

Rating: Subscribe for Long Term

Issue Offer

Fresh Issue of 92,59,259 equity shares up to INR 4,000mn and OFS of 1,01,60,000 shares up to INR 4,389mn; Total Issue size of INR 8,389mn.

Issue Summary

Price Band (INR)	410-432
Face Value (INR)	2
Implied Market Cap (INR mn)	57,999
Market Lot	34
Issue Opens on	Dec, 19, 2024
Issue Close on	Dec, 23, 2024
No. of share pre-issue	12,49,96,767
No. of share post issue	13,42,56,026
Listing	NSE / BSE

Issue Break-up (%)

QIB Portion	≤50
NIB Portion	≥35
Retail Portion	≥15

Book Running Lead Managers

Inga Ventures Pvt Ltd

Axis Capital Ltd

HDFC Bank Ltd

IDBI Capital Markets & Securities Ltd

Registrar

Link Intime India Pvt Ltd

Shareholding Pattern

	Pre-Issue	Post-Issue
Promoters	84.52%	71.12%
Public & Others	15.48%	28.88%

Objects of the issue

- Funding incremental working capital requirements of the company.
- Funding capital expenditure of the company.
- General corporate purposes.

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Transrail Lighting Ltd is the EPC company, focuses on power transmission and distribution business and integrated manufacturing facilities for lattice structures, conductors and monopoles. The company has completed more than 200 projects in power transmission and distribution. The company has footprint in 58 countries like Bangladesh, Kenya, Tanzania, Nigeria, Mali, Finland, etc for turnkey EPC or supply projects. The company have undertaken EPC of 34,654 CKM (Circuit KM) transmission lines and 30,000 CKM distribution lines in domestically and internationally. The company also provides EPC services in relation to substations up to 765 kV. The company has presence in all the power transmission and distribution segments, majorly in High Voltage (HV) and extra high voltage (EHV) segments.

Investment Rationale

Strong and diversified order book shows business visibility: The company has on order book of INR 102.13bn (~2.5x of FY24 revenue) shows business visibility of medium term. Generally, the company takes export order which are either funded by multilateral funding agencies or backed by letter of credits which reduces risk in relation to any defaults in payments.

Focused on EPC projects and well positioned in the market: The company is focused to streamlined on the Engineering, procurement and construction in power T&D. The transmission system roadmap for reliable integration of 537 GW RE capacity by 2030 with significant investments are expected in the power T&D sector. The project cost breakups are Equipment's costs (50%-60%), Design & Engineering (5%-10%), Civil construction including labor, material, and erection (15%-20%) and others costs (15%-20%). The company is well positioned to handle EPC projects and expected to get benefits from increasing electricity demand, government initiatives and rising adoption of smart grid technologies. The company is focused to expand EPC portfolios and expanding footprint in the solar EPC projects like installation of solar rooftops, solar streetlights and ground mounted solar projects etc. The company has the market position and ability to manage and execute multiple projects across various geographies to further grow portfolio of EPC projects.

Focused to expand conductor, pole and international business: The company manufactures a wide range of conventional overhead power conductors and enhancing offerings by adding high temperature conductors (HTC) and HTLS conductors as new products. The company is focused to strengthen pole and lighting business. The newly launched products like traffic lights, signage, etc. gained traction and focused to expand globally for solar street lighting products. The company is focused to strengthen the presence in SAARC and southeast Asia by securing more orders and achieving economies of scale. The company also exploring developed markets like Australia for towers, conductors and monopoles.

Valuation & Outlook: Transrail Lighting has an order book of INR 102.13bn (~2.5x of FY24 revenue) shows business visibility over medium term. The IPO proceeds will be utilized for working capital requirements (INR 2,170mn) and Capex (INR 907mn) to execute current and upcoming projects. The company is focused to expand conductor, pole and international business. Currently, the company having a footprint of 58 countries and focused to strengthen and expand further going forward. We believe, growing demand of power, government initiatives led to demand for transmission and distribution lines. The company is well positioned to supply T&D products and able to manage multiple projects in various countries. At the upper band of INR 432, the issue is valued at an EV/EBITDA of 13.4x based on FY24 EBITDA and PE of 24.9x based on FY24 EPS of INR 17.4. We are recommending a "Subscribe for Long Term" rating for this issue.

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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