

Kanohar Electrical Ltd – IPO Investment Note

Issue Open	Issue Close	Price Band (₹)	Rating
8 September 2026	10 September 2026	₹601-632	Subscribe

Investment Summary

Kanohar Electricals Limited is an integrated electrical engineering company operating across **transformer manufacturing** and turnkey **EPC solutions** for power substations and transmission lines. It caters to a diversified customer base comprising central and state transmission utilities, government entities, and private sector players. The business combines high-margin transformer sales (including specialized Scott and traction transformers) with EPC execution, supported by in-house design, short-circuit test certifications, and two manufacturing facilities with an aggregate capacity of **19,200 MVA**. Revenue from operations increased from ₹276.69 Cr in FY24 to ₹653.84 Cr in FY26, while EBITDA and PAT reached ₹180.42 Cr and ₹129.73 Cr, respectively. To support long-term growth and its ₹1,818.32 Cr order book, the company is undertaking capacity expansion and automation at its Gangol facility. The IPO comprises a **Fresh Issue of 47,46,835 shares** aggregating to **₹300 Cr** and an **OFS of 1,19,57,915 shares** aggregating to **~₹756 Cr** at the upper price band. Fresh proceeds will fund ₹64.18 Cr of capacity expansion capex and ₹155.00 Cr of incremental working capital. Considering its robust fundamentals, capacity expansion plans, and grid modernization tailwinds, we recommend a **Subscribe stance** for medium-to-long-Term stance, while monitoring working-capital efficiency and project execution.

Company Overview

Kanohar Electricals Limited, incorporated in 1972, is a prominent manufacturer of transformers and an engineering, procurement, and construction (EPC) solutions provider for the power transmission and distribution sectors. The company manufactures five diverse types of transformers - Power, Traction, Scott, Shunt reactors, and Distribution - while its EPC division executes complex substation and transmission line projects. Operating through two manufacturing facilities in Rithani and Gangol (Meerut, Uttar Pradesh) with a combined capacity of 19,200 MVA, its products cater to critical applications in power transmission, railways, renewable energy, and power distribution. Kanohar Electricals serves a solid client base comprising central and state transmission utilities, government entities, and private sector players. The company has demonstrated robust financial growth, reporting a Revenue from Operations of ₹653.84 Crores, an EBITDA of ₹180.42 Crores, and a Profit After Tax (PAT) of ₹129.73 Crores for FY 2026, supported by an impressive closing order book of ₹1,818.32 Crores. Promoted by Dinesh Singhal, Adesh Singhal, Vivek Singhal, Abhishek Singhal, Virat Singhal, Aditya Singhal, and K Sons Family Trust, the company aims to utilise its ₹300.00 Crores fresh issue IPO proceeds towards capital expenditure, incremental working capital requirements, and general corporate purposes.

Business Model

Kanohar Electricals Limited operates an integrated business model focusing on transformer manufacturing and turnkey engineering, procurement, and construction (EPC) solutions for power infrastructure. The company designs, manufactures, and tests specialized transformers, while its EPC division executes high-voltage substations and transmission lines. In FY 2026, the Transformer Manufacturing Business contributed ₹545.51 Crores (83.43%) and the EPC Business contributed ₹107.50 Crores (16.44%) to the total Revenue from Operations. The company leverages operational synergies through backward integration and in-house technology to deliver customized solutions. Revenue is largely generated through competitive bidding for government entities and state transmission companies, which accounted for 85.37% of FY 2026 revenue, alongside orders from private sector clients. The business model is backed by a robust order book of ₹1,818.32 Crores as of March 31, 2026, positioning the company to capitalize on the growing demand for grid modernization, renewable energy integration, and railway electrification.

Investment Rationale

Diversified Product and Service Portfolio: Kanohar Electricals operates across transformer manufacturing and EPC solutions for substations and transmission lines. Its product portfolio spans power, traction, Scott, and distribution transformers, alongside shunt reactors, reducing dependence on a single category and capturing growth across the power infrastructure ecosystem.

Technological Edge and Capabilities: The company is one of only five manufacturers in India holding short-circuit test certification for 500 MVA 400kV transformers and 100 MVA 220kV Scott-connected transformers. This technical prowess and its RDSO certifications enable it to execute complex, large-scale orders for utility and railway clients.

Robust Order Book Providing Strong Revenue Visibility: As of March 31, 2026, the company held a substantial order book of ₹1,818.32 Crores, comprising ₹1,621.69 Crores from transformer manufacturing and ₹196.63 Crores from the EPC segment. This order pipeline provides robust medium-term revenue visibility.

Consistent Financial Performance with Expanding Profitability: The company has demonstrated sustained growth, with Revenue from Operations reaching ₹653.84 Crores and Profit After Tax climbing to ₹129.73 Crores in FY 2026. Operating EBITDA margins expanded to 27.59% in FY 2026, alongside an exceptional ROCE of 70.13% and a low Gross Debt-to-Equity ratio of 0.10.

Beneficiary of Power Sector and Railway Modernization: Increasing government investments in power grid strengthening, railway electrification, and renewable energy integration provide structural growth opportunities. Kanohar Electricals is strategically positioned to benefit from this rising demand across the power transmission, railway, and renewable energy sectors.

Key Risk Factors

High Dependence on Government Entities and SEBs: Around 85.37% of FY26 revenue from operations (₹558.20 Crores) was generated from tenders awarded by government entities and state transmission utilities, with the top 10 customers accounting for 93.16%. Any policy changes, reduction in government budgetary allocations, tender delays, or risk of debarment could adversely affect business volume and revenue visibility.

High Working Capital Intensity and Stretched Receivable Cycles: Net working capital stood at ₹251.58 Crores in FY26 (38.48% of revenue), with trade receivables of ₹210.79 Crores and debtor days at 114 days. Staggered EPC payment milestones and inventory holding of ₹114.15 Crores (72 inventory days) create liquidity pressures and increase dependence on working capital financing.

Raw Material Price Volatility and Supplier Concentration: Cost of materials consumed formed 75.90% of total expenses (₹371.38 Crores) in FY26, with primary exposure to copper, CRGO steel, and transformer oil. The top 10 suppliers accounted for 71.49% of purchases without long-term supply contracts, exposing operating margins to unhedged commodity price spikes and supply disruptions.

EPC Project Execution, Gestation Periods, and Performance Guarantees: EPC contracts carry execution periods of 12 to 24 months, exposing the company to time and cost overruns, right-of-way hurdles, and liquidated damages. In addition, the company had outstanding guarantees and letters of credit of ₹324.82 Crores as of March 31, 2026, where any execution delays or guarantee invocations could severely impact cash flows.

Historical Operating Cash Flow Volatility and Indebtedness: Operating cash flow was negative at ₹(16.32) Crores in FY24 due to working capital lock-ins, while total borrowings stood at ₹385.56 Crores as of July 31, 2026, supported by promoter personal guarantees. Any recurrence of negative operating cash flows or credit rating downgrades from its CRISIL A-/Stable rating could constrain future financing and increase borrowing costs.

Financial Snapshot

Metric	FY24	FY25	In Cr FY26
Revenue from Operations	276.69	450.61	653.84
EBITDA	31.07	93.39	180.42
EBITDA Margin	11.23%	20.73%	27.59%
Profit After Tax (PAT)	17.76	65.12	129.73
PAT Margin	6.32%	14.24%	19.57%
Basic EPS (₹)	2.39	8.75	17.43

IPO Details and Use of Proceeds

Parameter	Details
Issuer	Kanohar Electricals Limited
IPO Issue Size	1,67,04,750 shares (agg. up to ₹1,056 Cr) Fresh Issue 47,46,835 shares (agg. up to ₹300 Cr) Offer for Sale 1,19,57,915 shares (agg. up to ₹756 Cr)
Price Band	₹601 – ₹632 per share
Face Value	₹2 per share
IPO Opening Date	8 September 2026
IPO Closing Date	10 September 2026
Listing	NSE / BSE
Promoter Holding (Pre/Post)	Pre-IPO: 99.72% → Post-IPO: ~78.64%
Book Running Lead Managers	Nuvama Wealth Management Limited, IIFL Capital Services Limited
Use of Proceeds	• ₹64.18 Cr towards funding the capital expenditure requirements of the company. • ₹155.00 Cr towards funding the incremental working capital requirements of the company.

Valuation and Outlook

At the upper price band of **₹632**, Kanohar Electricals Limited is valued at a FY26 P/E of **38.58x**, based on a post-issue market capitalization of **~₹5,005 Cr**. The RHP-listed peers Hitachi Energy India Limited, Transformers & Rectifiers (India) Limited, and GE Vernova T&D India Limited trade at FY26 P/E multiples of 159.55x, 32.19x, and 89.37x, respectively, with an average peer P/E multiple of 93.70x, making the valuation appear reasonable considering the company's presence in the power transmission and transformer manufacturing ecosystem, strong industry tailwinds from grid expansion and railway electrification, improving profitability, and strong order book. However, the business remains exposed to customer concentration, working-capital intensity, raw-material price volatility, and project execution risks. The proposed ₹155.00 Cr working capital allocation and ₹64.18 Cr capex should strengthen the balance sheet and support operational scalability. We recommend a **Subscribe stance** for a medium- to long-term investment horizon, while monitoring order inflows, working-capital cycle, margin sustainability, raw-material cost pass-through, and capacity utilisation.

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