

“CG Power and Industrial Solutions Limited Q1 FY-26 Earnings Conference Call”

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

Moderator: Ladies and gentlemen, good day, and welcome to the CG Power Q1 FY '26 Earnings Conference Call.

As a reminder, all participants' 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 Capital. Thank you, and over to you, ma'am.

Renu Baid Pugalia: Thank you. A very good evening, everyone. We are here for the 1Q FY '26 Earnings Conference Call of CG Power and Industrial Solutions.

From the Management Team, we have with us today Mr. Amar Kaul – Managing Director & CEO, Mr. Susheel Todi – Chief Financial Officer, Mr. Marais Nel – EVP (Drives and Automation & International Motors Business), Mr. Gaurav Makhija – Vice President (Switchgears & EPD Business), Mr. Ajay Jain – Vice President (Transformer Business), Mr. Chidambaram Balakrishnan – Vice President (Railway Business), Mr. Jatinder Kaul – EVP (Motors Business – India Subcontinent) and Mr. Sriram Rangarajan – EVP & Head (Consumer Products Business).

With these words, I now hand over the call to Mr. Amar Kaul for his "Opening Remarks". Thereafter, we can start with the Q&A. Thank you, and over to you, sir.

Amar Kaul: Thank you, Renu, and thanks, everybody there. Good evening, everybody, and welcome to the CG Earnings Call today.

Let me start with the summary of results:

We have a very strong start of this fiscal year with all-time high quarterly stand-alone revenue and PBT. After accounting for exceptional items, further, we have also started seeing improvement in our operating margins.

Our Q1 sales grew by 25% year-over-year, profit after tax grew by 23% and order intake grew by 56% year-over-year, making it one of the strongest quarterly performance in recent times. Further, our order backlog remains robust at INR 11,971 crores and continues to be on the upward trajectory, giving us strong revenue visibility.

Now as I go deeper into Q1 stand-alone performance:

We achieved aggregate sales of INR 2,643 crores, recording a growth of 25%. Profit after tax, as mentioned, was high with a growth of 23% at INR 286 crores as against INR 232 crores Q1 FY '25.

Free cash flow generated for the quarter was INR 339 crores, which is about 119% of PAT and return on capital employed annualized for the quarter was 35%. Order intake for the quarter was INR 4,764 crores, which is 56% growth; and our unexecuted order backlog as of end of the quarter, 30th June 2025, was INR 11,971 crores, which is approximately 70% higher year-over-year.

Now moving to the segment-wise performance starting with Industrial:

Aggregate sales for the quarter was higher at INR 1,574 crores, recording a growth of 16% year-over-year. PBIT was at INR 172 crores as against INR 182 crores in Q1 financial year '25. And margin changes that you see there is due to rise in commodity prices, which could not be fully passed on to the customers and the increasing share of Railway business as well as the mix change there within the Railway business is what impacted us. Order for the quarter was at about INR 1,269 crores and the unexecuted order backlog at end of the quarter was INR 2,920 crores, which is about 19% up year-over-year.

If I jump to the Power Systems Aggregate sales for the quarter was at INR 1,070 crores with a growth of 43%. Year-over-year, PBIT was at INR 225 crores, which is 21% of sales as against INR 149 crores in Q1 last year. Margins were higher year-over-year on account of better price realization, driven by robust underlying demand and better operating leverage. And order intake for the quarter was INR 3,495 crores, 11% growth year-over-year, and unexecuted order backlog as of 30 June 2025 was at INR 9,051 crores, which is 97% up year-over-year.

With that, we can go deep dive into our stand-alone performance, and I will now move to the consolidated performance:

At the outset, I would like to share that our consolidated performance for the quarter for the first time includes the operational performance of Axiro, which if you would remember, houses our Radio Frequency Semiconductor Components business acquired by us from Renesas and other affiliate entities during the last year.

Aggregate sales for the quarter were up at INR 2,878 crores at a growth of 29% year-over-year. And profit after tax was 11% higher at INR 267 crores against INR 241 crores last year same quarter. Margin impact due to the investment in CG Semi, the impact was approximately INR 11 crores and also lower absorption on the fixed cost in Drives and Automation business in Europe on account of lower sales during the quarter, even though the bookings are seeing the upward trend now.

Operating cash flow generated for the quarter was INR 441 crores, which is 165% of profit after tax, and INR 383 crores CAPEX done by the subsidiaries, primarily CG Semi. And the return on capital employed for the quarter was 33%. Order intake for the quarter was INR 5,138 crores, 62% growth year-over-year and unexecuted order backlog as of 30th June 2025 was INR 13,072 crores, which is 82% up year-over-year.

Now moving to few notable events for the last quarter,

CG got a large order for supply and servicing of 765 kV transformer package from Power Grid Corporation, valuing approximately INR 641 crores, making it the highest single order received by Transformer business in CG. The order is expected to be completed over a period of 18 to 36 months, even though I think we can do it much ahead of time.

G.G. Tronics, subsidiary of the company received a prestigious order towards Stationed Train Collision Avoidance System and referred to as KAVACH for about INR 148 crores. The scope includes supply, installation, commissioning of station KAVACH and other associated systems in North Western Railways executable over a period of 2 years.

CG secured the largest single order of INR 244 crores for EHP business from Techno Electric for supply of packaging instrument transformers, circuit breakers and also the lightning arresters.

CG launched and successfully completed QIP of equity shares and raised about INR 3,000 crores, and the issue was opened on 30th June 2025 and closed on 3rd July 2025. It was oversubscribed by more than 3x and saw the participation from Indian and global marquee investors.

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

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

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ravi Swaminathan from Avendus Spark. Please proceed.

Ravi Swaminathan:

Hi sir. Thanks for taking my question, and congrats on a good set of numbers. My first question is with respect to the Industrial segment. We have seen around 15% kind of revenue growth during this quarter. If you can give a flavour of how the growth was in certain key sub products like LT Motor, HT Motor; and even within the railways, the regular propulsion systems for locomotives, the ones for Vande Bharat; how the revenue has panned out and visibility for KAVACH orders; and also exports. If you can give a flavour on how the growth is trending on all of the sub segments, it will be really great?

Amar Kaul:

Yes, sure. Thanks for the question. So on the Industrial segment, if you see the growth has primarily come from the railway side. Having said that, the good news for motors also, even though if you look at the indices for Industrial, both for IIP as well as the EMA data showed the negative trend for the quarter as well, which has been consistent for the last couple of quarters. But good news is that Motors business went up, of course, not on the very high digits in growth, but then, yes, some decent progress on that.

So which shows that the efforts and the actions we are taking in the business, not only from the commercial point of view in the market as well as the operational OpEx piece of work that we are doing has started showing some bit of results on that.

And drives in automation business, as I mentioned. For the subsidiary, the revenue numbers are not so good there, but the good news is that bookings have started flowing in, which means it's just the execution now. So yes, some bit of improvement you will continue to see there.

Ravi Swaminathan: Understood. And with respect to the KAVACH order, last year, we got around INR 800 crores of orders. And this year, first quarter, around INR 180 crores of orders we have got. What kind of run rate should we kind of look at every year annually over the next few years for KAVACH? Should it be in that INR 800 crores to INR 1,000 crores kind of range?

Amar Kaul: See, KAVACH, I would say almost 99% focus is on the execution piece of it. And we are almost reaching that stage to start executing it now, because the whole process is in process and all the test results have happened. Passenger trials are in progress right now. So we are progressing fairly well on that. So having said that, I would expect every month, at least 100 KAVACH installation commissioning happening, starting in the next couple of months there. So that is one piece of it.

And second, of course, I am not giving any guidance or forward-looking statement, but the point is the business opportunity is phenomenal. It's just the strength of our designing and executing these orders on track. So the better we do it on time and at the lowest time of executing and commissioning the KAVACH, both for loco as well as station, more and more orders we will keep getting.

Ravi Swaminathan: And with respect to the propulsion systems for the Vande Bharat kind of trains, we had last year won a contract from the RVNL JV. Is there more to come from that particular JV? And is there a possibility of securing orders from other people who are executing or other companies which are executing the Vande Bharat trains?

Amar Kaul: Yes. Of course, I think one is the order that we received, Chidambaram and team, they are busy into designing and executing that order. Having said that, appetite is much bigger. So we are also exploring other opportunities, not only with Vande Bharat, yes, with other partners as well.

Ravi Swaminathan: Got it. And my final question is if you can give a broad split of the Industrial segment?

Moderator: Sorry to interrupt, sir. May we request you to join the queue again for your follow-up question.

Ravi Swaminathan: Sure.

Moderator: Thank you. The next question is from the line of Jonas from Birla Mutual Fund. Please proceed.

Jonas Bhutta: Congrats team on a great set of numbers. 2 quick questions. First, what explains the increase in the power segment inflows, which were trending more closer to INR 1,800 crores to, say, maybe

INR 2,000 crores quarterly. They seem to have come in closer to INR 4,000 crores. Are we to assume that this is in anticipation of the new plant going live probably during the year? And if you can explain, given that you have outgrown the industry in terms of order inflows, at what incremental margin levels have these orders come?

Amar Kaul:

Yes, I think good question on that. So these are across, power sector transformers as well as switchgear included together. Why we are outgrowing is because we are expanding in terms of our pipeline, our go-to-market rather than being conservative on requests for quote that we are getting.

We are actually going out in the market to make sure that we are capturing and increasing the pile of pipeline of orders, and that's where the win percentage is also increasing.

To your question specific to margins, yes, they are at decent margin that we would look forward to. So we are not compromising on margins to get more orders.

Jonas Bhutta:

Just a continuation, what would be the mix of the power order backlog now between, say, PT and Switchgears, roughly?

Amar Kaul:

So see, the split we are not giving, but I can only say that both are trying to beat each other. So it's a good game to have.

Jonas Bhutta:

Understood. And the second quick one is on the margins of the Industrial Systems. So either on a Y-o-Y or on Q-on-Q basis, we have seen a deterioration in margins, while you have elaborated what led to that. If at all, you can give us a broad bridge as to if there was a 300 basis points deterioration on a year-on-year basis, how much of that came through the sales mix impact due to railways and how much of it is because of this raw mat impact?

Amar Kaul:

Your question is specific to Industrial or Motors?

Jonas Bhutta:

Yes. Industrial. So we have seen roughly 300 basis points of margin deterioration.

Amar Kaul:

I would say the majority of the impact is coming from Railways. Because of this PVC clause, which is price variation clause that is there, I think it's a bit complex from Indian Railways. So you really don't end up getting complete inflation back into your numbers. So you keep on getting the impact.

So having said that, what the railways team is doing is also they worked on i2V, which is more of VAV kind of a thing, what can we improvise over and above what you are not able to pass on. As you know, it's a tender business. So back to your question, majority of the impact is from Railways and a bit from Motors side.

And then Motors, as I mentioned last quarter as well, the action that we are taking, we recently increased our prices by almost 5%, starting 1st of July. I think that will start showing up some results in the subsequent months, not immediately, because you take about 2- 3 months for it to

show up. But yes, we are taking actions on the commercial side for the market and also what can we keep eliminating the non-value-added activity in the system.

Jonas Bhutta: Thank you. I will fall back in the queue. And all the best.

Moderator: Thank you. The next question is from the line of Ankur from HDFC Life. Please proceed.

Ankur Sharma: Hi sir. Good evening. Thanks as always for your time. One question on the LT Motor side, and I know you have been flagging off the fact that the LT Motor market has been kind of stagnant to maybe a marginal decline for maybe 4-5 quarters. So one, are you starting to see any hints of a recovery? And I understand we have been growing because of our own initiatives, but more from an industry point of view, when do you believe this growth kind of comes back? Which sectors do you believe need to start firing, to get this growth back?

Amar Kaul: Yes. Coming back to the LT Motor question that you had. Yes, market has further deteriorated. So we don't see that revival happening. But as I said, it's positive, but yes, a bit of impact on the margins, which, as I mentioned, we are countering by already increasing the prices in the market effective July.

Ankur Sharma: Okay. And in your view, when do you believe we could start seeing some recovery? Is it going to be more second half? Are you seeing any signs there? And also which segment, end markets, you believe could drive that recovery?

Amar Kaul: You mean the market recovery? Again, the market recovery, I cannot forecast. It purely depends on the way it works on the Industrial piece is when the smaller CAPEX starts coming in. Now that we are not able to see in a large way. Yes, a bit of activity we can see, but not too much of it. So that obviously will depend on the sentiments and the mood and how this market will come. But having said that, we are not 100% dependent. Important is to see which areas or verticals we are not there. That's where we are trying to penetrate into. And that we are doing better than the market. When the market is negative and we are still positive, I think that's where the growth is coming from.

Ankur Sharma: Sure. I get it. And just the second one on the Power side, if you can help us on your current utilization levels across your plants? And are you facing any capacity constraints there?

Amar Kaul: On the Power sector?

Ankur Sharma: That's right. On the Power side, on the Power systems side.

Amar Kaul: Yes. I mean the capacity is, of course, the issue right now across the globe, not only in India. And that's why you see huge impetus that we have on increasing our capacities. So yes, so it's in a full acceleration mode. And 2 things. One is the existing plant getting up to 40,000 MVA capacity that we had already mentioned. So by September, we will be up and running to that, from current approximately 20,000 MVA. And also this 45,000 MVA, the work has already started construction for the new plant. That's already been up.

Ankur Sharma: Okay. Got it. Thanks.

Moderator: Thank you. The next question is from the line of Aniket from Motilal. Please proceed. Hello, Aniket, sir.

As we have no response, we will move on to the next participant. The next question is from the line of Subhadip from Nuvama. Please proceed.

Subhadip Mitra: Good evening, sir, and thank you for the opportunity. Just wanted to get a sense of if we have to take a view over the next 12 to 18 months, how do you see the longer-term margin stabilizing across Power, Railways and the Industrial piece?

Amar Kaul: See, I think it can only get better, in my opinion. And there, I think we can keep talking for the next couple of hours on why do I say that it will continue to go better. And overall, at company level, if you tell me, I think at some stage, we will bounce back to 14%, 15% PBT margins.

Subhadip Mitra: Understood. So do you see the current levels of margins, at least on the Power side, which seems to be the highest traction, that continuing around this 20%-odd levels?

Amar Kaul: It should go even better than that. My aspiration is much bigger.

Subhadip Mitra: Understood. And sir, lastly, I think you had talked about some large potential for exports, especially on the motor side, I think, in the last call. Just wanted to understand what is the progress on that side? Where do you see things moving?

Amar Kaul: No, I think it's progressing well. As I told you, we have been doing the foundational work, which Jatinder Kaul has been increasing and improving on the capacity, working in collaboration with Marais, who has been making investments in terms of go-to-market, having our people in respective regions. So today, if you see we have the presence in Northwest French Africa, in Africa, even Europe, some of the countries, we have added some of the headcounts to increase on the channel. So the action is on.

And of course, as you know, to see the real effect, it takes a couple of quarters to reach there. So getting partners on boarded, having our people footprint on the role and also having the manufacturing capability building, so that all is going on. So good to share that. In fact, when we had the business review couple of days back, I am happy to see the progress we are making in those areas. So yes, good days ahead.

Subhadip Mitra: Understood. Last question from my side. On the semiconductor piece, by when do you expect to start seeing the larger ramp-up and meaningful revenues and bottom line coming from there?

Amar Kaul: So semiconductor, there are 2 portions to that. One is CG Semi and one is Axiro. Now CG Semi is absolutely on track. The mini plant as we had projected, '26, it will start production. And the main plant, which is the larger one, will start production in '27. So we reviewed the project, and I think they are, in fact, a little ahead of the target. So that is going good.

And Axiro, which is our radio frequency chip designing facility, the business that we acquired, in fact, their revenue will start already flowing in. Because that was a direct movement and acquisition of this facility.

Subhadip Mitra: Understood. Thank you so much.

Amar Kaul: Thank you.

Moderator: Thank you. The next question is from the line of Richard D'souza from SBI Pension Funds. Please proceed.

Richard D'souza: Good evening, sir. So just a broad policy level question, because over the past few months, if you have seen Chinese actions, it seems that they are indicating that they don't want India to become a manufacturing hub. So in light of that, has there been any change in the attitude of government towards companies which are specializing in manufacturing? And that is the first one. And the second one is what is CG's thought process about this, because this opens up a lot of revenue for a company like us. Are we looking at the newer areas?

Amar Kaul: Yes. Thanks for the question. So first one, obviously, see macroeconomic trends and the political discussion between the countries, honestly, that will keep happening. So we don't tweak our strategy every second day in line with that. So if not China, if not others, you will have opportunity for the whole world. So it doesn't change our manufacturing footprint strategy at all. We continue to progress on what we have planned for.

To your second question, was more on?

Amar Kaul: Yes. So I think we will keep on investing. One is the portfolio that we have across different businesses. I think that itself, there's a huge opportunity across the globe that we have, including India. And of course, as we move forward, anything on the adjacencies of each of the businesses that makes sense for it. Yes, we will be open to look at those opportunities.

Richard D'souza: Okay, sir. Maybe I will come back later. Thank you.

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

Bhoomika Nair: Good evening, sir. And congratulations on a good set of numbers. Sir, my first question is on Motors. You spoke about the weak demand and how we have outgrown the industry for the last several quarters. Now in this weak demand environment, you have taken a 5% price hike effective July. Is this something that the rest of the peer set has also seen? And do we expect that this could possibly impact our market share gains that we have seen in the last couple of quarters?

Amar Kaul: Yes, Bhoomika, thanks for the question. See, the point is LT Motors, we are the market leaders. So we got to define what should be the pricing in the market. So after we increased our pricing by 5%, the good news is lot of competitors are following what we are doing. And I think that's

the way you actually continue to be the market leader. So I am happy with what I am doing. So it doesn't mean that when we increase by 5%, you will have a realization of 100%. So even if you have a realization of 50%, I think from pricing discipline point of view, that's a good step forward.

Bhoomika Nair: Sure. And there's not a similar price increase in the HT Motor. HT Motor, the pricing has not been changed?

Amar Kaul: HT Motor, it's more of customized motors, because every motor would be unique. It's like building a Taj Mahal. So every time you have to carve out a different design and then accordingly price it.

Bhoomika Nair: Sure. So how is the demand on the HT Motor panning out with these new solutions? Our market share is obviously while it has increased, but not as strong as the LT Motors. So how is the demand and our share kind of increasing as we are moving ahead?

Amar Kaul: I will pass on that question. JK, if you are there, how do you feel about HT Motors market?

Jatinder Kaul: Absolutely. Thanks, Amar, and thank you for the question. There's a big demand in the market, and we right now, our served market is very small. We are serving a smaller portion of the market. We have plans in place where we are going to invest on the design, and we want to expand. We want to expand, have more verticals to work with. This is one of the priorities I am personally working, is how to have a bigger market share and a better market share and expand the overall served market for us. This will be our key focus area. Definitely there's a big demand, but we will have to have the right set of solution for our customers.

Bhoomika Nair: Sure, sure. That helps, sir. Sir, just secondly on power...

Moderator: Sorry to interrupt ma'am. May we request you to join the question queue as we have other participants in the queue.

Bhoomika Nair: Sure. I will come back. Thank you all the best.

Moderator: Thank you. The next question is from the line of Renu from IIFL Capital. Please proceed.

Renu Baid: Yes. Hi, good evening, sir. Just 2 quick questions. First, can you share updates on where are we with respect to commercial volumes for our EV Motors? And secondly, on the export front for motors, can you also elaborate for what type of applications are we targeting the export? And any particular region which are high priority regions for us apart from Africa, Europe, where you mentioned you are setting up distribution and GTM? Thank you.

Amar Kaul: Yes. So thanks, Renu. So I think on the EV Motor, I would say we are still in the beginning of it. I would not claim that we have got the secret sauce. So first thing is for the 3-wheeler motor and the drive, we are ready there. The motors have already been tested. They have passed the

homologation for individual motor and inverter. They are at testing at the OEM level, at the auto company level.

So hopefully, in next few months, we will get the approval and that will start the supplies piece of it. So for others, we are actually still in the development stage for the larger trucks. The development of that is still in place. So yes, still a bit of a long way to go there.

Renu Baid: Sure. And can you elaborate with specific applications are we targeting on the export segment for motors, these would be standard LT Motor segment only?

Amar Kaul: You mean EV or you are talking about...

Renu Baid: No, conventional motors for exports market.

Amar Kaul: Conventional motors for exports will be the similar portfolio that we have. One is the industrial piece, which are those smaller LT motors as well as the customized motors. As we get more and more experience, and we have the right skill team setting across divisions, because when you are exporting motors, you also need to have service centres there. And that's what Marais and team is busy setting up right now. So it will be for both.

Renu Baid: Got it. Thank you. And best wishes to you.

Amar Kaul: Thank you.

Moderator: The next question is from the line of **Bhalchandra Shinde** from Motilal Oswal. Please proceed.

Bhalchandra Shinde: Hello. This is Bhalchandra Shinde from Motilal Oswal Agency. Sir, the recent order which we received of INR 400 crores from Kinet Railways, that we have started executing and that is actually impacting our Industrial Systems segment profitability or it is yet to execute?

Amar Kaul: No, no, I don't think so. I think execution has just started. So the team has started working on it. I think that should give us good days ahead. So it is the routine business and the mix that has changed, between more skewed towards traction electronics. That's where the impact on the margins has come with the railways, whatever reverse auction that they do, and that's where the impact has come. But to your question, no, nothing related to Kinet.

Bhalchandra Shinde: Okay. Okay. And in Power, if you can provide insights that the kind of a trajectory which we are seeing in the order inflows. What kind of a visibility we see over next 1 year, especially because of this T&D CAPEX going on? And how we see our capacities which are going to come will be utilized over the next 2 to 3 years?

Amar Kaul: I think, Bhalchandra, for Power, honestly, I am very, very bullish for even next 5 years. I will not worry about. I think we will keep expanding our capacity. Obviously, as we progress and keep looking at the market, get our feet on the ground, we will keep expanding it further. I don't think with even 85,000 MVA capacity that we have invested, we will be satisfied with that.

But again, it will not be a knee-jerk reaction. As we get more stronghold on our pipeline, it keeps swelling, we will keep adding capacity. Basis what the data that you see, all the forecast and what we see on the ground, next 5 years, nothing is going to happen. It will keep going up. The capacity versus the demand gap will always stay there.

Bhalchandra Shinde: Got it. Thanks sir. I will come back for more questions.

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

Umesh Raut: Hi sir. Good evening. And congrats for a very healthy set of numbers. Sir, my first question is pertaining to employee costs. So we have seen 52% increase in the cost year-on-year basis. Is it largely on the account of new operations getting started for Axiro or investment into CG Semicon?

Susheel Todi: So you are looking at a total consolidated number. Am I right?

Umesh Raut: Yes, sir. Right.

Susheel Todi: Yes. So it's coming out to CG Semi as well as that you know that we did an acquisition of Axiro. So that also is coming. In that business, the staff cost and the employee cost would be much high.

Umesh Raut: Any other costs you have incurred upfront for the Axiro, because margins for Axiro looking like are lower single-digit range currently. So when we can expect stabilization for that particular business?

Amar Kaul: Yes. So these are as part of the transaction, the initial setup that we have put up there. So I think that is what is showing there. But yes, first year, as you know, any acquisition that happens will be the transition year, and then you will see the upside going there, and that's specific to Axiro.

And I think CG Semi itself, if you are looking at employee cost at consolidated level, yes, I think there are almost 170 people almost already on board and with no revenue. But again, we have made that investment. It's more strategic investment, because most of them have been trained, right from operators to engineers in various plants of our partners outside India. And right now, they are on the job of learning. So our lead time from manufacturing start, till you start the shipments will be compressed with the investment that we are doing now.

Umesh Raut: Got it. Thank you. Thank you so much.

Moderator: The next question is from the line of Atul Tiwari from JPMorgan. Please proceed.

Atul Tiwari: Yes. Thanks a lot. And congrats on good set of numbers. Sir, in CG Semi, how much is the total CAPEX that you have done so far?

Susheel Todi: So that's approximately around INR 400 crores.

- Atul Tiwari:** And between now and end of 2027, you will end up doing roughly INR 76 billion. So the entire thing will happen now like over next 2 years. Is that right understanding?
- Susheel Todi:** So for overall, including subsidy, yes, including subsidy, you are right. Or I would say the capital support from the government, not a subsidy.
- Amar Kaul:** So our contribution...
- Susheel Todi:** Our contribution would be around INR 1,700 crores.
- Atul Tiwari:** Okay. So I thought the subsidy was 50%, right? So if the total CAPEX is INR 76 billion, then your contribution will be higher. Is there some change in that or...
- Susheel Todi:** No. So, that we said, no. Initially we have been talking about 50%, it's a kind of a capital support from the central government, and between 20% to 25% support from the state government. And rest would be given by CG and other partners of the CG.
- Atul Tiwari:** Okay. And the support from the state government will also be available before the production starts or it will come only after production?
- Susheel Todi:** That discussion is going on with the state government and it might be on the similar line what the central government is doing.
- Moderator:** Thank you. The next question is from the line of Harshit Patel from Equirus Securities. Please proceed.
- Harshit Patel:** Thank you very much for the opportunity, sir. Sir my question is on the Axiro. You have explained that given that this is the year of transition, the margins are slightly on the lower side over here. So sir, over the medium to long term, what could be the stabilized steady-state margin for this particular business for us?
- Amar Kaul:** So see, as I said, first year for any acquisition will be the transition year. There will be some upfront costs, setting up. We set up the office in Bangalore with a lab there. So all that is transition. So it won't be apple-to-apple conversion. But yes, specific, we are not giving any guidance, but the way they have performed before, it will be easily a double-digit margin.
- Harshit Patel:** Understood sir. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Aditya from Kotak Securities. Please proceed.
- Aditya Mongia:** Thank you for the opportunity. And congratulations on a very strong set of numbers. I just wanted to get more color on the big uptick in inflows happening in the Power side and the go-to-market strategy. Could you give us a sense of the split of the orders that you have won between domestic and international? And any more color as to what exactly is the company doing to gain market share, would be useful. Thank you. That would be my only question.

- Amar Kaul:** Yes. So I think the majority of orders won are all domestic. It's primarily from India. So there's not a big skew that has happened before and after for exports. So it's almost in the same proportion. So not much of a change here. But important is we will continue and we are continuing to keep building on our pipeline. And pipeline from where, obviously, that is a little bit company confidential. So would not reveal that too much unless it gets converted into the order.
- Aditya Mongia:** Understood. That was my only question. Thank you.
- Moderator:** Thank you. The next question is from the line of Sameer Thakur from Ambit Capital. Please proceed.
- Sameer Thakur:** Just one. So if you can just elaborate on Service business, what efforts you are taking there? And if you have any target in your mind, let's say, by 2030?
- Amar Kaul:** Thanks. I think a very good question, and I love that. Service is my passion. But as of today, if you tell me, give me a clear road map of Service business till 2030, my answer is I am not ready right now. But is that the business that will show us results in future? Absolutely. And are we working on that? Yes, for at least 3 or 4 business leaders in this call. They are actively working with their teams, along with me and the strategy team to develop a model which will be unique.
- When I say Service business is actually a multistage service business. It's not simple that you get a spare part order or you get a service order, and that will continue to happen. What I am talking about is full-fledged 5 years, 10 years contract, and taking the full responsibility of the products that we are supplying or also at some stage, we get into, for example, motors. Like the way you have SaaS, we have motor-as-a-service kind of a package where we make the investment for you and we sell you the energy efficiency. So those are the steps where we will get into. But yes, we are not prepared already on that right now, because it requires a lot of hard work, which we are doing.
- Sameer Thakur:** Okay. Thanks. I will get back in the queue.
- Moderator:** Thank you. The next question is from the line of Shirom from Jefferies. Please proceed.
- Shirom:** Hi. Thanks for the opportunity. Just wanted to get a bit more sense on the semiconductors, the incentive. I think it was very referred to in the previous question, but just could you clarify? So the incentives that you are set to receive, are they already being booked as received or only once the facilities are operational? And yes, just if you could give some clarity on that.
- Susheel Todi:** No. So this is not a subsidy support like capital support. So subsidies always it comes a little later once we invest it. So it would be more like pari passu, right? The money going into the pool and then coming from every stakeholders, and then it will go into the suppliers. So this is the way entire model will work.

Shirom: So it will come while you are investing, not necessarily only once the facility is operational like a subsidy. It's being put together from the start.

Susheel Todi: Yes. You are right.

Shirom: Got it. Thank you so much.

Moderator: Thank you. The next question is from the line of Subramaniam Yadav from SBI Life Insurance. Please proceed.

Subramaniam Yadav: Thank you. Sir, we have a strong inflow in the Power segment in this quarter. Just trying to understand, have we started booking orders for the new facility, which is coming in September for the transformer?

Amar Kaul: I think that's a very good question. And as I said, the construction has just begun there. So hopefully, in the next 2 months, we will start booking the orders. Ajay, you want to add to that?

Ajay Jain: Yes, Amar. Once the construction starts, we will start taking orders. Our focus is on taking short delivery orders there, where we can start delivering within 12 months.

Subramaniam Yadav: Okay. And sir, actually I was asking for the extension of the existing facility, transformer facility, which was supposed to come in September?

Amar Kaul: Yes. So that is on track, as I mentioned. So it will go to about 40,000 MVA by September.

Subramaniam Yadav: Okay. Sir, the second one would be...

Moderator: Sorry to interrupt, sir. Can you just get in the question queue?

Subramaniam Yadav: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Uttam Kumar from Avendus Spark. Please proceed.

Uttam Kumar: Sir, thank you for taking my question. My question pertains to Power Systems. So today, we have close to INR 9,000 crores of orders, and we are continuously seeing strong traction in terms of order inflows. The first thing is I want to understand on this INR 9,000 crore order book which we have, what is the execution period for this? And what is the kind of revenue which we are looking at, for this full year? A rough range also would suffice.

And the extension to that is on the export market. So what's happening on the transformer side? Because we have been also trying to look at the exports side of it for the transformer space. Have you started any exports or is it going to be at the later stage of the year? More color on those also will be helpful.

Amar Kaul: Yes. So the backlog that we have for transformers specifically, I think with the latest order that we got, big one, it's up to 26 months, but I don't think we have to really wait for that long. We should be able to execute everything in the next 18 to 20-22 months. And then that's the reason also why we have to keep filling up the pie and bring it there.

To your question on export piece of it, yes, the work is continuing there, what we have been doing, but we are also looking at strategic lever how to play a bigger game in that market as well. So that work is in progress.

Uttam Kumar: Got it sir. Thank you.

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

Umesh Raut: Hi sir. Thank you so much for the opportunity once again. So my question is pertaining to Industrial Systems and for Subsidiary business. So if I look at performance for Subsidiary business for Industrial Systems, it has remained more of volatile since last few quarters. And I think margins are also hovering in the range of negative to about, say, as high as 10%.

We have done margins of about 10% to 15% a few quarters back in this particular business. But I think now those are quite struggling. So any reason over here and how soon we can expect margins kind of reverting back to low double-digit range for Industrial Systems export business or subsidiary business?

So sir, if I look at our business in the Industrial Systems, which is falling under subsidiaries. So there, we have seen quite a bit of volatility in terms of margin performance. So I just wanted to understand this is also kind of impacting on the overall margins for Industrial business. So how soon we can expect more of steady performance from those subsidiaries?

Amar Kaul: Yes. So from subsidiary, yes, I think what we could control, that has been done in terms of cost and control. But the good news is that the bookings have seen the upward trend, so which means that we continue that momentum and it will show up in revenue in the forthcoming months.

So fixed cost is already taken care of. So any increase in revenue will actually make sure that your margins are improving consecutively. And that impact on the overall Industrial business, I would say that is the third one, very, very small portion because the size itself is not very big.

Umesh Raut: So I was asking about the free trade agreement, which is now signed today between India and U.K. and possible engineering goods export opportunity because it is coming under zero tariff now. So what are your views on this particular opportunity?

Amar Kaul: I think this is of high level because this has just happened. And so we have to see what does it mean in terms of exports. Honestly, we are not very, very big. So yes, we have to evaluate and then look at it.

And if you see, honestly, this free trade agreement and tariffs, et cetera, it doesn't impact us too much, because if you look at our model for exports, it's mostly FOB or Ex Works kind of thing. So it still goes to customer. And when we interact with customers, most of them are like, any change like that happens, we will have to pick it up. So they don't dump it back on us. So we won't be too worried about these macro economical changes.

Moderator: Thank you. Due to time constraints, that was the last question. I would now like to hand the conference over to Ms. Renu Pugalia for closing comments. Thank you, and over to you, ma'am.

Renu Baid Pugalia: On behalf of IIFL Securities, I would like to thank everyone for their patient presence, and the management for giving us the opportunity to host the call. Amar, any closing comments that you would like to make?

Amar Kaul: No, thank you so much. Thanks, Renu, and thanks, everybody, for joining us. Really appreciate and value your relationship with us. Keep investing in us, and we will keep working hard to make sure your investments are secure and keep growing.

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