IPO REVIEW

IC Electricals Company IPO

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- The company is engaged in the business of manufacturing electronic equipment for Railways applications.
- It largely operates on a B2G model of business providing tailormade services to Indian Railways.
- The company posted growth in its top and bottom lines for the reported periods.
- However, its boosted bottom lines from FY25 onwards raise eyebrows.
- Based on its recent financial data, the issue appears fully priced.
- Well-informed investors may park funds for medium to long term.

About the Company

IC Electricals Co. Ltd. (IECL) is involved in the business of manufacturing of electronic equipment for Railways Application. The company provides advanced engineering solutions to Indian Railways. It offers a wide range of electronic products such as regulators, battery chargers, emergency lights, inverters, microprocessor-based control systems, and vigilance control devices, compliant with the latest technical standards. The Company also manufactures key railway components including alternators, traction motors, and permanent magnet alternators with controllers.

These products are engineered to meet stringent industry standards, and IECL’s team works closely with clients to develop tailored solutions that ensure high performance, reliability, and compliance across various rail applications. The Company’s revenues are generated exclusively from manufacturing activities, value-added operations, and its Contract Division. The Company procures raw materials and components, undertakes in-house manufacturing and value-addition processes, and supplies finished or value-added products to its customers.

Further, the Contract Division undertakes execution of contracts and forms part of the Company’s service operations. Accordingly, for the past three financial years, the Company’s entire revenue has been derived from manufacturing activities, value-added operations, and service income from the Contract Division, with no revenue attributable to trading activities. Additionally, the company provides services for turnkey railway electrification projects, encompassing the design, supply, erection, testing, and commissioning of 25 kV AC overhead equipment and traction substation systems. IECL also has approved supplier registrations from various professional directorates of Ministry of Railway (Research, Design & Standards Organisation).

In the railway industry, its products contribute to enhancing operational efficiency, safety, and reliability across various systems. Its electronic solutions support critical on-board functions by ensuring reliable power regulation, lighting, control, and monitoring, thereby improving performance and safety in railway coaches. Its electrical components help maintain continuous traction and auxiliary functions essential for smooth rail operations. Additionally, IECL’s turnkey electrification capabilities ensure seamless implementation of high-voltage railway infrastructure, playing a key role in the modernization and expansion of India's rail network.

With its in-house design capabilities, the company leverages its expertise in railway engineering and electrical systems to deliver. The company primarily operates on a Business-to-Government (B2G) model, with the majority of its revenue derived from delivering its services to government department and ministries such as Ministry of Railways. It has been accredited as an ISO 9001:2015 certified company. The company prioritizes the implementation and maintenance of a robust Quality Management System, ensuring its products adhere to the quality and reliability standards. As of March 31, 2026, it had an order book worth Rs. 175.63 cr. As of May 31, 2026, it had 288 employees on its payroll.

According to the management, it has major thrust on high margin business and discontinuing low margin business. Its electronic division is heading for big strides ahead and with higher margins in this field, the management is confident of continuing the trend of growth posted in recent times.

Issue Details / Capital History

The company is coming out with its maiden book building route IPO of 4839600 equity shares of Rs. 10 each to mobilize Rs. 47.91 cr. at the upper cap. The company has announced a price band of Rs. 94 - Rs. 99 per share. The minimum application to be made is for 2400 shares and in multiples of 1200 shares thereon, thereafter. The IPO opens for subscription on July 3, 2026, and will close on July 7, 2026. The IPO constitute 26.50% of the post-IPO paid-up capital of the company. The shares will be listed on NSE SME Emerge. From the net proceeds of the IPO, it will utilize Rs. 33.60cr. for working capital, and the rest for general corporate purposes.

The IPO is solely lead managed by Nexgen Financial Solutions Pvt. Ltd., and Skyline Financial Services Pvt. Ltd., is the registrar to the issue. Mansi Share & Stock Broking Pvt. Ltd., is the market maker.

After issuing initial equity capital at par value, the company issued/converted further equity shares in the price range of Rs. 52 – Rs. 264 per share, between March 2018, and August 2024. It has also issued bonus shares in the ratio of 2 for 1 in June 2024. The average cost of acquisition of shares by the promoters is Rs. 3.33, Rs. 3.57, Rs. 6.85, and Rs. 11.86 per share.

Post-IPO, company’s current paid-up equity capital of Rs. 13.42 cr. will stand enhanced to Rs. 18.26 cr. Based on the upper band of the IPO pricing, the company is looking for a market cap of Rs. 180.79 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has (on a consolidated basis) reported a total income/net profit of Rs. 99.75 cr. / Rs. 4.62 cr. (FY24), Rs. 122.39 cr. / Rs. 9.41 cr. (FY25), Rs. 143.81 cr. / Rs. 14.10 cr. (FY26). The company marked growth in its top and bottom lines for the reported periods, but the profit margins earned for FY26 appears to be a window dressing to fetch fancy valuation for the IPO.

For the reported period, the company has reported an average EPS of Rs. 8.32, and an average RoNW of 22.83%. The issue is priced at a P/BV of 2.09 based on its NAV of Rs. 47.40 per share as of March 31, 2026, and at a P/BV of 1.62 based on its post-IPO NAV of Rs. 61.07 per share, at the upper cap.

If we attribute FY26 super earnings to its post-IPO fully diluted paid-up equity capital, then the asking price is at a P/E of 12.84, and based on FY25 earnings, the P/E stands at 19.30. The issue appears fully priced, based on its recent earnings.

For the reported periods, the company has posted PAT margins of 4.56% (FY24), 7.69% (FY25), 9.84% (FY26), and RoCE margins of 15.25%, 17.58%, 18.47%, respectively, for referred periods.

Dividend Policy

The company has not paid any dividend for any year so far. It will adopt a prudent dividend policy, based on its financial performance and future prospects.

Comparison with Listed Peers

As per the offer document, the company has shown Hind Rectifiers Ltd., as its listed peer. It is currently trading at a P/E of 98.7 (as of June 22., 2026. However, they are not truly comparable on an apple-to-apple basis. This comparison appears to be an eyewash.

Merchant Banker's Track Record

This is the 5th mandate from Nexgen Financial in the last two fiscals (including the ongoing one). Out of the last 4 listings, 1 opened at discount, and the rest listed with a premium ranging from 2.56% to 27.48% on the listing date.

Conclusion / Investment Strategy

IECL is engaged in the business of manufacturing electronic equipment for Railways applications. It largely operates on a B2G model of business providing tailor-made services to Indian Railways. The company posted growth in its top and bottom lines for the reported periods. However, its boosted bottom lines from FY25 onwards raise eyebrows. Based on its recent financial data, the issue appears fully priced. Well-informed investors may park funds for medium to long term.

About Dilip Davda

Dilip Davda is a veteran financial journalist associated with the Indian stock market since 1978. He has been contributing to print and electronic media on capital markets, insurance, and finance since 1985. He is widely recognized for reviewing public issues and non-convertible debentures (NCDs) in the primary market, with a special emphasis on SME public issues.

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