

Quadrant Future Tek Ltd.

Nifty: 23,616

Sensex: 77,965

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IPO Note

06th January 2025

Sector: Capital Goods

Price Range: ₹275 - ₹290

Venturing into Train control systems....

Quadrant Future Tek Ltd. (QFTL) manufactures specialty cables for railway rolling stock and the naval (defence) industry, focusing on Electron Beam Irradiated Cables for high-performance, fire safety, and lightweight applications. Founded in 2015 and headquartered in Mohali, Punjab, QFTL recently expanded to develop Automatic Train Protection System using RFID technology to prevent train collisions, under the RDSO's Kavach project.

- ◆ In CY24, the domestic specialty cables market was valued at USD 589mn, and is projected to grow at a CAGR of 9.8% (CY24E-CY30). The Indian Train Control System market, valued at USD 208mn in CY24, is expected to grow at a CAGR of 12.7% (CY24E-CY30E).
- ◆ QFTL's revenue grew from ₹104.3cr in FY22 to ₹151.8cr in FY24 (CAGR 20.6%), while PAT rose from ₹1.9cr to ₹14.7cr (CAGR 175%).
- ◆ QFTL has an EBITDA margin of 24.1% and PAT Margin of 9.7%, and the RoE of 33.4%, in FY24 indicating strong financial stability.
- ◆ It has one manufacturing facility situated in Basma (Mohali, Punjab) and caters to Specialty Cables Division and Train Control & Signalling Division. As of March 31, 2024, Specialty Cable division had an installed capacity of 1,887.60 metric tonnes, utilized at 49.42%.
- ◆ On 1st May, 2024, the company signed a MoU with RailTel Corporation, making it eligible to supply and implement KAVACH equipment as an OEM for Rail-Tel's projects in India and abroad.
- ◆ The company received a purchase order on December 12, 2024, from Chittaranjan Locomotive Works (CLW) for the supply and installation of On-board Kavach equipment for 1,200 locomotives, valued at Rs 978.6cr to be delivered within one year.
- ◆ After the warranty period, QFTL will receive an annual maintenance charge of 3% of the total capital cost of Onboard Kavach equipment for 11 years.
- ◆ At the upper price band of Rs.290, QFTL is available at a P/E of 78.8x (FY24), which appears expensive compared to peers. However, company's entry into Train Control Systems, and government support for railway modernization are positives. Despite concerns over negative PAT and limited experience in Train Control Systems, we recommend subscribe on a short term basis for high risk investors.

Issue Details

Date of opening	January 07, 2025
Date of closing	January 09, 2025
Total No. of shares offered (cr.)	1.00
Post Issue No. of shares (cr)	4.0
Face Value	₹10
Bid Lot	50 Shares
Minimum application for retail (upper price band for 1 lot)	₹ 14,500
Maximum application for retail (upper price band for 13 lot)	₹ 1,88,500
Listing	BSE,NSE
Lead Managers	Sundae Capital Advisors
Registrar	Link Intime India Private Ltd

Issue size (upper price)

	Rs.cr
Fresh Issue	290.0
OFS	-
Total Issue	290.0

Shareholding (%)	Pre-Issue	Post Issue
Promoter & Promo. Group.	93.3	70
Public Selling	6.7	30
Total	100.0	100.0

Issue structure	Allocation (%)	Size Rs.cr
Retail	10	29.0
Non-Institutional	15	43.5
QIB	75	217.5
Total	100	290.0

Y.E March (Rs cr) Consol.	FY23	FY24	6MFY25
Sales	152.8	151.8	65.1
Growth YoY(%)	46.6	-0.7	-
EBITDA	26.4	36.6	0.8
Margin(%)	17.3	24.1	1.3
PAT Adj.	13.9	14.7	-12.1
Growth (%)	616	5.8	-
EPS	3.5	3.7	-3.0
P/E (x)	83.4	78.8	-95.8
EV/EBITDA (x)	46.7	33.9	1,536
P/BV(x)	39.4	26.3	3.6

Purpose of IPO

The IPO includes only fresh issue of ₹290cr. Proceeds from fresh issue will fund long-term working capital requirements for Specialty cable division (₹149.7cr), capital expenditure (₹24.4cr), repayment of loans (₹ 23.6cr) and cover general corporate purposes.

Key Risks

- A significant portion of the revenue comes from Indian railways (47% in FY24).
- Small company entering into Train Control Systems, and has limited experience.

Peer Valuation

Company	MCap(₹ cr)	Sales (₹ cr)	EBITDA(%)	PAT (%)	EPS(₹)	RoE (%)	P/E(x)	EV/EBITDA	P/BV	Mcap/sales	CMP(₹)
Quadrant future tek Limited	1,160	152	24.12	9.7	3.7	33.4	78.8	33.9	26.3	7.6	290
KERNEX MICROSYSTEMS (I) LTD	2,318	19.6	-101.5	-134.8	-16.6	-28	-43.7	-	11.4	118.3	726
HBL ENGINEERING LTD	17,311	2,233.4	18.8	12.6	10.8	25.9	56.4	29.5	14.1	7.8	611
APAR INDUSTRIES LTD	43,987	16,153	9.4	5.1	209.5	27	47.9	18.3	10.4	2.7	10,031

Source: Geojit Research, Bloomberg; Valuations of QFTL are based on upper end of the price band (post issue), Financials as per FY24 consolidated.



About the company

Quadrant is a research oriented company, engaged in developing new generation Train Control and Signalling Systems under KAVACH project of the Indian Railways that offers the highest level of safety and reliability to rail passengers and also possess a speciality cable manufacturing facility with Electron Beam Irradiation Centre. The speciality cables manufactured by the Company is used in Railways rolling stock and Naval (Defence) industry. The facility also possess end to end infrastructure capabilities for production of Solar & EV Cables. Further, the Company has received a purchase order on November 18, 2024 from Chittaranjan Locomotive Works for supply, installation, testing and commissioning of On-board Kavach equipment in 1,200 locomotives for an aggregate value of ₹ 9,786.06 million (including tax).

The Company has one facility for manufacturing, testing, researching, and developing specialty cables and also to manufacture the hardware required for Train Control & Signalling Division, which is situated at Village Basma Tehsil Banur, Distt Mohali. The Company do not have any subsidiary.

Strategies

- To continue focus on new products through constant research and development.
- Make in India and focus on indigenization.
- Expansion of business to other areas of Automatic Train Protection and railway safety. Continue to grow share of their business from non-promoter group companies.
- Expansion of cable business in new sectors.

Strengths

- The Company is engaged in the innovation and technological development of Automatic Train Protection Systems.
- Entered an exclusive Memorandum of Understanding with RailTel to pursue KAVACH opportunities in Indian Railways and other countries' railways.
- In-house design and product development capabilities powering our Rail Signalling Products & Solutions.
- Advanced cable manufacturing technology that meets strict standards for Railways, Naval Defence, Renewable Energy, and Electric Vehicle sectors.

Industry Outlook

The company caters to two different industries, namely (i) Indian Specialty Cables Industry with niche technology for manufacture of Speciality cables which has application in various industries including Railways, Naval Defence, Solar power & Electric Vehicle; and (ii) Train Control and Signalling System under Railways Industry towards Automatic Train Protection (ATP) and Automatic Train Operations (ATO) systems including KAVACH and growing demand in related technologies and development of new systems to enable safety and capacity augmentation in railways.

Promoter and promoter group

The Promoters of the company are Mohit Vohra, Amit Dhawan, Amrit Singh Randhawa, Rupinder Singh, Vishesh Abrol, Vivek Abrol, Aikjot Singh and Rajbir Singh Randhawa.

Brief Biographies of directors

- **Satish Gupta** is the Independent Chairman of the company. He has an experience of about 29 years in various industries at corporate functions. He had previously worked with Yamaha Motor India, Moser Baer India Limited and super annuated from Tata Power Solar Systems Limited as Chief Financial Officer.
- **Mohit Vohra** is the Managing Director of the company. has an experience of over 26 years and has previously worked with multinational corporations like Thermax Limited, Pouyet Communication India Private Limited and Tyco Electronics Corporation India Private Limited before venturing with his own venture under MV Electrosystems Limited in 2009.
- **Pramod Jain** is an Independent Director of the company.
- **Girish Buttan** is an Independent Director
- **Kanika Bhutani** is an Independent Director of the company.
- **Amit Dhawan** is a Whole-time Director of the company
- **Amrit Singh** Randhawa is a Whole-time Director of the company
- **Rupinder Singh** is a Whole-time Director of the company
- **Vishesh Abrol** is a Whole-time Director of the company
- **Vivek Abrol** is a Whole-time Director of the company
- **Aikjot Singh** is a Non Executive Director of the company.
- **Rajbir Singh Randhawa** is a Non Executive Director

CONSOLIDATED FINANCIALS

PROFIT & LOSS

Y.E March (Rs cr)	FY23	FY24	H1FY25
Sales	152.8	151.8	65.1
% change	46.6%	-0.7%	5.9%
EBITDA	26.4	36.6	0.8
% change	179%	39%	-
Depreciation	3.7	10.3	9.6
EBIT	22.7	26.3	-8.7
Interest	2.9	4.5	3.8
Other Income	0.1	0.1	-
Exceptional items	-	-	-
PBT	19.9	21.9	-12.5
% change	576%	10%	-
Tax	6	7.2	-0.4
Tax Rate (%)	30%	33%	3%
Reported PAT	13.9	14.7	-12.1
Adj	-	-	-
Adj. PAT	13.9	14.7	-12.1
% change	616%	5.8%	-
Post issue No. of shares (cr)	4	4	4
Adj EPS (Rs)	3.5	3.7	-3
% change	616%	5.8%	-

CASH FLOW

Y.E March (Rs cr)	FY23	FY24	H1FY25
PBT Adj.	19.9	21.92	-12.50
<i>Non-operating & non cash adj.</i>	<i>6.6</i>	<i>14.7</i>	<i>15.4</i>
Changes in W.C	4.9	-10.2	-10.8
C.F. Operating	30	19	-10
Capital expenditure	-20	-21.6	-3
Change in investment	-	-	-
Sale of investment	-	0.1	-
Other invest.CF	0.0	0.1	-
C.F - investing	-20	-21.4	-2.9
Issue of equity	-	-	-
Issue/repay debt	-6.7	7.6	16
Dividends paid	-	-	-
Other finance.CF	-3.0	-4.5	-3.7
C.F - Financing	-9.7	3.1	12.7
Change. in cash	0.4	0.3	0.2
Opening Cash	0.3	0.5	0.71
Closing cash	0.6	0.8	0.9

BALANCE SHEET

Y.E March (Rs cr)	FY23	FY24	H1FY25
Cash	0.5	0.7	0.9
Accounts Receivable	23.3	32	23.2
Inventories	18.7	20.4	37.3
Other Cur. Assets	5.0	6.1	8.4
Investments	-	-	-
Deff. Tax Assets	0.3	-	0.3
Net Fixed Assets	20.9	28	27.7
CWIP	-	-	-
Intangible Assets	48.5	52.6	47.2
Other Assets	1.7	2.9	4.7
Total Assets	119	143	150
Current Liabilities	8.3	9.6	10.4
Provisions	0.6	1.1	2.1
Debt Funds	74	81.6	98
Other Fin. Liabilities	1.0	1.8	2.3
Deferred Tax liability	5.6	4.5	2.8
Equity Capital	10	10	30
Reserves & Surplus	19.4	34.1	4.2
Shareholder's Fund	29.4	44.1	34.2
Total Liabilities	119	143	150
BVPS (Rs)	7.4	11	81

RATIOS

Y.E March	FY23	FY24	H1FY25
Profitab. & Return			
EBITDA margin (%)	17.3	24.1	1.3
EBIT margin (%)	14.9	17.3	-13.4
Net profit mgn.(%)	9.1	9.7	-18.6
ROE (%)	47.3	33.4	-35.4
ROCE (%)	16	15.5	-12.8
W.C & Liquidity			
Receivables (days)	60	67	65
Inventory (days)	71	81	164
Payables (days)	15	16	24
Current ratio (x)	5.4	5.5	5.6
Quick ratio (x)	2.9	3.4	2.3
Turnover & Levg.			
Net asset T.O (x)	7.6	6.2	2.4
Total asset T.O (x)	1.3	1.2	0.9
Int. covge. ratio (x)	7.8	5.9	-2.3
Adj. debt/equity (x)	2.5	1.85	2.9
Valuation ratios			
EV/Sales (x)	8.1	8.2	19.3
EV/EBITDA (x)	46.7	33.9	1536
P/E (x)	83.4	78.8	-95.8
P/BV (x)	39.4	26.3	3.6



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