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(CIN -L31103KA1999PLC025071)

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The Corporate Service  
Department  
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Mumbai – 400 001

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

Sirs,

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

With respect to the above subject, please find attached transcript of Analyst & Investors conference call relating to un-audited Financial Results of the Company for the period ended June 30, 2021 held on August 13, 2021.

Please take the above on your record.

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



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



**Encl: A/a**



## T D Power Systems Limited

### Q1 FY22 Earnings Conference Call Transcript

August 13, 2021

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**Moderator:** Ladies and gentlemen, good day and welcome to the TD Power Systems Limited earnings conference call. As a reminder all participants' 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 "\*" then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Lata Kabra of CDR India. Thank you and over to you, ma'am.

**Lata Kabra:** Thank you. Good morning everyone and thank you for joining us on Q1 FY22 earnings conference call of TD Power Systems Limited. We have with us Mr. Nikhil Kumar – Managing Director, Mrs. M. N. Varalakshmi – Chief Financial Officer and some of their colleagues in the management team on this call. We will begin the call with brief opening remarks from the management following which we will have the forum open for an interactive Q&A session.

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

**Nikhil Kumar:** Good morning everyone. Thank you very much for joining us today on our earnings call. I trust all of you would have received our results and investor presentation.

Now I would like to discuss with you TDPS's financial performance for the quarter ended 30<sup>th</sup> June 2021. Before starting the discussion on the performance of the company, I would like to mention to all our investors that we have worked right through the devastating second wave of COVID-19. Thanks to the special permission that we obtained based on our production for the defence sector and also production for the pharmaceutical sector. The management team has worked extremely hard to ensure all deliveries to all our customers all over the world and I am proud to say that we did not miss a single deadline.

Now moving on to the financial results:

Our total income on a standalone basis for Q1 was Rs. 1.28 billion versus Rs. 0.72 billion, this was the same period of previous year. Profit after tax and comprehensive income for the quarter is Rs. 68 million versus a loss of Rs. 96 million in the same period in the previous year. Manufacturing revenues for Q1 is Rs. 1.25 billion versus

Rs. 0.67 billion. Manufacturing order book including Turkey operations is 10.53 billion, out of which Rs. 3.4 billion is from our Generator Manufacturing business, Rs. 6.47 billion is from Railway business and Rs. 0.62 billion is our Turkey business. Export and deemed exports excluding a large traction order is 66%.

Order inflows statistics, first quarter order inflows as follows:

Total order book for the first quarter is Rs. 1.32 billion versus Rs. 0.99 billion from the previous year. Order inflow from direct and deemed exports is Rs. 0.81 billion versus Rs. 0.56 billion in the previous year. Project business revenue in Q1 is Rs. 15 million versus Rs. 9 million same period last year. Our total order book for the projects business stands at Rs. 256 million. On a console basis, our total income is Rs. 1.67 billion versus Rs. 0.76 billion the same period last year. Profit after tax and other comprehensive income for the first quarter is Rs. 97 million versus a loss of Rs. 98 million for the first quarter of last year. Our consolidated order book as mentioned earlier is Rs. 10.78 billion. We continue to maintain a strong cash position of Rs. 1.8 billion.

Now moving on to the market situation, order book and guidance:

We are very pleased to announce a significant upward guidance in our top line. We now expect our manufacturing sales to be in the region of INR 6.5 to INR 6.6 billion for TDPS India compared to INR 4.8 billion achieved last year. We are seeing very strong demand from export markets, as well as a very significant pickup of order booking and sales in the domestic market. In the overseas market we are seeing huge increase in the gas engine segment as well as in the steam turbine segment. The hydro market has also picked up and we are seeing a big uptake in the executable orders for this financial year. We are now reaching that stage of a year where the majority of the fresh order booking will go into next year's execution. In this regard, we are continuing to see extremely strong order inflows from all segments of our business, including exports which is a really good sign that we will grow our generator sales next year from the level that we have projected this year. Domestic market is also picking up in all sectors, cement, steel, sugar cogeneration, distilleries, waste heat recovery and garbage burning plants. There is a lot of momentum in the market, and I think we are finally seeing a strong revival of the long-awaited CAPEX cycles. At this moment, we are very excited and very positive about the sales growth for FY23.

Last time we talked about new products. I am very happy to announce that we have secured an order for large synchronous motors for about INR 180 million. This order will be executed in the next financial year. This is a large market and currently we are addressing a market size of about INR 2 billion per year, and we hope to get a decent market share from this segment in the future. We are also very active in more new product segments, and we will announce our results as and when we achieve success in the market.

Business development is headed by one Mr. Kaushik Swapnil. He was the former MD of WEG India, and he is moving TDPS into new segments, bringing his rich 35 years of experience in electrical rotating machines.

We are getting more and more orders from our new engine customer in Germany and this relationship is moving slowly but surely and steadily forward. This business remains on track to deliver the expected volumes in the next one or two years.

The Railway business with Indian railways is also on track. We will deliver the first prototype units in the next two months, and then we are expecting full approval for business in the second half of next year. After getting the full approval we expect to grow this business substantially. The railway business with Alstom is at full yearly volume. We are waiting for news about the expansion of the current order quantity as well as new segments where we have bid with them. This business also will grow substantially over the next years.

#### TDPS Turkey:

This year, TDPS Turkey will have a top line of about € 9 million and around 10% profit before tax. Unfortunately, the new incentive scheme announced by the Government of Turkey does not make local manufacturing in Turkey attractive. We are seeing a lot of new orders on this market being diverted to TDPS India. While TDPS does not lose overall, the next year outlook for TDPS Turkey does not look so positive. If required, we will downsize the operation and make sure we do not have any losses.

#### Guidance for FY22:

Manufacturing business for India as mentioned earlier, topline is about INR 6.5 to 6.6 billion. Now I need to talk a little bit about the margin expectations and the impact of raw material prices on the profits of the company. Last time we had talked about negotiations with our long-term customers, both in India and outside India. Our goal was to preserve the long-term relationship with our customers, not lose market share, but ultimately pass on the full cost increases to the market. In this process, the most difficult part of our discussions was about orders that our customers had taken or about to take the prices that we had in place last year and early this year before the massive increases of raw material prices took place. We took the hard decision to absorb some cost increases in a few cases and share the cost increases in many cases. These two categories constituted of negotiated and fixed number of machines and after this predetermined number of machines, we have agreed for a full price increase for all new orders. This will have an impact on Q2 to some extent and Q3 to a larger extent and again Q4 to a smaller extent. From Q4, we will start seeing the full price increases that we have finalized with the customers, and we will see a full pass through of these price increases next year.

For this FY, financial year, the impact on TDPS is in the region of Rs. 220 million to 240 million, which will bring the gross contribution to about 27.5% to 28% for this year. We are trying very hard to increase the aftermarket business for the remaining part of this year to see if we can improve the gross contribution by another 1%. But as mentioned earlier, this is a short-term effect, and we will definitely return to the normal gross margin profile of the Company of around 32% next year. This hard decision was taken to preserve the long-term relationships with our customers. A major cost sharing has been done with Indian OEM customers and to a lesser extent with international customers. Despite this, we still expect to have the same level of profits as last year on a console basis because of significant increases in the topline.

As mentioned earlier and I would like to repeat, the impact of the higher sales prices will positively affect the margins from Q4 this year onwards and from Q1 FY23 fully. And I'll repeat once again, we will increase the gross contribution of next year's business to at least 32%.

TDPS Turkey will deliver a topline of Rs. 0.8 billion, and the total manufacturing business topline will be between Rs. 7.4 to 7.5 billion. Project business will deliver a topline of Rs. 0.25 billion. All other subsidiaries will be profitable.

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

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Himanshu Upadhyay from PGIM Mutual Fund.

**Himanshu Upadhyay:** Good morning. Congratulations on a great set of results and also on a very strong commentary. It seems there is a buoyancy all across. Can you elaborate slightly more? When we are seeing buoyancy, is it only in the thermal power or you are also seeing buoyancy in something like waste heat recovery and let's say the locomotives and railways gas engine, what we have entered? And the way the company is moving, or if we have moved, how much is the dependence on a single particular segment? Let's say a coal-based power plant which used to be the largest revenue contributor to us, today what it would be? And the way the order book is getting built, what would be our exposure to that segment and what would be to new segments, something like, windmills, railways what we have tried? So, can you give some idea on how the order book is broken up today?

**Nikhil Kumar:** I'll answer this question partially and my colleague, Vinay Hegde, the Head of Global Sales and Marketing will address the question on the buoyancy of the markets and what he is also seeing.

So, approximately about 25% of our business is Steam Turbines and then we have Hydro, which is about 15%, and then we have the engine business which is about 15%, and then we have diesel engine, we have traction which is about 16%. So, you can see that we are not overly dependent on any single sector. When we say Steam Turbine, it means basically capital power plants which will be running for the primary power generation for the industry. There is waste heat recovery. There is sugar cogeneration. There's garbage burning plants. So, approximately you can say the mix in the steam turbine business, as we see it, is something like 50% export 50% domestic. The domestic side will be something like 50% will be based on coal. 50% will be based on renewable. Export business about 80% will be renewable and 20% will be using traditional fuels. So, large proportion of the steam turbine business is also heading towards the renewable sustainable segment. So, that's why we see a trend that there's an increase and more and more businesses coming this way. So, it's difficult. So, these percentages vary year to year. So, I am not going to say that it's fixed, it varies. Sometimes some sectors go up, sometimes some sectors go down. But overall, our goal has always been in the past five to six years, to diversify the business into as many segments as possible with related products so that we can not only grow, but we can also compensate drop in one segment versus the increases in some other segment. So, this is in principle, is the strategy of our company.

Now regarding the buoyancy in the markets I'll hand over the mic to Mr. Vinay Hegde.

**Vinay Hegde:** Good morning. Mainly the Indian steam turbine market is growing significantly. This is coming mainly from the field plants, cement plants, sugar plants, and distilleries. There are a lot of distilleries plants coming up because of the demand for the ethanol and there are a number of ways to (Inaudible) projects which is garbage burning plants. The detailed project reports are being done, and there's a huge pipeline of such projects. So, I think that this is going to continue and the significant increase this year what we are seeing is coming from the steam turbine segment and the gasoline segment.

**Himanshu Upadhyay:** Globally also our export order can you tell what would be the sectors which are doing well? And added to that, we had some of the large global players on the BTG side who were going away from some of the smaller segments and again, coal-based generation plants and everything. So, do you think your competitive position today is much better than let's say what it was in 2012-2013? And especially in Europe where I think some of the larger players stopped that business or have defocused from that business. Can you elaborate on your competitive position and where the demand is strong in global markets?

**Vinay Hegde:** Mainly, people are now shutting down the coal plants and they are going for gas-based power plants. So, that is why we are seeing a huge increase in the gas engine business segment. And export business what we sell the steam turbines, that may be less than 10% that are going for the coal fired power plants. Majority of them are for renewables.

**Nikhil Kumar:** And I will just add to the competitive position, so basically, we have strengthened our position in all international markets, main international markets. We have strengthened our position by being known as a quality manufacturer, and we are being approved across the board for most of the new projects. In some cases, we are still not, but I would say majority, we are getting approved, and we are winning the orders. And the larger entrenched players are receding from this size below 50 megawatt and opening up, because it's not possible for them to compete against people like us.

**Vinay Hegde:** And international market what the acceptability was there a few years back, it is no more there now. So everywhere that acceptability is there for the TDPS brand.

**Moderator:** The next question is from the line of Bajrang Bafna from Sunidhi Securities.

**Bajrang Bafna:** Just wanted to understand, you guided that next year perhaps the margins are going to go towards the normalcy of 14%-15% kind of range. But this year, due to especially the sales cycle, it will not be possible. But what sort of revenue guidance that we could see next year because this year perhaps you have guided that it will be in the vicinity of Rs. 6.4 to 6.5 billion. So, considering the capacity that we are having right now, what sort of revenue that you would see next year and maybe any CAPEX which will be required to augment the capacity, considering the demand which is coming up in the system?

**Nikhil Kumar:** So, we are saying that this year we will do Rs. 6.5 to 6.6 billion. And I will put a number right now and we will do at least between Rs. 7.25 and 7.5 billion next year.

That's the initial guidance I am giving and with all the things that we are doing, I really expect it to be much better, but I will give you a revised guidance as time goes by. It's really early for us to give a very firm guidance for next year. I said, because order booking is just starting for next year, but the flows are very good. The flows are very heavy inflows and all the new potential areas where we have developed the customers over the past few years, those are really opening up and we are seeing increased flows from those new areas. Plus, in addition, there are new areas which we are just tapping into. So those also will contribute. So, very conservatively, I am giving a guidance of about Rs. 7.25 billion to Rs. 7.5 billion for next year. And then let's see. I would be happy to upgrade this guidance as time goes by. No big CAPEX. And as I said, we are investing about Rs.10 to 15 crore a year. Every year we are investing in productivity, in automation, in upgrading our plants to keep it at a state-of-the-art level. And that will continue to be our focus to keep debottlenecking the plants through automation, productivity, improvements, and to really get the benefit of this higher sales volume with approximately the same fixed cost. That is our clear goal. We can push this capacity. At the moment we are saying that we can take it to Rs. 900 crore, even Rs. 1000 crore. Let's see how it goes.

**Bajrang Bafna:** And any further increase in steel prices of maybe other raw material prices? Now the orders that you are taking, that are having complete pass through, or we might again see the kind of volatility that we have seen this year, can further derail our margin trajectory which we are hoping for?

**Nikhil Kumar:** We have very clear agreements where there will be a pass through of raw material, if the raw material prices go up further then we will talk. But at the moment, we have booked a lot of material at the current prices to secure some predictability in the margin profile and with all the new prices which are, as I said in my opening speech, we have a certain fixed number of machines which have been agreed with all our major customers, where it will either be a small number we will take the full cost, most of the rest will be shared basis. And then after this fixed number of machines, it will be complete pass-through of the raw material costs. So, basically all the new orders from approximately now are going to be with the new price plus minus few weeks here and there. And for raw material price future trends, I don't know. Whatever it maybe we are not worried because if the prices go up, then we will again have another pass-through.

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

**Dhwani Desai:** Congratulations for a very strong performance and outlook also is looking good. So, Nikhil I have been following our company and invested in for a long time. I have never seen such a strong commentary from your side. So, wanted to understand what is actually has changed so drastically in last 3-4-5 months where suddenly our guidance is revised upward, even on that way we are expecting growth in FY23. Can you elaborate on that?

**Nikhil Kumar:** Actually, I guess it's all the things we have been doing, struggling to do over the past five years because everything is just coming together one by one. And this was what we all expected to happen, but it was not happening. And then now it's happening. And there's always a potential to grow certain businesses to a certain size. And we were moving slowly towards that potential, but suddenly some things have opened up, like, for example, this gas engine business, it's now going to be Rs. (+) 100 crore

for us this year. And it's going to continue like this. Maybe it's going to grow with the second engine customer, it is going to grow with this Rs. 100-crore with the existing customer and we have another one which is growing. And so far, things are going well. So, the potential with the second one is also Rs. 100 crore. So, suddenly it may just pick up and then we will see this Rs. 50-60-70 crore of additional business coming from this one person. So, this is the kind of thing that we have been, I guess, dreaming in the past and now it's coming true.

**Dhwanil Desai:** But a significant part of this upward revision is because of the export market. Not because of the domestic?

**Nikhil Kumar:** And the domestic also. As Vinay has said a little bit earlier, once again he can just tell.

**Vinay Hegde:** There is a significant increase in demand in domestic market and especially, as I said, heat recovery from steel plants and sugar plants mainly there are a lot of distilleries coming because there's a huge demand for ethanol and there are many projects for waste to energy, which is coming from the garbage burning plants, and now they have a plan for putting up a plant in every district. So, this demand is going to continue, and this is not a bubble anymore. So, whatever we were expecting the Indian market to grow, and it has started now and there is a huge demand for the small power plants below 20 megawatt.

**Dhwanil Desai:** Second question Nikhil, I think you indicated in your opening remarks about railway, the existing business, there is a potential to go up and even some newer areas with the same customers. So, can you elaborate on that?

**Nikhil Kumar:** Their existing contract is around 1000 locomotives with the existing customer. And Indian railways is negotiating with customers for an increase of this 1000 to another number. I don't want to tell you what it is, but in another number, a larger number. So, that's under negotiation. Indian Railways will definitely buy more electric locomotives. The product which our customer had made has been extremely well received and with the completion of this railway freight corridor also the utilization of this locomotive is at a very-very high level. Second major area which we are expecting in the business from this customer is this high-speed private railway tenders which the Indian railways has floated. I think the tenders are closed in July and soon we will know which are the private operators who have won some of those bids and then they will have to start ordering their locomotives to run on those tracks because there will be a fixed term, a fixed period in which they have to get operational. And this particular customer of ours is probably the only one who can make these high-speed trains in India. Or even if they lose some business, they will get a majority of the business. And they have also taken over Bombardier, and they are very well-placed, and we are very well-placed in this whole supply chain. So yes, it's another big area where we are expecting the expansion of business to take place. It will take a little bit of time, but as I said, we have positioned ourselves well in this system.

**Dhwanil Desai:** Last question, the copper prices have been going up and up, but how will it have an impact if it starts going down in terms of the materials that we have put, the negotiations that we have done with our clients, how does it pan out?

- Nikhil Kumar:** There's going to be a fairness in this whole system moving forward. That's all I can say at this point of time. So, we had taken a certain hit and we have been fair and now when things start going the other way, I am sure our customers will be fair. We are going to play this game with a fair spirit and our customers also will play. We have long-term relationships. Everything that is done will be done with a spirit of fairness on both sides.
- Moderator:** The next question is from the line of Chintan Seth from Sameeksha Capital.
- Chintan Seth:** You mentioned the existing capacity can be scaled up to Rs. 900 to 100 crore revenue without any major CAPEX. But from the initial commentary, it seems we will run out of that capacity also from three years from now, given the guidance you are giving for the next year at 720 being a conservative. So, any plans before the scale up the capacities say in next couple of years in terms of larger CAPEX. given the opportunity we are seeing right now?
- Nikhil Kumar:** We will start thinking about it next year is all I can say. We are already thinking about it, but we will start acting on it next year. It's not difficult to put up new capacity. We have money. We know how to do it. We will give it another 12 months and then we will give you more concrete answers on this question. Putting a capacity is the easiest thing, but once you put it up, you have got to be sure you are going to fill it.
- Chintan Seth:** In terms of pricing, you did mention that for this year it's been negotiated and we kind of take a bit of hit but from next year onwards we will see passing on or get the full benefit of the price increases this year. So, going forward if the agreement are in place, you did mention about it, but you also mentioned that you had to go back to the customer and negotiate. But are we secured in terms of agreements with our customers to at least pass on a very significant sharp rises in the prices? How should we look at? And you have faced a similar situation which you are facing right now?
- Nikhil Kumar:** We have clear agreements of further price rises for the price reductions; everything is fairly clear.
- Moderator:** The next question is from the line of Rohit Balakrishnan from iThought PMS.
- Rohit Balakrishnan:** Just a couple of questions. So, one, wanted to just get a view from you, in the last conference call you were talking about some specific opportunities in terms of CAPEX. So, just wanted to get a sense. Is there something that you have firmed up? That was one. And the larger question being, so we have close to Rs. 200 crore of cash and given what we are saying that this year and next year, there would be a significant accrual in terms of cash. So just want to get your view, how are you thinking about deployment of cash? Is there a buyback that we are thinking about, or anything else? So, that was the first question.
- Nikhil Kumar:** Sorry Rohit, you were saying about the new products. You can just maybe start the question from the beginning.
- Rohit Balakrishnan:** Nikhil, what I wanted to understand is, you had talked about a certain opportunity where you were thinking of doing some CAPEX. I wanted to just get a sense from you, an update. My larger question actually was around, like we have about Rs. 200 crore of cash and given what we are saying in this year and next year,

hopefully it should be very good from a cash accrual point of view also. So, just wanted your sense about how you are thinking of deploying this cash? Are you thinking of buying back dividend or anything else, just getting your view?

**Nikhil Kumar:** We are focusing on using all our resources to fund the growth and this kind of growth will need significant amounts of working capital and, as I said, some CAPEX also, not major CAPEX but Rs. 10-15 crore of CAPEX will be required. So, all put together, I think we will be consuming much of the earnings in just funding the growth. But this is a strategy at least for the next one year, to fund the growth. And then we will see after that.

**Rohit Balakrishnan:** Nikhil, so this year you are saying close to Rs. 740 crore at a consolidated level, right?

**Nikhil Kumar:** Say, Rs. 7.5 billion, yes. All put together, Rs. 7.5-7.6.

**Rohit Balakrishnan:** And you had also given an initial mark for the next year and you are assuming Turkey to be almost negligible next year?

**Nikhil Kumar:** Yes, most of the revenue will come from TDPS India from the manufacturing side. Probably Turkey could just be, I think, around € 1 million to € 2 million.

**Rohit Balakrishnan:** That's again commendable on your part to be able to fill up that kind of a big gap. So, I remember in one of the conference calls a few quarters back you mentioned that if we get to Rs. 180-200 crore kind of a run rate on India, then we can do 15% margins. Now, given there's been some changes, I am again not saying this year, I am cognizant of what you mentioned in the opening remarks, but I am saying next year, and along with commodity prices going up, and also on the other side you said you have been investing a lot on automation and stuff, so can you probably touch 15% EBITDA margins if we do Rs. 180-200 crore of quarterly numbers, let's say few quarters down the line?

**Nikhil Kumar:** Rohit, all the guys in this call are all great in calculating results. So, I have given the indication on the gross margins, topline, and the fixed costs are not going to go up that high. So yes, it's possible. Definitely.

**Rohit Balakrishnan:** Just a last question, you said about a large synchronous order. I missed that part if you can repeat that?

**Nikhil Kumar:** Synchronous motor is basically, constructionally almost identical to a generator. But it's used a lot in industry where you need to have large pumps or large compressors or large equipment that need to be driven with a constant speed and very-very good speed control. But constructionally the machine is almost exactly identical to a generator. So, this logically has been a very good segment for us to get into, because from a manufacturing point of view, it's exactly the same as the generator, but a lot of design capability had to be built in. And we have done that, we got the first order and it's a large market, and this is what I am talking about, the Rs. 200 crore is only domestic. If I talk about the international market, it is huge. It's really-really big. So, we will grow. We will first put in a few machines over here in the domestic market and we will try to get a good share, and then we can also grow this business internationally. So, I am very upbeat about this product line, and there are more

coming up and we will talk about it as and when we enter, we get orders from certain segments, we will talk about it, and we will talk about the market potential when we actually realize success in the market.

**Rohit Balakrishnan:** Just one follow up on this. So, this is an Rs. 18-crore machine?

**Nikhil Kumar:** The six machines are around 3 crore per machine.

**Rohit Balakrishnan:** And this is for which industry, Nikhil?

**Nikhil Kumar:** This is going to be used in a large pumping station.

**Moderator:** The next question is from the line of Adit Shah from Vibrant Securities.

**Adit Shah:** My first question is on the gross margin. For this year, Nikhil, you have guided probably for 28% cost margin. And due to that, the profit may not go up significantly in the current year basically. Is my understanding, correct?

**Nikhil Kumar:** Yes.

**Adit Shah:** My second question is on the gross margin next year you are guiding for 32% which we basically did in FY21. So, we will revert to that kind of margin profile. My question is that when we are deciding the pricing for a product, so this 32% the number wherein we will stabilize or this business inherently has the potential to increase the pricing, and potentially move the gross margin profile higher than 32%.

**Nikhil Kumar:** That's a really hard question to answer in a simple way. This 32% is a mix of a large number of different things that we do, and certain segments are more profitable and certain segments are not as profitable, but overall, the business is generating this. We are trying and we are putting a lot of effort to see how to increase the aftermarket business. It is a big push from our side to increase the aftermarket business. And there is a lot of potential in this area. We will talk about it more hopefully next time because we are very close to winning some orders and then we will talk about this a little bit more next time. That kind of business will improve the overall gross contribution for the company in a significant way. The new product business is always competitive. And we got to remain competitive in this business. Our OEM customers also are demanding. They demand competitive prices. So, it's hard for us to push this significantly. Let me just put it that way. Here and there, yes, but significantly it's hard.

**Adit Shah:** Got it, I think that's very fair. In terms of aftermarket, I want to understand right now, do we have any kind of revenues in aftermarket?

**Nikhil Kumar:** As I said, it's a push from our side and when we win some orders, we will definitely inform the market. But I am upbeat about it because we have some really good potential sector that we are going after, and we have been working on this for the past 7-8 months. We are close to winning something, when we win, it's not going to be some small stuff. We will win, we will talk about it probably in the next call.

**Moderator:** The next question is from the line of Manoj Dua, an Individual Investor.

- Manoj Dua:** Hi Nikhil. Congratulations on your upbeat guidance and efforts you have put in the last 4-5 years, maybe more than that to become fruitful, I am so glad for that. My first question is regarding we have a Navy shipment in Q1. It was delivered in Q1 or is it in Q2?
- Vinay Hegde:** That has been shipped in this Q1.
- Manoj Dua:** My second question is that we have taken some hit on the margins for our OEMs. Do you think this kind of what we have done sacrifice in terms of margin will cement our relationship in future and we can increase our positioning with these clients and these kinds of things will be taken as now more cementing of our relationship with our new clients?
- Vinay Hegde:** It is basically, with these clients what we are talking about, where we have the (Inaudible) contract, we have a 20-year-old relationship, and we have 100% market share with them. And if they grow automatically, we grow. This is to keep their business intact and not losing the market share. These kind of things we have to do in this kind of business, because we have limited number of customers.
- Moderator:** The next question is from the line of Himanshu Upadhyay from PGIM Mutual Fund.
- Himanshu Upadhyay:** Nikhil, I had a question on this Turkey facility where you said that we may reduce the capacity, or we may have to bring down the thing. And in last you also said that there are FOREX issues in that country. How easy is it to get back our money what we have invested? And what is the value of investment plus cash in Turkey geography as of now?
- M. N. Varalakshmi:** In Turkey we have not put in much of investment. It could be around 3-4 crore, that's it.
- Himanshu Upadhyay:** And the cash, we are able to get back, means the profits what we generate?
- M. N. Varalakshmi:** That we will have to call back as dividend or something.
- Nikhil Kumar:** See, we had Rs. 21 crore last year as the earnings. We are expecting, as I said, this year around Rs. 80 crore and 10% PBT, so we may have about Rs. 6-7 crore coming in net. So, totally about Rs. 27-28 crore. We can bring it back. But we just want to wait and see whether the Turkish market opens up again or not before we bring it back.
- Himanshu Upadhyay:** Just a thought here, when the market goes bad the money also becomes difficult to get out of that country. This is what we have seen in many geographies. In good times, getting money is easier than in tough times.
- Nikhil Kumar:** But it's paid huge tax. So, let's see.
- Himanshu Upadhyay:** And we said that we have brought some senior person for rotating machines. Are we just focusing on those motors business or are there any other adjacencies where you are working on?

**Nikhil Kumar:** I said electrical rotating machines. That's the specific word I used. A generator is also an electrical rotating machine. So, Kaushik has come from our competitor, he has got 35 years in electrical rotating machines is what I said. He has come from the motor background, generator background. So, we are going after a number of niche products where the technical ability is high, where our higher manufacturing capability can be utilized to get into get better pricing and supply technology products in this segment. We are not going after the mass market business where it's commoditized and low margin business. We are not interested in that. But this is a huge market and the number of little-little niches. And with Kaushik's experience, we are trying to get into those niches and come up with products that can deliver the margin for the company utilizing our technical ability.

**Moderator:** The next question is from the line of Sanjay Doshi from Nippon India Mutual Fund.

**Sanjay Doshi:** First of all, the kind of optimism that you are seeing it appears like a fresh start for the company. I have a couple of questions, sir, with your permission. One is, in the international market, if you can give us some better color about brand acceptance where in terms of number of customers, say 3 or 4 years back, as a brand and as a supplier versus today, so that will give us some sense. And the next is, on the new areas like moving apart from a proper generator to say a railway opportunity or the synchronized motor that you have moved in, what kind of mapping you would have done on the market size and where you could cater to? So, these are the first two questions. Then I have one follow-up question.

**Nikhil Kumar:** We have not added a significant number of new customers in the international market, Sanjay. We have always talked about each of these customers having a large potential. So, for us, we have always been targeting what could be the market if we cut deep into these customers and get more and more market share from these customers. For example, like this gas engine manufacturer from Austria, they buy a large number of generators every year and we always knew that there was a potential for us to get a very large business from them. So, we have focused more on cutting deep within existing customers and to get more market share. And there is a concentration of buying power in our business also with the turbine manufacturers or engine manufacturers, whether turbine from steam turbine or hydro turbine. So, there are a few large guys and it's more important for us to get larger market share from the big guys, rather than have a very wide number of customers. So, that's part of our strategy which is now working. And the second question was regarding this motors and mapping. As I said, the synchronous motor market that we are addressing right now is around Rs. 200 crore. It is purely domestic play. Internationally it could be at least \$ 1 billion. Railway business is also huge, it's massive business. I said earlier that the Indian railways business is itself around Rs. 1000 crore per year and we hope to get around 7% to 10% of that business once we are fully approved. So, Rs. 100 crore segments you can say would be, at the moment what we are looking at, with a potential to grow much larger. I guess that's what I can say at this point of time. I don't want to also get overly carried away by some of these things. We are aware that there is a lot of potential to grow, but all these things happen, as we have seen, step by step by step by step and we are just going to take those steps one by one by one.

**Sanjay Doshi:** Just one follow-up. You mentioned about capacities, I understand you can (Inaudible) plus within the current setup with the minimal CAPEX. But on the



manpower and talent side, can you highlight what have been done to ensure that the company can scale up. Just one last question on that.

**Nikhil Kumar:** We have really incredible talent in our organization right now. We have a bunch of young talented engineers, managers, male and female who are coming up inside our organization and showing incredible capability. Right now, there is more talent than opportunity. That's where we are right now. This is a unique situation for our company. But we are putting this challenge into all the new opportunities and at this moment, I would say that we are very-very well-staffed. And by getting in experienced somebody like, for example, getting in Kaushik from outside, bringing in some people with decades of experience also helps not only to open up new markets, but also give some guidance for the young talent on how to learn. And of course, the management team from TDPS, the founding members, all of us are there and guiding the young team and we are in-charge of everything right now. So, I would say that we have a lot of depth right now in our management capability, a lot of depth.

**Moderator:** Thank you. Ladies and gentlemen, we take that as the last question. I now hand the conference over to the management for their closing comments.

**Nikhil Kumar:** Thank you everybody for being with us on this conference call. If you have any further questions, please reach out to us and we would be happy to have further discussions with you. And we look forward to interacting with you at the end of H1. Thank you very much.

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

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