



“Genus Power Infrastructures Limited
Q1 FY20 Earnings Conference Call

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Moderator: Good day ladies and gentlemen and welcome to Genus Power Infrastructure Limited Q1 FY2020 earnings conference call. This conference call may contain certain 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 risk and uncertainties that are difficult to predict. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance, during this conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I am now hand the conference over to Mr. Kailash Agarwal – Vice Chairman from Genus Power and Infrastructure Limited. Thank you and over to you Sir!

Kailash Agarwal: Good afternoon ladies and gentlemen. A very warm welcome to the Q1 results of Genus Power . Infrastructure Limited. Along with me, we have Mr. Jitendra Agarwal, Joint Managing Director and SGA, our Investor Relation Advisors.

I am pleased to announce healthy performance for the start of the year and have maintained our growth momentum. I am also pleased to announce that Board has recommended a Rs 0.58 paise dividend per equity share of face value Rs.1 subject to shareholder’s approval at AGM.

The company has recorded a total revenue of Rs 275.3 Crores, a growth of approximately 15.4%. We have also made an EBITDA of Rs 39.1 Crores in comparison to Rs 27.9 Crores last year, which is almost 40% above year-on-year basis. Our EBITDA margins have also expanded by 250-basis points. Earlier it was 11.7% and now it is 14.2%.

Profit after tax stood at Rs 20.2 Crores against Rs 14.4 Crores year-on-year basis, which is almost 40% higher.

Our current order book is around Rs 1330 Crores which shows that there is a good visibility of the business and you will see that in the company performance. A lot of tenders are in pipeline and a lot of businesses are in pipeline that we will just explain you during the question and answers.

Now, we welcome the question and answers please.

Moderator: Thank you. Ladies and gentlemen 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: My question is on the EBITDA margins. So, what we have seen is during the quarter, raw material to sales has come down while the other expenditure has gone up. So, has there been any changes in terms of mix that you have more purchase of finished goods and which have flowed through other expenditure, if you could throw some light on this?

- Kailash Agarwal:** Basically, you will see that that raw material prices have decline and the other expenses are up. Other expenses has nothing to do with the raw material things. Basically, it depends on quarter-to-quarter. In the Last quarter, it was almost 13.98% and it is 1% lesser in this particular quarter. So, basically it cannot be judged on quarter-on-quarter basis. If we calculate for the whole year, it generally comes to 10% to 11% which has a lot of other expenses. And when we say about the raw material, since cost has decline margin has improved.
- Sanjeev Zarbade:** Sir, our tax rate has also gone up, so should we take it as a kind of a benchmark for the rest of the quarters
- Kailash Agarwal:** We are having facilities in Haridwar, which was having a tax holiday and got over this year. So we are now increasing our production from our Assam facility. There again, we have tax benefit for 10 years. Right now, we are ramping up our facility so it may take some time. Till then, you can say that the tax rate will be like this. We have lot of MAT credit in the books almost Rs 45 Crores. So, outflow is basically only MAT, but tax rate will be there for some time.
- Sanjeev Zarbade:** So, on a full year basis, can we work with around 25% to 27% kind of tax rate?
- Kailash Agarwal:** It is better to take full rate of tax that has come in this quarter. Once the Assam facility will be ramped up, there might be some positive signs, but there won't be any negative in the tax rate.
- Sanjeev Zarbade:** Sir, what would be the level of gross debt right now on the balance sheet?
- Kailash Agarwal:** We do not have any long-term debts. It is only the short-term debts, which will be around Rs 250 Crores.
- Sanjeev Zarbade:** That's it from my side. I will come for follow up questions in the queue later. Thanks.
- Moderator:** Thank you. The next question is from the line of Vikram Kotak from Crest Capital. Please go ahead.
- Vikram Kotak:** Thanks for taking my question Agarwal Ji. This is the highest quarterly profit before tax for the company?
- Kailash Agarwal:** No, I do not think so.
- Vikram Kotak:** Rs 30 Crores PBT? I am saying PBT.
- Kailash Agarwal:** We do not think so. Earlier, there might be little higher. But yes, it is almost at high you can say.
- Vikram Kotak:** Almost at high, because this quarter you are Rs 29.8 Crores and generally April, May, June is not a very great quarter for you normally. It is a seasonally weak quarter? My question was on the order book side. My question was on the pipeline. Just little bit if you can throw light for next 15-

20 months, how the business scenario looks like? That is my first question. And you said gross debt of Rs 250 Crores, and what will be the net debt, Rs 180 Crores or Rs 200 Crores?

Kailash Agarwal: Net debt will be around Rs 70 Crores to Rs 80 Crores.

Jitendra Agarwal: On the business side, Currently, as on July , we have an order book of Rs 1330 Crores. In July itself, we have received almost Rs 80 Crores, Rs 90 Crores more orders. The last quarter was very weak on the order because of the elections and that was expected. We knew about it. So currently if you see ongoing tenders which are already been quoted and the results have started coming and some tenders are open and a few will be open in the times to come, that is in the tune of Rs 1200 Crores to Rs 1400 Crores. It is a very healthy number. So, we feel that the Rs 1400 Crores tenders will be decided in the next two or four months and not beyond that. And almost Rs 1500 Crores tenders which are still to be quoted will be quoted in next two to three months. So, easily in front of us, we can see a visibility of Rs 2500 Crores of tenders out of them 50% of have already been quoted and 50% will be quoted in the next three to four months. So, there is a very good visibility of the order book. And when I say these numbers, these are all State Electricity Boards and private utilities. I do not include EESL tenders into this.

Vikram Kotak: So Rs 2500 Crores tender which is either opened or going to open what typically we get, what sort of success ratio in the past?

Jitendra Agarwal: Generally 25% is the success ratio, so that way the visibility is fairly good.

Vikram Kotak: So, conservatively we can say Rs 1400 Crores plus we can add up Rs 600 Crores if all goes right or all goes well for us, so we can be a RS 2000 Crores order book roughly maybe?

Jitendra Agarwal: Should be.

Vikram Kotak: If all goes correctly.

Jitendra Agarwal: The order book has started happening very healthily from this month itself. The July month only we have added almost Rs 80 Crores orders.

Vikram Kotak: How is the outlook on margin for say next one year around this?

Jitendra Agarwal: Whatever we have seen currently we are expecting same or better.

Vikram Kotak: So we can assume the similar margin to continue on the conservative side, right?

Jitendra Agarwal: Last two quarters, we have seen that every quarter you will see an improvement and we are confident on that.

Vikram Kotak: Thank you so much.

- Moderator:** Thank you. The next question is from the line of Rohan Shah from RK Capital. Please go ahead.
- Rohan Shah:** Good afternoon. Sir, I had a couple of questions. First, what is the current order book of ECC business?
- Jitendra Agarwal:** The ECC business will be around Rs 60 Crores to Rs 70 Crores. They are all old orders, which we are on the verge of completion. So that is not much. All the current orders that we are booking is everything from the metering side.
- Kailash Agarwal:** I will give you the exact numbers. Basically Rs 45 Crores is ECC, and rest is meters.
- Rohan Shah:** Could you also highlight what are the margins for this particular business, EBITDA margin?
- Kailash Agarwal:** Basically 11%.
- Rohan Shah:** Are you planning to accumulate some higher orders from this particular business, or this will remain like small part of our business?
- Jitendra Agarwal:** From the ECC division?
- Rohan Shah:** Yes.
- Jitendra Agarwal:** It will remain small.
- Rohan Shah:** Also wanted to ask you regarding the export order book. Sir, what is our current export order book?
- Jitendra Agarwal:** Around Rs 80 Crores to Rs 90 Crores.
- Rohan Shah:** Are you planning to target some of the other countries that you are not currently present in?
- Jitendra Agarwal:** It is a continuous process. Export is our major focus area. And you can see the results also in the last two, three years, the way we have been growing our international business. So it is a continuous process and we are surely working on many countries & very focused countries so that we can have far better future in exports than what it is currently available.
- Rohan Shah:** Have we got orders for gas meters or water meters recently?
- Jitendra Agarwal:** For gas meters, we have developed product and we are working on some pilot projects with some of the utilities. So it is going to be properly launched and completely full product portfolio in the times to come. In water meters, we have not done anything yet.
- Rohan Shah:** That is it from my end. Thank you.

- Moderator:** Thank you. The next question is from the line of Vikram Kotak from Crest Capital. Please go ahead.
- Vikram Kotak:** Agarwal Ji, this new opportunity of electric vehicle and all that is coming up. Any role Genus can play in terms of either charging or energy storage or something like that? Any opportunities for us?
- Jitendra Agarwal:** May be an opportunity is there. We have already started getting some queries from one or two clients that all these unit chargers, how you can monitor anywhere where the electricity is being used? We have to monitor the electricity and have to calculate it. That is what our job is. This is what we see as some more business adding into our portfolio on how to calculate this electricity. So, discussions are on technical side, but nothing is specific I can say. Because of EV chargers, my business will grow. Wherever the electricity growth will happen for sure, it will help our business.
- Vikram Kotak:** In case there is a big pickup in EV vehicle as a business, you will definitely find some opportunities in terms of monitoring?
- Jitendra Agarwal:** Surely, I will give you a small example of Net meters. The solar rooftop has picked up recently. So, it was never a segment for us. Today, Genus is doing almost Rs 15 Crores to Rs 20 Crores business only for net meters which is a fairly good business in that sense. So these are the opportunities where the electricity use will increase it will surely add to our kitty.
- Vikram Kotak:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Riya Mehta from Anand Rathi. Please go ahead.
- Riya Mehta:** Congratulations on a good set of numbers. Sir, I have two - three questions. First, starting with where do you see pipeline coming from, like which states would you see?
- Jitendra Agarwal:** Almost everywhere in the country, because you will see almost all the states in the country they have their buying pattern every year, some buy a little more, some buy a little less, but everybody needs meters every year. For six months, there have been no major decision on tenders. So right now if I see specifically, there is a lot of work coming from Rajasthan, Madhya Pradesh, Tamil Nadu, Maharashtra. They are continuously ramping up their metering requirements. Bihar, Gujarat, Punjab has come up with many tenders. So that case, you will see almost everywhere in the country, West Bengal. We have live tenders or ongoing tenders.
- Riya Mehta:** Could you quantify the amount of pipeline, which will be there outstanding or the tenders in which we are L1?
- Jitendra Agarwal:** Recently, there were tenders where we were L1 and the offers have also been decided. Otherwise, most of the tenders are either on the verge of being opened or testing are going on. So

I would say almost Rs 1300 Crores to Rs 1500 Crores tenders are live, which we have already quoted and almost Rs 1200 Crores to Rs 1500 Crores tenders are out in the market, which we have to bid in the next two to three months.

- Riya Mehta:** Are these only state tenders Rs 1300 Crores to Rs 1500 Crores pipeline?
- Jitendra Agarwal:** State Electricity Boards and private utilities.
- Riya Mehta:** So, as far as I get is State Electricity Board has not given any tender to the Chinese players yet. So, in the coming tenders do you find the Chinese players also bidding along with you?
- Jitendra Agarwal:** In the SEBs tenders, we have not seen any Chinese players bidding. In all these tenders, the Chinese companies have not bid, it is only Indian companies who are bidding these tenders.
- Riya Mehta:** So, even in the Rs 1300 Crores to Rs 1500 Crores tenders which are live, and which are floating, they are basically competition by Indian players and not the foreign players?
- Jitendra Agarwal:** Primarily, within the Indian players, yes.
- Riya Mehta:** Are there any players, which are cutting down the price levels to a level where we cannot compete?
- Jitendra Agarwal:** Right now, I do not see that happening.
- Riya Mehta:** That is it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Sanjeev Zarbade from Kotak Securities. Please go ahead.
- Sanjeev Zarbade:** Thanks for taking my repeat questions. My question was regarding the revenues from the smart meters in this quarter?
- Jitendra Agarwal:** How much revenue is done from the smart meters?
- Sanjeev Zarbade:** Yes.
- Jitendra Agarwal:** Exact numbers, I do not have it in my hand, but I would say almost 30% of the revenue would have come from smart numbers. All supplies is going to EESL. So primarily they have been buying smart meters.
- Sanjeev Zarbade:** So, almost 30% you are saying would be smart meters.
- Jitendra Agarwal:** More than 30% yes.

- Sanjeev Zarbade:** Sir looking at the EBITDA margins we have done and I was in the intuition that the tender that we have taken for smart meters is almost at Rs.2400 per unit we had taken?
- Kailash Agarwal:** Rs.2700 per unit, let me correct.
- Sanjeev Zarbade:** Yes, Rs.2700 and now we are looking at around Rs.3100 per unit as kind of remunerative level. So despite that we are able to do a decent amount of margins, so is this sustainable like or is it more of a trajectory in nature because of material prices?
- Jitendra Agarwal:** It is sustainable
- Sanjeev Zarbade:** That is it. Thank you.
- Moderator:** Thank you. The next question is from the line of Manish Goyal from Enam Holdings. Please go ahead.
- Manish Goyal:** Very good afternoon Sir. Can you please update us on the EESL tender, how much we have supplied in the current quarter and how much is pending now?
- Jitendra Agarwal:** In total, we have received around 2 million meters from them. In the last quarter, we have supplied them say 2.5 lakh meters.
- Manish Goyal:** How much are pending now?
- Jitendra Agarwal:** Right now, we have around 14 lakhs meters pending to be supplied to them.
- Manish Goyal:** How much do you expect in the current full year FY2020, we should be able to do it?
- Jitendra Agarwal:** We will be able to do almost 8 lakhs to 9 lakhs in this financial year or may be more, but at least 8 lakhs to 9 lakh meters.
- Manish Goyal:** So, in that case, you have given some picture on the EBITDA margins, on the topline if you can give us some sense as to what kind of revenue growth, we can expect for FY2020?
- Jitendra Agarwal:** What we stated in the start of the year, we said, we will do 1200 plus, so we are very much on course and we are confident of doing that for sure.
- Manish Goyal:** EESL being a little more working capital intensive, so do you expect your short-term debt to increase and which in turn would probably lead to higher interest expense?
- Jitendra Agarwal:** That is not very true, because their payment cycle is fairly good. The 10% of payment is on staggered basis, but otherwise their payment is well within the time, I would say better than SEBs in the current state of affairs.

- Manish Goyal:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Riya Mehta from Anand Rathi. Please go ahead.
- Riya Mehta:** Thank you for taking my followup question. Sir, I wanted to ask regarding your previous orders. If you could help me with the percentage completion, so as far as my understanding is we had 13 lakh orders of prepaid meters, so what is the state of completion?
- Jitendra Agarwal:** There is some misunderstanding. We have no 13 lakh prepaid orders.
- Riya Mehta:** The total value is Rs 13.5?
- Jitendra Agarwal:** I could not understand your question. Can you repeat?
- Riya Mehta:** Sir there were a few orders like there was a Rs 650 Crores orders, there was Rs 312 Crores, so can you give me the percentage completion of these orders?
- Jitendra Agarwal:** Which one. I do not have that off hand, exactly which orders are you talking about?
- Riya Mehta:** I will just get back to you. My second question would be what will be our average realization for the prepaid meters and smart meters?
- Jitendra Agarwal:** As I said earlier even prepaid meters there are so many facilities available. Prepaid meters are sold anywhere from Rs.1800 to even Rs.5000. It is very difficult to explain what is the average realization of a prepaid meter, because the prepaid has different requirements of different customers. Same is applicable for smart meters. Genus is selling its smart meters at Rs.3000 to Rs.7000 also.
- Riya Mehta:** The tenders, which you are seeing for the Rs 1300 Crores to Rs 1500 Crores do you see that the live tenders are there, so they are for which meters basically?
- Jitendra Agarwal:** It is a complete product mix, because there are embedded meters also, they have smart meters also. They have conventional single phase and three phase meters also. So that way it is very difficult for me to specifically tell.
- Riya Mehta:** They are majorly concentrated by?
- Jitendra Agarwal:** Primarily quantity wise it is always single phased meters which will always have some more quantity because 90% of the consumers are single phased consumers in the country.
- Riya Mehta:** The last question was we have guided to 8 lakh to 9 lakh meters and our annual capacity is 10 lakh meters for the facility, so are we seeing any further capex?

Jitendra Agarwal: No. We already have a comfortable capacity of doing 10 million meters, so we are not adding anything now.

Riya Mehta: Thank you.

Moderator: Thank you. As there are no further questions, I now like to hand the conference back to Mr. Kailash Agarwal for closing comments.

Kailash Agarwal: Thank you ladies and gentlemen. We are very hopeful that the meter industry is doing very good and we will be doing very good in the coming quarters also. Thanks a lot to all.

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