



**SUBSCRIBE**

**IPO Report**

17<sup>th</sup> Dec'24

**Snapshot**

Transrail Lighting is an Indian engineering, procurement and construction (“EPC”) company. Company primarily focuses on power transmission and distribution business and integrated manufacturing facilities for lattice structures, conductors, and monopoles. Company have a track record of four decades in providing comprehensive solutions in the power transmission and distribution sector, on a turnkey basis globally and have been a trusted and longstanding partner. Company have completed more than 200 projects in power transmission and distribution vertical since its inception, along with comprehensive and extensive project execution capabilities in terms of manpower, supply of materials (including self-manufactured products) and availability of world class machinery, both in India and internationally (majorly across Asia and Africa)

**VALUATION**

Company is bringing the issue at price band of Rs 410-432 per share at p/e multiple of 25x on post issue FY24 basis. Company has track record of established presence and growth in power transmission and distribution vertical through its implementation and execution skills. Company has established manufacturing facilities with strong and diversified order book; Company has strong in-house designing and engineering along with experienced promoter(s) with strong management team, technical expertise and business divisions with specialized domain knowledge. Also, company has posted strong and consistent financial performance Hence Looking after all above , we recommend “Subscribe” on issue.

<b>Price Band (Rs./Share)</b>	<b>410-432</b>
<b>Opening date of the issue</b>	<b>19<sup>th</sup> Dec '2024</b>
<b>Closing Date of the issue</b>	<b>23<sup>rd</sup> Dec '2024</b>
<b>No of shares pre issue</b>	124,996,767 Eq Shares
<b>Issue Size</b>	Rs 8000 Cr
<b>Fresh Issue</b>	Rs 400 Cr
<b>Offer For Sale</b>	1,01,60,000 Eq Shares
<b>Face Value (Rs/ share)</b>	Rs 2/share
<b>Bid Lot</b>	34
<b>Employee Reservation</b>	Rs 19 Cr

**BIDDING DETAILS**

<b>QIBs (Including Anchor)</b>	50% of the offer (Approx 94,89,721 Eq Shares)
<b>Non-Institutional</b>	15% of the offer (Approx 28,46,917 Eq Shares)
<b>Retail</b>	35% of the offer (Approx 66,42,806 Eq Shares)
<b>Employee</b>	4,39,814 Eq Shares
<b>Lead managers</b>	Axis Capital, Inga Ventures, HDFC Bank, IDBI Capital Markets & Securities
<b>Registrar to the issue</b>	Link Intime India Pvt. Ltd

**WHAT WE LIKE**

***Track record of established presence and growth in power transmission and distribution vertical through its implementation and execution skills***

Company have completed more than 200 projects in power transmission and distribution vertical, along with comprehensive and extensive project execution capabilities in terms of manpower, supply of materials (including self-manufactured products) and availability of world class machinery, both in India and internationally. With company foraying into underground cabling and substations, have a comprehensive execution profile for overhead transmission lines, monopole lines, underground cables, distribution networks as well as sub-stations.

***Strong and diversified Order Book***

Some of the leading projects secured by company in the three months period ended June 30, 2024 and Financial Year ended March 31, 2024 includes construction of transmission lines in Bangladesh, Tanzania, Cameroon and India. Further, company generally take export orders which are either funded by multilateral funding agencies (which include organisations like World Bank, African Development Bank, Asian Development Bank etc) or backed by letters of credit, which reduces company’s risks in relation to any defaults in payments to be received by Company.

***Strong and consistent financial performance***

The significant growth of company’s business in the three months period ended June 30, 2024 and Financial Years ended March 31, 2024, March 31, 2023 and March 31, 2022 has contributed significantly to company’s financial strength. Company’s total revenue increased at a CAGR of 32.37% while its profit for the year increased at a CAGR of 89.84%.



## COMPANY BACKGROUND

Company's position in the power transmission and distribution sector is owing to the following factors: Having a footprint in 58 countries like Bangladesh, Kenya, Tanzania, Niger, Nigeria, Mali, Cameroon, Finland, Poland, Nicaragua etc. including turnkey EPCs or supply projects. As of June 30, 2024, company have undertaken EPC of 34,654 circuit kilometers ("CKM") transmission lines and 30,000 CKM distribution lines, domestically and internationally. Company provide EPC services in relation to substations up to 765 kilovolts ("kV"). Company has presence in all the power transmission and distribution segments and majorly in high voltage ("HV") and extra high voltage ("EHV") segments.

### **Market opportunity**

The power transmission and distribution system across India has expanded extensively. The total length of domestic transmission lines rose from 413,407 CKM in Financial Year ended March 31, 2019 to 485,544 CKM in Financial Year ended March 31, 2024. To service a large generation installed base, the estimated investment in the transmission sector is expected to cumulatively reach approximately ₹3.00 trillion for Financial Year 2025-2029. The distribution segment is expected to attract investments worth Rs 3-4 trillion over fiscals 2025 to 2029 vis-à-vis ~Rs 3.3 trillion between fiscal 2019-2024 led by the government's thrust on the Revamped Distribution Sector Scheme, improving access to electricity and providing 24x7 power to all. Further, internationally, the lack of access to electricity across the African region has influenced public and private investments in the deployment of new transmission and distribution networks across the region. For instance, at present, 43% of the total population in the African region, lack access to electricity, which displays the critical need for electrical infrastructure in Africa. Further, power sector investment in Latin America and the Caribbean is also expected to increase to meet rising electricity demand and to modernise and expand grid infrastructure.

Over a period of time, company have steadily invested into backward integration by adding manufacturing units for towers, conductors and poles to its business and have developed the ability to provide comprehensive solutions including designing, manufacturing, procuring, testing and supplying of conductors, towers etc. for company's EPC projects and also towards direct supplies. Generally, these products and services cover a substantial part of the EPC value in a typical transmission line project, which reduces company's dependency on third-party suppliers. Company cater to a 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, company have actively diversified and expanded its business across the globe with company overall footprint of supply and service in 58 countries. Company generally take export orders which are either funded by multilateral funding agencies (which include organisations like World Bank, African Development Bank, Asian Development Bank etc) or backed by letters of credit. As on June 30, 2024, company's Order Book comprises of international projects and domestic projects and is a healthy client mix with typically governmental authorities of various countries such as India, Bangladesh, Kenya, Tanzania, Niger, Nigeria, Mali, Cameroon, Philippines, Suriname, Nicaragua etc. Internationally, some of company's biggest clients have been Power Grid Company of Bangladesh and Da Afghanistan Breshna Sherkat in Asia and Kenya Power and Lighting Company, West African Power Pool, Electricidade De Mocambique, E.P. Mozambique etc. in Africa. Further, in the three months period ended June 30, 2024 and the Financial Years ended March 31, 2024, March 31, 2023 and March 31, 2022, company has completed more than 200 projects across the globe across power transmission and distribution business.



**INVESTMENT RATIONALE**

<p><i>Established manufacturing facilities</i></p>	<p>Company’s first manufacturing facility in Vadodara, Gujarat, where it manufacture galvanized lattice steel towers, was established in 1994. The manufacturing facility located in Deoli, Maharashtra, for manufacturing of galvanized steel towers was established in the year 2009. In parallel, company expanded its business by setting up two manufacturing facilities in Silvassa, Dadra and Nagar Haveli, in 2007 and 2010, for manufacturing conductors and poles, respectively. Company’s factories are fitted with advanced computer numerical control (“CNC”) machines, plasma / gas-cutting machines, shearing machines, welding facilities, large sized galvanizing baths, wire drawing machines and furnaces. As of June 30, 2024, company have supplied 1.3 million metric ton (“MMT”) of towers, 194,534 kilometer (“KM”) of conductors and 458,705 poles.</p>
<p><i>Strong in-house designing and engineering</i></p>	<p>Company undertake its EPC business in an integrated manner. Company has developed key competencies and resources inhouse to deliver a project from conceptualization until completion. Company have an experienced team of 114 designers and engineers who are specialists in each segment of company’s business with a total cumulative experience of more than 17,000 man months. Company also have access to industry leading software for design and engineering including software such as PLS Tower, PLS Poles, I tower, Bocad, Staad Pro, PLS Star, PLS CAAD, PLS Lit, DiLux, AGI 32, Autocad 3D, Solidworks etc. Company provides leading-edge solutions in areas such as execution safety, workforce management and quality. One example of such leading-edge solution is the use of light detection and ranging (“LiDAR”) survey by Company to survey the surface of the Earth in Niger, Benin and Cameroon. Company’s in-house integrated model includes a design and engineering team for each business vertical and has contributed to company’s ability to successfully complete projects on time, without compromising on quality and allowing company to capture a larger proportion of the value chain in the EPC business</p>
<p><i>Experienced promoter(s) with strong management team, technical expertise and business divisions with specialized domain knowledge</i></p>	<p>Company have seen robust business growth under the vision, leadership and guidance of one of its Promoters, Digambar Chunnilal Bagde, who has more than 40 years of experience in the EPC industry. In addition to company’s Promoters, company also have qualified and well-experienced Board of Directors, of which company’s Managing Director and CEO, Randeep Narang, has over 35 years of experience in the power transmission and distribution industry. Company’s Promoter(s) and Board of Directors have played a key role in the development of its business and company benefit from their industry knowledge and expertise, vision and leadership.</p>
<p><i>Quality assurance</i></p>	<p>Company’s facilities are ISO 9001:2015 certified organization for Quality Management System, ISO 14001:2015 certified for Environmental Management System, ISO 27001:13 certified for Communications Security and ISO 45001:2018 certified for Occupational Health and Safety Management System. Company have also received certifications based on external inspections such as CE and NABL. In addition to the inspections conducted by the external agencies, company also conduct internal inspection and incremental quality control of raw materials used for its projects in order to maintain quality assurance. The strict procedures followed by company help it to ensure timely delivery and competitive prices of its products and services in the market.</p>



**OBJECTS OF OFFER**

**Offer for Sale**

The Offer for Sale is up to 10,160,000 Equity Shares by the Promoter Selling Shareholder. Company will not receive any proceeds from the Offer for Sale. Further, the proceeds of the Offer for Sale shall be received by the Promoter Selling Shareholder and will not form part of the Net Proceeds.

Company proposes to utilise the Net Proceeds towards funding the following objects:

1. Funding incremental working capital requirements of Company;
2. Funding capital expenditure of Company; and
3. General corporate purposes.

**RISKS**

Company's business is substantially dependent on tenders being floated by government authorities, public sector undertakings and utilities, from which company derive a significant portion of its revenues, i.e. approximately 70% of company's revenue from operations for the three months period ended June 30, 2024 and approximately 82% for company's average revenue from operations for the Financial Years ended March 31, 2024, March 31, 2023 and March 31, 33 2022. Any delays in tenders released or no tenders released by such entities may have a material adverse effect on company's business and results of operations

Source:RHP

**INDUSTRY OVERVIEW**

***Key Growth Drivers for growth in transmission sector***

***Some of the key growth drivers for the transmission segment in India are:***

***Widening gap between inter-regional power demand-supply to drive transmission capacity additions***

As per CTUIL, the total power generation capacity (including renewable energy and energy storage) at a pan India would rise to ~729 GW in fiscal 2029 from ~442 GW in fiscal 2024. However, the upcoming generation capacity will not be spread evenly across India. Most of the upcoming renewable capacities would be concentrated in the northern (specifically in Rajasthan), western and southern regions of India, while significant thermal capacities would commission close to the coal mines in eastern and central regions of India. The addition of such large quantity of generation capacities would necessitate the investments in transmission segment to supply power to different demand centres. Further, the infirm nature of renewable energy (extreme variations in the power output) would give rise to grid issues unless the generated power is distributed over longer distances and to multiple demand centres via transmission lines. Moreover, there exists significant variation in demand on account of seasonal differences and time of day demand differences, which will necessitate large inter-regional transmission capacities to prevent grid fluctuations. As a result, to reduce the demand-supply mismatch, government has planned to increase the interregional power transfer capacity to 134,540 MW by FY 2029. Moreover, the share of inter-regional transmission capacity is expected to increase from 13.9% in fiscal 2012 to 18.4% in fiscal 2029 (inter-regional transmission capacity as a fraction of total installed generation capacity), resulting in growth of investment in the power transmission sector.

***Key growth drivers in the distribution sector***

Some of the key growth drivers for the distribution segment across regions are:

**Increasing energy demand across developing region** Regions such as Asia Pacific and Africa have experienced robust economic growth and rapid urbanization, leading to the increasing demand for electricity. Governments and utilities are investing in the expansion and upgradation of transmission & distribution infrastructure to meet the growing energy needs. In addition, the lack of access to electricity across the African region has influenced public & private investments in the deployment of new networks across the region.

**New electrification, refurbishment & retrofit of existing grid infrastructure** The industry is largely being driven by the modernization and revamping of the existing grid infrastructure across various countries & regions including the US and Africa. Rapid grid extension across national borders coupled with the rising tendency of trans-border electricity trading to accomplish electricity access in peri-urban & rural areas will propel product demand. Moreover, shifting focus toward the expansion of power grid networks to remote locations, followed by the continuous integration of sustainable grid infrastructure to ensure security supply will augment the business spectrum.

**Growing renewable integration** A wide number of economies including the US, Africa & Asia Pacific have set ambitious targets for renewable energy adoption. The integration of renewable sources, such as solar, wind & hydroelectric power, requires the development of efficient lines to transport clean energy from generation sites to consumption centers. In addition, favorable government incentives & reforms to support the adoption of renewable energy and consequently provide electricity access across rural areas will also considerably drive industry growth. The rapid expansion of renewable networks to cater to rural & remote areas with limited grid access coupled with growing investments by public & private players will further encourage the deployment of renewable energy.

**Rising peak load demand** Developing economies across Asia Pacific have consistently been prone to power lags and frequent electricity failures. Rising investments to establish a sustainable electrical network coupled with favorable regulatory reforms pertaining to electrification across grid-isolated areas have been the prime regulatory & competitive focus in the region. The increasing peak load demand across the developed countries of the region is leading to concerns pertaining to grid stability and supply security. The ongoing measures to refurbish conventional grid infrastructure such as the rapid adoption of smart transmission & distribution technologies are augmenting investments and streamlining operational performance.



**Consolidated Financials**

(Rs in Mn)

Financials	FY22	FY23	FY24	Q1 FY 2025
Total Revenue (A)	23500.15	31521.56	40765.24	9157.78
Total Expenditure (B)	21438.5	28591.94	36012.75	7961.08
EBIDTA	2061.65	2929.62	4752.49	1196.70
EBIDTA Margin	8.77	9.29	11.66	13.07
Other Income	71.84	198.78	534.75	139.26
Depreciation	378.39	458.26	503.04	126.68
EBIT	1755.10	2670.14	4784.20	1209.28
Interest	848.43	1196.94	1626.07	438.70
PBT	906.67	1473.20	3158.13	770.58
Share of profit in Asso	-4.97	9.74	23.09	4.36
PBIT	901.70	1482.94	3181.22	774.94
Exceptional	0.00	0.00	0.00	0.00
PBT	901.70	1482.94	3181.22	774.94
Tax	254.64	407.26	849.17	257.50
PAT	647.06	1075.68	2332.05	517.44
NPM	2.75	3.41	5.72	5.65
ROE%	10.80	15.17	21.68	4.54
EPS	11.62	9.45	19.59	4.17
Eq Cap	227.08	227.98	247.93	247.93
Net Worth	6,629.69	7,713.97	11,391.23	12,043.58

(Source: RHP)

**Peer Comparison**

Company Name	Face Value	EPS	P/E	ROE %	NAV
<i>Transrail Lighting Limited</i>	2	<b>19.59</b>	--	<b>21.68</b>	<b>86.79</b>
<b>Peers</b>					
KEC International Limited	2	13.49	91.95	8.50	159
Kalpataru Projects International Limited	2	31.76	36.72	10.00	316
Skipper Limited	1	7.66	75.97	9.10	84.00
Patel Engineering Limited	1	3.64	15.57	9.56	38
Bajel Projects Limited	2	0.37	702.97	0.80	49

(Source: RHP)



## DISCLAIMER

HEM Securities Limited (“Research Entity or HSL”) is regulated by the Securities and Exchange Board of India (“SEBI”) and is licensed to carry on the business of broking, depository services, merchant banking services, Portfolio Management Services and other related activities. Broking services offered by HEM Securities Limited are under SEBI Registration No.: INZ000168034.

This Report has been prepared by HEM Securities Limited in the capacity of a Research Analyst having SEBI Registration No. INH100002250 and distributed as per SEBI (Research Analysts) Regulations 2014. This report does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. This should not be construed as invitation or solicitation to do business with HSL. The investment discussed or views expressed may not be suitable for all investors.

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject HSL and associates / group companies to any registration or licensing requirements within such jurisdiction. The distribution of this report in certain jurisdictions may be restricted by law, and persons in whose possession this report comes, should observe, any such restrictions. The information given in this report is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. HSL reserves the right to make modifications and alterations to this statement as may be required from time to time. HSL or any of its associates / group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. HSL is committed to providing independent and transparent recommendation to its clients. Neither HSL nor any of its associates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including loss of revenue or lost profits that may arise from or in connection with the use of the information. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. Past performance is not necessarily a guide to future performance. The disclosures of interest statements incorporated in this report are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report.

We offer our research services to clients as well as our prospects. Though this report is disseminated to all the customers simultaneously, not all customers may receive this report at the same time. We will not treat recipients as customers by virtue of their receiving this report.

HSL and its associates, officer, directors, and employees, research analyst (including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company(ies), mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company(ies) discussed herein or act as advisor or lender/borrower to such company(ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance.

Investments in securities market are subject to market risks, read all the related documents carefully before investing.