



## IPO Note

# Danish Power Limited

Recommendation: **APPLY!**

### Company Background -

- **Incorporation:** Danish Power Limited was originally incorporated on July 10, 1985. The registered office is located at Jaipur, Rajasthan.
- **Business Activity:** The company is engaged in the business of manufacturing of different types of transformers including inverter duty transformers used in renewable power projects like solar power plant or wind farms, oil and dry type power and distribution transformers, control relay panel along with substation automation services.
- **Revenue Stream:** The company derives majority of its revenue from inverter duty transformers (Rs. 23,628.60 lakhs)
- **Human Resource:** The company has 346 permanent employees as on June 30, 2024.

### Objects of the Issue -

- Funding capital expenditure towards expansion of the manufacturing facility of the Company by building of factory shed and installation of additional plant and machinery therein
- Repayment of certain borrowing availed by the Company, in part or full
- Working capital requirements
- General Corporate Purposes

### Promoters Name -

Dinesh Talwar, Shivam Talwar and Puneet Sandhu Talwar

### Rationale for recommendation -

- ✓ The PE ratio is 18.20 post-issue which makes it fairly priced.
- ✓ The company's top line, bottom line and profitability margins have seen sudden increase in FY2024 which should not be a major concern.
- ✓ The company is expanding their business by setting up a new manufacturing plant.
- ✓ The company has a good order book of Rs. 37,125.68 lakhs.
- ✓ The company has vast experience in the industry.
- ✓ The management overview is satisfactory.

### IPO Details

Opening Date	Oct 22, 2024
Closing Date	Oct 24, 2024
Allotment Date	Oct 25, 2024
Listing Date	Oct 29, 2024
Stock Exchange	NSE SME
Lot Size	300 Shares
Issue Price Per Share	₹360 to ₹380
Issue Size	197.90 Cr.
Fresh Issue	197.90 Cr.
Offer for Sale	-
Application Amt	₹ 1,14,000 (300 shares)

### INDUSTRY - Power - Transformer Avg. P/E ratio as per RHP - 48.14

KPI's	KPIs (In Lakhs)			
	FY 22	FY 23	FY 24	Jun-24
Revenue	14,863.3	18,870.1	33,247.7	7,193.02
EBITDA	1,062.6	1,616.70	5,583.61	1,601.30
Net Profit	524.88	857.09	3,807.37	998.21
RoCE	19.63%	25.67%	58.10%	14.06%
ROE	14.79%	19.45%	46.36%	10.85%
P/E	104.97	64.19	14.45	13.39*

\*Annualized

### Promoter Share Holding Pattern

Pre-Issue	Post
99.99%	73.55%

### Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	26.29	20.88
BVPS	510.36	163.04
P/E	14.45	18.20
P/BV	0.74	2.33
Mkt Cap (In Cr)	550.38	748.28

\*Annualized

### Lead Managers -

**Hem Securities Limited**

### Registrar -

**Link Intime India Private Limited**

**Business Overview -**







Danish Power Limited is engaged in the business of manufacturing of different types of transformers including inverter duty transformers used in renewable power projects like solar power plant or wind farms, oil and dry type power and distribution transformers, control relay panel along with substation automation services.

**Raw Materials Used:** Cold Rolled Grain Oriented (CRGO) Electrical Steel, Copper Wire, Copper Strip, Copper sheet and Aluminium Wire, Strip, Sheet, Mild Steel, Transformer Oil and Relays.

**Clients:** Their well-known client base includes Tata Power Solar System Ltd, Waaree Renewable Technologies Limited, Jakson Green Private Limited, ABB India Limited & Torrent Power Limited.

**Order Book:** As of Sep 30, 2024 the order book which includes transformers and control panels aggregate to Rs. 37,125.68 lakhs.

**Product Portfolio:**

Product	Description	Product	Description
<b>1. Transformers for renewable energy</b> 	Also known as Inverter Duty Transformers used in Solar Power Plants and WTG Duty Transformer for Wind Power Plants.	<b>2. Distribution Transformers</b> 	Used for stepping down the voltage at the Distribution Network to ensure smooth electricity supply to the end users.
<b>3. Dry Type Cast Resin Transformers</b> 	These can be used without Oil and is considered safe for indoor installations or highly populated closed areas.	<b>4. Power Transformers</b> 	They are used for stepping up or down the voltage at HV Substations which have incoming and outgoing lines of voltages and are used in power substation at generation as well as transmission distribution stage.
<b>5. Control relay Panels</b> 	Also known as Protection Panels and are installed in HV & EHV Substations for the purpose of fault detection and protection of other valuable substation equipment.	<b>6. Substation Automation System (SCADA)</b> 	It is a control system architecture comprising Automation Panels with Relays, computers, networked data communications and graphical user interfaces for high-level supervision of Substations & its Power Equipment's.

**Revenue Bifurcation Product-wise –**

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
Inverter Duty Transformer	5,570.14	37.71	9,912.62	52.70	23,628.60	71.21
Distribution Transformer	7,169.31	48.54	6,460.26	34.35	6,498.53	19.59
Panel	1,131.61	7.66	2,155.93	11.46	2,906.45	8.76
Power Transformer	633.68	4.29	44.26	0.24	0.00	0.00
Others	265.28	1.80	236.35	1.26	147.35	0.44
<b>Total</b>	<b>14,770.02</b>	<b>100.00</b>	<b>18,809.42</b>	<b>100.00</b>	<b>33,180.93</b>	<b>100.00</b>

### Subsidiary -

1. Danish Transformer India Private Limited (100% shareholding) – Incorporated on Nov 01, 2023.
2. Evernest Shelter Private Limited (100% Shareholding) – Incorporated on May 30, 2024.

### Manufacturing Unit and Capacity Utilization -

The company has two manufacturing units located at Jaipur. The average capacity utilization remained at 47.5%, 76.5%, 71.5% and 68.5% for Jun-24, FY2022, FY2023 and FY2024 respectively.



### Competition -

1. **Market Competition:** The industry is competitive where the key factors of competition primarily comprise of product quality, price, technical ability, performance record, experience, health and safety records and the availability of skilled personnel.
2. **Geographic Competition:** The company faces competition from global giants and local players vying for prominence in the market.
3. **Barriers to entry:** Low barriers to entry.
4. **Threat of Substitutes:** High threat of substitutes.
5. **Bargaining Power of Buyers:** The bargaining power is high with the customers.
6. **Bargaining Power of Supplier:** The bargaining power is low with the customers.

### Business Strategies -

1. The company intends to expand by installing manufacturing units for which they will be utilizing a part of the net proceeds.
2. The company intends to enhance the distribution reach of products in different parts of the country and around the globe.
3. They intend to identify new opportunities in transformer industry and diversify their product portfolio.

### Risk Factors -

The company's significant portion of revenue is derived from top 10 customers which contributed to 79.86%, 76.75%, 88.04% and 87.48% for FY2022, 2023, 2024 and Jun-2024 respectively.

The company has geographic concentration and top 3 states (Rajasthan, Maharashtra and Gujarat) contributed 63.64%, 75.29%, 78.08% and 74.93% for FY2022, 2023, 2024 and Jun-24 respectively.

The company has 8 cases against it for tax and regulatory matters and has filed 7 cases relating to civil matters amounting to Rs. 193.12 lakhs.

The company has pending export obligations amounting to Rs. 606.21 lakhs.

The company has contingent liabilities of Rs. 5,585.61 lakhs.

**PEER ANALYSIS –**

Particulars	Danish Power Limited			Indo Tech Transformers Limited			Shilchar Technologies Limited			Voltamp Transformers Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	3.53%	4.54%	11.45%	4.33%	6.88%	9.19%	7.65%	14.96%	22.43%	14.0%	18.0%	18.5%
EBITDA Margin	7.15%	8.57%	16.79%	8.45%	10.44%	14.64%	12.41%	21.21%	30.79%	19.0%	24.1%	24.5%
RoCE	19.63%	25.67%	58.10%	13.20%	19.70%	31.22%	23.61%	47.14%	58.02%	27.3%	35.7%	31.5%
ROE	14.79%	19.45%	46.36%	8.40%	15.04%	21.58%	17.60%	35.51%	43.84%	21.2%	27.8%	24.8%
EPS (INR)	3.62	5.92	26.29	11.48	24.20	44.12	12.27	56.54	120.47	197.64	303.79	332.13
P/E	104.97	64.19	14.45	18.75	7.11	22.40	14.56	13.36	31.94	9.96	8.86	29.12

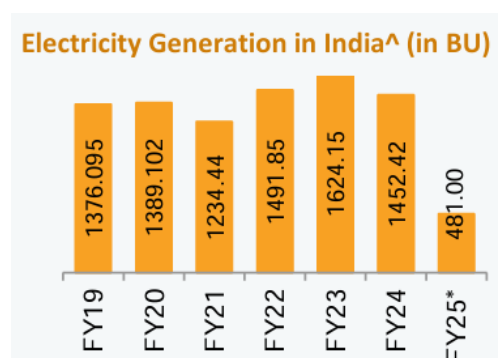
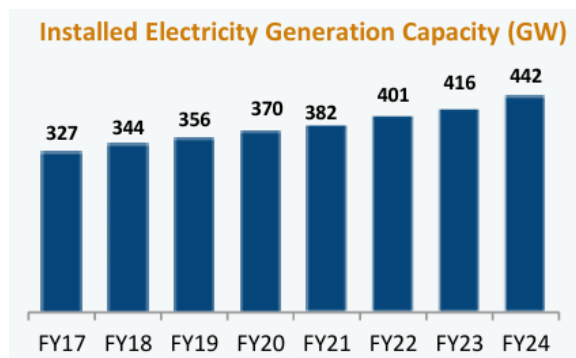
**Interpretation –**

- The market cap of the company is less compared to its peers.
- The cash conversion cycle of the company is better compared to its peer.
- The NP margin and EBITDA margin of the company has seen a sudden increase for FY2024 and a similar trend can be seen for Indo Tech Transformers and Shilchar Technologies. A sudden increase was seen in FY2023 for Voltamp Transformers.
- The RoCE and RoE of the company is higher compared to its peers.
- The PE ratio of the company is less compared to its peer.

**INDUSTRY OVERVIEW -**

**Power Sector in India –**

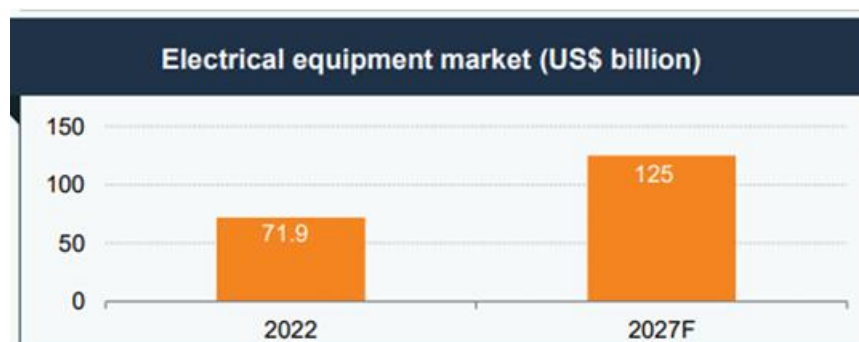
India is the third-largest producer and consumer of electricity worldwide, with an installed power capacity of 429.96 GW as of January 31, 2024. India’s electricity generation from renewable and non-renewable sources for FY21, FY22, and FY23 was 1,373.08 BU, 1,484.36 BU, and 1,617.72 BU, respectively. In FY24 (until November 2023), the power generation in India was 1,176.13 BU.



(Source: ibef.org)

**Electrical Equipment Market in India –**

Indian Electrical equipment is the largest sub-sector followed by Plant equipment & Earth moving/ mining machinery. Domestic electrical equipment market is expected to grow at an annual rate of 12% to reach US\$ 72 billion by 2025 and the electrical equipment market share in India is expected to increase by US\$ 33.74 billion from 2021-25 at a CAGR of 9%.



(Source: ibef.org)

**Key Management -**

<b>Key Management Persons Name -</b>	<b>Dinesh Talwar</b>
<b>Age</b>	73
<b>Designation and No. of years of experience</b>	Promoter, Chairman and Whole-Time Director, 39 years of experience in electrical and electronics industry
<b>Qualification</b>	-
<b>Other Directorships</b>	Evernest Shelter Private Limited, Danish Transformer India Private Limited and Tashe Power India Private Limited

<b>Key Management Persons Name -</b>	<b>Shivam Talwar</b>
<b>Age</b>	39
<b>Designation and No. of years of experience</b>	Promoter and Managing Director, 17 years of experience in Electrical & Electronics industry
<b>Qualification</b>	Bachelor's Degree in Electrical Engineering, Family Managed Business (FMB) Programme
<b>Responsibility</b>	Looks after the overall business operations of the Company and personally heads the Sales & Marketing Department
<b>Other Directorships</b>	Evernest Shelter Private Limited and Danish Transformer India Private Limited

<b>Key Management Persons Name -</b>	<b>Puneet Sandhu Talwar</b>
<b>Age</b>	39
<b>Designation and No. of years of experience</b>	Promoter and Executive Director, 6 years of experience
<b>Qualification</b>	Bachelor's Degree in Economics, Masters of Philosophy and Master of Arts in Politics in International Relations
<b>Responsibility</b>	Looks after Human Resources, Administration & CSR activities of the Company
<b>Other Directorship</b>	-

<b>Key Management Persons Name -</b>	<b>Siddharth Chintamani Shah</b>
<b>Age</b>	46
<b>Designation and No. of years of experience</b>	Non-Executive Director, 21 years of experience in automobile industry
<b>Qualification</b>	Bachelor of Engineering
<b>Other Directorship</b>	Rajesh Motors (India) Private Limited, Rajesh Motors Pinkcity Private Limited, Rajesh Motors Global Private Limited etc.

<b>Key Management Persons Name -</b>	<b>Surendra Singh Bhandari</b>
<b>Age</b>	76
<b>Designation and No. of years of experience</b>	Independent Director, 54 years of experience
<b>Qualification</b>	Chartered Accountant & Bachelor of Commerce
<b>Other Directorship</b>	S Bhandari & Co. LLP

<b>Key Management Persons Name -</b>	<b>Pulkit Sharma</b>
<b>Age</b>	38
<b>Designation and No. of years of experience</b>	Independent Director, 16 years of experience in corporate and commercial litigation
<b>Qualification</b>	LLB (Honours)
<b>Other Ventures</b>	Advocate in Bar Council of Rajasthan, Jodhpur

- The overall management of the company is satisfactory.
- The promoter and management have vast experience in the industry.
- Suresh Kalra (CFO) is a Chartered Accountant & Company Secretary and has 35+ years of experience in accounts and finance.
- The senior management includes Ajay Kumar Sharma (Head – Projects), Surya Lal Mishra (Head – Quality), Bhanwar Singh Shekhawat (General Manager & Head – Production). They all possess vast experience in their respective fields.

## FINANCIAL SNAPSHOT

Statement of Profit and Loss				Amt in Lakhs.
Particulars	FY 22 (Standalone)	FY 23 (Standalone)	FY 24 (Consolidated)	Jun-24 (Consolidated)
Revenue from Operations	14,863.36	18,870.06	33,247.67	7,193.02
Other Income	53.76	73.73	216.17	80.26
<b>Total Income</b>	<b>14,917.12</b>	<b>18,943.79</b>	<b>33,463.84</b>	<b>7,273.28</b>
<b>Expenses</b>				
Cost of Material Consumed	12,811.80	15,441.25	25,013.50	5,360.20
Changes in Inventories of finished goods, work-in-progress	-530.84	-339.46	-365.51	-506.03
Employee Benefit Expenses	911.69	1,118.69	1,934.73	511.35
Finance Cost	307.45	341.03	353.10	125.12
Depreciation and Amortization Expense	82.22	175.49	331.85	101.08
Other expenses	608.15	1,032.88	1,081.46	315.38
<b>Total Expenses</b>	<b>14,190.47</b>	<b>17,769.88</b>	<b>28,349.13</b>	<b>5,907.10</b>
<b>EBITDA</b>	<b>1,062.56</b>	<b>1,616.70</b>	<b>5,583.49</b>	<b>1,601.30</b>
<b>EBITDA Margin</b>	<b>7.15%</b>	<b>8.57%</b>	<b>16.79%</b>	<b>22.26%</b>
<b>Profit/(Loss) before tax</b>	<b>726.65</b>	<b>1,173.91</b>	<b>5,114.71</b>	<b>1,366.18</b>
<b>Tax Expense</b>				
Current tax	206.45	289.82	1,308.43	361.23
Deferred Tax	-4.68	27.00	-1.00	6.74
<b>Total Tax</b>	<b>201.77</b>	<b>316.82</b>	<b>1,307.43</b>	<b>367.97</b>
<b>Profit/(Loss) for the year</b>	<b>524.88</b>	<b>857.09</b>	<b>3,807.28</b>	<b>998.21</b>
<b>Net Profit Margin</b>	<b>3.53%</b>	<b>4.54%</b>	<b>11.45%</b>	<b>13.72%</b>

Statement of Assets and Liabilities				Amt in Lakhs.
Particulars	FY 22 (Standalone)	FY 23 (Standalone)	FY 24 (Consolidated)	Jun-24 (Consolidated)
<b>EQUITY AND LIABILITIES</b>				
<b>1. Shareholders' funds</b>				
Share Capital	160.93	160.93	160.93	1,448.36
Reserves and surplus	3,387.87	4,244.96	8,052.33	7,753.02
<b>Total Equity</b>	<b>3,548.80</b>	<b>4,405.89</b>	<b>8,213.26</b>	<b>9,201.38</b>
<b>2. Non-current liabilities</b>				
Long-term borrowings	1,331.02	1,100.10	669.25	1,298.58
Long-term provisions	113.38	107.91	157.08	171.71
<b>Total Non-current liabilities</b>	<b>1,444.40</b>	<b>1,208.01</b>	<b>826.33</b>	<b>1,470.29</b>
<b>3. Current liabilities</b>				
Short-term Borrowings	1,499.65	285.24	621.48	1,094.49
Trade Payables				
(i) Total outstanding dues of MSME	227.40	959.33	579.40	1,618.34
(ii) Total outstanding dues of creditors other than MSME	3,846.38	2,470.76	2,409.46	3,236.73
Other Current Liabilities	841.06	1,154.58	2,251.30	3,502.44
Short-term provisions	236.19	325.56	1,355.94	515.42
<b>Total Current liabilities</b>	<b>6,650.68</b>	<b>5,195.47</b>	<b>7,217.58</b>	<b>9,967.42</b>
<b>Total Liabilities</b>	<b>8,095.08</b>	<b>6,403.48</b>	<b>8,043.91</b>	<b>11,437.71</b>
<b>Total Equity and Liabilities</b>	<b>11,643.88</b>	<b>10,809.37</b>	<b>16,257.17</b>	<b>20,639.09</b>
<b>ASSETS</b>				
<b>1. Non-current assets</b>				
Property, Plant and Equipment	1,584.91	2,949.43	3,520.21	5,133.59
Capital Work-In-Progress	652.33	147.88	-	24.51

Particulars	FY 22 (Standalone)	FY 23 (Standalone)	FY 24 (Consolidated)	Jun-24 (Consolidated)
Intangible Assets	8.83	14.38	9.45	1,336.50
Intangible Assets under development	-	-	39.60	39.60
Non Current Investments	-	-	-	-
Deferred Tax Assets (Net)	28.89	1.89	2.90	-3.84
Other Non-Currents Assets	50.92	34.42	65.05	69.35
<b>Total Non-Current assets</b>	<b>2,325.88</b>	<b>3,148.00</b>	<b>3,637.21</b>	<b>6,599.71</b>
<b>2. Current assets</b>				
Inventories	3,082.59	3,762.73	4,901.74	6,757.77
Trade Receivables	5,262.09	2,667.01	4,235.22	4,447.36
Cash & Cash equivalents	544.39	636.18	2,029.38	2,335.00
Short term loans and advances	425.60	591.48	1,453.53	497.80
Other Current Assets	3.33	3.97	-	1.44
<b>Total Current assets</b>	<b>9,318.00</b>	<b>7,661.37</b>	<b>12,619.87</b>	<b>14,039.37</b>
<b>Total Assets</b>	<b>11,643.88</b>	<b>10,809.37</b>	<b>16,257.08</b>	<b>20,639.08</b>

### Cash Flow Statement Amt in Lakhs.

Particulars	FY 22 (Standalone)	FY 23 (Standalone)	FY 24 (Consolidated)	Jun-24 (Consolidated)
Net Cash Flow from Operating Activities	564.53	2,892.45	2,572.69	2,397.01
Net Cash Flow from Investing Activities	-649.06	-1,014.30	-731.76	-3,058.07
Net Cash Flow from Financing Activities	225.75	-1,786.35	-447.73	966.68

### Key Ratios

Per Share Data	FY 22	FY 23	FY 24	Valuation Ratios (x)	FY 22	FY 23	FY 24
Diluted EPS	3.62	5.92	26.29	EV/EBITDA	5.49	3.19	1.34
BV per share	220.52	273.78	510.36	Market Cap / Sales	5.03	3.97	2.25
<b>Operating Ratios</b>				P/E	104.97	64.19	14.45
EBITDA Margins	7.15%	8.57%	16.79%	Price to Book Value	1.72	1.39	0.74
PAT Margins	3.53%	4.54%	11.45%	<b>Solvency Ratios</b>			
Inventory days	75.70	72.78	53.81	Debt / Equity	0.80	0.31	0.16
Debtor days	129.22	51.59	46.50	Current Ratio	1.40	1.47	1.75
Creditor days	110.23	79.33	42.31	Quick Ratio	0.94	0.75	1.07
<b>Return Ratios</b>				Asset Turnover	1.28	1.75	2.05
RoCE	19.63%	25.67%	58.10%	Interest Coverage Ratio	3.19	4.23	14.87
RoE	14.79%	19.45%	46.36%				

### INTERPRETATION –

- The top line has increased over the years by 27% In FY2023 and by 76% in FY2024. The in FY2023 was due to increase in the volume of business from sale of Inverter Duty Transformers and Control & relay panels and increase in FY2024 was due to increase in the demand for the Invertor duty transformers which are used in the renewable energy production i.e. Solar plant and wind farm. Further, the interest on LC and FDR also increased.
- The net profit has increased over the years by 63% in FY2023 and 344% in FY2024. This huge jump for FY2024 was due to reduction in prices of raw materials and better price negotiations. Since, the overall expenditure has not increased as compare to previous year against the total revenue.
- The EBITDA margin and PAT margin has seen a sudden increase in FY2024.
- The RoCE and ROE have increased over the years.
- The PE ratio has improved over the years.
- The cash conversion cycle for FY2024 is 58 days.

**LEAD MANAGER TRACK RECORD –**

The lead manager to the issue is Hem Securities Limited.

A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

**Hem Securities Limited –**

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Forge Auto International Limited	31.10	108.00	Oct 04, 2024	105.20
2.	Sahasra Electronics Solutions Limited	186.16	283.00	Oct 04, 2024	760.15
3.	Unilex Colours and Chemicals Limited	31.32	87.00	Oct 03, 2024	78.75
4.	WOL 3D India Limited	25.56	150.00	Sep 30, 2024	157.45
5.	Manba Finance Limited	150.84	120.00	Sep 30, 2024	165.50
6.	Shubhshree Biofuels Energy Limited	16.56	119.00	Sep 16, 2024	235.00
7.	Vision Infra Equipment Solutions Limited	106.21	163.00	Sep 13, 2024	173.25
8.	My Mudra Fincorp Limited	33.26	110.00	Sep 12, 2024	91.45
9.	Namo eWaste Management Limited	51.20	85.00	Sep 11, 2024	166.00
10.	Aeron Composite Limited	56.10	125.00	Sep 04, 2024	133.95

The company has handled 59 mandate in the past three years (including the current year).

\*CMP for the above-mentioned companies is taken as of 21<sup>st</sup> Oct 2024.

As per the offer document, the above-mentioned mandates all have opened at a premium on the listing day.



**Recommendation -**

Danish Power Limited has been in the industry since 1985 and has decent vast in the industry. The management overview of the company is satisfactory.

The P/E on a post-IPO basis is around 18.20 times which makes it fairly priced.

The company's top line, bottom line and profitability margins have seen sudden increase in FY2024. This should not be a major concern as the peers have also shown a similar trend.

The company is raising IPO for expansion purpose by setting a new manufacturing plant for manufacturing transformers. They have also acquired two companies in the previous year and current year which will subsequently add value to their top line growth.

The company has a good order book of Rs 37,125.68 lakhs. Also, they have a good client base.

Thus, investors can **APPLY** to this IPO.

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