CG Power & Ind.Sol.

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Operator: Ladies and gentlemen, good day and welcome to CG Power and Industrial Solutions Ltd. Q1 FY27 earnings conference call. 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. Renu Beth Pugalia from IIFL Capital. Thank you and over to you, Mr. Pugalia.

Priya Sharma – Kotak Securities: Thank you. Good evening, everyone. On behalf of IIFL Capital, I would like to welcome the team of CG Power and Industrial Solutions Ltd. for their Q1 FY27 earnings call. From the management team, today we have with us Mr. Amar Kaul, Managing Director and CEO; Mr. Suneel Toi, Chief Financial Officer; Mr. Marai Nell, EVP, Drives and Automation and Industrial Motors business; Mr. Gaurav Makija, Vice President, Switchgear and EPD business; Mr. Ajay Jain, Vice President, Transformer business; Mr. Dhirendra Bapat, Vice President, Railways business; and Mr. Jatender Kaul, EVP, Motors business, India Subcontinent. I now hand the call to Mr. Amar Kaul for his opening comments. Thereafter, we can open for Q&A. Thank you and over to you, sir.

Management: Thanks, Renu, and the team. Good afternoon, everyone, and welcome to the CG Power earnings call. I am happy to share with you all that CG Power had another strong set of results for the quarter ended June 30, 2026. Revenue and PBT, excluding exceptional items, crossed new Q1 highs as our operating momentum continues, reflecting a good start to this financial year.

Our Q1 FY27 sales grew by 16% year-over-year and PBT grew at 27% year-over-year, with 140 basis points margin expansion. Further, order flow continued to be strong during the quarter, with the order book rising 45% year-over-year to 17,333 crores, offering multi-quarter revenue visibility.

Now, as I go deeper into the standalone performance, the aggregate sales for the quarter were 3,061 crores, recording a growth of 16% year-over-year. Profit after tax grew by 27% to 364 crores, which is 11.9% of sales as against 286 crores, which was 10.8% of sales in Q1 FY26. Return on capital employed, annualized for the quarter, was 23%. The order intake for the quarter was 4,692 crores and the unexecuted order backlog as of June 30, 2026, was 17,333 crores, which is 45% higher year-over-year.

Going deeper into the segments, in the Industrial segment Q1 performance, the aggregate sales were 1,671 crores, which is 6% higher year-over-year with strong double-digit growth in motors. PBIT was 148 crores as against 172 crores in the previous year's same quarter. This margin deviation is largely due to a one-off provision of approximately 20 crores in the Railways business. Other than that, it was comparable to, or slightly better than, the same quarter last year. The order intake for the quarter was 1,536 crores and the unexecuted order backlog at the end of June 30, 2026, was 2,899 crores. Double-digit year-over-year growth in motor orders continues the momentum.

Moving to Power Systems performance, sales for the quarter were 1,402 crores, a year-over-year increase of 31%, reflecting strong execution discipline. PBIT was 324 crores versus 225 crores in the same quarter last year, which is an increase from 21% of sales in the previous quarter to 23% in the current quarter. This represents a strong margin expansion of 209 basis points, reflecting disciplined execution and strong operating leverage. Order intake for the quarter was 3,106 crores. The unexecuted order backlog as of June 30, 2026, was 14,434 crores, which is 59% higher year-over-year and provides revenue visibility spanning several future quarters.

With that, we conclude the deep dive into the standalone performance. I will now move to the consolidated performance. For your information, consolidated results include the performance of the operating subsidiaries in Sweden, Germany, and the Netherlands, which we call Drives and Automation Europe. It also includes CGD Contracts, CG Semiconductor, CG Private Limited, Giga-tronics, and the Exyno Semiconductor Group.

For the Q1 FY27 performance at the consolidated level, sales for the quarter were 3,281 crores, a growth of 14% year-over-year. Profit after tax grew 16% to 308 crores versus 267 crores in the same quarter of the previous year. Margin gains driven by strong standalone performance were partially offset by continued investment in the talent pool for the semiconductor business, with a total semiconductor segment impact of about 43 crores, or 132 basis points. Return on capital employed, annualized for the quarter, was 20% and order intake for the quarter was 5,211 crores. The unexecuted order backlog as of June 30, 2026, was 18,965 crores, up 45% year-over-year.

Moving to some key events, CG Power announced the commissioning of its EHV Switchgear manufacturing facility, S3 Unit 2, in Nashik, Maharashtra, on June 4, 2026. This is in addition to the S3 Unit 1 manufacturing facility in Ambad, Nashik, which manufactures EHV circuit breakers in the range of 33 kV to 800 kV. The new facility will manufacture EHV circuit breakers from the 33 kV to 245 kV range and expand CG Power's EHV circuit breaker manufacturing capacity by 80%. This adds 7,200 units incrementally to the existing 9,000 units produced annually. Equipped with advanced manufacturing and testing infrastructure, including 500 kV and 350 kV high voltage testing laboratories, the facility is designed to meet growing demand for reliable power transmission equipment across domestic and international markets.

CG Semi, a subsidiary of CG Power and Industrial Solutions Ltd., announced the commencement of commercial production at its G1 OSAT facility in Sanand. The launch was held in August in the presence of the Honorable Prime Minister of India, Shri Narendra Modi; the Honorable Chief Minister of Gujarat, Shri Bhupendrabhai Patel; the Honorable Minister for Railways, Information and Broadcasting, Electronics and Information Technology, Shri Ashwini Vaishnaw; and other dignitaries.

Thirdly, S.R. Batliboy & Associates are the statutory auditors of Tube Investments of India Limited (TII), which is the holding company. They will demit office as auditors after completing a 10-year period in terms of provisions related to the rotation of auditors under Section 139 of the Companies Act, 2013. Upon the conclusion of the ensuing AGM of TII proposed for August 14, 2026, CG Power proposes to align its statutory auditors with those affiliated with the same network appointed by its holding company, TII. This is consistent with practices adopted by various groups to enable better coordination with the holding company's auditors and bring efficiency to the audit process, given that CG Power and its subsidiaries represent more than 50% of the holding company's consolidated financial statements. In view of this, S.R. Batliboy & Associates LLP intend to resign as CG Power's statutory auditor effective from the close of business hours on August 14, 2026.

With this, I conclude my opening remarks. Unaudited financial statements with detailed notes are available as part of the stock exchange filing and on our company website. Thank you for listening, and over to you, Renu, for Q&A.

Operator: Thank you. We will now begin the question and answer session. Anyone who wishes to ask a question may press star and one on your touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question comes from the line of Harshit Patel with Equirus Securities. Please go ahead.

Harshit Patel – Equirus Securities: Thank you very much for the opportunity. Sir, my first question is on the Power Systems segment. Could you give an update on the current pricing environment, given that all major companies have expanded capacity over the last year and are expanding further? Have we seen prices stabilizing or perhaps moving slightly downwards?

Management: Thanks, Harshit. Can you hear me?

Harshit Patel – Equirus Securities: Yes, sir, I can hear you.

Management: Every company is trying to expand capacity because the global demand is very high. Everyone is trying to take their share of it. Is that capacity enough for the whole world's needs? The answer is no. Because of that, we do not see any of the stresses you are mentioning. The business continues to progress, and we see the pipeline increasing as ever. That is where we stand.

Harshit Patel – Equirus Securities: Understood, sir. Secondly, on the motors business, I believe during January 2026, you mentioned you had taken about a 17.5% price hike over a 9-month period. What has been the situation over the past 5-6 months? Have there been further price hikes, and are these sufficient to cover raw material inflation, or will we see more hikes going forward?

Management: It is a continuous journey. Even after the 17.5% I mentioned last time, we have increased prices again by about 5%. The market is absorbing it quite well. Is it sufficient? No, because commodities are so inflationary that we have to keep a constant eye on them and ensure we realize those price increases in the market as much as possible. It is a constant journey for us.

Harshit Patel – Equirus Securities: Understood, sir. Thank you very much for answering my questions. I will come back in the queue.

Management: Thank you, Harshit.

Operator: Thank you. Next question comes from the line of Atul Tiwari with JP Morgan. Please go ahead.

Atul Tiwari – JP Morgan: Sir, thanks a lot. My first question is on the Industrial segment margin. You mentioned there was a 20 crore one-off in the standalone number. Was there any additional one-off in the consolidated segmental Industrial business? The margins in the standalone numbers seem to be reflected differently in the consolidated numbers.

Management: Can you repeat your question?

Atul Tiwari – JP Morgan: My question is on the Industrial segment margin at the consolidated level. The consolidated Industrial margins were 7.6% this quarter versus 10.2% in the year-ago quarter. There is quite a dip in the consolidated numbers for that segment. What is the reason for this?

Management: I think the consolidated numbers can overshadow some of the underlying realities. I touched on this briefly earlier. For example, Giga-tronics, which gets rolled up under that same umbrella in the consolidated view, has not yet started operations in Kutch. We hope that will happen very soon, perhaps in the next few weeks. That is a significant factor when you see the delta there. Once it starts, that will be addressed. Secondly, as I mentioned, there was a one-time provision of about 20 crores for Railways. That was a bigger impact. However, the good news is that the largest portion of the segment, which is motors, is consistently improving with double-digit margins.

Atul Tiwari – JP Morgan: Okay, sir. On Power Systems margins, they have been performing very well at 23% over the past two quarters. Should these levels be sustained over the next few quarters, and is there a possibility of further increase?

Management: We do not give forward-looking statements, but I always say the future is bright. We will continue our hard work. As I mentioned, we do not see a depletion in the pipeline. Competition will continue to be there with more players coming in, but we are continuing with our operating rhythm and the discipline with which we execute projects.

Atul Tiwari – JP Morgan: Just finally, sir, regarding your transformer capacity expansion, where do we stand right now? How much is currently operational, and what is the breakup of high voltage transformers within that?

Management: Power transformer capacity is already about 75,000 MVA, and distribution is close to 10,000 MVA. With the new plant starting up in the next few months, we will add approximately 45,000 MVA more.

Atul Tiwari – JP Morgan: Okay, thank you.

Management: Thank you.

Operator: Thank you. Next question comes from the line of Sumit Kishor with Axis Capital. Please go ahead.

Sumit Kishor – Axis Capital: Good evening, sir. Thanks for the opportunity. My first question is on Industrial Systems. In FY26 and the first quarter of this fiscal year, you mentioned that motors clocked double-digit growth, but the overall segment outcome is still single-digit growth. How is the Railway segment within Industrial performing? What is the status of RDSO approvals for Kavach? If you could give us some color on the business beyond motors where margins have been depressed, and what the road ahead looks like?

Management: Good question, Sumit. You have to break it down. As I said, I am very comfortable with the motors business; it has consistently moved up for the last four quarters after an initial lull. Regarding Railways, last quarter I mentioned I would focus on it because we are doing a lot of ground-level work to clean things up and build on technology innovation. For Railways, I expected to be flat or see a little growth, but to my surprise, Railways did much better than anticipated.

The only downside was the 20 crore provision we took for a development that has been ongoing for a couple of years. Because innovation changes very fast, we had to make this provision. We may still be able to use that material, but following good accounting practices, we have provided for it. Regarding Giga-tronics, we have completed all trials. I personally attended the six-year trial for several hours in a locomotive in Hyderabad. Everything has been cleared by the Railways. Our accuracy percentage is higher than the competition. The ISA audit has happened, and we are waiting for that and the RDSO approval, which should hopefully happen in 4-6 weeks. In parallel, we are gearing up our manufacturing setup to produce sets as required by the Railways.

Sumit Kishor - Axis Capital: While we cannot complain about Power Systems, as it is going quite well, the momentum of topline growth seemed to moderate this quarter. Is there anything to read into these quarterly numbers given that order inflows and backlogs are up nicely?

Management: I do not think that is an issue. There can be a lull in any given quarter. Given the size of the business, especially in transformers where shipments can be 100-150 crores, accounting practices regarding whether a shipment is ex-works or FOB can affect the numbers. Starting the year with 16% growth is good. The momentum usually catches up, and typically the second, third, and fourth quarters keep inching upwards.

Sumit Kishor - Axis Capital: Got it. Regarding the losses at CG Semi, we have seen this go up, which is expected. Could you give us a sense of how we should model losses in the ramp-up phase for CG Semi for this fiscal year?

Management: It is the same as I have been saying. The semiconductor business is a long-term entry for us; it is an investment. Much of it is employee cost as we have started production. We will continue to invest in this area. While Exyno is already revenue-generating, it will not suddenly start making 20% EBITDA because we will keep reinvesting that money. Exyno is a design company, and we will keep investing. We did not start this to stay at 70-80 million dollars; it is going to grow significantly over the next few years. We will keep investing in technology across different segments, moving beyond just the radio frequency we are currently doing. Stay tuned for more on that as we progress.

Sumit Kishor - Axis Capital: Sure, thank you and wish you all the best.

Management: Thank you.

Operator: Thank you. Next question comes from the line of Samrat Thakur with Ambit Capital. Please go ahead.

Samrat Thakur - Ambit Capital: Hi, thanks. I wanted to check on end-market commentary. Which markets are doing well for low voltage motors? Is it metals and mining, cement, or something else?

Management: Jitender, are you there on the call? Would you like to take this?

Management: Yes, I am here. Thank you for the question. We are seeing good traction. Cement is doing very well, and metal and mining is also performing well. Overall, the OEM piece of the business is also doing well. We are seeing these three industrial verticals doing exceedingly well.

Samrat Thakur – Ambit Capital: Okay. Regarding the 45,000 MVA transformer plant, that should be operational by the end of this year if I am not wrong. Will it be peak capacity immediately?

Management: We have not declared that yet, but it should be happening soon. Our original plan was FY27 or FY28, but we should complete it at least a year earlier. We will be declaring that very soon. Regarding the ramp-up, it will not take 2-3 years. A plant like this typically takes 24-36 months to build; we are aiming for 12-14 months. The first phase in the first quarter will be at least 10,000 MVA, going to 30,000 MVA in the second quarter, and third-quarter peak will be 45,000 MVA. We are not looking at 45,000 MVA only; the team is already working on how to take it to the next level.

Samrat Thakur – Ambit Capital: That is helpful. One last question—any material export orders this quarter?

Management: We have reported orders as per statutory requirements, but the order pipeline has been very strong following that as well.

Samrat Thakur – Ambit Capital: Thank you.

Operator: Thank you. Next question comes from the line of Krish Chipalia with Morgan Stanley. Please go ahead.

Krish Chipalia – Morgan Stanley: Thanks for the opportunity. How much did exports contribute this quarter and what was the year-on-year growth? Secondly, on the transformer pipeline, particularly for exports, how big is the current pipeline? Finally, on the semiconductor side, I believe Renesas has an off-take agreement for 40%. Are there more customers signed up?

Management: The export pipeline is very strong, and order inflow is also strong. Instead of exact numbers, I would say that between last year and this year, it has practically doubled. Our go-to-market strategy is working well. Regarding Renesas, they will pick up close to 50%. Business development with other customers is ongoing. In this business, we typically do not share the specific details of customers we sign up with, but that work is happening in parallel.

Krish Chipalia – Morgan Stanley: Just regarding the export growth number for the quarter?

Management: We are not declaring specific numbers there, but export order intake has seen about 84% growth.

Krish Chipalia – Morgan Stanley: Understood. Thank you.

Operator: Thank you. Next question comes from the line of Kartik Kohli with Kotak Institutional Equities. Please go ahead.

Kartik Kohli – Kotak Institutional Equities: Thank you for the opportunity. I have two questions on semiconductors. First, how is the top line shaping up for the Exyno business? It seems there was a quarter-on-quarter decline. Secondly, you mentioned a 50% off-take by Renesas; is that for the combined G1 and G2 plants?

Management: Regarding Exyno, they are doing fairly well. It may not show in the P&L because we are reinvesting heavily. The top line definitely shows double-digit growth. What is more exciting is the size of the orders we are receiving. If this momentum continues, we should be close to doubling our previous figures. At that point, it becomes an execution matter of how quickly we can fulfill customer requirements.

Kartik Kohli – Kotak Institutional Equities: Got it. One last question on the Industrial side. Last call, we talked about increasing competitive intensity. How has that changed in the last quarter and what kind of new players are entering the market?

Management: The industrial field is very wide. New suppliers are entering every area, and there are many opportunities. This is a normal process. As I mentioned, we have to ensure we are efficient, productive, and providing the solutions customers require. We are honing our skills on that front.

Kartik Kohli – Kotak Institutional Equities: Thank you so much.

Operator: Thank you. Next question comes from the line of Rahul Gajare with Macquarie. Please go ahead.

Rahul Gajare – Macquarie: Thank you so much. After two years, we have seen revenue growing in the mid-teens. Regarding the Vande Bharat project, how is that work progressing?

Management: Work is currently ongoing for the Vande Bharat project with our customer. Initial development and testing are happening, and we will declare further details with Kinet as our internal customer. The new shed has come up and testing facilities are being commissioned. For the first two years, we are focused on in-house technology development versus collaborations.

Rahul Gajare – Macquarie: And regarding the semiconductor mission the government announced recently, are you looking at scaling up your capacity?

Management: The team is evaluating if it makes sense for us. That work is happening in parallel, but currently, the team is busy ramping up existing projects, getting the second plant into action, and bringing the first plant up to full installed capacity.

Rahul Gajare – Macquarie: Thank you very much.

Operator: Thank you. Next question comes from the line of Amit Mahawar with UBS. Please go ahead.

Amit Mahawar – UBS: I have two quick questions. First, on industrial motors, we have seen pricing hold up well over the last 6-8 months, with a clear trend toward high-grade IE4 and even IE3 and IE5 motors. For CG Power, which is the largest motor company in the country, do you think 20-25% revenue growth is possible in FY27 as pricing shifts?

Management: We are growing at high-teens in the motors business. The market is absorbing the price increases we are passing on. I also mentioned R&D acceleration for new product development. These initiatives will take us to the next level. It is not just a pricing game; it is also about R&D. We expect the full range across IE3, IE4, and IE5 to be complete within the next 12 months.

Amit Mahawar – UBS: Secondly, on switchgear and power transformer exports, as you target customers in the US, particularly utility-grade, we understand qualification timelines are slower than for data centers. Do you think FY27 will see significant utility customer orders from the US?

Management: We do not target just one segment. It is a combination of utility, renewables, data centers, and oil and gas. We have dedicated teams for each of these booming verticals.

Amit Mahawar – UBS: Thank you.

Operator: Thank you. Next question comes from the line of Shirohm Kapoor with Karvy. Please go ahead.

Analyst 2: Hi sir, thanks for the opportunity. One bookkeeping question—the difference between your consolidated and standalone order books, is that primarily on the Industrial side? Does that reflect Drives and Automation in Europe and Giga-tronics, or is there something else?

Management: Majorly it includes Giga-tronics and Exyno.

Analyst 2: Could you quantify that size?

Management: We know Giga-tronics has about a 1,000 crore order book; the rest is coming from Exyno.

Analyst 2: Understood. Secondly, on Industrial Systems, you mentioned motor margins improved to double digits. Is that consistent over the last four quarters, and is the Railways business dragging the segment margin to single digits at a consolidated level?

Management: I provided some commentary on this earlier. Double-digit margins in motors are consistently moving upward. Railways is not exactly a drag, although it is not as high as motors. The bigger impact was the 20 crore provision we took, which affected overall performance.

Analyst 2: Even adjusting for that 20 crore provision, we see a margin dip from 10% in the third quarter.

Management: As I said, motors is double-digit while Railways has always been single-digit, so there will always be a delta. Additionally, Industrial also includes consumer products, which are currently at break-even.

Analyst 2: Noted. Thank you.

Operator: Thank you. Next question comes from the line of Ravi Swaminathan with IIFL. Please go ahead.

Ravi Swaminathan – IIFL: Sir, what is the current lead time for transformer delivery compared to last year? Secondly, regarding the bid pipeline for transformers, how much have we bid this year compared to last year?

Management: We have increased capacity from 22,000 MVA to almost 75,000 MVA over the last four quarters, so capacity is not a concern today. Transformers are not off-the-shelf products and must be customized, but lead times are much better. No customer should face delays, especially as we add more capacity. Regarding the bid pipeline, we do not share confidential company details like bid rates or loss rates.

Ravi Swaminathan – IIFL: Order inflow declined this quarter compared to last quarter in the Power segment. Last quarter had a large PGCIL order of around 650 crores. Was that the only reason for the decline, or were there deferments?

Management: You answered it well, Ravi. If you look at it on an apples-to-apples basis, excluding that large order, there is fairly good growth.

Operator: Thank you. Next question comes from the line of Kartik Kohli with Kotak Institutional Equities. Please go ahead.

Aditya – Kotak Institutional Equities: This is Aditya. My question is on the overseas opportunity. US, Europe, and the MEA region are big markets. Over the next three years, what is the order of relevance for these geographies? Will the US eventually become the biggest when considering data centers and renewables?

Management: We started with radio frequency and satellite communication areas. We are also venturing into adjacent areas. Since power is our own business, we are looking at power electronics from a design point of view. As we get closer to establishing a footprint in those areas and making additions to Exyno, we will keep you informed.

Aditya – Kotak Institutional Equities: All the best to the team. Thank you.

Operator: Thank you. Next question comes from the line of Prathamesh Salunke with Nippon Life. Please go ahead.

Prathamesh Salunke – Nippon Life: My question is on Power Systems. You mentioned the prospect pipeline has doubled year-over-year. What are the key end industries apart from T&D? Any traction in data centers?

Management: Order inflow and pipeline have grown significantly, with intake up 84%. We do not give specific details on the pipeline composition, but it is very strong. Data centers are certainly contributing.

Prathamesh Salunke – Nippon Life: How would you rank data centers as a growth driver over the next 2-3 years compared to T&D and Industrial?

Management: We are not breaking it down that way. Data centers, renewables, green energy, oil and gas, and grid modernization are all important. We will not get too skewed toward one side; it will likely be an even distribution based on the size of the opportunity in each segment.

Prathamesh Salunke – Nippon Life: Regarding semiconductors and Exyno, with the semiconductor mission 2.0, would it be possible for you to get subsidies for RF and power equipment?

Management: As I said, the team is evaluating what is in it for us. That is separate work. Whatever I discussed regarding Exyno will continue regardless of government subsidies.

Operator: Thank you. Next question comes from the line of Samir Thakur with Ambit Capital. Please go ahead.

Samir Thakur – Ambit Capital: Regarding the Vande Bharat order from Q4 FY25, is that still under execution? Are there any issues affecting margins or any delays? What is the execution timeline and do you expect further orders from Kinet this year?

Management: I was in Bhopal recently and saw that the facility is set up, the building is complete, and the test lab is being commissioned. The order is under execution as per the project timeline. Dhirendra, our business leader, is overseeing weekly meetings to ensure delivery on time with the right quality. We are bidding for more work in that area as well.

Samir Thakur – Ambit Capital: Thank you.

Operator: Thank you. Ladies and gentlemen, due to time constraints, we have reached the end of the question and answer session. I now hand the conference over to Mr. Renu Beth Pugalia for closing comments.

Renu Beth Pugalia – IIFL Capital: Thank you everyone for your time and for participating in the call. I would now request the management to provide any closing comments. On behalf of IIFL Capital, I thank the management for giving us the opportunity to host this call.

Management: Thanks, Renu, and thanks to everyone for joining and for the questions. We are very excited about the future. Stay invested, and we will grow together. Thank you so much and have a good day.

Operator: Thank you. On behalf of CG Power and Industrial Solutions Ltd., that concludes this conference. Thank you for joining us. You may now disconnect your lines.