ArihantCapital
Generating Wealth

IPO Note
23rd March 2026

Powerica Ltd

Neutral

Rating: Neutral

Issue Offer

Total issue size: INR 11,000 Mn (27.8 Mn shares) - OFS of INR 4,000 Mn (10.1 Mn shares) and a Fresh Issue of INR 7,000 Mn (17.7 Mn shares).

Issue Summary	
Price Band (INR)	375-395
Face Value (INR)	5
Implied Market Cap (INR mn)	49,986
Market Lot	37
Issue Opens on	24 March, 2026
Issue Close on	27 March, 2026
No. of share pre-issue	10,88,25,400
No. of share post issue	12,65,46,919
Listing	NSE / BSE

Issue Break-up (%)	
QIB Portion	≤ 50
Retail Portion	≥ 35
NII Portion	≥ 15

Book Running Lead Managers

ICICI Securities Limited
IIFL Capital Services Limited
Nuvama Wealth Management Limited

Registrar

MUFG Intime India Private Ltd

Shareholding Pattern	Pre-Issue	Post-Issue
Promoters	100%	77.99%
Public & Others	0%	22.01%

Objects of the issue	Exp. Amt (INR Mn.)
Prepayment/repayment of certain outstanding borrowings availed by the Company, in part or full.	5,250
General Corporate Purposes	

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Powerica Limited is an integrated power solutions provider with a 40-year operating history. The company operates across two segments. Its Generator Set Business, which contributes ~85% of revenue, manufactures and sells diesel generator sets ranging from 7.5 kVA to 10,000 kVA, leveraging a four-decade OEM relationship with Cummins for its core DG set range and a collaboration with Hyundai for large industrial generators. Its Wind Power Business, contributing ~15% of revenue, owns and operates 330.85 MW of wind farms in Gujarat under long-term fixed-tariff PPAs. It additionally provides EPC and O&M services for third-party wind developers.

Investment Rationale:

Structural demand tailwind vs. limited competitive differentiation: Powerica is strategically positioned to capture secular growth from India's intensifying data center buildout, industrial capex cycle, and the persistent reliability gap in the national grid, all of which provide a durable floor for backup power demand. However, as an OEM assembler for Cummins, the company functions largely as a "market beta" play; it lacks the proprietary technology or pricing power to outperform the broader sector significantly.

Wind IPP provides earnings stability, but scale limits re-rating potential: The company's 331 MW wind IPP portfolio, backed by long-term PPAs, provides a rare and predictable cash flow stream that meaningfully de-risks the consolidated earnings profile compared to pure-play industrial peers. While this "green" annuity provides a genuine valuation cushion, the current renewable capacity lacks the critical mass required to trigger a full-scale "renewables platform" re-rating.

Transactional Revenue Model vs. Contractual Visibility: A significant portion of Powerica's core revenue is derived from a business model that is primarily transactional and lacks long-term purchase agreements with customers. While this reflects the company's ability to operate in a high-churn, competitive market, it results in limited forward visibility for a business that contributed approximately 80% of revenue. Furthermore, the company relies on critical OEM relationships with partners like Cummins and Hyundai without long-term exclusivity or fixed-price supply contracts, exposing the margin profile to periodic fluctuations in component costs and potential supply chain shifts.

Valuation & Outlook: Powerica Limited remains cautiously optimistic, balanced by a "wait-and-watch" approach regarding its structural transition. While the company is a prime beneficiary of India's industrial upcycle and data center expansion, its core DG set business currently operates as a high-quality cyclical play rather than a structural moat-builder due to its transactional nature and lack of long-term revenue visibility. The successful scaling of its Wind IPP portfolio toward the 1 GW mark and the stabilization of margins will be the primary catalysts for a valuation re-rating. Until the renewable segment achieves a scale that significantly offsets the cyclicality and regulatory headwinds of the diesel business, the stock is likely to trade in line with broader industrial benchmarks. **At the upper band of INR 395, the issue is valued at a P/E ratio of 18.58x, based on annualized PAT of FY26 EPS of INR 21.26. We are recommending a "Neutral" rating for this issue.**

Financial Summary:

Particular (INR mn)	FY23	FY24	FY25	H1FY26
Revenue	2,378	2,210	2,653	1,447
EBITDA	347	362	337	214
EBITDA Margin (%)	14.6%	16.4%	12.7%	14.8%
PAT	106	226	176	135
PAT Margin (%)	4.5%	10.2%	6.6%	9.3%

Source: RHP, Arihant Capital Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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