



18th January, 2024



India's Best Performing and Most Customer Centric PMS

CG Power & Industrial Solutions Ltd, an illustrious member of the esteemed Murugappa Group with over 85 years of heritage, stands as a global enterprise at the forefront of delivering comprehensive solutions for the efficient and sustainable management of electrical energy. As a stalwart in the industry, CG operates through two pivotal business segments: Power Systems and Industrial Systems, both of which play pivotal roles in shaping the company's market dominance. Its market leadership, global outreach, and commitment to technological advancement make it a visionary company at the forefront of the electrical energy revolution. The company embarks on a journey of expansion, modernization, and strategic reorganization. The company's Industrial Systems division caters to Motors & Drives and the Railway sector, while the Power Systems division focuses on transformative solutions for Transformers, Switchgears, and allied products. It is not only a market leader but also a volume player in the Motors business.

Manufacturing Excellence: With a footprint spanning 17 state-of-the-art manufacturing facilities across India, including strategic locations in Goa, Madhya Pradesh (Bhopal, Indore, and Gwalior), and Maharashtra (Ahmednagar, Nashik, and Aurangabad), CG is strategically positioned to meet the growing demands of its diverse clientele. The company is poised for substantial capacity expansion, with an investment of approximately 400 crores earmarked for debottlenecking, modernization, and expansion across key plants in Ahmednagar, Goa, Bhopal, and Malanpur, slated for FY24-25.

Global Reach and Export Focus: CG Power & Industrial Solutions proudly extends its footprint across the globe, with a strong presence in Burkina Faso, Cameroon, Congo, Greece, Kenya, Paraguay, Philippines, Suriname, Tunisia, UAE, and Uganda. The company has set ambitious targets to enhance its export contribution from the current 10% to an impressive 20% over the next 4-5 years, affirming its commitment to global expansion and market leadership.

Strategic Capital Reorganization: In a move indicative of its financial acumen and strategic foresight, CG's Board of Directors approved a capital reorganization scheme. The proposed transfer of Rs. 400 crores from General Reserves to Retained Earnings underscores the company's commitment to optimizing its capital structure for sustained growth. Pending requisite approvals, this initiative is poised to further enhance shareholder value and financial stability.

Network of Subsidiaries: CG Power & Industrial Solutions maintains a robust network of subsidiaries, comprising three Indian and eighteen foreign entities. Notably, the subsidiaries include two entities in Belgium and others with diverse financial statuses. This reflects CG's commitment to a global presence while ensuring prudent management of its subsidiary portfolio for sustained growth and resilience.

Financial Maneuvers and Streamlining: CG Power & Industrial Solutions executed impactful financial moves in the past, including the redemption of 20,000 Non-Convertible Debentures amounting to Rs. 200 crores. Additionally, the completion of the liquidation process of the Step-Down Subsidiary in Dubai, UAE, demonstrates the company's commitment to agile decision-making and streamlining operations for optimal efficiency and resource allocation.

Stock Data	
CMP	453.05
52 Week High/Low	503.45 / 276.65
Face Value	2.00
Market Cap (In Crs)	69,186
Enterprise Value (In Crs)	68,722
NSE	CGPOWER
BSE	500093
Bloomberg	CGPOWER:IN
Sector	Heavy Electric Equipment

Shareholding Pattern (in %)		
	SEP 23	JUN 23
Promoter	58.12	58.12
FII	16.74	15.94
DII	7.83	7.74
Public	17.31	18.18

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	0.03	8.88	18.88
CGPOWER	-1.44	11.34	48.23

Key Ratios	
P/E	79.3
P/S	9.19
P/B	31.0
Debt To Equity	0.01
ROE	66%
ROCE	61.6%
Dividend Yield	0.32%

Q2 FY 24 Result Update

Q2 FY24 Result Comparison (In Rs Cr)					
	Q2 FY24	Q1 FY24	Q2 FY23	QOQ	YOY
Sales	2002	1874	1696	6.83%	18.04%
EBITDA	352	295	271	19.32%	29.89%
EBIT	329	270	241	21.85%	36.51%
Net Profit	242	204	179	18.63%	35.20%
EPS	1.59	1.33	1.17	19.55%	35.90%

Result Highlights

The Q2 FY24 financial results for CG Power show a positive trajectory in the company's performance. Sales have increased from 1,874 crores in Q1 FY24 to 2,002 crores in Q2 FY24, marking a quarter-on-quarter (QOQ) growth of 6.83% and a year-on-year (YOY) increase of 18.04% from 1,696 crores in Q2 FY23. Earnings before interest, taxes, depreciation, and amortization (EBITDA) rose significantly by 19.32% QOQ from 295 crores to 352 crores and exhibited a robust YOY growth of 29.89% from the previous year's 271 crores. This substantial increase in EBITDA suggests improved operational efficiency. The company's earnings before interest and taxes (EBIT) also reflect a strong upward movement, with a QOQ surge of 21.85% from 270 crores to 329 crores and an even more impressive YOY growth of 36.51% from 241 crores. Net Profit followed a similar trend, escalating from 204 crores in Q1 FY24 to 242 crores in Q2 FY24, equating to an 18.63% QOQ growth. Compared to Q2 FY23's 179 crores, this represents a notable YOY increase of 35.20%. Lastly, the Earnings Per Share (EPS) have grown from 1.33 in Q1 FY24 to 1.59 in Q2 FY24, a QOQ increase of 19.55%. The YOY growth is also substantial at 35.90%, up from 1.17.

Overall, CG Power's Q2 FY24 results demonstrate considerable growth across all key financial metrics, suggesting a robust financial health and positive outlook for the company.

Margin Improvement and Cost Management: CG Power's focus on cost management and operational efficiencies has resulted in improved margins. Several factors, including volume growth, strategic procurement practices, a favorable product mix, and operational efficiencies, contributed to these enhanced margins. The company's ability to manage costs effectively while growing its top line underscores its commitment to profitability.

Capacity Expansion and Export Ventures: The ongoing transformer expansion projects, expected to be completed within the next 12 to 15 months. This strategic approach ensures that the company can cater to both domestic and international markets effectively. Additionally, CG Power is actively exploring opportunities in the export market, expanding its global footprint while continuing to focus on serving the domestic market.

Strategic Initiatives and Technological Collaborations: CG Power is proactively seeking strategic initiatives, including partnerships and technology collaborations. These efforts aim to diversify the company's product portfolio and align with emerging market trends, particularly in areas like electric vehicle (EV) components and railway solutions. These initiatives demonstrate CG Power's commitment to innovation and staying competitive in evolving markets.

Customer-Centric Approach and Quality Assurance: Maintaining strong customer relationships and ensuring high service quality remain key priorities for CG Power. The company's ability to meet the specific demands and standards of customers in segments like medium-voltage switchgear and transformers has contributed to its market leadership. CG Power's commitment to delivering high-quality products and services further solidifies its position as a trusted partner in the industry.

Concall Highlights

Global Market Penetration: CG Power & Industrial Solutions Ltd outlined plans for market expansion beyond current geographical boundaries. The management shared insights into their targeted regions and strategies for entering new markets, underscoring the company's commitment to becoming a key player on a global scale. The discussion included potential partnerships, regulatory considerations, and market-specific adaptation strategies.

Segment-wise Breakdown: The Industrial Systems segment played a pivotal role in the overall success of the quarter. Notably, it experienced a robust 17% year-on-year growth in sales, with the segment totaling amounting to INR 1,283 crores. The order intake for this segment during Q2 FY24 reached INR 1,113 crores, contributing to an unexecuted order book standing at INR 1,866 crores. Power Systems, another crucial division for CG Power, reported a substantial 25% year-on-year increase in sales, with the segment totaling INR 619 crores. The order intake for Q2 FY24 in Power Systems reached INR 1,118 crores, further strengthening the unexecuted order book, which stood at INR 3,363 crores.

Financial Metrics and Ratios: The annualized Return on Capital Employed (ROCE) for Q2 FY24 was a standout metric, standing impressively at 44%. This indicated the efficiency with which the company was utilizing its capital resources to generate profits. Another positive financial aspect was the generation of free cash flow amounting to INR 319 crores. This highlighted the company's ability to maintain positive cash flow, ensuring financial stability. The sustained momentum in order intake was notable, reaching INR 2,232 crores for Q2 FY24. This not only reflected current business strength but also hinted at potential future growth.

Key Decisions and Events: A significant board decision was the approval for capacity expansion in critical areas such as switch gears, transformers, and high-tension motors. This strategic move aimed to position the company for future growth opportunities in these specific markets. The settlement agreement with JC Flower Asset Reconstruction Company marked a positive development for CG Power, resolving pending legal matters and eliminating uncertainties.

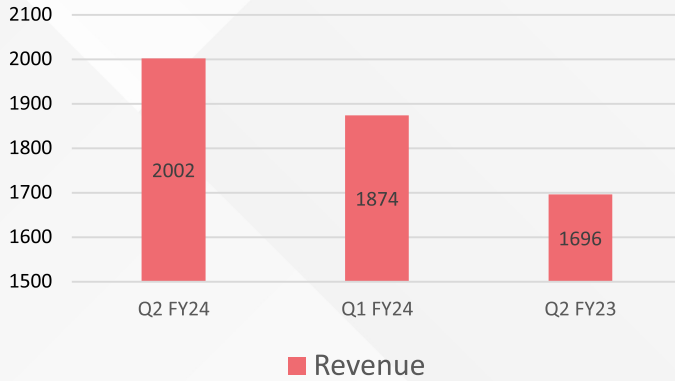
Risk Management Strategies: Acknowledging the prevailing global supply chain challenges, the company detailed its strategies to mitigate risks. Diversification of suppliers, inventory management, and proactive communication with clients were highlighted as essential components of their risk management framework. There has been an increasing importance of cyber security. The company outlined its cybersecurity measures, ensuring the protection of sensitive data and maintaining business continuity in an increasingly digital landscape.

Talent Development and Retention: The management shed light on initiatives to invest in talent development. Skill enhancement programs and continuous learning opportunities were emphasized to retain a skilled workforce capable of meeting evolving industry demands. Recognizing the significance of employee engagement, CG Power & Industrial Solutions Ltd discussed its strategies to foster a positive work environment. Employee feedback mechanisms and welfare programs were highlighted to ensure a motivated and committed workforce.

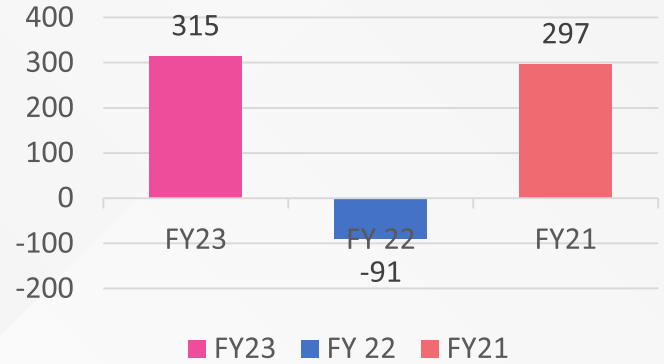
Innovation and R&D Investments: The company's commitment to innovation through sustained investments in Research and Development (R&D) is commendable. The ongoing R&D projects aim at developing cutting-edge technologies to stay ahead in the dynamic industrial landscape. CG Power & Industrial Solutions Ltd achieved specific breakthroughs through R&D, positioning the company as a provider of market-leading products. The focus on innovation is portrayed as a key differentiator, enabling the company to meet evolving customer needs and stay competitive globally.

Operational Efficiency and Cost Management: CG Power & Industrial Solutions Ltd reiterated its commitment to operational efficiency by strategically investing in technology and understanding the significance of ongoing process improvements. These initiatives were positioned as critical drivers for maintaining a competitive edge in the market. By continuously refining internal processes, CG Power aimed to streamline workflows, minimize inefficiencies, and ensure optimal resource utilization. CG Power has focused on the importance of not merely focusing cost-cutting measures but adopting a holistic strategy as well. The company aimed for a nuanced balance between prudent cost-cutting initiatives and strategic investments designed to foster long-term growth.

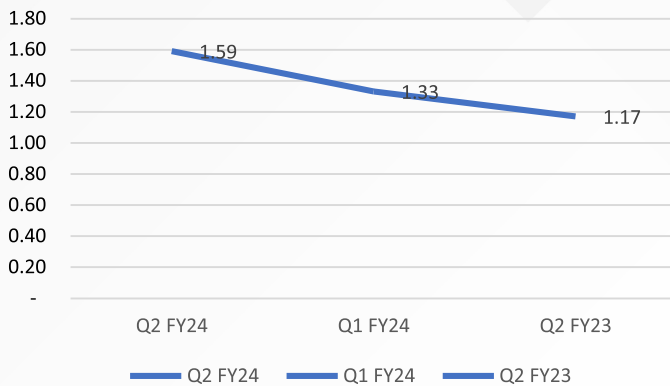
Revenue(In Cr)



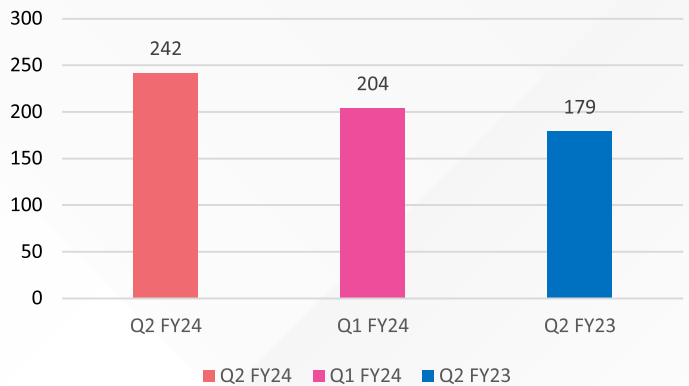
Cashflow(In Cr)



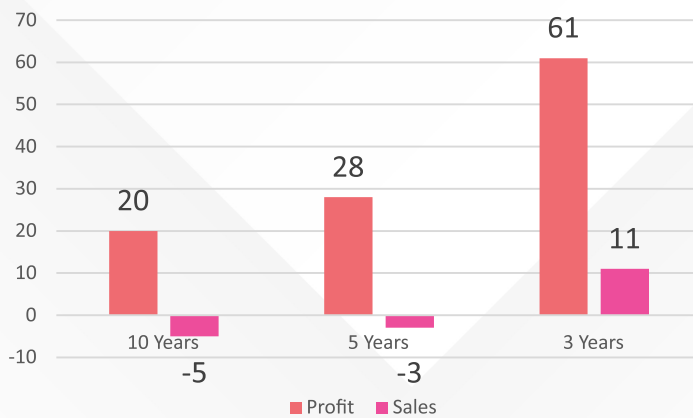
EPS



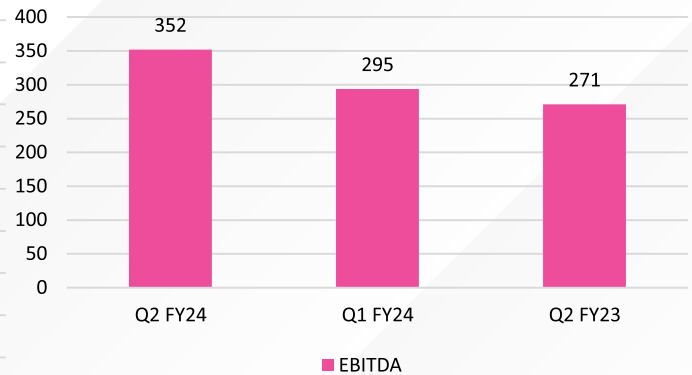
PAT (In Cr)



Compounded Growth (In %)



EBITDA(In Cr)



Technical Outlook



The technical charts and indicators for CG Power & Industrial Solutions suggest a bullish trend. The price action is within an ascending channel, indicating an upward trend with higher highs and higher lows, confirmed by price bounces from the channel's support levels.

The moving averages data shows the short-term averages (5 and 10 days) above the longer-term averages (100 and 200 days), a typical bullish signal.

The daily Relative Strength Index (RSI) at 48.25 is near the midpoint, suggesting no immediate overbought or oversold conditions, while the weekly RSI at 60.72 indicates bullish momentum on a longer time frame.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	457.34	457.74
10	462.8	459.31
20	459.90	458.14
50	443.53	446.26
100	429.28	429.35
200	397.16	396.65

Pivot Levels : FIBONACCI			Daily		Weekly
R1 475.22	Pivot 466.85	S1 458.48	Relative Strength Index (RSI)	48.25	60.72
R2 480.38		S2 453.32			
R3 488.75		S3 444.95			

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