GK Energy Ltd – IPO Investment Note

Issue Open	Issue Close	Price Band (₹)	Rating
19 Sept 2025	23 Sept 2025	₹145-153	Neutral

Investment Summary

GK Energy Ltd. is India's largest pure-play EPC provider of solar-powered agricultural water pump systems, with 62,559 pumps installed between Jan-2022 and Jul-2025, accounting for a 7.37% market share. The IPO size is ₹464.26 Cr, comprising a Fresh Issue of ₹400 Cr (for working capital and general purposes) and an OFS of ₹64.26 Cr by promoters. At the upper price band of ₹153, the company will command a post-issue market cap of ~₹3,103.10 Cr.

The company has delivered exceptional reported growth: Revenue CAGR of 96% between FY23–FY25 (₹285 Cr to ₹1,095 Cr) and PAT CAGR of 264% (₹10 Cr to ₹133 Cr). Margins expanded from 6% to 18% over the same period, aided by operating leverage. The current order book of ~₹1,029 Cr offers short-term revenue visibility. Policy tailwinds from the PM-KUSUM scheme have been the key driver, and possible extensions (KUSUM 2.0) could prolong momentum.

However, the growth is almost entirely scheme-dependent: 99% of FY25 revenues were from solar pump EPC and 83.8% specifically from PM-KUSUM direct-to-beneficiary sales. The scheme ends in March 2026, and there is no clarity on replacement programs. Further, despite accounting profits, GK reported negative operating cash flows in FY23–FY25 due to receivable build-up, with IPO proceeds largely earmarked to plug this gap. Promoter OFS also signals partial monetization.

Verdict: **Neutral**. While growth optics and valuations (23.3x FY25 P/E vs peer average of 27x) look attractive, the risks around policy dependence, cash flow weakness, and promoter alignment overshadow the investment case.

Company Overview

Founded in 2008 as GK Energy Marketers, the company was renamed GK Energy Ltd. in 2024 and converted into a public limited entity in the same year. It is promoted by **Gopal Rajaram Kabra**, Chairman & MD, with 18 years of sector experience, and **Mehul Ajit Shah**, Whole-time Director & COO, with 14 years in renewables. Both promoters have been associated with the solar EPC space since inception.

The company's core operations revolve around turnkey EPC contracts for solar-powered agricultural pumps, executed primarily under government schemes. GK Energy is empaneled under the Ministry of New and Renewable Energy (MNRE) in five major states: Maharashtra, Haryana, Rajasthan, Uttar Pradesh, and Madhya Pradesh. These three northern states together account for >80% of PM-KUSUM installations.

Key operational scale metrics include:

- 62,559 solar water pumps installed (Jan 2022 – Jul 2025).
- ₹1,028.9 Cr order book as of Aug 2025.
- 12 warehouses, 90 employees, 709 workmen.

While the operational model is asset-light, execution is heavily policy-dependent and regionally concentrated. The lack of disclosed receivable ageing and limited diversification beyond agricultural pumps remain structural disclosure gaps.

Business Model

GK Energy follows an **asset-light EPC model**. It procures pumps, PV modules, and related components from third-party suppliers, brands them under GK Energy, and executes installation and after-sales servicing. Under the PM-KUSUM scheme, farmers select vendors through government portals, and state nodal agencies (SNAs) place orders.

Revenue composition shows near-total reliance on this model:

- FY25: **₹1,087 Cr (99.3%) from solar pump EPC**.

- FY25: **83.8% from PM-KUSUM direct-to-beneficiary sales**.
- Residual revenues come from rooftop solar EPC (~₹200 Cr order book).

The company provides 5-year warranties as mandated by MNRE guidelines, maintaining service centers and warehouses across its regions of operation. The model generates strong reported profitability but requires significant upfront working capital since all materials are procured before customer payments, creating persistent cash flow gaps.

Financial Analysis

Particulars (₹ Cr)	FY23	FY24	FY25	CAGR % (FY23–25)
Revenue	285	411	1,095	96%
EBITDA	17	54	200	229%
PAT	10	36	133	264%
ROE (%)	–	–	63.7	–
D/E Ratio	2.1	1.1	1.0	–
OCF/EBITDA	Negative	Negative	Negative	–

Industry Landscape

The Indian solar-powered pump market grew at **15% CAGR** from ₹19.3 Bn in FY19 to ~₹39 Bn in FY24. The expansion has been almost entirely driven by the **PM-KUSUM scheme**, which since launch in 2019 has supported the installation of ~0.85 Mn pumps by July 2025. For context, India has ~30 Mn grid or diesel pump sets, of which only 3% are solarized, indicating significant headroom.

Maharashtra, Haryana, and Rajasthan together account for over **80% of PM-KUSUM installations**, reflecting the scheme's regional concentration. Globally, between 2019 and 2023, solar pump additions totaled 603 MW, with India contributing 95%. Entry barriers in this space are low; beyond MNRE empanelment, competition is intense with established pump makers (Shakti Pumps, Oswal) and multiple EPC players.

The critical risk is that PM-KUSUM is scheduled to end in March 2026. While media reports indicate work on a KUSUM 2.0, no official policy extension has been announced. Without continuation, the addressable market for GK Energy would shrink dramatically.

Peer Comparison

Company	Revenue FY25 (₹ Cr)	EPS (₹)	P/E (x)	ROE (%)	Comment
Shakti Pumps	2,516	33.9	26	35.2	Larger, diversified
Oswal Pumps	1,430	28.2	29	93.0	High ROE, premium
GK Energy (IPO)	1,095	7.9	23.3	63.7	Cheap on P/E, rich on P/B

GK trades at a discount on P/E compared to peers but at a premium on P/B. Its high ROE of 64% is inflated by a small equity base; post-dilution, returns will normalize.

Investment Rationale

1. Reported Growth

GK Energy has delivered an extraordinary Revenue CAGR of 96% between FY23 and FY25, scaling from ₹285 Cr in FY23 to ₹1,095 Cr in FY25. PAT expanded even faster, clocking a 264% CAGR to ₹133 Cr in FY25, highlighting the company's ability to convert scale into bottom-line profitability. This surge reflects successful execution of orders under the government's PM-KUSUM program.

2. Margin Expansion

EBITDA margins improved sharply from **6% in FY23 to 18% in FY25**, primarily due to operating leverage from higher installation volumes and better absorption of fixed overheads. This expansion indicates the business is capable of generating profitability at scale despite being asset-light. Yet, investors must be cautious: margins are also influenced by scheme-specific pricing and subsidy structures.

3. Order Book Visibility

As of August 2025, GK Energy reported an order book of **₹1,028.9 Cr**, with **₹1,008.8 Cr tied to solar pump EPC** and the balance in rooftop solar projects. This offers near-term revenue visibility, at least through FY26, assuming timely execution and disbursement under KUSUM

Key Risks & Concerns

- **Policy Risk:** 84% of FY25 revenues from PM-KUSUM, which ends Mar 2026. Non-extension could cut revenues by >70%.
- **Cash Flow Weakness:** OCF remained negative in FY23–FY25 despite rising PAT, reflecting receivable stress.
- **Working Capital Intensity:** IPO proceeds (80%) allocated to working capital instead of growth capex, indicating systemic liquidity gaps.
- **Promoter Alignment:** OFS of ₹64 Cr signals partial promoter monetization.
- **Regional & Customer Concentration:** 5 states dominate revenue; ultimate customer is the government.

IPO Details and Use of Proceeds

Parameter	Details
Issuer	GK Energy Ltd
IPO Structure	Book-building; ₹400 Cr fresh issue and OFS (Offer for Sale) of 64.26 Cr
Issue Size	₹464.26 crore total
Price Band	₹145-153 per share
Face Value	₹2 per share
Post-Issue Market Cap	₹3,103.10 Cr (based on upper band price of ₹153/share)
IPO Opening Date	September 19, 2025
IPO Closing Date	September 23, 2025
Listing	BSE & NSE
Promoter Holding (Pre/Post)	Pre-IPO: ~93.29%; post-IPO: ~78.64%
Book Running Lead Managers	IIFL Capital Services Ltd
Use of Proceeds	• Working Capital (₹322.46 Cr) • General corporate purposes

Valuation and Outlook

At the upper band, GK trades at **23.3x FY25 P/E and 16.62x EV/EBITDA**, cheaper than peers Shakti (26x) and Oswal (29x). The market is valuing GK as if KUSUM continuity is certain; any policy lapse would severely hit revenues and valuations. The company's order book and reported financials offer short-term comfort, but sustainability beyond FY26 remains unproven. Investors must treat this as a binary policy bet rather than a structural compounding story.

Recommendation

Neutral. The IPO offers exposure to a niche renewable EPC player with strong reported growth and relative valuation comfort. But extreme scheme-dependency, negative cash flows, and promoter OFS dilute conviction. Suitable only for **high-risk investors willing to bet on policy continuity**; conservative portfolios should avoid.

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