February 21, 2024

BSE Limited,
(Corporate Relationship Department),
P J Towers, Dalal Street,
Fort,
Mumbai- 400 001

BSE Code: 530343

National Stock Exchange of India Ltd.,
(Listing & Corporate Communications),
Exchange Plaza, Plot no. C/1, G Block,
Bandra-Kurla Complex, Bandra (E)
Mumbai - 400 051.

NSE Symbol: GENUSPOWER

Sub: Transcript of Earning Call.

Dear Sir/Madam,

We enclose herewith transcript of Earnings Call held on February 15, 2024 to discuss operational and financial performance for the quarter ended December 31, 2023.

Kindly take the same on your record.

Thanking you,

Yours truly,

For **Genus Power Infrastructures Limited**

PURAN SINGH RATHORE

Digitally signed by PURAN SINGH RATHORE
Date: 2024.02.21 17:16:02 +05'30'

Puran Singh Rathore
Joint Company Secretary & Compliance Officer
Encl. as above

"Genus Power Infrastructures Limited Q3 FY24 Earnings Conference Call"

February 15, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 15th February 2024 will prevail.

MANAGEMENT: **MR. KAILASH AGARWAL – VICE CHAIRMAN**
MR. JITENDRA AGARWAL – JOINT MANAGING DIRECTOR

Moderator: Ladies and gentlemen, good day and welcome to the Genus Power Infrastructures Limited Q3 FY24 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 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 touch-tone 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. Over to you, sir.

Kailash Agarwal: Good evening ladies and gentlemen. A very warm welcome to the Q3 FY24 earnings call of Genus Power Infrastructures Limited. Along with me on this call are Mr. Jitendra Agarwal – Joint Managing Director of Genus Power and SGA, our Investor Relations Advisors. The "Results and Investor Presentation" are uploaded on the Stock Exchanges and Company Website. I hope everybody has had a chance to look at it.

Since July 2023, our company has consistently achieved remarkable success by securing a series of 7 prestigious orders. The orders aggregating to approximately Rs. 16,185 crores (net of taxes) are for the installation of approximately 1.82 crore smart prepaid meters. In Q3 FY24, we had a total order inflow of around Rs. 9,522 crores (net of taxes). The trust and confidence demonstrated by our clients is a strong testament to the dependability of our cutting-edge smart metering solutions. Our total order book has surpassed Rs. 20,000 crores (net of taxes) indicating a promising outlook for future revenue growth.

It is worth mentioning that the fulfillment of these orders will commence only after a period of approximately 6 to 9 months from the date of order. This is primarily because of the time needed to complete the necessary formalities for starting the projects. These formalities encompass a range of activities including necessary approvals, negotiation of contracts, and logistic arrangements. We strive to diligently attend to every detail to guarantee a seamless and successful execution process.

The execution cycle of the current order book is about 27 to 30 months. Thus, it provides healthy visibility of our top line growth, particularly for FY25 and FY26. Numerous state electricity boards have commenced the bidding process to procure smart meters, underscoring the positive impact of the 'Reforms-Based, Result-Linked Power Distribution Sector Scheme'. Our analysis indicates a high probability of witnessing a steady inflow of order volumes in FY25 also.

Our strategic partnership with GIC represents a significant achievement in our journey, bringing together the capabilities and resources of both entities to drive innovation, sustainability, and efficiency. The formidable presence and robust financial position of GIC combined with our proven track record in delivering cutting-edge metering solutions create a powerful synergy that will propel us to new heights.

Talking about the Quarterly Results:

Revenue stood at Rs. 258.3 crores, up by 28.9% as against Q3 FY23 revenue of Rs. 200.4 crores. As communicated in previous quarters, we expect a notable growth in revenue starting from Q4 FY24.

EBITDA stood at Rs. 27.2 crores, up 33% as against Rs. 20.5 crores of Q3 FY23. We have witnessed a significant rise in employee cost and other expenses due to our ongoing efforts to expand our workforce and enhance our systems. This is in anticipation of fulfilling the substantial order book we have secured.

Profit after tax stands at Rs. 13.5 crores for Q3 FY24, an increase of 16.1% as compared to Rs. 11.6 crores in Q3 FY23. However, the profitability of our company in Q3 FY24 was impacted by a substantial rise in financing expenses due to the company's requirement to furnish additional bank guarantees in order to secure the large influx of orders.

According to our evaluation, we expect a significant surge in our revenue from FY25 onwards. This will be driven by the strong performance of our order book and a speedy inflow of new order books. On a conservative basis, we expect to record a total revenue of about Rs. 2,500 crores in FY25. With operating leverage kicking in, we also expect our operating profit margin to significantly improve.

We have established ourselves as a dominant player in the Indian electricity metering industry, boosting an impressive track record spanning more than two decades. We strive to solidify our leading position in the smart metering industry by leveraging our distinctive abilities and capabilities. With our strong presence in the Indian metering industry, we are in a prime position to capitalize on the sector's lucrative growth prospects. We maintain a positive outlook regarding the substantial enhancement of our business operations starting from the fiscal year 2025 and beyond.

Now, I request for Q&A.

Moderator: We will now begin the question & answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Nikhil Abhyankar from ICICI Securities. Please go ahead.

Nikhil Abhyankar: Sir, we have seen a huge order inflow from AMISP till date. What is the quantum of total orders bid out till date across India? And what is the remaining pipeline?

Jitendra Agarwal: Just to give you an idea of this, almost 50% of the tenders have been floated. If you see, we have been maintaining a total of 25 crores, the target of the Government of India. If you always say that they started this journey in 2017-18 and it is almost 30 crore meters which will be tendered, ordered over the course of time. Out of that, almost 50% is already tendered, out of which 10 crore orders have been decided. The 4-5 crore of tenders are either in the pipeline to be quoted or already quoted and to be decided in the next 3 to 6 months. So, this is the current situation right now.

Nikhil Abhyankar: Is it fair to assume that the total quantum of the orders bid out till date is somewhere around Rs. 1.25 trillion to Rs. 1.3 trillion? Or is it more than that?

Jitendra Agarwal: You are talking in terms of value?

Nikhil Abhyankar: Yes.

Jitendra Agarwal: You can take, say, a ballpark figure of Rs. 10,000. So, around 150 million meters x Rs. 10,000, I think will be easier.

Nikhil Abhyankar: Sir, now coming to the results for the quarter, we have seen a very large spike in our gross margins. The gross margins have increased to almost 44% in this quarter as compared to somewhere around 36% to 37% earlier. Is it that we have started executing the new orders which have got higher margins?

Jitendra Agarwal: Yes, and even the service revenues have started coming in. So, execution of the new orders and the service revenue that have helped the overall gross margins.

Nikhil Abhyankar: Sir, the service revenues are from the AMISP orders?

Jitendra Agarwal: From the AMISP orders which we started, especially from the South Bihar projects.

Nikhil Abhyankar: Sir, can you give us the split between the revenue from supply of meters and the service revenue?

Jitendra Agarwal: Exact I don't have right now.

Nikhil Abhyankar: A ballpark would be fine.

Kailash Agarwal: Not exactly these numbers are there. We treat it as an EPC contract where it is with meter installation, everything comes together. So, normally we treat these numbers as like that only.

Nikhil Abhyankar: Sir, now that we are closer to FY25, can you just give us some guidance about the execution for the next year?

Jitendra Agarwal: Almost for all the orders, the contract agreement has been signed. As we said in the opening remarks also, generally whenever any LOA comes and then the contract agreement is signed within 2 to 3 months, it takes practically 6 to 9 months on the ground to start the execution. Most of these orders have been decided in the months of July and August. Some have come in the months of October and November. So, most of these projects will be on the floor from the second quarter of next financial year. But a lot of them will start from the first quarter also. So, you will see almost every project under execution starting from the second quarter of next financial year.

Kailash Agarwal: In my opening remark, I have already given a revenue guidance of around Rs. 2,500 crores.

Nikhil Abhyankar: Sir, my final question was regarding the equity requirement in the Platform in the next year itself. And what is the cash on our books as on date?

Kailash Agarwal: Basically, equity requirement will depend how the executions will happen. The cash on our balance sheet is…. Because that warrant money, as also total money has come from GIC, so almost we are sitting on a cash of almost Rs. 500 crores on the books.

Nikhil Abhyankar: Sir, assuming Rs. 2,500 crores of execution, what will be the equity requirement?

Kailash Agarwal: For the execution of Rs. 2,500 crores, the Platform will be requiring a fund of almost you can say around 70% or 80% of that. And out of that, there are some debt also and the equity also. When we talk about Genus, we have given a commitment of equity of around Rs. 1,600 crores for next 3 years. So, I don't think there will be an equity requirement of more than Rs. 300 crores to Rs. 400 crores for this particular year.

Moderator: The next question is from the line of Rahul Kothari from Grit Equities. Please go ahead.

Rahul Kothari: Sir, pardon me if I might have mistaken. You suggested a guidance of Rs. 2,500 crores for FY25. Is that the number?

Jitendra Agarwal: FY25, yes.

Rahul Kothari: Sir, secondly, I also wanted to understand the breakup of the order book regarding - how much of the part of the order book is regarding supplying meter to third-party AMISP.

Jitendra Agarwal: Most of this order book is for supplying meters to our own selves. To the third party, we are supplying meters but majorly here you will see 95% or 90% I would say will be supplies to the Genus SPVs.

Kailash Agarwal: To the Platform SPVs.

Rahul Kothari: Sir, what we are looking for now is that 50% of the orders have been released and since it is now a good time passed by, are we pitching for securing orders from third-party AMISPs since they might also now start placing orders for smart meters?

Jitendra Agarwal: I will just clarify that. 50% of the tenders have been floated. I would say tenders worth Rs. 150 million have been floated, out of which Rs. 100 million has been decided and Rs. 50 million will get decided over the course of next 3 to 6 months. That is the current scenario. And out of Rs. 100 million, Rs. 22 million is secured by Genus itself. And the remaining, yes, we are in touch with all the AMISP players – Adani, Monte Carlo, IntelliSmart. And we have secured good orders from Adani also, we have secured good orders from IntelliSmart, we have secured good orders from Monte Carlo. And when we say our order book of net Rs. 20,000 crores, we have already added those numbers.

Moderator: The next question is from the line of Milind Karmarkar from Dalal & Broacha Portfolio Managers. Please go ahead.

Milind Karmarkar: I just wanted to understand, we say that we have Rs. 20,000 crores worth orders and we also say that the stipulation is that this should be completed within 27 to 30 months.

Jitendra Agarwal: Yes.

Milind Karmarkar: If I look at that, then somehow this math doesn't fall in place that next year we should do only Rs. 2,500 crores turnover. So, I just wanted to understand that.

Jitendra Agarwal: Yes, your point is very valid - if you only do the mathematics which is fairly right. You have to break these orders into 3 parts. I would say in ballpark numbers around 45% is the initial supply and installation, around 25% is the O&M, and around 30% is the interest. When these orders have come, 30% goes to the platform revenue and the remaining 70% comes to the revenue of Genus Power, out of which, 45% comes in the first 27 to 30 months and the remaining comes in the next 6 to 7 years as O&M services. These are the ballpark numbers, you can divide this order book.

Milind Karmarkar: Even if I do that, then about Rs. 9,000 crore worth orders are to be finished in 27 to 30 months.

Jitendra Agarwal: Yes.

Milind Karmarkar: Even then it seems quite low.

Jitendra Agarwal: For the next financial year, because, as I said earlier, a lot of these orders have been decided in the months of November and December. Our contract agreements we have signed in January and February. Practically, in full swing, these projects will come on the floor from the third quarter of the next financial year. That is the reason the next financial year will be a little less in comparison to the year following up.

Milind Karmarkar: My second question was that we had guided for about Rs. 1,200 crores of turnover when we had our second quarter call. I just wanted to understand, if I again calculate on that basis, the 4th quarter has to be extremely good or we have to cut down on our expectations for the 4th quarter.

Jitendra Agarwal: We are not cutting down on the expectations. It should be extremely good.

Milind Karmarkar: My third question was on investment. I see a significant amount of investment if I go through the investment schedule. As per the annual report of '23, quite a number of investments are in preference shares or equity shares of our associate companies. I just wanted to also understand about the volatility in the Other Income. If you could explain that as well. And these investments you think will continue or there is going to be some kind of a consolidation there as well?

Kailash Agarwal: So, here you have to understand that all these investments are the old investments. And the company has already filed a demerger scheme of these investment divisions out of the company in the NCLT 2 years back. The order for that is already pending. Once that order will come, all the investments or preferential shares of any associates or non-associates will go out from the company, as a strategic move from the company - as an investment division going out of the company. Only things remaining will be the company where there are 2 listed trusts in the company's holding, which is the Genus Power shares and of Genus Paper. That will remain in the company. And when we do a consolidation, the notional value of that shares coming up and down whether Paper share, that reflects in losses or the profits of the Other Income when we go to the consolidated balance sheet.

Milind Karmarkar: The last question was on Other Income. If I see the stock price of Genus Paper, that has not moved so much in the quarter.

Kailash Agarwal: When you see consolidation, there is a downfall in that. That is why you see a loss in the consolidated balance sheet. When you see standalone balance sheet, the Other Income is because of FDs and a lot of the cash the company is sitting on which is in the form of the FDs and whatever the interest is coming on that, that goes to Other Income. And then some equities that company is holding of other small companies and all; any movement in that, that also reflects there.

Milind Karmarkar: As a thumb rule, what does one expect over any 1-year period of the Other Income of the company? Forget about the adjustment of profit or loss, which you have to make because of accounting standards, the fall and rise in the value. What is the rough Other Income which one should consider?

Kailash Agarwal: It will be at the same levels, approximately.

Milind Karmarkar: On an annual basis?

Kailash Agarwal: On the annual basis.

Moderator: The next question is from the line of Neil Ostwal from Bajaj Finserv Asset Management. Please go ahead.

Neil Ostwal: My first question is with regard to the Assam AMISP that you had announced in January. Have we started recognizing revenue for that?

Jitendra Agarwal: Not yet, but we will start recognizing the revenue of that project from next month onwards.

Neil Ostwal: Secondly, there is a board approval for some kind of expansion in Assam. Is it over and above the existing 1 crore capacity that we have or is this some kind of upgradation? If you can throw some light on that.

Jitendra Agarwal: Again, this is expanding the plant in Assam. The work is already going on. And this will further addition to the capacity of 1 crore meters.

Moderator: The next question is from the line of Abhilasha Satale from Quantum Asset Management Company. Please go ahead.

Abhilasha Satale: Sir, I just wanted to know that we have committed Rs. 1,600 crores of investment over the next 3 years, and next year, we will require around Rs. 300 crores. How much of our cash flows will support this kind of investment and how much we will have to raise in debt further?

Kailash Agarwal: As I told in earlier question also, 1) the company is already sitting on a cash of around Rs. 500 crores, and 2) when we are giving a guidance of Rs. 2,500 crores revenue this financial year and we are looking for around 15% to 16% of EBITDA levels and all, so there will be good cash accruals in the company also. Already those 3 years have been planned from the cash accruals and the cash that company has. So, I don't see anything that has to come from the debt. There might be some increase in debt for the working capital and all. Otherwise, any equity participation company doesn't see any debt requirement or any fund requirement.

Abhilasha Satale: I would also like to know if you have already seen 4-5 crores of tenders being operated over a period of time. And further, there is a target to complete around 25 crores of installation over the next 3-4 years. How do you see your order inflows moving on from the current level? Can you give some specifics? Will you be able to maintain market share or grow or how is the competition? What kind of visibility are you seeing in terms of your overall order book moving by the time this entire order gets executed or tendered out?

Jitendra Agarwal: Order book will keep growing. We are keeping a close watch on what all tenders are coming, and generally the projects which we feel are good places to work and within our capability, we are bidding the tenders. So, we will be able to maintain our market share over the period of time.

Abhilasha Satale: This year 10 crores and then next year also you expect the similar kind of tendering to happen?

Jitendra Agarwal: No, I don't expect a similar kind of tendering. It will slow down a bit because a lot of states have come out with their projects. They will see the success of these projects and then further tenders will come out.

Abhilasha Satale: How does this AMISP or this Platform people move in terms of execution? Can you guide something on that front?

Jitendra Agarwal: Moving on execution, I could not understand. What do you mean by that?

Abhilasha Satale: This EPC, how that revenue will kick in?

Jitendra Agarwal: It is a very simple thing. As I told earlier also, whatever the total order book you see, out of that, 45% is the installation and supply revenue and 25% is the O&M to be done in the next 7 to 8 years. So, all this execution will happen in the next 24 to 27 months. All this execution has to be done by Genus Power because they are the EPC for these projects.

Abhilasha Satale: On the entire this thing, you are guiding for 15% to 16% kind of margin?

Jitendra Agarwal: Yes, this kind of EBITDA.

Abhilasha Satale: What kind of CapEx would you require to execute this number? How much CapEx are you guiding for '25-26?

Jitendra Agarwal: We are not doing any major CapEx, it is not required. There will be a lot of investment that will be required in terms of manpower. For the production side and all, we have already done the CapEx whatever was required. And we are comfortably placed in the next 3 to 6 months to meet out all the requirements in terms of manufacturing. In terms of execution, yes, a lot of investment is going on, on the manpower and a lot of things are being built, but that cannot be seen as CapEx. That is more of the OpEx cost which will be incurred to execute these projects.

Moderator: The next question is from the line of Soniya Varnekar from Dalal & Broacha Portfolio Management Services. Please go ahead.

Soniya Varnekar: Sir, you highlighted that your gross margins have picked up due to service revenues. Since service revenues are likely to continue going ahead, can we expect this kind of gross margins to continue in the coming quarters also?

Jitendra Agarwal: Yes, we have already given the guidance that we will be able to maintain 15% to 16% EBITDA in the next financial year. We will continue with the growth.

Moderator: The next question is from the line of Dolly Choudhary from Niveshaay Investment Advisors. Please go ahead.

Dolly Choudhary: Sir, first of all, I had a question regarding the communication technology. In the current order book, can you give a ballpark figure regarding the composition of cellular and RS?

Jitendra Agarwal: There is no ballpark figure on the composition. These are all open technology tenders where as an AMISP, we will decide during the course of the period which technology we are going to use. As Genus, we are open to all the communication technologies, currently we are working both on GPRS, on RS, and on NB-IoT. And in some cases, we are even using the local technologies. We are open to working with all the communications available.

Dolly Choudhary: We don't have any preference regarding RS or something? We are open to both the technologies?

Jitendra Agarwal: It depends on the site. At Genus, there is no preference.

Dolly Choudhary: Another question I had regarding the execution phase. I wanted to know if the execution will pick up in the next year. And any challenges if you are going to face as of now in the company?

Jitendra Agarwal: Yes, the execution will be in full swing for all the projects in the next financial year. And yes, once we get into the ground, whatever the challenges we face, which is very normal. It is not that we are doing it for the first time. We have done this kind of installation work in the past also. We are well prepared and ready for that. There is significant support from the government and the people because these are the projects which are primarily supported by the government. And of course, the local public is also in support of the smart meters. So, there will be limited challenges in the field.

Dolly Choudhary: Whatever meters we have installed, what is the meet percentage?

Jitendra Agarwal: We are meeting the RDSS requirement. Whatever is required, we are comfortably meeting that.

Moderator: The next question is from the line of Aksh Vashishth from Future Generali Life Insurance. Please go ahead.

Aksh Vashishth: Sir, I just had one question. I just wanted to understand what explains this loss of about Rs. 10 odd crores that we have had this quarter from the associate entities.

Kailash Agarwal: You are talking about the consolidated balance sheet?

Aksh Vashishth: Yes, the consolidated numbers.

Kailash Agarwal: I earlier also told that the company is holding a few equity shares like Genus Paper and these are the adjustment of market price of these shares. And then the company had some expenses in its associate Platform company which it has made with GIC. Initial expenses are put up in that, and in that consolidation, some numbers have also come. Basically, it is mainly of the price adjustments, which is a notional figure. And secondly, some expenses - being an associate 26% number of that Platform, whatever the expenses are being incurred, that has come here.

Moderator: The next question is from the line of Nikhil Abhyankar from ICICI Securities. Please go ahead.

Nikhil Abhyankar: Sir, you mentioned that we are receiving services revenue from the South Bihar project already. Basically, I wanted to understand the receivable cycle over there. If you can just quantify the number of days or something.

Jitendra Agarwal: Receivable cycle is as per the RDSS, but it is not exactly in RDSS tender. It was very differently designed by Bihar where they are giving almost 30% as an upfront payment and 70% as per-meter per-month revenue. And for that, whatever the payment terms is, 30 to 45 days, we are getting paid for the services within the time period.

Nikhil Abhyankar: And sir, you mentioned about capacity expansion in Assam. It will be an additional 1 crore. What will be our exact capacity after that? And what is the total CapEx that we are incurring for this?

Jitendra Agarwal: We will be maintaining a capacity of around 1 million meters a month. This is what we are going to achieve after all these small expansions what we are doing in different units what we have and major we are doing it in Assam.

Nikhil Abhyankar: So, basically our capacity will be 1.2 crores annually.

Jitendra Agarwal: Yes, 1 million meters a month. This is what we are targeting.

Nikhil Abhyankar: And sir, you mentioned that you are investing in team building and manpower expansion. What exactly will be your run rate going forward in terms of employee cost? And why is there a huge spike in Other Expenses as well? Is this directly linked with execution?

Jitendra Agarwal: It is directly linked primarily with the tender submission. You have to understand when you are participating in such tenders, there is a huge cost of field surveys. There is a lot of cost to participation of tenders is incurred. That is why you will see a major cost going up in that particular section. When you have to bid for these tenders across the country, you have to do a very ground level survey. That is primarily the cost. You can see that a lot of cost coming in.

Nikhil Abhyankar: As there won't be many tenders going forward, once we reduce our participation, will this expenditure come down as well?

Jitendra Agarwal: Yes, the cost of quoting tenders, the cost of securing orders, and the cost of - initial investment is very high. As I said earlier that all these projects initially when you are quoting the tender, then you are getting the people in the field. That is why you are seeing a lot of expenses on the high side. Later on, they will come down significantly.

Kailash Agarwal: Nikhil, I would like to add here just to give a clear picture also here. You will see there are 3 types of expenses. One is employee benefit expenses, one is Other Expenses, and one is finance cost. And you see that all the three are increased. When you say team building, that increases your employee benefit expenses. When you say that a lot of surveys are being done, a lot of groundwork is being done before going for the tender or before execution of the starting of the tender, that also increases your cost a lot. And when we come to finance cost, when you bid a lot of tenders, you have to give a lot of EMDs, you have to give a lot of bank guarantees where there are a lot of finance charges involved. Basically, all these three, when we go further and when our revenues will be increased, you will see a substantial number coming down in terms of percentage. That is why we are always giving a guidance also of 15% to 16% that, okay, we are very comfortable that we will be getting an EBITDA of 16% because all we can clearly see that from where these will be coming.

Nikhil Abhyankar: Can we assume that a large part of our manpower expansion is already behind us?

Jitendra Agarwal: No, there will be a lot of manpower expansion further that will be added.

Kailash Agarwal: That's why I am talking in terms of percentage, not in absolute terms. I am not talking about absolute terms.

Moderator: The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Sir, first a clarification; I think you mentioned in one of your remarks that this 4th quarter, we expect a bump up in our execution. What sort of execution range we are expecting in this 4th quarter?

Jitendra Agarwal: We are maintaining the guidance of Rs. 1,200 crores. Accordingly, the execution will be done.

Kailash Agarwal: In broad terms, you can understand that in the next quarter, we are expecting a number of Rs. 400 crores in revenue.

Moderator: The next question is from the line of Akshata Deo from Vivog Commercial Limited. Please go ahead.

Akshata Deo: I just wanted to understand that you mentioned that you will need more CapEx if you go about Rs. 2,500 crores of revenues after a point in time. So, are you expecting to do some CapEx post FY25 in order to fulfill your contract expectations?

Jitendra Agarwal: No major CapEx will be done.

Akshata Deo: The Assam expansion that you did, can you tell me what was the cost of that expansion for 1 million meters capacity?

Jitendra Agarwal: We are creating a capacity of 1 million meters all the plants put together. That was the target. That is the reason why majorly we wanted to expand our Assam unit so that we can manufacture more meters there. It is not that 1 million meters is for Assam only.

Akshata Deo: What is your total gross block then if you can share at this point?

Kailash Agarwal: Gross block I have to check and we will come back to you on that.

Moderator: The next question is from the line of Vivek Gautam from GS Investment. Please go ahead.

Vivek Gautam: Sir, my query is regarding the political implication, especially of the installation of smart meters. Because, if you remember, Himachal election BJP lost and many analysts told that because the smart meter installation happened at the wrong time just before the election. Because, smart meter installation is leading to high bills and people who are used to low bills payment and they are having this risk and then the resentment and anger comes in and there is a political cost for it. Because of this political cost, any implication on our installation plans and future for us?

Jitendra Agarwal: There is something wrong in the information because Himachal has not yet installed smart meters. So, losing elections due to smart meters in Himachal just doesn't stand. I could not relate to that.

Vivek Gautam: There is a professor of ISB Hyderabad, who tracks the sector very closely. And there was a detailed con-call he was having. He was praising the power reform sector which has happened in India over the last few years under Mr. R. K. Singh and the team. I would also like to know about your comment on that. But he very clearly mentioned about the Himachal state election outcome. You mean to say there is no smart meter installed in Himachal Pradesh at all?

Jitendra Agarwal: In Himachal, RDSS is not yet implemented. They came out with 3 tenders which are not even decided yet. For me also, this is a little confusing that how on the basis of smart meters, they lost the election. That is a very tough statement for me to endorse. Secondly, I want to add on to one thing. The highest number of smart meters have been installed in UP. I think almost 2 million meters if I am not wrong. It was installed prior to the elections which BJP won again. So, practically I don't see any link of smart meters with the elections as such.

Vivek Gautam: You share me your number. I will post you the con-call detailed video which is there. Because, the professor of ISB Hyderabad you must also be able to find out. He tracks the sector very well, and he was very appreciative of the reforms which were being done in the power sector.

Jitendra Agarwal: I highly appreciate the knowledge. I cannot challenge it. But the matter of the fact is RDSS is still not implemented in Himachal and that I guarantee you that.

Vivek Gautam: You mean to say there is no political risk because of smart meters?

Jitendra Agarwal: Almost every state has done some smart meters and states have done it from the last 7-8 years. There were a lot of pilot projects which were going on. RDSS started getting implemented in the last 1 to 1-1/2 years only. And till today, Himachal has not gone ahead with RDSS smart meter installation.

Vivek Gautam: Anything else you would like to highlight on the opportunity size and the expected CAGR and the differentiator our company is having?

Jitendra Agarwal: We have been sharing this that yes, we are a metering company who has got into AMISP. And we have already given guidance for the next financial year. We expect a very robust growth in the years to come. Nothing else to add on to that.

Vivek Gautam: What is the opportunity size and an expected growth rate for our company for the next 2 years?

Jitendra Agarwal: I have already given the guidance for the next financial year, almost 2x of the current financial year, i.e., Rs. 2,500 crores. We have an order book of around Rs. 20,000 crores. So, we see a very good growth for the company in the coming years. And almost 50% of the tenders have been floated, out of which, I would say 35% is already decided; the remaining 15% will get decided in the next 3 to 6 months. This has been the guidance.

Vivek Gautam: There was a very good talk by the power minister, Mr. R. K. Singh, on the reforms he had taken recently in the ET-Now conference. If you would like to highlight few points on the power sector reforms in the coming year and how is the future looking like, sir?

Jitendra Agarwal: Our current government is very very positive about the reforms and it is the need of the hour. We have to just understand it very simply. As a consumer of electricity, every individual on earth needs electricity and he is the consumer of electricity. And with so much consumption of electricity increasing and very many different types of electricity generation happening, smart meters are the need of the hour. It is required by the consumer; it is required by the distribution companies; it is required by everyone. It is no more a luxury; it is a necessity. Since we have interest in the distribution sector, if you will get a little bit into the depth of why smart meters are needed, this is the first step towards smart grids. It is a necessity now. You just cannot run your distribution sector without this product anymore.

Vivek Gautam: Sir, any concerns which we are having on the B2C and the payment receivable side?

Jitendra Agarwal: All the RDSS projects are with the direct debit facility. So, we don't see any problem with the financing.

Moderator: The next question is from the line of Darshil Pandya from Finterest Capital. Please go ahead.

Darshil Pandya: Thank you so much for this detailed answer on the Other Expenses part. One thing I want to ask is your tax guidance for this year because it has been very fluctuating for some time. If you can please help us with your tax guidance, that would be helpful.

Kailash Agarwal: We are in the new tax regime, where the tax guidance will be almost 25%. Sometimes it is a little fluctuating because of some expenses which are not allowed in the tax things. That sometimes makes it here and there. Otherwise, the tax guidance is 25%.

Darshil Pandya: For the next year as well, right?

Kailash Agarwal: Yes.

Darshil Pandya: Are we planning to take any debt for this year?

Kailash Agarwal: This is an ongoing process. Whatever the working capital requirements if it will be there, there will be….

Darshil Pandya: Any major working capital requirement?

Kailash Agarwal: Majorly, we require more of the non-fund based limits. So, there won't be any major things coming to that. Already we have given an announcement of $50 million we have already taken from DFC, which has not been yet disbursed. That disbursement will surely come at the end of this financial year or maybe next financial year. That will be primarily an addition in the working capital. That has already been taken into consideration because that is already sanctioned. And we have already told many times that we have got a sanction of $49.5 million from DFC, USA.

Moderator: The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: With the improved execution in this 4th quarter, we expect some improvement in margins as well because of the leverage advantage that you ideally should get?

Kailash Agarwal: We will, surely.

Deepak Poddar: In terms of order breakup, you did mention Rs. 20,000 crores of order that we have, about 45% of that which is coming to about Rs. 9,000 crores is what we need to supply over the next 27 to 30 months and the remaining Rs. 11,000 crores will be realized as an O&M.

Jitendra Agarwal: Just to make it simplified again, out of the 100% order book, 30% of the order book goes to the Platform as a financing arrangement, 45% is installation and supply, and 25% is O&M. This is how you have to see the total order book.

Deepak Poddar: So, 45% of that is what ideally would come to us, right?

Jitendra Agarwal: 45% of that ideally would come to us in the next 27 to 30 months, and 25% in the next 6 to 7 years, and the remaining 30% goes to the Platform.

Deepak Poddar: In light of that, we are expecting execution of Rs. 2,500 crores in FY25. What sort of execution level are we seeing for FY26? It should be north of Rs. 4,000 crores to Rs. 5,000 crores?

Jitendra Agarwal: It will be much better than Rs. 2,500 crores. Once we start executing projects in '25, I think we will be able to give you better guidance on that. And mathematically, definitely it should be much better than '25.

Deepak Poddar: Just one last thing. Because you do expect your execution in next year to ramp up so much, so on a quarter-on-quarter basis, we do expect that whatever execution we are doing on a quarter-on-quarter basis, we should see some improvement for next 3-4-5 quarters at least.

Jitendra Agarwal: You will see a lot of improvement, and full throttle execution, according to me, you will start seeing from the third quarter of next financial year.

Deepak Poddar: Third quarter of FY25, correct?

Jitendra Agarwal: Yes.

Kailash Agarwal: But one thing, as you asked, in the next 8 to 10 quarters, every quarter you will see some improvement is going on because there will be a ramping up of all the projects which we have already won and some new projects. So, there will be faster execution in every quarter.

Moderator: The next question is from the line of Dolly Choudhary from Niveshaay Investment Advisors. Please go ahead.

Dolly Choudhary: I had a followup question. The tenders that are floating, I wanted to know how much floating is going to the OEMs – the meter manufacturers – rather than the AMISPs?

Jitendra Agarwal: All these tenders are AMISP tenders.

Dolly Choudhary: How is the flow moving towards the OEMs? To the meter manufacturers, how the orders are going to them at what pace?

Jitendra Agarwal: You have to see the business from 2 angles. Right now, when we talk as AMISP, all this order book is as an AMISP Genus. And then we give our orders to the different vendors. I am still unable to connect to your question. When it comes to tendering business, it is only RDSS tenders which are quoted by the AMISP. These can be meter vendors also.

Dolly Choudhary: One more thing. As the deadline is quite strict regarding the RDSS, are we only supplying to our own AMISPs?

Jitendra Agarwal: We have maintained that earlier also that we are working with all the AMISPs and we have received orders from different AMISP companies and we are supplying meters to them.

Moderator: The next question is from the line of Aakash from Dalal & Broacha Stock Broking. Please go ahead.

Aakash: Sir, I actually wanted to understand how our capital structure will move forward going ahead. Currently, we have around Rs. 350 odd crores of debt in our books. Going forward, we will also require a lot of working capital, and also on a per-annum basis, we will be investing around Rs. 300 crores to Rs. 400 crores in the SPVs. How will our capital structure be going forward? How much debt will be for the take-up for working capital as well?

Kailash Agarwal: As I told earlier also, there will be cash accruals that will be regularly happening for the next 3 years also. Reasonable cash accruals will be there, which will be funding our equity requirements. And when we talk about the working capital limits, as I said already, we have been sanctioned a loan of around $50 million from DFC that will be coming to the balance sheet. I think that will be more than enough. And there might be some more requirements of the working capital; that we will see in the coming time. But the company is already sitting on a cash of Rs. 500 crores plus there are continuous cash accruals happening to the company.

Aakash: So, everything will be more or less internally accrued. And just for the working capital, we will be taking debt?

Kailash Agarwal: Yes.

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

Nikhil Jain: I just have a couple of questions. One was, I just wanted to know if you can give the breakup of exports for this quarter.

Jitendra Agarwal: Almost Rs. 800 crores business we have done in this financial year till 31st of December. And out of that, around Rs. 90 crores is the export. So, we have done a healthy export business.

Nikhil Jain: And do we expect an increased traction on exports also – the gas and the smart meters – for the Middle East, as mentioned in the annual report?

Jitendra Agarwal: Currently, we are sitting on an order book of around 45-50 (to be read as “Rs. 45-50 crore”). But yes, a lot of tenders are ongoing in the international market also. We are keeping our fingers crossed. We see a good export business year on year to be done by Genus. We are spending a lot of our time and energy on it.

Nikhil Jain: The second question is, I just wanted to get a comfort or let's say our preparedness to execute all these 7 or 8 different AMISPs in different parts of the country on a very ground level at the same time. Somewhere in 2024-25, they would be running simultaneously, right? How prepared do we feel ourselves in terms of manpower, processes, systems, and other things?

Jitendra Agarwal: We are continuously working on it. One thing is that we have done projects in the past in multiple states and multiple projects under our ECC division. So, it is not like it is absolutely a new thing for Genus. But yes, at this scale, we have also not done it in the past, but accordingly we have built our team and processes. Recently, one very senior person has joined as Chief Operating Officer in our GMISP division. So, it is a continuous process. We are building our systems, offices, and manpower. And we are very confident that if somebody will be able to do it successfully in this country, Genus is definitely going to be one of those.

Nikhil Jain: And the last thing. Actually on the joint venture with the financial company, 30% goes to the joint venture, the financing part of it? But some part of that should also come back to Genus given that we are doing an equity investment?

Jitendra Agarwal: We are 26% holders of the Platform.

Nikhil Jain: So, 26% of the profits of the joint venture as and when they happen will also come back and flow to Genus in due course of time, right?

Kailash Agarwal: Yes.

Moderator: That was the last question for today ladies and gentlemen. I would now like to hand the conference to Mr. Kailash Agarwal for closing comments. Over to you, sir.

Kailash Agarwal: Thank you all for joining this call. I sincerely thank you all for your continuous support, and we assure you that the company is on the right track and will be achieving great heights in the coming years. Thanks a lot.

Moderator: On behalf of Genus Power Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.