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Trade View Report-



Published Date	April 23rd, 2026
Rating	BUY
Trade Type	Long Term
Stock Name	TARIL
Entry Price	320
Target	400
Stop Loss Price	288
Target%	25%
SL%	10%

Rationale-

Transformers and Rectifiers (India) Limited (**TARIL**) is a prominent player in the Indian heavy electrical equipment industry, specializing in the manufacturing of high-voltage transformers and reactors.

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1. Investment Rationale

The core thesis for TARIL centers on its position as a "proxy play" for India's massive power grid expansion and the global energy transition.

- **Pioneer in High Voltage:** TARIL is the first Indian company to manufacture **1200 kV transformers**, making it a critical supplier for Power Grid Corporation of India (PGCIL) and large-scale industrial projects.
- **HVDC Technology Breakthrough:** The company recently secured a landmark order from PGCIL for the repair of an **HVDC transformer**. Successful execution is expected to grant them "approved manufacturer" status for HVDC technology—a high-margin segment currently dominated by global giants.
- **Green Energy Transition:** Significant demand from the renewables sector (solar/wind) for specialized step-up transformers and the expansion of Green Energy Corridors.
- **Import Substitution:** Government focus on "Make in India" in the power sector benefits domestic players like TARIL against Chinese competitors.

2. Growth Drivers & Data Points

- **Massive Order Pipeline:** Beyond the current order book of ₹5,005 Cr, the company has **inquiries under negotiation exceeding ₹23,000 Cr.**
- **Capacity Expansion:** TARIL is undertaking a CAPEX of **₹600 crore** over the next 15 months to significantly ramp up manufacturing capacity to meet domestic and export demand.
- **Export Focus:** Targeting higher-margin markets in the US, Europe, and Middle East. Exports typically offer better payment terms and better realizations than domestic SEB (State Electricity Board) contracts.
- **Product Mix:** * **Power Transformers:** ~65% of revenue.
 - **Reactors:** ~28% (High-margin stabilization units).
 - **Distribution/Special Transformers:** Remaining ~7%.

3. Important Data Points & Technicals

- **Market Cap:** ~₹9,200 Cr (Small-cap).
- **Debt Status:** Moving towards a **net-debt-free** status within the next 18–24 months using proceeds from previous QIPs and internal accruals.
- **Execution Capability:** FY26 saw the company's **highest-ever production of 33,000 MVA**.

4. Risks to Monitor

1. **Margin Pressure:** Rising costs of raw materials like **Copper and CRGO Steel** (Cold Rolled Grain Oriented) can squeeze margins if price variation clauses are not fully passed on.
2. **Working Capital Intensity:** The business requires significant capital to be locked in for long-cycle projects (inventory and receivables).
3. **Cyclicality:** As a capital goods company, it is highly sensitive to the economic cycle and government infrastructure spending.

4. Full Year (FY26) Financial Performance

The annual figures reflect the company's successful scaling and execution of its record order book.

- **Consolidated Revenue:** ₹2,508.80 crore, up **24.2% YoY** from ₹2,019 crore in FY25.
- **Consolidated Net Profit (PAT):** ₹272.09 crore, a significant **25.6% increase** compared to ₹216.58 crore in FY25.
- **EBITDA:** ₹444 crore, representing a **23.6% growth** year-on-year.
- **Operating Margins:** The consolidated PAT margin remained stable at **10.6%**, while the standalone EBITDA margin moderated slightly to **15.1%** (down from 16.0% in FY25).

6. Q4 FY26 (Quarter Ended March 2026)

The quarterly performance was mixed, with strong revenue but a slight dip in bottom-line profitability on a year-on-year basis.

- **Quarterly Revenue: ₹782.67 crore, up 15.7% YoY.**
- **Quarterly Net Profit: ₹91.10 crore, down 3.3% YoY** from ₹94.17 crore in Q4 FY25, primarily due to rising material costs.
- **Margin Compression:** Consolidated PAT margin fell to **11.3%** (from 13.8% in Q4 FY25). This was largely attributed to a **surge in copper prices** and higher employee expenses (including ESOPs).

7. Order Book & Pipeline

TARIL continues to have one of the strongest visibility profiles in the sector.

- **Unexecuted Order Book: ₹5,005 crore** as of March 31, 2026.
- **FY26 Order Inflow: ₹2,374 crore**, including a strategic ₹244 crore in Q4.
- **Future Pipeline:** Inquiries under negotiation exceed **₹23,000 crore**, indicating massive potential for the next 2-3 years.
- **Selective Strategy:** Management mentioned they are being "selective" with new orders, prioritizing higher-margin projects and favorable payment terms.

8. Corporate Actions & Growth Outlook

- **Dividend:** The Board recommended a final dividend of **₹0.25 per share** (25% of face value).
- **Capacity Expansion:** Plans to invest **₹600 crore in CAPEX** over the next 15 months. The target is to reach a total installed capacity of **75,000 MVA**.
- **Backward Integration:** The company is setting up facilities for CTC, bushings, and pressboards to become fully integrated by **Q1 FY28**, which is expected to improve future margins by **150-200 bps**.

- **HVDC Entry:** Secured a landmark repair order for an HVDC transformer from PGCIL; successful execution could unlock the high-margin 800 kV and 1200 kV HVDC manufacturing segment.

9. Market Reaction & Technical Data

- **Stock Price:** Fell ~12% on April 22, 2026, settling around ₹309, as the market reacted to the quarterly margin miss and revenue slightly trailing the high-end guidance of ₹2,600 crore.
- **Target Revenue:** Management is maintaining a long-term goal of reaching **\$1 billion (~₹8,500 crore)** in revenue over the next three years.

Disclaimer-

Investment in securities market is subject to market risks. Read all the related documents carefully before investing. Trading in Futures & Options (F&O) carries high risk as it depends on market momentum. "Registration granted by SEBI & Certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to Investors." Past performance is no guarantee of future results.

Intraday- Not more than one day

Short term – 0-15 days

Medium term – 1- 3 months

Long term – more than a Year

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