

**The Issue**

Type of Issue	Issue size Rs. Mn
Fresh Issue	2,900
Offer for sale	-
<b>Total</b>	<b>2,900</b>
<b>Post issue mkt cap*</b>	<b>11,600</b>
Lot size	50 shares

**\*At Upper Price Band**
**Issue Break-Up**

Reservation for	% of Issue
QIB	75%
NII	15%
Retail	10%
<b>Total</b>	<b>100%</b>

**Indicative Offer Timeline**

	Indicative Date
Bid/Offer Opening Date	07 Jan, 2025
Bid/Offer Closing Date	09 Jan, 2025
Finalization of the Basis of Allotment	10 Jan, 2025
Credit of shares	13 Jan, 2025
Listing Date	14 Jan, 2025

**Use of Proceeds**

	Rs. Mn
Working capital requirement of Specialty Cable Division	1,497
Capex for Electronic Interlocking System	244
Payment of working capital term loan	236
General Corporate Purpose	

**BRLM & Registrar**

<b>Manager</b>	Sundae Capital Advisors
<b>Registrar</b>	Link Intime India

**Train Control & Signaling business to define future growth...SUBSCRIBE**
**Company Overview:**

- Quadrant Future Tek is primarily into manufacturing and supply of specialty cables used in Railways rolling stock and Naval (Defence) industry. Apart from this, they also manufacture and supply Solar and EV cables.
- Under Specialty Cables, they manufacture and supply single/multi core control & power cables, signaling cables, cables for locomotives and EMU's as well as single/multi core, screened/un-screened and power cables for Naval ships.
- As on September 30, 2024, for the Specialty Cable division, the Company had an installed capacity of 1,887.60 metric tonnes which operated at an average capacity utilization of 50-55% over FY22-24.
- Sector-wise, under Specialty Cable division, Indian Railways majorly contributes revenue with over 90% of revenue, and the rest comes from Naval under defence.
- They have also ventured into the development of new generation Train Control and Signalling Systems under KAVACH Project of the Indian Railways.
- The Train Collision Avoidance System (KAVACH equipment) developed by the company have been accorded pro-to-type approval by Indian Railways / RDSO. The indigenously developed TCAS is compatible to the LTE network technology.
- Post development they were also accorded technical clearance from Indian Railway / RDSO to deploy TCAS on stretch of 43.6km at Moula-Ali – Raghunathapalli section of South-Central Railway covering 5 station and 10 train sets.
- Quadrant Future Tek is one the few manufacturers approved by RDSO, DGQA, and Indian Register of Shipping.

**Valuation and Outlook:** At an upper price band of Rs 290, Quadrant Future Tek is valued at an EV/EBITDA of 33.9x which is undervalued in comparison to 39x of Polycab (Specialty Cable) and ~36x of HBL Engineering (TCAS) on FY24 basis. Over FY22-24, the company recorded Rev/EBITDA/PAT CAGR of 21%/97%/175%. Till date, the company has primarily generated revenue through its Specialty Cables division. Further, their indigenously designed and developed TCAS (KAVACH System) has received necessary approval from Indian Railway / RDSO to be deployed and accordingly the company has attracted orders worth Rs 168.6mn (5 stations and 10 train sets) and Rs 9,786.06mn (1200 locomotives) from CLW under India Railway. In addition to this, they also intend to develop electronic interlocking system by utilizing IPO proceeds. Their MoU with RailTel also boost their ability to secure TCAS orders from Indian Railways. We thereby assign “**Subscribe**” rating to the IPO.

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## Quadrant Future Tek Ltd.

Shareholding Pattern	Holding (%)	
	Pre Issue	Post Issue*
Promoters & Promoter Group	93.3	70.0
Others/Public	6.7	30.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

\* At upper price band

Issue Structure (Rs. Mn)	Floor	Cap
<b>Net Offer</b>	<b>2,900</b>	<b>2,900</b>
QIB Portion (50% of Offer)	2,175	2,175
Non Institutional portion (15% of Offer)	435	435
Retail portion (35% of Offer)	290	290

Key Financial Summary (Rs. Mn)	FY22	FY23	FY24	H1FY25
Revenue	1,043	1,528	1,518	651
EBITDA	95	264	366	8
<i>EBITDA margin (%)</i>	<i>9.1%</i>	<i>17.3%</i>	<i>24.1%</i>	<i>1.3%</i>
Adj. PAT	19	139	147	-121
<i>Adj. PAT margin (%)</i>	<i>1.9%</i>	<i>9.1%</i>	<i>9.7%</i>	<i>-18.6%</i>
EPS (Adj for issue)	0.5	3.5	3.7	-3.0

## Quadrant Future Tek Ltd.

### Financials vs Peers

Particulars	Market Cap (Rs Bn)	FY22-24			FY24				
		Revenue CAGR	EBITDA CAGR	PAT CAGR	Revenue (Rs Mn)	ROE	ROCE	EV/EBITDA (x)	PE (x)
Quadrant Future Tek Ltd	12	20.6%	96.5%	175.2%	1,518	33.3%	15.8%	33.9	79.0
<b>Listed Peers</b>									
Polycab India Ltd	1,063	21.6%	40.3%	45.7%	1,80,394	21.8%	29.0%	39.1	55.8
Apar Industries Ltd	455	31.7%	64.7%	80.7%	1,61,530	21.3%	34.7%	17.6	32.5
HBL Engineering Ltd (Erstwhile HBL Power System)	168	34.4%	74.4%	87.1%	22,334	25.4%	31.8%	35.8	53.1
Kernex Micro Systems Ltd	22	69.0%	NA	NA	196	-24.8%	-22.7%	NA	NA
<b>Average</b>								<b>30.8</b>	<b>47.1</b>

### Key Risks:

- **Dependent on Single manufacturing facility:** Its single manufacturing facility situated in Basma, Mohali, Punjab undertakes manufacturing and supply of Specialty Cables and Train Control & Signaling systems. Further, high capex equipment like Electron Beam Accelerator and polymer compounding line currently do not have backup. Any breakdown or failure of equipment and performance below expected levels of output could adversely affect its production performance.
- **High Dependence on top 5 customers:** The company primarily generates revenue through its specialty cable division, as revenue from Train Control & Signaling Division is yet to materialize. On an average, Top five customer and Top customer contributes over 75% and 49% of its revenue respectively. Agreements with any of its customers are not long term in nature, and orders secured are subject to termination. Any delay, cancellation or failure to secure orders in the future could adversely impact business performance.
- **Raw Material Price risk:** The company procure copper, tin, polymers and fillers both from domestic and international suppliers. Prices of these raw materials are dependent on demand and supply of commodity, international metal prices and governmental regulations. These subject the company to price fluctuation. Further, the company do not use financial instruments to hedge against price fluctuation.
- **High working capital requirement risk:** The company requires to furnish bank guarantees for orders awarded or deduction of retention money from amount receivable, to finance inventory amongst others. Financing secured at unfavorable terms or inability to service debt due to high debt obligation could materially affect the company's operation, financial condition and cash flows.
- **Related Party Transaction:** Over FY22-24, sale of transaction to related party constituted around 20-34% of revenue. Also, in H1FY25, it contributed ~44% of revenue from operations. Related party transaction is subject to conflict of interest, which could be detrimental to business functioning.
- **Criminal Case pending against One of its Promoter:** Aikjot Singh, one of its promoters is involved in criminal case pertaining to accidental death of two person. Accordingly, nine cases are pending against the promoter before High Court. This could lead to negative publicity and increase in legal cost impacting business and operations.

**Strengths:**

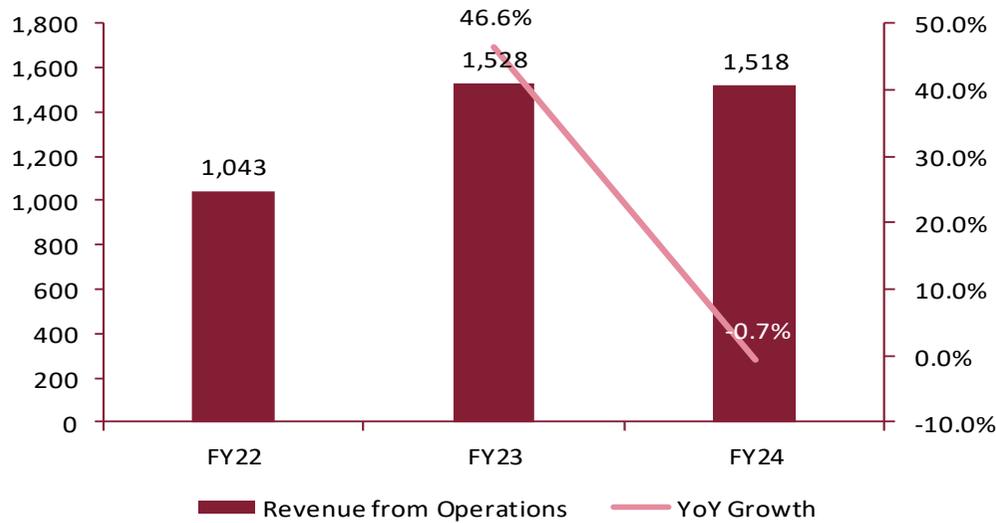
- ⇒ **In-house technological development capabilities for building Automatic Train Protection System (ATPS):** The company has in-house capabilities including domain expertise of signalling and train controls, product engineering, and safety critical system engineering for end-to-end development of Automatic Train Protection System (ATPS). The Train Control System designed and developed by the company is in line with CENELEC Standards.
- ⇒ **Exclusive MoU with RailTel Corporation of India:** The company entered a Memorandum of Understanding with RailTel Corp., Government of India undertaking, for defining framework with respect to exploring opportunities and expansion of KAVACH as a means of ATPS. The MoU will enable the company to supply and implement KAVACH equipment to RailTel as an OEM in domestic and international markets. Furthermore, RailTel will lead the engagement with the Indian Railways and railways of other countries while Quadrant will work on implementation, maintenance, and upgradations per the requirement.
- ⇒ **Providing Rail Signaling Products and Solutions:** The company have designed, developed and engineered the software for Train Collision Avoidance System in-house with a focus on performance, reliability and autonomy and in line with the needs of Indian Railways. Railway Signalling & Embedded System Design centre focuses on the development of product, solutions with latest technology, understanding the expectations of RDSO on Automatic Train Protection systems. Their integrated operations i.e., from design and development to manufacturing, assembly and testing and to providing software solutions enables the company to meet client's requirement.
- ⇒ **Manufacturing cables for multiple industries:** The company manufactures cables which meet stringent quality requirements and are used across multiple industries including railways, naval defense, renewable energy, and electric vehicle. The wires are equipped with Electron beam (E-beam) technology increases the strength, improves tensile strength, reduces flame spreading and smoke in case of fire, doesn't affect performance at elevated temperatures and prevents short circuit.
- ⇒ **Manufacturing diverse power and control cables:** The company is one the few manufacturers approved by RDSO, DGQA, and Indian Register of Shipping. They manufacture and supply single/multi core control & power cables, signaling cables, cables for locomotives and EMU's as well as single/multi core, screened/un-screened and power cables for Naval ships. All activities, from sourcing raw material to bunching and stranding, insulation, armoring, sheathing, and packing of the wires and cables is carried out in-house. As of 30th September 2024, the company's installed capacity of Specialty cables is 1,888 MTPA.
- ⇒ **Catering specialty cables to OEMs in sectors with high global market penetration:** With increasing demand for EV and shift towards renewable energy sources, Quadrant is equipped with catering to both the industries with its multipurpose specialty cables. Being lightweight with high tensile strength and working efficiently in extreme temperatures, the cables are an idle choice for both the industries having high potential for expanding global penetration.

**Strategies:**

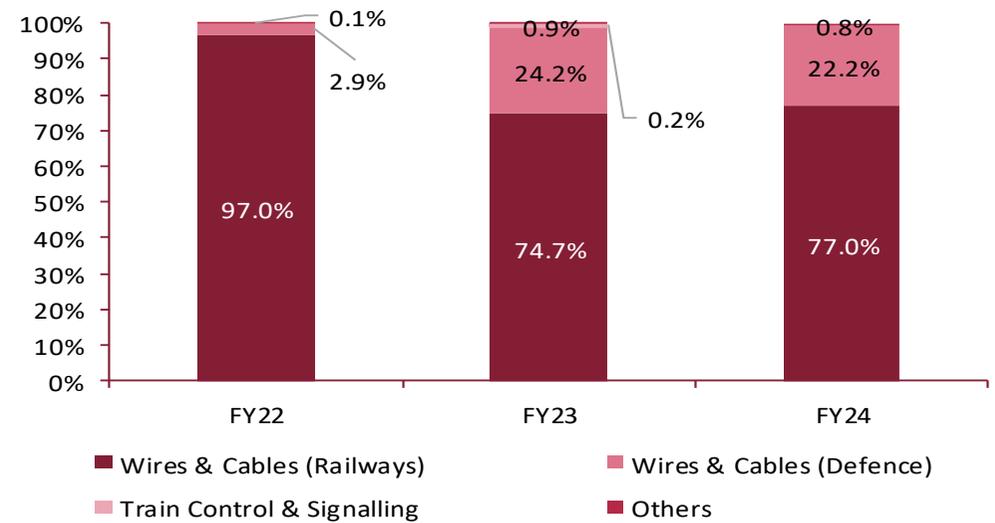
- ⇒ **New product development through Research & Development:** As is the case the technology industry keeps evolving with new products. Accordingly, the company intend to continuously invest in research, design, and innovation to build safer, valuable, cost-effective solutions for their customers.
- ⇒ **Expansion of business to other areas of Automatic Train Protection and railway safety:** The train control and signaling division primarily consists of three parts, namely, Train Collision Avoidance System, Electronic Interlocking System and Multi Section Digital Axle Counter. Presently the company has developed solution for Train Collision Avoidance System. They now plan to extend their business operations to also involve products under Electronic Interlocking System and Multi Section Digital Axle Counter.
- ⇒ **Continue to grow revenue share from non-promoter group client:** The revenue that the company derived from non-Promoter Group clients has increased to 83.65% of the total revenue from operations in FY24 from 65.81% in FY22. Non-Promoter Group clients constituted 62.99% of their total revenue from operations for H1FY25. They plan to continue to focus on increasing revenue share from non-Promoter Group clients by increasing their customer base and widening the scope of industry in which they operate and acquire new customers.
- ⇒ **Expansion of cable business in new sectors:** Electron Beam Cross Linked cables provides excellent fluid / oil / moisture resistance properties which creates increased stability at higher temperatures. Due to these properties, the usage of Speciality cables is expanding to various other industries with increased demand from aerospace, aviation, solar & wind energy and electric vehicles segment. The company plans to increase its focus on further niche segments of economy with application of Speciality cables and thus build specialization in development & production of electric & control cables for such industries.

# Quadrant Future Tek Ltd.

### Revenue from Operations (Rs. Mn)



### Revenue Mix by Segment



\*including Canada

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**Segment-wise Capacity and Utilization**


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<b>Specialty Cable</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>H1FY25</b>
Installed Capacity (in MTPA)	1,500.7	1,638.0	1,887.6	1,887.6
Capacity Utilization (%)	57.6	54.3	49.4	25.0*

\*Not Annualized

<b>KAVACH Equipment</b>	<b>Station TCAS</b>	<b>Locomotive TCAS</b>	<b>Remote Interface Unit</b>
Installed Capacity (No of Units)	4,492	2,264	3,744

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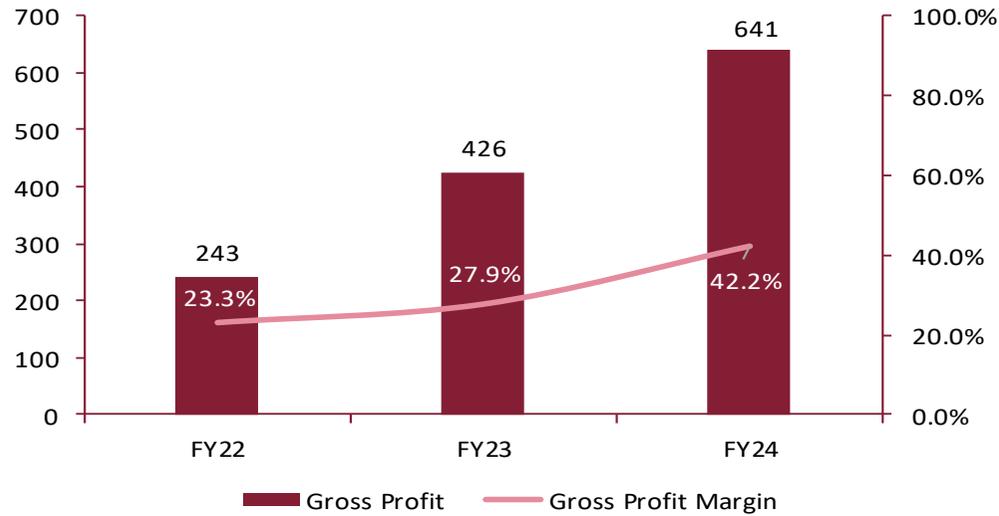
**Tender Participation**


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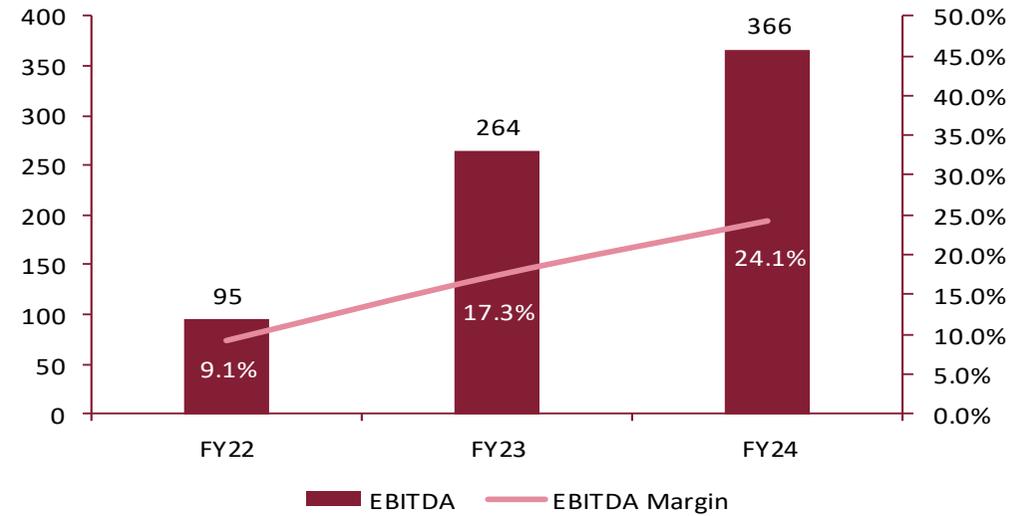
<b>Particulars</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>H1FY25</b>
Bids applied	718	837	819	530
Bids Awarded	155	166	196	106
Bid/Tenders Success ratio (%)	21.6	19.8	23.9	20.0
Bids Value (Rs in Mn)	11,505	10,274	7,716	10,629

# Quadrant Future Tek Ltd.

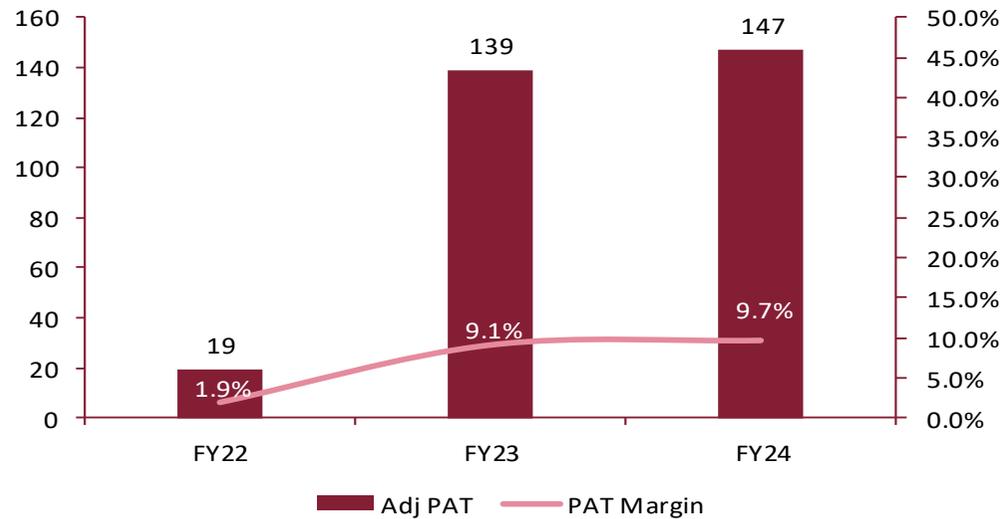
### Gross Profit (Rs. Mn) & Gross Profit Margin (%)



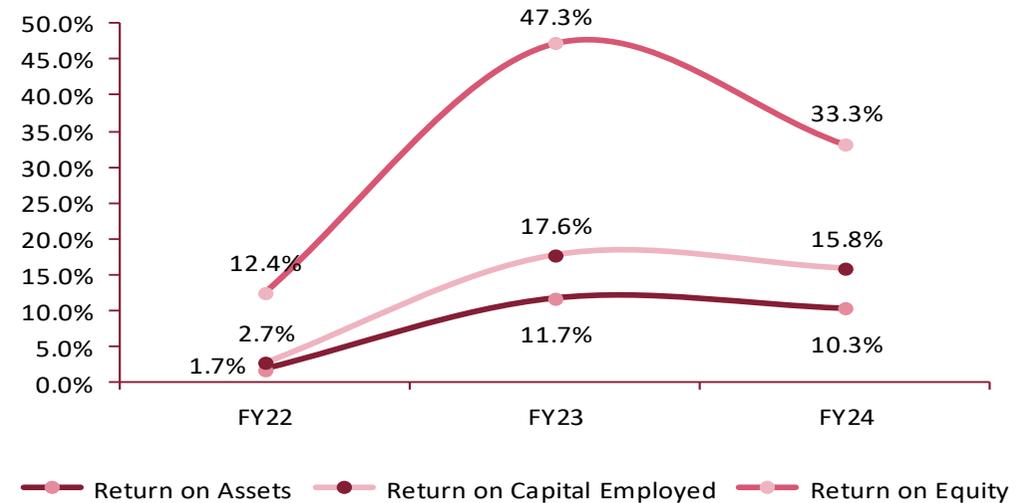
### EBITDA (Rs. Mn) & EBITDA Margin (%)



### Adj. Profit after Tax (Rs. Mn) & Net Profit Margin (%)

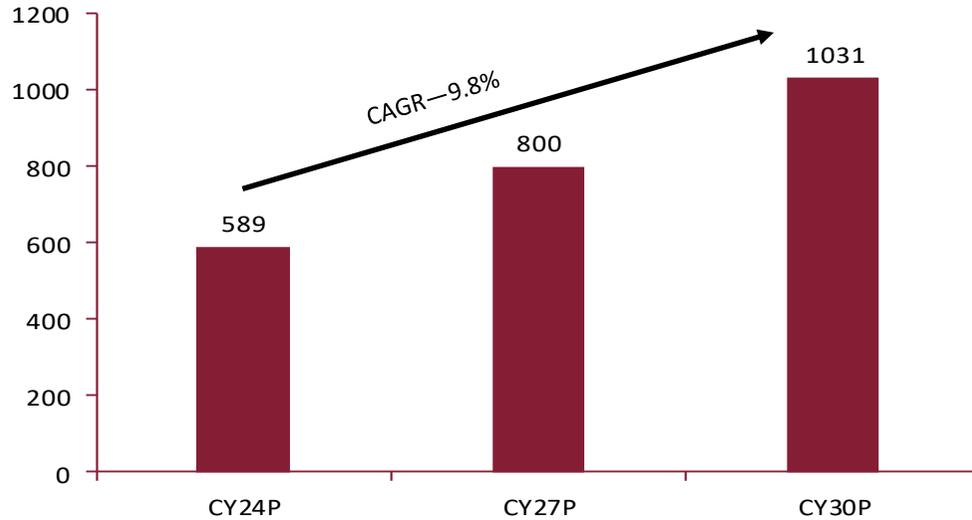


### Profitability Ratios (%)

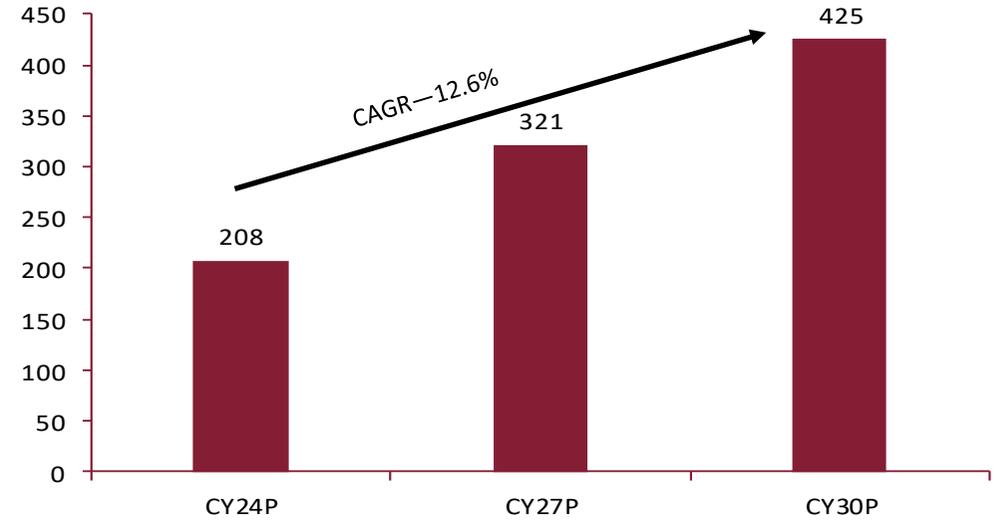


# Industry Overview

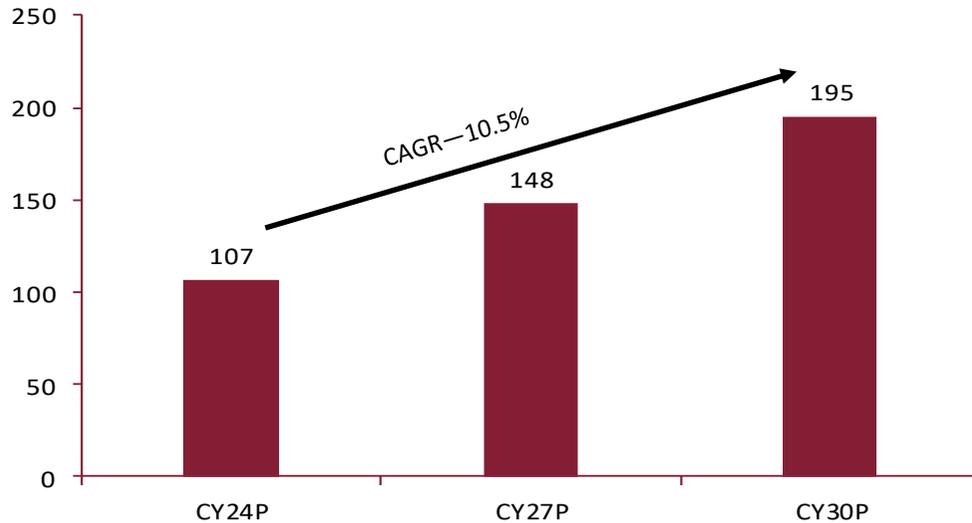
**Indian Specialty Cables Market Size (USD million)**



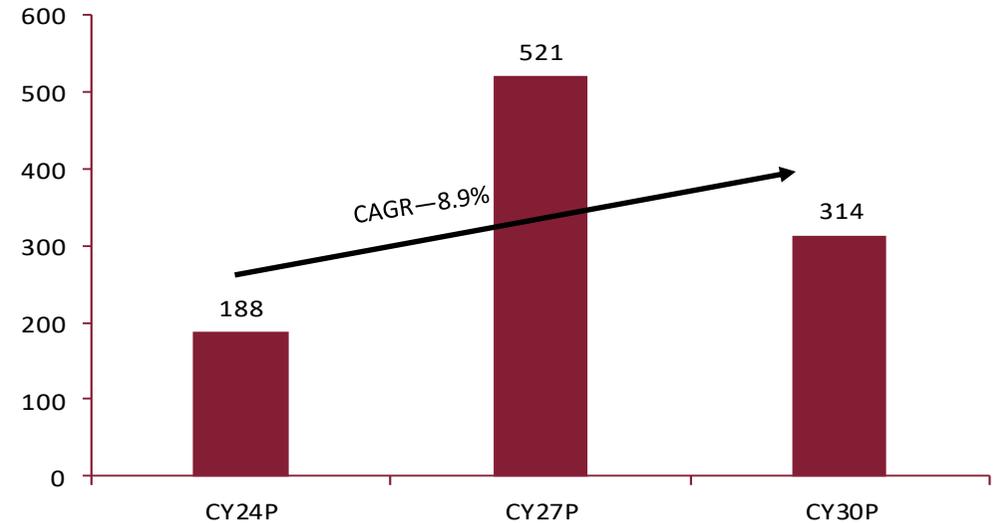
**Indian Train Control System Market Size (USD million)**



**Demand Trend from Defence for Specialty Cables (USD Million)**

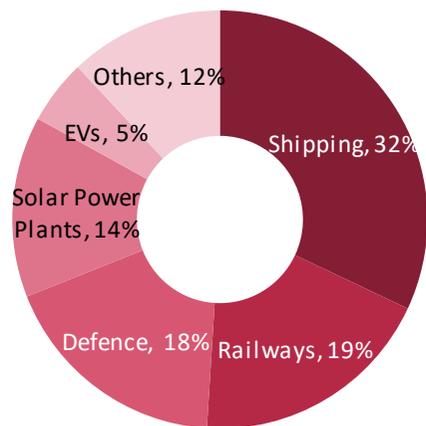


**Demand Trend from Shipping for Specialty Cables (USD Million)**

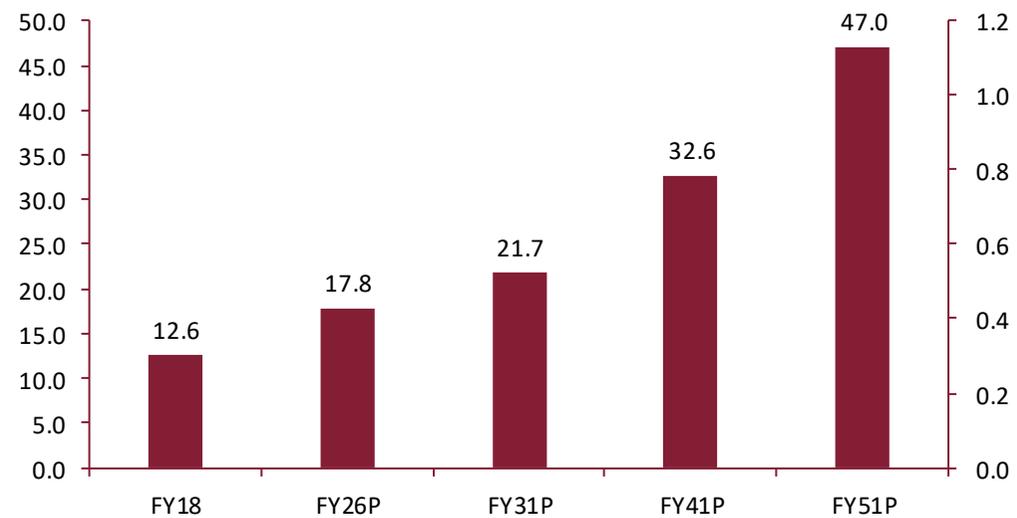


# Industry overview

**Specialty Cables Market Share by Industry in CY24E**



**Locomotive Requirement in India**



## INDSEC Rating Distribution

**BUY** : Expected total return of over 15% within the next 12-18 months.

**HOLD** : Expected total return between 0% to 15% within the next 12-18 months.

**SELL** : Expected total return is negative within the next 12-18 months.

**NEUTRAL**: No investment opinion, stock under review.

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