BUY (Maintain)

CMP: **INR 209** Target Price: **INR 250 (INR 185)** ▲ 20%

ICICI Securities

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14 August 2023

India | Equity Research | Q1FY24 results review

Genus Power Infrastructures

Power/Mining

A gush of order for smart meters

Genus Power Infrastructures (Genus) has reported a sharp uptick in order inflow in smart meters over the last six quarters and it's not yet over. Ordering activity is likely to remain strong over the next few years. Armed with capital commitment from GIC, it remains in a pole position to win further set of orders. It reported revenue growth of 40% YoY and EBITDA growth of 2x on improvement in operating margins by 330bps YoY to 10.9% on higher execution of smart meter orders and easing raw material prices. Orderbook for Genus has increased to INR 82bn as on date with the share of legacy orders (low margin orders) dropping to mere 6% of the orderbook. We maintain **BUY** with a revised TP of INR 250/share (prior: INR 185). We introduce our FY26E estimates and value Genus at 28x FY26E EPS of INR 9/share.

Robust order build-up with 10x book to bill

With yet another order win worth INR 22bn in Jul'23, orderbook for Genus has increased to INR 82bn as on date (up 3.5x YoY). The share of legacy orders (low margin orders) has reduced to 5% of the total orderbook; however, it will still constitute 30-40% of total execution for FY24E thus keeping operating margins low in the near term.

Near-term opportunity strong

Various discoms till date have bid out orders worth INR 430bn and tenders worth INR 270bn are expected to be bid out in the next 3-4 months. Genus' entire orderbook has been won on its own; however, as a supplier, it can supply smart meters to other players which have won the advanced metering infrastructure (AMISP) contracts, thus, further enhancing its order inflow potential.

Guidance for FY24 maintained

Genus has guided to execute orders worth INR 12bn in FY24 with an EBITDA margin of 15% and expects the execution to grow multi-fold (at least 2x) on higher execution of smart metering contracts in FY25. However, we believe, its operating margins may remain subdued in FY24E on the back of higher share of legacy orders under execution.

Introduce our FY26E estimates

We introduce our FY26E estimates and value Genus at 28x FY26E EPS of INR 9/share.

Financial Summary

Y/E Mar-31 (INR mn)	FY23A	FY24E	FY25E	FY26E
Net Revenue	8,084	12,256	24,447	33,090
EBITDA	788	1,368	3,046	4,151
EBITDA Margin (%)	9.8	11.2	12.5	12.5
Net Profit	350	765	1,987	2,740
EPS (Rs)	1.2	2.5	6.5	9.0
EPS % Chg YoY	35.5	85.5	159.8	37.9
P/E (x)	153.9	82.9	31.9	23.2
EV/EBITDA (x)	66.6	38.1	17.4	12.2
RoCE (%)	4.3	5.4	8.8	10.7
RoE (%)	3.6	5.0	9.2	11.4

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Market Data

Market Cap (INR)	54bn
Market Cap (USD)	651mn
Bloomberg Code	GPIN IN
Reuters Code	GEOE.BO
52-week Range (INR)	209 /74
Free Float (%)	38.0
ADTV-3M (mn) (USD)	4.7

Price Performance (%)	3m	6m	12m
Absolute	135.8	138.7	182.7
Relative to Sensex	6.5	8.7	11.6

ESG Disclosure	2021	2022	Change
ESG score	-	-	-
Environment	-	-	-
Social	-	-	-
Governance	-	-	-

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: Bloomberg, I-sec research

Previous Reports

10-07-2023: Company update

Outlook and valuation

Genus had an all-round performance in Q1FY24 with revenue growth of 40% YoY to INR 2.6bn and EBITDA growth of 2x to INR 286m as EBITDA margin improved by 330bps YoY to 10.9% on the back of higher execution of smart meter orders and easing raw material prices. As a result, PAT grew to INR 193m in Q1FY24 (vs INR 7m YoY). Orderbook for Genus has increased to INR 82bn as on date with the share of legacy orders (low margin orders) dropping to mere 6% of the orderbook.

It has also recently landed a marquee deal with GIC for an equity investment of INR 5.2bn for 15% stake in the company. Also, it is setting up an SPV to bid for smart meter tenders in the future (Genus will be the sole supplier of smart meters to this SPV).

GIC will hold 74% stake and Genus 26% in the SPV. Genus' equity contribution towards the SPV would be USD 210mn over the next 3-4 years.

The SPV is targeting order inflow worth INR 300bn from smart metering tenders for which GIC has committed capital worth USD 2bn. The SPV will bid for projects and the supply orders (60% of total order inflow) will be given to Genus. The SPV will pay Genus after execution of the order, thus, reducing the working capital requirement for Genus. Genus is expected to receive orders worth INR 180bn from the SPV over the next 3-4 years.

The tendering activity from discoms has been strong with total bids finalised worth INR 430bn. The ordering pipeline over the next 3-4 months remains strong with potential orderflow worth INR 270bn.

Genus, being a supplier of smart meters, is at a unique advantage to supply smart meters for the orders it has won on its own and also to other players who have won the order but have to source the meters from a third party.

We introduce our FY26E estimates for Genus and expect revenue CAGR of 42% to INR 33bn from FY23-FY26E. We expect EBITDA CAGR of 51% to INR 4.1bn during the same period with an EBITDA margin of 12.5% (+270bps vs FY23). As a result, we estimate PAT to grow at a CAGR of 67% to INR 2.7bn through FY23-FY26E.

We revise our P/E-based target price to INR 250/share, valuing the business at 28x FY26E EPS of INR 9/share (vs 28xFY25E EPS of INR 6.5/share).

Exhibit 1: Earnings revision table

INR mn	FY25E			FY26E		
	Earlier	Revised	Change (%)	Earlier	Revised	Change (%)
Revenue	24,447	24,447	0%	0	33,090	NA
EBITDA	3,046	3,046	0%	0	4,151	NA
PAT	1,987	1,987	0%	0	2,740	NA

Source: I-Sec research

Exhibit 2: PE-based valuation

	FY26E PAT (INR mn)	Multiple (x)	FY26E Equity value (Rs mn)	Value per share (Rs)
Valuation	2,740	28	75,910	250
Equity Value			**75,910**	**250**

Source: I-Sec research

Conference call highlights

Order book highlights

- The orderbook stands at INR 82bn as of Jul'23, including the recently won Maharashtra AMISP order worth INR 22bn.
- With this book-to-bill ratio stands at 10x FY23 revenue and the execution cycle for the same is around 24-27 months.
- Thus, Genus has to develop a strong operational set up to be able to execute these orders in time.

Guidance for FY24

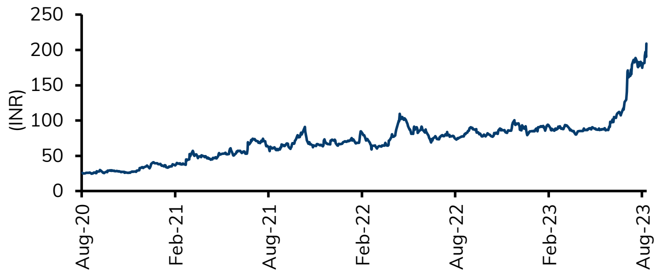
- It has maintained its guidance for FY24 with revenue of INR 12bn and EBITDA margin of 15%.
- It expects the revenue to grow multi-fold in FY25 as it will be in the middle of execution cycle of the orders it has currently won.
- Its legacy orderbook has dipped to INR 5bn as of Jul'23; however, it will constitute around 40-50% of total execution in FY24, thus, impacting the margins unfavourably.

Exhibit 3: Shareholding pattern

%	Dec'22	Mar'23	Jun'23
Promoters	50.4	50.4	50.4
Institutional investors	7.7	7.6	8.0
MFs and others	5.0	5.0	5.0
FIs/Banks	0.3	0.2	0.2
Insurance	0.0	0.0	0.0
FIIs	2.4	2.4	2.8
Others	41.9	42.0	41.6

Source: Bloomberg

Exhibit 4: Price chart



Source: Bloomberg

Financial Summary

Exhibit 5: Profit & Loss

(INR mn, year ending Mar-31)

	FY23A	FY24E	FY25E	FY26E
Net Sales	8,084	12,256	24,447	33,090
Operating Expenses	**867**	**1,315**	**2,623**	**3,551**
EBITDA	788	1,368	3,046	4,151
EBITDA Margin (%)	**9.8**	**11.2**	**12.5**	**12.5**
Depreciation & Amortization	187	191	201	211
EBIT	601	1,177	2,845	3,940
Interest expenditure	282	352	440	550
Other Non-operating Income	184	202	263	289
Recurring PBT	503	1,027	2,668	3,678
Profit / (Loss) from Associates	**-**	**-**	**-**	**-**
Less: Taxes	**153**	**262**	**680**	**938**
PAT	350	765	1,987	2,740
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	350	765	1,987	2,740
Net Income (Adjusted)	**350**	**765**	**1,987**	**2,740**

Source Company data, I-Sec research

Exhibit 6: Balance sheet

(INR mn, year ending Mar-31)

	FY23A	FY24E	FY25E	FY26E
Total Current Assets	9,973	22,706	28,677	34,329
of which cash & cash eqv.	1,365	12,145	11,980	15,089
Total Current Liabilities & Provisions	2,308	3,328	6,512	8,613
Net Current Assets	**7,665**	**19,378**	**22,166**	**25,717**
Investments	3,426	3,426	3,426	3,426
Net Fixed Assets	1,566	1,475	1,475	1,464
ROU Assets	-	-	-	-
Capital Work-in-Progress	73	73	73	73
Total Intangible Assets	-	-	-	-
Other assets	510	510	510	510
Deferred Tax assests	-	-	-	-
Total Assets	**14,357**	**25,979**	**28,766**	**32,306**
Liabilities				
Borrowings	**3,469**	**4,269**	**5,069**	**5,869**
Deferred Tax Liability	**1,016**	**1,016**	**1,016**	**1,016**
provisions	-	-	-	-
other Liabilities	27	27	27	27
Equity Share Capital	258	304	304	304
Reserves & Surplus	9,588	20,364	22,351	25,091
Total Net Worth	**9,846**	**20,667**	**22,654**	**25,395**
Minority Interest	-	-	-	-
Total Liabilities	**14,357**	**25,979**	**28,766**	**32,306**

Source Company data, I-Sec research

Exhibit 7: Cashflow statement

(INR mn, year ending Mar-31)

	FY23A	FY24E	FY25E	FY26E
Operating Cashflow	**193**	**(179)**	**(1,028)**	**2,221**
Working Capital Changes	(206)	(933)	(2,953)	(442)
Capital Commitments	(152)	(100)	(200)	(200)
Free Cashflow	**345**	**(79)**	**(828)**	**2,421**
Other investing cashflow	**86**	**202**	**263**	**289**
Cashflow from Investing Activities	(66)	102	63	89
Issue of Share Capital	0	5,196	-	-
Interest Cost	(282)	(352)	(440)	(550)
Inc (Dec) in Borrowings	670	800	800	800
Dividend paid	(219)	(288)	(319)	(349)
Others	202	5,502	759	900
Cash flow from Financing Activities	371	10,857	800	800
Chg. in Cash & Bank balance	**499**	**10,780**	**(165)**	**3,109**
Closing cash & balance	1,366	12,145	11,980	15,089

Source Company data, I-Sec research

Exhibit 8: Key ratios

(Year ending Mar-31)

	FY23A	FY24E	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	1.4	2.5	6.5	9.0
Adjusted EPS (Diluted)	1.2	2.5	6.5	9.0
Cash EPS	2.1	3.1	7.2	9.7
Dividend per share (DPS)	0.9	0.9	1.0	1.1
Book Value per share (BV)	38.2	68.1	74.6	83.7
Dividend Payout (%)	62.6	37.7	16.0	12.7
Growth (%)				
Net Sales	18.0	51.6	99.5	35.4
EBITDA	32.2	73.5	122.6	36.3
EPS (INR)	35.5	85.5	159.8	37.9
Valuation Ratios (x)				
P/E	153.9	82.9	31.9	23.2
P/CEPS	100.2	66.4	29.0	21.5
P/BV	5.5	3.1	2.8	2.5
EV / EBITDA	66.6	38.1	17.4	12.2
P / Sales	6.7	5.2	2.6	1.9
Dividend Yield (%)	0.4	0.5	0.5	0.6
Operating Ratios				
Gross Profit Margins (%)	20.5	21.9	23.2	23.3
EBITDA Margins (%)	9.8	11.2	12.5	12.5
Effective Tax Rate (%)	30.4	25.5	25.5	25.5
Net Profit Margins (%)	4.3	6.2	8.1	8.3
NWC / Total Assets (%)	43.9	27.8	35.4	32.9
Net Debt / Equity (x)	(0.1)	(0.5)	(0.5)	(0.5)
Net Debt / EBITDA (x)	(1.7)	(8.3)	(3.4)	(3.0)
Profitability Ratios				
RoCE (%)	4.3	5.4	8.8	10.7
RoE (%)	3.6	5.0	9.2	11.4
RoIC (%)	4.3	5.4	8.8	10.7
Fixed Asset Turnover (x)	5.0	8.1	16.6	22.5
Inventory Turnover Days	140	131	125	93
Receivables Days	231	211	187	138
Payables Days	80	95	116	101

Source Company data, I-Sec research

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