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November 15, 2023

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The Listing Department
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Exchange Plaza, Bandra- Kurla Complex
Bandra (East)
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Sirs,

Sub: Transcript of Earning Conference Call – Quarter ended September 30, 2023

In furtherance of our letter dated October 27, 2023 regarding intimation of earnings conference call, the transcript of Q2FY2024 earning conference call held on November 09, 2023 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
Digitally signed by BHARAT RAJWANI
Date: 2023.11.15 15:44:40 +05'30'

Bharat Rajwani
Company Secretary

Encl: A/a

"TD Power Systems Limited Q2 FY24 Earnings Conference Call"

November 09, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 9th November 2023 will prevail.

MANAGEMENT: MR. NIKHIL KUMAR – MANAGING DIRECTOR, TD POWER SYSTEMS LIMITED

MS. VARALAKSHMI MN – 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 Q2 & H1 FY24 Earnings Conference Call.

This conference call may contain forward looking statements about the company which are based on beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risk 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 '*' and '0' on the touchtone phone. Please note that this conference is being recorded.

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

Nikhil Kumar: Thank you. Good morning, everybody. Thank you once again for joining us today on our earnings call. I'll move straight to the financial performance for the 6 months ended 30th September 2023.

For standalone, our total income on our standalone basis for H1 was Rs. 4.94 billion versus Rs. 4.14 billion over the same period for previous year, an increase of 19%. EBITDA for H1 is 17.86% including other income, and we will deliver the approximate same during the year versus 15.43 over the same period in the previous year. We would like to again mention that this calculation includes foreign exchange gains, but does not include sale of land or treasury income. Profit after tax and comprehensive income for H1is 600 million versus profit of 388 million for the same period in the previous year, an increase of 55%. Order book for the manufacturing segment is 13.23 billion, out of which 6.24 billion is generator motor business, 6.74 billion is railway business, and the erstwhile project business is now grouped under spares and aftermarket, which is 0.09 billion, Turkey business is 0.16 billion.

Export and deemed exports excluding the railway business is 48%. Over the past one year, TDPS and its customers for the railway business have been focusing on indigenization of raw materials used in the motors for the pending order for the 12,000 horsepower locomotive contract. This will give big cost reductions and consequently, the order value could significantly reduce in the region of Rs. 190 crores to Rs. 200 crores spread over the next 4.5 years. But we would like to clarify that this will not impact our margins. Price variation clauses as per the contract will be applicable over the next 4.5 years, and this will mitigate the reduction of the order value to a meaningful extent. This matter is under final consideration, and we will inform the market next quarter.

I would like to reiterate there will 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 28% over the previous year as follows. Current year is 4.93 billion. Last year was 3.84 billion. Order inflow from direct and deemed exports is 2.36 billion compared to 2.16 billion in the previous year. Strong order inflow momentum continued in October also. Exports and deemed exports is 48% of the total order inflow for H1. For Q2, the order inflow from indirect exports, deemed exports was 58% of the total order inflow.

Consolidated. Our total income on a consolidated basis was 5 billion versus 4.3 billion in the same period previous year, an increase of 16%. Profit after tax and comprehensive income for the first half of the year is 584 million versus the profit of 385 million, an increase of 52%. We continued to maintain a strong cash position of Rs. 2.01 billion.

Order book, market situation, and guidance. TDPS has signed an agreement with BRUSH and Baker Hughes for production of BRUSH generators for the world market and a second agreement for sale of TDPS generators to Baker Hughes for the industrial markets worldwide. BRUSH is one of the most famous and well-known generator companies in the world with a focus on oil and gas, especially in the area of offshore platforms and LNG. TDPS and BRUSH intend to capitalize on the big expansion of the investment taking place in LNG and oil and gas, which is being carried out worldwide to replace Russian supplies. An announcement to this effect has already been given to the exchanges.

Now I'll come to each segment of our generator business. Steam turbine, the domestic market, continues to be very, very strong with robust order inflow from all segments of the market. In addition, we are also seeing strong traction from the international OEMs in the European market. This segment is providing a strong foundation for our growth for next year. Gas turbine, we have a very strong inquiry pipeline as well as orders from our US based customer. We would also like to announce the first new order for 2 to 16 megawatt units with Baker Hughes turbines. This is the first order in this segment with this OEM as a part of the new agreement also and will continue to see larger orders in this segment in the next few quarters.

Hydro, the incoming orders from hydro have surpassed our expectations. Large investments are taking place in renewable energy and hydro projects are coming up in a big way in Europe, Southeast Asia, and Nepal. We expect next year to be the highest in terms of sales of hydro generators since the beginning of this company.

Gas engines, there is some softness in the market being currently observed. However, both our engine customers have been optimistic and are optimistic about meeting the targets for the next year. We expect growth to be muted for 1 or 2 quarters before picking up once again. There are some large orders under negotiation, and with some luck we should be able to, if we get them, the numbers will be much better than what we have earlier projected.

Motors, we happily announced that TDPS had delivered and commissioned a 40 megawatt synchronous motor, which is a big achievement for us in this segment. Now with this reference, we have proved that we have the ability to deliver in this market. We also recently booked large orders in this segment in the last quarter. The pipeline for the next year is very strong. This business, motor business, for us will continue to grow at a rapid pace.

Railways, there's been a lack of action in the private sector tenders. Everything seems to be quiet perhaps due to the upcoming elections next year. However, the Indian Railways has a big tender out for motors that are required for their own locomotive production and we expect to do around 80 motors for the Indian Railways next year. After delivery of these motors, TDPS will be in the L1 category. We are currently in the L2 category and the following year we expect to do 200 motors.

Now coming to guidance. We are on target with respect to our guidance for FY24 around Rs. 1000 crores topline on a consolidated basis with approximately Rs. 235 crores to Rs. 240 crores in Q3 and the balance in Q4. So that'll be around Rs. 260 crores to Rs. 265 crores in Q4 on a consolidated basis. Margins will be in line with our H1 performance. We would like to reiterate that margins should be looked on an H1 basis rather than a Q1 to Q2 basis. We have reached around the halfway mark in H1, and we give guidance to hold on to our numbers in H2.

We would like to now first give initial guidance for FY25. Looking at the order inflow and looking at the pipeline that we currently have, we can expect a minimum growth of 17% to 20% for next year. As far as the legal case is concerned, there are no further updates in the ongoing legal matter other than what has been already disclosed by the company in various notifications to the exchanges. Since this matter is sub judice, I will not be able to discuss any further until the courts provide clarity on the ongoing disputes.

New factory, the company has already paid Karnataka Industrial Development Board 30% of the land value based on the sanction letter for the industrial land and the allotment letter for the land to be obtained in about a week. Construction for the new factory will start in January 24 and we are on track to bring the new plant into operation during the beginning of H2 FY25. We are planning a very modern factory with automation, digitization, Kaizen, **pivot** and other state-of-the-art manufacturing technologies. This brings me to the end of my initial remarks. I'll now be happy to address any queries that you may have. Thank you.

Moderator: Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Mohit Kumar from ICICI Securities. Please go ahead.

Mohit Kumar: My first question is sir, is it possible to predict the potential of the tie-up which we announced today? My related question is how does the pricing manifest for the suppliers' margin expectation and do we need to make any investment for supplying the motor and generators?

Nikhil Kumar: I'll take the last question first. So we don't have to make any major investments. We have basically the generator product. We have all the manufacturing equipment with us. There are some small modifications in the way that they make the machine compared to what we do. So small investment has to be made, but it's not significant. So when it comes to the business potentials, of course, it's a very good question. I think this is the first question everybody will ask. I would like to broadly say that on a conservative basis, there is a broad potential for about 20 million euros of business in this segment for us and it will not come overnight. It will take around 3 years' time to fructify, but we will see orders ramping up. We already have the first order from them for about Rs. 10 crores. Of course, there are a number of projects in the pipeline where now they're bidding with TDPS manufactured generators. There is a large, fairly detailed approval process that we have to go through, which is very important for us. Actually, we'll have to get approved by all the oil majors like Exxon, British Petroleum, Shell, Saudi Aramco, Qatar Gas. These are all the major oil companies in the world. So the approval process also will take a little bit of time, but eventually this business will put TDPS at top end of the market, as far as generators are concerned, and we are really excited about this relationship working with BRUSH in this particular segment. The LNG market and the oil exploration markets are booming. Investments are at all-time high. This is expected to carry on for at least 5 to 7 years. So we are at the right time in this relationship and demand for products is extremely high right now. So we expect a sustained increase of business over the next 2 to 3 years and then reaching a peak say 4 to 5 years from now. So this is extremely important I would say new line of business for TDPS, I would say new sector, the oil and gas offshore market and LNG market and it's going to add margins also. Margins are going to be in line with what we currently have, so it's going to be a good business for TDPS.

Mohit Kumar: My second question is, you said about H2 order inflow can surprise us on positive because large negotiations are happening. Is it right to assume that they are mostly in railways or is it in the fairly diversified segment?

Nikhil Kumar: No, I said that the order inflow for the railways will be limited, right? So I said there's no action taking place in the private sector tenders as far as the Indian railways are concerned. We're not seeing anything happening in the market right now. We're not hearing anything about these new tenders for 9,000 horsepower locomotives or 12,000 horsepower locomotives. Everything seems to have gone very quiet. So the only thing which is happening in the railway market right now is whatever the Indian Railways themselves need for production of their own locomotives. And we are conservatively putting a number something like 80 to 100 motors for next year. And the following year we have a target of 200. We will do 80-100 for next year for sure. And as far as the other verticals are concerned, the order inflow is extremely strong. And that is the reason why gives me confidence to give the market initial guidance for FY25.

Moderator: Thank you. The next question is from the line of Himanshu Upadhyay from O3 PMS. Please go ahead.

Himanshu Upadhyay: We got the new orders of let's say this Rs. 493 crores in first half. Can we assume that the percentage of steam run turbines will be less than 50% of incremental orders? And it is far more diversified than what it was five years back or do you think new orders have again started or are majorly from coal-based generators only? Some thoughts on that?

Nikhil Kumar: Vinay, I'll take this question, and then I'll ask you to add a little bit comments on this. So look, in India, as I said, the market is highly diversified. So we're getting orders from all segments. Some of them would be, I would say, base load captive power plants. But there's a lot of ordering taking place in steel and cement, which is all renewable in terms of heat recovery and waste to heat energy basically. I am not able to give you the numbers to break up, but I would say there's still a large amount of business which is coming from the renewable sector, even from the Indian market for the steam turbines. And regarding the ratio and mix, I'll leave the question to my colleague Vinay. Vinay, maybe you can answer what you expect to be in H2 for the mix of order, steam, gas, hydro. Where do you see the mix to be?

Vinay Hegde: For H2, the mix to be mainly in the steam turbine and hydro turbine orders. Indian steam turbine market is still booming, and we are getting a lot of orders from the Indian OEM, and also for exports from the Indian OEM. And we are also getting good orders from our export customers for direct export to countries like UK, Germany, Portugal, Argentina, and all these countries. So hydro turbine also, two markets are really booming, mainly Vietnam and Nepal. So as Nikhil told, next year is going to be the highest ever sales turnover for the hydro segment. And we have very strong pipeline of orders for both hydro and steam segment. These two segments are the major portions of the order book for the remaining part of the year.

Himanshu Upadhyay: So in the last quarter, we said that our railway's large customer has won a Train 18 aluminium frame. And the requirement of motors can be Rs. 275 crore and the competition will be there. So has that order been floated by our major customers and what percentage of business have we won from them?

Nikhil Kumar: Inquiries in the market right now, Himanshu, is under discussion. We are actively participating in this negotiation. But it's not yet come to a stage where we can say that we know when it's going to close. And it should close soon, but, I can't give an exact timeframe, but it's under negotiation.

Himanshu Upadhyay: The competition is between you two player only, no third player is there in the market?

Nikhil Kumar: I as far as I know it is this, but I can't really give you 100% information on this because it could be some other parties also which we don't know of but what we believe is what we have mentioned earlier.

Himanshu Upadhyay: And one last thing, then I'll join back in queue. Can you also give some idea on what is the level of complexity in generators which are used on large cargo ships and how big is that market? Because we did some generators for our naval vessel and we expected it to be a big opportunity for us and Make in India is happening. We see a lot of ordering for naval ships is happening or government has given orders in last 2 quarters. So are we getting any larger business from that segment or opportunities in that segment? Some idea on that? And again, for cargo ships, is that an opportunity or not?

Nikhil Kumar: Yes, so the commercial marine market for generators is a large market. TDPS doesn't have a big penetration in this market. It's another big potential growth business for TDPS. We need to have more references but this is another big potential growth area for TDPS. I'm talking about the commercial marine generator market. Now when it comes to the Navy business in India, Vinay maybe you can explain if there are any inquiries and what Indian Navy is planning to do.

Vinay Hegde: Yes. So for the first set of 10 machines what we supplied to Vizag for the Indian Navy, all the machines have successfully commissioned and now it is running, all the trial runs are over and now we are bidding for one more job. See, these are not a regular kind of business, this is kind of on and off. Whenever there is a tender, we have to participate and now we are participating on tender, it is a fairly good number of machines. And this is going to get finalized maybe in the last quarter of this year. So whenever there is a tender, now we know all the customers are approved by the Indian Navy. So we can participate in all the tenders. So there's one HP tender we are participating currently. And I think by the last quarter, we should get some news on that.

Moderator: Thank you. The next question is from the line of Nikhil from SIMPL. Please go ahead.

Nikhil: Just one question. See, some of the capital goods players have started talking about some caution on the domestic order book because of the upcoming elections and the things related. And while we talked about guidance for 25, if you have to understand for the domestic piece, how do you see this election as a speed breaker in terms of order book growth. And if you can just share over the last 10 years, 12 years, have you seen a slowdown which happens at the sector level? Just some idea how you are looking at it?

Nikhil Kumar: There is a lot of momentum in the market right now in terms of investments. People are making investments based on economic reasons and not political reasons. And there's expansion taking place in steel, cement, paper, fertilizer chemicals across the country. And in my opinion, these things are going to carry on regardless of political outcome for the next 1 or 2 years. Then of course, whichever government comes to power and the policies will guide the direction for the country as a whole for the time beyond that. But for the short term, that's one or two years, I don't see any slowing down of the momentum.

Nikhil: And second was on the refurbishment. How is the pipeline growing for the refurbishment part of the business? We had a view that this business can become around 8% to 10%. So are we on that journey or any change in the outlook here?

Nikhil Kumar: I never commented 8% to 10%. I always said around 6% to 7%. I still maintain that. We will deliver on those numbers.

Moderator: Thank you. The next question is from the line of Shyam Maheshwari from Aditya Birla Mutual Fund. Please go ahead.

Shyam Maheshwari: I just wanted some clarification on the BRUSH order. I wanted to understand if this is a $20 million opportunity over a period of years or is it like an annual kind of a number that is potentially possible?

Nikhil Kumar: No, this will be an annual business, but it will take, as I said, it will take some time to reach that level. It will keep growing, but it will take, let's say, 3 years or so to reach that level, but it's an annual business.

Shyam Maheshwari: And when do you expect this to start flowing? Is it possible that some revenues might come?

Nikhil Kumar: I already said it's already got the first order. So it's already started.

Shyam Maheshwari: I just wanted to understand the Indian Railways opportunity. So for the next year is our target market just the Indian Railways, the 80 motors that you're mentioning or is there any other potential orders also that would go to the Indian Railways?

Nikhil Kumar: Look, there have been a lot of discussion, a lot of talks, a lot of things were in the pipeline for other tenders, for Vande Bharat trains and freight locomotive trains. So if those things do come up for ordering next year, then the opportunity will increase for us because we have all been waiting for these things to come to the market. But as of now, we don't know when anything is going to come to the market as of now, although all these things are there in the pipeline. So I'm saying that what we can see right now is this and what we can't see right now, we can't comment and that's where it is.

Shyam Maheshwari: Makes sense. Could you just quantify for us maybe what could be the quantum of these 80 motors kind of that will be supplying? What will be the quantum of that?

Nikhil Kumar: Value keeps changing from order to order, it is not very large but it's around, it varies between around 25 lakhs per motor, so it's all public information anyway so it's not a secret.

Shyam Maheshwari: And just one last question was on some of the new areas that we have entered on your new products, synchronous motors, submersible motors. Could you give us a sense of how these products have been accepted? Are you seeing increased inquiry pipelines for some of these products?

Nikhil Kumar: Yes, I did talk a little bit about this in the opening speech. So we have delivered and commissioned the first 40 megawatt synchronous motor. It's been well. The market is now fully aware that TDPS has got the capabilities, we've proven it, and we have recently taken a big order for a project in Karnataka, and there are a number of synchronous motor projects in the pipeline right now. There are also new tenders being issued by Nuclear Power Corporation. We are participating in those tenders. This CAPEX cycle in India is also generating large number of inquiries for other large size induction motors. So the motor market is very active right now. It has got big potential. We are very active. We are bidding across the board. It will do really well next year for sure. The exact numbers will be given a little bit later, but as a motor segment, we will report this separately later, but it is doing really well.

Moderator: Thank you. The next question is from the line of Kuber Chauhan from Anand Rathi. Please go ahead.

Kuber Chauhan: Sir, my question was on the Turkey business, so can you throw some light on our Turkey business? Where are we and what sort of strategy we will be adopting? And second question was on guidance, I missed the guidance for FY25?

Nikhil Kumar: The Turkey business, there is not much more to report. There are a few limited orders which we have taken. The market is still very subdued. We will still use that facility more as a service center rather than for new machine production. This works for us for the moment and we are going to continue with the strategy at least for next year and we will again review the situation next year to see what we want to do for the following year. That is where and we are taking this decision year-on-year and we still expect this market to come back. So let us see how it develops and for the guidance for FY 25, I have given the first card guidance that our console numbers would have a growth of around 17% to 20%.

Kuber Chauhan: Any sort of CAPEX which you are doing?

Nikhil Kumar: Yes, we have started the CAPEX and it will be on stream in the beginning of H2 next year.

Kuber Chauhan: And any ballpark number for that CAPEX? Varalakshmi, we have given guidance for that, right, in the earlier through some stock market notifications?

M. N. Varalakshmi: Rs. 120 crores will be the CAPEX.

Moderator: Thank you. The next question is from the line of Praveen Motwani from BOI Mutual Fund. Please go ahead.

Praveen Motwani: Sir, my first question is if you can just share the domestic and exports revenue for this quarter and for Q2 FY23?

Nikhil Kumar: No, we don't give that split up.

Praveen Motwani: At least some indication which market reported good growth for you in this quarter or grown at higher rate for you?

Nikhil Kumar: We supply our generators all over the world and sometimes we get good orders from a particular country or sometimes we get from a particular region, different verticals of our business have opportunities coming from different parts of the world. So for example, for hydro, we could have large orders coming from Vietnam or from Norway or from other countries in Europe. We could have big gas engine generator orders coming from Ireland. It is very difficult for us to say there is one country or one thing which is giving us a big growth in our business. It is very widespread and which is good because it provides stability of our business.

Praveen Motwani: And sir, the last question is, you reported 29% growth on year-on-year basis, so how much you attribute to the price and how much you attribute to the volume?

Nikhil Kumar: Now it is all volumes. There has been no price increase for the past one year, so all volumes.

Moderator: Thank you. The next question is on the line of Dhruvesh Sanghvi from Prospero Tree. Please go ahead.

Dhruvesh Sanghvi: Thank you for performing so well and you have been guiding and constantly giving us surprises on the slightly positive side with order book and all, so thank you**.** Second is, what can go wrong now considering the things are so good right now and that makes me ask this question over the next 3-4 years that what are the potential risks that we face in the next 3-4 years for achieving 15%-20% growth?

Nikhil Kumar: That is a really good question and geopolitical events would be a big risk always and this is always going to be something that no one is going to be able to read so far into the future. So what we can all see is something like, we can see 1 year, 1-1/2 year horizon clearly, but beyond that if you are talking about large risk which could have system effects then I am not in a position to answer that question. I am sorry, it is really hard to say what could be down the line.

Dhruvesh Sanghvi: Just some thoughts around it, **if** there is nothing which comes, maybe that’s the answer. So thank you.

Nikhil Kumar: As I said, geopolitical events, wars, things like that, or political change, those kinds of things are the events that drive change which affect the economies and drive changes, so that is hard to predict and if those things happen, those risks will always be there and eventually all of us will find a way to work around everything and life will go on.

Dhruvesh Sanghvi: One thought which comes is in the past a lot of people including myself used to worry about the potential change towards the renewable energy and the need for fossil-based ecosystem, because the performance of almost all companies are coming, nobody is asking those things, but are there any thoughts which have got updated or that is not at all a worry over a 5-7 year period also or something around that area?

Nikhil Kumar: Five-seven year period definitely, I think that the renewable business is not going to make a big dent in the traditional power market. All this talk about hydrogen and even talking about wind, looking at the way the sector, the manufacturers are getting into periods of getting into weakness on their own financial. That is going to affect the supply situation. Eventually prices of equipment are going to go up and that is going to then again lead to higher prices of power production. So I think that there is no doubt that while renewables also will grow, it will not grow at the rate which we used to grow earlier and I think that we will see the traditional fossil-based fuel still dominating the power industry for years to come. This is my prediction.

Moderator: Thank you. We will move on to the next question that is from the line of Kartikeyan from Suyesh Advisors. Please go ahead.

Kartikeyan: Congrats on this very interesting deal with BRUSH. This is my first interaction with you on that topic, so if you don't mind, can I ask you a slightly detailed question?

Nikhil Kumar: Of course.

Kartikeyan: Sir, the way the agreement is structured is very interesting. It is a 3 plus 2 year kind of a tenure, so is the thinking from their point of view that they will top up their capacities with some additional capacity from you? Why hasn't this been structured as a perpetual arrangement? Why can't you be there, shall I say, back office? Why was the agreement structured this way?

Nikhil Kumar: Nobody enters into perpetual agreements, but it is not a top-up thing. There is a certain line of products, something like below 50 megawatt, where we will be the primary producer of that equipment or the predominant, maybe 90% plus producer of that particular size of machines, and BRUSH will focus on the larger machines. That is the plan. Large corporations have their own policies and how they would like to structure agreements and I think our agreement is in line with their corporate policy and I don't think it has anything to do with it. We have a long-term view of the business and so do they, but they have a policy on how they structure agreements and this agreement falls in line with that policy. I don't think you should read too much into it and perpetual agreements don't exist. So I am not expecting that. We deliver good machines and we do good business, this will go on for a long time.

Kartikeyan: I am extending my luck, are there other such agreements in the pipeline?

Nikhil Kumar: Not like this. These things don't come up. As much as possible, our strategy is to do the business by ourselves and to get into various markets with our own brand name and by ourselves. In this particular instance, the particular sector of these, the oil and gas market is a very large market, there is upstream, there is downstream, but this particular segment of the market, which is more on the exploration side, on the drilling exploration side, that is where BRUSH is very strong.

And that is, as I said, there is a lot of investment taking place right now in the oil and gas segment to replace Russian supplies, both on the gas side as well as the oil side and so there is a boom taking place in this segment, so both LNG as well as oil and the demand is very strong for the products, and we are at the right place at the right time. This is the general thinking behind this agreement.

Kartikeyan: Are you replacing another facility, sir? Or is this a fresh arrangement?

Nikhil Kumar: We are replacing a European-based facility.

Kartikeyan: And if I may ask you, would there be a substantial cost saving to BRUSH by sourcing from you?

Nikhil Kumar: I think there would be some saving and I am not sure how much.

Moderator: Thank you. The next question is from the line of Ankur Kumar from Alpha Capital. Please go ahead.

Ankur Kumar: Sir, my question is actually in reverse of what Dhruvesh was asking, he was asking about long-term 15% to 20% growth, I was trying to ask, why are we not growing faster because market is growing so well and there are people like Triveni Turbines who are growing 30%-35% in this time, why are we guiding for 17% to 20% growth only for the next year?

Nikhil Kumar: I can't compare myself with others in the market. I can only talk about what we can do and what growth we can deliver and as I said, I tend to deliver realistic numbers and try to do a little bit better than what we deliver. And that is where we are, and this is the track that we are on.

Ankur Kumar: And sir, margin side, is there any scope for improvement for the next year or do you think these 17%-18% are sustainable?

Nikhil Kumar: There is going to be no price increases largely, no substantial price increases which are going to affect margins. So the EBITDA margin improvement will take place from operational leverage, but we are putting in a third plant as we said, H2 next year. So we might not see huge improvement taking place on operational leverage because of the third plant also coming in, fixed cost associated will not give us such a big upward bump in the EBITDA numbers from where we are right now. So holding it at this level is the target. If it can improve by 50 basis points or something, it will be good for us.

Ankur Kumar: And last question, this quarter we did Rs. 270 odd crores, but you talked about Q3, Q4 being lower than this number, so was that conservative or is there any delays?

Nikhil Kumar: We said that we will do around Rs. 1,000 crores for the year, but done around Rs. 494, so we will do another around Rs. 500 crores and I said the breakup will be Rs. 235 to Rs. 240 in Q3 and Rs. 262-Rs. 265 in Q4 and that is where it is going to be. We are already middle of

November, we don't see any fresh order booking taking place in this financial year, where we can improve the numbers significantly. So more or less, the order booking is already fixed for this year and so this is the performance we are going to deliver.

Moderator: Thank you. The next question is from the line of Himanshu Upadhyay from O3 PMS.

Himanshu Upadhyay: See, it is a basic question, in capital goods there are certain companies which get advances from customers also, what type of companies do get advances from customers and let us say substantial 10%-15% and how far away or what can we do to get such businesses, the question is basically that my working capital gets better and better, obviously, our sales to gross blocks has been always good, but are you thinking about in those terms and are we getting the newer businesses whereby receivables and cash cycle is much better than what the historical business we were doing always, some thoughts on that?

Vinay Hegde: So basically, our business is not like B2C. We don't supply our machines to the end customers, but we supply our products largely to the OEMs. So in our cases, in most of the cases, we take advances like in the all the cases, we take advances and all our payments are secured. And in case of special projects, we also have stage-wise advances and that is called progressive payment. So it mainly depends on the customer to customer and also depending on the volume of the business they give, so all the payment terms differ from each customer or each segment, but definitely we also have a system of taking the advance from almost all the customers.

Himanshu Upadhyay: Can it be that we are able to reduce working capital in double digits overall, inventory plus receivables to that much or you think working capital?

Nikhil Kumar: Look, I think we can try to reduce the inventory by operational efficiency. Receivables is more of a market driven situation, so we don't see so much change taking place in the receivable side. As Vinay said, payments are secured, payments will come. We don't have a problem of bad debts. So what we can try to improve is operational efficiency reducing cycle time. Those projects are always underway in the factory, but those improvements are incremental.

Himanshu Upadhyay: And one last thing, we will be making generators and motors only for oil and gas market, but the customer which is BRUSH SEM stated that they need turbo generators for power, marine, in our press release itself have stated, power, petrochemical and marine etc., where we will not cater to it, is this the right understanding?

Nikhil Kumar: I think that we have two agreements with them. One is making the BRUSH generator for them. And there is another agreement where we are making the TDPS generator for them. So the BRUSH generator is primarily used in the oil and gas market and of course, it is used in other areas also, but primarily it is used over there and it is more expensive than the TDPS machine. So in other applications, like industrial use, or marine, or other applications, the idea is to use our generator, wherever there is more cost efficiency required from the market side and so we have both the products then in play, and this gives a chance for us to look at a wider range of markets because we have both the TDPS product and the BRUSH product in the kitty.

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

Nikhil Kumar: Thank you for joining our conference call. If you have any further questions, please feel free to get in touch with our Investor Relations team. We look forward to interacting with you at the end of next quarter or meeting you personally at some investor conference in the next few months. Thank you.

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