

TD Power Systems : Good Issue ; Invest for long term

IPO Note: Growing with power sector

Rating***

Issue details

Price band (Rs)	Rs.256-261
IPO Opening Date	24/08/2011
IPO Closing Date	26/08/2011
Issue Size	Rs.227.00 Crore

Valuations & Recommendation

Consolidated sales for FY 2011 was higher by 17% to Rs 863.73 crore and the operating profit was higher by 25% to Rs 89.44 crore with OPM expanding by 70 bps on year on year basis. Eventually the net profit was higher by 40% to Rs 56.66 crore. The consolidated EPS for FY 2011 on post-issue equity works out to Rs 17.1 thereby giving P/E of 15-15.3 times.

The company proposes to continue to expand its product portfolio by upgrading and introducing new products under its business verticals. It is also exploring opportunities to expand its manufacturing capabilities to produce generators up to 300 MW. Also the company plan to further expand its geographical coverage by selling its products to global OEMs manufacturing. Looking to its business and growth plan, we recommend to invest in the issue for long term.

Highlights

- ◆ TD Power Systems is one of the leading manufacturers of AC Generators with output capacity in the range of 1 MW to 52 MW
- ◆ Its generators have been supplied to customers across 33 countries.
- ◆ For the periods ended March 31, 2011, March 31, 2010 and March 31, 2009, its top ten customers accounted for 76.60%, 68.15% and 43.01%, respectively, of its restated consolidated net sales
- ◆ CARE has assigned IPO grade of '4/5' indicating above average fundamentals to the Initial Public Offering of the company.
- ◆ The proposed IPO issue of approximately Rs.250 crore is to finance the expansion of the existing manufacturing plant at Dabaspet, near Bangaluru for around Rs.100 crore, to increase the manufacturing capacity of genertors from 360 generators p.a to 600 generators p.a

Company Introduction

Company Profile

TD Power Systems 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. It focuses on manufacturing custom-designed generators for its customers who are based across the world. The company has been promoted by Nikhil Kumar, Hitoshi Matsuo, Mohib N. Khericha and Sapphire Finman Services Private Limited



www.tdps.co.in

Financial Summary

Particulars	1103 (12)	1003 (12)	0903 (12)
Sales	863.73	738.22	496.07
OPM%	10.4	9.7	10.2
Net profit	56.66	40.37	36.98
EPS (Rs)*	17.1	12.1	11.0

*EPS on post-issue equity capital.

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

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Business Division

The company's business operation can be divided in three business segments, i.e., manufacturing business, project business and EPC business. The manufacturing business comprise of manufacture and sale of AC generators and motors. But this does not include the AC generators manufactured in India but sold to Japan branch of the company, which is accounted as part of project business. On the other hand the project business include design and execution of TG island projects and the EPC business EPC of BTG island and BOP. In FY 2011, the revenue mix in terms of the manufacturing business, project business and EPC business was 37%, 19% and 44%, respectively. While the manufacturing business is high EBITDA margin business with a margin of 19-20%, the project and EPC businesses are relatively low margin businesses with their EBITDA margin in the range of 5-6%.

In addition to manufacturing AC Generators Company also executes Turbine Generator island projects for steam turbine power plants with output capacity up to 52 MW using a Japanese turbine combined with its generator. The scope of work of the TG island projects consists of design services, procurement and supply of equipment, assembly, installation & commissioning. From the inception of its Company and as of December 31, 2010 the Company has completed a total of 87 TG island projects with an aggregate output capacity of 1,720 MW which includes projects executed in Uganda, Kenya, Zambia and Philippines.

Industry Outlook

Between 2010-11 and 2014-15 capacity additions of 82 GW is expected. Of this, about 90 per cent is likely to be thermal, while the balance would be hydro and nuclear-based. The capacities include the Mundra and Sasan UMPPs, which are scheduled to be commissioned by 2014-15. Apart from these, projects via the Case I and Case II bidding routes as well as memorandum of understanding (MoU)-based projects are expected to become commercially operational over the next five years.