

TD Power Systems

Long term growth remains intact

CMP Rs400	Target Price Rs696 (■)
Rating BUY (▲)	Upside 73.9 %

Result highlights

- TDPS 3QFY15 performance was below our expectations. Though revenues increased by 23% YoY, the EBITDAM of 5.7% was significantly short of our estimates
- Delayed deliveries, low margins orders and forex loss impacts operating margins
- YTD order inflows (manufacturing) stood at Rs3.5bn, up by 27%YoY. Order backlog at Rs3.75bn
- Maintain Buy with target price of Rs696

Quarterly Highlights

Muted revenue growth

Revenues (consolidated) were up by 23% YoY to Rs 1.5bn – a tad below our estimates of Rs1.6bn. The manufacturing segment reported revenues of Rs910mn (v/s our estimates of ~Rs1.2bn) as few deliveries (~Rs170mn) slipped into 4QFY15. Management expects FY15E manufacturing revenues to meet the lower end of guidance - Rs3.8 – 4.0bn, while the FY16E guidance has been maintained at Rs5bn. The TG projects and EPC segments reported revenues of Rs105mn and Rs521mn respectively. The company is on track to completely exit the EPC business by FY15 and endeavor would be to limit TG projects to the Japan subsidiary.

Margins disappoint

The consolidated EBITDAM came in at 5.7% as against our expectations of 10.8%. The margin erosion in the manufacturing segment was attributable to Euro depreciation (~17% of manufacturing revenues), deferred deliveries and lower margins on couple of 2-pole AC generators (newly introduced products). Management has revised the FY15 margins guidance (manufacturing) to 13.8% from earlier 15%. The EPC segment is expected to achieve closure (commissioning) of pending jobs by March 2105 and the actual profits / losses in this segment can be crystallised by that time.

Long term view remains intact, Maintain Buy

Management maintained the revenue guidance for FY15E and FY16E and have also indicated of new business opportunities which are likely to be announced in the near future. Risk mitigations measures are in place to reduce the adverse impact of Euro depreciation - increasingly sourcing raw materials from Euro region and value engineering efforts directed at reducing raw material content by 4-5%. At current levels, the stock trades at 14.5X FY17EEPS. We maintain Buy with price target of Rs696/share.

Financial Snapshot (Consolidated)

(Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Net Sales	5,871	4,802	6,108	5,744	7,637
EBITDA	495	198	607	929	1,557
EBITDA Margin (%)	8.4	4.1	9.9	16.2	20.4
APAT	418	224	309	523	924
EPS (Rs)	12.6	6.7	9.3	15.7	27.8
EPS (% chg)	(37.8)	(46.4)	38.0	69.1	76.7
ROE (%)	8.8	4.5	5.7	8.9	14.7
P/E (x)	31.8	59.4	43.0	25.4	14.4
EV/EBITDA (x)	21.8	58.9	18.3	11.7	6.9
P/BV (x)	2.7	2.6	2.3	2.2	2.0

Source: Company, Emkay Research

Change in Estimates

EPS Chg FY15E/FY16E (%)	NA
Target Price change (%)	NA
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY15E	FY16E
Emkay	9.3	15.7
Consensus	11.0	18.9
Mean Consensus TP	Rs 577	

Stock Details

Bloomberg Code	TDPS IN
Face Value (Rs)	10
Shares outstanding (mn)	33
52 Week H/L	479 / 226
M Cap (Rs bn/USD bn)	13 / 0.21
Daily Avg Volume (nos.)	34,581
Daily Avg Turnover (US\$ mn)	0.2

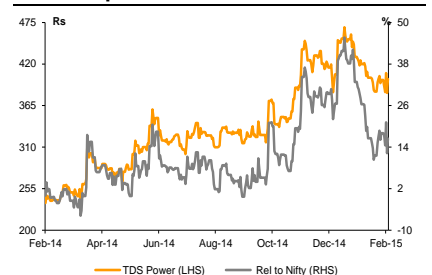
Shareholding Pattern Dec '14

Promoters	54.1%
FIIIs	17.0%
DIIIs	16.1%
Public	12.9%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(6)	(1)	28	70
Rel. to Nifty	4	(5)	14	18

Relative price chart



Source: Bloomberg

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Exhibit 1: Quarterly Table

Rs mn	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15	YoY (%)	QoQ (%)
Revenue	1,223	1,831	864	1,734	1,506	23.1	-13.2
Expenditure	1,182	1,669	944	1,616	1,420	20.2	-12.1
Consumption of RM	495	725	389	782	665	34.3	-14.9
as % of sales	52	76	41	82	70		
Purchase for project business	421.5	671.2	274.5	536.0	451.9	7.2	-15.7
as % of sales	44	70	29	56	47		
Employee Cost	150.9	151.4	163.0	169.0	159.7	5.9	-5.5
as % of sales	16	16	17	18	17		
Other expenditure	114	121	117	129	143	25.3	11.0
as % of sales	12	13	12	13	15		
EBITDA	41	162	-80	118	86	107.8	-27.6
Depreciation	39	40	74	73	70	81.2	-3.1
EBIT	2	122	-153	46	15	545.0	-66.7
Other Income	25	58	70	69	12	-50.1	-82.0
Interest	10	11	9	9	9	-9.4	-6.3
PBT	18	168	-93	106	19	7.0	-81.9
Total Tax	16	26	-0.2	26	21	29.8	-17.6
Adjusted PAT	1	142	-92	80	-2	-256.0	-102.8
(Profit)/loss from JV's/Ass/MI							
APAT after MI	1	142	-92	80	-2	-256.0	-102.8
Extra ordinary items	0	0	0	0	0	-	-
Reported PAT	1	142	-92	80	-2	-256.0	-102.8
Adjusted EPS	0.0	4.3	-2.8	2.4	-0.1	-256.0	-102.8
Margins (%)						(bps)	(bps)
EBIDTA	3.4	8.8	(9.2)	6.8	5.7	230	-110
EBIT	0.2	6.6	(17.8)	2.6	1.0	80	-160
EBT	1.4	8.9	(9.9)	5.9	1.3	-20	-460
PAT	0.1	7.5	(9.9)	4.4	(0.1)	-30	-460
Effective Tax rate	92.0	15.5	(0.0)	24.5	111.6	1960	8710

Source: Company, Emkay Research

Exhibit 2: Segmental Performance

Rs mn	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15	YoY (%)	QoQ (%)
Segment Revenues							
Manufacturing	750	1060	571	1156	951	26.9	-17.7
Project Business	71	216	76	407	105	47.9	-74.2
EPC	419	669	262	374	521	24.5	39.4
Total	1240	1944	909	1938	1578	27.3	-18.6
Less: Inter Segment Revenue	10	7	0	44	1	-	-
Less: Inter Company	7	106	45	158	72		
Total	1,223	1,831	864	1,735	1,506	23.1	-13.2
Segment Results							
Manufacturing	117	176	5	179	62	-47.0	-65.2
Project Business	-51	39	10	89	3	-106.2	-96.4
EPC	-24	-6	-44	-100	6	-124.2	-105.9
Total	42	209	-29	168	71	70.9	-57.6
Less: Interest	10	11	9	9	9	-	-
Depreciation	39	40	74	73	70	81.2	-3.1
Un-allocable income net of un-allocable expenditure	-24	-11	-19	-19	-20		
PBT	18	168	(93)	106	13	-29.6	-88.1
Segment Capital Employed							
Manufacturing	3,417	3,819	3,522	3,458	3,263	-4.5	-5.6
Project Business	205	201	202	443	196	-4.5	-55.8
EPC	-670	-547	-558	-521	-439	-34.5	-15.9
Unallocated	2,070	1,602	1,801	1,666	2,019	-2.4	21.2
Total	5,023	5,076	4,967	5,045	5,040	0.4	-0.1
Segment Margins (%)							
						(bps)	(bps)
Manufacturing	15.7	16.6	0.9	15.5	6.5	-910	-900
Project Business	(72.0)	18.1	13.8	21.8	3.0	7510	-1880
EPC	(5.8)	(0.9)	(16.9)	(26.7)	1.1	700	2780
Average	3.4	10.8	(3.2)	8.7	4.5	120	-420

Source: Company, Emkay Research

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Net Sales	5,871	4,802	6,108	5,744	7,637
Expenditure	5,376	4,604	5,501	4,815	6,080
EBITDA	495	198	607	929	1,557
Depreciation	124	150	283	292	300
EBIT	371	49	324	638	1,256
Other Income	308	341	194	219	235
Interest expenses	34	36	42	52	70
PBT	645	354	476	804	1,422
Tax	227	126	166	282	498
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	418	224	309	523	924
Adjusted PAT	418	224	309	523	924

Balance Sheet

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Equity share capital	332	332	332	332	332
Reserves & surplus	4,608	4,743	5,406	5,696	6,231
Net worth	4,941	5,075	5,738	6,028	6,563
Minority Interest	0	0	0	0	0
Loan Funds	407	776	598	598	598
Net deferred tax liability	133	0	(18)	(24)	(5)
Total Liabilities	5,480	5,851	6,318	6,602	7,156
Net block	1,998	2,194	2,451	2,259	2,059
Investment	0	0	0	0	0
Current Assets	6,259	6,946	6,545	6,602	7,904
Cash & bank balance	2,905	2,404	2,773	3,061	3,197
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	2,939	3,829	2,778	2,360	2,908
Net current assets	3,321	3,117	3,767	4,243	4,996
Misc. exp	0	0	0	0	0
Total Assets	5,480	5,851	6,318	6,602	7,156

Cash Flow

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
PBT (Ex-Other income) (NI+Dep)	336	13	282	586	1,187
Other Non-Cash items	(43)	18	0	0	0
Chg in working cap	194	(430)	191	(193)	(600)
Operating Cashflow	650	(246)	631	455	459
Capital expenditure	(843)	(724)	(100)	(100)	(100)
Free Cash Flow	(193)	(970)	531	355	359
Investments	0	0	0	0	0
Other Investing Cash Flow	(45)	(121)	0	0	0
Investing Cashflow	(579)	(504)	94	119	135
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	64	369	(178)	0	0
Dividend paid (incl tax)	(77)	(75)	(136)	(233)	(389)
Other Financing Cash Flow	(140)	(9)	0	0	0
Financing Cashflow	(188)	249	(356)	(285)	(459)
Net chg in cash	(118)	(501)	369	288	136
Opening cash position	3,022	2,905	2,404	2,773	3,061
Closing cash position	2,905	2,404	2,773	3,061	3,197

Key Ratios

Profitability (%)	FY13	FY14	FY15E	FY16E	FY17E
EBITDA Margin	8.4	4.1	9.9	16.2	20.4
EBIT Margin	6.3	1.0	5.3	11.1	16.5
Effective Tax Rate	35.2	35.8	35.0	35.0	35.0
Net Margin	7.1	4.7	5.1	9.1	12.1
ROCE	12.9	6.9	8.5	13.3	21.7
ROE	8.8	4.5	5.7	8.9	14.7
RoIC	17.3	1.8	10.2	18.5	34.4

Per Share Data (Rs)	FY13	FY14	FY15E	FY16E	FY17E
EPS	12.6	6.7	9.3	15.7	27.8
CEPS	16.3	11.2	17.8	24.5	36.8
BVPS	148.7	152.7	172.6	181.4	197.5
DPS	2.0	2.3	3.5	6.0	10.0

Valuations (x)	FY13	FY14	FY15E	FY16E	FY17E
PER	31.8	59.4	43.0	25.4	14.4
P/CEPS	24.5	35.6	22.5	16.3	10.9
P/BV	2.7	2.6	2.3	2.2	2.0
EV / Sales	1.8	2.4	1.8	1.9	1.4
EV / EBITDA	21.8	58.9	18.3	11.7	6.9
Dividend Yield (%)	0.5	0.6	0.9	1.5	2.5

Gearing Ratio (x)	FY13	FY14	FY15E	FY16E	FY17E
Net Debt/ Equity	(0.5)	(0.3)	(0.4)	(0.4)	(0.4)
Net Debt/EBIDTA	(5.0)	(8.2)	(3.6)	(2.7)	(1.7)
Working Cap Cycle (days)	25.9	54.2	59.4	75.1	86.0

Growth (%)	FY13	FY14	FY15E	FY16E	FY17E
Revenue	(43.1)	(18.2)	27.2	(6.0)	32.9
EBITDA	(46.2)	(59.9)	206.1	53.1	67.5
EBIT	(55.2)	(86.9)	564.9	97.0	97.0
PAT	(37.8)	(46.4)	38.0	69.1	76.7

Quarterly (Rs mn)	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15
Revenue	1,223	1,831	864	1,734	1,506
EBITDA	41	162	(80)	118	86
EBITDA Margin (%)	3.4	8.8	(9.2)	6.8	5.7
PAT	1	142	(92)	80	(2)
EPS (Rs)	-	4.3	(2.8)	2.4	(0.1)

Shareholding Pattern (%)	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
Promoters	62.1	62.0	61.7	61.7	54.1
FII's	20.3	20.6	20.7	21.1	17.0
DII's	6.3	6.5	6.6	6.6	16.1
Private Corp	4.9	4.9	5.3	5.3	4.0
Public	11.4	10.9	11.1	10.6	12.9

Emkay Rating Distribution

BUY	Expected total return (%) (Stock price appreciation and dividend yield) of over 25% within the next 12-18 months.
ACCUMULATE	Expected total return (%) (Stock price appreciation and dividend yield) of over 10% within the next 12-18 months.
HOLD	Expected total return (%) (Stock price appreciation and dividend yield) of upto 10% within the next 12-18 months.
REDUCE	Expected total return (%) (Stock price depreciation) of upto (-) 10% within the next 12-18 months.
SELL	The stock is believed to underperform the broad market indices or its related universe within the next 12-18 months.

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