

IPO NOTE



TRANSRAIL LIGHTING LIMITED
18.12.2024

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Canara Bank Securities Ltd
A Wholly Owned Subsidiary Of Canara Bank



- ◆ They are an Indian engineering, procurement and construction (“EPC”) company.
- ◆ Their Company primarily focuses on power transmission and distribution business and integrated manufacturing facilities for lattice structures, conductors, and monopoles.
- ◆ They have a track record of four decades of providing comprehensive solutions in the power transmission and distribution sector on a turnkey basis globally and have been trusted and longstanding partners.
- ◆ They have completed more than 200 projects in the power transmission and distribution vertical since their inception, along with comprehensive and extensive project execution capabilities in terms of manpower, supply of materials (including self-manufactured products) and availability of world-class machinery, both in India and internationally (majorly across Asia and Africa).
- ◆ Their position in the power transmission and distribution sector is owing to the following factors:
- ◆ Having a footprint in 58 countries like Bangladesh, Kenya, Tanzania, Niger, Nigeria, Mali, Cameroon, Finland, Poland, Nicaragua etc. including turnkey EPCs or supply projects.
- ◆ As of June 30, 2024, they have undertaken an EPC of 34,654 circuit kilometres (“CKM”) transmission lines and 30,000 CKM distribution lines, domestically and internationally.
- ◆ They provide EPC services for up to 765 kilovolts (“kV”) substations.
- ◆ As of December 2024, the company has four manufacturing units. The first one is in Vadodara Gujrat, the second in Deoli, Maharashtra, and the third and fourth in Silvassa, Dadra and Nagar Haveli respectively.
- ◆ As of June 30, 2024, the company supplied 1.3 MMT of towers, 194,534 KM of conductors, and 458,705 poles.

Issue Details

Price Band (in ₹ per share)	410.00-432.00
Issue size (in ₹ Crore)	816.56-838.91
Fresh Issue (in ₹ Crore)	400.00
OFS (in ₹ Crore)	416.56-438.91
Issue open date	19.12.2024
Issue close date	23.12.2024
Tentative date of Allotment	24.12.2024
Tentative date of Listing	27.12.2024
Total number of shares (lakhs)	199.16-194.19
No. of shares for QIBs (50%) (lakhs)	97.26-94.90
No. of shares for NII (15%) (lakhs)	29.18-28.47
No. of shares for S-HNI (33%) (lakhs)	9.73-9.49
No. of shares for B-HNI (66%) (lakhs)	19.45-18.98
No. of shares for retail investors (35%) (lakhs)	68.08-66.43
No of shares for Employee Reservation (lakhs)	4.63-4.40
Minimum order quantity	34
Face value (in ₹)	2.00
Amount for retail investors (1 lot) (in ₹)	13940-14688
Maximum no. of shares for Retail investors at Lower Band	476 (14 lots)
Maximum no. of shares for Retail investors at Upper Band	442 (13 lots)
Maximum amount for retail investors at lower band - upper band (in ₹)	195160-190944
Minimum no. of shares for sHNI (2 Lakhs) at upper band	476 (14 lots)
Maximum no. of shares for sHNI (10 Lakhs) at upper band	2312 (68 lots)
Minimum number of shares for bHNI at upper band	2346 (69 lots)
Exchanges to be listed on	BSE & NSE

Promoters

- AJANMA HOLDINGS PRIVATE LIMITED
- DIGAMBAR CHUNNILAL BAGDE
- SANJAY KUMAR VERMA

Objects of the Offer

The company proposes to utilise the Net Proceeds towards funding the following objects:

- ◆ Incremental financing working capital requirements of the company;
- ◆ Funding capital expenditure of the company; and
- ◆ General corporate purposes.

BRIEF FINANCIALS

PARTICULARS (Rs. Cr) *	Q1FY25	FY24	FY23	FY22
Share Capital ^{^^}	24.79	24.79	22.79	22.70
Net Worth	1140.65	1075.86	709.15	599.32
Total Income	929.70	4129.99	3172.03	2357.19
EBITDA	120.10	477.55	293.93	205.66
EBITDA Margin (%)	13.12	11.71	9.32	8.75
Profit/(Loss) After Tax	51.74	233.20	107.56	64.70
EPS (in Rs.)	16.68 [^]	19.59	9.45	11.62
Net Asset Value (in Rs.)	92.02	86.79	62.21	52.78
Total borrowings	603.42	643.18	604.92	469.11
P/E [#]	25.90	22.05	NA	NA
P/B [#]	4.69	4.98	NA	NA

*Restated consolidated financials; #Calculated at upper price band ^Annualised ^^Company sub-divided the face value of its equity shares from ₹10 each to ₹2 each.

Profit & Loss Statement

Particulars (In Crores)	FY2022	FY2023	FY2024
INCOME			
Revenue from operations	2284.14	3086.14	4009.23
Other Operating Revenue	65.87	66.02	67.29
Other Income	7.18	19.88	53.48
Total Income	2,357.20	3,172.03	4,130.00
YoY Growth (%)	-	35.11%	29.91%
Cost of Materials Consumed	1205.97	1821.41	2245.40
Cost of Materials Consumed-% of Revenue	51.16%	57.42%	54.37%
Changes in inventories of work-in-progress in stock in trade	-17.81	-8.21	-37.08
Employee benefit expenses	159.46	179.04	198.50
Employee Expenses-% of Revenue	6.76%	5.64%	4.81%
Sub-contracting Expenses	354.04	347.16	499.65
Sub-contracting Expenses-% of Revenue	15.02%	10.94%	12.10%
Other expenses	442.20	519.80	694.81
EBIDTA	205.67	293.94	477.56
EBIDTA Margin (%)	8.73%	9.27%	11.56%
Depreciation and amortisation expense	37.84	45.83	50.30
EBIT	167.83	248.11	427.25
EBIT Margin (%)	7.12%	7.82%	10.35%
Finance cost	84.84	119.69	162.61
Profit before share of profit of Joint venture and Tax	90.67	147.32	315.81
Share of Profit/(Loss) of Joint Venture and Associate accounts	-0.50	0.97	2.31
Profit before tax	90.17	148.29	318.12
Tax expenses			
Current tax	23.70	39.00	84.92
Deferred Tax			
(Excess) / Short Provision of Tax	1.76	1.73	
Total tax expenses	25.46	40.73	84.92
Profit for the year	64.71	107.57	233.21
PAT Margin (%)	2.83%	3.49%	5.82%
Earnings per share			
Basic earnings per share (₹)	2.00	2.00	2.00

Cashflow Statement

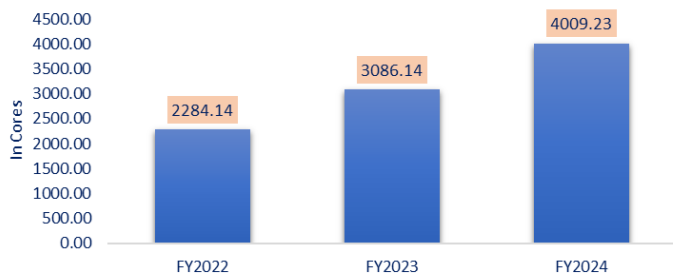
Particulars (In Crores)	FY2022	FY2023	FY2024
Cash generated from operating activities	85.52	156.44	145.65
Income tax paid (net of refunds)	-35.36	-13.76	-110.16
Net cash generated from operating activities	50.16	142.68	35.49
Net cash used in investing activities	-81.39	-104.53	-78.30
Net cash used in financing activities	-0.37	29.06	27.95
Net increase/ (decrease) in cash and cash equivalents	-31.60	67.21	-14.87
Balance as at beginning	89.11	57.50	124.71
Cash and cash equivalent as at year end	57.50	124.71	109.85

Balance Sheet

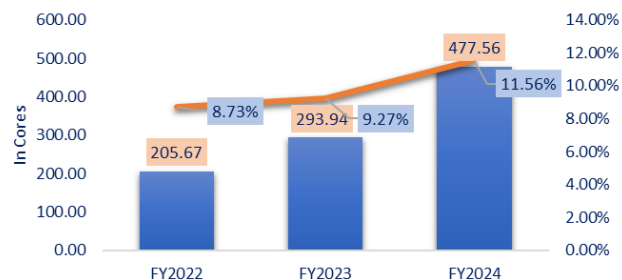
Particulars (In Crores)	FY2022	FY2023	FY2024
Assets			
Non-current assets			
Property, Plant and Equipment	325.44	360.43	347.40
Right of use assets	8.53	18.31	26.38
Capital work in progress	17.21	4.12	5.79
Other Intangible Assets	0.24	0.20	0.09
Financial assets			
Investments	0.01	0.01	0
Trade Receivables	0	0	0
Loans	28.12	27.32	1.82
Other	24.26	56.73	52.02
Other non-current assets	44.33	32.03	55.33
Total non-current assets	448.14	499.15	488.83
Current assets			
Inventories	278.49	311.00	378.27
Financial Assets			
Investments	3.16	3.24	4.90
Trade Receivables	639.74	644.90	1026.14
Cash and Cash Equivalents	57.50	124.71	109.85
Bank Balances other than above	53.28	73.41	114.05
Loans	17.21	28.32	83.19
Others	28.25	24.73	36.31
Contract Assets	1094.43	1466.91	1951.08
Other Current Assets	221.68	268.90	427.75
Assets Held for Sale		0.24	0.24
Total current Asset	2393.72	2946.34	4131.78
Total assets	2841.87	3445.49	4620.61
Equity and liabilities			
Equity			
Equity Share Capital	22.71	22.80	24.79
Other Equity	640.26	748.60	1114.33
Total equity	662.97	771.40	1139.12
Liabilities			
Non-Current liabilities			
Financial Liabilities			
Borrowings	117.98	120.34	80.67
Lease liabilities	3.47	8.32	14.41
Other Financial Liabilities	53.29	56.68	60.07
Provisions	4.40	4.31	5.11
Deferred tax liabilities (net)	0		
Total Non-Current liabilities	179.14	189.64	160.25
Current liabilities			
Financial liabilities			
Borrowings	351.14	484.58	562.52
Lease liabilities	3.94	8.04	9.75
Trade payables			
Due to MSME	56.23	28.62	32.23
Due to other than MSME	1014.73	1278.92	1636.35
Other financial liabilities	37.32	46.28	46.21
Contract Liabilities	460.22	540.95	929.90
Other Current Liabilities	24.95	23.92	34.74
Provisions	51.24	51.47	41.93
Current tax liabilities		21.68	27.61
Total Current liabilities	1999.76	2484.46	3321.24
Total liabilities	2178.90	2674.09	3481.49
Total equity and liabilities	2841.87	3445.49	4620.61

PERFORMANCE THROUGH CHARTS

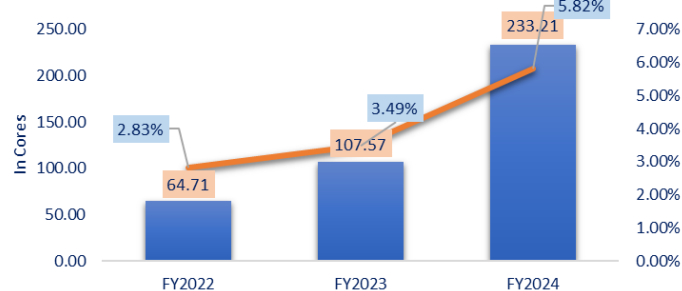
REVENUE HAS GROWN BY 32% CAGR 2 YR



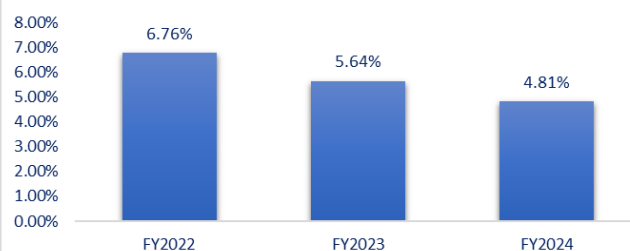
EBIDTA GREW BY 52% CAGR 2 YR



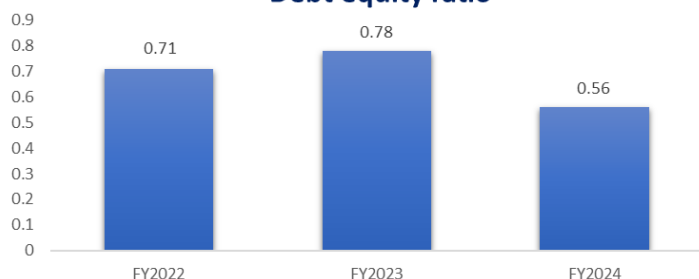
PAT GREW BY 90% CAGR 2 YR



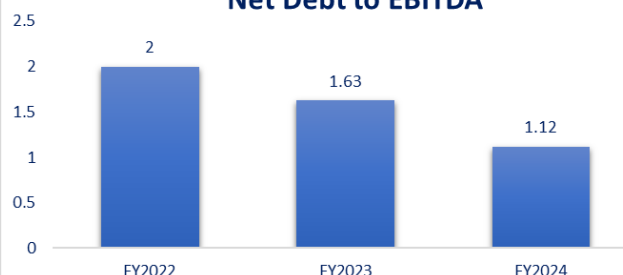
EMPLOYEE EXPENSE AS % TO REVENUE IS DECREASING



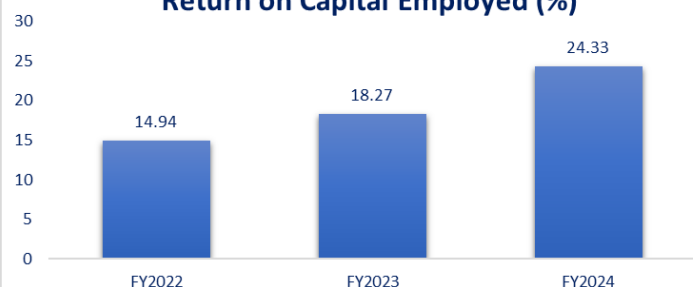
Debt equity ratio



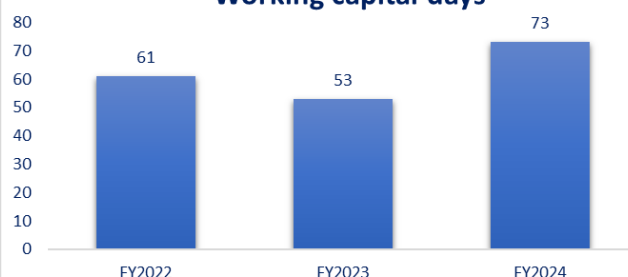
Net Debt to EBITDA



Return on Capital Employed (%)



Working capital days



INDUSTRY REVIEW

Power supply mix.

- The total installed generation capacity as of March 2024 was ~442 GW, of which ~98 GW of capacity was added over fiscal 2018-24.
- The overall installed generation capacity has grown at a CAGR of 4.3% over the same period.
- Coal and lignite-based installed power generation capacity has maintained its dominant position over the years and accounts for ~49% as of March 2024.
- However, RE installations (including large hydroelectric projects), have reached ~191 GW capacity as of March 2024, compared with 114 GW as of March 2018, constituting about 43% of total installed generation capacity.
- This growth has been led by solar power, which rapidly rose to ~82 GW from 22 GW over the same period.
- Additions in both wind and solar power were driven by a strong government focus, which is evident from fiscal and regulatory incentives, VGF, and execution support in terms of land and evacuation infrastructure.
- Improved availability of low-cost finance through various instruments/sources would also support RE capacity additions.
- In solar power, in particular, further decreases in capital costs and consequently, tariffs, have driven the capacity additions.

Long-term drivers and constraints for demand growth.

- Power demand is closely associated with a country's GDP. Healthy economic growth leads to growth in power demand.
- India is already the fastest-growing economy in the world, with an average GDP growth of 5.8% over the past decade.
- The trickle-down effect of government spending on infrastructure through the National Infrastructure Pipeline, expansion of the services industry, rapid urbanisation, and increased farm income from agriculture-related reforms are key macroeconomic factors that are expected to foster power demand.
- Significant policy initiatives such as 24x7 power for all, Sahaj Bijli Har Ghar Yojana (SAUBHAGYA) scheme to provide electricity connections to all households, green energy corridor to facilitate the evacuation of REpower, green city scheme to promote the development of sustainable and eco-friendly cities, PLI scheme and low corporate tax rates among others are expected to further support power demand in the country.

Energy demand-supply forecast, fiscals 2025 to 2029.

- Power demand maintained a strong growth momentum in fiscal 2023 logging a double-digit growth of ~10% albeit a moderate base of fiscal 2022 due to extreme seasonal vagaries, sustained buoyancy in economic activities along with robust industries activities accelerated power demand.
- GDP is expected to grow at 7.3% in fiscal 2024 supporting power demand despite a higher base of 7.2% in fiscal 2023.
- Despite the high base of preceding three years, CRISIL MI&A-Consulting expects power demand to grow by 5.5-6.0% in the next five years which will be supported by infrastructure-linked capex, strong economic fundamentals along with expansion of the power footprint via strengthening of T&D infrastructure, coupled with major reforms initiated by the GoI for improving the overall health of the power sector, particularly that of state distribution utilities, are expected to improve the quality of power supply, thereby propelling power demand.
- Peak electricity demand in India has grown from 184 GW in fiscal 2020 to 243 GW in fiscal 2024 clocking an average growth rate of 7.3% in the past five years.
- Peak demand is expected to grow at an annual average of 5-6% over fiscal 2024-29 to reach nearly 318 GW by fiscal 2029 with expected persistent high temperatures, rising urbanization, economic growth and infrastructure push leading to higher power consumption.

COMPETITIVE STRENGTHS OF THE COMPANY

Track record of established presence and growth in power transmission and distribution vertical through their implementation and execution skills;

- They have completed more than 200 projects in the power transmission and distribution vertical, along with comprehensive and extensive project execution capabilities in terms of manpower, supply of materials (including self-manufactured products) and availability of world-class machinery, both in India and internationally.
- With their Company foraying into underground cabling and substations, they have a comprehensive execution profile for overhead transmission lines, monopole lines, underground cables, distribution networks as well as sub-stations.
- Additionally, they have developed extensive pre-qualifications in the power transmission and distribution business owing to their extensive experience in the sector.
- As of June 30, 2024, they have constructed 34,654 CKM transmission lines (including more than 22,912 CKM of transmission lines that are above 220 kV thereby affirming their position as a reliable EPC partner in the ultra-high voltage ("UHV") transmission lines sector.
- Their in-house tower testing facility has tested more than 486 towers of various configurations.
- They have constructed India's first 1200 kV transmission lines that are currently charged at 400 kV.
- Further, they have also constructed distribution networks of 30,000 CKM including projects in India and Africa.
- Their Company has built substations of up to 400kV.
- They have also completed more than 396 track kilometres ("TKM") of overhead electrification, 128 TKM of track laying and 35 locations for signalling and telecommunications for railway projects in India.

Strong in-house designing and engineering;

- They undertake their EPC business in an integrated manner.
- Their Company has developed key competencies and resources in-house to deliver a project from conceptualization until completion.
- They have an experienced team of 114 designers and engineers who are specialists in each segment of their business with a total cumulative experience of more than 17,000 man-months.
- They also have access to industry-leading software for design and engineering including software such as PLS Tower, PLS Poles, I tower, Bocad, Staad Pro, PLS Star, PLS CAAD, PLS Lit, DiLux, AGI 32, Autocad 3D, Solidworks etc.
- Their Company provides leading-edge solutions in areas such as execution safety, workforce management and quality.
- One example of such a leading-edge solution is the use of light detection and ranging ("LiDAR") survey by their Company to survey the surface of the Earth in Niger, Benin and Cameroon.
- Their in-house integrated model includes a design and engineering team for each business vertical and has contributed to their ability to complete projects on time, without compromising on quality and allowing them to capture a larger proportion of the value chain in the EPC business.

Experienced promoter(s) with a strong management team, technical expertise and business divisions with specialized domain knowledge;

- They have seen robust business growth under the vision, leadership and guidance of one of their Promoters, Digambar Chunnillal Bagde, who has more than 40 years of experience in the EPC industry.
 - In addition to their Promoters, they also have a qualified and well-experienced Board of Directors, of which their Managing Director and CEO, Randeep Narang, has over 35 years of experience in the power transmission and distribution industry.
 - They believe that their Promoter(s) and Board of Directors have played a key role in the development of their business and they benefit from their industry knowledge and expertise, vision and leadership.
 - Additionally, their Senior Management includes qualified, experienced and skilled professionals who have experience across various sectors.
 - They have an in-house team of expert engineers specializing in civil, mechanical and electrical engineering, and a separate design team for each of their business verticals.
 - Further, they have specialists in supply chain, quality assurance, EHS, information technology, finance and general management.
 - As of June 30, 2024, they had 1,761 employees on board which mainly includes engineers and specialists working in various departments.
 - They have respective subject matter experts for each segment of business, and they also have a hub and spoke model to cater to various geographies.
 - They believe the guidance of their Board and the skillset and industrial experience of their Senior Management will enable them to continue to take advantage of future market opportunities and expand into newer markets.
 - Their senior management team can leverage their market position with their collective experience and knowledge in the EPC industry, to execute their business strategies and drive their future growth.
- Their department heads have an average experience of over 23 years in various leadership roles.

RISK FACTORS

Their Order Book is subject to cancellation, modification or delay which may materially and adversely affect their business, prospects, reputation, financial condition and results of operation.

- As of June 30, 2024, their confirmed Order Book amounted to ₹ 102,130.66 million and sets forth expected revenue of around 55% - 60% from ongoing projects in the next twelve months.
- They prepare their Order Book based on the percentage and value of work completed
- and the outstanding work about the projects forming part of the Order Book. Moreover, if any of their projects are cancelled or terminated prematurely, there can be no assurance that their Company will receive the applicable termination payments in time or at all or that the amount paid will be adequate to enable their Company to recover its investment in the prematurely cancelled project.
- While there has been no material instance in the past three Financial Years, however, in such events, they may have to bear the actual costs for project activities incurred by them which may exceed the agreed work, as a result of which their future earnings may be lower from the amount of the Order Book and if any of the forgoing risks materialize, their cash flow position, revenues and earnings may be adversely affected.

They are exposed to foreign currency fluctuation risks, particularly in relation to the import of raw materials, receivables from their foreign projects and their trade receivables, which may adversely affect their results of operations, financial condition and cash flows.

- They present their financial statements in Indian Rupees. However, given that they execute projects outside India a significant portion of their business transactions is dealing with foreign currencies.
- Further, their raw materials such as zinc and aluminium are priced by reference to global benchmarks quoted in US dollars, and hence their expenditures are largely influenced by the value of the US dollar.
- While they hedge their foreign currency exposure through forward contracts, a very small portion of their international business is hedged.
- Accordingly, the depreciation of the Indian Rupee against the USD and other foreign currencies may adversely affect the results of operations if there is an increase in the cost of the raw materials they import or any proposed capital expenditure in foreign currencies.

In the past, their books of accounts have been inspected by the Ministry of Corporate Affairs ("MCA") and certain non-compliances have been found by the MCA in their books of accounts. If they are subject to penalties or other regulatory actions for non-compliance, their reputation, business and results of operations could be adversely affected.

- MCA had conducted an inspection of their books of accounts, records and other statutory documents on November 19, 2018, under Section 206(5) of the Companies Act, 2013, whereby their Company was required to furnish certain details for the period from April 1, 2014, to March 31, 2018, about, inter alia,
 - ◇ the long term borrowing availed from Gammon India Limited in Financial Year ended March 31, 2014,
 - ◇ the various corporate guarantees given by them to various companies since April 1, 2014,
 - ◇ liabilities of their Company,
 - ◇ loans and advances made by their Company,
 - ◇ subcontracting expenses incurred by the Company,
 - ◇ provisioning for debts made by their Company.
- The MCA did not provide for the reasons for conducting such an inspection.
- Their Company has not received any communication from the MCA concerning the date of closure of the inspection.
- However, their Company received a letter dated November 27, 2020, directing their Company to compound, the first four of the non-compliances as mentioned earlier.
- Their Company has not received any correspondence from the MCA, post letter dated November 27, 2020, and accordingly, no further action is required from the Company.
- They cannot assure you that such type of lapses will not occur in the future and that they will not be subject to further penalties or other regulatory action.

PEER COMPARISON

Name of the company	Total Revenue (in Cr)	Face Value (Rs per share)	EPS (in Rs)	NAV (Per share Rs)	RoE (%)	P/E*	P/B*
Transrail Lighting Limited	4009.23	2.00	19.59	86.79	21.68	22.05	4.98
KEC International Limited	19914.00	2.00	13.49	159	8.50	86.32	7.32
Kalpataru Projects International Limited	19626.00	2.00	31.76	316	10.00	41.05	4.13
Skipper Limited	3282.00	1.00	7.66	84	9.10	81.27	7.41
Patel Engineering Limited	4544.00	1.00	3.64	38	9.56	15.92	1.52
Bajel Projects Limited	1169.00	2.00	0.37	49	0.80	794.32	6.00

**P/E & P/B ratio based on closing market price as of December 13th, 2024, at the upper price and of IPO, financial details consolidated audited results as of FY24.*

KEY BUSINESS INSIGHTS

- **Order Book and Market Presence:** Transrail Lighting Limited boasts a robust future order book worth ₹10,000 crore, with 65% of orders originating from international markets, including 45% from Africa. This international focus highlights the company's extensive market reach.
- **Financial Health:** The company has substantially improved its debt-equity ratio, reducing it from 1.6 to 1.12 over the past year. Additionally, Transrail is operating near full capacity across all facilities and holds ₹1,000 crore receivable from international projects, reflecting robust cash flow management.
- **Product Portfolio:** Transrail's advanced conductor portfolio includes high-temperature conductors (HTC) and High-Temperature Low-Sag (HTLS) conductors. The company also offers diversified products such as traffic lights, signage, and architectural lighting.
- **Capacity Expansion:** A ₹90 crore brownfield expansion project is currently underway, expected to increase capacity by 25-30%. The company focuses primarily on high-margin Transmission and Distribution (T&D) projects, which constitute 85% of its portfolio, and is expanding into allied sectors like solar EPC (streetlights, rooftops, ground-mounted solar).
- **Revenue and Risk Management:** With revenue from international operations received in USD, Transrail minimizes currency risk. Additionally, multi-lateral contracts with organizations such as the World Bank ensure secure payments.
- **Strategic Focus:** The company prioritizes profitability over volume, maintaining a low 8-10% order win rate to enhance margins. Transrail is expanding its geographical presence in high-growth regions such as Africa, SAARC, and Southeast Asia, and exploring developed markets like Australia and Latin America for products like towers, monopoles, and conductors.
- **Operational Model:** Utilizing a hub-and-spoke model with over 200 representatives stationed internationally, Transrail ensures swift project execution and maintains close proximity to customers.

OUR VIEW

Incorporated in 2008, Transrail Lighting Limited specializes in the engineering and construction of power transmission and distribution systems, as well as the manufacturing of lattice structures, conductors, and monopoles. The company is pre-qualified in the railway sector and is poised for significant growth over the next two years. With robust cash flow management and a diverse portfolio of multi-lateral contracts, including those with the World Bank, Transrail effectively mitigates risks and positions itself for sustainable growth. The fiscal year 2024 witnessed considerable growth, driven by the completion of legacy projects, although the first quarter typically experiences slower activity due to client budget cycles. Transrail's operations span regions marked by political instability, such as Bangladesh and parts of Africa; however, its multilateral contracts provide a degree of stability.

Transrail is fairly valued with a Price-to-Earnings (P/E) ratio of 22.05x, which is lower than the industry peers. Additionally, the company demonstrates superior financial metrics with a Return on Capital Employed (RoCE) of 21.68% and a Return on Equity (RoE) of 24.33%, compared to peer averages of 7.59% and 16.03%, respectively. The company's strategic focus on innovation, capacity expansion, and global diversification positions it well for long-term sustainable growth.

We recommend to **SUBSCRIBE** to this issue for listing & long-term gains.

Sources: Company website and red herring prospectus

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Canara Bank Securities Ltd.

(A Wholly Owned Subsidiary of Canara Bank)



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Analyst Certification

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