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21st February, 2024

The Manager,
Listing Department,
National Stock Exchange of India Ltd.
"Exchange Plaza", C-1, Block G,
Bandra-Kurla Complex, Bandra (E),
Mumbai – 400 051
Symbol: HPL

BSE Limited
25th Floor, New Trading Ring, Rotunda
Building, Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai – 400 001

Scrip Code: 540136

Subject: Transcript of Conference Call with the Investors/Analysts

Dear Sir,

This is with reference to the intimation dated 12th February, 2024 made by the company about the Conference Call scheduled for Investors/Analysts on Friday, 16th February, 2024 at 02:30 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
Digitally signed by VIVEK KUMAR
Date: 2024.02.21 16:55:40 +05'30'

Vivek Kumar
Company Secretary

Encl: As above

"HPL Electric & Power Limited Q3 FY24 & 9M FY24 Earnings Conference Call"

February 16, 2024

MANAGEMENT: **MR. GAUTAM SETH – JOINT MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER – HPL ELECTRIC & POWER LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Conference Call for Q3 FY '24 HPL Electric hosted by Elara Securities Private Limited.

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 star, then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mudit Kabra from Elara Securities Private Limited. Thank you.

Mudit Kabra: Thank you, Tushar. Good afternoon, ladies and gentlemen. On behalf of Elara Securities, we welcome you all for the Q3 FY '24 and 9 months FY '24 Earnings Conference Call of HPL Electric & Power Limited.

I take this opportunity to welcome the management of HPL Electric & Power, represented by Mr. Gautam Seth, Joint Managing Director and CFO of the company. We will begin the call with a brief overview by the management, followed by a Q&A session. I will now hand over the call to Mr. Seth for his opening remarks. Over to you, sir.

Gautam Seth: Thank you, Mudit. Good afternoon everyone, and welcome to HPL Electric and Power Limited's Q3 and 9 months FY '24 Earnings Call. I am delighted to present to you our financial performance and our commitment to sustained growth and innovation, as part of our active participation in India's energy and power sector transformation.

In Q3 FY '24 and the first 9 months of the current year, HPL Electric has achieved significant milestones driven by our dedication to excellence and our strategic focus on diverse product segments. Our revenue from operations for 9 months stood at 1,036 crores, reflecting a robust year-on-year growth of 15%. This growth was particularly notable in our metering and system segment, where revenue grew by 28% year-on-year to 216 crores in Q3, showcasing our strong market position and the increasing demand for advanced metering solutions.

Similarly, in the consumer and industrial segment, revenue saw an increase of 13% year-on-year to 149 crores in Q3, underscoring our diverse portfolio with switchgear and wire and cables. We are facing a value erosion in pricing for the lighting segment, which we expect to stabilize in the current period.

Our focus on operational efficiency and strategic investments has resulted in EBITDA growth for 9 months, amounting to 137 crores, representing a year-on-year growth of 22%. This trajectory is further exemplified by our reported PAT for nine months, which stood at 30 crores, showcasing 57% growth year-on-year.

As India continues its pursuit towards becoming a global economic powerhouse, the importance of smart metering and modernizing the power sector cannot be overstated. We are proud to be at the forefront of this transformation, providing innovative solutions that not only meet the evolving needs of our customers, but also align with the government's vision for a sustainable and energy-efficient future.

Our proactive engagement with the government initiatives, such as AMISP contracts under the RDSS scheme, has further strengthened our position as a trusted partner in the smart metering landscape. Through these initiatives, we have played a pivotal role in supplying smart metering solutions with cutting-edge communication infrastructure for various projects.

Looking forward, we remain committed to value creation as we enter into a new chapter of growth of HPL Electric, with a growing order book of 2,400-plus crores. Our investments in research and development, capacity expansion, and channel network expansion drive our readiness to participate in the emerging opportunities and fulfill the evolving needs of our customers.

On this note, let us begin with the Q&A session. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Aman from Kamad Investments. Please go ahead.

Aman: Sir, I have three questions. Initially, before I re-join the queue. First, sir, we are a prominent player in the low-voltage market, which is a consumer-facing brand. I just wanted to know our roadmap so that we can create our brand as much more powerful so that it becomes much more for consumer loyalty.

I will just repeat the question. Sir, we are a prominent player in the low-voltage market, which is a consumer facing brand as everyone knows. Sir, I just wanted to understand our roadmap in just positioning ourselves as a much better brand in terms of brand recall and customer loyalty, so that we become in future, say, 5 to 10 years down the line, we become a brand which everyone wants to apply in their applications or electronics, other things. So, I just wanted to know how can our R&D also be a catalyst in this brand positioning and brand recall strategy of ours?

Gautam Seth: So, if you see the consumer and industrial products what we have, which are typically in the low-voltage segment, primarily we have switch gears where we cover the entire basket of products required for any kind of installation, be it residential, commercial or any kind of industrial or even a little beyond the city infrastructure installations.

So, as a package, when we look at going through the B2C segment, going to the retail and through our dealer and the channel partners, we have a product basket of switch gears. We also have MCB switches. Then we have the wire and cables, lighting and we are adding some more products now, some more categories on the consumer side.

So, in a way, our focus is that for any kind of installation, we need to be as a one-stop shop for any kind of requirements by the customers. So, our focus has always been very deep because in every segment you see where HPL Electric is present, we like control on the complete design. So, we always have an R&D initiative involved in this. Then we like to go into a well-backward integrated production, what we have and then that's how. Then we have the sales, marketing and the servicing networks aligned for each type of product.

So, when we approach the channel and the trade, for that example, then we like to leverage our cross-selling between the products. So, we go in as a basket. So, if it's for a residential owner, he gets in, or let's say even a builder who is doing it, he gets multiple products coming from a single house from HPL. So, that is what our focus has been.

R&D is very deep-rooted in our company because you heard so much about meters from us earlier where everything depends practically on the R&D, what is happening. Similarly, if you look at switchgear is one segment where we are very much deep-rooted into the R&D. Any kind of new products or new applications, whether in India or internationally, HPL has been really working on that. And similarly, it goes with the wire cable, with lighting and now a couple of other products which are coming out.

Aman: So, what I am getting is that you are focusing much on brand recognition and the brand to be much more deep rooted into the Indian consumers as well.

Gautam Seth: Yes, so if you see since the last couple of months, our brand building exercises have also picked up and in terms of the spend also that has gone up. Post the COVID lockdown, the two years post that our advertising expenses and other things, the brand building expenses were slightly on a lower side, I would say. But now since this year, we have started spending a lot again on doing a lot of activities on the brand spend.

Aman: The percentage of sales if you can just quantify, sir, as a revenue percentage as spending on advertisement and brand building?

Gautam Seth: I think, if you look at the advertising and brand promotion, at least on the last quarter, what we are talking about, it is about 1.5% on the overall revenue. So, that is it. So, the thing what we have because we have not been traditionally a very big ad spenders. We always believe that our product and technology does speak for itself. But since last couple of months, we have started a lot of activities on the brand and consumer reach programs and including a lot on the trade side on channel development.

So, that is how you see. If you see our retail network today at over 80,000 has been growing and about 2.5 years back, we kept a target of reaching 100,000 retailers and these are all registered retailers, what we are talking about. So, I think by mid of next year, we expect to reach that figure. So, overall, a lot has been happening on the LV switch gear on the consumer side and also on the brand, of course backed by a very strong R&D and development on the product side.

Aman: The second question I have asked on debt. That our debt-to-equity ratio is around 2.2 is to 1. So, in the future, we have the visibility of revenues and also we have certain product levels also.

Sir, our debt to equity is 2:1, if I am not wrong. You can just correct me. So, with the future...

Gautam Seth: No, it is 0.77.

Aman: 0.77 currently. Okay. When we have such a, what do you say, revenue visibility and growth levels, what is our first priority, sir? Reducing the debt or do we see FY '25, '26, there are much more opportunities lying ahead of us? Like, RDSS is one of them. Multiple other opportunities are we exploring so that our cash can be invested there or our first priority will be reducing the debt? What is your view on the collections and the repayments? Just wanted to understand.

Gautam Seth: So our debt equity as I said is 0.77. So, I would say, we are still at a comfortable position, though every time, anything can be better. There is no doubt in that. Right now what we see in front of us is a huge opportunity coming in each of our product segments. Smart meter and the RDSS scheme I think we have talked endlessly always on that and that is one thing which is going to see from here also a tremendous increase in terms of the business, the enquiries which are floating and the actual, the sales and the revenue and the margin growth that would happen.

Apart from that, the infrastructure spending, the housing, revival of the housing is also seen as a good factor right now within our company and we are seeing a lot of traction, lot of enquiries flowing in from that. Telecom also has been a good segment for us where we have been growing on multiple products.

The recently announced, the solar scheme what the government has been talking that again gives a huge opportunity. So, in a way, whether it is from the government or government business coming in through the private contractors or through the private players, and also the private business of the housing and other things also coming in, overall the opportunity is big.

So, although we are very cautious on, we have an eye on the debt and other things, but for us the top priority going forward what you are seeing it already in a couple of quarters is that we will see, again, a jump in the revenue, improvement in the margins right from EBITDA till PAT, and also the operational expenses being under control. So, automatically, once better cash flow, a better margin comes in, I am sure we will see a betterment of the ratios.

Apart from that, like I have said in my earlier calls also, as a company, we are definitely conscious on lot of other balance sheet ratios, which we are improving, I would say, quarter-on-quarter basis also, and right from even the return on capital employed or even the other ratios what are there in the balance sheet, we definitely look to have them improved going forward.

Aman: Sir, what is our current capacity utilization as a company overall? And if we are measuring it weekly separately, that also will be fine. What is our current capacity utilization?

Gautam Seth: Since we are talking about almost seven manufacturing plants, so it's sometimes difficult to give a ballpark figure, but generally, the capacity utilizations are going up, what we have seen last year and/or the year before that, and what we are seeing now the capacity utilizations are much better, although we still have a headroom to grow within that or in meters, especially, because we are seeing the peak demand which will come next year will be very, very high.

So, although we have a sufficient capacity for that, still we are already selectively enhancing the capacities to cater to the, let's say the boom or the big demand what would emerge next year. And so, we have few months back we have opened up the new electronic production areas which were again augmented from the earlier ones also. Recently, we have just enhanced the injection molding and the industrial plastic division in a bigger way. So, a lot of machines are being added.

So, in a way, while our capacity utilizations are good, they are improving, the order inflow is also coming at a fast rate. But going forward, we do anticipate that additional requirements would be there looking at the huge demand coming in next year.

Moderator: Thank you. The next question is from the line of Dhyey from Niveshaay Investment Advisors. Please go ahead.

Dhyey: I had this doubt regarding the execution period. So, we have a very good order of Rs. 2,400 crores. And what will be the execution period that we might be looking at right now?

Gautam Seth: Yes, typically any order which comes in through the AMISPs, they have let's say an initial period of about maybe six months to, it can even go higher, but generally I would say six months before the supply starts. This is just to prepare the ecosystem just to receive the smart meters. But the delivery periods are generally 2.5 years. So, definitely the orders which are coming in, you can say almost 2.5 to 3 years is the supply period for these orders.

Dhyey: So, the revenue will be split in a period of 2.5 to 3 years, right, from right now?

Gautam Seth: Yes.

Dhyey: Also sir, in the metering segment, how much is the only meters that we are, only the supplying part and what is the communication system part of order book?

Gautam Seth: Generally, if you see, let's say out of the 2,400 crores, roughly a little more than 2,100 some crores are for the metering.

Dhyey: Meter supply only.

Gautam Seth: For the meters, yes. And out of that, you can say almost 90% are the smart meter orders. So, we have stated it as a very clear objective that we are into supply of smart meters to the AMISPs and that is where our focus lies. So, we are not an AMISP. So although we do have certain orders where we are doing value adds a little beyond the meters, just the smart meters, but still bulk of it, I would say, almost 95% plus or almost 100% is the supply of meters. So, we are not into financing, or we are not into the other parts. Though on the communication technologies, we are working on it where we will have a specific value add to our AMI customers along with the smart meters.

Dhyey: So, if I understand this scenario correctly, we are not servicing the communication technology as of now, but we are going to enter.

Gautam Seth: Yes, we have like last time we have a tie-up with a company and as we are developing that, those things will become value add as we go forward.

Dhyey: Also, sir, so which are the AMISPs that currently we have received orders from? If you could tell us the names?

Gautam Seth: Normally, I will not name them but frankly, all the big ones are either already, either they have placed orders, or they are buying from us or are under negotiation with us. So, I would say we are catering to the majority of the ecosystem in terms of the AMISP players. And if you recall the approvals what these AMISP people, while getting pre-rated before they could get the eligibility to become an AMISP, they had to do a lot of testing prior to that. So, many of the AMISPs have done their qualifications based on our meters. So, that also gives us an advantage while we are doing business with them.

Dhyey: Also, sir, I had this one last question. So, what are the percentage of orders that have already been floated by the AMISPs, so, floated by the government and converted into meters by the AMISPs?

Gautam Seth: No, I think, this information are available on some websites because I also keep getting updated from the market, in fact. But I think the government is putting up these figures. So, probably you will have to check up the websites to get those figures, but I believe, I think over 10 crore meters orders have been given out to the AMISPs. Now, for sure, all these orders have not gone to the meter manufacturers yet, but because some are, a lot are in negotiation and others. But I think the process is on and all these would be translated to orders to the meter manufacturers.

Dhyey: So, my question was, how many of these 10 crores have already been passed on to the manufacturers?

Gautam Seth: No, I am sorry. I won't have the industry data is not with us like this, but we do have sufficient idea, but you will frankly have to check up their websites or get it out from them. Yes.

Moderator: Thank you. And the next question is from the line of Viraj from MoneyGrow India. Please go ahead, sir.

Viraj: Your future looks very bright for your company. The question regarding the, that was already asked on the debt situation. Given the company is growing so rapidly to service this market opportunity and working capital needs of the business will go up, have you considered some kind of primary issue or a rights issue to pay down debt? Currently, as I see it for the nine months, half of your EBITDA is eaten up by finance costs.

Gautam Seth: Yes. So we have been, and there is nothing as yet what we have on the table. But yes, we do see a huge opportunity in the business and we are definitely thoughtful of the fact that the interest cost needs to come down, especially looking at the huge opportunity what is there. So, we have been evaluating various options of how the debt can come down or how we could have more funds for looking at the growth potential what is coming in. So, I think nothing, nothing what I can share right now or nothing as yet, but definitely yes, we are evaluating a lot of options which are available and as and when we have something specific, I am sure you learn it from us or from the market definitely.

Viraj: My second question is, out of your 3,000 crore, 4,000 crore order book, how much is from the AMISP, which are sort of a 2.5-year delivery and how much are shorter-term delivery orders?

Gautam Seth: So, out of, let's say over 2,100 and almost let's say 2,150 crore orders, which are now on the metering side, you can say roughly 90% of that is through AMISP. So, 85% to 90%. So, the majority of them are all through the AMISP, which are longer term orders. So, roughly, if you see, do the math, it's almost maybe 1,900 or 1,950 crores which are through the AMISP.

Viraj: Understood. So then, would it be sensible for me to assume a 20% growth in FY '25 and then a 40% growth for the year after as the AMISP orders kick in?

Gautam Seth: I think the growth, no, the 20% you said is for the next year or?

Viraj: FY '25, yes. Next year.

Gautam Seth: I think, no, you are talking as a company or on the metering part?

Viraj: No, on the overall company revenues. Total revenues for the company.

Gautam Seth: I think the revenues, I would say, should be a little more than that, because the meter, like I said in my earlier answers also, the meter is going to see a certain peak in the mid of next year, because right now a lot of orders are coming, some from new AMISPs, but maybe after 6 months or 9 months, when their execution gets into at a peak level, the demand for meters will go up. And when this will happen with many of the AMISPs simultaneously, that is when their demand would go up and then our capacity utilizations can be definitely increasing.

So, just to answer your question, I would say the growth will be a little more than that. Probably, I cannot just give a specific figure, but right now also the orders what we have, our focus is on execution because that is the key to the whole thing right now and while the execution is improving quarter-on-quarter and I see that improving as we go forward, the order book is going to, I would say, still a lot of enquiries are there, and the order book would again swell up from here. So, that would happen, but then beyond that, then the executions would happen. So, maybe end of the fourth quarter, we should be able to give a specific number of what we expect as a growth. But yes, it should be definitely north of 20%, yes.

Moderator: Thank you. And the next question is from the line of Pranav Srimal from Think Wealth Advisory. Please go ahead.

Pranav Srimal: I had a couple of questions. One being, what would our capacity be to produce smart meters in terms of volume?

Gautam Seth: So, we have been talking about, I think the capacity in terms of number is almost 1 crore or to 1.1 crore meters per annum, and so right now, of course, we still have headroom because we are maybe around 70%, 75% of our capacity. But still in anticipation of that, we are already doing a lot of initiatives on automation. Certain specific capacity enhancements have been done in the electronic side, in the industrial plastic side. So, there are certain increases happening, but maybe on the second half of the next year, we should achieve these types of capacities and then maybe even look up to grow beyond that.

Pranav Srimal: And one more question. What would our share be if you are aware of the number, our share in terms of total smart meters produced in India?

Gautam Seth: You are talking about market share, yes?

Pranav Srimal: Yes, market share, yes.

Gautam Seth: So, it is very difficult, I think, to say that because right now the orders what we hear about are the orders which are going to the AMISPs. Now, like we were just discussing, maybe the figure as per the websites are let's say about 10 crore orders which are given, but still maybe just half of them or even I frankly don't have the number with me. They are right now being given in a staged manner to the meter manufacturers.

So, to determine the market share is frankly very difficult even for us and I am sure for anybody tracking the market. Right now it would be a little difficult, but once, let's say, after a couple of months, once most of these orders from the AMISPs are passed on to the meter manufacturers, then probably a better understanding would happen. But I think looking at the volumes and all, definitely, I would say we are one of the leaders in it, but exact figure, frankly, too difficult to tell.

Moderator: Thank you. And the next question is from the line of Ashwini Kumar, an individual investor. Please go ahead.

Ashwini Kumar: I had a couple of questions. And what is our game plan to stay ahead with the AMISP contracts in this competitive environment? You had mentioned focusing on private sector relationship. How can this benefit us?

Gautam Seth: So, the USP what we offer to the AMISPs is the integration of the R&D, design, manufacturing, and plus the vast experience of almost now, since '96, so we are talking about almost 28 years of manufacturing electronic meters, and we have supplied a couple of crores of meters with warranties lasting for 5 years which were backed by bank guarantees. So, the sheer experience, the kind of product what we have, fully certified, fully approved, backed by a very strong R&D. So, I think that is something we bring on the table to AMISP.

And when you look from a point of view of the AMISP, the kind of SLA levels what they need to achieve, which is typically 98% and 99%, again backed by their payments coming in a period of 10 years, so definitely, I would say, to mitigate the risk, they need to go to somebody who can provide them actually a meter which works for 10 years backed by a very strong R&D. And I think that is what we offer to the AMISPs, plus our experience of working in this sector for a long time. So, I think that is something what would put us apart and give us an advantage over our competition. And I think that's the game plan.

So the game plan is very simple, make it the best with a great product and give it to the customers. And I think in managing relationships and managing contracts with longer warranties, have some that we, HPL Electric does have that kind of experience. And I would say that is something which will help us to get more orders in the near future and look for big growth going forward.

Ashwini Kumar: My next question is, how could the recent election results impact our plans for rolling out smart meters across the states? Also, does the National Solar Mission affect us if anything is there on that front?

Gautam Seth: So, you are talking about the state elections? Are you talking about that or what? Yes, so I think the government's policy is driven by the center for the RDSS and under which the rollout of the smart meter is happening. So, we frankly are not in any way concerned or the business does not depend upon any election results for that matter. And I think the government's perspective of reduction of the AT&C losses and rolling out the smart meter is really long term. And it is right now, I believe it is accepted by almost all states which are right now either they are in a process of ordering or under some kind of tendering or already the contracts have been given out to the AMISPs.

So, I think this business of the smart meter is not exactly dependent upon any election results whether in the past or in the future, I think the government's policy is pretty long term and very well defined. And I think it's also a need of the hour for the entire sector and the industry. So, that is how it is. And when we look at the National Solar Mission, I think the new policy, you are talking about, I guess, the rooftop policy, which is there?

Ashwini Kumar: Yes.

Gautam Seth: So in that, we have already done a study because the government is talking about 1 crore rooftop installations, and we have a lot of products, whether they are metering, whether they are solar cables. Then there are cables in the other otherwise involved in the system. We have the DC breakers, the switchgear, the junction boxes. So, a lot of our products go into these type of installations, although these installations are very basic and low end installations, because these are in normal households, these are put in the rooftops. But overall, the sheer volume is very good, and our preparedness in terms of supplying to this scheme is definitely there. So, only the clarity needs to come on how the mechanism would be, how the procurement would happen and how that would. I think in due course, I am sure those also will be spelled out. And so we are well prepared whether the government buys it centrally or in a diffused manner, it is bought by at the site at the place where the installations happen. So, either way, we have a large network, and we can cater to this opportunity. I think it's a very good thing what the government has done and definitely gives a big boost to a company like us.

Moderator: Thank you. And the next question is from the line of Bhushan Sonar, an individual investor. Please go ahead.

Bhushan Sonar: Can you please shed light on wires and cable segment? How are we seeing the growth there for wire and cables?

Gautam Seth: So, this segment, wire and cable has been seeing a good amount of growth last year and as well as in the nine months of this year. We are, of course, looking at a much bigger growth because traditionally, we have been focused more on the domestic side where you have the domestic cables and typically the residential installations happening.

But of late, since last couple of months, and also thanks to the 5G business what we have been doing- we are now focused on a lot of other areas, even infrastructure related and other things where we see a huge growth coming in, in the next 5 to 10 years. And I think overall other than meters and switch gear, even wire and cable is going to be a segment within HPL where we see a good amount of business picking up.

So, we are right now in a process of really putting in that kind of focus. And I am sure in the next one, two years, we will see a good amount of growth, not only in the B2C, but also in the B2B segment, which are primarily the private players who are catering to various government schemes or the infrastructure. Even the housing is seeing a good pickup. So, that's where we see our overall segment.

We are also focused because the initatives we have in technology and also in R&D and the manufacturing, we see a good amount of specialty cable picking up internally. So, that's also another added focus what will remain within the wire and cable segment.

Bhushan Sonar: I am having one more question regarding the lighting segment, which has been showing value erosion for a while now. What's behind this? And how do, as a company, you plan to change things around in probably quarter four?

Gautam Seth: Yes. You know, lighting has been seen certain value erosions primarily because there has been a change in technology, a lot of the way the manufacturing happens. You know, since the last almost over 12 months, we have seen a lot of cost erosion coming into that and majority of the cost benefit what has come has been passed on to the consumers.

So, that has resulted in the value, the unit values coming down, the sales coming down because even with the same quantity, the value of sales had come down. But since last, I think, two to three months, we are seeing certain stabilization. I would believe that maybe in this quarter or maybe early next quarter, the prices should be stabilized and again, certain volume and value growth to return going forward.

Overall as lighting, when we look at the LED lighting, I think the demand is intact. There is the amount of infrastructure, housing, the constructions which are going on, every construction does require a lot of lighting requirements there. So, that is going to take care of the demand that is going to be there. This was, of course, an industry-wide phenomena where we did see certain corrections or changes in technology and then correction in prices.

But along the way during this time in the last 12 months, we also find a lot of unorganized market shifting to the branded players and I think this kind of a correction has happened, but going forward, maybe in the next year, we should see a good part of lighting growth coming back overall in the industry and that should really help overall for us also and for the industry also.

Moderator: Thank you. And the next question is from the line of Vignesh Iyer from Sequent Investments. Please go ahead. The line for the current participant seems to have disconnected. The next question is from the line of Rahul Kothari from Grit Equities. Please go ahead.

Rahul Kothari: Sir, I wanted to understand two things. One is from the order size. Can you provide the number of meters, order in number of meters that we have?

Gautam Seth: No, normally, for the smart meters you are talking about.

Rahul Kothari: Yes.

Gautam Seth: Normally, we would not do that for more of competitive reasons, but the values are always given out as and when the orders are coming, but not the quantity.

Rahul Kothari: And can you provide some guidance on what sort of internal estimate or internal aspiration is on the market share front that you aspire to achieve?

Gautam Seth: I think if you look at past over one-decade HPL Electric has been having a market share of about 22% to 25% in the energy meter market, and I would say going forward, as we are we would definitely look at maintaining and then growing that market share.

But right now, as I said in my previous answer, it is not very easy to determine the market share initially, but as and when most of the orders from the AMISP are given out to the meter manufacturer and once the dust settles down, I am sure the market shares will be clear.

But definitely, we are very aggressive. We are seeing good growth coming in. Even the orders what we have currently are, I would say, still a good starting point but there are a lot of enquiries right now going on. And the next one year, again, we do expect, although the execution is going to be strong every quarter, but probably the order input can really go up from here. You know, it can even grow by 50%, even 100%. That is how the market is. The potential of the market is there. And definitely it is for us to catch. I am sure we are well prepared, but still definitely a lot of work needs to be done.

Rahul Kothari: And one more thing to understand is, like, of the 25 crore smart meters, I understand almost around 10 to 12 crore meters, either tenders are released, or orders have been, or AMISP has secured the orders, and I think in a couple of months they would be proceeding towards releasing the orders to the meter manufacturers.

Gautam Seth: Exactly.

Rahul Kothari: And apart from that, the remaining orders of balance 25 crore meters, around 10 to 12 crores, is it visible that the balance orders are also expected to be released from government or DISCOMs to AMISPs in the FY '25 itself?

Gautam Seth: I think so, because what I hear, like, you talked about this 10 crore plus meters. What we hear, and generally I think it is there on the website, is that if 10 crores is done, I think there are almost 17 to 18 crore meters which are under evaluation or already tendered but not given out something like that. So, I think the overall figure is moving towards 25 crore meters. So, I think we are still in February of 2024. So, by the time, I think, when we move still in the next 14 months, I am sure these all will be given out. This is what I would believe so.

Moderator: Thank you. And the next question is from the line of Sri Harsha. Please go ahead.

Sri Harsha: This is with regard to the smart metering capacity expansion. Now, for HPL Electric, the installed capacity is coming to 1 crore meters per annum. And for our competitor, Genus Power is also, it is around 1.1 crore smart metering per annum. But the requirement of the government coming to around 25 crore meters for a period of 3 years. So, how do we meet the short fall?

Gautam Seth: So, just I want to clarify. You know, the requirements what are coming out are eventually going to go beyond the three years, because it's already almost 1.5 years we have been talking about it. Still, as per the official websites, about only 10 crores have been ordered. There has to be more ordering which will happen, which probably will take some more time and then there is a 2.5 year period, 2, 3 year period which will be for installation.

So, while we are talking about this, I would just say on behalf of the industry and on HPL also, the capacity for a smart meter within India is fairly sufficient, and definitely if we look at let's say about 25% to 30% market share, we ourselves would be targeting anywhere between let's say 5.5 to 7.5 crore meters, which is possible in the next, looking at a period of let's say about four to five years. Right now, the capacities what we have are nearing maybe by next year we will reach a full capacity.

But that's still on a theoretical side. As we look at various the kind of automation initiatives we are taking, within the same capacity the values can be, the quantities within the same setup can be enhanced a good amount of percentage on that, plus then we have some more specific capacity enhancements happening. So, overall, I would say in the next two to three years, this figure of, let's say, we are talking about 1 crore and 1.1 crore, whatever is there, these figures will also go up and I think only the two, three top players also can probably cater to 60%, 70% plus on the capacity side.

So, I think that is not a when we look at the overall opportunity, although capacity expansion is happening on a specific basis, but that's not probably a very big cause of concern when we look at the business opportunity going forward. So the only, I don't see it happening overall in the three year period what was initially anticipated, but it's a huge change in terms of involving a lot of utilities, involving a lot of people, the whole mindset change is there. And so these things do take a lot of time for implementation. There are softwares involved. There are a lot of other things which need to work.

So, I think this is something of a very big opportunity for us and a very good thing for the Indian consumers and overall, for the economy that a complete system is getting enhanced and really changed for the better here. And thereafter we would see a lot of new things happening and definitely the aim of government to cut the AT&C losses would start triggering in a big way once the entire system or even a majority part of it gets rolled out. So, I think, from a capacity point, it's not a big worry for anybody rather.

Moderator: Thank you. And the next question is from the line of Janesh Shah, an Individual Investor. Please go ahead.

Janesh Shah: There are two questions I have. One, when you are saying the current capacity utilization is around 70%, 75% in meters and given the orders that you have, which are going to get delivered probably from, I mean, the deliveries will obviously improve quarter-on-quarter. But the peak deliveries probably will start happening in the next year or somewhere.

Today, you are making EBIT margins of close to 15% in the segment. How much is the headroom available for you to improve upon the margins given the orders which you have right now and the operating leverage which you can derive from the existing operations? That is one question.

And the second is on, I mean, last year you have already been speaking about the improvement in the working capital cycles when the supplies to AMISPs will start. Do we see that possibility or like when do we see that the capital or basically, the day-to-day or working capital requirement in the business streamlining in the next year?

Gautam Seth: So, regarding the margins, if you see this quarter what we are talking about, the EBIT margins on meter has improved. I think it is about 15 point some percent. And overall in the 9 months is about 14.85. So, definitely there is a certain scope for improvement in the margins and we are seeing it.

So, there are going to be two things. The meter margin is going to be much better, no doubt, as compared to the other one, barring the switch gears. The meter margin is going to be good plus the share of meter at least in the next 1 to 2 years is going to go up within our own basket of products, although the consumer and industrial is also set to grow.

But you also have to realize that the orders what we are taking, the prices are going to be fixed for about 2.5 years. So, although right now the commodities received in the last couple of months have been very stable, I would say, right from copper to the industrial plastics and everything, but looking at any eventuality what can happen in the 2, 2.5 years, definitely there is certain part. Other than the ICs or certain critical components where the prices can be locked in, balance remains open to be procured at the time when the deliveries happen.

But yes, to give a simple answer to your question, it would be yes, there is headroom for growth. Maybe I cannot quantify it, but the meter and systems as more AMISP orders are getting executed and if the cost levels remain at this level, definitely we would see the EBIT margin improve and overall, the share of EBITDA in the company also to improve because the meter would definitely be contributing almost 65 to maybe a little higher percentage on the revenue front.

Now when we look at the, on the working capital, this thing, when we look at the overall business, the payments from the AMISPs definitely should be much better than getting the payments from the utilities because the negotiated period of credits are a little lower as compared to what we find with the utilities. But as more and more business is happening, I am sure we should see an improvement initially because there is going to be a ramp up of the orders. The production is really increasing.

So, therefore, certain fund requirements have been there on an interim basis and that is what we said even last time that the borrowings on an interim basis will go up, but eventually as a huge amount of business happens from the AMISP, the working capital requirements should come down. That is for sure.

Janesh Shah: Could we get a clear understanding about what would be the receivables days or the credit period you are extending to the AMISPs?

Gautam Seth: These are, again, specific negotiations based on the rates, based on who the AMISP is. But generally, I would say, they are much better maybe 60, 90 days is something what is happening, some of them working even on LCs. But as more and more volumes come in, certain competition also increases. So, they would be looking at the reliability of the AMISPs, which obviously is there because they are very large typically big companies. So, that would be there, but either way if you look at what the traditional utilities were giving in let's say 6 to 7 months, definitely we are talking about a half a period. That is something that should improve.

Janesh Shah: That gives a fair understanding of the situation. Thank you very much.

Moderator: Thank you. And the next question is from the line of Vignesh Iyer from Sequent Investments. Please go ahead.

Vignesh Iyer: So, my question is in lines of, I missed the initial commentary. Can you tell me what is the timeline over which we are going to execute this order book of 2,400 crores?

Gautam Seth: This would be done in, since the bulk of it is the smart meter orders, so that would be done in about 2.5 years. So, broadly 2.5 to 3 years is where these orders would be executed.

Vignesh Iyer: I mean, on the smart meter side, right? And apart from smart meter?

Gautam Seth: Apart from that, roughly, I don't have the exact figure, but maybe we are talking about another three, let's say, 300, 400 crores. That would happen in the next six to nine months. Generally, those are some of the traditional electronic meter orders. They generally have a period of about six to nine months for execution and closure.

Vignesh Iyer: Noted. Sir, now more on the financial statement part of it. Just wanted to understand our tax rate is a tad bit higher than what it is for other companies. I mean, we used to pay around 27, 28, 25%. For the last two years, the tax rate is higher. So, can you explain as to why the tax rate is so high?

Gautam Seth: But I think that's typically as per the income tax rates, but I can just have it checked up vis-a-vis other people, but I think it's a normal thing. It's just my guess that in the last two to three years, our CAPEX has been just more of a maintenance CAPEX. So, that's why you see a drop in the depreciation and so probably the differential depreciation of the companies to income tax probably the gap is closed down, but that's it. But let me just run it with my people and see what the difference is. If anything is there, we can revert back to you on this.

Vignesh Iyer: Usually, people actually switch to the 25% tax rate that the government offers. 22.5 plus 10% if I am not wrong. That is the tax rate that people are switched to, but since last seven, eight quarters we are paying around 35%. So, basically the PAT looks a bit lower. Just to get that. That's why I wanted to get an idea and also wanted to know because you have a chance to switch to a new tax regime after the financial year closes. That is in April if I am not wrong. So just wanted to know.

Gautam Seth: No, I think what I understand is that We have certain MAT credits, which are there. So, that's why we are in the old scheme because together, when you look at with the MAT credit and the rates, that is much more beneficial for us. But still, okay, point taken. Let me just review it once, but I think the thing is that we need to use the MAT credit and overall, it makes a much more beneficial thing for us.

Vignesh Iyer: Sir, any idea over what amount of time would the MAT credit get utilized?

Gautam Seth: I think, overall, it is 10 years, but I think we need to see the residual part. So, let me, I can probably just have this reviewed. Yes.

Vignesh Iyer: Fine, not an issue.

Moderator: Thank you. I now hand the conference over to management for closing comments.

Gautam Seth: Thank you everyone for your participation today and being part of HPL's growth story. Please feel free to contact Dickenson for any of your questions or insights and have a pleasant evening everyone. Thank you.

Moderator: Thank you. On behalf of Elara Securities Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.