HPL Electric & Power Limited
CIN : L74899DL1992PLC048945
Corporate Office : Windsor Business Park, B-1D, Sector-10,
Noida - 201301 (U.P.) | Tel.: +91-120-4656300 | Fax. +91-120-4656333
E-mail : hpl@hplindia.com | website: www.hplindia.com

16th August, 2022

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,
PhirozeJeejeebhoy 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 August, 2022 made by the company about the Conference Call scheduled for Investors/Analysts on Wednesday, 10th August, 2022 at 2:30 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
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Date: 2022.08.16 11:54:57 +05'30'

Vivek Kumar
Company Secretary

Encl: As above

“HPL Electric and Power Limited
Q1 FY 23 Earnings Conference Call”

August 10, 2022

MANAGEMENT:	**MR RISHI SETH - MANAGING DIRECTOR, HPL ELECTRIC AND POWER LIMITED**
	MR GAUTAM SETH - JOINT MANAGING DIRECTOR AND CFO, HPL ELECTRIC AND POWER LIMITED
MODERATOR:	**MR HARSHIT KAPADIA - ELARA SECURITIES INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the HPL Electric and Power Limited Q1 FY’23 Earnings Conference Call, hosted by Elara Securities. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Harshit Kapadia from Elara Securities. Thank you, and over to you, sir.

Harshit Kapadia: Thank you. Good afternoon to everyone, On behalf of Elara Securities, we welcome you all to the Q1 FY23 conference call of HPL Electric and Power Limited. I take this opportunity to welcome the management of HPL Electric and Power, represented by Mr. Rishi Seth - Managing Director and Mr. Gautam Seth - Join Managing Director and CFO. We will begin the call with a brief overview by the management, followed by a Q&A session. I'll now hand over the call to Mr. Seth for his opening remark. Over to you, sir.

Gautam Seth: Thank you Harshit, Good afternoon, everyone. And thank you for joining us for this Earnings Call of HPL Electric and Power to discuss the financials and operating performance for Q1 FY’23. At the outset, I hope all of you and your family and loved ones are safe.

On the financial performance front, I'm happy to inform you that HPL Electric posted solid results for the first quarter of FY’23. For Q1 FY’23, our revenue surged by 129% year-on-year to INR 295 Crore compared to INR 129 Crore. Our EBITDA also grew handsomely by 283% to INR 37.6 Crore as compared to INR 9.8 Crore in the previous year. The company’s EBIDTA margin expanded by 512 basis points and stood at 12.7%. Our PAT for Q1 stood at INR 6.3 Crore compared to a net loss in the previous year. Of course, these figures may not be entirely comparable as last year was a disruptive quarter due to COVID.

Nevertheless, there has been an excellentreasonable volume and value growth as HPL has posted its highest ever first-quarter revenue. On the business segment front, you will note that we decided to change our segmental reporting by redefining our segments based on similar economic market and business characteristics. As a result, we now have identified two new reportable segments: metering and systems and consumer and industrial. The metering and systems segment now includes the company's metering systems and project businesses under one head. In contrast, our consumer and industrial segment comprises the wire end cables, lighting, luminals and switch gear business.

The former is more institutional and B2B centric, while the latter is more consumer and B2C-centric. Looking at the performance of each of these newly defined segments, the metering and system segment revenue grew by 185% to INR 146.9 Crore in the first quarter compared to INR 51.6 Crore the previous year. The consumer and industrial segment revenue grew by 92% to INR 148.7 Crore compared to INR 77 Crore. We have delivered robust performance despite a challenging geopolitical business environment. Both our B2B and B2C segments received good traction and resulted outstanding numbers.

We are now living a post-COVID era of rejuvenation and new impetus. We are very hopeful that the same momentum of Q1 FY’23 will continue in the coming quarters. With a healthy order book of INR 832 Crore, we are very optimistic about the future visibility of our business. We have received many inquiries into the smart metering category in particular, and we expect to see sustained and solid demand from both the public and private sectors. Looking at the Indian economy, we continue to see it as a global outliner, outperforming other large economies, despite the looming threat of global inflation, supply chain constraints and commodity price volatility. We expect that the demand for our products from the domestic markets will continue unabated over the rest of FY’23.

Today HPL has developed a well-diversified portfolio of electrical equipment, catering to various market segments, affording stability and secular steady growth across multiple market segments. Our research and development team is working 24*7 and continually enhancing and strengthening the brand’s backbone. We are also steadily expanding our vast network of dealers and retailers, especially in tier two and tier three cities, where demand is growing rapidly and where we see future opportunities to grow from. On the manufacturing site, we are implementing several long and short-term cost efficiency initiatives, including automation. We are optimistic that these efforts will lead to improved profitability and better value creation for our stakeholders in the medium term. Now we can open the floor for the Q&A session.

Moderator: Thank you. We will now begin the question and answer session. The first question comes from the line of Neha Sharma from Pearl Globe Investment. Please go ahead.

Neha Sharma: Yes. Sir, can you please provide a fair idea about the debt and equity structure of the company for the coming years?

Gautam Seth: Yes, sure. So our current debt-equity ratio is at 0.76. So on a company level, we are at a stable and comfortable level right now when we look at the debt situation. Even going forward, if you see last year our growth has been over 16% and even in the current year, of course, with a good quarter and the outlook, what the company has for the current year, we expect a good growth of let's say an excellent high double-digit growth. With that happening, we see our debt levels remain at the same level. So over the last year and even the next two years going forward, we see an improvement in our debts to stay at the same level with our sales going up. So overall, the ratio should get better as we go forward.

Neha Sharma: Okay. And, sir, one more if I can ask. So, how do you see your export business potential? Can you explain how is your R&D strength aiding in your export market?

Gautam Seth: Yes. The export business has seen good traction since last two years. Post COVID in 2020, just immediately when the businesses resumed, we have seen a good amount of growth happening, almost the growth levels of 30% - 40%. Of course, our export base has been small, but in the last two years, we have seen very good traction in many excellent markets. Currently, we are exporting to about 42 markets, with switch gears as the primary product range going in. Since last year we have seen even the other ranges, including wire and cable, lighting, and certain solar products, including even meters and non-utility meters. So even we have seen all the product segments going well into the export market.

And as we look at even the; at the end of the first quarter, there is a 19% growth. But if you look at the order book situation right now and the visibility of what we have in the near term, the export business is set. The good growth in the current year. It is 20 -25% plus growth would happen and our penetration in a lot of international markets is increasing. So, when we look at this, of course, a lot of this penetration and the growth is happening because of the R&D that we have. Because our product range what we have been selling until now in the Indian market is all compliance based on the international standards. So, for many of the products, we have now got actual certifications because there are international IC certifications, which are globally acceptable. Still, then there are many country-level certifications and approvals required.

So, our teams have been working on getting those approvals also done. And the penetrations are increasing. Even in the last call, I did share that our MCCB factory is laboratory approved by DEKRA, Netherlands. So our lot of product range of MCCBs, our RCCBs, all these are now getting certified, which will be valid in over 52 countries. So, overall the potential is high, post to what we have seen in the last two years. And even the current geopolitical situations, what we have seen. There is a significant shift from other countries, where multinational companies have been manufacturing. Now that shift is coming to India, and with a player like us who has very strong manufacturing and R&D capabilities, we have an excellent way to exploit that. And I think that's what we are doing. Right now, there are a lot of inquiries coming in from OEMs looking to set up or look at Indian manufacturers for their global market. So, in all, in the near term or even in the medium-term, we see the export market to be growing much better and with the good revenues coming in.

Neha Sharma: Okay, sir. That's it from my side. Thank you.

Gautam Seth: Yes. Thank you, Neha.

Moderator: Thank you. The next question comes from the line of Abhishek Kothari from SG Growth. Please. Go ahead.

Abhishek Kothari: Hello. Am I audible?

Gautam Seth: Yes, Abhishek.

Abhishek Kothari: Yes. So, I have two questions, sir. And first of all, it's very nice to see that you have consolidated your business, which brings a more accessible way of tracking things out here. So, in your opening speech, you mentioned that we done metering into one part of it, and our switch gears and cables and lightning product into another one. So, the latter part is B2C. But the same, in your presentation when I see, we say that we have 20% market share in domestic electric meters. We have a 5% market share in the low voltage switchgear market, and you are the 5th largest LED manufacturer. So, if I try to break it up into one part of a segment where it says meter segment, we are already 20% market share. And where in say in B2C we are almost, we are the 5th largest, or we have a negligible 5% market share in the switchgear market. My question is that both the segment and the headwinds are pretty clear. In metering solutions, we are finding that the e-meters will be the revolutionary thing or the thing of the past rather than the revolutionary. When we see in LED it's very intense, and competitive and our players are not even making a single-digit margin in LED, so is a switch gear market, whereas there are no entry restrictions so far. So, I'm trying to understand what could be the driver for the growth, one being the macro growth we're talking about. So, what could be the unique things that we can propose? For example, in smart meters, we have challenges getting the shunt resisters and [biomaterial] scripts, whatever we want to quote it that way. Yes.

Gautam Seth: So, Abhishek, let me answer, yes. I have got what you're looking at. So what I'll do, because broadly what you have asked covers all the product segments that we have. So let me just give you specific growth drivers and what we expect and like that, but overall, you have to understand one thing that all though there are all these spaces are pretty competitive. When you look at the LED and the switch gears and others, but it's not that. The entry restrictions are not there, but still, if you go by what is happening in the market, it's not that anybody is coming into and making a mark. So, when we look at the LED market, if you go back about four years back, they were almost 80 to 90 players, and nearly everybody at one time was looking to come into LEDs but now if you look at this, the market has matured. It's become much more consolidated, and most of the players who had just come in, are very few new players in the market.

Otherwise, all the old traditional lighting companies are again dominating the markets in LED, of course, that's more on the market front. But when you look at us this thing, our focus on LED is pretty strong. We have also seen good numbers coming in over the last two years. And here, I would divide the overall business; the trade segment that has been growing. We've been continuous, we have a lot of new launches coming every quarter, and that is going, although the bulb and other, the certain consumer luminal are there fairly very competitive space, still nevertheless, the competitive scenario, what was there some years back and what is today, today is much better. The hygiene is better and even the cheap imports from China and other places are now reduced.

So, the focus is back on R&D, it’s back on manufacturing, and I think when you ask, what would be the growth driver? I would say the sheer demand and the consumption story are going to be the most significant growth driver. Of course, that growth is not for everybody, it’s for people. We would include ourselves in that where we have a strong R&D, we have a strong manufacturing base including electronic manufacturing. We make the drivers ourselves, So that will give us a massive upside in the LED front and remind you we make right from an LED belt up to the consumer luminals. We are also focusing on the commercial and industrial luminals, then the street lighting part, and we are also doing the smart city.

So, we have earlier done Bhopal and the Jalandhar smart city lighting, but now we are doing Karnal and Dharamshala. So, overall our range is pretty wide. We catered to an extensive set of customers in that. Now coming to your mentioned switch gears very briefly, if you look at switch gears the margins are very different. The switch gears margins are much better. The growth drivers are of course the building segment, which selectively has started picking up. And we have been seeing the movement for the last year. So overall, our idea of clubbing the whole thing into the consumer and industrial segment was that this clubbing, apart from the reporting, is also at an operational level where we can focus on growth.

We can use the synergies which the market and the manufacturing offer. Although, the product-wise focus will always remain and the teams have targets initially, but overall at least the business has its go-to market strategy or the kind of unique characteristics that it has. So that is what we will see. Overall, we see the consumer and the industrial business which has done, almost the last seven quarters we have seen good and consistent growth. So, we see that to be happening as we go forward. And so that is one thing. Meters, we have had over 20% market share over the years, but yes, the scenario is changing. The conventional electronic meters are shifting to smart meters, and that is going to see a massive upside as we go forward.

So, a lot of things are in place. On our own, we are currently sitting on over INR 200 Crore of smart meter orders out of our almost 420, I would say INR 427 Crore of meter orders. So, practically, nearly half of them are smart meter orders. The inquiries are strong. So definitely we, while the whole thing is changing, a lot of new opportunities come in. Still, for us existing players who are pretty dominant, we again see ourselves in a very strong point going ahead from here. So, as the industry progresses, I'm sure we will see a very good upside as we go forward.

Abhishek Kothari: I understand. So, as I said, when we talk about the macro advent, the industry size growing, that's one part of it. But that will be for every player to grab the growing market size. What I want to understand is that one thing you mentioned, which is appreciable that it's back to R&D. But again, when you said that the market had gone back to a few players, that too because of the low margin profile and already competitive industry, that could be one thing. People cannot flow back enough money into R&D with those thin margins. What I am trying to mention is that when we are trying to grab a market share, we are just 5% market sharing, say switch gear market, also in the electric market we are, so what could be the tipping point of our being put in the market space? The first thing would be the first mover advantage, or the pricing strategy. I mean, what differentiates that we will be able to take over the market share aggressively, and we will able to dominate the market at any given part of the time. I'm trying to understand from the company's headwinds, not the industry's headwinds perspective.

Gautam Seth: Okay. So, when you look, so then we focus on the consumer and industrial segment. So if you look at this, our most significant strength currently is the product range and the back end of manufacturing, which makes our quality and technology pretty strong. So, I would rate that much ahead of our competition. Now, we need to grow much more on the sales front and I would say the reach and expanding the network is probably one of the significant areas that our teams need to focus on and second is visibility. I think these are the two things we would need to do. Pricing strategy, of course, pays in the short run still, in the long term, that is something because eventually, we need to ensure margins coming in, and with such high commodity pricing or even the volatility in the pricing. Just playing on a pricing strategy doesn't work.

As HPL, we have never been the cheapest, our focus has been to play on or focus on our marketing and technology. So that is where we look at it. The market, our penetration, and reach are two things which have been one of the things which have helped us to grow in the last seven quarters. Of course, a lot has been done, but much more needs to be done. I think that is were, that would be one of the critical areas where we should be doing. Regarding visibility post the lockdown, we were a bit slow on that because the markets, the physical markets were closed, and other things. Still, since April we have now started redeploying the funds into local advertising. As we go forward, we see a lot more investments happening in that area.

Abhishek Kothari: Okay. So, if you may allow gentlemen, my last question, I'm sorry to take your time.

Gautam Seth: Please go ahead.

Abhishek Kothari: So, sir, I want to understand the clear roadmap per se because you have been tracking the peers. So, HPL as a unit are we more focused on, say, and you mentioned that we are not one of the cheapest products, which clearly indicates that we are a margin-oriented company. We have been focusing more on margin. Is that the right understanding, or will you be saying that we are concentrating more on a market share? What are we trying to understand, when we say we are not cheap, that signals that we are not going for a market share, and market share can be by innovative products, which has a limited share when it comes to the B2C, they have, because you are dealing with the unorganized player as well. So HPL as a unit is more focused on the market share or the company's margin profile? Or how is it? I'm just trying to understand that perspective.

Gautam Seth: Yes. So, Abhishek, we have been market leaders in meters and, despite maintaining the market share for over a decade now, we are still focused on margins. So, it's not that one is focusing on the market share so one cannot focus on the margins or vice versa. Now just to put yours in perspective, by keeping the margins and not going very deep in discounts or something, it may take a little longer to grab the market share. Still, I think that is what our strategy is, but we are very clearly focused that we need to expand our reach, and we need to grow the revenues. Last year was, of course, before that was, due to COVID, there were some disruptions, but the last year itself showed that at least we have an apparent growth across all the product segments. Even this year, the first quarter has been relatively good and with this kind of a result in the first quarter, we are hopeful that this year again should have a strong, say over 20% growth across for the company.

So, the next, the way we look at it, at least in the next two to three years, we are looking to grab the market share, no doubt on that. But yes, as a company, we also need to maintain our market share and margins. So, the focus would be on both. For us, by making these two segments, our focus very equally is on both these segments. we see the B2B segment to be growing at a much faster pace and of course, if you look at the potential, what the smart meters have, that is an enormous potential, over the next three to five years is going to be huge. The overall market size and our revenue expectations are expected to go multifold. Since the last seven quarters, the consumer and industrial business has picked up pretty well. We see the results, apart from just the revenue growth, we also see the penetration in the market, our dealer, and distributor engagements. Also, even the channel financing coming in shows the seriousness of the dealers who are coming in into our fold.

So that is again a business in which we see robust growth over the next three to five years. So as a company, I always say that we are one company where we have very successfully mixed the B2B and B2C segments. We have been able to grow in each of them and right from working on the R&D, the manufacturing, so each of the things, right from having robust backend up to the sales marketing, and aftersales, we have been able to grow on that by putting these two segments that are a clear indication by the company that henceforth, we will be monitoring these. We would see both these segments in the next three years to grow on multifold for that year.

Abhishek Kothari: Thanks a lot. I'll come back in the queue. I have another few questions, like in terms of dealer breakup, but I guess the following people will be in the queue. I will join back later once I get over. Thank you.

Gautam Seth: Yes, sure. Look forward.

Abhishek Kothari: Thank you.

Moderator: Thank you. The next question comes from the line of Akshay Kothari from Envision Capital. Please go ahead.

Abhishek Kothari: Thanks for the opportunity sir, so what would be the growth in the consumer business that we are envisaging and 832 Crore order, would it be executed in this year itself? And what would be the working capital cycle in your consumer business vis-à-vis your meter business?

Gautam Seth: Yes. So if you look at the growth, as I just said in my earlier one, we are seeing continuous growth in the consumer and industrial segments and we would say that we would continue to do that. For the straightforward reason that our lighting, our wire cable, switch gears across all regions and product segments we see a good growth across. So this would continue. Also, as a business unit, we are now trying to leverage and have a lot of cross-selling between our dealers and customers. So that means a customer of wire can take even lighting or vice versa, or even switch gear dealers or customers can take lighting. So somehow, I think once the focus changes like that, which we have already followed for the previous two years, the results are pretty evident. So, as we go forward, I would say at least 20% growth continuously, we hope to see within this year itself. So, that is something to see. In terms of dealers, our primary focus, we have said earlier also that at one time, we had more than a thousand dealers, but over the years, we have been introducing channel financing. We have been doing a lot of revaluations of our dealers and the idea was that we had reduced the dealers to some extent, just to take, so that we have better financially sound dealers. At the same time, in underrepresented areas, we are adding dealers who are, let's say, of much better quality than what we had maybe 10 - 15 years back.

So overall, there's a lot of churning in that and today, we have, I would say nearly 500 dealers in the consumer and industrial segment who are focusing on this product and where we feel that they can, they have a good upside to grow. We are introducing channel financing in a more significant way now and so hopefully, within the next year, we should have most of our dealers covered under the channel financing, which will make the working capital situation better. So, when we compare the working capital from the consumer and industrial to the metering, that is much better and even if you look at the utility days, the debtor days we have, so they are all, today, the pure consumer segment effectively gets covered well within 82 - 85 days. So that is how that is and of course, the meeting has its own, that's where the debtor’s days are high.

Akshay Kothari: Would be around?

Gautam Seth: Yes, the meter has about six months of debtor days.

Akshay Kothari: Okay and sir, on the channel financing, is channel financing with recourse or without recourse?

Gautam Seth: There is a, no, there is a recourse now only up to 15%. Yes. So it's come down, and as the channel financing is spreading much more and as the banks are also experiencing it, we look forward that in the coming years, this will become without recourse, yes.

Akshay Kothari: It's 15, right?

Gautam Seth: 15, yes, exactly. It started with probably somewhere around almost 100% and then came down to 50. Now it's only 15, but I think I'm hopeful that we should have this whole thing without recourse, at least in the next, maybe in the next some time.

Akshay Kothari: That portion would also be a part of our current debt. So that would reduce further thereafter.

Gautam Seth: No, it's more of a contingent liability. But the figures in the channel financing are that the limits are going up, and the participation is now becoming much more active, but that comes in more of contingent liability and even in the two and a half years off running, we have had no adverse thing on this. So, I think it's as per the procedure the banks follow, but our teams are, we will probably make sure that there is no recourse on this in the future.

Akshay Kothari: Okay. But as in India, your channel financing with recourse is generally to be added to your debt, so we can take that offline. Sir, lastly, I want to ask about the capacity utilization in your four segments. What would be the current capacity utilisation?

Gautam Seth: Our capacity utilisation would be anywhere between 65% to 70%, this particular quarter, the first quarter, we have seen the capacity utilisation of meters increase, much more I would say probably, a little higher on the 70% plus, but generally it's been, typically the capacity utilizations are at about 60% plus.

Akshay Kothari: Okay. And sir, what would be the price differential between other branded players and us? If you can, give a sense of that. Also, what would your gross margins be in the wires and cables business?

Gautam Seth: Yes. If you see the wire business, our EBIDTA margins are typically around 4% to 5% but because we have seen a lot of volatility in the pricing. Like your first question, what you asked was about the price difference. So usually, I would say, especially if you look at LEDs or even in projects, especially where the wires are involved or even the MCCBs, the price differences are shallow, significantly less I would say from the market leaders, all the top names, 5 - 7 names, what you probably are aware of, in any of the segments, when you look at switch gear, LED or wires. In projects, the competition is almost at an equal price or even in LED, even in the trade, the margins or the price realisations are pretty much compressed. But if you look at in switch gears and, in switch gears and the trade market, or even the wires and the trade market of course, there are particular distinctions where there are the brand leaders would command may be at 3 to 5%, better. Our endeavour is also, as in when we are growing and we see the businesses becoming much more mature, so we are looking to come close to those realisations each time each realisation, so that's how we have been working. Yes.

Akshay Kothari: what would be our gross margins in wires and cable roughly?

Gautam Seth: No, I need just to check that, but right now, the EBIDTA margin is around 4% to 5%, but I can get back to you more specifically on that. Probably I don't have the figure right away. Yes.

Akshay Kothari: Okay. No problem. Lastly, this is the last question. Geographical presence wise, can you give a breakup of where we are very strong in geography, north, south, east west, or tier one or tier two, tier three, where?

Gautam Seth: Yes. So, our strongest area is in the north and western region most vital. I think we probably do almost 60% – 65% of our market in the west and the north. Now west, we also include sure of the central regions, including the MP, Chhattisgarh and the Nagpur area, and the Vidarbha area. So, these are our two strong areas. North, I would say contributes almost 35%, west would be about 30%, including the central and then we have south, which is probably 20%, and east, which is about 15%. Yes.

Akshay Kothari: I have a few more questions; I'll join back, thanks a lot.

Gautam Seth: Yes, sure. Thank you.

Moderator: Thank you. The next question comes from the line of Rahul from Sunshine Capital. Please go ahead.

Rahul: Yes. Good afternoon, sir. Sir, can you share the revenue guidance for FY'23 and FY'24?

Gautam Seth: Usually, we don't give out specific guidance, but if you look at the way we did last year with over 16% growth, this year also, we are pretty optimistic about the change the way we look at. So, I would say, this year we should end up, about over INR 1200 Crore. So that would be nearly about 20% growth on the top line and as I said earlier in my answers, both the segments we are seeing a strong potential, a good opportunity and luckily the first quarter also has gone up pretty well. So overall, the outlook seems to be positive. Of course, for meters, one has to consider the chip shortages and the semiconductor, shortages that have been happening.

So, the last quarter saw a good execution, but maybe in the near term, Q2 or Q3, we might find a specific time where the semiconductor shortage could affect our performance and sales. But overall, the way the industry is talking about it, hopefully, in the second half, the chip shortage should become much better. Still, right now, that is definitely a challenge. Of course, the figures, what we have done or what we are doing in the last six months have been against. We have been working to ensure that we minimize the challenges and see what best can happen.

Currently, as a company, we are having INR 832 Crore of orders. So that's a pretty good order book that we have. So, as we go forward, the revenue, I think, of INR 1200 Crore this year seems much more easily achievable. The way, even the medium-term opportunities lie for both businesses. Going ahead, the next two to three years should be a fairly good time for us to grow and then probably work on our margins and pretty cost efficiencies. That's how we look at the outlook.

Rahul: Okay. Thank you, the second question is like, how is the demand trajectory for smart meters going forward? Can we expect a rise in order or tenders being floated by the government or DISCOM? What is the expected size of the tenders?

Gautam Seth: Yes, if you see the smart meter that it has an upside, and if you see, even just a week, 10 days back, in fact, on 30th of July, the Prime Minister has launched the RDSS scheme, the Revamped Distribution Sector Scheme, and that again entails a massive demand for smart meters. So now, overall, if you see there is a lot of activity by the government is focusing on the smart meters, the demand side will be huge. So, of course, we are well aware of it, and a lot of actions have been taken in the last two years to bring about a complete readiness and preparedness for us to exploit that. The orders have started flowing, our all-current date orders are over INR 200 Crore only on the smart meters.

So the industry is changing although there are a lot of orders currently even of the regular conventional meters coming in but smart meter tenders are at a pretty high point today. Right now, as you are aware, REC is conducting the empanelment of the AMISPs of all the system integrators. Once that process is done, the tender flow will be much, much higher, so already at an inquiry stage, I would say a lot of tenders are coming out and they are under discussion. But if you look at the live tenders, which are there right now in the market, which are probably out or what we have participated in, that would be somewhere around INR 1500 Crore to INR 2000 crore, but the share inquiry basis is getting to be very large and very big. Yes. So probably in the second half of this year, we should see a lot of tenders getting finalized. Of course, if there are smart meters along with the infrastructure and the complete system, then the execution would probably happen in the next three to four years, and that's how it is. But yes, we would see a significant influx of tenders coming in and a lot of orders getting finalised in the near term.

Rahul: Okay. So, sir, one follow-up to that. So, do we have any plans to increase the capacity for catering to the market demand, or like do we feel that a current capacity would be enough?

Gautam Seth: Well, as I said, our current utilisations are between 60% to 70%. Of course, there is an upside to that also because some of our calculations are based on single or double chips. So, on an immediate basis, we can even work over two shifts or three shifts and cover up the demand. So as such, if you look at a healthy growth plan for at least the next two to three years also, I would say our CAPEX is currently sufficient. There are, of course, specific maintenance CAPEX, which are generally in the tools and others that keep happening and is ongoing for us. Also, the company is working on many automation projects, which we are looking to automate our processes, which would make them much more, faster, there would be much more savings coming from the manpower and that, but these are all self-paying projects where we see them, returns coming in in the next 18 months or two years. But that would make the production much better. So those types of investments will continue, but any significant CAPEX as such as not required right now. We have anticipated the upside in the market right now and accordingly, we see to exploit that.

Rahul: Okay, sir. Thank you so much.

Moderator: Thank you. The next question comes from the line of Shweta Kadam, an individual investor. Please go ahead.

Shweta Kadam: Am I audible?

Gautam Seth: Yes, Shweta, please go ahead.

Shweta Kadam: Yes. So could you help me with what your advertisement and marketing spend on sales, and can you give some guidance for this year as well?

Gautam Seth: Yes. In the first quarter, our ad spends are around 1.85%, but overall, as I said earlier, post the COVID, we have seen a specific drop in the ad spends, but now since as the markets are opening up. Our own business, we have seen good traction in the consumer business in the last two years. So now we are looking to open up and invest more into branding. So, the first quarter we started that, but now since the second and third quarter would have the festive season, we expect much better sales. So maybe around 2% or about 2 to 2.5% would be the image spending. But overall, as a year, we will probably keep it around 2%. That's what I would say. But with our sales set to go, the absolute values would also become much more relevant.

Shweta Kadam: What are the top line and bottom line we are targeting for this year on the strategy front? What additionally are we doing to capture more market share in the B2C segment?

Gautam Seth: Okay. On the top line, I have talked individually on both segments. So we do see good healthy growth going forward. So this year, as a figure, we could look at, let's say, about INR 1200 Crore as a top line target. On the bottom line, it will probably be a little difficult to give out specific guidance, for the share the reason that the commodities have seen a lot of volatility and fluctuations. Still, we are working continuously to see that, to bring in much more cost-effectiveness in our systems. Even we worked on the other expenses to bring them down. And basically, the primary focus is to enhance the revenue because that would give us an overall better margin.

That is how we are looking at it, but it would probably be difficult to give out a guidance right now in terms of market share for the B2C, we look at the network expansion and network penetration to be the key points because that is going to ensure a lot of material availability across, to our channel. So that is what we are doing. We have streamlined our pipeline to a large extent. As I said earlier, channel financing is coming in. That will again bring in the serious good quality players dealing with us. We've also worked on a lot of our retail channel expansion. So, I think we are about 35000 to 40,000 active retailers today. Of course, that number is more; it's growing on a day-to-day basis. So overall, that is one big part which we are working on. Of course, at the factory end, thanks to our R&Ds. We have been, our product range is pretty good. We are working on specific adaptations, on new launches, and probably every quarter, there are some launches across either of the product segments. So overall, I think, our focus is definitely to increase the market share, and this is how we look to do that.

Shweta Kadam: Okay. Sir, one last question. So as per your speech, our dealers and retailers in tier 1 and tier 2 cities have these, so can you please, tell me what you have done to enhance the improvement there and how many dealers and retailers we are targeting for this coming quarters?

Gautam Seth: Yes, over the past two to three years, we have worked on just reevaluating our dealers, so from a more significant number we have got them down to almost 500 dealers, but I would say the quality and the commitment levels with them are much better than what they were there in the earlier times. So this is, we see a lot of growth happening through them. This year we have also worked on many channels connect programs to meet all these elite dealers and work with them to channel enhanced growth. So that is happening. Plus, there is also another work happening where we are inducting a lot of new dealers and distributors across the country. So now obviously, our evaluation is much more different when we look at a new dealer, and right from the financial capabilities or even the strength in the distribution is always taken. So overall, the way we look at it in the next two to three years, we see a powerful network coming in and with multiple product focus and a lot of cross-selling happening. We know the consumer segment to be growing in a more signal as retail is concerned, retailers are regards are sometimes through, big distributors joining us, we are getting readymade channels, which again are getting converted to HPL. Plus our sales force is working on the beat plans. So that is where we again see a lot of work happening on the ground level, which enhances answers to our network here. So, one thing assures a lot of work is going on in the channel development and I would say that is one of the keys to enhancing our revenue and visibility in the market for consumer products.

Shweta Kadam: Okay. That's it from my side. Thank you, sir. That was very helpful.

Gautam Seth: Thank you.

Moderator: Thank you. The next question comes from the line of Harshit. Please go ahead.

Harshit: Thanks for the opportunity, sir. A couple of questions from my side. So just wanted to check with you that a lot of your peers have said that from mid of May, there has been a weakness in the demand. So probably how has July been for you and the industry across the multiple products and various you are into? And probably what the initial signs of August or festive season are telling in terms of demand, is it coming back or is it very soft, any comment on that would be helpful, sir?

Gautam Seth: Yes. So Harshit, we have seen a specific drop in demand mainly due to the destocking of the wire and cable segment. Now, as you're aware, from the end of May, the commodity prices have started cooling off and, of course, it's been volatile because it went down and then again the copper jumped up almost 1000 dollars. Still, overall there was a trend of the commodity softening. So now, the effect will come more in the second and the third quarter, but that is one time we saw the immediate pick up of takeoff, especially wire cable dropped quite substantially because the channel and the trade, nobody wants to keep the stocks on a price drop, so that we have seen that, but I would say towards the second half of July, we have, because the price is stabilized. In fact, it shows some upward movement to that extent. Overall, I would say the demand remains. So if you see, for us, if you look at the first quarter and even July, almost a similar trend seems to be going on, and we are currently hopeful, of course, August has a massive set of holidays, and especially we are looking to a very long weekend, but I would say overall once the market opens up post 15th, I would say that is when we see the first season starts, up to almost October end. So we are pretty positive and I don't see any sign where there could be a drop in the demand immediately or something, which we are probably unaware of. I would say the trend seems to be positive, as of now,

Harshit: And considering the correction in the commodity price, do you think now that no companies will not take any price hike, or do you think we are still way off in terms of commodity prices have rallied such that we have to take price hike further to make sure our gross margin and an EBIDTA margin remain intact.

Gautam Seth: No, but I would say otherwise; if you look at the way the competitive scenario is, and especially from a market point of view, I don't see any company right now just taking a price hike on, at least on the switch gear, LEDs and the wires. If you see we have been passing on the increase, the growth has been on a lag. There's been a time gap, plus not everything was passed on, but if you see from the peak level, and that is where, even in May a lot of price increase was done on the switch gear and on other things. After that, we have seen a slight drop in commodity prices. So overall, I would say, effectively, the increases are probably passed on. The way the scenario of the market is, probably the prices may not go down any further as of today. Still, I don't see any increase coming shortly, and whatever problem, whatever probably was possible to pass on has already been done. Yes. That's how I look at it.

Harshit: Do you expect to make a very strong margin from the tenders you have participated in the smart metering? You have mentioned INR 1500 Crore worth of tenders you have experienced in. Now, I'm assuming that you would have quoted at a much higher, and given them commodity prices were high and right now, the commodity prices have declined. If you get some of the tenders, possibly you will be making a solid margin is that a correct thing, an assumption to make, sir?

Gautam Seth: No, because if you see, yes, they were quoted at a higher price, but many times, probably people are looking at reverse optioning or some kind of a renegotiation that may happen, but at least one thing for sure that the cost, whatever is there or what we were anticipating is well covered in it. But these are, if you look at the intelligent meter tenders, the meter plays only one part of it, there are a lot of services involved, or even the IT infrastructure and other things benefits. So, certain fluctuation in the material cost has a much more minimum effect on the overall pricing. The general pricing will still be decided for specific competitive reasons. But still, yes, it's safe to say that at least we are covered with a cost and if it gets finalized at those levels, then the margins would get finalized better. So, theoretically, you are right about that. Yes.

Harshit: Fair enough. Sir, I think I'm done with my questions thanks for answering those and wishing you all the best for this.

Gautam Seth: Yes. Thank you.

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