"Gensol Engineering Limited Q1 FY25 Earnings Conference Call"

August 13, 2024

MANAGEMENT: MR. ANMOL SINGH JAGGI – CHAIRMAN & MANAGING DIRECTOR, GENSOL ENGINEERING LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Gensol Engineering Q1 FY25 Earnings Conference Call.

As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask question after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Savli Mangle from Adfactors PR. Thank you and over to you, ma'am.

Savli Mangle: Thank you. Good evening, everyone, very warm welcome to our Q1 FY25 Earnings Conference Call.

To guide us through the results today, we have the senior management team of Gensol Engineering Limited headed by Mr. Anmol Singh Jaggi - Chairman and Managing Director.

Before we begin, I would like to state that some of the statements made in today's discussion may be forward-looking in nature. The actual results may vary as they are dependent on several external factors.

We will commence the call with Mr. Anmol Singh Jaggi, taking us through the operational and financial performance for the quarter gone by, post which we will open the floor for Q&A.

With that said, I would like to now hand it over to Mr. Anmol Singh Jaggi to share his comments. Over to you, sir.

Anmol Singh Jaggi: Thanks, Savli. Good evening, everybody, and thanks for joining us today evening for the Gensol Engineering Limited Quarter 1 FY25 Earnings Call.

I will first go through the summary of what I believe is how our business is performing and then maybe after the 3-5 minutes summary of the of the "Business Performance", open up the house to questions and answers.

So, maybe I will start with the summary of the business:

We are absolutely delighted to share our latest results, the results which reflect an impressive quarter of growth. On a standalone basis, Gensol recorded 87% Y-o-Y revenue growth and 165% PAT growth and on a consolidated basis we achieved the revenue growth of 105% and a PAT growth of 50%.

I would also like to give you a brief overview and recent updates on our company across the business verticals:

First, for the Solar EPC business:

The solar EPC business was founded in 2012 as an advisory business and is now amongst the top 10 solar EPC players in India and ranks amongst the top 5 for independent EPC players. Gensol has executed diverse solar projects, including rooftops, ground mount, floating solars in 19 states of India and internationally. We have also established a subsidiary in Middle East to capitalize on the attractive solar market in that region. The renewable energy space is witnessing a rapid expansion driven by increasing demand for sustainable solutions and supportive government policies.

Gensol is evolving in its playing field in the overall renewable space and has taken its first step towards asset development. Our strategic acquisition of Scorpius Trackers, which manufacture solar trackers, allows us to offer products that deliver higher throughput and a faster payback period for our customers. Today, Gensol is amongst the largest project developers for standalone battery energy storage system, with the total awarded capacity of 570 MW, 1140 MW hour from GUVNL, Gujarat Urja Vikas Nigam Limited. This BESS project is expected to generate a revenue of Rs. 3,100 crores over the 12 year tenure. During the quarter, we also secured our first project under the Kusum Yojana for 116 MW. We are witnessing an emerging trend in renewable energy which shift towards round the clock, fixed dispatch renewable energy over the years to mitigate peak demand deficit concerns and solve for the intermittent nature of solar and wind RE projects.

Gensol as a leading provider of solar EPC services, solar tracker and BESS project is well positioned for a future proof business model in the renewable energy space. Our solar order book including BESS project wins stands at Rs. 4,700 crores as of July 31, 2024 with the bid pipeline that significantly exceed this figure. Reflecting this growth, our EPC business in Quarter 1 FY25 generated a revenue of Rs. 244 crores, which translates into an increase of 101% year-on-year, showcasing robust performance, strength and resilience.

Moving onto our EV Leasing vertical:

This business was incorporated as a subsidiary in FY24 and is run under the brand name of Let's EV. We are transforming the market with innovative solutions and comprehensive EV lifecycle management covering all EV form factors, two-wheelers, three-wheelers, four-wheelers, large and heavy commercial vehicles and buses. Our leasing business achieved the total revenue of Rs. 50 crores in Quarter 1 FY25, a tremendous growth of 98% compared to Quarter 1 FY24.

EV Manufacturing business:

We are progressing towards the launch of our first Made in India, all electric vehicle for urban Indian customers, the compact 2 door 2-seater car which embodies modernity, intelligence, space efficiency and advanced technology. It will be manufactured at our Greenfield plant in Chakan, Pune with an annual capacity of 30,000 units per annum. The vehicle received its ARAI approval in late February 2024 and Gensol is now registered as an original equipment manufacturer ("OEM") on the Vahan portal. Currently, the vehicle is undergoing road testing, and we are implementing some design engineering adjustments.

Turning to our Financials:

We have seen a significant growth in key financial parameters across the board. Our consolidated total revenue has increased from Rs. 145 crores in Quarter 1 FY24 to Rs. 297 crores in Quarter 1 FY25, reflecting 105% growth. The consolidated EBITDA increased to Rs. 89 crores with a 30% margin in Quarter 1 FY25, representing a remarkable increase from a figure of Rs. 37 crores and a 25% margin last year. Our consolidated profit before tax increased by 86% to Rs. 27 crores from the previous year and our consolidated PAT stood at Rs. 15 crores in Quarter 1 FY25, marking a 50% increase from the previous year.

I would now like to open the floor for question and answers.

Moderator: Thank you very much. We will now begin the question and answer session. First question is from the line of Nitin Gupta, an Individual Investor. Please go ahead.

Nitin Gupta: I have two questions, first one is why are we not speaking on the lines of reducing our debt as significant portion of our EBIDTA is basically going in servicing our debt obligation?

Anmol Singh Jaggi: I am just repeating the question. The question is that what are we doing to reduce our debt levels?

Nitin Gupta: Yes.

Anmol Singh Jaggi: So, you will be happy to know, although we have not reported that this was a limited review, the Quarter 1 is a limited review result, but our gross closing debt for the quarter actually reduced by Rs. 33 crores to Rs. 1,363 crores. So, there has been a reduction of debt, which has happened in this quarter by about Rs. 33 crores over the March 2024 closing of Rs. 1,397 crores, which reduced to Rs. 1,363 crores. So, there has been in this quarter a reduction in the debt, slight reduction by about Rs. 30-Rs. 33 crores that we have done in this quarter.

Nitin Gupta: I was saying like, although we are generating a good level of EBITDA and our margins are also good, but if you see, Rs. 90 crores of EBITDA at quarter level but the PAT which is being there that is just around Rs. 15 crores. So, that is why I was wondering like the fund raising which we are thinking, are we thinking of using some of that in reducing our debt or currently we don't have any such plan?

Anmol Singh Jaggi: So, I will share that the PAT on the standalone level is Rs. 32 crores. The PAT on the consolidated level is Rs. 15 crores. The PAT on the standalone basis, which is for the EPC business was Rs. 32 and we made Rs. 17 crores of losses in the growth and expansion of the EV leasing business, the EV manufacturing business and Scorpius Trackers. And we have also provided a chart in our investor release which basically says of the losses that we made in various subsidiaries. We consider these losses to be investments for the future of the business and hence the consolidated number looks at Rs. 15 crores whereas the standalone number of PAT is Rs. 32 crores.

Moderator: Thank you. Next question is from the line of Rohan Vora from Envision Capital. Please go ahead.

Rohan Vora: Sir, my question was on the Indian Solar EPC business. So, going forward, are you seeing challenges pertaining to execution as far as the evacuation of power goes, the labor goes, are those challenges prevalent given that there has been a high labor demand from the EPC sector as a whole?

Anmol Singh Jaggi: Is connectivity an issue in the entire solar sector or it is an issue which is there, but Gensol Engineering Limited has always been at the forefront of anticipating these challenges and hence we have had a development team which has built a very strong pipeline of land and connectivity for our customers. So, we at least in the medium term, do not expect any headwinds for us from a land and connectivity perspective. As regards to labor, I think there is a numerous amount of initiatives that Government of India is taking around skilling of labor and those are all resulting into good, sustainable manpower, which is coming into the sector. So, as of now, there are no headwinds that we see around labor and for land and connectivity given the fact that we have anticipated this challenge earlier, we had gone in for a lot of development work and that is yielding good results for us now.

Rohan Vora: And when you say in the medium term, you do not see such challenges. So, what can be the time gap in the long term between you being ready with the project and getting connectivity, so in the long term can this result in issues for the sector as a whole and for you as a company?

Anmol Singh Jaggi: So, if you look at it, I think the development pipeline, anybody who is doing development pipeline, does development pipeline over a 2 to 5-year time period. Our development pipeline is also over a 2 to 5-year development period. When I meant long term was beyond 5 years. Beyond 5 years, we are all dependent on how the Government of India shapes up transmission corridors across the country and I am sure if you look at the budget this year, there has been significant allocation which has gone to development of transmission corridors. So, if there is significant amount of investment which was announced in this year and it continuously gets announced over the next few years, we will see that there will be no issue in terms of development over the medium to long term also.

Rohan Vora: What you are saying is in the short term it is balanced. So, in the short term there will not be challenges?

Anmol Singh Jaggi: Not just in the short term. Short term, there is enough work to be done anyways, even in the medium term it is balanced, it is maybe beyond 2028, 2029 and 2030 that we need to look, I think even for 2028 and 2029 there is enough development capacity available. Maybe beyond 2030 is now what we want to look at.

Moderator: Thank you. Next question is from the line of Pradeep Jain from Pradeep & Co. Please go ahead.

Pradeep Jain: So, basically I have two questions regarding the company. First, regarding where will be the channelization of new funds which has been raised by the company? And second what the promoters are doing to reduce the pledge of shares because as I can see, as the company is growing the percentage of pledge is also increasing. So, what the company is doing to reduce that also?

Anmol Singh Jaggi: So, on the usage of funds for the current QIP, a portion of the funds will go into debt reduction and building the order book that we have around energy storage and the projects that we have recently won. So, these will be the two major allocation of funds which is going to be there, both portion of it around debt reduction and a portion of it around the development business which is BESS and the IPP projects that we have. So, this is going to be the allocation of capital from the new fundraise that we do. Two, on the share pledge, I think we had mentioned in our previous earnings call also that the share pledge is given as a collateral against the long term debt that we have received from IREDA and PFC for the leasing business. So, we expect that will taper down over the 3-4 year time period. And because it is given against or it is given as a collateral for the debt that we have taken for our EV leasing business, so as the debt keeps coming down the percentage of share pledge will also keep coming down. So, that is the thought on the share pledge.

Moderator: Thank you. Next question is from the line of Isha Shah from Nirzar Enterprise. Please go ahead.

Isha Shah: Sir, my question is related to the EPC segment, please sir, I would like to understand is like an EPC we do project for rooftop, ground mounted, floating, solar EPC. I would like to understand what is the working capital requirement for it and what would be the working capital cycle as well as how much of the EBITDA margin do we look over here?

Anmol Singh Jaggi: So, when we do these projects, our typical debtor days are close to between 60 and 70 days is our debtor days and our creditor days is about 25 days. So, our net working capital cycle is about 40-45 days. This is apart from the bank guarantees that we have to give. So, if we do about Rs. 2,000 crores of revenue from this year, we will see about 45 days of that going in as our EPC working capital. So, that is approximately the working capital which is required. Apart from that the bank guarantees etc., which is there. On the second point around the margins, I think given the healthy order book that we have and given where the commodity prices are performing, we expect our EBITDA margins to be in the 15% range. So, good healthy EPC EBITDA margins is what we will continue to get.

Isha Shah: Sir, just to clarify, the working capital like any amount that you could just give approx. like annually?

Anmol Singh Jaggi: So, I think for the business of approximately Rs. 2,000 crores that we will do, we will need approximately close to Rs. 600 crores of working capital. But this includes both fund and non-fund limits which are there. Approximately, about Rs. 250 odd crores might be through fund limits and rest Rs. 350 crores will be through non-fund limits.

Moderator: Thank you. Next question is from the line of Sati Anand from Ethical Global. Please go ahead.

Sati Anand: So, my questions are on two front. So, let us say when you say BESS you are doing BESS. So, what kind of market size of it you see in India? And since you have started Middle East as well, what are you seeing there and when do you see the revenue coming in on your books? That is my one and then I will have a follow up question as well?

Anmol Singh Jaggi: So, on the market potential, we have about close to Rs. 3,200 crores of order book on the BESS side, just our own bid pipeline for this particular quarter on BESS is north of about Rs. 6,500 crores. Just the bids that we are already participating in and with God's grace, maybe will win. So, overall I expect that the market will see at least in the next about 365 days in one year, we will see about Rs. 15,000-Rs. 20,000 crores of BESS bid pipeline, which will get shaped up based on the conversations that we are having with various state and central utilities. So, I expect that in the next one year, it would be about Rs. 20,000 crores of bids will be out in the market. We have Rs. 3,200 crores of order book and about as we speak we have bid for about between close to Rs. 6,000-Rs. 7,000 crores of more bids we have placed on the BESS projects. In Gensol Engineering, we have not yet started to bid for BESS projects in Middle East. In Middle East, we are right now developing the solar business and as the solar business starts to mature, we will start to look at newer a venues of BESS also in the Middle East. Also there have been no significant kind of tenders which have come out in the Mid-East for BESS. So, from that perspective, we are slow in the Mid-East with BESS.

Sati Anand: Second question is you have this Chakan plant which will churn out 30,000-20,000 cars every year. So, are you only aiming for them to be passenger vehicles, or do you want to lease them as well in your BluSmart or other ventures or others, let us say barring BluSmart, there are other companies also who are into leasing, so what is your plan around that?

Anmol Singh Jaggi: So, the whole idea of having an integrated play between manufacturing and leasing is the complete solution that we can deliver to our customer. So, if you would like, I mentioned it earlier also every auto OEM has a financing arm like Mahindra has Mahindra and Mahindra Finance, Hero had Hero Fincorp. Bajaj Finance started as a financing solution for Bajaj Motorcycles or scooters. So, every OEM has their own financing arm and that is how most of the customers are able to purchase or lease vehicles from the OEM. So, both these businesses go very well hand in hand and one without the other cannot succeed. So, this integrated model of having EV leasing and EV manufacturing under one roof is going to pay us very rich dividends in the times to come.

Moderator: Thank you. Next question is from the line of CA Garvit Goyal from Nvest Analytic Advisors LLP. Please go ahead.

CA Garvit Goyal: My question is on the guidance side. So, we were guiding for Rs.2,000 Cr revenue for FY25 and going by this quarter, so we have to do Rs.1,700 Cr in next 9 months that means the quarterly run rate of Rs. 550 Cr. But currently we are at a run rate of Rs. 300 Cr. So, my question is what gives you the confidence that we will be able to do so and what is your target for H1 and H2 separately this year? So, that is my first question?

Anmol Singh Jaggi: So, Garvit, if you look at Quarter 1, Quarter 1 is generally about close to between 10% and 15% of the revenue which happens between Quarter 1. I think we are on track. We are maintaining our guidance of Rs. 2,000 crores for this year. Generally, it is quarter 4, which is extremely high for renewable energy business and in quarter 4 if I look at our last year numbers, we did close to 40% of our revenue in quarter 4. So, from that perspective and that is how actually the order book is also shaping up. So, if I look at our consolidated order book of north of Rs. 5,000 crores, we see that we have started the engineering work on most of our pipeline. We have started to do the land development work for most of our pipeline and you will see a lot of, engineering part actually takes a lot of time, but does not give any revenue whereas procurement and construction takes some time, but they give a lot of revenue. So, from that perspective we will see quarter 2 also will be good. But quarter 3 and quarter 4 is what we expect is going to be absolutely very high on revenue given it will follow the last year trendline itself. It is not just the last year trendline. I think it is a perpetual trendline which is of lot of project completions happening in quarter 3 and quarter 4. We are not changing our guidance at all. We absolutely stand by the Rs. 2,000 crore guidance that we have and we will be on track to achieve the number.

CA Garvit Goyal: My second question is on the losses like you mentioned, we are incurring the losses in our subsidiary, the official numbers are also telling the same. My question is what is the nature of the business are we doing there and basically is it only the EV business or anything else we are trying to initiate?

Anmol Singh Jaggi: No, only EV, so EV leasing, our Let’s EV business, which is the EV leasing business is 100% only into EV leasing and we will live by EV leasing. I think Gensol as a company stands for complete decarbonization of the world, whether it is our solar business or whether it is our BESS business or the EV leasing business or the EV manufacturing business, all of these are important businesses when it comes to decarbonization. And we will actually not take any step which is not in the direction of decarbonization. So, we are only and only focused on EV and renewable energy.

CV Garvit Goyal: No, in the subsidiaries part, so I was just asking like the losses are coming from the EV manufacturing business or it is from the EV leasing business, so that is my question?

Anmol Singh Jaggi: So, the losses are coming from both, majority from the EV leasing business. So, EV leasing business lost about close to Rs. 9 crores in this quarter and the EV vehicle manufacturing business lost about Rs. 7 crores in this quarter. So, overall out of the Rs. 17 crores losses that we had in our subsidiaries, Rs. 9 crores came from the EV lease, Rs. 7 odd crores came from the EV manufacturing, about Rs. 2 crores came from the Scorpius Trackers. So, this is the breakup of the Rs. 17 crores loss that we did in subsidiaries. Again, to reiterate, we don't consider this as losses. These might be accounting losses, but these are investments into the future.

Moderator: Thank you. Next question is from the line of Gautam Gupta, an Individual Investor. Please go ahead.

Gautam Gupta: So, I will combine all the questions in one go. My very first question I have, in the presentations, on the results we are not able to see the margins at the segment level. So, I would like to understand what are the margins at the segment level? Second is, regarding the Chakan plant, so currently we are planning to manufacture three-wheelers, so what are your future plans apart from three-wheelers, would we cater to two-wheeler, four-wheeler, what kind of plans we have? Third question I have, we are aspiring to generate much and much, bigger and bigger orders, as said we have Rs. 6,000 crores of the pipeline as of now. So, what I understand if you see our capital intensive business, so for example if we have 7 GW of orders or 2 GW of orders, so how management will not be in a position to have that much of fund to deliver or achieve that such a big order that these are the only questions?

Anmol Singh Jaggi: So, maybe I will start from the questions in the reverse order. The first one is around the fund requirement that we have for large orders. I think we have already raised about Rs. 580 crores of warrants out of, if I go by the equity that we have as on 31st March, we had an equity of about Rs. 320 crores. We raised further about Rs. 500 plus crores in the warrant, round I think Rs. 550 odd crores we raised in the warrant round. And then we are raising another Rs. 500 crores in equity through QIP. So, if I add up the total, we will have about close to Rs. 1,300-Rs. 1,400 crores of equity with us. And at a decent debt equity margin also, there is enough scope for us to raise enough working capital to satisfy all the debt requirements that we might have and all the funding requirements that we might have. In terms of credit rating also in the month of March, we have improved our credit rating by one notch, which is bringing down the cost of debt and we expect more credit ratings to also happen through the year, which will also help us get access to more funds as well as make them cheaper. All in all, as the world also, we are at the top of interest cycle. So, from now on, we are going to see reduction in interest prices. So, this will also largely benefit the company as we will have a lower interest outgo in the subsequent quarters due to interest rate reduction that we see. So, that is that is around how we are planning to fund the projects. On the plan for the vehicles, I think currently our focus is only three-wheels and we are coming out with three models of three-wheels, one is the fleet model, the other is the cargo model and the third is the personal mobility model and that is the current plan. We are not thinking to go beyond that. In the EPC business around the margin, our EPC business was having a profit before tax of about 15%-16% and our leasing business currently operates at about (-12%), but that is due to largely the fixed cost which we have in the leasing business as our AUM is growing. This team is today doing an AUM of Rs. 600 crores. This team can also do AUM of Rs. 3,000 crores. So, it is just a matter of the AUM going higher and that is why the loss is going to 0 or to profitability in the leasing business. It is a business of scale. We have to invest in building the right team and the right manpower and that is what we have done under the leadership of Amit, who is the CEO of Let's EV. So, currently we face losses, but that is because of building the right set of team and processes that we have. As the AUM continues to expand, the losses in the EV leasing business will go to 0 and it will convert to profitability too.

Moderator: Thank you. We will move to the next question from the line of CA Garvit Goyal from Nvest Analystic Advisory LLP. Please go ahead.

CA Garvit Goyal: Just to understand a bit more about the BESS project, sir. So, what exactly are we doing there like you mentioned there is an opportunity of Rs. 15,000-Rs. 20,000 crores in next one year and order pipeline of also Rs. 6,000-Rs. 7,000 crores that we are currently bidding in, right. So, what exactly we are doing here and where in the value chain are we lying, sir, so just want to understand that thing, sir?

Anmol Singh Jaggi: So, these all BESS, the two projects that we have won already are build own operate project which is there and under the build own operate, we will set up the complete plant for the battery capacity plant for our customer which is GUVNL and when we do that our batteries will provide GUVNL with stabilization of renewable energy resources at the discretion of GUVNL. So, GUVNL will direct us when they want us to absorb power and when they want us to release power. So, those instructions will be given to us by GUVNL. For doing this, GUVNL will pay us a monthly capacity charge. We expect that the monthly capacity charge from the two projects that we have, is going to be approximately close to Rs. 260 crores a year and this is of course going to be a pretty high EBITDA business. This is going to be something like a 90%-95% EBITDA business for us.

CA Garvit Goyal: And sir, you guided for the OPM of 15% this year, but in this quarter, we did 30% already. So, is it a conservative guidance or how you are looking at the situation, sir?

Anmol Singh Jaggi: No, I think I would still want to maintain our guidance, which is there, although we have had a spectacular Quarter 1 in terms of our margins, but I would say that maybe it can also continue given where we are on the commodity cycle, but I would still want all our investors to actually build our margins with a more conservative EBITDA margin between 15% and 18% and not higher than that. God be kind, we could do much higher margins, but I think when we are bidding, we are bidding at about 15% EBITDA margin and if we are able to do better procurement, then we are able to increase our margins.

CA Garvit Goyal: Just last question, like you mentioned, we will do 90%-95% EBITDA, so the current order book that we are having in BESS project Rs. 3,200 cores, so is it for 90%-95% EBITDA or I am misunderstanding anything?

Anmol Singh Jaggi: No, your understanding is correct, but this is spread over 12 years. So, that Rs. 3,200 crores is to come over 12 years like I mentioned will be about Rs. 260 crores every year. And out of that Rs. 260 crores, it will be 90% plus EBITDA margin.

Moderator: Thank you. Next question is from the line of Harish Kumar Gupta, an Individual Investor. Please go ahead.

Harish Kumar Gupta: By when will your EV be launched?

Anmol Singh Jaggi: As of now, we hope that our on-road sales will start by about April of next year. So, that is when we will start the commercial sales of the vehicle.

Harish Kumar Gupta: So, in fact, it has been delayed for a long time. So, is there any particular issue in your design or anything if you want to tell? (translation)

Anmol Singh Jaggi: Design of the vehicle is very good. Our testing requirements, ARAI approval, which is the most important approval to launch the vehicle, came in February 2024. So, we have ARAI approval. If we want, we can bring this vehicle on the road from tomorrow and we have all approvals like ARAI approval, Vahan portal approval. So, we have all the approvals. And our management team has decided that we will test this for one whole season and as you would have seen this year was very hot summer, and the temperature reached up 52 degree so we are happy that our car performed so well in such a high temperature. As we are making car for the first time, and when we make the car for the first time there is a little bit of nervousness in your heart and excitement as well. So, to reduce that nervousness, we are thinking of testing our car for one more year and bringing it on the road. We get a chance to launch it once in our life. And we want to launch it in a very good, big bang way. And we want to bring a perfect car. I would not want that Gensol's car gets launch, and it seems like it had two defects and we could have tested it a little more. So, the benefit is that we can wait for two, five, six months, but when the vehicle comes to the road, it is the best vehicle in India. So, our design and our testing is going into accomplish that mission. (translation)

Harish Kumar Gupta: Okay, thank you for the detailed answer. There was one last question that your order book right now is of Rs. 5,000 crores, out of which Rs. 3,200 are BESS. So, remaining I think around Rs. 1,800 will be EPC's, most likely. So, are you still confident that you will do revenue of Rs. 2,000 crores because the order book is not enough? (translation)

Anmol Singh Jaggi: Sir, you have seen that recently we have won an order of Rs. 500 crores, before that we had won an order of Rs. 600 crores. And our EPC's bid pipeline is at least between Rs. 3,000-Rs. 4000 crores today. And we have just completed 3 months for this year, 9 months are remaining. So, as I have said earlier, our Rs. 2000 crores guideline, we are very confident, 100% confident on delivering on the Rs. 2,000 crores guidance. (translation)

Moderator: Thank you. Next question is from the line of Ashok Bhasin from Mentor. Please go ahead.

Ashok Bhasin: Two questions, one, with the incremental business coming from spaces like BESS, you have a top 5 position already in the independent solar EPC. How do you see your leadership aspirations in the BESS and is it fair to assume that with the 90%-95% EBITDA, the blended margins for the company over the long term, say 3-5 years will move significantly upwards and the last comment BESS, how does the capital requirement and efficiency play versus the EPC business? But overall very strong story, so I would love to hear your answers on these three questions.

Anmol Singh Jaggi: So, on the first part around our leadership for the BESS projects, I think today, third parties to validate, but I think Gensol has the largest portfolio of standalone BESS projects in the country. The bid pipeline that we have is also extremely strong. So, we will continue to maintain a significant leadership position in the BESS domain. We have a lot of adjacencies which people will realize is that EV manufacturing, EV leasing also require a lot of batteries and it is not just the BESS business. So, our requirement for batteries, our procurement for batteries, our understanding of batteries, our technology development around batteries is also centered not just around the BESS project, but also around our EV manufacturing and EV leasing because in both the businesses, the key constituent is batteries. In fact, in BESS, EV manufacturing, EV leasing, it is battery is the number one component that we have. So, we are going to continuously expand our leadership into this business. In terms of the blended margins, yes, the EBITDA margins, we will see significantly going higher, which is also we are seeing because of the EV leasing business. EV leasing is a very high 90% EBITDA business again. So, we continuously see margins becoming better and better. So, EBITDA margins will continue to grow given the fact that BESS is also a very high 90% EBITDA business which is there and we will see margins going decently high. In terms of the capital requirement, for a Rs. 3,200 crores order book, we will need approximately equity of about close to Rs. 300 crores is what we will need. So, approximately let us say, the Rs. 3,200 crore order book is going to be built on asset base of about Rs. 1,200-Rs. 1,300 crores and at a 20% equity requirement we will need between Rs. 250 and Rs. 300 crores of equity for the current BESS pipeline that we have. And as we keep going forward, we will need equity, so let us say, if we win the Rs. 6,000 crores more of BESS order book, then we will need between another Rs. 500 crores of equity to deliver that project. But it will give us, just to talk about the current project on a base of about Rs. 250 crores, we will get about close to Rs. 250 crores EBITDA every year. So, extremely high return margins which are there in this business.

Moderator: Thank you. Next question is from the line of Mohit, an Individual Investor. Please go ahead.

Mohit: I have few questions. So, I want to know how margin profile is different in BESS projects in comparison to other EPC project which are without BESS and how much time it takes to execute one, for example, 10 MW of BESS project?

Anmol Singh Jaggi: Actually, I will just request you to repeat the question again, the first part I was able to hear clearly which was around the margin of the BESS project in difference to the EPC business.

Mohit: And the second is how much time it takes to execute 10 MW for an example, 10 MW of BESS project?

Anmol Singh Jaggi: So, in terms of margin, I think the EBITDA margin for the solar EPC business is between 15% and 20%, whereas the EBITDA margin for the BESS project is 90%. So, extremely different margin profiles and on the time to execute, I will not take the example of 10 MW because today, 10 MW is a very small number. But let us say if I have to do a 500 MW solar EPC business and do a 500 MW BESS project, 500 MW solar EPC business the time taken would be between 8 and 10 months and on a 500 MW BESS project will be between 15 and 18 months.

Mohit: And the next question from my side is, sir, do you also procure the batteries on behalf of your client? And in case you procure the batteries as well from whom you procure those batteries in India?

Anmol Singh Jaggi: So, we do, of course, in a battery energy storage system, we have to procure batteries, but those batteries are procured through multiple vendors which are there. We have a shortlist of vendors and we have done some strategic sourcing initiatives around that. So, the supply chain is built up of multiple reputed bankable vendors which are there. So, that is the supply chain which we have developed.

Mohit: And one last question from my side is, when we look at the order that you have got from GUVNL of Rs. 3,100 crores, so you are saying that it is an EPC project, and you are saying that the revenue will be coming in 12 years, so please throw some light on it?

Anmol Singh Jaggi: So, like I was mentioning in my previous reply that we are going to build this battery bank and this battery bank is going to be at the discretion of GUVNL to tell us when do we have to absorb energy and when do we have to release energy and we are going to do this job for GUVNL for 12 years and in those 12 years GUVNL will pay us Rs. 3,100 crore, so Rs. 3,100 crore divided by 12 will be about Rs. 250- 260 crores of annual capacity charge that GUVNL will pay us. And in this we will have a 90% EBITDA margin.

Mohit: And one more question from my side. It is regarding the guidance. So, what will be the consolidated EBITDA for FY25 if you can please mention?

Anmol Singh Jaggi: So, our guidance on the consolidated EBITDA will be north of Rs. 400 crores.

Moderator: Thank you. Next question is from the line of Pratyush Dagar, an Investor. Please go ahead.

Pratyush Dagar: Congratulations sir, Pratyush this side. As you mentioned, your first EV vehicle will be on the road expected in April 25. So, my question is related to that, what is our expectation number of units we will produce in the first year and related to same what is our BEP quantity and/orthe BEP year we are expecting from the EV manufacturing?

Anmol Singh Jaggi: Sorry, what is the BEP? I didn't understand.

Pratyush Dagar: Breakeven point. What is the breakeven point quantity we are thinking for the EV manufacturing?

Anmol Singh Jaggi: Sure. In terms of the first year, let us say FY26, in FY26, we expect that out of the plant of 30,000 vehicles which we have, we are going to produce a maximum of about 7,000 vehicles in year one. The ramp up is going to be small. So, in the first month, let us say in April of 2025, we will only produce 50 vehicles and then in the next month we will take it to 150 and then 250 and so on. So, the plant will take about a year plus to get completely stabilized and our manufacturing to get completely stabilized. So, for next year, we expect that we will manufacture about 7,000 vehicles and so that is on the number of vehicles that we will produce. Our breakeven point for this plant is at about 12,000 vehicles.

Pratyush Dagar: I am asking that we expect that in 2027, we will reach to the BEP point?

Anmol Singh Jaggi: Yes.

Pratyush Dagar: And from that like today, if we take it is expected to launch in April '25 and for a vehicle we require a distribution channel. So, any distribution channel setup is already started or when you will start?

Anmol Singh Jaggi: So, this is going to be primarily a B2B product in the first few years. So, we are only going to sell it to business customers. And for the fleet variant and for the cargo variant, we will only have business customers and fleet customers. So, for that, we do not need to set up a distribution channel. So, we are very happy to operate. This will be more or less we will be getting customers to our factory, showing them the vehicle, maybe give some demo pieces to run for a few days, so that is how we are going to build the sales. Because we are not going to go into personal mobility in the coming year, we do not expect that we need a distribution channel for FY25 as the vehicle keeps getting matured and more and more B2B customers keep picking up our vehicles, maybe in FY26 or later, we might have to build a distribution channel, but not for FY25 or FY26.

Pratyush Dagar: My last question, is there any expected price we are thinking that we will launch on the X price or Y price?

Anmol Singh Jaggi: It will be value for money, so we are not going to, we will not be able to disclose the price of the vehicle, but it is a very feature rich vehicle. It is very smart, intelligent, compact value for money vehicle that we are launching.

Moderator: Thank you. Next question is from the line of Raghav, an Individual Investor. Please go ahead.

Raghav: The question I wanted to ask was that in the initial release, we had said that we are allocating roughly Rs. 1 crore warrants, but so far we have only allocated 60 lakh warrants and I wanted to understand what is the plan for the remainder 40 lakh warrants, will we be allocating them or will we not be allocating them?

Anmol Singh Jaggi: So, we will not be allocating them. So, we close that round at 60 lakhs warrants. So, we are not going forward with any more warrant allocation. There is going to be a future fundraise that the board has yesterday approved for Rs. 500 crores. So, we will be doing that and the previous fundraise that we announced in the month of March closed at 60 lakh warrants at an average price of Rs. 871 which is approximately Rs. 538 crores of capital.

Raghav: Just one follow up to that, any particular reason why we are not allocating those balance 40 lakh warrants and doing a fresh fundraise?

Anmol Singh Jaggi: As a management team, we believe that what we got in the warrant round was extremely important and our growth plans continue to get built on the equity that we raise. So, overall I think we have decided that given the market conditions, it is better now to close the warrant round at 60 lakh warrants and then go ahead with the QIP or a preferential or any other form of capital raise. But the warrant round at 60 lakhs warrants has been extremely helpful for our growth.

Moderator: Thank you. Next question is from the line of Ankit, an Individual Investor. Please go ahead.

Ankit: Sir, what will be the safety rating of that newly launched vehicle?

Anmol Singh Jaggi: So, the safety of the vehicle is best in class. We have done enough number of simulations to understand the safety of this vehicle in comparison to other vehicles in the type of category in which we are going to operate. So, the vehicle safety is best in class when it comes. I think when we release the product brochure you will be able to get all specific details. Not disclosing too much on an earnings call around the features of the vehicle.

Moderator: Thank you. Ladies and gentlemen, that was the last question for the day. I would now like to hand the conference over to Mr. Anmol Jaggi for the closing comments.

Anmol Singh Jaggi: I would like to extend my sincere gratitude to each one of our esteemed investors for joining our call. As we reflect on the significant progress we have made in the business, it is evident that Gensol is not only thriving, but leading the green energy revolution and the clean mobility revolution. We are committed to investing in our business and remain focused on delivering value to our shareholders and customers. So, thanks a lot, everybody and thank you to the organizers of the call.

Moderator: Thank you. On behalf of Gensol Engineering, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.