BONANZA RESEARCH – SME IPO

Bonanza

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Accord Transformer & Switchgear Ltd - SUBSCRIBE

Company Overview

Accord Transformer & Switchgear Limited is a specialized manufacturer of electrical power and distribution transformers and allied equipment, incorporated on June 20, 2014. The company serves diverse sectors including power transmission & distribution, renewable energy, industrial applications, infrastructure, and EV charging networks.

Investment Rationale

- The ATSL has provided steady growth in terms of revenue as well as profitability over the past three years. The revenue from operations has grown from Rs. 4,078 Lakh to Rs. 7,902 Lakh in FY25. The PAT has grown from Rs. 88 Lakh to Rs. 605 Lakh in FY25. The company has provided a robust RoNW of 28.10% in FY25, and the EBITDA margin has improved from 3.77% to 11.52% in FY25.
- As of Jan 2026, the company's order book stands at Rs. 16,426 Lakh. This is a clear indication of the high level of market confidence and provides a high level of revenue visibility in the future periods.
- The company had tie-ups with the leading global technology companies to improve their product offerings and innovation. SGB-SMIT GmbH collaboration on advanced transformer technologies, Lucy Electric India authorized license partner for the sale of Compact Substations, and Schneider Electric India collaboration for customized PrismaSet control panels and low voltage technologies.
- The company provides a wide range of electrical equipment, including power and distribution transformers, dry type transformers, and control panels. It is strategically positioned to take advantage of the Renewable Energy, EV Infrastructure, and Smart Technology.
- The company is progressing with its growth plans through its significant capacity expansion plans, including the setting up of a new facility in the NCR region exclusively for the manufacturing of transformers up to the 220kV, 315MVA class. This move strategically targets the higher capacity segment of the market, which provides improved profit margins and positions the organization to take advantage of the growing demand for advanced electrical infrastructure.
- The electrical equipment industry is enjoying the benefits of the strong macro-economic trends, with the Indian power sector growing at a rate of 6.5% per annum, this growth is further fueled by the government's ambitious plan to achieve 500 GW of renewable energy capacity by 2030, in addition to the growing demand for EV infrastructure.

Valuation

ATSL shows remarkable growth and profitability, with a robust order book and partnerships, the negative operating cash flows, long working capital cycle, and high customer concentration are major concerns. The debt servicing ability of the company is also under stress. ATSL is listed at Rs. 46 per share. At this level, the stock is quoting at a P/E ratio of approximately 15.64x, based on FY25 EPS of Rs. 2.94, which is substantially lower than the industry peer average of 25.76x. Based on overall factors, we recommend **SUBSCRIBE** for this SME IPO.

IPO Details	
Industry	Heavy Electrical Equipment
Issue Open Date	23-Feb-26
Issue Close Date	25-Feb-26
Price Band	Rs. 43-46
Issue Size*	Rs. 2,559 Lakh
Issue Size (Shares)	55,62,000
Bid Lot	3,000 Shares
Listing Exchanges	BSE SME
Face Value	Rs. 10/-

* *At highest price band

Issue Details	
Fresh Issue*	Rs. 2,559 Lakh
Issue Type	Fresh Capital
Lead Manager	GYR Capital Advisors
Registar	Kfin Technologies
Issue structure	Market Maker: 5.07% QIB: 47.46% NII: 14.24% Retail: 33.23%
Allotment	26-Feb-26
Credit of Shares	27-Feb-26
Listing Date	02-Mar-26

Objective of Issue

Particular	Estimated Amt (in Lakh)
Capex	1,303
Working Capital	1,000
Corporate Purpose	-

Shareholding Pattern

Shareholding (%)	Pre (%)	Post (%)
Promoter	84.94	61.98
Public & Others	15.06	38.02

Business Highlights

1. **Product Portfolio**

- Distribution Transformers (up to 2.5 MVA, 36 kV)
- Power Transformers (up to 20 MVA, 33 kV)
- Dry Type Transformers (up to 5000 KVA, 33 kV)
- Solar & Special Duty Transformers (wind inverter, furnace duty)
- Control Panels: LV Control Switchboards, APFC Panels, Prisma Set panels
- Compact & Skid-Mounted Substations (up to 2500 KVA, 36 kV)
- EV Charging Stations, Bus-ducts, Cable Trays

2. **Operational Metrics**

- Order Book: Rs. 16,426 Lakh.
- Capacity Utilization: 55.88%, FY25
- Employee Strength: 114 Employees
- Customer Concentration: Top 10 customers 84.16% of revenue.
- Manufacturing Capacity: 847.56 MVA

Financials

Financial Performance:

Particulars (in Lakh)	FY23	FY24	FY25	9MFY26	CAGR (FY23-25)
Revenue from Operations	4,078	4,854	7,902	4,522	39%
EBITDA	154	267	910	462	143%
EBITDA Margin	3.77%	5.51%	11.52%	10.21%	773bps
PAT	88	161	605	291	163%
PAT Margin	2.15%	3.31%	7.66%	6.44%	551bps

- Exceptional Revenue Growth: 62.8% YoY in FY25, demonstrating strong demand capture
- Margin Expansion: EBITDA margin improved from 3.77% to 11.49%.
- Profitability Surge: PAT jumped 276.8% in FY25, reflecting operational leverage

Balance Sheet:

Particulars	FY2023	FY2024	FY2025	H1FY26	Particulars	FY2023	FY2024	FY2025	H1FY26
Equity & Liabilities					**Assets**				
Net Worth	443	443	2,154	2,445	PPE	267	485	711	810
Long Term Debt	-	27	79	56	Inventories	549	1063	1808	1419
Short Term Debt	230	886	1,101	382	Trade Rec.	362	680	2851	1018
Trade Payables	637	815	1511	560	Cash	116	66	127	152

- Strong Net worth Growth: 256.7% increase in FY25 to Rs. 2,154 Lakh.
- Asset Expansion: Total assets doubled indicating aggressive growth phase.
- Working Capital Intensive: Current assets grew 148% driven by inventory and receivables.

Cash Flow:

Particulars	FY 2023	FY 2024	FY 2025	9M FY 2026
Operating Cash Flow	187.87	(493.42)	(893.14)	904.60
Investing Cash Flow	(10.91)	(230.69)	(268.73)	(137.52)
Financing Cash Flow	(101.67)	646.57	1,159.92	(769.70)
Net Cash Flow	75.29	(77.54)	(1.95)	(2.62)

- **Negative Operating Cash Flow:** OCF turned negative in FY24-25 due to working capital buildup.
- **Working Capital Blockage:** Significant investment in inventory and receivables.
- **Financing Support:** Strong debt and equity infusion to fund growth.

Key Ratios:

Ratio	FY25
Return on Equity	43.90%
Return on Capital Employed	26.09%
Debt-Equity Ratio	0.55x
Current Ratio	1.41x
EPS (Rs)	4.35
NAV (Rs)	14.35

- ROE of 43.90% (FY25) indicates improving, and ROCE of 26.09% indicate strongly recover from 16.47% (FY24).
- D/E improved from 1.51x (FY24) to 0.55x (FY25).
- Current Ratio of 1.41x indicates better liquidity.

Peer Comparison

Metrics (FY25)	Accord Transformer	Danish Power	Transformers and Rectifiers	Voltamp Transformers
Revenue	7,902	42,671	2,01,938	1,93,423
EBITDA	7,902	8,904	35,916	45,092
PAT	605	5,759	21,644	32,541
EPS	4.35	34.55	7.21	321.65
RONW	28.10%	18.00%	17.01%	20.50%
NAV	14.35	162.50	42.39	1569.24
P/E Ratio		18.09	34.43	24.76

Risk & Concern

- **High Customer Concentration:** Top 10 customers contribute 84.16% and Top 5 customers alone contribute 73.62% of FY25 revenue.
- **Negative Operating Cash Flow:** OCF negative for 2 consecutive years, indicates severe working capital blockage.
- **Extended Working Capital Cycle:** Net WC cycle increased from 40 days to 107 days, Debtor days doubled to 82 days, and Inventory days increased to 83 days in FY25.
- **Weak Interest Coverage:** DSCR of 0.77x in FY25, indicates pressure on debt servicing capability.
- **Leased Manufacturing Premises:** One major manufacturing unit is on leased land, Non-renewal risk could disrupt operations.
- **Promoter Disqualification History**: MD Mr. Pradeep Kumar Verma was disqualified under Section 164(2)(a) from Nov 2016 to Oct 2021.
- **Related Party Transactions:** Significant loans from promoters and related entities. Director remuneration of Rs. 46 lakh for 9M period.
- **Low Capacity Utilization:** Only 55.88% capacity utilization in FY25.
- **Geographic Concentration:** Heavy dependence on single Rajasthan facility.

Name	Designation	
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