

October 14, 2026

Strong operational performance & order backlog supports 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.

Q2FY27 performance: Transformers & Rectifiers (India) Ltd. reported a strong Q2FY27 performance, with revenue growing 60.7% YoY to ₹739.4 crore, aided by a low base of ₹460 crore in Q2FY26. EBITDA increased 149.9% YoY to ₹128.8 crore, with EBITDA margin expanding 621 bps YoY and 110 bps QoQ to 17.4% (vs. 11.2% in Q2FY26 and 16.3% in Q1FY27). PAT grew 117.9% YoY to ₹81.4 crore, while net profit margin stood at 11.0% versus 8.1% in Q2FY26.

Investment Rationale:

- Strong order book and robust inflows provide revenue visibility:** TARIL reported strong Q2 FY27 performance, with standalone revenue increasing 66% YoY to ₹709 crore and EBITDA rising 150% YoY to ₹128.8 crore, with EBITDA margin improving to 17.4%. Order inflow grew 97% YoY to ₹1,169 crore, taking the unexecuted order book to ₹7,237 crore (+32% YoY), executable over the next 18–24 months. The company also has a ₹21,000 crore enquiry pipeline, with 80% domestic and 20% export opportunities. The strong backlog, supported by orders from NPCIL, DVC and GETCO, provides healthy medium-term revenue visibility.
- Capacity expansion and backward integration to drive earnings growth:** TARIL is expanding Changodar capacity to 35,000 MVA, with commercial production expected around Diwali, while further EHV capacity expansion and backward integration should support higher execution and profitability. Management reiterated FY27 guidance of 25% revenue growth, ~16% EBITDA margin and 9–10% PAT margin. Backward integration is expected to deliver 200–300 bps of margin expansion, with benefits accruing gradually through FY28–FY29. While strong demand and operating leverage support the growth outlook, elevated working capital of 154 days and execution risks remain monitorable.

Rating and Target Price: Healthy operational performance and strong order backlog supports growth visibility. We upgrade from **REDUCE** to **BUY** with target of ₹430 (30x FY28E EPS).



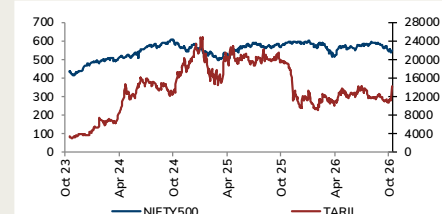
Particulars

Particulars	Rs. crore
Market Capitalisation	9,125
Total Debt (FY26)	456
Cash and Inv. (FY26)	141
Enterprise Value	9,440
52-week H/L (Rs.)	496/224
Equity capital	30.0
Face value (Rs.)	1

Shareholding pattern

%	Dec-25	Mar-26	Jun-26	Sep-26
Promoters	64.4	64.4	64.4	64.4
FII	7.0	8.3	7.8	7.0
DII	4.2	1.8	1.5	1.2
Others	24.4	25.5	26.3	27.5

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	1,295	2,019	2,509	39.2%	3,123	3,960	25.6%
EBITDA	134.1	327.4	383.2	69.0%	529	681	33.3%
EBITDA Margins (%)	10.4	16.2	15.3		16.9	17.2	
Net Profit	47.0	216.4	272.2	140.6%	326.2	433.0	26.1%
EPS (₹)	3.2	7.1	9.1		10.9	14.4	
P/E	113.0	49.8	39.3		32.8	24.7	
RoNW (%)	8.1	17.1	18.0		17.7	19.0	
RoCE (%)	14.2	21.6	21.0		22.7	24.4	

Source: Company, ICICI Direct Research

Q2FY27 Earnings call highlights

- **Financial Performance:**

- Transformers & Rectifiers (India) Ltd. reported a strong Q2FY27 performance, with revenue growing 60.7% YoY to ₹739.4 crore, aided by a low base of ₹460 crore in Q2FY26.
- EBITDA increased 149.9% YoY to ₹128.8 crore, with EBITDA margin expanding 621 bps YoY and 110 bps QoQ to 17.4% (vs. 11.2% in Q2FY26 and 16.3% in Q1FY27).
- PAT grew 117.9% YoY to ₹81.4 crore, while net profit margin stood at 11.0% versus 8.1% in Q2FY26.

- **Order Book & Order Inflow:**

- Order inflows stood at ₹1,169 crore in Q2FY27, up 97% YoY, taking the unexecuted order book to an all-time high of ₹7,237 crore as of September 30, 2026, up 32% YoY. The order book provides revenue visibility over the next 18–24 months.
- The company has ₹21,000 crore of enquiries under negotiation, comprising 80% domestic and 20% export opportunities, with an approximately equal mix of government and private customers.
- Major orders secured during and around the quarter include generator transformers for NPCIL's Kaiga Units 5 and 6, a large transformer order from Megha Engineering and subsequent orders from Damodar Valley Corporation and GETCO.

- **Capacity Expansion & Execution:**

- The ongoing expansion at Changodar is nearing completion, with commercial production expected to commence around Diwali 2026. The project involves approximately ₹150 crore of capex, increasing Changodar's manufacturing capacity from 12,000 MVA to 35,000 MVA, an addition of 23,000 MVA.
- Changodar will manufacture distribution transformers, inter-distribution transformer (IDT) products, renewable-energy transformers, small power transformers up to 132 kV and large power transformers up to 220 kV.
- At Moraiya, the company plans to expand its extra-high-voltage (EHV) transformer manufacturing capabilities after completing the Changodar project. The relocation of insulation and pressboard manufacturing to the backward-integration facility will release space at Moraiya, enabling an immediate 30%+ increase in transformer manufacturing capacity. The additional EHV capacity is expected to become operational from FY28 onwards.
- Management is targeting approximately 90% capacity utilisation over time. Q2FY27 production stood at approximately ~9,500 MVA, while the company continues to ramp up utilisation across its existing facilities and prepare for the expanded manufacturing base.

- **Backward Integration & Margin Outlook:**

- Backward-integration projects are progressing as planned, with the CTC plant expected to be commissioned around Diwali, followed by trial runs during November–December 2026 and commercial manufacturing for captive consumption by Q4FY27. External sales from the facility are expected to commence in Q1FY28.
- The company expects backward integration to improve raw-material availability and reduce dependence on external suppliers.

Management is targeting 200–300 bps of EBITDA margin expansion, with benefits expected to build progressively through FY28 and the full impact visible by FY29.

- The CTC facility has planned capacity of 3,000 MTPA, of which approximately 60% is expected to be consumed internally. Initially, production will cater to TARIL's requirements, with the remaining capacity available for third-party sales as operations scale up.

- **Other Key highlights & Guidance:**

- Prices of key raw materials, including transformer oil and CRGO, remain elevated. However, management indicated that the majority of orders have price-variation clauses, which allow cost increases to be passed on to customers and largely mitigate the impact on margins.
- Standalone net working capital stood at approximately 154 days as of September 30, 2026, comprising inventory days of 93, receivable days of 117 and payable days of 56. Inventory stood at approximately ₹654 crore, while trade receivables were around ₹1,053 crore, including ₹825 crore of current receivables.
- Management is targeting a reduction in net working capital to approximately 130 days, with an aspirational range of 110–120 days by the end of FY27. Improvements in working capital are expected to support positive cash flows as capacity expansion and backward integration progress.
- **Guidance:** Management maintained FY27 revenue growth guidance of ~25%, with a 9–10% PAT margin target.

Financial summary

Exhibit 1: Profit and loss statement				
₹ crore				
(Year-end March)	FY25	FY26	FY27E	FY28E
Net Sales	2,019	2,509	3,123	3,960
Other Operating Income	-	-	-	-
Total Operating Income	2,019	2,509	3,123	3,960
% Growth	56	24	24	27
Total Revenue	2,051	2,570	3,153	3,990
Cost of materials consumed	1,424	1,770	2,185	2,665
Other Expenses	247	325	319	436
Total expenditure	1,692	2,126	2,594	3,279
EBITDA	327	383	529	681
% Growth	144.2	17.0	38.0	28.8
Interest	51	51	65	52
Depreciation	27	30	49	81
PBT	285	363	445	577
Tax	68	91	118	144
PAT	214	272	326	433
% Growth	377.3	26.9	19.9	32.7
EPS	7.1	9.1	10.9	14.4

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement				
₹ crore				
(Year-end March)	FY25	FY26	FY27E	FY28E
Profit after Tax	214	272	326	433
Depreciation	27	30	49	81
Interest	51	51	65	52
Other income	(32)	(61)	(30)	(30)
Cash Flow before WC changes	260	292	410	537
Change in Working Capital	(164)	(275)	(207)	(226)
Cashflow from Operating Activities	96	17	203	310
(Purchase)/Sale of Fixed Assets	(192)	(103)	(170)	(198)
(Purchase)/Sale of Investment	(264)	(124)	60	-
Other Income	32	61	30	30
Cashflow from Investing Activities	(424)	(167)	(80)	(168)
Issue/(Repayment of Debt)	27	174	(50)	(100)
Changes in Minority Interest	12	8	(2)	-
Changes in Networth	484	(2)	(2)	(2)
Interest	(51)	(51)	(65)	(52)
Others				
Cashflow from Financing Activities	472	129	(119)	(154)
Changes in Cash	144	(21)	4	(12)
Opening Cash/Cash Equivalent	27	172	151	155
Closing Cash/ Cash Equivalent	172	151	155	143

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	1,485	1,811	2,244
Networth	1,252	1,515	1,841	2,274
Total Debt	283	457	407	307
Total Liabilities	1,579	2,017	2,304	2,644
Gross Block	382	404	654	904
Net Block	232	230	431	600
Capital WIP	62	138	60	10
Investments	268	392	332	332
Inventory	445	616	839	1,085
Sundry debtors	469	887	1,070	1,324
Cash and bank balances	172	151	155	143
Loans and advances	1	11	17	21
Other Current Assets	74	68	94	119
Total current Assets	1,160	1,723	2,164	2,682
CL& Prov.	420	297	571	725
Net Current Assets	555	1,074	1,218	1,482
Total Assets	1,579	2,017	2,304	2,644

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
(Year-end March)	FY25	FY26	FY27E	FY28E
EPS	7.1	9.1	10.9	14.4
Cash EPS	8.0	10.1	12.5	17.1
BV	41.7	50.5	61.3	75.8
DPS	0.1	0.1	0.1	0.1
EBITDA Margin	16.2	15.3	16.9	17.2
PBT / Net Sales	14.9	14.1	15.4	15.1
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	17.7	19.0
RoCE	21.6	21.0	22.7	24.4
RoIC	28.1	18.5	21.7	21.8
P/E	49.8	39.3	32.8	24.7
EV / EBITDA	33.0	28.7	20.7	15.9
EV / Net Sales	5.3	4.4	3.5	2.7
Market Cap / Sales	5.3	4.3	3.4	2.7
Price to Book Value	8.5	7.1	5.8	4.7
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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