

**KANO HAR**

# Before the Bell: IPO Edition

*by*

***Yash Shah*** (Asst. Manager - Research)



# Company Overview

- Kanohar Electricals Limited is one of the leading domestic players in manufacturing of power transformers, Traction transformers, Scott connected transformer, shunt reactors and high voltage gas insulated switchgear. The company manufactures transformers in the range of 400 kV and above, 220–400 kV and 220 kV and below.
- Kanohar is one of only four certified manufacturers in India to produce 100 MVA 132 kV Scott transformers, and one of just two Indian companies approved to manufacture 100 MVA 220 kV Scott transformers.
- The Company has a backward-integrated manufacturing setup that enables in-house production of critical transformer components such as tanks and radiators, supporting strong quality control, operating efficiency, and cost optimization. The Company operates two facilities in Rithani and Gangol, Meerut, Uttar Pradesh, with a combined transformer manufacturing capacity of 19,200 MVA as of September 30, 2025.
- **Competitive Advantages:**
  - **Limited Competition certificates:** The Company is among a very small group of approved Indian manufacturers to produce high-capacity Scott transformers for railway electrification, creating a strong entry barrier.
  - **Backward Integrated Manufacturing:** In-house production of transformer tanks and radiators improves quality control, reduces supply chain risk, and optimizes costs.
  - **Large Installed Capacity:** Aggregate manufacturing capacity of 19,200 MVA across two plants enables execution of large orders and scalability.
- **Risks/Challenges:**
  - **Capital Intensive Business:** Transformer manufacturing requires continuous investment in machinery, testing infrastructure, and working capital.
  - **Limited Customers:** Reliance on a small set of large institutional buyers increases exposure to project delays or cancellations.
  - **Competitive Environment:** Government and PSU contracts are typically awarded through price-sensitive tenders, which can impact margins.

# Financial Overview

(Amount in INR Crores)

Income Statement	FY 2022A	FY 2023A	FY 2024A	FY 2025A
Revenue from Operations	236	304	277	451
EBITDA	32	28	31	93
PBT	25	24	26	88
PAT	18	17	18	65

## Revenue by Segment (FY 2025):

- Transformer Manufacturing:
  - Revenue: INR 384 Crores (85%)
- EPC and Other Services:
  - Revenue: INR 67 Crores (15%)

## Key Points:

- The Company has shown good revenue growth from INR 236 crores in FY 2022 to INR 451 crores in FY 2024, with a fall in revenue in FY 2024
- The company is EBITDA positive, with EBITDA margins increasing from 9% in FY 2023 to 21% in FY 2025.
- The company has reported continuous profits, with Net Margins increasing from 6% in FY 2023 to 9% in FY 2025.

# Important Points

- The Company derives a significant portion of their revenue from operations, being approx. ~65%, from the Transformer Manufacturing business. Any changes to the demand of transformers would have an adverse impact on the business.
- The Company's significant portion of revenue is dependent on tenders being awarded by the government-controlled entities. These tenders are procured through competitive bidding process. Unable to procure such tenders in the future, would have an adverse impact on the business.
- **Financial Summary for Six-months ended 30<sup>th</sup> September, 2025:**
  - Revenue: INR 166 Crores
  - EBITDA: INR 43 Crores
  - PAT: INR 31 Crores
- **Revenue by Segment (Six-months ended 30<sup>th</sup> September, 2025):**
  - Transformer Manufacturing:
    - Revenue: INR 125 Crores
  - EPC and Other services:
    - Revenue: INR 40 Crores
- Out of the Annual Installed capacity of 19,000 MVA, the capacity utilization is approx. ~20%, signalling under-utilization of the manufacturing capacities and an inability to effectively utilize the manufacturing capacities. This could have an adverse impact on the business.
- The Company's full-time employee attrition rate is approximately ~20%. In simple words, 1 out of every 5 employees leave the Company every single year.

# *Disclaimer*

This material is for informational purposes only and should not be construed as investment advice. Ekvity makes no representations or warranties regarding the accuracy or completeness of the content. Any decisions made based on this information are solely at the recipient's risk, and Ekvity shall not be liable for any resulting loss.

