

“CG Power and Industrial Solutions Limited Q2 FY-26 Earnings Conference Call”

October 29, 2025



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MODERATOR: **Ms. RENU BAID PUGALIA – IIFL CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to the CG Power Q2 FY '26 Earnings Conference Call, hosted by IIFL Capital Services Limited.

As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone telephone. Please note that this conference is being recorded.

Now I hand the call over to Ms. Renu Baid Pugalia.

Renu Baid Pugalia: Thank you. Very good afternoon, everyone. On behalf of IIFL Capital, I welcome the Management of CG Power to discuss the 2QFY26 results and way ahead.

We have the Senior Leadership Team with us represented by Mr. Amar Kaul – CEO & Managing Director, Mr. Susheel Todi – Chief Financial Officer, Mr. Marais Nel – EVP (Drives and Automation and International Motors Business), Mr. Gaurav Makhija – Vice President (Switchgears and EPD Business), Mr. Ajay Jain – Vice President (Transformer Business), Mr. Chidambaram Balakrishnan – Vice President (Railway Business), Mr. Jatinder Kaul – EVP (Motors Business- India Sub-continent) and Mr. Sriram Rangarajan – EVP (Head – Consumer Products Business).

I would now like to hand over the call to Mr. Amar for his opening comments. Thereafter, we can start with Q&A. Thank you, and over to you, sir.

Amar Kaul: Thank you, Renu and team. Good afternoon, everybody, and welcome to the CG Earnings Call.

Let me start with the summary of Results:

We have delivered a strong performance for the quarter and half-year ended September '25, underscoring sustained high double-digit growth, and the early impact of strategic transformation initiatives and practicing disciplined execution excellence.

Now this is another quarter and H1 performance with all-time high standalone revenue as well as profit before tax after accounting for exceptional items. Further, we have improved our PBT margins by almost 90 basis points sequentially and 230 basis points year-over-year. This demonstrates our continued efforts and focus on improving our margins over the last couple of quarters.

Our Q2 sales grew at 17% year-over-year. Order intake grew by 32% year-over-year and profit after tax improved by 38% year-over-year, making it one of the strongest quarterly performance in recent times with the positive leverage. Further orders remain robust with backlog strengthening at INR 13,568 crores, underpinning the multi-quarter visibility.

Now as I go deeper into Q2 standalone performance:

The sales for the quarter was at INR 2,649 crores, growth of 17% year-over-year. Profit after tax was higher with a growth of 38% at INR 307 crores versus INR 223 crores in Q2 last year. Return on capital employed (excludes QIP proceeds) for the quarter was 34% and order intake for the quarter was INR 4,210 crores, which is about 32% growth year-over-year, and unexecuted order backlog as of 30th September '25 was INR 13,568 crores.

Now as I go deeper into the segment-wise performance:

Let's start with Industrial:

The aggregate sale was INR 1,395 crores, which was -2% year-over-year. This was primarily driven by few project deferments in the Railway segment. And PBIT also was muted due to this, which was at 9.7% of sales, INR 135 crores versus INR 166 crores.

Margin change due to price realization challenges in the Railway business as well as the order deferment leading to lower operating leverage and some impact due to the rise in the commodity prices, which could not be fully passed on.

Now despite this, pricing discipline, cost optimization initiatives, operational productivity gains helped us partly cushion this impact and focus remained on high-margin recovery through cost optimization initiatives, pricing and improving the product mix.

Order intake for the quarter was INR 1,567 crores, which if I offset it with one large order, which we had in the Q2 of last year, the actual order intake was about 13% up year-over-year. But if we look apple-to-apple here, it was -10%.

Moving to the Power Systems:

The performance continues to be pretty strong with continued margin expansion focus with the backdrop of robust demand and disciplined execution. Sales was INR 1,254 crores with a sharp rise of 48% year-over-year, supported by steady execution rhythm.

PBIT was at INR 260 crores versus INR 149 crores last year, which is 310 basis points margin expansion, primarily driven by better price realization, resilient demand trend as well as the improved operating leverage.

Order intake for the quarter was INR 2,643 crores, which is 81% growth year-over-year and unexecuted backlog towards the close of quarter was INR 10,474 crores, which is 104% higher year-over-year.

With this, we conclude the deep dive into the standalone performance, and I will now move to the consolidated numbers. Aggregate sales for the quarter was INR 2,923 crores at a growth of 21% year-over-year. Profit after tax was 30% up at INR 284 crores versus INR 220 crores last year same quarter.

And if you see the margin improvement, which was driven primarily by the strong power performance was partially offset by the strategic investment in increasing our talent pool of the senior personnel and technology people in CG Semi as well as in Axiro, which is our Semiconductor business.

Return on capital employment (excludes QIP proceeds) for the quarter was at 31%. Order intake for the quarter was 45% up, at INR 4,772 crores and unexecuted order backlog as of 30th September was INR 14,953 crores, which is 88% up.

Now some of the notable events for the quarter:

CG Semi Private Limited, a subsidiary of CG opened the new factory near Ahmedabad, which is called G1. Now this marks the first step into the semiconductor capability and supporting the country's goal of becoming self-reliant, while also serving the global market. The G1 facility will operate at a peak capacity of 0.5 million units per day capacity; and G2, which is the main plant, which is the large plant, just 3 kilometers away from the current facility under construction, expected to be closed by end of next year or early '27.

Once operational, G2 will scale up to the capacity of about 14.5 million chips a day. So, both put together, the capacity will be almost 15 million chips a day. And in terms of employment generation, both these facilities will be employing about 5,000 direct and indirect jobs in the coming years.

As you know, CG Semi is eligible for capital assistance from the scheme under the setting of Outsourced Semiconductor Assembly and Test by India Semiconductor Mission, ISM, as well as MeitY.

We got that approval on 8th of March 2024. The approval covers a 5-year period for financial year '24-'25 to '28-'29. Total project cost of INR 7,584 crores, the central government assistance of INR 3,501 crores, and the additional state Gujarat government support, which is equal to 40% of the central government assistance is about INR 1,400 crores. The fiscal support agreement was signed on January 17, 2025, and the trust and retention account agreement was signed on September 15, 2025.

The last one that I have is that the Board of Directors today approved another greenfield expansion for Switchgear business for an investment of INR 748 crores, net of taxes. And this expansion is proposed considering the expected increase in the demand of medium voltage and EHV circuit breakers, instrument transformers, GIS in the domestic market as well as cater to the export market.

With this, I will conclude my opening remarks. Unaudited financial results with detailed notes are available as part of the stock exchange filings, and is also available on our company website.

Thank you for listening in, and over to you, Renu, for Q&A.

Moderator: Thank you. We will now begin the question-and-answer session. (Operator Instructions) Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Ankush Sharma from HDFC Life. Please go ahead.

Ankur Sharma: Yes. Hi, good afternoon. Thanks for your time as always. I have 2 questions on the Industrial segment. So, first, within that, on the LT Motor side, and I know you have been highlighting that the market has been a little subdued in the last few quarters. If you could just tell us again, how was Q2 and what are the trends you are seeing in Q3? Are we seeing any signs of growth coming back? If not, what steps are we taking to improve market share there? And I understand we already have a 40% market share there. So, yes, the first question is on the LT Motor side.

And second, on the Railways where you highlighted some project deferment this quarter. If you could talk about that, is that behind us? And do we expect that revenue start flowing in from Q3 onwards? Yes, those are my questions.

Amar Kaul: Yes. Thanks, Ankush, for the great questions. So, first one on the LT Motor side; actually, if you tell me, I am pretty happy with the progress made by the team there. We are doing much better than the market. If you look at the market IEEMA data, the market was a little better than what it was previous quarter. From negative zone, it has come to flat.

As we say, we don't give the exact numbers, but I can tell you that our order input was in double digit, which itself is a great beginning point. And even our sales was single digit, but on the positive side. So, even the profitability is also improving. The team is doing a good job in terms of our CGX execution excellence, working on these areas that we can control. So, pretty positive on how it is moving forward.

Railways, coming to your second question of railways, so I think there was a delay in terms of shipments, which actually hampered for almost a month. But then it started around middle of last month. So, whatever we could ship out in 15 days' time is what came up, but then everything obviously could not be shipped out in time. But that got delayed, so it's only a shift between the 2 quarters.

And last but not the least, if you see the pressure was also a bit from the commodity inflation. Obviously, everything didn't pass on to the customer. And also, as you know, PVC is not in the same quarter. It goes in a couple of quarters here and there.

Ankur Sharma: All right. Great. Okay. That's good to hear. Thank you.

Amar Kaul: Thank you.

Moderator: Thank you. The next question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.

Nitin Arora:

Thank you, team, for the opportunity. Amar sir, first question is on the semiconductor and you have been articulating that and generally, we have seen whosoever has started Semiconductor Indian company, you are the one which is scaling every quarter very fast. Can you give us a little roadmap that given that you have already done INR 230 crores -INR 235 crores a semiconductor revenue, how we should build in this year or next 2 years?

I don't want the exact number, but how the scale will go up? And obviously, you are apportioning a lot of cost, which is also hurting the overall EBITDA of the company as well. How one should look at that trajectory improving? If you can throw some light on that?

And second, apart from the new CAPEX, which you have highlighted in this quarter going ahead with that CAPEX, can you also throw some light how the CAPEX and how is the time line of the current capacity, which was about to get commissioned? Are we on track on that?

And in terms of newer inquiries and newer order inflows, if you can give some color because there's a lot of disbelief coming, especially in the investors that there is going to be a slowdown, government will give a lot of approvals to Chinese players to come and do transformers in India. So, these are some of the things, which are going on. And if you can throw some light on that, that would be helpful. Thank you, Amar sir.

Amar Kaul:

Sure. Good questions. Coming to the semiconductor piece of it, first. Yes, it's a long game that we are in and pretty excited to be in this industry. To your specific question on the short term, if your question is specific to what revenue will we generate in the current year, for Axiro, which is our subsidiary, I think they should do approximately \$50 million. That is approximately about INR 450 crores, which is very much on track with what we had projected for. And CG Semi, as you know, is a long lead item, so we will take some more time. But yes, exciting times sitting in that area.

If I go back to your question on CAPEX that we have currently, which we have been working on, I think, all the projects are on track. For our transformer division, we had planned to expand from 15,000 MVA to 40,000 MVA, that has already been done on 1st of October. So, our capacity has enhanced, we even got the approval from Power Grid Corporation, I think up to 35,000. The next phase will come in next month to take it further, jack it up. So, all those investments are reaping the benefits that's coming in.

Regarding this new facility, as I said, this will come for switchgear expansion, which we approved today in the Board. Of course, today after Board's approval, we will start working on it, and we will get there.

Nitin Arora:

And the inquiry pipeline, sir, in this business? And do you think government can allow the Chinese players in the transformer? That's what going rounds and rounds, this news is?

Amar Kaul:

I think, see, in the global market, whether the Chinese players come in or not, it's a global market. What we have to be prepared for is becoming efficient and become cost competitive. I think

that's what everybody needs to work on, and that's what our focus is. So, I will not get into what the government will do, whether Chinese will come in or not, important is how do we become operationally efficient. Even if Chinese or anybody comes into the country, we are as good as anybody else or better than them. I think that's what our focus is on.

Nitin Arora: And how is the inquiry pipeline?

Amar Kaul: Coming back to your other question on the inquiry pipeline, I think, it's very, very strong. In fact, today, if I look at my inquiry pipeline as of end of last quarter, the pipeline is almost 85% up from of last year.

Nitin Arora: Great to hear that, sir. All the best team for the future. Thank you.

Amar Kaul: Thank you.

Moderator: Thank you. The next question is from the line of Umesh Raut from Nomura. Please go ahead.

Umesh Raut: Yes. Hi team. Congratulations for the strong set of order inflows. Thank you for this opportunity. Yes, my first question is on the Railway business side, where we have consistently now faced this price realization challenge. So, I just want to understand whether this is because of execution of legacy projects, which we have taken a few years back? Or is it because of competition that is impacting on our margins?

Amar Kaul: I think in the Railway business, of course, challenges are there. But as you know, this is a typical tendering business. What you take these orders are at very thin margin. And then the PVC clause that we have with the railways is actually average of three different --- there's a formula for that. So, it takes at least 1 or 2 quarters till it comes back. So, you may not have that impact in the full quarter.

Second is, unlike other businesses where if there's a commodity inflation, we can quickly encash, adjust our pricing, and find a way to mitigate that risk. Whereas in this business, it takes a bit more time. But yes, I think it's a more of a patience game, but we are very, very sure about coming out of the situation as soon as possible.

Umesh Raut: Got it. My second question is on the export side. We have seen lot of new hiring taking place at a senior level for international markets, at least in the media, since last few months. So, just wanted to understand what is your strategy on the export side to ramp up the industrial product offering? And what kind of order pipeline you are anticipating in the exports, especially what are your plans in the U.S. transportation infrastructure market?

Amar Kaul: So, when you say, you have seen the news for hiring of senior personnel, do you mean to say for CG or somebody else?

Umesh Raut: CG Emotron and even on the some of these newer industrial product offerings on the Drives side. And for the US railway market as well, you have done one collaboration. And I think you are working out with the new marketing team as well in the various other geographies.

Amar Kaul: Right. No, because see, exports, of course, is one of the key pillars for us, and we are gradually taking on it. It's like a foot on the gas and foot on the brake thing. So, on one side, as I have been talking about in the last few quarters, we are upgrading our manufacturing capabilities to make sure the standards are at par with the global standards.

And on the other side, we are expanding in different markets in continuation to what I had spoken before, from Southeast Asia to a bit in Europe, in Africa to Morocco, and a bit in the U.S. So, those expansions are happening because that's where we are developing the channel. So, it's a balance of business development, and also capacity expansion and upgradation to make sure we are at par with those markets. So, yes, that's a journey, it will keep happening in that direction.

Umesh Raut: Okay. And my last question is on the inorganic opportunities as we have raised funds in the recent quarters. So, just wanted to understand where you are exploring these opportunities.

Amar Kaul: Yes. So, I think before I get to answer your second question, in continuation to the previous question, the initial results that we are seeing for our H1, our exports in absolute terms versus H1 of last year, we are almost 20% to 25% up. So, it's showing some results on the pipeline. But yes, it will happen on their own. We have to keep working pretty hard on that.

And coming back to your second question in terms of capital allocation, yes, as I said, one is our own capacity expansion, as you looked at approximately INR 750 crores that we have taken the Board approval for today is for our internal managing the day-to-day business. And second is also the potential M&As that will keep happening. So, our strategy team is always on the hook to keep looking at candidates for potential. So, it will be across CG as well as semiconductor. So, that's what we are actively looking at.

Moderator: Thank you. The next question is from the line of Saif Sohrab Gujar from ICICI Prudential AMC. Please go ahead.

Saif Gujar: Yes. Thanks for the opportunity, sir. First question is on the KAVACH part. So, GG Tronics had an order of around INR 500 crores, INR 600 crores from CLW in November '24, right? So, on that order, where are we in terms of the execution versus the original timeline? And just to that, have we received any other follow-on orders of smaller quantum?

Amar Kaul: Yes. On KAVACH, I think we are almost on track. I would say there's a delay of about 1 month-1.5 month. So, hopefully, I think, there are only 2 last approvals pending. Hopefully, by end of December, we should be in a position to get all this cleared out and start the shipments. And yes, after that, we have received a couple of more orders, INR 150 crores, and I don't have the exact numbers. So, that's for both Station KAVACH is also what we received the orders for.

- Saif Gujar:** Okay. Thanks. And second, just a bookkeeping part. In the balance sheet, the other intangible assets have increased from INR 263 crores to INR 427 crores. Any specific thing for that? What has caused this?
- Susheel Todi:** You know that we recently did Axiro acquisition, and in that acquisition, this business actually is relating to more like a design business. So, what we got is more about IPs and other things. So, that's what accounted during that acquisition side.
- Saif Gujar:** Sure. Okay. And all the best.
- Moderator:** Thank you. The next question is from the line of Atul Tiwari from JPMorgan. Please go ahead.
- Atul Tiwari:** Yes. Thanks a lot. And congrats on a good set of numbers. Sir, on your Transformer business, this capacity expansion from 15,000 MVA to 40,000 that was achieved on 1st October. So, fair to assume that this incremental 25,000 MVA as of now is 100% unutilized and it will be utilized over a period of time?
- Amar Kaul:** No, not really. I think if you look at the order backlog that we have because you don't wait for this capacity to get ready. So, we have taken the orders, because today, if you see the lead time for these power transformers, customers are willing to give the orders up to 24 months from now. So, that's the way capacities are getting booked. So, in fact, the new plant that we are setting up, so we already are, I think we have started actually looking at booking orders for that as well.
- So, not in a big way, but gradually, that's happening. So, it's like demand and supply situation balance that we are doing. So, coming to your question from 15,000 to 40,000 MVA, I would say almost most of it is being taken care of.
- Atul Tiwari:** Okay. So, sir, right from, say, for example, this month, we can see an annualized output of 40,000 MVA, because you have already orders in hand. Is that the right ?
- Amar Kaul:** Yes, it will be this month or what do you say?
- Atul Tiwari:** Because the plant got ready on 1st of October, right, we are in the first...
- Amar Kaul:** Yes, yes. So, when I say from 1st October onwards, so which will be at proration capacity, yes, it will be at 40,000 prorated for the year.
- Atul Tiwari:** Prorated for the year?
- Amar Kaul:** Yes, yes.
- Atul Tiwari:** And sir, the next phase of expansion, I believe is from 40,000 to 65,000 right? So, when does that come online?
- Amar Kaul:** So, next one, this is 40,000 and the new plant, which is coming up is 45,000 MVA.

- Atul Tiwari:** Okay. And by when it will be online and functioning?
- Amar Kaul:** So, as per the plan, that is '27-'28, but the way we are executing, I think we will be much ahead of the target. And the moment we have better visibility, we will let you guys know.
- Atul Tiwari:** Okay, sir. Thank you. Thanks a lot.
- Amar Kaul:** Thank you.
- Moderator:** Thank you. The next question is from the line of Sumit Kishore from Axis Capital. Please go ahead.
- Sumit Kishore:** Sir, thanks for the opportunity. My questions. The first one is you mentioned that the inquiry pipeline is quite strong, up 85%. But specifically for Power Systems, we are seeing that the award of interstate TBCB project to transmission utilities in the first half of FY '26 has been slower than the previous year so far. Do you think that this poses any risk of slowdown in award of our transformer HV switchgear contract for electrical equipment suppliers in the coming quarters relative to the past fiscal?
- The second question is again on exports, where exports were about 10% of consolidated sales in FY '25. You mentioned that the growth has been 20%, 25%. And given your consolidated is also 21%, I am assuming export percentage in sales has not changed much. But could you also speak about the mix of exports presently, broadly color on how much is in Industrial Systems and Power Systems? And which areas do you expect to scale up in exports over the next 2 to 3 years?
- Amar Kaul:** Good question. So, what I will do is I will let Ajay, you are on the call. Why don't you take that question for transformer. And then after that, Gaurav, you can answer for switchgears.
- Ajay Jain:** Yes, sir. Regarding the inquiry pipeline, the pipeline is strong. The decisions have been slow. Yes, you are right. That is because lot of projects now are getting awarded or getting allocated to the states. So, there, the decision-making is slow.
- As far as we are concerned, we don't see any slowdown in order booking because PSUs are still placing orders at a very fast pace, power grid, and then this power generation sector is also opening up. So, we don't foresee any slowdown in this area.
- Sumit Kishore:** Okay. That is because the lead time is already so high, so if there is capacity, it will get booked.
- Ajay Jain:** Yes, that is one thing. Second, yes, if there is a slowdown in the transmission project, the power generation projects are picking up at a very fast pace in the thermal space.
- Sumit Kishore:** Okay.
- Gaurav Makhija:** Thank you, Ajay. Thanks for that question. I think very similar to what Ajay mentioned, largely switchgear follows what the transformer gets in there. So, I think very similar. I think we have

seen a consistent higher demand for switchgear. I think your question was both for EHV and EHVS and followed by the Medium Voltage business for us as well. So, there has not been any sort of shift towards lower demand for this business.

Sumit Kishore: Okay. My second question was about exports.

Ajay Jain: Exports, we have been steady till now. But with the increased capacity, we will be focusing more on exports for the business sustainability thing, and we are participating in more and more projects and tying up with the state utilities abroad. So, exports will see a bigger push and more percentage share in the order input and revenues in the coming years.

Sumit Kishore: So, in exports, particularly, the share of Industrial Systems exports for motors, drives, et cetera, will be higher as compared to what exports is for Power Systems.

Amar Kaul: So, I think, Sumit, you know it pretty well. We don't give the split by details of each business, and the number that you talked about is higher. So, we are positive on quarter-over-quarter for most of the businesses.

Sumit Kishore: Thank you, and wish you all the best.

Amar Kaul: Thank you.

Moderator: Thank you. The next question is from the line of Bhoomika Nair from DAM Capital. Please go ahead.

Bhoomika Nair: Yes. Good evening, sir. Thank you for the opportunity. So, just wanted to spend some time on the IS segment. We have seen after a very long time a decline in revenues, which you mentioned has got to do with the deferment in some railway orders. Would it be possible to call out that amount which has gotten deferred to the next quarter?

And if you can also just talk about how the demand scenario is between HT and LT Motors. We had also taken a price hike out here about 5%, as we had mentioned in the previous quarter. How is that playing out? If you can just give some qualitative comments on motor and motor demand split between LT/HT, particularly post the price hike?

Amar Kaul: Thanks, Bhoomika. Yes, so I think, see, specifics, we are not giving, as I said. Approximately 15th of September onwards, we started our shipments, which were deferred for almost more than a month or so. So, we covered some bit of it, but balance will come into this quarter. So, I think that information should be good to get a feel of it, what it looks like.

Coming back to your motors. On motor side, the demand, I think, the demand is fairly strong, I think in terms of inquiry pipeline, especially on HT Motors, which I am pretty positive about. And JK, why don't you talk about it on motors demand?

Jatinder Kaul: Thanks, Amar. Thank you for the opportunity. And Bhoomika, a very valid question. Yes, the rough estimate, the first question you asked is what the split between the LT and the HT. LT is far higher than HT. But there are a lot of big projects that are coming in the HT. If I were to give a rough estimate, it would be around 80-20 types of ratio between the LT and the HT piece of business.

The second part of the question, what you asked, is that the price increase that was implemented earlier there in the month of July, is coming up well. It's being received well in the market, and we have got good results out of it. And it has compensated for our copper and steel prices. I also want to call out that many of our other friends also have increased their prices. So, this is a common factor that is there in the industry.

Bhoomika Nair: Okay. Thanks. So, this basically means that the margin should bounce back into the third quarter once the revenues normalize and full benefit of the price hikes takes place.

Amar Kaul: So, Bhoomika, we will not be forecasting what it will be for the next quarter. As you know, we don't give the guidance on that. But as I mentioned, I am pretty comfortable with the motor side of the business, the way it is bouncing back. Yes, we must see the good days ahead.

Bhoomika Nair: Sure. And sir, lastly, if I can also just ask about the progress on the EV motors category. How is that progressing? Where are we on that?

Amar Kaul: I think the progress has been still slow, but I am looking forward to some exciting days ahead. So, just pause for a couple of days more, and I think we should come back with some more information.

Bhoomika Nair: Sure sir. Okay. Thanks. All the best.

Moderator: Thank you. The next question is from the line of Ravi Swaminathan from Avendus Spark. Please go ahead.

Ravi Swaminathan: Hi, sir. Thanks for taking my questions, and congrats on a good set of numbers. My questions are related to the Power segment, trying to be slightly more granular. Can you give a broad overview as to individual subcategories, how they have grown during this quarter or half year, like power transformers, distribution transformers, switchgears, have they grown at the same pace or there are differences in growth?

And similarly, in terms of either revenue or order inflow or order book breakup, how the order book is across categories like renewables, coal-based, thermal, industrial applications and even breakup like power grid, SEB, private, export? Any sense on that?

Amar Kaul: See, of course, as you know, that we don't give the breakup of each business and sub segment details. But the orders that we have received, are cutting across most of the sectors, whether it's power. Within power, there are a couple of orders that I remember are from renewables as well. It is for the data center. So, it cuts across from transmission, T&D. So, it's cutting across most

of the segments that you can think of. So, it's not one particular segment that I would say we are into.

Ravi Swaminathan: Understood, sir. And in terms of growth across power transformers, distribution transformers and switchgears, is there any big difference between growth? Or is it similar growth in all these categories as well?

Amar Kaul: The only thing I can share right now is power is leading, because as we get into mega distribution, 400 and 765 kV. So, those are the more and more inquiries on that. But others are also catching up very fast. So, good news is everybody is into high double digits.

Ravi Swaminathan: Understood, sir. And in terms of momentum of orders, are we seeing more orders from the generation side or transmission side in the Power side?

Amar Kaul: It's across T&D.

Ravi Swaminathan: Understood. And final question with respect to capacity utilization of the switchgear facility. You had mentioned that the power transformer facility is running at almost full capacity. What is the number for the switchgear capacity?

Amar Kaul: Switchgear is also at about 85% to 88% right now. But again, the expansion that we had undertaken last couple of quarters back. So, that's also getting executed in parallel. So, I would say, as we progress in the next few quarters, we will come down to probably 75% - 80% and again bounce back to 80% - 85%. So, that's where we are operating at.

Ravi Swaminathan: Understood sir. Thanks a lot.

Amar Kaul: Thank you.

Moderator: Thank you. The next question is from Harshit Patel from Equirus Securities. Please go ahead.

Harshit Patel: Thank you very much for the opportunity, sir. Sir, my first question is on the Power Systems business. We have outgrown most of our competitors in the past 2- 2.5 years. So, what factors have enabled the market share gains for us? Is it more about being ready with the further capacity when the competitors were not ready?

Amar Kaul: Harshit, I wish I had one answer for you. It's a combination of many things. But what is important is our execution excellence, which is CGEDGE, as you can look at our website. I think that's what we are practicing every day, keep compressing the cycle time, go faster, double the speed of what anybody else can do. I think that's what the team, both Ajay and Gaurav from the power sector are practicing day in and day out, and that's what they are executing. So, it's a combination of many things. If it was so simple, then everybody would have done it.

Harshit Patel: Understood sir. Sir, secondly, could you throw some light on our association with Flanders for expanding our U.S. business? If you can explain the nature of our agreement, whether this is

more of a contract manufacturing agreement for them or something else? That will be very helpful.

Amar Kaul: Yes. So, I think this agreement is more - because in U.S., we see this big opportunity. And if you have to get into local market in U.S., most of these OEMs, they first ask for what happens tomorrow if I have a problem in my motor. So, you have to ask somebody right now if there's an issue or repair is required, somebody is there to service it at the drop of a hat. And if we start organically today to set it up, I think it will take us a couple of years till we have that infrastructure. So, the first step into the game is to have a partner who is reliable and can do a lot of it. And they do. We have seen their facilities.

They are pretty equipped across North America to do that. So, that's the association that we have. It will be joint. It's a win-win situation for both of us. They get the business in terms of repair and remanufacturing facility. And also, we get even warehouses when we send the motors from here.

Harshit Patel: Understood sir. Thank you very much for answering my questions. And all the very best.

Amar Kaul: Welcome.

Moderator: Thank you. The next question is from the line of Renu Baid Pugalia from IIFL Capital. Please go ahead.

Renu Baid Pugalia: Yes. Thanks. Team, I have just one question related to Power Systems. While the cycle has been doing pretty well in terms of profitability and capacity expansion, strategically, from the perspective of building capabilities and expanding portfolio, can you highlight what are our thoughts in terms of broad basing our product mix beyond our switchgears and transformers into new products segment, which could be next generation beyond the current cycle? Thank you.

Amar Kaul: Very good question, Renu. And I think, of course, as we go deeper, let me touch a bit on switchgear and will let Gaurav talk about. It will be a combination of existing product portfolio that I talked about and also a bit of power electronics. So, it will be a combination. So, Gaurav, why don't you touch on that?

Gaurav Makhija: Yes. Thank you for that question there. So, I think as Amar rightly mentioned, it's a mix of the existing portfolio. So, today, beyond only switchgears and circuit breakers, we are also into the larger 765 kV bushings, both OIP as well as RAP, and that's something that CG is a homegrown solution that we have produced, our largest new product towards the existing portfolio that we have.

Second, Amar touched upon power electronics. Secondly, also about the green solutions. So, moving from SF6 to SF6-free is some of the critical work that the teams have been doing across the factories of Nashik as well as Aurangabad from an innovation standpoint. So, yes, I think there's a clear focus along with a strong pipeline of new product developments that's getting discussed across switchgear for both the units now.

- Renu Baid Pugalia:** And on the technology side, where are we with respect to the GIS portfolio? Also, does the company have any plans to get into power as in our reliability solutions like STATCOMs or so?
- Gaurav Makhija:** Amar, you want me to take that question?
- Amar Kaul:** Yes, yes, go ahead. Go ahead, take it. Gaurav.
- Gaurav Makhija:** Okay. So, I think the first point that you did raise about the technology, yes, on the GIS piece, I think we should be probably coming out with a complete Make in India solution for our 400 kV GIS in the next fiscal year. So, I think that's a very proud moment for CG to have the full homegrown solution coming out of the Nashik factory there. So, yes, we should be playing very strongly in the GIS segment in the future growth years as well.
- So, coming on the STATCOMs, yes, I think the way Amar mentioned, there is always an eye on looking at both organic as well as inorganic conversations around technology acquisitions there. So, yes, I think, there is a thought as well as the right actions around that technology piece as well.
- Renu Baid Pugalia:** Thanks much. And best wishes team. Thank you.
- Moderator:** Thank you. The next question is from the line of Jay Negandhi from AMBIT Capital. Please go ahead.
- Jay Negandhi:** Yes. First of all, thank you for the opportunity. So, my question is that as per CEA's data, India has missed their power transformer installations materially for the first half of this year. So, does this pose as a risk for us, as it will take longer for our order to convert from backlog to sales? Will it impact the growth rates in the future and the margins?
- And my second question is that with our power transformation capacity coming online to 85 GVA in the coming years, what would be an expected mix of sales from global and local markets to maintain a healthy set of capacity utilization?
- Amar Kaul:** Ajay, can you take that?
- Ajay Jain:** Yes, I can take that. So, for the increased added capacity, what we are planning in our new plant, we are planning to have around 35% to 40% of the revenues coming from exports. So, this is important for the business sustainability point of view also. And from the current capacities also, as of now, the exports are around 10%, so it will grow to around 20% in these, because we cannot vacate the Domestic segments as of now.
- Jay Negandhi:** My first question on the execution delays from power transformation installations. How would it impact our conversion from backlog to sales?
- Ajay Jain:** As of now, all the developers, they are taking the supplies, whether in case there are delays in their projects, even then they are supporting us by taking the deliveries and are storing the

transformers near to the locations because of the supply constraints. Because they know that if they are not taking the deliveries then these transformers because of standard CS specifications can get diverted to other places.

In the long run, I have a feeling with the kind of focus the government is having the right-of-way and this land acquisition. So, both things will catch up and there won't be any delays in the long run. Yes, one more reason is because of heavy rains also, there were some delays this year.

Jay Negandhi: Understood. Thank you so much. All the best.

Ajay Jain: Thank you.

Moderator: Thank you. The next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.

Aditya Mongia: Good afternoon, everyone. Thank you for the opportunity. Congratulations on a very strong set of numbers. I have 2 questions. So, the question that I had was that while a lot has been spoken about the OSAT business, just wanted to get a better sense of how the company is thinking to the Design business, which is the Axiro Semicon business. From the current top line that is there about \$50 million, how would the scale up happen, both from an exports as well as a domestic perspective? Thank you.

Amar Kaul: Yes. I think, it's a good question. And as you would appreciate, this is just the beginning of it. We didn't just buy this company to stay at that level. So, we have much larger plans, and that's what keeps us awake at night in terms of strategy, where do we go from here, more and more acquisition, complementing, hiring more people, more tech people to make sure it goes in the long way.

Now right now it is for Radio Frequency business, but we are also thinking of expanding into other technologies as well. So, a lot to come. Just be a bit patient to keep hearing from us on that.

Aditya Mongia: Got that. The second question that I had, maybe the design part, we can discuss later more. But then just a bookkeeping question on the Power Systems business. Of the INR 10,000 crores of backlog, which is there, what would be the average execution period? Would it be closer to 1.5 years or 2?

Amar Kaul: So, total backlog I think even the last order that I would say will get executed even after 24 months. It doesn't mean that we have to wait for 24 months. We can do it much before. But yes, customers are placing orders up to that duration.

Aditya Mongia: Is that representative of the entire order book? Just trying to get a sense. As in would INR 10,000 crores be executed like INR 5,000 crores, INR 5,000 crores over next 2 years? Or just trying to get a better understanding.

- Amar Kaul:** No, that's why I said, one of the orders that I see is going up to 24 months. But we are filling up in between as well as we are opening the capacity. So, something will be 12 months, something will be 18 months, something will be 6 months depending on if it's a distribution transformer, can go in 6 months. It's a 765 kind of transformer, will take 18 months. So, along the portfolio, it will keep varying.
- Aditya Mongia:** Got that. Those were my questions, and all the very best to you.
- Amar Kaul:** Thank you.
- Moderator:** Thank you so much. The next question is from the line of Priyesh Babariya from Mahindra Manulife Mutual Fund. Please go ahead.
- Priyesh Babariya:** Hi, sir. Good evening. Thank you so much for the opportunity. And congratulations for the good set of numbers. Sir, just 2 questions on the Semicon part related to what Aditya had asked. So, first is, if I have heard correctly, we are expecting revenue of around \$50 million in FY '26 in the current fiscal on Axiro. While if I recollect, it used to do around \$56 million, \$57 million. So, is it that this business is taking time to scale up or we waiting for CG Semi to actually come into, to have a synergy between these 2 businesses?
- Amar Kaul:** Yes, I think, what you have to appreciate is, yes, I think if I remember the numbers, they are almost same level, as last year was about \$55 million, \$56 million. This year, if we are doing \$50 million with the acquisition, getting the people up and running, getting the whole infrastructure done and you are reaching that stage, I would say the team would have done a fantastic job.
- Priyesh Babariya:** Sure. And the second question is, while we reported around INR 22 crores EBIT loss in the same segment, just if you can please break it down between CG Semi loss and Axiro profits? Thanks.
- Susheel Todi:** So, Axiro is at breakeven level. So, they are not making any loss at this point of time.
- Priyesh Babariya:** Sure. Thank you so much, sir, for answering all those questions.
- Moderator:** Thank you so much. Ladies and gentlemen, that was the last question for the day. I would now like to hand the conference over to Ms. Renu. Please go ahead, ma'am.
- Renu Baid Pugalia:** On behalf of IIFL Capital we would like to thanks the management for giving us the opportunity for hosting this interaction. I now hand over to the management for closing comments, if any.
- Amar Kaul:** No, thank you. Thanks for listening to us and enjoyed all the conversation and the relevant questions. Thank you. Stay tuned with us. Look forward together to grow and see the exciting times. Thank you so much. Cheers.

Renu Baid Pugalia: Thank you.

Moderator: On behalf of IIFL Capital Services Limited, that concludes this conference. Thank you for joining us, and you may disconnect your lines now.