



Research



## RESEARCH: COMPANY: GENUS POWER INFRASTRUCTURE

20<sup>th</sup> July 2010

### Long Term Buy

CMP	Rs224
Target price	Rs 284
Estimated EPS	42.20
Projected PE	6.5-7.5
Potential Upside	26.7%
Investment period	6-12 months

### Stock Info (TTM Basis)

Sector	Electronic Components
Market cap (Rs Cr)	314
Face value	10
Book value	193.6
EPS	34.5
Cash EPS	43.50
Sales Growth	18.72%
52 week H/L	227.20/131.85
Avg. Daily Vol (2wk)	0.43
Chairman	Ishwar C Aggarwal
Incorporation	1992
Listed At	NSE/BSE
Equity capital	14.79Cr

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Genus Power Infrastructure Ltd., based in Jaipur was incorporated in the year 1992 as Genus Overseas Electronics Ltd. In the year 1994, the company started manufacturing Thick Film Hybrid Microcircuits & SMT PCT Assemblies. In the year 1998, the company became the largest manufacturer of Energy Meters. In the year 1999, multi-functional and multi-tariff meters were launched. Over the year the company significantly changed form only a meter manufacturer to an entrenched power infrastructure player.

### Key Highlights:

- Genus Power Infrastructure although faced a setback (due to fire broke out at Indian Oil Corporation depot which was linked wall to wall with Genus Power) in its one of the plant in Jaipur on 29 Oct 2009, the company has able to perform well, as it showed a positive increase in revenue to Rs.660.7 cr in 2010 as against Rs.556.6 cr in 2009.
- Our future estimation for 2011 stands to be for Rs.786cr since the order book position stand worth Rs.820.75 crore. The company has already participated in tenders of more than worth Rs.1000 crore.
- In order to sustain the growth momentum of the company, the Company has set up a new manufacturing unit at Haridwar, Uttarkhand (a tax free zone) with state-of-art manufacturing facility for manufacturing of Electronic Energy Meters. Inverters, UPS, Modem etc. The commercial production has been commenced from 23.03.2010.

### Future Outlook

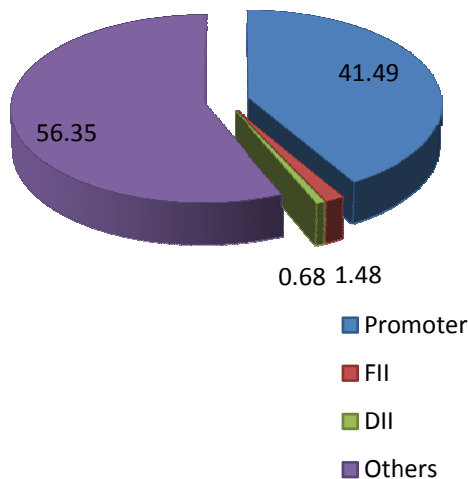
At the current price of Rs 224, the stock is available at 5.3x of its FY11E earnings We recommend BUY with a target price of Rs 284, given that the company's future shows potential.

PARTICULARS	FY09	FY10	FY11*
Net Sales	556.6	660.7	786
%change in Sales	19.02	18.72	18.96
APAT	48.6	51.5	62.4
%change in APAT	1.17	5.97	21.17
AEPS	32.90	34.5	42.20
PE Ratio	6.3	6.0	5.3
Book Value	184	193.6	229
P/BV	1.1	1.1	0.91
Equity	14.79	14.79	14.79

Source: Company Reports, Fairwealth Research Estimate  
 \*Estimated

## COMPANY PROFILE

### Share Holding Pattern as on 31<sup>st</sup> March 2010



Genus Power Infrastructures Ltd., an ISO 9001: 2000 Public Limited Company forms an integral part of the reputed 300million USD Kailash Group. The company primarily deals in manufacturing and distribution of Electronic Energy Meters, Power Distribution Management Projects, Hybrid microcircuits, Inverters, Batteries, Home UPS and Online UPS across India as well as globally.

Equipped with avant-garde facilities and a team of highly qualified and experienced scientists, it is committed to develop complex technologies at an affordable price. Its top-notch R&D laboratory, approved by the Ministry of Science and technology, Govt. of India, has enabled the company to dominate the power infrastructure and electronics segment's engineering domain.

As a step forward Genus has launched IT enabled Distribution Transformer Metering System, Feeder Monitoring and Management System, Smart Street Light Management System with value added software application for providing end to end solutions for energy management. The high-end software developed by us has transformed the way metering is done, not only in India but globally as well.

### Product Profile of the Company

#### Products & Services

Metering Solutions	Engineering, Construction, & Contracts	Invertors / UPS	Hybrid Microcircuits
<ul style="list-style-type: none"> <li>Residential Meters</li> <li>Industrial/ Substation/ Agricultural / Audit Meters</li> <li>Grid Meters</li> <li>Group Meters</li> <li>Special Meters</li> <li>AMR Solution</li> <li>Software- URJA</li> </ul>	<ul style="list-style-type: none"> <li>Substation Commissioning</li> <li>Transmission &amp; Distribution Transformer Metering</li> <li>Billing Solution</li> <li>SCADA Solution</li> </ul>	<ul style="list-style-type: none"> <li>Invertors - Standard, Compact, Higher KVA, Higher Frequency, Lift, DSP Sine Wave Solar Hybrid Inverter.</li> <li>UPS- Home UPS, Online UPS, High Frequency Online, Line Interactive UPS.</li> <li>Solar Products- Solar Panel, Solar Water Heater, DSP Sine Wave Solar Hybrid Inverter.</li> <li>Batteries - Lead Acid (Tabular), Sealed Maintenance Free.</li> </ul>	

**QUARTERLY ANALYSIS:**

PARTICULARS	QUARTERLY ANALYSIS				
	Mar-10	Mar-09	VAR % Q-O-Q	Dec-09	VAR% Q-O-Q
NET SALES	241.75	246.00	(1.73)	133.85	80.61
ADD: Operating Income	0.05	-	-	0.58	(90.69)
Add: other Income	0.01	1.71	(99.30)	-	
Total Income	241.82	247.71	(2.38)	134.43	(10.08)
Less: Expenditure	202.89	208.83	(2.84)	159.46	27.24
PBIDT	38.93	38.88	0.13	(25.03)	255.52
Less: Interest	8.36	11.34	(26.28)	6.98	19.77
Less: Depreciation	1.43	1.69	(15.38)	1.34	6.72
PBT	29.14	25.85	12.73	(33.35)	(187.36)
Less: Tax	3.37	4.20	(19.76)	0.47	617.02
Differed Tax	-	-	-	-	-
PAT	25.77	21.65	19.04	(33.82)	176.19
Extraordinary Items	-	-	-	-	-
PAT after Extraordinary items	25.77	21.65	19.04	(33.82)	176.19
EPS	17.42	14.63	19.04	(22.87)	119.12
CEPS	20.67	9.90	(1.79)	-	-
OPM %	16.10	15.80	29.89	-	-
NPM %	10.66	8.80	185.93	-	-

- During the quarter ended 31<sup>st</sup> March 2010, the net sales of the company reported a decline 1.73% on Y-o-Y basis to Rs.241.75cr as against Rs.246cr during the corresponding quarter last year.
- The operating performance of the company witnessed an improvement of 0.13% Y-o-Y to Rs.38.93cr as against Rs.38.88cr. This is mainly due decline of other expenditure of the company by 2.84% Y-o-Y to Rs.202.89cr as against Rs.208.83 cr last year.
- The bottom line of the company increased by 19.04% Y-o-Y to Rs.25.70cr as against Rs.21.65cr during the quarter. The operating profit margins have increase by 30bps to 16.10% as against 15.80%. This is mainly due to decrease in interest by 26.28% Y-o-Y to Rs.8.36cr. as against Rs.11.34cr, depreciation by 15.38% Y-o-Y to Rs.1.43cr. as against Rs.1.69cr and tax by 19.76% Y-o-Y to Rs.3.37cr as against Rs.4.20cr.
- On Q-O-Q basis, the top line of the company has reported an increase of 80.61% to Rs.241.75cr as against Rs. 133.85cr. The operating performance of the company improved by 255.25% Q-o-Q to Rs.38.93cr as against loss of Rs.25.03cr. The bottom line of the company improved by 176.19% Y-o-Y to Rs.25.77cr as against Rs.-33.82cr during the quarter. Although the company faced the major fire broke down because of fire at IOC, in Jaipur, it has able to recover from its last quarter loss in this quarter.

### HISTORICAL PERFORMANCE

Particulars	2010-09	2009-08	2008-07	2007-06	2006-05
Net Sales	660.75	556.56	467.67	357.13	212.83
Other Income	-	-	1.74	1.52	0.74
Other Operating Income	1.65	2.08	-	-	-
Total Income	662.4	558.64	469.41	358.65	213.57
Total Expenditure	601.49	503.15	384.44	303.87	184.55
PBIDT	60.91	55.49	84.97	54.78	29.02
Interest	33.44	28.03	22.64	16.7	7.52
PBDT	27.47	27.46	62.33	38.08	21.5
Depreciation	5.75	5.3	5.66	5.01	4.21
Tax	7	7	8.63	5.31	1.55
Fringe Benefit Tax	-	-	-	-	-
Deferred Tax	-	1.96	-	-	0.4
Reported Profit After Tax	14.72	13.2	48.04	27.76	15.34
Extra-ordinary Items	-36.37	-35.43	-	-	-
Adjusted Profit After Extra-ordinary item	51.09	48.63	48.04	27.76	15.34
Equity	14.79	14.79	14.09	10.85	10.43
Face Value	10	10	10	10	10
EPS	9.95	8.55	38.27	25.12	14.33
Cash EPS	13.93	12.59	36.53	22.29	13.30
Operating Profit Margin	9.22	9.97	18.17	15.34	13.64
Net Profit Margin	2.23	2.37	10.27	7.77	7.21

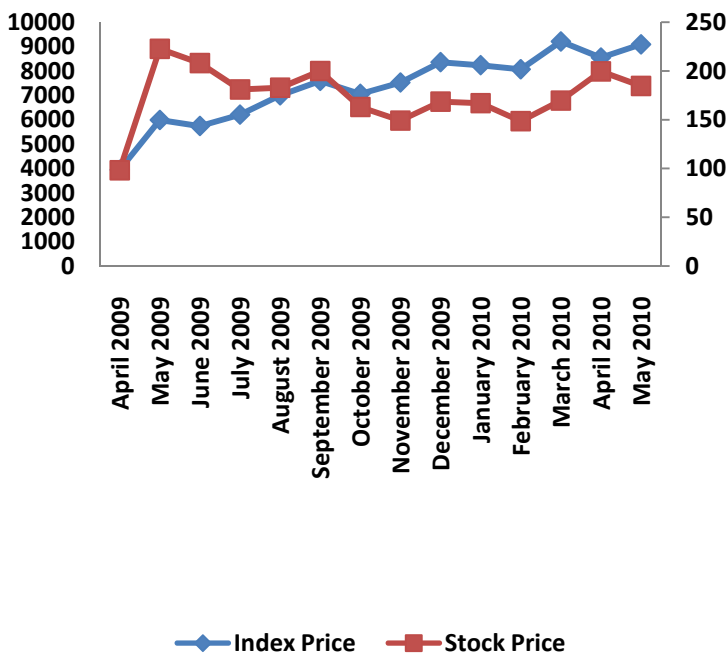
- During FY10 the top-line of the company increased by 18.72% to Rs 660.75cr as against Rs.556.56cr.
- Correspondingly the PBIDT expanded by 9.8% FY 2009-10 to Rs.60.91cr. as against Rs.55.49cr. This is mainly due to increase in raw material cost consumed to Rs.452.23 cr in FY10 as against Rs.420.23cr. There is also an increase in employee cost to Rs.31.88cr FY10 as against Rs.23.44cr.
- The Profit after tax during the year 2010-09 increased by 5.1% to Rs.51.09cr from Rs.48.63cr during 2009-08 due to constant tax liability.
- The EPS for FY10 stood at 9.95 as against 8.55 in FY 09.

**BALANCE SHEET: GENUS POWER INFRASTRUCTURE**

Particulars	Mar '09	Mar '08	Mar '07	Mar '06	Mar '05
Net worth	277.93	255.85	79.73	45.76	28.39
Secured Loans	220.78	156.03	163.84	70.16	37.96
Unsecured Loans	96.59	23	40.82	24.4	6.39
Total Liabilities	595.3	434.88	284.39	140.32	72.74
Net Block Including WIP	67.16	56.85	53.21	42.07	25.76
Investments	26.28	17.15	7.99	1.76	0.01
Net Current Assets	495.65	353.56	218.36	96.49	46.87
Miscellaneous Expenses	6.22	7.31	4.83	0.01	0.09
Total Assets	595.3	434.88	284.39	140.32	72.74

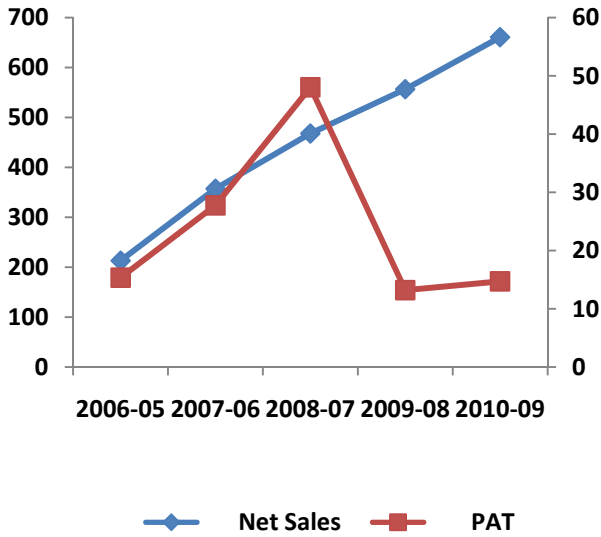
Stock Performance

Price Movement



The company's stock price has performed in line with the broader market index. However it has little showed the down trend because of the uncertainty faced by the company but it has still maintain a momentum.

**Trend of Net Sales and PAT**

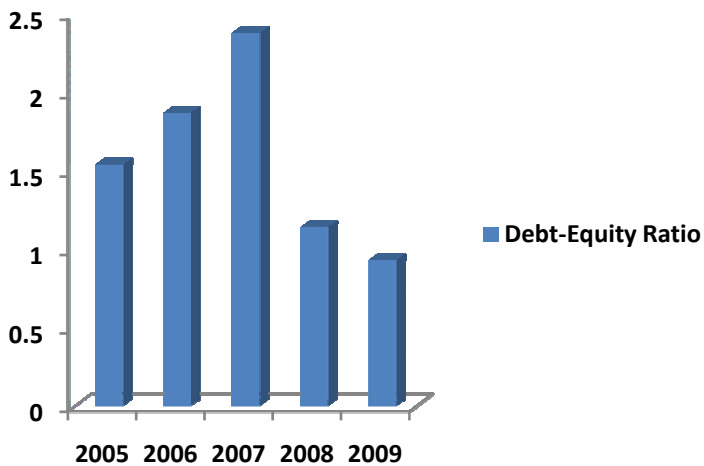


The Company good performance is clearly shown as the net sales of the company is increasing since 2006-05.

The decline in PAT is due to the increase in interest and depreciation cost.

**Debt – Equity**

**Debt-Equity Ratio**



The decrease in Debt – Equity Ratio since 2007 is a good indication showing the less debt in the company than equity.

## ANALYSIS & REPORT

### Why to invest in shares of Genus Power Infrastructure?

#### Industry Future Outlook:

- The Government of India has estimated that India will require an installed capacity of over 2,00,000 MW by 2012 and over 4,00,000 MW by 2020 to meet the electricity demand. To match the growing demand for electricity in India, there will be need for significant increases in generation capacity, which will necessitate more and improved transmission & distribution systems. The government has a mission of 'power for all by 2012' and a target of power capacity addition to about 79,000 MW in the 11th five-year plan (2007-12).
- Presently, a huge percentage of the total electricity generated in various States in India is being lost in transmission and distribution. As a result sufficient investments are needed on Transmission & Distribution network on technical front,
- Since the industry faces pilferage, wastage and loss of electricity rather than generation and supply therefore it has become the main area of concern, which needs to be focused.

#### Industry Demand

- Pre-paid meters, highly in demand in agricultural use. This would help in efficient use of power and improve revenue collection.
- High Voltage Distribution System is beneficial mainly in controlling theft of electricity. It also improves the quality of power significantly and thereby achieving customer satisfaction.
- Increased use of electronic loads and electronic controllers, which are sensitive to the quality of power supplied, makes it essential to improve electricity system efficiency and reliability by using the latest technologies. The competent and regular practices have to be adopted for proper monitoring of reliability.
- Planning of distribution networks is necessary for minimization of power losses and scientific development of this industry. The power suppliers are demanded to move to proper distribution network planning both for demand forecasting on medium and long term basis and for determining need for system expansion and improvement to meet the load growth.

#### Company:

- Genus now, is a well experienced & established player in the field of turnkey projects in power transmission and distribution sector. It undertakes Electricals, Procurement and Construction Contracts on a turnkey basis in the power transmission & distribution sector, which mainly covers the setup of new as well as up gradation of existing power transmission and distribution networks, commissioning of sub-station, energy accounting and auditing at all distribution levels, reduction in T&D losses through innovation and technology and monitor power distribution billing using AMR technology.
- Genus Power Infrastructure is the first company in India to obtain DLMS certification for Energy Meters.
- Genus has now become a truly global player in the Power Electronics field by setting up manufacturing facilities in Brazil and marketing offices in Singapore and U.S.A.

- A sourcing office in China ensures quality and cost controlled components resulting in high quality at affordable prices. The export market has also expanded to over 20 countries bringing global acceptance to high quality products manufactured at Genus.
- Our R&D team of the organization bringing new innovations using cutting edge technology has grown to become the Centre of Design and Development (C-D&D) approved by the Ministry of Science and technology, Govt. of India.

### Ongoing Projects:

- Presently, the Company is designing, manufacturing and supplying all materials/equipments for the erection, testing and commissioning of 32 new 33/11 KV Substations in Gulbarga (Karnataka), Bihar and West Bengal.
- Rural electrification turnkey projects are being undertaken under Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) for NHPC Limited in Boudh (Orissa), West Champaran (Bihar), Rayagada (Orissa), Kanker (Chhattisgarh) & Rajnandgaon (Chhattisgarh); for AVVNL in Udaipur and Chittorgarh (Rajasthan); for West Bengal State Electricity Distribution Company Limited in Malda (West Bengal) and in Indore (Madhya Pradesh).
- The Company is also handling augmentation work of 11 KV lines by upgrading/installing conductors and poles in Hubli (Karnataka), Patiala (Punjab), Gurdaspur (Punjab) and Indore (Madhya Pradesh) besides executing High Voltage Distribution System (HVDS) work in Amba (Madhya Pradesh), Morena (Madhya Pradesh), Bhopal (Madhya Pradesh) and Gwalior (Madhya Pradesh) (Funded by ADB).
- Genus is also executing turnkey project for providing three phase electricity connections to agriculture consumers in Akola (Maharashtra).
- Genus is also doing turnkey project to convert existing three phase supply lines to single phase supply line as and when required, in Latur (Maharashtra).
- Recently, Genus has been awarded a project by Jharkhand State Electricity Board (JSEB) for erection, testing and commissioning of 132 KV Substation and Transmission Line in Simdega (Jharkhand).

### Growth Drivers

- The ongoing power sector restructuring and reform programmes have significantly improved the demand of metering at all levels of distribution of electricity. The Central Electricity Authority has mandated the use of static meters instead of conventional electromagnetic meters.
- With an installed capacity of about 1,45,000 MW and a short fall of about 18% in peak load capacity, India is woefully described as one of the most power starved country. With incessant power cut, citizens and industries are often left fuming. With slow government measures to ensure uninterrupted power supply, the power backup and renewable energy market in India has potential for fast growing and looks very lucrative.



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