

One Stop Investment Avenue



GEPL
CAPITAL

IPO NOTE

QUADRANT FUTURE TEK LIMITED

JAN 07th, 2024





Jan 07, 2024

Details of the Issue

Price Band	₹ 275 - ₹ 290
Issue Size	₹ 290 Cr
Face Value	₹ 10
Bid Lot	50
Listing on	BSE, NSE
Post Issue Mcap	₹ 1,160 Cr
Investment Range	₹ 13,750 - ₹ 14,500

Important Indicative Dates (2024)

Opening	07 - Jan
Closing	09 - Jan
Basis of Allotment	10 - Jan
Refund Initiation	13 - Jan
Credit to Demat	13 - Jan
Listing Date	14 - Jan

Lead Manager

Sundae Capital Advisors Pvt Limited

Offer Details

Offer Size	₹ 290 Cr
Fresh Issue	₹ 290 Cr
OFS	-

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	218	7.9	7.5	75
NIB	44	1.58	1.50	10
Retail	29	1.05	1	15
Em- ploy.	-	-	-	-
Total	290	10.54	10	100

Invest Now

Company Profile

Quadrant Future Tek Limited, established in September 2015, specializes in developing advanced Train Control and Signaling Systems for the Indian Railways' KAVACH project, aimed at enhancing passenger safety and reliability. The company also operates a speciality cable manufacturing facility in Village Basma, Tehsil Banur, District Mohali, Punjab, equipped with an Electron Beam Irradiation Centre for manufacturing, testing, and developing speciality cables and hardware for its Train Control & Signaling Division. With a focus on technology, the company adheres to ISO, IRIS, and TS standards, maintaining strict Quality Management Systems for its products. As of October 31, 2024, the company employs 295 individuals across its manufacturing facility, Railway Signalling & Embedded System Design Centre, and corporate functions.

GEPL's Insight & Investment Thesis

- QFTL is driving India's rail modernization through the KAVACH project, backed by orders for 1,200 locomotives and a strong pipeline worth ₹979 crore. The company has also signed an MoU with RailTel Corporation to jointly develop and deliver the KAVACH system to Indian Railways, strengthening its position as an OEM and ensuring robust earnings visibility for FY25.
- The company has expanded into specialized cable manufacturing with backward integration in polymer compounding, copper processing, and electronic manufacturing services, enhancing cost efficiency and operational flexibility. It is also venturing into high-growth niche sectors like aerospace, aviation, renewable energy (solar and wind), and electric vehicles, where speciality cables are in high demand.
- The company has achieved robust financial growth, posting a Revenue/EBITDA/PAT CAGR of 21%/96%/175% over FY22-FY24. In FY24, it delivered impressive returns with an ROE of 33.41%, ROCE of 26.12%, and industry-leading EBITDA margins of 24% in FY24.
- The speciality cable industry and the Indian Train Control System market are projected to grow at a CAGR of 9.8% and 12.9%, respectively, from FY24 to FY30, positioning the company well to capitalize on this growth.
- At the upper price band of INR 290, the IPO is valued at a PE of 59x FY24 earnings, aligning with its peers. We believe the IPO is fairly priced, supported by a strong order pipeline that ensures earnings visibility in the medium to long term. Therefore, we recommend a "Subscribe" rating for the issue.

Business Highlights & Services

QFTL is engaged in the development of Train Control and Signaling systems under the Indian Railways' Kavach project and specializes in manufacturing speciality cables primarily used in the railways and defense sectors. The company has signed an MoU with RailTel to jointly develop and deliver the Kavach system for both Indian and international railways. As part of this collaboration, QFTL will act as the OEM for Kavach equipment, providing technical support, maintenance, and upgrades in compliance with RDSO standards.

QFTL boasts in-house design and product development capabilities for railway signaling products and services. It has designed, developed, and engineered the Train Collision Avoidance System software entirely in-house, focusing on performance, reliability, and autonomy to meet the requirements of Indian Railways. The company operates three manufacturing facilities in Basma, Mohali, Punjab, with a dedicated production floor area of approximately 60,000 sq. ft. These facilities are equipped with advanced equipment, modern technology, and automation systems to produce hardware for its Train Control and Signalling Division.

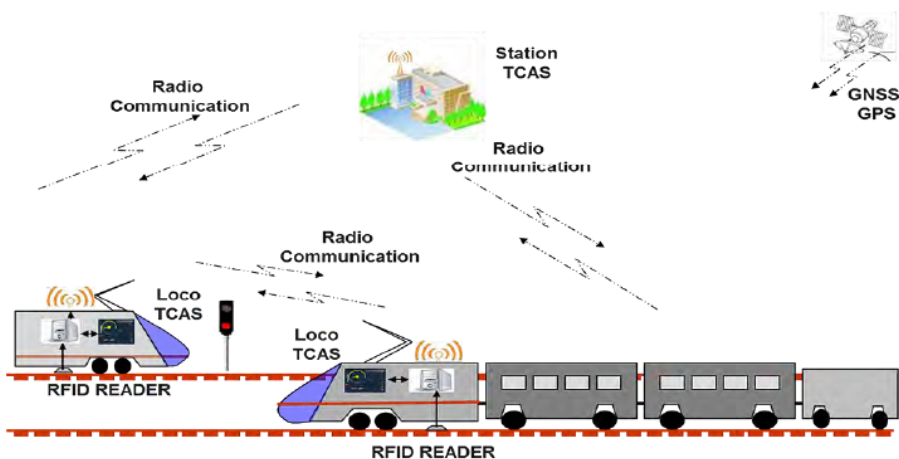


QFTL’s innovation-driven approach has enabled it to develop a custom in-house Train Collision Avoidance System that adheres to RDSO standards. The company manufactures a wide range of specialty cables catering to industries such as railways, defense, renewable energy, and electric vehicles. Approved by RDSO, DGQA, and the Indian Register of Shipping, it produces cables for railway coaches, locomotives, EMUs, and naval ships. Notably, naval ship cable supply grew from ₹30.45 million in FY22 to ₹369.16 million in FY23, contributing 24.16% of total sales. As of September 2024, the company has an annual production capacity of 1,887.60 MTPA and operates an entirely in-house production process, including PVC compounding, insulation, and cable testing, ensuring quality and cost control. Advanced equipment like a 2.5 MeV Electron Beam Accelerator enhances cable strength, durability, and fire safety. With ISO-certified quality management and rigorous inspections, the company meets stringent client standards. Backed by in-house R&D, over six years of experience in irradiated cables, and compliance with AERB regulations, the company maintains a strong competitive edge, creating high entry barriers. The specialty cables, made using electron beam technology, exhibit properties such as resistance to fluids, oils, moisture, and high heat, making them highly sought after in niche industries like aerospace, aviation, solar, wind energy, and EVs. These sectors require cables with strict quality standards and high resistance to heat and abrasion for critical control and power system applications. The company strategically focuses on these niche industries, specializing in developing electric and control cables tailored for these sectors, which is expected to drive revenue growth and improve margins in the future.

Business Segment Mix

Particulars	Q2FY25	%	FY24	%	FY23	%	FY22	%
Wire and Cables								
Railways	59.5	91.3%	117	77.0%	114	75%	101	97%
Defence	1.9	2.9%	34	22.2%	37	24%	3	3%
Solar Power		0.0%		0.0%		0%		0%
Train Control & Signalling Division								
Indian Railway	3	4.1%		0.0%	1.4	1%		0%
Other Operating Income	1	1.7%	1	0.8%	0.3	0%	0.064	0%
Total	65	100%	152	100%	152.805	100%	104	100%

KAVACH Overview



System Overview of TCAS

Customer base

(₹ in millions)

Particulars	September 30, 2024		March 31, 2024		March 31, 2023		March 31, 2022	
	Amount	%age * 1	Amount	%age * 2	Amount	%age * 3	Amount	%age * 4
On total revenue								
Top ten customers	623.12	95.66%	1308.12	86.20%	1453.62	95.13%	1002.52	96.16%
Top five customers	535.89	82.27%	1107.63	72.99%	1210.19	79.20%	870.40	83.49%
Top one customer ^	268.59	41.23%	718.67	47.36%	751.81	49.20%	562.47	53.95%



Peers comparison

Name of the company	Face Value (₹)	Total Income (₹ Cr)	EPS	NAV (₹)	P/E
Quadrant Future Tek Limited	10	152	4.90	14.70	NA
Peers Group					
Kemex Micro Limited	10	20	-16.61	63.61	NA
HBL Power Systems Limited	1	2,233	10.07	44.03	61.59
Apar Industries Limited	10	16,153	212	965.01	49.11
Polycab India Limited	10	18,039	118	544.95	64.85

Industry Outlook

The domestic specialty cables market, valued at USD 589 million in CY24EE, is expected to grow to USD 599 million in CY24E and register a 9.8% CAGR (CY24E-CY30), driven by renewable energy, transmission upgrades, railway expansion, and metro investments.

Chart 12: Indian Specialty Cables Market Size (USD million)

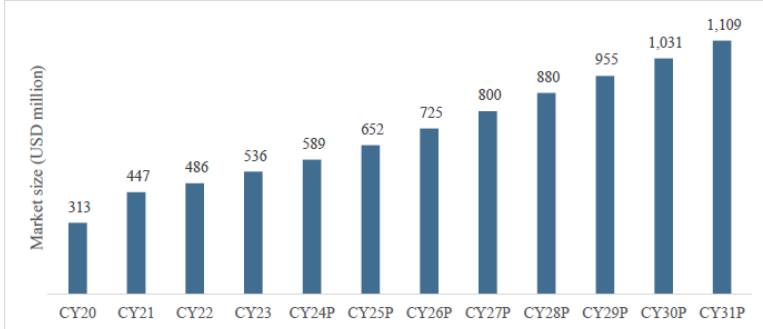
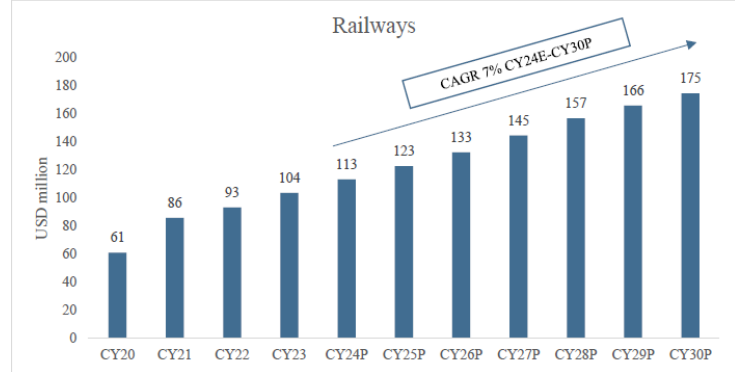
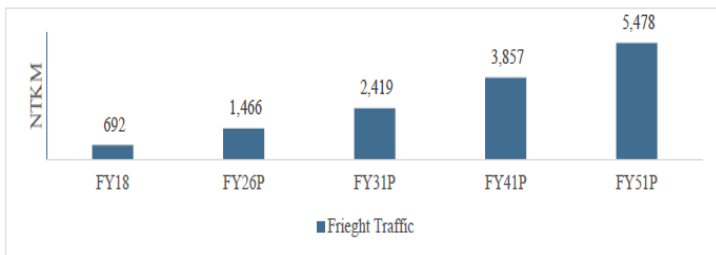


Chart 17: Demand trend from Railways for Specialty Cables (USD Million)



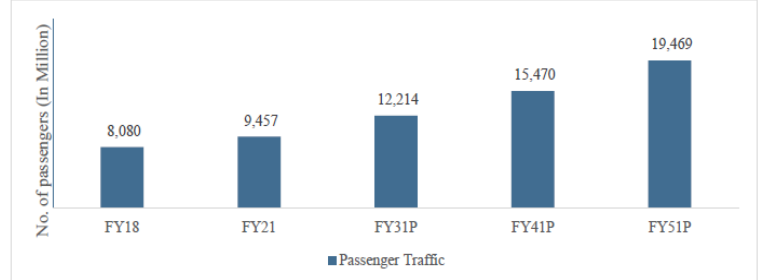
The Indian Train Control System market, valued at USD 159 million in CY23, is projected to reach USD 208 million in CY24E and grow at a 12.7% CAGR (CY24E-CY30E), driven by urbanization and rising demand for high-speed rail transit.

Chart 15: Projected Growth in Freight Traffic



Note: P-Projected; Source: Indian Railways, National Railway Plan

Chart 16: Projected Growth in Passenger Traffic



Note: P-Projected; Source: Indian Railways, National Railway Plan

Table 4: Projected Growth in Locomotive and Wagons Requirement

Particulars	FY18	FY26P	FY31P	FY41P	FY51P
No. of Locomotive Required (in thousands)	12.63	17.8	21.74	32.58	47.02
No. of Wagons Required (in lakhs)	2.8	4.07	5.44	7.77	10.62

Source: Indian Railways, National Railway Plan



Companies Competitive Strength :

- Innovation and technological development undertaken by the Company for building Automatic Train Protection Systems.
- Entered into an exclusive Memorandum of Understanding with RailTel for delivering the specific targeted opportunities related to KA-VACH in Indian Railways and other Countries Railways.
- Company have in-house design and product development capabilities powering the Rail Signalling Products & Solutions.
- Unique technology for the manufacture of cables that meets the stringent requirements for multiple industries, namely Railways, Naval Defence, Renewable Energy & Electric Vehicle sectors.
- Advanced manufacturing facilities with a diverse range of power and control cables with focus on innovation and cost competitiveness.
- Global emergence of market for Speciality cables in renewable energy and electric vehicles and supply of such Speciality cables to OEMs with high global market penetration.
- Experienced promoters and management team.

Strategies Implemented by Company

- To continue focus on new products through constant research and development.
- Make in India and focus on indigenisation.
- Expansion of business to other areas of Automatic Train Protection and railway safety.
- Continue to grow share of the business from non promoter group companies.
- Expansion of cable business in new sectors

Financial Snapshot

Particular (INR in Cr)	Q2FY25	FY24	FY23	FY22
Equity Capital	30	10	10	10
Reserves and Surplus	4	34	19	6
Net Worth	34	44	29	16
Revenue	65	152	153	104
Growth (%)		-1%	47%	
EBITDA	1	37	27	10
EBITDAM (%)	1%	24%	17%	9%
PAT	-12	15	14	2
PATM (%)	-19%	10%	9%	2%
ROE (%)	-37%	33%	47%	12%
ROCE (%)	10%	26%	27%	8%



Notes

GEPL Capital Pvt. Ltd

Head Office: D-21/22 Dhanraj Mahal, CSM Marg, Colaba, Mumbai 400001

Reg. Office: 922-C, P.J. Towers, Dalal Street, Fort, Mumbai 400001

Research Analyst – Mr. Dibandu Maji | + 022-6618 2689 | Dibandumaji@geplcapital.com

Disclaimer: This report has been prepared by GEPL Capital Private Limited ("GEPL Capital "). GEPL Capital is regulated by the Securities and Exchange Board of India. This report does not constitute a prospectus, offering circular or offering memorandum and is not an offer or invitation to buy or sell any securities, nor shall part, or all, of this presentation form the basis of, or be relied on in connection with, any contract or investment decision in relation to any securities. This report is for distribution only under such circumstances as may be permitted by applicable law. Nothing in this report constitutes a representation that any investment strategy, recommendation or any other content contained herein is suitable or appropriate to a recipient's individual circumstances or otherwise constitutes a personal recommendation. All investments involve risks and investors should exercise prudence in making their investment decisions. The report should not be regarded by the recipients as a substitute for the exercise of their own judgment. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of GEPL Capital as a result of using different assumptions and criteria. GEPL Capital is under no obligation to update or keep current the information contained herein. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Options, derivative products and futures are not suitable for all investors, and trading in these instruments is considered risky. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. Any prices stated in this report are for information purposes only and do not represent valuations for individual securities or other instruments. There is no representation that any transaction can or could have been effected at those prices and any prices do not necessarily reflect GEPL Capital's internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions, by GEPL Capital or any other source may yield substantially different results. GEPL Capital makes no representation or warranty, express or implied, as to, and does not accept any responsibility or liability with respect to, the fairness, accuracy, completeness or correctness of any information or opinions contained herein. Further, GEPL Capital assumes no responsibility to publicly amend, modify or revise any forward-looking statements, on the basis of any subsequent development, information or events, or otherwise. Neither GEPL Capital nor any of its affiliates, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this report. In no event shall GEPL Capital be liable for any direct, special indirect or consequential damages, or any other damages of any kind, including but not limited to loss of use, loss of profits, or loss of data, whether in an action in contract, tort (including but not limited to negligence), or otherwise, arising out of or in any way connected with the use of this report or the materials contained in, or accessed through, this report. GEPL Capital and its affiliates and/or their officers, directors and employees may have similar or an opposite position in any securities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such securities (or investment). The disclosures contained in the reports produced by GEPL Capital shall be strictly governed by and construed in accordance with Indian law. GEPL Capital specifically prohibits the redistribution of this material in whole or in part without the written permission of GEPL Capital and GEPL Capital accepts no liability whatsoever for the actions of third parties in this regard.