Operator: Good morning, everyone. I am Bala from Arihant Capital. Today is the third day of the Bharat Connect Conference. With us is the management of Genus Power Infrastructures Ltd., represented by Mr. Kunal Yadav, Head of Concessions. I would like to welcome everyone to the Genus Power Infrastructures Ltd. session.

The session has two parts: introductions and recent business updates by the management, followed by a Q&A session. Participants can raise their hands or use the Q&A chat box to ask questions. I now hand over the session to the management. Kunal, you may take it forward.

Kunal Yadav – Head of Concessions: Thank you, Bala. Good morning, everybody, and apologies for making you wait for 7–8 minutes. There was a technical issue, and I apologize for that.

I trust that most of the people and friends joining this call are familiar with Genus Power, but I will still provide a brief overview of the company, where we are today, and how we reached this point. This will take about 3–4 minutes, after which we can open the floor for questions.

We are as old as independent India, focused on measuring electricity, water, and gas better and better. Today, we are present in all 3 segments. Water and gas are still at a nascent stage, while electricity, both in India and across the globe, is at a much more advanced stage.

As most of you may know, India is going through a significant rollout of digital infrastructure in the power sector. A program has been rolled out to replace 25 crore meters with 25 crore smart meters. We believe this target of 25 crore meters will increase to approximately 31–32 crore meters by around 2031.

We have been awarded approximately 3.61 crore smart meters. Our journey began about 3–4 years ago, when we saw the Government of India becoming very serious about changing the entire power sector infrastructure from static to dynamic and digital infrastructure, where systems communicate with each other practically on a real-time basis. We decided that we should also contribute to this effort.

We were one of the very few meter manufacturers who took this step and tested the market. We first tested the market with a few hundred thousand meters to determine whether we could transition from being a meter manufacturer to a service-oriented entity. By God's grace, we have been doing reasonably well in that area. Over the next couple of years, we see ourselves transitioning again from a service-oriented model to a software-oriented model.

We are becoming an increasingly technology-oriented company. Today, approximately 600 high-quality engineers are working for your company on the R&D and software side. We are building products for the future. Our internally developed software products, including the software products required for AMISP projects, are now processing a huge amount of data every day, and we are improving our software on a daily basis.

We entered into a partnership with GIC Singapore, the sovereign wealth fund arm of the Government of Singapore, which has approximately 1 trillion dollars in assets globally, in 2023. It is a very satisfying and mutually complementary partnership. We handle all the operational aspects of

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the projects, while GIC takes care of the financing side of the projects through the joint venture.

We have a very good team of approximately 20 people based in Mumbai, which has raised debt capital for our AMISP projects on some of the best terms in the country. All our AMISP projects are rated AA- by CRISIL, ICRA, or India Ratings. Genus itself is rated AA- Stable by CRISIL. This has been possible because we have been very conservative throughout our 30-year journey, particularly on the debt front.

We are a very conservative company from a debt perspective. Even if you see a large amount of working capital on the balance sheet, we know that we are in a very safe position, and we will explain this during the question-and-answer session.

We stand here today with an order book of approximately 3.61 crore meters in the electricity segment. We see a huge order book developing for the entire industry in the gas meter segment over the next 4-5 years. We believe that we should be able to have a reasonable market share of 20-25% in the gas segment as well, and we will continue to grow this share year-on-year.

To put things in context, the business we conducted in the gas segment last year should increase by approximately 8-10 times this year. We expect similar growth over the next year or so, after which it should stabilize to some extent.

That covers the gas segment. In parallel, if most of you have been tracking the condition of water tables in the country, you will see that the water segment and water metering could become a much larger segment than the electricity segment we are seeing today.

By the time we install all our electricity meters, gas will have compensated for the next phase of growth. By the time gas meters stabilize in India, we expect to see a major wave in water meters. This discussion relates only to the Indian markets.

Globally, many interesting things are happening. We are building products that can compete globally with some of the best players in this segment. We hope that over the next couple of years, these products will perform as well as our current portfolio.

I will stop here. If our friends would like to know anything more about the company, we will add to this; otherwise, we can move on to the question-and-answer session.

Operator: Thank you, sir. We will begin the Q&A session. Participants can raise their hands or use the Q&A chat box to ask questions. We will wait for a moment.

Kunal Yadav – Head of Concessions: Sure, please.

Operator: We will take the first question from Satyarath Mehtta.

Satyarath Mehtta: Hello, hi, Kunal. Thank you very much for your time, and congratulations on all the good work so far.

I wanted to first ask about the gas segment. You said that we would do 8-10 times this year compared to last year and so on. What would be the absolute amount of that number, if you can give us a rough sense? I do not think we reported that number last year, so I wanted to check.

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Kunal Yadav – Head of Concessions: Satyarath, I apologize because when we say 8-10 times growth, it can convey a very different meaning. You are right; you are absolutely right. I was saying it in the context of the growth that is about to come.

Last year, we conducted approximately 12-13 crores of business. As of Q1 this year, we had already won approximately 35 crores of business in the gas segment. We believe that we will have much more business to win.

This year, the tenders will largely still be in the non-smart segment. The Government is strongly promoting smart gas meters across the country. The specifications for those meters are being finalized, and the specifications at the central level are also being finalized. We hope that these specifications will be in place by the end of this financial year, and that from FY28 onwards, a good number of tenders for smart gas meters will also be issued.

This year, we expect approximately 40-50 lakh meters to be tendered, and we should have a market share of approximately 15% in that market. Next year should again see significant growth. Thereafter, it should become balanced growth year-on-year. The total industry opportunity is approximately 35,000-40,000 crores over the next 5 years.

Satyarath Mehtta: Understood. We look forward to that.

Coming back to the electric smart meter segment, would you have a sense of the rough run rate we are achieving on a monthly or quarterly basis?

Kunal Yadav – Head of Concessions: At present, in June, we installed approximately 2.3 million meters. This translates into an average daily run rate of close to 30,000 meters per day.

However, I should also caution you that after June, we had a good rainy season in most of the areas where we are executing projects. Therefore, the growth and run rate would have tapered off slightly. It should start picking up again from next month onwards, when the season becomes favorable.

Satyarath Mehtta: Does this include non-smart meters and third-party sales?

Kunal Yadav – Head of Concessions: What I mentioned was the number of meters we installed for our own projects. That was the figure I was referring to for our own projects.

We manufactured close to 4 million meters in Q1. I am giving you a broad number.

Satyarath Mehtta: So that is nearly running at around 90% capacity, correct? If we have a total annual capacity of 18 million meters, is that the right understanding?

Kunal Yadav – Head of Concessions: Thank you very much. You already have all the numbers, and I am glad to know that.

The capacity we have refers to the manufacturing plants we have built. We invite you to visit our plants if you have not seen them. Please visit us and see them.

It is not as though 18 million meters is the limit of our monthly capacity. We say that we have capacity for more than 18 million meters annually, but if we need to ramp up or ramp down in any

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given month, we have significant flexibility.

Satyarath Mehtta: Understood. Would that require some capex, or can it be achieved without capex?

Kunal Yadav – Head of Concessions: No capex is required. We have already incurred a significant amount of capex on the electricity meter side last year. We are not a very capex-intensive business.

If you look at our depreciation numbers, they are approximately 50-55 crores, even after taking into account some of the capex incurred last year. This year, depreciation could be slightly higher because last year's capex will have an impact on depreciation this year.

We are not a very capex-intensive business. We have already invested in our electricity meter manufacturing facilities, which we believe are reasonably sufficient. We can cater to whatever demand we are seeing, and we have significant flexibility. This is how we designed our manufacturing plants.

On the gas meter side, there could be some capex from the end of this year or next year, as we are now seeing the market opening up significantly. We are building capacity in parallel with the growth coming into the market.

Therefore, we do not see significant capex going forward. It should be approximately 50-60-70 odd crores, something in that range.

Satyarath Mehtta: On the point that demand is opening up significantly, are we seeing more orders coming in? There has been a little gap in the new orders for some time, but are we seeing more traction on the order side?

Kunal Yadav – Head of Concessions: I was referring to gas meters.

On the electricity side, we are actually very happy that there is a little lull in the market because we already have a significant amount of business on our plate. Our projects are performing reasonably well as of now because all our projects have achieved operational go-live status. All our projects are now gradually generating revenue.

By the end of this financial year, you will start seeing improvements on the receivables side. That will start happening from the end of this financial year.

With the gap we are seeing, only approximately 1.5 crore meters have come up for tendering over the last year or so. I am referring to the award side. There are still approximately 15 crore meters to be tendered.

We are happy with this slight lull in the space. We would be even happier if it continues for a couple of months and then resumes from the next financial year onwards. If the actual tendering activity starts picking up then, it would be much better not only for us but also for the country.

This would allow people to incorporate what they have learned into their bidding prices, particularly the serious players. As a result, even better infrastructure could be built.

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Satyarath Mehtta: One last question, if I may. On the raw material side and margins, I know raw material prices have been increasing for us. How is the situation currently? Could you elaborate a little more on our main raw materials?

Kunal Yadav – Head of Concessions: We have a balance of sourcing from domestic and imported markets. We guided for a reduction in margins from approximately 20% to 18% in our last call, and we are reasonably confident of meeting that guidance.

The impact came from currency depreciation. As I said, we have imported components. There was also an increase in crude prices globally, which increased the transportation cost of materials internationally and domestically. This applies both when we ship our raw materials and when we ship our finished goods.

All those transportation costs increased to some extent. Therefore, we expected our gross margins, or EBITDA margins, to be approximately 18%. Despite everything that is happening geopolitically even now, we are reasonably confident of meeting that guidance.

Satyarath Mehtta: What are the key raw materials that we use?

Kunal Yadav – Head of Concessions: There are chips, relays, and batteries. Most of the molding that we do and the PCBs are easily available. We have most of the molding capacity in-house.

We built a brand-new facility exclusively for molding last year in Rajasthan, near Jaipur, at Kotputli. This was not a very significant investment, but it gives us considerable control over our costs and over how quickly we can bring a product to market.

If any customer in the country gives us an order, we have our own design labs. We have, I think, one of the fastest processes for turning products around from concept to commissioning.

Management: Because we have a very well-integrated end-to-end manufacturing process, we have also been in relationships with our suppliers for decades. We went through COVID with them and experienced those difficult times as well. By God's grace, we came through that period reasonably well.

All those processes, systems, and relationships are in place. Therefore, we believe that despite the volatility we have seen in exchange rates and crude prices, we should be able to maintain our margins.

Satyarath Mehtta: Understood. I will return to the queue. Thank you very much for your time.

Management: Thank you. Bala, one recommendation: we should restrict each participant to 2 questions.

Operator: We will take the next question from Trivedi.

Trivedi: Hello. Hi, sir. Am I audible?

Operator: Yes, you are audible.

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Trivedi: Thank you for taking my question. I had a couple of questions.

The first is regarding the total number of meters awarded. The order book currently stands at approximately 3.61 crores, as you mentioned. How many of these meters are yet to be installed?

Management: I got logged out, Dhairya. I hope I was able to answer your question, Satyabrat. We can move on then.

Operator: Trivedi, you may ask your question again.

Trivedi: My question is regarding the total number of meters awarded. It is approximately 3.61 crores, as you mentioned. How many meters from this number are yet to be installed?

Management: As of June 30, we had installed approximately 1.5 crore meters, Dhairya. Therefore, more than 2 crores, or approximately 2.1 crore meters, are yet to be installed.

I would also like to add that there is a growth element in these meters. The 3.61 crore meters are based on a static number. The contract provides that up to 30% incremental meters can be awarded by the utility at the same price over the contract period.

We are seeing significant growth in some segments, even though there is currently a slowdown in Uttar Pradesh. New service connections are growing significantly in many areas. Therefore, by the time we are close to completing the 3.61 crore order book, it should be more than 4 crore meters.

Trivedi: Understood. This is under RDSS and AMISP combined, correct?

Management: Absolutely. I am referring only to the AMISP tenders that we have with us as of now.

Trivedi: What was the number of meters installed in Q1 FY27?

Management: 2.3 million. 2.3 million.

Trivedi: One last question. I believe the estimated requirement for India is approximately 31 crores, of which around 15–16 crore meters have been awarded and approximately 7 crore have been installed. Is that correct?

Management: That is absolutely correct.

Trivedi: Therefore, our runway for growth is still approximately 20–22 crore meters. Even if we assume a 15–20% market share for {? Genus ?}, our runway for growth appears quite large.

Management: Broadly, what you said is correct, Dhairya, but I would revise the 20 crore figure to approximately 15–16 crore. As you rightly said, approximately 15 crore meters, or 15.6 crore meters, have been awarded. Therefore, we are left with a balance opportunity of approximately 15 crore meters.

You are also right that, even out of these 15.6 crore awarded meters, we are one of the largest suppliers because we can supply to other AMISP players. That is the flexibility we have.

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If we look at it correctly, approximately 7.5 crore meters have been installed, leaving 7.5 crore meters to be installed. We will be supplying a reasonable number of meters to other AMISP players in this 7.5 crore segment.

For the remaining 15 crore meters, as you rightly said, if we maintain even a 15-20% market share, we have a reasonable opportunity ahead of us.

Trivedi: Understood. Thank you, and all the best. That is all from my side.

Management: Thank you. Thank you, Dhairya.

Operator: Thank you. We will take the next question from Marmik Khandelwal.

Marmik Khandelwal: Hello. Hi, thank you for taking my question. I wanted to understand the market size of gas meters and water meters.

Management: Marmik, could you please repeat the question?

Marmik Khandelwal: What will be the market size of gas and water meters?

Management: Thank you. The gas market is opening up as we speak, primarily because of the impact that we, as a nation, felt from the West Asia crisis.

The Government became very serious about this. The Government has now mandated CGDs to convert domestic consumer connections into piped natural gas connections. Once this happens, the parallel mandate is to install smart gas meters.

That mandate is now entering the market. The Government is providing as much support as possible to CGDs to adopt this as early as they can. However, the smart gas meter segment will start having a significant impact from the next financial year onwards.

Because of this Government push, this year itself we are seeing tenders for approximately 45-50 lakh meters, comprising a mix of smart and non-smart meters, primarily non-smart meters.

Over the next 5-6 years, this will represent a market of approximately 35,000-36,000 crores for the industry as a whole. We believe that we should have an approximate market share of 20% in gas meters.

That covers gas. The water meter segment is very nascent at present.

However, the country has started feeling the effects of declining water tables. This is also being noticed globally. People are thinking about building and financing water infrastructure.

Even yesterday, there was news about an international institution looking to finance water infrastructure in the country because water tables are declining. In some parts of the country, our fellow citizens are already experiencing the harsh consequences of declining water tables and reduced water availability.

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From a business perspective, we believe that 3–4 years from now, the water segment could be much larger than the electricity segment we are seeing today. This will be a national necessity: to measure water and, if required, ration it, particularly if water tables continue to decline and the effects of the rainy season and El Niño intensify.

That is the kind of runway we have in gas over the next 4–5 years. It is very visible and clearly within sight. We expect water to start picking up 3–4 years from now. It will begin growing, but major activity will start taking place after approximately 3–4 years.

Marmik Khandelwal: Understood. There have been some issues with the offtake of smart electric meters. What is the current situation, and how do you expect it to develop over the next 3 years?

Management: Are you referring to the offtake of smart meters?

Marmik Khandelwal: Yes.

Management: As I said a couple of minutes ago, we installed approximately 2.3 million meters. There are pockets of resistance in the country, but broadly, the nation is installing approximately 30–35 lakh meters per month.

We believe that, with this digital infrastructure, some discoms have experienced its benefits, so this is an irreversible journey. There will be some difficulties. For example, Uttar Pradesh is currently moving slowly, which we believe will continue until the elections, after which it should pick up.

In Assam, all the meters are being converted into prepaid meters, and the state will soon have one of the finest digital infrastructures. Bihar is largely moving completely toward prepaid meters.

Other states will also start seeing these developments and the benefits that discoms are receiving. Their costs are declining and their revenue collections are improving. In fact, Assam has openly stated that smart meters have helped its discom become profitable.

These developments will gather pace soon. The industry's monthly installation of 32–35 lakh meters, which declines during the monsoon season, should also increase from the next financial year onwards.

Marmik Khandelwal: Can the same electric meter capacity be used for gas meters?

Management: No, it is a different product, Marmik. We have a different plant for gas meters.

Gas meters have much more stringent requirements in terms of specifications, quality certifications, and other certifications. The product measures gas, and if there is a leak from the meter, it could be catastrophic for that particular location or household. Therefore, it is a very different product from an electricity meter and requires a different plant.

Marmik Khandelwal: Will it require additional capital expenditure?

Jitendra Agarwal: Jitendra Agarwal speaking. When it comes to metrology, it is different. When it comes to electronics and communication, the same plant can be used. Therefore, it is not an entirely different manufacturing plant. Some parts can be used, and all the electronics can be used.

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Management: Thank you, sir, and welcome. Thank you also for this correction.

Marmik Khandelwal: What I wanted to understand is whether additional capital expenditure will be required for this smart meter capacity.

Jitendra Agarwal: Nothing major. All our products, whether water meters, gas meters, or electricity meters, are not very capex-intensive from a manufacturing-unit perspective.

Management: They are not very capex-intensive.

Jitendra Agarwal: They do involve capex, but they are not very capex-intensive.

Marmik Khandelwal: That is all from my side. Thank you.

Operator: Thank you. We will take the next question from Disha. Madam, you are unmuted.

Disha: Hello. Am I audible?

Management: Yes, Disha, you are audible.

Disha: Thank you very much for this opportunity. I have a couple of questions.

First, you said that the Q1 volumes were approximately 4 million meters that we installed, correct?

Management: Manufactured.

Disha: Manufactured. What would be the total number installed?

Management: As we stated, it was approximately 2.3 million.

Disha: What will be the target for this year?

Management: Approximately 1 crore meters.

Disha: We are on track, correct?

Management: Yes, we are on track. We are on track.

Disha: On the current order book, what is the current order book, and what kind of order book are we envisaging for next year by the end of this year?

Management: As of June 30, we had an order book of approximately 24,000 crores, primarily from our own projects.

Disha: What is the exit order book target for this year?

Management: It depends on the tenders. The tender opportunity is good, and the space is attractive, but it depends on the pace at which decisions are made and the tenders are converted.

At present, there is a slight slowdown on the electricity side, as I mentioned earlier. This is good for us because we already have a significant amount of business on our plate, and the industry is

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analyzing what it has already won.

In a way, it is good for us if these tenders start picking up more effectively from the next financial year onwards. JK, would you like to add anything?

JK Sir: It is perfectly fine.

Disha: On the receivables side, we have been hearing that there are significant delays from the Government. What is the situation?

Management: I will speak about our own situation. There have not been significant delays from the Government on the receivables side.

These projects are designed in such a way that the utility is incentivized to make payments to AMISPs as soon as possible. There are 2 components to the payment. One is the grant component, which comes from the Government of India.

The grant component follows a 3-5 month cycle. The file moves from the discom to REC, REC analyzes it, questions are exchanged, and then it goes to the Government of India. The funds then flow to REC and from REC to the discom. That is a defined cycle of 3-5 months, which occurs periodically.

As Genus, we have conducted more than 200 {? SAT tests ?} across our projects, and all those cycles are progressing very well.

The receivables had built up because we were installing more meters than we were able to bill to the utilities. This happened because it took time for the industry as a whole to reach the revenue-generation stage, which we call operational go-live status.

The envisaged timeline was 6-7 months, but it took 15-16 months. Therefore, we continued installing meters, and we are now billing periodically. That is why our receivables had built up.

However, payments from the utility side are much better than they may be in any other utility-related segment. Discoms are incentivized to keep AMISPs in good financial health. Their revenue cycle is increasingly dependent on AMISP infrastructure.

Therefore, it is in their best interest to pay AMISPs as soon as possible. I hope this answers your question, Disha.

Disha: That was very clear. Thank you very much.

My last question is about the O&M opportunity going forward. What kind of revenue can we expect from this segment in FY28, and what kind of margins should we expect?

Management: We are maintaining the same margin guidance, Disha, that we have provided for the entire business.

Kunal Yadav – Head of Concessions: We are providing the same guidance for the business on the O&M side as well.

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On the business opportunity side, we see at least 800-900 crores of O&M revenue flowing through us annually once this installed meter base is complete. This will also include incremental new service connections, so it will continue to increase gradually.

This O&M revenue will not remain static because new service connections will continue to be added and we will continue to install meters. However, this represents the static baseline that will be available.

Disha: Understood. Thank you very much, and all the best.

Kunal Yadav – Head of Concessions: Thank you. Thank you, {? Dishal ?}.

Operator: Thank you, madam. We will take the next question from Pranjal.

Kunal Yadav – Head of Concessions: Hello, Pranjal.

Pranjal: We spoke last year as well, and we were having this conversation then too.

Kunal Yadav – Head of Concessions: Yes, I remember. I remember your very good questions.

Pranjal: I have a couple of questions. Also, hello again, {? Jitendra ?}. You are not visible on the screen, but I wanted to greet you once.

Given that you have correctly established that there is a slight lull in the market in terms of new orders, and the Uttar Pradesh situation was also cancelled, correct? Earlier, the Tamil Nadu tender also went into re-tendering.

I wanted to understand what larger packages we will see coming up next year. Will it be Tamil Nadu again, Telangana, or West Bengal? I was hearing on the ground that a Bihar package may also be coming soon. I wanted to understand which packages we will focus on next year and where we feel confident of winning a substantial share.

Kunal Yadav – Head of Concessions: I think JK has dropped off.

Pranjal, I want to clarify one point. You mentioned that Uttar Pradesh had been cancelled, but there has been no cancellation in Uttar Pradesh. It is only a slowdown there.

All the orders and all the AMISP players remain in place. If they were installing 100 meters a day earlier, they are now installing 25 meters a day because the Government has asked them to proceed more slowly until the elections. We see this continuing until then.

You are absolutely right that there is a slight slowdown. In West Bengal, we expect approximately 1 crore meters to be tendered over the next year. They have already announced a scope of 2 crore smart meters, and we expect 1 crore of those to be tendered over the next year.

In Haryana, we expect approximately 50-60 lakh meters to come up. Tamil Nadu may move in phases from its initial scope of 3 crore meters. We also expect approximately 50 lakh meters to come up there over the next few months.

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Telangana, Karnataka, and other states are still in the process. This is positive for us. As I mentioned, it is good for us to allow them to take a little more time and come from the next financial year onwards.

Pranjal: Recently, the results from the Kerala tender were announced, and it was a non-RDSS project. I believe the L1 bidder was {? Escremenco ?} with {? Keynes ?}.

If I compare our pricing with the L1 pricing, there is almost a 50% difference. When we speak to other players in the market and to people on the ground, especially younger and smaller companies wanting to scale, everyone is trying to cut prices.

I wanted to understand whether this is sustainable. Is this 50% difference sustainable? Did we actively decide not to pursue such a project at this price? How do we see the pricing trend in the industry?

Kunal Yadav – Head of Concessions: One thing that our promoters are very clear about is that, for us, the bottom line matters more than the top line. It is also important to us that we are able to provide a satisfactory experience to the customers.

We have been observing this industry for approximately 3 decades. What is currently happening in the industry is a completely different matter. This is not only about meters. It includes associated infrastructure, digital infrastructure, software, and the requirement to maintain and serve customers for a very long period.

Therefore, we have to be conscious of how costs can move up and down. For example, in our case, if we had not priced our products prudently, then many companies might not have been able to absorb the margin reduction from 20% to 18% as efficiently as we have.

We had priced this into our products. We had undertaken the pricing after carefully considering how the future could develop over the next 7-10 years, during which we have to serve customers under these order books.

We are therefore very happy not to participate in the current race on pricing. We believe that this situation will resolve itself fairly soon, over the next 6-8 months, because these are not projects that are only focused on low prices.

You have to maintain and serve these projects for a very long period, and many ups and downs can occur. Therefore, we do not fear missing out on tenders.

We are very happy to wait on the sidelines. We see a large market developing in gas meters and an even larger market developing in water meters. We do not want to get stuck with a business that we may regret later.

When we took on the current order book, we were very confident that the 3.61 crore meters would eventually become 4-4.25 crore meters. We are very confident that we will be able to create wealth for stakeholders from this order book.

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It will be an active order book, not a declining order book. We approach all the tenders that come into the market in the same manner. If the pricing does not appeal to us, we are happy to wait on the sidelines for the right opportunity.

Pranjal: How do you see this sustaining in the market? Many of these newer players are quoting these prices. I wanted to understand this given your long experience.

Kunal Yadav – Head of Concessions: As I said, these are developments that can occur in any industry. Competitive intensity is part of every industry.

However, this is not merely a product. Even the meter is not an off-the-shelf product. A significant amount of technology goes into it, and the meters have to operate for a warranty period of 10 years.

This means that the product should be capable of lasting at least 12-13 years. Only then can you be confident that it will operate for 10 years.

I can speak about our own company. In our country, people can quote any price. Discoms have a mandate for L1-based tendering, and that is acceptable.

However, based on some experiences in the past, we have seen that because of L1 pricing in the metering space, a state has faced difficult circumstances. When it subsequently tendered approximately 3 crore meters, it was very particular about whether the AMISP would be able to make money from the tendering process.

The state had seen that, even when the earlier bidder was a government company, low prices resulted in services being significantly affected.

We are comfortable with this situation. It is part of how an industry develops. We know that some lessons will come back into the market fairly quickly. We are prepared to wait for the right pricing.

In any case, we have a significant amount of opportunity ahead of us. As you rightly said, these smaller players may be hungry for business today and may quote these prices, but they must be able to sustain the operations they have undertaken for the next 3, 4, 5, and 10 years.

Operator: Thank you, sir. We will take the next question from Aditya. Participants are requested to limit themselves to 1 question. Aditya, you are unmuted.

Aditya: Good morning. Thank you for taking my question.

I wanted to understand our domestic sourcing policy. Are we planning to increase domestic sourcing for items such as displays?

Kunal Yadav – Head of Concessions: Aditya, we would be more than happy to source as much as possible domestically.

In any case, we are a category-one supplier. We have already embedded the highest possible level of domestic sourcing into our process. If domestic sourcing of displays increases, we would be more than happy to source them from our domestic partners.

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Operator: Thank you, sir. We will take the next question from Parth. Parth, you are unmuted.

Spersh – Orinco: Hello. Good morning, Kunal. Spersh here from Orinco, from Parth's team.

I have one question. I was reviewing the cash flow for the last 3 years. It has been negative because of working capital, and there has also been a significant amount of inventory.

Last year, it was approximately 500 crores negative in FY26. Could you enlighten us regarding working capital management and when we can expect CFO to turn positive?

Kunal Yadav – Head of Concessions: Thank you, Spersh.

You have correctly observed the working capital position in the financial statements. It has been negative. However, you should also observe that, as a percentage of revenue, this negative working capital cash flow is reducing year-on-year.

That is the positive aspect. Regarding positive operating cash flow, we expect this by the end of this financial year or the first quarter of the next financial year. We should become operationally cash flow positive.

We now need to understand why this cash flow is negative and whether it represents a difficulty for us. Why have we consciously operated the business with a negative cash flow position for 3 years? Please allow me 3-4 minutes to explain why this is not a risk for us.

There are 3 components that lead to a significant amount of working capital consumption.

The first, as you rightly pointed out, is inventory. In the FY26 balance sheet, you will see inventory of approximately 1,350 crores on our books.

Why is this inventory so large? We have maintained the pace of installation even when the inventory was not being converted into revenue as quickly. The way an AMISP project works is that, first of all, you have to obtain the operational go-live certificate.

For the industry, this took an average of 15-16 months. During those 15-16 months, we were not sitting idle or waiting for the OGL certificate to arrive before increasing the pace of installation.

As of March 31, we had already installed approximately 1.26 crore meters. Revenue conversion was taking time, but in parallel we continued building inventory.

Why did we do this? These meters are not like typical inventory that can become obsolete. These meters will continue to be installed over the next 3-4 years.

If we are confident that we will install those meters over the next 2 years, and if we are confident that this inventory carries no risk, then our revenue also carries no risk. In the last 30 years, we have not seen a single default by a utility on our payments.

AMISP projects are even more secure from a payment-collection perspective than the typical meter-supply business of the earlier period.

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Therefore, when we were confident of these factors, we believed that we would serve the discom and customers better by maintaining our pace of installation.

Inventory continued to increase because we were installing meters, but the unbilled meters also became part of inventory.

Inventory is maintained in 2 parts. One part is held at the plant because we have 24 projects. Each discom has to visit and inspect our inventory before it can be dispatched to the site.

The inventory at the plant was approximately 1 million meters. Similarly, we maintain inventory at the sites equivalent to at least 2 months of installation.

Kunal Yadav – Head of Concessions: I hope you can hear me, Spersh. I cannot see you, Bala.

Operator: Yes, sir. He is there.

Kunal Yadav – Head of Concessions: That covers the inventory side. We have now largely peaked on inventory.

The second component is receivables, which amount to approximately 1,485–1,500 crores on our balance sheet. These receivables have also accumulated because, as I explained, we were installing more meters than we were converting into revenue.

All our projects are now operationally live, and all our projects are generating revenue. Therefore, this receivables cycle will start declining. By the first quarter of the next financial year, you will see a significant improvement on the receivables side.

The third component contributing to working capital is contract assets, which you will see on our balance sheet at approximately 870 crores.

These contract assets relate to meters that we have installed and recognized as revenue but have not yet billed. Why could we not bill them? Because only one test certification remains.

The discom is using all the benefits of these meters. The meters are generating revenue for the discom, and everything is functioning properly. However, a certification called a SAT test, which comes from the discom, is pending.

The moment that certification is received, the amount will be converted into billing. All the other prerequisites have now been completed.

We are still installing meters and will continue to install them at a good pace. We are able to raise money on some of the best terms, as I explained earlier. We are rated AA– by CRISIL, and we have very good banking lines.

That is why the negative working capital arose. This is not sticky working capital. It is not debt that will remain on the balance sheet. It is self-liquidating debt.

As we move forward, you will see this amount continue to decline.

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Operator: Thank you, sir. Due to time limitations, we will take a final question from Shubham. You are unmuted.

Shubham: Hello, Kunal. Good morning. Am I audible?

Kunal Yadav – Head of Concessions: Hello, Shubham. Yes, you are audible.

Shubham: I want to continue with the previous participant's question. On the receivables front, you mentioned that we were installing more meters than we were converting into revenue, and that this cycle is currently reversing.

Could you please explain in a little more detail how our revenue recognition works?

Kunal Yadav – Head of Concessions: We can bill the utility and commence billing for a project once the operational go-live certificate has been received.

If you want me to explain the OGL process, I can do so. If you are already familiar with it, we can move on to the next stage.

Shubham: Please explain it briefly.

Kunal Yadav – Head of Concessions: Once a project has achieved OGL, which involves a series of tests, and operational go-live has been achieved, it is not the case that everything installed thereafter is automatically converted into revenue.

You still have to install the meters and have the particular new batch of meters tested again. This is called a SAT, or Site Acceptance Test. It consists of a list of 18 tests specified in the RFP, which you have to complete.

It is a 3-4 day process. Initially, however, the industry and the discoms themselves were going through a steep learning curve. It was a very new process for them as well.

It is now more or less a stabilized process. As Genus, we have conducted more than 200 SATs, and not a single SAT from day zero until now has failed or had to be repeated.

In a single SAT test, we have also tested more than 2.25 lakh meters, which is probably the highest in the country for any single SAT test. This demonstrates the strength of our infrastructure, digital systems, and software processes.

Once the SAT test is cleared, we can begin billing for those meters.

Since we were installing more and more meters, SAT testing was lagging slightly behind installation. That cycle is now catching up. For example, in Q1 we conducted more SATs than the number of meters installed.

This cycle is therefore reversing, and over the next 6-7 months, because this reversal will continue, you will start seeing a reduction in receivables.

Shubham: Understood. Thank you.

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Kunal Yadav – Head of Concessions: Thank you.

Operator: Thank you, sir. Due to time limitations, this will be the last question. I would like to thank the management and participants for participating in the Bharat Connect Conference.

Kunal, do you have any final closing remarks?

Kunal Yadav – Head of Concessions: Thank you, Bala, and thank you for hosting us. We are grateful to the Arihant team for giving us this opportunity to speak with our friends here.

Thank you to all the participants for asking us questions and allowing us to understand how we can serve you better. Thank you very much, everybody.

Operator: Thank you, sir. Thank you, everyone. We are closing the session.

Kunal Yadav – Head of Concessions: Thank you. Goodbye.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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