



Smart solutions.
Strong relationships.

CG POWER AND INDUSTRIAL SOLUTIONS LIMITED

Annual Report 2022-23



Seeding the
Future

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Seeding the future

The past stands reconciled. The present optimised. Time now to seed the future.

Yes, at CG, we are now seeding the future. A future of immense potential. To engineer better, to manufacture leaner, to sell across more, to invent faster, to retain and allocate more. In a world striving to add efficiency, comfort and predictability; capital goods as well as CG ought to rise to the occasion.

Responding to the opportune landscape, we are expanding our manufacturing capacities for motors and transformers both. Learning from our recent exploration of operational excellence, we are blending debottlenecking and greenfield expansion both to achieve higher capital efficiency.

Furthering our gains in market share and customer confidence, and on the back of added capacities, we are heading to sell more in the global markets. Adding impetus to our in-house research and development, we are exploring technological collaborations to fast forward our approach to newer and bigger opportunities.

Leveraging the strength of our balance sheet and financial position, we are approaching the future with renewed confidence and conviction. At CG, we are seeding the future.

The World of CG

A Murugappa Group Company

85+

CG is an 85+ years old Company

17

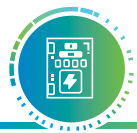
CG's manufacturing facilities in India

CG's operations are organised under the following two business divisions



Industrial Systems

Motors & Drives, Railways



Power Systems

Transformers, Switchgears & other allied products



CG's operating subsidiaries are:



Drives & Automation, Europe



CG Adhesive Products Limited, India

Core Strengths



Market Leader

Market leader and volume player in Motors business



Diversified Products

Diversified product portfolio with complete range for Power Transmission and Distribution sub-station



Excellent Reach

Excellent reach with loyal Channel Partners



Customised Solutions

Lean cost structure and capability to serve customised solutions to customers



Expansion

Proposed expansion in Motors and Transformers to give further economies of scale



Manufacturing Facilities

State-of-the-art manufacturing facilities



HT Motors Unit, Bhopal

Growth Drivers

Industrial Systems: Motors & Drives



Accelerated Urbanization and Industrialisation

Revival of Capex (PLI, Railways, etc.) cycle, rapid urbanization and increasing automation are expected to drive domestic demand for industrial motors by ~8% per annum for next 3-5 years, as per IEEMA



Energy efficiency focus

Focus on energy efficiency will drive demand for IE3 & IE4 motors. Growth in renewable energy and stricter compliance norms will drive growth in specific industrial motors



Electric Vehicles

Faster and wider adoption of Electric Vehicles (EV) will open new product segment of EV motors and controllers



Government's Infrastructure Push

The Government of India's infrastructure push with a massive ₹ 10 lakh Crore capital allocation will open enormous growth opportunities for CG



Exports Market

Company's renewed focus on mining growing global opportunities and leverage China + 1 strategy of global OEM will aid sustained growth



Growth Drivers

Industrial Systems: Railways



100% Route Electrification

Indian Railways (IR) plans to achieve 100% railway route electrification by 2024-25



Urban mass transport

There is a rapid increase in demand for urban mass transportation systems (EMU/ MEMU and Metro) in the country

Gati Shakti programme

IR plans to establish ~500 multi-modal cargo terminals under the 'PM GatiShakti' programme, with an estimated outlay of ₹ 50,000 Crore in four-five years



Growth Drivers

Power Systems

Renewable Energy

Planned Installation of 523 GW renewable power by 2030 opens EHV Switchgear business potential worth ₹ 300 Crore.
MV Switchgear with dry air/ nitrogen to provide a greener alternate to SF6 gas switchgears



METRO Projects

Various metro projects planned in more than 40 cities offer business potential worth ₹ 600 Crore. Traction station deployments in dedicated freight corridors open business potential worth ₹ 200 Crore



Power Transformers

Tariff Based Competitive Bidding (TBCB) projects worth ₹ 200,000 Crore are expected in the next 5 years



GIS Substations

Power Utilities' GIS substation projects in urban areas are increasing by 30%, thereby opening business potential worth ₹ 1,000 Crore

Revamped Distribution Sector Scheme (RDSS)

As on November 2022, RDSS proposals worth ₹ 189,000 Crore cleared, translating into business potential worth ₹ 1,000 Crore



Service Business

Long term service contracts, spare modules for older installations and life assessment and enhancement programs for supplied material open high margin service business opportunity



Railway Business

Railway target 100% electrification by 2025. Modernization of Railway station translating into business potential worth ₹ 300 Crore



Data Centres

Accelerated digitalization coupled with on-shoring of data storage regulation are driving massive investments in data centres, subsequently opening business potential worth ₹ 300 Crore



Export Business

Retrofit business opportunity worth ₹ 2,500 Crore in export market



Chairman's Letter



Dear shareholders,

Over the last few years, I believe that we have successfully overcome the phase of addressing legacy issues. From grappling with severe financial constraints and mounting debts, we have transformed into a debt-free entity. Our progress is exemplified by our ability to not only meet the needs of our employees and vendors but also fund our future capital expenditure through internal accruals. We have overcome existential challenges and achieved remarkable growth in both revenue and profitability for the second consecutive year.

The resurgence, within just nine quarters, in CG's performance signifies the strength, determination, prudence and governance of both the Murugappa Group's Tube Investments and CG. I take great satisfaction in these initial results, and I wholeheartedly thank all stakeholders, including our Board, Management, Staff, Customers, and Suppliers for their contribution.

We now stand at the cusp of a new era. We look towards the future with renewed vigour and confidence as the efforts that have propelled our recent success have also laid a solid foundation for a promising future.

The external environment continues to be supportive, with a healthy flow of enquiries and orders in both our operating segments – Industrial Systems and Power Systems. The Government segment's demand is expected to increase during the next capital expenditure cycle, while the softening of commodity prices and gradual easing of inflation bode well for the future.

In line with our future growth strategy, we are initiating the implementation of three principal pillars: (1) expansion of capacity, (2) enhanced focus on exports, and (3) accelerated technological advancements. We believe that these pillars are complementary and will fuel the next phase of our growth.

The capacity expansion pillar aims not only to debottleneck and modernize existing facilities but also to add new capacity. Plans have been drawn up to substantially expand the capacity across Ahmednagar, Goa, Bhopal and Malanpur plants. These projects would involve an aggregate outlay of around ₹ 400 Crore over the next two years.

For the second pillar, we are developing a detailed strategy that lays out the specific geographies, defines the product offerings, and determines the go-to-market strategy. We are confident that we can increase the revenue contribution from exports from 5% to 20% over the next 4-5 years.

The third pillar is focused on accelerated technological advancement. Our robust

R&D mechanism has kept us technologically relevant over the years and has actively worked on future products & technologies. We continue to strengthen our R&D efforts and explore collaborative partnerships to augment our internal efforts.

I am pleased to announce that CG has already made its first dividend pay-out since the recent change in ownership. I express my gratitude for your continued trust & patronage and invite you to partner with us in co-creating a more diverse, global, and competitive CG.

Thank you

Warm regards,

Vellayan Subbiah
Chairman



We now stand at the cusp of a new era. We look towards the future with renewed vigour and confidence as the efforts that have propelled our recent success have also laid a solid foundation for a promising future.

MD's Message



Dear fellow shareowners,

You would be happy to see the all-round performance recorded by your Company in the fiscal year ended March 2023. Over the last nine quarters, we have sequentially navigated through the phases of stabilisation, turnaround, and growth successfully and we are now taking steps for the next phase of consolidation, expansion, and profitable growth.

FY23 proved to be a year of growth moderation for economies worldwide including India. Geo-political challenges, mounting inflation, increasing interest rates, heightened and volatile commodity prices, strained supply chains - economies had to navigate through a multitude of challenges. In this backdrop, India deftly manoeuvred its march forward to appear once again as the fastest growing major economy. The growth was aided by a slew of factors including near universal vaccination, strong performances from manufacturing, agriculture and services

sectors, encouraging exports growth, government's infrastructure push and a rebound in MSME sector.

Coming to our Company's performance, we continued to build on our efforts towards operational excellence, lean manufacturing, and cost, time, and resource optimisation. In the backdrop of heightened volatility in commodity prices, we sharpened our focus on margin protection and a favourable product mix. The results of these companywide initiatives are visible in our combined as well as divisional performances. We chalked out and started some debottlenecking exercises aimed at releasing added capacities and increased throughputs.

On Standalone basis, revenue and PBT before exceptional items recorded in FY23 is the highest in the last 11 years. All the businesses grew significantly over the last year with good margins.

Standalone revenue for FY23 was higher at ₹ 6,580 Crore, recording a growth of 28% over FY22. Profit before tax reached

₹ 927 Crore as compared with ₹502 Crore in FY22. Margins were higher on account of volume growth, higher sales realization, procurement efficiencies, and higher other income. ROCE for FY23 was 39% as against 27% in FY22. The free cash flow generated for the year was ₹ 749 Crore. Order intake for FY23 was ₹ 7,828 Crore. Order book on hand as on 31 March 2023 aggregate to ₹ 4,319 Crore.

Consolidated revenue for FY23 was higher at ₹ 6,973 Crore, recording a growth of 27% over FY22. Profit before tax reached ₹ 950 Crore as compared with ₹ 504 Crore in FY22. Margins were higher on account of volume growth, higher sales realization, procurement efficiencies, and higher other income. ROCE for FY23 was 62% against 45% in FY22. The free cash flow generated for the year was ₹ 802 Crore. Order intake for FY23 was ₹ 8,451 Crore.

Our Industrial Systems (including Railways BU) revenue and PBIT grew by 25% and 61% respectively while order intake grew by 13% to reach ₹ 4,963 Crore for FY23. Unexecuted

₹6,580 Crore

Higher Standalone revenue for FY23, recording a growth of 28% over FY22

₹7,828 Crore

Order intake for FY23

order book as of 31 March 2023 stood at ₹ 2,040 Crore. Capacity utilisation for Motors Division was ~85% for the year.

At consolidation level, our Industrial Systems (including Railways BU) revenue and PBIT grew by 25% and 63% respectively while order intake grew by 13% to reach ₹ 5,388 Crore for FY23. Unexecuted order book as of 31 March 2023 stood at ₹ 2,178 Crore.

Our Power Systems revenue grew by 33% while PBIT growth for the year was 57%. Order intake grew by 36% to reach ₹ 3,033 Crore for FY23. Unexecuted Order book as of 31 March 2023 stood at ₹ 2,485 Crore, recording a 48% growth over the previous year.

At consolidation level, our Power Systems revenue grew by 33% while PBIT growth for the year was 63%. Order intake grew by 33% to reach ₹ 2,865 Crore for FY23. Unexecuted Order book as of 31 March 2023 stood at ₹ 2,279 Crore, recording a 46% growth over the previous year.

To summarise, FY23 was a record-breaking year. The Company built on its strengths and delivered across financial and operational parameters. Several landmarks were achieved - highest ever sales by the Motor Division, highest ever sales by the Railways Division, and highest ever order booking for the Transformer Division. The Company declared and paid interim dividend, marking its return to dividend pay-out after a gap of 7 years.

₹927 Crore

Profit before tax reached as compared with ₹ 502 Crore in FY22.

₹4,319 Crore

Order book aggregate on hand as on 31st March 2023

The Company prepaid all its remaining term loan of ₹ 100 Crore, redeemed the NCDs outstanding and became debt-free. India Ratings upgraded the Company's long-term rating to 'AA' and the short-term rating to 'A1+'.

We have drawn up plans to substantially expand the manufacturing capacity of Motors at our Ahmednagar and Goa plants, the transformer manufacturing capacity at Bhopal and Malanpur plants are also being expanded. These projects would involve an aggregate outlay of around ₹ 400 Crore, to be incurred over the next two years. Your Company is confident of funding these out of internal accruals.

We have entered FY24 with a forward strategic orientation, one which prepares and steers us for the next 4-5 years. Three pillars of this strategic roadmap are capacity expansion, exports focus and operational excellence. A two-pronged approach henceforth would enable us to further fortify our core strengths at one hand while simultaneously seeding the future. The approach is being backed by an expanded R&D, one which intensifies our in-house research and development activities while also exploring collaborative approach of technology access for a faster and wider access to market opportunities including global destinations.

The strength of a healthy balance sheet coupled with a predictable free cash flow regime empowers us to pursue future growth with confidence.

Our Power Systems revenue grew by 33% while PBIT growth for the year was 57%. Order intake grew by 36% to reach ₹ 3,033 Crore for FY23. Unexecuted Order book as of 31 March 2023 stood at ₹ 2,485 Crore, recording a 48% growth over the previous year.

To conclude, I would like to place on record our sincere appreciation to the management, staff, vendor, and channel partners for their steadfast commitment to the continued growth and success of CG. On behalf of the Board and the Management, please accept our sincere thanks, dear shareowners, for your continued trust in CG.

Let us seed the future, together!

Warm regards,

Natarajan Srinivasan
Managing Director

Board of Directors



Mr. Vellayan Subbiah
Chairman

Mr. Vellayan Subbiah is a Bachelor of Technology in Civil Engineering from IIT Madras and holds a Master's in Business Administration from the University of Michigan. He has over 2 decades of work experience in varied fields i.e. consulting, technology, projects and financial services. He has worked with McKinsey and Company, 24/7 Customer Inc. and Sundram Fasteners Ltd. He is currently the Executive Vice Chairman of Tube Investments of India Limited and Chairman of Cholamandalam Investment and Finance Company Limited. He is also on the Board of SRF Ltd., Cholamandalam Financial Holdings Ltd, and Ambadi Investments Ltd. He was a recipient of the Extraordinary Entrepreneur of the Year - TIECON 2014 Award.



Mr. Natarajan Srinivasan
Managing Director

Mr. Natarajan Srinivasan is a commerce graduate, a Member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India. He has more than 38 years of Corporate work experience spanning across Finance, Legal, Projects and General Management functions. He started his career with BHEL. Before joining the Company, he has served the Murugappa Group for 15 years, where he held several senior positions - Director in Murugappa Corporate Board, Group Finance Director, Lead Director-Financial Services Business, Executive Vice Chairman and Managing Director of Cholamandalam Investment and Finance Company Limited.

He also served the Boards of Tube Investments of India Ltd., Cholamandalam MS General Insurance Company Ltd. and TI Financial Holdings Ltd.

In December 2018, the Government of India appointed Mr. Srinivasan on the Board of Infrastructure Leasing and Financial Services Ltd. ("IL&FS"). He held the directorship in IL&FS till 28th February 2023. He is currently on the Boards of Godrej Agrovet Limited and Computer Age Management Services Limited as an Independent Director.



Mr. M A M Arunachalam
Non-Executive Director

Mr. M A M Arunachalam also known as Arun Murugappan holds a Master in Business Administration from the University of Chicago, USA. He is currently the Executive Chairman of Tube Investments of India Limited. He is also the Chairman of Parry Enterprises India Limited and Cholamandalam Home Finance Limited. A senior member of the Murugappa family, he is an Industrialist and has over 25 years' experience in varied industrial activities.

He is also on the Boards of Cholamandalam Investments and Finance Company Limited, Shanthi Gears Limited and Ambadi Investments Limited amongst others.



Ms. Sasikala Varadachari
Independent Director

Ms. Sasikala Varadachari holds Masters in Economics from Madras University and is also a Chartered Associate of Indian Institute of Bankers (CAIIB). She holds a Certificate in Financial Markets from Securities Institute of Australia, Melbourne.

She was associated with State Bank of India (SBI) group since 1977 and has held several important portfolios in SBI including, Chief Executive Officer of SBI - Tel Aviv, Israel and General Manager - Shares & Bonds, Corporate Centre. She retired from SBI as Chief General Manager, Strategic Training Unit, Corporate Centre.

She is a director on the Boards of Tube Investments of India Limited, Sundaram-Clayton Limited, Sundaram-Clayton DCD Limited, TVS Motor Services Limited and Cholamandalam Securities Limited.



Mr. P S Jayakumar
Independent Director

Mr. P S Jayakumar is Master in Commerce, University of Chennai, a Chartered Accountant from the Institute of Chartered Accountants of India, MBA graduate from XLRI Jamshedpur and Gurukul Chevening Scholar, London School of Economics and Political Science.

He started his career as entry level Management Associate in Citibank and went on to become the Co-Head-Citibank, India with the responsibility of consumer banking. Next, he co-promoted two companies, namely VBHC Value Homes and Home First India. During the years 2015-2019, he was the Managing Director of Bank of Baroda.

Currently, he is the Senior Advisor at India Advisory Board, Master Card, India and Board of Governor of Indian Institute of Corporate Affairs.

He is also on the Board of TMF Holdings Limited, Tata Motors Finance Limited, Emcure Pharmaceuticals Limited, HT Media Limited, Adani Ports and Special Economic Zone Limited, Northern ARC Capital Limited and JM Financial Limited.



Mr. Sriram Sivaram
Independent Director

Mr. Sriram Sivaram holds a B.Tech from IIT, Madras, a MS and an MBA from Cornell University. He has worked for more than fifteen years with US based multinational companies in the energy sector where he has held various key management positions. These include Vice President of Global Sales and Marketing for Active Power Inc; President and Chief Technology Officer at Catalyst Power (an ABB Subsidiary); Business Unit Leader - Ancillary Equipment Group at American Power Conversion Corporation, (APC), prior to which he also served as its Country Manager - South Asia and established APC's subsidiary in India. He is currently the Joint Managing Director of Madras Engineering Industries Pvt. Ltd.

Mr. Sriram has a proven track record of turning around loss-making business, ramping up new businesses for organizations, integrating and consolidating, existing business for better profitability, establishing new products globally and building capability in organizations to deliver products to customers worldwide.

Board of Directors



Mr. Kalyan Kumar Paul
Non-Executive Director

Mr. Kalyan Kumar Paul is the Managing Director of TI Clean Mobility Private Limited, a Wholly owned Subsidiary of Tube Investments of India Limited.

He is a Bachelor of Science with Honours from Presidency College, Kolkata, and holds an MBA in Sales & Marketing from Indian Institute of Social Welfare and Business Management, Kolkata. He has also attended Advanced Management Program (AMP) in Harvard, USA. He has over three decades of rich experience in managing domestic and international operations, sales and marketing across diverse industries. Mr. Paul has been in various roles with companies like Standard Pharmaceuticals Ltd, Kolkata, Shaw Wallace and Co. Ltd, Mumbai, TI Cycles of India, Chennai, CEAT Ltd, Mumbai, JK Tyres Ltd, Delhi.

He was the President of TI Cycles of India and Tube Products of India, a unit of Tube Investments of India Limited before assuming the current role.



Mrs. Vijayalakshmi R Iyer
Independent Director

Mrs. Vijayalakshmi Rajaram Iyer holds a post-graduation degree from Sydenham College of Commerce, Mumbai. She is also a certified associate of the Indian Institute of Banking and Finance. She has nearly four decades of experience in the banking and finance sector in India. She has served as the Chairperson for a number of boards and committees in the financial sector in India including the Banking and Financial Institute Committee of the Federation of Indian Chambers of Commerce and Industry.

She retired as the Chairperson and Managing Director of Bank of India in May 2015 where she played an instrumental role in structuring it as an umbrella institution offering all kinds of banking and financial services. Under her leadership, Bank of India received the 'Best PSU Bank' award for overall growth in performance from Dun & Bradstreet and was recognised as the 'Second Most Trusted Brand among the PSU Banks' by the Economic Times. She also served as Member (Finance & Investment) at IRDAI from 2015 to 2017 where she played a significant role in the introduction and amendment of various regulations related to, inter alia, finance and accounts, corporate governance, mergers and acquisition, registration of new insurance companies and exposure of management.

Corporate Information

Chairman

Vellayan Subbiah

Chief Financial Officer

Susheel Todi

Auditors

S R B C & CO LLP

Managing Director

Natarajan Srinivasan

Company Secretary

P Varadarajan

Bankers

State Bank of India

Non-Executive Directors

M A M Arunachalam

P S Jayakumar

Sasikala Varadachari

Sriram Sivaram

Vijayalakshmi R Iyer
(w.e.f. 24 September 2022)

Kalyan Kumar Paul

Shailendra Roy
(upto 18 September 2022)

Registered Office

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