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21st July, 2020

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Listing Department,
National Stock Exchange of India Ltd.
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Mumbai – 400 051
Symbol: HPL

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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 8th July, 2020 made by the company about the Conference Call scheduled for Investors/Analysts on Monday, 13th July, 2020 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
Q4 FY2020 Earnings Conference Call"

July 13, 2020

ANALYST: **MR. HARSHIT KAPADIA – 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 Call, to discuss the Q4 and FY 20 Results of HPL Electric & Power Limited, 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 of Elara Securities. Thank you and over to you Sir!

Harshit Kapadia: Thanks Ayesha. Good evening everyone, on behalf of Elara Securities, we welcome you all to the Q4 FY2020 & FY2020 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 the Q&A session. I will now hand over the call to Gautam Sir 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 present on the call to discuss our financial results for the fourth quarter and full-year FY20.

At the outset, I hope all of you and your loved ones are healthy and safe. To give an update on our operations, in-line with the government directives, we had closed all our factories, offices, and marketing activities from March 23, 2020, onwards as we did not fall under the essential services category. We restarted all our operations from mid-May onwards, following all safety measures as directed by the government, and we are gradually ramping up. We have seen decent traction in our B2C business in June 2020 with meter segment also witnessing some pick-up in order execution and increased dispatches, although there was low activity from the utilities. While the nationwide lockdown was officially announced only from March 23, 2020, the disruption caused by COVID-19 at the ground level was felt effectively from the first week of March 2020 itself.

On the meter side, the inspections came to a halt at the beginning of March. Furthermore, there was a shortage of few critical imported components in February and March due to the COVID disruption in China; both these factors significantly impacted the dispatches and, consequently, sales for the fourth quarter and the year as a whole. On the B2C side as well, the month of March 2020 was mostly a washout as there were hardly any product sales in the last 15 days of March, which otherwise is a period where we see excellent traction. We lost about Rs.120 Crores of revenue in the fourth quarter, in our estimate due to the lockdown and the COVID disruption. Adjusted for the same, we would have reported revenues of approximately Rs 330 Crores in the fourth quarter and close to Rs 1,100 Crores for the full year FY2020.

Ready inventory could not be built due to the sudden lockdown, and similarly, the receivables were not realized at the year-end resulting in higher borrowing and working capital cycle. However, even amidst all this gloom, there are some major positive takeaways. Firstly, during the lockdown, the importance of installing smart meters was reinforced as the DISCOMs that had installed smart meters were able to bill a higher proportion of their customers versus the DISCOMs that had not. This is likely to drive faster adoption of smart meters among the DISCOMs and SEBs going ahead. In fact, post the lockdown in May 2020, HPL received smart meter orders worth Rs.90 Crores. We believe that this is just a tip of the iceberg as the replacement of 25 Crore conventional meters by smart meters is likely to open up a cumulative opportunity size of Rs. 60,000 Crores to Rs.90,000 Crores for prominent meter suppliers like HPL Electric.

Secondly, the lighting and switchgear segments witnessed very good traction during the first two months of the fourth quarter. Had it been business as usual in March 2020, we would have seen revenue growth of a minimum of 15% to 20% in the lighting and switchgear segments. Moreover, despite COVID, both these segments reported robust sequential growth in the fourth quarter.

Thirdly, our Gross and EBITDA margins improved by 330 basis points and 120 basis points respectively, in the fourth quarter on the back of efficient procurement of raw materials and rationalization of operating overheads. In Q2 FY2020, we took a strategic call to increase our product prices in the wire and cable segments. Our recalibrated strategy is progressing well, despite doing business for only two months in the fourth quarter, sales were more or less in line with the third quarter of FY2020. As the situation on the ground normalizes, we expect to see an improved performance in this segment as well. During the year, we launched and showcased many new and innovative products in sync with the latest technology in the meters, switchgear, and lighting categories at major platforms like the ELECRAMA, which was held in Delhi in January and the MEE in Dubai which was held in March.

Now, to give you an outlook for the next year, HPL, like most other companies in India, has been adversely impacted by the lockdown and the plant shutdown in the first quarter of FY2021 as well. However, we have taken many steps to readjust to this new reality. We have rationalized our operating expenses, including employee costs and other overheads. We have also brought down our marketing expenses significantly in Q1 FY2021. At present, we have a robust order book of Rs. 368 Crores, which provides revenue visibility for the next two to three quarters. Smart meter orders of Rs 90 Crores will also help in improving our gross margin profile in the metering business. On the demand side, much will, of course, depend upon bringing the COVID-19 pandemic under control, but hopefully, this can beachieved by the next few months. Basis this assumption, we expect to see a demand recovery for our consumer products in the second half of the year, driven by the macroeconomic revival as the impact of lockdown recedes, further supported by the onset of the festive season and higher government spending.

On the metering side, we will continue with the execution of our pending orders. Furthermore, we expect that the one-time liquidity injection of Rs. 90,000 Crores into DISCOMs, as announced by the government in May 2020, will help in supporting the demand for meters over the next one year and ensure timely payment of dues for equipment suppliers like HPL electric. Looking beyond these near-term challenges, we expect to see robust demand for smart meters over the medium-term and remain fully geared-up to capitalize on this enormous opportunity. On the B2C side, as well, we expect to see healthy traction over the coming years led by the product development efforts, network expansion, and effective branding initiatives. On that optimistic note, I would request the operator to open the floor for Q&A. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Viral Shah from Prabhudas Lilladher. Please go ahead.

Viral Shah: First of all, wishing all in the HPL Electric family hope they are safe given the pandemic. To begin with, Sir, the first question from my side is, what are the current utilization levels for our factory? Secondly, you had mentioned that there were some supply-side issues and labor issues. Has that been resolved?

Gautam Seth: Yes, thank you. In terms of opening up of our operations after the lockdown, we got our permissions to open up with almost 30% capacity around the mid May. As most of our plants are located in Haryana or Himachal, there were specific permissions required, and we got them. But by the time the actual operations started, by the time we got the sanitizations and everything done, it was almost the end of May. Nevertheless, if you see in June, our capacity utilizations is anywhere between 30% to 50%, depending upon on the segment. In lighting, in wires and switchgear, I would say it is on the upper side around 45% or 50% But, when you look at the meters because the meter plant happens to be in Gurgaon, and that is an area where there is also much more labor shortage with it being more in the semi-urban area. Right now if you see almost on a week-to-week basis, there is an improvement in terms of our capacity utilization, although overall because even the markets were mainly closed during the month of May and then as the opening up started, roughly, I would say about 45% to 50% of markets opened up, so our utilizations were also like that. In terms of the supply chain, more or less, I would say they were almost in-line with our opening up because most of our suppliers are located in the north. Some, of course, are also located in international territories and some in the west more towards Pune. Since most of our supplies are sourced from multiple vendors, we were able to start manufacturing most of our products in June itself. In terms of shortages of specific components, because it happened that when China was under the lockdown, we were open, and by the time as we got into a lockdown, things opened up, there. Hence, there was some demand-supply mismatch for the components Although most of these components are from international companies. but, they also have their factories in China, and that is where they ship from, so there have been certain shortages, which we have experienced right from February and March onwards. But if you look at the consumer business, whether it is switchgear, lighting, and wires, since most of the vendors are in India, we have been able to align up the supply chain accordingly.

Viral Shah: Sir, secondly was a recent announcement made by the government and there was a ban on Chinese equipment, and imports from China. What kind of opportunity do we see could arrive for Indian manufacturers one, and secondly, what is the percentage of our exports to Chinese imports directly and indirectly?

Gautam Seth: I will answer the second one first and then come back to the first one. In terms of our exposure to the finished goods coming from China, that is very less, it is practically nil. Since, we have our own manufacturing units, and we have backward integration, so all the finished products, I would say almost 95% of the products are all manufactured in-house by us. Still, there are certain components, so when you look at the electronic switch that goes into metering and LED lighting, most of the electronics are being imported, whether it is from China or Taiwan or Vietnam or wherever. So, India as a country is dependent upon imports mainly from China for electronics, on plastics, whether they are any kind of industrial plastics, . But in terms of finished goods, we are not dependent at all on China. When we look at the kind of what opportunity this brings, I would say it opens up a huge opportunity and that is one reason where a company like us which has heavily invested into manufacturing and is very well backward integrated, will see a lot of benefit going forward specifically for products like switchgear, where our dependence on China is very less, and similar is the case for lighting barring certain specific components. Going forward, I see a lot of inquiries coming in globally, as a lot of countries who will be looking at Make in India products or looking at alternative destinations other than China and I think that India can play a very important role in that. Even in wires and cables, our dependence on China is nil. In meters, a lot of components, as I said earlier are coming in from there, mainly this includes is all types of electronics, components or plastics. But over a period of time, it is easily possible for a country like India to cope up and become truly self-sufficient in terms of this. So, I think the government is already taking a lot of action on this front, and there are active discussions going on in the lighting industry as well as in metering, especially on the electronic side. So, going forward, I definitely see India becoming much more self-sufficient, but the bigger opportunity will come in when companies like us can supply our internationally approved products to other countries. So while, our share of exports is low right now, we have seen positive traction in the last couple of months, and we are already exporting to 42 countries. Even during this lockdown and post that also we are seeing a lot of inquiries coming in from countries where we assume, or we feel that people are today looking at alternate sources, and definitely, we at HPL Electric see a big opportunity going forward in this.

Viral Shah: In terms of the order book and visibility going forward, which are the sectors where you feel the orders can come in, in terms of awarding pipeline is very strong, our tenders are getting converted. If you could segment-wise give opportunity, that would be good?

Gautam Seth: Yes, we are sitting on an order book of Rs 368 Crores, with Rs 300 Crores from meters. So, you must understand that all the meters have a longer lead time, so, normally you would have a bigger pendency there. Nevertheless, on the trade side, having a pendency of even Rs 40-50 Crores is good because normally, we would have the order inflow coming on a daily basis, so that truly does not reflect the future revenues. Inquiries on the in meters side are healthy, as almost more than 10 million meters are currently being evaluated by various tenders, and having an order book of Rs 368 Crores under the present circumstances seems to be fairly good. But you must realize that since the last 2-3 months, we have seen very low activity from the utilities with respect to metering, based on very low inspections happening, and the tenders getting postponed just because every state has a different rule for COVID, each one is in a different situation. So, the progress on the tenders, which was there just pre-COVID, currently I do not see them being decided at least in the next one to two months. There are also certain challenges that a lot of companies are facing in submitting tenders, submitting the samples because physically, one is not able to travel to many of the states. Hence, although our pending orders are good and the inquiry levels are high in meters, for a period of 2-3 months we may see a low activity, but thereafter as we are nearing September and then going beyond, we would see the situation reviving to a very good extent because the fundamentals are right. Also, when one looks at the meters, whatever loss of revenue is there is temporary as the orders just get pushed back, but our order book remains, the inquiry still remains, the only thing is that the demand will get push back, so net-net we do not lose any business on the meters. On the other front, in lighting, because of the COVID situation that we have seen in China, and thereafter in India, we see a big opportunity coming in for all the branded players. One must realize that in terms of the breakup of organized and unorganized markets, over 50% of the lighting industry was dominated by the unorganized players. Although, the organized players are themselves very big, still even after so many years, the unorganized players were over 50%, and these are figures given by ELCOMA, the lighting manufacturers association in India. So, when we look at the way the market has gone right from mid-January onwards, the imports of lighting coming in by casual traders who get it from mainly China and who are selling it in the market very cheap. Sometimes even these are substandard quality LED products, so that has really gone down and after the COVID when we have seen a large gap, and with smaller companies probably having little financial challenges. So, we believe that as we are in the current situation, and even as we go ahead, we will see a lot of market shift towards the organized players, and that is where we hope to see a good demand coming up. While the overall demand because of the COVID may come down, but as a result of the internal shift from the unorganized to the organized, it would definitely give us a good opportunity to grow. Even during our Q3 results, we had indicated that we expect a very good sales in Q4, and only in the first two months of Q4, we were able to surpass our Q3 sales, so it would have been a very good quarter for us looking at year-on-year or even on a sequential basis. Overall, even when we get started, of course, the Q1 was a very limited period as we practically did only a month's sale in the three months. However, going forward even in Q2, LED lighting is one segment that is mainly trade-based, and we see ourselves growing pretty well with the shift happening towards the organized players, also partly contributing to the growth. In the switchgear segment, the real estate sector has been subdued, and that is no secret. But when one looks at post-COVID, I see that project segment will take time to grow, but internally the way we are pushing and since our market share is low, so, I think with our efforts, I am sure, I would be still more optimistic that we should be able to try and reach last year figures.. So, overall, the first quarter due to the lockdown was not really great, but, looking ahead to towards the second half of the year, we see the orders coming up in a bigger way.

Viral Shah: Thank you.

Moderator: Thank you. The next question is from the line of Praveen Sahay from Edelweiss. Please go ahead.

Praveen Sahay: Sir, I have one query related to the figure you had quoted regarding revenue loss of Rs 120 odd Crores for the last quarter. So, how do we look at these numbers, is it due to the non-execution of some order, that you had not been able to generate revenue? Would it be fair to assume that some part of that orders is expected to be executed in this quarter or coming quarter?

Gautam Seth: Yes, March is a month that generally see higher sales for any trade company and typically considering the way most of the companies operate, which are trade-based or dealer-based, a lot of sales happens in the last 10-15 days of March the reason being that we have lot of annual incentives of our dealers, which is our target base, which expires on March 31, 2020. So, even though in March the first 15 days were a little slow, which normally is like that. Still, towards the end, it really picks up, so whether we look at switchgear, lighting, wires, any trade products would have really picked up towards the end of the year or end of the month, but unfortunately, that did not happen. While the lockdown was officially announced only from 23rd March onwards, right from almost 15th march onwards our office got lockdown much before the national lockdown occurred and we are situated in Noida, so the market started slowing down, But as per our estimate of the business we could have done from trade and then also had the inspections happened in March as per usual/.

Praveen Sahay: No, so the question is that I can see that the metering and the wire and cable has given a larger de-growth. So, is there some order, which you had not been able to book due to logistical challenge or some other reason caused by the lockdown. I can also see that your B2B segment has shrunk quite significantly in the fourth quarter, when compared to the entire year, the share has come down from 50:50 to almost 30% now. So, is there some order that you had not booked because of some challenges, but you will able to do so in the first quarter or the coming quarters?

Gautam Seth: We will talk on B2B and B2C separately. If you look at the B2C segment, regarding the orders lost, of course, March is generally a time when the dealers' stock up, so, unfortunately, that did not happen. So, again as the business revived towards the end of May and then June, the dealers are back, and they are ordering, but maybe not with that thrust what they would have done in March end as the dealers will also be more cautious. As the market is opening up, the dealers are back, we have already seen the traction happening from in almost every state. When you look at the meters, those are specific orders they could not go, so obviously some part has gone on in the first quarter, but there are many states still which are not even doing inspections even till now, you know. So, of course, now ttalks are going on regarding getting the inspection waivers so that we can supply them, still, there has been generally a very low activity from the utility right from March onwards and then also extending almost to the end of the first quarter. The good thing is that the government has also given an exemption, for any delay happening regarding the supplies of any electrical or for that matter any products to the government against tenders, then the late delivery charges will not be charged. So, this covers the lockdown period and a little beyond that,. So, even though there is a delay in booking of revenue, the revenue is not lost, and it is bound to be recognized as itis just something that is delayed and at no cost to us other than the holding cost of the inventory.

Praveen Sahay: The second question, as you had highlighted, the meter and the lighting segment have a higher dependency on the imports from China. Is there any expectation for an increase in the costing of components for these two segments?

Gautam Seth: Yes, on a short-term basis, there could be some increase because already in the LEDs, there has been some increase, and I think that increase is getting passed on to the market also. So, we have also increased the prices for most of our products, but this is not specifically due to the anti-China sentiment, but due to the supply chain being disrupted. As China was closed in February and then for almost two months, we were closed, hence due to the supply disruption, there has been a certain mismatch or certain gaps coming in the supply chain. Because of that, there has been some increase in cost and also with the dollar appreciating. So, that cost has been passed on to the market, and the same applies to the metering side as well. Eventually, as everything starts moving back to the pre-COVID levels again, we will see the cost coming down until they specifically have some issue on the long-term.

Praveen Sahay: Sir last question on the numbers side, your other expenses has been down more than your sales. So, what component exactly within other expenses has seen a large decline?

Gautam Seth: From the sequential quarter, they are down by about Rs 5 Crores, as other expenses were around Rs 26 Crores in the earlier quarter, and that has now come down to Rs 21 Crores. So, if you see one thing throughout the year, we have been maintaining that we have been reviewing our employee cost, we have been reviewing a lot of our fixed expenses, so that has been a continuous initiative and even overall if you see at the year-end as well, the sales drop came more only towards the end of the quarter that is one thing, and the other thing is that there is also an impact of the Ind-AS 116, due to which almost Rs 3.5 Crores of expenses got reduced from other expenses, and went into depreciation resulting in a higher depreciation expense. So, it is a combination of a lot of factors. In case you require further details on this; then I can ask the IR to have it shared with you.

Praveen Sahay: Okay, thank you, Sir, thanks a lot. All the best.

Moderator: Thank you. The next question is from the line of Rishith Shah from Dhanki Securities. Please go ahead.

Rishith Shah: In terms of smart meters, what is the total bid that comes in from China right now, and how much could it benefit us going forward?

Gautam Seth: No, you mean bid coming in various utilities?

Rishith Shah: Yes, from Chinese players regarding the smart meters.

Gautam Seth: Look I do not think anyone has probably evaluated it, or I am not the right person to have that figure, but what I can say is that at least when you see EESL or certain other central utilities, there has been some participation from Chinese in the past. But, there have been some government reports specifically regarding smart meters which say that any Chinese company, which does not have a manufacturing set-up in India, will not be preferred. Many utilities are today looking at having Make in India as their priority for the smart meters. So, it offers a big opportunity for companies like HPL. If you see in the meter industry, there are only a few players who are pretty strong in the technology, we have all the certifications and, as I mentioned earlier after the lockdown, we had a good break with almost Rs 90 Crores worth of orders coming in for smart meters. So, that opportunity is really big, the government in the last budget also allocated funds for the smart meters, and now I see that happening in a big way. If China is not to be considered, then in terms of technology, or in terms of any other kind of capability, the Indian meters industry is very well placed for meeting the requirements/demand of India and even looking beyond for the global markets. So, on the whole, I think this can be a huge opportunity for the industry and especially the Indian manufacturers.

Rishith Shah: One another question would be regarding B2B and B2C segment, so what is generally the differential within the working capital cycle between these two segments and also if you can give some idea on the margin front?

Gautam Seth: Yes, the working capital requirement for the metering segment, which is our B2B segment, is much higher. So, if you look at the capital employed, almost 50% of our total capital employed as a company is for the meters, and the balance gets divided into switchgear, lighting and wires & cables. In terms of the working capital intensity, the debtor days from the utility in the meters is pretty high at around 180 days, but that is how the business has always been structured. However, for the non-utility or the B2C segment, debtor days are a little above 100 days, of course in the last 10 days there was no business, the recovery has been gradual otherwise, typically, we have been able to bring down our non-utility debtors to 85 days. So, there is definitely, a big difference in the working capital requirements for both these businesses. In terms of the EBIT margins, the switchgear segment, of course, has the best margin out of our four segments, but meters also steadily has been able to deliver a good margin over the years. In the last quarter, of course, the margins went down drastically due to the COVID disruption, but still, if you see for the full year FY20, the EBIT margins were around 15% margin. As more smart meter orders come in, we will definitely see a improvement in the margins for meters, because the unit values are much better. So, as we progress on the smart metering front, we will see the improvement in margins compared to the current levels.

Rishith Shah: Thank you very much Sir.

Moderator: Thank you. The next question is from the line of Ninad Kamat from Globe Investment. Please go ahead.

Ninad Kamt: Congratulations on handling this difficult situation pretty efficiently. Sir, my question is on our strategy in the wires and cables segment. So, what kind of demand are we seeing in this segment right now, and what kind of revenue or average monthly run-rate do we expect in this segment once the on-ground situation normalizes??

Gautam Seth: As we spoke about two quarters back, management felt that this is one segment, which really needs a relook and where we need to make certain adjustments. So, there have been certain improvements in our pricing strategy where we have been able to in a way reposition ourselves on the price points. Hence, on a very short-term basis this has resulted in some revenue getting lost, but now if you see very steadily from the third quarter and even in the fourth quarter we were quite optimistic and were also seeing some pick-up in the volumes. Unfortunately, the lockdown happened, but otherwise in the fourth quarter, in the first two months itself, we had almost equaled our third quarter volumes. Even now, we are witnessing some traction in this segment, but I do not want to give any specific guidance right now. I am sure by the end of the next quarter, we will likely see that the wire and cable segment will have a good double-digit growth. We are focusing on further enhancing the quality of our product and pushing all our consumer products as a basket to all our dealers and retailers. We are also looking to expand our retail network from the current 27,000 to almost 1 lakh over the next 2-3 years, and efforts to achieve that target are now underway and will gain pace as the on-ground situation improves. At present, our focus is going to be mainly on the trade market from where we derive around 90% of our volumes, and the balance is going into projects which going to be slow for maybe the next six months although efforts by our team are on-going there may be only limited traction on the projects side. Although the lockdown & on-going disruption has pegged us back temporarily, I am sure we will come back in a bigger way.

Ninad Kamat: My second question is on the average realization in this segment, so have we witnessed any decline in the average realization for wires and cables segments in Q4? What could be the trend in the realizations going forward in the short and medium-term?

Gautam Seth: No, we have not changed any of our selling policy, and hence we do not specifically see any decline in the realization, the only thing is that if you see in the last three weeks, the cost of the LME copper has gone up, so we have just in the past 15 days increased our pricing to the market by 7%. So that is passed on to the market, and again with the surge in copper prices, we have already informed our dealers that we may increase the pricing further. So, any increase in the cost is eventually with a lag of maybe 15 days getting passed on to the market. As most of the countries are now reopening after the lockdown, the demand for copper is set to go up, and that is where we are seeing the copper prices really surge, and in the last three weeks, they have gone up significantly. But luckily for us, as our main focus is on the trade market, it becomes relatively easy to pass on any increase in cost to the market.

Ninad Kamat: Sure Sir. Thanks for your answer, and I will get back in the queue if I have any further questions. Thanks, and all the best for the future.

Moderator: Thank you. The next question is from the line of Akshay Jain from Stellar Investments. Please go ahead.

Akshay Jain: A couple of questions. What sort of traction or revenue run rate have you seen in the lighting and switchgear segment for June and July till now?

Gautam Seth: For June, on a monthly basis in the switchgear and lighting segment, we have reached almost reached up to 70% of the pre-COVID level. However, some of this can also be attributed to pent-up demand, which was there in the pipeline, but could not get completed. Of course, in July, we are much more hopeful. The only factor now coming in is that we have seen certain re-lockdowns happening, so if you see since the last week, Patna is closed, we have Guwahati again coming under lockdown, and then again Tamil Nadu, Bangalore is happening from today, so the issue with the markets is that at any time right now we have almost 6 to 7 states, which are currently seeing sort of re-lockdown. So, that is where we find that it sometimes becomes difficult to say at what time we will reach our pre-COVID level, but looking at the recovery as of now, we could see that happening in the second quarter itself. I am talking about pure trade sales in switchgear and lighting. Sales in June have been better than May, and July is expected to be even better, so by the time we are in August, September, we see ourselves coming back to a much more better level. On the metering side, as I said, the pick-up even in June was slower, but the inspections have started again. I would say that for the meters segment, the second half would be much better with more tenders getting decided and more orders coming in. Still, right now, there are certain issues with the utility in terms of operations or taking decisions, which is leading to only a more gradual pick-up in this segment.

Akshay Jain: The next question is, can you give some color on the new products that you have launched in different segments?

Gautam Seth: At ELECRAMA, which is the biggest electrical fair that happened at the end of January, we released about 30 new products across different segments. In the lighting category, we launched around 15 to 20 new products. Aside from that, we also launched new type of specialty cables; on the switchgear side, we have launched solar switchgear, DC products and also a lot of accessories for MCCBs. Similarly, we also launched new types of meters. But this happened at the end of January, and somewhere by mid of March, we were into lockdown. So, most of these products have hit the market; some hit the market may be in February, some hit probably in March. We will see all these new products perform better hopefully from Q2 onwardsBut, some of the new lighting products, have done exceptionally well, as per the limited data available to us as of now. I am sure that in the long-term we will see much better traction and also better margins coming in from the new products. Further, we are also looking to launch some more new varieties, especially in lighting by August 15, 2020, so that by the time the Diwali demand comes, we will be able to cater to that effectively with the entire range.

Akshay Jain: That is helpful. Thanks a lot. That is all from my side.

Moderator: Thank you. The next question is from the line of Harshit Kapadia from Elara Securities. Please go ahead.

Harshit Kapadia: I also have a couple of questions, so you had mentioned that it would be some time before we reach to pre-COVID levels, but out of the four segments that we have, in which of the segments do we expect a faster recovery and in which segments do expect a very slow recovery?

Gautam Seth: We expect a much faster recovery in the lighting segment as that is purely a trade product for us. But you must also realize that a lot depends on the retail sales, so further lockdowns or closures in different parts of the country will definitely impact the sales of both the lighting and the switchgear products. Still, yes, from our point of view, I would say that it would be the fastest to reach our pre-COVID level. The Metering segment would probably be the slowest, because it depends upon a lot of decision making and inspections happening from the utilities, however, in the long run once the on-ground situation normalizes maybe in the next couple of months, we expect to see good demand as we already have good orders and inquiries are also quite healthy. But looking beyond the near-term challenges, we find the meters segment to be very promising, and once the smart meter tenders start coming a more significant way, then, of course, the game will be very different going forward.

Harshit Kapadia: The second question is related to the sourcing of materials. Now, we understand that a major part of import happened for the lighting product. Also, some other companies during this lockdown or just currently are seeing lot of shipment being stuck at the port level due to this China issue. So, what is your reading into these things?

Gautam Seth: I will just like to correct you, a lot of import component mainly comes in for the metering segment and the some for lighting. Nevertheless, the challenges are the same, so like everyone else, we also had a lot of our shipments stuck up at the customs level, even in the transit levels. But post the lockdown once things opened up in the mid-May, as a lot of our factories were still in the red zone, so there were certain challenges in terms of the last mile connectivity but broadly whatever was in the pipeline has now reached our factory. But there are still some issues while importing components from China, and the whole process is currently having an inbuilt inefficiency of maybe 10-15 days. Nevertheless, our team is continuously working on it, and everything should get streamlined soon.

Harshit Kapadia: My final question is on the cost side, at the start of the call you had mentioned that you would be reducing your other operating costs and some fixed overheads as well. Could you quantify in terms of percentage or in terms of amount, whichever way is comfortable with you, how much decline can we anticipate in FY2021? What are the overhead expenses that you think will decline, one you mentioned was marketing? Are there any other overheads that you think will come down?

Gautam Seth: If you see for the whole of last year also, our employee cost was stagnant, and the other expenses also came down significantly. Post the lockdown announcement, anticipating that there will be of course a direct loss of sale during the lockdown and even post that the recovery will only be gradual; hence we have undertaken multiple cost optimization initiatives which involve rationalizing of employee costs on a temporary basis starting right from senior people going downwards, of course, the lower people have been spared of that. But I think that was taken quite well collectively by our senior staff as well, so that will result in lower employee costs. Further, we have also reviewed, like up to September, we will find the advertising cost coming down significantly, further, we have also reduced our marketing expenses and travel costs, helped of course by increasing adoption of video conferencing. So practically, we have reviewed and tried to reduce each and every cost. Even on the rental cost side, we have re-negotiated to reduce the cost or get a waiver. Even once the sales come back to the pre-COVID levels, the overhead costs will likely be lower than before, as a result of the adjustments that we have made.

Harshit Kapadia: Thank you, Sir.

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

Harshit Kapadia: Thank you, Ayesha, once again. We would like to thank the management of HPL Electric & Power and Mr. Gautam Seth for giving us the opportunity to organize this call. We would also like to thank all the investors and the analysts for participating in the call. Any closing remarks, Sir, that you want to give.

Gautam Seth: Yes, I would like to thank everyone for joining us on this call, and as this is quite an unprecedented situation, the next few months are going to be challenging. However, we are confident that the company will emerge stronger from this challenging phase and create sustainable value for our shareholders. If there are any further queries, please reach out to our IR agency Dickenson World or directly to us. I wish all of you a great evening and stay safe. Thank you.

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