



“Genus Power Infrastructures Limited
1QFY17 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Genus Power Infrastructures Limited Q1 FY2017 Earnings Conference Call hosted by Equirus Securities. As a reminder, all participants' 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. Pankaj Sharma. Thank you and over to you Sir!

Pankaj Sharma: Thank you very much and a very good afternoon to everyone on this call. It is a great pleasure to host the management of Genus Power for its Q1 FY2017 conference call and today we have with us Mr. Kailash Agarwal, the Vice Chairman of the company and also Mr. Lokesh Pareek, Head – Investor Relations. It is I think 1Q number has been good in terms of order book and also in terms of margins. There has been of course the quarterly variation in terms of sales but of course management would highlight the reasons and provide more explanation for the same. Now I hand over to Mr. Kailash Agarwal for a few opening remarks and then probably we can start with the Q&A.

Kailash Agarwal: Thank you. Good evening everybody. Thank you for sparing the time for conference call of Genus. I would like to make out the highlights of this result. There is a little drop in revenue of the company but you see that the margins are intact and margins are even better than last quarter of the yearly financial year FY2016. There are EBITDA levels of around 14.5% with PAT of around 9%. The main reason for slowdown in revenue was because of some slowdown in orders that is because of there was a little confusion going on between state governments and central governments that they will purchase centrally or because of this UDAY schemes and all that has come there was a view going with central government that all meters they will buy as a central purchase but now that thing is over and they have decided that it will happen like earlier it was happening. All states will buy meters as per their requirement and as per their thing. So I think now the things are over and you will see the order book. There is a good improvement in order book from last quarter to this quarter. So I think by next quarter or the third quarter the things will improve in revenues also and the margins you will see that even there is a drop in revenue still the margins are intact rather it is a better margin. So now I invite specific questions if anybody has.

Moderator: Thank you very much. We will now begin the question and answer session. We have the first question from the line of Jaisheel Garg of Way2wealth Securities. Please go ahead.

Jaisheel Garg: Good evening. Congratulations for a good set of numbers. Sir can we get us breakup of topline in order book?

- Kailash Agarwal:** Breakup of topline is out of 187 Crores, 182 Crores is meters and 5 Crores is ECC and order book is around 425 Crores meters and remaining is ECC.
- Jaisheel Garg:** Sir total order book is how much?
- Kailash Agarwal:** 660 Crores.
- Jaisheel Garg:** Sir my second question is regarding this ECC business actually it has incurred low margins. So whether it is going to improve like going for what or will be sustainable?
- Kailash Agarwal:** Basically the revenue will increase. There will be an improvement in revenues also. We have a target of around 150 Crores of revenue in this year. So first quarter generally is always not like that. From second quarter the revenues will increase and so the margins will also coming from this business but always there is a lesser margin in compared to meters and revenues.
- Jaisheel Garg:** This margin approximately 16.5% EBITDA margin will sustain as per your expectation I mean it will sustain?
- Kailash Agarwal:** Yes meter margin is sustainable. You see that even the revenue has gone down still the margins are there.
- Jaisheel Garg:** Any product launch like any value added smart meters?
- Kailash Agarwal:** Basically it is not a launch of any new products. We already have these products and we are marketing already for these products. Only the thing is mix has to change.
- Jaisheel Garg:** Thanks. That is from my side Sir.
- Moderator:** Thank you. We have the next question from the line of Nirav Shah of Geecee Investment. Please go ahead.
- Nirav Shah:** Thank you Sir for taking my questions. Few questions, so first what is the broad margin breakup on meters and ECC?
- Kailash Agarwal:** Broad margins in terms of meter are 16% to 17% EBITDA level and ECC is around 10%, 11%.

- Nirav Shah:** 10% to 11% got it and we have seen a good traction from on a Q-o-Q basis in the order book from say 386 Crores to 660 Crores. So incremental is it completely led by meter segment.
- Kailash Agarwal:** No both meter and ECC both?
- Nirav Shah:** Both okay and from the receivable cycle in both the segment Sir.
- Kailash Agarwal:** It is almost same. It is around 200 days. Basically the total cycle is 200 days not exactly the receivables but basically the suppliers level.
- Nirav Shah:** Can you just give a broad breakup of FY2016 revenues in terms of both the meters and ECC and of the 150 Crores target how is this look like between the two segments?
- Kailash Agarwal:** Sorry I could not get your question. You are asking for this particular quarter or the last financial year?
- Nirav Shah:** So last financial year the total revenue breakup how would that be between ECC?
- Kailash Agarwal:** Last year it was 817 Crores is for the meters and remaining for the ECC. Actually last year there was a big drop in ECC business, not basically because we did not have the order book because of some execution things and all. So we will be covering that in this particular year.
- Nirav Shah:** So any money is stuck in the ECC part in the receivables or it is all the normal routine?
- Kailash Agarwal:** It is all normal routine; some retentions are there, which is part of the business.
- Nirav Shah:** Can you just give a broad breakup of our meters in terms of which segment constitutes a largest share?
- Kailash Agarwal:** Segment means basically you are talking about single phase meters, three phase meters, and smart meters so basically what?
- Nirav Shah:** Commercial and grid related?
- Kailash Agarwal:** Basically that we do not have that type of data with commercial or households and all. It is generally single-phase meters, three-phase meters and then smart meters, single phase meters, two phase meters, three phase meters and other type of meters.
- Nirav Shah:** So margin profile is more or less the same across the product category?

- Kailash Agarwal:** Typically the more value added product is there the margins are always better.
- Nirav Shah:** From when do you see the revenue traction coming because now that our opening order book for the current quarter is pretty strong? So you see traction from Q3 or Q2 itself.
- Kailash Agarwal:** Mainly from Q3, a little from third month of Q2.
- Nirav Shah:** Full year revenue target is how much you mentioned for the current year any guidance that you would like to provide Sir?
- Kailash Agarwal:** That I am just check. Give me a little bit time. It varies from locations.
- Nirav Shah:** That is it from my side. I will just wait for your reply on this guidance. Thanks.
- Moderator:** Thank you. We have the next question from the line of Prem Khurana of Anand Rathi. Please go ahead.
- Prem Khurana:** Good evening Sir. Thanks for taking my questions. Sir first question is with respect to topline. We have had some 23% odd kind of dip in our numbers and you spoke about some confusion between state government and central government. Just want to understand I mean as I see it we have seen significant jump in our order backlog which in effect we were able to get some orders in this quarter so in effect mean I mean these SEBs or state utilities were giving you orders. So does it mean offtake was an issue or I mean the jump you have seen is because of ECC orders that got secured?
- Kailash Agarwal:** Actually in UDAY scheme after the UDAY scheme and many states came into the scheme there was confusion going between central government and state government. Central government was pushing to have the central purchase system a single type of meter and a centrally purchase like they did in LED and they tried to do it in transformers also, cables also. They had a plan to buy everything centrally and then supply to state and a lot of states were opposing in case of meters and other things they were opposing for this scheme. There was a confusion going on between central government and state government. Central government tried to bring some tenders for transformers also and cables also and finally they have to scrap that those tenders also. So basically after that it was resolved between state and central that okay the state could make them understand their problems and all and then central decided okay you can buy, you can move tenders as you were doing earlier also. Now they have started applying for the new tenders and all and new tenders have started coming. That is why you are seeing and there are orders from ECC also in this and from meters also and more improvement will be there from third quarter order and all.

Prem Khurana: Sir does it mean I mean the numbers that we talk about I mean under UDAY scheme the meters that they were supposed to procure, I mean would not hold to anymore because I mean central government would be kind of billing in some numbers for these states I mean which are kind of going to go on their own?

Kailash Agarwal: Basically the numbers are same because in UDAY they have given a target of reducing T&D losses and all. So that is not a change. Basically whatever has to buy from central government, the state government also has to buy that. Only difference was whether it has to be centrally procured or state itself they procure that was the difference.

Prem Khurana: Sir any update on related party exports. I was going through our annual report and there seems to be some kind of increase in numbers. So loans and advances, which were around Rs.41 odd Crores at the end of FY2016, have increased to almost Rs.45 odd Crores. It is not a significant increase I understand but then would it be possible for you to share some thoughts I mean when you expect this money to come back to you.

Kailash Agarwal: Actually right now not give these numbers so you can send your inquiry and we will give better on that.

Prem Khurana: But I mean generally related party exposure, which exists irrespective of the number.

Kailash Agarwal: We were told that we are reducing these numbers and when you will see that I do not know what you are saying about the increase may be some other things on that. So that we will see and revert you back. We surely are reducing it and you will see numbers in FY2017 there is a substantial reduction in that.

Prem Khurana: I mean if you could just highlight something on tax, tax rate seems to be on a higher side this quarter. So is it because of some mix change or something of that sort?

Kailash Agarwal: No basically it is a just a deferred taxes there otherwise our tax rate is 20%. We are in Uttaranchal and tax haven. So generally our tax rate is around 20% only and this is because of some deferred tax things and all. If you need some more details on that we can revert to you back.

Prem Khurana: Just one last I mean if you could share your thoughts on your international foray. I mean your annual report talks a lot about kind of going to Africa countries like wherein you have significant demand for meters. So do we have any numbers in place I mean what kind of number do we intend to have from the geographies outside India?

- Kailash Agarwal:** Basically we have already started working on that and we have participated in lot of tenders also. Last year if you see that there was a total turnover of 7 Crores from export itself and first quarter there is a turnover of 4 Crores. So not a very substantial figure but still you see that in one quarter we have achieved 4 Crores so already a lot of work has been started in that and we hope to have a very good numbers. Very good numbers mean at least 5%, 7% of total revenues from export market this year
- Prem Khurana:** Thank you. That is it from my end.
- Moderator:** Thank you. Next question is from the line of Giriraj Daga of KM Visaria Family Trust. Please go ahead.
- Giriraj Daga:** Can you give us last quarter 386 Crores what is the breakup between ECC and meters order book?
- Kailash Agarwal:** We will revert to you back on that. Actually I do not have the figures right now.
- Giriraj Daga:** The second is Sir how is the order book pipeline looking for meters for like next two, three quarters any visibility on that side of business?
- Kailash Agarwal:** It is a purely tendering business so and there cannot be any visibility on that but generally our success rates are around 25%, 30%. Our market share is around 25% and we participate in all tenders of any type of meters comes. Generally it is like that.
- Giriraj Daga:** Is there any L1 position something like that in the industrial?
- Kailash Agarwal:** Basically it is a L1 business. Generally it is not necessary that all business will go to L1.
- Giriraj Daga:** You have any L1 position any out there?
- Kailash Agarwal:** No right now I do not have this we can again revert to you back on that.
- Giriraj Daga:** Export you said also like you are participating something like close to 5%, 7% you can get it from the export market, which countries mainly it is pertaining to?
- Kailash Agarwal:** This is mainly from African countries.
- Giriraj Daga:** How would be the margins and would it be similar to what we are running in India on the meter side of it?

- Kailash Agarwal:** Almost.
- Giriraj Daga:** My last question is like you said about 817 Crores like last year revenue came in from meters remaining I calculated is about 43 Crores. Is the number right like 43 Crores is going to be 150 Crores on ECC side?
- Kailash Agarwal:** 53 I think total was 869 last year.
- Giriraj Daga:** I can see its 859.8.
- Kailash Agarwal:** 817 and 53 so 869 was the total.
- Giriraj Daga:** So this 53 is going to becoming 150 Crores this year.
- Kailash Agarwal:** Actually last year it was also supposed to be 150 but due to some government execution problems and all some clearances and forex clearances and all it could not happen. So it will happen in this year.
- Giriraj Daga:** Thanks a lot.
- Moderator:** Thank you. We have the next question from the line of Ankush Mahajan of Edelweiss. Please go ahead.
- Ankush Mahajan:** Sir could you tell us what is the total opportunity size that we are looking under these two schemes Deen Dayal Upadhyay Yojana and IPDS for metering and who are other major competitors like can we consider Kirloskar Electric and AC also?
- Kailash Agarwal:** No they are not in meters and they are not competitors for meters and all.
- Ankush Mahajan:** Agreed Sir so what is the opportunity size that we are looking in these two schemes?
- Kailash Agarwal:** Basically right now if you talk about today the total market size is 3500 Crores and if we go with all these schemes and what government is talking about changing of all meters like the government is saying in next five years they will be going for 25 Crores new meters. They will be changing all meters into smart meters. All anybody using electricity more than 250 units has to go for smart meters and then smart cities we are talking about. So there can be a tremendous big, big market size. So it is how it will work and how the government aggressively will work on that that we have to see but right now the market size is around 3500 Crores which is doing about 10% I think.

- Ankush Mahajan:** It is totally based on these central sponsored schemes these two schemes?
- Kailash Agarwal:** Not necessarily central.
- Ankush Mahajan:** That is incremental?
- Kailash Agarwal:** That is incremental. The central sponsored scheme is totally talking about UDAY and all these are totally different. These are the regular meters what the state government are buying.
- Ankush Mahajan:** 3500 is regular meter that are buying by our state government?
- Kailash Agarwal:** Yes.
- Ankush Mahajan:** We can consider this is as incremental?
- Kailash Agarwal:** Yes there can be a big incremental growth by these schemes?
- Ankush Mahajan:** Who are the competitors?
- Kailash Agarwal:** Competitors are Secure Meters, HPL, L&T.
- Ankush Mahajan:** Would you repeat Sir one second HPL, L&T?
- Kailash Agarwal:** Secure Meters.
- Ankush Mahajan:** What is the market share for the organized players?
- Kailash Agarwal:** It is organized only almost organized.
- Ankush Mahajan:** Almost organized. Thank you Sir. That is it from my side.
- Moderator:** Thank you. Next we have a followup question from the line of Jaisheel Garg of Way2wealth Securities. Please go ahead.
- Jaisheel Garg:** One question. I just want to understand the total debt on the books right now and actually the finance cost has increased this quarter little bit. Just want to know the reason; I am comparing quarter-on-quarter?

- Kailash Agarwal:** Basically the debt is almost same because this finance cost includes the LC open charges and some forex things and all. So there may be a little variance because of that only. Otherwise the debt is almost same. Net debt is almost same.
- Jaisheel Garg:** Any figure Sir current?
- Kailash Agarwal:** Net debt will be around 225 Crores to 230 Crores at the same levels it was on March 31 on net levels yes.
- Jaisheel Garg:** Sir one more question. The bidding is going on, which states are more aggressive now and of the total states in UDAY?
- Kailash Agarwal:** It is nothing like that basically it is regular process. So you cannot say this is more aggressive and this state is not more aggressive.
- Jaisheel Garg:** I just want to understand actually where the bidding is going on?
- Kailash Agarwal:** Basically there has been clarity only recently between the central and state about the central purchase and all. So we cannot say anything on that. So basically once the tenders in next two, three months we can be able to tell you that okay this state is more aggressive and this state is less aggressive.
- Jaisheel Garg:** Nothing particular came with this state?
- Kailash Agarwal:** Right now nothing.
- Jaisheel Garg:** Thank you Sir.
- Moderator:** Thank you. Our next question is from the line of Prem Khurana of Anand Rathi. Please go ahead.
- Prem Khurana:** Thank you for taking my question again Sir. Just one question we have around Rs.660 odd Crores order book. So would it be possible for you to kind of share three top clients for us?
- Kailash Agarwal:** Right now I do not have the figures for that. I will get back to you about that.
- Prem Khurana:** One more on ECC side I think you have guided for Rs.150 odd Crores number for the full year right?
- Kailash Agarwal:** Yes.

- Prem Khurana:** But then in this quarter then only Rs.5, 6 odd Crores so which in effect mean for the nine I mean remaining nine months we are looking the Rs.145 odd Crores?
- Kailash Agarwal:** Yes.
- Prem Khurana:** Thank you.
- Moderator:** Thank you. Next question is from the line of Jaisheel Garg of Way2wealth Securities. Please go ahead.
- Jaisheel Garg:** Sir one more question, regarding gas meters any opportunity or any game plans regarding gas?
- Kailash Agarwal:** Right now we are working on that and nothing concrete is there, once it happens we will discuss.
- Jaisheel Garg:** CGD is the next vertical for you. I mean the expansion of city gas distribution like P&G and everything government is allocating?
- Kailash Agarwal:** Yes.
- Jaisheel Garg:** So you are looking for that vertical?
- Kailash Agarwal:** Certainly we will.
- Jaisheel Garg:** Meaning that you are geared up actually?
- Kailash Agarwal:** We are ready with the product.
- Jaisheel Garg:** One more request, one request from my side Sir actually it is possible to disclose whenever you got the orders to display on the website or new comments or you come in the screen or representative from your company come in the screen?
- Kailash Agarwal:** Yes we can make a process for that.
- Jaisheel Garg:** Thank you Sir.
- Moderator:** Thank you. We actually have one more question that popped up. We have a question from Giriraj Daga of KM Visaria Family Trust.

- Giriraj Daga:** Clarification you said net debt is about 225, 230 Crores but when I look at the FY2016 balance sheet we have also cash of about like current investment plus cash of about 160 Crores?
- Kailash Agarwal:** Yes.
- Giriraj Daga:** So the net debt should be lower right about 80 Crores.
- Kailash Agarwal:** Net debt is yes certainly lower yes.
- Giriraj Daga:** Just a clarification.
- Kailash Agarwal:** Levels are almost same that is what I am saying.
- Giriraj Daga:** That is the gross debt of 225 to 230 Crores.
- Kailash Agarwal:** Yes.
- Giriraj Daga:** Thanks a lot.
- Moderator:** Thank you. As there are no further questions, I would like to hand the conference back to the management for its closing comments.
- Kailash Agarwal:** Thanks. I think we are over, almost all the questions have been answered and I have given my presentation. So thank you very much everybody who joined us.
- Moderator:** Thank you very much. On behalf of Equirus Securities that concludes this conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.