Initiating Coverage

11th March 2025

MacPower CNC Machines Ltd

SNM VALUE EDUCATOR RESEARCH SERVICES LLP:
Emerging Titans

RA No: INH000019789

11 March 2025 | Sector: Engineering

MacPower CNC Machines | BUY

A Catalyst for make in India, Proxy for aerospace

We initiate coverage on MacPower CNC Machines, India's 6th Largest CNC machine manufacturer and a low cost producer having a strong balance sheet, with a BUY rating. With multiple triggers, MacPower is well-poised to deliver significant growth due to factors such as: 1) India's aim to increase share of manufacturing 17% to 25% 2) Expanding capex from 2000 machines to 4500 machines 3) Significant room to import substitution as Indian players as cost competitive in low to mid end machines segment 4) Increased focus on defence manufacturing indigenously. Company has proven track record of margin expansion yet there is still room for further expansion through selling high values machines.

Recommendation	BUY
Allocation	3%
CMP (at initiation)	₹689
Market Cap (₹ Cr)	685
52 Week High/Low	₹1736/ ₹679
BSE/NSE code	MACPOWER

Shareholding pattern

Promoter	73.17%
FII+DII	1.25%
Others	25.58%

Financial Summary

(₹ Cr)	FY22	FY23	FY24
Revenues	190	202	241
EBITDA (%)	11%	10%	15%
PAT	18	17	32
ROCE (%)	23%	19%	30%

Replacing the imports to improve market share

With less than 2% overall market share where 60% machines are imported. The company intends to use its extensive experience and technical capabilities in manufacturing CNC machines, which have grown from conventional machines to high speed 5 axis CNC machines to grow its market share. Company is expecting aerospace market share to increase by 8% to 10%. They have already supplied the 5 axis and have launched 5 axis fully dedicated to the propeller shaft and aircraft.

Augmenting manufacturing capacity to meet the growing industry demand

Company has intend to continue the expansion of manufacturing capacities to address this growing industry demand. They have increased their capacity to 2000 from 1200 Machines, now it will reach to 2500 till April 2025. Further this capex their this will be adding another 2000 machines in phase 1 by the end of FY26 and 5000 machines in phase in future.

Strong management track record with proven execution skill

Bigger players have although have more capacity, Players like Jyoti CNC even went through losses while expansion due to execution challenges. MacPower' management has been running a pragmatic approach.

COMPANY OVERVIEW

Established in 2003, MacPower CNC Machines Limited is engaged in the manufacture of Computerised Numerically Controlled (CNC) machines. It has a CNC Machine manufacturing unit in an area of around 8 acres at Metoda G.I.D.C., Rajkot, Gujarat (India).

Early the company started as Modern Machine Tools in 1980 to trade in small machine tools. Later entered into manufacturing of conventional machines until 2003. Today MacPower is the 6th largest CNC machine manufacturer in India as of 2024 with a capacity to manufacture 2000 machines per annum.

The company listed (IPO) in 2018. Proceeds of the issue were used to help the company backward integrate into the manufacture of Machining components and enhance production capacity.

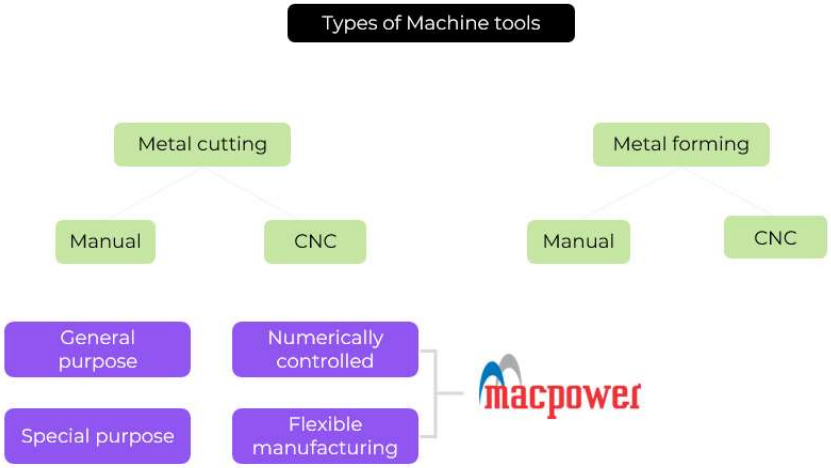
MacPower currently offers the widest range of 27 different series/product segments namely Turning Center, Twin Spindle Turning Center, VMC, Twin Spindle VMC, Turn Mill Center, HMC, VTL, DTC, Grinder, Pro Turning, Pro Milling, VMC with APC, 315+ variants and models serving 27+ product segments with 10935+ installations to date

It has sales and service in 39 cities serviced through 209+ qualified engineers, 9 business associates and 921+ employees.

MacPower caters to more than 2300 clients across almost all industries like auto, defence, aerospace, capital goods, railways, EMS, pharma, dies & moulds and more.

What are CNC Machines?

Computer Numerical Control (CNC) machines are automated tools that use computers to perform precise machining operations. CNC is commonly used for cutting/ shaping/ machining of metal and plastic parts. The manufacturing process using CNC machines is used to control a range of complex machinery and to perform three dimensional cutting tasks. The desired cuts (shapes) are programmed into the software and dictated to corresponding tools and machinery inside the CNC machine, which then carry out the tasks to be performed.



Key factors

Capital expenditure & MOU

They have almost completed the 600-kilowatt solar plant as on Q2FY25. Adding 500 machines capacity which will be operational by April 2025. This will make total capacity of

In 2024, the Company signed an MOU with the Gujarat government in which the government is giving benefits such as land at token rate and tax reimbursements. This will also benefit to grow in defence and aviation sector

In phase one, They will add a capacity of 2000 machines, backward integration unit & the foundry. This will require 15-16 months to complete. Right now it is at a land acquisition stage only and is expecting to get new project land before April 2025. In phase two, they will plan according to the market to add 5000 machine capacity unit.

Exhibitions

Company has recently participated in IMTEX Bangalore in January 2025, which is the largest exhibition in Asia where they are going to display the 5-axis' machines and high speed 20,000 RPM drill tap centre. Normally, this kind of machine is used for the EMS sectors. In September 2025, they are participating in EMO, Germany which is the world's largest exhibition for the machine tools business.

JV & Export

They are looking for a Joint venture with a global player to use their distribution networks or technology to expand into exports. If required, they might take some debt and equity for the new plant to expand in phase 1.

For the company to expand in exports on its own will be a difficult & slow process. In Q2 FY25, They have got small export orders and the export will increase as production capacity will increase. Most of the exports that will be there for the next year (FY26) will go through dealers.

Margin abroad is better than domestic sales and also because of the government's export DPB scheme.

Margin expansion

MacPower has a average realisation of ₹19-20 lakhs per machines which can increase to 25 lakhs going forward due their NEXA division (High value products) and orders from defence & aerospace. They will be focusing more on defence and aerospace business as price of machine is more than ₹50 lakhs and can go upto ₹2.5 Crore. Currently roughly 15% comes from NEXA division which has increased from 8%. Going forward as they are able to expand in NEXA division, the margins are poised to expand.

The company has demonstrated margin expansion due to economies of scale and backward integration. We expect there is more room for further expansion of 150-250 bps on the EBITDA margins of 16-17%

Competitive scenario

Domestic

International

Bangalore based Ace Micromatic Group (AMS / Ace Designers, etc.) and Bharat Fritz Werner along with Jyoti CNC Automation Rajkot are the market leaders.

There exist less than 10 established players in the industry and 90% business is in between 5 to 6 players. In the last 10 years, not a single player has entered. Internationally, most of the imports are from Germany, Japan, Italy, Korea, Taiwan. All these international players compete in the high axis machines segment.

Indian players are mostly dominating the low to mid end segment which is a huge market. The competitive intensity amongst existing players is not that significant as there is a huge room for replacing the imports.

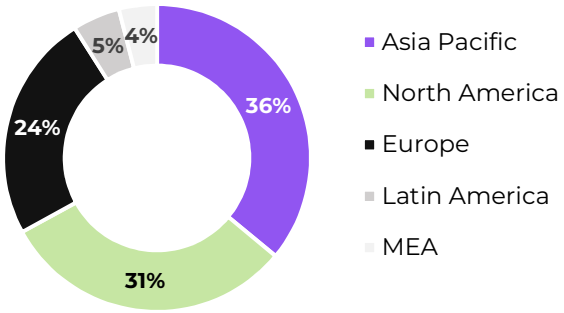
MacPower competes in low end segment were is competes with small & midsize players as well as imports. They have little presence in high end machines as of now but there is huge opportunity in various segment especially in electronic manufacturing services.

Industry Outlook

The global CNC machine market is close to $80 billion which is majorly divided between Asia, North America & Europe. China is the number one consumer which is close to 34.5%. U.S is next with 12.7%, Italy is 7.2%, Germany is close to 7%, Japan is 5%.

India is only 3.3% as of now and that's why India's market is growing faster. Going forward, India is expected to grow by 20% year-on-year in terms of consumption.

CNC Machine Market Share by region 2023



Source: Precedence Research

India is close to $3 billion consumption, out of which 60% machines are imported. Although Indian players are cost competitive, they lack technical expertise and trust when it comes high end complex machines. As Indian manufacturers have been focused of R&D and reducing import dependency, the shift from foreign player to domestic is happening. But one must understand this shift will be more visible in low & mid end machines due to bigger market size.

India's $7 trillion economy, manufacturing contributes 16% of India's GDP, which is targeted to increase from 16% to 25%. The Productivity Linked Incentive (PLI) schemes offered by the Government of India is expected to encourage domestic manufacturing by providing subsidies and interest free loans.

Risks

Dependency on capex cycle : MacPower business is closely linked to capex cycle of various industries which are linked to overall economy. Any slowdown in the capex & economy will have a severe impact on there business.

Raw material dependency : Almost all the CNC machine tool manufacturers (Indian and Global) are dependent on Siemens and Fanuc for the electronic controllers, servo motors & drives, rotary encoders, etc. It is almost a global duopoly. Any supply chain or availability issues will impact the operations.

Competition from domestic & global players : The domestic players have bigger capacity and early entrant advantage, as the result they are able to cater demands from EMS & other higher value segment. The international players are very competent within the high end segment due to technology.

Delays in payment from client's bank : As most of their customers take benefit from low interest rates loan through govt. schemes where payments are directly made by client's bank to MacPower. In Q3FY25, they had faced few delays which might occur again.

Financials

Profit & Loss Statement (In ₹ Cr)

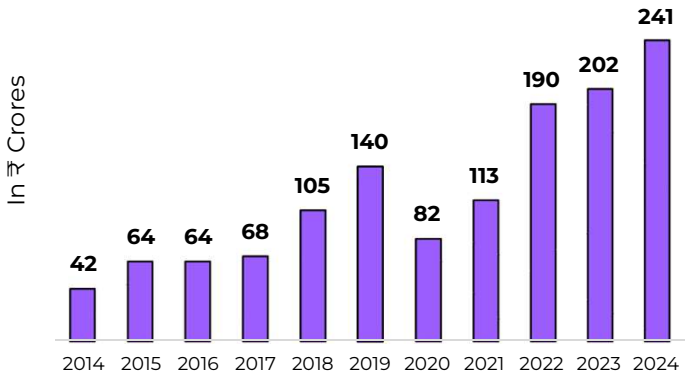
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Sales	42	64	64	68	105	140	82	113	190	202	241
Sales Growth %		51.92%	0.22%	5.98%	55.21%	33.48%	-41.54%	37.68%	68.44%	6.19%	19.39%
Expenses	41	62	62	66	94	124	77	104	170	181	206
Operating Profit	1	2	2	2	12	17	5	9	20	21	35
OPM %	2%	3%	3%	2%	11%	12%	6%	8%	11%	10%	15%
Other Income	0	1	0	0	1	3	1	0	1	0	1
Interest	0	1	1	0	0	0	0	0	0	0	0
Depreciation	1	1	1	1	1	1	1	3	3	3	4
Profit before tax	0	0	1	1	11	18	4	7	18	17	32
Tax %	34%	-26%	35%	20%	35%	30%	30%	11%	30%	26%	25%
Net Profit +	0	0	0	1	7	13	3	6	13	13	24
EPS in Rs	5.60	5.80	8.17	13.00	7.04	12.64	2.73	6.03	12.83	12.88	24.24

Balance Sheet (In ₹ Cr)

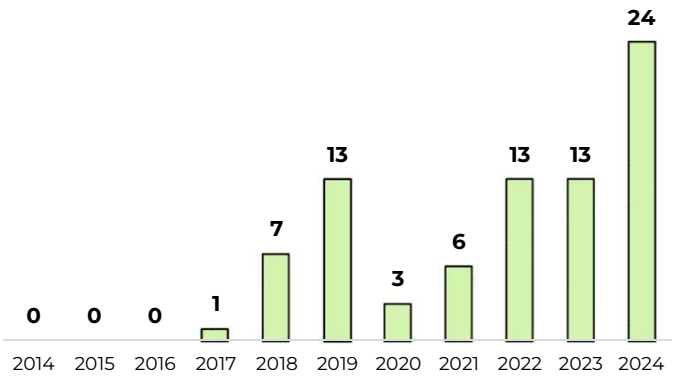
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Equity Capital	0.50	0.50	0.60	0.60	10	10	10	10	10	10	10
Reserves	2	1	2	3	43	56	57	62	75	87	109
Borrowings	9	8	4	4	0	0	1	0	0	0	0
Other Liabilities	15	17	18	25	41	43	31	62	58	42	61
Total Liabilities	26	27	25	33	95	109	98	134	143	139	180
Fixed Assets	4	3	3	3	5	6	36	37	40	44	47
CWIP	0	0	0	0	0	6	1	1	0	0	3
Investments	3	1	0	0	8	1	1	20	5	5	5
Other Assets	19	22	22	30	83	97	60	76	98	91	125
Total Assets	26	27	25	33	95	109	98	134	143	139	180

Financials

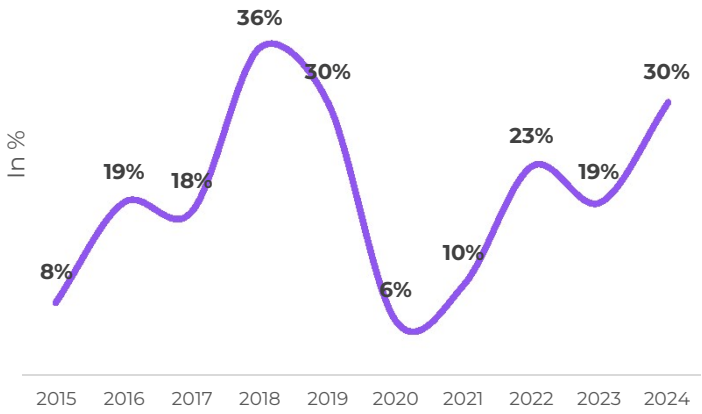
Revenues



Net Income

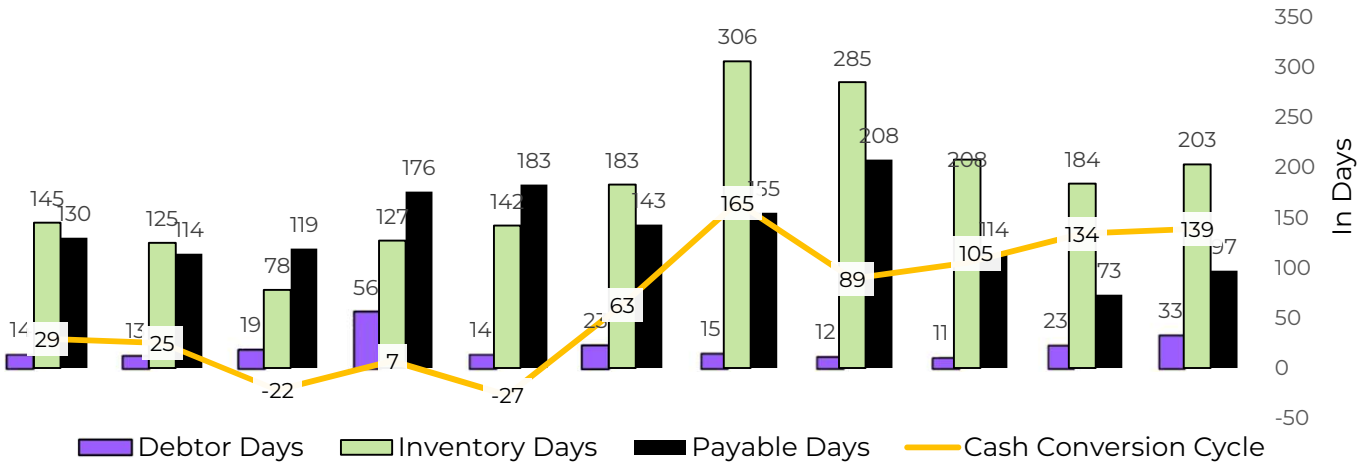


ROCE



CFO

Cash Conversion Cycle



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