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**IPO Report**

13<sup>th</sup> Feb '25

**Snapshot**

Company is an Indian player serving global clients in critical energy transition equipment and power technologies. Company provide high voltage electrical equipment and solutions for electrical grid connectivity and energy transition. Company is a technology-driven company specializing in the provision of power products and solutions across power generation, transmission, distribution, and automation sectors. Additionally, company offer equipment and solutions tailored for emerging applications such as large-scale renewables.

**VALUATION**

Company is bringing the issue at price band of Rs 401-425 per share at p/e multiple of 36x on post issue annualized H1FY25 PAT basis.

Company is 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. Company has demonstrated track record of growth and financial performance for the six-month period ended September 30, 2024 and the last three fiscals. Company has diversified customer base of global businesses with long lasting relationships. Company has Comprehensive product portfolio in the energy transition equipment and power technologies sector in India and abroad with high trade barriers along with demonstrated record of strategic acquisitions along with enhanced order book contributing to sustainable growth. Hence looking after all above , we recommend “Subscribe” on issue.

<b>Price Band (Rs./Share)</b>	401-425
<b>Opening date of the issue</b>	10 <sup>th</sup> Feb '2025
<b>Closing Date of the issue</b>	18 <sup>th</sup> Feb '2025
<b>No of shares pre issue</b>	7,21,50,000 Eq Shares
<b>Issue Size</b>	Rs 859 Cr
<b>Fresh Issue</b>	Rs 225Cr
<b>Offer For Sale</b>	1,49,10,500 Equity Shares
<b>Face Value (Rs/ share)</b>	Rs 10/share
<b>Bid Lot</b>	26

**BIDDING DETAILS**

<b>QIBs (Including Anchor)</b>	75% of the offer (Approx 1,51,53,450 Eq Shares)
<b>Non-Institutional</b>	15% of the offer (Approx 30,30,690 Eq Shares)
<b>Retail</b>	10% of the offer (Approx 20,20,460 Eq Shares)

**Lead managers** Pantomath Capital Advisors

**Registrar to the issue** MUGF Intime India Pvt Ltd

**WHAT WE LIKE**

***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***

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, distribution and automation areas. Besides, company offer equipment and solutions tailored for emerging applications such as large-scale renewables.

***Demonstrated track record of growth and financial performance for the six-month period ended September 30, 2024 and the last three fiscals***

Company’s established presence, technological know-how and experience underscore its capacity to effectively grow in the critical energy transition equipment and power technologies sector, ensuring sustainable and reliable energy solutions for company’s clients. From a single operations unit in India in 2004 to 7 units today in India and abroad is indicative of company’s growth.

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

Since company’s inception, company 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, company had 143 customers. Company’s 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.



## COMPANY BACKGROUND

Company's manufacturing facilities adhere to the quality standards required by company's global conglomerate clientele, including those listed on the Fortune 500. Additionally, 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 .

Company is among the few global manufacturers of 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. With over two decades of experience in the energy transition space, company provide an extensive range of products crucial for effective power transmission and advanced power automation. Company's offerings include reactors, transformers, line traps, instrument transformers, capacitor banks, converters, harmonic filters, and reactive power compensation systems. Additionally, company's grid interconnection solutions feature technologies such as STATCOM and static var compensator systems ("SVC"). Company's domestic and global footprint allows it to cater to both Indian and global customer bases.

HVDC technology is transforming the landscape of energy transition equipment and power technologies by enabling efficient, long-distance power transfer with markedly reduced energy losses. This advancement is crucial for integrating renewable energy sources from remote locations, such as offshore wind farms and solar plants in remote regions, into urban areas. FACTS devices, including Static Synchronous Compensators ("STATCOM"), are pivotal in ensuring grid stability and reliability. They manage fluctuations from variable renewable energy sources through dynamic voltage regulation and reactive power compensation. The adoption of HVDC and STATCOM technologies is vital for the green energy transition, as they facilitate the efficient and stable integration of renewables into the power grid .

Company's portfolio of high voltage products and solutions is critical for advancing and modernizing electrical networks. Company's technologies are designed to enhance grid reliability and performance by providing critical support for power grid management and overall network stability. Engineered to meet the demanding requirements of contemporary electrical infrastructure, these products ensure optimal efficiency and resilience. Company's high voltage solutions help to maintain and improve network performance, offering advanced capabilities to address the complexities of modern energy systems and assist operators in effectively managing power quality and operational reliability.

Company's product portfolio contributes to advancing decarbonization efforts, sustainability, and green energy initiatives. Company offer a range of technology-driven products, comprehensive system solutions, and professional services tailored for the power sector. The customers company cater 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, and (iii) power automation, integrating advanced technologies for efficient power management. Company also specialize 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.

Company's manufacturing operations in India are spread across two locations, including Sangli, Maharashtra, and Aluva, Kerala. As part of company's global expansion, company acquired 51% of the share capital in Endoks Enerji Anonim Şirketi ("Endoks") in 2011, which has design, operation, assembly, project management, and delivery facilities in Ankara, Turkey. Pursuant to this acquisition, Endoks became company's indirect subsidiary. Company's operating facilities are accredited as ISO 9001:2015, ISO 14001:2015, and ISO 45001:2018 by TUV India Private Limited. Further, company comply with ISO standards for customer satisfaction, energy management, occupational health and safety, environmental management, quality management, and information security, reflecting company's commitment in diverse operational areas. Company have been awarded the status of a 'One Star Export House' in accordance with the provisions of the Foreign Trade Policy, 2023 by the Directorate General of Foreign Trade, Ministry of Commerce & Industry. As of September 30, 2024, company had 143 customers. Company's end customers include power utilities, power industries, and renewable energy entities. Company derive the majority of its revenue from company's international markets.



<b>INVESTMENT RATIONALE</b>	
<p><i>Comprehensive product portfolio in the energy transition equipment and power technologies sector in India and abroad with high trade barriers</i></p>	<p>Company began its operations by manufacturing reactors and transformers, and gradually expanded company’s portfolio in high voltage electrical equipment and solutions for electrical grid connectivity and energy transition. With over two decades of experience, company now provide a wide range of products, including reactors, transformers, line traps, composites, capacitor banks, harmonic filters, SVC Systems and reactive power compensation systems. Company specialise in high voltage electrical equipment products and solutions across power generation, transmission, transition, distribution, and automation sectors. Company’s current product portfolio is divided into two categories, being, (i) power products and (ii) power quality equipments. Considering the potential loss quantum to customer in case of equipment malfunction and the critical nature of company’s products’ applications and high precision requirements, company’s products and solutions are subject to, and measured against and quality standards and rigorous product approval systems with stringent design, engineering and use specifications, which act as significant entry barriers for new players. Company’s products are customised, have a typical life of over 15 years and are used in long term critical energy projects. Any change in the vendor of the product may require significant time and expense on part of the customers, which acts an exit barrier and disincentives any such changes for them.</p>
<p><i>Demonstrated record of strategic acquisitions along with an enhanced order book contributing to growth</i></p>	<p>Company has demonstrated a record of strategic acquisitions, to further enhancing company’s capabilities, asset base, customer reach, product offerings and expanding company’s reach in key markets. These strategic acquisitions significantly bolster company’s position in energy transmission sector, enabling it to offer more comprehensive solutions to its clients. As company integrated these businesses and assets into its operations, they have contributed to its growth trajectory, enhancing company’s capabilities and solidifying its market presence. Company have successfully integrated the acquired businesses and assets in its operations which has helped company to improve its position in the energy transition value chain. Company’s Subsidiary, Quality Power Engineering Projects Private Limited, has acquired a 15.45% stake in Nebeskie Labs Private Limited (“Nebeskie”), a company based in Chennai, while company’s previous acquisitions of S&amp;S Transformers &amp; Accessories Private Limited (“S&amp;S Transformers”) and Endoks, have significantly contributed to diversifying company’s operations. These acquisitions align with company’s vision for growth and innovation. Nebeskie expertise in real-time monitoring and data analytics enhances company’s Industry 4.0 solutions, while Endoks's operations in energy transformation supports sustainability goals through the products offered by company. Additionally, S&amp;S Transformers broadens company’s product categories by introducing cast resin transformers and medium voltage instrument transformers.</p>
<p><i>Research and development capabilities to offer future ready solutions</i></p>	<p>Apart from establishing operating facilities for HVDC and FACTS, company also provide reactors, transformers, instrument transformers, line traps, Edison composites, line tuners, and power quality solutions such passive, hybrid, and active systems to ensure reliable electricity supply. Additionally, company possess testing equipment, including a 1600kV peak impulse generator, current transformers, potential transformers, and a capacitor voltage transformer unit. These components are dried in an air heating oven under high vacuum and strictly controlled conditions. This testing infrastructure ensures the seamless delivery of company’s products and supports the efficiency of its manufacturing operations.</p>



## OBJECTS OF OFFER

The Offer comprises the Fresh Issue and the Offer for Sale. The Fresh Issue comprises of Equity Shares aggregating up to ₹ 2,250.00 million to be issued by Company and the Offer for Sale comprises of up to 14,910,500 Equity Shares by the Promoter Selling Shareholder.

Requirement of funds

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 Company for purchase plant and machinery; and
3. Funding inorganic growth through unidentified acquisitions and other strategic initiatives and general corporate purposes.

## RISKS

Company derive majority of company's revenue from international markets, which contributed to more than 74.00% of company's total revenue during the six-month period ended September 30, 2024 and in each of the last three Fiscals. Company plan to further expand into new geographical regions and may be exposed to significant liability and could lose some or all of company's investment in such regions, as a result of which company's business, financial condition and results of operations could be adversely affected

Source:RHP

## INDUSTRY OVERVIEW

### Indian Power Quality Products Market

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. The Indian power quality products market grew at a CAGR of 7% in the period from 2019-2023. The industry grew from USD 609 million in 2019 to USD 798 million in 2023. In 2023, capacitor banks had the highest product market share at 28.6% followed by harmonic filters, static var compensator (SVC), static synchronous (STATCOM), and others at 18.5%, 13.3%, 5.7%, and 33.9%, respectively. Whereas the public utility market by application contributes the largest share at 46.1% followed by industrial and others at 31.3% and 22.7%, respectively, as of 2023. The Indian power quality products market is expected to grow at a CAGR of 9% in the period from 2023-2028. The industry is expected to grow from USD 798 million in 2023 to USD 1,22 million in 2028. In 2028, capacitor banks will contribute around 28.7% of the market share followed by harmonic filters, static var compensator (SVC), static synchronous (STATCOM), and others, at 19.1%, 13.3%, 5.4%, and 33.5%, respectively. Whereas the public utility market by application will continue to contribute the largest share at 46.1% followed by industrial and others at 31.3% and 22.7%, respectively, as of 2028.



**Consolidated Financials**

(Rs in Mn)

<b>Financials</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>H1 FY 2025</b>
Total Revenue (A)	1826.38	2532.50	3005.97	1557.38
Total Expenditure (B)	1594.54	2210.93	2627.55	1240.98
EBIDTA	231.84	321.57	378.42	316.40
EBIDTA Margin	12.69	12.70	12.59	20.32
Other Income	290.95	203.01	308.04	269.77
Depreciation	19.26	23.37	33.65	18.15
EBIT	503.53	501.21	652.81	568.02
Interest	14.76	26.65	22.93	17.23
PBT	488.77	474.56	629.88	550.79
Share of profit in Asso	0.00	0.00	0.00	0.00
PBIT	488.77	474.56	629.88	550.79
Exceptional	-1.17	-1.87	-2.68	2.36
PBT	489.94	476.43	632.56	548.43
Tax	67.67	77.51	77.81	47.65
PAT	422.27	398.92	554.75	500.78
NPM	23.12	15.75	18.45	32.16
ROE%	26.34	22.71	29.15	20.99
EPS	2.29	2.86	5.19	4.56
Eq Cap	1.50	1.50	721.50	721.50
Net Worth	1,602.93	1,756.57	1,903.25	2,386.26

(Source: RHP)

**Peer Comparison**

<b>Company Name</b>	<b>Face Value</b>	<b>EPS</b>	<b>P/E</b>	<b>ROE %</b>	<b>NAV</b>
<i>Quality Power Electrical Equipments Limited</i>	<i>10.00</i>	<i>5.19</i>	<i>--</i>	<i>29.15</i>	<i>26.38</i>
<b>Peers</b>					
Transformers & Rectifiers (India) Limited	1.00	3.24	251.51	8.35	39.49
Hitachi Energy India Ltd	2.00	38.64	308.63	12.04	320.86
GE Vernova T&D India Limited	2.00	7.07	241.90	14.57	48.54

(Source: RHP)



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