



STOCK BROKING, INVESTMENT BANKING, CORPORATE ADVISORY & INSURANCE

## Ajcon's Xpress Idea: **Genus Power Infrastructures Ltd. - "BUY"** 17th Mar, 2015

**CMP: 24.4 | Target: Rs. 38 | Upside: 56%| Market Cap: Rs. 626 cr.|BV: Rs. 18| FV: Re. 1**

### About the Company

Genus Power founded in 1992 led by Mr. I.C. Agarwal, manufactures High – end Programmable Multi functional Smart Electronic Energy Meters with in – built advanced security & anti – tamper feature, AMR enabled meters, Industrial/Sub – station/Agricultural/Audit Meters, Group Meters, Grid Meters, Pre-payment Meters, Digital Panel Meters, Distribution Transformer Metering System, Smart Street Lighting System, Power Backup Solutions. Genus Power also undertakes turnkey 'Engineering, Construction & Contracts' projects in Power sector. In FY14, the Company successfully completed several projects of electrical feeder lines, transmission lines, sub stations and rural electrification at Chhattisgarh, Madhya Pradesh, Karnataka and Orissa. These included several 33/11 kV and 11kV/0.415 kV substations with associated feeder lines for NHPC and various state DISCOMs.

The Company has served global market successfully and having widely deployed over 25 mn meters, enjoys a leadership position in providing advanced metering solutions to power utilities in India. In an extremely competitive and price sensitive sector, Genus has an advantage of a long operating history of around 20 years with almost same clients, which includes all the leading private utilities and the State Electricity Boards (SEBs) in India.

The Company has state – of the art manufacturing facilities at Jaipur and Haridwar (a tax free zone). The Company has started commercial production at its new manufacturing unit at SP-1-2317, Ramchandrapura, RIICO Industrial Area, Sitapura Extension, Jaipur with effect from February 11, 2015. The commencement of manufacturing operations at the new unit, aims to expand and modernize the manufacturing process including strengthening the process of backward integration. This would also ensure the higher level of efficiency and better control over operations. The Ramchandrapura unit is an integrated manufacturing unit, spread over 15000 sq. mtrs., vastly focusing on exports to ensure future growth. The unit has a facility of manufacturing of Electronic Communication Measurement System/Electronic Energy Meter, Meter Reading Instrument, Modem, Printed Circuit Board Assemblies, Meter Box, Diaphragm Gas Meter, etc.

It has full fledged in – house R&D laboratory (recognized by the Government of India and Accredited by 'National Accreditation Body for Testing Labs'(NABL) which enables itself sufficient in technology up gradation, innovation activities and providing customized solutions to its customers. With successful installation of millions of meters, across the country, Genus Power is a leader in smart power metering solutions. Genus Power clients include almost all the leading utilities like NTPC, Tata Power, CESC, Reliance, Torrent Power, NHPC, Power Grid Corporation etc. and almost all the State Electricity Boards (SEBs) in India.

### Performance

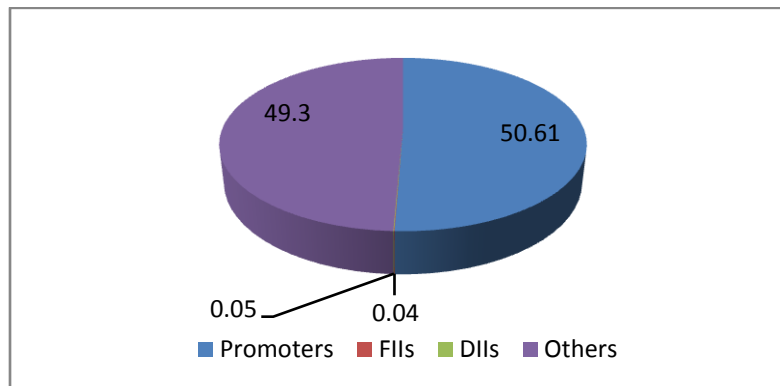
For 9MFY15, the Company registered topline growth of 10% to Rs. 625 crores. Operating profit witnessed yoy growth of 8% to touch Rs. 72 crs. However, PAT declined by 26% to Rs. 28.7 crores mainly due to provision for diminution in value of investment in Genus S.A., Brazil in quarter ending on Sep. 2014. EPS for 9M FY15 stood at Rs. 1.12.

FY14 was a mixed year due to good and harsh impact on the industries in which the Company operates, yet the Company has delivered promising results on all critical parameters of performance.



The Company witnessed yoy growth of 17 percent in revenues to touch Rs. 784 crore. PAT registered strong growth of 36% to touch Rs. 60 crores in FY14.

### Shareholding Pattern as on Dec. 2014 (%)



### Outlook & Valuation

Genus has become a global brand and one of the most admired companies in providing Smart Metering Solutions. The Company has come a long way in execution of turnkey power transmission & distribution projects and is expected to be one of the largest beneficiaries of the new Government's plan to revive growth by shoring up infrastructure.

The Company is also widening its wings in the market by focusing on areas like smart grid space and ready to provide new smart metering solutions, smart metering communications including control and automation software and net metering. Genus smart metering technologies have been addressing the issues of power distribution utilities and constantly improving their efficiency and profitability. By providing smart and sustainable solutions for all stages of power transmission and distribution and by its turnkey solutions, Genus is playing a vital role in building sustainable and smart grid for entire power value chain.

At CMP, the stock is trading at a P/E of 16x 9MFY15 Annualised EPS of Rs. 1.49 and 8x FY14 EPS of Rs. 3.24. With due consideration to factors like a) Government of India's thrust on Power Transmission and Distribution sector, b) leadership position in smart metering solutions, c) long standing history of 20 years, d) marquee clients, e) projects execution capability in Engineering, Constructions and Contracts (ECC) space, d) positive operating cashflow, we recommend a "BUY" on the stock with a price target of Rs. 38 (16x at street estimated FY16 estimated EPS of Rs. 2.37) an upside of 56%, over a period of 3 months.



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#### Stock Holding Disclosure under SEBI regulations:

- a) **Analyst holding: No**
- b) **Company holding: No**
- c) **Directors holding: No**
- d) **Group/Associates Position: No**
- e) **Relationship with management: No**

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