

# **CG Power and Industrial Solutions Limited**

## **Q4 FY24 Earnings Conference Call**

**May 06, 2024**



**MANAGEMENT:** **MR. N. SRINIVASAN – MANAGING DIRECTOR**  
**MR. SUSHEEL TODI – CHIEF FINANCIAL OFFICER**  
**MR. RAMESH KUMAR – PRESIDENT (INDUSTRIAL DIVISION)**  
**MR. MUKUL SRIVASTAVA – PRESIDENT (SWITCHGEAR DIVISION)**  
**MR. AJAY JAIN – VICE PRESIDENT (TRANSFORMER DIVISION)**  
**MR. CHIDAMBARAM BALAKRISHNAN – VICE PRESIDENT (RAILWAY DIVISION)**

**MODERATOR:** **MS. RENU BAID PUGALIA – IIFL SECURITIES**

**Moderator:** Ladies and gentlemen, good day and welcome to Q4 FY24 Earnings Conference Call of CG Power and Industrial Solutions Limited hosted by IIFL Securities Limited.

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

I now hand the conference over to Ms. Renu Baid Pugalia from IIFL Securities Limited. Thank you and over to you madam.

**Renu Baid Pugalia:** Thank you. Good evening ladies and gentlemen. On behalf of IIFL Securities, I would like to welcome you all to the 4<sup>th</sup> Quarter FY24 Earnings Conference Call of CG Power and Industrial Solutions.

Today from the Management we have with us, Mr. N. Srinivasan - Managing Director, Mr. Susheel Todi - Chief Financial Officer, Mr. Ramesh Kumar - President (Industrial Division), Mr. Mukul Srivastava - President (Switchgear Division), Mr. Ajay Jain - Vice President (Transformer Division) and Mr. Chidambaram Balakrishnan - Vice President (Railway Division).

Without taking much time, I now hand over the call to Mr. N. Srinivasan for his opening comments, after which we can start with the Q&A.

Thank you and over to you, Sir.

**Natarajan Srinivasan:** Thank you, Renu. Good afternoon ladies and gentlemen.

Let me extend a warm welcome to you for this Q4 and FY23-24 Annual Earnings Call. I am 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 (Switchgear Business), Ajay Jain - Vice President

(Transformer Business), Chidambaram Balakrishnan – Vice President  
(Railway Business), Susheel Todi – CFO.

### **Company Performance in Q4:**

Performance in FY23-'24 for a Q4, sales grew year-on-year by 17% and PBT grew by 25%. For the Financial Year 2023-24, sales grew by year-on-year by 16% and PBT grew by about 24%.

### **Now Q4 Performance Standalone:**

Aggregate sales for the quarter were higher at Rs. 2084 crores recording a growth of 17% year-on-year, profit before tax before exceptional items was at Rs. 316 crores as against Rs. 252 crores in Q4 of FY23. Margins were higher year-on-year at 15.2% of sales as against 14.1% of sales last year on account of higher realizations, favorable product mix and cost efficiencies in Power Systems. Free cash flow generated in the quarter was Rs. 178 crores.

Unexecuted order book as of March 31<sup>st</sup> 2024, was 45% higher year-on-year at Rs. 6276 crores against Rs. 4319 crores as of March 31, 2023.

### **FY24 Performance:**

Aggregate sales for the year were higher at Rs. 7,610 crores recording a growth of 16% year-on-year. Profit before tax was at Rs. 1,146 crores as against Rs. 927 crores in FY23.

Margins were higher year-on-year at 15.1% of sales as against 14.1% of sales last year, on account of higher realization, favorable product mix, cost efficiencies and execution of export orders with better margins in Power Systems and higher other income. This was partially offset by pricing pressure in Low Tension Motor business due to increased competition.

ROCE for FY24 was at 37%. Free cash flow generated for the year was Rs. 784 crores.

### **Segment-Wise Performance:**

Industrial Systems –

**Q4 Performance:**

Aggregate sales for the quarter were higher at Rs. 1,263 crores recording a growth of 6% year-on-year. PBIT was at Rs. 175 crores, 13.9% of sales as against Rs 188 crores, 15.8% of sales in Q4 FY23.

Margins were lower year-on-year on account of pricing pressure in Low Tension Motors due to intense competition.

Unexecuted order book as of March 31, 2024, was 25% higher, year-on-year at Rs. 2,544 crores versus Rs. 2,040 crores as of March 31st, 2023.

**FY24 Performance:**

Aggregate sales for the year were higher at Rs. 5,015 crores recording a growth of 10% year-on-year. PBIT was at Rs. 748 crores 14.9% of sales in FY23 as against Rs. 748 crores, 16.4% of sales in FY23.

**Power Systems****Q4 Performance:**

Aggregate sales for the quarter were higher at Rs. 821 crores recording a growth of 39% year-on-year. PBIT was Rs. 152 crores, 18.5% of sales has against Rs. 75 crores, 12.7% of sales in Q4 of FY23.

Margins were higher year-on-year on account of higher realizations, favorable product mix, cost efficiencies and better operating leverage.

Unexecuted order book as of March 31, 2024, was 64% higher year-on-year at Rs. 3,731 crores as against Rs. 2,279 crores as of March 31<sup>st</sup>, 2023.

**FY24 Performance:**

Aggregate sales for the year were higher at Rs. 2,598 crores, recording a growth of 28% year-on-year. PBIT was at Rs. 416 crores, 16% of sales as against Rs. 227 crores of 11.2% of sales in FY23.

**Consolidated:**

Consolidated results include performance of the operating subsidiaries at Sweden, Germany and Netherlands, CG Adhesive Products Limited, India, CG Semi Private Limited, India and other non-operating and holding subsidiaries.

Aggregate sales for the quarter were higher at Rs. 2,192 crores recording a growth of 15% year-on-year. PBT was Rs. 307 crores in Q4 of FY24 as against Rs. 262 crores in Q4 of FY23 and Rs. 264 crores in Q3 of FY24.

**FY24 Performance:**

Aggregate sales for the year higher at Rs. 8,046 crores recording a growth of 15%. PBT was at Rs. 1,137 crores, 14.1% of sales as against Rs. 950 crores, 13.6% of sales in FY23.

**Summary:**

- FY23-24 was another record-breaking year with the outperformance across financial and operational parameters.
- Several landmarks were achieved by the business:
  1. Switchgear and Transformer business achieved highest ever sales, highest ever order inputs and profits.
  2. Railways business achieved highest-ever sales, order input and profit.
  3. Increase in market share of Motor business on a higher base and against the stiff competition.

**Highlights of the year include:**

- The Company received approval from the Union Cabinet under India's Semiconductor Scheme to set up an Outsourced Semiconductor Assembly and Test (OSAT) facility at Sanand, Gujarat. Estimated investment on the project over a period of five years is Rs. 7,600 crores. The same is expected to be funded

by a combination of government subsidies, equity contribution and potential bank borrowings as required. Renesas Electronics Corporation, Japan and Stars Microelectronics, Thailand are the Technology and Joint venture partners for this venture.

- India ratings upgraded Company's long term credit rating from AA/ stable to AA+/ stable.
- The Company declared and paid an interim dividend of Rs. 199 crores (Rs. 1.3 per share) in March 2024.
- The Board of Directors also approved an expansion capex for Switchgears in the Nasik plant at Rs. 155 crores, Power Transformers in Bhopal at Rs. 31 crores and HT Motors, Bhopal at Rs. 35 crores. Total capex for expansion approved till date is Rs. 662 crores.
- During the year, the Company sold its subsidiary QEI LLC at America. The entire sale proceeds have been realized.
- Audited Financial Statements with detailed notes are available at Stock Exchange filing and the Company's website.

Between myself and my colleagues will be happy to answer any questions. Thank you.

**Moderator:** First question is from the line of Mohit Kumar from ICICI Securities.

**Mohit Kumar:** My first question is on the order inflow for the particular quarter, especially for Industrial is up by 33% Q-O-Q and 45% Y-O-Y. Can you please throw some more details on this Industrial uptick and is it primarily of Railways or is ex-Railways business which has shown the uptick.

**Natarajan Srinivasan:** So, the Industrial consists of both Motors and Railways, there's a large part of the order inflow has come from Railways, so that's speaks of the higher order inflow for this quarter.

**Mohit Kumar:** The last few calls you said that the Industrial Motor business is slightly on the in the sense, there is a lower activity. Are you seeing any uptick now? Do you think this will come post the election?

**Natarajan Srinivasan:** Exactly. So, we feel that the situation will be clearly known after the elections right now, because of the elections the activities and some of the projects going slow, etc., are quite visible. So, I think we will have to wait for one more quarter for the activity to pick up.

**Mohit Kumar:** Sir, my second question is on the semiconductor opportunity. Is it possible to comment on the timelines when do you think you will be giving us more details or some or when do you think the revenues will start flowing for this particular segment. It can help us to understand what is the right to win in this segment?

**Natarajan Srinivasan:** So, I think, one thing it is a long gestation project, it will take about four years to implement the project. So, right to win is, I think there is a huge amount of demand, the fact that government wants these projects to come up with substantial help from them speaks of a huge demand. I think the whole semiconductor industry is growing globally. It's growing in India also, complete dependence on imports, expected to be a good amount of demand. So, we are also partnering some of the world leaders with some amount of buyback of the finished product. With all this we expect, once the project is well implemented I think there is a right to win always; that should not be a problem.

**Mohit Kumar:** When do you think that the revenues from this particular segment will start contributing to the top line?

**Natarajan Srinivasan:** It will take four years at least.

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

**Rahul Gajare:** Sir, can you talk about the volume growth in the Industrial segment, because I believe that given the competition, we have seen pricing pressure? Can you talk about the volume growth that you have seen in the 4th Quarter and full year? And also, whether the competitive intensity have already eased to some extent, that's the first question.

**Ramesh Kumar:** See from Quarter 3 onwards, it has shown positive, Quarter 3 standalone is about 15%, so for January and February the growth

results have come. It is almost about 12%. The market volume growth I am talking about, and CG is also at the same level.

**Rahul Gajare:** The intensity has begun to ease?

**Ramesh Kumar:** No, because if you see the copper prices also have suddenly gone up in last 1-1.5 month by \$1000. So, as long as the commodities are stable, it is very difficult to predict the price realization in the market.

**Rahul Gajare:** So, my second question is with respect to the revenue on the Industrial segment, I think in the 3rd Quarter, you did indicate that there was some revenue deferral of almost some Rs. 35 crore rupees, first whether that revenue deferred has already been booked in the 4th Quarter and are there any more deferrals that also, you are seeing in the Industrial segment?

**Susheel Todi:** No, we never said in the Industrial System, it was actually in the Power System.

**Mohit Kumar:** Okay, so that Rs. 35 crore was in the Power segment.

**Susheel Todi:** Yes.

**Mohit Kumar:** So, my last question is on, given that you all are adding significant capacity both in Transformer and Motor, and I think Transformer was supposed to get commissioned in the 4th Quarter. Are there any thoughts on adding manufacturing capacity on the Drives side given that there is a strong Industrial demand and limited players, and obviously better profitability? What is your thought on adding capacity in India, because right now your Sweden capacity is full?

**Natarajan Srinivasan:** So, we are working on various options to grow this Drives business. We have a unit in Sweden. So, along with them, how do we increase that currently is under discussion. Certainly, our focus is to grow this business multifold. We have not firmed up our actions yet. It may be including increasing capacity, maybe one of the options.

**Mohit Kumar:** Are you looking at doing some manufacturing in India or if you are looking at adding capacity in Sweden?



**Natarajan Srinivasan:** Currently it's not yet finalized; we are just looking at various options.

**Moderator:** The next question is from the line of Subhadip Mitra from Nuvama Wealth. Please go ahead.

**Subhadip Mitra:** Firstly, Sir, with regards to Power segment, it is quite strong in the current quarter. Margins are also seeing an up tick. Would we say that margins are maintainable in these high teen ranges, or is it that there is some one off in this quarter?

**Natarajan Srinivasan:** So, there is no one off actually. As just my colleague in previous questions has said copper prices have gone up. By and large if the material prices stay where they are, I think we may be able to maintain margins in this segment as projected.

**Subhadip Mitra:** Understood. Also, with regard to the Railways segment, because as you mentioned earlier that the Railways and the Power segments seem to be the larger or the high growth segments right now, whereas probably the Industrial segment is on a slightly lower pace of growth. So, how would you see the overall margins behaving? Would we see that the higher growth and the higher margin in Power and Railways segments more than offset the slight weakness on the Industrial margin?

**Natarajan Srinivasan:** We have discussed this margin question a number of times. We can't assume that the margins in Industrial will be lower, post-elections as we said, things improve dramatically it can come back. We are a very high-volume player. We have the advantage of economies of scale in Motors. Therefore, we can't say that Motors what have been whatever is there in the last two couple of quarters based on that I am not willing to conclude margins would be lower in Motors number one.

See Railways and Power both are tender business. I don't get my price separately. I have to bid to win the order. Therefore, in Railways for example again there's stiff competition. If I quote well and then competitively I will get volumes and then orders will flow but at the same time margins you have to work on, it is not granted. Compared

to price what we get, suppose you get a lower price you have to work how to manage the cost and how to make up the volume, etc., is not going to be easy. So, overall, I think we are doing our best. So, it is very difficult to comment on margins.

**Subhadip Mitra:** Understood. And sir would you be able to give us some details on the Railways business, what was the top line or what is the existing order book?

**Natarajan Srinivasan:** So, I would say that we will have a strong growth this year, at least we can grow 40% in the top-line in Railways.

**Subhadip Mitra:** And what was the sales in the current year in Railways?

**Susheel Todi:** For a full year, it remains the same range around Rs. 1300+ crore.

**Subhadip Mitra:** And any details on the order book, how much order book would you have right now in Railways specifically?

**Natarajan Srinivasan:** So, I have told you that we will be able to grow about 40% this year. We don't generally separately discuss Railways.

**Subhadip Mitra:** I understand. So, last is, naturally we have been quite enthused by how you have been tying up on the various offerings on the Railways side and clearly targeting being a propulsion partner in the forthcoming bid. Is there any progress on that in terms of tie-ups with regard to Railways, qualifying or sanctioning your prototypes?

**Natarajan Srinivasan:** So, we are not in the stage where we can disclose something, but though the efforts are continuing and are in advanced stage.

**Moderator:** The next question is from the line of Harshit Patel from Equirus securities. Please go ahead.

**Harshit Patel:** Sir. EV Motors you had earlier indicated that the supplies might start post-FY24 maybe in '25 or '26. So, could you share an update on the development program and the potential customers?

**Ramesh Kumar:** We don't want to disclose right now, but we have developed one application, protos are under testing, and another two different

applications we are in advanced stage of design. Once the testing and everything is done, then we will be giving to one or two OEMs for testing and getting the approvals, so that we can be in the market.

**Harshit Patel:** So, sir, not only the Motor, but even controller will be in-house?

**Ramesh Kumar:** Yes, when I say Motor it is Motor and controller. We don't develop anything separately. It is all developed together.

**Harshit Patel:** Understood. So, secondly, on the Railways front, we were working with the Korean Company for the propulsion system of train sets so how has been the progress over there and do we have to pay a royalty to that company on a continuous basis or we will just pay a onetime fee?

**Natarajan Srinivasan:** We can't disclose all this information. The work is going on. It will get completed maybe by June or so, but we can't disclose all commercial information.

**Harshit Patel:** No problem. So, just a small bookkeeping question, you previously mentioned that we want to take the share of exports to around 20% within Motors in the next three to four years. So, what was that share of exports in Financial Year '24?

**Ramesh Kumar:** So, we are somewhere around 3% to 4% as of now, but we are now working on building the organization across, so we are on track.

**Natarajan Srinivasan:** So, this has to be coterminous with the capacity expansion. We can't take any steps now. Suppose if we get orders, we will not be able to supply. So, the target is to do it in the next couple of financial years and beyond.

**Moderator:** The next question is from the line of Renu Baid from IIFL Securities. Please go ahead.

**Renu Baid:** Sir. My first question is, given the global demand supply mismatches in the power equipment market, especially T&D, how do we plan to leverage this and also increase our exports. Do we have any thoughts on this?

**Natarajan Srinivasan:** Thoughts are there but there is no capacity.

**Renu Baid:** So, practically from on ground capacity, where are we in terms of setting up an export facilities beyond the domestic demand requirements in the next couple of years or our hands are full with domestic and export is at the back burner for now?

**Natarajan Srinivasan:** Currently, our Power Transformer, we are doubling from 17,000 MVA to 35,000 MVA. Similarly, Distribution Transformer, we are also increasing the capacity by 50%. Even if I double it from here, domestic demand will eat away all this demand. Collectively, what we are doing is only selective orders with high margins and where payment security is there, we are considering for exports. So, we are struggling to see how we can expand the capacity. There are no inorganic opportunities much, organically if we start doing it will take more time. Just the current expansion will have to be completed before we take up something else. So, today, the question is really different.

**Renu Baid:** Got it. Sure. Secondly, within the Industrial System, we also have the consumer product portfolio, can you share some inputs in terms of how was the performance of this segment for the 4th Quarter and overall, for Fiscal '24?

**Natarajan Srinivasan:** Overall, this year, I think the industry itself did not do well, so we have also not done that well. In fact, this business for the last two years has been small, and we are a marginal player here. But plans are of course to make this big, we are working hard. You will see some action here from now onwards to increase this business. Ramesh you want to add?

**Ramesh Kumar:** No. What you said is right. As rightly NS said, we have initiated the action and definitely you will see something happening there.

**Renu Baid:** So, was this business flattish, grew by mid-teen, did not grow, any color qualitative or quantitative?

**Natarajan Srinivasan:** Industry has degrown. We have marginally grown actually.

**Renu Baid:** And secondly, on the Industrial Systems, do we have any views on the likelihood of implementation of the shift from IE2 to IE3 range of Motors as the technology base or it's still some time away for now?

**Ramesh Kumar:** See complete shift can happen only if the government regulation comes. But today, if you see almost IE3 and IE4 together is crossed 50%. So, obviously now customers are looking at more and more high-efficient products, so once the regulation comes then entire shift will happen to IE3.

**Renu Baid:** And any view on, the likelihood of this regulation coming in Fiscal '25?

**Ramesh Kumar:** It would have come long back, but we don't know.

**Renu Baid:** Sir, we did mention about our targets to expand the portfolio of the HT Motors in larger applications like nuclear power in terms of pre-qualifications and other criteria, so where are we and do you think with many large NPCIL projects lined up in pipeline, we will be able to participate in the opportunities?

**Ramesh Kumar:** We are already participating, and we are getting good orders also, but execution will take time because these orders execution take almost about two years, today if we get the order, the execution starts after two years. So, we are well in NPCIL and we are there in almost all the tenders and we are getting good orders also.

**Moderator:** The next question is from the line of Akash from Dalal & Broacha. Please go ahead.

**Akash:** One question from my side was pertaining to Railways. So, in Railways we cater to which kind of trains, are we catering to Vande Bharat and then new Vande Metro and are our motors being supplied to those kind of trains or?

**Natarajan Srinivasan:** Motors are not supplied. Chidambaram you want to answer this question?

**C. Balakrishnan:** Currently we are serving the traditional locomotive market and end of this year we will begin serving the Vande Sadharan, Vande Metro and Vande Bharat, all the three.

**Akash:** Okay. And what exactly are we supplying Drives, Transformers, Motors, Switchgears?

**C. Balakrishnan:** For the Vande Bharat, we will be supplying the entire Propulsion System and the Motors.

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

**Aditya:** My first question was more to the timeline for the new capacity for the Motors business, when are they expected to start contributing to our top-line?

**Natarajan Srinivasan:** So, it will happen in stages, I think probably next financial year.

**Aditya:** Understood. So, basically exports should start kind of becoming better from Fiscal Year '25 is what you are suggesting right?

**Natarajan Srinivasan:** Yes.

**Aditya:** Could you also give us overall guidance on revenues for next year that would be useful?

**Natarajan Srinivasan:** We don't give any guidance.

**Aditya:** Just on the quarter gone by, since you suggested that Railways had meaningfully contributed, could you give us a sense of from an order input perspective where the growth happening at this point of time?

**Natarajan Srinivasan:** No. So, in the press release we have already given what are the order inflow and things like that, complete details of what is the unexecuted order book and the order inflow, both the details have been given. Power Sector and also the Railways, all the three of them have got good orders.

**Aditya:** Just a final question from my side, just because you said that there was a deferral of revenues in the Power segment, should we be seeing margins at the average level of 3rd Quarter and 4th Quarter or do you think that the margin in the 4th Quarter is also sustainable?

**Natarajan Srinivasan:** I think we answered this question earlier. It depends on the way the commodity prices are moving. If the prices go up, my colleague also mentioned that copper prices have gone up by 10% in the last one month or so. So, it depends on the commodity prices, if they stay where they are then probably we can hope to sustain these margins.

**Aditya:** Sure. Just a last question from my side. On the automation side of things, you talked about drives as being an imponderable in the near term, kind of extending into the adjacent business of automation, when would that start becoming an important focus area for us? Would it be FY'25, FY'26, just trying to get a sense.

**Natarajan Srinivasan:** We can't commit on any timelines. We want to grow this drives business. We never said automation. We want to grow the drives business. I can't put any timeline.

**Moderator:** The next question is from the line of Garvit Goyal from Nvest Analysis Advisors. Please go ahead.

**Garvit Goyal:** My first question is on the Power System. So, we saw a significant growth in the Power System in FY24, so at industry level, what is the outlook for FY25, how the things are shaping up, are you witnessing any kind of slow down due to elections going ahead?

**Natarajan Srinivasan:** So, Power systems we have both Transformer and Switchgear, so the order book details we have shown a good amount of order book, good amount of enquiries. We don't expect any slowdown here.

**Garvit Goyal:** Okay. And on the Semiconductor side, just to understand a bit from you, we are entering into OSAT. So, when we say we are entering into OSAT, so does it mean it will come from outside India only and we are there for assembly and packaging part. So, if that is the case can you explain like, who will be our potential customers here?

**Natarajan Srinivasan:** So, this is too early to answer this question. This is a completely new line of business it will take some more time. I think this is a project itself will take about three to four years to complete. Maybe as we go, things will shape up then we can share the information as we go on, it is too early now.

**Garvit Goyal:** And lastly, Sir, Mr. Ramesh has been recently appointed as Additional Director for a Company manufacturing into Power Semiconductor. So, is it any way related to your entry into OSAT?

**Natarajan Srinivasan:** Definitely, whatever requirements can be met, but our requirement will be a miniscule of what is going to be manufactured.

**Moderator:** The next question is from the line of our Avish from Chanakya Capital. Please go ahead.

**Avish:** I just had one question, the question was, can you give me a break up of the Motor and Railways division in the Industrial and also transformers and Switchgears break up in the Power Systems?

**Susheel Todi:** Between the Transformers and Switchgear is 45-55.

**Avish:** And in Motor and Railways Industrial.

**Susheel Todi:** Railway is almost 30% of the Industrial business.

**Moderator:** The next question is from the line of Bhavik Shah from MK Ventures. Please go ahead.

**Bhavik Shah:** Sir, you just mentioned on the call that we are seeing very strong demand in the Transformers side and like even if you add more capacity, the demand will get eaten up. So, what is stopping us from adding capacity, like is there any constraint which you are facing?

**Natarajan Srinivasan:** We are already expanding from 17,000 MVA, we are doubling the capacity to 35,000 MVA in the Power Transformer. Similarly, in the Distribution Transformer, we are adding 50% capacity. So, these are what we can do within the existing premises in our current setup. So, this has to be completed and then only we can think where we



can do extra, whether organic, inorganic, etc. Just like that we cannot keep on adding capacities.

**Bhavik Shah:** You see the demand sustaining for the next 2-4 years in this sector? How do you see the outlook here?

**Natarajan Srinivasan:** I think demand can be sustained for next at least five years, or beyond that, I am just saying, because it is all linked to derived demand. So, what is happening in substations, what is happening in the renewable capacity, new capacities are being created in the renewables segment so like this, there are lot of other activities are happening to increase the power capacity itself. Therefore, demand for Transformer and Switchgear is going up on account of that.

**Bhavik Shah:** This you are talking about only for the domestic part. You can also cater to the export part, which is we are not looking there right now, right?

**Natarajan Srinivasan:** We are doing a little bit of exports, both the Transformer and Switchgear we are exporting.

**Bhavik Shah:** Is there a difference in margin? Do we see better margins in exports or domestic margins and export margins are the same?

**Natarajan Srinivasan:** It will be case-by-case depending on the delivery period, depending upon what is the range, currency, so many issues are there, but if the margins are lower we will not export.

**Moderator:** The next question is from the line of Abhineet Anand from 3P Investor Managers. Please go ahead.

**Abhineet Anand:** This PT capacity increase, so what could be the revenue potential for that, Sir?

**Natarajan Srinivasan:** Ajay, you want to answer this question?

**Ajay Jain:** So, we will be doubling our manufacturing capacity and so the revenues will also double over the next two to three years.

**Abhineet Anand:** Just trying to understand at the current pricing, what could that let's say the 17,000 MVA that you talked about incremental, what could that mean in terms of revenue on current pricing or commodity?

**Ajay Jain:** Should be around Rs 1800 crores.

**Abhineet Anand:** Can you also help us with the DT capacity that we have presently and which we are increasing by 50%?

**Ajay Jain:** The DT capacity as of now is around 5500 MVA and that will go around the 8500 MVA to 9000 MVA. And in revenue terms, we will grow from Rs. 450 crores to somewhere around Rs. 700 crores.

**Abhineet Anand:** When both of these coming on stream, Sir?

**Natarajan Srinivasan:** So, it will take another one year, another 12 months at least.

**Abhineet Anand:** It's not in a phased manner, the first revenue apart from the 17k will come, let's mean FY26, from 17k to 34k that you are talking about will come in FY26 only, or it will come in a phased manner?

**Ajay Jain:** No, it will come after completion only.

**Moderator:** The next question is from the line of Rajesh Vora from Jainmay Venture. Please go ahead.

**Rajesh Vora:** Mr. Chidambaram explained that by FY25 end there will be Vande Bharat supply will begin of motor, propulsion system and all that. And this year we are expecting 40% growth as mentioned by Mr. Srinivasan. So, could you explain a little bit in detail what is driving this significant growth and are we directly going to supply Vande Bharat, or it will be via other players?

**C. Balakrishnan** Vande Bharat, we will be supplying directly to Indian Railways and other companies we are discussing with who got the complete train set orders, and this is how we want to enter Vande Bharat. Vande Sadharan and Vande Metros, they will be made by Rail Coach Factory in Kapurthala, or Modern Coach Factory in Raebareli, or Integral Coach factory in Chennai. So, we might be supplying the composite converters and Motors directly to Indian Railways only to these

production units. And what is driving the growth? Railways used to traditionally manufacture around 1200 locomotives, they have gone up to 1500 locomotives this year. And there is a limitation of approved supplier, approvals and propulsion system generally takes around three years' time. So, we are one of the approved suppliers that gives us the privilege and we got the increased orders.

**Rajesh Vora:** Other than your Company who are the other propulsion supplier approved for Indian Railways. Is it Minda?

**Natarajan Srinivasan:** We cannot comment on that. We have no idea who are the other companies.

**Moderator:** The next question is from the line of Amit Anwani from PL Capital. Please go ahead.

**Amit Anwani:** My question is with respect to, you mentioned in your opening remark about the intense competition in LT Motors. So, just wanted to understand from you how much is the LT Motors contribution and within the overall Motors market since LT Motor segment you mentioned is declining any parts or end users industry where the Motor demand is seeing ramp up and how is our strategy to deal with the LT Motor facing competition? Is there any product mix change which you are looking for? Anything you would like to highlight on the Motor side.

**Natarajan Srinivasan:** LT Motors forms the larger part of the overall Motors. The Motor size of the business the LT Motors occupy almost about 60%. So, then for your questions, product mix strategy, etc., I cannot disclose. We cannot disclose this in the call actually and we will see what kind of product mix, what the market wants, what product we should produce, where my contribution is higher. There are so many products are there and for what we will do, etc., These are internal and of course, we are working on this day in and day out. It is difficult to make those kind of details public.

**Amit Anwani:** So, how much was LT Motors contribution in FY24?

**Natarajan Srinivasan:** Do you mean share?

**Amit Anwani:** Within Industrial Systems.

**Natarajan Srinivasan:** If you take Industrial Systems, take out Railways about 70%

**Amit Anwani:** And the remaining 70%, 85% is from Motors, right?

**Natarajan Srinivasan** Correct.

**Amit Anwani:** And just one clarification on the Railways side, so the 30% which is coming from Railways is all coming from propulsion system is it right understanding?

**Natarajan Srinivasan:** No, we have different products.

**Moderator:** I now hand the conference over to Ms. Renu Baid for closing comments, over to you.

**Renu Baid Pugalia:** On behalf of IIFL Securities, I would like to thank the Management and the participants for their interactive session. I would now like to hand over the call to Mr. Srinivasan for his closing remarks. Thank you and over to you, Sir.

**Natarajan Srinivasan:** Thank you, Renu and other participants for their participation and asking questions. I have nothing more to say. Thank you again.

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