# MV Electrosystems Ltd.

ARETE SECURITIES LTD.
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Railway Equipment

**MV Electrosystems Ltd. (MVEL) is engaged in the design, development, assembly and manufacturing of electrical systems & power electronics equipment in railway rolling stock and traction applications. The company designs, develops, and manufactures propulsion systems, including IGBT converters, auxiliary converters, vehicle control units, and driver display units, along with cable protection and interconnect products.**

**Issue Snapshot**

| Particulars | Details |
|---|---|
| Issue Details | |
| Date of Opening | 30th July 2026 |
| Date of Closing | 03rd August 2026 |
| Price Band (Rs) | 400 - 425 |
| Fresh Issue (Rs cr) | 290 |
| Offer for Sale (Rs cr) | - |
| Issue Size (Rs cr) | 290 |
| No. of Shares | 68,23,529 @upper band |
| Face Value (Rs) | 5 |
| Post Issue Mkt Cap (Rs cr) | 1,108 -1,160 |
| BRLMs | Sundae Capital Advisors |
| Registrar | KFin Technologies Ltd |
| Bid Lot | 34 shares & multiples |
| QIB / NII / Retail | 75% / 15% / 10% |

**Shareholding Pattern**

| Pre-Issue | Shares | % |
|---|---|---|
| Promoter Group | 1,57,37,200 | 76.9 |
| Public & Others | 47,22,000 | 23.1 |
| **Total** | **2,04,59,200** | **100.0** |
| **Post-Issue** | **Shares** | **%** |
| Promoter Group | 1,57,37,200 | 57.7 |
| Public & Others | 1,15,45,529 | 42.3 |
| **Total** | **2,72,82,729** | **100.0** |

| Particulars (Rs cr) | Est. Utilization |
|---|---|
| Funding long-term working capital | 180 |
| R&D for new power electronic equip. | 21 |
| General corporate purposes* | - |

*Source: RHP*

## Key Highlights:

1. **Approved supplier of 3-Phase Propulsion Equipment:** MVEL has designed and developed indigenously IGBT based 3-Phase Drive Propulsion Systems approved by CLW & RDSO. During FY26, MVEL received orders for ~27% of the net procurable quantity under Indian Railways tenders - all equipment designed and developed in-house.

2. **Strong in-house R&D capabilities:** MVEL's assembling-cum-manufacturing facility (Unit 1, Haryana) is supported by a dedicated RD&D centre at Faridabad. The company plans a Unit 2 to expand testing/dispatch capacity and is extending R&D to composite converters, hotel load converters and IGBT-based Three Phase Electrics for AC/Mainline EMUs.

3. **Significant entry barriers:** Long product development & safety approval cycles, technology complexity and vendor qualification create high barriers. Indigenous design eliminates royalty/technology fees, which management believes provides a cost advantage relative to MNC or foreign-collaboration-dependent peers

### View:

MVEL reported a net loss of ~Rs 13 cr in FY26, which the company attributes to working capital constraints that affected order execution during the year. Of the IPO proceeds, ~Rs 180 cr is earmarked for funding long-term working capital, which the company expects will support execution of its existing order book of ~Rs 922 cr for Propulsion Equipment (as of Jun'26), aided by its indigenous in-house design & development capability and CLW approval. Per management/RHP, Indian Railways' 5-year procurement estimate for Propulsion Equipment (~Rs 19,797 cr) represents the addressable opportunity. Management expects performance to improve from 2HFY27 as production scales from 20 to ~50 sets/month, aided by the working capital infusion.

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## Key Financials

| Particulars (Rs cr) | FY24 | FY25 | FY26 |
|---|---|---|---|
| Revenue from Operations | 50 | 63 | 49 |
| EBITDA | 6 | 7 | (10) |
| EBITDA Margin (%) | 11.6 | 11.0 | (20.8) |
| PAT | 1 | 1 | (13) |
| PAT Margin (%) | 1.1 | 2.2 | (25.5) |
| EPS (Rs) | 0.3 | 0.7 | (6.2) |
| RoE (%) | 3.9 | 6.9 | (20.2) |
| RoCE (%) | 8.1 | 12.0 | (11.8) |

### Peer Comparison - FY26

| Particulars (Rs cr) | MV Electrosystems Ltd | Hind Rectifiers Ltd |
|---|---|---|
| CMP (Rs) | 425 | 1,286 |
| Mkt Cap. | 1,160 | 4,564 |
| Enterprise Value | 919 | 4,804 |
| Revenue from Operations | 49 | 999 |
| EBITDA | (10) | 86.7 |
| Adj. Net Profit | (13) | 38.6 |
| EBITDA Margin (%) | (20.8) | 8.7 |
| Net Profit Margin (%) | (25.5) | 4.01 |
| RoE (%) | (11.8) | 25.2 |
| RoCE (%) | (20.2) | 18.8 |
| P/E (x) | - | 98.3 |
| EV/EBITDA (x) | - | 55.4 |
| EV/Sales (x) | 18.6 | 4.57 |

*For MVEL, Mkt Cap, P/E(x), EV/EBITDA(x) and EV/Sales(x) are calculated on post-issue equity share capital at the upper price band. As MVEL is currently loss-making at the PAT and EBITDA level, EV/Sales is the more relevant valuation multiple for comparison, while P/E and EV/EBITDA are not meaningful.*

*No listed company of similar scale holds proprietary in-house IGBT-based 3-Phase Drive Propulsion System technology. Hind Rectifiers Ltd - the only listed peer with such a system under development (pending approvals) - has been identified as the closest comparable.*

***Source: RHP***

### Risk Factors

- **Customer concentration:** Top 5/top 3 customers contributed ~87%/83% of FY26 revenue; Indian Railways alone ~77%. Cancellation or delay of orders could materially impact the business.
- **Regulatory & compliance risk:** Operations require continuous renewal of statutory/regulatory approvals, licenses and registrations; delays or non-compliance could adversely affect operations.
- **Raw material import risk:** Key components (IGBTs, semiconductors, capacitors) are imported from China, UK, Hong Kong & Singapore; top 5/top 3 suppliers account for ~73%/59% of material cost, with the top supplier alone at ~39%.
- **Dependency on R&D:** Success depends on the ability to develop and commercialize new products; R&D carries significant capital outlay with no guarantee of timely or successful outcomes.
- **Promoter cross-holdings:** Promoters and directors hold interests in other listed/unlisted companies, creating potential conflicts of interest.

### Growth Strategy

- Diversify product base and increase penetration across regions & synergetic applications - Renewable Energy Projects, Industrial & Commercial Power Conversion Systems, Energy Storage Systems, and Electric Mobility & Charging Infrastructure.
- Develop/acquire new products used in conjunction with propulsion equipment in line with emerging Indian Railways opportunities.
- Expand manufacturing capabilities while reducing operating costs and improving efficiencies.
- Focus on high-value products and the opportunity to enter rolling stock manufacturing.

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