Supreme Power Equipment Ltd — FY 2026 Annual Report Analysis

Annual Report Analysis (Consolidated)

Source: CRORES. All figures Crores. Pipeline: v5-Gemini — W1a → W3 → W1b+W2+W2F (parallel, notes-injected) → Merge.

Investor Snapshot

#	Analytical Point	Sentiment
1	**Supreme Power Equipment has transitioned from a distribution transformer player to the high-entry-barrier 220kV segment, significantly expanding its addressable market and technical moat.**	□
2	**Revenue visibility is exceptionally high with a book-to-bill ratio of 3.24x, supported by a consolidated order book of □588.17 Cr, though execution speed remains the critical variable.**	□
3	Profitability metrics show a dichotomy between technical success and capital efficiency, with ROCE compressing from 25% to 18% as the company absorbs the costs of massive capacity expansion.	□
4	**Operational leverage is poised to improve following a 3.6x increase in installed capacity to 9,000 MVA, providing the necessary infrastructure for multi-year revenue scaling.**	□
5	***The balance sheet has undergone significant stress with total debt surging 166.6% to 49.97 Cr, resulting in a precipitous drop in DSCR from 8.62 to 2.48.***	□
6	***Cash flow quality is poor, characterized by a negative FCF of 32 Cr and a CFO of 26 Cr that was artificially supported by a 30.67 Cr stretch in trade payables.***	□
7	***Heavy capital expenditure at the Kannur facility has moved the company into a high-leverage transition phase that is not yet value-accretive to shareholders.***	□
8	***Earnings quality is compromised by 0.73 Cr in interest paid on statutory dues, signaling underlying liquidity tightening and potential lapses in working capital management.***	□
9	***Governance concerns are elevated due to high Related Party Transaction (RPT) circularity, accounting for 30% of revenue, with management seeking to further increase these limits.***	□
10	***Inventory stress is evident as stock levels grew 96.9% YoY to 62.10 Cr, significantly outpacing the 22.1% revenue growth and creating a potential working capital trap.***	□
11	The outlook depends entirely on fixed-cost absorption at the new facility and the company’s ability to convert its 3.2x book-to-bill into cash without further equity dilution or debt spikes.	□
12	Stance is WATCH: Investment is contingent on the Kannur facility reaching 70% utilization and the Inventory Turnover Ratio improving from 2.89x toward the 4.0x target.	□

1. BUSINESS OVERVIEW

- **Structural Pivot:** FY 2026 marks the formal transformation from a regional distribution transformer manufacturer to a transmission-class player.
- **Capacity Expansion:** Installed capacity has surged 3.6x from 2,500 MVA to 9,000 MVA following the commissioning of the Kannur facility.
- **Technical Graduation:** The company has moved from a ceiling of 50 MVA / 132 kV to 200 MVA / 220 kV, entering a higher-margin segment with higher barriers to entry.

- **Capacity Utilization:** Actual production stands at 1,750 MVA, representing a capacity utilization of only 45-50%, indicating significant operating leverage potential.
- **Order Book Visibility:** Consolidated order book stands at ₹588.17 Cr against consolidated revenue of ₹181.6 Cr, creating a book-to-bill ratio of 3.24x.
- **Revenue Drivers:** Growth is increasingly driven by higher-rated transformer projects and entry into new utility markets (KPTCL, KSEB).
- **Cost Drivers:** Fundamental dependency on Cold-Rolled Grain-Oriented (CRGO) steel (76%+ of revenue), which faces a 30% domestic shortfall in India.
- **Geographical Presence:** Stronghold in Tamil Nadu (TANGEDCO) with active expansion into Kerala, Karnataka, and Telangana.
- **New Market Segments:** Targeting Data Centers (12 GW opportunity by 2030) and EV charging infrastructure to diversify away from State Electricity Boards (SEBs).

2. MANAGEMENT COMMENTARY & OUTLOOK

- Management's narrative has shifted from "building" to "execution," characterizing the Kannur facility as the single largest expansion of the company's capabilities.
- The primary strategic focus is "Value Chain Migration," winning qualifications for higher-rated 220 kV projects previously out of reach.
- Management positions the company as a "Green Energy Proxy," targeting India's 43 GW annual renewable additions with specialized inverter-duty and windmill transformers.
- The national transmission investment of ₹9.15 lakh Crore through 2032 is identified as the primary addressable market.
- Management acknowledges a 2-3 year gestation period for the Kannur facility to reach optimal utilization, as customer confidence in high-voltage equipment must be earned through field performance.
- Operational priorities for FY 2027 include securing approvals for higher voltage classes and moving deeper into Kerala, Karnataka, and Telangana markets.
- The company is signaling aggressive growth by seeking to hike borrowing limits from ₹300 Cr to ₹500 Cr (a 66% increase).
- Management defends the RPT structure with Danya Electric (where they hold 90%) as "uniquely structured" for synergy, despite seeking to hike RPT limits to ₹125 Cr.
- Management is signaling that the "Safety First" post-IPO phase is over. They are now positioning the company as an aggressive, high-stakes infrastructure player. The narrative is heavily focused on the upside of the 220 kV transition while passing over the liquidity risks associated with a 3.2x book-to-bill ratio and a massive increase in debt capacity. (Management Tone).

3. FINANCIAL ANALYSIS

3.1 Financial Statements

Source: Screener.in — all monetary values in Crores. Use these numbers directly.

Basis: CONSOLIDATED.

P&L Statement (□Crores)

Line Item	Mar 2026	Mar 2025
Sales -	182.00	149.00
Sales Growth %	22.14	31.08
Expenses -	149.00	120.00
Material Cost % -	75.00	75.00
Raw material cost	166.00	122.00
Change in inventory	-31.00	-10.00
Manufacturing Cost %	0.00	1.00
Employee Cost %	2.00	2.00
Other Cost %	5.00	2.00
Operating Profit	33.00	28.00
OPM %	18.00	19.00
Other Income -	0.00	1.00
Exceptional items	0.00	0.00
Other income normal	0.46	0.82
Interest	3.00	3.00
Depreciation	2.00	0.00
Profit before tax	29.00	26.00
Tax %	27.00	27.00
Net Profit -	21.00	19.00
Minority share	-0.24	-0.33
Exceptional items AT	0.00	0.00
Profit excl Excep	20.68	18.93
Profit for PE	20.44	18.60
Profit for EPS	20.44	18.60
Profit Growth %	9.89	32.86
EPS in Rs	8.18	7.44
Dividend Payout %	0.00	0.00

Balance Sheet (□Crores)

Line Item	Mar 2026	Mar 2025
Equity Capital	25.00	25.00
Reserves	93.00	68.00
Borrowings -	50.00	19.00
Long term Borrowings	33.12	9.09
Short term Borrowings	16.86	9.65
Other Borrowings	0.00	0.01
Other Liabilities -	93.00	47.00
Non controlling int	4.00	4.00
Trade Payables	62.00	32.00
Advance from Customers	0.00	3.00
Other liability items	27.00	9.00
Total Liabilities	261.00	158.00
Fixed Assets -	92.00	15.00
Land	0.00	5.06
Building	0.00	2.40
Plant Machinery	0.00	2.69
Equipments	0.00	6.48
Computers	0.00	0.26
Furniture n fittings	0.00	0.21
Vehicles	0.00	1.07
Intangible Assets	1.43	0.00
Other fixed assets	0.00	0.00
Gross Block	0.00	18.17
Accumulated Depreciation	0.00	3.55
CWIP	28.00	49.00
Investments	0.00	0.00
Other Assets -	142.00	94.00
Inventories	62.00	32.00
Trade receivables -	47.00	45.00
Receivables over 6m	0.00	10.50
Receivables under 6m	0.00	34.65
Cash Equivalents	10.00	6.00
Loans n Advances	0.00	1.00
Other asset items	23.00	10.00
Total Assets	261.00	158.00

Cash Flow Statement (□Crores)

Line Item	Mar 2026	Mar 2025
Cash from Operating Activity -	26.00	39.00
Profit from operations	31.38	28.74
Receivables	-1.69	20.51
Inventory	-30.56	-11.36
Payables	30.67	8.82
Other WC items	4.58	-0.94
Working capital changes	3.00	17.03
Direct taxes	-8.47	-6.41
Cash from Investing Activity -	-57.00	-41.00
Fixed assets purchased	-57.00	-40.00
Fixed assets sold	0.00	0.00
Investments sold	0.00	0.00
Interest received	0.00	0.00
Other investing items	0.00	-1.00
Cash from Financing Activity -	35.00	7.00
Proceeds from shares	0.00	0.00
Proceeds from borrowings	31.37	9.52
Repayment of borrowings	0.00	0.00
Investment subsidy	0.00	-0.02
Interest paid fin	-1.47	-2.54
Other financing items	5.27	0.00
Net Cash Flow	4.00	6.00
Free Cash Flow	-32.00	0.00
CFO/OP	105.00	162.00

Key Ratios (□Crores)

Line Item	Mar 2026	Mar 2025
Debtor Days	94.00	111.00
Inventory Days	167.00	103.00
Days Payable	168.00	103.00
Cash Conversion Cycle	94.00	111.00
Working Capital Days	39.00	75.00
ROCE %	22.00	28.00

3.2 Financial Analysis Summary

- **Revenue** increased to **₹182.00 Cr** representing a **22.14%** growth YoY, primarily driven by a **39.5%** surge in gross **Sale of Goods** to **₹230.88 Cr**, which was significantly offset by a **105%** increase in "Mutual Owings" eliminations to **₹50.18 Cr**, while **Trade Receivables** remained relatively flat at **₹46.85 Cr**, suggesting that growth was not yet fully converted to cash collections.
- **EBITDA** margin moderated to **18.13%** from **18.79%**, as **Employee Benefit Expenses** outpaced top-line growth by rising **45.32%** to **₹4.54 Cr** and **Other Expenses** spiked to **6.1%** of total expenses, driven by a tripling of business promotion costs to **₹0.98 Cr** and a **76%** rise in transport charges to **₹1.33 Cr**.
- The **Balance Sheet** underwent significant expansion as **Fixed Assets** (Net Block) jumped from **₹15.00 Cr** to **₹92.00 Cr** following the capitalization of **₹40.31 Cr** from **CWIP** into **Plant & Machinery** and **Buildings**, leading to a **270%** surge in **Depreciation** to **₹1.74 Cr** which will continue to act as a drag on **PAT** margins.
- **Working Capital** intensity increased sharply as **Inventory** nearly doubled to **₹62.00 Cr**, with **Work-in-Progress** comprising **62.43%** of the total at **₹38.77 Cr**, signaling potential production bottlenecks or long-cycle orders that consumed significant cash, contributing to a **Free Cash Flow** deficit of **₹-32.00 Cr**.
- To fund aggressive **Capex** and **Working Capital**, **Total Debt** surged **166.65%** to **₹49.97 Cr**, including a new **₹3.11 Cr** unsecured loan from the Managing Director, which caused the **Debt Service Coverage Ratio** to collapse from **8.62** to **2.48** and increased the **Net Debt / EBITDA** to **1.21x**.
- Despite **PAT** growing to **₹21.00 Cr**, **CFO / PAT** declined to **1.24x** from **2.05x**, as the cash benefit from a doubling of **Trade Payables** to **₹62.00 Cr**—of which **57.77%** is owed to **MSME** suppliers—was insufficient to offset the heavy **Inventory** build-up.
- **ROCE** diluted significantly to **18%** from **25%** as the **52%** increase in capital employed (Debt + Equity) failed to generate a proportionate increase in **EBIT**, resulting in a weak incremental ROIC of **7.44%** for the FY2023-2026 period.
- **Earnings Quality** is pressured by **Finance Costs** containing **₹0.73 Cr** of "**Interest on Statutory Dues**," indicating potential liquidity stress or tax non-compliance, and a **76%** increase in the "**1-2 years**" **Trade Receivables** aging bucket to **₹6.05 Cr** which raises future provisioning risks.
- The issuance of **12.47 lakh** convertible warrants at **₹169** per share provided **₹5.27 Cr** in immediate liquidity but will lead to future equity dilution, as already evidenced by the **Diluted EPS** of **₹8.15** being lower than the **Basic EPS** of **₹8.18**.
- **Other Assets** were impacted by a sharp jump in **GST Input Tax Credit** to **₹8.73 Cr** (from **₹2.61 Cr**) and a tripling of **Advance to Suppliers** to **₹3.52 Cr**, while **Other Liabilities** were driven by a massive **522%** spike in **Advance from Customers** to **₹17.19 Cr**, providing a critical non-interest bearing liquidity buffer.
- **Other Expenses** were pressured by a doubling of **Miscellaneous Expenses** to **₹1.38 Cr** and a **76%** rise in **Transport Charges** to **₹1.33 Cr**, reflecting increased logistics and acquisition costs associated with the capacity ramp-up.
- Supreme Power Equipment is currently in an aggressive asset-heavy expansion phase characterized by robust **Revenue** growth and successful **CWIP** conversion, yet it faces significant financial strain from negative **FCF**, deteriorating **ROCE**, and a rapidly increasing **Debt** burden that is currently being bridged by high **MSME** payables and promoter funding.

3.3 Contingent Liabilities & Commitments

- **Guarantees (EMD/BG):** ₹5.37 Cr in deposits for Earnest Money Deposits and Bank Guarantees, reflecting significant performance/financial guarantee exposure typical of tender-based capital goods contracts.
- **Corporate Guarantees:** The company maintains a ₹14.70 Cr corporate guarantee for its subsidiary, Danya Electric Company.

- **Tax Disputes:** Note 30 reports "Nil" for IT/TDS/ESI demands; however, the P&L reports □0.73 Cr in "Interest on Statutory Dues," signaling historical delays in payments.
- **Capital Commitments:** Management reports zero estimated amount of contracts remaining to be executed on capital account, suggesting the current expansion phase is nearing completion.

3.9 Earnings Quality & Forensic Checks

Read	Question	Verdict	Confidence	Checked
1	Is the growth real?	***WATCH***	high	6/6
2	Does profit become cash?	***WATCH***	high	5/5
3	Is the P&L being manufactured?	***FLAG***	high	6/6
4	Is value leaving to insiders?	***WATCH***	high	6/6
5	Can the balance sheet take a hit?	***WATCH***	high	5/5

Read 1 — Is the growth real? → WATCH

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
Receivables growth vs sales growth	Rs 45.15 Cr	Rs 46.85 Cr	3.76% growth in receivables against 22.13% growth in revenue	□CLEAN	n/a	Note WORKING CAPITAL DEEP DIVE
Receivables ageing (1-2 years bucket)	Rs 3.44 Cr	Rs 6.05 Cr	75.87% increase in aged receivables	□WATCH	Increases risk of future ECL provisioning for Rs 6.05 Cr of old dues	Note 17, p.87
Unbilled revenue	not disclosed	not disclosed	not disclosed	□ UNRESOLVED	n/a	Note 2, p.82
Mutual Owings (Intra-group eliminations)	Rs 24.43 Cr	Rs 50.18 Cr	105.40% increase in intra-group eliminations	□WATCH	Gross consolidated revenue from goods (Rs 230.88 Cr) is reduced by Rs 50.18 Cr (27.6% of net revenue) via intra-group adjustments	Note 20, p.88
Revenue from Related Parties (Jai Bharath Exchangers)	Rs 1.11 Cr	Rs 0.01 Cr	99.09% decrease in sales to related firm	□CLEAN	Reduces related party sales to negligible levels	Note 21, p.92
Advance from Customers	Rs 2.76 Cr	Rs 17.19 Cr	522.82% increase in customer advances	□CLEAN	Provides Rs 17.19 Cr of non-interest bearing liquidity and order book visibility	Note OTHER LIABILITIES, p.86

Mechanism: While headline revenue growth is supported by a significant jump in customer advances, the quality is hampered by a sharp 75.87% spike in aged receivables (1-2 years) and a doubling of intra-group transaction eliminations. **Aggregate impact:** Consolidated net revenue of Rs 181.64 Cr is net of Rs 50.18 Cr in intra-group eliminations, while Rs 6.05 Cr of receivables are now aged over one year. **Direction:** stable · **Watch next:** Receivables aged > 1 year · **Corroborates:** insider_leakage

Read 2 — Does profit become cash? → WATCH

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
CFO vs clean EBITDA	1.29	0.78	Cash conversion ratio dropped by 39.5%	☐ WATCH	Operating cash flows (Rs 25.90 Cr) now lag clean EBITDA (Rs 33.30 Cr)	Note 7.3/ P&L, p.35
Pre-tax operating conversion (CFO + tax paid) / EBITDA	1.51	1.03	Pre-tax conversion efficiency deteriorated from 1.51x to 1.03x	☐ WATCH	Operating cash generation before tax (Rs 34.38 Cr) barely covers EBITDA	Note Cash Flow, p.81
Inventory absorption of operating cash	Rs 11.36 Cr	Rs 30.56 Cr	169.01% increase in cash absorbed by inventory	☐ WATCH	Inventory growth (Rs 30.56 Cr) exceeded the entire year's CFO (Rs 25.90 Cr)	Note Cash Flow, p.81
Working Capital Movement (Trade Payables)	Rs 8.82 Cr	Rs 30.67 Cr	Trade payables provided Rs 30.67 Cr in cash buffer	☐ WATCH	Operating cash flow is heavily reliant on stretching suppliers, as payables increase (Rs 30.67 Cr) matches inventory absorption	Note Cash Flow, p.81
Cash tax paid vs book tax	Rs 6.41 Cr (paid) / Rs 7.00 Cr (book)	Rs 8.47 Cr (paid) / Rs 6.66 Cr (book)	Cash tax paid was 127% of current book tax	☐ WATCH	Cash outflow for tax (Rs 8.47 Cr) was higher than P&L charge, creating a liquidity drag	Note Cash Flow/P&L, p.81

Mechanism: Operating cash flow is entirely consumed by inventory build-up (Rs 30.56 Cr), leaving the company dependent on supplier credit (Payables increase of Rs 30.67 Cr) to maintain liquidity. **Aggregate impact:** Net cash from operations (Rs 25.90 Cr) is lower than EBITDA (Rs 33.30 Cr) due to a 96.9% surge in inventory levels. **Direction:** deteriorating · **Watch next:** Inventory turnover ratio · **Corroborates:** revenue_real

Read 3 — Is the P&L being manufactured? → FLAG

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
Exceptional items effect on PBT	Rs 0.00 Cr	Rs 0.00 Cr	No change; nil reported	☐ CLEAN	n/a	Note P&L, p.88
Non-operating / other income as % of PBT	3.14%	1.62%	Contribution of other income to PBT halved	☐ CLEAN	Other income of Rs 0.46 Cr has minimal impact on Rs 28.52 Cr PBT	Note P&L, p.88
Deferred tax movement	Rs 0.12 Cr	Rs 1.17 Cr	875% increase in deferred tax charge	☐ WATCH	Non-cash tax charge of Rs 1.17 Cr reflects timing differences from high capex	Note P&L, p.88
Provision reversals credited to income	not disclosed	not disclosed	not disclosed	☐ CLEAN	n/a	Note 21, p.88
Depreciation surge from capitalization	Rs 0.47 Cr	Rs 1.74 Cr	270.21% increase in depreciation expense	☐ WATCH	Reflects the capitalization of Rs 40.31 Cr from CWIP to PPE, creating a future PAT drag if assets are under-utilized	Note 27, p.88
Interest on Statutory Dues	Rs 0.001 Cr	Rs 0.73 Cr	Significant spike in non-operating finance costs	☐FLAG	Subtracts Rs 0.73 Cr from PBT due to apparent tax payment delays or non-compliance	Note 26, p.88

Mechanism: The P&L is being impacted by heavy expansion costs (270% depreciation jump) and non-productive finance costs (interest on statutory dues) rather than manufacturing via other income. **Aggregate impact:** Total expenses grew 24.37%, outpacing the 22.13% revenue growth, leading to a slight margin contraction. **Direction:** deteriorating · **Watch next:** Capacity utilization at Kannur facility · **Corroborates:** bs_stress

Read 4 — Is value leaving to insiders? → WATCH

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
Related Party Purchases (Jai Bharath Exchangers)	Rs 2.82 Cr	Rs 1.66 Cr	41.13% decrease in purchases from director-linked firm	□CLEAN	n/a	Note 21, p.92
KMP Remuneration vs PAT	6.92%	7.60%	Remuneration as % of profit increased slightly	□CLEAN	Total KMP remuneration (Rs 1.57 Cr) remains within reasonable bounds of Rs 20.67 Cr PAT	Note 21, p.92
Loan from Managing Director (Vee Rajmohan)	Rs 0.00 Cr	Rs 3.11 Cr	New unsecured loan taken from promoter	□WATCH	Signals liquidity reliance on promoter to fund expansion/ working capital	Note 7/21, p.85
Corporate Guarantee to Subsidiary	Rs 14.70 Cr	Rs 14.70 Cr	No change in outstanding guarantee for Danya Electric Company	□WATCH	Parent maintains significant credit exposure for the subsidiary's limits	Note 30, p.91
Promoter Pledge	not disclosed	not disclosed	not disclosed	□ UNRESOLVED	n/a	Note not disclosed
CSR Spend	Rs 0.21 Cr	Rs 0.37 Cr	76.19% increase in CSR spend, meeting statutory requirement	□CLEAN	Spent slightly over requirement by Rs 0.0003 Cr	Note 30, p.91

Mechanism: While direct trade with related firms is decreasing, the company is becoming more reliant on promoter funding (Rs 3.11 Cr loan) and maintaining high contingent credit support for its subsidiary. **Aggregate impact:** Total exposure to related parties includes a Rs 14.70 Cr guarantee and Rs 3.11 Cr in incoming loans. **Direction:** stable · **Watch next:** Promoter loan repayment terms · **Corroborates:** revenue_real

Read 5 — Can the balance sheet take a hit? → WATCH

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
Debt Service Coverage Ratio (DSCR)	8.62	2.48	71.23% drop in DSCR	☐ WATCH	Indicates significantly reduced headroom for debt servicing following the expansion	Note 33, p.94
Current Maturities of Long-term Debt	Rs 1.29 Cr	Rs 11.34 Cr	779% increase in upcoming debt repayments	☐ WATCH	Creates a Rs 11.34 Cr liquidity requirement for FY 2027	Note 10, p.85
CWIP Ageing (1-2 years)	Rs 12.98 Cr	Rs 3.26 Cr	Successful conversion of old CWIP into assets	☐ CLEAN	Rs 40.31 Cr moved to PPE during the year	Note 30, p.91
Contingent Liabilities vs Net Worth	Rs 14.70 Cr vs Rs 92.50 Cr (15.8%)	Rs 14.70 Cr vs Rs 112.90 Cr (13.0%)	Ratio of contingent liabilities to net worth improved slightly	☐ CLEAN	Outstanding guarantee remains stable at Rs 14.70 Cr	Note 30, p.91
Debt-Equity Ratio	0.20	0.42	110% increase in leverage	☐ WATCH	Total debt surged by 166.6% to Rs 49.97 Cr to fund the new facility	Note 33, p.94

Mechanism: The balance sheet has transitioned into a high-leverage phase with a 779% increase in current debt maturities and a collapsing DSCR, although the core factory expansion was successfully capitalised. **Aggregate impact:** Total debt of Rs 49.97 Cr now supports a significantly larger asset base, but requires Rs 11.34 Cr in repayments within 12 months. **Direction:** deteriorating · **Watch next:** Current Maturities of Long-term borrowings · **Corroborates:** profit_to_cash

Material notes captured

Note	Discloses	Prior	This year	Impact	Signal
30 (p.91)	***Discrepancy in Sundry Debtors reported to banks vs books (variance of ~4% across all quarters)***	not disclosed	Rs 1.71 Cr variance in March 2026	Suggests potential reporting adjustments or provisional accounting for bank covenants	negative
5 (p.84)	**Allotment of 12.47 lakh convertible warrants at Rs 169 per share**	none	Rs 5.27 Cr received	Provides near-term equity buffer but creates future dilution risk (Diluted EPS Rs 8.15 vs Basic Rs 8.18)	neutral
31 (p.94)	***Trade receivables, payables, and advances are subject to confirmation***	same	same	Audit quality caution on major balance sheet heads	negative
Note 16 (p.87)	***Inventory vs Sales Divergence***	31.54 Cr	62.10 Cr	Inventory grew 96.9% YoY while Sales grew only 22.14%	Revenue ↑↓ - possible slow-moving stock
Note 26 (p.88)	***Finance Cost Quality***	0.01 Cr	0.73 Cr	Interest on Statutory Dues spiked, indicating tax delays/ liquidity stress	Profit ↓ - non-productive cost

4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters * **Audit Opinion Type:** Unqualified. * **Key Audit Matters (KAMs):** * **Inventory Verification:** Prioritized physical verification and valuation of specialized raw materials (CRGO steel, copper) and high Work-in-Progress (WIP) levels, as inventory increased 96.90% YoY. * **Revenue Cut-off:** Focus on ensuring revenue recognition aligns with the transfer of control, particularly for high-value power transformers, to mitigate year-end loading risks. * **Auditor Details:** M/s PPN and Company (FRN: 013623S; Peer Review Cert: 020690). * **Significant Deficiencies:** Discrepancy (~4%) where Sundry Debtors reported to banks were □1.71 Cr lower than the books of account as of March 2026, attributed to "provisional reporting."

B. Related Party Transactions | Party | Relationship | Nature | Amount (□Cr) | Concern | | :--- | :--- | :--- | :---: | :--- | | ***Danya Electric Company*** | Partnership (CMD/WTD Interested) | Purchase of Goods | 25.58 Cr | □Significant sourcing dependency | | ***Danya Electric Company*** | Partnership (CMD/WTD Interested) | Sale of Goods | 24.60 Cr | □Circularity; 13.54% of Revenue | | ***Vee Rajmohan*** | CMD / Promoter | Unsecured Loan Taken | 3.11 Cr | □ Reliance on promoter liquidity | | ***Jai Bharath Exchangers*** | Partnership (CMD/WTD Interested) | Purchase of Goods | 1.66 Cr | □Related party sourcing leakage | | **Vee Rajmohan** | CMD | Remuneration | 0.60 Cr | **Positive** stable compensation | | **V.N. Pradeep Kumar** | WTD | Remuneration | 0.54 Cr | **Positive** stable compensation |

C. Shareholding * **Promoters:** 71.02% (Stable YoY) * **FIIs:** 0.00% * **DIIs:** 0.00% (Down from 2.68% in Sep 2024) * **Public:** 28.98% * **Promoter Pledged Shares:** 0.00%

D. Board Composition + KMP Compensation * **Total Directors:** 5 * **Independent %:** 40.00% (Does not meet the 50% preferred threshold). * **Women Directors:** 1 (Saimathy Soupramanien). * **KMP Compensation:** * Vee Rajmohan (CMD): □0.60 Cr (0% growth; 1.80% of EBITDA). * V.N. Pradeep Kumar (WTD): □0.54 Cr (0% growth; 1.62% of EBITDA). * *Note:* Company started paying remuneration to relatives **R Sribarati** and **Tarun Pradeep**, introducing potential value leakage via extended family payroll.

F. Capital Allocation & Capex | Action | FY Current (□Cr) | FY Prior (□Cr) | % of CFO | Signal | | :--- | :---: | :---: | :---: | :---: | | ***Net Debt Change*** | 31.23 Cr | 1.64 Cr | 120.12% | □| | ***Capex*** | 57.00 Cr | 40.00 Cr | 219.23% | □| | ***Working Capital Investment*** | 3.00 Cr | 17.03 Cr | 11.54% | □| | **Interest Payments** | 1.47 Cr | 2.54 Cr | 5.65% | □| | **Equity Issuance (Warrants)** | 5.27 Cr | 0.00 Cr | 20.27% | **Positive** |

CAPEX Analytical Notes: * **CFO Coverage of Capex: 0.45x**. Significant funding gap of □31.00 Cr bridged by long-term bank borrowings. * **Nature of Capex:** Growth capex. **□40.31 Cr was moved from CWIP to PPE** to operationalize the Kannur facility (9,000 MVA). * **Deployment Efficiency: ROCE dropped from 25% to 18%** as the capital base grew faster than operating profits, indicating recent borrowings are not yet value-accretive.

H. Risks * ***RPT Concentration (High):*** 30% of revenue involves Danya Electric (Promoter interest), creating potential for tunneling or circular sales. * ***Receivable Aging (High):*** Receivables > 1 year rose from □3.44 Cr to □6.05 Cr (76% spike), indicating SEB collection stress. * ***Debt Service Pressure (High):*** DSCR fell from 8.62 to 2.48 (71% drop), leaving little room for margin contraction. * ***Commodity Volatility (High):*** Raw material costs are 75% of sales; price spikes in copper/steel could significantly impact PBT. * ***Guarantees Exposure (Medium):*** Bank Guarantees/EMD at □5.37 Cr; invocation would consume 25% of annual Net Profit. * ***Dilution Risk (Medium):*** 12.47 lakh warrants pending conversion will lead to ~5% equity dilution in FY27-28.

5. SCORECARD & VERDICT

Part A: Scorecard

Dimension	Rating (1–5)	Delta	Key Evidence	One-line Rationale
Business Quality	4	↑	3.2x Book-to-bill; graduation to 220kV	Technical transition to higher-margin, high-entry barrier segments.
Financial Health	2	↓	DSCR 2.48; Debt ↑ 167%; Negative FCF	Aggressive debt-funded expansion has significantly strained liquidity.
Earnings Quality	2	↓	Interest on statutory dues; 30% RPT Rev	Pressured by non-productive costs and high circular RPT dependency.
Management & Governance	3	↓	30% RPT Rev; Relatives on payroll	Adequate compliance but high RPT circularity and family-concentrated control.
Capital Allocation & Earnings Visibility	3	→	ROCE 18% (from 25%); □588 Cr Order Book	Strong revenue visibility but capex not yet value-accretive to returns.

BUSINESS POSITIVES (for this company this year) * □**[Technical Graduation]** Successfully commissioned Kannur facility, moving capacity from 50 MVA/132 kV to 200 MVA/220 kV. * □**[Revenue Visibility]** Massive consolidated order book of □**588.17 Cr** provides a book-to-bill ratio of 3.24x. * □**[Customer Advances]** Advance from customers surged 522% to □**17.19 Cr**, providing interest-free working capital. * □**[Capacity Expansion]** Installed capacity increased 3.6x to 9,000 MVA, offering significant operating leverage for FY27-28.

BUSINESS NEGATIVES / CONCERNS (for this company this year) * □**[Leverage Stress]** Total debt surged 166.6% to □**49.97 Cr**, causing DSCR to collapse from 8.62 to 2.48. * □**[CFO Quality]** CFO of □26 Cr is heavily dependent on stretching **Trade Payables** (which rose □30.67 Cr), and **Free Cash Flow** is negative □32 Cr. * □**[Governance/RPT]** RPT circularity stands at **30% of Revenue** (□54.84 Cr), with management seeking to hike limits to □125 Cr. * □**[Liquidity Red Flag]** Finance costs include □**0.73 Cr** in interest on statutory dues, indicating GST/TDS payment delays. * □**[Inventory/WIP Stress]** Inventory grew 96.9% YoY (to □**62.10 Cr**), far outpacing revenue growth of 22.1%.

OVERALL SCORECARD SUMMARY Supreme Power Equipment is in a high-risk, high-reward transition phase where its technical capabilities have outpaced its current financial strength. While the graduation to the 220 kV segment and a 3.2x book-to-bill ratio provide a strong growth foundation, the company's financial health has deteriorated due to aggressive debt-funded capex and negative free cash flow. Governance is a key monitorable, given the high circularity of related party transactions (30% of revenue) and signs of liquidity tightening evidenced by interest on statutory dues. The trajectory is currently "Stable with Downside Risk" until the Kannur facility demonstrates fixed-cost absorption and ROCE recovery.

Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	□	Unqualified opinion (p.79)
2	Promoter pledge = 0?	□	0.00% pledge (p.51)
3	KMP pay < 5% of PAT?	□	Total WTD/CMD rem is ~5.5% of PAT; individual KMPs < 5%
4	RPT quantum < 5% of revenue?	□	30.19% of revenue (□54.84 Cr)
5	Board > 50% independent?	□	40% independent (2 of 5)
6	At least 1 woman director?	□	Saimathy Soupramanien
7	No statutory dues outstanding?	□	□0.73 Cr interest paid on statutory dues (delays)
8	No fraud reported?	□	No fraud reported by auditors
9	Audit trail enabled?	□	Standard compliance reported
10	Frequent Auditor change	□	M/s PPN and Company (2023-2028)
Final line: "Total: 7/10 □— Governance Rating: 3"			

Part C: Investor Verdict

THESIS: High-leverage technical play on India's transmission infrastructure expansion, graduating from distribution to 220kV transformers. **OVERALL STANCE:** WATCH **RATIONALE:** Strong technical tailwinds and order book are currently offset by deteriorating debt coverage and high RPT circularity. **RE-EVALUATE WHEN:** Capacity utilization at Kannur facility reaches 70% OR DSCR recovers above 4.0x. **BULL CASE:** Successful qualification in 220kV segment with national utilities leads to 25%+ EBITDA margins and debt reduction. **BEAR CASE:** Working capital trap from 3.2x book-to-bill ratio leads to a liquidity crisis or significant equity dilution. **KEY MONITORABLE:** Inventory Turnover Ratio: 2.89x → Target 4.0x.

7. YEAR-OVER-YEAR ANALYSIS

7.1 Changes

Metric / Theme	Summary A Status	Summary B Status	Forensic Takeaway
Capital Allocation & Debt	De-leveraging phase using IPO proceeds; Debt at ₹1.64 Cr (0.02x D/E).	Aggressive re-leveraging; Total Debt surged 166% to ₹49.97 Cr with limits hiked to ₹500 Cr.	The company has pivoted from a post-listing clean balance sheet to a high-leverage expansion model that significantly strains debt service coverage.
Asset Base & Capacity	Growth-focused CWIP of ₹2.18 Cr targeting 9,000 MVA by Dec 2025.	Successful capitalization of ₹40.31 Cr; Net Block jumped from ₹15 Cr to ₹92 Cr.	The entity has transitioned from a distribution-transformer manufacturer to a high-voltage transmission player, incurring a 270% spike in depreciation charges.
Working Capital Anomalies	Receivables reduction but ₹4.22 Cr (13%) aged >6 months.	Inventory nearly doubled to ₹62 Cr while "Interest on Statutory Dues" spiked to ₹0.73 Cr.	A massive inventory build-up and the emergence of interest on delayed tax payments signal acute liquidity stress despite accounting profit growth.
Management Tone	Defensive and strategic; focused on "Green Energy" proxy and IPO deployment.	Aggressive and technocratic; declaring the "Safety First" phase over to pursue 220kV migration.	Management has shifted to an opportunistic stance that prioritizes technical graduation and order-book scaling over balance sheet stability.
Cash Flow Profile	CFO lower than PAT due to initial inventory build; funding gap met by new debt.	Negative Free Cash Flow of -₹32 Cr; CFO supported primarily by stretching MSME payables.	The quality of cash flow has deteriorated as the company is now forced to utilize supplier credit and promoter loans to bridge the massive gap between profit and actual cash.

7.2 Persistent Patterns

- **High Related Party Transaction (RPT) dependency** remains the primary governance risk, with 27–30% of revenue consistently involving promoter-interested entities like Danya Electric.
- **Structural reliance on State Electricity Boards (SEBs)** continues to dictate risky receivable cycles, evidenced by the persistent aging of dues in the >6-month and 1-2 year buckets.
- **Severe commodity sensitivity** remains unhedged, with raw material costs (specifically CRGO steel and copper) consistently consuming 75–77% of total revenue.
- **Sub-optimal governance architecture** persists, characterized by a board that remains below the 50% independence threshold and continued reliance on a regional audit firm as the scale reaches ₹500 Cr+ debt levels.
- **Chronic cash conversion issues** remain present across both periods, as accounting profits (PAT) are consistently trapped in inventory and security deposits rather than converting to free cash flow.
- **High off-balance sheet exposure** via bank guarantees and corporate guarantees (ranging from ₹12 Cr to ₹14 Cr) continues to rival or exceed the company's annual net profit.
- **Aggressive asset sweating** is a recurring trait, with management pushing production limits and technical boundaries (from 132kV to 220kV) to justify the high-leverage business model.

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v5-Gemini | *73 pages* | *80 chunks*