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21st January, 2021

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

BSE Limited
25th Floor, New Trading Ring,
Rotunda Building,
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai – 400 001
Scrip Code: 540136

Subject: Transcript of Conference Call with the Investors/Analysts

Dear Sir

This is with reference to the intimation dated 12th January, 2021 made by the company about the Conference Call scheduled for Investors/Analysts on Monday, 18th January, 2021 at 4:00 PM IST. A copy of Transcript of the conference call held with the Investors/Analysts is enclosed herewith and the same is also available on the Company's website i.e. www.hplindia.com.

Kindly take the same on record.

Thanking You

Yours Faithfully
For HPL ELECTRIC & POWER LIMITED

VIVEK
KUMAR

Digitally signed by VIVEK KUMAR
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Vivek Kumar
Company Secretary

Encl: As above

“HPL Electric & Power Limited
Q3 & 9MFY2021 Results Conference Call”

January 18, 2021

ANALYST: **MR. HARSHIT KAPADIA– ANALYST - ELARA SECURITIES PRIVATE LIMITED**

MANAGEMENT: **MR. GAUTAM SETH – JOINT MANAGING DIRECTOR - HPL ELECTRIC & POWER LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Conference Callto discuss Q3 & 9MFY2021 Results Hosted By Elara Securities Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be anopportunity for you to ask questions after the presentation concludes. Should you need assistanceduring the conference call, please signal an operator by pressing "*" then "0" on your touchtonephone. I now hand the conference over to Mr. Harshit Kapadia from Elara Securities Private Limited. Thank you andover to you Sir!

Harshit Kapadia: Thank you Mallika. Good evening everyone.On behalf of Elara Securities, we welcome you all forthe Q3 FY2021&9 Month FY2021 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. We will begin the call with a brief overview by the management followed by a Q&A session. I will now hand over the call to Mr. Seth for his opening remarks. Over to you Sir!

Gautam Seth: Thank you Harshit. Good afternoon everyone and a very warm welcome to all of you presenton the call to discuss our financial results for Q3&9 Months of FY2021.

At the outset, I would like to wish everyone a Happy New Year and expect you and your loved ones are healthy and safe. After facing multiple headwinds in H1 FY2021 due to the COVID-19 induced disruptions, the company witnessed a sharp recovery in the third quarter. During the quarter our overall consolidated performance in terms of revenue and profitability reached the pre-COVID level led by robust growth in our consumer segment, this is the testimony of our strong resilient business fundamentals, efficient marketing strategies and enhanced dealer and retail network relationships.

Discussing our segment-wise performance, the metering business witnessed Q-on-Q revenue growth of 17%; however, the performance during the quarter remained subdued on a year-on-year basis as the inspections continued to remain low due to COVID-19 related disruptions.

Revenue for the metering segment for Q3 FY2021 stood at Rs.109 Crores as against Rs.93 Crores in Q2 FY2021. We are expecting the metering segment to perform better for the fourth quarter onwards as the inspections are likely to pickup. We remain bullish on the opportunities present in the metering segment, especially in the smart meter segment given the thrust by the SEBs and the government to install the smart meters. One-time liquidity injection of Rs.1200 billion into power discounts is likely to improve their financial positions materially. This will help support the demand for new metering orders over the next year while also ensuring timely payment of dues to equipment suppliers like us.

We are very much focused on enhancing our smart meter technological base and become the market leaders in the smart meter segment. We remain fully geared up in terms of technology and the capacity as we are anticipating huge growth in the smart metering segment in the medium and long-term. As expected the consumer segment continues to witness strong traction. Pickup in the economic activities, coupled with various marketing and growth initiatives undertaken by the company aided the growth. Revenue for the non-metering segment stood at Rs.135 Crores as compared to Rs.107 Crores in last year. The robust growth in the consumer segment was driven by healthy double-digit growth in the switchgear, lighting and wires and cable categories which grew by 29%, 18% and 45% year-on-year respectively.

The revenue share of the B2C segment to the overall revenue for Q3 FY2021 stood at 61% as compared to 44% in Q3 FY2020. Given the better working capital cycle and margins in the consumer business, the overall balance sheet strength and profitability are expected to improve with the increasing share of the consumer segment to the overall revenue. To give you an outlook, at present we have a robust order book of Rs.354 Crores. This ensures us revenue visibility for the near-term. We have moved towards a leaner cost structure by rationalizing the operating expenses and the overheads. As a result, despite an increase in the raw material prices during the quarter, rationalization of the overhead expenses helped the company to report an EBITDA of 34.7 Crores, EBITDA margin of 14.2% in Q3 FY2021 while cash PATs increased by 24% year-on-year to Rs.19.6 Crores; however as the business scenario improves, certain operating overheads are anticipated to increase on a proportionate basis. We have maintained a low Capex in nine months for FY2021.

Further, no significant Capex is currently required for future growth. Our leverage liquidity profile continues to remain comfortable. To share an update we have rolled out the implementation of smart street lights with a centralized controlled monitoring system at Jalandhar Smart City. We have also commenced implementation of the smart meter project in Punjab, this prestigious order execution of the company will further enhance the company's performance.

Looking beyond the short-term challenges, we are excited with the opportunities in the smart metering and consumer segment. We as a company remain fully geared up both in terms of the product,technology and capacity to leverage the opportunities that smart meters will offer going ahead.

We have continued to focus on increasing our touchpoints and distributor base as we remain bullish on the growth trajectory of the consumer segment. Overall, the company is confident of overcoming nearterm challenges and create sustainable value for shareholders.

I would now request the operator to open the floor for Q&A. Thank you.

Moderator: Thank you very much. We will now begin the questionandanswersession. The first question is from the line of Nandish Shah from Money Control Research. Please go ahead.

Nandish Shah: Sir my first question is whether the current EBITDA margins are sustainable going forward?

Gautam Seth: This quarter our EBITDA margin is at 14.2% and even last time we have said that although we are witnessing certain higher EBITDA margins, you must realize one thing that the current EBITDA improvement has happened mainly because of reduction of our salaries than on other expenses on the travelling and advertisement. So on a short-term basis, we have been able to control it and we have seen the last two quarters having a much higher EBITDA, but nevertheless, maybe there could be a little drop as we go ahead because proportionately certain expenses will come back as the business resumes. So currently we are on a very low budget for advertising and even on travelling and other things. So something as we go ahead we may see an increase in the expenses so the EBITDA will come down, but one more thing I would like to say that we have also realized as a business model that there are many expenses, even overheads and others which are not required even while the business resumes. So in a way the internal effort is to make sure that we are able to enhance our EBITDA from the traditional levels what we were seeing in the past two to three years. But on a very short-term basis maybe it may go down a little further in the short-term, but in a longer-term as the product, mix improves we would like to see it coming back an excess of 14%.

Nandish Shah: Sir my second question is how is the dealer responses towards all your products in your consumer space, do you expect the consumer demand to be stronger going forward?

Gautam Seth: Yes, so I would say in fact we have been positively surprised by the response we have got from our trade and from the dealer retail network and I would believe I would be pretty optimistic, but if you look at the last two quarters we have seen a very steady growth in all our dealer facing B2C segments whether be it switchgear, lighting or wires and cables. So even going forward from here we are seeing the demand continue to grow and that is there even internally there has been certain restrategizing of our approach to the market, which has also helped in the sales growing, so at least in a near-term even if you see six months or even one year I would be quite optimistic on the consumer business going ahead and having a good double-digit growth.

Nandish Shah: Sir and my last question is can you elaborate on the Punjab state metering orders and on the smart lighting to be provided at the Jalandhar Smart City and also we have a similar kind of orders for any other states or the smart city?

Gautam Seth: Yes, so I will independently talk on both these because both of them are independent and unrelated orders. Sofirst is on the street lighting project what we are doing if you recall we had done the Bhopal Smart City lighting, which was done a couple of years back and almost a similar one, but with a little higher technology we are currently doing the smart street lighting for the Jalandhar Smart City. So that installation has commenced and I think in the next three to four months we should be able to finish the complete installation and do that. So the main Jalandhar city today is getting a smart street lighting network again that is linked to also the smart meters eventually and that has a CCMS system, which is going to have a much smarter way of functioning for the entire street lighting system in the city. After the lockdown, we did get certain good orders on smart meters and this Punjab state order is one of them were recently just about I think about a week 10 days back the Chief Minister of Punjab has inaugurated the installation of the smart meters so here again there are three-phase meters which are being installed across the state and HPL is doing the supplies for that. So for us, of course, both coincidently happens to be in the same state but these are prestigious orders and this is something which makes our R&D proud so if you see post the lockdown we have even enhanced our R&D setup and now almost we have 200 engineers who are working on different technologies, even various communication technologies and others which are making the product much smarter and much more easily usable along with various technologies. Sothis is something that we are doing and constantly we have been getting these projects now so this gives us much better prequalification to start doing more projects especially in the street light, of course, the smart meter is a very big story and we are well qualified for that.

Nandish Shah: Okay thanks I am done with my questions. Thank you.

Moderator: The next question is from the line of Pankaj Bobade from Axis Securities. Please go ahead.

Pankaj Bobade: SoI wanted to understand about the smart metering business. The DISCOMS would be having a deadline of converting the meters to smart meters current conventional meters to smart meters over next three to four years so what is our market share, what is our current capacity utilization what would be the peak revenues we would be able to get from this segment?

Gautam Seth: Yes sure. So if you see post the lockdown the business of metering and then certain smart meters, especially an uptick of the deliveries, has been a little slower, but what is very positive is that the number of tenders and inquiries what are going on right now from various central and state utilities are very high. In fact, I can personally say that if you look at the inquiry band right now and including the tenders which are out and under various stages of evaluation we are almost like at an all-time high and a lot of these tenders even at the state level are concerning the smart meters so the overall industry is today moving towards the smart meter, although it will take time. The government has talked about to do that in three years but I would say that will take much longer than that although the industry even the domestic industry is fully geared up and fully capable of meeting the schedules given by the government, still the process of evaluation and other things takes time. So the industry is moving at a very rapid phase to focus on the smart meters. As a company we are fully geared up, we have the complete BIS licenses last quarter even our subsidiary Himachal Energy has also got independently the BIS license for the smart meter so that makes almost two of our companies qualified for independently going for the smart meters. So in a way that is moving fast. Currently our capacity utilization in meters is about maybe 70% to 75%, but as the orders flow in because even the finalization of the orders has been a little slow over the past four to six months, but at the stage currently where we are seeing a lot of tenders being evaluated, we expect this to pickup both the speed at which the order finalization will happen is also likely to go up in the coming months and also the pickup of the material, more inspections happening and even the deliveries the confirmed deliveries which were deferred by the utilities so even their pickup schedule comes within the fourth quarter and some maybe going even to the first quarter so as an industry we are seeing the next few months to be much better and a pickup in this business but again just to repeat the inquiry base and tenders is at a high so as the orders will start getting finalized there is a good likelihood that in a short time suddenly we may see a very high flow of orders coming in and our market share where we have consistently over the past couple of years where we have maintained almost 23% to 24% of the market share, I would expect we would continue if not increase, but we would continue to be around there and our endeavor is definitely to be a market leader in the smart metering segment.

Pankaj Bobade: So with 110 Crores of topline this quarter from the metering side and capacity utilization of 70% would it be fair to assume that every quarter at 100% capacity utilization we would be doing 150, 160 Crores of the topline from the metering side and what would be the EBITDA margins for the same?

Gautam Seth: Yes we are already sitting on certain ready stock the finished product stocks right now which is awaiting only the inspections of the dispatch clearances happening but if you see in the past, maybe I think, maybe in the past two years we have been doing a run rate of almost 150 Crores of regular electronic meters per quarter, but when if you see going forward when we look at the smart meters and if you look at if you just assume a full capacity in terms of value that will go much higher and I think the capacity utilization what we talk about there are still a lot of hidden ways in which we can enhance our production without putting in any additional Capex. So like probably run certain of our productions on maybe two shifts or three shifts or even certain noncritical items can be outsourced so what we have done is just a very relative way of working out the capacity utilization so in either way when we look at a long-term growth especially when smart meters are coming because in terms of smart meters the unit value goes higher so even when we are doing the number of meters let us say per day or month, once the smart meters are replacing the regular meters the value would jump up and there will not be any constraint of any capacity coming in at least in the near future.

Pankaj Bobade: What will be the EBITDA margins?

Gautam Seth: Only in the metering or you are talking on the combined?

Pankaj Bobade: Yes, metering currently we are having around 14% right?

Gautam Seth: Yes, but in the past these have been fluctuating from either 14% to even probably going up to 16%, 17%, depending upon the product mix so when we see the share of the smart meters increasing we would see the EBIT margins to be on a higher side.

Pankaj Bobade: My next question would be on consumer durable business if I may. Where do we see our company over next three to four years given that this segment would disbursing and assuming that our metering segment so the segment is doing well and we would invest into the consumer durables, which is our long-term story so where do we see ourself in the scheme of things in the overall scheme of things as far as consumer durables segment is concerned?

Gautam Seth: Yes, so if you look at the because we are currently into the consumer electrical segment and which are the switchgears including the domestic switchgears and then we have lighting wires and cables so if you look for us to go ahead for let us say is about three to four years we would see a good growth happening we would also see more consumer related electrical products coming out in the market hopefully within this year or within the next financial year we would see more category being launch so definitely we have a long-term plan for this company as we see it smart meter is a very big opportunity and equally big opportunity is the consumer electrical part of this so there would be a big expansion, network expansion which is continuously happening we would see that going ahead in a big way we will see more products coming in more touch points coming into this and also in next year we will be resuming our brand building and the advertising, but more on a smarter way so that would be more need base, but definitely the kind of growth we are looking and the kind of growth to sustain those growth definitely a lot of brand building will also be required so we do understand that and definitely we would like to make it a strong segment for us and also chase certain good market share in each of the categories and the combined consumer electrical segment.

Pankaj Bobade: So currently we are having around 150 Crores of quarterly revenue right. So three, four years down the line?

Gautam Seth: The non-metering is about 135 Crores in the last quarter.

Pankaj Bobade: What is the margin there?

Gautam Seth: It depends like switchgear has an EBIT margin of 18% that has been pretty constant of course we have seen certain commodity prices have been going up in the last two to three months I am sure you must have read about it the steel has gone up copper has gone up and also a lot of the industrial plastics have gone up, but the advantage in this segment, in the non-metering segment has been that we have been able to pass on the certain increase already to the consumer so in the last two months we have seen our selling price or the dealer list prices increase so that we have been able to recover the added cost what has happened. So the margin remains there. The lighting is typically around 10% to 11% EBIT margin, wire and cables are at a lesser one maybe about 3% to 5%.

Pankaj Bobade: So which segment is expected to drive growth for us?

Gautam Seth: Currently we have seen switchgear and especially you are talking about the trade segment?

Pankaj Bobade: No I am talking about FMG.

Gautam Seth: Yes, so in that we will see the switchgear and lighting to drive a lot of our growth, but over a period because that is how this segment works where the customer or whether it is a retail or a channel network or even a dealer they expect a complete basket of products. Soto some extent, although we are pushing each of the products, beyond a time the complete basket will start moving where we will see a lot of synergies happening where our cost can be leveraged on that, we can see a reduced cost happening and a better realization happening so that would be the endeavour in the long-term, but yes for the main products to drive your segment currently will be more from the switchgear and the lighting segments.

Pankaj Bobade: That is all from my side. In case I have anything I will get back.

Moderator: Thank you. The next question is from the line of Atul Kothari from Progwell Securities. Please go ahead.

Atul Kothari: Sir I missed starting part of the con call so if I am repeating the question kindly pardon me. Sir, what was the total manufacturing capacity when it comes to metering business?

Gautam Seth: Yes it is about 90 lakh meters per annum so you can say like an installed capacity.

Atul Kothari: Okay 19 lakhs meter.

Gautam Seth: 9 million.

Atul Kothari: Okay 9 million. And Sir,so this 9 million would include both conventional as well as smart meter right?

Gautam Seth: Yes so this is typically in a unit of meters now you must realize that as the market is changing from the conventional electronic meters to the smart meters, you will see that we can because there is a lot of electronic manufacturing even software and other things are all flexible manufacturing so for us technically we can even make 9 million smart meters in the same capacity only it may require certain work to be done or rather the manufacturing process needs to be a little different, but technically we can do that.

Atul Kothari: And Sir what is our current capacity utilization?

Gautam Seth: As I said earlier it is about 70% to 75% currently, also it depends on the product mix we are talking about, right now if you see the manufacturing in our factory we are currently doing a lot of single-phase meters for various utilities then we are talking about three-phase meters, projector meters then there are a host of panel meters so in total if you see the variety of meters what we are making will be at least 15 to 20 different meters what we are doing so each and every meter may have the certain time required for manufacturing, the processes maybe a little different as we see that plus we also have the smart meters manufacturing happening. So it may happen and then there are certain parts of the manufacturing because it is not a single process manufacturing there are multiple stages of manufacturing so some part could be working on a single shift some on two or three shifts so that is how we calculate overall, but broadly as a ballpark figure, you can say it is 70% could be the current capacity utilization.

Atul Kothari: SoSir it would mean that we are manufacturing close to 60 million meters that is what right now we are manufacturing right around 60 million?

Gautam Seth: Yes.

Atul Kothari: Sir if you can throw some light as to in terms of the pricing between the smart meter and conventional meter what is the difference and what is the delta in margins, delta margin between the smart meter and conventional meter?

Gautam Seth: The pricing depends upon the specification of the smart meters so it is something that today when we are looking at a couple of tenders have come up from the state utilities then we have the central utility coming out with that. Now the government has come out with the specifications or even when you see the BIS mark what is there the IFI mark by the bureau of Indian standards which is as per the IFs 164444 in that there are certain specifications overall there so when we look at the eventually it depends on the specification what each customer picks up but yes the cost may go up even in a one and a half times, two times depending again on the specification so it is very difficult to give just a single figure like that the margins are higher for the simple reason that the conventional meters were just and they supply of meters here we are talking about a software there it involves certain installation so definitely the realization per meter is high intact quite considerably higher in that but again if there is no single figure one can define on that.

Atul Kothari: Sir if you can just provide some range in terms of any range which you can provide for both convention s well as smart meters?

Gautam Seth: It can be maybe Rs.4000 it can even go up to Rs.8000 depending upon the specification so it is just like your smart phone you can have a smart phone starting at 4000 and even at 10000 so it again depends upon what you load into it what kind of data does reaches one would wanted about yes if you compare it with the conventional one the realization per unit is definitely higher and the margins also will be higher but you must also realize that once the kind of quantity is what the government is talking about and they have been talking about 25 Crores smart meters and currently what we are seeing the tenders which have been decided or even what are under evaluation of course the under evaluation is now gaining much more strength but we are still one the tip of the iceberg so there is a lot and lot of business which is to come by but once this volumes are hit definitely the standardizations will come in and the cost will eventually then the cost will come down and I think even the realizations will then start coming down based on that but in either ways the margins per unit will definitely be higher than the conventional one.

Atul Kothari: Sir and do we provide sir basically of our total order book of smart meters how much would be conventional and how much would be smart?

Gautam Seth: Right now it is little more than 1/3rd of our pending orders of meters is smart meters and I would say a goodsconsiderable tenders are also out in the market which also represents a high volume of smart meters under evaluation. But I think in the next one to two years we will see the smart meters share to be much higher probably even crossing 50%, 70% of the entire basket.

Atul Kothari: And Sir may I know how much we did for smart meters and conventional meters as of now any ballparkfigure which you can provide?

Gautam Seth: No, sorry can you repeat your question.

Atul Kothari: Sir you have said that the tendering process is now very active so can you give me a ballpark figure as to what is the total tender or how much or worth of tenders we have participated in?

Gautam Seth: No in terms of I can just give you one figure because I will not be able to break up the figure like that but we are currently talking about tenders of over 1000 Crores right now if the total enquiry including the forthcoming tenders and all are more than 2500 Crores but if you look at the active tenders where we have participated just if you have to ask me my estimate it would be over 1000 Crores which we have already participated in that.

Atul Kothari: And the majority of them again would be in smart meter category right?

Gautam Seth: It is a mix so it is very difficult to on a per meter just give you a figure like this but and something especially on the tender front we will like to keep it a little confidential just on what tenders are coming out and how what is happening but yes the overall just if you need in terms of the way the industry is moving the tenders for smart meters and even the other meters are on a high right now but one thing I would like to just say that in the last three to four months the finalization rates has been a little slow for the obvious reasons that post COVID the utilities had been a little slow starter but the tenders are still coming out so eventually and even on the picking has been slow but eventually the various governments will need the meters so we may see a stack-up of orders or even a lot of tenders coming out and getting finalized and the whole business getting stuck up but I think that should be something very positive for us and the industry also.

Atul Kothari: So sir having started for any Capex because already we are at 75% capacity utilization and considering that…

Gautam Seth: No not at all I think we have passed the main Capex space, so we are just about some maintenance Capex but even the way we are reviewing all the expenses so we are also now very strict as an organization on the Capex part so in fact, we have also centralized certain things even the decision making just to make sure that in the various plans whatever Capex is required that has required that has to be purely need-based and at least for some time we would like to run at that way so that we are able to utilize our existing capacities to the full.

Atul Kothari: SoSir in the event of you getting orders because you are saying there is a huge momentum of order which is coming in smart meter category so how you will be able to expand or cater to the requirement which would be much more then we have 90 million per annum capacity?

Gautam Seth: Yes, so we can do that on running the plant on various shifts so that is why if the entire process let us say if we have to divide into 5 to 7 different processes happening today everything is not running on three shifts or even some maybe not even on two shifts so running it on additional shifts is something which can easily enhance our capacity and technically even we can go beyond the 9 million pieces is required.

Atul Kothari: Sir my last question was see there is a government scheme which had come I would essentially read it wherein they are planning the JV to provide common background infrastructure to all the DISCOMS so can you throw some light as to what exactly it is when the JV on what about 2000 Crores by the various government-led company?

Gautam Seth: No I will need to checkup but I do not have the details but this could be something of an interesting meaning for us so as well but I need to checkup so if anything I can probably just look at up with my team and then get back to you more specifically on that.

Atul Kothari: And Sir just one last question so from two-three years perspective do you see a smart meters or metering business settling to at least taken from here how is it?

Gautam Seth: Yes we have said it earlier also the way our if you compare the business what one can do with the regular meters and the smart meters definitely this is one opportunity maybe in the last if you look at since the last decade this is one good opportunity where the revenues can actually go much higher than the regular business what we are doing because the government is looking at replacing all of it so it is not only a replacement demand it is something which normally was happening but it is more than and last we want to change the entire metering and so the volumes are expected to go up the industry is expected to grow exponentially in this so this is yes one good chance if the implementation happens in a faster pace in the next two to three years definitely our sales can develop from here but again it depends upon the speed of implementation because the implementations also requires a lot of effort by the DISCOMs there is a lot of training involved there is lot of infrastructure which needs to be put at the customer end prior to the installation and the working of the smart meter so it is a complete process I think but I think the process has started now it depends upon the speed of the implementation and hw it rolls out that will determine what kind of revenues we can do but from our point of view whether in terms of R&D manufacturing supplies we can gear up to that even if we have to develop from here we can easily do that I do not see that as a constraint.

Moderator: Thank you. The next question is from the line of Gautam Bafna from Wisdom Torch. Please go ahead.

Gautam Bafna: Sir our debtor number was around 440 Crores which is for 31st, 2020 as well as September 30th, 2020 what would be the current number,Sir?

Gautam Seth: It is almost a similar level it is about 479 so it is almost at a similar level.

Gautam Bafna: SoSir what is the specific reason for having high debtor days is it because we did late payment from SEBs?

Gautam Seth: Yes, there has been the SEB payments are typically coming in about six months and so that has been maintained of course during the post lockdown in some months or sometimes front end utilities we have seen certain delays happening but overall as the business is picking up in the utilities we will also maybe see an improvement in that while if you look at the trade business the trade business debtors are at a much lower level but over the last couple of months we have also seen the sales going up. Yes but mainly it is that the bulk of the debtors are from the utilities which are generally at six months.

Gautam Bafna: So our borrowing level also remains anything like it was as on 30th September or…

Gautam Seth: No in fact, no our borrowing has come down by almost 14 Crores since the last quarter result so from 30th September our net borrowing has come down by about 14 Crores.

Gautam Bafna: And like other electrical companies do we also avail general financing facility?

Gautam Seth: Yes we are doing that and that is something which is picking up fast on a quarter to quarter basis more and more dealers are getting into that and I think that has also helped certain of our the trade debtors to come down but as we have more and more the dealers coming in we will see that, so that exercise post-COVID w have even enhanced that initially, the banks were a little slow but post October, we have seen that part of financing also picking up here so now maybe in next maybe six months one year we will see a large part of our debtors on trade have moved towards channel financing act.

Gautam Bafna: Sir is there any possibility to get our SEB debtors also now on the same as if anything or it can only be for our trade business?

Gautam Seth: No I think the SEB debtors I think we have explored that our teams are done that but it does not possible to have a channel financing on that. Normally I think the banks are even other institutions are not giving it for the government procurement now more because I think the exact date of payment for other certain procedural things are they have which the government normally may not complies it.

Gautam Bafna: So in that case Sir as we grow significantly in the coming few years because of smart meters how would we manage our working capital requirement?

Gautam Seth: No we would see that there because we are expecting even the trade business to grow so it is not of course it is not one is funding the other but as a ratio even as we go ahead I think we would probably have a 50/50 ratio going ahead but there are other things as we look at them because in certain central utilities especially for meters we have seen the payments to be a little much better so I think there are efforts going on, on how because the kind of volumes the government is talking about definitely it will have to be funded and if it is the government has also been specifically giving funds for smart meters with the end-use being for smart meters so probably that can also help the industry as a whole.

Gautam Bafna: So as we look forward and we expect that our debtor days would improve from here?

Gautam Seth: In the trade business yes definitely it will improve in the utility it will happen depending upon how the governments take it up but right now when the even post the lockdown government has been talking about smart meters being on their priority so I would assume maybe they would like probably have it on their priority to pay but still the processes at that way it will still take about five to six months of payment so it is not I do not see that happening in a very short payment cycle.

Gautam Bafna: SureSir thank you so much for clarifying it.

Moderator: Thank you. The next question is from the line of Aniket Patil from AP Consultants. Please go ahead.

Aniket Patil: I wish a very Happy New Year to the team. Sir,can you share segment-wise working capital days like the inventory payables and receivables on which front have we seen an improvement in the recent quarter?

Gautam Seth: Yes, since the last quarter we have seen certain improvement in our networking capital, in fact, our networking capital since the last quarter is down by almost 18 Crores and even the net bank borrowing has come down by 14 Crores so although it is a small step towards improvement but still it is a good positive step by the company so we expect to take certain steps you must realize that currently, we are coming out from the COIVD period so there have been certain short-term borrowings which were more of COVID loans coming in but we have almost paid almost 90% of the short-term COVID loans I think by 31st March almost all the short-term loans will be paid off so we will see an improvement happening on the bank borrowing side. On the inventories, there have been certain finished goods products which are almost either ready for inspection or already inspected waiting for the dispatch instructions to come in from the utilities have their issues that their absorption of these meters was not happening in the domestic market or in an individual household but things are improving so we would see certain of these inventories also getting build-out in the fourth quarter so has that happens in a 20, 30 Crores figure will make a positive step for the company so we are just working towards that but if you see more specifically in the last quarter on both these fronts we have seen a good improvement.

Aniket Patil: My second and last question is that like from your overall outlook you have said on the call so far we see bullish on the consumer segment which was maybe about 60% of the revenue and we also rightly said that metering opportunity has always been there and we continue to be there proven by the 2000 Crores worth of contracts pending so what is the expected revenue mix going ahead and because that will enable us to sort of describe or estimate the margin profile?

Gautam Seth: No I would say like this year has been a little subdued year for the metering but next year first thing we will see the metering come back to its normal levels also when the smart meter kicks in that will give some kind of an exponential growth in the metering segment but still going ahead if we have to look at the next two to three years we can say easily that both these segments would be almost as a 50%/50% going ahead but this is when the smart meter kicks in on the short-term which we have been seeing from the last two quarters and maybe going ahead even in the next one two quarters we may see the consumer part to be a little more than maybe a 55% or 60% share as compared to the meters but eventually the once the smart meters comes in a big way the volume growth also will be high so for us these are two clear strategies and segments for us which can really drive the company to a different level and that is what we hope for it so roughly in your estimate if I were to take it I would still take it as a 50/50 at least in a medium-term basis.

Aniket Patil: So would you prefer it to be 50/50 or you would prefer consumer segment to be higher and focus more there?

Gautam Seth: One thing in terms of standalone margins especially when the smart meters comes would have a very good margin no doubt on that the benefit with the trade businesses is that the working capital requirements are lesser so it is suppose a but from a company point of view when we look at it we have a very wide set of customer so if you look at HPL Electric as a company we are today catering to the utilities we are catering to a lot of government department municipal corporations institutions industries real estate then one comes into the domestic household and whether it is wholesale or retail so we are actually the business is quite derisk in that so we are having a very well spread of all our customers, but in the long-term yes for us so if you ask my preference I would like both to grow now it is not a personal choice of what grows in this but yes every segment has the kind of volumes we see in meters probably in a trade segment those our distributed volumes but those kind of large orders or bulk orders are not seeing generally in the trade but yes it has a better working capital cycle so as a company now we are very conscious on the working capital cycle so over and as we move ahead we will be looking at even in the utility business how we can work with a leaner structure for working capital and also on the expenses side so expenses also if you see we have considerably been able to work on a leaner structure and I would say going forward we would continue to do that.

Aniket Patil: That was great to know Sir wish you all the best and great 2021 ahead. Thank you,Sir.

Moderator: Thank you. The next question is from the line of Anoop Nambiath from Equity Intelligence India Private Ltd. Please go ahead.

Anoop Nambiath: I was asking about this Himachal Energy Private Limited what would be our holding in that particular subsidiary and what is the advantages of having this license in a subsidiary rather than the parent company and one small thing in our fascination to return as a nonmaterial subsidiary just something why it has been described as a nonmaterial subsidiary.

Gautam Seth: Yes, the equity what the parent company holds in Himachal Energy is 97.72% so practically it hosts the most of the equity now this was done some time back where it gave us an opportunity to get more business having two companies simultaneously coat in certain tenders plus as an organization we have sometimes like today if you look back in our parent company and our subsidiary it happens that we have pre-qualifications from most of the state and central utilities we have different like the product certifications and all, all happening into this thing so in a way we have a better opportunity of getting more orders and I think this was done and one time it was more relevant but even today when you look at even with the smart meter coming in we would see a certain level of opportunity getting enhanced with having a subsidiary now anyway when we look at the consolidated figures the entire figures get merged into the main company. So it does not anyway make a difference for us the why it is called a nonmaterial subsidiary I think this is more of a technical term where I think based on either last year turnover I think if it is less than 10% you are supposed to refer it like that but it makes a difference for us, for us it is like a 100% owned subsidiary for the main company and that has not driven but that is just a technical term so I do not think that requires any attention from anybody in that.

Anoop Nambiath: So any tax advantage of having a new subsidiary are we getting any since this is a manufacturing activity?

Gautam Seth: No at one time this was set up in Himachal where there was ten years this excise exemption so in the past it has avail those benefits already but today those exemptions of course post the GST are not available but for us, the strong part is that we have two companies which have the pre-qualifications and in today's time for if you look at the metering industry for anybody to come in and independently get the pre-qualifications is an eight to ten-year process and we have built the gap so in the past we have a certain exemptions now they are no more valid and I think Himachal energy enjoys a little lower tax of 25% as compared to the parent company but that is on the income tax side.

Anoop Nambiath: Thanks for the clarifications and wish you all the best.

Moderator: Thank you. The next question is from the line of Aditi Sawant from KIFS Investments. Please go ahead.

Aditi Sawant: Just one clarification here is it is AIS investments. My question is in your presentation you have mentioned about raw material prices going up. So can you throw some light which raw material prices have witnessed an increase in the prices and by how much also which is what has been the trend at the prices as of today are you expecting any impact on the margins in this quarter as well due to that?

Gautam Seth: Yes, so if you look at the commodity prices in fact this is a global phenomena where we have seen the commodity prices go up so I will just take a few of them if you look at copper has gone up by I would say almost 35% or 40% over the last couple of months so if you see our wire pricing although there is a the growth is there but certain part of growth is also contributed by the commodity prices going up but all these increases whatever is happening is getting passed on to the consumer eventually also we have seen the pricing of industrial plastics go up now since the last one month we have seen certain the prices stabilized even some items like ABS and others has in fact even started reducing to some extent steel has gone up quite a lot so overall if you see the broad categories of all the commodities in the last two to three years we have gone up now as concerning the impact on HPL in the last quarter of course we also there is a lag between when the commodity prices go up and our supply has start asking from us and by the time we take it of consume it there is definitely a lag so there has been some impact in the results which are already declared but we will see certain impact coming throughout the quarter in the fourth quarter now if you look at the trade products we have seen an increase in the switchgear pricing happening that has already been passed on to the consumer to our dealers and the retailers the LED prices as you have seen the industry trend almost in the last four to five years this is probably the first time we are seeing an upward trend in the LED products in the LED pricing wire prices have gone up continuously over the last four to five months so similarly wherever possible the prices are getting passed on to the consumer so although the cost will go up but even the realizations are expected to go and we would hope to probably continue to enjoy the same margin going forward in the fourth quarter.

Aditi Sawant: That was helpful. That is it from my side. All the best.

Moderator: Thank you. The next question is from the line of Devendra Pandey from DP Financial Advisory Services. Please go ahead.

Devendra Pandey: Wishing you a Happy New Year. Sir my question is on our exports business so what kind of growth you are seeing currently what is the trend and from which part of the globe are you witnessing the traction in the demand?

Gautam Seth: Yes, this year we have seen certain higher growth rates happening so I think our growth rate in the export business in the nine months is over 50% but we are also sitting on certain sizable orders order book so overall this year we would see a good traction in terms of sales in the export business although our base is still at a smaller level so maybe this year and even the next year we would continue to see certain higher growths happening in terms of exports we are in all exporting to almost 42 countries and post the lockdown we have seen business resume and happening in over 35 countries this is mainly we are covering Africa in a good manner we are seeing we are doing Middle East South East Asia plus the SAARC countries so this is where we are generally focused on but the good business has come in from Africa and Middle East post the lockdown there are still many of our customers and many of our countries and this which have witnessed extended lockdown that has in fact t some extent also affected the export business otherwise we could have probably seen a much, much higher growth then this also plus there are no exhibitions or even the travel has now totally curtails so that may have impacted the business to some extent but nevertheless under these circumstances to have this high growth has been a very positive thing for the company.

Devendra Pandey: So currently on which parts are we exporting to this country?

Gautam Seth: Mainly these were switchgear but in this year we have gone beyond the switchgear so we have seen even metering exports started not on the utility side but on the trade side we have also seen wire and cable and the lighting products pickup much more so earlier in the past two years if you see we were doing almost 90% to 95% at switchgear this time now although the switchgear has grown tremendously but almost 70% is switchgear and the balance is the other products so over a period now we are pushing in our entire basket of products and that will also drive the export growth going forward.

Devendra Pandey: And what about the margin Sir in this business is it better than the domestic one or is it lesser than that?

Gautam Seth: So the margins here I would say fairly good the only thing when one looks at the overheads and other things the export works on a much lower overheads as compared to the local market that is one thing the generally in the last two years the exchange rate has also been pretty favourable if one looks at that, so that has also helped it so margins are decent enough it helps us apart from it helps us also to fill up the capacities and then to gain entering into different markets which will, in fact, become much more sustainable in the long-term for the company.

Devendra Pandey: And my last question Sir would be on the raw material prices so recently you mentioned about 30%, 35% increase in the copper prices so are we engaging any hedging activities for such commodities or do we take from the open market?

Gautam Seth: No we are buying from certain very reputed suppliers like the Vedanta and Hindalco so a bulk of the purchases from there and they do allow certain short-term hedging and holding but these are normally, so it is not, so it does not, we do not indulge into any speculation on that we are typically buying for our consumption but yes we can have a holding of maximum 15 days or 30 days to do that, so we do buy on dips we do buy on averages and then have a consumption going ahead so the idea is very clear that whatever trend is there we are able to judge those trends and then pass on the same whether it is an increase or decrease to our customers.

Devendra Pandey: So were we able to pass on the entire increase to the customer.

Gautam Seth: Yes, more or less yes.

Devendra Pandey: Okay Sir thanks that is it from my side.

Moderator: Thank you. The next question is from the line ofPankaj Bobade from Axis Securities. Please go ahead.

Pankaj Bobade: Sir regarding the trade business I just wanted to understand how is that present across the country are we PAN India supplier or we have limited play in certain areas of the country?

Gautam Seth: No we are not PAN India player so we are dealers distribution even our own offices spread across the country so we cover every state practically every district in the country.

Pankaj Bobade: And regarding metering business,the orders would be, it would be tender based business right?

Gautam Seth: Yes.

Pankaj Bobade: So how is the raw material price escalation captures into it, if there is any increase or decrease is there any price escalation clocks?

Gautam Seth: No the government business so if you look at our metering business you can say almost 80% is going to the utilities and about 15% to 20% goes in the open market so what goes in the open market we have the possibility of passing on the additional cost to the customer but whereas in the utility we are talking about fixed prices so whether they are increasing or decreasing it we go back a trend so whatever is there we have a fixed price going ahead but if you look at the metering business copper or steel does not have so much impact on the meters it is largely determent, of course, the industrial plastic has an impact on the metering plus then it goes into electronics and other things so it has a little different composition as compared to the raw material prices but whatever happens one has to anticipate the increases but one cannot pass on that to the, you cannot change the pricing post the orders. Sothe government does not give any price escalation in these categories across the industry.

Moderator: The line for the current participant is disconnected. Ladies and gentlemen, this was the last question for today. On behalf of Elara Securities Private Limited that concludes this conference thank you for joining us and you may now disconnect your lines.