



“CG Power and Industrial Solutions Limited
Q4 FY '23 Earnings Conference Call”

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MODERATOR: **MS. BHOOMIKA NAIR – DAM CAPITAL ADVISORS
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Moderator: Ladies and gentlemen, good day, and welcome to the CG Power and Industrial Solutions Q4 FY '23 Earnings Conference Call hosted by DAM Capital Advisors Limited. As a reminder, all participants' clients will be in a 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 touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Bhoomika Nair from DAM Capital. Thank you, and over to you, Ms. Nair.

Bhoomika Nair: Yes. Thanks. Good evening, everyone. And on behalf of DAM Capital, I would like to welcome you to the Q4 FY '23 Earnings Call of CG Power and Industrial Solutions. We have the senior management today being represented by; Mr. N. Srinivasan, Managing Director; Mr. Susheel Todi, CFO; Mr. Ramesh Kumar, President-Industrial Division; Mr. Mukul Srivastava, President, Power Systems and Mr. Ranjan Singh, Executive Vice President, Railways.

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

N. Srinivasan: Thank you, Bhoomika. Good afternoon, ladies, and gentlemen. Let me first extend a warm welcome to you all for this Q4 and FY '23 Annual Earnings Call. I'm Natarajan Srinivasan, Managing Director of the Company. I would like to introduce my colleagues who are with me on this call; Ramesh Kumar, President, Industrial Division; Mukul Srivastava, President Power Systems is on the call, Ranjan Singh, Head-Railways Business; Susheel Todi, CFO of the Company.

The Company performance: I will be covering both FY 2022-23 as well as Q4 FY 2022-23. Stand-alone revenue and PBT before exceptional items recorded in FY '22-'23 is the highest in the last 11 years. All the businesses grew significantly over the last year with good margins. Order book on hand as on 31st March 2023 aggregate to INR 4,319 crores.

Q4 performance: Aggregate sales for the quarter were higher at INR 1,788 crores, recording a growth of 27% year-on-year and 9% quarter-on-quarter. Profit before tax was INR 252 crores, 14.1% of sales in Q4 of FY '23 as against INR 131 crores, 9.3% of sales in Q4 of FY '22, INR 274 crores, 16.6% of sales in Q3 of FY '23. Margins were higher year-on-year on account of volume growth, softening input costs and procurement efficiencies. The free cash flow generated for the quarter was INR 263 crores. Order intake for Q4 of FY '23 was INR 2,073 crores. And our unexecuted order book as on 31st March 2023 was INR 4,319 crores. This represents about 22% growth year-on-year.

FY '23 performance: Aggregate sales for the year were higher at 6,580 crores, recording a growth of 28% year-on-year. Profit before tax was INR 927 crores in FY '23 as against INR 502 crores in FY '22. Margins were higher year-on-year on account of volume growth, higher sales realization, procurement efficiencies, and higher other income. ROCE for FY '23 was 47%

against 34% in FY '22. The free cash flow generated for the year was INR 749 crores. Order intake for FY '23 was INR 7,828 crores.

Q4 performance: Industrial Systems Q4 performance: Aggregate sales for the quarter were higher at INR 1,196 crores, recording a growth of 25% year-on-year and 3% quarter-on-quarter. Profit before interest and tax was at INR 188 crores in Q4 FY '23 as against INR 135 crores in Q4 of FY '22 and INR 213 crores in Q3 of FY '23. Margins were higher year-on-year on account of higher volumes, softening input costs, and procurement efficiencies. Sequentially, margins were lower due to product mix, Execution of firm price orders and higher input costs. Order intake for Q4 FY '23 was INR 1,436 crores, and unexecuted order book as on March 2023 was INR 2,040 crores.

FY '23 performance: Aggregate sales for the year were higher at INR 4,558 crores, recording a growth of 25% year-on-year. Profit before interest and tax was at INR 748 crores in FY '23 as against INR 464 crores in FY '22. Margins were higher year-on-year on account of higher volumes, better price realization, softening input costs, and procurement efficiencies. Order intake for FY '23 was INR 4963 crores.

Power Systems- Q4 performance: Aggregate sales for the quarter were higher at INR 593 crores, recording a growth of 32% year-on-year and 23% quarter-on-quarter. Profit before interest and tax was at INR 75 crores in Q4 of FY '23 as against INR 27 crores in Q4 FY '22 and INR 57 crores in Q3 of FY '23. Margins were significantly higher year-on-year on account of higher volumes and a favourable product mix. Further, there are one-time warranty provisions in Q4 of FY '22. Order intake for Q4 of FY '23 was INR 637 crores, and unexecuted order book as on 31st March 2023 was INR 2,279 crores, 46% higher year-on-year.

FY '23 performance: Aggregate sales for the year were higher at INR 2,023 crores, recording a growth of 33% year-on-year. Profit before interest and tax was at INR 227 crores in FY '23 as against INR 145 crores in FY '22. Margins were higher year-on-year on account of higher volumes, softening input costs, and procurement efficiencies. Order intake for FY '23 was INR 2,865 crores, representing a 33% growth year-on-year.

Consolidated results: Consolidated results include the performance of operating subsidiaries at Sweden, Germany, and the Netherlands, then mainly drives and automation in Europe and other non operating holding subsidiaries. The company has decided to divest its investment in the wholly owned subsidiary QEI LLC in USA and has engaged a third party to find a suitable buyer and presently expects to complete the divestment in the year 2023-24. In accordance with IND AS- 105, "Non-Current Assets Held For Sale And Discontinued Operations", the operations of the subsidiary, including its assets, liabilities, and net results, are disclosed as discontinuing operations.

Q4 performance: Aggregate sales for the quarter were higher at INR 1,903 crores, recording a growth of 28% year-on-year, 9% quarter-on-quarter. Profit before tax was INR 262 crores in Q4 of FY '23 as against INR 135 crores in Q4 of FY '22 and INR 285 crores in Q3 of FY '23.

Unexecuted order books of Drives and Automation, Europe as on March 31, 2023, was INR 138 crores.

FY '23 performance: Aggregate sales for the year was higher at INR 6,973 crores, recording a growth of 27% year-on-year. Profit before tax was at INR 950 crores in FY '23 as against INR 504 crores in FY '22.

Summary: FY 2022-2023 was another record-breaking year, and the company built on its strength and delivered across financial and operational parameters. Several Land marks were achieved by the business, highest ever sales by Motor Division, highest ever sales by Railways Division, and highest ever order booking for the Transformer division. The company also during the year declared and paid interim dividends after a gap of 7 years. The company prepaid all its remaining term loan of INR 100 crores and redeemed the NCDs outstanding and has become debt-free.

The Board of Directors also approved a proposal to expand the manufacturing capacity of motors at its plants at Ahmednagar and Goa an outlay of INR 230 crores and for transformers at its plant in Bhopal and Malanpur, an investment of INR 126 crores. The India ratings upgraded the company's long-term rating to AA and also the short-term rating to A1+.

With that, myself and my colleagues will be happy to answer any questions. Thank you.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. Anyone who wishes to ask a question may press star and one on your touch tone telephone. If you wish to remove yourself from the question queue, you may press star and two. Once again I request you to use handsets while asking a question. We request the participants to stick to two questions per participant. If you still have more questions, please join the queue afresh. Take your first question from the line of Nitin Arora from Axis Mutual Fund.

Nitin Arora: Hi Sir, thank you for taking my question. The first question, if you can throw some of your comments on the order intake because when we met at the analyst meeting, which you conducted, you talked about order intake continues to be strong, broad-based recovery is there. But when we look at the print, it's about just only about 8% growth in order intake. So if you can throw some light and some orders, then get finalized. That's my first question. Then I'll come to the second question.

N. Srinivasan: No, order book actually now compared to what it was last year, this is quite substantially higher. In fact, given the numbers for power division, actually, the growth is about 46%. The railway is actually what happened., the order book would have been much higher. Somehow the tenders which had to be finalized in March got postponed to the current quarter. So they will be made up in May. So Motors actually, the order get replenished month-on-month. So overall, I think the order book portion is comfortable.

Nitin Arora: Got it. And sir, generally, on the industrial and talking about the profitability on both segments, one segment, you have said that commodity softened, and it helped the margins. On the other

segment, you said commodity went up. Can you throw some light in terms of profitability? What's the outlook on both the segments in terms of margin?

N. Srinivasan: So if you analyse the last one year performance quarter-on-quarter, if you see first-quarter margins would have been lower actually. So I think the commodity, there are a number of aspects. So one is commodity prices prevailing at that point of time, commodity prices at which we book, we purchase, and then commodity prices, when we charge it off the consumption, when we are using it, all these things matter.

Therefore, so overall commodity, the fact remains that commodity prices went Yo-Yo, even currently, actually if you see the last few days, the price of copper has been going up and down. So, therefore, there is no conflict or contradiction in whatever we have mentioned. The quarters in which the prices were higher, we have stated so. At the end of it, in Q3, actually, margins really were quite high, even in those calls I have mentioned because the prices at which we booked, even the softer prices at which we booked, they got charged to consumption. It is also because if it coincides with some of the high-priced orders that we have booked earlier got realized in those months, then it adds both ways to our advantage. I hope I have made myself clear.

Nitin Arora: I got it. And sir, lastly, on the warranty provision, if you can throw why it was taken because we thought everything we are covering in terms of provision. And what is the overall exposure as a firm price contract in the overall order book? Those are my last questions.

N. Srinivasan: So it will not be possible for us to, or we don't want to share how much is on account of orders which are or are not covered by price variation. So warranty actually, it is an estimate. We are a conservative company. We always would like to be conservative in our provisioning, and when we feel that it is really required to provide some more for warranty provision then we provide. So that is the basis on which we take a call.

Susheel Todi: And you have to also note that this provision was made in last year, that is in the FY '21- 22, not in this current year.

Moderator: Thank you. We'll take our next question from the line of Mohit Kumar from ICICI Securities.

Mohit Kumar: My 2 questions. First is, sir, what would be the growth attributable to price? And what would be attributable to quantity, especially for FY '23 numbers in broad flavour?

N. Srinivasan: No, no. We have 3 businesses. I don't know whether you're asking for the company or for any one of the businesses. It will not be possible to state for the company as a whole as each business, each product are different. That is because we don't share these detail.

Mohit Kumar: Okay, understood. The second question on the industrial motors market, sir, if you can highlight what is the kind of growth expectation going forward? Maybe you can split it also in terms of a low-tension, high-tension motor? And what are the market share in FY '23, if you have?

- Ramesh Kumar N:** Yes. In LT Motors, we have a market share of 35%. That is as per the IEEMA declared till January. And for HT motors, we have 14.5%. This is also as per IEEMA data declared upto January. This is FY '23.
- Ramesh Kumar N:** So growth for the future? For this year, current year ?
- Mohit Kumar:** For this FY 23.
- Ramesh Kumar N:** Current year, almost all the segments are growing. Only steel last year was very bad. Otherwise, Water , wastewater and infrastructure, pharma, pharma was flat, but ethanol, sugar was growing very well. So last year. And this year also it continues to grow.
- Mohit Kumar:** And lastly, sir, do you expect the railways tender will improve in the coming quarters as you said that something got postponed? It has happened in Q4 FY '2023. Is that the right understanding?
- Ranjan Singh:** Pardon me. Can you repeat it?
- Mohit Kumar:** On the railways, you mentioned that some of the tenders got postponed from FY '23. Do we expect it to happen in Q1, Q2 FY '24, and do we expect the railways to be much, much stronger compared to FY '23?
- Ranjan Singh:** In terms of the order book, it will be better when the orders will be finalized in the Q1, Q2.
- Mohit Kumar:** What is the growth expectation, sir, we are looking at?
- Ranjan Singh:** Growth expectation of the business during the year?
- Mohit Kumar:** Yes.
- Ranjan Singh:s** We don't provide the details.
- Susheel Todi:** So we don't give a separate disclosure about it. But if you look at March, some of the tenders got postponed in the first week of April, and we've been awarded around some very high-value amount of the order in the first week of April. But we can't disclose a separate number for the railway. But probably when we discuss in the analysts call, this is what we can tell you.
- Mohit Kumar:** Understood Sir. Thank you.
- Moderator:** We'll take the next question from the line of Bhavin Vithlani from SBI Mutual Fund.
- Bhavin Vithlani:** Congratulations for great set of numbers. I have 2 questions, both pertaining to the industrial segment. If you could help us about the competitive landscape on both LT HT motors because we understand while incumbent like yours and ABB are almost doubling, but we see some of the recent entrants, like TMEIC, WEG, etc., also setting up significant capacities. So just help us understand about the competitive landscape. That's one. The second is on the railways front,

if you can help us understand how does the changing landscape of the incremental growth shifting towards the 9,000 horsepower and 12,000 horsepower locos impact or benefit CG?

Ramesh Kumar N: Yes. See, obviously, as you rightly said, WEG and these people are putting up the capacities. It is not just for the Indian market. And now, today, worldwide, people are looking at the Indian market. So people are shifting, whether it is ABB. I don't know of ABB doubling, definitely not in LT motor or HT motor. They are maybe doubling over all their rotating business, which includes the automation. So definitely, the capacities are putting up by the people. And as of now, if you see, the no. 2 is half of our turnover. So catching up time will take. And we are also, as Mr. Srinivasan said, that we are also planning for a capacity expansion.

Bhavin Vithlani: Sir, if you could help us, how does this impact the margins? Because today, you're running almost at near-optimal utilization as these capacities come up, does this impact profitability?

Ramesh Kumar N: See, these industrial products, mostly LT Motors, and FractionalHorsepower motors motor, these are all commodities. Except for the time lag for passing on the material cost to the market that will take about 2 to 3 months. Otherwise, it is realized when the material cost goes up. And also, it will be passed on when the material cost goes down. So it will not have any impact as far as profits are concerned.

Ranjan Singh: The next part you had asked is whether the competitive landscape is changing in the procurement methods of the railway. This is on a PPP-type model where the companies would be asked to manufacture the locomotives in the railway premises. One of the tenders is out that is of 9,000 HP which Siemens has got. 12,000 HP still postponed till August, and we still don't know when it's going to be finalized. The supply would start to happen after two years, till such time we see a distinct continuity of policy of Indian Railways for manufacturer of the current 6,000 HP locomotives, and we do not see too much of a change in terms of our outlook for the next two years.

Moderator: Thank you. We take the next question from the line of Alok Ranjan from IIFL AMC. Please go ahead.

Alok Ranjan: Sir, my first question is related to the Industrial segment, where our order book has kind of remained flattish 2% to 4% growth in the order book and order inflow. So is this the reflective of the system-level ordering in that segment? Or does this indicate the capacity lower, higher capacity utilization that we have in this segment and that's why we are not able to take the order inflow that we can?

Ramesh Kumar N: Generally, if you have seen the volatility of the commodity happens too much, at that time, we also be very cautious in taking the orders as well as the channel partners. And now stocking also will be very cautious. So that is the reason it is shown as flat or maybe a small growth.

Alok Ranjan: And given this backdrop, sir, how should we think about the growth in the segment, industrial segment?

- Susheel Todi:** So first of all, clearly, we don't give any guidance about the growth. So I don't think we are disclosing about the growth. But yes, we're always saying about the double-digit on the higher side.
- Ramesh Kumar N:** And sectors are growing. All the sectors are growing. So investments are good. So we are hoping that things will be better.
- Alok Ranjan:** Perfect. And sir, the second question is on clarification. The note that you have posted in terms of divestment and investment in wholly owned subsidiaries, QEI LLC. So could you just help me understand this is a wholly owned subsidiary of CG Power America? And we are divesting this step-down subsidiary. The line item that we have mentioned in the P&L, is that the reflective in the fair value and the difference in the net book value, which is there as of March 23?
- Susheel Todi:** No, it is not reflecting that. It is just simply the performance of that entity.
- Alok Ranjan:** And whether we should expect any indirect impact of this divestment on India operations because of the selling of that entity, sir?
- Susheel Todi:** No, we don't see any impact.
- Moderator:** Your next question is from the line of Rahul Gajare from Haitong Securities. Please go ahead.
- Rahul Gajare:** Firstly, congratulations on the strong overall performance and further strengthening of the balance sheet. Could you indicate the strong order book that you've got, how much of that comes from the international orders, if any, in the order backlog?
- N. Srinivasan:** International?
- Rahul Gajare:** Yes, sir.
- N. Srinivasan:** International cannot be significant, mostly all domestic orders only. Because you see railways 100% is generally it's a domestic barring, very small portion of our exports of some railways, etc. The Motors is also substantially domestic. So while I'm not putting a number, you can say substantially they are all domestic.
- Rahul Gajare:** Because I think in the third quarter, this number was around INR 146 crores. So that's what I was just trying to see whether there has been improved traction from the international market or more flattish?
- N. Srinivasan:** So I think if you want, we have to just compute and then let you know, but they are substantially all domestic orders.
- Susheel Todi:** So it is in industrial, there are mainly domestic orders. In power, we do bit of export, which is usually around 10% of the order book, you can take it.

Rahul Gajare: Okay. Sir, my second question is, is it possible you can share the order intake for the fourth quarter of last year? And also connected with that, we've seen a significant increase in the unallocation in the segmental performance. So if you can comment on that also.

Susheel Todi: So the last year quarter 4 number, you need the order intake number, right?

Rahul Gajare: That's right.

Susheel Todi: That I think we can give to you separately.

N. Srinivasan: We can take it offline. So we'll be able to share.

Susheel Todi: And with respect to unallocable expenses are you talking about?

Rahul Gajare: Yes.

Susheel Todi: So I don't think there is any increase in that number because last quarter, we had our interest reversal with regard to the NCD, so that it was around INR 18-19 crores. That is why it was minus in the last year. So this year, there is no such other income. So that is why it is coming positive.

Moderator: We take your next question from the line of Renu Baid from IIFL Securities.

Renu Baid: Congratulations, sir. If you look last 2 years, the CG journey has been pretty phenomenal in terms of turnaround and coming back on the growth train. So strategically, what from here on, what are the top 3 or 4 areas of focus for the management to the fiscal '24-25? And we have outlined capex of about INR 350 crores despite having a cash chest of INR 700 crores and generating almost a similar FCF annually. So how do you plan to leverage the balance sheet to drive the next level of growth?

N. Srinivasan: So just to be brief. In Motor, if you ask, we have announced an expansion to double the capacity. So therefore, we would really focus on apart from the domestic market, we want to focus on exports. We also would like to look at some large MNC orders based on what we're looking to source from India based on the China plus one strategy. Then we want to manufacture motors for electric vehicles. So these are the 3 or 4 directionally we want to work on with respect to motors. Then if you look at power, the domestic demand is very strong. We have been setting the business both in terms of top line as well as the bottom line, in doing this business carefully to focus on margins. There also we have announced some expansion, which, of course, is not a great capacity. It will take up our turnover by around 1,000 crores. If there are any opportunities, we are looking to further expand the transformer capacity, here the idea will be to position yourself to cater to the domestic demand, which in my view, is expected to grow at least for the next 4 to 5 years.

And as far as railways is concerned, we have always been a product company. We are trying to fill the gaps in technology. For example, we are strong in propulsion. There are certain areas in propulsion where we have gaps, we are trying to source technology for that. We also would like

to see how we can, if not directly, fastest will be to participate with other people in a consortium approach for the large tenders which are coming in project orders. If that is not possible, then whoever has got the orders, whether we can work for them in a subcontracting manner. So internally, we are positioning ourselves with keeping ourselves with respect to the acquisition of technology and then skill gaps, etcetera. So all the 3 businesses have got good opportunities for growth. So this is how we are trying to step the efforts to increase our growth.

- Renu Baid:** Got it. Any update on the EV side or still WIP and it will take some more time?
- N. Srinivasan:** WIP only. So it will take some time.
- Renu Baid:** Got it. Sir, secondly, I mean last year, we had started on this journey of operational excellence, lean manufacturing, and factory productivity-related initiatives. So where are we with respect to this journey, are the benefits now fully accrued in the P&L, or do you think there could be some more headway in terms of the operating margins from these initiatives for fiscal 24'?
- N. Srinivasan:** So this journey has no destination. It will keep on going. There is no destination. We can't say we have completed everything and then we are finished. Of course, the major initiative, which we are starting, will still continue for at least one more year. Thereafter, whatever we have learnt, we will continue to apply and operate. And some of the margins which we are seeing higher margins, at least a certain portion is attributable to all these gains, whether it's on account of operational excellence lean, productivity increase, etcetera, it's certainly on account of this. So this will continue.
- Susheel Todi:** And also adding our capacity without incurring much capex. So that is also helping us.
- Renu Baid:** Sure. And one last question, if I can ask. Would it be possible for you to briefly share how was the product category-wise growth number for transformers, switchgears, motors, railway and the consumer portfolio?
- N. Srinivasan:** No, We cannot share ...
- Renu Baid:** Alright, should not be a problem. Thanks a lot and all the best sir.
- Moderator:** We'll take your next question from the line of Harshit Patel from Equirus Securities. Please go ahead.
- Harshit Patel:** Sir, my first question is on our capex plan. Apart from motors and the transformers capex that we have announced in the first quarter, you had also spoken about doing some debottlenecking to release some 15% to 20% of the capacity at a capex of almost INR 230 crores. But sir, while we see our overall capex numbers for FY '23, that number seems very weak, vis a vis that guidance. So could you please explain the gap in that?
- N. Srinivasan:** No. Gap is that it is taking time to implement the capex. We have taken more time either because we want to optimize looking further or because we want to combine it with, in some cases with the expansion proposals so that overall economics will be better. So that's it, actually. So it's

nothing, we have not withdrawn any capex, there might be in terms of timing, the best way of doing it instead of today and maybe instead tomorrow along with other capex, etcetera. So each BU is taking their own decision. So it will happen.

Harshit Patel: Sir, my second question is on the railways front. Could you give us our FY '23 sales order and order book for the railways business?

Ranjan Singh: We are not providing the same in details because there are segments which are served by our power segment as well as in the industry. So normally, we are not providing the breakup of railway as a separate purchase or an intake and backlog.

Harshit Patel: No problem, sir. Sir, just lastly, sir, when I look at our overall liabilities front, the discontinued life and the liabilities for the discontinued operation is almost INR 714 crores. Sir, could you explain why this number is so high? Anything you think that we'll have to pay in the future? So is the INR 714 crores entirely pertaining to this QEI LLC that we are going to divest?

Susheel Todi: No, it is relating to many other dormant subsidiaries, right, Ss those subsidiaries are under voluntary liquidations or are under NCLT levels. So as of now, we do not see any liabilities that are payable against that INR 714 crores. And we can share the numbers for the railway if you want, for the full year is INR 1,120 crores for the railway. Yes, it is for the '22 '23. So it's a part of the industrial systems. And our order book remains at around, including the order which we got it in the first week of April, it comes to around INR 970 crores.

Harshit Patel: Okay. So this is INR 970 crores are total orders or the outstanding orders?

Susheel Todi: Outstanding orders. So it is the order book position.

Harshit Patel: Order book position. Okay. So this entire thing pertains to only industrial systems, right? And power systems would be on top of this?

Susheel Todi: Yes. This is only we talked about the railway orders.

:N. Srinivasan: So the total order book is the unexecuted order book we have mentioned.

Susheel Todi: INR 4,400 crore.

:N. Srinivasan: INR 4,319 crore, we already mentioned in the press release.

Moderator: We'll take the next question from the line of Dhavan Shah from Alfaccurate Advisors. Please go ahead.

Dhavan Shah: I have a question on the capacity of utilization for the LT and HT Motor. So you highlighted roughly 80% to 85% of utilization last quarter. So what was the number at the end of Q4?

Ramesh Kumar N: It's almost similar.

Susheel Todi: It remains the same.

- Dhavan Shah:** Okay. So on a quarter-on-quarter basis, we have seen the growth. So is that roughly driven by the realization growth? Is that a fair assumption?
- Susheel Todi:** Volume and price both.
- Ramesh Kumar N:** Volume and price and also product mix.
- Dhavan Shah:** Okay, okay! Fine sir, thank you.
- Moderator:** We'll take the next question from the line of Dhiren Merchant from Aurora Limited. Please go ahead. Dhiren Merchant, your line is unmuted, please go ahead and ask your question. If you have muted yourself on your device, please unmute and ask your question. Mr. Dhiren Merchant? There is no response from Dhiren Merchant, so we move on the next question. Our next question is from the line of Abhilasha Satale from Quantum AMC. Please go ahead.
- Abhilasha Satale:** Thank you for the opportunity. Congratulations for the good set of numbers. So my question is regarding the power segment. We have seen around a 33% increase in the order intake for this segment. And even the order book remains strong. So what has driven this kind of increase in the overall orders, how is the outlook for the current year? And what is your average execution period of the same?
- N. Srinivasan:** So the reason for the increase is actually purely investments that are being made in the energy sector. The power sector is witnessing a lot of investments. So therefore, as a result, demand for our products gaining momentum. I think, as I said earlier, the demand will continue to be strong for this year. What is the third question?
- Abhilasha Satale:** So average execution period.
- N. Srinivasan:** See, it depends on the product. So some can be executed in 3 months and can be 7 months, depends on the type of products, we cannot generally say one time period.
- Moderator:** We'll take our next question from the line of Mayank Chaturvedi from Equirus Securities.
- Mayank Chaturvedi:** Thank you for the opportunity sir. Just wanted a clarification on the railway number that you did say. So you said the railways business as a whole achieved a sale of INR 1,120 crores, or is it only from the Industrial Systems segment?
- Ranjan Singh:** Yes, INR 1,120 crores out of the industrial segment, If you add Power it would be a bit more.
- Mayank Chaturvedi:** So in the last quarter, you said that it would be an INR 80 crores revenue run rate from the power system. So would it be closer to that number?
- Susheel Todi:** Yes, yes. Right.
- Mayank Chaturvedi:** Okay. And sir, what was the orders intake for the railways business for FY '23?
- Ranjan Singh:** FY '23 Order intake was INR 113 crores.

- Mayank Chaturvedi:** So this is only from the Industrial Systems business.
- Ranjan Singh:** Yes.
- Mayank Chaturvedi:** Okay. And that does not include the orders that we received in first week of April, right?
- Ranjan Singh:** Yes. LNS order was received in the first week of April.
- Mayank Chaturvedi:** Okay. And what would be the orders that we received in the Power Systems segment?
- N. Srinivasan:** No, the order that we have received this year?
- Ranjan Singh:** In FY '23 in the railway segment?
- Mayank Chaturvedi:** Yes.
- Ranjan Singh:** It should be in the range of, I think, INR 200 odd crores.
- Mayank Chaturvedi:** So INR 1130 plus 200. Right? For the railways business.
- Ranjan Singh:** So we said sales were INR 1,123, and approximately INR 200-odd crores would be the sale that has happened extra from Power side.
- Mayank Chaturvedi:** Okay, Okay sir, thank you sir. That would be all.
- Moderator:** We'll take your next question from the line of Sanjay Kumar from itthought PMS. Please go ahead.
- Sanjay Kumar:** I just wanted to understand the end-user or the application for the transformer capex that we are putting up, the first question. So from the previous quarter, you released a presentation where you mentioned the drivers of the Power segment, one was the TBCB projects or the transmission of the 300 gigawatts of renewable energy. That should be roughly INR 20,000 crores opportunity, right? Just the transformer piece for transmission of 300 gigawatts capacity.
- N. Srinivasan:** I'm not able to understand your question. Anyway, I will ask Mr. Mukul, our business head to answer if he has understood your question.
- Mukul Srivastava:** Oh same sir. Can you repeat the question?
- Sanjay Kumar:** So for transmission of 300 gigawatts, the Ministry of Power came out with a detailed report mentioning the transmission capacity needed. And you had also quoted that TBCB projects worth INR 2 lakh crores is expected in the next 5 years. Of this INR 2 lakh crores, what will be the transformer opportunity?
- Mukul Srivastava:** Transformer opportunity will be close to around 10% of that.
- Sanjay Kumar:** Okay. That's what I mentioned. So INR 20,000 crores. But all of this should be 400 kV, 765 kV right? But we are putting up a capacity for 220 kV, is what I understand at T3 Bhopal.

- Mukul Srivastava:** No. We are putting a capacity for transformer, which can make 220 KV and 400 KV all transformer because this is a way in which our winding machines are there, and this can cater to all 3 ranges firstly. The second thing is TBCB projects are also in the range of 220 KV also.
- Sanjay Kumar:** Okay. And sir, the second capex is at Malanpur, there's the PPT states that the capacity addition is to 145 KV, which sector will be the driver for this segment, sir, the low-power transformers?
- Mukul Srivastava:** See, actually, low power transformer. I mean, this is our internal classification of undefying it as low power. But actually, this goes up to 50 MVA transformers up to 145 KV range. And these are largely used by the utilities within the district or the community network of the state. So this is a large driver.
- Sanjay Kumar:** Okay. And second on motors. So I heard that NPCIL has approved us as the vendor for primary coolant pump motors. Is that true or are we yet to be on board?
- Ramesh Kumar N:** You are right. We have been approved as a second vendor.
- Sanjay Kumar:** So BHEL has been supplying or has been asked to supply so far. What has been the opportunity for us in the nuclear sector, from NPCIL ?
- Ramesh Kumar N:** See, The opportunity is big because of the first order, which we have achieved for 10 numbers last year, infact by the end of the year. And it will be at least 40 to 60 tenders are likely to come in next maybe 2 years' time.
- Sanjay Kumar:** 40 to 60 and 1 motor will be approximate value, sir?
- Ramesh Kumar N:** We can't share that.
- Sanjay Kumar:** Alright, that's it from my side.
- Moderator:** We'll take the next question from the line of Vikas Srivastava from RBC Financial Services.
- Vikas Srivastava:** Just wanted to get a flavour again on the consumer product. If you could get -- I know you won't give any forecast, but when do we expect this to get into our segmental reporting turnover crossing 5%? I mean a general outlook for the next 2, 3 years in terms of how material or substantial can it become for the overall CG business, whatever the best you can share and what are the reasons we have introduced our products? So whatever is there in the public domain in terms of the introduction of consumer products and how has it been received in the market?
- Ramesh Kumar N:** See, the purpose of launching this is that CG is a well-known brand and a well-known brand in not only industry, but in household brands. So that is the reason. And we know this business very well, and we had channel partners who were doing this business earlier. So that is the reason we have launched. And we can't give you the exact numbers, but we have done significantly well in the last year for 2 products which we have launched, the pumps and the fans. And maybe we will be adding some more products -- expansion of this product range, and we have big plans for this business going forward.

- Moderator:** We'll take the question from the line of Manish Dhariwal from Fiducia Capital Advisors.
- Manish Dhariwal:** Sir, as you rightly noted, that Company is a very, very strong brand and is also one of the most acceptable brands even in the households, and you have tried to grab the opportunity. Then you must have obviously observed that the consumer side of the business, which was earlier held by some private equity players, they are undergoing huge problems. And the management of your company has also stated that you have a very strong inorganic acquisition appetite as well. So given these kind of market scenarios, can you throw some light on how your growth aspirations will be met by, say, inorganic ways? By inorganic, by maybe acquisition, or some sort of some acquisitions?
- N. Srinivasan:** No. So I think one thing as the philosophy, very inorganic or organic opportunity, we evaluate. If it makes commercial sense, we go ahead. That is the simple logic. Even CG itself for Murugappa was an acquired opportunity. I don't know whether I have answered your question. We have to evaluate if it makes commercial sense. And if there is an opportunity, we can pursue that.
- Manish Dhariwal:** The second question would be like on a little strategic perspective of maybe about a 3- to 5-year outlook. So basically, your case study in how a turnaround can be done in a successful manner. And I think all the losses that the organization had undergone because of its wrong management practices have been kind of recovered.
- Now sir, I guess, in some level, it was the low-hanging fruit. Now so going ahead, sir, it would be very helpful if you could share as to how you are looking at the future and what kind of share of the revenue can be contributed by the new initiatives. So over a period of 5 years. So I'm not doing a short-term thing, so we are long-term investors. So we would like to understand.
- N. Srinivasan:** So this is actually a Q4 earnings call. So you are asking me to answer some questions for next....
- Manish Dhariwal:** But this is the only opportunity you give us now to connect with you.
- N. Srinivasan:** I know I have some time back to answer the question, what about the growth areas and how are we looking at, etcetera? Business by business what we are trying to do is I have said that. At this point in time, we are not doing anything new. We are really trying to consolidate and strengthen our core. We want to consolidate our industrial systems, railways, and power systems in all the businesses there are big opportunities. The first initial attempt was to regain the market share which we lost, which we have done. So now we are trying to see how we can consolidate and strengthen our position. If there are no opportunities here, we should look for them immediately. So this is what we are doing at this point.
- Moderator:** We'll take the next question from the line of Mayank Chaturvedi from Equirus Securities.
- Mayank Chaturvedi:** I just had a question on the Motors business. So with the softening commodity prices, have we passed on that price benefit to our dealer network?

- Ramesh Kumar N:** Yes. I told you that there will be a time lag. When the price goes up, recovering will take about 2 to 3 months' time. And obviously, when the price goes down drastically. So again, as I said, it is a commodity product, there is a competition. So we need to pass it on very carefully. But our realizations will be protecting our margins. Realizing r passing on will happen.
- Mayank Chaturvedi:** And sir, why I asked this question is because I was going through the price list that CG Power comes out with their dealers and the price that's been coming for April '23. What I can observe is it's 10% to 15% higher than what was in effect for FY '22 or FY '23. So that's why I asked this question. So is it that instead of revising down the prices, we have increased our prices or something like that has happened?
- Ramesh Kumar N:** In quarter 4, if you see the prices have gone up, copper has crossed \$9,000 even it went up to 10,000 and now it has come down. So generally, the practice in the industry is that every year, the price list is revised, and the discount what we pass it on based on the commodity price.
- Mayank Chaturvedi:** Okay. So all in all, the prices have been revised upwards, and the discount to dealers remain the same?
- Susheel Todi:** Yes. I think he answered your question, right? That's too much of volatility in the commodity prices. So it depends on the situation, we decide everything. So I think he answered your question. So as of now, the price revisions are not there. Whatever prices were there, those are there for the '22, '23.
- Moderator:** We'll take the next question from the line of Bhavin Vithlani from SBI Mutual. Please go ahead.
- Bhavin Vithlani:** The question is on the consumer products piece. If you could help us with the market share in the pumps and the fans business at the exit quarter? What is the kind of growth we see and are we incurring losses at the initial stages?
- Moderator:** So Mr. Vithlani, please go ahead and ask your question again.
- Bhavin Vithlani:** Okay. So the question is on the consumer piece. Could you help us with the market share in the pumps and the fans in the exit quarter of March? And given that you are much smaller and starting, what's the kind of growth we see, and are we incurring losses being the initial stages?
- Ramesh Kumar N:** We are not incurring losses. Growth, obviously, it is multi-fold because we are a very small player. And as you rightly said, we are just beginners, we are at the single-digit market share as of now.
- Bhavin Vithlani:** Is it possible to highlight the market share for the pumps? Is it like 7%, 8%?
- Ramesh Kumar N:** No, not up to that level. It is a little less than that, and fans also. Both are below 5%.
- Bhavin Vithlani:** Okay. And would you be able to share a 3-, 4-year perspective? What's your aspirational market share in each of these products and the efforts we are taking to achieve that?

- Susheel Todi:** No, I think we have been telling that 3 to 5 years, our target is around INR 1,000 crores in the absolute numbers.
- Moderator:** We'll take our next question from the line of Alok Ranjan from IIFL AMC. Please go ahead.
- Alok Ranjan:** Sir, just one question related to the 2 industrial and the Power Systems segment. Is it possible to help with the replacement order and the new project order, like the growth that we have in FY '23, In the 2 segments? Is it possible to give some sense of how much we generally get from the replacement demand and how much from the new project demand?
- Ramesh Kumar N:** There is more of new projects only. The replacement is because you see motor's life is almost about 20 years, okay? So the replacement market is generally catered by the channel partners. So we will not get to know exactly how much is going for the replacement market. But to the best of our ability to estimate is about 20% to 30% is the replacement. The rest of the market is for the new projects. New projects, new OEMs who manufacture the equipment.
- Alok Ranjan:** Got it. And can we infer that, sir, in that case, for our company, the services portion will always be kind of very low like FY '22, I think it was closer to 1%? So it will remain kind of maybe low single-digit kind of.
- Ramesh Kumar N:** Service revenue you're talking about?
- Alok Ranjan:** Yes, yes.
- Ramesh Kumar N:** Yeah, generally, yes.
- Moderator:** Thank you. Ladies and gentlemen, we have reached the end of the question-and-answer session. And I'd now like to turn the conference back over to Ms. Bhoomika Nair from DAM Capital for closing comments. Over to you, ma'am.
- Bhoomika Nair:** Yes. Thank you very much. On behalf of DAM Capital, we would like to thank the management for giving us the opportunity to host the call and also the participants for being on the call. Thank you very much, sir, and wish you all the very best.
- N. Srinivasan:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you for joining with us, and you may now disconnect your lines.