

Recommendation	Subscribe	BACKGROUND			
Price Band	Rs 275-290	<p>Quadrant Future Tek Limited is a research-focused company specializing in Train Control and Signalling Systems under the KAVACH project, enhancing safety and reliability for Indian Railways. It also manufactures specialty cables for railways, defence, and renewable energy, using advanced Electron Beam technology for superior performance. The company has received significant contracts for its KAVACH system and partners with RailTel to expand its deployment in India and abroad. With a focus on innovation, quality, and operational efficiency, Quadrant has shown strong revenue growth and a commitment to cutting-edge solutions.</p> <p>Details of the Issue: The public issue consists of fresh issue up to Rs 290 Cr. Company proposes to utilize the Net Proceeds towards: -</p> <ul style="list-style-type: none"> Funding long-term working capital requirements (Specialty Cable Division):- 150 Cr. Capex for development for Electronic Interlocking System :- 24 Cr Prepayment of outstanding working capital term loan: - 24 Cr. <p>Investment Rationale:</p> <ul style="list-style-type: none"> Innovative Development in Automatic Train Protection Systems Strategic Partnership with RailTel for KAVACH Deployment In-House Design and Development for Rail Signalling Solutions Unique Technology for High-Performance Specialty Cables Advanced Manufacturing Facilities with Quality Focus Global Demand for Specialty Cables in EV and Renewable Sectors Market opportunity for KAVACH <p>Valuation and Recommendation: - Quadrant Future Tek Limited has secured a strong order book, including a notable ₹979 Cr contract for KAVACH implementation, which highlights its robust revenue visibility. Strategic partnerships, such as with RailTel for KAVACH deployment, bolster its position in domestic and international markets. With favourable industry tailwinds and increasing demand for its offerings, Quadrant is well-positioned for sustained growth. Based on peer comparison, Quadrant Future Tek Limited stands out with a healthy 24% EBITDA margin and impressive returns, including a 21% ROCE and 33% ROE, which highlight its profitability and operational efficiency. The company's EV/order book ratio is reasonable at 1.3x. Considering these factors, along with its advanced technology, expanding order book, and long-term growth prospects, we assign a Subscribe rating to this IPO.</p>			
Bidding Date	7 th Jan – 9 th Jan 2025				
Book Running Lead Manager	Sundae Cap Advisors Pvt Ltd				
Registrar	Link Intime India Private Limited				
Sector	Engineering				
Minimum Retail Application- Detail At Cut off Price					
Number of Shares	50				
Minimum Application Money	Rs. 14500				
Payment Mode	ASBA				
Financials (Rs Cr)	FY23	FY24			
Total Income	153	152			
EBITDA	26	37			
PAT for the year	14	15			
Valuations (FY24)	Upper Band				
Market Cap (Rs Cr)	1,160				
Adj EPS	4				
PE	79				
EV/ EBITDA	34				
Enterprise Value(Rs Cr)	1241				
Post Issue Shareholding Pattern					
Promoters	70%				
Public/Other	30%				
Offer structure for different categories					
QIB	75%				
Non-Institutional	15%				
Retail	10%				
Post Issue Equity (cr)	40				
Issue Size (Rs in cr)	290				
Face Value (Rs)	10				
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		Financials	FY22	FY23	FY24
		Net Revenues	104	153	152
		Growth (%)	-	46.6%	-0.7%
		EBITDA	9	26	37
		EBITDA Margin (%)	9.1%	17.3%	24.1%
		PBT	3	20	22
		Adjusted PAT	2	14	15
		EPS	0.49	3.48	3.68
		ROCE	6.6%	22.1%	21.0%
		EV/Sales	11.9	8.1	8.2
		EV/EBITDA	131	47	33.9
		P/E	597.3	83.4	78.8

Source: Company data, NBRR

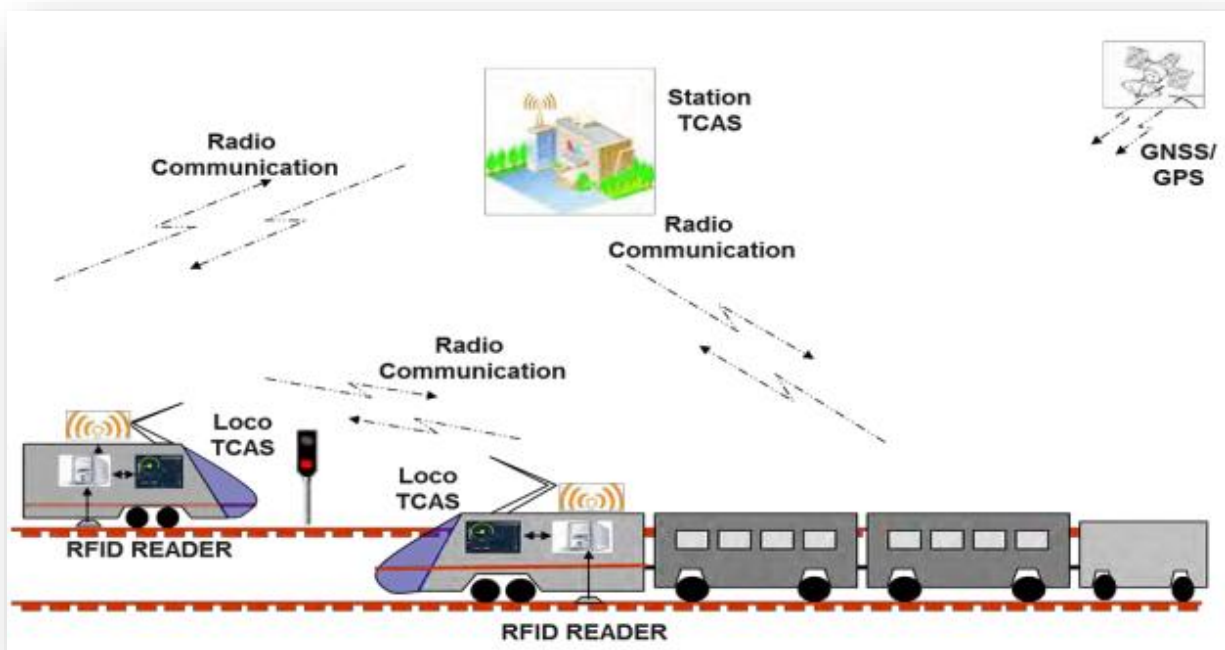
Company Background

Quadrant Future Tek Limited is a research-driven company specializing in developing next-generation Train Control and Signaling Systems under the Indian Railways' KAVACH project. This technology enhances passenger safety and operational reliability. The company also manufactures specialty cables for railway rolling stock, naval defense, and renewable energy industries. These cables are treated with advanced Electron Beam Irradiation, improving their thermal and mechanical properties, making them suitable for high-performance applications like trains, naval vessels, and electric vehicles. Quadrant's facility in Mohali handles manufacturing, testing, research, and development of specialty cables and hardware for Train Control systems.

The company's Specialty Cable Division produces fire-resistant, lightweight cables, meeting stringent standards for applications requiring durability and safety. Their state-of-the-art Electron Beam Accelerator enables superior product performance. Accredited by global and national standards, the company supplies cables for various sectors, including solar, wind, and automotive. In the Train Control & Signaling Division, Quadrant focuses on developing the KAVACH system, an economical and advanced Train Collision Avoidance System for Indian Railways. The system adheres to SIL-4 safety standards and integrates advanced software and hardware to prevent collisions. Quadrant has received significant orders, including a ₹979 Cr contract for KAVACH installation in locomotives, supported by RDSO approval.

Quadrant has a strategic partnership with RailTel Corporation to expand KAVACH deployment domestically and internationally. The company's vertically integrated operations and advanced design centers in Bengaluru and Hyderabad drive innovation. Led by experienced promoters, Quadrant emphasizes technology, quality, and customer-focused solutions.

TRAIN COLLISION AVOIDANCE SYSTEM – TCAS (KAVACH)



Investment Rationale

Innovative Development in Automatic Train Protection Systems

Quadrant has developed expertise in Train Control and Signaling Systems, integrating four essential components: on-track, trackside, indoor, and onboard equipment. It excels in safety-critical system engineering, adhering to stringent global standards like SIL-4. The company combines its team's deep knowledge of railway operations with robust product engineering skills to meet safety and performance benchmarks. This approach minimizes potential failures, enhances reliability, and aligns with CENELEC standards. With a focus on innovation and safety, Quadrant delivers advanced systems tailored to global railway needs.

Strategic Partnership with RailTel for KAVACH Deployment

Quadrant has entered an exclusive partnership with RailTel Corporation to implement KAVACH, an Automatic Train Protection System, across Indian Railways and internationally. Under this Memorandum of Understanding, the two entities jointly bid for KAVACH projects, leveraging their combined expertise and market reach. RailTel leads stakeholder engagement, while Quadrant focuses on technology development, maintenance, and upgrades. This partnership positions Quadrant as a preferred Original Equipment Manufacturer (OEM) for KAVACH systems, expanding its footprint in domestic and global railway markets.

In-House Design and Development for Rail Signaling Solutions

Quadrant's in-house design and development capabilities power its cutting-edge signaling solutions. The company has developed a proprietary Train Collision Avoidance System, aligning with Indian Railways' safety needs. Its advanced facilities in Bengaluru and Mohali support integrated operations, from software design to hardware manufacturing, ensuring high reliability and cost competitiveness. Quadrant's embedded system design team drives innovation while maintaining stringent quality standards, enabling the company to deliver complete solutions under one roof.

Unique Technology for High-Performance Specialty Cables

Quadrant manufactures specialty cables for railways, defense, renewable energy, and EV sectors using advanced Electron Beam (E-Beam) technology. These cables offer improved durability, safety, and efficiency, meeting stringent industry standards. The technology enhances properties like heat resistance, tensile strength, and flame retardance, reducing energy consumption and operational costs. Quadrant's cables are critical in applications requiring high performance, such as naval ships, solar energy, and electric vehicles, making them a preferred choice for various industries.

Advanced Manufacturing Facilities with Quality Focus

Quadrant's state-of-the-art facility in Mohali is equipped to produce diverse specialty cables and signaling components. The plant is certified for ISO compliance and features automated machines and in-house formulations for quality control and cost efficiency. Its production capabilities, including a 2.5 MeV Electron Beam Industrial Accelerator, create high entry barriers for competitors. Regular quality inspections and adherence to RDSO, DGQA, and other standards ensure reliable and durable products, positioning Quadrant as a leader in specialty cables manufacturing.

Global Demand for Specialty Cables in EV and Renewable Sectors

With the rise of electric vehicles and renewable energy, Quadrant addresses the growing demand for high-quality specialty cables. These cables meet stringent safety and performance requirements for EVs and solar power systems. Their ability to withstand harsh environments and extreme conditions makes them essential for sustainable energy solutions. Quadrant's expertise in lightweight, fire-resistant cables positions it as a key supplier for global OEMs in EVs and solar energy, leveraging its technology to support green energy transitions.

Market opportunity for KAVACH

The market opportunity for KAVACH, India's indigenous Automatic Train Protection (ATP) system, is vast, driven by Indian Railways' commitment to enhancing safety and efficiency. With plans to implement KAVACH across 44,000 km by 2029, including 20,000 locomotives and 8,000 stations, the project represents significant investment potential. Multiple tender's worth over ₹2,200 Cr for 7,228 route Km are already out, The systems advanced safety features, including automatic braking and real-time alerts, address critical safety gaps exposed by recent train accidents.

Risk/Concerns

Dependence on a Single Manufacturing Facility

Quadrant Future Tek relies entirely on its sole manufacturing facility in Mohali, Punjab, to cater to both its Speciality Cables and Train Control & Signaling divisions. Any breakdown or malfunction of critical equipment like the Electron Beam Accelerator or polymer compounding line could disrupt production, delay operations, and result in significant repair costs. Natural disasters, accidents, or power outages could further impact operations, leading to financial and reputational losses.

Impact of Market Volatility and Evolving Industry Dynamics

The industries Quadrant Future Tek serves are highly dynamic, driven by rapid technological advancements and evolving customer demands. Disruptions in end-user industries or shifts in technology could reduce demand for its products, forcing costly innovations to meet new standards. Such factors may lead to pricing pressures, adversely affecting profitability and long-term growth prospects.

Challenges in Expanding Train Control Systems Operations

Quadrant Future Tek has recently ventured into the Train Control Systems segment, a domain where its promoters lack significant expertise. Without a proven operational history in this area, achieving projected margins and operational efficiencies remains uncertain. Additionally, scaling this segment involves managing operational risks, international expansion challenges, and substantial capital investments, which could strain resources and impact overall performance.

Stringent Quality Requirements and Customer Audits

Quadrant Future Tek's products are subject to rigorous quality standards and customer audits due to their critical applications. Failure to meet these standards, timely delivery schedules, or product defects could result in order cancellations, recalls, or financial liabilities. Although equipped with advanced quality control systems, lapses could damage the company's reputation and affect its financial performance.

Valuation and Recommendation

Quadrant Future Tek Limited has secured a strong order book, including a notable ₹979 Cr contract for KAVACH implementation, which highlights its robust revenue visibility. Its innovative Train Control Systems and specialty cables cater to critical safety and performance requirements across the railway, defense, and renewable energy sectors. Strategic partnerships, such as with RailTel for KAVACH deployment, bolster its position in domestic and international markets. With favorable industry tailwinds and increasing demand for its offerings, Quadrant is well-positioned for sustained growth.

Based on peer comparison, Quadrant Future Tek Limited stands out with a healthy 24% EBITDA margin and impressive returns, including a 21% ROCE and 33% ROE, which highlight its profitability and operational efficiency. The company's EV/order book ratio is reasonable at 1.3x. Considering these factors, along with its advanced technology, expanding order book, and long-term growth prospects, we assign a Subscribe rating to this IPO.

Listed Peers

FY 24	Kernex Micro Systems Limited	HBL Engineering Ltd	Average	Quadrant Future Tek
Revenue	20	2,233	1,127	152
CAGR (FY22-24)	69%	34%	52%	21%
EBITDA Margin	-100%	19%	-41%	24%
Asset Turns (x)	0.1	1.7	0.9	1.1
Wkg Cap Days	1,463	126	795	22
ROCE	-18%	30%	6%	21%
ROE	-25%	23%	-1%	33%
Debt/Equity	0.3	0.1	0.2	2.2
EV/EBITDA	-111	39	-36	34
P/E	-84	59	-12	79
Ev/Orderbook	1.1	-	1	1.3
Orderbook (for KAVACH)	2041	1522		979

(Note: HBL Engineering has multiple business segments; therefore, we did not calculate its EV/Order Book.)

Source: Company Data, NBRR

Financials

P&L (Rs. Cr)	FY22	FY23	FY24	H1FY25	FY25 Ann
Net Revenue	104	153	152	65	130
% Growth	-	47%	-1%	-	-14%
Cost of goods sold	80	110	88	42	83
% of Revenues	76.7%	72.1%	57.8%	63.7%	63.7%
Employee Cost	7	5	12	12	24
% of Revenues	6.7%	3.5%	8.2%	18.5%	18.5%
Other expenses	8	11	15	11	22
% of Revenues	7.5%	7.1%	9.9%	16.6%	16.6%
EBITDA	9	26	37	1	2
EBITDA Margin	9.1%	17.3%	24.1%	1.3%	1.3%
Depreciation	3	4	10	10	19
Other Income	0	0	0	-0	-0
Interest	3	3	4	4	8
Exceptional item	0	0	-0	0	0
PBT	2.9	19.9	21.9	-12.5	-25.0
Tax	1	6	7	-0	-1
Tax rate	34%	30%	33%	3%	3%
Adj PAT	1.9	13.9	14.7	-12.1	-24.2
% Growth	-	616%	6%	-	-265%
EPS (Post Issue)	0.5	3.5	3.7	-3.0	-6.1

Ratios & Others	FY22	FY23	FY24	H1FY25	FY25 Ann
Debt / Equity	5.2	2.5	1.9	2.9	2.9
EBITDA Margin (%)	9.1%	17.3%	24.1%	1.3%	1.3%
PAT Margin (%)	1.9%	9.1%	9.7%	-18.6%	-18.6%
ROE (%)	12.4%	47.3%	33.4%	-70.8%	-70.8%
ROCE (%)	6.6%	22.1%	21.0%	-13.2%	-13.2%

Turnover Ratios	FY22	FY23	FY24	H1FY25	FY25 Ann
Debtors Days	94	58	84	73	73
Inventory Days	85	45	49	104	105
Creditor Days	48	15	16	24	24
Asset Turnover (x)	1.1	1.5	1.1	1.0	1.0

Valuation Ratios	FY22	FY23	FY24	H1FY25	FY25 Ann
Price/Earnings (x)	597	83	79	-48	-48
EV/EBITDA (x)	131	47	34	758	758
EV/Sales (x)	12	8	8	10	10
Price/BV (x)	74	39	26	34	34

Source: Company Data, NBRR

Balance Sheet (Rs. Cr)	FY22	FY23	FY24	H1FY25
Share Capital	10	10	10	30
Other Equity	6	19	34	4
Minority Interest	0	0	0	0
Networth	16	29	44	34
Total Loans	81	74	82	98
Other non-curr liab.	0	1	1	2
Trade payable	14	6	7	9
Other Current Liab	2	8	9	7
Total Equity & Liab.	113	119	143	150
Property, Plant and Equipmen	20	21	28	28
CWIP	2	0	0	0
Goodwill/Other Intangible ass	31	48	53	47
Non Current Financial assets	0	1	0	0
Other non Curr. assets	0	0	0	2
Inventories	24	19	20	37
cash and cash equivalents	0	0	0	0.4
Bank bal	0	0	0	1
Trade receivables(debtor)	27	24	35	26
Other Current assets	8	5	6	8
Total Assets	113	119	143	150

Cash Flow (Rs. Cr)	FY22	FY23	FY24	H1FY25
Profit Before Tax	3	20	22	-12
Provisions & Others	0	0	0	0
Op. profit before WC	9	26	37	3
Change in WC	-13	5	-10	-11
Less: Tax	1	1	8	2
CF from operations	-5	30	18	-10
Purchase of property, plant an	-32	-20	-22	-3
Interest, dividend and other in	0	0.01	0.09	0
CF from Investing	-32	-20	-21	-3
interest & div paid	-3	-3	-4	-4
Increase/(Decrease) from long	35	-7	-1	-4
Increase/(Decrease) from shor	4	0.3	9	20
CF from Financing	36	-10	3.1	13
Net Change in cash	0.0	0.3	0.2	0.2
Cash & Bank at beginning	0.2	0.3	0.5	0.7
Cash & Bank at end	0.3	0.5	0.7	0.9

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