

August 4, 2025

Strong Execution, riding on sector tailwinds...

About the stock: Leading manufacturer of transformers of up to 1200 kV class. Transformers and Rectifiers India Limited (TARIL) has a wide range of transformers, like Power & Distribution Transformers, Furnace Transformers, Rectifier Transformers & Special Transformers. Company has strong in-house design & technical expertise, along with technical collaboration/JV relationship for 765 kV Transformers & Reactors

- A diversified customer base in India, coupled with global presence across 25+ countries.
- 45% revenue comes from Utilities like (SEB, PGCIL, Railways), 55% comes from Industrial that includes renewables and exports including third party exports.

Q1FY26 performance: The company reported robust results for Q1FY26 across all parameters. TARIL's revenue rose 64.4% YoY to ₹529 crore on the back of a healthy order book and strong execution. The company received orders worth ₹665 crore in Q1 taking the order backlog to ₹5246 crore (₹5132 Q4FY25). The company has further bid prospects of ₹18,000 crore. As a result of strong execution and operating leverage, the company reported a healthy EBITDA of ₹88 crore which grew 109% on a YoY basis, EBITDA margins came in at 16.7% vs 13% in Q1FY25. Consequently, PAT came in at ₹67.5 crore up 3.2x on a YoY basis, PAT margin at 12.3% vs 6.4 % last year.

Investment Rationale

- **Backlog growth of 79% YoY renders strong visibility:** The company has a current order backlog of ₹5246 crore up 79% YoY. The execution trends of Q1FY26 clearly indicated execution momentum (Revenue up 64%) the company is on track to meet its revenue guidance of ₹3500 crore in FY26E. Given further prospects of ₹18000 crore, TARIL expects to exit FY26E with an order book of ₹5500 crore. Overall, we expect Revenues and PAT to grow at CAGR of 50.1% and 49.7% over FY25-FY27E.
- **Capacity expansion to augment execution:** TARIL has existing capacity of close to 40000 MVA, it expects to commission additional capacity of ~15000 MVA by Q2FY26E. Further capacity extension of 22,000 MVA has begun at the Moraiya Facility and is expected to commission by FY26E taking the total capacity to more than 75000 MVA. With orderbook already in place & bright bid prospects, execution is expected to scale further up on the back of new capacity in FY26E and FY27E.
- **Backward integration to improve margins:** TARIL has entered into technical tie-ups aimed at supporting backward integration goals. It had acquired a 51% stake in Posco a CRGO processing unit, of which further expansion is being undertaken by the company. CRGO forms 33-35% of raw material cost. These measures will enable timely access to critical raw material, improving efficiency in controlling costs resulting in additional improvement in margins.

Rating and Target Price

- With strong backlog and sectoral outlook, we expect the company to deliver solid growth profile in earnings over FY25-FY27E which lead to ROCE reaching 31.6% by FY27E. This we believe will keep the valuations high. We assign a BUY rating with target of ₹615 (38x FY27 EPS)

Key Financial Summary

Key Financials	FY23	FY24	FY25	2 year CAGR (FY23-25)	FY26E	FY27E	2 year CAGR (FY25-27E)
Net Sales	1,396.0	1,294.7	2,019.4	20.3%	3,434.5	4,547.3	50.1%
EBITDA	120.9	134.1	327.4	64.6%	536.4	791.5	55.5%
EBITDA Margins (%)	8.7	10.4	16.2		15.6	17.4	
Net Profit	42.3	47.0	216.4	126.1%	344.4	484.9	49.7%
EPS (₹)	3.1	3.2	7.1		11.5	16.2	
P/E	166.9	163.5	72.1		44.9	31.9	
RoNW (%)	10.4	8.1	17.1		21.6	23.3	
RoCE (%)	14.5	14.2	21.6		26.8	30.3	

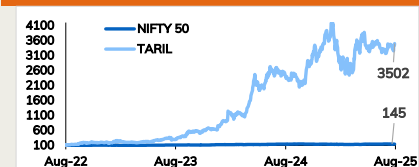
Source: Company, ICICI Direct Research

**Market Data**

Particulars	Rs. crore
Market Capitalisation	15,428
Debt (FY25)	283
Cash (FY25)	172
EV	15,539
52 week H/L (Rs.)	650/299
Equity capital	30.0
Face value (Rs.)	1

Shareholding pattern

	Sep-24	Dec-24	Mar-25	Jun-25
Promoters	66.2	64.4	64.4	64.4
FII	9.3	11.1	11.3	10.9
DII	6.9	7.7	7.2	6.0
Others	17.6	16.9	17.1	18.7

Price Chart**Key risks**

- Lesser than expected order inflows
- Rise in production costs to hamper margins

Research Analyst

Chirag J Shah
Shah.chirag@icicisecurities.com

CA. Samarth Khandelwal
samarth.khandelwal@icicisecurities.com

Key result and concall highlights

- TARIL reported robust Q1FY26 results. The order inflow (OI) for Q1FY26 stood at ₹665 crore. The orderbook stood at ₹5246 crore up 79% YoY. The company is selective on order intake ensuring healthy margins. The company has ₹18000 crore worth orders bid pipeline and expects to exit FY26E with an order backlog of ₹5500 crore.
- The company has begun work on 22000 MVA new capacity expansion at Moraiya facility and on capacity expansion of CRGO processing unit.
- The capacity expansion by 15000 MVA is on track and the company expects to complete it by Q2FY26E.
- Consolidated Revenues at ₹529 crore for Q1FY26 up 64% YoY, aided by ramp up in execution of the strong order book. Consolidated margins came in at 16.7% up 360 bps YoY. Consequently, PAT grew 2.24x YoY to ₹68 crore, PAT Margins came in at 12.3% which are above the targeted margins (~10%) by the management.
- The company will focus on encashing opportunities in India by following India first policy and will limit export orders to 10% of the total orderbook.
- The company has maintained revenue guidance of achieving ₹3500 crore in FY26E. Further the company aspires to achieve \$1Bn (~₹8600 crore) annual revenue by FY28E.
- The company has also guided that it aspires to achieve and maintain EBITDA margins of 17-18% and PAT margin of 10% in the medium term.

Financial Summary

Exhibit 1: Profit and loss statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Net Sales	1,294.7	2,019.4	3,434.5	4,547.3
Other Operating Income	-	-	-	-
Total Operating Income	1,294.7	2,019.4	3,434.5	4,547.3
% Growth	-	56.0	70.1	32.4
Other Income	5.8	31.7	41.3	20.0
Total Revenue	1,300.5	2,051.1	3,475.8	4,567.3
Cost of materials consumed	895.6	1,424.4	2,365.8	3,073.3
Purchase of stock-in-trade	29.1	9.8	12.2	14.1
Other Expenses	186.0	247.4	400.9	520.4
Total expenditure	1,160.6	1,691.9	2,898.1	3,755.8
EBITDA	134.1	327.4	536.4	791.5
% Growth	-	144.2	63.8	47.6
Interest	50.8	50.6	65.5	93.0
Depreciation	24.7	27.0	52.6	72.0
PBT	64.4	284.8	459.7	646.5
Tax	17.4	68.4	115.3	161.6
PAT	44.9	214.4	344.4	484.9
% Growth	-	377.3	60.6	40.8
EPS	3.2	7.1	11.5	16.2

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit after Tax	44.9	214.4	344.4	484.9
Depreciation	24.7	27.0	52.6	72.0
Interest	50.8	50.6	65.5	93.0
Other income	(5.8)	(31.7)	(41.3)	(20.0)
Cash Flow before WC changes	114.6	260.3	421.1	629.9
Change in Working Capital	(88.3)	(164.0)	(295.8)	(460.6)
Cashflow from Operating Activities	26.4	96.3	125.3	169.2
(Purchase)/Sale of Fixed Assets	(16.9)	(191.8)	(386.2)	(57.9)
(Purchase)/Sale of Investment	(3.3)	(264.0)	200.0	60.0
Other Income	5.8	31.7	41.3	20.0
Cashflow from Investing Activities	(14.4)	(424.1)	(144.9)	22.1
Issue/(Repayment of Debt)	(73.7)	27.0	80.0	-
Changes in Minority Interest	1.8	11.9	(2.5)	(2.2)
Changes in Networth	115.1	483.9	(2.0)	(2.0)
Interest	(50.8)	(50.6)	(65.5)	(93.0)
Others				
Cashflow from Financing Activities	(7.6)	472.2	10.0	(97.2)
Changes in Cash	4.3	144.4	(9.6)	94.2
Opening Cash/Cash Equivalent	22.9	27.2	171.6	162.0
Closing Cash/ Cash Equivalent	27.2	171.6	162.0	256.2

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Share Capital	14.3	30.0	30.0	30.0
Reserves & Surplus	540.2	1,221.9	1,566.3	2,051.1
Networth	554.4	1,251.9	1,596.3	2,081.2
Total Debt	255.8	282.8	362.8	362.8
Deferred tax liability (net)	-	-	-	-
Total Liabilities	825.9	1,579.4	1,996.4	2,490.1
Gross Block	263.7	381.6	631.6	831.6
Acc: Depreciation	126.7	149.6	202.2	274.2
Net Block	137.0	232.0	429.4	557.4
Capital WIP	3.6	61.8	200.0	60.0
Investments	4.2	268.2	68.2	8.2
Inventory	274.8	444.9	752.8	1,059.0
Sundry debtors	614.1	468.8	1,236.4	1,637.0
Cash and bank balances	27.2	171.6	162.0	256.2
Loans and advances	0.4	0.8	0.8	1.2
Other Current Assets	68.3	74.3	120.2	136.4
Total current Assets	984.8	1,160.4	2,272.2	3,089.8
CL& Prov.	248.7	420.5	746.0	986.7
Net Current Assets	642.4	554.9	1,234.3	1,784.7
Total Assets	825.9	1,579.4	1,996.4	2,490.1

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
EPS	3.2	7.1	11.5	16.2
Cash EPS	4.9	8.0	13.2	18.6
BV	38.9	41.7	53.2	69.3
DPS	0.1	0.1	0.1	0.1
Cash Per Share	8.9	5.0	6.7	9.1
EBITDA Margin	10.4	16.2	15.6	17.4
PBT / Net Sales	8.4	14.9	14.1	15.8
PAT Margin	3.5	10.6	10.0	10.7
Inventory days	77.5	80.4	80.0	85.0
Debtor days	173.1	84.7	131.4	131.4
Creditor days	67.9	74.4	78.0	78.0
RoE	8.1	17.1	21.6	23.3
RoCE	14.2	21.6	26.8	30.3
RoIC	12.9	28.1	26.0	29.8
P/E	163.5	72.1	44.9	31.9
EV / EBITDA	56.5	47.5	29.2	19.7
EV / Net Sales	5.8	7.7	4.6	3.4
Market Cap / Sales	5.7	7.7	4.5	3.4
Price to Book Value	13.2	12.3	9.7	7.4
Debt/EBITDA	1.9	0.9	0.7	0.5
Net Debt / Equity	0.4	0.1	0.1	0.1
Current Ratio	3.9	2.4	2.8	2.9
Quick Ratio	2.7	1.3	1.8	1.8

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agarwal
Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Bhavesh Soni Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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