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(CIN -L31103KA1999PLC025071)

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February 7, 2024

The Corporate Service  
Department  
**BSE Limited**  
P J Towers, Dalal Street  
Mumbai – 400 001  
Scrip Code: **533553**

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

Sirs,

**Sub: Transcript of Earning Conference Call – Quarter ended December 31, 2024**

In furtherance of our letter dated January 15, 2024 regarding intimation of earnings conference call, the transcript of Q3FY2024 earning conference call held on February 2, 2024 is enclosed and has also been uploaded on the website of the Company at <https://tdps.co.in/investor-financialresults>.

Kindly take the above on record.

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

**Bharat Rajwani**  
Company Secretary & Compliance Officer

Encl: A/a



“TD Power Systems Limited  
Q3 FY24 Earnings Conference Call”

February 02, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 2<sup>nd</sup> February 2024 will prevail.



**Management:**

**Mr. Nikhil Kumar – Managing Director, TD Power Systems Limited**

**Ms. Varalakshmi M N – Chief Financial Officer, TD Power Systems Limited**

**Mr. Vinay Hegde – Head, Global Sales & Marketing, TD Power Systems Limited**



**Moderator:**

Ladies and gentlemen, good day, and welcome to the TD Power Systems Limited Q3 and Nine Months FY24 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch tone phone. Please note that this conference is being recorded.

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

**Nikhil Kumar:**

Good morning, everybody. Thank you very much for joining us today on our earnings call. I trust all of you would have received our results & Investor presentation. Now I will move on to the financial performance for nine months ended 31st December 2023. Stand-alone, our total income on a stand-alone basis for nine months was INR7.32 billion versus INR6.16 billion over the same period of last year, an increase of 19%.

EBITDA for nine months is 18%, including other income excluding exceptional and treasury income, and we will deliver approximately the same for the year versus 16% over the same period in the previous year. Profit after tax and comprehensive income for nine months was INR881 million versus a profit of INR593 million, an increase of 49%.

The order book for the Manufacturing segment stands at INR11.48 billion, which is INR6.68 billion for the generator business, INR4.51 billion for the railway business. And the projects group, which was earlier now it's been grouped under spares and aftermarket, which is INR0.12 billion, and they have INR0.17 billion from the Turkey business. Exports and deemed exports excluding the railway business was 56% of our total order book.

During our last earnings call, we had indicated about a reduction in the traction order value on account of cost reduction and the localization of raw material. After final discussion and consideration and negotiation, we would like to inform that the value now stands between INR593 crores and the pending order is now INR4.51 billion executable over the next 4.5 years. We would like to reiterate once again that there'll be no loss of margins since the pass-through has been given only on the actual reduction of raw material costs.

Order inflow statistics, order inflow has increased by 23% over the previous year as follows: strong order inflow momentum continues. This year, 7.62%, last year was 6.16% for the same period of nine months. Order inflow from direct and deemed exports INR4.11 billion compared to INR3.4 billion last year, exports and deemed exports order inflow is 55% of the total order book is 66% in Q3.

Our total income on consolidated basis was INR7.48 billion versus INR6.36 billion in the same period previous year increase of 18%. Profit after tax and comprehensive income for the first half is INR818 million versus profit of INR599 million, an increase of 47%. We continue to maintain a strong cash position of INR2.13 billion.

Order book, market situation and guidance. Overall, the order inflow is very strong from both domestic and exports in the generator business. The inquiry pipeline for motors continues to be strong and some breakthrough orders have been secured by a company in the last quarter. Rate of order inflow to support the sales guidance that we have given for next year i.e FY25. We are now expecting minimum 17% growth with an upside potential of 3% to 5% on top of 17%. Margins will grow faster than sales due to operational leverage.

Now I talk about each segment briefly. Steam Turbine, no change in the market situation compared to last quarter, more than exported to the domestic. We see strong demand in both export and domestic as well as a strong inquiry pipeline. Domestic demand is driven by metals, cement, which is recovering while export is driven by waste to energy and biomass.

Gas Turbine, next year, we will record the highest sales in this segment. We have been successfully penetrating this market with our marquee OEMs. We have three major OEMs now with which we are working. We are still at early stages of penetration in this market, but we're excited about the rapid growth and rapid progress that we are seeing in the particular segment.

Hydro, we mentioned this last time, I'll mention this again. Incoming orders of Hydro has surpassed the expectations. We expect next year to be the highest year for sales in Hydro since the beginning of the company. Gas Engines, the order inflow is back in line with projections and this segment has overcome the softness in the market that we had talked about in the last quarter.

Order inflow execution will be in line with the projections made by the engine makers, and we expect a good growth to take place for FY25. Motors, we continue to make steady progress. In Q3, we secured a large order from a major pump manufacturer for six large 20-megawatt plus size motors for irrigation projects in Karnataka. We have also secured the first order for an oil and gas application in Middle East.

We have got a few large fan motors around 4 megawatts, 5 megawatts in size. So the inquiry pipeline is huge for domestic and there are also a number of niche export opportunities, which we are well placed and we hope to make good progress and get good orders in the upcoming quarters.

So I will just repeat the last few sentences. The guidance, we are on target with respect to our guidance for FY24 with INR1,000 crores top line on a consolidated basis and FY25, we expect a growth of 17%, as mentioned earlier, with an upside potential of 3% to 5% for FY25 based on the current order book in pipeline.

In the legal case, no developments ever since the commercial court has dispensed its stay order on the shares of one of the promoters. And this brings me to the end of my initial remarks. I'll now be happy to address any questions that you may have.

**Moderator:** Thank you very much. We will now begin the question and answer session. We have a first question from the line of Mohit Kumar from ICICI Securities.

**Mohit Kumar:** My first question is on the -- I don't know whether I get it right. I think the order book is INR1,147 crores, is that right?

**Nikhil Kumar:** Yes.

**Mohit Kumar:** So sir, I see the decline in the order book sequentially and the order inflow has also gone -- has increased. Is there something I'm missing on the order book?

**Nikhil Kumar:** So we have made a correction in the order book for the railway business and that I have mentioned in the previous almost INR200 crores. Correction has taken place on the value of the -- particular order that we have from our major railway customer. That is the reason why you might see a sequential decline in the order book because of this correction.

**Mohit Kumar:** Any reason for it, sir? Any particular reason for why we have...

**Nikhil Kumar:** Yes. The reason is I also mentioned this in the earnings call in the speech just five minutes ago that it's due to a -- and as also mentioned in the previous earnings call that we are negotiating the localization of a lot of imported raw materials. And the value per motor has come down because of the localization of some major raw materials.

And that is the reason why the total price per motor has come down and the total order value has come down. But as far as the margins are concerned, there is no impact on the margins, per motor, we will still make the same money as we have made last time, as we were making in the past.

**Mohit Kumar:** And this is overall beneficial to us. But yes, the order book looks lower.

**Nikhil Kumar:** No. I mean the top line will be affected, but we don't see any change in the bottom line.

**Mohit Kumar:** Understood, sir. And could you just comment on the inquiry side on the domestic and export side, how the things are shaping up? Do you think as you go forward for the next couple of months? Is it going to be a slow in a sense out of finalization, especially domestic market could be delayed? Does it mean that order inflow be substantially impacted in a couple of quarters? Is that a fair understanding?

**Nikhil Kumar:** We don't see any change taking place in this current quarter that we are in right now. So we see a very strong order inflow in this quarter. And we also have momentum going into the next quarter, right? So that's Q1 by which time, elections are taking place. And I think after that, things will pick up even further if everything goes as per the expectations of the market.

As of now, I don't see any reduction in any inflows or any introduction of the finalization taking place for us. Plus, we have a very diversified product range and very diversified market base. So, even the domestic market in some sectors has a little bit slowdown and softness, which we're not seeing.

But even if it does, we have so many other areas of business and we're able to pick up orders to keep our numbers.

**Moderator:** Thank you. We have a next question from the line of Rohit from Ithought Pms.

**Rohit:** Nikhil, just two questions. On the direct railway business. So if you could basically comment on what's happening there? And any change or anything additional that has happened in this quarter? And also the 12,000 HP order has got delayed. Any comments on that would also be very helpful.

**Nikhil Kumar:** No. First is the new tenders for new freight locomotives, we don't have any information directly from Indian Railway or through our customers, OEM customers. So we don't have anything new to report on this. Everything is very quiet on that, and there's no clarity which way it's going to go forward.

And as far as direct business from Indian Railways is concerned, we have a plan to do, as we mentioned earlier INR10 crores to INR20 crores in this coming year. I think we will achieve that. So a small percentage of the overall purchase is from Indian Railways. So we don't see a problem to achieve what we want to do for next financial year.

**Rohit:** And so just -- so I mean, the ramp-up you think would happen in FY26. Is that how we should see?

**Nikhil Kumar:** Yes, FY26, exactly.

**Rohit:** Got it. And in terms of some of the newer initiatives like synchronous motors and you were also talking about a couple of other new product additions. If you can talk a bit about that, maybe what kind of top line do these new areas have started to contribute? And how do you see that shaping up? Maybe not in the coming quarters but maybe, let's say, by the end of next financial year or early FY26, what kind of growth -- or what kind of contribution do these new areas will start giving for us?

**Nikhil Kumar:** So we will definitely see the motor business pick up in a larger way, not just synchronous motors, but also motors for other applications, for the domestic as well as for the export market. We will see that ramping up in a big way this year as well as next year. Then the relationship that we have with Baker Hughes, with BRUSH that will also give really good results for the company, we're also going to see the ramp-up taking place over there.

We have other segments of our business, Gas Turbine generators also with new customers, we are seeing that also picking up in a big way. We see the hydro business also picking up in a big way. So we have a very strong outlook for this year and next year. I'm not going to give



numbers, but we will see this ramp-up taking place in all these segments in a big way where we are currently, I would say, having very low market shares or low penetration, a relatively new product for us.

**Rohit:** Sure. And last question, Nikhil. Any other new OEs that we have signed like BRUSH was one which happened last quarter? I know it does -- it's not like in every quarter additions will happen, but anything which is like very close to signing or anything we are like very confident of?

**Nikhil Kumar:** We are working with the Gas Turbine customers. I think we have made some breakthroughs so hopefully, we will be able to announce it next quarter.

**Moderator:** We have a next question from the line of Deepesh Agarwal from UTI AMC.

**Deepesh Agarwal:** Sir, first question is you mentioned in railway, you have done some adjustment to the order book. So does this mean our revenue run rate, which used to be around INR130-odd crores annually from the customer will actually go down to INR90 crores to INR100 crores, but absolute EBITDA will remain same?

**Nikhil Kumar:** It will come down. It would come down to over INR105 crores to INR110 crores per year because we also have -- we have not factored in what we get is the annual increases, what will the annual increases that we will get over the next four years which is approximately between 4% to 5% that we get based on the index on the price variation clauses that we have with this customer.

But in effect, yes, what you're saying is right, it will be around INR105 crores to INR110 crores and that's, as we mentioned, is about INR450 crores, minus not including the price increases, which we can expect in the four years. But if you just take today's prices, it will be INR112 crores or INR110 crores for the next 4.5 years.

**Deepesh Agarwal:** Effectively, our EBITDA margin...

**Nikhil Kumar:** But the EBITDA margin -- but the absolute margin will not change per motor for us.

**Deepesh Agarwal:** Okay. Absolute EBITDA will remain same. Sir, the other thing is, if I look at the domestic generator order book, it seems there is some weakness out there sequentially. What is the reason for the same?

**Nikhil Kumar:** No. I mean, I think that there are a number of jobs under negotiation and sometimes it takes a little bit longer to close some deals and we don't close the deal in a particular quarter, we'll catch up in the next quarter. But I'll also ask my colleague, Vinay Hegde to comment, he is on the call. Vinay, could you comment? Is there a weakness? Did you see a weakness in the domestic market? Or it's just based on the timing of order finalizations?

**Vinay Hegde:** No, the pipeline is really strong, and we are not seeing any slowdown in the domestic market. Absolutely, no slowdown.



- Deepesh Agarwal:** Sure, sure. Sir, the other question is on the capex. I guess you were looking to expand the capacity. So now what is the thought process, the time lines to this?
- Nikhil Kumar:** No, everything remains the same. We have obtained the possession certificate now for the land. So earlier, we just got allotment letter. Now we have the possession certificate, which allows us to start the construction. So now we are on the way to finalize the construction company and will start building of the factory. Already, we are in the process of ordering the various equipment and machines. As we mentioned earlier, it will start sometime in Q3 FY25.
- Deepesh Agarwal:** Okay, sure. And last, if I can squeeze. By when we expect the revenue to start slowing in meaningfully from the oil and gas customer we added recently?
- Nikhil Kumar:** No, this was what we mentioned this, the company we're working with. So we already got a number of generators ordered from this customer and we're bidding for a number of projects with them all over the world. So I think we will start seeing the impact of this in FY25 itself. It's moving really well, and we're getting some excellent -- getting some business which we would not have been able to get by ourselves.
- But with this relationship, we are definitely making progress and good revenues will be expected in FY25. I can't give a number to you, obviously, but I will -- and it's going to be quite a substantial number in FY25.
- Deepesh Agarwal:** Sure. So this is actually factored in our guidance, right?
- Nikhil Kumar:** So it's factored in, in the sense that I have given 17% as the base case and I have given a 3% to 5% upside potential, I think that it will -- we are most likely going to be somewhere around the upside potential. How much I can't say, but all these things -- all these things will contribute to the upside.
- Moderator:** We have a next question from the line of Himanshu Upadhyay from Buglerock PMS.
- Himanshu Upadhyay:** And congrats on a good set of numbers. My first question was if you look at the volume numbers for nine months of generators supplied, it has been flat, okay, but the revenue has gone up by 18%. What should be the right understanding here? Is it the higher wattage generators because of which the selling prices have increased or motors and other segments, revenue contribution have increased quite dramatically.
- Because of that we are seeing revenue growth much higher or there are high-end machines in terms of specification or industries because of which the realizations have increased. So some thought on flattish generator volumes and 18% growth on revenue and how to understand that numbers?
- Nikhil Kumar:** Yes. Varalakshmi, will you take this question?
- M N Varalakshmi:** Over the megawatt size that we have installed in Q3 is much bigger compared to previous years. Basically, it's a mix of machines that has been sold in the quarter, which has given us better realizations.



- Himanshu Upadhyay:** But then if we look for the nine months, that's why I did not look at the -- this quarter. But if you look at the nine months, the numbers are flattish or slightly reduced, okay? So last year, in nine months, we did was 370. And in these nine months, it is 372. But...
- M N Varalakshmi:** We had installed -- in terms of megawatts, it was 2,500, nine months last year, relatively it's 2,845 in nine months of this year. So basically the product mix that has helped us in generating our revenue.
- Himanshu Upadhyay:** Okay. And second question on this thing. So are we seeing the demand improving for the higher wattage generators? And what was the demand, let's say, 1.5 or two years' time because what we are selling now or giving delivery would be in a year or two back orders which we might have taken. Any thoughts on that or any clarity you can give?
- Nikhil Kumar:** No, I don't think -- it's not that there is a trend or something. Sometimes, there are some big orders in the market from these large-size machines, we take that, and some of that could change our numbers a little bit. Sometimes, there are orders for a larger number of TD Power, smaller size rating machines.
- So as I said, we have a very wide product range and we have by geographies and we have multiple segments that we're operating in. So we're present in many, many parts of the business. And we can't predict what the market is going to offer to us and which ones we're going to win from that.
- So -- sometimes we win bigger jobs and sometimes we win smaller jobs and for us, what's important is we look at the revenue and the revenue guidance that we've given and we have to maintain that -- what megawatts we get and what -- that's for us is the secondary consideration.
- Himanshu Upadhyay:** Okay. And the numbers what we give for generators supplied so these do not include the motors portion of the business, if we get to the -- our railway customers and also we sell in the market. These are stand-alone motors...
- Nikhil Kumar:** These megawatts don't include motors and railways.
- Himanshu Upadhyay:** Okay. No, I'm saying on the slide 17, what we get the number of generators supplied is purely generators not other segments, okay.
- Nikhil Kumar:** Varalakshmi, please clarify that.
- M N Varalakshmi:** These they supply to railway. That comes under a different grouping.
- Himanshu Upadhyay:** And one more thing. What had -- when does this train 18 will go for production, okay? Because the finalization of what business we can get out of the main vendor was to get decided. So has that happened? And...
- Nikhil Kumar:** Could you please repeat the last thing, I just missed that. Could you please repeat what did you say?



- Himanshu Upadhyay:** No, I was asking about the train 18. When will that go for production, okay? Because the...
- Nikhil Kumar:** train 18?
- Himanshu Upadhyay:** Yes. So because from the main vendor, we were to get some portion of the business for motors and it was yet to get finalized, okay.
- Nikhil Kumar:** I don't think that they have signed the contract with the Indian Railways as yet. So we don't know what was the reason for the delay, but it delayed. They have not yet signed the contract.
- Himanshu Upadhyay:** Okay. And...
- Moderator:** Mr. Upadhyay, I request you to join back the queue, please, as we have other participants waiting. We have a next question from the line of Dhwanil Desai from Turtle Capital.
- Dhwanil Desai:** And congratulations for a very good set of numbers. So, Nikhil, slightly broader question. I think 3, four years back, we were solely into generators and slowly we are doing lot of work on the motor side both synchronous and asynchronous. So if you can give an overview as to how does it change the overall size of the opportunity for us. Is the competition very different? And next three to four years, how do we see this mix between the generators and motors evolving? If you can talk a bit about that.
- Nikhil Kumar:** The Motors business segment is as in terms of market size is many times larger than the generator business in terms of market size. So the opportunity size is very huge. While saying this, we are focusing more on larger sized motors, mainly, say, around 3, four megawatts and above. And we're not looking at the smaller-sized commodity size part of the business, which could be around 80% of the business could be the smaller commodity-sized market. So -- but even the 20% that we're talking about is a very huge market and it has big potential for TDPS to do work in domestic as well as export.
- So we have given projections that this will grow until the -- it could reach something like 8%, 10% of our sales in this -- in FY25, and it could be 15% in the following years in FY26. And then let's see, I don't want to draw a straight line into the future. It could grow faster because there are many opportunities coming up even for the hydrogen economy, when you need motors for the large compressors, the compression of hydrogen.
- Oil and gas market also is a big market for motors, especially for compression and for refrigeration, especially in LNG business. So opportunity size is fantastic. And this will be -- the motor business will be a key driver of growth for TDPS in the future.
- How fast is it going to grow? I mean, as I said, the numbers that we gave to you is what we're looking at for the next two years, and then we will give you guidance for the following years. But a lot of effort has been put in to get into this lucrative and this higher side, higher range part of the business in the next few years.
- Dhwanil Desai:** Okay. Can you tell me in this higher side, higher range, who are the main competitors, both internationally and in domestic market?



- Nikhil Kumar:** Domestic, it is BHEL and there's another company called WEG W-E-G. They are dominant players in the market. They have a big history of being big motor manufacturers. So they are the biggest competitors internationally. It's WEG once again, then there are Siemens, ABB. There are -- there is a lot of competition in the motor business internationally.
- What we have as an advantage once again is production based out of India, our high quality and lower production costs will give us an advantage in terms of pricing. And that will be the key factor for us to ensure that we penetrate the market.
- Dhwani Desai:** Got it. And second question is, is there any update on the Turkey? Is anything changing on the Turkey side?
- Nikhil Kumar:** No. Economy is still in a free fall over there. So we are using that -- we are using that thing as a center for TDPS and that's where it's going to be. But the market is still at a free fall right now.
- Dhwani Desai:** Okay. So we'll be continuing to...
- Nikhil Kumar:** We will continue to just hold that facility as a service shop, but market currency in Turkey is still uncontrollable. It's getting worse year-by-year.
- Moderator:** We have a next question from the line of Rahil Shah from Crown Capital.
- Rahil Shah:** On a consol level, given this revenue and growth targets you have. So what are your EBITDA margins outlook or expectations to end the year with and also for the next year?
- Nikhil Kumar:** So we said we will be around 18% for this year, and we are holding that number, say, around 17.5%, 18% next year also. Next year, we will have the third plant coming on stream. We will have additional fixed costs coming in from the third plant. And -- but we don't expect that to have more than a 50 basis points or 75 basis points impact on the EBITDA margin in the short term in say, for a year or so. And then once that plant is fully utilized and generating output then EBITDA numbers will get to 18% and 18%-plus.
- Rahil Shah:** Okay. And regarding this motor business, which you are focusing heavily on, but you said it will be a key driver in the future. So next year, what is going to be the -- which verticals are going to be key drivers, which gives you this optimism about the growth which you guided for...
- Nikhil Kumar:** We have synchronous motor business are from the Indian market. We have a number of opportunities coming in from export. In the oil and gas segment, the capex cycle in India also, it's picking up in a big way. All major cement plants, steel plants, sugar plants, paper factories all require large number of motors, larger motors also. So demand is very strong, and we will capture a part of the demand, and that's why I'm confident that we will deliver the numbers what I projected.



- Rahil Shah:** Okay. And lastly, quickly, you mentioned this new plant. The third plant is -- so you said when it will reach peak utilization, the margins will go beyond 18%. So by when are you expecting to reach the utilization levels?
- Nikhil Kumar:** I think we will come back to 18% in FY26. And then beyond that, I don't want to give exact number what the EBITDA margin is going to be for FY27. It's a little bit too far away, but we will -- but we expect to come back to 18% in FY26.
- Rahil Shah:** No, no, I was just asking that, when do you expect the plant to be at its peak utilization?
- Nikhil Kumar:** That's INR1,800 crores -- with that plant, we get to INR1,800 crores capacity. So that would be three to four years from now, yes.
- Moderator:** We have a question from the line of Vp Rajesh from Banyan Capital Advisors.
- Vp Rajesh:** Most of my questions have been answered, but just a couple. What was the motors contribution to the nine-month revenue in this year so far?
- Nikhil Kumar:** Very little.
- Vp Rajesh:** And when you Nikhil talk about INR1,800 crores revenue after the third plant is ramped up. That would seem a very low growth from what you have guided for fiscal '25. So are there any more other growth levers in the revenue in the interim, right? Because from, let's say, next year, you're doing around -- sorry, INR1,200 crores kind of revenue.
- And then, three, four years out would be INR1,800 crores. So that would sort of slowdown that you have been doing in the last few years. So I'm just curious if there are any more growth levers aside from the third plant coming up?
- Nikhil Kumar:** Yes. I feel that it's really too early to give such a definite forecast for the next up to INR1,800 crores and say exactly when it's going to take place. We need to size the plant in a way that it makes sense for us, and we also need to size the plant in a way that we get the maximum capital efficiency for the investment that we been making. So that's why we have sized the plant that way so we can get to these levels.
- I hope we can get to INR1,800 crores in two years from now, three years from now. It's not that we're going to stop our efforts to get to that level to that number as soon as possible. But what I'm guiding is around 17% to 18% compounded sales growth year-on-year. So based on that, I think we will get there in three years.
- Vp Rajesh:** And just lastly, on the capex side, what's the capex outlay for next year? Or if you could just discuss that.
- Nikhil Kumar:** Varalakshmi, this year, next year, can you give the outlay? Yes. We just wait for her to get back on the call, and we will answer this question, Rajesh.



- Moderator:** We have a next question from the line of Vivek Kumar from Bestpals Research and Advisory LLP.
- Vivek Kumar:** Can you throw light on this gas in here? Two customers we have Jenbacher and Caterpillar. I think any new customers or how is the demand? What is your view on how this segment will shape up for us?
- Nikhil Kumar:** We are getting good business from both of them. And I don't have any particular comments. We have good growth coming in from them from both of them for the next financial year and the order inflow is pretty good. No surprises this way -- positive or negative from this segment.
- Moderator:** Thank you. Sir, we have Ms. Varalakshmi back on the call.
- Nikhil Kumar:** Yes. Varalakshmi, there was a question from Mr. Rajesh. He wanted to know what is the capital expenses, expected capital expenses this year and next year?
- M. N. Varalakshmi:** Okay. This year, it could be around INR40 crores, and the rest, balance, INR80 crores next year.
- Moderator:** Should we move on to the next question, sir?
- Nikhil Kumar:** Yes.
- Moderator:** We have a question from the line of Dipen Shah, an Individual Investor.
- Dipen Shah:** Nikhil. I just had one question as a follow-up to what you mentioned in the opening remarks. You have said that you received some breakthrough new orders during the quarter that seems very exciting to me. So is it possible to throw some more colour on what kind of breakthrough orders you have received and probably the potential in those orders?
- Nikhil Kumar:** In the Motor business, right?
- Dipen Shah:** Sorry?
- Nikhil Kumar:** I mentioned in the Motor Business.
- Dipen Shah:** Yes. You mentioned some breakthrough orders you have received in the business. So yes, if you could just...
- Nikhil Kumar:** I mentioned this. This is -- we have received a large order from a big pump manufacturer for a large irrigation project, six numbers, 20-plus megawatt motors for a large irrigation project in Karnataka. We received an order for a big motor for the oil and gas industry in Middle East. We have received a few orders for large fan motors for the steel industry around four, five megawatt capacity. So these are the big breakthrough orders that we have achieved.
- Moderator:** We'll take the next question from the line of Rohit from ithoughtpms.



- Rohit:** So Nikhil, just -- I think in a couple of quarters what you talked about us winning some business from an Italian company, which does some solid CO2, etcetera, and it was like a new application for our kind of equipment. So if you can -- I mean, how is that pressing and has that sort of -- any sort of opening up of new category, et cetera, for us, if you can just maybe talk about?
- Nikhil Kumar:** Yes, we have delivered the generator and they are in the process of commissioning the plant and once they commission the plant and proof of concept is shown then I think the business will pick up. But I think there are some delays on the customer side and putting this into operation. We have delivered the machine, we are waiting for them to commission the plant.
- Rohit:** I mean, just from an overall point of view, I mean, is that -- could that sort of bubble up and become big for us in the coming years of this sort of -- this proof of concept becomes...
- Nikhil Kumar:** It will be big means it could be around 10 machines per year, 10 plants per year, that's what we expect, but it is still a sizable business. So -- but it will take some time for it to ramp up to that level. Right now, this company has to show proof of concept. And that's what they have to do and they are in the process of doing that.
- Rohit:** Got it. And on the steam side, I mean, any comments on the waste to energy opportunity? I mean how is that coming along? Is that -- I mean, any comments if you can or Vinay can share?
- Nikhil Kumar:** For the domestic market?
- Rohit:** Yes, yes, for the domestic market.
- Nikhil Kumar:** Vinay, any garbage burning plans for India. Can you give some comment.
- Vinay Hegde:** There are many jobs we have already got and there are good number of inquiries. So it's going good. It is not only garbage burning plants but also from other biomas plants. So there is a steady growth in this sector as...
- Rohit:** Would it be possible to broadly share what percentage for order book would be from this segment? A very broad number would be okay.
- Vinay Hegde:** From the steam turbinr segment, if you talk about the garbage burning, it will be around 8% to 10%.
- Rohit:** Of overall steam order book?
- Vinay Hegde:** Yes. Overall steam segment for the domestic...
- Moderator:** We have a next question from the line of Mahesh Bendre from LIC Mutual Fund.
- Mahesh Bendre:** Sir, motor business, just you mentioned that the contribution is very negligible and we have received many orders now and there is a great thrust on this business. So maybe three years



down the line, is it -- I mean, is it possible that we can generate maybe 20%, 30% of our sales from motor business?

**Nikhil Kumar:** So I said next year will be around 10% -- 8% to 10%. And the following year, we hope to make it 15%, FY26. So...

**Mahesh Bendre:** Okay. So three years down the line, this business could have huge runups. I mean...

**Moderator:** Mr. Bendre, give me a moment, please. Mr. Nikhil Kumar's line is disconnected. Please wait while he rejoins. Mr. Nikhil Kumar?

**Nikhil Kumar:** Yes, I'm back. The call is really bad today.

**Moderator:** Sorry, sir. Mr. Bendre, can you use your handset mode, your voice is a little soft.

**Mahesh Bendre:** I'm audible now?

**Moderator:** Yes, please go ahead.

**Nikhil Kumar:** Yes, yes, Mahesh.

**Mahesh Bendre:** Yes, sir. When you were discussing about the motor contribution, you mentioned that the next year could be 10%, then after that could be 15%. But three years down the line, do you expect -- I mean, there is a huge runway for this kind of business?

**Nikhil Kumar:** Runaway, I don't want to use the word runaway, Mahesh, but I think that there is -- the market is definitely, as I said, much larger than the generator business, much, much larger -- generator business in general. And of course, there's no competition also.

But there are certain sectors which are going to grow very rapidly like hydrogen compression. Oil and gas business is going to grow very rapidly. And our products, we are gearing up our products, putting machines into these segments so that we can be part of the growth. It can be 30%, 40% of overall TDPS, it can be. Market potential is definitely there and we are going to go after it. But if you want to give me guidance today, I can't give you guidance today on that.

**Mahesh Bendre:** No, no. No guidance, sir, I'm asking and you just mentioned that...

**Nikhil Kumar:** But potential to reach that -- potential to reach that level of output, 100% is there.

**Mahesh Bendre:** Yes. I mean you said that the -- we'll manufacture the motors two megawatt and above which is like a 20% of the total motor sales in India. So that segment is how bigger? I mean the 20% part is what, 3x, 4x?

**Nikhil Kumar:** Yes. But if you talk about the world's business, total megawatt, it could be, I don't know, could be \$20 billion.

**Mahesh Bendre:** For India business...



**Nikhil Kumar:** It's a huge market.

**Mahesh Bendre:** For India business, sir?

**Nikhil Kumar:** India, I don't have the size right now, Mahesh, to tell you that market size.

**Mahesh Bendre:** Okay. But that will be definitely higher than the generator market for India?

**Nikhil Kumar:** Yes, definitely bigger than generator business in India for the moment, yes.

**Moderator:** We have a question from the line of Mythili Balakrishnan from Alchemy Capital Management.

**Mythili Balakrishnan:** Great set of numbers. Just a couple of questions. One, if you could help us with the market share in the domestic generator market. How has it changed? Has it been broadly stable for us?

**Nikhil Kumar:** Yes, we have a very high market share, continues to be stable.

We hope to -- and we will keep fighting to keep it stable.

**Mythili Balakrishnan:** Got it. At those high levels?

**Nikhil Kumar:** Yes.

**Mythili Balakrishnan:** And in terms of the OEM versus direct, would there be anything to sort of tell us in terms of that share?

**Nikhil Kumar:** No, it's largely OEM business.

**Mythili Balakrishnan:** Okay. Coming to the railways part, right? If you could just sort of help us give us some direction in terms of what was expected there. Obviously, we have the direct business, which will come. But are there any other orders or anything else that is there on the railway side that we would be able to participate in?

**Nikhil Kumar:** Railway business from the private sector railway business, it depends on our key customers, winning some of the tenders which are there in the market, which were there in the market, which -- so hopefully which is there in the market.

But there has been a lot of action in this very private sector tendering for quite a long time on, we can say for six months. We've not seen any major movement taking place, any new orders being taken for the large freight locomotives, either in 9,000 horsepower or 12,000 horsepower.

So right now, there's been only one 12,000, which Alstom won almost five years ago and I think last year Siemens won an order for 9,000. Other than that, they were opposed to be atleast three more, but we're not seeing that action. And even Vande Bharat trains and the ordering for that is also we're not seeing any action on that in the market.



But based on the budget yesterday, I think thrust is going to be given once again to railways. So it will pick up maybe it will pick up after the elections. The chances of all these things happening will be clearer once we, I think, once we cross the elections.

**Mythili Balakrishnan:** Got it. And in terms of this Vande Bharat orders, et cetera, we would be participating in tariffs or through the OEMs again?

**Nikhil Kumar:** No, we are making OEM motors. So we've been working with one major OEM. That's where we see our biggest chances to get the business. Other competitors in the market have their own motors and they need not buy from us.

**Mythili Balakrishnan:** Got it. And also to check with you on the export part of the business, is there any impacts from these whole situation which is happening in the Red Sea?

**Nikhil Kumar:** Yes. Shipping costs have definitely gone up for -- and the time has gone up for many of our customers. It's not so dramatic where it's affecting the business. We may have to shorten our delivery cycles by two weeks to three weeks to remain competitive and that we can do. But we have not seen the cost go up to the point where people are saying that it's changing their buying decisions.

I mean the increase in the freight rates right now, it's still nothing compared to the increase in the freight rates that took place post-COVID. At that time, the freight rates basically went up 300%, 400%. And still, we did not see that business was getting affected to the point where we're kind of losing the orders in the international markets because of freight rates.

Now the freight rates because of the Red Sea problem maybe up by 15% or 20%. And the time is a little bit longer because it has to go from under and go through Africa. But on a fundamental level, the amount of new capacity which is coming into the shipping industry, those are enormous, which is keeping the prices under control.

**Moderator:** We have a next question from the line of Aditya from Securities Investment Management.

**Aditya:** Sir, on a tie-up with BRUSH, what kind of scale can we expect in two to three years of time? Can it become a INR50 crores to INR60 crores kind of business from there? And secondly, sir...

**Nikhil Kumar:** Yes, much more than that. I don't want to give you a number, but definitely much more than what you are saying.

**Aditya:** And sir, just on a broad basis so on a yearly basis, what kind of business can BRUSH generate? And what kind of market share are we targeting with them?

**Nikhil Kumar:** No, amount of business, I can't comment, but margins are in line with what we're getting from the rest of the market. The potential is definitely more than what we've talked about. I can't give a number to that right now.

**Aditya:** Okay, sir. And what was the thought process behind addition of BRUSH MD to our board?



**Nikhil Kumar:** They were looking for a high-quality manufacturer to make these machines below 50 megawatts. Right now, they have one factory in Czech Republic, where they make the larger size machine from 60 to 400, and they are booked for the next three years in that factory, so they're completely full. They wanted to -- so they're looking for someone to make the smaller size machines for them.

Of course, we also wanted to make sure that this is not a short-term thing. So we have made the agreement in a way that we will have a long-term agreement on this for these products. And yes, so that's how they came to us, but they chose us because of our high-quality manufacturing capability.

**Moderator:** We have our next question from the line of Himanshu Upadhyay from Buglerock Pms.

**Himanshu Upadhyay:** My question was on the margin side. We seem to be very comfortable that -- of 17% margins. But a few years back, we were at 10%, 11%, okay? So is there a significant improvement in the product mix and hence the margins we are expecting to be much higher? Or you think this is purely economies of scale. And yes, the sustainability of these margins you mentioned going ahead?

**Moderator:** Mr. Upadhyay, please stay connected. We have lost the connection of Mr. Nikhil Kumar. He was asking you a question. Mr. Upadhyay, can you please repeat your question?

**Himanshu Upadhyay:** Yes...

**Nikhil Kumar:** I got the question -- so, Himanshu, I think the question is -- I think I'll answer very quickly. We have increased our EBITDA margins from cost reduction activities from operational leverage and from intelligent buying of raw materials and to some extent, we have also got price increases. Price increases won't take place any further. We will see probably stabilization of raw material prices. Our cost reduction activities will continue and our operational leverage is going to continue. So we will see upside potential for the EBITDA margin. We don't see a big potential for any downside.

**Himanshu Upadhyay:** And we expect the gross margins to remain around 33%, two years back around 29% to 30%.

**Nikhil Kumar:** Yes, 32% to 33%. Yes.

**Moderator:** We have a last question from the line of Prolin, an Individual Investor.

**Prolin:** And just wanted to congratulate the entire team of shifting from just a generator company to also being a significant player in the high-voltage motors. So congratulations to the entire team on that. I just have one question. I want to double click on some of the initial comments that you made on some of the demand tailwinds that you are witnessing in your core steam generator business and partially this was answered. But I just wanted to understand that in domestic market, is the demand coming from very broad set of sectors you called out metals and cement and waste recovery or waste heat recovery. But is this much more broad-based? And can you also touch upon how did this biomass opportunity can be given the fact that there



has to be some mandatory blending into CNG in the biomass part of it? So can you call out how -- I mean, can biomass be as big as waste heat recovery in terms of size of the opportunity?

**Nikhil Kumar:**

Biomass will not be as large as waste heat recovery. Waste to energy is garbage burning plants potentially can be as large, if all cities or municipalities in India start burning garbage instead of putting it in the ground or creating huge garbage piles, then we will definitely -- that potential is definitely there, but whether it will actually happen or not is a different question, but the potential is there.

Although I mentioned a few sectors, the key sectors for that in the growth, we're seeing orders coming in from chemicals, from paper, from fertilizer, from ethanol also, we are seeing the market. We're seeing a broad based demand from all parts of the market. So and we still believe it is at the initial stages and we will see that after the elections things are going to be, we will probably move to the next year. It's already moving at a good rate, but I think after elections, a lot of people who are waiting on the side lines will jump into the market further.

And the potential for the -- in domestic market to grow from INR3 trillion GDP to INR5 trillion GDP is a big, big potential, big, big growth opportunity for our country. Things will happen. And they will see a huge requirement for power generation from all parts of the market, from industry and consumer. So TDPS, we are highly -- we have a high market share in our range of products. We will be a part of this entire growth cycle that takes place in our country. Export is on top, you can say but India will be the shining story for us.

**Prolin:**

Sure. And just on this waste to energy for any municipality, right? I mean, is there a very attractive payback period for any municipality to put up a plant? Is it like a five to seven years where you can get back the money that you have invested and that makes it a very attractive investment? Any comment on that side of things?

**Nikhil Kumar:**

I don't know the financial dynamic for that particular sector, I can't comment on that.

**Prolin:**

Sure. And on the international side, right, again, sticking with the steam generator side of your business, you mentioned waste to heat there as well and biomass there as well. So is this demand largely coming from Europe? And last two winters, right? We have seen that they were not severe, the gas prices have come down and gas was a primary source of energy for a lot of use case in Europe.

So is that urgency to diversify the energy consumption or supply of energy a little bit less versus what it was couple of years back where the gas prices had shot up? Any reduction in intensity that you are seeing, especially from European market when it comes to waste to energy, biomass or anything like that?

**Nikhil Kumar:**

Nothing in Europe moves quickly. There's a lot of regulation and everything moves at its own pace, but the number of projects which are coming up in this sector, especially with energy are enormous biomass, waste to energy is enormous so and also hydro. So the structural shift towards more renewables is there. It will take place, but it will take place slowly.



It's just not going to be a vertical line upwards. So year-on-year, we're going to see increased business. I think that is better for us to have a long cycle with sustained growth rather than to have a very short cycle with explosive growth. What we're seeing is a structural shift. So that means the longer cycle with slower growth, but there will be growth.

**Prolin:** Sure. And just one last question. You also mentioning that hydrogen compression and there, there would be some motors, which would be required, right? So do we have already some products which we are prototyping? And how different those...

**Nikhil Kumar:** We have the products.

**Prolin:** You already have a product, okay.

**Nikhil Kumar:** Not -- I mean, we -- the products are a little different, but we have the products.

**Prolin:** So you already have the product in your kitty, right?

**Nikhil Kumar:** Yes.

**Moderator:** As there are no further questions, I now hand the conference over to Mr. Nikhil Kumar for closing comments. Over to you, sir.

**Nikhil Kumar:** Thank you for joining our conference call and had a good time today answering all the different kind of questions. Please feel free to get in touch with me or my Investor Relations team if you have any further questions. We look forward to interacting with you once again at the end of next quarter or in between in some Investor Conference. Thank you.

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