

## IPO Review

### Quality Power Electrical Equipments Limited

#### About Company

Incorporated in 2001, Quality Power Electrical Equipments Limited is engaged in the business of 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 across generation, transmission, distribution, and automation sectors. The company manufactures critical high-voltage equipment for High Voltage Direct Current (HVDC) and Flexible AC Transmission Systems (FACTS) networks, enabling energy transition from renewable sources to power grids. With over 20 years of experience, the company offers reactors, transformers, converters, and grid interconnection solutions globally. The company operates manufacturing facilities in Sangli, Maharashtra, and Aluva, Kerala. In 2011, it acquired 51% of Endoks, a Turkey-based subsidiary with design, assembly, and project management capabilities. As of March 31, 2024, the company had 210 customers, including power utilities, power industries, and renewable energy entities. As of March 31, 2024, the company has 163 full-time employees and 372 contractual workers.

#### Objects of the Offer:

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 the Company for purchase plant and machinery
- 3 Funding inorganic growth through unidentified acquisitions and other strategic initiatives
- 4 General Corporate Purposes.

#### Rationale

**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:**

The Company is a technology-driven company specializing in the provision of high voltage electrical equipment and solutions for electrical grid connectivity and energy transition across power generation, transmission, transition, and distribution and

## IPO DESK

February 14, 2025

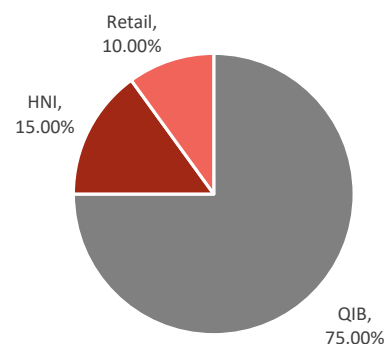
#### Subscribe for Long Term

Issue	
Open	Close
Friday 14-Feb-25	Tuesday 18-Feb-25

Issue Size	
Fresh Issue	225.00 cr
Offer for Sale	633.70 cr
<b>Total Issue</b>	<b>858.70 cr</b>

Per Equity Share	
Price Band	Face Value
Rs.401 - Rs.425	Rs 10
<b>Minimum Shares</b>	<b>26 Qt y</b>

#### NET OFFER STRUCTURE



Source: Dalal & Broacha Research

automation areas. Besides, they offer equipment and solutions tailored for emerging applications such as large-scale renewables. They are among the few global manufacturers of critical high voltage equipment for HVDC and FACTS networks. These equipment and networks form key components for energy transition from renewable sources to traditional power grids.

#### **Diversified customer base of global businesses with long lasting relationships:**

Since the Company's inception, they have ensured delivery of high-quality high voltage electrical equipment and solutions for electrical grid connectivity and energy transition and services. As of September 30, 2024, they had 143 customers. Their end customers include power utilities, renewable energy players and industries like automobiles, oil and gas industries, cement, chemical, renewables, traction & locomotives, steel & metal industries, power utilities. Their customers have specific pre-approval criteria based on past experiences, test qualifications, and brand preferences. Further, their portfolio comprises product offerings that span across domestic and international markets, enabling them to access our customers effectively. The key regions they cater to include Asia, Middle East, North America, South America, Australia and Europe.

#### **Demonstrated record of strategic acquisitions along with an enhanced order book contributing to growth:**

The Company has demonstrated a record of strategic acquisitions, to further enhancing their capabilities, asset base, customer reach, product offerings and expanding their reach in key markets. These strategic acquisitions significantly bolster their position in energy transmission sector, enabling them to offer more comprehensive solutions to their clients. As they integrated these businesses and assets into their operations, they have contributed to their growth trajectory, enhancing their capabilities and solidifying their market presence. They believe they have successfully integrated the acquired businesses and assets in their operations which has helped them to improve their position in the energy transition value chain.

## **Conclusion**

Quality Power Electrical Equipments Ltd. (QPEEL) is a technology driven company specializing in the provision of power products & solutions across power generation, transmission, distribution and automation sectors. The company offers high voltage equipment and solutions for electric grid connectivity and energy transition. The company is among the few global manufacturers of critical high voltage equipment for High Voltage Direct Current (HVDC) and Flexible AC Transmission Systems (FACTS) network. On a fully diluted basis, the IPO is priced at 33x post-IPO valuations. IPO is ~74% OFS & 26% fresh issue.

Recent trajectory of financial performance gives confidence with Revenue/EBITDA of 28.3%/27.8%/14.6% respectively over FY22FY24 and the fact that in terms of PAT company has almost managed to do ~50 Cr PAT in 6MFY25 which is almost the same PAT they did in full FY24. The industry in which the company operates has massive tailwinds considering the Global Electricity transmission market expected to grow at 6.3 CAGR from FY24-FY28E, & the Global HVDC & FACTS is expected to grow at 75-80% CAGR considering for renewables, green energy, electrification & grid integration at a world wide scale. Hence, we advise investors to **"Apply only with a Long-term view."**

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