



HPL Electric & Power Limited

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3rd June, 2023

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Symbol: HPL

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Scrip Code: 540136

Subject: Transcript of Conference Call with the Investors/Analysts

Dear Sir

This is with reference to the intimation dated 27th May, 2023 made by the company about the Conference Call scheduled for Investors/Analysts on Tuesday, 30th May, 2023 at 1:00 PM IST. A copy of Transcript of the conference call held with the Investors/Analysts is enclosed herewith and the same is also available on the Company's website i.e. www.hplindia.com.

Kindly take the same on record.

Thanking You

Yours Faithfully
For HPL ELECTRIC & POWER LIMITED

Vivek Kumar
Company Secretary

Encl: As above



“HPL Electric & Power Limited Q4 FY23 Earnings Conference Call”

May 30, 2023

**MANAGEMENT: MR. GAUTAM SETH - JOINT MANAGING DIRECTOR &
CFO**

Moderator: Ladies and gentlemen, good day, and welcome to the HPL Electric & Power Limited Q4 FY '23 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Gautam Seth - Joint Managing Director & CFO of HPL Electric & Power Limited for opening remarks. Thank you, and over to you, sir.

Gautam Seth: Thank you. Good afternoon, everyone, and welcome to HPL Electric & Power Limited earning call for the fiscal year 2023.

As we reflect on the financial performance of FY '23, I am pleased to share that HPL Electric & Power has showcased its commitment to delivering committed performance to our stakeholders.

This year has been marked by significant milestones and achievements. We have experienced robust growth in our revenue from operations with an increase of 25% to reach 1,262 crores



compared to the previous fiscal year. This growth signifies our ability to seize market opportunities and capitalize on a strong position in the industry.

At HPL, we believe in empowering a vision that is environmentally conscious, technologically advanced, and energy efficient. Our comprehensive portfolio of electrical solutions has positioned us as a trusted partner for utilities, businesses, and communities across the country. Moreover, our focus on operational efficiency and cost optimization has yielded fruitful results.

Our reported profit after tax has witnessed exceptional growth surging by a staggering 287% to reach 30 crores in FY '23. This achievement showcases the effectiveness of our strategies and initiatives in maximizing bottom line performance. The reduction in inventory days by 38 days in FY '23 also reflects our focus on optimizing working capital management. By efficiently managing inventory levels and monitoring accounts receivables, the company is enhancing its ability to meet short-term obligations while supporting future growth initiatives.

Our journey towards sustained growth and profitability is led by a dedication towards innovation, operational excellence, and higher standards of quality. We take pride in our strong capacity and expertise in catalysing the growth of smart metering and consumer electrical products in India.

Looking ahead, we remain optimistic and well positioned to tackle the emerging market opportunities. A robust order book of 1,500 crores not only strengthens our revenue visibility but also serves as the foundation for substantial growth in the coming years.

Thank you once again for joining us today. I now open the floor for any questions you may have. Thank you.

Moderator: Thank you. We will now begin the question-and-answer session. Our first question comes from Sriharsha, an investor. Please go ahead.

Sriharsha: I would like to know what are the other opportunities available in smart electric meter and 5G?

Gautam Seth: So, we are seeing a big opportunity in the smart metering. And if you see the government has been talking a lot on this. And subsequently, we have seen the schemes of RDSS and the DB foot which has come out with a view to, you know, implement smart metering across the country, and the government has been continuously talking about 25 crore meters to be installed.

And likewise, we have seen a lot of inquiries and orders of late coming out across the country. So, if you see the way the metering market is moving that most of the states are today either evaluating or either they have come up with tenders or many of them have even finalized tenders, and maximum of the meters getting finalized have happened in the last six months.



So, if you look at HPL Electric, we are currently sitting on an order book of over 1,550 crores, and over 80% of these are meters, and out of the meter orders what we have, you know, over 75% are the smart meter orders.

So, in a way, you know, as a country and as an industry, we are seeing a big change happen where the industry is going to grow multi-fold with huge demand coming in, and we would believe that this would really bring in a lot of much needed energy efficiency and reforms in the sector where the T&C losses would be cut. And as HPL, you know, our preparedness to meet this kind of an opportunity is present in terms of having capacity, being technologically advanced, and abreast with the needs of the requirement of the smart meter, so everything we have in place today is helping us to garner sales and orders going forward.

Sriharsha: Sir, how much is the installed capacity as of now? And what are the orders which you are expecting in '24, financial year '24?

Gautam Seth: So, it's almost, I think, the installed capacity in energy meters is almost 11 million units, but a lot of these capacities are scalable. So, in a way, like in the last two quarters, we have seen a stronger execution by HPL, and even going forward, you know, on a quarter-to-quarter basis, we hope to see that improvement happen, because right now the orders are there.

So, in terms of numbers, I think we are probably doing over 60%, 70% of our capacity, but I think, as I said, this is scalable capacities, and in some backend operations, we are either, you know, putting in a lot of automation to bring in much better efficiencies or even to enhance the output.

Sriharsha: And then another question. For the EBITDA margin of 1.43% which you have recorded for '23, are you going to improve for the EBITDA margin, or we are going to have the same margin for the financial year '24?

Gautam Seth: No, you are talking about only for the EBIT margin for the meters or EBITDA as a company?

Sriharsha: Yes. As a company.

Gautam Seth: As a company, I think, our EBITDA margins are currently around 12%. Yes. But, you know, although we are now seeing a much more stable environment in terms of the commodity pricing and other things, but I think going forward on the EBIT level, first, I will take that up. On EBIT, we might see certain improvement in the meters, but broadly, I would say the 14% that we have in Q4 is something which will probably continue during the year. In the consumer and industrial around 12% should be the EBIT. So, overall, with the meter doing a little higher share in the coming future, we may see a slight improvement, but broadly, we hope to keep the margins, we hope that the margins would be at those levels.

Moderator: Thank you. Our next question comes from Diksha Patel, an investor. Please go ahead.



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Diksha Patel: I have a few questions regarding export growth. Could you give us a detailed overview of HPL's growth on exports over the last quarter? And has this performance met our expectations? And are there any products or regions that are contributing significantly to this growth?

Gautam Seth: Yes. So, you know, in terms of the order book, our exports, I would say, we did achieve what we were looking at. But in terms of the supplies, definitely, I think they got postponed due to various factors, but overall, the last two, three years have seen a, I would say, sufficiently reasonably good growth in terms of export and more so a lot of work has been done in reaching out to various countries, and I think that is something which is going to help us more in the future.

We have also worked on, you know, getting certifications done for certain of our products which are country specific or some in general, which are to the international standards having a wider applicability across the globe. So, a lot of work has been done. I would say, the last year sales of exports have been normally, you know, flat, if you look at the earlier year, but going forward, we are again, we are hopeful that this year we should see a much better growth and with certain countries we did face certain issues on more on the FOREX and other things, but I think that's a global phenomenon. But overall, I think we hope to see a good growth.

In terms of regions, we are focused on the Middle East and Africa. Africa is a big potential for us and our penetration going forward is going to increase much more in Africa. We have, in fact, recently participated in a couple of international exhibitions in Germany and in Dubai, and I do hope that that will bring in good results for the coming year.

Our focus, otherwise, is also on the south countries, and a lot of business today is coming in where people are, you know, you are aware that there is a like a plus one strategy that a lot of international customers are looking at where they look at India as a good sourcing base. And I think with our, as HPL, with our very strong backward integration in terms of design, development, manufacturing, and being very cost effective, I think that is again going to see a lot of traction in the coming years.

So, we do have a lot of big customers internationally who are in touch with us who are looking to source out materials as an OEM. So, this is again a big opportunity, and we are pursuing that, and I think definitely, we hope to see some good results in the coming year.

Diksha Patel: Thank you for that. And how do we plan to manage potential risk related to currency fluctuations and its impact on export revenue?

Gautam Seth: So, till now, you know, the currency has been moving up. So, it's always been a positive for the export for us, but I think in terms of because largely the commodity pricing for manufacturing is all again based on the FOREX. So, as such, you know, our aim is, in a way, we are not looking at making gains only on the currency part. So, I think that's not something which would affect our normal business.



Till now, the way the currency has been moving in the last three years, it's always helped us to improve our realization in a bit, but not more because the basic commodities are again, as I said, are again pegged to the dollar. So, the copper, the industrial plastics, everything else, what goes into making the products is also there. So, there is not a, I don't see any gain, but maybe a small accounting gain may happen quarter-to-quarter somewhere.

Diksha Patel:

My next question is regarding competition. How are we positioned in the market relative to our competitors? And what sets us apart in the industry? And what measures are we taking to maintain our competitive advantage in the market?

Gautam Seth:

You know, this has to be seen with respect to both our segments separately. So, when we look at the metering and systems, here the business is mainly tender driven. And here, of course, we have a good market leadership, but there are few players in that, and the business is tender driven because the bulk of the supplies are to the utility. So, here, of course, our competitive edge if you see comes in from our control over the technology.

We have over 125 people in R&D who are doing R&D apart from the smart metering, we are also on the, you know, we have people always working on the Software, on the communication, on the complete infrastructure what goes with the smart metering. So, there that's our strengths, our manufacturing capacity, our ability to have a, I would say, a low-cost product meeting the standards and the specifications.

So, we as HPL, we have been working on a lot. And we also leverage our, you know, because we are into wider products with seven factories. So, we do have a lot of coverage within the group itself including in terms of manpower, in terms of specializations. So, that is how it is.

When we look at the consumer electrical part, we are looking to expand our reach. We are working on our expanding the distribution network wherein our retailers, you know, just about two years back we kept the target to reach 100,000 retailers. We are almost there now at 45,000, but I think in the next one and a half years, we are hopeful of reaching that figure. So that's a continuous process.

Our branch managers are also back now post the COVID. You know, there were some falls, but then again, if you look at the past year, we have spent over 2%, I think 2.2% to be exact on the advertising and the promotion, the business promotion. So, definitely we are looking at it.

A very strong point in HPL has always been the technology and the product itself. So, anybody we believe who uses our product definitely comes back. So, that is one factor which really puts HPL quite ahead of its competition, although we really need to work more on the brand, we really need to work more on the reach, and then grow the numbers.



Diksha Patel: My last question to you is regarding a plant capacity. So, with the increasing demand for your products, how does HPL plan to ensure sufficient capacity? And have there been any reasons to plan investment in expanding manufacturing capabilities to meet the demand?

Gautam Seth: You know, we have always maintained we have sufficient capacities in terms of all the products, but now our plate especially in the year which is just ended in the FY '23, we have seen the capacity utilization improved across all our product ranges. So, this year again, we don't see any major CAPEX to happen, although certain routine and maintenance CAPEX would continue.

In terms of, you know, the way we are seeing the demand, I think we are fully well, you know, prepared in our readiness to meet the increased demand whether it is in switchgears or in meters, even wire and cable. So, I think we have a sufficient amount of capacity to go ahead. And this year going forward, we are seeing a good amount of growth even going forward.

Last year, you know, the people will recall that we had talked about a double digit over 20% growth, and I think overall at the end of the year, we have achieved almost 25% growth. So, going forward, again, we have a similar kind of a growth that we expect, and the capacities that we currently have is fairly sufficient to meet the demand.

Moderator: Thank you. Our next question comes from Priya Jain, an investor. Please go ahead.

Priya Jain: I would like to congratulate the management on the excellent results. I had a couple of questions. I might have joined a bit late, but if you could just give me a snippet. My first question was on if you could give me a breakdown on the revenue growth within both the consumer and industrial segments? How have the recent product launches affected the revenue growth in both the consumer and industrial segment?

Gautam Seth: If you see the out of nearly 600 crores, if you see almost 70% of the C&I segment what we have is on the consumer part and 30% is on the industrial part. So, now just to give you a drive down, we in Consumer and Industrial, we have switchgears, we have wire and cables, and then we have the lighting. And so almost 70% of it is more on the consumer side and 30% on the industrial, but also the industrial, the major supplies are again going in through the dealers and distributors, although our teams are working on the approvals and doing the generation of secondary demand, but most of the segment goes in through the dealer and distributor segment.

Now in terms of product launches, you know, there have been within these verticals what we have, within the four, five verticals what we have comprising of the meters or switch gear, lighting, wire cable or even solar products, most of every division has been launching some products on a quarter-to-quarter basis. In fact, in February '23, we had the ELECRAMA, which is one of the biggest electrical players in the country, in fact, now probably one of the biggest across the globe. There were a lot of launches which the company has done, but this is all segment wise.



So, there were new kinds of cables. There were a lot of new lighting both in industrial or even in the consumer side. Switchgear has seen a lot of new products, new models coming in. And so, this has been a continuous process in HPL, and definitely the revenues what you see even as they are there, so that does contribute. So, we don't specifically kind of just monitor. Maybe individually the divisions are but broadly, that is required to ensure the future growth coming in there.

Also, because of our own R&D and our own testing labs and other things, we are also having a lot of new products which are modified for individual markets. So, like if you look at the requirements even in India, some coming from the government or some specially certain real estate developers have some special requirements in terms of distribution boards or certain mini panels that they would want or even across going to different countries where people are looking at special products, so we do have the capability of adjusting and modifying the products to come out with the requirements as per the customers.

Priya Jain: So, are we expecting a similar kind of impact in the next quarter or growth expectations on the consumer and the industrial segment in the coming year?

Gautam Seth: I would say, we are hopeful for better growth. If you see last year and in fact, you know, if you see the last three years, we have seen two years of a very strong growth coming in from the consumer and industrial segment, almost over 20% plus in the two years. Last year, somewhere in the end of second quarter and the third quarter, we have seen certain slowdown. We did see a slowdown in the general consumer market. The offtake was lower, and so that there we have seen a slight drop. But if you especially look at the quarter-on-quarter growth, from Q3 to Q4, the consumer and industrial segment has seen a good growth. Well, I think over 25% growth quarter-on-quarter. So, definitely, in the effort, we have seen the C&I segment really come back.

Now, going forward, we definitely look at, at least a good double-digit growth for this segment going forward. So, our internal target is to ensure that the sales of Q1 at least matches the sales of Q4, because Q4 is normally the strongest quarter in the year. So, at least if we do that, I think we should be well on track for getting good growth in this segment as well.

Moderator: Thank you. A question comes from Priya Jain, an investor. Please go ahead.

Priya Jain: I have another question regarding the smart meter. Could you provide an overview of the performance of the meter segments in the month of March?

Gautam Seth: I will just broad base it. I will give you for the whole quarter. If you see, you know, the smart meters, as I said a while ago, we have started seeing a good execution. The orders currently as you speak are over 1,270 crores. So, the order book in meters is strong. The inquiry is currently what we are talking about are well in excess of over 10,000 crores. In fact, if you consider even all the AMISP requirements and all, the requirements are even much larger than that. So, overall, you know, the inquiries are large.



In terms of our performance, we have done almost 180, I think about 180 plus crores in the segment. So, in a way, it's been a gradual increase almost quarter-to-quarter, and year-to-year in the overall year, we have grown almost 50%. And even going forward, we would see a good growth, especially in the smart meter segment.

Priya Jain: I just had one last question regarding the 5G infrastructure with HPL. What role does the company anticipate playing in the transformation? And how is the 5G rollout impact HPL's product roadmap particularly with respect to the smart devices and log solutions?

Gautam Seth: In terms of, you know, if you look at the 5G infrastructure, which is coming up, we have a couple of products which are well suited for those requirements. And here certain switchgears are there, but mainly, we have the cables which are growing. So, we did at one time inform that we would be anticipating almost 100 crores to 150 crores of orders in the near future, and I think rightly so we have already got orders of over 50 crores to 70 crores, which we have kind of executed or they are under execution, and a lot of new orders are expected.

So, this is, of course, a, it's part of a strategy which we adopted about four years back where we were for 4G to most of the telecom players and now again doing it for the 5G. So, that focus has been maintained, and we do see a good demand coming up. So, probably for the next two years, the demand should increase, but in the short term also, this year as well, we would definitely have a good turnover coming in from the 5G opportunity.

Moderator: Thank you. Our next question comes from Abhijit Sinha with Pi Square Investments. Please go ahead.

Abhijit Sinha: Sir, you mentioned that out of the 1,500 crores order book that we have currently, about 80% comes from the meter, smart meter business, right? What about the consumer business? Are we not planning to grow that capacity in the future? Sir, the consumer business, are we planning to grow that based on growth in this quarter?

Gautam Seth: Yes. You know, you have to see the nature of business. If you look at the utility business where normally the smart meters are going, we get in orders which have a schedule of let's say, you know, from six months to almost two years. So, there is definitely a lot of order book that we see there on the books.

In fact, now, the way we look at the details, we would see a big pileup of orders in the next one to two years. So, a huge order book would be coming in, and then that would be executed over the next 12 to 24 months. That is how it is.

In the consumer and the industrial business, here the orders come in on a day-to-day basis. So, normally, this business does not have a pileup of orders, but if you look at our pure consumer electrical products, almost on a daily basis we have the orders coming in, and they get executed. So, the nature of business is like this.



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But going forward, although smart meter has a very strong opportunity, which we are encashing, but even the consumer and industrial, our focus remains very strong, and we do expect a good growth this year as well. So, just to say the order book in consumer and industrial is not indicative of the business potential or the future business. The orders will come in on a day-to-day basis.

But that does not happen for the smart meters. Yes. There it takes time. From the inquiry stage up to the orders, normally, it's a three months or six months' time until the orders are finalized. So, immediately they don't get repeated as well, you know, it takes time now.

Abhijit Sinha: Sir, when we look at 5G cables, that comes under the consumer category or the metering?

Gautam Seth: No, that comes under the consumer part because the wire and cable gets clubbed in, so more on the industrial part you can say that. Yes, because that is like an institutional supply.

Abhijit Sinha: We mentioned that we are seeing a 100 crore to 150 crore opportunity here.

Gautam Seth: Yes.

Abhijit Sinha: Our quarterly revenue over there from that segment is about 170. So, isn't it not that significant comparatively, sir?

Gautam Seth: No. You know, the orders of 5G started off somewhere in Q3 of last year, and they would continue. So, we had said that we expected almost more than 100 crores, or 150 crores spread over next 18 months. So, they will go on for a longer time, and even their off take is dependent. But yes, maybe we have 10 crores, 15 crores plus going in every quarter. That is how we will see the future off take happening.

Abhijit Sinha: And sir, you mentioned that the 1,500-crore order book that we have, that's executable over the next two years, right? Sir, the order book that we have of 1,500 crores at the moment, that's executable in the next two years, right?

Gautam Seth: Yes.

Abhijit Sinha: Over here if I am seeing that metering segment has grown by about 30% this quarter, but it has hampered our margins as well. So, what kind of margin should we be expecting from this segment going forward?

Gautam Seth: The EBIT margins, you know, if you look at right now the order book, a lot of the last two orders, the big orders that we have reported are more to the AMISPs under the RDSS scheme. So, they probably would have better margins, but the implementation of these where the impact would come would start from the second half, you know, maybe Q3 and Q4 of this year because most of these big orders which come in, it takes six to eight months to get them started, get the integrations done and do that. Right now, I would say, maybe we kind of continue to have our



margins around 14%, 15%, but we are hopeful that once the bulk of the rollout is happening under the AMISP to the AMISPs under the RDSS, that there the margin improvement would happen definitely. And so that should probably kick in sometime in the second half of the year or probably even spilling into the next year.

Abhijit Sinha: So, what kind of numbers should you be expecting? Right now, I think we ended the year at about a 14% margin in this business.

Gautam Seth: In meters, I would say about 14% what was in Q4. Initially, yes, around 14% to 15% I would say that. In the consumer part, it could be about 12% EBIT margin.

Abhijit Sinha: I am saying so that the 14% and 12 % that you mentioned just now, it is what we had in FY '23 as well. So, I think these margins are going to sustain at the same level.

Gautam Seth: Yes. We hope that that should sustain. Plus, if you look at the overall, you know, the commodity pricing, \most of the commodities, the raw material pricing, even the availabilities of the electronic component or the ICs, everything right now is quite stable. So, I would say that to maintain that would be that is where we look to have that. The margins would be maintained. But this year what we expect is that again a good revenue growth would happen, you know, in both the segments, especially in the smart meters, and that will see that in absolute terms the EBITDA margin value is really going up.

Abhijit Sinha: The actual reason why I asked you this question was because last year when the commodity prices were higher, we had about a 16% metering margins. In the meter business, we had about a 16% margin. That's why I said that it is a 15%, 16% kind of a range that we can achieve?

Gautam Seth: I would say that, look, you know, ultimately, it depends on the product mix. It depends on because we are seeing one segment, but there are so many products in it. Consumer and industrial itself, if you look at the SKUs, we are talking about hundreds of SKUs. So, broadly to broad base on a figure sometimes becomes difficult, but broadly, if you look at it, and if you go back on the couple of quarters, it should be like that.

But right now, even Q4 we have seen certain stability in terms of the commodity pricing and with good volumes. So, if that is the margin that is coming in for Q1, I don't see a Q1 or Q2, I don't see any big change happening right now. There is no positive change as to drive that, but of course, only our sales we expect initially to maintain the Q4 sales and Q1, but thereafter probably grow it up in a bigger way.

Abhijit Sinha: Just one last question is that right now if we see the revenue mix for the end of the year where I think about 53% metering and 47% is some consumer business. So, eventually, since our order book is the 80-20 split, does this go up to about 60-40 kind of a range in the next year?



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Gautam Seth: No. I just said that a while ago that, you know, the orders for consumer and industrial come on a day-to-day basis unlike the meters. So, in meters even if you see the orders which we have received now, probably the execution of this especially for the bigger orders will start maybe after four months or six months. So, it takes time. So, there the lag periods are high. In consumer and industrial, probably what we are billing today, the order could have come in last night. You know, that is how it moves out.

So, that is it, but just to answer your question like this year, we would be again looking at anywhere between 1,500 crores plus. So, that would be again a good (+20%) jump for this year, and I would say almost maybe 55% of it could be metering and 45% would be the consumer and industrial. So, for us the focus largely remains on both these segments, very strong. In the next two years, I anticipate, this is my personal opinion, that the meters would see a very, a big spike in terms of orders and executions, and thereafter when the O&M period comes in there, that could come back to the normal levels.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Gautam for closing comments.

Gautam Seth: Thank you for participating in the call today, and we appreciate your support as we navigate our path towards sustained growth. So, if you have any further inquiries, please don't hesitate to contact Dickenson World or reach out to us directly. So, thank you all, and have a pleasant day.

Moderator: Thank you. On behalf of HPL Electric & Power Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.