



HPL Electric & Power Limited

CIN : L74899DL1992PLC048945

Corporate Office: 76-B, Phase-IV, Sector-57, HSIIDC Industrial Estate,
Kundli-131028, Sonipat, Haryana INDIA.

Tel.: +91-130-350 3958, 350 3437 | E-mail: hpl@hplindia.com

Website: www.hplindia.com

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The Manager,
Listing Department,
National Stock Exchange of India Ltd.
"Exchange Plaza", C-1, Block G,
Bandra-Kurla Complex, Bandra €,
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 3rd June, 2024 made by the company about the Conference Call scheduled for Investors/Analysts on Thursday, 6th June, 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
Company Secretary

Encl: As above



“HPL Electric & Power Limited
Q4 FY '24 Earnings Conference Call
June 06, 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 Q4 FY '24 Earnings Conference Call of HPL Electric & Power Limited hosted by Elara Securities Private Limited. As a reminder, all power spin 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. And over to you, Mr. Kabra.

Mudit Kabra: Thank you, Michelle. Good afternoon, everyone. On behalf of Elara Securities, we welcome you all for the Q4 FY '24 and 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. We will begin the call with a brief overview by the management followed by Q&A session.

I will now hand over the call to Mr. Seth for his opening remarks. Over to you, sir.

Gautam Seth: Yes. Thank you, Mudit. Good afternoon, everyone. Thank you all for joining us today. It is my pleasure to share the performance of HPL Electric & Power Ltd. for the fourth quarter and full fiscal year of '24. This year has been transformative for our company, marked by significant growth, margin improvements, strategic initiatives, capacity strengthening, pipeline buildup and an enhanced market presence for our B2C products.. At HPL, growth has always been a continuous journey.

And this fiscal year, we have seen our journey accelerate even further. Our revenue for Q4 FY '24 rose to INR424 crores marking a 17% increase for the same quarter last year. For the full fiscal year, our total revenues increased by 16% to INR1,461 crores. These figures underscore our ability to capitalize on market opportunities across all our B2B and B2C product segments, driving both top line and bottom line expansion.

I'm pleased to inform you that our strategic focus on operational efficiency and cost management has been fruitful. The profit after tax for Q4 FY '24 climbed to INR14 crores, a 22% increase from last year. For the full fiscal year, our PAT surged by 44%, reaching INR44 crores. This rise in profitability results from our various efforts in operational, financial and go-to-market efficiencies.

Our EBITDA growth has also been fairly good. For Q4, our EBITDA increased by 24%, reaching INR55 crores. For the entire fiscal year, EBITDA rose by 22%, totalling INR192 crores. Our EBITDA margins have been steadily improving, demonstrating our focus on the operational excellence and cost efficiency.

Meanwhile, for the full fiscal year, EPS grew by 45%, reaching INR7. These numbers underscore our dedication to providing our investors with improving and steady returns. Looking ahead, our commitment to innovation in R&D and market leadership will continue to be the foundation of our growth strategy.



In FY '24, we solidified our leading position in the smart meter sector with a 27% year-on-year growth in our Metering Systems and Services segment, backed by a more automated and growing production capacity. This growth is driven by a steady influx of orders and substantial contracts from AMISPs through the government's RDSS scheme. Our strategic partnership with Wirepas has further enhanced our smart metering solutions, aligning with India's national objectives and changes in our energy and power sector.

Our global expansion efforts are also making strides as we see we are present in over 42 countries. This international push is fuelled by a steadily increasing exports across all our product segments. Our extensive order book standing strong at over INR2,000 crores as on 9th May '24 is a testament of our robust market position and our ability to meet rising global demand.

To wrap up, our prospects look bright for the near future. We are dedicated to the value creation and quality growth. Our primary focus is on strengthening our balance sheet. Additionally, we are committed to building our brand and improving operating leverage.

Another key area of focus is expanding our channels to ensure broader market reach. FY '24 has been a pivotal year for us, and we are excited to keep that momentum going in FY '25 and beyond. With our strong focus on our core businesses and our dedicated team, we are ready to deliver even more value to our shareholders.

So thank you all for your participation today. So let us begin with the Q&A session.

Moderator: Thank you very much sir. We will now begin the question-and-answer session. We'll take the first question from the line of Viraj Mahadevia from MoneyGrow Asset.

Viraj Mahadevia: Gautam, congratulations on the growth.

Gautam Seth: Thank you.

Viraj Mahadevia: Just a question, Gautam. I've seen that in FY '24, you've seen a 24% jump in employee expenses and also a jump in other expenses. If you can just give us some understanding into what's going on there and whether between employee and other expenses, now you are satisfied with the cost structure and that's unlikely to change meaningfully as you deliver the next 2 years of revenue growth.

Gautam Seth: Yes. So if you look at -- when we look at -- I'll begin with the other expenses first. So I think the other expenses growth are around 9% as compared to the revenue growth of 17%. So there is some -- yes. Sorry, it's about 7.8% growth in the expenses. And so it's fairly, I would say, under control, but we need to bring it down further as we see more volumes come up in the business. Obviously, there are a lot of fixed expenses, which are covered under these other expenses. So we will see the -- probably the percentage coming down much lower than the growth in the revenue.

In terms of manpower cost, yes, that has gone up, and that has gone up quite significantly because when we look at the meter business, especially with the huge orders which are coming in, there is a lot of realignment in our working just to take the larger opportunities coming in the



next 3 to 5 years. So there are investments in terms of manpower, in terms of factory, in terms of R&D, a lot of work. So there we have seen certain significant growth.

We are also building certain specialized skill sets, which will eventually help us in the next 2 to 3 years in terms of revenue. So that has slightly gone up a little more than the revenue growth. But I think that the payback should happen in this year and the next year, and we should see that getting streamlined.

Also, as manufacturing goes up, of course, there are direct expenses on labour and other things. That is it-- you should see that streamlining at least the incremental rate will -- probably will not happen. It should be ideally below the revenue growth rate.

Viraj Mahadevia: Understood. So the absolute cost of employee plus other expenses, I'm talking absolutes now, not percentages of revenue. That should not change meaningfully as you deliver the next 2 to 3 years of growth?

Gautam Seth: So the manpower cost, there is an average, let's say...

Viraj Mahadevia: You've done about INR178 crores of employee.

Gautam Seth: Yes. Normally an inflation cost happening although -- especially in the metering and certain parts of switchgear, there's a lot of automation work happening. So we are actually having -- or rather doing it already that reducing the labour cost on the shop floor by having these automated machines and having better processes. But still, I would say you will need to take the inflationary cost of the manpower which is...

Viraj Mahadevia: No manpower numbers that are going to be added from here in a meaningful way.

Gautam Seth: No, I would say maybe not because in this year, we also opened like around in the beginning of Q3, we opened a new unit where the industrial plastic mouldings were there. So it did involve a new location as its new manpower. So that happened, we did announce the electronic manufacturing. So certain specific capex have been happening more on the metering side, just to take care of the future opportunity, yes.

Viraj Mahadevia: Right. Great. My second question, sir, is regarding the point you have in your investor deck about INR10,000 crores in orders that have been floated or are expected to be floated in the near term. Can you give us a sense of these orders, I am assuming have been floated by the government tenders to the AMISPs and where are we in terms of both orders being downloaded to the product manufacturers -- smart meter manufacturers such as yourselves? And how much are you expecting in the next 3 to 6 months?

Gautam Seth: Yes. So if you see -- these figures are, of course, indicative. The broad underlining thing is that huge orders are in the pipeline from the utility to the AMISP. So that itself is a huge pipeline that is there. There are many states which are still not gone fully for the smart metering. So that opportunity is there, and a lot of back-end work has been happening. Then there are a lot of orders which have been finalized by the utilities on the AMISP, where only a part of it has been offloaded.



And of course, we are a part of most of them. But we believe that the next -- the further orders would come from the AMISPs based on the performances and the delivery schedules, the way we meet and they would obviously look at the quality and the way we have put in the technology. So that is how it would happen.

So we are anyway hopeful -- I would say that's where our strength lies in the product and the processes what we have. So the pipeline is very strong. HPL is very well placed, I would say, we have currently around INR2,000 crores of orders. But I would say in the near future, we are expecting, of course, big orders.

So would be anywhere between INR1,000 crores or even going beyond INR2,000 crores. It can be anything like that. But opportunities are there. Pipelines are strong. And I think right now, our focus is getting these orders supplied. A lot of work is happening on the execution part of it. The orders will come. There's no doubt in that.

Moderator: The next question is from the line of Sandeep Mathivanan from MoneyGrow Asset.

Sandeep Mathivanan: I wanted to know about the opportunities are present in cable sector going forward. If you could shed some light on it, that would be very helpful.

Gautam Seth: In the last 2 years, we have seen the certain reemergence of the Cable and Wire segment in HPL and we are pretty upbeat on that. Like the way we see meters having a very strong growth over the next 3 to 5 years or even beyond. Wire and Cable also has been seeing a very good traction internally although the last year, the overall growth is only 7%. But if you kind of dissect it, the trade part has really grown up in good double digits. Only towards Q4, we saw certain telecom requirements come down, which actually got pushed to the current year. So that actually depressed the overall thing.

But generally, in terms of the building segment, the infrastructure requirements, the trade where we have the normal domestic wire going in, we have been seeing a good growth. So if you see the way we have realigned ourselves internally for us, the next 2 years are going to see a very good growth in the cable and wire industry. We have also enhanced our product range. So certain industrial cables have been added, and a lot of speciality cables have been added.

We've already been doing telecom in a good way. So again, in this -- in the Q1, we have seen again the orders coming from most of the telecom players. So in a way, this segment is -- I think the overall industry is also on an upside. And we are also realigning ourselves. And maybe going forward, there would be certain selective capex on the Cable and Wire also where we will be prepared as we see the growth opportunity, we will like to expand our product range as well. So definitely, now one of our key focuses lies there.

Sandeep Mathivanan: Okay. I just want to understand how is that China plus One strategy is playing out when it comes to exports.

Gautam Seth: Sorry, I missed the last part.

Sandeep Mathivanan: How like export opportunities are shaping up when you view in context of China plus One.



Gautam Seth: It's been good. In the last 2 years, we have seen a lot of inquiries coming in. Obviously, they take a lot of -- because most of these inquiries coming from the MNCs of the European or the bigger players who have been sourcing it from China. So although there is an interest in that, , it's not something where the entire thing is changing. So we definitely have benefited in the last 2 years from that. We are right now also sitting on certain big inquiries.

In fact, we participated in April in the Hannover fair. So that is where a lot of inquiries do come in for these type of sourcing requirements. So that -- of course, I would say that is where we are definitely a beneficiary of that. But it would take some time as we see more and more orders to come by that. But we are -- if you see in terms of our manufacturing, in terms of product range and where we are placed, we are definitely a good suitable candidate to supply, especially the switch gear, and wires & cables.

When we look at even the lighting meters for sure, where we can really cater to the world requirements, wherever these China Plus One strategies are. So overall, it's a good thing happening. But I'm not seeing -- like 2 years back, we did see much more force. I'm not seeing a future force coming in so much like that. But yes, still, we do find requirements coming in and we are catering to those.

Moderator: We'll take the next question from the line of Samarth Khandelwal from ICICI Securities.

Samarth Khandelwal: First of all, congratulations on a very good quarter. My question is regarding if you could share some light how much of the production capacity we are utilizing as of now in smart metering?

Gautam Seth: I think broadly, if you look at, we are probably around 70% of our capacity -- 70% to 75%. But over the -- I think since -- so this is for the metering part. Again, we have seen a surge in our wire and cable business. So there again, that's there. But across our lines because we're talking about many different products, different factories. But broadly, we are somewhere around that 70% to 75% although they have been -- last 2 to 3 quarters, we have been seeing a much better increase in that.

Now you must realize that in meters, we have last year, again added a lot of capacities more on the back end side. So maybe the capacity utilization may be a little lower. But as we go forward and especially second half of the next year or this year, rather, FY '25, we would see certain peak demands coming in. And so I think we are well -- ready to take those added quantities and the opportunity.

Samarth Khandelwal: Okay. So this is the current production, how much time would it take to execute the order book that we have of about INR2,000-odd crores?

Gautam Seth: Yes. So roughly, I think the delivery schedules are between about 2 years to 2.5 years. Now there is also that normally when the AMISP gets a particular project, it takes 6 to 9 months for him to start rolling out the project at the ground level. And that is when the rollout happens other than the initial certain trial quantities for a beta testing. Typically, it takes time.

So roughly, I would say maybe it will take 2.5 to 3 years depending on specific orders and specific delivery schedules for us to execute these orders, yes. So this is mainly for the meters,



balance are much better. And even the legacy meters which are there, which are, of course, maybe just about 10% of the overall orders of meters. So that would happen in the next 6 to 9 months. So there -- we don't have an extended delivery schedule.

Samarth Khandelwal: Sir, if you could just shed some light on how much time in beta testing out of those 24 months?

Gautam Seth: Normally, it is for the AMISP to install the software. So there's normally like any big project comes, they were taken maybe 500,000 meters or 5,000 meters to install it somewhere, where the installation part, the various softwares, everything is taken care of. Once everything is okay, then the rollout becomes much better and all issues which the AMI faces in integration or installation get sorted out. So for us, our meters are ready to go from day 1. But to work in a system and to work in that, that is where that testing happens, but that happens at the end of the AMISP.

Samarth Khandelwal: I understand. So the revenue recognition if I were to understand that we will receive an order, we will take some time to produce the meter and we will hand over the meters to AMISP for beta testing. And after that, we'll deliver further orders? And when we finally deliver it, we'll start recording the revenue. Am I correct?

Gautam Seth: No. The AMISP takes the project, okay? He places the order on a meter manufacturer, which is like us. So when we supply, whether it is 1 meter or 100,000 meters, we bill it to them and we get our payments as per the -- other than maybe the initial 500,000, maybe those delays could be there. But otherwise, the regular supplies are all within the stipulated period of our payment agreement days.

So for us, as far as we are concerned, we are supplying. We are billing to AMISPs, and that is our final sales. Of course, we are responsible for the warranty, for the performance of the product and whatever other requirements may be there during installation, if there are any issues or something, we would be responsible for our product working.

Samarth Khandelwal: Understood, sir.

Gautam Seth: So the revenue -- it is very clear. So it's not -- there's no deferment in the revenue recognition from that point of view. It's very clear, it's like a sale to any project that we would do. And then it's up to them how they are billing it, and how they are installing it. And then probably we are financing it also maybe for whatever 10 years we are doing it. So that is up to them.

Samarth Khandelwal: Okay. Sir, two last questions, if I may.

Moderator: Sir, I would request you to kindly rejoin. We'll take the next question from the line of Neha Patel, an Individual Investor.

Neha Patel: So can you tell us more about revenue and profit you are looking for the next few quarters, especially in the Indian market? And how much of order book exactly for the smart meters? And what kind of growth are we expecting in the segment for the next year? Do we see -- expect this opportunity?



Gautam Seth: What was the last part, sorry? Just the last part.

Neha Patel: Last part, I was just asking, do we see any threats to this opportunity, to the segment.

Gautam Seth: Great. Okay. So if you see -- I'll just go back very quickly on the -- if you see in the last 3 years, we have seen the revenue of the company grew consistently. So from almost INR850 crores, we reached over INR1,000 crores and then INR1,250 crores somewhere and they're now INR1,460 crores. So three successful years of growth.

And also not only on the revenue but also on the margin part and also improvement in all the key parameters on the balance sheet. So I would say when we look at the smart meter segment, definitely, it's a huge opportunity for us. We are well equipped to exploit that. So in terms of revenue, we would again see a good growth maybe a good 20% plus growth, maybe 25% or even can go beyond.

In the next 3 to 4 years, I would say the overall time required for completing of the government's target for the 25 crores meters what they have been talking about, it would be minimum, I would say, at least 5 to 6 years, maybe let's say 5 years is a minimum. So overall, the revenue of the company in terms of the metering is going to grow in a big way. When you look at the meter -- the overall order book, almost 90% of that is meters.

Out of that, almost -- I think 87% is smart meters. So bulk of the order book right now is smart meters, which in the next 2 to 3 years, we are looking to supply that. And with a strong pipeline, as I was just discussing earlier also, a lot of orders are expected to come by and also in the near future. So overall, our revenue guidance would remain strong for the smart meters, for the meters as a whole.

And also on the margin expansion, you are already seeing it in the fourth quarter, last full year, in fact, you've seen it. So that margin would continue to be at a good level. And if the commodities and everything remains intact, hopefully, as the volume picks up, we'll look to probably improve those margins also.

Even when you look at the non-metering business, there also other than the lighting, which -- where the sales went down, the overall revenue growth has been there. So I think this year and even going beyond, we see a steady growth there also, although it may not be as much as what the meter is doing as a percentage of growth. But here also, we should see a steady growth.

Now looking at the -- you asked about the threats of it. So there is -- right now, if you see the supply chain, I find that pretty stable. The supplies are not an issue. So overall, I don't see any specific threats, which are there right now. But yes, since these are fixed-price contracts, so any change or abnormal change in the cost structures, especially of any commodity or electronics or due to any -- some of the geopolitical things, could happen.

I think that would remain, but that would probably be for -- it's a general threat for -- probably anybody would face that. But otherwise -- and specifically, anything on the industry or anything, we don't see that as happening. The opportunity is really good and we are well prepared to exploit it.



Neha Patel: I was just coming to that. So the recent election results pose -- do they pose any risks or disruptions to the RDSS scheme that could affect our smart metering rollout in Northeastern states?

Gautam Seth: No, I don't see that because I think if you see successively the RDSS and earlier, we had UDAY and even in the earlier government, The last mile scheme was always -- the rollouts are always there, by whatever name they were called. So those are -- I would say, today, the scheme like RDSS is a need, and this comes mainly from the need to reduce the AT&C losses.

And metering, of course, plays a very important role. Now the metering is itself changing to smart meters. So I think adoption of technology is a real need, which would be irrespective of any government. So I would say, in fact, I'm very confident that post this, we would see much faster rollout. And I think in the next 5 years are critical because that is where the entire the first round of smart metering would be -- I would believe it would be completed in this tenure.

So that would start giving a lot of operational savings to the government and overall, efficiency should come into the overall system here. And that would pave the way for the next level of smart metering and other things, which would be going well beyond that. So I think overall, I don't see anything that could disrupt the ongoing program.

Moderator: The next question is from the line of Sunil Kateshiya an Individual Investor.

Sunil Kateshiya: Congrats for the good set of numbers. So my question is on metering. Are we looking any revenue from after-sale service of meters to run for 10 years or has been lighting for particular products and maybe from our end, after warranty period maybe one year, two years, that was the line. I don't know. If you can just put a light on it.

Gautam Seth: Yes. So I think our focus right now is on the supply side on supplying the meters. I think we have taken it up earlier also on a similar question like this, that probably as we -- the next -- because whatever even the future orders what are expected would be supplied in the next 2 to 3 years. So this is what would happen. But the warranty and the O&M would go on for the next subsequent 7 years.

So I would say right now, our focus largely remains on the design, manufacturing and supply of smart meters. But I'm sure as we are, let's say, after 2 to 3 years, when we see larger opportunities coming in the O&M space. That is where I think a manufacturer like us with deep-rooted experience of manufacturing, designing and understanding the meter and the ecosystem.

After all, we have been over 25 years in meter suppliers. And practically, every state, every district we have been supplying for so many years. So we do understand the topography, everything, and what a meter should be. So maybe at those times we probably can look at these opportunities. And then as they come forward, we can align ourselves and look at that. But right now, on an immediate basis, I don't see that happening here because our focus would largely be on that.

And then also, if you see -- right now, the -- although over 10 crores of meter orders have been given, the installation is still only about 10% of that. So the more installations need to happen,



then these kind of challenges on the O&M side will come and the maintenances and other things would come, which is, of course, again, a revenue stream and that would come and we would probably align ourselves later. But right now, I don't think we would do that.

Moderator: The next question is from the line of Viraj Mahadevia from MoneyGrow Asset.

Viraj Mahadevia: Are your manufacturing lines between smart meters and regular meters fungible, i.e., can you make both smart meters or regular meters and as your business shifts to smart meters, can you phase out regular meters to pick up all that capacity?

Gautam Seth: Yes. We are already doing it. And so these are -- because if you see the manufacturing involves various processes. So like we are talking about the electronic manufacturing, which is the PCB and the complete back-end electronics, along with the ICs and the passive -- the components. So all that is easily flexible. We have already what we used to make as a normal traditional meter.

Today, we make smart meters in the same line. In fact, we have enhanced those machines, but with the additional capacity, but those are flexible. The industrial plastic, anything on sheet metal tool rooms, everything is changeable, including the assembly and testing part is there. But of course, we have gone a little beyond that because now the new lines that we have for smart meters are fairly semi-automated -- complete conveyerized.

So I think we're within a couple of minutes from one into another, we would have the smart meter coming out from the other side. So those are, of course, newer lines, which we were not doing in the traditional part. But yes, to answer your question, yes, the capacity is all usable.

Viraj Mahadevia: Okay. Fantastic. My second question is regarding raw material supply, how much of it is sourced within India? How much comes from China? And how much comes from rest of the world, rough percentages?

Gautam Seth: I think government has set up a couple of norms for these, and they have also norms given to us, which would come in force next year also, like it is out say a feature, obviously, the main intention is that maximum products needs to be made in-house. So currently, I would say we are having -- other than the components which are now made in India, like ICs are not made in India, the passive electronic components and the industrial plastic, which are specified and not used in -- which was specified by this thing, but they are not made in India. So only those are imported. Balance are all made in India.

Viraj Mahadevia: Anything from China?

Gautam Seth: No, not China. So because our plastics also don't come like that and even if we are buying all from global companies. So maybe if it's coming from a factory in China, it could be something different, but not otherwise. So these are not from any Chinese manufacturers or from any of the Chinese companies.

And I think the government is pretty clear on that, that they want the whole thing to be made in India. And I think we are well within the norms. In fact, we are ahead of the norms because that



is how the -- because we have been very well backward integrated initially also in the traditional meters and now also as we look at the smart meter opportunity.

Viraj Mahadevia: Excellent. How do you think about leverage on your books, Gautam? And any plans to bring that down?.

Gautam Seth: You're talking about debt?

Viraj Mahadevia: Yes.

Gautam Seth: Yes. So we are -- the way we look at it, the revenue growth seems to be there last 3 years. There in fact, if you see in the last 2 years, if you see end of FY '23, we grew by almost 20%, but we didn't add any debt on that. Right now, of course, there is a lot of scale up happening because looking at the next 2, 3 years, certain debt has gone up. But overall, if you see the next 2, 3 years, we would see the revenue going up.

We are also seeing probably from FY '26 after this year, the working capital cycle would also start improving much better, especially in the metering part because the bulk of the supplies will be to the AMISPs and probably all-round the installation work would be going on. So that is when the peak would happen.

So on that, we definitely look to reduce the debt. Right now, when we look at it, we -- our aim is that keep the debt almost at a similar level, but to have a scale up. When you look at the interest cost on our books, the finance cost, so a lot of it, almost 20% is actually the bank charges. So it's not all the interest, what you see in that because there are a lot of bank guarantees which are going right now, even in the bidding process or even as the execution is happening.

So those -- the other costs, the bank charges, the BG charges, the LC charges. Those costs are also playing a -- they come combined on the finance cost. So those are also there. But in the last couple of months, we have been able to bring down our effective rate of interest. I think going forward, we are looking at overall the scenario because we have a rating upgrade. So our teams have been pretty much on that to make sure we get a lot of benefits. So we have been able to get that. So going forward, we definitely see even the interest rates coming down and probably our debts coming down or not going up on proportion to the increase in revenues, yes.

Moderator: We'll take the next question from the line of Samarth Khandelwal from ICICI Securities.

Samarth Khandelwal: I would like to -- how does your level of competitive intensity in the market. It influences firms particularly in terms of pricing?

Gautam Seth: So you're talking across the products or any specific product?

Samarth Khandelwal: For the smart metering.

Gautam Seth: Now the procurements are happening by the AMISPs, which are typically large public companies, so they -- obviously, competitive index is there. There are a couple of the established players and a couple of new players who have come in. So I think it's an open market. But I



think there are certain factors which what I believe will eventually determine how an AMISP would be using or procuring the meters. And that is where we see our strength coming in.

Our experience for so many years has been there in the metering part. There are bank guarantees involved in this. The AMISPs are supplying based on SLA breaches, which are typically 98%, 99%. So again, that means that uptime has to be very strong. The quality of meters has to be very good. And with a 10-year warranty, the meters manufacturers now have to actually work for 10 years. So that makes the ask from a quality and technology perspective, pretty high, and that is where we score.

Also, the AMISPs are -- they are getting their payments in 10 years. So overall, looking at this background, where they require the -- a product which works for 10 years, the SLA breaches are there, which again, penalizes them on any downtime. And the overall, the payments coming in 10 years, which is again a certain kind of risk, we are probably taking on this.

Why I'm saying this is because when the selection of meters becomes very important for them because the heart of the entire system is today a meter and getting a good meter manufacturer for them who can actually supply a meter working for 10 years, standing and supporting them across till the end of the tenth year, by the time they get their payments. I think these factors makes -- puts us in a very strong position.

So even if, let's say, the pricing of somebody -- we talked about the competitive index, if somebody comes in and is giving at INR500 or INR700 lower, I think to an AMISP, that cost is not much looking at the overall cost of running the meters for 10 years there. So I think overall, yes, it will be competitive because wherever opportunities are there, people come in, a lot of new industrial houses could be coming in.

But overall, I think we are playing on our strengths. We are well focused on that because we have a huge R&D, very strong. We have been able to deliver a lot of products in the last almost 2 decades of meters from our R&D team. So that has been there right from understanding the complete landscape of the metering part. So we are there plus adoption of new technologies, whether it is on cellular or RF, whatever is there, I think we are well experienced for that. And I think that is why we believe we are quite preferred from the AMISP people. So that is how it is.

Samarth Khandelwal: Could you shed some light on specific extension that we are taking in a smart meter manufacturer?

Gautam Seth: No, sorry, I didn't understand. Can you repeat the question?

Samarth Khandelwal: Yes, sir, in the investor presentation on slide number 17, you have mentioned, we are undertaking capacity extension for smart meter manufacturing. So currently, as I understand, we have 11 million smart meter manufacturing capacity, right?

Gautam Seth: Yes.

Samarth Khandelwal: So after the capacity extension, how much would be -- would we be able to produce?



Gautam Seth: Yes. So currently, last year, we did capacity expansion on the industrial plastic moulding part-- we would be having over 20 moulding machines, and certain tool rooms being added. Then also certain electronic manufacturing have been added. So right now, I won't probably give a comment on the number of the overall.

But over the next 1 to 2 years, we do see that this 1.1, let's say, crores meters what we can make would -- or let's say, over -- we would be well over 10 lakh or 1 million meters per month going forward, going up to even almost 1.5 crores per annum. So certain expansions are happening. I think this year also we would be expanding our capacity, but a lot of expansion is also happening on the automation part. So it's not -- so it is that with the same manpower, with the same resources.

But adding the automation is going to give us a better output, and that is going to also enhance our production. So I think eventually, we will be going up from here. The next 2, 3 years, we should be at least 30%, 40% more higher than what we are right now.

Moderator: We'll take the next question from the line of Mudit Kabra: from Elara Securities.

Mudit Kabra: Sir, firstly, on the smart meter installations, like in the country, what is the total number of smart meter installations, which has been there like from that 25 crores number till now?

Gautam Seth: I think these are data -- like my information is as good as probably yours where we need to see the public data of the government. But I think it is about 1-point-some crores meters which are installed. So right now, but since a lot of orders, almost 10x orders have gone already to the AMISPs.

So we should, at some point in time during the FC surge in the installations to happen. And that is bound to happen because right now, any order going to the AMISP requires that in 6 to 9 months you start rolling out. Once the rollout happens, then the installation becomes much more faster.

Mudit Kabra: Correct sir. Got it. Also, like on the sequential basis, the order backlog has dipped this quarter, Q4. Are we seeing some defers or delays until maybe H1 of FY '25? Or like as per the sense as of how the quarter has gone by in Q1, are we seeing the orders build up again?

Gautam Seth: So one thing, like I said earlier, there is a lot of good pipeline orders which are there. And many of these are where which, let's say, they are with the AMISPs which we believe would probably eventually come to us because we've already got part of the orders. The others are also committed. So right now, we are not worried about, let's say, quarter-on-quarter if the overall order book goes down a little bit on faster execution.

Our focus is very clear that we need to do execution as per the delivery schedules as fast as possible here. That is what we want. So even if the overall number comes down a little bit; in one quarter, it doesn't make a difference to us because eventually, the repeats are going to come in and order pipeline would swell from here. So it may happen that this INR2,000 crores could easily become INR3,000 crores. So that's -- that would just be a number. Right now, the focus is more on execution quarter-on-quarter basis.



So that steadily we are able to deplete the order book. And obviously, the new order book would happen. There are teams working on that. And still a lot of states are just about getting into the smart metering part. So I would say the order is not an issue right now. The thing is the faster execution and getting the right product to the AMISPs; definitely, that is the priority right now.

Mudit Kabra: Understood, sir. Sir, I have a couple of questions on the consumer segment category. Any sense of lighting of volume growth, if we can have the numbers for Q4 and FY '24.

Gautam Seth: No, volume -- like we've been saying continuously. I think it's an industry-wide phenomena that the lighting -- the value erosion has been happening. So because of that, there has been some bit of destocking, the traders because when they see the value continuously coming down, they also become very cautious in picking up stocks. So again, we have -- since -- if you see in the Q4 and even now, there is some semblance that at least there is some stability in the pricing. So it's not going down further. I would say certain volumes are coming back.

But definitely, in this year, we would start seeing the volume growth and value growth coming in, but that should happen probably in the second half of the year. And -- but already things are getting better in the lighting part. And we have also seen consolidation of the industry into much more organized players.

So because of the disruption, the prices coming down almost for 12 to 18 months. So that has become quite difficult for the unorganized markets or even cheap imports coming from China. So those things we have seen really decline. And the branded manufacturers are definitely there and overall. But the good thing about lighting is that the overall demand is there.

So if you look at any international report or even in domestic side, the demand for lighting is going to grow in the next 3 to 5 years in very good manner. So I think that is where we need to align ourselves. But with technology change, sometimes certain disruptions do come in. So I think that we have passed that disruption stage. So now it's again rebuilding to get back on the volumes.

Mudit Kabra: Great sir. Understood. And sir, congrats on the retail expansion, which you've done in this year, we have nearly doubled our retail channel. However, our growth in consumer has not been as good as what our expansion has been. Obviously, some of it has -- could be attributed to sectoral tail business also. But can we expect these numbers to show healthy growth in FY '25 basis on the channel expansion, which you have done last year and also we are targeting aggressive growth in retail expansion this year?

Gautam Seth: Yes. So Mudit, I'd like to just add something to what you said. If you see the highest growth segment in the last year has been switchgear. Of course, meter -- we talk a lot on meter. So somehow sometimes that comes under the shadow the switchgear part. But that also -- switchgear also grew by almost 27.43%. So even the year before that, switchgear has seen good growth.

These comprises of the switches, MCBs, industrial switchgear. So all of that also has been growing, which is mainly because of the growth in housing, growth in the domestic market, the channel sales and also the infrastructure segment, yes, that is how it is. So switchgear has been



good. Wire also broadly, if you look at the pure trade figures for both the years, has been very encouraging. So that's again dependent on the channel and trade.

Lighting unfortunately went down because of the issues the industry had and the technological change, but I think with the lighting coming back, the entire trade segment, I believe, would really grow in a big way. Our focus on the -- when you look at the consumer and industrial part and especially the consumer products, whether it is a building segment or it's a condo or a house owner, whatever is there or a domestic customer, we can offer good basket of five products like a one-stop shop, wherein switches, MCB DBs and the complete accessories what are there, the lighting, the wire and fans, we are able to offer to them.

So I think that's a very good product basket. We have a very extensive range in them, and we can leverage our -- and play up with use of -- do the cross-selling at the dealer and the retail level and to push the customers with the amount -- with the entire basket. And I think that is where we should be -- that is how we look at this business.

So the consumer business is also set to grow. The next 2, 3 years will be good. It's dependent a lot as per me on 2 basic things. Channel expansion because that is the key to the whole thing. And second is the brand building. And I think from a relationship perspective, in the channel, I think HPL has been -- we've been -- I would say that's been a very strong point maintaining the relationship with our channel for so many years. We've always been a long-term player whenever we approach the market. So that has helped us. So overall, it's -- I would say the consumer segment also is looking for a good growth this year.

Mudit Kabra:

Fair understanding, sir. And lastly, sir, on the margin guidance, any guidance for FY '25 and the capex number for FY '25? And you've also mentioned that we'll touch 1.5 crores capacity for smart meters. By when are we expecting that to happen, sir?

Gautam Seth:

No. So look, the 1.5 crores capacity would happen -- it would happen gradually because we would look at wherever the -- like the gaps are happening. So let's say, we realize that we needed much more on the electronic side. So when we build up that obviously, we build up looking at the future. So you can't keep building up each department every time. So gradually, as more and more capacity expansions would happen.

So maybe in the next 2 to 3 years, we could reach that figure or earlier if depending on the demand. So these are -- I don't think it takes too much time to build it from here on because basically, the basic infrastructure is in place. We are talking about the add-ons, which can easily be done as required. So as the numbers increase in terms of the ask from the AMISP and the speed of installation increases, that is where we would find that we can of the capex and then accordingly supply from there.

Mudit Kabra:

Okay. And any number guidance?

Gautam Seth:

In terms of -- yes. So from a revenue perspective, I think from INR1,460 crores, we should be anywhere looking at INR1,800 crores maybe plus on that. Of course, internally, we are having a higher target, I would say. But overall, I think the growth should be good this year. And even on the margin part, margin, of course, is a lot of it also depends on the product mix. But right



now, since meters, switch gears are anyway performing well. So I think overall, the margin also should be good. And overall, we should be improving on that.

Moderator: Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to Mr. Mudit Kabra for closing comments. Over to you..

Mudit Kabra: Thank you. We thank Mr. Gautam, sir, for giving us this opportunity to host this call. We also thank all the investors and the analysts for joining the call. Any closing remarks, Gautam sir?

Gautam Seth: No. I would just like to thank everyone for coming here and being part of our growth story, and I'm sure we remain committed on the future of the business, on the results, and on capitalising on the opportunities that we talk about here. So in case anybody has any queries or questions, so they can be in touch with Dickenson, our IR, or any time with us here. So all of you have a pleasant afternoon. Thanks a lot.

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