

TD POWER SYSTEMS

20/05/2016

Company Synopsis:

The company is incorporated on April 16, 1999, & is listed on September 8th 2011 on BSE as well as on NSE as TD Power Systems Private Limited.

TDPS is one of the **leading manufacturers of AC Generators in the world** with products in output range of 1 MW to 200 MW for prime movers, such as steam turbines, gas turbines, hydro turbines, diesel engines, and gas and wind turbines.

The company also manufacture special; application generators for Geo Thermal & Solar Thermal applications. The company focuses on manufacturing custom-designed generators for customers of all over the world. The generators are designed to perform with the highest efficiency. Reliability is ensured by world class manufacturing processes and quality control. The company has supplied 2500 generators working in 72 countries across the globe. The company is having service partners in 19 countries covering all continents. The company has its own technology for generators up to 55 MW and is a licensee of Siemens AG for 2 Pole generators from 55 MW up to 200 MW. The Company's wholly owned Subsidiary, DF Power Systems Private Limited, is in the business of Engineering, Procurement and Construction ("EPC"), executing Boiler-Turbine Generator ("BTG") island projects and the balance of plant ("BOP") portion for steam turbine power plants with output capacity from 20 MW up to 150 MW ("EPC Business"). The scope of work for the EPC Business comprises of design services, civil works, procurement and supply of equipments, assembly, installation and commissioning.

Financial Snapshot:

Particular	FY14	FY15	FY16	FY17E	FY18E
Net Sales	4,802	5,974	5,068	5,257	6,563
EBITDA	198	142	67	516	844
EBITDA Margin (%)	4.1	2.4	1.3	9.8	12.9
APAT	224	(6)	(92)	213	453
EPS (Rs)	6.7	(0.2)	(2.8)	6.4	13.6
EPS (% chg)	(46.4)	(102.6)	0.0	0.0	112.2
ROE (%)	4.5	(0.1)	(1.9)	4.5	9.3
P/E (x)	33.3	(1,281.7)	(81.1)	34.9	16.5
EV/EBITDA (x)	28.6	37.5	81.8	9.6	5.4
P/BV (x)	1.5	1.5	1.6	1.6	1.5

Insight:

- Declining Revenues.
- Disappointing Margins
- Domestic markets under pressure, Exports Improving.
- Zero debt, Positive cash, Strong Balance Sheet.

Sector: Engineering - Heavy

Stock Summary:

Particular	
CMP	220.30
Target Price	345
Potential Upside	56.60%
O/S no of Shares (cr.)	3.32
Market Cap. (cr.)	741.20
Equity Cap. (cr.)	332.3
52 Week High (INR)	339.90
52 Week Low (INR)	195.10
Face Value (INR)	10
NSE Code	TDPOWERSYS
BSE Code	533553

Share Holding Pattern:

Particular	March-16
Promoters	54.10%
FIIs	11.2%
DIIs	20.6%
Public & Others	14.10%

Stock Price Movement:



Declining Revenues:

The company has reported a decline in consolidated revenues at INR 1.18bn which is down by 37% YoY & up by 5% QoQ basis. Both manufacturing and project segment had reported declined revenue by 4% YoY and 47% YoY to INR 1.04bn and INR 214mn respectively. The steam turbine business (especially domestic) continues to remain slow due to insufficiency of capex in various sectors like cement, steel, refineries and other process industries. The export segment has shown steady revenue growth which is largely driven by hydro turbine and gas engine business. For FY17, **Management is expecting a 12-15% revenue growth** in the manufacturing segment with incremental contribution from gas engine business. The EPC division has ceased operations and is currently operating with skeletal staff maintained solely for punch list items and collection of pending receivables.

Disappointing Margins:

The company has reported loss in consolidated EBIDTA level which is largely driven by one-time write-offs in the EPC and project segment. During the quarter, the company has provided for the full amount of liquidated damages that may probably arise in the EPC segment in the near future. In the project segment, the company has also written off a 3 year old receivable. EBITM in the manufacturing segment was impacted by the depreciation in Euro, pricing pressure in the domestic markets and under-absorption of overheads. Going forward, with the closure of the EPC segment, we expect the company to report EBITDM to stand somewhere around 10-13%.

Domestic markets under pressure, Exports improving:

Management is expecting orders from gas engine alternators to scale up in FY17 while the hydro turbine business is likely to report steady growth. In the railway segment, the company had successfully tested the diesel loco generators at its Bangalore facility and has shipped the same to its American client for approval during Q4FY16. Management is indicating probable orders for diesel loco generators during the latter part of FY17. In the domestic market, the capex revival may take longer time than anticipated.

Zero debt, positive cash, strong Balance Sheet:

Order backlog in the product segment stood at INR 2.9bn. Management has indicated the newer opportunities in the railways segment which are likely to be announced in the near future. The company continues to remain zero debt and carries cash balance of INR 2bn in its standalone entity. At current levels, the stock trades at 16.5X FY18 EPS. We maintain Buy with price target of INR 345/share.

TD POWER SYSTEMS

Quarterly Exhibits:

Income Statement:

Particular	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q4FY16	YoY (%)	QoQ (%)
Particular	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q4FY16	YoY (%)	QoQ (%)
Revenue	1,871	994	1,759	1,128	1,187	-37	5
Expenditure	1,854	994	1,685	1,133	1,189	-36	5
Consumption of RM	694	534	759	625	681	-2	9
as % of sales	37	54	43	55	57		
Purchase for project business	739	179	613	136	151	-80	11
as % of sales	40	18	35	12	13		
Employee Cost	161	165	163	151	182	13	21
as % of sales	9	17	9	13	15		
Other expenditure	260	117	149	221	174	-33	-21
as % of sales	14	12	8	20	15		
EBITDA	17	0	74	-5	-2	-113	-55
Depreciation	71	72	72	72	71	1	-1
EBIT	-54	-73	2	-77	-74	36	-4
Other Income	94	45	51	39	67	-29	72
Interest	12	11	13	13	13	11	6
PBT	28	-38	40	-51	-20	-173	-60
Total Tax	21	8	28	6	-20	-197	-432
Adjusted PAT	7	-47	11	-57	0	-95	-
Extra ordinary items	-	-	-	-	-		
Reported PAT	7	-47	11	-57	0.3	-95	-
Adjusted EPS	0.2	-1.4	0.3	-1.7	0.0	-95	-
Margins (%)						(bps)	(bps)
EBIDTA	0.9	(0.0)	4.2	(0.4)	(0.2)	-110	20
EBIT	(2.9)	(7.3)	0.1	(6.8)	(6.2)	-330	60
EBT	1.5	(3.9)	2.3	(4.5)	(1.7)	-320	280
PAT	0.4	(4.7)	0.6	(5.0)	0.0	-30	500

TD POWER SYSTEMS

Segment Revenues							
Manufacturing	1089	792	1079	896	1049	-4	17
Project Business	403	165	719	149	214	-47	44
EPC	420	90	48	90	3	-99	-96
Total	1912	1048	1846	1134	1266	-34	12
Less: Inter Segment Revenue	33	52	79	4	43	30	921
Less: Inter Company	8	2	8	2	37	374	1937
Total	1,871	994	1,759	1,128	1,187	-37	5
Segment Results							
Manufacturing	229	77	91	80	104	-55	31
Project Business	-52	18	82	11	-13	-75	-216
EPC	-102	-59	-57	-53	-49	-52	-8
Total	75	36	117	37	42	-44	12
Less: Interest	12	11	13	13	13	11	6
Depreciation	71	72	72	72	71	1	-1
Un-allocable income / Expenditure	-35	-9	-8	3	-23	-36	-759
PBT	28	-38	40	-51	-20	-173	-60
Segment Capital Employed							
Manufacturing	3,474	3,774	3,941	3,705	3,271	-6	-12
Project Business	231	230	243	382	270	17	-29
EPC	-434	-427	-351	-373	-405	-7	8
Others							
Unallocated	1,670	1,319	1,074	1,139	1,596	-4	40
Total	4,940	4,896	4,907	4,852	4,733	-4	-2
Segment Margin (%)						(bps)	(bps)
Manufacturing	21.0	9.7	8.5	8.9	9.9	-1110	100
Project Business	(13.0)	10.6	11.5	7.5	(6.1)	700	-1360
EPC	(24.3)	(64.9)	(118.8)	(59.7)	(1,534.5)	-151020	-147480
Average	3.9	3.4	6.3	3.3	3.3	-60	0

Segmental Revenue:

Key Financials

Particular	FY14	FY15	FY16	FY17E	FY18E
Net Sales	4,802	5,974	5,068	5,257	6,563
Expenditure	4,604	5,833	5,001	4,741	5,719
EBITDA	198	142	67	516	844
Depreciation	150	288	288	317	317
EBIT	49	(146)	(221)	199	527
Other Income	341	245	202	166	194
Interest expenses	36	37	50	56	69

TD POWER SYSTEMS

PBT	354	62	(69)	309	651
Tax	126	68	23	96	198
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	(3)	0	0	0	0
Reported Net Income	224	(6)	(92)	213	453
Adjusted PAT	224	(6)	(92)	213	453

Income Statement

Balance Sheet:

Particular	FY14	FY15	FY16	FY17E	FY18E
Equity share capital	332	332	332	332	332
Reserves & surplus	4,743	4,613	4,404	4,423	4,662
Net worth	5,075	4,945	4,736	4,755	4,994
Minority Interest	0	0	0	0	0
Loan Funds	630	574	276	276	276
Net deferred tax liability	146	177	153	153	153
Total Liabilities	5,851	5,696	5,166	5,185	5,424
Net block	2,194	2,716	2,589	2,271	1,954
Investment	0	0	0	0	0
Current Assets	6,946	6,245	5,339	5,531	6,375
Cash & bank balance	2,404	2,721	2,257	2,755	3,157
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	3,829	3,270	2,767	2,622	2,909
Net current assets	3,117	2,975	2,573	2,909	3,465
Misc. exp	0	5	5	5	5
Total Assets	5,851	5,696	5,166	5,185	5,424

Cashflow:

Particular	FY14	FY15	FY16	FY17E	FY18E
PBT (Ex-Other income) (NI+Dep)	13	(183)	(271)	143	457
Other Non-Cash items	18	42	(24)	0	0
Chg in working cap	(284)	491	(86)	161	(155)
Operating Cashflow	(100)	664	(65)	582	491
Capital expenditure	(724)	(270)	(161)	0	0
Free Cash Flow	(824)	394	(226)	582	491
Investments	0	0	0	0	0
Other Investing Cash Flow	(121)	(139)	24	0	0
Investing Cashflow	(504)	(164)	65	166	194
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	223	(56)	(297)	0	0
Dividend paid (incl tax)	(75)	(89)	(117)	(194)	(214)
Other Financing Cash Flow	(9)	0	0	0	0
Financing Cashflow	103	(183)	(464)	(250)	(283)
Net chg in cash	(501)	317	(464)	498	402
Opening cash position	2,905	2,404	2,721	2,257	2,755
Closing cash position	2404	2721	2257	2755	3157

TD POWER SYSTEMS

Ratios:

Profitability (%)	FY14	FY15	FY16	FY17E	FY18E
EBITDA Margin	4.1	2.4	1.3	9.8	12.9
EBIT Margin	1.0	(2.4)	(4.4)	3.8	8.0
Effective Tax Rate	35.8	109.4	(32.8)	31.0	30.5
Net Margin	4.7	(0.1)	(1.8)	4.1	6.9
ROCE	6.9	1.7	(0.4)	7.1	13.6
ROE	4.5	(0.1)	(1.9)	4.5	9.3
RoIC	1.8	(5.0)	(7.5)	7.5	22.5
Per Share Data (Rs)	FY14	FY15	FY16	FY17E	FY18E
EPS	6.7	(0.2)	(2.8)	6.4	13.6
CEPS	11.2	8.5	5.9	16.0	23.2
BVPS	152.7	148.6	142.4	142.9	150.1
DPS	2.3	2.6	3.0	5.0	5.5
Valuations (x)	FY14	FY15	FY16	FY17E	FY18E
PER	33.3	(1,281.7)	(81.1)	34.9	16.5
P/CEPS	19.9	26.4	38.0	14.0	9.7
P/BV	1.5	1.5	1.6	1.6	1.5
EV / Sales	1.2	0.9	1.1	0.9	0.7
EV / EBITDA	28.6	37.5	81.8	9.6	5.4
Dividend Yield (%)	1.0	1.2	1.3	2.2	2.5
Gearing Ratio (x)	FY14	FY15	FY16	FY17E	FY18E
Net Debt/ Equity	(0.3)	(0.4)	(0.4)	(0.5)	(0.6)
Net Debt/EBIDTA	(8.9)	(15.2)	(29.6)	(4.8)	(3.4)
Working Cap Cycle (days)	54.2	15.5	22.7	10.7	17.2
Growth (%)	FY14	FY15	FY16	FY17E	FY18E
Revenue	(18.2)	24.4	(15.2)	3.7	24.8
EBITDA	(59.9)	(28.6)	(52.8)	671.9	63.6
EBIT	(86.9)	(400.0)	0.0	0.0	165.3
PAT	(46.4)	(102.6)	0.0	0.0	112.2
Quarterly (Rs mn)	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q4FY16
Revenue	1,871	994	1,759	1,128	1,187
EBITDA	17	-	74	(5)	(2)
EBITDA Margin (%)	0.9	-	4.2	(0.4)	(0.2)
PAT	7	(47)	11	(57)	0.3
EPS (Rs)	0.2	(1.4)	0.3	(1.7)	0.01

DISCLAIMER

Trifid Research respects and values the Right to Privacy of each and every individual. We are esteemed by the relationship and by becoming our clients; you have a promise from our side that we shall remain loyal to all our clients and non-clients whose information resides with us. This Privacy Policy of Trifid Research applies to the current clients as well as former clients. Below are the word by word credentials of our Privacy Policy:

1. Your information, whether public or private, will not be sold, rented, exchanged, transferred or given to any company or individual for any reason without your consent.
2. The only use we will be bringing to your information will be for providing the services to you for which you have subscribed to us.
3. Your information given to us represents your identity with us. If any changes are brought in any of the fields of which you have provided us the information, you shall bring it to our notice by either calling us or dropping a mail to us.
4. In addition to the service provided to you, your information (mobile number, E-mail ID etc.) can be brought in use for sending you newsletters, surveys, contest information, or information about any new services of the company which will be for your benefit and while subscribing for our services, you agree that Trifid Research has the right to do so.
5. By subscribing to our services, you consent to our Privacy Policy and Terms of Use.
6. Trifid research does not guarantee or is responsible in any which way, for the trade execution of our recommendations, this is the sole responsibility of the client.
7. Due to the market's volatile nature, the trader may/ may not get appropriate opportunity to execute the trades at the mentioned prices and Trifid Research hold's no liability for any profit/ loss incurred whatsoever in this case.
8. It is the responsibility of the client to view the report timely from our Premium member section on our website: www.trifidresearch.com and the same will also be mailed to this registered email id.
9. Trifid research does not hold any liability or responsibility of delay in mail delivery of reports, as this depends on our mail service provider's network infrastructure.
10. The clients can call us for any query related to buying/selling the securities, based on our recommendations.