

30 June 2026

IC Electricals Company Limited – NEUTRAL

Company Overview

IC Electricals Company Limited is a New Delhi headquartered engineering solutions provider, operating predominantly under a Business-to-Government (B2G) model serving the Indian Railways ecosystem. Originally incorporated on August 5, 2005 as a private limited company, it was converted into a public limited company on September 23, 2024 in preparation for its IPO.

Investment Rationale

- **Aligned with the Railway Capex Upcycle:** Positioned as a beneficiary of structural spending under Indian Railways electrification drive, Mission Raftaar, the Dedicated Freight Corridors and the Vande Bharat rollout, supported by the Atmanirbhar Bharat localisation push.
- **RDSO Approval as an Entry Barrier:** Approved-vendor status with the Research Designs and Standards Organisation is difficult to secure, lends technical credibility and supports repeat orders across railway zones.
- **Revenue and Earnings Growth:** Revenue compounded at a 20% CAGR over FY24–FY26, from Rs. 9,925 Lakh to Rs. 14,304 Lakh, while PAT grew at a 76% CAGR, from Rs. 453 Lakh to Rs. 1,408 Lakh.
- **Margin Expansion:** EBITDA margin widened to 17.96% (from 12.06%), and PAT margin more than doubled to 9.84% (from 4.56%) over the same period.
- **Order-Book Visibility:** An order book of over Rs. 18,105 Lakh provide near-term revenue visibility of roughly 1.3x FY26 revenue.
- **Diversified Three-Segment mix:** Operations spanning Electronics, Rotating Machines and EPC Contracts reduce dependence on any single segment and cushion segment-specific cyclicality.
- **Return Ratios:** RoE improved to 24.88% in FY26 (from 15.79% in FY24), with RoCE at 18.47%.
- **Promoter Experience:** Promoters bring a combined 60+ years across electrical engineering and the railway sector.

Valuation

At the issue price of Rs. 99, IC Electricals is priced on the back of a healthy 24.88% ROE and steady growth in net worth. However, a part of these returns is supported by higher borrowings, and the business ties up most of its capital in inventory funded largely by short-term debt. IPO proceeds should help reduce debt and ease balance sheet pressure. Overall, the pricing appears fair rather than cheap. Hence, we have a **NEUTRAL** stance to this SME IPO.

IPO Details

Industry	Industrial Products
Issue Open Date	03-Jul-26
Issue Close Date	07-Jul-26
Price Band	Rs. 94-99
Issue Size*	Rs. 4,791 Lakh
Issue Size (Shares)	48,39,600
Bid Lot	1,200 Shares
Listing Exchanges	NSE SME
Face Value	Rs. 10/-

* At highest price band

Issue Details

Fresh Issue*	Rs. 4,551 Lakh
Issue Type	Fresh capital only
Lead Manager	NEXGEN Financial Solutions
Registrar	Skyline Financial Services
Issue structure	Market Maker: 5.01%
	QIB: 47.24%
	NII: 14.43%
	Retail: 33.33%
Allotment	08-Jul-26
Credit of Shares	09-Jul-26
Listing Date	10-Jul-26

Objective of Issue

Particular	Estimated Amt (in Lakh)
Working Capital	3,360
General Corporate Purposes	-

Shareholding Pattern

Shareholding (%)	Pre (%)	Post (%)
Promoter	82.92	60.94
Public & Others	17.08	39.06

Business Highlights

Product Portfolio:

Division	Focus Area	FY26 Revenue Mix
Contracts (EPC)	Turnkey 25 kV AC railway electrification & OHE systems	41.20%
Electronics	ERRU, VCD, battery chargers, microprocessor-based control systems, PA/PIS	30.56%
Rotating Machines	Traction motors, alternators, stators, rotors, PMG systems	28.24%

- ❖ **Manufacturing Facility:** Haridwar, Uttarakhand – equipped with VPI chambers, dynamic balancing machines, ultrasonic flaw detectors and full-load testing systems.
- ❖ **Installed Capacity:** 30,384 units/year.
- ❖ **FY26 Capacity Utilisation:** 48.64%.
- ❖ **Track Record:** Successfully electrified 700+ track kilometers under the Contracts Division.
- ❖ **Order Book:** Rs. 18,105 lakhs as of May 2026.

Financials

Profit & Loss Statement:

Particulars (in Lakh)	FY24	FY25	FY26	CAGR (FY24–26)
Revenue from Operations	9,925	12,189	14,304	20%
EBITDA	1,197	1,849	2,569	47%
EBITDA Margin	12.06%	15.17%	17.96%	
PAT	453	937	1,408	76%
PAT Margin	4.56%	7.69%	9.84%	

- Revenue CAGR: 20% strong demand visibility from railway capex.
- EBITDA more than doubled in 2 years from Rs. 1,197 Lakh to Rs. 2,569 Lakh.
- PAT tripled from Rs. 453 Lakh to Rs. 1,408 Lakh on operational leverage and improved working capital efficiency.

Balance Sheet:

Particulars	FY24	FY25	FY26	Particulars	FY24	FY25	FY26
Equity & Liabilities				Assets			
Net Worth	3,096	4,954	6,362	PPE	265	281	307
Long Term Debt	301	192	231	Inventories	7,562	8,560	9,771
Short Term Debt	4,480	5,387	7,312	Trade Rec.	3,575	2,767	3,546
Trade Payables	5,196	3,613	3,867	Cash	22	54	40

- **Net Worth:** More than doubled in two years; strong internal accrual.
- **Short Term Debt:** Up 63%; rising sharply to fund working capital.
- **Trade Payables:** Declining; supplier credit being replaced by costlier bank ST debt.

Cash Flow:

Particulars	FY24	FY25	FY26
Operating Cash Flow	(147.48)	(965.40)	(1,109.55)
Investing Cash Flow	10.15	(26.45)	(59.65)
Financing Cash Flow	151.21	1,023.17	1,155.45
Net Cash Flow	13.87	31.32	(13.75)

- **Major Concern:** Persistently Negative Operating Cash Flow across all three years, worsening each year.
- **Profits not translating to cash:** PAT grew but CFO deteriorated, entirely a function of expanding inventory and receivables.
- **Growth being funded by borrowings:** CFF positive Rs. 1,155 Lakh (FY26), confirms heavy reliance on debt to plug operating gap.
- **Closing cash position** is minimal (Rs. 40 Lakh), minimal liquidity buffer.
- **The IPO proceeds** (Rs. 3,360 Lakh) for working capital are critically needed to reduce debt dependency.

Key Ratios:

Ratio	FY26
Return on Equity	24.88%
Return on Capital Employed	18.47%
Debt-Equity Ratio	1.19x
Current Ratio	1.46x
EPS (Rs.)	10.49
NAV (Rs.)	47.40

- **ROE:** Strong return generation; notably, ROE exceeds ROCE, confirming that financial leverage is amplifying equity returns rather than pure operating performance.
- **ROCE:** Healthy capital efficiency; the gap below ROE confirms debt is boosting returns.
- **D/E:** Borrowings exceed net worth; on the higher side - IPO proceeds should de-lever.
- **Current Ratio:** Adequate, not comfortable; typical working-capital-heavy profile; leaves limited cushion if receivables or inventory cycles stretch.

Peer Comparison

Metrics	IC Electricals	Hind Rectifiers
Revenue	14,304	99,913
EBITDA	2,569	8,208
PAT	1,408	3,859
EPS (Rs.)	10.49	13.1
RONW	24.88%	24.62%
NAV (Rs.)	47.40	59.88
P/E Ratio	9.44	88.85

Risk & Concerns

- **Customer Concentration:** 82.01% of FY26 revenue from Government clients (primarily Indian Railways), any policy/budgetary shift directly hits revenues.
- **Geographical Concentration:** 59.01% of revenue from Uttarakhand operations.
- **Supplier Concentration:** 49.28% of raw materials sourced from Delhi, Top 10 suppliers are 52.59% of purchases.
- **Cash Flow Risk:** Persistent Negative Operating Cash Flows (Rs. 1,110 Lakh in FY26), biggest red flag.
- **Contingent Liabilities (Mar 2026):** Claims Rs. 1,153 Lakh + Guarantees/LC Rs. 3,734 Lakh = Rs. 4,887 Lakh (0.77x net worth).

Name

Designation

Sanket Roge

Research Analyst

Disclosure: M/s. Bonanza Portfolio Ltd hereby declares that the views expressed in this report accurately reflect its viewpoint with respect to the subject companies/securities. M/s. Bonanza Portfolio Ltd has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations. The analysts engaged in the preparation of this report or their relatives: (a) do not have any financial interests in the subject company mentioned in this report; (b) do not own 1% or more of the equity securities of the subject company mentioned in the report as of the last day of the month preceding the publication of the research report; (c) do not have any material conflict of interest at the time of publication of the report. (d) have not received any compensation for products or services other than investment banking, merchant banking, or brokerage services from the subject company in the past twelve months; (e) have not received any compensation or other benefits from the subject company or any third party in connection with this report; (f) have not served as an officer, director, or employee of the subject company; (g) are not engaged in market-making activity for the subject company; (h) are not engaged in the use of artificial intelligence. M/s. Bonanza Portfolio Ltd is a registered Research Analyst under the SEBI (Research Analyst) Regulations, 2014. The registration number is INH100001666, and the research analysts engaged in preparing reports are qualified as per the provisions of the regulations.

Disclaimer: This research report has been published by M/s. Bonanza Portfolio Ltd and is meant solely for the use of the recipient and is not for circulation. This document is for information purposes only, and the information, opinions, and views are not meant to serve as a professional investment guide for the readers. Reasonable care has been taken to ensure that the information given is believed to be fair and correct at the time, and the opinions based there upon are reasonable. However, due to the nature of research, it cannot be warranted or represented that it is accurate or complete, and it should not be relied upon as such. If this report is inadvertently sent or has reached any individual, it may be ignored and brought to the attention of the sender. Preparation of this research report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Past performance is not a guide to future performance. This report has been prepared on the basis of publicly available information, internally developed data, and other sources believed by Bonanza Portfolio Ltd to be reliable. This report should not be taken as the only basis for any market transaction; however, this data represents one of the supporting documents among other market risk criteria. Market participants should be aware of the risks involved in using this information as the sole source for any market-related activity. **"Investments in securities markets are subject to market risks. Read all the related documents carefully before investing."** **"Registration granted by SEBI, membership of BSE, and certification from NISM in no way guarantee the performance of the intermediary or provide any assurance of returns to investors."** The distribution of this report in certain jurisdictions may be restricted by law, and persons in whose custody this report comes should observe any such restrictions. The disclosures of interest statements included in this analysis are provided solely to improve transparency and should not be treated as an endorsement of the views expressed in the analysis. The price and value of the investments referred to in this report and the income from them may go down as well as up. Bonanza Portfolio Ltd or its directors, employees, affiliates, or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy, or reliability of such information, opinions, or views.

While due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates, or representatives of M/s. Bonanza Portfolio Ltd shall be liable. Research reports may differ between M/s. Bonanza Portfolio Ltd Research Analysts and other entities on account of differences in personal judgment and time horizons for which recommendations are made. The research entity has not been engaged in market-making activity for the subject company. The research analyst has not served as an officer, director, or employee of the subject company and has not received any compensation or benefits from the subject company or any third party in connection with this research report.

Bonanza Portfolio Ltd.

Bonanza House, Plot No. M-2, Cama Industrial Estate, Walbhat Road, Goregaon (E), Mumbai – 400063 Phone: 022-68363794/708 Website: <https://www.bonanzaonline.com> SEBI Regn. No.: INZ000212137 BSE CM: INB 011110237 | BSE F&O: INF 011110237 | MSEI: INE 260637836 | CDSL: 12033500 INSDL: a) IN 301477 | b) IN 301688 (Delhi) | PMS: INP 000000985 | AMFI: ARN -0186
Compliance Officer: Trupti Milind Khot, 022-62735507, compliance@bonanzaonline.com