

Company Background

Transrail Lighting Limited is a prominent Indian engineering, procurement, and construction company specializing in power transmission and distribution. Established over four decades ago, the company has built a strong reputation as a reliable partner in the global market, providing comprehensive turnkey solutions across various sectors.

Core Business Areas

Power Transmission and Distribution

The company is heavily involved in designing, manufacturing, testing, and installing galvanised steel structures for power transmission and distribution. The company has executed extensive projects, including over 33,500 circuit kilometers of transmission lines and 30,000 circuit kilometers of distribution lines globally

Civil Construction

Transrail also undertakes civil construction projects, including bridges and industrial buildings, positioning itself as an integrated infrastructure provider

Pole and Lighting Solutions

The company is recognized for its high-quality lighting infrastructure, offering products such as street lighting poles and stadium masts

Revenue Bifurcation-Based On Core Business Areas			
Business Operation	2022	2023	2024
Power transmission and distribution	67%	78%	84%
Civil construction	19%	11%	9%
Poles and lighting	7%	6%	2%
Railways	7%	6%	4%

Source: RHP, NBRR

Bifurcation Of Revenue by Geographical Regions			
Types of Contracts	2022	2023	2024
India Sales	41%	47%	62%
Export Sales	59%	53%	38%

Source: RHP, NBRR

Manufacturing Facilities

Deoli Plant (Maharashtra)

This facility is primarily focused on manufacturing galvanized lattice towers and conducting testing for ultra-high voltage (UHV) towers and poles. It features advanced machinery, including CNC machines and India's largest galvanizing plant. The plant is CE certified for products supplied to Europe and includes a state-of-the-art tower testing facility capable of testing structures up to 85 meters in height.

Vadodara Plant (Gujarat)

The Vadodara plant specializes in manufacturing various types of lattice towers, which are essential for supporting overhead power lines. These towers are critical for ensuring the stability and reliability of power transmission infrastructure. The Vadodara plant enhances Transrail's position in the competitive EPC market by allowing it to produce high-quality components locally. This not only reduces lead times but also lowers transportation costs associated with sourcing materials from distant locations.

Silvassa Plant (Dadra and Nagar Haveli)

Transrail Lighting Limited operates two prominent manufacturing facilities in Silvassa, dedicated to the production of conductors and poles. The Conductor Manufacturing Facility, established in 2008, boasts a manufacturing capacity of 50,000 MTPA. It specializes in a diverse array of conductors, including All Aluminum Alloy Conductors, Aluminum Conductor Steel Reinforced, Aluminum Conductor Aluminum Alloy Reinforced, High Conductivity Alloy Conductors, and ACSR/TW (Trapezoidal) conductors. The *Pole Manufacturing Facility*, which began operations in 2010, focuses on producing various types of poles essential for power distribution and lighting solutions. This includes high mast lighting poles, streetlight poles, stadium masts, and other specialized structures. The facility is designed to meet rigorous quality standards and employs cutting-edge technology to enhance productivity and precision. Both Silvassa plants are integral to Transrail's operations, significantly enhancing the company's ability to deliver high-quality components for power transmission and distribution projects.

Manufacturing Facilities	2022		2023		2024		Q1 2025	
	Installed	Utilized	Installed	Utilized	Installed	Utilized	Installed	Utilized
Deoli	50000	88%	50000	94%	50000	97%	50000	98%
Vadodara	30000	81%	30000	94%	30000	96%	30000	81%
Silvassa (Pole)	12000	81%	12000	65%	12000	81%	12000	81%
Silvassa (Conductor)	48000	11%	48000	50%	48000	99%	48000	11%

Source: RHP, NBRR

Order Book

As of June 2024, the company boasts a robust order book valued at ₹10,213 cr. This substantial backlog reflects the company's strong position in the power transmission and distribution sector, with approximately 55-60% of its revenue expected to be generated from ongoing projects over the next 12 months.

Further the company has recently emerged as the lowest bidder for several significant projects, showcasing its competitive edge in the infrastructure sector. Notably:

Shudmahadev – Dranga Tunnel Project:

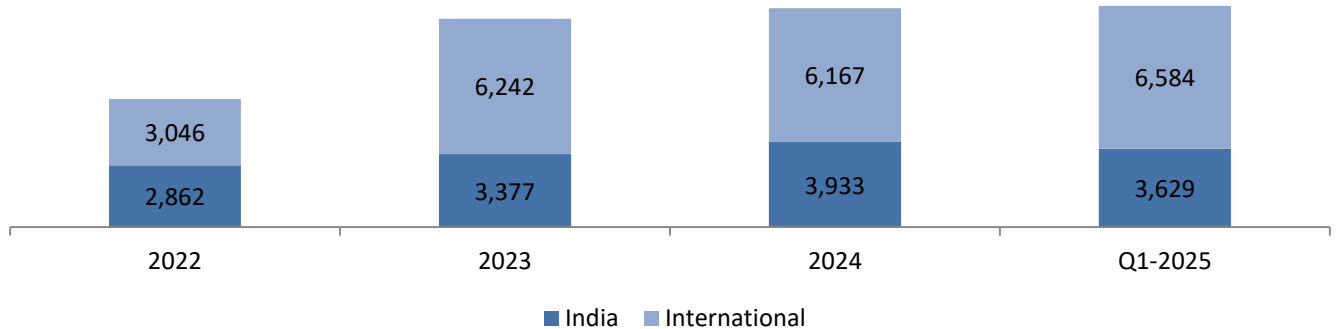
In a joint venture with Euro-Asian Construction Corporation, Transrail was declared the lowest bidder for the construction of the 8 km Shudmahadev – Dranga Tunnel project in Jammu and Kashmir. Their bid of ₹2,098 crore was 19.26% below the National Highways and Infrastructure Development Corporation's estimate of ₹2,598.54 crore. This project aims to enhance connectivity and reduce travel time in the region

Udaipur Elevated Flyover:

Additionally, Transrail has emerged as the lowest bidder for an elevated flyover construction project in Udaipur, Rajasthan, indicating its expanding footprint in various infrastructure projects across India.

Summary of Order Book as of June 30, 2024		
Business vertical	Number of orders	Confirmed Unexecuted Order Book
Power transmission	69	9,251
Civil construction	5	738
Railways	5	160
Poles and lighting	77	65

Source: RHP, NBRR



Source: RHP, NBRR

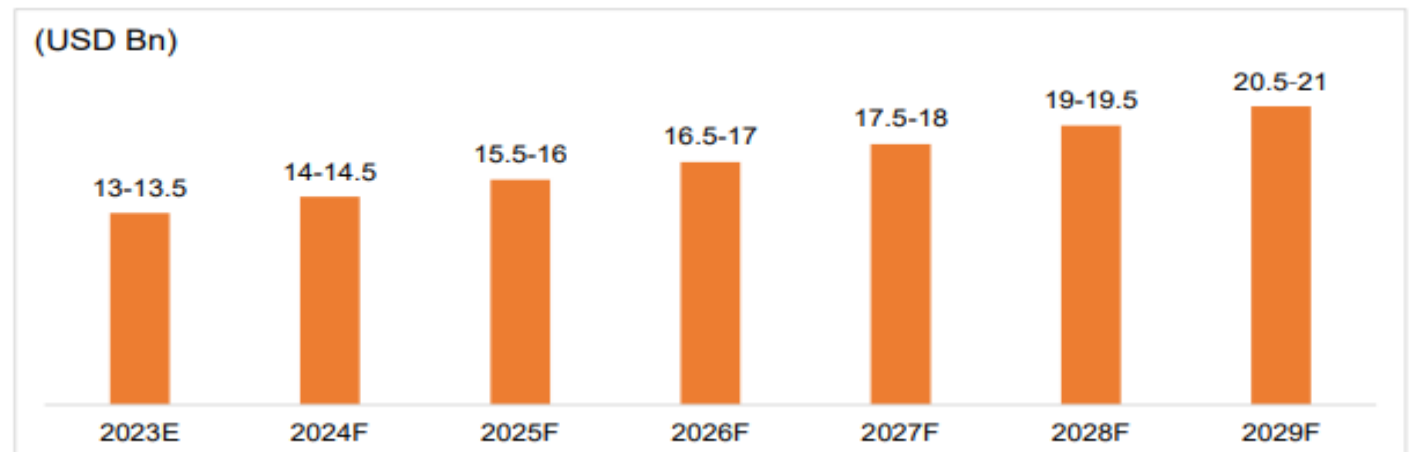
Investment Rationale

Growth Opportunities for Transrail Lighting Limited in India's Power Transmission and Distribution Sector

With substantial investments anticipated in the power transmission and distribution sector in India from the financial year ending March 31, 2024, to March 31, 2029, the market for engineering, procurement, and construction (EPC) services is expected to experience significant growth. Transrail Lighting Limited is well-positioned to capitalize on these emerging opportunities within this dynamic sector.

The government's ambitious plan to invest approximately ₹9.2 trillion in power transmission infrastructure aims to enhance the country's energy capabilities and meet the rising electricity demand. This initiative includes expanding the transmission network significantly and integrating renewable energy sources into the grid.

Transrail's extensive experience and established reputation as a trusted EPC partner uniquely position it to benefit from this growth trajectory. By leveraging its expertise in executing large-scale projects and its commitment to innovation, Transrail can effectively address the evolving needs of the power sector, making it a key player in the upcoming market developments.



Source: CRISIL Report

Transrail Lighting Limited's extensive experience in the power transmission sector

Transrail has solidified its position as a leading force in the global infrastructure sector, successfully completing over 200 projects across 58 countries. This impressive portfolio not only highlights the company's operational prowess but also emphasizes its unwavering commitment to efficiency and reliability in executing large-scale infrastructure initiatives. With a proven history of managing complex projects, Transrail has become a trusted partner for clients worldwide.

As a significant player in India's power transmission and distribution industry, Transrail is strategically positioned to leverage the increasing demand for electricity infrastructure. The company's strong relationships with major power utilities and public sector undertakings provide it with a competitive edge, enabling it to capitalize on emerging opportunities within the sector.

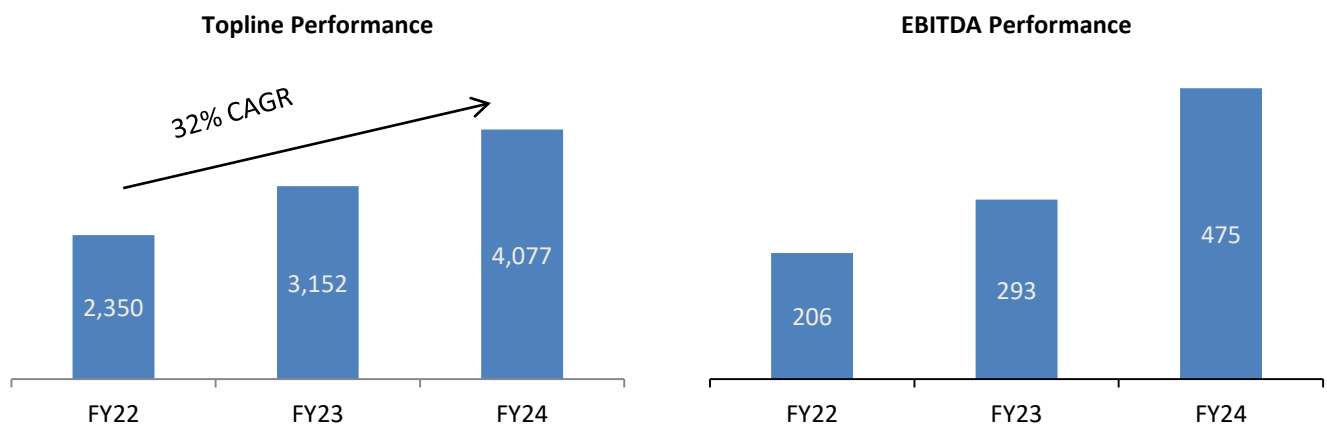
State-of-the-art manufacturing facility

Transrail Lighting Limited stands out as a leader in the power transmission and distribution sector, thanks to its state-of-the-art manufacturing facilities strategically located across India. The company operates advanced plants dedicated to producing conductors and galvanized steel poles, equipped with cutting-edge technology such as CNC machines, plasma and gas-cutting machines, and one of the largest galvanizing baths in India, measuring an impressive 14.3 meters in length.

Transrail's robust in-house capabilities encompass design development and rigorous testing processes. Notably, the company features a tower testing unit capable of evaluating structures up to 85 meters high, ensuring that all products adhere to international safety and performance standards.

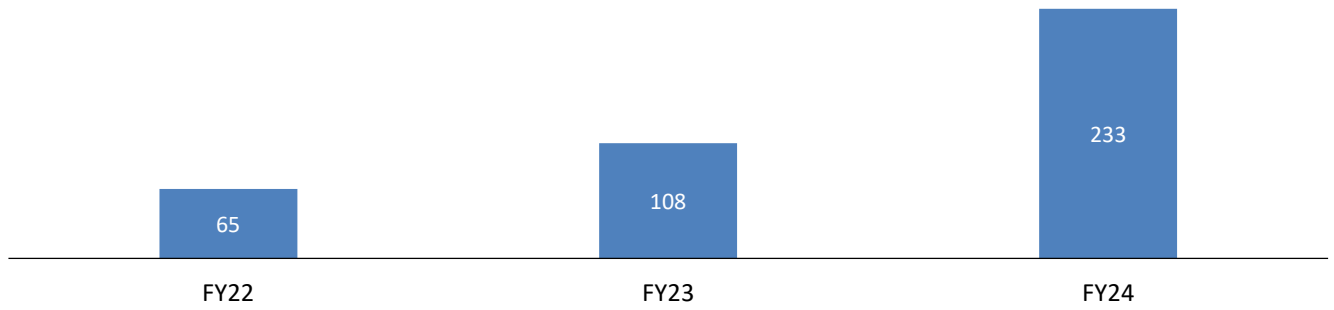
In summary, Transrail Lighting Limited's manufacturing strength is characterized by advanced technology, high production capacity, stringent quality control measures, and a comprehensive product portfolio. This combination positions Transrail as a formidable player in the infrastructure industry, continuously striving for excellence in power transmission and distribution solutions.

Robust Financial Performance



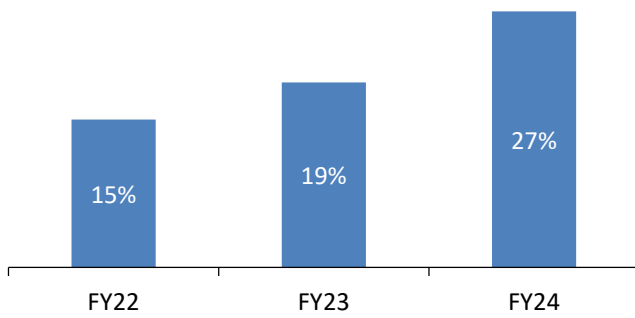
Source: RHP, NBRR

Net Profit Performance



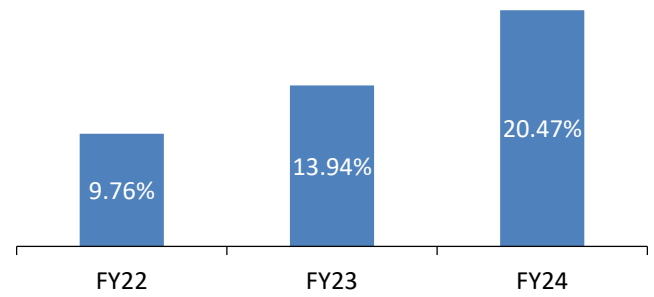
Source: RHP, NBRR

Return on Capital Employed

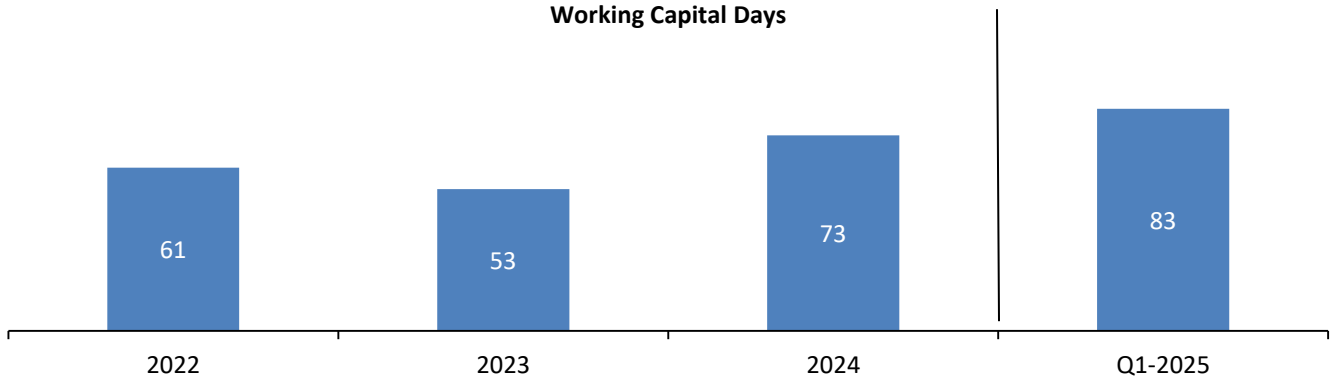


Source: RHP, NBRR

Return on Equity



Working Capital Days



Source: RHP, NBRR

Risks and concerns

Order Book Dependency

The company relies heavily on its order book for future revenue projections. Projects within this order book, particularly those won through the lowest bid, are susceptible to cancellation, modification, or delays, which could adversely affect the company's business and reputation

Long Project Execution Periods

Transrail's project management involves long execution periods, typically ranging from 1 to 3 years. This extended timeline increases the risk of time and cost overruns due to various factors such as price escalations, funding constraints, and adverse weather conditions

Government Tender Reliance

A significant portion of Transrail's revenue is derived from tenders issued by government authorities and public sector undertakings. Any delays or reductions in these tenders could negatively impact the company's operations. Additionally, changes in government policies or budget allocations may further influence its prospects.

Foreign Currency Risks

As Transrail engages in international projects, it faces foreign currency fluctuation risks related to imports of raw materials and receivables from its foreign operations. Such volatility can impact overall financial stability.

Valuation and Recommendation

Transrail Lighting Limited has successfully positioned itself within the power transmission and distribution sector, boasting an extensive order book valued at approximately ₹10,213 crore and L1 of over Rs.3200 crore. A significant portion of this order book is derived from international projects, highlighting the company's global reach. Furthermore, Transrail's involvement in government infrastructure projects ensures a reliable revenue stream, positioning it well for future growth as India continues to expand its power transmission capabilities.

The company has demonstrated superior operational metrics, including the shortest working capital cycle among its peers, which enhances its liquidity position. With a compound annual growth rate (CAGR) of 32%, significantly above the industry average of 25%, and a return on capital employed (ROCE) of 26%, well exceeding the average of 17% for its peers, Transrail showcases strong financial performance. Additionally, it enjoys an attractive valuation with an enterprise value to EBITDA (EV/EBITDA) ratio of 13.1.

In conclusion, given its promising growth prospects and robust financial indicators, we recommend a subscribe rating for Transrail Lighting Limited's IPO.

Listed Peers

<i>FY24 Figures</i>	K E C International	Kalpataru Projects International	Skipper Limited	Average	Transrail Lighting Limited
Revenue	19,914	19,626	3,282	11,842	4,077
CAGR (FY22-24)	20.4%	15.2%	38.7%	22.6%	31.7%
EBITDA Margin	7.0%	9.0%	10.0%	10.3%	11.7%
Asset Turns (x)	1.1	1.0	1.2	0.9	0.9
Wkg Cap Days	91	93	113	131	73
ROCE (%)	16.0%	16.0%	20.3%	16.6%	26.6%
Debt/Equity	0.9	0.9	0.8	0.7	0.6
EV/EBITDA	25.9	14.5	16.3	16.0	13.1
P/E	75.2	41.8	57.3	48.1	24.9

Source: RHP, NBRR

Financials

P&L (Rs. Cr)	FY22	FY23	FY24
Net Revenue	2,350	3,152	4,077
<i>% Growth</i>		34%	29%
Purchases of stock in trade	1,542	2,160	2,708
<i>% of Revenues</i>	65.6%	68.5%	66.4%
Employee Cost	159	179	199
<i>% of Revenues</i>	6.8%	5.7%	4.9%
Other expenses	442	520	695
<i>% of Revenues</i>	18.8%	16.5%	17.0%
EBITDA	206	293	475
EBITDA Margin	8.8%	9.3%	11.7%
Depreciation	38	46	50
Other Income	7	20	53
Interest	85	120	163
Share of Profit equity accounted investees	0	(1)	(2)
PBT	90	148	318
Tax	25	41	85
<i>Tax rate</i>	28%	27%	27%
Adj. PAT (norm. Tax)	65	108	233
<i>% Growth</i>		66%	117%
EPS (Post Issue)	4.82	8.01	17.37

Ratios & Others	FY22	FY23	FY24
Debt / Equity	0.7	0.8	0.6
EBITDA Margin (%)	8.8%	9.3%	11.7%
PAT Margin (%)	2.8%	3.4%	5.7%
ROE (%)	9.8%	13.9%	20.5%
ROCE (%)	15.4%	19.2%	26.6%

Turnover Ratios	FY22	FY23	FY24
Debtors Days	99	75	92
Inventory Days	43	36	34
Creditor Days	166	151	149
Asset Turnover (x)	0.83	0.91	0.88

Valuation Ratios	FY22	FY23	FY24
Price/Earnings (x)	89.6	53.9	24.9
EV/EBITDA (x)	30.3	21.3	13.1
EV/Sales (x)	2.7	2.0	1.5
Price/BV (x)	8.7	7.5	5.1

Balance Sheet (Rs. Cr)	FY22	FY23	FY24
Share Capital	23	23	25
Other Equity	640	749	1,114
Minority Interest	0	0	0
Networth	663	771	1,139
Total Loans	477	621	667
Other non-curr liab.	58	61	65
Trade payable	1,071	1,308	1,669
Other Current Liab	574	684	1,080
Total Equity & Liab.	2,842	3,445	4,621
Property, Plant and Equipment	325	360	347
CWIP	17	4	6
Right of use & Intangible Assets	9	19	26
Non Current Financial assets	52	84	54
Other non Curr. assets	44	32	55
Inventories	278	311	378
Cash and cash equivalents	58	125	110
Bank balances other than above	53	73	114
Investments+loans	20	32	88
Trade receivables(debtor)	640	645	1,026
Other Current assets	250	294	464
Contract Assets	1,094	1,467	1,951
Total Assets	2,842	3,445	4,621

Cash Flow (Rs. Cr)	FY22	FY23	FY24
Profit Before Tax	91	147	316
Provisions & Others	106	135	171
Op. profit before WC	197	282	487
Change in WC	(112)	(126)	(341)
Less: Tax	35	14	110
CF from operations	50	143	35
Purchase/Sale of fixed assets	(76)	(52)	(27)
Sale/Purchase of Investments	(0)	0	2
Movement in Other Bank Balances	(7)	(49)	(37)
Loans and Advances	(2)	(10)	(30)
Interest	3	6	13
CF from Investing	(81)	(105)	(78)
Proceeds from Issue of Shares	30	1	140
Repayment of Other Financial Liabilities	(7)	(8)	(10)
(Repayment)/ proc current debt	40	136	38
interest & div paid & Proceeds from share issue	(64)	(100)	(140)
CF from Financing	(0)	29	28
Net Change in cash	(32)	67	(15)
Cash & Bank at beginning	89	58	125
Cash & Bank at end	58	125	110

Source: RHP, NBRR

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