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IPO note:

QUALITY POWER ELECTRICAL EQUIPMENTS LIMITED

Quality Power Electrical Equipments Limited is an Indian company that provides vital energy transition equipment and power technology to customers worldwide. The company offers solutions for energy transition and electrical grid connectivity, as well as high voltage electrical equipment. specializes in providing power equipment and solutions for the transmission, distribution, automation, and power production sectors. It is a technology-driven business. Provide tools and solutions specifically designed for new uses, including large-scale renewables. Manufacturing facilities meet quality requirements set by major conglomerates, including Fortune 500 companies. The Company's Test & Research Lab in Sangli is ISO 17025:2017 accredited by the National Accreditation Board for Testing and Calibration Laboratories ("NABL"), ensuring compliance with Indian and international standards for systems up to 765kV.

The company is one of the few global manufacturers of crucial high voltage equipment for HVDC and FACTS networks. These technology and networks are essential for transitioning from renewable energy to traditional power systems. With over two decades of experience in the energy transition arena, it offers a wide range of devices for efficient power transmission and automation. The company's products include reactors, transformers, line traps, instrument transformers, capacitor banks, converters, harmonic filters, and reactive power compensation systems. Grid connecting solutions include technologies like STATCOM and SVC. The company's domestic and global footprint allows it to cater to both the Indian and global customer bases.

HVDC technology improves efficiency and reduces energy losses for long-distance power transfer, altering the energy transition equipment and power technologies. This breakthrough is vital for integrating renewable energy sources from faraway sites like offshore wind farms and solar plants into urban areas. FACTS devices, such as Static Synchronous Compensators ("STATCOM"), play an important role in maintaining grid stability and reliability. Dynamic voltage control and reactive power compensation help manage swings from fluctuating renewable energy sources. Adoption of HVDC and STATCOM technology is crucial for the green energy transition, allowing for efficient and steady integration of renewable energy into the power grid.

The company's offering of high voltage equipment and solutions is important to expanding and modernizing electrical networks. The company's innovations improve grid reliability and performance by supporting power grid management and maintaining network stability. These solutions are designed to fulfill the demands of modern electrical infrastructure, ensuring maximum efficiency and reliability. Our high voltage solutions enhance network performance, handle the challenges of modern energy systems, and help operators manage power quality and dependability.

The company's production operations in India are distributed over two locations: Sangli, Maharashtra, and Aluva, Kerala. In 2011, the business bought 51% of Endoks Enerji Anonim Şirketi ("Endoks"), a company with design, assembly, project management, and delivery facilities in Ankara, Turkey, as part of its global expansion strategy. As of September 30, 2024, the company had 143 customers, including power utilities, industries, and renewable energy entities. The company generates the majority of its revenue from international markets, which were ₹ 1,179.99 million, ₹ 2,425.15 million, ₹ 1,948.30 million, and ₹ 1,356.51 million for the six-month period ended September 30, 2024, as well as the financial years ended March 31, 2024, 2023, and 2022.

Investment Recommendation and Rationale: -

At the upper price band of Rs. 425, the issue is priced at a P/E multiple of 59.27 its FY24 post IPO EPS of Rs. 7.17.

- Global energy transition and power technology player catering to varied industry segments and prepared to benefit off of global trend towards decarbonisation and adoption of renewable energy.**
- Proven track record of growth and financial performance for the six-month period ending September 30, 2024 and the previous three fiscal years.**
- Diversified customer base includes worldwide businesses with long-term partnerships.**
- Product offering includes energy transition equipment and power technology for both India and outside, despite substantial trade obstacles.**
- Research and development capabilities to offer future ready solutions.**

Issue Opens	Friday, February 14th , 2024
Issue Closes	Tuesday, February 18th , 2024
Type of Issue	Fresh Issue of 52,94,118 shares (aggregating up to Rs. 225.00 Cr) Offer for Sale of 1,49,10,500 shares (aggregating up to Rs. 633.70 Cr)
Issue size	Rs. 858.70 crores
Price Band	Rs. 401 to Rs. 425 (FV-Rs. 10)
Bid lot/ Bid Size	26 shares/ Rs. 11050
Issue structure	QIB-75% HNI-15% Retail-10%
Post issue equity shares	7,74,44,118 shares
Promoters and Promoter Group Public	Pre-Issue-100% Post-Issue- 73.91% Pre-Issue-0% Post Issue- 26.09%
Post issue implied market cap	Rs. 3291.37 crores
BRLMs	Pantomath Capital Advisors Private Limited
Registrar to the issue	MUFG Intime India Private Limited

Financial Summary of the Pre-Acquisition Group (Rs in Millions)

Particulars	Six-months period ended September 30, 2024	As of and for the Calendar Year ended		
		Fiscal 2024	Fiscal 2023	Fiscal 2022
Revenue from Operations	1,557.38	3,005.97	2,532.50	1,826.38
EBITDA	314.04	381.09	323.44	233.01
EBITDA Margin (%)	20.16	12.68	12.77	12.76
PAT	500.78	554.74	398.92	422.27
PAT Margins (%)	27.41	16.74	14.58	19.94
Net Worth	2,386.26	1,903.25	1,756.57	1,602.93
ROE	20.99	29.15	22.71	26.34
ROCE	15.84	19.20	22.32	20.58
Debt Equity Ratio	0.11	0.20	0.06	0.07

Source: Red Herring Prospectus (RHP)



Objects of the issue

Offer for Sale of 1,49,10,500 shares aggregating up to Rs. 633.70 Cr

Fresh Issue of 52,94,118 shares aggregating up to Rs. 225.00 Cr

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

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

Source: Red Herring Prospectus (RHP)

Peer Comparison

Name of Company	Total Revenue(in Rs. in Million)	Face value per equity share Rs	P/E (x)	EPS (Basic/Diluted) (Rs per share)	PAT (Rs)	RoNW (%)	NAV (₹ per share)
Quality Power Electrical Equipments Limited	3,005.97	10	22.95	5.19	554.74	29.15	26.38
Peer Groups							
Transformers & Rectifiers (India) Limited	12,946.76	1	251.51	3.24	470.05	8.35	39.49
Hitachi Energy India Ltd	52,374.90	2	308.63	38.64	1637.80	12.04	320.86
GE Vernova T&D India Limited	31,679.10	2	241.90	7.07	1810.50	14.57	48.54

Competitive Strengths

- The global energy transition and power technology player serves numerous business segments and is well-positioned to gain from the worldwide trend towards decarbonization and renewable energy adoption.
- Proven track record of growth and financial performance in the six-month period ending September 30, 2024 and previous three fiscal years.
- Diversified customer base of global businesses with long lasting relationships.
- Comprehensive product portfolio in the energy transition equipment and power technologies sector in India and abroad with high trade barriers.
- Demonstrated record of strategic acquisitions along with an enhanced order book contributing to growth.
- Research and development capabilities to offer future ready solutions.

Source: Red Herring Prospectus (RHP)

Growth Strategies

- Focus on growth through organic and inorganic acquisitions.
- Focus on R&D and engineering to create novel systems and solutions while improving manufacturing efficiency.
- Expand functioning facilities and improve operational capacity.
- Harness industry growth in the energy transition sector and grow operations.

Source: Red Herring Prospectus (RHP)

Key Risks

- The company focuses on the HVDC and FACTS markets. A variety of social, economic, and regulatory issues have an impact on these marketplaces. Any decline in these markets could harm the company's finances and operations.
- A significant portion of the business's revenue comes from its top ten clients. As of September 30, 2024, these customers made up Rs 86.21 crore (55.36%), Rs 174.87 crore (58.17%), Rs 141.04 crore (55.69%), and Rs 96.17 crore (52.66%) of the operating revenue in FY24, FY23, and FY22, respectively. The company's financial performance may suffer if any of these clients leave or if their purchases decrease.
- The directors and promoters Thalavaidurai Pandyan, Chitra Pandyan, and Bharanidharan Pandyan are especially important to the business. The operations of the company may suffer if they cannot be replaced or retained.
- The company's contingent liabilities totaled Rs 110.04 crore as of September 30, 2024. The company's financial health may be impacted if certain liabilities come to pass.
- The business is embroiled in certain legal actions, as are its directors, subsidiaries, and promoters. The company's business prospects may suffer if any of these cases result in unfavorable rulings.

Source: Red Herring Prospectus (RHP)



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