

Power Components

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Genus Power Infrastructures (Genus Power), incorporated in 1992, is engaged in the manufacture and distribution of electronic energy meters and ECC (Engineering, Constructions and Contracts) business. It has manufacturing facilities at Jaipur and Alwar in Rajasthan and Haridwar in Uttaranchal. Genus Power has the **distinction of paying dividends for 13 consecutive years.**

◆ Genus Power: Very impressive business model and Quality Management

Genus Power has set up state-of-the-art electronics & mechanical infrastructure spread over 6 plants and added one new unit this month to manufacture power components. It has a **leadership position in providing advanced metering solutions to power utilities** in India. It has a proven expertise in metering, accounting and auditing of power generation, transmission and distribution across value chains. It also has an ECC (Engineering, Constructions and Contracts) division, which is engaged in providing turnkey solutions for Transmission & Distribution infrastructure. It has production capacity of over 6 million units of electronic meters and caters to the needs of both small to bulk energy consumers. It has **18 years of experience with an installation size of over 25 million units of electronic meters in the country;**

◆ Government's initiatives towards power & infra to boost the revenues

As per the government sources, over 32,000 mw of power projects are phased out as they are more than 25 year old; about 70,000 mw of capacity deeply underutilized or shut down; 14,000 mw of gas-based power plants closed down due to unavailability of gas; and 30,000 to 40,000 mw of new power projects stuck at various stages of implementation; **Now the Government is proposing to invest over \$250 billion in power sector over the next 5 years to revive these projects.** The government has also announced many **smart city projects** to cater to the growing needs of the continuously growing population. These initiatives would be highly positive for power component manufacturing companies like Genus Power;

◆ Reported quite good result in tough environment & commissioned new plant

Genus Power has **posted 19% yoy increase in net sales to Rs.214.78 crore and 31% yoy increase in its net profit in the December 2014 quarter.** Even in FY2014, despite significant stress in the power sector, it has posted 17% yoy growth in sales and 37% yoy growth in adjusted net profits. The company has **also started commercial production at its new additional manufacturing unit** at Jaipur this month. This unit is an integrated manufacturing unit, spread over 15,000 sq. mtrs., vastly focusing on exports to ensure future growth. Genus Power is gradually increasing its exposure to the export markets – it **exports to both the developed and developing economies**, which shows the credibility of its products. Its exports are quite small now, but offer significant hope in future as it is accredited with various international quality certifications. **In FY2014, its exports have gone up 115% yoy to Rs.33.49 crore;**

Stock Data

Market cap	: Rs 687cr
52 week high/low	: Rs 38/ 10
Avg. daily vol. (3mth)	: 99,664
NSE code	: GENUSPOWER
BSE code	: GENUSPOWER

Shareholding (%)	Dec-14	Sep-14
Promoters	: 50.61	50.57
FII's	: 0.04	0.04
DII's	: 0.05	0.06
Others	: 49.30	49.33

Founder & Managing Director
 Mr. G. Chokkalingam
chokka.g@equinomics.in

Research Analyst
 Nisarg Shah

◆ Smart metering implementation globally to help boost the growth

The European smart electricity meter market stands to expand rapidly in the coming decade, with 133 million to 145 million new meters on track to be installed by 2020. The countries, which have not yet implemented smart grid and smart metering, are offering great opportunity for players in this sector, globally. According to industry report, power utilities globally will spend around \$400 billion in smart grid technologies by 2030. India is estimated to install 130 million smart meters by 2021. Adoption of frequent power trading also creates huge demand for smart grid and smart metering. The Ministry of Power, India has announced many smart grid projects in recent past, which use a combination of smart metering and various technologies to improve the efficiency and reliability of the power system for sustainable growth. These projects, which are set to be rolled out shortly, offer great business opportunity for smart metering solution providers like Genus Power;

◆ Genus Power balance sheet provides significant comfort

The balance sheet of the company gives us a lot comfort as **long term debt is just 3% of the total capital employed** as of September 30, 2014. Even if we include the short term debt of the company, net debt is just 29% of the total capital employed. This is quite impressive for a power component business, which is highly working-capital intensive. Moreover, it has been **strengthening the quality of its balance sheet over the years – in FY2014, it wrote off Rs.30 crore (which was 49% of Profit before Tax) towards demurrages and bad debts.** Again **during the first half of current fiscal, it wrote off Rs.17.44 crore (45% of PBT)** towards the diminution in value of its investments in its venture in Brazil. Such cleaning up of balance sheet has a substantial scope for sudden spurt in its profits in the future;

◆ Valuation & Recommendation

In our view, Genus Power is well positioned to capitalize the emerging opportunities in the power sector with strong balance sheet and quality management. We expect the company to post an EPS of Rs.4 for FY2017 and hence, arrive at a revised target price of Rs.40 (assuming 10x FY2017E EPS, with an investment horizon of another one-year). We also believe that this stock has the potential to emerge as a multi-bagger in about 3 years considering substantial opportunities for the expansion of power sector and housing projects. Every new building needs power metering equipment. Genus Power has the technology and credible past performance. Therefore, we consider this stock as a long-term multi-bagger.

Financial Summary (Consolidated)

Y/E Mar (Rs Cr)	Net Sales (Rs Cr)	Change (%)	Reported PAT (Rs Cr)	Change (%)	EPS (Rs)	Change (%)	P/E (x)
FY14	765.52	17.4	60.46	35.6	3.24	17.4	8.3
FY15E	840.00	9.7	40.00	-33.8	1.59	-50.9	16.9
FY16E	991.00	17.9	80.00	100.0	3.12	96.2	8.6
FY17E	1,200.00	21.0	104.0	30.0	4.00	28.2	6.7

Source: Company, Equinomics Research & Advisory Private Ltd

Stock Disclosure: Whether Stock Held By:

	G.Chokkalingam & Family	Equinomics
Genus Power Infrastructures Ltd.	NO	NO

Equinomics Research & Advisory Private Ltd - Investment Adviser (SEBI REG. NO. INA000001712)

G. Chokkalingam - Founder & Managing Director

Head Office - Mumbai . 18 - A/3, Ekta CHS, Shivdham Complex, Opposite Fire Brigade, Near Oberoi Mall, Malad (East), Mumbai - 400097

Ph: +91 22 28492942 | Email: chokka.g@equinomics.in

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