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Key Data	
Bloomberg Code	TDPS IN
NSE Code	TDPOWERSYS
BSE Code	533553
Industry	Electric Equipment
Face Value (₹)	2.0
BV per share (₹)	39
Dividend Yield (%)	0.2%
52 Week L/H(₹)	96 /261
Market Cap. (₹ Mn.)	39,604

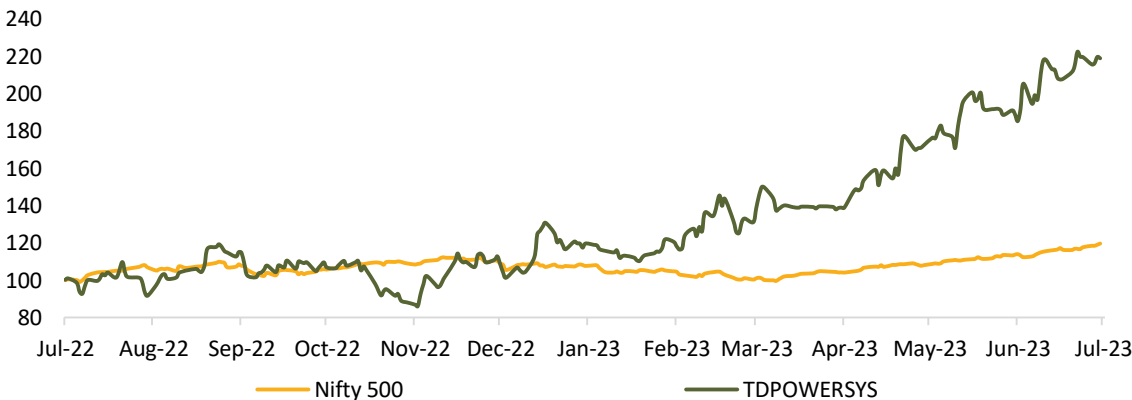
Shareholding Pattern

Particulars	Jun-22	Sep-22	Dec-22	Mar-23
Promoter	58.6%	58.4%	58.4%	58.5%
Institutions	13.1%	13.5%	14.7%	17.3%
Others	28.3%	28.1%	26.8%	24.2%
Total	100%	100%	100%	100%

Source: Company, Anand Rathi Research, Bloomberg

(In ₹ mn)	FY-22	FY-23	FY-24E	FY-25E
Net Sales	7,974	8,723	10,814	12,544
EBITDA	969	1,302	1,729	2,120
EBITDA Margin (%)	12.2	14.9	16.0	16.9
PAT	706	968	1,279	1,548
PAT Margin (%)	8.9	11.1	11.8	12.3
EPS (₹)	4.5	6.2	8.2	9.9
P/E (x)	55.0	40.3	30.5	25.2

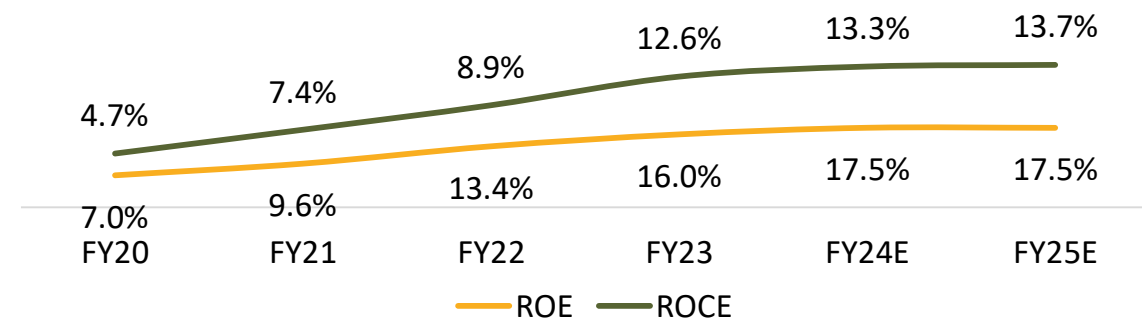
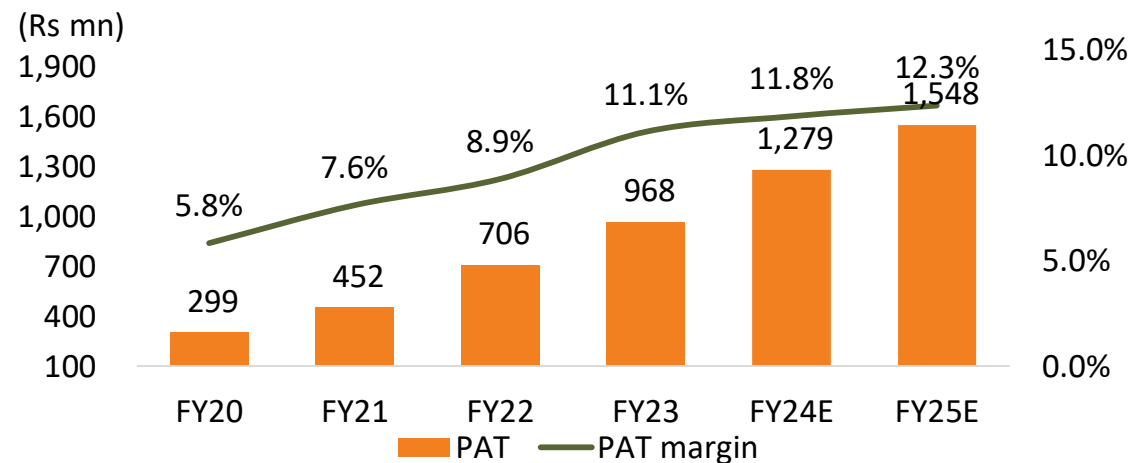
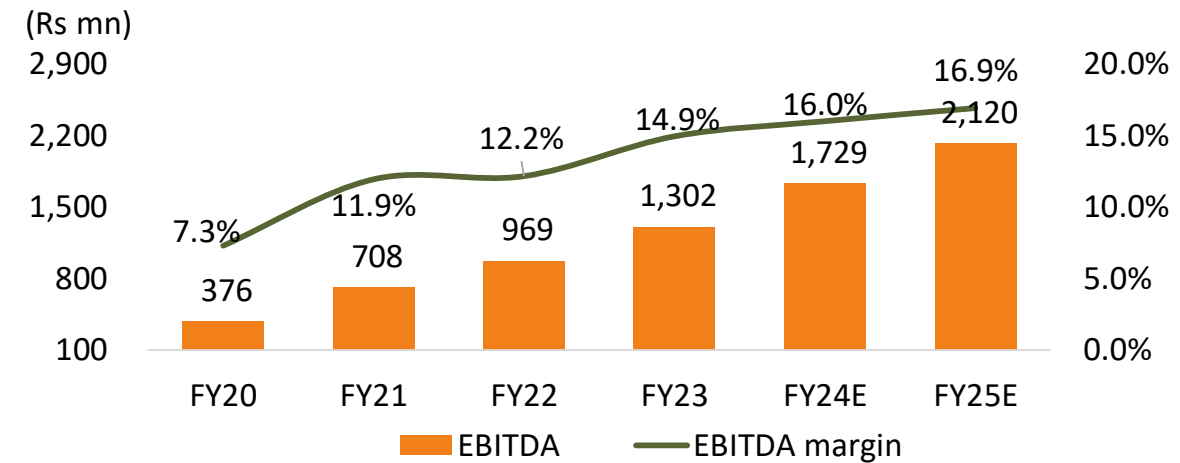
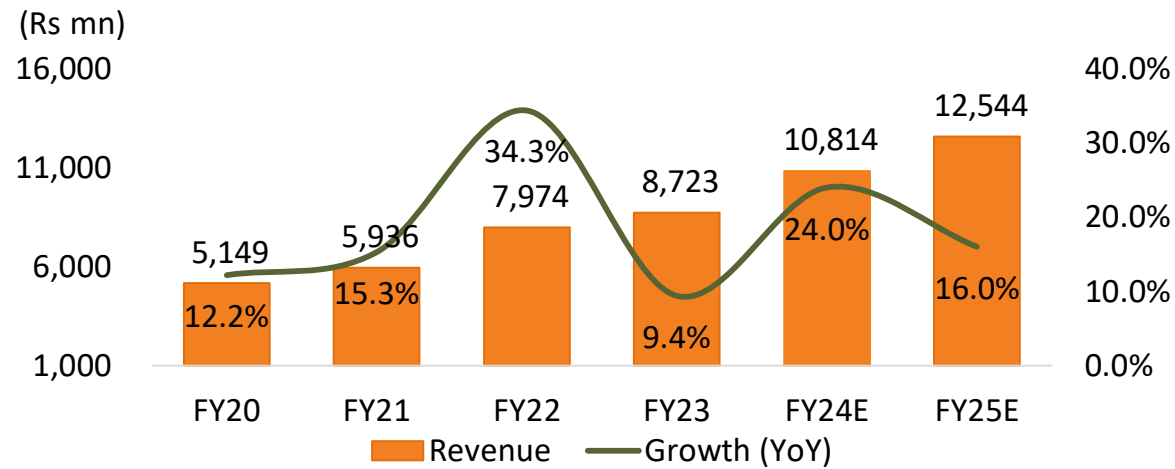
Relative stock performance (Jul'22=100)



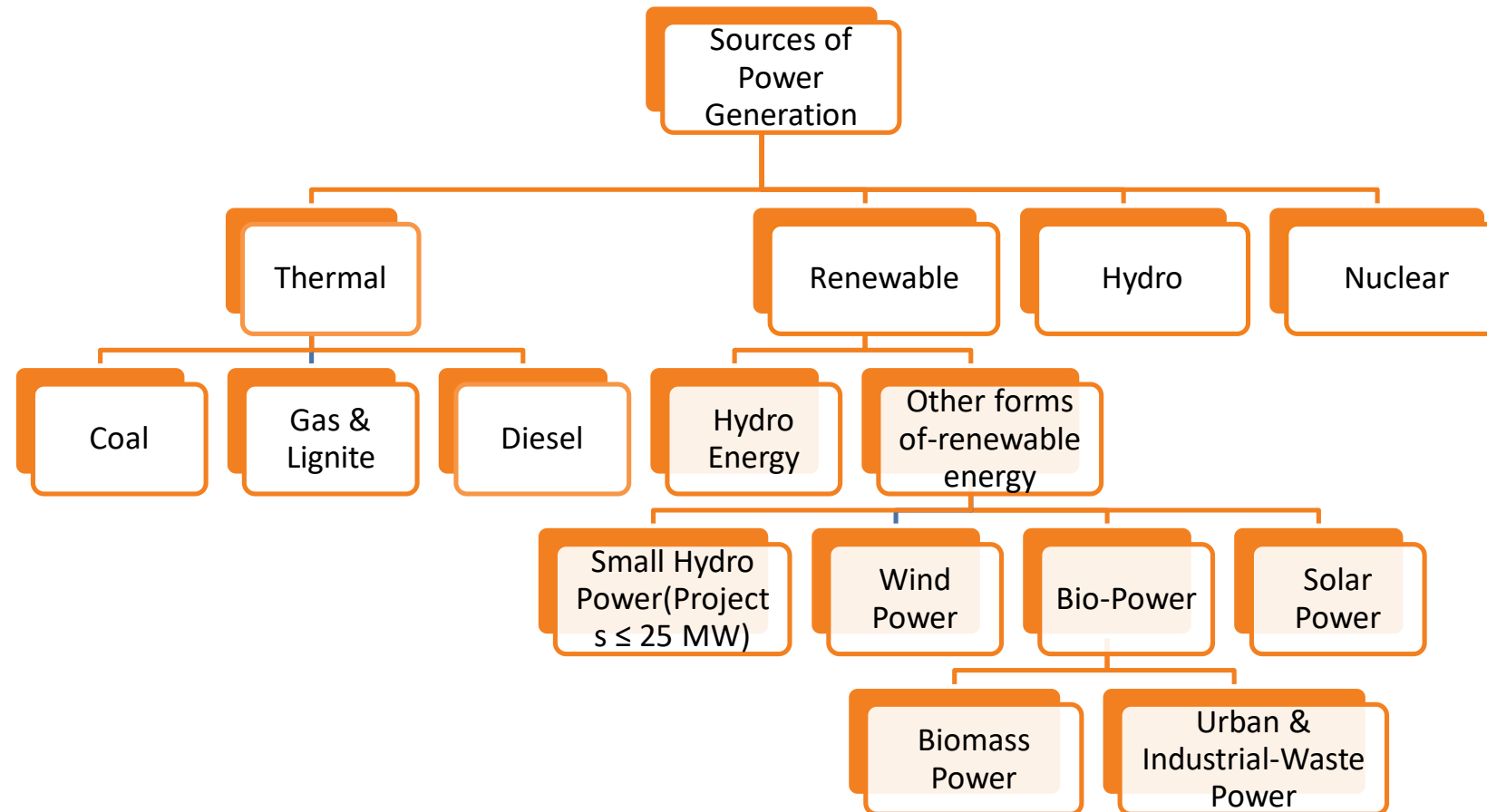
Generating valuable growth for long term

- ❑ Incorporated in 1999, TDPS is one of the leading manufacturers of AC generators for a diverse range of prime movers such as steam, gas, hydro and wind turbines as well as diesel and gas engines. The company also executes turbine-generator islands for steam turbine power plants of up to 52 MW. TDPS has three manufacturing units in Bengaluru, with one being a dedicated large generator manufacturing unit. The company also has a facility in Turkey and operates through its wholly owned subsidiary. Since its incorporation, company has manufactured 5,406 generators, including generators exported to 100 countries with a capacity of 39,209 MW.
- ❑ Over the years, the group has been able to partially offset the slowdown in domestic demand, by expanding into the overseas market and building relationships with key multinational original equipment manufacturers (OEMs). The company's clients are significantly concentrated with top 10 customers contributing to major portion of revenues. Its top customers include various OEMs of turbines such as Siemens Ltd, Voith Hydro, General Electric and Triveni Turbine Ltd.
- ❑ TD Power system's Revenue/EBITDA increased by 17%/44% CAGR from FY19 to FY23 on account of healthy product mix, operational efficiency and brand visibility. Over the years, company delivered healthy volume growth, margin expansion with gradual reduction in debt. Therefore, this enabled them to be a debt free entity and lower its working capital requirements in FY23.
- ❑ Despite Covid-19 pandemic and overseas headwinds, company has shown improvement in performance. EBITDA margin has increased from 7% to 15% from FY20 to FY23 which shows its resilience and competitive edge over its peer group. In FY23, company turned out to be a net cash company, Going ahead, company plans to make surplus investment towards automation, productivity improvements, and software for the design department. Also, company is planning to set up new plant in near future.
- ❑ We believe that TDPS's Revenue/EBITDA/PAT is expected to grow at a CAGR of 20%/28%/26% respectively over FY23-25E. On valuation front, At CMP, the stock is trading at 40x FY23 EPS. We initiate the coverage with a **"BUY"** rating on this stock by assigning 31.4x of FY25E earnings with a target price of **Rs312**.

Story in charts

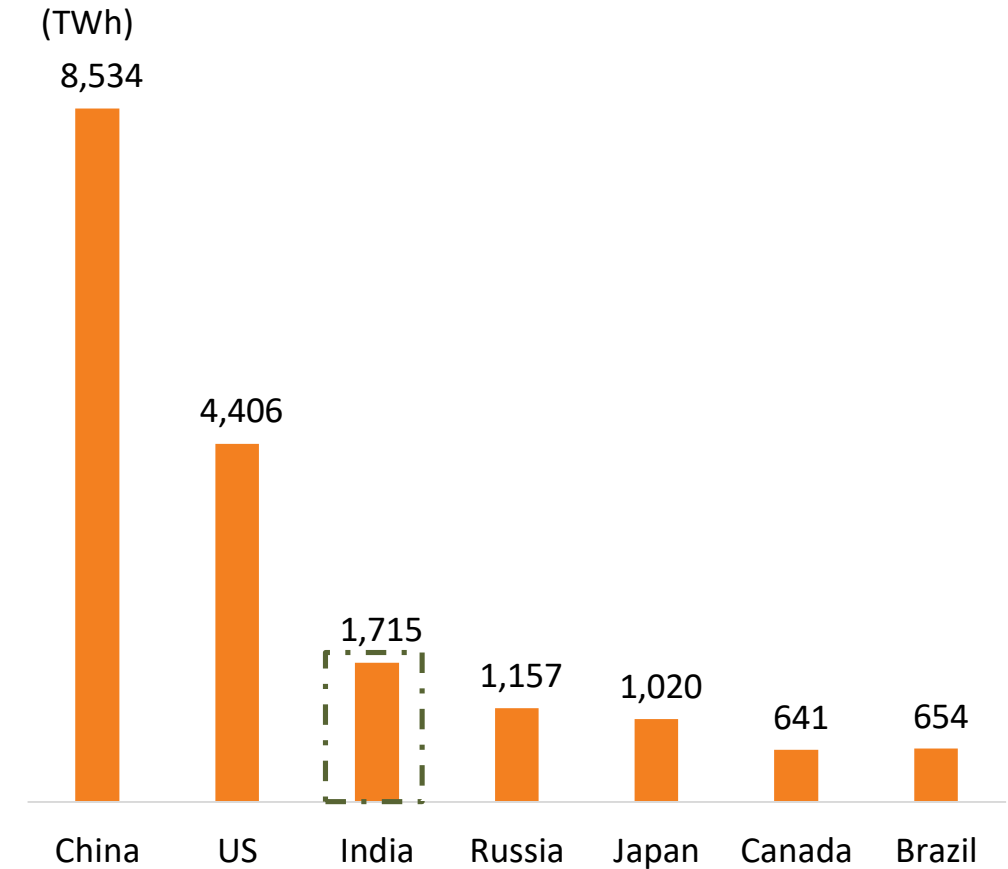


Sources of power generation

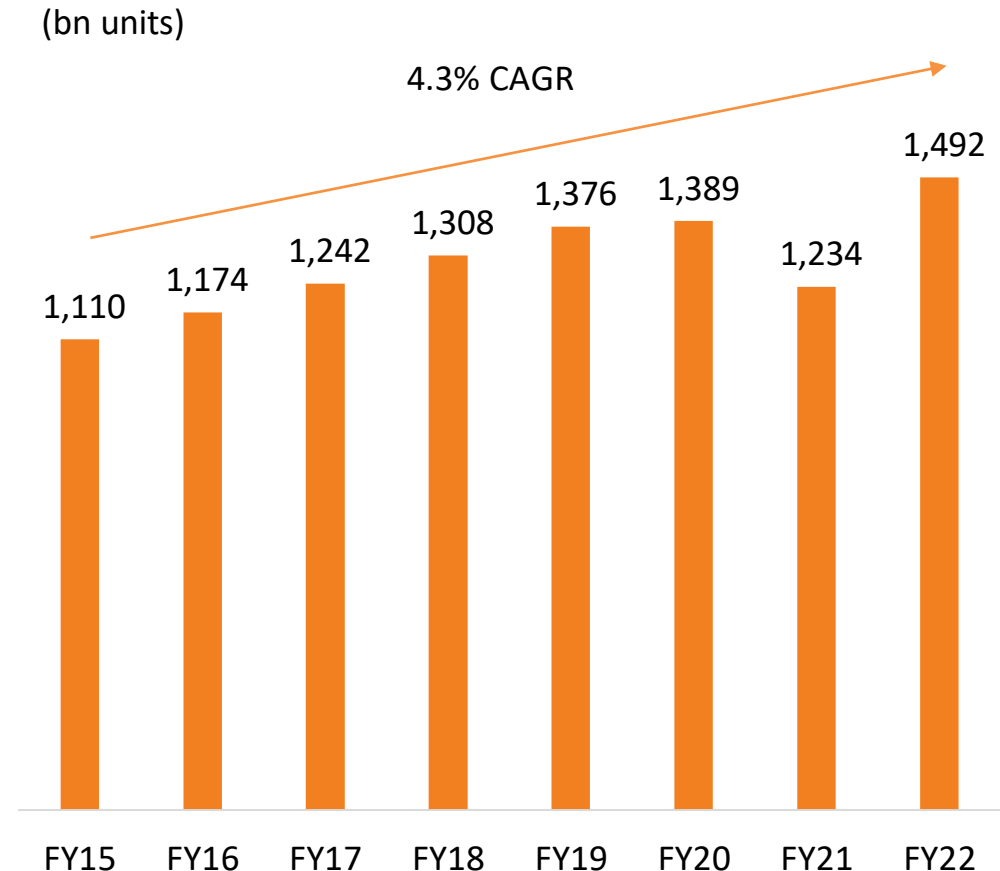


Global power generating nations

- ❑ India is the third-largest producer and consumer of electricity in the world.
- ❑ Although power generation has grown hugely post independence, growth in demand has been even higher due to accelerating economic activity.
- ❑ India's energy firms have made significant progress in the global energy sector. According to the S&P Global Platts Top 250 Global Energy Rankings 2022, Oil and Natural Gas Corp. Ltd. ranked 14th.
- ❑ In June 2021, the Export-Import Bank of India (Exim Bank) announced that it has extended a line of credit (LOC) worth US\$ 100 mn to the Sri Lankan government for the purpose of funding projects in the solar energy sector and assuring that the country's 70% power requirements are met by renewable energy sources by 2030.
- ❑ Going ahead, the increasing applications of electricity in transportation industry are expected to increase substantially due to electrification of railways in underdeveloped and developing countries , setting up of transportation networks and country's collective aim towards net-zero carbon emissions .

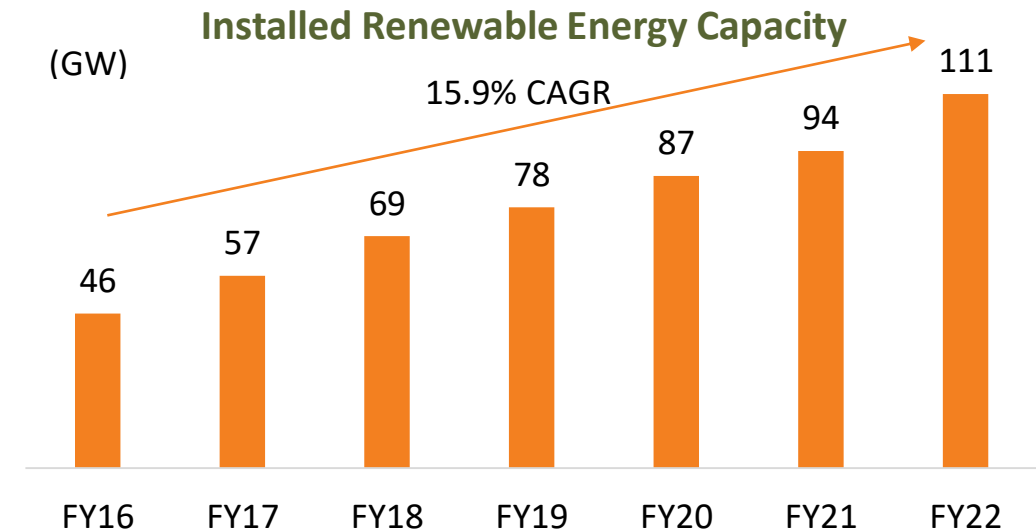


- With electricity generation (including renewable sources) of 1,359.21 BU in India up to Jan'23 in the current fiscal year FY23, the country witnessed a growth of 10% YoY. During FY10-22, electricity generation in India increased at a CAGR of 5.23%.
- As per reports, there was a capacity addition in renewable energy of 16 GW in FY23. In the Union Budget of FY23, the government allocated US\$ 885 million (Rs.73 bn) for the solar power sector including grid, offgrid, and PM-KUSUM projects For FY23, electricity generation target from conventional sources was fixed at 1,459.37 BU, comprising of 1,257.39 BU of thermal energy, 150.66 BU of hydro energy, 43.32 BU of nuclear energy, and 8 BU to be imported from Bhutan.
- According to data from the Ministry of Power, India's power consumption increased 11% YoY in Dec'22 to 121.19 BU.
- The Nathpa Jhakri Hydro Electricity Station of Satluj Jal Vidyut Nigam (SJVN) has set a new monthly power generation record, increasing from 1,213.10 mn units to 1,216.56 mn units on Jul'21.

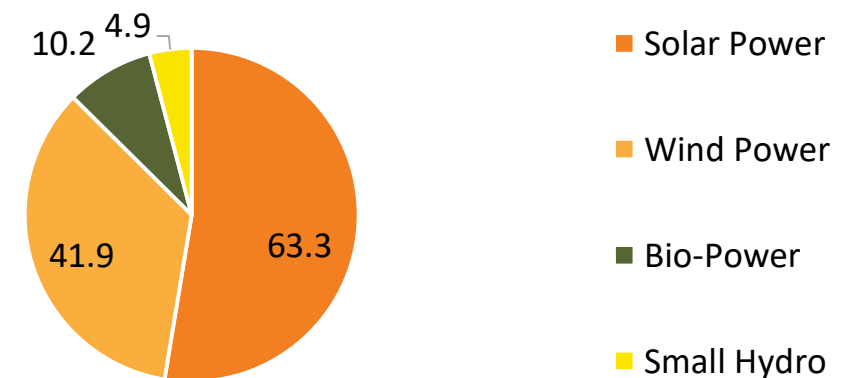


Renewable Energy Capacity has increased tremendously

- ❑ The International Energy Agency's World Energy Outlook projects a growth of renewable energy supply to 4,550 GW in 2040 on a global basis.
- ❑ Installed renewable power-generation capacity has increased at a fast pace over the past few years, posting a CAGR of 14.58% between FY16 and FY23*. India has 119.09 GW of renewable energy capacity in FY23*. 975.60 MW of renewable energy capacity was added in January 2022.
- ❑ As of Oct,'22, 40.6% of the total power installed capacity is from non-fossil-based sources, which fulfills the target of 40% by the end of 2022.
- ❑ The country plans to reach 450 GW of installed renewable energy capacity by 2030, with 280 GW (over 60%) expected from solar power.
- ❑ The ambitious target of 450 GW will provide investment opportunities worth US\$ 221 bn by 2030.



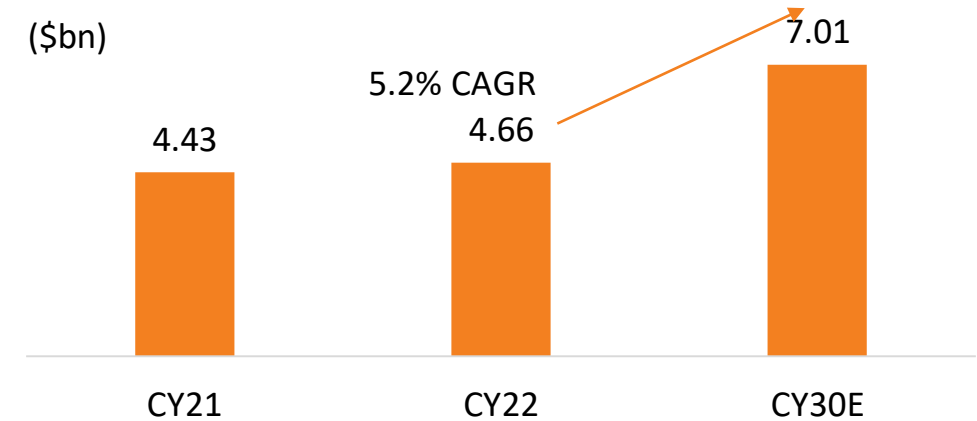
Installed Renewable Capacity Breakup (GW) –FY22



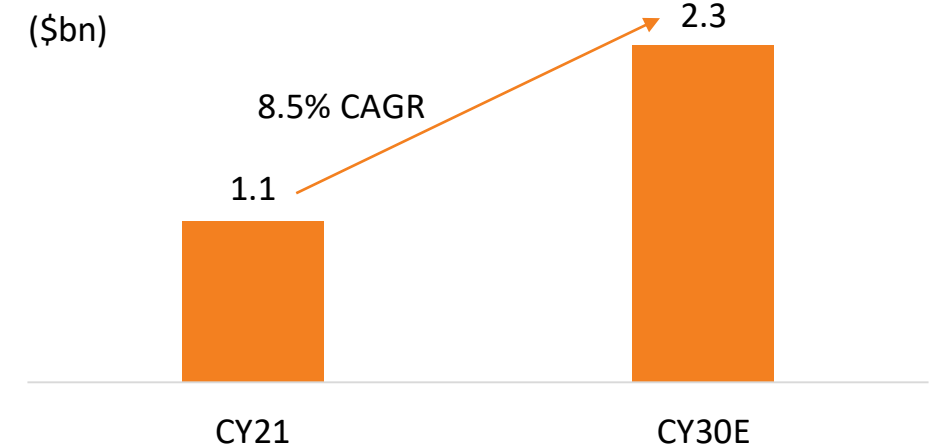
Power Generator Market size

- ❑ In nations, where regular power outages occur, generators are crucial because they offer backup of power supply. In the rapidly urbanizing world, the requirement for reliable and constant power supply has increased the demand for generators on a global level.
- ❑ As per markets and markets report, power generators globally are expected to witness a boom on account of increasing trend for urbanization, industrial sector, startups and expansion by various Multinational as well as small scale companies. Therefore, the market is expected to grow at a CAGR of 5.2% to \$7.01 bn by CY30
- ❑ Coming to Indian markets, the market is expected to grow around 8.5% CAGR to \$2.3 bn by CY30 led by various government schemes such as adoption of clean energy, Wind-solar hybrid policy, net zero emissions development of solar parks and ultra mega power projects etc.

Global Generator Market size



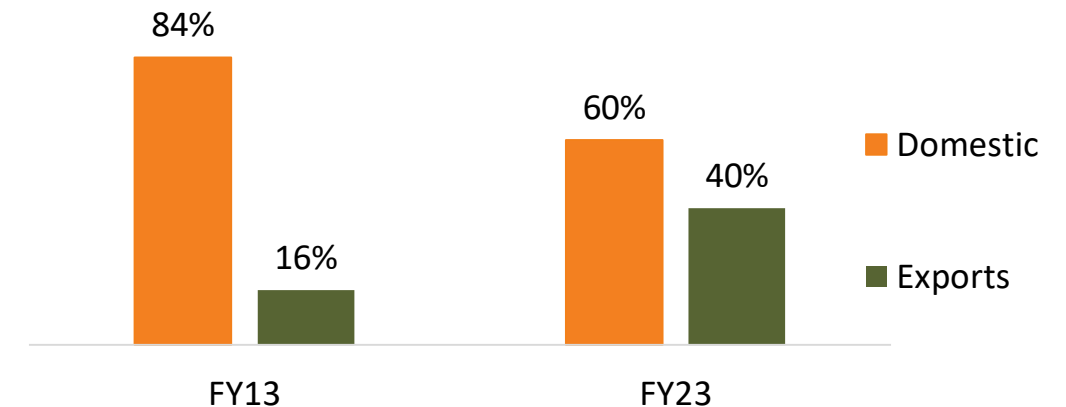
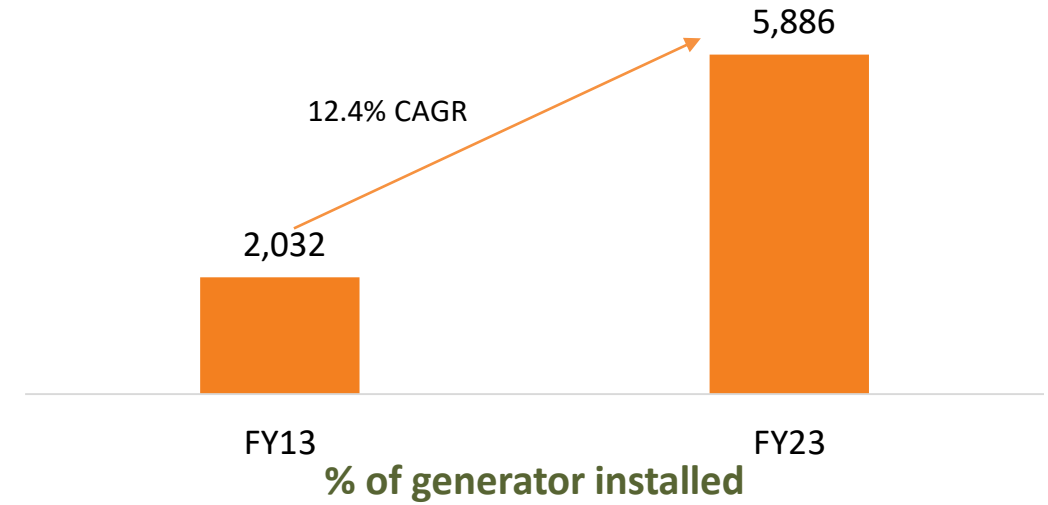
Indian Generator Market size



Leading player in AC (Alternative Current) generators

- TD Power system is a leading manufacturer of AC generators in the 1–50-megawatt (MW) segment in India. The group has a strong track record and has supplied 5,811 generators since its inception. It has capability to manufacture generators across steam, hydro, diesel and gas segments, and has a diverse end-user industry base, which includes cement, sugar, metals and mining, and power generation sectors. Therefore, company caters to both conventional and renewable fuel-based power plants.
- Over the years, the group has been able to partially offset the slowdown in domestic demand, by expanding into the overseas market and building relationships with key multinational original equipment manufacturers (OEMs).
- Favorable industry scenario with higher investments made by end-user industries over the medium term would enable to support the business. Also, company has a diversified product portfolio and technological collaboration with global OEM/technology partner company gains an ability to design and manufacture a complete range of generators required to cater to the renewable fuel-based segment of the power generation market.

No. of generators installed (units)



Innovation and strong order inflow in motor division to untap new opportunities

- ❑ In the Motors segment, the first order has been received from Nuclear Power Corporation. First orders have also been received for submersible motors – another new product for TDPS. Submersible motors are used extensively in municipalities in sewage. The Company has also received a large order from local EPC contractor for 5x40MW synchronous motors to be delivered within Q3FY24. Also, inquiries are coming from Telangana, Andhra Pradesh, Tamil Nadu and Karnataka and Madhya Pradesh
- ❑ The six months trial of traction motors has been completed with the Indian Railways. Documentation process and few more test are expected to be completed within Q3FY24. Post which a good ramp up in this segment is expected to commence from FY25. As per management, the addressable market for this motors is Rs10 bn of which TDPS targets an 8-10% share.
- ❑ During FY23, company bagged orders from leading project companies from India such as 1 unit of 3.25MW diesel engine generator & 2 units of 0.38MW Induction motors for installation in India. The order for supply of 4 units of 16MW synchronous motors for installation in India from a leading Indian EPC company.
- ❑ Supply and commissioning 2 units of 3MW, 11kV, 744RPM induction motors for a sugar plant based in India. Moreover, New customers have been added in Hydro (Austria & India), Diesel & synchronous motors India. With this supply TDPS will establish itself firmly in this segment which is expected to open up the market further for the company.

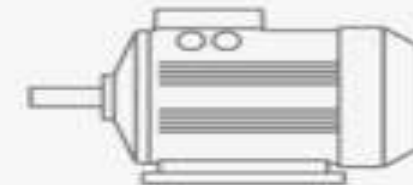
Product portfolio



Induction Motors



Synchronous Motors

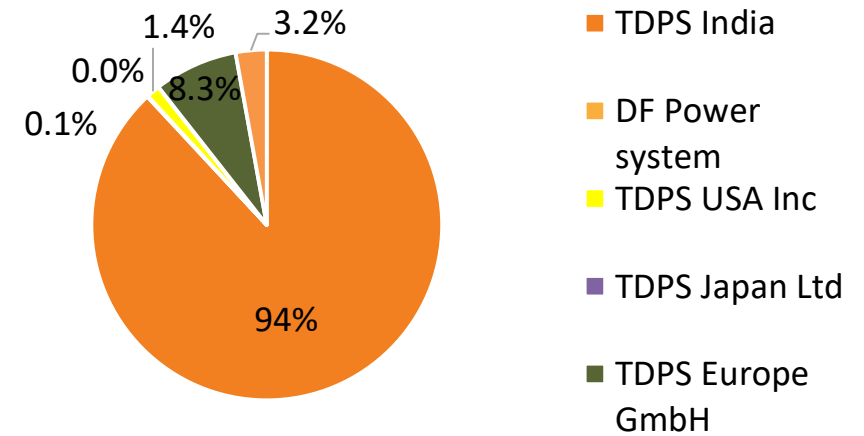


Traction Motors

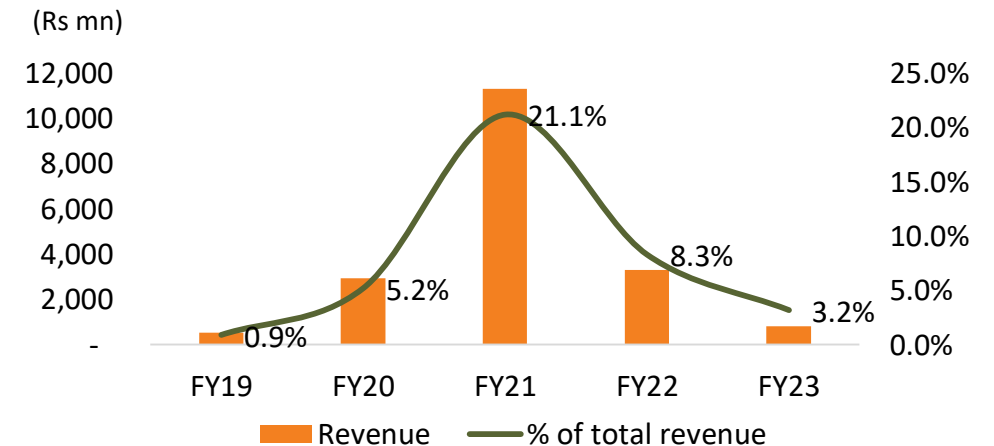
Improvement in Turkey business division to cushion growth

- TDPS has four manufacturing units i.e 3 units established in India and 1 unit in Turkey with advanced machines. The company through its subsidiaries cater to global generator markets directly and through OEMs. Along with gas engine turbines and steam turbines generators, the hydro turbine generator sector has shown significant improvement, attracting new customers which has increased order inflow and installations in Turkey and Southeast Asian countries.
- Turkey has a Geothermal Power Plant capacity of 29.7MVA where company use to manufacture several generators and supplied to Turkey OEMs. However, over the last few years, company been facing political issues and dampening economic conditions which has impacted the overall revenue of the business. Therefore, company earlier planned to suspend all the Turkey operations to avoid losses. Recently, government has revised the incentives for locally made generators and made it attractive for end users to buy made in Turkey generators. This new incentive policy is expected to revive the generator market for local generators in FY24 since Turkey is a power shortage country.
- Overall, the geothermal sector n Turkey is expected to experience a substantial upturn, as incentives have been extended up to 15 years. Furthermore, there have been anticipated incentives for the waste to energy market, which is expected to witness an increase in the near term.

Revenue breakup (FY23)



Jenerator Sanayi Anonim Sirketi (Turkish entity)



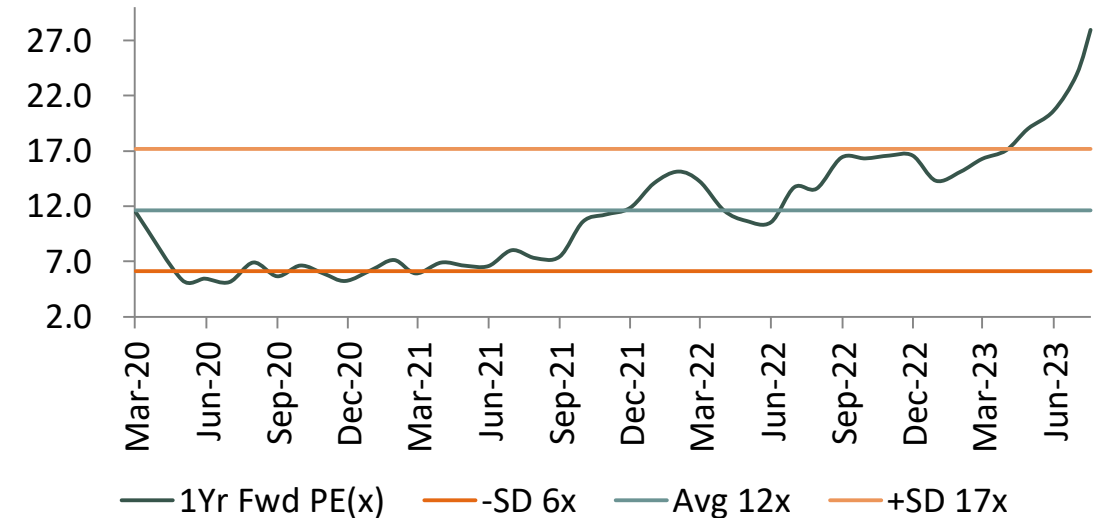
Key Milestones



Valuation & Outlook

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- Despite Covid-19 pandemic and overseas headwinds, company has shown improvement in performance. EBITDA margin has increased from 7% to 15% from FY20 to FY23 which shows its resilience and competitive edge over its peer group. In FY23, company turned out to be a net cash company, Going ahead, company plans to make surplus investment towards automation, productivity improvements, and software for the design department. Also, company is planning to set up new plant in near future.
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1 year forward P/E



Name	Designation	Details
Mr. Nikhil Kumar	MD and Chairman	With over 3 decades of work experience in the business of manufacturing electrical rotating machines, he spearheads universal best manufacturing practices in the company. He is responsible for overall management of the company's operations, strategic planning, technology alliances and sales and marketing.
Ms. Varalakshmi	Chief Financial Officer	She has a professional qualification in Cost & Works accounting (ICWA) & overall 28 years of rich experience in Finance function of Engineering-manufacturing company.
Mr. Ramakrishna Varna	Chief Operating Officer	With 30 years of experience in Mechanical Engineer and an MBA, joined TDPS leadership team as a Senior Engineer in 2001. He has extensive exposure and knowledge of the complete value chain in Generator manufacturing, facility-creation, automation and an expert solution-provider on operational issues.
Mr. Vishwanath Hangari	Head, Engineering	With a Master's degree in Engineering & 33 years of experience, 8 of which in TDPS, heads the Engineering function. Has a rich, varied, hands-on and leadership experience in Design, Analytics, Quality & Manufacturing aspects of LV, HV Motors & Generators across entire range of ratings, speeds, constructions and application.
Mr. Bharat Rajwani	Company Secretary	He is an Associate Member of the Institute of Company Secretaries of India and Law graduate from Karnataka State Law University, Bangalore. He has been working with the Company as deputy to the outgoing CS and experience in handling the Company Secretarial matters, SEBI Compliances and RBI related matter.

Key Risks

- ❑ Captive and co-generation power producers in the industrial sector are key markets for generators. Any adverse government policy or economic climate which affects the investment activity in the industrial sector can dampen growth prospects.
- ❑ TDPS primarily supplies generators to global OEMs. Therefore, any break-down in relationship with key global OEMs can affect generator off-take which can result in lower revenue.
- ❑ Sharp rise in commodity prices i.e steel and copper are major raw materials which will affect operating margins.
- ❑ Volatility in foreign exchange rates can affect revenue growth.

(In ₹ mn)	FY-22	FY-23	FY-24E	FY-25E
Net Sales	7,974	8,723	10,814	12,544
Operating Expense	7,005	7,421	9,086	10,425
EBITDA	969	1,302	1,729	2,120
Other Income	167	198	216	251
Depreciation	220	207	220	282
EBIT	916	1,293	1,725	2,088
Interest	71	11	19	24
Exceptional expense/income	76	13	-	-
PBT	921	1,295	1,706	2,064
Tax	214	327	426	516
PAT	706	968	1,279	1,548
	FY-22	FY-23	FY-24E	FY-25E
Sales Growth %	34.3	9.4	24.0	16.0
Operating Margin %	12.2	14.9	16.0	16.9
Net Margin %	8.9	11.1	11.8	12.3

Source: Company, Anand Rathi Research

(In ₹ mn)	FY-22	FY-23	FY-24E	FY-25E
<u>Liabilities</u>				
Equity Share Capital	310	312	312	312
Reserves & Surplus	4,961	5,733	7,012	8,561
Total Shareholder's Funds	5,272	6,045	7,325	8,873
Minority Interest	-	-	-	-
Long-Term Liabilities	-	-	-	-
Other Long-term Liabilities	50	59	59	59
Deferred Tax Liability	79	31	31	31
Short-term Liabilities	3,666	2,896	3,591	4,165
Total	9,067	9,032	11,006	13,129
<u>Assets</u>				
Net Fixed Assets	1,664	1,551	1,581	2,549
Long-Term L&A	174	84	84	84
Non Current Investments	199	199	199	199
Other Non-Current Assets	30	214	214	214
Current Asset	7,000	6,984	8,927	10,082
Total	9,067	9,032	11,006	13,129

TDPOWERSYS rating history & price chart



NOTE: Prices are as on 24 July 2023 close.
Source: Bloomberg, Anand Rathi Research

TDPOWERSYS rating details

Date	Rating	Target Price (₹)	Share Price (₹)
24-July-23	BUY	312	253

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Ratings Guide (12 months)	Buy	Hold	Sell
Large Caps (>₹300Bn.)	15%	5%-10%	Below 5%
Mid/Small Caps (<₹300 Bn.)	20%	10%-15%	Below 10%

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