



T D Power Systems Limited Q1 FY21 Earnings Conference Call

August 07, 2020

Moderator: Ladies and Gentlemen, good day and welcome to the TD Power Systems Limited earnings conference call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Devrishi Singh of CDR India. Thank you and over to you sir.

Devrishi Singh: Thank you Bikram. Good morning and thank you for joining us, on this call to discuss financial results of TD Power Systems Limited for the quarter ended 30th June 2020. We have with us Mr. Nikhil Kumar – Managing Director, Ms. M. N. Varalakshmi – Chief Financial Officer and some of their colleagues in the management team on this call.

Before we begin, I would like to mention that some of the statements made in today's discussions maybe forward looking in nature and may involve risk and uncertainties. Documents related to the company's financial performance have already been emailed to all of you earlier.

I now invite Mr. Nikhil Kumar to provide key highlights of the company's performance for the quarter ended 30th June, 2020. Thank you and over to you, sir.

Nikhil Kumar: Good morning everybody. Thanks once again for joining us today on our earnings call.

Let me now discuss with you TDPS' financial performance for the year ended 30th June, 2020.

Standalone: Our total income on standalone basis for Q1 was Rs. 72 crore versus Rs. 95 crore for the same period last year. Loss after tax in comprehensive income for the quarter is Rs. 9.6 crore versus the loss of Rs. 1 crore for the same period last year. Manufacturing revenues for Q1 is Rs. 67 crore versus Rs. 90 crore, exports and deemed exports was about Rs. 65.5 crore of our manufacturing revenues. The COVID19 pandemic has severely impacted revenues for the first quarter. We could only operate for effectively 45 days, thereby lowering our sales and therefore we had under absorption of overheads.

The manufacturing order book including our Turkey operations stands at Rs. 1,104 crore, out of that Rs. 319 crore was the Manufacturing business, Rs. 707 crore was Railway business and Rs. 78 crore was Turkey. Export and deemed exports excluding railway business is around 62%.

Order inflow: Order inflow for the first quarter was Rs. 99 crore versus the previous year Rs. 118 crore. Order inflow from direct and deemed exports was Rs. 56 crore compared to Rs. 73 crore for the previous year. Project business revenue during Q1 was Rs. 0.92 crore versus Rs. 1.6 crore in the same period last year, the order book for the project business stands at Rs. 23 crore.

Consolidated: On consol basis our total income was Rs. 76 crore versus Rs. 93 crore in the same period last year and a loss after tax was Rs. 9.8 crore versus loss of Rs. 1.9 crore last year. Our consol order book is Rs. 1,127 crore, out of which manufacturing is Rs. 1,104 crore as mentioned earlier, project business is Rs. 23 crore and Turkey business was Rs. 1,127 crore. We continue to maintain a strong cash position of a Rs.164 crore.

Now let me talk a little bit about the order book, market situation and guidance; order book and market condition; the recovery in the market is clearly coming back while international market did not collapse like the Indian market. We have seen small forms of recovery in the domestic market also and I expect full recovery to be in place for the end of the financial year. Our order inflow has been somewhat impacted in the first quarter as the pipeline of orders is very strong and we do not see any reduction in order inflow like the end of H1 or the end of Q3 in comparison to last year H1/Q3. It will take a few months for the full momentum to come back to what it was in pre-COVID. If the domestic market continues to recover that is what we are seeing right now, I'm sure that we will see comparable order inflow numbers compared to last year by the end of H2 which will then drive the forecast for next year. Needless to say that these forecasts are based on no further lockdowns.

I'm happy to report a substantial order for nine generators of 9 MW from a US based engine maker for a barge mounted de-salination plant to be delivered to Saudi Arabia. This order was booked in Q2 and not reported in Q1 numbers. These machines are to be delivered in Q3. In addition we have received three more generators of prototype order for three more engine tracks from the same engine maker, so our business with this engine maker is going well and the future looks extremely bright. I'm also very happy to announce one more breakthrough order that we have received or will receive; we have been selected as the generator supplier for 10 generators for the Indian Navy for a specialized ship that will be built by Hindustan Shipyard. This is the first major job that we expect from the Defense segment. Order will be released shortly; we have been working on getting the Navy approval for the past 2 years.

We have seen the impact of COVID19 on the railway segment for this year where our customer has reduced the forecast by about almost Rs. 25 crore. This was due to delay in production at their plant due to the lockdown. Effectively that's about 3 months of production for the business and that corresponds to the time they have lost. However we will be back at full production rate from November this year and we will see the full volume off-take from November onwards into the next financial year. So next financial year from this customer, will definitely be Rs.100 crore.

The segments that are doing very well at the moment are engine business, wind turbine, gas turbine, special machines and also our replacement business. Our Turkey business will be extraordinary this year with sales of around Rs.100 to 105 crore. We are waiting for the Government policy in extension to some of the orders for next year. We expect the announcement any moment now which was long overdue. But there is an impact on fresh investments in Turkey due to COVID19 and we will see the effect of this in the next year's business in Turkey which could be around 60% of this year's level.

Coming to guidance; we have fairly a clear picture of this year and we are (Inaudible). The whole scenario for FY21 has to be catered in the previous call, so business in India we will have top line of about Rs. 475 crore to 480 crore with EBITD margins ranging between 10-11%. Turkey manufacturing business will be Rs. 105 crore, the total manufacturing business topline will be between Rs. 475 and Rs. 485 crore. The break-up for this will be around Rs. 200-205 crore of the TDP India manufacturing business in H1 and Rs. 275 crore in H2 comparison, we did Rs. 215 crore for manufacturing business TDPS India last year in H1 and we did Rs. 240 crore in H2 last year.

On a consol basis we did Rs. 270 crore last year in H1 and this year we will cross Rs. 275 crore by H1 because of high sales from Turkey. So now one can clearly see the full recovery is taking place during this quarter itself and thereby by the end of our H1 we will see better consol numbers compared to what we did last year H1 and then we will see our numbers improve in Q3 and Q4 based on the current order book that we have. Our project business topline will be Rs. 35 crore.

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

- Moderator:** Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. We have our first question from the line of Rohit Balakrishnan from Vrddhi Capital.
- Rohit Balakrishnan:** Nikhil sorry this first question was just if you could repeat your guidance, actually when you were saying I think I couldn't hear it. So I am sorry if you can repeat that and then I have couple of more questions which I will ask post that if that's okay.
- Nikhil Kumar:** The guidance is Rs. 475 to Rs. 480 crore for TDPS India, EBITDA margin 10% to 11%. TDPS Turkey Rs. 100 to Rs. 105 crore and will have a total topline for the manufacturing business between Rs. 575 and Rs. 585 crore. This is what I gave as the guidance.
- Rohit Balakrishnan:** So not any change as such from what you had said in Q4, so I just wanted to check that. On the current quarter just wanted to understand, so clearly the overheads were pretty—because the topline was lower—so the overheads will absorb that. But if I look at some of the other companies that have released their results, there has been a substantial cost reduction on other expenses and to an extent on some expenses on the employee side also which has not been the case for us. So anything you would like to comment there I mean is it the nature of our business that we couldn't really cut out for beyond what we are today, or any one-off was there, so if you could just spend some time there?

- Nikhil Kumar:** We have basically provisioned the salaries for everybody in the first quarter at the same level as it was in Q4. So although we haven't paid out which is under some negotiations with some of the union members and other things, we still have provisioned it. So that's why will not see a reduction in our employee related cost. In fact actually we had some additional costs in the first quarter due to additional transportation cost to bring our people with all the social distancing norms, we had to almost double the number of vehicles that we had to hire. So we had some increase in those costs, we had a dramatic reduction in traveling cost obviously because nobody is travelling. So overall there is a reduction of about 4% to 5% in the cost but it's not maybe as significant. I am not aware of what other people in the industry have reported.
- Rohit Balakrishnan:** And you mentioned about two new businesses that you won, one is in the US and the other was with Indian Navy, so all this will get executed in this current financial year or will it be for the next financial year?
- Nikhil Kumar:** So the Navy business will go to next year and the business for the barge mounted de-salination plant will be executed in the Q3.
- Rohit Balakrishnan:** Should this de-salination engine that we are doing, this is the new segment that we have entered or is it something that we already have?
- Nikhil Kumar:** Yeah, basically it is an engine driven power plant but it's an unique application. It's a barge mounted de-salination plant and there are nine machines of 9 MW, so its 81 MW of power plant on a barge which gives the power to the barge mounted de-salination plant. So the barge will basically go to different cities in the Middle East and other cities which are on the coast. So this is a very project, yeah, it's a new business for us but it's a very unique project and we hope that this will be some kind of regular business in the future also.
- Rohit Balakrishnan:** And this is nine engine order, right?
- Nikhil Kumar:** Nine into 9 MW, yes.
- Rohit Balakrishnan:** And Nikhil if you could also comment a bit about the raw material situation any, is there some pressure on that and in general pricing situation given I think overall demand being, is there any pressure on your gross margins because our gross margins declined YoY but increased QoQ, so just wanted to understand what should one look at more sustainable gross margins?
- Nikhil Kumar:** There are two big factors, so one is that we have been during the COVID19, during the crisis, especially during the lockdown period there was a significant drop in the raw material prices and we booked up a lot of copper and steel for this entire year. So this entire year we will be lower prices overall for us compared to last year so we should see an improvement in the margin. Second is that the exchange rate has become very favourable for us both Euro and Dollar. So we should see improvements in the gross contribution, I don't want to put a number right now. I will definitely give you a firm guidance about the gross contribution during the next earnings call, it will be better than last year for sure.
- Moderator:** We have the next question from the line of Ankit Gupta from Bamboo Capital.

Ankit Gupta: Nikhil if you can just highlight how is the enquiry pipeline for next year looking like. This year I think we are maintaining our guidance despite COVID. So if you can throw some light on the order enquiry pipeline for next year.

Nikhil Kumar: So I was actually a little worried about next year, next year's business last time that we have spoken. I think a lot of those fears have receded for me, we are seeing a lot of opportunities in all segments including hydro and the engine business as well as some of the new opportunities that we now have with the Navy and also we will see increase off-take, most probably we will see increase off-take from our railway partner because they have to make up for the lost production for this year into next year. So at this point of time I'm not giving any guidance but we have seen a very strong pipeline of orders, we will see numbers coming in Q2, so when we report Q2 numbers we will see good some orderly flow. Part of Q2 will be for execution, part of it growth. Next year, but overall I can say my worries are a lot less compared to what it was last quarter. So I'm actually quite upbeat about next year again and I do not see any problem for us to do better, better than this year in next year. The only grey area for me right now is our Turkey business where I do not see the same numbers coming in next year as we have this year. So I think as I mentioned in the speech could be around 60%, just the Turkey portion.

Ankit Gupta: And the two large customer wins that we have had in the last 1-2 years, if you can highlight how is the order enquiry pipeline and the future order inflow that you see from these two customers that we have won on the engine side and the other on wind side I think?

Nikhil Kumar: On the engine side the new customers that we have, that's a business that we are very excited about and we see huge opportunities over there so it's hard for me to pinpoint where it's going, what the exact number is going to be but we are on regular conference call with them, every week we have a conference call with them on the review of existing projects and the qualifications of the generators. So there's a lot of effort being put in from their side also. It will result in big business, they have a big volume, obviously they have a big volume that they will start transferring the volume to us which will start happening once the generators are qualified and we have to just be little patient but so far it's going really well. The generators which have been sent to them they are now getting mounted on the test bed, they have to test it, qualify it, so those are the next few obstacles that we have to go through. But the machines work well in our factory and they will work well on their own test bench. So we have to be little patient and till this qualification process is over.

Ankit Gupta: And just wanted to understand Nikhil that the orders that we are expecting to get from them, have we replaced some existing suppliers of theirs or this is they were manufacturing the products and now to reduce costs they are outsourcing to manufacturers like us?

Nikhil Kumar: So we have completely displacing an existing supplier that's their plan.

Ankit Gupta: And any particular reason for displacing the plant?

Nihhil Kumar: The plan is a complete displacement within 2 years.

- Ankit Gupta:** So is the displacement because of cost or because of some existing supplier?
- Nikhil Kumar:** Some issues, so I cannot say it on the call but there are some issues.
- Moderator:** The next question is from the line of Kirti Jain from Sundaram Mutual Funds.
- Kirti Jain:** Just wanted to ask on the previous question, which you had highlighted that some of the railway order had got deferred to FY22. What will be the current years revised railway business target and we would be anticipating it for FY22?
- Nikhil Kumar:** So, it will be around Rs. 55 crore this year and the next year it will be (+100).
- Kirti Jain:** So despite railway shortcoming how are you able to maintain the guidance, where are we seeing strong traction?
- Nikhil Kumar:** Engine business; engine business from the new customer and also from, engine business basically. All export, all engine export business and also some steam turbine orders, some international steam turbine orders. So particularly I would say that the engine business has been very strong.
- Kirti Jain:** With regard to the domestic steam and overseas steam, how you see vis-à-vis FY20 how it will be in FY21 and FY22, how you see the thing?
- Nikhil Kumar:** I see a reduction, Kirti, in the domestic steam this year and recovery is taking place for next year next year but there's no, I can't give you any firm guidance on that. There is a recovery taking place and the order inflow has definitely improved from both our key customers on the steam turbine side, on the domestic steam turbine side but whether this domestic recovery will still continue or whether we will have some surprises along the way, it's yet to be seen. But as I've always been saying the domestic steam turbine part of our business now is not so significant anymore so it doesn't even matter. If it comes, it comes. If it doesn't come we find other ways to make it up somewhere else.
- Kirti Jain:** What will be our CAPEX plan for FY21 and what will be the Turkey equity requirements for FY21?
- Nikhil Kumar:** Turkey has no equity requirement at all. So, we at the moment, they had taken some loans from the parent company and all those loans have been repaid, subsidiary has repaid all the loans, so we have no loans outstanding and what was your first question?
- Kirti Jain:** The CAPEX plan at India and Turkey manufacturing.
- M.N. Varalakshmi:** So we are looking at around Rs. 15-20 crore for this year in the parent company.
- Kirti Jain:** Both put together India and Turkey?
- M.N. Varalakshmi:** Turkey we will not require anything.

- Nikhil Kumar:** We are investing a lot of money on the utilization of the plant, so next time you come to the factory you will see a lot of automation, robots and we are really investing heavily into automating a lot of our processes to make sure that we get productivity and also quality. So next time we come you will see a big change in many parts of the factory where we're invested with automation.
- Kirti Jain:** So manpower cost can it come down as retirals come or people leave the jobs, there would be some manpower reduction which can happen in the factory workforce?
- Nikhil Kumar:** We will not be able to retrench people. So see we have got a sort of salary freeze this year. So this year the salary will be frozen across the board for everybody. Now we are investing in productivity, so we will be able to increase the sales without increasing the manpower cost in the same proportion, that's our goal.
- Moderator:** We have next question from the line of Vivek Kumar, an Investor.
- Vivek Kumar:** So on the Navy thing is it repeatable or is it a one-time order? My second question is, is the engine de-salination opportunity that you are seeing is from the same customer we have added because you are saying some trials were happening with one customer or is then completely new customer and if you can name just to understand the kind of customer.
- Nikhil Kumar:** It's a major US customer, so major US based engine maker so I guess you can figure out who it is.
- Vivek Kumar:** But you were also talking about another Indian customer that you are working or is it the different right, these are different people from or both are from US?
- Nikhil Kumar:** No, only one is from the US, other one is from Finland, so one is US and the one that we have now with us. And second question yes, Navy is a repeat, every year there are jobs in the Navy. So there is a lot of money being spent on the modernization of the Navy, so there are lot of ships are being built for, whether they are freight ships or whether they are destroyer ships on whether they are diving ships or even submarines. So there is a massive program and this 'Make in India' thing has been taken very seriously by the Navy. So they were buying the generators from outside India up to now and now they have completely switched over to, they will completely switch over us. So it's a nice, highly profitable, highly specialized machines but very good business to be in because we have to design the generators to basically survive during high shock conditions and war time conditions where there could be high shock loads, seismic loads and things like that. So I think it's a really interesting business to be in, very high margins and decent volumes.
- Vivek Kumar:** This is like a replacement, so every year they will be buying, whatever they will be buying they will be buying from us which is we replace somebody who some guy in the foreign, right? It is just coming to an Indian player?
- Nikhil Kumar:** Yes, we are basically replacing some foreign manufacturer, yes.

- Vivek Kumar:** Good to hear that you are doing lot of automation. So will it result to increase in margin after we cross Rs. 700 crore like substantial increase in EBITDA margin can it go to 15%-16% or it is more of productivity and it depends on what kind of margins we will have or it's given that we will see definite increase in EBITDA as our sales growth?
- Nikhil Kumar:** I don't think that the productivity gains are going to have a 4% to 5% effect on the net margins of the company but we will see incremental increases, maybe I have guess around 1% to 2% but it's a sustainable improvement for the future and we are not going to add cost and we also improved, keep the quality at a very-very high level. We have to keep investing in automation to keep the factory modern and world-class. So I hope we can reach, if we can scale up the production to Rs. 700-800 crore and we are on the track to do that. Then we won't see the corresponding increase in the fixed cost. That's the intention.
- Vivek Kumar:** This is a very difficult question currently given COVID but how many years do you think we are far away from Rs. 700-800 like because we are already near Rs. 600 crore? I am not asking you to give a guidance but what do you hope when will get the data?
- Nikhil Kumar:** Hopefully next year, in the worst-case 2 years I guess.
- Moderator:** We have next question from the line of Rohit Balakrishnan from Vrddhi Capital.
- Rohit Balakrishnan:** So just had two questions; so given what you are seeing with the currency as well. Would it be, just wanted your view on your competitive positioning whether the other players that you compete with especially in the export market? So given our positioning would be even stronger; do you see any potential new wins that may be the annual; maybe you don't want to talk specific but just if you can talk a bit about that. Is there anything in the annual which can really which has this currency movement and in general, our overall cost benefit can give us a short in our arm, can give us a leg-up or for getting new customers or new opportunities? Would you just talk about that and then I have one more question but if you can just talk about this?
- Nikhil Kumar:** I don't think we are playing the currency card on this right now Rohit. We are not dropping the prices and trying to improve the market share. In fact we feel it's better for us to improve the margin that's our goal; we have a lot of references in the international market and it takes a certain amount of time to convince that certain group of customers or certain segments of the market who despite all our references we still want to buy a European product. So we have to keep working on that and it's not a price driven issue. So we do not want to compromise the margins on the existing business just because of the currency situation. In fact we want to see that the margins coming in for the company because if we drop the prices somewhere then we have to drop the prices everywhere. I am not willing to do that and the currency movements can go both ways. So today it is something and then tomorrow it can just swing the other way so it is not worth taking that risk at this point of time. I think market development activity should go on the basis of quality and the basis of reputation, on the basis of credibility of the organization and that's how we want to penetrate the market.

- Rohit Balakrishnan:** The other question I have was on the traction motor business. So while this year the Railway business there is a shortfall given the situation but is there any potential of not in the immediate next year but slightly longer term? Any chance of increasing our overall business there with the same customer or new customers getting added because that is a business that you have been quite positive about it?
- Nikhil Kumar:** All I can say at this point is that there is a lot of discussions going on between our customer and the Indian Railways to increase the off-take beyond the contracted amount. And there are number of scenarios being worked out and these locomotives have already been put into operation and Indian Railways are using them heavily. Some of these locomotives and all drawing the total number of carriages that they have its like 4 km long, so that is the kind of transformation that these locomotives have brought to the Indian Railways. At this moment there are discussions going on for increased quantities, I cannot disclose how much. It may materialize next year or the year after that but it will definitely happen and we are pursuing other opportunities obviously in the railway business not with this customer also but also directly with the Indian Railways but we will talk about little bit more about that once we see some actual orders we will, probably next earnings call I should have some news to give to the market.
- Rohit Balakrishnan:** Sure and just two more questions. Just one was Nikhil, so inventories have increased. Is it due to as you mentioned you booked a lot of raw material at lower prices? Is that because of that and one more question on finances was that, just checking, given the environment, are there any provisions that you see from your customer in terms of receivables etc. just to be sure?
- Nikhil Kumar:** The inventories are because we were buying material for a larger production for, originally larger forecast for Q1 which was originally forecasted to be a Rs. 115 crore, we ended up with Rs. 65-67 crore. So we could not I mean that material was already in the pipeline and we were so may be inventory has built up. Second question sorry what was your second question?
- M. N. Varalakshmi:** We will not have to make any provisions for the receivables.
- Rohit Balakrishnan:** And any inventory gain has been there this quarter or not substantial given we have booked inventory at a much lower rate?
- M. N. Varalakshmi:** No there is nothing.
- Nikhil Kumar:** So it will reflect in the consumption when we actually consume it. So not part of it.
- Moderator:** We have next question from the line of Manoj Dua from MD Investments.
- Manoj Dua:** My first question is we have developed so many new lines like Navy now. So many new segments we have added and lot of costs must have been gone in developing all these products, may be in R&D, now in test samples and etc. and we have created a lot of, while we just have to scale some in those areas to get Rs. 800-900 crore sales. So going forward how much cost has been capitalized? Is 10%-11% EBITDA margin normal or we are capitalizing so much cost on new thing that we are not able to find what is the real margin?

Nikhil Kumar: No, I think that, Manoj, the volumes have to go up to Rs. 600-650 crore in TDPS in India to see the real improvement in the EBITDA margins and the amortization of the fixed cost and things like that. So and also seeing the improvement that in the automation and all this thing as putting and all those things should get the result. Once the volumes go Rs. 600-650 crore; these developments with Navy and other things that are coming from in-house technology. So it's not going to be such a heavy cost, we have the ability. So its certain number of engineering man-hours and certain amount of technology developments that we do in-house or we buy some software programs and it's not a lot of money. It's an internal company know-how and internal company development its intellectual property development. We are not creating new assets in terms of hard physical assets. This is all intellectual assets. I don't feel that has been the reason, I still see the problem where we were, last year we were supposed to enter year of around Rs. 500 crore then we had this COVID19 shock in the March and this year we were supposed to hit Rs. 550-575 crore in TDPS India but we are only going to be again around Rs. 474-484-500 crore. So there is a setback you can say of approximately Rs. 70-80 crore which has a big impact on the margins. So that we are definitely as in these COVID times, we are still living in this COVID19 period, so we are right in the middle of it. So the numbers would have been great, had it not been for this but how to say had it not been it's just a fantasy right now. We are in it.

Manoj Dua: My second question is of regarding Turkey. Even if the incentive scheme is not forward from 2020, I was reading some articles. Structurally they have a lot of demand of geothermal renewable energy per se and it makes still sense even they don't extend or they might given in some another form or something like that, what's your view on that?

Nikhil Kumar: My view is that since you followed Turkey quite closely is that Turkey is currently going through a balance of payment crisis and they are finding it difficult to defend their currency. They don't have enough reserves, they lost a lot of money, a lot of foreign exchange earnings takes place due to tourism and due to this year's COVID19 situation they have had a 95% drop in the foreign tourist into their country because their country is also one of the hot zones, red zones. So I feel they have to extend this policy because this policy drives localization and if we stop making the generators in Turkey then they have, the entire market will have to import generators. So it is not just generators which are coming onto the local content rule, also the turbine is also coming under the local content rule and all the turbine -related auxiliaries like condensing systems, control panels. So a lot of localization which had taken place for the power plant business is not just a generator. If they take away the incentives their entire ecosystem will suffer. I don't think that Turkish government is going to let that happen. They may ask us to improve the local content further from 55% maybe then they will make it 65% or 70% which is fine but I don't think they are going to do away with it.

Manoj Dua: Glad to know that we have such in-house capabilities for creating new things and going forward except some healthy returns on capital with the kind of work we are doing with the niche segment and so much effort we have put so that some good return on capital come in future. Thank you.

Nikhil Kumar: It will come Manoj. Thank you for the patience with your investment.

- Moderator:** We have next question from the line of Ankit Gupta from Bamboo Capital.
- Ankit Gupta:** Nikhil in your initial commentary I think you had highlighted that you are seeing some green shoots on the domestic market side as well. If you can just briefly talk about from which sectors and the enquiry pipeline is looking good and if you can briefly talk about this, the domestic side of the demand.
- Nikhil Kumar:** Yeah just if you are seeing that some of the ordering which got frozen just during the COVID time has restarted, so steel companies, cement companies, sugar companies, so you know that the complete freeze which was there, has I would say thought a little bit and we are seeing some movement taking place in the market once again. So that is what I mean by saying that it is getting better; not a full recovery as yet but definitely there is, it's not as bad it was during the peak of the COVID crisis.
- Ankit Gupta:** And it was actually banned pre-COVID as well. I think the demand scenario was not good at least till Q2 of last year.
- Nikhil Kumar:** Yes you are right.
- Moderator:** We have next question from the line of Vivek Kumar, Investor.
- Vivek Kumar:** Can you highlight about export steam market. Now that steam is suffering that where are you getting, what end industries or the countries or did we add any clients? What is happening in the steam market and our competitive positioning in the exports steam?
- Nikhil Kumar:** Steam business is down compared to last year mainly because the domestic side is down, so but we have a high dependence on the segment of the market or historically we had a high dependence and we are trying to take away that dependence by getting into other sectors but the market is still quite good in terms of renewable, in terms of biomass, garbage burning plants and then heat recovery systems. Some primary investment is also going into coal fire power plants, for things like steel and cement. So market is down this year compared to last year but there is a strong enquiry pipeline. I think it will be back by end of this year. We are very well placed everywhere.
- Vivek Kumar:** Did you add any big clients there or it's the same old clients we are supplying to?
- Nikhil Kumar:** We are supplying to all the major customers in the world. So I don't think addition of new clients would be possible at this time. Right now we are supplying to every major turbine maker in the world.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I would now like to hand the conference over to the management for closing comments. Over to you sir.
- Nikhil Kumar:** Thank you very much everybody for joining us on this call and we look forward to interacting with you at the end of next quarter. If you have any questions please feel free to reach out to either me or Varalakshmi any time in the future. Thank you.



Moderator: Thank you sir. Ladies and gentlemen on behalf of TD Power Systems Limited that concludes this conference call. Thank you for joining with us and you may now disconnect your lines.
