CRISIL
Ratings

Rating Rationale

January 08, 2025 | Mumbai

Transrail Lighting Limited

Long-term rating upgraded to 'CRISIL A+/Stable'; Short-term rating reaffirmed

Rating Action

Total Bank Loan Facilities Rated	**Rs.5370 Crore**
Long Term Rating	**CRISIL A+/Stable (Upgraded from 'CRISIL A/Positive')**
Short Term Rating	**CRISIL A1 (Reaffirmed)**

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has upgraded its rating on the long-term bank facilities of Transrail Lighting Ltd (Transrail) to **'CRISIL A+/Stable'** from 'CRISIL A/Positive' and has reaffirmed its 'CRISIL A1' rating on the short-term bank facility.

The upgrade in the long-term rating factors in the improving business risk profile due to increasing scale of operations supported by strong order book, and healthy operating profitability. Transrail's revenue is expected to register growth of more than 20% on-year in fiscal 2025 driven by healthy execution of the order book which stood at Rs ~10,213 crore as on June 30, 2024. Besides, the company has also emerged as lowest bidder (L1) for few orders, which along with the existing order book, will ensure healthy revenue visibility over the medium term. Earnings before interest, tax, depreciation and amortization (EBITDA) is expected to remain healthy over the medium term with EBITDA margin expected to be maintained in the similar range as observed in recent fiscals. The business risk profile will also continue to benefit from the strong technological capabilities of Transrail, its increasing market presence and established clientele, and the favourable prospects for the international as well as domestic transmission and distribution (T&D) and domestic non-T&D business.

The company has unexecuted order of around Rs 3100 crore towards a river crossing project in Bangladesh, where there were delays in appointment of engineering consultant and design approvals from client's end, in the past. In the current fiscal, there were delays of around 15-20 days due to the political unrest in Bangladesh. The project is currently working at a healthy pace with payments being received from the counterparty on a timely basis. Transrail expects healthy revenue contribution from this project in fiscal 2025 and fiscal 2026. The execution of this project and its contribution to scale and profitability of Transrail and timely receipt of payments from the counterparty will remain key monitorable and a rating sensitivity.

The recently concluded (December 2024) initial public offer (IPO) with proceeds of Rs 400 crore and a pre-IPO of Rs 50 crore in September 2024 would bolster Transrail's financial risk profile and improve key debt metrics. Out of the total proceeds, Rs 250 crore would be utilized for incremental working capital requirements, Rs 90 crore for capital expenditure (capex) for capacity enhancements in the existing manufacturing facilities and the remaining for general corporate purposes. Transrail's net worth is estimated at Rs ~1850 crore at March 31, 2025 (compared to Rs 1164 crore as on March 31, 2024). The adjusted gearing is expected to come down to less than 0.5 time and total outside liabilities to tangible net worth (TOLTNW) of ~2 times in the current fiscal (compared to 0.55 time and 2.97 times respectively in fiscal 2024). Besides, the interest coverage ratio is expected to improve to 2.6-2.8 times over the medium term from ~2.5 times in fiscal 2024.

Transrail, along with its promoter (Ajanma Holdings), are proposing to acquire a part of the business of Gammon Engineers and Contractors Private Limited (GECPL) which is facing restructuring by its lenders. This is currently at a preliminary stage and the exact amount and timelines have not been ascertained yet.

The ratings continue to reflect the established position of Transrail in the engineering, procurement and construction (EPC) business catering to the power sector, strong order pipeline and improving financial risk profile. The strengths are partially offset by exposure to intense competition, operational and legal risks, working capital-intensive operations and a high share of international business exposing Transrail to risks including geo-political, currency etc.

Analytical Approach
CRISIL Ratings has considered the business and financial risk profile of Transrail on a standalone basis.

Key Rating Drivers & Detailed Description
Strengths:

- **Established position in the EPC business:** The four-decade-long experience of the management, the integrated services offered by the company, and healthy relationships with customers should continue to support the business risk profile. These factors ensure repeat orders from clients such as Power Grid Corporation of India Ltd ('CRISIL AAA/Stable/CRISIL A1+'), Renew Power Private Ltd and Tamil Nadu Transmission Corporation Ltd. Substation business and high-end transmission line projects enhance the range of offerings and enable the company to bid for turnkey projects in the T&D segment. Confirmed order book has grown to Rs ~10,213 crore as on June 30, 2024 led by a high value T&D river crossing order in Bangladesh with Power Grid Corporation of Bangladesh (government owned entity). The project, with some delays, primarily at client's end began physical execution towards the end of fiscal 2024. Transrail is also backward integrated through its manufacturing of towers, poles and conductors, which supports stronger operating margins. Diversification into related and other segments, such as civil construction, supports the business profile.

- **Growing and healthy order book providing revenue visibility:** The order book of Transrail has grown significantly in the past 2-3 fiscals supporting the growth in revenue in the recent fiscals. Revenue has grown at compounded annual growth rate of 20% over last 3 fiscals ending 2024 and healthy growth of upwards of 20% is expected in the fiscal 2025. The order book is geographically diversified with ~55-60% being international orders and remaining domestic.

- **Improving financial risk profile:** Transrail's financial risk profile has steadily improved, driven by better cash generation, prudent working capital management and the recent equity raise. Net worth, which was negligible when operations commenced on January 1, 2016, under the new promoters, is estimated to increase to more than Rs 1850 crore by end of fiscal 2025. Overall gearing is estimated to remain at ~0.5 time over the near to medium term, compared to 1.3 times as on March 31, 2019. TOL/TNW is expected to improve to 2 times in the near to medium term compared to 3-4 times in the past few fiscals. Interest cover is at moderate levels of 2.5 times in fiscal 2024 owing to EPC nature of business and high bank charges related to guarantee and letter of credits and is expected to improve to 2.6-2.8 times over the medium term.

  Promoters have infused funds of Rs 57 crores cumulatively over fiscals 2021 and 2022 and are expected to provide need-based support. Also, there was an equity infusion of Rs 140 crore in fiscal 2024 and IPO of Rs 450 crore in the current fiscal. Any change resulting in sizeable investment or indirect support to companies being acquired will remain monitorable. Besides, any larger than expected debt funded acquisition or capital expenditure (capex) could have an adverse impact on the financial risk profile.

  The company has unpaid non-convertible debentures (NCDs) of Rs 32 crore (principal component). These NCDs are due to insurance companies who have not yet signed the novation agreement and recognized Transrail as borrower under the scheme of arrangement by National Company Law Tribunal (NCLT) and business transfer agreement (BTA) between Gammon India Ltd (erstwhile promoter) and Transrail. The same, when claimed by the insurance companies, can easily be met of accruals generated by Transrail.

Weaknesses:

- **Exposure to intense competition and other risks being an EPC player:** Competition is intense in the power T&D business due to low entry barriers. Profitability is susceptible to any downturn in demand and structural issues and volatility in the power sector. Any large-scale project deferrals or slow project execution due to macroeconomic factors could lead to cost overruns, which would impact profitability, given the limited flexibility to pass on cost increases. The company's increasing exposure to international projects in newer geographies may pose risks relating to execution and cash flows. However, these risks are mitigated by the strong capabilities of Transrail in the power T&D EPC segment and manufacturing of towers and conductors.

  Transrail takes comprehensive insurance as a safeguard to minimize the risk on its balance sheet, given it undertakes projects in difficult terrains and geographies. In some of the overseas geographies, part of the work, including design approval, is also subject to clearance from local authorities. Being an EPC player, Transrail is prone to operational risks and execution related challenges, besides time & cost overruns and litigation. While there have been no significant challenges in order execution account in the recent past barring delays in the Bangladesh project owing to design clearance issues, any material and prolonged disruption in orders under execution due to sizeable delay in approvals, serious accidents, floods or geo-political risks, outflow due to litigations will be monitorable.

  An operational creditor, Goodrich Logistics Private Limited (GLPL) and Transrail had entered into service orders dated March 12, 2020, whereby GLPL provided containers to Transrail for a Transmission project in Nigeria, Africa. GLPL has filed a petition dated December 2, 2024 against Transrail before the National Company Law Tribunal (NCLT) alleging that Transrail is liable for a payment of Rs ~61 crore towards unpaid detention charges for the containers and unpaid container value. Any significant outflow as a result of this litigation and/or adverse regulatory action impacting business and financials of Transrail will remain a monitorable.

- **High share of international business exposes the company to various risks such as country risk, currency risk amongst others:** The share of international business constituted 59% of sales in fiscal 2024 (53% in fiscal 2023 and 38% in fiscal 2022), spread across Bangladesh, Middle East and Africa. Prior to the order for the river crossing project in Bangladesh, the order book had been largely insulated from sovereign or country risk as the orders were largely funded by multilateral agencies including World Bank, Asian Development Bank etc. Post receipt of the river crossing project, the order book is exposed to the sovereign risk of Bangladesh.

  Sizeable proportion of international orders exposes Transrail to political, currency and counterparty risk. For instance, the ongoing river crossing project in Bangladesh saw some temporary delays in August 2024 owing to the political turmoil in Bangladesh. However, these risks are mitigated to a certain extent with risk management practices in place. Also, the international revenues are largely US Dollar dominated, which provides comfort to a sizeable extent.

- **Working capital-intensive operations:** Operations are working capital intensive owing to the inherent nature of the EPC business and the long project execution cycle of 2-3 years, which result in high reliance on short-term debt. Gross current assets (GCA) increased to 345 days as on March 31, 2024 from 326 days a year earlier due to an increase in debtor days including contract assets. Debtors days improved to 271 days from 250 days a year earlier. Over the medium term as well, GCA is expected to remain around 330 days and debtors are expected to remain around 260 days. Receivables are typically high in the business due to the sizeable retention money blocked in completed projects till the end of the performance guarantee period and unbilled receivables which are dependent on milestone-based billing. Receivable risk is also mitigated due to majority of its projects being backed by governments and multi-lateral institutions. Efficient working capital management with growing scale of operations will remain a key monitorable. Further, any adverse impact on the working capital cycle and liquidity due to project delays, cost overruns, invocation of guarantees and any cancellation of existing orders will remain key rating monitorables.

Liquidity: Strong

Liquidity remains strong, backed by unencumbered cash equivalent of around Rs ~88 crore as on June 2024 and unutilised fund-based bank lines of Rs 30 crore as on November 30, 2024. Bank limit utilisation was 85% on average over the last 12 months through November 2024. The available liquidity and expected annual cash accrual of more than Rs 320 crore over the medium term should be sufficient to meet annual debt obligation of Rs. ~45 crore in fiscal 2025, and Rs 50-55 crore in fiscal 2026, and moderate capex. Liquidity will be further aided by IPO proceeds which will be used for incremental working capital requirements.

Outlook: Stable

CRISIL Ratings believes Transrail's business risk profile is expected to benefit from increasing scale of operations and strong order book, even as the company is expected to sustain its operating profitability, ensuring steady cash generation. Financial risk profile is expected to benefit from steady cash generation and the recent IPO proceeds.

Rating sensitivity factors

Upward factors:
- Double digit growth in scale of operations over the medium term led by healthy order execution and sustenance of operating margins at~ 13%, leading to strong annual cash generation
- Strengthening of financial risk profile, supported by better working capital management, also leading to improved debt metrics, especially interest cover

Downward factors:
- Moderation in operational performance with steady decline in operating margin, impacting cash generation
- Higher than expected debt levels due to acquisitions, support to group companies or elongation in working capital cycle, or adverse court rulings impacting debt metrics; for instance interest cover below 2 times.

About the Company

Transrail is one of the Largest EPC companies providing turnkey solutions globally in areas of Transmission, Distribution, Substations and Rural Electrification, Railways, provides solutions for outdoor lighting, since more than 38years. Transrail is one of the few companies across the globe to have 4 manufacturing facilities of transmission towers (1,01,000 TPA), conductors (60,000 TPA) and poles (25,000 TPA) and a state-of-the-art integrated tower testing station, design capabilities, and a well experienced team capable of erecting and commissioning transmission lines up to 1200kV, distribution lines, substations and railway electrification. The Company has Global footprints in 50 countries across the globe and caters to customers across Africa, America, Europe, and Asia.

Transrail was incorporated as Transrail Engineering Company Limited in 1984 by Mr. D. C. Bagde. In October 2016, the T&D business division of Gammon India Ltd (GIL) was transferred to Transrail through a business transfer agreement (BTA). GIL transferred its 75% equity in Transrail to Ajanma Holdings Private Limited (AHPL).

Key Financial Indicators (CRISIL Ratings adjusted)

As on/for the period ended March 31	Unit	2024	2023
Operating Income	Rs.Crore	4085	3151
Profit after tax (PAT)	Rs.Crore	235	109

PAT margin	%	35.7	3.5
Adjusted debt/adjusted networth	Times	0.55	0.77
Interest coverage	Times	2.47	2.01

Any other information: Not Applicable

Note on complexity levels of the rated instrument:
CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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Annexure - Details of Instrument(s)

ISIN	Name Of Instrument	Date Of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs. Crore)	Complexity Levels	Rating Outstanding with Outlook
NA	Cash Credit	NA	NA	NA	195.84	NA	CRISIL A+/Stable
NA	Cash Credit & Working Capital Demand Loan	NA	NA	NA	129.07	NA	CRISIL A+/Stable
NA	Non-Fund Based Limit	NA	NA	NA	5013.12	NA	CRISIL A1
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	1.97	NA	CRISIL A+/Stable
NA	Term Loan	NA	NA	30-Sep-26	30.00	NA	CRISIL A+/Stable

Annexure - Rating History for last 3 Years

	Current			2025 (History)		2024		2023		2022		Start of 2022
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	356.88	CRISIL A+/Stable		--	04-04-24	CRISIL A/Positive	21-08-23	CRISIL A/Positive	01-08-22	CRISIL A/Stable	CRISIL A-/Stable
			--		--	26-02-24	CRISIL A/Positive		--	12-07-22	CRISIL A/Stable	--
Non-Fund Based Facilities	ST	5013.12	CRISIL A1		--	04-04-24	CRISIL A1	21-08-23	CRISIL A1	01-08-22	CRISIL A1	CRISIL A2+
			--		--	26-02-24	CRISIL A1		--	12-07-22	CRISIL A1	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit	**19.46**	**Bank of Baroda**	**CRISIL A+/Stable**
Cash Credit	**55.58**	**ICICI Bank Limited**	**CRISIL A+/Stable**
Cash Credit	**34.04**	**Punjab National Bank**	**CRISIL A+/Stable**
Cash Credit	**4.36**	**Indian Bank**	**CRISIL A+/Stable**
Cash Credit	**57.4**	**IDBI Bank Limited**	**CRISIL A+/Stable**
Cash Credit	**25**	**Union Bank of India**	**CRISIL A+/Stable**
Cash Credit & Working Capital Demand Loan	**129.07**	**Canara Bank**	**CRISIL A+/Stable**

Non-Fund Based Limit	**585**	**Export Import Bank of India**	**CRISIL A1**
Non-Fund Based Limit	**75**	**CSB Bank Limited**	**CRISIL A1**
Non-Fund Based Limit	**366.6**	**Bank of Baroda**	**CRISIL A1**
Non-Fund Based Limit	**417.6**	**IDBI Bank Limited**	**CRISIL A1**
Non-Fund Based Limit	**300**	**Union Bank of India**	**CRISIL A1**
Non-Fund Based Limit	**250**	**Indian Bank**	**CRISIL A1**
Non-Fund Based Limit	**444.42**	**ICICI Bank Limited**	**CRISIL A1**
Non-Fund Based Limit	**993.21**	**Punjab National Bank**	**CRISIL A1**
Non-Fund Based Limit	**1511.29**	**Canara Bank**	**CRISIL A1**
Non-Fund Based Limit	**70**	**Union Bank of India**	**CRISIL A1**
Proposed Long Term Bank Loan Facility	**1.97**	**Not Applicable**	**CRISIL A+/Stable**
Term Loan	**30**	**Indian Bank**	**CRISIL A+/Stable**

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufaturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating Criteria for Engineering Sector
CRISILs Criteria for rating short term debt

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