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November 16, 2022

The Corporate Service Department	The Listing Department
BSE Limited	**The National Stock Exchange of India Ltd**.
P J Towers, Dalal Street	Exchange Plaza, Bandra- Kurla Complex
Mumbai – 400 001	Bandra (East)
	Mumbai 400 051

Sirs,

Sub: Transcript of Earning Conference Call – Quarter ended September 30, 2022

In furtherance of our letter dated November 02, 2022 regarding intimation of earnings conference call, the transcript of Q2FY2023 earning conference call held on November 10, 2022 has been uploaded on the website of the Company at https://tdps.co.in/financials/#earning_FR

Kindly take the above on record.

Yours faithfully,
For TD Power Systems Limited

NAGARAJA SRIVATSA
Digitally signed by NAGARAJA SRIVATSA
Date: 2022.11.16 10:02:45 +05'30'

N Srivatsa
Company Secretary

"TD Power Systems Limited
Q2 FY '23 Earnings Conference Call"
November 10, 2022

MANAGEMENT: **MR. NIKHIL KUMAR – MANAGING DIRECTOR – TD POWER SYSTEMS LIMITED**
MS. M.N VARALAKSHMI – CHIEF FINANCIAL OFFICER – TD POWER SYSTEMS LIMITED
MR. VINAY HEGDE – TD POWER SYSTEMS LIMITED
MR. N. SRIVATSA – TD POWER SYSTEMS LIMITED

Moderator: Good morning, ladies and gentlemen. Welcome to the Q2 FY '23 Earnings Conference Call of TD Power Systems Limited. This conference call may contain forward-looking statements about the company which are based on beliefs, opinions and expectations of the company as on the 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 and operator our pressing star then zero on your touchtone telephone. Please note that this conference is being recorded. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nikhil Kumar, Managing Director for TD Power Systems Limited. Thank you, and over to you, sir.

Nikhil Kumar: Thank you. Good morning, everybody. Thank you once again for joining us for our earnings call. I trust all of you have received our results and investor presentation. Now let me start by discussing with you the financial performance of TDPS for the six months ended 30th September 2022. Standalone, our total income of standalone basis for H1 INR 4.14 billion versus INR 3.21 billion versus same period of last year, an increase of 30%.

EBITDA for H1 was at 15.89%, including other income. Profit after tax and complementary income for the 6-month period was INR 388 million versus a profit of INR 169 million in the same period of last year, an increase of 130%. Manufacturing revenues for the first six months was INR 3.94 billion versus INR 3.06 billion over the same period last year, an improvement of 30%.

The order book including Turkey operations stands at INR 13.67 billion, out of which, INR 4.43 billion is the manufacturing business and INR 9.04 billion in the Railways business and INR 0.2 billion in the Turkey business. Export and deemed exports, excluding the resi business stands at 61%. Order inflow, we have a total order inflow for the first six months and included 22% over the order inflow over the previous period. Our total order inflow is INR 3.83 billion in the current year versus INR 3.14 billion in the previous year.

Moderator: Mr. Kumar. Sir, your audio is sounding a little muffled.

Nikhil Kumar: The order inflow from direct and deemed exports is INR 2.16 billion compared to INR 1.63 billion in the previous year, an increase of 32%. Project business revenue in Q1 is INR 0.1 million versus INR 0.12 billion in the same period last year. Our total income on a consol basis is INR 4.3 billion versus INR 3.95 billion same period previous year. Profit after tax of comprehensive income in terms of consolidated to INR 385 million versus a profit of INR 242 million.

Last year included INR 20 million exceptional income of INR 2.42 million, this is an increase of 59%. The consol order book stands at INR 14.08 billion. We continue to maintain a strong cash position of INR 1.97 billion.

Now let me move on to the order book, market situation and guidance, market conditions and guidance. Overall, demand for our products are very strong in India and across the world. The market penetration that we have been able to achieve over the past few years have been instrumental, ensuring that we have an increasing order flow. In addition, the macro conditions are favorable with power shortages, both in India and Europe and increased trust on renewables.

For this financial year, we are on track to have around INR 8.05 billion to INR 8.2 billion manufacturing sales from TDPS India, and around NR 0.2 million from TDPS Turkey. We expect gross contribution to be in the region of 30% to 31% for this year, which will result in EBITDA, including other income on a standalone basis of around 16%.

EBITDA for H1, as mentioned earlier, is 15.89%. We expect to keep EBITDA at the same level as H1 while slightly improve to 16-plus percent. In Q3, we continue to see a robust order book, which ensures good growth for the next financial year. In general, my commentaries on this point will be more forward-looking in the next financial year, since we had clear visibility for this year. I've already given you a guidance of this year's performance. So now I would shift to focus into next year's business plan.

Let me talk about each segment briefly. Steam turbine. We have strong demand from India and then through the world. This year, we will achieve our highest sales ever in the steam turbine segment. The order book for next year is also very strong with all our major turbine customers forecasting strong builds, which applies to both India and out of India.

Segment of our garbage burning plant, process industry, waste recovery and to a smaller extent, in India within the traditional captive coal-fired power plants. We also have three numbers of large 2-pole generators of above 60 megawatts for next year and expecting an order for at least 2 more. We have completely indigenized the rotor production related to the binder rotor from Germany. And in this, we are competitive as well as profitable.

Hydro. Next year order book is filling up. We have a pending order book for next year, which is almost equal to this year's sales in hydro. There are plenty of new opportunities in the market, and they're actively competing in all parts of the world. We've seen a good year next year for Hydro, politically in Europe and the big push for small hydro and the inquiries have increased dramatically.

Gas engines. We have very good ordering forecast from both our Indian customers. This year, we will have achieved our highest sales that have been in this segment since the history of the company and next year's forecast are showing a significant growth over this year's sales.

Aftermarket. There's been a lot of effort to develop the aftermarket to repair not only our machine, but also machines of our competitors. This year, we will be having the highest sales for the aftermarket business and we will further expand our footprint next year.

Other segments. Railways, with Indian Railways on track, we have dispatched, the Indian motors, the first six motors to Indian Railways. The next step will be to mount the motors on the locomotives, which we are now arranging. And in the next six months, after successful performance, we will have reached the approval stage, after which we can start bidding in Indian Railways for all their tenders.

IR, Indian Railways new projects all either now on this 9,000-horsepower automotive bid, we are hopeful that our partner customer will win this order. This -- the tender will be open in about a month from now, which is the fast-track project and production should begin in about a year. This project, once again, will give a 10-year revenue outlook for the winner of this bid.

Synchronous motors, we have one order on hand, another one is booked. With this, we expect 50 product sales from synchronous motor for next year. There's still a large pipeline of business in this segment and we will report new order wins as and when we get them.

Market development for special motors is also progressing at a good pace. We have our facility approved by a nuclear power cooperation. A number of jobs are in discussion. We had reported getting approvals from NTPC. We are focusing on special applications and large motor capacities.

With all these developments, we have really excited about growth for next year that we can achieve. The company is well positioned in many segments, new markets all over the world and we will see steady and strong growth. Tentatively, we're projecting a growth of around 20% next year with a big upside potential. We will continue to invest in automation and productivity to improve operating leverage to grow EBITDA, margins and PAT.

With the growth expected next year and further operational leverage, we will see expansion of EBITDA margins. We will give forecast preview in the next few quarters. All our subsidiaries will be profitable except TDPS Turkey, which has shown an exchange loss. However, due to lack of sufficient business and deteriorating economic conditions in Turkey, we will suspend operations in Turkey from 30 April 2023. This brings me to the end my initial remarks. I'll now be happy to address all the question that you may have. Thank you.

Moderator: The first question is from the line of Jiten Parmar from Aurum Capital.

Jiten Parmar: Congratulations on a good set of numbers. My question is basically on the Indian business. We see that domestic is down from comparable quarter last year. May I know the reason for that? I mean, the sales are down, so -- 7%. So, despite of having such a strong order book and were there any execution challenges or what has happened in that? If you can throw some color on that?

Nikhil Kumar: We can't really measure quarter by quarter. There could be some deliveries that were required in the following quarter and things like that, but absolutely that there is no weakness in the domestic markets and it could just be a function of when we deliver the required as per delivery dates.

Management: It's clearly due to some postponements. That's all. Nothing to worry.

Jiten Parmar: And I couldn't hear properly, but have you – are we looking at higher margins for FY '23, is what I heard? Is that correct then the 16%, which you are guiding for this year?

Nikhil Kumar: We have growth around, I already mentioned we're going to have growth 20% plus. It's also an upside potential. We are in many parts of the market, many segments, different categories. And we have fingers in many enterprise, so as and when we are able to book orders and report the business that we have won, we will see further growth taking place. We're not putting any investment for new capacity, so we will see operational leverage taking place. And so we will have expansion of EBITDA.

Jiten Parmar: My final question is basically on the global slowdown. Are we seeing any challenges because of that or are we going to actually gain market share because of us being cost competitive? If you can throw some color on that?

Nikhil Kumar: So actually, we are seeing a very, very strong demand for our products internationally in all segments, in steam turbines, in gas engines and hydro. We are seeing very strong demand, and the forecast given by all our OEM customers for next year are even stronger than what we have seen this year. So there is a push towards the kind of products that we make, thematic direction. The winds are favorable, I would say now on our side. And our position also, basically we're positioned very well across the world in many, many areas and many, many segments. So we had really captured the market, that it is taking off right now. So we're going to capture that in one of those segments that we operate in. So, we're very upbeat about what the forecasts are like for next year.

Moderator: The next question is from the line of Pritesh Chheda from Lucky Investment Managers Private Limited.

Pritesh Chheda: Sir, just one clarification. Until last quarter, we were mentioning that the margins in the business will be about 13%, 14%. Are we saying that margin now will be about 16% for consol for the year? Considering the fact that I think first half, we have done a similar 13%. So I was not sure there. And second, on the top line growth, did we mention a 20% top line growth next year? Because your lines were not clear.

Nikhil Kumar: Yes. EBITDA margins are, the months that I mentioned was on the standalone basis, not on a consol basis. Because if you take consol basis, there are, we do have our sales office, our sales offices in Japan and in Germany and US. So we're not going to see the same kind of EBITDA margin from our sales office. Manufacturing business we have said, it is 15.89% for H1. And I have projected that based on the increased sales we will have next year, the EBITDA margins will expand. I've also mentioned that in H2, we will have a slight expansion of this current EBITDA margin. We're hoping to cross 16%.

Pritesh Chheda: That's specifically for H2?

Nikhil Kumar: Yes, H2. And for H2, we told 16 around -- around 16-plus percent. And next year, based on the 20% growth in the projection, it will go even further.

Pritesh Chheda: So basically, half of your business will operate at plus 16% margin next year. And the other half of the business operates at whatever 12%, 13% margin that you're doing. That's how we should read it, right?

M. N. Varalakshmi: Actually, the blended -- it's a blended...

Nikhil Kumar: Yes, when you look at the consol basis, manufacturing business is the main business of the company. And the sales offices are for the generators, but when we report on a consol basis, the performance of unit sales -- the subsidiary companies, sales office also take into consideration. So you have to look at the EBITDA margin of the manufacturing business as TDPS India, standalone basis to really get the performance of the organization.

Pritesh Chheda: So I'm a bit confused because see, the difference between your standalone and consol is hardly anything. And if you mention that standalone itself will move to 16% margin. Then obviously, the overall margin itself looks even that number, right?

Nikhil Kumar: Varalakshmi, could you please answer this question?

M. N. Varalakshmi: Yes. So the difference between margin on standalone and consol is around 2%. So if the margin of the standalone company improves, the consol margin also will improve.

Pritesh Chheda: Yes, perfect. That's what I was looking. So you're looking at 16% for half year and better than 16% next year.

Nikhil Kumar: Yes. In short, yes.

M. N. Varalakshmi: Yes. On a standalone basis, and this will also help in improving the margin on a consol basis.

Pritesh Chheda: Standalone and consol there is hardly any difference, obviously that will reflect.

M. N. Varalakshmi: Yes, around both are the same.

Pritesh Chheda: Now what is the driver of this margin in second half? Is it the gross margin number or is that the execution number, operating leverage?

Nikhil Kumar: It's both. It's mainly coming out of operating leverage to a lesser extent, gross margin expansion.

Pritesh Chheda: It's coming from operating leverage.

Nikhil Kumar: Yes, mainly.

Pritesh Chheda: And my last question is, sir, what is the progress on that wind turbine business side?

Nikhil Kumar: Yes. I have mentioned that in the aftermarket business, we have done good business this year. I'm not giving the number. I'll start giving the projection for the aftermarket business from the next earnings call onwards. But we have got a good number of machines, and we have a projection for a good number, very good number of machines for next year also. The progress has been extremely encouraging, and now we are well entrenched in the market.

Moderator: The next question is from the line of Himanshu Upadhyay from O3 Capital.

Himanshu Upadhyay: I had two questions. One was on, I think we have a pretty concentrated revenue. The top three contributes nearly 40% of our revenue, so top 10, 81%. So if the market situation is improving, is pricing power, what pricing power your OEMs would be getting? Are you able to also get better, gives you better pricing orders from our OEM vendors? Or how will it happen? Because just some thoughts on that gross margin can be improved 3%, 4% dramatically from here on.

Nikhil Kumar: I don't think that we will be able to increase the prices any further in the market at this point of time. So we will have to reduce the cost, and we will have to work on operational leverage. This is not, the market has reached the stability on raw material prices and other costs, so there is no question on increasing prices to offset cost any more. But we will improve the gross contribution, as I said earlier, by cost reductions.

But most of the expansion of EBITDA margin will take place through operational leverage. And we are investing in automation, we're investing in productivity to further expand our capacity so that we can continue to deliver higher sales within the same capacity and then further increase EBITDA margins. This is the direction in which we are going. So we want to remain cost competitive in the market. We want to keep market share, and we want to increase EBITDA margins by being more efficient in the factory.

Himanshu Upadhyay: And slightly, to follow-up on the same question. The top three customers who contribute 40% of our revenue. Who would be the exclusive suppliers to how many of these customers?

Nikhil Kumar: And we are -- no, we don't have any exclusive contracts with anybody. We have good market share with these customers, but there is no exclusivity. We have to be competitive and have to deliver high-quality products, and that's how we keep our market share with these customers.

Himanshu Upadhyay: And what would be our market share -- is there a scope to continue to grow our market share at these 10 OEMs who are our launch revenue contribute...

Nikhil Kumar: There is a lot of scope to grow.

Himanshu Upadhyay: Would we be above 50% for all the 10? Or we will be below or some?

Nikhil Kumar: No, this is a difficult question to answer like this. Each customer is at a different percentage of the penetration that we have, and it's hard for me to give a generalized answer in that this is 50 or 40 or 30. There is scope to grow the market and it's good to increase our market share with specific OEM customers, and we're continuously working on that.

Himanshu Upadhyay: And then last question, then I'm going for the follow up. The Turkey business, it will be completely shutting down in 30th April. So will there be...

Nikhil Kumar: I mentioned the word suspend the operations, so that means we're going to basically cut our costs down to 0 or to a minimum level. All our assets are going to remain there. We're going to keep our factory over there and -- but we're not going to shut down. We're going to suspend the operations until we see better market conditions. We're going to wait for some time to see if the market conditions improve or not. If the market conditions don't improve after, let's say, six months or a year, then we will take the next decision for what is appropriate at that point of time.

Himanshu Upadhyay: What is the number of employees in Turkey business or Turkey subsidiary?

Nikhil Kumar: Right now. Less than 10.

Himanshu Upadhyay: Less than 10 employees are there?

Nikhil Kumar: Yes.

Moderator: Next question is from the line of Rohit Balakrishnan from ithought PMS.

Rohit Balakrishnan: Congrats on the good number, good quarter. Nikhil, I just wanted to understand the synchronous motor part, what you mentioned. Can you repeat that? I could not hear it properly. You said you have one order in hand and something I could not understand. Could you repeat, please?

Nikhil Kumar: Yes. So, I said that we have one order on hand. We have closed another order at this, and we expect to do around with these two orders around INR 50 crores of business next year in the synchronous motor segment. And I also mentioned that there is a large number of orders in the pipeline under active negotiation.

Some of them may get finalized in the next two or three months. They may or may not count for execution next year. So, but what we have on hand, we will execute next year. For the orders that we win, may or may not count for execution next year, but orders that we win that don't for execution next year, we plan for the execution for the following year. But there is a very strong, big, large pipeline of orders in the market.

Rohit Balakrishnan: I mean from an order book point of view, would you think that this could be, the order book could be as big as the railways business? I'm not asking the current order book of railways. But the yearly booking that we do for railways at this moment, can this be as big?

Nikhil Kumar: It's not a steady business, Rohit. It's not a steady business like the railways business where we can say a few do exactly INR 120 crores, INR 130 crores, INR 140 crores per year. But it's more like there could be a very large order and sometimes we could even with INR 100 crores order in this business. So, it depends on what's in the market at that point of time. But we are in the market, we have got orders now and they're actively bidding for the future quarters in the pipeline. And so it's taking a little bit of time that we have established ourselves in this segment and we are going to be very actively getting orders in this segment in the future.

Rohit Balakrishnan: And just to understand this a bit more, what are the drivers for this? I mean, in the sense for this -- for your synchronous motors. What drives the end market orders eventually? I mean what activity in the economy? Is it agriculture? Is it general infrastructure? Or…

Nikhil Kumar: These are mainly large pumping stations required for pumping the water out of rivers and into reservoirs. So this is for irrigation mainly. So they pump out the water from the river during the raining season and store it in reservoirs so that the farming community can use the water in off season. Especially now when we have had too much, such good rain in India over the past two years, there is a huge push to take out as much of water from the river as possible. Otherwise, it all flows up to the sea. So, we are seeing a very, very strong demand for this product at this point of time.

Rohit Balakrishnan: Are there other use cases also for this? Or -- and are we planning to get into that? Or is it largely whatever use case you mentioned?

Nikhil Kumar: synchronous motors are also used in industry, but to a larger extent, but not on these sized orders and not for this volume of orders. But this is the main business.

Rohit Balakrishnan: And my second question was on the Indian Railways parts. You mentioned that now they will get mounted on the locomotive and it will take six, seven months. So do you expect FY '24 to contribute some business from Indian Railways, assuming everything goes right? Or it will be more...

Nikhil Kumar: We need to get those motors mounted on a locomotive. So if you take, I don't know, if you take -- when we're on the job, it should happen soon. Six months after that, let's say, we get to know around June, July next year. And then there is enough of time, then we'll get to it in the end of Q1. So, it depends on the tenders that are there in the market. But yes, I am optimistic that we should be able to add some revenues to our business in Indian Railways -- from the Indian Railway direct in Q3, Q4 next year. That's what we're gunning for. Let's hope it happens. Of course the main step is to put the model on a locomotive, it’s Indian Railway produce large organization.

So it all depends on how fast we can get that the next step done. And sooner we get it done the sooner we get approved, of course, if the motors work correctly for six months. I think more interesting for us is right now to wait for the outcome of the 9,000 horsepower tender, and we are expecting the results to come in by the end of this calendar year. So we are hoping that are our current customer bring this order.

Rohit Balakrishnan: And how big is that from your perspective?

Management: That will be as big as the current order.

Moderator: The next question is from the line of Dhwanil Desai from Turtle Capital.

Dhwanil Desai: My question is if you can talk a bit about the qualitatively about the impact of what is happening on the Europe energy side on three things. One is the demand for small hydro, waste to energy and gas energy, positive or negative whichever way?

Nikhil Kumar: So at this moment, energy prices are at an all-time high in Europe, extraordinarily expensive per kilowatt hour prices in the market. Of course, this is determined by the fact that gas prices are really high. And so the electricity produced from gas is driving the overall market price because all the prices are set by an exchange.

So at this point in time it is very profitable to have hydro power plants and bid to energy or anything that you're supplying into the grid. So one part of the market is very bullish and there's a lot of money now going into this segment because it's so lucrative. Other parts of this segment is also benefiting from the fact that Europe has to come up with alternative energy production to reduce the dependence on gas.

So that's also driving demand for small hydro, waste to energy, garbage incineration plants and so on and so forth. On the gas side itself, I mean, we are seeing that there is a huge requirement for captive power plants. So, smaller captive power plants that people want to be independent from the grid and just in case there is a blackout or just in case there is an interruption of power. So, people are investing in these small gas engines. And so that's also driving demand. At this moment, I think, as I said earlier, the macro conditions are favorable and they're well positioned in the market.

Dhwanil Desai: So this increased traction that we have seeing in all the three segments in Europe, it's largely because of the macro part and or is it also that we are gaining market share, or it's a combination of both?

Nikhil Kumar: Yes, a combination of both. I would say larger growth is coming from the expansion of the market, and we are also benefiting from being -- our production costs are still not so high in India compared to increase the production costs in Europe. So we'll probably be gaining market share also, but it's a combination of both. I cannot determine or tell you exactly how much, what is X and what is Y. It's hard to tell you that.

Dhwanil Desai: And second question, Nikhil, I think you mentioned about -- something about the larger megawatt -- 60-megawatt turbine orders and our ability to manufacture that. And you also talked about some nuclear power-related development. So I mean typically, our forte has been less than 30 megawatt. Our focus has been less than 30 megawatt. So has something changed why we are focusing on larger megawatt turbines in terms of market potential or the market activities?

Nikhil Kumar: We're not in the below 30 megawatts. I mean, of course, our GDP is generated on technology go up to 60 megawatts. This has been our core business. Above 60 megawatt we have a license agreement with Siemens and we had made an investment a long time ago to produce the larger size generators, but that investment did not materialize into good sales. However, we do have the products and so I'll let Vinay now speak a little bit how the market is now developing for these larger two-pole machines and where we are positioned. Vinay, maybe you can throw some light on, which way this market is moving and what we are seeing as a business for the next year or two.

Vinay Hegde: Yeah, so we already have three orders as Nikhil said and there are good number of inquiries for two-pole. Unfortunately for the last 10 years because of the pole camp mainly the two-pole business was not good so that's why we could not make good business in the two-pole segment. But for next year we are really seeing a good business in the two-pole segment mainly from our major customer in India.

Dhwanil Desai: So just to follow up on that, so you see this as a one-time event or do you think that something which is changing the market which will lead us to help you face a sustained opportunity? How do you guys look at it?

Vinay Hegde: We are seeing a sustained growth in this segment.

Nikhil Kumar: It was 30 machines a year, it went down to zero now it's about five, eight machines, eight, nine machines per year. I think this will be sustainable.

Vinay Hegde: And see, our main competitor is BHEL. Since now we have 100% indigenized the product. Earlier we were importing the rotors from Germany. Now we are making it here. So we have become competitive and we can compete with the BHEL, that's how we are getting orders.

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

Alisha Mahawla: Just one question. What is the reason for sequential decline in gross margin because I believe at the start of the year-- just wanted to understand the reason for sequential decline in gross margin?

Nikhil Upadhyay: There is a small decline. I think quarter-on-quarter there could be some small variations in gross margin depending on the product mix. But overall, we have given the guidance for the year and we will see an improvement in the gross margins in Q3 for sure. And I've already given the guidance for the whole year. So quarter-on-quarter there could be variations, due to product mix mainly.

Alisha Mahawla: And for the full year we're expecting it to be in the range of 31 to 32%.

Nikhil Kumar: No, I said 30% to 31%.

Alisha Mahawla: And this is excluding other income, because the presentation has other income before gross, when we're calculating gross margin. Sorry, is this excluding other income?

MN Varalakshmi: This will include the operating income. It will include the other operating income but will not include interest income.

Nikhil Kumar: It will include the other operating income which means things like foreign exchange gains and things like that.

Moderator: The next question is from the line of Ashwani Sharma from ICICI Securities.

Ashwani Sharma: Sir, my first question is what would be our current utilization level? Because what I see is that given the strong order book and the query pipeline also looks very encouraging. But then if you look at the guidance of around INR 800 crores for full year, that looks a bit conservative. If you can throw some light on that, sir?

Nikhil Kumar: This year, we are still keeping our guidance. One of the reasons why we have not been able to increase our sales for this year is there has been a temporary reduction of this year's locomotives for the Indian railways which Alstom is producing. So that knocked out a big chunk of what we could have done above INR 800 crore, INR 810 crore, INR 820 crores for this year. It goes into next year. But in terms of capacity utilization, I said we have capacity around INR 1,200 crore, INR 1,300 crores and we're constantly investing to push it even further to INR 1,400 crore. So, I don't see a capacity problem coming next year at all.

Ashwani Sharma: Secondly, if you could just put more light on the opportunities from motor business, especially from the railways and Vande Bharat. If you can, through some light, how are you looking at opportunities from these two segments?

Nikhil Upadhyay: So the railway business is divided two parts. One is the business that we get from our large customer. Of course, it depends on which bid they win. And we are currently executing the 12,000-horsepower locomotive for them, making the motors for the 12,000 horsepower locomotive. And there are two more bid that the Indian Railways have put in the market. So one is for the 9,000 horsepower. Those will also be 1,000 locomotives. And there's another 12,000 horsepower, for which the bid is going to open sometime early next year. So these are the two major, this is one major segment.

So we are currently executing the 12,000. We are hoping that our customer would bring both or at least one of the two new ones which are upcoming. That will give us for each of the jobs that we add in our revenues equal to what we have, right now from this particular customer. Then there is the Indian railway segment. The Indian railways produces electric locomotives themselves and they buy about INR 1,000 crores worth of electric motors per year. And we want to get a chunk of that. We want to get, my goal is to get 10% of that business at least. So it's going to be a step by step process. The first step is to get the approval. That's the most critical step. So that's where we are right now. But once we are approved, I think we will start bidding. And hopefully, in the next two or three years, we will get to my target.

Ashwani Sharma: and onVande Bharat?

Nikhil Kumar: Sorry, I missed that.

Ashwani Sharma: Vande Bharat sir, you have a…

Nikhil Kumar: Yes, Vande Bharat is also in play, but whether we will make these or we will not make, this is not 100% sure. The technology level is high for these motors and it could be that our customer wants to keep it for themselves, for these high-speed trains.

Ashwani Sharma: So from a longer perspective, let's say next four to five years, where do you see your motor business going, in terms of absolute number?

Nikhil Kumar: I am not going to give a forecast, Ashwani about this. We can take this conversation offline and we can talk one-on-one on this. But I don't have a number right now. I can talk about the motor business for the next four, five years perspective, share on this call.

Moderator: The next question is from the line of Rajat Setiya from Ithought PMS.

Rajat Setiya: Sir, we get 6-7 crores of other income every quarter. So what is the major of that? What is the mix of that?.

MN Varalakshmi: We have interest income of around INR 2 crore, INR 3 crores. Interest income on an annual basis to be around INR 8 crores and the other income is because of the foreign exchange gain on account of our forward hedging of euros.

Rajat Setiya: So how much of it is usually considered in the -- is considered operational income and not the typical other income?

MN Varalakshmi: Interest income is not considered as operational income. Rest of all the other things are considered as operational income.

Rajat Setiya: Then how much is that part interest income?

MN. Varalakshmi: Interest income INR 4.5 crores which is not considered as operational.

Rajat Setiya: Sorry, what's the number?

MN. Varalakshmi: INR 4 crores.

Rajat Setiya: INR 4 crores on a quarterly basis?

MN Varalakshmi: No. Half year basis.

Rajat Setiya: And talking about the cost structure that we have in place right now. So how do you see the employee expenses and the other expenses growing over the next one, two years?

Nikhil Kumar: So we see the employee-related expenses growing on an average between 7% to 8% per year, which is, I guess, industry average. The other operational expenses could grow around 5% to 6% per year, depending on the with increase in production. So but the growth in expenses will be far lower than our overall increase in sales. So that's how we're going to get the operational leverage.

Rajat Setiya: So this other expense that you mentioned 5%, 6%. So right now, it's INR 15 crores on a quarterly basis. You refer to the same number, right?

Nikhil Kumar: Roughly INR 15 crores. Varalakshmi please confirm.

M. N. Varalakshmi: The employee cost is INR 46 crores and other expenses is INR 30 crores on an H1 basis.

Rajat Setiya: So Nikhil, you are referring to this INR 30 crores number, which will grow at a 5%, 6% rate, right?

Nikhil Kumar: Yes. There's not much of variable cost here basically.

Management: Some variable cost is there, but it's not fully variable let say, partially variable cost.

Rajat Setiya: And sir, finally, did we see any decline in the international business in H1?

Nikhil Kumar: I'm not, do we have the number of that right now?

M. N. Varalakshmi: No. I don't have the number right now, but we can take this call offline.

Moderator: The next question is from the line of Ankit Gupta from Bamboo Capital.

Ankit Gupta: Congratulations for good set of -- decent set of numbers. On the domestic side, how is the situation currently, how are you seeing orders coming up to them? If you can throw some light on the domestic situation?

Nikhil Kumar: Yes, Vinay. Please take this question.

Vinay Hegde: Yes. So domestic side, there is a very good order inflow and good inquiry pipeline also. So market is doing really well in the steel turbine segment.

Ankit Gupta: Sure. And how do you see the domestic side of the business for us in FY '24?

Vinay Hegde: Yes. As Nikhil said, we did the highest business this year in the steel turbine segment. And also, we have seen a very good year next year with some good two fold orders coming in. So we're expecting some good growth in the domestic marketplace.

Ankit Gupta: Sure. And Vinay, if you can talk about two-fold orders that we have, how much revenue it can be contributed to us?

Vinay Hegde: Pardon me?

Ankit Gupta: Yes. How much revenue can the two-fold order that we have bought contributed to our total top line during FY '24?

Vinay Hegde: INR 50 crores.

Nikhil Kumar: It would around INR 50 crores.

Ankit Gupta: And you also talked about the nuclear power, some developments if you can talk a bit more about this?

Vinay Hegde: Now we are approved by NPCIL.

Nikhil Kumar: Nuclear Power Corporation, of course, there is a large variety of products, the large number of projects that you have in the pipeline they're going to put up a long number of these power plants. So each of the power plants require a variety of highly specialized motors. So we are now approved and we are bidding for a large of the specialty motors for Nuclear Power Corporation. In addition to that, they also require emergency power generators. And we are also approved for that. So as and when a nuclear power starts ordering for this new equipment, we will surely win some of these orders. It's good, and it would be a very steady, it's not a huge business, it would be a steady business, with very good margins.

Ankit Gupta: Sure. And how big can this order be on an annual basis for us?

Nikhil Kumar: I can't give a number to that, right now.

Moderator: The next question is from the line of Risha Kansara from Molecule Ventures PMS.

Risha Kansara: So I just wanted a clarification. Maybe my line was not so clear enough. So in the last quarter, you mentioned that for FY '23, you'll look at a top line of around INR 890 crores. So that remains unchanged currently also. Correct?

Nikhil Kumar: On the consol basis, yes.

Risha Kansara: And that 20% sale growth guidance that you gave, that is for FY '24?

Nikhil Kumar: Yes.

Moderator: The next question is from the line of Manoj from Geometric.

Manoj: Sir, can you throw out some light on the new initiatives that you have...

Moderator: Sir, there's a lot of static from your line. Mr. Manoj?

Nikhil Kumar: I can hear him fine. That's okay.

Manoj: So whatever like synchronous motor and all other things new initiatives, they are more gross margin dilutive than our core business or similar?

Nikhil Kumar: Around similar, sir.

Manoj: Around similar? And second, this nuclear, I don't hear it properly, is it domestic thing or export thing?

Nikhil Kumar: No, 100%, pure domestic.

Manoj: Can this turn into an export initiative also in future?

Nikhil Kumar: Not likely, sir. Nuclear business is -- it's going to be domestic, sir.

Manoj: It could be domestic?

Nikhil Kumar: It could be domestic, only domestic.

Moderator: The next question is from the line of Nikhil from SIMPL.

Nikhil: Just two questions, sir. One is on synchronous motor now. It's been a year, 1.5 years since we launched the product. Based on the performance and the costing, do you see that in a sustainable way, we can maintain a 15%, 20% market share in the domestic market? Or how do you see the opportunities and market share gain for us?

Management: Market share, it's in fact -- I think we could be around 30% market share. And that would be a good achievement for TDPS.

Nikhil: And secondly, on the maintenance part of the wind turbine for our own installments and competitors, we had launched this new initiative last year. So where we were looking at the refurbishment and interim. So any progress on that side? Have you won more orders or -- because I think a...

Nikhil Kumar: We have won more orders. We have won more order in the repair business. It has definitely increased our overall aftermarket business. I've not given the numbers to this, I'll start giving a number to this for next financial year,how much are we going to do on the overall aftermarket business. But thanks to the wind business, we have the turbine repair business. This year, we are doing the highest aftermarket business in the history of our company, and we are planning to grow this even further next year.

Nikhil: And lastly, in Europe, during the call, you mentioned that because of the issues which are happening, there is a lot of investment for ITP kind of projects and ways to gain a complete change in terms of the energy dynamics. Now if the situation starts improving in terms of the gas cost coming down and things improve, do you see this can sustain for two, three years? Or is it more of a, like is it more of a knee-jerk reaction because of the things which have happened in the near term and probably it will sustain -- stabilize at a much lower level? Just to get a sense how you are reading the things or what's the feedback you are getting over a longer period?

Nikhil Kumar: The gas infrastructure in Europe has taken 20 years, 30 years to build. And replacing the gas infrastructure will -- or even replacing a part of the gas infrastructure will take, say, not 30 years, but it will take at least 15 years to replace a part of it. It's such a huge dependence they have on gas. So this is not a knee-jerk reaction. They want to reduce the dependence on gas, it compromises the overwhelming part of their overall energy mix. They Want to reduce it, they have to make big investments in other areas with a large number of megawatts, which have to be put into the market to replace this. It's not going to happen in one year or two years. So there's going to be, just in the beginning of the cycle, I think it will continue at least for five to 10 years. We're just in the beginning of it.

Nikhil: And incrementally, our market share in…..

Nikhil Kumar: Your voice is breaking, so I couldn't hear your last sentence.

Nikhil: My question was that if you look at the…..

Moderator: Sorry, sir, your voice is breaking up. Mr. Nikhil is not able to hear you clearly. Your audio is breaking up.

Nikhil: Just one last thing. If you look at the incremental order flow, which is happening, our market shares and incremental market share will be sustained? Like there are more new, other competitors or large, any smaller players who are coming in the market? So are our market shares are sustaining? That's what I wanted to understand.

Nikhil Kumar: Market shares are sustained, market share could have increased slightly. I mean we are seeing almost a 22% increase in the overall order book, 30% increase in the overall order book. So definitely, we will see a 22% overall increase in order book. So we will see part of this market growth, part of it is increasing market share.

Moderator: The next question is from the line of Prolin from Goldfish Capital.

Prolin: I have two questions. One on the export side and the second one on the domestic side. I will start with the export part and where the last question ended in terms of market share. Now in the past, you have mentioned that there is still some apprehension amongst our customers to use our products, right? And that is, in a way, a limiting fact, despite the fact that our price and quality proposition is second to none. So just wanted to understand who are these competitors? And are they also facing some supply side challenges, which is helping us gain market share? Or helping us crack some of these customers who had earlier apprehension about using our products?

Nikhil Kumar: No, nobody is having any supply-side constraints anymore in the market. There is enough of steel and copper and other commodities in the market right now. Our big competitors still remain BHEL, Siemens, ABB, all of the big guys are still there in the market. So for us, that is a question of gradually taking away market share by convincing customers to buy our products. And we have a large number of references, and we are steadily working on overcoming those barriers. It's not going to go away immediately. I think it's still going to take some time. We're not a global brand like Siemens or ABB. So we still have a lot of work to do. But there is a lot of scope for us to grow. And this is our job. This is what we have to do to grow our sales.

Prolin: That is very clear. The second question is on the domestic part. On the question of exports and whatever is going on macro, you mentioned that there is greater focus on captive power. Now in domestic also, I mean, India also, we have seen some power shortages during some of these seasons, right? So do think that the focus on captive is coming back, let's say, for example, some of the core industry of cement or metals? Are they looking to put a higher capacity of captive power and rely later to an extent on grade versus what they would have done, let's say, two, three years back?

Nikhil Kumar: Yes. Nobody right now is going to put a greenfield or brownfield investment without a captive power plant. Nobody. That's the situation in India today, and nobody can take such a decision for the risk, even for the next four to five years. There is power shortage and there is volatility of power prices. So people who are putting in greenfield, brownfield pursuant to our core industry will put their captive power plants, and they're doing so.

Prolin: Sure. And I think it's slightly, let's say, two, three years back or four years back, when maybe you are not a power deficit and there was some surplus for some years, is that also what you are seeing on the ground there?

Nikhil Kumar: I don't know if power surplus is -- I never give the sort of surplus contracts. India is a power shortage country and will continue to be so for a long time.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for the closing comments.

Nikhil Kumar: Yes. Thank you for being on this call. If there are some pending questions, we'll be happy to take them after the call on one-to-one basis. If you have any other queries, please get in touch with me or with Varalakshmi, and we'll be happy to answer your questions. And we look forward to interacting with you at the end of the next quarter. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, on half of TD Power Systems Limited, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you.