

Quality Power Electrical Equipments Limited

Equipments | India

IPO | 13 February 2025

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About the Company

Quality Power Electrical Equipments Limited (QPEEL) is an Indian player with over two decades of experience and a successful long track record in the energy transition space serving global clients in critical energy transition equipment and power technologies. QPEEL provides high-voltage electrical equipment and solutions for grid connectivity, power generation, transmission, distribution, and automation. With a technology-driven approach, it also offers solutions for large-scale renewables, supporting energy transition and sustainability. It has three manufacturing facilities in Sangli, Maharashtra, Aluva, Kerala and Ankara, Turkey.

Strong Industry Trends

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. With 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 and QPEEL product portfolio supports these de-carbonization efforts, sustainability and green initiatives.

Strategic Acquisitions Driving Growth and Market Expansion

QPEEL has done strategic multiple acquisitions including Endoks (2011), S&S Transformers (2019), EPEC (2022), Nebeskie (2022) and the upcoming Mehru (2024) broadens product offerings, unlocks geographical expansion and solidifying leadership in the energy transmission sector. The Mehru acquisition will help to expand the scope of its business by manufacturing instrument transformers till 400 KV and target new verticals and geographic markets, including Southeast Asia and Africa where Mehru has a strong presence enabling product bundling and streamlined procurement processes, leading to increased margins and enhanced customer value through more comprehensive offerings. It has also entered into an agreement with a U.S. based company to explore potential business opportunities and establish a collaborative partnership to address the requirements of transformers for the market in Northern America.

Diversified Product portfolio and global customer base

QPEEL product portfolio consists of (a) Power Products, including reactors & line traps, transformers, instrument transformers and (b) Power Quality Systems, including static var compensators (SVC), STATCOM, harmonic filters, capacitor banks, shunt reactor. The Sangli test laboratory facility holds ISO 17025:2017 accreditation from the National Accreditation Board for Testing and Calibration Laboratories, certifying it as an independent test laboratory that complies with both Indian and international standards for systems up to 765kV. QPEEL serves 210+ global clients focusing on technology, scale of operations, reliability and quality particularly in energy projects.

Financials in brief

QPEEL achieved a 28.3% revenue CAGR (FY22-24) with export revenue contributing up to 80.7% (in FY24) and high capital efficiency with ROE of 29.2% and ROCE of 19.2% demonstrating strong market performance. Its net margins are higher with respect to the subsidiary's other income and currency depreciation accounting standards pertaining over the years. With consistent product innovation and strong order book the growth rates would continue to be higher in the coming years.

Our View

QPEEL is strategically positioned as an Indian producer of high-voltage power products and power quality systems with a diversified global customer base of 210+ global clients including Fortune 500 companies fostering long term relationships focusing on technology, scale of operations, reliability and quality in energy projects. QPEEL has a seasoned team which brings extensive industry experience and skilled workforce, enabling the company to capitalize on growth opportunities, acquire companies at strategic pricing driving growth, market expansion and effective project execution to scale stronger growth through its product offerings, unlocks geographical expansion and solidifying leadership in the energy transmission sector in the coming years. **Hence, we recommend a SUBSCRIBE to the issue for the long term.**

IPO Details

Price Band (Rs)	401-425
Face Value (Rs)	10
Issue Open/Closing Date	14-Feb-25/18-Feb-25
Fresh Issues (Cr\$)	225.0
OFS (Cr\$)	633.7
Total Issue (Cr\$)	858.7
Minimum Bid Qty. (Nos)	26
QIB / HNI / Retail	75%/15%/10%
Implied Market Cap (Rs Cr\$)*	3291

*At higher band

Object of the Issue

- Acquisition of Mehru Electrical and Mechanical Engineers Private Limited.
- Funding capital expenditure requirements for purchase plant and machinery.
- Funding inorganic growth through unidentified acquisitions and other strategic initiatives.

Strengths

- Global energy transition and power technology player catering to diverse industry segments.
- Diversified customer base of global businesses with long lasting relationships.
- Demonstrated track record of growth and financial performance with a strong record of strategic acquisitions for sustainable growth.
- Management team with domain experience and strong board members.

Key Risks

- Slowdown in global markets could impact revenues as a majority from international markets.
- High turnaround time in turning around acquired businesses.

Key Financials

(Rs Cr\$)	FY22(12)	FY23(12)	FY24(12)
Revenues from International mkt %	74	77	81
Power Products revenues %	34	34	41
Power Quality Equipments revenues %	62	64	56
Revenue	183	253	301
EBITDA	23	32	38
EBITDA Margin (%)	12.8	12.8	12.7
PAT	42	40	55
PAT Margin (%)	23.1	15.8	18.5
RoE (%)	26.3	22.7	29.2
RoCE (%)	20.6	22.3	19.2
Networth	160	176	190
Borrowings	12	11	38

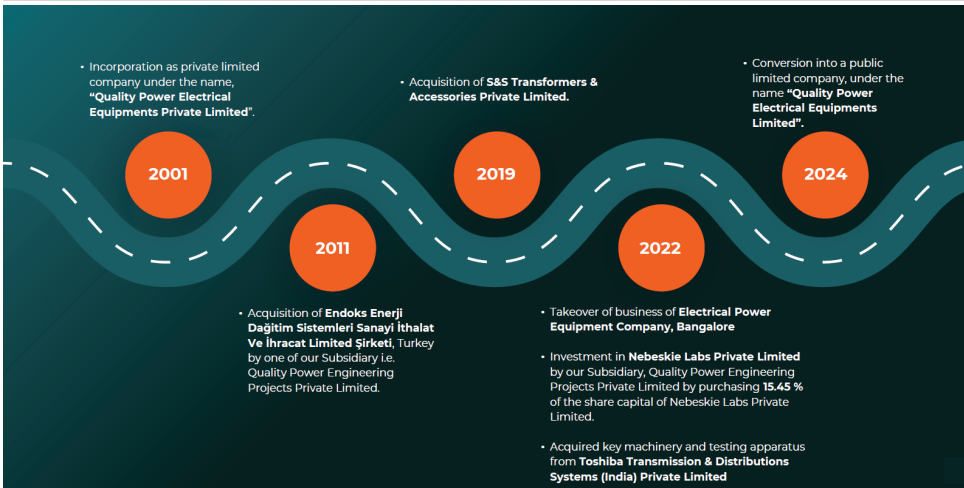
Source: RHP

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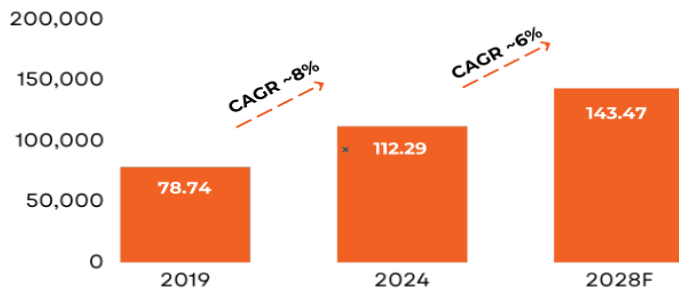
Email : vikas.i.jain@relianceada.com

Exhibit 1: Timeline



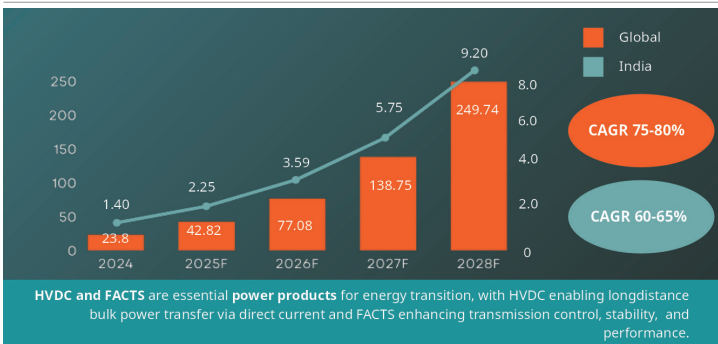
Source: RHP, Presentation

Exhibit 2: Global Electricity Transmission Sector (USD Bn)



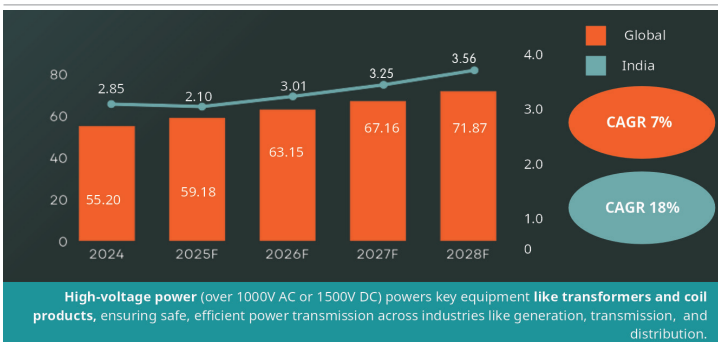
Source: RHP, Presentation

Exhibit 3: Power Products [HVDC and FACTS] (USD Bn)



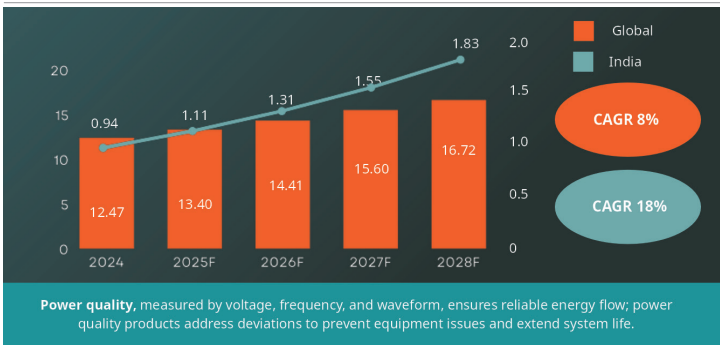
Source: RHP, Presentation

Exhibit 4: Power Products [High Voltage] (USD Bn)



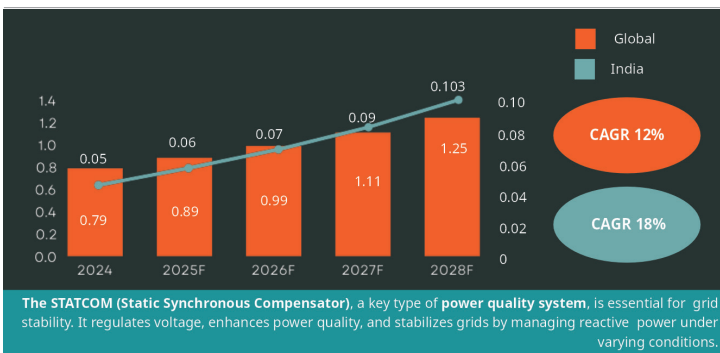
Source: RHP, Presentation

Exhibit 5: Power Quality [Overall] (USD Bn)



Source: RHP, Presentation

Exhibit 6: Power Quality [STATCOM] (USD Bn)



Source: RHP, Presentation

Exhibit 7: Product Photos



Source: RHP, Presentation

Exhibit 8: Product Photos



Source: RHP, Presentation

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