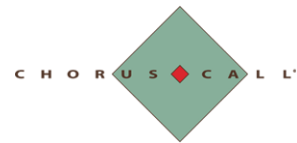




**“CG Power and Industrial Solutions Limited  
Q2 FY '23 Earnings Conference Call”  
October 19, 2022**



**MANAGEMENT:** **MR. N. SRINIVASAN – MANAGING DIRECTOR – CG POWER AND INDUSTRIAL SOLUTIONS LTD.**  
**MR. SUSHEEL TODI – CFO – CG POWER AND INDUSTRIAL SOLUTIONS LTD.**  
**MR. RAMESH KUMAR - PRESIDENT (INDUSTRIAL SYSTEMS) – CG POWER AND INDUSTRIAL SOLUTIONS LTD.**  
**MR. MUKUL SRIVASTAVA - PRESIDENT (POWER SYSTEMS) – CG POWER AND INDUSTRIAL SOLUTIONS LTD.**  
**MR. RANJAN SINGH - EXECUTIVE VICE PRESIDENT (RAILWAY BUSINESS) – CG POWER AND INDUSTRIAL SOLUTIONS LTD.**

**MODERATOR:** **MS. BHOOMIKA NAIR – DAM CAPITAL**

**Moderator:** Ladies and gentlemen, good day and welcome to the Q2 FY '23 Earnings Conference Call of CG Power and Industrial Solutions Limited, hosted by DAM Capital Advisors 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 Ms. Bhoomika Nair from DAM Capital Advisors Limited. Thank you and over to you, ma'am.

**Bhoomika Nair:** Thanks, Sujitha. Good evening, everyone and welcome to the Q2 FY '23 Earnings Call of CG Power and Industrial Solutions. We have the management today being represented by Mr. N. Srinivasan, Managing Director; Mr. Susheel Todi, CFO; Mr. Ramesh Kumar, President, Industrial Systems; Mr. Mukul Srivastava, President, Power Systems; and Mr. Ranjan Singh, Executive Vice President, Railway.

I'll now hand over the call to Mr. Srinivasan for his opening remarks, post which we'll open up the floor for Q&A. Over to you, sir.

**Natarajan Srinivasan:** Yes. Thank you. Good afternoon, ladies and gentlemen. Let me first extend a warm welcome to you for the Q2 earnings call. I am N. Srinivasan, Managing Director of the Company. I would like to introduce my colleagues who are with me on this call. So, Ramesh Kumar, President, Industrial Division. He takes care of the Motors and Drives business. Mukul Srivastava, President, Power Systems, he is taking care of the Transformer and Switchgear business. Ranjan Singh, Executive Vice President of Railway business. Susheel Todi, CFO of the Company.

Company performance for the quarter, all the businesses of the company performed exceptionally well in Q2 FY '23, contributing to a 73% growth in PBT year-on-year. Sales and PBT recorded in the quarter were the highest achieved in recent times.

Aggregate sales for the quarter were higher at INR 1,588 crores, recording a growth of 17% year-on-year and 2% quarter-on-quarter. PBT was INR 237 crores, 14.9% of sales in Q2 of FY '23 as against INR 137 crores in Q2 of FY '22 and INR 165 crores in Q1 of FY '23.

Margins were higher on account of improved sales realization, favorable product mix, moderation in input costs, procurement efficiencies and better operating leverage. ROCE for Q2 FY '23 on an annualized basis was at 48%, as against 40% in Q2 of FY '22. Free cash flow generated during the quarter was at INR 221 crores.

Now I move on to segment-wise performance. Industrial Systems; aggregate sales for the quarter were higher at INR 1,094 crores, recording a growth of 12% year-on-year and lower by 1% quarter-on-quarter. PBIT was at INR 195 crores, 17.8% of sales in quarter 2 of FY '23 as against INR 122 crores in Q2 of FY '22 and INR 153 crores in Q1 of FY '23.

Margins were higher on account of improved sales realization, moderation in input costs, procurement efficiencies and better operating leverage. Unexecuted order book as of 30th

September, 2022 was at INR 1,649 crores, which grew by 9% compared to INR 1,513 crores as of 30th September, 2021.

Power Systems; Aggregate sales for the quarter were higher at INR 494 crores, recording a growth of 33% year-on-year, 9% quarter-on-quarter. PBIT was at INR 55 crores in Q2 FY '23 as against INR 40 crores in Q2 of FY '22, and INR 40 crores in Q1 of FY '23. Margins were higher due to favorable product mix and better operating leverage. Unexecuted order book as of 30th September, 2022 was higher at INR 1,970 crores, which grew by about 58% compared to INR 1,247 crores as at 30th September, 2021.

Consolidated results: Consolidated results include the performance of operating subsidiaries at USA namely QEI Incorporate and in Sweden, Germany and Netherlands (Drives and Automation in Europe) and other non-operating and holding subsidiaries. Aggregate sales for the quarter were higher at INR 1,696 crores, recording a growth of 17% year-on-year and 2% quarter-on-quarter. Profit before tax was at INR 241 crores in Q2 of FY '23 as against INR 144 crores in Q2 FY '22, and INR 172 crores in Q1 of FY '23.

Key events in Q2. The Board of Directors today approved the proposal to expand the manufacturing capacity of motors at its plants in Ahmednagar and Goa at an outlay of INR 230 crores, this project will be implemented in two phases for a period of four years. The Board of Directors have approved a scheme of arrangement for transfer of INR 400 crores standing to the credit of General reserve to Retained earnings accounts subject to regulatory and statutory approvals. Unaudited financial results can be accessed in our website. Between myself and my colleagues, we'll be happy to answer questions. Thank you.

**Moderator:** Thank you, very much. We will now begin the question-and-answer-session. Anyone who wishes to ask a question, may please 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 is from the line of Rahul Gajare from Haitong Securities. Please go ahead.

**Rahul Gajare:** Yes, good evening, sir. Thanks for the opportunity. And congratulations for good performance during the second quarter. I've got a couple of questions. The first one is, we've seen a very good uptick on the gross margin side, which is actually reflected in your industrial margin also, so I want to know, what are the key reasons for the sharp uptick that we've seen in the industrial margin? And what is the sustainability of this margin? What are the sustainable margin in industrial that you think the Company should be able to achieve? That's the first question.

**Natarajan Srinivasan:** You will complete the second question.

**Rahul Gajare:** Yes. So given that you have doubled, you're looking at doubling the motor capacity. would you be going behind exports in a big way? If yes, some thoughts on how do you see the export market, etc.? So that's the second question.

**Natarajan Srinivasan:** The first one, see, margins, I just read out in the press note. First is margins look very high because compared to the previous quarters, last year's comparative number. Last year probably, the margins were the lowest because that is the time, when we had not raised our prices and passed on all our cost, number one. The input costs were highest. Therefore, first that aberration, I would say it's a statistic aberration, from there the prices, whatever prices we have revised still, yet to be revised downwards. Otherwise there has been some softening of costs. There are a cumulative set of factors.

As I said, improved sales realization, favorable product mix, moderation in input cost and procurement efficiencies, and we also mentioned to you that as we become financially strong, we are able to make purchases on cash terms, so instead of giving credit, we pay cash terms to give us some advantage. So cumulatively, the important point to remember is actually the margin figure, which you see for the last year's corresponding quarter is a very low number because of the extremely unfavorable set of factors. When you take fixed price contracts, and then service it over a period of time, when the input cost goes down, you are at an advantage. When the input cost goes up, you are at a disadvantage. So that's one.

Second is, what kind of margins you will be able to steadily. It's very difficult to answer. We will try our best to do what is possible, but this margin, whatever we see here, it cannot be sustained. That is one. Second, then with respect to your question on export. Definitely, exports is on our agenda. We would like to, as I said, this proposal for CapEx to increase the capacity it should be implemented over a four year period. So this will address several requirements, including exports, increase in domestic market, so then exports, then other opportunities, so everything is. Exports is certainly on the agenda, but the capacity increase has been considered taking into account overall demand both from domestic and overseas market.

**Rahul Gajare:** Sir, while industrial margin might not be sustainable, but given that we've reached gross margin levels of almost 30%-plus, so that should be sustainable, is that a right assessment?

**Natarajan Srinivasan:** So I can't commit on any numbers on margins, please. Because stability has to return, still there is no stability. There are several other issues there. I will not be able to comment anything there.

**Rahul Gajare:** Okay. So my last question is on the Railway business. I think in the fourth quarter, you had indicated that Railway business was the strongest that the Company had seen in several quarters. I want to know how is the Railway business going right now? And if you can give us a revenue number, and if that can be split between Industrial and Power? That will be very helpful.

**Natarajan Srinivasan:** No. Industrial, we don't split and separately give Railway numbers, Railway business is growing well.

**Moderator:** Thank you. The next question is from the line of Manish Dhariwal from Fiducia Capital Advisors Private Limited.

- Manish Dhariwal:** Thank you, very much. I've been a shareholder for a while and when I look at the numbers in this quarter, while the margin performance has absolutely been stupendous. However, on the top line, when we compare it on a Q-on-Q basis, we find that there was -- maybe it could have been more. One of the points that you mentioned was the operating leverage that caused the improvement in the margins. I wanted to understand as to, what was the sales haven't really increased Q-on-Q? So how did the operating leverage help? And my second question was on the Railways business, how is the business looking like qualitatively?
- Natarajan Srinivasan:** Qualitatively, operating leverage is when you operate at a higher capacity -- cost absorption is becoming better, so that is what we meant.
- Manish Dhariwal:** So, higher capacity is not reflecting in the sales revenue?
- Natarajan Srinivasan:** No, but production is there, sales revenue is there, cost will get absorbed.
- Manish Dhariwal:** So in fact, I also looked at the inventory; Inventory has also not increased significantly. So meaning, I could not understand as to how has the business size increased in terms of revenue?
- Natarajan Srinivasan:** See, we are always talking with reference to the corresponding quarter of previous year, so in relative terms if you see there will be an improvement, that's what we meant.
- Manish Dhariwal:** Fair point. And sir, on the Railways side. How has the Railways business been looking up?
- Natarajan Srinivasan:** So, Railways is a steady and solid performer shall continue to do well, but we don't give a separate Railways data, as a separate data, but all the...
- Manish Dhariwal:** Yes, I understand that. You mentioned that. So, but qualitatively, meaning it's on a steady state and...
- Natarajan Srinivasan:** Definitely. No, definitely it's doing better-and-better, qualitatively doing well.
- Manish Dhariwal:** Wonderful. Any update on the Vande Bharat initiative, where we were trying to, we are working on that project?
- Natarajan Srinivasan:** So, we are still exploring avenues and possibilities to see how we can participate. There still the tender is actually there is some time away, the tender is currently open. I think it is still 15th November, the tender may close, but still we are exploring various opportunities. Nothing is firmed up, so that I'll be able to report to you.
- Manish Dhariwal:** Fair enough, Sir. Lastly, on the EV side, I'd noted some reports on the EV chargers play that the company is now getting into, while we obviously we always underscore that we were looking at the EV motor side, so how is the EV side of the business looking up? And some bites on the charger side and on the promoters?

- Natarajan Srinivasan:** So I am not aware of any move to get into the chargers actually. I really don't know, from where you are getting this information. On the EV motors, certainly there are lot of initiatives, which are going on. They are at this point of time, they're all developmental category. We've not come to a stage where we'll be able to report something solid.
- Manish Dhariwal:** Fair enough, sir. Lastly like, what has been the capacity utilization sir in Q2 FY '23 that is the current quarter, so these are the results of the current day?
- Natarajan Srinivasan:** For which business?
- Susheel Todi:** Which business are you talking about, sir?
- Manish Dhariwal:** Sir, both the business industrial as well as the power system.
- Susheel Todi:** So, Industrial, we run at around 80%, and the power we are running between 60% to 70%.
- Moderator:** Thank you. The next question is from the line of Nitin Arora from Axis Mutual Funds. Please go ahead.
- Nitin Arora:** Hi, sir. Thank you for taking my question. Just on the demand side, if you can throw some light in context of motor industrial parts. So, I know you don't share numbers, but just on a qualitative aspect, how the direction looking like right now? Because if you look at generally being a motor business as a segment, pre-COVID has been generally growth at 8%, 10% or 7%, 9%, which you showed this growth despite you're saying Power, Railway is doing quite phenomenal for you, which is somewhat this segment is showing 11% growth, 8%, 10% pre-COVID it used to grow for the sector as such. So, if you can throw some light, what's the view on demand on the ground level? That would be helpful. That's my first question.
- Ramesh Kumar:** Yes. See, actually, generally, if you see the pharma and the chemical, like, of sugar and ethanol, all these sectors, even cement, okay. Except for steel, steel was because of the export duties and all, steel has been slowed down a little bit. But otherwise, water, all these segments are doing very well, even in infrastructure also. So most of the segments are growing and the demand has been good for the last two quarters. Even last quarter it was because of the rains and all little bit slow down, but otherwise enquiry bank is good.
- Nitin Arora:** I think there was some noise in the background, so I was not able to understand whether I go ahead or not. Okay. That's helpful, sir. And second, you said there is a change in mix also which attributed to margins. Though, the previous participant asked this question that if you look at Q-on-Q, the revenue growth is actually flattish and which doesn't -- how one should look at on the operational part? But that's a separate case. But generally, in terms of Power Systems revenue growth, which has been very strong this quarter, how you are seeing that segment in terms of demand?

And in terms of mix, when you say margin improved, if you can throw some light on the mix part, because generally the mix has been in favor of Power Systems. So, if you can throw some light on just the function of pure pricing bunching up in this quarter, which is leading to the margin side?

**Natarajan Srinivasan:** So on the demand is concerned, we have said what is the unexecuted order book, how it has moved from last year to this year and what is the current level. Unexecuted order book as on 30th September, INR 1,970 crores, enquires are strong. So that should tell you clearly about the demand outlook from the segment.

So when we say the product mix, etc. in here, see this is execution of several orders. For the number of orders, each order will have a different material cost ratio, different margin, etc. At the time of tender you take a call whether how important it is. So it will be almost impossible to say, what is the mix like? We can really say the reason how mix has helped, etc. Sometimes mix is favorable, sometimes it is not favorable.

Every order is different and unique by itself. It is not a batch processing order. Every order is the customer, so if required, meet the requirement of customer, individual orders are different. So each order, in some quarters you get into a situation where almost many of the orders have favorable ratios for you. Sometimes you may still get a lesser margin, still may choose to execute the order. That's the reason.

**Moderator:** Thank you. The next question is from the line of in from Charanjit Singh from DSP Mutual Fund. Please go ahead.

**Charanjit Singh:** Yes, hello, sir. Good afternoon. Thanks for the opportunity. Sir, my first question is on the industrial motor side, if you can give some more color on high-tension motors and low-tension motors, how been the trend there? And are you seeing the high-tension motor segment also growth picking up based on some of the larger end markets, how they are performing? That's my first question.

Second is on the Railways front, we are seeing the tender pipeline becoming very strong like the earlier participant also highlighted on the Vande Bharat platform. So what could be our opportunity there in terms of when we are looking at? And we'll be also looking at any kind of a tie-up there to scale up that opportunity? That's my second question, sir.

**Natarajan Srinivasan:** So I will answer Railways and then give it to Ramesh to answer the motor part. So Railways, actually on the Vande Bharat opportunity, we are not qualified to directly bid for the tender because we don't have experience of building the tender, building the train set. Therefore, we can participate with somebody who is find eligible and we have something to contribute, we can that we are exploring. We don't know whether we will succeed.

Secondly, you can also be a supplier, sub-supplier to someone who has got the orders, etc. So I think that is the opportunity as far as the Vande Bharat is concerned. And Ramesh, can you answer this motor?

**Ramesh Kumar:** Yes see you said, LT and HT how it is differently? If we're looking at the growth, that's what your question was, right?

**Charanjit Singh:** Yes.

**Ramesh Kumar:** See HT, there are two sectors which are very, very strong, one is water and waste water and the cement industry these are all fast growing actually. If you see the quarter two, HT growth was much better than the LT. But of course, LT also there are certain sectors which are growing good. But between these two if you compare, HT was better last two quarters actually.

**Charanjit Singh:** Sir, if you can highlight in terms of the growth outlook for HT and LT, what is the kind of growth trajectory you could be seeing from a market perspective?

**Ramesh Kumar:** See, as per the IEEMA, I'll tell you. The HT growth was in the first quarter because the second quarter results have not been declared by IEEMA. As per IEEMA, first quarter growth is about 15% in HT. And sorry, 18% in kilowatt in HT and about 18% again in LT motors also.

**Charanjit Singh:** Sir just lastly, if I may squeeze another question on the exports part. So exports and Power Systems used to be a big segment for us, which actually got now reduced significantly, because of the Kanjurmarg plant going out. So any thoughts in terms of adding further capacity to boost our export from the Power Systems segment?

**Natarajan Srinivasan:** So I think this is not going to happen immediately or even if you want to get the kind of investment that you are looking that you are suggesting actually, it will take time. Something has to come. So there is no such immediately there are a lot of domestic opportunities, which we are pursuing. There are also some export orders which we are executing. To answer your question, immediately, there is nothing seems to be on the horizon.

**Moderator:** The next question is from the line of Romil Jain from Electrum PMS.

**Romil Jain:** Sir, the first question is on the incremental CapEx that you are doing, the INR 230 crores CapEx. It is going to add what kind of revenues to our existing base? And that is question number one, any other CapEx apart from this that we are doing in the next two years?

And second is on the EV motors. So I just want to understand what is the current progress that, we are at, because we are a strong player on the motor side. I think we are also trying to tie up with someone on that and what is the current progress time lines, if you can just give some understanding of that?

**Natarajan Srinivasan:** First, on the CapEx, your question was how much capacity will!



- Romil Jain:** Revenues will be added, yes.
- Natarajan Srinivasan:** That will take time. So it's over a period of four years, very difficult to say at this point of time. So the capacity as we said, if everything is completed, we should probably, nearer to doubling, maybe 80%, 85% of the -- so this is very lot of detail to over 80%, 85% of the capacity getting doubled.
- So capacity costs you have to utilize then you have to sell, the money has to be realized. So, you can make your own assumptions here number one. So on the second, EV side as I said. The earlier question also answered, it is too premature. We are in discussion with a lot of people, we are doing our own in-house development, but nothing is concrete. So I do not wish to make any statement here.
- Romil Jain:** Okay. Sir, just last question on this Vande Bharat opportunity. I just wanted a little bit of clarity. I understand we are not directly qualified and we can only participate with someone who is. So just want to understand what would be our scope of work there and presently, are we in talks with someone to participate? And if yes, by when can that -- in terms of the bid pipeline or the bid timelines, when we can expect something, maybe affirmative or negative? Just want to understand the scenario?
- Natarajan Srinivasan:** Also by before the tender, if you don't respond, then you are not getting there. That is the only thing there. The tender is likely to close by 15th November. If you are not that means you are not there.
- Romil Jain:** So that means we would have been participating with someone, but still if we don't get the tender, we are not been there.
- Natarajan Srinivasan:** No, if you participate, participation means what, participation in the tender. And you have to participate, right? If you are not qualified, tender will not be accepted, no?
- Romil Jain:** Correct. Right, and we are also planning to supply some products in that entire tender, the second option that you were talking about?
- Natarajan Srinivasan:** First of all, it depends on who is going to get the order. And if they are able to have it, whatever is required, if they have it in their own table they may not buy it from us. So there are a number of issues there. But in terms of general opportunities I mentioned.
- Moderator:** The next question is from the line of Ankur Sharma from HDFC Life.
- Ankur Sharma:** Just one question on the industrial business order backlog and if I get my numbers correct, this quarter the industrial backlog is up about 9% on a Y-o-Y basis and even Q-on-Q has kind of come off almost by 15%, it's down by 15%. So just trying to understand is this more of a seasonal thing you believe as you go into the second half, the industrial order backlog and order bookings

kind of pick up again or anywhere you want to redflag any segments where you're seeing some growth kind of slowdown?

**Ramesh Kumar:** Actually, as you rightly said, there is some seasonal effect. Generally, the second quarter is lean for the industrial business. Because of the rains and all, but over and above that, there was a little bit of market sentiment issue because of the sudden raise and sudden drop of the commodity. So the wait and watch was there a little bit in quarter two. I'm sure on quarter three onwards things will fall in place.

**Ankur Sharma:** Okay. So it's just the impact of volatile RM prices and therefore maybe some destocking by the channel or some delays there. But okay, there's nothing to be worried about, things will kind of pick up as RM prices kind of stabilize, okay, got that.

**Ramesh Kumar:** Yes.

**Moderator:** The next question is from the line of Abhilasha Satale from Quantum Asset Management.

**Abhilasha Satale:** Sir, I have two questions about this. So when we look at our path breaking growth for the quarter, can you quantify how much is because of the commodity price increase and how much actually the volume growth? Similarly, if you can throw some light on the overall industry growth in the motor segment in Q2 FY '23?

**Natarajan Srinivasan:** Industry growth, my colleague will explain, but we won't be able to give you the breakup, how much is on account of commodity, how much is etc., we won't be able to give. But on the industry growth, my colleague will answer this question.

**Ramesh Kumar:** See, we anticipated a little less because in earlier also somebody has asked this question. If I had to give you exact numbers of the industry growth, generally, we follow the IEEMA published data. IEEMA published data is available only after July. So the full quarter is not available. But if you see quarter one, the growth of the LT motor and HT is almost about at 18%. But definitely there is a slowdown in the quarter two.

As I said earlier question also because of the demand side, there is a little bit less because of the commodity prices. So that is how we are anticipating that the drop of growth maybe by 2%, 3%, unless the published numbers come, then I will not be able to tell you exact numbers.

**Abhilasha Satale:** Sure. Sir, my second question is regarding the overall industry growth for the motor segment. So, in last five years or seven years, if we have seen the industry has grown below real GDP growth. As we are seeing the CapEx is picking up. Private CapEx is picking up and you have seen almost like across all the industries the CapEx cycle is picking up gradually. Do you see this number going up substantially higher over the next two-three years? And as you are also doubling your capacity, so is it with that vision of improving industry growth and whatever they have done in the last five-seven years?

- Natarajan Srinivasan:** So it's only on the assumption that the demand will go up we are expanding. In one word, I will simplify the answer, there are multiple levers for growth, one is export demand, local demand, so others actually, so we expect the demand to grow up and the industry to grow. That is why we are expanding.
- Moderator:** Thank you. Participants, who wishes to ask a question, may press star and one. The next question is from the line of Suraj Navandar from Sampada Investments. Please go ahead.
- Suraj Navandar:** Hi, good afternoon, sir. And thank you for the opportunity. I just had one question. Sir, do we manufacture any products that are used in renewable energy segment like transformers or anything?
- Natarajan Srinivasan:** So Mr. Mukul?
- Mukul Srivastava:** Yes, sir. Sir, I couldn't hear the question correctly. So Mr. Suraj, Can you please repeat again?
- Suraj Navandar:** My question was that do we manufacture any products that are used in renewable energy segment, like solar parks where they need transformers, so do we manufacture transformers needed for renewable energy segment?
- Mukul Srivastava:** Yes. We do manufacture and these are called Inverter Duty Transformers, IDT. We do make up to 12.5 MVA, which are supplied to various solar parks. They collect energy and from there they step up to the grid, so we do manufacture those transformers.
- Suraj Navandar:** Any other products that you manufacture apart from transformers and how is the demand that you are seeing in this space?
- Mukul Srivastava:** See, solar power, other places are coming almost 11 gigawatt hours plants are under construction right now, and we do supply the necessary, switchgear, average transformer both for the segment. Ultimately when the power is generated by the solar panels, finally it is collected and transmitted by the grid through the same method of switchgear and transformers, and we make bulk of the equipment.
- Moderator:** Thank you. The next question is from the line of Rahul Agarwal from L&T Mutual Fund. Please go ahead.
- Rahul Agarwal:** Yes. Good Evening, sir. Just, sir, in terms of the expansion that you are doing, if you could give an idea about what kind of sales that could entail? And the second question is with regards to your pricing, so the margin expansion that we have seen, so have we started taking price cuts now? Whether it's a Q3 thing or a Q4 thing? Just these two questions. Thank you..
- Natarajan Srinivasan:** So on the, I think on the first expansion, I just answered the question earlier. See, this is the expansion, as you know, this phase, the entire thing has to be completed over a period of four years, so the revenue, actually, it depends on what each phase, what is the capacity utilization,

what, how we look at sold, etc. But roughly, generally, the entire expansion could be about 80% to 90% of our current levels, which capacity can go up, but details will have to be worked out, we have just made some first cut numbers. Only when we get into details further, the refinement is possible. Then on the second question, Ramesh? What was it? Price cut.

**Ramesh Kumar:** Yes, obviously, so far the order intake was a little low because of the variation in commodity, so market is expecting price reduction. It all depends on the demand and supply. We decide how much has to be -- and whether these prices can sustain or it will go down a little bit.

**Rahul Agarwal:** So we have not started the price cuts as of now, as you can say?

**Ramesh Kumar:** So far, no, not much.

**Moderator:** Thank you. Participants who wishes to ask a question, may press star and one. The next question is from the line of Mayank Chaturvedi from Equirus.

**Mayank Chaturvedi:** Good evening, sir. Thank you for the opportunity. Just following up on previous participant's questions on the price cut, I just wanted to know what would be the lag period wherein you start taking price cuts and when it is realized in the market? Because as I understand, when we are taking price hikes, it takes around a quarter and a half to realize those price hikes, those price hikes start reflecting on our numbers in a quarter and a half, so how is it the other way around?

**Natarajan Srinivasan:** So I'm not sure whether we'll be able to tell accurately. These are all decisions, several points, factors influence decision. Current market demand, customer expectation, competitor's moves, so many things are there. So it will be difficult for us to say how it will happen the way you're asking this question.

**Mayank Chaturvedi:** Okay. So are we generally the leader in revising prices at least? Are we the first ones?

**Ramesh Kumar:** Yes, yes.

**Natarajan Srinivasan:** Revising means increase as well as decrease, both we are first.

**Moderator:** Thank you. The next question is from the line of Renjith Sivaram from Mahindra Mutual Fund. Please go ahead.

**Renjith Sivaram:** Yes. Hi, sir. Congrats on good set of numbers. Yes, sir, just wanted to understand like this, you had some in between some thoughts of entering this fan segment and now there is a lot of noise of the table change and all, so are we seriously looking at that segment or is it kind of a need to whatever the spare capacity will be doing? So, any CapEx, which we are planning to allocate because this new set of fans required BLDC kind of drivers, and also if you can share some of your thoughts on that part of the thing, which we had previously elaborated, some big plans?

- Ramesh Kumar:** So fans, we are very serious about this business. So there is no doubt on that and the star rating is going to come into the effect from 1st January, '23. But now see, BLDC is required only when you go for 4 star or 5 star. But the market is going to be more percentage of demand will be from the 1 star and 2 stars. So, up to 3 star you can manage with the induction technology itself, okay. So I don't think immediately a lot of CapEx is required for changeover, we can still manage with the star rating going forward.
- Renjith Sivaram:** Okay. And so what's our strategy there? How big do you want to do? And what all are the other things in that segment we are aiming to launch?
- Ramesh Kumar:** We want to be as big as possible.
- Renjith Sivaram:** Okay. And regarding this, previously Crompton used to export a lot of these transformers to Singapore, Europe and other geographies, and post this factory land from Bombay has been sold. Now, we don't have a facility near the port, so there had been in between some media reports or something like we have been scouting for a land near JNPT or somewhere where we can look at export of transformers, so just wanted your thoughts on that? Like, are we looking to revamp that transformer exports of Erstwhile Crompton management by getting some facility near the port?
- Natarajan Srinivasan:** So nothing of this sort as of now. There are no attempts that are being made currently to scout place near the port, etc.
- Renjith Sivaram:** Okay. But is transformer export at least is something, which we will be looking at because that was a huge business, which Erstwhile Crompton used to do?
- Natarajan Srinivasan:** Definitely, we look at actually. Even now we are exporting a bit, but as you rightly said, the absence of a facility near the port actually it hampers. Unless you have something of the sort where your export cannot be easier, it will nevertheless, from our existing locations whatever is possible we are doing.
- Renjith Sivaram:** Okay. And regarding this EV motors, is there any, what is the overall plan that we have? And will it be a sole supplier to do Tube Investments, our sister company, what we will be looking at in terms of EV motors?
- Natarajan Srinivasan:** So one thing, we have to be first ready with our product offerings, which has not happened so far. Secondly, there's nothing like a sole supplier for Tube Investments. If it makes commercial sense for them, they will buy from us. Similarly, if it makes commercial sense for us, we will sell to them. If it doesn't make commercial sense, we'll tell them your price is not working out, we will not sell. So that is how we operate.
- Renjith Sivaram:** So at what stage, we have reached in that EV motor, because in between we were talks in with some Israeli company?

- Natarajan Srinivasan:** No, we are talking to so many people. So, as I mentioned earlier, first, you have to get the design, you have to develop the prototype, then the prototype has to be approved, then you have to develop the product, then you have to do testing, then quality, then commercial scale. So many steps are there. So, I won't be able to tell you exactly in what stage we are in which product we are.
- Renjith Sivaram:** Okay. And sir, lastly, this 9,000 HP and 12,000 HP electric locomotive orders are there in pipeline, so either Alstom or Siemens can win that. So, in that, do we have any portion where we can be a supplier to these companies in terms of anything? We can also be a beneficiary of that two large orders?
- Natarajan Srinivasan:** So I request my colleague, Mr. Ranjan, to answer this.
- Ranjan Singh:** So, your question about 9,000 HP and 12,000 HP locomotives. Yes, you are right. That these tenders are with conditions, which are put into the backward integrated players like Siemens and Alstom and they do have their own facilities in India.
- The products that we make, whether it is traction machines, converters, propulsion or auxiliary converters and all, where if they feel that they would be requiring these from outside and not being able to meet the demand by their own facilities then those opportunities can come to us.
- Actually, as N.S. has explained, we do not qualify on our own. It has to be bid by the loco manufacturers, and we can at best be a supplier, once one of those win the orders of that type.
- Renjith Sivaram:** Okay. So it will be probably a wait-and-watch till that finalization happens and then we'll have to check whether they need some local source?
- Ranjan Singh:** Yes. In 9,000, the tender has already been opened on 27th of September, and it will be, means scrutinized and concluded in the next two, three months, four months, definitely before the end of the financial year. And 12,000 is due in the middle of December. So I think there should not be -- we have to wait and watch and see how, who wins and how we can associate with them.
- We do supply some of the items to Siemens and Alstom for their other requirements. But for these specific requirements, we will continue to pursue them, and we look for any opportunities which come to our side.
- Moderator:** Thank you. The next question is from the line of Harsh Bhatia from IDFC Asset Management. Please go ahead.
- Harsh Bhatia:** So when we look at the unexecuted order book of Power division, almost INR 2,000 crores, and for Industrial almost INR 1,600 crores, as of today, how much of that would be on a fixed price basis?

- Natarajan Srinivasan:** Pardon. Fixed price basis, you are right. In Power, some contracts maybe with price variation clause.
- Harsh Bhatia:** But would it be fair to assume that on the power side, the fixed portion would be relatively higher than on the industrial side?
- Natarajan Srinivasan:** So both are -- on what basis, how much, but I don't exactly follow your question.
- Harsh Bhatia:** As in when the tender comes out, those contracts are indexed or not?
- Natarajan Srinivasan:** So that is why I mentioned to you, some contracts, short-term contracts are not indexed, long-term contracts, some may be indexed. Some may say that you would like to make your arrangement, it is fixed. There is nothing, there is no hard and fast rule.
- Harsh Bhatia:** Okay, sir. And the CapEx that we announced in last quarter, INR 200 crores, almost INR 80 crores to INR 90 crores was towards motors for debottlenecking, if I'm not wrong. So, that is a separate thing, right? Entirely separate than the INR 220 crores that we have announced in this quarter?
- Natarajan Srinivasan:** Correct. You are right.
- Moderator:** Thank you. The next question is from the line of Sagar Parekh from One Up Financial. Please go ahead.
- Sagar Parekh:** Congratulations on a great set of numbers. Just one clarification, you mentioned that this INR 220 crores of CapEx that we are doing for LT motors, that will increase the overall industrial capacity by 80%, is it? Did I hear it right?
- Natarajan Srinivasan:** You're right, 80% to 90%.
- Sagar Parekh:** So, if I look at the annual number of industrial revenue of INR 4,000 crores, you are saying that will increase by about 80% at full utilization, so, nearly like we can assume about additional INR 3,000 crores of revenue on INR 220 crores of CapEx?
- Natarajan Srinivasan:** It is mathematics actually. So I tell you, capacity means, for example, stamping capacity will have to go up. Stamping So, stamping will go up, then some maybe for EV, EV motor, some maybe, so it is not direct mathematics, it will not work like that. So, we'll have to just to do some more specification, but by and large, there will be an increase, definitely there will be a substantial increase in the volume.
- But how much gets into stamping, how much gets into EV, how much gets into LT motors, these are all things we need to work out. We won't be able to exactly tell you how much it's going up.
- Sagar Parekh:** Okay. Understood. But still the asset turnover ratio will be significantly higher for this INR 220 crores of CapEx?

- Natarajan Srinivasan:** Maybe, I think, maybe you are right.
- Sagar Parekh:** Okay. Understood. And so broadly in the next two years, then how should we look at overall CapEx, so INR 200 crores announced last quarter and INR 220 crores this quarter. So besides this INR 420 crores of CapEx, how should we think of overall CapEx for the company as a whole?
- Natarajan Srinivasan:** So I think I'll be able to communicate only what has been approved by the board. So, supposing next year business plan, business comes to something more important. If we are able to convince the Board and get it approved, we can come back. This is what our CapEx the earlier we mentioned, this is for the current year business plan and last year business plan we announced. This is an independent project.
- So anything more on about we don't know the Power Systems may come with something else, Railways may come with something else. We need to think through at that time only after subsequent scanning and approval by the Board, we can communicate. Otherwise, I won't be able to say anything.
- Sagar Parekh:** Okay. So maintenance CapEx would be how much, then on an annual basis?
- Natarajan Srinivasan:** So I can't answer. Because when we spend so much on other CapEx, which is normally, including modernization, etc., maintenance CapEx may not be much. So we can finalize only at that time of business plan then only we can come with some numbers.
- Sagar Parekh:** Okay. And my last question on this subsidiary, the CG Power Solutions Limited, which is under insolvency resolution process under NCLT. So, we have identified like the assets are pretty big on the balance sheet, if I look at it. So, could you give us some sense on how, what are our expectations in terms of, can we realize any money from this? And what is it exactly, like this is some international subsidiary or?
- Natarajan Srinivasan:** No, it's a local subsidiary only. As you know once order is passed under the IBC, the entire matter vest with IRP. We have not. He has taken charge of the company. He will start realizing the value of assets and paying the liability. So, we don't expect anything to get to that. In summary, I want to say that we won't, we are not expecting any money to get realized on this. The rest of it is left to the resolution professional who will work under the direction and supervision of NCLT.
- Sagar Parekh:** Okay. Understood, so no liabilities also, significant liabilities that can come in since it's in NCLT?
- Natarajan Srinivasan:** Correct.
- Sagar Parekh:** Got it. And how large would be that subsidiary in terms of turnover?



- Natarajan Srinivasan:** So no, nothing, no, it is not doing any business.
- Sagar Parekh:** Okay. So no significant impact then on this.
- Natarajan Srinivasan:** Correct.
- Moderator:** Thank you. The next question is from the line of Ashwani Sharma from ICICI Securities.
- Ashwani Sharma:** The first question is that if you look at the other unallocable expenditure there's been seen a sharp drop on a sequential basis. Was there a one-off in Q1 FY '23, if you can explain that?
- Susheel Todi:** No, there was nothing specific. There's some provision with respect to some management incentive what has been provided in the Q1.
- Ashwani Sharma:** And how much was that, sir?
- Susheel Todi:** That amount we can't quantify, but that is what is included in there
- Ashwani Sharma:** Okay. Sir, secondly, what would be our market share in the transformers today?
- Natarajan Srinivasan:** So Mukul, actually can answer this question first.
- Mukul Srivastava:** See, there are two transformer, one is power transformer and one is distribution transformer. In power transformers, we are close to 11%. And in distribution we are close to 8%.
- Ashwani Sharma:** And if I look at the market size that would be how much, sir?
- Mukul Srivastava:** The market size of power transformer is quite huge. It must be little in excess of INR 5,000 crores, distribution close to INR 3,000 crores in India, I am talking about only of India. But we do export little bit
- Ashwani Sharma:** And lastly, sir, would you like to give any revenue guidance for the current year, FY '23?
- Natarajan Srinivasan:** No, we don't give any guidance.
- Moderator:** The next question is from the line of Manish Dhariwal from Fiducia Capital Advisors Private Limited.
- Manish Dhariwal:** So I basically wanted to understand, in fact, since the time that we acquired the company and we got on the management, you had a stupendous run. You've brought the operations in control and you kind of caught all the low-hanging fruit and it's also been now a couple of quarters. So have you been able to kind of fix up on some metrics on which you will measure the growth of this extraordinary organization that now you run? So I would like to basically get a handle on those metrics and how are we proceeding on that?

Largely this question is also coming from that I somehow, are we kind of seeing some sort of a topping out on the revenue front in the short-term till such time that our CapEx converts into manufacturable capacities? And two, also, the market, see right now we're seeing lot of capital expenditure happening, growth happening. So are we seeing any constraint that may not allow us to participate in that growth going forward?

Do we have a free runway ahead of us in terms of our capacity and capability or are there any, issues in the short run? We already are at about 80%, 85% capacity on the industrial side?

**Natarajan Srinivasan:**

So most of your questions are very general and generic, number one. Second is you must understand that CG is a 80-year-old organization. Except for the problems in the last four years, this company was run very, very efficiently. They had always maintained the leadership position in the respective businesses, notwithstanding the presence of global giants as competitors. If you take motors, then your competitors are Siemens, ABB and then similarly in the power transformer business.

So the Company had extraordinary capabilities and the teams here have done a great job for several years. So the last three, four years, the company got into a problem for no fault of the teams at the plants or operation side because of something happening in the corporate which had the impact.

So that is one of the reasons why the Company's recovery has been fast. There is inherent strength in the company, inherent strength in the team. The leaders there are very seasoned and then they were able to, when their opportunity is given to get rid of the problems, they really seized and brought the Company up. So that's one.

Therefore, to think of different metrics and then something unique, etcetera, there is no magic wand. So this already, you know, whether it is the implementation of SAP, implementation of systems and the implementation of metrics, everything is well intact here, but we continue to grow. After this debacle we quickly regained the capacity. We'll begin the market share. Then now we are working on opportunities how we can further consolidate our position. So that is one.

Secondly, in terms of constraints, there are, constraints means there will be several constraints. For example, you want to get into EV, we don't have the technology. If you want to do export of transformer, we don't have facility nearer the port. And then our competitors, like others in the industry, they may have global R&D. So they have last four, five years whatever we have lost out, they have gained, they have consolidated their position. So you have to do little bit of catching up team, which we are doing. So otherwise, I think everything is in order and tact. I hope I have answered your question.

**Manish Dhariwal:**

Thank you very much. In fact I asked specifically on the qualitative side because on specific the organization is not very forthcoming on some quantitative financial data. And sir, lastly, I congratulate you on the extension for one year as captain of the Company.

- Moderator:** Ladies and gentlemen, this was the last question for today. I would now like to hand the conference over to Ms. Bhoomika Nair for closing comments.
- Bhoomika Nair:** Yes, sir. Thank you very much for answering all the questions and congratulations again for a good performance and wish you all the very best. Sir, any closing comments from your end?
- Natarajan Srinivasan:** No, nothing special. I just wanted to thank each one of you and the participants for their keen interest and the support to the Company and that's definitely a word of encouragement. It will help us work with more vigor and more commitment. Thank you.
- Susheel Todi:** Thank you.
- Ramesh Kumar:** Thank you, and wish all of you a very happy Diwali.
- Natarajan Srinivasan:** Thank you. Same to you.
- Moderator:** Thank you. On behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.