

The Issue

Type of Issue	Issue size Rs. Mn
Fresh Issue	4,000
Offer for sale	4,389
Total	8,389
Post issue mkt cap*	57,999
Lot size	34 shares

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

Reservation for	% of Issue
QIB	50%
NII	15%
Retail	35%
Total	100%

Indicative Offer Timeline	Indicative Date
Bid/Offer Opening Date	19 Dec, 2024
Bid/Offer Closing Date	23 Dec, 2024
Finalization of the Basis of Allotment	24 Dec, 2024
Credit of shares	26 Dec, 2024
Listing Date	27 Dec, 2024

Use of Proceeds	Rs. Mn
Working capital requirement	2,170
Capex	907
General Corporate Purpose	

BRLM & Registrar

Manager	Inga Ventures, Axis Capital, HDFC Bank, IDBI Capital Markets & Securities
Registrar	Link Intime India

Poised to benefit from significant growth in Power T&D globally...SUBSCRIBE
Company Overview:

- With four decades of existence, Transrail Lighting operates as EPC service providers and as a supplier of engineered products like lattice structures, conductors and monopoles in the power transmission and distribution segment. They also provide EPC services in relation to air insulated and gas insulated substations.
- Apart from Power T&D, they undertake several EPC works and supply orders pertaining to civil construction and Railways.
- As on June 30, 2024, Power T&D is the significant revenue contributor with 83.2% followed by Civil, Railways, and Poles and Lighting with 11.6%, 2.2% and 3.0% respectively.
- The company caters to wide client base in India including central public sector undertakings under the Ministry of Power of India, state government run and private power transmission and distribution companies. Further, they have a footprint in 58 countries in terms of EPC contracts or supply projects. Domestic to Outside India business mix stands at 50: 50 as of 30 June 2024.
- In export, they participate in orders which are either funded by multilateral funding agencies or backed by letter of credit.
- As on March 31, 2024, they have a strong order book of Rs 102bn of which 90.6% pertains to Power T&D. Geography-wise mix is 36% domestic and 64% Export.
- They have four operational manufacturing facilities including one tower testing facility.

Valuation and Outlook: At an upper price band of Rs 432, Transrail Lighting is valued at EV/EBITDA of 3.9x and EV/Order book of 0.6x on FY24 basis. In contrast its listed peers are valued at EV/EBITDA of 14.1x and EV/Order book of 0.7x on FY24 basis. Transrail Lighting primarily undertakes EPC work in power transmission and distribution, civil construction, and railways. They are also involved in manufacture and supply of lattice structures, conductors and monopoles. Over FY22-24, the company reported Revenue/EBITDA/APAT CAGR of 32%/52%/90% respectively. As on June 30, 2024, its order book position stands at Rs 102bn offering revenue visibility of over 2 years on FY24 revenue basis. Power T&D market is witnessing significant surge in demand both domestically and internationally owing to upgradation of existing infrastructure renewable energy adoption and rising per capita electricity consumption. Strong industry growth, backward integration in terms of conduction and towers and decadal operating history entices us to assign “**Subscribe**” rating to the IPO.

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Transrail Lighting Ltd.

Shareholding Pattern	Holding (%)	
	Pre Issue	Post Issue*
Promoters & Promoter Group	84.5	71.1
Others/Public	15.5	28.9
Total	100.0	100.0

* At upper price band

Issue Structure (Rs. Mn)	Floor	Cap
Net Offer	8,166	5,003
QIB Portion (50% of Offer)	4,083	2,502
Non Institutional portion (15% of Offer)	1,225	750
Retail portion (35% of Offer)	2,858	1,751

Selling Shareholders	Type	% of Total Shareholding	
		Pre Issue	Post Issue
Ajanma Holdings Private Limited	Promoter	84.5	71.1

Key Financial Summary (Rs. Mn)	FY22	FY23	FY24
Revenue	22,841	30,861	40,092
EBITDA	2,062	2,930	4,752
<i>EBITDA margin (%)</i>	<i>8.8</i>	<i>9.3</i>	<i>11.7</i>
Adj. PAT	647	1,076	2,332
<i>Adj. PAT margin (%)</i>	<i>2.8</i>	<i>3.4</i>	<i>5.7</i>
EPS (Adj for issue)	4.8	8.0	17.4

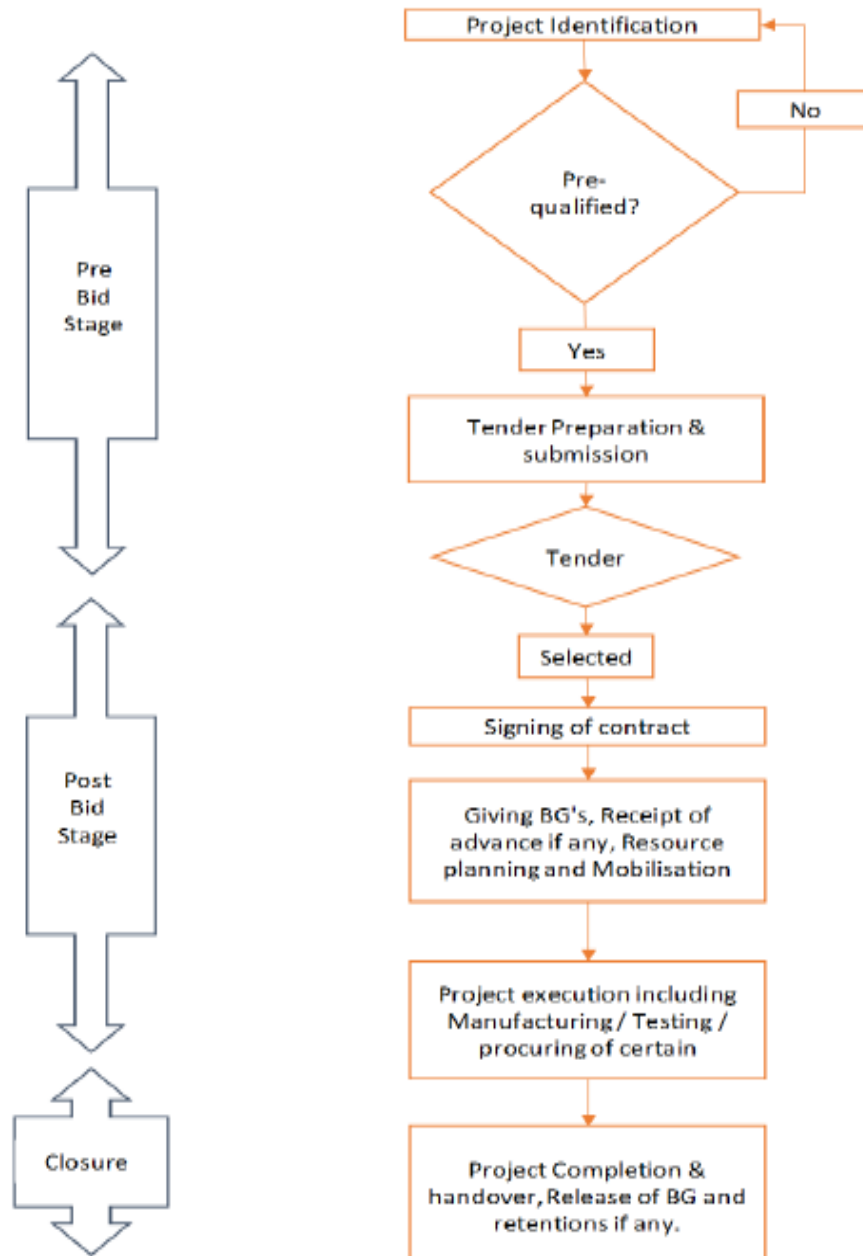
Transrail Lighting Ltd.

Financials vs Peers

Company	Market Cap. (Rs Bn)	FY22-24			FY24				
		Revenue CAGR	EBITDA CAGR	PAT CAGR	ROE	ROCE	EV/Order Book (x)	EV/EBITDA (x)	PE (x)
Transrail Lighting Limited	58	26.3%	24.6%	89.8%	20.5%	32.7%	0.6	3.9	24.9
Listed Peers									
Kalpataru Projects International Ltd	214	15.2%	18.4%	14.8%	9.9%	16.8%	0.9	13.2	40.0
KEC International Limited	316	20.4%	16.3%	-1.1%	8.5%	23.9%	0.8	19.4	66.8
Skipper Limited	66	38.7%	38.2%	60.8%	8.3%	19.8%	0.7	14.9	50.9
Patel Engineering Limited	47	15.9%	14.1%	57.1%	11.1%	13.7%	0.4	8.7	22.4
Average							0.7	14.1	45.0

Key Risks:

- **High dependence on Government orders:** The company derived ~82.0% of its revenue from government tenders from FY22-24 in domestic and international markets. Reduction in budgetary allocation, failure to win bids and unfavorable terms of contract may hamper company's operations and affect financials.
- **International business risk:** The company derived ~49.9% of its revenue in Q1FY25 and ~55.0% of its revenue in FY23 and FY24 from international markets exposing the company to currency rate fluctuation and geopolitical risks.
- **Execution Risk:** As is the case with EPC business, delay in execution of projects could lead to increase in cost. Additionally, execution is dependent on availability of workers, shortage of skilled and unskilled workers could also result in higher cost (employee or other operational), thereby impacting results of operation.
- **High Contract Assets as % of total assets:** Contract assets are those assets where project has achieved completion (fully or in terms of milestone agreed) but Bill of payment have not been generated. These assets form around 38-44% of total assets of the company, subjecting the company to delayed receipt of payment and thereby working capital stretch.
- **History of non-compliance:** The Ministry of Corporate Affairs had previously found the company to be non-compliant on 9 points, resulting in compounding of penalties which have been settled. Any similar lapses in the future could result in further penalties and strict regulatory actions.
- **Alleged involvement in corruption:** The company has been named in a FIR by Central Bureau of Investigation, Anti-Corruption Bureau with regards to Gomti River Project. Any adverse legal decision against the company could result in reputational damage as well as increase the financial burden for provisioning.



Strengths:

- Four Decades of track record in Power T&D coupled with growth tailwinds:** Since its existence, the company has completed more than 200 projects in Power T&D. Of the total 34,654 CKM transmission lines constructed, 22,912 CKM of transmission lines are above 220 kV, positioning the company as leading EPC partner for major Power generating Cos and Discoms. 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. These executions have developed extensive pre-qualifications in Power T&D for the company.
- Strong and diversified Order Book:** As on June 30, 2024, the company's unexecuted orders are worth Rs 102.13bn which has grown at a CAGR of 30.8% over FY22-24. For export, they participate in orders which are either funded by multilateral funding agencies or backed by letter of credit. Such orders constitute 99.99% of its unexecuted orders. Of the current order book, 90.6% orders pertain to Power T&D and 7.2% is for Civil Constructions, Geography-wise the mix stands as 36% domestic and 64% Outside India. On the basis of FY24 revenue, its book to bill ratio (revenue visibility) stands at 2.5x.
- Established Manufacturing facilities and thereby execution capabilities:** Through their four established manufacturing facilities the company undertakes production of galvanized steel towers, conductors, poles, high masts, railway masts and copper rods. Additionally, they own specialized EPC equipment such as stringing machines, cranes, launching gantries and piling rigs. This makes the company an integrated EPC player developing products in-house and coupled with owned equipment's enhances their execution capabilities.

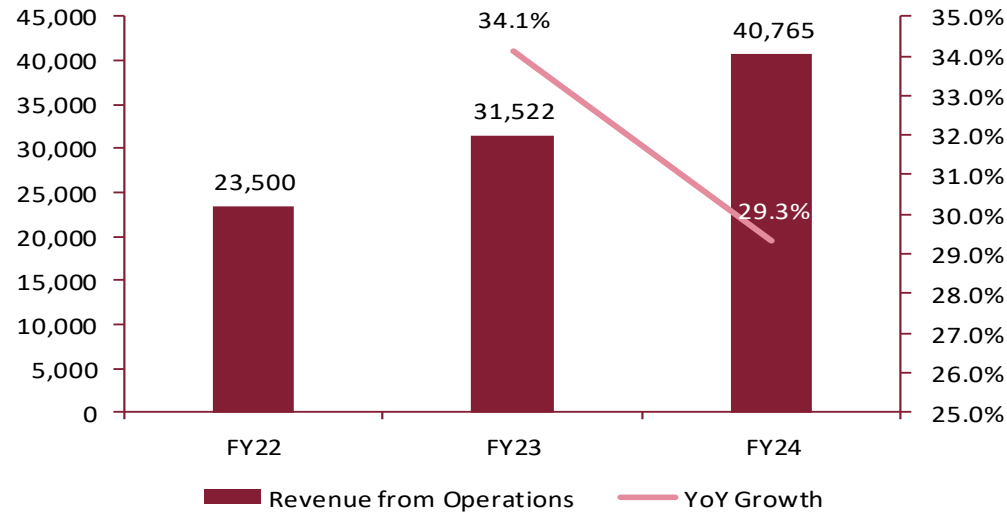
Transrail Lighting Ltd.

Strategies:

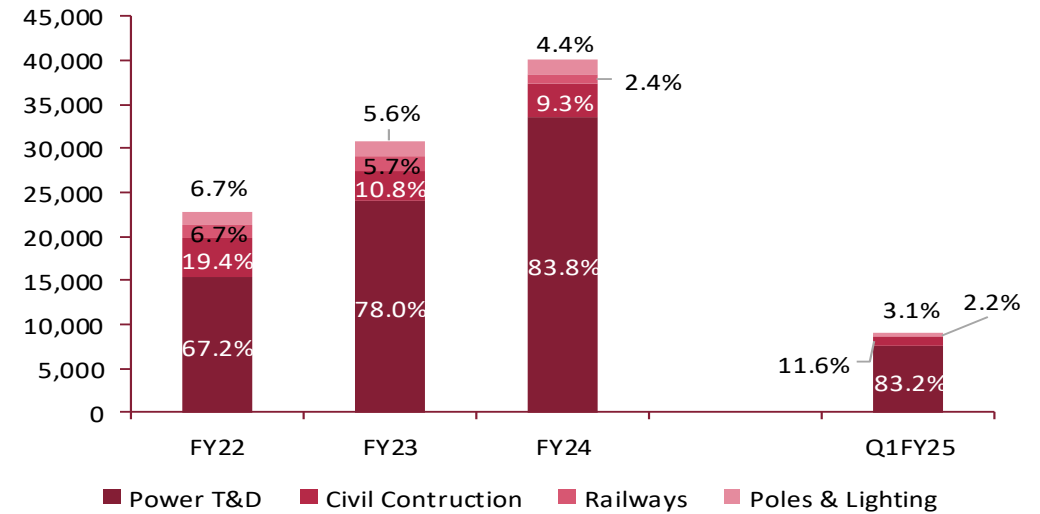
- ⇒ **Expand core competencies in Power T&D segment, both domestic and international:** Power T&D contributes over 80% of their consolidated revenue. Robust generation capacity addition over the years and government's focus on 100% rural electrification through last mile connectivity has led to extensive expansion of the power transmission and distribution system across India. To continue with its efforts on alleviating congestion, and rural electrification, significant investments are expected in the power transmission and distribution sector in India over medium term. This will ultimately flow as tender opportunities in Power T&D EPC market. Accordingly, the company intend to continue their focus on EPC projects of power T&D lines including supplies of power transmission and distribution segment products.
- ⇒ **Expand our EPC portfolio into other allied/ancillary infrastructure sectors:** They intend to expand the scope of EPC civil services to focus on projects from the Government of India and other programmes for bridges, tunnels and other transmission solutions. Further, they are proposing to acquire business of Gammon Engineers and Contractors Private Limited, in order to expand scope to hydro power projects. They are also planning to expand their footprint in the solar EPC industry by including turnkey projects in relation to installation of solar rooftops, solar streetlights, ground mounted solar projects etc.
- ⇒ **Focusing on expanding the market for their conductors:** The company manufactures wide range of conductors including high temperature conductors ("HTC") and HTLS conductors. HTC is able to handle higher electrical loads and offer enhanced efficiency as well as plays a crucial role in integration of renewable energy sources into the grid. Governments and utilities across globes are increasingly investing in upgrading transmission infrastructure with HTCs. Transrail Lighting intends to leverage this growth opportunity by offering its HTC and HTLS conductors and expand market presence.
- ⇒ **Expanding international business:** They intend to expand its presence in Latin America, Middle East and North Africa, as these regions are characterized by rising electricity demand. They are also exploring Australia for products like towers, conductors and monopoles.
- ⇒ **Enhancing the pole and lighting business in various product categories:** The company plans to further strengthen their product portfolio and more importantly increase geographical footprint for the pole and lighting business vertical. They also intend to export their solar street lighting product. At present, the focus is on adding architectural illumination segment under poles and lighting business vertical.

Transrail Lighting Ltd.

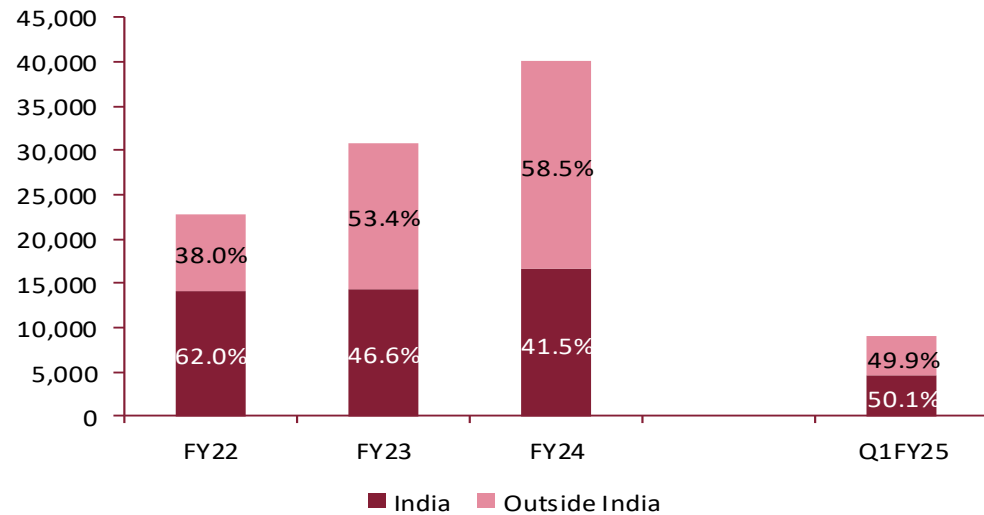
Revenue from Operations (Rs. Mn)



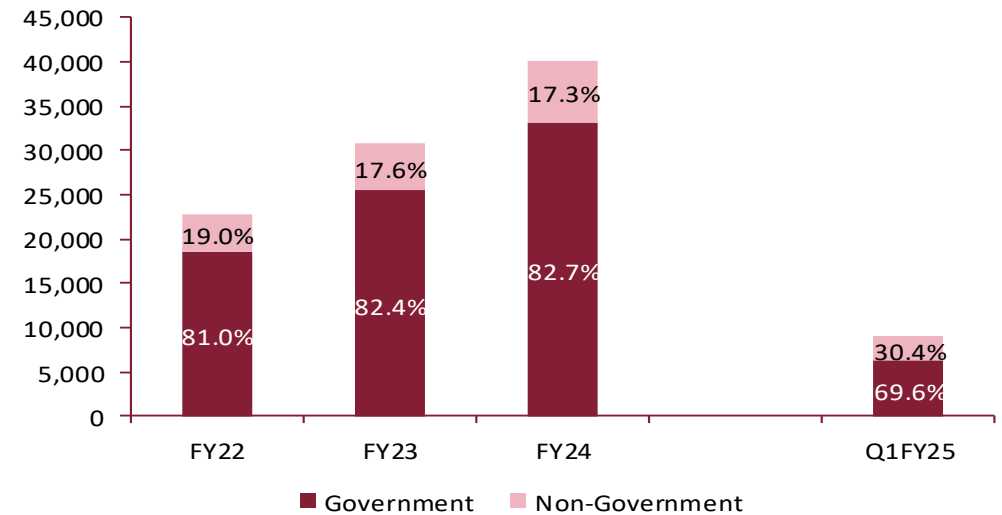
Revenue Mix by Segment



Revenue Mix by Geography

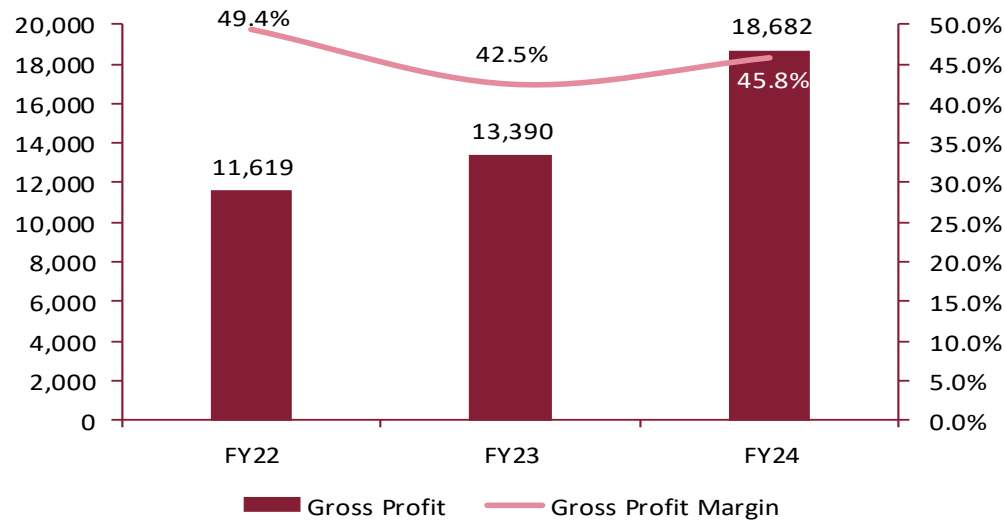


Revenue by Client Mix

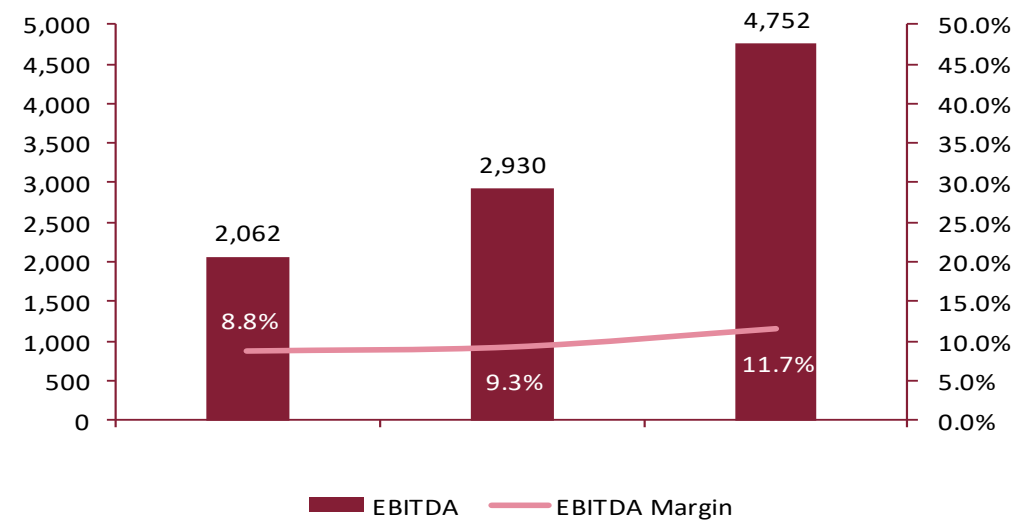


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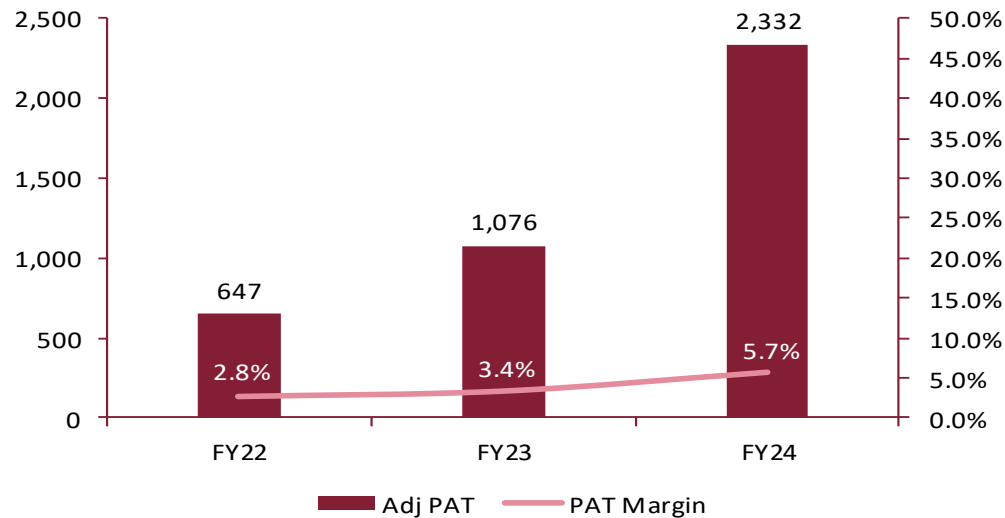
Gross Profit (Rs. Mn) & Gross Profit Margin (%)



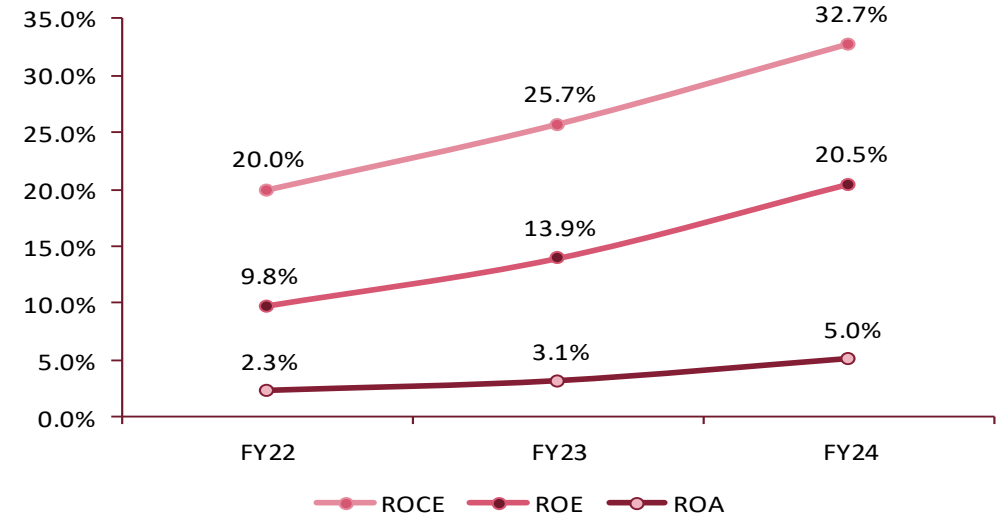
EBITDA (Rs. Mn) & EBITDA Margin (%)



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

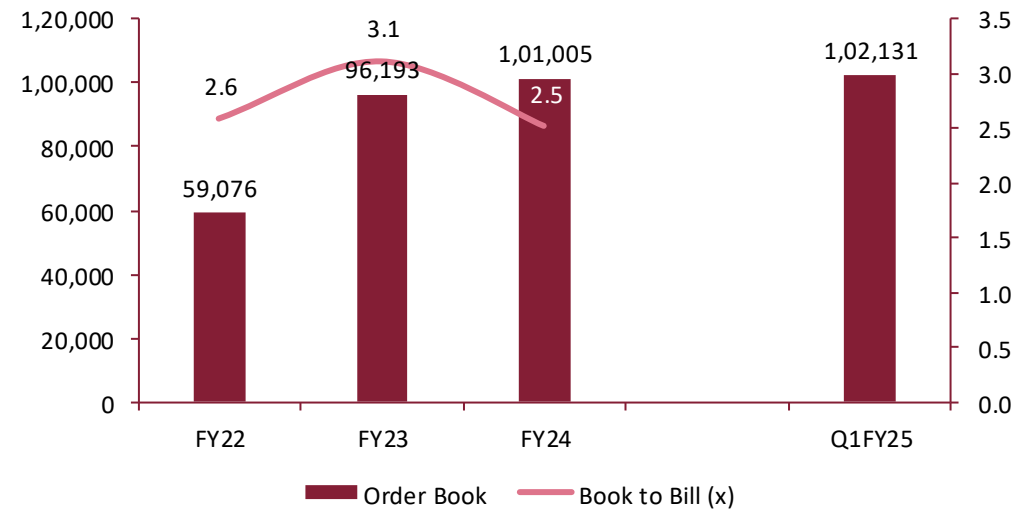


Profitability Ratios (%)

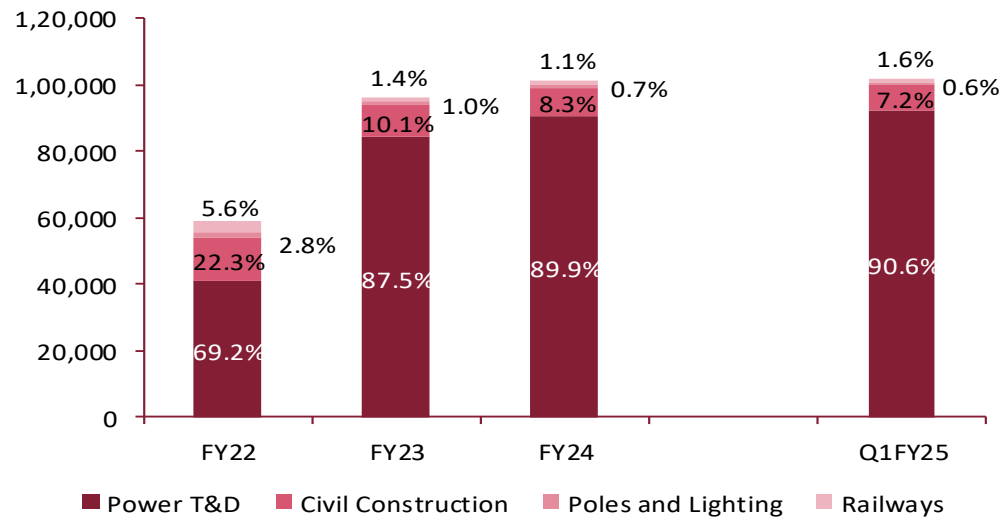


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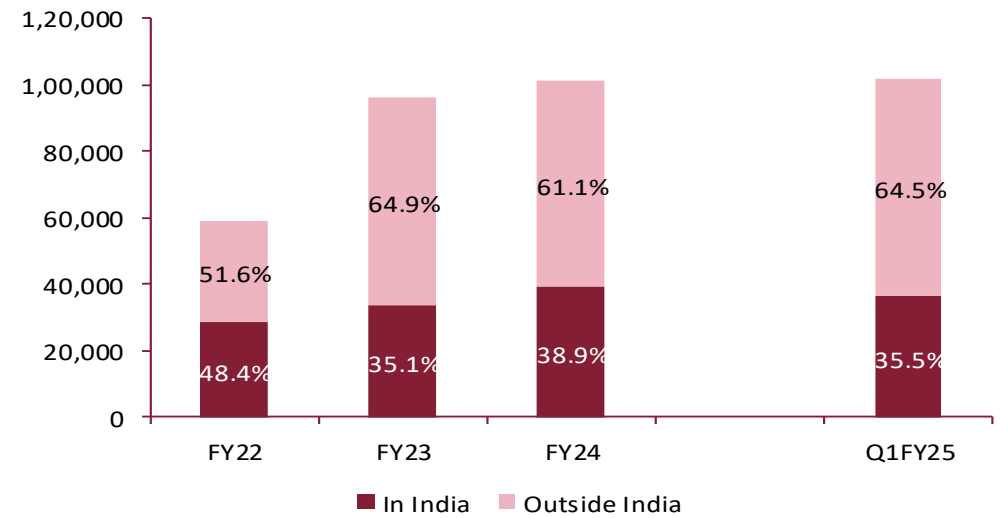
Order Book (Rs. Mn)



Order Book mix by Segment

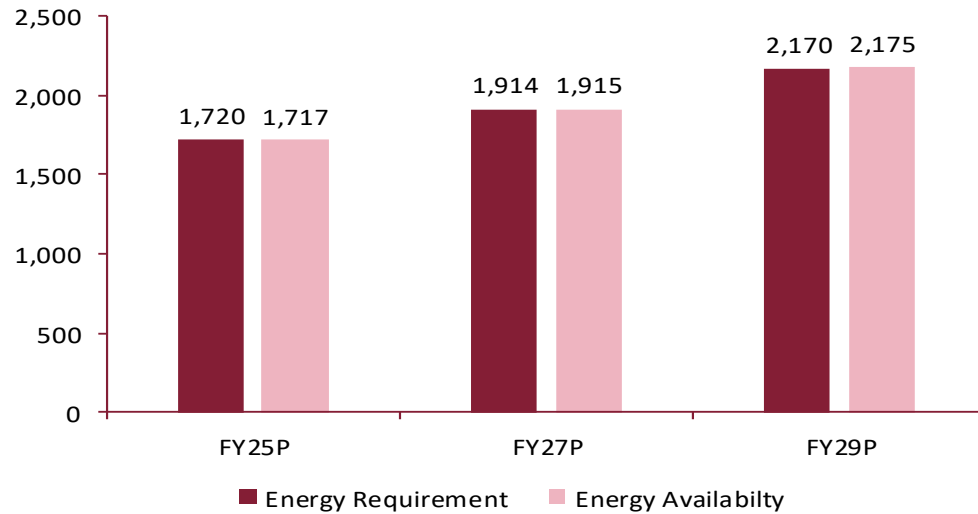


Order Book mix by Geography

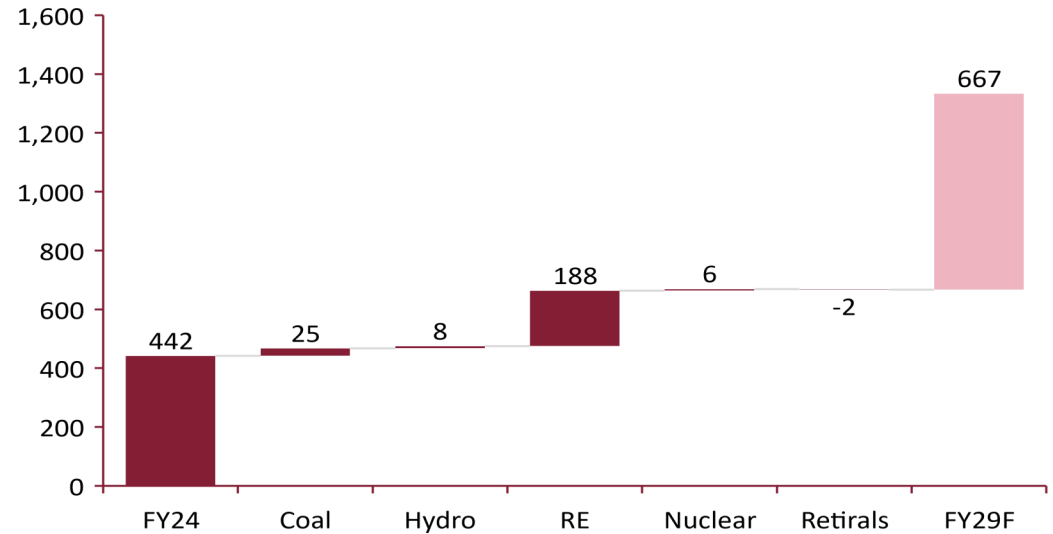


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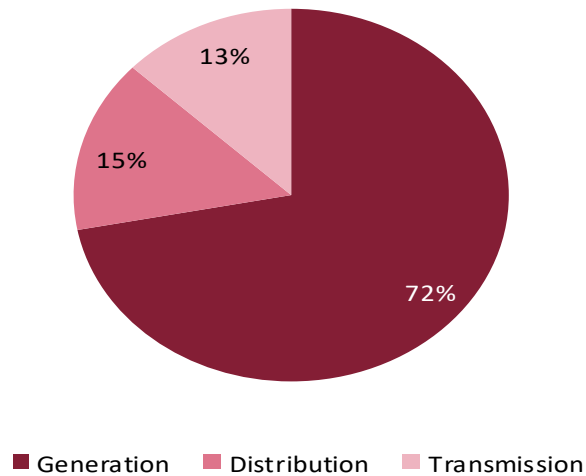
Energy Demand Outlook (BU)



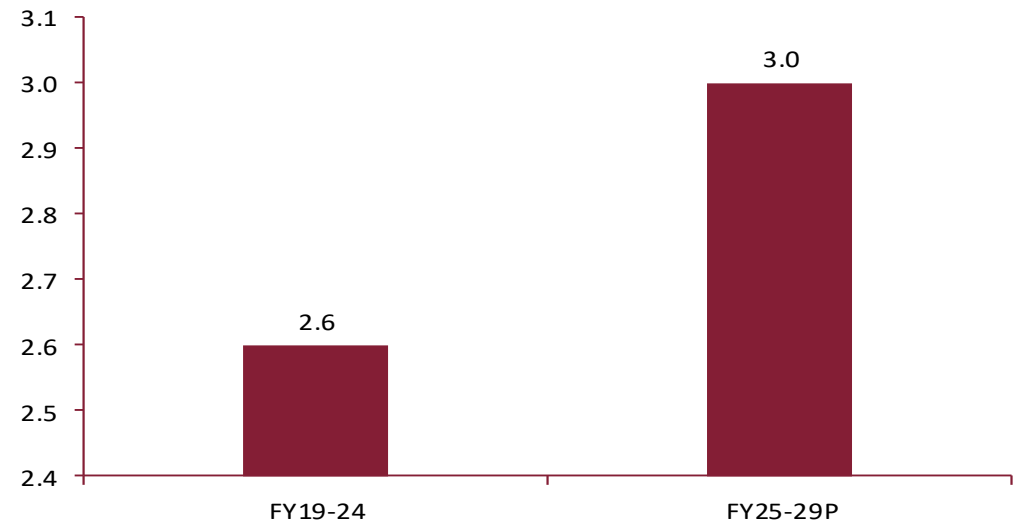
All India Installed Estimated Capacity Addition (GW)



Projected Investments in generation segment by FY29P

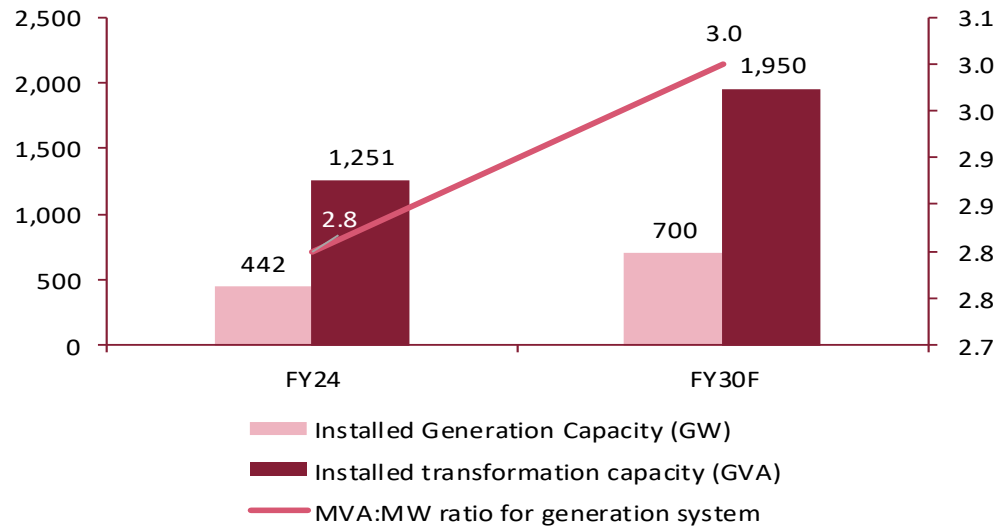


Projected Investment in Transmission Sector (Rs. Trn)

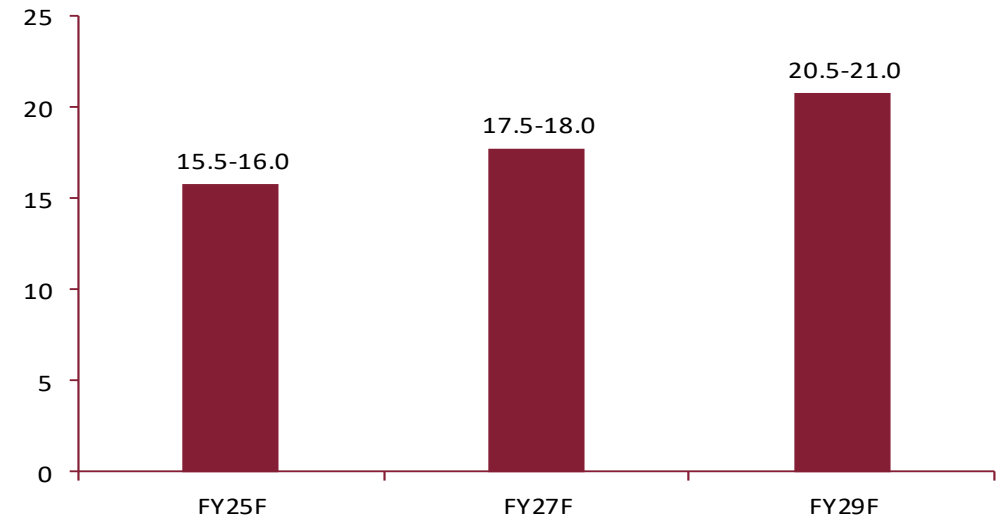


Transrail Lighting Ltd.

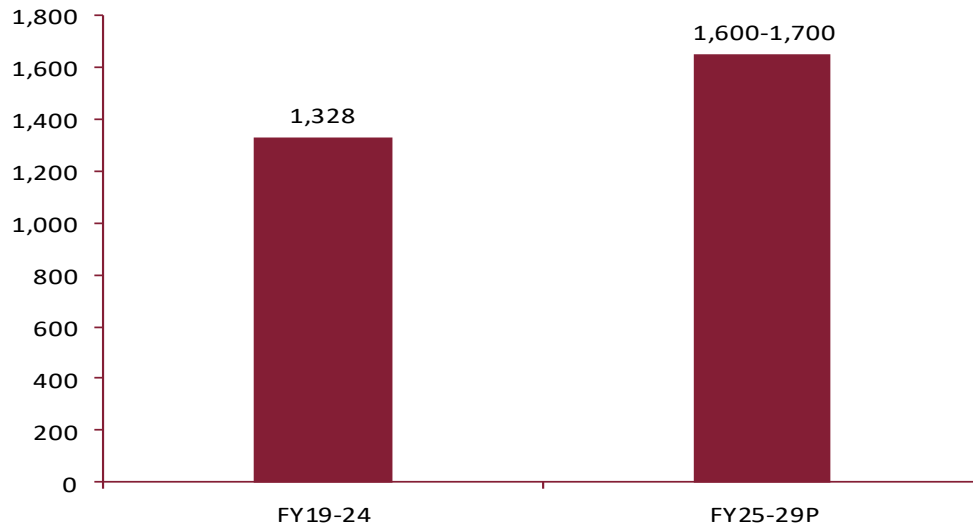
Transformation vs Generation Capacity



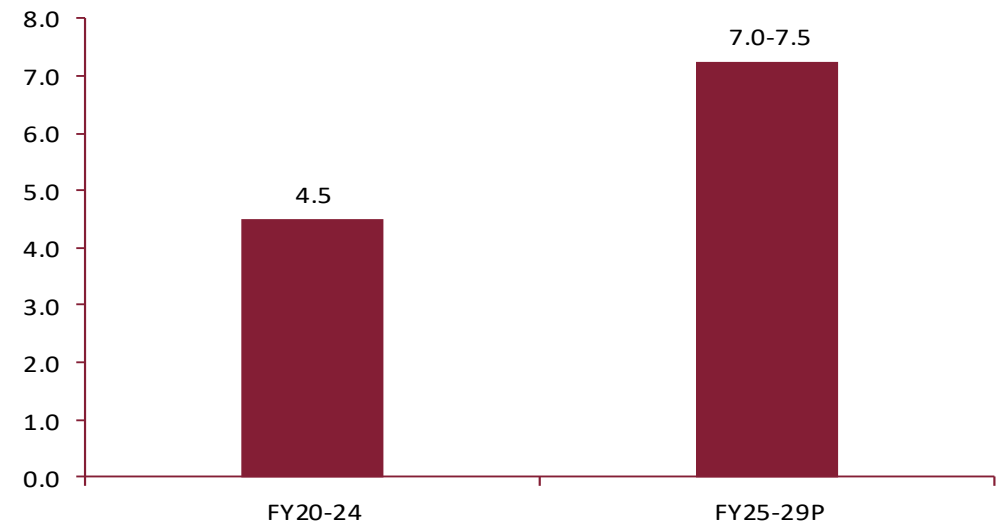
Expected T&D EPC Market for India (USD Bn.)



Construction of bridge and elevated roads (Rs. Bn)



Projected Investment in Transmission Sector (Rs. Trn)



Transrail Lighting Ltd.

Summary Income Statement

(Rs. in mn)	FY22	FY23	FY24
Total Operating Income	23,500	31,522	40,765
YoY		34.1%	29.3%
Cost Of Revenues (incl Stock Adj)	11,882	18,132	22,083
Gross Profit	11,619	13,390	18,682
Gross Margin	49.4%	42.5%	45.8%
Employee Cost	1,595	1,790	1,985
Sub-Contracting Expenses	3,540	3,472	4,996
Other Operating Expenses	4,422	5,198	6,948
EBITDA	2,062	2,930	4,752
EBITDA Margin	5.7%	6.2%	6.9%
Other Income	72	199	535
Net Interest Exp.	848	1,197	1,626
Depreciation	378	458	503
Exceptional Items	0	0	0
PBT	907	1,473	3,158
Tax	255	407	849
Net Profit	652	1,066	2,309
Associate/Minority Interest	0	0	0
Adj. PAT	652	1,066	2,309
NPM	2.8%	3.4%	5.7%
EPS	4.8	8.0	17.4

Summary Balance Sheet

(Rs. in mn)	FY22	FY23	FY24
Assets			
Net Block	3,340	3,787	3,738
Capital WIP	172	41	58
Intangible Assets	0	0	0
Other Non current Assets	970	1,163	1,093
Total Non-Current Assets	4,481	4,991	4,888
Current Investment	32	32	49
Inventories	2,785	3,110	3,783
Trade receivables	6,397	6,449	10,261
Cash and cash equivalents	575	1,247	1,098
Bank Balance	533	734	1,141
Short-term loans and advances	172	283	832
Other Current Assets	13,444	17,608	24,154
Total Current Assets	23,937	29,463	41,318
Current Liabilities & Provisions			
Trade payables	10,710	13,075	16,686
Other current liabilities	8,776	11,255	16,107
Short-term provisions	512	515	419
Total Current Liabilities	19,998	24,845	33,212
Net Current Assets	3,940	4,619	8,105
Total Assets	8,421	9,610	12,994
Liabilities			
Share Capital	227	228	248
Reserves and Surplus	6,403	7,486	11,143
Total Shareholders Funds	6,630	7,714	11,391
Minority Interest	0	0	0
Total Debt	1,180	1,203	807
Long Term Provisions	44	43	51
Other Long Term Liabilities (incl lease liability)	568	650	745
Net Deferred Tax Liability	0	0	0
Total Liabilities	8,421	9,610	12,994

Transrail Lighting Ltd.

Summary Cash Flow

(Rs. in mn)	FY22	FY23	FY24
PBT	907	1,473	3,158
Depreciation & Amort., Total	378	458	503
After other adjustments	1,970	2,820	4,868
(Inc) / Dec in Working Capital	-1,115	-1,256	-3,412
Taxes	-354	-138	-1,102
Cash from Ops.	502	1,427	355
Capital Expenditure & investments	-758	-518	-285
Cash from Investing	-814	-1,045	-783
Issue of Share Capital	303	9	1,400
Net Borrowings	400	1,358	383
Others	-707	-1,076	-1,503
Cash from Financing	-4	291	279
Forex	0	0	0
Net Change in Cash	-316	672	-149
BF Cash	891	575	1,247
END Cash	575	1,247	1,098

Key Ratios

	FY22	FY23	FY24
Profitability			
Return on Assets	2.3%	3.1%	5.0%
Return on Capital	20.0%	25.7%	32.7%
Return on Equity	9.8%	13.9%	20.5%
Margin Analysis			
Gross Margin	49.4%	42.5%	45.8%
EBITDA Margin	8.8%	9.3%	11.7%
Net Income Margin	2.8%	3.4%	5.7%
Short-Term Liquidity			
Current Ratio	1.2	1.2	1.2
Quick Ratio	1.1	1.1	1.1
Avg. Days Sales Outstanding	6	62	66
Avg. Days Inventory Outstanding	97	78	76
Avg. Days Payables	109	104	96
Long-Term Solvency			
Total Debt / Equity	0.7	0.8	0.6
EBIT / Interest Expense	2.0	2.1	2.6
Valuation Ratios			
EV/EBITDA	30.1	21.4	13.3
PER	89.6	53.9	24.9
P/B	8.7	7.5	5.1

INDSEC Rating Distribution

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

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

NEUTRAL: No investment opinion, stock under review.

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