

June 15, 2020

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Mumbai – 400 001

The Listing Department
The National Stock Exchange of India Ltd.
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Bandra (East)
Mumbai 400 051

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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 Audited Financial Results of the Company for the quarter ended March 31, 2020 held on June 05, 2020.

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 Earnings Conference Call

June 05, 2020

Moderator: Ladies and Gentlemen, good day and welcome to 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.

Devrishi Singh: Thank you. Good morning and thank you for joining us on this call to discuss financial results of TD Power Systems Limited for the quarter and year ended 31st March 2020. We have with us Mr. Nikhil Kumar – Managing Director and Mrs. M. N. Varalakshmi – Chief Financial Officer from the management team on this call.

Before we begin, I would like to mention that some of the statements made in today's discussion maybe forward looking in nature and may involve risk and uncertainties. Documents relating 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 year ended 31st March, 2020. Thank you and over to you, sir.

Nikhil Kumar: Thank you. Good morning everyone. Thank you once again for joining us today on our earnings call.

Let me start by discussing TDPS' financial performance for the year ended 31st March, 2020.

Standalone: On a standalone basis our full year total income was Rs. 494 crore versus Rs. 456 crore for previous year. Profit after tax and other comprehensive income was Rs. 16.9 crore versus Rs. 6.97 crore. Full-year manufacturing revenue is Rs. 455 crore versus Rs. 408 crore, an increase of 12%, exports and deemed exports contributed 65% of manufacturing revenues without the railway business and it was 59% including the railway business. Unfortunately we lost around Rs. 30 crore of manufacturing revenues due to COVID-19 lockdowns and inability to get inspectors to come to India or inspectors from India to come to Bangalore, starting from around March 10th. After that, we had trouble to ship all the finished goods and then when the eventual lockdown started on 22nd of March, we had to close

down our factory everything came to a grinding halt. Manufacturing order book including Turkish operations stands today at Rs. 1,107 crore, Rs. 306 crore is our manufacturing business, generator business, Rs. 715 crore is our railway business and Rs. 86 crore is our Turkey business. Export and deemed exports excluding railway business is around 66%.

Order inflow: The order inflow for TDPS India for the current year was Rs. 468 crore, for the manufacturing business for Turkey we had Rs. 88 crore, so our total order inflow for the manufacturing business for the year ended March, 2020 was Rs. 556 crore versus the year before was Rs. 484 crore. Our full year projects business revenue was Rs. 32 crore versus Rs. 43 crore the previous year, the pending order for this segment is Rs. 22 crore.

Consolidated: On a consolidated basis full year total income including exceptional items was Rs. 542 crore versus Rs. 468 crore. Profit after tax including comprehensive and exceptional income is Rs. 28.85 crore versus a profit of Rs. 2.9 crore for the previous year. During the year the Company wrote back payables of around Rs. 12 crore in our subsidiary company DF Power Systems. Our consolidated order book is Rs. 1,129 crore which is manufacturing business as I said to you earlier was Rs. 306 crore, railway business is Rs. 715 crore, Turkey business is Rs. 86 crore and projects business is Rs. 22 crore.

Now I would like to talk a little bit about the market situations: So ever since the COVID19 lockdown started and we have had, I would say disruption in the entire business cycle across the country and also in the world, we have been trying to analyze the market and our position in the market more in terms of just two questions, what will be the impact of all this on the company's business for the current fiscal that is FY21 and then what will be the impact on the company's business beyond FY21? Let me answer the first question out of the two questions about this year's fiscal; so looking into the pending order of FY21 we were blessed with a very strong order inflow last financial year. We also had a spillover from last year due to the COVID-19 lockdowns of around Rs. 30 crore. But correspondingly we have also seen after the lockdowns have been lifted that we have postponements up to approximately the same amount as this spillover that took place from last year. At the moment we have no order cancellations. We have also observed that most of the postponements are from the Indian market and we have negligible postponements from outside India. The good news is that our railway business for the Indian market is totally intact with the original projections which were there pre-COVID19. So overall we see that our business for FY21 is still stable at this time and we still expect FY21 to be a very good year for the Company. Of course there is an impact from COVID-19 since FY21 actually was on track to be an exceptional year with greater than 25% growth but now we firmly revive that growth to be around 16% to 18% over last year including our business from TDPS Turkey.

Regarding projections for FY22: We have seen that we still have some momentum from pre-COVID and we have seen fairly strong order inflows in April and May. At the moment we don't see much disruptions from our business from the International markets and most of the pre-COVID19 pipeline we see still intact. However some of the sectors are really hammered like the shell oil business but lower oil prices means that we are seeing more engine business and we are seeing

more gas turbine business. Overall the net effect is positive for TDPS. We are also confident that Indian market will bounce back eventually and it is not a question of all doom and gloom. We also expect in the Indian Railways will expect a number of locomotives required by around 10% to 15% for FY22. Over and above that our development and progress with new customers is still very much on track and we will see good inflows from newly developed customers in FY22.

In summary, we are overall very positive about FY22 but I also want to convey that we are still cautious about FY22, but at the same time we are cautious but we are very optimistic. As I mentioned earlier, FY21, we are extremely confident about hitting our numbers.

So the guidance for FY21: The manufacturing business; TDPS India topline Rs. 480 crore to Rs. 500 crore with EBITDA of around 10% to 11%. TDPS Turkey topline around Rs. 85 crore and the total manufacturing business will be between Rs. 565 crore to Rs. 585 crore for FY21. The project business will give a topline of Rs. 135 crore.

I would also like to say that in terms of the quarterly performance Q1 in this financial year will be a wash out since we have lost around six weeks, we were really able to restart our operations only around May 15th and its only now that we see the operations are in full swing once again. So effectively we have lost two months, so Q1 will definitely be a washout. However we are working around the clock to catch up and we are very hopeful that we will catch up with our numbers by the end of H1. So we are projecting something like Rs. 65 crore business only in Q1 and we are pretty sure that we will catch up with numbers by the end of H1 somewhat similar to where we were last year and then we see the real growth taking place in H2 where we have the pending orders.

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

Moderator: Thank you. Ladies and gentlemen we will start with the question and answer session. The first question is from the line of Kirti Jain from Sundaram Mutual Fund.

Kirti Jain: You have highlighted that FY22 also you are being cautiously positive, what is the rationale behind it, sorry sir the voice got little bit muted around that level, and I missed that commentary actually.

Nikhil Kumar: What I said was that things are little unclear, I said that on the international side we are not seeing any slowing down of the pipeline. But definitely on the domestic side we will need some little bit of time for the domestic market to pickup but I am confident market will pick up and I am confident that the economy will get back on track. It may take a little bit of time but it will get back on track. So the cautiousness is just due to the fact that we don't see the clear visibility but there is the overall confidence.

Kirti Jain: Just if you can highlight in April-May any order got finalized for us or how has been the order flow for April-May?



- Nikhil Kumar:** April and May as I said to you on the speech we have had got really good strong order inflow.
- Kirti Jain:** In terms of the manufacturing activity, now it has been a state government subject, how has been our throughput now in terms of the factory utilization or are we getting labor support, how have been things at our factory shop?
- Nikhil Kumar:** So we shut down the factory around March 22nd along with the rest of the country and then on April 22nd we were able to get the permission from the state government to reopen the factory. We reopened but unfortunately at that time we were not allowed to bring in workmen from neighboring districts since our factory is located on the edge of Bangalore District and Tumkur District, most of our workmen and most of our employees live in Tumkur. Unfortunately we could not get the permission for the people movement although we had permission for the factory to open. So we ran the factory initially until May 3rd or May 4th only but with around 25% man power but we started the factory. Also we were not able to get permission for our suppliers to open, so anyway we opened, we were able to push out some finished goods and we were able to start some movement of some manufacturing activity. Things really picked up I think from 3rd of May but even then it's been a slow and gradual, I would say, return to normalcy and now you can say around this time end May we have been able to ramp it back to 100%.
- Kirti Jain:** Earlier if we see our capacity was 50%-60% kind of utilization, so now factory utilization would have been at the full throughput to compensate for the last output.
- Nikhil Kumar:** Yeah, basically we have to produce in 10 months what was the plan for 12 months, correct. So in that sense yes and we are also saying that we are going to grow the business, so overall we'll be manufacturing turnover including TDPS Turkey will be about 16% to 18% we are saying. So we are going to be running flat also in the next 10 months.
- Kirti Jain:** Turkey you didn't give the margin, Turkey also similar margin?
- Nikhil Kumar:** Yes, maybe Turkey will be little bit more margin compared to India, definitely.
- Kirti Jain:** So basically we should say around Rs. 60 crore kind of EBITDA you're looking at, at least on a base case?
- Nikhil Kumar:** Yeah.
- Kirti Jain:** In the cash flows when we see, we have seen a very good cash flow improvement in FY20, given the situation will we be able to maintain such a momentum in FY21 also?
- Nikhil Kumar:** There will be an impact of having zero sales from 22nd March to maybe around 15th of May because that's almost you can say 60 days of zero sales. Down the line 60 days later which is July, around middle July to middle August we are going to suddenly find that the receivables are, there is no collectables. We have to keep the factory running and that's the time when we are also going to be having our maximum ramp-up of production. So we have made funding arrangements, so I

think we will talk to our customers and we will try to improve on the advances little bit. We have some increased bank borrowings, we have our deposits, so we have Rs. 178 crore of deposits. So financially I don't think we are going to have any problem to fund our production and we will keep the things moving.

- Moderator:** The next question is from the line of Ankit Gupta from Bamboo Capital.
- Ankit Gupta:** FY21 because we already have good orders on hand you seem to be pretty optimistic that FY21 will be good. But from your commentary it also seems that FY22 will also see decent growth, so any view on what gives you that confidence that FY22 will also be good for us apart from the locomotive business that we already have good order book for it?
- Nikhil Kumar:** Firstly we are not so dependent on the domestic market, so if we look at about 35% of our business comes from domestic, pure domestic and 30% you can say. So even if that shrinks by 30% the overall business will not be so much badly impacted. We are pretty confident that our export business will hold up, sustain and grow, so we are not so dependent on India for our business. That's why I have this optimism about FY22. But I'm not so pessimistic about India also. I think there is time and markets will recover and consumption will return because we have no choice in our country but we have to get back to work and we are getting back to work and eventually in about 2 or 3 months time people are going to forget COVID19 and there is no way forward for our country. We have to get back to work. We can't have one more lockdown so that's why I am really confident that the country will bounce back and maybe some effect could be there but overall we may not lose much business from domestic side also for next year.
- Ankit Gupta:** Coming to the segment wise performance; as you had highlighted in last year also that Hydro will bounce back in FY20 and Gas bounce back to FY18 kind of level and diesel and gas have also performed pretty well for us. So which segments will be driving growth for us in FY21 and FY22, if you can just share your thoughts on that?
- Nikhil Kumar:** FY21 this current year it is definitely the Gas engine business, it is Hydro, it is railway business and it is gas turbine business and we will have reduction on the steam turbine business, mainly because there is going to be a contraction coming from India. So next year it is going to be, we are going to see revival of steam turbine and we will see the Hydro business is still going to be very-very strong. Gas engine and other things because it's a very short cycle, so should remain stable but I can't give such definite projection about it at this moment.
- Ankit Gupta:** For the traction motor segment we have also highlighted that we are also in talks with more contracts from that segment from our existing customers as well as from other customers, so any development on that front?
- Nikhil Kumar:** Talks are on, negotiations are on. That's all I can say. It's just that everything has been interrupted from March 15th everything has been put on hold, so there is no progress report from last time.



- Ankit Gupta:** But the order size for this segment can be in line in or less than what we currently have for that segment of 755?
- Nikhil Kumar:** Some of them are large; I think it's too early to talk about it. Conversations are going on.
- Moderator:** The next question is from the line of Ravi Swaminathan from Spark Capital.
- Ravi Swaminathan:** My first question is regarding which are the sectors from which you are seeing enquiries both in domestic and international markets?
- Nikhil Kumar:** It's the same old sectors. Our international business is still it is bio-mass, garbage burning plants and things like that for steam turbine and we are seeing gas engine business particularly is quite strong this year and we also hope that it will be continued in the next year. Domestic side as I said, domestic side is where we are seeing lot of holds, postponements and things like that, mainly because one is that we see that because of the lockdown many of our customers who may have had projects under construction and projects where all those construction activities would have come to a grinding halt and for them to restart with all these migrant labor problems and things like that is really an issue where they are not been able to get things back on track. So naturally we are seeing postponement from the Indian side. But it will come back, sectors in India such as steel, cement, paper, chemicals, so it's all there intact. It will take a little bit of time to recover.
- Ravi Swaminathan:** So the enquiries from the international markets even during the lockdown phase that is the past two months phase has largely remained intact and it's just that the domestic....
- Nikhil Kumar:** Yeah enquiries and our negotiations have been taken place over phone and e-mail and video conference. Main thing is all our international customers, all our turbine makers or all the international turbine makers or engine makers, none of them closed, had to go through a lockdown, none of them shut down. They were all running, they were all running maybe at say between 70% to 90% capacity. It is only in our country that we had this thing about this lockdown and this complete shutdown.
- Ravi Swaminathan:** In terms of pricing of orders, has it seen an improvement year-on-year or over the past couple of years?
- Nikhil Kumar:** Past couple of years yes, there has been an improvement but at the moment I don't think that we can't go into the market demand at the higher prices, so whatever benefits we get from the exchange rates, whatever benefit we get from the dip in the raw material prices that took place during the COVID19 that benefit the company will get.
- Moderator:** The next question is from the line of Dhwani Desai from Turtle Capital.
- Dhwani Desai:** Two questions, so one is on the gas engine side. I think we had got entry into two new accounts in last 1.5-2 years in gas engine. So how is the trial order going and ramp up and what is there feedback if you can elaborate on that? And second

question is on Turkey, so I think we did quite well in Turkey this year, we have done around Rs. 86 crore business from Turkey. On that base how does the order book and pipeline look like and do we anticipate any growth or at least maintaining this number on the Turkey side? These are the two questions.

Nikhil Kumar: Turkey we have a really good year but I don't think that we will be able to sustain that volume of business for FY22, probably it may drop by about 25%. So it is still very much an incentive driven market, so there is a regime of incentives which expired in this year and the Government has to extend the incentives. If the government extends the incentives, we will see maybe around 70% of the business in FY22, if the government does not extend the incentives then we may see around 50% of the business because we still have a grip on the market and most of our customers will still continue with projects and they will buy our machines whether we make them in Turkey or don't make them in Turkey. On the engine side, the development is very much in this, we have to deliver the first machine next month, actually this month end, June end and development is going on. We have four more engine tie-ups to supply this September, we will do that. I think by the end of the year all our machines will be qualified and then they will start quoting in all their projects and we will see the business coming in next year.

Dhwanil Desai: So FY22 may see the outcome of whatever that we supplied this year in terms of either ramp up happens and how fast, right, so that's a fair assumption?

Nikhil Kumar: Yes.

Moderator: The next question is from the line of Manoj Dua from MD Investments.

Manoj Dua: I missed the initial part of the commentary, what is the target for this year and for the next year, what is the guidance for the sale for this year and next year?

Nikhil Kumar: Manufacturing business topline from TDPS India, Rs. 480 crore to Rs. 500 crore, TDPS Turkey Rs. 85 crore, so total manufacturing topline is Rs. 565 to 585 crore and projects business is Rs. 35 crore.

Manoj Dua: And you have given guidance for the next year also, FY21-22?

Nikhil Kumar: No.

Manoj Dua: My second question is regarding waste to energy, yesterday I was reading one news that NTPC has tied with EDMC for the waste disposable in Ghaziabad landfill—actually I know this is a government thing—but do you see in a long term solution for this and if the opportunity arises in this are we in a segment which will apply to this segment, are they below 50 MW?

Nikhil Kumar: Yeah, it is all below 50 MW and if this segment really grows the way that we expect it to grow, there could be 500 turbines required. So it will be a big business for us and for Siemens and for Triveni.

Manoj Dua: So what do you see in this because I live in NOIDA and Ghaziabad is near me, it has become bigger than Qutub Minar, the landfill. So how much time this

Municipality Corporation can ignore this problem and what do you see feedback you are getting from Municipality or from Triveni regarding this?

Nikhil Kumar: We all are expecting this business to grow but execution at the ground level is your guess is as good as mine.

Moderator: The next question is from the line of Anubhav Mukherjee from Prescient Capital.

Anubhav Mukherjee: The receivable absolute amount and also in terms of days of sales has improved drastically, so is this a trend that will continue because working capital had been an issue earlier you had pointed out, so has the trend reversed or is there some change in that?

Nikhil Kumar: Our marketing group has done a phenomenal job last year in collecting money and making sure that the cash flow for the company is improved a lot. So what we are seeing is the results of their effort pre-COVID days. There could be some temporary disruption in that effort for some time but overall I think we are still putting lot of effort to make sure that our collections and our receivables are under control for this year. I am sure they will succeed and I am sure we will keep things under control for this year. There is a certain amount of uncertainty for sure because overall liquidity position is poor at least in India. But from international side we will get our money on time, so I'm not worried about that.

Anubhav Mukherjee: If I look at the manufacturing revenue breakup, even this year the domestic revenue was almost half of the sale. So given the domestic scenario does it pose a challenge for growth going forward?

Nikhil Kumar: No, you have to break it up. Take out the railway business from that and then you will see that it is around 35%.

Anubhav Mukherjee: How much was railway this year?

Nikhil Kumar: Rs. 45 crore.

Anubhav Mukherjee: What is it expected in FY21 and maybe possibly 22?

Nikhil Kumar: Around Rs. 90 crore.

Anubhav Mukherjee: And 22 at the same level or will it grow from there?

Nikhil Kumar: It should grow.

Moderator: The next question is from the line of Manish Goyal from Enam Holding.

Manish Goyal: Just bit on steam business, need a bit more clarity on the outlook. You said in international you expect steam business to be little lower or you meant for the revenue side or even on the order inflow side and as well as on the domestic also, if you can give a perspective for the steam business?



- Nikhil Kumar:** Revenue side definitely lower this year compared to last year and order inflow side we expect the recovery to take place. But all the steam business that we booked right now will go for next year because it's about 8-9 months, 8 months lead time and it will start which are getting into next year deliveries. But the outlook is not bad but for this year we lost the momentum on the steam side.
- Manish Goyal:** So if you can break it up between international and domestic, so international you mentioned that biomass and municipal solid waste will continue to do well?
- Nikhil Kumar:** Yes.
- Manish Goyal:** And domestic ideally probably due to slow down you may probably see deferments or slowdown events?
- Nikhil Kumar:** It should pick up again, Manish, right now there is definitely some slowing down but we expect it to pick up and get back on track in the couple of months, 2-3 months from now.
- Manish Goyal:** And these first two months you said order inflow was good, so was it largely from the international markets?
- Nikhil Kumar:** Yeah.
- Manish Goyal:** And you had inflows from steam as well?
- Nikhil Kumar:** I have not checked the breakup of that some inflows yeah, from steam.
- Manish Goyal:** And on the gas, engine and gas turbine related generator business is also looking fine for the current year?
- Nikhil Kumar:** Yeah, it's looking very good for this year.
- Manish Goyal:** So this gas, engines and turbines is ideally the demand is coming from the combined cycle power plant or how is it?
- Nikhil Kumar:** Combined cycle power plants, also green houses, also green houses in cold countries then there is emergency power then there is backup power, nobody burns diesel anymore, so all gas engines.
- Manish Goyal:** Are you making gas engines or its generators along with the gas engine?
- Nikhil Kumar:** We make only generators for gas engine, we don't make engines, and we don't make any prime mover.
- Moderator:** The next question is from the line of Kirti Jain from Sundaram Mutual Fund.
- Kirti Jain:** On Hydro how you see the FY21 in terms of order flows and enquires?



Nikhil Kumar: Hydro will still, this year will be a very good year. As I said FY21 we have a very strong order book already on hand and we still can book some smaller machines for the rest of the year and there is a good pipeline for next year.

Kirti Jain: Any new customers have we added in this segment, how has been our CR movement with the customer?

Nikhil Kumar: We have added, so we have come out of this agreement and we are now free to work with all customers all over the world, so we have added lot of new customers and we have a lot of space to grow now in this business.

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

Nikhil Kumar: Thank you very much for joining us on this conference call. It's been a pleasure to interact with all of you. If you have any further questions please feel free to get in touch with me or my management team. We look forward to interacting with all of you again at the end of the next quarter. Thank you.

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