ADD

CG Power

Weak Q1FY27; outlook promising

Engineering & Capital Goods ▸ Result Update ▸ **July 26, 2026**

CMP (Rs): 868 | TP (Rs): 925

We assume coverage on CG Power and Industrial Solutions (CG Power) with ADD, downgrading it from Buy given premium valuations, while revising up our target price to Rs925 from Rs875, as we roll over our SoTP-based TP to Jun-28. Although CG Power's 1QFY27 financial performance in its main operational parameters was below our expectations, we believe the company has developed a solid business model across key businesses—Power Systems, Industrial Systems, and the newly developed Semi-conductor business. The demand environment is healthy across all segments CG Power operates in – it reported robust order inflow of Rs47bn (flat yoy; logged a large PGCIL order of Rs6.4bn in the base quarter), leading to strong order backlog of Rs173bn (+45% yoy).

Miss on Operational front

CG Power's 1QFY27 operational performance stood below our expectation across all key parameters, with revenue at Rs32.8bn (+14% yoy) missing our estimate of Rs36.4bn while EBITDA at Rs4bn (+4% yoy) was meaningfully lower than our estimate of Rs5bn. PAT at Rs3.1bn missed our estimate of Rs3.6bn. The revenue miss was mainly on account of weaker-than-estimated Power Systems performance (Rs14bn vs our estimate of Rs16.6bn), impacted by slippage of Rs1.5bn transformer shipment; the EBITDA miss was on account of lower than estimated performance in the Industrial Systems business, which housed a Rs200mn one-time provision in the Railways business.

Power Systems – Revenue disappoints, albeit margin surprises positively

Power Systems business revenue at Rs14bn (+31% yoy) substantially missed our estimate of Rs16.6bn. A key reason for slippage of Rs1.5bn transformer shipment was delivery being pushed to the next quarter. However, CG Power delivered a positive surprise margin, which improved by 210bps yoy backed by operating leverage and a better pricing environment during the quarter.

Industrial Systems – Profitability hit by one-off provision; commentary upbeat

Industrial Systems delivered moderate revenue growth of 6% yoy at Rs18bn, a tad below our estimate of Rs18.6bn. Although Motors business delivered a healthy double-digit growth, Railways—along with GG Tronics—has yet to gain momentum in revenue booking. Even margin for the segment ws muted at 7.6%, down by 260bps yoy leading to EBIT decline of 21% yoy as CG Power took a Rs200mn provision for obsolete material during the quarter. However, order inflow at Rs16bn (+25% yoy) was robust given the strong business environment in both Motors and Railways segments.

View and Valuation

Given the premium valuations, though, we downgrade the stock to ADD from Buy, despite our appreciation of the company's business model; we await a better entry point to upgrade the stock. We raise our TP by ~6% to Rs925 from Rs875, valuing the core business at 55x PER its Jun-28E EPS and OSAT at Rs55/share.

Target Price – 12M	Jun-27
Change in TP (%)	**5.7**
Current Reco.	ADD
Previous Reco.	BUY
Upside/(Downside) (%)	6.6

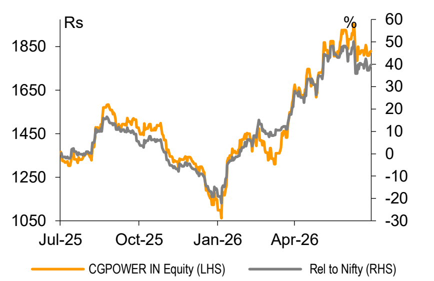
Stock Data	**CGPOWER IN**
52-week High (Rs)	981
52-week Low (Rs)	526
Shares outstanding (mn)	1,575.0
Market-cap (Rs bn)	1,367
Market-cap (USD mn)	14,152
Net-debt, FY27E (Rs mn)	(8,456.5)
ADTV-3M (mn shares)	4.4
ADTV-3M (Rs mn)	4,243.9
ADTV-3M (USD mn)	43.9
Free float (%)	43.6
Nifty-50	23,767.4
INR/USD	96.6

Shareholding,Jun-26	
Promoters (%)	56.4
FPIs/MFs (%)	12.0/18.3

Price Performance

(%)	**1M**	**3M**	**12M**
Absolute	(5.6)	5.4	27.5
Rel. to Nifty	(4.6)	6.0	34.5

1-Year share price trend (Rs)



CG Power: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	99,087	124,180	160,250	206,964	246,169
EBITDA	13,267	16,253	22,038	30,978	37,124
Adj. PAT	9,966	12,399	16,818	23,595	28,107
Adj. EPS (Rs)	6.3	7.9	10.7	15.0	17.9
EBITDA margin (%)	13.4	13.1	13.8	15.0	15.1
EBITDA growth (%)	17.6	22.5	35.6	40.6	19.8
Adj. EPS growth (%)	17.4	24.4	35.6	40.3	19.1
RoE (%)	29.0	21.0	19.5	23.2	23.1
RoIC (%)	54.0	26.4	22.2	26.2	26.5
P/E (x)	137.1	107.0	81.2	57.9	48.6
EV/EBITDA (x)	102.3	83.5	61.6	43.8	36.6
P/B (x)	35.5	17.1	14.7	12.3	10.3
FCFF yield (%)	-	(2.5)	-	0.3	0.6

Source: Company, Emkay Research

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Exhibit 1: CG Power – Quarterly analysis of financial performance

Y/E Mar (Rs mn)	1QFY26	4QFY26	1QFY27	yoy (%)	qoq (%)	FY25	FY26	yoy (%)
Revenue	28,781	34,418	32,808	14.0	(4.7)	99,087	124,180	25.3
Material cost	20,076	23,367	22,708	13.1	(2.8)	69,262	85,662	23.7
as % of sales	*69.8*	*67.9*	*69.2*	*-54bps*	*132bps*	*69.9*	*69.0*	*-92bps*
Employee cost	2,151	2,628	2,534	17.8	(3.6)	6,128	9,516	55.3
as % of sales	*7.5*	*7.6*	*7.7*	*25bps*	*9bps*	*6.2*	*7.7*	*148bps*
Other expenditure	2,742	3,759	3,594	31.1	(4.4)	10,650	12,749	19.7
as % of sales	*9.5*	*10.9*	*11.0*	*143bps*	*3bps*	*10.7*	*10.3*	*-48bps*
Total expenditure	24,968	29,753	28,835	15.5	(3.1)	86,039	107,927	25.4
EBITDA	**3,812**	**4,665**	**3,973**	**4.2**	**(14.8)**	**13,267**	**16,253**	**22.5**
Depreciation	435	494	545	25.2	10.3	1,118	1,956	74.9
EBIT	**3,377**	**4,171**	**3,428**	**1.5**	**(17.8)**	**12,149**	**14,297**	**17.7**
Other Income	283	771	836	195.9	8.5	1,622	2,443	50.6
Interest	22	38	35	60.3	(6.9)	71	122	71.7
PBT	**3,638**	**4,904**	**4,229**	**16.2**	**(13.8)**	**13,700**	**16,618**	**21.3**
Taxes	969	1,289	1,146	18.3	(11.1)	3,750	4,295	14.5
PAT	**2,669**	**3,615**	**3,083**	**15.5**	**(14.7)**	**9,950**	**12,323**	**23.9**
Extra ord / Exceptional item	-	-	-			-	(356)	
Minority Interest	(24)	(20)	(47)			(16)	(76)	
Reported PAT (continuing)	**2,645**	**3,635**	**3,130**	**18.3**	**(13.9)**	**9,966**	**12,043**	**20.8**
(%)	**1QFY26**	**4QFY26**	**1QFY27**	**yoy (%)**	**qoq (%)**	**FY25**	**FY26**	**yoy (%)**
Gross margin	30.2	32.1	30.8	54bps	-132bps	30.1	31.0	92bps
EBITDAM	13.2	13.6	12.1	-114bps	-144bps	13.4	13.1	-30bps
EBITM	11.7	12.1	10.4	-129bps	-167bps	12.3	11.5	-75bps
PBTM	12.6	14.2	12.9	25bps	-136bps	13.8	13.4	-44bps
PATM	9.3	10.5	9.4	12bps	-111bps	10.0	9.9	-12bps
Effective Tax rate	26.6	26.3	27.1	46bps	82bps	27.4	25.8	-153bps

Source: Company, Emkay Research

Exhibit 2: CG Power – Quarterly segmental analysis

Revenue (Rs mn)	1QFY26	4QFY26	1QFY27	yoy (%)	qoq (%)	FY25	FY26	yoy (%)
Power Systems	10,701	14,873	13,982	30.7	(6.0)	35,097	51,382	46.4
Industrial Systems	16,915	17,913	17,895	5.8	(0.1)	63,758	67,470	5.8
Semiconductors	1,085	1,556	940	(13.3)	(39.6)	-	5,028	
Others	85	93	102	20.1	9.6	271	342	26.5
Inter-segmental	(6)	(17)	(112)			(39)	(43)	
Total	**28,781**	**34,418**	**32,808**	**14.0**	**(4.7)**	**99,087**	**124,180**	**25.3**

PBIT (Rs mn)	1QFY26	4QFY26	1QFY27	yoy (%)	qoq (%)	FY25	FY26	yoy (%)
Power Systems	2,253	3,543	3,241	43.8	(8.5)	6,683	11,227	68.0
Industrial Systems	1,721	1,604	1,363	(20.8)	(15.0)	7,425	6,253	(15.8)
Semiconductor	(87)	(374)	(500)			(220)	(1,079)	
Others	7	22	30	353.0	37.2	67	62	(6.9)
Total	**3,894**	**4,794**	**4,134**	**6.2**	**(13.8)**	**13,955**	**16,464**	**18.0**

PBIT margin (%)	1QFY26	4QFY26	1QFY27	yoy (%)	qoq (%)	FY25	FY26	yoy (%)
Power Systems	21.1	23.8	23.2	212bps	-64bps	19.0	21.9	281bps
Industrial Systems	10.2	9.0	7.6	-256bps	-134bps	11.6	9.3	-238bps
Semiconductor	0.6	1.4	3.2		178bps	#DIV/0!	1.2	#DIV/0!
Others	7.8	23.5	29.4	2161bps	591bps	24.6	18.1	-650bps
Total	**13.5**	**13.9**	**12.6**	**-93bps**	**-133bps**	**14.1**	**13.3**	**-83bps**

Order Intake (Rs mn)	1QFY26	4QFY26	1QFY27	yoy (%)	qoq (%)	FY25	FY26	yoy (%)
Power Systems	34,950	30,270	31,060	(11.1)	2.6	66,013	112,110	69.8
Industrial Systems	12,690	14,780	15,860	25.0	7.3	68,815	63,640	(7.5)
Total	**47,640**	**45,050**	**46,920**	**(1.5)**	**4.2**	**134,828**	**175,750**	**30.4**

Order Book (Rs mn)	1QFY26	4QFY26	1QFY27	yoy (%)	qoq (%)	FY25	FY26	yoy (%)
Power Systems	90,510	126,440	144,340	59.5	14.2	66,190	126,440	91.0
Industrial Systems	29,200	30,750	28,990	(0.7)	(5.7)	32,900	30,750	(6.5)
Total	**119,710**	**157,190**	**173,330**	**44.8**	**10.3**	**99,090**	**157,190**	**58.6**

Source: Company, Emkay Research

Concall KTAs

Motors business

- Management said Motors business has been consistently improving for four quarters, after an initial lull.
- Earlier, the company implemented ~17% price hikes overall, over nine months; since then, it has further hiked prices by ~5%, which the market is absorbing well. This incremental price increase is not deemed sufficient, given the commodities inflationary scenario.
- Motors business margin is consistently clocking in double-digits, and improving.
- Cement business is faring well, as also is Metals and Mining. The company's OEM segment is also clocking good numbers. The Industrial vertical is broadly strong.
- Management expects high-teens growth in the Motors space.
- R&D acceleration is a second lever, apart from pricing: the i3, i4, and i5 ranges are targeted to be completed within the next 12 months. There is a notable higher-efficiency IE3/IE4 motors trend.

Railways

- In the previous two quarters, Management had given guidance for the Railways segment to see flat-to-slightly improving growth, given the groundwork/technology clean-up underway. Against such a backdrop, the actual 1Q numbers were much better than anticipated.
- Margin for the Railways business has typically clocked in a single digit versus double-digits for Motors; hence a structural delta to Motors persists.
- A Rs200mn one-off provision was taken in the standalone Industrial segment for a development program underway since the last couple of years, given that innovation in this space changes rapidly, making the material potentially obsolete. Management said it may still be able to use such material (unknown at present), but provided for it under prudent accounting.
- Due to this one-off provision, Industrial PBIT fell to Rs1.48bn from Rs1.72bn; this dragged margins even after adjustments.
- GG Tronics (consolidated subsidiary) has not yet started KAVACH operations – a significant drag on consolidated Industrial margins (7.6% vs 10.2% yoy). Management expects commencement "in the next few weeks", or within a quarter or so, after which consolidated Industrial numbers should bounce back.
- All trials are complete and cleared by the Railways. The ISA audit is also complete. The company is awaiting ISA approval and RDSO approval thereafter—both expected within 4-6 weeks.
- The manufacturing setup is being geared up in parallel, so daily production of sets can begin and commissioning can start immediately on approval.
- GG Tronics carries a Rs10bn order book, which accounts for most of the gap between the standalone and consolidated order books.

Supporting capacity

- The new EHV switchgear facility (S3 Unit-II, Nasik, commissioned on 4-Jun-26) is explicitly designed for both domestic and international demand — 33–245kV breakers, >7,200 units apart from the existing 9,000, an ~80% capacity expansion, with 500kV and 350kV high-voltage testing labs.
- Transformer capacity has increased, from 22,000MVA to ~75,000MVA over four quarters (plus ~10,000MVA distribution), with plans of another ~45,000MVA. Lead times have improved materially, and the management states no customer will be delayed — this is relevant to serving export customers.

Transformers capacity

- Power transformer capacity already at ~75,000MVA, up from 22,000MVA in around four quarters.
- Distribution transformer capacity at ~10,000MVA.
- New plant commencing operations in the next few months; will add ~45,000MVA capacity.
- Ramp profile for the new plant: at least 10,000 in the first quarter of operations → 30,000 in the second → peaking at 45,000 in the third quarter.
- Efforts are on for improving capacity beyond 45,000MVA.
- Lead times materially better than last year’s and no longer a concern, though transformers are not off-the-shelf — every unit is customized, and lead time varies by kV range. Management stated no customer will see delays.

Pricing/Competition

- All sector players are seeing capacity expansions on the back of strong demand. But Kaul's view: global capacity is still not enough, so no pricing stress or price erosion is visible. Pipeline is continuously on the increase.
- On Chinese players being allowed into government T&D projects: The management declined to comment on competitors — everyone must clear the approval process, and CG's focus is on improving itself.

Exports and End-markets

- The exports order pipeline for transformers is fairly strong and has more than doubled yoy (~84% order intake growth), with no absolute numbers, bid pipeline size, or win/loss rates disclosed.
- Demand verticals: utility, renewable, data center, oil & gas, grid modernization — each with a dedicated team. Data centers are contributing, but management won't forecast a segment mix or skew toward one.
- On US utility qualification timelines being slower than data center customers: no single target market; the multi-vertical approach is the answer.

Semiconductor business

- Commercial production commenced at the G1 OSAT facility in Sanand. Inauguration attended by PM Narendra Modi, Gujarat CM Bhupendra Patel, and Minister Ashwini Vaishnaw (Railways / I&B / MeitY).
- A second plant is in action; the team is currently focused on ramping both the new and current plant to installed capacity.
- Close to 50% of offtake will be picked up by Renesas. Business development with other customers is ongoing

CG Power: Consolidated Financials and Valuations

Profit & Loss

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	**99,087**	**124,180**	**160,250**	**206,964**	**246,169**
Revenue growth (%)	23.2	25.3	29.0	29.2	18.9
EBITDA	**13,267**	**16,253**	**22,038**	**30,978**	**37,124**
EBITDA growth (%)	17.6	22.5	35.6	40.6	19.8
Depreciation & Amortization	1,118	1,956	2,274	2,440	2,859
EBIT	**12,149**	**14,297**	**19,764**	**28,538**	**34,265**
EBIT growth (%)	17.6	17.7	38.2	44.4	20.1
Other operating income	-	-	-	-	-
Other income	1,622	2,443	2,687	2,956	3,251
Financial expense	71	122	128	134	141
PBT	**13,700**	**16,618**	**22,323**	**31,359**	**37,375**
Extraordinary items	0	375	0	0	0
Taxes	3,750	4,295	5,581	7,840	9,344
Minority interest	16	76	76	76	76
Income from JV/Associates	0	0	0	0	0
Reported PAT	**9,966**	**12,774**	**16,818**	**23,595**	**28,107**
PAT growth (%)	(28.0)	28.2	31.7	40.3	19.1
Adjusted PAT	**9,966**	**12,399**	**16,818**	**23,595**	**28,107**
Diluted EPS (Rs)	**6.3**	**7.9**	**10.7**	**15.0**	**17.9**
Diluted EPS growth (%)	17.4	24.4	35.6	40.3	19.1
DPS (Rs)	**1.3**	**1.6**	**2.3**	**3.4**	**4.3**
Dividend payout (%)	**19.9**	**19.8**	**22.0**	**23.0**	**24.0**
EBITDA margin (%)	13.4	13.1	13.8	15.0	15.1
EBIT margin (%)	12.3	11.5	12.3	13.8	13.9
Effective tax rate (%)	27.4	25.8	25.0	25.0	25.0
NOPLAT (pre-IndAS)	**8,823**	**10,602**	**14,823**	**21,403**	**25,698**
Shares outstanding (mn)	1,575	1,575	1,575	1,575	1,575

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Share capital	3,058	3,150	3,150	3,150	3,150
Reserves & Surplus	35,382	76,555	89,601	107,700	128,992
Net worth	**38,440**	**79,705**	**92,759**	**110,857**	**132,150**
Minority interests	1,937	2,278	2,278	2,278	2,278
Non current liabilities & prov.	(175)	(1,772)	(1,772)	(1,772)	(1,772)
Total debt	**410**	**1,184**	**1,184**	**1,184**	**1,184**
Total liabilities & equity	**40,611**	**81,395**	**94,441**	**112,540**	**133,832**
Net tangible fixed assets	9,350	12,229	14,541	16,259	18,553
Net intangible assets	-	-	-	-	-
Net ROU assets	-	-	-	-	-
Capital WIP	3,552	6,467	6,880	7,722	9,569
Goodwill	5,746	8,635	8,635	8,635	8,635
Investments [JV/Associates]	4,375	4,533	4,533	4,533	4,533
Cash & equivalents	**12,591**	**10,276**	**9,640**	**10,540**	**15,405**
Current assets (ex-cash)	37,500	82,162	105,588	136,369	162,201
Current Liab. & Prov.	32,502	42,906	55,369	71,510	85,056
NWC (ex-cash)	**4,998**	**39,256**	**50,219**	**64,859**	**77,145**
Total assets	**40,611**	**81,395**	**94,441**	**112,540**	**133,832**
Net debt	(12,182)	(9,092)	(8,457)	(9,356)	(14,221)
Capital employed	40,786	83,166	96,213	114,311	135,604
Invested capital	**20,093**	**60,120**	**73,395**	**89,753**	**104,332**
BVPS (Rs)	24.4	50.6	58.9	70.4	83.9
Net Debt/Equity (x)	(0.3)	(0.1)	(0.1)	(0.1)	(0.1)
Net Debt/EBITDA (x)	(0.9)	(0.6)	(0.4)	(0.3)	(0.4)
Interest coverage (x)	194.2	137.5	175.7	234.7	266.3
RoCE (%)	**38.7**	**27.0**	**25.0**	**29.9**	**30.0**

Source: Company, Emkay Research

Cash flows

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
PBT (ex-other income)	12,078	14,175	19,636	28,404	34,124
Others (non-cash items)	-	-	-	-	-
Taxes paid	(3,750)	(4,295)	(5,581)	(7,840)	(9,344)
Change in NWC	(766)	(35,855)	(10,963)	(14,639)	(12,286)
Operating cash flow	**8,752**	**(23,897)**	**5,494**	**8,499**	**15,494**
Capital expenditure	(8,239)	(10,640)	(5,000)	(5,000)	(7,000)
Acquisition of business	1,509	(157)	0	0	0
Interest & dividend income	-	-	-	-	-
Investing cash flow	**(5,108)**	**(8,355)**	**(2,313)**	**(2,044)**	**(3,749)**
Equity raised/(repaid)	3	92	0	0	0
Debt raised/(repaid)	235	774	0	0	0
Payment of lease liabilities	0	0	0	0	0
Interest paid	(71)	(122)	(128)	(134)	(141)
Dividend paid (incl tax)	(1,988)	(2,530)	(3,696)	(5,421)	(6,739)
Others	2,223	31,722	7	-	-
Financing cash flow	**403**	**29,936**	**(3,816)**	**(5,555)**	**(6,880)**
Net chg in Cash	4,047	(2,315)	(635)	899	4,866
OCF	8,752	(23,897)	5,494	8,499	15,494
Adj. OCF (w/o NWC chg.)	9,517	11,958	16,457	23,138	27,780
FCFF	513	(34,537)	494	3,499	8,494
FCFE	442	(34,658)	366	3,365	8,353
OCF/EBITDA (%)	66.0	(147.0)	24.9	27.4	41.7
FCFE/PAT (%)	4.4	(271.3)	2.2	14.3	29.7
FCFF/NOPLAT (%)	**5.8**	**(325.8)**	**3.3**	**16.3**	**33.1**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY25	FY26	FY27E	FY28E	FY29E
P/E (x)	137.1	107.0	81.2	57.9	48.6
P/CE(x)	123.3	95.2	71.6	52.5	44.1
P/B (x)	35.5	17.1	14.7	12.3	10.3
EV/Sales (x)	13.7	10.9	8.5	6.6	5.5
EV/EBITDA (x)	102.3	83.5	61.6	43.8	36.6
EV/EBIT(x)	111.8	95.0	68.7	47.6	39.6
EV/IC (x)	67.6	22.6	18.5	15.1	13.0
FCFF yield (%)	-	(2.5)	-	0.3	0.6
FCFE yield (%)	-	(2.5)	-	0.2	0.6
Dividend yield (%)	0.1	0.2	0.3	0.4	0.5
DuPont-RoE split					
Net profit margin (%)	10.1	10.0	10.5	11.4	11.4
Total asset turnover (x)	2.9	2.0	1.8	2.0	2.0
Assets/Equity (x)	1.0	1.0	1.0	1.0	1.0
RoE (%)	**29.0**	**21.0**	**19.5**	**23.2**	**23.1**
DuPont-RoIC					
NOPLAT margin (%)	8.9	8.5	9.2	10.3	10.4
IC turnover (x)	6.1	3.1	2.4	2.5	2.5
RoIC (%)	**54.0**	**26.4**	**22.2**	**26.2**	**26.5**
Operating metrics					
Core NWC days	18.4	115.4	114.4	114.4	114.4
Total NWC days	**18.4**	**115.4**	**114.4**	**114.4**	**114.4**
Fixed asset turnover	7.6	6.9	7.3	8.6	9.5
Opex-to-revenue (%)	16.9	17.9	16.0	15.8	15.8

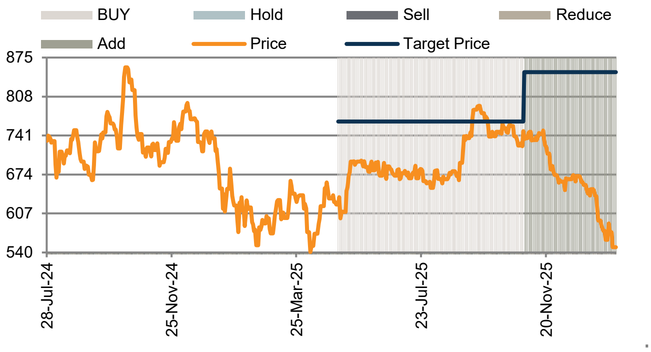
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
07-May-26	859	875	Buy	Ashwani Sharma
07-May-26	859	875	Buy	Ashwani Sharma
28-Jan-26	582	775	Buy	Ashwani Sharma
28-Jan-26	582	775	Buy	Ashwani Sharma
30-Oct-25	735	850	Add	Ashwani Sharma
30-Oct-25	735	850	Add	Ashwani Sharma
25-Jul-25	663	765	Buy	Ashwani Sharma
25-Jul-25	663	765	Buy	Ashwani Sharma
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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Ratings	Expected Return within the next 12-18 months.
BUY	>15% upside
ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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