

## Supreme Power Equipment Ltd — 20 Dec 2024 Credit Rating Summary

Section	Details
Agency	CRISIL Ratings
Rating Change	Assigned CRISIL BBB- / Stable / CRISIL A3 (Initial Rating)
Outlook (Current vs Previous)	Stable (Current) vs N/A (New Rating)
Key Drivers of Change	<ol style="list-style-type: none"> <li><b>Order Book Visibility:</b> ₹100–110 Cr orders provide 6–12 months of revenue certainty.</li> <li><b>Low Leverage:</b> TOL/ANW ratio at 0.54x (Mar-24) allows significant room for future borrowing.</li> <li><b>Earnings Protection:</b> Interest coverage ratio at 7.9x ensures high safety for debt servicing.</li> <li><b>Promoter Expertise:</b> 2+ decades in transformer manufacturing aids technical execution.</li> </ol>
Rated Instruments	<ul style="list-style-type: none"> <li><b>Rupee Term Loan:</b> ₹35.00 Cr (BBB-/Stable)</li> <li><b>Bank Guarantee:</b> ₹21.00 Cr (A3)</li> <li><b>Proposed LT Facility:</b> ₹9.63 Cr (BBB-/Stable)</li> <li><b>Cash Credit:</b> ₹9.00 Cr (BBB-/Stable)</li> </ul>
Key Observations	<p><b>Positives:</b></p> <ul style="list-style-type: none"> <li>Healthy capital structure post-SME IPO listing (Dec 2023).</li> <li>Steady cash accruals expected at ₹13–14 Cr/annum.</li> <li>Diversified product range (transformers, HT lines, electrical deals).</li> </ul> <p><b>Risks:</b></p> <ul style="list-style-type: none"> <li><b>Severe Working Capital Stretch:</b> GCA days of 222–263; Debtors take 119–211 days to pay.</li> <li><b>Tender Risk:</b> Revenue depends on aggressive bidding; margins are vulnerable to competition.</li> <li><b>Cyclicality:</b> High dependence on the construction and power infrastructure sectors.</li> </ul>
Investor Impact	<ul style="list-style-type: none"> <li><b>Growth:</b> Healthy order-to-sales ratio suggests a scale-up phase.</li> <li><b>Margins:</b> Downward pressure possible due to tender-based bidding; sensitivity trigger is &lt;12%.</li> <li><b>Leverage:</b> Strong balance sheet; no immediate risk of debt-trap despite high working capital.</li> <li><b>Dilution Risk:</b> Low in the near term given recent listing and adequate internal accruals.</li> </ul>
Agency / Cross Analysis	<p><b>New Agency:</b> This is a fresh rating assignment following the company's transition to a public limited entity and SME listing.</p> <ul style="list-style-type: none"> <li><b>Key Reasoning:</b> CRISIL bases the investment grade (BBB-) on the "Strong Financial Risk Profile" which compensates for the "Weak Working Capital Management."</li> <li><b>Conclusion: Improvement.</b> The rating provides institutional validation for a recently listed SME, though the "Stable" outlook reflects a "wait-and-watch" on debtor realization.</li> </ul>
Final Inference	<b>Real fundamental strength with an efficiency bottleneck.</b> The low leverage and strong order book are equity-positive, but the 200+ day cash cycle is a "red flag" for ROE. Upside depends on management's ability to collect cash faster.