



MANGAL ELECTRICAL INDUSTRIES LIMITED

Initial Public Offering (IPO) Report – August 2025

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DETAILS

IPO Open/Close Dates	August 20, 2025 to August 22, 2025
Issue Size (₹ Cr)	₹400.00 crores
Price Band & Lot Size	₹533 to ₹561 per share , lot size - 26 Shares
GMP (Grey Market Premium)	₹34
Recommendation	best suited for long-term investors who can tolerate short-term volatility and liquidity risks

Total Issue Size: ₹400 Cr (as per DRHP)

- Fresh Issue: ₹400 Cr

Promoter Dilution:

- of total issue size: 25.81%
- Promoter holding pre-issue: 74.19%

Objects of the Issue:

- ₹101.27 crore will be used for repayment or prepayment (full or partial) of certain outstanding borrowings of the company.
- ₹87.86 crore is allocated towards capital expenditure, including civil works, for expanding the facility at Unit IV, Reengus, Sikar District, Rajasthan.
- ₹122.0 crore will be used to fund the company's working capital requirements.

INDUSTRY OVERVIEW

INDUSTRY SIZE, GROWTH TRENDS, AND PROJECTIONS

- Indian transformer industry market size is **₹35,390** crore for **FY2025**.
- Annual electricity demand is projected to grow from ~1,907 billion units (FY2027) to 2,472 billion units (FY2032).
- Peak power demand is expected to rise from 250GW (FY2025) to 366GW (FY2032).
- The sector is forecast to maintain double-digit growth over the next several years, led by T&D upgrades and structural demand.
- Robust growth driven by urbanization, industrialization, and higher power needs.
- Transformers in demand for renewables (solar/wind) grid integration.
- Increased focus on domestic manufacturing, but key inputs are still partly imported.
- Market shifting towards higher-rated, energy-efficient, and smart transformers.
- Domestic manufacturing is expanding, but imports (especially of specialty or high-grade inputs) still play a role.

KEY GROWTH DRIVERS & HEADWINDS

Growth Drivers:

- **Rising Power Demand & Urbanization:** Strong growth fueled by rapid urbanization, industrialization, and rising electricity consumption across sectors.
- **Renewable Energy Integration:** Accelerated adoption of renewables (solar, wind) increasing need for efficient, high-capacity transformers compatible with green energy grids.
- **Increasing Domestic Capability & Certifications:** Expansion of manufacturing capacity with NABL, PGCIL, NTPC approvals enhances competitive positioning and product quality.

(Note : Government also plays a key role in growth , that will be explained further)

Headwinds:

- **Raw Material Volatility & Supply Risks:** Fluctuating prices of critical inputs (steel, copper, CRGO) and dependence on imports pose cost and supply uncertainties.
- **Capacity Utilization & Execution Risks:** Low capacity utilization in some facilities and execution challenges can impact operational efficiency and margins.
- **Customer Concentration & Market Competition:** Heavy reliance on government orders and select customers, along with intense competition, limit bargaining power.
- **Regulatory & Currency Risks:** Changing import regulations, foreign exchange fluctuations, and delays in government projects may adversely affect business.

GOVERNMENT POLICIES/INCENTIVES

- **Focus on Transmission & Distribution (T&D) Expansion:** The government is ramping up investments in upgrading and expanding power infrastructure to meet rising electricity demand.
- **Key Schemes Supporting Growth:** Initiatives like Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY), Integrated Power Development Scheme (IPDS), Revamped Distribution Sector Scheme (RDSS), and Green Energy Corridor create substantial demand for transformers.
- **“One Nation, One Grid” Policy:** A government vision to unify regional grids into a single national grid to improve power reliability and efficiency, necessitating significant infrastructure upgrades.
- **Renewable Energy Integration:** Strong policy push for renewable energy sources (solar, wind) leads to increased demand for advanced and specialized transformers compatible with variable power inputs.
- **Regulatory Approvals & Certifications:** Setting of technical and quality standards via bodies like PGCIL, NABL, and NTPC, fostering better compliance and product quality within the industry.
- **Energy Efficiency Norms:** Government’s emphasis on energy-saving measures and adoption of efficient transformers reduces losses and drives innovation.
- **Steady Capital Expenditure:** Consistent government capex in the power sector including transmission, distribution, and rural electrification projects ensures sustained industry growth over coming years.

COMPETITIVE LANDSCAPE & POSITIONING

- **Industry Competition:** The transformer manufacturing and components sector in India comprises several established players with varied capacities and product portfolios. Key competition includes both domestic manufacturers and imported products, especially from China.
 - **Product Range & Specialization:** Mangal Electrical Industries focuses on processing high-quality transformer components such as CRGO steel laminations, amorphous cores, and transformers up to 10 MVA capacity, alongside products like Immersed Circuit Breakers (ICBs). This diverse product base differentiates it in the market.
 - **Certifications & Approvals:** The company holds critical certifications including NABL, ISO 9001:2015, ISO 14001:2015, and approvals from PGCIL and NTPC, which validate its quality standards and provide competitive advantage.
 - **Customer Base & Order Book:** Mangal serves a broad customer base including government utilities, private sector firms, and exports, with a substantial order book (₹294 Cr as of June 2025), highlighting market acceptance and positioning.
 - **Backward Integration:** The company's partial backward integration — processing core inputs like CRGO steel — enables cost control, quality consistency, and operational efficiency, strengthening its competitive stance.
 - **Capacity & Utilization:** With 5 manufacturing units in Rajasthan totaling significant installed capacity for CRGO, transformers, and ICBs, Mangal is well-positioned to serve diverse market needs but faces moderate to low utilization at some facilities.
 - **Technological Edge & R&D:** Endorsements from key customers and in-house testing labs contribute to product quality and innovation, enhancing Mangal's positioning in a competitive, quality-sensitive industry.
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PEER COMPARISON TABLE (REVENUE, MARGINS, VALUATION MULTIPLES)

Key Indicators	Mangal Electrical Industries Ltd	Jaybee Laminations Pvt Ltd	Vilas Transcore Ltd
Revenue from Operations (INR Million)	5,494	3,675	3,531
EBITDA Margin (%)	15%	12%	15%
PAT Margin (%)	9%	7%	10%
ROA	13%	11%	9%
ROCE	25%	24%	17%
Net Worth	1,622	1,476	2,881
Long-term Debt	115	78	0
Debt Equity Ratio	0.92	0.16	0.04
Return on Equity	29%	17%	12%

FINANCIAL ANALYSIS

RELATED PARTY TRANSACTIONS (RPTS) TREND IN THE YEAR BEFORE IPO

- Related party transactions have shown a declining trend over the three years.
- The values were 131.76 crores in 2023, which decreased sharply to 84.63 crores in 2024 (about 35.8% decline).
- In 2025, transactions further declined to 79.85 crores, a smaller reduction of about 5.7% from 2024.
- Overall, from 2023 to 2025, the related party transactions decreased by approximately 39.4%, indicating reduced reliance or tighter control on related party dealings.

DEBTORS' TURNOVER RATIO TREND ANALYSIS

Mangal Electrical Industries has demonstrated consistent improvement in its working capital efficiency over the past three years, as reflected in its Debtor Turnover Ratio.

- **FY2023: 4.32**
- **FY2024: 5.11**
- **FY2025: 5.05**

- The Debtor Turnover Ratio improved significantly from 4.32 in FY2023 to 5.11 in FY2024, indicating better efficiency in collecting receivables in FY2024 compared to FY2023.
- In FY2025, the ratio slightly declined to 5.05 but remained close to FY2024 levels, reflecting stable collection efficiency with minor fluctuations.
- Overall, the trend suggests an improvement in the company's ability to convert receivables into cash over the three years, with FY2024 being the peak year

PROFITABILITY TREND AND REASONING FOR INCREASE IN YEAR BEFORE IPO

Profitability Trend (PAT in ₹ Crore)

Fiscal Year	PAT (₹ Crore)
FY2023	24.74
FY2024	20.95
FY2025	47.31

Analysis of Profitability Trend

- **Decline from FY2023 to FY2024:**
PAT decreased from ₹24.74 crore in FY2023 to ₹20.95 crore in FY2024, indicating margin pressures or increased costs. This could be due to raw material price volatility (steel, copper), supply chain challenges, or lower capacity utilization in some plants as the company invested in expansion.
- **Sharp Growth in FY2025:**
In FY2025, PAT surged by over 2.2 times to ₹47.31 crore, reflecting a strong turnaround and improved profitability.

Key Reasons for Increase in PAT in FY2025 (Pre-IPO Year)

- **Revenue Growth:** Substantial increase in revenue (over 20% growth) driven by higher order inflows, expanded production capacity, and ramp-up of transformer sales, especially high-margin 10 MVA transformers.
- **Operational Efficiency & Capacity Utilization:** Better utilization of manufacturing facilities reduced fixed cost per unit, improved operational leverage, and lowered production costs.
- **Cost Control:** Improved sourcing strategies and cost optimization helped cushion raw material price fluctuations, leading to better gross margins.
- **Product Mix Improvement:** Increased sales of value-added and technologically advanced transformer components enhanced margins relative to commoditized products.
- **Lower Finance Costs:** Loan repayments reduced interest burden, helping net profitability.
- **Government Policy & Infrastructure Push:** Strong demand supported by government schemes (rural electrification, renewables integration) boosted sales stability and scale.

The FY2025 profitability jump is the result of a confluence of higher revenues, efficiency gains, improved product mix, and disciplined cost and capital management, positioning Mangal Electrical Industries well ahead of its IPO launch



CASH FLOW HEALTH

Operating Activities

- FY23: Positive **₹2,739.35 Lakhs**, supported by operating profits and favorable working capital adjustments.
- FY24: Strong growth to **₹3,656.11 Lakhs**, showing better efficiency in cash conversion despite some increases in receivables and inventories.
- FY25: Sharp reversal to **negative ₹3,009.18 Lakhs**, mainly due to very high working capital outflows — receivables (–₹4,236 Lakhs), inventories (–₹6,536 Lakhs), and tax payments (–₹1,788 Lakhs). This indicates stress on cash cycle despite healthy operating profit before working capital changes (₹8,451 Lakhs).

Takeaway: While operations were generating consistent positive cash till FY24, FY25 shows a liquidity strain due to aggressive build-up of receivables and inventory.

Investing Activities

- FY23: **Inflow of ₹424.96 Lakhs**, thanks to asset sales and repayments on financial assets.
- FY24: **Outflow of ₹1,262.54 Lakhs**, primarily from capex.
- FY25: **Outflow of ₹1,832.64 Lakhs**, again due to heavy capex and investment in non-current assets.

Takeaway: The company is in expansion mode, with rising capex each year. Positive FY23 was an exception due to one-time receipts.

Financing Activities

- FY23: **Outflow of ₹3,372.35 Lakhs**, as debt repayment exceeded inflows.
- FY24: **Outflow of ₹1,760.36 Lakhs**, same deleveraging trend.
- FY25: **Inflow of ₹4,181.84 Lakhs**, reversal due to fresh borrowings (₹6,402 Lakhs current loans raised), though interest costs (₹1,518 Lakhs) remain heavy.

Takeaway: FY25 cash stress forced reliance on debt financing, reversing the earlier deleveraging trend.

Net Cash Position

- FY23: **-₹208 Lakhs**, moderate burn.
- FY24: **+₹633 Lakhs**, strong recovery.
- FY25: **-₹660 Lakhs**, sharp decline again, closing cash balance at just ₹44 Lakhs (vs ₹704 Lakhs a year ago).

Overall Cash Health:

- Company shows volatile cash flows: strong generation in FY23–24, but a major working capital drag in FY25 forced debt reliance.
- Rising capex signals growth, but cash conversion efficiency weakened in FY25.
- Liquidity risk is evident with cash balance dropping sharply despite borrowings.

AUDITORS' REMARKS

The statutory auditor has issued an unqualified opinion on the company's restated financial statements for FY22, FY23, and FY24, indicating that the financial statements present a true and fair view of the company's financial position and performance.

No material qualifications or adverse remarks have been reported by the auditors during the review of financials included in the DRHP/RHP.

This clean opinion provides assurance on the fair presentation and reliability of the company's operating results, cash flows, and balance sheet metrics disclosed in the DRHP.

RISK FACTORS

BUSINESS RISKS

- **Raw Material Price Volatility:** The company's primary raw materials—copper and aluminum—are subject to global commodity price fluctuations. Any significant increase in these costs without a corresponding increase in product prices can negatively impact margins.
- **Working Capital Intensive Operations:** The business model requires maintaining high levels of inventory and providing credit to customers. Delays in collections or higher input costs can strain liquidity and increase dependence on external borrowing.
- **Capacity Utilization Risk:** Expansion plans or capacity additions may not translate into proportionate demand, leading to underutilization of assets and impacting return ratios.
- **Customer Concentration:** A significant portion of revenue comes from select customers or government projects. Loss of a key client or delays in large orders can materially affect revenue.

INDUSTRY AND MARKET RISKS

- **Dependence on Power Sector and Infrastructure Projects :** Demand for transformers is closely linked to investments in power generation, transmission, and distribution. Any slowdown in infrastructure projects or government spending could reduce order inflow.

LEGAL & CONTINGENT LIABILITY RISKS

- **Pending Litigation:** The company and its promoters are involved in certain legal proceedings, which may result in financial liabilities or reputational damage if outcomes are unfavorable.
- **Promoter Guarantees:** Certain borrowings are backed by personal guarantees from promoters. Withdrawal or invocation of these guarantees could impact credit terms or result in financial strain.

FINANCIAL RISKS

- **Leverage and Debt Servicing:** The company has borrowings for working capital and expansion. Rising interest rates or inability to generate sufficient cash flows could impact debt servicing capability.
 - **Negative Free Cash Flow Risk:** High working capital needs may result in negative free cash flow in some years, affecting financial flexibility for future growth or contingencies.
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COMPETITIVE & PRICING PRESSURES

- **Intense Rivalry:** The industry is highly competitive with large established players (like KEI, Polycab) and several regional SMEs. Price undercutting and competitive bidding may put pressure on margins.
 - **Demand Sensitivity:** Occupancy and client demand are tied to macroeconomic conditions; economic slowdowns may lead to higher vacancies or downward pressure on rentals .
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REGULATORY AND COMPLIANCE RISKS

- **Changes in Government Policies:** The company operates in a regulated environment dependent on power sector reforms and public procurement norms. Any unfavorable policy shift could impact operations.
 - **Environmental and Safety Compliance:** Manufacturing processes involve handling of hazardous substances. Non-compliance with safety or environmental norms could lead to penalties or operational shutdowns.
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GMP ANALYSIS

Grey Market Premium (GMP) is the unofficial market price at which IPO shares are traded before listing. It indicates market sentiment and potential listing gain expectations but is not regulated by SEBI.

LATEST GMP TRENDS (MANGAL ELECTRICALS IPO)

Below is a day-by-day snapshot of the grey market premium for MANGAL ELECTRICALS, based on data from leading unofficial trading trackers:

Date (2025)	GMP (₹ per share)	Implied Listing Gain (%)
Aug 20	25	~4.5%
Aug 21	32	~5.7%
Aug 22	34	~6.1%

With increase in subscription, GMP rose steadily by 5.7% and closed at around ₹34 which implies a stable premium handling into listing.

INTERPRETATION & IMPLICATIONS

- The GMP trend shows incremental optimism, but within moderate bounds—no euphoric spikes observed.
- Implied listing range (₹595–₹596) indicates ~6% potential gain if sentiment holds.
- Ideal for setting realistic expectations: likely listing gain around mid-single digits, barring major shifts..

LONG TERM OUTLOOK

SHORT- TERM & LONG- TERM OUTLOOK

- **Listing gains likely to be modest** (GMP ~₹34 → ~5–7% gain).
- Government-driven infrastructure and electrification projects are likely to sustain demand for transformers in FY25.
- Being an SME IPO, liquidity in the short term may be low, leading to higher price swings post-listing.
- Sentiment-sensitive to subscription levels & broader market trends.

Long-Term Outlook:

- The Indian electrical equipment industry is expected to grow at 8–10% CAGR, driven by electrification projects, renewable energy integration, and industrial expansion.
- Schemes like Revamped Distribution Sector Scheme (RDSS) and Make in India will continue to generate demand for transformers and related equipment.
- Even in the long term, trading volumes may remain lower compared to mainboard-listed peers, which can impact exit opportunities for large investors.

KEY POSITIVES

- Government focus on transmission and distribution network modernization and rural electrification projects is expected to drive steady demand for transformers and related equipment.
- Increased investment in renewable energy, EV infrastructure, and smart grid projects will boost the need for efficient electrical equipment.
- The company has established a track record and long-standing relationships with key customers and has shown a gradual revenue growth (15% CAGR in the last 3 years) with improving margins.

KEY RED FLAGS

- The business will continue to require high working capital due to inventory stocking and extended credit terms.
- Larger players (KEI, Polycab, Havells) have better scale, branding, and financial muscle.
- Reliance on borrowings.

TARGET LISTING GAIN (SPECULATIVE ESTIMATE):

- **₹34/share** expected GMP
- Implies ~5–7% listing gain (if sentiment holds)

LONG-TERM FAIR VALUE ESTIMATE:

- No broker consensus available yet.
- Rough valuation: if the company hits ₹250 Cr revenue in the next 3 years and maintains a net profit margin of 8-10%, fair market cap could range ₹400–₹500 Cr.

Thank you for reading our detailed analysis on Mangal Electricals. We hope you found valuable insights that help you understand the company's strategic, operational, and financial landscape. Stay connected with us for more such deep dives and market insights:

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