# TRIL

RESULT UPDATE

BRAVE HEART

## KEY DATA

| Rating | BUY |
|---|---|
| Sector relative | Outperformer |
| Price (INR) | 674 |
| 12 month price target (INR) | 980 |
| 52 Week High/Low | 846/1,420 |
| Market cap (INR bn/USD bn) | 101/1.2 |
| Free float (%) | 34.0 |
| Avg. daily value traded (INR mn) | 124.3 |

## SHAREHOLDING PATTERN

| | Sep-24 | Jun-24 | Mar-24 |
|---|---|---|---|
| Promoter | 66.2% | 66.2% | 69.7% |
| FII | 9.3% | 8.0% | 4.5% |
| DII | 6.9% | 6.3% | 1.9% |
| Pledge | 0% | 0% | 0% |

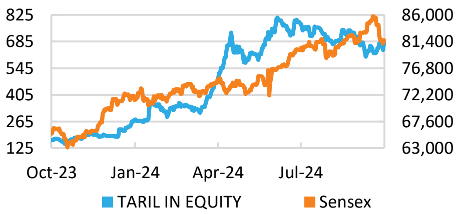
## FINANCIALS (INR mn)

| Year to March | FY24A | FY25E | FY26E | FY27E |
|---|---|---|---|---|
| Revenue | 12,947 | 20,160 | 30,230 | 39,267 |
| EBITDA | 1,341 | 2,883 | 4,383 | 5,890 |
| Adjusted profit | 445 | 1,816 | 2,921 | 4,200 |
| Diluted EPS (INR) | 3.1 | 12.1 | 19.5 | 28.0 |
| EPS growth (%) | 1.6 | 287.7 | 60.9 | 43.8 |
| RoAE (%) | 9.4 | 20.3 | 21.1 | 24.2 |
| P/E (x) | 216.0 | 55.7 | 34.6 | 24.1 |
| EV/EBITDA (x) | 77.1 | 34.5 | 22.5 | 16.3 |
| Dividend yield (%) | 0 | 0 | 0 | 0 |

## CHANGE IN ESTIMATES

| | Revised estimates | | % Revision | |
|---|---|---|---|---|
| Year to March | FY25E | FY26E | FY25E | FY26E |
| Revenue | 20,160 | 30,230 | 0.0% | 0.0% |
| EBITDA | 2,883 | 4,383 | 10.0% | 3.6% |
| Adjusted profit | 1,816 | 2,921 | 18.3% | 2.8% |
| Diluted EPS (INR) | 12.1 | 19.5 | 18.3% | 2.8% |

## PRICE PERFORMANCE




# Margin outperformance continues

TRIL beat our Q2FY25E by a mile powered by strong execution (+80% YoY), lifting OPM to ~15%. New OI grew ~3x YoY to INR10bn, jacking up backlog to INR35bn (executable over 15–18 months) even as tender pipeline is strong at INR170bn+ (20% strike rate). Management maintained FY25E revenue guidance of INR20bn with EBITDA margin of 14%-plus, expanding to INR45bn and 17%, respectively, by FY27E.

HV power transformer manufacturers are seeing a Goldilocks phase of T&D cycle—high demand (domestic + exports) coupled with short supply spurring premium pricing and margins. Factoring in higher margins and other income, we are raising FY25E/26E EPS by 18%/3% (FY27E unchanged); retain 'BUY' with a TP of INR980 (35x FY27E EPS).

## Notable execution on record-high backlog

Q2FY25 revenue surged 80% YoY to INR4.62bn as OB continues to grow exponentially led by strong domestic transmission inflows along with rising exports TAM. While GM stayed largely in-line with our estimate of ~30%, better operational efficiencies led OPM to expand ~15% (versus 7.7% in Q2FY24/13.1% in Q1FY25). PAT jumped exponentially from INR16mn in Q2FY24 to INR453mn in Q2FY25.

Order inflows shot up 48% QoQ/228% YoY to INR10bn led by various sectors (including solar, private industries and utilities), thereby, expanding the order book to INR35bn. *Click here* for detailed KTAs.

## Management call: Key remarks

i) Revenue guidance of **INR20bn** by FY25E with OPM likely to expand to ~17% by FY27E. ii) Enquiries worth INR185bn under negotiation and bidding stages. iii) Guiding towards reducing the **working capital cycle to 120 days.** iv) Targeting **receivable levels of ~ 90 days** in next three years. Receivable days may look optically elevated due to INR1bn of retention money on utility orders. v) **New facility** for solar/green hydrogen IDT transformers is likely to be commissioned by Jan-25. The new facility shall manufacture additional 100 transformers/month at a realisation of INR12mn/transformer.

## Variables to watch out for in near term

Given the resurgence in domestic power T&D coupled with new-age areas (railways, RE generation, green hydrogen and data centres), timely procurement of raw materials such as radiators, tanks, CRGO and bushings is key to ramping up execution. Watch out for timely order inflows from EPCs/central utilities, scaling up on the exports opportunity amid competition on LV transformers.

## Financials

| Year to March | Q2FY25 | Q2FY24 | % Change | Q1FY25 | % Change |
|---|---|---|---|---|---|
| Net Revenue | 4,615 | 2,571 | 79.5 | 3,220 | 43.3 |
| EBITDA | 692 | 197 | 251.6 | 422 | 64.0 |
| Adjusted Profit | 453 | 16 | 2,711.2 | 201 | 125.3 |
| Diluted EPS (INR) | 3.0 | 0.1 | 2,383.4 | 1.3 | 125.3 |

**Vijay Bhasin**
vijay.Bhasin@nuvama.com

**Subhadip Mitra**
Subhadip.Mitra@nuvama.com

# Financial Statements

### Income Statement (INR mn)

| Year to March | FY24A | FY25E | FY26E | FY27E |
|---|---|---|---|---|
| Total operating income | 12,947 | 20,160 | 30,230 | 39,267 |
| Gross profit | 3,679 | 6,008 | 9,069 | 11,780 |
| Employee costs | 477 | 605 | 1,058 | 1,374 |
| Other expenses | 1,860 | 2,520 | 3,628 | 4,516 |
| EBITDA | 1,341 | 2,883 | 4,383 | 5,890 |
| Depreciation | 247 | 266 | 476 | 449 |
| Less: Interest expense | 508 | 413 | 352 | 291 |
| Add: Other income | 58 | 218 | 340 | 450 |
| Profit before tax | 644 | 2,421 | 3,895 | 5,600 |
| Prov for tax | 174 | 605 | 974 | 1,400 |
| Less: Other adj | 0 | 0 | 0 | 0 |
| Reported profit | 445 | 1,816 | 2,921 | 4,200 |
| Less: Excp.item (net) | 0 | 0 | 0 | 0 |
| Adjusted profit | 445 | 1,816 | 2,921 | 4,200 |
| Diluted shares o/s | 143 | 150 | 150 | 150 |
| Adjusted diluted EPS | 3.1 | 12.1 | 19.5 | 28.0 |
| DPS (INR) | 0 | 0 | 0 | 0 |
| Tax rate (%) | 27.0 | 25.0 | 25.0 | 25.0 |

### Balance Sheet (INR mn)

| Year to March | FY24A | FY25E | FY26E | FY27E |
|---|---|---|---|---|
| Share capital | 143 | 150 | 150 | 150 |
| Reserves | 5,402 | 12,210 | 15,132 | 19,332 |
| Shareholders funds | 5,544 | 12,360 | 15,282 | 19,482 |
| Minority interest | 85 | 85 | 85 | 85 |
| Borrowings | 2,558 | 2,205 | 1,853 | 1,500 |
| Trade payables | 2,409 | 4,265 | 6,377 | 8,284 |
| Other liabs & prov | 1,087 | 1,087 | 1,087 | 1,087 |
| Total liabilities | 11,683 | 20,003 | 24,684 | 30,437 |
| Net block | 1,437 | 3,171 | 2,995 | 2,846 |
| Intangible assets | 0 | 0 | 0 | 0 |
| Capital WIP | 36 | 36 | 36 | 36 |
| Total fixed assets | 1,473 | 3,207 | 3,032 | 2,882 |
| Non current inv | 0 | 0 | 0 | 0 |
| Cash/cash equivalent | 273 | 3,973 | 4,619 | 6,819 |
| Sundry debtors | 6,141 | 8,285 | 10,767 | 12,910 |
| Loans & advances | 648 | 648 | 648 | 648 |
| Other assets | 2,825 | 3,566 | 5,294 | 6,854 |
| Total assets | 11,683 | 20,003 | 24,684 | 30,437 |

### Important Ratios (%)

| Year to March | FY24A | FY25E | FY26E | FY27E |
|---|---|---|---|---|
| COGS (% of rev) | 71.6 | 70.2 | 70.0 | 70.0 |
| Employee cost (% of rev) | 3.7 | 3.0 | 3.5 | 3.5 |
| Other exp (% of rev) | 14.4 | 12.5 | 12.0 | 11.5 |
| EBITDA margin (%) | 10.4 | 14.3 | 14.5 | 15.0 |
| Net profit margin (%) | 3.4 | 9.0 | 9.7 | 10.7 |
| Revenue growth (% YoY) | (7.3) | 55.7 | 50.0 | 29.9 |
| EBITDA growth (% YoY) | 11.0 | 115.0 | 52.1 | 34.4 |
| Adj. profit growth (%) | 9.3 | 308.1 | 60.9 | 43.8 |

### Free Cash Flow (INR mn)

| Year to March | FY24A | FY25E | FY26E | FY27E |
|---|---|---|---|---|
| Reported profit | 445 | 1,816 | 2,921 | 4,200 |
| Add: Depreciation | 247 | 266 | 476 | 449 |
| Interest (net of tax) | 483 | 196 | 13 | (159) |
| Others | 0 | 0 | 0 | 0 |
| Less: Changes in WC | (905) | (1,029) | (2,098) | (1,796) |
| Operating cash flow | 270 | 1,249 | 1,311 | 2,694 |
| Less: Capex | 158 | 2,000 | 300 | 300 |
| Free cash flow | 112 | (751) | 1,011 | 2,394 |

### Assumptions (%)

| Year to March | FY24A | FY25E | FY26E | FY27E |
|---|---|---|---|---|
| GDP (YoY %) | 5.5 | 6.3 | 6.3 | 6.3 |
| Repo rate (%) | 6.0 | 5.3 | 5.3 | 5.3 |
| USD/INR (average) | 84.0 | 82.0 | 82.0 | 82.0 |
| Domestic rev gwth (%) | (7.3) | 55.7 | 50.0 | 29.9 |
| Exports rev gwth (%) | 24.6 | 25.0 | 35.0 | 35.0 |
| Gross margin (%) | 28.4 | 29.8 | 30.0 | 30.0 |
| EBITDA margin (%) | 10.4 | 14.3 | 14.5 | 15.0 |
| Tax rate (%) | 27.0 | 25.0 | 25.0 | 25.0 |
| Capex (INR mn) | (158.3) | (2,000.0) | (300.0) | (300.0) |

### Key Ratios

| Year to March | FY24A | FY25E | FY26E | FY27E |
|---|---|---|---|---|
| RoE (%) | 9.4 | 20.3 | 21.1 | 24.2 |
| RoCE (%) | 14.9 | 24.8 | 26.7 | 30.8 |
| Inventory days | 108 | 80 | 75 | 80 |
| Receivable days | 176 | 131 | 115 | 110 |
| Payable days | 116 | 86 | 92 | 97 |
| Working cap (% sales) | 47.3 | 35.4 | 30.6 | 28.1 |
| Gross debt/equity (x) | 0.5 | 0.2 | 0.1 | 0.1 |
| Net debt/equity (x) | 0.4 | (0.1) | (0.2) | (0.3) |
| Interest coverage (x) | 2.2 | 6.3 | 11.1 | 18.7 |

### Valuation Metrics

| Year to March | FY24A | FY25E | FY26E | FY27E |
|---|---|---|---|---|
| Diluted P/E (x) | 216.0 | 55.7 | 34.6 | 24.1 |
| Price/BV (x) | 17.3 | 8.2 | 6.6 | 5.2 |
| EV/EBITDA (x) | 77.1 | 34.5 | 22.5 | 16.3 |
| Dividend yield (%) | 0 | 0 | 0 | 0 |

*Source: Company and Nuvama estimates*

### Valuation Drivers

| Year to March | FY24A | FY25E | FY26E | FY27E |
|---|---|---|---|---|
| EPS growth (%) | 1.6 | 287.7 | 60.9 | 43.8 |
| RoE (%) | 9.4 | 20.3 | 21.1 | 24.2 |
| EBITDA growth (%) | 11.0 | 115.0 | 52.1 | 34.4 |
| Payout ratio (%) | 0 | 0 | 0 | 0 |

# Q2FY25 conference call highlights

## Opening remarks

- Revenue target for FY25E remains unchanged at INR20bn. The key focus is on achieving a seamless balance sheet by reducing debtors and optimising inventory management. The ultimate aim is to transform to a debt-free company in the next few years.
- Won a diverse range of orders in various sectors, including solar, private industries and utilities. OI for Q2FY25 was INR10.3bn.
- Order book for Q2FY25 stands at INR35bn, which would be executed in 18 months. Of this, about INR17bn of orders have flown in the last quarter.
- Enquiries worth INR185bn under negotiation and bidding stages.
- The first phase of new capacity for renewable energies shall commence production from January 2025.
- Targeting 100% backward integration by Q12025. New concession for organic and inorganic growth revenues are at a very advanced stage.
- Target of increasing the exports share by more than 25%. Strategic tie-up with global giants in the fields of renewable, oil & gas as well as special application rectifier transformers.
- Received the order of 420 kV reactor with synthetic organic insulating fluid from Power Grid.

## Questions & Answers

**Q: Reason for high other income and its sustainability. Any scope for margin improvement? % of exports in order book?**

**A.** Increase is because of the QIP funds. QIP funds were parked in liquid funds providing yield on cash. The company is focused on operational revenues and those will be increased in a sustainable manner on both QoQ and YoY basis. In terms of the margin, the company should be operating at a similar margin for the full year. Exports is 10% of the order book.

**Q: Exports target is 25% target until 2026 - Market strategies, competitors and go-to-market for the same? Differential between global players and TRIL?**

**A.** Globally, all the MNCs are competitors. Specifically in India, Toshiba is a competitor with INR10bn+ exports mainly into distribution transformers and solar power transformer. Target market – Europe, Africa and America.

Exports target for TRIL is in special duty transformers because of its expertise in the same.

Differentiator is not the technology, but the delivery. Hence, delivery plays a major role. Globally, all the players are booked with deliveries scheduled until 2029. Therefore, there is no competition in terms of price. TRIL is qualified up to 765 kV transformer, so the differentiator is only going to be the capacity to manufacture and deliver in time.

**Q. How is WC in terms of exports? Is revenue recognized once it reaches the customer or otherwise?**

**A.** TRIL is converting all its customers into LC customers. Pricing is not the constrain, timeline is a challenge.

**Q. The reason for delay in new capacity addition?**

Because of the heavy rains in Gujarat.

**Q. Supply chain constraint on the CRGO tank and bushings, how is TRIL navigating? More details on new CRGO plant.**

**A.** Backward integration is a key focus. For manufacturing of CRGO tank, TRIL has signed up with an agent to buy the land, which will be available by Dusshera and will be ready to use for fabrication. For processing CRGO, TRIL is in advanced stage of taking over a processing house in Ahmedabad, lined up the supply with major manufacturers.

For bushing, TRIL is collaborating with one of the manufacturers with a track record of more than 10 years in the same field.

Capacity available for 1000 to 1200 tonnes per month – 25000 tonnes yearly, contracts are in place for more than this quantity. This plant is one of the best in country.  Of the total capacity, 17000-18000 tonnes will be used internally and balance will be used for selling outside. For maximizing the use of this facility, TRIL has tied up with electro-steel manufacturer for 3 years to meet the raw material requirements and a similar tie-up has been done for copper requirements.

**Q. Given the current order pipeline, guiding for any particular sales growth or margins?**

**A.** TRIL is targeting to become a billion dollar revenue company (~INR80bn) in next 3-4 years. The current order book will be executed in 18 months. Changodar unit is at 50% utilization. Consolidating position from margins and revenue point of view, aiming to reach 17% margin levels.

**Ques - Any escalation in terms of debtor days of working capital for this particular quarter?**

**A.** The company is trying to reduce it. The company's debtor composition is about INR1bn, which is lying with the utilities as the retention money and always comes after the project is completed. Guiding towards 120 days WC cycle.

**Q. Any potential acquisitions on the cards?**

**A.** CRGO is in the advance stages and term sheet signed with the target company. Announcement for the same is coming next week. Additionally, in an advanced stage on inorganic acquisition – MoU signed.

**Q. Demand-supply mismatch – sectoral capacity is currently 70,000 MVA – so is new capacity coming up?**

**A.** Do not foresee new capacity in next 3-4 years. Ample amount of orders available. INR180-190bn pipeline for inquiries flowing up.

**Q. By when can the maximum capacity utilization of the new facility possible?**

**A.** The new capacity will operate at 100% utilization by Q3FY26.

**Ques - How is the demand outlook on the IDT transformer side, and what kind of margins does it have compared to power transformers?**

**A.** IDT transformers are huge in numbers and the margins will be less but the cash flow will be much better than in the power transformers because it is all in cash. Therefore, the company gets 100% payment before the transformers are delivered.

**Q. Order book breakdown?**

**A.** 46% is coming from the industrial customers, 11% is coming from the state utilities, and balance 43% is coming from the central utilities.

**Q. Aggressive growth targets; any risks with respect to this?**

**A.** Targeting INR35bn revenue in next FY, it is based on the current order book. No risks are foreseen in short term and long term.

**Q. Any new orders on IDT transformers?**

**A.** TRIL is already producing IDT transformers. Orders from the new facility are yet to be taken; until 95% facility is completed, no new orders will be taken. 100 transformers per month will be produced in the new facility.

**Q. Demand outlook for green hydrogen transformers? How much of it will be catered to by TRIL?**

**A.** TRIL is the only qualified for hydrogen transformers. Projects are delayed due to some reasons but there is no competitor in India. If TRIL is unable to supply then may import from China.

**Q. Orders coming for the same? Margins?**

**A.** Orders for green hydrogen transformers will be large in numbers; hence, high margins are not expected. TRIL will keep the margins same or at reasonable level so no other manufacturer can get into this. No orders yet, inquiries are there but the pace is slow. Previously supplied to GE for the American market.

**Q. Capacity utilisation numbers?**

**A.** Last year – 50% capacity utilization delivered @ 37,000 MVA level.

Current year – 75–85% levels @ 40,000 MVA

**Q. Receivables levels target?**

**A.** Targeting 90 days in 3 years' time. Steps taken: (i) converting industry customers to LC basis or on vendor financing (ii) started delivering on the zero shortages basis (iii) eliminate the bad pay master customers.

**Q. Revenue opportunities in terms of organic and inorganic growth?**

**A.** Revenue opportunity up to INR7-8bn in the first full year.

**Q. With CRGO prices increasing continuously, what will be the impact on margins?**

**A.** Price correction is going to come very soon as the Government of India has started approving the BIS certification for the other mills. Second point is very recently they have also given the BIS to Posca, which is a major player. And Posca will be able to start supplying the material from early next month.

**Exhibit 1: FY27E EPS sensitivity**

| | | FY27E Revenues (INR mn) | | | | | |
|---|---|---|---|---|---|---|---|
| | | 35,000 | 37,000 | 40,000 | 42,000 | 45,000 | 50,000 |
| FY27E OPMs | 13% | 21.3 | 22.6 | 24.5 | 25.8 | 27.8 | 31.0 |
| | 14% | 23.0 | 24.4 | 26.5 | 27.9 | 30.0 | 33.5 |
| | 15% | 24.8 | 26.3 | 28.5 | 30.0 | 32.3 | 36.0 |
| | 16% | 26.5 | 28.1 | 30.5 | 32.1 | 34.5 | 38.5 |
| | 17% | 28.3 | 30.0 | 32.5 | 34.2 | 36.8 | 41.0 |
| | 18% | 30.0 | 31.8 | 34.5 | 36.3 | 39.0 | 43.5 |

*Source: Company, Nuvama Research*

**Exhibit 2: Valuation check across our coverage universe**

| Equities | FY27E PE | Nuvama Target multiple | EPS CAGR (FY24-27E) | Median ROE (FY25-27E) |
|---|---|---|---|---|
| TRIL | 24.1x | 35.0x | 107.7% | 21.1% |
| Hitachi Energy | 59.1x | 60.0x | 83.2% | 32.9% |
| CG Power | 57.8x | 60.0x | 34.3% | 35.1% |
| Kalpataru Projects | 17.3x | 20.0x | 32.8% | 16.6% |
| BHEL | 18.7x | 30.0x | 166.9% | 15.1% |
| Larsen & Toubro | 19.5x | 25.0x | 25.2% | 21.4% |
| ABB India# | 69.6x | 80.0x | 21.0% | 26.0% |
| Siemens# | 65.0x | 70.0x | 31.8% | 18.5% |
| Bharat Electronics | 36.8x | 40.0x | 10.1% | 25.7% |
| Cummins India | 47.3x | 35.0x | 9.3% | 23.9% |
| GE T&D | 42.2x | 50.0x | 78.1% | 30.3% |
| Honeywell | 53.6x | 45.0x | 16.5% | 16.0% |
| Thermax | 56.6x | 36.0x | 21.2% | 15.3% |
| KEC International | 17.7x | 17.0x | 56.8% | 22.2% |
| Suzlon | 31.9x | 35.0x | 64.1% | 32.6% |
| Inox Wind* | 28.2x | 30.0x | 77.6% | 29.3% |
| Zen technologies | 30.0x | 30.0x | 53.9% | 20.8% |
| Skipper | 19.3x | 25.0x | 49.7% | 15.0% |

*Source: Bloomberg, Company, Nuvama Research.*

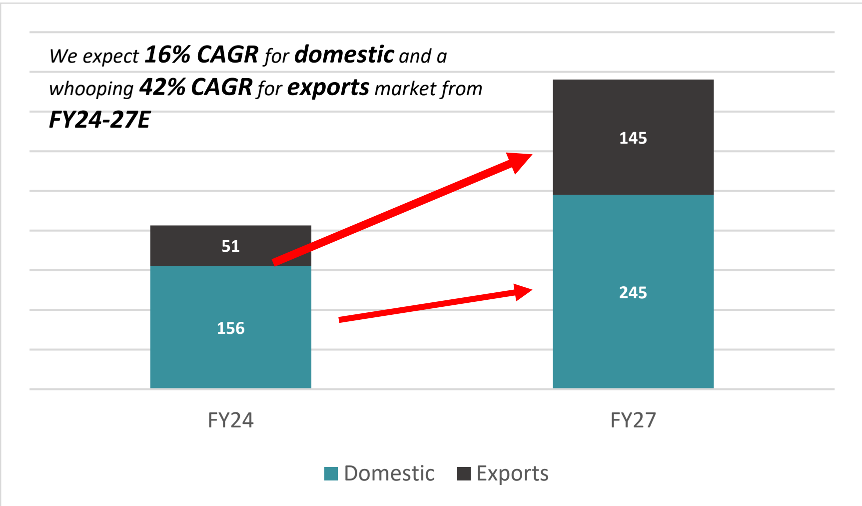
**FY24-FY27E EBITDA CAGR considered for Inox wind due to loss in FY24.*
*#FY26 estimates considered*

### Exhibit 3: Financial snapshot (INR mn)

| Year to March | Q2FY25 | Q2FY24 | YoY (%) | Q1FY25 | QoQ (%) | FY24A | FY25E | FY26E |
|---|---|---|---|---|---|---|---|---|
| Total revenues (net) | 4,615 | 2,571 | 79.5 | 3,220 | 43.3 | 12,947 | 20,160 | 30,230 |
| Direct cost | 3,216 | 1,935 | 66.2 | 2,245 | 43.3 | 9,268 | 14,152 | 21,161 |
| Staff cost | 121 | 95 | 26.6 | 111 | 8.2 | 477 | 605 | 1,058 |
| Other operating expenses | 587 | 343 | 70.9 | 442 | 32.8 | 1,860 | 2,520 | 3,628 |
| Total expenditure | 3,923 | 2,374 | 65.3 | 2,798 | 40.2 | 11,606 | 17,277 | 25,847 |
| EBITDA | 692 | 197 | 251.6 | 422 | 64.0 | 1,341 | 2,883 | 4,383 |
| Depreciation | 64 | 62 | 3.2 | 68 | (5.5) | 247 | 266 | 476 |
| EBIT | 628 | 135 | 366.1 | 354 | 77.3 | 1,094 | 2,617 | 3,908 |
| Interest | 105 | 115 | (9.0) | 117 | (10.1) | 508 | 413 | 352 |
| Other income | 118 | 11 | 1,010.4 | 40 | 192.1 | 58 | 218 | 340 |
| Exceptional items | 0 | 0 | | 0 | | 0 | 0 | 0 |
| PBT | 641 | 30 | 2,028.9 | 278 | 130.7 | 644 | 2,421 | 3,895 |
| Tax | 182 | 11 | 1,522.3 | 70 | 161.4 | 174 | 605 | 974 |
| Non-controlling interests | 7 | 3 | 132.1 | 7 | (12.2) | 25 | 0 | 0 |
| Reported Profit | 453 | 16 | 2,711.2 | 201 | 125.3 | 445 | 1,816 | 2,921 |
| Adjusted Profit | 453 | 16 | 2,711.2 | 201 | 125.3 | 445 | 1,816 | 2,921 |
| Equity capital(FV:INR1) | 150 | 143 | | 143 | | 143 | 150 | 150 |
| No. of Diluted shares outstanding (mn) | 150 | 133 | | 150 | | 143 | 150 | 150 |
| Adjusted Dil. EPS | 3.0 | 0.1 | | 1.3 | | 3.1 | 12.1 | 19.5 |
| | | | | | | | | |
| as % of net revenues | | | | | | | | |
| Direct cost | 69.7 | 75.3 | | 69.7 | | 71.6 | 70.2 | 70.0 |
| Staff cost | 2.6 | 3.7 | | 3.5 | | 3.7 | 3.0 | 3.5 |
| Other operating expenses | 18.2 | 17.7 | | 19.7 | | 14.4 | 12.5 | 12.0 |
| EBITDA | 15.0 | 7.7 | | 13.1 | | 10.4 | 14.3 | 14.5 |
| Adjusted profit | 9.8 | 0.6 | | 6.2 | | 3.4 | 9.0 | 9.7 |
| Tax rate | 28.4 | 37.2 | | 25.0 | | 27.0 | 25.0 | 25.0 |

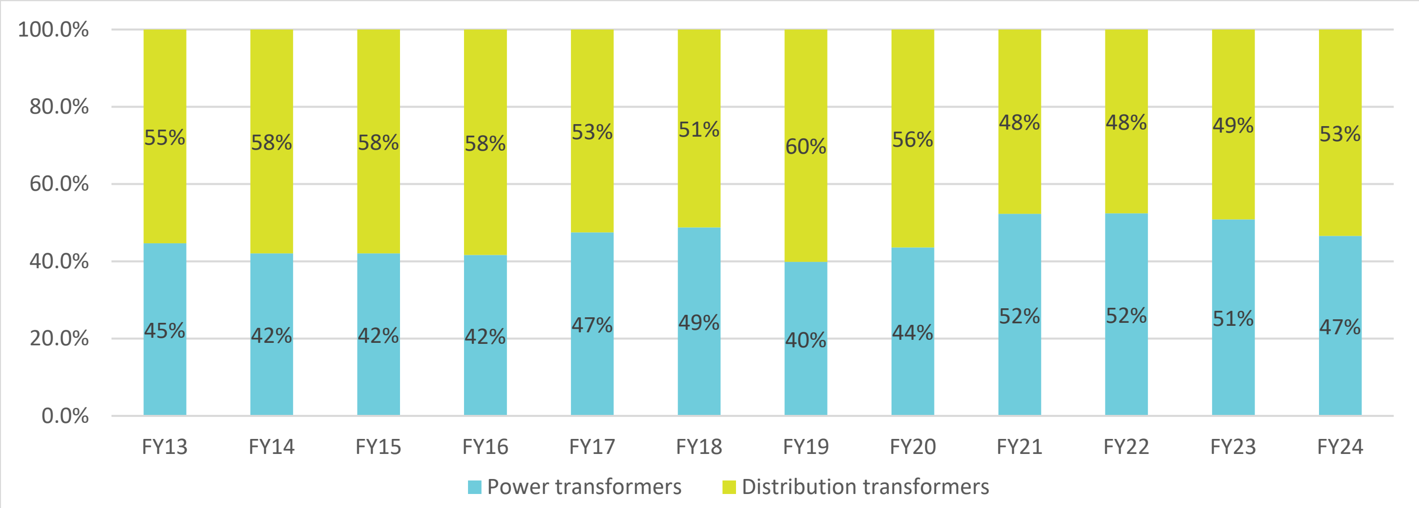
*Source: Company, Nuvama Research*

### Exhibit 4: CAGR of 23%-plus in overall transformers' TAM by FY27E to INR390bn



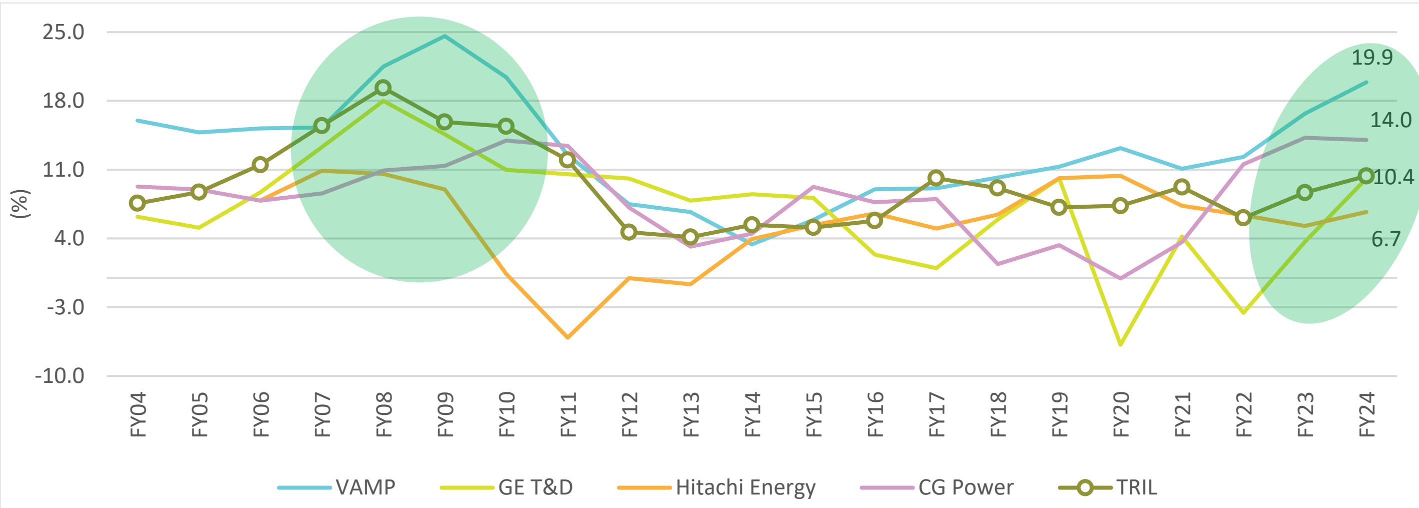

*Source: IEEMA, Nuvama Research*

**Exhibit 5: PT and DT mix over last decade; market size: INR156bn at end-FY24**




*Source: IEEMA, Nuvama Research*

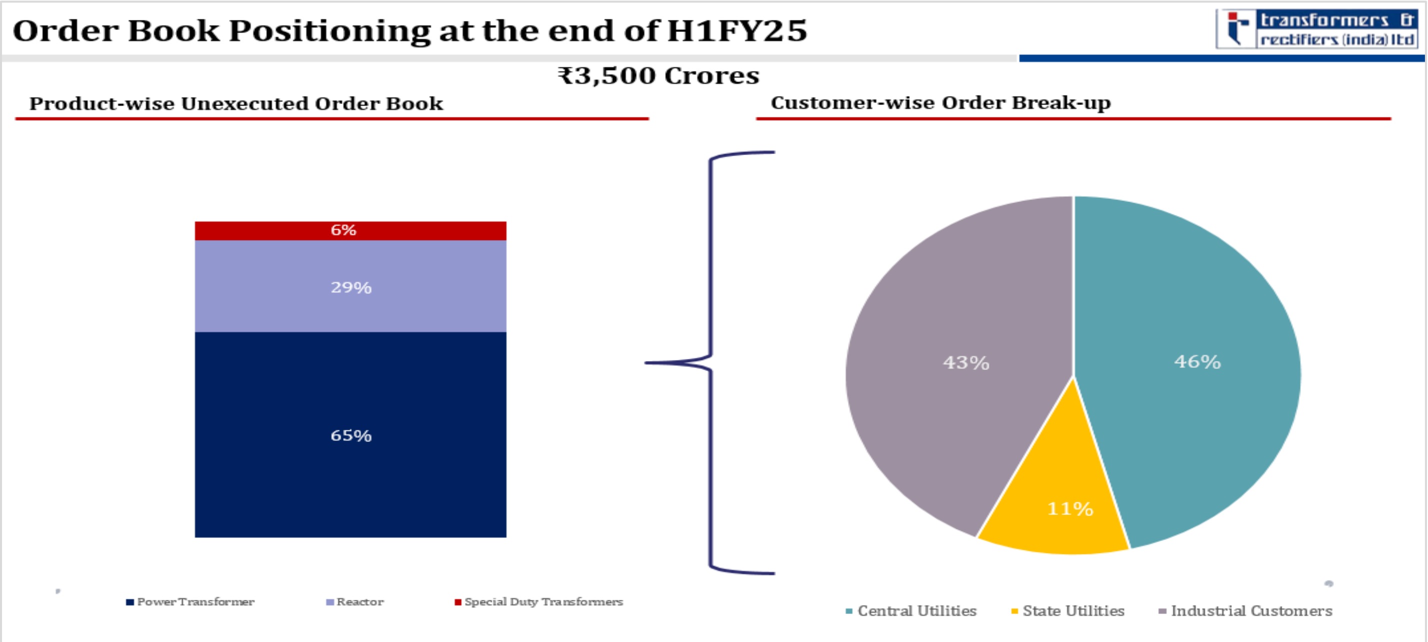
**Exhibit 6: Industry average OPM close to 15% during up-cycle as certain players surpassed benchmark significantly**




*Source: Bloomberg, Company, Nuvama Research*

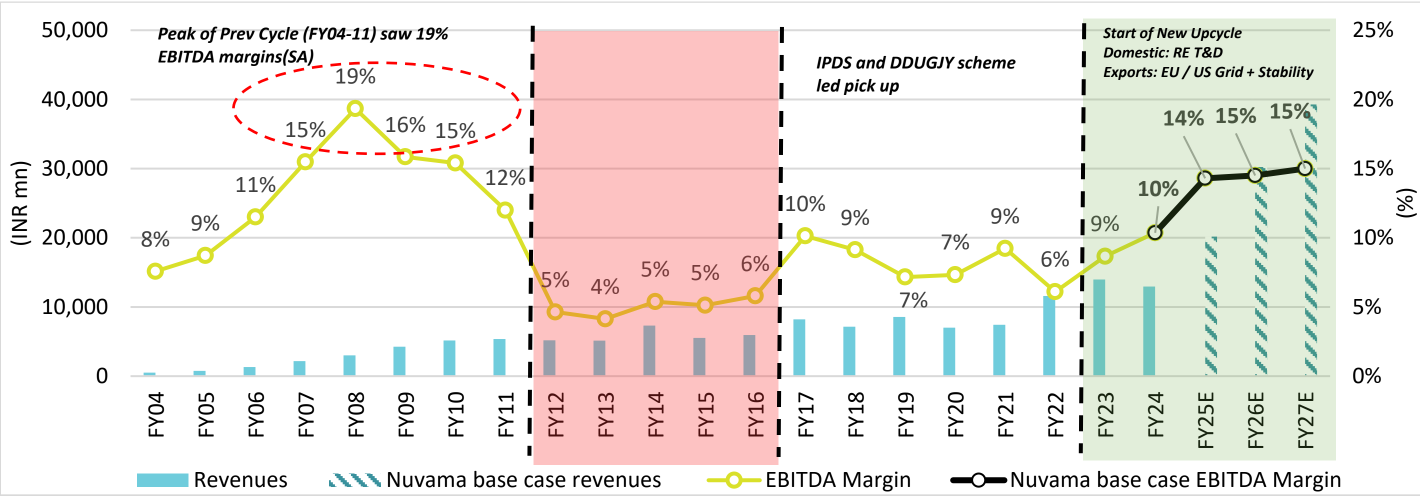
*Note: Considering ABB Power Systems (for Hitachi Energy) till FY19 considering EBIT margins historically and CG Power's power segment EBIT margins.*

**Exhibit 7: Order book breakdown**



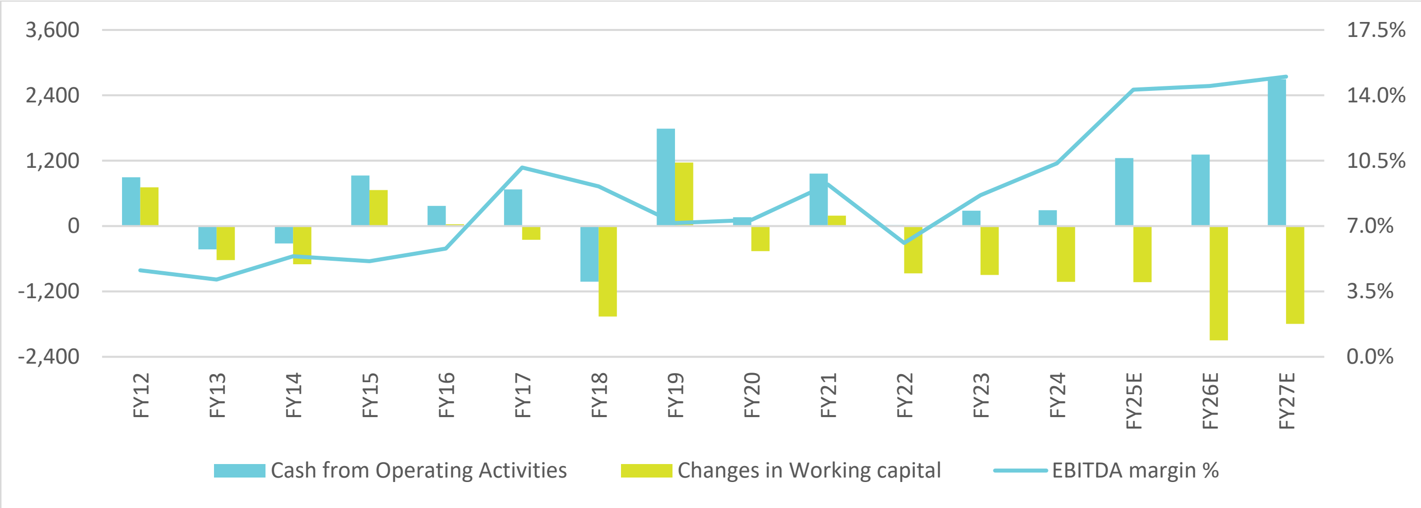

*Source: Company*

**Exhibit 8: Goldilocks period has begun for transformer players; TRIL's OPM likely to expand to ~15%-plus by FY26E/27E**




*Source: Company, Nuvama Research*

**Exhibit 9: Working capital shall be funded by better earnings growth as EBITDA margin improves**




*Source: Company, Nuvama Research*

## Company Description

Transformers & Rectifiers India (TRIL) is among India's largest domestic transformer manufacturers with aggregate installed capacity of 37,200MVA across its units: Odhav (1,200MVA), Changodar (12,000MVA) and Moraiya (24,000MVA) in Gujarat. This capacity can be increased to 42,000MVA with repeat design order without any additional capex, as throughput time is 20% less in repeat orders as they presently have quite some repeat design orders.

TRIL has a presence in a wide range of transformers: Power transformers (up to 1,200kV), distribution transformers (160kVA and above), furnace transformers (105kA and above), rectifier transformers (up to 160kA DC), and shunt reactors (up to 765kV), which find application in the power transmission & distribution sector and other industrial sectors.

## Investment Theme

India's power demand-supply gap demands aggressive RE addition of 30–40GW/year and thermal addition of 10GW+/year to avoid base power deficit by FY28–30. Resurgence in T&D capex: 24%+ CAGR in overall transformers TAM by FY27E to INR390bn+ given: (a) India's mega transmission capex plan of INR2.4tn (next 3-4 years) for renewables connectivity, (b) Most of India's transmission capex implies High Voltage given long-distance RE connectivity and (c) US/Europe plans to spend USD$1.2tn/EUR584bn resp. on infra/grid over this decade.

TRIL is one of the only few players with offerings across the spectrum (top 6–7 of 220kv+ power transformer suppliers in the country).

## Key Risks

- **Business concentration:** TRIL's business has a significant 50%-plus exposure to central power transmission utilities, which leaves its growth dependent on capex in the sector. While transmission capex has now started to pick up after a muted period of five–seven years, led by RE integration, a deferment thereof would shrink our TAM and revenue growth assumptions.

- **Industrial/private capex:** TRIL's exposure to industrial capex is 15–20%, which is non-utility. While the best of private capex is yet to come given upside to capacity expansion across a more broad-based set of industries (both conventional and new age), any major slowdown shall affect TRIL's order pipeline.

- **Factors driving EBTIDA margin guidance:** Management is targeting an EBITDA margin of 14–16% over the next few years. This, in our view, is largely a function of macro tailwinds being in favour, better pricing power given limited players and operating leverage. TRIL's execution and working capital management could be some of the key catalysts to this end, in our view.

- **Supply chain and backward integration:** Supply chain constraints arising from adverse situations may cause difficulties in procurement of raw material components, namely CRGO, steel and copper. TRIL is working aggressively on backward integration as well as to enter into long-term contracts with key raw materials' suppliers.

# Additional Data

## Management

| | |
|---|---|
| Chairman | Jitendra Mamtora |
| MD & CEO | Satyen Mamtora |
| CFO | Chanchal Rajora |
| VP Marketing | Ashwani Sharma |
| Auditor | K.C. Mehta & Co. |

## Holdings – Top 10*

| | % Holding | | % Holding |
|---|---|---|---|
| L&T Mutual Fund | 2.35 | BlackRock Inc | 0.30 |
| HSBC Asset Mana | 1.78 | Aditya Birla Su | 0.23 |
| Goldman Sachs F | 1.25 | Edelweiss Asset | 0.19 |
| Invesco | 0.45 | Motilal Oswal A | 0.17 |
| Invesco AM | 0.45 | Driehaus Capita | 0.08 |

**Latest public data*

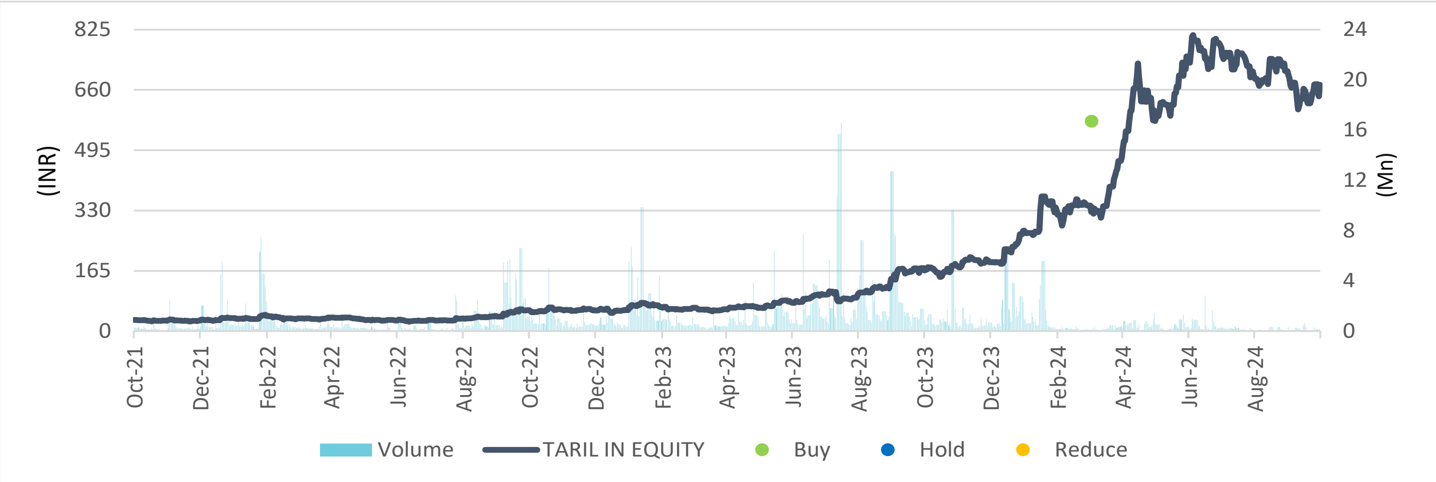
## Recent Company Research

| Date | Title | Price | Reco |
|---|---|---|---|
| 20-Jul-24 | Riding the OI and margin expansion wave; *Result Update* | 715 | Buy |
| 08-Apr-24 | Margins lights up result; guidance raise; *Result Update* | 474 | Buy |
| 11-Mar-24 | Rising like a phoenix: Turnaround begins; *Initiating Coverage* | 326 | Buy |

## Recent Sector Research

| Date | Name of Co./Sector | Title |
|---|---|---|
| 07-Oct-24 | Skipper Ltd | Skipper (SKIPPER IN, INR 450, BUY) - Int; *Initiating Coverage* |
| 20-Aug-24 | Engineering and capital goods | High valuations reflect earnings deliver; *Sector Update* |
| 10-Aug-24 | Siemens | Execution slow, OPM stable; outlook inta; *Result Update* |

## Rating and Daily Volume Interpretation




*Source: Bloomberg, Nuvama research*

## Rating Rationale & Distribution: Nuvama Research

| Rating | Expected absolute returns over 12 months | Rating Distribution |
|---|---|---|
| Buy | 15% | 218 |
| Hold | <15% and >-5% | 64 |
| Reduce | <-5% | 26 |

# DISCLAIMER

Nuvama Wealth Management Limited (defined as "NWML" or "Research Entity") a company duly incorporated under the Companies Act, 1956 (CIN No L67110MH1993PLC344634) having its Registered office situated at 801- 804, Wing A, Building No. 3, Inspire BKC, G Block, Bandra Kurla Complex, Bandra East, Mumbai – 400 051 is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, Investment Adviser, Research Analyst and other related activities. Name of Compliance/Grievance officer: Mr. Atul Bapna, E-mail address: complianceofficer.nwm@nuvama.com Contact details +91 (22) 6623 3478 Investor Grievance e-mail address- grievance.nwm@nuvama.com

This Report has been prepared by NWML in the capacity of a Research Analyst having SEBI Registration No.INH000011316 and Enlistment no. 5723 with BSE and distributed as per SEBI (Research Analysts) Regulations 2014. This report does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Securities as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 includes Financial Instruments and Currency Derivatives. The information contained herein is from publicly available data or other sources believed to be reliable. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in Securities referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors.

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NWML and associates, subsidiaries / group companies to any registration or licensing requirements within such jurisdiction. The distribution of this report in certain jurisdictions may be restricted by law, and persons in whose possession this report comes, should observe, any such restrictions. The information given in this report is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. NWML reserves the right to make modifications and alterations to this statement as may be required from time to time. NWML or any of its associates / group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. NWML is committed to providing independent and transparent recommendation to its clients. Neither NWML nor any of its associates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including loss of revenue or lost profits that may arise from or in connection with the use of the information. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. Past performance is not necessarily a guide to future performance .The disclosures of interest statements incorporated in this report are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The information provided in these reports remains, unless otherwise stated, the copyright of NWML. All layout, design, original artwork, concepts and other Intellectual Properties, remains the property and copyright of NWML and may not be used in any form or for any purpose whatsoever by any party without the express written permission of the copyright holders.

NWML shall not be liable for any delay or any other interruption which may occur in presenting the data due to any reason including network (Internet) reasons or snags in the system, break down of the system or any other equipment, server breakdown, maintenance shutdown, breakdown of communication services or inability of the NWML to present the data. In no event shall NWML be liable for any damages, including without limitation direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by the NWML through this report.

We offer our research services to clients as well as our prospects. Though this report is disseminated to all the customers simultaneously, not all customers may receive this report at the same time. We will not treat recipients as customers by virtue of their receiving this report.

NWML and its associates, officer, directors, and employees, research analyst (including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the Securities, mentioned herein or (b) be engaged in any other transaction involving such Securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company(ies) discussed herein or act as advisor or lender/borrower to such company(ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance. (c) NWML may have proprietary long/short position in the above mentioned scrip(s) and therefore should be considered as interested. (d) The views provided herein are general in nature and do not consider risk appetite or investment objective of any particular investor; readers are requested to take independent professional advice before investing. This should not be construed as invitation or solicitation to do business with NWML (e) Registration granted by SEBI and certification from NISM in no way guarantee performance of NWML or provide any assurance of returns to investors and clients.

NWML or its associates may have received compensation from the subject company in the past 12 months. NWML or its associates may have managed or co-managed public offering of securities for the subject company in the past 12 months. NWML or its associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. NWML or its associates may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. NWML or its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. Research analyst or his/her relative or NWML's associates may have financial interest in the subject company. NWML and/or its Group Companies, their Directors, affiliates and/or employees may have interests/ positions, financial or otherwise in the Securities/Currencies and other investment products mentioned in this report. NWML, its associates, research analyst and his/her relative may have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance.

Participants in foreign exchange transactions may incur risks arising from several factors, including the following: ( i) exchange rates can be volatile and are subject to large fluctuations; ( ii) the value of currencies may be affected by numerous market factors, including world and national economic, political and regulatory events, events in equity and debt markets and changes in interest rates; and (iii) currencies may be subject to devaluation or government imposed exchange controls which could affect the value of the currency. Investors in securities such as ADRs and Currency Derivatives, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Research analyst has served as an officer, director or employee of subject Company: No

NWML has financial interest in the subject companies: No

NWML's Associates may have actual / beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report.

Research analyst or his/her relative has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

NWML has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

Subject company may have been client during twelve months preceding the date of distribution of the research report.

There were no instances of non-compliance by NWML on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years.
A graph of daily closing prices of the securities is also available at www.nseindia.com

**Analyst Certification:**
The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

**Additional Disclaimers**

**Disclaimer for U.S. Persons**
This research report is a product of NWML, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by NWML only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, NWML has entered into an agreement with a U.S. registered broker-dealer, Nuvama Financial Services Inc. (formerly Edelweiss Financial Services Inc.) ("NFSI"). Transactions in securities discussed in this research report should be effected through NFSI.

**Disclaimer for U.K. Persons**
The contents of this research report have not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000 ("FSMA").

In the United Kingdom, this research report is being distributed only to and is directed only at (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005 (the "Order"); (b) persons falling within Article 49(2)(a) to (d) of the Order (including high net worth companies and unincorporated associations); and (c) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons").

This research report must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this research report relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this research report or any of its contents. This research report must not be distributed, published, reproduced or disclosed (in whole or in part) by recipients to any other person.

**Disclaimer for Canadian Persons**
This research report is a product of NWML, which is the employer of the research analysts who have prepared the research report. The research analysts preparing the research report are resident outside the Canada and are not associated persons of any Canadian registered adviser and/or dealer and, therefore, the analysts are not subject to supervision by a Canadian registered adviser and/or dealer, and are not required to satisfy the regulatory licensing requirements of the Ontario Securities Commission, other Canadian provincial securities regulators, the Investment Industry Regulatory Organization of Canada and are not required to otherwise comply with Canadian rules or regulations regarding, among other things, the research analysts' business or relationship with a subject company or trading of securities by a research analyst.

This report is intended for distribution by NWML only to "Permitted Clients" (as defined in National Instrument 31-103 ("NI 31-103")) who are resident in the Province of Ontario, Canada (an "Ontario Permitted Client"). If the recipient of this report is not an Ontario Permitted Client, as specified above, then the recipient should not act upon this report and should return the report to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any Canadian person.

NWML is relying on an exemption from the adviser and/or dealer registration requirements under NI 31-103 available to certain international advisers and/or dealers. Please be advised that (i) NWML is not registered in the Province of Ontario to trade in securities nor is it registered in the Province of Ontario to provide advice with respect to securities; (ii) NWML's head office or principal place of business is located in India; (iii) all or substantially all of NWML's assets may be situated outside of Canada; (iv) there may be difficulty enforcing legal rights against NWML because of the above; and (v) the name and address of the NWML's agent for service of process in the Province of Ontario is: Bamac Services Inc., 181 Bay Street, Suite 2100, Toronto, Ontario M5J 2T3 Canada.

**Disclaimer for Singapore Persons**
In Singapore, this report is being distributed by Nuvama Investment Advisors Private Limited (NIAPL) (Previously Edelweiss Investment Advisors Private Limited ("EIAPL")) (Co. Reg. No. 201016306H) which is a holder of a capital markets services license and an exempt financial adviser in Singapore and (ii) solely to persons who qualify as "institutional investors" or "accredited investors" as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Pursuant to regulations 33, 34, 35 and 36 of the Financial Advisers Regulations ("FAR"), sections 25, 27 and 36 of the Financial Advisers Act, Chapter 110 of Singapore shall not apply to NIAPL when providing any financial advisory services to an accredited investor (as defined in regulation 36 of the FAR. Persons in Singapore should contact NIAPL in respect of any matter arising from, or in connection with this publication/communication. This report is not suitable for private investors.

**Disclaimer for Hong Kong persons**
This report is distributed in Hong Kong by Nuvama Investment Advisors (Hong Kong) Private Limited (NIAHK) (Previously Edelweiss Securities (Hong Kong) Private Limited (ESHK)), a licensed corporation (BOM -874) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to Section 116(1) of the Securities and Futures Ordinance "SFO". This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The report also does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of any individual recipients. The Indian Analyst(s) who compile this report is/are not located in Hong Kong and is/are not licensed to carry on regulated activities in Hong Kong and does not / do not hold themselves out as being able to do so.

INVESTMENT IN SECURITIES MARKET ARE SUBJECT TO MARKET RISKS. READ ALL THE RELATED DOCUMENTS CAREFULLY BEFORE INVESTING.

Abneesh Roy
Head of Research Committee
Abneesh.Roy@nuvama.com

ABNEESH KUMAR ROY

Digitally signed by ABNEESH KUMAR ROY
DN: c=IN, o=Personal, pseudonym=Msg9fxP7wyHcUJj8U9hqnEIitaBp7XDX, 2.5.4.20=e648fc28137c6fa4c0e6296c524ee518d54fd4f7ba4be4d07cb750c531c68e2c, postalCode=400098, st=Maharashtra, serialNumber=7370c9de10fb28bbf7cbc6f71afe3cfe848fa7245a8d681629dc3093fb2a8ea9, cn=ABNEESH KUMAR ROY
Date: 2024.10.08 23:17:20 +05'30'
Adobe Acrobat version: 2024.003.20112