

## Comprehensive Report on Quadrant Future Tek Limited by InvestorZone

### 1. Company Overview

#### Inception and Evolution:

- Incorporated as 'Quadrant Cables Private Limited' on September 18, 2015, in Mohali.
- Renamed to 'Quadrant Future Tek Private Limited' on October 8, 2021.
- Became a public limited company, 'Quadrant Future Tek Limited,' on October 21, 2021.

### 2. Business Model, Products, and Revenue Streams

#### Business Model:

- A research-driven entity focused on:
  - Developing next-generation Train Control and Signalling Systems under the Indian Railways' KAVACH project.
  - Manufacturing speciality cables using an Electron Beam Irradiation Centre.

#### Products:

1. **Train Control and Signalling Systems:**
  - Automatic Train Protection (ATP) and Automatic Train Operations (ATO) systems, including KAVACH.
  - Installation, testing, and commissioning of on-board KAVACH equipment.
2. **Speciality Cables:**
  - Applications in railways, defence, solar power, and electric vehicles (EVs).
  - Includes low fire hazard, lightweight cables for EVs and solar projects.
  - Hardware manufacturing for Train Control & Signalling division.

#### Revenue Model:

- Sale of speciality cables on a make-to-order basis to railways and defence.
- Installation, testing, and maintenance of KAVACH systems, with maintenance charges post-warranty.

#### Manufacturing Facility:

- Located in Village Basma, Tehsil Banur, District Mohali.
- Focuses on manufacturing and R&D of speciality cables and KAVACH hardware.

### 3. Financial Overview

#### Revenue Breakdown:

- **FY22:** Revenue from operations – ₹1,042.58 million; Total income – ₹1,042.91 million.
- **FY23:** Revenue from operations – ₹1,528.04 million; Total income – ₹1,529.45 million.
- **FY24:** Revenue from operations – ₹1,517.56 million; Total income – ₹1,518.23 million.
  - Cables business contributed ₹1,517.56 million in FY24.
  - No revenue from KAVACH division in FY24.

#### Growth Insights:

- Significant growth from FY22 to FY23 but a slight dip in FY24.
- Future growth expected from the KAVACH division once invoicing and deployments commence.

### 4. Growth Prospects

#### Industry Growth:

- Operates in rapidly growing sectors: Speciality Cables and Indian Railways' ATP systems.
- Increasing demand for renewable energy and EV cables.

#### KAVACH Project:

- Major purchase order from Chittaranjan Locomotive Works valued at ₹9,786.06 million for 1,200 locomotives.
- Potential maintenance revenue stream for 11 years post-warranty.

#### Technological Edge:

- Strong R&D capabilities with indigenous solutions.
- Focus on niche technology for railway, defence, solar, and EV applications.

#### Global Market:

- Plans to supply KAVACH systems and speciality cables to global OEMs.
- MoU with RailTel for marketing KAVACH internationally.

## 5. Order Book Highlights

### Confirmed Orders:

#### 1. CLW Purchase Order:

- Value: ₹9,786.06 million (including taxes).
- Scope: Supply, installation, testing, and commissioning of KAVACH on 1,200 locomotives.
- Maintenance charges: 3% of total capital cost for 11 years post-warranty.
- Delivery schedule: Within one year.

#### 2. South Central Railway Order:

- Value: ₹168.60 million.
- Scope: Deployment on a 43.6 km section.
- Invoiced: ₹26.94 million in H1 FY24 and ₹14.25 million in FY23.

### Future Potential:

- Indian Railways plans to implement KAVACH across 44,000 km by 2029.
- Tenders worth over ₹2,200 crore launched for KAVACH deployment.
- Expansion opportunities with RailTel partnership.

## 6. Risks in the Business

### Operational Risks:

- Competition in speciality cables and KAVACH systems.
- Financial covenants restricting capital structure flexibility.

### Financial Sensitivity:

- Vulnerable to interest rate changes due to variable-rate financing.

### Legal and Utilisation Risks:

- Promoter disputes and litigation history.
- Risks in utilisation of net proceeds and dependency on shareholder approvals.

### Forward-Looking Statements:

- Subject to market and operational uncertainties.

## 7. Promoter Background

### Founding Groups:

- **MV Group:** Mohit Vohra and Amit Dhawan.
- **NEC Group:** Rupinder Singh, Aikjot Singh, and Parminder Kaur.
- **ISG Group:** Amrit Singh Randhawa, Rajbir Singh Randhawa, Swinder Kaur, and Navneet Kaur.
- **Abrol Group:** Mohan Krishan Abrol, Vivek Abrol, Vishesh Abrol, and Vipin Abrol.

### Key Management:

- **Mohit Vohra:** Managing Director with 26+ years of experience in railways and defence.
- **Amit Dhawan, Amrit Singh Randhawa, and Rupinder Singh:** Whole Time Directors with extensive domain expertise.
- Promoters hold a significant portion of pre-issue equity.

## 8. Valuation

Total shares outstanding are 4 crore, and the IPO price is ₹290 per share, valuing the company at approximately ₹1200 crore. In FY24, the company reported a PAT of ₹14 crore, leading to a P/E ratio of 85. However, this P/E ratio may not be the best metric to assess the company's valuation due to its evolving business model.

Historically, the company primarily operated in the speciality cables segment. However, in December 2024, it secured a significant order under the KAVACH system, valued at ₹987 crore, to supply this system to 1,200 locomotives. The order, awarded by Chittaranjan Locomotive Works (CLW), is to be executed within a year. Additionally, after the warranty period, the company will earn a 3% annual maintenance charge on the total capital cost of the supplied KAVACH equipment for 11 years.

It is important to note that 100% payment for this project is contingent upon the successful installation, testing, and commissioning of the KAVACH system on the locomotives. This implies that the company will not receive payment until the system is fully operational and accepted by CLW. There is no mention of advance or interim payments in the provided sources, meaning the company must self-fund the production and installation costs until project completion. This financial structure underscores the need for robust working capital management to meet the project's requirements.

## Conclusion

Quadrant Future Tek Limited is positioned as a key player in India's speciality cables and railway signalling systems sector. With significant orders like the CLW KAVACH project and the South Central Railway deployment, the company has strong growth prospects. Challenges like competition and financial covenants exist, but robust R&D and experienced management bolster its

position. The upcoming years are critical as KAVACH deployment and potential global expansions take shape.

