

Powerica Limited - IPO Investment Note

Issue Open	Issue Close	Price Band (₹)	Rating
24 March 2026	27 March 2026	₹375 to ₹395	Neutral

Investment Summary

Powerica Limited is supported by steady demand for backup power driven by infrastructure growth, data center expansion and persistent grid instability, alongside predictable cash flows from its wind IPP portfolio under long-term PPAs. Its established OEM relationships and presence across generator capacities provide operational credibility and access to diverse end markets. However, the business remains structurally dependent on the diesel generator segment, exposing it to regulatory pressures from CPCB IV+ norms and rising input costs, which may constrain demand elasticity and margins. The gradual shift toward cleaner alternatives such as BESS and renewable integration poses a longer-term substitution risk to its core offering. In the wind segment, competitive tariff pressures and execution bottlenecks limit upside despite capacity expansion. Dependence on key suppliers and concentrated revenue streams further adds to operational sensitivity. Overall, while near-term visibility remains intact, sustaining growth will require navigating regulatory, technological and industry transition challenges.

Company Overview

Powerica Limited is an integrated power solutions provider that commenced operations in 1984, specializing in primary and standby power applications alongside wind energy generation. The company's core product portfolio encompasses a comprehensive range of Cummins powered diesel generator (DG) sets from 7.5 kVA to 3,750 kVA, categorised into low, medium and high horsepower (LHP, MHP and HHP) capacities. Expanding beyond traditional DG sets, Powerica collaborates non-exclusively with HD Hyundai to supply Medium Speed Large Generators (MSLG) with single-unit capacities between 3,000 kVA and 10,000 kVA for continuous process industries. The product suite is further augmented by its Allied Business, which manufactures defence grade electromagnetic integrated (EMI) shelters, acoustic enclosures and Schneider Electric PRISMA control panels. To optimize supply chain and quality control, the company relies on three captive in-house manufacturing facilities located in Bengaluru (Karnataka), Silvassa (Dadra and Nagar Haveli) and Khopoli (Maharashtra). Industry positioning is anchored by long-term strategic alliances, including serving as a non-exclusive OEM for Cummins India for over four decades and collaborating with global wind turbine OEMs like Vestas and GE Vernova.

Business Model

The company's business model is operationally structured into the Generator Set Business, the Wind Power Business and an associate-led Retrofit Emission Control Devices (RECD) division. Under the Wind Power division, the company operates as an Independent Power Producer (IPP) managing 330.85 MW of operational capacity across 12 projects in Gujarat, supported by 25-year fixed-tariff Power Purchase Agreements (PPAs) with state and central off-takers like GUVNL and SECI. Concurrently, it executes Engineering, Procurement and Construction (EPC) alongside Operation & Maintenance (O&M) contracts for Balance of Plant (BoP) infrastructure, currently constructing 435.60 MW for third-party IPPs. Through its 50% associate company, Platino Automotive Private Limited, the firm addresses environmental regulations by manufacturing and marketing RECDs that mitigate harmful emissions from older DG sets. Revenue streams are highly concentrated, with the Generator Set Business and Wind Power Business contributing 80.50% and 19.50%, respectively, to the total operating revenue during the six months ended September 30, 2025. Key growth drivers include the rapid expansion of data centers, robust infrastructure mega-projects, unreliable grid infrastructure necessitating localized backup, the mandatory transition to CPCB IV+ emission norms and supportive government frameworks for wind-solar hybrid projects.

Industry Outlook

India's power backup and renewable energy sectors are positioned for robust expansion, with the overall diesel generator (DG) market projected to grow at a 10.50% CAGR from ₹14,449 crore in FY2025 to ₹23,803 crore by FY2030. This trajectory is largely underpinned by persistent grid instability, evidenced by a 4.3% national peak power deficit in FY2025, which necessitates localized backup solutions across the commercial, manufacturing, telecom and infrastructure segments. Demand is particularly amplified by the rapid proliferation of data centers, whose operational power capacity is expected to surge from 1.4 GW in FY2025 to 4.7 GW by FY2030, heavily relying on high-horsepower (HHP) DG sets to mitigate severe financial penalty exposures linked to service downtimes. Concurrently, the domestic wind energy sector, having reached an installed base of approximately 53 GW by September 2025, is projected to accelerate with 35-45 GW of new capacity additions expected between FY2026 and FY2030, driving capital investments of ₹2.5-3.5 trillion. However, the generator industry faces strict regulatory headwinds following the July 2023 implementation of CPCB IV+ emission standards, which mandate the integration of selective catalytic reduction and diesel particulate filters, causing development cycle delays and a 15-20% price escalation for compliant units. Furthermore, traditional standby power solutions encounter long-term substitution threats from the rising adoption of Battery Energy Storage Systems (BESS) combined with rooftop solar in predictable urban load environments. Meanwhile, the wind power segment contends with intense competitive bidding that has compressed weighted average tariffs to approximately ₹3.70 to ₹3.80 per unit, alongside severe execution risks stemming from land acquisition bottlenecks, right-of-way disputes, input price volatility for steel and concrete and strict regulatory penalties for generation forecasting deviations.

Investment Rationale

Structural Demand Tailwinds from Hyperscale Data Center Expansion:

Powerica is strategically positioned to capitalize on India's booming data center and digital infrastructure sectors, which require highly reliable backup power to prevent severe financial penalties associated with downtime. India's data center power capacity is projected to expand at a robust 27.4% CAGR, growing from 1.4 GW in FY2025 to an estimated 4.7 GW by FY2030. This rapid capacity addition acts as a direct growth multiplier for Powerica's High Horse Power (HHP) DG sets (capacities up to 3,750 kVA), which are critical for providing uninterrupted mission-critical operations in these facilities.

Deep Competitive Moat via Multi-Decade Global Strategic Alliances:

The company benefits from formidable barriers to entry established through a 40+ year non-exclusive OEM relationship with Cummins for engines and alternators. Beyond Cummins, Powerica has secured a strategic collaboration with HD Hyundai, enabling it to supply Medium Speed Large Generators (MSLG) with capacities up to 10,000 kVA for high-base load continuous process industries—a segment that has already opened lucrative export avenues, such as a recent USD 10.23 million order in Australia. In the wind segment, deep technical partnerships with GE Vernova (including a Joint Development Agreement for a 2,000 MW RE Park) and Vestas provide critical technological access and secure Powerica's foothold in the high-margin, multi-brand spares aftermarket.

High Revenue Visibility and Cash Flow Stability through Sovereign-Backed PPAs:

While the DG set business provides high-growth opportunities, Powerica's Wind Power division anchors the financial profile with highly predictable, annuity-like cash flows. The company's 330.85 MW operational Independent Power Producer (IPP) portfolio in Gujarat is entirely tied to 25-year fixed-tariff Power Purchase Agreements (PPAs). Crucially, these PPAs are executed with highly rated counterparties, primarily GUVNL (CARE AA rated) and SECI (ICRA AAA rated), ensuring payment security. This structure mitigates counterparty credit risk and has historically resulted in a highly efficient receivables cycle of just 39 to 60 days, providing stable internal accruals to fund further capital expenditures.

Margin Expansion and Market Share Consolidation from CPCB IV+ Transition:

The mandatory implementation of stringent CPCB IV+ emission norms acts as a significant value driver rather than a regulatory burden. The integration of advanced emission control technologies (such as selective catalytic reduction and diesel particulate filters) has resulted in a 15% to 20% price escalation for compliant DG sets, structurally improving per-unit realisations. Furthermore, extended testing and certification cycles create steep entry barriers that crowd out

unorganized competition. Concurrently, Powerica is capturing the massive aftermarket retrofit opportunity through its 50% Associate company, Platino Automotive, which manufactures ARAI and ICAT-certified Retrofit Emission Control Devices (RECDs) for older, in-use generators.

Highly Capital-Efficient Model Driving Superior Return Metrics:

Powerica demonstrates exceptional financial discipline and capital allocation efficiency, delivering a strong Return on Capital Employed (ROCE) of 43.47% in FY2024 and 27.02% in FY2025. Despite operating a capital-intensive Wind IPP business, the company maintains a highly conservative balance sheet, operating with a Net Debt-to-Equity ratio of just 0.24x and a Net Debt-to-EBITDA ratio of 0.75x in FY2025. This robust balance sheet flexibility provides significant headroom to comfortably fund its 435.60 MW third-party BoP EPC pipeline and its 52.70 MW under-construction proprietary IPP asset without straining its leverage profile.

Key Risks

Severe Revenue and Supply Chain Concentration Tied to a Single OEM Partner:

Powerica's operational and financial profile is heavily skewed toward its Generator Set Business, which generated 80.50% of revenue from operations in H1FY26 and 85.00% in FY25. Within this segment, the company is critically dependent on Cummins India for the supply of core engines and alternators. Sales of Cummins-powered DG sets accounted for 63.60% of total revenue in H1FY26, while purchases from Cummins represented 51.13% of the company's total raw material expenses during the same period. Because this is a non-exclusive relationship, any supply chain disruption, adverse pricing modifications imposed by Cummins, or a strategic decision by Cummins to appoint competing OEMs in Powerica's target markets would structurally impair the company's revenue generation and operational continuity.

Material Valuation and Governance Overhang from Promoter Litigation:

The company faces a significant corporate governance and capital structure risk stemming from an ongoing civil suit filed in the Bombay High Court by Vania Oberoi against Powerica, its Promoters and Directors. The litigation challenges past share buyback transactions and pertains to a family arrangement agreement, seeking aggressive reliefs such as share restoration, fair value payments and direct restrictions on the company's capital structure. An adverse judicial outcome or the imposition of legal injunctions could immediately disrupt Powerica's shareholding structure, block strategic capital actions and negatively impact overall valuation and investor sentiment.

Margin Compression and Demand Destruction from Stringent Emission Norms:

The mandatory industry transition to CPCB IV+ emission standards fundamentally inflates the cost dynamics of the DG set market. Compliance necessitates the integration of expensive advanced technologies—such as selective catalytic reduction (SCR) and diesel particulate filters (DPF)—and the use of costlier BS-VI low-sulphur diesel, which has triggered a 15% to 20% price escalation for compliant units. This regulatory shift also forces longer product development cycles and strict certification bottlenecks through agencies like ARAI and ICAT. The resulting price shock risks delaying capital expenditure by cost-sensitive customers and compressing operating margins if Powerica cannot fully pass these escalated manufacturing costs onto end-users.

Structural Substitution Threat from Battery Energy Storage Systems (BESS):

Powerica's core diesel generator business faces a material technological disruption risk from the rapid commercialization and adoption of Battery Energy Storage Systems (BESS). In highly predictable urban load environments, such as commercial buildings and IT parks, BESS—often paired with rooftop solar—is emerging as a compelling substitute due to its silent operation and zero-emission profile. As sustainability mandates tighten and green energy integration accelerates, the rising penetration of these clean alternative solutions threatens to permanently erode the addressable market for traditional fossil-fuel standby power systems.

High Execution Bottlenecks and Grid Curtailment in the Wind Power IPP Segment:

The Wind Power Business is highly vulnerable to systemic execution delays and severe transmission infrastructure deficits. Right-of-way (ROW) disputes and land acquisition constraints routinely stall project commissioning and transmission line construction, directly evidenced by the delayed 51.30 MW Orchid Phase-I project in Gujarat.

Furthermore, as India's renewable energy penetration is projected to rise toward 35-40% of generation by FY30, the resulting grid instability elevates the risk of forced generation curtailment (backing down) by state load dispatch centers. Unavailability of power evacuation infrastructure or emergency grid disconnections can render generation assets idle without compensation, permanently destroying anticipated cash flows under Powerica's fixed-tariff PPAs.

Revenue From Operations

(In ₹ Crores)

Major Business Divisions	FY23		FY24		FY25	
	Revenue From Operations	% of Total Revenue From Operations	Revenue From Operations	% of Total Revenue From Operations	Revenue From Operations	% of Total Revenue From Operations
Generator Set Business Division	1,968.87	82.79%	1,907.20	86.30%	2,255.19	85.00%
Wind Power Business Division	409.39	17.21%	302.8	13.70%	398.08	15.00%
Total Revenue from Operations	2,378.26	100.00%	2,210.00	100.00%	2,653.27	100.00%

Financial Snapshot

Metric	FY23	FY24	FY25
Revenue (₹ Cr)	2,378.26	2,210	2,653.27
EBITDA (₹ Cr)	333.21	362.45	345.66
Net Profit (₹ Cr)	106.45	226.11	175.83
EBITDA Margin (%)	14.01%	16.40%	13.03%
PAT Margin (%)	4.48%	10.23%	6.63%
EPS (Basic) (₹)	9.78	20.78	16.16

IPO Details and Use of Proceeds

Parameter	Details
Issuer	Powerica Ltd.
IPO Structure	Fresh Issue and Offer For Sale
Issue Size	2,78,48,100 shares (agg. up to ₹1,100 Cr) Fresh Issue - 1,77,21,518 shares (agg. up to ₹700 Cr) Offer For Sale - 1,01,26,582 shares of ₹5 (agg. up to ₹400 Cr)
Price Band	₹ 375 to ₹395 per share
Face Value	₹5 per share
Post-Issue Market Cap	₹ 4,998.6 Cr.
Promoter Holding (Pre/Post)	99.99%/-
IPO Opening Date	March 24, 2026
IPO Closing Date	March 27, 2026
Listing	BSE & NSE
Book Running Lead Manager(s)	<ul style="list-style-type: none"> • ICICI Securities Limited • IIFL Capital Services Limited (formerly) known as IIFL Securities Limited) • Nuvama Wealth Management Limited

Valuation and Recommendation

At the upper price band of **₹395**, Powerica Ltd. is valued at **28.4x P/E and 15.1x EV/EBITDA** implying a **market capitalization of ₹4,998.6 crore**. While the company benefits from steady demand for backup power and annuity-like cash flows from its wind IPP portfolio, its core business remains exposed to structural risks including regulatory cost pressures from CPCB IV+ norms, dependence on a single key OEM supplier and the gradual shift toward cleaner energy alternatives such as BESS. Additionally, competitive intensity in the wind segment and execution-related constraints limit the scope for meaningful margin expansion. Given these factors, the valuation does not provide sufficient margin of safety relative to the underlying risks and industry transition challenges. Accordingly, we recommend a **Neutral Rating**, with a view to monitor post listing once there is clearer visibility on growth sustainability, margin resilience and strategic adaptation to evolving energy dynamics.

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