

We maintain BUY on CG Power & Industrial Solutions (CGPower) with a TP of Rs765 (unchanged) as the company remains a strong play on T&D and manufacturing. Q1FY26 results were broadly mixed, with revenue coming in line with the estimate and EBITDA missing by 8%. Consolidated revenue/EBITDA/PAT grew 29%/17%/12% YoY to Rs28.8/3.8/2.7bn, respectively. Both Industrial System and Power System segments saw strong revenue growth of 43% and 15% YoY. Industrial business profitability was impacted by a rise in input costs amid weak demand and an unfavorable mix. However, better profitability in Power System supported the overall EBITDA margin. The management expects to gain further market share in Industrial Motors, given consistent product launches and go-to-market strategy. Also, CG Power's recent entry into OSAT provides it an early-mover advantage in India's journey toward building a full-scale semiconductor manufacturing ecosystem.

#### Power Systems segment benefiting from cyclical upturn

The Power System segment witnessed all-round strong performance with the highest ever order inflow (+111% YoY at Rs35bn – mainly domestic), strong execution (+43% YoY revenue growth at Rs10.7bn) and 120bps YoY margin expansion. The management indicated that better price realization and operating leverage led to margin improvement. We expect the margin to sustain at a higher level, supported by the current cyclical upturn, which in turn is led by energy transition. Domestic demand remains robust and is likely to sustain for the next 4-5 years. With recently announced capacity addition plans to reach 85,000MVA in the next couple of years, the management remains confident of strong growth in exports as well.

#### Unfavorable mix impacted Industrial System profitability

The Industrial System segment revenue grew by 15% YoY to Rs16.9 bn. However, EBIT margin declined by 290bps YoY/80bps QoQ to 10.2%. The profitability was hit by an increase in input costs, weak demand in the Industrial motors, higher share of railways business (low margin), and losses in new businesses that are in investment mode. Order inflow also declined by 8% YoY during the quarter. Management indicated delays in meaningful recovery in demand for Industrial motors. However, new investments are likely to see improvement in profitability as operations scale up.

#### Valuation and view

Consolidated order book remains healthy at Rs131bn (+82% YoY), led by 62% YoY order inflow growth in the quarter. The company offers a robust play on Power T&D and Manufacturing with strong growth tailwinds. CG Power continues to report healthy return ratios, with RoE/RoCE likely to log at 34%/44% in FY27E. Our SOTP-based TP of Rs765 is a summation of 55x June-27E PER for the core business and Rs55/sh for the OSAT business. The stock is currently trading at FY26E/FY27E PER of 71x/52x (ex-OSAT).

Target Price – 12M	Jun-26
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	12.5

Stock Data	CGPOWER IN
52-week High (Rs)	875
52-week Low (Rs)	518
Shares outstanding (mn)	1,574.5
Market-cap (Rs bn)	1,071
Market-cap (USD mn)	12,397
Net-debt, FY26E (Rs mn)	(45,763.8)
ADTV-3M (mn shares)	3
ADTV-3M (Rs mn)	1,850.2
ADTV-3M (USD mn)	21.4
Free float (%)	43.6
Nifty-50	25,062.1
INR/USD	86.4

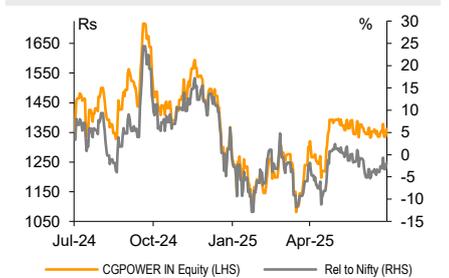
#### Shareholding, Jun-25

Promoters (%)	58.0
FPIs/MFs (%)	12.7/14.2

#### Price Performance

(%)	1M	3M	12M
Absolute	(0.3)	5.3	(2.4)
Rel. to Nifty	0.4	1.0	(5.0)

#### 1-Year share price trend (Rs)



#### CG Power: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	80,460	99,087	129,811	161,735	196,772
EBITDA	11,281	13,047	18,145	24,012	30,384
Adj. PAT	8,490	9,746	13,945	18,840	23,656
Adj. EPS (Rs)	5.4	6.2	8.9	12.0	15.0
EBITDA margin (%)	14.0	13.2	14.0	14.8	15.4
EBITDA growth (%)	13.6	15.7	39.1	32.3	26.5
Adj. EPS growth (%)	14.1	14.8	43.1	35.1	25.6
RoE (%)	35.3	28.4	23.7	21.7	22.9
RoIC (%)	87.0	52.7	49.4	53.0	59.6
P/E (x)	77.4	109.9	76.8	56.9	45.3
EV/EBITDA (x)	94.2	81.5	58.6	44.3	35.0
P/B (x)	35.5	27.9	13.5	11.4	9.5
FCFF yield (%)	0.2	-	0.4	0.6	1.0

Source: Company, Emkay Research

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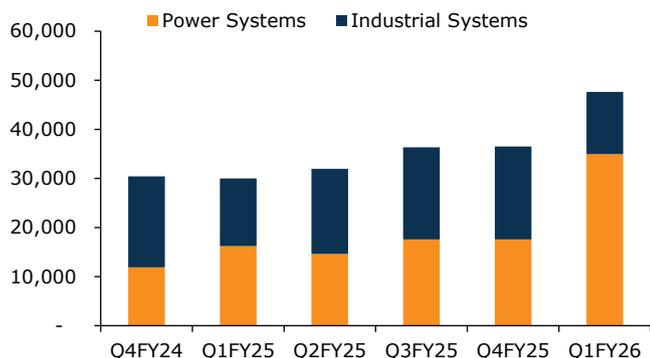
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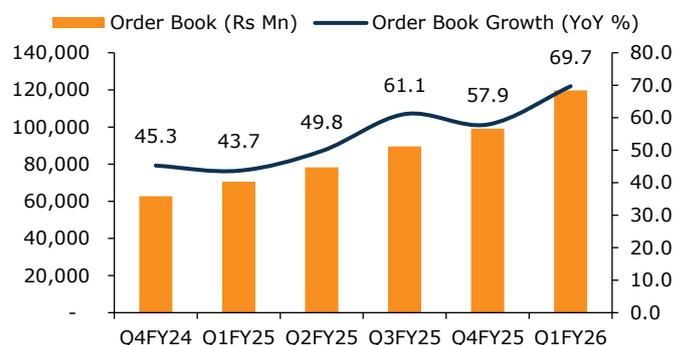
## Story in Charts

**Exhibit 1: Order inflow increased 58.7% YoY, boosted by heavy inflows of Rs35bn (+111% YoY) from Power System**



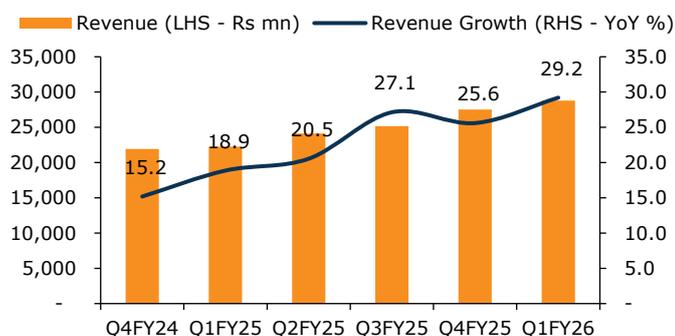
Source: Company, Emkay Research

**Exhibit 2: Standalone order backlog at Rs120bn**



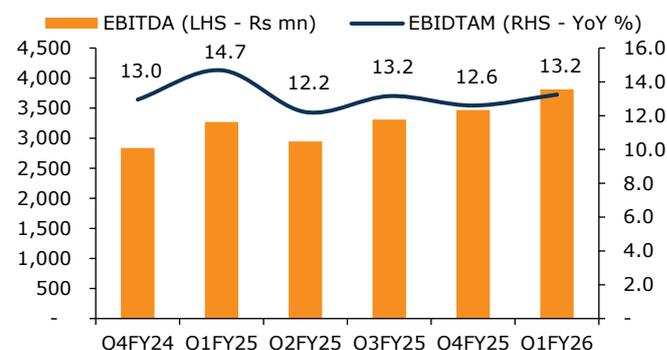
Source: Company, Emkay Research

**Exhibit 3: Sales for the quarter were up 29% YoY to Rs29bn**



Source: Company, Emkay Research

**Exhibit 4: EBITDA margin impacted (-144bps YoY) by lower margin in Industrial System**



Source: Company, Emkay Research

**Exhibit 5: Actuals vs Estimates for Q1FY26**

Rs mn	Estimates			Variation %	
	Actual	Emkay	Consensus	Emkay	Consensus
Revenue	28,781	28,758	28,093	0.1%	2.4%
EBITDA	3,812	4,150	3,800	-8.1%	0.3%
EBITDA Margin %	13.2%	14.4%	13.5%	-118bps	-28bps
PAT	2,669	3,069	2,868	-13.0%	-7%

Source: Company, Emkay Research

This report is intended for Team White Marquee Solutions (team.emkay@whitemarquesolutions)

**Exhibit 6: Quarterly Analysis of Financial Performance**

Y/E Mar (Rs mn)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	YoY (%)	QoQ (%)
Revenue	22,275	24,127	25,157	27,528	28,781	29.2	4.6
Material cost	15,322	16,987	17,621	19,333	20,076	31.0	3.8
as % of sales	68.8	70.4	70.0	70.2	69.8	97bps	-47bps
Employee Cost	1,410	1,465	1,542	1,711	2,151	52.5	25.7
as % of sales	6.3	6.1	6.1	6.2	7.5	114bps	126bps
Other expenditure	2,272	2,728	2,684	3,016	2,742	20.7	(9.1)
as % of sales	10.2	11.3	10.7	11.0	9.5	-67bps	-143bps
Total expenditure	19,004	21,180	21,846	24,060	24,968	31.4	3.8
<b>EBITDA</b>	<b>3,271</b>	<b>2,947</b>	<b>3,310</b>	<b>3,468</b>	<b>3,812</b>	<b>16.5</b>	<b>9.9</b>
Depreciation	240	276	284	319	435	81.1	36.6
<b>EBIT</b>	<b>3,031</b>	<b>2,671</b>	<b>3,026</b>	<b>3,150</b>	<b>3,377</b>	<b>11.4</b>	<b>7.2</b>
Other Income	332	291	336	714	283	(14.8)	(60.4)
Interest	6	24	14	28	22	298.2	(20.4)
<b>PBT</b>	<b>3,357</b>	<b>2,938</b>	<b>3,349</b>	<b>3,836</b>	<b>3,638</b>	<b>8.4</b>	<b>(5.2)</b>
Taxes	944	742	970	1,094	969	2.6	(11.4)
<b>PAT</b>	<b>2,412</b>	<b>2,196</b>	<b>2,379</b>	<b>2,743</b>	<b>2,669</b>	<b>10.6</b>	<b>(2.7)</b>
Extra ord / Exceptional item	-	-	-	-	-		
Minority Interest	1	(13)	27	23	24		
Profit from associates	-	-	-	-	-		
<b>Reported PAT</b>	<b>2,411</b>	<b>2,210</b>	<b>2,352</b>	<b>2,720</b>	<b>2,692</b>	<b>11.6</b>	<b>(1.0)</b>

(%)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	YoY (%)	QoQ (%)
Gross Margins	31.2	29.6	30.0	29.8	30.2	-97bps	47bps
EBIDTAM	14.7	12.2	13.2	12.6	13.2	-144bps	65bps
EBITM	13.6	11.1	12.0	11.4	11.7	-187bps	29bps
PBTM	15.1	12.2	13.3	13.9	12.6	-243bps	-130bps
PATM	10.8	9.1	9.5	10.0	9.3	-156bps	-69bps
Effective Tax rate	28.1	25.2	29.0	28.5	26.6	-149bps	-187bps

Source: Company, Emkay Research

**Exhibit 7: Order inflows and backlog analysis**

Order Intake (Rs Mn)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	YoY (%)	QoQ (%)
Power Systems	16,223	14,630	17,590	17,570	34,950	115	99
Industrial Systems	13,795	17,320	18,770	18,930	12,690	(8)	(33)
<b>Total</b>	<b>30,018</b>	<b>31,950</b>	<b>36,360</b>	<b>36,500</b>	<b>47,640</b>	<b>59</b>	<b>31</b>

Inflow Growth (YoY %)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Power Systems	45.0	30.9	105.2	47.6	115.4
Industrial Systems	-1.1	55.6	30.1	2.2	-8.0
<b>Total</b>	<b>19.4</b>	<b>43.2</b>	<b>58.1</b>	<b>19.9</b>	<b>58.7</b>

Order Book (Rs Mn)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	YoY (%)	QoQ (%)
Power Systems	46,030	51,310	59,840	66,190	90,510	97	37
Industrial Systems	24,510	27,000	29,680	32,900	29,200	19	(11)
<b>Total</b>	<b>70,540</b>	<b>78,310</b>	<b>89,520</b>	<b>99,090</b>	<b>119,710</b>	<b>70</b>	<b>21</b>

Order Book Growth (YoY %)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Power Systems	60.2	52.6	67.4	77.4	96.6
Industrial Systems	20.4	44.7	49.7	29.3	19.1
<b>Total</b>	<b>43.7</b>	<b>49.8</b>	<b>61.1</b>	<b>57.9</b>	<b>69.7</b>

Source: Company, Emkay Research

This report is intended for Team White Marquee Solutions (team.emkay@whitemarquesolutions)

## KTAs from Earnings Call

### Order Inflow and Backlog

- In the Industrial segment, the unexecuted order backlog was Rs2.9bn, up 19% YoY, and the Power Systems segment had an unexecuted order backlog of Rs9.1bn, up 97% YoY.
- On a consolidated basis, the unexecuted order backlog was Rs131bn, up 82% YoY.
- CG bagged an order for supply and service of 765kV Transformer Package from PGCIL. The order is Rs6.4bn, the highest single order received by the transformers business of CG.
- G.G. Tronics received a prestigious order towards "KAVACH" worth Rs1.5bn.
- CG secured the largest single order of Rs2.44bn for EHV Business from Techno Electric for supply of packaging instrument transformers, circuit breakers, and lightning arrestors.

### Margins

- The company expects company-level PBT margin to be back at 14-15% within 12-18months.
- In the Power Systems segment, margin was higher YoY at 21% due to better price realization, driven by robust underlying demand and better operating leverage.
- Industrial segment margin was negatively impacted (-290bps YoY) by the rise in commodity prices which couldn't be fully passed on to customers, the increasing the share of railway business, and the mix within it.
- To address margin pressure from material costs in the motors business, the company implemented a 5% price increase effective from 1 Jul.
- For Axiro (semiconductor business), the margin is currently in lower single digits during the transition year but is expected to reach double digits.
- In the railways business, there are challenges around fully recovering material cost increases due to the price variation clause in contracts.

### Miscellaneous Points

- Employee costs increased by 52% YoY on a consolidated basis, primarily due to the addition of Axiro and CG Semicon's operations.
- For CG Semicon specifically, the company has hired around 170 people who are currently training but are not yet generating revenue.
- The Axiro business has higher staff costs inherently, and there were additional upfront setup costs, including establishing an office in Bangalore.
- For the semiconductor business (CG Semi), the company has spent ~Rs3.83bn so far on capex.
- CG successfully completed QIP and raised Rs30bn.

This report is intended for Team White Marque Solutions (team.emkay@whitemarqueresolutions)

## CG Power: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
<b>Revenue</b>	<b>80,460</b>	<b>99,087</b>	<b>129,811</b>	<b>161,735</b>	<b>196,772</b>
Revenue growth (%)	15.4	23.2	31.0	24.6	21.7
<b>EBITDA</b>	<b>11,281</b>	<b>13,047</b>	<b>18,145</b>	<b>24,012</b>	<b>30,384</b>
EBITDA growth (%)	13.6	15.7	39.1	32.3	26.5
Depreciation & Amortization	949	1,118	1,727	2,115	2,438
<b>EBIT</b>	<b>10,332</b>	<b>11,929</b>	<b>16,417</b>	<b>21,897</b>	<b>27,946</b>
EBIT growth (%)	14.9	15.5	37.6	33.4	27.6
Other operating income	-	-	-	-	-
Other income	1,063	1,622	2,251	3,302	3,678
Financial expense	25	71	74	78	82
<b>PBT</b>	<b>11,369</b>	<b>13,480</b>	<b>18,594</b>	<b>25,121</b>	<b>31,541</b>
Extraordinary items	5,350	0	0	0	0
Taxes	2,873	3,750	4,648	6,280	7,885
Minority interest	(6)	16	0	0	0
Income from JV/Associates	0	0	0	0	0
<b>Reported PAT</b>	<b>13,841</b>	<b>9,746</b>	<b>13,945</b>	<b>18,840</b>	<b>23,656</b>
PAT growth (%)	61.1	(29.6)	43.1	35.1	25.6
<b>Adjusted PAT</b>	<b>8,490</b>	<b>9,746</b>	<b>13,945</b>	<b>18,840</b>	<b>23,656</b>
<b>Diluted EPS (Rs)</b>	<b>5.4</b>	<b>6.2</b>	<b>8.9</b>	<b>12.0</b>	<b>15.0</b>
Diluted EPS growth (%)	14.1	14.8	43.1	35.1	25.6
<b>DPS (Rs)</b>	<b>1.3</b>	<b>1.3</b>	<b>1.9</b>	<b>2.6</b>	<b>3.5</b>
<b>Dividend payout (%)</b>	<b>14.3</b>	<b>20.4</b>	<b>21.0</b>	<b>22.0</b>	<b>23.0</b>
EBITDA margin (%)	14.0	13.2	14.0	14.8	15.4
EBIT margin (%)	12.8	12.0	12.6	13.5	14.2
Effective tax rate (%)	25.3	27.8	25.0	25.0	25.0
<b>NOPLAT (pre-IndAS)</b>	<b>7,721</b>	<b>8,610</b>	<b>12,313</b>	<b>16,423</b>	<b>20,959</b>
Shares outstanding (mn)	1,575	1,575	1,575	1,575	1,575

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
PBT (ex-other income)	10,306	11,858	16,343	21,819	27,864
Others (non-cash items)	-	-	-	-	-
Taxes paid	(2,873)	(3,750)	(4,648)	(6,280)	(7,885)
Change in NWC	(3,475)	(766)	(2,100)	(1,746)	(1,916)
<b>Operating cash flow</b>	<b>4,933</b>	<b>8,532</b>	<b>11,396</b>	<b>15,986</b>	<b>20,583</b>
Capital expenditure	(2,388)	(8,239)	(7,065)	(10,000)	(10,000)
Acquisition of business	(5,875)	1,509	0	0	0
Interest & dividend income	-	-	-	-	-
<b>Investing cash flow</b>	<b>(7,200)</b>	<b>(5,108)</b>	<b>(4,814)</b>	<b>(6,698)</b>	<b>(6,322)</b>
Equity raised/(repaid)	-	3	91	0	0
Debt raised/(repaid)	10	235	0	0	0
Payment of lease liabilities	0	0	0	0	0
Interest paid	(25)	(71)	(74)	(78)	(82)
Dividend paid (incl tax)	(1,986)	(1,988)	(2,925)	(4,140)	(5,435)
Others	5,767	-	-	-	-
<b>Financing cash flow</b>	<b>3,766</b>	<b>(1,820)</b>	<b>(2,908)</b>	<b>(4,218)</b>	<b>(5,517)</b>
Net chg in Cash	1,499	1,604	3,674	5,070	8,743
OCF	4,933	8,532	11,396	15,986	20,583
Adj. OCF (w/o NWC chg.)	8,408	9,297	13,496	17,732	22,499
FCFF	2,545	293	4,331	5,986	10,583
FCFE	2,520	222	4,256	5,908	10,501
OCF/EBITDA (%)	43.7	65.4	62.8	66.6	67.7
FCFE/PAT (%)	18.2	2.3	30.5	31.4	44.4
<b>FCFF/NOPLAT (%)</b>	<b>33.0</b>	<b>3.4</b>	<b>35.2</b>	<b>36.5</b>	<b>50.5</b>

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	3,055	3,058	3,149	3,149	3,149
Reserves & Surplus	27,120	35,382	76,311	91,011	109,232
<b>Net worth</b>	<b>30,174</b>	<b>38,440</b>	<b>79,460</b>	<b>94,160</b>	<b>112,381</b>
Minority interests	13	1,937	1,937	1,937	1,937
Non current liabilities & prov.	(2,713)	(175)	(175)	(175)	(175)
<b>Total debt</b>	<b>174</b>	<b>410</b>	<b>410</b>	<b>410</b>	<b>410</b>
<b>Total liabilities &amp; equity</b>	<b>27,649</b>	<b>40,611</b>	<b>81,632</b>	<b>96,332</b>	<b>114,553</b>
Net tangible fixed assets	9,231	12,285	19,819	20,542	24,585
Net intangible assets	-	-	-	-	-
Net ROU assets	-	-	-	-	-
Capital WIP	659	3,552	1,355	8,516	12,036
Goodwill	1,638	2,811	2,811	2,811	2,811
Investments [JV/Associates]	5,885	4,375	4,375	4,375	4,375
<b>Cash &amp; equivalents</b>	<b>8,544</b>	<b>12,591</b>	<b>46,173</b>	<b>51,243</b>	<b>59,987</b>
<b>Current &amp; ex-cash</b>	<b>27,584</b>	<b>37,500</b>	<b>49,128</b>	<b>61,210</b>	<b>74,970</b>
Current Liab. & Prov.	25,890	32,502	42,030	52,366	63,710
<b>NWC (ex-cash)</b>	<b>1,694</b>	<b>4,998</b>	<b>7,098</b>	<b>8,844</b>	<b>10,760</b>
<b>Total assets</b>	<b>27,649</b>	<b>40,611</b>	<b>81,632</b>	<b>96,332</b>	<b>114,553</b>
Net debt	(8,370)	(12,182)	(45,764)	(50,834)	(59,577)
Capital employed	30,362	40,786	81,807	96,507	114,728
<b>Invested capital</b>	<b>12,562</b>	<b>20,093</b>	<b>29,728</b>	<b>32,197</b>	<b>38,155</b>
BVPS (Rs)	19.2	24.4	50.5	59.8	71.4
Net Debt/Equity (x)	(0.3)	(0.3)	(0.6)	(0.5)	(0.5)
Net Debt/EBITDA (x)	(0.7)	(0.9)	(2.5)	(2.1)	(2.0)
Interest coverage (x)	448.6	191.1	250.8	322.4	385.3
<b>RoCE (%)</b>	<b>47.0</b>	<b>38.1</b>	<b>30.5</b>	<b>28.3</b>	<b>29.9</b>

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	77.4	109.9	76.8	56.9	45.3
P/CE(x)	113.5	98.6	68.3	51.1	41.1
P/B (x)	35.5	27.9	13.5	11.4	9.5
EV/Sales (x)	13.2	10.7	8.2	6.6	5.4
EV/EBITDA (x)	94.2	81.5	58.6	44.3	35.0
EV/EBIT(x)	102.9	89.1	64.7	48.5	38.0
EV/IC (x)	84.6	52.9	35.8	33.0	27.9
FCFF yield (%)	0.2	-	0.4	0.6	1.0
FCFE yield (%)	0.2	-	0.4	0.6	1.0
Dividend yield (%)	0.2	0.2	0.3	0.4	0.5
<b>DuPont-RoE split</b>					
Net profit margin (%)	10.6	9.8	10.7	11.6	12.0
Total asset turnover (x)	4.0	2.9	2.1	1.8	1.9
Assets/Equity (x)	0.8	1.0	1.0	1.0	1.0
<b>RoE (%)</b>	<b>35.3</b>	<b>28.4</b>	<b>23.7</b>	<b>21.7</b>	<b>22.9</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	9.6	8.7	9.5	10.2	10.7
IC turnover (x)	9.1	6.1	5.2	5.2	5.6
<b>RoIC (%)</b>	<b>87.0</b>	<b>52.7</b>	<b>49.4</b>	<b>53.0</b>	<b>59.6</b>
<b>Operating metrics</b>					
Core NWC days	7.7	18.4	20.0	20.0	20.0
<b>Total NWC days</b>	<b>7.7</b>	<b>18.4</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>
Fixed asset turnover	7.8	7.6	6.9	7.0	7.8
Opex-to-revenue (%)	17.0	16.9	16.4	16.0	15.8

Source: Company, Emkay Research

This report is intended for Team White Marque Solutions (team.emkay@whitemarqueresolutions.com)

## RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
07-May-25	609	765	Buy	Ashwani Sharma
07-May-25	609	765	Buy	Ashwani Sharma
04-May-25	622	765	Buy	Ashwani Sharma
04-May-25	622	765	Buy	Ashwani Sharma

Source: Company, Emkay Research

## RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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<b>SELL</b>	>15% downside

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