

IPO Note

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# QUALITY POWER ELECTRICAL EQUIPMENTS LIMITED

FEB 14, 2025





Feb 14, 2025

**Details of the Issue**

Price Band	₹ 401 - ₹ 425
Issue Size	₹ 858.7 Cr
Face Value	₹ 10
Bid Lot	26
Listing on	BSE, NSE
Post Issue Mcap	₹ 3,291.4 Cr
Investment Range	₹ 10,426 - ₹ 11,050

**Important Indicative Dates (2025)**

Opening	14 - Feb
Closing	18 - Feb
Basis of Allotment	19 - Feb
Refund Initiation	20 - Feb
Credit to Demat	20 - Feb
Listing Date	21 - Feb

**Lead Manager**

Pantomath Capital Advisors Pvt Limited

**Offer Details**

Offer Size	₹ 858.7 Cr
Fresh Issue	₹ 225.0 Cr
OFS	₹ 633.7 Cr

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	429.4	10.7	10.1	50
NII	128.8	3.2	3.0	15
Retail	300.5	7.5	7.1	35
Em- ploy.	-	-	-	-
Total	858.7	21.4	20.2	100

**Invest Now****Company Profile**

Quality Power Electrical Equipments Limited provides critical energy transition equipment and power technologies. The company manufactures high voltage equipment for High Voltage Direct Current (HVDC) and Flexible AC Transmission Systems (FACTS) networks. These equipment and network forms key component for energy transition from renewable sources to traditional power grids. QPEEL's product portfolio includes reactors, transformers, line traps, instrument transformers, capacitor banks, converters, harmonic filters, and reactive power compensation systems. Furthermore, the company also offers grid interconnection solutions feature technologies such as Static Synchronous Compensators (STATCOM) and Static Var Compensator systems (SVC). Grid interconnection addresses infrastructure and devices that needs to connect multiple power grids and electrical systems.

**GEPL's Insights & Investment Thesis:**

- Quality Power Electrical Equipments Ltd achieved a healthy financial growth with topline and bottom line increasing by 28% and 15% over the last two years driven by the focus on exports and increased demand.
- Over the next three years, the HVDC and FACTS market is expected to grow exponentially at a CAGR of 75% and reaching a market size of Rs. 630.7 trillion driven by the approved projects around the world and the backlog in the supply of HVDC and FACTS products.
- Based on the FY24 earnings relative to the company's post-IPO paid-up equity capital, the issue is priced at a P/E ratio of 59x. We believe that the company is overly valued as the compared to its earnings growth. Therefore, we recommend a "Avoid" rating for the issue.

**Business Highlights & Services**

Quality Power has a diversified customer base of 143 clients spanning multiple industries, including power utilities, renewables, automobiles, oil & gas, cement, chemicals, traction & locomotives, and steel & metal. With a strong global presence, the company serves customers across Asia, the Middle East, North America, South America, Australia, and Europe. In the first half of 2024, international markets accounted for a significant 76% of total revenue, while domestic markets contributed 24%. To drive growth and strengthen its product portfolio, geographic footprint, and customer reach, Quality Power has pursued strategic acquisitions. Over the past decade, it has acquired Nebeskie Labs Pvt Ltd, S&S Transformers & Accessories Pvt Ltd, Electrical Power Equipment Company, and Endoks, reinforcing its position as a global industry leader.

The company has manufacturing plants present at two locations in India, including Sangli, Maharashtra and Aluva, Kerala and one in Turkey at Ankara. At the factories located in Sangli and Aluva, products such as reactors, line traps, transformers, SVCs, STATCOMs, shunt reactors, and others are manufactured. Both the plants in India has a capacity utilization of approximately 70%. The operating facility in Turkey manufactures STATCOMs, SVCs, magnetic control reactors, and harmonic filters.



## Revenue from operating segment

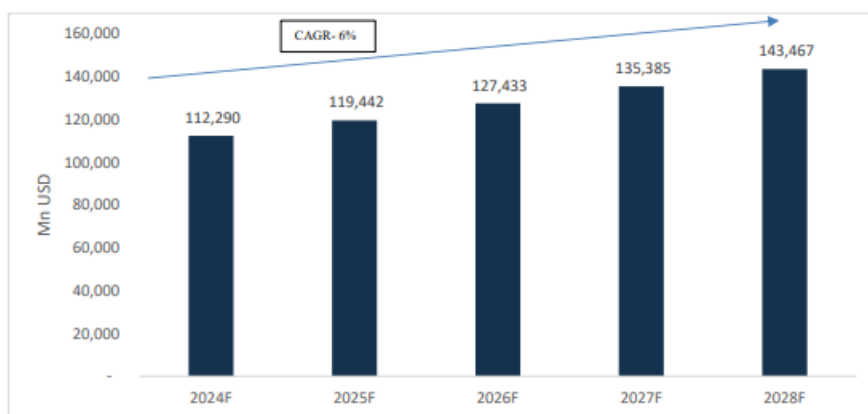
Particulars	Six-month period ended September 30, 2024		Fiscal 2024		Fiscal 2023		Fiscal 2022	
	Revenue (₹ in million)	As a % of our total revenue from operations	Revenue (₹ in million)	As a % of our total revenue from operations	Revenue (₹ in million)	As a % of our total revenue from operations	Revenue (₹ in million)	As a % of our total revenue from operations
Power Products	698.04	44.82	1,238.60	41.20	849.01	33.52	615.84	33.72
Power Quality Equipments	834.40	53.58	1,676.42	55.77	1,618.10	63.89	1,135.39	62.17
Others	24.94	1.60	90.95	3.03	65.39	2.58	75.15	4.11
<b>Total</b>	<b>1,557.38</b>	<b>100.00</b>	<b>3,005.97</b>	<b>100.00</b>	<b>2,532.50</b>	<b>100.00</b>	<b>1,826.38</b>	<b>100.00</b>

## Revenue Distribution based on geography

Markets	Six-month period ended September 30, 2024		Fiscal 2024		Fiscal 2023		Fiscal 2022	
	Revenue (₹ in million)	As a % of our total revenue from operations	Revenue (₹ in million)	As a % of our total revenue from operations	Revenue (₹ in million)	As a % of our total revenue from operations	Revenue (₹ in million)	As a % of our total revenue from operations
Domestic	352.45	22.63	489.87	16.30	518.81	20.49	394.72	21.61
International	1,179.99	75.77	2,425.15	80.68	1,948.30	76.93	1,356.51	74.27
Other Operating Revenue	24.94	1.60	90.95	3.03	65.39	2.58	75.15	4.11
<b>Total</b>	<b>1,557.38</b>	<b>100.00</b>	<b>3,005.97</b>	<b>100.00</b>	<b>2,532.50</b>	<b>100.00</b>	<b>1,826.38</b>	<b>100.00</b>

## Industry Overview

The rising global demand for electricity, particularly the need to integrate renewable energy into the main grid, is expected to drive growth in the energy transition and power technologies sector. The transmission sector has expanded at a CAGR of 8%, increasing from USD 78,736 million in CY19 to USD 1,05,903 million in CY23. Additionally, cross-border transmission lines and multilateral power trade, especially in ASEAN countries, are anticipated to attract significant investments in this sector. With the entire power transmission supply chain included, the market size is projected to grow at a CAGR of 6%, reaching USD 1,43,467 million in CY28 from USD 1,12,290 million in CY24.

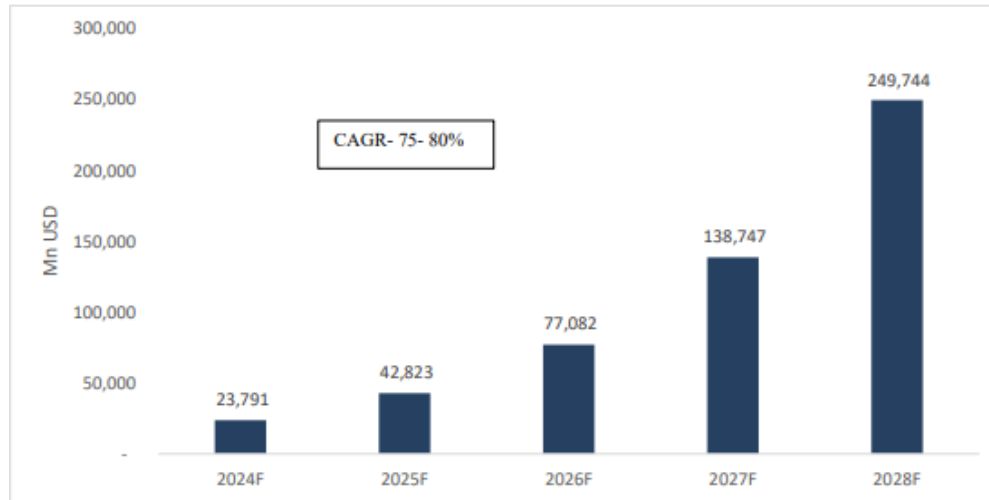


Source: Maia Research, CareEdge Research

The installation of HVDC and FACTS systems is accelerating worldwide, particularly in Europe, North and South America, and China. This growth is driven by several factors, including the increasing integration of renewable energy, expanding cross-regional electricity trade, and the rising demand for a more reliable power supply. Additionally, the economic feasibility of HVDC technology in strengthening grid connections has further fuelled adoption. The HVDC and FACTS market has experienced significant expansion, growing at a CAGR of 11%, from USD 10,162 million in FY19 to USD 13,217 million in FY23. With the continued global shift towards renewable energy, the market is projected to grow exponentially at a CAGR of 75-80% by CY28. This surge is largely attributed to a growing pipeline of approved projects worldwide and a backlog in the supply of HVDC and FACTS technologies.



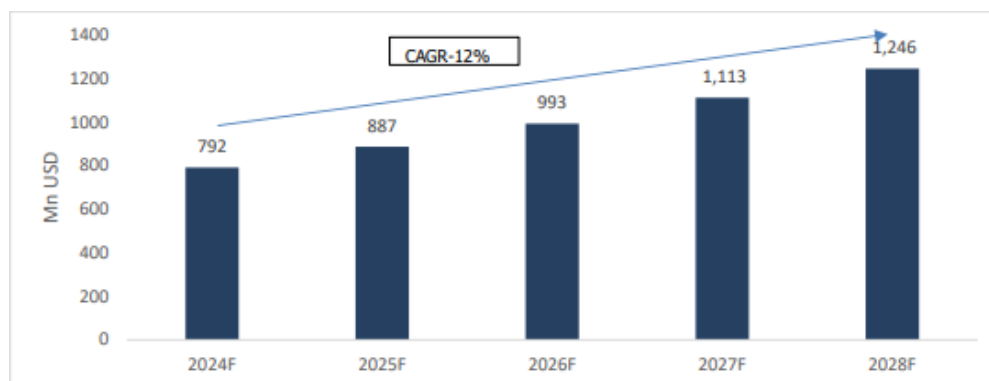
## Global HVDC and FACTS Market Forecast



Source: Maia Research, CareEdge Research, Industry Sources

Ongoing research and development efforts are enhancing the capabilities of STATCOMs, leading to greater efficiency, reliability, and cost-effectiveness. The STATCOM market is geographically segmented into North America, Europe, Asia Pacific, Latin America, and the Middle East & Africa. Among these, Asia Pacific is expected to dominate the market, driven by rapid industrialization, urbanization, and large-scale infrastructure development in countries like China, India, and South Korea. From 2019 to 2023, the global STATCOM market grew at a CAGR of 5%, increasing from USD 617 million in 2019 to USD 742 million in 2023. With accelerating industrialization, urbanization, and population growth, global power consumption is set to rise significantly, necessitating robust power transmission and distribution systems. Combined with the worldwide transition to sustainable energy sources, these factors are expected to drive further market expansion. The global STATCOM market is projected to grow at a CAGR of 12%, reaching USD 1,246 million in 2028 from USD 792 million in 2024.

## Global STATCOM Market Size Forecast



Source: Maia Research, CareEdge Research, Industry Sources

Static VAR Compensators (SVCs) are power electronic devices that utilize thyristors or insulated-gate bipolar transistors (IGBTs), along with capacitors and reactors, to regulate voltage and power factor by injecting or absorbing reactive power as needed. Their rapid response to system fluctuations makes them highly effective for dynamic voltage control and stability enhancement. As of 2023, SVCs accounted for 16.9% of the global power quality products market, with a market size of USD 1,956 million, growing at a CAGR of 6% from USD 1,573 million in 2019. By 2028, SVCs are projected to hold around 17.0% of the market, reaching USD 2,842 million, driven by an 8% CAGR from 2023.

Peers Comparison

Name of the company	Face Value (₹)	Total Income (₹ Cr)	EPS	P/E	RoNW(%)
Quality Power Electrical Equipments Limited	10	300.6	5.2	NA	29.1%
<b>Peers Group</b>					
Transformers & Rectifiers (India) Limited	1	1294.7	3.2	251.5	8.3%
Hitachi Energy India Ltd	2	5,237.5	38.6	308.6	12.0%
GE Vernova T&D India Limited	2	3,167.9	7.1	241.9	14.6%

Companies Competitive Strength :

- Global energy transition and power technology player catering to diverse industry segments and poised to benefit out of global shift towards decarbonisation and adoption of renewable energy.
- Demonstrated track record of growth and financial performance for the six-month period ended September 30, 2024 and the last three fiscals.
- 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.
- Management team with domain experience.

Key Strategies Implemented by Company

- Focus on growth through organic and inorganic acquisitions.
- Continue to focus on research and development and engineering capabilities to develop innovative systems and solutions, as well as improve manufacturing efficiencies.
- Expand its operating facilities and increase its operating capacity.
- Harness industry growth in the energy transition sector and grow its operations.

Particular (INR in Cr)	6M FY25	FY24	FY23	FY22
Equity Capital	72	72	0	0
Reserves and Surplus	113	81	112	92
Net Worth	239	190	176	160
Revenue	156	301	253	183
Growth (%)		19%	39%	
EBITDA	31	38	32	23
EBITDAM (%)	20.2%	12.7%	12.8%	12.8%
PAT	50	55	40	42
PATM (%)	11%	5%	5%	6%
ROCE (%)	16%	19%	22%	21%
ROE (%)	21%	29%	23%	26%





## Notes

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