Steel, Towers, and a Supercycle

Vertical integration as a structural margin moat in Indian power transmission

Nirbhai Verma • April 2026

Current Price	Target (24-36 months)	Bull / Bear Case	Conviction
Rs. 598	**Rs. 800**	**Rs. 1,050 / 400**	**BUY 7/10**
29 Apr 2026	+34% upside	+76% / -33%	+33% prob-weighted

Executive Summary

Transrail Lighting is a power transmission contractor. The company builds the high voltage lines, towers, and substations that carry electricity from where it is generated to where it is consumed. Most of its work is in India, with a smaller share of overseas projects in Africa, the Middle East, and Southeast Asia. Roughly 80 percent of revenue comes from this turnkey contracting business.

What makes Transrail interesting is the rest of the business. The company runs four manufacturing plants of its own at Deoli, Vadodara, Butibori, and Silvassa, where it fabricates the steel lattice towers and aluminium conductors that go into every transmission line it builds. Most competitors, including the larger names like KEC International and Kalpataru Projects, do not own this manufacturing capacity. They buy these parts from third-party vendors. The difference matters because every contract Transrail wins, it gets to keep the manufacturer's profit margin in-house instead of paying it away. On a typical Rs. 1,000 cr contract, that is roughly Rs. 40 cr of additional EBITDA, equivalent to a 400 basis point margin advantage. At current revenue scale, this gap is worth approximately Rs. 280 cr of EBITDA annually that pure contracting peers do not earn.

After six weeks of company filings, peer data, channel checks, and macro reading, the recommendation is BUY at Rs. 598 with a 24 to 36 month target of Rs. 800. Across bear, base, and bull cases the probability-weighted return is roughly +33 percent over three years, with the bull case (+76 percent) pulling more than twice as hard as the bear case (-33 percent). That asymmetry is what makes the position worth taking.

Three things support the call. The manufacturing advantage is structural rather than cyclical: the margin gap held across the FY22 to FY25 period when steel prices ran through a full peak-trough-recovery cycle. The macro setup is the early innings of India's second T&D capex wave, taking the addressable annual market from roughly Rs. 100,000 cr today to Rs. 130,000 cr by FY28; the company can double revenue without taking share from any peer. And the stock trades at 18.5x forward earnings against a peer band of 19 to 22x, despite being the best in its peer group on growth, return on capital, EBITDA margin, and balance sheet leverage.

The two things that worry me are state utility receivables stretching out further than the current 90 day collection cycle, and a slowdown in order inflows. Q4 FY26 results, expected late May 2026, are the first real check on whether the inflow trajectory is holding.

Summary financials, FY22 to FY30E base case (Rs. cr unless stated)

Metric	FY22	FY24	FY25	FY26E	FY28E	FY30E
Revenue	2,331	4,135	5,307	6,750	10,000	13,500
EBITDA	198	480	637	810	1,300	1,863

Metric	FY22	FY24	FY25	FY26E	FY28E	FY30E
EBITDA margin	8.5%	11.6%	12.0%	12.0%	13.0%	13.8%
PAT	61	223	335	459	707	1,055
EPS (Rs.)	4.7	16.5	25.0	34.2	52.7	79.0
ROE	12.4%	19.1%	22.3%	19.5%	18.5%	n.a.
ROIC	10.2%	15.8%	19.5%	19.0%	18.5%	n.a.
Net debt / EBITDA	1.85x	0.95x	0.55x	0.55x	0.40x	n.a.

1. How Transrail makes its money

Revenue compounded at 32 percent through FY22 to FY25. EBITDA margin expanded from 8.5 to 12 percent. PAT grew almost six-fold from Rs. 61 cr to Rs. 335 cr. ROE doubled from 12.4 to 22.3 percent. The base case projects revenue doubling again to Rs. 13,500 cr by FY30, EBITDA margin lifting another 180 basis points to 13.8 percent on the back of capacity additions, and PAT crossing Rs. 1,000 cr.

Transrail has three revenue streams, but they are not equal in importance, and the smallest one is what drives the entire investment thesis. The largest is the engineering, procurement, and construction business, usually shortened to EPC. The company wins a tender to build a transmission line for a state utility, a central transmission company, or a private developer; takes responsibility for the design, materials, labour, and construction; and hands over a finished asset that connects to the grid. EPC is roughly 80 percent of FY25 revenue.

The second stream is manufacturing. Transrail runs four plants of its own. Two fabricate steel lattice towers, the metal structures that carry high-voltage lines across the landscape. The other two manufacture aluminium conductors, the cables that actually carry the electricity. Together this segment is about 9 percent of revenue, but punches well above its weight in the financial model because of how it interacts with the EPC business. The third stream is the smaller lighting and overseas project business, covering Africa, the Middle East, and Southeast Asia, and together about 11 percent of trailing revenue.

What is interesting is the gap between the current revenue mix and the order book mix. The order book is the value of contracts already won but not yet executed. It is the closest thing to forward visibility you get in this industry.

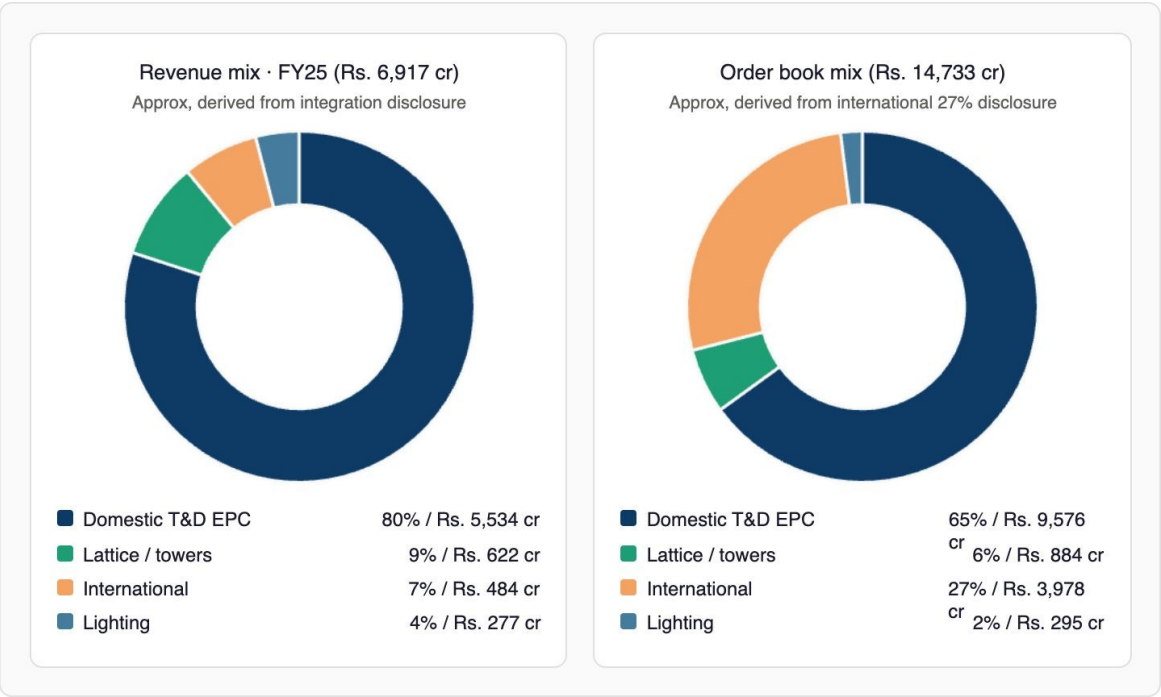


Figure 1. Revenue mix versus order book mix. International grows from 7 percent of trailing revenue to 27 percent of the order book.

The chart on the left shows where revenue is coming from today. Domestic EPC dominates at 80 percent, with manufacturing, international, and lighting making up the rest. The chart on the right shows the order book, the work the company is contracted to deliver over the next 30 months. The mix shifts noticeably. International rises from 7 percent of trailing revenue to 27 percent of the order book. This matters because international contracts in Africa and the Middle East run at contribution margins 200 to 400 basis points above domestic state utility EPC. There is more pricing freedom in those markets and less of the contractual escalation drag that domestic state work carries. The mix shift is already locked into signed contracts, which means FY27 revenue is going to land at a structurally higher contribution margin even if the company does not win another international contract.

The single most important claim in this report is that vertical integration into in-house tower fabrication is worth roughly 400 basis points of EBITDA margin per contract. To make sure this is not a number being asserted from company presentations, I built a representative Rs. 1,000 cr T&D contract from first principles, comparing what a pure EPC peer (KEC, Kalpataru) absorbs in costs versus what a vertically integrated player (Transrail) absorbs.

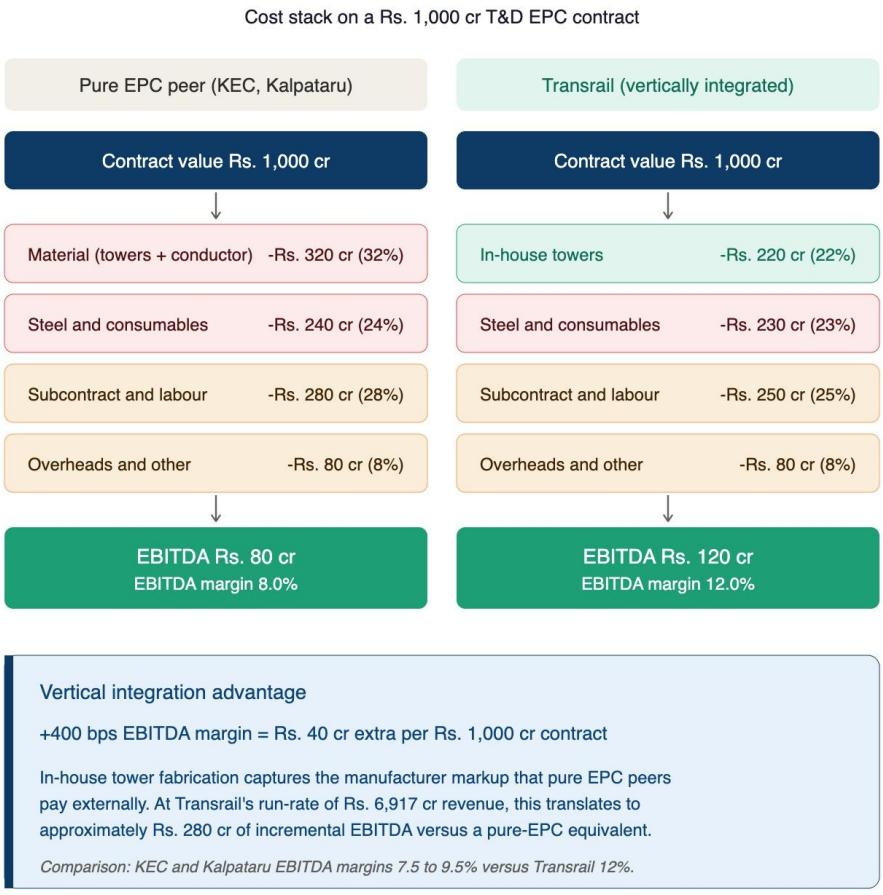


Figure 2. Cost stack on a Rs. 1,000 cr T&D EPC contract. Vertical integration captures roughly 400 basis points of EBITDA margin, equivalent to Rs. 40 cr of incremental EBITDA per contract.

The arithmetic is in the chart above. A pure-EPC peer pays Rs. 320 cr (32 percent of contract value) for towers and conductors sourced from outside vendors, generating roughly Rs. 80 cr of EBITDA at an 8 percent margin. Transrail substitutes its own tower fabrication into the same line at Rs. 220 cr (22 percent of contract value), keeping the manufacturer markup the peer pays away. The same contract therefore generates around Rs. 120 cr of EBITDA at a 12 percent margin. The 400 basis point gap, in absolute terms, is roughly Rs. 40 cr of incremental EBITDA per Rs. 1,000 cr of contract value.

Scaled to FY25 revenue of Rs. 5,307 cr, the integration premium is worth approximately Rs. 200 cr of EBITDA. At the FY30E run rate of Rs. 13,500 cr, it is worth Rs. 540 cr. This is the single largest source of structural alpha in the model.

To check this is not a cyclical artefact, I tracked the gap across FY22 to FY25, a period that included a full peak-trough-recovery cycle in steel prices. The gap held throughout. When steel prices were rising, the manufacturing arm captured higher margin on each tower sold and offset some of the input cost pressure. When steel prices fell, manufacturing margin compressed but EPC margin lifted because subcontracted material costs came down. The two halves of the business hedge each other. That is what gave me confidence the moat is structural rather than tied to any particular point in the steel cycle.

The other thing worth understanding is the customer mix in the order book. Different customers pay on different terms, and in the contracting industry the difference between collecting in 60 days and collecting in 130 days is the difference between generating cash and bleeding it.

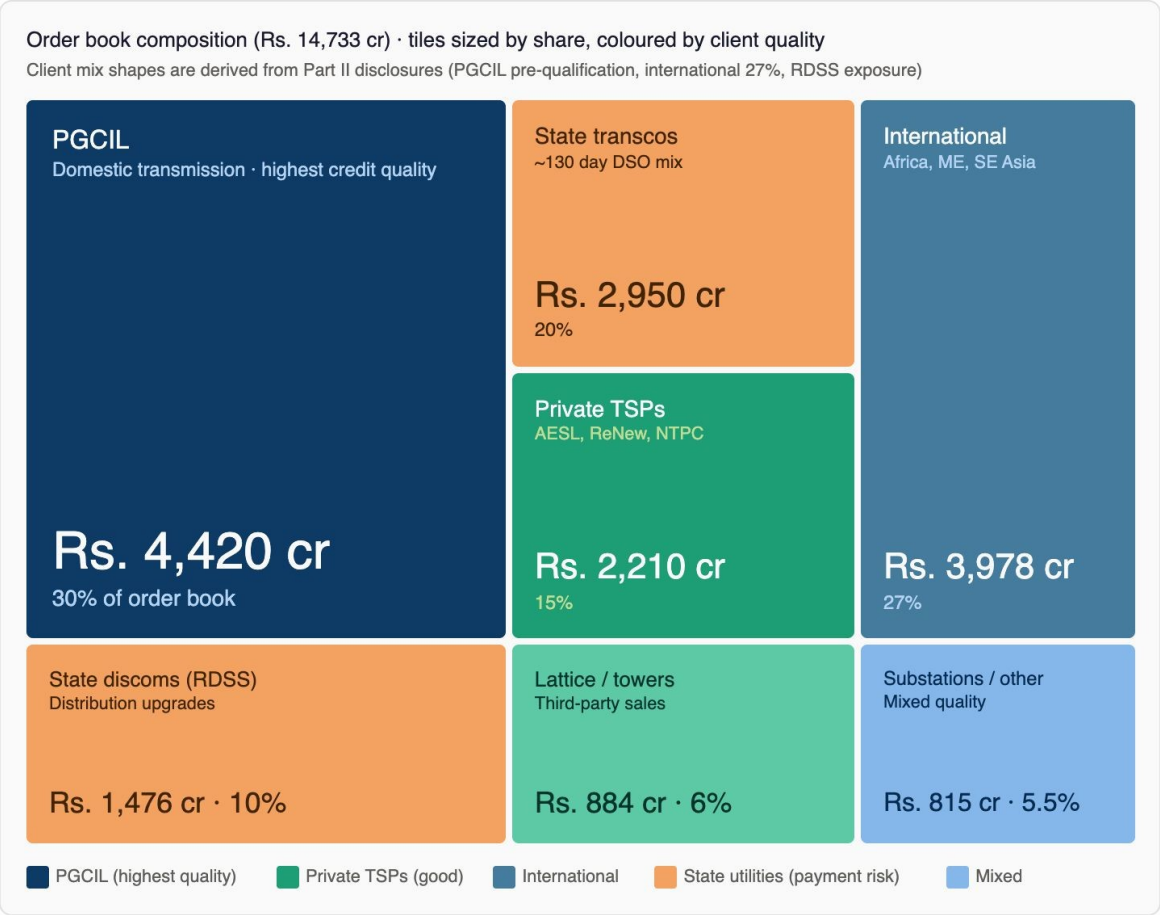


Figure 3. Order book composition by counterparty. PGCIL anchored at 30 percent of the book provides receivables comfort. The 20 percent state utility share is the seed of the bear case.

The order book composition is mixed but on balance favourable. About 30 percent of the Rs. 14,733 cr book is anchored to PGCIL, the central transmission utility. PGCIL is the highest-credit-quality counterparty in the Indian power sector and pays its contractors in 60 to 75 days. Pre-qualification with PGCIL is itself a barrier to entry: the multi-year process of demonstrating execution quality keeps weaker contractors out. Another 27 percent is the international slice, which carries higher margins and a mix of payment terms. Private transmission service providers (Adani Energy Solutions, ReNew, NTPC) make up 15 percent and are a growing category as private grid build scales.

The piece that creates the bear case is the 20 percent of the book tied to state transmission companies and discoms. State utilities run 130 day baseline DSO and during fiscal stress can stretch to 180 days. About Rs. 2,950 cr of the backlog sits there. If state DSO extends another 30 days from current levels, the company has to fund

roughly Rs. 240 cr of additional working capital from its own pocket. That is the single biggest tail risk in this name and section 3 returns to it.

2. Reading the financials

The historical numbers are cleaner than I expected going in. Revenue compounded from Rs. 2,331 cr in FY22 to Rs. 5,307 cr in FY25, a 32 percent three-year CAGR. EBITDA margin expanded from 8.5 percent to 12 percent over the same period. EPS grew from Rs. 4.7 to Rs. 25, a faster compounding rate than revenue, which is the operating leverage you would expect to see in a business with rising in-house manufacturing content.

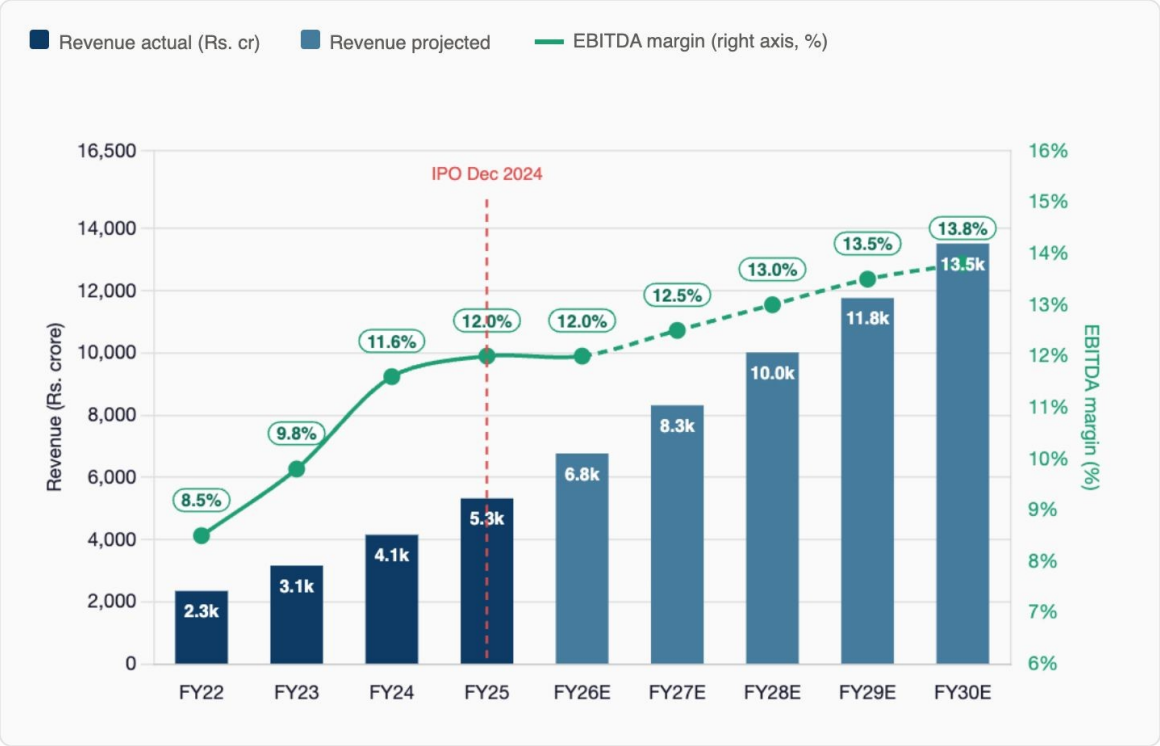


Figure 4. Revenue and EBITDA margin trajectory FY22 through FY30E. Revenue doubles from FY26E base of Rs. 6,750 cr to Rs. 13,500 cr by FY30E. Margin lifts another 180 basis points to 13.8 percent.

The trajectory chart shows the historical actuals (dark blue bars), the IPO point (December 2024, marked with the dashed line), and the projected base case through FY30 (lighter blue bars). The green line is EBITDA margin on the right axis. The base case sees revenue doubling from FY26E to FY30E and margin lifting another 180 basis points to 13.8 percent. The margin lift is almost entirely driven by mix substitution. The Butibori conductor capacity expansion, with Phase 1 commissioning scheduled for September 2026, takes installed conductor capacity from 84,000 MTPA to 172,000 MTPA. Once that capacity is online, every contract booked thereafter carries more in-house material content, which means more captured manufacturer margin. Phase 2 ramp through FY28 and FY29 takes capacity to roughly 220,000 MTPA. The commissioning sequence is the single largest operating catalyst in the next 24 months.

ROE doubled from 12.4 percent in FY22 to 22.3 percent in FY25. That is a meaningful number for any contracting business. But the more important question is whether the ROE expansion came from genuine improvement in the underlying business or from financial engineering, because the two reverse very differently in a downturn.

Metric	FY22	FY23	FY24	FY25	FY26E	Trend
ROE (%)	12.4	14.2	19.1	22.3	19.5	↑
ROA (%)	3.8	4.6	6.9	8.5	8.7	↑
ROIC (%)	10.2	12.4	15.8	19.5	19.0	↑
ROCE (%)	14.5	17.8	22.3	25.0	24.5	↑
Gross margin (%)	21.5	22.8	23.5	24.0	23.8	↑
EBITDA margin (%)	8.5	9.8	11.6	12.0	12.0	↑
Net margin (%)	2.6	3.4	5.4	6.32	6.8	↑
Current ratio (x)	1.21	1.24	1.31	1.42	1.45	↑
DSO (days)	88	85	82	86	90	→
Net debt / EBITDA (x)	1.85	1.42	0.95	0.55	0.55	↓

Best in series Above peer median Neutral Below peer median

Figure 5. Ratio heatmap, FY22 to FY26E. Profitability metrics trend up uniformly. The single yellow flag is DSO drift from 82 to 90 days.

The heatmap above is the cleanest way to see the answer. Each row is a different financial ratio. The columns are years. Green cells indicate the metric was best-in-series for that year, light cells indicate above peer median, and lighter still indicates neutral. The colour wash is almost uniformly green. ROE rose from 12.4 to 22.3, ROIC from 10.2 to 19.5, ROCE from 14.5 to 25.0, gross margin from 21.5 to 24.0, EBITDA margin from 8.5 to 12.0, net margin from 2.6 to 6.32. Net debt to EBITDA halved from 1.85x to 0.55x, partly from EBITDA growth and partly from IPO proceeds being used to pay down legacy term debt. Of every metric tracked, only one drifts the wrong way: DSO, which moved from 82 days to 90 days. That is the single yellow flag, and section 3 explains why it appeared and what would make it dangerous.

To confirm the ROE expansion is real, the standard tool is DuPont decomposition. ROE breaks into three pieces: net margin (how much of every rupee of revenue ends up as profit), asset turnover (how much revenue is generated per rupee of assets), and equity multiplier (how leveraged the balance sheet is). When net margin rises while turnover and leverage stay flat, the expansion is operational and durable. When net margin is flat but leverage rises, the expansion is financial engineering and reverses in a credit cycle.

Here, net margin doubled from 2.6 percent to 6.3 percent. Asset turnover held roughly flat at 1.34x. The equity multiplier actually fell from 3.30 to 2.63, meaning leverage came down rather than up while ROE was rising. This is the high-quality version of ROE expansion. It will not unwind in a tighter rate environment because the engine is operational margin and not leverage. The DuPont chart is in the appendix.

3. Working capital, the cycle that decides cash flow

In contracting businesses, working capital determines whether the company actually generates cash or just reports earnings on paper. A profitable contractor that runs an unstable receivables cycle can go bankrupt while looking financially healthy on the income statement. This was the section that took the longest to work through, and it is the section where I would push back hardest if pressed on the thesis.

The cash conversion cycle, abbreviated CCC, is the standard metric. It measures the number of days it takes to convert a sale into cash after netting payables. Lower is better. It is the sum of days receivables outstanding (DSO, how long customers take to pay) plus days inventory outstanding (DIO, how long stock sits) minus days payables outstanding (DPO, how long the company takes to pay suppliers).

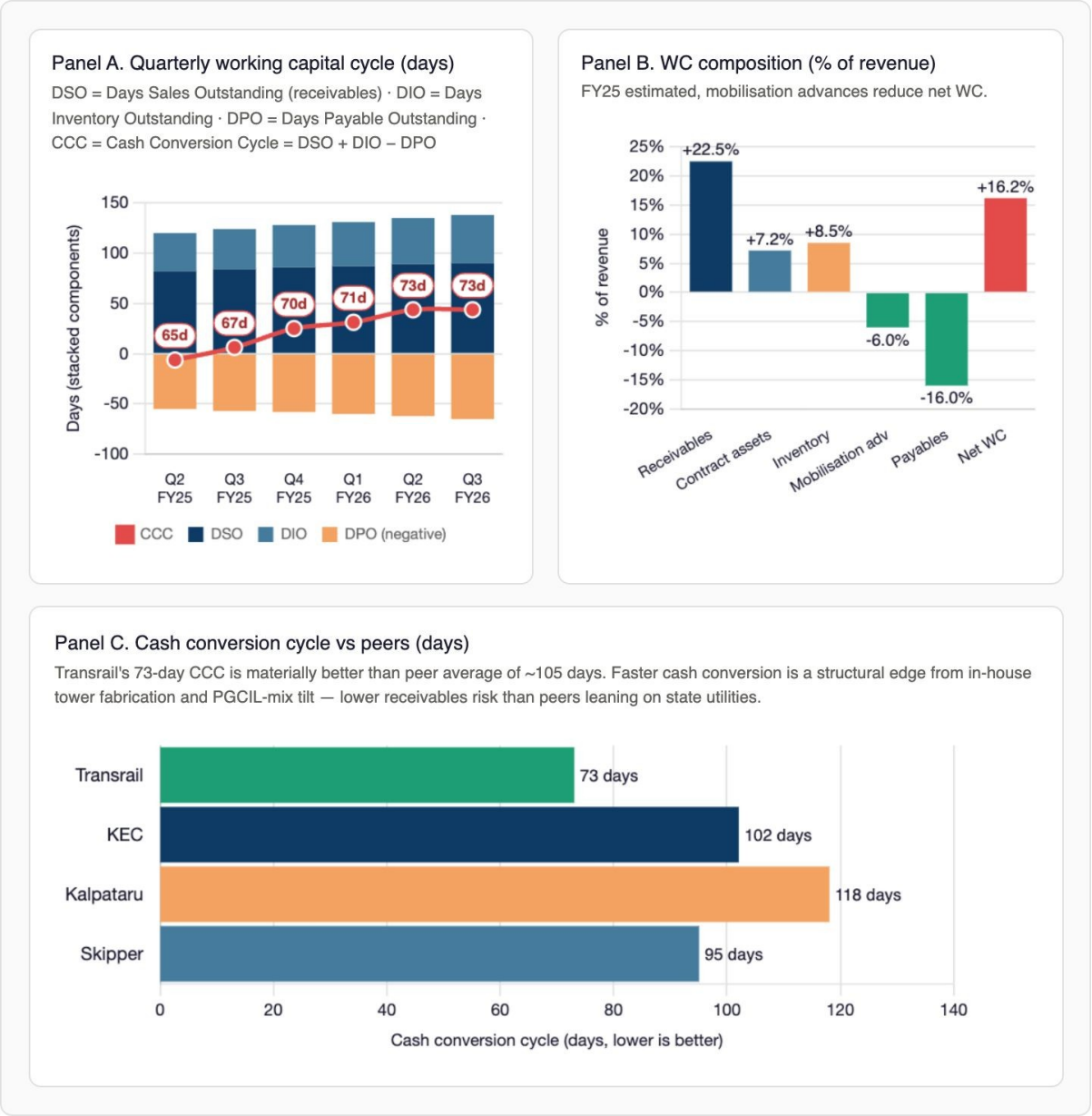


Figure 6. Working capital cycle. Quarterly DSO/DIO/DPO trend (left). Composition of net working capital as percent of revenue (right). Cash conversion cycle versus peers (bottom).

Transrail's CCC stands at 73 days. The peer average is around 105 days: KEC at 102, Kalpataru at 118, Skipper at 95. Transrail converts cash 30 to 45 days faster than the comparison set. There are two structural reasons. The first is the higher PGCIL share in the order book, which collects on a 60 to 75 day cycle compared to 130+ days for state utilities. The second is the in-house tower fabrication itself, which collapses what would otherwise be a separate purchase invoice cycle for towers into the project execution itself. When Transrail builds a tower on its own contract, it is essentially settling with itself rather than waiting for an external vendor invoice to clear.

The CCC has crept up over the last six quarters, from 65 days to 73 days, driven mostly by DSO drift from 82 to 90 days. The drift reflects a modest tilt in the active book toward state utility exposure. Inventory has expanded from 38 to 48 days, but this is legitimate growth-phase build for active projects rather than slow-moving stock. Payables have stretched in line with inventory build, partly cushioning the receivables creep.

The arithmetic that worries me: every day of CCC absorbs roughly Rs. 19 cr of working capital at current revenue scale. If state utility DSO stretched another 30 days, the company would have to fund Rs. 570 cr of additional working capital. That is not fatal, but it is a meaningful drag on free cash flow and the kind of thing that breaks growth-stage names. The hard rule attached to the position is this: if consolidated DSO crosses 100 days for two consecutive quarters, the receivables risk has bound, and the position size should be cut by half regardless of where the price is trading.

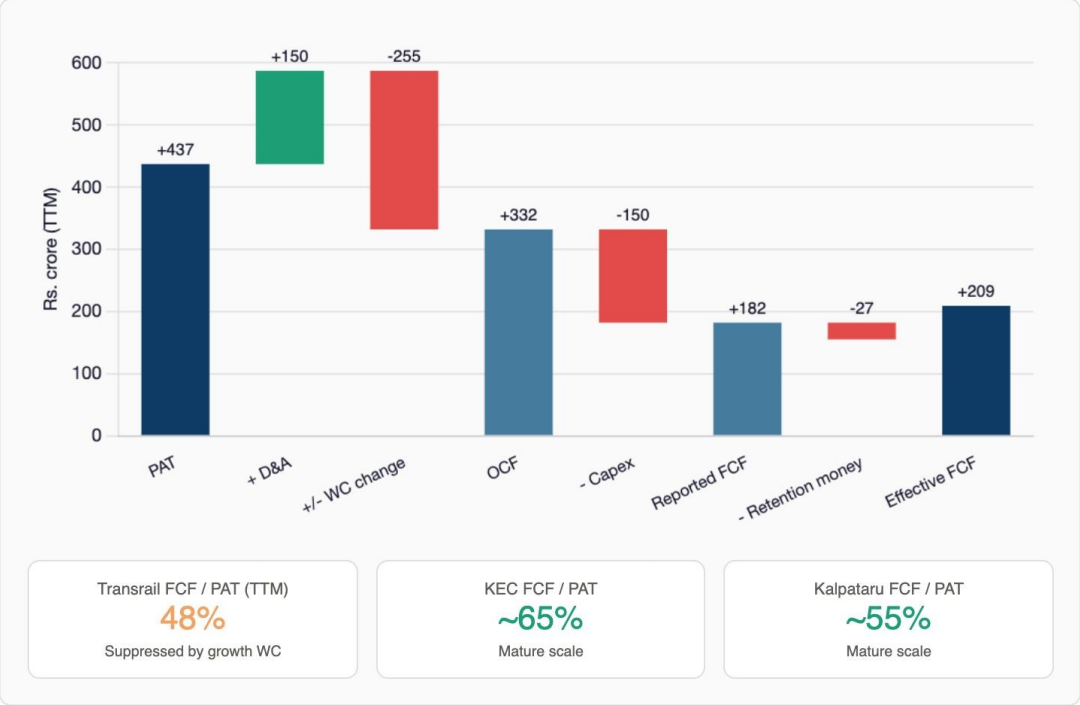


Figure 7. PAT to FCF bridge, trailing twelve months. Effective FCF of Rs. 209 cr against PAT of Rs. 437 cr, a 48 percent conversion ratio.

The chart above bridges trailing PAT to effective free cash flow. Trailing PAT of Rs. 437 cr converts to effective FCF of just Rs. 209 cr, a 48 percent conversion ratio. KEC runs at about 65 percent and Kalpataru at 55 percent. On the surface this looks like a quality issue, and the market appears to be reading it that way.

Breaking down the gap, the working capital change of negative Rs. 255 cr accounts for the bulk of the shortfall, with capex consuming the residual. Both items are funding the 30 percent revenue growth the company is currently delivering. The right comparison is operating cash flow before working capital change, where Transrail looks comparable to peers. As revenue growth normalises from 30 percent today toward 12 to 15 percent by FY28, working capital absorption falls and FCF conversion lifts back into the 60s, in line with mature peers. The market is treating the 48 percent conversion as a permanent flaw in the business model. I would disagree. It is the cost of growth, not the cost of poor quality.

4. Order book and revenue runway

The order book at Q3 FY26 stands at Rs. 14,733 cr, equivalent to 2.5x trailing twelve-month revenue. The company is sitting on roughly 30 months of forward revenue without winning a single new contract. For context, KEC trades at a book-to-revenue ratio of 1.36x and Kalpataru at 2.88x; Transrail sits second-highest in the comp set, with the highest-quality customer mix.

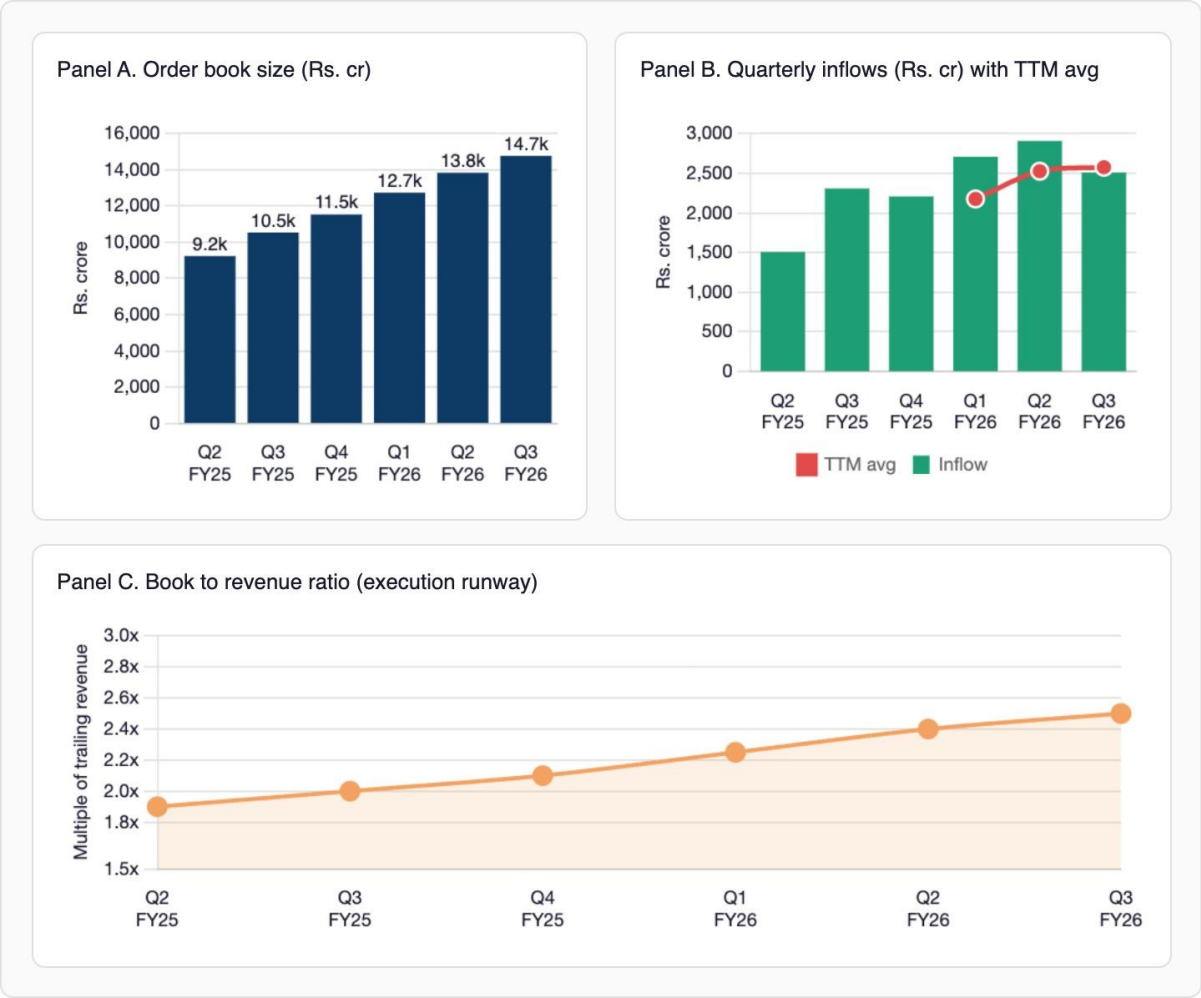


Figure 8. Order book trajectory. Absolute size and quarterly inflows with TTM-average overlay (top). Book-to-revenue ratio (bottom).

The chart panels show three things that matter. First, the absolute backlog has grown from Rs. 9,200 cr in Q2 FY25 to Rs. 14,733 cr in Q3 FY26, a 60 percent expansion in five quarters. Second, quarterly inflows have averaged Rs. 2,200 to Rs. 2,900 cr through the period, with the trailing four-quarter average climbing from Rs. 2,175 cr to Rs. 2,575 cr. The trend is firmly up. Third, the book-to-revenue ratio has expanded from 1.9x to 2.5x. Each of these is a positive signal in isolation. Together they confirm the company is winning more work, faster, even as revenue grows.

The single most important data point in the next two months is the Q4 FY26 inflow print, due in late May 2026. A number above Rs. 2,500 cr extends the runway and confirms the trajectory. A number below Rs. 2,000 cr would be the first real signal that the pipeline is decelerating, which would shift the bull and bear weighting and prompt a position size review. This is the kind of monitorable that makes the position manageable rather than a leap of faith.

5. Where it sits in the peer group

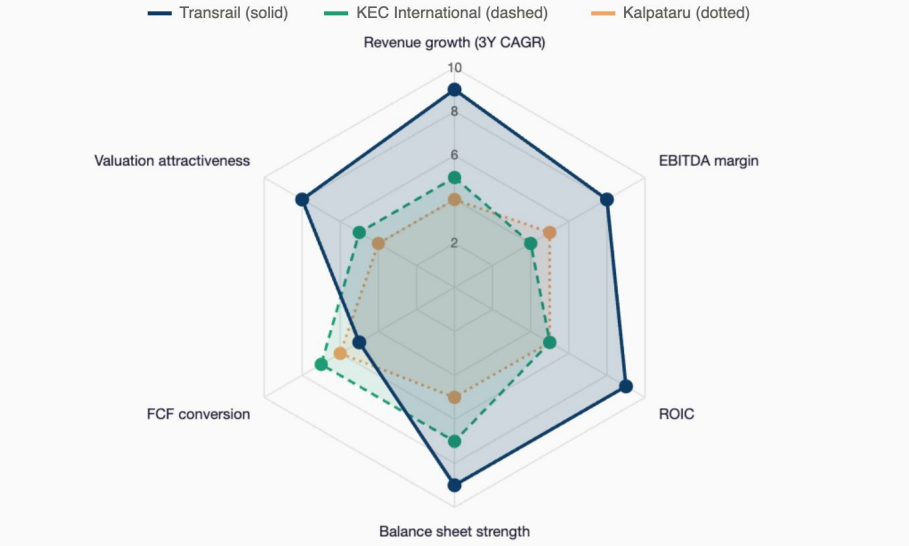
Five directly comparable listed names operate in the Indian T&D EPC space: KEC International, Kalpataru Projects, Skipper, Techno Electric & Engineering, and Transrail itself. The comparison below covers the metrics that matter for an industrial business of this size and stage.

Company	Rev (Cr)	Rev gr 1Y	EBITDA mgn	Net mgn	ROIC	OB/Rev	EV/ EBITDA	P/E fwd	ND/ EBITDA	Mkt cap
Transrail	**6,917**	**30.4%**	**12.0%**	**6.32%**	**19.5%**	**2.50x**	**10.15x**	**18.51x**	**0.55x**	**8,033**
KEC Intl	27,000	18.0%	7.8%	2.88%	12.0%	1.36x	15.50x	19.71x	1.10x	15,336

Company	Rev (Cr)	Rev gr 1Y	EBITDA mgn	Net mgn	ROIC	OB/Rev	EV/ EBITDA	P/E fwd	ND/ EBITDA	Mkt cap
Kalpataru	22,000	15.0%	9.5%	3.17%	11.5%	2.88x	12.40x	21.63x	1.85x	21,498
Skipper	5,400	22.0%	7.0%	3.65%	10.5%	1.68x	9.50x	20.63x	2.45x	5,398
Techno Elec	2,330	12.0%	19.0%	16.30%	14.0%	2.10x	21.00x	24.38x	-0.20x	9,955
Group avg	12,549	19.5%	11.1%	6.46%	13.5%	2.10x	13.71x	20.97x	1.15x	12,044

Table 1. Peer comparison, Indian T&D EPC group. TTM data as of 28 April 2026. Transrail row highlighted in amber.

The pattern is consistent across the table. Transrail leads on revenue growth (30.4 percent versus the 19.5 percent group average), ROIC (19.5 versus 13.5), and forward P/E discount (cheapest at 18.51x versus the 20.97x average). It ranks second on EBITDA margin (12 versus 11.1), net margin, book-to-bill ratio, EV/EBITDA, and net debt to EBITDA. The only places it does not lead are absolute revenue size, where it is roughly a quarter of KEC, and FCF/PAT conversion, which is a function of growth stage as discussed.



Dimension (0=worst, 10=best, normalised)	Transrail	KEC	Kalpataru
Revenue growth (3Y CAGR)	9	5	4
EBITDA margin	8	4	5
ROIC	9	5	5
Balance sheet strength	9	7	5
FCF conversion	5	7	6
Valuation attractiveness	8	5	4

Figure 9. Six-axis radar versus KEC and Kalpataru, the two closest size-and-mix peers. Transrail's polygon dominates on five of six normalised dimensions.

The radar chart simplifies the comparison to the two closest size-and-mix peers, KEC and Kalpataru, on six normalised dimensions. Transrail's polygon (solid line) dominates on five of six axes: revenue growth, EBITDA margin, ROIC, balance sheet strength, and valuation attractiveness. The only dimension where Transrail is weaker than the peers is FCF conversion, which is the structural growth-phase issue covered in section 3.

The reading from this section is straightforward. Transrail is at or near the top of the peer group on the operating quality dimensions that should drive the multiple, and it trades at a discount to that same group on every valuation multiple. Either the market expects growth and margin to disappoint sharply from current trajectory, or the multiple is wrong. The latter is the higher-probability call. The most likely explanation for the discount is that the stock listed in December 2024 at the bottom of a market drawdown and the multiple has not yet repriced.

6. The macro setup matters more than the company

I would not own this stock as an isolated bet on management quality. The position works at a portfolio level because the macro backdrop is doing most of the heavy lifting on revenue growth. If the addressable market doubles, every reasonable competitor doubles too. Transrail just has to participate proportionally to deliver the base case.

India has been through one prior T&D capex supercycle, the 2014 to 2018 wave. That wave was driven by rural electrification under the RGGVY programme and the 24x7 power-for-all mandate. It peaked at roughly Rs. 100,000 cr of annual T&D investment in FY18 and slowed through FY22 as the rural connection mandate completed. The current wave is being driven by structurally different forces: renewable evacuation infrastructure (the PGCIL ISTS pipeline that connects new solar and wind capacity to load centres), distribution upgrades under the RDSS scheme (Rs. 3.03 lakh cr cumulative outlay), and state-level transmission expansion to support the 500 GW renewable target by 2030. The first wave was rural; this wave is renewable.

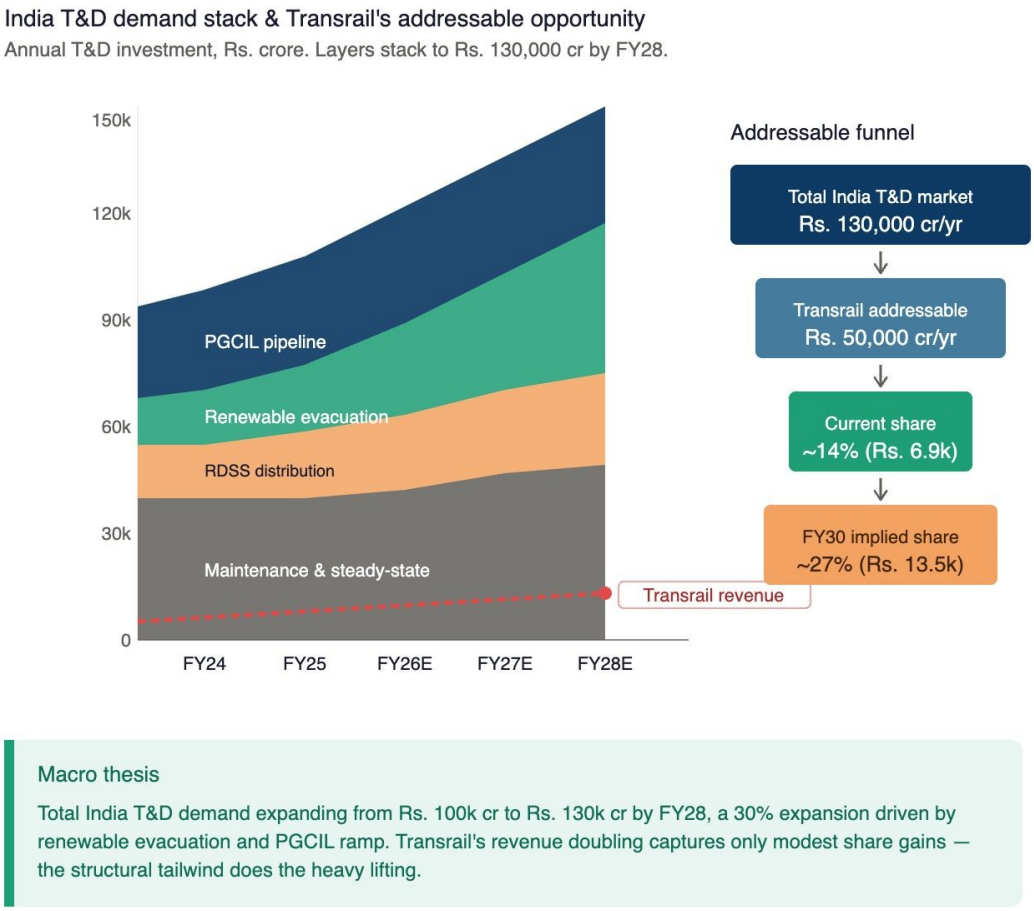


Figure 10. India T&D demand stack. Total addressable annual market expands from Rs. 100k cr today to Rs. 130k cr by FY28. Transrail's required share path is 14 to 27 percent.

The demand stack chart on the left shows the components of total annual T&D investment in India. Baseline maintenance (the dark navy band) runs at about Rs. 30,000 cr per year. RDSS distribution upgrades (lighter navy) add roughly Rs. 25,000 cr through FY28 from current Rs. 15,000 cr levels. Renewable evacuation infrastructure (orange) contributes Rs. 35,000 cr by FY28, scaling to Rs. 50,000 cr by FY30 as the 500 GW target requires both inter-state and intra-state transmission build-out. The PGCIL ISTS pipeline alone contributes Rs. 40,000 cr by FY28. The total stacks to roughly Rs. 130,000 cr of annual T&D investment by FY28, a 30 percent expansion from the current Rs. 100,000 cr level over four years.

The funnel on the right works the math out for Transrail specifically. The total India T&D market is the top of the funnel at Rs. 130,000 cr. Not all of it is addressable for Transrail; some categories (like deep distribution work, certain underground cabling) are outside the company's competence. The addressable slice is roughly Rs. 50,000 cr per year. Against TTM revenue of Rs. 6,917 cr, that is a 14 percent share of addressable market. To hit the FY30 base case revenue of Rs. 13,500 cr, the company needs to reach approximately 27 percent addressable share.

The doubling of share is achievable without taking share from any single competitor. It can come purely from proportional participation in the addressable market expansion itself. The macro is doing the work. Transrail just needs to execute. That is the cleanest version of an industrial growth thesis: a market that is itself growing, with a contractor positioned to scale alongside it without needing to win a market share war.

7. Pricing the company

The fair value question was approached five different ways and the answers were weighted into a single target price. Using multiple methods is important for a company at this stage of its lifecycle: discounted cash flow tends to understate growth-phase EPC businesses because free cash flow is suppressed by working capital absorption, while pure multiples can be misleading if the peer set is mispriced. Triangulating across methods gives a more honest answer.

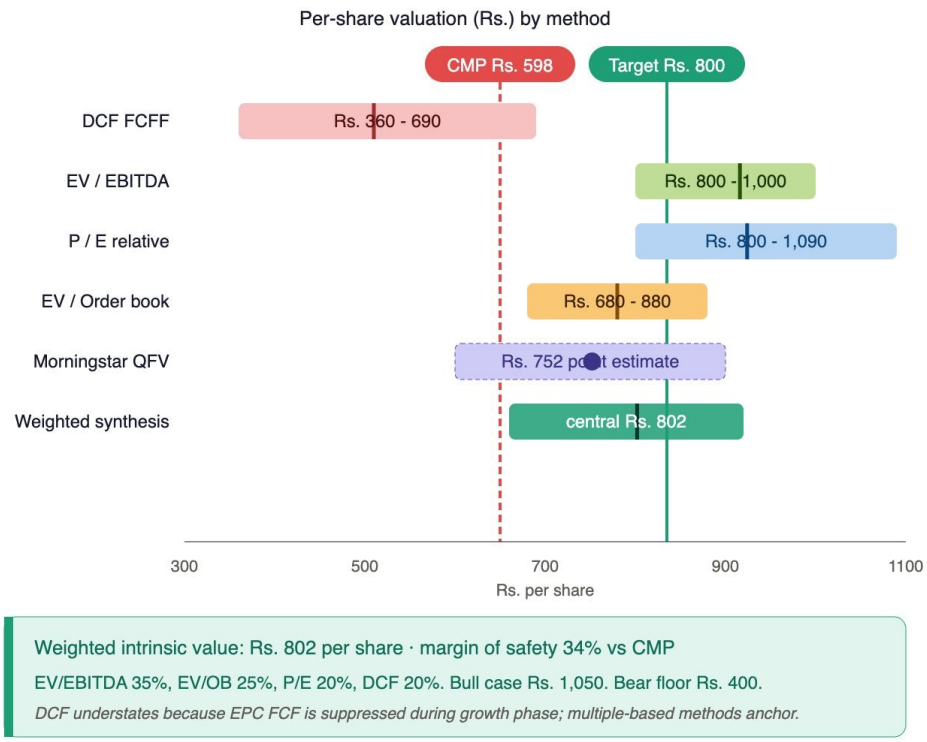


Figure 11. Football field across five valuation methods. Methods cluster between Rs. 700 and Rs. 1,090. DCF anchors the floor at Rs. 510. Multiples carry the central case. Weighted central intrinsic at Rs. 802.

The football field above lays out the per-share intrinsic value range from each method. Every method except DCF puts fair value above the current price of Rs. 598, and the multiples-based methods cluster between Rs. 680 and Rs. 1,090. The weighted central intrinsic value lands at Rs. 802, rounded to Rs. 800 for the headline target. The weighting scheme reflects how much trust each method earns at this stage of the company's lifecycle: EV/EBITDA at 35 percent, EV/Order book at 25 percent, P/E forward at 20 percent, and DCF at 20 percent.

The discounted cash flow model is built bottom-up from a base case revenue and margin trajectory through FY30, using a weighted average cost of capital of 13.5 percent and a terminal growth rate of 4.5 percent. The full WACC build, FCFF projection, and sensitivity grid are in the appendix; what follows is the core math.

The cost of equity using CAPM lands at 13.94 percent (6.95 percent risk-free rate, 5.5 percent equity risk premium, 1.27 levered beta). After-tax cost of debt is 6.36 percent. With a target debt to total capital of 20 percent, the unadjusted WACC is 12.42 percent. To this is added a 108 basis point execution risk premium covering two specific items: the post-IPO trading history is short, which makes the empirical beta less reliable, and a portion of operating cash flow runs through state counterparties whose receivables risk is not captured in the levered beta. Final WACC of 13.5 percent. Terminal growth is set at 4.5 percent, below nominal GDP of approximately 5 percent, to reflect the cyclical nature of capex-driven revenue.

The free cash flow projection sums to a present value of explicit cash flows of approximately Rs. 1,672 cr over FY26 to FY30. Terminal value at end-FY30, calculated via the Gordon growth formula, is Rs. 907 cr × 1.045 / (0.135 - 0.045) = Rs. 10,531 cr. Discounted to present at 13.5 percent over five years, this gives a present value of terminal value of Rs. 5,594 cr. Total enterprise value: Rs. 7,266 cr. Less FY26E net debt of Rs. 600 cr, equity value is Rs. 6,666 cr. Divided by 134.3 mn diluted shares, per-share intrinsic value lands at Rs. 496, which rounds to the central DCF case of Rs. 510 in the football field. The full FCFF table, with discount factors and PV per year, is in the appendix.

The DCF understates the company because the FCF stream in years one through five is suppressed by working capital absorption funding 30 percent revenue growth. As revenue growth normalises post-FY28, the FCF stream lifts and the DCF moves up materially. The sensitivity grid (also in the appendix) shows that a 100 basis point shift in either WACC or terminal growth moves fair value by 12 to 15 percent. This sensitivity is exactly why DCF is given only a 20 percent weight in the blended target. The multiples carry the central case.

Method	Range	Central
EV/EBITDA (FY28E, 9 to 10x)	Rs. 800 to 1,000	Rs. 920
P/E forward (FY29E, 17 to 22x)	Rs. 800 to 1,090	Rs. 924
EV / Order book (0.6 to 0.75x)	Rs. 680 to 880	Rs. 780
DCF (sensitivity range)	Rs. 360 to 690	Rs. 510
Morningstar QFV (point estimate)	—	Rs. 752
Weighted central	**—**	**Rs. 802**

Table 2. Multiples valuation summary. Weighted central using EV/EBITDA 35%, EV/OB 25%, P/E 20%, DCF 20%.

The multiples-based methods carry the central case. EV/EBITDA at the peer median 9 to 10x applied to FY28E EBITDA of Rs. 1,300 cr gives Rs. 800 to Rs. 1,000 per share. P/E forward at the peer band of 17 to 22x applied to FY29E EPS of approximately Rs. 53 gives Rs. 900 to Rs. 1,166. EV/Order book at 0.6 to 0.75x of the current Rs. 14,733 cr backlog gives Rs. 680 to Rs. 880. Morningstar's quantitative fair value model, used as a third-party check, gives a point estimate of Rs. 752, just below the weighted central. Five methods, one direction of travel.

8. Three scenarios

Single-point price targets understate uncertainty. The scenario approach forces the analyst to articulate what the world looks like if the thesis is wrong, what it looks like if everything works, and what reasonable probabilities to attach to each.

Variable	Bear	Base	Bull
Probability	20%	50%	30%
Revenue CAGR FY26-30	8%	19%	25%
EBITDA margin (terminal)	9.5%	13.0%	14.5%
Y3 EPS (Rs.)	35.7	79.0	96.8
Exit multiple	12x	17x	22x

Variable	Bear	Base	Bull
Y3 price target (Rs.)	**400**	**800**	**1,050**
Total return	-33%	+34%	+76%
Annualised	-13%	+10%	+21%

Table 3. Scenario assumptions matrix. Probability-weighted return: 0.20 × (-33%) + 0.50 × (+34%) + 0.30 × (+76%) = +33% over 36 months.

The probability weights of 20, 50, and 30 percent give a weighted return of +33 percent over 36 months. The math: 0.20 × negative 33 percent, plus 0.50 × positive 34 percent, plus 0.30 × positive 76 percent. The base case is the modal outcome, the bull is the upside if the integration moat compounds with capacity additions and the multiple rerates, and the bear is what happens if state utility receivables blow out and the order pipeline thins.

The asymmetry is what drives the call. The bull case upside of +76 percent is 2.3x the bear case downside of -33 percent in absolute terms. Combined with the probability weights, the expected value is firmly positive even with conservative bear case assumptions.

In the bear case, order inflow decelerates below Rs. 2,000 cr per quarter, state utility DSO stretches above 130 days, steel prices spike 30 percent without effective pass-through, and the multiple compresses to 12x. EPS lands at Rs. 35.7 in year three. Implied price: Rs. 400, a 33 percent drawdown from current levels. In the bull case, the conductor capacity Phase 2 lifts margin to 14.5 percent, revenue compounds at 25 percent, and the multiple expands to 22x as the market recognises the moat. EPS lands at Rs. 96.8. Implied price: Rs. 1,050. Both cases are coherent. Both have non-trivial probability. The probability weighting is what produces the recommendation.

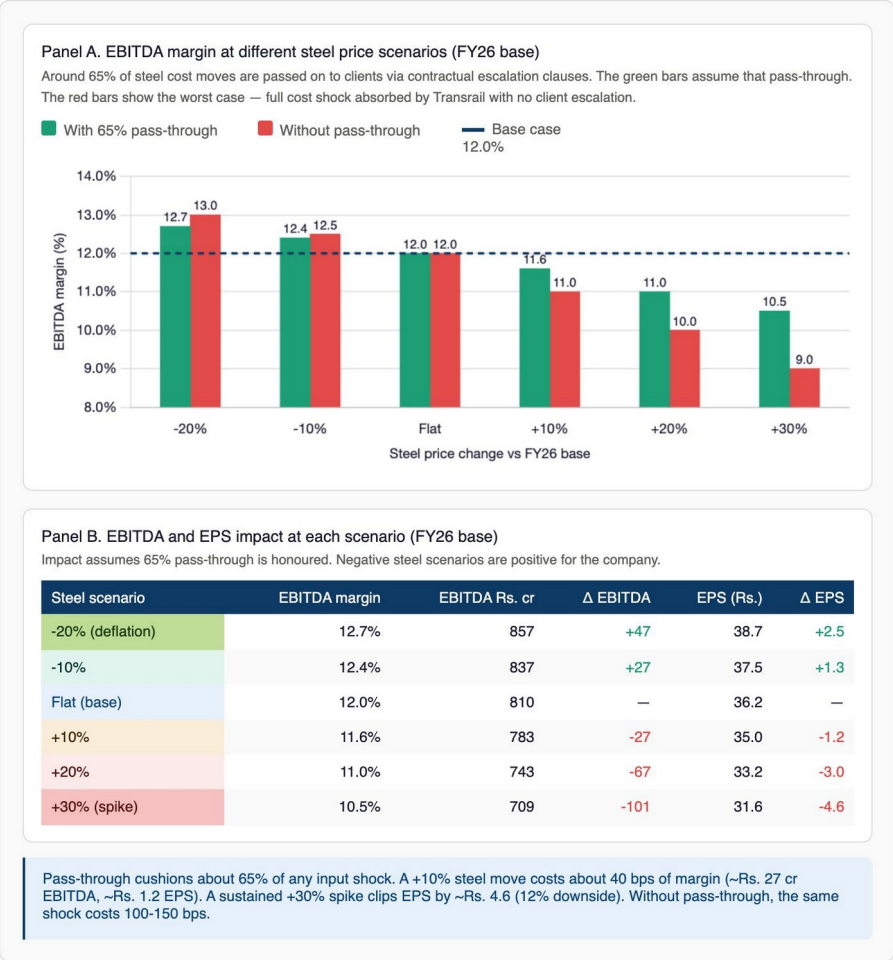
9. What could go wrong

Risk in this name is concentrated rather than diffuse. A general-purpose risk register would list dozens of items. The useful exercise is to name the four or five risks that, if they materialise, actually break the thesis, and to attach hard rules to each so that managing the position becomes an executable process rather than a judgement call.

Four risks sit in what I call the critical quadrant: high probability of occurrence and high impact on the thesis. These are state utility payment delays, order inflow deceleration, a sustained steel price spike, and a working capital blowout. Three sit in the active management quadrant: Africa receivables, competition pressure on margin, and the technical supply overhang from the pre-IPO investor lock-in expiry in June 2026. Three more are low-priority watch items. The full risk matrix is in the appendix.

State utility receivables is the risk that keeps coming up. About 30 percent of the order book (Rs. 2,950 cr in absolute terms) is anchored to state transmission companies and discoms running 130-day baseline DSO. State utilities have a long history of stretching payment cycles during fiscal stress. During the 2018-2020 period, several state discoms ran 180-day DSO. If state receivables stretched another 30 days from current levels, working capital absorption costs the company Rs. 240 to Rs. 300 cr in cash. The mitigant is the combined PGCIL and private TSP share (45 percent of order book), which collects on a tighter 60 to 90 day cycle and provides a partial counterweight.

The hard rule attached to this risk: if consolidated DSO crosses 100 days for two consecutive quarters, position size should fall by half regardless of price level. This is the single non-negotiable rule on the position.



Panel B. EBITDA and EPS impact at each scenario (FY26 base)

Impact assumes 65% pass-through is honoured. Negative steel scenarios are positive for the company.

Steel scenario	EBITDA margin	EBITDA Rs. cr	Δ EBITDA	EPS (Rs.)	Δ EPS
-20% (deflation)	12.7%	857	+47	38.7	+2.5
-10%	12.4%	837	+27	37.5	+1.3
Flat (base)	12.0%	810	—	36.2	—
+10%	11.6%	783	-27	35.0	-1.2
+20%	11.0%	743	-67	33.2	-3.0
+30% (spike)	10.5%	709	-101	31.6	-4.6

Pass-through cushions about 65% of any input shock. A +10% steel move costs about 40 bps of margin (~Rs. 27 cr EBITDA, ~Rs. 1.2 EPS). A sustained +30% spike clips EPS by ~Rs. 4.6 (12% downside). Without pass-through, the same shock costs 100-150 bps.

Figure 12. Steel price sensitivity across six scenarios. Pass-through clauses cushion 65 percent of input shocks. A sustained +30 percent spike clips Rs. 4.6 of EPS, about 12 percent of base case earnings.

Steel price risk is more contained than it appears at first glance. The chart above runs EBITDA margin and EPS through six steel price scenarios, from a 20 percent deflation to a 30 percent spike. The contractual pass-through rate, written into most state utility and PGCIL contracts, is approximately 65 percent. Two-thirds of any input shock is recovered through contractual escalation clauses. A 10 percent steel move costs only 40 basis points of margin and roughly Rs. 1.2 of EPS, well within the noise of quarterly earnings volatility. A sustained 30 percent spike clips approximately 150 basis points of margin and Rs. 4.6 of EPS, about 12 percent of base case earnings. Without pass-through clauses, the same shock would clip 100 to 150 basis points of margin instead of 40. The pass-through clauses have been honoured historically, including during the 2021 to 2022 commodity spike.

The current setup of high real GDP growth and accommodative monetary policy is what I call the strong tailwind regime. Capex flows freely, working capital costs are manageable, and discount rates support multiples. The dangerous regime is stagflation: low growth combined with rising rates. In stagflation, capex deferrals compound with multiple compression, and a position like Transrail can lose 30 to 40 percent on multiple alone, before any operating disappointment.

India's probability of landing in stagflation over the next 24 months is approximately 15 percent on my read. Low, but non-trivial as a tail. The macro regime grid in the appendix maps return profiles across all four growth-and-rate combinations. The position is sized partly to absorb tail risk: at 4 percent of portfolio at the starter level (8 percent at full size), even a 40 percent regime drawdown costs the portfolio 1.6 to 3.2 percent. That is a survivable loss for a position with this expected upside.

10. Catalyst calendar, the next 24 months

The shape of the catalyst calendar is as important as the individual catalysts. A name with no near-term catalysts can be cheap forever. A name with a clustered catalyst calendar over a 9 to 12 month window has a defined path for the multiple to rerate, which is what makes the position actionable rather than speculative.

On the catalyst side, the cluster begins late May 2026 with Q4 FY26 results. This is the first material check on whether the order inflow trajectory is holding. A print above Rs. 2,500 cr extends the runway. A print below Rs. 2,000 cr is a signal that the pipeline is decelerating. The cluster tightens through September 2026 with the Butibori conductor capacity Phase 1 commissioning, an operating catalyst that lifts contribution margin on every contract booked thereafter. February to March 2027 brings the GreenEnergy Corridor Phase II tendering window, an addressable inflow opportunity of approximately Rs. 6,000 cr. May to July 2027 brings PGCIL FY27 capex confirmation, which sets the tender visibility for Transrail's largest customer. The bookend is potential Nifty 500 inclusion in Q3 to Q4 2027, contingent on free-float liquidity criteria.

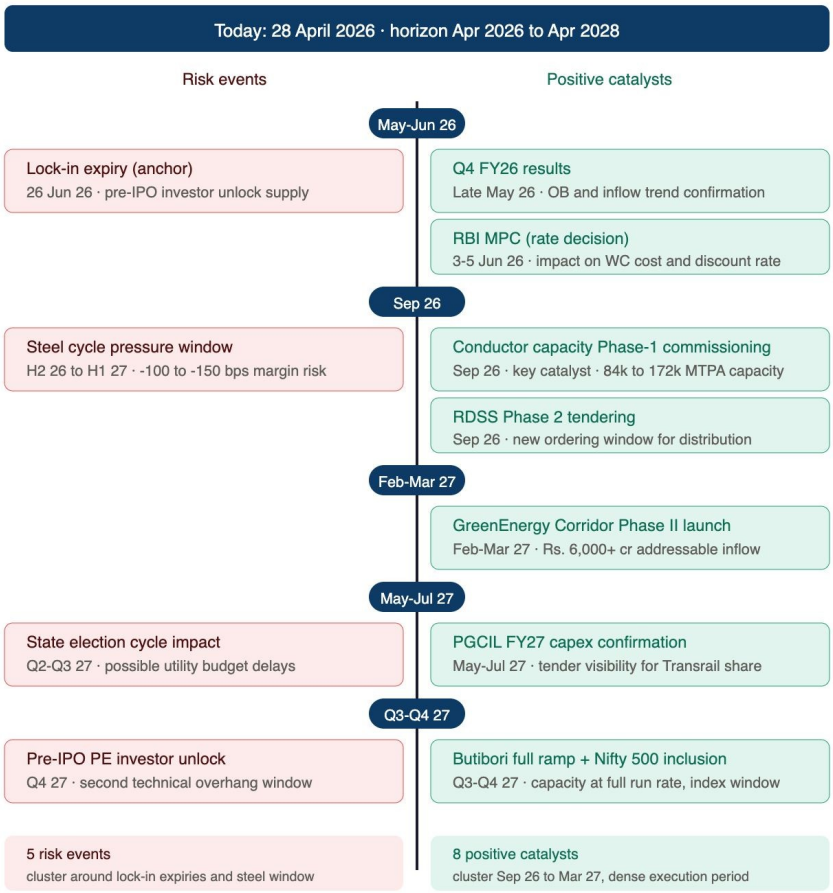


Figure 13. Catalyst and risk timeline, April 2026 to April 2028. Catalysts cluster September 2026 to March 2027. Risk events anchor at June 2026 lock-in expiry.

On the risk side, the 26 June 2026 lock-in expiry is the first technical overhang. Pre-IPO investors holding approximately 18 percent of the float become eligible to sell. Historical patterns at comparable IPO unlocks suggest temporary supply pressure in the weeks bracketing the date. This window is best treated as a tactical addition opportunity rather than a structural risk, conditional on Q4 FY26 results validating the inflow trajectory.

The shape: catalysts cluster September 2026 to March 2027, which is when the multiple rerating should start showing up in the price. If the rerating has not started by March 2027, the price will tell us, and the position size response is in the execution framework below.

11. How to take the position

This is a name where position sizing matters more than entry timing. Realised volatility is 41 percent annualised, which means the stock can move 2.5 percent on a typical trading day in either direction. Beta to Nifty is approximately 1.27, meaningfully more aggressive than the broad market. Trying to time the entry within a few percent is mostly noise; sizing the position correctly is what determines whether the thesis can be held through inevitable drawdowns.

For context on price levels: the IPO issued at Rs. 432 on 27 December 2024 with a listing-day pop to Rs. 590 (+37 percent). The 52-week high of Rs. 855 on 13 August 2025 was followed by a peak-to-trough drawdown of 54 percent to Rs. 394 on 7 April 2025. The current price of Rs. 598 sits roughly in the middle of the historical range. The price anchor card is in the appendix.

The position is sized at 8 percent of portfolio at full size, scaled by the 7-out-of-10 conviction rating to a 5.6 percent target. The build is staged across four levels.

Initial entry: 50 percent of intended size at Rs. 598 today, equivalent to roughly 4 percent of portfolio. This captures the asymmetric setup at current levels while leaving room to add on weakness.

First add: scale to 100 percent of intended size on a dip below Rs. 520. The window around the 26 June 2026 lock-in expiry is the highest-probability accumulation opportunity, conditional on the Q4 FY26 results having validated the inflow trajectory. If results disappoint, the trigger does not fire.

First trim: 30 percent of position at the Rs. 800 base case target. At that level, the position should be reassessed against peer multiples, residual catalysts, and the OB-to-revenue ratio. If the bull case still appears intact, the residual position rides for the upside; if not, scale to half size and lock in the base case return.

Full exit: Rs. 1,050 bull case target. Bull case complete; redeploy capital.

Stop loss: Rs. 400, conditional on order inflow staying below Rs. 2,000 cr for two consecutive quarters. Mechanical price stops without thesis damage are not honoured. The combination of price break plus thesis break is what triggers the exit.

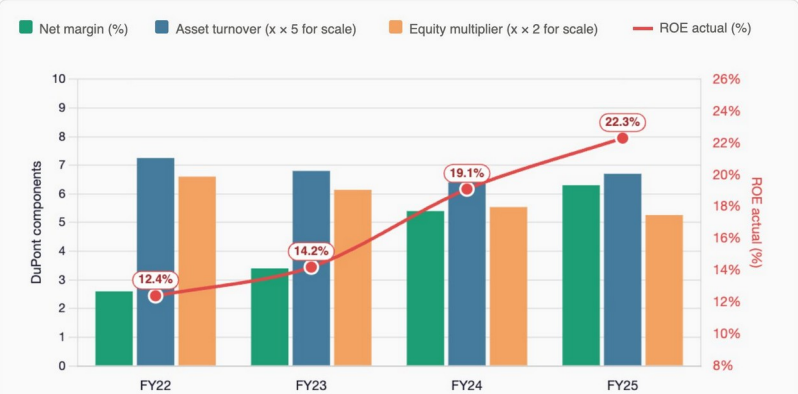
Conviction at 7 out of 10. Not 9, because the state utility receivables risk and the macro regime risk are real and not fully mitigatable. Not 5, because the integration moat and the macro tailwind are independent legs of the thesis, and any one of them breaking does not invalidate the call.

Appendix

Supporting tables, supplementary diagnostics, and reference exhibits referenced from the main report.

A.1 DuPont decomposition

The DuPont decomposition isolates the source of ROE expansion. ROE doubled from 12.4 percent to 22.3 percent over FY22 to FY25. Net margin doubled from 2.6 to 6.3 percent, asset turnover held roughly flat at 1.34x, and the equity multiplier fell from 3.30 to 2.63. Leverage going down while ROE rises is the high-quality version of this. It will not unwind in a tighter rate environment because the engine is operating margin rather than balance sheet leverage.



Year	Net margin	Asset turnover	Equity multiplier	Implied ROE
FY22	2.6%	1.45	3.30	12.4%
FY23	3.4%	1.36	3.07	14.2%
FY24	5.4%	1.28	2.77	19.1%
FY25	6.3%	1.34	2.63	22.3%

Figure A.1. DuPont decomposition of ROE, FY22 to FY25.

A.2 Peer comparison heatmap

The same data as the peer table in section 5, rendered as a colour heatmap for quick pattern-reading. Green cells indicate top-2 in column, red cells indicate bottom-2. Transrail (highlighted row) is at or near the top of every operating column.

Company	Revenue TTM (Cr)	Rev growth 1Y (%)	EBITDA margin (%)	Net margin (%)	ROIC (%)	OB / Rev (x)	EV/EBITDA (x)	P/E fwd (x)	Net debt / EBITDA	Mkt cap (Cr)
Transrail	6,917 #4	30.4 #1	12.0 #2	6.32 #2	19.5 #1	2.50 #2	10.15 #2	18.51 #1	0.55 #2	8,033 #4
KEC Intl	27,000 #1	18.0 #3	7.8 #4	2.88 #5	12.0 #3	1.36 #5	15.50 #3	19.71 #2	1.10 #3	15,336 #2
Kalpataru	22,000 #2	15.0 #4	9.5 #3	3.17 #4	11.5 #4	2.88 #1	12.40 #4	21.63 #3	1.85 #4	21,498 #1
Skipper	5,400 #5	22.0 #2	7.0 #5	3.65 #3	10.5 #5	1.68 #4	9.50 #1	20.63 #4	2.45 #5	5,398 #5
Techno Electric	2,330 #5	12.0 #5	19.0 #1	16.30 #1	14.0 #2	2.10 #3	21.00 #5	24.38 #5	-0.20 #1	9,955 #3

Best in column (rank #1-2) · Mid pack (#3) · Worst in column (#4-5) · Transrail (highlighted)

Figure A.2. Peer comparison heatmap. TTM data as of 28 April 2026.

A.3 India power sector timeline

The historical context for the macro call. The Electricity Act of 2003 liberalised the sector. The first T&D capex wave (2014 to 2018) was driven by rural electrification under RGGVY and the 24x7 power mandate. That wave peaked at approximately Rs. 100,000 cr of annual investment in FY18. The current wave, running from 2022 through FY30, is driven by renewable evacuation, RDSS distribution upgrades, and PGCIL ISTS pipeline expansion, anchored to the 500 GW renewable target by 2030. Transrail listed in December 2024 right at the inflection of the second supercycle.

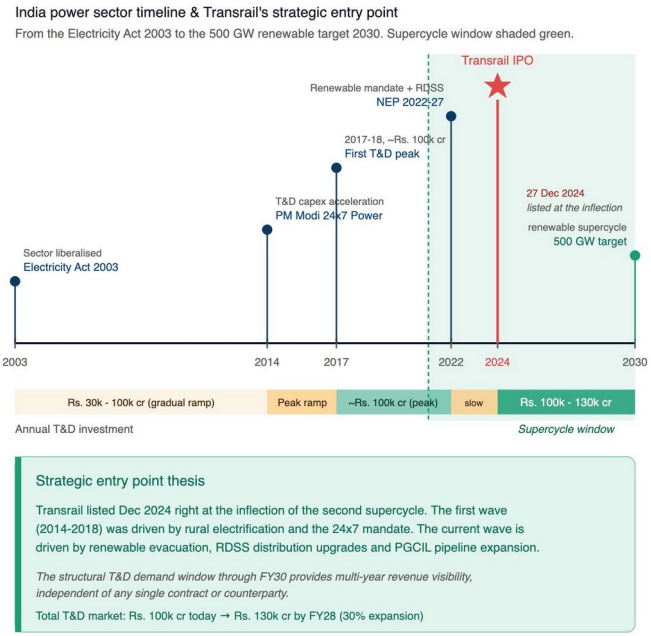


Figure A.3. India power sector timeline, 2003 to 2030.

A.4 WACC build

Component	Value
Risk-free rate (10Y G-Sec)	6.95%
Equity risk premium	5.50%
Levered beta (2Y daily)	1.27
Cost of equity (CAPM)	*13.94%*
Pre-tax cost of debt	8.50%
After-tax cost of debt (25.17% ETR)	6.36%
Target debt / (D+E)	20.0%
Pre-adjustment WACC	12.42%
Execution risk add-on	+108 bps
Final WACC	**13.50%**
Terminal growth rate	4.50%

Table A.1. WACC build, base case. Final WACC of 13.5 percent uses CAPM cost of equity, after-tax cost of debt at 25.17 percent effective tax rate, target debt mix of 20 percent, and a 108 bps execution risk add-on covering short post-IPO trading history and state-counterparty receivables risk not captured in beta.

A.5 FCFF projection

	FY26E	FY27E	FY28E	FY29E	FY30E
Revenue	6,750	8,300	10,000	11,750	13,500
EBITDA	810	1,038	1,300	1,586	1,863
EBIT (after D&A)	660	873	1,120	1,391	1,653
NOPAT (after 25.17% tax)	494	653	838	1,041	1,237
add: D&A	*150*	*165*	*180*	*195*	*210*
less: Capex	*(200)*	*(220)*	*(240)*	*(260)*	*(280)*

	FY26E	FY27E	FY28E	FY29E	FY30E
less: Change in NWC	*(250)*	*(290)*	*(260)*	*(270)*	*(260)*
FCFF	**194**	**308**	**518**	**706**	**907**
Discount factor (13.5%)	1.135	1.288	1.462	1.659	1.882
PV of FCFF	171	239	354	426	482

Table A.2. FCFF projection, base case (Rs. cr).

Sum of PV of explicit FCFF: Rs. 1,672 cr. Terminal value at end-FY30 via Gordon growth: Rs. 907 cr × 1.045 / (0.135 - 0.045) = Rs. 10,531 cr. PV of terminal value: Rs. 5,594 cr. Total enterprise value: Rs. 7,266 cr. Less FY26E net debt of Rs. 600 cr, equity value is Rs. 6,666 cr. Divided by 134.3 mn diluted shares, per-share intrinsic value of Rs. 496, which lands close to the central DCF case of Rs. 510 in the football field (the difference is mid-period rounding).

A.6 DCF sensitivity grid

The sensitivity grid below stresses the DCF across WACC (x-axis) and terminal growth (y-axis). The central cell, at WACC 13.5 percent and terminal growth 5.0 percent, lands at Rs. 447. A 100 basis point shift in either input moves fair value by 12 to 15 percent. At a conservative combination (WACC 14.5 percent, g 3.0 percent) fair value falls to Rs. 340. At an aggressive combination (WACC 11.0 percent, g 6.0 percent) it rises to Rs. 760. This sensitivity is exactly why DCF is given only a 20 percent weight in the blended target price.

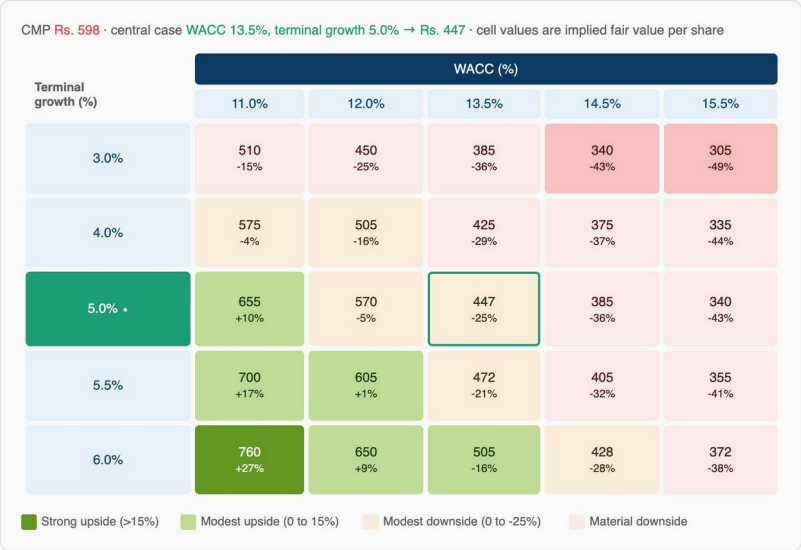


Figure A.4. DCF sensitivity grid. Central cell at WACC 13.5 percent and terminal growth 5.0 percent.

A.7 Risk matrix

The full risk matrix maps ten named risks across probability of occurrence and impact on the thesis. Critical risks (red dots) sit in the top-right quadrant: state utility delays, steel price spikes, order inflow drops, and working capital blowouts. Active management risks (amber dots) include the lock-in supply overhang, Africa receivables, and competition pressure. Low-priority risks (green dots) include commodity diversification, PGCIL delays, and management bandwidth concerns.

Figure A.5. Risk matrix. Probability of occurrence (y-axis) by impact on thesis (x-axis).

A.8 Macro regime grid

The macro regime grid maps Transrail's expected return profile across four combinations of growth and rate environment. The current setup (high growth, accommodative rates) is the strong-tailwind quadrant where high-conviction BUY is appropriate. The dangerous quadrant is stagflation: low growth combined with rising rates, where capex deferrals compound with multiple compression. India's probability of landing in stagflation over the next 24 months is approximately 15 percent on my read, low but non-trivial as a tail.

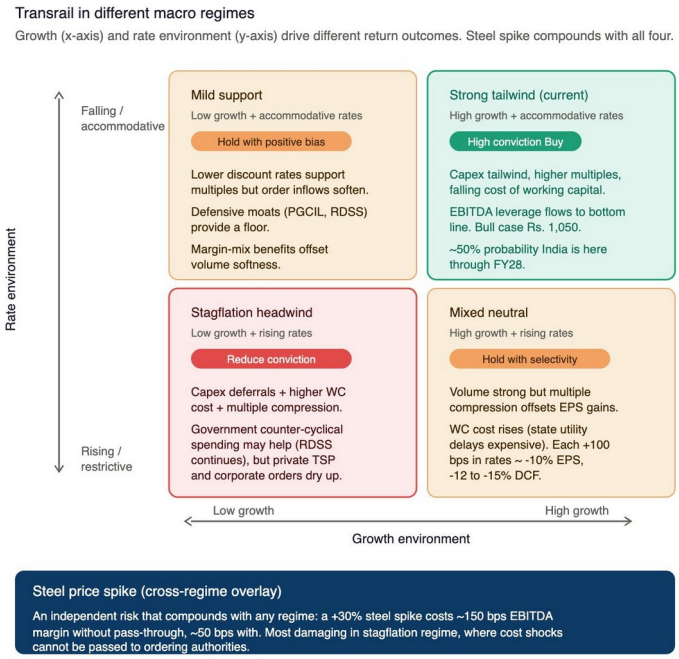


Figure A.6. Macro regime sensitivity grid. Growth (x-axis) by rate environment (y-axis).

A.9 Price anchors and execution framework

Price anchors for context: the IPO issued at Rs. 432 on 27 December 2024 with a listing-day pop to Rs. 590 (+37 percent). The 52-week high was Rs. 855 on 13 August 2025; the 52-week low was Rs. 394 on 7 April 2025. Peak-to-trough drawdown of 54 percent. Annualised volatility 41 percent. Beta to Nifty approximately 1.27.

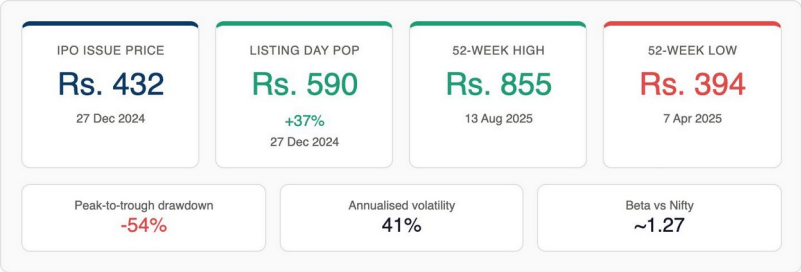


Figure A.7. Price anchor cards. IPO, listing pop, 52W high/low, volatility, beta.

The execution decision tree below formalises the position construction described in section 11. Each decision point is conditional on a specific trigger: price level plus thesis check. Mechanical price stops without thesis damage are not honoured.

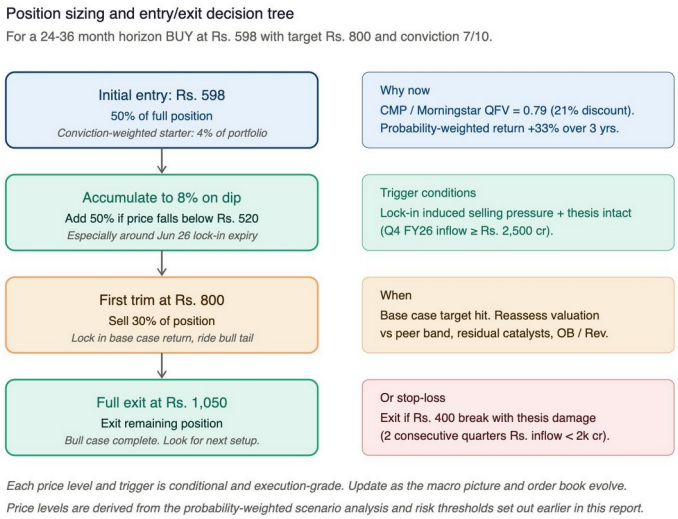


Figure A.8. Execution framework. Conditional position sizing decision tree.