IPO REVIEW

Powerica IPO

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- The company is engaged in providing integrated power solutions and specializes in DG Sets/
- It has also ventured in to wind power generation and has running projects in Gujarat.
- The company reported inconsistency in its top and bottom lines for the reported periods.
- It is operating in a highly competitive and fragmented segment.
- Based on its recent financial data, the issue appears reasonably priced.
- Well-informed investors can park funds for medium to long term.

About the Company

Powerica Ltd. (PL) is an integrated power solutions provider specializing in diesel generator sets (“DG sets”), for both primary and standby applications. As one of the original equipment manufacturers (“OEMs”) for Cummins India Limited (“Cummins India”, along with its affiliates, “Cummins”), it has maintained a relationship with them for over four decades.

PL commenced its DG sets business in 1984, and subsequently expanded generator set portfolio to include medium speed large generators (“MSLG”) in 1996. The company continues to develop this segment through a collaboration with HD Hyundai Heavy Industries Co., Limited (“Hyundai”), on a non-exclusive basis. By integrating its DG set and MSLG offerings, it provides a comprehensive range of generator sets with capacities ranging from 7.5 kVA to 10,000 kVA, designed to meet the distinctive requirements of diverse industries and applications. As of the date of this Red Herring Prospectus, its generator set business comprises of DG sets powered by Cummins engines, MSLG offerings in collaboration with Hyundai, and certain allied business activities (“Generator Set Business”).

Building on its experience in the Generator Set Business, the company entered the wind power sector in 2008 as an independent power producer (“IPP”). Subsequently, it developed capabilities as an engineering, procurement and construction (“EPC”) contractor as well as an operation and maintenance (“O&M”) service provider for balance of plant (“BoP”). As of the date of this Red Herring Prospectus, its operations in the wind power sector includes developing and operating IPP projects as well as undertaking EPC and O&M activities for BoP primarily within the wind power industry (“Wind Power Business”).

PL manufactures DG sets along with auxiliary items, including acoustic enclosures, fuel and exhaust systems, and customized control panel systems. Its offering comprises of comprehensive high speed generator solutions, powered by Cummins engines, covering the design, marketing, manufacturing,

testing, supply, installing, and commissioning of DG sets ranging from 7.5 kVA to 3,750 kVA. According to the F&S Report, based on capacity, DG sets are broadly classified as low horse power with a range of 7.5 kVA to 160 kVA (“LHP”), medium horse power with a range of 180 kVA to 500 kVA (“MHP”) and high horse power with a range above 500 kVA (“HHP”).

Since inception in 1984, the company has formed a long standing relationship with Cummins, as one of their OEMs. The engines and alternators for its DG sets are sourced directly from Cummins. It has entered into a non-exclusive general supply agreement dated June 11, 2025 (“General Supply Agreement”), with Cummins India. According to the F&S Report, in Fiscal 2025, Cummins India was one of the leading engine manufacturers in both, the MHP and HHP ranges of DG sets in India. It also collaborates with Cummins on the integration and testing of diesel generator products, ensuring alignment with evolving technological, regulatory, environmental and emission standards.

PL operates in-house manufacturing facilities to maintain direct control over processes, costs, and timelines. As of the date of this Red Herring Prospectus, the company owns and operates three manufacturing facilities located in Bengaluru, Karnataka; Silvassa, Dadra and Nagar Haveli; and Khopoli, Maharashtra. Its captive manufacturing approach enables it to optimize inventory, uphold quality assurance standards, and manage supply chain costs and delivery timelines. This structure also enhances its responsiveness to changing customer needs and facilitates faster time-to-market. Its extensive sales network supports effective customer engagement and market penetration. As on September 30, 2025, our network comprised 19 sales/marketing offices in addition to registered and corporate offices, supported by a sales and marketing team of 123 personnel. As on September 30, 2025, it also engages with 43 authorized dealers, by issuing joint authorization certificates with Cummins and ourselves, for providing prompt service across a wide range of market segments.

PL’s DG set customers operate across diverse sectors, including commercial (hospitality, healthcare, banking and financial services industry – banks, education, residential and other real estate), infrastructure (retail infrastructure, logistics, railways and metros), manufacturing (industrial, process industries, dairy), agriculture (including cold storage and aquaculture), information technology/data centres, government and defense, and rentals. In addition to manufacturing and supply, it provides onsite installation services for DG sets. Its on-site capabilities include electrical works, installation of exhaust systems, construction of diesel tank farms, load balancing, and automation solutions to support seamless transitions between the grid and DG sets, particularly in multi-unit operations. This integrated approach, encompassing manufacturing, marketing, and installation, enables it to achieve deep market penetration, make data-driven decisions on product and pricing strategies, and build enduring customer relationships.

As part of its MSLG business, the company provides comprehensive solutions, including pre-purchase consultancy, design, engineering, sales, testing, installation, and O&M services, all integrated with Hyundai-manufactured MSLG sets. It has a non-exclusive association with Hyundai to address market requirements for primary power or emergency applications, and high base load applications in

continuous process industries.

In 2008, PL strategically diversified into the Wind Power Business, commissioning its first wind power project of 4.80 MW at Samana, Jamnagar in 2008 under a 20-year PPA executed with Gujarat Urja Vikas Nigam Limited (“GUVNL”) and have since, steadily expanded presence in Gujarat. As of the date of this Red Herring Prospectus, it owns and operates 12 wind power projects in Gujarat, with a total installed capacity of 330.85 MW (“Operational Wind Power Projects”). In addition to its Operational Wind Power Projects, it is constructing a wind power project of 52.70 MW in Gujarat that will take its IPP portfolio to a total installed capacity of 383.55 MW.

With over 15 years of experience in the wind power sector, it has established a strong track record of identifying, developing, constructing, and operating wind power projects, with a sustained focus on supplying renewable energy to state and central distribution utilities. PL’s Operational Wind Power Project portfolio of 12 projects is supported by long-term, fixed-tariff PPAs with GUVNL and SECI, generally with a term of 25 years. As of the date of this Red Herring Prospectus, the weighted average of the remaining contracted years of life of these PPAs is 18 years. Under the executed PPAs, the company prioritizes supplying electricity to Gujarat discoms and, via SECI, to distribution utilities in Uttar Pradesh and Bihar. These PPAs help to ensure a stable and timely receivables cycle.

Its Associate company, Platino Automotive Private Limited (“Platino Automotive”), is engaged in the manufacturing, marketing, sale, and installation of certified Retrofit Emission Control Devices (“RECDs”). The RECD products manufactured by Platino Automotive provide comprehensive solutions for reducing emissions from existing DG sets. These DG sets, often outdated, release harmful pollutants such as Particulate Matter (PM), Hydrocarbons (HC), Carbon Monoxide (CO), and Nitrogen Oxides (NOx), contributing significantly to poor air quality and health risks. According to the F&S Report, Retrofit Emission Control Devices (RECDs) are essential as they can be installed on existing DG sets to reduce these emissions, helping older generators meet current environmental standards without the need for costly replacements. As of September 30, 2025, it had 893 employees on its payroll.

Issue Details / Capital History

The company is coming out with its maiden book building route combo IPO worth Rs. 1100 cr. (approx. 27848101 equity shares of Rs. 5 each at the upper cap). The IPO consists of fresh equity shares issue worth Rs. 700 cr. (approx. 17721519 equity shares at the upper cap), and an Offer for Sale (OFS) worth Rs. 400 cr. (approx. 10126582 equity shares at the upper cap). The company has announced a price band of Rs. 375 – Rs. 395 per equity shares of Rs. 5 each. The issue opens for subscription on March 24, 2026, and will close on March 27, 2026. The minimum application to be made is for 37 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. The issue constitutes 22.01% of the post-IPO paid-up equity capital. From the net proceeds of fresh equity issue, the company will utilize Rs. 525 cr. for repayment/prepayment of certain borrowings, and the rest for general corporate purposes.

The company has reserved equity shares worth Rs. 2.00 cr. (approx. 50633 equity shares at the upper cap), and offering them a discount of Rs. 37 per share. From the rest, it has allocated not more than 50% for QIBs, not less than 15% for HNIs and not less than 35% for Retail investors.

The joint Book Running Lead Managers (BRLMs) to this issue are ICICI Securities Ltd., IIFL Capital Services Ltd., Nuvama Wealth Management Ltd., while MUFG Intime India Pvt. Ltd., is the registrar to the issue. Nuvama Wealth Management Ltd. is also a syndicate member.

After issuing initial equity shares at par, the company has issued/converted further equity shares at the price of Rs. 1634.495 (based on Rs. 5 FV) in October 2007. It has also issued bonus shares in the ratio of 6 for 1 in January 1993, 6 for 1 in September 1993, 4 for 5 in February 2011, 3 for 2 in June 2018, and 3 for 1 in June 2025. The average cost of acquisition of shares by the promoters/selling stakeholders is Rs. NIL per share.

Post-IPO, its current paid-up equity capital of Rs. 54.41 cr. will stand enhanced to Rs. 63.27 cr. Based on the upper cap of the IPO price band; the company is looking for a market cap of Rs. 4998.60 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has (on a consolidated basis) posted a total income/net profit, of Rs. 2422.42 cr. / Rs. 106.45 cr. (FY23), Rs. 2356.77 cr. / Rs. 226.11 cr. (FY24), and Rs. 2710.93 cr. / Rs. 175.83 cr. (FY25). For H1 of FY26 ended on September 30, 2025, it earned a net profit of Rs. 134.55 cr. on a total income of Rs. 1474.87 cr.

For the last three fiscals, the company has posted an average EPS of Rs. 14.84 and an average RoNW of 18.18 %. The issue is priced at a P/BV of 3.54 based on its NAV of Rs. 111.60 as of September 30, 2025, and at a P/BV of 4.12 based on its post-IPO NAV of Rs. 95.97 per share (at the upper cap).

If we attribute FY26 annualized super earnings to its post-IPO fully diluted paid-up equity capital, then the asking price is at P/E of 18.58. Based on FY25 earnings, the P/E stands at 28.44. Thus, the issue appears reasonably priced.

For the reported periods, the company has posted PAT margins of 4.39% (FY23), 9.59% (FY24), 6.49% (FY25), 9.12% (H1-FY26), and RoCE margins of NA, 43.47%, 27.02%, 13.90% respectively, for reported periods.

Dividend Policy

The company has not paid any dividends for the reported periods of the offer document, except an interim dividend of 55% in March 2026. It has already adopted a dividend policy in June 2025, based on its financial performance and future prospects.

Comparison with Listed Peers

As per the offer document, the company has shown Cummins India, Kirloskar Oil, NTPC Green, Acme Solar, Adani Green, as its listed peers. They are currently trading at a P/E of 53.6, 37.9, 149.0, 31.7, and 85.4 (as of March 19, 2026). However, they are not truly comparable on an apple-to-apple basis.

Merchant Banker's Track Record

The three BRLMs associated with this issue have handled 127 public issues in the past three years, out of which 38 issues closed below the offer price on listing date.

Conclusion / Investment Strategy

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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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