Investorstack Research Report

# CG Power and Industrial Solutions Limited

## What CG Power and Industrial Solutions Limited does

CG Power and Industrial Solutions Limited is an 87-year-old engineering conglomerate headquartered in Mumbai, India. Since November 2020, it has been part of the Murugappa Group. The company designs, manufactures, and services electrical equipment across two business lines: Industrial Systems (motors, drives, railway equipment, consumer appliances) and Power Systems (transformers, switchgears, turnkey transmission and distribution solutions). It operates 18 manufacturing units across nine locations in India and Europe, with a workforce of approximately 3,408 employees.

CG sells to utilities, industrial process companies, railways, data centre operators, and renewable energy developers. It serves both the domestic Indian market and exports to Africa, the Middle East, Europe, and the Americas. The company holds a 38-39% market share in low tension motors in India, as stated by management in the May 2026 concall. Its product portfolio spans from fractional horsepower motors to 765 kV power transformers and 800 kV switchgear.

The company's competitive edge rests on three things: proven execution at scale (expanding transformer capacity from 20,000 MVA to 75,000 MVA in roughly 18 months), vertical integration across the power value chain, and a 60-year-plus track record with Indian utilities and railways. Since the Murugappa Group took control, CG has moved from a distressed balance sheet to a net-debt-free position with consistently rising order backlogs.

> *"This is a record fiscal year performance for CG in recent times."*
>
> AMAR KAUL, MD & CEO, Q4 FY26 CONCALL (MAY 2026)

## Business segments

### Industrial Systems (54.7% of revenue)

Industrial Systems manufactures and services low tension and high tension motors, drives and automation systems, railway traction equipment and signalling, and fast-moving electrical goods. End markets include steel, cement, textiles, chemicals, oil and gas, sugar, automobiles, FMCG, electronics, ports, defence, paper, pharmaceuticals, renewables, and railways.

The segment contains three sub-businesses:

**Motors.** CG makes IE2/IE3/IE4 induction motors from 0.18 kW to 710 kW (LT) and customised HT motors up to 20 MW. It also produces fractional horsepower motors for domestic appliances and pumps. The company is the market leader in LT motors with approximately 38-39% share, as per management. The motors business faced margin pressure from commodity inflation over FY26 but cumulative price hikes of 17.5% over 3-4 quarters have been implemented, and double-digit growth returned in Q4 FY26.

**Drives and Automation.** This includes low and medium voltage AC drives (0.75 kW to 4000 kW), soft starters, power conversion systems for green energy (battery storage, hydrogen, solar), and industrial panels. The manufacturing footprint includes a plant in India and facilities in Sweden, Germany, and Netherlands (via the Emotron acquisition). The European business serves marine, material handling, water, and renewable sectors.

**Railways.** CG supplies traction motors, propulsion systems, auxiliary converters, train control and management systems, signalling relays, and point machines. It acquired a 55.6% stake in G.G. Tronics India Private Limited during FY25, adding the KAVACH train collision avoidance system to its portfolio. The railway business has thin margins due to competitive tendering and a lagging price variation clause mechanism, but management is pivoting toward higher-margin services and new product development.

**Consumer Products.** Re-entered in 2019 with pumps, fans, water heaters, and air coolers. The division launched over 50 new SKUs in FY25 and expanded across e-commerce and modern retail. It is a small but growing contributor within the segment.

### Power Systems (45.3% of revenue)

Power Systems manufactures power and distribution transformers (up to 1500 MVA, 765 kV), reactors, switchgears (medium voltage and extra high voltage gas insulated switchgear, circuit breakers, instrument transformers, bushings, surge arresters), and provides turnkey T&D solutions. End markets include power utilities (state and central), power generation (thermal, nuclear, renewable), transmission and distribution companies, data centres, railways, mines, and process industries.

The business has been the primary growth engine in FY26. Sales grew 46% year-over-year on a standalone basis, with PBIT margins expanding to 21.9% (up from 19% in FY25). Order intake more than doubled in some quarters, driven by Power Grid Corporation orders, a landmark INR 900 crore ($99.2 million) power transformer export order for a US hyperscale data centre, and steady demand from state utilities.

Two sub-segments within Power Systems:

**Transformers.** CG makes auto transformers, generator transformers, shunt reactors, variable shunt reactors, green transformers, and distribution transformers. The company is one of the few Indian manufacturers capable of producing 765 kV class transformers. Capacity has expanded from 20,000 MVA in early FY25 to 75,000 MVA operational by May 2026, with a greenfield plant of 45,000 MVA expected to commission in July-August 2026, taking total capacity to 1,10,000 MVA by end of calendar 2026.

**Switchgears.** Products include indoor/outdoor GIS from 66 kV to 245 kV, SF6 circuit breakers (live and dead tank), instrument transformers, oil-impregnated paper and resin-impregnated paper bushings, lightning arresters, vacuum interrupters, ring main units, and numerical protection relays. The business received board approval for a INR 748 crore greenfield expansion in October 2025 to meet medium voltage and EHV demand. The 400 kV GIS is under development for commercial launch in FY27.

## Products and business detail

### Low Tension (LT) Motors

CG produces IE2/IE3/IE4 induction motors from 0.18 kW to 710 kW. These are general-purpose motors sold to steel, cement, textile, chemical, water treatment, and other process industries. The company holds approximately 38-39% market share in LT motors in India.

Customers are typically OEMs or industrial end-users. The buying decision centres on price, energy efficiency rating (IE3 mandated in many applications), delivery reliability, and after-sales service. Switching costs are moderate: a motor is a standardised component for most applications, but once a customer has designed a machine around CG's frame size and mounting dimensions, replacing it with a competitor's product requires mechanical and electrical adaption. CG's distribution network and service centres reduce the incentive to switch.

Sales are largely transactional, but CG uses price increases as a market leader: management stated that competitors followed CG's price hikes, which allowed the company to maintain market share.

### Power Transformers

CG makes auto, generator, and shunt reactors up to 500 MVA, 765 kV, including green transformers and variable shunt reactors. These are large, custom-engineered products. Customers include Power Grid Corporation of India (PGCIL), state utilities, renewable developers, data centre operators, and export customers (e.g., the US data centre order).

The buying process for utilities is a competitive tender. The contract typically includes a price variation clause (PVC) that passes commodity cost changes to the customer. This protects margins on large, long-lead orders. Switching costs are very high: transformers are custom-designed for specific voltage, impedance, and cooling requirements. Qualification cycles with utilities take 12-24 months. Once a supplier is approved, repeat orders are common, but each new tender is competitively bid.

Order execution cycles range from 6 months (distribution transformers) to 18-20 months (large power transformers for US data centre, which depend on component lead times like tap changers from Germany). CG delivers on FAS Mumbai port terms for export orders, meaning tariffs and freight are borne by the customer.

### Gas Insulated Switchgear (GIS)

CG offers indoor/outdoor GIS rated 66 kV to 245 kV. The product is sold to power utilities, metro rail projects, industrial substations, and export markets. The 400 kV GIS is under development, with type testing scheduled for Q2-Q3 FY27 and commercial launch in FY27.

GIS purchases are typically made through tenders by power utilities and EPC contractors. The key decision factors are compact footprint, reliability, and compliance with CEA specifications. Switching costs are high because GIS is a bespoke, integrated assembly that requires site-specific engineering and approval cycles.

Management noted that the domestic GIS and AIS switchgear market is approximately INR 12,000 crores, according to the October 2025 concall. CG's new product development, including indigenous RIP bushings and 400 kV GIS, positions it to gain share in this high-value segment.

### KAVACH (Train Collision Avoidance System)

Through G.G. Tronics, CG supplies the indigenous automatic train protection system for Indian Railways, including station and locomotive units. The KAVACH order book was approximately INR 1,000 crores as of May 2026. The product is at the final stage of passenger trials (12 completed as of May 2026), with commercial supplies expected to start in Q1 FY27.

KAVACH is a single-buyer product: Indian Railways is the sole customer. The technology was developed domestically, and CG is one of a handful of approved suppliers. Switching costs are high because the system must integrate with Indian Railways' signalling architecture and RDSO specifications. Once deployed, replacement and maintenance contracts create recurring revenue.

### AC Drives and Drive Panels

CG offers low and medium voltage AC drives (0.75 kW to 4000 kW), including active front end drives, soft starters, and power conversion systems for green energy. The drives business serves cement, water, metals, oil and gas, marine, and renewable energy sectors. The company has launched the AMX next-generation drives platform, which is 100% indigenously developed for low voltage applications.

Drives sales are through direct sales and channel partners. Switching costs are moderate: customers standardise on a drive brand for programming, spare parts, and service support. CG competes by offering customised solutions and integrating with its motor portfolio.

## Customers

CG serves a diverse customer base with no single customer concentration, according to management. The company does not disclose a top 10 customer list, but the concalls and annual report reveal specific significant buyers:

**Power Grid Corporation of India (PGCIL).** CG received an order for INR 641 crores ($74 million) for supply and servicing of a 765 kV transformer package in Q1 FY26. This was the single largest domestic order for the transformer business. PGCIL is the central transmission utility and a recurring buyer of EHV equipment.

**Techno Electric and Engineering Company.** CG secured an INR 244 crores order for EHV equipment (instrument transformers, circuit breakers, lightning arresters) in Q1 FY26.

**Tallgrass / US hyperscale data centre operator.** The single largest order in CG's history: INR 900 crores ($99.2 million) for power transformers, received on 16 January 2026. Delivery period is 12-20 months, with terms of FAS Mumbai port. This order demonstrates CG's capability in the US data centre market, a fast-growing vertical.

**Indian Railways (CLW and North Western Railways).** Through G.G. Tronics, CG holds KAVACH orders from Chittaranjan Locomotive Works and other zones. The total KAVACH order book was approximately INR 1,000 crores as of May 2026. Railways also buys traction motors, propulsion systems, and signalling equipment directly or through OEMs.

**Renesas Electronics.** CG is a strategic partner for semiconductor design through its Axiro subsidiary. This is not a product sale but a technology acquisition and collaboration.

**State electricity boards and EPC contractors.** These form the bulk of Power Systems' order book. State utilities buy distribution transformers, medium voltage switchgear, and power transformers for grid expansion under schemes like RDSS.

**Export customers.** CG exports to Africa, the Middle East, Europe, and the Americas. Export order bookings more than doubled year-over-year in FY26, though exports were approximately 5% of standalone sales (excluding the European drives subsidiaries). Key geographies include the US (data centre), Mexico (switchgear), and Nepal (power systems).

The buying process for large power equipment follows a structured tender mechanism. Utilities and government agencies issue tenders with technical specifications. CG's sales team (including dedicated Key Account Management for marquee clients) bids with pricing, delivery schedules, and compliance documents. For EPC and industrial customers, the process is more relationship-driven but still involves competitive bidding.

Switching costs for power transformers and GIS are high due to custom engineering, qualification cycles, and the critical nature of the equipment. For motors and drives, switching costs are moderate. CG's extensive dealer network (5 regional offices, 14 branch offices across India) and after-sales service centres reduce customer churn.

Contract structure varies: large power equipment orders include price variation clauses that pass commodity cost changes to the customer. Export orders are typically on FAS (Free Alongside Ship) terms, meaning tariffs and insurance are the customer's responsibility. Motors and drives orders are usually fixed-price for short lead items, with periodic price revisions.

## Competitive landscape

The electrical equipment industry in India is fragmented but concentrated in specific segments. CG holds a leading position in several categories but faces competition across its portfolio.

**LT Motors.** CG is the market leader with approximately 38-39% share in LT motors and 19-20% in larger industrial motors, as per management in the May 2026 concall. Key competitors include Nidec and WEG, both of which are expanding their manufacturing footprint in India. These global players have aggressive expansion plans and are investing in local capacity. CG's competitive advantage comes from its distribution network, brand recognition, and ability to set pricing as the market leader. The company has maintained market share despite cumulative price increases of 17.5% over 3-4 quarters, as competitors followed its pricing.

**Power Transformers.** Competitors include domestic players like Voltas, BHEL, Siemens India, and Toshiba India, as well as Chinese manufacturers who could potentially re-enter the Indian market. Management acknowledged the possibility of Chinese re-entry but expressed confidence:

> *"We have not seen anything like that until now."*
>
> AMAR KAUL, Q3 FY26 CONCALL (JAN 2026)

Management's view is that even if Chinese players enter, capacity expansion takes 24-36 months, and CG will remain cost-competitive. The company also noted that transformer demand will outstrip supply through 2029-30, leaving room for multiple players.

CG's advantage in transformers is speed of capacity addition. The company expanded from 20,000 MVA to 75,000 MVA in roughly 18 months, far faster than peers. This allows CG to capture orders that competitors cannot fulfill due to capacity constraints.

**Switchgears.** The primary competitors are ABB, Siemens, and Schneider Electric. These global players have strong brand recognition and technology in EHV and GIS segments. CG's differentiator is indigenous development: it is the only Indian manufacturer offering 800 kV bushings compliant with seismic Zone V, and it has developed its own 400 kV GIS in-house. The company also competes on price and delivery timelines.

**Railways.** KAVACH has a limited supplier base; CG is one of the few approved vendors through G.G. Tronics. For traction equipment, CG competes with Medha Servo Drives and global suppliers like ABB. The railway segment is characterized by thin margins and competitive tendering, but CG's integrated portfolio (traction motors, converters, signalling) gives it an edge in turnkey bids.

**Drives and Automation.** ABB, Siemens, and Danfoss are strong competitors globally and in India. CG's drives business is smaller but benefits from its motor-drive integration strategy. The launch of the AMX drive platform, which is 100% indigenous for low voltage, gives CG a cost advantage in the domestic market.

Overall, CG's competitive position is strongest in power systems, where capacity expansion and a strong order book create a virtuous cycle. The motors business is mature and competitive, but CG's market leadership and pricing discipline protect margins. The railways business is a growth area but margin-constrained.

# Industry

## Demand Drivers

India's power sector is in a multi-year expansion cycle. The Central Electricity Authority (CEA) projects total installed capacity of over 669 GW by 2026-27, with significant additions from renewable energy, battery storage, and flexible thermal capacity. This drives demand for transformers, switchgears, and automation systems.

Management described the current environment as:

> *"it's like Amrit Kaal for power sector in India as well."*
>
> AMAR KAUL, Q4 FY26 CONCALL (MAY 2026)

Key demand drivers include:

**Grid Modernisation.** The government's Revamped Distribution Sector Scheme (RDSS) is deploying smart meters and loss-reduction projects worth approximately INR 1,46,000 crores. State utilities are investing in substation upgrades, driving demand for transformers and switchgear.

**Renewable Energy Integration.** India targets 500 GW of non-fossil fuel capacity by 2030. This requires high-voltage transmission lines (765 kV, HVDC), reactive compensation equipment (shunt reactors, STATCOM coupling transformers), and GIS for compact substations. CG's product development (variable shunt reactors, 400 kV GIS, high-current bushings) targets these applications.

**Data Centre Boom.** The Indian data centre market is growing rapidly, with total capacity expected to double by 2028. US hyperscalers are also building capacity domestically, creating export opportunities. CG's US data centre transformer order (INR 900 crores) demonstrates this tailwind.

**Railway Electrification and Safety.** Indian Railways aims for 100% electrification by 2030 and is deploying KAVACH across its network. This creates recurring demand for traction motors, propulsion systems, and electronic signalling equipment. Management expects to install 100 KAVACH units per month starting Q1 FY27.

**Industrial Automation.** The adoption of IE3/IE4 motors and variable frequency drives is accelerating due to energy efficiency mandates. CG's Fluxtron MV motors and AMX drives are positioned for this replacement cycle.

## Market Size

Management disclosed that the domestic GIS and AIS switchgear market is approximately INR 12,000 crores (October 2025 concall). The power transformer market is significantly larger, with all manufacturers' combined capacity expansions still falling short of projected demand through 2029-30. Management believes the demand-supply gap will persist for years, supporting pricing discipline.

## India's Place in the Global Supply Chain

India is emerging as an alternative to China for electrical equipment manufacturing. Supply chain diversification post-COVID, policy support through Make in India and the National Infrastructure Pipeline, and India's cost-competitiveness are driving global buyers to Indian suppliers. CG is directly benefiting through its US data centre export order and a growing inquiry pipeline that management said was 85% higher year-over-year as of October 2025.

Exports were approximately 5% of standalone sales in FY26, but export order bookings more than doubled year-over-year. Management's aspiration is to increase the export share significantly, particularly in power transformers

and GIS.

### Import Substitution

Historically, Indian utilities imported high-voltage equipment from Chinese and European manufacturers. Government policy (including quality control orders and BIS standards) restricted Chinese imports, creating an opportunity for domestic manufacturers. CG has developed indigenous substitutes for imported products, including RIP bushings, 800 kV lightning arresters, and 400 kV GIS.

The government may allow Chinese players to participate in PSU tenders on a level playing field, but management does not view this as a near-term threat. The lead time for Chinese manufacturers to set up local production is 24-36 months, and CG's operational efficiency and cost structure would allow it to compete.

### Regulation

The industry is governed by BIS standards for product quality, CEA specifications for transmission equipment, and IEC/ANSI standards for exports. Government schemes such as RDSS (distribution reform), KUSUM (solar pumps), and the National Infrastructure Pipeline provide demand visibility. The India Semiconductor Mission provides capital assistance for CG's OSAT facility, with central government support of INR 3,501 crores and state support of INR 1,400 crores.

### Cyclicality

Power systems capex is linked to 5-year utility plans and renewable energy targets, making it relatively predictable over a multi-year horizon. However, quarterly ordering can vary based on government budget releases and project approvals. The LT motors market is tied to IIP and SME capex cycles, which were sluggish through FY25-early FY26 but showed signs of recovery in Q4 FY26. Management noted that the motors market had been negative for several quarters but turned positive in FY26.

The current cycle is structurally different from past booms because of the convergence of renewable targets, grid modernisation, data centre growth, and railway electrification. Management's view, stated in the January 2026 concall, is that demand will outstrip supply even when all players' planned capacity expansions are included, through 2029-30. This is not a typical cyclical upswing but a structural shift in the domestic and global power equipment market.

## Growth triggers

- Transformer capacity expansion from 40,000 MVA to 85,000 MVA by FY28, already at 75,000 MVA operational as of May 2026 with the greenfield 45,000 MVA plant commissioning between July and August 2026 and hitting peak by December 2026. Management stated: "As of now if we total up between Gwalior and Bhopal, we have a capacity of 75,000 MVA and another 45,000 MVA to be added by the end of this calendar year." (Q4 FY26 concall, May 2026)
- US hyperscale data centre power transformer export order of INR900 crore ($99.2M), the single largest order in CG's history. Execution started in January 2026 with deliveries over 12-20 months. The management described this as opening a tap: "after that also the tap is open and as you know we put our feet on the ground outside India as well, anything we touch you know it just opens up." (Q4 FY26 concall, May 2026)
- OSAT semiconductor facility (CG Semi) G1 ramp-up, with G1 peak capacity of 0.5 million chips per day and G2 (14.5 million chips per day) expected by end of calendar year 2026. Chip revenue expected within 2-3 quarters.

G1 already operating at 98-99% yield, better than anticipated. (Q3 FY26 concall, Jan 2026; Q4 FY26 concall, May 2026)

- Switchgear greenfield expansion of INR748 crore for MV and EHV products including GIS. Brownfield expansion expected to deliver INR400 crore incremental revenue within the next few months. (Q2 FY26 concall, Oct 2025; Q4 FY26 concall, May 2026)
- KAVACH automatic train protection system orders and execution ramp-up. 12 passenger trials completed as of May 2026, commercial supplies expected to start in Q1 FY27. G.G. Tronics order backlog approximately INR1,000 crore. (Q1 FY26 concall, Jul 2025; Q4 FY26 concall, May 2026)
- 400 kV GIS commercialisation by FY27, with type testing scheduled for Q2-Q3 FY27. Management stated: "the plan is exactly on the schedule there." (Q4 FY26 concall, May 2026; Q2 FY26 concall, Oct 2025)

## Key risks

- Commodity inflation (copper, steel, transformer oil) impacting margins, especially in motors and railways where price pass-through is slower. Management took cumulative 17.5% price hikes in motors over 3-4 quarters, but in railways the PVC clause is lagged and thin-margin tenders make recovery difficult. (Q3 FY26 concall, Jan 2026; Q4 FY26 concall, May 2026)
- Intensifying competition from Chinese transformer manufacturers if they re-enter the Indian market. Management acknowledged Chinese players are sold out for 2 years and setting up manufacturing would take 24-36 months, but the risk of price pressure exists if a level playing field is granted. Management's view: "We have not seen anything like that until now." (Q3 FY26 concall, Jan 2026)
- Geopolitical tariffs and trade disruptions impacting export orders. Management noted that tariffs are borne by the customer under FOB Mumbai port terms, but US/Europe tariff changes could reduce CG's competitiveness in export markets. The company consciously slowed some exports due to tariff impact. (Q4 FY26 concall, May 2026)
- Execution risk in large capacity expansions (transformer, switchgear, semiconductor). Delays in commissioning or achieving yield targets could impact revenue visibility. Management reported projects are on track but acknowledged risks: "It's like a foot on the gas and foot on the brake thing." (Q2 FY26 concall, Oct 2025; Q4 FY26 concall, May 2026)
- Railways segment margin pressure due to competitive bidding and slow PVC recovery. Management described it as a "tender business" with thin margins and a lagging price variation clause that takes 1-2 quarters to recover. New leadership is focusing on services and NPD to improve margins, but near-term pressure persists. (Q2 FY26 concall, Oct 2025; Q4 FY26 concall, May 2026)

## Walk the talk

**Motors price hikes and margin improvement**

In the Q1 FY26 concall (July 2025), management announced a 5% price hike effective July 2025 and expressed confidence that pricing discipline would improve margins:

> *"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."*

By the Q3 FY26 concall (January 2026), management reported cumulative price hikes of 17% over 9 months and confirmed that market share was maintained despite the steep increases. The Q4 FY26 concall (May 2026) showed tangible results: double-digit growth in motors and a 20 basis point sequential margin improvement in Industrial Systems. Management noted it was a "combination of the price increase that we got from there from the customers and a combination I would say about 50-50% of both and the volume hike as well."

**Transformer capacity expansion**

In the Q1 FY26 concall (July 2025), management promised to expand transformer capacity to 40,000 MVA by September 2025:

> *"So by September, we will be up and running to that, from current approximately 20,000 MVA."*

In the Q2 FY26 concall (October 2025), management confirmed the milestone was achieved on 1st October. By Q3 FY26 (January 2026), capacity had further expanded to 65,000 MVA. In Q4 FY26 (May 2026), operational capacity reached 75,000 MVA with the greenfield 45,000 MVA plant nearing completion. Management stated: "The Gwalior facility has now capacity increased from 6,000 MVA to 10,000 MVA and the Mandideep, Bhopal facility so there we have done capex and as per the capex plan the capacity is increased to 40,000 MVA first and then we had our lean plans... This capacity has grown to further 65,000 MVA at the end of the last year."

**KAVACH order execution**

In the Q2 FY26 concall (October 2025), management said approvals were pending and expected by December 2025:

> *"I think there are only 2 last approvals pending. Hopefully, by end of December, we should be in a position to get all this cleared out and start the shipments."*

In Q3 FY26 (January 2026), management reported "passenger trials are about to start now, which should take another 4 to 5 weeks." By Q4 FY26 (May 2026), 12 trials had been completed, and management expressed confidence that commercial supplies would start "in a month or so." Management stated: "there are about as of today morning, 12 trials have already been completed and so I think maybe another month, month and a half all these trials should be done. So then we start executing."

**Exports and services focus**

In the Q2 FY26 concall (October 2025), management said:

> *"exports and services is a focus area for us."*

In Q3 FY26 (January 2026), management reported that export orders (excluding the large US data centre order) had grown more than 50% in 9M FY26. In Q4 FY26 (May 2026), management stated export order bookings had more than doubled year-over-year and reiterated "larger aspirations." Management said: "both the areas we have more than doubled our order bookings between last year and this year. So we have much larger aspirations, so more to come so stay tuned on it."

# Scenarios

## Bull case

India's power sector enters a sustained super-cycle. Grid modernisation, renewable integration, and data centre buildout drive transformer and switchgear demand well beyond 2029-30, as management repeatedly forecast. CG's capacity expansion outpaces competitors, and the export pipeline broadens beyond the initial US data centre order to include utility-scale transformers in Europe and the Middle East. The OSAT semiconductor facility ramps to full capacity ahead of schedule, generating meaningful revenue from both the G1 mini-plant and the G2 megafactory, while the design business (Axiro) expands through strategic acquisitions and new technology verticals. KAVACH becomes a national programme with multi-year orders, and railway margins improve as services and new product development gain traction. The motors business sustains its pricing discipline and market share, benefiting from a recovery in SME capex. Industrial Systems margins return to double-digit territory. The market recognises CG as a diversified industrial powerhouse with a semiconductor growth engine.

## Base case

The transformer capacity expansion proceeds as planned, with the greenfield plant reaching 45,000 MVA by December 2026 and the total crossing 85,000 MVA by FY28. Order inflows remain strong in domestic power systems, growing 15-20% annually, supported by PGCIL and state utility tenders. Exports contribute a gradually increasing share, driven by the US data centre order and follow-on business in select geographies. The motors business maintains single-digit growth and margins stabilise around 9-10%, partially recovering from commodity pressure. KAVACH commercial supplies begin in Q1 FY27 and scale steadily, with the order backlog of INR1,000 crore converting over 18-24 months. The OSAT business remains investment-heavy in FY27, with chip revenue starting in late 2026 but not reaching meaningful contribution until FY28. The semiconductor segment continues to incur losses in the near term. Power Systems margins hold at elevated levels (21-23%) supported by operating leverage and disciplined order intake, while Industrial Systems margins edge up to 10-11% as railways business improves. The company maintains its current trajectory: strong revenue growth, margin expansion, and a robust order book, but without a step-change in either exports or semiconductors.

## Bear case

The Indian transformer market faces a sudden influx of Chinese imports as the government relaxes trade restrictions. Chinese players, with deep pockets and overcapacity, undercut domestic manufacturers on price, compressing margins in Power Systems from current elevated levels toward industry averages. The export pipeline disappoints: the US data centre order proves lumpy, and follow-on orders from American grid utilities take longer than expected due to slow approval cycles and tariff uncertainties. The OSAT semiconductor facility faces yield or customer qualification delays, delaying chip revenue into FY28-29 and extending the period of investment losses. KAVACH commercialisation hits regulatory snags or competitive awards to other players, reducing the order book conversion rate. Commodity inflation continues to outpace price hikes in motors, squeezing Industrial Systems margins. The motors business, despite pricing discipline, loses volume as SME customers defer capex in a weak economic environment. Railways margins remain in single digits due to competitive tendering and lagged price variation clauses. The order backlog, while high, sees slower conversion due to capacity bottlenecks or customer deferrals. The bull case demand scenario fails to materialise as grid modernisation projects are delayed, and the company is left with overcapacity and margin pressure across both segments.