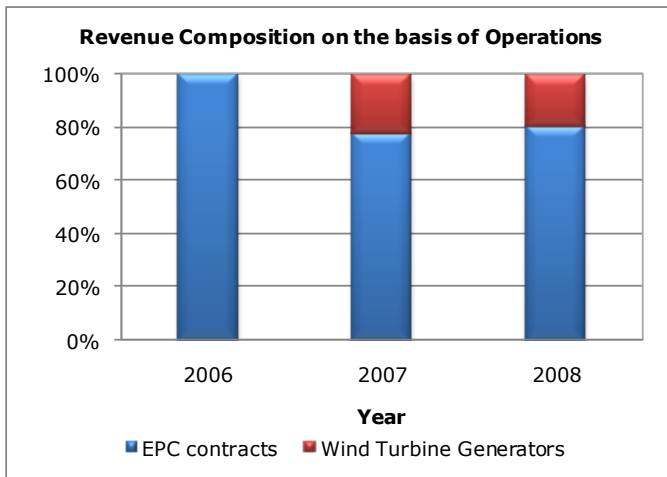
Shriram EPC was primarily engaged in two segments namely:-

### ✓ EPC

- Renewable energy projects consisting of biomass-based power projects, small hydel power projects.
- Providing integrated turnkey solutions for iron and steel, cement, aluminum, copper and thermal power plants, water and wastewater treatment plants, water and sewer infrastructure and pipe rehabilitation.

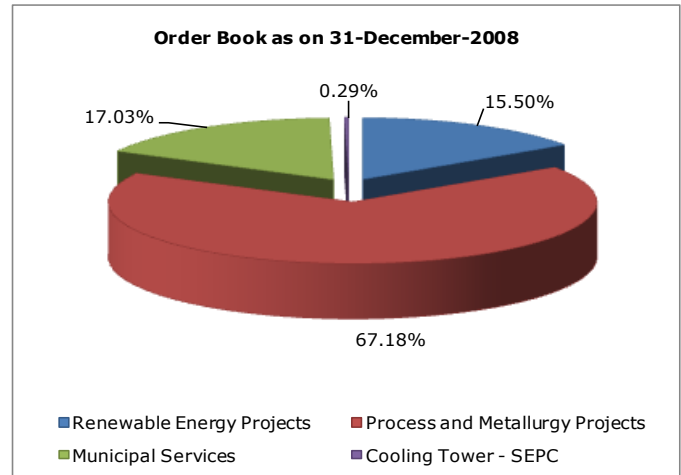
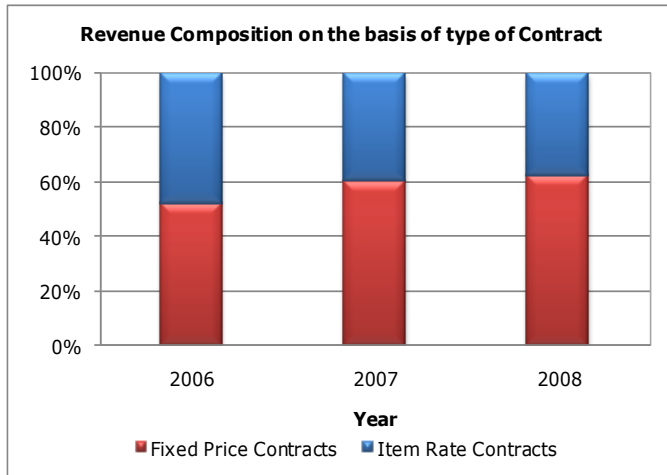
- ✓ **Development, sale and maintenance of Wind Turbine Generator (WTG) Projects.** (The business of WTG was transferred to Shriram Leitwend Limited (SLL), a subsidiary company and Leitner Shriram Manufacturing Limited (LSML), an associate company with effect from 1<sup>st</sup> April 2008.)

## Revenue Composition





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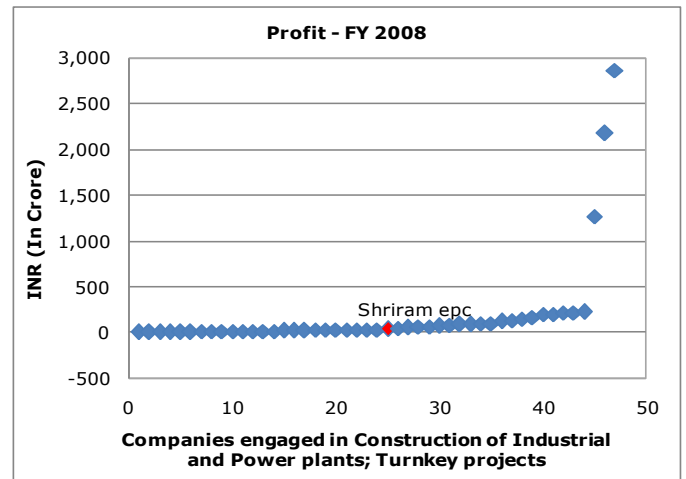
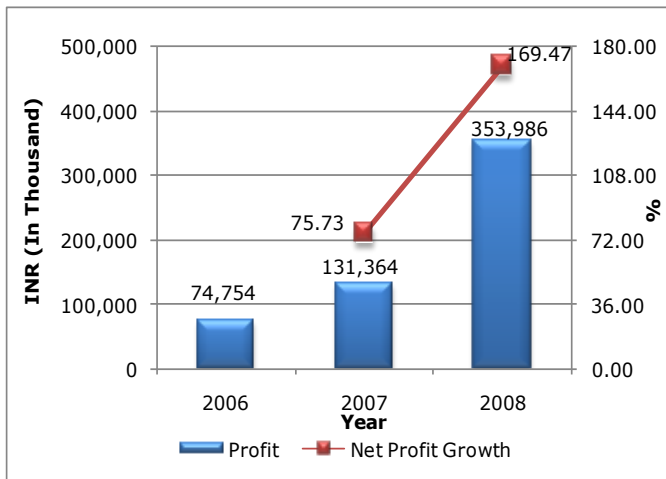
- ✓ Revenue of the Company showed an upward movement for the period under study.
- ✓ In FY 2007, revenue increased by 104.60% mainly due to the introduction of WTG division which contributed almost 22.51% of total revenue in that year. The revenue from EPC contracts increased by 58.54% in FY 2007.
- ✓ The revenue growth for FY 2008 was 118.55%. Revenue from EPC contracts increased by 140.42% and accounted for 80.60% of the total revenue in this year. The increase was mainly due to a rise in revenue from process and metallurgy and municipal services. Revenue from WTG division increased by 88.38% as a result of higher number of turbines sold during the year.
- ✓ In FY 2007 and FY 2008, the Company also earned revenue from annual maintenance contracts though the same contributed a minor proportion to the revenue.
- ✓ The Company received various orders like contract of a coal gasification project from Jindal Steel and Power Limited, order from Delhi Jal Board for pipe rehabilitation, etc in FY 2008.
- ✓ The order book position of the Company as on 31<sup>st</sup> December 2008 was INR 1,819.83 crore. The order book includes order from Steel Authority of India for new coal chemical plant for INR 2,626,100 thousand.





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## Profitability



### FY 2007

- ✓ Profit increased in FY 2007 mainly due to an increase in revenue. Other factors contributing to increase in profit were: -
  - The Company received interest income of INR 49,475 thousand mainly on deposits with bank during the year which contributed to the growth in net profit of the Company.
  - Interest expenses declined by 60.43% during the year mainly on account of repayment of hire purchase loans.
- ✓ Cost of material consumed increased as a percentage of revenue from 70.42% in FY 2006 to 75.11% in FY 2007 due to increase in prices of raw material, especially steel.
- ✓ The Company also incurred expenditure on cost of land for windmill due to the commencement of wind mill division. As informed by the management, the Company procures land in lots and transfers the land to the customer when the windmill is sold. The cost of land consumed in FY 2007 was higher than in FY 2008 due to the high prices of land in FY 2007.

### FY 2008

- ✓ The major factors contributing towards the growth in profit for FY 2008 were as follows: -
  - Steep increase in revenue by 118.55%
  - Decrease in employee cost as a percentage of revenue from 3.45% in FY 2007 to 2.72% in FY 2008.
  - Decrease in the infrastructure development charges payable to electricity board during the year both in absolute terms and as a percentage of revenue. According to the management, earlier these charges were borne by the Company. But on account of the contracts allotted to the subcontractors on turnkey basis, the expenses were borne by the subcontractors in FY 2008.

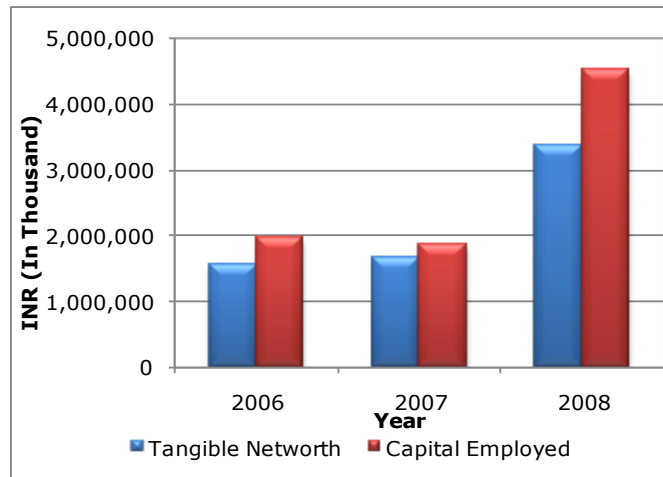


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- There was also a decline in advertisement and business promotion expenses in FY 2008.
- ✓ There was an increase in the cost of raw material consumed in FY 2008 by 117.04% mainly due to increase in turnover/ business activity. Further there was also an increase in the prices of raw materials, especially steel and cement.
- ✓ Bank and other financial charges depicted a significant increase in FY 2008 on account of increase in facilities availed like letters of credit, bank guarantees, bills discounted, etc due to increase in level of business activities.
- ✓ Interest expenses increased by 248.99% in FY 2008 on account of an increase in secured loans from banks and financial institutions to meet capital expenditure and working capital requirement in line with the business growth of the Company.
- ✓ Operating profit from the windmill division was 84,952 thousand in FY 2008 as against INR 122,466 thousand in FY 2007 in spite of increase in revenue from the windmill division. As stated by the management it was on account of reduction in selling prices of WTG and steep increase in steel prices in second half of FY 2008.



## Tangible Network and Capital Employed



Tangible network increased y-o-y; however capital employed decreased in FY 2007 and increased sharply in FY 2008.

- ✓ Tangible network increased during the period under review mainly due to the following reasons:
  - 100% retention of profit in FY 2007 and FY 2008.
  - Issue of 5,000,000 equity shares of INR 10 each at a premium of INR 290 per share in FY 2008 through IPO.
- ✓ The Company raised INR 1,500,000 thousand from IPO in FY 2008 which was utilized for the following:

Particulars	Amount in INR Thousand	
		Actual utilisation
Investment on Subsidiary - Shriram Leitwind Limited		83,190
Investment in Associates:-		
Leitner Shriram Manufacturing Limited		190,240
Orient Green Power Company Limited		400,000
Expenditures towards purchase of capital equipment for pipe rehabilitation projects		115
General corporate purposes		149,182
Issue related expenses		162,689
<b>Total</b>		<b>985,416</b>

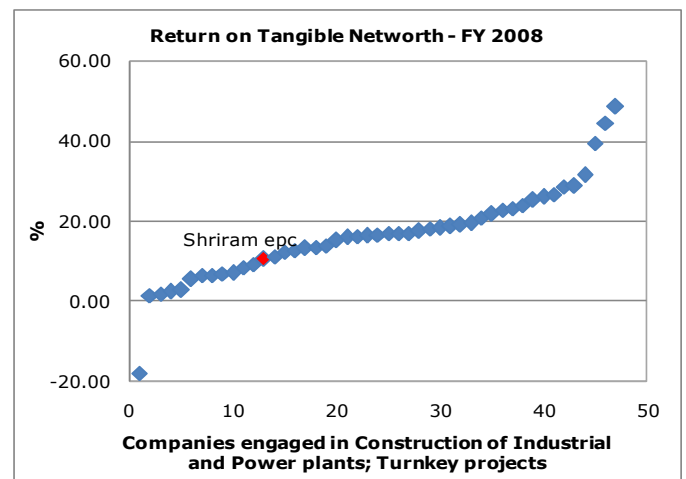
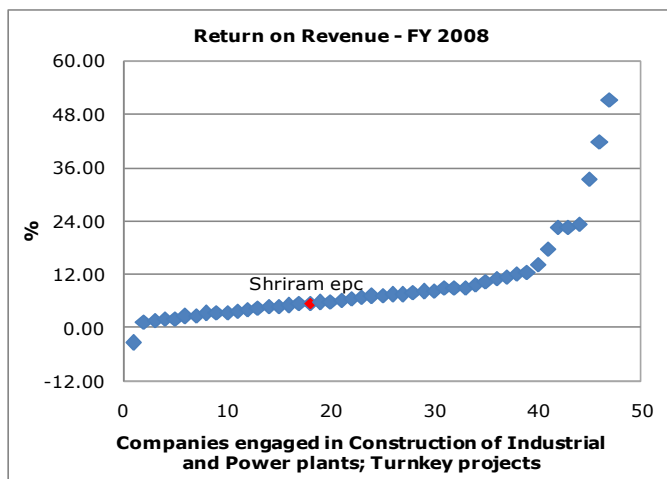
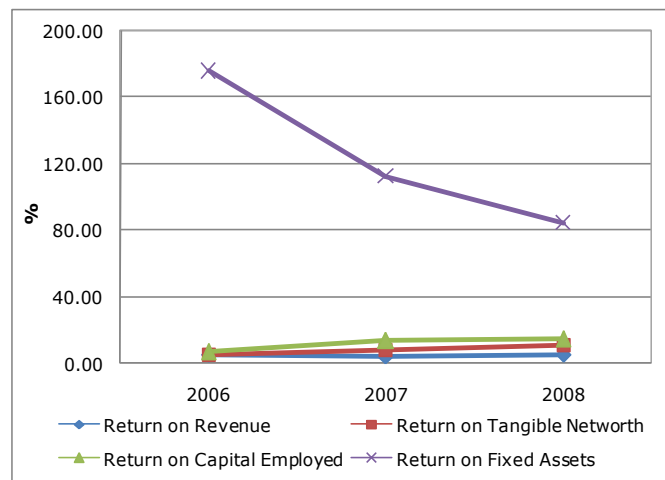
- ✓ Capital employed declined by 5.80% in FY 2007 primarily on account of repayment of hire purchase loans and reduction in the year end balance of cash credit facilities availed from bank.
- ✓ In FY 2008 capital employed increased sharply by 145.30% due to significant increase in tangible network along with increase in total debt. Total debt of the Company increased in FY 2008 as a result of secured loans availed from banks and financial institutions.



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## Profitability Ratios

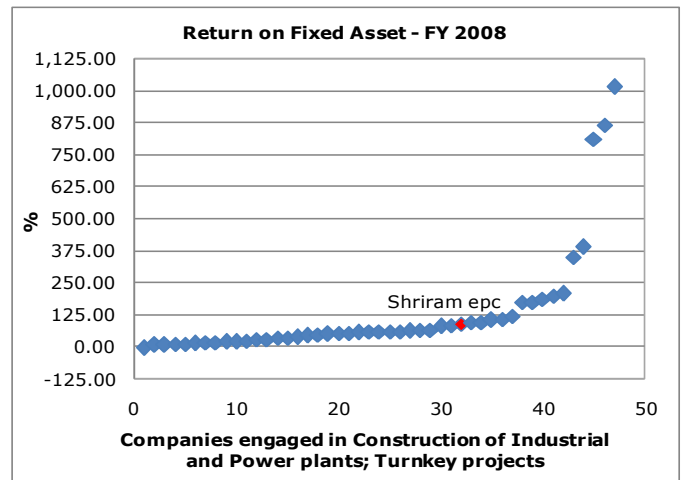
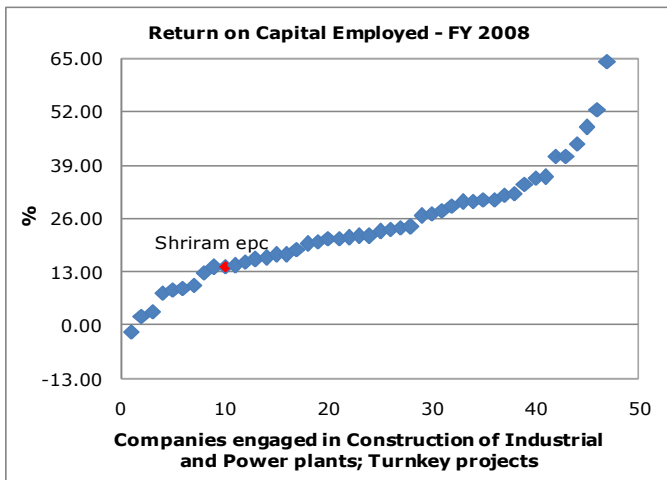
Particulars	In %		
	2006	2007	2008
Return on Revenue	5.17	4.44	5.48
Return on Tangible Network	4.84	7.98	10.49
Return on Average Tangible Network	-	8.24	14.10
Return on Capital Employed	6.51	13.24	14.25
Return on Average Capital Employed	-	12.84	20.24
Return on Fixed Assets	175.81	112.27	84.72



- ✓ Return on revenue decreased in FY 2007 as the increase in profit was 75.73% and the increase in revenue was 104.60% when compared with FY 2006. However, in FY 2008 the returns increased as the profit growth was higher than the growth in revenue for the year.
- ✓ Return on tangible network showed an upward movement during the period under study. It increased y-o-y as a result of increase in profit.



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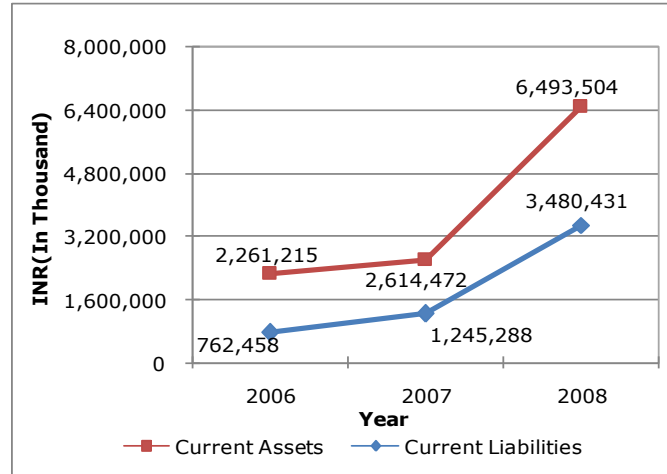


- ✓ Return on capital employed increased in FY 2007 as capital employed declined by 5.80% due to reduction in total debt. In FY 2008, a substantial increase in earnings before interest and tax by 163.95% led to an increase in return on capital employed.
- ✓ Return on fixed assets decreased sharply in FY 2007 and FY 2008 on account of increase in fixed assets. The increase in fixed assets was due to additional plant and machinery installed which increased by 82.71% and 513.84% in FY 2007 and FY 2008 respectively.



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## Liquidity Ratios



### Composition of Current Assets

Particulars	In %		
	2006	2007	2008
Accounts Receivable	27.62	51.88	47.91
Cash and Bank	46.71	10.30	21.75
Loans and Advances	16.41	24.62	18.88
Inventory	7.64	10.52	7.41
Other Current Assets	1.61	2.68	4.04
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

- ✓ Accounts receivable formed a major part of the current assets in FY 2007 and FY 2008.
- ✓ In FY 2006, cash and bank balance constituted about 47% of the total current assets mainly due to the receipt of proceeds from the issue of fully convertible preference shares and borrowings. It further increased in FY 2008 primarily on account of receipt of proceeds of IPO and secured loans availed from banks and financial institutions.
- ✓ Loans and advances comprised around 20% of the current assets for the period under study.

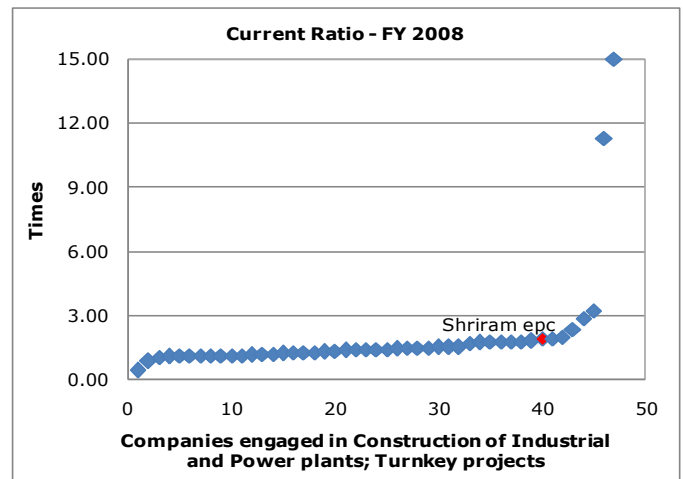
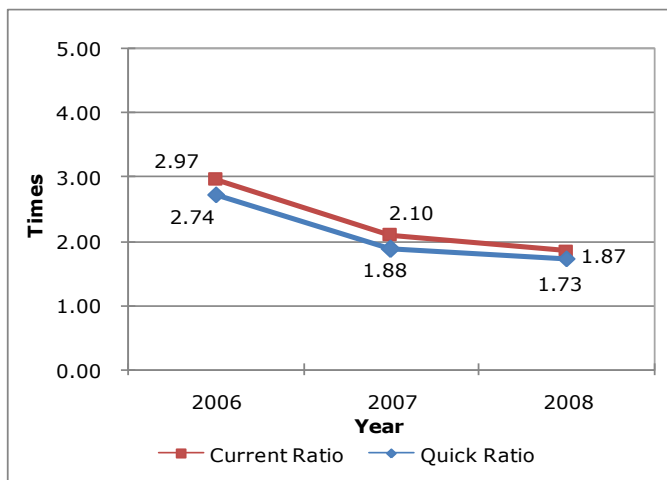


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### Composition of Current Liabilities

Particulars	In %		
	2006	2007	2008
Accounts Payable	21.98	49.17	48.64
Due to Customers	16.58	23.49	37.36
Provision for Income Tax	4.59	6.55	6.55
Bank Loans	48.40	15.81	4.08
Other Current Liabilities	8.45	4.96	3.36
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

- ✓ Accounts payable accounted for almost 50% of the total current liabilities in FY 2007 and FY 2008.
- ✓ Advances received from customers increased y-o-y and comprised around 38% of the total current liabilities as on FY 2008 end.
- ✓ Bank loans declined significantly y-o-y due to decrease in short term loans during the period under review.

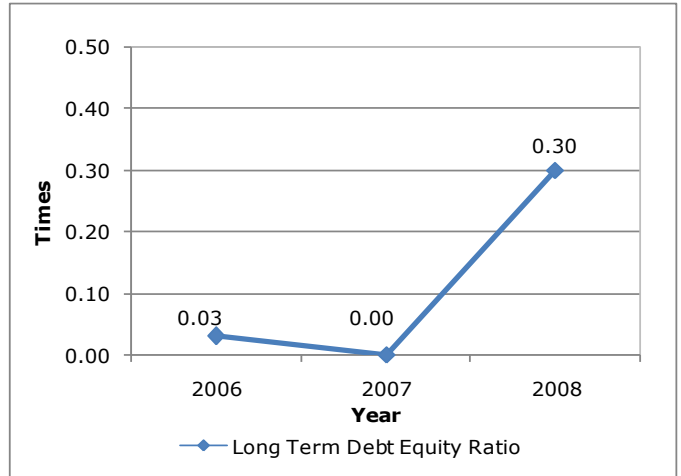
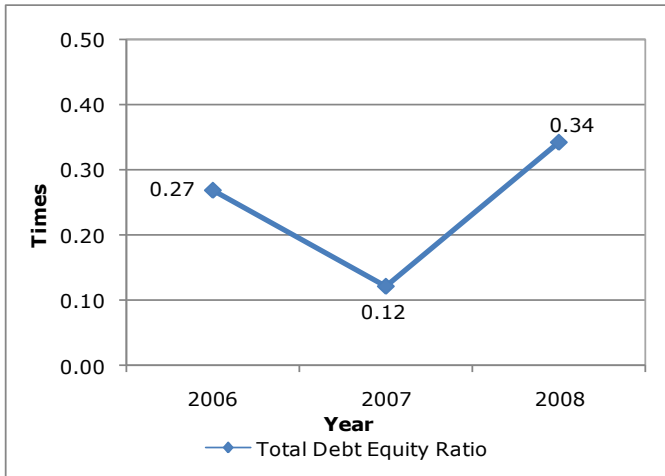


- ✓ Current ratio as well as the quick ratio showed a declining movement during the period under study.
- ✓ Both the ratios declined in FY 2007 mainly due to decrease in cash and bank balance coupled with increase in accounts payable and advance received from customers.
- ✓ The ratios further declined in FY 2008 mainly on account of significant rise in accounts payable and advance received from customers.



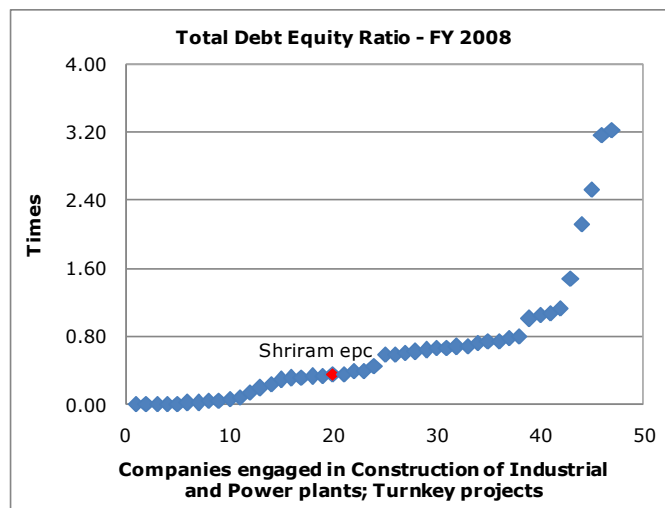
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## Debt Equity Ratio



Total debt equity ratio and long term debt equity ratio showed an uneven movement during the period under review.

- ✓ The ratios decreased in FY 2007 mainly on account of increase in tangible networth along with reduction in loans, especially short term loans.
- ✓ In FY 2008, total debt equity ratio and long term debt ratio increased due to fresh secured loans availed from banks and financial institutions during the year.

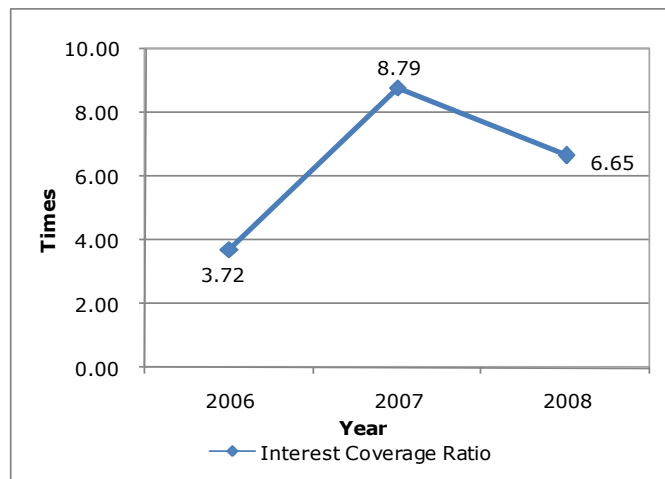






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## Interest Coverage Ratio



- ✓ In FY 2007, interest coverage ratio showed a steep increase to 8.79% due to decrease in interest expenses which in turn were on account of decline in loans.
- ✓ In FY 2008, interest coverage ratio declined to 6.65% in spite of an increase in earnings before interest and tax mainly due to sharp increase in interest expense by 248.99%.



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## Peer Group Comparison

LOB - Companies engaged in Construction of Industrial and Power plants; Turnkey projects

No of Companies - 47

Networth between INR 7 crore and INR 11,000 crore

Gross Fixed Assets less than INR 5,200 crore

Particulars	Min Value	25th Percentile	40th Percentile	60th Percentile	75th Percentile	Max Value	Shriram EPC
Revenue (INR Crore)	2.04	149.55	292.94	850.92	1,526.13	25,272.59	646.30
Profit after Tax (INR Crore)	(3.50)	7.55	19.82	59.31	102.72	2,859.34	35.40
Investment to Networth Ratio (Times)	0	0.01	0.08	0.17	0.34	1.38	0.30
Revenue Growth (%)	(68.32)	22.09	29.33	54.40	82.29	197.16	118.55
Profit Growth (%)	(87.67)	23.64	42.63	72.30	105.63	390.08	169.47
Current Ratio (Times)	0.40	1.14	1.28	1.46	1.75	14.97	1.87
Quick Ratio (Times)	0.25	0.65	0.69	0.88	1.07	6.27	1.73
Collection Period (Days)	3	68	108	140	158	935	176
Total Debt Equity Ratio (Times)	0	0.16	0.33	0.62	0.74	3.22	0.34
Return on Revenue (%)	(3.53)	4.20	5.62	7.98	10.72	51.24	5.48
Return on Fixed Assets (%)	(7.23)	27.29	47.65	62.33	103.12	1,011.55	84.72
Return on Tangible Networth (%)	(18.04)	9.83	14.33	17.74	22.20	48.57	10.49
Return on Capital Employed (%)	(1.78)	15.62	20.66	25.46	30.58	64.21	14.25

 Weak

 Marginal

 Moderate

 Good

 Strong

 Range for Shriram EPC

*Note: -The peer comparison is based on the financial performance of the Company and its peers in FY 2008*



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## Bankers and Insurance

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### *BANKERS*

- Oriental Bank of Commerce Limited
- Axis Bank Limited
- Yes Bank Limited
- ABN Amro Bank N. V.
- IDBI Bank Limited
- Punjab National Bank
- Bank of India
- Citi Bank N.A.

### *INSURANCE*

The Company has taken insurance for its assets from Cholamandalam MS General Insurance Company Limited and others.



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## Contingent Liabilities

---

Contingent Liabilities as on 31<sup>st</sup> March 2008:-

Amount in INR Thousand	
Particulars	Amount
Letters of Guarantee issued by the Banks	941,089
Letters of Credit issued by the Banks	1,364,625
Bills discounted	545,322
Corporate Guarantees issued	340,000
Disputed Income Tax demands contested in Appeals not provided for.	73,988
Claims against the Company not acknowledged as debts	91,119
<b>Total</b>	<b>3,356,143</b>



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## Financial Statements of Shriram EPC Limited

### Three Year Balance Sheet

Amount in INR Thousand

LIABILITIES AS ON	31-Mar-06	31-Mar-07	31-Mar-08
<b>Shareholders Funds</b>			
Capital	378,678	378,678	428,678
Capital Reserve	1,292	1,292	1,292
Securities Premium	1,123,774	1,094,035	2,381,346
Retained Earnings	97,134	228,498	582,484
Employees Stock options outstanding	-	3,244	29,116
<b>Total Equity</b>	<b>1,600,878</b>	<b>1,705,747</b>	<b>3,422,916</b>
<b>Non-Current Liabilities</b>			
Loans from Financial Institutions	-	-	734,945
Bank Loans	1,750	-	270,113
Deferred Taxation	2,206	9,008	56,708
Hire Purchase Finance	40,590	2,611	7,869
Inter-Company Loans	5,000	-	-
<b>Total Non-Current Liabilities</b>	<b>49,546</b>	<b>11,619</b>	<b>1,069,635</b>
<b>Current Liabilities and Provisions</b>			
Accounts Payable	167,554	612,368	1,692,966
Notes Payable (Bills Discounting)	29,405	9,330	8,656
Bank Loans	369,061	196,915	142,142
Interest Accrued but not due	183	-	-
Due to Customers	126,390	292,578	1,300,321
Provision for Tax	34,990	81,609	228,013
Provisions	3,730	6,754	15,716
Other Liabilities	31,145	45,734	90,844
Share Application Money	-	-	1,773
<b>Total Current Liabilities and Provisions</b>	<b>762,458</b>	<b>1,245,288</b>	<b>3,480,431</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,412,882</b>	<b>2,962,654</b>	<b>7,972,982</b>



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Amount in INR Thousand

ASSETS AS ON	31-Mar-06	31-Mar-07	31-Mar-08
<b>Fixed Assets</b>			
Land and Buildings	-	42,833	55,974
Plant and Machinery	28,204	51,531	316,319
Motor Vehicles	5,254	8,409	15,161
Furniture and Fixtures	2,038	2,879	3,649
Office Equipment	2,169	2,670	5,941
Capital Work in Progress	-	14	4,664
Computers and Software	4,855	8,671	16,136
<b>Total Fixed Assets</b>	<b>42,520</b>	<b>117,007</b>	<b>417,844</b>
<b>Investments</b>			
Investment in Subsidiaries	-	20,000	597,637
Shares (Quoted)	225	96,532	96,532
Shares (Unquoted)	51,291	55,545	318,095
<b>Total Investments</b>	<b>51,516</b>	<b>172,077</b>	<b>1,012,264</b>
<b>Current Assets</b>			
Cash and Bank	1,056,229	269,326	1,412,347
Inventory	172,830	275,064	481,372
Deposit-Short Term	19,216	9,180	72,552
Accounts Receivable	624,625	1,356,366	3,111,041
Interest Accrued on Deposits with Banks	1,501	217	1,018
Loans and Advances	371,155	643,565	1,226,151
Advance Payment of Income Tax (Including FBT)	15,659	60,754	186,617
Balance with Customs, Excise Authorities	-	-	2,406
<b>Total Current Assets</b>	<b>2,261,215</b>	<b>2,614,472</b>	<b>6,493,504</b>
<b>Intangible Assets</b>			
Deferred Revenue Expenditure	9,267	-	-
Preliminary Expenses	16	13	-
Technical Knowhow	48,348	59,085	49,370
<b>Total Intangible Assets</b>	<b>57,631</b>	<b>59,098</b>	<b>49,370</b>
<b>TOTAL ASSETS</b>	<b>2,412,882</b>	<b>2,962,654</b>	<b>7,972,982</b>



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### Three Year Profit and Loss Account

Amount in INR Thousand

For the Period Ended	31-Mar-06	31-Mar-07	31-Mar-08
No. of Months	12	12	12
Revenue / Sales	1,445,339	2,956,606	6,461,959
Other Operating Income	-	565	1,034
<b>Total Operating Income</b>	<b>1,445,339</b>	<b>2,957,171</b>	<b>6,462,993</b>
Cost of Materials Consumed	(1,017,819)	(2,221,147)	(4,820,669)
Contract Related Costs	(44,354)	(64,877)	(167,773)
Employees Cost	(64,034)	(102,109)	(175,523)
Infrastructure Development Charges to Electricity Boards	(38,766)	(73,714)	(27,644)
Other Direct Expenditure	(15,873)	(66,796)	(267,125)
<b>Direct Expenditure</b>	<b>(1,180,846)</b>	<b>(2,528,643)</b>	<b>(5,458,734)</b>
<b>Gross Profit</b>	<b>264,493</b>	<b>428,528</b>	<b>1,004,259</b>
General and Administration Expenses	(61,008)	(89,985)	(138,483)
Bank and Other Finance Charges	(9,027)	(27,384)	(95,578)
Business Promotion Expenses	(12,870)	(19,638)	(18,915)
Advertisement and Sales Promotion Expenses	(6,976)	(10,388)	(5,711)
Exchange Fluctuation	-	(765)	(2,167)
Insurance	(6,858)	(10,834)	(14,536)
Travelling and Conveyance	(38,422)	(54,024)	(65,203)
Provision for Doubtful Debts	-	-	(19,544)
Miscellaneous Expenditure Written off	(2,276)	(9,270)	(13)
<b>Profit before Interest and Depreciation</b>	<b>127,056</b>	<b>206,240</b>	<b>644,109</b>
Depreciation	(9,176)	(13,682)	(27,873)
<b>Operating Profit after Depreciation</b>	<b>117,880</b>	<b>192,558</b>	<b>616,236</b>
Dividend Income	-	1,985	-
Interest Income	4,231	49,475	22,516
Sale of Power	-	-	184
Profit on Sale of Fixed Assets	-	4	4
Profit on Sale of Investments	-	-	30
Other Miscellaneous Income	5,465	406	6,192
<b>Earnings before Interest and Tax</b>	<b>127,576</b>	<b>244,428</b>	<b>645,162</b>
Less Interest Expense	(34,278)	(27,815)	(97,072)
<b>Earnings before Tax</b>	<b>93,298</b>	<b>216,613</b>	<b>548,090</b>
Current Tax	(24,560)	(78,447)	(146,404)
Less / (Add) Deferred Tax	6,016	(6,802)	(47,700)
<b>Profit after Tax</b>	<b>74,754</b>	<b>131,364</b>	<b>353,986</b>
Plus Retained Earnings B/F	22,380	97,134	228,498
<b>Retained Earnings C/F</b>	<b>97,134</b>	<b>228,498</b>	<b>582,484</b>



Decide with Confidence

### Three Year Cash Flow Statement

Amount in INR Thousand

For the Year Ended	2006	2007	2008
No.of Months	12	12	12
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net Profit before Tax	93,298	216,613	548,090
<b>Adjustments for:</b>			
Interest Income	(4,231)	(46,164)	(22,516)
Dividend Income on Investments	-	(1,985)	-
Depreciation	9,176	13,671	27,873
(Profit) / Loss on Sale of Fixed Assets (net)	-	(4)	(4)
(Profit) / Loss on Sale of Investments	-	-	(30)
Employee Share Option Expense	-	3,244	25,872
Preliminary and Deferred Revenue Expenses Written off	2,276	9,270	13
Interest Expenditure	20,299	41,194	116,533
<b>Operating Profit before Working Capital Changes</b>	<b>120,818</b>	<b>235,839</b>	<b>695,831</b>
<b>Changes in Working Capital</b>			
Decrease / (Increase) in Inventories	44,512	(102,234)	(206,308)
Decrease / (Increase) in Sundry Debtors	(437,638)	(731,741)	(1,754,675)
Decrease / (Increase) in Loans and Advances	(246,882)	(270,477)	(675,768)
Increase / (Decrease) in Current Liabilities and Provisions	70,372	637,820	2,141,739
<b>Cash Generated from Operations</b>	<b>(448,818)</b>	<b>(230,793)</b>	<b>200,819</b>
Direct Tax Paid	(18,544)	(58,900)	(96,013)
<b>Net Cash Generated from/ Used in Operating Activities (A)</b>	<b>(467,362)</b>	<b>(289,693)</b>	<b>104,806</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Additions to Fixed Assets	(9,162)	(99,069)	(318,991)
Increase / (Decrease) in Deferred Tax Liability	(6,016)	-	-
Purchase of Investments	(225)	(171,852)	(840,987)
Sale of Investments	-	51,291	830
Interest Received	4,231	45,500	21,715
Dividend Received	-	1,985	-
<b>Cash Used in Investing Activities (B)</b>	<b>(11,172)</b>	<b>(172,145)</b>	<b>(1,137,433)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from Share Issue	1,000,000	-	1,500,000
Share Issue Expenses	(10,480)	(29,739)	(162,689)
Proceeds from Borrowings	201,902	(246,432)	954,871
Interest Paid	(20,299)	(48,894)	(116,533)
<b>Cash Generated from Financing Activities(C)</b>	<b>1,171,123</b>	<b>(325,065)</b>	<b>2,175,649</b>
<b>Net Increase in Cash and Cash Equivalents (A+B+C)</b>	<b>692,589</b>	<b>(786,903)</b>	<b>1,143,022</b>
<b>Cash and Cash Equivalents (Opening Balance)</b>	<b>363,640</b>	<b>1,056,229</b>	<b>269,326</b>
<b>Cash and Cash Equivalents (Closing Balance)</b>	<b>1,056,229</b>	<b>269,326</b>	<b>1,412,348</b>





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**Comments/ Notes/ Remarks as per Auditors' Report:-**

- ✓ As per auditors' comments in FY 2008 and FY 2007 the scope of the internal audit system needs to be enlarged to commensurate with the size of the business. As per the management comments two internal auditors are appointed from the beginning of the year 2008.



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## Subsidiaries

### Indian Subsidiaries

D&B D-U-N-S <sup>®</sup> Number	Subsidiary Name	Address 1	Address 2	City	Pincode	State	Country	% Held
67-582-8916	Hamon Shriram Cottrell Private Limited (formerly Hamon Thermopack Engineers Private Limited)	48 - 50, Surve Industrial Premises,	Sonawala Cross Road, No. 1, Goregaon (East)	Mumbai	400063	Maharashtra	India	50% + 1 Share
65-040-1206	Shriram Leitwind Limited	D - 17, SIPCOT Industrial Complex	Gummidipoondi	Thiruvallur District	601201	Tamilnadu	India	51%
65-040-1230	Shriram SEPL Composites Private Limited	No.9, Vanagaram Road	Ayanambakkam	Chennai	600095	Tamilnadu	India	50% + 1 Share

### Overseas Subsidiary (ies)

D&B D-U-N-S <sup>®</sup> Number	Subsidiary Name	Address 1	Address 2	Pincode	Country	% Held
<b>Key Indicators as on 31<sup>st</sup> March 2008</b>	Shriram EPC (Singapore) Pte Limited	17, Phillips Street	No. 05 - 01, Grand Building	48695	Singapore	100%

### Amount in INR Thousand

Subsidiary Name	Line of Business	Revenue	Profit after Tax	Networth
<b><u>Direct Subsidiaries</u></b>				
Hamon Shriram Cottrell Private Limited (formerly Hamon Thermopack Engineers Private Limited)	Provides turnkey engineering, procurement and construction solutions for cooling towers and air pollution control systems in India and surrounding area.	381,680	2,984	99,930
Shriram Leitwind Limited	Marketing and Sale of wind turbines and components, and development of wind farm projects.	234,288	(6,562)	253,638
Shriram SEPL Composites Private Limited	Engaged in the delivering the projects related to municipal services business comprising of water and wastewater treatment plants, water and sewer infrastructure and pipe rehabilitation.	-	-	-
<b><u>Overseas Subsidiary</u></b>				
Shriram EPC (Singapore) Pte Limited	Engaged in the business of long-term investment in entities, undertaking the business of renewable energy production.	-	(163)	408,033

*Note: -There were no operations for Shriram SEPL Composites Private Limited as the Company was incorporated on 31<sup>st</sup> December 2007.*



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## Affiliates

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### Affiliates where the shares are held by the Company:

D&B D-U-N-S® Number	Affiliate Name	Address 1	Address 2	City	Pincode	State	Country	% Held
67-594-6012	Ennore Coke Limited	No. 8, Dhanammal Street,	Chetpet	Chennai	600031	Tamilnadu	India	31.74%
65-034-9223	Leitner Shriram Manufacturing Limited	D - 17, SIPCOT Industrial Complex	Gummidipoondi	Thiruvallur District	601201	Tamilnadu	India	49.00%
65-039-8188	Orient Green Power Company Limited	No. 9, Vanagaram Road	Ayanambakkam	Chennai	600095	Tamilnadu	India	39.00%

### Affiliates which held the shares in the Company:

D&B D-U-N-S® Number	Affiliate Name	Address 1	Address 2	City	Pincode	State	Country	% Held
65-032-1248	Shriram Industrial Holdings Private Limited	123,Angappa	Naicken Street	Chennai	600 001	Tamilnadu	India	30.88



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## Locations

D&B D-U-N-S® Number	Address 1	Address 2	City	Pincode	State	Country	Location Type
67-613-1868	No. 5	T. V. Street, Chetpet	Chennai	600031	Tamilnadu	India	Registered Office
65-040-1198	104/ 1A	Sarat Bose Road	Kolkata	700026	West Bengal	India	Divisional Office
65-040-1180	D - 120, Basement	Defence Colony	New Delhi	110024	Delhi	India	Office
65-040-1156	No. 31/ A12, North Phase II	Sidco Industrial Estate, Ambattur	Chennai	600098	Tamilnadu	India	Factory
65-040-1164	RS No. 4/4, Trirubhuvani	RS No. 95/3, Sanyasikuppam Village, Mannadipet Commune Panchayat	Puducherry	605107	Puducherry	India	Factory

### **Former Mailing Address**

304/305, Anna Salai, 6<sup>th</sup> Floor  
Guna Building, Teynampet  
Chennai - 600018  
Tamilnadu  
India

Date of Change : 26<sup>th</sup> May 2001

6<sup>th</sup> Floor, Mookambika Complex, No. 4  
Lady Desika Road, Mylapore  
Chennai - 600004  
Tamilnadu  
India

Date of Change : 18<sup>th</sup> January 2003

4<sup>th</sup> Floor, Mookambika Complex, No. 4  
Lady Desika Road, Mylapore  
Chennai - 600004  
Tamilnadu  
India

Date of Change : 10<sup>th</sup> September 2007



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## Certificates

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- ISO 9001:2000 by Das Certifications Limited for manufacture, supply, installation, commissioning, maintenance of wind turbines and development of wind farms.

Registration Number : IN - 064507  
Effective Date : 11<sup>th</sup> April 2007  
Expiry Date : 10<sup>th</sup> April 2010

- Certification by DEWI - OCC for designing and manufacturing of 250 KW wind turbine in August 2006.



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## Directors' Details

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<b>Name</b>	:	T. Shivaraman
<b>E mail ID</b>	:	shivaraman@shriramepc.com
<b>Year of Birth</b>	:	1966
<b>Current Title</b>	:	Managing Director
<b>Started with Subject</b>	:	2000
<b>Related Experience Since</b>	:	1989
<b>Education</b>	:	Bachelor of Chemical Engineering from Indian Institute of Technology, Madras. Master of Science (M.S.) from Indian Institute of Technology, Madras
<b>Active in daily operations</b>	:	Yes

<b>Name</b>	:	Arun Duggal
<b>Year of Birth</b>	:	1947
<b>Current Title</b>	:	Chairman
<b>Started with Subject</b>	:	2007
<b>Related Experience Since</b>	:	1982
<b>Education</b>	:	Bachelor of Mechanical Engineering Master of Business Administration
<b>Active in daily operations</b>	:	No

<b>Name</b>	:	M. Amjad Shariff
<b>Year of Birth</b>	:	1956
<b>Current Title</b>	:	Joint Managing Director
<b>Started with Subject</b>	:	2000
<b>Related Experience Since</b>	:	1985
<b>Education</b>	:	Master of Chemical Engineering
<b>Active in daily operations</b>	:	Yes



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<b>Name</b>	: Vathsala Ranganathan
<b>Year of Birth</b>	: 1953
<b>Current Title</b>	: Director
<b>Started with Subject</b>	: 2000
<b>Related Experience Since</b>	: 1988
<b>Education</b>	: Post-graduation in Economics
<b>Active in daily operations</b>	: No

<b>Name</b>	: S. R. Ramakrishnan
<b>Year of Birth</b>	: 1936
<b>Current Title</b>	: Director
<b>Started with Subject</b>	: 2005
<b>Related Experience Since</b>	: 1958
<b>Education</b>	: Bachelor of Mechanical Engineering
<b>Active in daily operations</b>	: No

<b>Name</b>	: R. Sundararajan
<b>Year of Birth</b>	: 1949
<b>Current Title</b>	: Director
<b>Started with Subject</b>	: 2005
<b>Related Experience Since</b>	: 1977
<b>Education</b>	: Bachelor of Mechanical Engineering Master of Business Administration Associate of the Insurance Institute of India Chartered Engineer
<b>Active in daily operations</b>	: No

<b>Name</b>	: R. S. Chandra
<b>Year of Birth</b>	: 1967
<b>Current Title</b>	: Director
<b>Started with Subject</b>	: 2006
<b>Related Experience Since</b>	: 1996
<b>Education</b>	: Bachelor of Arts Master of Business Administration
<b>Active in daily operations</b>	: No



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<b>Name</b>	: K.E.C. Raja Kumar
<b>Year of Birth</b>	: 1963
<b>Current Title</b>	: Director - Nominee of Unit Trust of India
<b>Started with Subject</b>	: 2007
<b>Related Experience Since</b>	: 2000
<b>Education</b>	: Bachelor of Science Master of Science in Philosophy Graduate of The Advance Management Programme
<b>Active in daily operations</b>	: No

<b>Name</b>	: Sunil Varma
<b>Year of Birth</b>	: 1943
<b>Current Title</b>	: Director
<b>Started with Subject</b>	: 2008
<b>Related Experience Science</b>	: 1973
<b>Education</b>	: Member of the Institute of Chartered Accountants of India Member of All India Cost and Management Accountant Society
<b>Active in daily operations</b>	: No





## Media Articles

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### **Header: Shriram EPC receives order worth Rs 70 Crore for wind turbines from Cape Energy**

**Date: 23<sup>rd</sup> February 2009**

Shriram EPC Ltd. ("SEPC") has been awarded an order for 60 units of its 250KW wind turbines from Cape Energy Private Ltd., an associate of Bergurruen Holdings (BHI). BHI is a PE funded company with interests in Infrastructure and Real Estate Development in India. The order is on a turnkey basis and total value of the order is Rs. 70 crore. The scope of the order includes supply of wind electric generators including all components, procuring of necessary licenses for operation of turbines, erection and commissioning of turbines including all related civil work, grid connectivity, and an annual contract for operation and maintenance of the turbines.

The order envisages setting up a wind farm project in Tirunelveli district, Tamil Nadu which will have a total generation capacity of 15MW. The project is scheduled for completion by end-April 2009.

Mr. T. Shivaraman, CEO & Managing Director, SEPC, said: "This order win demonstrates continued momentum in our wind turbines vertical. Despite an environment that continues to be challenging, we see a large amount of interest in renewable energy projects. While the project assessment cycle has become longer, falling raw materials prices combined with softening interest rates are increasing the attractiveness of these projects. With a shorter break even point and a situation of pent up demand due to caution exercised for the last couple of quarters, we believe we are on the cusp of an exciting demand scenario for renewable energy projects."

**Source: Equity Bulls**

### **Header: Shriram JV eyes European mkt for wind turbines**

**Date: 10<sup>th</sup> December 2008**

Leitner Shriram, a joint venture company is on its last lap of preparations to manufacture 1.5 mw capacity wind turbine generators (WTGs) at Gumudipoondi, (near Chennai) plant targeting the fast growing domestic and European markets. "From next month the company, a joint venture between Shriram EPC and Leitwind, a Netherlands company will manufacture 120 wind turbines a year and raise the capacity to 250 wind turbines from 2010," informed Shriram EPC managing director and CEO T Shivaraman.

The European Union led by Spain, Germany, Denmark and others have total installed capacity of 56,538 mw of wind power with annual capacity addition exceeding 8,500 mw. Indian wind power capacity is nearing 9,000 mw with states like Tamil Nadu, Maharashtra, and Karnataka are set to grow rapidly in wind power capacity installations.

"In the Western Europe wind power installation is switching over to offshore with multi-megawatt capacity turbines. There are new markets emerging in the East European countries like Bulgaria. Leitner Shriram is targeting this market through its partner Leitwind", said Shivaraman. "Though there is a temporary lull in the market, the renewable energy industry will remain recession-free and more investments will follow to fight the green house gas emissions and tackle climate change and global warming", he said. Shivaraman said the company has chosen both the wind farm development model, and client-based sales of WTGs. In India the preferred destinations for Leitner Shriram are in Tamil Nadu, Karnataka and Maharashtra. The company has acquired land in these states to develop wind farms. It was looking for suitable sites in other states like Gujarat.



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For the client-based business, the company focuses on providing integrated solutions, which included the development and manufacture of WTGs, identification of suitable sites for wind farms, technical planning, infrastructure development, installation and commissioning of WTGs, connection to power grids and after-sale O&M services for WTGs. Shriram EPC has over 20 years of experience in wind turbine manufacturing and installations. Its earlier focus was on 250 kw machines. In September 2006, the company received approval and certification of Deutsches Wind Energie-Institut GmbH for the design of its 250 kw-class WTG, after which it started manufacture and sale of its own 250 kw WTGs. As of March 31, 2008, it had supplied and/or installed more than 1,40,250 kw WTGs in various wind sites in India.

Shriram EPC is also engaged in the design, engineering and construction of biomass-based power plants since 2001. Its first plant near Hyderabad based on rice husk as fuel has a rated capacity of 6 mw. Shivaraman said biomass power plants with a total capacity of 150 mw were under construction in various states including Tamil Nadu, Karnataka, Punjab, Maharashtra and Chhattisgarh.

**Source: The Financial Express**

**Header: Shriram EPC looks to offload 40% stake in Singapore JV**

**Date: 01<sup>st</sup> October 2008**

Engineering firm Shriram EPC Ltd, which also makes wind turbines, is planning to dilute 30-40% of equity in its Singaporean 50:50 joint venture Orient Green Power Pte Ltd, a top official said. Orient Green is a venture between Shriram EPC (Singapore) Pte Ltd, a fully owned subsidiary of Shriram EPC, and Bessemer Venture Partners, a US-based venture capitalist. Both partners will dilute equal equity to private investors and use the funds to set up a subsidiary called OGPL BV Europe to create and own renewable energy assets.

External source: Shriram EPC's T. Shivaraman says the joint venture, Orient Green, may get most of its business from its Europe operations. "The growth potential in the European market is huge and funds requirement would be large. Shriram EPC will not be able to raise so much of money (without diluting equity) for the European operations, but operational control will be with Shriram EPC," T. Shivaraman, managing director and chief executive officer of Shriram EPC, said. The company will issue additional shares before selling equity, a process it expects to complete in a few days, Shivaraman said, declining to discuss details of the amount the firm expects to raise and the identity of the investors.

Shriram EPC had invested some Rs 40 crore in Orient Green—incorporated last year to build, own and operate alternative energy assets. The company, however, said it was difficult to immediately estimate the investment that would go into OGPL BV Europe and would depend on the size of the projects clinched.

Elaborating on the potential of wind energy projects in the European market, Shivaraman said that a 50MW power project would cost some €100 million (Rs 678 crore) and there is a market of 200-300MW projects. But the progress, he added, would depend on the amount that it is able to raise for the projects. Shivaraman said more than 50% of Orient Green's business and some 60-70% of the company's value may come from its European operations. "But at this point of time, it is in an early stage," he said. The company is also looking at investment opportunities in other markets, including Thailand and Sri Lanka. Separately, Shriram EPC has floated a European subsidiary called Shriram EPC Europe to undertake engineering, procurement and construction projects in the region. The firm would hold 80% stake and the remaining would be reserved for employees. The European arm would primarily look at biomass-based power generation and later, wind power projects. The subsidiary has been operational for three months now, Shivaraman said.



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Shriram EPC plans to invest round €2 million in the next two years that would be financed through internal resources. Meanwhile, the firm has started manufacturing gear-less wind turbines at its Chennai factory. The company recently formed a 49:51 joint venture with Dutch firm Leitwind BV, called Leitner Shriram Manufacturing Ltd (LSML), for this purpose.

LSML plans to manufacture 40 wind turbines by the end of the fiscal year that ends in March 2009, around 100-120 turbines during the next and reach its full capacity of 250 wind turbines a year by fiscal 2011. During fiscal 2010, wind turbine manufacturing business is expected to add around Rs 350-400 crore to Shriram EPC's revenues and more than Rs 750 crore in fiscal 2011, Shivaraman said. Starting fiscal 2010, it is planning to export half of the wind turbines to overseas markets, primarily Europe. The company had revenues of Rs 703.04 crore and a net profit of Rs 35.02 crore on 31<sup>st</sup> March.

**Source: livemint.com**

### **Header: Shriram EPC acquires 55% in BGT**

**Date : 1<sup>st</sup> September 2008**

Shriram EPC (SEPC), one of the leading engineering, procurement and construction (EPC) service provider, has acquired 55% in Blackstone Group Technologies (BGT), a Chennai-based engineering consulting firm for an undisclosed amount. Shriram EPC MD & CEO T Shivaraman said, "The acquisition will help us to consolidate our position as a leading provider of engineering services and provide synergies across business lines of biomass power plants and pipe rehabilitation."

SEPC has the option to acquire the balance equity after three years. BGT India director S Egbal will continue to head the organisation. Mumbai-based Singhi Advisors were exclusive advisors to BGT for the transaction.

The acquisition will be funded through internal accruals. "Partnering with Shriram EPC will be of tremendous benefit to us as this will give us access to better infrastructure and execution capabilities. We now have an appropriate platform in place which will help us to scale up our business and better realise our potential for delivering value to our customers," Ashref Hashim, founder & chairman of BGT said.

The acquisition of BGT will substantially enhance SEPC's manpower resources and provide skill sets in design and high value engineering that will strengthen Shriram EPC's capabilities, especially in the area involving civil and structural engineering, SEPC officials said. These capabilities are a critical requirement for SEPC on the projects it currently executes and are complementary to their current offerings. SEPC was earlier outsourcing these requirements and the certainty of supply and the quality control that can now be exercised by SEPC will enable it to bid for larger projects, officials added.

Apart from expanding SEPC's bouquet of service offering, this acquisition is expected to improve the proportion of the total contract that SEPC can potentially bid for. The acquisition also provides SEPC access to BGT's marketing teams and infrastructure, both, in India and globally. In addition to strengthening domestic offerings, this acquisition would also enable SEPC to address more markets in the international arena. SEPC also gains access to the strong portfolio (customer base) of BGT which, combined with the addition of BGT's experienced management team that has strong relations in the industry, would result in significant business synergies.

**Source: The Economic Times**



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