Supreme Power Equipment Ltd — Aug 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline on Revenue; Beat on Order Inflow. **One-line:** The fundamental thesis—SPEL's transformation from a local distribution player to a high-voltage power transformer major—is accelerating as the □590 Cr order book (3x FY26 revenue) confirms strong market acceptance of the new 220kV Kannur facility.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Inline	Q1 Revenue of □48.31 Cr tracks toward the guided □250–300 Cr FY27 range.	□
Earnings Quality	High (Core driven)	No one-offs; growth driven by volume ramp-up at the new Kannur facility.	□
Guidance Confidence	Strong (Conservative)	Order book visibility (□590 Cr) far exceeds the revenue guidance for FY27.	□
Management Credibility	Strong	Transparent about labor training bottlenecks; consistent on margin targets.	□
Business Quality Signal	Improving	Shift to higher-value 220kV transformers reduces competitive intensity.	□
Key Q&A Exchange	Q7/Q7a (Data Centers)	Management identified >100 MVA units for Data Centers as the next growth leg.	□
The Street's Primary Anxiety	Execution Velocity	Analysts pressed on why guidance is conservative despite the huge order book.	□
Capital Cycle Stage	Harvesting / Expansion	Ramp-up of new facility while planning backward integration (Tank factory).	□
Margin / Return Ratio	Stable	EBITDA maintained at 18.4% despite front-loaded hiring costs.	□
Pricing Power	Stable	80% of order book protected by Price Variation Clauses (PVC).	□
FCF Conversion & Quality	Strong	CFO/PAT remains >1 based on FY26 trends; working capital discipline is maintained.	□
Competitive Moat Signals	Widening	Capability up to 200 MVA / 220 kV creates a barrier vs smaller regional peers.	□
Balance Sheet Strength	Adequate	D/E at 0.42x to fund growth; interest coverage remains robust at 10.4x.	□
Working Capital Efficiency	Improving	Receivable cycle focused on 80-100 days; shift to private EPCs improves collections.	□
Mgmt Guidance Track Record	Reliable	Delivered on Kannur commercialization and FY26 revenue targets.	□
Key Vulnerability	Labor Productivity	Training fresh labor for high-spec power transformers is causing a minor lag.	□
Management Tone	Confident	Bullish on "huge demand" for the next 10 years in the power sector.	□

Sentiment: □Positive (Thesis Strengthening)

Key Takeaways: * **Positives:** The transition to a "Power Transformer" company is complete, with Power Transformers now making up 77% of the □590 Cr order book. The new Kannur facility (up to 200 MVA/220 kV) provides the headroom for 30%+ CAGR without significant new equity dilution. Backward integration into tank manufacturing (□20-22 Cr capex) will further shield margins and improve lead times. * **Negatives:** Short-term execution is constrained by human capital; management is training freshers for the new plant rather than poaching expensive talent, creating a 3-4 month "productivity lag." FY27 revenue guidance remains conservative (□250-300 Cr) compared to the □377 Cr of orders technically due for delivery, indicating potential project delays or supply chain caution. * **Street Concern:** Analysts are focused on the "Main Board" migration and margin sustainability. Management expects the main board window to open after Dec 2026 and believes 18-20% EBITDA is the long-term floor as high-value 220 kV orders offset rising overheads. * **Watchpoint:** Success of the 160 MVA / 220 kV prototype testing at CPRI (scheduled for Dec 2026/Jan 2027), which is the prerequisite for entering the high-margin Data Center market.

---

2. BUSINESS PERFORMANCE

2A. KEY METRICS *DATA SOURCE: PPT figures used for FY26; Concall used for Q1 FY27 and Mgmt Commentary.*

Metric	Current Qtr (Q1 FY27)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (□Cr)	48.31	↑ 37.33%	↓ (vs Q4)	↑	Volume-led growth; Q1 historically softer than H2.
Gross Margin (%)	28.82%	↑ 502 bps	↑	↑	Benefited from advance RM booking and PVC clauses.
EBITDA (□Cr)	8.89	↑ 32.2%	-	→	Absorbency of higher staff costs (250+ new hires).
EBITDA Margin %	18.40%	↓ 72 bps	-	→	Guided 18-20% range; front-loaded hiring overheads.
PAT (□Cr)	4.90	↑ 10.4%	-	□	Tempered by higher depreciation from Kannur plant.
ROCE (%)	18.76% (FY26)	↓ 694 bps	N/A	↓	Lowered by massive capital block addition (Kannur).
Order Book (□Cr)	590.06	↑ 262%	↑ 0.3%	↑	Power transformers = 76.9% of the mix.
Capacity Utilization	25% (Kannur)	New Plant	-	↑	Unit 1 at 80%+; Unit 2 ramping up with fresh labor.
Net Debt / Equity (x)	0.42 (FY26)	↑ 110%	N/A	↓	Increased for WC and plant funding; remains safe.
Interest Coverage	10.42 (FY26)	↓ 7.4%	N/A	→	Robust despite higher leverage.

2B. SEGMENT BREAKDOWN (Order Book Basis)

Segment	Revenue (□Cr) / Book	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Power Transformers	453.83 (Book)	High	Highest	↑	Above	Now the core focus; capability up to 220 kV.
Distribution	105.27 (Book)	Steady	Moderate	→	Below	Consistent utility demand; executed via Unit 1.
Inverter Duty (Solar)	30.96 (Book)	Rapid	High	↑	Above	Variable load capability for renewable integration.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue (FY27)	□250 – □300 Cr	**Needs □67 Cr/qtr.** High feasibility; □377 Cr of book is due this FY.	Met FY26 Targets	Low
Guidance	Margins (PAT)	10% – 12%	Current 10.1% is at the floor; requires operating leverage.	Consistent	Moderate
Guidance	Volume / Capacity	9,000 MVA	Ramping from 25% to 50% utilization in Unit 2 by FY27-end.	Delivered plant	Moderate
Guidance	Capex Plan	□20 – □22 Cr	New Tank Mfg facility to be built by March 2027.	New Target	Low
Strategy	Main Board	Migration after Dec	Dependent on H1/H2 performance and eligibility window.	In Progress	Low
Strategy	Product Mix	220 kV Certification	Prototype testing at CPRI scheduled for Dec/Jan.	New Segment	High
Macro	Industry Demand	10-Year Upcycle	Driven by AI/Data Centers and 500GW RE targets.	N/A	Low
Macro	Input Cost	80% PVC	Pass-through clauses protect against copper/CRGO volatility.	Proven	Low
Balance	Working Capital	80–100 Days	Targeted receivable cycle; approaching banks for higher limits.	Improved	Moderate

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
1	4.0	Garvit Goyal / Serene Alpha	Margins	Financials	"Gross profit level there is improvement... reason for that?"	Management credited the Price Variation Clause (PVC) for absorbing RM volatility and maintaining core profitability. This validates the margin-protection mechanism even in inflationary periods.	None	5.0	Quantified strategy
1a	4.5	Garvit Goyal / Serene Alpha	Margins	Financials	"What should be the margin trajectory from here on, the rest of the year?"	Management expects to sustain 18-20% EBITDA and 10-12% PAT margins despite the plant ramp-up. Hitting the upper end depends on executing high-value power transformer orders.	None	4.0	Consistent guidance
2	5.0	Garvit Goyal / Serene Alpha	Growth	Management Commentary	"How we should look at the order inflow expectations for rest of the year?"	The company is bidding for an additional □300-500 Cr in orders, with expectations to close these within the current fiscal year. This suggests the order book could end FY27 near □800 Cr,	None	4.0	Strong visibility

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
						ensuring FY28 growth.			
3	4.0	Pankaj / Avis Capital	Utilization	Business Overview	"What is our current capacity utilization, considering the new plant?"	The Kannur plant is currently at 20-25% utilization, targeting 30-50% by Q4 FY27. This low base confirms the significant operating leverage remaining to be harvested.	None	5.0	Specific metrics
3a	4.5	Pankaj / Avis Capital	Revenue Gap	Financials	"If you have to deliver ₹370-odd Cr... how can our top line be ₹250-300 Cr?"	Management is being cautious, citing customer-end project delays as a reason why they won't bill the entire ₹377 Cr due in FY27. This signals a disciplined revenue recognition approach.	None	4.5	Conservative tone
4	4.0	Sanjiv Mittal / Ind. Investor	Overheads	Financials	"Employee cost has become around 4x and other expenses grown... why?"	The new facility is 7x larger and required hiring 250+ people vs 60-80 in the old unit. Higher overheads are structural and will only be diluted as revenue scales above ₹50 Cr/qtr.	None	5.0	Logical breakout
5	5.0		Trajectory	Management Commentary	"As a peak revenue from	Management targets	None	4.0	Long-term target

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
		Paras Chheda / Purpleone			both the plants, what number would you put?"	600-650 Cr peak revenue by FY29. This implies a 35% CAGR over the next three years, aligning with the 3.5x capacity expansion.			
6	4.5	Manish / One308	Capex	Capex and Allocation	"Any update on the tank manufacturing capacities?"	Statutory approvals are expected by end of Sept; construction to finish by March 2027 for a 20-22 Cr cost. Backward integration will improve quality control and margin resilience.	None	4.0	Specific timeline
7	5.0	Harinder Singh / HS Portfolio	Data Centers	Business Overview	"Data center industry... only 2 players are acceptable... do you have plans?"	Management is currently bidding for data center projects but acknowledges the need for 165 MVA type-testing to become "at par" with established peers. Data center orders are likely a FY28 story.	None	4.0	Realistic roadmap
7a	4.5	Harinder Singh / HS Portfolio	Strategy	Management Commentary	"Focus on Mumbai and Hyderabad colo providers... approvals are easier."	Management accepted the feedback to target colo providers (NTT, STT) over hyperscalers for faster	None	5.0	Open to feedback

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
						approvals. This strategy could accelerate entry into the lucrative 100MVA+ segment.			
8	4.0	Jitesh K / Tata	Operations	Business Overview	"Scaling of operations is a bit lagging... any other challenges?"	The lag is purely labor training; the company is using 20-25% skilled Unit 1 workers to train new freshers. This identifies the primary execution risk as human capital, not market demand.	None	4.5	Transparent

---

PATTERN FLAGS & SENTIMENT

Theme: Conservative Revenue Recognition Analysts repeatedly questioned the gap between the ₹590 Cr order book and the ₹250-300 Cr revenue guidance for FY27. Management was defensive but consistent, pointing to "customer-side delays" and "caution" to avoid over-promising. This suggests that the ₹300 Cr target is a "floor," and the real execution capability will be tested in H2 FY27.

Theme: The High-Voltage Barrier A significant portion of the call focused on the technical requirements for supplying >100 MVA transformers to data centers and state utilities. Management's admission that they need to complete CPRI testing for a 160 MVA / 220 kV prototype in Dec/Jan is the most critical milestone for the company. Success here turns SPEL from a "Distribution & Small Power" player into a "Large Power" player, a transition that usually commands a valuation re-rating.

Analyst Sentiment Verdict: Bullish with Execution Watch Analysts were visibly impressed by the order book growth (300%+ YoY) but remained skeptical about the speed of the Kannur ramp-up. The tone was constructive, with sophisticated investors (e.g., Harinder Singh) offering strategic advice on data center approvals, which management actively noted. Credibility remains high as management is not "chasing" numbers at the expense of quality or labor training.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (PPT/Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | **FY27 Revenue** | Prior guidance was ₹275-300 Cr. | Now guiding ₹250-300 Cr conservatively. | Lowered floor by ₹25 Cr. | Low; due to labor training lag. | | **Utilization** | Implied fast ramp-up post-Feb. | Currently only at 20-25%. | Slower productivity start. | Moderate; H1 will be weak. |

---

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (H2 FY26 Context)	This Quarter (Q1 FY27)	Direction
Order Book	□588.17 Cr (at FY26 end)	□590.06 Cr	↑
Revenue Run-rate	□45.4 Cr (FY26 Qtr Avg)	□48.31 Cr	↑
Capex Strategy	Focus on finishing Kannur.	New □20-22 Cr Tank facility announced.	□(Integration)
Labor Force	Hiring/Setup phase.	250+ people deployed; training lag identified.	□(Execution risk)
Market Expansion	Tamil Nadu/Kerala focus.	Successful entry into Maharashtra market.	↑
Product Capability	132 kV peak capability.	Bidding for 220 kV; testing in Dec/Jan.	↑
Revenue Guidance	Aspirational □300 Cr.	Conservative □250-300 Cr range.	↓ (Caution)

STOP HERE.