SME IPO Note

BONANZA RESEARCH – SME IPO

Bonanza

10 September 2026

Raksan Transformers Limited – Subscribe

Company Overview

Raksan Transformers Limited, incorporated in 1995 and operating out of Rai, Sonipat, is an ISO 9001:2015 certified manufacturer of distribution, power, solar and special purpose transformers. It supplies state utilities, PSUs, EPC contractors and industrial clients from two units with 15,00,000 KVA and 1,350 MVA of installed capacity.

Investment Rationale

- **Transmission and Distribution Capex Cycle:** India's electrical equipment market is projected to grow from USD 52.98 Bn in 2022 to about USD 125 Bn by 2027, an 11.68% CAGR, with peak power demand estimated at 277 GW in FY27. Transformers sit at the centre of this build out.
- **Full Utilisation with a Funded Expansion:** FY26 capacity utilisation was 91.68% for distribution transformers and 95.18% for power transformers. The Rs. 6,213.66 Lakh capex takes power transformer capacity from 1,350 MVA to 3,250 MVA and adds 704 MVA of inverter duty capacity, with orders for 75.86% of the spend already placed.
- **Order Book Visibility:** 83 orders worth Rs. 32,967.92 Lakh as on 30 June 2026, equal to 0.91x FY26 revenue from operations.
- **Sharp Earnings Ramp:** Revenue compounded at 50.2% and PAT at 110.4% over FY24 to FY26. EBITDA margin widened from 6.33% to 12.87% as raw material cost fell from 86.13% to 80.18% of revenue on a richer power transformer mix.
- **Return Ratios with Low Leverage:** FY26 ROE of 55.32%, ROCE of 46.72% and RoNW of 43.41% on a debt equity ratio of 0.27x, the lowest gearing among the RHP peer set.
- **Widening Customer Base:** Top 10 customer concentration fell from 83.52% in FY24 to 71.49% in FY26 and the top 5 from 68.07% to 46.36%, with private B2B sales rising to 49.22% of revenue.

Valuation

At the upper band of Rs. 273, Raksan is valued at 13.39x FY26 EPS of Rs. 20.39 on pre issue equity and 16.98x on fully diluted post issue EPS of Rs. 16.08, against the peer average P/E of 35.62x. Post issue market capitalisation works out to Rs. 57,039 Lakh, or 1.57x FY26 revenue, and about 2.9x post issue book value. A near fully utilised asset base, a funded capacity expansion of more than 2x in power transformers and an order book covering above 11 months of FY26 revenue support the pricing. We recommend **SUBSCRIBE** to this SME IPO

IPO Details	
Industry	Transformer
Issue Open Date	10-Sep-26
Issue Close Date	15-Sep-26
Price Band	Rs. 258-273
Issue Size*	Rs. 15,050 Lakh
Issue Size (Shares)	55,12,800
Bid Lot	400 Shares
Listing Exchanges	BSE SME
Face Value	Rs. 10/-

* At highest price band

Issue Details	
Fresh Issue*	Rs. 12,047 Lakh
Offer for Sale*	Rs. 3,003 Lakh
Issue Type	Fresh Capital and OFS
Lead Manager	Hem Securities
Registrar	Bigshare Services
Issue structure	Market Maker: 5.01% QIB: 47.47% NII: 14.26% Retail: 33.26%
Allotment	16-Sep-26
Credit of Shares	17-Sep-26
Listing Date	18-Sep-26

Objective of Issue

Particular	Estimated Amt (in Lakh)
Capex	6,213.66
Working Capital	3,500.00
Repayment of Borrowings	728.34
General Corporate Purposes	-

Shareholding Pattern

Shareholding (%)	Pre (%)	Post (%)
Promoter	100.00	73.61
Public & Others		26.39

Business Highlights

- **Product Mix (FY26):** Distribution transformers up to 3150 KVA at 64.18% of revenue, power transformers at 27.58% and other items including breakers, copper coils and job work at 8.24%.
- **Customer Mix (FY26):** B2G 50.73% and B2B 49.22%. The company is an approved vendor for more than 20 power distribution corporations, PSUs and public utilities and served about 121 customers during FY26.
- **Geographic Revenue Split (FY26):** Uttar Pradesh 58.56%, Bihar 14.22%, Madhya Pradesh 8.21%, Haryana 7.79%, Jammu and Kashmir 6.97%, West Bengal 1.38% and other states 2.87%.
- **Backward Integration:** In house core cutting and slitting, wire and strip drawing, tank fabrication and a testing laboratory for routine and type tests, with group company SHR Power supplying transformer tanks and bodies.

Financials

Profit & Loss Statement:

Particulars (in Lakh)	FY24	FY25	FY26	CAGR (FY24-26)
Revenue from Operations	16,094.61	32,420.98	36,310.82	50%
EBITDA	1,019.37	2,951.01	4,671.90	114%
EBITDA Margin	6.33%	9.10%	12.87%	
PAT	759.06	2,037.67	3,360.48	110%
PAT Margin	4.72%	6.29%	9.25%	

- Revenue more than doubled over two years, but FY26 growth of 12.00% was far slower than FY25 as transformer sales rose only 4.34% and Rs. 2,537.93 Lakh of newly commenced traded goods revenue made up the balance.
- EBITDA margin expanded 654 bps over FY24 to FY26. Raw material cost fell to 80.18% of revenue from 86.13% on a heavier power transformer mix and better material utilisation.
- Finance cost fell 35.82% in FY26 to Rs. 105.54 Lakh as total borrowings reduced to Rs. 2,073.64 Lakh from Rs. 2,350.87 Lakh.
- FY26 EPS of Rs. 20.39 is stated after the 1,56,13,200 share bonus issue of 6 September 2025, so the three year EPS series is comparable.
- Earnings are back ended, with Q4 contributing 41.77% of FY26 revenue and Q1 to Q3 averaging under 20% each.

Balance Sheet:

Particulars	FY24	FY25	FY26	Particulars	FY24	FY25	FY26
Equity & Liabilities				**Assets**			
Net Worth	2,369.54	4,407.13	7,741.59	PPE	868.50	3,256.83	4,056.95
Long Term Debt	213.37	1,013.73	824.66	Inventories	1,944.91	2,124.47	2,591.17
Short Term Debt	767.69	1,337.14	1,248.98	Trade Rec.	2,012.19	5,202.21	7,321.19
Trade Payables	2,668.63	4,242.27	4,351.85	Cash	464.04	20.77	22.57

- Net worth more than tripled in two years purely on retained earnings. The FY26 jump in share capital to Rs. 1,648.06 Lakh reflects the bonus issue and not fresh money.
- Trade receivables rose 3.6x to Rs. 7,321.19 Lakh and now equal 20.2% of revenue, taking debtor days to 74 from 46 in FY24.
- Total borrowings fell to Rs. 2,073.64 Lakh, taking debt equity to 0.27x from 0.53x in FY25. Rs. 728.34 Lakh will be repaid from the net proceeds.
- PPE grew 4.7x to Rs. 4,056.95 Lakh as the second unit was built out, with a further Rs. 365.54 Lakh of capital work in progress yet to be capitalised.
- Cash of Rs. 22.57 Lakh is negligible, so the entire working capital block is funded by the cash credit line and supplier credit.

Cash Flow:

Particulars	FY24	FY25	FY26
Operating Cash Flow	742.97	536.22	1,488.53
Investing Cash Flow	(742.20)	(2,255.36)	(1,118.85)
Financing Cash Flow	357.59	1,275.87	(367.87)
Net Cash Flow	358.37	(443.26)	1.80

- Operating cash flow rose 178% in FY26 to Rs. 1,488.53 Lakh, but converted only 44% of PAT as receivables absorbed Rs. 2,118.97 Lakh during the year.
- Cumulative operating cash flow of Rs. 2,767.72 Lakh over FY24 to FY26 against cumulative PAT of Rs. 6,157.21 Lakh confirms a working capital heavy model.
- Investing outflows of Rs. 4,116.41 Lakh over three years show the capacity build has been under way well ahead of the IPO, largely debt and accrual funded.
- FY26 financing turned negative for the first time as the company repaid debt and paid a maiden dividend of Rs. 26.02 Lakh.

Key Ratios:

Particular	FY26
Return on Equity	55.32%
Return on Capital Employed	46.72%
Debt-Equity Ratio	0.27x
Current Ratio	1.47x
EPS (Rs.)	20.39
NAV (Rs.)	46.97

Working Capital Cycle:

Particulars	FY24	FY25	FY26
Debtor Days	46	59	74
Inventory Days	51	29	32
Creditor Days	70	57	55
Net Working Capital Cycle	**27**	**31**	**51**

Peer Comparison

Company	Revenue from Ops (Rs. Lakh)	Basic EPS (Rs.)	NAV (Rs.)	RoNW (%)	P/E (x)
Raksan Transformers	36,310.82	20.39	46.97	43.41%	13.39
Marsons Limited	24,503.09	2.69	12.64	21.28%	49.63
Shilchar Technologies	65,193.99	138.25	429.05	32.22%	29.47
Supreme Power Equipment	18,164.04	8.18	47.30	17.49%	27.75
Peer Average P/E					**35.62**

Risk & Concerns

- **Customer Concentration:** Top 10 customers were 71.49% of FY26 revenue and the top 5 were 46.36%, with no long term supply contracts in place.
- **Government Dependence:** B2G sales were 50.73% of FY26 revenue, exposing the company to tender timing, budget allocations and long utility payment cycles.
- **Geographic Concentration:** Uttar Pradesh alone contributed 58.56% of FY26 revenue and the top three states 81.0%.
- **Working Capital Stretch:** The cash cycle widened to 51 days from 27 in FY24 and operating cash flow converted just 44% of FY26 PAT.
- **Related Party Purchases:** Purchases from group company SHR Power Private Limited were Rs. 4,470.38 Lakh in FY26, about 15% of the material cost line.
- **Compliance History:** ROC filings prior to 2006 are untraceable, statutory returns were filed late in the past, and one promoter was earlier a director of a company that was struck off.
- **Raw Material Volatility:** CRGO steel, copper and aluminium drive 80.18% of revenue with no long term supply agreements and no contractual pass through.

Name	Designation		
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