

February 03, 2026

## Powerica Limited: Rating Assigned

### Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long term fund based – Term loan	250.00	[ICRA]AA (Stable); assigned
<b>Total</b>	<b>250.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The rating reflects ICRA's expectation of Powerica Ltd reporting consistent revenue growth along with sustained healthy profitability and comfortable liquidity position, benefiting from its strong brand presence. This, along with its long-lasting association with Cummins India Limited (CIL), is expected to translate into a robust credit profile. ICRA also notes that while the domestic diesel generator set (DG sets) business is expected to grow at a steady pace, Powerica enjoys diversification benefits from its wind power assets (IPP), medium speed large generator (MSLG) business and wind engineering, procurement and construction (EPC) segment.

The rating factors in the company's established position as one of the leading players in the DG sets industry, supported by its long track record of operations, the extensive experience of its promoters and the competitive advantage by virtue of being one of three original equipment manufacturers (OEM) for DG sets for CIL (a leading manufacturer for DG set engines/alternators) in India. The company has been associated with CIL for more than 40 years for sales of DG sets.

In FY2024, the core DG set segment recorded a robust growth of 16% YoY, driven by strong demand from the end-user industries. However, lower revenue in the medium-speed large generator (MSLG) and wind power segments — where the company divested two power assets — resulted in a 7% YoY decline in operating income, which stood at Rs. 2,210 crore. The DG set segment's growth was supported by continued pre-buying of older Central Pollution Control Board (CPCB) II-compliant engines and the introduction of CPCB IV+ compliant engines. Sales of these new-generation engines became mandatory from July 1, 2024. In FY2025, the OI grew at 20% YoY, supported by a healthy demand in the DG segment from data centres. The operating income from the DG sets business is expected to continue to grow steadily in near to medium term due to high demand from data centres.

The company has undertaken capex to construct 52.7-MW and 51.3-MW wind assets in Gujarat, the capital expenditure (capex) of which is budgeted at Rs. 330 crore and Rs. 390 crore, respectively, with about 70-75% funding through debt and the rest from internal accruals. The 51.3-MW project is expected to be commissioned in Q4FY2026, and the 52.7-MW project is expected to go on stream by Q2FY2027 (ahead of the scheduled completion in Q4FY2027). The company has signed the power purchase agreement (PPA) and received bank loan sanctions for the same. ICRA will monitor the timely commissioning and achievement of the plant load factor (PLFs) closer to the P-90 levels for these wind assets.

The Group is expected to register consistent revenue growth, benefitting from the continued capex cycle in India, leading to steady growth from its well-diversified end-user industry segments for low horsepower (LHP), medium horsepower (MHP), and high horsepower (HHP) DG sets and upcoming wind power IPP projects. Additionally, the rating factors in the Group's comfortable financial profile and strong liquidity position, as demonstrated in the steady internal accrual generation, healthy net worth and cash and investments. This has also kept the Group's reliance on external debt low and allowed it to maintain strong debt coverage metrics.

However, the rating is constrained by the intense competition in the industry and the susceptibility of the operations to the capex cycle of its key end-user industries (real estate, data centres, telecom, hospitality, infrastructure, etc). While the demand from these sectors was subdued till FY2021, the capex cycle picked up after FY2022, leading to a healthy growth in revenues.

The rating also factors in the concentration risk as the company is reliant on a single vendor (CIL) for the key components for its DG sets. Nonetheless, ICRA notes that the company is one of the three OEMs for CIL having its plants at strategic locations in Bengaluru, Silvassa and Khopoli, and handles the healthy customer base, which makes the relationship equally important for the latter. Further, with the diversification of the product/service base, the concentration has reduced to some extent in recent years.

The Stable outlook reflects a strong business profile over the medium term, driven by steady demand and profitability in the core DG segment on the back of stable cash flows and growing contribution from its wind assets, and the diversification through the wind EPC and MSLG segments.

## Key rating drivers and their description

### Credit strengths

**Established operational track record in DG set industry** – Powerica has a strong market position in the domestic DG set manufacturing business with a presence of more than four decades. As one of the three OEMs for DG sets for CIL, Powerica utilises CIL's engines and alternators. This segment constitutes the company's core business, contributing over 68% to the revenue. The mandatory sale of CPCB IV+ engines from July 2024, coupled with the ability to pass on the increased costs to customers and the sale of retrofit emission control device (RECD) kit used for reducing air pollution from old DG sets as mandated by the National Green Tribunal, should support growth over the medium term.

**Diversification into wind power business along with EPC and MSLG segments** – The company has an established operational track record in the DG set industry. While DG sets remain the key revenue generator over the years, the diversification into the wind power business provides additional cash flow and supports the overall OPBITDA. The company has a cumulative capacity of 279.55 MW spread across 11 wind power assets in Gujarat. The company sold two wind power assets having a total capacity of 26.4 MW in Tamil Nadu in FY2024. The weighted average PLF for FY2025 stood at ~27%. The wind business in totality accounted for ~11% of the total revenue. The company has undertaken capex to construct 52.7-MW and 51.3-MW wind power assets in Gujarat, the capital expenditure (capex) of which is budgeted at Rs. 330 crore and Rs. 390 crore respectively, with about 70-75% funding through debt and the rest from internal accruals. The 51.3-MW project is expected to be commissioned in Q4FY2026, and the 52.7-MW project is likely to take off by Q2FY2027. The company has signed the PPA for both projects and received bank loan sanctions for them.

The contribution from the wind EPC and MSLG segments depends solely on the order book and execution schedule. While the operating income from these businesses remains inconsistent given the nature of operations, the company continues to have a healthy order pipeline that will be converted and executed over the medium term.

**Comfortable financial profile and liquidity position; healthy near-term demand outlook** – The company's liquidity and financial profile is healthy, indicated by steady internal accrual generation, a sizeable net worth, comfortable debt protection metrics and moderate repayment obligations despite the considerable investments. The revival in the capex cycle in various end-user industries helped the company register an operating income (OI) growth of ~20% YoY in FY2025. The company is expected to register steady revenue growth in the current fiscal as well, supported by steady growth in the DG set business along with continued growth in the wind power business where additional capacity of 50 MW is expected to start generating revenues in H2 of the current fiscal. The liquidity remains strong with the presence of sizeable cash and financial investments of above Rs. 429 crore as on September 30, 2025.

## Credit challenges

**Exposed to capex cycle of end-user industries as well as changes in regulations** – The Group’s operations remain susceptible to the capex cycle of its key end-user industries such as manufacturing, real estate, telecom, hospitality and infrastructure. While the demand for DG sets from these sectors was subdued over the last few fiscals, it has started picking up with the revival of the capex cycle. Thus, the Group is expected to register steady YoY revenue growth in the current fiscal with a likely expansion in revenues from DG sets. Implementation of the new CPCB-IV norms from July 2024 has led to substantial price hikes for new products as these have to comply with more stringent emission norms. This poses a risk to medium-term demand growth and is a key monitorable.

ICRA also notes that the company is dependent on CIL for sourcing its key component— diesel engines—for the DG sets. Nonetheless, ICRA notes that the company handles the key geographical territories, which makes the relationship equally important for CIL. The revenue from CIL’s DG sets accounted for ~70% of the total operating income in FY2025 (against ~71% in FY2024).

**Vulnerable to increasing demand for alternative power back-ups with industries embracing cleaner fuels** – With the worldwide shift towards less carbon-intensive sources of energy, industries are planning to migrate to alternative power back-ups which could create potential competition and can limit the growth prospects for DG sets over the medium to long term. However, with the implementation of Retrofit Emission Control Device (RECD), the emission can be controlled to the extent of 80-85% making DG sets more compliant with environmental regulations.

**Counterparty payment risks in wind power and inherent risk of variability in wind speed and pattern** - Powerica is susceptible to counterparty payment risks arising from receivable exposure to distribution companies. This risk was high in case of Tamil Nadu Electricity Board (TNEB), which had a relatively weak financial risk profile. However, in FY2024, Powerica sold two wind assets (with a total installed capacity of 26.4 MW) in Tamil Nadu. As on date, the company has exposure to Gujarat Urja Vikas Nigam Ltd and Solar Energy Corporation of India, which have a strong payment track record.

Powerica has outstanding dues, pertaining to receivables from July 2020 to March 2022 from TNEB. However, with Tamil Nadu subscribing to the late payment surcharge (LPS) scheme, the payment commenced from August 2022. All dues from the Tamil Nadu wind assets are being received on time till date.

The company is also exposed to inherent wind variability risk as wind power generation is highly vulnerable to seasonality and variation in wind intensity. The variation in wind speed and pattern could lead to a lower operating PLF, impacting the average DSCR of the wind assets. However, with healthy cash accruals and liquidity, the company’s repayment capability is expected to remain strong even though the debt is expected to increase by March 2027.

## Liquidity position: Strong

Powerica’s liquidity is strong, supported by steady internal accrual generation, sizeable liquid investments/cash balances (~Rs. 429 crore as of September 2025) and cushion in the form of undrawn bank lines. The company is planning to undertake sizeable capex over FY2027-FY2030 to set up incremental wind energy generation capacity.

## Rating sensitivities

**Positive factors** – A steady growth in the scale of operations along with the sustenance of healthy profitability metrics, deleveraging of the balance sheet and improvement in the coverage metrics could lead to an upgrade.

**Negative factors** – The ratings may be downgraded if there is any material decline in the revenue and profitability. Moreover, a sizeable debt-funded capex resulting in a deterioration of the capital structure and debt protection metrics, or a considerable decline in liquid investments and cash balances could trigger a downgrade.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Powerica. Refer to Annexure II for the list of entities considered for consolidation

Note (for analyst reference only):

## About the company

Powerica, established in 1984, is promoted by Late Naresh Oberoi and Late Kharati Ram Puri. At present, it is owned by the Oberoi family. The company is a generator OEM for Cummins and uses the latter's engines and alternators (alternators are sourced from Cummins Generator Technologies India Ltd, a group company of Cummins) to manufacture diesel generator (DG) sets. It also sells medium-speed large generator (MSLG) sets through a non-exclusive collaboration with Hyundai Heavy Industries Co Ltd, Korea.

Powerica entered the power generation business in FY2008 by setting up six wind energy-based units of 800-kilowatt capacity each in Jamnagar, Gujarat. As on date, the company operates 11 wind projects with a cumulative capacity of around 279.55 MW across Gujarat. The company's generator set business division (DG sets + MSLG + allied services) remains the key revenue driver with 85% share in its total revenue in FY2025. The company also has a 50% stake in Platino Automotive, an associate company that operates exclusively in the retrofit emission control device (RECD) segment. In FY2025, Platino Automotive reported a revenue of Rs. 76 crore.

### Key financial indicators (audited)

Powerica (consolidated)	FY2024	FY2025
Operating income	2,210.0	2,653.3
PAT	226.1	166.8
OPBDIT/OI	16.4%	12.7%
PAT/OI	10.2%	6.3%
Total outside liabilities/Tangible net worth (times)	1.3	1.2
Total debt/OPBDIT (times)	0.5	0.9
Interest coverage (times)	8.9	10.5

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

## Rating history for past three years

Current (FY2026)				Chronology of rating history for the past 3 years							
				FY2026		FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Feb 03, 2026	Date	Rating	Date	Rating	Date	Rating	Date	Rating
<b>Fund based - Term loan</b>	Long term	250.00	[ICRA]AA (Stable)	-	-	-	-	-	-	-	-

## Complexity level of the rated instruments

Instrument	Complexity indicator
<b>Long term fund based – Term loan</b>	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

**Annexure I: Instrument details**

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Term loan	FY2026	Repo Rate + Spread of 2.30%	FY2039	250.00	[ICRA]AA (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis**

Company name	Powerica's ownership	Consolidation approach
Powerica Renewable Infra Private Limited	65%	Full consolidation
Paramount Windfarms Private Limited	51%	Full consolidation
Vartaman Wind Energy Private Limited	100%	Full consolidation
Windstride Power Private Limited	100%	Full consolidation
Powerica Power Systems (FZE)	100%	Full consolidation
Platino Automotive Private Limited	50%	Proportionate

Source: Annual Report FY2025

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## ABOUT ICRA LIMITED

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