



GK Energy Limited

Initial Public Offering (IPO) Report – September 2025

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DETAILS

IPO Open/Close Dates	September 19,2025 - September 23,2025
Issue Size (₹ Cr)	₹464.26 crores
Price Band & Lot Size	₹145 - ₹153 per share (Lot size : 98 shares per lot)

Total Issue Size: ₹464.26 crores (as per DRHP)

- Fresh Issue: ₹ 464.26 crores
- Offer For Sale : ₹ 64.26 crores

Promoter Dilution:

- of total issue size: **14.65%**
- Promoter holding pre-issue: **78.64%**

Objects of the Issue:

- Funding long -term working capital requirements - ₹322.46 crs

INDUSTRY OVERVIEW

INDUSTRY SIZE, GROWTH TRENDS, AND PROJECTIONS

- India's installed solar capacity reached 97–105 GW in 2024–25, up from just 2.5 GW in 2014, showing rapid scale-up due to government push and rising demand.
- Domestic solar-powered pump market size touched **₹39 billion in FY24**, with the sector logging a **15% CAGR since FY19**.
- Rooftop solar capacity was **18.8 GW** as of June 2025; segment has multiplied sevenfold from 2020–2025 due to schemes like **PM Surya Ghar Yojana**.
- Module/cell manufacturing in India grew from **21 GW/3.2 GW (2022)** to **82 GW/23 GW (2025)** due to Production Linked Incentive (PLI) and import substitution policies.
- India's solar market saw a record **30.7 GW new installations in 2024**, more than double the previous year; top states (Rajasthan, Gujarat, Maharashtra, Haryana) contributed **70%+ of additions**.
- Utility-scale and competitive bid solar plants are expected to add **110–115 GW by 2029**, while rooftop/distributed solar will add **23–28 GW** in the same period.
- Market size for solar-powered pumps is projected to reach **₹300–320 billion by FY29**, with unit installations forecasted to jump from **0.85 million in mid-2025** to **4 million by FY29** fueled by **PM-KUSUM**

KEY GROWTH DRIVERS & HEADWIND

Key Growth Drivers

- **Abundant Solar Resource & Land Availability:** India's vast wasteland and high solar irradiance provide a huge potential for solar power generation.
- **Robust Government Policies & Incentives:** Flagship schemes like PM-KUSUM, Solar Park Scheme, PLI, and rooftop solar programs accelerate adoption and manufacturing growth.
- **Expanding Rooftop Solar & Utility-Scale Projects:** Rapid capacity additions through competitive bidding and financial incentives fuel market expansion.
- **Declining Costs & Rising Fossil Fuel Prices:** Cost reductions in solar modules and rising diesel prices improve economic attractiveness of solar technologies.
- **Technological Innovations in Solar Systems:** Integration of IoT, AI, and smart monitoring enhances system efficiency and reduces operational costs.
- **Growth in Domestic Manufacturing Capacities:** Strengthening local supply chains through increased solar module and cell manufacturing mitigate import dependence.
- **Increasing Awareness and Innovative Financing:** Solar leasing, green bonds, and improved consumer education lower adoption barriers.

Industry Headwinds (Challenges)

- **High Initial Capital Investment:** Upfront costs remain a barrier for many farmers and households despite subsidy support.
- **Uncertain Policy Landscape:** Potential fluctuations or withdrawal of key subsidies and tariffs create market uncertainty.
- **Supply Chain Disruptions and Price Volatility:** Raw material shortages and fluctuating prices affect project timelines and costs.
- **Grid Infrastructure Limitations:** Poor distribution networks and integration challenges impact solar project viability.
- **Competitive Market Pressures:** High competition necessitates continual innovation, efficiency, and scale.
- **Limited Awareness in Rural Areas:** The benefits of solar power have yet to fully penetrate remote and underserved regions.
- **Environmental and Geopolitical Risks:** Natural disasters and global trade tensions threaten supply stability and project execution

- **PM-KUSUM (Pradhan Mantri Kisan Urja Suraksha evam Utthaan Mahabhiyan)**: Launched in 2019 with ₹344 billion outlay, this scheme promotes solar-powered pump systems for irrigation to reduce diesel dependency and provide energy security to farmers. It has three components targeting decentralized solar plants, standalone solar pumps, and solarization of existing grid-connected agriculture pumps.
- **PM Surya Ghar Yojana**: Aims at making 10 million households energy self-sufficient by promoting rooftop solar installations generating up to 300 units/month with subsidy support.
- **Production Linked Incentive (PLI) Scheme**
Introduced to boost domestic manufacturing of high-efficiency solar PV modules with ₹240 billion outlay, supporting capacity expansions and import substitution.
- **Renewable Purchase Obligations (RPO)**
Mandates DISCOMs and obligated entities to meet a minimum share of renewable energy in total electricity purchases, gradually rising to 43.3% by 2030.
- **Basic Customs Duty (BCD)**
Imposed 40% duty on solar modules and 25% on cells to promote domestic manufacturing and level the price gap against imports.
- **Approved List of Models and Manufacturers (ALMM)**
Ensures quality by permitting only enlisted models/manufacturers for government-supported solar projects, encouraging investments in efficient technologies like Mono PERC and TopCon.
- **State-Level Initiatives**
Various states have launched schemes like Maharashtra's Magel Tyala Saur Krushi Pump Yojana, Chhattisgarh's Saur Sujala Yojana, and Madhya Pradesh's Pradhan Mantri Krishak Mitra Surya Yojana to complement central efforts with higher subsidies and outreach.
- **International Solar Alliance (ISA)**
India is a founding member supporting global solar cooperation and enhancing technology transfer and finance for solar adoption.
- **Green Energy Corridor Scheme & Ultra Mega Renewable Energy Parks**
Infrastructure development schemes to facilitate large-scale renewable energy generation and its integration into the grid.
- **Net Metering & Open Access Policies**
Encourage rooftop solar adoption by enabling consumers to sell surplus solar power to the grid and purchase renewable power directly.

COMPETITIVE LANDSCAPE & POSITIONING

- **Fragmented Market Structure** – The Indian EPC and O&M services market in power transmission is highly fragmented with the presence of both large, established players and smaller regional contractors.
- **Presence of Large Integrated Competitors** – GK Energy faces competition from well-capitalised and diversified infrastructure conglomerates who have a pan-India presence, established relationships with utilities, and stronger financial resources.
- **Regional/Local Contractors** – Alongside big players, regional contractors compete aggressively in specific geographies by leveraging lower cost structures and localised presence.
- **Tender-Based Bidding** – Competition is primarily on tender-based bidding for projects awarded by state utilities, SEBs, and central PSUs, where pricing competitiveness often outweighs experience.
- **GK Energy's Positioning** – The company positions itself as a mid-sized, cost-efficient EPC and O&M service provider with strong execution capabilities, focusing on timely delivery and efficiency as differentiators in a price-sensitive market.
- **Scale & Resource Constraints** – Unlike larger competitors with superior balance sheets and integrated operations, GK Energy's relatively smaller scale and financial resources limit its ability to bid for very large projects or match aggressive pricing.

PEER COMPARISON TABLE (REVENUE, MARGINS, VALUATION MULTIPLES)

Company Name	EPS (Basic)	EPS (Diluted)	NAV (per share) (Rs)	P/E (x)	RoNW (%)	P/BV Ratio
GK Energy Limited	7.86	7.86	12.35	-	63.71	-
Shakti Pumps (India) Ltd.	33.97	33.97	96.59	24.11	35.2	8.53
Oswal Pumps Limited	28.21	28.18	44.56	29	93	18.57

Financial Analysis

Related Party Transactions

FY	Grand Total (₹ lakh)	Movement vs. Previous Year	% Change
2023	235.33	-	-
2024	253.05	+17.72	+7.5%
2025	262.61	+9.56	+3.8%

- FY2023 → FY2024 (+7.5%):** Increase driven by **higher unsecured loans outstanding (₹42.53 → ₹105.52 lakh)** and **loans received (₹15.00 → ₹49.37 lakh)**, partially offset by a decline in purchases from related parties (₹139.54 → ₹16.02 lakh).
- FY2024 → FY2025 (+3.8%):** Marginal rise mainly on account of **higher managerial remuneration (₹72.00 → ₹166.45 lakh)**, despite reduction in loans received (₹49.37 → ₹0.50 lakh) and receivables (₹5.92 → ₹0.00 lakh).

The company’s related party transactions show an **upward trajectory across FY23–25**, but the **nature has shifted** — from **heavy purchase dependence in FY23**, to **loan reliance in FY24**, and finally towards **management remuneration payouts in FY25**. This indicates **evolving patterns of related party exposure** rather than consistent reliance on one stream.

DEBTORS’ TURNOVER RATIO TREND ANALYSIS

FY	Trade Receivables (₹ lakh)	Revenue (₹ lakh)	Debtors’ Turnover Ratio (x)
2023	1,126.43	2,854.52	3.66
2024	1,519.16	4,123.12	3.11
2025	3,608.50	10,991.76	4.27

- **FY2023 → FY2024 (Decline: 3.66 → 3.11)**

- Reason: Trade receivables grew faster than revenue (**₹1,126.43 → ₹1,519.16 lakh, +35%**) compared to revenue growth (**₹2,854.52 → ₹4,123.12 lakh, +44%**).
- Indicates **slower receivable collection** despite revenue expansion.

- **FY2024 → FY2025 (Improvement: 3.11 → 4.27)**

- Reason: Revenue jumped sharply (**₹4,123.12 → ₹10,991.76 lakh, +167%**), while receivables also rose (**₹1,519.16 → ₹3,608.50 lakh, +138%**) but at a slower pace than revenue.
- Suggests **better credit management and faster realisations** relative to sales growth.

FY2024 showed a **stress point in collections** as receivables built up. FY2025 reflects a **healthy turnaround**, with sales growth outpacing receivables — a positive sign for working capital efficiency. Sustaining DTR above **4x** will be crucial to maintain liquidity, given the company's aggressive topline growth trajectory.

PROFITABILITY TREND AND REASONING FOR INCREASE IN YEAR BEFORE IPO

FY	PAT (₹ lakh)	PAT Margin
2023	100.80	3.5%
2024	360.90	8.8%
2025	1,332.09	12.1%

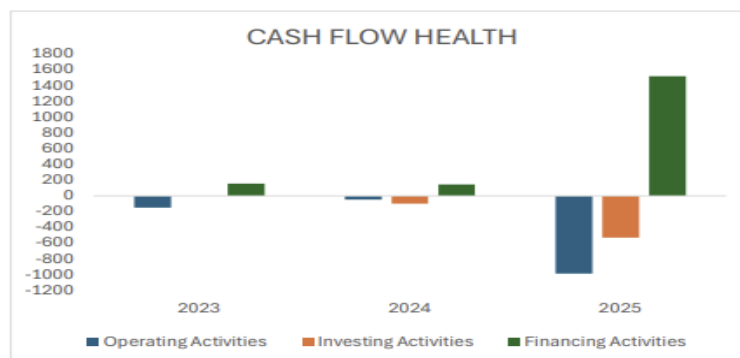
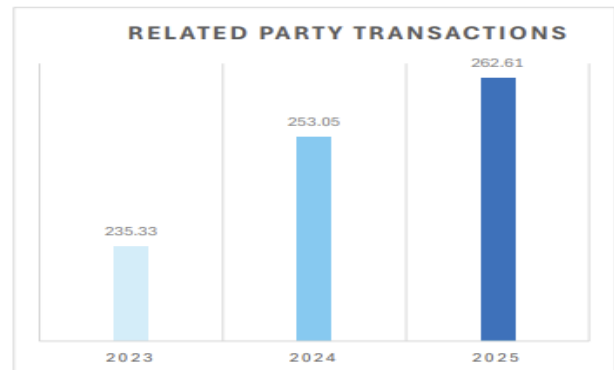
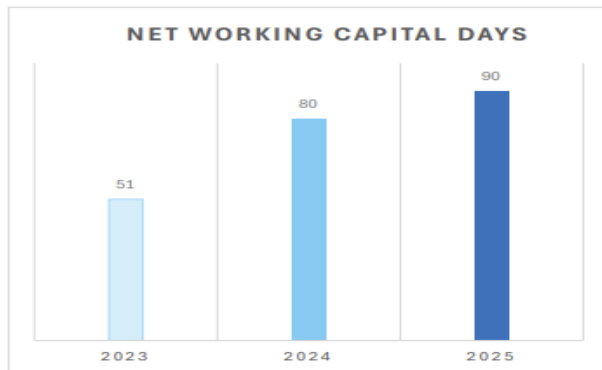
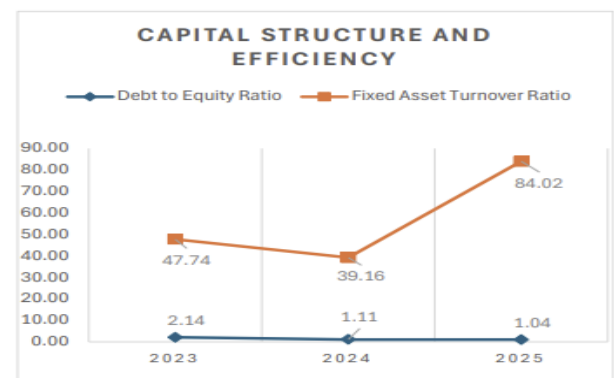
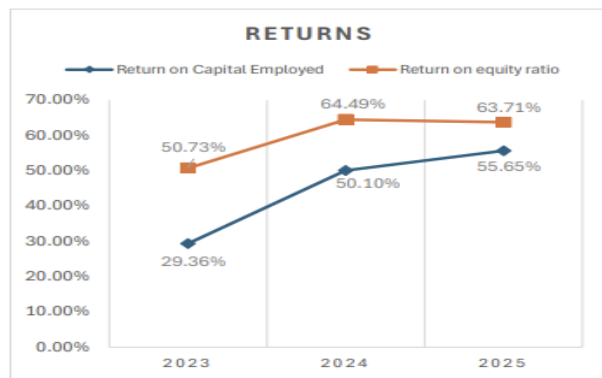
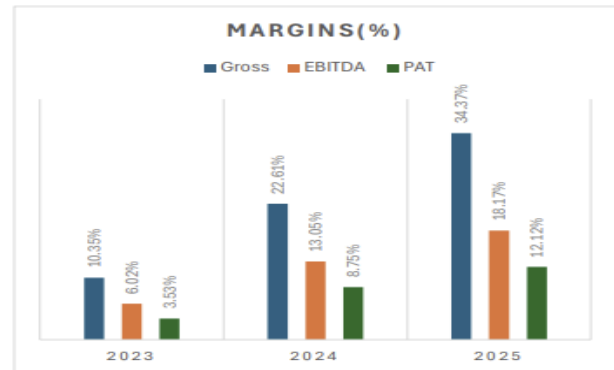
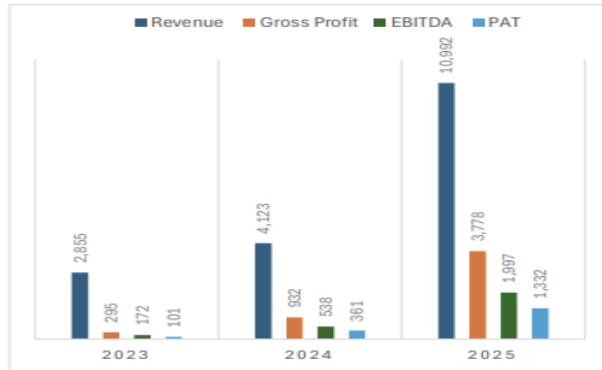
FY2023 → FY2024

- Revenue grew **44%** (**₹2,850 → ₹4,111 lakh**).
- PAT jumped **~3.6x** (**₹100.8 → ₹360.9 lakh**).
- Reason: Operating leverage visible — expenses grew slower than revenue, particularly COGS. However, finance costs rose (**₹36.5 → ₹61.0 lakh**) **due to debt reliance**.
- Margins improved: PAT margin **3.5% → 8.8%**.
- **FY2024 → FY2025**
- Revenue surged **167%** (**₹4,111 → ₹10,948 lakh**)
- PAT rose **3.7x to ₹1,332 lakh**.

Reason: Strong topline expansion with better cost absorption (**COGS-to-sales fell from 72% to 64%**). Employee and other expenses rose, but scale benefits drove EBITDA margin up. Finance cost also spiked (**₹61 → ₹223 lakh**), but did not offset strong operating gains.

- Margins strengthened further: PAT margin 8.8% → 12.1%

Summary of Financials and Ratios



CASH FLOW HEALTH

Operating Activities

- **FY23:** Strong positive operating cash flow supported by healthy profits and working capital management. Net cash outflow was (₹149.41 lakh).
- **FY24:** Net inflow shrank to (₹48.63 lakh) as trade receivables and other current assets surged, consuming cash despite higher profit.
- **FY25:** Turned sharply negative at (₹986.02 lakh), mainly due to a steep rise in trade receivables, inventories, and other current assets, even though profits peaked.
- **Insight:** Profitability is improving, but cash conversion has weakened significantly, showing working capital stress.

Investing Activities

- **FY23 & FY24:** Net outflows of (₹3.35 lakh) and (₹97.44 lakh), mainly due to minor capital expenditure and changes in bank balances.
- **FY25:** Significant outflow of (₹530.21 lakh) owing to higher capital expenditure and increase in bank balances for strategic purposes.
- **Insight:** Shift from small outflows to a substantial outflow indicates the company is in an investment/growth phase, possibly in preparation for IPO or expansion.

Financing Activities

- **FY23:** Net inflow of ₹154.47 lakh, supported by borrowings and minor share issuance.
- **FY24:** Slightly lower inflow at ₹146.20 lakh, reflecting moderate borrowings and repayments.
- **FY25:** Strong inflow of ₹1,520.55 lakh, driven by fresh equity, borrowings, and share premium, offsetting large operating and investing outflows.
- **Insight:** The company has relied heavily on external financing to support operations and investments, a typical pre-IPO strategy.

Overall Health

- Operating cash flows deteriorated from negative to sharply negative, indicating stress due to trade receivables and inventory build-up.
- Capex and investing outflows in FY25 reflect preparation for expansion or strategic growth.
- Financing inflows (equity + borrowings) were critical to sustain operations, showing dependence on external funding for liquidity.

AUDITORS' REMARKS

The statutory auditor has issued an unqualified opinion on the company's restated financial statements for FY22, FY23, and FY24, indicating that the financial statements present a true and fair view of the company's financial position and performance.

No material qualifications or adverse remarks have been reported by the auditors during the review of financials included in the DRHP/RHP.

This clean opinion provides assurance on the fair presentation and reliability of the company's operating results, cash flows, and balance sheet metrics disclosed in the DRHP.

RISK FACTORS

BUSINESS RISKS

- **Revenue Concentration Risk:** Revenue concentration in a few large government tenders — loss of a single tender cycle can cause a sharp drop in topline. Delays in disbursements by these customers can elongate cash conversion cycles.
- **Commodity Price Volatility:** Module, inverter, and metal price volatility can impact project costs in fixed-price contracts. Although partial hedging is done, sudden spikes may still hit gross margins.
- **Pre-IPO & OFS Overhang:** Anchor and promoter selling post lock-in could create near-term supply pressure.

CAPEX RISKS

- **Working Capital Risk:** Large upfront funding needed; delays in receivables can strain liquidity.
- **Execution Risk:** Timely delivery across multiple states is critical; delays may invite penalties.

PRICING PRESSURES

- **Competitive Tendering:** Contracts are awarded largely on L1 (lowest cost) basis, which forces aggressive pricing. Intense competition from other EPC players and regional contractors can result in lower margins and occasional order loss.

REGULATORY AND COMPLIANCE RISKS

- **Quality Certification Issues:** Business requires adherence to MNRE guidelines, DISCOM specifications, and quality certifications. Any non-compliance may lead to disqualification from tenders or termination of contracts.
- **Dependence on Government Programs:** A significant share of GK Energy's revenue is tied to government programs (PM-KUSUM, Jal Jeevan Mission). Any policy changes, subsidy cuts, or budgetary delays may reduce order inflow and affect revenue visibility.
- **Geography-specific:** State-level policy differences (net-metering caps, subsidy allocation) can affect order pipeline from certain regions. GK must continuously diversify to mitigate over-reliance on any single state.
- **Taxation Risk:** Any lapses in GST, labour law, or other statutory filings could result in penalties, interest liabilities, or reputational damage.

GMP ANALYSIS

Grey Market Premium (GMP) is the unofficial market price at which IPO shares are traded before listing. It indicates market sentiment and potential listing gain expectations but is not regulated by SEBI.

LATEST GMP TRENDS

Below is a day-by-day snapshot of the grey market premium based on data from leading unofficial trading trackers:

Date (2025)	Implied Listing Price	GMP (₹ per share)
September 19 (Pre IPO)	~₹182	~₹29
September 20 (Day 1)	~₹177	~₹24
September 21 (Day 2)	~₹178	~₹25
September 22 (IPO closes)	~₹180	~₹27

- Current GMP indicates ~14–18% listing gains if sentiment holds until listing day.

INTERPRETATION & IMPLICATIONS

- GMP started very strong (~20% premium), showing robust early demand.
- GMP has stayed in the ₹22–28 range, showing sustained investor interest.
- Any fall below ₹20 could signal weakening sentiment, potentially pulling down listing gains into single digits.

LONG TERM OUTLOOK

SHORT- TERM & LONG- TERM OUTLOOK

- Fresh proceeds (~₹400 Cr) will ease liquidity constraints and accelerate project execution in the next 2–3 quarters.
- ₹1,000+ Cr order book ensures steady topline growth in FY26.
- Government announcements on PM-KUSUM or rooftop solar subsidies could create price spikes.
- Any sudden rise/fall in solar module prices may affect sentiment toward EPC players.
- Pre-IPO and anchor investor selling behavior post lock-in will influence short-term price action.
- Healthy GMP may attract profit booking on debut, partial booking recommended for short-term players.

Long-Term Outlook:

- Positioned to ride India's 500 GW renewable energy target by 2030 and the PM-KUSUM scheme.
- Operating leverage could improve EBITDA margins as execution scales and procurement efficiencies kick in.
- Potential to cross ₹1,300–1,500 Cr revenue by FY28 if order inflow remains robust.
- Growing presence in Jal Jeevan Mission and rooftop solar provides multiple revenue streams.
- Reduced reliance on short-term debt post-IPO will improve credit profile and allow future capacity expansion.
- Presence of reputed pre-IPO investors (Valuequest, 360 One, Kotak AIF) enhances credibility and may attract more coverage.
- Long-term growth contingent on timely project delivery and steady government order flow.

KEY POSITIVES

- FY25 revenue crossed ₹1,090 Cr with a healthy order book of ₹1,000+ Cr, providing 18–24 months visibility.
- 40%+ YoY revenue growth and sharp PAT expansion (FY24 → H1 FY25).
- Direct beneficiary of PM-KUSUM, Jal Jeevan Mission, and rooftop solar incentives.
- Ensures better liquidity compared to SME peers, attracts a wider investor base.

KEY RED FLAGS

- Over 70% of revenue is tied to government schemes. Policy delays or budget cuts can impact order inflow.
- Multi-state projects increase risk of delays, penalties, and cost overruns.
- Post-lock-in selling by pre-IPO investors or promoters could depress prices.
- Broader market weakness or sector news can quickly impact valuations and listing performance.

TARGET LISTING GAIN (SPECULATIVE ESTIMATE):

- **₹22 - 28/share** expected GMP
- Implies **~14 - 18%** listing gain (if sentiment holds)

LONG-TERM FAIR VALUE ESTIMATE:

- No broker consensus available yet.
- Rough valuation: if the company achieves ₹1300-1500 Cr revenue in the next 3 years sustaining a net profit margin of ~5%, fair market cap could range ₹1170-1430 Cr.

Thank you for reading our detailed analysis on GK Energy Ltd. We hope you found valuable insights that help you understand the company's strategic, operational, and financial landscape. Stay connected with us for more such deep dives and market insights:

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