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February 03, 2020

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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 January 27, 2020 on the unaudited financial results for the quarter and nine months ended December 31, 2019.

Kindly take the same on your record.

Thanking you,

Yours truly,

For **Genus Power Infrastructures Limited**

Company Secretary

Genus Power Infrastructures Ltd.

Encl. as above

"Genus Power Infrastructures Limited Q3 FY2020 Earning Conference Call"

January 27, 2020

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

Moderator: Ladies and gentlemen, good day and welcome to Genus Power Infrastructures Limited Q3 FY2020 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 would now like to hand the conference over to Mr. Kailash Agarwal – Vice Chairman, Genus Power Infrastructures Limited. Thank you and over to you Sir!

Kailash Agarwal: Good evening ladies and gentlemen. A very warm welcome, along with me with this call is Mr. Jitendra Agarwal – Joint Management Director and SGA our Investor relations advisor. The results and investor presentation are uploaded on the stock exchange and company website and you all might have seen that. We are delighted to report our performance for the Q3 FY2020 and are pleased that we have been able to maintain our growth trajectory despite some fundamental challenges in our sector.

We have recorded sales of Rs. 268 Crore for Q3 FY2020 as compared to Rs. 292 Crore Q3 FY2019. We have recorded sales of Rs. 812 Crore, a growth of 8% for nine-month FY2020 as compared to nine months FY2019. Our EBITDA for Q3 FY2020 stood at Rs. 49 Crore compared to Rs. 38 Crore in Q3 FY2019, a growth of 27% on Y-o-Y basis. For 9MFY2020 our EBITDA stood at Rs. 132 Crore as compared to Rs. 91 Crore, a growth of 45%. For Q3 FY2020 our EBITDA margin has expanded by 502 basis points to 18.1% from 13.1%, similarly for 9MFY20 also our margin has expanded by 418 points to 16.2% from 12.0%. The margin expansion in Q3 FY2020 was on account of higher share of export orders, better product mix and effective cost control.

Profit after tax stood at Rs. 27 Crore for Q3FY2020 as compared to Rs. 23 Crore for Q3 FY2019 a growth of almost 17% Y-o-Y basis. For 9MFY2020 profit after tax stood at Rs. 71 Crore against Rs. 50 Crore, a growth of 43%. The current order book stands at Rs. 1,118 Crore. We are witnessing healthy order enquiries; however, our order flow has remained subdued in nine-month FY2020 as we have been very conservative on selecting our clientele with security of payment becoming a key focal point.

We are witnessing demand shift from conventional meters to smart meters. We are confident of sustaining our margins going ahead as product mix changes in favor of smart meters. The Ministry of Power have given an outlay of Rs. 1.75 lakh Crore for installation of 25 Crore smart meters by March 2023. Therefore, for next three four years, we foresee a lot of traction in our business. A lot of thrust is coming from the central government for deployment of smart meters across India in order to lower AT&C losses, improving billing efficiencies, reduce DISCOMs' financial woes, enhance consumer convenience and rationalize power consumption. State electricity boards are also propelled to act in this direction as improving billing efficiencies has become a necessary condition for receiving funding.

We have continued to focus on technology upgradation and operational efficiency to serve our long-lasting relationship with our clients which has engraved our leadership position.

I now welcome questions.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. We take the first question from the line of Divya Mehta from Anandh Rathi. Please go ahead.

Divya Mehta: Hello Sir, congratulations on good numbers. Sir one thing I would like to ask is that our EBITDA margins have improved substantially. So basically these are orders mainly of smart meters or pre-paid meters and these are the EESL orders which we are executing?

Jitendra Agarwal: These are mix of all kind of orders. These are not only EESL and smart meters and pre-payment meters. A smart meter can be configured to both the modes - pre-paid and post-paid., So margins has improved primarily on account of smart meters and conventional meters also of the high end.

Divya Mehta: Okay so this going to have more proportion from the SEBs or what would be these orders mainly consist off?

Jitendra Agarwal: These are the both mix. There are lot of business being done with EESL also and at the same time there is equal amount or even more businesses done with the state electricity boards. So the mix is almost the same.

Divya Mehta: Okay Sir thank you. And I would like to ask another question. Right now we are seeing traction from SEBs. So which all states do we see right now tendering or at the stage of tendering? And what is the competitive scenario as such - areChinese companies getting the bids of the SEBs? How is it if you could just brief on the same?

Jitendra Agarwal: If I talk of current situation there are large tenders going on from Himachal, Jharkhand, Chhattisgarh, Madhya Pradesh, Bihar, Karnataka, Jammu & Kashmir. So almost every state electricity board is having a very strong traction on the smart metering tenders. So, there are lot of openings right now. So as such, almost the whole country is going ahead with the smart meters when it comes to opportunities available.

Divya Mehta: What is the competition scenario from the Chinese players?

Jitendra Agarwal: Chinese players are only bidding at the EESL. But till now the results of Chinese players has been so bad, that the customers are extremely concerned of working with the Chinese companies. In the EESL tender number 3, where the Chinese company was L1, they have already dropped the tender. The tender has been scrapped by EESL because they do not want the Chinese company. They have realized in two years, there is serious problems with these people coming into the market. So as of now yes, they will be our competition., But in India, the way the conventional meter was done for the smart meter also, they are facing a major resistance from the customers.

Divya Mehta: Okay thank you Sir I will get back in the question queue.

Moderator: Thank you. We take the next question from the line of Vikram Kotak from Ace Lansdowne Investments Services LLP. Please go ahead.

Vikram Kotak: Agarwalji thank you for taking my call. You gave a starting remark saying that margins are very healthy, but execution is where you are kind of very careful and cautious. Can you elaborate on this – is it the short-term phenomena or this is going to remain a little worrisome for you going forward? And if that is the case then what kind of growth rate we can expect next year?

Jitendra Agarwal: The major reason of becoming cautious with the customer was looking at the cash flow of the customer also. That was our major concern. Even our working capital cycle has increased quite a lot. So that has been the major reason that we have been very choosy in taking the work. And we are also telling customers that unless you clear the pending, how we will move forward? So, we have to give a strong message to the customers also. that there cannot be only one-way traffic. So that was one of the major reasons. So, we have been talking to few of the customers on regular basis and they understand it very well. They are also 100% standing with us and understand as to why we can't move ahead with the project.

Kailash Agarwal: And secondly one more thing I would like to add. Basically these are our pressure tactics. Also because on one side, ministry from central government is pressurizing them to buy smart meters and they have to change smart meters of 25 Crores in next three to four years. Thus they do not have any choice, but to act on it., They might be slow, they might do the things in five to six years, but they have to do it. So right now, in any case they have to buy the smart meters to get aid from the central government. It is right time for us also to put a pressure on them., We need our cash flow to be improved and they will pay now, we know that.

Vikram Kotak: But still my question remains that in that scenario should we taper down our growth expectation?

Kailash Agarwal: No, not at all.

Vikram Kotak: Okay so should we see again next year 20% to 25% kind of growth in the business and the order book?

Kailash Agarwal: Yes.

Vikram Kotak: Okay so you can say it is a one-off quarter or a couple of quarter tactics and so that you can stabilize.

Kailash Agarwal: Basically, we are little conservative into taking orders.. There are lot of orders. It is not like business is not coming. We are just putting pressure on the SEBs, that we will take business when you make our cash flow easy.

Vikram Kotak: Makes sense, yes. So, this is a more temporary phenomena which is a quarter kind of phenomena and not the long-term phenomena right?

Kailash Agarwal: Yes.

Vikram Kotak: Do you think that margins will sustain because your shifting to the smart meters,?

Kailash Agarwal: Yes

Vikram Kotak: Okay thank you.

Moderator: Thank you. We take the next question from the line of Rishith Shah from Dhanki Securities. Please go ahead.

Rishith Shah: Good afternoon, so the first question is within the order book of Rs. 1,118 Crore what is the breakup of smart meter, traditional meters and ECC?

Jitendra Agarwal: ECC is very low now because we are not focusing much on the ECC business. That is only about Rs. 32 Crore. So primarily it is conventional meters and smart meters. - 40% is smart meters and 60% is conventional meters.

Kailash Agarwal: And out of this, Rs. 71 Crore is export orders also.

Rishith Shah: Okay so this would be for both smart and conventional meters right?

Jitendra Agarwal: **Yes,** export order is again for both smart and conventional meters.

Rishith Shah: What is our current bid pipeline or any orders in which we are in L1 right now?

Jitendra Agarwal: Currently if you will see the bid pipeline unfortunately there is a price bid has opened almost Rs.400 Crores of tender, but we are L1 in very few, so I am not very hopeful with these tenders but there is already tenders worth Rs.1100 Crores quoted for which the decision will come in couple of months where the price will get open, the tenders has been quoted and more than Rs.1500 Crores tenders will be participated in next couple of months, which are already out so already the tenders are due in the mid of February or end of February because it was a slow from the state government also in last six seven months in coming out with the tenders because lot of pressures on the central government that whatever you have to do you have to do in a way where smart meters are coming into the picture, so that is why there was a lump period six seven months in tender, as of today while we are talking more than Rs. 1100 Crores have participated where the price bid is not opened, more than Rs. 400 Crores are already price bid is opened, Rs. 1600 Crores tenders will be participated in next 30 to 45 days, that is very healthy …

Kailash Agarwal: All business does not go to L1, it is distributed between L1, L2, L3 so it is not like that out of that 400 also we would not get but we will not get a major share we will get a lesser share.

Rishith Shah: Okay great. Thank you.

Moderator: Next question is from the line of Priyanka Singh from AtiDhan Securities. Please go ahead.

Priyanka Singh: What is your segment wise order book for ECC business and what could be its margin profile?

Jitendra Agarwal: Total ECC order book is Rs. 32 Crore as of now and primarily these are all old orders which we have to complete in next three to six months.

Priyanka Singh: Okay and what would be the margin profile for these orders?

Jitendra Agarwal: 10%-11%.

Priyanka Singh: Okay. And how much the EESL contribute to our order book and revenue?

Jitendra Agarwal: Currently the pending order book of EESL is around Rs. 200 Crore.

Priyanka Singh: EESL has issued a large tender for smart meter. So how much of that order has been fulfilled by the industry players including us?

Jitendra Agarwal: **In** Tender 1 they issued the order of 50 lakh meters. Out of the 50-lakh meters they have only received 14 lakh meters. And out of this 14-lakh meter, 12 lakh meters have been supplied by Genus. A lot of orders has been cancelled. In EESL Tender 2 out of the 50 lakh meters, they issued an order of 15 lakh meter and 35 lakh meters tender they have scrapped. Out of those 15-lakh meters, they have received only 30,000 meters. In EESL Tender 3 they issued a tender of 50 lakh meters, which they have scrapped. So now they have come out with the EESL 4 tender where they have made the pre-qualification far stringent so that they can have good Indian manufacturers be part of that tender.

Priyanka Singh: Okay, that is it from me. Thank you.

Moderator: Thank you. We take the next question from the line of Sanjeev Zarbade from Kotak Securities. Please go ahead.

Sanjeev Zarbade: Sir my question was regarding the EBITDA margin, which came in at 18%. Even the raw material to sales ratio was much lower during the quarter. So is there any favorable trend that has helped us, which is kind of temporary and the margins would again revert back to 13% in the coming quarters?

Kailash Agarwal: No basically it is not only the raw material it is the product mix. It is the high-end meters and smart meters which are supplied more. Basically when you do more high-end meters, you will see that raw material cost is lesser.,. So basically, these are sustainable margins., This is not that a temporary thing that the raw material prices have gone down and that’s why we made better EBITDA margins. Raw material prices have been stable, but the increase in margins is because of the high-end orders and high price meters that has been supplied. So, the 16% EBITDA margin is a sustainable. Even there is a scope on improvement, but the margins would not go down.

Sanjeev Zarbade: So, by high-end meters you mean smart meters that you are delivering or other conventional meters also?

Jitendra Agarwal: Primarily these are smart meters and all the high-end conventional meters like intelligent group meter, intelligent Sampoorna meter. They are as good as smart meters and we have been manufacturing these from last six seven years., So these meters are also two-way communication capable meters which are also high-end that ibrings a good margin.

Sanjeev Zarbade: And Sir my next question was regarding the revenue growth., We grew at a quite a brisk pace in FY2018 and FY2019. In FY2020 to some extent, there has been some moderation in revenue growth. Now even the order book is slightly lower on Y-o-Y basis. So going into FY2021, do you see a low single digit or mid single digit revenue growth happening, or could it be higher also?

Kailash Agarwal: No, this is just temporarily one quarter which has dipped., Otherwise you will see there is a growth trajectory from last three-four quarters if you see the last quarter of FY19 and the first two quarters of FY20. So basically a little volatility in order book can happen. Even current order book of Rs. 1,100 Crore gives us visibility for next three to four quarters. So basically, orders would not be any issues going forward .

Sanjeev Zarbade: What is our Gross Debt?

Kailash Agarwal: Gross debt is about Rs. 250 to 270 crore.

Sanjeev Zarbade: Okay and cash would be?

Kailash Agarwal: Cash would be around Rs. 140 to 150 Crore. Net debt would be around Rs. 120 to 130 crore.

Sanjeev Zarbade: Alright great Sir thanks all the best.

Moderator: Thank you. We take the next question from the line of Lalith Garg from Global Investments. Please go ahead.

Lalith Garg: Thanks a lot for this opportunity and thank you for this amazing set of numbers. As a shareholder I am really happy with it. My question is about industry scenario., How does it look? Are there any prominent new players coming to the market which are squeezing the margins?

Jitendra Agarwal: At present we are not seeing any prominent new players coming in the market because metering industry itself in India is very matured and a very capable industry and that has been seen in last one decade. aFew of the Chinese companies came through EESL model and they tried to disrupt, but the customer side understood it very well that a smart metering required a lot of localization, because it is a very custom-build product and metering needs lot of localization. Indian metering industry is so matured and capable that we are not having any concerns on Chinese companies as such. I am not seeing any major competition coming from either from outside or any major companies coming within India.

Lalith Garg: That is perfect, that sounds quite optimistic. My second question is about gas meter. In last concall or before that you have mentioned that you have started the gas meters but still not marketed commercially. What is the update on that?

Jitendra Agarwal: On the gas meter side still, we are working on two or three proof of concepts because this product has a huge stringent requirement from the customer. So we are just still on the Proof of concept (POC) situation where we are making sure that our product meets all the requirements of the client.. So, I see we commercially selling these meters not in this quarter, but from next quarter onwards when you will start seeing some numbers from the gas meters side also.

Lalith Garg: And the market over there is more of a tender business or it is a retail business?

Jitendra Agarwal: It will be both, because lot of this gas distribution has been taken by companies like Adani and Torrent. So there will be lot of business opportunity with them along with IGL and GAIL which will be into tendering also.

Lalith Garg: My next question is about related party transaction., From the balance sheet which was on 31 March, 2019, we had made certain investments in group companies. Is there any other investments we are planning for the group companies in the coming quarters?

Kailash Agarwal: No, basically if you see the last three to four years balance sheet you will know that there is no increase in investments in any of the group companies. . So we are trying to reduce it and at least not increase it which you can see from last three four years balance sheet.

Lalith Garg: Perfect. Thanks a lot for answering all my questions and I wish you all the best. I have high hopes with the company Sir. Thank you.

Moderator: Thank you. We take the next question from the line of Ankit Agarwal from Ark Capital. Please go ahead.

Ankit Agarwal: Congratulations Sir on a good set of numbers. I have a question on the export business., This quarter the export business has performed really well, so I just wanted to understand what can we expect going forward and is this sustainable?

Jitendra Agarwal: There is a lot of traction happening and lot of work happening on our export front as I have been telling in the last few con calls also. So we also see a very good future ahead of us. Lot of good enquiries and opportunities from large countries. We are working hard on it and I am pretty positive on that. Currently we are already sitting on export order book of Rs. 72 Crore., There are lot of enquires which we are working upon., All the enquiries in international market are not tender based. So there are lot of opportunity for private enquiries with so many customers globally. Our foot hold in the international market has increased multifold in last two years. So, I am pretty hopeful and positive that we will see good growth in exports.

Kailash Agarwal: Last year we did Rs. 64 Crore of export and this year already Rs. 67 Crore have been done in first nine months. And already we are sitting on an order book of Rs. 72 Crore., So there has been a growth of almost 25%-30% in exports also.

Ankit Agarwal: And Sir what is the margin profile for this export order?

Jitendra Agarwal: It is definitely better than the Indian market and they also provide us natural dollar hedging which is very beneficial for us.

Ankit Agarwal: In the current quarter the margins have moved up quite sharply. So based on the current order book what can we expect in the coming quarters?

Kailash Agarwal: Basically it will, if you see for the nine months it is almost at the level of 16%. Going forward if you want to take a average, it is always better to take 16%., Basically depends on that particular quarter. Some quarter may have more highend meter supply and may be next quarter it more conventional meter supply, so it is mixed. Thus it is always better to take margin at 16%.

Ankit Agarwal: Okay thank you Sir. That is all from me and best of luck.

Moderator: Thank you. Next question is from the line of Raj Joshi from Ace Securities. Please go ahead.

Raj Joshi: Hello, thank you Sir for the opportunity. Sir my first question is regarding the order book. Our order book growth is low. So how do you see the FY2021 revenue growth?

Jitendra Agarwal: As we replied earlier also, the order inflow has been slow because of some principal changes like demand shift from conventional meter to smart meter by the electricity boards. And we were also very choosy in selecting the customers and taking the orders. That is the main reason. There are so many enquiries going on. And the way the customer , especially the central government pressurizing the SEBs on the smart meter and the way the customer is focusing on improving their revenues, we see a phenomenal order inflow coming. I do not see any problem as such.

Kailash Agarwal: And this order book also we are covered for next at least three quarters, so there are no worries on that.

Raj Joshi: Okay, Sir another question is on the non-meter segment. How much meter orders we have received for the gas or the water or the EV?

Jitendra Agarwal: This order book is completely for electricity meters.

Raj Joshi: Okay. That is, it from my side.

Moderator: Thank you. We take the next question from the line of Manish Goel from Enam Holding. Please go ahead.

Manish Goel: Yes, thank you so much. Just on the gas meters., Last week there was an article in the newspaper where the government has asked IGL to setup a manufacturing facility for gas meters and basically it is anticipated that there will be a demand of at least 4 Crore meters for the gas meters., So do you think that with IGL setting up its own facility, we will be devoid of the opportunity to supply gas meters?

Jitendra Agarwal: IGL primarily has come out with the Expression of Interest (EOI) with the condition that there can be a public private partnership also. We are also working on that EOI but the terms are very different and they primarily want to set up this plant for their own consumption and maximum manufacturing capacity they want to build currently is only for one million meters per annum.

Manish Goel: Okay fine. So, we would also probably explore the joint venture?

Jitendra Agarwal: Yes, we are already part of the EOI.

Mainsh Goel: Okay wonderful Sir and so just coming back on the EESL. The existing tender you mentioned - that the fourth tender which will be floated. How would be that tender Sir?

Jitendra Agarwal: Fourth tender has already been floated and quoted., They are nine lots with 50 lakh meters in total. So this time they have made laws which are very stringent. They have not allowed anybody to come and just quote unless you are a proper meter manufacturer. So they have also learned the lesson in a hard way and this particular tender has nine lots. I see a very good opportunity in this tender.

Manish Goel: So, these are again simple pre-paid meters or…

Jitendra Agarwal: They are all smart meters. And every smart meter can be both pre-paid and post-paid.

Manish Goel: Okay and on the existing EESL you mentioned we have supplied 12 lakh meters out of 20 lakh meters?

Jitendra Agarwal: Yes.

Manish Goel: The pending order book is Rs. 200 Crore. So, by when do you think that these supplies will get over Sir?

Jitendra Agarwal: By April-May, we are very much well on schedule. By May end or by the mid of June we will complete the supply.

Manish Goel: Okay and by year end you did mention that we will at least end up with the order book of Rs. 1200 Crore, is it right?

Jitendra Agarwal: Not mentioned, that but I am very hopeful that it will be…

Manish Goel: Okay Sir, thank you so much.

Moderator: Thank you. We take the next question from the line of Lalith Garg from Global Investment. Please go ahead.

Lalith Garg: I understand that we are moving our production to Guwahati plant. What is the status on that and what would be the percentage of production that will be moving over there?

Jitendra Agarwal: We already have plant in Guwahati and we are continuously growing that plant and increasing its portfolio by adding more newer products to it as it gives us better margins and incentives.

Lalith Garg: Okay that fairly answers my question. That is all my question. Thank you.

Moderator: Thank you. Next question is from the line of Deepak Agarwal from Impetus Advisors. Please go ahead.

Deepak Agarwal: I just wanted to know the trade receivables position at the end of the quarter.

Kailash Agarwal: Trade receivables is around Rs. 500 Crore.

Deepak Agarwal: Okay fine. That is, it thanks you.

Moderator: Thank you. We take the next question from the line of Ashok Shah from LFC Securities. Please go ahead.

Ashok Shah: Can you give some rough idea, that at full capacity, what would be our sales with normal product mix? And what is our outstanding from EESL and what the contract says about interest payment on latepayment?.

Jitendra Agarwal: We can comfortably manufacture ten million meters annually of different product mix.

Ashok Shah: So, it could be around Rs. 1000 Crore turnover approximately?

Kailash Agarwal: No, it is a capacity of ten million meters of different type of meters. So if you take average of one meter and the different segments then it can be from Rs. 2,000 to 2,500 Crore. So basically with our current capacities we can go up to a turnover of Rs. 2000 Crore plus.

Ashok Shah: Okay and secondly this is regarding outstanding receivables, which we are getting late from the government side or other department. So do these contracts have a legal formality of interest payment also?

Jitendra Agarwal: Government departments never pay interest on late payment.

Ashok Shah: Okay thank you.

Moderator: Thank you. Next question is from the line of Ritesh Bafna from RB Securities. Please go ahead.

Ritesh Bafna: Thank you so much for the opportunity. I would just like to understand what is the current debt on the book that we have - which includes the short term that is the working capital debt as well?

Kailash Agarwal: Basically the long-term debt is hardly Rs. 10 to 15 Crore. The gross debt of the company is almost Rs. 270 Crore and the company is having a cash of about Rs. 130-140 Crore.

Ritesh Bafna: Can you give me any color on the working capital scenario like what is the number of working capital days as of December end?

Kailash Agarwal: It is almost 200 days.

Ritesh Bafna: Okay and lastly, I would just like to know what are the current utilization levels at our plant and do we have any capex planned for this year or the next year?

Kailash Agarwal: Current utilization is about 60-65% and no Capex has been planned at least for next two years. Only the maintenance Capex, which is operational Capex, is going to be there.

Ritesh Bhafna: Okay thank you so much for answering my question. All the best.

Moderator: Thank you. Ladies and gentlemen that was the last question for today, I would now like to hand the conference back to the management for their closing comments.

Kailash Agarwal: Thank you ladies and gentlemen. I am very happy with the way meter business is shaping up and we are very hopeful that the government is coming in a very big way and they are talking about 25 Crore meters every day. In case you have any further queries you can get in touch with SGA our investor relation advisors. Thank you very much.

Moderator: Thank you on behalf of Genus Power Infrastructure Limited that concludes this conference, thank you all for joining. You may now disconnect your lines.