



**Company Overview**

Quadrant Future Tek Limited is a research-oriented organization engaged in developing next-generation Train Control and Signalling Systems under the KAVACH project of the Indian Railways. These systems offer the highest level of safety and reliability to rail passengers. The company operates a speciality cable manufacturing facility equipped with an Electron Beam Irradiation Centre. The speciality cables manufactured by the company are used in railway rolling stock and the naval (defence) industry. Additionally, the facility boasts end-to-end infrastructure capabilities for the production of Solar and EV cables. The company has a dedicated facility for manufacturing, testing, researching, and developing speciality cables and producing the hardware required for the Train Control and Signalling Division. This facility is located at Village Basma, District Mohali. The company offers speciality cables for industrial usage and other applications where fire and safety, lightweight and long-term performance are of utmost importance. The company is accredited with various national and international certifications, namely, NQA Certification Limited and ROHS Certification Private Limited for its speciality cables division. The company have a wide product portfolio, which includes railways rolling stock cables, naval defence, marine cables, solar PV cables, automotive cables, and connectors & junction boxes. The company also provides end-to-end solutions for electrical 190 connectors and wiring harnesses with the complex arrangement of various wires and cables as per the client's demand.

**Objects of the issue**

The company proposes to utilize net proceeds towards funding the following objects:

- ⇒ Funding long-term working capital requirements of company;
- ⇒ Capital expenditure for development of an Electronic Interlocking System;
- ⇒ Prepayment or repayment of all or a portion of outstanding working capital term loan availed by the Company; and
- ⇒ General corporate purposes.

**Investment Rationale**

**Entered into an exclusive Memorandum of Understanding with RailTel for delivering the specific targeted opportunities related to KAVACH in Indian Railways and other country's railways**

On May 1, 2024, the company entered into a Memorandum of Understanding (MoU) with RailTel Corporation of India Limited ("RailTel"), a Government of India undertaking. The MoU establishes a framework of cooperation to:

- (i) Define intended opportunities to pursue under the agreement,
- (ii) Position KAVACH as an Automatic Train Protection System for railways in India and abroad, and
- (iii) Expand and realign the targeted scope to include opportunities within other countries' railway systems.

The company has partnered exclusively with RailTel to deliver specific opportunities related to KAVACH for Indian Railways and other international railway systems. Under the terms of the MoU, RailTel has committed not to solicit, negotiate, accept, or engage with any other party regarding this specific business opportunity, ensuring exclusive collaboration with the company. This agreement makes the company eligible to supply KAVACH equipment as an OEM to RailTel for projects awarded to RailTel, including the implementation of the KAVACH system both in India and internationally. The MoU remains valid until terminated by either party. RailTel will lead stakeholder engagements within Indian Railways and international railways while jointly marketing and implementing KAVACH technology with the company. The company will be responsible for technology maintenance and upgrades in compliance with RDSO specifications throughout the project lifecycle. Additionally, the company will meet RDSO requirements to qualify for future KAVACH tenders, provide technical expertise, expert manpower, and necessary technology solutions, and jointly participate with RailTel in KAVACH tenders for Indian and international railway projects.

**Issue Details**

Offer Period	07th Jan, 2025 - 09th Jan, 2025
Price Band	Rs. 275 to Rs. 290
Bid Lot	50
Listing	BSE & NSE
Issue Size (no. of shares in mn)	10
Issue Size (Rs. in bn)	2.9
Face Value (Rs.)	10

**Issue Structure**

QIB	75%
NIB	15%
Retail	10%

BRLM	Sundae Capital Advisors Private Ltd.
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Registrar	Link Intime India Private Ltd.
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Particulars	Pre Issue %	Post Issue %
Promoter & Promoter Group	93.3%	70.0%
Public	6.7%	30.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

(Assuming issue subscribed at higher band)

**Research Team - 022-61596138**

# Quadrant Future Tek Limited

## Advanced manufacturing facilities with a diverse range of power and control cables with a focus on innovation and cost competitiveness

The company is one of the few manufacturers in India approved by RDSO, DGQA, and the Indian Register of Shipping, specializing in single core and multi-core control and power cables, as well as signalling cables for railway coaches, locomotives, and EMUs. It also supplies cables for naval ships. In FY22, the company began supplying cables for naval ships, generating Rs. 30.5 million in revenue, which increased to Rs. 369.2 million in FY23, making up 24.2% of total sales. Its competitive advantage stems from its Railway Signalling and Embedded System Design team, product innovation, and commitment to quality. All products are manufactured at its Basma, District Mohali, Punjab facility, which holds quality management certifications. The company handles all operations in-house, from raw material sourcing to various manufacturing processes, ensuring cost control and high quality. The facility has an installed production capacity of 1,887.6 MTPA as of September 30, 2024, with regular product inspections and quality checks. Advanced testing procedures for copper cables include electrical, mechanical, and chemical tests using specialized equipment. Additionally, the company has invested in a 2.5 MeV Electron Beam Industrial Accelerator for efficient cable manufacturing and complies with AERB requirements. The company received Fresh Registration for the "List of RDSO Vendors for Developmental Orders" on December 14, 2017 and the company have over six years of experience in manufacturing irradiated wires. The company's in-house research facility, coupled with the approval of RDSO and DGQA, constitutes a high barrier to entry for other companies to emulate.

## Valuation

Quadrant Future Tek Ltd. is a research-focused company developing advanced Train Control and Signalling Systems for the Indian Railways under the KAVACH project. It has two main divisions: The Specialty Cables Division and the Train Control and Signalling Division. It also has a manufacturing facility featuring an Electron Beam Irradiation Centre. The domestic speciality cable market was valued at USD 536 million in 2023 and is expected to reach 589 million in 2024. The Indian Train Control System market was valued at USD 159 million in 2023, with projections to rise to USD 208 million in 2024, growing at a CAGR of 12.7% from 2024 to 2030. In the interim budget of FY2024-25, the FM allocated Rs. 2.55 lakh crore to Indian Railways, a 5.8% increase. The KAVACH automatic train protection system aims to enhance safety, expanding coverage to 4,500 kilometres next year and targeting 44,000 kilometres over five years. Additional tenders for 6,000 kilometres are expected soon. Financially, the company's revenue from operations grew from Rs. 1,042.5 million in FY22 to Rs. 1,518.2 million in FY24, marking a CAGR of 20.6%. Its EBITDA increased from Rs. 95 million to Rs. 366.6 million during the same period. A strategic MoU with Rail-Tel Corp. and a Rs. 78.6 crore order from Chittaranjan Locomotive Works strengthen the company's position as a leading Original Equipment Manufacturer (OEM). **The issue is valued at a price-to-earnings (P/E) ratio of 59.1x on the upper price band based on FY24 earnings, which is deemed fair compared to its peers. Considering the above compelling factors, we recommend a "SUBSCRIBE" rating for this issue.**

## Key Risks:

- ⇒ **Single manufacturing unit:** The business is dependent on a single manufacturing facility and is subject to certain risks in the manufacturing process. Any slowdown or shutdown in the manufacturing operations could adversely affect the business, financial condition, and results of operations.
- ⇒ **Failure to deliver the product:** On December 12, 2024, the company received a purchase order from Chittaranjan Locomotive Works (CLW) for the supply and installation of Onboard Kavach equipment for 1,200 locomotives, valued at Rs. 978.6 crores, including taxes. Failure to meet obligations, such as timely delivery and maintenance, could negatively impact business, financial performance, and future opportunities in similar tenders.
- ⇒ **Less experience in Train Control Systems:** The company has recently expanded into Train Control Systems, making it difficult to predict its performance and future prospects. Further, promoters lack experience in this segment of the railway industry. If the company cannot effectively scale and manage its business or implement strategies, it could adversely affect the quality of its products and services.

# Quadrant Future Tek Limited

## Income Statement (Rs. in millions)

Particulars	FY22	FY23	FY24	H1FY25
<b>Revenue</b>				
Revenue from operations	1,043	1,528	1,518	651
<b>Total revenue</b>	<b>1,043</b>	<b>1,528</b>	<b>1,518</b>	<b>651</b>
<b>Expenses</b>				
Cost of Material Consumed	885	1,028	928	557
Changes in inventories of finished goods, work-in-progress and stock-in-trade	(85)	74	(51)	(142)
Employee Benefits Expenses	70	54	124	120
Other expenses	78	108	150	108
<b>Total operating expenses</b>	<b>948</b>	<b>1,264</b>	<b>1,152</b>	<b>643</b>
<b>EBITDA</b>	<b>95</b>	<b>264</b>	<b>366</b>	<b>8</b>
Depreciation & amortization	32	37	103	96
<b>EBIT</b>	<b>63</b>	<b>228</b>	<b>264</b>	<b>(87)</b>
Finance costs	34	29	45	38
Other Income	0	1	1	0
<b>PBT</b>	<b>29</b>	<b>199</b>	<b>219</b>	<b>(125)</b>
Current Tax	10	61	68	-
Deferred tax	(0)	(1)	4	(4)
<b>Total tax</b>	<b>10</b>	<b>60</b>	<b>72</b>	<b>(4)</b>
<b>Net Profit</b>	<b>19</b>	<b>139</b>	<b>147</b>	<b>(121)</b>
<b>Diluted EPS</b>	<b>0.6</b>	<b>4.6</b>	<b>4.9</b>	<b>(4.0)</b>

Source: RHP, BP Equities Research

## Cash Flow Statement (Rs. in millions)

Particulars	FY22	FY23	FY24	H1FY25
Cash Flow from operating activities	(46)	299	185	(96)
Cash flow from/(used in) investing activities	(318)	(200)	(214)	(29)
Net cash flows (used in) / from financing activities	364	(96)	31	127
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>0</b>	<b>3</b>	<b>2</b>	<b>2</b>
<b>Cash and cash equivalents at the beginning of the period*</b>	<b>2</b>	<b>2</b>	<b>5</b>	<b>7</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>2</b>	<b>5</b>	<b>7</b>	<b>9</b>

Source: RHP, BP Equities Research

\*Cash & cash equivalent includes balances with Bank

# Quadrant Future Tek Limited

## Balance Sheet (Rs. in millions)

Particulars	FY22	FY23	FY24	H1FY25
<b>Assets</b>				
<b>Non-Current Assets</b>				
Property, plant and equipment	196	209	280	277
Right of Use Assets	-	-	-	8
Capital Work-in-Progress	24	-	-	-
Intangible assets	-	-	526	463
Intangible assets under development	310	484	-	-
<b>Financial Assets</b>				
(i) Trade Receivables	-	12	28	28
(ii) Other financial assets	2	5	1	1
Deferred Tax Assets (Net)	2	3	-	3
Other Non-Current Assets	-	-	-	18
<b>Current Assets</b>				
Inventories	243	187	204	373
<b>Financial Assets</b>				
(i) Investments	-	-	-	-
(ii) Trade Receivables	268	233	320	232
(iii) Cash and cash equivalents	0	2	2	4
(iv) Bank balances other than (ii) above	2	3	5	5
(vi) Other financial assets	3	3	5	7
Current Tax Assets (Net)	4	6	3	3
Other current assets	73	41	53	75
<b>Total Assets</b>	<b>1,128</b>	<b>1,188</b>	<b>1,428</b>	<b>1,497</b>
<b>Equity and Liabilities</b>				
Equity Share Capital	100	100	100	300
Other Equity	56	194	341	42
<b>Total Equity</b>	<b>156</b>	<b>294</b>	<b>441</b>	<b>342</b>
<b>Non-Current Liabilities</b>				
Borrowings	558	489	476	440
Other financial liabilities	-	-	-	7
Provisions	2	5	8	10
Deferred tax liabilities (net)	-	-	1	-
<b>Total Non-Current Liabilities</b>				
<b>Current Liabilities</b>				
<b>Financial Liabilities</b>				
(i) Borrowings	248	251	341	540
(iii) Trade Payables	138	64	67	87
(iv) Other financial liabilities	8	10	18	23
Provisions	1	0	2	4
Current tax liabilities (Net)	9	56	45	28
Other current liabilities	7	19	29	17
<b>Total Liabilities</b>	<b>972</b>	<b>894</b>	<b>987</b>	<b>1,155</b>
<b>Total Equity and Liabilities</b>	<b>1,128</b>	<b>1,188</b>	<b>1,428</b>	<b>1,497</b>

Source: RHP, BP Equities Research

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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