MV Electrosystems Limited

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IPO Note **29th July 2026**

Company Overview

MV Electrosystems Limited is a technology-driven company engaged in the design, development, assembly, and manufacturing of electrical and power electronics equipment for railway rolling stock, including IGBT-based 3-Phase Drive Propulsion equipment for electric locomotives, switchgear panels for railway coaches and EMUs, cable protection and management products, and other electrical systems and sub-systems. The company has indigenously designed and developed its IGBT-based 3-Phase Drive Propulsion equipment, which received approval from Chittaranjan Locomotive Works (CLW), Indian Railways, in September 2025, with commercial supplies commencing in March 2026. Backed by a DSIR-recognized in-house R&D centre and integrated manufacturing facilities in Haryana, the company possesses end-to-end product development capabilities across power electronics, traction control systems and embedded software. It is well positioned to benefit from the ongoing electrification and modernization of Indian Railways, supported by the Make in India initiative and increasing localisation of railway procurement. The company is also expanding its presence in next-generation propulsion systems for MEMUs, EMUs, Vande Bharat and metro rail projects. The company derives the majority of its revenue from the Indian Railways, with production units and zonal railways contributing 76.7% of revenue from operations in FY26, while OEM suppliers to Indian Railways and private-sector customers accounted for the remaining 23.1%. The business continues to exhibit a high customer concentration, with its largest customer contributing 76.7% of revenue in FY26, while the top three, top five and top ten customers accounted for 82.7%, 86.7% and 93.0% of revenue, respectively. As of June 30, 2026, the company had an executable order book of Rs. 989.3 crores (excluding GST), comprising 564 IGBT-based 3-Phase Drive Propulsion equipment units, along with associated annual maintenance contracts. The order book is entirely from Indian Railways' production units. On the procurement side, supplier concentration remains relatively high, with the top supplier accounting for 39.2% of purchases in FY26, while the top three, top five and top ten suppliers contributed 58.9%, 73.2% and 94.9% of total purchases, respectively.

Objects of the issue

The company proposes to utilize net proceeds from the issue towards the following objects:

- ⇒ To fund long-term working capital requirements;
- ⇒ Investment in research design and development activities for new power electronic equipment; and
- ⇒ General corporate purposes.

Investment Rationale

Strong engineering capabilities and expanding manufacturing infrastructure support long-term growth

MV Electrosystems has established itself as an engineering-led railway technology company with strong in-house research, design, and development capabilities, enabling it to develop highly engineered and safety-critical railway systems with minimal reliance on external technology providers. The company has built multidisciplinary expertise across power electronics, embedded systems, mechanical engineering, traction software and thermal design, supported by a dedicated R&D workforce that accounts for over one-fifth of its permanent employees. This engineering strength has enabled the successful indigenous development of its IGBT-based 3-Phase Drive Propulsion System, which has received approvals from Chittaranjan Locomotive Works (CLW) and RDSO, allowing the company to commence commercial supplies to Indian Railways and qualify as a bulk supplier for future tenders. Building on this foundation, the company is extending its product development capabilities towards propulsion systems for EMUs, MEMUs and other next-generation rolling stock, thereby expanding its addressable market. Alongside its technological capabilities, the company is strengthening its manufacturing infrastructure through investments in advanced testing facilities, an in-house Surface Mount Technology (SMT) line and a new manufacturing unit in Haryana. These initiatives are expected to enhance vertical integration, improve quality control, reduce dependence on third-party vendors, shorten production lead times and improve operating efficiencies. The addition of dedicated propulsion testing facilities will also increase testing throughput and support faster execution of its growing order book.

Issue Details	
Offer Period	30th Jul. 2026 – 03rd Aug. 2026
Price Band	Rs. 400 to Rs. 425
Bid Lot	34
Listing	BSE & NSE
Issue Size (no. of shares in Cr.)	0.7
Issue Size (Rs. in Cr.)	290
Face Value (Rs.)	5

Issue Structure	
QIB	75%
NIB	15%
Retail	10%

BRLM	Sundae Capital Advisors Private Limited
Registrar	KFin Technologies Limited

Particulars	Pre Issue %	Post Issue %
Promoter & Promoter Group	76.9%	57.7%
Public	23.1%	42.3%
Total	**100.0%**	**100.0%**

(Assuming issue subscribed at higher band)

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Indigenous Propulsion Technology Creates Strong Competitive Entry Barriers

MV Electrosystems operates in a niche and highly regulated segment of the railway industry, where technological complexity, stringent qualification requirements and lengthy approval processes create significant barriers to entry. The company's competitive positioning is supported by its ability to indigenously design and develop safety-critical IGBT-based 3-Phase Drive Propulsion equipment, eliminating dependence on foreign technology partners, and avoiding royalty or technology licensing costs. Developing such systems requires expertise across multiple engineering disciplines, including power electronics, embedded systems, mechanical engineering, thermal design, and software development, backed by substantial investments in R&D, testing infrastructure and long product qualification cycles. Moreover, supplying propulsion equipment to Indian Railways requires rigorous approvals from authorities such as RDSO and CLW, involving design validation, prototype testing, endurance trials and periodic manufacturing audits, making it difficult for new entrants to establish a presence. The company has successfully navigated these qualification processes and possesses an integrated R&D setup that enables faster product customization and quicker response to evolving customer requirements. Its manufacturing capabilities are further supported by stringent quality systems and approved vendor networks that comply with Indian Railways' exacting standards. The government's increasing emphasis on domestic manufacturing under the Make in India initiative has further strengthened the competitive position of indigenous technology providers by reducing reliance on imported propulsion systems. Leveraging its engineering expertise and proven design capabilities, the company is also expanding its product portfolio towards propulsion systems for EMUs, MEMUs, metro rail and other next-generation rolling stock applications.

Valuation

MV Electrosystems is a technology-driven railway equipment manufacturer with strong in-house design and development capabilities in safety-critical propulsion systems. The company has successfully developed indigenous IGBT-based 3-Phase Drive Propulsion equipment, supported by rigorous approvals from Indian Railways, creating high entry barriers and strengthening its competitive positioning. Its expanding manufacturing capabilities, robust R&D infrastructure and healthy executable order book provide strong revenue visibility. On the macroeconomic front, the government's sustained focus on railway infrastructure, network electrification, rolling stock modernisation and the Make in India initiative, coupled with the Indian railway propulsion equipment market projected to grow at a CAGR of 6.0% during CY26P-CY30P, provides a favourable long-term growth environment. These factors position the company well to capitalize on the increasing demand for advanced railway propulsion and power electronics solutions. Financially, revenue from operations remained largely stable over FY24-FY26, with a marginal decline at a 0.5% CAGR, primarily due to lower supplies to Indian Railways in FY26. EBITDA declined and turned negative in FY26 primarily due to a sharp increase in employee costs and other operating expenses. PAT improved from Rs. 7 million in FY24 to Rs. 14 million in FY25, before declining to a loss of Rs. 126 million in FY26, reflecting pressure on operating profitability and higher investments. **Despite the company's strong technological capabilities and healthy order book, inconsistent topline performance, execution risks in ramping up order execution, rising debt and the demanding valuation led us to believe the current risk-reward remains unfavourable. Accordingly, we assign an 'Avoid' rating to the issue.**

Key Risks

⇒ Indian Railways is the company's largest customer, contributing 76.7% of revenue in FY26. Any reduction in orders, contract cancellations or delays in procurement by Indian Railways could materially impact the company's revenue and profitability.

⇒ The company's manufacturing facilities and R&D centres are in Haryana. Any regional disruptions arising from natural calamities, labour issues, regulatory changes or infrastructure disruptions could adversely affect business operations.

⇒ The company relies on imported electronic components and raw materials, including IGBTs, semiconductors, capacitors, and microprocessors, sourced directly or indirectly from countries such as China, the UK, Hong Kong, and Singapore. Any supply chain disruptions, geopolitical tensions, import restrictions or raw material price volatility could impact production schedules and margins.

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Income Statement (Rs. in Million)

Particulars	FY24	FY25	FY26
Revenue:			
Revenue from operations	500	626	494
Total revenue	**500**	**626**	**494**
Expenses:			
Cost of Raw Material Consumed	247	385	384
Changes in inventories of Finished goods, work-in-progress and stock-in-trade	14	-12	-35
Employee benefits expenses	92	96	138
Other Expenses	88	89	111
Total expenses	**442**	**557**	**597**
EBITDA	**58**	**69**	**-103**
Depreciation & amortization	28	35	34
EBIT	**30**	**34**	**-137**
Finance costs	25	30	35
Other Income	6	20	4
PBT before exceptional items	**11**	**24**	**-168**
Exceptional items	1	2	0
PBT after exceptional items	**12**	**26**	**-168**
Current Tax	8	19	0
Deferred tax	-3	-8	-42
Total tax	**5**	**12**	**-42**
PAT	**7**	**14**	**-126**
Diluted EPS	**0.4**	**0.8**	**-6.5**

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in Million)

Particulars	FY24	FY25	FY26
Cash Flow from operating activities	**-52**	**50**	**-575**
Cash flow from/(used in) investing activities	**-36**	**-15**	**-179**
Net cash flows (used in) / from financing activities	**66**	**-36**	**755**
Net increase/(decrease) in cash and cash equivalents	**-22**	**-1**	**1**
Cash and cash equivalents at the beginning of the period	**24**	**2**	**1**
Cash and cash equivalents at the end of the period	**2**	**1**	**2**

Source: RHP, BP Equities Research

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Balance Sheet (Rs. in Million)

Particulars	FY24	FY25	FY26
Assets			
Non-Current Assets			
Property, plant and equipment	69	68	214
Investment property	114	110	105
Capital WIP	0	0	16
Intangible Assets WIP	7	2	4
Intangible Assets	1	0	0
Right of Use Assets	60	51	56
Deferred Tax Assets	9	17	58
Financial assets			
i) Investment	0	0	0
ii) Trade Receivables	0	0	0
iii) Other Financial Assets	8	9	14
Other Non-Current Assets	0	0	7
Total Non Current assets	**269**	**257**	**475**
Current Assets			
Inventories	244	318	675
Financial Assets			
(i) Trade Receivables	126	146	104
(ii) Cash and cash equivalents	2	1	2
(iii) Other financial assets	1	5	5
Current Tax Assets	0	0	2
Other current assets	14	15	195
Total Current Assets	**387**	**484**	**983**
Total Assets	**656**	**741**	**1,457**
Equity and Liabilities			
Equity Share Capital	74	91	102
Other Equity	92	88	523
Total Equity	**165**	**179**	**626**
Non-Current Liabilities			
Financial Liabilities			
(i) Borrowings	72	51	95
(ii) Lease Liabilities	55	48	51
Provisions	7	11	16
Total Non-Current Liabilities	**134**	**110**	**162**
Current Liabilities			
Financial Liabilities			
(i) Borrowings	204	224	404
(ii) Trade Payables	124	185	219
(iii) Other financial liabiliies	13	19	31
Current tax liabilities	5	17	0
Provisions	0	1	1
Other current liabilities	10	6	15
Total Current Liabilities	**356**	**452**	**670**
Total Liabilities	**491**	**562**	**832**
Total Equity and Liabilities	**656**	**741**	**1,457**

Source: RHP, BP Equities Research

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Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

Analyst (s) Certification:

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