

QUADRANT FUTURE TEK LTD

07-01-2025 TO 09-01-2025

Recommendation: Subscribe for long term
Industry: Other Electrical Equipment

Price Band: ₹ 275 - 290
Post Implied Market Cap: ₹ 1,115 Cr - ₹ 1,160 Cr

Key Data

Issue Size (₹ Cr)	290
Fresh (₹)	290
OFS (₹)	0
No. of shares offered	1,05,45,455--1,00,00,000

Face Value (₹ /share)	10
Bid Lot	50

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	10-01-2025
Refunds/Unblocking ASBA Fund	13-01-2025
Credit of equity shares to DP A/c	13-01-2025
Trading commences	14-01-2025

Shareholding (No. of shares)

Pre-Issue	3,00,00,000
Post Issue (Lower price band)	4,05,45,455
Post Issue (Higher price band)	4,00,00,000

Shareholding Pattern

Promoter & Promoter Group:

Pre Issue	80.63%
Post Issue	60.47%

Promoter Group:

Pre Issue	12.7%
Post Issue	9.53%

Public- Others:

Pre Issue	6.67%
Post Issue	30.00%

Issue Breakup

QIB	75%
NIB	15%
Retail	10%

Other Details

BRLMs: Sundae Capital Advisors Pvt. Ltd.

Registrar: Link Intime India Pvt Ltd..

Listing: BSE & NSE

Research Analyst

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About the Company

Quadrant Future Tek Ltd (Quadrant) specializes in manufacturing specialty cables and embedded systems for railway signaling and train control applications, including projects like KAVACH for Indian Railways. It also produces cables for railway rolling stock, the naval defense sector, and solar and EV applications. With a dedicated 60,000 sq. ft. production facility in Mohali, Punjab, the company has end-to-end infrastructure for its manufacturing operations.

Investment Rationales

- Innovation and technological development undertaken by the Company for building Automatic Train Protection Systems:** Quadrant's Train Control Systems are built on four core pillars: domain expertise in signaling and train controls, product engineering, safety-critical system engineering, and adherence to global standards. Designed to meet SIL-4 safety specifications in line with CENELEC standards, these systems are critical for Indian Railways. Quadrant's experienced team leverages knowledge of global standards and specialized programming, driving innovation and technological development in safety-critical railway applications.
- Entered into an exclusive Memorandum of Understanding with RailTel for delivering the specific targeted opportunities related to KAVACH in Indian Railways and other Countries Railways:** Quadrant signed an MoU with RailTel Corporation of India to collaborate on opportunities for implementing KAVACH, an Automatic Train Protection System, in India and internationally, on May 1, 2024. This MoU makes Quadrant eligible to supply KAVACH equipment as an OEM for RailTel's awarded projects and extends to the system's implementation in other countries' railway systems.
- Have in-house design and product development capabilities powering the Rail Signalling Products & Solutions:** Company's Railway Signalling & Embedded System Design centers are located in Bengaluru and Hyderabad, employing 28 staff as of October 31, 2024. The company has developed in-house software for the Train Collision Avoidance System, focusing on performance, reliability, and autonomy to meet Indian Railways' needs. Its manufacturing facility in Basma, Mohali, Punjab, spans ~60,000 sq. ft., equipped with advanced technology and automation systems for producing hardware for the Train Control & Signalling Division.
- Unique technology for the manufacture of cables that meets the stringent requirements for multiple industries, namely Railways, Naval Defence, Renewable Energy & Electric Vehicle sectors:** Company offers a wide range of high-performance specialty cables for the railway and defense sectors, designed to meet critical requirements like fire safety, lightweight construction, and long-term durability. The company's focus on quality and continuous operational improvement enables it to cater to diverse customer needs across varied applications.
- 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:** Quadrant leverages its expertise in specialty cables to support industries transitioning to cleaner energy solutions. It provides solar cables for renewable energy projects like EV charging stations and green hydrogen plants, adhering to global standards. The company has also developed lightweight, low-fire-hazard cables for electric and hydrogen-powered vehicles, positioning itself as a critical supplier for global OEMs amid the global shift to EVs and renewable energy.

Risk

- Single manufacturing unit
- High revenue dependency from limited customer.

MView

We believe Quadrant Future Tek Ltd IPO brings investors an opportunity to invest in a niche player specializing in advanced railway signaling systems and specialty cables. We think the company's strong focus on innovation and adherence to global standards in safety-critical train control systems positions it as a key contributor to the modernization of Indian Railways under the KAVACH initiative. The MoU with RailTel Corporation strengthens its eligibility to supply and implement KAVACH both domestically and internationally, expanding its growth potential. We also think quadrant's diversified portfolio, including specialty cables for the railway, defence, solar energy and EV sectors, showcases its adaptability to emerging industries and sustainability trends. We also believe the development of cables for EVs, green hydrogen plants, and renewable energy projects aligns with the global shift toward cleaner energy and positions Quadrant as a critical supplier for global OEMs. By looking at the financials demonstrated robust revenue growth of 46.6% in FY2023, despite a 1% decline in FY2024, with a significant net profit surge of 631% in FY2023 followed by moderate growth in FY2024. The loss in 1HFY2025 is attributed to capitalization expenses for the KAVACH system, which transitioned from development to completion in FY2024. The order book of Rs.978.6 crore (~6.5x FY2024 revenue) reflects strong medium-term business visibility. On valuation parse at the upper price band of Rs.290/-, the issue is asking for a Market cap of Rs.1160 cr. We have considered price-to-book (P/B) valuations parameter based on this annualised FY 2025 and fully diluted post- paid-up capital, the company is asking for a price-to-book (P/B) multiple of 3.6x which appears reasonable compared to industry peers trading at an average of ~13-14x. With robust capabilities, a growing presence in railway modernization, and active involvement in EV and renewable energy sectors, Quadrant is well-positioned to capitalize on rising demand. Hence, we recommend investors "SUBSCRIBE" to the Quadrant Future Tek Ltd IPO for a long-term perspective.

CONSOLIDATED FINANCIAL TABLES

BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	As at Sept 30th	As at March' 31		
	2024 (6)	2024	2023	2022
Equity Share Capital	30	10	10	10
Other Equity	4.18	34.11	19.42	5.61
Net Worth	34.18	44.11	29.42	15.61
Borrowings	98.01	81.61	74.00	80.68
Revenue from Operations	65.14	151.76	152.80	104.26
Revenue Growth (%)	-	-0.69%	46.56%	-
EBITDA	0.82	36.67	26.55	9.51
EBITDA Margin (%) as stated	1.25%	24.15%	17.36%	9.12%
Net Profit for the Period	-12.01	14.69	13.82	1.89
Net Profit Margin (%)	-18.50%	9.68%	9.04%	1.82%
EPS	-4.02	4.90	4.61	0.63
ROE (%)	-37.45%	33.41%	47.03%	12.17%
Net Asset Value (₹) as stated	11.39	14.70	9.81	5.20
ROCE (%)	-10.34%	26.12%	27.20%	8.43%

Source: Company RHP

COMPARISON WITH INDUSTRY LISTED PEERS Rs. (in Cr)

Companies	Revenue from Operations (₹ in Cr)	Mcap (in Cr)	FV	EPS	NAV (Rs. Per share)	P/B	P/E	RoNW
Quadrant Future Tek Ltd	151.82	1160	10	-6.01	81.05	3.6	-48.3	33.31%
Kernex Micro Systems Ltd	19.60	2202	10	-16.61	63.61	18.8	-	-24.16%
HBL Power Systems Ltd	2,233.36	16752	1	10.07	44.03	12.2	48.4	22.87%
Apar Industries Ltd	16,152.98	45626	10	212.10	965.01	11.1	53.6	20.80%
Polycab India Ltd	18,039.44	1,06,948	10	118.93	544.95	12.5	59.6	21.90%

Date as on 31st March 2024, Cline Mcap, PE, PB calculated as on 07-01-2025

Quadrant Future Tek Ltd, EPS/PE, P/B,NAV calculated on annualised basis post money



MSEARCH

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Msearch's Recommendation (Absolute Performance)

Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

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