Transrail Lighting Limited

17–December -2024

SUBSCRIBE – Long Term

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Issue Details

Issue Details	
Issue Size (Value in ₹ million, Upper Band)	8,389.1
Fresh Issue (No. of Shares in Lakhs)	92.6
Offer for Sale (No. of Shares in Lakhs)	101.6
Bid/Issue opens on	19-Dec-24
Bid/Issue closes on	23-Dec-24
Face Value	Rs. 2
Price Band	410-432
Minimum Lot	34

Objects of the Issue:

- **Fresh Issue: ₹4,000 million**
  - Funding incremental working capital requirements.
  - Funding capital expenditure of the company.
  - General Corporate purposes.
- **Offer for sale: ₹4,389 million**

Book Running Lead Managers
Inga Ventures Private Limited
Axis Capital Limited
HDFC Bank Limited
IDBI Capital Markets & Securities Limited
Registrar to the Offer
Link Intime India Private Limited

Capital Structure (₹ million)	Aggregate Value
Authorized share capital	350.00
Subscribed paid up capital (Pre-Offer)	249.99
Paid up capital (post-Offer)	268.51

Share Holding Pattern %	Pre-Issue	Post Issue
Promoters & Promoter group	84.5%	71.1%
Public – Selling Shareholders	15.5%	28.9%
Total	**100.0%**	**100.0%**

Financials

Particulars (₹ In million)	3M FY 25	FY24	FY23	FY22
Revenue from operations	**9,157.78**	**40,765.2**	**31,521.6**	**23,500.2**
Operating Expenses	7,961.1	36,012.8	28,591.9	21,438.5
EBITDA	**1,196.7**	**4,752.5**	**2,929.6**	**2,061.7**
Other Income	139.3	534.8	198.8	71.8
Depreciation	126.7	503.0	458.3	378.4
EBIT	**1,209.3**	**4,784.2**	**2,670.1**	**1,755.1**
Interest	438.7	1,626.1	1,196.9	848.4
PBT	**775.0**	**3,181.2**	**1,482.9**	**901.7**
Tax	257.5	849.2	407.3	254.6
PAT	**517.5**	**2,332.1**	**1,075.7**	**647.1**
EPS	**3.85**	**17.37**	**8.01**	**4.82**
Ratios	**3M FY 25**	**FY24**	**FY23**	**FY22**
EBITDAM	13.1%	11.7%	9.3%	8.8%
PATM	5.7%	5.7%	3.4%	2.8%
Sales growth		29.3%	34.1%	

Company description

Transrail Lighting Limited is an Indian engineering, procurement and construction ("EPC") company. The company primarily focuses on power transmission and distribution business and integrated manufacturing facilities for lattice structures, conductors, and monopoles. They 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. They have completed more than 200 projects in power transmission and distribution vertical since their 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).

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, they have undertaken EPC of 34,654 circuit kilometers ("CKM") transmission lines and 30,000 CKM distribution lines, domestically and internationally. They provide EPC services in relation to substations up to 765 kilovolts ("kV").

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.

Valuation & outlook

Transrail Lighting Limited has successfully executed over 200 projects in the power transmission and distribution sector, showcasing robust project execution capabilities, including skilled manpower, material supply (featuring self-manufactured products), and access to world-class machinery, both domestically and internationally. Transrail Lighting has an order book worth INR 10,213 Crores (approximately 2.5 times the FY24 revenue), reflecting strong business visibility over the medium term.

The company is committed to expanding its conductor, pole, and international businesses. With a presence in 58 countries, it aims to further strengthen and broaden its global footprint in the future.

At the upper band company is valuing at 24.8x its FY24 EPS. Following the issuance of equity shares, the company's market capitalization stands at ₹57,998.6 million, with a market cap-to-sales ratio of 1.4 based on its FY24 earnings. The growing demand for power, coupled with government initiatives, has driven the need for transmission and distribution lines. The company is well-positioned to supply T&D products and efficiently manage multiple projects across various countries. We believe that the issue is fairly priced and recommend "**Subscribe – Long Term**" rating to the IPO.

The company has presence in all the power transmission and distribution segments and majorly in high voltage (“HV”) and extra high voltage (“EHV”) segments. Other than the power transmission and distribution business, they have other business verticals, such as, civil construction, poles and lighting, and railways. The details of contribution to revenue from operations by each vertical is set out below:

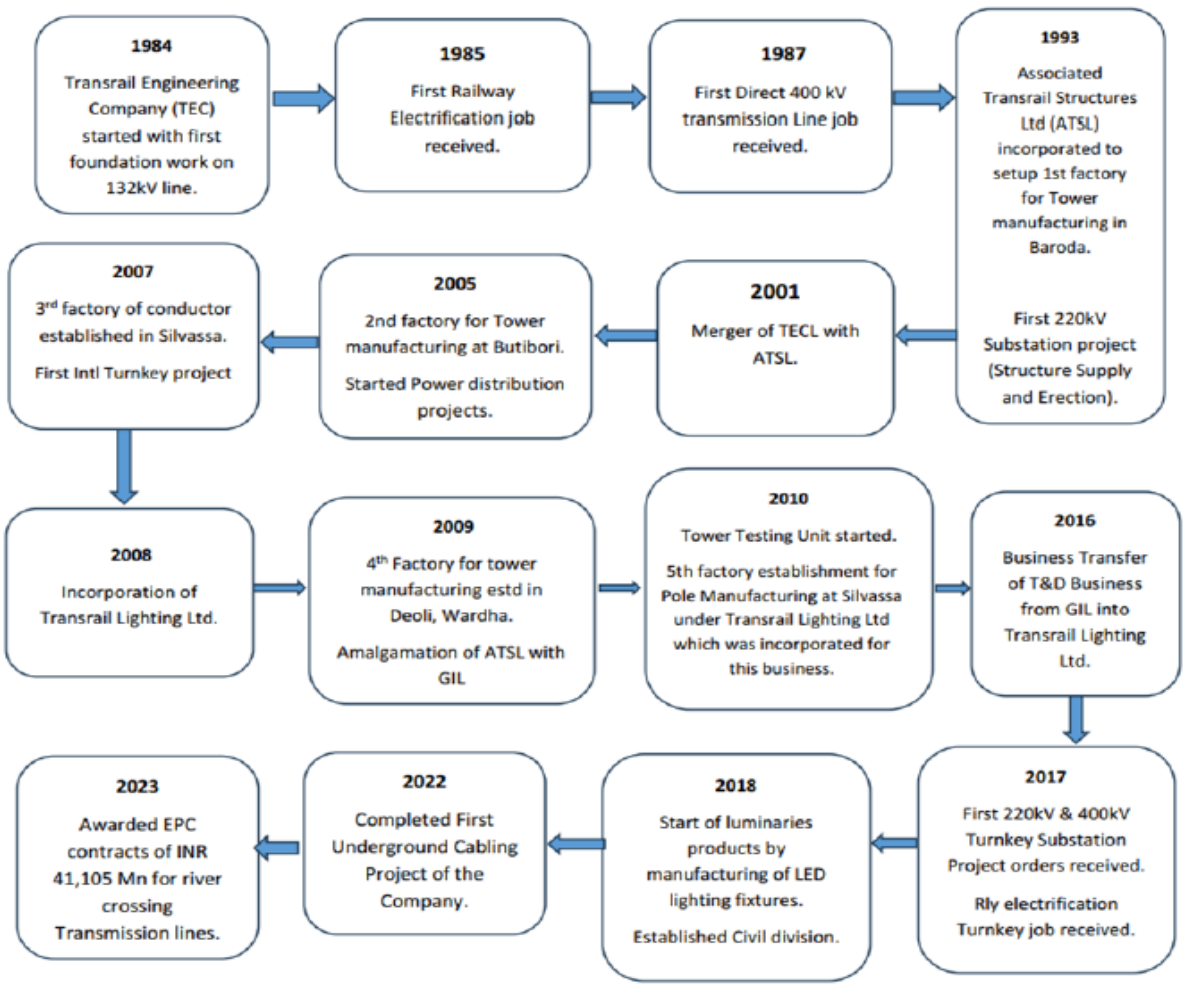
Vertical	For the three months period ended June 30, 2024		For the Financial Year ended March 31, 2024		For the Financial Year ended March 31, 2023		For the Financial Year ended March 31, 2022		Financial Year ended March 31, 2024-March31, 2022CAGR (%)
	Revenue of operations generated	% of total revenue of operations	Revenue of operations generated	% of total revenue of operations	Revenue of operations generated	% of total revenue of operations	Revenue of operations generated	% of total revenue of operations	
Power transmission and distribution	7,460.3	83.2	33,611.2	83.8	24,065.6	78.0	15,359.2	67.2	47.9
Civil construction	1,040.3	11.6	3,741.2	9.3	3,317.8	10.8	4,420.3	19.4	-8.0
Railways	194.8	2.2	974.3	2.4	1,760.9	5.7	1,521.4	6.7	-20.0
Poles and lighting	273.7	3.1	1,765.6	4.4	1,717.0	5.6	1,540.5	6.7	7.1
Total	**8,969.0**	**100.0**	**40,092.3**	**100.0**	**30,861.4**	**100.0**	**22,841.4**	**100.0**	**27.0**

Further the details for revenue generated from their business by geographical regions is set out below:

Geography of Client	For three Months period ended June 30, 2024	For the Financial Year ended March 31, 2024	For the Financial Year ended March 31, 2023	For the Financial Year ended March 31, 2022
In India	4494.6	16619.2	14388.4	14170.3
Outside India	4474.4	23473.1	16473.0	8671.1
Total	**8969.0**	**40092.3**	**30861.4**	**22841.4**

Company’s journey

One of their Promoters, Digambar Chunnilal Bagde, has experience of more than 40 years in the EPC industry and was at the helm of affairs of their Company from its inception. Digambar Chunnilal Bagde was also associated with Transrail Engineering.



The company has four operational manufacturing facilities including one tower testing facility.

Supply as well as design, engineering, procurement and construction of transmission lines and distribution lines - As of June 30, 2024, they have designed, engineered, procured and constructed 34,654 CKM transmission lines and 30,000 CKM distribution lines, respectively, both domestically and internationally. The Company operates as an EPC service provider and as a supplier of engineered products in the power transmission and distribution segment. They also provide EPC services in relation to air insulated and gas insulated substations. The table below sets forth the orders procured by their Company during the three months period ended June 30, 2024, and the Financial Years ended March 31, 2024, March 31, 2023, and March 31, 2022, in the domestic and international power transmission and distribution business:

Geography of the client	For the three months period ended June 30, 2024		For the Financial Year ended March 31, 2024		For the Financial Year ended March 31, 2023		For the Financial Year ended March 31, 2022	
	Amount (in ₹ million)	% of total orders procured in the power T&D n business	Amount (in ₹ million)	% of total orders procured in the power T&D n business	Amount (in ₹ million)	% of total orders procured in the power T&D n business	Amount (in ₹ million)	% of total orders procured in the power T&D n business
Domestic	525.5	6.2	20003.3	51.1	16847.3	26.2	6693.7	25.1
International	7943.6	93.8	19175.2	48.9	47487.7	73.8	19951.7	74.9
Total	**8469.1**	**100.0**	**39178.5**	**100.0**	**64335.0**	**100.0**	**26645.4**	**100.0**

Civil Construction - They provide EPC services including design in relation to bridges, tunnels, elevated roads and cooling towers. They have been awarded with the Kosi bridge project which is the largest civil construction project currently being executed in India by them. They are constructing some of the tallest natural draft cooling towers (NDCT) in India. The company's Civil construction services are majorly provided domestically.

Poles and Lighting - They have a diverse product manufacturing set-up, including high masts, street poles, luminaries, power transmission and distribution monopoles, stadium lighting, derrick structures, road gantries and signages, flag masts, solar streetlights, decorative poles etc. They operate as both manufacturers as well as supply, installation, testing and commissioning service providers in the poles and lighting segment. The poles and lighting vertical primarily operates in the Indian markets with select projects internationally. Their products have been used in many landmark projects across India and have also been exported to many countries. A few examples include Mumbai Trans Harbour Link, M. Chinnaswamy cricket stadium in Bengaluru, Samruddhi Highway, LED traffic lights in Mumbai, Qatar's sports and decorative lightings, Zambia's Lusaka city de-congestion project etc. Recently, they have expanded their factory by adding a dedicated facility for signages.

Railway services - They provide several services in relation to railways including overhead electrification, signaling and telecommunication services, earthwork, track linking and other composite works. The company's manufacturing units have supplied railway portals and overhead contact rods. Thir railways vertical has operations only in India. They have provided services to government undertaking and corporations of the Ministry of Railways in India, in this segment.

STRENGTHS

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

The company has 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 the Company foraying into underground cabling and substations, they have a comprehensive execution profile for overhead transmission lines, monopole lines, underground cables, distribution networks as well as sub-stations. Additionally, they have developed extensive pre-qualifications in the power transmission and distribution business owing to their extensive experience in the sector. As of June 30, 2024, they have constructed 34,654 CKM transmission lines (including more than 22,912 CKM of transmission lines which are above 220 kV thereby affirming their position as a reliable EPC partner in the ultra-high voltage ("UHV") transmission lines sector. Their in-house tower testing facility has tested more than 486 towers of various configurations. They have constructed India's first 1200 kV transmission lines that are currently charged at 400 kV. Further, they have also constructed distribution networks of 30,000 CKM including projects in India and Africa. The Company has built substations of up to 400kV. They have also completed more than 396 track kilometers ("TKM") of overhead electrification, 128 TKM of track laying and 35 locations in relation to signaling and telecommunications for railway projects in India.

Established manufacturing facilities

The company's first manufacturing facility in Vadodara, Gujarat, where they 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, they expanded their business by setting up two manufacturing facilities in Silvassa, Dadra and Nagar Haveli, in 2007 and 2010, for manufacturing conductors and poles, respectively. Their 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, they have supplied 1.3 million metric ton ("MMT") of towers, 194,534 kilometers ("KM") of conductors and 458,705 poles. Further, the Company has an in-house tower testing facility located in Deoli, Maharashtra which houses their research and development team providing tower testing services with provisions for online viewing of the tower tests. Their tower testing facility can test towers with a maximum height of 85 meters and they have tested towers up to 1,200 kV in this facility. They have tested 486 towers in-house as of June 30, 2024. This totals to approximately 12,500 MT and includes various types of towers such as 414 of self-support, 11 guyed towers, 56 monopoles, 3 railway portals and 2 telecom masts. Out of the aforementioned towers, more than half are for foreign clients including those based out of Canada, Mexico, Malaysia, Philippines, Korea, Oman, Chile, Italy, Botswana, Nigeria, Ethiopia, Mozambique, Bangladesh, Cameroon, Liberia, etc. Some of the key customers are WAAP- West Africa and other central public sector undertakings under the Ministry of Power,

state government run and private power transmission and distribution companies. They also manufacture railway masts and copper rods for their railways vertical and poles and high masts for their poles and lighting vertical. The tower manufacturing and testing unit in Deoli, Maharashtra, pole manufacturing unit in Silvassa, Dadra and Nagar Haveli are CE certified and all their in-house testing facilities are NABL accredited. They also manufacture advanced high-tension low sag ("HTLS") and high temperature conductors ("HTC") at their conductor manufacturing unit in Silvassa, Dadra and Nagar Haveli. They aim to achieve full backward integration, and their manufacturing facilities also have the capacity to manufacture the key components of towers, conductors and poles that they typically require in the construction of transmission lines. These manufacturing facilities help them reduce their dependence on third party suppliers for their key products.

Strong and diversified Order Book

The company's Order Book has a healthy balance of international and domestic clients and has consistently witnessed growth over the past few years. They primarily focus on the quality of the products and services provided by them, which helps them in honing their strong relationships with the clients. The following table sets forth a vertical wise summary of the Order Book as of June 30, 2024:

Business Vertical	Number of orders	Confirmed Unexecuted Order Book (in ₹ million)	% of total Order Book value
Power transmission and distribution	69	92,512.6	90.6
Civil construction	5	7,382.9	7.2
Railways	5	1,586.2	1.6
Poles and lighting	77	649.0	0.6
Total	**156**	**102,130.7**	**100.0**

Some of the leading projects secured by them 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, they generally take export orders which are either funded by multilateral funding agencies (which include organizations like World Bank, African Development Bank, Asian Development Bank etc.) or backed by letters of credit, which reduces their risks in relation to any defaults in payments to be received by their Company. As on June 30, 2024, such orders totaled 99.99% of the total unexecuted Order Book. The breakdown of their Order Book based on the geography of the clients is set out below:

	For the three months period ended June 30, 2024		For the Financial Year ended March 31, 2024		For the Financial Year ended March 31, 2023		For the Financial Year ended March 31, 2022	
	Amount (in ₹ million)	% of total Order Book	Amount (in ₹ million)	% of total Order Book	Amount (in ₹ million)	% of total Order Book	Amount (in ₹ million)	% of total Order Book
India	36,290.8	35.5	39,331.6	38.9	33,770.1	35.1	28615.1	48.4
International	65,839.8	64.5	61,673.2	61.0	62,422.7	64.9	30460.7	51.6
Total	**102,130.7**	**100.0**	**101,004.7**	**100.0**	**96,192.8**	**100.0**	**59075.9**	**100.0**

Strong in-house designing and engineering

The company undertakes their EPC business in an integrated manner. Their Company has developed key competencies and resources in-house to deliver a project from conceptualization until completion. They have an experienced team of 114 designers and engineers who are specialists in each segment of their business with a total cumulative experience of more than 17,000-man months. They 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. The 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 their Company to survey the surface of the Earth in Niger, Benin and Cameroon. Their in-house integrated model includes a design and engineering team for each business vertical and has contributed to their ability to successfully complete projects on time, without compromising on quality and allowing them to capture a larger proportion of the value chain in the EPC business.

Experienced promoter(s) with strong management team, technical expertise and business divisions with specialized domain knowledge

The company has seen robust business growth under the vision, leadership and guidance of one of their Promoters, Digambar Chunnilal Bagde, who has more than 40 years of experience in the EPC industry. In addition to their Promoters, they also have a qualified and well-experienced Board of Directors, of which their Managing Director and CEO, Randeep Narang, has over 35 years of experience in the power transmission and distribution industry. The company believes that the Promoter(s) and Board of Directors have played a key role in the development of their business, and they benefit from their industry knowledge and expertise, vision and leadership. Additionally, the Senior Management includes qualified, experienced and skilled professionals who have experience across various sectors. They have an in-house team of expert engineers specializing in civil, mechanical and electrical engineering, and a separate design team for each of their business verticals. Further, they have specialists in supply chain, quality assurance, EHS, information technology, finance and general management. As on June 30, 2024, they had 1,761 employees on board which mainly includes engineers and specialists working in various departments. They have respective subject matter experts for each segment of business, and they also have a hub and spoke model to cater to various geographies.

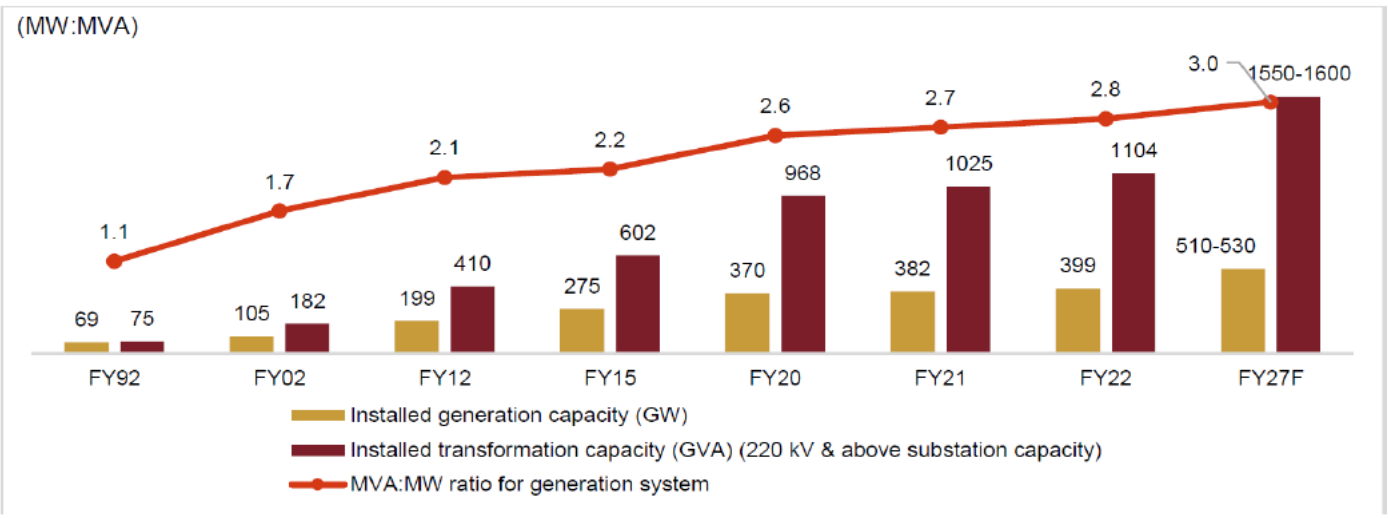
Strategies

The company intends to strengthen their position as one of the leading infrastructure turnkey solutions providers in the EPC space in India and internationally by implementing the following strategies:

Leverage the technical expertise, specialized domain knowledge and experience to expand the core competencies in power transmission and distribution segment, both domestic and international

Thei company's focus has been streamlined on the engineering, procurement and construction in power transmission and distribution vertical of their business. The power transmission and distribution business vertical contributed approximately 83.18% and 83.83% to the total revenue from operations in the three months period ended June 30, 2024, and the Financial Year ended March 31, 2024, respectively. This is supported by backward integration of establishing own manufacturing units for towers, conductors and monopoles. Robust generation capacity addition over the years and government's focus on 100% rural electrification through last mile connectivity has led to extensive expansion of the power transmission and distribution system across India. 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. The total transmission line length (above 220 kV) has increased at 3.3% CAGR from Financial Year ended March 31, 2019, to Financial Year ended March 31, 2024. This increase can also be attributed to an increase in the commissioning of the 765 kV lines, growing at a CAGR of approximately 6% over the same period. Further, the growth in sub-station capacities has majorly seen traction in 220 kV, 400 kV and 765 kV segments, contributing to 32%, 41% and 24% of the incremental additions between Financial Year 2019 and Financial Year ended March 31, 2024.

With the government's focus on alleviating congestion, transmission capacities are expected to witness growth in transformation capacity additions. The figure below shows the growth in the transformation capacity in comparison to the generation capacity in India.



Expand their EPC portfolio into other allied/ancillary infrastructure sectors

The company continues to maintain and strengthen their market position of the EPC business in India and internationally. Government of India has been clearly focused on development of infrastructure in the country and they intend to harness such opportunities and expand the scope of EPC civil services to focus on projects from the Government of India and other programs for bridges, tunnels and other transmission solutions. With the government increasing the target for investments in national highways over the next five years, construction of bridges and elevated roads is also expected to rise substantially, supported by road capex in north-east region, safety and traffic regulation concerns for village/ town intersection, and robust connectivity between national highways. Over the next few years, they will continue to focus on existing projects while seeking opportunities to expand their portfolio into other allied/ancillary infrastructure sectors. They are proposing to acquire BH business of Gammon Engineers and Contractors Private Limited, in order to expand their scope to hydro power projects as well. Further, they are also planning to expand their footprint in the solar EPC industry by including turnkey projects in relation to installation of solar rooftops, solar streetlights, ground mounted solar projects etc. They intend to draw on their experience, asset base, market position and ability to execute and manage multiple projects across various geographies to further grow their portfolio of EPC projects. In-house integration has been an integral part of their growth over the years, and they seek to focus on further enhancing the in-house competencies by expanding into various functional aspects of their projects thereby eliminating dependence on third parties. Depending on the nature of projects that they may bid for and win in future, they shall continue to invest in developing design and engineering capabilities. With experience gained through working and supplying their products in 58 countries for the power transmission and distribution vertical, they are poised to leverage this expertise to take their other business verticals international. All their other verticals like civil construction, poles and lighting and railways have business prospects internationally and through their network and existing set-up in close to 22 countries they will be able to take the other verticals international.

Focusing on expanding the market for their conductors and to leverage the new age HTLS conductors

They have successfully supplied conductors from their Silvassa factory to various projects around the world. They not only manufacture a very wide range of conventional overhead power conductors but have also successfully enhanced their offerings by adding high temperature conductors ("HTC") and HTLS conductors as new products. The market trend for HTCs has been experiencing significant growth and interest in recent years. As electricity demand continues to rise and power transmission networks face increasing challenges, there is a growing need for conductors that can handle higher electrical loads and offer enhanced efficiency. Moreover, as the world transitions to a cleaner and more sustainable energy mix, HTCs play a crucial role in supporting the integration of renewable energy sources into the grid, ensuring efficient power transfer from remote generation sites to population centers. Governments and utilities are increasingly investing in upgrading transmission infrastructure with HTCs, making it one of the key drivers of innovation and modernization in the power transmission and distribution industry.

Expanding their international business

The company wish to strengthen their presence in selected countries such as West Africa, East Africa, South Asian Association for Regional Cooperation ("SAARC") and Southeast Asia by securing more orders and achieving economies of scale. Further, they wish to expand their Company's footprint in current and new international markets by leveraging the resources and experiences achieved by them in the past in similar geographies. These would also include Latin American countries and Middle East and North African countries. According to CRISIL Report, the market trend of increasing power transmission and distribution lines across the globe has been characterized by significant growth and development along with certain key factors including the rising electricity demand, renewable energy integration, interconnection projects, government initiatives and investments, and technological advancements, among others. Regions including Asia Pacific and Africa have experienced robust economic growth and rapid urbanization, leading to the increasing demand for electricity. China is planning to invest over $1 trillion in new transmission lines by 2025. India is planning to invest over $200 billion in new transmission lines by 2027. In Philippines, the Department of Energy and the National Transmission Corporation are targeting to complete a smart and green grid plan aimed at ensuring the seamless integration of additional renewable energy capacity to the grid in the coming years. Electricity Generating Authority of Thailand has planned number of transmission system development and expansion projects for bulk power supply, power purchase from IPPs, transmission system renovation and expansion etc. for a green energy future. Vietnam's National Power Transmission Corporation has started eleven 220-500kV transmission power grid projects and energized eleven projects. In February 2023, the Government of Kenya entered into a public-private partnership with Power Grid Corporation of India Limited to build a 237 KM transmission line under the pan-African investment firm, Africa50. This line will lead to the formation of Kenya's first privately-owned electricity transmission line, which will be built on an investment of approximately USD 298 million.

In order to be closer to the customer, faster execution and decision making, business development for new opportunities, they have created a Hub Structure where they are creating centres for each region and placing their senior resources for faster and decentralized mode of working. Further, they shall continue to leverage the domestic strength, including the qualification experiences, to further participate in international markets.

Enhancing the Company's pole and lighting business in various product categories

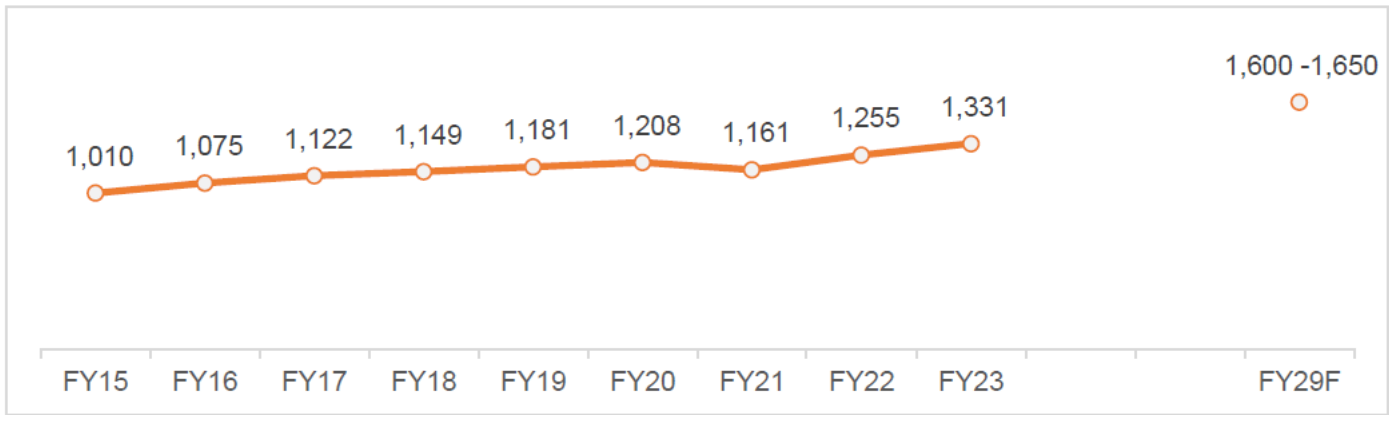
The company plans to further strengthen their product portfolio and more importantly increase the geographical footprint for the pole and lighting business vertical of their Company. They have been successful in getting good traction for their newly launched products like traffic lights, signage etc., which they will continue to focus on. Further, they want to take the solar street lighting product range globally. They will also focus on adding architectural illumination segment to their already existing poles and lighting business vertical.

Industry Snapshot

Per capita power consumption

Electricity consumption per person rose to 1,331 kWh in fiscal 2023 (as per CEA's provisional data), from 1,010 kWh in fiscal 2015 at a CAGR of 3.5%, primarily led by large capacity additions coupled with strengthening of the transmission and distribution (T&D) network. Post successive one-year growth in consumption, demand declined in fiscal 2021, particularly from high-consuming industrial and commercial categories on account of weak economic activity following outbreak of the COVID-19 pandemic. In fiscal 2022, though, per capita consumption rebounded to 1,255 kWh on the back of recovery in demand, with a similar trend estimated in fiscal 2023. Similarly, the energy requirement grew at 4.4% CAGR over fiscals 2015 to 2023 i.e., from 1,069 BUs to 1,512 BUs. As seen in Error! Reference source not found. Despite this healthy increase, the per-capita electricity consumption remains significantly lower than other major economies. Developing countries, such as Brazil and China, have significantly higher per-capita electricity consumption than India. Between fiscals 2024 and 2029, India's per capita electricity consumption is expected to grow at ~5-7% CAGR. Per capita consumption is expected to gradually improve in the long term as well, as power demand picks up on the back of improvement in access to electricity, in terms of quality and reliability, rising per capital income, increasing EV penetration, railway electrification, on account of intensive rural electrification, resulting in realization of latent demand from the residential segment, increased penetration of consumer durables. However, there are a few factors which could restrict the growth such as improved energy efficiency, focus on T&D loss reduction, sustainability targets and increasing share of services in GDP. Consequently, CRISIL MI&A Consulting expects per capita electricity consumption to reach 1,600-1,650 kWh by fiscal 2029.

Per capita electricity consumption



Atmanirbhar Bharat Abhiyan

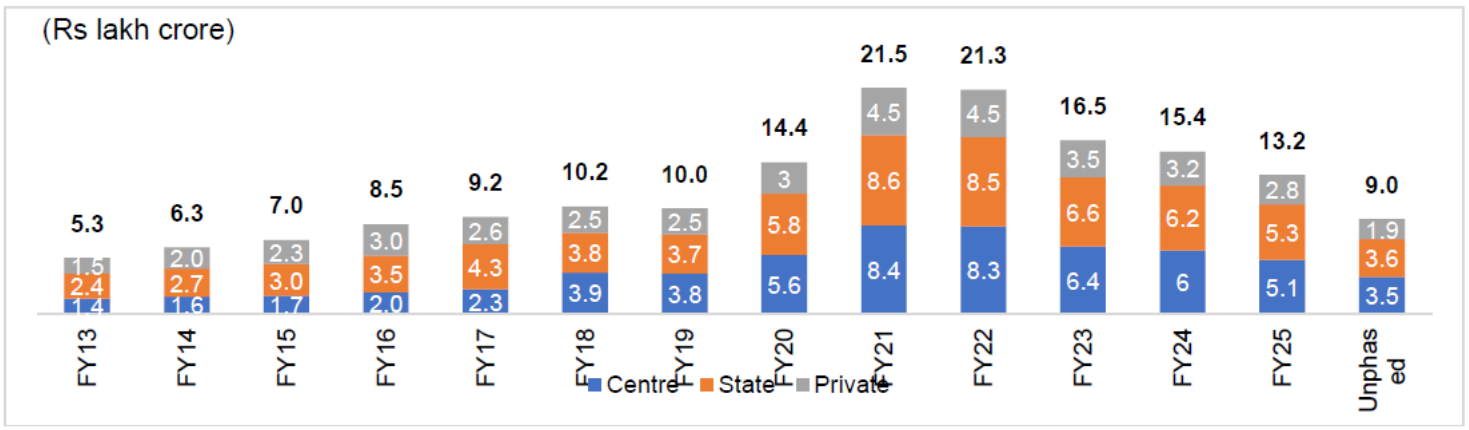
Production Linked Incentives (PLIs) in the 14 sectors for the Atmanirbhar Bharat vision received outstanding response, with a potential to create 60 lakh new jobs. The five focus points of the Atmanirbhar Bharat Abhiyan are economy, infrastructure, system, vibrant demography, and demand. Its five phases are:

Phase I: Businesses, including MSMEs Phase II: Poor, including migrants and farmers Phase III: Agriculture Phase IV: New horizons of growth Phase V: Government reforms and enablers

Overview of National Infrastructure Pipeline (NIP)

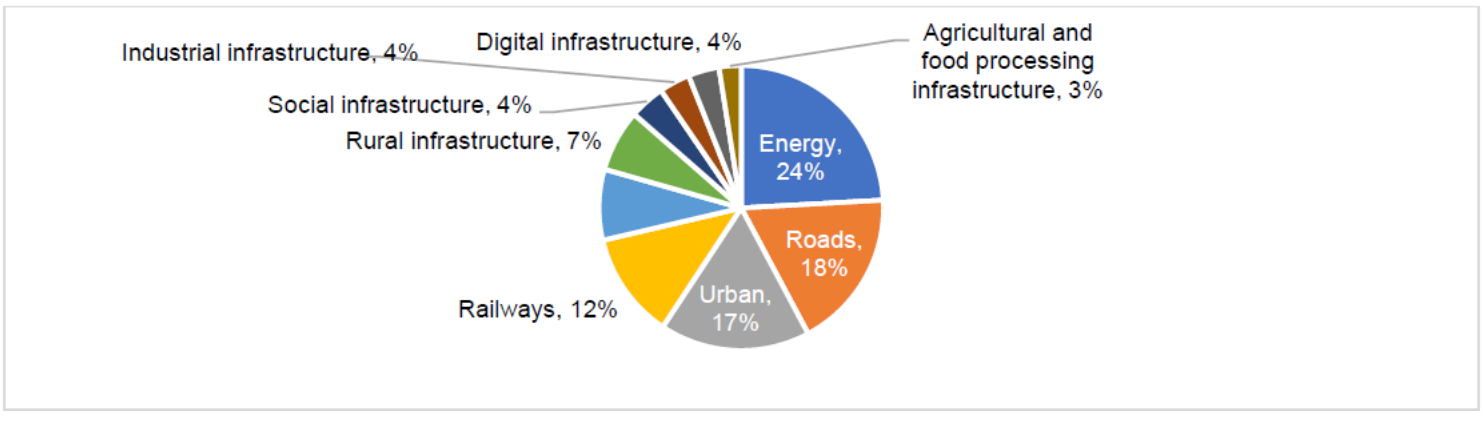
Over the period from fiscal years 2008 to 2017, India's infrastructure investment was approximately Rs. 60 lakh crores, which is equivalent to $1.1 trillion based on the average exchange rates of those respective years. Specifically, during the 11th Five Year Plan (fiscal years 2008 to 2012), the investment in infrastructure reached Rs. 24 lakh crores, and during the subsequent 12th Five Year Plan (fiscal years 2013 to 2017), it increased to Rs. 36 lakh crores, both figures being measured at current prices.

India’s infrastructure investment trend since fiscal 2013



From fiscal years 2013 to 2019, approximately 85% of India’s total infrastructure investment was allocated to several key sub-sectors, namely power, roads and bridges, urban development, digital infrastructure, and railways. Funding for power and roads and bridges predominantly came from both the central government and state governments, with some involvement from the private sector. On the other hand, investments in the digital sector were mainly driven by the private sector, while the irrigation sector saw a major share of investments made by the state governments. In his Independence Day address in 2019, the Hon’ble Prime Minister emphasized a significant investment of Rs. 100 lakh crores in infrastructure projects, encompassing both social and economic aspects, to be spread out over the next five years. To realize this ambitious goal, a Task Force was established under the approval of the finance minister to devise the National Infrastructure Pipeline (NIP) for each fiscal year, covering the period from FY 2019-20 to FY 2024-25. The Task Force, headed by the Secretary of the Department of Economic Affairs (DEA), comprises members such as the CEO of NITI Aayog, the Secretary of Expenditure, the Secretaries of the Administrative Ministries, and the Additional Secretary of Investments from DEA, along with the Joint Secretary of the Investment Promotion Fund (IPF), DEA, serving as the Member Secretary. The estimated total capital expenditure in infrastructure sectors in India from fiscal years 2020 to 2025 is approximately Rs. 111 lakh crores.

Sector-wise break-up of capital expenditure of Rs 111 lakh crore during fiscals 2020-2025



India's power sector

Review of the sector

Evolution and structure

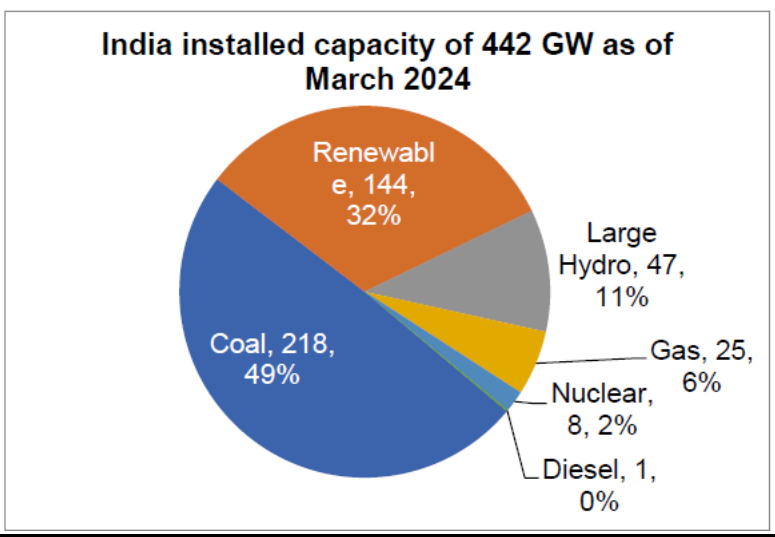
India's power sector is highly diversified, with sources of power generation ranging from conventional (coal, lignite, natural gas, oil, hydro and nuclear power) to viable, non-conventional sources (such as wind, solar, and biomass and municipal waste). T&D infrastructure has expanded over the years for evacuation of power from generating stations to load centres through the intra-state and inter-state transmission system (ISTS). The sector is highly regulated, with various functions being distributed between multiple implementing agencies. The three chief regulators for the sector are: the Central Electricity Regulatory Commission (CERC), the Central Electricity Authority (CEA), and the State Electricity Regulatory Commissions (SERCs).

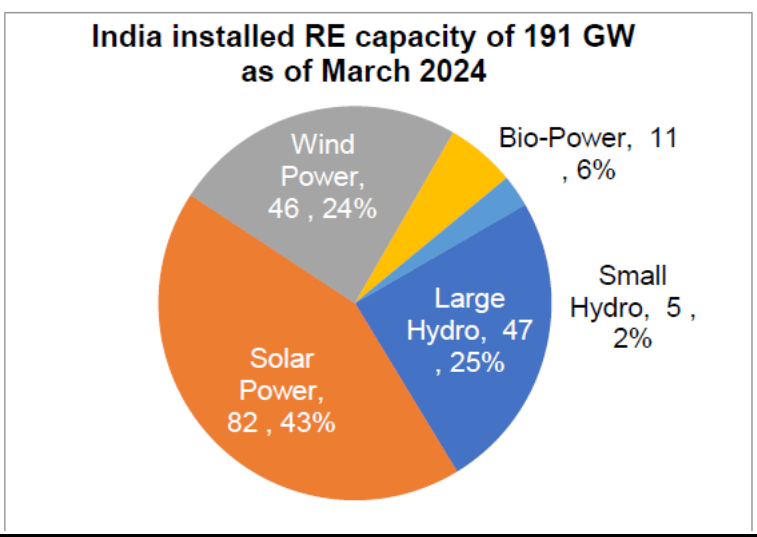
The Ministry of Power (MoP) works in close coordination with the CERC and CEA. While the CERC's role is more of a regulator for approving tariffs of central utilities, approving licenses, etc., the CEA is primarily a technical advisor focused on planning, i.e., estimating power demand and generation and transmission capacity.

Key policy and regulatory reforms in support of RE growth

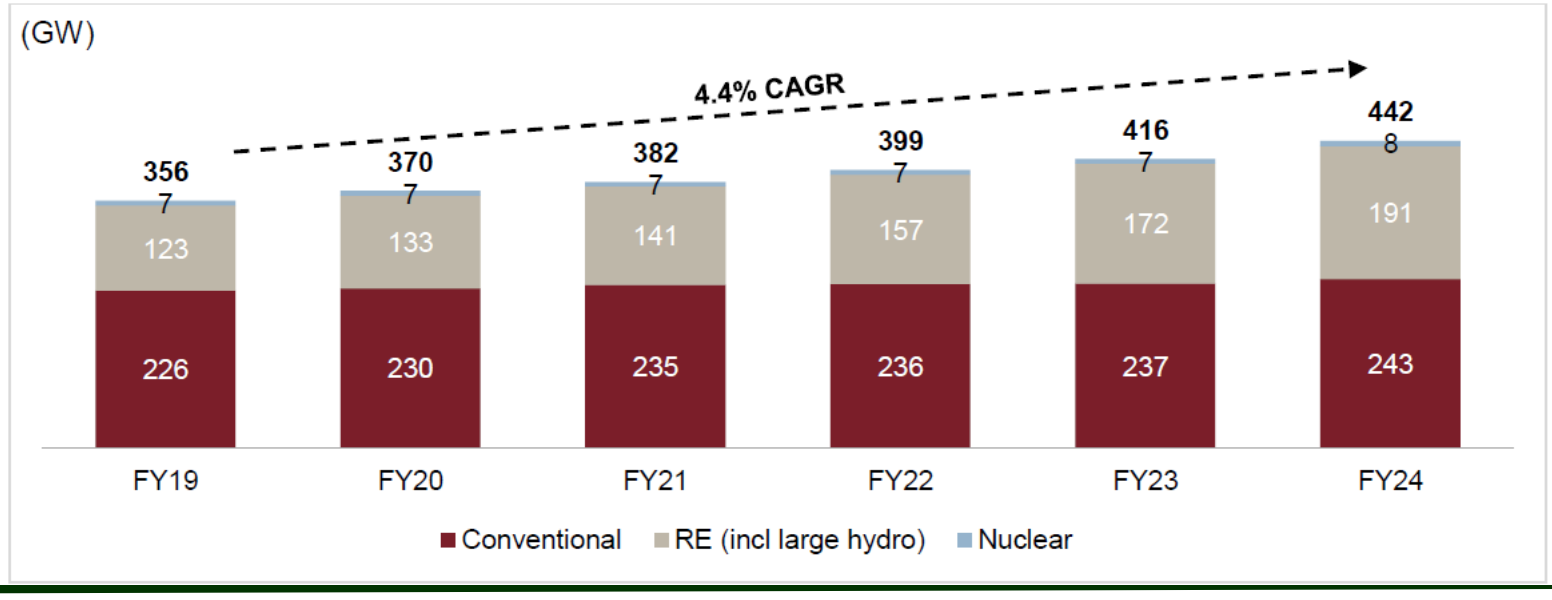
The development of grid interactive renewable power has essentially taken off with the Electricity Act 2003, which mandates the SERCs to promote cogeneration and generation of electricity from renewable energy (RE) sources by providing suitable measures for connectivity with the grid and sale of electricity and fix certain minimum percentages for purchase of renewable power in the area of each distribution licensee. In June 2008, a National Action Plan on Climate Change (NAPCC) was announced, which included eight major national missions, with the one on solar energy the Jawaharlal Nehru National Solar Mission (JNNSM) being central. The JNNSM was launched in January 2010, with a target of 20 GW grid solar power. In June 2015, this target was increased to 100 GW by 2022 and a cumulative target of 175 GW of RE capacity addition by 2022 was set which included 100 GW from solar, 60 GW from wind, 10 GW from bio-power, and 5 GW from small hydropower. Furthermore, the GoI has committed in the COP 26 summit to reduce its emission to net zero by 2070. To achieve the said target India updated its intended nationally determined contributions (NDCs) in August 2022, for the period up to 2030. India set an ambitious target of achieving 500 GW of non-fossil fuel-based capacity addition, 50% of energy needs from non-fossil fuels, reduction of emissions by 1 billion tonnes between 2021 and 2030 and emissions intensity of the GDP by 45% by 2030. This is expected to provide further impetus to the renewable energy segment.

Breakup of installed capacity (GW)





Evolution of all India installed generation capacity (GW)



Apart from macroeconomic factors, power demand would be further fueled by railway electrification, upcoming metro rail projects, growing demand for charging infrastructure due to increased adoption of electric vehicles, higher demand from key infrastructure and manufacturing sectors. However, increasing energy efficiency, a reduction in technical losses over the longer term, and captive as well as off-grid generation from renewables would restrict growth in power demand. Railway electrification and metro rail projects to drive a majority of incremental power demand To become a net zero emitter by 2030, the government aims to achieve 100% electrification of Indian Railways by December 2023. However, given delayed electrification works due to pandemic-induced lockdowns, coupled with the sluggish pace of electrification, 100% electrification is expected to be achieved by fiscal 2025 and lead to incremental power demand of around 23 BUs on average every year between fiscal 2025 to 2029. The power sector is poised to witness most of the incremental demand from railway electrification; however, lower energy consumption for electrification per km due to energy efficiency improvements will partially offset the demand.

Metro rail has seen substantial growth in India in recent years, and the rate of growth is set to double or triple in the coming years with multiple cities seeking metro rail services to meet daily mobility requirements. Around 712 km of metro rail is under construction and 1,878 km is proposed to be added. These developments are expected to add incremental power demand of 5-6 BUs every year on average between fiscal 2025 to 2029. Currently, metro rail projects constitute a marginal share of total incremental demand, but the share is expected to increase due to a large quantum of upcoming metro projects. Further, EV charging requirements are likely to boost power demand over the medium term, with a gradual increase in the share of EVs in the vehicle population. CRISIL MI&A-Consulting projects that adoption of EVs will boost power demand by 12-13 BUs annually on average over fiscals 2025 to 2029. Declining T&D losses, an increase in off-grid/rooftop projects and open access transactions to drive power demand downward T&D losses have been declining, and the reduction in losses is expected to continue further aided by a slew of government measures, primarily the Revamped Distribution Sector Scheme (RDSS). RDSS is a reform-based and result-linked scheme for improving the quality and reliability of power supply to consumers through a financially sustainable and operationally efficient distribution sector.

Power demand is expected to be reduced by 20-25 BUs on average every year between fiscal 2025 to 2029 owing to lower T&D losses. Further, with a boost to rooftop solar and the declining cost of renewable energy generation, the decentralized distributed generation is expected to increase, reducing power demand from the grid. By fiscal 2029, 32-33 GW of rooftop capacities are expected to come onstream, resulting in a reduction of 2-3% in base demand. Captive consumption has been on a rising trajectory since fiscal 2013. The top four industries namely iron and steel, sugar, aluminum, and steel account for 65% of the total captive consumption. Captive consumption is expected to maintain its growing trajectory going forward driven by increasing production in the mentioned industries. These industries are expected to add ~3-4 GW of captive capacity over the next five years, adding on average 290-300 BUs of demand over the period which may lead to a reduction in demand from the grid. With higher tariffs and increasing operating expenses, commercial and industrial (C&I) consumers are opting for renewable energy through rooftops or open access to optimize the production costs. Thus, this segment opens up an avenue for more and more RE installations and provides an opportunity for RE players to expand their market.

Comparison With Listed Peers

Name of the Company	Standalone/ Consolidated	Total Revenue (₹ in million)	Face Value per Equity Share (₹)	P/E (₹)	EPS (₹)	RoNW (%)	NAV (₹ per share)	Profit after tax (₹)
Transrail Lighting Limited	Consolidated	40,092.3	2	**24.8**	**17.4**	21.7%	86.8	2332.1
KEC International Limited	Consolidated	1,99,140	2	87.7	13.5	8.5%	159	3470
Kalpataru Projects International Limited	Consolidated	1,96,260	2	41.6	31.8	10.0%	316	5160
Skipper Limited	Consolidated	32,820	1	76.0	7.9	9.1%	84	820
Patel Engineering Limited	Consolidated	45,440	1	16.2	3.6	9.6%	38	3020
Bajel Projects Limited	Standalone	11,690	2	717.8	0.4	0.8%	49	40

*Note –: 1) P/E Ratio has been computed based on the closing market price of equity shares on NSE on Dec 16, 2024.
2) * P/E of company is calculated on EPS of FY24, and post issue no. of equity shares issued.

Key Risks

- The Order Book is subject to cancellation, modification or delay which may materially and adversely affect their business, future prospects, reputation, financial condition and results of operation.
- Since their project management and turnkey EPC contracts (including those for power transmission and distribution), have long execution periods and time overruns, project related estimated costs and revenue estimates may vary from the actual costs incurred and actual revenues generated which may adversely affect their business, financial condition, results of operations and future prospects.
- The company's business is substantially dependent on tenders being floated by government authorities, public sector undertakings and utilities, from which they derive a significant portion of their revenues, i.e. approximately 70% of their revenue from operations for the three months period ended June 30, 2024, and approximately 82% for their average revenue from operations for the Financial Years ended March 31, 2024, March 31, 2023, and

March 31, 2022. Any delays in tenders released or no tenders released by such entities may have a material adverse effect on the business and results of operations.

- They are exposed to foreign currency fluctuation risks, particularly in relation to import of raw materials, receivables from their foreign projects and the trade receivables, which may adversely affect the results of operations, financial condition and cash flows.

- The Company was a subsidiary of Gammon India Limited ("GIL") in the past. Any action taken against GIL pursuant to the proceedings outstanding against GIL may have an adverse impact on their reputation and business.

- In the past, the books of accounts have been inspected by the Ministry of Corporate Affairs ("MCA") and certain non-compliances have been found by the MCA in the books of accounts. If they are subject to penalties or other regulatory actions in relation to non-compliance, their reputation, business and results of operations could be adversely affected.

- They have substantial capital expenditure and working capital requirements involving relatively long implementation periods and they may require additional financing to meet those requirements. Their indebtedness and the conditions and restrictions imposed on them by their financing arrangements could adversely affect the ability to conduct their business.

- The company has an outstanding FIR filed by the Central Bureau of Investigation, Anti-Corruption Bureau, Lucknow, Uttar Pradesh ("CBI") for the Gomti River Project. Any adverse developments in such CBI matters may have a material adverse effect on their business, financial condition, results of operations and cash flow.

- In the past, the Company have received a show cause notice from RBI for FEMA non-compliance. Any adverse action in the future or the inability of the Company to realize and repatriate the outstanding dues may have a material adverse impact on their business operations and financial condition.

- The Company along with their Promoter, Ajanma Holdings, are proposing to acquire a part of the business of Gammon Engineers and Contractors Private Limited ("GECPL") which is facing restructuring by its lenders. Any action against GECPL pursuant to its restructuring may have a material adverse impact on their Company and the proposed acquisition.

Valuation & Outlook

Transrail Lighting Limited has successfully executed over 200 projects in the power transmission and distribution sector, showcasing robust project execution capabilities, including skilled manpower, material supply (featuring self-manufactured products), and access to world-class machinery, both domestically and internationally. Transrail Lighting has an order book worth INR 10,213 Crores (approximately 2.5 times the FY24 revenue), reflecting strong business visibility over the medium term.

The company is committed to expanding its conductor, pole, and international businesses. With a presence in 58 countries, it aims to further strengthen and broaden its global footprint in the future.

At the upper band company is valuing at 24.8x its FY24 EPS. Following the issuance of equity shares, the company's market capitalization stands at ₹57,998.6 million, with a market cap-to-sales ratio of 1.4 based on its FY24 earnings. The growing demand for power, coupled with government initiatives, has driven the need for transmission and distribution lines. The company is well-positioned to supply T&D products and efficiently manage multiple projects across various countries. We believe that the issue is fairly priced and recommend "**Subscribe – Long Term**" rating to the IPO.

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Mid-Caps (101st-250th company)	>20%	0%-20%	Below 0%
Small Caps (251st company onwards)	>25%	0%-25%	Below 0%

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