

Quadrant Future Tek Limited

Quadrant Future Tek Limited

Rating SUBSCRIBE	Issue Opens On Jan 07, 2025	Issue Closes On Jan 09, 2025	Listing Date Jan 14, 2025	Price Band (INR) 275 - 290	Issue Size (INR Mn) 2,900
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Company Overview:

- Quadrant Future Tek Limited, founded in 2015 and headquartered in Mohali, Punjab, is a prominent manufacturer specializing in **specialty cables, train control systems and advanced interconnect products**.
- Serving primarily the transportation and infrastructure sectors across India, the company is committed to excellence and adherence to rigorous international standards.
- Quadrant Future Tek offers a comprehensive array of products, from standard cables to tailor-made solutions, designed to meet the specific demands of its diverse domestic clientele.
- By continually emphasizing innovation and quality, the company plays a crucial role in driving technological advancements within India's tech-intensive industries, positioning itself as a key player in the national market.

Outlook and Valuation:

Quadrant Future Tek Limited, specializing in the production of specialty cables and advanced train control and signaling systems, such as the KAVACH project for Indian Railways, leverages cutting-edge technologies like Electron Beam Cross Linked polymers. These innovations enhance the durability and performance of its products across demanding sectors including railways, defense and electric vehicles. With significant infrastructure developments and government initiatives like the INR 557 crore funding for the KAVACH project, Quadrant is well-positioned within its industry. With a PE ratio of 79x and an EV/EBITDA of 34x, Quadrant Future Tek Limited's valuation is notably higher than some of its peers, justified by its strong market position, robust growth prospects and solid financial performance, evidenced by a robust ROE of 33%. The premium valuation is further underpinned by its large addressable market and significant project wins, specifically in KAVACH, which enhances its growth potential and ensures sustainable growth prospects. Given these factors, we assign a 'SUBSCRIBE' rating.

Particulars (In INR Mn)	FY22	FY23	FY24	H1FY25
Revenue	1,043	1,528	1,518	651
EBITDA	95	264	366	8
EBITDA Margin (%)	9%	17%	24%	1%
Profit After Tax	19	139	147	-121
PAT Margin (%)	2%	9%	10%	-19%
Net Worth	156	294	441	342
RONW (%)	12%	47%	33%	-35%

Source: IPO Prospectus, DevenChoksey Research

OFFER STRUCTURE

Particulars	IPO Details
No. of shares under IPO (Mn)	10
Fresh issue (# shares) (Mn)	10
Offer for sale (# shares) (Mn)	NA
Price band (INR)	275 - 290
Post issue MCAP (INR Mn)	11,150 - 11,600

Source: IPO Prospectus

Issue	# Shares	INR Mn	%
QIB	75,00,000	Min 2,175	Not less than 75%
NIB	15,00,000	Max 435	Not more than 15%
Retail	10,00,000	Max 290	Not more than 10%
Net Offer	1,00,00,000	2,900	100%

Source: IPO Prospectus

Shareholding Pattern	Pre-Issue (%)	Post-Issue (%)
Promoters & Promoters Group	93%	70%
Others	7%	30%
Total	100%	100%

Source: IPO Prospectus

Objects of the Offer	Mn
1. Funding long-term working capital requirements	1,497
2. Capital expenditure for development for Electronic Interlocking System	244
3. Prepayment or repayment of outstanding working capital term loan	236
4. General corporate purposes	923

Source: IPO Prospectus

BRLM
Sundae Capital Advisors Private Limited

Source: IPO Prospectus

Indicative Timetable	
Offer Closing Date	Thursday 09 th Jan'25
Basis of Allotment	Friday 10 th Jan'25
Initiation of Refunds	Monday 13 th Jan'25
Credit of Shares to Demat	Monday 13 th Jan'25
Listing Date	Tuesday 14 th Jan'25

Source: IPO Prospectus

Quadrant Future Tek Limited

Company Overview

Product Line:

Quadrant Future Tek Limited (formerly known as Quadrant Cables Private Limited) is a research-oriented company that specializes in two main business divisions: **Specialty Cables and Train Control & Signalling Systems**.

1. Specialty Cables Division:

- The Specialty Cables Division manufactures cables designed for industrial use where fire safety, lightweight construction and long-term performance are critical.
- These cables are particularly suited for rail vehicles, trains, naval vessels (including submarines) and electric vehicles.
- The cables use in-house formulated low-smoke fire-resistant polymers for insulation and sheathing, treated with electron beam radiation to enhance its mechanical and thermal properties. This treatment results in cables with higher temperature resistance and a longer lifespan compared to chemically cross-linked cables.
- The company utilizes a 2.5 MeV Electron Beam Industrial Accelerator in its manufacturing process to improve cable durability.

2. Train Control & Signalling Division

- The division is engaged in developing new-generation train control and signalling systems under the Indian Railways' **KAVACH project**.
- KAVACH is an indigenously developed **Train Collision Avoidance System (TCAS)** designed to enhance railway safety and reliability by preventing accidents caused by human error, such as signal passing at danger and overspeeding.
- The company has received prototype approval and technical clearance from the Research Designs and Standards Organisation (RDSO) for deploying the KAVACH system on a 43.6 km stretch of the South Central Railway. The company is currently awaiting final approval from RDSO for Version 4.0 of the KAVACH system.
- Quadrant Future Tek has a Memorandum of Understanding with RailTel Corporation of India Limited to collaborate on marketing and implementing KAVACH technology in India and abroad.

Sales mix and geographical presence:

Nature of customers	FY22		FY23		FY24		H1 FY25	
	INR Mn	%	INR Mn	%	INR Mn	%	INR Mn	%
Wires and Cables (Railways)								
Indian Railways (through Zonal railways / its divisions / production units)	562	54%	738	48%	719	47%	242	37%
Private Sector (other than Group Companies)	93	9%	97	6%	208	14%	112	17%
Private Sector (Group Companies)	356	34%	307	20%	242	16%	241	37%
Sub-total (A)	1,011	97%	1,141	75%	1,169	77%	595	91%
Wires and Cables (Defence)								
Public Sector Undertakings	30	3%	369	24%	337	22%	19	3%
Private Sector (other than Group Companies)	-	0%	-	0%	-	0%	-	0%
Sub-total (B)	30	3%	369	24%	337	22%	19	3%
Wires and Cables (Solar segment) (C)	-	0%	-	0%	-	0%	-	0%
Wires and Cables (Electric vehicle segment) (D)	-	0%	-	0%	-	0%	-	0%
Train Control & Signalling Division								
Indian Railways	-	0%	14	1%	-	0%	27	4%
Sub-total (E)	-	0%	14	1%	-	0%	27	4%
Other income from operations (F)	1	0%	3	0%	11	1%	11	2%
Total Revenue (A+B+C+D+E+F)	1,043	100%	1,528	100%	1,518	100%	651	100%

Source: IPO Prospectus, DevenChoksey Research

Quadrant Future Tek Limited

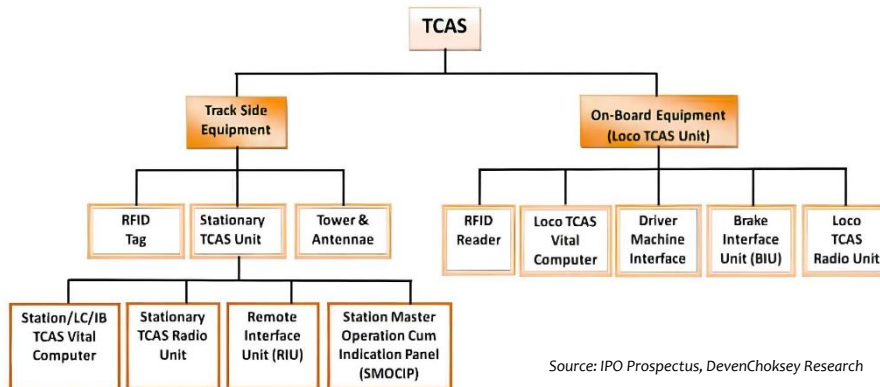
Company Overview

Train Collision Avoidance System (Kavach):

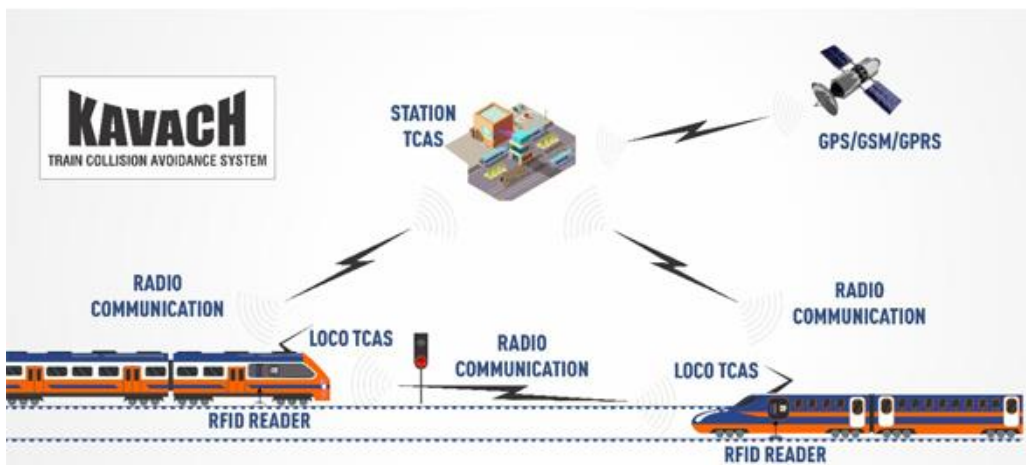
Quadrant Future Tek Limited has developed the **Train Collision Avoidance System (TCAS)**, also known as **KAVACH**, as a key offering within its Train Control & Signalling Division. KAVACH is an indigenously developed Automatic Train Protection (ATP) system designed to enhance safety on the Indian Railways network.

- The primary objective of TCAS is to prevent train collisions caused by human error or equipment failure. It achieves this by automatically applying brakes in situations where a train is at risk of passing a signal at danger (SPAD), exceeding speed limits, or colliding with another train.
- TCAS continuously monitors train location and movement using a network of trackside and onboard equipment.
- The system relies on radio communication to transmit data between trackside equipment, onboard equipment, and a central management system (CMS).
- **TCAS includes several safety features such as:**
 - Prevention of SPAD (Signal Passing at Danger)
 - Automatic brake application when a train passes a stop signal
 - Control of speed at permanent speed restrictions
 - Speed regulation while approaching loop lines
 - Display of signal aspect, distance to the approaching signal, and movement authority in the loco pilot's cabin
 - Supervision of maximum train speed and shunt movement
 - Protection against rollback
 - Prevention of head-on, rear-end, and side collisions
 - Generation of manual and automatic SOS messages in case of emergencies
 - Automatic whistling on the approach of level crossing gates

Sub-systems of TCAS:



Train Collision Avoidance System (Kavach):



Quadrant Future Tek Limited

Company Overview

Customers:

Speciality Cables Business: The primary customers of the Company are in the business segment of railways and defence.

Train Controls and Signalling Division: For the present implementation of the Train Collision Avoidance System, company has only one customer, i.e. Indian Railways.

Customer Base:

Particulars	FY22		FY23		FY24		H1 FY25	
	INR Mn	% of Revenue	INR Mn	% of Revenue	INR Mn	% of Revenue	INR Mn	% of Revenue
Top ten customers	1,003	96%	1,454	95%	1,308	86%	623	96%
Top five customers	870	83%	1,210	79%	1,108	73%	534	82%
Top one customer*	562	54%	752	49%	719	47%	269	41%

*Indian Railways is the top customer and the invoices raised to multiple units of Indian Railways has been considered as one customer.

Source: IPO Prospectus, DevenChoksey Research

Supplier Base:

Particulars	FY22		FY23		FY24		H1 FY25	
	INR Mn	% of Revenue	INR Mn	% of Revenue	INR Mn	% of Revenue	INR Mn	% of Revenue
Top ten suppliers	806	92%	892	87%	830	94%	543	94%
Top five suppliers	758	86%	792	77%	746	85%	504	87%
Top one supplier	306	35%	425	41%	520	59%	251	44%

Source: IPO Prospectus, DevenChoksey Research

Speciality Cable manufacturing facility:

Particulars	FY22	FY23	FY24	H1 FY25
Average Estimated Available Capacity (metric tonnes)	1,501	1,638	1,888	1,888
Actual Production (metric tonnes)	865	889	933	472
Capacity Utilisation (%)	58%	54%	49%	25%

Source: IPO Prospectus, DevenChoksey Research

Quadrant Future Tek Limited

Peers:

Particulars	Quadrant Future Tek Ltd.	Kernex Micro Systems Ltd.	HBL Engineering Ltd	Apar Industries Ltd.	Polycab India Ltd.
Key Products	Specialty Cables, Train Control Systems and Interconnect Products	Train Protection System, Level Crossing Protection, Information System, Turnkey	Industrial Batteries, Electronics, Motors, Build to Print Manufacturing	Speciality Oils, Conductors, Cables, Telecom Solution, Polymers, Lubricants, Specialty Automotive, Innovations	Energy Cables, Specialty Cables, Communication Cables, Polycab Wires, Eтира Wires, Fans, Lighting and Luminaires, Hohm - Smart Automation Solution, Switches, Switchgears, Solar Products, Conduits and Accessories, Pumps, Appliances, EPC and Telecom

Source: IPO Prospectus, DevenChoksey Research

Peer Comparison:

Particulars (INR Mn)	Quadrant Future Tek Ltd.	Kernex Micro Systems Ltd.	HBL Engineering Ltd	Apar Industries Ltd.	Polycab India Ltd.
Market Cap.	11,200	24,300	1,75,410	4,23,600	10,99,170
Revenue from operations	1,518	196	22,334	1,61,530	1,80,394
EBITDA	366	-195	4,414	16,087	27,127
EBITDA Margin (%)	24%	-99%	20%	10%	15%
PAT	147	-258	2,791	8,061	17,927
PAT Margin	10%	-131%	12%	5%	10%
ROCE (%)	26%	-23%	32%	35%	30%
PS	7.38	27.9	7.79	2.47	5.46
EPS	3.81*	-6.35	11.8	212	119
EV/EBITDA	33.90	-3,638	35.3	25.6	39.1
PE ratio	76.13	NA	50.7	49.9	61.3
RONW (%)	33%	-24.16%	22.87%	20.80%	21.90%

*Adj. EPS

Source: IPO Prospectus, DevenChoksey Research

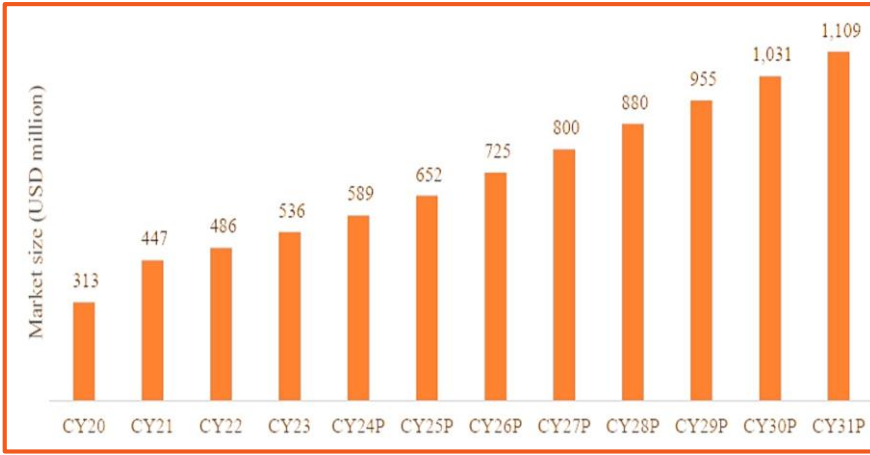
Quadrant Future Tek Limited

Industry Overview

Indian Specialty Power Cables Industry

The Indian Specialty Power Cables industry has seen significant growth over the last decade, driven by advancements in infrastructure, renewable energy projects, and technological innovations in cable manufacturing. As industries such as telecommunications, power generation, and automotive increasingly rely on high-performance cabling solutions, the demand for specialty cables has surged. These cables are designed to meet specific environmental and mechanical stresses, including extreme temperatures, chemical exposures, and high voltage applications.

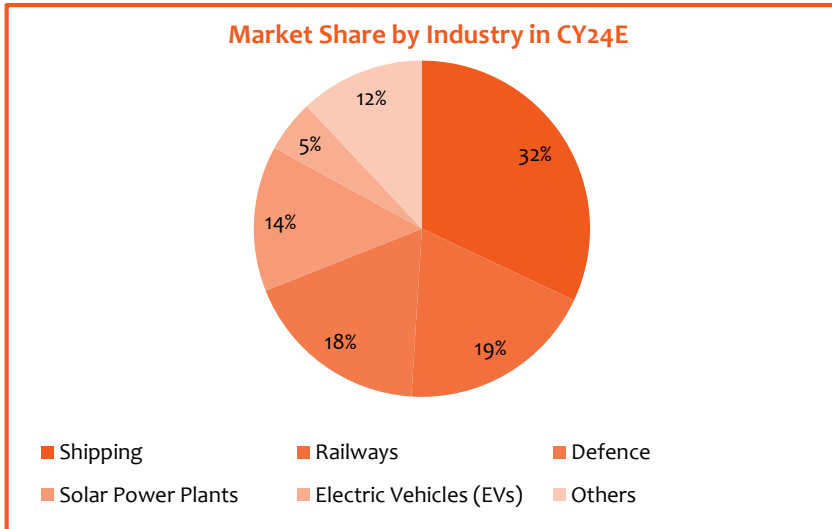
Indian Specialty Cables Market Size (USD million):



- The domestic market size of specialty cables was valued at USD 589 Mn in CY24E which is expected to reach USD 652 Mn in CY25P.
- For the projected period CY24E-CY30, the market is forecasted to register a CAGR of 9.8%.
- This is attributed to infrastructural developments in the country.

Source: IPO Prospectus, Deven Choksey Research

Market Analysis by Industry Application:



- Specialty cables have applications in areas where safety concerns are imperative, critical circuits are required, and special capabilities are needed in engineering and configuration.
- In this regard, shipbuilding, railways, defence, renewable energy and electric vehicles are some of the key segments where specialty cables are used.

Source: IPO Prospectus, Deven Choksey Research

Quadrant Future Tek Limited

Industry Overview

Indian Train Control System Industry:

The Indian train control system industry plays a crucial role in ensuring the smooth and secure operation of trains across the Indian Railways network. For which, Indian Railways is developing and creating technology in areas such as signalling and telecommunication with 15,000 kms being converted into automatic signalling and 37,000 kms to be fitted with 'Kavach', the domestically developed Train Collision Avoidance System. In Union Budget 2024-25, allocation towards Kavach was amounting to INR 557 crores. This shows the increasing efforts for scaling up the implementation of Kavach and ensuring safety by the government.

Indian Train Control System Market Size (USD million):



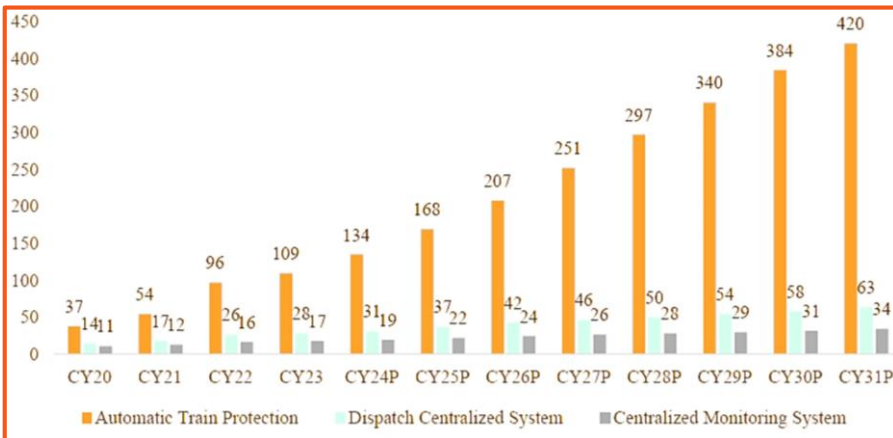
- The Indian train control system market size was estimated to be valued at USD 208 Mn in CY23, which is further expected to reach USD 249 Mn in CY25P. For the forecast period CY24E-CY30, the market anticipated to grow at a notable CAGR of 12.7%.
- Factors such as growing urbanization and rising population in India are leading to increasing demand for high-speed railway transit and network.

Source: IPO Prospectus, Deven Choksey Research

Train control systems can be classified into the following categories:

- **Automatic Train Protection:** Automatic train protection (ATP) is a type of train protection system which continually checks that the speed of a train is compatible with the permitted speed allowed by signalling, including automatic stop at certain signal aspects. If it is not, ATP activates an emergency brake to stop the train.
- **Dispatch Centralized System:** Dispatch Centralized System is an integrated solution to control and manage the railway traffic from a single location. The system utilises a centralised train dispatcher that controls wayside station interlockings and train movements, improving the traffic regularity and optimising the railway operation within a designated territory.
- **Centralized Monitoring System:** Central Monitoring system enables central-operations personnel to remotely monitor transit vehicle activity and progress in real time, while also enabling vehicles to request signal priority for quick passage through intersections.

India Train Control System Market Size – By Type (USD Mn)



- In CY23, the market size of Automatic Train Protection System segment was valued at USD 113 Mn. While, the market size of Dispatch Centralized System was valued at USD 29 Mn.
- These two segments are forecasted to register a significant growth at a CAGR of 14% and 9%, respectively, during forecast period CY24E-CY30.

Source: IPO Prospectus, Deven Choksey Research

Quadrant Future Tek Limited

Strategies:

To continue focus on new products through constant research and development:

- The company prioritizes innovation and industry trends by focusing on research and development in key areas such as environmental protection through renewable energy and electric vehicles, enhancing train safety and efficiency, and modernizing defense systems.
- By continuously investing in design and technological advancements, the company seeks to offer safer, cost-effective solutions to improve customer efficiency and reduce operational costs.
- Additionally, the company is expanding its global presence through exports, using in-house quality controls and innovative manufacturing techniques to maintain its competitive edge and deliver high-quality products.

Expansion of business to other areas of Automatic Train Protection and railway safety:

- The company has invested INR 594 Mn in developing an Automatic Train Protection system, including the Train Collision Avoidance System (TCAS) and plans further enhancements and team expansion.
- It focuses on three key areas: TCAS, Electronic Interlocking System (EI) and Multi Section Digital Axle Counter.
- The EI system optimizes space and energy use, improving reliability and ease of maintenance.
- With government initiatives aiming for widespread EI deployment across approximately 5,000-6,000 stations over the next 5-7 years and an increase in Axle Counters due to Automatic Block sections, these efforts support India's "Make in India" and "Atmanirbhar Bharat" policies to enhance national self-reliance in railway infrastructure and safety.

Expansion of cable business in new sectors:

- Electron Beam Cross Linked cables are valued for its excellent resistance to fluids, oils and moisture and enhanced stability at high temperatures, making them increasingly used across diverse sectors including aerospace, aviation and renewable energy.
- These specialty cables are essential for systems like solar photovoltaics, where they transmit power under severe environmental conditions.
- The company plans to expand its focus on niche markets, enhancing its expertise in the development and production of electrical and control cables for these industries.

Continue to grow share of the business from non promoter group companies:

- The company has successfully diversified its client base, reducing reliance on Promoter Group clients by increasing revenue from non-Promoter Group clients to 84% in FY24 from 66% in FY22.
- Plans are in place to further expand into new industries like defense and pursue new railway tenders to balance and stabilize the customer portfolio, despite the industry norm of not having long-term contracts.

Risks:

- The company faced a litigation dispute among promoters regarding alleged conflicts of interest involving board members engaged in competing activities. This issue was resolved amicably after reaching the NCLT. However, there remains a risk that similar disputes could occur in the future, potentially affecting the company's operations and prospects.
- The company, along with Vivek Abrol and Mohan Krishan Abrol, has filed a settlement application with SEBI for delayed compliance, which could potentially impact its reputation if resolved unfavorably.
- The business's reliance on a single manufacturing facility exposes it to risks; any operational disruptions could negatively impact its financial and operational performance.
- The company, its directors, and promoters, including Aikjot Singh, are involved in various legal proceedings, some of which are criminal and relate to an accidental death. These are pending at different adjudication levels and could, if decided adversely, materially affect the company's financial health and operations.

Quadrant Future Tek Limited

SWOT Analysis



Strengths:

1. **Strong Focus on Niche Markets:** The company has been actively expanding its operations in niche segments like aerospace, defense, and renewable energy sectors, which require specialized cable solutions.
2. **Technological Innovation:** It invests significantly in research and development, particularly in advanced cable solutions for sectors such as electric vehicles and solar energy, ensuring technological edge.
3. **Diverse Product Portfolio:** The company manufactures a range of products, including speciality cables and systems for train control, which diversifies its revenue streams.
4. **Niche Market Leadership:** Specialized in high-performance Electron Beam Cross Linked cables, providing a competitive edge in markets that require high specifications for safety and durability.



Weaknesses:

1. **Single Manufacturing Facility:** The company's dependence on a single manufacturing facility increases risk, as any disruption could significantly impact operations.
2. **Legal and Regulatory Proceedings:** Ongoing legal issues, such as the litigation involving promoters, could distract from core business activities and potentially harm the company's reputation.
3. **Limited Market Presence in Emerging Sectors:** While expanding, the company might not yet fully capitalize on emerging markets compared to established competitors.



Opportunities:

1. **Expansion into New Markets:** There is significant potential for expansion into new geographical areas and sectors, such as defense and renewable energy.
2. **Government Initiatives:** Initiatives like "Make in India" and increasing focus on infrastructure could increase demand for the company's products.
3. **Technological Advancements:** Investing in newer technologies and increasing the product line to include IoT and smart technology products could open up new market opportunities.
4. **Strategic Partnerships and Collaborations:** Partnerships with other tech firms or academic institutions could enhance product offerings and market reach.



Threats:

1. **Market Competition:** Intense competition from both domestic and international players in the specialty cables market could impact market share and pricing strategies.
2. **Technological Obsolescence:** Rapid technological changes in the industry require continuous investment in R&D, posing a risk of products becoming obsolete.
3. **Supply Chain Vulnerabilities:** Reliance on specific raw materials or components might lead to supply chain disruptions, affecting production and delivery schedules.

Quadrant Future Tek Limited

Financials:

Income Statement (INR Mn)	FY22	FY23	FY24	H1 FY25
Revenue	1,043	1,528	1,518	651
Operating Expenditure	948	1,264	1,152	643
EBITDA	95	264	366	8
EBITDA Margin %	9%	17%	24%	1%
Other Income	0	1	1	0
Depreciation	32	37	103	96
Interest	34	29	45	38
PBT	29	199	219	-125
Exceptional Items	0	0	0.37	0
Tax	10	60	72	-4
PAT	19	139	147	-121
PAT Margin (%)	2%	9%	10%	-19%
Adjusted EPS	0.49	3.48	3.68	-3.03

Cash Flow (INR Mn)	FY22	FY23	FY24	H1 FY25
FFFO	-46	299	185	-96
CFFI	-318	-200	-214	-29
CFFF	364	-96	31	127
Net Increase/(Decrease) in Cash	0	3	2	2
Cash at beginning	2	3	5	7
Cash at end	3	5	7	9

Balance sheet (INR Mn)	FY22	FY23	FY24	H1 FY25
Assets				
Non-Current Assets				
Property, plant and equipment	196	209	280	277
Other non-current assets	338	504	556	521
Current Assets				
Inventories	243	187	204	373
Trade receivables	268	233	320	232
Cash and cash equivalents	1	2	2	4
Bank balances other than Cash and cash equivalents	2	3	5	5
Other current assets	80	50	61	84
Total Assets	1,128	1,188	1,428	1,497
Equity & Liabilities				
Equity share capital	100	100	100	300
Other equity	56	194	341	42
Total Equity	156	294	441	342
Non -Current liabilities				
Borrowings	558	489	476	440
Other non-current liabilities	2	5	10	16
Current liabilities				
Borrowings	248	251	341	540
Trade payables	138	64	67	87
Other current liabilities	24	85	94	71
Total Equity and Liabilities	1,128	1,188	1,428	1,497

Source: IPO Prospectus, Deven Choksey Research

Quadrant Future Tek Limited

ANALYST CERTIFICATION:

I, **Dipak Saha** (MBA, Finance), Research Analyst, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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