



“Genus Power Infrastructures Limited Q1 FY2022 Earnings Conference Call”

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LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Genus Power Infrastructures Limited Q1 FY2022 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 Infrastructures Limited. Thank you and over to you Sir!

Kailash Agarwal: Good evening ladies and gentlemen. A very warm welcome to Q1 FY2022 earnings call of Genus Power. With me is Mr. Jitendra Agarwal, Joint Managing Director of the company and SGA, our investor relation advisor. The results and investor presentation are uploaded on the stock exchange and company website. I hope everybody has had a chance to look at it.

The company has recorded sales of Rs. 130 Crores for this quarter as compared to Rs. 84 Crores in Q1 FY2021. Our growth was severely hampered due to delay in inspections and subsequent delay in dispatches on account of COVID-19 which is affecting all of us and leading to big disruptions. We expect a healthy volume offtake in coming months with the business environment now getting normalized with increased relaxation in lockdown being granted by various state governments.

For Q1 FY2022 EBITDA profit stood at Rs. 5 Crores as compared to loss of Rs. 1.7 Crores in Q1 FY2021. The operating margins are also lower on account of higher employee expenses and steeper raw material prices. We are very hopeful that this will be normalized in the second half of this financial year. Profit after tax stood almost negligible at Rs. 0.1 Crores as against a net loss of Rs. 3.4 Crores in Q1 FY2021. Cash PAT stood at Rs.4.5 Crores against almost negligible Rs. 0.2 Crores in Q1 FY2021. Our current order book stood at Rs. 978 Crores which gives us a visibility of growth over next two- three quarters. From last quarter our order book though little bit, but still it has grown.

The most significant development for the Smart Metering Industry was obviously the approval of the 3.03 trillion power distribution company reform scheme namely Reforms-Based Result-Linked Power Distribution Sector Scheme. In this revamped distribution sector about half of the total funds of the scheme, that is, about 1.5 trillion are to be deployed for installation of smart meters. I was talking about the new significant

development that has happened in smart metering and the central government has come with the scheme, so all of you or most you must have gone through this scheme or must have seen this scheme. So it is always better for us to ask you for the questions and we clarify on that. I welcome question and answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Isha Savla from Arya Securities. Please go ahead.

Isha Savla: Thank you for the opportunity. Can you also provide a ballpark figure of revenue which we expect to achieve in FY2022?

Jitendra Agarwal: For FY2022 the ballpark figure would be anywhere around Rs. 700 Crores to Rs. 800 Crores. Rs. 800 Crores is quite achievable.

Isha Savla: For FY2023?

Jitendra Agarwal: For FY2023 the way the business is picking up which I expect a lot of income by the end of this year because the scheme has been now approved and it has been done in the right way. I am very hopeful that for next financial year it can be anywhere from Rs. 1300 Crores to Rs. 1500 Crores.

Isha Savla: Okay Sir and how has been the DISCOMS and state government responded to the passage of Reform-Based Result-Linked Power Distribution Sector Scheme. Are there any political intervention especially from state ruled by opposition parties?

Jitendra Agarwal: No, there is absolutely nothing like that. If you see this scheme is very, very helpful for the state utility boards so they were looking at this very, very, closely. And this scheme has not been only given by the central government - the beauty of this scheme is that the central government and the state utilities have worked very closely in building this scheme, this whole process and how this work will be done. So earlier when we used to talk about this scheme maybe three years back, the central government had mindset of "one size fits all". So this is not the case in the last two years, central government along with the PSU state utilities and along with this companies like us have worked very closely to bring this scheme. So with the open arms most of the states have welcomed this scheme.

Isha Savla: Okay, with the passage of the revamped distribution scheme when can we expect substantial order inflow on account of the same?

Jitendra Agarwal: If you understand this scheme currently initially this scheme has been floated for almost one-and-a-half, two years, lot of amendments has happened in the period of time with

consultation along with the industry and the utilities. If you see that this time two good things what central government has understood, and they have bought in the scheme where they know one size does not fit all. Initially the government had with their mindset that only this is the way you have to do - every state has to buy this kind of smart meter or this kind of process they have to follow. They have completely changed it this time. They have given a bigger picture, a broader aspect that this is the SBD you will have to use and every state can modify it according to their customization, so which is highly welcomed by the state utility. Second thing the incentives which were given earlier was only one particular amount say we will give you Rs. 900 or Rs. 1400 for a smart meter, but this time they have also added that if you reduce our losses and use this money in installed meters by December 2023 for the 500 Amrut cities, you will further get incentive of Rs.500 and Rs.800. So this is how the scheme has been made more lucrative by the central government. Plus state governments do not have to pay anything upfront from their pocket. Everything has to be invested by the AMISP, the service provider. So that is why I am more than hopeful that this scheme will gain major momentum by the end of this calendar year. The reason I say by the end of this calendar year is that by October 31, 2021 the state utilities have to apply to the central government with the complete conditions, this is now we want to use this scheme and this is our plan of action. So lot of action will happen by the end of this calendar year.

Isha Savla: Okay Sir, that was helpful and just one question that what were our receivable days in Q1 FY2022. With the implementation of this new scheme, can we expect improvement in our working capital cycle in FY2023?

Jitendra Agarwal: The working capital cycle is definitely going to improve in the next financial year because the whole model of the business is changing where the lot of investments will be done by the service provider. That surely improves our working cycle. And with this scheme implementation the revenues and the position of the state utilities also improves dramatically. This is what we are expecting and this is what we have seen in 2.5 million smart meters which have been installed in last two, three years. It is visible that with the installation of these meters the financial position of the state utilities is changing to a very good side. It will surely improve the health of state utilities which in turn improves the health of our working capital.

Isha Savla: Okay Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Suraj Nawandhar from Prithvi Finmart. Please go ahead.

Suraj Nawandhar: Good afternoon. What is our current working capital cycle?

- Kailash Agarwal:** It is almost 200 days. Because of corona it got deteriorated a little in last financial year. Right now, we feel that this financial year it will be around 200 days.
- Suraj Nawandhar:** What is your target working capital cycle after everything...
- Kailash Agarwal:** Earlier calls also I have many times told that there would not be significant improvement. We cannot see it go from 200 to 150 days or 140 days. There will be improvement of 10% say it can go to 180 days or 175 days.
- Suraj Nawandhar:** With the given tailwinds that our industry is seeing now can we expect some improvements in the margin from historical levels? So what would be your margins in FY2023?
- Kailash Agarwal:** I have given earlier also the guidance that it will be around 16% to 17%. These are one or two quarters which are exceptionally bad, but for FY2022 surely, we will be doing not as bad as what we did in first quarter or what we will be doing in second quarter. There will be huge improvement in FY2022 and in FY2023 it will be surely see margins of 16%, 17% - the guidance we have given earlier.
- Suraj Nawandhar:** How have been the July month has been for us?
- Kailash Agarwal:** In Q2, the thing has started improving, but also as earlier guidance Q2 also will be not so good as what was earlier expected.
- Suraj Nawandhar:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Mohit Khanna from Future Generali India Life Insurance. Please go ahead.
- Mohit Khanna:** I just had a question regarding the market opportunity, so just wanted to have a sense that government has already said that in phase I they would be having targeting 10 Crores meters by December 2023 if my memory serves me right so in that scenario what is the total market opportunity for you because just wanted to see that if you guys are going to maintain the 27% market share what could be the scalability of the business from here on?
- Jitendra Agarwal:** Opportunity definitely on paper looks very, very large, and it is going to be the reality also. Government is very ambitious when they say December 2023, but good part is that they have given financial incentives to the state utilities to achieve these ambitious goals and they have made it very clear to state governments this has to be done in the mission mode and there is a huge motivation behind this. So I am pretty hopeful. It is very difficult to say currently that all 10 crore meters will be installed by December 2023. It is a ambitious

target, but yes if even 70%, 80% or even 50% of the target is covered, it is a humongous opportunity for our industry.

Mohit Khanna: In that case what would be average ASP of the smart meter from your end?

Jitendra Agarwal: If you see complete end-to-end solution, it depends on the different specifications and the number of years of maintenance to be done, but generally it ranges anywhere from Rs.5000 to Rs.8000. That will give you a ballpark idea of the opportunity.

Mohit Khanna: At what price would state government will calculate their incentives. Is this the formula already decided by the center or it is still in work in progress?

Jitendra Agarwal: Government has already decided the formula. There are two categories they have created, one is the normal DISCOMs, one is the DISCOMs which are in the special category like northeastern states Himachal Pradesh, Uttarakhand, all the hilly areas, all the union territories, all the high loss areas, so government has created two categories, normal category and special category. So in the normal category Rs.900 per point will be given as a grant plus if the state utilities are able to install these meters by the end of December 2023 they will further get incentive of Rs. 450. So in total Rs. 1,350 is the straightaway grant from the central government for which state utilities have to just achieve what has been said. And by using these smart meters they will significantly reduce the AT&C losses and there will no capex done from the state utilities pocket. The entire money has been invested by the AMISP the service provider. So as such if you see from the eyes of the Chairman of a DISCOM there will not be anything better than this - where you have to install meters, reduce your losses, improve your billing cycle and not a single penny has to be spent from the pocket - so it is absolutely fantastic in that sense. Actually, it is Rs. 1,350 grant for normal category states and almost Rs. 2,000 grant for the special category states. So it makes sense for them.

Mohit Khanna: So finally for installation of the meters, money will not be paid by the consumer. Consumer will not pay any additional money right?

Jitendra Agarwal: Neither the consumer will pay the money nor the utilities. Utilities will pay rental per meter per month basis.

Mohit Khanna: That they will charge from the consumers?

Jitendra Agarwal: No, they will not charge from the consumers. That will be given from the pocket of the utilities. But the amount of savings they will do, for them it is absolutely a no-brainer.

- Mohit Khanna:** What is the entity that you would just named will undertake all the capex?
- Jitendra Agarwal:** AMISP - Advanced Metering Infrastructure Service Provider. Even Genus will play that role. So Genus will play both the roles - where they will themselves do AMISP and they will supply to AMISP as a manufacturer.
- Mohit Khanna:** So if you are going to play that role of undertaking capital expenditure in the scheme, then what gives you confidence that your working capital cycle would improve because ultimately the money has to be paid by the state electricity boards. Only they are not just paying upfront, but they will pay over a period of time?
- Kailash Agarwal:** Basically they are not paying us. It will be a rental model. The money will be coming on monthly rental model for six to eight years depending on tender-to-tender. So it might be even 8 to 10 years. So there would not be any upfront payment. Any capex done by us will be coming back in the form of rentals and that is secured by sovereign guarantees, escrow accounts and with the LC
- Mohit Khanna:** So that becomes secured debtors for you?
- Kailash Agarwal:** Yes absolutely secured debtors. So basically we are doing capex, so there would not be any working capital involved in this.
- Mohit Khanna:** In that scenario in the scheme, have you been provided any sort of cushion in terms of financing cost coming down? Can you also apply or AMISP can also apply for a lower interest rate financing scheme?
- Kailash Agarwal:** Basically that depends on the rating of the company. Genus is already A+ rated company.
- Mohit Khanna:** There is no special provision for such companies to get lower financing right?
- Kailash Agarwal:** But once your money is secured by so many things, banks always consider that for reduction in rates and all.
- Mohit Khanna:** Bill discounting can always take place.
- Kailash Agarwal:** Yes.
- Mohit Khanna:** Understood. Thank you so much.

Moderator: Thank you. The next question is from the line of Sagar from Price Water Coopers. Please go ahead.

Sagar: We have seen so many schemes being introduced by the government with respect to reforms on the power side. What makes you hopeful and confident that this scheme will help resolve the issues especially with respect to the DISCOM side?

Jitendra Agarwal: Whatever the schemes government had come with over the years, it has definitely improved the situation. Just imagine a situation wherein are no schemes would have been there, then the situation would have been much more worse. So saying all the schemes had no use won't be correct to comment on. And the reason I am very confident is because there is a clearcut incentive to the state utilities. There have absolutely nothing to lose in this scheme. If you see the overall scheme, almost 20% of the money of the smart meters is paid by the central government as grant ,so it is not a loan. And 80% of the remaining money will be financed practically by the AMISP where there is no immediate outflow of single penny from the pocket of the state government - which has always been the concern before for all these utilities because they are always cash trapped. This is beauty of save and pay model of this scheme. And if you see example of these 2.5 to 3 million smart meters installed in India and that too in the national capital of Delhi ,where the losses are absolutely below 10% - even there the payback of these smart meters is not more than three-and-a-half to four years, which is what Tata Power has mentioned in white paper multiple times. So it is for everyone to see the benefit of smart meters. I am more than confident that this scheme will fly very high.

Sagar: If I look at the opportunity unfolding in front of us over next three years, what kind of orders can potentially accrue?

Jitendra Agarwal: I have said that the next financial year we expect Rs. 1,300 to 1,500 crore as our topline, but it is very difficult to say. Because if you do mathematics then these numbers can go very high, but at the end of the day you are always in a vulnerable society, always in a volatile world, so everything can't be said based on mathematics only.

Sagar: Sir, my last question to you. Considering the scheme, do you see pressure on realization and margin?

Jitendra Agarwal: Definitely there is a pressure on margins in the current state of affairs because it has been almost one-and-a-half years where the industry has seen difficult times. But with this opportunity unfolding and the number of meters going to be bought in the next two calendar year, the margins will be similar to what it used to be one-and-a-half years back. It can be even better.

- Sagar:** Got it, any number to it in terms of margins?
- Jitendra Agarwal:** Our Vice Chairman said in the conference call itself, that we will be able to maintain 16% to 17% in next financial year.
- Sagar:** Got it. Thank you.
- Moderator:** Thank you. The next question is from the line of Amish Kanani from JM Financial Services. Please go ahead.
- Amish Kanani:** If you can update us with the tender pipeline. You said in the last call that tenders worth Rs. 3000 Crores were already floated and about Rs. 7000 Crores plus worth tenders are s likely to be floated. Can you give us some update what is happening on that front?
- Jitendra Agarwal:** Let me understand that you are asking for the tender opportunity pipeline?
- Amish Kanani:** Yes Sir.
- Jitendra Agarwal:** As I gave the number last time, so it currently stands almost on the same number, because nothing majorly has happened in terms of finalization of tenders. So currently also the live tenders are more than Rs. 10,000 Crores. To be very precise, estimated value of these tenders is Rs. 10,200 Crores. These tenders cover all categories - smart meters on opex, smart meter on capex, conventional meters. Out of this Rs.10,200 Crores, we have already participated in tenders wirth Rs. 3,000 Crores in last two to three months which we will get decided in the next three to four months. And almost Rs. 7,000 Crores worth of tenders will be participated in the next couple of months. So tenders size opportunity is worth Rs. 10,000 crore.
- Amish Kanani:** If you can give us some sense of once we win the mandate, what is the typical execution timeline. You have given some order book in our presentation, and so can you give you some sense on execution timeline?
- Jitendra Agarwal:** Currently the order book what we have around Rs. 980 Crores. Out of this Rs.980 Crores only Rs.175 Crores is the FMS work which will happen over the next five to seven years. Remaining Rs.800 Crores has to be executed in the next 9 to 12 months.
- Amish Kanani:** Assuming that our run rate remains the same this Rs. 10,000 Crores pipeline would mean additional order book in the current year, which will then be executed over next 12 months which could be mean say from Q3 of this year to Q2 of next year?

Jitendra Agarwal: I would say from Q4 of this year, because these tenders are still in the pipeline. By the time they get decided and then it takes three to four months for starting the execution. An electronic component's lead time has further increased globally. So the results of these tenders will start coming, very practically if you ask me. from Q1 of next financial year.

Amish Kanani: Once this scheme is as you said will be starting to see traction by the end of this calendar year, do you see the tenders coming in early part of next year and the same timeline will apply?

Jitendra Agarwal: There are two parts to this scheme. One is more or less by AMISP documents have been done by the utilities. Other is they have to apply to the central government for the grant. So this will happen parallelly. It is not that you get a grant, then only you come out with the tender. Currently we are talking to each other. Rs.6000 Crores opex tender will be part of these AMISP only. So they are not waiting for the approval. They have given timeline that till October 31, 2021 you have to apply whomsoever is serious about this 10 Crores meters by December 2023 and we all understand the way government work. Generally, they do not achieve every timeline. But there is light at the end of the tunnel.

Amish Kanani: One further understanding just to appreciate this better. How do you think is this AMISP agency which is going to fund upfront will be funded? And you said our company also will have a role, so I am assuming here that whoever win will have some role in terms of funding. But if you can give us some sense of how the banks will kind of fund this structure? Will there be tripartite agreement sort of a thing or will it be say LC discounting sort of a thing? And who will provide the funds upfront. I am presuming our banking system will, because of the sovereign guarantee, but if you can give us some flavor that would be helpful?

Kailash Agarwal: If you are talking about the government agency they are getting a lot of funds from investors. Alot of investors are coming and investing in EESL for this metering business. Many bigger companies have a big pool of funds so they are directly coming for the participation.. If you talk about Genus Power, we can go for a debt also because have a very strong balance sheet. Our debt equity is almost zero, we are a net debt free company. So basically then we can have some LCs also. So there can be many different models of getting funds for everybody who will be participating in the tenders. Genus will act as a supplier of the meters also and participating directly for the opex model also. So where we are directly supplying meters, how our clients are getting their funds is none of our business. But as Genus we can rely on the debt as we have a very strong balance sheet.

Amish Kanani: Thanks a lot. It evolves so maybe we will get to know as the quarter progresses. Thanks a lot and all the best.

Moderator: Thank you. The next question is from the line of Rajiv Rupani an Individual Investor. Please go ahead.

Rajiv Rupani: Currently our market share in normal meters is 27% and in smart meters is about 70%. So this new order which is going to come to us - the total 250 million smart meters are going to be installed over next five years - what do you think will be the market share of Genus in the smart meters?

Jitendra Agarwal: This 70% is just because very small numbers are there, so that is not a guiding factor. We have been maintaining market share in electricity metering of 25% to 30% over the last 10 - 15 years. We hope and we will give it our best to maintain this. It is not easy when the size increases so much, but definitely we will aim for our leadership position always. It is very difficult to give a number currently, but yes as a company, as a board, as the top management of the company we are motivated, committed and focused enough to maintain our market share.

Rajiv Rupani: Okay and my second question is now that current tenders which are above Rs. 10,000 Crores. In last concall which is on May 31, 2021 you had guided us that Rs. 1,200 Crores worth of tenders have been decided, Rs. 2,900 Crores worth of tenders will be decided and another Rs. 7,200 Crores worth of tenders will be decided in the next 30 to 45 days. And just now in the concall you said it will be decided in the next two months, so is there a delay in this?

Jitendra Agarwal: Almost every tender has been delayed. There are two reasons behind it. Reason number one, this scheme now have made it more clear. Earlier most of these tenders were coming when there was ambiguity on the specifications. There was a lot of murmuring if the central government has given the SBD and we have to follow T2T. And now it has been made very, very clear that one size does not fit all, there can be customization done by the state utilities. That is the major change that has come up. So lot of changes will happen in these tenders. So that is the reason I am saying that these tenders which are to be participated or will be participated will be happening by the end of this calendar year only.

Rajiv Rupani: Okay and my last question is now our current capacity is to produce about 10 million meters and you have said that we can increase it to 15 to 20 million meters. Am I correct?

Jitendra Agarwal: Yes, it can be doubled in four to six months. It is not difficult the way the plant, the building and and everything has been planned. So our business is a very yo-yo business. Because of this business is being a very yo-yo business, it is not very heavy on capex. A good company plans its manufacturing capability in such a way that it can easily undertake 200% of the

average - So that is the reason I can very confidently say that for this company producing 20 million meters, we just need to put our efforts for four to six months and we can do it easily.

Rajiv Rupani: I have a followup question now. Once these 250 million smart meters which are to be installed over the next five years, once these get awarded - so our current capacity will last as to how long and when do you think we need to add new capacity?

Jitendra Agarwal: We are closely watching how the market is unfolding. We have been talking about these large numbers for the last three to four years. So we have to be prudent enough in looking at the market, understanding it and using our capabilities accordingly. You cannot invest many on capex if cannot see the market unfolding. The beauty of our business is that it takes minimum three to six months on the tender to the first supply. So that is a good enough time for us to increase our capacities, when we truly are able to see the visibility.

Rajiv Rupani: Okay. Thank you. That is it from my side.

Moderator: Thank you. The next question is from the line of Nikhil Jain from Galaxy International. Please go ahead.

Nikhil Jain: Thank you for the opportunity. Why is the management actually considering to become AMI service provider. That is different from our current business model, where we are financing the meters and taking the risk from ourselves in terms of arranging the money. Does that give us any significant advantage or is the business being very lucrative? So that is what I wanted to understand?

Kailash Agarwal: We would not be only a meter capex doing company. For sure we will be supplying to other companies also. But we have to be in the business also in other ways. So we have to face the competition in both ways. We cannot remain just as a meter supplier, because there you do not get a chance for FMS which is mainly a good margin giving business and you the contact is almost for seven to eight years in that business and basically the money is secured. The first part generally dealing with the DISCOM is your money, but here your money is absolutely safe, you have the sovereign guarantee, you have escrow account. So basically there is no harm in competing in both areas.

Nikhil Jain: Just a related question, so the FMS part of the business that we have today is roughly around 10%. So we expect it to stay around 10% or with our venture into the AMISP kind of a thing, will that part of a business increase?

Kailash Agarwal: It will surely increase.

- Nikhil Jain:** Okay, fine. I will come back in the queue.
- Moderator:** The next question is from the line of Nilesh Jethani from Envision Capital. Please go ahead.
- Nilesh Jethani:** Thanks for the opportunity. First question was around Rs. 6000 per unit assumption, so this is installation plus the meter cost or it is just the meter cost?
- Jitendra Agarwal:** No, it is an end-to-end solution cost – it is the ballpark figure for the meter box installation and FMS for five years..
- Nilesh Jethani:** Understood, basically I believe the business model is where now we would be receiving the money for the meters installed in the next five to eight years?
- Jitendra Agarwal:** Yes, so the type of tenders which are getting floated. Central government is advising for minimum eight years of period, so we will have lot of tenders which will have 8 to 10 years of complete execution cycle.
- Nilesh Jethani:** Out of the near-term target which is around 100 million meters to be installed by FY2023 end. So according to your sense what will be the breakup between the rental model and directly EPC work?
- Jitendra Agarwal:** Out of 100 million meter, I estimate almost 75% of these would be on the new opex model where the AMISP is going to invest for the meters, not the state government.
- Nilesh Jethani:** I believe in the recent tendering, the approximate cost of the each meter came up to be around Rs. 2500 to Rs. 2800. So going forward the rate is assumed to be in that range or we assume further decline in the cost of smart meters?
- Jitendra Agarwal:** We are saying this practically for the last 10 years. Meter is like a shirt. It is very difficult to design the price of a shirt. So meter is a very custom based product. Cost of normal smart meters ranges from 2500 to Rs.5000. It is very custom based. There is no way to decide that this is the ballpark figure of a particular product.
- Nilesh Jethani:** So last call you said that in FY2021 we saw tenders worth around Rs. 4000 Crores and out of which only Rs. 1200 Crores are awarded. So balance Rs.2800 Crores is yet to be awarded. Plus last two years average was Rs.7,200 Crores worth of tenders. So this year, probably what we see Rs. 28,00 Crores balance figure of last year plus broadly this year target of around Rs. 3000 Crores to Rs. 4000 Crores new tenders, so Rs. 6,800 Crores to Rs. 7,000 Crores can be approximate size of opportunity for FY2022 we can assume?

Jitendra Agarwal: By the end of this financial year even I am assuming these tenders will get decided. And many of the last year tenders have been further postponed. There have been couple of tenders which have been finally been decided by the utilities that they are not going ahead with those tenders, and that they we will come out with new tenders according to the new scheme. So you will see lot of changes. My expectation is that so Rs. 7,000 Crores to Rs.8,000 Crores worth of tenders will get decided by the end of this financial year.

Nilesh Jethani: Lastly, on the operating margin level. So with the current rise in the commodity prices, on the orders that we have in hand, can we expect margins to decline further going ahead?

Kailash Agarwal: If you see in this quarter itself, we have been hit by almost 4% to 5% on account of rise in raw material and commodity prices and all. From third quarter or fourth quarter we will start executing the new orders, where we have already taken care of these commodity prices and all.

Nilesh Jethani: Understood, one last thing, earlier when we were discussing about number of players, so it was more than 15, 18 players in the segment. But now with the change in the model where it is more like annuity business where the installation company would have to wait for five years to receive the entire amount - of course they have some incentive of Rs. 1,300 if we complete by CY2023. But with the change in the model do you see the competitive intensity to lower in the sector?

Jitendra Agarwal: Competitive intensity will remain the same, but we will have to play our game correctly. This is we have been doing over the last more than a decade and I am confident that we will be able to sustain our position.

Nilesh Jethani: Basically I am asking in the competitive intensity. What kind of competition you assume going forward when we have tenders?

Jitendra Agarwal: I am expecting the same kind of competition what it is like currently. So all good companies are now moving from conventional meters to smart meters, so competition intensity is going to remain the same.

Nilesh Jethani: The amount of investment required from the company for example so we expect our market share to go down because now we would have lot of upfront amount to be paid from our side and wait for the amount to come from the DISCOM or the nodal agency at a later period. So we expect our market share to go down in that sense?

Jitendra Agarwal: Please understand that Genus will play both the roles. In few tenders we will play the role of AMISP, where we will take the tender on rental basis which needs to be served for 8 to

10 years. And parallelly we will also become the supplier to this AMISPs, which is what currently also we are doing. Currently we are supplying to EESL which is AMISP, we are supplying to IPCL which is AMISP. And at the same time ourselves are doing end-to-end annuity projects in Tamil Nadu and Rajasthan - where it is not a completely on opex. It is capex plus opex model. So we are already undertaking that. And in future, complete opex model will also be undertaken by Genus. So Genus will play its role all across. Secondly, Genus is one company which is not only focusing on meters but we are also focusing technically on the end to end solution. And currently we are the only company which has its own meters and does its own FMS. So our game is very clear that we will provide end to end solutions to the end consumer i.e. to the utility. We are not going to be only a hardware player. We have already started becoming a software player also. So equal value will be created by providing end to end solutions.

Nilesh Jethani: Understood, reason for asking that question was the size of opportunity has been quoted in the media of Rs. 1.5 trillion Just in case if most of these orders coming from rental route, as a metering company do we have that kind of amount to invest in the next two to five years?

Jitendra Agarwal: Very frankly speaking the industry is more than geared up to do this. If this really happens, Let us say this Rs.1.5 trillion is spend on this distribution reform in next five years, the face of electricity system in India will change. We will change for far, far better than what where we are today and the industry is more than capable of handling this kind of number.

Nilesh Jethani: Thank you so much, that was my question.

Moderator: Thank you. The next question is from the line Rajiv Rupani an Individual Investor. Please go ahead.

Rajiv Rupani: I have a followup question. Once this new smart meter order is awarded to us, I wanted to understand that out of our current capacity of 10 million meters will we utilized for making smart meter?

Jitendra Agarwal: We are one company where most of our products designed by us. We take nothing from outside and we have a complete backward and forward integration done. If you see historically also when two years back, we started manufacturing a smart meter for EESL, our current lines were converted to smart metering lines. And when EESL and all the testing laboratories visited our line they were stunned as to what has been created in such a short time. So do not worry on that, the same lines can be used for smart meters. As everything is done in house, so we know where to change, when to change and how to change.

Rajiv Rupani: Thank you and one last question on gas meter Sir. In last concall you had updated us that in two, three months certification will be received by us. So can you give some more information about the gas metering opportunity?

Jitendra Agarwal: On the gas metering opportunity more or less the testing has been completed and we are very hopeful that in next 30 to 45 days we will have that all the certifications required. And currently also we are participating in gas metering opportunity. We have done some 12000, 14000 numbers in last six to eight months. Gas metering opportunities also going to be a fairly good opportunity in next six to eight years. So on the gas meter also we are fully focused, we have already developed the product, the testing is already more or less completed and we should get the certificate in next 30 to 45 days.

Rajiv Rupani: Thank you very much. That is it from my side.

Moderator: Thank you. The next question is from the line of Vijay Bayani from Samyag Finance. Please go ahead.

Vijay Bayani: Can you tell us about the timeline for the proposed demerger and the restructuring of the group companies?

Kailash Agarwal: Basically we are just waiting for the SEBIs approval. That is taking too much of time, it is because of Corona and all. We were expecting in two months and now it is almost four months, so nothing is in our hands. Once it comes then we will file in NCLT and then it is a process of almost four, five months. So we are very hopeful..

Vijay Bayani: By the end of 2021?

Kailash Agarwal: For sure, this year's balance sheet will reflect the demerged numbers. We are very hopeful on that. We are expecting the SEBI approval by mid of August and then another five months or six months. So we are very hopeful that by end of this financial year, the next balance sheet will be with the demerged numbers.

Vijay Bayani: Okay, excellent. Thank you very much.

Moderator: Thank you. The next question is from the line of Ashit Kothi an Individual Investor. Please go ahead.

Ashit Kothi: Good afternoon Sir. What I just wanted to understand from whatever conversation I have heard just now, that when we are going to provide capital, so what would be our capital requirement as a capital expenditure and what ratio we intend to maintain 60:40, 50:50?

- Kailash Agarwal:** Basically that has to be seen once the things start maturing, what numbers we are getting from supply of meters and how much you want to enter in the end to end solutions. So basically right now we are looking for one third of business through end to end solutions and remaining business from direct supplies. And we will be doing a business of around Rs. 1300 Crores to Rs. 1500 Crores next year, so we are targeting a business of Rs. 500 Crores with end to end solutions.. If we get a business of Rs.500 Crores, that does not mean it is a meter supply only. Meter supply is only 40% of that and then it is the installation and seven to eight years FMS is also involved in that. It is not like that if I have picked a business of Rs.500 Crores, I will be needing Rs. 500 Crores immediately within a year's time or six months' time.
- Ashit Kothi:** Fund requirement would be 20% of that?
- Kailash Agarwal:** 35% to 40% of the total tender I have won.
- Ashit Kothi:** Apart from gas meter, are we also planning to going for or looking at water meters also?
- Jitendra Agarwal:** As a company we have made our vision very clear. We have redefined ourselves, as a measurement, communication and analysis company where we provide end to end solutions to utilities. And worldwide utilities has always been in business of energy, water and gas. So energy we are already there, gas we have already ventured in and water you will see Genus playing a good role from next financial year. We have started the journey of working on the water meters.
- Ashit Kothi:** Okay, because that is going to be one of the biggest market as far as India is concerned?
- Jitendra Agarwal:** Lets hope so.
- Ashit Kothi:** Next one or two quarters what will be your cash requirements and are we prepared for that?
- Kailash Agarwal:** Normal cash requirements will be there. We are ok with the working capital. a And being a net zero debt company, so we do not have any cash issue. We are cash positive company.
- Ashit Kothi:** This was basically from the point of view of current situation?
- Kailash Agarwal:** Yes, I am talking about the current situation only. Last quarter was even worse than what we are expecting. It was certainly better than the quarter we have faced last year. So even that time also company never faced any cash crunch or any cash issue. Fortunately we are very okay that we did not face any cash issue in the company.

- Ashit Kothi:** We might end up with marginal cash loss or something in the second quarter by any chance if situation does not improve much, but that would not pose any issue to us?
- Kailash Agarwal:** There are no cash losses in first quarter also.
- Ashit Kothi:** But that is a marginal profit right?
- Kailash Agarwal:** If you add depreciation also the cash profit is Rs. 4 Crores or Rs. 5 Crores. And company is sitting on a cash of Rs. 200 Crores. So it would not be any challenge.
- Ashit Kothi:** Our cost of fund is currently at what rate Sir?
- Kailash Agarwal:** Around 7.75 percent.
- Ashit Kothi:** Comfortable. Thanks a lot.
- Moderator:** Thank you. I would now like to hand the conference over to the management for closing comments.
- Kailash Agarwal:** Thank you all for joining the conference and we as a management of Genus Power surely assure you that the things will be improving from third quarter end and there will be a very good numbers in coming financial FY2022-2023. Thanks a lot. Thank you very much.
- 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 lines.