

Report on Quality Power Electrical Equipments Limited

A) Introduction

Incorporated on **September 20, 2001**, Quality Power Electrical Equipments Limited (QPEEL) is an Indian company specializing in energy transition equipment and power technologies. The company operates across the power generation, transmission, distribution, and automation sectors, with a strong focus on the global market. Through its subsidiary, Endoks, the company provides energy solutions in smart grid technologies and power quality management.

B) Business Model

Quality Power Electrical Equipments Limited's business model revolves around providing innovative and critical energy transition solutions to global markets.

Key Offerings

1. Products:

- High-voltage electrical equipment (Reactors, Transformers).
- Static Var Compensators (SVC) and Static Synchronous Compensators (STATCOM).
- Power quality management solutions.
- Smart grid technologies.

2. Services:

- Project management, design, assembly, and delivery.
- Energy solutions through Endoks.

Clients

- Power utilities and industries.
- Renewable energy entities.
- Major clients include **GE T&D Vernova India Limited, Hitachi Energy Limited, and Kalpataru Projects International Limited.**

C) Revenue Model

- The majority of revenue (over 74%) is derived from **international markets**, across regions like the **Middle East, Asia, North America, and Europe.**
- Revenue contribution from **international sales:**

- FY2022: ₹1,179.99 million (74.27% of total revenue).
- FY2023: ₹2,425.15 million (80.68% of total revenue).
- FY2024: ₹1,948.30 million (76.93% of total revenue).

D) Financial Performance And Valuation

Particulars	FY2022 (₹ million)	FY2023 (₹ million)	FY2024 (₹ million)
Revenue from Operations	1,826.38	2,796.49	3,005.97
Profit After Tax (PAT)	422.27	398.52	554.74

1. Quality Power has achieved a Revenue of 300 Cr and PAT of 55 Cr in the FY24. The IPO is coming to raise INR 225 Cr and rest INR 627 Cr is OFS.
2. The Total Outstanding shares after IPO would be 77444118 or ~7.75 Cr.
3. IPO price is INR 425 per share so M.cap is INR 3300 Cr.
4. P/E based on FY24 numbers is 60x.
5. Hitachi and TRIL are the peers shown in the RHP. They are trading at P/E of 125x and 76x respectively.

E) Reasons for Raising Funds

1. Payment for the acquisition of **Mehru Electrical and Mechanical Engineers Private Limited**.
2. Investment in **capital expenditures** for new plant and machinery.
3. Funding **inorganic growth** via unidentified acquisitions and strategic initiatives.
4. **Brand enhancement** through listing equity shares on Indian stock exchanges.

F) Management Team

The company's leadership is headed by a dynamic team:

- **Thalavaidurai Pandyan** – Chairman and Managing Director.
- **Bharanidharan Pandyan** – Joint Managing and Whole-time Director.
- **Chitra Pandyan** – Whole-Time Director
- **Mahesh Vitthal Saralaya** – Whole-Time Director.

- **Rajesh Jayaraman** – Chief Financial Officer.

G) Industry Analysis

Overview

QPEEL operates in the energy transition and power technology market, which is expected to grow significantly, driven by global decarbonization efforts, technological advancements, and supportive government policies.

Key Market Segments

1. **High Voltage Products:**
 - Predicted CAGR of **18%** for reactors from 2023-2028.
 - **Market size** expected to reach **USD 5,907.2 million** by 2028.
2. **Power Quality Products:**
 - Expected CAGR of **9%** from 2023-2028.
 - Capacitor banks expected to dominate with a **28.7% market share** by 2028.

Geographical Insights

- The **APAC** and **Middle East regions** are key growth areas due to industrialization and urbanization.
- India remains a pivotal market with robust industrial sector growth.

Competitive Landscape

- Competitors include **Siemens AG** and **Hitachi Energy India Limited**.
- QPEEL stands out with:
 - **Highest Return on Equity (ROE)** among peers.
 - **Above-average EBITDA margins**.
 - **Largest percentage of export revenue** among competitors.

H) Risks in the Business

Internal Risks

1. **Revenue Dependency:** Over 74% of revenue comes from international markets.
2. **Reliance on Skilled Personnel:** Inability to retain skilled employees can impact operations.

3. **Operational Disruptions:** Facility shutdowns or disruptions can significantly impact cash flow.
4. **Customer Concentration:** The top 10 customers contribute over **52.66%** of total revenue.
5. **Quality Control:** Failure to meet stringent quality standards could lead to losses.
6. **Acquisition Risks:** Acquisitions like **Mehru Electrical** involve integration and financial risks.

External Risks

1. **Foreign Exchange Volatility:** Adverse currency fluctuations can affect profitability.
2. **Regulatory Changes:** Global regulatory compliance poses ongoing challenges.
3. **Global Instability:** Political, economic, or social upheavals in international markets can disrupt operations.
4. **Natural Disasters:** Pandemics, wars, and natural calamities are significant risks.

I) Operational Footprint

1. **Factories:**
 - 6 in India (Sangli, Maharashtra, and Aluva, Kerala).
 - 1 in Turkey (Ankara), focusing on design, assembly, and delivery operations.
2. **Order Book:**
 - Current order book details are unavailable.

J) Future Outlook

QPEEL is poised for growth, driven by:

1. **Global Energy Transition:** Increasing demand for HVDC and power quality products.
2. **Strategic Acquisitions:** Expanding capabilities through acquisitions like **Mehru Electrical**.
3. **Technological Advancement:** Continued focus on renewable and smart grid solutions.

However, the company must address risks, especially its dependence on international revenue, customer concentration, and supply chain disruptions.

K) Conclusion

Quality Power Electrical Equipments Limited stands as a promising player in the global energy transition market, leveraging its strong export-driven model and high-quality product offerings.

While challenges persist, the company's strategic initiatives, robust financials, and market potential position it as a significant contributor to the global power technology sector. However, The valuation seems to be on higher side.

