

## Transrail Lighting Limited: A Comprehensive Analysis

Transrail Lighting Limited is an Indian Engineering, Procurement, and Construction (EPC) company with a substantial presence in the power transmission and distribution sector. The company has demonstrated significant growth and profitability since commencing T&D operations in 2016 under new promoters. Its diversified operations, strong financial performance, and strategic initiatives position it as a notable player in its industry.

### A) Business Overview:

- **Diverse Operations:** Transrail operates in various sectors, including power transmission and distribution (T&D), substations, railways, civil construction, and poles & lighting. It offers comprehensive, turnkey solutions using integrated manufacturing facilities.
- **Global Footprint:** The company has a global reach, with operations across Asia, the Americas, Europe, and Africa.
- **Revenue Model:** Its revenue is primarily generated from EPC projects, with revenue recognition based on the percentage-of-completion method.
- **Experienced Management:** The company is led by an experienced team including Digambar Chunnilal Bagde (Executive Chairman), Randeep Narang (Managing Director and CEO), and Ajit Pratap Singh (Chief Financial Officer).

### B) Financial Performance:

- **Consistent Growth:** Transrail has demonstrated consistent growth in revenue, EBITDA, and PAT over the past few years.
  - **Revenue from operations** has increased from ₹2350 Cr in FY22 to ₹4076 Cr in FY24.
  - **EBITDA** has risen from ₹205 Cr in FY22 to ₹477 Cr in FY24.
  - **Profit After Tax (PAT)** has grown from ₹64 Cr in FY22 to ₹233 Cr in FY24.
  - **Revenue growth in FY24 from FY23** was a significant 29.32%.
- **Profitability Margins:** Transrail stands out for its higher profitability margins compared to peers.
  - **Operating Profit Margin (OPM):** Transrail's OPM is 11.70%, which is higher than both KEC International (6.79%) and Kalpataru Projects International (9.24%).
  - **Net Profit Margin (NPM):** Transrail's NPM is 5.72%, which is also higher than KEC International (1.74%) and Kalpataru Projects International (2.63%).
- **Return on Net Worth:** The Return on Net Worth (RoNW) stands at 21.68% for the financial year ending March 31, 2024, indicating efficient use of equity.

### C) Comparative Analysis with Industry Peers (FY2024):

The table below compares Transrail to two of its larger competitors. The data is in ₹ Crore.

Company	Revenue	EBITDA	OPM	PAT	NPM	P/E	Mcap
<b>Transrail</b>	4,076	477	11.70%	233	5.72%	24.9	5,800
KEC International	19,914	1,353	6.79%	347	1.74%	76.3	32,145
Kalpataru Projects International	19,626	1,814	9.24%	516	2.63%	43	22,175

- **Scale:**

- Transrail is a smaller company in terms of revenue and market capitalisation (Mcap) compared to KEC International and Kalpataru Projects International.
- Transrail's revenue is ₹4,076 crore, while the other two companies have revenues close to ₹20,000 crore.
- Similarly, Transrail's market cap of ₹5,800 crore is much lower than its peers.

- **Efficiency:**

- **Transrail excels in profitability**, demonstrating higher OPM and NPM compared to KEC International and Kalpataru Projects International. This suggests that it is more efficient at converting revenue into profit.
- Transrail's OPM of 11.70% and NPM of 5.72% are considerably higher than its peers, indicating better cost management and operational effectiveness.

- **Valuation:**

- Transrail's P/E ratio of 24.9 is significantly lower than KEC International (76.3) and Kalpataru Projects International (43), suggesting it could be undervalued. This could also suggest the market is taking a more cautious approach to valuation, and needs to see further evidence of the company's consistent growth.
- The lower P/E ratio and strong margins may indicate a potential for stock appreciation.

### D) Initial Public Offering (IPO):

- **Fresh Issue and Offer for Sale:** The company is undergoing an IPO, which includes a fresh issue of equity shares and an offer for sale by the promoter shareholder, Ajanma Holdings Private Limited.
- **Offer Details:** The offer opens on December 19, 2024, and closes on December 23, 2024.
- **Use of Proceeds:** The net proceeds from the IPO will be used to fund the company's growth and operational requirements.

- The offer includes a fresh issue of shares aggregating up to ₹4,000 million and an offer for sale of up to 10,160,000 equity shares.

#### E) Risks and Considerations:

- **Order Book:** The company's order book is subject to cancellation, modification, or delay, which may negatively impact revenue.
- **Project Execution:** Long project execution periods, price escalations, funding constraints, material shortages and disputes may disrupt operations.
- **Regulatory Compliance:** The company needs to comply with various laws and regulations, which presents an ongoing risk.
- **Financial Risks:** Fluctuations in interest rates, foreign exchange rates, and equity prices can impact financial performance.

#### Conclusion:

**Transrail Lighting Limited is a company with strong growth prospects and efficient operations, as demonstrated by its higher profitability margins and consistent growth in revenue and profit.** Despite being smaller in scale than its peers like KEC International and Kalpataru Projects International, **Transrail demonstrates superior efficiency** as reflected by its high OPM and NPM.

The lower P/E ratio compared to peers might suggest an **undervalued stock**, however the market may also be taking into account the company's shorter history as a T&D company, which it began in 2016. Its ongoing IPO provides an opportunity for investors to participate in its growth story.

However, potential investors should **carefully consider the risk factors**, including the susceptibility of the order book, compliance risks, and financial uncertainties, as well as the information in the Red Herring Prospectus, before making any investment decisions. **The company's management experience and healthy customer relationships position it well for continued expansion.**