

# Gensol Engineering Ltd — Jan 2024 Quarterly Analysis

## 1. VERDICT & BUSINESS QUALITY SNAPSHOT

**Result:** Inline (Tracking revised FY24 Guidance) **One-line:** Gensol is successfully scaling its Solar EPC bedrock while aggressively building a high-margin EV ecosystem, though a downward revision in FY24 revenue targets signals a transition from "hyper-hype" to "realistic execution."

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Inline (Revised)	9M Revenue ₹584 Cr; FY24 target lowered to ₹950 Cr from ~₹1,200 Cr.	□
Earnings Quality	High (Core driven)	Growth led by 386% YoY jump in Solar EPC and high-margin EV leasing.	□
Guidance Confidence	Neutral	Aggressive FY25 target (₹2,000 Cr) depends on unproven EV Mfg ramp-up.	□
Management Credibility	Neutral	Revised FY24 guidance downward; however, demonstrated strong 9M execution.	□
Business Quality Signal	Improving	Pivot to high-margin annuity (Leasing) and tech-integrated EPC (Trackers).	□
Key Q&A Exchange	Q2 (Manufacturing)	Mgmt clarified first EV is a 3-wheeler "reverse-trike," not a standard 4-wheeler.	□
The Street's Primary Anxiety	BluSmart Concentration	>50% of leasing AUM tied to BluSmart; mgmt focusing on diversification.	□
Capital Cycle Stage	Investment	Massive capex into EV fleet expansion and Chakan plant completion.	□
Margin Trajectory	Improving	Consol. EBITDA margin at 29% (9M) vs 21% (FY23) due to Leasing mix.	□
Pricing Power	Stable	BOS-focused EPC avoids module price volatility; niche 3-wheel EV pricing.	□
FCF Conversion	Distorted	Heavy investment in leased assets (₹800 Cr AUM) creates negative FCF.	□
Competitive Moat	Stable	Early mover in EV leasing lifecycle mgmt and single-axis solar trackers.	□
Balance Sheet Strength	Adequate	D/E at 3:1; equity infusion of ₹200-300 Cr planned to de-leverage to 2.5:1.	□
Working Capital	Stable	EPC requires ~45 days; Leasing provides strong monthly cash inflows.	□
Mgmt Guidance Track Record	Mixed	Downward FY24 revision offset by consistent 100%+ YoY growth delivery.	□
Key Vulnerability	Asset-Heavy Pivot	Simultaneous scaling of three capital-intensive businesses.	□
Management Tone	Confident	Bullish on 5x growth over 3 years; dismissive of guidance cut impact.	□

**Sentiment:** □Positive

**Key Takeaways:** \* **Positives:** Solar EPC is hyper-scaling (₹1,000 Cr+ order book) with improved margins from Scorpius Trackers acquisition. The EV Leasing segment is a cash-cow in the making (90%+ EBITDA margins, 5% Net Interest Margin) with a ₹1,500 Cr+ pipeline. Entry into Green Hydrogen (NHPC win) future-proofs the EPC segment. \* **Negatives:** Management lowered FY24 revenue guidance from ₹1,200 Cr to ₹950 Cr, citing "realism." High customer concentration in leasing (BluSmart >50%) and a significant spike in debt (targeted ₹1,800 Cr by FY25) remain primary overhangs. \* **Street Concern:** Analysts are focused on the execution of the Chakan EV plant and the market acceptance of a "reverse-trike" 3-wheeler for passenger use. Management response emphasizes "unit economics and congestion" as the logic for the small-form vehicle. \* **Forward Watchpoint:** Arrival of ARAI certification for the EV (expected Feb-end 2024) and the successful closing of the ₹300 Cr equity raise in Q4.

## 2. BUSINESS PERFORMANCE

**2A. KEY METRICS DATA SOURCE:** PPT figures used as primary source. Concall used for Mgmt Commentary.

Metric	Current Qtr (Q3FY24)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Consol)	₹227.12 Cr	↑ 335%	↑ 11%	↑	Driven by 386% YoY jump in Solar EPC.
EBITDA	₹70.10 Cr	↑ 312%	↑ 9%	↑	Mix shift toward Leasing (high margin) improving profile.
EBITDA Margin %	30.8%	↓ 1.2%	↓ 1.2%	→	Remains strong; slight dip due to higher EPC execution mix.
PAT	₹12.31 Cr	↑ 748%	↑ 9%	↑	Last year Q3 was negative (₹2 Cr).
Order Book (EPC)	₹1,000.00 Cr	First entry	First entry	↑	Bid pipeline is "several times larger."
New Orders (EPC)	₹440.22 Cr	First entry	First entry	↑	Includes MAHAGENCO (₹301 Cr) and SEML (₹139 Cr).
Deliveries (Solar)	190.00 MW	First entry	First entry	↑	Executed in 9MFY24; target 600 MW for FY25.
Installed Capacity	600.00 MW	First entry	First entry	↑	Cumulative across rooftop, ground, and floating.
EV AUM (Leasing)	₹800.00 Cr	First entry	First entry	↑	Targeted to double in FY25.
Net Debt / (Cash)	₹900.00 Cr	First entry	First entry	↓	Rising due to asset-heavy leasing model expansion.
Net Worth	₹300.00 Cr	First entry	First entry	↑	Target ₹600 Cr+ post-Q4 fundraise.
Interest Coverage	Not in doc	-	-	-	Interest cost is primary expense in Leasing.

## 2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin (EBITDA)	Trend	vs Co. Avg	Key Development
Solar EPC	₹170.00 Cr	↑ 386%	Not stated	↑	Lower	BOS focus; 190 MW executed 9M.
EV Leasing	₹32.00 Cr	↑ 194%	90%+	↑	Much Higher	5% NIM; BlueSmart >50% of book.
Solar Tracker	₹20.00 Cr	New	Not stated	↑	Higher	Scorpius acquisition; 700 MW track record.
EV Mfg	₹0.00 Cr	N/A	N/A	→	N/A	ARAI approval expected Feb-end.

### 3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue (FY24)	₹950.00 Cr	Needs ₹366 Cr in Q4; achievable given ₹1,000 Cr order book.	Revised down from ₹1,200 Cr	☐ Moderate
Guidance	Revenue (FY25)	₹2,000.00 Cr	Needs 110% YoY growth; implies EPC must scale to ₹1,300 Cr+.	First entry	☐ Moderate
Guidance	EV Production	5,000 units (FY25)	Plant capacity is 30,000; needs ARAI by Feb to start Apr production.	First entry	☐ High
Guidance	Long-term	5x size in 3 years	Targets ₹5,000 Cr revenue by FY27.	First entry	☐ High
Strategy	Diversification	Reduce BluSmart mix	Needs to lease ~₹400 Cr+ to non-BluSmart clients in FY25.	Started (15+ clients)	☐ Moderate
Strategy	Solar Trackers	15-16% PLF boost	Single-axis tracker adoption is key for EPC differentiation.	Acquired Scorpius	☐ Low
Balance	Leverage	2.5:1 D/E Post-fundraise	Depends on successful ₹300 Cr equity infusion in Q4.	Currently 3:1	☐ Moderate

## 4. ANALYST Q&A

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Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
1	5.0	Garvit Goyal / Nvest	Guidance Revision	Financials	Why was the FY24 revenue guidance lowered from ₹1,200 Cr to ₹950 Cr?	Mgmt clarified that while the prior target was higher, ₹950 Cr remains "fantastic growth" at 2.5x YoY. Investors should view this as a grounding of expectations; Q4 needs ₹366 Cr to hit this floor, which is a 61% QoQ jump.	None	3.5	Realistic walk-back
2	4.5	Garvit Goyal / Nvest	EV Mfg Timeline	Business Overview	What are the specific timelines for EV manufacturing and production capacity?	Plant is ready, ARAI certification is expected by Feb end, and trial production begins in April with 5,000 units targeted for FY25. Successful ARAI approval is the binary risk for FY25's ₹300 Cr manufacturing revenue target.	None	4.0	Specific timeline
3	4.0	Shubham Upadhyay / MicroCap Minute	Solar Tracker Tech	Business Overview	How much efficiency does the single-axis solar tracker add vs traditional panels?	Single-axis trackers improve Plant Load Factor (PLF) by 15-16% compared to fixed-tilt panels. This tech integration allows Gensol	None	4.5	Quantified value

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
						to offer higher ROI to EPC clients, effectively widening their competitive moat.			
4	3.5	Shubham Upadhyay	EV Product Mix	Business Overview	What models are planned, and are two/three-wheelers in scope?	First vehicle is a 3-wheel "reverse-trike," followed by cargo and passenger variants; no plans for 2-wheelers. Focusing on the "white space" of urban congestion solutions where 70% of trips are single-passenger.	None	4.0	Clear niche focus
5	3.0	Koushik Mohan / Ashika	EV Strategy	Management Outlook	What is the 5-year outlook for the EV business?	Mgmt expects manufacturing to scale from fleet cars to cargo and then urban passenger segments over 3 years. This roadmap suggests a phased risk approach to the consumer segment.	None	3.0	Vague but phased
6	4.0	Koushik Mohan / Ashika	Corporate Structure	Governance	Any plans to demerge and independently list the three business units?	No demerger in the short/medium term as synergies in financing and brand are needed; long-term demerger is a	None	3.5	Long-term option

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
						"prudent possibility." Retaining the segments provides a cross-subsidization of cash flows from EPC/ Leasing to Mfg.			
7	4.5	Koushik Mohan / Ashika	Leasing Economics	Financials	What are the margins and structure of the leasing business with BluSmart?	NIMs are 4-5% (15% yield vs 10% cost) plus cashback and value-added services; EBITDA margins are >90%. High profitability in this segment is the primary engine for consolidated margin expansion.	None	4.0	High margin signal
8	3.0	Koushik Mohan / Ashika	Reporting Error	Governance	Why are pages missing from the FY22 Annual Report on the website?	Mgmt acknowledged the error and promised immediate rectification. Minor signal of historical administrative sloppiness in the SME-to-Mainboard transition.	None	5.0	Swift correction
9	4.0	Vineeth Lambu / HSBC	AUM & Diversification	Financials	What is the growth plan for AUM and the current customer concentration?	AUM is ₹800 Cr with another ₹800 Cr of undrawn lines; 90% is 4-wheelers, with >50% exposure to BluSmart. Rapid	Exact % of BluSmart	3.0	Concentration risk

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
						diversification is mandatory to reduce the "BluSmart dependency" risk currently shadowing the leasing book.			
10	4.0	Tushar Sarda / Athena	Leasing Residuals	Financials	What happens to the vehicles after the 3-4 year lease period?	Vehicles revert to Gensol's balance sheet for a "second life" via re-leasing or battery retrofitting. This residual value management could provide a second wave of profit without additional finance costs.	None	3.5	Residual value play
11	4.5	Vignesh Iyer / Sequent	Capex & Debt	Financials	What is the capex and peak debt plan for FY25?	₹125 Cr for Mfg plant and ₹1,000 Cr for vehicle purchases; peak debt could reach ₹1,800 Cr. The business is becoming highly leveraged, making the ₹300 Cr equity raise critical to maintaining debt covenants.	None	4.0	Capital intensity
12	4.0	Rahul Kothari / Grit	Leasing Lifecycle	Business Overview	Is this pure-play financing or operational management?	It is an operating lease providing insurance,	None	4.5	Value-added lease

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
						maintenance, and charging infrastructure, not just a loan. Operational involvement increases customer stickiness and allows for better risk management of the asset.			
13	3.5	Rahul Kothari / Grit	Middle East Strategy	Management Outlook	What is the vision for the UAE subsidiary?	Currently focused only on UAE with a ₹180 Cr order book from Dubai Government/ Etihad; margins are higher than India. UAE serves as a high-margin tester for international EPC scaling.	None	4.0	Selective expansion
14	3.5	Rahul Kothari / Grit	New Tech (BESS)	Management Outlook	How is Gensol positioning for Battery Energy Storage and Hydrogen?	Won first Hydrogen project with NHPC; actively tracking BESS tenders. Gensol is moving beyond "plain vanilla" solar into complex, high-realization energy transition projects.	None	3.0	Future pipeline
15	4.0	Abhishek Jain / Aurelius	Module Risk	Financials	How do you hedge against solar panel	BOS is 75% of MW but 50% of	None	4.5	De-risked execution

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
					price volatility in turnkey contracts?	revenue; turnkey risk is hedged via pre-bid agreements and domestic procurement. Minimal import/ currency risk as 90% of modules are sourced domestically.			
16	3.0	Saumitra Joshi	Synergies	Strategy	Will the Gensol EV be used by BluSmart to lower rider costs?	Yes, 70% of BluSmart rides are single-user; a small EV can lower costs to ₹15-16/km vs ₹25/km for Tigors. This captive demand from BluSmart ensures a minimum volume floor for the manufacturing unit.	None	4.0	Captive demand
17	3.0	Gaurav Sachdeva	Subsidiary Stake	Governance	Why is the EV Mfg stake only 58%?	Stake will rise to ~90% post-conversion of Optionally Convertible Debentures (OCDs) held by Gensol. Simplification of the cap table is needed to assure public shareholders of full value capture.	None	4.5	Cap table clarity

**PATTERN FLAGS & SENTIMENT \* The "BluSmart Dependency" Cluster:** Analysts repeatedly probed the 50%+ exposure to BluSmart in the leasing book. Management was defensive, insisting the book is "diversifying"

with 15+ clients, but the lack of specific non-BluSmart names/volumes suggests this remains a live concentration risk. \* **The "Guidance vs. Reality" Cluster:** The reduction of FY24 revenue targets from ₹1,200 Cr to ₹950 Cr was the elephant in the room. Management's tone was dismissive of the cut, focusing instead on the YoY growth percentage (2.5x). While execution is strong, this shift suggests initial projections were overly optimistic. \*

**Analyst Sentiment Verdict:** Analysts were cautiously optimistic, impressed by the 300%+ YoY growth but skeptical of the manufacturing segment's technical success. Credibility remained stable despite the guidance cut, as EPC execution numbers were objectively strong. The single greatest risk is a delay in ARAI certification for the EV.

**GUIDANCE GAPS REVEALED IN Q&A** | Topic | What Mgmt Claimed (Prior) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | FY24 Revenue | ~₹1,200 Cr | ₹950 Cr | 21% downward revision. | Slower EPC execution ramp-up. | | EV Product | 4-Wheel Passenger Car | 3-Wheel "Reverse-Trike" | Pivot to a niche form-factor for first launch. | Lower consumer market appeal. |

## 5. WHAT CHANGED vs PRIOR QUARTER

(Comparing Q3FY24 vs Prior Context provided in Q1FY23/FY22)

What Changed	Prior Quarter (FY22/Q1FY23)	This Quarter (Q3FY24)	Direction
Revenue Scale	FY22 Actual: ₹153 Cr	9M FY24: ₹584 Cr	↑ Strong
EBITDA Margin	13%	29% (9M)	↑ Improving
Debt Profile	₹267 Cr sanctioned	₹900 Cr actual; ₹1,800 Cr target	↓ Deteriorating
Asset Base	700 EVs on lease	6,000+ EVs on lease	↑ Strong
Product Tech	Conventional Solar EPC	Patented Trackers & Green Hydrogen	↑ Improving
Segment Mix	95%+ EPC	~16% Leasing / 3% Trackers	↑ Diversifying
Equity Base	Promoter holding 71%	Promoter holding 63% (post dilution)	↓ Dilution
Market Segment	SME Board	Main Board (NSE/BSE)	↑ Institutional

STOP HERE.