

MV Electrosystems Ltd – IPO Investment Note

Issue Open	Issue Close	Price Band (₹)	Rating
30 July 2026	03 August 2026	₹400-425	Neutral

Investment Summary

MV Electrosystems is an emerging railway power-electronics company with indigenously developed and approved 3-Phase Propulsion Equipment, strong in-house R&D capabilities and meaningful entry barriers created by stringent railway qualification requirements. Its sizeable executable order book provides strong medium-term revenue visibility, while the proposed deployment of IPO proceeds toward working capital and new product development should support commercial-scale execution. However, the company is transitioning from product development to bulk manufacturing and has **yet to demonstrate consistent profitability, operating cash generation or execution at the scale represented by its order book**. The business also remains exposed to Indian Railways concentration, imported-component availability, supplier dependence and potential delivery penalties. Given that substantial growth and a successful earnings turnaround already appear reflected in the issue pricing, **we adopt a Neutral stance**, with further upside contingent on sustained dispatch growth, margin recovery and disciplined working-capital management.

Company Overview

MV Electrosystems Limited (MVEL), incorporated in 2009, is a railway-technology company **engaged in the design, development, assembly and manufacturing of electrical systems and power-electronics equipment for railway rolling stock**. Its product portfolio includes indigenously developed IGBT-based 3-Phase Drive Propulsion Equipment for electric locomotives, traction and auxiliary converters, vehicle control units, driver display units, switchgear panels for railway coaches and EMUs, and cable-protection and interconnection products. The company operates an assembling-cum-manufacturing facility at Palwal and an in-house Research, Design and Development Centre at Faridabad, Haryana. A key milestone was the approval received from Chittaranjan Locomotive Works in September 2025 for its proprietary 6,000 HP propulsion system, following which commercial supplies commenced in March 2026. As of June 30, 2026, MVEL had an executable **order book of ₹921.64 Cr**, excluding GST and AMC, for the supply of 564 propulsion systems to different production units of Indian Railways.

Business Model

MVEL follows a **tender and qualification-driven B2G/B2B model**, under which it participates in tenders floated by Indian Railways' production units and railway OEMs. Products generally undergo an extended process of in-house development, prototyping, testing and validation by RDSO or the relevant railway authority before the company is approved for commercial or bulk supplies. Once qualified, MVEL undertakes engineering configuration, procurement, assembly, testing, delivery and commissioning of equipment according to customer-specific technical requirements.

The company earns primarily from the manufacture and supply of propulsion equipment, switchgear panels, electrical components and cable-protection products. **Indian Railways is its principal customer, contributing approximately 77% of FY26 revenue**, while the remaining revenue is generated from OEM suppliers to Indian Railways and private-sector customers. Propulsion-system orders generally also include comprehensive annual maintenance contracts that commence after the warranty period, providing a smaller but longer-duration after-sales revenue stream.

MVEL manages much of the product-development lifecycle internally, including electrical and mechanical design, embedded software, control electronics, PCB assembly, system integration and performance testing. Its indigenous intellectual property reduces dependence on foreign technology collaborators and eliminates royalty payments, while its manufacturing and R&D infrastructure enables product customisation for locomotives, MEMUs, EMUs and other railway platforms. The model is, however, working-capital intensive, as specialised and partly imported electronic components must be procured and equipment manufactured before customer inspection, acceptance and collection of receivables.

Financial Performance

- **Revenue CAGR ~ (FY24–FY26): ~ (0.53%).** Revenue grew ₹49.96 Cr in FY24 to ₹49.43 Cr in FY26.
- **EBITDA growth** ₹6.41 Cr (FY24) → ₹8.92 Cr (FY25) → loss of ₹9.94 Cr (FY26), while margins are at ~ (20.11%) in FY26.
- **PAT trajectory:** ₹0.56 Cr (FY24) → ₹1.40 Cr (FY25) → loss of ₹12.63 Cr (FY26) with a (25.55%) margin.
- **Return metrics:** ROCE increased from 14.11% in FY24 to 22.13% in FY25, before declining to (17.69%) in FY26; ROE similarly fell to (31.55%) in FY26.
- **Balance sheet:** Net worth ₹62.57 Cr, Debt (D/E 0.80×), net cash from operating activities ₹57.55 Cr
- **Key ratios:** Basic EPS ₹-, NAV per share ₹30.58.

Financial Snapshot

Metric	INR CR		
	FY24	FY25	FY26
Revenue from Operations	49.96	62.64	49.43
EBITDA	6.41	8.92	(9.94)
EBITDA Margin	12.83%	14.24%	(20.11%)
Profit After Tax (PAT)	0.56	1.40	(12.63)
PAT Margin	1.12%	2.23%	(25.55%)
Basic EPS (₹)	0.44	0.76	-

Investment Rationale

1. Strong Executable Order Book Provides Revenue Visibility:

As of June 30, 2026, MVEL had an executable order book of **₹921.64 Cr for 564 units of 3-Phase Propulsion Equipment**, nearly 19× its FY26 revenue, providing substantial visibility for a sharp scale-up as deliveries progress.

2. Proprietary Indigenous Propulsion Technology:

The company owns the intellectual property for its indigenously developed 6,000 HP IGBT-based propulsion system, reducing dependence on foreign technology partners and eliminating royalty or technology-transfer costs.

3. Regulatory Approvals Create High Entry Barriers:

MVEL's propulsion equipment has received approval from CLW and RDSO, enabling it to participate in Indian Railways tenders as an approved bulk supplier. Stringent safety testing, long qualification cycles and significant development expenditure create meaningful barriers for new entrants.

4. Strong In-House Research and Product-Development Capabilities:

Its multidisciplinary R&D team independently undertakes power-hardware, control-system, software and mechanical design, allowing MVEL to develop complex systems without relying on external design houses. The company is also developing composite converters, hotel-load converters and propulsion solutions for MEMUs, EMUs, Vande Bharat and metro trains.

5. IPO Proceeds to Support Commercial Scale-Up:

Of the IPO proceeds, **₹180 Cr is proposed for long-term working-capital requirements** and ₹21 Cr for developing new power-electronics equipment. This should support raw-material procurement and execution of the large propulsion order book following the commencement of commercial supplies in March 2026.

Key Risk Factors

1. High Dependence on Indian Railways:

Indian Railways accounted for **76.72% of FY26 revenue**, while the top five customers contributed approximately 87%. Any reduction, cancellation or delay in railway tenders and purchase orders could materially affect revenue and capacity utilisation.

2. Significant Order-Execution and Scale-Up Risk:

MVEL's ₹921.64 Cr executable order book is substantially larger than its historical revenue base, requiring a sharp increase in procurement, production, testing and dispatch. Execution delays may result in liquidated damages, invocation of bank guarantees or cancellation of orders; the company incurred delay penalties of ₹0.41 Cr in FY26.

3. Working-Capital-Intensive Business Model:

The company must procure specialised components and build inventory before inspection, acceptance and customer payment. This resulted in negative operating cash flow of **₹57.55 Cr in FY26**, while net working capital stood at ₹31.28 Cr, making timely access to funding critical for order execution.

4. Dependence on Imported Components and Concentrated Suppliers:

Critical components such as IGBTs, capacitors, semiconductors and microprocessors are imported or sourced through importers, exposing MVEL to currency, geopolitical and supply-chain risks. The largest supplier accounted for **39.24%** of FY26 material costs and the top five accounted for **73.20%**, without long-term supply agreements.

5. Technology Development and Approval Risk:

The company's growth depends on successfully developing new propulsion and power-electronics products and obtaining approvals from RDSO and Indian Railways. R&D expenditure stood at ₹7.90 Cr, or nearly 16% of FY26 revenue, and unsuccessful trials or delayed approvals could result in sunk costs and defer commercialisation.

IPO Details and Use of Proceeds

Parameter	Details
Issuer	MV Electrosystems Ltd.
IPO Issue Size	Total Issue Size: ₹290.00 Cr Fresh Issue of ₹290 Cr
Price Band	₹400 – ₹425 per share
Face Value	₹5 per share
Post-Issue Market Cap	Approx. ₹1148 Cr
IPO Opening Date	30 July 2026
IPO Closing Date	03 August 2026
Listing	NSE / BSE
Promoter Holding (Pre/Post)	Pre-IPO: ~76.92% → post-IPO: ~57.68%
Book Running Lead Managers	Sundae Capital Advisors Private Limited.
Use of Proceeds	- Funding long-term working capital requirements of the Company (~180 Cr) - Investment in research design and development activities for new power electronic equipment (~21 Cr) - General Corporate Purposes

Valuation and Outlook

At the upper price band of ₹425 per share, MV Electrosystems is valued at a post-issue market capitalisation of approximately ₹1,160 Cr and an enterprise value of around ₹919 Cr. Since the company reported negative EBITDA and PAT in FY26, conventional P/E and EV/EBITDA multiples are not meaningful, and we have therefore evaluated the issue primarily on an EV/Sales basis. The implied valuation stands at approximately **18.6× FY26 sales**, substantially above Hind Rectifiers, its closest listed comparable, at around 4.9×. While MVEL's ₹921.64 Cr executable propulsion order book, proprietary technology and IPO-funded working capital provide potential for a sharp operating scale-up, the issue valuation already factors in substantial revenue conversion and margin recovery. Accordingly, we believe the IPO is **positioned well for listing gains** but overvalued on trailing financials and assign a **Neutral** rating, with future returns dependent on timely order execution, production ramp-up, margin normalisation and improvement in operating cash flows.

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