

Kanohar Electricals IPO

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- The company is one of the leading players in transformer manufacturing catering to power distribution.
- As of March 31, 2026, its overall order book stood at Rs. 1818.32 cr.
- Its backward integration has yielded the desired benefits of cost control and improved margins.
- It is engaged in the highly competitive and fragmented business segment.
- Based on its recent average financial data, the issue appears greedily priced.
- Wel-informed/cash surplus investors may park funds for medium to long term.

About the Company

Kanohar Electricals Ltd. (KEL) is one of the leading domestic players in transformer manufacturing in terms of revenue in Fiscal 2026. It caters to high growth industries such as power transmission, railways, renewable energy, and power distribution (Source: CARE Report). As on March 31, 2026, it is one of five companies in India to have the short circuit test certification for 500 MVA 400 kV transformers that are used in the power transmission industry (Source: CARE Report). The company conducts short circuit testing of its transformers at a scale and as on March 31, 2026, has tested over 200 ratings. It is one of four manufacturers in India who are certified by Research Designs and Standards Organisation (RDSO), the research and development wing of Indian Railways, to manufacturing 100 MVA 132 kV Scott transformers. The company is also one of two Indian manufacturers certified to manufacture 100 MVA 220 kV Scott transformers, both of which cater to the demand for rail network electrification from the Indian Railways (Source: CARE Report).

Through its backward integrated facilities, the company offers a wide range of products and solutions for India's energy infrastructure, particularly in the manufacture of transformers with its in-house technology. It operates its business in two segments, i.e., (i) Transformer Manufacturing Business; and (ii) EPC Business. EPC Business, it undertakes engineering, procurement and construction projects in the power transmission and distribution sector, in addition to its transformer manufacturing operations, which enables the Company to execute turnkey projects for substations and transmission lines. Under its EPC Business, it undertakes turnkey installation of air and gas insulated substations, bay augmentation in existing substations up to 400 kV class, and installation of transmission lines across 132 kV, 220 kV and 400 kV.

EPC projects typically involve design, engineering, procurement, supply, erection, testing and commissioning of electrical infrastructure. It conducts short circuit testing of its transformers at a scale and as on March 31, 2026, have tested over 200 ratings, including, for 500 MVA and 400 kV

transformers. Such successful lab testing has positioned it to be among a select group of transformers manufacturers equipped to be eligible and qualify to bid for certain key orders. This is observed from an increase in its sales of 500 MVA 400 kV power transformers in Fiscal 2026 and the recent Rs. 568.67 cr. order for 500 MVA 400 kV power transformers from India's largest electricity transmission company, Power Grid Corporation of India Limited (POWERGRID) in June 2025 (Source: CARE Report).

It also has the capability to manufacture gas insulated switchgear ("GIS"), which is used in high voltage power networks to safely and reliably control and protect electrical equipment in compact environments such as electrical substations. It has a technical collaboration with Chung-Hsin Electric and Machinery Manufacturing Corporation, Taiwan ("CHEM"), a global player in GIS SF6 technology (Source: CARE Report). KEL entered into the collaboration agreement with CHEM in 2017, where under it manufactures and supplies up to 252 kV GIS bays to CHEM from its Gangol Manufacturing Facility to transmission utilities of Uttarakhand and Himachal Pradesh. The validity period of the collaboration agreement is up to November 2027 with an automatic extension up to two years.

While it has manufactured and supplied up to 252 kV GIS bays from its Gangol Manufacturing Facility pursuant to the collaboration agreement with CHEM, the company has not generated any revenue from manufacturing of GIS in the last three Fiscals, since no tenders requiring GIS were awarded to the Company.

It has a backward integrated setup that supports in-house production of critical components for its transformers such as transformer tanks and radiators. This backward integration ensures stringent quality control, operational efficiency, and cost optimization of transformer tanks and radiators. The company sources steel plates which are then cut, welded and transformed into transformer tanks, as opposed to procuring the transformer tanks from third-party suppliers. It also manufactures pressed steel radiators in-house, which serve as cooling components for transformers. Cold rolled close annealed steel coils are cut, pressed, welded and assembled into radiator elements. As of March 31, 2026, it had 526 employees on its payroll, and additional 46 contract workers. As of the said date, its order book stood at Rs. 1818.32 cr.

Issue Details / Capital History

The company is coming out with its maiden book building route combo IPO of approx. 16704750 equity shares (worth Rs. 1055.74 cr. at the upper cap). The IPO consists of fresh equity shares worth Rs. 300.00 cr. (approx. 4746835 equity shares at the upper cap) and an Offer for Sale (OFS) of 11957915 equity shares (worth Rs. 755.74 cr. at the upper cap). The company has announced a price band of Rs. 601 – Rs. 632 per equity shares of Rs. 2 each. The issue opens for subscription on September 08, 2026, and will close on September 10, 2026. The minimum application to be made is for 23 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. The issue constitutes 21.10% of the post-IPO paid-up equity capital. From the net proceeds of the fresh equity issue, the company will utilize Rs. 64.18 cr. for capex on purchase of new

machinery/equipment, civil construction and interior for its office building, setting up of solar power plant, Rs. 155.00 cr. for working capital, and the rest for general corporate purposes.

The joint Book Running Lead Managers (BRLMs) to this issue are Nuvama Wealth Management Ltd., and IIFL Capital Services Ltd., while MUFG Intime India Pvt. Ltd. is the registrar to the issue. Nuvama Wealth Management Ltd. is also a syndicate member.

After issuing initial equity shares at par value, the company has issued further equity shares in the price range of Rs. 5.00 – Rs. 50.00 per share (on the basis of Rs. 2 FV), between October 1995, and November 2011. It has also issued bonus shares in the ratio of 7 for 8 in August 1989, 1 for 5 in November 1990, 1 for 4 in July 1992, 1 for 1 in November 1994, and 3 for 1 in September 2025. The average cost of acquisition of shares by the promoters/selling stakeholders is Rs. NIL per share.

Post-IPO, its current paid-up equity capital of Rs. 14.89 cr. (74440000 equity shares) will stand enhanced to Rs. 15.84 cr. (79186835 equity shares). Based on the upper cap of the price band, the company is looking for a market cap of Rs. 5004.61 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has posted a total income/net profit, of Rs. 281.12 cr. / Rs. 17.76 cr. (FY24), Rs. 457.30 cr. / Rs. 65.12 cr. (FY25), and Rs. 662.86 cr. / Rs. 129.73 cr. (FY26). The company posted steady growth in its top and bottom lines for the reported periods. Its contingent liability stood at Rs. 332.29 cr. as of March 31, 2026 and raise alarm.

For the last three fiscals, the company has posted an average EPS of Rs. 12.03 and an average RoNW of 27.99 %. The issue is priced at a P/BV of 12.62 based on its NAV of Rs. 50.09 as of March 31, 2026, and at a P/BV of 7.44 based on its post-IPO NAV of Rs. 84.97 per share at the upper cap.

If we attribute FY26 super earnings to its post-IPO fully diluted paid-up equity capital, then the asking price is at P/E of 38.58. Based on FY25 earnings, the P/E stands at 76.89. The issue appears greedily priced based on its recent average performance .

For the reported periods, the company has reported PAT Margins of 6.32% (FY24), 14.24% (FY25), 19.57% (FY26), and RoCE margins of 16.69%, 47.61%, 70.13%, respectively, for the referred periods.

Dividend Policy

The company has not paid any dividends for the reported periods of the offer document. It has already adopted a dividend policy in January 2026, based on its financial performance and future prospects.

Comparison with Listed Peers

As per the offer document, the company has shown Hitachi Energy, BHEL, Schneider Electric Infra, CG Power, Transformers & Rectifiers, and GE Vernova, as its listed peers. They are currently trading at a P/E of 118.00, 61.6, 152.0, 111.0, 34.9, and 81.8 (as of September 04, 2026). However, they are not truly comparable on an apple-to-apple basis. This comparison appears to be an eyewash. This comparison appears to be an eyewash.

Merchant Banker's Track Record

The two BRLMs associated with this issue has handled 71 IPOs in the last three fiscals and out of which 23 IPOs closed below the issue price on listing date.

Conclusion / Investment Strategy

KEL is one of the leading players in transformer manufacturing catering to power distribution. As of March 31, 2026, its overall order book stood at Rs. 1818.32 cr. Its backward integration has yielded the desired benefits of cost control and improved margins. It is engaged in the highly competitive and fragmented business segment. Based on its recent average financial data, the issue appears greedily priced. Wel-informed/cash surplus investors may park funds for medium to 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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