CMP: ₹ 305 | Target: ₹ 291 (-5%) | Target Period: 12 months | HOLD

April 22, 2026

Result Update

ICICI Securities – Retail Equity Research

Guidance miss, capacity delays weigh on future outlook...

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.

Q4FY26 performance: Transformers & Rectifiers (India) Ltd reported its consolidated Q4FY26 results with revenue increasing ~15.7% YoY to ₹782.67 crore, driven by steady execution. EBITDA stood at ₹118.5 crore, declining ~9.7% YoY, with EBITDA margins at 15.1% (vs 19.4% YoY), impacted by higher costs. PAT came in at ₹91.10 crore, down ~3.3% YoY. For FY26, consolidated revenue grew ~24.2% YoY to ₹2,508.80 crore, while EBITDA increased ~17% YoY to ₹383.2 crore and PAT rose ~25.6% YoY to ₹272.09 crore. The order book stood at ₹5,005 crore as of March 31, 2026, with a healthy tender pipeline of ₹23,000+ crore.

Investment Rationale

- **Orderbook inflow growth and execution remains a key overhang:** TARIL has missed its FY26 guidance on both revenue and order book front (FY26 revenue guidance cut from ₹3,500 crore to ₹2,600 crore and order book ₹5,005 crore vs guided ₹8,000 crore), raises concerns on execution consistency. repeated downward revisions to guidance and execution timeline slippages (capacity expansion delayed by a quarter, backward integration pushed to Q1FY28), raise concerns around guidance reliability.

- **Capacity expansion delays to defer growth momentum:** The near-doubling of installed capacity from ~40,000 MVA to ~75,000 MVA through Changodar (Q2FY27) and Moraiya (Q3FY27) expansions remains the core growth driver. However, with both plants commissioning post-monsoon and initial utilisation expected to ramp gradually, meaningful revenue acceleration is likely only from H2FY27 and more meaningfully in FY28. Current plant utilisation at ~75% provides limited headroom for near-term outperformance, making H1FY27 growth relatively muted.

- **Margin Expansion Trajectory Tempered by Execution Timelines:** Management targets EBITDA margins of 15–17% with a potential 150–300 bps upside from backward integration and capacity expansion to 75,000 MVA. However, benefits from integration, HVDC entry, and operating leverage are likely to accrue gradually over FY27–FY28. Near-term margins remain exposed to input cost fluctuations, employee cost pressures, and legacy order execution.

Rating and Target Price

- Order inflow, timely execution and ramp up of capacity expansion remains key monitorable triggers. Delays in capacity utilisation and back ended margin drivers limit near term earning acceleration. Hence, we maintained **HOLD** rating with **revised target of ₹291** (25x FY28E EPS).

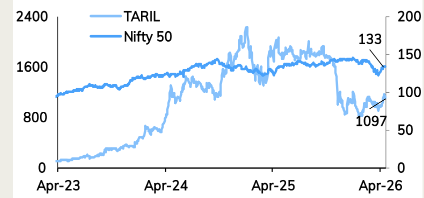
Market Data

Particulars	Rs. crore
Market Capitalisation	9,134
Total Debt (FY26)	456
Cash and Inv (FY26)	141
Enterprise Value	9,449
52 week H/L (Rs.)	595/224
Equity capital	30.0
Face value (Rs.)	1

Shareholding pattern

%	Jun-25	Sep-25	Dec-25	Mar-26
Promoters	64.4	64.4	64.4	64.4
FII	10.9	11.2	7.0	8.3
DII	6.0	6.0	4.2	1.8
Others	18.7	18.5	24.4	25.5

Price Chart



Key risks

(i) Lesser than expected order inflows

(ii) Rise in production costs to hamper margins

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Key Financial Summary

Key Financials	FY24	FY25	FY26	2 year CAGR (FY24-26)	FY27E	FY28E	2 year CAGR (FY26-28E)
Net Sales	1,294.7	2,019.4	2,508.8	39.2%	3,024.7	3,619.2	20.1%
EBITDA	134.1	327.4	383.2	69.0%	476.7	577.3	22.7%
EBITDA Margins (%)	10.4	16.2	15.3		15.8	16.0	
Net Profit	47.0	216.4	272.2	140.6%	279.5	349.0	13.2%
EPS (₹)	3.2	7.1	9.1		9.3	11.6	
P/E	96.5	42.6	33.5		32.6	26.1	
RoNW (%)	8.1	17.1	18.0		15.6	16.3	
RoCE (%)	14.2	21.6	21.0		20.2	22.2	

Source: Company, ICICI Direct Research

Key result and concall highlights

- TARIL reported a steady Q4FY26 on a consolidated basis, with revenue increasing ~15.7% YoY to ₹782.67 crore, driven by steady execution. EBITDA stood at ₹118.5 crore, declining ~9.7% YoY, with EBITDA margins at 15.1% vs 19.4% YoY (margin down 426 bps YoY on account of elevated employee costs from ESOPs). PAT came in at ₹91.10 crore, down ~3.3% YoY. FY26, consolidated revenue grew ~24.2% YoY to ₹2,508.80 crore, while EBITDA increased ~17% YoY to ₹383.2 crore and PAT rose ~25.6% YoY to ₹272.09 crore.

- FY26 order inflows stood at ₹2,374 crore with Q4FY26 inflows at ₹244 crore, as management deliberately moderated fresh order intake to prioritise profitability, payment terms and delivery flexibility. The executed order book as of March 31, 2026 stood at ₹5,005 crore, providing ~18 months of revenue visibility. Active inquiry pipeline stands at ₹23,000+ crore.

- Capacity expansion has been delayed by one quarter, Changodar plant (15,000 MVA addition) now expected to commission in Q2FY27 due to extended monsoons, with utilisation at Changodar targeting ~80% by Q3FY27. Moraiya expansion (22,000 MVA) is planned post-monsoon, implying Q3FY27 commissioning. Post both expansions, total installed capacity will reach ~75,000 MVA.

- Backward integration is progressing, with CRGO already being sourced from the newly acquired processing unit and long-lead plant and machinery orders placed across CTC, pressboard, RIP bushing and fabrication facilities. Full backward integration is now targeted by Q1FY28, slightly delayed due to slow site progress and late arrival of plant and machinery. These initiatives are expected to improve further enhance profitability by 200-300 basis points.

- Raw material cost pressures were visible in Q4FY26, with cost of materials consumed rising, driven by a copper price surge and overbooking of ancillary parts such as bushings and porcelain.

- The company received its first HVDC repair order from Power Grid, making it the first Indian-origin player to execute such a project. Successful commissioning is expected to enable pre-qualification for HVDC transformer manufacturing tenders post FY27.

- Working capital position remained elevated at year-end, with receivables rising by ~₹417 crore due to utility customers delaying payments on account of year-end budget constraints; management confirmed ~₹200 crore was recovered in the first 15 days of April.

- FY26 guided order book exit of ₹8,000 crore was significantly missed, with management acknowledging the shortfall was partly due to deliberate selectivity and partly a miscalculation of order timing. Company also missed its initial FY26 revenue guidance of ₹3,500 crore (revised mid-year to ₹2,500-2,600 crore). Management has now guided FY27 revenue at ~₹3,250 crore (~35-40% growth) with EBITDA margin in range of ~15 to 17% and reiterated a long-term aspiration of becoming a $1 billion (~₹9000 crore) revenue company.

Financial Summary

Exhibit 1: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25	FY26	FY27E	FY28E
Net Sales	1,294.7	2,019.4	2,508.8	3,024.7	3,619.2
Other Operating Income	-	-	-	-	-
Total Operating Income	**1,294.7**	**2,019.4**	**2,508.8**	**3,024.7**	**3,619.2**
% Growth	-	56.0	24.2	20.6	19.7
Total Revenue	1,300.5	2,051.1	2,569.7	3,044.7	3,639.2
Cost of materials consumed	895.6	1,424.4	1,770.2	2,048.2	2,443.7
Other Expenses	186.0	247.4	325.0	363.0	434.3
Total expenditure	1,160.6	1,691.9	2,125.6	2,548.0	3,041.9
EBITDA	**134.1**	**327.4**	**383.2**	**476.7**	**577.3**
% Growth	-	144.2	17.0	24.4	21.1
Interest	50.8	50.6	51.1	72.0	78.0
Depreciation	24.7	27.0	29.9	52.0	54.0
PBT	64.4	284.8	363.0	372.7	465.3
Tax	17.4	68.4	90.9	93.2	116.3
PAT	**44.9**	**214.4**	**272.2**	**279.5**	**349.0**
% Growth	-	377.3	26.9	2.7	24.8
EPS	3.2	7.1	9.1	9.3	11.6

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

(Year-end March)	FY24	FY25	FY26	FY27E	FY28E
Profit after Tax	44.9	214.4	272.2	279.5	349.0
Depreciation	24.7	27.0	29.9	52.0	54.0
Interest	50.8	50.6	51.1	72.0	78.0
Other income	(5.8)	(31.7)	(60.9)	(20.0)	(20.0)
Cash Flow before WC changes	114.6	260.3	292.3	383.5	461.0
Change in Working Capital	(88.3)	(164.0)	(275.2)	(88.0)	(229.2)
Cashflow from Operating Activities	**26.4**	**96.3**	**17.1**	**295.6**	**231.8**
(Purchase)/Sale of Fixed Assets	(16.9)	(191.8)	(103.4)	(119.9)	(147.9)
(Purchase)/Sale of Investment	(3.3)	(264.0)	(124.1)	60.0	-
Other Income	5.8	31.7	60.9	20.0	20.0
Cashflow from Investing Activities	**(14.4)**	**(424.1)**	**(166.6)**	**(39.9)**	**(127.9)**
Issue/(Repayment of Debt)	(73.7)	27.0	173.8	(50.0)	(100.0)
Changes in Minority Interest	1.8	11.9	7.7	(2.2)	-
Changes in Networth	115.1	483.9	(12.0)	(2.0)	(2.0)
Interest	(50.8)	(50.6)	(51.1)	(72.0)	(78.0)
Others					
Cashflow from Financing Activities	**(7.6)**	**472.2**	**118.5**	**(126.2)**	**(180.0)**
Changes in Cash	4.3	144.4	(31.0)	129.5	(76.1)
Opening Cash/Cash Equivalent	22.9	27.2	171.6	140.7	270.2
Closing Cash/ Cash Equivalent	**27.2**	**171.6**	**140.7**	**270.2**	**194.1**

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet ₹ crore

(Year-end March)	FY24	FY25	FY26	FY27E	FY28E
Share Capital	14.3	30.0	30.0	30.0	30.0
Reserves & Surplus	540	1,222	1,484	1,764	2,113
Networth	**554**	**1,252**	**1,514**	**1,794**	**2,143**
Total Debt	256	283	457	407	307
Total Liabilities	**826**	**1,579**	**2,016**	**2,257**	**2,513**
Gross Block	263.7	381.6	410.0	610.0	810.0
Net Block	137.0	232.0	230.4	378.4	524.4
Capital WIP	3.6	61.8	138.0	60.0	10.0
Investments	4.2	268.2	392.3	332.3	332.3
Inventory	274.8	444.9	615.5	828.7	991.6
Sundry debtors	614.1	468.8	887.3	1,088.9	1,302.9
Cash and bank balances	27.2	171.6	140.7	270.2	194.1
Loans and advances	0.4	0.8	10.7	16.6	20.6
Other Current Assets	68.3	74.3	68.1	90.7	108.6
Total current Assets	985	1,160	1,722	2,295	2,618
CL& Prov.	249	420	297	678	813
Net Current Assets	642	555	1,073	1,405	1,551
Total Assets	**826**	**1,579**	**2,016**	**2,257**	**2,513**

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end March)	FY24	FY25	FY26	FY27E	FY28E
EPS	3.2	7.1	9.1	9.3	11.6
Cash EPS	4.9	8.0	10.1	11.0	13.4
BV	38.9	41.7	50.4	59.7	71.4
DPS	0.1	0.1	0.1	0.1	0.1
EBITDA Margin	**10.4**	**16.2**	**15.3**	**15.8**	**16.0**
PBT / Net Sales	8.4	14.9	14.1	14.0	14.5
Inventory days	77.5	80.4	89.6	100.0	100.0
Debtor days	173.1	84.7	129.1	131.4	131.4
Creditor days	67.9	74.4	42.1	80.0	80.0
RoE	8.1	17.1	18.0	15.6	16.3
RoCE	14.2	21.6	21.0	20.2	22.2
RoIC	12.9	28.1	18.5	20.6	21.2
P/E	**96.8**	**42.7**	**33.6**	**32.8**	**26.2**
EV / EBITDA	34.1	28.3	24.7	19.5	16.1
EV / Net Sales	3.5	4.6	3.8	3.1	2.6
Market Cap / Sales	3.4	4.5	3.6	3.0	2.5
Price to Book Value	7.8	7.3	6.0	5.1	4.3
Debt/EBITDA	1.9	0.9	1.2	0.9	0.5
Net Debt / Equity	**0.4**	**0.1**	**0.2**	**0.1**	**0.1**
Current Ratio	3.9	2.4	5.3	3.0	3.0
Quick Ratio	2.7	1.3	3.3	1.8	1.8

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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