Transrail Lighting Ltd.

Sector: Power Transmission & Distribution EPC

CMP(₹): 423

DCF fair value: ₹581 | Upside: 37% | **View: BUY**

Integrated grid builder with the best margins in its peer group, at 6.0x FY27E EV/EBITDA

Investment thesis: BUY, fair value ₹581

Transrail Lighting Ltd. (NSE: TRANSRAILL) is valued at **₹581** per share, 37% above the current price. The value is the 30/50/20 probability-weighted average of the bear, base and bull DCF cases.

Business Overview

Transrail was started in 1984. It designs, manufactures and builds high-voltage transmission lines and substations on a turnkey basis. It became a full T&D EPC company in January 2016, when Gammon India's transmission undertaking was transferred to it, and it listed in December 2024. It has worked in **64 countries across six continents**. Power T&D is 92% of the order book, with civil, railways and poles & lighting making up the rest.

Its own plants supply **65-70% of the value of a T&D contract**, and 96% of what they produce goes into its own projects. Tower capacity has more than doubled to **1,84,400 MTPA**, and conductor capacity is at 40,800 km on its way to 49,500 km. The order book of **₹16,361 Cr.** including L1 at FY26 is split 59/41 between India and overseas.

Investment Thesis

1. India is building transmission at under two-thirds of the pace its plan needs

- India added 12,139 ckm in FY26; the National Electricity Plan needs about 19,150 ckm a year over FY23-FY32.
- Solar capacity reached 171 GW by September 2026 and H1 FY27 solar generation rose 47%. Solar output is growing faster than the lines that carry it, so Rajasthan and Gujarat already have to switch off some solar plants because the power cannot be moved out.
- The CEA's FY27 target of 16,554 ckm is 36% above FY26 additions, and the 2026-36 plan (₹7.93 lakh Cr.) carries visibility to 2036.

2. Own towers and conductors drive peer-best margins and returns

- TTM EBITDA margin of 11.8% is about 350 bps above the median of KEC, Kalpataru and Skipper.
- RoCE has held above 25% for three years; fixed asset turnover is about 14x despite the manufacturing base.
- Doubled tower capacity and the conductor expansion replace bought-out components, taking margin to 11.9% by FY28E in my base case.

3. Order book covers 2.4 years of revenue; inflow is the near-term test

- Assuming FY27 inflows of ₹11,470 Cr., from 20% growth in bids and an 11% win rate, the low end of management's 10-15% range.
- FY27 intake was ₹3,356 Cr. by 21 October, so ₹8,100 Cr. is needed by March; the bear case allows for a miss.
- New legs: GCC transmission (₹1,829 Cr. since November 2025), HVDC towers and monopole exports to Australia.

Jimit Shah
jimshah619@gmail.com
Avalon Investments

Market Data

NSE code	**TRANSRAILL**
Shares (diluted for ESOPs)	**13.45 Cr.**
Market Cap	**₹5,694 Cr.**
Enterprise Value	**₹5,609 Cr.**
Promoter holding	**71.1%**
Promoter shares pledged	**Nil**
Credit rating	**AA-/Stable**

Financials & Valuations (₹ Cr.)

Y/E March	FY26A	FY27E	FY28E	FY29E
Sales	6,879	8,181	9,825	11,794
EBITDA	802	933	1,169	1,404
PAT	404	471	587	705
EBITDA margin (%)	11.7	11.4	11.9	11.9
EPS (₹)	30.1	35.1	43.7	52.5
EPS growth (%)	24.5	16.5	24.6	20.1
BV/share (₹)	170	203	245	295
Ratios				
Net D/E (x)	-0.04	-0.05	-0.08	-0.14
RoE (%)	17.7	17.3	17.9	17.8
RoCE (%)	25.8	25.2	26.3	26.4
Valuations				
P/E (x)	14.1	12.1	9.7	8.1
EV/EBITDA (x)	7.0	6.0	4.8	4.0
P/B (x)	2.5	2.1	1.7	1.4
FCF yield (%)	6.9	5.6	8.3	12.0

Quick Snapshot

TTM revenue	**₹6,955 Cr.**
Revenue CAGR, FY23-26	**29.7%**
PAT CAGR, FY26-29E	**20.3%**
TTM EBITDA margin	**11.8%**
TTM PAT margin	**5.8%**
Order book / TTM revenue	**2.2x**

Order Book Mix (Q1 FY27)

Power T&D	**92%**
Civil	**5%**
Railways	**2%**
Poles & Lighting	**1%**
Domestic / overseas	**59% / 41%**

Value per Share (₹)

Bear / Base / Bull	**455 / 602 / 718**
Probability-weighted fair value	**581**
Peer EV/EBITDA cross-check	**617**

4. The balance sheet is in much better shape since the IPO

- Net debt of ₹444 Cr. in FY24 turned into net cash of ₹85 Cr. in FY26; debt/equity fell from 0.78x in FY23 to 0.29x.
- Net working capital came down from 104 days in FY24 to 71 days as billing caught up; CFO was 1.6x PAT in FY26.
- India Ratings upgraded the company to AA- in August 2026, matching CRISIL.

5. Even the bear case is above the share price

- Bear, base and bull DCF values of ₹455, ₹602 and ₹718 give a 30/50/20 weighted fair value of ₹581 (+37%).
- The stock trades at a 34% EV/EBITDA discount to peers despite the best margins and returns in the group; at the 10.4x peer median, it is worth ₹617.
- Terminal value is 91% of DCF enterprise value; a Gordon growth cross-check at 4.5% gives ₹302, which I treat as the no-growth floor.

Exhibit 1 PAT to compound at 20% over FY26-29E; P/E falls to 8.1x FY29E at CMP

₹ CR.	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E
Revenue from operations	4,077	5,308	6,879	8,181	9,825	11,794
Growth	+29.3%	+30.2%	+29.6%	+18.9%	+20.1%	+20.0%
EBITDA	475	674	802	933	1,169	1,404
EBITDA margin	11.7%	12.7%	11.7%	11.4%	11.9%	11.9%
PAT	232	325	404	471	587	705
EPS (₹)	18.6	24.2	30.1	35.1	43.7	52.5
Closing order book (incl. L1)	10,100	14,551	16,361	19,650	23,589	28,311
RoE	20.4%	17.3%	17.7%	17.3%	17.9%	17.8%
RoCE	25.6%	25.4%	25.8%	25.2%	26.3%	26.4%
P/E at CMP	22.8x	17.5x	14.1x	12.1x	9.7x	8.1x
EV/EBITDA at CMP	11.8x	8.3x	7.0x	6.0x	4.8x	4.0x

Source: Company annual reports (FY24A-FY26A), Avalon estimates. FY26 EBITDA includes the ₹17 Cr. labour code charge. Valuation at CMP ₹423 and EV of ₹5,609 Cr.

Exhibit 2 Segment build: Power T&D stays at ~90% of revenue; poles & lighting grows fastest off a small base

₹ CR.	FY27E	FY28E	FY29E	CAGR FY27-29E	SHARE FY29E
Power T&D	7,526	8,867	10,558	18.4%	89.5%
Civil	409	549	687	29.6%	5.8%
Railways	164	197	236	20.1%	2.0%
Poles & Lighting	82	213	313	95.6%	2.7%
Revenue from operations	**8,181**	**9,825**	**11,794**	**20.1%**	**100%**

Source: Avalon estimates. Each segment rolls its own order book: opening book plus segment inflow (fixed share of total inflow), with 50% of the opening book executed each year.

- Segment inflow shares are held at 89% / 6% / 2% / 3% for T&D, civil, railways and poles & lighting, against a 92/5/2/1 order book mix today; poles & lighting grows fastest because its order book is small relative to the assumed inflow.
- Margins are set at group level rather than by segment, since the company does not report segment profit; group EBITDA margin is 11.9% from FY28E.

Exhibit 3 Valuation summary: the 30/50/20 weighted DCF gives a fair value of ₹581

SCENARIO	WIN RATE	EXECUTION	MARGIN VS BASE	FY29E EBITDA (₹ CR.)	VALUE / SHARE	PROBABILITY	VS CMP
Bear	9%	46%	-100 bps	1,058	₹455	30%	+8%
Base	11%	50%	base	1,404	₹602	50%	+42%
Bull	12%	52%	+100 bps	1,663	₹718	20%	+70%
Probability-weighted fair value					**₹581**	**100%**	**+37%**

Source: Avalon estimates. Exit multiple of 8x FY29E EBITDA in all cases. Values at the 31-Mar-26 base date, not rolled forward.

Business Model & Segments

Transrail designs, manufactures and erects high-voltage transmission lines and substations on a turnkey basis, mainly at 400 kV, 765 kV and HVDC. Contracts run two to three years and revenue is booked on percentage of completion. Overseas bids are priced in USD or EUR, and African projects are mostly funded by the World Bank, the African Development Bank (AfDB) and Kreditanstalt für Wiederaufbau (KfW), the German development bank. Before bidding, the company screens each job on funding, price-variation terms, client, country and site risk, and declines work that fails the screen.

An EPC contractor without its own plants buys towers and conductors from someone else, gives up that supplier's margin and takes the lead-time risk on the two biggest items in the bill of materials. Transrail makes both, which explains part of its margin gap with KEC and Kalpataru; the rest comes from their lower-margin water, oil and gas and buildings work.

Exhibit 4 Transmission value chain: Transrail works in three of the five stages (outlined)

1. Planning and ownership

CEA and CTUIL plan the network. POWERGRID, state utilities and TBCB developers (Adani Energy, Sterlite, Apraava) own the lines.

→

2. Raw materials

Steel plates and angles and zinc (to coat towers against rust) for towers; aluminium and steel wire for conductors; insulators and hardware.

Domestic clients bear metal price changes

→

3. Manufacturing

Lattice towers, monopoles, conductors (ACSR, AAAC, HTLS) and galvanising. 1,84,400 MTPA of towers, 40,800 km of conductor, 25,000 MTPA of poles.

65-70% of T&D contract value

→

4. Design and engineering

Route survey, tower design and testing, foundation design. Tower test certificates at 765 kV and HVDC decide who can bid.

Pre-qualification barrier

→

5. Construction

Foundations, erection, stringing, substations and testing, with labour and sub-contractors managed site by site. RoW is the owner's job.

Execution and working capital risk

Source: CEA, company filings, Avalon analysis.

Exhibit 5 Segments: Power T&D is 92% of the order book

SEGMENT	OB SHARE	FY27E REV.	WHAT IT DOES
Power T&D	92%	7,526	Lines up to 765 kV and HVDC, air- and gas-insulated substations, distribution
Civil	5%	409	Bridges (10.2 km Kosi), elevated roads, cooling towers
Railways	2%	164	Overhead electrification, signalling, telecom, track linking
Poles & Lighting	1%	82	Monopoles, high masts, lighting

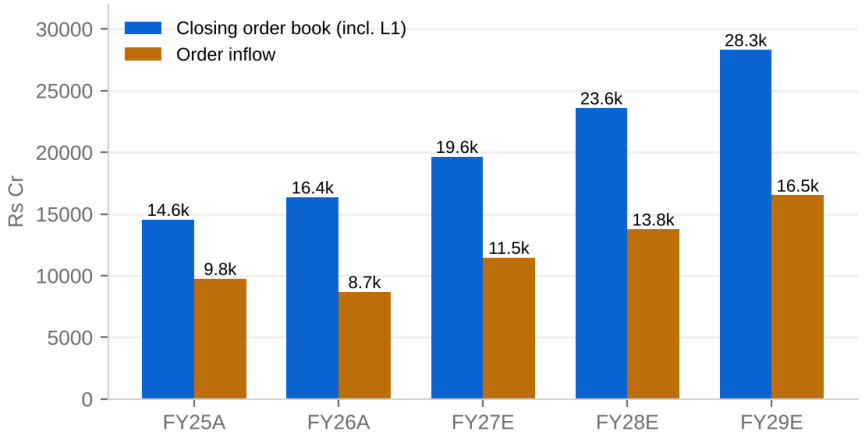
Source: Company Q1 FY27 investor presentation; FY27E revenue (₹ Cr.) is an Avalon estimate.

Exhibit 6 Tower capacity more than doubled in FY26; conductor phase 1 done

PLANT	BEFORE	NOW / TARGET	UTILISATION
Towers (MTPA)	84,000	1,84,400	95-100%
Conductors (km)	24,000	40,800; 49,500 by Q3 FY27	95-100%
Poles (MTPA)	25,000	25,000	about 50%

Source: Company filings and earnings calls (Q4 FY26, Q1 FY27), exchange disclosures (21-Sep-26, 30-Sep-26).

Exhibit 7 Order book to reach ₹28,311 Cr. by FY29E at 2.4x book-to-bill



Source: Company filings (FY25A-FY26A), Avalon estimates (FY27E-FY29E).

Exhibit 8 Overseas: Africa and the GCC are replacing Bangladesh

REGION	POSITION
Africa	About ₹4,000 Cr. of backlog, mostly funded by the World Bank, African Development Bank and KfW
GCC / MENA	₹1,829 Cr. of orders since November 2025; ₹10,000-15,000 Cr. bid pipeline
Bangladesh	₹300 Cr. left of a ₹4,500 Cr. order, finishing in FY27
Other	80 MW solar EPC in Jamaica; first monopole exports to Australia

Source: Company filings and earnings calls (Q2 FY26 to Q1 FY27).

Strategy: 20-25% growth a year at ~11% EBITDA margin and 25% RoCE

- **Capacity:** doubled tower and conductor capacity lets the company supply its own projects as the order book grows, with 4-5% of output sold to third parties.
- **HVDC:** an 800 kV order from POWERGRID and a 500 kV order from a private developer give it credentials in the highest-value line packages.
- **New legs:** GCC transmission, monopole exports, and cooling towers through the Gactel acquisition and the proposed purchase of Gammon Engineers' bridge and hydro business.
- **Funding:** the board has approved a QIP of up to ₹600 Cr. for use over one to two years; management says it will explain the plan on a later call. It is not included in my forecasts.

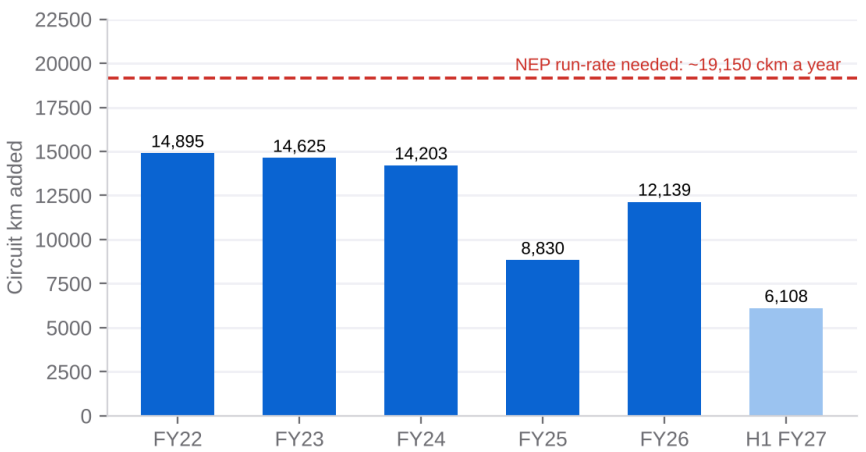
Management. Executive Chairman Digambar Bagde has more than 40 years in T&D, starting with a decade at another transmission company. MD and CEO Randeep Narang joined in 2020 from KEC, where he ran the international T&D business; he has also worked at CEAT Kelani and Bharti Airtel. Deputy MD Raman Rajagopalan stepped down on 31 July 2026.

Industry, Competition & Catalysts

India is building transmission at under two-thirds of the pace its plan needs

The CEA's National Electricity Plan calls for 1,91,474 ckm of new lines and ₹9.15 lakh Cr. of investment over FY23-FY32, or about 19,150 ckm a year. The country managed 14,000-15,000 ckm a year in FY22-FY24, fell to 8,830 ckm in FY25 and recovered to 12,139 ckm in FY26. The FY27 target is 16,554 ckm. By September, 6,108 ckm had been completed, 70% of the 8,775 ckm targeted for the half; 765 kV lines did better, at 2,673 ckm against 3,675. India now has 5,12,621 ckm of lines at 220 kV and above. The successor plan for 2026-36 (₹7.93 lakh Cr.) overlaps the NEP for FY27-32 and carries visibility to 2036. Demand comes from generation that sits far from load: non-fossil sources are now more than half of installed capacity, and the 500 GW non-fossil target for 2030 needs a line for every new solar park, wind farm and pumped storage plant.

Exhibit 9 Line additions have fallen short of the NEP run-rate every year



Source: CEA transmission growth and executive summaries (September 2026), NEP Vol. II. H1 FY27 is April-September 2026.

Exhibit 10 Demand drivers and the evidence

DRIVER	EVIDENCE
Domestic tendering	₹1-1.25 lakh Cr. of T&D tenders a year for five years; ~40% of the NEP outlay bid out. Over 90% of value at 400 kV and above; near-term HVDC packages total ₹30,000-35,000 Cr.
Inter-state TBCB	Private developers won ~80% of TBCB awards in FY26 against ~45% in FY25, widening the EPC client base beyond POWERGRID.
Intra-state	Green Energy Corridor Phase II funds intra-state lines and substations in seven states for renewable power.
POWERGRID	Capex of ₹39,967 Cr. in FY26, ₹37,000 Cr. budgeted for FY27, ₹40,000-45,000 Cr. guided for FY28.
Overseas	Mission 300 (World Bank and African Development Bank) puts ~$48 bn into African electrification; Saudi Electricity spent SAR 88.2 bn on capex in FY25.

Source: CEA (September 2026), POWERGRID filings, World Bank, VQ DeepDive (Feb, Jun 2026), FY26 annual reports and Q4 FY26 / Q1 FY27 calls of KEC, Kalpataru and Skipper.

Global grid spending has to rise by half: another $200-300 bn a year by 2030

The world spends about $400 bn a year on grids. Connecting renewables at the pace now planned needs another $200-300 bn a year by 2030, and over 80% of that goes to transmission, distribution and digital controls. Grid costs absorb roughly half of the savings from cheaper renewable power. Re-stringing existing corridors with high-temperature low-sag (HTLS) conductors takes 3-4 years against 7+ years for a new line, which makes reconductoring a large market of its own. Transrail makes its own conductors.

Structure: an oligopoly at high voltage, with pre-qualification as the barrier

In my assessment, Indian transmission EPC is an oligopoly at the high-voltage end. L&T, KEC, Kalpataru and Tata Projects do most of the 400-765 kV and HVDC work; Transrail, Skipper and Bajel are in the next tier, and regional contractors handle work below 220 kV. What keeps newcomers out is pre-qualification: executed line length at each voltage, tower test certificates, and a balance sheet large enough to carry bank guarantees. Peer managements are upbeat on orders and target 10-12% EBITDA margins on new T&D bids. Their worries are on the supply side. KEC says a shortage of skilled labour affects the entire industry; RoW and forest clearances drag on; and long lead times for EHV transformers, reactors and HVDC converters pushed several RE evacuation packages from FY26 into FY27. They split on Africa: Kalpataru ranks it fourth among its overseas markets because Indian and Chinese bidders have pushed prices down, while KEC sees awards picking up. That matters for Transrail, which has about ₹4,000 Cr. of African work.

Exhibit 11 Manufacturing across listed T&D EPC peers: only Transrail and KEC make both towers and conductors

	TRANSRAIL	KEC INTERNATIONAL	KALPATARU PROJECTS	SKIPPER
Tower / structure capacity (MTPA)	1,84,400	4,83,800	2,40,000	3,75,000 (4,50,000 in H2 FY27)
Conductor capacity (km a year)	40,800 (49,500 target)	46,057	None	None
T&D share of order book	92%	62%	44%	80%
Overseas share of order book	41%	46%	39%	9%
Order book, 30-Jun-26 (₹ Cr., excl. L1)	15,635	37,697	66,607	9,217
EBITDA margin, TTM	11.8%	6.8%	8.3%	10.4%

Source: Company annual reports FY26 and investor presentations (Q1 FY27).

Exhibit 12 Porter's Five Forces: a moderately attractive industry, more so at high voltage

FORCE	INTENSITY	ASSESSMENT
New entrants	Low	Pre-qualification (executed ckm by voltage, tower testing, net worth, BG limits) keeps new bidders out of 400 kV and above. Entry is easier below 220 kV. New money comes in as developers (I Squared, NIIF), not as contractors.
Buyer power	High	A handful of buyers (POWERGRID, state utilities, a few TBCB developers) award to the lowest bidder. Two government customers made up ₹3,226 Cr. of Transrail's FY26 revenue.
Supplier power	Medium	Steel and aluminium come from large mills, and price-variation clauses pass costs through on domestic work. Integrated players keep part of the supplier margin; skilled labour for erecting towers and stringing conductors is the scarcer input.
Substitutes	Low	Nothing replaces high-voltage lines over long distances. HTLS reconductoring and underground cable change the product mix, but the same contractors do the work.
Rivalry	High	Six to eight credible bidders on every large package and thin L1 margins. Full order books (1.6-2.4x book-to-bill) let bidders be more selective; overseas, Chinese contractors keep African prices low.

Source: Avalon analysis based on company filings, CEA data and earnings calls.

Exhibit 13 Where Transrail's position is strongest and weakest

FACTOR	WHY IT MATTERS	TRANSRAIL
Pre-qualification	Decides who can bid for 400 kV, 765 kV and HVDC packages	Strong. 765 kV lines executed; 800 kV and 500 kV HVDC orders
Own manufacturing	Keeps the supplier margin and controls lead times	Strong. Towers and conductors in-house, 96% used captively
Balance sheet and BG limits	Bank guarantees of 10-20% of contract value are needed to bid and execute	Adequate. ~₹7,500 Cr. of rated limits at AA-, smaller than KEC and Kalpataru
Scope	Large substation and HVDC converter packages carry the biggest tickets	Weak. Not yet a contender for converters or large substations

Source: Company filings, rating rationales, Avalon analysis.

Exhibit 14 Peer comparison: best margins and returns, lowest multiple

TTM TO Q1 FY27	MCAP (₹ CR.)	REVENUE	EBITDA %	PAT %	ROE %	ROCE %	OB / REV. (X)	OVERSEAS OB %	P/E (X)	EV/EBITDA (X)
Transrail	5,694	6,955	11.8	5.8	19.4	28.7	2.2	41	14.0	6.8
KEC International	9,123	23,506	6.8	2.4	10.5	13.9	1.6	46	16.5	9.8
Kalpataru Projects	22,690	27,380	8.3	4.1	13.7	n.a.	2.4	39	20.1	10.4
Skipper	6,225	5,609	10.4	4.0	15.6	23.0	1.6	9	27.7	11.7
Peer median (ex Transrail)	9,123	23,506	8.3	4.0	13.7	18.5	1.6	39	20.1	10.4

Source: Company filings (consolidated), NSE closing prices at 30-Oct-26. RoE and RoCE are FY26 as reported. Transrail EBITDA is before the ₹17 Cr. labour code charge, the same basis as peers; the model basis gives 11.7%, RoE 17.7% and RoCE 25.8%.

Exhibit 15 Catalysts over the next 12 months

WHEN	EVENT	WHAT WOULD SUPPORT THE THESIS
Nov-26	H1 FY27 balance sheet	Burberry loan and interest repaid in full by the 30-Sep-26 due date
Q3 FY27	Outcome of tenders worth over ₹20,000 Cr. (domestic and international) quoted in Q1 FY27	A 10-15% win rate, as management expects, adds ₹2,000-3,000 Cr. and takes FY27 orders above ₹10,000 Cr.
H2 FY27	Conductor plant goes from 40,800 to 49,500 km	On time, with less bought-out conductor
FY27	Income tax search	Closed with no material demand
FY27-28	QIP of up to ₹600 Cr.	A clear use of the money, priced near or above fair value

Source: Company filings and earnings calls.

Latest Quarter & Guidance

Exhibit 16 Q1 FY27: revenue up 4.6%, margin held near 11.6%

₹ CR.	Q1 FY26	Q1 FY27	YOY
Revenue	1,660	1,736	+4.6%
EBITDA	199	202	+1.5%
EBITDA margin	12.0%	11.6%	-35 bps
PAT	106	108	+1.9%

Source: Company Q1 FY27 results.

- Revenue grew slowly as collections and execution lagged; management maintained 20%+ growth for FY27, which implies ₹2,200-2,300 Cr. a quarter for the rest of the year.
- Q1 order intake was about ₹1,000 Cr.; management expects a 10-15% win rate on tenders worth over ₹20,000 Cr. (domestic and international) quoted in Q1 to convert in Q2 and part of Q3, with a 3-5 month lag between bid and award.
- On management's definition, net debt/EBITDA rose to 0.67x and working capital days to 85, both guided back towards FY26 levels by March.

Corporate Governance & SWOT

Exhibit 17 Governance profile

ITEM	DETAIL
Promoter / pledge	71.1% (Ajanma Holdings 69.9%) / nil
Control	Bagde family, through FPCC (71.6% owned by Digambar Bagde Ventures LLP), which controls Ajanma
Board	About half independent, the legal minimum with an executive promoter chairman
Audit	Nayan Parikh & Co.; unmodified FY26 opinion with an emphasis of matter on the IT search
Rating / IPO funds	AA-/Stable (CRISIL, Ind-Ra); ₹421.85 Cr. IPO money used as stated

In its favour. Clean audit opinions, no pledge, two AA- ratings, IPO money used as promised, and contingent liabilities flat at ₹263 Cr. The ₹2,929 Cr. of unsatisfied charges on ROC records are old charges awaiting paperwork, not extra debt.

Exhibit 18 Red flags, most serious first

#	ISSUE
1	**~₹165 Cr. lent or advanced to promoter-linked companies:** Burberry Infra ₹79 Cr. plus ₹25 Cr. interest at 12%, CEDEC ₹25 Cr., GECPL ₹35 Cr. Management says ₹30 Cr. came back earlier, but the audited Burberry balance was ₹79 Cr. at both FY25 and FY26; repayment was due by 30-Sep-26. Gactel is being bought from the promoter for up to ₹10 Cr., on FY26 revenue of ₹0.58 Cr.
2	**Income tax search, March 2026.** The auditor cannot assess the impact yet. Disputed taxes rose 37% to ₹224 Cr.
3	**Pay votes.** Only 47% of institutional votes backed the NED commission and 59% backed Mr Verma's (August 2026). The Executive Chairman also takes ₹4 Cr. from Ajanma on top of ₹5.98 Cr. from Transrail.
4	**Disclosure lapses.** Exchange warning letters (April 2026), a ₹50 lakh ROC penalty (2024) and a Section 42 breach on the pre-IPO placement.

Source: Annual reports FY25-26, Q1 FY27 earnings call, postal ballot results (August 2026), exchange filings, rating rationales.

My view: governance is acceptable but not clean. I have reflected it in a 23% exit-multiple discount to peers rather than in a higher cost of equity.

Exhibit 19 SWOT analysis

Strengths

- Makes its own towers and conductors, which supply 65-70% of T&D contract value; 96% of output is used in-house
- Highest EBITDA margin (11.8%) and RoCE among listed T&D peers
- Qualified at 765 kV and HVDC, with 800 kV and 500 kV HVDC orders in hand
- Net cash and an AA- rating, with ~₹7,500 Cr. of rated limits to carry bank guarantees
- Bids mainly on multilateral-funded overseas work, which lowers payment risk
- CEO Randeep Narang previously ran KEC's international T&D business

Weaknesses

- Little substation or converter capability, which limits the size of packages it can bid for
- Two government customers make up about 47% of revenue
- Sub-contracting has doubled to 23% of revenue since FY23
- Related-party loans and minority dissent keep the stock at a discount
- Listed only since December 2024, so the public track record is short

Opportunities

- A transmission build-out running behind plan, with the 2026-36 plan (₹7.93 lakh Cr.) carrying it to 2036
- HTLS reconductoring, using the expanded conductor plant
- GCC and Saudi grid spending and Africa's Mission 300 programme
- Monopole exports to Australia, and cooling towers through Gactel
- Substations for battery storage, with 47 GW of BESS planned by 2032
- Private TBCB developers now win ~80% of awards, widening the client base

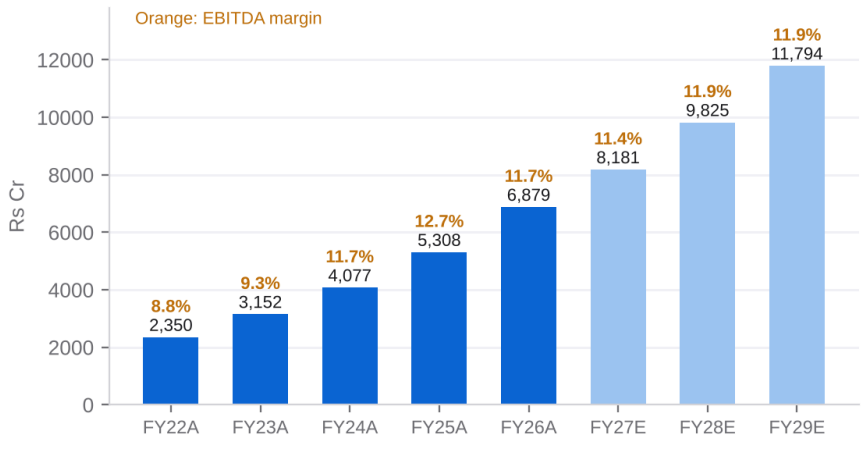
Threats

- More bidders competing for TBCB awards and cutting prices
- Commodity spikes on fixed-price overseas contracts
- Chinese and Indian price competition in Africa, where Transrail has ~₹4,000 Cr. of work
- A large tax demand from the March 2026 income tax search: disputed taxes already rose 37% to ₹224 Cr. and the auditor cannot yet assess the impact
- Labour shortages and long lead times for transformers and reactors

Source: Avalon analysis.

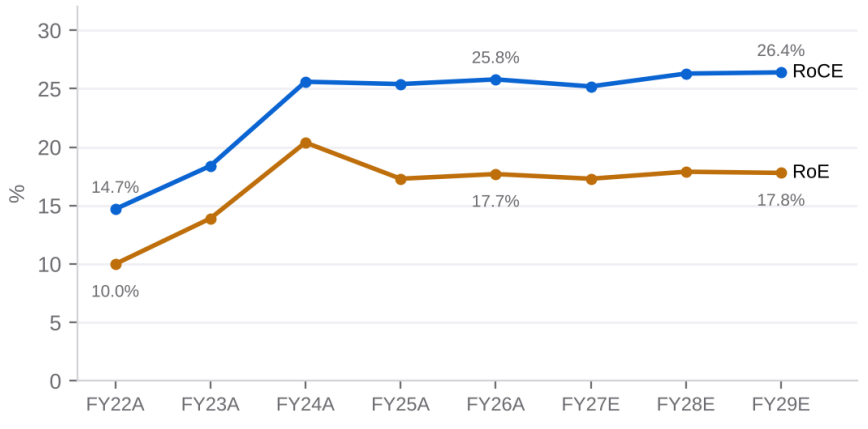
Financials

Exhibit 20 Revenue grew at a 31% CAGR over FY22-26; 20% to FY29E in my forecasts



Source: Company annual reports, Avalon estimates (lighter bars).

Exhibit 21 RoCE held above 25% for three years and stays there in my forecasts



Source: Company annual reports, Avalon estimates.

- **Gross margin rose 1,280 bps over FY23-26 to 55.3%, but EBITDA margin rose only 240 bps.** Sub-contracting went from 11% to 23% of revenue as work grew faster than in-house crews could cover. Materials and sub-contracting together stayed at 65-69% of revenue, so the cost mix changed while overall margin held.
- **EBITDA margin fell 100 bps to 11.7% in FY26 on the model basis.** FY26 employee cost in the model includes the ₹17 Cr. labour code charge; before it the margin was 11.9%, down about 80 bps. The rest came from cost inflation on fixed-price Gulf contracts.
- **FY26 cash flow improved because billing caught up.** Contract assets fell from 173 to 134 days and CFO/PAT rose to 1.6x. Payable days of about 330 include LC acceptances, which still carry interest; that is why finance cost is 3.2% of revenue even with net cash.
- **Leverage is much lower.** ₹590 Cr. of new equity over FY24-25 (rights issue, pre-IPO placement and IPO), plus retained profit, took debt/equity from 0.78x to 0.29x and interest cover from 2.2x to 3.6x.
- **Execution slowed in FY26.** Revenue was 47% of the opening order book against 53% in FY25, as RoW problems and the tail of the Bangladesh project held back billing. I assume a return to 50% from FY27.

Exhibit 22 Revenue build: bids times win rate gives inflow; half the opening order book is executed each year

₹ CR.	FY26A	FY27E	FY28E	FY29E	BASIS
Bids submitted	86,892	1,04,270	1,25,124	1,50,149	20% growth a year
Win rate %	10.0	11.0	11.0	11.0	Low end of the 10-15% range management cites
Order inflow	8,689	11,470	13,764	16,516	FY27 guidance ₹10,000-11,000 Cr.
Opening order book	14,551	16,361	19,650	23,589	
Execution, % of opening OB	47.3	50.0	50.0	50.0	55-60% of the book is due within 12 months
Revenue	6,879	8,181	9,825	11,794	FY27 guidance 20-22% growth; 19% assumed
Closing order book (incl. L1)	16,361	19,650	23,589	28,311	Book-to-bill stays at 2.4x

Source: Company filings and Q4 FY26 / Q1 FY27 earnings calls, Avalon estimates. FY26A inflow is derived from the order book roll-forward (management reports ₹8,520 Cr.); FY26A bids are back-calculated at a 10% win rate.

Why bids grow 20% a year. The industry has to speed up sharply. The CEA's FY27 target of 16,554 ckm is 36% above the 12,139 ckm added in FY26, and domestic T&D tendering is running at ₹1-1.25 lakh Cr. a year for the next five years, with a growing share at 765 kV and HVDC, where Transrail is qualified. GCC and African grid programmes add to the pool. Growing Transrail's bids by 20% is below the pace the CEA target implies, so the forecast does not assume it gains share.

Exhibit 23 Key assumptions: costs and margins (% of revenue)

	FY26A	FY27E	FY28E	FY29E
Materials	44.7	45.0	44.5	44.5
Sub-contracting	23.4	24.0	24.0	24.0
Employee cost	5.0	5.1	5.1	5.1
Other expenses	15.3	14.5	14.5	14.5
EBITDA margin	**11.7**	**11.4**	**11.9**	**11.9**
Finance cost	3.2	3.3	3.3	3.3
Tax rate (ETR)	28.6	25.2	25.2	25.2

Source: Company annual reports, Avalon estimates.

Exhibit 24 Key assumptions: balance sheet and cash flow

	FY26A	FY27E	FY28E	FY29E
Capex (₹ Cr.)	249	240	179	142
Depreciation (₹ Cr.)	66	83	110	122
Debtor days	92	92	90	90
Inventory / payable days (materials)	91 / 330	88 / 325	88 / 320	88 / 320
Contract assets % revenue	36.6	36.6	36.6	36.6
Contract liabilities % OB	7.7	7.7	7.7	7.7
ST borrowings % revenue	8.3	8.0	7.5	7.5

Source: Avalon estimates.

- **P&L:** 11.4% EBITDA margin in FY27E, a little above the ~11% guidance because Q1 FY27 came in at 11.6%, rising to 11.9% as the new plants cut bought-out components and Bangladesh finishes. Other income stays at ₹49 Cr.; the tax rate drops to the 25.2% statutory rate as FY26 one-offs do not repeat.
- **Capex:** FY27E has 70% of the ₹203 Cr. equipment programme approved in May 2026 plus maintenance capex at 1.2% of revenue; the other 30% falls in FY28E. Depreciation is 14.3% of the opening net block, roughly a seven-year life for construction equipment.
- **Balance sheet:** contract assets held at 134 days, the FY26 level, not the 170+ days of FY22-25. Margin money deposits grow at 4% of revenue and are treated as restricted cash in the valuation.
- **Cash flow:** CFO of ₹560-823 Cr. a year pays for capex and a ₹2 dividend per share, and net cash reaches ₹557 Cr. by FY29E. The proposed ₹600 Cr. QIP is left out.

Exhibit 25 Financial statements and ratios

₹ CR.	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E
Income statement						
Revenue	4,077	5,308	6,879	8,181	9,825	11,794
EBITDA	475	674	802	933	1,169	1,404
Depreciation	50	56	66	83	110	122
Finance cost	163	198	219	270	324	389
PBT	315	465	565	628	783	941
PAT	232	325	404	471	587	705
Balance sheet						
Net worth	1,139	1,881	2,281	2,726	3,286	3,964
Gross debt incl. leases	668	662	678	762	844	992
Cash and bank	224	621	763	895	1,121	1,549
Contract assets	1,951	2,522	2,515	2,991	3,592	4,312
Net working capital	1,157	1,307	1,346	1,563	1,885	2,233
Cash flow						
CFO	37	280	644	560	653	823
Capex	(29)	(142)	(249)	(240)	(179)	(142)
FCF	8	138	395	320	474	681
Ratios						
Debtor / contract asset days	92 / 175	91 / 173	92 / 134	92 / 134	90 / 134	90 / 134
Net working capital days	104	90	71	70	70	69
Net debt / EBITDA (x)	0.94	0.06	(0.11)	(0.14)	(0.24)	(0.40)
Interest cover (x)	2.9	3.3	3.6	3.3	3.4	3.4
CFO / PAT (x)	0.16	0.86	1.59	1.19	1.11	1.17

Source: Company annual reports (FY24A-FY26A), Avalon estimates.

Key Risks

1. **FY27 orders fall short.** Intake has to pick up sharply in H2: ₹8,100 Cr. is needed in November-March. The bear case (win rate 2 pp lower, execution 4 pp slower, margin 100 bps lower) is ₹147 per share below the base case. The FY26 guidance was missed by at least 10%.
2. **Overseas and sub-contracted work squeezes margins.** FY26 showed what Gulf cost inflation does to fixed-price contracts, and sub-contracting has doubled to 23% of revenue since FY23. A margin 100 bps lower across FY27-29E takes about ₹60 per share off the base value.
3. **Working capital goes back up.** Contract asset days fell from 173 to 134 in FY26. A return to 170 days would tie up about ₹800 Cr. of cash and push net debt/EBITDA above 0.5x.
4. **Governance and tax.** The March 2026 income tax search is unresolved and the auditor flagged it. About ₹165 Cr. is lent or advanced to promoter-linked companies, and the Burberry balance has not fallen in the audited accounts.
5. **RoW, labour and equipment delays.** Peer managements cite skilled labour shortages, slow forest clearances and long lead times for transformers and reactors. Slower execution delays revenue and raises working capital; a 4 pp lower execution rate is part of my bear case.
6. **Dilution from the QIP.** The board has approved up to ₹600 Cr., about 10% of market cap, with no stated use. At today's price it lowers value per share unless the money earns more than the 15.10% cost of equity.

Exhibit 26 Risk matrix

RISK	LIKELIHOOD	IMPACT ON VALUE	EARLY SIGNAL
FY27 order shortfall	Medium	High	Cumulative intake below ₹7,000 Cr. by January
Margin pressure	Medium	Medium	Quarterly EBITDA margin below 11%
Working capital reversal	Medium	Medium	Contract asset days above 150 at H1
Governance and tax	Medium	High	Burberry balance unchanged in H1; tax demand notice
RoW, labour, equipment	High	Low	Execution below 45% of opening order book
QIP dilution	Medium	Low	Pricing and stated use of proceeds

Source: Avalon analysis.

Valuation

I value Transrail on a DCF and cross-check it with EV/EBITDA. In an EPC business that ties up a lot of working capital, profit growth paid for with rising contract assets is not worth much, so cash flow comes first. EV/EBITDA is a better cross-check than P/E because finance cost includes interest on LC acceptances, which makes P/E depend on how each company funds its working capital. P/B says little about a contractor whose returns come from turning over its order book. The fair value of **₹581** weights the bear, base and bull DCF values 30/50/20. The scenarios move win rate, execution pace and margin, so the target already allows for an order shortfall. I have kept it at the 31-Mar-26 base date rather than rolling it forward. Rolled forward at the cost of equity it would be ₹726; I prefer to keep that gap as a margin of safety.

Exhibit 27 Cost of capital: Ke of 15.10%, WACC of 14.05%

INPUT	VALUE	BASIS
10-year G-sec yield	7.44%	29-Oct-26
Less: India default spread	1.75%	Damodaran, Baa3 sovereign
Risk-free rate	5.69%	Default-free INR rate
Mature market ERP	4.20%	Damodaran (July 2026)
India country risk premium	2.72%	1.75% x 1.55 equity/bond volatility
Unlevered beta	1.22	Median of KEC, KPIL, Skipper, Bajel
Relevered beta	1.36	Target D/E 15.0%, tax 25.2%
Cost of equity	**15.10%**	
Pre-tax / post-tax cost of debt	9.50% / 7.11%	Assumed, in line with AA- rates
Weights D / E	13.1% / 86.9%	
WACC	**14.05%**	

Source: Damodaran (July 2026), CCIL, NSE price data (Dec-23 to Oct-26, against the Nifty 500), company filings.

Exhibit 28 FCFF and equity value: base case ₹602 per share

₹ CR.	FY27E	FY28E	FY29E
EBITDA	933	1,169	1,404
Less: tax on EBIT	(214)	(266)	(323)
Less: capex	(240)	(179)	(142)
Less: increase in NWC	(217)	(322)	(348)
Less: increase in margin money	(66)	(94)	(113)
FCFF	**196**	**308**	**479**
PV of FCFF at 14.05%	172	236	323
Bridge (₹ Cr.)			
PV of FCFF, FY27E-29E			731
PV of terminal value (8x FY29E EBITDA)			7,568
Enterprise value			**8,300**
Less: net debt (margin money restricted)			(200)
Equity value / per share (13.45 Cr.)			**8,100 / ₹602**

Source: Avalon estimates.

- **Beta and Ke:** beta is the median of four listed T&D peers regressed against the Nifty 500, unlevered and relevered at a 15.0% target D/E. I use India's country risk premium only: Transrail makes and buys its towers, conductors and most materials in India, and overseas contracts are priced in USD or EUR and largely funded by multilateral lenders, so a MENA or African premium would double-count risk.
- **High-growth period:** the explicit forecast runs three years because that is as far as the order book reaches. At 2.4x book-to-bill, today's backlog plus one year of orders covers about three years of revenue, which is also the horizon of management's growth plan.
- **Terminal value:** I exit at 8x FY29E EBITDA, 23% below the 10.4x peer median to allow for size and governance, and close to Transrail's own trailing 6.8x.

Terminal value sensitivity. Terminal value is 91% of enterprise value, and an 8x exit implies FCFF growing at 9.4% a year forever at a 14.05% WACC. That fits India's 10-11% nominal GDP growth and a transmission plan that runs to 2036, but it is well above the 4-5% most analysts use. A Gordon growth terminal value at 4.5% gives ₹302 per share (3.7x FY29E EBITDA), below the current price; I read that as the value if growth stopped in FY30. At ₹423, brought back to the 31-Mar-26 base date, the market already pays about 5.0x FY29E EBITDA.

Exhibit 29 Exit-multiple DCF: value per share (31-Mar-26)

WACC \ EXIT	7X	8X	9X	10X	11X
12.1%	560	634	708	782	856
13.1%	545	618	690	762	834
14.05%	531	**602**	672	742	812
15.1%	517	586	654	723	791
16.1%	504	571	638	704	771

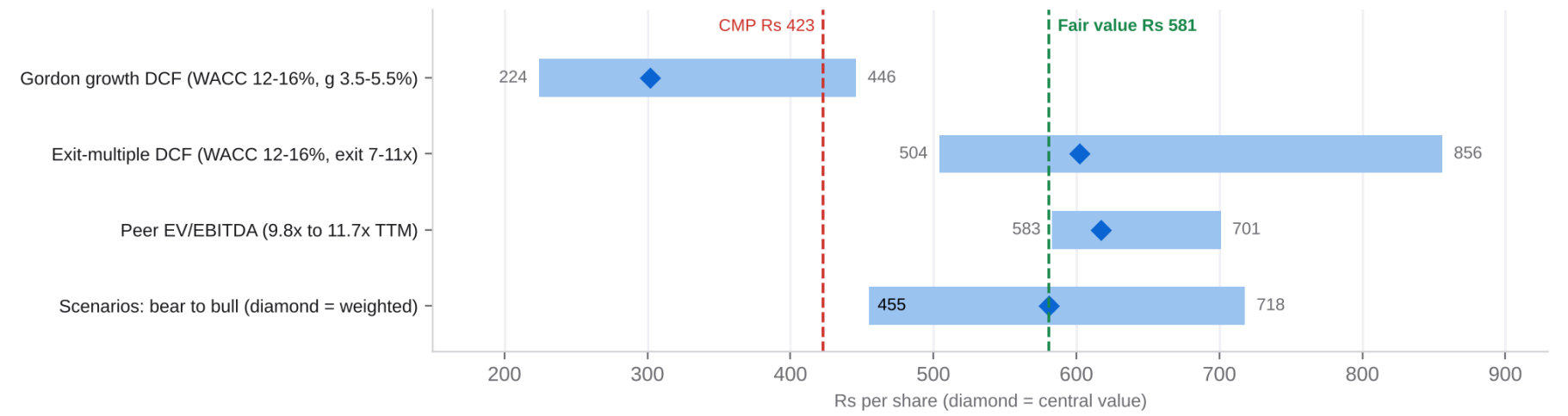
Source: Avalon estimates.

Exhibit 30 Gordon growth DCF: value per share (31-Mar-26)

WACC \ G	3.5%	4.0%	4.5%	5.0%	5.5%
12.1%	346	366	389	416	446
13.1%	306	322	340	360	382
14.05%	274	286	**302**	316	334
15.1%	247	257	269	281	295
16.1%	224	233	243	253	264

Source: Avalon estimates.

Exhibit 31 Valuation range: most methods land between ₹500 and ₹720 per share



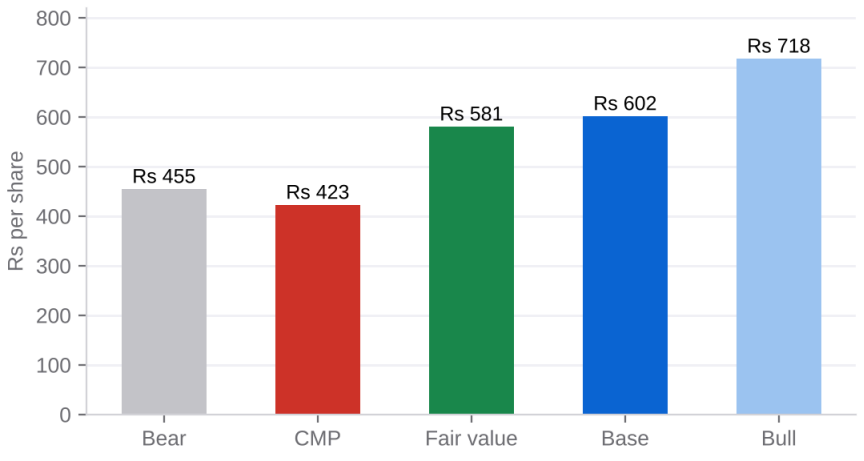
Source: Avalon estimates. All values per share at 31-Mar-26.

Exhibit 32 What the fair value implies on my estimates

VALUE PER SHARE	₹	P/E FY27E (X)	P/E FY28E (X)	EV/EBITDA FY27E (X)	EV/EBITDA FY28E (X)
CMP	423	12.1	9.7	6.0	4.8
Fair value	581	16.6	13.3	8.3	6.6
Base DCF	602	17.2	13.8	8.6	6.9
Peer median, TTM		20.1		10.4	

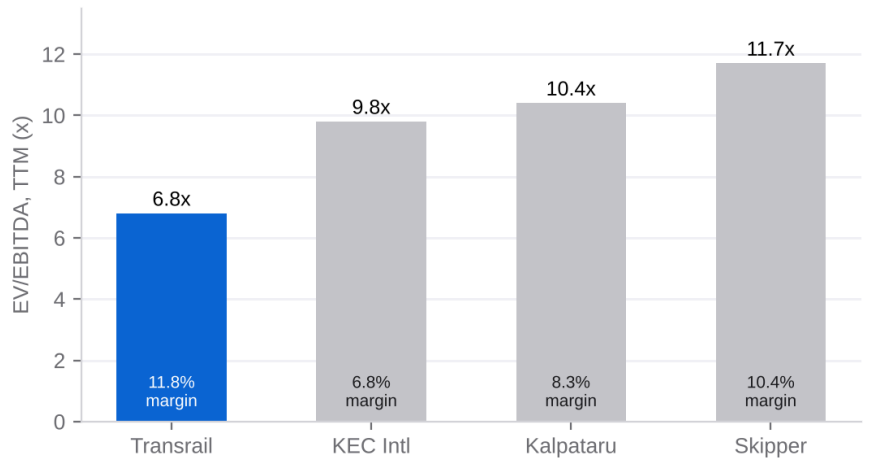
Source: Avalon estimates. All EVs use FY26 net cash of ₹85 Cr.

Exhibit 33 Value ladder: even the bear case is above the CMP



Source: Avalon estimates. Values at 31-Mar-26.

Exhibit 34 Transrail trades at a 34% EV/EBITDA discount to peers



Source: Company filings, NSE prices (30-Oct-26), own calculations. TTM to Q1 FY27.

Key Monitorables, Glossary & Sources

Exhibit 35 Key monitorables

INDICATOR	WHAT TO WATCH	WHY IT MATTERS	FIRST READ
Order inflow	Cumulative FY27 intake against ₹11,470 Cr.	Drives FY28-29E revenue	Q3 FY27 results
EBITDA margin	Quarterly margin against 11.4% for FY27E	100 bps is ~₹60 per share	Q3 FY27 results
Contract asset days	Holding near 134 days	Working capital and cash	H1 FY27 balance sheet
Burberry loan	Principal and interest repaid	Governance red flag #1	H1 FY27 balance sheet
Conductor capacity	49,500 km commissioned	Margin step-up in FY28E	H2 FY27

Source: Avalon analysis.

Exhibit 36 Glossary

TERM	MEANING	TERM	MEANING
ckm	Circuit kilometre of transmission line	L1	Lowest bidder, before formal award
TBCB	Tariff-based competitive bidding for transmission assets	RoW	Right of way to route a line
HTLS	High-temperature low-sag conductor, used to uprate lines	PV clause	Price-variation clause that passes commodity costs through
HVDC	High-voltage direct current transmission	LC acceptance	Supplier credit backed by a bank letter of credit
NEP	National Electricity Plan, prepared by the CEA	MTPA	Metric tonnes per annum
CEA	Central Electricity Authority, India's power sector planner	CTUIL	Central Transmission Utility of India Limited, which plans inter-state transmission
POWERGRID	Power Grid Corporation of India, the central transmission utility	EPC	Engineering, procurement and construction
T&D	Transmission and distribution	ACSR / AAAC	Aluminium conductor steel-reinforced / all-aluminium alloy conductor
GCC	Gulf Cooperation Council countries	MENA	Middle East and North Africa
AfDB	African Development Bank	KfW	Kreditanstalt für Wiederaufbau, the German development bank
QIP	Qualified institutions placement, a share sale to institutional investors	BESS	Battery energy storage system

Exhibit 37 Rating definitions

RATING	EXPECTED 12-MONTH RETURN	DEFINITION
BUY	Above 20%	The main drivers of value are visible in reported numbers
ACCUMULATE	10% to 30%	Part of the value depends on catalysts not yet delivered; positions built on weakness
HOLD	-5% to 10%	Fairly valued
SELL	Below -5%	Price ahead of fundamentals

Gactel acquisition. Transrail is acquiring 100% of the equity of Gactel Turnkey Projects Limited from Ajanma Holdings, the promoter holding company, for a consideration of ₹10 Cr. Gactel specialises in industrial cooling solutions: wet and dry cooling towers, air-cooled condensers and industrial chimneys.

Sources. Primary: Transrail annual reports FY22-FY26 and Red Herring Prospectus (December 2024); quarterly results, investor presentations and earnings call transcripts Q3 FY25 to Q1 FY27; NSE and BSE filings (order wins, postal ballot results, warning letters, board outcomes); CRISIL (March 2026) and India Ratings (August 2026) rating rationales; FY26 annual reports and Q4 FY26 / Q1 FY27 calls of KEC International, Kalpataru Projects and Skipper; CEA National Electricity Plan Vol. II, transmission executive and growth summaries and RE generation report (September 2026); POWERGRID filings. Secondary: Damodaran Online (July 2026); VQ DeepDive, Energy Transition I and II (February, June 2026); IEA grid investment data; World Bank and African Development Bank (Mission 300); Saudi Electricity; CERC tariff regulations; MNRE capacity data; SOIC and StockScans summaries of company filings; sell-side sector notes, read for industry tone only. NSE price data for beta and valuation, and the Avalon financial model.

Analyst certification. The views in this report reflect the personal views of the analyst about the company and its securities. No part of the analyst's compensation is linked to the specific recommendation or views in this report.

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