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## Mr. Nikhil Kumar, Joint Managing Director, TD Power Systems Limited

Hemant P. Maradia



**Mr. Nikhil Kumar, Joint Managing Director, TD Power Systems Limited (TDPS).** At TDPS, he is responsible for overall management of the company's operations, strategic planning, technology alliances and sales and marketing. Mr. Nikhil Kumar has over 20 years of work experience in businesses related to manufacturing of electrical rotating machines. He worked with Kirloskar Electric Company from 1990 to 2000 as a General Manager in charge of their Bangalore factory. He has completed his Bachelor of Engineering from Karnataka Regional Engineering College, Suratkal and General Management at Harvard Business School in 1997.

**TD Power Systems Limited** is one of the leading manufacturers of AC generators with output capacity in the range of 1 MW to 52 MW. The company's focus is on manufacturing custom-designed generators for its global customers. In addition to manufacturing AC generators, TDPS also executes Turbine Generator island projects for steam turbine power plants with output capacity up to 52 MW using a Japanese turbine combined with its own generator. The company's subsidiary, DF Power Systems Private Limited, is in the business of Engineering, Procurement and Construction, executing Boiler-Turbine Generator island projects with output capacity from 52 MW up to 150 MW.



In an exclusive interaction with **Hemant P. Maradia** of IIFL, Mr. Nikhil Kumar says, "We are now positioned to capture demand from industrial customers in the 1 MW to 200 MW segment."

**Q: Tell us about the long-term licence agreement with Siemens AG? How will this agreement help your company in its future growth?**

Our license agreement with Siemens is for know-how/technology transfer for manufacture of generators from 59 MW to 200 MW (74 MVA to 250 MVA). This agreement gives us the ability to produce the latest generation machines from the Siemens product range.

We are also entitled to receive technology updates for 20 years for this range of generators. This agreement expands TD Power Systems' existing relationship with Siemens for smaller capacity generators, which was up to 55 MW.

Initially, TDPS has the option to purchase components from Siemens AG, Germany and commence commercial production of these larger capacity generators at its proposed facility in 24 months.

We are finding that many industries in India are demanding larger size captive power plants. We are now positioned to capture demand from industrial customers in the 1 MW to 200 MW segment by extending our strong position in our focus markets. TDPS is also in an advantageous position to benefit from revival in the industrial capex cycle.

**Q: What does the agreement with Siemens do to your company's profile? Do you see more orders coming your way?**

This agreement enables us address a wider range of industrial demand for generators between 1 MW to 200 MW. TDPS is the market leader in generators with output capacity up to 52 MW.

We are now focused to extend our leadership right up to 200 MW. The larger range of generators in our portfolio will also help address the requirement of our EPC business, which is currently reliant on imports.

**Q: Give us a sense of the demand for the new type of AC generators that you will manufacture with Siemens technology?**

The total demand for these generators in India is approximately Rs. 300-400 crore presently. If we include potential in other emerging markets, the total demand will be approximately Rs. 800 crore.

**Q: By when do you hope to start production of the new type of AC generators from Siemens? What will be the share of these generators in total sales?**

As earlier mentioned we have the option to initially purchase components from Siemens AG, Germany and can commence commercial production of these larger capacity generators at the proposed facility at Bangalore in 24 months.

We expect the new facility to contribute significantly to our revenues on complete scale-up in the next 4-5 years.

**Q: What is the current production capacity at your Dabaspur facility? What is the expansion plan post the Siemens deal?**

Our current production capacity in Dabaspur will be approximately Rs. 750 crore for generators up to 52 MW after the expansion which is currently going on utilizing IPO funds.

Our total capacity, post the enhancement of facilities for the manufacture of advanced generators, will be approximately Rs. 1,100 crore.

**Q: Is there going to be any investments from your side?**

These details are being finalized and are subject to approvals of the shareholders.

**Q: What is the total order book at present? What is the timeline for executing the same?**

Our total order book as on December 31, 2011 stood at Rs. 830 crore. This includes manufacturing order book of Rs. 277 crore, to be executed in 6-8 months and Rs. 553 crore in our projects and EPC businesses that have an execution timeline of 6-10 months.

**Q: Could you give us a break up of the order book in terms of domestic and overseas orders?**

Domestic orders stood at Rs. 655 crore whereas export orders stood at Rs. 175 crore.

**Q: What is the share of the EPC business in the total turnover? Where do you see this share in the next few years?**

EPC business contributed 39% to 9MFY12 total revenue. We are unable to predict this share beyond FY13.

**Q: What is the order book for the EPC business?**

Order book for EPC business stood at Rs. 397 crore as on 31 December.

**Q: How is the overall business shaping up given the slowdown in the domestic as well as global economy? Are you facing any delays or slackness in new orders?**

Our manufacturing business continues to be relatively robust due to the fact that we export to over 50 countries worldwide and also because we are present in all the verticals of the power business - steam, gas, hydro, wind, engines etc.

However, our EPC business is facing tremendous headwinds and we may experience some shrinkage in the EPC business in FY13 compared to FY12 due to slackness of orders.

We will provide more accurate guidance by May 2012 during the quarterly earnings call.

**Q: What kind of challenges do you foresee in FY13? Will FY13 be better than FY12?**

Overall, FY13 will most certainly be worse than FY12. However, it is important to look at our two segments – manufacturing and EPC. As explained earlier, the outlook for both these businesses is different.

**Q: What is the share of exports in total turnover? Geographically, which are your top five markets globally?**

Exports for 9MFY12 are 21% of the total turnover. The top markets are Germany, Japan and South-East Asia. We are expecting our sales to Europe to increase in FY13.

**Q: How do you see raw material prices in FY13? Will there be pressure on margins?**

Raw material prices may remain stable due to the impact of the global slowdown. As the interest rate cycle turns, capex momentum could improve driving demand for our expanded production. We expect to be able to pass on any cost increases to customers and maintain our margins at the current levels.

**Q: What is the absolute debt and debt-equity ratio?**

We are a debt free company as on date.

**Q: Are you open to inorganic growth to boost growth?**

As of now we are not open to inorganic growth. We are currently focused on investing in our existing factories based on the plans mentioned above. We are focused on delivering returns for our shareholders with current investment plans.

**Q: Are you looking at any fund raising plans?**

At present we are very well funded on account of our successful IPO last year and do not see the need to raise capital in the near future.

<http://www.indiainfoline.com/Research/LeaderSpeak/Mr.-Nikhil-Kumar-Joint-Managing-Director-TD-Power-Systems-Limited/33005588>

