BUY (Maintained)

CMP: **INR 302** Target Price: **INR 350 (INR 325)** ▲ 16%

ICICI Securities

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31 May 2024

India | Equity Research | Q4FY24 results review

Genus Power Infrastructures

Power/Mining

All eyes on execution; Cements its leadership position

Genus is a pure play on smart meter opportunity. It is front runner in order worth INR110bn. As a result, its order book including L1 has improved to INR320bn or 25x book to bill ratio (from INR210bn at end of Q3). Note that India is still to finalise another ~INR1trn opportunity – bodes well for order inflow in FY25E. It reported revenues of INR 4.2bn, +2x with EBITDA of INR 550mn (+ 2x YoY) and PAT of INR 330mn (+2x yoy) in Q4FY24. For FY25, it has guided for revenue of INR 25bn with EBITDA margin of 15-16. As execution picks up, Genus will have to infuse equity in the platform with GIC; it anticipates equity requirement of INR 3-4bn in FY25. Maintain **BUY** with a revised TP of INR 350 (prior INR 325), valuing the stock at 30x FY26E EPS of INR 11.5/share

Q4FY24 result in line with our expectation

Genus has reported revenue of INR 4.2bn (up 110% YoY) led by increased execution; EBITDA grew 104% YoY to INR 554mn as EBITDA margin improved 20bps YoY to 13.2%. While other income grew 4x to INR 166mn, finance cost grew 2x to INR 186m on increased working capital. As a result, PAT grew 2.5x to INR 314mn.

Orderbook grows to INR 210bn; L1 in order worth INR 110bn

After robust order inflow in FY24, Genus' orderbook currently stands at INR 210bn. It is also L1 in Rajasthan smart meter order worth INR 110bn, thus, taking the total orderbook to INR 320bn (including L1) i.e. 25x FY24 revenue. Of the total orderbook, equipment supply is 50%, installation works is 20% and O&M is 30% of revenue which will be booked only after execution.

FY25 guidance is a bit conservative

The management has guided to double revenue in FY25 to INR 25bn with EBITDA margin of 15-16%. Equity requirement in FY25 towards its share in platform SPV stands at INR 3-4bn and INR 16bn over the next 2-3 years. It expects further order inflow as the pipeline remains strong for FY25.

Maintain BUY rating with a revised TP of INR 350/share

We maintain **BUY** rating on the stock with a revised target price of INR 350/share, valuing the stock at INR 30x FY26E EPS of INR 11.5/share (vs 30x FY26E EPS of INR 10.8/share earlier).

Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	8,084	12,006	26,468	37,200
EBITDA	788	1,350	3,446	5,228
EBITDA Margin (%)	9.8	11.2	13.0	14.1
Net Profit	350	752	2,301	3,508
EPS (INR)	1.2	2.5	7.6	11.5
EPS % Chg YoY	0.4	0.8	2.1	0.5
P/E (x)	222.2	122.0	39.9	26.1
EV/EBITDA (x)	97.0	65.2	25.8	16.5
RoCE (%)	4.3	6.5	12.3	15.6
RoE (%)	3.6	5.9	13.7	17.8

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Market Data

Market Cap (INR)	92bn
Market Cap (USD)	1,101mn
Bloomberg Code	GPIN IN
Reuters Code	GEOE.BO
52-week Range (INR)	344 /86
Free Float (%)	33.0
ADTV-3M (mn) (USD)	2.8

Price Performance (%)	3m	6m	12m
Absolute	20.7	36.5	236.1
Relative to Sensex	18.8	26.2	218.8

Earnings Revisions (%)	FY25E	FY26E
Revenue	0	0
EBITDA	4	6
EPS	5	7

Previous Reports

16-02-2024: Q3FY24 results review
13-11-2023: Q2FY24 results review

Outlook and valuation

Genus has recorded muted revenue for Q4FY24 at INR 4.2bn (+110% YoY), EBITDA grew 104% YoY to INR 554mn with EBITDA margin at 13.2%. Gross margin improved to 43% in Q4FY24 owing to higher O&M revenue (vs 40% YoY). While other income grew 4x to INR 166mn but finance cost grew 2x to INR 186mn on increased working capital. As a result, PAT grew 2.5x YoY to INR 314mn. Orderbook for Genus increased to INR 210bn as of Mar'24, with share of legacy orders being negligible and most of the recent order wins may start execution from FY25E.

Genus had struck a marquee deal with GIC for an equity investment of INR 5.2bn for 15% stake in the company in Q1FY24. 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 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, 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 largely maintain our estimates but raise our FY25/26E EBITDA to INR 3.4bn/ INR 5.2bn (up 4% and 6%, respectively); we increase our PAT to INR 2.3bn / INR 3.5bn (up 5% and 7% respectively).

We maintain **BUY** rating on the stock with a revised target price of INR 350/share, valuing the stock at 30x FY26E EPS (same as earlier) of INR 11.5/share (vs INR 10.8/share earlier).

Key risks: 1) Delay in supply chain for key smart meter equipment, 2) lower than expected execution growth.

Exhibit 1: Earnings revision estimate (INR mn)

	FY25E			FY26E		
	Earlier	Revised	Change (%)	Earlier	Revised	Change (%)
Revenue	26,468	26,468	0%	37,200	37,200	0%
EBITDA	3,303	3,446	4%	4,914	5,228	6%
PAT	2,201	2,301	5%	3,288	3,508	7%

Source: I-Sec research

Exhibit 2: Quarterly result highlights (INR mn)

Particulars	Q4FY24	Q4FY23	YoY %	Q3FY24	QoQ %
Order Book	**210,000**	**16,960**	**1138.2%**	**201,630**	**4.2%**
Net sales	**4,201**	**2,023**	**107.6%**	**2,583**	**62.7%**
Expenditure	**3,648**	**1,752**	**108.2%**	**2,311**	**57.9%**
Cost of RM consumed	3,139	1,535	104.6%	1,834	71.2%
Change in inventory	(728)	(321)	126.9%	(394)	84.8%
Employee	475	312	52.4%	417	13.9%
other expenditure	762	226	236.2%	455	67.5%
EBITDA	**554**	**272**	**103.9%**	**272**	**103.5%**
EBITDA margins	**13.2%**	**13.4%**	**(24)**	**10.5%**	**264**
Other income	166	41	306.3%	137	22.0%
Depreciation	58	46	25.9%	57	1.7%
Interest	186	91	105.2%	135	38.1%
PBT	**476**	**176**	**171.1%**	**217**	**119.8%**
Tax	162	51	219.4%	81	99.4%
PAT	**314**	**125**	**151.5%**	**135**	**132.0%**
Exceptional item	-	-		-	
Adjusted PAT	**314**	**125**	**151.5%**	**135**	**132.0%**

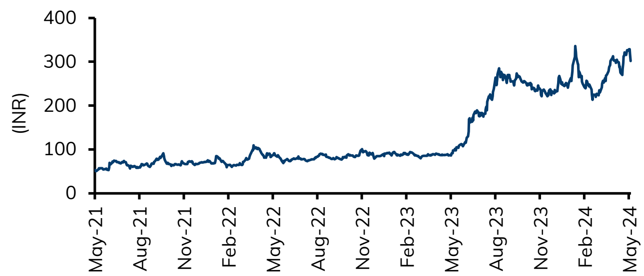
Source: I-Sec research, Company

Exhibit 3: Shareholding pattern

%	Sep'23	Dec'23	Mar'24
Promoters	50.3	50.3	42.7
Institutional investors	7.9	7.7	21.9
MFs and others	5.1	5.3	4.6
FIs/Banks	0.2	0.2	0.3
Insurance	0.0	0.0	0.0
FIIs	2.6	2.2	17.0
Others	41.8	42.0	35,4

Source: Bloomberg

Exhibit 4: Price chart



Source: Bloomberg

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Financial Summary

Exhibit 5: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	**8,084**	**12,006**	**26,468**	**37,200**
Operating Expenses	867	1,831	4,037	5,532
EBITDA	**788**	**1,350**	**3,446**	**5,228**
EBITDA Margin (%)	9.8	11.2	13.0	14.1
Depreciation & Amortization	187	213	223	234
EBIT	601	1,137	3,223	4,994
Interest expenditure	282	577	721	901
Other Non-operating Income	184	559	587	616
Recurring PBT	**503**	**1,119**	**3,088**	**4,709**
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	153	367	788	1,201
PAT	350	752	2,301	3,508
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	**350**	**752**	**2,301**	**3,508**
Net Income (Adjusted)	**350**	**752**	**2,301**	**3,508**

Source Company data, I-Sec research

Exhibit 6: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	9,973	21,525	27,398	34,148
of which cash & cash eqv.	1,365	6,704	6,656	10,019
Total Current Liabilities & Provisions	2,308	4,767	7,038	9,446
Net Current Assets	**7,665**	**16,758**	**20,359**	**24,702**
Investments	3,426	2,777	2,777	2,777
Net Fixed Assets	1,566	1,454	1,431	1,397
ROU Assets	-	-	-	-
Capital Work-in-Progress	73	146	146	146
Total Intangible Assets	-	-	-	-
Other assets	510	1,907	1,907	1,907
Deferred Tax Assets	-	-	-	-
Total Assets	**14,357**	**24,031**	**27,131**	**31,439**
Liabilities				
Borrowings	**3,469**	**5,871**	**6,671**	**7,471**
Deferred Tax Liability	**1,016**	**2,501**	**2,501**	**2,501**
provisions	-	-	-	-
other Liabilities	27	19	19	19
Equity Share Capital	258	304	304	304
Reserves & Surplus	9,588	15,336	17,637	21,145
Total Net Worth	**9,846**	**15,640**	**17,940**	**21,448**
Minority Interest	-	-	-	-
Total Liabilities	**14,357**	**24,031**	**27,131**	**31,439**

Source Company data, I-Sec research

Exhibit 7: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	**193**	**(3,348)**	**(1,713)**	**2,147**
Working Capital Changes	(206)	(3,754)	(3,650)	(979)
Capital Commitments	(152)	(173)	(200)	(200)
Free Cashflow	**345**	**(3,175)**	**(1,513)**	**2,347**
Other investing cashflow	**86**	**1,208**	**587**	**616**
Cashflow from Investing Activities	(66)	1,035	387	416
Issue of Share Capital	0	46	-	-
Interest Cost	(282)	(577)	(721)	(901)
Inc (Dec) in Borrowings	670	2,402	800	800
Dividend paid	(219)	(289)	(319)	(349)
Others	202	6,555	1,040	1,251
Cash flow from Financing Activities	371	8,137	800	800
Chg. in Cash & Bank balance	**499**	**5,824**	**(526)**	**3,363**
Closing cash & balance	1,366	7,189	6,178	10,019

Source Company data, I-Sec research

Exhibit 8: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	1.4	2.5	7.6	11.5
Adjusted EPS (Diluted)	1.2	2.5	7.6	11.5
Cash EPS	2.1	3.2	8.3	12.3
Dividend per share (DPS)	0.9	0.9	1.0	1.1
Book Value per share (BV)	38.2	51.5	59.1	70.6
Dividend Payout (%)	62.6	38.4	13.9	10.0
Growth (%)				
Net Sales	0.2	0.5	1.2	0.4
EBITDA	0.3	0.7	1.6	0.5
EPS (INR)	0.4	0.8	2.1	0.5
Valuation Ratios (x)				
P/E	222.2	122.0	39.9	26.1
P/CEPS	144.7	95.1	36.3	24.5
P/BV	7.9	5.9	5.1	4.3
EV / EBITDA	97.0	65.2	25.8	16.5
P / Sales	9.6	7.6	3.5	2.5
Dividend Yield (%)	0.3	0.3	0.3	0.4
Operating Ratios				
Gross Profit Margins (%)	20.5	26.5	28.3	28.9
EBITDA Margins (%)	9.8	11.2	13.0	14.1
Effective Tax Rate (%)	30.4	32.8	25.5	25.5
Net Profit Margins (%)	4.3	6.3	8.7	9.4
NWC / Total Assets (%)	6.1	6.6	6.8	-
Net Debt / Equity (x)	(13.4)	(23.1)	(15.4)	(24.8)
Net Debt / EBITDA (x)	(167.7)	(267.4)	(80.2)	(101.9)
Profitability Ratios				
RoCE (%)	4.3	6.5	12.3	15.6
RoE (%)	3.6	5.9	13.7	17.8
RoIC (%)	4.3	6.5	12.3	15.6
Fixed Asset Turnover (x)	5.0	7.9	18.4	26.3
Inventory Turnover Days	140	176	121	88
Receivables Days	231	211	193	140
Payables Days	80	133	113	96

Source Company data, I-Sec research

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