

**TD Power Systems Limited**  
(CIN -L31103KA1999PLC025071)

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November 18, 2020

The Corporate Service  
Department  
**BSE Limited**  
P J Towers, Dalal Street  
Mumbai – 400 001

The Listing Department  
**The National Stock Exchange of India Ltd.**  
Exchange Plaza, Bandra- Kurla Complex  
Bandra (East)  
Mumbai 400 051

Sirs,

**Sub: Disclosure under Regulation 30 of SEBI LODR - Transcript of Analyst & Investors call**

With respect to the above subject, please find attached transcript of Analyst & Investors conference call relating to Un-audited Financial Results of the Company for the period ended September 30, 2020 held on November 11, 2020.

Please take the above on your record.

Yours faithfully,  
For **TD Power Systems Limited**



**N. Srivatsa**  
**Company Secretary**



Encl: A/a



## TD Power Systems Limited

### Q2 & H1 FY21 Earnings Conference Call Transcript

November 11, 2020

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**Moderator** Ladies and gentlemen, good day and welcome to the TD Power Systems Limited 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 questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing '\*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Devrishi Singh of CDR India. Thank-you and over to you, sir.

**Devrishi Singh** Thank you. Good Morning everyone and thank-you for joining us on the Q2 & H1 FY21 earnings conference call of TD Power Systems Limited. We have with us Mr. Nikhil Kumar – Managing Director; Mrs. M. N. Varalakshmi – Chief Financial Officer, and some of their colleagues in the management team on this call. We will begin the call with brief opening remarks from the management following which we will have the forum open for an interactive Q&A session.

Before we begin, I would like to mention that some of the statements made in today's discussions maybe forward-looking in nature and may involve risk and uncertainties. Documents related to the company's financial performance have already been emailed to all of you earlier. I would now like to invite Mr. Nikhil Kumar to make his opening remarks. Thank-you and over to you, sir.

**Nikhil Kumar** Thank-you. Good morning everybody, thank you once again for joining us today on our earnings call. I hope all of you would have received our results and investor presentation.

I will now discuss few things of financial performance for the quarter end and half year ended September 30, 2020.

For standalone; - our total income on the standalone basis of six months was Rs. 213 crore versus Rs. 228 crore in H1 last year. Profit after tax and comprehensive income for six months is Rs. 1.5 crore versus profit of Rs. 4.9 crore in same period last year. Profit for the current quarter is Rs. 11.2 crore. Manufacturing revenues for six months is Rs. 201 crore versus Rs. 218 crore. Exports and deemed exports contributed to 64% of manufacturing revenues.

Manufacturing order book including our Turkey operations stands at Rs. 1,080 crore, that's Rs. 287 crore of TDPS India, Rs. 711 crore of Railway business, and Rs. 82 crore is our TDPS Turkey pending order. Order inflow for six

months, including TDPS Turkey, has been Rs. 248 crore versus Rs. 233 crore in the manufacturing business. Order inflow from direct and deemed exports is Rs. 110 crore. Project's business revenue for six months is Rs. 5 crore flat versus Rs. 5 crore same period last year. The order book for the projects business stands at Rs. 26 crore.

On a consolidated basis; - our total income is Rs. 261 crore versus Rs. 235 crore of same period last year. Profit after tax and comprehensive income for six months was Rs. 8.8 crore versus a profit of Rs. 4.2 crore in same period last year. Profit for the current quarter is Rs. 18.6 crore. Our consolidated order book is Rs. 1,105 crore, breakup is as follows; - manufacturing business total Rs. 1,080 crore as I have already explained earlier and we have our projects business pending order of Rs. 26 crore. We continue to maintain a strong cash position of Rs. 171 crore.

Let me quickly come onto the guidance for this financial year, FY 21. We continue to hold onto the guidance of FY21 as indicated in our previous calls. So the manufacturing business TDPS India will deliver a topline of Rs. 475 to Rs. 480 crore with an EBITDA margin ranging between 10% to 11%. We expect Rs. 130 crore in Q3, which is the current quarter and we will do Rs. 150 crore in Q4. TDPS Turkey, we continue to hold the topline guidance as mentioned earlier of Rs. 100 crore with an EBITDA of 15% to 16%. We expect to do around Rs. 35 crore in Q3, in the current quarter, and Rs. 10 crore in Q4. As you can see over here second half revenues for TDPS Turkey, most of it will happen in this quarter and rest of it will happen in Q4. Our total manufacturing revenues will therefore then be a summation of both TDPS Turkey and TDPS India which will be between Rs. 575 crore and Rs. 580 crore. Our project's business will have a topline of Rs. 35 crore, all our subsidiaries are going to be profitable expect for the US subsidiary which will break even on an EBITDA basis.

Let me talk a little bit about the operations, order book, and market conditions. In TDPS, we have been investing continuously, right through the COVID-19, in robotics and automation. We have also been negotiating with our union for productivity agreement and we have been successful to get them to increase productivity by 20% with combination of automation as well as reduction of idle time. We expect this to have a significant impact on our efforts of cost control. On a standalone basis, our revenue expenses have reduced by Rs. 5 crore in comparison to previous period last year. Travelling cost has reduced dramatically and while this may increase in the future, I believe it will never go back to the old days since the ways of doing business have changed forever. We believe that the travel, we need to travel for new customer acquisition, but I do not think travel will be as much as before to maintain existing relationships since expectations have changed. During the last earning call, we had mentioned that the order book would capture the numbers of last year including Turkey which is an integral part of our manufacturing business. Our order book for manufacturing has crossed last year, Rs. 248 crore versus Rs. 233 crore.

Now, let me discuss the business scenario segment wise and discussing the business scenario would be focused mainly looking at the FY 22 business. Steel, so far the order inflows have been depressed in India, but we have received a good number of orders for end use in Germany, UK, and the US, and these have kept

our numbers intact so far. We see the domestic market improving rapidly from now especially in steel, cement, distilleries, and chemicals. This, we believe, will be two strong order inflows over the next six to eight months which will impact our business for FY 22. Engine business, they supply a large number of engines to our main engine customer based in Austria. Next year demand is expected to remain flat with this engine customer, but we expect good orders with new engine customers that we have developed based in Germany. The product qualifications are progressing well. We have also successfully delivered all the nine unit for the 9-Megawatt generators for desalination plant to this engine customer. The engine business in general is a shop factory business and we can expect orders all the way to three months for the year ending, so we have a lot of time to report on the progress of this business for the next FY 22. We believe that definitely there will be an increase of engine business in FY 22 compared to FY 21.

Hydro, except for Turkey the overall business will be down for Hydro next year. This segment requires travel and without travel it is hard to finalize orders. We expect this business other than Turkey to reduce by 20%. In Wins, we have added one German customer, this generator has been dispatched and after reaching Germany, it will go through qualification. We expect some volume of business from this customer in FY 22. Our strong railway business, progress in the segment is as per original plan next year revenues are on track to cross Rs. 100 crore. Turkey, we have record order book for Q1 FY 22 in Turkey at almost € 6 million and we are really bullish about the future in this market. We have delivered 30 generators to geothermal, hydro, biomass applications and we have commissioned 25 machines already. The products are well accepted in the market and are regarded as high-quality and we are regarded as a high-quality supplier. At this point of time, we are the single largest player in the market and at the moment we see no competition.

I can give a rough guidance for next year at this point of time. FY 22 will be better than FY 21 for TDPS India. We are now projecting a huge growth at this time, but we have a very positive outlook based on the current scenario. If the COVID vaccine works, the world will come back to normal very quickly and there will be a release of pent-up demand. TDPS Turkey has a € 6 million pending order execution in Q1 FY 22 and we expect incentives to be reviewed based on discussions we have been having with senior Turkish officials in the Government and based on that, we believe we will do well in Turkey again next year.

This brings me to the end of my initial remarks, I will be happy to address any questions that you may have. Thank you.

**Moderator**

Thank you very much. Ladies and Gentlemen, we will now begin the question and answer session. Our first question is from the line of Himanshu Upadhyay from PGIM Mutual Fund. Please go ahead.

**Himanshu Upadhyay**

Good Morning and congratulations on good set of numbers, my first question was in last quarter we had stated about defense orders especially from Navy and all that side. What is the progress on that and are we getting any new orders or how is the outlook on that segment, and what can be the potential size of that business in future, the way you look at it?

- Nikhil Kumar** We are going to execute this order either by the end of March if possible this year, but definitely it will happen in Q1 next year. There are still some inspections to be done and if we can manage to do it this year, we will do it this year, otherwise it is going to go to next year in April. As mentioned earlier, it is something like could be a Rs. 20 crore consistent business per year.
- Himanshu Upadhyay** One more question was from the time when we got listed till today, our nature or our business has changed, I would say we are more into, at that point of time, thermal was a bigger proportion, today other businesses have become a bigger proportion of our revenue. How is the margin profile in the various segments where we are operating, are these better margin profile businesses or the margin profile remains the same and how is the, can you give some guidance on that side or because we are more into now railway engines and which will be a bigger proportion, and again at that point of time Turkey was not there. Now, today Turkey is also there, so just some thoughts on how the gross margins are there in the various segments where you are present and again geographically also if you can give some idea, it will be helpful?
- Nikhil Kumar** It is a little complicated question to answer in a simple way. Basically, in 2000 after the IPO, we were mainly making steam turbine generators and mainly domestic play and we had very good EBITDA margin in the region of I would say 60%-80%, but we also expanded our capacities, we expected the market to grow and we doubled our capacity based on the money that we raised through the IPO increasing our cost quite significantly and then the domestic market did not really take off as we expected in fact it collapsed. So, we have spent quite in the past six or seven years developing new markets, new products, and developing our business in different geographies all over the world and it has taken time all I can say is that it has taken time. Now, if we are able to load the factory at this level or with the higher level, we will see that the EBITDA margins will improve, so it is an operational efficiency thing and we need to load the factory to Rs. 600 crore-Rs. 700 crore in India and then you will see the margins coming back to where it was in 2011-2012. TDPS Turkey is a profitable business for us. We are making extremely complicated machines over there and technically very complicated machines, so we are able to get the price that we want and keep a good margin profile because of the nature of the product.
- Himanshu Upadhyay** One question more, over last few years we have added many a segments from where we were at the point of five to six years back, is there any other opportunities you think which can be a bigger or not just geographically in the product segment I am more focused on, my question is more on the product segment?
- Nikhil Kumar** Although I have not mentioned this a lot in the past, we are actively working on developing the Indian Railways business for traction motors. We see a big vacuum over there in the market right now and it is a large business, it is about regularly on an annual basis, it is Rs. 500-600 crore business and we are entering this business quite aggressively and it may take a year or two to develop, but we want this to be a Rs. 100 crore segment for our business in the future in Indian Railways, and it is possible to do it.

- Himanshu Upadhyay** One last question, generally in capital goods, the steadier business or the margin contribution is always spares and services and in traditional business of generators, the spares and services was very minimal and the life of the product was very long, but the newer segments where we are entering, do you think the ability to have more spares or services would be higher or you think it would remain as it used to be there in earlier or the actual older product was this. Just some thoughts on that, so when you enter traction motors or newer businesses, do you think that the spares and services business can be bigger proportion over a period of time or you think it will remain as it is?
- Nikhil Kumar** Yes, it will remain as it is because the product is basically the same and the expectations of reliability are the same and we have to build machines that last for minimum 15-20 years, so that is the expectation from the customer and we will deliver on that.
- Moderator** Thank you. Our next question is from the line of Vivek Kumar, an Individual Investor. Please go ahead.
- Vivek Kumar** Nikhil, can you throw more light on this Indian locomotive business that you are talking about, is it about Government's plan to electrify everything and at what stage is that business for us, can you throw more light?
- Nikhil Kumar** It is in the early stage Vivek, yes it is part of the Indian Government's plan to have electrification and right now Indian Railways is only building electric locomotives and they have more or less stopped manufacturing diesel locomotives. So this is the motor business for Indian Railways its fairly large, it is Rs. 600 crore business annually. We wanted to understand this business completely before we got into it. We also wanted to have some experience in making this product before we jump into it, but now that we have good experience with these products, we are confident that we can enter the business, it is quite competitive let me say it is not that there is a big vacuum or there is a shortage of suppliers. It is quite a competitive segment but we believe that with our manufacturing technology and with our cost, we will be able to do well in this segment and get a good share. So far that business is dominated by Crompton Greaves and BHEL, there are lot of other smaller companies that one does not really know the names, but there are number of smaller companies that do this business. But it is an attractive regular steady year-on-year business and it is going to keep growing, so we want to enter this segment and become one of the major players in this segment. It may take as I said two or three years, but we have already made the beginning.
- Vivek Kumar** You are confident that you will get some X one of the four or five three players?
- Nikhil Kumar** My plan is to get into Rs. 100 crore business let us put it that way.
- Vivek Kumar** Also can you throw more outlook on staying Indian, domestically anyway you have spoken about, but any outlook on steam, how are you looking at exports?
- Nikhil Kumar** It is good as I said because in the opening space that we have got some good orders for end use in Germany, UK, US, and so far those have kept our numbers intact, but the major volume business really comes from the domestic market and from our domestic OEMs for steam turbine and I see their business increasing

rapidly in the next six to eight months, and consequently we will also get the benefit of that.

**Vivek Kumar**

I have seen that Telangana Government putting up waste to energy plant and they are planning, are you seeing any other State Governments doing any talks or any movement in that direction by other Governments, waste to energy or you are not aware of anything?

**Nikhil Kumar**

I think every municipality is supposed to in the whole country. It should be and these things take time in India, but eventually it will, there will be a strong waste to energy it should be domestic portfolio steam turbine business in the future. It is really hard to put a timeline on that, some States move faster than the others.

**Moderator**

Thank you. Our next question is from the line of Manish Goyal from Enam Holdings. Please go ahead.

**Manish Goyal**

Thank you so much and very Good Afternoon, Nikhil. Just to carry on from the steam generator business, so Nikhil just globally we have seen the large supercritical power plant, the overall demand for large power plants have been coming down, but at least on the smaller and mid-size there has been some consistent demand, so if you want to take a three to five year perspective, how do you see this smaller power plants business doing and what are the key growth drivers of the sustenance of the demand coming from, if you can just give a perspective on that?

**Nikhil Kumar**

You are right Manish, the utility large coal-fired power plants is a dying business worldwide. Probably a dying business also in our country, so there is I think worldwide people are not going to put up these large coal fired power plants, if at all China is the only country where they are still doing it. But for the smaller units let us say between 10 megawatts and let us say 75 megawatt or even 100 megawatt, there are two major segments of this part of the business. One is captive and process industry which requires steam as part of the process and I will say even wastage recovery, so this is all basically the three major engines which come from the industrial side and then of course you have biomass, garbage incineration, which is classified as renewable, so both these segments will not die out, both these segments actually are growing segments and especially in India, we are not going to see a big catch up, we are not going to see the massive addition of solar and wind which can replace a captive power plant, it is simply not possible for that to happen if you are talking about a three to five year timeline, even a 10-year timeline, it is not possible for it to happen and so this business of steam turbines will continue at least up to 100 megawatts or 75 megawatts. It will continue in my opinion at least for one decade but there is some massive change in technology that takes place then that could be mainly the battery segment, but that will affect I think the automobile industry first before it moves to the power side because that is where you will see most of the capacity for battery technology being used, being deployed first that will completely radically change the oil market and it will cause a big upheaval in the whole oil business first, then it may come to power generation next.

**Manish Goyal**

Okay, so ideally I do appreciate that at least I believe that process cogen where there is a parallel demand for steam as well as for power and the economics does

seem to a lot of some of the large industries like steel and cement to use wastage recovery, so that market definitely, but would it be possible to kind of breakup like how much of the market demand is coming from such process cogen related and how much would be say biomass renewable based and how do you see individual segments growing?

**Nikhil Kumar**

It depends on the country, so if you take most of the Western countries where we are doing business, 90% would be in the segment is coming under the classification of renewable that is biomass or garbage incineration and 10% would be let us say process. If you are talking about India, it is the reverse.

**Manish Goyal**

Got it, and Nikhil one more question on how is the competitive dynamics changing globally because we have been seeing that at least in large power plant, GE and Siemens have announced exit and so like for you as a generator player, are you seeing consolidation like what globally things are changing and is it improving prospects for you and increased market share?

**Nikhil Kumar**

There is definitely a huge capacity rationalization which is taking place in the power business globally. So, of course, GE has been the first to I would say get affected by this, let us put it that way and they have dramatically reduced capacity, but that is mainly on the larger gas and larger steam side. Siemens is the largest player in the market right now and they have spun-off the energy division into a separate company, it is no longer a part of Siemens AG and we are hearing that they are sitting on lot of excess capacity and they will also have to do something about it and they will probably do something about it, because now they are separately listed entity and they will have to survive this on their own P&L. So I see that they will definitely in my opinion that they will also go through very big changes in their rationalization of capacity, and while they do that, I believe that the smaller sizes between lets say 10 megawatt to 15 megawatt or 16 megawatt, they may take a decision that it is no longer profitable for them to make these machines and then that will open the market further for us. I believe these changes will take place in the next one year to two years, it takes little bit of time for these large companies to take big decisions like this, but eventually it is going to take this.

**Moderator**

Thank you. We will take our next question from the line of Ravi Swaminathan from Spark Capital. Please go ahead.

**Ravi Swaminathan**

Sir, Good Afternoon, congrats on a good set of numbers, my first question I joined a bit late, so if you could give an outlook on the domestic market what is the current size of the generator market, how it has grown in the first half or compared to last year and which are the pockets?

**Nikhil Kumar**

I have done some quick estimation, so this 1,000 megawatt business is dropped to something like half to 500 megawatt after COVID and I think it is going to get back to 1,000, so it will get back to 1,000 pretty soon and segments are Steel, cement, distillery, ethanol, chemical.

**Ravi Swaminathan**

The metals, are they showing growth Sir, any encouraging signs of growth from those things?

- Nikhil Kumar** I think it is on the recovery part, the prices of all metals have fallen dramatically during this COVID time and they have all taken a big hit, but all metal prices are on the way up dramatically and it is leading to recovery in those industries. Now, they may wait for a few more months before they take decisions to start investing once again. I think if the trend continues, they will start.
- Ravi Swaminathan** With respect to the metal prices going up, so just want to, my second question is with respect to many of the companies with whom we speak they are saying, metal prices have started going up, commodity prices have started going up and that may put some pressure on margins. How is it for TDPS so basically will it impact margins a bit or do we have enough headroom for increasing prices going forward?
- Nikhil Kumar** We have some headroom to increase prices, first of all there is going to be an impact of this raw material prices on our margins for sure, so it is now a question of how much what we can do to offset it, I believe that we can offset it by price increases, we are also lucky that the Rupee depreciation has been quite significant against the Euro so a large part of our exports is coming through Euros so we will see quite good amount of additional money coming next year from these depreciation of Rupee versus the Euro and I think both these things will more than offset the increase in raw material prices or costs.
- Moderator** Thank you. Our next question is from the line of Rohit Balakrishnan from VRDDHI Capital. Please go ahead.
- Rohit Balakrishnan** Nikhil, a very broad question first off, so based on what you see right now, you see like FY 22 being better than FY 21 for us overall?
- Nikhil Kumar** This year we said we will do Rs. 480 in the manufacturing business in India and we have Rs. 100 crore plus coming from Turkey, so it is something like Rs. 575 crore or so. We will be somewhere close to that next year or if as I said in India we will definitely be little bit better than what we did this year, so maybe some growth this year from India, and Turkey they have a very strong first-quarter but the incentives run out in end of the first quarter. But I believe that we have been talking to the Turkish Government officials that they will extend the incentives although different conditions, but in whichever way that they extend the incentives, I think it is fine as long as extended and it is a good market to be in, so we believe it can be a steady state around € 10 to 12 million market for us, so close to Rs. 100 crore once again, so I am cautiously optimistic about and we are definitely going to grow right and we are definitely going to also have a improvement in the margin profile next year, but how much a growth I can tell you probably, and can give you better idea at the end of the next quarter.
- Rohit Balakrishnan** Typically in Turkey like how does the, typically what is the order cycle, so the incentive run out in December as of now, so order booking you already have a robust Q1, do you expect that let us say in a scenario that incentives reduce in 2021, do you expect a surge in the next couple of quarters or that is difficult to, are you hearing anything of that sort essentially?
- Nikhil Kumar** There was the first deadline which was October this year and then they gave two additional deadlines, they gave December, so people who commissioned by December this year will get the incentive starting from '22 and then people who

commissioned by June will get the incentive starting from '23 for 10 years. So this incentive announcement came out, there was only a little bit number of projects that could actually be completed and generate power by June next year because it is not just the generator, but you also have to build a power plant and get the turbines and other equipments, so it is not only about the generator lead that. So only a certain number of projects have been able to take the risk to order equipment in fact to meet this deadline of June and that as I said has resulted in business for about € 6 million for us for Q1. But there is a lot of other stuff in the pipeline which cannot catch this deadline, but nevertheless still in the pipeline and it is a really good market for hydro and for geothermal, very strong renewable energy market, it is probably one of the largest markets in the world for hydro and probably one of the largest markets in the world for, it is the largest market in the world for geothermal.

- Rohit Balakrishnan** So right now let us say in this year and FY 21, how much would be hydro business for Turkey, Nikhil?
- Nikhil Kumar** I do not have that number on the top of my head right now, Rohit, I will revert back to you.
- Rohit Balakrishnan** Just one bookkeeping question, so in the cash flows there is this other receivables which has gone up by about Rs. 16 crore, can you just explain what is that, Rs. 17 crore increase in other receivables, I could not really place that in the balance sheet, so if you can just help me with that number?
- M. N. Varalakshmi** Sir, actually the sales have been high in Q2, so that is why the receivables have gone up.
- Rohit Balakrishnan** Madam, actually when I look at your trade receivables and number actually have reduced in the balance sheet from Rs. 173 crore in March to about Rs. 160 crore, so there is a reduction which is also alluded in the cash flow statement which says that there is a decrease in trade receivables about Rs. 5 crore, just below that there is Rs. 17 crore I just wanted to understand that?
- M. N. Varalakshmi** Okay, I will come back to you after this call.
- Moderator** Thank you. Our next question is from the line of Himanshu Upadhyay from PGIM Mutual Fund. Please go ahead.
- Himanshu Upadhyay** On key business, what we are doing in Turkey is majorly wastage recovery and those machines only? And what is the thought process from here on, means how large is that market and is it catering mainly to Europe market or also some exports outside Europe in the Turkey?
- Nikhil Kumar** We are making the machines exclusively for the Turkish market, its mainly hydro and geothermal and to a smaller extent it is wastage recovery and biomass. And it is the domestic market, it is as I said it could be € 10 to 12 million market per year for us.

- Himanshu Upadhyay** Okay, but not across Europe means is there any challenge to means cater to the whole?
- Nikhil Kumar** It is cheaper for us to manufacture in India and export our machines from India to Europe, Turkey is definitely a higher cost country compared to India.
- Moderator** Thank you. We will take our next question from the line of Abhibrat Sharma, an Individual Investor. Please go ahead.
- Abhibrat Sharma** In the last con call you mentioned that you were doing some business with Indian Navy, so what is the update on that?
- Nikhil Kumar** I already gave an update, so we are in the process, we should deliver this machines by end of March definitely early April, so the project is on a fast track and it will be completed definitely by early April.
- Moderator** Thank you. Our next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.
- Deepak Poddar** Thank you very much Sir for the opportunity, Sir just wanted to understand we have seen a big jump in our EBITDA margin, what are the one to three key reasons for that because your gross margin remains the same largely, is it the operating leverage advantage that we got?
- Nikhil Kumar** Yes, operating leverage, we also reduced the revenue expenses quite a lot and you also see that Turkey has added almost 40% of the margins coming from Turkey, so that will be the main reasons. When we do Rs. 130-140 crore manufacturing business from Bangalore, we make these kind of margins.
- Deepak Poddar** Right, so you do not expect such margin to continue because your mix will change going forward in terms of your turnover?
- Nikhil Kumar** Why do you say that, I have already given you a clear guidance that we are going to continue the same level of business in Q3 and in Q4. I have already given the guidance for Turkey, it is going to go all the way up to Q1, so why do you say that it is not going to, next three quarters definitely we are seeing clear signal that this is going to be a margin profile at least next three quarters.
- Deepak Poddar** Okay, Sir the reason I asked was because in the India manufacturing you are still seeing about 10% to 11%, so if you kind of have combined India with Turkey, so your margin profile will decline from current 15%?
- Nikhil Kumar** Sorry, I did not understand, could you repeat the question please?
- Deepak Poddar** For India manufacturing you already mentioned we are still looking at about 10% to 11% EBITDA margin, right?
- Nikhil Kumar** At the end of the year, yes.

- Deepak Poddar** So if you combine India and Turkey, you still will be having less than 15% margin because India is your like 80%?
- Nikhil Kumar** Correct.
- Deepak Poddar** So that is what I wanted to understand this 15% margin is sustainable, that is what you are saying?
- Nikhil Kumar** Current level of margin what we made this quarter in Q2 is not a one-off, we have sufficient business to perform at the same level for the next three quarters, this is what I mean to say.
- Moderator** Thank you. Our next question is from the line of Adit Shah from Vibrant Securities. Please go ahead.
- Adit Shah** Hi Nikhil, my first question is on the gross margin over the last two quarters, we have delivered 32% which is on the higher side of our historical ranges, so going forward do you want to hazard a guess on the gross margins? Number two on the operating expenses considering that we have negotiated a high productivity with the current workforce and also some automation, so earlier you had guided that you can safely assume that OPEX should not grow more than 5% to 6%, so should we assume the same guidance?
- Nikhil Kumar** First question, the gross margin 32% would be a very, very sweet spot for us and that is the goal of the Management to get to that in consistent basis so all our actions in terms of the price increases or cost reduction on the product side as well as let us say getting some benefit from the exchange rates, we should definitely be around 32%, let me be little conservative in saying that 31%-32% is where we should be at the end of the year. Coming to the second question about costs and productivity, 5%-6% per year is on the higher side, we would definitely like to control within let us say 3% to 4%.
- Adit Shah** That is heartening to know, on the export side what are the general receivable days for us and number two is I just read about in UK there is their first geothermal project, so did we bid for that or did we have business there in UK or are we trying to look at new markets for geothermal?
- Nikhil Kumar** I do not know about the project in the UK, but geothermal once again we worked through OEMs and there are two or three companies in the world that dominate geothermal business and there is a leading Israeli company called Ormat and we have just started working with Ormat, so many of our projects in Turkey are with Ormat and we will start working with them globally, they have said after about, they want to see the performance with machines for six months and then they will roll us out globally, so we will get to a global stage on geothermal through Ormat I would say sometime next year.
- Adit Shah** What is the size of the geothermal globally, opportunity annual?
- Nikhil Kumar** Ormat does about, it is about 600 or 700 megawatts per year globally of which I think Ormat by itself does about 400 megawatts.

- Adit Shah** What is that in number for Turkey within that?
- Nikhil Kumar** Turkey itself will be 150 megawatt, 200 megawatt market.
- Adit Shah** Got it, so that is I think more than 30%, and what about the receivable days within exports, is it like four to five months, is it safe to assume it will remain that?
- Nikhil Kumar** For some customers it is 45 days, with our long-term marquee customers it is within 90 and 120 days,.
- Adit Shah** So you do not expect the working capital position to improve or should remain at these levels right, 30% to 40% of revenues?
- Nikhil Kumar** No, receivables is, what we can do is we can improve operational efficiency and reduce our inventories and receivables.
- Adit Shah** Okay, Nikhil one more thing; any opportunity for us in oil and gas sort of turbine-driven generators?
- Nikhil Kumar** Drive turbines are turbines instead of driving a generator, they are driving a compressor or driving something else, they are not driving a generator so that is why it is called a drive turbine not for power generation. We have still not made a big inroad into the oil and gas market, we have just started from business with solar gas turbines, which is a big player in the oil and gas market for turbine below 25 megawatt, but it is a long, slow process and we have not yet made that big breakthrough to work with Exxon or with Shell or, we still have not made those breakthrough as yet, those guys control all the business so we have to get into one of those large companies and then we can get into the oil and gas market, but it is really, really hard to crack into that, we still are not able to do that.
- Moderator** Thank you. Our next question is from the line of Anish Jobalia from Banyan Capital Advisors LLP. Please go ahead.
- Anish Jobalia** Good Afternoon Nikhil and thanks for the opportunity, at the start of the year with the kind of back ended you are seeing the order inflows, we kind of thought that FY 22 could look better and even cross Rs. 700 crore. Our order inflow in the first three months in Q1 was nearly Rs. 99 crore, which is Rs. 33 crore per month and that further got increased to nearly Rs. 50 crore in Q2 and we are also expecting to do only Rs. 55 crore in the railway business for the entire year and Rs.100 crore in the next year incremental Rs. 45 crore opportunities and our customers in India are just looking about good pick up in the enquiry levels in the domestic market for steam turbines and which you also kind of alluded that we could see good order inflow in the next six to nine months, so just to understand like why are we just cautiously optimistic for and if you could help me to understand what am I missing?
- Nikhil Kumar** You are right, one could be bullish. I think we are bidding aggressive but are being cautious in giving the projections out here because I think from TDPS' side, the Management side, from our side, we want to deliver consistent results quarter-on-quarter and we want to deliver as good results as we had done in Q2 for the upcoming quarters and we will now do that for the next upcoming quarters. It is just

that we are aggressive in pursuing more business and as and when we are successful we would report it to the market. But whatever is happening nowadays is rapidly changing situation, so today it is something, tomorrow it is something else, and we do not want to go out and make really bullish projections and then fall flat on our face, it is as simple as that.

**Anish Jobalia** Okay, just a follow up is there any other positive developments in terms of any new orders that we could prospectively take going forward?

**Nikhil Kumar** There are a lot of, we had put our fingers in lots of pies all over the world, so it is hard to answer that question specifically, but there are lot of things that we are doing right now, maybe segment, so let us hope that we will be lucky and win some big orders and we will, it is a question of sometimes you win one big one and then that changes the number completely.

**Moderator** Thank you. Our next question is from the line of Rohit Balakrishnan from VRDDHI Capital. Please go ahead.

**Rohit Balakrishnan** Just in terms of this geothermal Nikhil, you said that this Israeli company, Ormat, they will sort of see us for the next six months, so this six months ends when exactly?

**Nikhil Kumar** There is not going to be like a cut-off date, I think around March next year we start talking to them and then they start including our name in some of the projects that they are bidding on and then those negotiations will take some time, but this whole, we are in the Ormat system, so we have delivered now five large machines to them, 30 megawatt size approximately and they are all commissioned working in Turkey, so touchwood everything should go well and there will be impressed and they will give us in other markets all over the world, they will, we are definitely cost competitive compared to the existing supplier, the machines are performing really well so far touchwood and we have to be patient and wait.

**Rohit Balakrishnan** On the engine side, the new customer that we supply the desalination engine, so how is that progressing, you were expecting him to be a big customer?

**Nikhil Kumar** We delivered, now they have to be commissioned and they have to run and everything in the end comes down to the performance of the machine, so probably by next quarter we will have some results to report to you.

**Rohit Balakrishnan** Got it, just to understand Nikhil, so in terms of once these machines are delivered and hopefully the performance should also, there should not be any surprises there, but once these go through them, is there a negotiation cycle or I mean because you mentioned in the past that you expect them to be Rs. 1,900 crore kind of customer for you, so I mean obviously so just want to understand how this will ramp up and any thoughts on that?

**Nikhil Kumar** I have an idea of what it should be like for next year, I will give clarity at the end of next quarter what it could be, I cannot give you a number right now.

- Rohit Balakrishnan** Just one more question, you mentioned Hydro being a bit challenge because of travel restrictions, has that incrementally improved the travel restrictions sort of have incrementally been eased out and that continues, so has that improved and you expect sometime maybe not for the next year, but order inflow during the next year or the subsequent year, would that come back or do you see that also early discussions right now not sort of recovering?
- Nikhil Kumar** I do not see travel really better than what it was during March, April, May, but it is still not, they cannot freely travel in another country without crazy quarantine restrictions and things like that, so it is not really back to normal and even if you step out of India you come back, you get into a 14 day quarantine, so it is not normal and to answer your question about whether the Hydro projects will come back, yes it will come back but if you ask me when exactly, it is hard to say, I think next year is going to be effective and we hope that next year things will improve dramatically and life will get back to normal and we should see a good business back to normal in FY 23.
- Moderator** Thank you. Sir, that was the last question. I now hand the conference back to the Management for closing comments.
- Nikhil Kumar** Thank you for this extensive interaction everybody. We are really happy to discuss our numbers with you and we are looking forward to another good quarter and we will talk to you once again after three months, thank you very much.
- Moderator** Thank-you members of the management. Ladies and Gentlemen, on behalf of TD Power Systems Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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