

August 21, 2024

The Corporate Service
Department
BSE Limited
P J Towers, Dalal Street
Mumbai - 400 001
Scrip Code: **533553**

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

Dear Sir/Madam,

SUB: TRANSCRIPT OF EARNING CONFERENCE CALL – QUARTER ENDED JUNE 30, 2024.

In furtherance of our letter dated July 26, 2024, regarding intimation of earnings conference call, the transcript of Q1FY2025 earning conference call held on August 14, 2024, is enclosed and same has been uploaded on the website of the Company at www.tdps.co.in.

Kindly take the above on record.

Yours faithfully,
For TD Power Systems Limited

Bharat Rajwani
Company Secretary & Compliance Officer

Encl: A/a



“TD Power Systems Limited
Q1 FY '25 Earnings Conference Call”

August 14, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 14th August 2024 will prevail.



TD Power Systems Limited - Management:

Mr. Nikhil Kumar – Managing Director

Ms. M N Varalakshmi – Chief Financial Officer,

Moderator:

Ladies and gentlemen, good day, and welcome to the TD Power Systems Limited Q1 FY '25 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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 call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

Now I hand over the conference over to Mr. Nikhil Kumar, Managing Director for TD Power. 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 trust all of you have received our results and investor presentation. Now let me get into the details about the TDPS's financial performance for the quarter ended 30th June 2024.

Our total income on a consolidated basis was INR2.77 billion versus INR2.24 billion, an increase of 24%. Profit after tax and other comprehensive income for the quarter is INR356 million, versus a profit of INR261 million, an increase of 36%.

We continue to remain a very strong cash position of INR2.26 billion. Our total stand-alone income for Q1 was INR2.66 billion versus INR2.36 billion over the same period last year, an increase of 13%. EBITDA for the quarter is 17.35%, including other income, but excluding exceptional and treasury income.

Profit after tax and comprehensive income for the stand-alone for the quarter is INR312 million versus a profit of INR291 million in the same period to the previous year, an increase of 7%. We have had a

temporary cost increase due to large deployment of temporary workmen, additional subcontracting in the quarter due to union issues.

However, the situation is largely mitigated in Q2, and we will see a tapering and dissipating effect of this in the following quarter. Outlook for Manufacturing segment is INR12.15 billion, out of which INR7.88 billion is generator and motor, INR3.94 billion is Railways, spares, and aftermarket business of INR0.16 billion and the Turkey business is INR0.17 billion.

Export and deemed export business for us, for our motor and generator business, excluding railways, is 66%. Order inflow has increased by 25% over the previous year as follows: Strong order inflow momentum continued in this quarter also, both from domestic and international markets.

This is the highest order booking in the history of the company. It had an order inflow in the current year of INR2.97 billion, and the previous year, we had an order inflow in the same first quarter of INR2.37 billion. We have extremely strong growth in the export business from gas turbines, gas engines and also from motor. Order inflow from direct and deemed export is INR2.14 billion compared to INR0.87 billion in the previous year. Exports and deemed export order inflow is 72% of the total order inflow for Q1.

Now I move to order book market guidance. Our market conditions, overall, the order inflow continues to be very, very strong from both domestic and exports in our motor and generator businesses. This rate of order inflow will support the sales guidance that we have given for the present year, that is, FY '25.

Most likely, we expect the number to be in the region of INR1,200-plus crores. This is a growth of 20% in top line compared to the previous year. Margin growth will be faster than sales growth due to operational leverage. Margin growth will be in the region of 3% to 4% more than the sales growth.

Now coming to order booking scenario, domestic market. Order booking in the domestic market in Q1 was weak. We have seen the slight pause during the first quarter due to the election effect. We had a very strong pipeline, but orders were not getting decided.

Now halfway into Q2, we can see the pickup in order bookings and the strong uptake in the domestic order inflow. However, in the international market, it's just the reverse case, our ordering in Q1 was driven by big orders in the segment of hydro, gas turbine, gas engines as well as motors.

The gas turbine and gas engine business is strongly driven by demand in oil and gas, data centers, artificial intelligence, grid stabilization power plants. We are also seeing big orders coming in from Ukraine for gas engines since war-affected country has severe power shortages. Both our major engine customers, gas engine customers have asked us to be ready for a huge increase in order volumes for next year.

Hydro in Southeast Asia, Nepal, and parts of Europe continues to be booming with a strong pipeline of orders and inquiries. The Indian market is also slowly picking up, and we have some orders from Himachal Pradesh and Karnataka.

In the Motor business, we continue to grow the business in a healthy rate and this year, we will definitely cross INR1 billion order inflow. In particular, we're getting a lot of export orders from the Middle East and to providing great references for us to build our business for the future.

We are also executing orders for motors to be used in hazardous locations for the oil and gas market, which will open the door for big orders in the future. In general, they're concentrating on oil and gas, water, utility, lift irrigation, nuclear power plants and large motors required for fans, pumps, and compressors.

In the Railway segment, we are waiting for a change in the business scenario in the domestic market. However, we are pursuing a number of exciting export opportunities, and we will come back to you after we have some success in this segment.

We are close to half-way point in the financial year and so the majority of the incoming orders has start moving into next year, FY '26 for execution. Based on the order inflows that we had in Q2, we have reached the order bookings required to meet our targets for this year. Looking at the trend in pipeline, we are extremely upbeat about the numbers for next year. More guidance will be provided in the upcoming quarters.

Lastly, export markets continue to be the driving force for our growth. It covers more products for TDPS and more geographies. We also have more OEMs.

Some of them are giants, and we have a much larger market to address. While the domestic market will always be important to TDPS, much larger opportunities lie outside India and more sustainable demand. We are guiding for about 65-35 or 70-30 as seen the ratio of domestic -- sorry export order inflow to domestic order inflow for the next 4 to 6 quarters.

This brings me to the end of my initial remarks. I'll now be happy to address any queries that you may have. Thank you.

Moderator: Thank you very much. The first question is from the line of Rahul Jain from JM Financial PMS. Please go ahead.

Rahul Jain: Congratulations on a good set of numbers. I have 2 questions. So at what capacity utilization are we trading right now? Sir I see when the generator supply in the last 8 quarters has been in the range of 120 to 130 approximately. And when -- so when do we see volumes inching up? Or will the year be more of a realization-led growth?

Nikhil Kumar: No, I'm sorry. I think the numbers that you have are wrong. Varalakshmi, can you correct numbers on the total number of generators?

Rahul Jain: Generator supply. Yes.

M. N. Varalakshmi: Generator supply. I just give you the number, just a second please.

Nikhil Kumar: This is not a realization-led growth. We are producing more machines...

M. N. Varalakshmi: 6,419 generators.

Rahul Jain: When I see on quarter-on-quarter basis, it has been in the range of 120 to 130 generators supplied.

M. N. Varalakshmi: 122 was during...

Nikhil Kumar: So if you see larger generators, we will have a higher value, and we have a lower number. So I think...

M. N. Varalakshmi: In terms of generators.

Nikhil Kumar: Yes. So I think I have answered the question. This is not a realisation led story. We might have produced larger machines in Q1 this year compared to Q1 last year and so that will have a higher value. We are running pretty high on capacity utilization right now. And our new plant will not be ready until H2 next year. Of course, we have capacity, and we will not let go of any orders or let go of any growth opportunities just because of the situation. We are doing everything to push the capacity utilization in order to increase capacity within the existing plants until the new plant is ready. At the moment, we're quite full.

Rahul Jain: Sure, sure. Sir, my second is like, I know you have explained a few things very well on the demand side, but we wanted more color on the same. So when I see your order book breakup, analyze it over the past few quarters, domestic order book has been largely flat, whereas export order book has been scaling up quite well. So on the export side, which markets I am saying in the past 3, 4 quarters, and which are the markets you expect to see demand continue to be healthy?

And on the domestic side, how is the demand shaping up for you? So in which product segment or which markets are you seeing good traction?

Nikhil Kumar: As I mentioned in the earnings call speech, for us, exports present a much larger opportunity because we have more verticals. We are working in the gas engine business, gas turbine business. We are geothermal, then we have the traditional steam turbine, hydro, and we're also looking at export opportunities for traction motors outside

India. So definitely, for us, the export market is a much larger opportunity, and we are seeing more growth coming for us from these segments. In particular, we are seeing very, very big growth taking place in gas engines, gas turbines and hydro.

And looking at the pipeline of orders that we have, the indication that has been given by the OEMs for next financial year, they have asked us to be ready for big number increases. So we are expecting that the volume of business for exports will continue to be sustainable and will grow significantly for next year, indicated volumes have been given to us to be prepared. And all I can say is that it's extremely exciting, and we will have extremely good growth next year also.

Rahul Jain: On the domestic side?

Nikhil Kumar: On the domestic side, yes, okay. So the domestic side we had a little bit of a drop in Q1. We are seeing the market picking up once again in Q2. Overall, for us, the market is not going to grow in the same -- it's going to grow, but it's not going to grow at the same rate at what the export markets have grown for us. So it's where it is. We're not losing any business on the domestic side, but the domestic market has to recover from the first quarter and then overall for the year, a recovery from the first quarter numbers and then show some level of growth is what we can expect, but it's not going to be the big growth that we're seeing in the international market.

Rahul Jain: So we will maintain our market share in the domestic market and exports?

Nikhil Kumar: Yes, market share is not a concern point, it is growth in the domestic market, which is a concern point.

Rahul Jain: It's across the industry. That's it from my side and all the best.

Moderator: The next question is from the line of Jonas Bhutta from Birla Mutual Funds.

Jonas Bhutta: Congratulations. So if you can sort of break, it up into 2 parts. If you can talk about the strategy in the railway piece, as we head into the sunset

of the existing contract that we have with Alstom in terms of supplies over the next maybe 3, 4 years. There were expectations that they win some orders on the locomotive side, which have been delayed. Then we had this opportunity come through in terms of our traction motors. So where are we in the journey of either scaling up our railway business beyond the current INR100 crores, INR120-odd crores kind of top line. How should we think through of this opportunity over a 3- to 4-year period? That's my first question.

Nikhil Kumar:

Yes. Alstom has not won any order. They were L1 for the high-speed trains and then they – give up that order -- we knew about this 6 months ago, even though it was out in the news yesterday. We knew about this long back. There are no fresh tenders coming up for freight locomotives in the near horizon. So we are pursuing a number of export opportunities. I can say that -- all I can say at this point in time that it is fairly advanced, and we are very optimistic.

So we are looking at the export opportunities to replace this current job and current order that we have and also to provide growth for us. Both these opportunities will be long-term contracts, it will not be for 10-year contracts, but it will be more in the region of 4- to 5-year contracts. We expect to close them in the next, I would say, 4 to 6 months' time. But it's going well, and we are very well placed.

The second option for us is to produce motor -- traction motors for the Indian Railways for their production of freight and passenger locomotives. But as I've been mentioning in various conference calls, this market is extremely brutally price competitive for the past few quarters. And we have been largely staying away from that market because it does not make sense to make machines at those prices.

Nevertheless, we are producing small quantities and putting them into the market and remaining active in that segment, not withdrawing completely. So our strategy is to just be active to a minimum extent and then once the prices recover, to go a little bit more aggressive in that market.

The opportunity size is still there for that segment. It still can be INR100 crores market for TDPS. But as I said, we really can't control the price war which is taking place. More realistic, I would say, is that some of the things we're working on right now on the export business will fruitify and we will be happy to announce this to the market when it does happen.

Jonas Bhutta: Sure. The second question was around motors, the, Synchronous motors. There, if you can talk about what our development plans are. We did have a good FY '24 for that business, but the scale-up plan was going to be a lot larger. Can you talk about the progress there? And if you can couple that with because it is limited by question. So on the export gas engine side, while you mentioned the existing 2 clients have asked you to sort of ramp up production for next year. But we were also trying to crack a third OEM? And what is the progress on that?

Nikhil Kumar: In synchronous motors, while we had a good year. Last year, this business is still -- it's financed by the states and the irrigation projects of state. Payment terms are always a question mark and something that we are very careful about. So we don't start projects, or we don't start manufacturing until we are clear about payment terms.

This year, for this financial year, although we have orders, we are not very clear about money and so we not really starting in a big way with these projects. We're going to be making some motor, but it is not going to provide the growth that we had expected. But having said that, the large motor market is -- it's a big market internationally as well as domestically, and we don't have to worry about a drop in the synchronous motors business. If you say that, okay, now we have a problem. We don't have a problem. We have enough opportunities outside India as India has been making good progress, and they're going to build up the order book with extremely good order as I said in oil and gas, water utilities and also nuclear power.

This continues to be a thrust, we will cross INR1 billion order booking this year. And I will give the guidance for next year for the motor business, but it's in line with our expectations, what we have projected

over, I think last year, when we gave predictions about the motor business.

Coming to the gas engine business. For the gas engine customer, we have not been able to crack into that business. So it's -- they have decided to continue with the existing supplier.

Moderator: The next question is from the line of Pramod Dangi from Unifi Investment Management.

Pramod Dangi: Yes. My question -- first question is on the domestic market. If you can throw some light on the domestic market, what is generally helping over here. See, we are big on the steam generators in domestic market. So other industry is not growing at all in terms of the captive power plant? Or is it that the captive power plants are growing, but they are going into a different technology like solar or something else? What is really happening over there?

Nikhil Kumar: That is not happening, Pramod. I don't know. That's for sure, we cannot have captive power plants with wind or solar. That's definitely not taking place. The growth from point of view we now -- the growth has already taken place for the past 2 years in the domestic market, we've seen quite a lot of growth taking place. And so we're talking about growing from a much larger base. So we do expect something like, I don't know, 8%, 10% growth in the domestic market.

Pramod Dangi: Okay. Okay. But it's not like something -- it's not like -- because when we look at the Coal India's number, when we look at the total power situation in India, everybody talks about this power shortage at least in the last quarter.

Nikhil Kumar: There is the power shortage, for sure. And industries, all greenfield projects are putting up captive power plants for sure with steam turbine, that was for sure with no other technology which is available. It's just that the rate is not that 20-plus percent, 25% per year. That growth rate, we're not seeing in the domestic market.

Pramod Dangi: Okay. Got it. And secondly, on the new export for the railways, you said that we are pursuing a few order or one order in the export market for

the Railways, which is expected to come maybe in 2 or 3 quarters from here. Is it with similar kind of OEM which we are getting today? Or is it in a different altogether different OEMs.

Nikhil Kumar: I just gave a very brief information, Pramod, and that's all I would like to share at this point of time. As I said, we're very optimistic and upbeat about being successful in this. But until we get the more information, I would like to keep it at this level right now. I hope you don't mind.

Moderator: The next question is from the line of Rohit from ithoughtPMS.

Rohit: Very encouraging to hear whatever is your comments on the opportunity that you're seeing, especially in the export markets. I just wanted to sort of try my luck and see what are you seeing for the next year? I mean this year; you are pretty confident of achieving your numbers. But just next year, if I can sort of get something from you for next year, FY '26.

Nikhil Kumar: I think that probably we have given on an average, we have said that we're committing as a minimum baseline case, 17%, 18% top line growth so -- on a year-on-year basis and of course, the management goal is to exceed that. So this year maybe exceeding that number. And I will give guidance – the exact guidance for next year a little bit later. But as I said, the base case remains as the base case and the management's intention is to exceed those numbers to the maximum extent possible.

Rohit: Got it. And as we do that margins from wherever we will end this year, you've already said margins will grow faster by 300, 400 basis points than revenue. So that would continue in the next year also if you are able to exceed this expectation?

Nikhil Kumar: Until we start the third plant, this will be the case. When we start the third plant, obviously, there'll be some very short-term setback on that. We won't have the same differential between the margin growth and the top line growth, we'll have increased cost from the third plant. But the increase in volumes after a while will offset that, and we will come back to that trend. So except for that short, maybe 1 year or so period, third

plant will be ramping up. That is what I think for that particular for 2-year 3-year perspective, it will be able to start delivering once again on that promise.

Moderator: The next question is from the line of Suhridd Deorah from Paladin Capital.

Suhridd Deorah: Congratulations. It's been an excellent performance. I just wanted to understand with the new plant coming online, what will be the maximum revenue you can achieve all put together.

Nikhil Kumar: At this point, we are talking something like INR1,700 crores, INR1,800 crores. But once we have that plant like we have done for the existing plants, we'll find ways to push that to the maximum possible, maybe even past INR2,000 crores when we come to that stage. But right now, the plan is to take it to INR1,700 crores, INR1,800 crores to the third plant.

Suhridd Deorah: And you wouldn't -- I mean, I guess we indicated timeline to hit that number about 2 years from now.

Nikhil Kumar: I have given the guidance to the very -- a little while ago. Rohit asked my questions about a question about the top line growth. I've given my thoughts about the baseline case. And -- of course, the goal of the management is to always exceed that base line case. And based on that, we can do the quick calculation, and then you can see how many years it takes to get to that number.

Suhridd Deorah: Got it. And recently, there was some news of about some findings about strikes of the plant. Could you just tell us if there's any impact meaningful to talk about [inaudible].

Nikhil Kumar: Yes. The union has given a strike notice on the 3rd of June. And we as management, prepared ourselves that if the union goes on strike that we would need to find a way to run the factory. We got an injunction order from the court that allow us to keep the factory open when they were on strike. And the union was barred from interfering with the operational activities and movement of people, materials, etcetera.

So based on that, we prepared ourselves by hiring temporary people and getting prepared for the eventuality that they will go on strike because once union goes on strike, then by law, you're not allowed to - - you are prevented from hiring temporary workmen from that point of time onwards. So whatever you have to do, you have to do it before they actually go on strike.

Now they have not gone on strike. The strike notice is valid for 6 weeks. So the 6 weeks' time has expired, but it was given on June 3. They have not given a fresh strike notice. There continues to be a migration of people out of the union and who have accepted the terms what the management has set. There's been a steady trickle or steady flow of people who are coming out of the union and accepting our offer.

We expect that the steady flow or steady trickle will continue for some time and then it may reach a point where it may just simply increase because the other option for the union is that this dispute or raised settlement will go to the court, labour court. And once it goes to the labour court, nobody can expect a resolution for at least 3 to 5 years. And we don't want that, and certainly they don't want it. So I think in the next 2, 3 months or so, there will be a resolution to this matter.

Suhrid Deorah: My questions are on the lines of what you've been alluding to earlier on export growth being stronger. Your order book INR1,200 crores, I don't know if I had this split here. Is it 70% of this also exports?

Nikhil Kumar: No. So you have to take out the Railway business which is right now INR3.94 billion and the rest is the motor, generator business. And that pending order book is 66% export. The order inflow for the first quarter was 72%.

Suhrid Deorah: [inaudible...] So is like the company is turning to go to export markets?

Nikhil Kumar: What we see right now is that we're seeing a very extraordinarily high demand coming from gas turbine generators, gas engine generators and hydro. Very, very high demand, very, very high pipeline of jobs. And I mean, some of the numbers that we are talking about are really, really big for next year.

So the growth for the company is definitely going to come in these segments. Then we have called steam turbine which is growing. Geothermal is so growing for us in the domestic market, which is growing but it's not growing at the rate at which our export markets are growing. So therefore, the ratio was going to get more skewed towards export for us, although the domestic market is also growing.

Suhrid Deorah: I have a question. I'm asking from a position of ignorance. Europe was connected, so Ukraine would have been connected to Russian piped gas sources. Post to war, I'm guessing those pipelines are now closing, we are trying to get alternative sources. So is that already in place, whether you're getting supplied gas from different locations, and they are now using your turbines to generate power?

Nikhil Kumar: I'm not sure where they are getting the gas from. It could be getting the gas also from LNG terminals, which were installed in Europe that they get gas from. But whatever it is, there is a huge demand for gas turbine and gas engine power plants right now from the Ukraine. The basic powering structure has been destroying and they need electricity badly and a lot of it. So we have seen from our OEM customer indications of large orders coming in from Ukraine.

Moderator: The next question is from the line of Alisha Mahawla from Envision Capital.

Alisha Mahawla: Sir, first, a clarification. Did you say that the third plant is coming in '26 H2? I thought we were expecting it in...

Nikhil Kumar: It could be FY '26, H2, yes.

Alisha Mahawla: Has it been delayed by...

Nikhil Upadhyay: Next year, September -- next year, October, so we will be commissioning, September-October we will be commissioning the plant.

Alisha Mahawla: Has that been delayed. Were we earlier expecting it in H2 of this year?

Nikhil Kumar: Yes, it's delayed by about 3 months.

Alisha Mahawla: Also, any update on the tie-up that we've done with BRUSH earlier last year, what kind of orders inflow we are seeing on that? And how big can that become?

Nikhil Kumar: So while the potential for that still remains exciting, the base at which it is growing is not something that I am happy with, or my team is happy with. The potential to remain large and will remain large, but large companies -- working with large companies, there's a lot of inertia and it just takes a longer time. So we're going to give it that time. It's still that the potential for that opportunity is there. It's not going -- it's not gone away. But we need quarter-on-quarter, year-on-year growth and the numbers, then we need to get -- it's not happening there, then we need to find other ways to grow and that's what we're doing.

Alisha Mahawla: What kind of order inflow we have seen from them YTD?

Nikhil Kumar: No, I don't give individual customer order inflow numbers, I'm sorry.

Alisha Mahawla: Sure, I understand. Next, I wanted to understand you've been mentioning in the call that we're seeing good demand from the international market. But with the rise in freight cost, how we are seeing that? Can that impact our margins temporarily? Container unavailability. Can that impact our execution? Any thoughts or color that you would like to share?

Nikhil Kumar: With the problem in the shipping industry?

Alisha Mahawla: Yes.

Nikhil Kumar: I think transit times are a little bit longer and we are factoring that into our delivery times with our customers? People are asking us to cut our delivery sometimes in 1 or 2 weeks, and that's not a big deal. We can do that and that's what we are doing. I don't -- we don't see shipping costs. I mean they might have gone up, but we don't see them growing to the level that it was in the past post-COVID. So I think there's a lot of supply of container capacity coming into the market, which is keeping a check on prices. But we're not really -- we're not seeing any concern in this area at the moment.

- Alisha Mahawla:** So the increase in freight cost currently is not alarming for TDPS?
- Nikhil Kumar:** Most of our contracts are ex-post contracts for us. So we are not paying for this freight cost. Most of our customers have long-term shipping contracts with the shipping lines, where they negotiate for price stability. So we're not seeing them coming back to us and saying that it's become uncompetitive for us to ship from India. And we're not hearing this from anybody as yet.
- Alisha Mahawla:** Understood. Last question, any comments on revival in Turkey. We were hoping that may be this year things can pick up? Is there any sign of that or at one point we were considering shutting that plant altogether? Any thoughts there?
- Nikhil Kumar:** Yes, we have filed the termination notice with the -- with our to shut shop over there temporarily to pack all our equipment and leave it on standby in a warehouse. So that plan is now in motion. There are opportunities which are available in the market for some orders, but it's too small for us to think of keeping a factory open just for some small business. So we are -- we'll probably make those machine from India and ship if from India. So at the moment, the decision is to put everything, all our equipment into a warehouse and then wait for some time. But in effect, it means that we are suspending operations, not closing, but suspending operations.
- Alisha Mahawla:** Understood. And just one last clarification of the third plant, capex still continues to be INR120 crores or any revision in that?
- Nikhil Kumar:** Yes, INR120 crores plus/minus around that number.
- Moderator:** The next question is from the line of Karthi Keyan from Suyash Advisors.
- Karthi Keyan:** A couple of questions. One would be on the gas engines and gas turbine of course. Would you know the final destination for these? You mentioned Ukraine as one of the areas. So can you talk about very strong orders for next year? Would you be aware of the destination? Geographical destination?

Nikhil Kumar: Generally, you can say that the machines are going to go into Australia, U.K., Argentina, U.S. market and Ukraine generally. That's why I would say a big demand is going to be there, where we could say, probably 50%, 60% of demand is going to come from these 5, 6 countries. And the rest is going to be from all over the world.

Karthi Keyan: And given that you expect a substantial increase in volumes for next year, would you be upping your investments in automation because that's one of the points you highlighted when the plant, has it happened also.

Nikhil Kumar: No, no, no. We are not changing our investment plan. We are going to flog the assets right now that we have in current 2 plants, we'll add maybe the night shifts, and we will find a way to not to lose a single order and produce more from the same 2 plants. And then once the third plant is up and running, then we will have some relief in terms of -
- for the current 2 plants.

Karthi Keyan: Yes. If you will allow to ask you a slightly ticklish question. Given the labor issues, both in terms of the strike as well as all the political launches around, how do you think about -- and of course, the inflation aspect, how exactly do you think about this problem, say, in the near term and a relatively longer-term basis?

Nikhil Kumar: Look, I think that a wage negotiation has to be -- there is always the question of give and take. And there are 25 years of industrial peace in our with very, very good relationships with the union. Now unfortunately, this time, we have a very militant group of people who are demanding something which is very, very unrealistic. We had a number of rounds of conciliation with the Deputy Labor Commissioner and Assistant Labour Commissioner in Karnataka to resolve the issues and the feedback that we have, the offer that we have made is very -- already very generous.

So I have no doubt that what we're offering from a financial perspective is generous and it is a balance between keeping our expectations of the workmen and also keeping a reasonable balance on the salary

increases and the capability of the company to pay has always focus on which we have approached this thing.

And that also does not work for workers' salaries, it also works for management salaries. We have to use the same kind of balancing act when it comes to management salaries, where we have to expect, balance expectations of the people with the ability to pay and the financial performance of the company.

So I'm also looking at medium, short term, medium and long term, which way its direction is, what is the flow of the graph basically. We will find a solution because basically, the financial package is generous. So we will find a solution. And I said there is a trickle of people who are -- every week who are moving away from the union and joining us and taking the package. So it's over a period of time, this will just -- it will fall apart, fundamentally, because the financial package is good.

Karthi Keyan: Okay. And the reservations kind of thing becomes a headache. How do you think about that aspect?

Nikhil Kumar: I don't think that we are subject to reservations.

Karthi Keyan: Okay. Okay. Last quick question is it coming from how...

Moderator: Sorry for interruption. May we request you to return to the question queue.

Nikhil Kumar: I'll take the last question. It's okay. Go ahead.

Karthi Keyan: I was asking you about the retrofit opportunity [inaudible...]

Nikhil Kumar: It's a part of the overall market plan, the retrofit opportunity, and it's a part of the business plan. Nothing exceptional. I don't think it is anything exceptional, something to talk about right now.

Moderator: The next question is from the line of Shrinidhi Karlekar from HSBC.

Shrinidhi Karlekar: Congratulations on a good set of numbers. Just one question from me. Sir, so would you know which are the end market industries that are

driving the strong demand for gas turbines and gas engine generators in the exports market?

Nikhil Kumar: I just answered this question. The last question was just this, but I'll repeat it too once again for you.

Shrinidhi Karlekar: Yes, apart from the Ukraine.

Nikhil Kumar: Yes. I just mentioned the four of other countries, but I will again do it for your benefit. I had said it will be...

Shrinidhi Karlekar: No, not the countries, like the application of the machine which is used in.

Nikhil Kumar: Application?

Shrinidhi Karlekar: Yes.

Nikhil Kumar: The application would be based on power generation, for example, in Ukraine would be basically based for power generation. And I would say, in some countries would be grid stabilization where you need to have these gas engines coming into the grid when there is a drop of renewable power generation, then for grid stabilization you need to have hundreds of megawatts of power coming instantly on to the grid. That would be one major application.

Then third major application, what we're seeing is power -- basic power and backup power for data centers which are mainly driven by the artificial intelligence in investments taking place by -- taking place in America. And that will obviously spread over to other countries where people would want to have -- the countries would like to have their own data centers in their own countries versus we completely depend on the U.S. for also data storage, so this will continue for many years to come. And when there is emergency power. So these are the main applications for the work in gas engine turbine generators.

Shrinidhi Karlekar: So it looks like kind of a structural demand for a few years, right, not like onetime demand?

Nikhil Kumar: Yes. Definitely.

Shrinidhi Karlekar: And sir, sir, on...

Nikhil Kumar: Ukraine would be, as dictated, few years, it is not going to be a huge demand for the next 10 years at this rate, but at least 2,3 years. And then this will shift to something else.

Shrinidhi Karlekar: Right. And sir, does we still have application in the core industries? And are you seeing demand from the core industries in business?

Nikhil Kumar: Which country you're talking about?

Shrinidhi Karlekar: Mix of oil and gas, refineries, steel, does your product goes into -- like your end-product goes into those applications? And are you seeing demand from those markets?

Nikhil Kumar: In India?

Shrinidhi Karlekar: No, global.

Nikhil Kumar: Vinay, may be you can answer this question, please if you are there? Vinay, are you on the call? My colleague Vinay Hegde. Okay, I don't think he's on the call. So in India, definitely, the base of all the industries, steel, cement, refinery, everyone requires pay-for-power from steam turbines and that's where the demand is definitely coming from.

Internationally, the demand for steam turbine generators is not -- is more from the point of view of renewables. So we see waste heat recovery, garbage burning plant, biomass power plants, it is waste heat recovery. And that's where the demand is coming from an international perspective and wherever process plant requires steam for the process like paper manufacturing, something like that, then you would need to have steam turbine generators. So that's the industrial application from an international perspective. India is all over the place because captive power is require for powering of the industrial complex itself.

Moderator: Next question is from the line of Praveen Prakash Motwani from Bank of India Mutual Fund.

Praveen Motwani: Sir, I have 1 -- sorry, I joined a little late. So what is our guidance for revenue guidance and margin guidance for this year and '26?

Nikhil Kumar: We have given a revenue guidance of INR1,200 crores. We have not given the margin guidance.

Praveen Motwani: And sir, for '26?

Nikhil Kumar: We had said that the margin -- we said the revenue growth will be around 20%, and we said that the margin growth will be 3% or 4% above the revenue growth. This is what we said.

Praveen Motwani: So margins would be maintained, right? What numbers that...

Nikhil Kumar: I said the margin growth would be 3% or 4% more than the revenue growth.

Praveen Motwani: Understood. Okay. Correct. And sir, one more question is if I see your consol number, you have reported close to around 32% PAT growth year-on-year. But on the stand-alone number, the number is more or less like not grown to that much. So what is the reason?

Nikhil Kumar: Yes. So I think I really have to -- since you joined later -- we would really have to go back and repeat what I've already said 2, 3 times. So I would prefer to answer your question offline. I'd be happy to answer your questions once again after this call.

Moderator: Next question is from the line of Mahesh Bendre from LIC Mutual Fund.

Mahesh Bendre: Sir, my questions have been answered. Thank you so much.

Moderator: The next question is from the line of Pramod Dangi from Unifi Investment Management.

Pramod Dangi: My earlier question was answered. The other question which I had was on the LNG. We were in the previous some call, we have spoken about the LNG opportunity in the U.S. and Europe. And a lot of capex happening over there. Any update on that? Were we able to tie up with the OEM? And how do we see this?

Nikhil Kumar: The product qualification is still going on in certain parts of the market, Pramod. We are getting some business for TDPS generators in this market. But the growth in this particular segment is, as I said a little bit

earlier, depends on our relationship with the multinational company, which we have tied up with. It's not happening at the speed at which we earlier thought. The opportunity is still very large and still is there, but it may take -- it will take a little bit longer time, but it is there, for sure.

Moderator: Ladies and gentlemen, due to time constraints, that was the last question for today's call. I would now like to hand the conference over to the management for closing comments.

Nikhil Kumar: Thank you for joining us on the conference call. If you have any further questions, please feel free to get in touch with the Investor Relations team. I look forward to meeting many of you next week over various investor conferences which are taking place in Mumbai. I look forward to a face-to-face interaction with many of you. Thank you very much.

Moderator: On behalf of TD Power Systems Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.