Atlanta Electricals Ltd – IPO Investment Note

Issue Open	Issue Close	Price Band (₹)	Rating
22 Sept 2025	24 Sept 2025	₹718-754	Neutral

Investment Summary

Atlanta Electricals Limited ("AEL") is raising capital through a mix of fresh issue (₹400 Cr) and an Offer for Sale of 3.81 mn shares. The price band is **₹718–₹754**, translating into a post-issue market cap of ~₹5,797 Cr.

The company manufactures transformers up to 500 MVA/765 kV, catering mainly to PSUs, state utilities, and EPC contractors. FY25 financials highlight revenue of ₹1,244 Cr (+43% YoY), PAT of ₹118.6 Cr, and margins of ~9.5%. Order book as of FY25 was ₹1,643 Cr (~1.3x revenue) with PSU dominance (~82%). Reported ROE/ROCE are impressive at 34%/39%.

Valuation, however, is stretched. FY25 EPS stands at ₹16.6, implying a **P/E of 46.3x** at the upper band — a significant premium to peers such as Voltamp (23x) and T&R (30x). The IPO is essentially priced for perfection, despite structural risks of PSU dependence, working capital stretch, and weak cash conversion.

Verdict: Neutral. Investment case (high growth, margin expansion, ROE >30%) is balanced by risks (PSU dependency, leverage history, governance overhang). Subscription appeal depends on final pricing vs peer set.

Company Overview

Atlanta Electricals was incorporated in 1988 and has grown into a mid-scale transformer manufacturer with over 35 years of operating history. The promoters operate through *Atlanta UHV Transformers LLP*. The group structure includes subsidiaries engaged in transformer components and fabricated tanks.

The company manufactures power, auto, furnace, and inverter-duty transformers, with a capacity range extending up to 500 MVA and voltage ratings up to 765 kV. The business is almost entirely domestic, with operations spanning 19 states and 3 union territories. Exports are negligible, and private sector clients account for only 18% of order book exposure.

FY25 revenue was ₹1,244 Cr, translating into PAT of ₹118.6 Cr. Order inflows remain lumpy, reflecting dependence on PSU and state utility tender cycles. Working capital requirements are elevated, with ~65 days tied up, largely due to delayed receivables from government clients.

Business Model

AEL's model is project/order-based manufacturing, executing contracts largely for government utilities, SEBs, and PSUs. Orders are typically awarded via competitive bidding. Execution involves:

1. **Design and manufacturing** of transformers (power, auto, furnace, inverter duty).
2. **Component integration** via group subsidiaries.
3. **Delivery and installation** to state utilities and EPC contractors.

Revenue recognition is on project execution, making topline growth highly cyclical and contingent on state/PSU tender flows. PSU dominance (82% of FY25 order book) creates both visibility and vulnerability: execution risk is low (PSUs pay eventually), but timelines are unpredictable, and margins are capped by L1 tendering.

Financial Analysis

Particulars	FY23	FY24	FY25	CAGR %
Revenue	873.9	867.6	1244.2	19.3
EBITDA	143.1	123.2	199.9	18.3
PAT	87.5	63.5	118.6	16.6
ROE (%)	53.1	27.8	33.9	–
ROCE (%)	58.0	42.3	39.4	–
EPS (₹)	–	–	16.6	–
P/E (x) @ ₹754	–	–	46.3	–

Industry Landscape

India's transformer industry was ~$2.5 bn in FY24 and is projected to grow at ~12% CAGR, reaching ~$5 bn by 2030. Drivers include:

- **Grid modernization:** Revamped Distribution Sector Scheme targets loss reduction and infra strengthening.
- **Renewables:** India's 500 GW non-fossil capacity target by 2030 requires large transmission capacity additions.
- **Railway electrification:** Expansion of electrified tracks and metro systems boosts medium-capacity transformer demand.
- **EV infra:** High-voltage charging requires distribution-grade transformers.

Entry barriers include capital intensity, NABL-accredited labs, and long vendor-approval cycles. Substitutes are non-existent, but competitive intensity is high. Major players include Voltamp, T&R, Danish Power, and global leaders like Hitachi Energy.

AEL's positioning is mid-capacity transformers up to 765 kV. This puts it ahead of small local units but below large global OEMs with advanced technology and export footprints. The absence of exports is a critical gap relative to Voltamp and Danish Power, which are increasingly targeting overseas markets.

Peer Comparison

Company	CMP (₹)	MCap (₹ Cr)	P/E (x)	EV/EBITDA (x)	ROE (%)	ROCE (%)	Comment
Voltamp Transformers	~6,000	~19,000	23x	20x	22.7	29.6	Leader, private-heavy mix
Transformers & Rectifiers	~800	~7,000	30x	25x	17.3	21.9	Smaller, turnaround play
Danish Power	~250	~1,500	18x	15x	18.0	26.0	Small-cap, high growth
Atlanta Electricals IPO	754	5,797	46.3x	20–22x	33.9	39.4	Expensive, PSU-heavy

Investment Rationale

1. High reported return ratios
Atlanta Electricals reported ROE of 33.9% and ROCE of 39.4% in FY25, significantly higher than peers such as Voltamp (ROE 20.5%, ROCE 27.6%). The company's profitability is supported by robust EBITDA margins of 16.1% in FY25 (vs. 14.2% in FY24), disciplined cost structures, and tight working capital management (65 days vs. 97 days for Voltamp). This combination of high margins and efficient capital deployment makes AEL one of the most profitable players in the transformer space, underscoring its strong financial positioning ahead of its IPO.

2. Sectoral tailwinds
The Indian transformer industry is entering a multi-year growth phase, supported by structural demand drivers across power, renewable, and industrial segments. Government programs such as Green Energy Corridor (GEC-II) and the Revamped Distribution Sector Scheme (RDSS) are aimed at modernizing the grid and integrating ~19.4 GW of renewable capacity into intra-state transmission networks. Additionally, India's commitment to achieving 500 GW of non-fossil fuel power capacity by 2030 ensures steady demand for transformers in solar and wind projects, where they are critical for stepping up voltages and managing harmonics. Atlanta Electricals already derives 21% of FY25 revenues from renewable-linked orders, up from 10% in FY24, reflecting early positioning in this growth opportunity. Beyond renewables, the broader push for electrification in railways, EV charging infrastructure, industrial capex, and the rapid rise of data centres is expected to drive transformer demand at a 21–22% CAGR between FY25–30. Collectively, these secular drivers create a long runway for growth, where AEL is well-placed given its scale and established customer base.

3. Strong order book visibility
As of FY25, Atlanta Electricals reported an order book of ₹16,430 mn, ~1.3x FY25 revenues of ₹12,442 mn, providing medium-term revenue visibility. The order book is diversified across state transmission utilities, renewable EPCs, and private industrial customers, with 82% of orders from government and PSU entities (₹13,485 mn), which ensures lower counterparty risk. The healthy backlog, supported by strong tendering activity in the sector, provides stability to future earnings.

4. Legacy operations and vendor credibility
Established in 1988, Atlanta Electricals brings a 35+ year legacy of operations. It is an approved vendor for marquee PSUs such as Power Grid Corporation of India (PGCIL) and Indian Railways, along with state utilities like GETCO and APTRANSCO, and private sector customers such as Adani Green, Tata Power, and O2 Power. The PSU/vendor approval process in transformers is highly stringent, creating high entry barriers for new entrants. AEL's long-standing relationships and repeat orders from these entities reinforce its credibility and competitive moat in the industry.

5. Capacity and scale advantage
AEL has an installed manufacturing capacity of 47,280 MVA per annum (covering transformers up to 200 MVA/220 kV) across five facilities. It commands an estimated ~12% market share in India's transformer segment (5–200 MVA, ≤220 kV). The recent acquisition of BTW-Atlanta Transformers India Pvt. Ltd. has expanded its technical capabilities and product offerings, allowing participation in larger and more complex projects. This scale not only drives cost efficiencies but also positions AEL as a preferred supplier for high-value tenders.

Key Risks & Concerns

- **PSU concentration:** 82% of order book. Any slowdown in PSU tendering hits revenues disproportionately.
- **Valuation risk:** At 46x P/E, the IPO is priced above industry leaders despite weaker diversification.
- **Working capital stress:** 65-day cycle with delayed PSU receivables. Cash conversion remains untested.
- **Cyclicality:** Revenue volatility evidenced by flat FY24 revenues followed by FY25 rebound.

IPO Details and Use of Proceeds

Parameter	Details
Issuer	Atlanta Electricals Ltd
IPO Structure	Book-building; ₹400 Cr fresh issue and OFS (Offer for Sale) of 287.34 Cr
Issue Size	₹687.34 crore total
Price Band	₹718-754 per share
Face Value	₹2 per share
Post-Issue Market Cap	₹5,797 Cr (based on upper band price of ₹754/share)
IPO Opening Date	September 22, 2025
IPO Closing Date	September 24, 2025
Listing	BSE & NSE
Promoter Holding (Pre/Post)	Pre-IPO: ~94.36%; post-IPO: ~86.97%
Book Running Lead Managers	Motilal Oswal Investment Advisors Ltd
Use of Proceeds	• Repayment of Debt • Working Capital Requirements • General corporate purposes

Valuation and Outlook

At the upper band of ₹754, AEL trades at **46.3x P/E** and ~20–22x EV/EBITDA, which is significantly above Voltamp (23x P/E, 20x EV/EBITDA) and T&R (30x, 25x). Despite higher reported ROE/ROCE, AEL's PSU-heavy model and weak cash flow profile warrant a discount, not a premium. The IPO is therefore expensive on fundamentals. GMP of ~18% suggests listing gains are likely, but the medium-term outlook depends on reducing PSU dependence, improving cash conversion, and achieving steadier order inflows.

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