CMP: ₹312 | Target ₹ 291 (-7%) | Target Period: 12 months | **REDUCE**

July 22, 2026



# Execution delays temper near term growth...

**About the stock:** Leading manufacturer of transformers of up to 1200 kV class. Transformers and Rectifiers India Limited (TARIL) have a wide range of transformers, like Power & Distribution Transformers, Furnace Transformers, Rectifier Transformers & Special Transformers. Company has strong in-house design & technical expertise, along with technical collaboration/JV relationship for 765 kV Transformers & Reactors.

- 45% revenue comes from Utilities like (SEB, PGCIL, Railways), 55% comes from Industrial that includes renewables and exports including third party exports.

**Q1FY27 performance:** Transformers & Rectifiers (India) Ltd. reported a muted Q1FY27 performance, with revenue increasing 8.1% YoY to ₹572.3 crore (vs. ₹529.3 crore in Q1FY26). EBITDA increased 5.8% YoY to ₹93.3 crore, while EBITDA margin moderated to 16.3% from 16.7% in Q1FY26. PAT declined 4.7% YoY to ₹64.3 crore, with PAT margin contracting to 11.2% from 12.7% in the corresponding quarter last year. Despite the muted earnings, the company reported order inflows of ₹2,114 crore (+218% YoY), taking the unexecuted order book to a record ₹6,630 crore (+26% YoY), with a bid pipeline of over ₹23,000 crore.

## Investment Rationale:

- **Strong long-term demand intact, but near-term execution remains constrained:** TARIL's unexecuted order book increased 26% YoY to a record ₹6,630 crore (~2.6x FY26 revenue), supported by Q1FY27 order inflows of ₹2,114 crore (+218% YoY) and a robust ₹23,000 crore bid pipeline providing revenue visibility over the next 18–24 months. However, Q1FY27 execution was impacted by lower utilisation at the Changodar plant due to ongoing expansion, resulting in weaker revenue conversion. While management expects normalisation after August 2026, execution recovery remains key monitorable.
- **Near term earning hinges on capacity & backward integration ramp-up:** While TARIL continues to benefit from strong industry tailwinds, the company has revised its FY27 revenue growth guidance to ~25% (from ~30% earlier) following temporary execution disruptions at the Changodar plant. The ₹900–1,000 crore backward integration programme remains on track, with management expecting 200–300 bps margin improvement from FY28 and an incremental ₹800–1,000 crore third-party revenue opportunity over the medium term, subject to successful commissioning and execution. Overall, we expect Revenues and PAT to grow at CAGR of 24.2% and 23.6% over FY26 FY28E.

**Rating and Target Price:** Order inflow, timely execution and ramp up of capacity expansion remains key monitorable triggers. Delays in capacity utilisation and back ended margin drivers limit near term earning acceleration. Thus, we downgrade to **REDUCE** (vs HOLD earlier) with target of **₹291 (21x FY28E EPS).**

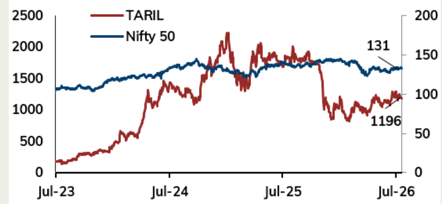
## Particulars

| Particulars | Rs. crore |
|---|---|
| Market Capitalisation | 9,506 |
| Total Debt (FY26) | 456 |
| Cash and Inv. (FY26) | 141 |
| Enterprise Value | 10,172 |
| 52 week H/L (Rs.) | 579/224 |
| Equity capital | 30.0 |
| Face value (Rs.) | 1 |

## Shareholding pattern

| % | Sep-25 | Dec-25 | Mar-26 | Jun-26 |
|---|---|---|---|---|
| Promoters | 64.4 | 64.4 | 64.4 | 64.4 |
| FII | 11.2 | 7.0 | 8.3 | 7.8 |
| DII | 6.0 | 4.2 | 1.8 | 1.5 |
| Others | 18.5 | 24.4 | 25.5 | 26.3 |

## Price Chart




## Key risks

(i) Lesser than expected order inflows

(ii) Rise in production costs to hamper margins

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## Key Financial Summary

| Key Financials | FY24 | FY25 | FY26 | 2-year CAGR (FY24-26) | FY27E | FY28E | 2-year CAGR (FY26-28E) |
|---|---|---|---|---|---|---|---|
| Net Sales | 1,294.7 | 2,019.4 | 2,508.8 | 39.2% | 3,062.3 | 3,870.9 | 24.2% |
| EBITDA | 134.1 | 327.4 | 383.2 | 69.0% | 481.8 | 621.9 | 27.4% |
| EBITDA Margins (%) | 10.4 | 16.2 | 15.3 | | 15.7 | 16.1 | |
| Net Profit | 47.0 | 216.4 | 272.2 | 140.6% | 309.4 | 415.6 | 23.6% |
| EPS (₹) | 3.2 | 7.1 | 9.1 | | 10.3 | 13.8 | |
| P/E | 99.0 | 43.7 | 34.4 | | 30.3 | 22.5 | |
| RoNW (%) | 8.1 | 17.1 | 18.0 | | 17.0 | 18.6 | |
| RoCE (%) | 14.2 | 21.6 | 21.0 | | 21.7 | 23.8 | |

Source: Company, ICICI Direct Research

## Q1FY27 Earnings call highlights

- **Financial Performance**:
  - TARIL reported a muted Q1FY27 performance, with revenue increasing 8.1% YoY to ₹572.3 crore (vs. ₹529.3 crore in Q1FY26), impacted by lower capacity utilization at the Changodar plant due to ongoing expansion activities.
  - EBITDA increased 5.8% YoY to ₹93.3 crore, while EBITDA margin moderated to 16.3% from 16.7% in Q1FY26.
  - PAT declined 4.7% YoY to ₹64.3 crore, with PAT margin contracting to 11.2% from 12.7% in the corresponding quarter last year.
- **Order Book & Order Inflow:**
  - Secured record order inflows of ₹2,114 crore (+218% YoY) during Q1FY27, taking the unexecuted order book to an all-time high of ₹6,630 crore (+26% YoY), providing revenue visibility for the next 18–24 months.
  - The company has ₹23,000 crore of enquiries under negotiation, maintains a historical 10–15% bid win ratio, targets an 80:20 domestic-export order mix, and has a balanced customer base across government and private utilities/industrial customers.
- **Capacity Expansion & Execution:**
  - The ₹900–1,000 crore backward integration programme (CTC, pressboard, bushings and fabrication) remains on track for phased commissioning through Q1FY28. The facilities are expected to meet 80–85% of raw material requirements in-house, improving supply-chain reliability and supporting 200–300 bps margin expansion from FY28 onwards.
  - Beyond supporting captive consumption, management expects the backward integration business to generate ₹800–1,000 crore of annual third-party revenue over the medium term, with 35–40% of production available for external sales after meeting internal requirements. This expands TARIL's addressable market beyond transformer manufacturing.
  - Management stated existing and expanded facilities are adequate to execute the current order backlog. Expanded manufacturing capacity can support ₹5,000–6,000 crore annual revenue, with no major capacity bottlenecks.
  - Inventory levels have been intentionally increased to secure raw materials until December 2026, mitigating geopolitical and supply-chain risks. Working capital is expected to improve gradually as backward integration ramps up.
- **Guidance and Outlook:**
  - Management revised FY27 revenue growth guidance to ~25% YoY (vs. earlier ~30% growth / ~₹3,250 crore revenue), reflecting the temporary impact of lower capacity utilisation at the Changodar plant due to ongoing expansion. Management expects execution to improve after the expansion is completed in August 2026.
  - EBITDA margin guidance maintained at ~16%, while PAT margin is expected at 9–10% for FY27.

## Financial summary

**Exhibit 1:** Profit and loss statement ₹ crore

| (Year-end March) | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|
| Net Sales | 2,019 | 2,509 | 3,062 | 3,871 |
| Other Operating Income | - | - | - | - |
| **Total Operating Income** | **2,019** | **2,509** | **3,062** | **3,871** |
| % Growth | 56 | 24 | 22 | 26 |
| Total Revenue | 2,051 | 2,570 | 3,112 | 3,936 |
| Cost of materials consumed | 1,424 | 1,770 | 2,130 | 2,610 |
| Other Expenses | 247 | 325 | 385 | 465 |
| Total expenditure | 1,692 | 2,126 | 2,580 | 3,249 |
| **EBITDA** | **327** | **383** | **482** | **622** |
| % Growth | 144.2 | 17.0 | 25.7 | 29.1 |
| Interest | 51 | 51 | 65 | 52 |
| Depreciation | 27 | 30 | 48 | 81 |
| PBT | 285 | 363 | 418 | 554 |
| Tax | 68 | 91 | 109 | 139 |
| **PAT** | **214** | **272** | **309** | **416** |
| % Growth | 377.3 | 26.9 | 13.7 | 34.4 |
| EPS | 7.1 | 9.1 | 10.3 | 13.8 |

Source: Company, ICICI Direct Research

**Exhibit 2:** Cash flow statement ₹ crore

| (Year-end March) | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|
| Profit after Tax | 214 | 272 | 309 | 416 |
| Depreciation | 27 | 30 | 48 | 81 |
| Interest | 51 | 51 | 65 | 52 |
| Other income | (32) | (61) | (50) | (65) |
| Cash Flow before WC changes | 260 | 292 | 373 | 483 |
| Change in Working Capital | (164) | (275) | (186) | (217) |
| **Cashflow from Operating Activities** | **96** | **17** | **187** | **267** |
| (Purchase)/Sale of Fixed Assets | (192) | (103) | (156) | (198) |
| (Purchase)/Sale of Investment | (264) | (124) | 60 | - |
| Other Income | 32 | 61 | 50 | 65 |
| **Cashflow from Investing Activities** | **(424)** | **(167)** | **(46)** | **(133)** |
| Issue/(Repayment of Debt) | 27 | 174 | (50) | (100) |
| Changes in Minority Interest | 12 | 8 | (2) | - |
| Changes in Networth | 484 | (12) | (2) | (2) |
| Interest | (51) | (51) | (65) | (52) |
| Others | | | | |
| **Cashflow from Financing Activities** | **472** | **119** | **(119)** | **(154)** |
| Changes in Cash | 144 | (31) | 22 | (20) |
| Opening Cash/Cash Equivalent | 27 | 172 | 141 | 163 |
| **Closing Cash/ Cash Equivalent** | **172** | **141** | **163** | **142** |

Source: Company, ICICI Direct Research

**Exhibit 3:** Balance sheet ₹ crore

| (Year-end March) | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|
| Share Capital | 30.0 | 30.0 | 30.0 | 30.0 |
| Reserves & Surplus | 1,222 | 1,484 | 1,793 | 2,209 |
| **Networth** | **1,252** | **1,514** | **1,823** | **2,239** |
| Total Debt | 283 | 457 | 407 | 307 |
| **Total Liabilities** | **1,579** | **2,016** | **2,287** | **2,609** |
| Gross Block | 382 | 396 | 646 | 896 |
| Net Block | 232 | 230 | 418 | 587 |
| Capital WIP | 62 | 138 | 60 | 10 |
| Investments | 268 | 392 | 332 | 332 |
| Inventory | 445 | 616 | 822 | 1,061 |
| Sundry debtors | 469 | 887 | 1,049 | 1,294 |
| Cash and bank balances | 172 | 141 | 163 | 142 |
| Loans and advances | 1 | 11 | 17 | 21 |
| Other Current Assets | 74 | 68 | 92 | 116 |
| Total current Assets | 1,160 | 1,722 | 2,142 | 2,633 |
| CL& Prov. | 420 | 297 | 560 | 709 |
| Net Current Assets | 555 | 1,073 | 1,214 | 1,460 |
| **Total Assets** | **1,579** | **2,016** | **2,287** | **2,609** |

Source: Company, ICICI Direct Research

**Exhibit 4:** Key ratios

| (Year-end March) | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|
| EPS | 7.1 | 9.1 | 10.3 | 13.8 |
| Cash EPS | 8.0 | 10.1 | 11.9 | 16.5 |
| BV | 41.7 | 50.4 | 60.7 | 74.6 |
| DPS | 0.1 | 0.1 | 0.1 | 0.1 |
| **EBITDA Margin** | **16.2** | **15.3** | **15.7** | **16.1** |
| PBT / Net Sales | 14.9 | 14.1 | 14.2 | 14.0 |
| Inventory days | 80.4 | 89.6 | 98.0 | 100.0 |
| Debtor days | 84.7 | 129.1 | 125.0 | 122.0 |
| Creditor days | 74.4 | 42.1 | 65.0 | 65.0 |
| RoE | 17.1 | 18.0 | 17.0 | 18.6 |
| RoCE | 21.6 | 21.0 | 21.7 | 23.8 |
| RoIC | 28.1 | 18.7 | 20.0 | 20.0 |
| **P/E** | **43.7** | **34.4** | **30.3** | **22.5** |
| EV / EBITDA | 28.9 | 25.3 | 19.9 | 15.3 |
| EV / Net Sales | 4.7 | 3.9 | 3.1 | 2.5 |
| Market Cap / Sales | 4.6 | 3.7 | 3.1 | 2.4 |
| Price to Book Value | 7.5 | 6.2 | 5.1 | 4.2 |
| Debt/EBITDA | 0.9 | 1.2 | 0.8 | 0.5 |
| **Net Debt / Equity** | **0.1** | **0.2** | **0.1** | **0.1** |
| Current Ratio | 2.4 | 5.3 | 3.5 | 3.5 |
| Quick Ratio | 1.3 | 3.3 | 2.1 | 2.0 |

Source: Company, ICICI Direct Research

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