



Rajesh Power Services

A Gujarat power-distribution contractor that has grown eightfold in three years and earns a 47% ROCE. Its shares trade at under 10x earnings and at less than half their 52-week high. The discount exists because three years of profit have produced no operating cash, and because of a wide set of related-party arrangements. We think the discount has gone too far, but only just.

RATING

BUY

TARGET PRICE

₹945

CMP (9 OCT 2026)

₹733

UPSIDE (BASE CASE)

+28.9%

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BUY

Rajesh Power Services Ltd

544291

Returns and growth that look excellent, priced at under 10x earnings because the cash has not arrived yet. A high-risk BUY that depends on working capital easing

Summary

Rajesh Power Services is an Ahmedabad-based power transmission and distribution contractor. It traces its history to 1971 and listed on the BSE SME platform in December 2024, after an IPO priced at ₹335. Most of its work is underground cabling, medium-voltage covered conductor (MVCC) conversion and substations for Gujarat's distribution and transmission utilities. It holds a Class "AA" electrical contractor licence in Gujarat and Class "A" in Rajasthan and Madhya Pradesh. It also owns 25.48% of HKRP Innovations, a smart-grid software company. In FY26 it signed its first battery storage project: a 65 MW / 130 MWh asset it will own, with a 12-year tariff contract from GUVNL. The founding Panchal and Patel families hold 72.70%.

Growth has been fast. Revenue rose from ₹207 crore in FY23 to ₹1,628 crore in FY26. FY26 alone was up 52%, with EBITDA of ₹197 crore (a 12.1% margin) and consolidated net profit of ₹143 crore. ROCE is about 44–47% depending on the source. The order book plus L1 bids stood at ₹3,326 crore in March 2026 and ₹3,742 crore in June. CRISIL moved its A- rating to a Positive outlook in July. Management is guiding to about 40% revenue growth in FY27 at an 11–12% EBITDA margin.

None of that profit has turned into cash. Standalone operating cash flow was –₹22 crore in FY24, –₹26.7 crore in FY25 and –₹41.4 crore in FY26. In FY26, working capital absorbed ₹212 crore, equal to 38% of the year's revenue increase. Receivables plus retention money reached 141 days of revenue. The gap was filled by stretching suppliers, including ₹86.8 crore owed to MSMEs (up from ₹4.9 crore) and ₹86.5 crore under bank supplier-finance arrangements, and by ₹49 crore of extra borrowing. The share price has fallen from a 52-week high of ₹1,605 to ₹733, and at that price the stock trades on 9.6x trailing earnings.

Our rating is BUY, with a target of ₹945 (+28.9%). Even after assuming growth well below guidance, a heavy working-capital drag, a 14% cost of capital and a deep discount to peers, both our methods value the shares above today's price. The discount is still justified to a large degree. Customer and geographic concentration is high, the related-party arrangements are extensive, and the annual

TARGET PRICE

12-month target	₹945
CMP (9 Oct 2026)	₹733
Implied upside	+28.9%
Rating	BUY (high risk)

KEY STOCK DATA

Market cap	₹1,320 cr
P/E (TTM, standalone)	9.6x
P/E (FY27E, Dart base)	7.4x
52-week range	₹705 – ₹1,605
Book value/share	₹217 (standalone)
Dividend (FY26)	₹1/share
Net debt (Mar 2026)	~₹126 cr*
Shares outstanding	1.80 cr (FV ₹10)
Listing	BSE SME

SHAREHOLDING (MAR 2026)

Promoter group	72.70%
FII	0.68%
DII	3.52%
Public (6,172 holders)	23.11%

FINANCIAL SNAPSHOT (₹ CR)

	FY25	FY26	Q1 FY27
Revenue	1,072	1,628	437
EBITDA	124	197	n/d
PAT (consol.)	96.6	143.2	n/d
CFO (standalone)	–26.7	–41.4	n/d

*Borrowings of ₹127.2cr less free cash of ₹1.3cr. A further ₹80cr of fixed deposits is held as margin money against bank guarantees and is not counted as



report contradicts itself in several places. If working capital keeps absorbing 38% of incremental revenue, as it did in FY26, our DCF falls below the current price. We call this a high-risk BUY.

free cash. Q1 FY27 is a revenue-only business update; the company reports results half-yearly. n/d = not disclosed.

Core thesis: where we think the market has it wrong

- **The market is pricing Rajesh Power as if its earnings will never turn into cash.** At 9.6x trailing and about 7.4x our FY27 base-case earnings, the stock trades at a 35–63% discount to listed T&D EPC peers: Transrail at 14.9x, KEC at 16.4x, Kalpataru at 21.4x and Techno Electric at 25.8x. That is despite the highest ROCE in the group (47.3% against 15–34%). The negative cash flow is real, but much of it is how this kind of contract works. Retention money of 10–30% per contract is held back until commissioning or the end of the defect-liability period, and it went from ₹122 crore to ₹279 crore as the business grew. Our DCF assumes 30% of every rupee of new revenue stays tied up in working capital, and still values the shares at ₹904.
- **The order book supports growth even if it comes in below guidance.** The ₹3,742 crore June 2026 book is 2.3x FY26 revenue, on contracts management says run 18–24 months. FY26 order inflow was ₹2,743 crore, Q1 FY27 inflow was ₹865 crore, and ₹2,200 crore of bids were awaiting results in April. Our base case assumes 30% growth in FY27, not the guided 40%. Q1 revenue of ₹437 crore is consistent with that, given that 61–71% of revenue came in the second half in each of the last two years.
- **The risks the market is pricing are real, and the price allows for them.** Two customers made up 56% of FY26 revenue, and 93% of the order book is in Gujarat. The promoters have a web of related-party dealings, the largest involving HKRP, which they partly own personally. The AGM sought approval for up to ₹500 crore of FY27 purchases from HKRP. Our bear case (₹541, –26%) shows what happens if these risks materialise. Our base case requires only that cash conversion improves from FY26's level, not that it becomes good.

Business model, revenue mix & moat

Mix (as disclosed)	Figure	Source
Order book: power distribution (<66 kV, underground cabling, MVCC, RDSS)	₹2,365cr / 71%	AR / H2 FY26 call, 31 Mar 2026
Order book: power transmission (EHV cable up to 220 kV, GIS/AIS substations up to 400 kV)	₹961cr / 29%	AR / H2 FY26 call, 31 Mar 2026
Order book from Gujarat / Odisha	93% / 7%	CRISIL, June 2026
Revenue from the largest two customers, FY26	28.9% + 27.2%	AR Note 28
Revenue from the top five clients (Gujarat discoms)	78%	CRISIL, July 2026
Underground share of the order book	~70–75%	Management, H2 FY26 call
Reportable segments	One (EPC, all domestic)	AR Note 56(K)

The company reports a single segment and does not split revenue by product, state or customer type. The figures above are the closest available proxies. Note that order-book splits and revenue splits are not the same thing.

How the money is made. Rajesh Power wins state utility tenders, mainly from Gujarat's distribution companies (UGVCL, PGVCL and others) and the state transmission utility (GETCO). It then executes them as turnkey EPC contracts: it buys cables, ring main units, transformers and switchgear, and lays, installs and commissions them with its own crews. Materials made up 82% of FY26 revenue; the gross value added after materials was 18.3%. Two features differ from overhead transmission EPC. Underground work runs on existing road "right of use", which avoids most land-acquisition delays. And projects typically finish

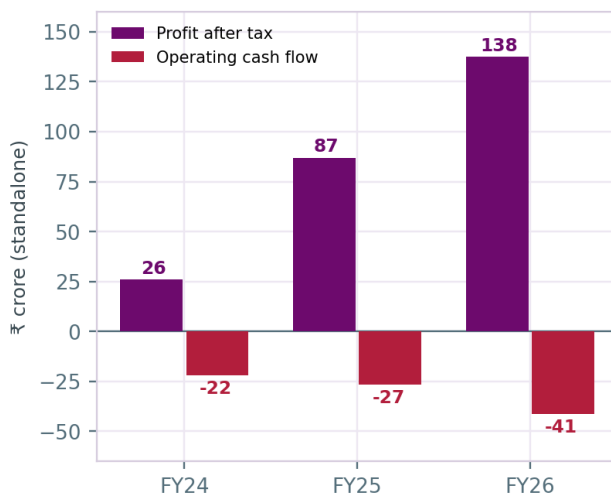


in 18–24 months. The trade-off is working capital. Utilities hold back 10–30% of each bill as retention, releasing part on installation and the rest on commissioning against a bank guarantee. Bank guarantees outstanding were ₹312.7 crore at March 2026, 80% of net worth.

Moat: real, but local.

- **A specialist niche with few qualified bidders.** Management counts 4–6 competitors per distribution tender and 3–4 per transmission tender. It says the company has completed or is executing more than 51,000 km of MVCC lines, which it describes as among the largest deployments in India. The figure is not independently verified.
- **Deep relationships with Gujarat utilities.** These are a genuine advantage, but they are also the concentration risk. Outside Gujarat the company has a handful of Rajasthan projects and its first Odisha order (₹212 crore, OPTCL, Q1 FY27).
- **No pricing power.** Work is won through competitive tenders. Management says escalation clauses pass "most items" through back-to-back. FY26 margins held through copper and aluminium price increases, which supports that, but FY26 also included ₹21.6 crore of discounts and rebates, against nil in FY25.
- **Technology (HKRP).** HKRP provides SCADA and IoT software and has put more than 1,500 GETCO distribution substations on one platform. RPSL accounts for its 25.48% stake as an associate (₹5.7 crore share of profit in FY26). HKRP is also a major supplier to RPSL, which raises the governance questions covered below.

Three years of profit, no operating cash



Working capital roughly doubled in a year



Profit has grown fivefold since FY24, while operating cash flow has been negative every year, because receivables, retention and inventory grew faster than revenue. FY24 figures are standalone under previous GAAP (screener.in); FY25–FY26 are standalone Ind AS figures from the FY26 annual report.



Financial analysis & catalysts

Metric	Value	Read
Revenue CAGR, FY23–FY26	~99% ₹207cr → ₹1,628cr; FY26 +52%; guided ~40% for FY27	
EBITDA margin	7% → 12% → 12% → 12% FY23–FY26; H2 FY26 was 11.4%; guidance 11–12%	
FCF conversion (FCF / PAT)	Negative, FY24–FY26 FY26 CFO –₹41.4cr, capex ₹2.2cr, against PAT of ₹137.5cr (standalone)	
ROCE vs WACC	44–47% vs ~14%* AR 43.6% / Note 52 44.6% / screener 47.3%; ROE 35–43% depending on the page	
Working capital absorbed	38% of incremental revenue ₹212cr in FY26 against an increase in revenue of ₹556cr (18% in FY25)	
Receivables + retention	141 days Receivables alone 78 days; CRISIL also reports 141 days	
Payables	90 days of materials cost Includes ₹74cr under supplier finance; MSME dues ₹86.8cr	
Leverage	D/E 0.33x; interest cover 13.5x CRISIL counts 75% of ₹43.3cr of promoter loans as quasi-equity	

*WACC of ~14% is a Dart Consultants assumption for an A- rated BSE SME company, not a sourced figure. CRISIL figures are from its 14 July 2026 rationale.

Margins. EBITDA margin has been steady at 11–12% for three years, and CRISIL expects it to stay there. The H2 FY26 dip to 11.4% was put down to billing mix. Operating leverage is real: employee costs fell from 4.1% to 3.6% of revenue. But other expenses rose 47%, including bank guarantee commission up 3x to ₹4.0 crore, legal and professional fees, and site costs. Nothing in the disclosures suggests margins can expand much from here, and management only commits to "a stabilized margin".

Cash and returns. The high ROCE and the negative cash flow describe the same business. Capital employed is small relative to revenue because suppliers and promoters fund much of the working capital, which makes ROCE look high. But each step up in revenue ties up more receivables and retention. Management told analysts the March 2026 receivables spike reflected "very high billing in the month of March". It said payment terms are 45–60 days and that ₹150 crore of the ₹348.8 crore had been collected by 23 April. If correct, the H1 FY27 balance sheet should show it.

Near-term catalysts (6–12 months)

- **H1 FY27 results (half-year to September 2026).** This is the first test of whether receivable days fall back toward the ~60 days management indicated, and whether operating cash flow turns positive.
- **Results on the ₹2,200 crore of bids pending in April.** Management expected outcomes by late May or June. Q1 FY27 inflow of ₹865 crore suggests some of them have converted. The FY27 targets are ₹4,000–5,000 crore of inflow and a closing order book above ₹5,000 crore.
- **Commissioning of the first 400 kV GIS substation (expected September–October 2026).** This would open up higher-voltage tenders.
- **A CRISIL upgrade.** CRISIL's stated trigger is revenue above ₹2,000 crore with a geographically diversified order book and a shorter working-capital cycle.

Longer-term catalysts (2–3 years)

- **BESS commissioning (target September 2027).** It would bring about ₹14.7 crore a year of contracted revenue for 12 years, at a 10–12% targeted IRR, financed 70–80% with debt. More important strategically, it is meant to qualify the company for BESS EPC tenders, where management says the substation is about 30% of project value.



- Expansion of transmission work outside Gujarat (Odisha, Rajasthan, Maharashtra, Jharkhand), and adoption of MVCC by other states.
- A larger opportunity in Gujarat. Management cites GETCO capex of about ₹9,000–10,000 crore a year, of which it sees 40–50% as addressable, plus about ₹5,000 crore a year on the distribution side.

What gives us pause

- **Three straight years of negative operating cash flow.** Cumulative standalone CFO for FY24–FY26 was about –₹90 crore, against cumulative profit of about ₹251 crore. Growth explains part of this; retention and receivables explain the rest. Until a half-year shows positive cash flow, the profit figures carry less weight than they appear to.
- **Payables have been stretched hard, including payables to small suppliers.** MSME dues rose from ₹4.9 crore to ₹86.8 crore. Management said the suppliers concerned had "specific agreement" to terms longer than 45 days. The MSMED Act caps agreed payment terms at 45 days, and Note 44 shows no interest accrued on these dues. Late MSME payments can also be disallowed for tax purposes under Section 43B(h) of the Income-tax Act. Separately, ₹86.5 crore of payables are under bank supplier-finance arrangements with 60–120 day terms. These cut reported working capital without changing the underlying cycle.
- **Heavy concentration.** Two customers supplied 56% of FY26 revenue; one supplied 53% in FY25. CRISIL puts 93% of the order book in Gujarat and 90% with six customers. A change in Gujarat's capex priorities or in discom payment behaviour would hit almost the whole business.
- **Order-book figures need care.** The ₹3,326 crore March figure "includes L1" positions, about ₹210 crore of them according to management. Note 28 of the accounts nonetheless discloses the same ₹3,326 crore as unsatisfied contractual performance obligations. CRISIL's June figure for unexecuted orders is ₹3,164 crore, while the company reported ₹3,742 crore including L1. The FY26 target of a ₹4,500 crore order book was missed; management put this down to tender timing.
- **The annual report contradicts itself repeatedly.**
 - ■ **Director resignations.** The Board's Report says no director resigned in FY26, but Annexure E says "four Executive Directors resigned" during the year; Note 46 dates those resignations to July 2024.
 - ■ **Associate status.** The CARO report says the company has no associate companies, while HKRP is accounted for as one. Note 6 and Form AOC-1 call it a joint venture.
 - ■ **Material related-party transactions.** Form AOC-2 is blank, although the Board's Report says the material transactions are reported there.
 - ■ **The ₹150 crore Rajesh Power Projects approval.** The AGM notice calls it a "sale" in one table and a "purchase" in the annexure.
 - ■ **Headcount.** The report gives "1,500+" employees in one place and 2,134 permanent employees in another.
 - ■ **Return on equity.** It appears as 35.26%, 42.68% and 42.59% on different pages.

None of these changes the numbers, but taken together they suggest the document was not carefully checked.

Corporate governance assessment

1. Which rules actually apply

As an SME-listed company, Rajesh Power is exempt from SEBI LODR Regulations 17–27. That covers board composition, the related-party approval regime and the corporate governance report, and the Board's Report says so. It reports half-yearly rather than quarterly. It did nonetheless put a Regulation 23-style omnibus related-party resolution to the September 2026 AGM, which is better than the minimum. This is the first set of accounts under Ind AS, and the auditor, Dinesh R. Thakkar & Co., includes a routine emphasis of matter on the transition. The audit opinion is unmodified, and revenue recognition on the input method is a key audit matter.



2. What the company does well

The rating trajectory has been positive: CRISIL went from BBB+/Positive to A-/Stable in August 2025, then to A-/Positive in July 2026. Bank-limit utilisation averaged 34% over the year to May 2026. The secretarial audit has no observations. Board attendance was complete, and the three independent directors include a former IAS officer and a chartered accountant. The company pays a dividend (₹1 a share for FY26) and spent its full CSR obligation (₹1.12 crore). Promoter holding is high at 72.70%. CRISIL counts ₹43.3 crore of promoter loans as subordinated and treats 75% of them as equity.

3. Grey areas

All four executive directors are promoters, and a promoter whole-time director sits on the audit committee.

- **Pay.** Family pay was ₹8.21 crore for the four directors plus ₹2.75 crore of salaries to six relatives, together 8% of standalone profit. The MD's pay of ₹4.13 crore was 231.6x the median employee's and rose 36.6%; median employee pay rose 2.2%. The AGM also sought approval for up to ₹7.25 crore of FY27 pay to relatives in "office or place of profit", and ₹2 crore for a related travel agency.
- **Two-way family loans.** The family lends to the company at 10%, which earned it ₹4.85 crore of interest in FY26, or 44% of total finance cost. At the same time the company has ₹6.24 crore lent to promoter-linked entities (Marc Electro Infra and the Shashwat LLPs), and buys goods from several of them.
- **Unused IPO money.** ₹25.1 crore raised for capital spending in the November 2024 IPO had not been spent by August 2026. It is sitting in the cash-credit account, and the AGM was asked to redirect it to the BESS project.
- **Shifting family stakes.** Share ownership moved within the family during FY26. The MD went from 10.00% to 15.05%, while Daxesh Panchal fell from 8.09% to 1.67% and Krunal Panchal from 3.70% to 0.09%. Total promoter holding slipped from 73.40% to 72.70%.

4. Red flags

Three.

- **HKRP Innovations.** RPSL owns 25.48%. Management said on the H2 FY26 call that the "Rajesh Power promoters" hold a further 25% personally. RPSL bought ₹57.75 crore from HKRP in FY26 and ₹120 crore in FY25, and owed it ₹52.1 crore at year-end. HKRP's own FY26 turnover was ₹100.1 crore, so RPSL is a large share of its business. The AGM sought approval for up to ₹500 crore of FY27 purchases from HKRP. That is 5x HKRP's turnover, 31% of RPSL's revenue, and a transfer of value to an entity the promoters partly own outside the listed company.
- **Guarantees for "sister concerns".** These total ₹99.2 crore as co-guarantor (sanctioned amounts), up from ₹52.4 crore and equal to 25% of net worth. CARO splits them into ₹70.9 crore for the RPSL–VITS JV and ₹28.4 crore for "others" who are not named.
- **Wide lending authority.** The AGM sought powers under Section 185 to lend up to ₹500 crore to subsidiaries, associates, JVs, "other companies/firms in which Directors are interested", and the MD or whole-time director.

None of these is improper on its face. All were disclosed, and each is described as being at arm's length. Together, though, they mean a large share of the company's capacity could be directed toward entities the promoters own outside it.

5. Items to watch

The AGM voting results on the HKRP limit and the Section 185 powers (we have not seen them); actual FY27 purchases from HKRP against the ₹500 crore limit; who the "others" covered by the ₹28.4 crore guarantees are; whether MSME dues are brought within 45 days; and whether a corrected AOC-2 is filed.



GOVERNANCE CONCLUSION

Below adequate. We found no audit qualification, no regulatory action and no default. The rating trend is positive. But in a company of this size, the related-party arrangements are unusually broad: purchases from a partly promoter-owned associate, guarantees for sister concerns, two-way family loans and family salaries. The SME listing removes the formal checks a mainboard listing would impose, and the annual report contains enough internal contradictions to reduce confidence in it. This is the main reason we apply a large discount to peer multiples.

SWOT analysis

STRENGTHS

- ROCE of 44–47% and a 12% EBITDA margin, steady for three years
- Order book of ₹3,742cr (June 2026), 2.3x FY26 revenue
- Specialist in underground cabling and MVCC with few qualified competitors
- CRISIL A-/Positive; interest cover 13.5x; gearing 0.22x (CRISIL-adjusted)
- Price-escalation clauses on most items, per management

WEAKNESSES

- Negative operating cash flow in FY24, FY25 and FY26
- Receivables plus retention at 141 days; working capital absorbed 38% of incremental revenue in FY26
- Two customers 56% of revenue; order book 93% Gujarat
- MSME dues of ₹86.8cr with terms beyond 45 days
- Annual report has repeated internal contradictions

OPPORTUNITIES

- GETCO capex and Gujarat RDSS/Robust distribution schemes
- Draft NEP 2026: underground networks mandated in cities of 10 lakh+ by 2032
- BESS EPC (substation scope) and the 65 MW / 130 MWh owned asset
- Transmission outside Gujarat (Odisha order won in Q1 FY27)
- Insurance surety bonds replacing cash retention in some states

THREATS

- Gujarat utility capex slowing or payments slipping
- Value leaking to related parties (HKRP limit of ₹500cr; Section 185 powers of ₹500cr)
- More competitors in each segment every year (per management)
- BESS economics: battery import, currency and tariff risk, as the company itself discloses
- Thin trading and low institutional ownership on the SME platform

Valuation

₹ crore unless stated

Multiples against peers. Prices are 9 October 2026 closes from screener.in. None of the peers is a clean match: they are larger, mainboard-listed and more diversified, and only Transrail is close in business mix. There is no broker coverage of Rajesh Power. Its trading history is under two years and covers a 50% fall in the share price, so we do not use a historical multiple.

Company	Mcap (₹cr)	P/E TTM	P/S (FY26)	FY26 OPM	ROCE	3-yr sales CAGR
Rajesh Power Services	1,320	9.6x	0.81x	12%	47.3%	99%
Transrail Lighting	6,238	14.9x	0.91x	14%	33.6%	30%
KEC International	9,845	16.4x	0.42x	8%	16.5%	11%
Kalpataru Projects	23,770	21.4x	0.88x	9%	18.3%	18%
Techno Electric	11,105	25.8x	3.41x	14%	14.9%	58%



Rajesh Power at ₹733	Trailing (FY26)	FY27E (Dart base)
P/E	9.6x standalone / 9.2x consolidated	7.4x (EPS ₹98.6)
EV/EBITDA (EV ~₹1,446cr)	7.3x (₹197cr)	5.9x (₹243cr)
P/S	0.81x	0.62x (₹2,116cr)
P/B	3.4x	—

Method 1: forward P/E scenarios (FY27E). We start from FY26 revenue of ₹1,628 crore, add about ₹6 crore of HKRP associate profit, take interest at about ₹15 crore (higher borrowing) and other income at ₹5 crore, and apply a 26% tax rate. EPS uses 1.80 crore shares. These are our assumptions. We set the target multiple well below every peer to reflect the cash conversion, concentration and governance issues described above.

Scenario	FY27 rev. growth	EBITDA margin	PAT (consol.)	EPS (₹)	Target P/E	Value/share	vs CMP
Bear	12%	10.5%	₹139cr	77.3	7.0x	₹541	-26.2%
Base	30%	11.5%	₹178cr	98.6	10.0x	₹986	+34.5%
Bull	40% (guidance)	12.0%	₹200cr	111.0	13.0x	₹1,443	+96.9%

The bear case assumes growth close to Q1 FY27's annualised run-rate (₹437cr × 4 ≈ ₹1,750cr) plus a little more, with margin slipping below the guided range, and a multiple that treats earnings as low-quality. The base case is a third below guided growth, at the middle of the margin range. A 10x multiple is a third below Transrail and less than half of Kalpataru and Techno. The bull case takes guidance at face value and gives a multiple still below every peer.

Method 2: discounted cash flow, with working capital made explicit. We use a five-year forecast (FY27–FY31) with revenue growth of 30%, 25%, 20%, 15% and 12%, an 11.5% EBITDA margin, a 26% tax rate and ₹8 crore of annual capex. We deduct ₹30 crore of BESS equity in FY27. Working capital absorbs 30% of each year's increase in revenue; worse than CRISIL's 83-day net cycle implies, but better than FY26's 38%. Discounting at a 14% WACC with 6% terminal growth and deducting ₹126 crore of net debt gives **₹904 per share (+23.3%)**. Free cash flow is slightly negative in FY27 (–₹4 crore) and turns positive from FY28. The terminal value is 82% of enterprise value.

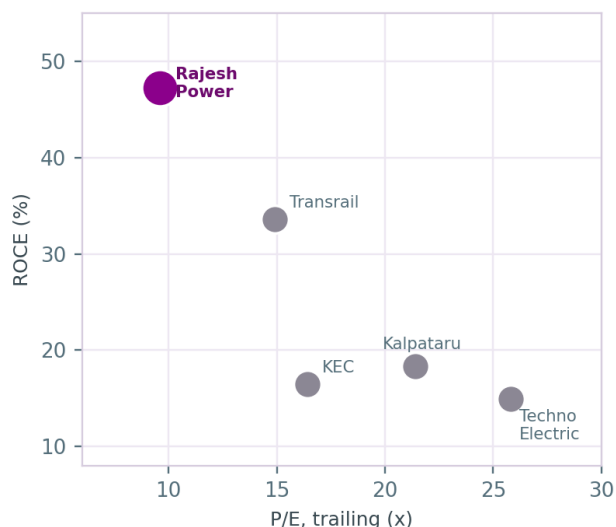
DCF value/share (₹)	g = 5%	g = 6%	g = 7%
WACC 13%	938	1,065	1,235
WACC 14%	809	904	1,027
WACC 15%	705	779	871

Working capital as % of incremental revenue	20%	30% (base)	38% (FY26 actual)
DCF value/share (₹) at 14% / 6%	1,167	904	695

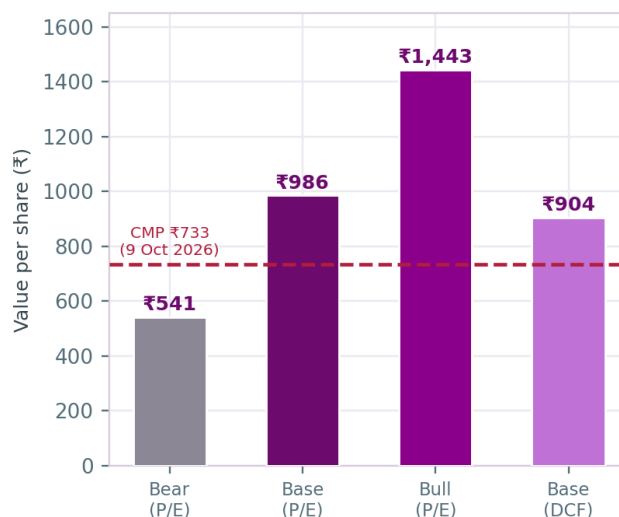
Working capital is the variable that matters most. At FY26's actual intensity the DCF falls 5% below today's price. The bear and bull DCF cases give ₹554 and ₹1,410.



Highest ROCE, lowest P/E in the group



Base cases sit 23-35% above the price



Rajesh Power has the highest ROCE and the lowest P/E of the T&D EPC group. Both of our base cases sit above the price, while the bear case sits well below it. Peer data are screener.in, 9 October 2026 close. Scenario and DCF values are Dart Consultants' own estimates.

Target. The average of the two base cases (₹986 and ₹904) is ₹945, **28.9% above the current price**. That is a BUY under Dart's rating bands (+15% or more). We call it a high-risk BUY because the two scenarios that would make it wrong are plausible. One is working capital staying at FY26 intensity; the other is the related-party limits being used at scale. Both would show up in the H1 FY27 accounts.

RECOMMENDATION: BUY (HIGH RISK), TARGET ₹945 (+28.9% FROM ₹733, 9 OCT 2026)

What would strengthen the call: positive operating cash flow in H1 FY27; receivable days back toward the ~60 days management indicated; MSME dues brought within 45 days; purchases from HKRP staying near FY26 levels rather than approaching the ₹500 crore limit; new orders outside Gujarat. **What would make us downgrade:** another half-year of negative operating cash flow; a sharp rise in purchases from HKRP or in guarantees for sister concerns; any loan made under the Section 185 powers to a promoter-linked entity; EBITDA margin below 11%; a fall in the order book.

Key risks to our call & sensitivities

- **1. Working capital does not ease (downside, and the main one).** If retention and receivables keep rising faster than revenue, earnings growth will need more debt and supplier credit. Our DCF falls to ₹695 at FY26's working-capital intensity. Growth funded this way would also be fragile if Gujarat discoms' payments slowed.
- **2. Value leaks to related parties (downside).** If the ₹500 crore HKRP limit, the Section 185 lending powers or the sister-concern guarantees are used heavily, part of the earnings we are valuing would accrue outside the listed company, or would put its balance sheet at risk. This is not in our numbers. It is the main reason for our 10x multiple.
- **3. Concentration (downside), or diversification (upside).** A slowdown in Gujarat utility capex would hit 90%+ of the order book. Conversely, if the company wins the ₹2,200 crore of pending bids and builds a real non-Gujarat transmission book, the bull case (₹1,443) and a rating upgrade become realistic.



Sensitivity factor	Rough effect (Dart arithmetic)
Working capital ± 10 pp of incremental revenue	DCF ₹1,167 (at 20%) / ₹695 (at 38%) against ₹904 base
EBITDA margin ± 100 bp (FY27E revenue ₹2,116cr)	$\pm ₹21$ cr EBITDA $\rightarrow \pm ₹8.7$ EPS $\rightarrow \pm ₹87$ /share at 10x
FY27 revenue growth ± 10 pp	$\pm ₹163$ cr revenue $\rightarrow \pm ₹7.7$ EPS $\rightarrow \pm ₹77$ /share at 10x
Target P/E ± 2 x	$\pm ₹197$ /share on base EPS of ₹98.6
Commodity prices (copper, aluminium, cable)	Passed through on "most items" via escalation clauses, per management; not modelled
Interest rates	₹127cr of borrowings: +100bp $\approx$ ₹1.3cr a year before tax; BG commission (₹4.0cr) also rises with guarantee volume
BESS project cost	Management range ₹1.5–2.5cr/MW (₹98–163cr for 65 MW), 70–80% debt; FY27 equity assumed at ₹30cr

Financial summary — selected disclosed metrics (₹ crore)

	FY23	FY24	FY25	FY26
Revenue from operations	207	285	1,072.1	1,627.9
EBITDA (excl. other income)	14	34	123.9	197.2
EBITDA margin	6.8%	11.9%	11.6%	12.1%
Net profit (standalone)	7	26	86.9	137.5
Net profit (consolidated)	—	—	96.6	143.2
EPS, standalone (₹)	4.44	17.10	53.72	76.38
Cash from operations (standalone)	15	–22	–26.7	–41.4
Borrowings	60	78	77.9	127.2
Net worth (standalone)	~58	83.6	255.1	390.7
Order book incl. L1 (year-end)	—	—	—	3,326

FY25–FY26: FY26 annual report (Ind AS; FY25 restated). FY23–FY24: screener.in (standalone, previous GAAP), plus the annual report's KPI page for EBITDA and margin, and the Ind AS opening balance sheet for FY24 net worth. Screener gives FY25 EPS as ₹48.25 using a different share count; the annual report's ₹53.72 uses weighted average shares after the IPO. Contingent liabilities at March 2026 were ₹411.9 crore: ₹312.7 crore of bank guarantees and ₹99.2 crore of co-guarantees.

Sources: Rajesh Power Services Annual Report 2025–26 (user-supplied, 269 pages: corporate overview, MD&A, AGM notice and related-party annexures, Board's Report and annexures, standalone and consolidated financial statements with notes 1–57, auditor's reports and CARO); H2 FY26 earnings call transcript (23 April 2026, rajeshpower.com); CRISIL Ratings rationale (14 July 2026); Q1 FY27 business update coverage (businessupturn.com, sahi.com); screener.in (prices, history and peers, 9 October 2026 close). All accessed 11 October 2026.



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