Asit C. Mehta
INVESTMENT INTERMEDIATES LTD.
A Pantomath Group Company

IPO NOTE

QUALITY POWER ELECTRICAL EQUIPMENTS LTD

10th February 2025

Ensuring smooth transmission and transition of power globally

Executive Summary

Unique positioning: Quality Power Electrical Equipments Ltd. (Quality Power) is one of the few global players that manufactures high-voltage equipment with applications in high-voltage transmission, substations, renewable energy integration, High Voltage Direct Current (HVDC) and Flexible AC Transmission Systems (FACTS) networks, and across multiple industries.

Diversified products and customer base: It offers a range of products including transformers, reactors, line tuners, composites, capacitor banks, harmonic filters, etc. which are essential for effective power transmission and advanced power automation. The company caters to various industries such as automobiles, oil and gas industries, cement, chemical, renewables, traction & locomotives, steel & metal industries and power utilities. The customers are spread across 100 countries and include large business conglomerates listed in Fortune 500 category.

Established track record in the industry: The company has over two decades of experience in the energy transition space. Due to the criticality of the products, a successful and long track record is of key importance in this industry.

Product portfolio that supports energy transition: The global transmission line market is poised for a transformative shift as the energy transition and power technologies sector is moving towards more sustainable and efficient energy sources. The adoption of HVDC and STATCOM technologies is vital for the green energy transition, as they facilitate power evacuation from renewable sources and the efficient and stable integration of renewables into the power grid. Quality Power's product portfolio supports these de-carbonization efforts, sustainability and green initiatives.

Provides advanced grid interconnection solutions: The company specializes in grid interconnection solutions, including STATCOM and SVC, which address infrastructure and devices needed to connect multiple power grids or electrical systems. This equipment is crucial for facilitating the smooth transfer of energy between various stages: from generation to transmission, and from transmission to distribution, ensuring that energy flows throughout the power system, promoting integration and consistent operation.

Certified test laboratory: The Company's Test & Research Lab in Sangli holds ISO 17025:2017 accreditation from the National Accreditation Board for Testing and Calibration Laboratories (NABL), certifying it as an independent test laboratory that complies with both Indian and international standards for systems up to 765kV.

R&D capabilities: The company has research and development capabilities to offer future-ready solutions, with a management team possessing extensive domain expertise.

Strong financial track record:

- In FY24, the company recorded a revenue of Rs 3,006 mn, a CAGR of 28% over FY22-24. In the same period, PAT grew from Rs 422 mn in FY22 to Rs 555 mn in FY24.
- The company has a strong balance sheet with low debt-to-equity ratio of 0.1x in H1FY25.
- It also has a low working capital cycle of 47 days.
- The company operates at a high capital efficiency, with annualized ROE and ROCE of 42.0% and 31.7%, respectively in H1FY25.

Growth supplemented by inorganic expansion: Quality Power has entered into a sale and purchase agreement with Mehru Electrical and Mechanical Engineers. The acquisition will help the company to expand its scope by manufacturing instrument transformers till 400 kV. The proposed acquisition will facilitate company's expansion into new verticals and geographic markets, including Southeast Asia and Africa, where Mehru has strong presence.

Issue details	
Issue size (Rs mn)	8,229-8,587
Fresh issue:	
No. of shares (mn)	5.3-5.6
Value (Rs mn)	2,250
OFS:	
No. of shares	14.9
Value (Rs mn)	5,979-6,337
Face value (Rs)	10
Price band (Rs)	401-425
Post issue market cap (Rs mn)	31,182-32,914

Pre-Offer Shareholding Pattern (%)	
Promoter	100
Public	-

Post-Offer Shareholding Pattern (%)	At lower end	At higher end
Promoter	73.6	73.9
Public	26.4	26.1

Objects of Offer	(Rs mn)
Acquisition of Mehru Electrical and Mechanical Engineering Pvt Ltd	1,170
Funding capital requirements of the company	272
Funding inorganic growth through unidentified acquisitions/ general corporate purposes	NA

Timeline	
Offer opens	14th Feb 2025
Offer closes	18th Feb 2025
Finalization of Basis of Allotment	On or about 20th Feb 2025
Initiation of refunds	On or about 21st Feb 2025
Credit of Equity Share to Allottees	On or about 21st Feb 2025
Listing of Equity Shares on Stock Exchange	On or about 24th Feb 2025

Book Running Lead Manager
Pantomath Capital Advisors Private Limited

Registrar to the offer
MUFG Intime India Private Limited

Source: RHP

Institutional Research Desk:
Email: instresearch@acm.co.in

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Industry Overview

AC vs DC

- AC (Alternating Current) and DC (Direct Current) technologies each serve crucial roles in modern energy systems. Both AC and DC technologies are vital for the energy transition, working together to support reliable, efficient, and renewable power distribution.
- AC is the dominant form of power distribution globally, favored for its ease of voltage transformation and extensive infrastructure, making it ideal for household, industrial, and grid-level applications.
- On the other hand, DC, especially in the form of HVDC (High Voltage Direct Current), is essential for long-distance transmission and renewable energy integration, offering higher efficiency with fewer losses.

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Types of current

Alternating current	Direct current

• Dominant form
• Voltage transformation
• Used for
  ○ Home
  ○ Industries
  ○ Grid level application
	• Long distance transmission
	• Renewable energy integration

Source: RHP, ACMIIL Research

Transmission Network in India

- The energy transmission network in India operates in different voltages to cater to different need in the industry. The different voltage levels include Extra High Voltage (EHV), High Voltage, Medium Voltage, and Low Voltage.
- In India, the transmission line network has grown at a CAGR of 3% from FY19-24. Also, the substation network grew at a CAGR of 7% from FY19-24. India's energy transition and power technologies system has expanded at a significant pace driven by growing demand, the government's focus on providing electricity in rural areas, and the need for connecting the generation stations. As of July 2024, there are 54 transmission projects have been constructed and 53 projects are under construction.

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Transmission network

Extra High Voltage	High Voltage	Medium Voltage	Low Voltage
• 765 kV • 400 kV • 220 kV	• 132 kV • 66 kV	• 33 kV • 11 kV • 6.6 kV • 3.3 kV	• 1.1 kV • 220 kV and below

Source: RHP

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Energy transition: Global net zero commitments

To keep global warming to no more than 1.5°C – as called for in the Paris Agreement – **emissions need to be reduced by 43% by 2030** and reach net zero by 2050.

This entails **deployment of renewables and energy efficiency at a significant pace and scale** between now and 2030.

As per the International Energy Agency (IEA) and the International Renewable Energy Agency forecasts, the world requires **3x more renewable energy capacity by 2030**, and must double the global average annual rate of energy efficiency improvements from around 2% to over 4% every year until 2030.

This Energy Transition & Power Technologies marks a shift from traditional, carbon intensive energy sources like coal, oil, and natural gas to cleaner, more sustainable energy sources such as solar, wind, and hydrogen.

Source: COP28, UN, ACMIIL Research

The world requires 3x more renewable energy capacity by 2030, and must double the global average annual rate of energy efficiency improvements from around 2% to over 4% every year until 2030.

Facilitators for renewable adoption

- **Falling costs of renewable technologies** like solar and wind, coupled with technological advancements, have made renewable energy increasingly competitive.
- The shift towards decentralized energy systems and local renewable generation **enhances energy security** by reducing dependence on fossil fuel imports.
- Technological innovations, such as smart grids, AI, and better energy storage systems, are **optimizing energy management and integration of renewables.**

Issues related to renewable energy transmission

Integration of renewable energy with conventional grids is challenging due to the intermittent nature of renewable sources.

Long-distance transmission

- Projects such as solar and wind farms require large space, and are installed in remote locations.
- These need to be transmitted over long distances to demand centres.

Grid integration

- Integration of renewable energy with conventional grids is challenging due to the intermittent nature of renewable sources.

Grid resilience and stability

- A surge can occur when producers generate too much power without warning, and the entire system shuts down. A transmission line has its specified capacity, and if this limit gets passed, thermal loads will build up, leading to damage.

Source: RHP, ACMIIL Research

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Role of HVDC and FACTS

- At the core of the energy transition is the **adoption of energy transition equipment & power technologies**, which encompasses a broad range of novel methods, advanced equipment, innovative technologies and devices designed to facilitate the generation, storage, distribution, and efficient use of renewable energy.
- High Voltage Direct Current (HVDC) and Flexible Alternating Current Transmission Systems (FACTS) are integral part of high voltage electrical equipment and solutions for electrical grid connectivity and energy transition system as they play a **critical role in the integration and transmission of renewable energy**.
- Both HVDC and FACTS fall under the broader category of energy grid modernization equipment, which is essential for **ensuring that high voltage renewable energy can be efficiently transmitted, distributed, and stabilized within the grid.**
- These technologies **help overcome challenges** related to **long-distance power transmission**, **grid stability**, and the **variable nature of renewable energy** sources like solar and wind.
- Investments in modernizing grid infrastructure, such as high-voltage transmission systems, are **crucial to accommodating renewable energy and ensuring the long-term success of the global energy transition.**
- The energy transition equipment market is a cornerstone of the global shift towards a sustainable energy future. By providing the tools and technologies needed to generate, store, distribute, and efficiently use clean energy, this market is essential for achieving global climate goals, enhancing energy security, and promoting economic growth in a low-carbon world.

High Voltage Direct Current (HVDC) and Flexible Alternating Current Transmission Systems (FACTS) are integral part of high voltage electrical equipment and solutions for electrical grid connectivity and energy transition system as they play a critical role in the integration and transmission of renewable energy.

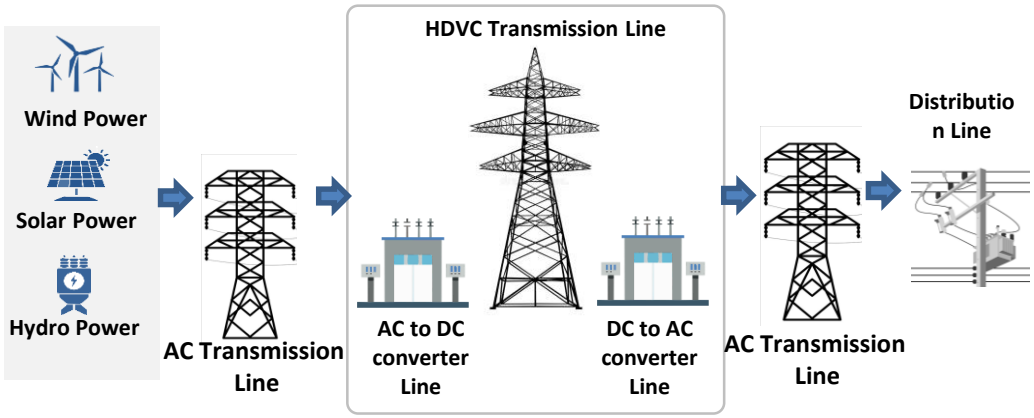
The energy transition equipment market is a cornerstone of the global shift towards a sustainable energy future.

Grid modernization

HVDC	FACTS
• Long distance transmission • Used direct current for transition of bulk power over long distances as compared to AC transmission • Renewable energy integration • Higher efficiency with fewer losses	• Control energy transition line power flow • Voltage control • Transient stability improvement • Oscillation damping

Source: RHP, ACMIIL Research

HVDC Transmission



Source: ACMIIL Research

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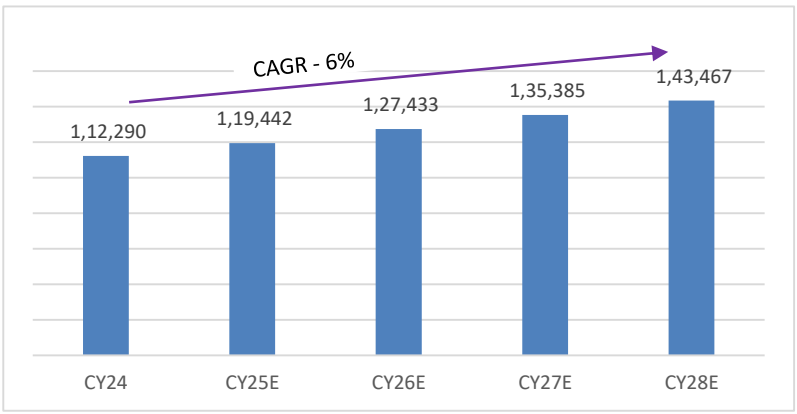
Global growth in electricity transmission and renewable capacity

The global market size of the entire supply chain of the power transmission sector is expected to grow at a CAGR of 6% from Mn 1,12,290 USD in CY24 to Mn 1,43,467 USD in CY28.

- The global transmission line market is poised for a transformative shift as the energy transition and power technologies sector is moving towards more sustainable and energy-efficient energy sources. The cross-border transmission lines and multilateral power trade around the world especially in ASEAN countries are expected to attract investments in the energy transition and power technologies sector.
- The market size of the entire supply chain of the power transmission sector is expected to grow at a CAGR of 6% from Mn 1,12,290 USD in CY24 to Mn 1,43,467 USD in CY28.

Exhibit: Global electricity transmission sector (USD mn)

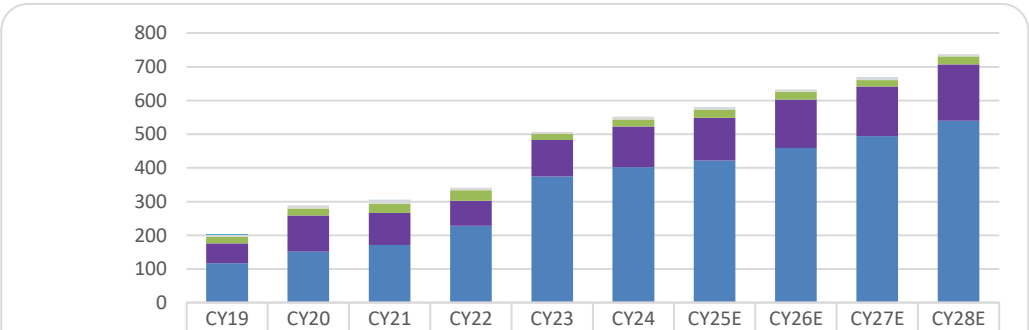


Source: RHP

The installed capacity of renewable energy is expected to reach 11,000 GW by 2030 under COP28 targets.

- According to IEA, renewable electricity capacity additions achieved an estimated 507 GW in 2023, marking an increase of nearly 50% compared to the previous year, 2022. The substantial growth is attributed to ongoing policy support in over 130 countries, prompting a significant shift in the global growth trend.
- The trend of increasing renewable power capacity additions is expected to persist over the next five years, with solar PV and wind collectively representing a record 96% of the total. This dominance is due to their lower generation costs compared to both fossil and non-fossil alternatives in most countries, coupled with sustained policy backing.
- Solar PV capacity, encompassing both large utility-scale and small distributed systems, constitutes two-thirds of the anticipated growth in global renewable capacity for the current year. Solar PV and wind installed capacity constitute to more than 90% of the total renewable energy installed capacity. The installed capacity of renewable energy is expected to reach 11,000 GW by 2030 under COP28 targets.

Exhibit: Global renewable installed capacity (GW)



	CY19	CY20	CY21	CY22	CY23	CY24	CY25E	CY26E	CY27E	CY28E
CSP	0.6	0	0	0	0	0	0	0	0	0
Geothermal	0	0	0.3	0	0	0	0.6	0	1	0
Bioenergy	8	9	10	7	6	8	6	6	7	7
HydroPower	19	21	28	32	18	21	24	24	19	24
Wind	59	108	95	74	108	121	127	144	148	167
Solar PV	117	151	171	228	375	402	422	459	494	540

Source: RHP

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Upcoming major power transmission projects- global

The energy transmission/transition has been on demand globally specially in Asia, Europe and Africa. The need to transition from existing facility to renewable source is felt all over the globe and hence, government/REs have proposed projects in line with the demand of long distance energy transmission. Some of the projects are cross-border projects i.e, energy is aimed to transmit from one country to other (Trans-Mediterranean Renewable Energy Cooperation) and therefore, it holds strategic importance. The projects planned is related to renewable energy generation such as wind energy and hydro energy and energy transmission.

The need to transition from existing facility to renewable source is felt all over the globe and hence, government/REs have proposed projects in line with the demand of long distance energy transmission.

North Sea Wind Power Hub - Integrate offshore wind energy source to meet load demand centres in Germany, the Netherlands, the UK, Norway, Denmark, Belgium, France, and other nations.

Trans-Mediterranean Renewable Energy Cooperation – North Africa to Europe - Creation of a super grid to transmit solar and wind power from North Africa to Europe. The project involves the construction of high-voltage direct current (HVDC) transmission lines to connect solar and wind farms in the Sahara Desert region to European countries.

Asian Super Grid - East Asia - connecting the electricity networks of several East Asian countries, including China, Japan, South Korea, Mongolia, and Russia.

Some of the projects are cross-border projects i.e, energy is aimed to transmit from one country to other and therefore, it holds strategic importance.

European Supergrid – Europe - Establish a power network that connects European countries internally and extends to other regions, including North Africa and the Middle East.

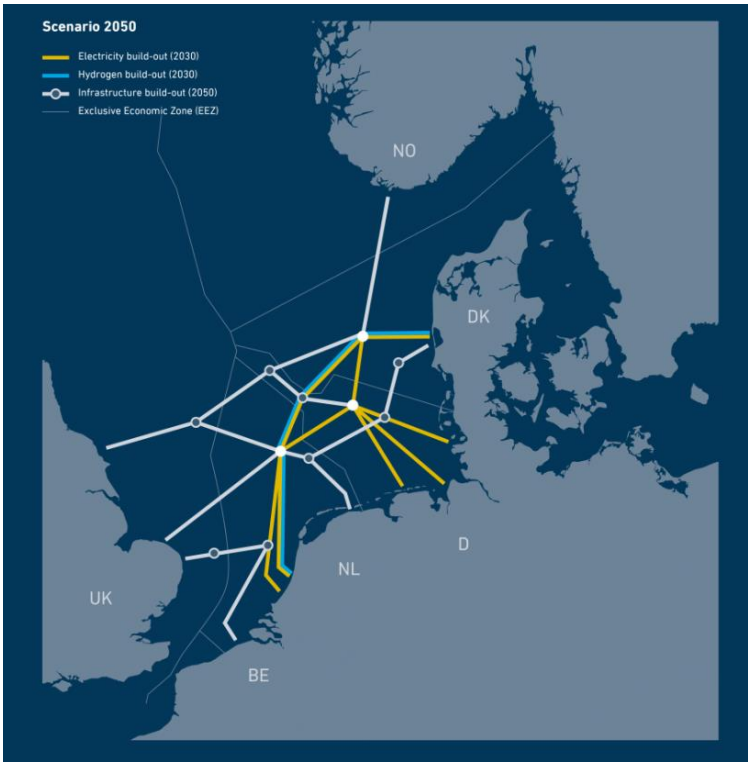
ASEAN Power Grid - Southeast Asia - Aims to connect the electricity networks of ASEAN member countries, promoting cross-border electricity trade and facilitating the integration of renewable energy sources in the region.

African Clean Energy Corridor – Africa - expediting the advancement of renewable energy capabilities and the cross-border exchange of renewable power within the Eastern Africa Power Pool (EAPP) and Southern African Power Pool (SAPP).

Source: RHP

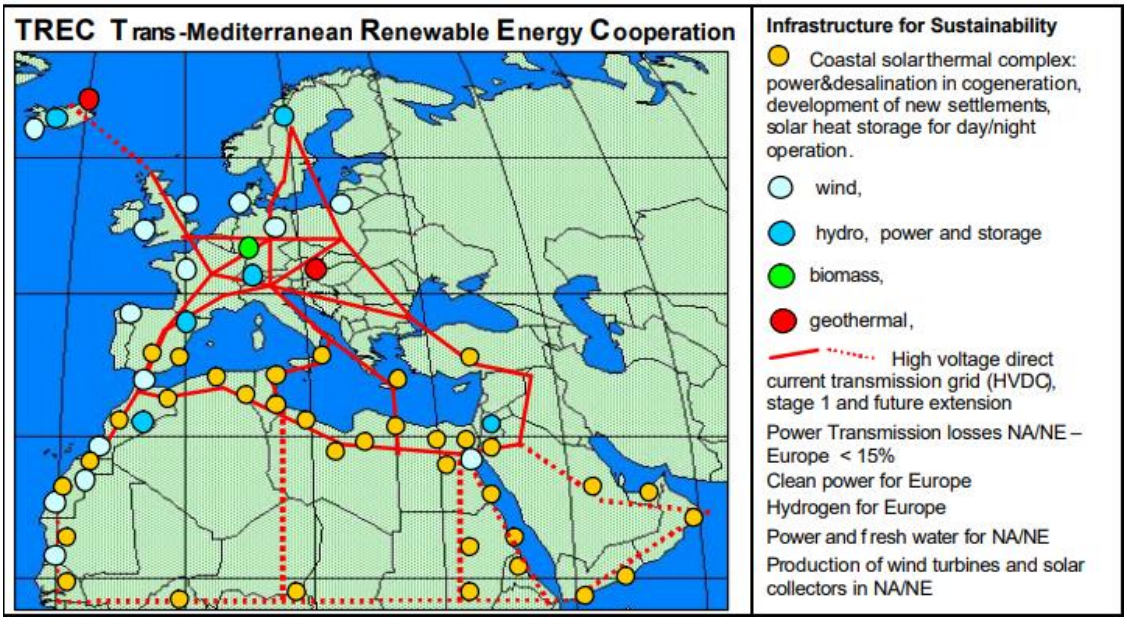
Upcoming major power transmission projects- global

Exhibit: Blueprint for the offshore energy highways connecting North Sea Wind Power Hub (Scenario for 2050)



Source: northseawindpowerhub.eu

Exhibit: Trans-Mediterranean Renewable Energy Cooperation



Source: sustainabledevelopment.un.org

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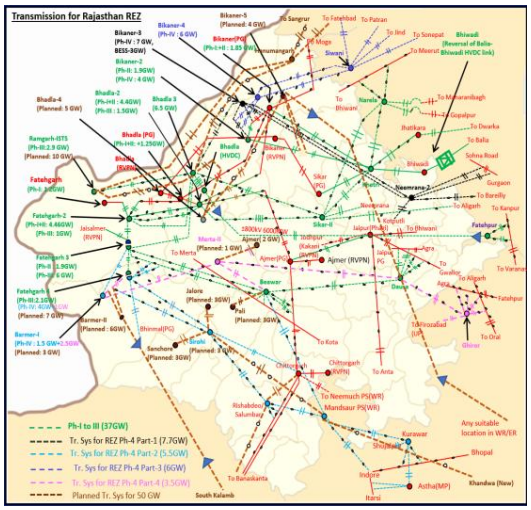
Upcoming major power transmission projects- India

Some of the under bidding/ planned/under planning projects in HVDC/ STATCOMS in India include:

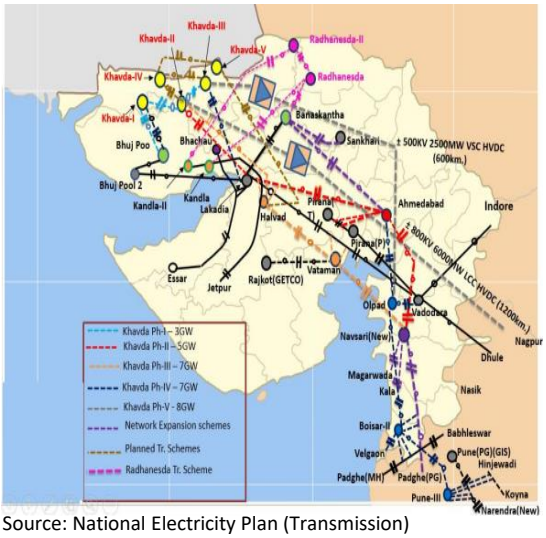
HVDC	STATCOMS
±800 kV 6000 MW HVDC (LCC) from Bhadla-III to Fatehpur	Bikaner-IV (± 2x300 MVAR)
±800 kV 6000 MW HVDC (LCC) from KPS2 to Nagpur	Siwani (± 2x300 MVAR)
±500 kV 2500 MW HVDC (VSC) from KPS3 to South Olpad	Barmer-I (± 2x300 MVAR)
±350 kV 5000 MW HVDC (VSC) from Pang (Leh) to Kaithal	Sirohi (± 2x300 MVAR)
±800 kV 6000 MW HVDC (LCC) from Barmer-II to a suitable location in WR /SR	Rishabhdeo (± 2x300 MVAR)
±800 kV 6000 MW HVDC (LCC) from Merta-II (final location being finalized)	Mandsaur (± 300 MVAR)
±320 kV 500 MW HVDC from Angul/ Paradeep to Port Blair/ Great Nicobar	Kurawar (± 300 MVAR)
±320 kV 1000 MW India – Sri Lanka VSC HVDC System	Bikaner-III (± 2x300 MVAR)
500 MW India – Myanmar Back-to-back LCC HVDC System	Ghiror (± 2x300 MVAR)
2000 MW HVDC between India and Singapore	Merta-II (± 2x300 MVAR)

Exhibit: Transmission system for evacuation of RE power in Rajasthan (~99 GW upcoming)



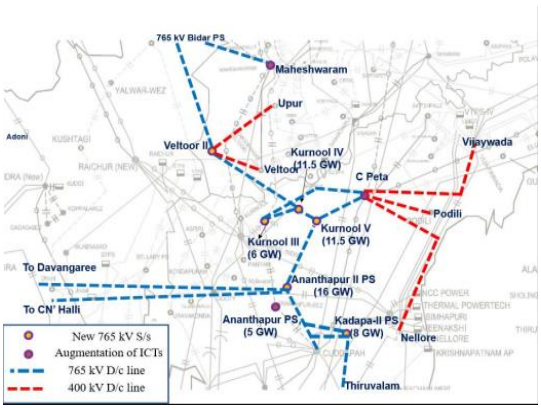
Source: National Electricity Plan (Transmission)

Exhibit: Transmission system for evacuation of RE power in Gujarat (~60 GW upcoming)



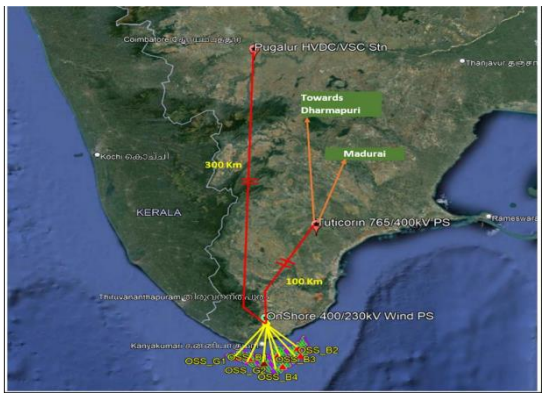
Source: National Electricity Plan (Transmission)

Exhibit: Transmission system for evacuation of RE power in Andhra Pradesh (~58 GW upcoming)



Source: National Electricity Plan (Transmission)

Exhibit: Transmission system for off-shore wind potential zones in Tamil Nadu



Source: National Electricity Plan (Transmission)

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About the Company

- Quality Power **specialises in high-voltage electrical equipment and solutions** for **electrical grid connectivity** and **energy transition**. It is involved in manufacturing power products and providing solutions across power generation, transmission, distribution, and automation sectors.
- It is **one of the few global manufacturers of some of the critical high-voltage equipment for High Voltage Direct Current (HVDC) and Flexible AC Transmission Systems (FACTS) networks.** These equipment and networks form key components for energy transition from renewable sources to traditional power grids, contributing to advancing decarbonization efforts, sustainability, and green energy initiatives.
- Its portfolio of high-voltage products and solutions is critical for advancing and modernizing electrical networks. Its technologies are designed to enhance grid reliability and performance by providing critical support for power grid management and overall network stability.
- The company has over two decades of experience in the energy transition space. Due to the criticality of the products, a successful and long track record is of key importance in this industry.
- The company has 2 manufacturing facilities in India, one each in Sangli, Maharashtra, and Aluva, Kerala. It also has a facility in Turkey, for design, operation, assembly, and project management of essential electrical equipment for modern power systems.
- Historically, the company has done several acquisitions. One such acquisiton was of Endoks, where Quality Power holds a 51% stake since 2011.
- The company is now looking to acquire 51% stake in Mehru Electrical and Mechanical Engineers Private Limited (Mehru), to facilitate expansion into new verticals and geographic markets, including Southeast Asia and Africa, where Mehru has a strong presence.

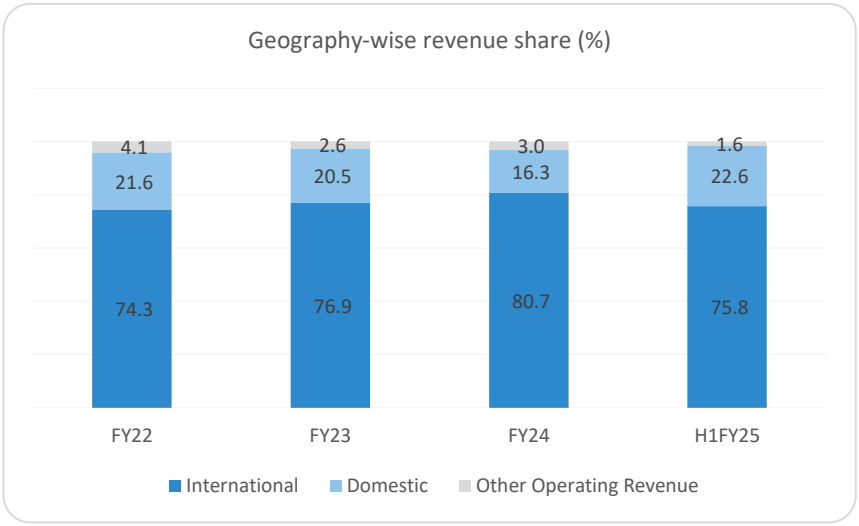
Quality Power has over two decades of experience in the energy transition space. Due to the criticality of the products, a successful and long track record is of key importance in this industry.

Geographical presence

- A substantial portion of revenue is earned from overseas operations, which includes revenue generated from the subsidiary Endoks, which is based in Turkey.
- The company caters to key regions including Asia, Middle East, North America, South America, Australia and Europe.
- With the proposed acquisition of Mehru, Quality Power will be able to expand in Southeast Asia and Africa.

A substantial portion of revenue is earned from overseas operations, which includes revenue generated from the subsidiary Endoks, which is based in Turkey.

Exhibit: Geography-wise revenue share (%)



Source: RHP

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Product Profile

The company categorises its products in two segments:

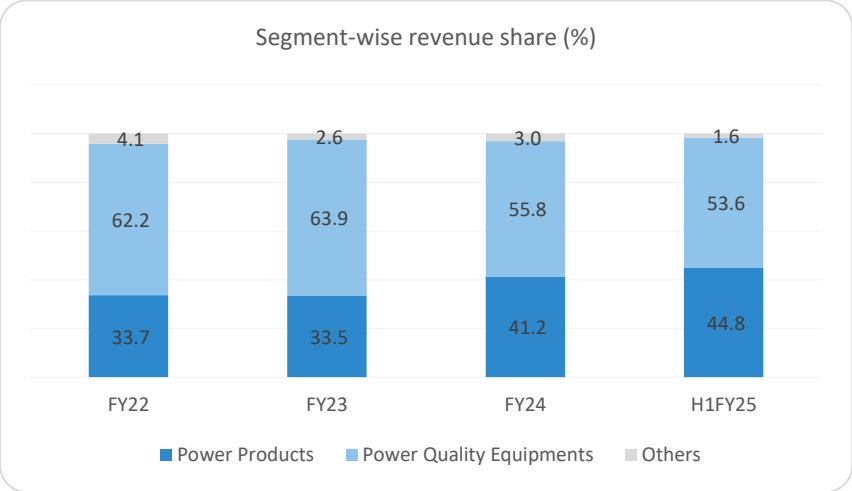
1. **Power products:** The company provides high voltage electrical equipment and solutions for electrical grid connectivity and energy transition and within it, specializes in the production of High Voltage Products. This includes a range of power products such as reactors, line traps, transformers, instrument transformers, line tuners, metal-enclosed capacitor banks, and composites.
2. **Power quality systems:** Power quality refers to the reliability and stability of electrical power supply, ensuring that it meets the requirements of connected electrical equipment. Various passive, hybrid, and active systems are employed to manage power quality issues and maintain efficient operation within electrical networks. This includes static VAR compensators (SVC), STATCOMs, harmonic filters, capacitor banks, and shunt reactors.

Within Power products, the company acts as a manufacturer of high-voltage equipment. Within power quality systems, the company acts as a system integrator for FACTS/ STATCOMS.

Other than composites, all other products are sold to external customers.

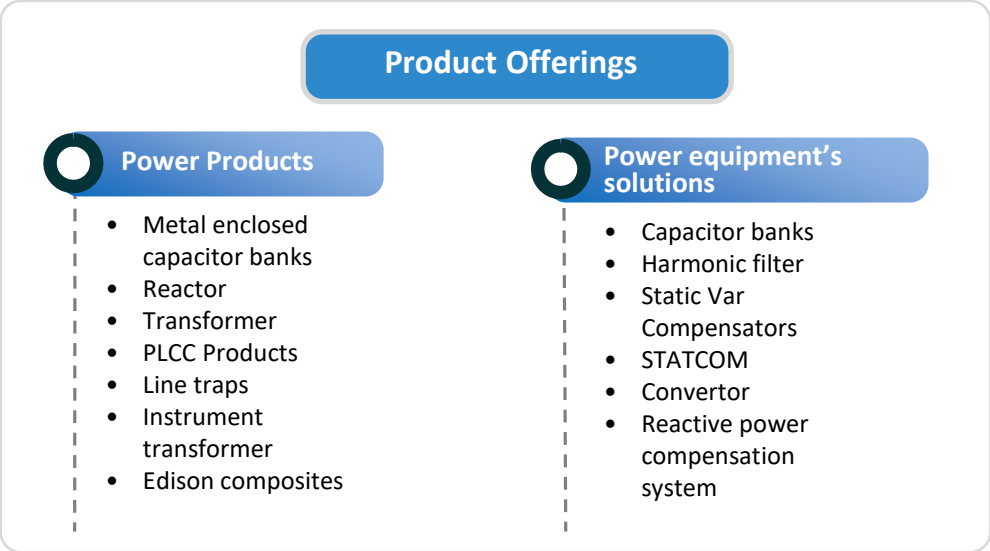
These products are critical for High Voltage Direct Current (HVDC) and Flexible AC Transmission Systems (FACTS) networks.

Exhibit: Segment-wise revenue share (%)



Source: RHP

Exhibit: List of product offerings



Source: RHP

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Product Profile

Power products

i. **Reactors:** Reactors are essential components in power systems, assisting with functions such as voltage regulation, current limitation, and harmonic filtering. There are different types of reactors based on capacity to handle different voltage levels. These are: a) **Air core reactors** can handle voltages as high as 765kV, b) **Iron core reactors** of up to 36kV, and c) **Oil filled reactors** of up to 170kV.

ii. **Line traps:** Line traps are passive electrical devices used in power transmission systems to control and mitigate the effects of high-frequency signals or noise on power lines. They are installed in series with the transmission lines and tuned to specific frequencies to block unwanted signals while allowing desired power frequencies to pass through. Line traps **help maintain power quality**, **reduce interference**, and **ensure stable operation** of the transmission system, especially in areas prone to electromagnetic interference or radio frequency interference.

Products such as coils, reactors, instrument transformers, special transformers have applications in HVDC networks.

iii. **Transformers:** A transformer is a passive component that transfers electrical energy from one electrical circuit to another circuit, or multiple circuits. Quality Power's portfolio includes earthing transformers, special application transformers and dry type transformers. **Earthing transformers** are essential for maintaining the safety of electrical installations by preventing excessive voltages on equipment and ensuring proper grounding of the system. **Special application transformers** are customized to meet the specific needs of the application, ensuring optimal performance and reliability. **Dry type** transformers are widely used in commercial buildings, hospitals, data centres, and other facilities where safety and reliability are paramount.

iv. **Instrument transformers:** Instrument transformers are devices used to measure electrical parameters such as voltage and current in power systems. They are typically used in conjunction with instruments such as meters, relays, and protective devices to monitor and control the electrical system. Instrument transformers include **Current transformers (CTs)** for measuring current and **Potential transformers (PTs)** for measuring voltage. These transformers step down high voltages and currents to levels suitable for measurement, ensuring accurate and safe operation of the measuring instruments.

v. **Line tuners:** Line tuners are devices used in power transmission systems to adjust the electrical impedance of transmission lines to match the impedance of the connected loads. They are installed at specific locations along the transmission line and tuned to specific frequencies to **optimize power transfer efficiency** and **reduce reflections**. Line tuners help improve system stability, reduce power losses, and **enhance overall transmission line performance**, especially in long-distance transmission lines where impedance matching is critical for minimizing voltage drop and maximizing power delivery.

vi. **Metal-enclosed capacitor banks:** A metal-enclosed capacitor bank is a specialized electrical device **used for power factor correction** and **voltage support** in electrical distribution systems. It consists of capacitors housed within a metal enclosure, along with associated protective and control equipment. These capacitor banks are typically installed in substations or alongside electrical distribution equipment. The metal enclosure provides protection against environmental factors such as dust, moisture, and physical damage, ensuring the longevity and reliability of the capacitors.

vii. **Composites:** Composites are used in insulation components to provide **superior electrical insulation** and **resistance to environmental factors**, ensuring safe and reliable operation. Composites are also employed in structural elements, offering high strength and durability while being lightweight, which facilitates easier installation. Additionally, advanced composites used in cooling systems help maintain optimal operating temperatures and extend equipment lifespan. Overall, the use of composites **improves electrical performance, durability, and operational efficiency in high-voltage applications**.

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Product Profile

Product Quality Systems:

i. **Static VAR Compensators (SVCs):** These are power electronic devices used in electrical power systems to **regulate voltage** and **improve power factor**. They are **part of the FACTS family** of devices. SVCs are typically installed at substations or industrial facilities where voltage regulation and power factor correction are crucial.

ii. **Static synchronous compensator (STATCOMS):** These are power electronic devices consisting of voltage-source converters that **generate or absorb reactive power** as needed **to stabilize the voltage** of the power system. Unlike traditional SVCs which use thyristor-based technology, STATCOMs utilize insulated-gate bipolar transistors to control the flow of reactive power.

iii. **Harmonic filters:** Harmonic filters are specialized devices used in electrical power systems to **mitigate harmonic distortion** caused by non-linear loads. Non-linear loads such as computers, variable frequency drives, and LED lighting can introduce harmonics into the electrical system, which can degrade power quality and interfere with the operation of sensitive equipment. Harmonic filters are designed to selectively eliminate specific harmonic frequencies from the electrical system, thereby reducing harmonic distortion and **maintaining power quality** within acceptable limits.

iv. **Capacitor banks:** Capacitor banks are electrical devices designed to **improve power factor and voltage stability** in electrical power systems. They consist of a series of capacitors connected in parallel with the electrical distribution system. Capacitor banks are commonly used in industrial, commercial, and utility settings to compensate for reactive power and enhance overall system efficiency. By increasing the power factor, capacitor banks reduce the amount of reactive power drawn from the utility grid, **leading to lower energy losses** and improved voltage regulation.

v. **Shunt reactors:** Shunt reactors are vital components used in electrical power systems to **stabilize voltage levels** and **compensate for capacitive reactive power**. They are typically connected in parallel with transmission lines or distribution networks and operate continuously to **absorb excess capacitive reactive power** and thereby maintain voltage within acceptable limits.

IPO NOTE

QUALITY POWER ELECTRICAL EQUIPMENTS LTD

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Customer Profile

- The customers that Quality Power caters to run their operations across multiple key areas, including

i. **Power transmission**, providing effective transfer of electricity over distances,

ii. **Power distribution**, ensuring the delivery of electricity to end users,

iii. **Power automation**, integrating advanced technologies for efficient power management.

- It also specializes in **grid interconnection** equipment, which addresses infrastructure and devices needed to connect multiple power grids or electrical systems. This equipment is crucial for facilitating the smooth transfer of energy between various stages: from generation to transmission, and from transmission to distribution, ensuring that energy flows throughout the power system, promoting integration and consistent operation.

The company has a strong customer base of 210, across 100 countries.

- As of March 2024, the company had **210 customers**. These include power utilities, power industries, and renewable energy entities.
- Some notable customers are GE T&D India Limited, Hitachi Energy Limited and Kalpataru Projects International Limited, among others.

Exhibit: Industries that the company caters to

Particulars	Coil products (Reactors/Line traps)	Transformers Products (Special Transformers/ instrument Transformers)	Power Quality Harmonic Filters / SVC / STATCOM)	Automation (IoT / Edge Computing)
Metals	Y	Y	Y	Y
Cement	Y	Y	Y	Y
Chemicals	Y	Y	Y	Y
Paper	Y	Y	Y	Y
Manufacturing	Y	Y	Y	Y
Utility				
HVDC	Y	N	N	N
FACTS	Y	Y	Y	N
Renewables	Y	Y	Y	N
Substations	Y	Y	Y	Y
Power Generation				
Thermal	Y	Y	N	N
Nuclear	Y	Y	N	N
Solar	N	Y	Y	N
Wind	N	Y	Y	N
Hydel	Y	Y	N	N
Mobility				
Railways	Y	N	N	N
EV	Y	-	Y	N
Oil & Gas	Y	Y	Y	N

Source: RHP

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Capacity and Utilisation

- The company has 2 manufacturing facilities in India, one each in Sangli, Maharashtra, and Aluva, Kerala.
- It also has a facility in Turkey, for design, operation, assembly, and project management of essential electrical equipment for modern power systems. This is for captive use for Endoks' projects.
- In Sangli, the company manufactures HVDC components, reactors, and transmitters. Aluva facility specializes solely in the production of coils
- Management is now proposing to set up a new facility for manufacturing high voltage electrical equipment in Sangli, Maharashtra. This will help the company to meet escalating demand for its products, both domestically and globally.

The company's capacity is entirely fungible between products, giving the company flexibility to focus on the products that are more lucrative at any point. In line with this, in FY24, the company shifted its entire focus on coils, and away from transformers.

Location: Sangli

	FY22	FY23	FY24	H1FY25
Coil Products (MVAR)				
Installed Capacity	2,880	2,880	2,880	2,880
Utilized Capacity	1,481	2,054	2,448	1,861
% of Capacity Utilization (A)	51.4	71.3	85.0	65.0
Transformers including Instrument Transformer (MVA)				
Installed Capacity	2,100	2,100	2,100	2,100
Utilized Capacity	432	587	130	160
% of Capacity Utilization (B)	20.6	28.0	6.2	8.0
Combined utilization (A+B)	72.0	99.3	91.2	73.0
Composites (tonnes)				
Installed Capacity	240	240	240	240
Utilized Capacity	64	56	203	65
% of Capacity Utilization	26.6	23.3	84.6	27.0

Source: RHP. *Note: In FY22, the capacity utilization for Transformer products, including instrument transformers, was 21%. By FY23, this utilization increased to 28%. However, as the company specializes solely in manufacturing special-purpose transformers, the focus shifted towards meeting larger orders for coil products. Consequently, the capacity utilization for Transformers declined from 28% in FY23 to 6% in FY24.*

Note: Edison Composites significantly improved its capacity utilization, increasing from 27% in FY22 to 23% in FY23, and then dramatically rising to 85% in FY24. This remarkable increase is supported by the enhanced utilization of coil products, which has contributed to the overall rise in composite utilization.

Location: Aluva, Kerala

	FY22	FY23	FY24	H1FY25
Coil Products (MVAR)				
Installed Capacity			72	72
Utilized Capacity			72	29
% of Capacity Utilization			100.0	41.0
Transformers including Instrument Transformer (MVA)				
Installed Capacity		2,240	2,240	2,240
Utilized Capacity		320		0.3
% of Capacity Utilization		14.3	-	0.01

Source: RHP. *Note: Transformers, including instrument transformers, experienced capacity utilization from 14% in FY23 to 0% in FY24 as in 2024, the production of transformer products was solely conducted at the Kupwad Sangli factory.*

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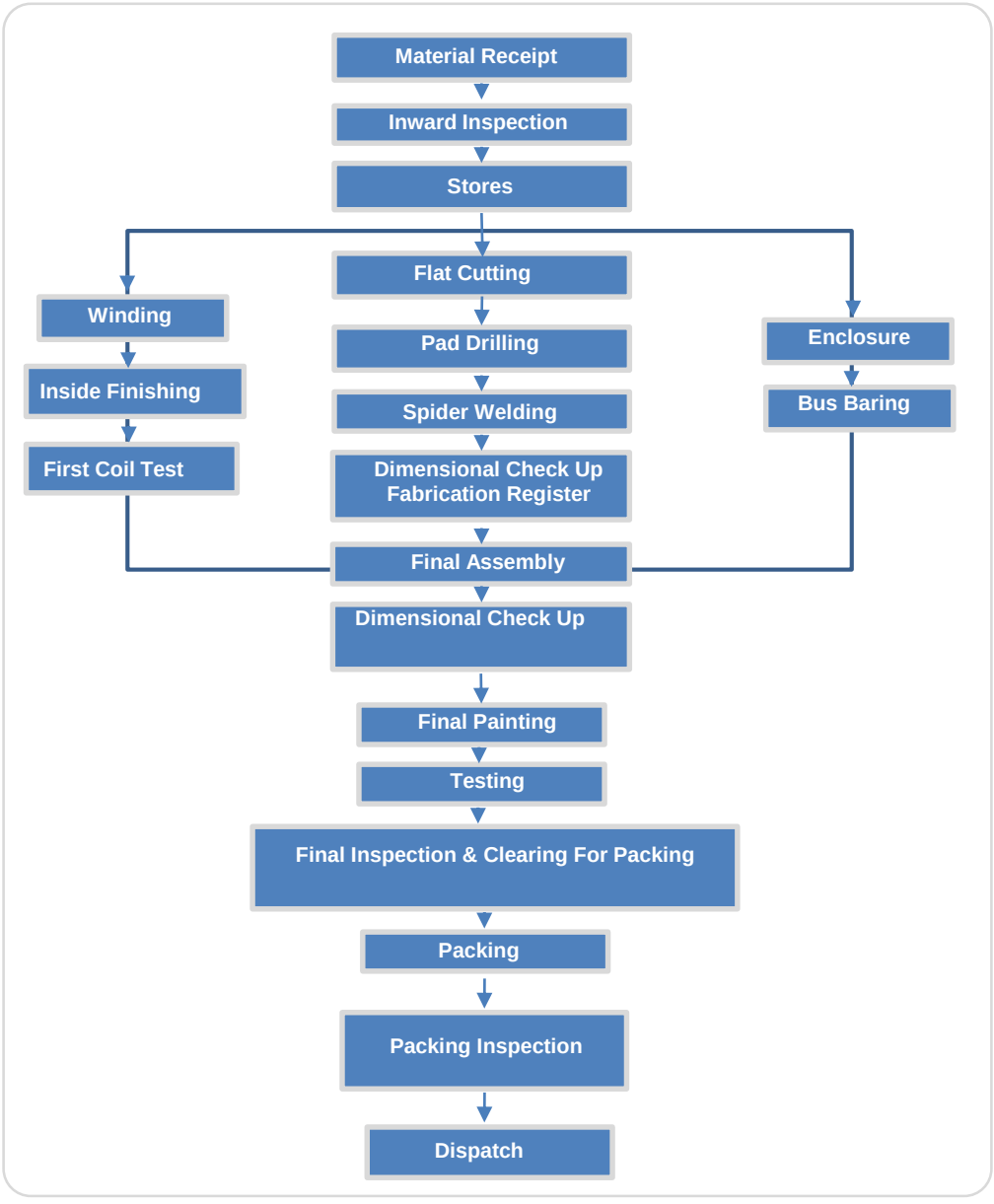
QUALITY POWER ELECTRICAL EQUIPMENTS LTD

Manufacturing Process



Source: RHP

Key raw materials

- Raw materials for the company consist of metal (such as aluminium, copper, and steel), insulation materials, resins, power electronic semiconductors, insulators, capacitors, and switchgear components.
- As the equipment is tailored to meet project designs, the procurement of major raw materials occurs after obtaining customer purchase order or drawing approvals. This approach ensures that the materials acquired align precisely with the project requirements and specifications outlined by the customer.

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QUALITY POWER ELECTRICAL EQUIPMENTS LTD

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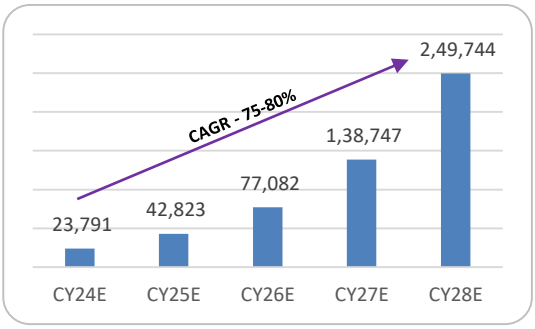
Global growth in HVDC + FACTS demand

Global growth

- The installation of HVDC and FACTS systems is increasing at a rapid pace around the world, including in Europe, North and South America, and China. Another factor attributed to this accelerating trend, alongside the increasing renewable energy capacity, the thriving cross-regional electricity trading, and the rising demand for a more reliable electricity supply, is the economic feasibility of using HVDC to strengthen grid connections. The market also expects to witness 52% of the HVDC transmission capacity originating from Asia.
- The global market for HVDC and FACTS has grown at a CAGR of 11% from USD 10,162 mn in FY19 to USD 13,217 mn in FY23.
- Owing to increase in global adoption of renewable energy, the HVDC and FACTS market globally is expected to grow at a CAGR of 15%% by CY28. This 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.
- The quantum of the HVDC transmission projects announced far exceeds the forecasted trajectory. With tendered projects worth USD 90 to 100 bn already been allotted worldwide, the estimated projects awarded in the market is sizeable and if executed and operationalised will result in addition to the market size of the industry in the medium to long term.

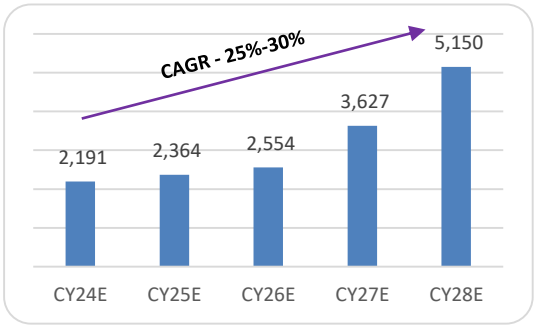
The installation of HVDC and FACTS systems is increasing at a rapid pace around the world, attributed to increasing renewable energy capacity, the thriving cross-regional electricity trading, the rising demand for a more reliable electricity supply, and the economic feasibility of using HVDC to strengthen grid connections.

Exhibit: Global HVDC and FACTS market (USD mn)



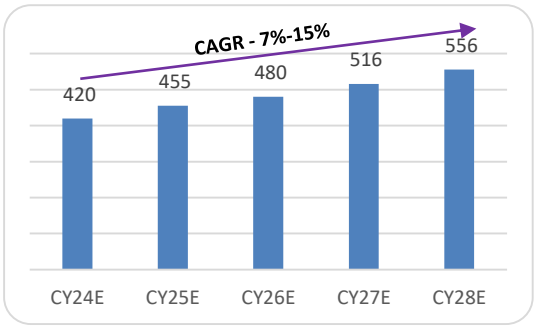
Source: RHP

Exhibit: HVDC and FACTS market in USA (USD mn)



Source: RHP

Exhibit: HVDC and FACTS market in Middle East (USD mn)



Source: RHP

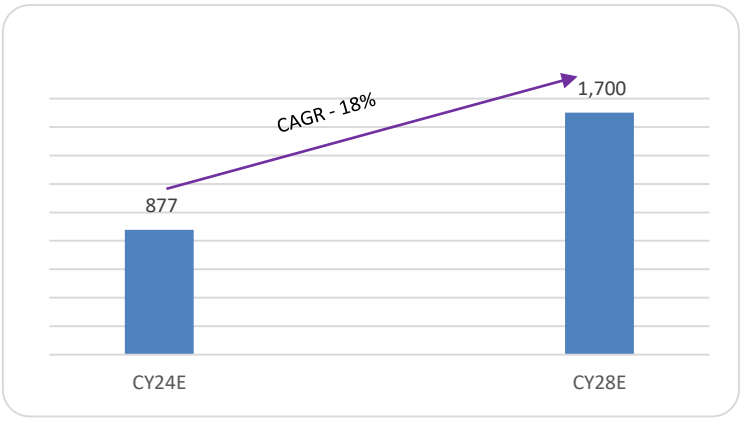
Growth for HVDC + FACTS in India

India growth

- The HVDC and FACTS market in India has grown at a CAGR of 7% from 576 Mn USD in CY19 to 743 Mn USD in CY23.
- The HVDC and FACTS market in India is expected to grow at a CAGR of 18% from USD 877 mn in CY24 to USD 1,700 mn in CY28E due to the increased focus on the addition of renewable energy in the mainstream electricity supply of the country.
- The quantum of the HVDC transmission projects announced far exceeds the forecasted trajectory. India has planned HVDC projects with a current investment of Rs 760 bn. With the tendered orders an additional of Rs 300 bn to 400 bn. Is estimated to being added in the next 4 to 5 years. The estimated projects awarded in the market is sizeable and if executed and operationalised will result in addition to the market size of the industry in the medium to long term.

The quantum of the HVDC transmission projects announced far exceeds the forecasted trajectory.

Exhibit: HVDC and FACTS market in India (USD mn)



Source: RHP

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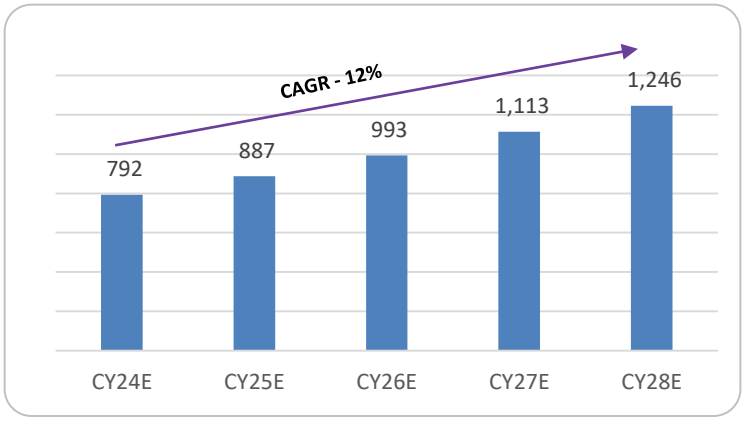
Growth for STATCOMS

- Static Synchronous Compensator (STATCOM) is a critical energy transition device type used in electricity grids to regulate voltage, improve power quality, and enhance grid stability. It finds various applications in electrical power systems to enhance grid stability, improve power quality, and support voltage regulation. Its solutions help stabilize the grid and help with the seamless integration of renewable energy in the main power grid.
- The global STATCOM market has grown at a CAGR of 5% from CY19-23 and expected to grow at 12% CAGR from CY24-28. Industrialization, urbanization and a rising population are expected to substantially raise power consumption. This will further necessitate robust power transmission and distribution systems.

STATCOMS are used in electrical power systems to enhance grid stability, improve power quality, and support voltage regulation. Its solutions help stabilize the grid and help with the seamless integration of renewable energy in the main power grid.

Exhibit: Global STATCOM market size forecast (USD mn)

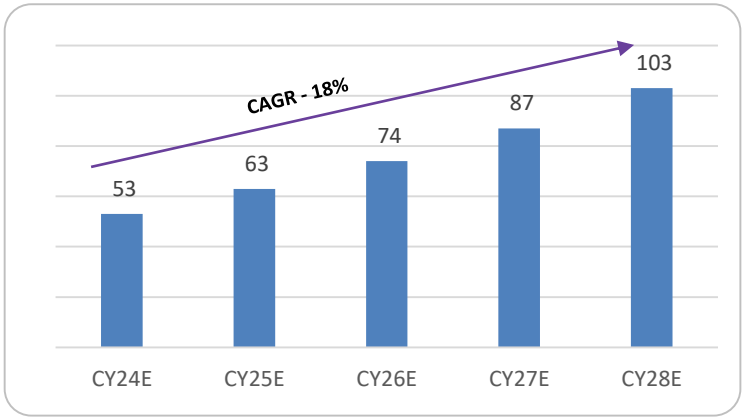


Source: RHP

- In concurrence with the world, the Indian STATCOM market has been witnessing steady growth, propelled by rising investments in renewable energy integration, grid modernization projects, and infrastructure development initiatives.
- The market for STATCOM has grown at a CAGR of 6% from USD 36mn in 2019 to USD 45mn in 2023. The demand is primarily driven by growing concerns regarding grid stability and power quality, increasing renewable energy penetration, rising demand for efficient power transmission and distribution systems, and government initiatives promoting clean energy and sustainable development.
- Indian government has been implementing various policies and initiatives to promote the adoption of STATCOMs in the country. For instance, initiatives such as the Green Energy Corridor project, Smart Grid Mission, and UDAY (Ujwal DISCOM Assurance Yojana) scheme aim to modernize the power sector and enhance grid reliability and stability. The market is expected to grow at a CAGR of ~18% from CY24-28.

Initiatives such as the Green Energy Corridor project, Smart Grid Mission, and UDAY (Ujwal DISCOM Assurance Yojana) scheme aim to modernize the power sector and enhance grid reliability and stability.

Exhibit: Indian STATCOM market size forecast (USD mn)



Source: RHP

Edison Composites

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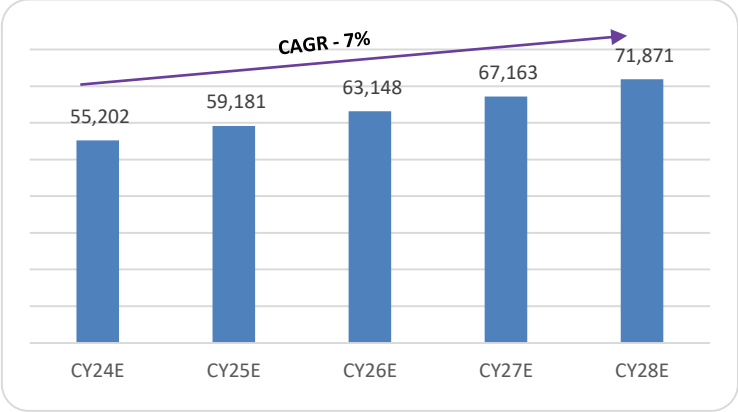
High Voltage Products market- Global and India

- High-voltage power is AC (alternating current) power with a voltage exceeding 1000V or 1500V DC (direct current) in distribution lines (International Electrotechnical Commission standard).
- High-voltage electrical equipment are a series of key products that ensure safe, reliable, and efficient power transmission under high voltage, such as High Voltage Special Power Transformers, High Voltage Reactors, and others. These products play a crucial role in various industries, including power generation, transmission, distribution, and industrial applications.
- In CY23, high-voltage special power transformers had the highest product market share at 33.8% followed by high-voltage switchgear, high-voltage reactors, high-voltage breakers, and others at 21.2%, 8.7%, 5.0%, and 31.3%, respectively.

Within the global high-voltage products market, growth is expected across equipment such as special power transformers, high-voltage switchgear, high-voltage reactors, high-voltage breakers, and others.

- The government's stance on Net-Zero carbon has resulted in the focus from thermal energy to renewable energy which will lead to an increase in transmission grids and high voltage product requirements.
- The global high voltage products value is expected to grow at a CAGR of 7% in the period from CY23-CY28E

Exhibit: Global High Voltage Products Forecast (USD mn)



Source: RHP

- The high-voltage products market in India encompasses a broad spectrum of electrical equipment designed to handle and control high levels of voltage in various applications across the country.
- India is investing heavily in infrastructure projects to modernize its power transmission and distribution networks, improve grid reliability, and meet the growing energy demand. Initiatives such as the Green Energy Corridors, Smart Cities Mission, and Rural Electrification Program drive the demand for high-voltage products across the country.

Initiatives such as the Green Energy Corridors, Smart Cities Mission, and Rural Electrification Program drive the demand for high-voltage products across the country.

- The Indian high-voltage products value is expected to grow at a CAGR of 8% in the period from 2023-2028.

Exhibit: Indian High Voltage Products Value Segment by Type

USD mn	CY19	CY20	CY21	CY22	CY23	CY24	CY25	CY26	CY27	CY28
High Voltage Special Power Transformers	**1,039**	**1,026**	**1,111**	**1,207**	**1,326**	**1,565**	**1,846**	**2,179**	**2,571**	**3,034**
YoY growth (%)	-	-1.3	8.3	8.6	9.9	18.0	18.0	18.0	18.0	18.0
% of total	36.5	36.7	36.9	37.1	37.3	37.3	37.2	37.3	37.3	37.3
High Voltage Reactors	**206**	**199**	**213**	**227**	**247**	**291**	**344**	**406**	**479**	**565**
YoY growth (%)	-	-3.4	7.0	6.6	8.8	17.8	18.2	18.0	18.0	18.0
% of total	7.2	7.1	7.1	7.0	6.9	6.9	6.9	6.9	6.9	6.9
High Voltage Breaker Products	**132**	**128**	**137**	**147**	**159**	**188**	**221**	**261**	**308**	**364**
YoY growth (%)	-	-3.0	7.0	7.3	8.2	18.2	17.6	18.1	18.0	18.2
% of total	4.6	4.6	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Others	**760**	**744**	**797**	**858**	**933**	**1,101**	**1,299**	**1,533**	**1,809**	**2,134**
YoY growth (%)	-	-2.1	7.1	7.7	8.7	18.0	18.0	18.0	18.0	18.0
% of total	26.7	26.6	26.5	26.4	26.2	26.2	26.2	26.2	26.2	26.2
Total	**2,850**	**2,798**	**3,012**	**3,255**	**3,559**	**4,200**	**4,956**	**5,848**	**6,900**	**8,142**
YoY growth (%)	-	-1.8	7.6	8.1	9.3	18.0	18.0	18.0	18.0	18.0

Source: RHP

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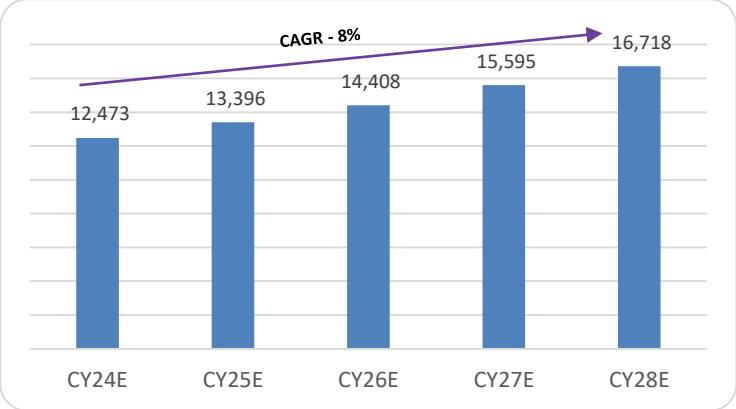
Power Quality Products market- Global and India

- Power quality is the quality of electric energy in the energy transition system.
- The main indicators to measure power quality are voltage, frequency, and waveform. Deviations in voltage, current, or frequency that cause electrical equipment to malfunction or not work properly are defined as power quality problems.
- Power quality products are used to eliminate power quality problems and extend the operating life of electrical systems.
- In CY23, capacitor banks had the highest product market share at 31.5% followed by static var compensator (SVC), harmonic filters, static synchronous (STATCOM), and others at 16.9%, 11.9%, 6.4%, and 33.3%, respectively.
- The global power quality products market is expected to grow at a CAGR of 8% in the period from CY23-CY28. This will be driven by several factors, including the increasing reliance on sensitive electronic equipment, the growing awareness of the importance of power quality, and the expansion of renewable energy integration and electrification initiatives.

Deviations in voltage, current, or frequency that cause electrical equipment to malfunction or not work properly are defined as power quality problems. Power quality products are used to eliminate power quality problems and extend the operating life of electrical systems.

Exhibit: Global Power Quality Products Forecast (USD mn)



Source: RHP, ACMIIL Research

- The power quality products market in India has witnessed significant growth in recent years, driven by ambitious targets for renewable energy deployment, including solar, wind, and hydroelectric power.
- It is is expected to grow at a CAGR of 9% in the period from CY23-CY28E.

Exhibit: Indian Power Quality Products Market Segment by Type

USD mn	CY19	CY20	CY21	CY22	CY23	CY24	CY25	CY26	CY27	CY28
Harmonic Filters	**110**	**108**	**120**	**134**	**147**	**173**	**205**	**242**	**285**	**336**
YoY growth (%)		-1.8	11.1	11.7	9.7	17.7	18.5	18.0	17.8	17.9
% of total	18.1	18.0	18.6	18.4	18.4	18.4	18.5	18.5	18.4	18.4
Capacitor Banks	**173**	**172**	**183**	**208**	**229**	**270**	**319**	**376**	**444**	**524**
YoY growth (%)		-0.6	6.4	13.7	10.1	17.9	18.1	17.9	18.1	18.0
% of total	28.4	28.7	28.3	28.5	28.7	28.7	28.7	28.7	28.7	28.7
Static Var Compensator (SVC)	**80**	**80**	**86**	**98**	**106**	**125**	**148**	**174**	**206**	**243**
YoY growth (%)		-	7.5	14.0	8.2	17.9	18.4	17.6	18.4	18.0
% of total	13.1	13.4	13.3	13.4	13.3	13.3	13.3	13.3	13.3	13.3
Static Synchronous (STATCOM)	**36**	**35**	**39**	**42**	**45**	**53**	**63**	**74**	**87**	**103**
YoY growth (%)		-2.8	11.4	7.7	7.1	17.8	18.9	17.5	17.6	18.4
% of total	5.9	5.8	6.0	5.8	5.6	5.6	5.7	5.6	5.6	5.6
Others	**211**	**204**	**219**	**249**	**271**	**320**	**377**	**445**	**525**	**620**
YoY growth (%)		-3.3	7.4	13.7	8.8	18.1	17.8	18.0	18.0	18.1
% of total	34.6	34.1	33.9	34.1	34.0	34.0	33.9	33.9	33.9	34.0
Total	**609**	**599**	**646**	**730**	**798**	**942**	**1,111**	**1,311**	**1,547**	**1,826**
YoY growth (%)		-1.6	7.8	13.0	9.3	18.0	17.9	18.0	18.0	18.0

Source: RHP, ACMIIL Research

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Policy support for transmission sector in India

Renewable Purchase Obligation- India

- Under the Electricity Act 2003 and the National Tariff Policy 2006, Renewable Purchase Obligation (RPO) is a mechanism wherein the entities are obliged to purchase a certain percentage of electricity from renewable energy sources, or buy, in lieu of that, renewable energy certificates (REC) from the market.
- The RPOs are categorized as Wind RPO, Hydro RPO, Distributed RPO, and Others. As per the target set by the Ministry of Power and Secretary, and the Ministry of New and Renewable Energy an RPO of 43.33% is proposed to be achieved by FY30. .
- Obligated entities [which include distribution companies (or DISCOMs), open access consumers, and captive power producers] are obligated to purchase a minimum share of their electricity from renewable energy sources as per RPO targets.

Obligated entities are obligated to purchase a minimum share of their electricity from renewable energy sources as per RPO targets.

Exhibit: RPO Trajectory from FY23 to FY30E

Renewable Purchase Obligation (%)	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Distributed RPO	0.0	0.0	1.5	2.1	2.7	3.3	3.9	4.5
HPO	0.4	0.7	0.4	1.2	1.3	1.4	1.4	1.3
Wind RPO	0.8	1.6	0.7	1.5	2.0	2.5	3.0	3.5
Other RPO	23.5	24.8	27.4	28.2	29.9	31.6	33.1	34.0
Total RPO	24.6	27.1	29.9	33.0	36.0	38.8	41.4	43.3

Source: RHP, ACMIIL Research

National Electricity Plan (Transmission) and possible PLI scheme

- In October 2024, India's Cabinet Minister for Power and Housing & Urban Affairs launched the National Electricity Plan (Transmission).
- This plan aims at transmitting 500 GW of renewable energy installed capacity by the year 2030 and over 600 GW of renewable energy installed capacity by the year 2032.
- Under the plan, over 1,91,000 ckm of transmission lines and 1270 GVA of transformation capacity is planned to be added during FY23 to FY32E (at 220 kV and above voltage level).
- In addition, 33 GW of HVDC bi-pole links are also planned. The inter-regional transmission capacity is planned to increase to 143 GW by the year 2027 and further to 168 GW by the year 2032, from the present level of 119 GW. (source: pib.gov.in)
- Additionally, there have been comments by Government officials that a PLI-like scheme needs to be looked at to develop a domestic supply-chain for the transmission sector, which is currently dependent on imports. Globally, there is a demand-supply gap in the power transmission sector due to acceleration in renewable adoption. This has led to increase in prices of key component equipment.
- In light of the greater need for energy security, a PLI-like scheme will be crucial to develop domestic capacity for high-voltage transmission equipment.

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Inorganic Growth

In the past, the company has undertaken multiple acquisitions. These have helped the company to establish and expand its control on the value chain of energy transition & power technologies.

The company identifies potential strategic acquisitions based on the following criteria:

a) expertise in the domain Quality Power operates in or wishes to expand into;

b) compatibility with the target industry;

c) presence in targeted domestic and overseas markets;

d) new capabilities to serve existing customers; and

e) newer technology infrastructure, service/product offerings.

Past acquisitions include- Endoks, S&S Tranformers & Accessories and Electrical Power Equipment. These were done to expand into new product categories/ markets.

In April 2024, the company has entered into a Share Purchase Agreement with Mehru Electrical and Mechanical Engineers Private Limited (Mehru) and the shareholders of Mehru to acquire 522,750 equity shares from the Sellers for a cash consideration of Rs 1,200 mn. This constitutes a 51% shareholding of Mehru Electrical and Mechanical Engineers.

This acquisition will help Quality Power to expand the scope of its business by manufacturing instrument transformers till 400 kV. The company will be able to target new verticals and geographic markets, including Southeast Asia and Africa, where Mehru has a strong presence.

Mehru's specialization in instrument transformers will allow for the provision of integrated solutions across utilities, power generation, and heavy industrial sectors. The acquisition will enable product bundling and streamlined procurement processes, leading to increased margins and enhanced customer value through more comprehensive offerings.

Proposed acquisition of Mehru will be the largest acquisition by the company till date.

Acquisition History

2011

Endoks (~Rs 16 mn)

Develop larger coils for SVC and STATCOM devices

2019

S&S Transformers & Accessories (~Rs 10 mn)

Manufacture medium voltage instrument transformers (<33kV) and cast resign instrument transformers

2022

Electrical Power Equipment (~Rs 11 mn)

Manufacture instrument transformer till 145 KV

Proposed acquisition

2024

2024 – Mehru Electrical and Mechanical Engineers*

Manufacture instrument transformers till 400kV

*In process

Source: RHP, ACMIIL Research

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QUALITY POWER ELECTRICAL EQUIPMENTS LTD

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Peer Comparison

There are no peers listed which are exactly head-to-head competitors with similar business profile.

GE T&D India - Transmission and distribution industry. Provides equipment, systems, and services to enable the reliable and efficient transmission and distribution of electricity.

Transformers & Rectifiers (India) - Specialized in the manufacturing of power and distribution transformers, as well as rectifiers

Competition

Hitachi Energy India - grid automation, high voltage products, grid integration, and digital solutions. Provides advanced control and protection systems, manufactures transformers and switchgear, designs substations, and offers HVDC solutions.

Siemens – Provides comprehensive solutions across multiple sectors. In energy, it offers conventional and renewable power generation systems and high-voltage transmission products

Source: RHP, ACMIIL Research

	Quality Power	Transformers & Rectifiers	GE T&D	Siemens	Hitachi Energy India
EBITDA margin (%)	**20.2**	14.2	18.7	13.9	5.5
PAT margin (%)*	**27.4**	8.4	13.4	11.7	2.2
Debt to equity ratio (x)	**0.1**	0.2	0.0	0.0	0.2
ROE (%)	**42.0**	12.0	40.6	17.7	8.9
ROCE (%)	**31.7**	15.4	56.3	42.0	14.2
Current ratio (x)	**1.9**	2.5	1.2	2.1	1.2
Asset turnover ratio (x)	**1.9**	2.5	1.2	2.1	1.2
Number of Operating Facilities Unit	**7.0**	4.0	5.0	6.0	8.0
Exports as a % of revenue	**80.7**	7.6	30.9	15.5	24.5

Source: RHP, data for H1FY25

* PAT margin is calculated by the company as PAT divided by total income

- Revenue CAGR (FY22-FY24) of Quality Power is best amongst peers at 25.1%. Quality Power's revenue grew led by strong export sales.
- Quality Power has the highest % share of exports amongst peers. The company has increased it's exports from 64% in FY22 to 80.7% in H1FY25.
- Quality Power has the best EBITDA margins in FY23 at 12.77% was second best in FY22 at 12.76% respectively. EBITDA margins are above average levels of the industry due to strong revenue growth from domestic & export sales.
- In H1FY25, Quality Power Profit after tax margin was the highest among its peers at 27.4% supported by increase in revenue from operations along with decrease in interest & depreciation expenses. The company had consistently best ratio amongst FY22, FY23, FY24 and H1FY25.
- Quality Power achieved highest Return on Equity amongst peers consistently across FY22, FY23, FY24 and H1FY25.

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Management Interaction

- The company caters to electrical equipment mainly catering to high voltage and extra high voltage transmission. Its product offerings are categorised into two segments- power products and power quality systems.
- The power products segment caters to the manufacturing of equipment such as coil products (reactors, line traps), transformers and instrument transformers. These products have applications in high voltage transmission, substations, HVDC system, renewable integration and in several industries.
- In the Power quality systems segment, the company functions as a system integrator for FACTS/ STATCOMS. Quality Power holds a 51% equity stake in Endoks, which provides energy solutions specializing in smart grid technologies and power quality management. Quality Power caters to the required equipment for internal consumption of Endoks' own projects.
- Quality Power caters to B2B customers in the high-voltage segment. The management highlighted that above 33kv segment its not about brand but technology which only a few companies in India can deliver.
- There are ~15-20 components that go into an HVDC system. Globally, there are no players that supply all these components. The components relevant for HVDC system that Quality Power caters to, has only 2 other competitors globally, excluding Chinese players. These are Trench Group and Coil Innovation. Post capacity addition, Quality Power will be bigger in size than these 2 peers.
- Mehru, the acquisition target for Quality Power, has ~6 competitors globally.
- The company has capacity constraints currently and its order book is shooting 2 years ahead. Due to the strong demand and capacity constraints, the company is able to get premium pricing.
- With the proposed capacity expansion in Sangli, which is expected to commercialize in ~18 months once started, the overall capacity will increase 4x. With this, significant growth will start coming in.
- The company's capacity is entirely fungible between products, giving the company flexibility to focus on the products that are more lucrative at any point. In line with this, in FY24, the company shifted its entire focus on coils, and away from transformers.
- For a HVDC (High Voltage Direct Current) system cost to setup is around Rs 120 – 150 bn and takes ~5 years to complete. As the criticality is high, companies prefer only reliable players who have a successful track record. This creates a barrier for new entrants.
- Globally, the focus is on renewable energy, which requires larger storage & longer transmission network of 1,000 to 3,000 kms. Due to the long distance, AC(Alternate Current) cannot work & DC (Direct Current) network has to be set up. The company is a beneficiary of this trend.
- There is a requirement of 5x of current capacity just to fulfill demand in India, hence the sector has huge tailwinds.
- Quality Power is selling to more than 100 countries around the world so the company has an option to sell, where they get better margins.
- Post acquisition of Mehru, the company will focus on improving profitability for the subsidiary.

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Financial Statements (Consolidated)

Income Statement

YE March (Rs mn)	FY22	FY23	FY24	H1FY25
Revenue from operations	1,826	2,533	3,006	1,557
YoY growth (%)		38.7	18.7	
Cost of materials consumed	1,080	1,575	2,053	878
YoY growth (%)		45.9	30.3	
% of revenue	59.1	62.2	68.3	56.4
(Increase)/decrease in inventories	(9)	23	(50)	40
Gross profit/(loss)	755	934	1,003	639
YoY growth (%)		23.7	7.4	
Gross profit margin (%)	41.3	36.9	33.4	41.0
Employee benefits expenses	166	201	248	130
Other expenses	357	412	377	193
EBITDA	232	322	378	316
YoY growth (%)		38.7	17.7	
EBITDA margin (%)	12.7	12.7	12.6	20.3
Depreciation and amortisation	19	23	34	18
EBIT	213	298	345	298
YoY growth (%)		40.3	15.6	
EBIT margin (%)	11.6	11.8	11.5	19.2
Finance costs	15	27	23	17
% of borrowings	12.8	25.1	6.0	6.7
Other income	291	203	308	270
Profit/(loss) before exceptional items and tax	489	475	630	551
Exceptional items (gain)/loss	(1)	(2)	(3)	2
Profit before tax	490	476	633	548
% of revenue	26.8	18.8	21.0	35.2
Tax expense	68	78	78	48
% of PBT	13.8	16.3	12.3	8.7
Profit for the year	422	399	555	501
YoY growth (%)		(5.5)	39.1	
PAT margin	23.1	16	18.5	32.2
Non-controlling interest	257	193	180	172
PAT attributable to equity shareholders	165	206	374	329
EPS (Rs)	2.3	2.9	5.2	4.6

Source: RHP, ACMIIL Research

Balance Sheet

YE March (Rs mn)	FY22	FY23	FY24	H1FY25
ASSETS				
Non-current assets				
Property, plant and equipment	337	388	654	717
Capital work-in-progress		7	17	17
Other intangible assets	2	7	6	6
Goodwill	0	0	0	0
Financial assets				
i) Investments		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
Total non-current assets	**718**	**925**	**1,272**	**1,012**
Current assets				
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 financial assets	25	48	157	325
Current tax assets (net)	1	3	23	0
Other current assets	159	207	172	412
Total current assets	**1,811**	**2,197**	**2,317**	**2,984**
Total Assets	**2,529**	**3,122**	**3,589**	**3,996**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	2	2	722	722
Equity attributable to owners of company	924	1,120	810	1,134
Non-controlling interest	678	636	371	531
Total equity	**1,603**	**1,757**	**1,903**	**2,386**
Borrowings	3	2	13	0
Other financial liabilities	9	13	19	40
Deferred tax liability	1	1	1	2
Total non-current liabilities	**13**	**16**	**33**	**41**
Current liabilities				
Borrowings	112	104	370	256
Outstanding dues to micro and small enterprises	58	13	19	22
Outstanding of creditors	215	514	624	547
Other financial liabilities	274	475	435	422
Provisions	3			0
Current tax liabilities	0	0	0	18
Other current liabilities	251	242	205	304
Total current liabilities	**913**	**1,349**	**1,653**	**1,569**
Total equity and liabilities	**2,529**	**3,122**	**3,589**	**3,996**

Source: RHP

Cash Flow Statement

YE March (Rs mn)	FY22	FY23	FY24	H1FY25
PBT	**490**	**476**	**633**	**548**
Add: Depreciation	19	23	34	18
Add: Net Interest	(232)	(132)	(186)	(154)
Other adjustments	2	4	(0)	3
Chg in working cap	(109)	177	128	(215)
Tax	86	106	92	36
Operating Cash flow	**85**	**443**	**515**	**164**
Net Capex	**(29)**	**(69)**	**(303)**	**(33)**
Free Cash Flow	56	375	212	131
Investments	1	(384)	(289)	(76)
Interest/ dividend income	247	158	209	171
Others	(12)	(16)	(4)	(51)
Investing Cash flow	**206**	**(310)**	**(386)**	**12**
Equity Capital				
Debt	31	(9)	277	(127)
Interest paid	(15)	(27)	(23)	(17)
Financing Cash flow	**16**	**(36)**	**254**	**(144)**
Impact of foreign step down subsidiary	(337)	(240)	(422)	(16)
Net chg in cash	(30)	(143)	(39)	15
Opening cash position	**684**	**655**	**512**	**473**
Closing cash position	**655**	**512**	**473**	**488**

Source: RHP, ACMIIL Research

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Pro forma Financials

Particulars (Rs mn)	As at 30th September, 2024				As at 31st March, 2024
	QP Group (Restated Consol.)	Acquisition-Mehru (Standalone) 51% Subsidiary	Proforma Adjustments	QP Group Proforma Consol.	QP Group Proforma Consol.
Revenue from operations	1,557	1,117	(2)	2,672	5,190
Cost of materials consumed	878	690	16	1,585	3,367
% of revenue	56.4	61.8		59.3	64.9
(Increase)/decrease in inventories	40	(66)	0	(25)	(115)
Gross profit/(loss)	639	492	(18)	1,113	1,939
Gross profit margin (%)	41.0	44.1	6	41.6	37.3
Employee benefits expenses	130	222	0	352	611
Other expenses	193	188	0	380	771
EBITDA	**316**	**82**	**(18)**	**381**	**556**
EBITDA margin (%)	**20.3**	**7.3**		**14.2**	**10.7**
Depreciation and amortisation	18	14	0	32	59
EBIT	**298**	**68**	**(18)**	**349**	**497**
EBIT margin (%)	**19.2**	**6.1**		**13.0**	**9.6**
Finance costs	17	8	0	25	46
% of borrowings	6.7	9.2		7.4	9.4
Other income	270	5	0	275	317
Profit/(loss) before exceptional items and tax	551	65	(18)	598	767
Exceptional items (gain)/loss	2	0	(2)	0	(3)
Profit before tax	548	65	(16)	598	771
% of revenue	35.2	5.8		22.4	14.8
Tax expense	48	16	(4)	60	114
% of PBT	8.7	25.0		10.0	14.7
Profit for the year	**501**	**49**	**(12)**	**538**	**657**
PAT margin	**32.2**	**4.4**		**20.1**	**12.7**
Non-controlling interest	172	24	(6)	190	230
PAT attributable to equity shareholders	329	25	(6)	348	427
EPS (Rs)	4.6			4.8	5.9
No of shares outst.				72	72

Source: RHP, ACMIIL Research

Particulars (Rs mn)	As at 30th September, 2024				As at 31st March, 2024
	QP Group (Restated Consol.)	Acquisition-Mehru (Standalone) 51% Subsidiary	Proforma Adjustments	QP Group Proforma Consol.	QP Group Proforma Consol.
ASSETS					
Non-current assets					
Property, plant and equipment	717	330	(44)	1,003	960
Capital work-in-progress	17	0	0	17	17
Other intangible assets	6	0	0	6	6
Goodwill	0	0	554	554	573
Financial assets					
i) Investments	16	2	0	18	45
ii) Other financial assets	101	101	(30)	172	455
Deferred tax assets (net)	15	0	0	15	8
Other non-current assets	139	0	0	139	135
Total non-current assets	**1,012**	**433**	**480**	**1,925**	**2,198**
Current assets					
Inventories	140	705	(23)	822	834
Investments	494	0		494	459
Trade receivables	839	550	0	1,389	1,374
Cash and cash equivalents	488	27	(0)	515	587
Bank balances	286	0	0	286	4
Other financial assets	325	22	0	347	157
Current tax assets (net)	0	15	4	19	23
Other current assets	412	145	28	584	295
Assets held for sale	0	0	9	9	0
Total current assets	**2,984**	**1,462**	**18**	**4,465**	**3,733**
Total Assets	**3,996**	**1,895**	**498**	**6,389**	**5,931**
EQUITY AND LIABILITIES					
Equity					
Equity share capital	722	10	(10)	722	722
Equity to owners	1,134	1,269	(1,269)	1,134	810
Non-controlling interest	531	0	621	1,152	974
Total equity	2,386	1,279	(658)	3,007	2,506
Borrowings	0	5	0	5	42
Other financial liabilities	40	0	0	40	19
Deferred tax liability	2	37	0	38	38
Total non-current liabilities	41	42	0	83	99
Current liabilities					0
Borrowings	256	82	0	338	450
Outstanding dues to micro and small enterprises	22	192	0	214	142
Outstanding of creditors	547	119	(14)	652	750
Other financial liabilities	422	38	0	460	459
Provisions	0	17		17	0
Current tax laibility (net)	18	0		18	2
Other current liabilities	304	127	1,169	1,600	1,523
Total current liabilities	**1,569**	**575**	**1,156**	**3,299**	**3,327**
Total equity and liabilities	**3,996**	**1,895**	**498**	**6,389**	**5,931**

Source: RHP, ACMIIL Research

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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	<-10%
HOLD	>-10% to 15%

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