

Strong Q2; Inline with the Growth Trajectory

Est. Vs. Actual for Q2FY25: Revenue – **BEAT**; EBITDA – **BEAT**; PAT – **BEAT**

Change in Estimates post Q2FY25:

FY25E/FY26E: Revenue: 0%/0%; EBITDA: 0%/0%, PAT: 0%/0%

Recommendation Rationale

- Strong Order Book:** Including all SPVs and Platform with GIC, the order book stood at Rs 31,776 Cr as of Sep'24 with concessions for over 8-10 years (against the orderbook of Rs 32,500 as of Aug'24). The current orderbook of Rs 31,776 Cr is not the peak and a further increase from this level is expected from Q1FY26 (the tendering activity is expected to remain muted in H2FY25). 90% of the orderbook is towards the GIC Platform. Out of the orderbook from GIC platform, 45-50% is towards meter supply and installation, 25-30% is towards O&M orders, and the balance 20-25% will remain with the GIC Platform.
- Tendering Status:** As per the RDSS scheme, the government's target for smart meter installation is 25 Cr, and to date, according to the National Smart Grid Mission, 22.2 Cr smart meters have been sanctioned. Out of this, 13.2 Cr have been awarded, and only 1.6 Cr have been installed. Among the remaining meters to be awarded, some are currently live, while a few are expected to be quoted in the next 2-3 months.
- Working Capital Cycle:** The company's working capital Days increased from 301 days as of Mar'24 to 423 days as of Sep'24. The increase in working capital days was largely anticipated as the company has started executing the large orderbook. It will come down post 6-8 months as the execution picks up pace and the revenue starts flowing in from the AMISP Platform.

Sector Outlook: Positive

Company Outlook & Guidance: Revenue guidance of Rs 2,500 Cr for FY25 remains unchanged and the management has now given guidance of 50% YoY revenue growth for FY26. The EBITDA margins guidance of 15-16% is maintained for FY25 and it will be sustained for FY26. Capacity expansion from 1.1 Cr to 1.5 Cr meters annually is largely completed and the company now has the capabilities to ramp up to full capacity based on the requirement. The capex guidance of Rs 85 Cr for FY25 remains unchanged.

Current Valuation: 25x on our FY27 EPS estimate (Unchanged)

Current TP: Rs 505/share (Unchanged)

Recommendation: We maintain our **BUY** recommendation on the stock.

Financial Performance: Genus reported a strong set of numbers as the standalone net sales grew by 88%/18% YoY/QoQ to Rs 487 Cr, an 8% beat on our estimate. EBITDA grew by 232%/29% YoY/QoQ to Rs 81 Cr, an 18% beat on our estimate. The EBITDA margins stood at 16.7% up 724bps/146bps YoY/QoQ. PAT grew by 429%/37% YoY/QoQ to Rs 58 Cr, a 21% beat on our estimate.

Key Financials (Standalone)

(Rs Cr)	Q2FY25	QoQ (%)	YoY (%)	Axis Est	Var (%)
Net Sales	487	18%	88%	450	8%
EBITDA	81	29%	232%	69	18%
EBITDA Margin (%)	17%	146bps	724bps	15%	135bps
Reported PAT	58	37%	429%	48	21%
EPS (Rs)	1.91	36%	344%	1.6	21%

Source: Company, Axis Securities

(CMP as of 30th October 2024)

CMP (Rs)	417
Upside /Downside (%)	21%
High/Low (Rs)	476/205
Market cap (Cr)	12,675
Avg. daily vol. (6m) Shrs.	14,83,160
No. of shares (Cr)	30.4

Shareholding (%)

	Mar-24	Jun-24	Sep-24
Promoter	42.66	42.66	39.34
FII	16.87	17.91	22.49
Mutual Funds / UTI	4.60	4.43	3.26
Financial Institutions	0.28	0.25	0.16
Others	35.59	34.75	34.75

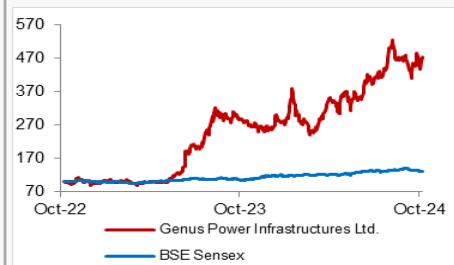
Financial & Valuations

Y/E Mar (Rs Cr)	FY25E	FY26E	FY27E
Net Sales	2,500	4,238	5,309
EBITDA	375	636	796
Attrib Net Profit	285	492	614
EPS (Rs)	9.4	16.2	20.2
PER (x)	44.5	25.8	20.6
P/BV (x)	7.0	5.6	4.4
EV/EBITDA (x)	34.4	20.1	15.7
ROE (%)	15.7%	21.6%	21.4%

Change in Estimates (%)

Y/E Mar	FY25E	FY26E	FY27E
Sales	0%	0%	0%
EBITDA	0%	0%	0%
PAT (Attrib)	0%	0%	0%

Relative Performance



Source: Ace Equity, Axis Securities

Aditya Welekar

Sr. Research Analyst

Email: aditya.welekar@axissecurities.in

Darsh Solanki

Research Associate

Email: darsh.solanki@axissecurities.in

Valuation & Recommendation:

We assign a target P/E multiple of 25x on our FY27 EPS estimate and arrive at our Mar'26 TP of Rs 505/share. We maintain our BUY rating on the stock, with a potential upside of 21% from the CMP.

Outlook

With the sectorial tailwinds, robust order book, and revenue growth along with expected improvement in margins, Genus is well positioned to chart its growth trajectory. We maintain our earnings estimates as outlined in our initiation note published on 18th Oct'24.

Key Concall Highlights

- **Execution:** The company has manufactured 2 Mn meters in Q2FY25 and installed 8 Lc meters. Currently, the company's 4 projects are in the live phase viz. 3 in Assam and 1 in Bihar. Further projects in Chhattisgarh, Uttaranchal and Bihar have been offered to go live and are expected to go live in the next 3-4 months. There were delays in execution in October and November due to festivals. Management expects the execution numbers to pick up from next quarter and is confident about its annual targets.
- **Investment in GIC Platform:** The company's total outlay for the 26% stake in GIC Platform is expected to be \$ 211 Mn. To date, the company has invested in \$ 2 Mn. Out of the balance investment, 40% is expected in FY26, 40% in FY27, and 20% in FY28. GIC will invest its share proportionately. The outlay of \$211 Mn is on the assumption of a 50:50 debt-equity ratio of the platform. Any change in this ratio can change the company's investment outlay.
- **Status of capacity expansion:** The capacity expansion from 1.1 Cr meters to 1.5 Cr meters annually is on the verge of completion. The new plant in Guwahati is set up and expected to be commissioned in full swing in the next one month. Management expects the company to comfortably manufacture 1 Mn meters per month by the end of this year and will expand the same based on requirements.
- **Water Meters & Gas Meters:** The company is looking to grow its smart water meters business in the international market. It is working on 3-4 projects globally. However, the projects have long gestation periods and management expects the orders to flow at a slow pace. However, management expects this segment to contribute significantly to its revenue in the next 3-4 years. On the gas meters side, the company is an established player in the domestic markets and continues to focus on the domestic markets.
- **Net Metering Business:** The company is currently observing good traction in its net metering business due to the surge of renewable energy. However, management expects smart meters to replace net meters in future due to better facilities of smart meters.
- **Third-Party Business:** Third-party orders (other than GIC Platform) make up 10% of the company's total orderbook. The company has been receiving significant inquiries from third parties and also Letters of Intent (LOI). The company is focused on increasing its third-party business as well by continuously supplying meters to all its customers.

- **Technology:** The company has its internally developed Head End Systems (HES), Meter Data Management System (MDM) and RF technologies. Its HES and MDM technologies are already being implemented. In domestic orders, the company uses its own RF for communications but is also flexible to work on different systems based on international customer requirements.
- **Consumer acceptance:** As per the smart meters transition, all postpaid meters are being converted into prepaid meters and all conventional meters into smart meters. There has been initial resistance from the customers in accepting this change due to an understanding gap. However, there are strong efforts from the central government, state government, DISCOMS and AMISPs to explain the benefits of smart meters to the customers. Consumers have started accepting these changes with more than 5 Mn smart meters installed in Bihar.
- **Increase in Net Debt:** The company's Net Debt of Sep'24 stood at Rs 320 Cr as compared to a Net Cash position of Rs 181 Cr in Mar'24. The debt has increased owing to the company's Bihar legacy project. It is the company's own project and is on its books and not the Platform. The entire outlay for this project has been done by the company and the debt was raised for this purpose.
- **Promoter stake:** The promoter's stake in the company has reduced from 42.7% in Jun'24 to 39.3% in Sep'24. The stake has been sold to Nomura India Investment Fund, a foreign portfolio investor. No further stake sale by the promoters is expected in the short term.
- **Other highlights:** The company's other income for Q2FY25 includes a one-time gain of Rs 11 Cr recorded under other income, stemming from the resolution of an arbitration settlement related to a government project executed during 2007–2009. Furthermore, the company's employee benefit expenses were high due to the increase in operations and the cost of development of technology. Management expects the expenses to increase over the next 6-8 months and become stable post that.

Key Risks to Our Estimates and TP

- Delay in execution of projects and issuance of balance tenders
- Delay in improvement of the working capital cycle

Genus Q2FY25 Results Review

Particulars (Rs Cr)	Q2FY24	Q1FY25	Q2FY25	Q2FY25			Axis Sec
	Act	Act	Axis Sec Est	Act	YoY (%)	QoQ (%)	Var (%)
Net sales	259	414	450	487	88%	18%	8%
Cost of material consumed	212	353	250	360	69%	2%	44%
Change in inventories	-51	-122	-	-90	NM	NM	NM
Gross Profit	97	184	200	217	123%	18%	8%
Employee benefit expenses	40	56	61	63	57%	12%	3%
Other expenses	33	64	70	72	122%	12%	3%
EBITDA	25	63	69	81	232%	29%	18%
Depreciation & amortization	5	6	6	6	28%	6%	4%
EBIT	20	57	63	75	283%	31%	19%
Finance cost	14	21	21	29	110%	39%	39%
Other Income	10	20	22	31	229%	58%	46%
PBT	16	56	64	78	400%	38%	22%
Tax	5	14	16	20	332%	40%	23%
PAT	11	42	48	58	429%	37%	21%
Basic EPS	0.4	1.4	1.6	1.9	344%	36%	21%
EPS Diluted EPS	0.4	1.4	1.6	1.9	352%	37%	20%
Gross margins	38%	44%	45%	45%	698bps	19bps	8bps
EBITDA margins	9%	15%	15%	16.7%	724bps	146bps	135bps
PAT margins	4%	10%	11%	12%	771bps	173bps	129bps

Source: Company, Axis Securities, Bloomberg Consensus

Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E March	FY24A	FY25E	FY26E	FY27E
Total Operating income	1,201	2,500	4,238	5,309
Cost of Material consumed	874	1,475	2,500	3,132
Changes in inventory	-157	-	-	-
Employees Cost	165	350	593	743
Other Expenses	183	300	509	637
Total Expenditure	1,066	2,125	3,602	4,513
EBITDA	135	375	636	796
Depreciation and Amortization	21	28	33	37
EBIT	114	347	603	760
Other Income	56	85	106	111
Less: Interest & Fin Chg.	58	53	53	53
Profit before tax	112	380	656	818
Provision for Tax	37	95	164	205
Reported PAT	75	285	492	614
Basic EPS (Rs/sh)	2.81	9.38	16.2	20.2
Diluted EPS (Rs/sh)	2.79	9.38	16.2	20.2

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March	FY24A	FY25E	FY26E	FY27E
Net Block	176	228	245	258
CWIP	15	15	15	15
ROU Assets	16	16	16	16
Intangible Assets	1	1	1	1
Investments	314	314	314	314
Contract Assets	118	118	118	118
Inventories	483	822	1,161	1,309
Trade Receivables	580	1,233	1,625	2,036
Cash / Bank balance	670	267	387	619
Misc. Assets	385	385	385	385
Total assets	2,758	3,399	4,268	5,073
Equity capital	30	30	30	30
Reserves	1,534	1,788	2,250	2,833
Borrowings	587	587	587	587
Other Liabilities	181	181	181	181
Provisions	60	60	60	60
Trade Payables	367	753	1,161	1,382
Capital employed	2,758	3,399	4,268	5,073

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E March	FY24A	FY25E	FY26E	FY27E
Profit Before tax	112	380	656	818
Depreciation	21	28	33	37
Interest Expenses	58	53	53	53
Non-operating / EO item	-52	-	-	-
Change in W/C	-264	-605	-324	-338
Tax Paid	-29	-95	-164	-205
Operating Cash Flow	-154	-240	254	365
Capital Expenditure	-74	-80	-50	-50
Free cash Flow	-228	-320	204	315
Other Investments	-357	-	-	-
Investing Cash Flow	-430	-80	-50	-50
Proceeds / (Repayment) of Borrowings	123	-	-	-
Proceeds from Equity shares	519	-	-	-
Finance cost paid	-57	-53	-53	-53
Dividend paid	-17	-30	-30	-30
Financing Cash Flow	568	-83	-83	-83
Change in Cash	-17	-403	120	232
Opening Cash	-111	670	267	387
Closing Cash	-128	267	387	619
Adjusted for Cash Credits	288	-	-	-
Closing Cash and Cash Equivalents	160	267	387	619
Bank Balances	510	-	-	-
Closing Cash and Bank Balances	670	267	387	619

Source: Company, Axis Securities

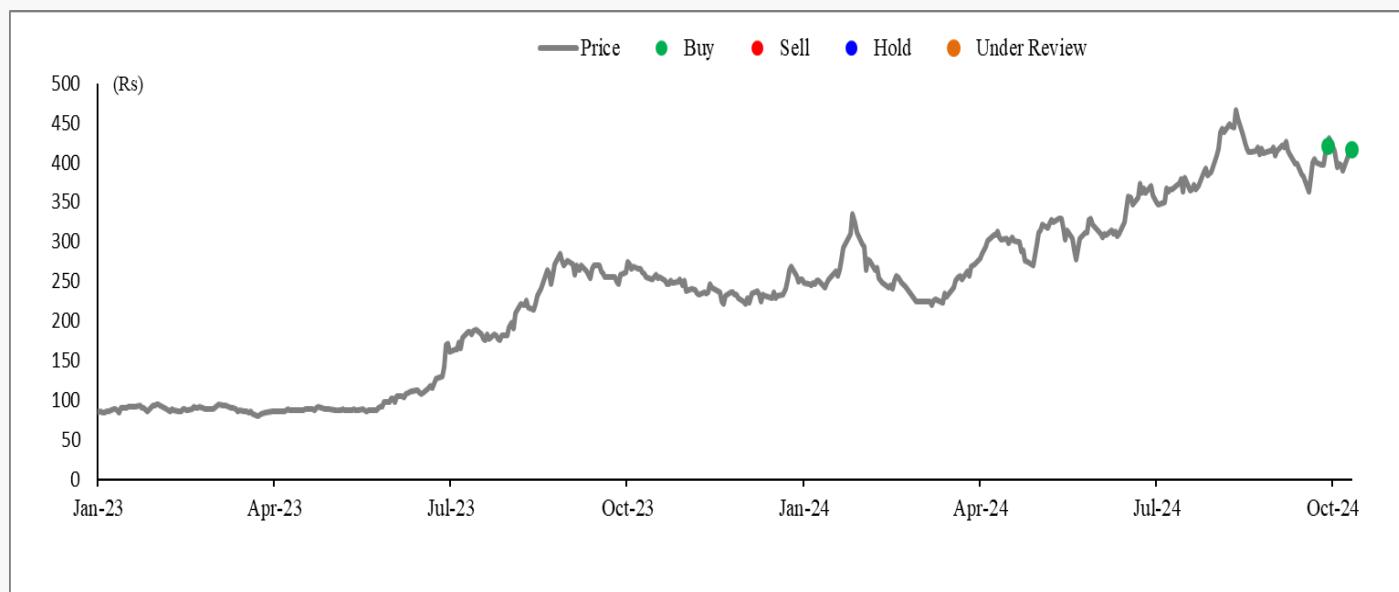
Ratio Analysis

(%)

Y/E March	FY24A	FY25E	FY26E	FY27E
Operational Ratios				
Sales growth (% YoY)	49%	108%	70%	25%
EBITDA Margin %	11%	15%	15%	15%
Net profit Margin %	6%	11%	12%	12%
Tax Rate %	33%	25%	25%	25%
Efficiency Ratios				
Total Asset Turnover (x)	0.4	0.7	1.0	1.0
Sales/Gross block (x)	3.9	6.5	9.7	11.0
Sales/Net block(x)	6.8	11.0	17.3	20.5
Working capital/Sales (x)	0.6	0.5	0.4	0.4
Valuation Ratios				
PER (x)	86.0	44.5	25.8	20.6
P/BV (x)	4.2	7.0	5.6	4.4
EV/EBITDA (x)	46.9	34.4	20.1	15.7
EV/Sales (x)	5.3	5.2	3.0	2.4
Dividend Yield (%)	0.2%	0.2%	0.2%	0.2%
Return Ratios				
ROE	5%	16%	22%	21%
ROCE	5%	14%	21%	22%
ROIC	6%	13%	19%	21%
Leverage Ratios				
Debt /equity (x)	0.38	0.32	0.26	0.21
Net debt/ Equity (x)	0.12	-0.12	-0.04	0.05
Net debt/Ebitda (x)	1.34	-0.59	-0.16	0.16

Source: Company, Axis Securities

Genus Power Infrastructures Chart and Recommendation History



Date	Reco	TP	Research
18-Oct-24	BUY	505	Initiating Coverage
31-Oct-24	BUY	505	Result Update

Source: Axis Securities Research

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Compliance Officer Details: Name – Mr. Maneesh Mathew, Tel No. – 022-68555574, Email id – compliance.officer@axisdirect.in;

Registered Office Address – Axis Securities Limited, Unit No.002, Building- A, Agastya Corporate Park, Piramal Realty, Kamani Junction, Kurla (W), Mumbai – 400070.

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Note: Returns stated in the rating scale are our internal benchmark.