

## The Trick Is To Spot Them At The Larval Stage



BSE Code	: 530343
Time Duration	: 1 year
CMP	: ₹28.25 (as on 25 April, 2019)
Target Price	: ₹37

## Genus Power Infrastructures Unlock The Genie Of Rewarding Returns

Our Tiny Treasure for the month of April is Genus Power Infrastructure Limited. It is engaged in the manufacture of electronic energy meters since 1996 and has emerged as a leading manufacturer of smart metering solutions with installation base of 48 million electricity meters across the world. Currently, it has 27% market share in the meter industry and enjoys 70% market share in smart meters segment. In 2005, it also ventured into the business of undertaking Engineering, Construction & Contracts (ECC) projects on a turnkey basis.

### Growth drivers for smart metering solution & ECC segments

Genus Power manufactures and supplies smart meters to residential, commercial and industrial customers. It has also been focusing on export market to tap new opportunities. During 9MFY19, the exports contributed steadily Rs 53 crore towards total revenue. To foray into the West African markets, Genus Power has signed agreement with Global Utilities Management Co. (GUMCO), Nigeria, for establishment of meter assembling and testing unit as a technical partner. With the roll-out of 'Smart City' initiatives in India, the demand for implementation of smart and prepaid electricity meters will be on the rise. Smart meters help in reducing theft of electricity and reduce AT&C losses for which the government is striving hard to convert all meters into smart meters. As Genus Power enjoys 70% market share, it has huge opportunities to capture.

Under the ECC segment, it provides solutions for switchyard/sub-station up to 400kV, transmission lines up to 400kV, rural electrification and distribution lines, which help in restoration and upgradation of existing system. The company's ECC segment has gained traction from mid-FY18 with growth in order inflows. The current order book for this segment is around Rs 70 crore. The government's plan to reduce the T&D losses by 5% over the next 5 years will also help the company to gain orders under its ECC segment.

### Robust order book

In November 2017, Genus Power had won a huge order from

EESL for supply of 13.5 lakh smart meters from Haryana and Uttar Pradesh governments worth Rs 453 crore. The company has started supplying for this order from H2FY19. It has also been successful in winning an extra order worth Rs 200 crore from EESL, which has been diverted from its peer due to its non-execution. This shows the efficiency of the company over execution of orders and the high level of trust on its brand value by its customers. Its order book by the end of December 2018 stood at Rs 1,423 crore. This order book is at its all-time high level, giving revenue visibility for the next one-and-a-half years. Of these orders, Rs 1000 crore orders would be executed over the next 12 months and the remaining are expected to be executed in 2-3 years horizon. The management is optimistic about the growth in order inflows led by the ongoing tenders and commitment from private electricity companies, state electricity boards and EESL.

### Strong relations with leading companies

Genus Power has a huge customer base. Its clients include leading companies like Powergrid, NTPC, Tata Power, Reliance Energy, Essel Group, PDD, Torrent Power and many more. The state electricity boards which are registered under the UDAY scheme by the Indian government are major contributors towards Genus Power's business growth.

### Installed capacity & improving utilisation

The company has integrated manufacturing facilities at Jaipur, Uttaranchal and Assam. The production facility at Assam was set up in early 2017 and the commercial production commenced in FY18. The total installed capacity is of 10 million meters per annum. It is gradually improving its capacity utilisation considering the robust growth in order inflows.

### Government initiatives driving demand

Government of India has come up with various schemes for supply of electricity to all parts of India. UDAY (Ujwal Discom Assurance Yojana) has initiated implementation of smart metering

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solutions and upgradation of transformers and meters, which would minimise the losses and debt burden of discoms. 27 states and one Union territory have participated in this scheme. Others schemes like Integrated Power Development Scheme and Deendayal Upadhyaya Gram Jyoti Yojana aim at electrification of all villages and reduce the AT&C losses. UP, Bihar, Rajasthan, Jharkhand are some of the major contributing states towards the successful implementation of these schemes. Also, the Ministry of Power had mandated roll-out of smart meters for consumers with monthly consumption of 500 units and more by December 31, 2017, and for consumers with monthly consumption of 200 units and more by December 31, 2019. The government is planning to install 130 million smart meters by 2021 and invest US\$ 21 billion by 2025 for smart grid technologies.

### Financial Performance

The company's standalone revenue for Q3FY19 came in at Rs 292.08 crore as against Rs 200.18 crore in the corresponding quarter last year, registering an increase of 45.9% yoy. The EBITDA for the quarter rose by 91.5% yoy to Rs 38.29 crore as against Rs 19.99 crore in the corresponding quarter last year, with a cor-

responding margin expansion of 312 bps. Its EBITDA margin for the quarter stood at 13.1%. The PAT for the quarter came in at Rs 23.04 crore as against Rs 13.21 crore in the corresponding quarter last year, an increase of 74.4% yoy.

It has been paying dividend consistently since FY12 and has paid dividend of 41% in FY18. In FY15, the company had debt of Rs 307 crore, taking debt-equity ratio to 0.74x. By the end of September 2018, the company was successful in reducing its debt and has become debt-free.

### Valuation

The company is trading at TTM P/E of 11.11x with TTM EPS of Rs 2.52. The company's order book is strong giving decent revenue visibility. The timely execution of orders across both the segments is enabling the company to gain repeat and new orders. Also, the demand for smart meters is increasing, led by various government initiatives. As the company enjoys leadership in the market, it is in a sweet spot to grab lucrative opportunities in the future. We see a potential upside of 31% with a target price of Rs 37 over a period of one year.

#### Inc/Exp Statement(Standalone) (Rs in Crore)

Description	201803	201703	201603	201503	201403
Net Sales	835.05	642.37	857.65	915.00	765.52
Total Income	857.04	666.38	875.15	927.36	774.92
Total Expenditure	742.04	555.79	734.10	792.21	667.42
PBIDT	115.00	110.59	141.05	135.15	107.50
PAT	51.54	57.91	80.08	53.12	60.47
Dividend %	41.00	45.00	25.00	20.00	10.00
Adj. EPS(Rs)	2.00	2.25	3.12	2.07	2.36

#### Quarter On Quarter (Standalone) (Rs in Crore)

Particulars	201812	201809	Q on Q Var%	201712	Y on Y Var%
Net Sales	292.08	223.36	30.77	200.19	45.90
Total Expenditure	253.79	198.83	27.64	180.08	40.93
PBIDT (Excl OI)	38.29	24.52	56.15	20.11	90.45
PAT	23.04	12.38	86.21	13.22	74.33
PBIDTM% (Excl OI)	13.11	10.98	19.40	10.04	30.58
PBIDTM%	15.01	12.52	19.89	13.84	8.45
PATM%	7.89	5.54	42.42	6.60	19.55
Adj. EPS(Rs)	0.90	0.48	87.50	0.51	76.47

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