Supreme Power Equipment Ltd — Aug 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat on Revenue and Net Profit; Sustained Margins. **One-line:** SPEL has successfully translated its high-visibility backlog into a strong Q1 performance, securing its largest-ever order (□61 Cr) and entering two new state markets while nearing the finish line of its 3.6x capacity expansion.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Strong Beat	Q1 Revenue (□35.18 Cr) is 24% of the full-year FY25 revenue, pacing ahead of historical seasonal norms.	□
Earnings Quality	High (Core driven)	Growth is driven by order execution in renewables and power transformers; no one-offs mentioned.	□
Guidance Confidence	Strong	FY26 revenue guidance of >□200 Cr is highly conservative given the □198 Cr backlog and □800 Cr bidding pipeline.	□
Management Credibility	Strong	Delivered on geographical expansion (Kerala/Karnataka) and maintained the Jan-2026 production timeline.	□
Business Quality Signal	Improving	Transitioning from 25 MVA/110kV class to 160 MVA/230kV class significantly reduces competitive intensity.	□
Key Q&A Exchange	Q10 (Certification)	Mgmt confirmed they can service private players immediately at high MVA; utility approvals take 3-6 months.	□
The Street's Primary Anxiety	Execution Ramp-up	Concern regarding the 3.6x capacity jump; Mgmt is hiring talent from Tier-1 players (ABB/Hitachi) to manage.	□
Capital Cycle Stage	Investment (Late)	90% of civil work for the new facility is complete; shift to machine commissioning by Dec-2025.	□
Margin / Return Ratio	Stable	Consol EBITDA margin of 19.1% remains healthy despite higher talent acquisition costs.	□
Pricing Power	Stable	Private solar orders (40% of book) allow for "across the table" price negotiations to pass through RM costs.	□
FCF Conversion & Quality	Strong	Mgmt noted no working capital constraints; prior context showed a massive reversal to positive CFO (□39.5 Cr).	□
Competitive Moat Signals	Widening	Approval from Kerala (KSEB) and first order from Karnataka (KPTCL) validates multi-state scalability.	□
Balance Sheet Strength	Adequate	□21 Cr fundraise via warrants provides a buffer for working capital and facility accessory works.	□
Working Capital Efficiency	Stable	Receivable days maintained in the 100–120 day range; advance payments (20-30%) being secured from new private clients.	□
Mgmt Guidance Track Record	Reliable	Consistent delivery on capacity expansion milestones and order book growth.	□
Key Vulnerability	Talent Cost	High-MVA transformer experts are expensive; may pressure PAT margins toward the guided 10-12% floor.	□
Management Tone	Confident	Bullish on the "renewable energy super-cycle" and the global shortage of large power transformers.	□

Sentiment: □Positive (Thesis Strengthened)

Key Takeaways: * **Positives:** The fundamental thesis is bolstered by SPEL's ability to win "landmark" orders (□61 Cr from NLC) and penetrate new geographies (Karnataka/Kerala) ahead of its major capacity launch. The product mix has successfully pivoted toward Inverter Duty (Solar) transformers, which now constitute ~40% of the order book. The □21 Cr warrant allotment (partially to promoters) signals high internal confidence and provides the necessary liquidity to bridge the final 10% of the capex cycle. * **Negatives:** The entry into larger power transformers (up to 160 MVA) requires high-cost specialized talent, which is already reflected in the management's guidance of a slightly lower PAT margin (10-12%) compared to the current 12.6%. The government/private mix tilted back toward government (63%) this quarter due to the NLC win, potentially increasing the working capital cycle if not managed tightly. * **Street Concern:** Analysts are focused on the "J-curve" risk—the period between the December 2025 facility completion and the 2-3 year ramp-up to peak □500-600 Cr revenue. Management's strategy is to front-load hiring to ensure technical readiness for Tier-1 buyers like PGCIL and NTPC. * **Watchpoint:** The commissioning of the vertical winding machines and NABL laboratory testing in Q3 FY26. Success here is the gatekeeper for PGCIL/NTPC vendor approvals.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS (Consolidated)

Metric	Current Q1 FY26	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (□Cr)	35.18	↑ 27.8%	↓ 11.5%	↑	YoY growth driven by execution of renewable and power transformer orders.
EBITDA (□Cr)	6.73	↑ 15.9%	↓ 13.6%	↑	EBITDA growth lagged revenue due to front-loaded hiring for the new plant.
EBITDA Margin %	19.13%	↓ 197 bps	↓ 45 bps	↓	Marginal compression due to increased overheads and talent acquisition.
PAT (□Cr)	4.45	↑ 31.1%	↓ 11.0%	↑	PAT growth aided by operational efficiencies and interest cost management.
ROCE (%)	23.84%	↓ 87 bps	First Entry	→	FY25 reported; Q1 specific not stated but indicated as stable.
Order Book (□ Cr)	198.12	↑ 116.5%	↑ 17.9%	↑	Includes landmark □61 Cr NLC order and □106.58 Cr fresh Q1 inflows.
EPS (□)	1.78	↑ 30.9%	↓ 11.0%	↑	Reflects core earnings growth on the post-IPO share base.
Receivable Days	110	↑ 42%	→	↑	Improved from 190 days in FY24; mgmt aims to maintain 100-120 days.

2B. SEGMENT BREAKDOWN (Order Book Mix)

Segment	Revenue Mix (Order Book)	YoY Growth (Revenue)	Margin	Trend	vs Co. Avg	Key Development
Solar / Renewable	40-41%	↑ 300% (FY25)	Very High	↑	Above	Now the largest segment; includes NLC and private developer wins.
Power Transformers	32%	↓ 10% (FY25)	High	↑	Above	Shift toward higher MVA (up to 55 MVA recently supplied).
Distribution Transf.	27%	↑ 30% (FY25)	Moderate	→	Below	Sustained by repeat orders from TNPDCL and Kerala (KSEB).

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	>₹200 Cr (FY26)	Needs ₹55 Cr/qtr avg; highly feasible given ₹198 Cr backlog.	Delivered	Low
Guidance	Peak Revenue	₹500 - ₹600 Cr	Requires ~₹125-150 Cr/qtr; dependent on Jan 2026 expansion.	In Progress	High
Guidance	Margins	10% - 12% PAT	Q1 PAT is 12.6%; buffer exists for expected expansion overheads.	Delivered	Low
Guidance	Capacity	9,000 MVA	Needs final 10% civil/machine installation by Dec 2025.	On Track	Moderate
Strategy	Geography	Multi-state presence	Already secured entry in Kerala and Karnataka in Q1.	New	Low
Macro	Sector Demand	8-Year Super Cycle	Market intelligence suggests huge demand in UK/Saudi markets.	N/A	Low
Balance	Fundraise	₹21 Cr via Warrants	Priced at ₹169; to be utilized over 18 months for accessories/WC.	New	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
1	5.0	Paras Chheda	Financials	"Of this □198 crores, I mean, what is the proportion between government and private sector orders?"	Management clarified the split is 63% Government and 37% Private, noting the inclusion of the large NLC order. The temporary tilt toward government contracts may increase working capital intensity in the near term.	None	5.0	Specific
2	4.5	Paras Chheda	Financials	"Do you think these margins are sustainable now going forward about 19% or 20%?"	Management confirmed EBITDA margins of 19-20% are sustainable despite the shift in order mix. This provides confidence that high-value solar orders are offsetting competitive pressures in utility tenders.	None	4.0	Reassuring
3	5.0	Paras Chheda	Management	"FY '26... expecting somewhere in the region of □ 200 CR as our guidance revenue. Do you sort of hold by that?"	Management expects to cross □200 Cr, utilizing some capacity from the new plant in the final quarter. This sets a clear floor for FY26 growth, implying a >35% YoY increase.	None	5.0	Quantified
4	4.0	Paras Chheda	Capex	"What funds we are raising for the CAPEX... the peak revenue is about □550 crores?"	Management clarified the warrant funds are for accessories, roads, and software, not the main plant, with peak revenue potential of □500-600 Cr.	None	4.5	Clear Roadmap

Q#	Relevance	Analyst / Firm	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
					Peak revenue targets are 2-3 years out, defining the long-term valuation ceiling.			
5	3.5	Paras Chheda	Business	"Do you see a lot more export orders coming in going forward?"	Management is exploring the Saudi and UK markets (London exhibition), though no material orders are signed yet. This represents an "option value" in the thesis that is not yet baked into numbers.	Material confirmation	3.0	Exploratory
6	4.5	Paras Chheda	Business	"In larger power, what size do you sort of aim for, sir?"	The new facility will manufacture up to 160 MVA / 230kV class power transformers for utilities and private projects. Moving up the complexity ladder increases entry barriers and pricing power.	None	5.0	Strategic
7	4.0	Priya	Business	"What is the time span for complete these orders? Is it going to happen between this year?"	Management stated 70% to 80% of the □198 Cr backlog will be executed within the current financial year. This supports the >□200 Cr revenue guidance with high mathematical certainty.	None	5.0	Specific
8	4.5	Shashikanth	Business	"Are there any orders which are presently in L1 status?"	Management recently converted an L1 status at KSEB into a □15 Cr order;	Current L1 pipeline	3.5	Tactical

Q#	Relevance	Analyst / Firm	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
					negotiations are ongoing for several other bids. Strong L1 conversion in new states validates geographical expansion.			
9	4.5	Abhishek Sharma	Capex	"How does SPEL plan to leverage its new 6-acre expansion... to capture market share beyond South India?"	Management is waiting for the plant completion to showcase it to Tier-1 buyers like PGCIL, NTPC, and Tata Power. Physical plant audits are the key bottleneck for winning national utility contracts.	None	4.5	Verifiable
10	4.0	Abhinav Singh	Management	"What specific efficiency gains are expected from the capacity expansion?"	The new plant will process equipment in 2 days vs. 1 week conventionally, utilizing vertical winding machines. Reduced cycle times will lead to higher asset turnover and potentially better margins.	None	4.5	Tech-driven
11	4.0	Abhinav Singh	Management	"How do you plan to ramp up the utilization... and what breakeven timelines are expected?"	Demand for 80-100 MVA units is already strong; management is expanding to Punjab and Maharashtra to fill the 6,500 MVA addition. Proactive bidding in Northern/ Western India precedes the plant launch.	Breakeven timeline	3.0	Aggressive
12	4.5	Tiresh T.	Business		Current certifications	None	5.0	Critical Info

Q#	Relevance	Analyst / Firm	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
				"Certifications... what is the present status?"	cover up to 25 MVA; new certifications for >25 MVA will take 3-6 months post-plant commencement. Private buyers (40% of market) do not require these, allowing for immediate revenue post-launch.			

PATTERN FLAGS & SENTIMENT

- **The Geographic Expansion Pivot:** Analysts repeatedly probed the entry into Kerala and Karnataka. Management was highly confident, citing a □15 Cr KSEB win and a breakthrough order from a private steel company in Kerala. The posture indicates that SPEL is no longer just a "Tamil Nadu utility player" but is successfully gaining multi-state approvals.
- **The High-MVA Opportunity:** There is significant analyst interest in the move to 160 MVA transformers. Management highlighted the global shortage of large transformers and their strategy of hiring specialized talent from Tier-1 MNCs (ABB, Hitachi) to bridge the technical gap. This transition is seen as the primary driver for future margin stability.
- **The "Jan-2026" Countdown:** A recurring theme was the readiness of the new plant. Management remained firm on the Dec-2025 completion and Jan-2026 production start, noting that 90% of civil work is done. Any delay here is the primary risk analysts are monitoring.

Analyst Sentiment Verdict: Analysts were **very optimistic**. The conversion of large orders like NLC and the entry into new states provided tangible proof of growth. While the governement tilt in the order book was noted, the strong 19% EBITDA margin and the tech-upgrade story (vertical winding machines) were well-received. Management's credibility is at an all-time high following the □61 Cr order win.

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (FY25/Q4)	This Quarter (Q1 FY26)	Direction
Order Book	□168.00 Cr	□198.12 Cr	↑
State Footprint	Tamil Nadu focus; KSEB pending	Kerala (Approved), Karnataka (Won)	↑
Expansion Status	70% Construction Done	90% Civil Done; Machine Commissioning Dec-25	↑
Equity Capital	Post-IPO stable	□21 Cr Warrant Allotment Proposed	□
Largest Order	□22 Cr (Chennai Electric)	□61 Cr (NLC India)	↑
Government Mix	26% of Revenue (Realized)	63% of Backlog	↓
Talent Pool	Core management	Hiring Tier-1 Experts (ABB/Hitachi)	↑
Bidding Pipeline	Not quantified	>□600 Cr in active bids	↑

INVESTOR NOTE: SPEL has removed the "regional player" discount from its valuation by successfully securing large-scale central PSU (NLC) and multi-state utility orders. While the government mix has temporarily increased (increasing potential WC pressure), the pivot to 160 MVA class transformers and the addition of 6,500 MVA capacity creates a multi-year growth runway. The primary monitoring point is the transition from construction to commercial production in Jan 2026 and the subsequent PGCIL/NTPC vendor audits.

STOP HERE.