



“Genus Power Infrastructure Q2 & H1 FY-18 Earnings
Conference Call”

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**MANAGEMENT: MR. KAILASH AGARWAL – VICE CHAIRMAN, GENUS
POWER INFRASTRUCTURE
MR. JITENDRA AGARWAL – JOINT MANAGING
DIRECTOR, GENUS POWER INFRASTRUCTURE**

Moderator: Ladies and gentlemen, good day, and welcome to Genus Power Infrastructure Q2 and H1 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 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 * and then 0 on your touchtone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Kailash Agarwal, Vice Chairman, Genus Power Infrastructures Limited. Thank you, and over to you, sir.

Kailash Agarwal: Good afternoon - all. With me, Mr. Jitendra Agarwal, Joint Managing Director of the company and Mr. Rahul, our SGA Investor Relation Advisor is also with us. I welcome you all in quarter two FY '18 earning call, in which company had posted a revenue of 166 crores, with an EBITDA of 15.81 crores and a PAT of 8.93 crores. The sales for half year FY '18 stood at 349.07 crores, a growth of around 11.1% with an EBITDA of 37.71 crores and a PAT of 23.16 crores.

Regarding the industry, I would like to say that the metering industry is doing very good. A lot of orders are coming and lot of work is going on. But there might be a little disappointing results of this particular quarter, which might our investors must be feeling because of the revenue and some downfall in the EBITDA margins and the PAT margins. This is mainly because of this change in tax regime. I want to clarify that as we all know that there is a change in tax regime from excise and VAT to GST.

On our product, there was an excise duty of around 12% and a CST of 1% from our Uttaranchal plant and all and from Jaipur plant, it was a CST of 2%. So approximately our cost of taxes was around 14% and in GST, it has come to 18%. Generally, our orders are of fixed nature with our customers like electricity boards and others, in which we give them material on the FOR basis, where the basic price plus taxes plus their transportation costs and everything is included in our and then we quote on the tender.

We fought with all our customers because there is a change in taxes and all. And some of them agreed on our request and changed our POs and some did not agree. So mainly, that is the main reason in the drop of EBITDA margins and the drop of revenue for this particular quarter. The month of July was totally washed out with no revenues almost, very little revenues because of this change in orders and we have to take revised POs from the boards and our customers. And in some of the cases, where they did not revise the PO, we have to take a hit of almost 4% to 5% on our margins because of old orders and all. So that is the main reason, where this revenue and EBITDA margins are impacted. Otherwise, the margins are intact and going forward, hardly I think 50 crores orders are remaining, where we don't have still revised POs and all and where we have to take another hit of this 4%-5%. Otherwise, all has been executed in this particular

quarter. And we are having a very good order book right now. You can see our order book basically, which consist of meters, last quarter it was 432 crores and now it is 540 crores. So you can see the business of the meter is growing like anything. A lot of things are happening and a lot of orders are coming, lot of tenders are coming. So basically, it's just a matter of one quarter and we will be doing good in the coming quarters.

Now, I can take the calls, I and Jitendra, who is looking after all the marketing and day-to-day scenarios of the Genus, we are here to take your calls.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin with the question-and-answer session. We take the first question from the line of Giriraj Daga from K M Visaria Family Trust. Please go ahead.

Giriraj Daga: A couple of questions from my side. First on the normal like, break-up, when you gave on the order book and revenue. If you can help us with the meter and EPC for the quarter book-wise and revenue-wise?

Kailash Agarwal: The revenue for meters is 136 crores and 30 crores is from ECC. And when I say order book, it is 233 crores from ECC and 540 crores from meters.

Giriraj Daga: Rs. 230 and Rs. 540 crores. What was this, I think maybe ECC revenue has gone up substantially now, as we were expecting. ECC revenue has gone up in last two quarter, as...

Kailash Agarwal: Yes. ECC revenue is going up and it will be better in coming quarters also.

Giriraj Daga: Okay. Second question is on the margin, what you said. Just as a broad percentage, how many customers agreed for that price revision as a percentage? Or what worth of orders agreed for price percentage?

Jitendra Agarwal: Most of the customers agreed to barring it except two, three states, primarily Uttar Pradesh didn't agree, Tamil Nadu didn't agree. And we were having a good chunk of orders from them and Kerala didn't agree, there were three prime customers, who didn't agree for the revision of taxes because of which we had to take this hit.

Giriraj Daga: Okay. If I can just a bit could I make, what kind of credit we are getting or input credit, guys, so that I can understand you are paying additionally 4%. Are we getting any credit, input credit post-GST coming in?

Kailash Agarwal: Okay. Basically, we are getting an input credit also, but that difference whatever is between the GST and earlier we were paying is 4% to 5%.

Giriraj Daga: Okay. That is after taking into the input credit balance also?

Kailash Agarwal: Yes.

- Giriraj Daga:** Okay. The next question is related to our new order like, now, we have talked about the L2 and as per the media order, what we are hearing that the L2 should get about 30% of the order and the prices has come down to about 2510 around, which was earlier 2722. So what were your thoughts on the margins? And how do you see the picture, how do you see the price? What is your thought on that?
- Jitendra Agarwal:** These were part of the reverse auction and since these prices were practically workable that is the prime reason we have been into in the bit. So we have done our homework very well. We exactly know where we are and one of most positive thing that I can see personally out of this particular contract that now it has a right price for the right product. Now, I can see a lot of volumes coming in, with the success of this big. We will see a lot of volumes coming in because any impractical prices, other smart meters would have completely distorted the whole benefit or the whole conversion from normal meters to smart meters. Surely, margins are better in this particular kind of meters than the normal meters what we do normally.
- Giriraj Daga:** But you said margins are lower or if I say...
- Jitendra Agarwal:** They are better than the normal meters, what we are doing right now.
- Giriraj Daga:** So normally, we guide about 16%-17%. So you are believing that this order will have better margin from 16%-17%?
- Jitendra Agarwal:** Yes.
- Giriraj Daga:** And you are as confident about getting 15 lakh worth of orders?
- Jitendra Agarwal:** Logically, we should.
- Giriraj Daga:** Have we got any communication from the EESL so far or no?
- Jitendra Agarwal:** Yes. Just one week back, they connected with us and they had a long discussion with us because they also see we are the most competent company in the space to do this successfully. So a lot of communication is happening between us and them. And they have taken an official price matching letter from us. So they are moving pretty fast, so I'm hoping things should materialize in times to come.
- Moderator:** Thank you. We take the next question from the line of Deepesh Agarwal from UTI Mutual Fund. Please go ahead.
- Deepesh Agarwal:** Can you quantify the amount in absolute terms, the hit which you have taken because of transition from erstwhile tax regime to GST?
- Kailash Agarwal:** Basically, we can give the approximate numbers right now. The total order from these three, four states, which Jitendra recently has told you is around 200 crores, not even 200 crores, maybe

190 crores or something like that. And there is a hit of 4% to 5% on that. So absolute numbers there can be, these are the approximate numbers.

Deepesh Agarwal: So roughly 8 crores to 10 crores?

Kailash Agarwal: Yes.

Moderator: Thank you. We take the next question from the line of Tarang Bhanushali from IIFL Wealth. Please go ahead.

Tarang Bhanushali: Sir, on the smart meter side, you said that our margins will be better. But considering the bids, the market looks quite tight. Initially, we were selling it at around 4,000 to 4,500 and now we have come down to 2,500 and even you are seeing margins will be better. So can you, sir, put some more light on this?

Jitendra Agarwal: Yes. Margins will be better from the current kind of meters what we are selling because that has primarily got quite commoditized. So when the smart meters have come into the frame, surely it will improve from the current kind of products what we do, that is what I said. And when we are saying that smart meter, what we were selling for 4,000 or 4,500, the volume was so less. So because of that the raw material prices are also on the very high rate. So once the good volumes have come in the market, so surely your raw material prices have also gone down significantly.

Kailash Agarwal: And secondly, one thing we would want to add that, when we say Rs. 4,000, it is including all taxes, all transportation and everything. And here I think JK this 2,561 is...

Jitendra Agarwal: The landed price is Rs. 3,000.

Kailash Agarwal: Landed price is Rs. 3,000. So actual price in comparison to 4,000 is 3,000, not 2,500.

Tarang Bhanushali: Okay. And sir, you said still 50 crores of the un-exhibited portion is from three states and are we in conversation with these three utilities? So will there be any reversal going forward or we do not expect any?

Jitendra Agarwal: No, the decision has already been taken. There will be no reversal from them. The decision has already been taken. So we were fighting with them for almost a month or month and a half, but there were business reasons that we have accepted it and the decision is already taken, so no reversal is possible.

Kailash Agarwal: And they are big states, we cannot fight with them. We have to get more business from them also, in future also.

Tarang Bhanushali: Okay. And sir on the smart meter side, now with UP and Haryana, the bids have happened. So are we expecting any major state to again announce auctions on this side?

- Jitendra Agarwal:** Telangana and Andhra Pradesh are taking lot of steps towards this direction. And slowly and gradually, I see almost every state across the country will be moving towards this. Everybody wants to taste the success of this first.
- Tarang Bhanushali:** And will they go through the same EESL route or we expect them to order individually?
- Jitendra Agarwal:** I really don't know right now.
- Kailash Agarwal:** Both the things are possible.
- Jitendra Agarwal:** Both will be possible.
- Kailash Agarwal:** It is not necessary that they will come through EESL, they might be coming directly also.
- Tarang Bhanushali:** Okay. And sir, we have been here reading news that EESL would be procuring it and giving it on a lease to the utilities. So is that model still applicable or there is some...?
- Jitendra Agarwal:** It is the model. EESL would be doing, yes, because they have already done tie-ups with UP and Haryana state governments. And they will be giving them on the lease model.
- Tarang Bhanushali:** And sir, of this 773 crores of order book, now that doesn't include smart meters. So what would be the current order book post this smart..?
- Jitendra Agarwal:** The 773 does include some smart meters and not from the EESL.
- Tarang Bhanushali:** So what would be the size of orders we have finally received from EESL now, what would be the order size?
- Jitendra Agarwal:** If we received, then we'll pay around between 450 crores to 500 crores, the value of the order.
- Moderator:** Thank you. We take the next question from the line of Devam Modi from Equirus Securities. Please go ahead.
- Devam Modi:** So how much revenue did we do wherein we were impacted by 4% to 5% under recovery this quarter?
- Kailash Agarwal:** Last quarter, all revenue was like that only. As I told you that the total order which has not been accepted is around 190 crores and out of which, 130 crores has been executed in last quarter, and approximately 50 crores is remaining for this quarter.
- Devam Modi:** So basically, all the three SEBs that we mentioned UP, Kerala and Tamil Nadu, all three only 50 crore order now remains, basically those are the only three SEBs wherein we have a problem with the pass-through of this 4% to 5%.
- Kailash Agarwal:** Most of the orders are in there. There might be some smaller others also.

Devam Modi: And sir, generally to understand this particular thing because in all contracts, we see change of clause is a very normal contractual clause. Now if this kind of an onerous clause is there, then would it mean that if there is any such event which happens, the price is only fixed and we will never get a pass-through like in any other situation also? I mean, because it's very draconian clause as such for a contract.

Kailash Agarwal: Most of the contracts are like this only. We participate as a fixed price contract. But this was because done by the government and all customers are government customers and they understand the taxes problem and all, so most of them agreed, but few states did not agree.

Devam Modi: So sir, on the metering products side, where do you see prepaid metering as a concept going? And how much order growth do you see happening on the prepaid metering front?

Jitendra Agarwal: If you will see this current kind of a smart meter, which are coming in the foray, they can be used for both the purposes in the long run. So if there will be a two-way communication meters, it is quite possible that can be used for the prepayment meter. It has not yet started, but maybe a lot of utilities are already talking in this language also. And for Manipur kind of standalone prepayment meter, yes, utilities are going ahead with those kind of products also on need basis. Recently, we have received a 50,000 prepayment meters order from UP. So which they will be using for all the government connection. So both kind of meters will be in the foray. Standalone prepayment meters also and two-way communication meters also.

Devam Modi: Okay. And sir, finally, like, what would be currently sort of the bids, which are open in terms of million units of meters or the open live bids?

Jitendra Agarwal: In terms of value?

Devam Modi: Yes, in terms of value and volume, in terms of how many...

Jitendra Agarwal: So in terms of value, they are around 1,100 crores of bids which are not including EESL bid into it. These are the bids which are from state electricity boards, almost 11 crore and 12 crores bids which are already being submitted. So either the sample testing is going on or the evaluation of the bids is going on. That is around 1,150 crores. Almost 1,000 crores bids are in the market, which will be bid over the next two to three months. So that is the open window right now. And I am not including EESL bids when I say these numbers.

Devam Modi: Correct. So basically if I get it right, you are saying 1,100 crores of bids have already been done and you're awaiting the announcements over the 1,000 crore bids are to be paid still, so 2,100 crore still is to be done?

Jitendra Agarwal: Yes.

Devam Modi: Okay. And also sir, so in this generally, if we have to say, which would be the dominant SEBs over here in this 2,100 crores of bids?

- Jitendra Agarwal:** Dominant SEBs, if you will see across all India, all the SEBs because the last year everybody moved very slow on metering. Almost every utility is very aggressive on metering right now. So if you have to select top five, it will be UP, Maharashtra, Rajasthan, I think these will be top three, yes. UP, Rajasthan and Maharashtra.
- Devam Modi:** Okay. And sir, when we see the hotel program, we are seeing a lot of focus on feeder metering and distribution transformer metering. So over there, have you seen an increase in our order book also on that front and which are the three states that we've seen to mention over there?
- Jitendra Agarwal:** The order book has not increased, but there is lot of inquiries that are in the market for feeder metering and the DT metering, which will surely help our margins also in the times to come. We think there is a major bid that has come from Maharashtra on the distribution transformer metering. So these bids are also now taking good shape and coming out in the market.
- Devam Modi:** But still now, we have not received orders on this front you are saying?
- Jitendra Agarwal:** Small kits and bids orders we keep on getting, nothing is major. On single bid, I would say like 40 crores or 50 crores, nothing like that.
- Moderator:** Thank you. We take the next question from the line of Manish Goyal from ENAM Holdings. Please go ahead.
- Manish Goyal:** Sir, a couple of questions on the EESL tender. So by when do you think we should be officially getting the order, sir?
- Jitendra Agarwal:** I'm expecting it by mid of December.
- Manish Goyal:** Mid of December. And when...
- Kailash Agarwal:** That might take some more time. You know it's a government organization.
- Manish Goyal:** Okay. So probably next couple of months that is how we should take? And the supplies would be over what is the timeframe where you will probably have to supply these meters?
- Jitendra Agarwal:** We have to start the supplies after three months from the date of confirmed purchase order.
- Manish Goyal:** But how long will it continue, sir?
- Jitendra Agarwal:** This contract is going to be a three years contract.
- Manish Goyal:** Three-year contract, okay.
- Jitendra Agarwal:** Yes.
- Manish Goyal:** Okay. And what would be the payment term, sir?

- Jitendra Agarwal:** Payments terms would be 60% on the supply of material within 30 days. 30% in three months after the integration is done. And remaining 10% in five year, 2% per year.
- Manish Goyal:** Okay. 60% in the one month?
- Jitendra Agarwal:** Yes.
- Manish Goyal:** And 30% in three months.
- Jitendra Agarwal:** Three months, yes.
- Manish Goyal:** And the balance 10%?
- Jitendra Agarwal:** 10% in 2% per year in five year.
- Manish Goyal:** Over five years. Okay. Basically, this is like a retention money.
- Jitendra Agarwal:** Yes.
- Manish Goyal:** So this can't be given in LC, sir?
- Jitendra Agarwal:** No government gives LC.
- Manish Goyal:** Sir, second question on the EEC, we have executed 30 crores revenue. So is it at EBITDA level profitable for us or we have incurred some loss in EEC revenue?
- Kailash Agarwal:** No, EEC revenue, now we have become profitable, there is no loss in that. And certainly, the more revenue we will be doing in coming quarters, it will be increasing. Once we will cross a level, we will be getting EBITDA levels of around 10% and ECC also.
- Manish Goyal:** So now with almost six months through, sir, what is the kind of revenue booking we can expect from EESL, sir?
- Jitendra Agarwal:** EESL? ECC.
- Manish Goyal:** Sorry, ECC. In FY '18, what kind of revenue we can book, sir?
- Kailash Agarwal:** Total revenue what we are expecting from this division is around 150 crores.
- Manish Goyal:** Okay. So on 150 crores, we should be able to get 10% EBITDA margin.
- Kailash Agarwal:** From whatever we will be executing in next two quarters because first quarter, we didn't execute much and this quarter also it was 30 crores only. So barring that whatever we will be doing in next coming quarters, two quarters, we will be making on that.

- Manish Goyal:** Sure. And sir, on the full year guidance, earlier we have guided for 825 crores to 875 crores of revenue in FY '18. So do we maintain that number, sir?
- Jitendra Agarwal:** Yes. Surely.
- Kailash Agarwal:** We do maintain that number, but one thing we have to be very clear on that that whatever numbers we have given in this quarter also that is net of GST. Earlier whatever number we were giving were including the taxes and all.
- Manish Goyal:** So adjusted for that, basically we will probably achieve the kind of growth we were earlier targeting?
- Kailash Agarwal:** Yes.
- Manish Goyal:** And on EBITDA, sir, because earlier we were looking at around 15% EBITDA margin. So with quarter two, we have reported lower margin. Should we be able to recoup the loss of quarter two margins in quarter three and quarter four, sir?
- Kailash Agarwal:** We may try, but at least whatever we are expecting, we will get that margin in three and four. Regarding recouping, we have to see that what volumes we can do, if we can achieve some more volumes what we are expecting & what we have targeted. We might recoup that also, but all depends if we go from a targeted revenue some upper side on that.
- Manish Goyal:** And this 1,150 crores bids, which we have placed, these are for regular standard meters or this include smart meters as well, sir?
- Jitendra Agarwal:** Mostly regular meter.
- Moderator:** Thank you. We take the next question from the line of Sanjeev Zarbade from Kotak Securities. Please go ahead.
- Sanjeev Zarbade:** Yes, sir. My question was on the EBITDA margins in meters in the second quarter because I just wanted to know what margins we did at the EBITDA level for meters. And also, now we have the foresight of that 50 crore of orders are there, on which we don't have price revision. So what kind of margins are available in the third quarter in meters, if you could give us some guidance, some idea of that?
- Kailash Agarwal:** Basically, in this particular quarter, we have done a turnover of around 130 crores on meters. So as I told you, there is a hit of 4% to 5% on that. So if we would have got the revision of these POs, that must have been an additional margin on the EBITDA. And same in the third quarter on that 50 crores we will be losing around 2 crores to 2.5 crores. So that will be depending on whatever turnover we do in third quarter, it will be minus of that 2 crores or 2.5 crores.
- Sanjeev Zarbade:** So entire 50 crores will get executed in the third quarter, is that?

- Kailash Agarwal:** Yes.
- Jitendra Agarwal:** We will finish all these orders in next quarter for sure.
- Sanjeev Zarbade:** Okay. And sir, the delivery of smart meters for the Rajasthan franchisee projects was also expected to begin from the third quarter and we expected some margin benefit to accrue from that, what is the scenario as you see now?
- Jitendra Agarwal:** So basically, they have already started the deployment. They have already deployed around 12,000 meters. So it completely depends on the speed of the deployment of the utility. So they have already taken 30,000 meters from us. And in 30,000 meters, I include the month of October and till 14th November, so I don't know in last quarter out of those 30,000 how much has gone. So they are ramping up their speed and these are the good months for the installation, November, December, Jan, Feb because of winter season. I am sure this will pick up significantly by the utility. So these numbers will come.
- Sanjeev Zarbade:** I was saying that since the earlier guidance that we had given was based on that we would be achieving around FY '16 kind of revenues in FY '18, but that FY '16 was including of the excise and all. Now in the changed regime, you're saying that since it's net of GST, so in Q3 and Q4, can 200 crore and 250 crore odd turnover or 450 crore H2 revenue is achievable?
- Jitendra Agarwal:** Yes. 450 crores including GST or without GST?
- Sanjeev Zarbade:** Net of GST, I think. Whatever is reported at the revenue level...
- Kailash Agarwal:** Even if you calculate that, we have given targets of 875 crores and we are talking about 349 we have done and 450 you're asking, so it comes to 800 crores. So almost we will be able to reach these levels around the net levels because first quarter was basically including all taxes and all. So they have an impact on three quarters. So 800 crores, approximately, to that level, we will be able to reach on that.
- Sanjeev Zarbade:** And sir, in our most recent interaction with the management, we were told like the meters order book is itself 700 crore. Now, like, we have reported total order book of 773 crores. So is there something that I am not reading properly or is there any miscommunication in that?
- Kailash Agarwal:** Basically we have in opening of last quarter, there was an order book of 708 crores, out of which 276 crores was ECC and 432 crores was meters. And this quarter, in starting it is 233 crores ECC and 540 crores meter. So there is an increase of 100 crores in meters order. So there might be some misunderstanding-.
- Sanjeev Zarbade:** Okay. And sir, just one question on the balance sheet side. Our trade payables have increased substantially, and good thing is that the borrowings have reduced from 218 crore to 159 crore. So how's the cash flow from operations during the first half?

- Kailash Agarwal:** Cash flow is positive because basically there is some decrease in debt- and there are some other incomes also which has come in the cash flows.
- Sanjeev Zarbade:** Okay. So this borrowings of 159 crore, do you see it coming down further as we progress?
- Kailash Agarwal:** No, basically, now, if you see the net off cash and all, the borrowings is almost zero because company is sitting on a cash of that. Now, basically when the business increase and if we get EESL type of orders, there will be some more cash flows involved. So there won't be a decrease, but it won't increase from these levels.
- Sanjeev Zarbade:** Okay. And sir, any further progress on the export side where we are looking to ramp up revenues?
- Jitendra Agarwal:** The current export order that is the only one, which we will be executing in this financial year, which I shared in the last con-call also, so there is no change form that, yes.
- Sanjeev Zarbade:** So exports, what would be the kind of revenues we would do in this...?
- Jitendra Agarwal:** So we expect to do the revenues of minimum 30 crores and maximum 50 crores in this financial year from the exports.
- Moderator:** Thank you. We take the next question from the line of Jaisheel Garg from Way2Wealth. Please go ahead.
- Jaisheel Garg:** Sir, can you throw some light on export orders?
- Jitendra Agarwal:** In what sense?
- Jaisheel Garg:** About the status of any export orders you got it this quarter?
- Jitendra Agarwal:** This particular quarter, I already shared last time, that no new orders have come in this quarter. Yes.
- Jaisheel Garg:** Okay. No new orders. Sir, my next question regarding is any another vertical you're looking for apart from this electrical utilities, like gas meters and even sir any positive announcements you're seeking from the government or approvals?
- Jitendra Agarwal:** As a company, we have already been working on the gas meters, and the product is already on the trials because gas meter is one product, which has to go through lot of trials and lot of pilot projects before we can launch it full-fledged in the market. So you will see dealers gas meters in the market pretty soon.
- Jaisheel Garg:** Means by next quarter or, sir, next year?

- Jitendra Agarwal:** Let's say by start of next financial year because a lot of approvals, we are already on the job and we recently did a pilot of 50 gas meters in one of the utilities in Mathura. So we are already on the job for it.
- Moderator:** Thank you. We take the next question from the line of Pankaj Kothari from Nideshaay. Please go ahead.
- Pankaj Kothari:** I have question regarding the competitive scenario. How do you see the competition for Chinese products and especially overseas players like Landis+Gyr?
- Jitendra Agarwal:** Chinese products, they have been threat for the last 15, 20 years, but we have been countering that very successfully because Indian specification are very different than what is sold all across the globe, especially in China. The kind of comfortable features we need and the kind of changes we need to do state-to-state, so that will be always not easy for them to compete with the Indian market. When it comes to companies like Landis+Gyr, they have been in this industry for the last 10, 12 years and we have been maintaining a very good lead. We are much ahead of them, almost 15 years now, so I don't see any reason of they are coming closer to us. However, they have been going down in the recent times.
- Pankaj Kothari:** That's clear. And sir, regarding the EESL order, it was mentioned that L1 orders was **better in margin**. Can you tell me how much margin was there between the two orders? Was there any vast difference or what?
- Jitendra Agarwal:** See, in the reverse auction there was not much difference, they were L1, we were L2. So there was not much difference between L1 and L2 after the reverse auction. It was very low, like Rs. 5 crores in EBITDA of 1,700 crores.
- Pankaj Kothari:** Now I want clarification regarding, like you get meters order, do you get , ECC orders along with that meters or do you get different, like standalone meters order different from ECC orders?
- Jitendra Agarwal:** Yes. ECC orders are different from the meters orders. These are two separate divisions.
- Moderator:** Thank you. We take the next question from the line of Ashi Anand from Allegro Capital Advisors. Please go ahead.
- Ashi Anand:** My question is actually with relation to the competitive scenario. I understand that we have 27% of the meter market and approximately. I just wanted to understand who would the number two and number three player be? And with a lot of the market now moving towards EESL tenders, do you see our market share under potential threat because of the shift towards EESL tender system?
- Jitendra Agarwal:** Yes. Top five companies if I have to name in this scenario would be Secure Meters, Larsen & Toubro, Landis+Gyr, HPL. So I would say these are the next four companies, major players in

the metering segment. I don't see a threat to our market share in the near future. If we do our work properly, I don't see threat in our market share. We're very confident of maintaining it.

Kailash Agarwal: We get 30% of EESL order. So that is more than our market share.

Ashi Anand: Okay, fine. And in terms of assembling specifically at smart meters, who would the number two and number three player be?

Jitendra Agarwal: Smart meters is just a beginning clearly in a major frame. Otherwise, as such nobody else has done any major projects in the smart meters in India. So otherwise, those secured meters should be having a smart meter, Landis+Gyr has a smart meter. Nobody has done anything major in India, they have done internationally, but nothing great in India. So these are the 3-4 players who will be having a major role in the smart meters also in the times to come. Okay. We are the first one to do some projects or some major projects in India for smart meter.

Ashi Anand: Okay. And sir, just to understand, what percentage of the market currently, so if I am looking at say over the last couple of years, what percentage of say the total meter market would be smart meters and how do you see this changing say over the next 3 to 5 years?

Jitendra Agarwal: Lot of new bids will be coming for the smart meters, there is no doubt about it. Recently, Reliance has come up with a RFP of 2.3 million meters, they want to change every meter of their Mumbai DISCOM to smart meters and that is going to be the case for almost all the utilities in the times to come. Even Tata Power, Delhi is changing from all the regular meters to smart meters. So in the times to come, I see right now, there is no percentage, a smart meter percentage is very low. But in next financial year, next to next financial year, I see this growing exponentially. It will reach a level of 50%-50% in next 2 to 3 years maximum.

Ashi Anand: Okay. And right now, it would be how much in single-digits or how larger the penetration?

Jitendra Agarwal: Yes. Absolutely, single-digit.

Ashi Anand: Okay. So we're actually looking from a single-digit kind of a market towards say approximately 50% over 2 to 3 year period?

Jitendra Agarwal: Yes. For sure.

Ashi Anand: Okay. And how much would be the total meter market be?

Jitendra Agarwal: Number of meters or the value wise?

Ashi Anand: Say in number of meters or value, either?

Jitendra Agarwal: Value wise, it will grow exponentially because the smart meters prices are much higher than the regular meters. So for sure it will. And on an average in this country, there is a market of 25

million to 30 million meters, which also we see growing. Coming of smart meters, that number will also grow. Exponentially, it has to grow.

Ashi Anand: If I could just ask you, what would the average kind of price be for a normal meter and the average price for a smart meter?

Jitendra Agarwal: It is like asking an individual, what is the price of a shirt, you can buy a shirt for Rs. 500 also. You can buy a shirt for Rs. 5,000 also. So this is very custom built product.

Ashi Anand: Yes. But is it possible to give some kind of an average as in, I understand it obviously differs project-by-project?

Jitendra Agarwal: It's a very custom built product, but these are mostly sold I would say normal kw, single phase or three phase meter, the average would be Rs. 1,000 to Rs. 1,100 if I take these two only into consideration.

Ashi Anand: And smart meters would be anywhere between 2,500 to 3,000 or say 2,000?

Jitendra Agarwal: Smart meters will be, if I take single phase and three phase, the average would be around 4,000 at least, 4,000 to 4,500, yes.

Moderator: Thank you. We take the next question from the line of Arun Damodar Kedia, an Individual Investor. Please go ahead.

Arun Damodar Kedia: Yes, sir. I missed out on the EESL, may I know what is the value of that tender and how much percentage can we expect to get?

Jitendra Agarwal: The total value of that tender is 17,00 crores.

Arun Damodar Kedia: Okay. And we expected to get how much percentage of that?

Jitendra Agarwal: 30% of that.

Arun Damodar Kedia: 30% of that. And we will know about this by middle of December, end December?

Jitendra Agarwal: I'm expecting that should decide in by end of December, yes.

Moderator: Thank you. We take the next question from the line of Tarang Bhanushali from IIFL Wealth. Please go ahead.

Tarang Bhanushali: Sir, we saw your trade payables increase this first half. Are we expecting to remain at current levels or it's just a one-off and then we would get back to the levels we were at FY17?

Kailash Agarwal: I think this will remain at these levels only.

- Tarang Bhanushali:** Okay. And we will maintain our debt levels by the end of this year at current levels only at first half?
- Kailash Agarwal:** Yes, almost, we will be there.
- Moderator:** Thank you. We take the next question from the line of Giriraj Daga from KM Vesaria Family Trust. Please go ahead.
- Giriraj Daga:** Couple of follow-up. When you said you will be starting delivering from three months from the purchase order, would it be even across the next three years thereafter, like monthly?
- Jitendra Agarwal:** No, that is 40% in the first year, 40% in the second year, 20% in the third year. This is how the delivery schedule is divided.
- Giriraj Daga:** It is monthly or quarterly?
- Jitendra Agarwal:** No, it is monthly and once we start the deliveries, it will be monthly.
- Giriraj Daga:** Okay. My second question is, what kind of CAPEX you will have to do for this project now?
- Jitendra Agarwal:** No CAPEX, we don't have to do any CAPEX on plant and machinery for this particular. Very little if we have to do that little, which we can do from internal account.
- Giriraj Daga:** Okay. My third question is like, when you look at like say ITI, which I am not fully aware that whether they have manufacturing facility of meter. So how can they set-up a plant within 6 month or within 3 months?
- Jitendra Agarwal:** I have all my doubts that how they will supply these meters. Both the companies, which are L1 and L3, which are government bodies and they are loss making government companies and they have never sold a single meter. And straight away, they are coming to smart meters. So only time will tell how it fares up. I have all my doubts how they will be able to do this.
- Giriraj Daga:** Where as the Make in India like project, I believe the clause also is there. So you cannot import and supply, right?
- Jitendra Agarwal:** They can. They must be having some tie-ups internationally, I really don't know, but it is going to be very tough. I don't see these meters getting easily manufactured out of India also. They are very India specific kind of specification and surely not easy to be done internationally. Nobody does these kind of meters globally.
- Kailash Agarwal:** ITI in past have taken orders of other things also and they have miserably failed in that. I am not talking about meters, but other sectors, in some communication, telecommunication and all and they have miserably failed in that. So we hope the same from them in these meters also.

- Giriraj Daga:** Okay. You said the order book, like total order book of 1,700, and if I divide by 50, like it's come about Rs. 3,400. But when you look at the price, we see Rs. 2,500. So what is this difference, if you can explain?
- Jitendra Agarwal:** There are three phase meters also, there are LTCT meters also. And what price we are seeing is without box. So the reason I wanted to clarify earlier also when people say that 4,500 meter has become a 2,500 meter, it's actually a lot of confusion is there in the market. That Rs. 4,500 smart meters are including of all kind of taxes, freights and duties and it was including of box. If you compare that Rs. 4,500 meter, now the cost of the meter is Rs. 3,350.
- Giriraj Daga:** 3,350?
- Jitendra Agarwal:** It is actually 3,350 when you include the box, all the taxes and everything. And there is a quantity of three phase meters also, some quantity and there's some quantity of LT-CT meters also.
- Giriraj Daga:** What would be the price of three phase meter over and above the base price?
- Jitendra Agarwal:** Three phase meters of this will be Rs. 5,000.
- Giriraj Daga:** So as per the EESL order also, it is Rs. 5,000?
- Jitendra Agarwal:** Yes, EESL order, price only I'm telling you. It is around Rs. 5,000
- Giriraj Daga:** Comparable to 2,500 or 3,350?
- Jitendra Agarwal:** It is 3,350 for single phase.
- Giriraj Daga:** No, what I am saying when I was comparing 5,000, should I compare with the base price of 2,500 plus boxes?
- Jitendra Agarwal:** That is 3,350. 2,500 plus taxes, plus boxes plus taxes is total 3,350.
- Giriraj Daga:** Okay. You have in the press release mentioned about the CESC Kota order of 27 crores. This is over and above earlier order of 3 lakh units, right?
- Jitendra Agarwal:** That is, earlier they gave us a LOI of 2.5 lakh units, I don't know from when the figure of 3 lakhs.
- Giriraj Daga:** I was on the impression that we had a 3 lakh order from Kota about the smart meter?
- Jitendra Agarwal:** 2.5 lakh meters from Kota and Bharatpur from CESC.
- Giriraj Daga:** Okay. And their value is about 2,750 or...?

- Jitendra Agarwal:** No. This 2.5 lakh meters, LOI they gave us six months back. And now, they are giving us purchase order. So this 27 crores is the purchase order coming out of that LOI only. So when we say our order book like 773 crores, we don't include the value of LOI, we only include the value of confirmed purchase order.
- Giriraj Daga:** And what would be the number of pieces in this 2,750?
- Jitendra Agarwal:** Number of meters in this 27 crores?
- Giriraj Daga:** Yes.
- Jitendra Agarwal:** So one meter is almost Rs. 5,000.
- Giriraj Daga:** Okay. So roughly about 55,000 meter, if I'm not wrong then?
- Jitendra Agarwal:** Yes.
- Giriraj Daga:** And should we assume that they have given the rest of the order to someone else or they will be giving the small purchase order?
- Jitendra Agarwal:** No, their complete LOI is already given to Genus, the agreement has been done. But unless we receive the purchase order, we don't show it in our order book as a policy.
- Giriraj Daga:** Okay. The last thing, sir. It was bit surprising that when you look at that entire order book what we executed has not given us the price escalation because of this indirect taxes. So is it because that whenever we are going for the execution and payment wise that time they are saying, okay, we will not give and then for the remaining part of the orders, when we will go for them, they might also refuse to give this escalation?
- Jitendra Agarwal:** It is a major tax regime change, which doesn't happen. Historically, this has happened for the first time at least in front of me where the taxes have changed. And most of the utilities agreed to the change. Few of them, they got very adamant and we were also losing time. Some of the competitors agreed. So looking into the strategic relationship, strategic reasons rather than continuing fighting with them, we agreed for some of the orders, but sometimes in businesses you have to take strategic calls
- Giriraj Daga:** Sir, perfectly agree with this. What was more surprising was that all the orders where there was a low price escalation available was executed in last quarter, that was a bit surprising. I was believing that ratio should be equal on 190 crores on the basis of 430, so 40% of the order book or execution would be from the orders, so that was the surprising part. And second, we have got the...
- Jitendra Agarwal:** This is not surprising. I'll just answer you that also. It's a very good question what you've asked because that is the reason, if you will see in the month of July, the sale was very low. These were

the orders because our business is very custom built product, it's not that you get the order today and off the shelf you start supplying from tomorrow. So there is lot of work that happens prior to starting the supply. We need at least 6 to 8 weeks before we supply the material to our customer. That is why July went up very bad, because we were continuously in discussions with the customer that we will have to change our purchase orders. Few got changed, few didn't got changed, and there was lot of pressure from the customer for the delivery of materials, some strategic calls needed to be taken, that was the material available because that was the plant supplies in the month of August and September, that is the reason that has impacted us quite a lot in last quarter.

- Giriraj Daga:** Okay. So for the remaining book, we have secured letter of...?
- Jitendra Agarwal:** More or less, barring from 40 crores-50 crores business, everything has.
- Giriraj Daga:** 50 crores, excluding already but other than that 50 crores, all have given us a revised order?
- Jitendra Agarwal:** Some orders has come after the GST regime, so we have only accepted it, after it has been taken care. Some orders have been before that, which they have given us the 3.5%-4% change in tax amendments.
- Moderator:** Thank you. We take the next question from the line of Jayesh Gandhi from Harshad Gandhi Securities. Please go ahead.
- Jayesh Gandhi:** Sir, I have a question on the government orders that we get. I just want to understand what is the number of days in which we get the payment?
- Jitendra Agarwal:** It is every utility has a different payment cycle. So generally, the terms of contracts are 30 to 90 days, and dealing with the government department, yes, there are delays.
- Jayesh Gandhi:** So if we have delivered, say, 3 lakh meters on say 1st of April, so by what time do we get the payment? Is it a month or two-month or three-month?
- Kailash Agarwal:** It all depends on tender-to-tender; basically there is no fixed thing. Even a state can come with different payment terms on different tenders. So basically, you cannot say. The average working capital cycle is around 200 days, if we take for the whole company for the whole state for the whole orders, but we cannot specify with order-to-order.
- Jayesh Gandhi:** So I was just making a rough calculation. While you said that once you get an order, payment is like 60%, 30% and then 10% is retained by them which we...?
- Jitendra Agarwal:** That was for one particular order. Every order has different payment terms. But somebody asked me a specific tender of EESL and what is the payment terms of that particular tender, and I specifically mentioned the payment terms of that particular tender.

- Jayesh Gandhi:** Okay. So that's not the case with all, right?
- Jitendra Agarwal:** No, of course, every tender has different payment terms. Every customer has a different payment term.
- Jayesh Gandhi:** No, what I'm trying to understand is, do all of the utilities retain some 10% of ...?
- Jitendra Agarwal:** No. It is generally that we give them the guarantee and they have our bank guarantees.
- Kailash Agarwal:** And as they are paying in first 60% in 30 days and then next 30% in 90 days, so basically when we again go with this tender also even after retention and all, our working capital cycle will be almost same, when we make average of it.
- Jayesh Gandhi:** And so can you give me any roadmap on the debt, whether it's going to rise or fall in future?
- Kailash Agarwal:** No, basically it will remain, basically now we are on the growth path and we are expecting a lot of orders to submit, certainly it won't be. Right now on debt situation, we are net cash zero debt company basically. So I think most likely for this financial year, we will be at the same levels. Maybe next year, if we get big growth in numbers of meters and all, there might be a change.
- Jayesh Gandhi:** So that can be only in working capital, right, no long-term debt?
- Kailash Agarwal:** Yes, that will be in working capital only, no CAPEX and all. Yes.
- Jayesh Gandhi:** And what is the capacity utilization?
- Kailash Agarwal:** Capacity utilization, we are at 60% levels, last year it was 60%.
- Moderator:** Thank you. Ladies and gentlemen, 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:** Thank you ladies and gentlemen. I can assure you that meter industry is doing very good. It is growing like anything. As we already told you, there is 5 million meters, which has already come with EESL, EESL has again come with a 10 million meters EOI, they will be coming with the tenders very soon in that. Reliance has come with an EOI of 2.5 million meters. So lot of business is there, and already, as Jitendra told you that 2,100 crores meter already is in pipeline for bidding and where we have already bided. So we can assure you and this particular quarter, it was because of the tax regime. We can assure you that we will get our margins in coming quarters and we will get our targets done. Thank you very much.
- Moderator:** Thank you very much, sir. Ladies and gentlemen, on behalf of Genus Power Infrastructures Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.