



**QUALITY POWER**



# **Quality Power Electrical Equipments Limited**

## Quality Power Electrical Equipments Ltd

Rating	Issue Opens On	Issue Closes On	Listing Date	Price Band (INR)	Issue Size (INR Mn)
<b>NEUTRAL</b>	<b>Feb 14, 2025</b>	<b>Feb 18, 2025</b>	<b>Feb 21, 2025</b>	<b>401 - 425</b>	<b>8,102 – 8,587</b>

### Company Overview:

- Quality Power Electrical Equipments Limited is an Indian company that serves global clients in critical energy transition equipment and power technologies.
- The company provides **high voltage electrical equipment and solutions for grid connectivity and energy transition, specializing in power products and solutions across power generation, transmission, distribution, and automation sectors**. Additionally, it offers equipment and solutions for emerging applications, such as largescale renewable energy integration.
- It has a diversified global customer base with long lasting relationships, catering to both domestic and international markets, including **Asia, the Middle East, North America, South America, Australia, and Europe**.
- The company has two direct subsidiaries and one step down subsidiary.
- The company's manufacturing operations are in Sangli, Maharashtra, and Aluva, Kerala in India, and Ankara, Turkey. The company is also proposing to set up a new facility for manufacturing high voltage electrical equipment in Sangli, Maharashtra.

### Outlook and Valuation:

Quality Power Electrical Equipments Limited is a global manufacturer of high-voltage electrical equipment, specializing in HVDC and FACTS technology, with a strong presence in power products and power quality systems. Its Revenue/EBITDA/Adj. PAT have grown by 28%/28%/54% from FY22 to FY24. For FY24, ROE stood at 28% and ROCE at 18%. The IPO is being issued at a P/E multiple of 88x (FY24), while margins and growth have accelerated in H1FY25, we believe the issue is fully priced. While the company is well-positioned in the energy transition sector, its export dependency, customer concentration, and competitive pressures pose significant risks. Given these factors, we assign a **“NEUTRAL”** rating.

Particulars (In INR Mn)	FY 22	FY 23	FY 24	H1 FY25
Revenue	1,826	2,533	3,006	1,557
EBITDA	232	322	378	316
EBITDA Margin (%)	13%	13%	13%	20%
Adj. Profit After Tax	165	206	374	329
PAT Margin (%)	9%	8%	12%	21%
Net Worth	925	1,121	1,532	1,855
RONW (%)	18%	18%	24%	18%

Source: IPO Prospectus

### OFFER STRUCTURE

Particulars	IPO Details
No. of shares under IPO (Mn)	20.20
Fresh issue (# shares) (Mn)	5.29
Offer for sale (# shares) (Mn)	14.9
Price band (INR)	401 - 425
Post issue MCAP (INR Mn)	31,055 – 32,914

Source: IPO Prospectus

Issue	# Shares	INR Mn	%
<b>QIB</b>	1,51,53,463	Min 6,440	Not less than 75%
<b>NIB</b>	30,30,693	Max 1,288	Not more than 15%
<b>Retail</b>	20,20,462	Max 859	Not more than 10%
<b>Net Offer</b>	2,02,04,618	8,587	100%

Source: IPO Prospectus

Shareholding Pattern	Preissue (%)	Postissue (%)
Promoters & Promoters Group	100%	74%
Others	0%	26%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Source: IPO Prospectus

Objects of the Offer	INR Mn
Acquisition of Mehru Electrical and Mechanical Engineers	1,170
Funding capital expenditure requirements	272
Funding inorganic growth and general corporate purposes	808

Source: IPO Prospectus

### BRLM

1. Pantomath Capital Advisors Private Limited

Source: IPO Prospectus

### Indicative Timetable

Offer Closing Date	Tuesday, 18 <sup>th</sup> Feb'25
Basis of Allotment	Wednesday, 19 <sup>th</sup> Feb'25
Initiation of Refunds	Thursday, 20 <sup>th</sup> Feb'25
Credit of Shares to Demat	Thursday, 20 <sup>th</sup> Feb'25
Listing Date	Friday, 21 <sup>st</sup> Feb'25

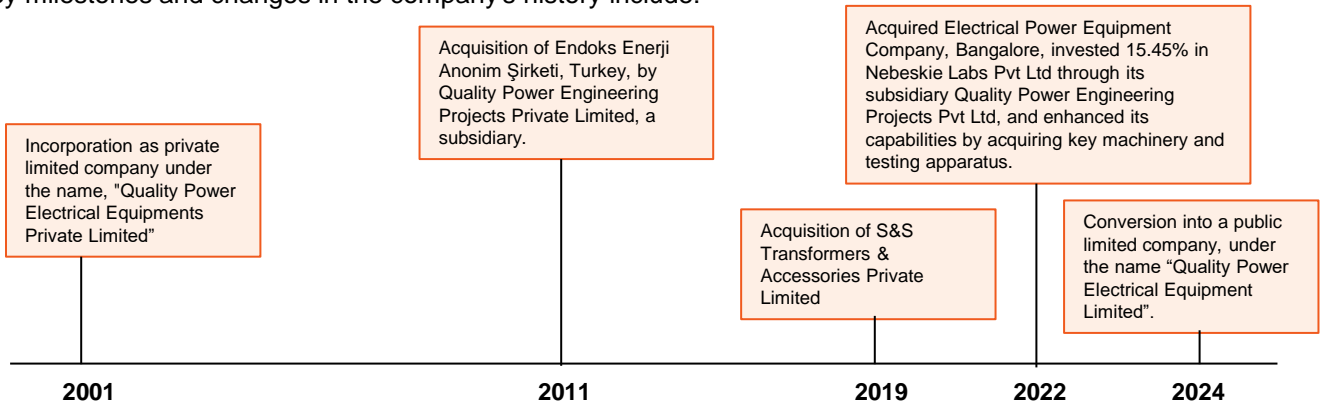
Source: IPO Prospectus

## Quality Power Electrical Equipments Ltd

### Company Overview

### History

Key milestones and changes in the company's history include:



Source: IPO Prospectus, Deven Choksey Research

### Group Companies and Brands

- **Endoks (2011, Turkey):** The company acquired a 51% stake in Endoks, enhancing its technology portfolio in energy digital transformation and renewable energy transition.
- **S&S Transformers (2019, Kerala):** The acquisition of S&S Transformers enabled expansion into cast resin and medium voltage instrument transformers. It is now a wholly owned subsidiary.
- **EPEC (2022, Bengaluru):** By acquiring Electrical Power Equipment Company, the company entered the highvoltage instrument transformer market, strengthening global power distribution capabilities with advanced manufacturing and testing up to 145kV.
- **Toshiba Plant & Machinery (2022, Telangana):** The acquisition of key equipment from Toshiba Transmission & Distribution Systems (India) Private Limited increased manufacturing capacity for instrument transformers up to 400kV, reinforcing the company's highvoltage segment.
- **Nebeskie (2022, Chennai):** A 15.45% minority investment in Nebeskie, made through its subsidiary QPEPPL, supports Industry 4.0 solutions in infrastructure, mobility, and utility sectors.
- **Mehru Electrical and Mechanical Engineers Private Limited:** The company has entered into a share purchase agreement (SPA) with Mehru and its promoters for the acquisition of a certain stake in Mehru, a manufacturer of high-voltage instrument transformers located in Bhiwadi, Rajasthan..

### Capacity Utilization

Sangli maintained stable installed capacity across all product categories, with utilization peaking at **85% for MVAR in FY24** and **85% for composites in FY24**, while MVA utilization remained low. Aluva, Kerala, introduced MVAR capacity in FY24 with **100% utilization initially**, but declined to **41% in H1 FY25**, while MVA utilization remained minimal.

Product	Coil Products								Composites			
Unit of measurement	MVAR(Mega Volt Amperes Reactive)				MVA(Megavolt Ampere)				Tonnes(Metric Ton)			
	FY 22	FY 23	FY 24	H1 FY25	FY 22	FY 23	FY 24	H1 FY25	FY 22	FY 23	FY 24	H1 FY25
<b>Sangli</b>												
Installed Capacity	2880	2880	2880	2880	2100	2100	2100	2100	240	240	240	240
% Capacity Utilized	51%	71%	85%	65%	21%	28%	6%	8%	27%	23%	85%	27%
<b>Aluva, Kerala</b>												
Installed Capacity	-	-	72	72	-	2240	2240	2240	-	-	-	-
% Capacity Utilized			100%	41%	-	14%	0%	0.01%	-	-	-	-

Source: IPO Prospectus, Deven Choksey Research

## Quality Power Electrical Equipments Ltd

### Company Overview

#### Product Portfolio

**High Voltage Direct Current (HVDC) and Flexible AC Transmission Systems (FACTS) are critical energy transition systems and methods for optimizing transmission performance.** They are integral to high voltage electrical equipment and solutions for electrical grid connectivity and energy transition, playing a critical role in the integration and transmission of renewable energy.

- **HVDC:** HVDC uses direct current for the energy transition of bulk power over long distances.
- **FACTS:** FACTS are used to control the energy transition line power flow, voltage control, transient stability improvement, and oscillation damping.

### HVDC & FACTS

#### Power Products

##### 1.Coil Products

- Reactors
  - a) Air Core
  - b) Iron Core
  - c) Oil Filled Reactors
- Line Traps
- Tine Tuners

##### 2.Transformers

- a) Earthing Transformers
- b) Special Application Transformers
- c) Dry Type Transformers

##### 3.Instrument Transformers

##### 4.Composites

- Edison Composites

#### Power Quality

##### 1.Passive Systems:

Capacitor Banks, Harmonic Filters, Shunt Reactors.

##### 2.Hybrid Systems:

Magnetic Controlled Reactors, Thyristor Controlled Transformers, Thyristor Switched Capacitors.

##### 3.Active Systems:

Static VAR Compensators(SVC)  
STATCOMS  
Metal Enclosed Capacitor Banks

Source: IPO Prospectus, Deven Choksey Research

### Revenue by Segment

The company's revenue is primarily driven by **Power Quality Equipment**, contributing **56-64%** over the periods. **Power Products** have shown **steady growth**, increasing from **34% in FY22 to 45% in H1 FY25**. The **Others** segment remains minimal, declining from **4% in FY22 to 2% in H1 FY25**.

Particulars (% of Operating Revenue)	FY 22	FY 23	FY 24	H1 FY 25
Power Products	34%	34%	41%	45%
Power Quality Equipments	62%	64%	56%	56%
Others	4%	3%	3%	2%

Source: IPO Prospectus, Deven Choksey Research

### Revenue by Geography

The company's **product portfolio** extends across both **domestic and international markets**, allowing it to effectively serve a diverse customer base. By maintaining a **strong global presence**, the company ensures seamless access to its customers across key regions, including **Asia, the Middle East, North America, South America, Australia, and Europe**.

Particulars (% of Operating Revenue)	FY 22	FY 23	FY 24	H1 FY 25
Domestic	22%	20%	16%	23%
International	74%	77%	81%	76%

Source: IPO Prospectus, Deven Choksey Research

## Quality Power Electrical Equipments Ltd

### Company Overview

#### Customers

- The company serves a diverse customer base, including **power utilities, power industries, and renewable energy entities**, with a focus on **high-voltage substations, HVDC, and FACTS projects**.
- Contracts awarded by these customers determine the involvement of engineering, procurement, and construction (**EPC companies**), which vary by project. By adopting a **consultative approach**, the company provides **customized solutions** tailored to customers' economic goals.
- Strong supplier relationships further enhance **efficiency and cost-effectiveness** in project execution.

#### % of Revenue Contribution by Top 10 Customers

Particulars	%
FY 22	53%
FY 23	56%
FY 24	58%
H1 FY25	55%

Source: IPO Prospectus, Deven Choksey Research

### Peer Comparison

Particulars (FY24)	Quality Power Electrical Equipments Ltd	Transformers & Rectifiers India Ltd	GE Vernova T&D India Ltd	Siemens Ltd	Hitachi Energy India Ltd
Market cap	32,914	1,29,597	4,06,031	18,29,925	4,99,447
EV	32,361	1,30,380	4,07,182	18,35,993	5,00,892
Revenue from operations	3,006	12,910	31,679	2,22,397	52,375
EBITDA	232	1,341	3,319	31,040	3,594
EBITDA Margin (%)	8%	10%	10%	14%	7%
Adj. PAT	372	445	1,811	27,166	1,638
PAT Margin (%)	12%	3%	6%	12%	3%
Equity Capital	1,532	5,544	12,429	1,53,567	13,599
ROE (%)	28%	9%	16%	19%	13%
ROCE (%)	17%	15%	23%	26%	18%
EPS	5*	3	7	76	39
P/E ratio	89 x	291 x	224 x	67 x	305 x
P/S	11 x	10 x	13 x	8 x	10 x
EV/EBITDA	140 x	97 x	123 x	59 x	139 x

\*Adj. EPS

Source: IPO Prospectus, Deven Choksey Research



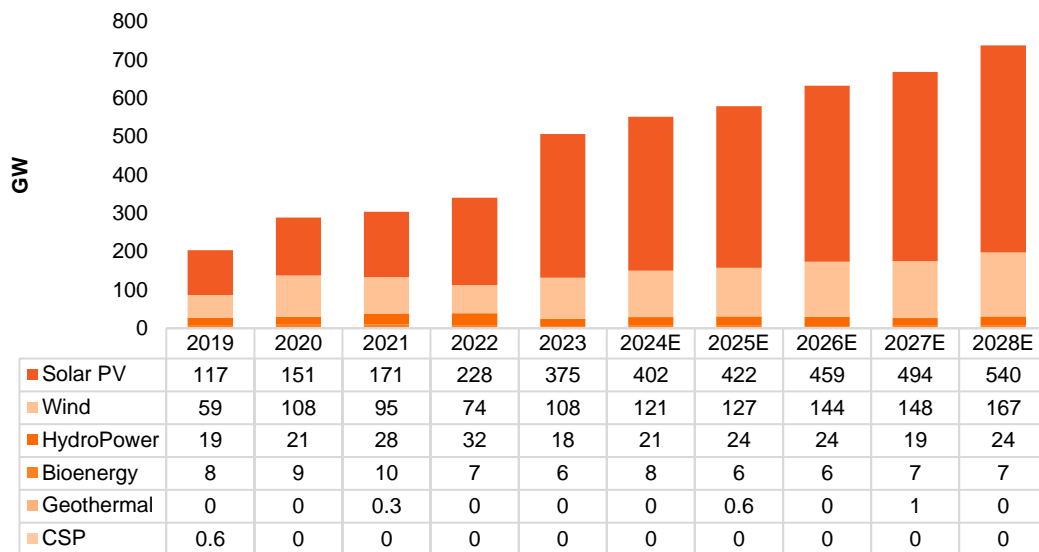
## Quality Power Electrical Equipments Ltd

### Industry Overview:

#### Move to Sustainable Energy Sources driving Grid Modernization:

- **Variable Generation:** With the rapid growth of wind, solar, and other renewable energy sources, grids are adapting to handle variable and decentralized power generation.
- **Grid Flexibility:** Increased renewable penetration necessitates new transmission solutions (e.g., HVDC systems) that can efficiently transport power from remote renewable sites to load centers.
- Key technologies such as HVDC (High Voltage Direct Current), FACTS (Flexible AC Transmission Systems), smart grids, and energy storage enable efficient power generation, storage, and distribution. AC dominates power distribution, while HVDC enhances long-distance transmission. Essential products include transformers, reactors, capacitor banks, harmonic filters, and grid stability solutions like STATCOM and SVC.

#### Global Renewable Installed Capacity

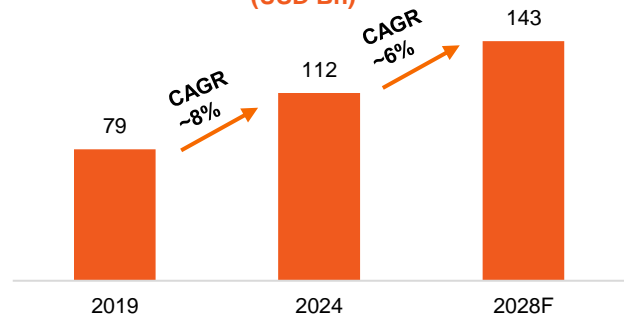


Source: IPO Prospectus, Deven Choksey Research

### The global transmission line market

- The market, covering the entire power transmission supply chain, is projected to grow at a 6% CAGR, increasing from USD 112 billion in 2024 to USD 143 billion by 2028.
- Cross-border transmission and multilateral power trade, especially in ASEAN countries, are attracting significant investments.
- In developed countries, energy transition and power technologies lines are upgraded with advanced technologies, given their universal access to electricity, contributing to the energy transition and power technologies sector growth.
- Whereas in developing countries, the growth is brought about by the expansion of grids to provide electricity to all parts.

#### Global Electricity Transmission Sector (USD Bn)



Source: IPO Prospectus, Deven Choksey Research

## Quality Power Electrical Equipments Ltd

### Industry Overview:

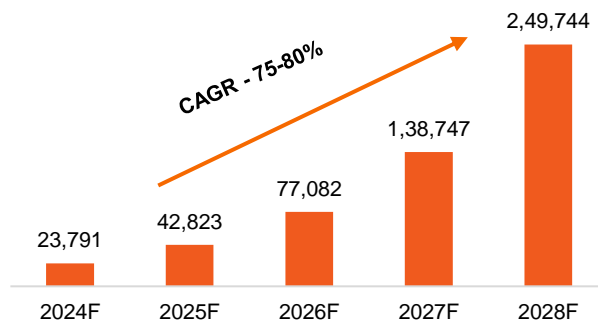
#### HVDC and FACTS technologies are key to grid modernization

- HVDC and FACTS are critical for optimizing transmission performance.
- HVDC is used for bulk power transmission over long distances, while FACTS control power flow and voltage in AC transmission networks.
- The governments and utilities worldwide are investing in upgrading and modernizing power grids to enhance efficiency, reliability, and flexibility.
- The deployment of HVDC and FACTS technologies plays a vital role in supporting grid modernization initiatives

#### Global HVDC and FACTS Market

- The global market for HVDC and FACTS has grown at a CAGR of 11% from USD 10,162 million in FY19 to USD 13,217 million in FY23.
- The global HVDC and FACTS market is expected to grow at a CAGR of 75-80% by CY28.
- This large growth is expected on the basis of projects approved all over the world and the back log in the supply of HVDC and FACTs globally.

#### Global HVDC and FACTS Market Forecast

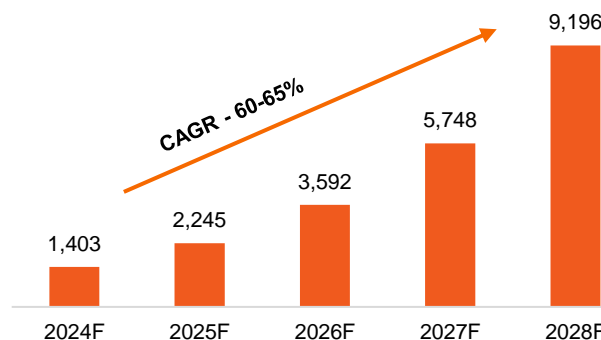


Source: IPO Prospectus, Deven Choksey Research

#### Indian HVDC and FACTS Market

- The HVDC and FACTS market in India is expected to grow at a CAGR of 60-65% from USD 1,403 million in CY24 to USD 9,196 million in CY28.
- This is due to the growing emphasis on integrating renewable energy into the country's primary electricity supply.
- India's announced HVDC projects exceed forecasts, with INR 76,000 cr invested and INR 30,000–40,000 cr in tenders expected over 4–5 years. Successful execution will significantly expand the industry's market size in the medium to long term.

#### HVDC and FACTS Market Forecast in India



Source: IPO Prospectus, Deven Choksey Research

## **Quality Power Electrical Equipments Ltd**

### **Strategies:**

#### **Focus on growth through organic and inorganic acquisitions:**

- The company is enhancing its global footprint and product capabilities through strategic acquisitions, including a recent 51% stake purchase in Mehru Electrical and Mechanical Engineers Private Limited.
- This acquisition, expanding the company's reach into 53 countries, strengthens its position in smart industries and energy solutions.
- It continues to drive growth through organic and inorganic strategies, aiming to solidify its market leadership in the energy sector.

#### **Enhancing Research, Development, and Engineering Capabilities for Innovative Solutions and Manufacturing Efficiency:**

- The company is dedicated to enhancing its research and development, engineering capabilities, and manufacturing efficiencies to deliver high-voltage electrical equipment and customized solutions for grid connectivity and energy transition.
- Strategic investments in innovation and streamlined production processes reduce costs, accelerate delivery, and maintain market competitiveness. This focus supports effective resource allocation, fostering ongoing advancements in technology and engineering essential for the company's sustained growth.

#### **Expand the operating facilities and increase its operating capacity:**

- Since its founding in 2001 in Sangli, Maharashtra, the company has expanded by acquiring a manufacturing facility in Aluva, Kerala, enhancing its production of HVDC components and reactors.
- Recently, plans were approved to establish a new facility in Sangli to address increasing domestic and global demand for energy transition equipment. This expansion aims to leverage manufacturing synergies, increase product output, and enhance market reach, aligning with growth strategies in renewable integration projects.

#### **Harness industry growth in the energy transition sector and grow its operations:**

- HVDC transmission is revolutionizing energy grids in India, the U.S., and the Middle East by enhancing renewable energy integration. India's HVDC and FACTS market is projected to grow significantly, driven by large investments in renewable projects.
- The company is poised to capitalize on this trend with its expertise in HVDC systems, facilitating efficient energy transfer from remote sites to high-demand areas.
- The new Sangli factory and acquisition of Mehru are set to enhance its product development and delivery capabilities, supporting the expansion of renewable energy solutions.

### **Risks:**

- **Dependence on international markets:** The company earns over 74% of its revenue from international markets and plans further global expansion. However, this strategy introduces significant risks that could negatively impact its financial and operational outcomes.
- **Reliance on the HVDC and FACTS market:** The company's dependence on the HVDC and FACTS markets, which are subject to social, economic, and regulatory changes beyond its control, means adverse trends could significantly affect its business and financial performance.
- **Lack of long-term customer agreements:** The company lacks long-term customer agreements and heavily relies on maintaining good relationships with customers to succeed. There is no guarantee that these relationships can be sustained on favorable commercial terms.
- **Dependence on top customers:** The company's top 10 customers account for over 52.66% of its total revenue, making it highly vulnerable to the loss of any of these customers or a significant reduction in their purchases, which could adversely affect the business.
- **Covenants in financing agreements:** The company's financing agreement with Axis Bank includes restrictive covenants that could lead to accelerated repayments and potential financial instability if breached.



# **Quality Power Electrical Equipments Ltd**

## **SWOT Analysis**

### **Strengths:**



- **Robust Product Lineup:** Specialization in HVDC components, reactors, and transmitters, addressing the needs of the energy transition and power technologies sector.
- **Technological Expertise:** Strong focus on research and development to drive innovation in high voltage electrical equipment.
- **Advanced Manufacturing Facilities:** State-of-the-art testing labs and production units in strategic locations like Sangli and Aluva, improving production efficiency and product quality.
- **Global Reach:** Presence in 53 countries, showcasing international market penetration and diverse revenue streams.

### **Weaknesses:**



- **High Dependency on Renewable Projects:** Reliance on the renewable energy sector's growth and policy environment could be a risk if the sector faces downturns.
- **Complex Supply Chains:** Managing extensive and complex supply chains for global operations can lead to logistical challenges and increased costs.
- **Limited Product Diversification:** Concentration in high voltage and energy transition products may limit opportunities in other growing electrical equipment segments.
- **Operational Risk:** Expansion and setting up new facilities like the one in Sangli require substantial investment, which might strain financial resources if not managed efficiently.

### **Opportunities:**



- **Increasing Demand for Renewable Energy:** Global shift towards renewable energy sources presents significant growth opportunities for HVDC systems.
- **Technological Advancements:** Opportunity to lead in innovations such as smart grid technology and energy storage solutions.
- **Expansion in Emerging Markets:** Potential to expand into new geographic markets where energy infrastructure is developing rapidly.
- **Strategic Partnerships:** Forming alliances with other technology firms to enhance product offerings and market penetration.

### **Threats:**



- **Market Competition:** Intense competition from both local and international players in the electrical equipment industry.
- **Technological Disruption:** Risk of emerging technologies making existing products or technologies obsolete.
- **Regulatory Changes:** Vulnerability to changes in environmental regulations and policies affecting the energy sector.
- **Economic Instability:** Global economic downturns can reduce demand for industrial and high voltage electrical equipment.

## Quality Power Electrical Equipments Ltd

### Financials:

Income Statement (INR Mn)	FY22	FY23	FY24	H1FY25	Cash Flow ( INR Mn)	FY 22	FY 23	FY 24	H1FY25
<b>Revenue</b>	<b>1,826</b>	<b>2,533</b>	<b>3,006</b>	<b>1,557</b>	Net Cash Flow from Operating Activities	85	443	515	164
Operating Expenditure	1,595	2,211	2,628	1,241	Net Cash Flow from Investing Activities	206	-310	-386	12
<b>EBITDA</b>	<b>232</b>	<b>322</b>	<b>378</b>	<b>316</b>	Net Cash Flow from Financing Activities	16	-36	254	-144
<b>EBITDA Margin %</b>	<b>13%</b>	<b>13%</b>	<b>13%</b>	<b>20%</b>	Impact of Foreign step-down subsidiary	-337	-240	-422	-16
Other Income	291	203	308	270	Net Increase/(Decrease) in Cash	-30	-143	-39	15
Depreciation	19	23	34	18	<b>Cash &amp; Cash Equivalents at the Beginning</b>	<b>684</b>	<b>655</b>	<b>512</b>	<b>473</b>
Interest	15	27	23	17	<b>Cash &amp; Cash Equivalents at the End</b>	<b>655</b>	<b>512</b>	<b>473</b>	<b>488</b>
<b>Profit before exceptional items</b>	<b>489</b>	<b>475</b>	<b>630</b>	<b>551</b>					
Exceptional Items	1	2	3	-2					
<b>Profit after exceptional items</b>	<b>490</b>	<b>476</b>	<b>633</b>	<b>548</b>					
Non controlling interest	257	193	180	172					
Tax	68	78	78	48					
<b>Profit after Tax</b>	<b>165</b>	<b>206</b>	<b>374</b>	<b>329</b>					
<b>PAT Margin (%)</b>	<b>9%</b>	<b>8%</b>	<b>12%</b>	<b>21%</b>					
<b>Adjusted EPS</b>	<b>2.13</b>	<b>2.66</b>	<b>4.83</b>	<b>4.25</b>					

Balance sheet (INR Mn)	FY22	FY23	FY24	H1FY25
<b>Assets</b>				
<b>Non-Current Assets</b>				
Property, plant and equipment	337	388	654	717
Investments	0	15	16	16
Other non-current assets	381	523	602	279
<b>Current Assets</b>				
Inventories	408	479	235	140
Investments	0	292	459	494
Trade receivables	539	650	795	839
Cash and Cash Equivalents	655	512	473	488
Bank Balances	25	6	4	286
Other current assets	185	258	352	737
<b>Total Assets</b>	<b>2,529</b>	<b>3,122</b>	<b>3,589</b>	<b>3,996</b>
<b>Equity &amp; Liabilities</b>				
Equity share capital	2	2	722	722
Other equity	924	1,120	810	1,134
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>Non -Current liabilities</b>				
Borrowings	3	2	13	0
Other non-current liabilities	10	14	20	41
<b>Current liabilities</b>				
Borrowings	112	104	370	256
Trade payables	273	528	643	569
Other current liabilities	528	718	640	744
<b>Total Equity and Liabilities</b>	<b>2,529</b>	<b>3,122</b>	<b>3,589</b>	<b>3,996</b>

Source: IPO Prospectus, Deven Choksey Research

## **Quality Power Electrical Equipments Ltd**

### **ANALYST CERTIFICATION:**

I, **Karan Kamdar** (CA), Research Analyst, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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