



# “Genus Power Infrastructures Limited Q4 & FY19 Earnings Conference Call”

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

**Moderator:** Ladies and gentlemen, good day and welcome to the Genus Power Infrastructures Limited Q4 & 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 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 phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kailash Agarwal – Vice Chairman of Genus Power Infrastructure Limited. Thank you and over to you, Mr. Agarwal!

**Kailash Agarwal:** Good afternoon, ladies and gentlemen. A very warm welcome to Q4 and Financial Year 2019 Earnings Calls. Along with me is Mr. Jitendra Agarwal – Joint Managing Director of the company and SGA our Investor relation advisor. Over the last few years, we have seen a significant demand for various meters across all State Electricity Boards & private utility players on back of various reforms for Pan India electrification target by government. Hence, we have seen a substantial increase in tenders from major SEBs, EESL & private players. Every SEB has different requirement with different objectives for installing meters and therefore their specification requirement like smart meters and are completely different from one another. They always require qualified experience vendor who can adhere to their stringent protocol without compromising on quality. And we are very happy to say that we as the Genus Power are doing and giving them the best of the services.

When I come to the company’s performance, we are pleased to announce that we have recorded highest ever annual sales this year Rs. 1,055 crores a growth of 26% as compared to last year. Our order execution has also improved and enhanced our operational efficiencies. All our order execution is on track including even EESL which we got a big order last year. Despite volatile raw material prices, our margin has also improved. Our margin has improved from 11.1% EBITDA to 12.1% for this financial year. We have done a PAT of Rs 72 crores, a robust growth of 40% as compared to last year. We have improved our performance in exports also. You will see that in financial year 2018, company did an export of Rs. 28 crores and we have done an export of Rs 70 crores in FY19, with an order book of Rs 98 crores in hand. So, you will see that there is a great improvement in the exports also. We are also happy to announce that we have received a recognition award from CSE for active involvement in development of smart meters recently. There is a lot of live bids also right now but our current order book is Rs 1,498 crores out of which Rs 98 crores is exports. And we are constantly working on improving our efficiencies and all.

Now, I welcome questions, please.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Sanjeev Zarbade from Kotak Securities. Please go ahead.

- Sanjeev Zarbade:** Sir, my question was regarding the revenue growth which was muted for the quarter. Is there any reasons for the slightly sluggish growth as we have a very good order book? We have expected the revenue growth to be strong. So, any reasons for the muted revenue growth?
- Kailash Agarwal:** You will see that there is a growth of almost 5% and we are in government businesses. So, we are ready with the productions and all but sometimes, we could not do the dispatches as per their budgets and everything. So, in last quarter, we have the production, but we could not supply but still there is a growth of 5% in that.
- Sanjeev Zarbade:** So sir, the Rs 1,498 crores order book, what kind of numbers we can expect for FY20 and what order book is executable basically in the next 12 months, if you could tell us that?
- Jitendra Agarwal:** Out of Rs 1,498 almost Rs 1,200 crores can be executed in this financial year.
- Sanjeev Zarbade:** And sir, last question from my side. We have seen that the other expenditure has gone up disproportionately basically in the fourth quarter on a year-on-year basis. So, any reasons or any Forex loss there?
- Kailash Agarwal:** There are few things. One is the Forex loss and then they are more provisions for warranties this time because with these EESL tenders, we must do guarantees for 6 to 7 years in these. So basically, we have taken more provisions for the warranties as per the auditor's advice. So, that is why the other expenses have increased and there are some Forex losses also.
- Sanjeev Zarbade:** We have not announced dividend at this moment?
- Kailash Agarwal:** Yes, not yet announced. We will be doing most likely in the next meetings or whatever the Board decides.
- Moderator:** Thank you. The next question is from the line of Giriraj Daga from KM Visaria Family Trust. Please go ahead.
- Giriraj Daga:** Couple of questions from my side. First, can you let us know what is the difference between our standalone and console PAT? Because when I look at last year performance there was some profit and this time it is a loss, so what is it is pertaining to?
- Kailash Agarwal:** There is a Trust in Genus Power and the owner of the Trust is Genus Power and that Trust holds shares of 2 companies. One is Genus Power itself and one is Genus Paper. This loss is because as we have to give the results on the basis of Ind AS. Consolidated PAT has come down because share price of Genus Paper has gone down. Otherwise our operational profit is Rs 72 crores. It is only because of the book entry thing of Ind AS.
- Giriraj Daga:** Second, coming to the business side. Sir, if you can give the breakup of these Rs 1,498 crores in terms of smart meter and as the ECC also included in the overall order book, ECC segment? What is the revenue and EBITDA of ECC and meter separately?

- Jitendra Agarwal:** Order book is Rs 1,498 and almost Rs 650 crores is smart meter.
- Giriraj Daga:** And rests are all normal meter?
- Jitendra Agarwal:** Conventional meters, yes.
- Giriraj Daga:** Have they included the ECC segment also in order book?
- Jitendra Agarwal:** Yes, we have included that.
- Giriraj Daga:** How much is that?
- Jitendra Agarwal:** That is approximately Rs 55-60 crores.
- Giriraj Daga:** Bid pipeline you mentioned there are couple of live bids. If you can just tell the quantum size of the live bids which is expected in pipeline over the next 1 year?
- Jitendra Agarwal:** Over the next 1 year, it is difficult for me to speak. There are lots of tenders which are already open. Currently, the live orders tenders' status is standing almost at the level of Rs 900 crores- Rs 950 crores. And this includes and these are the tenders which are already been bid and they are almost Rs 600- Rs700 crores tenders which are in pipeline like the tenders have come but they have not been bid yet.
- Giriraj Daga:** And all of our conventional meter or some portion of smart meter also?
- Jitendra Agarwal:** Out of this Rs 900- Rs 950 which I mentioned, mostly it is conventional meters.
- Giriraj Daga:** And even the bid pipeline also mostly conventional meter Rs 600 to Rs 700?
- Jitendra Agarwal:** No, bid pipeline is more smart meters.
- Giriraj Daga:** On the last year, on the reported revenue ...
- Jitendra Agarwal:** And I am not including these EESL tenders in it, they have different category altogether.
- Giriraj Daga:** And what is the expectation of EESL now?
- Jitendra Agarwal:** EESL have come out with different tenders and there is lot of things happening there. So, there is no much clarity right now. The reason being is they have taken lot of work all across the country. Execution has not taking a very good shape. So I think, currently they will execute whatever they have a lot of in their pipeline.
- Giriraj Daga:** In terms of this year, we have reported Rs 1,055 crores of revenue. How much is meters and how much is your ECC?

- Kailash Agarwal:** Meters is Rs 957 and ECC is Rs 97 crores.
- Giriraj Daga:** And smart meter revenue in this Rs 957?
- Jitendra Agarwal:** Around Rs 170 Crores.
- Giriraj Daga:** And if you can just EBITDA margin also for both the segment for full year FY19?
- Kailash Agarwal:** We see a club margin. Generally, we do not just see the difference of margins in smart meters and conventional meters.
- Giriraj Daga:** No, but ECC margin?
- Kailash Agarwal:** ECC margin is around 9% to 10% EBITDA.
- Giriraj Daga:** So, now next year, we are talking about like revenue of Rs 1,200 crores and that I believe it is from the meter side, right?
- Kailash Agarwal:** Yes, mainly from meter side.
- Jitendra Agarwal:** Primarily from meter side.
- Giriraj Daga:** So, ideally like blended, meter margins are better than ECC. So, hopefully we should be assuming margin improvement in next year?
- Kailash Agarwal:** Yes.
- Jitendra Agarwal:** Yes, we should.
- Giriraj Daga:** In terms of balance sheet, how is the situation on working capital because when we look at the number it looks like almost like 5-5.5 month of last year revenue due to still standing receivables. Is the situation more or less expected to remain same or do we expect some improvement? Is there some receivables which is currently sitting in books as of now?
- Kailash Agarwal:** Basically, it was the same last year also and it will be remaining same for future also. Earlier also we have mention that our working capital cycle is almost 200 days. Sometimes it comes 5 days up or 5 days down. So, basically it will remain same.
- Moderator:** Thank you. The next question is from the line of Riya Mehta from Anand Rathi Financial. Please go ahead.
- Riya Mehta:** Sir, I would like to ask about those competitors for the EESL bid and you said last time that they have not yet executed any orders. So, what is the progress on that side and are you expecting some of them to revert back to us because we were the only one who are executing the orders. So, have the competitors actually delivered the products as per the schedule or what is the

scenario there? And also about Chinese players, what is the scene? Have they started delivering or that just Genus which is delivering in the market?

**Jitendra Agarwal:** As on date not a single meter has been received by EESL apart from Genus. So, as on date this is the reality. Nobody else has still supplied it anything to EESL.

**Riya Mehta:** So, are we expecting any orders to be redirected to us?

**Jitendra Agarwal:** We already got repeat order of 700,000 meters from EESL. So, it is almost 2 million meters they have given to us. So, right now which is a fairly a good number. We are not expecting anything and for time being we do not want also. We would like to execute the current orders first to EESL. We do not want to have an over exposure with only one customer.

**Riya Mehta:** And for the SSG which state do you think that new traction is coming from or like most the major bids are coming from?

**Jitendra Agarwal:** Almost everywhere in the country, there is a very good traction happening because the smart meters is now taking right shape and there is almost every electricity board whether you talk of Tamil Nadu, you talk of Andhra Pradesh, you talk of Jharkhand, you talk of Bihar, UP, Haryana everybody is now coming up with the bids of smart meters. So, there is a traction Maharashtra, so there is traction in Karnataka. So, there is a traction almost everywhere across the country when it comes to smart meters. For the conventional meters also, when I say the current live bids, so there is a traction all across the country again Rajasthan, Gujarat etc. UP will be surely slow this financial year. The Rajasthan, Gujarat, I am seeing lot of traction in Maharashtra, West Bengal, Odisha. So, there will be traction all across the country. So, it is not some particular pockets which has a traction. Traction is there almost everywhere.

**Riya Mehta:** And from the export side, the margins are greater in the export or execution, right? It's my understanding?

**Kailash Agarwal:** Yes, export margins are good.

**Riya Mehta:** Yes, so going forward do we expect any orders to come from export?

**Kailash Agarwal:** Yes, basically of Rs 98 crores.

**Riya Mehta:** So, what is the pipeline, I mean what is the visibility of the export orders like how far do you think they will get executed?

**Jitendra Agarwal:** Whatever orders we have currently, we will execute most of them in this financial year.

**Riya Mehta:** All the export order book, right?

**Jitendra Agarwal:** Yes.

- Moderator:** Thank you. The next question is from the line of Deepesh Agarwal from UTI AMC. Please go ahead.
- Deepesh Agarwal:** My first question is, Can you quantify the kind of a pipeline which we are seeing from states and EESL for next 6 to 8 months?
- Jitendra Agarwal:** We would reiterate that currently the live tenders which are already been bid is almost in the line of Rs 950 crores to Rs 1,000 crores.
- Deepesh Agarwal:** So, this will include EESL?
- Jitendra Agarwal:** No.
- Deepesh Agarwal:** And what could be the quantum of EESL tender? I know you highlighted that there is a little uncertain but still?
- Jitendra Agarwal:** They came out with the tender of 5 million pieces recently and they have opened the prices also. They have scrapped their previous tenders. So right now, I am not looking at those tenders, I do not know how serious that is going to happen. So, there is no point talking those very large numbers and then confusing ourselves. They have already dropped 2 tenders. So, it is very difficult to say whether they will execute their fourth tender which is already open.
- Deepesh Agarwal:** Sir, is there any change in kind of a pricing which we are seeing because last 6 months ago, we saw the sharp fall in the pricing in the tenders because of the Chinese guys. Now where we are settle now?
- Jitendra Agarwal:** Yes, the sharp fall was there only in the EESL tenders and that tender has been scrapped. So, as such I am not seeing any fall in the prices, rather prices are improving across the country rather they are getting consolidated. But those particular tenders what you are talking about they all been scrapped, sharp fall in the prices no more the case.
- Deepesh Agarwal:** So, how the prices would be different from the first tender where you got the orders from EESL at the current moment?
- Jitendra Agarwal:** The other tenders nothing has been decided. So, they came out with 2 tenders they have already scrapped both of them. So, it is very difficult to speak on any value.
- Deepesh Agarwal:** And sir, we had some inter corporate deposits and guarantees, where are we now have we have to reduced it or ...
- Kailash Agarwal:** That has been reduced those, basically every year we are reducing a lot of corporate guarantees.
- Deepesh Agarwal:** So, at the current moment what would be the amount outstanding?

- Kailash Agarwal:** It must be around Rs 90-100 crores
- Moderator:** Thank you. The next question is from the line of Vikram Kotak from Crest Capital. Please go ahead.
- Vikram Kotak:** Kailash Ji, I did not understand about Dividend. You said that dividend you have not yet announced and you will be announcing it in next board meeting or is it or interim in between also?
- Kailash Agarwal:** We have decide in the next board meeting. Basically, I tell you our policy is 25% of the total approx. This time because of some technical reasons we could not announce and we hopefully see that by next board meeting I think the board agrees.
- Vikram Kotak:** So, it is more technical reasons. So it is like but otherwise your policy remains same 25% of payout you want to make it?
- Kailash Agarwal:** We had not changed any policies. I can say that the board will be taking the decision taking.
- Vikram Kotak:** Yes, so shareholders will be rewarded for sure. And Kailash Ji one more question, how is the outlook maybe not from 3 months-6 months point of view. But how is the outlook for some 2-3 years point of view plus competition. How do you see yourselves in next 3 years' time from here and what will be sales composition will look like? Will it dramatically change towards this smart meters or just want to understand little long term from your side.
- Jitendra Agarwal:** In the long term, it will surely change to smart meter, dramatically to smart meters.
- Vikram Kotak:** And how do you see yourself and how is competition look like right now other than Chinese, players?
- Jitendra Agarwal:** Competition will surely be there, but we see ourselves fairly well placed.
- Vikram Kotak:** And what should be our market share right now, in the domestic?
- Jitendra Agarwal:** We have maintained at the same level, I would say 27%-28%, We have not calculated exactly.
- Vikram Kotak:** Roughly 25% to 30%
- Jitendra Agarwal:** Ballpark figure, yes.
- Moderator:** Thank you. The next question is from the line of Ashish Kumar from Infinity Alternatives. Please go ahead.
- Ashish Kumar:** Sir, what was the loans and guarantees as of 31<sup>st</sup> March 2018, sir?

- Kailash Agarwal:** I have to check and come back to you. I do not have the numbers right now. I think that is available on the balance sheet.
- Ashish Kumar:** Sir the thing is, second thing is, you said dividend has not been announced so far due some technical reason. What could those be because normally we have profit making, we should be able to announce the dividends?
- Kailash Agarwal:** Yes, there are so many reasons when we sit in the board. So, that all things cannot be discussed on a conference call.
- Ashish Kumar:** And sir, on the issue about the Trust that shareholding in the Trust, is there any plan to unwind that Trust or are we going to continue with all of that, sir?
- Kailash Agarwal:** No, basically when the company will require money and when there will be a right time certainly, we would like to unwind them.
- Ashish Kumar:** But do you have any specific timeline in mind or because obviously the Company is doing well?
- Kailash Agarwal:** It is all depends on the requirement of the company that how much the fund requirement of the company and then the market scenario and then the prices. So, there are so many things and board can decide that we are going for that or not.
- Moderator:** Thank you. The next question is from the line of Manish Goyal from Enam Holdings. Please go ahead.
- Manish Goyal:** Sir, couple of questions. One on the EESL tender, you said that the 2 tenders was scrapped. So, one tender, where there was a Chinese who had kind of be in L1 and I believe they were not able to provide certification and that is why the EESL had scrap that tender. But in the other tender where we were L1 what was the reason? It was a quite large tender for 1 million meters. So, what was the reason to scrap the other tender?
- Jitendra Agarwal:** The requirement they came out with that tender for putting 10 million meters being UP, prepayment meters but the thought process has completely got changed. So, instead of going for an offline prepayment kind of a system, they want to go for an online prepayment smart meter that is the major reason that tender was scrapped.
- Manish Goyal:** So when is, do you think that this probably tender would get slotted in near term?
- Jitendra Agarwal:** This for 10 million, I do not think so they require it now. They completely change their requirement. Now, they are going for this smart meter which can be prepayment and post payment both. So, practically all across the country that kind of product will have more future.
- Manish Goyal:** But do you think that the EESL will take up this or it will directly come from the UP State Government?

**Jitendra Agarwal:** It will be, EESL is also one authority which is providing a revenue-based model to electricity board. So, you will see both kinds of things happening all across the country. EESL will also provide some opportunities and electricity boards. At the end of the day SEBs are our direct customer. Even EESL finally supplies to SEB's only. So they will always have, they are very important say

**Manish Goyal:** And sir second question on, so definitely this year we have a very, we have starting with a very strong order backlog of Rs 1,500 crores and likely to do Rs 1,200 crores. But say going forward like looking at the tender pipeline, just to get a sense that for FY21, a year later if you were looking at a growth on say Rs 1,200 crores revenue and would imply that we need Rs 1,400-1,500 crores order inflow in the current year. Would it be possible to get such a large number, sir?

**Jitendra Agarwal:** We are pretty well placed this is what I can say today.

**Kailash Agarwal:** You will see that right now we are sitting in mid of May and there is already in pipeline almost orders of Rs 1,500 crores- Rs 1,600 crores and still we have all 9 months-10 months for the tenders to come. And in this Rs 1,500 crores, we are not including any EESL business also which is also a very bigger business and even after EESL and everything the company is maintain its market share of 27%-28%. So, basically getting Rs1,500 crores order for next year also, we do not think there is any challenge in that.

**Manish Goyal:** And last question on margins, how do you see margins spanning out in FY20, we have probably do a higher revenues, so what is the outlook on margins, sir?

**Kailash Agarwal:** Basically you will see that from last year we have done an improvement in the margins because of our improvement in revenue and all. And this year also, there will be an improvement in revenue and now the raw material prices are also stable. Last year we had a hit because of the raw material prices and all. So certainly, we are looking at an EBITDA levels of 13% to 14% this year. So, it may vary from quarter-to-quarter. There might be a lesser in one quarter and more in other quarter but on average you will see an EBITDA levels of 13% to 14% this year.

**Moderator:** Thank you. As there are no further questions, I would like to hand the conference over to Mr. Agarwal for closing comments.

**Kailash Agarwal:** Thank you, ladies and gentlemen. I am very happy with the way metering business in shaping up and I hope that we will be doing a great job this year also and if there will be any further queries you can connect to our investor relations, SGA and get it done, thank you very much.

**Jitendra Agarwal:** Thank you everybody, thank you.

**Moderator:** Thank you. On behalf of Genus Power Infrastructures Limited, that concludes this conference. Thank you for joining us and you may now disconnect your line.