

## Company Overview

Quality Power Electrical Equipments Ltd. (QPEEL) is an Indian company catering to global customers in critical energy transition equipment and power technologies. It specializes in high-voltage electrical equipment and solutions for electrical grid connectivity and energy transition. QPEEL is a technology-driven company offering various power products and solutions across the power generation, transmission, distribution, and automation sectors. The company provides innovative, technology-driven products, comprehensive system solutions, and professional services tailored for the power sector. QPEEL is among the few global manufacturers of critical high-voltage equipment for High-Voltage Direct Current (HVDC) and Flexible AC Transmission Systems (FACTS) networks. Its diverse product portfolio includes reactors, transformers, line traps, instrument transformers, capacitor banks, converters, harmonic filters, and reactive power compensation systems. Additionally, QPEEL delivers advanced grid interconnection solutions, incorporating technologies like STATCOM and Static Var Compensator (SVC) systems. The company specializes in grid interconnection equipment, addressing the infrastructure and devices needed to connect multiple power grids or electrical systems. The company operates two manufacturing facilities in India, located in Sangli, Maharashtra, and Aluva, Kerala. As part of its global expansion strategy, QPEEL has acquired a 51% stake in Endoks Enerji Anonim Şirketi (Endoks), a company based in Ankara, Turkey. Company's manufacturing facilities adhere to the stringent quality standards required by its global conglomerate clientele, including several Fortune 500 companies. Its Test & Research Lab in Sangli holds ISO 17025:2017 accreditation from the National Accreditation Board for Testing and Calibration Laboratories. Furthermore, its operating facilities are certified with ISO 9001:2015, ISO 14001:2015, and ISO 45001:2018 by TUV India Private Limited. As of September 30, 2024, QPEEL had 143 customers. Its end clients include power utilities, industries, and energy entities.

## Objects of the issue

The Net Proceeds of the Fresh Issue are proposed to be utilized in the following manner:

- ⇒ Payment of the purchase consideration for the acquisition of Mehru Electrical and Mechanical Engineers Private Limited;
- ⇒ Funding capital expenditure requirements of the Company for the purchase of plant and machinery; and
- ⇒ Funding inorganic growth through unidentified acquisitions, other strategic initiatives, and general corporate purposes.

## Investment Rationale

### Global player in high-voltage solutions driving energy transition and sustainable growth

QPEEL specializes in providing high-voltage electrical equipment and solutions for electrical grid connectivity and energy transition across power generation, transmission, transition, distribution, and automation. It is among the few global manufacturers supplying critical high-voltage equipment for HVDC and FACTS networks across 100 countries. QPEEL caters to industries like automobiles, oil and gas, cement, chemical, renewables, traction and locomotives, steel and metal industries, and power utilities. The company has established itself as a global player with its presence in markets across six continents. Its product portfolio contributes to advancing decarbonization efforts, sustainability, and green energy initiatives. The energy transition sector is essential in transmitting power regularly to various distribution utilities. Domestically and internationally, the sector requires continuous capacity additions to keep up with increasing generation capacity. Leveraging its expertise, QPEEL offers tailored solutions to meet current industry demands while proactively anticipating future trends. Further, the global transmission line market is also poised for a transformative shift as the power generation sector increasingly adopts more sustainable and energy-efficient energy sources. As a global energy transition and power technology player with a robust sales presence across 100 countries, QPEEL is well-positioned to harness such sectoral growth and boost its sales.

## Issue Details

Offer Period	14 <sup>th</sup> Feb 2025 - 18 <sup>th</sup> Feb 2025
Price Band	Rs. 401 to Rs. 425
Bid Lot	26
Listing	BSE & NSE
Issue Size (no. of shares in mn)	20.21
Issue Size (Rs. in bn)	8.6
Face Value (Rs.)	10

## Issue Structure

QIB	75%
NIB	15%
Retail	10%

BRLM	Pantomath Capital Advisors Pvt. Ltd.
Registrar	MUFG Intime India Pvt. Ltd.

Particulars	Pre Issue %	Post Issue %
Promoters and pro-moter group	100.0	73.9
Public	0.0	26.1
<b>Total</b>	<b>100</b>	<b>100</b>

(Assuming issue subscribed at higher band)

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# Quality Power Electrical Equipments Limited

**Strong client base and proven expertise in a high entry-barrier industry ensure a competitive advantage**

QPEEL serves 143 customers across different segments, including power utilities, renewable energy players, and industries such as automobiles, oil and gas, cement, chemicals, renewables, traction and locomotives, steel and metal, and power utilities. Its clientele includes major business conglomerates listed in the Fortune 500 category. These customers prioritize technology, scale of operations, reliability and quality, particularly in energy projects they undertake. QPEEL has developed long-term business relationships with most of its customers, which it attributes to the quality and delivery of its products and services. By understanding the customers' evolving needs, the company offers tailored solutions that help expand order volumes. It has a wide range of products, with a typical life of over 15 years, used in long-term critical energy projects. Establishing a presence in the power transmission sector demands substantial financial resources for acquiring land, procuring equipment, and deploying skilled manpower. Meeting regulatory requirements and obtaining necessary certifications present significant challenges for new entrants in the energy transition equipment and power technologies sector, both domestically and internationally. These processes are often time-consuming and expensive, creating formidable entry barriers. The company has successfully overcome these challenges over the past two decades. Its commitment to compliance and quality assurance has enabled the company to obtain the requisite certifications and approvals and adhere to industry standards. Furthermore, its products have undergone rigorous testing by end users, demonstrating their performance and durability in real-world applications. company's expertise in understanding, interpreting and adhering to these product specifications ensures its strong foothold in an industry characterized by high trade barriers.

## Valuation

QPEEL is a technology-driven company specializing in power products and solutions across the power generation, transmission, distribution, and automation sectors. It provides high-voltage electrical equipment and solutions for electrical grid connectivity and energy transition. The energy transition equipment and power technologies market is poised for significant growth in the coming decades. As governments and businesses around the world intensify their efforts to decarbonize the energy sector, the demand for energy transition equipment is expected to expand steadily. QPEEL's global presence across the energy transition and power technology industry, spanning 100 countries, positions it well to capitalize on this sectoral growth and increase its sales. The company's large customer base in different segments and its comprehensive product portfolio reinforce its position in an industry characterized by high trade barriers. On the financial front, QPEEL's operational revenue grew at a CAGR of 28.3% from FY22 to FY24. Profit after tax rose from Rs. 422 million in FY22 to Rs. 555 million in FY24, while return on equity (ROE) improved slightly from 26.3% to 29.1%. **The company is valued at a PE ratio of 81.9x on the upper price band based on FY24 earnings, which is lower than its peers. Given its strong financial growth, diverse product portfolio and global customer base, the company is well-positioned to achieve sustained growth within the sector. Therefore, we recommend a "SUBSCRIBE" rating for medium to long-term investment.**

## Key Risks

- ⇒ The company derives 74% of its revenue from international markets and plans to expand further into new geographical regions. This expansion may expose it to significant liabilities, and the company could risk losing some or all of its investment in such regions, which could adversely affect the business, financial condition, and results of operations.
- ⇒ The company's performance is dependent on the market for High-Voltage Direct Current (HVDC) and Flexible Alternating Current Transmission Systems (FACTS), which in turn is dependent on a range of social, economic and regulatory factors beyond its control. Any adverse trend in such markets could have a material adverse effect on the business, financial condition, results of operations and cash flows.
- ⇒ The company frequently deals with foreign exchange and faces risks related to currency fluctuations. Its inability to effectively manage these risks associated with export sales could negatively affect its sales to international customers, its operations and representations in foreign markets, and its overall profitability.

# Quality Power Electrical Equipments Limited

## Income Statement (Rs. in millions)

Particulars	FY22	FY23	FY24	H1FY25
<b>Revenue</b>				
Revenue from operations	1,826	2,533	3,006	1,557
<b>Total revenue</b>	<b>1,826</b>	<b>2,533</b>	<b>3,006</b>	<b>1,557</b>
<b>Expenses</b>				
Cost of materials consumed	1,080	1,575	2,053	878
Changes in inventories	-9	23	-50	40
Employee benefits expense	166	201	248	130
Other expenses	357	412	377	193
<b>Total operating expenses</b>	<b>1,595</b>	<b>2,211</b>	<b>2,628</b>	<b>1,241</b>
<b>EBITDA</b>	<b>232</b>	<b>322</b>	<b>378</b>	<b>316</b>
Depreciation & amortization expense	19	23	34	18
<b>EBIT</b>	<b>213</b>	<b>298</b>	<b>345</b>	<b>298</b>
Finance costs	15	27	23	17
Other Income	291	203	308	270
Exceptional items (Gain)/Loss	-1	-2	-3	2
<b>PBT</b>	<b>490</b>	<b>476</b>	<b>633</b>	<b>548</b>
<b>Tax expense</b>				
Current tax	72	79	78	55
Deferred tax	-5	-1	0	-7
<b>Total tax</b>	<b>68</b>	<b>78</b>	<b>78</b>	<b>48</b>
<b>Net Profit</b>	<b>422</b>	<b>399</b>	<b>555</b>	<b>501</b>
<b>Diluted EPS</b>	<b>2.3</b>	<b>2.9</b>	<b>5.2</b>	<b>4.6</b>

Source: RHP, BP Equities Research

## Cash Flow Statement (Rs. in millions)

Particulars	FY22	FY23	FY24	H1FY25
Cash Flow from operating activities	85	443	515	164
Cash flow from investing activities	206	-310	-386	12
Cash flow from financing activities	16	-36	254	-144
<b>Net increase/(decrease) in cash and cash equivalents*</b>	<b>-30</b>	<b>-143</b>	<b>-39</b>	<b>15</b>
Cash and cash equivalents at the beginning of the period	684	655	512	473
<b>Cash and cash equivalents at the end of the period</b>	<b>655</b>	<b>512</b>	<b>473</b>	<b>488</b>

\*Note—Net increase/(decrease) in cash and cash equivalents include impact of foreign step down subsidiary.

Source: RHP, BP Equities Research

# Quality Power Electrical Equipments Limited

## Balance Sheet (Rs. in millions)

Particulars	FY22	FY23	FY24	H1FY25
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Property, plant and equipment	337	388	654	717
Capital work-in-progress	0	7	17	17
Other intangible assets	2	7	6	6
Goodwill	0	0	0	0
<b>Financial Assets</b>				
(i) Investments	0	15	16	16
(ii) Other financial assets	354	413	439	101
Deferred tax assets (net)	21	19	8	15
Other non-current assets	4	77	133	139
<b>Total Non Current assets</b>	<b>718</b>	<b>925</b>	<b>1,272</b>	<b>1,012</b>
<b>Current Assets</b>				
Inventories	408	479	235	140
<b>Financial Assets</b>				
(i) Investments	0	292	459	494
(ii) Trade receivables	539	650	795	839
(iii) Cash and cash equivalents	655	512	473	488
(iv) Bank balances other than (iii) above	25	6	4	286
(v) Other financial assets	25	48	157	325
Current tax assets (net)	1	3	23	0
Other assets	159	207	172	412
<b>Total Current Assets</b>	<b>1,811</b>	<b>2,197</b>	<b>2,317</b>	<b>2,984</b>
<b>Total Assets</b>	<b>2,529</b>	<b>3,122</b>	<b>3,589</b>	<b>3,996</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Equity Share Capital	2	2	722	722
<b>Other Equity</b>				
(i) Equity Attributable to the Owners of the Company	924	1,120	810	1,134
(ii) Non Controlling Interest	678	636	371	531
<b>Total equity</b>	<b>1,603</b>	<b>1,757</b>	<b>1,903</b>	<b>2,386</b>
<b>Liabilities</b>				
<b>Non-Current Liabilities</b>				
<b>Financial Liabilities</b>				
(i) Lease liability	3	2	13	0
(ii) Other Financial Liabilities	9	13	19	40
Deferred tax liability (net)	1	1	1	2
<b>Total Non-Current Liabilities</b>	<b>13</b>	<b>16</b>	<b>33</b>	<b>41</b>
<b>Current Liabilities</b>				
<b>Financial Liabilities</b>				
(i) Borrowings	112	104	370	256
(ii) Trade payables	273	528	643	569
(iii) Other financial liabilities	274	475	435	422
Provisions	3	0	0	0
Current tax liabilities (net)	0	0	0	18
Other current liabilities	251	242	205	304
<b>Total Current Liabilities</b>	<b>913</b>	<b>1,349</b>	<b>1,653</b>	<b>1,569</b>
<b>Total Liabilities</b>	<b>926</b>	<b>1,366</b>	<b>1,686</b>	<b>1,610</b>
<b>Total Equity and Liabilities</b>	<b>2,529</b>	<b>3,122</b>	<b>3,589</b>	<b>3,996</b>

Source: RHP, BP Equities Research

## Disclaimer Appendix

**Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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