



“Genus Power Infrastructure Limited Q2 and H1 FY19  
Earnings Conference Call”

**October 24, 2018**



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**Moderator:** Ladies and gentlemen, good day and welcome to the Genus Power Infrastructure Limited Q2 and H1 FY19 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 the 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 telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kailash Agarwal, Vice Chairman from Genus Power Infrastructure Limited. Thank you and over to you sir.

**Kailash Agarwal:** Good afternoon ladies and gentlemen, a very warm welcome to the earnings call of Genus Power Infrastructure Limited. Along with me, we have Mr. Jitendra Agarwal, Joint Managing Director of the company and SGA, our Investor Relation Advisor. The results and investor presentations are uploaded on the stock exchange and company website. I hope everybody had a chance to look at it.

We are pleased with our performance in the first half of FY19. Tender obtained from both SEB and EESL has grown rapidly. Business environment has remained positive despite challenges in raw material price, crude price, strengthening of dollar and many other things. Current bidding size of meter business is at all time high. We have maintained our leadership in the meter industry with a share of almost more than 25% and our current order book stands at 1400 crores net of taxes which is highest ever order book, company has ever achieved. With the meter order book of approximately 1200 crores of domestic meters, 100 crores of export orders and about 100 crores of ECC orders, put together is 1400 crores. We continued to focus on the export business and are witnessing good traction of orders from the same.

Our revenue for H1 from export business stood at 28 crores which was only 8 crores last financial year. Net revenue in financial year 19 first half stood at 33% higher at Rs. 462 crores against Rs. 349 crores in the same period corresponding year. Our robust manufacturing process and improving order execution cycle have helped us bring in operational efficiencies leading to expansion our operating margins for H1. EBITDA excluding the unrealized MTM FOREX loss stood at 57.2 crores for first half of financial year 19 with the margin of 12.4% against the margins of 10.6 in first half of financial year 18.

First half of financial year 19 witnessed an unrealized MTM FOREX loss of 4.8 crores against the gain of 0.7 crores in H1 FY18. Our finance cost has increased marginally due to better execution of orders and increasing bids for upcoming tenders. The supplies of EESL order have gathered pace during the quarter. We have recently won an order of Rs. 312 crores from state utility for implementation of advanced metering infrastructure including supply of 4.31 lakh smart meters. We are constantly working towards building operational efficiencies and better

orders and are therefore confident of continuous improvement in the performance over the coming quarters.

Now, I request the participants for question and answer.

**Moderator:** Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Ashi Anand from Allegro Capital Advisors. Please go ahead.

**Ashi Anand:** Actually the question was more with relation to the fact that in recent EESL tenders, we have seen new players coming up in the first set of tenders above the PSU players and I think in the latest tender, there were couple of Chinese bidders who would actually come up with L1 and L2, so just wanted your sense with relation to how we are seeing competitive and pricing dynamics play out in the market given the fact that these new players coming in and I think the power ministry has also spoken about wanting to bring down the price of the smart meter and they have spoken about something like Rs. 1400 per unit. So I just wanted to understand how this impacts us?

**Jitendra Agarwal:** These EESL tender, the three companies who become L1, L2, L3, all the three companies are Indian companies supported by the Chinese manufacturers. They have never supplied a single meter historically. They are all new companies. None of them is a metering company. We are really not sure because if you see last one year back when the government companies also came into foray like ITI, KEONICS and one startup Zen Meter, all these three companies are also supported by the Chinese manufacturers, but none of them has been more than one year and the PO released. None of them has given a single meter till now and the only reliable supplier to EESL right now is Genus only. So coming back to this new tender, this tender where these three Chinese companies of L1, L2 and L3, they have received the LOI 10 days back, almost 5 to 10 days, but till now the PBT is not submitted. So we are really not sure what is going to be the future of these supplies, even EESL is not very sure, only the time will tell.

To your second question does the government wants to owns meters at Rs. 1400, who wants to pay more as a buyer? That is the wish of the government or the wish of the customer. It will always be there. At the end of the day, any product price will be driven by the market and it has to be apple to apple comparison of the product. Till now, not a single Chinese smart meter has seen successful implementation in India. So, I have all my doubts and strongly feel that they cannot survive with this kind of price levels. If you see the Chinese market itself, it is much higher than these Indian prices. Historically also, Chinese has tried to be into the metering market of India, then they were never succeeded. I have all my doubts to the future of these supplies.

**Ashi Anand:** Sir, is it something we can do as a company in terms of the approaching the government for antidumping duty as against the Chinese meters. Ultimately, it is not serving the purpose either of the customer or of the country. Sir I just wanted to understand are we trying to lobby with the government for anti-dumping duties or with the EESL, seeing that these companies should not be allowed to participate or anything which is happening on that front?

**Jitendra Agarwal:** We are meeting with the government regularly as the industry body and the government is also listening to us very seriously about what are the pros and cons. Apart from the threat of price being lower, there is a very big threat of cyber security which the government is also realizing it. They are regularly having discussions & debates with understanding that what are the threats, not only in terms of pricing but also in terms of cyber security. Some duty portion has already been increased. They have already increased duty from 7.5% to almost 12.5 to 14% in different categories. So, government is also very serious about it and we are doubtful about their ability to supply meters.

**Kailash Agarwal:** I would like to add one more thing that these EESL meters are finally going to the states. EESL is not directly a consumer of these meters. If the quality and the prices are so good then why other states are directly going for the smart meter tenders. Like, we have recently got an order from Rajasthan for AMI smart meters. There are lot of tenders pending for smart meters from many other states. If it is a good price, we can get through EESL, why they are coming directly with tenders and giving far better prices. That is just because of the quality and they understand that they have burned their heads earlier by taking Chinese meters. So these states understand that but EESL right now doesn't understand and they will understand it in the coming time.

**Ashi Anand:** Sir just a quick followup if I may. On the states tenders that you have mentioned, who are the people competing in those tenders and this kind of Indian companies who have not supplied backed by Chinese companies. Are they prequalified in those states tender? Are they not able to bid?

**Jitendra Agarwal:** These tenders with the Chinese manufacturers can qualify. They are not being stopped for being part of it due to qualification. It is the very stringent requirement of the product and sample which the customer asks before the supplies. That is the reason. The EESL is buying a different technology, different people are buying different technology. So not necessary all these companies have all these technologies available with them. So these are the hindrances to be part of the government tenders in a state.

**Kailash Agarwal:** Secondly EESL don't take sample first but all states take sample first and then they are allowed to participate in the tenders. So that is very stringent criteria for the states department.

**Jitendra Agarwal:** There are 2 to 3 things what they do for smart meters, they do sample check and do the proof of concept. If EESL would have done the POC, none of these companies would qualified neither in last tender nor in this tender which is visible. Last tender orders were given 12 months ago, not a single meter is supplied. So these companies wouldn't be able to do proof of concept when they are unable to supply a single meter in 12 months after the confirmed purchase order.

**Moderator:** Thank you. The next question is from the line of Manish Goyal from Enam Holdings. Please go ahead.

**Manish Goyal:** Just to clarify on this EESL tender where Chinese players were L1, L2, L3, just wanted to know what is the status of that you did mention, but I missed on it?

- Jitendra Agarwal:** The LOI that has already been given to all these three companies, but none of them has submitted the performance bank guarantees.
- Manish Goyal:** And how big was the tender sir, 5 million or how big?
- Jitendra Agarwal:** 5 million.
- Manish Goyal:** And what was the price difference between say L1 and what we quoted roughly?
- Jitendra Agarwal:** The price difference between L1 and what we quoted was pretty significant.
- Manish Goyal:** And is it this L1 price is quite lower than the one tender, which we won earlier in the year for?
- Jitendra Agarwal:** It is much lower.
- Manish Goyal:** Much lower, okay ideally is it the EESL does it mention that one should have a local manufacturing or one can like the Chinese players can completely import the meters and supply?
- Jitendra Agarwal:** No. They cannot completely import, through percentage of quantity, exact number I don't remember but it is to the tune of 25 to 30% only they can import. Like if somebody has got an order of 100 meters, only 30 meter initially we can import completely from China but remaining 70 meters we have to manufacture in India.
- Manish Goyal:** And you did mention that for our first order from EESL, the supplies have been started and is it ramping up sir?
- Jitendra Agarwal:** It is ramping up. We have already supplied them almost 105 lakh meters and they have given us a target that to supply most of our quantity, may be by this financial year.
- Manish Goyal:** And can you talk about how is the pipeline right now and what is the size of the pipeline?
- Jitendra Agarwal:** Our order book is highest ever, it is 1400 crores as on 1<sup>st</sup> of October, 23 days in October has passed which has been very good, so lot of number has been added in this.
- Manish Goyal:** Sir, I was asking about like tenders which are there are in the market or what is the pipeline if you can give us a sense that what could be the value?
- Jitendra Agarwal:** There are lot of tenders already floated in the market and we are primarily focusing on the smart meter tender so that we can create better value, so pipeline wise it is very healthy.
- Manish Goyal:** Would it be possible to give us a sense that going forward can we probably see margin improvement because last call we had mentioned that there was certain legacy orders or low margin orders which were getting executed and probably Q3 onwards we can see margin

improvement, so is there any change now with rupee depreciating further so would you like to probably throw some light on that?

**Jitendra Agarwal:** On the current level of dollars, if the dollars stay where it is today which is precedent at a change of dollar price in last 3 to 6 months, if it stays where it is, it is surely the margins will be better in next two quarters. The reason for that is our legacy orders are almost over and lot of hard work has happened in the last 3 to 4 months, looking to the dollar increase even our international supplies are also supporting us understanding our situation.

**Kailash Agarwal:** One thing I would like to add is that if you see, there was improvement in margin in quarter 1 and there is a downfall in quarter 2. But if you remove the dollar loss out of it, then you will see that there is an improvement in the margin as dollar losses to it. So constantly there is an improvement in the margin from first quarter to second quarter. This is purely a thing which is not at all in our hand, this is a specific hike in dollar. So that has put pressure on the margin, otherwise there was improvement. We are on the track of improving EBITDA.

**Manish Goyal:** Since last quarter rupee has depreciated further by 7 to 8%, so I was just trying to understand that till can we probably hold on to our guidance of improvement in margin?

**Kailash Agarwal:** Yes, we can because already because of this we have also started pushing our vendors and our foreign suppliers and they very well understand all these things and the revenue is also increasing, so that was really better guidance for the margin.

**Manish Goyal:** You did mention that order backlog breakup of 1400 crores? Can you please repeat?

**Kailash Agarwal:** That is 1200 crores domestic meters and approximately 100 crores export and 100 crores ECC.

**Manish Goyal:** And so the recent AMI order what we have got is also we are classifying under meters only?

**Kailash Agarwal:** It is under meters only.

**Manish Goyal:** And last question, sir, can you give us revenue breakup between meters and ECC in this quarter?

**Kailash Agarwal:** Surely. Basically it is 32 crores ECC, remaining is meters 201 approximately.

**Moderator:** Thank you. The next question is from the line of Bhalchandra Shinde from Anand Rathi Securities. Please go ahead.

**Bhalchandra Shinde:** Sir, out of your 1400 crores order book, how much will be the fixed price contracts or will there be any price variation process?

**Jitendra Agarwal:** Each and every contract is a fixed price contract.

**Bhalchandra Shinde:** Sorry, it is a fixed price?

- Jitendra Agarwal:** Yes, all the contracts are fixed price.
- Bhalchandra Shinde:** I think as per current annual report, our total import is around 35%, so will we be able to pass through whatever the impact because of rupee depreciation might happen to the contract?
- Jitendra Agarwal:** No, we cannot pass it to the customer because all our contracts are fixed price contracts. There is no variation allowed.
- Kailash Kumar:** But we can renegotiate with our vendors because they are our regular suppliers and they also very well understand all these things. Basically, we have already started negotiations with them and we are getting a lot of success in that.
- Bhalchandra Shinde:** And sir, the 312 crores order which we have got for advance metering, how many units will be there?
- Jitendra Agarwal:** 4,31,000 meters.
- Moderator:** Thank you. The next question is from the line of Pankaj Jain, an individual investor. Please go ahead.
- Pankaj Jain:** I am Pankaj Jain representing Mahaveer Investments. So I have basically two questions. One of them is I just wanted to understand are we bidding aggressively for ECC tenders and if yes, then how much have we done during H1 FY19 and at what margins? And what is the outlook on the same?
- Jitendra Agarwal:** I am not very clear on your question, are we bidding aggressively on EESL?
- Pankaj Jain:** ECC tenders.
- Jitendra Agarwal:** ECC tenders, we are not bidding currently for ECC tenders. We are focusing primarily on the metering solutions projects.
- Pankaj Jain:** And if on the metering side, then what is the margin that are we focusing on to get on the orders?
- Jitendra Agarwal:** Different projects and different tenders, always I have different margins. Yes, we are bidding with market and since we are providing the complete solution to the customer, so margins are improving.
- Kailash Agarwal:** And secondly, company is sitting on a very good order book, so basically we can be more choosy about the orders for the margins.
- Pankaj Jain:** You also have some export orders, so I just wanted to understand what our margin profile is in the export orders and any guidance if you could give on the same?

- Jitendra Agarwal:** It is more or less the same, but yes a little better from the domestic market.
- Pankaj Jain:** And which geographies do we supply this?
- Jitendra Agarwal:** Our prime concentration is on Middle East, African countries and South East Asia.
- Pankaj Jain:** And any guidance on export sir in terms of margins or order bidding or something?
- Jitendra Agarwal:** We are working on the three major customers in 3, 4 large countries for some major projects, so the future looks to be very bright in this sector.
- Moderator:** Thank you. The question is a follow-up from the line of Bhalchandra Shinde from Anand Rathi Securities. Please go ahead.
- Bhalchandra Shinde:** Sir in this 312 crores order for 4.31 lakh smart meters, if you calculate the overall per unit price comes to around Rs. 7,239 per unit means are we getting any servicing or maintenance work also along with meter supply or?
- Jitendra Agarwal:** Yes for this particular project, we have to supply the meters and then we have to maintain them for 5 years.
- Bhalchandra Shinde:** That is relatively our margins might be better in this order?
- Jitendra Agarwal:** Surely.
- Bhalchandra Shinde:** Approximately if you can tell how much can be the margins in this order if possible?
- Kailash Agarwal:** Good margins. This is what I can say.
- Bhalchandra Shinde:** Better than current margins, that is what we can assume?
- Jitendra Agarwal:** Surely.
- Moderator:** Thank you. The next question is from the line of Rohan Shah from Harsh Capital. Please go ahead.
- Rohan Shah:** I had a couple of questions. Sir my first question is related to that how many tenders are currently going on and how much it would be from SEB, EESL and private companies?
- Jitendra Agarwal:** Right now, there is no ongoing tender from EESL, all the tenders which are ongoing right now are from the state electricity boards and there are some enquiries going on from private utility. In terms of number offhand, I can't speak exactly on what numbers. There is a very good traction happening all across the country on electricity meter tenders.

- Rohan Shah:** And my next question is from, it is relating to our H1 performance, can you just give some clarity on how much would be the revenue contribution from smart meters and compared to the legacy meters and what would be the margin difference between them?
- Jitendra Agarwal:** In the first quarter?
- Rohan Shah:** In this H1, first half or Q2.
- Jitendra Agarwal:** Exact number, unfortunately I don't have offhand with me where I can tell you how much is from the legacy and how much is from the smart meter, but smart meter has picked up a very good traction. So if I have to give you any approximate figure in H1, there will be at least 75 crores of smart meters in the overall revenue.
- Rohan Shah:** And about margin difference if you can say something?
- Jitendra Agarwal:** Again, I don't have any numbers for this value.
- Moderator:** Thank you. The next question is from the line of Manish Goyal from Enam Holdings. Please go ahead.
- Manish Goyal:** Sir, you mentioned that probably we will be ahead in terms of supplies for EESL meter in current year, so what kind of probably revenue growth we can see for entire year? Last year we had done around 835 crores revenue so and earlier we had guided around 1000 to 1100 crores, so can it be higher than that number?
- Jitendra Agarwal:** We are confident of achieving what we have guided earlier.
- Manish Goyal:** Because sir the first EESL order itself was 450 crores, so if we are to implement the entire thing or large part of it in the current year and with the kind of order backlog what we have, so would it be fair to assume that we will be crossing 1100 crores revenue in the current year?
- Jitendra Agarwal:** Possibilities are there but I don't want to comment on that. Whatever we have guided we are very confident of achieving that.
- Moderator:** Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to Mr. Agarwal for his closing comments. Over to you sir.
- Kailash Agarwal:** Thanks to all. I am very happy the way we think business is shaping up and I hope that the power meters will be going great for the company and EESL things will be getting over by very few months or one or two quarters because already earlier orders has yet not been supplied so we are not worried about it and we assure our all investors that the company will be doing very good. Thanks to all. Thank you very much.



*Genus Power Infrastructure Limited*  
*October 24, 2018*

**Moderator:** Ladies and gentlemen, on behalf of Genus Power Infrastructure Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.