



RESEARCH REPORT

19th April 2021

MARINE ELECTRICALS (INDIA) LIMITED

NSE : MARINE

Sector: MARINE ELECTRICALS INDUSTRIAL & EV SEGMENTS

NSE: INE01JE01028

View - BUY

CMP : Rs. 63.10

Target Price : Rs. 81 (Over the next 12 to 18 months)

BUSINESS BACKGROUND

Marine Electricals Limited (MEL) was established in 1978 by Mr. K.D. Uchil and since the last 4 decades MEL has grown from strength to strength to become one of India's leading players in electrical solutions that include Low Voltage (LV) and Medium Voltage (MV) Electrical systems, Control Systems and Automation products. Over the years, MEL has built and demonstrated strong capabilities to move up the value chain in to a complete solution provider for both the marine and industrial business segments. The major clientele for Marine vertical includes the Indian Navy, Mazagaon Docks, Goa Shipyard, Garden Reach Shipbuilders, Cochin Shipyard. In the Industrial business, MEL is the largest partner of Schneider Electric in India for their Blockset panels. In addition to that, MEL has developed its own product and solutions for Low Voltage (LV) and Medium Voltage (MV). MEL has provided comprehensive electrical solutions across Industries, Data Centres, Oil and Gas, Pharmaceuticals, Buildings and Infrastructure. MEL has 6 state-of-the-art manufacturing facilities based in Mumbai, Goa, UAE and Italy

INVESTMENT HIGHLIGHTS

Covid & slower execution impacted FY20 Performance & Q3FY21 also –

MEL reported a steady set of FY20 numbers in a difficult year with net sales at Rs 288 crs as compared to a revenue of Rs 399.80 crs last year, with EBIDTA placed at Rs 23.61 crs from Rs 22.15 crs last year. PAT stood at Rs 9.05 crs from Rs 9.22 crs.

For MEL during the first 9 months of FY21 Revenue stood at Rs.162 crs with EBIDTA at Rs 14.19 crs vs Rs 12.53 crs during 9 months last year with PAT at Rs 6.15 crs

MEL enjoys a strong domain expertise across the Marine & Industrial sectors –

MEL is a Tier-1 Supplier/Approved Vendor with Indian Navy, Coastguards and Shipyards. MEL provides solutions through a dedicated naval project organisation, including project management, consulting, engineering, installation, commissioning and integrated logistic support for vessels like Destroyers, Frigates, Corvettes, Offshore Patrol Vessels, Missile boats, Fast Patrol Vessels, Submarines and other naval vessels.

MEL is also a leading player in the field of industrial panels for a diverse set of sectors like Pharma, Steel Cement, Chemicals etc

KEY DATA	
FACE VALUE	Rs. 2
DIV. YIELD %	0.00%
52 WEEK HI/LO	Rs. 71.50/16
NSE CODE	MARINE
BSE CODE	NA
MARKET CAP	Rs.774 Cr.

SHAREHOLDING PATTERN	
PROMOTERS	73.50%
BANKS, MFs & DIIs	0%
FIIs	0%
PUBLIC	26.50%

KEY FUNDAMENTALS

YEAR END	FY 21	FY 22	FY 23
Rev. Gr%	-3	21	35
EBIDTA Gr%	14	30	37
PAT Gr%	37	41	60
EPS Gr%	37	41	60
EPS (Rs.)	1.01	1.43	1.88
ROE%	9	11	12
ROCE%	11	14	15
P/E (x)		41	31

Business & Promoter Background :

Marine Electricals Limited (MEL) was established in 1978 by Mr. K.D. Uchil and since the last 4 decades MEL has grown from strength to strength to become one of India's leading players in electrical solutions that include Low Voltage (LV) and Medium Voltage (MV) Electrical systems, Control Systems and Automation products.

Over the years, MEL has built and demonstrated strong capabilities to move up the value chain in to a complete solution provider for both the marine and industrial business segments.

In the Marine business, MEL has become one of the strong players in Low and Medium Voltage Electrical Systems requirement for Indian Navy, Coast Guard and Commercial Marine Industry.

The Company has worked on all kind of vessels like Submarine, Aircraft Carrier, Frigates, Corvettes, Patrol Vessels for the Navy and Passenger Vessels, Bulk Carriers, Tankers, Offshore Vessels for Commercial Marine Vessels. The major clientele for Marine vertical includes the Indian Navy, Mazagaon Docks, Goa Shipyards, Garden Reach Shipbuilders, Cochin Shipyards, Hindustan Shipyards, Grandweld Shipyards, Colombo Shipyards, Zamil Shipyards, HESICO Shipyards etc.

In the Industrial business, MEL is the largest partner of Schneider Electric in India for their Blockset panels. In addition to that, MEL has developed its own product and solutions for Low Voltage (LV) and Medium Voltage (MV) Electrical Systems. MEL has provided comprehensive electrical solutions across Industries, Data Centres, Oil and Gas, Pharmaceuticals, Buildings and Infrastructure.

MEL has strong clientele in Industrial business such as STT, Netmagic, CTRLS, MRF, Cipla, Huntsman Corporation, Goldman Sachs, Sterling Wilson, Colgate Palmolive, Deutsche Bank etc.

MEL has 6 state-of-the-art manufacturing facilities based in Mumbai, Goa, UAE and Italy.

Promoter Background –



Mr. Vinay Uchil, Chairman, is a technocrat that joined the organization in the year 1992 and is actively involved in Marketing, Finance and Administration functions of the company. He started his career after completing B.E. in Instrumentation from Swami Vivekananda College, Mumbai in 1992 and thereafter completed MBA (Finance) from NMIMS in the year 1994.

Over the years, he has built strong competencies on both the technical aspects of the business as well as marketing. He is actively involved in getting the orders from Defence Sector, alongwith orders from Public Sector undertaking dealings in the Shipping industry.



Mr. Venkatesh Uchil, Managing Director, joined the organization in 1999 and was actively involved in procurement, production and technical areas of the company. He has completed his Bachelor's in Engineering in Electronics and Telecommunications from Parshvanath College of Engineering, Mumbai in the year 1999 and Post Graduate Diploma in Management from S.P. Jain Institute of Management, Mumbai in the year 2002.

He has been instrumental in developing the Industrial division in MEL by focused marketing to a wide variety of sectors and has successfully garnered orders for automation, power management systems, control centers and electrification in various industries / buildings / banks etc. Further, he also got the Company registered with Delhi Metro for electrification and automation installation, he is working on the Mumbai Metro and with his active participation, has also completed an order for the Nagpur Metro.

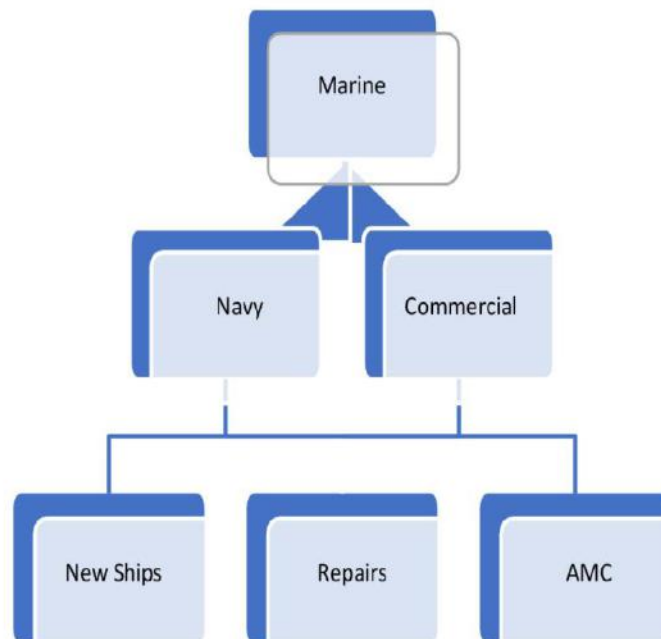
His focus on quality control standards and timely execution has ensured that MEL bags repeat orders from its customers.

Business Model:

MEL has two business divisions which include the:-

Marine Segment :

In the Marine segment, MEL caters to a wide variety of clientele for a broad range of solutions that can be used on multiple types of vessels. The vessels are typically from two broad categories - Defence and Commercial Vessels:-



Defence: MEL is a Tier-1 Supplier/Approved Vendor with Indian Navy, Coastguards and Shipyards. MEL provides solutions through a dedicated naval project organisation, including project management, consulting, engineering, installation, commissioning and integrated logistic support for vessels like Destroyers, Frigates, Corvettes, Offshore Patrol Vessels, Missile boats, Fast Patrol Vessels, Submarines and other naval vessels.

Commercial Vessels:

Many domestic and multinational corporations utilise sea-bound vessels for a wide range of applications and MEL has the capabilities to provide electrical and automation solutions to these companies. Bespoke solutions are provided to companies for their Offshore Vessels (survey & supply), Cargo Vessels (cargo & deep sea shipping), Inland shipping, Special Vessels (research vessels, dredgers, pipe laying barges, driving support vessels etc.) and Yachts.

There are mainly 3 types of revenue streams in Marine Division. First is the supply of products/solutions in the new ships being built at shipyards; second is repairs & maintenance of electrical systems and finally, third is the service contracts.

Why electrical work in Marine, is extremely critical :

In ships, electricity is generated, distributed, and consumed within the ship itself. All instrumentation and equipment, including system-critical ones, are powered through this setup and hence any power failure could stop the functioning of important equipment such as the radar, weapon systems etc.

It is therefore important that electrical system & instruments used in ships are strong, reliable, and very robust and must keep performing under challenging weather condition like heat, corrosion, etc. Further, with the advanced technology, it is pertinent to have control and monitoring of major equipment on a common platform.

Electrical systems have to withstand heavy and uneven vibration and function properly. In normal factory operations, vibration is reduced significantly through mounting heavy machinery on concrete platform.

However, in ships, all electrical systems & instruments are mounted on the same floor plate along with the other heavy equipments like engines, generators, steam turbines, compressors which creates heavy vibration.

Hence, designing Electrical system and other related equipment, requires a lot of engineering capability to withstand heavy vibration and perform continuously and consistently. This challenge is multiplied manifold particularly in naval vessels, where system must perform steadily when significant vibration is created at the time of firing a missile or when a missile hits the ship.

Another major challenge in ships is the space constraint. The electrical system & instrument must be designed within the space constraints and in such a way, that it can be easy to operate, service and maintain such products.

Electrical work in marine applications is particularly challenging and require strong engineering capabilities and experience. The Shipyards as well as the Indian Navy have approved vendors who are authorized to supply electrical & automation equipment. Developing engineering capabilities and track record (references) takes long time and this act as a Strong Entry Barrier for any new entrant.

MEL commenced its work in the Marine segment, as a supplier of switchgears and other smaller electrical products to Mazgaon Docks, which is to be used in vessels, that they were manufacturing for the Indian Navy.

The Service component totalled Rs 37 Crs in FY20, as compared to Rs 67 Crs last year, roughly accounting for around 16% of total revenues for FY20.

New Ship Building:

For any new ship built, MEL receives an order from the shipyards and once the order is bagged for building ships, they place an order for electrical solutions from MEL.

This is generally through limited tenders being released to registered/approved vendors for the product. The general execution process is as follows:-

The work in the marine segment begins with the Conception & Pre-Design and the teams from MEL are part of the project team, to work with the client right from the beginning. This is followed by the development of optimised modules depending on the scope of work from each client. The design and engineering team, then proceeds to do a complete Electric System Engineering.

Once the design is approved, then the products that are required as part of the solution being offered, are either manufactured in-house or are sourced from MEL's global network of partners.

Once the products/solutions are ready, then the skilled engineering teams proceed on-site for the installation. The installation work is in full flow, when the ship is being built. When the vessel construction is completed, MEL completes the installation of the solution and this is followed by the testing and commissioning of the solution.

Repairs & Maintenance:

Typically, shipyards receive orders for repair work of existing vessels & ships and then approach MEL, with specific requirements of products & solutions. In this case also, shipyards are the clients for MEL. MEL believes in a relationship-based ethos and therefore pays special attention to quick response times and turn arounds, especially in crisis situations. The smart solutions provided by MEL, along with a reliable connectivity infrastructure, enables remote maintenance and remote monitoring.

MEL's dedicated service engineers and service partners, offer a complete spectrum of the highest quality services which includes repairs, upgrades, life extensions and spare parts for both MEL and other third party suppliers. Since most of the projects

are customized, the client's employees are provided training, as to how to optimally utilise and maintain the systems.

As a dedicated partner to the clients, MEL provides an end- to-end Life Cycle Support for whatever product/solution is to be supplied.

Service Contracts :

Service Contracts & Annual Maintenance contracts are received post the warranty period, either from Shipyards or the Indian Navy directly, for products supplied & installed by MEL. This becomes a stable source of income for the Marine segment.

As the Company completes more installations, the universe of potential customers for such contracts will increase. The company's service network across Indian coastline at all major naval locations helps it to execute service contracts quite smoothly, with quick response time for the client.

WHY MEL STANDS TO GAIN

- ✓ **MEL is already in the list of Tier-1 Supplier / Approved Vendors** with the Indian Navy, Coastguards and Shipyards.
- ✓ MEL is among the **Top 3 providers, that offers a comprehensive product range and solutions for electrical work** needed for new ships being built by Indian Shipyards.
- ✓ MEL is also looking to explore the additional opportunity of supplying **Integrated Platform Management System** through a tie-up with a PSU.
- ✓ It is also looking to expand the scope to installation for high reliability electrical work

As the years progressed, and under the able guidance of the promoters, MEL took a strategic decision of expanding their product line to increase their offerings from being a mere supplier to becoming a solution provider.

With the idea to increase its share of the total electrical work in marine vessels, the company introduced newer products and also acquired niche companies like Narhari Engineering (manufacturer of shock grade motors) and AEC (manufacturing specialized Electronic solutions for Indian Navy) in 2007 and also entered into a joint venture with McGeoch Marine (manufacturer of light fittings for naval vessels) in 2004.

Some Key Technical Collaborations –

Year	Company	Objective	Product / Offering
2007-08	Automatic Electronic Controls	Product Expansion	Rectifiers for Helicopters of the Indian Navy
2009-10	Narhari Engineering Works	Product Expansion	Various types of Electric motors registered with major shipyards
2016-17	STI Company SRL, Italy	Product Expansion Market Reach	Renewable and Energy Management
2017-18	Eltech Engineers Madras	Market Reach	Geographical expansion in South India for Switchboards

Source – Company

EL is an Integrated Solution Provider –

These acquisitions, along with consistently increasing in-house capabilities helped MEL to transform into an integrated electrical solutions' provider for various systems used for marine vessels as shown below:

Why electrical work in Marine, is extremely critical :

In ships, electricity is generated, distributed, and consumed within the ship itself. All instrumentation and equipment, including system-critical ones, are powered through this setup and hence any power failure could stop the functioning of important equipment such as the radar, weapon systems etc.

It is therefore important that electrical system & instruments used in ships are strong, reliable, and very robust and must keep performing under challenging weather condition like heat, corrosion, etc. Further, with the advanced technology, it is pertinent to have control and monitoring of major equipment on a common platform.

Electrical systems have to withstand heavy and uneven vibration and function properly. In normal factory operations, vibration is reduced significantly through mounting heavy machinery on concrete platform.

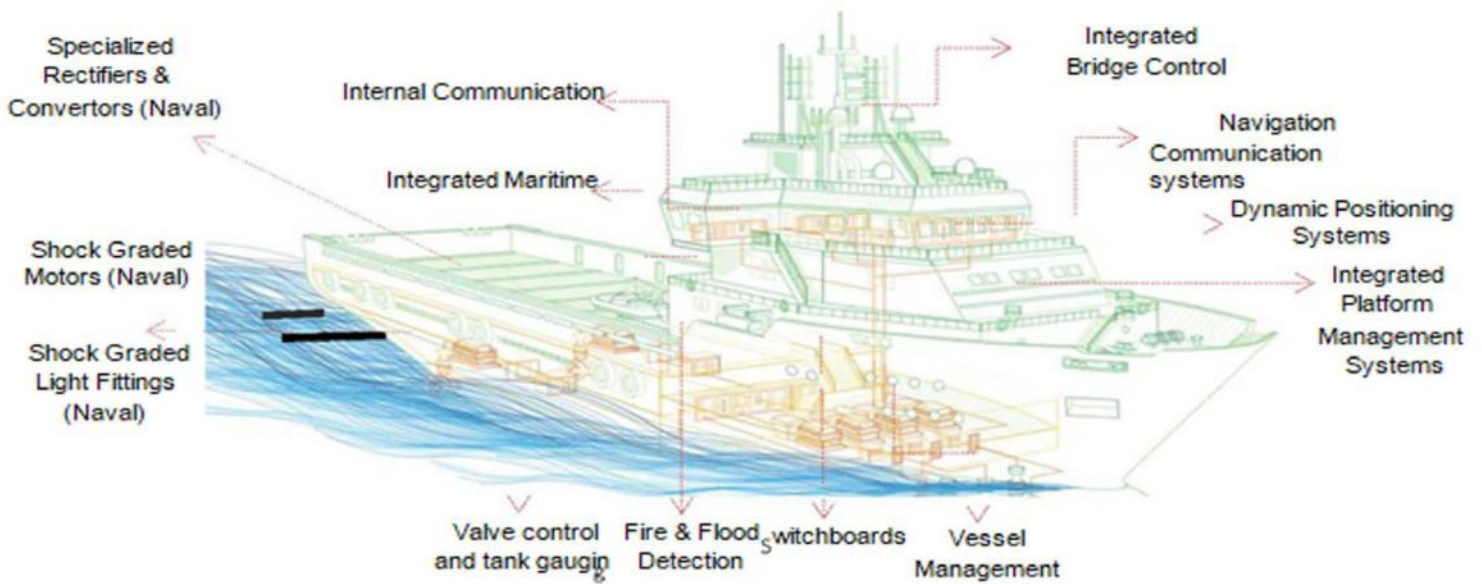
However, in ships, all electrical systems & instruments are mounted on the same floor plate along with the other heavy equipments like engines, generators, steam turbines, compressors which creates heavy vibration.

Hence, designing Electrical system and other related equipment, requires a lot of engineering capability to withstand heavy vibration and perform continuously and consistently. This challenge is multiplied manifold particularly in naval vessels, where system must perform steadily when significant vibration is created at the time of firing a missile or when a missile hits the ship.

Another major challenge in ships is the space constraint. The electrical system & instrument must be designed within the space constraints and in such a way, that it can be easy to operate, service and maintain such products.

Electrical work in marine applications is particularly challenging and require strong engineering capabilities and experience. The Shipyards as well as the Indian Navy have approved vendors who are authorized to supply electrical & automation equipment. Developing engineering capabilities and track record (references) takes long time and this act as a Strong Entry Barrier for any new entrant.

MEL commenced its work in the Marine segment, as a supplier of switchgears and other smaller electrical products to Mazgaon Docks, which is to be used in vessels, that they were manufacturing for the Indian Navy.



Additionally MEL has developed a strong execution track Record to participate in large tenders of the Shipyards building Naval as well as Commercial Vessels.

MEL has developed strong references of work done on all kinds of vessels like Submarines, Aircraft Carriers, Frigates, Corvettes, Survey Vessels, Commercial Vessels, Inland Vessels etc.

Naval		<p>Submarine</p> <ul style="list-style-type: none"> Involved in supply to Scorpene-class vessels for India (Project 75) and indigenous Nuclear Submarine 	<p>Frigates</p> <ul style="list-style-type: none"> Working on supply orders for INS Talwar, Tabar, Brahmaputra, Batwa and Beas Supplying equipment to Project 17A class ship (under construction) 	<p>ASW Corvettes</p> <ul style="list-style-type: none"> Working for orders from INS Kukti, Kuthar, Kora and Kirch To participate in recent orders to C5L and GRSE for 16 anti-submarine Corvettes
		<p>Aircraft Carrier</p> <ul style="list-style-type: none"> Retrofitting electrical equipment onboard for INS Viraat Supplying equipment for INS Vikrant (under construction) 	<p>Indian Coast Guard</p> <ul style="list-style-type: none"> Working on repair work for ICGS Samar, Sankalp and Vishwast class of ships Supplying to under construction vessels in OSL, GRSE 	<p>Survey Vessels</p> <ul style="list-style-type: none"> Working on INS Jamuna, Darshak and Sarveshak To participate in recent orders to GRSE for 4 Survey Vessels
Commercial		<p>Commercial Vessels</p> <ul style="list-style-type: none"> Worked on various ships delivered by ABC, BSL, CSL shipyards and many other shipyards worldwide 	<p>Inland Vessels</p> <ul style="list-style-type: none"> Worked on various orders in the past with prior experience in Electrical Propulsion Vessels 	

This expertise has made MEL a Tier-I supplier & system integrator and competes as among the top 3 companies for most of the Low Voltage product or solution for all the Government and Private Shipyards in the country, including Mazgaon Shipbuilders, Cochin Shipyard, Goa Shipbuilders etc., among others in India and in the Middle East.

Given its superior technical capabilities, MEL has the ability to participate directly in complete electrical packages for some of the most complex, stringently designed and high security defence vessels manufactured in India for the Indian Navy and the Coastguard.

Further, MEL is working on expanding capabilities in Integrated Platform Management Systems (IPMS) for Naval Ships, Complete installation package and service contract for weapon systems.

In the marine segment, MEL offers several solutions that are categorized as under :-

Power Generation and Distribution -

Electric power generation management and distribution is becoming increasingly important on modern day vessels. MEL provides the entire power systems starting from the generators right up the lighting distribution panels and sockets thus offering a complete system solution

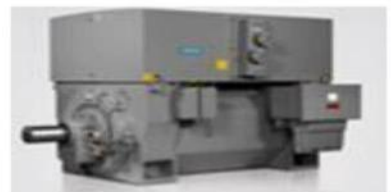


Navigation and Communication: MEL provides customized products and solutions by leading electronic manufacturers in the fields of Communication and Navigation. This can be based on a modular bridge concept, composed of renowned brands or a fully integrated bridge system specifically tailored for the client.



Electrical Propulsion

The ships of the future are choosing electrically powered systems that are more fuel efficient, provide better performance and are less susceptible to vibrations and therefore are quieter and more comfortable. MEL has an Electrical Propulsion and Drive systems division to provide bespoke solutions.



Information Technology

Most modern vessels, both Naval as well as commercial depend on a constant flow of information, both within the vessel as well as with command centres. MEL provides solutions for the IT requirements of vessels for proper data management and data sharing along with communications.



Integrated Platform Management System

MEL has developed the Marine Electricals Integrated Platform Management System MEACOS 3000, which is a high speed, sophisticated and highly automated monitoring and control system that controls and monitors virtually every mechanical system on a ship.



Engineering and Project Management

MEL provides customized solutions to take care of every aspect of the project including technical specifications, selection and integration of all electrical and electronic systems, consideration of all applicable national and international regulations, design drawings, cable engineering and routing etc.



MEL has partnered with leading Global Suppliers :

MEL has expanded its scope of offerings for ships from being electrical product supplier to electrical solution provider. To achieve these, MEL has tied up with various global suppliers of various systems to provide comprehensive solutions to Shipyards and the Indian Navy.

Some of the key partnerships include –



Northrop Grumman Sperry Marine provides safe, efficient, and reliable Navigation Solutions for the commercial and defence maritime industry.



Danelec Marine is a leading manufacturer of Voyage Data Recorders, Electronic Chart Display & Information Systems, and ship-2-shore data solutions.



Avrora is a leading player in the development and manufacture of Integrated Platform Management Systems.



Orolia is the world leader in resilient Positioning, Navigation and Timing (PNT) solutions that improve the reliability, performance, and safety of critical, remote and high-risk operations, even in GPS/GNSS denied environments.

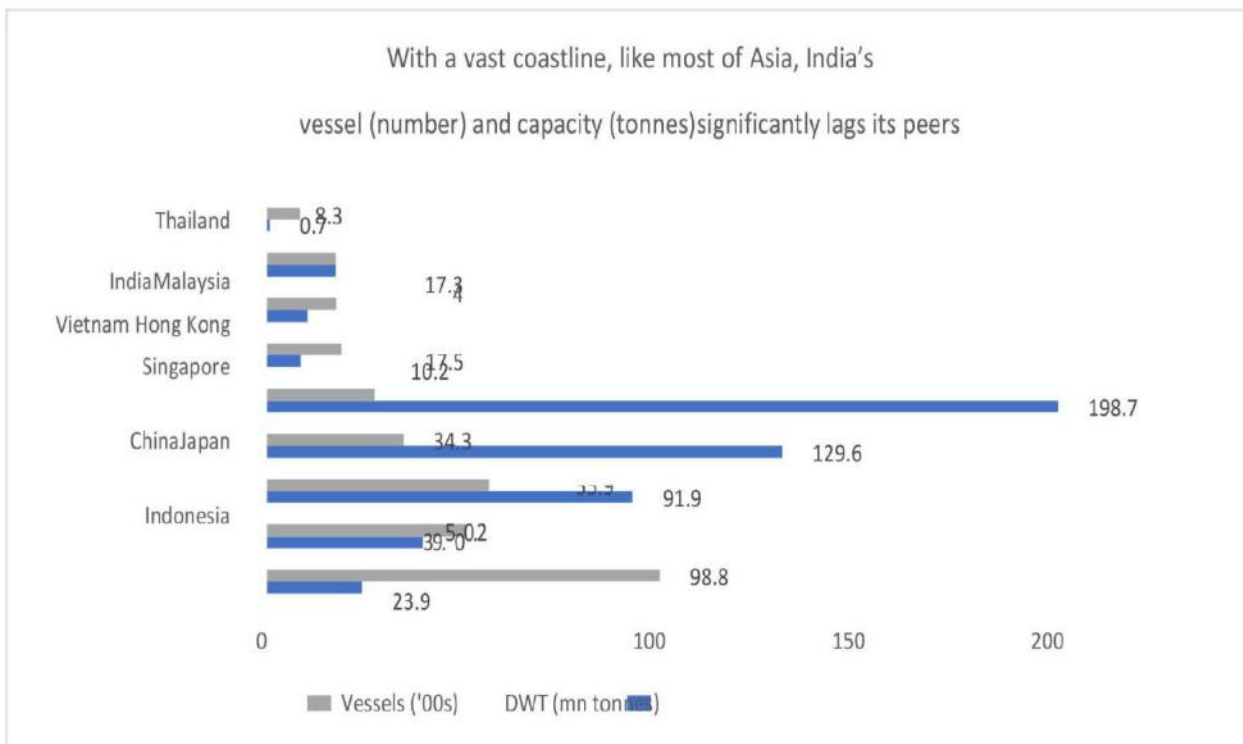


Specialist marine electronics company that provides recreational and commercial navigation & marine instruments.



Wärtsilä SAM Electronics is a global leader in smart technologies and complete lifecycle solutions for the marine and energy markets. MEL has partnered with SAM Electronics for Dynamic Positioning Systems.

Commercial Shipping - Another big opportunity to grow in the long term



With a coastline of 7,517 km dotted with several ports and harbours, India hauled just 17.3 mn tonnes of DWT (Deadweight), which was just 1.27% of the total DWT hauled in the world. Coupled with this is the fact that India, with 14500 km of potentially navigable waterways, also has one of the largest river networks in the world, but there too, the movement of traffic is woefully small.

This represents a huge untapped potential for increasing not only our inter-country movement of goods through waterways, but also within the country through inland waterways.

To help with this, the government has taken multiple initiatives like:–

Sagarmala: The vision of the Sagarmala Programme is to reduce logistics cost for EXIM and domestic trade with minimal infrastructure investment.

The programme includes Port Modernization & New Port Development; Port Connectivity Enhancement; Port - linked Industrialization; Coastal Community Development and Coastal Shipping & Inland Waterways Transport.

Total of 574 projects costing Rs 6.01 tn is envisaged under this Programme of which 121 projects worth Rs 302 bn are completed and 201 projects (Rs3tn) are under various stage of implementation.

Island Shipping Infrastructure: Andaman & Nicobar and Lashwadeep are to be provided 6 new ships for increased inter-island connectivity at a cost of Rs 1800 Crs along with other vessel acquisitions and port initiatives.

Inland Waterways: Jal Marg Vikas project – creating a national waterway at a cost of Rs 5369 Crs.

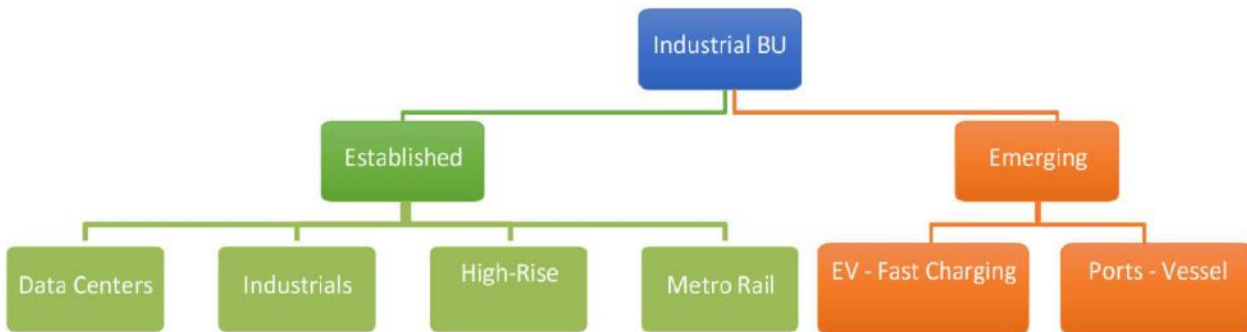
Coastal Shipping: Developing Logistics Corridors to Enhance cargo traffic from 107 MTPA (FY17) to 236 MTPA (FY25)

The shipping industry had seen a turbulent period during 2008 to 2016 with global freight movement seeing a marked reduction as the major economies were fighting a slowdown.

This period also saw Indian shipyards facing financial difficulties. In the last 5 years, however, there has been a gradual recovery in both the global economy and consequently freight movement. This recovery, coupled with the above mentioned steps initiated by the Government, is expected to provide a significant fillip to commercial shipbuilding along with ancillary industries in India.

Business Model – Industrials

MEL's Industrial Business Unit caters to a wide range of customers across industries and has established its presence as a reliable and quality electrical solution provider. Some of the industries include:



Data Centres: MEL has achieved leadership position in Data Centres with repeat orders from marquee clients like **Netmagic, Deutsche Bank, STT** and other global companies entering India.

Industrial: Traditionally strong in Pharma (USFDA requirement), Automobile, although not sector dependent. Seeing growth in Steel, Cement and Chemical both in green-field and brown-field expansion. Clients with Repeat business from large corporates such as **Cipla, MRF, Huntsman** & others.

High Rise Buildings: Currently MEL is involved in the electrical works related to LV& MV panels and Automation system Shift from conventional cables to Busbars as it offers higher safety and lower life cycle cost especially for large complexes such as **Lodha World One, Lodha World Crest, Omkar Alta Monte**.

Metro Rail: MEL has already executed project for Nagpur Metro Project worth Rs 6 crs. It is also bidding for more cities like Pune and Mumbai metro.

Product Portfolio & Service Offerings –

MEL is a leading player in the field of broad-based technical services provider of electrical solutions for buildings and industrial establishments.

Over the past 15 years, MEL has been one of the largest Schneider Licensee Manufacturers of Blokset range of OEM panels in the country. Apart from this, due its technical expertise, MEL sells a range of medium voltage offering that has been developed in-house in consultation with Schneider Electric.

Voltage Class	Abbreviation	Max. Voltage under Normal Conditions	Applications
Low & Medium	LV & MV	650 V	Industrial applications
High	HV	33,000 V	Electrical power distribution and other industrial, military, and scientific applications
Extra High	EHV	> 33,000 V	Used in power distribution to reduce losses when transporting electricity long distance.

MEL works in the Low and Medium Voltage segments that cater to primarily domestic and light industrial, heavy industrial and commercial consumers

MEL's product range is basically divided into three viz. Low Voltage products under the **MEcubE³** brand, High Voltage offerings under the brand **MEpower³** and a modular offer of LV switchboards for electrical distribution up to 6300 A and for motor control up to 250 kW as a licensee manufacturer of Schneider Electric France under the brand name **Blockset**

Blockset: Marine Electricals is one of the largest Schneider Licensee Manufacturers of Blokset range of OEM panels in the country. Blokset is a modular offer of LV switchboards for electrical distribution up to 6300 A and for motor control up to 250 kW.



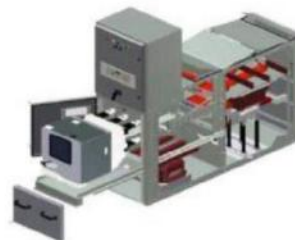
MEcubE³: Low voltage offering completely designed in house and capable of being configured in a variety of options. The *MEcubE³* range of panels has been type tested to 6300A 100KA at 690V. The *MEcubE³* panels have the flexibility of being offered with all major switchgear as per customers choice.



This range includes Low Voltage Power Control Centers, Low Voltage Motor Control Center, Automatic Power Factor Correction Panel and Synchronisation Panels.



MEpower³: Medium voltage offering as an alliance partner with Schneider Electric; completely designed in house in consultation with Schneider Electric. Marine Electricals manufactures 12KV/ 24KV/ 36KV metal clad switchgear panels with the VCB & SF6 circuit breakers supplied by Schneider Electric.



The strength of MEL lies in its ability to develop and deliver bespoke solutions for specific requirements of a diverse range of clients from conception of project requirements through designs, manufacturing, installation, and commissioning.

In 2004-05, MEL entered an partnership with Schneider Electric India for manufacturing of its Blokset panels for marketing & supply in Western India.

The Blokset range of products is well known and respected in the field of electrical solutions and since the market for LV control equipment has grown significantly over the last fifteen years, customer awareness for higher performance and higher quality product has been increasing strongly.

MEL either directly in its own brand of switch board (Marine Electric) or by Blokset has taken market leadership position in few high critical industries like Data Centre, Pharmaceuticals, Large Building Complexes, among others.

Marine Business - Strong Growth Visibility over the next Decade

Defence Procurement - Creating new waves of opportunity

Recent geo-political events have strengthened the Government's resolve to increase the abilities of the defence sector, with equipment being given a high priority.

While we will continue to import for the foreseeable future, the indigenization drive by the Government is likely to create significant opportunities for the domestic companies.

The Government's focus to transform India from a Buyer's Navy to a Builder's Navy will help domestic ship building and ancillary companies.

The Indian Navy aims to achieve self-reliance in maintaining and supporting its vital assets through Indigenous Development route. For this, the Indian Navy is acquiring and evolving technical competence and processes required for indigenous development of equipment and systems.

The Make in India initiative has been a key focal point for the Government of India and the Indian Naval Indigenization Plan (INIP) 2015-2030 provides a vision statement for the indigenization of naval procurement.

The INIP relies heavily on active participation of the Indian industry on ship/submarine design, construction material, machinery, equipment, and systems integration.

While the country has been an importer of key components and spares in the past, the current dispensation wants to make a structural shift by ensuring that domestic players are able to supply all the requirements of the Indian defence establishments from within the country.

Indigenization of marine and electrical equipment and systems under Float and Move categories is undertaken by DOI at IHQ MoD(N), in partnership with defence PSUs and Indian industry.

With INIP to induct 128+ ships from existing 138 ships in the next 10 years, there is a huge opportunity for Indian Ship Builders and Ancillary Companies

The total value of electrical solutions offered by MEL (addressable market) in these ships is over Rs 1000 Crs.

The shipyards have commenced ordering various electrical packages and the same is reflecting in current order book of MEL. As ship building progresses, MEL expects to receive more orders going forward.

With existing ship building activities and strong pipeline of the Indian Navy, MEL is riding on strong growth visibility over the next decade.

Industrial Segment – Market Opportunity looks attractive ahead

Control systems and Industrial Automation has been a strong growth area for companies in India giving economic growth, rapid infrastructure creation, capacity built-up on the power generation and distribution side.

Additionally, with adding complexity and increasing number of devices with different electrical supply, requirement need for LV control systems has been in an upswing. The key areas that MEL currently operates in are expected to see strong growth over the coming years.

Some of the key business areas where MEL expects significant growth opportunities include :-

Data Centres: India's 578 million mobile phone data users have been driving the large data usage which has been served by data centres across the globe.

But recent issues with right to privacy and data protection is being widely discussed leading to data protection laws.

The Government has already enacted a ban on apps where it believes data security

can be compromised and accordingly is drafting laws to help ensure that data that is generated by Indians moves through data center's within the country.

Based on this, the data centre capacity is expected to double over the next five years. MEL has demonstrated quality and engineering capability and has been able to build a strong hold in this industry with all leading players like Netmagic, Tata Communication, Ctrl-S as repeat customers.

Metro Rail Projects:

With over 1767 kms of tracks planned and 543 kms of tracks already under construction, the Metro Rail projects across 18 states provides a great opportunity for players in electrical solutions to secure contracts.

The proposed Rs 3-trillion expenditure on these projects comprises of central and state government equity, apart from funding by other agencies. MEL is already working on the Nagpur Metro and is actively considering participating in other metro rail projects.

MEL: is also making efforts to tap emerging new business segments:

MEL is looking to enter new areas for the Industrial division such as Ports – for Vehicle traffic management system and Port management systems; Indian Railways – Electrical equipment and lights for RCF and Railway infrastructure and Electric Vehicles - Charging Stations for Fast Charging of electric vehicles.

Electric vehicles (EVs) charging infrastructure will be available at every four kilometres in big cities within a year, following the award of 2,600 charging stations to state-run companies.

A significant chunk of orders for setting up the stations in 62 cities with million-plus population have been bagged by Rajasthan Electronics & Instruments Ltd and Energy Efficiency Services Ltd (EESL). NTPC and Power Grid Corp have also emerged as bidders for the stations.

Foray into Electric Charging Solutions:

MEL is planning to manufacture EV Charging Solutions via EVIGO its subsidiary where EVIGO is 74% owned by Marine Electricals and balance by the promoters.

EVIGO plans to provide a 360 degree approach for the EV charging solutions business segment.

EVIGO will manufacture & supply electric chargers for which the company has already got a ready infrastructure to make such EV Chargers with its

manufacturing facility located at Goa with a initial capacity of 10000 nos per annum.

Technology for these products has been developed inhouse by MEL and where EVIGO already offers feature rich EV charging software solutions for all user segments like Direct Automobiles, Residential and commercial Charging Stations as well for large infrastructure players.

Evigo can also manage EV charging network via OCPP, handle management of charging station, partnership relations, tariffs, billing & payments, CRM & Statistics.

Evigo provides a nationwide Safe, reliable & robust electric vehicle charging solutions to diverse set of customer segments like Businesses, Workplaces, Commercial Properties, Commercial Malls & Real Estate Developers.

EVIGO is the industry's leading manufacturer and solution provider of residential and commercial EV chargers and offers one-point contact for EV Charging Solutions, Products & after sales support to its customers.

Some Product Categories of EV Chargers made by Evigo include –



Series : 15kW - 30kW
DC Mobile



Series: D3 AC and DC
fast charger

Electric vehicles a \$206 billion opportunity for India by 2030

While India is yet to officially spell out its electrification targets for 2030, the aspiration as stipulated by NITI Aayog-government's primary think tank, states that 70% of all commercial cars, 30% of private cars, 40% of buses, and 80% of two-wheeler (2W) and three-wheeler (3W) sales would be electric by the end of this new decade.

Another big opportunity would be in the area of charging infrastructure. India would need a network of over 2.9 million public charging points by FY30, beyond the in-home charging points.

This would require investment of up to \$ 2.9 billion (Rs 20600 crs) until 2030. Currently, there are only about 1800 public charging points across the country.

Capping of rental costs:

Currently, there are about 1800 public charging points across the country. The report recommends capping rental costs for public charging stations and creating a charging infrastructure investment facility to strengthen the business case for charging infrastructure.

The government has taken a slew of measures to promote EVs like the reduction of GST to 5%, allowing delinking of battery cost of 2-3 wheelers from vehicle cost. It has also emphasised the importance of making flex engines that could use petrol or ethanol/CNG as fuels.

As per Inc42Plus, to meet the charging requirement for 20 Lakh electric cars, India needs about 4 Lakh charging stations installed by 2026.

As part of the government's bid to make India an electric vehicle nation by 2030, the government has announced setting up infrastructure for one e-charging kiosk at around 69K petrol stations across India.

In February 2020, the government had given an in-principle nod to firms, including NTPC, EESL and REIL, to set up 2600 EV charging stations

Under Phase-II of the FAME India Scheme, the Government of India (GoI) intends to support the development of EV charging infrastructure by extending capital grants to organizations for promoting the use of electric vehicles.

The Centre has approved Phase-II of FAME (Faster Adoption and Manufacturing of (Hybrid & Electric Vehicles in India) scheme for three years commencing from April 1, 2019.

According to a MarketWatch report, the charging infrastructure market in India is expected to grow at a compound annual growth rate (CARG) of 40% in the next five to six years. Most industry experts, also believe that 40-45% electric conversion by 2030 is a realistic expectation, provided that the infrastructure is created for this conversion.

As per Inc42Plus, to meet the charging requirement for 20 Lakh electric cars, India needs about 4 Lakh charging stations installed by 2026.

Types of chargers

The types of EV chargers that will be mandatory at each charging station make the latest EoI distinct from the earlier one. Successful bidders will have to install CCS 2 and CHAdeMO chargers in addition to Bharat Chargers.

A CCS 2 fast charger earmarked for the programme (minimum 50 kW) can fully charge the Tata Nexon EV or a Hyundai Kona EV, for instance in about 60 mins. CCS 2 is the most favoured charger in India with every electric car being compatible with its charger.

The EOI also gives interested parties the option to set up a CHAdeMO (minimum 50 kW) charger. CHAdeMO chargers are favoured by Japanese car manufacturers and powers models such as the Nissan Leaf and Honda Fit. No electric car in India is compatible with CHAdeMO.

One Bharat Charger DC-001 (15kW) is also to be installed with either CCS 2 or a CHAdeMO charger. Bharat AC-001 (10kW) and Type 2 AC (22kW) have been kept as optional chargers for the bidders.

India currently has about half a dozen fully electric cars in the market. Tata Nexon EV, MG ZS EV, Hyundai Kona, Tata Tigor EV, Mahindra e-Verito and the Mahindra eKUV are currently on sale and several more are in the pipeline. These include the Tata Altroz EV, sub-Rs 10 lakh EVs from Hyundai and Maruti Suzuki, eXUV300 from Mahindra and the electric version of the Kwid from Renault.

At present there are over 20 domestic and global manufacturers of EV Chargers which include big names like TATA Power, Amara Raja, CHARZER, Delta Electronics India, Fortum India, Mass-Tech, Exicom, Bright Blu, ABB India, Panasonic, Ensto, Schneider Electric, and some global players like *Siemens AG, Tesla, Eaton, Okaya Power, Charge Point, Webasto Group, EVBox B.V, Blink Charging & EFACEC*.

Business Strategy guided by MEL going ahead :-

Going ahead the MEL management has decided to focus on its two main businesses namely the Marine segment and Industrial segments where it expects strong growth to materialize in the next 3 to 5 years.

In the marine business segment the company enjoys a dominant market share with relatively lesser competition, and is more profitable than the industrial business segment but here actual implementation of confirmed orders for MEL start only when the ships get fully built which takes an average time frame of 18 to 24 months.

On the other hand the industrial segment is a product segment where delivery time is faster as compared to the marine business & where the company enjoys a strong business relationship with Schneider where over the last 15 years MEL has been one of the largest Schneider Licensee Manufacturers of *Blockset* range of OEM panels in the country.

Apart from this, due its technical expertise, MEL also sells a range of medium voltage offering that has been developed in-house in consultation with Schneider Electric.

To ensure that it diversifies its product revenue base, MEL also plans to enter emerging new businesses like Electric vehicles (EVs) charging infrastructure and also look at emerging segments with high electrical need like Solar power, Railways, Metro Railways, Electrical Vehicles charging, Large Residential and Commercial Buildings.

For the EV charging infrastructure the company also plans to work jointly with other established vendors here and become a B2B supplier here to increase its market share.

The EV charging infrastructure market is presently a virgin segment where demand exceeds supply significantly and where the longevity and scalability of this business looks huge over the next 3-5 years.

For the EV charging infrastructure market, MEL is already well geared up via its subsidiary (74% equity stake) EVIGO where it enjoys a comprehensive product range with a nationwide network providing a safe, reliable & robust electric vehicle charging solutions to diverse set of customer segments like Businesses, Workplaces, Commercial Properties, Commercial Malls & Real Estate Developers

Financial Performance: –

For the Year Ended Rs Crs	2014	2015	2016	2017	2018	2019	2020
Marine & Industrial Sales	212.34	235.61	249.77	271.57	295	270	268
Solar Sales					74	130	20
Total Sales	212.34	235.61	249.77	271.57	369	400	288
PBTI (Profit bef tax int) %							
Marine & Industrial	9.19	8.39	8.25	9.39	9%	9%	8%
Solar					0%	-4%	-25%
EBIDTA (combined) Rs Crs	19.52	19.76	20.61	25.5	30.82	22	24

On observing the financial performance of MEL, it is clearly evident that operating profitability and sales growth between FY2014 till FY2017 was reasonably steady from the Marine & Industrial business segments.

However starting FY19 onwards there has been a significant dip in the operating profitability for MEL largely due to the company's decision to enter solar EPC projects which impacted the company's overall operations badly.

MEL had received 50 MW solar power projects on EPC basis from Neyveli Lignite Company (NLC) and 20 MW from Tidal Power (Tidal) in 2018. MEL experienced challenges in project execution like delays in land acquisition for the project, hike in

custom duty for solar panel and rupee depreciation, which has led to losses in the Solar business.

Till date MEL has executed and delivered 20 MW project to Tidal and 42 MW to NLC. Currently, MEL has completed the land acquisition and in process of completing the balance 8 MW for NLC. This has led to drop in earnings in FY2019 & FY2020.

The company management is confident that it will be completely delivering both these solar projects by March FY21 after which MEL has decided to focus on its core activities of Electrical Product manufacturing for Marine and Industrial segments only and will stop bidding for any new Solar EPC contract.

The presence of these EPC projects plus the impact of covid also impacted the average collections cycle adversely for MEL in the last 2 years starting FY19 onwards which was another negative spanner in the works in a difficult market scenario.

However MEL has still managed its operating cashflows pretty well which have ranged from Rs 1.11 Crs in FY15 to Rs 19 Crs in FY20.

We expect that going ahead both the working capital cycle and overall operating profitability will witness a moderate improvement in FY22 and a decent growth from FY23 onwards after all the EPC projects are completed by March FY21 as per the management.

In the last 2 financial years starting FY19 till FY20 MEL incurred total losses of around Rs 11 Crs from the Solar business which impacted the ROCE and ROE for the company. Once these losses are capped going ahead we expect a gradual improvement in operating metrics for MEL ahead

We expect that going ahead overall bottomline growth in the next 3 years starting FY22 onwards should easily increase at a CAGR of 15-18% and with capex funded largely from internal cash flows

What is MEL's moat and what we like about its business model –

As on date MEL enjoys leadership position in the Marine Business with a market share of more than 50% in the electrical segment

MEL has a dominant position in a niche industry that has a high entry barrier because of the need of references, service infrastructure, people etc. Being a Tier-I supplier for the Indian Navy with Infrastructure and Service centres across all major ports & Naval establishments, MEL has attained leadership position in the Marine Business

MEL has a widespread presence across the coastline that houses manpower as well as critical spares and this is a very important factor for Marine segment, especially for Navy. This has helped in reducing the response time for maintenance work and further strengthens the relationships with its clients.

In the Marine business, MEL has worked on vessels for the Indian Navy, Commercial liners, Shipyards like Mazagaon Docks, Cochin Shipyard etc. The consistent performance on the Company especially with the Indian Navy has provided strong references for repeat business.

Over the last 15 years, MEL's partnership with Schneider has been a win-win for both with MEL commanding 50% market share in Schneider's Blokset panels supplied in India

Diversified Clientele & Client Ownership -

MEL has built a strong business with two clear verticals i.e. Marine and Industrial and has achieved leadership position in both these spheres.

MEL has worked for the Indian Navy, Commercial Liners, Shipyards like Mazagaon Docks, Cochin Shipyard etc. and has provided comprehensive electrical solutions for companies such as Deloitte, Cipla, Huntsman, Goldman Sachs, Essar Group, Colgate Palmolive etc. Repeat orders from clients is a testimony to the quality, performance, timely delivery, and strong customer relationships.

The latest order bagged by MEL includes an order for electrical automation, aggregating to Rs 81.18 crs from Garden Reach Shipbuilders & Engineers (GRSE) for the supply & service of Integrated Bridge System (IBS) for Anti-submarine Warfare Shallow Water Craft (ASW SWC) Project

Business Outlook & Stock Valuation –

On a rough cut basis, in FY21E, Topline is expected to touch Rs 281 crs, followed by Rs 340 crs in FY22E, Rs 400 crs in FY23E & Rs 460 crs in FY24E

On the bottomline level we expect the company to record a PAT of Rs 12.38 crs in FY21E which is expected to bounce back to Rs 23 crs in FY23 & Rs 28 crs in FY24E.

Thus on a conservative basis, MEL should record a EPS of Rs 1.01 for FY21E with earnings traction for MEL expected to show strong growth in FY23 & FY24 where in we expect a EPS of Rs 1.88 and Rs 2.28 respectively

MEL is in a sweet spot given its strong positioning in the Marine Defence business, strong order book at present and the huge opportunity size of this market in then next 3-5 years ahead. Also with the Indian economy expected to bounce back strong in terms of a stronger GDP growth in FY21 followed by several manufacturing sectors slowly picking up we believe that the company's industrial business should also see strong traction ahead

Additionally the EV Infrastructure Charging business is expected to be scaled up in a big way over the next 2-3 years as here also the opportunity size is big where MEL already has a headstart here & where we expect both the revenue & profitability impact would start getting reflected slowly from FY22 onwards

The company management is confident of improving EBIDTA margins in going ahead via operational efficiency and better product mix.

Hence looking at MEL's steady financial track record, strong product domain and dominant market share and strong promoters we expect the stock to get re rated in future and estimate a fair value of Rs 81 over the next 12 to 18 months.

FINANCIALS

For the Year Ended March RsCr	FY19	FY20	FY21	FY22	FY23	FY24
Net Sales	399.84	288.70	281.00	340.00	400.00	460.00
EBIDTA	22.15	23.61	27.00	35.00	41.20	47.84
EBIDTA %	5.54	8.18	9.61	10.29	10.30	10.40
Interest	8.36	10.08	8.00	7.00	7.00	7.00
Depreciation	4.86	6.92	9.00	10.00	11.00	12.00
Non Operational Other Income	3.93	4.76	6.50	4.50	4.50	4.50
Profit Before Tax	12.86	11.37	16.50	22.50	27.70	33.34
Profit After Tax	9.22	9.05	12.38	17.50	23.00	28.00
Diluted EPS (Rs)	0.75	0.74	1.01	1.43	1.88	2.28
Equity Capital	24.53	24.53	24.53	24.53	24.53	24.53
Reserves	129.18	130.70	143.08	154.35	166.30	180.05
Borrowings	53.30	46.61	50.00	45.00	45.00	45.00
GrossBlock	82.00	94.00	104.00	114.00	125.00	137.00
Investments	3.10	4.83	2.00	2.00	2.00	2.00

Source – company, our estimates

KEY CONCERNS

The Company management has stated it will complete all its solar projects by March 2021 and will not bid for any new EPC Solar projects. We believe that if there is any further delay here in this timeline it could affect the companys profitability

The company's profitability remains exposed to volatility in raw material prices, mainly aluminium, copper and steel. Moreover, it is exposed to forex fluctuations as it imports key raw materials also

MEL's sales, profitability and cash accruals are closely linked to the macro-economic conditions, and spending patterns of user segments. It is also exposed to natural calamities like covid which if shows increasing growth could impact the execution of its orders in future

Nevertheless, the long-term domestic demand outlook for this segment remains favourable for MEL as it is a well established vendor in both the marine & industrial business segments

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