HPL Electric & Power Limited

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Symbol: HPL

Scrip Code: 540136

<u>Sub: Transcript of Conference Call with the Investors/Analysts</u>

Dear Sir/Ma'am,

In continuation to our intimation dated May 20, 2025 regarding Investors/Analyst's Conference call held on **Friday, May 23, 2025** at **12:30 p.m.** (IST). A copy of transcript of the conference call held with the Investors/Analysts is enclosed herewith for your record.

The transcript of aforesaid conference call is also available on the Company's website at www.hplindia.com.

Yours Faithfully

For **HPL Electric & Power Limited**

VIVEK KUMAR

Digitally signed by VIVEK KUMAR
DN: c=IN, o=Personal, postalCode=110095, l=East Delhi, st=Delhi, street=A 125 S-1 DILSHAD COLONY 110095, 2.5.4.20=3eb36823c8b414e7e934f2e0af3da010641437e49524495d66b6b358709bf23f, serialNumber=052767230d5f1c44b1c2164eefdb84f2c760ac7359949d646e7ce9b91f23d372, email=hplcs@hplindia.com, cn=VIVEK KUMAR
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Vivek Kumar
Company Secretary

Encl: As stated above

HPL Electric & Power Ltd.

Q4 & FY25 Earnings Webinar Transcript

Friday, May 23rd, 2025 @ 12:30PM IST

Answered by Management:

Mr. Gautam Seth- Joint Managing Director & CFO

Moderator:

Ladies and gentlemen, good afternoon. Welcome to HPL Electric and Power Limited's Q4 and FY25 Earnings Webinar, hosted and produced by ElevEase. I am Shankhini Saha, Director of Investor Relations at Dickenson, and I will be moderating our call today.

Joining us from HPL's management team is Mr. Gautam Seth, Joint Managing Director and CFO.

Please note that this conference is being recorded. Some statements in this call may be forward-looking, based on current expectations and subject to risks that could cause results to differ materially.

You can download HPL's investor presentation and press release for Q4 and FY25 from the links in the community chat, the company website, or the NSE.

I now hand the conference over to Mr. Gautam Seth for opening remarks. Over to you, Gautam.

Mr. Gautam Seth (Joint Managing Director & CFO, HPL):

Good Afternoon, everyone, and thank you for joining HPL's Q4 and FY25 earnings call.

Over the next few minutes, I will walk you through what we achieved in FY25, how each of our business segments is evolving, and why we remain confident about the road ahead.
Let me begin with a quick snapshot of our performance.

FY25 was the strongest year in our history. Revenue crossed ₹1,700 crore, up 16 percent year-on-year. EBITDA grew by nearly one-third to ₹255 crore, lifting our margin to 15 percent. Profit after tax more than doubled to over ₹90 crore, with PAT margin crossing the 5 percent threshold.

Momentum continued in the March quarter. Q4 revenue stood at ₹493 crore, and EBITDA margin reached 16.7 percent, both record highs for the Company. PAT for the quarter rose to ₹37 crore, reflecting continued operating leverage.
Let me now turn to our business segments.

Smart metering continues to be one of our core growth engines, alongside **wires and cables** and **switchgear**. Rollouts under the AMISP framework are scaling up rapidly. Today, the entire ₹3,500 crore order book comprises AMISP-led smart meter projects—providing multi-year visibility and a clear runway for execution.

Wires and cables posted strong double-digit growth for the third consecutive year, supported by a buoyant real estate cycle, sustained infrastructure investment, and a retail network that now spans over 85,000 touchpoints.

Domestic switchgear delivered mid-teen growth despite a softer demand environment in industrial switchgear. This was driven by a richer mix of higher-rating products and tighter distributor engagement.

I'm also pleased to report that our **lighting business** has turned the corner. Sales grew 30 percent in Q4, bringing the full-year performance back into positive territory.
On the execution side, our margin gains are being driven by a stronger product mix, smarter sourcing, and the initial benefits of plant automation. Debt levels remain comfortable, with healthy EBITDA coverage.

As we enter FY26, our focus areas are clear:

- **Scale up smart meter production** to stay ahead of the national rollout curve
- **Deepen factory automation** to protect margins and ensure quality at scale
- **Accelerate product development** to stay first-to-market across metering, lighting, industrial switchgear, and wires and cables

Earlier this quarter, we partnered with Wirepas to unveil India's first Wirepas-certified in-meter RF gateway. This dual-radio smart meter eliminates the need for standalone gateways, significantly reducing AMI rollout costs for utilities.

We also intend to expand our distribution network by adding new channel partners and extending our service footprint. With India's electrification momentum gathering pace, execution on the ground remains our key enabler.

FY25 reaffirms our strategic direction, focused on smart metering, wires, switchgear, and lighting, where growth was accompanied by stronger margins and a more resilient balance sheet.

With India's economy expanding and nationwide electrification accelerating, we believe we are well-positioned for the next phase of sustainable growth.
Thank you for your continued support and belief in HPL. With that, I'll be happy to take your questions.

Moderator:

Thank you very much, Gautam. We will now begin the Q&A session.

Mr. Viraj Mahadevia:

Hi Gautam, congratulations, these are truly outstanding results. It's an incredible milestone and hopefully just the beginning of a much longer growth journey.

With the ₹3,500 crore order book now largely comprising smart meters, effectively tilting the mix toward higher-margin products, do you expect that as much as half of this could be executed in FY26?

Mr. Gautam Seth:

Yes, each of the orders in our ₹3,500 crore book follows specific execution schedules under different AMI SP programs. At present, they are all at various stages of implementation. That said, if we look at the past three months, particularly in Q4,we've seen a clear pickup in execution momentum.

The overall pace of rollout has accelerated, and we're seeing strong demand from nearly every AMI SP for our smart meters. Based on current visibility, we are optimistic about achieving another strong year of growth. Last year we delivered revenues of ₹1,075 crore, and we're targeting strong double-digit growth again in FY26.

Whether as much as 50 percent of the order book gets executed within the year depends on the individual schedules of each AMI SP. Additionally, we expect new orders to be added to the pipeline during the year, some of which will be delivered within FY26.

What's encouraging is that both execution at our end and on-ground implementation by the AMI SPs has materially improved. In fact, I came across a recent update suggesting that the national rollout has crossed 100,000 meters per day, which is a very positive indicator for the sector and for us.

Mr. Viraj Mahadeva:

If I may explain the context of my question, according to the data I've come across, by February 2024, smart meters were being installed at a pace of around 11,000 units per day. That rate ramped up significantly to about 80,000 per day in Q4, and by April, the pace was reportedly even higher.

Given this sharp acceleration in rollout and the fact that your expanded manufacturing capacity is now in place, are you in a position to scale up execution and delivery further to meet the growing demand from customers?

Gautam Seth:

Yes, as of now, we are on schedule with each of the AMI SPs. As and when demand arises, we are fully prepared to meet it. There is no shortfall from our side in terms of readiness or supply capacity.

Viraj Mahadevia:

Out of the ₹3,500 crore order book, how much is scheduled for execution in FY26?

Gautam Seth:

We can certainly come back with a more specific number. Broadly speaking, each of these orders had an initial lag phase, typically around six months before the first supplies began, followed by a phased rollout over about a year and a half.

That said, we expect well over ₹1,000 crore worth of orders to be executed in FY26.

Viraj Mahadevia:

I noticed that your employee expenses have increased. Is this primarily due to a ramp-up in hiring, particularly for smart meter execution, or is it more a function of inflation and normal wage adjustments? Do you expect employee costs to rise further in the coming quarters in line with expansion plans, or should we assume this has stabilised for now?

Gautam Seth:

If you look at the numbers quarter-on-quarter, the increase in employee expenses is relatively stable. As we had shared in earlier calls, a significant portion of the cost increase was front-loaded, we had already invested in hiring for R&D, material planning, and production teams.

That phase of expansion is now largely complete, and the cost base has stabilised. That said, you still have to account for inflationary adjustments, and naturally, as the business grows, there will be a modest increase in personnel costs aligned with operational scaling.

Viraj Mahadevia:

Could you provide some guidance on your CapEx plans for FY26, especially now that a large part of the capex related to Solan is behind you? It would be helpful if you could break it down between maintenance and growth CapEx, for FY26, and potentially give an early view on FY27 as well.

Gautam Seth:

In FY25, our total CapEx was slightly over ₹70 crore. Typically, our annual maintenance CapEx is in the range of ₹30 to ₹35 crore. However, last year's figure was higher due to capacity additions specifically for smart metering.

Looking ahead, we anticipate further CapEx in smart metering—mainly focused on automation. Broadly speaking, our core capacity in smart meters is now in place.

We are also planning CapEx in our **switchgear** segment—both industrial and domestic—and in **wires and cables**, where we remain very upbeat. That segment has delivered three consecutive years of strong growth, and we expect high growth again this year. Demand remains healthy, and our internal performance metrics have improved significantly.

We will also be entering new product categories within wires and cables. As these initiatives are finalised, we will provide further details.

To summarise, we expect CapEx of around ₹100 crore in FY26. This will be a mix of maintenance and growth investments. Maintenance CapEx will continue to support our tool-and-die infrastructure across product lines. Growth CapEx will be allocated across metering, switchgear, and wires and cables.

Sahil Patani :

First of all, congratulations on the strong performance this quarter.

I had two questions. The first is on margins, Q4 saw a significant margin expansion, reaching record levels. Do you see these margins as sustainable going forward? Or should we expect some normalisation back to the 14 to 15 percent range? Any colour you can provide on margin trajectory would be helpful.

Gautam Seth:

Our effort will certainly be to maintain, and where possible, further expand margins. Specifically in Q4, we saw a combination of strong volumes, stable commodity prices, and healthy performance across segments, whether it was wires and cables, lighting, or smart meters. All these contributed to the margin expansion.

Smart meters, in particular, had one of their best quarters. The EBITDA margin for the metering business stood at around 18 percent in Q4, and we believe this level is sustainable in the near term. There could be some upside depending on product mix, but our base assumption is to maintain this range, with minor fluctuations possible.

For the full year, smart metering margins were around 17 percent, and we're comfortable guiding for that level to continue.

In the consumer and industrial segment, margins averaged about 11.5 percent over the year. Q4 was particularly strong for wires and cables, thanks to a favourable commodity cycle, especially copper, which positively impacted margins. However, as copper prices can fluctuate, we expect some variability.

As guidance, we would expect consumer and industrial margins to remain around 11.5 percent, with the potential to improve slightly toward 12 percent. For metering, we expect to stay in the 17–18 percent EBITDA margin range in the near term.

Sahil Patani:

My second question is on the CapEx front. How do you plan to fund the upcoming investments? Will the CapEx be financed through internal accruals, or do you anticipate raising debt? Is there any possibility of equity dilution? Any thoughts on the funding mix would be helpful.

Gautam Seth:

Yeah, mainly through internal accruals and a certain term debt, long term debt.

Sahil Patani:

Got it. Final question: Just one final question, last year, you introduced HPL electric fans. How has the traction been so far, particularly given the strong summer season? Have you seen a meaningful pickup in sales in that category?

Gautam Seth:
Let me provide some context. We initially launched our electric fans in international markets, and so far, we've supplied to around 10 to 12 countries where we've received encouraging feedback.

Domestically, we introduced the range during the current year. While we are currently active in select regions, we've taken a focused, phased approach to the rollout, state by state. In the markets where we're present, the response has been quite positive, and demand has steadily picked up.

We've launched a well-curated product range and expect to cover nearly 75 percent of the domestic market by the end of this fiscal year. Our approach has been to prioritise depth and focus over rapid scale at this early stage. That said, by next summer, we aim to be a pan-India player.

What's also encouraging is that nearly 80 percent of our existing distribution partners are already dealing in fans of other brands. That gives us a strong platform to cross-sell. At the same time, we're actively building new partnerships to expand our footprint beyond our current electricals channel.

Overall, we believe fans are a natural extension of our consumer portfolio. With this addition, our product basket now includes five key categories, MCBs, modular switches, wires, lighting, and now fans. This positions us well to serve the full spectrum of residential and commercial demand and offers a comprehensive value proposition to both distributors and end-users.

Sahil Patani:

Just one final point, have you seen the momentum in smart meter deployments continue into Q1 of FY26 as well? As you mentioned, Q4 was one of the strongest quarters for smart meters. Has that pace sustained in the current quarter?

Gautam Seth:

Broadly speaking, while we don't offer quarter-to-quarter guidance, I can say that the momentum in smart meter rollouts continues to remain strong. Importantly, smart meter execution is not cyclical in nature, it doesn't follow a typical seasonal pattern where Q1 or Q4 materially impact implementation timelines.

That said, we do typically see a slight slowdown in field activity during the pre-monsoon and monsoon months, around June and July, as weather conditions can affect on-ground installations. AMISPs, being professional private players, tend to manage their inventory and schedules accordingly.

Despite these minor timing effects, we expect the overall momentum in FY26 to exceed that of FY25. Deployment activity is broad-based, with nearly every state now active and AMISPs placing regular orders. The implementation curve remains upward, and while temporary pauses may occur in a given month, the overall trend is clearly positive.

Chandresh Malpani:

Thank you for the opportunity, and congratulations on a strong quarter.

My first question is regarding the recent improvement in your credit rating. How do you expect this to translate into interest cost savings? Additionally, on the working capital front, since you're now largely supplying under the AMI framework, should we expect to see a reduction in working capital intensity?

When do you anticipate this improving cash conversion cycle translating into lower borrowings and reduced interest expenses?

Gautam Seth:

Yes, during the year we received a credit rating upgrade from CRISIL. We were previously rated A-minus, and this has now been upgraded. This reflects the improvement in both our financial performance and balance sheet metrics. In fact, over the last four years, our revenues have doubled, and we've seen consistent improvements across key financial indicators.

In addition to CRISIL, India Ratings has also assigned us an A+ rating with a stable outlook. These upgrades have helped us renegotiate borrowing rates with our lenders. Even in Q4, despite revenue growth and a slight increase in borrowings, our overall finance cost was lower on a year-on-year basis. For the full year as well, our finance costs remained flat despite the operational scale-up.

There is still room for further improvement. Given our current performance and outlook, we are actively working toward achieving an even stronger rating profile going forward.

From a macroeconomic standpoint, we are also hopeful that interest rates may begin to soften, in line with global trends. Any such shift would further aid our efforts to reduce the cost of borrowing.

On working capital, while the absolute figures have increased with scale, we are seeing improvements in the number of days. Looking ahead to FY26, we do not anticipate a material increase in working capital borrowings even with higher revenue. Incremental debt will be primarily for CapEx, and this will be supplemented by internal accruals.

As for our smart meter contracts under the AMISP framework, current payment terms are around 90 to 120 days. However, the private sector entities we work with tend to adhere firmly to payment schedules, which supports healthy cash flows and strengthens our working capital position.

Chandresh Malpani:

My second question is around the size of the opportunity. As of now, around 14 crore smart meters have been awarded to the AMISPs. Out of this, how much has actually been translated into purchase orders for meter suppliers?

Gautam Seth:

As per the official data available on the National Smart Metering Program website, around 16 crore smart meters have been awarded to AMI SPs. However, there is no publicly available figure on how many of these have actually translated into purchase orders for meter suppliers.

Based on our internal estimates, approximately 4 to 5 crore meters may have been formally awarded as purchase orders so far. So, there's still a long way to go in terms of conversion from sanctioned awards to actual supply orders from the AMI SPs.

That said, one thing is clear, and we've mentioned this in previous calls as well—the government has mandated the rollout through AMI SPs via tenders. The AMI SPs are fully aware that they have a 2.5 to 3-year timeframe to not only install the meters but also get the entire AMI infrastructure up and running.

They are not required to issue the entire order volume immediately. From what we see, orders are being released in tranches. AMI SPs are evaluating suppliers on parameters like delivery timelines, integration success, and overall execution performance, and are then issuing follow-on orders based on these assessments.

In that sense, it's quite similar to how large private sector projects work in categories like switchgear, wires, or lighting. The key difference here is that we already know the total size of the opportunity, it's well defined. What's underway now is a performance-linked rollout by AMI SPs that will play out progressively over the next few years.

Reet Ranawat:

Can you give the share of the products under consumer industrial services segment, which one has the highest share and which one has the highest growth?

Gautam Seth:

In our consumer and industrial segment, we operate across a diverse product portfolio, including wires and cables, industrial and domestic switchgear, professional and commercial lighting, fans, and solar products. It's a broad and balanced basket.

In FY25, growth in this segment was led by wires and cables, which delivered approximately 24 percent growth year-on-year. Domestic switchgear also performed well, growing by around 16 percent. Lighting grew by 6.6 percent.
While lighting growth may appear modest, it's important to view this in context. Over the past two years, the segment faced significant pricing pressure, with both input costs and selling prices seeing sharp erosion quarter after quarter. Against that backdrop, achieving positive growth this year is a sign of stabilisation and recovery in the category.

In industrial switchgear, we observed some softness in demand in the latter part of the year. However, we view this as temporary and expect a rebound within the first or second quarter of FY26.

As a policy, we do not disclose product-specific figures since we report under a single-segment classification. That said, all key categories remain active focus areas, and we are optimistic about their contribution going forward.

Reet Ranawat:

Could you share an approximate number of smart meters being sold per month currently? Also, what are your current capacity utilisation levels?

Gautam Seth:

At this point, we are not disclosing unit-wise monthly meter sales figures, primarily due to competitive reasons. What we can share is that we are currently holding a smart meter order book of ₹3,500 crore, which clearly reflects substantial volumes. However, for at least the current and next financial year, we do not intend to disclose quantity- or value-based monthly dispatch numbers.

In terms of capacity utilisation, we've seen a significant ramp-up. Over the past two years, we have transitioned a large portion of our manufacturing infrastructure from conventional meters to smart meters. This includes investments in semi-automated lines and high-throughput production technologies.

We've made substantial capex investments to build out world-class facilities for smart meter manufacturing. These include advanced injection moulding units, over 100 moulding machines, and expanded tool room capabilities. Many of these developments have been shared on our social media platforms during key facility inaugurations.

This capacity build-out positions us well for the ongoing smart metering boom. Utilisation levels have increased meaningfully from where they were two years ago. From Q1 to Q4 of FY25, we have seen steady improvement, and we continue to have meaningful headroom. We expect this to be further absorbed as we move through Q2 and Q3 of the current fiscal year.

Reet Ranawat:

One final question, do you plan to increase your production capacity from 1.1 crore meters to 1.5 crore? If so, what is the expected timeline for achieving this ramp-up?

Mr. Gautam Seth:

The capacity increase will be more gradual. From a technical standpoint, with the recent additions to our electronics manufacturing infrastructure, including new machines commissioned just last month, some of our interim production capability may already be slightly ahead of the 1.1 crore meter mark.

That said, we are not in a rush to scale capacity aggressively. Our infrastructure is designed to be modular and scalable, with a lead time of around three to four months for expansion if needed. At present, we have sufficient capacity to meet projected demand over the next three to four quarters.

We are closely monitoring how demand evolves and how AMISP implementations progress. Should the need arise, we are fully prepared to scale up. But for now, we have already taken proactive steps based on demand forecasting, and our current infrastructure is well-aligned with our near-term growth expectations.

Aayush Didwania:

It's encouraging to hear that interest costs are expected to remain stable. Given that your revenue grew by over 25 percent quarter-on-quarter, do you believe the current run rate of ₹500 crore is sustainable going forward? Or should we expect some degree of seasonality in this number?

Gautam Seth:

Theoretically, yes. We're leveraging bulk sourcing, automation, and design optimization. However, foreign exchange fluctuations, competitive pressures, and potential price renegotiations are factors. Our primary goal is to maintain or slightly improve margins in a competitive environment.

Aayush Didwania:

I've noticed that for most electronics manufacturers, Q4 tends to be a particularly strong quarter. Is this seasonality something that applies to your business as well? If so, could you help us understand the underlying drivers?

Gautam Seth:

Given the nature of our trade-linked businesses, some seasonality is to be expected. Typically, Q1 tends to be slightly softer, with demand gradually picking up in Q2 and peaking in Q4, which has historically been the strongest quarter. This pattern is especially evident in our consumer and industrial divisions.

In contrast, our smart metering business is not as exposed to seasonal fluctuations. The demand here is driven by scheduled rollouts under the AMISP framework. Orders have already been awarded, and each AMISP follows a defined implementation timeline. While monsoons or localised disruptions in certain states may occasionally affect execution speed, the underlying demand itself remains consistent.

Broadly speaking, we believe an average quarterly run-rate of ₹500 crore is achievable over the next four quarters. However, there may be some quarter-to-quarter variability depending on project execution cycles and order phasing.

Aayush Didwania:

There may be some moderation in revenues, but we do not expect a significant drop. We certainly do not anticipate falling back to the ₹400 crore range.

Gautam Seth:

It ultimately depends on the execution schedules. A potential dip in revenue would most likely stem from timing-related delays in the smart metering segment.

Even though AMISPs have placed the orders, there is a structured process that follows, site readiness, approvals, dispatch clearances, and final implementation on the ground. In the past two years, we've seen that these factors can influence the pace of execution.

While we do not directly control these externalities, delays at the customer or implementation partner's end can have an impact on our delivery timelines. That said, we remain closely engaged with stakeholders to ensure smooth coordination and mitigate any disruptions wherever possible.

Aayush Didwania:

A question on the fan business, how much has the segment scaled up so far, and what groundwork has been laid for its expansion? What is your outlook in terms of the scale you expect to achieve?

In earlier con calls, there was an indication that groundwork was underway in terms of sales, marketing, and customer reach for the fan business. Has that infrastructure now been put in place? And based on that, can we expect meaningful growth in this segment during the current year?

Gautam Seth:

Yes, we do expect growth in the fan business this year. Since we began scaling this segment only recently, any meaningful expansion over the base would translate into year-on-year growth. However, our focus this year is not just on volume but on establishing a robust foundation for the business.

We are actively building a dedicated dealer and distributor network specifically for fans, targeting the onboarding of 70 to 100 new partners across India. Simultaneously, we are also leveraging our existing channel network, wherever feasible, to cross-sell our broader product portfolio, including fans.

We have already crossed the 100,000-unit mark in terms of fan shipments, and the initial market feedback has been very encouraging. Alongside this, we are rolling out a dedicated after-sales service network in each region as we expand.

After the peak summer season in North India, we plan to scale our presence into Southern markets, where demand is more evenly distributed throughout the year due to relatively uniform weather. We expect the next phase of our launch to significantly broaden our footprint and establish a stronger brand recall in this category.

Aayush Didwania:

Could you clarify when you plan to expand into the southern market? Is there a specific timeline you're targeting?

Gautam Seth:

We plan to begin our expansion into the southern markets immediately after June and July. By the end of this calendar year, we expect to have covered approximately 75 percent of the Indian market. By the next summer season, we aim to be a pan-India player. That's when you can expect to see meaningful contribution from the fan business reflected in our numbers.

Aayush Didwania:

Are these EBITDA margins sustainable going forward? Specifically for the metering segment, margins have improved significantly, from around 10 percent a year ago to stabilizing in the 13 to 14 percent range recently. There has also been a sequential improvement this quarter. Do you expect margins to hold at these levels or improve further?

Gautam Seth:

I'll take that. Last year, we delivered a 17 percent EBITDA margin in the metering segment, and I believe that level is sustainable given the current pricing environment and market conditions. That said, margins may fluctuate slightly on a quarter-to-quarter basis depending on the product mix and customer profile, but overall, we expect them to remain in that range.

As for the consumer and industrial business, margins have held steady at around 11.5 percent over the past two years. Wherever commodity costs have risen, particularly in switchgear and other non-wire-and-cable segments, we've largely been able to pass them on. In wire and cable, pricing resets happen monthly.

Broadly, we believe an EBITDA margin of 11.5 to 12 percent is sustainable in consumer and industrial, and we will continue to strive for improvement. For metering, margins of 17 percent, and potentially as high as 18 percent in the near term, look achievable.

Ranjith Kumar:

I have a few questions regarding the smart meter business. Could you provide a sense of how average realizations and gross margins per meter have trended over the past three years?

Gautam Seth:

We do not disclose average realization figures for competitive reasons. However, what I can share is that realizations for smart meters are typically two and a half to three times higher than those for traditional meters. That fundamental differential has held steady.

While we won't be sharing realization data, we can speak to the trend in operating margins. Over the past three years, as our mix has shifted almost entirely to smart meters, today, over 99 percent of our metering orders are for smart meters, we have consistently seen a meaningful improvement in EBIT margins.

In Q4, EBIT margins for the metering segment stood at approximately 18.74 percent, compared to around 14 percent in the same quarter last year. On a full-year basis for FY25, EBIT margins for metering averaged around 17 percent, underscoring the margin uplift from the continued scale-up in smart meter adoption.

Ranjith Kumar:

How is your inventory and receivable, DSB and smart metering business?

Gautam Seth:

Yes, we have seen a clear improvement in our receivables cycle. On a days basis, receivables have come down meaningfully, by almost 20 days, which is a significant step

forward in working capital efficiency. This improvement is evident both at the company level and specifically within our smart metering segment.
Inventory days have remained largely stable compared to the last two years, with some marginal improvements. However, it's important to note that a portion of the inventory visible at the end of Q4 had already been earmarked for execution in Q1, given the high daily production volumes and the lead times associated with smart meter orders.
Looking ahead, we remain focused on further improving working capital discipline. The progress on receivables is encouraging, and we are actively working to optimise inventory turns and bring down inventory days over the coming quarters.

Ranjith Kumar:

Okay, but would you be able to give any absolute number of receivable days, or in 90 days?

Gautam Seth:

As a company, including the impact of GST, our current debtor days stand at approximately 129. This represents a notable improvement from earlier levels, where we were operating around 150 to 160 days. Specifically for the smart metering business, the trajectory is encouraging, and we expect further improvement as the execution cycle strengthens and collection discipline tightens over the coming quarters.

Ranjith Kumar:

Could you share the quantum of new order wins for FY25? Specifically, what was the total value of orders secured during the year?

Guatam Seth:

We anticipate continued momentum in order inflows. Currently, we are already supplying to most of the AMISPs and expect two to three additional AMISPs to onboard in the near term as we expand our footprint. A significant portion of our future order intake will comprise repeat orders, which is consistent with how long-term customer relationships work across our other product verticals as well.

In most cases, customers do not place their annual requirements upfront but release orders in phases based on evolving implementation schedules. We expect this pattern to continue in the smart metering segment as well. Encouragingly, even with strong execution over the last two quarters, our order book has remained steady around ₹3,500 crore, indicating healthy replenishment through fresh orders. We expect this cycle of execution and repeat ordering to persist through FY26.

Ranjith Kumar:

Just to clarify, what is the typical execution timeline for a smart meter order? You had earlier indicated that it takes about one year, roughly six months for raw material procurement and another six months for manufacturing and delivery. Is that still accurate?

Gautam Seth:

Typically, the six-month period isn't due to our procurement timelines , we can source components much faster. The lag is primarily on the AMI SP's side, where preparatory work is needed before meter installation. This includes activities such as site readiness, mapping, and system integration. The meter itself is only one part of a broader ecosystem that must be in place.

On average, it takes about three to six months for AMI SPs to get ready to receive and install meters. However, going forward, we expect this lead time to reduce. As AMI SPs gain more field experience and streamline their processes, the time between order placement and installation should shorten significantly, making future rollouts more efficient.

Smitha:

A quick housekeeping question: your investor presentation mentions a 20% market share in the smart metering segment. Given your positive outlook for FY26, do you believe there is room to further expand this market share? What levers do you see contributing to potential gains?

Gautam Seth:

The 20% market share figure you're referring to was originally provided by Frost & Sullivan. While that data is somewhat dated, our internal assessment suggests we are likely in a similar range, if not slightly higher today. That said, we do not currently have updated third-party validation for the latest figures.

Looking ahead, we expect FY26 to be a strong execution year for smart meter deployments by our AMISPs. HPL is fully prepared with manufacturing capacity already in place, and we've been consistently ramping up production. Given the momentum and our positioning among the top players in the segment, we're confident of gaining further market share. However, any formal commentary would ideally be based on fresh industry-wide data, should a new study be undertaken.

Smitha:

A quick housekeeping question: your investor presentation mentions a 20% market share in the smart metering segment. Given your positive outlook for FY26, do you believe there is room to further expand this market share? What levers do you see contributing to potential gains?

Mr. Gautam Seth:

To clarify, employee costs overall have risen this year due to increased production and strategic hiring, particularly in R&D. However, automation is helping us reduce labor requirements in production lines. We've done much of the hiring needed, so while normal increments will continue, we don't expect a big surge in headcount. Overall, manpower costs will be balanced by higher output and improved efficiency from automation.

Smitha:

Among the five key product categories you've introduced, which ones are the most margin accretive for the business at this stage?

Gautam Seth:

If we're speaking specifically about the consumer and industrial product categories—yes, switchgear traditionally enjoys relatively higher margins. Historically, switchgear has consistently delivered strong and stable profitability, much like our metering business has over the past five to ten years. In addition, we've observed notable margin improvement in the wires and cables segment. Over the last three years, this segment has delivered consistent volume growth of 20–25%, and as volumes scale, margins have improved accordingly.

Lavish Ramrakani:

Thank you for the opportunity, and congratulations on a strong set of results. My question pertains to the notable improvement in EBITDA margins this quarter. Historically, over the past five to six quarters, employee expenses have ranged between 12% to 12.5% of revenue, but in this quarter, they came in at approximately 10.3%. Similarly, other expenses, which typically hovered around 8–9%, were down to about 7.5%. Could you provide some insight into the drivers behind this quarter's cost stability and efficiency gains on both fronts?

Gautam Seth:

The improvement in margin ratios this quarter is largely attributable to the strong topline growth. We recorded our highest-ever quarterly revenue at ₹493 crore, which provided meaningful operating leverage. Many of our cost components, particularly employee expenses and other overheads, are semi-fixed in nature. As revenue scales up, these costs do not increase proportionately, leading to better ratios.

Additionally, over the past couple of years, we proactively invested in strengthening our talent pool, especially in R&D, anticipating the shift towards smart meters. That phase of upfront hiring has now stabilised. In fact, our smart metering R&D infrastructure today is among the best in the country, supporting both product innovation and execution.

We are also actively pursuing automation initiatives across our manufacturing footprint to drive long-term efficiency. For instance, some of our new machinery installations, particularly in our switchgear lines, have allowed us to reduce manual intervention significantly. A single automated setup in some areas now replaces up to 20 manual workers, resulting in not only cost benefits but also higher consistency and output quality.

While inflationary trends in employee costs will continue, we are confident that ongoing automation, tighter production control, and operational scale will continue to support margin stability and improvement. This is a deliberate and ongoing effort across all verticals, and we expect to see further gains through FY26.

Pranjal Mukhija:

Thank you for the opportunity and congratulations on an excellent set of results, truly commendable performance. I have three questions, and I'll start with the first one, which is on automation.

You mentioned that the company is investing in automation in FY26. Could you please elaborate specifically for the metering segment, how many semi-automated and fully automated lines are currently operational? Additionally, how many new lines are planned to be added in the coming fiscal year?

Gautam Seth:

I won't be disclosing the exact number of lines for competitive reasons, but I can share that our entire smart meter production is now being transitioned to automated lines. We believe this approach delivers the most consistent and high-quality output. The shift is largely complete, though a few additional lines are planned. Automation is central to our manufacturing strategy, and we're fully committed to scaling it further as demand grows.

Pranjal Mukhija:

Can you share the percentage increase with us?

Mr. Gautam Seth:

Over the last two years, we've nearly doubled our meter sales, driven entirely by our smart meter portfolio and supported by semi-automated production lines. From this base, we are well positioned to double again over the next two to three years entirely through automated infrastructure. On the production front, we are ahead of the curve. Whatever demand arises from our existing or new AMI SP customers, we are fully capable of meeting it. Even if FY25 sees a sharp upside in demand, HPL Electric is well equipped to deliver.

Our transition to automation brings two clear advantages. First, it significantly reduces manual intervention and rework across production stages, while enhancing consistency and throughput. Second, the integrated data capture at each stage of manufacturing strengthens real-time quality checks and provides valuable inputs for after-sales and lifecycle management. This is especially important as we scale further.

In addition, much of our legacy infrastructure some machines over 15 to 20 years old has now been replaced as part of our capacity expansion. These investments are already delivering operational benefits, and we believe they will unlock further efficiencies and customer value over the next 7–10 years.

Pranjal Mukhija:

My second question pertains to pricing. Given the significant pickup in execution across the smart metering industry and the emergence of new players, are you anticipating any pricing pressure in FY26? Specifically, how are you factoring this into your realization estimates for the year?

Gautam Seth:

Yes, and I've mentioned this in prior discussions as well, whenever volumes in any industry begin to scale meaningfully, the market naturally starts to stabilise, and customers become more discerning. They have greater choice, and as the industry matures, we typically see pricing pressure emerge. That's a normal and expected part of the growth cycle.

At HPL, we proactively build this expectation into our internal planning. When projecting for the next two to three years, we always assume a downward trajectory in pricing and correspondingly focus on becoming leaner, more efficient, and innovation-led in order to maintain our margins. This means working continuously on cost structures, design optimisations, and automation to preserve profitability even in a price-sensitive environment.

So yes, as new players enter the space and volumes grow, we do expect average prices to come down. That said, our strategy is to offset that through scale, improved processes, and smarter engineering. It's similar to what we've already seen in our switchgear business, a stable, mature segment with steady margins despite competition. The metering segment is simply going through that same industry evolution curve.

We're prepared for it, and our teams are already operating with this in mind.

Keshav Kumar:

Sir, regarding the credit terms with AMISPs do you believe these terms will remain sustainable as scale builds up? Given that the ROI for AMISPs is a multi-year play and smart meters represent a significant upfront cost in the project, coupled with the fact that their counterparties are discoms, where we've seen delays in the past, how confident are you about the longevity and robustness of the current payment structures?

Gautam Seth:

The credit terms with AMISPs currently range between 90 to 120 days, and many of them are also operating on letters of credit (LCs). We believe these terms are likely to hold. It's important to understand the broader context: the supply and installation cycle for smart meters spans roughly 2 to 2.5 years, but the overall maintenance and warranty commitments extend over a 10-year period.

AMISPs are expected to recover their investments within the initial 2.5 to 3 years. Beyond that, they're responsible for maintaining the infrastructure. It would be unrealistic, and structurally inappropriate to expect suppliers to finance this extended service obligation over a decade. Neither the market design nor our contractual frameworks reflect that expectation.

From our standpoint, these AMISPs are large, financially sound entities that have been pre-approved through a rigorous process. Based on our experience over the last two years, we haven't seen any signals indicating that credit periods might lengthen. Moreover, the cost of financing is already factored into the overall smart metering ecosystem, which includes not just the meters but the IT infrastructure and the associated financing.

Lastly, the direct debit arrangement from utilities to AMISPs adds further stability to the ecosystem. All of this reinforces our view that the 90–120 day credit terms with firm payment schedules are sustainable and appropriate both for the industry and for us.

Keshav Kumar:

Secondly, where do we currently stand in the AMI cycle? Specifically, how much of the ecosystem has transitioned to regular, large-scale supply versus what portion is still in the testing or pilot phase?

Gautam Seth:

I don't have precise data beyond what's publicly available on official portals, but one thing is clear, if the government is reporting installations of 100,000 smart meters per day, that's a significant milestone. Based on the momentum we are witnessing on the ground, I would say that figure is credible. The initial testing and pilot phases are largely behind us, and the sector appears to be entering the second or even third stage of deployment.

The ecosystem is now primed for full-scale implementation. Over the next one to three years, we anticipate a strong acceleration in rollout activity. As implementation gathers momentum, we also expect the next wave of orders to begin flowing in. We're already observing this trend with several of our AMISPs, once they reach a certain level of deployment, discussions on subsequent order tranches begin. This is a natural evolution in how the business is scaling up.

Kishore Jasatani:

Could you please share your revenue guidance for FY26?

Gautam Seth:

At this stage, we're not providing a specific revenue guidance. We may be in a better position to share that by the end of the first quarter. That said, we do expect strong double-digit growth in the smart metering segment. The wire and cable division is also poised for robust growth, and we anticipate a turnaround in the industrial segment of our switchgear business, while domestic switchgear should continue its steady upward trajectory. Internally, our plans across all segments are well defined and growth-oriented. Once we have more visibility on the momentum and underlying dynamics by Q1-end, we will consider providing more concrete guidance.

Viraj Mahadevia:

Just to press a little further on the FY26 revenue execution, based on some quick math, assuming daily smart meter installations of around one lakh units across 300, 350 days, and considering your indicative pricing and 20% market share, it suggests a potential topline of roughly ₹1,500 crore from smart meters alone. Added to that is your retail, wires and cables, switchgear, and export business to over 40 countries, which contributes another ₹700 crore or so. Would you say this level of execution,₹2,200 crore range, is within the realm of possibility for FY26?

Gautam Seth:

If the ask from our AMI-SPs or the eventual customers is ₹1,500 crore, we are fully equipped to deliver. We've already executed nearly ₹1,100 crore, and the scale-up is entirely feasible. A large part of the required capacity has already been created, and even in Q4, we saw headroom in utilization. Some of our manufacturing lines are still operating on two shifts, which can easily be scaled to three. So yes, if demand reaches ₹1,500 crore for smart meters in FY26, we can certainly fulfil it.

In terms of our consumer and industrial segments, we did ₹625 crore last year. Scaling that to ₹700–750 crore is quite achievable. Over the last 2–3 years, we've seen strong growth in some product lines within wires, cables, and switchgear, often exceeding 20%, though lighting revenues had seen some decline, which pulled down the overall segment growth.

So yes, hitting those revenue levels is well within reach. As I mentioned in response to an earlier question, we'll reassess after Q1 and should be able to provide more specific guidance then.

Viraj Mahadevia:

Thanks, Gautam. We truly appreciate your conservative approach, but we're also trying to understand the realm of possibilities here.

My next question builds on an earlier point. In a typical AMI-SP contract awarded by a discom, say, for ₹100, what portion of that value would typically be attributable to the smart meter itself? In other words, what is the approximate share or significance of the smart meter hardware component within the broader AMI project execution cost?

Gautam Seth:

This topic has come up frequently over the last two to three years, and I can share what has been publicly discussed. The general industry thumb rule, based on inputs from AMISPs, is that within a typical AMISP contract, the smart meter component accounts for approximately 30 to 40% of the total project cost.

To break it down more broadly, it's often seen as a one-third allocation across three buckets: one-third for the meter hardware itself, one-third for system infrastructure (which includes the head-end, software, and associated systems), and one-third for financing costs.

Of course, as the rollout progresses and we move further along the execution curve, some cost optimization is expected. With increasing scale and new entrants, meter costs may decline, and some of that benefit will naturally be passed on to the AMI-SPs. So while the one-third rule serves as a useful benchmark, there will likely be evolution in the cost structure over time.

Ranjith Kumar:

I wanted to understand whether you have any plans to expand your smart meter product portfolio. Specifically, are you considering additions such as 0.2s class meters or energy management systems (EMS) to complement your existing offerings?

Gautam Seth:

We are already manufacturing 0.2s accuracy class grid meters, and have been doing so for over 10–15 years. We've also successfully transitioned into delivering smart meter variants of these products. On the software side, for certain customers, we've implemented end-to-end AMI solutions and completed successful installations.

There are indeed several value-added services and integrations that can complement smart meter deployments, and we have experience in delivering those. That said, as a company, we believe strategic focus is critical. For the next two to three years, our primary emphasis will remain on the large-scale supply of smart meters. This is where we see the biggest opportunity currently. Given our 30-year legacy in metering, combined with fresh investments in R&D and manufacturing capacity, we are well-positioned to scale meaningfully in this space. So, while we have capabilities beyond meters, our near-term focus will remain firmly on execution in smart metering.

Ranjith Kumar:

Do you have any plans to expand into power quality measurement instruments as well?

Gautam Seth:

We already have a complete range of meters, including panel meters and energy management systems. We've been offering these since the late 1990s—launched them around 1996–2000, so there's a well-established product line. If you visit our website, you'll find the full range, which is widely used by panel builders and various industrial customers. We've been consistently supplying these for over 25 years.

That said, while utilities have traditionally procured single-phase, three-phase, trivector, and grid meters, the smart meter segment has now taken precedence due to the scale of opportunity. The reason smart meters are currently dominant is simply the volume, the government is no longer targeting just new connections or periodic replacements, but is instead focused on mass replacement of the entire metering infrastructure. That scale of ambition is what significantly expands the opportunity today.

Ranjith Kumar:

Which type of smart meter constitutes a larger share of your current orders—single-phase or three-phase meters?

Gautam Seth:

In terms of both value and volume, single-phase meters dominate, as they are installed in every household. If you refer to the government website, I'm not sure which one exactly, they provide detailed breakdowns of planned single-phase and three-phase meter deployments. That should give you a clear idea of the value-to-volume ratios.

Pranjal Mukhija:

This question is regarding competition. Apart from the listed peers, who would you consider the top two or three unlisted players in the smart meter space based on capabilities, scale of operations, and execution track record?

Gautam Seth:

To be honest, while we do track competition in terms of product quality and pricing, we don’t evaluate them comprehensively enough to comment on their overall capabilities or execution. It’s difficult for me to name specific players, especially in the unlisted space. From our vantage point, the industry as a whole is progressing well, and I would assume that most serious players in the smart metering segment are delivering at a certain standard. But naming one or two would be difficult.

Moderator:

Thank you, Gautam, for addressing all the questions so meticulously. That concludes our Q&A session for this earnings webinar. I'll now hand it over to you for your closing remarks.

Gautam Seth:

So let me close by thanking our employees for their efforts, our customers, partners, for the trust they have on us and the shareholders, where we have the continued support and we definitely are looking at a good year ahead. A lot of challenges are going to come in, and lot of efforts are required. We need to, you know, continuously work on that. So I'm sure that the teams are there, and we will definitely look to work hard on this. So thank you once again, and have a great afternoon.

Moderator:

Thanks, Gautam, and thank you to everybody attending. Really appreciate your participation today and to be on board for HPL's growth journey. So on behalf of HPL, thank you to everybody. This now concludes our earnings webinar for Q4 and FY 25 if you have any remaining follow up questions, you can write to us at Dickinson, and we'll ensure to get an answer to your satisfaction. Thank you, everybody, and have a very good afternoon and evening.