



“Genus Power Infrastructure Ltd. Q1 FY18 Earnings Conference Call”

August 22, 2017



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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Genus Power Infrastructure Ltd. Q1 FY18 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risk and uncertainties that are difficult to predict.

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 ‘*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kailash Agarwal, Vice Chairman from Genus Power Infrastructure Ltd. Thank you and over to you, Sir.

Kailash Agarwal: Hi, a very Good morning to all. With me is Mr. Jitendra Agarwal, Joint Managing Director, and SGA, our Investor Relation Advisors. Mr. Jitendra Agarwal will be answering your market and industry-related questions and I will be answering your number related questions. As we start, I want to say that we have begun Quarter-1 Financial Year ‘18 on a very positive note. As on today, our order book is 706 crores against the order book of 685 crores which was in Quarter-4 Financial Year ‘17. Our sales for the quarter stood at 182 crores with a very good EBITDA margin of around 21.9 crores and PAT of 14.23 crores. Now, I will ask Jitendra to tell you something about the current industry scenario and the market scenario.

Jitendra Agarwal: Hi, everybody. Currently, the state of the industry is of a very positive mode. In the last financial year, there was a dip in the market because of Central and state government confusion, which has completely vanished and there is a very clear-cut market going rapidly and there is a clear need of smart meters, which is visible in all the tenders, now it is not only the simple meters which we were selling electronic meters, now a lot of tenders are coming for the smart meter. It is very, very positive for the business. Recently, there is a big 5 million meters being brought by EESL is also a very positive note, so overall market is looking very positive and not only from one or two states, across all the states, every Electricity Board has realized that if we have to successfully sustain the distribution income, we have to reduce T&D loss and the billing efficiency and theft management playing a major, major role into that, so smart meters will be playing a very important role in the distribution success in the times to come and it has started initiating in a big way now. Lot of tenders, small and big, are under discussion already have come off and few will be on the way is to come, so market looks very, very positive.

Kailash Agarwal: In the meanwhile, I would like to about the ECC business, that ECC business we will be very selective, we are not participating in too much of tenders, the current order book we will be executing in next coming 5 to 6 quarters, and secondly about GST also, I want to tell the listeners a little that we have smoothly transited to GST regime, but the July month was a little disturbed because of the order revision, all POs were revised because of the GST and all, now

the GST is 18% earlier cost us 14% to 15%, so there was additional cost to the buyers of 3%, so we have to revise their POs and all, so that took a little time in July, but otherwise the GST also has been. Now, we are ready to take the questions.

Moderator: Thank you. Ladies and Gentlemen, we will now begin with the question and answer session. We take the first question from the line of Tarang Bhanushali from IIFL Wealth. Please go ahead.

Tarang Bhanushali: Sir, of the order book of 706 crores, what would be the share of ECC business for us?

Kailash Agarwal: It is 276 crores, 429 for metering and 276 for ECC.

Tarang Bhanushali: This would be for how many orders in the ECC side?

Kailash Agarwal: Mainly, it is two big orders from UP and then old going on orders.

Tarang Bhanushali: Sir, so with GST coming in, are we seeing orders being renegotiated with the ones which were not finalized and how are we passing on the increase in cost to our customers?

Kailash Agarwal: Actually, basically it will depend on order to order and tender to tender, there is nothing specific on it. Basically, it is a government tech cost, so certainly we will be passing it on to the buyers only.

Moderator: Thank you. We take the next question from the line of Sanjeev Zarbade from Kotak Securities. Please go ahead.

Sanjeev Zarbade: Sir, it is regarding the segment margins in Q1, if you could tell us what was the segment margins?

Kailash Agarwal: Actually, the ECC business was very low in Quarter-1, it was hardly 12 crores and 172 crores was meter business, so basically there was little losses in ECC business, because the fixed expenses were high, otherwise metering business, there is a margin of around 15.5 to 16% in metering business, EBITDA margin.

Sanjeev Zarbade: We were like earlier guiding about 10% to 12% EBITDA margin in the ECC, so does that kind of...?

Kailash Agarwal: That will be there basically from the second quarter, it will be looking like 10% to 12% margin in ECC business also because there will be a good execution in second quarter from ECC business also and coming quarters, there will be a good execution from ECC business.

Sanjeev Zarbade: This EBITDA margins that you are guiding, does that include other income which we show in the quarterly numbers, is that inclusive of other income?

- Kailash Agarwal:** Basically yes, it will be inclusive of that.
- Sanjeev Zarbade:** The EBITDA margins are inclusive of other income, that is what you are saying?
- Kailash Agarwal:** When you talk about metering business, it is metering business only, when it is ECC, it is ECC business also, other income is separately done there.
- Sanjeev Zarbade:** You will be adding back other income after EBITDA that is what I am trying to ask, exclusive of other income, EBITDA margin, we are giving?
- Kailash Agarwal:** Yes.
- Sanjeev Zarbade:** Lastly, on the guidance regarding revenues, we were saying that we could achieve around FY16 revenues in meters, which was around 750 odd crore, I guess, so does that outlook stays?
- Kailash Agarwal:** Yes, that outlook stays, you will see the order book, you will see the performance of first quarter, it will be there.
- Sanjeev Zarbade:** Because the first quarter growth was again it has been subdued, so in the next three quarters you will have to really pick up the momentum?
- Kailash Agarwal:** Basically, you will see that a lot of orders have started coming, you will see that the strengthening of metering order book is also there and also there is a tendency of tenders of around 25 million meters pending there, which has to come in and order has to be finalized. In any case, we are maintaining our market share, we are maintaining our market share last year also and we will be maintaining our market share this year also, so if the order flow will be there, there will not be any issues in execution of the 16 numbers.
- Sanjeev Zarbade:** Sir, regarding order intake, what kind of order intake we are estimating for FY18 on the meter side?
- Kailash Agarwal:** As already I told you that there is pending tenders as on today is around 25 million meters, so basically all will be finalized within say coming 3 to 6 months, so basically a good order flow, we are maintaining our market share of 25% to 27%, so it will be like that only.
- Moderator:** Thank you. We take the next question from the line of Manish Goyal from ENAM Holdings. Please go ahead.
- Manish Goyal:** Sir, you just mentioned that the pending tenders are for 25 million meters, so would it be possible to give a breakup between the standard meter and the smart meters?
- Jitendra Agarwal:** The exact breakup, I would not have, but smart meters will be to the tune of 6 to 7 million.

- Manish Goyal:** This 6 to 7 million what you are mentioning is based on the initial comment you made was with the new tenders which we are already seeing across many states?
- Jitendra Agarwal:** Yes.
- Manish Goyal:** The EESL tender which is floated for 5 million , is it included in this 6 to 7 million?
- Jitendra Agarwal:** Yes, it is included.
- Manish Goyal:** What is the kind of these meters tender which is being floated like what could be the price range for these meters, Sir?
- Jitendra Agarwal:** It is very difficult for me to talk on the price range right now, at the end of the day that is confidential in business also, so I do not think I can speak on that...
- Manish Goyal:** Maybe if you can say the type of smart meters?
- Jitendra Agarwal:** EESL tender is a GSM/GPRS based meters and the other smart meter tender are radiofrequency based meters, so the prices will be different. EESL is coming up even with a more appropriate technology.
- Manish Goyal:** Ideally, today the price would be what for this GSM meters?
- Jitendra Agarwal:** GSM meters single phase meters pricing would be anywhere in the range of 4000 to 5000.
- Manish Goyal:** On the FY18 for entire year as per our last discussion on the call with Mr. Kailash Agarwal, the revenues which were stated was around 850 to 875 crores and an EBITDA of 120 to 130 crores, so do we maintain these numbers, Sir?
- Kailash Agarwal:** On meters as I told you, meters and ECC business revenue we are maintaining and basically EBITDA numbers also we are maintaining, now it depends how the rates come because as I told you there were lot of tender pending, now we have to just work on that, how the rates are coming for smart meters and all.
- Manish Goyal:** Sir, when we say 700 to 725 crores revenue from meters, it would mean how many million meters sales, we are looking at?
- Jitendra Agarwal:** It completely depends on kind of meters we are supplying, but on an average you can say 6 to 7 million meters.
- Manish Goyal:** Sir, if you can talk a little bit about your exports business, how is it shaping, how is the pipeline and what is the visibility over there?

- Jitendra Agarwal:** On the export side, we are focusing on some 4 to 5 countries primarily and we are seeing some good traction happening, so I am sure last time I do not know when some people met me, we have done a good breakthrough SSN in Singapore, so it is a good breakthrough for the company and good breakthrough happening in the Middle East and African countries, so I would see a good traction in the export business in the times to come, a very good traction will come.
- Manish Goyal:** Sir, how much exports revenue can we expect in the current year?
- Jitendra Agarwal:** We have been very, very I would say conservative in speaking of the figures because we are still not done so great historically, so I do not want to commit on something, but anything in the range of 50 will be surely doing it.
- Moderator:** Thank you. We take the next question from the line of Jaisheel Garg from Way2Wealth. Please go ahead.
- Jaisheel Garg:** Sir, just want to know how many meters we sold this quarter?
- Kailash Agarwal:** Jaisheel, I do not have that number, right now.
- Moderator:** Thank you. We take the next question from the line of Devam Modi from Equirus Securities. Please go ahead.
- Devam Modi:** Sir, to begin with couple of bookkeeping questions, what is the current working capital situation and the current debt position, if you can share that?
- Kailash Agarwal:** Current debt basically is 176 crores, out of that 14 crores is the long-term debt and if we talk about net debt, that is around 19 crores.
- Devam Modi:** What would be the current working capital position in terms of receivables and inventory as of June?
- Kailash Agarwal:** Basically, it has been reduced by a little as you will see the debt position also, because debt on March 31st was around 220 crores and now it is 176 crores, so our working capital cycle has little bit reduced from that level.
- Devam Modi:** Are we seeing any chances of improvement in working capital cycle because of the SEBs being in a better position and we also diversifying our revenues more apart from SEBs and other revenues?
- Kailash Agarwal:** I think it will improve, certainly it will improve like the tenders like EESL tenders, these are the Central Government tenders and all the payment terms are good in these tenders, so there may be an improvement in working capital cycle, but just we will be able to know that once it

will start coming in, maybe after one or two quarters, I will be in a better situation to tell about this.

Devam Modi: Sir, what is the expected CAPEX in FY18?

Kailash Agarwal: It is normal, whatever normal CAPEX will be there, there is nothing big CAPEX or any expansion we are going on, already we have put our Guwahati plant, which has taken production last year only and all expenses have been taken last year, so there will not be any big CAPEX this year.

Devam Modi: Sir, we mentioned that we are looking at around 700 to 725 crores revenues from meters, so does that include the 50 crore export target?

Kailash Agarwal: Yes.

Devam Modi: What kind of exports did you manage last year in FY17?

Kailash Agarwal: FY17, it was a very little export, hardly 2% of the total revenue was there, 1.5% of the total revenue.

Devam Modi: Sir, finally in terms of new business opportunities, I mean we have been seeing a lot of talk happening on smart meters, prepaid meters, net meters, and also to an extent something on gas meters also going on, so how are we positioned over here and which segment do we see really picking up in the coming year or two?

Jitendra Agarwal: There have been lot of talks as you rightly mentioned about these things, so now we are very well positioned. If you see our position is best in terms of smart meters in the country, and also for the prepayment meters, we are the only company or probably may be one of the very, very few companies who have complete range of smart meters, so we are one company which is doing all kind of technological smart meters whether it is GSM, GPRS or RF or 6LowPAN or canopy based, and we have done integrations in all the major communication providers in the world who have established in India, so that way we are very well positioned when it comes to smart meters. For prepayment meter also, we are one of those very, very few companies who have online and off-line, both kind of prepayment meters, so we are able to cater to all the segments in prepayment meters and same is with the net meters. Today also, we have the largest installed base of net meters in the country for single phase and three phase, so that means we are very well placed and all these opportunities are surely going to be very well utilized by Genus, no doubt about that.

Devam Modi: Sir, if you could just mention the key states which are lining up for CAPEX on the smart meter and prepayment meter front?

Jitendra Agarwal: The key states which are working right now, of course, EESL has come up with a tender which is for Haryana in the UP, Maharashtra is seriously looking for smart meters. All the private utilities like CESC, Reliance, Tata, CESC has already moved ahead with a good roll out of smart meters and others are also following up with them and every state with some quantity, it is growing out of the smart meter, every state is compulsorily going anywhere from 10,000 to 50,000 to 100,000 smart meters to see the used case, there is a traction almost everywhere in the country for smart meters.

Moderator: Thank you. We take the next question from the line of Akhand Pratap Singh from Way2Wealth. Please go ahead.

Akhand Pratap Singh: Sir, my question is on the IT and communication platform side, actually Tata distribution is investing around 200 crores in setting up the IT and commutation platform and after that it wants to come out with the new order on smart meters, so wanted to know which states have developed that platform so that there can be two-way communications, what is the major purpose of the smart power or is that the only reason due to which the orders are now coming in a big way?

Jitendra Agarwal: There are two things into it, it is not that you have to develop this much in advance, what Tata is doing the same thing apply CESC of Bharatpur and Kota, so when it comes to smart meters there are multiple technologies being used. Tata has gone for a canopy kind of a RF resolution. The EESL is thinking of going for GPRS, GSM, which already has lot of communications network available and then you can use the public platform for the network of communication and you can use your own, like what Tata is doing or what CESC is doing, they are creating their own radiofrequency network in the city, so it completely depends on the company, the way they want to go about IT and communication, so it depends on the utility, how they want to do it and you do not so much of time to do that. Today, if you decide, this is the way I want to go for the IT and communication, you do not need a year or 2 to establish that, you can do it much, much faster.

Moderator: Thank you. We take the next question from the line of Jaisheel Garg from Way2Wealth. Please go ahead.

Jaisheel Garg: Sir, just wanted to understand once again the breakup of this revenue into two segments, ECC and meters this quarter?

Kailash Agarwal: This quarter, 172 crores is meters and 12 crores is ECC.

Jaisheel Garg: Sir, my second question is regarding actually, we have expanded our capacity to North Indian state also, so what are the synergies we expect in the company from this?

- Kailash Agarwal:** Basically, it is North-East states, but that is a lot of tax benefit for next 10 years is there. Our Haridwar unit, which was in Uttaranchal, the tax benefit is going to finish in 2019. Basically, it is an expansion of tax benefit for the company till 2027.
- Jaisheel Garg:** With the same capacity or we are expanding the capacity there?
- Kailash Agarwal:** We can expand capacity there also if required.
- Jaisheel Garg:** Currently, we have 1 Cr capacity?
- Kailash Agarwal:** Yes.
- Moderator:** Thank you. We take the next question from the line of Rishi Bhuptani, an Individual Investor. Please go ahead.
- Rishi Bhuptani:** Sir, I would just like to ask you a couple of questions, my first question will be our current total capacity is around 10 million, does this include our Guwahati, the Assam plant capacity as well and if not, then what will be our total capacity including that plant?
- Kailash Agarwal:** Basically, when we say capacity 10 million meters or 1 crore meters, it can be 1.1 or it can be 0.9, basically it is more of assembling type of business. After all technology, after all your product and all, it is more of a SMB, so increasing and decreasing the capacity is not, you can treat it as 10 million meters capacity or you can treat it as 11 million meters capacity, that does not make a very big difference.
- Rishi Bhuptani:** Okay, but it includes the new plant as well, Assam plant, right?
- Kailash Agarwal:** Yes.
- Rishi Bhuptani:** Last question will be, what will be our capacity utilization for FY18 and FY19?
- Kailash Agarwal:** In terms of numbers, it will be around 60% to 70%.
- Rishi Bhuptani:** It will be the same for '18 and '19?
- Kailash Agarwal:** Yes, it will be the same because the number of smart meters will increase, so revenue will increase, but the numbers will remain same.
- Moderator:** Thank you. As there are no further questions from the participants, I would now like to hand the conference over to Mr. Kailash Agarwal for closing comments.
- Kailash Agarwal:** I thank you all for making your time and getting about the company and we are sure everybody that whatever we say will be doing that and the company will be doing very good in coming quarters. Thank you.



*Genus Power Infrastructure Ltd.
August 22, 2017*

Moderator: Thank you very much, Sir. Ladies and Gentlemen, on behalf of Genus Power Infrastructure Ltd., that concludes this conference. Thank you for joining us and you may now disconnect your lines.