



“Genus Power Infrastructure Limited Q3 FY18
Earnings Conference Call”

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Moderator: Ladies and gentlemen good day and welcome to the Genus Power Infrastructure Limited Q3 FY18 Earnings Conference Call.

This conference call may contain forward-looking statements about the company which are based on the beliefs, opinion and expectation of the company as on date of this call. These statements are not the guarantees of future performance and involve risks 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 '*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Kailash Agarwal – Vice Chairman from Genus Power Infrastructure Limited. Thank you and over to you sir.

Kailash Agarwal: A very good afternoon ladies and gentlemen, a warm welcome to the Q3 FY18 Earnings Call for Genus. Along with me is Mr. Jitendra Agarwal, who is Joint Managing Director of the company and SGA, our Investor Relation Advisor. We have witnessed a good momentum under smart meters as well as in regular meters also and there are very good and healthy ongoing tenders. Recently, we had informed we have bagged good order from EESL and there are lot of other tenders coming from EESL as well. This particular quarter we did a turnover of around 200.19 crores against 166.3 for the last quarter with the EBITDA of 20.11 crores against 15.81 crores in last quarter and PAT stood at 13.22 against 8.93 of the last quarter. The order book at end of Quarter 3 stood at Rs. 1163 crores against 773 crores in Quarter 2.

Basically, I would like to say that there is a big demand coming in metering which includes both regular meters and smart meters. There has been a drop in EBITDA margin, however It's up in comparison to last quarter but against our projections So I would like to clarify one or two things on that, so first thing is Basically, we all know that from 1st of July we are in the GST regime. As you all know Basically, Genus is producing mostly of its meters and doing mostly of its revenue from the tax-free holiday zones like Haridwar, Guwahati and all. And still the government is not clear on those areas that how they will reimburse benefits that the companies were getting before GST regime and VAT and excise duty. Still there is uncertainty on that and we are just waiting their clearance on that and some of the industries have moved to court also. There is no doubt was that it will be cleared very soon, and government has to give it and lots of thousands of industries have suffered with this and with many-many bigger stakes then Genus is there. So that is approximately impacting us with a margin of 2.5% on the difference of GST what we are paying an earlier what exemption we were getting. So that has created a big impact on the PAT of the company and we are very hopeful that it will be very soon resolved either by the government which is also working on that or the court because it's a genuine claim of all the industries and lot of people are suffered with that. There is a little spurt in raw material prices also. There is Basically, some plastic dana price has little spurt on that, so that has overall impacted on the margins of the company. Otherwise if you see from the last quarter, from

September quarter, there is a jump of almost 1.3% in the PAT of the company. Basically, as I told you in the last con call also that last quarter was weak because of GST, some orders we could not revise on that and I committed that there will be the improvement in the coming quarters and we have started in that improvement. Basically, only difference is the GST and that I think will be sorted out very soon. And we will be reaching to the same levels. Now I welcome the questions.

Moderator: Thank you very much. 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: On the margin front, are we tapering down our future margin guidance that the margins will be close to 10% to 12% is what we are estimating post the era of GST or are we again expecting that margins will return back to 15%-16%, will GST report in our metering segment?

Kailash Agarwal: As I told you that now earlier if you see the track from first quarter to second quarter, second quarter to third-quarter that we are improving on the margins and there is certainly impact of GST on that. We don't know that when it will be cleared, it may be cleared in one month or it may take another one quarter for that. But we are very-very 100% sure that it has to be cleared because Basically, it's a given thing to the government and on the basis of that the people have put the industry there. The margins may be impacted because of the raw material, might be a little down in the margins with 1%-1.5% because of raw material thing. Otherwise we are intact on the margins and future coming orders if we talk about future coming orders we will pass on these raw material impacts also on those tenders and we will give pricing accordingly. So we are very hopeful to maintain the margins.

Tarang Bhanushali: But if the order is on the favorable side for us, so will we see some reversal of this and some one time impact or favorable impact going forward because we have already taken the hit but if the court gives an order in our favor so will we see some reversal in that case?

Kailash Agarwal: I could not get you, will you please come again?

Tarang Bhanushali: Since we are not taking the benefit of the excise free zone and all right now and if the court case if the industries get a favorable judgment for them so will we see this reversal coming back in Q4 or whenever the announcement comes in our favor is?

Kailash Agarwal: Yeah it can come from Q4 and whenever it will come it will be retrospective.

Tarang Bhanushali: So there will be a one-time benefit of the reversal of the hit we have taken in Q2?

Kailash Agarwal: Yes.

Tarang Bhanushali: On the raw material side, so now whatever orders we have we will see this margin pressure of plastic dana being witnessed and the margin somewhere will be impacted by a percent or so?

- Kailash Agarwal:** Basically, whatever order book we have, we have a fixed price orders. There is no price escalation clause in this. If it don't comeback there will be impact...
- Tarang Bhanushali:** On the ordering side if we remove the large order of smart meters then the orders for this quarter have been subdued at the 150 crores and we have been talking of strong order pipeline from the start of the year but we have not seen the orders coming through. So what is the order pipeline right now and what do you expect in Q4, what are the orders expected, orders to be announced...?
- Jitendra Agarwal:** What I understood that you are asking what kind of order book we are expecting in Quarter 4?
- Tarang Bhanushali:** Yes and how many orders have we bid at the current date?
- Jitendra Agarwal:** At the current date there is a bidding done to the tune of 4,000+ crores. So there is lot of traction in the market, lot of tenders are running in the market. So there is no dearth of traction and it is very difficult to speak on the specific number that this kind of order book we expect in Quarter 4 or the first quarter of next year. But it will be very healthy for sure.
- Tarang Bhanushali:** Are we favorably placed in some of the orders?
- Jitendra Agarwal:** Yeah lot of orders we are very favorably placed. You are seeing the order book of 1163; it is the order book as on 1st of January. We have booked reasonably good orders in January also which is much more than what we have sold in January so that is only improving.
- Tarang Bhanushali:** So you are saying that we have bid for the orders worth of 4000 crores and the outcome was that we expected.
- Jitendra Agarwal:** Total 4000 crores worth of tenders are in the market, out of that 1800 is already bid and around 2000-2500 will be bid in next 2-3 months.
- Moderator:** We take the next question from the line of Devam Modi from Equirus Securities. Please go ahead.
- Devam Modi:** What is the breakup between revenue and order book for meters in ECC?
- Kailash Agarwal:** Revenue for this particular quarter is 168 crores for meters and 32 crores for ECC and order in hand is 986 crores for meters and 177 crores for ECC.
- Devam Modi:** Basically, wanted to understand on the market outlook front, so we understand this metering market was around 2.5 crores to 3 crore units and around 3500 crores in FY16 and then it had collapsed in FY17. Now going ahead we are clearly hearing that in the next five years probably there will be replacement of 25 crores units and that would roughly be at least 1500 to 2000 crores unit even its price moderates over a period of time. So would we be correct in assuming

that this market can Basically, go from even a normal state of 3000 to 4000 crores to 7000 to 8000 crores on an average in the next five years, each year?

Kailash Agarwal: Yes we don't feel any doubt. You will see that right now as Jitendra told that we already have tenders of 4000 crores, we have bided for 1800 crores, there are pending so we have 2200 crores. So Basically, you can very well assume that there can be a big spurt in the market size.

Devam Modi: And this all replacement what we are talking of that is the 25 crores EESL program, this will only be mainly related to Brown field demand or there will also be some Greenfield demand related to housing for all that will be covered over year?

Jitendra Agarwal: There will be lot of Greenfield demand. As on date if you will see the total consumer base in India for metering point is more than 30 crores, put all kind of metering points in the country and there is lot of new metering points coming up because we are a developing country and lot of population is also increasing. So by all means this will only increase.

Devam Modi: So Basically, you are saying this 25 crores will be for phase of five years and then there will be a gradual more demand which will come in and then there will be more Greenfield also which will get added over in this 25 crores?

Jitendra Agarwal: 25 crores will be Greenfield and replacement both. This is the target of the government and if you will see the way demand side management needs to be done for the power sector for the distribution companies; this is a must to be done.

Devam Modi: Basically, on the margin side Kailash ji mentioned that our margins have been impacted by 2.5% because of the GST the issue. He also mentioned that spurt in raw materials have hurt our margin, what is the amount by which that has impacted our margins?

Kailash Agarwal: Due to raw material or what you are saying?

Devam Modi: By the spurt in raw material would have hurt our margin for how much?

Kailash Agarwal: I told you that is around 1% – 1.5%.

Devam Modi: You're Basically, saying that our margins are probably around 3% to 3.5% lower than what it would usually be in the normal situations as usual scenario?

Kailash Agarwal: All things together it is around 4%.

Devam Modi: So we can easily do 15% to 16% margins in the business as usual situation over here in the metering side.

Kailash Agarwal: In meters.

Devam Modi: How are we going ahead on the net metering front in terms of renewables and all and how is it looking over there from a longer-term perspective?

Jitendra Agarwal: Net metering front we are already there. We are a one stop shop for any kind of electricity metering, so we are doing net metering and most of this smart meter will automatically come with a inbuilt net meter feature so that is already there.

Devam Modi: You have also mentioned regarding exports, so any breakthroughs on the export front and what would be your guidance on the exports front from the next one-year?

Jitendra Agarwal: One of the major good news is we have got a repeat order from Singapore Power, so that is a very good news for the company that shows that a developed nation like Singapore is accepting a smart meter from Genus and giving a repeat order is a clear cut testimony of your quality and service which is a very good sign in times to come. There is lot of traction on exports happening in different parts of the world and in different markets. So I am very-very positive on the export market in times to come, beyond that I don't think I can reveal on customers for sure. I can't do that.

Kailash Agarwal: I can add to that, that in first quarter we did around 2.24 crores with export and second quarter it was 5.72 crores and third quarter it is 13.16 crores, so Basically, that is increasing. Our order book is also increasing; right now our order book for export is 38.54 crores

Devam Modi: So finally just your view on I mean we do have this product on gas metering which we have been hearing of, so how do you expect that market to take off and what are the developments you are seeing over there?

Jitendra Agarwal: On that particular front first time we have started supplying commercially. Though it is a very small number but we have recently supplied around 1500 gas meters to a commercial company which is a gas distributor which is a good sign, so it is taking a traction. Right now we are chasing good 400,000 gas meters tender and I'm quite hopeful that will give a very good traction to Genus on gas metering front in next financial year. It will take it, so it will not build overnight but yes it is on the right track.

Devam Modi: And on gas meter front who is your key competitor?

Jitendra Agarwal: Key competitors will be RPG Raychem and most of the companies are importing like Itron and one name I'm just forgetting. So RPG Raychem is a domestic major competitor and Itron is one major international competitor and there is one more company I'm just unable to spell the name.

Moderator: We take the next question from the line of Balchandra Shinde from Anand Rathi. Please go ahead.

- Balchandra Shinde:** Regarding our smart meters and single phase and three phase meters ordering when we say that we will see a good order jump in smart metering, will our other than single phase meters ordering will show a dip or will it off-set or we see equal growth in that ordering also?
- Jitendra Agarwal:** It will surely see a dip over a period of time because what is a smart meter, it is the same meter which is used in your electronic meter. It is getting converted to a smart meter. So over a period of time you will see the complete metering will shift from this regular communication-based meters to smart meters.
- Balchandra Shinde:** Our realization is obviously better in smart meters than these single phase meters, almost twice or four times of those then over a period of time sales value will keep on growing as compared to volume or will our single phase meters ordering sales mix will come down to around 40%-50% or it will continue to stay in the range of 80%-90%?
- Jitendra Agarwal:** The mix will change from a normal single phase meter which we are selling primarily right now will surely see a dip and a smart meters will see increase in comparison to that.
- Balchandra Shinde:** Are our facilities fungible to manufacture both single phase meters and smart meters?
- Jitendra Agarwal:** Yes.
- Balchandra Shinde:** So currently we have around 65 lakh meter capacity.
- Kailash Agarwal:** Currently we have 10 million meters capacity.
- Balchandra Shinde:** By when do you expect to achieve an optimal utilization in these facilities because right now also we have got 13.5 lakhs orders which I think will get executed it is over next two years, right?
- Jitendra Agarwal:** Three years.
- Balchandra Shinde:** An original ordering for single phase meters will also continue which I think is around in the range of around 51-52 lakhs?
- Jitendra Agarwal:** Yeah.
- Balchandra Shinde:** By when we expect more EESL orders to reach optimal utilization and will it help us to achieve a better double-digit margins?
- Jitendra Agarwal:** What I have understood is that you are asking from me that there is a change from normal single-phase meter to a smart matter?
- Balchandra Shinde:** Yeah.

- Jitendra Agarwal:** This is surely going to happen and since the smart meters the top-line and bottom-line both will be impacted positively because they are more expensive products. It has an inbuilt communication facility, so it will surely have a positive impact on the company. And your third question is on the utilization of the capacity?
- Balchandra Shinde:** Yeah.
- Jitendra Agarwal:** Currently if you see we have not fully utilized but the meter business have some spurts. So you have to be always ready with a capacity where you are able to make use of the top-line whenever needed. So what is happening currently is that yes, your capacity is not fully utilized but you are ready to take care of all these spurts in the times to come. And I am seeing this spurt happening immediately now, so you will see] in the coming months of Feb-March-April-May, I am seeing this capacity utilization at a much better position than what has happened in the last 3-4 months.
- Kailash Agarwal:** And I add to that that increasing capacity in this business is not a challenge. Basically, it's more of a technology driven business, the more the R&D and more of the technology things are there. So adding capacity is a matter of one or two quarters
- Jitendra Agarwal:** Genus as a company has the capability which we have built over the year. We have very strong R&D technological set up and very good backward and forward integration. So for us to improve on the capacity or increase on the capacity is I am sure our turnaround is by far the best in the industry today.
- Balchandra Shinde:** The kind of success which we showed in this EESL order like we were the only recognized player who got 13.5 lakh meters order, so do we expect to continue and what kind of a technological advantage we have than any other peer?
- Jitendra Agarwal:** We are ahead of them. We are working very closely with the customer making sure that the need of a customer is taken care. That was one of the prime reasons we were able to do win this bid in comparison to any other peer company.
- Balchandra Shinde:** But isn't there a threat from a bigger players like L&T, ABB, Siemens to participate if the actual ordering size will increase by around 2-3 crores kind of a meter?
- Jitendra Agarwal:** L&T was already there, it's not this is happening today. Meter business has seen lot of growth over the year in the past also. So ABB and all they are not into this business, so there is absolutely no threat and they have been tried this in the past and they could not do it. So you can't say it is impossible for anybody to do it at the end of the day when one can do it the other can also do it but how much focused he is and how much committed he is to this business is important thing. And L&T is already there in the market, so we have been competing with L&T from last two decades and we have been ahead of them all.

- Kailash Agarwal:** Additionally I would add that L&T was L1 earlier and then in reverse bidding and all they could not match the things, so Basically, we don't feel that there is any threat from these type of players and all.
- Balchandra Shinde:** So we continue to maintain that we can maintain a market share in the coming orders?
- Kailash Agarwal:** If there is a 10 million meters EESL tender coming in, we are the most active in that right now also.
- Balchandra Shinde:** By when we can expect that 10 million?
- Jitendra Agarwal:** That will take some time because there are lot of amendments happening on the technical specifications. So if everything goes in a very quick manner even then this financial year it gets decided I have my doubts.
- Moderator:** We take the next question from the line of Tejas Sheth from Reliance Mutual Fund. Please go ahead.
- Tejas Sheth:** On the EESL tender, how is the RM cost, is it a pass through or it needs to be absorbed by the company?
- Kailash Agarwal:** It needs to be absorbed by us; there is no escalation I told earlier also.
- Jitendra Agarwal:** There is no price variation clause. There is no PV clause; it's a fixed price tender.
- Tejas Sheth:** The current meter order book is Rs. 990 crores broadly you mentioned and of that apart from the EESL order in that the balance orders are on the legacy pricing side would that be a fair assumption?
- Jitendra Agarwal:** There are lot of meters in that which are smart meters also so it's not that they are all simple single phase and three phase or LT CT meters.
- Tejas Sheth:** What I mean is if I remove the EESL order from the current order book.
- Jitendra Agarwal:** Exactly I was speaking the same thing what you have asked, so if you remove this 450 crores out of this 990, so remaining 550 crores order book it is not purely single phase or three phase regular running meter, it has orders of smart meters also and it has orders of meters with installation and servicing. So it is not legacy pricing.
- Tejas Sheth:** So that order book will not be getting impacted by the rising raw material prices?
- Jitendra Agarwal:** In what sense because at the end of the day plastic dana is being used in any meter you produce. But that is a phase which comes and goes by, so I don't see this is something very extraordinary or abnormal which is going to happen.

- Tejas Sheth:** On your fixed cost side we have seen increase in your employee cost for this whole year by 27% for the nine-months, would the employee cost now be a base of around 21 to 22 crores and won't increase further?
- Kailash Agarwal:** It will be at the same level what you see in three quarters. It will be almost at the same levels.
- Tejas Sheth:** On this GST impact which you mentioned on the tax side, can you tell me the quantum of amount if the reversal happens what could be the quantum of amount which we could receive?
- Kailash Agarwal:** That is to calculate separately I don't have the numbers right now. I can just tell you in the percentage that it is impacting us almost around 2.5% because of the GST things and all. So what exactly in terms of money it will come that we have to calculate.
- Tejas Sheth:** Whatever the meter order or meter revenue booked for nine months of that 2.5% we should take?
- Jitendra Agarwal:** Not nine months, six months.
- Tejas Sheth:** Q2 and Q3?
- Jitendra Agarwal:** Yeah.
- Moderator:** We take the next question from the line of Dipen Shah, individual investor. Please go ahead.
- Dipen Shah:** If you can just give us a breakup of the margins in the third quarter between meters and the ECC business?
- Kailash Agarwal:** Right now I have the consolidated numbers, I don't have the numbers. Basically, you can say it's almost the same because meters business there is a down in the margins and ECC might be around 8%-9% but I don't have the separate numbers right now.
- Dipen Shah:** And in the last quarter we had indicated that third-quarter will contain the impact on margins because of about 50 crores of revenues where you have not got the escalation clause and in the current quarter you were mentioning there is some other issue because of GST, so are these two separate issues or is it the same issue?
- Kailash Agarwal:** These two are totally separate issues. Basically, as we told that there is no price variation clauses in our tender and when GST was there. So Basically, earlier our total cost of taxes were around 13%-14% and GST that has come is 18%, so Basically, it was the fight for that because these are the government taxes. So we were fighting with electricity boards that you have to pass on these, so some agreed and some didn't agree, so this is one matter. And second matter is what exemptions in taxes we were getting at the exempted area. So Basically, those two matters our total separate matters.
- Dipen Shah:** So this exemption matter was also is prevailing in the previous quarter?

- Jitendra Agarwal:** Yes it was.
- Moderator:** Next question is from the line of Giriraj Daga from KM Vesaria Family Trust. Please go ahead.
- Giriraj Daga:** Just a question on this raw material part like we don't hedge any or we don't book anything at the time from we get the revenues, is it an open contract, right?
- Kailash Agarwal:** Yes.
- Giriraj Daga:** And normally the raw material from what percentage of our overall revenue may smart meter side if I have to look at?
- Kailash Agarwal:** I could not get your voice.
- Giriraj Daga:** What would be the raw material cost as a percentage of revenue for a smart meter?
- Jitendra Agarwal:** It depends on tender to tender. When you say smart meter, we are selling smart meters to eight different customers with eight different specifications and their different needs, commercial terms and conditions.
- Giriraj Daga:** You would be maintaining that like on a smart meter we can do similar to what we have been doing in the particular EESL order what we have been doing so far, 15%-16%-17% margin and meters we will be maintaining similar guidance on that order also?
- Jitendra Agarwal:** Sure.
- Moderator:** We take the next question is from the line of Tarang Bhanushali from IIFL Wealth. Please go ahead.
- Tarang Bhanushali:** Now on the revenue side you had mentioned that we would clock somewhere close to our FY16 levels on the metering side but since our first nine months performance has been quite subdued, so still we maintain that revenue guidance view or are you taken any doubt?
- Kailash Agarwal:** No, Basically, it's not the subdued. These are the net numbers, earlier whatever till first quarter of this financial year it was including the taxes and all. Now after the GST these are the net numbers.
- Tarang Bhanushali:** On a like-to-like basis what would be our growth in the first nine months?
- Kailash Agarwal:** Last year we did total revenue of around 653 crores. That was including all taxes. This year it will be you can say around 800 crores or something like that. So net off you can just calculate.
- Tarang Bhanushali:** You are saying 800 crores, so that would almost be a jump of 50% to 60% in YOY in our fourth quarter?

- Kailash Agarwal:** Yes.
- Tarang Bhanushali:** So are we maintaining that in the Q4 or we would be able to do (50%) YOY growth in our revenues?
- Kailash Agarwal:** We are talking about a revenue 250 crores net for Quarter 4, so Basically, it will be around that 40% or something.
- Moderator:** Next question is from the line of Kunal Shah from Niveshaay. Please go ahead.
- Kunal Shah:** Can you tell me what is the total industry capacity at the present on our meters?
- Jitendra Agarwal:** Industry capacity is around 330 million this is 3 or 3.10 crores.
- Kunal Shah:** Regarding the production of smart meters, is there any productivity impact like the number of hours use to make smart meters and normal meters.
- Jitendra Agarwal:** Smart meters is a much more complicated and difficult product so it makes a difference.
- Kunal Shah:** So how much will it impact production capacity, net optimum capacity utilization?
- Jitendra Agarwal:** One thing we have to understand that we are in a custom-built product business, so if you say these capacities then we say 10 million meters. We put together the complete gamut of meters and we take into account that generally 50% of the meters will be the normal meters, 30% will be three phased, LT CT meters, 20% will be smart meters this is how we calculate the overall capacity. If you will ask me what is the capacity if I have to make a simple single phase meter of KWH reading, Genus can make even 20 million meters. But that cannot be said as the capacity of Genus. It's a very custom based business. There are multiple products made at the same time in one manufacturing unit, so every line is different.
- Kunal Shah:** We have so much investment in mutual fund and the non-current investments. Is there any additional CAPEX and what is the company planning to do with such an amount?
- Kailash Agarwal:** Basically, that is invested because right now company is in no need of additional funds and all there we are positive cash flows in our cash flows. So basically, I think that will solve our purpose for our additional revenues and all
- Kunal Shah:** What will be the normal price we can expect like minimum price of the smart meter with the minimum specification and the margin we can expect from them?
- Jitendra Agarwal:** Again, as I said it's a very custom-built product and when we say smart meters there are multiple type of smart meters being sold. So we are selling a smart meter at Rs. 4000 and we are selling a smart meter in Rs. 25,000. It's a very different product and both are called smart meters. But it is very difficult for me to tell you what is the base price of a smart meter.

- Kunal Shah:** I have turned around one product called Smart Box that was launched by Madhya Pradesh Poorva Kshetra Vidyut Nigam, is it a substitute of our smart meters?
- Jitendra Agarwal:** Are you talking about the group meter which is like one box has nine meters?
- Kunal Shah:** Yes.
- Jitendra Agarwal:** That is only Genus product. We are the only company who is doing this with MP Board. So if they are calling it a Smart Box I don't know. But Genus is the only company which is doing these kind of group meters with MP Board, Noida Power and many companies.
- Moderator:** We take the next question is from the line of Manish Goyal from Enam Holding. Please go ahead.
- Manish Goyal:** On revenue side in current year how much revenue we expect from ECC, out of it hundred crores?
- Kailash Agarwal:** Basically, till now we have done a revenue of around 74 crores from ECC and it will be another 35-40 crores.
- Manish Goyal:** So you will still have another roughly 130 to 140 crores of carry forward order book for the next year?
- Kailash Agarwal:** Yes.
- Manish Goyal:** In current year we haven't booked any fresh orders on ECC side.
- Jitendra Agarwal:** We have not booked any order.
- Manish Goyal:** For Quarter 4 when we are expecting 250 crores of revenues, what kind of EBITDA margin can we expect as compared to Quarter 3 we have seen 10% and excluding the other income.
- Kailash Agarwal:** Basically, if you see from third quarter to fourth quarter, there is an improvement of around 1.3% PAT, I am talking about PAT or if you talk about EBITDA – it is around 0.5%-0.6%. So Basically, you will certainly see some improvements on that but all depend on this GST thing. If this is resolved then you can see a very handsome improvement on that. So there will be improvements on the margins in the fourth quarter, there is no doubt on that.
- Manish Goyal:** When we say clarity in terms of clarity on the excise-free zone what we are expecting?
- Jitendra Agarwal:** On the excise-free zone.
- Manish Goyal:** So currently whatever we are supplying we are paying duty and factoring or how is it?

- Kailash Agarwal:** We are paying all duty whatever the government has we have to pay. We are not getting any exemption on that.
- Manish Goyal:** That clarity can help us recoup some of the lost margins?
- Kailash Agarwal:** Yeah.
- Manish Goyal:** For next year what kind of revenue we expect because now probably we will start the supplies of the EESL tender as well for 13.5 lakh smart meters, so what kind of revenue we can expect for next year?
- Kailash Agarwal:** We will be having a very handsome growth; we are already making our budgets and all. So next couple of days those will be finalized then I cannot comment on that.
- Manish Goyal:** Can we expect because this year also ideally we are seeing 25% to 30% growth on the top line so can we expect similar number next year because the tender pipeline is also quite strong?
- Kailash Agarwal:** Basically, you can see that there is order book of 1163 crores already, so on the order book and the whole year is there for almost 14 months is there for getting the order, so you can just expect on that.
- Moderator:** We take the next question from the line of Jayesh Gandhi from Harshad Gandhi Securities. Please go ahead.
- Jayesh Gandhi:** Continuing from the earlier caller's query, I think last year we had closer to around 15% EBITDA margin and this year we are doing 10.5% or 11% so what is our endeavor? Will we see next year or year after that 15% margin or this is a new normal?
- Kailash Agarwal:** No, Basically, you see that last year it was 13.2% margins not 15% margin put blended together. As more smart meters will be coming we can reach to a level from 15% that is 100% possible.
- Jayesh Gandhi:** So the order which we got from EESL, is it across generation, transmission and distribution and residential or only residential?
- Jitendra Agarwal:** It is only distribution. When I say distribution it is not necessary it is residential, it can be commercial also.
- Jayesh Gandhi:** I'm talking about the order which you got from EESL.
- Jitendra Agarwal:** I'm talking of that only, the EESL order is primarily distribution side of it. So when I say distribution, distribution side is commercial also. It is not only residential.

Jayesh Gandhi: Why I'm asking the question is because probably if I am understanding it correctly residential means smart meters for residential application per unit revenue from that might be lower than what transmission and distribution might be yielding and generation might be yielding.

Jitendra Agarwal: Primarily you will have to understand that smart meter is a replacement of normal meter, first thing. Second thing, smart meter is a two-way communication which gives an authority to the distribution sector to plan their demand side management that is why everybody is going for smart meters. And when you say it is only for residential or it is only for commercial that's not fact and the kind of meters bought. They have not only bought single phase meters, they have also bought three phase and LT CT meters in this complete 13.5 lakh meters if you will see, it is not only single phase. It is single phase, three phase and LT CT meters. LT CT meters and smart meters they can even used in industries.

Jayesh Gandhi: Pardon me because I am not a technical person.

Jitendra Agarwal: That is why I'm saying these meters are only for distribution, it is not for transmission and generation. By the way for transmission and generation the numbers are very-very small. So if you will see overall in the country 99.5% meters being used in the distribution--not only in India across the globe, there are very few meters you need in generation not transmission. Primarily you need meters for distribution only.

Jayesh Gandhi: For example there is a distributor who is giving you an order for 1 lakh meters, so that order is for fitting it into the residential or commercial?

Jitendra Agarwal: When we say distributor is the person who is distributing electricity to the country. In this case the UP Board is distributing electricity in UP and they are distributing electricity to each and every person who uses electricity in UP, whether it is commercial, residential, transmission or generation. They are our customers, so you can call them as a distributor of electricity. They are the distributor of electricity and they will be using these meters all across.

Jayesh Gandhi: Apart from L&T who is our close competitor who can be L1 or L2?

Jitendra Agarwal: In what?

Jayesh Gandhi: In the EESL orders?

Jitendra Agarwal: In EESL it was only the two other order takers by government companies. In the regular meet ringside there were only three companies who bidded in this tender, Genus, L&T and HPL. HPL was way-way behind the pricing, so they were not even invited for the reverse bidding. L&T was out in the reverse bidding.

Moderator: Next question is from the line of Tarang Bhanushali from IIFL Wealth. Please go ahead.

- Tarang Bhanushali:** Now on the orders we have already won, so have we built in the benefit of the excise when we have bid and even the execution of the current orders will be impacted because if we don't get the favorable orders then the whole order book will be impacted because of that or the recent orders where we have bid in we have not taken the benefit of the excise benefits in our margins?
- Kailash Agarwal:** Basically, it is a long process, these are almost 4-5 months process. So all orders that have been bid or the order book for the tenders which we have already bid 4-5 months back, it contains we have taken the margins of exemptions and all. But we are 100% sure that this will be a order in favor of us, so government can't do any play in that.
- Tarang Bhanushali:** On the debt side, at the end of Q2 we had witnessed that the working capital cycle had elongated for us. So has that eased out or are we at similar levels of Q2?
- Kailash Agarwal:** Basically, you cannot make it on quarter-to-quarter basis. It all depends, there might be some supplies at the end of the quarter, there might be some supplies in the start of the quarter. So if you put together it's almost the same, there is no change in working capital cycle. It was same as it was in FY16 or FY17 or right now.
- Tarang Bhanushali:** Because what we had inferred since the market is improving so we might see our disabled is coming down, so do we still hold that belief that going forward we will see our receivable days coming down or we will have similar levels to what we have seen in the past?
- Kailash Agarwal:** Basically, it's very difficult to say, it all depends on the health of electricity boards and all. At least it won't work that we can say.
- Moderator:** Thank you. That was the last question. I now hand the floor over to Mr. Kailash Agarwal for his closing comments.
- Kailash Agarwal:** I thank you all for sparing the time for Conference Call of Genus Power. We assure you that we will be growing very well as we have committed. Thank you to all.
- Jitendra Agarwal:** Thank everybody.
- Moderator:** Thank you very much. Ladies and gentlemen on behalf of Genus Power Infrastructure Limited that concludes this conference. Thank you for joining us, you may now disconnect your lines.