"CG Power and Industrial Solutions Limited Q2 FY2022 Earnings Conference Call"

October 21, 2021

ANALYST: **MS. BHOOMIKA NAIR – DAM CAPITAL LIMITED**

MANAGEMENT: **MR. S. VELLAYAN – CHAIRMAN - CG POWER AND INDUSTRIAL SOLUTIONS LIMITED**
MR. NATARAJAN SRINIVASAN - MANAGING DIRECTOR - CG POWER AND INDUSTRIAL SOLUTIONS LIMITED
MR. SUSHEEL TODI - CHIEF FINANCIAL OFFICER- CG POWER AND INDUSTRIAL SOLUTIONS LIMITED
MR. RAMESH KUMAR - PRESIDENT (INDUSTRIAL DIVISION) - CG POWER AND INDUSTRIAL SOLUTIONS LIMITED
MR. MUKUL SRIVASTAVA - PRESIDENT (POWER SYSTEMS) - CG POWER AND INDUSTRIAL SOLUTIONS LIMITED
MR. RANJAN SINGH - EXECUTIVE VICE PRESIDENT (RAILWAYS) - CG POWER AND INDUSTRIAL SOLUTIONS LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Q2 FY2022 Earnings Conference Call of CG Power and Industrial Solutions Limited hosted by DAM Capital Advisors Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance, during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Bhoomika Nair from DAM Capital Advisors. Thank you and over to you Madam!

Bhoomika Nair: Thanks Rutuja. Very good afternoon to everyone. On behalf of DAM Capital, I would like to welcome you to the CG Power and Industrial Solutions 2Q FY2022 Earnings Call.

We have the management today being represented by Mr. S Vellayan, Chairman; Mr. N Srinivasan, Managing Director; Mr. Susheel Todi, Chief Financial Officer; Mr. Ramesh Kumar, President, Industrial Division; Mr. Mukul Srivastava, President, Power Systems; Mr. Ranjan Singh, Executive Vice President, Railways.

I will now hand over the floor to the management for their initial remarks post which we will open up the floor for Q&A. Over to you Sir!

Natarajan Srinivasan: May I request Mr. Vellayan, Chairman of the Company to say a few words.

S Vellayan: Thank you, Bhoomika and thank you NS. I thank and welcome all to our first earnings call. As you know it has been a fairly transformational year for CG and I think the company has done very well under its new leadership and we will get into that discussion in a little bit and as you all know this is a company that we bought during COVID so it came with significant risk, not just because of COVID but because of what had happened with the company in the past.

But I do feel like the company is definitely turning the corner now and we feel much more confident about the future of the company, which we would elaborate and as we go through our conversation today, but before I start given that it is our first earnings call I just wanted to also thank several people that have really helped this transformation happen, very first the support that we got internally within the Murugappa Group to basically kind of to do this acquisition , the corporate board led by the Chairman Murugappan has really helped us in that effort.

Also then the former CFO, Sridharan Rangarajan who helped with the whole acquisition effort and the TI Finance and Legal Team including Mahendra Kumar and Suresh, Ramanujam, Ram Shankar, the team at CAM, but I think then it is kind of one of the most important kind of teams in the process that also gave us the confidence to make the acquisition was the key management at CG itself, Ramesh, Ranjan and Susheel were the three key people we kind of spent a lot of time with and then Mukul join the team as well.

So I think without their confidence as you probably know we actually kind of ended up buying the asset without visiting a single plant because of COVID. So it was not for the confidence that we received from the three of them and some of our additional checks, I do not think we would have the confidence to make that acquisition.

Also they give us a sense of the culture the organization at the operating level was very similar to that in the group itself and then finally one other person who has been very instrumental in the turnaround has been Mr. N. Srinivasan, the current MD and I would like to thank him also for accepting the MD role, at a point when there were a lot of unknown issues of where the company was going to head at that point in time and I really felt that he was the ideal person for the role. It was pivotal that we had some one that we could get, given the situation that the company was at that point in time.

So all that being said we also held off a bit on having earnings calls till we are felt comfortable with any certain kind of factors internally that Mr. Srinivasan will elaborate more on and with that I think I would like to hand it over to Mr. Srinivasan to take us through his assessment of the performance to date and then we will come back to you with Q&A after that. Thank you. Thanks again.

Natarajan Srinivasan: Thank you Mr. Vellayan. Good afternoon, ladies and gentlemen. On behalf of the company let me first extend a warm welcome to all of you for the first analyst call, the first by the new management. I am N. Srinivasan, Managing Director of the Company, joined this company on November 26, 2020 the day on which TI took control of this company post acquisition of the company by Tube Investments of India a constituent of the Murugappa Group.

Also I would like to now introduce my colleagues who are with me on this call. Ramesh Kumar, President, Industrial Division. He is a CG veteran and has been with the company for about 31 years and has held various senior positions in the company. He takes care of the Motors and Drives business.

Mukul Srivastava, President, Power System. He also has number of years of experience in CG more than 30 years. He is taking care of the transformer and switchgear businesses. Ranjan Singh, Executive Vice President, Railway Business. Ranjan is also a CG veteran with 28 years of service with the company. Susheel Todi, CFO of the Company. Susheel has been with the company for about 17 years.

As you know today this morning, the board considered the results of Q2 and we have uploaded the results to the stock exchanges and also released, a press release that also been uploaded in the company's website as well as to the both Stock Exchanges.

Now let me just begin with a recap. As you know Tube Investments of India acquired this company under the Swiss challenge as part of the resolution process initiated by the lenders of CG Power under the Reserve Bank of India directive on prudential framework for resolution of stressed assets; TI infused equity funds of about 687 Crores for equity stake of 54% in the company, besides, also subscribing to certain warrants.

TI took control of the company on November 26, 2020. On the same day a new board was constituted and a new Managing Director of the company was appointed. As you may know the new management had to address several legacy issues, the important of which I will enumerate as and then.

1. The NCLT has ordered the reopening, recast and re-audit of the company's accounts for the past five years ending with financial year 2018-2019. This was to be commenced and then completed. Then our existing auditors actually had expressed a disclaimer on the accounts of the company for the past three years and this also had to be addressed.

2. All lenders of the domestic entity, overseas subsidiaries, guarantee obligations which were defaulted on the loans, the dues of operational creditors and other stakeholders had to be settled.

3. There were investigations by SFIO, SEBI and the company had to work with the authorities by providing data, information in time as per the request.

4. The company was a nonperforming asset. The new management had the task of completing all the settlements as per the resolution plan and get the account reclassified as standard.

5. The businesses had to be supported with need based working capital and to be ring-fenced from legacy issues so that they could perform to that potential without any interruption.

All these took substantial amount of time. We wanted to complete/comply with many of these requirements and also complete the recasting of the accounts of the company which will help us to know further risk and liabilities if any to which the company is exposed to. It is only after getting a reasonable understanding of the risks that are facing the company, post completion of the recasting of accounts and also after reviving the businesses of the company, we wanted to commence the investor call and here we are today on our first call and we hope you appreciate as to why we could not be in touch with you earlier.

This also now may lead to another question whether all the legacy issues have been sorted out? No, it cannot be and it may take some more time but important requirements namely settlement of lenders, settlement of operational creditors, recasting of the past five years accounts have all been completed and the businesses are on the path to recovery. So that is the background for you. Now I move to company performance.

As I said earlier we have released a press note on the company performance while we have given corresponding quarter of last year data. This last year data is not comparable since the company was in the severe financial stress last year, we need to build our own performance data from now onwards. Also it would take a few quarters to catch-up with peers as we slowly fully normalize our operations resolving several legacy issues.

Now I come specifically to the Q2 performance standalone Q2 financial results. In Q2 the company has the benefit of uninterrupted working and all the businesses have performed satisfactorily with improved capacity utilization. As you know Q1 was impacted by COVID and we lost some working days. Sales for the quarter was at 1352 Crores the highest in the last 10 quarters and the profit before tax was at 137 Crores, again, the highest recorded in the last 20 plus quarters.

Aggregate sales for the quarter was higher at 1352 Crores recording a growth of 139% year-on-year and 42% quarter-on-quarter. Higher prices of key metals, copper, aluminium, etc., have continued to impact margins. Profit before tax before exceptional items was 137 Crores as against a loss of 40 Crores during the previous year same period. On quarter-on-quarter sales increased by 42% and PBT by 88% signaling recovery in business performance; the free cash flow generation during the quarter stands at 119 Crores.

Now I move to segmental performance as you know we have two segments one is industrials which consist of the motors, drives, railways and then second is the power systems.

Industrials: This SBU consist of motors, drives business and also railways aggregate sales for the quarter for this SBU were higher at 980 Crores recording a growth of 143% year-on-year and 43% quarter-on-quarter. Unexecuted order book at the end of September stood at 1585 Crores. This division operated at 85% of the installed capacity.

Power systems: This SBU consist of manufacture of transformers and switchgears, aggregate sales for the quarter were higher at 372 Crores recording a growth of 131% year-on-year and 39% quarter-on-quarter. Unexecuted order book at the end of September 2021 was 1259 Crores. Transformer, switchgears (circuit breakers, instrument transformers and bushings) sub segments have operated at 55% and 65% of the respective installed capacities.

CG consolidated performance. The company has three operating subsidiaries, two overseas subsidiaries, one domestic subsidiary. The domestic subsidiary is CG PPI which is in Goa which we have about 81% shareholding. The other two subsidiaries that one is QEI Inc incorporated in the USA the other one is actually based in Sweden in both these overseas subsidiaries we hold 100% of the equity. They are wholly owned subsidiaries. Consolidated results include performance of all the three operating subsidiaries and few other non-operating holding subsidiaries. Sales consolidated sales for the quarter was at 1454 Crores as against 664 Crores in Q2 of 2020-21 and profit before tax before exceptional items and tax profit is 144 Crores as against a loss of 37 Crores in the corresponding quarter of last year. The company has an aggregate long-term debt of Rs.862 Crores the company does not have any short-term working capital debt.

Financial statements with detailed notes available as part of the stock exchange filing and also in the company's website, www.cgglobal.com. Between me and my colleagues, we will be happy to answer any questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.

Nitin Arora: Thank you so much for taking my question. Thank you so much for doing the call. My first question is that especially to the industrial and your core segment business can you help us understand how the end markets are behaving in the industrial part, where you have seen this growth. That is the broad first question and on your segmentation of power system, historically we have tracked this company more of EPC work, which the historical promoters used to do here if you can throw some light how we are planning to grow this segment because earlier I thought this is the segment which does not make money because of the nature of work and now hence last quarter the margins have been healthy so are there some write-backs which we are doing here that is my first question and I have two more questions I will take it after that?

Ramesh Kumar: In the industrial division, basically there are three major products where HT motors the LT motors and FHV motors. So if whatever the results declared by IEEMA up to first quarter one is available and quarter two results are not been declared by IEEMA so far. The growth has been in LT motors it is 242% and HT motors is about 45% and FHV motors of 110% and if you see both in quarter one and quarter two, quarter two of course results have not come. The growth has been in three digit and we are growing little more than the market what has been declared. So far it has been in three digit growth for all the products in industrial division.

Natarajan Srinivasan: On the power business your question is on the mix of EPC and how to grow margins etc. I think it will take some time for us to decide on the strategy. Now both these transformer and switchgears businesses are actually to be made up against orders which we have to produce and time is too short for us. We are assessing the performance and initially our task will be to just improve the capacity utilization and serve the existing customers and then as we move we will finalize our strategy which is going to take some time for us to contribute.

Nitin Arora: But has there been some write-backs done in the first two quarters in the power system at the operational level?

Susheel Todi: No write-back it is a purely operational performance and it is a product driven business now.

Nitin Arora: Sir just on the industrial part my question was which end segments where we have taken this orders, it is from the railways, some orders are coming these kind of end segments if you can talk more about where you are seeing the recovery are you seeing the visibility that was more so I was asking?

Ramesh Kumar: Basically, see there are three segments which are doing well one is the infrastructure, oil and gas and the pharma. These three are growing faster than any other segment. The major contribution for the growth is also from these. These are the segments which contributing for that growth.

Nitin Arora: My second question is on the market share. Historically, we used to track this company the market share was very high in Motors because the dealer and all they used to be very the brand which is very small will used get well very fast then we saw whatever happened in the past and market share came down again few companies like ABB, Siemens, how has your experience clawing back what is the scenario you have seen in the market share, has there been gained or at least till take more time if you can throw some light on the market share and then I have one more question after that?

Natarajan Srinivasan: Actually, you have to give us some more time for I think here we have started ramping the production if you see then also because of the COVID etc., everybody had their own issues only by end of the year, we believe that we will be able to gain market share. Certainly we are ramping up and we have production so I think we have to wait for some more time only by the end of the year probably we will get some idea.

Nitin Arora: My last question is we are seeing ads and things about fans, I think we have already launched pumps and we also talked about developing the motors for the electric vehicles. Just two parts here one on the development of a motor for electric vehicles if you can throw some light here we have reached in terms of development, because India has almost 18 to 20 electric motor people were already in-housed by the OEMs, so why would an OEM will buy your motor leaving the other guy if you can throw some light on that product line and second on the pumps as the consumer base facing business how we want to grow the dealers, how much the existing dealer channel will replicate or not on this more new client if you can throw some light?

S. Vellayan: I think Nitin broadly to your question in the electric vehicle side what you are starting out and but we see a significant opportunity because multiple trends begin happening kind of often you have a first phase where all of the EV manufacturers want to make everything in-house and then usually have a second phase where more and more of it get. If you look at this whole kind of motor plus controller solution, I do not think it has evolved at all in the Indian market because the solutions that are going to evolve in Indian market are not necessarily going to be the solutions that have evolved in markets outside of India. When we begin to look at overall most places outside of India, do not have anything in the sub 50 kilowatt range and a large part of the market in India is actually going to start picking up in two-wheelers, three-wheelers and products that are definitely kind of much smaller than that in terms of power. So I would actually give that though initially some people are going to manufacture in-house, this is going to become an outsourced space in India as well that we began to take a five to ten year horizon and honestly we think that kind of in all that we are planning from a growth perspective we are taking that five to ten year horizon at least. The second is that I do not think anybody has done any innovative work as to how the solutions in India will be different from what evolve globally and it is going to require people so it is one thing that do a solution to yourself, saying how will I put any kind of a solution that I am going to bring in that from outside and put it into a vehicle here but it is something that actually kind of it make sense to develop this in India for Indian market. So we are taking a long view as far as EV is concerned and we definitely believe that there are lots of legs in it. So our first stage is just to kind of to start working on technology will help us get to kind of motors and controllers, but it is not going to be get of a short-term effort as far as we are concerned. So that is our belief which is that this market is going to have a lot of opportunity. The second thing which I think will also have opportunity is that more and more of this starting with component, starting with just stamping for example just stamping of the motor core, itself it is something that gets outsource by most players including Tesla. So you can see backward opportunity that basically kind of offer themselves up for global markets and that is another area we want to look at as well saying how can we manufacture out of India for some of those global markets in the whole area of electric and so that is the second opportunity that we want to look at as well. So we started exploring this but it is going to be a while before that actually turns into revenue and significant revenues as far as EV is concerned.

Ramesh Kumar: Your other question about consumer product just to tell you in 2015 we have vacated this market and then we have reentered in these consumer products in 2019. Unfortunately, after that because of the COVID we could not ramp up but with respect to your question it is the exiting channel partners who are well versed with CG and who are already dealing with our motors and other products so it was very easy for us to get it done and get back into the market so that is where we entered into this market so we are hopeful that we will be able to ramp up like what it was earlier.

Moderator: Thank you. The next question is from the line of Abhishek Poddar from HDFC. Please go ahead.

Abhishek Poddar: Thanks for taking my question. Congratulations on great set of numbers. First question regarding the margins that you have showed and there is a commentary in the press release which says that the margins were impacted by the higher metal prices so we do not have a good track record of the previous margins so where do we see the margin settling now if this quarter was impacted due to higher prices?

Natarajan Srinivasan: I think margins are a combination of two factors one is the selling price, other is the cost raw material cost. As you see these metal prices have been subject to great volatility nobody has any clue of how the prices are going to behave this is one. Second is with respect to our own margins of this quarter and the last quarter there were lot of unexecuted products contracted at various prices and in this industry there is no price variation clause. It will be very difficult to answer this at what level margins will settle down because unless the new normal becomes normal, it is going to be tough this is my view. What Ramesh?

Ramesh Kumar: Yes that is true.

Abhishek Poddar: So we should see tailwind for our margins from here I think additionally that is what the press release indicates.

Natarajan Srinivasan: Come again?

Abhishek Poddar: My sense is because you have mentioned that metal prices are very high and that is a backing the margin so that clearly indicate that for margins we should see tailwinds as the metal prices moderates?

Natarajan Srinivasan: There could be because every cost increase is not being passed on, it cannot be passed on. What the market bears that will be passed on. We have to, I believe we have to just wait and see how things settle down.

Abhishek Poddar: Just on the international subsidiaries we saw revenue of about 100 Crores and EBITDA of 13% what percentage utilization these are operating and where do we see this potential to be?

Natarajan Srinivasan: There are two operating subsidiaries mainly over the subsidiary there are two subsidiaries one is QEI which is based in USA I think that is from present that is the level that it will operate unless there are some specific strategies for scaling it, etc. The drives business which also now what are the turnover reported that is what probably going forward from the current year I think we expect to perform at the same level, going forward I think we have to spend some time and then see what is possible.

Abhishek Poddar: It is just to check there is a significant scope of improvement here or we will probably have reached the number which are expecting now?

Natarajan Srinivasan: Right now I would think that for the year I am not expecting anything because everywhere there also there are issues therefore I would think that whatever we have declared if we are able to maintain for the current year that will be fine.

Abhishek Poddar: I will join back in queue. Thank you.

Moderator: Thank you. The next question is from the line of Charanjit Singh from DSP Mutual Fund. Please go ahead.

Charanjit Singh: Good afternoon. Thank you for the opportunity. Sir my question was one in terms of motors which is a critical part of our industrial business how much market share loss we would have seen from last couple of years to right now. Secondly, on the railway side we were scaling up very well in power electronics front and what is the prospects you have seen right now there and having started getting in the railways order and lastly on switchgears and transformers business which could be coming from maybe PowerGrid or from other government related issues have we started bidding for orders or are there may be still major bottlenecks or appraisal issues pending because of which we would not be get to bid for these orders right now? These are the questions from my side.

Ramesh Kumar: With respect to market share and on average industrial motors you can say around 6% to 8% what we have lost in last two years. Whatever the published data available as on today by IEEMA in the first quarter we have gained by about 4% so far;

Natarajan Srinivasan: Ranjan could you answer the railway part and then followed by Mukul can answer the other question relating to your business?

Ranjan Singh: Yes, on the railway business, we have been executing the orders of backlog from power electronics as well as industrial for the power traction machines and signaling businesses and there have been a growth in the sales across all the segments that we operate in the railway domain as compared to the last year. A significant growth has happened in this segment as well, both in terms of order intake as well as in sales we have been participating in tenders and taking orders as well.

Mukul Srivastava: As regards to power business with utilities and public utilities from central as well as state we are qualified in most of the places one or two cases where something to do with the past year financials which is there, that is only place we are working on but otherwise most of the places we are now qualified to participate and win the tenders.

Charanjit Singh: Thanks for taking my questions. I will get back in the queue.

Moderator: Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

Bhavin Vithlani: Thank you for the opportunity. Congratulations on a swift turnaround to the entire team. So just one question from my side the change in technology trends that we are seeing on the motor side especially on reducing the power consumption and moving into IE3, IE4 category if you could give us a view of how are we placed on the technology curve?

Ramesh Kumar: See we have always been in the forefront in putting the technology in place if you remember in 2018 IE2 was made the compulsory in India. We are the first people to get registered and have the entire range of IE2 with BE and summarily we have developed IE3 we have complete range of IE3 and IE4 also we have developed the complete range except for FLP which we are testing it is going on for Flame Proof motors otherwise up to IE4 we are ready to serve the market and we also done a little bit of work of range as far as IE5 is concerned so that is the future which we will be working and then we will bring that also into our product portfolio.

Bhavin Vithlani: Thank you so much for taking my question.

Moderator: Thank you. The next question is from the line of Ankur Sharma from HDFC Standard Life Insurance. Please go ahead.

Ankur Sharma: Good afternoon Sir. Thanks for the time. Just one question on the power systems business now is there a bit of right the erstwhile where CG Power also was very strong on the SEB side and also supply, transformer switchgear etc., obviously given the fact that the higher rate in 765kV or it has been done over capacity so how is the current demand shaping up in these voltage levels on the transformer switchgear side looks on the SEBs as well?

Mukul Srivastava: Sorry can you repeat the first part what is the SUV you ask?

Ankur Sharma: SEB I mean the State Electricity Board the state Discoms right?

Mukul Srivastava: See the power part the transmission side of the power is seeing uptrend definitely starting with the transformers, transformers part we are almost booked for a good period of time so that is the good traction. On the EHV side I mean voltage going from up to 145 to 400 KV the AIS side is not showing the same traction as the transformers but it is improving slowly whereas the GIS part of the high voltage is giving a good traction. There are lot of projects coming across the country where lot of GI substations are getting installed so in a way I will say the transmission part is up and running, as we are seeing that the demand of power in the country is growing day-by-day. The distribution side also is picking up greater traction. The only thing is on the AIS side of EHV it is little slow as compared to GIS.

Ankur Sharma: Just to clarify one of the statements about that we do not have a price variation clause in these orders mean I always thought that IEEMA have been indices right we have done which you would get a price variation if copper, etc. going up right?

Mukul Srivastava: Correct. The price variation clause is there in the large orders of the transformers definitely but in some distribution switchgears normally these are short-term orders of three or four months those goes with the fixed contract but as Mr. NS mentioned that even the four month period in commodities have played havoc so that is what I think he was indicating.

Ankur Sharma: Just one more if I may on the industrial side obviously margins at about 12.5%, 13% are fairly commendable given their RM prices are but just trying to understand a little bit more which is typically HT motors are the ones you have been make higher margins, more customized motors where demand typically comes from cement, oil and gas, and some of these industries so are you also seeing demand coming back for these larger size HT motors which may possibly drive margins even higher frame here?

Ramesh Kumar: See the HT motor demand is slightly better this year that is because of water and wastewater is doing extremely well and most of the investment is happening there so the demand has been always good but margin side it is very difficult to predict because of the raw material variations are so high it is unpredictable which is happening there.

Ankur Sharma: That is all. Thank you.

Moderator: Thank you. The next question is from the line of Renu Baid from IIFL. Please go ahead.

Renu Baid: Good afternoon. Congratulations for the strong results. Also thank you for initiating investor interactions from this quarter. My first question is to understand on the technology gap side while motors you did highlight that we have been consistently investing how does the portfolio gaps look on the power system side specifically GIS which is seeing a structural shift from AIS to GIS and more so in the medium and low voltage segment so if you could highlight how are we placed in terms of technology capabilities and what are the steps that we are initiating to bridge the gap especially when it comes to 220kV or 400kV are we also looking at possible inorganic growth opportunity in this segment?

Mukul Srivastava: On the technology side the low voltage and the medium voltage part we are fairly self sufficient and we are also developing products which are required by the customer. The products like RMU, Ring Man Unit or the medium voltage GIS we were in the forefront of technology and we lost some time in last year and now we are catching up and hopefully in another two quarters we should be up and running at par with most of the competition in the country. On the aspect of the EHV GIS we have already developed and started quoting for 220kv GIS. 400kv GIS we are looking at options of tying up for the short-term or maybe our own development but that will take around 18 months to 24 months for complete development so that we have started as storing and if an opportunity presents itself we will definitely participate for 400kv GIS also. 765kv is not that becoming a big market so presently that we are not considering. On the transformer side, we are also working on transformers we have got for railway applications, Track side transformers, Scott current transformers and also the green transformers with ester oil so on all fronts in all parts of the power division including medium voltage switchgear, high voltage switchgear, distribution transformers, all transformers our technology projects are up and running and hopefully whatever gap was there because of the last two, three years that we should be able to cover in the next two quarters.

Renu Baid: Secondly, when we look at CG it was always considered as a cost competitive player in the industry when it came to power industrial product. At the same time, TI has a very strong credibility to drive operational improvement. So in this perspective what are the low hanging fruits, which the management perceives, trying to derive in terms of bringing out cost savings and improving working capital from the current levels?

Natarajan Srinivasan: Firstly, first task is to actually improve the capacity utilization so that the costs could be absorbed, the cost could be absorbed on a larger scale. So only after that maybe this year probably we will identify and some costs already been identified and any specific cost saving I am not able to share at this point of time. So regarding your other question regarding what did you say about TI?

Renu Baid: I think TI has a pretty strong credibility in terms of driving operational improvement and productivity enhancement. Both on working capital as well as operational front we were thinking if there were the identified areas which you can highlight at the facility factory level or product improvement or in terms of working capital procurement terms etc?

Natarajan Srinivasan: In all these areas and in procurement actually there is a very big initiative which we are working I cannot share any further details. We are working with a leading consulting firm and how to optimize in terms of cost on procurement then we have also launched TQM and lean initiative which has been personally driven by our Chairman Mr. Vellayan. These things when completed, this will have its own impact on the productivity as well as on the costs.

Renu Baid: Just a question on the B2C strategy while initially the management did mention that they are targeting to use the existing distribution network for motors and probably for pumps but for new categories where the company plans to enter fans or other proper consumer oriented product segments what is the strategy to build capability especially on the distribution, the reach side and is there any investment that we have planned over the next three to four years to ramp up capability both on the new initiatives of B2C as well as the currently portfolio that we have on the power systems as well as the industrial system side of the business?

Ramesh Kumar: Currently as you rightly said we are thinking of adding some more into the consumer business but it will not be very difficult because some of the channel partners who have been dealing our products in at least since 2015 they are still in touch with us maybe some of them may not be handling our own products and some of them are already handling our own products so it is not that difficult for us to enter so that is the reason we have taken this opportunity to reenter all those products one after the another. So the first one we did and the second one is in line they are maybe going forward in couple of years we may be still adding some more products depending on the market and the way we establish our self in the market.

Moderator: Thank you. The next question is from the line of Kirti Jain from Canara HSBC. Please go ahead.

Kirti Jain: Thank you for the opportunity. Congratulations for excellent performance. Sir my first question is what are the steps incrementally we will be taking to grow ahead of the market in the addressable opportunities we are there and second thing with regard to new SBUs which is like the electric mobility and towards the consumer product, what are the things which we will do differently compared to the existing players to be relevant in those markets Sir? These are the two questions from my side. Thanks a lot Sir.

S. Vellayan: I think and this will address part of what Renu was asking as well. You should think a way it is kind of what NS and the team have been driving here is a combination of three things kind of one is fixing the legacy issues, the second is enhancing the operational performance and the third is driving growth. So in the initial phase obviously I would say kind of close to almost 70% of the effort has been on fixing the legacy issues then 25% to almost 30% on kind of enhancing the operational performance and very little focus has been there on growth. Now as you have seen kind of a lot of the legacy issues are beginning to get fixed so we will see that shift between these three horizons, move significantly overtime so next year obviously there will be less work. I would say down to less than 30% and in terms of the issues is still have to be fixed and then we will probably move to kind of I would say maybe like 40% on enhancing the operational performance and then growth engines thinking about how the growth engines will pick up, with 30% and then as you move into the year after that then that number will move more significantly towards enhancing and growth, enhancing operations, performance and growth. So this is the way we have to think of the company which is going to be moving from each one of these phases to the next over the next few years in time. Like we have articulated there are different angles to the growth horizon; one is clearly kind of the consumer opportunity which is we think as big as the current business opportunity in itself. EV is going to be clearly a lot slower burn and we are not ruling out inorganic after the balance sheet gets stronger which we think like we said I mean till will become net debt free we do not kind of think about any other stuff and then the two other growth elements that we have articulated has been kind of one has been service and technology related and the one has been export. So these businesses are beginning to kind of think of some of these growth elements but the growth elements will come in as a co-focus, I would say it will be 30% of the focus next year and the year after that is when we will really kick in to this growth elements because next year we also need to focus on some of the operational enhancement activities as well. Like NS mentioned we have recently initiated some of the activities and TQM and on Lean and on procurement so all of those are also going to be things that they begin to drive results we believe next year. So there is a phase that will be more focus in improving the operating performance as well as end result hopefully in better PBT numbers and free cash flow numbers and then there is a phase that begins to think of how we start pushing revenue growth trajectory. So those two will always act in concurrence but with different weightages based on the needs of the business which will like we said will be a higher weightage and operational enhancement next year and then that will move more towards growth in the year after that.

Kirti Jain: That is fine.

Moderator: Thank you. The next question is from the line of Abhishek Ghosh from DSP Mutual Fund. Please go ahead.

Abhishek Ghosh: Thank you for the opportunity. Vellayan Sir just one question when we had invested into CG Power about a year back your initial estimates were 5000 Crores of revenue three years down, the 10% PBT margin and just one first quarter numbers annualized basis you are already there with very little efforts gone into the benefits. So first many congratulations for that and is there a marked difference from that point the way you had estimated the business how we looking at it just your thoughts there?

S Vellayan: Abhishek, the only point I point out is you said recently very little efforts because this team has been putting in a lot of efforts to kind of make that happen. So I say that sort of the amount of effort that kind of gone in that has helped achieve these numbers kind of within the short period of time, but yes when we made the acquisition our thesis was that we should be able to get to 5000 topline and 500 bottomline within four years and yes you are correct in your maths which is I think we have had both kind of the team has put in immense efforts in both like I said we think of the amount of effort has gone into fixing the legacy issues in terms of enhancing the operating performance, I would say it is kind of nothing short of stupendous work what the team has put in to make it happen and to get to where it is today. So obviously your natural question is kind of where these numbers go from here. I mean that is where I kind of I elaborate it on this mix which is we do think there is still kind of headroom but we are not going to give any specific guidance in terms of what were going to be at but we definitely think that there is headroom in terms of operations improvement and there is definitely a lot of legs for growth along the dimensions which I just spoke about earlier. So definitely obviously these numbers that is going to revise but I think that if we come to something that is more deterministic at some point in time we can discuss it but we are moving given that that we have hit this issue now we are moving more of our focus to what we can do to enhance operating performance more and drive growth more. Like I said these three things we have to think of concurrently, the weightages have begin to shift significantly overtime, Abhishek.

Moderator: Thank you. The next question is from the line of Susmit Patodia from Motilal Oswal Asset Management. Please go ahead.

Susmit Patodia: Good evening everyone. Congratulation for this great performance; Vellayan just one question is when you have this company and you are to do. How has your outlook changed and what are the risks that you are still mindful of that we should also be aware? I remember you have said that if we get to kind of some margin sort for October, will be super, you must be jumping the joy since some of you have seen that so is the revenue acceleration more the focus or the balance sheet clean up I am also on the risk path?

S. Vellayan: Thanks. First of like you said, I think now given a lot of the activities that happened, balance sheet clean up will take its natural path, but it will kind of likely get done latest by next year. It looks like kind of that will happen. So, clearly, we are beginning. When you say risk, right, I mean, clearly there was an earlier question on technology. One of the things that we will have to start looking at overtime is how we start investing more in terms of R&D and that is something that we are beginning to evaluate and see what we need to kind of invest more on that area. Second in terms of revenue aspirations, both NS and team are kind of beginning to kind of make that shift as well like some of the internal focus is now shifting towards where they are looking at the existing businesses and seeing what opportunities exist to enhance those. And I think that that is like I said, once that becomes more front end and centre I do think that the kind of the axes for growth in this business are massive. I would say potential avenues for growth in this business are massive. So, as NS and team kind of drive some of those initiatives over the next six to nine months, have definitely been that we will get more visibility as to where we will focus some of the growth activities on. But there is no shortage of opportunities is what my assessment is at this point in time.

Susmit Patodia: Vellayan, any risk from litigation that is still looking or do you think that you have brought this under control?

Natarajan Srinivasan: I think there are tax litigations which have to be solved, we are working on it, but they are there. So, it is to that extent we can say there is a risk otherwise, we do not see big implications which are there.

Susmit Patodia: Thank you so much. All that best. Thank you.

Moderator: Thank you. The next question is from the line of Kunal Sheth from B&K Securities. Please go ahead.

Kunal Sheth: Thank you for the opportunity. Thank you for hosting this investor call. Sir, I just wanted to know about the industrial part of the business. How do we see the opportunity in the export market for our motors? I mean, how big and that opportunity can be and how are we exploring that part of the business? Related question there is what is the long-term sustainable margin we can think about in this business?

Ramesh Kumar: With respect to your first question, there is no doubt that opportunities are very big in export market, but unfortunately we did not push it very hard because the realizations are very low with respect to Indian market. That is basically because of the Chinese competition. Maybe going forward if the margins the realizations are better definitely we will be pushing harder there as far as exports business is concerned.

Kunal Sheth: Sir, basically any targets you are drawing in terms of what are the kind of export numbers that we are looking at, any plans that you have drawn there or we are in just in the exploratory stage?

Natarajan Srinivasan: Right now the indigenous demand is so good that we want to serve the existing customers. As we plan our strategies for expansion, etc., exports can be considered.

Kunal Sheth: Sir, what are the sustainable margins we can think about in this business over a medium term?

Natarajan Srinivasan: I think we discussed earlier, there are so many cross currents today so we will not be able to just predicate on anything. We need to wait for a while to things to settle down.

Kunal Sheth: Thank you. Best of luck for the future quarters.

Moderator: Thank you. The next question is from the line of Jonas Bhutta from Phillip Capital. Please go ahead.

Jonas Bhutta: Good evening team. Congratulations on a great set of numbers. Just one or maybe two interrelated question on the industrial piece. Firstly, for this quarter we have already touched 85% utilization levels in the motor business, and given that you are looking to regain the lost market share, of the additional 2% - 3% points, you should sort of be touching peak utilization so what are the capacity expansion plans that you have for the immediate future because otherwise growth could become a challenge going forward in the next financial year? Inter-relatively many of our competitors have started to add value add products over and above the motor, be it the drives PLS, SCADA etc., why we historically had the Emotron technology on drives and QEI technology on SCADA but we have not really seen a scale up. Do you believe that these could be growth levers for the future that can actually play out as and when you sort of go on that growth path or you think that these will still remain the fringe business that we are currently? Thank you.

Ramesh Kumar: In the given bottleneck what NS has said that we are utilizing it about 85% it is based on the given bottleneck operations. We are definitely investing and looking at each and every bottleneck operations to enhance our capacity and I am sure from the public domain you must have noticed that one of the small facility which we have started or expanding our capacity that itself will give us a bigger room for us to grow and going forward also we will see some of those activities also can be which are non-quality, the critical to quality activities also can be outsourced. So, that way we are planning to enhance our growth. As you rightly also said that the Emotron is very, very strong brand and we are only because of our internal issue, we really did not push it into the Indian market and we have HMIs and SCADA drives everything is available in our range going forward we will definitely push in that along with our existing products.

Jonas Bhutta: Thank you. All the very best.

Moderator: Thank you. The next question is from the line of Krishna Kumar from Lion Hill Capital Private Limited. Please go ahead.

Krishna Kumar: Good evening. Congratulations Mr. Vellayan, NS and team for a good turnaround. Sir, you were talking about the power division and utilization has been at half, so given the current improvement in the demand scenario any thoughts probably would be able to get your more there should be high utilization levels there?

Mukul Srivastava: Yes. On the power side the contracts are really long-term contracts, six months or so. So, in the previous two quarters we could execute the orders which were there earlier and then we had healthy order booking in the first two quarters and which will be coming for execution in Q3 and Q4. So hopefully in the next few quarters our capacity utilization will exceed 75%.

Moderator: Thank you. The next question is from the line of Ravi Swaminathan from Spark Capital. Please go ahead.

Ravi Swaminathan: Thanks for taking my question. I have one question. Can you give me the top sectors to which the industrial segment caters to like cement, steel, if you can talk about the top five to six sectors and how is the demand scenario, how is the traction from each of these sectors, it will be great.

Ramesh Kumar: Earlier, I think, I have already answered this question. All the sectors almost all the sectors we have our products and I am sure you must be aware that CG has the largest product basket as far as the industrial product is concerned. The top sector as I said the infra is doing well, pharma is doing well, and the oil and gas is doing well, cement and steel obviously as and when infra increases the cement and steel also goes up. So, all these are doing well and we have been catering to these major sectors apart from the water and waste water we are already there and other lot of OEMs also, the fan manufacturers, gearbox manufacturers all these are big sectors where we cater to.

Ravi Swaminathan: Thank you.

Moderator: Thank you. The next question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.

Nitin Arora: Thank you so much for taking my question. Just two questions here, I really did not got when you were replying on the electric motor side, I said that it is not about the OEMs are amongst the motors what I was saying that OEMs already have a very strong presence of motors, whosoever is supplying the electric two-wheelers, whether it is Hero Electric which is obviously enclosed two vendors in India, or operating from China Motors, whether it is Revolt, whether it is Ampere or TVS everyone has a large market share today and they have a significant thing and have already enclosed surrenders motors from them. So the question was why would an OEM will change the supply chain and come to you and what is the development stage of that motor? That was more of a question. If you can answer that and the second part of the question the gross margins which has declined that is there any mistake for it and because this time, it might be a very high revenue stands which says the profitability how one should look at the gross margins because these are almost like 20% so this kind of a gross margin for the next two quarters and then start easing out? Has cost been fully booked or do you think further cost increase is still coming and will hit, it all depends on revenue, how that moves, so if you help us on these two question? Thank you.

S. Vellayan: Nitin first on EV, the EV what you have to recognise is that the EV game in India is still kind of what I would call kind of nursery or the kindergarten level and the players you are talking about kind of whether it is Revolt or Ampere or kind of these guys, it is unclear kind of whether these guys actually will be the long-term winners in this game. Usually what you see in most of these kind of new games is that 20 players will emerge and it will either be a few of those players that become kind of the winners or some totally new guys who are not first generation players at all. So, I think it is too premature to actually kind of say like "Hey! Listen the existing guys already have their own vendors. The second is as you probably know quite a few of these vendors are Chinese and we do not think that these Chinese especially given kind of the government kind of desire to make in India, we do not think that the kind of our dependence on a fully Chinese ecosystem is going to play out. We definitely think that it needs to be supplemented by Indian ecosystem. It is the same problem we are seeing in pretty much any industry that is now dependent on China in anyway, but nobody can get any supply, and it is in India's best interest to basically develop our own technology, our own capabilities for something like this. So, the real question to ask is, are there any large Indian players who are basically now going to become the dominant suppliers for motor and controller. Our belief is that the answer is no. To your second question what is the status of our motor technology? We do not have a motor technology right now. We do not have a modest technology that we can basically supply into the EV market in a lot of these kind of power segments that we are talking about, which is why we are basically saying that it is more of a medium term focus. We are developing our approach to it and we also do not think that the winners are going to get defined in the next two years because basically it is a space that is going to evolve, it is a space that is going to settle at least for the next two to three years. That is our assessment at least. We might be wrong. That is on the first question.

Nitin Arora: How do you look at gross margins?

Susheel Todi: I think we are not going to comment on the gross margins. I think it is more about it is a futuristic statement.…

Natarajan Srinivasan: I think it will take some time. We already expressed what are the challenges in the area of margins so I think we should wait for some more time for things to stabilise.

Nitin Arora: Thank you very much Sir. Thanks a lot.

Moderator: Thank you. The next question is from the line of Niket Shah from Motilal Oswal Mutual Fund. Please go ahead.

Niket Shah: Thanks for the opportunity. Congrats on a good set of numbers. Most of the questions have been answered. Just one question which I had is on the debt side, if you can just help us understand you had certain noncore assets which we were liquidating, and obviously there is a significant amount of free cash flow generation which will come up over the next one or two years, so how should one really think about debt from current levels moving down to a debt free kind of a status. Should it be more like one or one and a half year or it can be slightly more longer?

Natarajan Srinivasan: I think the timeframe you said about one and a half to two years I think looks reasonable. So, we will definitely as we have more free cash flow on selling off our noncore assets as and when we will deploy it for very good opportunities available at the same time, as the Chairman initially said that unless and until we make the company debt free we will not look at anything big acquisitions so the timeframe we have mentioned is reasonable to assume.

Niket Shah: How much more noncore do we have, one is the Kanjurmarg property that we liquidated, the one is the CG House which I am assuming, which you have also highlighted in the past, is there anything else apart from this or these are the only two major ones as such?

Natarajan Srinivasan: CG House, we are not considering as noncore. So, other than that I am not able to say anything. There maybe small pieces here and there, large amounts of assets there is nothing I could think of. Kanjurmarg is a large asset.

Niket Shah: Kanjurmarg may be the large chunk. Maybe one more question is would it be possible if you could give us a rough quantification of how much was the impact of raw material cost in this quarter, very rough cut ballpark number, without giving accurate number?

Ramesh Kumar: Last Q2 was almost about 8% to 9% was the impact, otherwise, if you see for the last one year, the impact is almost about 40% plus.

Niket Shah: No. I was just trying to understand percentage like the impact on gross margins and some EBITDA margin, it would be about 2%, 3%, 4%, 5%?

Ramesh Kumar: I think we need to work it out. We do not want to give you some wrong number. Maybe we can later on get in touch.

Susheel Todi: It is approximately around 2% to 3%.

Niket Shah: Thank you so much. Congrats once again.

Moderator: Thank you. The next question is from the line of Rajesh from Jainmay Venture. Please go ahead.

Rajesh: Good afternoon gentlemen. Thank you for the opportunity. Congrats on an amazing turnaround by Mr. Vellayan and his team, NS and all. Thank you so much. That was pretty impressive. We belong to market cap side of the fraternity and we all know that has been a big surprise, but from the acquisition when you acquired, Mr. Vellayan, are there any more negative surprises or positive surprises that you may want to sort of share from a business operational viewpoint?

S. Vellayan: Rajesh thanks for the question. I think broadly we have talked about it a bit before. I mean, in some of the previous answers we have given. Like I mentioned we do not see anything significant from the negative side anymore. There is only just one kind of ongoing issue on Tax, which can be kind of a long drawn out effect. We do not see anything kind of significant beyond that on a negative side. On the positive side, like we said, I think the kind of timing has been good from the sense that we have had the market pickup from the kind of bottom of COVID to where it is today and definitely the outlook for all the three major businesses whether it is railways, whether it is the motor business, or whether it is Power business, are all very strong given that all the three are backbone kind of infrastructure growth in the country and clearly what we see is an environment where infrastructure growth in the country is going to pickup and it is going to be supported by these three core businesses that we definitely see have a lot of life. On top of that it is a compound kind of the opportunities from some of these newer areas that we have been talking about whether it is consumers, whether it is exports, I think that the platform that CG offers for growth is actually fantastic so I would say that there is lot more that we see on the positive side versus what we see kind of on the negative side at this stage in time.

Rajesh: Very useful, Mr.Vellayan. You have been a big fan of Danaher and there they just keep doing great and in fact their results just hit my inbox and on$7 billion revenue they continue to grow 20% and 30% in profits, so you benchmark that. Now CGPS is also in your fold, so, should we look more CGPS, Danaher following both the companies as a combined, following as their own model, how should we think about it?

S. Vellayan: We could argue that CG was the first, and like you know Danaher's growth has predominantly been on the back of acquisitions and you could look at CG as first acquisition, but mentioning as to whether we would use CG as a platform or TI as a platform, I think, given the structure in India, it is not easy to take a public company and kind of suddenly make it private in India. Given that both are public companies now I think both will be effective platforms because certainly because they have totally different businesses, so there are some businesses that would naturally fall into TI's platform, from a Danaher perspective and there are some businesses that would more naturally fall into CG's platforms. So like I said, when CG gets to being debt free, then CG can also and will also definitely be a platform on to itself to drive that growth and so if you see consumer it is much more natural fit with CG, so we wouldn't put it in TI we are going to easy more as in controller, but a natural fit with CG so as we look at new areas, we will just look at kind of where it is more natural fit, and associated with that entity because that is a logical way to go and from a Group's perspective, we have always looked at and we will always keep that as a shareholder interest in mind, recognizing that the two entities can have fairly different shareholders as well.

Rajesh: That is very useful. Thank you so much, Mr. Vellayan. Wish you all the best for India's Danaher in the making.

Moderator: Thank you. The next question is from the line of Sushithal from Samatva Investments. Please go ahead.

Sushithal: Most of my questions are answered. That is it. Thank you so much.

Moderator: Thank you. The next question is from the line of Abhishek Poddar from HDFC. Please go ahead.

Abhishek Poddar: Sir, could you share some plans of what we have on the consumer side of the business, in terms of product launches or targets that we have in mind?

Ramesh Kumar: We already launched the pumps and then we are in the line of launching the complete fans business that is the ceiling fan and the industrial, entire range of ceiling fans. As of now this is what it is in the offering and maybe going forward we will add some more products depending on what market demands.

Abhishek Poddar: Any market share targets or anything that we have in mind?

Ramesh Kumar: When we vacated, we had a very good market share and we are always targeting to reach that level what we have vacated.

Abhishek Poddar: On the Kanjurmarg land sale, how would the proceeds be like? Does it entirely go to lenders or some liability is also associated, which will be trade off first?

Natarajan Srinivasan: Nothing will go to lenders. This money will come to the company. We have to see and some portion definitely will be used for debt repayment.

Abhishek Poddar: Are there any liabilities which does not go to debt repayment or some associated liabilities for this land?

Susheel Todi: No nothing is there as such.

Abhishek Poddar: Understood. Thank you Sir.

Moderator: Thank you. The next question is from the line of Charanjit Singh from DSP Mutual Fund. Please go ahead.

Charanjit Singh: Sir my question is firstly on the industrial side there is a part of the business which is also driven through the channel so if you can just highlight has that again will get impact on the channel or channel partners would have looked at how we are trying to revise the entire channel for the industrial side and on the core business or overall in terms of the manpower assumption if you can touch upon how has been the movement of key employees have been seen in major attrition levels?

Ramesh Kumar: Actually we have never lost any of the channel partners. In fact channel partners have helped us in the difficult times so your question of gaining back is not there they are already in touch with us none of them have left us. Only some of the industrial customers who have told us that because of your problem you are going to some competition and then most of them are coming back one after the another so there is no issue and obviously we are not very high in attrition and in fact in the difficult times people have stayed back with the organization and they have supported the organization and only when the market opened up there may be a slight increase in the attrition but otherwise it is not that to the extent of any difficulties for the organization.

Moderator: Thank you. The next question is from the line of Renu Baid from IIFL. Please go ahead.

Renu Baid: Sir just two bookkeeping questions. First on the Kanjurmarg land parcel the first parcel was anyways sold five years back and the second parcel if I recollect right they were making provisions on a quarterly basis for delay in handover the parcel to Runwal so if you can help us clarify what is the net proceeds which is expected from the remaining parcel on the Kanjurmarg asset and on CG house sale also of the 380 Crores knocking out the pending dues and property etc., what could be the net cash inflow expected from this assets we get?

Susheel Todi: With respect to your first question about the Kanjurmarg in terms of total money which is expected is 402 Crores which includes the deposit what has been made with Runwal in the past so the total money to be received by the company is around 402 Crores minus some 11 Crores which advance is there in the company currently so we get net amount of around 391 Crores this is the number which will come to the company and this money will be used as discussed earlier maybe partially it may go to the debt repayment and maybe also for the growth and in terms of that CG House which you are talking about CG house is now owned by the company only so I do not know whether you have really seen in the past the debt settlement had been done towards the CG House so we paid the lenders now the CG House belong to the company. In terms of lease renewal what you are talking about 80 Crores that is as of now does not exist so we are working on that lease renewal and it may happen maybe in a three months to four months time so there is no as such any 80 Crores will go from the company.

Renu Baid: Last thing if I can just check in the industrial systems we see in the last three or four quarters especially the last three quarters our market share gain seems to be clearly evident is it also that we have not entirely passed on bulk of the price increase to the customers because most of the industrial motors are short cycle off the shelf products which are get the LT motor segment and if I understand also the peer have taken pricing action so is it that that we have opted for the strategy to first gain regain the lost volumes at the cost of margins and if that is the case would you perceive a risk to retaining these market share once pricing actions are fully taken into effect in a couple of quarters in the market?

Ramesh Kumar: No we are doing it. We are not taking any one path we are doing it very balanced way. We are also focusing on gaining our market share at the same time we do not want to forego our margins because of the price increase not passing under the customer but obviously as you rightly said this is the off shelf of the product so there is a time lag in recovery that we may have to first take the raw material and then maybe recover maybe after two months time from the market so that is how it is going on but definitely not in one roof it is both balanced way we are doing it.

Renu Baid: Thank you and all the best Sir.

Moderator: Thank you. The next question is from the line of Vipul Lamba an individual investor. Please go ahead.

Vipul Lamba: Thanks for giving the opportunity to ask the question. Most of my questions are answered. I just wanted to thank the management, TI management and holding the stocks and maintaining the risk and holding the stocks and it has really helped improve the price multifold here I just wanted to thank the magnet and hats off to the turnaround of that.

S. Vellayan: Thank you.

Moderator: Thank you. The next question is from the line of Deepesh Agarwal from UTI Asset Management. Please go ahead.

Deepesh Agarwal: I have one bookkeeping question what is the extent of the contingent liability still to be settled or accounted in the books or everything has been taken?

Susheel Todi: As of now there is no contingent liability except that tax issue which we are working about so that may take its own time.

Deepesh Agarwal: Thank you.

Moderator: Thank you. The next question is from the line of Janak Vora an individual investor. Please go ahead.

Janak Vora: Thank you for giving me this opportunity. My question is when can you expect the first maiden dividend in CG Power?

Natarajan Srinivasan: I think this company has lot of legacy issues and still there are some debit balances in profit and loss account. We have to wait for the year to make profit. So then I cannot give any timeframe because dividend is actually a question which is normally decided by the board because Chairman is here now. In our system clearly the board as mentioned the board will take a call but the earliest when there is when we are capable of I can say going by the Murugappa Group policy whenever it is possible to make and declare dividend the group the company will consider declaring a dividend. Is that alright Chairman?

S. Vellayan: Yes.

Janak Vora: Thank you Sir.

Moderator: Thank you. The next question is from the line of Harsh Bhatia from Emkay Global. Please go ahead.

Harsh Bhatia: Thanks. Most of my questions have been answered just one quick question. What sort of equipment or components are we carrying on the inventory side if I can see it is around 500 Crores, 600 Crores in the balance sheet so if you could throw some light on what sort of equipment are we carrying on the books? Thanks.

Susheel Todi: Not it is not an equipment at all. These are all raw material or finished goods. So we have inventory days which is around 45 days with respect to our sales so we do not have any equipment in inventory. These all about the raw material and the finished goods.

S. Vellayan: Yes, there could be some equipment in terms of if you look at drives but the largest components will be kind of steel, copper, raw material.

Harsh Bhatia: Thanks.

Moderator: Thank you. The next question is from the line of Arvind Joshi from Bateleur Advisors. Please go ahead.

Arvind Joshi: Sir I just had a couple of clarifications, this debt of closer to 700 Crores which was there mentioned as a net debt currently does this include the sales proceeds from Kanjurmarg or is it before the Kanjurmarg sale and my next question was Sir what kind the tax shelter we have after the entire proceedings are settled?

Susheel Todi: So this does not include Kanjurmarg proceed as of now

Arvind Joshi: What kind of tax shelter we do we are having as the things progress and we get visibility on it as the things progress?

Natarajan Srinivasan: I think it is very difficult to quantify or state anything about tax shelter because there are several issues which can go this way or that way.

Arvind Joshi: But on a broad cut I think we should have a significant cover.

Natarajan Srinivasan: I do not think so.

Arvind Joshi: Thank you.

Moderator: Thank you. Ladies and gentlemen this was the last question for today. I would now like to hand the conference over to Ms. Bhoomika Nair for closing comments.

Bhoomika Nair: On behalf of DAM Capital, I would like to really thank the management for giving us an opportunity to host the call and all the participants for being on the call and participating thank you so very much and wish you all the very best.

S. Vellayan, Natarajan Srinivasan, Susheel Todi: Thank you.

Moderator: Thank you. On behalf of DAM Capital Advisors Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.