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IPO Report

06th Jan'25

Snapshot

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 company is used in Railways rolling stock and Naval (Defence) industry. Company's facility also possess end to end infrastructure capabilities for production of Solar & EV Cables. 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.

VALUATION

Company is bringing the issue at price band of Rs 275-290 per share at p/e multiple of 79x on post issue FY24 PAT basis. As Innovation and technological development undertaken by the Company for building Automatic Train Protection Systems & company has also entered into an exclusive Memorandum of Understanding with RailTel for delivering the specific targeted opportunities related to KAVACH in Indian Railways and other Countries Railways . Company have unique technology for the manufacture of cables that meets the stringent requirements for multiple industries, namely Railways, Naval Defence, Renewable Energy & Electric Vehicle sectors . Also, company has experienced promoters and senior management team .Hence Looking after all above , we recommend "Subscribe" on issue.

Price Band (Rs./Share)	275-290
Opening date of the issue	07th Jan '2025
Closing Date of the issue	09th Jan '2025
No of shares pre issue	3,00,00,000 Eq Shares
Issue Size	Rs 290 Cr
Fresh Issue	Rs 290 Cr
No of Shares	1,05,45,455-100,00,000 Eq Sh
Face Value (Rs/ share)	Rs 10/share
Bid Lot	50

BIDDING DETAILS

QIBs (Including Anchor)	75% of the offer (Approx 75,00,000 Eq Shares)
Non-Institutional	15% of the offer (Approx 15,00,000 Eq Shares)
Retail	10% of the offer (Approx 10,00,000 Eq Shares)
Lead managers	Sundae Capital Advisors Pvt. Ltd
Registrar to the issue	Link Intime India Pvt Ltd.

WHAT WE LIKE

Unique technology for the manufacture of cables that meets the stringent requirements for multiple industries, namely Railways, Naval Defence, Renewable Energy & Electric Vehicle sectors

Company offer a wide range of speciality cables for railways as well as defence sector. Company have a range of speciality cables meeting the requirements of its customers where Fire & Safety, Light Weight & Long-Term performance are of utmost importance. That offering high-quality products and operational execution focused on continual improvement supports its ability to offer a wide range of products for varied application

Company have in-house design and product development capabilities powering company's Rail Signalling Products & Solutions.

The focus of the Indian Railways is to increase the capacity utilization of existing assets, including rolling stock, track infrastructure, traction power, and signalling & telecommunications. By increasing the Train speeds, more number of passenger & cargo trains can be run on the same infrastructure which may help Indian Railways to improve the revenues and profitability, reduces passenger travel time & enhances passenger travel experience.

Entered into an exclusive Memorandum of Understanding with RailTel for delivering the specific targeted opportunities related to KAVACH in Indian Railways and other Countries Railways

On May 01, 2024, Company has entered into a Memorandum of Understanding with RailTel Corporation of India Limited ("RailTel"), a Government of India undertaking, to define a framework of inter-se co-operation to (i) establish high level understanding of intended opportunities to pursue within the said MoU, (ii) KAVACH as a means of Automatic Train Protection System for Railways in India and abroad, and (iii) to re-align and broaden the above targeted scope as per the opportunities within other countries and their Railway System.



COMPANY BACKGROUND

Specialty Cables Division

The Company offers Speciality Cables for the industrial usage and other applications where fire and safety, light weight and long term performance are of utmost importance. The in-house formulated low smoke fire resistant polymers for insulation / sheath of the cables are treated with Electron Beam radiations that enable the crosslinking of the molecules to achieve much superior mechanical and thermal properties. The higher temperature bearing capacity enables the industry users to specify lower cross-section conductor / cable sizes that enables significant weight reduction. Thus, these Speciality cables are the ultimate choice for rail vehicles, trains, naval ship vessels & submarines, electric vehicles and fuel cell electric vehicles where weight & fire Safety are the most significant criterion for component / material selection. The Speciality cables also has major application in Solar & Wind installations where thermal resistance, long term durability & extended warranties are the key factors. Company have installed a 2.5 MeV Electron Beam Industrial Accelerator for cable manufacturing plant which helps it to offer Speciality cables with improved mechanical properties, abrasion and thermal resistance, flame propagation resistance and deformation resistance properties without producing heat and an increased life as compared to chemically cross linked cables. The Company is accredited with various national and international certifications namely, NQA Certification Limited and ROHS Certification Private Limited for its speciality cables division. Company have a wide product portfolio which includes railways rolling stock cables, naval defence, marine cables, solar PV cables, automotive cables, and connectors & junction boxes. Company also provide end to end solutions for electrical connectors and wiring harness with the complex arrangement of various wires and cables as per the demand of the client. For the Speciality Cable division, Company had an installed capacity of 1,887.60 metric tonnes as on September 30, 2024, 1,887.60 metric tonnes as on March 31, 2024, 1,638.00 metric tonnes as on March 31, 2023 and 1,500.72 metric tonnes as on March 31, 2022, which was utilised at a capacity of 25.03% (not annualised), 49.42%, 54.26% and 57.62% respectively.

Train Control & Signalling Division

The growing Indian landscape for railways serves as a key opportunity for Company. With a huge emphasis on the modernization of Railways in India and thrust on Make in India, accompanied by ambition for high speeds trains, the requirement of Automated Train Safety and signalling systems is inevitable. The Indian Railways plays a crucial role in ensuring the smooth and secure operation of trains across the rail network. For enhancing the safety standards and faster movement, Indian Railways is developing and creating technology in areas such as signalling and telecommunication with installation of 'Kavach', the domestically developed Train Collision Avoidance System, on the Indian Railway network. It is a combination of hardware equipment and software that monitor train locations and movements. Once implemented by Indian Railways, KAVACH will be the world's most economical automatic train collision protection system that ensures safety of human life and the rail infrastructure. The primary focus of the system is to enhance the efficiency and safety of the railway network. Once implemented, KAVACH will be the world's cheapest automatic train collision protection system, costing approx. ₹ 7.00 million per kilometre to operate compared to about ₹ 20.00 million per kilometre worldwide.

Company has dedicated Railway Signalling & Embedded System Design centre for the development of Train Control Products & Solutions and is working towards development of Train Collision Avoidance System and Electronic Interlocking System under KAVACH as a means of Automatic Train Protection System to enable safety and capacity augmentation in Indian Railways. Company has built this indigenously developed Train Collision Avoidance System that uses radio transmission & support LTE technology meeting the Safety Critical standards as per SIL-4 requirements, interoperability with other competitors product & systems and to detect and stop a possible train collision under the KAVACH project developed by the Research Designs & Standards Organisation (RDSO) under the Ministry of Railways. Company have vertically integrated manufacturing operations for the hardware and software required for Train Control and Signalling Division which allow it to manage manufacturing processes in-house, from design and development to manufacturing and delivery.

On March 23, 2023, Issuer Company received the Technical clearance for field trial from RDSO. There is no validity for such product approval. However, RDSO may, from time to time, require such modifications or upgradations to be undertaken, as may be required for operational efficiency of Indian Railways. Based on company's registration to develop indigenized KAVACH (Indian Railway ATP) and successful Type testing, company have been awarded technical clearance for deployment of its KAVACH system and order has been received by the Issuer for installation of the same at 5 railway stations, 10 trains / locomotives and 5 units of Remote Interface Unit besides the track on a stretch of 43.6 km at "Moula-Ali (Excluding) - Raghunathapalli section of South Central Railway - Reach 2" covering 5 stations and 10 train sets. The said order is for an aggregate value of ₹ 168.60 million. The work to be executed by the Company is design, development, supply, installation, trial and commissioning of Onboard TCAS equipment in locomotives and trackside TCAS equipment at station/LC/IB locations along with associated works for Train Collision Avoidance System (TCAS) in Moula-Ali (Excluding) – Raghunathapalli section of South Central Railway including (i) survey of section, (ii) submission of design documents, (iii) supply, installation and testing of RFID Tags, antennae, Radio Modems, NMS, Relays, wire coils etc., including spares; (iv) Supply and erection of 40m lattice tower for radio communication and tower foundation works; etc.



INVESTMENT RATIONALE

<p><i>Advanced manufacturing facilities with a diverse range of power and control cables with focus on innovation and cost competitiveness</i></p>	<p>Company is one of the few manufacturers in India approved by RDSO, DGQA and Indian Register of Shipping with in-house capabilities of manufacturing and supply of Single Core / multi core Control & Power Cables, Signalling Cables for use in Railway Coaches, Locomotives & EMU's and also for the supply of Single Core/Multi Core, Screened/Un-Screened & Power Cables for Naval Ships. Company's Railway Signalling & Embedded System Design team and technological capabilities have helped it in diversifying its products in the speciality cables segment. Company have made its first supply of cable for Naval Ships during the Fiscal 2022 with an insignificant turnover of ₹ 30.45 million and later increased to ₹ 369.16 mn, representing 24.16% of the total sales during the Fiscal 2023 Company's competitive edge lies in Railway Signalling & Embedded System Design team, product innovation and quality. Company manufacture its products within its manufacturing facility located at Basma, Distt. Mohali, Punjab. Company have developed systems throughout its production process to ensure the quality and reliability of its products and meet the standards of RDSO, DGQA and Indian Register of Shipping. Company's manufacturing facility is accredited with quality management system certificates for compliance with ISO 9001:2015, 14001:2015 and 9001:2015 requirements.</p>
<p><i>Global emergence of market for Speciality cables in renewable energy and electric vehicles and supply of such Speciality cables to OEMs with high global market penetration</i></p>	<p>There is a growing thrust on adopting electric vehicles (EVs) across the globe amid increasing carbon emissions which have serious repercussions including global warming. As India is significantly dependent on crude oil imports and various cities in India are facing pollution menace, the Indian government has also acknowledged the need to promote EVs. The EV market in India has been witnessing steady growth. The sales of electric cars, two-wheelers, and three-wheelers have been increasing in recent years, driven by government incentives, decreasing battery costs, and the introduction of new EV models by domestic and international manufacturers. Since new energy vehicles use a large amount of electronic equipment, especially high-voltage electrical equipment, they have higher requirements for power cables. Specialty power cables play an important role in the safety of new energy vehicles. For instance, high-quality specialty power cables can ensure that the electrical system can work properly and ensure a low failure rate, thereby reducing the risk of accidents such as fires and explosions. Based on company's deep product knowledge and multiple usage of Speciality cables, gives it expansive insight into multiple industries, that may serve as a critical source supplier for global OEMs.</p>
<p><i>Experienced Promoters and senior management team</i></p>	<p>Company is led by a qualified and experienced management team, who are supported by a capable and motivated team of managers and other employees. That the experience and leadership of its core team has played a key factor in its growth and development. Company's management team's in-depth understanding of railways segment and the plans to the Ministry of Railways for implementation of Kavach system have enabled it to grow its successfully develop out Train Collision Avoidance System. Their understanding of industry trends, technology and system integration, have enabled it to develop successfully and obtain orders from railways and leverage market opportunities.</p>



OBJECTS OF OFFER

Company proposes to utilise the Net Proceeds from the Issue towards the following objects:

1. Funding long-term working capital requirements of company;
2. Capital expenditure for development for Electronic Interlocking System;
3. Prepayment or repayment of all or a portion of outstanding working capital term loan availed by company; and
4. General corporate purposes.

RISKS

Company has passed through an incidence of litigation involving dispute inter-se its Promoters, namely Mohit Vohra, Amit Dhawan, Rupinder Singh, Aikjot Singh, Vishesh Abrol and Vivek Abrol, along with Mohan Krishan Abrol, Vipin Abrol and Parminder Kaur to remove Amrit Singh Randhawa and Rajbir Singh Randhawa from the Board of the Company on charges of carrying out certain competing activities in a company controlled by them (i.e. International Switchgears Private Limited) that poses a conflict of interest to company. The matter was escalated to NCLT and subsequently the same was amicably settled between the Promoters and Promoter Group and a settlement agreement was executed. Company cannot assure that such instance will not occur in future, which may adversely affect company's business prospects and results of operations.

Source:RHP

INDUSTRY OVERVIEW

Key Growth Drivers

The long-term outlook for the specialty cables industry is positive on account of structural mega trends and growing focus on domestic manufacturing and technology.

Some of these key growth drivers are as below:

- Government Push for Railway Infrastructure Upgradation Please refer to section 1.2.9 budgetary allocation and 2.2.1
- Introduction of New Technologies as Control Systems in Indian Railways The Indian Railways have taken various infrastructural changes to ensure rail safety and efficient functioning of railways. One such key infrastructural change has been the signalling and protection system. Railway signalling systems are used to control the movement of railway traffic on the rail network. It is one of the most important components of the railway systems, ensuring train movement safety. Conventional signalling in the Indian Railways was based on colour light signals and train detection with the help of track circuits and axle counters. Although this technology is suitable for the detection and control of trains, it was still not able to utilize the section capacity to its full advantage. Over the last decade, railways have seen a huge transition from conventional railway signalling systems to modern signalling systems, including Electronic Signalling Interlocking Systems, Automatic Block Signalling, and interlocking with signals at level crossing gates to enhance safety at crossing. The Indian Railways has also indigenously developed an automatic train protection system under 'Kavach,' which is designed to bring a train to a halt automatically when it notices another train on the same line within a prescribed distance. 'Kavach' is now being deployed across the railway lines. Since specialty cables can assist in the technological requirements of the advanced railway infrastructure, the demand for specialty cables is likely to sustain in the coming years, supplemented by ongoing technological developments.
- Growing Capital Expenditure on Naval Defence India's increased spending on defence is also an important factor in promoting the growing demand for specialty power cables. India's increased spending on naval defence also indicates growth in demand for specialty power cables. In the Union Budget 2023-24, capital outlay toward the Navy increased by about 11% to ₹ 52,805 crores. For detailed information on developments in defence sector and budget allocation please refer to section 2.2.2.
- Expansion of Renewable Energy Plans With favourable government policies and an enabling environment, India continues to expand its renewable energy expansion plans. This augurs well for the specialty cables industry. Specialty cables are largely applied in setting up solar energy plants and solar energy transmission. India's photovoltaic power generation and domestic supply chain are expected to drive further growth in the country's solar energy market, which essentially will propel the demand for specialty cables. The detailed information on growing demand from solar energy in section 2.2.5
- Growing Demand for Electric Vehicles and Automotive 174 The automotive industry in India is booming due to rising disposable income, growing population, surging urbanization, and increasing middle class. Considering the growing push toward green mobility, there is a surging demand for electric vehicles. Accordingly, the Indian government has introduced several policies to accelerate the development of the electric vehicle industry. For instance, a target to switch from new sales of ICE (petrol and diesel) cars to 100% plug-in electric vehicles (EVs) by CY30. Also, the government is working to transform India into a global hub .



Consolidated Financials

(Rs in Mn)

Financials	FY22	FY23	FY24	H1 FY 2025
Total Revenue (A)	1042.58	1528.04	1517.56	651.37
Total Expenditure (B)	947.82	1263.97	1151.56	643.18
EBIDTA	94.76	264.07	366.00	8.19
EBIDTA Margin	9.09	17.28	24.12	1.26
Other Income	0.33	1.41	0.67	-0.02
Depreciation	31.96	37.08	102.87	95.61
EBIT	63.13	228.40	263.80	-87.44
Interest	33.64	29.09	44.95	37.54
PBT	29.49	199.31	218.85	-124.98
Share of profit in Asso	0.00	0.00	0.00	0.00
PBIT	29.49	199.31	218.85	-124.98
Exceptional	0.00	0.00	0.37	0.00
PBT	29.49	199.31	219.22	-124.98
Tax	10.06	60.28	72.10	-3.94
PAT	19.43	139.03	147.12	-121.04
NPM	1.86	9.10	9.69	-18.58
ROE%	12.17	47.03	33.41	-37.45
EPS	0.63	4.61	4.90	-4.02
Eq Cap	100.00	100.00	100.00	300.00
Net Worth	156.05	294.21	441.13	341.75

(Source: RHP)

Peer Comparison

Company Name	Face Value	EPS	P/E	ROE %	NAV
<i>Quadrant Future Tek Limited</i>	<i>10.00</i>	<i>4.90</i>	<i>--</i>	<i>33.31</i>	<i>14.70</i>
Peers					
Kernex Micro Systems Limited	10.00	-16.61	--	-24.16	63.61
HBL Power Systems Limited	1.00	10.07	61.59	22.87	44.03
Apar Industries Limited	10.00	212.10	49.11	20.80	965.01
Polycab India Limited	10.00	118.93	64.85	21.90	544.95

(Source: RHP)



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