

# CG Power and Industrial Solutions

**BUY**

Sector: Electrical power equipment

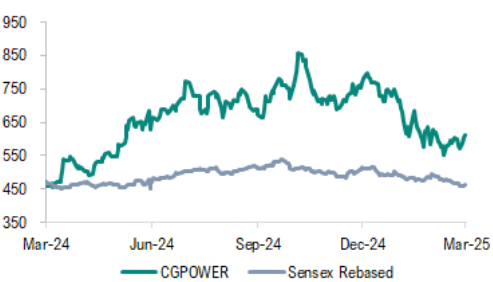
7<sup>th</sup> March, 2025

<b>Key Changes</b>	<b>Target</b> ▼	<b>Rating</b> ▲	<b>Earnings</b> ▼	<b>Target</b>	<b>Rs. 696</b>
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Large Cap	CGPOWER:IN	74,340	CGPOWER	500093	12 Months
				<b>CMP</b>	<b>Rs. 628</b>
				<b>Return</b>	<b>+11%</b>

Data as of : 06-Mar-25

Company Data			
Market Cap (Rs.cr)	95,975		
52 Week High — Low (Rs.)	875 - 450		
Enterprise Value (Rs. cr)	95,194		
Outstanding Shares (cr)	152.9		
Free Float (%)	41.8		
Dividend Yield (%)	0.2		
6m average volume (lakhs)	33.5		
Beta	1.1		
Face value (Rs. )	2.0		
Shareholding (%)	Q1FY25	Q2FY25	Q3FY25
Promoters	58.1	58.1	58.1
FII's	14.7	14.6	14.3
MFs/Institutions	11.1	11.4	11.9
Public	13.4	13.5	13.3
Others	2.7	2.5	2.5
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-19.7%	-6.8%	33.7%
Absolute Sensex	-8.8%	-8.4%	0.3%
Relative Return	-10.9%	1.6%	33.3%

**\*over or under performance to benchmark index**



Y. E March (cr)	FY25E	FY26E	FY27E
Sales	9,941	12,825	15,870
Growth (%)	23.6	29.0	23.7
EBITDA	1,396	1,865	2,356
EBITDA Margin (%)	14.0	14.5	14.8
PAT Adjusted	974	1,327	1,688
Growth (%)	14.7	36.2	27.2
Adjusted EPS	6.4	8.7	11.0
Growth (%)	14.5	36.2	27.2
P/E	98.5	72.3	56.8
P/B	25.7	20.0	15.6
EV/EBITDA	68.2	51.0	40.2
ROE (%)	26.1	27.7	27.5
D/E	0.0	0.0	0.0

## Power market looks bright

**CG Power and Industrial Solutions Ltd manufactures and distributes electrical equipment such as transformers, reactors and control equipment, as well as industrial motors and pumps and communication systems.**

- In Q3FY25, CG Power's consolidated revenue surged 27.1% to Rs. 2,516cr, driven by strong double-digit growth in the industrial and power system segments.
- Revenue from industrial systems rose 19.9% to Rs. 1,591cr. An order intake of Rs. 1,877cr (+37% YoY) and an expanding order backlog of Rs. 2,968cr (+50% YoY) as of December 31, 2024, reflected strong demand for the company's products.
- The power system division recorded a 42.4% YoY increase in revenue, at Rs. 920cr, supported by strong order inflow of Rs. 1,759cr (+97% YoY) and an unexecuted backlog of Rs. 5,984cr (+67% YoY) as of December 31, 2024.
- In Q3FY25, EBITDA increased 26.3% YoY to Rs. 365cr, while margins contracted by 10bps to 14.5% due to a change in the revenue mix; higher contribution from the railway business impacted margins.
- Profit after tax (PAT) grew 21% YoY to Rs. 238cr, supported by robust revenue expansion.

## Outlook & Valuation

CG Power's Q3FY25 results highlights a growth trajectory with a 27.1% YoY sales increase and a strong order intake. This is a sign of a robust business pipeline. The company stands to gain from an expanding power transformer market, supported by increase in solar capacity and strong domestic demand for electricity. The distribution transformer segment remains stable due to the company's earlier capacity. CG Power aims to enhance export capabilities, particularly in power systems, to increase the share of international revenue. Additionally, continuous improvement in market strategies, especially for the motors segment, are expected to drive up market share and revenue. Therefore, **we upgrade our rating on the stock to BUY, based on 63x FY27E adjusted EPS with a rolled forward target price of Rs. 696.**

## Quarterly Financials Consol.

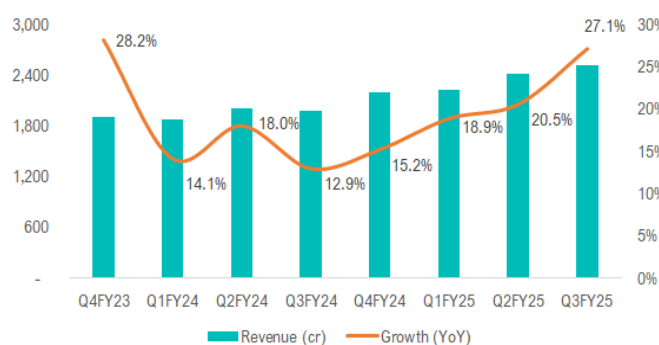
Rs.cr	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Sales	2,516	1,979	27.1	2,413	4.3	7,156	5,854	22.2
EBITDA	365	289	26.3	324	12.6	1,049	902	16.2
Margin (%)	14.5	14.6	-10bps	13.4	110bps	14.7	15.4	-70bps
EBIT	336	265	26.9	296	13.5	969	832	16.5
PBT	335	264	26.6	294	13.9	964	857	12.5
Rep. PAT	238	197	20.8	220	8.2	699	1,194	-41.5
Adj PAT	241	196	22.5	221	8.9	703	642	9.4
Adj. EPS (Rs)	1.6	1.3	22.2	1.4	14.3	4.6	4.2	9.5



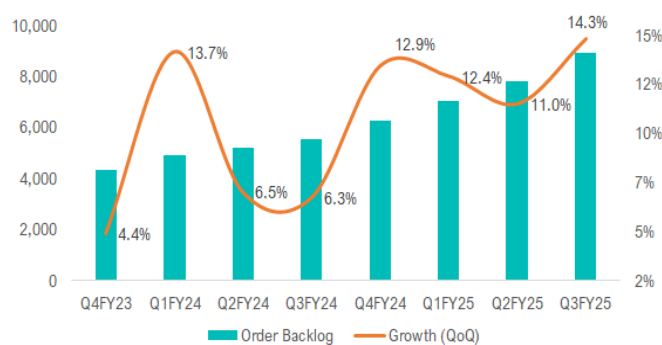
## Key Concall Highlights

- CG Power is set to acquire a 90% stake in BTW-Atlanta Transformers India Private Ltd. It submitted the highest bid of RMB 136,820,000 (approximately Rs. 165cr) in an online bidding process conducted by the Beijing Stock Exchange in China on February 14, 2025.
- The company has secured a Rs. 500-600cr order for the train collision avoidance system (TCAS), Kavach, covering supply, installation, testing, commissioning, and 11 years of maintenance. The project, aimed at enhancing railway safety, is scheduled to be completed within a year. This reinforces CG Power's presence in railway automation.
- Its Board approved a Rs. 712cr greenfield expansion plan to increase power transformer capacity by 45,000 MVA, targeting 85,000 MVA by FY27-28. The investment is to meet growing domestic and international demand.
- CG Power developed and completed the initial testing of prototype EV motors and controllers. Homologation and vehicle integration of these systems are in progress. The move aligns with the company's strategy to expand into electric mobility and energy-efficiency technology solutions.
- To strengthen its position in industrial automation, the company is developing ie5 and ie5+ motors, which have enhanced efficiency, sustainability, and cost-savings that are in line with global standards.

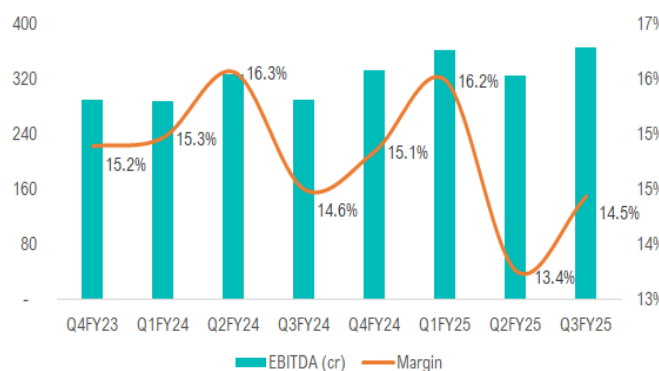
### Revenue



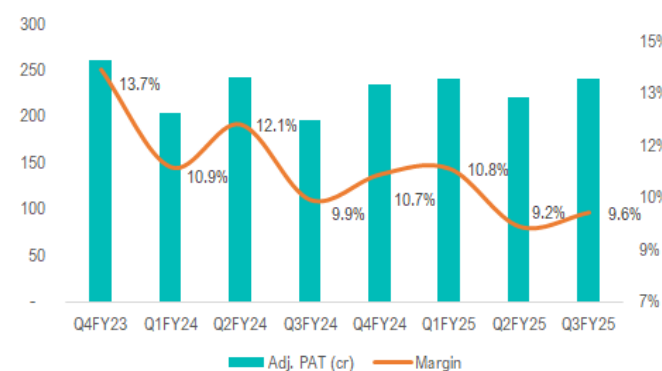
### Order Backlog



### EBITDA



### Adjusted PAT



## Change in Estimates

Year / Rs cr	Old estimates		New estimates			Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY27E	FY25E	FY26E
Revenue	10,051	12,939	9,941	12,825	15,870	-1.1	-0.9
EBITDA	1,467	2,019	1,396	1,865	2,356	-4.9	-7.6
Margins (%)	14.6	15.6	14.0	14.5	14.8	-60bps	-110bps
Adj. PAT	1,024	1,427	974	1,327	1,688	-4.9	-7.0
EPS	6.7	9.4	6.4	8.7	11.0	-4.9	-7.7



## Consolidated Financials

### Profit & Loss

Y.E March (Rs. Cr)	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Sales</b>	<b>6,973</b>	<b>8,046</b>	<b>9,941</b>	<b>12,825</b>	<b>15,870</b>
% change	27.2	15.4	23.6	29.0	23.7
<b>EBITDA</b>	<b>1,061</b>	<b>1,234</b>	<b>1,396</b>	<b>1,865</b>	<b>2,356</b>
% change	58.2	16.3	13.1	33.6	26.4
Depreciation	95	95	119	126	145
<b>EBIT</b>	<b>967</b>	<b>1,139</b>	<b>1,277</b>	<b>1,738</b>	<b>2,211</b>
Interest	16	3	4	4	4
Other Income	52	21			
<b>PBT</b>	<b>1,002</b>	<b>1,158</b>	<b>1,273</b>	<b>1,734</b>	<b>2,207</b>
% change	33.3	15.6	9.9	36.2	27.2
Tax	206	287	318	434	552
Tax Rate (%)	20.5	24.8	25.0	25.0	25.0
Net Profit from Discon. Operations	167	556	-	-	-
<b>Reported PAT</b>	<b>963</b>	<b>1,428</b>	<b>955</b>	<b>1,301</b>	<b>1,655</b>
<b>PAT att. to common shareholders</b>	<b>963</b>	<b>1,427</b>	<b>974</b>	<b>1,327</b>	<b>1,688</b>
Adj.* (exceptional items)	-52	-21	-	-	-
<b>Adj. PAT - excl. disc. operations</b>	<b>744</b>	<b>849</b>	<b>974</b>	<b>1,327</b>	<b>1,688</b>
% change	95.2	14.1	14.7	36.2	27.2
No. of shares (cr)	152.7	152.5	152.8	152.8	152.8
<b>Adj EPS (Rs.)</b>	<b>4.9</b>	<b>5.6</b>	<b>6.4</b>	<b>8.7</b>	<b>11.0</b>
% change	84.3	14.2	14.5	36.2	27.2
DPS (Rs.)	1.5	1.5	1.6	1.6	2.0

### Cashflow

Y.E March (Rs. Cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Net inc. + Depn.	1,057	1,522	1,093	1,453	1,833
Non-cash adj.	-27	-350	-519	-631	-522
Changes in W.C	-83	-775	-145	-102	-72
<b>C.F. Operation</b>	<b>947</b>	<b>397</b>	<b>429</b>	<b>720</b>	<b>1,240</b>
Capital exp.	-82	-223	-328	-430	-540
Change in inv.	42	-563	-	-	-
Other invest.CF	19	124	57	63	69
<b>C.F - Investment</b>	<b>-21</b>	<b>-662</b>	<b>-271</b>	<b>-367</b>	<b>-471</b>
Issue of equity	56	3	1	-	-
Issue/repay debt	-316	-	-	-	-
Dividends paid	-229	-199	-244	-239	-304
Other finance.CF	-122	-51	-4	-4	-4
<b>C.F - Finance</b>	<b>-612</b>	<b>-246</b>	<b>-247</b>	<b>-243</b>	<b>-308</b>
Chg. in cash	315	-512	-89	110	461
<b>Closing Cash</b>	<b>705</b>	<b>854</b>	<b>766</b>	<b>875</b>	<b>1,336</b>

### Balance Sheet

Y.E March (Rs. Cr)	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Cash</b>	<b>705</b>	<b>854</b>	<b>766</b>	<b>875</b>	<b>1,336</b>
Accts. Receivable	1,297	1,534	1,849	2,328	2,833
Inventories	541	751	984	1,202	1,495
Other Cur. Assets	538	1,045	1,111	1,489	1,972
Investments	1	1	1	1	1
<b>Gross Fixed Assets</b>	<b>1,583</b>	<b>1,806</b>	<b>2,134</b>	<b>2,564</b>	<b>3,104</b>
Net Fixed Assets	760	886	1,092	1,392	1,782
CWIP	29	32	36	39	43
Intangible Assets	219	234	563	557	551
Def. Tax -Net	434	156	91	121	160
Other Assets	144	132	162	162	162
<b>Total Assets</b>	<b>4,669</b>	<b>5,626</b>	<b>6,653</b>	<b>8,166</b>	<b>10,335</b>
Current Liabilities	2,838	2,548	2,854	3,294	4,097
Provisions	24	35	45	56	71
Debt Funds	-	-	-	-	-
Other Liabilities	15	23	23	23	23
Equity Capital	305	305	306	306	306
Res. & Surplus	1,486	2,713	3,425	4,487	5,838
<b>Shareholder Funds</b>	<b>1,791</b>	<b>3,019</b>	<b>3,731</b>	<b>4,793</b>	<b>6,144</b>
Minority Interest	1	1	1	1	-
<b>Total Liabilities</b>	<b>4,669</b>	<b>5,626</b>	<b>6,653</b>	<b>8,166</b>	<b>10,335</b>
<b>BVPS</b>	<b>12</b>	<b>20</b>	<b>24</b>	<b>31</b>	<b>40</b>

### Ratio

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	15.2	15.3	14.0	14.5	14.8
EBIT margin (%)	13.9	14.2	12.8	13.6	13.9
Net profit mgn.(%)	13.8	17.7	9.8	10.3	10.6
ROE (%)	53.7	47.3	26.1	27.7	27.5
ROCE (%)	53.9	37.7	34.2	36.3	36.0
<b>W.C &amp; Liquidity</b>					
Receivables (days)	67.9	69.6	67.9	66.2	65.2
Inventory (days)	40.7	49.4	51.1	48.2	47.6
Payables (days)	93.5	97.6	98.0	99.5	102.2
Current ratio (x)	1.1	1.6	1.7	1.8	1.9
Quick ratio (x)	0.7	1.2	0.9	1.0	1.0
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	4.5	4.7	5.0	5.5	5.6
Total asset T.O (x)	1.6	1.6	1.6	1.7	1.7
Int. covge. ratio (x)	59.7	448.6	314.3	419.4	522.9
Adj. debt/equity (x)	-	-	-	-	-
<b>Valuation</b>					
EV/Sales (x)	6.5	10.1	9.6	7.4	6.0
EV/EBITDA (x)	42.5	66.0	68.2	51.0	40.2
P/E (x)	61.6	97.0	98.5	72.3	56.8
P/BV (x)	25.6	27.3	25.7	20.0	15.6



## Recommendation Summary - (last 3 years)



Dates	Rating	Target
23-May-22	HOLD	185
27-Oct-22	HOLD	279
19-May-23	HOLD	363
11-Sep-23	SELL	417
10-May-24	HOLD	625
5-Aug-24	REDUCE/SELL	642
20-Nov-24	ACCUMULATE	792
7-Mar-25	BUY	696

## Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

### Not rated/Neutral

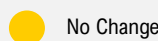
#### Definition:

**Buy:** Acquire at Current Market Price -CMP, with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

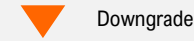
#### Symbols definition:



Upgrade



No Change



Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to ratings. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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