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4th June, 2019

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

BSE Limited
25th Floor, New Trading Ring,
Rotunda Building,
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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 17th May, 2019 made by the company about the Conference Call scheduled for Investors/Analysts on Tuesday, 21st May, 2019. A copy of Transcript of the conference call held with the Investors/Analysts is enclosed herewith and the same is also available on the Company's website i.e. www.hplindia.com.

Kindly take the same on record.

Thanking You

Yours Faithfully
For HPL ELECTRIC & POWER LIMITED

VIVEK
KUMAR

Digitally signed by VIVEK KUMAR
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Date: 2019.06.04 13:37:32 +05'30'

Vivek Kumar
Company Secretary

Encl: As above

"HPL Electric & Power Limited
Q4 FY2019 Earnings Conference Call"

May 21, 2019

MANAGEMENT: MR. GAUTAM SETH – JT. MANAGING DIRECTOR
MR. V.R. GUPTA

ANALYST: MR. HARSHIT KAPADIA - ELARA SECURITIES

Moderator: Ladies and Gtlemen Good Day and Welcome to the HPL Electric & Power Limited Q4 FY2019 Earnings Conference call hosted by Elara Securities Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now handover the conference to Mr. Harshit Kapadia from Elara Securities Private Limited. Thank you and over to you Sir!

Harshit Kapadia: Thanks Raymond. Good Evening everyone. On behalf of Elara Securities, we welcome you all for the Q4 FY2019 and FY2019 conference call of HPL Electric & Power Limited. I take this opportunity to welcome the management of HPL Electric & Power represented by Mr. Gautam Seth, Joint Managing Director and Mr. V.R. Gupta. We will begin the call with a brief overview by the management followed by Q&A session. I will now handover the call to Mr. Seth for his opening remarks. Over to you Sir!

Gautam Seth: On behalf of the Board of Directors and the management of the HPL Electric, I extend a very warm welcome to all of you to discuss the financial results for the fourth quarter and full year FY2018-2019. We recorded a robust financial performance in Q4 FY2019 marked by year-on-year growth of 12% in revenues, 35% in EBITDA, and 73% in PAT.

Metering business clocked highest quarterly revenues displaying 37% growth. Lighting business also witnessed strong traction in trade business, delivering 30% year-on-year growth. EBITDA margin expanded from 9.6% in Q4 last year to 11.6% and the PAT margin increased to 3.6%.

Financial year 2018-2019 also ended on a positive note marked by year-on-year growth of 12% in revenues, 22% in EBITDA and 19% in PAT. We successfully delivered on our commitment made at the beginning of the year of double-digit growth, operational cost control and lower working capital days.

Metering business grew by 16% year-on-year, switchgear by 17% and lighting business grew by 15%. All three major businesses displayed positive growth trend over the last eight quarters. We had maintained a stable balance sheet during the year. We have a comfortable debt to equity ratio of 0.69 times at March 2019. Our net debt to EBITDA improved to 3.33% as against 3.79% of last year. Similarly, the EBITDA interest coverage has also improved to 2.30% as against 2.15% of the previous year.

Our working capital position has improved on year-on-year basis. The receivables days have reduced from 165 days of last year to 148 days in March 2019. Similarly, inventory days have reduced from 149 days in March 2018 to 130 days in March 2019.

Our order book position continued to gain strength during the year growing by 28% year-on-year to reach Rs. 575.4 Crores. This is on net of GST basis in May 2019. Metering order book is at the highest level at Rs. 545.6 Crores. During the Q4 FY2019 we received Rs. 156.8 Crores orders of meters with RF and IRDA Communication Technologies and others Rs. 62.5 Crores orders with Smart Communication Technologies.

Enquiry base for meter tenders are also at a healthy level providing a good visibility and positive outlook for the future. We have increased our thrust on brand building and marketing initiatives and our spend has been doubled during the year. We signed up as an official LED and switchgear partners of Delhi Capitals in the IPL team and received an overwhelming response to our advertising campaign during the IPL.

We were able to reach out to maximum audience through this initiative. We now aim to leverage on our brand building efforts and aggressively grow our consumer business over the coming years.

With this I would now like to hand over the call for question and answer session.

Moderator: Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Rishi Mehrotra from Navrus Enterprises. Please go ahead.

Rishi Mehrotra: Good evening. Having issued commercial papers of-late on a quite frequent manner like it was issued for about 82 days for Rs. 150 Crores on April 5 when you issued it on April 24 to Rs. 60 Crores and then May 10, for about Rs.10 Crores, that makes it about Rs. 220 Crores with a turnover of only Rs. 300 Crores per quarter. What is the purpose of using commercial papers?

V.R. Gupta: We are substituting this commercial paper with our regular loan. It is not additional borrowing. We are substituting with the working capital facility which we are enjoying at higher rate of interest. This will save a lot of interest.

Gautam Seth: Just to add to what Mr. Gupta was saying that this is not an incremental debt what we have. We have working capital limits from our bankers and the commercial papers are used only to substitute that debt with a view to bring about interest saving, and while we take the commercial paper, the limit gets locked down by a similar amount and interest rates are typically around 8.5% or 8.8%.

Rishi Mehrotra: I have seen for 90 days, but for a turnover of about Rs. 300-odd Crores is not it a sizable amount of commercial debt that we are issuing?

Gautam Seth: If you see our net debt currently is around Rs. 444 Crores and within this limit we are replacing this with the commercial paper with a view that the interest can be saved there on.

Rishi Mehrotra: Thank you.

Moderator: Thank you. The next question is from Rushit Parekh from Capital Markets. Please go ahead.

Rushit Parekh: How much is the operating cash flows for FY2019?

V.R. Gupta: Operating cash flow is Rs. 83.09 Crores.

Rushit Parekh: While there is significant improvement in working capital cycle, it continues to remain very high. What is the outlook going forward as far as the working capital is concerned?

Gautam Seth: We would continue to work on improving the working capital both in terms of our stocks, inventories and the debtor days. As I said earlier in my opening remarks, if you see our debtor days has come down from 165 to 148. In fact if you take on the gross basis, which I would believe is the more appropriate way of seeing it, our total debtors today is around 126 days based on that while we see the non-utility debtors have been also, we have been working continuously over the last five to six quarters and we have seen them come down. I would say that even going forward in the next year we would continue our efforts to bring down the non-utility debtor days far below that by using channel financing and bringing in a better fiscal discipline. On the inventory side, we have seen almost 19 days reduction from 149 to 130 days, so again there would be a systematic effort going forward to bring down further these levels. On absolute terms also since the sales have been going up, and we do expect sales to go up again in the next year even maintaining at the same level and then further bringing it down, it will definitely help us to unlock the capital and then reduce the overall working capital requirements.

Rushit Parekh: My next question is on the metering side. So, how is the bidding pipeline visible for this segment currently?

Gautam Seth: If you see the total enquiries in terms of number of meters, they would be almost crossing a 20 million meters. We are talking about nearly 2 Crores meters which are currently under various stages of evaluation by the state or the central utilities. So, in terms of pipelines there is a very healthy pipeline in terms of value that can be anywhere between Rs. 2000 - 2500 Crores. Plus if you see last month the government had talked about putting in Rs. 25 Crores of smart meters in the next three years, and so that is of course a very ambitious figure, but in terms of the market size if you see in terms of the outlook for the next three to five years that is a huge amount of upside when we look at the metering and looking at that we have achieved healthy margins and we are over Rs. 554 Crores of pending orders almost in May, which is still at the beginning of the year. So, in terms of outlook with our specific order book and the enquiries what is there definitely the outlook is very positive.

Rushit Parekh: On the wiring and cable business front, the segment declined in revenue largely because of the higher base as you mentioned, but if you remove that speciality cable project order of FY2018, what would have been the comparable year-on-year growth number?

Gautam Seth: I would say the sales would have been more or less stable, so there is not a growth in that, but yes if we remove the project orders taken last year more on the telecommunication side, so there is not much growth, it is just a stable revenue and when we look at it we have four verticals and all four are very important to us, but typically the wire segment has a lower margin, so our focus in the last couple of quarters has been to improve the margin where the focus on meters and switchgear has increased drastically, so we have seen the revenues go up sometimes quarter-on-quarter basis, but overall if you see on an annualized basis and for switchgear almost covering last I would say six quarters, there has been a continuous growth, so our focus going forward also in the industrial to focus on higher margin products to work on a better product mix, so that we are able to work on better margin, so that is how we are looking at it, although in the longer term, the wire and cable would definitely be an important part of our overall business.

Rushit Parekh: Fair enough. Thank you. What is the capex number for this year? And what is the target for the next year?

Gautam Seth: The capex for the year ended FY2019 is Rs.46 Crores the year. Going forward we do not see any major capex happening, although certain maintenance capex would continue to happen, so may be anywhere around Rs.30 Crores, Rs.35 Crores something what we see the running capex to happen.

Rushit Parekh: Fair enough. Thanks a lot. Thank you very much and all the best.

Moderator: Thank you. The next question is from Ashok Shah from LFC Securities. Please go ahead.

Ashok Shah: I think company has reduced a dividend payout, so any reason to reduce the payout?

Gautam Seth: What the board decided is that we need to conserve our resources and redeploy that money into building up the brand and do more essential thing so the decision what the board took was that we will conserve the cash go for a lower dividend payout and yes we have over the years maintained our consistency of giving out dividend, the basis point was that we need to just redeploy that money into other things by the company, so that is how we have – that is the decision the board has gone for.

Ashok Shah: So what it would be one of or it will be customer or reduce the dividend because it is a minor amount and I think company came out with the IPO at around Rs. 200 Crores in stock prices and still promoter does not find its worthwhile to buy at such a low price in quantity of 5% which is allowed to promoters to buy the shares?

Gautam Seth: Regarding the dividend, ultimately it is a board decision, but we had in the past given out much larger percentages and I would believe almost now for 18, 19 years we have continuously been giving out the dividend, so I cannot comment whether it is one off year or something, but at this point looking at the way environment is going on and the way the company has been now looking to put its focus on brand building and other thing, so it is felt as a prudent thing that right now, we need to redeploy our resources back into the company, so we have given out a nominal dividend but what happens next year, frankly I cannot comment, but on a long-term basis the company has been committed to giving out dividend and I think that would definitely be continuing.

Ashok Shah: Buying shares from the promoter can buy the sales, but still not a major quantity is being bought?

Gautam Seth: Yes, if you see in the last couple of months, the promoters have bought shares from the market and I would just like to reiterate that our confidence in the company is there on a very long term basis and the promoters would continue to have the kind of trust and confidence in the company, so exactly on what they will buy or when they will buy I cannot comment against specifically, but yes I think the commitment to the company and the value what the company has been creating over the last so many years that remains very steps steady with the company.

Ashok Shah: My last question is regarding how much we are going to share with restructuring of loans with the CP and other things?

Ashok Shah: How much we expect share on interest cost by restructuring of loans to the CP, issuing of commercial paper etc?

Gautam Seth: It is about 2%.

Ashok Shah: Okay, it comes to around Rs.50 lakhs to Rs.70 lakhs, what will be amount?

Gautam Seth: On absolute value we need to just calculate, but if you see based on the percentage, one can say while doing commercial paper roughly comes to about 2%.

Ashok Shah: Okay Sir. Thank you.

Moderator: Thank you. The next question is from the line of Ninath Kulkarni from Emkay Investments. Please go ahead.

Ninath Kulkarni: Good evening Sir. How do you see the EBITDA margins shaping up over FY2020 and guidance on some range and some driving factors which would lead to achieving that range?

Gautam Seth: If you see our EBITDA has improved this year almost coming to 11.53% as compared to about 10.5% last year and in this there has been especially in meters if you see in the first half and the last year, we were impacted by a very high prices of polycarbonate, so that has eased out and as of now if you see in the fourth quarter, in fact the margins in the third and the fourth quarter have fairly remained stable, so as such there is no adverse effect which is really go into impact the margin, so our focus is on one is to improve the volumes because that will give us a better leverage on the margins. Second we have come out with the centralized purchase, so now we do expect certain savings to come from that, but on the contrary we are also redeploying more money into the brand building, so EBITDA at least 11.5% which we can look at going forward for the year, but definitely when you look at the various segments and each time there is an conscious effort to improve on the margins. If you also see last year our other expenses, the operating expenses have been almost maintained as a percentage, so that has been a very conscious effort whether in terms of manpower cost or whether it is freight cost or whatever cost, so there has been a lot of work which our teams have been doing to maintain those costs, so while there is one effort which will happen to enhance the revenues, the other one has controlling the operating cost would also continue, so definitely we should see some of an upside going forward until we see some kind of an abnormal thing which may impact any of the segments in future.

Ninath Kulkarni: Okay, talking about brand building I noticed recently we have done some engagements with Delhi Capitals in IPL, so how has that turned out and any impact on consumer side of the product?

Gautam Seth: In terms of visibility since it was the first thing that our association proved to be very effective, because it gave us a very strong visibility with the team and fortunately the team also performed very well and if you see the kind of figures what the IPL has, we are talking about almost Rs. 30 Crores to Rs. 34 Crores of people who have been watching the IPL in the first couple of weeks, the actual data what has come out, so with us getting a very good visibility with the Delhi Capitals so that is really enhance the brand and with our association, with our trade partners, with the people whom we engage with, definitely we have got positive response that comes totally. Apart from that we have done the television campaign in a lot of news channels focusing because you must realize that during the election time, the news has also been a very much watched and it has been a high point for the news going like that, so we have done a continuous campaign in the news. The initial numbers for the three, four weeks what did come out had a very positive impact on our viewership based on the TAM data what comes out, so again, so based on this we do see a good visibility happening, in terms of translating this into numbers we our teams are now working on it and we would see this because the impact of this at least we expected to go along the first and the second quarter and so we definitely should see a much more better sales coming out in a lighting, in our domestic switchgear business going forward.

Ninath Kulkarni: Hoping we get more traction on the front that is all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Mehul Mehta from SPA Securities. Please go ahead.

Mehul Mehta: Good evening gentlemen. My question is with regards to cables and wires business. The management is sensing that, relatively, it will be lower priority because of lower margins as compared to other business divisions, but if I look at capital employed in that business, it has significantly increased by about 72%, is that correct assessment?

Gautam Seth: I do not know from where you are reading the figures, but as far as additional capital employee business.

Mehul Mehta: I am taking the numbers from your published results only, if you look at segmental assets and liabilities, it gives me the number like which is about 72% increased in capital employed. Because of our revenues are down 20% if you look at like on a Y-o-Y and despite that there is 72%, so there must be something like significant to that?

Gautam Seth: Okay while we just revert, can we take the next question we can probably revert back to you?

Mehul Mehta: Here if I understand correctly this is B2C business for wires and cables and though there was one specific project like related revenue last year, so these were high, but still if I look at even taking out that, you said revenue should be stable and if we look at market leader kind of company growing at double digits what expense like LED sales in that, so is that it is on lower priority for company?

Gautam Seth: As I said if you see our last two, three quarters, we have been saying that because of the margin mix, this has been on I would say little lower priority, so growing in wires and cables is not a very difficult thing, but right now as a company, our focus has been enhancing the revenues, getting our working capital other things right and although growing at all numbers, so despite the wires coming down by 17% overall we still have growth on net sales of over 12% and then the PAT going up by 19%, the EBITDA going up by 22%, so I think even going forward on a short-term we might see this kind of a trend continuing. Well, the wires among all the product categories may remain on a slightly lower priority, but on a long-term definitely that kind of a business is strong, this is a very good traction on the trade side, so we will definitely grow it up as and when we find that the overall working capital and other parameters are at comfortable level as a company to support that kind of a thing. Because wires whatever we do, in terms of percentages, the margins would be lower than the switchgears and the meters.

Mehul Mehta: What explains these lower margins because if I look at peers like they are doing double digit margins comfortably, so what explains our lower margin is at our revenue base is very low?

Gautam Seth: Probably this is something we also probably will need to do, we have studied other this thing, it is probably going on a very high volume where one can probably enhance the margins with the better brand, so already as HPL we are working on enhancing the brand, because wires are still quite a commoditized business, so as we see a better brand traction coming, it would be a better thing may be to introduce our wires at much better pricing in the market and with the better branding and visibility happening that can help us to even better the margins.

Mehul Mehta: My second question is with regards to debtors and inventory I agree that there has been very good control and we are seeing shrinkage and I think debtors or inventory as compared to earlier year, but as far as creditors are concerned, so component of core working capital why is there like significant reduction of 25% Y-o-Y basis?

Gautam Seth: It is almost about Rs.72 Crores, the creditors have gone down, so there has been after GST coming in, we have seen the pressure from creditors coming that certain creditors where even the way the trade goes even that 120 or 150 days, people have been giving us extended credits earlier, but now we have seen after the GST coming in that these are not getting paid at earlier date, same thing for the MSME where there are compliances that one needs to pay them at earlier days, but, however, when we are paying them at earlier days, they have been appropriately negotiated. The rates or other things have been, or the terms have been appropriately negotiated in our favour, but yes that is the conscious thing that the creditors have come down as compared to the overall debtors.

Mehul Mehta: Going forward we should look at similar number kind of in terms of number of days?

V.R. Gupta: In wire also you see around 22.93 of the creditor who are paid off, because there was no outstanding and due date was there whereas in March 2018, the creditors were outstanding by that amount that is why this is due to this reason only capital employed seems to be on higher side in wire.

Mehul Mehta: Okay, I get that, but what I am asking is that in terms of creditors should we look at like going forward similar number of days like as appearing at FY2019?

Gautam Seth: Right now yes, but wherever we can enjoy the credit from the creditors as per the terms, or as per the industry, now we have been doing it for over the years, but this correction was what we find is after GST as I said earlier that has happened, so right now you need to say if we assume that these kind of creditor days would be maintained.

Mehul Mehta: One more question is regarding staff cost Q4 if I look at the negative growth, so is it that there is some downsizing or there was one off kind of earlier quarter, what is it?

Gautam Seth: As I said, this year we have reviewed our operating cost including the staff cost on a continuous basis, so whether it is factory, in operations trying to put in better processes and also in marketing by clubbing certain functions, we have been reviewing our staff cost, so in certain areas yes there has been certain downsizing also this is something which now we see it happening more continuously even going forward so that is something where this is, yes in the last, so I would say it is a rightsizing of the entire organization, so that kind of an effort is going to continue even going forward.

Mehul Mehta: Last question from my side is about capacity utilization at broad level companies across product lines, what could be capacity utilization for us?

Gautam Seth: Q4 has been fairly good, because if you see on an annual basis, if I have to take single figure it could be around may be 70%, but in terms of metering and some of the products in Q4 we probably must have been even at 80%, 85% in many of them, so the capacity utilization over the last one and two quarters in fact Q3 and Q4 has been at a much better level if you look at even the two, three years.

Mehul Mehta: Thank you.

Moderator: Thank you. The next question is from the line of Giriraj Daga from KM Vesaria Family Trust. Please go ahead.

Giriraj Daga: First if you are looking to given guidance from the segment wise like what should be our expectation in terms of growth for the meters, lighting, switchgear side of it?

Gautam Seth: Going forward our teams are working on higher double-digit growth planning they have been doing, so in terms of specific guidance may be anywhere between let us say around 15% is something which we feel we can look to achieve may be somewhere around 12% to 15%. If you look at the meters because we are already having a very good order book of course there are schedules by the utilities then there are always processes happening, but definitely meter is something which we can give you more specific guidance going forward where easily a growth in north of about 15% is possible. For the other ones, we will like I think wait for the first quarter to an end then as we go into the year, but as a team yes, there is a smart focus that we need to really work on growing all the segments, so all the three main segments definitely we can give out a guidance of going upwards of about 15%.

Giriraj Daga: This quarter we saw sharp jump in other expenses you mentioned about A&P advertising activity, what was the number of A&P in the last quarter and full year?

Gautam Seth: Can you repeat your question please?

Giriraj Daga: We have mentioned we have faced the advertising and promotion, so what was the number in last quarter, because other expenses have jumped sharply in the last quarter, so what was the number in last quarter and full year and how do you see the number playing out in FY2020 as a whole?

Gautam Seth: In the full year, the number is about Rs.30 Crores as against Rs.15 Crores in the previous year, so that has been adjusted and mainly this has been because of the IPL association. You must also realize that the benefit of the IPL association even would go beyond March and actually goes even into April and May, so lot of the cost has already been factored into the March results.

Giriraj Daga: Will you see this FY2020 the same be Rs.30 Crores?

Gautam Seth: We would see something like because we are seeing a good growth coming ahead, so we would see that or rather we need to look to maintain the same kind of a run rate as long as the brand building is concerned, but in the first quarter we would see probably the regular about Rs.5 Crores, Rs.6 Crores regular expense what we do, but hopefully by third quarter again as the festive season comes, we should be again able to pickup the spent and of course monitoring it based on the sales what we are achieving in our consumer business.

Giriraj Daga: My last question is bit more on the broader strategy if I look at the overall numbers, we have capital like networth of over Rs.700 Crores plus this year the additional networth in about Rs.700 Crores plus, so I am not able to understand what level we are liking because if I had to calculate 15% ROE also we need to do Rs.100 Crores of profit and we are right now at about Rs.33 Crores of profit, so like I am not able to understand I am looking as 1x or segment wise if I look at the numbers we will look 15% margin in meters and other segment, A&P is also if I look at the only on a consumer side of it we have had 5%, 6% which is equal to the what other consumer company will do, so if you can give me like at what levers available do you have over the next three, four, five years, we can least to that 15% ROE benchmark which can go cost of capital?

Gautam Seth: Eventually, if I have to pick up a single factor, there are of course multiple factors what will help us to reach that, but on a single most is better capacity utilization, now many times when we calculate the capacity, we are looking at this capacity is still in a flexible capacity, so in case if we were to even do a 120% of the capacity utilization that happens with just adding a couple of shifts, adding probably just few lines here and there which are not very hard core capex, but on small assembly and other things, so that would be the more our sales goes up because we have said it earlier also that the total capex what we have can actually support the turnover of even going beyond Rs. 2000 Crores so that is something what will actually help us to get a better the ROE coming through, so this is something what we are working on. In the last two years, I do not know if you have been following on us, but we have one year in 2016 to 2017, the metering industry had 30% degrowth, we have taken that in the past then we had demonetization and GST is coming in, but now if you have seen the last six months and the way we see the years going ahead, now things are much more I would say it appears to be a much more smoother way, so for us now to focus on sales, brand building, improving our working capital, these are somethings what we look at and as well on the capacity utilization, that as we do that and the more focus comes in I am sure we would get to better numbers, but yes we are still a little far off from there and lot of effort needs to be done in this regard.

Giriraj Daga: Just this is a followup, if you will increase the revenue like Rs.1150 Crores to Rs.2000 Crores proportionately working capital some more, so right now the net working capital is about Rs.700 Crores closer to may be Rs.650 Crores, so that number will also get Rs.2011 Crores with that?

Gautam Seth: It is just looking at the non-utility debtors if you see, we have been at one time even at 140 days coming down to 125 days in the last year, today we are well within the 90, so there are efforts within the company to reduce the working capital, so if we go from Rs.1100 Crores to Rs. 2000 Crores, although the working capital will go up or it will not go up in a proportionate manner and that is what the effort we need to do, so as I said earlier there are multiple efforts we need to do to get to that right now our focus has been on the working capital and the few parameters what we have been working and I would say looking at the last 12 months, a lot of guidances what we give we did achieve that, so going forward and with a lot of suggestions coming from people like you it comes and so we have been putting those specific steps into our business plans working to work improving those, so I think as we go ahead in the next three, four years, we should be able to improve that as well.

Giriraj Daga: Okay, sure, thanks a lot.

Moderator: Thank you. The next is a followup question from the line of Rushit Parekh from Capital Market. Please go ahead.

Rushit Parekh: Thank you once again for the opportunity. Very quickly a question on the B2C and the B2B revenue mix, so currently it is around 52% to 48%, now given the brand building exercise that we are doing, so what is the general outlook in terms of the revenue mix going forward say couple of years from here?

Gautam Seth: I think the B2C business, because if you see even the last quarter what we give for the nine months, the B2C was almost around 60% and in the last couple of years we have been even very close to that because a lot of even meters goes into the B2C market, so I would say anywhere in excess of 60% should be the B2C business going forward, although if you see the trends and the way the meter utility market is looking for the next three to five years, it is expected to grow quite high, so definitely we would see that the consumer market going forward in a bigger way and I would say if we put it around 60% as a B2C business on a healthy way to go forward.

Rushit Parekh: Because it is very important, if I see and extrapolate further this into the margins and working capital side, your margins and working capital should improve as the sales move forward more focus towards the B2C compared to B2B?

Gautam Seth: Yes, but I would like to just point out that if you see the B2B business also even the utility business other than the debtors, the margins are pretty good overall if you see in the last three, four years, the working of utilities has also changed quite a lot and we have seen the government business also to be a very good business, although on a lower share, so if that comes to around 40% are lower, so as a mix of even B2B and B2C business of the way HPL has been able to focus on both these businesses in the fasten grow. So I would see that ratio definitely to be maintained, although a certain part can be altered while we go forward, but definitely the consumer side of business going forward will be growing at a much faster pace than the B2B business.

Rushit Parekh: Second question is on switchgear segment, if you can share some more light on the switchgear segment, this segment has the higher EBIT margin of around 18% plus actually, so the way how this year has panned out for you and the growth outlook for this segment?

Gautam Seth: I will take you back to about two years back because our switchgear business was quite stagnant and then we rework an internal strategy, we got new people, we did certain reorganization in our company and we had at that time two years back predicted that yes this is something we need to now grow because of definitely the margins which were the higher amount of four verticals, so looking back if you see in the eight quarters we have been able to steadily grow and in fact the last four quarters have been a very steady growth. Going forward also we see the switchgear to be a very strong vertical of ours. I was just talking about the switchgear part, so even going forward we see a much stronger focused from HPL going into the switchgear, so we have been working to expand the network and the visibility also is going to give us a much more benefit in the switchgear side. So it is going to be again a big focus coming in which we expect that in the next one, two years again, we would expect a good growth in the switchgears.

Rushit Parekh: My last question is on the depreciation figure, so the depreciation if I see for FY2019 has jumped from Rs.22 Crores to roughly Rs.32 Crores, so roughly around 40% plus jump, so what is that pertaining to?

V.R. Gupta: Capex in the last two years.

Rushit Parekh: I think we did capex of roughly you mentioned around Rs.25 Crores, Rs.30 Crores odd numbers?

V.R. Gupta: No, we did around Rs.90 Crores in the last two years, Rs.46 Crores this year and around Rs.48 Crores last year.

Rushit Parekh: Okay Sir that is the reason why this is 41%?

V.R. Gupta: Yes.

Rushit Parekh: Okay, fair enough. Thank you.

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

Harshit Kapadia: I have few questions. First is if I recollect from few of the last calls that we have been doing, the metering bidding has seen a very sizable increased, so earlier the figure if I recollect correctly it was around Rs.1 Crores to Rs.1.2 Crores, but this quarter call we have suggested it is the bidding pipeline is possibly close to Rs.2 Crores, so that is to be optically high, so can you please let us know what is driving this, is it a utility, it is a non-utility or ESL which are the factors without driving this kind of an volume?

Gautam Seth: Mainly the volumes are coming from the state level utilities and yes, overall volumes have gone up, because if you see just three to four years back, the annual quantities as per what even Frost & Sullivan has been mapping the Indian market has been at Rs.3 Crores meters per annum and today if you see the companies are sitting on large order books and even the enquiry basis at any point is crossing over Rs.2 Crores. So yes I would say the overall demand is where the push by the government or various governments at a state level even the central and the EESL to get in the metering is definitely in a very big focus when we look at the smart meters, there has been a lot of talks some actions have been taken, but the way we look at it going forward in the next three to four years, the metering is going to be at a very vital point by any government which comes in and looking at the way the demand would be the meter industry is set to grow in a very big way that is my personal opinion, the way when we look at what the government is talking about the kind of tenders what are coming out. At HPL we are very well placed because all the new technologies whether they are prepaid meters or they are all the software communication driven meters or the smart meters, so we are very well placed with that, we have the certifications, there are again few important players in the market which are there and with the competition is intense although it is a mature competition, so definitely we do see a lot of opportunity in the metering to go forward and with this steady margin returning back in the last two quarters and our execution also being good, so going forward definitely in the next two, three years where we would see the meter to be at a good upside.

Harshit Kapadia: So within this order book of Rs.550 Crores odd, can you let us note the execution timeline for this order book and broad base?

Gautam Seth: Most of it should happen roughly in the three quarters by nine months, because many of them are scheduled then they do have certain lead time while which require certain samples or approvals to happen before we commence the production, but roughly I can say this all these orders should be executed within the next nine months.

Harshit Kapadia: Okay and broad breakup in terms of utility and non-utility meters within the order book Sir?

Gautam Seth: The non-utility comes in from the trade and typically the trade visibility is maximum for three weeks or four weeks, so in terms of order book that would be very negligible, so when we look at almost Rs.554 Crores of meters you can say almost Rs.550 Crores will be the utility like that because the trade orders whether they are for switchgears, lighting, wires or even some meters, they are always negligible and when a trade partner or a consumer gives an order, he expects a delivery in two to three weeks, so that is the maximum order book that face, but that as an advantage that these orders are continuously coming on a daily basis.

Harshit Kapadia: This is a question on switchgear business, so we have seen a decline and you had highlighted this is for higher base, is there more thing to read within this segment is that there is a possibility that the real estate has impacted because of the funding issues within that sector is also impacted or slowdown the revenue growth may be for switchgears and cables and wires, is there anything to look at that way?

Gautam Seth: Yes, if you look at the builder segment that has been quite badly impacted because the demand is less even the liquidity is a big problem there and also even like us we are very cautious on even giving the supplies even the demands are coming, so one needs to be very careful on that the money and the security of the money rather, but when we started of even two years back when we put in a plan that we need to grow, the basic presumption was very clear that the real estate sector would remain slow in the next two to three years which actually happened, but we also said that our market share is still in single digits and we have an upside to grow, so even going forward although there could be certain negative macro factors affecting the real estate business and the typical segments where our switchgears are going, yes we can easily say that for us to gather or take market share from our competition is still possible and for us to have double digit growth still seems a reality, so that is where we are working on, so whether anything has impacted in a positive or negative manner we still see a growth for ourselves at least for the next two to three years in switchgear.

Harshit Kapadia: Thank you and all the best.

Moderator: Thank you. Next we have a followup question from the line of Rishi Mehrotra from Navrus Enterprises. Please go ahead.

Rishi Mehrotra: My question is to Gautam Ji. What could be your assurance if any to an investor was already seen money rewarded by two-third from your IPO?

Gautam Seth: At HPL we have been a long-term player even since 1992 we have been in business, we have very steadily got into new segments, we have been growing, we have had a lot of successes over the years. After the IPO yes as I shared last two, three years have been affected by certain other factors, but I think the company is very strong fundamentally in terms of our backend, in terms of our R&D manufacturing we have been there, so for any investor my suggestion would be that they need to stay invested look at the long-term for HPL and with our own vision and the way we are driving the company definitely we see the company to really come very strong in each of the four segments. In fact we have got into solar, our export focus is also now building up quite strong, so that is where my suggestion would be just to stay invested and have the kind of confidence in the management and the company.

Rishi Mehrotra: Okay, thank you. All the best.

Moderator: Thank you very much. That was the last question. I would now like to hand the conference back to Mr. Harshit Kapadia for closing comments.

Harshit Kapadia: We thank Mr. Seth and Mr. Gupta for giving us this opportunity to host the call. We also thank all the investors and analysts for joining for this call. Any closing remarks?

Gautam Seth: I would like to thank everyone for giving us the patient hearing and as I said just in the last answer that we as management are very much committed on achieving the growth in terms of the revenues and also looking at the margins and other balance sheet ratios so definitely we have a task cutout for the next year and our teams are I would say well motivated and serious on achieving the same, so definitely we look forward for everyone's support and guidance on this. Thank you very much.

Moderator: Thank you very much. On behalf of Elara Securities that concludes the conference. Thank you for joining us ladies and gentlemen and you may now disconnect your lines.