



### Issue at a Glance

<b>Issue Summary</b>	
<b>Industry</b>	<b>Power Equipment</b>
<b>Total Issue of Shares</b>	<b>8697318</b>
<b>QIB Investors (no of shares)</b>	<b>4348659</b>
<b>Non -Institutional Investors (no of shares)</b>	<b>1304598</b>
<b>Retail Investors (no of shares)</b>	<b>3044061</b>
<b>Issue opens on</b>	<b>August 24<sup>th</sup>, 2011</b>
<b>Issue closes on</b>	<b>August 26<sup>th</sup>, 2011</b>
<b>Price Band (Rs.)</b>	<b>256-261</b>
<b>Lot size (No. of shares) and multiple</b>	<b>25</b>
<b>Face Value (Rs)</b>	<b>10</b>
<b>Issue Size (Rs in Cr.)</b>	<b>227.00</b>

### **TD Power Systems IPO Grading:**

CARE has assigned an IPO Grade 4 to TD Power Systems IPO. This means as per CARE, company has '**Above Average Fundamentals**'. CARE assigns IPO grading on a scale of 5 to 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals.

### **Objectives of the Issue:**

1. Finance the expansion of the manufacturing plant in Dabaspeta (Bangalore – Karnataka).
2. Construct a project office in Bangalore city
3. Repayment of debt
4. Fund working capital requirements of the Company
5. Fund company's general corporate purposes



## Utilization of Net Proceeds

Sr. No	Expenditure Items	Total
		(Rs. Millions)
1	Finance the expansion of manufacturing plant in Dabaspeta & construct project office	1027.36
2	Construction of a project office in Bangalore city	289.09
3	Repayment of debt	328.07
4	Funding working capital requirements	400
5	General Corporate Purposes	(.)

Source: RHP

## Shareholding Pattern:

Shareholding Pattern	(Pre Issue) %	(Post Issue) %
Promoter & Promoters Group	89.45	65.60
Non Promoter	-	7.70
Others	10.55	26.70
TOTAL	100	100



## About TD Power Systems Ltd

Incorporated in 1999, Bangalore based TD Power Systems Ltd is one of the leading manufacturers of AC Generators with output capacity in the range of 1 MW to 52 MW for prime movers such as steam turbines, gas turbines, hydro turbines, wind turbines, diesel and gas engines. Along with AC Generators Company also executes Turbine Generator ("TG") island projects for steam turbine power plants with output capacity up to 52 MW using a Japanese turbine combined with their generator. Company is ISO 9001-2008 certified.

Company's customer base includes cement, steel, paper, chemical, metals, sugar co-generation, bio-mass power plants, hydro-electric power plants and Independent Power Plants ("IPPs") companies. Some of their customers include Shree Cements Limited, Vasavadatta Cements, Nava Bharat Ventures Limited, Chettinad Cement Corporation Limited and Balrampur Chini Mills Limited.

TDPSL has manufactured a total of 1,538 generators with an aggregate output capacity of 12,657 MW of which 233 generators have been supplied to customer across 34 countries.

DF Power Systems Private Ltd, a subsidiary company of TD Power Systems is in the business of Engineering, Procurement and Construction (EPC) of the boiler-turbine generator (BTG) island and the balance of plant (BOP) portion of steam turbine power plants with outputs from 52 MW up to 150 MW. Company also has entered into a Product Development Cooperation and Manufacturing Agreement with Voith Hydro Holding GmbH & Co.KG ("Voith Hydro") for jointly developing electric generators. From the inception and as of June 30, 2011 DF power Systems Private Limited has completed a total of 2 BTG island projects with an aggregate output capacity of 111.50 MW.



## ORDER BOOK as on 30<sup>th</sup> June 2011.

Order Book in terms of manufacturing business means the value and quantity of generators to be executed based on customer orders and in relation to Power Project Business means the value of the projects to be executed based on customer orders.

Particulars	Value (Rs. in million)	%
<b>Manufacturing</b>		
Domestic	2,351.73	21.48
Export*	1,443.84	13.19
Motors-Export	11.01	0.10
<b>Projects Business</b>		
Domestic	876.38	8.01
Export	955.02	8.72
<b>EPC Business</b>		
India	5,308.90	48.50
<b>Total</b>	<b>10,946.88</b>	<b>100.00</b>

## Order Book (in terms of numbers):

### Manufacturing Business:

Business Category	FY 08	FY 09	FY 10	FY 11
New orders	21	26	22	11
Repeat orders	209	219	259	328
Total	230	245	281	339

Source: RHP

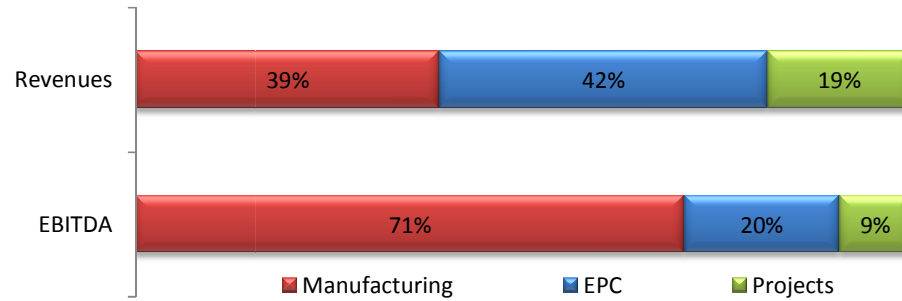
### Power Project business

Business Category	FY 08	FY 09	FY 10	FY 11
New orders	24	27	19	16
Repeat orders	23	24	13	4
Total	47	51	32	20

Source: RHP

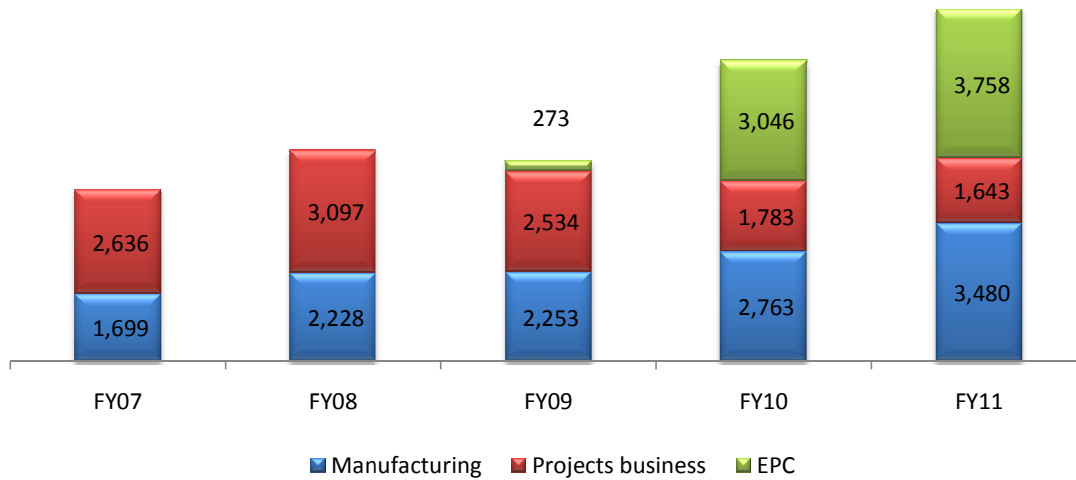


### Business segments (FY11)



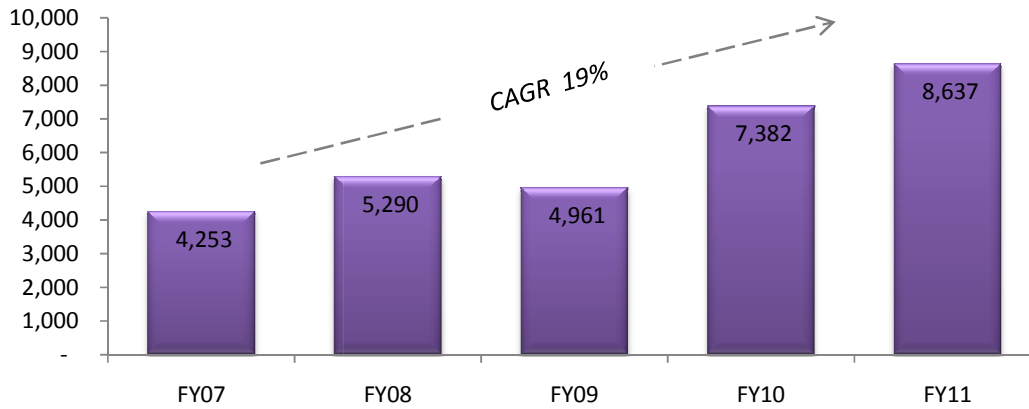
### Segmental Revenues:

(Rs. Mn)

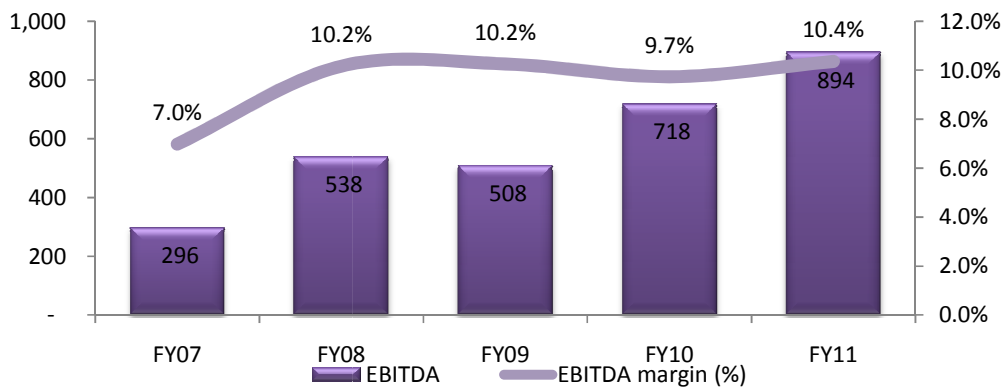




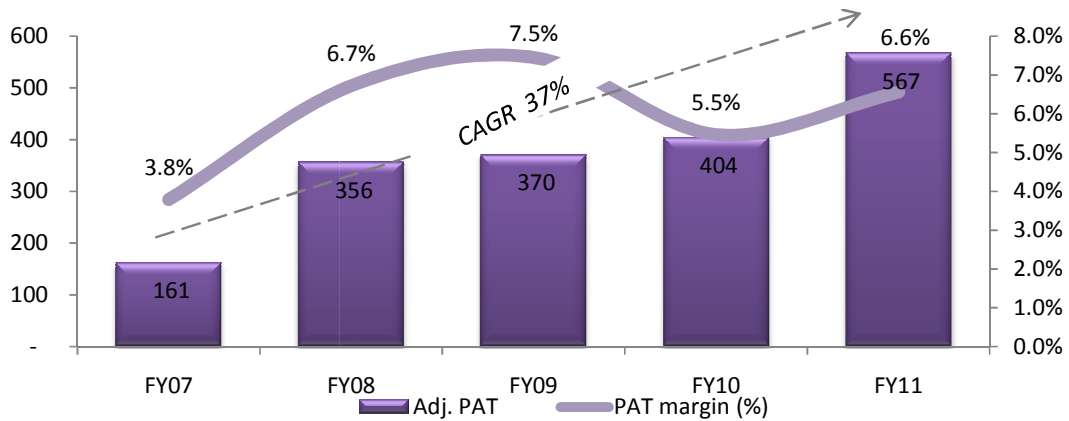
### Strong Growth in Revenues:



### With Robust EBITDA Margins:



### Strong Growth in PAT:





## Strengths:

### ➤ **Leading manufacturer of AC Generators with a diversified product portfolio**

TD Power Systems has a diverse product range which includes, steam turbine generators, horizontal hydro generators, vertical hydro generators, diesel engine generators, wind turbine generators, gas engine generators, gas turbine generators, high voltage motors and generators for Geo Thermal and Solar thermal applications.

### ➤ **Technology ownership, relationships and in-house design expertise**

We have a well established track record of successfully absorbing new technologies for manufacturing Generators, it has entered into arrangements with international power equipment manufacturers such as Siemens Aktiengesellschaft (“**Siemens AG**”) and Sime Motori SrL (“**Sime Motori**”) which gives TD Power Systems access to the latest know-how, design and technology to manufacture AC Generators.

### ➤ **Project Execution Capabilities for Power Project Business**

From the inception of TD Power Systems and its Subsidiary until June 30, 2011 it has completed a total of 94 projects with an aggregate output capacity of 1910.50 MW which includes projects executed in India, Uganda, Kenya, Zambia and Philippines.

### ➤ **Customer centric approach with the ability to customize**

TD Power Systems customer centric approach has enabled it to understand and respond to the requirements of its customers. Company’s ability to provide customized solutions enables it to expand and innovate its product and project portfolio in line with current and future requirements of its customers.

### ➤ **State of the art manufacturing facilities and cost efficient production**

TD Power Systems two manufacturing units are spread over 931,305.60 sq. ft. of industrial land are equipped with advanced machines and tools and are ISO 9001:2008 compliant.



## Strategy:

### ➤ Enhancing Product Portfolio

The company proposes to continue to expand its product portfolio by upgrading and introducing new products. It is exploring opportunities to expand its manufacturing capabilities to produce generators up to 300MW.

### ➤ Strengthen its Geographical Presence

The company plans to further expand its geographical coverage by selling its products to global OEMs manufacturing prime movers located in developed countries such as Japan, Germany, Austria, Italy, etc. In the past, it has focused on emerging markets such as Middle East, Africa and South East Asia, as a part of its strategy and it intends to continue its focus on these markets in the future.

### ➤ Constant Focus on Technology, Operational Efficiency and Cost Competitiveness

The company intends to continue to devote significant resources to upgrade its technological capabilities to provide value added engineering services.

## Risks:

- Company derives a significant portion of net sales from a limited number of customers. A significant reduction in the net sales it receive from, one or more of these customers, may adversely affect the business.
- Company's manufacturing business and Power Project Business have along gestation period and require substantial capital outlay before they realize any benefits or returns on investments.
- Fluctuations in the price, dependence on third party transportation services, availability and quality of raw materials could cause delay and increase costs.
- A slowdown in economic growth in India could lead to loss in customer demand, cancellation of existing orders which may also cause our business to suffer.



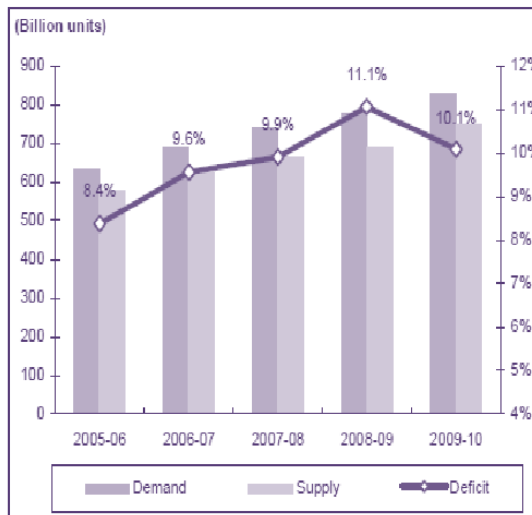


### Industry Overview:

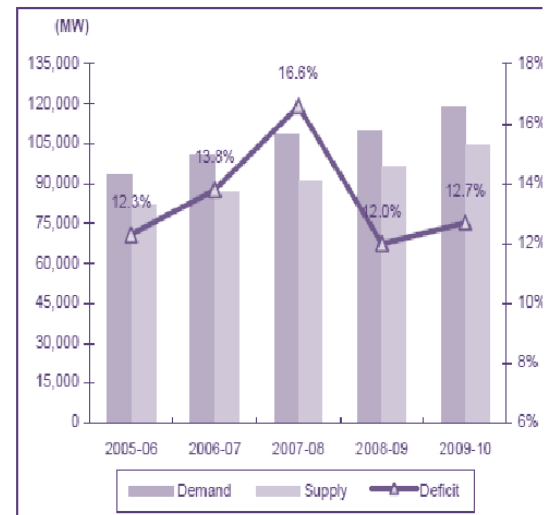
The Indian power sector has undergone a variety of reforms intended to encourage private sector participation since the early 1990s. The Government had launched an ambitious mission of “Power for all by 2012” in 2005. This necessitated significant capacity additions, especially towards expanding the regional transmission network and inter-regional capacity to transmit power. Therefore, the Government announced capacity additions of around 78,700MW under the Eleventh Plan. But in view of the progress of the projects, this target has been revised downwards to about 62,000MW in the mid-term appraisal of Eleventh Plan. In the captive power segment, the Government expects about 12,000 MW capacity power plants to be added during the Eleventh Plan period. Besides meeting the demand of the industry, this would also help supply surplus power to the grid.

Over the last 5 years, power demand has grown at a CAGR of 7.1 per cent while supply has grown by only 6.6 per cent resulting in the Base Load Deficit widening from 8.4 per cent in 2005-06 to 10.1 per cent in 2009-10. During the same period, movement in Peak Load Deficit has been very uneven, with the deficit rising from 12.3 per cent in 2005-06 to 16.6 per cent in 2007-08, before declining again to 12.7 per cent in 2009-10.

Base load deficit



Peak load deficit



**Financials:  
Profit & Loss A/C:**

(Rs. Cr)

Particulars	FY 09	FY 10	FY 11
Net Sales	496.07	738.22	863.73
Other Income	10.50	7.16	10.92
Total Income	506.57	745.39	874.64
<b>Expenditure</b>			
a) RMC	160.20	181.288	227.39
b) Purchase of project business	201.05	137.76	114.69
c) Purchase of EPC	26.34	274.34	332.02
d) Operating and Other Expenses	57.63	73.01	100.18
Loss on Sale of Fixed Asset	0.00	0.03	0.04
Total	445.23	666.43	774.32
EBIDTA	61.34	78.96	100.32
Depreciation & Amortisation	3.29	5.65	8.05
EBIT	58.05	73.31	92.27
Interest	2.61	4.23	6.69
Other Income	0	0	0
PBT	55.45	69.08	85.59
Tax	18.70	25.57	28.931
PAT	36.75	43.51	56.66
Add/Less: Extraordinary Items	0.28	0	0
Adjusted PAT	37.03	43.51	56.66
Equity Share Capital (FV-Rs.10)	6.34	6.34	24.37
EPS (Rs.)	<b>58.37</b>	<b>68.59</b>	<b>23.25</b>

**Balance Sheet :**

(Rs. Cr)

Particulars (Rs. Cr)	FY09	FY10	FY11
<b>Sources of Funds</b>			
Equity Share Capital	6.34	6.34	24.37
Reserves & Surplus	88.55	125.49	162.94
Loan Funds	28.72	68.22	85.57
Other Liabilities	3.98	11.40	7.17
<b>Total</b>	<b>127.59</b>	<b>211.45</b>	<b>280.05</b>
<b>Application of Funds</b>			
Fixed Assets	52.91	110.40	115.25
Investments	0.005	0.39	0.005
Current Assets, Loans & Advances	309.29	481.68	554.01
Less: Current Liabilities & Provisions	234.62	381.02	389.22
<b>Total</b>	<b>127.59</b>	<b>211.45</b>	<b>280.05</b>

**Financial Ratios:**

<b>Ratios :</b>			
<b>Particulars</b>	<b>FY 09</b>	<b>FY 10</b>	<b>FY 11</b>
<b>ROCE%</b>	46.97%	36.65%	33.81%
<b>ROE %</b>	38.73%	33.01%	30.25%
<b>Interest Coverage Ratio</b>	22.27	17.35	13.80
<b>Debt/Equity</b>	0.30	0.52	0.46
<b>Operating Margin %</b>	12.36%	10.70%	11.62%
<b>Net Profit Margin %</b>	7.41%	5.89%	6.56%
<b>Book Value per share</b>	149.67	207.93	76.86
<b>Current Ratio</b>	1.32	1.26	1.42
<b>Asset Turnover Ratio x</b>	0.25	0.28	0.32



### Comparison of Accounting Ratios with Industry Peers :

Sr. No	Name of the company	Face Value	EPS (Rs.)	P/ E Ratio	RONW (%)	Book value per share (Rs.)
1	TD Power Systems Limited	10	25.09	[●]	30.25	76.86
2	BHEL	10	123.66	15.44	30.03	411.73
3	Alstom Projects	10	25.25	22.19	28.82	87.62

### Outlook:

Considering the P/E valuation on the upper end of the price band of 261, the stock is priced at pre-issue P/E of 11.23x on its FY11 EPS of Rs.23.25.

Revenues has grown at a 19% CAGR (FY2007 – 2011) to Rs. 864 Cr and PAT at 37% CAGR to Rs. 57 Cr .

The company has a well diversified portfolio of products in the power equipment manufacturing business. The company also has EPC segment as the emerging business segment. However, the scale of operations of the company is quite small compared to its peers ( BHEL And Alstom) and is dependent upon collaboration partners for technology. The issue seems to be priced fairly and investors with a long term horizon may subscribe the issue.

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