



“CG Power and Industrial Solutions Limited
Q1 FY '25 Earnings Conference Call”

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MODERATOR: **MR. GAURAV UTTRANI – IIFL SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the CG Power Limited Q1 FY '25 Earnings Conference Call hosted by IIFL Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Gaurav Uttrani from IIFL Securities Limited. Thank you, and over to you, sir.

Gaurav Uttrani: Thank you, Neha. Good evening, everyone. On behalf of IIFL Securities, I welcome everyone to CG Power and Industrial Solutions 1Q FY '25 Earnings Call. We have the pleasure of having with us the senior management team of CG Power, led by Mr. N. Srinivasan, Managing Director; Mr. Amar Kaul, Managing Director and CEO- Designate; Mr. Susheel Todi, Chief Financial Officer; Mr. Ramesh Kumar, President, Industrial Division; Mr. Mukul Srivastava, President, Power Systems; Mr. Ajay Jain, Vice President, Transformer Division; Mr. Chidambaram Balakrishnan, Vice President, Railway division.

Without much of a delay, I will now hand over the floor to the management for their opening remarks, which will be followed by a Q&A session. Over to you, sir.

Natarajan Srinivasan: Good afternoon, ladies and gentlemen. Let me first extend a warm welcome to you for this Q1 FY '25 Earnings Call. This is Natarajan Srinivasan, Managing Director of the Company. I would like to briefly mention that as all of you may know that this is my last day at the company, I'm retiring at the end of the day and Amar Kaul has joined us to succeed me, and he'll be the Managing Director and CEO from tomorrow. He is also along with me in this call. The rest of the executives who have been with me are Ramesh Kumar, Mukul Srivastava, Ajay Jain, Chidambaram Balakrishnan and Susheel Todi, and they have already been introduced to you by the earlier speaker.

Company performance. Q1 FY 2024/'25, sales grew by about 19% and profit before tax grew by about 27%. Aggregate sales for the quarter were higher at INR2,106 crores, recording a growth of 19% year-on-year. PBT was higher at INR325 crores as against INR256 crores in Q1 FY '24, recording a growth of 27%.

Sales, EBITDA and PBT achieved in Q1 of FY '25 is the highest ever recorded in a quarter in recent times. Margins are higher year-on-year at 15.4% of sales as against 14.5% of sales last year on account of higher realization, favourable product mix and cost efficiencies in Power Systems. Free cash flow generated during the quarter was about INR63 crores. Return on capital employed annualized stood at 39%.

Another highlight for this quarter is the unexecuted order book, which as on June 30, 2024, was 44% higher year-on-year at INR7,054 crores as against INR4,909 crores as on June 30, 2023. Segment-wise performance, Industrial Systems. Aggregate sales for the quarter were higher at INR1,357 crores, recording a growth of 8% year-on-year. PBIT was at INR182 crores at 13.4%

of sales up against INR197 crores at 15.7% of sales in Q1 of FY '24. Margins were lower year-on-year on account of higher mix of railway division and prices awarded in tender being lower due to competitive bidding. Unexecuted order book as on June 30, 2024, was 20% higher year-on-year at INR2,451 crores compared to INR2,035 crores as on June 30, 2023.

Power Systems. Aggregate sales for the quarter were higher at INR750 crores, recording a growth of 47% year-on-year. PBIT was about INR149 crores at 19.9% of sales as against INR63 crores at 12.3% of sales in Q1 FY '24. Margins are higher year-on-year on account of higher realization, favourable product mix, higher exports and cost efficiencies. Unexecuted order book as on June 30, 2024, was 60% higher year-on-year at INR4,603 crores as against INR2,874 crores as of June 30, 2023.

Consolidated financial results. Consolidated results include performance of the operating subsidiaries of Sweden, Germany and Netherlands, together as Drives and Automation, Europe, CG Adhesive Products Ltd. India, CG Semi Private Limited India and other non-operating and holding subsidiaries. Aggregate sales for the quarter were higher at INR2,228 crores, recording a growth of 19% year-on-year. Profit before tax was INR336 crores at 15.1% of sales in Q1 of FY '25 as against INR263 crores at 14% of sales in Q1 of FY '24.

Unaudited financial statements with detailed notes are available as part of the Stock Exchange filing in the Company's website, www.cgglobal.com. Today, our Board of Directors also approved the proposal to acquire 55% stake in a company called G G. Tronics India Private Limited, a company specializing in embedded systems, safety and the supplier to railways. The company is also 1 of the 4 companies which are approved for supplying KAVACH. The KAVACH system is the train collision avoidance systems. We signed definitive agreements about the acquisition, and then we hope to complete this within a month's time.

Lastly, as I mentioned earlier, this will be my last day here. And the Company is again in safe hands with Amar Kaul, who will sail the ship variably. I thank you for all your support to me and to my team, as always, and I am sure will continue to extend the same to Amar. Thank you. Me and my colleagues will be happy to answer the questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ravi Swaminathan from Avendus Spark. Please go ahead.

Ravi Swaminathan: Congrats on a very good set of numbers. My first question is, sir, if you could talk about more on the Industrial Systems business. How the performance was there during the quarter? I mean I noticed that there has been an 8% top line growth. And how the individual subsegments would have performed? Both from a volume-wise and realization-wise, how it would have moved? Individual subsegment means I am talking about the low-tension motor, high-tension motor, the railways portion of the Industrial Systems business.

In the press release, you had mentioned that there was a bit of competition in terms of pricing going down. So if you can talk about that more. And also how -- whether elections had impacted this quarter. And incrementally, how outlook is for this?

Natarajan Srinivasan: So, I think Ravi, actually you know that we don't give breakup separately for railways and motors and also the subsegment of the motors, how much is LT motors, how much is LIM, etcetera. So probably now, as I mentioned to you, the railway business, our volumes have been good. I have also gone on record that this year, we will be able to grow at least 40% compared to last year based on the tender that has been awarded.

In the railway tenders, in some of the products, you may get a lower price. Some of the products, you may get a reasonable price. And then where due to competitive intensity, the price awarded was lower. This quarter has so happened that some of the products we dispatched I think, the margins were a little compressed primarily because under the tender system, you have to match the L1 price if you are given the order.

On account of this, the margins are a little lower, a little lower compared to last year. Last year, Q1 and Q2 was very good for motors. Whereas this year, it is not so. That will explain the less than perhaps, I would say, a little bit of a sub-optimality in this performance of this division.

When the buoyancy motors will come back. This quarter, obviously, as you rightly said, this demand has been a little bit impacted on account of the elections. It is my estimation and our team feels that probably in H2, the business can do much better than what we are doing right now.

Ravi Swaminathan: Okay. At the LT motor level, is it safe to assume that it would have been a double-digit volume growth and it's more of realization, which has been the culprit this time?

Ramesh Kumar: Yes, you are right. But concrete number, I will not be able to tell you because IEEMA has not yet published the first quarter results. But if you see up to March, the market is also growing by double digit and we are also growing by double digit as far as volume is concerned -- volume in both quantity as well as kilowatt. But the price realization is the culprit.

Ravi Swaminathan: Okay. Understood, sir. And in terms of efforts in drives, if you can talk about, can that be a big driver of growth in the motor business?

Natarajan Srinivasan: No drives, definitely can be a big driver. But all the growth cannot come in 1 year. We are taking steps to grow the business over a period of 2 to 3 years. At least 3 to 4 years, I think we want to scale up the business considerably. So I can't commit to any number.

Moderator: The next question is from the line of Rahul Gajare from Haitong Securities. Please go ahead.

Rahul Gajare: Mr. Natarajan, firstly, let me thank you for driving the company to this level over the past few years. I really appreciate your contribution to the company.

Natarajan Srinivasan: Thank you.

Rahul Gajare: So my first question is continuing on the earlier participant on the industrial business. Now this business has seen pressure on margin because of the price. While margin in Q4 and Q1 is at

similar levels, so does that -- I mean can we incur that the price decline has stopped? Is that a right assessment of the performance in the motor business?

Natarajan Srinivasan: So I think margin is a combination of 2 factors. One is the unit price realization. Second is the input cost. Either way, the margins can get impacted. As of now, I think we have been able to maintain more or less the margins we recorded in Q4 and generally feel that from here, margins can only look up. I don't see the reason for margins to go down from here.

Rahul Gajare: Okay. So there is no further price decline, at least what we have seen in the first quarter. I think that is something which one can infer very clearly over here.

Natarajan Srinivasan: Yes, you are right.

Rahul Gajare: Okay. Sir, my second question is on the railway acquisition of G.G. Tronics. Now, can you talk about the opportunity that KAVACH system will throw for the company? And also if the company, G.G. Tronics is already working on other areas besides KAVACH? Or this is the only forte that this acquisition will help the railway business?

Natarajan Srinivasan: So, G.G. Tronics is one of the four companies, which have been approved for KAVACH. Apart from KAVACH, they are a very leading supplier of digital axle counter in which they hold about anything between 40% to 45% market share. But the turnover of the company in that segment is only about INR100 crores, INR110 crores, but it was the profitable company.

But much of the big growth can come from KAVACH. Actually, you must have read the statement from the Minister, Railway minister, after the budget. In this budget, actually totally about INR2,55,000 crores has been allocated. And the minister has clearly said where this money is going to be allocated. Primarily, a large part of the chunk, there is also a specific statement saying KAVACH will get a large allocation.

See, the intentions of the government is just primarily focused on safety with a couple of accident taking place. Earlier, they wanted to do about 5,000 kilometers in a year, probably that may get accelerated. So we see, going by this, I think this company can get about 20% market share. And with our joining them actually in terms of capability, financial support.

And then we also have some of our propulsion systems and whatever we have done through EPC, etcetera, have got some credence with the railway tendering system, our eligibility criteria. The 20% market share, I think if this company is able to get -- to start with, I think this can be a good opportunity. In addition to that, actually we like to work with them. The company has got a lot of capabilities in the embedded systems, power electronics. So we will going forward, we work with them to see what are the other areas we can do. But KAVACH which will be a big driver of growth for this company going forward.

Rahul Gajare: Sure. Sir, my last question is on the OSAT business. Is there any progress that you would like to highlight to us on that particular business?

- Natarajan Srinivasan:** So OSAT actually right now, it is only in the stage of commencing the construction work. So, now only activities are picking up. We have appointed a senior team and then tendering, etcetera is being resorted to. Maybe it will take another one more quarter to start the project activities in full swing. Over 18 to 24 months, our target is to complete the project. I think it is a little early. Maybe by last quarter, we will be able to tell you some more progress and things like that.
- Moderator:** The next question is from the line of Bhoomika Nair from DAM Capital. Please go ahead.
- Bhoomika Nair:** Congratulations on a good set of numbers and the acquisition. So the first question is on the Industrial Motors. We were looking at exports and how is that progressing? Any initial orders that we've got, if you can just talk about that aspect?
- N. Ramesh Kumar:** Yes, Bhoomika. Ramesh here. See actually, we tried. But if you see, the Europe market has been a little sluggish now. So whatever we have been getting earlier, we are continuing to get that, but the acceleration has not happened to the extent what we have planned in quarter 1. And we are also now putting our people there in different locations and hoping that things will improve if market also improves.
- Bhoomika Nair:** Okay. Okay. Sir, the other part of HT Motors. We spoke about LT Motors. But can you comment about how HT Motors is progressing? We had got some NPCL related orders, etcetera, earlier on. How is the progress in terms of ramp-up? What is our market share now for HT motors?
- N. Ramesh Kumar:** The market share is that we are at 20% closing March last year. As I said earlier also, that IEEMA first quarter figures have not yet been published. But I can say that HT motors' requirements in the market or the enquiries are much better than the LT motor. And if you see our performance in quarter 1 as far as order intake is concerned, percentage-wise, our HT motors is more than the LT motors.
- Natarajan Srinivasan:** So 20% growth in order is seen in the motors compared to March last quarter.
- Bhoomika Nair:** 20% order inflow in the first quarter versus March quarter?
- Natarajan Srinivasan:** Compared to March.
- Bhoomika Nair:** For HT Motors?
- Natarajan Srinivasan:** For motors as a whole.
- Bhoomika Nair:** For motors as a whole?
- Natarajan Srinivasan:** Yes.
- Bhoomika Nair:** Okay. Because your order book seems to be more or less stable between March and now, so understood. Sir, in terms of the power system now this quarter was a very strong quarter both in terms of top line has also margin expansion. Now we've seen quarter-on-quarter improvement in margins going from single digits to about close to 20%. Now, how much of this or is this

something which is sustainable and for the operating leverage would be fairly high given high utilization?

So if you can talk about what is our utilization levels on the current plan and some sense on margins how one can look at once new plants are operational by the end of the year?

Natarajan Srinivasan: So I think we have talked about margins a number of times. Nobody can predict the trend of margins. And secondly for you to expect this kind of margins to prevail in the next two to three quarters is extremely optimistic. This quarter for various reasons then all the factors seen -- we have discussed this earlier.

In transformer and switchgear each order will have a different margin. You'll get some export orders or something you supply suddenly in a very quick delivery time etc, you get some special price. Therefore, each order will determine the contribution and margins in this business. So current quarter, everything has been favourable to us.

Therefore, I don't expect this margin to continue. But nevertheless margins will be good. That's all I can say. I don't put any number. Margins in terms of the industry both power and switchgear the industry is in a very strong footing. Our overall order book has gone up. Demand is good. Price realizations are better. Margins are expected to be good, but I can't confirm that the same margins will continue.

Coming to your second question. The capacity utilization, of course, is to the maximum. We are operating at 85%, 90% capacity. And as you know this -- both the businesses has an expansion. By the end of Q3 we hope to complete the power transformer and the distribution transformer expansion. Switchgear expansion will get completed in the next financial year.

Therefore, capacity utilization even for the enhanced capacity, the order book seems to be good that we can easily service them, therefore can maintain the capacity utilization even post expansion.

Bhoomika Nair: Understood. And sir my last question is on the acquisition. Quite heartening to see this new business line and if it really help in terms of the medium to long term. Sir any numbers we can give in terms of its -- what is the developmental order size? What is the current order book looking like while obviously the pipeline is very strong, any numbers on that aspect? And if also -- if you can get any debt numbers if it has any?

Natarajan Srinivasan: So the railways have not yet released the tenders for KAVACH. We don't know what -- except the statement made by the minister that KAVACH will get a higher allocation and then -- which means more stations will be covered and then higher volume of tenders will be released. Without that, I'm not in a position to give you any number. But I already indicated whatever value for which tenders are released we may be able to be targeting to get about 20% at least market share.

Bhoomika Nair: Sure. And GGT in both loco and the track systems KAVACH systems?

Natarajan Srinivasan: Yes, correct.

- Bhoomika Nair:** Okay. Got it. Great sir. I will come back in the question queue. Thank you again and wish you all the best.
- Natarajan Srinivasan:** Thank you.
- Bhoomika Nair:** Thank you sir.
- Moderator:** Thank you. The next question is from the line of Harshit Patel from Equirus Securities. Please go ahead.
- Harshit Patel:** Thank you very much for the opportunity sir. Sir my first question is with respect to Power Systems. Almost all the major companies operating in the transformers and switchgears they're expanding the capacities at the moment. So do you think favourable pricing scenario will continue next year as well when all this capacities will come on board?
- Natarajan Srinivasan:** So the orders are booked for power transformers one year in advance. Whatever we want to supply next year I must get the orders booked now during this year or the next one or two quarters. Going by the present trend the price realizations whatever we are getting can continue. So if it continues and get the orders this year then the realization will prevail for next year.
- Year after we cannot say now we'll take some more time. But overall the demand supply mismatch and then more demand and lesser supply and then timing mismatch etc are there. So I'm confident that the industry will be able to maintain its profitability for the next 3 years at least.
- Harshit Patel:** Understood, sir. My second question is with respect to motors. What would be the share of IE3 and IE4 motors in our overall sales and how are the margins were different vis-a-vis our standard IE2 motors?
- Natarajan Srinivasan:** So one thing, IEEMA has not yet published the complete details relating to IE3, IE4. Therefore, we may not be able to -- we are not in a position to find out what will be our market share in these segments exactly. And we don't share margins, product-wise, IE3 how much, IE4 how much, IE2 how much, we don't. We don't share those data.
- Harshit Patel:** If not market share, if you could share that what is the contribution of these IE3 and IE4 in our own overall sales, then that will be also very helpful.
- Natarajan Srinivasan:** I think right now, it's about 15%.
- Ramesh Kumar:** 15% in IE4 and about 35% in IE3.
- Natarajan Srinivasan:** Yes.
- Ramesh Kumar:** Close to 45% to 50%.
- Natarajan Srinivasan:** Between these 2, probably it's about 40%.

- Moderator:** The next question is from the line of Subhadip Mitra from Nuvama.
- Subhadip Mitra:** My first question is you did mention that 20% kind of margins, which is what we are seeing in Power will not be sustainable going ahead. But what we do understand is with the kind of pricing benefit that you see probably across the transformer space, would you reckon that a high-teen kind of a margin is sustainable? High teens, somewhere in the high teens.
- Natarajan Srinivasan:** So it's sustainable. I mean, likely, but I can't commit to a number. Then you will ask me, you said 18%. See, I told you there are a number of factors which influence margins.
- As I said, in terms of exports, it depends on realization, then some orders we get price variation, plus we -- so therefore, we cover some orders, we don't get price variation class, suddenly prices go up. But overall I think -- so it's not this much, high teen. I don't know what you mean the high teens. It may be 16%, 17%, 18%. It's quite possible, I would say.
- Subhadip Mitra:** Understood. So sir, secondly, also on the industrial and the railway side, right? Like while the margins have been relatively weaker. And you also mentioned that you are anticipating that there will be some recovery in the second half. So can we assume that margins will probably start looking better? Or is this more of order inflow and revenues that will start looking better?
- Natarajan Srinivasan:** There are some disturbance in your line. I couldn't follow your question. Second, in H2, we are expecting recovery. So, what was the other part actually.
- Subhadip Mitra:** So, is the recovery expected on the order inflow and revenues or the recovery is on the margin, sir?
- Natarajan Srinivasan:** So I think once the demand picks up, margins will automatically improve.
- Subhadip Mitra:** Understood. And last question is on the railway piece. I think you mentioned the 20% potential market share that you're targeting for KAVACH. Can we anticipate that also for the larger locomotive as well as the propulsion system trainset orders that are supposed to come where now you have almost everything under one roof. Would you be looking at a similar market share there as well?
- Natarajan Srinivasan:** So that is our assumption. That is our assumption based on that we've evaluated. I think it is possible.
- Subhadip Mitra:** So where can the railway revenues grow, let's say, over a 2- to 3-year period according to you?
- Natarajan Srinivasan:** 2- to 3-year period, it's all railways in every business is based on tender. railways normally give the tender only for one year. And then you know, so for next year, this year, we are able to comment that we grow 40% because of these orders we bagged. So how do you expect me to say for next year and the year after? I think the same trend continues.
- I mean, normally, we're used to say 15% growth. But there are other things, various things we are working out. But if something clicks, we can grow better. So I won't be able to comment at

this stage. So you understand now. So it depends on the tender, how much volume of tender, the railways float and how much we are successful. So it's very difficult to say where the business can go. But I think minimum 15%. And this year, we have done 40%. So we would like to keep quiet with just 10%, 15% and let us see how things pan out.

- Moderator:** The next question is from the line of Mahesh Bendre from LIC Mutual Fund.
- Mahesh Bendre:** Sir, I just wanted to know what is the lead time for the...
- Moderator:** Sorry, interrupt you, sir. I request you to use the handset, please.
- Mahesh Bendre:** Sir, just wanted to know what is the lead time for 400 kv transformer right now? I mean, if delivery is placed today, in what period time it is being delivered?
- Natarajan Srinivasan:** So Ajay, are you on the call? Ajay?
- Ajay Jain:** Yes. Yes, sir.
- Natarajan Srinivasan:** please answer this question.
- Ajay Jain:** Yes. So the current delivery period for the 400 kV transformer is around 18 months.
- Mahesh Bendre:** So, sir, what was -- in this timeframe, maybe one year back, I mean, just trying to understand the delivery schedule.
- Ajay Jain:** Yes, one year back, CG was delivering in around 15 months. But the industry was still delivering 18 months only.
- Moderator:** The next question is from the line of Umesh Bhalerao from UB Investing.
- Umesh Bhalerao:** I want to ask what is the progress of camera lenses for Apple. There was 1 news. Is there any progress?
- Natarajan Srinivasan:** So this may be pertaining to your question relating to Tube investments, not us.
- Umesh Bhalerao:** Because there was news that Murugappa...
- Natarajan Srinivasan:** You have to ask Tube investments. We can only answer questions on CG.
- Umesh Bhalerao:** Okay. And how much contribution from Vande Bharat train in railway business?
- Natarajan Srinivasan:** It's a very general question. So if you ask me anything specific, we have a trial order which we are executing. Other than that, no new tenders have come.
- Umesh Bhalerao:** Okay. And what is the percentage of contribution from this power system? What is the transformer and what is switchgear?

- Natarajan Srinivasan:** We don't give this breakup.
- Umesh Bhalerao:** Any growth number?
- Natarajan Srinivasan:** Growth. I think in the Power Systems business, in this quarter, have grown roughly about 47% in terms of sales. And in terms of EBITDA and PBT, we have grown year-on-year very substantially, more than 100%, both in EBITDA and PBT.
- Umesh Bhalerao:** Okay. And last question, is there any plan for making 800 kv RIP Bushing in India?
- Natarajan Srinivasan:** So Mukul, if you want to answer. Can you answer this question?
- Mukul Srivastava** Yes, sir. As of now, we are focusing up to 400 kv. 800 kv is not that higher demand. So we will evaluate it after 18 months.
- Moderator:** The next question is from the line of Jaspreet Singh from ICICI Securities.
- Jaspreet Singh:** Congratulations on the great results. I have a couple of questions. We observed an unusually high current tax figure of around INR50.6 crores, which as opposed to only INR2.6 crores from last year. So what can this number be related to?
- Susheel Todi:** Taxes. Now, you are talking about the current tax?
- Jaspreet Singh:** The current tax, yes.
- Susheel Todi:** So we are now till FY '23, '24, we had some losses. That loss is now getting absorbed fully for this year. So we'll start paying now tax for the shareholders after setting off all the losses.
- Jaspreet Singh:** Okay. Fair enough. And also, what would be your guidance for FY '25?
- Natarajan Srinivasan:** Guidance on what? We don't give guidance. Guidance on what you are expecting?
- Jaspreet Singh:** In general, with the synergy between your business, between your revenue and order books and all of that.
- Natarajan Srinivasan:** No. Order book is currently has grown by 44%. And then we are at INR7,000 crores. It will take time. We can't execute all this in this year. Therefore, we are very comfortably placed in terms of order book, then the inquiries are very strong in power business. More than INR13,000 to INR14,000 crores inquiries are there.
- And then railways have already said, they'll give tender -- they will decide the tender only for one year in advance. I have already gone on record, we'll grow by 40%. So what else you require? For this year, we have already given on the top line. You know our margins. We have discussed all this, then you can rest of it, you can calculate for yourself.

- Jaspreet Singh:** Okay. And a follow-on question, judging by the order book mentioned in your results. Will it be fair to assume that the order inflows for your company are around INR16 billion, that is INR1,600 crores, for the Power Systems and around INR1,400 crores for the Industrial Systems for a total of INR3,000 crores?
- Natarajan Srinivasan:** For order inflow you're talking?
- Jaspreet Singh:** Yes, order inflow.
- Natarajan Srinivasan:** Inflow is right.
- Moderator:** Thank you. The next question is from the line of Amit Mahawar from UBS. Please go ahead.
- Amit Mahawar:** Congratulations on great results. Sir, I have two broad questions. First is maybe Ajay and Mukul also can help here. If you look at the global power transmission equipment cycle and even the market in India, we are hardly like 12 to 15 months into the order book buildup that we've seen, both globally and 4 to 5 large players in India, including CG.
- You broadly announced the expansion of Transformer and Switchgears, which started in the next 6 months to 8 months. Do you think in the next 6 to 8 months, you have to review for the next round of expansion? Because as you take orders, you will have to basically project next 2 to 3 years. So, do you think there's a scenario where you will have expansions in the next 6 to 8 months? Next round on these capacity because this takes time. How much it take time?
- Natarajan Srinivasan:** If your question is that are we looking at any further expansion in these segments, am I right?
- Amit Mahawar:** Yes.
- Natarajan Srinivasan:** So we are constantly evaluating this, and no decision has been taken. So without that, I will not be able to say anything. But we are constantly evaluating which segments, how much we should expand, whether we should look at, what are the opportunities, et cetera.
- Amit Mahawar:** Fair point, sir. So broadly INR500 crores, INR540 crores is the exports that we had last year, and you have guided for like 20% of revenues in the next 4 to 5 years from export market. Broadly, can you help us summarize how much will be industrial export because motors is something you have history in terms of export track record being largely transformer switchgears. So how will we look at both the segments in the next 4 to 5 years? And broadly, in terms of specification, which markets are you looking at?
- Natarajan Srinivasan:** So I think -- see, for transformer and switchgear, export will depend upon how much is the local demand? How much is the orders we have booked and where it is advantageous to sell? So we see domestic demand quite strong, and we have been very selective on export orders. We can't do exports at the cost of losing domestic market share. This is the position with respect to transformer and switchgear is concerned.

Even though there can be large opportunities for transformer and switchgear, several examples. So, for example, if the Ukraine starts rebuilding, 100% of the production can be absorbed by them itself, that is that kind of an opportunity. But, the large -- on of the other also, I would say, wishlists are the target, which we are working on is to the motors. When we complete the expansion of motors, then I think we would like to increase the share of exports in motors to start with for 5%, 10%, 15% and maybe up to 20% over a period of 4 to 5 years. This is the overall big picture to which we are working.

Amit Mahawar: Well done. But if you talk about motors, say, IE3, IE4 without variable frequency drives, configurations, how do we strategize bridging book together? Will we have some expansions in the drives portfolio or some tie up globally? Any color from the segment

Natarajan Srinivasan: So we are taking significant steps to increase our presence in drives. It can be -- but the exact strategy is being worked out but this is a priority area for us. We are -- for the last few months, we have been working on finalizing the strategy to how to improve our volumes? How to increase our sales and the production. So, so many options are being worked out, but you will see some action here. As and when something is finalized and approved at the Board level, we will be able to communicate. But you can be assured that this is a growing drive business around with them also building it as a combo along with motors is one of the strategies, which certainly we are following.

Amit Mahawar: Sir, if you allow me, can I ask one last small question on G.G. Tronics.

Natarajan Srinivasan: Yes.

Amit Mahawar: Yes. Broadly, we have around INR14 billion turnover on the rail portfolio largely around propulsion equipment not the entire...

Natarajan Srinivasan: Hello? I think we have lost him.

Moderator: Mohit Kumar, your line has been unmuted. Please go with your question.

Mohit Kumar: This is Mohit from ICICI Securities. My first question is on the railway systems. If I see the pipeline on the website, the tender pipeline is quite healthy for railways. In fact, we have train propulsion system, we have locos, we have transformers and we have traction motors. So a lot of that. Do you think this pipeline is quite robust compared to the last year? And can we participate in the supply of the trainset propulsion systems?

Chidambaram: Yes. We already have a developmental order. We are almost ready with the prototype for the train sets, which will include transformer, motor and several other accessories along with the propulsion system. So we hope we'll be shipping it out to Indian railways in the first quarter next year.

Mohit Kumar: No, my question was that there is a tender, which is out there of traction electrics for sleeper set of 32 billion. Can we participate?

- Chidambaram:** Yes, we will participate.
- Mohit Kumar:** And my second question is the pipeline for the propulsion equipment, traction electrics, transformers is looking very high. It's around INR80 billion -- INR8,000 crores. Do you think this number is much, much higher than compared to the last year at the same time?
- Chidambaram:** Yes, it is increased because the volume of production they are planning this year is higher than last year. They were originally making 1,100 to 1,200 locomotives. This year, they are targeting around 1,500 locomotives.
- Mohit Kumar:** My second question is what is the breakup of current order book of power systems? Between power transformer, distribution transformer? And how is the inquiry in power transformer in particular, is it compared to last year? If you can give some color?
- Natarajan Srinivasan:** I can't give you the breakup, but the inquiries are higher than last year.
- Mohit Kumar:** Sir, anything on the power transformer and distribution transformer separately?
- Natarajan Srinivasan:** We don't share this data.
- Mohit Kumar:** Thank you, sir. Best of luck.
- Moderator:** Thank you. The next question is from the line of Jhanvi Jain from 360 ONE.
- Jhanvi Jain:** First of all, congratulations on a great tenure. Sir, my question is regarding you mentioned 8% is the top line growth that we're expecting and 40% is based on the railway tender that was awarded. Am I right?
- Natarajan Srinivasan:** No. So you're not audible. Railways, we said in the beginning last call, I had said that we will be able to grow up to 40% this year. That's what I mentioned.
- Jhanvi Jain:** And what is the top line growth that we had in this quarter, sir, percentage?
- Natarajan Srinivasan:** For railways you are talking?
- Jhanvi Jain:** No, overall sir.
- Natarajan Srinivasan:** So Overall, we have given in our press release, we have grown sales by about 19% and PBT by 27% for the company as a whole.
- Jhanvi Jain:** Thank you, sir.
- Moderator:** Thank you. The next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.

- Aditya Mongia:** Just wanted to kind of get some more color on this comment made on the number of locomotives going up from the run rate about 1,100 locos to about 1,500. What is driving this growth? And will there be further growth beyond this number? Is this number sustainable? Could you give some color on that?
- Natarajan Srinivasan:** So this is something, which you have to check with the railways. We don't get -- what is available from the railway sources, we have said. We can't have any further information on this.
- Moderator:** Thank you. The next question is from the line of Rajesh Vora from Jainmay Venture.
- Rajesh Vora:** Congrats on a good set of numbers, and especially commendable performance by outgoing MD, Mr. Srinivasan. Under your leadership, company achieved terrific turnaround and it was a universal value creation for both the public as well as shareholders. So, job well done.
- Natarajan Srinivasan:** Thank you. The credit goes to my entire team.
- Rajesh Vora:** I also welcome Mr. Amar, the new CEO. If he could give maybe a quick brief about how he looks at the CG Power? How does he want to sort of take it to next growth or the greatest possible?
- Natarajan Srinivasan:** I think, he's just joined only about a few days back. He joined on 9th, actually. So I think it's unfair to ask. He's very much there, but I can answer on his behalf.
- Rajesh Vora:** So I have one question on EV Motors. I find that CG Power has received IRQS certification for automotive applications. So could you give some color on EV Motors?
- Ramesh Kumar:** Those kind of certifications, we have started working at the back end. When our product is ready, we should be ready with our plant where we don't need to waste time. But at the same time, we have already started working on 2 products. One is 3-wheeler cargo as well as the LCV. We are in advanced stage of protos and testing.
- Rajesh Vora:** Okay. So when do we see our motors being used on a commercial scale? Is it 1 year down the road, a couple of years down the road? Any rough idea?
- Ramesh Kumar:** Yes, approximately a year down the line.
- Moderator:** Thank you. Ladies and gentlemen, we'll take this as the last question. I now hand the conference over to Mr. Gaurav Uttrani from IIFL Securities Limited for closing comments.
- Gaurav Uttrani:** Thank you Neha. On behalf of IIFL Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.
- Natarajan Srinivasan:** Yes. Thank you so much to all of you.
- Moderator:** Thank you. On behalf of IIFL Securities Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.