

Dhara Rail Projects IPO

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- The company is engaged in the business of executing various types of contractual railway projects and related services.
- The company undertakes AMC, Repairs and Services for rolling stocks.
- The company has posted steady growth in its top and bottom lines for the reported periods.
- Boosted bottom lines from FY25 onwards raises eyebrows.
- Based on its recent financial data, the issue appears fully priced.
- Well-informed investors may park funds for long term.

About the Company

Dhara Rail Projects Ltd. (DRPL) is an ISO 9001:2015 certified company, engaged in the business of executing various types of contractual railway projects and related services which includes Annual Maintenance Contracts (AMC) and repair services for a wide range of railway rolling stock systems. Railway projects includes Supply, Installation, Testing, and Commissioning (SITC) of various electrical equipment across all types of rolling stock and AMC activities involve Annual Maintenance Contracts, repair & maintenance services, inspection and periodic servicing of railway assets such as train lighting equipments, Power car equipments, Tower wagons etc. post its commissioning & installation. Our services include annual maintenance and repair of train lighting equipment across all rolling stock categories, including the latest Vande Bharat trains, along with annual maintenance and repair for Overhead Equipment (OHE) maintenance vehicles (Tower Wagons), Power Car equipment and HVAC systems. The company provides services to the Ministry of Railways, Government of India, either through directly awarded contracts secured via competitive tendering, which may range up to 3 years, or through pre-bid arrangements with various OEM's.

The Company does a regular review of government projects, through various means such as notification published on Rail authority websites, national newspapers, Government procurement portals, Gem Portal, Indian Railways E-Procurement System (IREPS) or Industry publications. After evaluating the Project scope & timeline, technical requirements and other eligibility criteria, it submits Bids to undertake railway projects on contract basis for a pre-specified period. Its portfolio of 60 ongoing projects amounting Rs. 143.78 cr. for Indian Railway as on December 12, 2025. As of October 31, 2025, it had 1019 employees on its payroll.

Issue Details / Capital History

The company is coming out with its maiden book building route IPO of 3984000 equity shares of Rs. 10 each to mobilize Rs. 50.20 cr. at the upper cap. The company has announced a price band of Rs. 120 – Rs. 126 per share. The minimum application to be made is for 2000 shares and in multiples of 1000 shares thereon, thereafter. The issue opens for subscription on December 23, 2025, and will close on December 26, 2025. The IPO constitute 26.41% of the post-IPO paid-up capital of the company. The shares will be listed on NSE SME Emerge. From the net proceeds of the IPO, it will utilize Rs. 7.00 cr. for repayment/prepayment of certain borrowings, Rs. 30.50 cr. for working capital, and the rest for general corporate purposes.

The IPO is solely lead managed by Hem Securities Ltd., and Bigshare Services Pvt. Ltd. is the registrar to the issue. HEM group's Hem Finlease Pvt. Ltd. is the market maker.

The company has issued initial equity capital at par value, and has also issued bonus shares in the ratio of 110 for 1 in September 2025. The average cost of acquisition of shares by the promoters is Rs. 0.00, Rs. 0.07, and Rs. 0.09 per share.

Post-IPO, company's current paid-up equity capital of Rs. 11.10 cr. will stand enhanced to Rs. 15.08 cr. Based on the upper band of the IPO pricing, the company is looking for a market cap of Rs. 190.06 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has (on a consolidated basis) posted total income / net profit, of Rs. 27.39 cr. / Rs. 1.06 cr. (FY23), Rs. 34.23 cr. / Rs. 2.97 cr. (FY24), Rs. 48.00 cr. / Rs. 6.53 cr. (FY25). For H1 of FY26 ended on September 30, 2025, it earned a net profit of Rs. 7.06 cr. on a total income of Rs. 28.83 cr.

For the last three fiscals, the company has reported an average EPS of Rs. 3.99, and an average RoNW of 46.12%. The issue is priced at a P/BV of 7.01 based on its NAV of Rs. 17.97 per share as of September 30, 2025, but its post-IPO NAV data is missing from the offer documents.

If we attribute FY26 annualized super earnings to its post-IPO fully diluted paid-up equity capital, then the asking price is at a P/E of 13.45, and based on FY25 earnings, the P/E stands at 29.10. The issue appears aggressively priced.

For the reported periods, the company has posted PAT margins of 4.00% (FY23), 9.43% (FY24), 14.67% (FY25), 24.90% (H1-FY26), and RoCE margins of 5.71%, 11.73%, 25.59%, 24.33%, respectively, for the referred periods.

Dividend Policy

The company has not paid any dividends for the reported periods of the offer document. It will adopt a prudent dividend policy, based on its financial performance and future prospects.

Comparison with Listed Peers

As per the offer document, the company has no listed peers to compare with.

Merchant Banker's Track Record

This is the 61st mandate from Hem Securities in the last three fiscals. Out of the last 10 listings, 2 opened at discount, and the rest with premium ranging from 1.00% to 61.92% on the listing date.

Conclusion / Investment Strategy

DRPL is engaged in the business of executing various types of contractual railway projects and related services. The company undertakes AMC, Repairs and Services for rolling stocks. The company has posted steady growth in its top and bottom lines for the reported periods. Boosted bottom lines from FY25 onwards raises eyebrows. Based on its recent financial data, the issue appears fully priced. Well-informed investors may park funds for long term.

About Dilip Davda

Dilip Davda is a veteran financial journalist associated with the Indian stock market since 1978. He has been contributing to print and electronic media on capital markets, insurance, and finance since 1985. He is widely recognized for reviewing public issues and non-convertible debentures (NCDs) in the primary market, with a special emphasis on SME public issues.

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