Kanohar Electricals Limited

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IPO Note **07th September 2026**

Company Overview

Kanohar Electricals Limited is a manufacturer of transformers and an EPC service provider, catering to the power transmission, railways, renewable energy, and power distribution sectors. The company manufactures power, traction, Scott-connected and distribution transformers, as well as shunt reactors, while its EPC business undertakes turnkey projects for substations and transmission lines. Its products are used across the power value chain, with power transformers primarily serving transmission utilities, traction and Scott transformers catering to railway electrification, and shunt reactors supporting grid stability in renewable energy projects. Transformer manufacturing is the key revenue contributor, accounting for 83.4% of revenue from operations in FY26, with power transformers contributing 57.1%, Scott transformers 25.3%, traction transformers 0.9% and other transformer products 0.1%; EPC contributed the remaining 16.4%, comprising transmission lines at 9.7% and substations at 6.8%. The company operates two manufacturing facilities in Meerut, Uttar Pradesh, with an annual transformer manufacturing capacity of 19,200 MVA. It has developed capabilities in high-voltage transformers up to 500 MVA and 400 kV and is among a select group of Indian manufacturers with the requisite short-circuit certification for such transformers, enabling it to qualify for large power transmission orders.

Objects of the issue

The company proposes to utilize the proceeds from the issue towards the following objects:

⇒ Funding the capital expenditure requirements of the company;

(i) Purchase of new machinery and equipment for manufacturing facility located in Gangol, Meerut, Uttar Pradesh;

(ii) Civil construction and interior development of an office building at the Gangol Manufacturing Facility; and

(iii) Enhancing sustainability initiatives by (a) setting up of solar power plants at our manufacturing facility located in Rithani,and Gangol Manufacturing Facility, and (b) purchasing electric trucks and forklifts at the Gangol Manufacturing Facility.

⇒ Funding incremental working capital requirements of the company; and

⇒ General corporate purposes.

Investment Rationale

Established transformer manufacturer with strong high-voltage capabilities positioned to benefit from structural growth in power infrastructure

Kanohar Electricals is well positioned to benefit from the growing demand for transformers, supported by its 40+ years of operating experience, established customer relationships and presence across high-growth end markets including power transmission, railways, renewable energy, and power distribution. The company has capabilities across a wide voltage range and, as of March 31, 2026, was among only five companies in India with short-circuit test certification for 500 MVA, 400 kV transformers, enabling it to compete for large and high-value transmission contracts. Its strong positioning is also evident in the railway segment, where it is among only four Indian manufacturers certified by RDSO for 100 MVA, 132 kV Scott transformers and one of two certified for 100 MVA, 220 kV Scott transformers. Importantly, the company's revenue mix is increasingly skewed towards higher-voltage transformers, with >400 kV transformers contributing 52.2% of revenue from operations in FY26, up from 31.3% in FY25 and 10.3% in FY24, reflecting its increasing participation in large-value transmission projects. This positioning provides exposure to structural growth in India's transmission network, railway electrification and renewable energy capacity, while its established certifications and testing capabilities create entry barriers and enable participation in a relatively limited pool of qualified tenders. The recent Rs. 568.7 crore order from POWERGRID for 500 MVA, 400 kV transformers further demonstrates the company's ability to translate these capabilities into large orders.

Issue Details	
Offer Period	08h Sept. 2026 – 10th Sept. 2026
Price Band	Rs. 601 to Rs. 632
Bid Lot	23
Listing	BSE & NSE
Issue Size (no. of shares in Cr.)	1.7
Issue Size (Rs. in Cr.)	1,056
Face Value (Rs.)	2

Issue Structure	
QIB	50%
NIB	15%
Retail	35%

BRLM	Nuvama Wealth Management Limited, IIFL Capital Services Limited
Registrar	MUFG Intime India Private Limited

Particulars	Pre Issue %	Post Issue %
Promoter & Promoter Group	99.7%	78.6%
Public	0.3%	21.4%
Total	**100.0%**	**100.0%**

(Assuming issue subscribed at higher band)

Research Team - 022-61596138

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Integrated transformer manufacturing and EPC capabilities broaden addressable market and enhance order-win potential

Kanohar Electricals' integrated business model provides it with a competitive advantage by allowing the company to participate in a broader range of power infrastructure opportunities than standalone transformer manufacturers. Having entered EPC for substations in 2013 and transmission lines up to 400 kV in 2021, the company can offer customers single-window solutions spanning equipment supply, installation, and commissioning, enabling it to participate in both standalone transformer orders and larger turnkey projects. This capability is particularly relevant for hybrid contracts where customers require both transformers and EPC services, allowing Kanohar to capture a higher share of overall project value while strengthening customer relationships. The EPC business contributed 16.4% of FY26 revenue, complementing the core transformer manufacturing business, which contributed 83.4%. Further, the ability to combine manufacturing and EPC capabilities broadens the company's addressable market to include turnkey projects from transmission utilities and railways, as well as high-value substation augmentation projects, thereby improving its opportunity set and reducing dependence on standalone transformer orders.

Valuation

Kanohar Electricals is a leading transformer manufacturer with an established presence across power transmission, railways, renewable energy, and power distribution, with its positioning increasingly shifting towards high-voltage and high-value transformer products. The company's growth prospects remain favourable, supported by the expected expansion of India's transformer market, which is projected to grow at a 6.7% CAGR during CY25-CY30, while the extra-high-voltage and ultra-high-voltage segments are expected to grow at 9.3% and 9.0% CAGRs, respectively. Kanohar is well placed to capitalise on these trends through its capabilities in 500 MVA, 400 kV transformers, planned capacity expansion of 18,000 MVA, and investments in automation and backward integration. The company's revenue from operations, EBITDA and PAT grew at a strong CAGR of 53.7%, 141.0% and 170.3%, respectively, during FY24-FY26, aided by the sharp increase in high-voltage transformer sales, with transformers above 400 kV contributing 52.2% of revenue in FY26 compared with 10.3% in FY24. This shift towards higher-value products, along with operating leverage and better capacity utilisation, has resulted in EBITDA margin expanding from 11.2% in FY24 to 27.6% in FY26, while PAT margin improved from 6.4% to 19.8%. At the upper price band of Rs. 632, the issue is valued at 36.3x FY26 P/E based on diluted EPS of Rs. 17.4 and 27.4x FY26 EV/EBITDA. The valuation remains largely below the peer-group multiples, particularly on an EV/EBITDA basis, providing reasonable valuation comfort. **Considering the company's strong earnings growth, improving margins, increasing exposure to high-voltage transformers and favourable industry outlook, we believe the valuation is reasonable and recommend a "SUBSCRIBE" rating to the issue.**

Key Risks

⇒ Kanohar Electricals' significant dependence on the power transmission, railways, and renewable energy sectors exposes it to economic cyclicality, reduced demand, or adverse trends in these sectors, which could negatively impact its business, financial performance, and results of operations.

⇒ Kanohar Electricals' transformer manufacturing capacity utilization stood at 46.0% in FY26, despite improving from 29.7% in FY25, exposing the company to the risk of operational inefficiencies if demand does not support higher utilization. Capacity utilization remains dependent on customer demand, availability of raw materials and uninterrupted operations. Any decline in demand, prolonged operational disruptions, or inability to fully utilize expanded capacity could adversely affect the company's business, profitability and returns.

⇒ The company’s top 10 customers accounted for 93.2% of revenue from operations in FY26, compared with 93.9% in FY25 and 95.4% in FY24, indicating a high dependence on a limited customer base. Any loss of key customers, reduction in order volumes or inability to diversify its customer base could adversely impact the company's revenue, business performance and financial condition.

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Income Statement (Rs. in crores)

Particulars	FY24	FY25	FY26
Sales	277	451	654
Total revenue from operations	**277**	**451**	**654**
Expenses			
Cost of material consumed	151	220	371
Purchases of stock-in-trade	81	37	75
Changes in inventories of finished goods and work-in-progress	-35	47	-47
Employee benefits	23	24	41
Other expenses	25	29	33
Total operating expenses	**246**	**357**	**473**
EBITDA	**31**	**93**	**180**
Depreciation & amortization	3	3	3
EBIT	**28**	**91**	**177**
Finance costs	6	9	13
Other Income	4	7	9
PBT	**26**	**88**	**174**
Total tax	8	23	44
Net Profit	**18**	**65**	**130**
Diluted EPS	**2.4**	**8.8**	**17.4**

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in crores)

Particulars	FY24	FY25	FY26
Cash Flow from operating activities	-16	79	26
Cash flow from/(used in) investing activities	-13	-61	-22
Cash flows (used in) / from financing activities	12	-18	-4
Net increase/(decrease) in cash and cash equivalents	**-17**	**0**	**0**
Cash and cash equivalents at the beginning of the period	17	0	0
Cash and cash equivalents at the end of the period	**0**	**0**	**0**

Source: RHP, BP Equities Research

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Balance Sheet (Rs. in crores)

Particulars	FY24	FY25	FY26
Assets			
Non-Current Assets			
Property, plant & equipment	24	30	31
Capital work in progress	0	1	14
Right-of-use assets	1	0	0
Intangible assets	1	1	1
Financial assets			
(i) Other financial assets	68	20	25
Income tax assets	0	0	0
Deferred tax assets (net)	0	3	3
Other non-current assets	0	1	3
Total Non-Current Assets	**94**	**57**	**77**
Current Assets			
Inventories	84	43	114
Financial assets			
(i) Trade receivables	87	195	211
(ii) Cash & Cash equivalents	0	0	0
(iii) Other bank balances	30	85	96
(iv) Loans	0	0	0
(v) Other financial assets	14	38	96
Other current assets	14	13	21
Total Current Assets	**229**	**375**	**537**
Total Assets	**323**	**432**	**614**
Equity and Liabilities			
Equity share capital	4	4	15
Other equity	174	239	358
Total Equity	**178**	**243**	**373**
Liabilities			
Non-Current Liabilities			
Financial liabilities			
(i) Borrowings	1	6	14
(ii) Lease Liabilities	0	0	0
(iii) Other financial liabilities	12	12	12
Provisions	0	0	0
Total Non-Current Liabilities	**13**	**18**	**27**
Current Liabilities			
Financial Liabilities			
(i) Borrowings	41	26	25
(ii) Lease liabilities	0	0	0
(iii) Trade payables	59	73	100
(iv) Other current financial liabilities	13	13	26
Other current labilities	16	47	51
Provisions	1	1	1
Current tax liabilities (net)	2	11	12
Total Current Liabilities	**132**	**171**	**215**
Total Liabilities	**145**	**189**	**241**
Total Equity and Liabilities	**323**	**432**	**614**

Source: RHP, BP Equities Research

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Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

Analyst (s) Certification:

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